

The Role of Laws and Regulations in Shaping  
Gentrification:  
The case of Beirut

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*to my mother, Afifé Hadifé*

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## ABSTRACT

It has been long established in gentrification studies that laws and regulations support and foster gentrification, but little research was conducted on their influence on this transformation beyond this initial phase. Therefore, this thesis is set to examine the laws' role in the gentrification process as a whole. To reach this objective, this paper will consider the impact of laws and regulations on the form that gentrification takes. This role is examined in three cases of gentrification in Beirut: the complete gentrification of the city center through a reconstruction process, a residential gentrification based on the construction of upscale high rises, and an economic form of gentrification related to a boom in the food and beverage, and creative industries. In these three cases the role of laws and gentrifications varied substantially, but as they created an appropriate setting for the development of gentrification, they also determined how these gentrifications developed, and even dictated to a considerable extent the outcome of these transformations. Gentrification proceeded aided by the legislations that assured maximum profit. In turn, gentrification is conditioned by these legislations and subject to them. Throughout this thesis, the rent gap theory – the gap between current and potential capitalized land rent – was used to analyze the role of laws and regulations in the gentrification process. The findings of this thesis provide a basis for developing this theory. Finally, the geographical location of Beirut in the so-called global south could raise several questions, as gentrification studies were developed in the Western world and in a context of advanced capitalism. This thesis argues that the global north-south divide is a false dichotomy, and what is of most relevance to gentrification studies is to examine the politico-economic core of the issue, rather than adopting a forced geopolitical perspective.

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# TABLES AND INDEXES

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ACDs	Arts, crafts, and design industries
AEB	Embassy of the United States of America in Beirut
AORB	Association of the Owners of Rented Buildings
APLH	Association for the Protection of the Lebanese Heritage
APSAD	Association pour la Protection des Sites et Anciennes Demeures
APUR	Atelier parisien d'urbanisme
BDL	Banque du Liban
BERMS	Bureau d'Etudes et de Recherches du Mouvement Social
BLF	Banque Libano-Française
BnF	Bibliothèque nationale de France
CAS	Central Administration for Statistics
CDR	Council for Development and Reconstruction
CoM	Council of Ministers
CRT	Committee for the Rights of Tenants
DGA	Directorate General of Antiquities
DGUP	Directorate General of Urban Planning
DPM	Deputy Prime Minister
F&B	Food and beverage industry
FPM	Free Patriotic Movement
GDP	Gross domestic product
GIS	Geographic information system
HCUP	Higher Council for Urban Planning
IRFED	Institut International de Recherche et de Formation Education et Développement

IT	Information technology
LAF-DGA	Lebanese Armed Forces, Directorate of Geographic Affairs
LBP	Lebanese Pound
LCP	Lebanese Communist Party
LF	Lebanese Forces
LGBTQ	Lesbian, gay, bisexual, transgender, and queer
LU-CRSLI	Lebanese University, Center of Research and Studies in Legal Informatics
MIG	Mediterranean Investment Group
MoM	Minutes of meeting
MP	Member of Parliament
NGOs	Non-governmental organizations
NNA	<i>National News Agency</i>
OEAB	Order of Engineers and Architects of Beirut
OEAT	Order of Engineers and Architects in Tripoli
OLJ	<i>L'Orient-Le Jour</i>
PM	Prime Minister
PSP	Progressive Socialist Party
RRoI	Return Rate on Investment study
REAL	Real Estate Association of Lebanon
sal	Société anonyme libanaise
sarl	Société à responsabilité limitée
SBH	Save Beirut Heritage
SGBL	Société Générale de Banque au Liban
Solidere	Société Libanaise pour le Développement et la Reconstruction de Beyrouth
SSNP	Syrian Social Nationalist Party
TB	Treasury Bill
TER	Total exploitation ratio
USD	United States Dollar

## Glossary

*Al-Nahda*: The renaissance of Arab letters and culture in the nineteenth century.

*‘Ammiya* (plural *‘Ammiyat*): commoners’ movement or revolt.

*Beyt*: home.

*Fatwa*: a religious legal opinion.

*Furn*: oven or bakery.

*Ha’ik* (anglicized as *Hayek*): weaver.

*Jimmaiz* (which gave its name to Gemmayze): *Ficus sycomorus* tree.

*Mar*: saint or lord, in the Aramaic/Syriac language.

*Makan*: place.

*Masha’*: village or town commons.

*Mutasarrifiya*: Ottoman district with special administrative status.

*Nahr*: river.

*Qahwa*: Café.

*Qzaz* or *’zaz* (Lebanese dialect for *zujaj*): glass.

*Sanjaq*: subdivision of a *Wilaya*.

*Suq* (anglicized as *souk*): marketplace or commercial quarter.

*Tanzimat*: Ottoman centralizing and modernizing reforms, between 1839 and 1876.

*Tariq*: road.

*Wilaya*: main Ottoman administrative unit.

*Zawal*: ephemeral.

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## NOTES

### Note on transliteration

Adopting fully a scientific transliteration system would have been futile since first, most of the consulted documents were in English or French and not in Arabic, and second, several actors mentioned in this thesis had also written books or articles in English or in French. Not to forget that nearly all high rises or bars had English or French names, some of which include surnames, such as Sursock Yards. Therefore the spelling chosen by the respective authors for their surnames was kept as it is, while for the rest, the most common spelling used in English literature is adopted. For instance, Sursock and Chiha will be used instead of the more exact transliteration of Sursuq and Shiḥa. In addition, same surnames can be spelled differently either by their holders or in the English literature. This is the case of Khoury, Khouri, and Khuri. In such cases the version adopted by the author is preserved in the text, while in the body of the text the closer version for an English transliteration is used. In the aforementioned example, it would be Khuri. As for names of places, they were left in their most common form used in English literature, as Tripoli or Mar Mikhael, instead of Ṭarāblus and Mār Mkhāyil. The definite article *al-* is removed from surnames, for instance Hoss is used instead of al-Hoss, but it is maintained in place names, for example Furn al-Hayek. For the few Arabic words in the text, and for the Arabic titles in the bibliography, the transliteration adopted by the International Journal of Middle East Studies is used. This transliteration is done without the use of diacritics except for the letter ‘Ayn and for the *Hamza*, symbolized respectively by ‘ and by ’. For example, ‘Ammiyat and Ta’ifiya.

### Note on translated quotations

Quotations used from non-English sources, or from interviews, were translated into English by the author, and then edited by Saseen Kawzally.

### **Note on currency**

The currency used in Lebanon is the Lebanese Pound (LBP). This currency experienced a severe depreciation in the 1980s. Since then the United States Dollar (USD) is widely used in Lebanon. For example, prices of new apartments are in general displayed in USD and not in LBP. In addition, since December 1997 the Lebanese central bank has been continuously stabilizing the exchange rate at LBP1507.5 for the dollar. For these reasons, and for an easier comparison of prices between Lebanon and abroad, the USD will be used all along this dissertation.

### **Note on date format**

In all the tables the date format *yyyy.mm.dd* (year.month.day) was used for a clear classification according to the year. For example, 2018.01.01 indicates the first of January 2018.

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PART I.

GENTRIFICATION, LAWS AND REGULATIONS:  
THEORETICAL FRAMEWORK, CASE STUDY, AND METHODOLOGY



# Chapter 1. Laws and regulations as a main factor shaping gentrification

Gentrification is an urban transformation within the context of the law. It develops within legal frameworks, in line with laws and regulations. Gentrification can, and on many occasions, violates the social rights of certain groups of people; still, this does not rule out the legality of the process. This statement may seem obvious, which may be the reason why no gentrification study appears to have mentioned it. However, stating the obvious can offer the possibility of viewing certain issues from a different perspective. Therefore, instead of considering laws and regulations as yet another element affecting gentrification at a certain stage, the issue will be to look at gentrification from the perspective of laws and regulations, and therefore, to examine their impacts on the process as a whole.

Addressing the subject of laws and regulations in relation to gentrification is not a novelty when it comes to gentrification studies. In fact, the founding document in this field of research, *London: Aspects of Change*, already points to rent liberalization as a factor in initiating this process (Glass 1964). In turn, the first scientific articles dealing with the issue highlighted the role of rent law and urban regulations as supporting this process of gentrification (e.g. Hamnett 1973). And since then, most of the innumerable researches on gentrification have pointed to the specific role played by laws and regulations in that transformation. However, all these studies appear to examine this issue from one angle, which is the role of laws and regulations in fostering and supporting gentrification, and that as part of a wider state intervention toward this end (e.g. Smith 1979b; López-Morales 2010).

It would be simplistic to assume that the effects of laws and regulations are confined to an act of causality. Hence, it is pertinent to ask if laws and regulations contribute in initiating gentrification, would they not also affect or even shape the development of that transformation?

This simple question represents the starting point of this dissertation. There are many ways to develop it further, addressing the issue of laws and regulations in the context of gentrification. However, the chosen path of inquiry will pursue a somewhat intriguing argument advanced by gentrification scholar Loretta Lees regarding the forms of gentrification.

During the recent decades, researchers have identified the many forms gentrification can take. For instance, there is the *traditional gentrification*, which corresponds with the initial gentrification observed by Ruth Glass. There is *new-build gentrification*, mainly consisting of new developments constructed on previously vacant land, or *super-gentrification*, a gentrification of an already gentrified area (Shaw 2008; Hammel 2009; also see 1.3.). These forms are answerable to different sets of variables, from the physical condition of the space to the characteristics of the incoming population, among others. Therefore, comparing different forms must proceed with caution, and furthermore, certain comparisons might prove totally incompatible.

In her commentary on the different forms, Lees (2003, 2491) argued that these descriptions are “contingent and geographically specific results of different processes operating in different ways in different contexts” resurrecting Beauregard’s argument of gentrification as a “chaotic concept” (Shaw 2008, 1707). In an article titled “The chaos and complexity of gentrification,” Beauregard (1986, 40) explains “‘gentrification’ must be recognized as a ‘chaotic concept’ connoting many diverse if interrelated events and processes.” This approach to gentrification, and the subsequent argument by Lees, would limit the scope of debate — for instance when it comes to identifying the common attributes of several gentrifications that have the same form — since it confines the explanations to a specific form within the specific actions and dynamics of the process, in the related specific case. Clark (2005, 256) interpreted the “chaotic concept” in the wider frame of Beauregard’s article, and implied that it was an invitation to probe deeper, adding “this does not preclude sensitivity to the particulars and contingencies of gentrification processes in specific contexts. On the contrary, it can help us to better grasp these manifestations as opposed to resigning before their complexity” (ibid., 257). Yet still, and as a testimony to the complexity expressed by Lees, there does not appear to exist — to the best of the author’s knowledge — any comprehensive research on a particular form, or any comparative study on the basis of the forms of gentrification, therefore many questions remain unanswered. For example: What accounts for the

variations in the forms of gentrification? Or; what are the common denominators that shape a specific form of gentrification? Put simply, what determines a form of gentrification?

Going back to the initial reasoning on laws and regulations in the context of gentrification, these questions can be translated into:

- Do laws and regulations account for variations in the forms of gentrification? If so, how?

Or,

- Can laws and regulations be considered a common denominator for cases of gentrification that share the same form?

But above all, the first and basic question has to be:

- What is the role of laws and regulations in shaping a specific form of gentrification?

These are the initial questions and issues to be addressed by this paper and are the result of deductive reasoning, as in:

- 1- Laws and regulations play a role in the whole process of gentrification (?)
- 2- The forms are aspects of the gentrification process itself.
- 3- Laws and regulations play a role in the forms of gentrification (?)

However, the first line of this reasoning is still presented with a question mark. Therefore, to ascertain these questions the point would be to identify if laws and regulations can play a role when it comes to the forms of gentrification. This will be addressed through inverting the line of reasoning by considering first the issue of the forms, and then of the laws and regulations. But first, it seems incumbent to pause and undertake an in-depth review of the gentrification literature.

This chapter will proceed as follows: First, as is the case in most gentrification studies, there is a need to adopt a specific definition of gentrification, as no consensus exists among researchers on this issue. Second, there will be a review of some of the theories on gentrification, notably explanations of the causes of that transformation. These explanations, aside from presenting a comprehensive view of gentrification, will

provide the main theoretical and analytical frameworks, as well as adequate tools to examine this transformation. This will be followed by a review of the different forms of gentrifications. The Chapter will then explore the role of laws and regulations in the gentrification process, through the wider angle of the state's role in this process, and their potential impacts on forms of gentrification. To complement the initial findings, this issue will also incorporate the angle of comparative studies on gentrification. This process will ultimately lead to a clear identification of the gap in literature and to the elaboration of a hypothesis.

### **1.1. Gentrification: a definition**

Gentrification is a fairly recent term. It first appeared in the 1964 book, *London: Aspects of Change*, by British sociologist Ruth Glass. She coined the term in the context of describing a social and physical transformation that affected Inner London boroughs, particularly Islington. Since the mid-1970s, this term — which apparently was intended as an ironic, tongue-in-cheek expression (Hamnett 2003, 2401) — was adopted by researchers to describe a particular form of transformation that combines spatial and social dimensions.

Over time, definitions of gentrification have been constantly evolving and morphing. Early definitions were a literal reading of Glass's text, as in the renovation of inner-city housing stock and the displacement of working class residents (e.g. Eversley 1977, 195; Smith 1979, 547; Ley 1986, 526). Since, and with the development of gentrification studies, new findings were either incorporated into the definition or rejected, depending on the researcher. This resulted in an array of sometimes-conflicting interpretations (Lees, Slater and Wyly 2008; Shaw 2008; Hammel 2009), until the point when calls for “less definitional deliberation and more critical progressive scholarship” (Slater, Curran and Lees 2004, 1145) were made.<sup>1</sup> This paper does not intend to detail the different existing definitions; however, on the last point, it

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<sup>1</sup> It is worthy to note that the contestation on the meaning of gentrification extended beyond academic sphere, and gentrification became and still is a highly political term, that generally has negative connotation. More recently, this conflict was on the notion of “positive gentrification,” a gentrification that supposedly benefits everyone (Smith 2008; Shaw and Hagemans 2015).

maintains the relevance of any gentrification-based study to assert clearly its own understanding of this term, simply because how gentrification is “evaluated depends a great deal on how [it is] defined and measured” (Marcuse 1999, 789). Within the existing disparities in interpretation, the common reference for all gentrification studies is still Ruth Glass’ text, in which she described gentrification as follows:

“One by one, many of the working-class quarters of London have been invaded by the middle-classes — upper and lower. Shabby, modest mews and cottages — two rooms up and two down — have been taken over, when their leases have expired, and have become elegant, expensive residences. Larger Victorian houses, downgraded in an earlier or recent period — which were used as lodging houses or were otherwise in multiple occupation — have been upgraded once again. Nowadays, many of these houses are being sub-divided into costly flats or ‘houselets’ (in term of the new real estate snob jargon). The current social status and value of such dwellings are frequently in inverse to their size, and in any case enormously inflated by comparison with previous levels in their neighbourhoods. Once this process of ‘gentrification’ starts in a district it goes on rapidly, until all or most of the original working-class occupiers are displaced and the whole social character of the district is changed” (Glass 1964, xviii-xix).

The present dissertation’s approach to defining gentrification is based first on acknowledging the progress in gentrification studies, and second, on the necessity of sticking to the essence of Glass’s depiction. In other terms, a definition that depicts the dynamics of this transformation, and the relations within, but at the same time transcends particular identifications be it on the level of social groups, type or status of the space, or others. In this sense, the “elastic yet targeted” definition advanced by Eric Clark (2005, 258) seems to be most appropriate:

“Gentrification is a process involving a change in the population of land-users such that the new users are of a higher socio-economic status than the previous users, together with an associated change in the built environment through a reinvestment in fixed capital. The greater the difference in socioeconomic status, the more noticeable the process, not least because the more powerful the new users are, the more marked will be the concomitant change in the built environment. It does not matter where, it does not matter when. Any process of change fitting this description is, to my understanding, gentrification.”

Emphasizing the upgrading of space, as well the complementarity of the two defining elements of gentrification, a slightly refined version of Clark’s definition will be adopted. Therefore, gentrification will be understood as a process, a socio-spatial transformation composed of two complementary components: A production of an upgraded space through capital investment and a change in the population of land-users, with the new users of a higher socio-economic status than the previous ones.

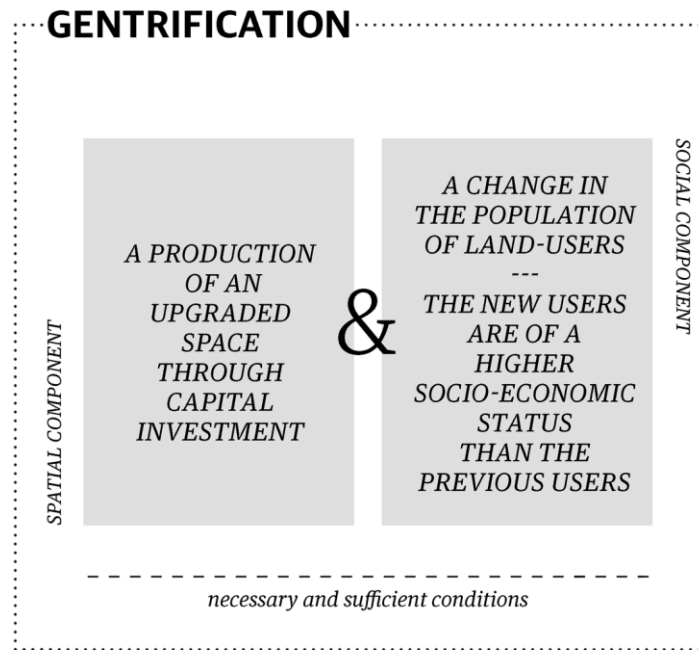


Figure 1: Gentrification as a transformation with two complementary components. Illustration by author.

## 1.2. Explanations of causes of gentrification

In the past decades, and as gentrification emerged as a main urban transformation affecting cities worldwide (e.g. Smith 2002; Lees, Shin and López-Morales 2016), gentrification studies, in turn, expanded and flourished. And there are permanent calls to extend further the geographical and theoretical scopes of these studies (e.g. Roy 2009; Lees 2012). In an early period, gentrification studies were mainly confined to cases in the Anglo-Saxon world or the Anglo sphere, and most effort was centered on establishing general theoretical frameworks of the process. Most debates centered on determining the underlying logic and causes of gentrification, with two main explanations leading the way, a production-side explanation (Smith 1979a) and a

consumption-side explanation (Ley 1986). The former is centered on the role of capital and the state in initiating this process, while the latter placed more emphasis on the emergence of a new middle class. This period also witnessed other theoretical endeavors, but some of them would later show their limits, and their pertinence would be placed in doubt, such as the stage theories that attempted to hypothesize an evolutionary stage model for the development of gentrification (Hammel 2009, 365).<sup>2</sup>

By the mid-1990s, these types of debates, especially concerning the explanations of gentrification, seemed to have reached a point of saturation or of exhaustion. At the same time, gentrification studies began to spread beyond the usual cases in the Anglo-sphere (Shaw 2008; Hammel 2009). These two factors seemed to signal a shift regarding the general direction of gentrification studies, and the main focus moved from establishing general theories towards unearthing the many aspects surrounding this transformation. Researchers like Neil Smith (2002) were concentrating on the global reach of process, and its relation to the dominant economic system, neoliberalism. Some were analyzing the role of government and public policy in driving this transformation (e.g. López-Morales 2010), while others documented policy responses intended to mitigate the iniquities that this transformation engenders (Porter and Shaw 2008). But, it appears that most contemporary gentrification studies are centered on identifying new forms and cases of the process (Shaw 2008, 1721), and in general, outside the “usual suspects cities” in the western world (Lees, Shin and López-Morales 2015).

After this brief review on the state of gentrification studies, the focus of this section will be on explanations for gentrification. These were mainly framed by two lines of thought located in the fields of political economy and postmodern cultural analysis, stressing respectively the production-side and the consumption-side of the process (Lees 1994, 137). For the former, the main agents of change are the state and capital, and gentrification is seen as a result of a supply-driven market. As for the latter, the main agent is culture, and therefore gentrification is an outcome of the emergence

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<sup>2</sup> The stage theory mainly consists of three stages. Stage 1: the so-called early gentrifiers, as in students, artists, single mothers, or the LGBTQ community, whom for economic or social reasons moved into inner-city run-down neighborhoods. Stage 2: Risk prone or risk aware movers, attracted by the social diversity and the counter culture resulting from the first stage. They can include professionals with somewhat limited financial resources. And stage 3, or the risk adverse stage: the neighborhood is heavily gentrified and attracts wealthier population (Hammel 2009, 365).

of new social classes with new needs and demands. The relation between the two explanations is not to be seen as dualistic,<sup>3</sup> and as Slater (2011, 575) put it, “[it] does not matter whether production or consumption is viewed as more important in driving gentrification, so long as neither is completely ignored.” Nowadays, most scholars accept that the two approaches have to be taken into account in order to arrive at a thorough understanding of gentrification (Lees 1994, 148; Clark 2005, 261; Slater 2011, 575). The incorporation of the two explanations leads to the consideration of the different actors and agents involved, of their respective actions and impacts, and therefore to a comprehensive depiction of the dynamics of change, and of the nature and development of gentrification.

### **1.2.1. Production-side explanation**

In this approach, gentrification is closely associated with the development of neoliberalism (Smith 1996). This transformation is considered an urban economic restructuring, a systematic class-remaking of the city (Leland 2011), where capital and the state play a primordial role in setting the necessary conditions for this process. Capital intervenes through investment in the production of space, while the actions of the State can range from direct intervention and investment, to setting an adequate framework for this transformation, as in drawing the appropriate policies and regulations that facilitate this process. The production-side explanation is based on the notion of uneven development in capitalist societies, and on the concept of the rent gap as a significant condition for gentrification.

This approach draws heavily on David Harvey’s analysis of the Marxist concept of crises of capital, since “economic growth under capitalism is [...] a process of internal contradictions which frequently erupt as crises” (Harvey 2001, 238). These crisis usually manifest themselves in the tendency for overproduction, mainly in the “primary circuit” of the production process — such as the production of goods and services — creating, at the same time, barriers to further investment in the same sector, as well as

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<sup>3</sup> The main protagonists, Neil Smith for the production-side, and David Ley for the consumption-side, did not consider the two explanations as antithetical. Nevertheless, many influential geographers, starting with Chris Hamnett (1991), stressed the duality of these explanations. And a good part of gentrification studies in the 1990s were consumed discussing this duality (Slater 2011).



over accumulation of capital. This leads to a switch of capital flow towards other sectors of investment, mainly to the “secondary circuit” of fixed capital, such as the built environment (Harvey 1978, 105-106).<sup>4</sup> This geographical shift and restructuring offers “all kinds of possibilities [...] to stave off crisis, sustain [capital] accumulation, and modify class struggle” (Harvey 2001, 324). However, this spatial fix can only be temporary, not only because the dynamic of capital “typically spreads these contradictions and crisis- tendencies” (Jessop 2006, 149), but also due to the inherent conditions of the built environment itself. “Urbanization involves massive capital investments that, once committed, are tied up in buildings and other facilities for long periods of time, creating barriers to new kinds of investment in these places” (Lees, Slater and Wyly 2008, 72). And while geographical expansion can provide another spatial fix for capital looking for new investments, the movement or rather the shift of capital can accelerate the devalorization of previous urban investments. In its turn, “the underdevelopment of that area creates opportunities for a new phase of development” (Smith 1982, 152).

It is this cycle of investment and disinvestment that prepares a neighborhood for gentrification, the opportunities for profit present themselves in what Smith labeled the rent gap, which is “the disparity between the potential ground rent level and the actual ground rent capitalized under the present land use” (Smith 1979a, 545). The rent gap became the theoretical point of reference for examining gentrification from a production-side perspective, but this concept also drew much criticism, ranging from its limitation to its applicability, even its validity (Ley 1986; Bourassa 1993; Bernt 2017).

#### **1.2.1.1. The rent gap theory**

Neil Smith explained the elements of his theory as follows: first, the ground rent is identified as “a claim made by landowners on users of their land,” or in a simpler term the “land value” (1987, 462). Capitalized ground rent is “the actual quantity of ground rent that is appropriated by the landowner, given the present land use,” while the potential ground rent is “the amount that could be capitalized under the land’s highest and best use” (Smith 1979a, 543). When the rent gap becomes wide enough,

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<sup>4</sup> Nowadays, some argue that the built environment has turned into a “primary circuit,” since its role has evolved from expanding reproduction, to become centrally in the production of value (Smith 2002; Roy 2009).

affording the possibility of significant profit, it is the time that capital intervenes, therefore initiating gentrification.

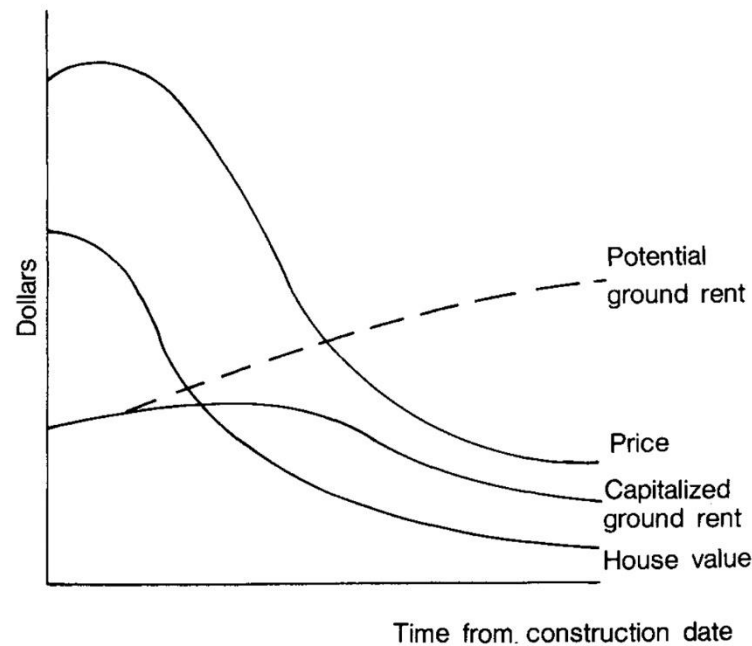


Figure 2: Development of the rent gap. Source: Smith (1979a, 544).

#### 1.2.1.2. Development of the rent gap theory

From the beginning, Neil Smith was aware of the limits of the rent gap concept. He explicitly wrote that the existence of a large rent gap does not necessarily lead to gentrification, but it constitutes a determinant factor in this transformation (Smith 1979a, 545). What is of interest for this thesis is to look at the shortages of the rent gap, and at the development of this concept. In this context, Bernt (2017, 28) listed its main shortfalls:

“[A] lack of attention towards barriers to capital flows, the *problematique* of connecting the scales at which potential and actual ground rents are produced, the implications of a ‘nomothetic’ conceptualization of land rent, the limitations of an one-directional understanding of property relations as ‘control’, and a blind eye towards the actual conditions for the realization of rent increases and the role of the state in this.”

No doubt, employing the rent gap alone to examine gentrification risks reducing it to a matter of changes in land value. And already starting with Smith (1979a), the rent gap theory was utilized in a wider context that encompassed many of the issues raised by Bernt. Clark (1995, 1502) insisted that:

“Rent gap theory should be understood in the context of more general social theory on uneven development [...] and includes analysis of social relations, power struggles and processes involved in the creation and capture of potential land rents, actual land rents and building values.”

The main difficulty faced by researchers was to incorporate all these elements within the simple graph drawn by Smith. And although calls for developing this concept and graph are still ongoing, progress on this matter remains limited (Slater 2015). The other difficulty was backing this theory with empirical research. Clark first addressed the latter issue in his study on the rent gap in Malmö, Sweden. In this case gentrification was based on demolition-reconstruction rather rehabilitation. Clark (1988, 247-248) considered that the sum of capitalized ground rent can be calculated by using sales prices minus buildings value, and the figures were adjusted according to an extrapolation of tax records. For the potential ground rent, the bills of sale of land just prior to their development were considered, and adjusted by the annual rate of change of the area’s total property value. These indicators were specific to the area that Clark studied, and for other cases additional indicators can be added. For example, in a leased property the capitalized ground rent can be the sum of the sale price of land and the periodical rent paid by tenants. In addition, and for the potential ground rent, Clark was aware of the interim period between the sale of land prior to the development, and the development per se. This could lead for different potential ground rents. Clark in his demonstration had limited the indicators to some specific tangible elements to evaluate the rent gap. However, it is important to also consider the ones discussed above – the rent paid in case of leased properties, and the increase of potential rent at the time of development – as well as other factors. Still, the rent gap has to be seen more as a depiction of a specific situation rather than accurate measurement of that situation, since “we can only ever obtain proxy data for potential and capitalized ground rent” (Slater 2015, 10). Clark modified the rent gap graph to show the increase in potential ground rent after intervention of capital, and the ultimate realization of capitalized ground rent, thus closing the cycle – which also signals the beginning of another cycle.

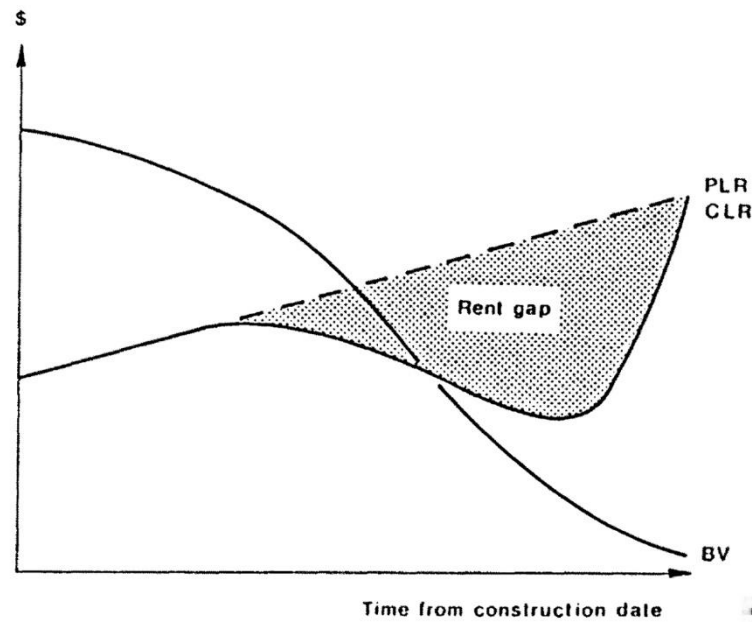


Figure 3: The rent gap cycle. Source: Clark (1988, 253).

From his side, López-Morales (2011, 330) introduced two capitalized ground rent (CGR), “a lower one capitalized by current owner-occupiers (CGR-1) and a higher one capitalized by the market agents of renewal (CGR-2).” By putting in tension these two ground rents, he argued that:

“At a certain constrained level, CGR can be capitalized by current homeowners if they rent their properties or put them on the market (namely, CGR-1). However, following radical changes in urban and building regulations, a considerably higher level of potential ground rent may emerge. If this is to be capitalized, it can only be done by developers who undertake large-scale housing production, and are able to brush aside the strict restrictions imposed on more modest, small-scale housing projects enshrined in national and local building regulations” (ibid., 339-340).

In turn, this “reduces the ground rent capitalized by low income owner-occupiers whilst it promotes the accumulation of an increased CGR by large scale developers” (ibid., 331). In other words a valuation of the CGR-2 and devaluation to the CGR-1. Note that this differentiation occurs during the ascent of the CGR, that is at the early stages of gentrification. In addition, it can be argued that CGR-1 and CGR-2 do not exactly reflect a realized CGR, but rather the potential of different social and economic groups to realize this CGR — and consequently to close the cycle by reaching the potential ground rent.

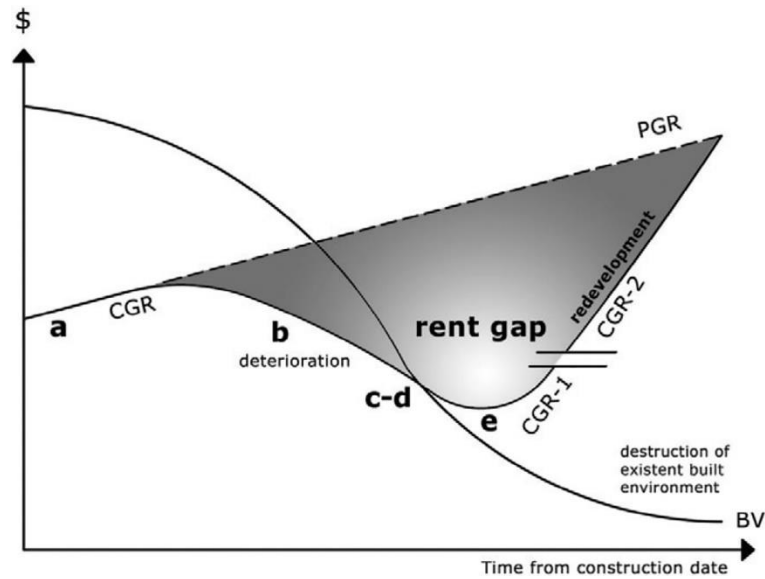


Figure 4: The rent gap, and the two capitalized ground rent. Source: López-Morales (2011, 340).

And finally, Bernt (2017, 186) argued that “[m]aking [the] ‘rent-gap’ work demands other ‘gaps’ which are formed by the actual institutional context in which the ‘rent-gap’ operates. Gentrification thus results from the combined impact of this general gap with multiple local gaps and this interplay finds its expression in numerous individual gentrifications.” For Bernt, these gaps are linked to the specific political and social circumstances that condition markets on local levels. In addition, Bernt (2017, 35) broke down rent into different parts, and questioned which one had to be considered for the rent gap. For this thesis the rent gap is understood in regard to all of these rents combined.

Forms of rent	Description	Modern examples with relation to gentrification
Absolute Rent	Rent arising from the existence of a class of landowners acting as a barrier to entry for Capital or consumers.	Speculation on prices increases by property owners
Differential Rent 1	Rent arising from increases in productivity due to some feature of the land	Rents demanded for close proximity to the CBD, or other infrastructures
Differential Rent 2	Rent arising from increases in productivity as a result of investment on the land	Rents demanded for the higher-quality of housing after renovation
Monopoly Rent/ Class-Monopoly Rent	Rent arising from some unique, non-substitutable feature of the commodity	Rents demanded with regard to the unique and exclusive character of a neighborhood (e.g. ethnic homogeneity, beachside location)

Table 1: Forms of Rent and Gentrification. Source: Bernt (2017, 34).

These interpretations and developments of the rent gap will be taken in consideration when analyzing gentrification in the course of this dissertation.

### **1.2.2. Consumption-side explanation**

As for the consumption side explanation, it places emphasis on the choices and needs of new social groups in a post-industrialized and globalized setting. This approach is mainly influenced by Daniel Bell's postindustrial thesis, dealing with the economic restructuring of post-Fordist societies, where traditional industries ceded the way to other alternatives and creative industries, and the rise of a new consumer culture (Lees, Slater and Wyly 2008, 91). Building on this thesis, David Ley identified a new social subgroup, the "cultural new class" that encompasses "professionals in the arts, media, and other cultural fields accompanied by pre-professionals (students), who may well be non-conformist in their life-style and politics" (Ley 1996, 56). They seek to live in the central district for its accessibilities and amenities, as well as for its cultural dimension or its social mixing (Clerval 2008, 28). Moreover, these social and cultural professionals are "not only sensitive to the advantages of a centrally located area, but also to the historic character of the buildings they reinvest" (Hancock 2003, 396), and that in contrast to a traditional conservative middle class, which prefers to live in newly built areas (Ley 1986).

The area invested by this cultural new class becomes "more attractive to other middle class residents who may not have shared the progressive values of the cultural new class who had preceded them" (Ley 1996, 258), and this is also the time when investors and developers intervene to profit from this nascent market (Shaw 2008, 1719). From this perspective, it is this new urban elite that constitutes the driving force for gentrification, and the real estate reinvestments have to be seen as a result of the emergence of this new demand.

What is relevant to note is that, while production-side and consumption-side explanations offer two different accounts of the initiation of gentrification, in both cases, once this transformation proceeds, market dynamics take hold of the process, and therefore capital's role becomes prominent in the development of gentrification.

It is also interesting to point out from this perspective that the choices of the new cultural class can influence the form that gentrification can take. For instance, it is their preference of old historic neighborhoods that initiated a gentrification based on the rehabilitation of old buildings.

### **1.3. Various forms of gentrification**

As noted earlier, much effort in gentrification studies since the 1990s was invested in identifying and uncovering new forms of gentrification. This went hand in hand with the expansion of research on gentrification, and further contributed to understanding this transformation, from the various agents and mechanisms of change to the dynamics of its development, to how gentrification is shaped and materialized. It also had a significant influence on the development and broadening of the definition of gentrification.

The earliest known form of gentrification was the one depicted by Ruth Glass in 1964, and it was later dubbed as traditional gentrification. It consists mainly of three elements: The first is the renovation of old housing stocks, usually located in inner city neighborhoods. The second is the change of the resident population, generally from working class to middle class occupiers. And the third is the change of occupancy status, from rent to ownership.

Another form of gentrification was first identified by Neil Smith (1979b, 28) in the case of the urban renewal of Society Hill in Philadelphia. This form is based on redevelopment rather than renovation. It consists of three main phases: eviction of the present population, demolition of existing structures, and construction of new ones, which in some cases is expressed in “verticalization” of the space. In other words, the construction of higher buildings (Smith 1996, 36-37). Curiously, this form of gentrification remains unnamed, and some researchers assimilate it with another form, new-build gentrification. This dissertation does not intend to go further in the terminology, but it will refer to this form as a demolition-reconstruction based gentrification.

New-build gentrification consists of new constructions, usually luxury apartment complexes or townhouses, which are often built on reclaimed brownfield land or vacant abandoned land (Davidson and Lees 2005; 2010). The displacement in this context is usually indirect, and is what Marcuse (1985, 207) described as “Displacement Pressure.” The gentrification would create a set of circumstances that push the neighboring residents to “move as soon as they can, rather than wait for the inevitable; nonetheless they are displaced” (ibid., 206). The interest of this approach is that it pushes the geographical scope when examining gentrification to consider the wider implications of that transformation.

Super gentrification is regarded as an intensified form of *regentrification*, a “transformation of already gentrified, prosperous and solidly upper-middle-class neighbourhoods into much more exclusive and expensive enclaves” (Lees 2003, 2487). In this case the displaced population is no longer the working class, but rather, and for instance, new corporate executives would displace university professors (Shaw 2008, 1705). This form of gentrification is very particular, since it does not follow a devalorization-revalorization cycle, as seen in the explanations of gentrification, but is rather the product of an increasing valorization (Lees 2003, 2502).

*Rental gentrification* has its focus on the occupancy status. It consists of the reinvestment in the market of privately rented accommodation, and while displacement occurs, the incoming residents are also tenants, though with highest rents (van Criekingen 2010). Additionally – and as with the new-build gentrification – “the displacement pressure resulting from the gap between long term rental agreements and new contract rents,” is also seen as part of this form of gentrification (Holm 2013, 173).

As for *commercial gentrification*, it is mainly seen through the prism of displacement of commerce or other economic activities. This can take the form of the conversion of commercial and industrial property to residential uses (Hamnett and Whitelegg 2007, 106) or through a process of commercial upgrading, where traditional commerce is replaced by new and different commercial or recreational facilities (Bolzoni 2014). Closer to this form of gentrification, there is *nightlife gentrification*, which is gentrification of nightlife and nightlife businesses. In this case, the displaced are mainly existing commerce and alternative sub-culture venues, which are gradually



replaced by upscale and more or less conform bars, clubs or restaurants (Hae 2011). While *tourism gentrification* is gentrification resulting from the development of the tourism industry (Gotham 2005).

There are many other forms of gentrification, for instance: *mega gentrification* is gentrification on a large scale that results in “mega-displacement” (Lees 2012, 164). *Rural gentrification* is the gentrification in rural areas (Phillips 2004). *Slum gentrification* is the gentrification of slums (Lees, Shin and López-Morales 2016). And so on.

As seen, the criteria to identify a form of gentrification vary immensely, from the scale of the process to the uses of the space, from status occupancy to composition of social class, and others. One implication is that a single case of gentrification can take two or more forms, for example traditional gentrification taking place in a rural area. Another implication would be that a comparison between different forms might prove to be futile, as in the same example on traditional and rural gentrifications. Regardless, the aim of this chapter is to examine if laws and regulations play a certain role when it comes to the form of gentrification.

Type of settlement	Urban, rural, suburban, etc.	Comparison between the previous and the later situation
Scale of gentrification	Size of the gentrified area, scale of displacement, etc.	
Users of space	Social classes, ethnic groups, etc.	
Occupancy status	Owners, tenants, mixed (owners and tenants in the same building), other status.	
Uses of space	Residential, commercial, industrial, mixed use, etc.	
Physical space	Low-rise, high-rise, type of buildings, density, etc.	
Other factors	Cultural factors, social factors, etc.	

Table 2: Factors affecting the form of gentrification.

#### 1.4. Role of the state, laws, and regulations in the gentrification process

Going back to the founding document on gentrification — Ruth Glass’s *London: Aspects of Change* — it seems that few now question why the effects of gentrification she described took the specific form that they did: the renovation and upgrading of cottages

and Victorian housing stock, or the shift from rent towards ownership. However, the main factors guiding this transformation were clear to her contemporaries. One of the first scientific articles written on gentrification (Hamnett 1973) clearly pointed to one of its driving forces, the British Rent Act of 1957. This Act decontrolled rents for the most valuable stock, paving the way for the gentrification of certain neighborhoods in London, which Glass analyzed. While other factors have to be considered to explain the transformation and why it took place in these specific neighborhoods, it was the decontrol of rent that allowed property owners to have full control over their properties, therefore paving the way for – and even triggering – gentrification. Additionally, the decontrol of rent conditioned some traits of this gentrification: it was residential, free from rent control, and centered on old valuable housing stock.

Since laws and regulations that manage urban space come under the responsibility of public authorities, it seems more relevant to examine their role through a wider lens that encompasses the state actions and interventions, particularly since the state is considered a main initiator of gentrification (see 1.2.1.). The role of public authorities in promoting gentrification can take two forms, either through direct intervention or by setting the appropriate framework (Ashkar 2011, 14). Direct state intervention may be achieved by exercising direct control over real estate operations (Smith 1996) – financing the development process, commissioning the developers, and overseeing the displacement of existing tenants, as is evident in numerous schemes of state-led urban renewal or ‘regeneration’ – or by subsidizing the renovation of a targeted neighborhood (Holm 2006), or through the construction of large projects to ‘revitalize’ inner cities, which act as a catalyst for the gentrification process (Clerval 2008, 40). In its ‘indirect’ form, the state sets the appropriate framework, for example through tax exemptions for large real-estate developments, providing necessary infrastructure and adjusting legal and planning regulations in accordance with the objectives of the real estate industry (López-Morales 2010). However, the focus of most research in this field seems to be more on the role of public authorities’ actions in initiating gentrification, rather than on how these actions affect the type and nature of that gentrification.

Still, and although these studies concentrate on the state’s actions in supporting gentrification, there are several indications that their impact extend beyond this initial phase. For instance, the amendments to building regulations in Santiago de Chile in

favor of taller constructions gave rise to gentrification based on the construction of new high-rises (ibid.). While in Berlin, where a rent control is in place, a good part of gentrification is proceeding through “weak points” in rent regulation, which permit a rent increase in case of housing modernization. Property owners took full advantage of this loophole, and the modernization process led to the displacement of a substantial number of tenants and the development of rental gentrification (Holm 2006, 2013). Moreover, it is telling that in Berlin, the discourse of the anti-gentrification movement in that city is centered on the issue of rent, and for many, the word gentrification became synonymous with rent increases (Papen 2012, 70).

As shown by these few examples, the actions of the state, especially regarding laws and regulations, influence different dimensions of the gentrification process, particularly when it comes to the development of its form. The cited examples are studies of particular cases. To widen the scope of examination, comparative studies on gentrification provide another suitable angle to address this issue — since their objective is to identify both similarities and variations among different cases (Mills 2008, 100).

## 1.5. The hypothesis

The last step to developing a hypothesis for this dissertation is to refer to comparative research on gentrification. These studies are on the rise recently, with the recent addition of the 2016 book *Planetary Gentrification* by Lees, Shin and López-Morales. Comparative research can be divided between interurban and intraurban comparisons (Van Criekingen and Decroly 2003, 2453). The latter consists of comparing different gentrifications within the same city (e.g. Butler and Robson 2001; Pattaroni, Kaufmann and Thomas 2011; Holm 2013), while in the former; the comparison is made between cities (e.g. Carpenter and Lees 1995; Van Criekingen and Decroly 2003; Harris 2008).<sup>5</sup>

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<sup>5</sup> Some researchers are attempting to construct wide-ranging research frameworks for comparative gentrification studies, such as Lagendijk et al. (2014) with an approach drawing on the assemblage

These studies adopt different comparative approaches. For instance, Butler and Robinson (2001) used Bourdieu's notion of social capital to examine differing middle-class groups. Or, in the case of Van Criekingen and Decroly (2003), the approach taken is a stage-based typology of gentrification — as in (a) gentrification (*sensu stricto*); (b) marginal gentrification; and (c) upgrading and incumbent upgrading.<sup>6</sup>

Two studies are of particular interest for this dissertation. The first is a comparison by Carpenter and Lees (1995) of the evolutionary processes of three cases of gentrification, that of Park Slope in New York, Barnsbury in London, and Le Marais in Paris. It is relevant to point out the study was conducted prior to the development of the research on the forms of gentrification, and it relied on the evolutionary stage model, which later showed its limitations (as noted in 1.2.). Nevertheless, it identified some common elements in the three gentrification processes, such as the disinvestment-reinvestment cycle, the active involvement of the state in reinvestment, and a similarity in the consumption patterns of the incoming population. What is more revealing though, is the comparison between Barnsbury and Le Marais. In both cases, their designation as conservation areas was essential in paving the way for gentrification (p. 296-297). This conservation act increased the land value, assured a significant financial assistance by the state, and attracted many of the cultural new class. But above all, it ensured that the redevelopment of these two neighborhoods had to occur through the rehabilitation of space.

As for the second article, it is a review by Holm (2013) on the different gentrifications taking place in Berlin. Holm identified several forms of gentrification, mainly a super gentrification through luxury housing projects — in Mitte and Prenzlauer Berg — and a rental gentrification with varying degrees, in relation to the speed or the intensity of the process — in Kreuzberg and in Neukölln. In explaining this multiplicity of gentrification, Holm (2013, 172) argued that:

“[The] varieties of gentrification that can be found in Berlin point towards the need to put the local planning histories into the center of explanation and to

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theory. But as with the cited case, their further development and subsequent implementation is yet to be seen.

<sup>6</sup> To cite other approaches: Pattaroni, Kaufmann and Thomas (2011) focused on varied social dynamics. The comparison made by Harris (2008) was based on housing policies. As for Lees, Shin and López-Morales (2016), their attention was to the role of global capital, as well as of class and state, in supporting gentrification worldwide, with an emphasis on the lessons to be learned from cases in the global South.

make varying locally conditions in real estate markets and changes in urban political regulations central to the analysis.”

These additional examples and arguments indicate further the significance of laws and regulations in the development of different forms of gentrifications. Bearing in mind the initial questions formulated by this chapter, the following hypothesis is put forward:

Laws and regulations not only assist in initiating gentrification, but also have a significant impact on its development. They are a main determinant in shaping the form that gentrification can take; moreover, they account for the varieties in forms of gentrification.

## **1.6. Conclusion**

The aim of this chapter was to identify the literature gap and to outline the main research question and hypothesis for the ensuing enquiries. This interrogation was conducted through a review of literature, which revealed the need for further exploration of the role of laws and regulations throughout the entire gentrification process, especially regarding the forms of this transformation. Throughout this process, the main theoretical foundations of gentrification were introduced to construct a framework of this study’s analysis and discussion: the production-side and the consumption-side explanation. These would permit the examination and understanding of the development of gentrification, and subsequently its form, from three angles; the respective roles of the users of the space, capital, and the state. The role of laws and regulations will be mainly seen through the role of the state. This chapter also introduced the rent gap concept, an additional tool to comprehend the development of gentrification. To respond to the questions raised and to ascertain the hypothesis, the thesis will first proceed with choosing a case study, in Chapter 2. This step will be followed by a discussion of the research methodology in Chapter 3, which will also develop the structure of analysis of the dissertation.

## Chapter 2. The choice of Beirut

To examine the role of laws and regulations in shaping gentrification, Beirut will be considered as a case study – a city the author is familiar with and had already conducted extensive research on (e.g. Ashkar 2011; 2014a; 2014b; 2015). Beirut is located on the eastern shore of the Mediterranean Sea. It is the largest city and the capital of Lebanon, a country that usually makes world media headlines for its political and security instabilities. Already, this succinct introduction might cast certain doubts on the suitability of Beirut’s choice to investigate a role played by laws and regulations.

In fact, many researchers (e.g. Nasr and Verdeil 2008; Krijenen 2016) feel compelled to commence their studies by addressing the perceptions of the contrasts and the exceptionality of Beirut, since it is frequently depicted as the place where the East meets the West with all – the often stereotypical – social contradictions that implies; the site of coexistence of immense wealth and wretched poverty; of recurring violence – even lawlessness – while being at the same time the partying and nightlife capital of the Middle East; it is the city of *urbicide* and urban rebirth; a place of religious harmony and tolerance, as well as of religious radicalization and strife; and so on. This imaginary vision of the singularity of Beirut is eloquently captured by the Lebanese-American novelist Rabih Alameddine (2014):

“Beirut is the Elizabeth Taylor of cities: insane, beautiful, tacky, falling apart, aging, and forever drama laden. She'll also marry any infatuated suitor who promises to make her life more comfortable, no matter how inappropriate he is.”

Beirut is rife with varieties and contradictions. However, and as noted by Farah (2011, 70-71), contradictions mark the entirety of modern cities, in an increasingly globalized world. These contradictions can, and do manifest in various ways and with different levels of visibility, and Beirut is one of the cities where contradictions abound in a stark manner, most noticeably with a fast pace. Beirut is a city in transformation.

Large construction sites mushroom across the Lebanese capital. The sight of big construction cranes towering above various neighborhoods has become a familiar part of the city's urban cityscape, and the scenery of old roof-tiled houses utterly dwarfed and encircled by new high-rises has become more than a cliché. This contradiction is compounded by the urban density of the city and its relatively narrow streets, as well as the near absence of open spaces. Another contrast lies between the central district and the rest of the city. Following fifteen years of civil war (1975-1990), a private company, Solidere, was entrusted with the reconstruction of downtown Beirut. The seeming chaos that characterizes Beirut appears absent in the central district, which boasts a well-regulated urban design, homogenous districts, manicured open spaces, and so on. To the east of Solidere, another change is affecting working class neighborhoods with the influx of bars, restaurants, and creative industries. What until recently was a small-to-medium scale industrial area is now presented as a bohemian one. These changes did not only impact the physical space, but also forced many residents out of affected areas. Additionally, within the context of a very liberal law on rent, these transformations led to a spike in rental prices, which meant an increasing portion of the population cannot afford to live in the city anymore. And yet, Beirut remains as crowded-looking as ever, attracting more and more people to its so-called vibrant neighborhoods. One might opine that it is the dynamic of a thriving city. It seems more appropriate to say that it is the dynamic of capital.

In fact, land commodification has accompanied Beirut throughout its modern history. Since the end of the civil war, the city has experienced two major real estate booms during which large fortunes were made. The clearest example is the construction of the central district, where the state has basically expropriated the area and handed it to a private company – a company in which several politicians are shareholders. Actually, many parliamentarians, ministers, and prime ministers not only invest in real estate, but they are also real estate developers, enacting laws that favor the real estate industry. This collusion of interests does not make Lebanon a special case and it is well documented all over the world. But while in many places it is obscured by certain layers – from the portrayal of change as serving the public good, or a more ambiguous relation between politicians and developers (e.g. Smith 1996) – the advantage of cases such as Beirut is that it is displayed in full clarity.

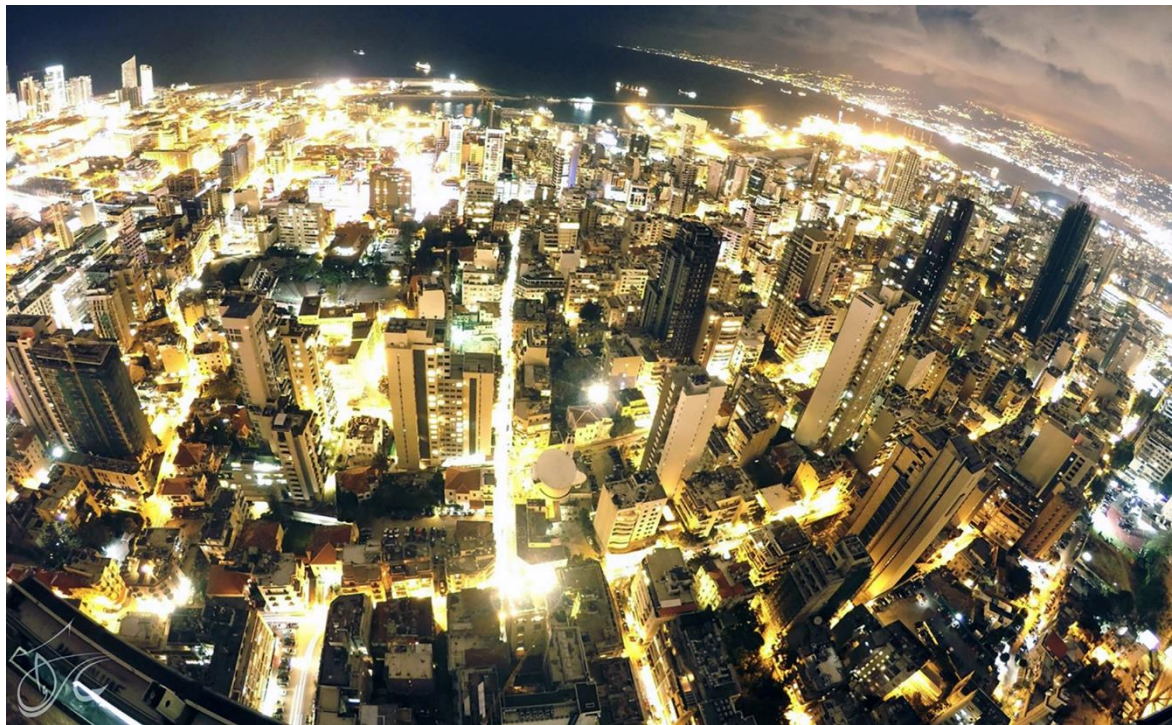


Image 1: A view of northeast of Beirut, taken from the rooftop of the high rise Sama Beirut, in 2016.

The central district is at the top left corner of the image.

Source: Marc Freiha page on Behance, <https://www.behance.net/marcfreiha>.

To keep it brief, Beirut is being gentrified, as is the case with most large cities around the world. And it seems that laws and regulations play a part in this process. However, and prior to discussing the relevance of the choice of Beirut, it seems more appropriate to address certain issues that at a first glance might appear to affect this choice. Additionally, some of these points would offer yet another introduction to Lebanon, mainly regarding its political system.

The first point is regarding the geographical location of Beirut. Nearly all of the theories and concepts on gentrification were produced in the global north, and until recently, many researchers have questioned their applicability to cases in the global south (e.g. Ghertner 2015).

The second point relates to the weakness of the Lebanese State, its ability to enforce the law, and corruption when implementing laws and regulations — a recurring issue in urban studies on Lebanon (e.g. M. F. Davie 1996; Harb 2010; Ross and Jamil 2011). A wider approach to this matter is to examine specific aspects of what define a neoliberal state.



As for the third and last point, it stems from the Lebanese political system's facet of religious communitarianism. And while this paper will indicate its position on this question, it seems more relevant to discuss in the context of the different adopted approaches by urban studies on Beirut. In turn, this would permit positioning the current research vis-à-vis these studies.

The chapter will then discuss the pertinence of the choice of Beirut, since different forms of gentrification exist in the city and different sets of regulations affect them. In light of that, it will also reformulate the thesis questions in the context of Beirut.

## **2.1. Global north and global south in gentrification studies: A false dichotomy**

In urban studies in general, and in gentrification studies in particular, the dominant theorizations are rooted in examples from the global north, or what Roy (2009, 82) refers to as the Euro-American experience. This hegemony led to a process where cities worldwide were assessed in terms of this pre-given standard (Robinson 2002, 531), and to a tendency of studying cities in the global south as “interesting, anomalous, different, and esoteric empirical cases” (Roy 2009, 820). The criticism for such approach dates back to at least the 1970s (e.g. Abu Lughod 1975), but it gained more ground over the last decade or so with an increasing adoption of postcolonial theories into urban studies.

The postcolonial critique mainly stresses a “commitment to learning and unlearning through different theory cultures. [In which unlearning] involves working hard to gain knowledge of others who occupy those spaces most closed to our privileged view” (McFarlane 2010, 736). It is an epistemic process that brings together “assemblages of ‘people-sources-knowledges’ to expose and unlearn existing conceptualizations/theories, ideologies and practices/policies” (Lees, Shin and López-Morales 2016, 5-6). In brief, as is the case with Chakrabarty (2000), it is essential to question the universality of Western theories and concepts, but to retain their analytical essence. The current dissertation does not subscribe to postcolonial studies – mainly due to the binary approach that sometimes characterizes it (e.g. Said 1978,

201 et seq.), and to the occasionally excessive tendency to unlearn (López-Morales 2015, 564) – but it does acknowledge the significance of their approaches.

In the field of gentrification, earlier theorizations were drawn from some cases in the global north, and were considered the model that gentrification processes have to follow. For instance, gentrification was associated with the post-industrialist city (Ley 1986). It was seen as a diffusionist force travelling from northern centers to global peripheries, in “a cascade effect down an international and regional set of urban hierarchies” (Atkinson and Bridge 2005, 16). A blueprint for the historic development of gentrification was even established, through an evolutionary progress of consecutive waves (Hackworth and Smith 2001). These and others, such as the issue of land tenure (Ghertner 2015, 553), led some postcolonial scholars to cast doubt on the applicability and the usefulness of gentrification as a concept in non-global north settings (Bernt 2015, 1285; López-Morales 2015, 565). However, as argued by López-Morales (2015, 566), “it is one thing to criticize the diffusionist trajectory, but another to reject the whole concept of gentrification.” Many of the cited theories and concepts did not only show their inadequacy in studying gentrification in the global south, but also in cases in the global north. The failure of a certain theory cannot rule out the existence of a transformation. It is also fair to note that in some cases the rejection of the concept of gentrification derives from the different adopted definitions and interpretations, or even the lack of them. It seems pertinent to clarify again, that for this dissertation, wherever and whenever a transformation fulfills the conditions for gentrification (see 1.1.), gentrification therefore exists.

A final note, and from a post-colonialist point of view, it is essential to view the terms global north and global south as fitting within a narrative constructing a conceptual framework around the notion of *The Other*, of *Us-versus-Them*. And it is equally relevant to recognize that however this divide is evaluated – along the lines of centrality and marginality, capitalist modernity and its absence, and so on – this terminology “obscures as much as it describes,” since “there is much south in the north, [and] much north in the south” (Comaroff and Comaroff 2012, 45-46). When it comes to gentrification studies, the relevant question has to be “which elements in the South, as well as the North, could enrich gentrification theory and concepts” (Lees, Shin and López-Morales 2016, 8).

## 2.2. The neoliberal state: at the service of capital

In spring of 2011, the endemic housing crisis in Lebanon degenerated and took a violent turn. In many destitute parts of the country, people were fed up with decades-long false promises by the state on housing, and were frustrated by many double standard measures. What ensued was a rush of illegal constructions on the *masha'* — the common land owned by the respective localities. The state responded by deploying the police and army to forcibly remove these new irregular constructions. The situation culminated in Army forces firing gunshot at protesters, killing two in the southern city of Tyre (Khalil 2011). This security crackdown was later followed by Circular no. 33/2013 that stipulated a strict implementation of the Construction Law. This brutal use of force shows how far the Lebanese state is willing to go to enforce the law in certain sectors and against certain groups of people.<sup>7</sup>

In urban studies on Lebanon, the state is generally depicted as a weak one, moreover as a “failure” (Davie 1994, 14). Its bureaucratic system is ubiquitous and incompetent, and its politicians constantly intervene to hamper urban projects because of personal or clientelistic issues (Davie 2001, 92-93). Clientelism is rife in the Lebanese system and “sectarian groups [are usually] grafted onto the state, scrounging public resources for private use” (Harb 2010, 13). Needless to say, “corruption runs rampant throughout Lebanon’s government, especially in relation to real estate” (Ross and Jamil 2011, 25). And while this depiction seems largely to mirror the realities of the Lebanese situation, it does obscure certain elements. For instance, the cited corruption is not related to an inappropriate implementation of laws and regulations, but rather to conflict of interests in the decision-making process (Krijnen and Fawaz 2010, 126) or to some trivial bribes paid to the police (Ross and Jamil 2011, 25). This depiction of a failed third-world country also obscures the core of the Lebanese politico-economic system: neoliberalism. The understanding of some of the behaviors of a neoliberal state can

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<sup>7</sup> And here it is very convenient to point that the Lebanese state has not acted yet on the issue of the beach resorts illegally built on public properties during the civil war. However, especially in postwar Beirut, laws regarding real estate were strictly enforced (Interview with Rodolphe Haddad, April 18, 2013).

clarify many of the previous issues, also acting as a guideline throughout this dissertation.

As it will be seen in Chapter 4, the politico-economic system of the newly created Lebanon was based on an alliance between the established notability and the finance and trade bourgeoisie. And it was an intellectual from this bourgeoisie, Michel Chiha, who provided much of the theoretical constitutional framework of this nascent republic. From the start, an economic liberal system, nearly devoid of any protectionism, was adopted. Lebanon never experienced Keynesianism, as it just moved from economic liberalism to neoliberalism (Fawaz 2009, 839; Ashkar 2011, 14). And it is noticeable that this economic system was even enshrined in the Lebanese constitution, as the 1990 added preamble reads: “The economic system is liberal, guaranteeing individual initiative and private ownership.”<sup>8</sup>

In this dissertation, neoliberalism is understood as “the extension of market (and market-like) forms of governance, rule, and control — tendentially at least — across all spheres of social life” (Peck and Tickell 2007, 28). Neoliberalism was first conceptualized in the 1930s, mainly by Friedrich Hayek and Ludwig von Mises, as a reaction to the then gradual development of the welfare state and the increase in governments’ economic planning and intervention (Monbiot 2017). Neoliberal economics gained further traction with the end of the Bretton Woods agreement in 1971 — which regulated most of the post-World War Two capitalist world. Neoliberal principles were first adopted in Chile after the 1973 military coup,<sup>9</sup> and later gained hold with the implementation of Thatcherism and Reaganomics, respectively in the United Kingdom and the United States in the early 1980s (Peck and Tickell 2007; Varoufakis 2011). However, and as noted by Chomsky, one of the paradoxes of neoliberalism is that it is not new (Varoufakis 2016), therefore it has to be seen as “a return to [economic] liberalism in a new configuration, after years of Keynesianism” (Duménil and Lévy 2004, 245).

According to Guillemin (1972), the origin of the word liberalism goes back to the early days of the French revolution. The Girondins faction proclaimed themselves as the passionate friends of liberty. However, for them, the principal of liberty is the economic one. A clear example was the 1792 debate on the Law of the Maximum — to

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<sup>8</sup> The Lebanese Constitution of 1926, Preamble, Article F (as introduced by Law no. 18/1990).

<sup>9</sup> On a visit to Chile in 1981, Hayek remarked in an interview: “my personal preference leans toward a liberal dictatorship rather than toward a democratic government devoid of liberalism” (Monbiot 2017).

set a cap on the price of bread. Then Minister of Interior Jean-Marie Roland, a Girondist, stated in opposition to this law that “all what a wise government can and must do in economic matters is to affirm that it will never intervene” (Guillemin 1989). But while these liberals repudiate a state intervention to regulate the market, the state becomes their permanent object of solicitation, to acquire further advantages and concessions for — their — big businesses (Guillemin 1972).

The role of the state differs significantly between a Keynesian system and a neoliberal one. So while in the former, the state is in a position of social arbiter for certain kinds of social results, in the latter, the market supplements the State in this role (Smith 2012). However, this does not represent a retreat or a weakening of the state, but rather a reconfiguration of the state’s priorities and modes of intervention. Thus, contrary to the post-modern liberal theories, where in a neoliberal context the state becomes “thin but functional [...] a neutral guardian of order,” the neoliberal project seems to involve “a substantial increase of the State in terms both of size and powers of intervention” (Hardt and Negri 1994, 239-242). The state’s mission shifts towards facilitating the “conditions for profitable capital accumulation on the part of both domestic and foreign capital” (Harvey 2005, 7). The neoliberal state diverts its resources from the social field, such as healthcare, education, or housing, and opens them to the market, while at the same time increasing its intervention to boost capital’s interests, as well as to alleviate capital’s crisis — this was particularly the case with the fiscal bailout following the 2008 economic crash. All that is accompanied by an increase in the authoritarianism of the state to protect and sustain the neoliberal project (*ibid.*, 79).

Makdisi (1997) argues for a view of Lebanon through the prism of the neoliberal state. In commenting on the post-war years, he noticed “an astonishing increase in the activities of repressive state apparatuses as well as an increase in the state’s role in those forms of public planning that [...] are calculated either to yield immediate private profits or to improve the infrastructural conditions for the generation of private profits” (p. 698). The Lebanese state operates as a typical neoliberal one, as in withdrawing from some domains that favor the public good, such as healthcare or low-income housing, while enforcing its power and authority in others that benefit capital, including housing and real-estate (Makdisi 1997, Ashkar 2011). This dissertation adopts

Makdisi's approach, but it also stresses that this was, more or less, the same behavior of the Lebanese state throughout its existence.

Last but not least, it is important to point out that neoliberalism is not a condition for gentrification. However, this transformation thrives within a neoliberal context, and "gentrification policies have been successful because they have coincided with a neoliberal climate" (Lees 2012, 161). With the advent of neoliberalism, gentrification inflated to disproportional dimensions. It has developed into a global urban strategy, a neoliberal restructuring of space, and a leading edge of "the mobilization of urban real-estate markets as vehicles of capital accumulation" (Smith 2002).

### **2.3. Lebanon's sectarianism and the various approaches in urban studies on Beirut**

Several studies have pointed to the importance of considering factors such as race or ethnicity in the gentrification process (e.g. Smith 1996; Lees 2000; Lees, Slater and Wyly 2008). Therefore, it seems relevant to examine the subject of religious communities and sectarianism in Lebanon. This will be done, first, stating this paper's viewpoint on the sectarian aspect of the Lebanese system, and second, through a review of the general approaches in urban studies on Beirut.

Lebanon is described as having a consociational democracy, a power sharing system between religious communities. The Lebanese constitution does stipulate that parliament has to be equally divided between Christians and Muslims,<sup>10</sup> and based on long practiced precedence; top governmental posts are assigned according to specific religious affiliations.<sup>11</sup> For most scholars, sectarianism goes beyond a mere political distribution, and for many of them "communities in Lebanon are not [only] communities of the faithful, but [also] groups in the sociological sense having their own specific characteristics" (Messarra, 1983: 8). Additionally, "important [state] decisions cannot be made based on simple majority [and] in effect, every large community has a

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<sup>10</sup> Lebanese Constitution of 1926, article 24 (as amended by Law no. 18/1990).

<sup>11</sup> The President of the Republic is a Christian Maronite, the Prime Minister is a Muslim Sunni, and the Speaker of Parliament is a Muslim Shi'a.

right of veto” (Hanf 1993, 73). And even, “the abolition of the confessional system would have undermined the very basis of democracy in the country” (Khazen 2000, 23), and so on. This also led some native Marxist theorists to see these religious communities in terms of social classes – the community-class theory (e.g. Daher 1977).

This paper will not discuss the various interpretations, but it will align itself with the reasoning that religious communities are not social, nor homogenous entities (Amil 1986, 29) and that sectarianism is a political construct (Amil 1986, Makdisi 2000). Additionally, the supposed consociational democracy in place does not reflect a power sharing among Lebanese religious communities; it is rather a division of power “among the elites of various communities at the expense of the divided and disenfranchised majority” (U. Makdisi, 1996: 26). This system of power sharing among elites is consolidated and preserved by resorting, among other tools, to sectarian mobilization and through sorting people into sectarian communities (Ashkar 2011, 33).

Here it is interesting to note that in the context of lack of data that characterizes Lebanon (see 3.4.), the most comprehensive available statistics are to be found in the voters’ registration list, which is sorted along religious lines. On another related point, although parliamentary seats are allocated to different religious communities, most of the dynamics underpinning legislative elections do not respond to the logic of sectarianism (see 4.6.2.).

As for the different adopted approaches taken in urban studies on Beirut, three broad categories can be identified. The first consists mainly of a sectarian-communities narrative, in which the role of religious communities and affiliations is viewed as central in the process of urban development and the reconfiguration of the space (e.g. Beyhum 1991; M. F. Davie 1996; Salamon 2004). This approach gained prominence in the immediate aftermath of the Lebanese civil war – during which Beirut was divided into a western part with a Muslim majority, and an overwhelmingly Christian eastern part – but it relies on very selective and temporal set of information. The second group of studies mainly focuses on the local level, and is essentially centered on the role of social groups and social networks in the production of space (e.g. Khuri 1975; Fawaz 2008; Farah 2011), in general, the religious factor in these studies is relegated to a minor position. As for the third category, it mainly frames the urban development within a political and economic context, and more specifically the neoliberal dynamics. Still,

they are more or less embedded in a postcolonial approach, where local factors — such as sectarian politics — take precedence, notwithstanding that economic dynamics of neoliberalism are generally considered a recent phenomenon in Lebanon (e.g. Harb 2010; Krijnen and Fawaz 2010; Krijnen and De Beukelaer 2015).

Regarding the issue of religious communities and sectarianism, this paper will only address them in cases where it seems pertinent to do so. For example, this paper does not see the interest in identifying the religion of different politicians — a favored hobby of researchers on Lebanon — as long as they do not pursue sectarian politics that would affect the scope of this research. This dissertation aims to adopt an integrative analysis of the economy, politics, and society. Moreover, by adopting a social-class based study, which is gentrification, and by distancing itself from a postcolonial approach, this thesis aims to offer an alternative reading to the urban transformations in Beirut.

## **2.4. The relevance of the case of Beirut**

Gentrification studies on Beirut are still fairly recent and only a handful was conducted to date. These studies addressed the issue of gentrification from different angles. Boissinot and Catusse (2011) provided a general view of gentrification taking place in the neighborhood of Furn al-Hayek. Ashkar (2011) examined the role of the state in supporting this transformation. Krijnen (2016) pointed out the significance of the Lebanese diaspora and the movement of Capital in this process. As for Ross and Jamil (2011), they reflected on how to stop it. And Marot (2014) wrote on the likely implications of a forthcoming rent law in fostering gentrification.

When speaking of gentrification in Beirut, it is more appropriate to use the plural form of the word — gentrifications — since various forms and processes of gentrification are taking place (Holm 2013). Three main forms can be identified in Beirut. The first, and the most dominant, proceeds through a demolition-reconstruction process, and in general, the new buildings are upscale residential high-rises. Several laws and regulations were identified as playing a role in initiating this gentrification. A strict rent control with very low rents pushes property owners to sell



their properties to developers, in order to make some profit. Inadequate regulations on the built heritage facilitate the demolition of old buildings. And a construction law that allows a considerable exploitation of land (Boissinot and Catusse 2011, Ashkar 2011). The second can be described as a commercial and/or nightlife gentrification, with existing commerce and other economic activities being replaced by bars, clubs, restaurants, as well as creative industries (Krijnen 2016). And the third is a new-build gentrification (Krijnen 2016), but mainly limited to a small former agricultural and industrial area in the south east of the city.

Additionally, there is the special case of the reconstruction of the central district of Beirut. In 1992 after the end of the civil war, the Lebanese state established the private company Solidere, and entrusted it with the reconstruction of downtown Beirut. The whole area was expropriated and handed to this company. A large body of literature was written on this reconstruction process, mainly in the 1990s and early 2000s (e.g. Makdisi 1997; Khoury 1998; Stanton 2002; Verdeil 2002; Mango 2004). However, it seems that no study addressed this issue from the perspective of gentrification – probably because most were conducted prior to the global propagation of gentrification studies. The gentrification of the central district is distinctive in many ways. For instance, a majority of its residents left the area in 1976. Therefore most of those displaced by this gentrification were not current residents, but rather the holders of rights in that area, be they property owners or tenants. The reconstruction of the central district can be considered an abrupt, controlled and highly regulated type of gentrification – in comparison to the gradual process that gentrification usually takes. And while the reconstruction is carried out by a private company, that basically owns the area, it was the state that provided the legal framework, as well as various incentives. This gentrification can encompass different forms, from traditional to new-build to others. It can also be considered a mega gentrification.

Beirut does offer the appropriate setting to investigate the role of laws and regulations in shaping gentrification. On the one hand, various forms of gentrification take place in the city. On the other, laws and regulations play an active role in these processes. The central district has a distinct legislative framework. While other gentrifications are developing within the context of the same laws and regulations. Three sets of laws appear to most affect these gentrifications: the first is related to new constructions, such as the construction law and the master plan of Beirut. The second

is preservation, consisting of urban heritage regulations. And the third is the status occupancy, more specifically, rent regulations. On the last point, Beirut — and Lebanon — presents a particular case with the presence of two laws on rent applied according to two time periods. The first is a rent control for pre-1992 contracts, and the second is rent liberalization for post-1992 contracts. In general, the latter form of rent is considered as a support for gentrification (Smith 1996). This situation adds another compelling reason to study Beirut, which is to examine the development of gentrification in a situation where two opposing rent regulations coexist.

The cases of gentrification in Beirut are clearly supported by the aforementioned laws and regulations. The question would then be if these legislations affect gentrification beyond this initial phase. If so, what is their impact on the development of these gentrifications, and on the forms they would take? In other words, what is the role of laws and regulations in shaping the gentrifications of Beirut?

## **2.5. Conclusion**

This chapter's objective was to establish the relevance of the choice of Beirut. However, prior to that, it had to discuss three issues that might have an impact on this choice. The first discussion showed that a geopolitical location should not be an obstacle for adopting gentrification theories. The other two were related to aspects of the Lebanese political system, from the weakness of the state to the issue of sectarianism. This allows this paper to clarify its understanding of this political system, as a neoliberal one with a double standard approach in favor of capital. In this context sectarianism plays two roles: a distribution arrangement among the elite, and one of many tools to strengthen this elite's grip on power. Consequently, the state's actions, especially regarding laws and regulations, will be assessed mainly from this point of view. The chapter then proceeded to show the pertinence of the case of Beirut, since different processes of gentrification are taking place in this city, and several laws and regulations are affecting these processes in one way or another. The next chapter will discuss the methodological approach and the adopted research methods. It will also select the cases to be studied, and will draw up the thesis structure.

## Chapter 3. Methodology

This thesis is set out to understand the role of laws and regulations in shaping gentrification. In order to have a comprehensive view of that role, their impacts on different forms of gentrification have to be examined. Several other factors affect the development of gentrification. Therefore an encompassing view of all the factors is needed for a clear assessment of the significance and impacts of legislations. Moreover, the comprehension of this role necessitates an identification of the various actors involved in the gentrification process, and an understanding of their interactions and actions, especially vis-à-vis the laws and regulations affecting this transformation.

To reach these objectives, this dissertation adopts the case study approach as a research design, “which allows social science researchers to focus on the contextual effects upon social phenomena” (Shin 2006, 79). In addition, this thesis adopts mainly a qualitative research approach, for two main reasons: the lack of comprehensive data and statistics in Lebanon (see 3.4.), and the nature of the research subject. For instance, a quantitative approach can reveal the extent of the impact of a certain law, but it cannot explain why this specific law had this particular impact, nor reveal the underlying logic behind the adoption of certain laws and regulations.

For further understanding of the transformation in question, and to refine the approach towards the cases of study, this paper will mobilize visualization as analytic exercise. This step will be followed by the selection of the cases of study, and a discussion on the adopted approach. The rest of this chapter will address research constraints in Beirut, and the adopted methods for data collection. And it will conclude by establishing the structure of analysis of this dissertation.

### 3.1. Case study design

The case study design “entails the detailed and intensive analysis of a single case” (Bryman 2012, 66), and as it is observed by Stake (2005, 447):

“Case researchers seek out both what is common and what is particular about the case, but the end product of the research regularly portray more of the uncommon [...] drawing all at once from

1. The nature of the case, particularly its activity and functioning;
2. Its historical background;
3. Its physical setting;
4. Other contexts such as political, economic legal, and aesthetic;
5. Other cases through which this case is recognized; and
6. Those informants through whom the case can be known.

To study the case, to probe its particularity, qualitative case researchers gather data on all the above.”

Therefore, adopting case study design allows comprehending the gentrification process in all its dimensions. To respond to stated objectives earlier, and mainly to examine the role of different legislations in different gentrifications, the case study approach will be used for several cases in Beirut. However, this does not imply the use of a comparative multiple-case study approach. This paper does not seek the differences and similarities among cases, which the comparative approach provides (Carpenter and Lees 1995).<sup>12</sup> Instead, it aims to investigate the different aspects of the role of legislations through different cases. And the synthesis of the various findings would then provide a broader view of that role. On this basis, the selected cases in Beirut will be treated in a parallel rather than a comparative way.

Additionally, and as noted by (Breckner 2013, 194) that “micro-spaces can never be understood in their complexity without relating them to their interferences with an always specific meso- and macro-spatial context and the overlapping of different urban functions,” a nested approach will be adopted. For instance, the case study, a neighborhood, is nested in a city, which in turn is nested in a country (Shin 2006, 80).

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<sup>12</sup> Not to forget that comparing different forms of gentrification might prove to be impractical, as noted in 1.3.

This enables a better comprehension of superior contexts of gentrification, such as the real estate booms dynamics or the rationale behind enacting or amending certain laws.

Adopting the case study design provided the framework for the collection and analysis of data. The first two chapters — and while establishing the theoretical framework of the thesis — provided the main traits of the approach, as well as offered several guidelines, as in addressing the issue of gentrification from three angles: the state, capital, and the users of space.

### **3.2. Visualizing the transformation**

The situational analysis maps were developed by Adele Clarke (2005, 83), and for her:

“The major use for them is ‘opening up’ the data and interrogating it in fresh ways within a grounded theory framework. As researchers, we constantly confront the problem of ‘where and how to enter.’ Doing situational analyses offers three fresh paths into a full array of data sources that can lay out in various ways what you have to date. [...] Their most important outcome is provoking the researcher to analyze more deeply.”

While this dissertation does not employ grounded theory, it concurs with Clarke on the importance of situational analysis maps, and of other forms of visualizations, in widening the scope of analysis and in drawing more possible ways of approach. This section will make use of two visualization methods, one is based on analyzing the relation between actors and transformation, and the second is a situational analysis map. The reasoning to develop the visualizations is guided by the ontological position of constructionism, in which:

“[S]ocial phenomena and their meanings are continually being accomplished by social actors. It implies that social phenomena and categories are not only produced through social interaction but that they are in a constant state of revision” (Bryman 2012, 33).

The first step is to identify the main actors involved.

### **3.2.1. Identifications of actors**

Urban transformations result from actions undertaken by several actors. Those actors can be divided into two categories: private and public. Private actors comprise individuals and groups as well as private institutions and organizations in various sectors and domains: political, economic, social, cultural, and others. Public actors include the various public institutions; in other words, all the elements that compose the State. Distinctions between the different public actors can be made either according to levels, as in local, regional, and national levels, as well as by bureaucratic hierarchy, or according to status, whether officials are elected or nominated, or by the powers relegated to the different institutions. The State, through the authority of its political legitimacy and its legislation powers, can delimit, expand or regulate the extent of these urban transformations as well as empower some actors, be they public or private, over others.

These actors have different attitudes towards transformation, ranging from total endorsement to total opposition. These attitudes are primarily defined by the actors' motivations. And various actors have different instruments at their disposal to utilize in order to fulfill these motivations (Franz 2015, 22).

### **3.2.2. The correlation between actors and transformations**

The actions of some actors will lead to transformations in the urban space. In turn, these transformations will draw the intervention of new actors, protagonists or antagonists, or re-shape the nature of actions of previous actors, reassessing their stance, planning and strategies. These actions are also affected by the negotiations and/or the relations between the various actors. They follow a particular logic relative to the different actors, which underlie the relations within this system. These objectives can be economic or cultural or communitarian or ideological, or others. It is these goals that define and redefine the priorities and objectives of the actors and their subsequent interventions and the nature of their actions.

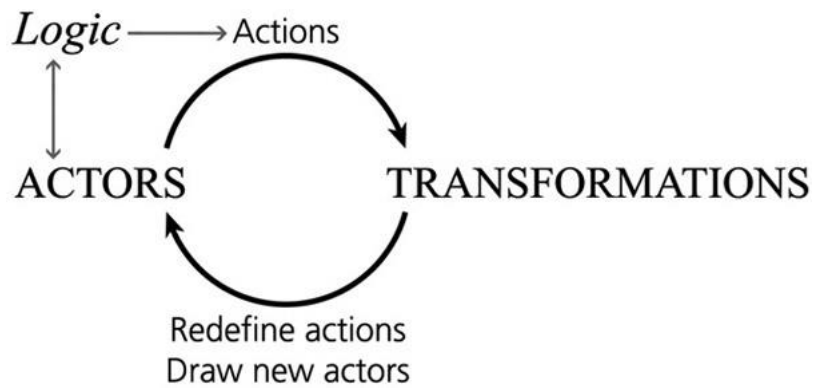


Figure 5: Logic of Transformations. Source: Ashkar (2011, 7).

This system that combines actors, transformations and logic, functions within a bigger context: the correlation between the political system and the economic system, which sets directions and facilitates or impedes actions. The smaller system is conditioned by the bigger system. But, and to some extent, it affects the bigger system, according to the development of the transformations through time.

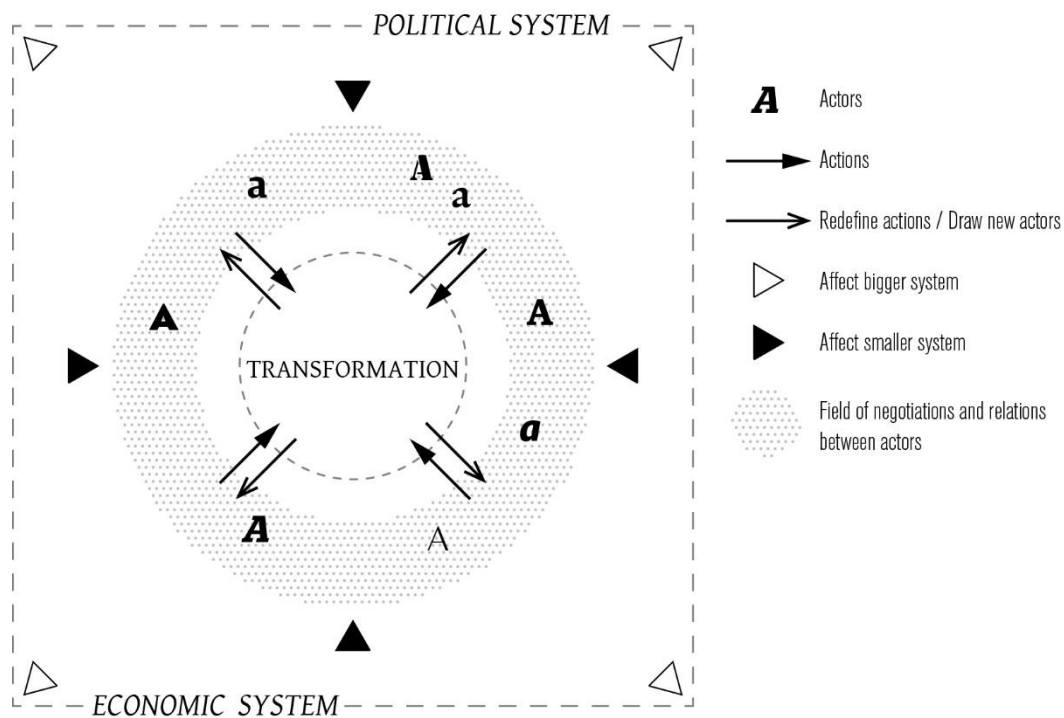


Figure 6: Process of Transformation at point *x* in time. Illustration by author.

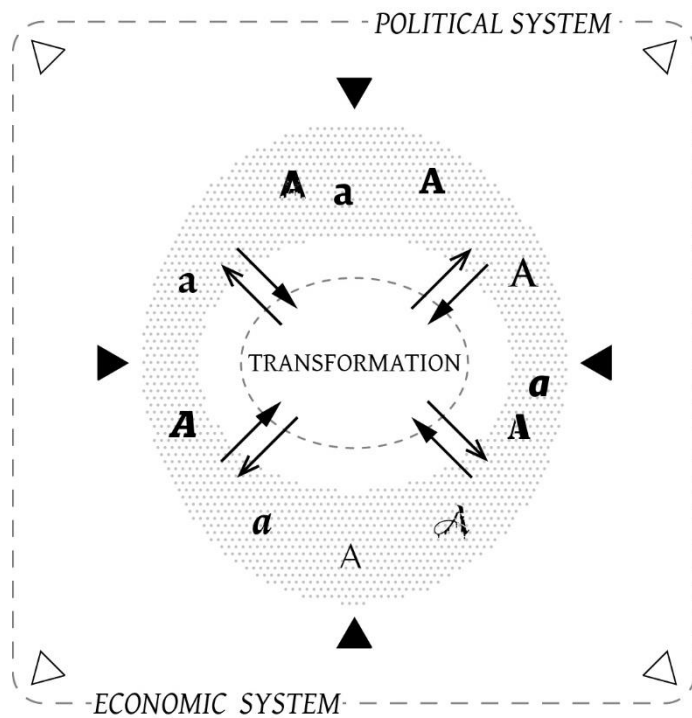


Figure 7: Process of Transformation at point y in time. Illustration by author.

To this paper, an inclusive study on gentrification requires an understanding of all the above diagrams' elements and their respective roles and interactions through time: the nature of transformations, the impact of transformations, the various actors involved, the role and interests of these actors, the logic that underlies different actions, the intersection of actions leading to certain transformation, the nature of the political and economic systems, the historical developments, and so on.

### 3.2.3. State actions and processes of interventions

Within this broad depiction certain elements can be developed further. Taking for instance the different levels of public authorities, in Lebanon there are two main levels: national and local. The intermediate levels – the regional administrative units, *Muhafaza* (governorate) and *Qada'* (district) – are run by public employees, and their powers are limited to executing actions. The municipalities as the local levels are ran by elected bodies that have decision-making and executive powers.<sup>13</sup> Beirut has different status from other localities, since the municipality is only a decision-making authority, while the executive powers are vested in the governor of Beirut, who is a

<sup>13</sup> Law on Municipalities, Legislative Decree no. 118/1977.



public employee appointed by the State. The Lebanese State is still a very centralized state, with little power devolved to local authorities. For example, the latter do not have the power of issuing any sort of local regulations.

When discussing the issue of public authorities in Lebanon, it is more pertinent to divide them into political and administrative authorities (Ashkar 2011, 61). The former is composed of the top governing bodies, be they elected, such as the parliament elected by registered voters, and the President of the Republic elected by the parliament; or appointed, such as the government – the President appoints a Prime Minister, and together they appoint members of the government, whose formation requires a vote of confidence by the parliament. In general, a distinction is made between the legislative body, the parliament, and the executive body, the government and the presidency. However, the latter have the power to issue regulations, mainly in the form of decrees, without recourse to parliament. It is this power of legislation that differentiates these three public bodies from the rest, which are considered administrative authorities. In this sort of differentiation, municipalities occupy a peculiar position. While they are elected, and therefore have to be considered as political authorities, the powers entrusted in them, especially in the case of Beirut, made them closer to administrative rather than political authorities.

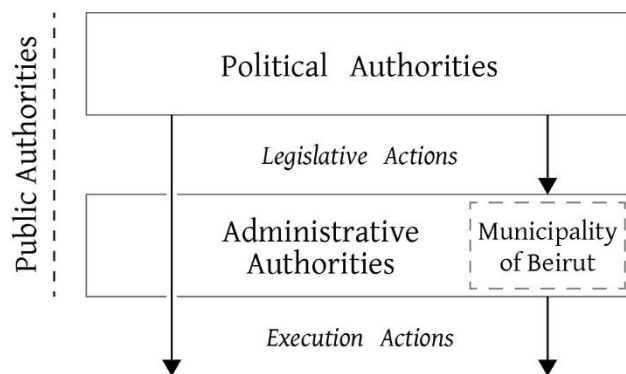


Figure 8: Public authorities' levels of intervention. Source: Ashkar (2011, 61).

Private actors exert pressure or lobbying on the political authorities towards the adoption of certain decisions. In this context, it is relevant to look at the role of the dominant political elite. In Lebanon there is a multitude of political parties, and although they exhibit wide political differences, on economic issues they generally adopted the same views (see 4.6.). And therefore on this point it is possible to treat the main political actors as one group. The political authorities are composed of elements of this political elite. In turn, this elite, be they in or outside the political authorities,

exercise pressure on these authorities. On the other side, this political elite exerts two kinds of pressure on the administrative authorities: first, formal intervention through the political authorities that they control, for example by the power of legislations, and consequently administrative authorities have to implement the agenda of this elite; and second, informal intervention, as in the case of politicization of the administration by filling it with politicians' associates or clients for a better control of this administration in service of that elite (see 5.3.3.1.). And lastly, it is relevant to differentiate two types of actions emanating from this system. The first can be considered a conventional action, for example promulgating a new law. The second is passive action, as to allow a certain action to take its course without intervention (Mele 1997, 153). This is the case, for instance, of preserving certain laws.

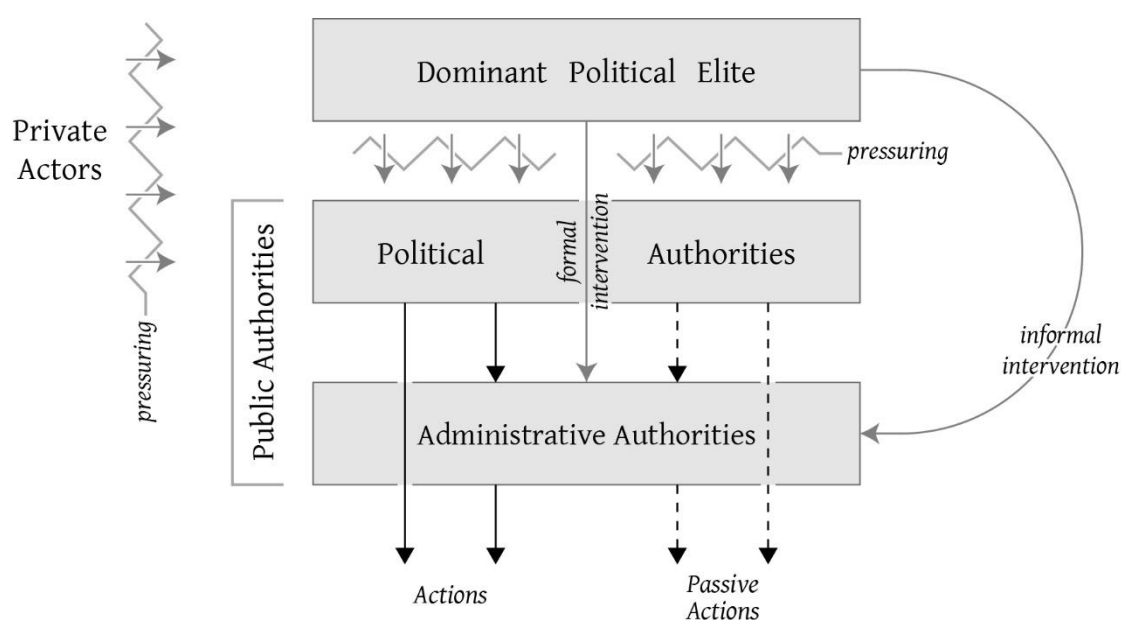


Figure 9: Processes of interventions between different authorities. Source: Ashkar (2011, 117).

And finally, it is pertinent to look closely at the main interest of this dissertation, the role of laws and regulations, within the context depicted above. Legislations are to be seen both as instruments and as actions. They are actions when they are promulgated, and they are instruments when they are implemented. In addition, it is relevant to assess the legislative process in a wider context, and not to confine it to a set of parliamentary procedures and stages. From this perspective, it can start with the election of the parliament by registered voters, since candidates running for election have in their programs proposals regarding legislations. The new parliament can then enact new laws. It can also amend or preserve or scrap existing ones. Still, and besides the parliamentary debates, the promulgation process is subject to negotiation with, and

to pressure from, various private actors some of who may not be voters, as with international corporations or institutions. In turn, the parliament responds to this pressure in different ways, from influencing it, to ignoring it, to different degrees of complying with it.

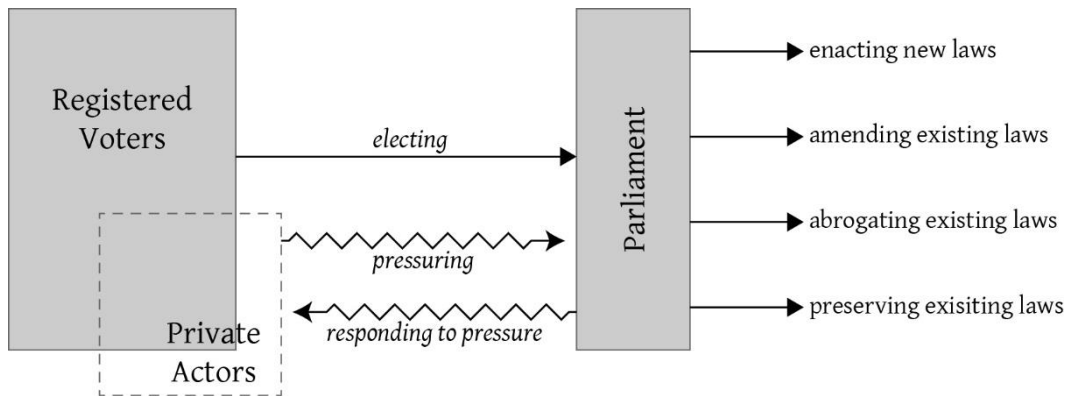


Figure 10: A facet of the legislative process. Illustration by author.

### 3.2.4. Situational Analysis: Social Worlds/Arenas Map

Situational Analysis is a grounded theory approach. And although this thesis does not adopt this theory, it found it useful to utilize one type of situational maps, the Social Worlds/Arena Map. This map offers an examination of the interrelations between actors in the gentrification process, a dimension that the previous analytic exercise did not address fully. Situational maps are a means to organize and analyze the collected data. But these maps can be used even before data collection, as Clarke (2005, 85) explained:

“Researchers should use their own experiences of doing the research as data for making these maps. [...] Beginning even before a research topic is decided upon, we notice and store information, impressions, and images about topic areas and issues. [...] Part of the process of making situational maps is to try and get such information, assumptions, and so on out on the table and, if appropriate, into the maps.”

The Social Worlds/Arenas Map is a cartography “of collective commitments, relations, and sites of action” (ibid., 86) through a representation of the different Social Worlds and Arenas. An Arena is “a field of action and interaction among a potentially wide variety of collective entities” Clarke (1991, 128). As for Social Worlds, they are

defined as “spaces of perception and action” (Soeffner 1991, 363), and as “groups with shared commitments to certain activities, sharing resources of many kinds to achieve their goals, and building shared ideologies about how to go about building their business” (Clarke 1991, 131).

To apply this map on a gentrification process, a detailed identification of actors is needed. Franz (2015, 21-23) identified four relevant actors in urban rejuvenation processes, leading to gentrification: 1) Public authorities, 2) Public-Private partnerships, 3) Private institutional investors, and 4) Private individual investors. For the first, she identified municipal authorities. To widen the scope, this paper will consider the political authorities of the state. For the second type of actors, Franz did not give detailed information. As for the third, she mainly considered banks and real estate agencies. And finally, her description of the fourth fits with what Smith (1992, 112) labeled “occupier developers,” who are individual investors that buy and redevelop a property, and inhabit it after completion. While these actors can be considered the main agents of change, others have to be added. They include among others, the population displaced by gentrification, the incoming and more affluent population, and the groups and activists opposed to gentrification.

The two main Arenas are those of gentrification and of laws affecting gentrification. For the last one, the laws used are the ones identified when discussing the choice of Beirut: the laws on construction, preservation, and rent. As for the actors, and for a simple and clear visual representation, Arenas will be used as much as possible. Therefore, they will be sorted into three Arenas and two Worlds: 1) politics Arena that includes the political authorities, 2) finance Arena that includes the banks, 3) real estate Arena that includes real estate agencies, as well as occupiers developers, 4) the incoming population World, and 5) the World of displaced population and anti-gentrification activists. The last two groups of actors can be put together as they share their opposition to gentrification.

The laws affecting gentrification also affect other transformations, hence, the gentrification Arena is comprised within the laws Arena. The same goes for the three actors-related Arenas vis-à-vis the gentrification Arena, therefore the latter sits at the intersection of politics, finance, and real estate Arenas. The real estate Arena is governed by laws on construction, or preservation, or rent. As a result, the real estate

Arena is comprised of the laws Arena, which in turn intersects with the politics and finance Arenas. The occupier developers' World sits inside the gentrification Arena. As for the anti-gentrification actors' World, part of it is inside the gentrification Arena, as in the displaced population, and another part is outside of it, for example in the case of activists protesting certain aspects of the gentrification in place, but are not affected by this transformation. The discussed interactions and fields lead to the development of the following Social Worlds/Arenas map:

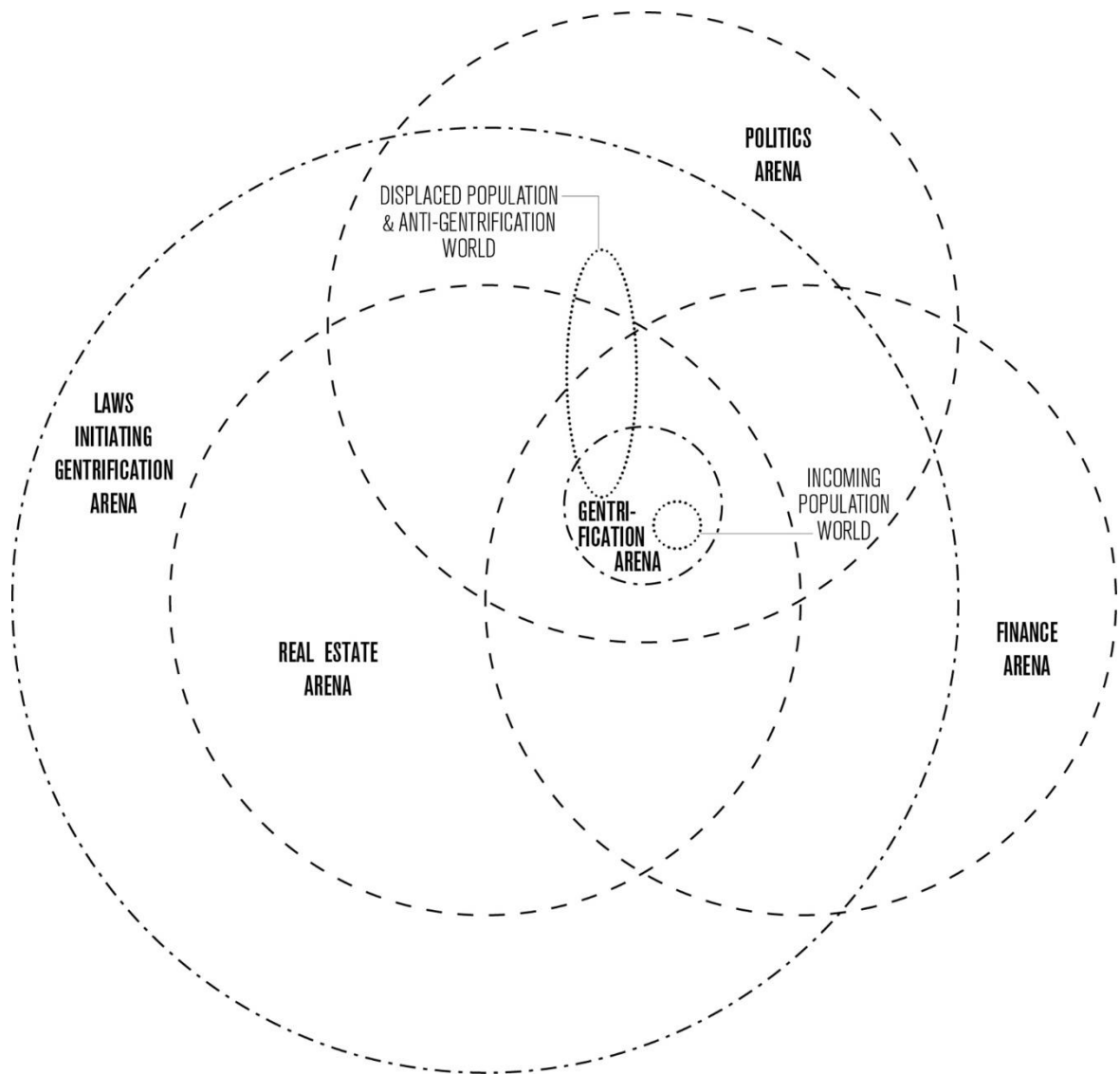


Figure 11: Social Worlds/Arenas Map: Gentrification. Illustration by author.

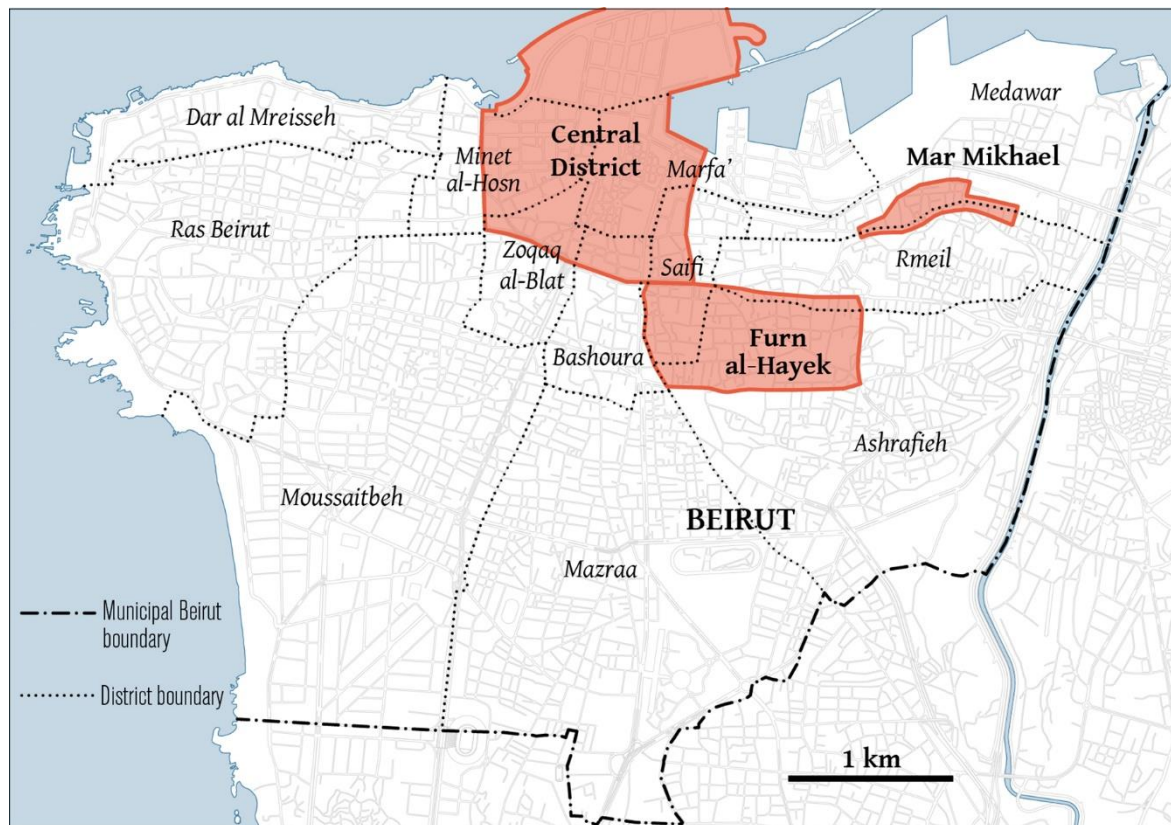
### 3.3. Cases of study: Selection and approach

#### 3.3.1. The selection of gentrification cases and neighborhoods

The selection of neighborhoods is based first on the variety in the form of gentrification, and second, on the most emblematic case within the different forms. The first chosen form is the particular case of the central district, and this area will be treated as one entity.

The second form is the demolition-reconstruction based gentrification, and the selected neighborhood is Furn al-Hayek. However, the study will not be limited to the proper sector of Furn al-Hayek, but it will also incorporate its surroundings, or what developers dub as either the *golden triangle* or the *golden square*. This neighborhood was a socially mixed area, with a middle class majority. The real estate boom of 2005-2011 was centered in this area. The construction of upscale residential high-rises has considerably transformed the physical and social aspects of the neighborhood. Thus, Furn al-Hayek is now considered among the most prestigious parts of Beirut.

As for the third form, it is the commercial and/or nightlife gentrification. But since it does not fit completely within the parameters of the two forms – it is not entirely the replacement of commerce, nor is it strictly related to nighttime activities – it will be more appropriate to refer to it as food and beverage (F&B), and creative industries based gentrification. The selected neighborhood is Mar Mikhael. Until around the year 2010, it was a traditional working class area that harbors numerous small to medium size industries. Since then, it became a hub for creative industries, hip restaurants, and multitudes of bars and cafés. Nowadays, Mar Mikhael is repeatedly described by local and international press as a vibrant and bohemian neighborhood, “the night life centre of Beirut” (Brunton 2016).



Map 1: The three selected neighborhoods: Central District, Furn al-Hayek, and Mar Mikhael. Illustration by author.

This section will conclude with a note on the neighborhoods of Beirut. The city is divided administratively into 12 quarters, or districts, with no further subdivisions (as seen in the map above). In the 1930s and 1940s, the electricity company subdivided these districts into several sectors (see Map 12.), in order to efficiently collect payments. Each sector and street was assigned a number. Sectors were named after main streets or landmarks, or the colloquial name of the area. For example, the sector of Mar Mikhael is named after the church of *Mar Mikhael* (Saint Michael) in that area. These sectors are not officially recognized yet, however they were largely adopted by the population. Additionally, most dwellers in Beirut, as well as the media, often refer to certain streets by their informal names rather than the official one. The main street in Mar Mikhael is officially called Armenia street, but many still uses the old name, *Tariq al-Nahr* (The River Road). The same goes for the western extension of Armenia Street, commonly known as Gemmayze Street, rather than by its official name Gouraud Street. This paper will integrate all these terminologies, with the appropriate clarification. It will also identify the perimeter of neighborhoods under study in Chapter 7.



Image 2: Street signs in Beirut erected by the electricity company. Photo by author, 2017.

### 3.3.2. Approaching the cases of study

The dissertation will examine the three cases of gentrification, and the laws and regulations affecting them. The selected gentrifications present many disparities to be treated in a similar way. Still, considering gentrification as a process through time, these cases will be looked at according to: 1) their former situation, 2) the context of change, and 3) the transformation itself. In the first and third point, the focus is mostly on the neighborhood level. The examination of the transformations will take into account the role of the state, capital, and the users of space. As for the context of change, it will explore the set of circumstances directly linked to the development of gentrification. In general, many of these factors are external to the area in question.

As for the three sets of laws and regulations, they offer three different situations. Concerning the set of legislations on construction, the issue is the combined effects of the construction law and the master plan of Beirut. How a double-layered approach to these two regulations is contributing to increasing the rent gap, one layer a permanent legislative effort, the other a lack of it. As for the rent, the examination is of two dissimilar rent regulations applied on contracts of two different time periods. In this case, the focus is on comparing their respective impacts and consequences. As for preservation legislations, the issue is the absence of adequate ones, and the inefficiency of the measures in place. In light of this, adopting a unified approach to the laws and



gentrifications might prove impractical. Therefore, they will be treated according to their specific situations and roles. An emphasis will be put on the process of the respective developments of these legislations and the conflict surrounding them, bearing in mind the four actions parliament can take: enacting, amending, preserving, and abrogating laws.

The gentrification in the central district presents two particularities. First, it is the reconstruction process of an area largely abandoned for fifteen years. The context of change is mainly the war and the consecutive reconstruction plans, which can also be considered as the former. Based on this, these two subjects will be treated jointly. The second particularity is while the gentrification of Furn al-Hayek and Mar Mikhael are developing in the context of the same laws and regulations; the central district enjoyed its own planning regulations. And not to forget that no rent control contracts exist in that area — since it was expropriated in the early 1990s, de facto abrogating all old rental contracts. Therefore, the specific legislations issue will be discussed within the examination of that case study.

The larger context of these gentrifications is set around two issues: first, the need for a deeper understanding of the politico-economic system, and of the urban setting in Beirut; and second, the necessity for comprehending the state actions vis-à-vis gentrification. For the first point, this will be done through reviewing the political, economic, and urban history of Beirut. This review will make use of periodization; the periods will be determined according to major events upsetting the political system.

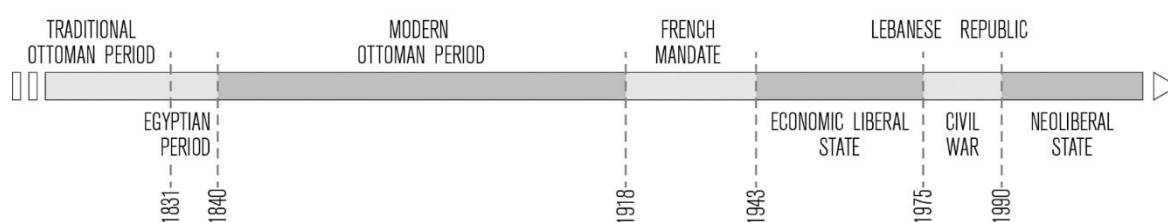


Figure 12: The adopted time periods. Illustration by Author.

As for the second point, the relation between three main actors in the gentrification process will be addressed: politicians, banks, and developers. This will be done through investigating two types of politicians, the politician-developer, and the politician-investor. An additional probing will focus on the involvement of politicians in the banking sector, and on the investments of the latter in the real estate industry. Then, the impact of this interrelation on the state actions will be explored through

examining the official discourse, the legislative actions, the influence of politicians on the state administration, and the policies of the central bank regarding the real estate sector.

### **3.4. Research constraints**

The first obstacle when conducting research on Lebanon is the abundance of myths and perceptions many researchers unfortunately tend to adopt without a second thought. A clear example that can be easily deconstructed is regarding the surface area of that country (Verdeil 2005). While the number 10,452 is widely adopted and disseminated, in fact, the real area is around 10,200 square kilometer.<sup>14</sup> This dissertation has no intention to go through all the myths on Lebanon. However, and from the start, this paper adopted a very skeptical approach towards all the conventional wisdoms surrounding that country. But this also meant increasing the research load, since information provided by other researchers was constantly re-investigated.

Another main constraint for research on Lebanon — which also fuels some of the myths — is the near lack of statistics. For instance, there is no accurate demographic data. The first census was conducted in 1932. The two indicators in that census were the place of residence and religious affiliation. Political pressure has since prevented further censuses. And while the updated figures on the initial census can indicate the total number of Lebanese, this cannot determine the population of Lebanon. Moreover, there are many obstacles when it comes to changing the place of residence in the registrar, resulting in overwhelming numbers of Lebanese still registered where they, or their parents or ancestors, were living in the year of 1932. The public body for statistics, Central Administration for Statistics, did conduct certain socio-demographic surveys in the mid-2000. However, the published findings were on the level of the governorates, which deemed them irrelevant to comprehend the situation on lower

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<sup>14</sup> The first to use the 10,452 number was Bashir Gemayel in his campaign for the 1982 presidential election. With time, this figure gain ground, and is rarely disputed. GIS files obtained from the CDR indicates that Lebanon's area is 10,207 square kilometer.

administrative levels, such as neighborhoods. Moreover the access to the raw data is restricted.

In brief, published statistics on Lebanon are deficient and ambiguous. This led to the evaluation of certain situations or activities being based on either extrapolated estimates or inadequate indicators. For example, to examine real estate activities, economic experts and magazines refer to two indicators: the amount of delivered cement and the number of issued construction permits. However, the former indicator also includes cement delivered for infrastructure projects, while in the case of the latter, an issued permit does not necessarily mean a building will be constructed.

Another limitation faced by this research was the question of accessibility to certain private actors, such as developers, investors in real estate, and the incoming population – in other words, to wealthy actors. Most researchers on Lebanon are confronted with a similar issue of accessibility to the so-called top actors. And on this point, it is relevant to note these top actors are more willing to speak and open up to Western-European researchers rather than to local ones, especially if this Western-European researcher is female (Krijnen 2016, 41). Nevertheless, the author of this dissertation was able to interview a good number of these actors. The most difficult to access were the incoming population. And some of the interviews conducted with these dwellers were obtained by waiting in front of a high rise for when a resident exit the building by foot. As for accessing unpublished documents from the aforementioned actors, it proved to be a harder task. On the other hand, unpublished, and non-restricted, public documents were more or less accessible, still, that usually required a degree of persistence.

### **3.5. Triangulation and data collection methods**

In approaching the data, this dissertation adopted Triangulation, which “entails using more than one method or source of data in the study of social phenomena” (Bryman 2012, 392). Using a multi-method approach for collecting data results in a more complete picture of the studied case, by combining the data obtained from different methods. Additionally, contrasting the collected data from different sources, leads to a

better understanding of the situation, and greater confidence in the findings, and an increase in their credibility (Rothbauer 2008, 893; Bryman 2012, 392). As an example, if a general information was given in an interview, it will be checked, first, by contacting other parties related to this information, second, by a search in the local press or other online published materials, and third, by conducting a field visit. More personal information are harder to verify, in this case, the focus of the search is towards detecting similar cases that might have occurred with other persons.

This paper relied to a large extent on a qualitative research approach. Several data collection methods were mobilized, from interviews, to field visits, to document review. Still, some quantitative methods were used to complement the wider picture on gentrification. This was especially the case of the field surveys conducted on Furn al-Hayek. The data collected can be divided between primary and secondary sources, as it is showed in the following table:

	Qualitative methods			Quantitative Data
	Interviews	Field visits	Documents	
Primary source	Interviews conducted by author	Observation, photography, etc.	Public official documents, private official documents, topographic maps, satellite imagery, etc.	Field survey
Secondary source	Transcripts of other interviews		Mass-media outputs, books, thesis, websites, etc.	Published statistics

Table 3: Data collection methods.

### 3.5.1. Interviews

The collection of data made use of a largely unstructured, conversational interview style. The aim was to set an informal setting that allows the interviewee to speak comfortably and easily about the things that matter most to them. The interview usually started with a simple question, followed by an account of the interviewee. The author would then intervene with another question, either to clarify certain details, or to shift the conversation to other points of interest for the research. While this often resulted in at least an hour-long interview, it also revealed many valuable, and usually small, details concerning the discussed topic.

At the beginning of each interview, the author stated clearly the reason for this interview, and the end use of information. He would also offer the interviewee the

choice of staying anonymous, an option that was taken by some. In certain cases, usually when the interviewee is a public figure, the author chose to record the interview. To do so, he would ask permission for recording, which was in general granted. The author chose not to record most interviews, especially with the residents or the users of space, since this might arouse their suspicions, and consequently affect the extent of their openness. The option not to record the interviews meant that the author had to take notes of, or summarize some of the, interviewee's account.

For selecting the interviewees, this paper referred to three sampling methods: the first is stakeholder sampling, which consists of identifying the major actors involved (Palys 2008, 697). After the identification process, a list was compiled including a wide range of actors: public authorities' officials, developers, architects, property owners, tenants, journalists, and others. Nearly one in five of those on the list agreed to be interviewed. The second method was a simple random sampling, and it was utilized to collect further information on, and from, the former and current users of space — the displaced population, those under threat of displacement, the current dwellers, and the incoming population, etc. — in Furn al-Hayek and in Mar Mikhael. These two methods were complimented by a snowball sampling, which basically consists of asking the interviewees whether they know anyone else with additional information on certain topics, or meets with the required criteria (Morgan 2008, 816). In the last case, the criteria were related to the users of space, as explained earlier. Moreover, a longitudinal element was adopted in approaching interviews, with several actors being re-interviewed one to two years after the initial interview, for a better understanding and assessment of ongoing issues. The use of these three techniques was deemed appropriate for this research to obtain, as much as possible, specific as well as diversified information.

This paper also relied on interviews conducted by the author for his master's thesis, in 2011. Additionally, it made use of transcripts of interviews conducted by third parties. The first set of transcripts was obtained from Eléonore Boissinot, who researched the gentrification process in Furn al-Hayek, back in 2011. As for the second set, the interviews were conducted by Masters students at the Urban Planning Department of the Lebanese University, in 2014-2015, covering the areas of Furn al-Hayek and Mar Mikhael. These interviews were conducted as part of a seminar on gentrification, under the supervision of the author. And in addition to these

interviews,<sup>15</sup> this research benefitted from numerous impromptu short discussions with dwellers, during the field visits and surveys.



Image 3: Interview with a carpenter at his workshop in Furn al-Hayek. Photo by Farah Kobaissy, 2013.

### 3.5.2. Documents

The dissertation relied also on a wide range of documentation varying from primary to secondary sources of data. The research put an additional emphasis on accessing and making use of primary materials as much as possible. This was especially the case regarding the texts of laws and regulations. In certain cases such as on rent, all the promulgated laws and regulations since the 1930s were reviewed, so as to assess their development and track down the changes. Most research was conducted online at the website of the Center of Research and Studies in Legal Informatics at the Lebanese University, which host a large number of legal documents.<sup>16</sup> For texts of laws not

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<sup>15</sup> For a list of interviews, see Appendix A.

<sup>16</sup> The online address of the Center of Research and Studies in Legal Informatics at the Lebanese University is: <http://www.legallaw.ul.edu.lb/>

available online, the author referred to the *Official Gazette*, the periodical governmental publication that publishes public or legal notices. The archives of the gazette were consulted at the libraries of Orient-Institut Beirut and of the Lebanese Parliament. The latter library was useful to consult the official records of parliamentary debates.

The author was keen to access unpublished documents. This was mainly the case concerning the minutes of meetings (MoM) of the parliamentary joint committees entrusted with finalizing the draft Law of Construction, before its approval by the parliament. After many requests filed by the author, he was granted permission by the Speaker of Parliament to access five of the MoMs. The minutes are internal parliamentary documents and not intended for the public. These are handwritten manuscripts, photocopying them is prohibited and no digital copies exist either. The consultation took place at the office of the Speaker's secretary, and a policeman was assigned to ensure the safety of the documents. The secretary of the Speaker was an amiable woman, and kept on offering the author tea and sweets.

The author also obtained unpublished documents from other governmental bodies, such as scripts of decisions by the Higher Council for Urban Planning (HCUP) on issuing permits for the construction of high rises. Additionally, the thesis made use of various private official documents, mostly found online, such as bank reports or high-rise brochures.

Furthermore, this research utilized visual documents as data. Topographic maps of Beirut, some dating back to 1841, were collected from various sources, to track down the urban development of the city. The same goes for aerial and satellite imagery. The author obtained from the National Archives in London aerial images of Beirut taken by the British air force during their bombardments of the city in 1917. These photos also reveal the mass urban renewal operations conducted by the local authorities at that time. Other aerial photos of the city, dating from the 1950s and the 1960s, were acquired from the Directorate of Geographic Affairs of the Lebanese Army. As for satellite imagery, this research relied on Google Earth. The "historical imagery" option in that software allowed tracking down the change in the built area for the past fifteen years, thus further backing the data collected from the field survey.

As for the secondary data, the thesis relied on various sources. Many books and scientific articles written on Beirut and/or on Lebanon were consulted. The local press

provided a wealth of data, and the author made sure to go through several major published newspapers in Lebanon, from the Arabic-language dailies *Al-Akhbar* and *As-Safir*,<sup>17</sup> to the French-language *L'Orient-Le Jour*, or the English-language *The Daily Star*, among others. Additional information was obtained from foreign and international media outlets, such as the *British Broadcasting Corporation* or *The Guardian*. Two local economic magazines, *Executive Magazine* and *Le Commerce du Levant*, proved to be very helpful for data collection, especially regarding information on the real estate sector. Most of this research was conducted online, and it was backed by additional consultations in different libraries. This was specifically in the case of *Le Commerce du Levant*, as pre-2010 articles are not available online, and a supplementary search was undertaken at the library of L'Institut Français du Proche-Orient (IFPO). This library also contains a large collection of thesis and other urban research studies on Beirut, which in turn provided a substantial amount of information.

As for the quantitative data, some were obtained from the sources cited above, others came from reports produced either by the Central Administration for Statistics, or the Order of Engineers and Architects in Beirut, or they were extracted from different bank reports.

### 3.5.3. Field research

First, it is worthy to note that the author is familiar with the areas of studies since the early 1990s, and he previously lived in Mar Mikhael — in the early 2000s — and in Furn al-Hayek — between 2011 and 2012. This provided him with a firsthand account of the transformations affecting Beirut in the last twenty years or so. Since 2011, the author conducted several field visits of the areas under study. On every visit, the author would take notes of his impressions, to detect new occurrences, and to keep track of the development of transformations. On every visit, photographs were taken as both an aide-mémoire to complement the notes, and as sources of data. Additionally, during these visits, the author would engage in small talks with the residents of the neighborhood, or the users of space, to have their impressions of certain situations, as well as in the hope of either discovering new elements or facets of the transformation,

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<sup>17</sup> Between 2011 and 2015, *Al-Akhbar* ran a supplement English version online, *Al-Akhbar English*. *As-Safir* ceased publication on December 31, 2016.



or detecting new search leads. Furthermore, field visits can yield much new information. For example, next to a construction site, can be found: promotional signs for the project, the names of the firms involved in the project – the developer, consultants, contractors, etc. – as well a copy of the construction permit. The Image below is of a permit copy hanged on a construction site, in the area of Qantari, at the western edge of the central district. Although this site is not in the areas of studies, this photo was chosen since the owner is a main politician, Walid Jumblatt – usually on such permits, the owner would be a temporary company – and the architect is Ziad Akl. Both names will be mentioned, although separately, in later parts of the thesis. The building under construction is a fifteen floor upscale high rise, and the amount of taxes paid is LBP1,170,393,000, the equivalent of around USD780,000.<sup>18</sup>

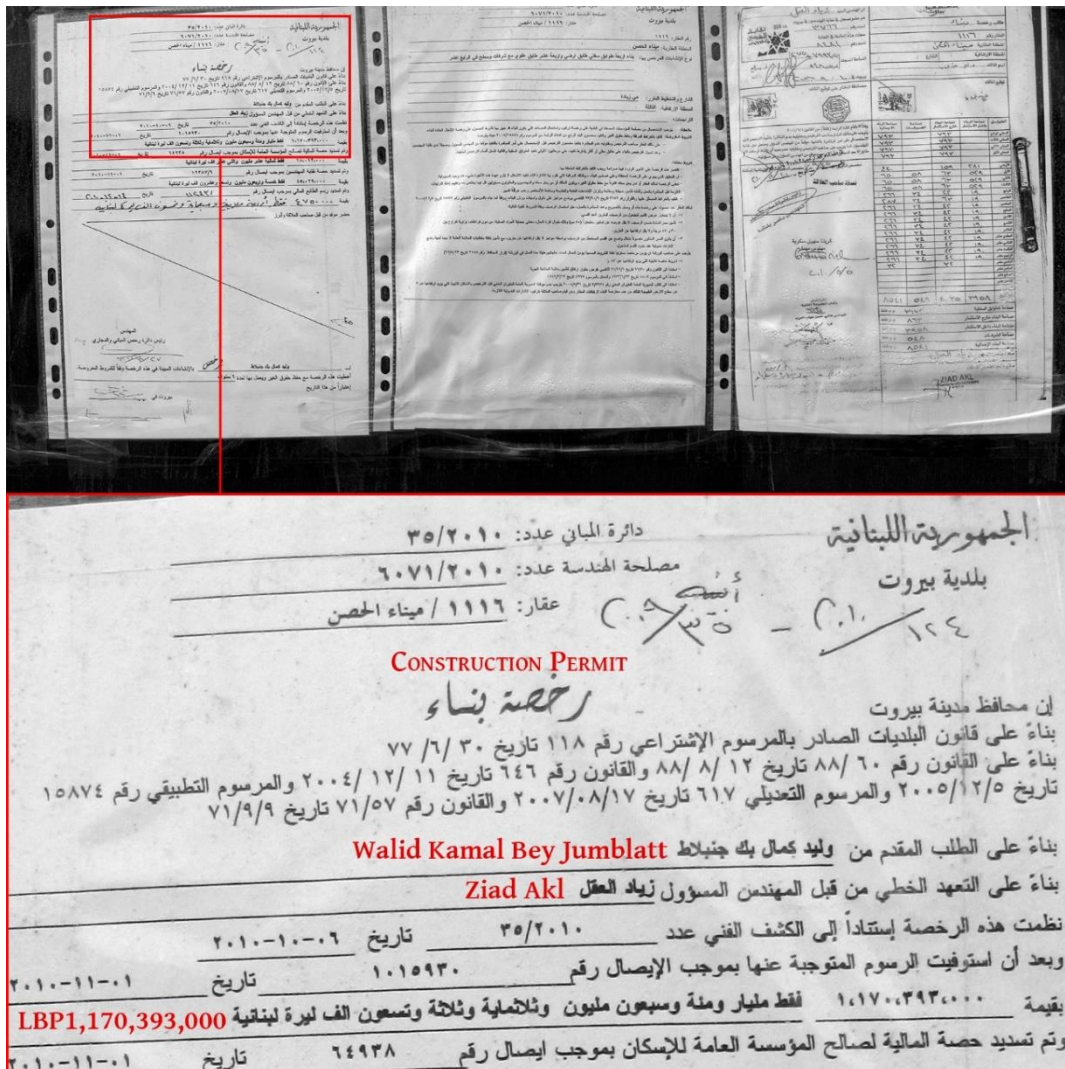


Image 4: Copy of a construction permit pinned on a construction site.

Photo and annotation by author, 2013.

<sup>18</sup> LBP and USD are the currency codes for Lebanese Pound and United States Dollar, respectively.

In 2011, the author conducted a joint field survey with Eléonore Boissinot on Furn al-Hayek, for their respective studies. The main objectives of this survey were to locate and identify 1) all the upscale projects, both the recently constructed and those under-construction, 2) the plots of land recently sold to developers, 3) the security apparatuses in the area, their types and locations, and 4) the number of families displaced by upscale real estate operations, the locations from where they were displaced, and their current place of residence. Additionally, a systematic survey was conducted to determine the period of construction and the number of floors of every building in that neighborhood. The findings of that survey were complemented and updated by three other surveys conducted by the author in 2013, 2014, and 2017.

### **3.6. The thesis structure**

The remaining of the dissertation, it is organized in two parts.

Part II looks at the wider context of the recent gentrifications in Beirut, from its historical development to the intricacies of the relationship between the political elite and the real estate industry:

Chapter 4 is an introductory chapter on Beirut. It traces its modern development from a political, economic, and urban viewpoint. It explains the evolution and nature of Lebanon's politico-economic system, with focus on development and formation of the ruling elite, and on the divergence of the country's economy towards the trade, finance, and real estate sectors. By charting the urban development of Beirut, the chapter also points out the different gentrifications that the city experienced in the past century.

Chapter 5 addresses the relation between elected politicians and the real estate sector. First, it explores the close entanglement between the political elite, the finance sphere, and the real estate industry. And second, it examines the different ways that politicians employ the state and divert its actions towards serving their interests.

Part III deals with the role of laws and regulations in different gentrification processes in Beirut:

Chapter 6 reviews the reconstruction of Beirut's central district since the genesis of the project in the late 1970s, until the actual situation. It evaluates this process from the perspective of gentrification, with an emphasis on the legislative framework that supported and accompanied this transformation.

Chapter 7 examines three sets of regulations that affect the gentrifications in Beirut: the law of construction and the master plan of Beirut, the two laws on rent, and the regulations on urban heritage. The chapter follows their development and amendments, considers the conflicts surrounding them, and evaluates their impacts.

Chapter 8 discusses two forms of gentrification: a residential gentrification based on demolition-reconstruction process in Furn al-Hayek, and a gentrification more related to economic and leisure activities in Mar Mikhael. These two gentrifications are examined from different angles, for a thorough evaluation of the role played by laws and regulations.

The Conclusion summarizes the findings of this research, and draws a general synthesis. It is also an occasion to assess the pertinence of the adopted approach. It then concludes by outlining the contributions of this study to the existing body of knowledge, and identifying future research questions and directions.

### **3.7. Conclusion**

The emphasis on exploring the role of legislations in shaping gentrification led this research to adopt a case study approach that was applied to three selected cases. The dissimilarities in the forms of gentrification meant that these cases would be treated in parallel, rather than in a comparative manner. Two of these forms will be examined under the same context of laws and regulations, as for the third, the reconstruction of the central district; it will be addressed separately since it has its own specific regulations. Such approach provides a wider understanding of the impact of laws and regulations in the gentrification process. The three separate cases would uncover different aspects of the role of legislations, and the synthesis of these findings would depict a wider picture of that role. Additionally, this chapter made use of analytic

exercises based on visualizing and mapping the transformation, its actors and their interactions, which permitted to identify the main axes to approach the cases of studies, as well as their larger context.

There are several constraints facing research on Beirut and Lebanon, especially the lack of comprehensive quantitative data. The research methodology on data collection and analysis was chosen to overcome such constraints, and to provide an all-inclusive understanding of the different elements of the gentrification processes. A multi-method approach, mainly based on a qualitative research strategy, was adopted, and the collected data were constantly crosschecked to ensure their credibility. Among others, the research relied on direct communications with different actors involved, on thorough observations and surveys, and on an extensive review of various documentations. The following chapters will present the findings of this research, starting with an examination of the larger context of the gentrification in Beirut.

## PART II.

### LEBANON: A POLITICAL ECONOMY VIEW

## Chapter 4. A City for profit: political, economic, and urban history of Beirut

This chapter provides the background for the current gentrifications of Beirut, and sets their historical politico-economic context. The focus will be on the development of the economic and political elite, and the continuous commodification of land. Both these cases were a product of the transformation of Beirut in the nineteenth century, turning it — for a period — into a dominant economic power in the Levant region.<sup>19</sup> The chapter will proceed through a periodization approach, starting with that century. The sections of this chapter will follow the ascendance of a trade and finance bourgeoisie that dominated Beirut, and later imposed its economic vision centered on trade and finance, on the nascent Lebanese Republic. The sections will also examine the development of the political and economic system, simultaneously, and they will introduce the major economic and political elite, many of whose descendants are still in power today in Lebanon. The chapter will pay attention to how the state was utilized to serve the interests of this elite, and will point out to specific legislative measures, which will be discussed in later chapters. It will also trace the urban development of Beirut, highlighting the process of land commodification, and pointing out the various gentrifications that affected the city in the past century. The last section discusses the post war era, in which the cases of study are discussed, and will focus on the financialization of the economy, which in turn increased land speculation. The section will conclude by discussing the electoral system, which serves as a mechanism of perpetuating the grip on power the politico-economic elite maintains. In sum, this chapter offers a general understanding of the case of Beirut, and sets the stage for the chapters to follow.

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<sup>19</sup> The Levant is the geographical area between Sinai Peninsula (Egypt) to the south, and Taurus Mountains (Turkey) to the north. Its eastern edge is the Syrian Desert.

## 4.1. How being secondary turns into an asset (~1800-1840)

At the turn of the eighteenth century, Beirut was one of the many trading outposts on the Levantine coast. It was a small and fortified city of no more than 5000 inhabitants, and with little political or economic influence and power (M. Davie 1996, 19). Administratively, starting with the Ottoman conquest, it was made part of the *Wilaya* (Province) of Saida, sitting at the northern edge of that province. Nevertheless, and for brief periods of time, it came under the influence of the chieftains of the nearby Mount Lebanon, as they attempted to expand their domains. For them, Beirut was an additional lucrative tax farm (Hanssen 2005, 33). However, the situation of Beirut will change drastically in the first half of the nineteenth century. In a first stage, it became a loophole in a monopolistic system, and later turned into a center of trade monopoly.

### 4.1.1. First stage: Beirut as a loophole

At the beginning of the century, the Levant emerged from decades of infighting between the various local governors and chieftains, not to forget Russian and French military expeditions. The military power of Ottoman governors was eroded, and Beirut was in the peculiar position of being a port-city with the “least [Ottoman] imperial authority within its walls” (Hanssen 2005, 29). So when the new governor of Saida imposed a monopoly on trade in favor of the city of Acre, Damascene merchants moved some of their operations to Beirut in order to bypass this monopoly, and on several occasions British or French ships diverted their routes to Beirut seeking better deals. In 1811, backed by chieftains of the mountain, the merchants in Beirut defied the authority of the governor, and refused to pay a fine. The latter, lacking the manpower, refrained from imposing his will on them. This successful act of disobedience proved to be a turning point; Beirut became the loophole in Acre monopolistic system, and the city turned into “a vague [and] ill-defined political space, which permitted a maximum of independence” (Philipp 2001, 130). A large part of trade was diverted to the port of Beirut, and a growing number of merchants from Damascus and Aleppo relocated their businesses to the city. By 1824, the value of imported goods transiting through Beirut was already ten times more than that of Acre (*ibid.*, 132). It took only a few years for

Beirut to become the main harbor of the Levant. Still, this initial rise seemed precarious, since it was conditioned by temporary weakness of Ottoman governors. Moreover, the city lacked the adequate infrastructure to sustain this growth.

Nonetheless, the relevance of this economic boost is that it took place at the eve of a new era. The radical changes sweeping through Western Europe began to reach the Eastern Mediterranean, upsetting the existing political, economic and social orders. Already, there was an increasing proliferation of western goods and products through the Ottoman Empire, the British and the French were pressuring Constantinople to open up its market (Kassir 2010, 81-82).<sup>20</sup> Meanwhile, the 1820s witnessed insurrections of the sericulture workers in Mount Lebanon — inspired by the French Revolution — who organized themselves in *'Ammiyat* or communes (Helo 1979). In 1831, another turning point occurred with the Egyptian conquest of the Levant.

#### **4.1.2. Second stage: the consolidation of Beirut's position**

Around that time, the governor of Egypt, Muhammad Ali Pasha,<sup>21</sup> was engaged in modernizing his province, based on the French model. And when in 1831 hostilities broke up with the central government in Constantinople, his troops led by his son Ibrahim Pasha, easily defeated the Ottoman army, and ruled the Levant for around nine years. In the newly conquered region, Ibrahim Pasha followed the same policies implemented in Egypt: reforming the administration, developing manufacture and industry, encouraging international trade, etc. (Rustum 1924, 42-44; Traboulsi 2007, 12-13).

Cities were endowed with representative councils to run their affairs, starting with Damascus and Acre, followed by Beirut in 1834. A particularity of Beirut's council was that none of its members were affiliated with the previous Ottoman administration (Hanssen 2005, 31). Soon after, the seat of power of the Saida province was moved from Acre to Beirut, and plans were set up to develop its port. The most plausible reason for the growing interest of Ibrahim Pasha in Beirut, seemed to be the weakness of its local notables, and their willingness to adapt to the new reforms (Farah 2011, 158). For

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<sup>20</sup> Constantinople was the capital of the Ottoman Empire. The city was renamed Istanbul in the 1930.

<sup>21</sup> *Pasha* was an honorary title in the Ottoman Empire.



instance, the Egyptians were engaged in building a modern sanitary program, and they planned a network of quarantines throughout the Levant. However, besides Beirut, they failed to build any quarantine, since they were faced by a hostile opposition to what was viewed as a “coercive detention of individuals without evidence of criminal wrongdoing” (Kassir 2010, 105). After the construction of Beirut’s lazaretto in 1835,<sup>22</sup> all ships bound for the Levant were to call at Beirut for inspection. The city became the entry port for the Levant, thus giving Beirut’s merchants leverage over their competitors (Abou-Hodeib 2007).

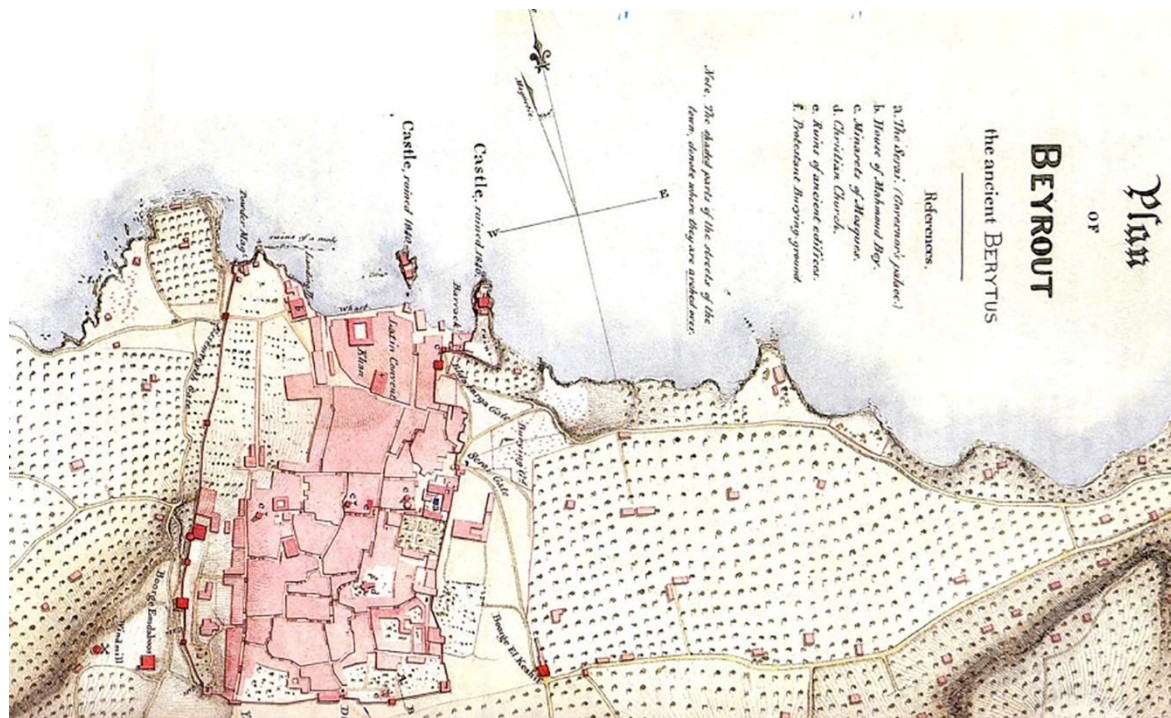
By 1839, Beirut’s harbor was redeveloped, with a bigger basin and new warehouses, and the connections between the city center and the port were upgraded (Hanssen 2005, 31-32). Starting 1836, the new steam-line ships began to arrive in Beirut, and the city became the coaling station of the Levantine coast (Issawi 1977, 97).<sup>23</sup> Reforms were introduced to the administrative level, while many urban projects were put into motion (Kassir 2010, 106; Farah 2011, 159). Additionally, the sericulture in Mount Lebanon was further developed, and most of the silk transited through Beirut, making it the main export of the city (Rustum 1924, 41; Gates 1998, 13).

In 1838, the Ottoman Empire signed trade treaties with European powers, basically scrapping monopolies, and opening its market to free trade (Issawi 1988, 127). When hostilities renewed between Muhammad Ali and the Ottomans, a European coalition intervened on the side of the latter. Beirut was occupied in 1840, but by the following year the Levant was once again part of the Ottoman Empire. The scrapping of trade barriers, and the advent of steamships — that will disturb traditional trade routes — ushered a new economic age for the region (Fawaz 1990, 209-210). And the merchants of Beirut, with their city’s newly acquired status and infrastructure, were poised to profit the most.

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<sup>22</sup> A lazaretto is a quarantine station for maritime travelers.

<sup>23</sup> Coal was used as fuel for steam engine.



Map 2: Map of Beirut by the Royal Staff Corps, 1841. Map rotated to fit a north direction.  
Source: The National Archive, ref. WO 78/1000/33.

## 4.2. The rise of the capitalist city (1840-1918)

The historian Albert Hourani noted that “[t]he important fact of the growth of Beirut in the nineteenth century was not simply the replacement of one major trading port by another [...] but the growth of a new kind of city, a new kind of urban society with a new kind of relationship with the rural hinterland” (Polk and Chambers 1968, 22). During that century, Beirut experienced a spectacular growth and was on the leading edge of the social, economic and political development affecting the region (Hanssen 1998, 52-54). By the end of the century it has become the third largest city in the region, just behind Damascus and Aleppo (Khalidi 1991, 56). By then, its economic rivals were to be found outside of the Levant, such as Izmir in Asia Minor, or Alexandria in Egypt. Its educational infrastructure was unrivaled in the whole of the Middle East, and its intellectuals, most of them hailing from Mount Lebanon, spearheaded *al-Nahda* – the renaissance of Arab letters and culture (Traboulsi 2007, 60-63). On the eve of the First World War, it had become the center of Arab political movements and ideologies. On nearly every level, Beirut turned into a symbol of modernity. As May Davie (1996,

57) put it, it was the “golden age [of a] Mediterranean bourgeois city.” In fact, much of this spectacular growth, and this unique position and role as a new city, were due largely to the development of a competitive and aggressive indigenous bourgeoisie (Traboulsi 2007, 58).

#### 4.2.1. The provincial capital

One year after their return to the Levant, the Ottomans confirmed the status of Beirut as the seat of Saida province. Already most European consulates and businesses had moved to Beirut from other coastal cities. Soon after, it was chosen as a model *Tanzimat* city along with Bursa and Adrianople (Hanssen 2005, 33-34).<sup>24</sup> The *Tanzimat* era, which began in 1839, was a period of vast reforms intended to modernize the Empire, especially its administration. In general, the reforms were slow and their implementation faced many obstacles. Still, the choice of Beirut was indicative of the newly found economic importance of the city. Maritime trade was prospering, and the Levant market was flooded with goods imported by Beirut merchants. Additionally, the silk industry in Mount Lebanon was booming and boosting the exports of the city.<sup>25</sup> The total value of goods transiting through Beirut port increased by 800 percent between 1827 and 1862 (Traboulsi 2007, 22).

Meanwhile, new instabilities were affecting most of the Levant, and their causes were related either to the reforms introduced in the Empire, or to the impact of the free market economy, or to the influence of modern western ideologies. The year 1860 was a breaking point in Mount Lebanon. What started as an uprising against the established notables and chieftains in the northern part of the mountains, turned into a full and devastating sectarian civil war in its southern part, mainly between the Christian Maronites and the Druze.<sup>26</sup> The war in Mount Lebanon spilled over to Damascus, where it took the form of pogrom against its Christian population. But while the two events

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<sup>24</sup> Two cities in proximity of Constantinople.

<sup>25</sup> Silk export increased by eleven fold between 1841 and 1857 (Gates 1998, 13).

<sup>26</sup> The Christian Maronite are the followers of a fourth century monk, Saint Maron. Originally, they were Monothelites, but starting the twelfth century, the Maronite Church went into alliance with the papacy in Rome. They formed the majority of the inhabitants of Mount Lebanon. The Druze are an esoteric offshoot of Ismaili Shi'a Islam. Their highly secretive faith incorporates elements from Islam, Christianity, Judaism, Gnosticism, Hinduism, and Greek philosophy. They are mainly concentrated in the southern parts of Mount-Lebanon and the Bekaa valley.

unfolded along religious lines, their respective causes differed. The sectarian strife in Mount Lebanon was modern in its nature, and it was mainly a clash between the old and new orders. On one hand, the established notability employed religion to maintain its privileges and the existing hierarchical social order. On the other, sectarianism reflected popular visions of the future and of social liberations, expressed in a new nationalistic imaginary based on religious communities (Makdisi 2000, 163-167). As for Damascus massacre, the main cause was the severe decline of the city's economy, especially with the decimation of its textile manufacturing, and its inability to compete with cheaper European goods (Fawaz 1994, 25) that were mainly imported by Beirut's merchants.

Amidst the turmoil, Beirut enjoyed security and stability, owing largely to its economic prosperity. It benefited from other areas' woes, and a growing number of affluent merchants and skilled artisans relocated to Beirut, further contributing to its economic growth (Traboulsi 2007, 56). The events of 1860, and the fear of a European intervention, shifted the attention of Constantinople to the Levant where it began implementing its administrative reforms. In 1861, Mount Lebanon became a *Mutasarrifiya* — an autonomous system of rule of province reached in agreement with European powers. In 1864, municipal governance was established in Beirut and in the town of Deir al-Qamar in Mount Lebanon (Hanssen 2005, 115).<sup>27</sup> And in 1865, most of the Levant was incorporated in one province, with Damascus as its capital. Beirut's elite, especially its bourgeoisie, was opposed to this move and began petitioning the Ottoman Sultan for the creation of a separate province for Beirut. The lobbying went on for nearly twenty years, and they mobilized a new efficient tool, the print media. This continuous effort culminated in the establishment of the province of Beirut in 1888. The new province enjoyed many powers: judicial, administrative, and urban planning, among others. Beirut's elite made sure to control most of the sensitive positions in the provincial administration.

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<sup>27</sup> These were among the first municipalities in the Ottoman Empire. They were preceded only by the 1854-1856 model of Galata/Pera in Constantinople.



Map 3: Ottoman province of Beirut 1888-1917. Source: Ashkar (2014c).

#### 4.2.2. The hegemony of the trade and finance bourgeoisie

The rise of the economic fortune of Beirut was closely linked to its port, which by the end of the century became one of the biggest in the Ottoman Empire.<sup>28</sup> Since the 1840s, British manufactured goods dominated Beirut's port imports (Traboulsi 2007, 55), however this did not benefit British merchants but rather their Beirut's counterparts. Beirut trading houses, in association with Greek agents, established import and export

<sup>28</sup> By the early twentieth century, Beirut port handled around 75 per cent of the trade of the Levant (Traboulsi 2007, 55), and nearly 11 per cent of the total trade in the Ottoman Empire. The share of other main Ottoman ports in that period were: 11 per cent for Salonika, 17 per cent for Smyrna (Izmir) and 33 per cent for Constantinople (Hanssen 2005, 9).

companies in Western Europe, especially in England, therefore bypassing European merchants (Issawi 1977, 98-99).<sup>29</sup> Contrary to other ports in the Eastern Mediterranean, such as Alexandria, European merchants and entrepreneurs played a very small part in Beirut, where the local bourgeoisie gradually controlled almost all aspects of trade (Traboulsi 2007, 58), and the leading mercantile families, such as the Sursock, Bustrus, Tueni, or Trad, accumulated immense wealth. They became known as the aristocratic bourgeoisie.<sup>30</sup> They invested their profits in various sectors and projects, from shipping companies, to the Suez Canal, to others. But mainly, they purchased large tracts of land and built real-estate empires stretching from Egypt, to Palestine, to Constantinople (Hourani 1981, Hanssen 2005, Zachs 2005, Traboulsi 2007).

The prosperity of Beirut attracted more of the nascent bourgeoisie in the region, such as the Chiha who came from Iraq. And while the aristocratic bourgeoisie was mostly involved in trade and real estates, most of the new comers invested their profits in other sectors, such as finance. In 1876, Antoine Chiha and Rafael Pharaon established the first indigenous commercial bank, Banque Pharaon-Chiha. Beirut's banks flourished mainly by financing the sericulture and the silk industry in Mount-Lebanon, and through handling the remittance of immigrants (Traboulsi 2007, 54). Mount Lebanon was undergoing an industrial revolution, centered on the silk industry. This led to the relative prosperity of the mountains in the second half of the nineteenth century, but this period also witnessed mass scale migration to the new world.<sup>31</sup> And while most migrants settled for good in the Americas, some kept on sending part of their wages or profits to their relatives back home.

By the end of the century, local capital had supplanted foreign one in almost all of the sectors of industry, trade, and finance (Hanssen 2005, Traboulsi 2007).<sup>32</sup> And the local bourgeoisie used their wealth to wield political influence and power. They

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<sup>29</sup> For a list of main Beirut's trading houses and their agents in England in 1848, see Issawi (1977, 98).

<sup>30</sup> Many members of this bourgeoisie intermarried with the Italian, French and British nobility (Traboulsi 2007, 59).

<sup>31</sup> Several reasons were proposed as the causes of migrations, and while the fluctuation and crises of the silk market can be one of them, it is noticeable that on average immigrants from Mount-Lebanon were not drawn from the poor population, but rather from the middle peasantry, and in general they were wealthier than other immigrants, say Polish immigrants (Khater 1996). Moreover, single women formed nearly one third of immigrants (Naff 1985). Most of these women already gained their economic independence through working in silk factories.

<sup>32</sup> The main intervention of foreign capital was in infrastructure projects, such as roads, railways, or the port development.

dominated the seats on the municipal council of Beirut (Hanssen 2005, 146-147), and they were the main lobbyists for the creation of the Beirut province.<sup>33</sup> Once the province was created, the trade bourgeoisie controlled the administrative apparatus and the courts of justice, and turned them into structures that serve their interests. Such was the bias against non-Beirutis that many provincial notables, especially from Nablus, refused to show up at Beirut courts, and demanded the secession from Beirut province (ibid., 60). Furthermore, the bourgeoisie of Beirut did not hesitate to undermine any project that might profit their regional competitors. This was particularly the case of the construction of a railroad between the coast and the hinterland. And while topographical conditions were clearly in favor of Tripoli or Haifa, Beirut's merchants successfully lobbied for their city as the railroad terminus, even though this meant crossing two mountain ranges, and climbing summits higher than 1,400 meter (ibid., 93-96).

#### 4.2.3. The urban expansion of Beirut, and the first cases of gentrification

The first to relocate outside the city walls were the aristocratic bourgeoisie, such as the Sursock and Bustrus families, who built their mansions and palaces mainly on the hill slopes to the east the old city — later to be known as Sursock and Furn al-Hayek neighborhoods. Beirut was experiencing a rapid urban expansion. By 1876, the city's built area grew fifteen fold, and on the eve of the First World War, it had a population of around 175,000 (Khalidi 1991, 56). Most of the incoming population was economic migrants, mainly from the nearby Mount Lebanon (Eddé 1996, 38). And the new neighborhoods of the city were socially and religiously mixed (M. Davie 1996, 64).

The port area used to be the space where the urban poor, the port workers, and sailors conglomerate. And as of 1895, it also housed most of Beirut's brothels. The area around the harbor was mainly owned by the private company that run the port. In a bid to make profit from real estate, this company sold a plot of land to Orosdi Back, a Franco-Egyptian chain of luxury department stores. Beirut's Orosdi Back branch opened in 1900, and it "held every feature of an *en vogue* contemporary European

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<sup>33</sup> For example, the main movers of an 1872 petition were Habib Bustrus and Nicolas Sursock, who at the time owned around 60,000 hectares of land in northern Palestine (Hanssen 2005, 45). Needless to say, they requested northern Palestine to be part of Beirut province.

consumers' temple” (Hanssen 2005, 253). It became a pole of attraction for the wealthier population, who flocked to the stigmatized port area. Soon, other commercial and financial institutions followed suit, buying plots from the port company and erecting their buildings in that area, most notably the Ottoman Imperial Bank in 1905.<sup>34</sup> Gradually the urban poor and the brothels were forced out of the port area. (ibid., 254).



Map 4: Map of Beirut by Julius Löytved, 1876. Map rotated to fit a north direction.  
Source: BnF-Gallica, ref. GE D-16879.

Additionally, and since the 1880s, Beirut’s municipality was planning to demolish the medieval city, and to replace the existing vernacular fabric with an orthogonal one — that supposedly responds to modern urban principles. However, this plan was constantly hampered by local opposition (Davie 2001, 52-53, 60). In 1914, the Ottoman Empire joined the First World War. Public authorities in Beirut took advantage of the imposition of martial law, and of the famine raging in the city to implement their urban plan (Kassir 2010, 158). And when Beirut fell to British troops in October 1918, a large part of the old city had been already demolished, and two main roads were under construction (see Image 5). The Ottoman Empire was defeated, as the French and British

<sup>34</sup> The Ottoman Imperial Bank was founded in 1856, in the same year it opened its branch in Beirut.



proceeded to occupy the Levant dividing it among themselves according to the stipulations of Sykes-Picot accord.

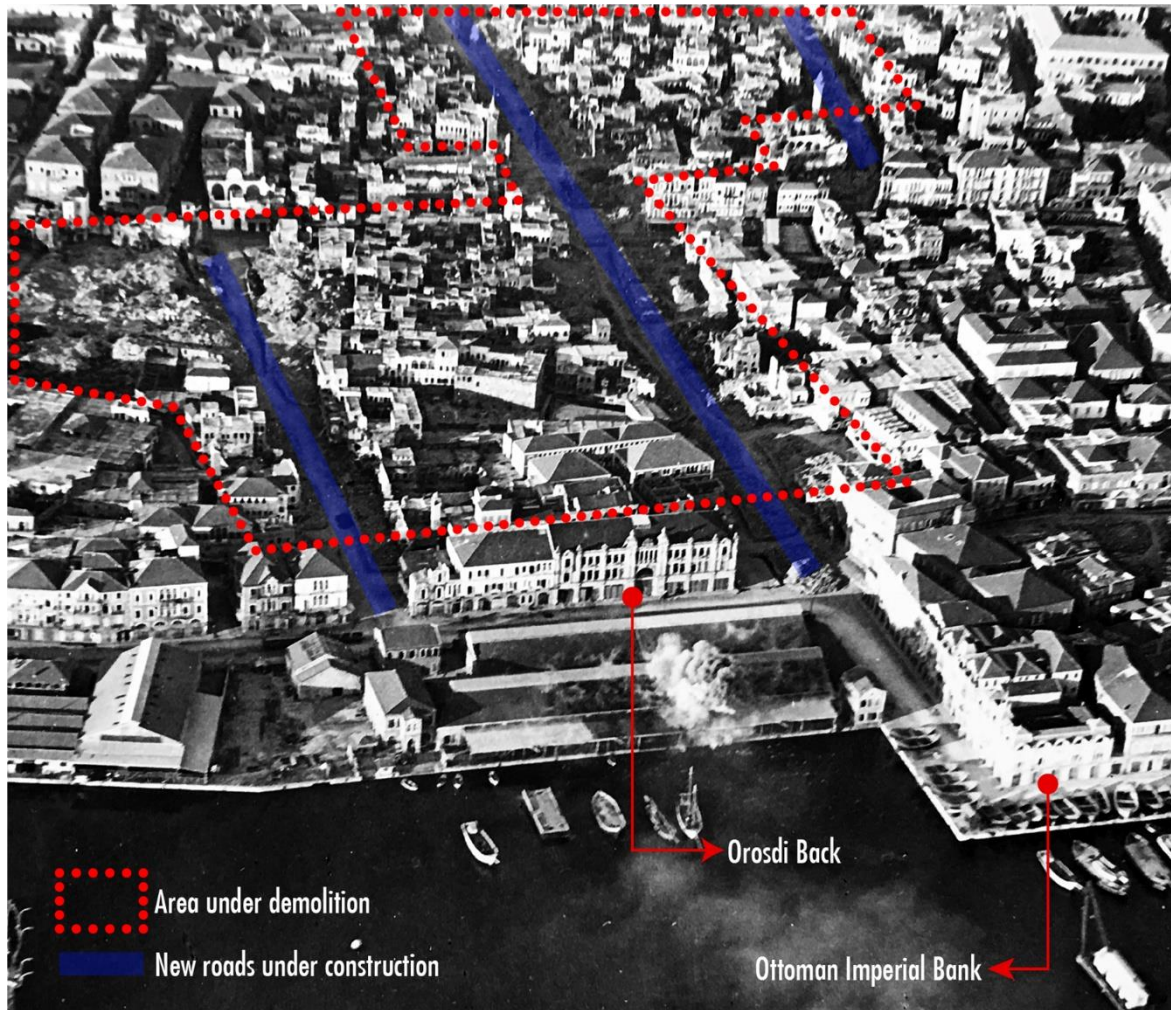


Image 5: 1917 aerial photo of the old center of Beirut, showing the redevelopment operations and the gentrified area of the port. Annotation by author. Source: The National Archive, ref. AIR 20/608.

### 4.3. Shaping the future State: the alliance of the merchants and the notables (1918-1943)

On the first of September 1920, from the steps of a casino building adjacent to the pine forest,<sup>35</sup> and surrounded by different religious dignitaries, the French general

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<sup>35</sup> The construction of this palace, owned by Alfred Surssock, began in 1916. However, it never served as a casino due to the war, instead it was converted to a military hospital for the Ottoman army. In 1919, the French requisitioned the building and turned it into the residence of their High Commissioner to Lebanon and Syria. Later it served as the residence of the French ambassador.

Henri Gouraud declared the creation of the state of Greater Lebanon. This scene seems to encapsulate the main traits of the future Lebanon: foreign political tutelage, extensive use of religion for political ends, and an economy based on services and the pursuit of quick profit. And while these factors were already present, they were bound to be exacerbated from that point forward.

Beirut became the capital of Lebanon, and its economy dominated that of Mount Lebanon and the rest of the newly created country. However, politically and administratively, the city will become subordinated to the mountain (Traboulsi 2007, 93). An elite group of Lebanonists mainly from Mount Lebanon, will dominate the political and intellectual scene of the nascent country. And the two decades of the French Mandate will see a confrontation between two wings of this group, one nationalist while the other economic liberal, to impose their visions for the future State. By the time independence came about in 1943, the economic liberal faction had emerged triumphant, albeit through an alliance with notables from the newly inducted peripheral areas of Lebanon seeking to insure their future roles.

#### **4.3.1. Birth of a republic: nationalists versus economic liberals**

On the eve of Greater Lebanon's creation, barely any enthusiasm for the idea existed outside the mainly Christian Maronite intellectual and political circles in Mount Lebanon. The Maronite elite was divided into three main groups: The Arab federalists, the Syrian federalists, and the Lebanonists; those advocated for Lebanon as a separate political entity. Furthermore, this last group consisted of a wide range of opinions, starting with anti-French Lebanese independentism, all the way to demands of making Mount Lebanon part of France. These divisions did not run according to religious, territorial, class, or even familial lines (Traboulsi 2007, 82-83).

In the newly created Lebanon, the imposition of the French mandate led to the political hegemony of the pro-French Lebanonists. Soon after, this group was split on the question of the nature and role of the new republic, and two political coalitions were formed in the 1930s: the National Bloc led by Emile Edde, and the Constitutional Bloc led by Beshara Khuri. The main theoreticians representing these two currents were

respectively Charles Corm and Michel Chiha.<sup>36</sup> Corm hailed from a wealthy family from the mountains, and he had a strict Christian nationalistic view of Lebanon in which Muslims are considered “as religious and historic adversaries who lacked loyalty to the polity” (ibid., 95). As for Chiha, he was the son of the aforementioned founder of Banque Pharaon-Chiha, and he advanced economic considerations over nationalistic ideals. He defined Lebanon as both, a “people of merchants” and a “country of associated sectarian minorities” (Chiha 1964). Chiha’s less confrontational views coupled with his message of enrichment and pursuit of profit, gained track among the politico-economic elite of Lebanon. Chiha operated in several important capacities: he was a journalist, a banker, the president of Beirut Stock Market, the vice-president of the Chamber of Commerce, a member of parliament, the chief architect of the Lebanese constitution of 1926, all in addition to being the brother-in-law of Beshara Khuri (Traboulsi 2007, 94-95). The example of Chiha is very revealing, since he exemplifies this tight and complex web of relations between the Lebanese political elite and the commercial and financial bourgeoisie, and their influence on the judicial system and the intellectual scene.

The Mandate was also the period modern political parties broke unto the scene, like the Lebanese Communist Party, the Syrian Social Nationalist Party (SSNP) and the Kataeb — both modeled after the European fascist parties of that era.<sup>37</sup> The proliferation of these parties led to the radicalization of the masses, causing the political and economic elite to come closer together. And most of this elite, especially the finance bourgeoisie, endorsed Khuri’s Constitutional Bloc. As for the aristocratic bourgeoisie, they saw their fortune in decline, and many of its members aligned themselves with right wing nationalist movements — from the National Bloc, to the SSNP, to the Kataeb — but they were bound to lose many of their political and economic power and influence.

During the Second World War, Lebanon came under the control of the British and the Free French. Prior to the legislative elections of 1943, Khuri made an electoral agreement with Riad Solh, a notable from Saida. The accord underlined the new allies’

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<sup>36</sup> Both Corm and Chiha were part of the same political and cultural circle, the New Phoenicians, which viewed Lebanon as the inheritor of the ancient Phoenicia, and that to differentiate it from its Arab surroundings. This group was formed around the publication *La Revue Phénicienne* that was founded by Corm in 1919 (Traboulsi 2007).

<sup>37</sup> The Communist Party was founded in 1924. The SSNP was founded in 1932 as a secular party advocating for a Greater Syria unity. The Kataeb (Arabic for Phalanges) was founded in 1936 as a mainly Christian Maronite Lebanonist nationalist party.

common objectives: the independence of Lebanon, and a power sharing deal. This oral agreement, known as the National Pact, assigned the presidency to a Christian Maronite (i.e. Khuri) and the premiership to a Muslim Sunni (i.e. Solh). The Khuri led coalition won the elections, and the declaration of independence soon followed. The Free French attempted to suppress this move. However, faced by popular mobilization, and pressured by the British and the Egyptians, they backtracked, and acknowledged the new situation.

#### **4.3.2. Switzerland as an economic model based on finance and services**

For Beirut's merchant bourgeoisie the creation of Lebanon signified the shrinking of their market and influence. Nevertheless, they accommodated quickly to the developing situation, and tried to cut their losses. For example, they lobbied for the annexation of Tripoli to the new country, to prevent it turning into a trading competitor (Traboulsi 2007, 85-86).<sup>38</sup> However, the economic threat to Beirut came from the port of Haifa in Palestine, mainly due to considerable British investment. And by 1934 the trade volume at Haifa port surpassed that of Beirut. Moreover, Beirut port lost its main export, silk. The silk industry was passing through several crises, and it totally collapsed in the 1930s wrecking much of Mount Lebanon's economy with it. In face of these adversaries, alternative economic visions were to be sought. The Lebanonists, including Corm and Chiha, advanced the notion of "Lebanon, the Switzerland of the East," in which Lebanon was envisioned to be the "banker of the region [...] and a country that exploits its natural beauty in tourism and estivation" (ibid., 92).<sup>39</sup>

The trade and finance bourgeoisie were cooperative with the Mandate administration, but their restlessness and opposition to the French increased with time. The loss of Beirut's port primacy vis-à-vis Haifa's was a main factor for their discontent. Another factor was the imposition of French companies monopolies on public services and main sectors of the economy. A significant part of the bourgeoisie wanted to get rid of these monopolies, and to either privatize or control these companies. A third factor

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<sup>38</sup> Contrary to Syrian coastal cities, Tripoli had a developed port infrastructure. The inclusion of Tripoli in Syria would eventually pose a threat to Beirut hegemony on transit. In the future Lebanon, Tripoli's economy will decline and suffer marginalization.

<sup>39</sup> These two economic objectives were complimented by a Swiss inspired political project, where Lebanon is viewed as a federation of sectarian cantons.

was related to the inclusion of Lebanon into the French monetary zone, therefore tying the local currency to a weak French Franc, and imposing many financial restrictions. The urge for this bourgeoisie to liberate itself from a closed and controlled French zone accelerated during the Second World War, as they accumulated huge profits from war efforts, and established links with Anglo-Saxon markets. Add to that, the growing role of Beirut as the communication center between Europe and the emerging oil-producing monarchies in the Gulf. Already, “[t]he greater part of the gold purchased by the emirs and sheikhs of that [...] region transited through [Beirut] port, and [Lebanese] banks had begun receiving the first deposits and investing Gulf money in property” (Traboulsi 2007, 105).

#### **4.3.3. Gentrification, securitization of space, and densification**

After their arrival, the French carried on with the demolition of the old medieval city. In the northern part they preserved the Ottoman era orthogonal design, while in the southern one, they implemented a star shaped plan, modeled on Place de l’Etoile in Paris. The new neighborhoods had homogeneous architectural forms, and they became the new administrative and economic center of the city – housing the parliament and the municipality apparatus, as well as the headquarters of financial and commercial institutions. The old city small commerce and crafts workshops migrated to the nearby nineteenth century souks. As for the previous residents, they were scattered around the city. What was a multi-functional popular area was transformed into a business district (M. Davie 1996, 89). As the old city was gentrified, many upscale projects were constructed in different parts of the capital, most notably the hotel Saint Georges to the west of the city center.

The French occupation of Lebanon and Syria coincided with a shift in its colonial approach. Its previous colonial policies of submission and assimilation towards the locals were substituted with that of control and administration, mainly through local institutions and structures (Davie 2001, 72). Their main concerns on the urban level were security related issues. Military barracks were constructed all along the administrative limits of Beirut, and the road network was widened and upgraded – to facilitate the movement of troops and to connected the various barracks (ibid., 73). And although they drafted several urban plans for Beirut – notably the 1933 Plan Danger,

and the 1943 Plan Ecochard — none were implemented. Still, an extensive work was done on Beirut's cadaster. And in 1940, a new construction law was promulgated that mainly capped the height of new buildings.<sup>40</sup> Earlier that year, a temporary control on rent was applied to ease economic difficulties due to the Second World War (Ashkar 2014b).<sup>41</sup>

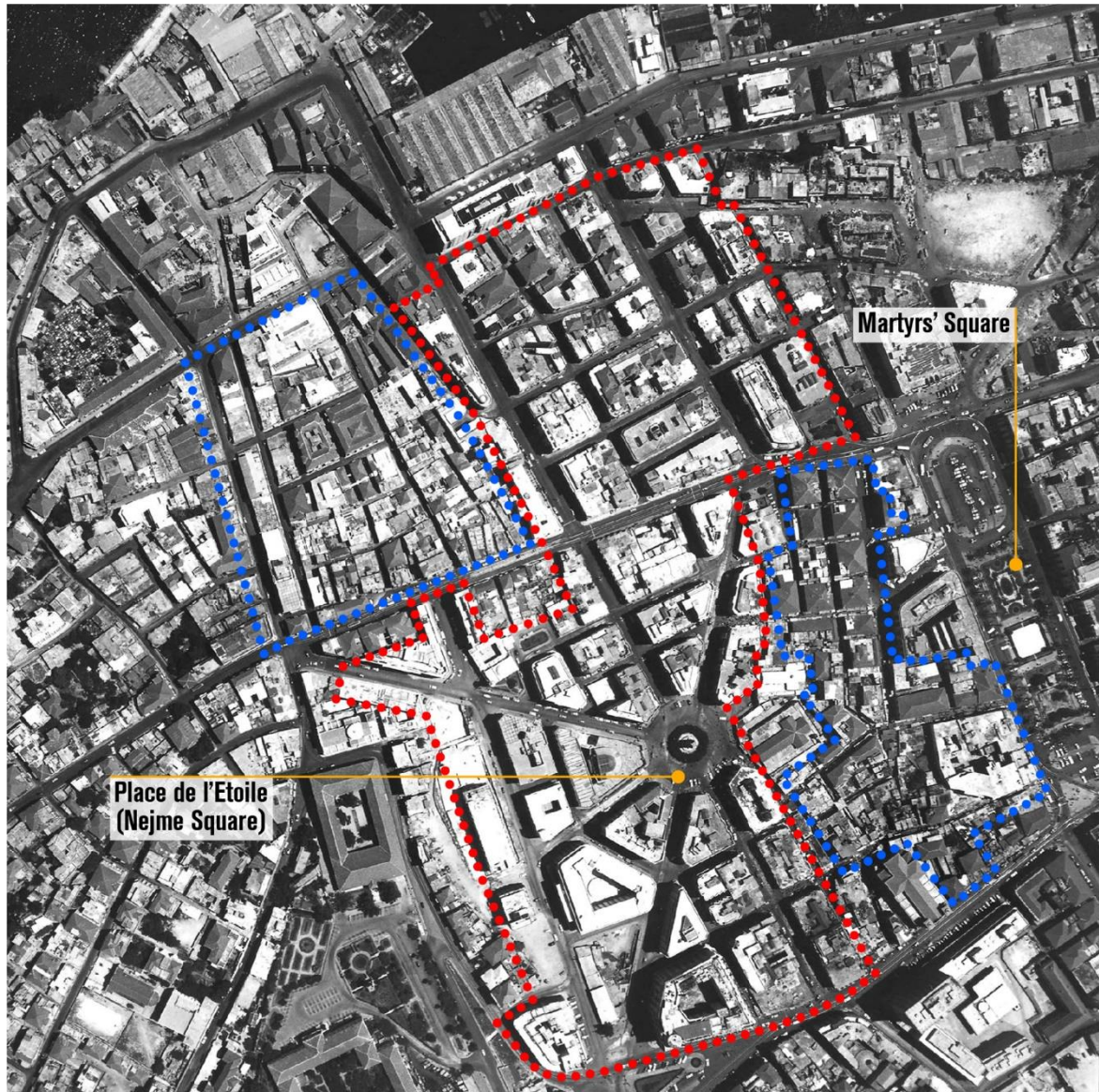


Image 6: 1956 aerial photo of the central district, showing 1) in red, the reconstructed area, and 2) in blue, the nineteenth century souks. Annotation by author. Source: LAF-DGA, ref. 004/60/72.

Beirut was going through a densification process, and its urban expansion reached the nearby villages. In turn, these villages were being transformed into suburbs of Beirut, and absorbed a large number of economic migrants (Farah 2011). Additionally,

<sup>40</sup> Legislative Decree no. 61/1940.

<sup>41</sup> High Commissioner Decision no. 19/1940.

some slums were forming on the edges of the city, most housing Armenian and Assyrian refugees.<sup>42</sup> Then in the 1930s, a good part of the Armenian refugees were relocated to the neighborhood of Mar Mikhael (Verdeil 2011).

#### 4.4. The economic liberal republic and the increase in inequality (1943-1975)

In the aftermath of the Second World War, most countries in the world leaned towards more state interventionism in social and economic affairs, following ideas such as Keynesianism, or a command economy, among others. The young Lebanese Republic opted for an economic liberalism approach centered on trade and finance. Michel Chiha (1964, 190) reprised Guizot's 1843 injunction, *enrichissez-vous*,<sup>43</sup> and turned it into a "rallying cry" for the bourgeoisie. For the economic elite there would be no concession on free trade, and they were more than determined to apply their economic vision on the new republic. The economist Gabriel Menassa articulated the determination of his class in just three words: "Import or die!" (Traboulsi 2007, 123).

The trade and finance bourgeoisie received ample assistance from the state, such as a favorable taxation system, as well as being granted exclusivity rights on trade. These rights basically reduced market competition — that might drive down the price of goods — and allowed the trade bourgeoisie to accumulate more profits. This system was dubbed a *laissez-faire* economy,<sup>44</sup> but it is more accurate to describe it as an *aidez-faire* economy privileging a nascent oligarchy.<sup>45</sup> This economic system was complemented by a political power-sharing system balanced along sectarian lines dominated by the notables and oligarchs. Many members of the oligarchy went into politics to consolidate their economic privileges. An increasing number of notables ventured into the world of business. The lines between these two groups were blurred, and the entanglement between the political elite and the oligarchy reached its

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<sup>42</sup> Starting in 1915, the Ottoman Empire was engaged in a systematic execution and deportation of its Armenian and Assyrian subjects. It is estimated that 1.5 million Armenian and 200,000 Assyrian perished in these massacres.

<sup>43</sup> Enrich yourselves.

<sup>44</sup> The *laissez-faire* economy as formulated by nineteenth century economists, such as Adam Smith or James Mill, advocates for a non-interventionist state (Keynes 1926; Brebner 1948).

<sup>45</sup> French for help to do, as opposed to *laissez-faire* — let do/let go.

paroxysm. This was a period of creation of immense wealth, contradicted by growing inequalities, consecutive series of political and social crisis, all within many instabilities affecting the wider region. And in 1975, this situation exploded into a full-scale civil war.

#### 4.4.1. Prosperity, inequality, and crisis

The two founding documents of the Lebanese republic were the 1926 constitution and the Khuri-Solh verbal agreement, the National Pact. While the latter instituted power sharing among the political elite according to sectarian lines, the former gave the president of the republic — from now on a Christian Maronite — immense legislative and executive powers similar to that of a “republican monarch” (Salam 1987, 69). The consecutive presidents did not hesitate to abuse these powers to serve their own interests as well as their allies’.<sup>46</sup> The politico-economic model devised by Chiha was largely implemented, especially concerning free trade and minimum taxation. However, while Chiha argued for a small and efficient administration, the notables filled it with their supporters as favors (Traboulsi 2007, 117). And the administration grew to become inept and corrupt.

The first two presidents were Beshara Khuri (1943-1952) and Camille Chamoun (1952-1958), and they both left office on the backdrop of a severe crisis. Khuri’s term was characterized by corruption and nepotism, and he was forced to resign under pressure from a coalition led by Chamoun and Kamal Jumblatt — a powerful Druze notable and founder of the Progressive Socialist Party (PSP). Chamoun was a more divisive figure than his predecessor. “[H]e pushed his exercise of power to the limits of autocracy” (ibid., 129) and marginalized most of the powerful political actors. In the last year of his term, he faced an opposition front headed by Jumblatt, Henri Pharaon — the maternal cousin of Chiha — and the former Prime Minister Saeb Salam, a Beirut Sunni notable. A civil strife ensued culminating in street gun fights between the state security and opposition supporters, this crisis ended only after the United States dispatched its

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<sup>46</sup> Especially that the president is culpable only in 2 cases: constitutional breach or grand treason, (Lebanon Constitution of 1926, article 60), thus making him practically unaccountable to anyone.



naval forces to Lebanon, and the head of the Lebanese Army, Fouad Shehab was elected president.

During the tenure of Khuri and Chamoun, the state policies were biased in favor of the trade and finance bourgeoisie. It was a period of economic prosperity, mainly due to two factors: first the creation of the State of Israel in 1949. And although this led to the influx of 120,000 Palestinian refugees, and to the collapse of the economy of South Lebanon,<sup>47</sup> most of the Palestinian capital and bourgeoisie moved to Beirut, and the Arab boycott of Israel eliminated Haifa port as competitor. The second factor was the early integration of Lebanon into the Arab oil economy. The trade and finance bourgeoisie played an intermediary role between the Gulf monarchies and the West, and transit through Beirut was booming.<sup>48</sup> In 1951, it was estimated that 30 percent of the world's gold transited through Beirut (Issawi 1964, 284). Moreover, a significant part of Arab oil profit was deposited in Lebanese banks, especially after the adoption of a banking secrecy law in 1956 that turned the country into a fiscal paradise.<sup>49</sup>

The economic prosperity led the growth of the middle classes. Still, the majority of wealth was concentrated at the top, and social inequality grew drastically (Issawi 1964). Most profit went to a select group of thirty something families — Pharaon, Chiha, Bustrus, Salam, etc. — who had quasi monopolies on import and controlled major banks and industrial firms. They also owned the biggest construction companies, and had large property holding in Beirut and in rest of the country (Traboulsi 2007, 115-117). Many of this oligarchy went into politics. They bankrolled electoral campaigns, and were either elected as deputies or appointed as ministers. By and large they supported Khuri's presidency, and when he fell, most of them sided with Chamoun, and then later with Shehab.

#### **4.4.2. Reform attempts, and the deepening of the crisis**

The rule of Shehab, and of his successor Charles Helo (1964-1970) is considered a period of reform. It was also characterized by the growing intervention in local political

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<sup>47</sup> The economy of the south of Lebanon was tightly linked with that of northern Palestine.

<sup>48</sup> The closure of the Suez Canal in 1956-1957 and 1967-1974 added to the primacy of Beirut port.

<sup>49</sup> Law of September 3, 1956.

affairs by the *Deuxième bureau* — the military intelligence service. The new regime relied for the most part on the backing of two political parties, the PSP and the Kataeb, and on an emerging new financial bourgeoisie, mainly represented by Yousef Beidas and his financial empire centered on Intra Bank.<sup>50</sup>

Shehab recognized that the social and economic disparities were key factor in the fall of his predecessor, and he attempted to implement a social reform program. The administrative apparatus of the State was considerably enlarged, creating new administrative bodies tasked with addressing social and economic issues. A large program of investment was implemented all over the country, from infrastructure projects, to the construction of public schools, hospitals, universities, airports, dams etc. A social security fund was established.<sup>51</sup> An income tax was instituted, but it did not follow a progressive taxation scheme, and it mainly targeted middle-income groups (Traboulsi 2007, 173). Economic reforms were nearly absent, nevertheless, some rules were introduced to the financial sector — which was until then totally unregulated — and the central bank, Banque du Liban, was created in 1964. On the other hand, exclusivity rights and commercial monopoly was enshrined in law in 1967 (*ibid.*, 157). The entrenchment of the financial commercial bourgeoisie on the various sectors of the economy persisted, and was even extended.

But despite the reform program, great regional disparities persisted. And while the state was investing in the country as a whole, private capital was mainly invested in Beirut. Several economic crises hit the country, especially the agricultural sector, and unemployment grew.<sup>52</sup> Add to that the ever increasing cost of living, and the near absence of any mechanism to control the prices of goods. By the mid-1960s, industrial strikes and social mobilizations became the norm, and in parallel, a student protest movement was growing.<sup>53</sup> In 1966, it was the financial sector's turn to face a severe

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<sup>50</sup> The bank was the biggest in Lebanon, controlling several other banks and companies, and had substantial investments in Europe and the United States. Bank Intra benefited from favors provided by the *Deuxième bureau*, in return the bank “financed elections, distributed cash gifts in the guise of loans, employed clients of Shihabist notables and paid bribes of all types” (Traboulsi 2007, 150).

<sup>51</sup> It provided medical coverage and pension funds for public and private sector employees. Medical coverage was only instituted after a threat of a general strike by trade unions, in 1970. However, significant number of Lebanese, from the self-employed, to agricultural workers, or the unemployed, would not benefit from this scheme.

<sup>52</sup> In 1959 nearly half of the Lebanese labor force was employed by the agricultural sector, a decade later that share fell to twenty percent (Khalaf 2002, 164).

<sup>53</sup> In most cases, the state resorted to violence to quell these protests, resulting in many casualties and deaths.

shock, when the Intra Bank crashed. The bank became insolvent, and although its assets greatly surpassed its liabilities, the government — under pressure from the traditional oligarchy — refused to bail it out (Dib 2004). The Lebanese economy recovered quickly, but most of the foreign capital was withdrawn from Beirut banks. This crisis signaled a shift wherein Lebanon will gradually lose its intermediary role between the Gulf and the West. The hardest hit by the crash were the 20,000 or so small depositors of Intra Bank, who went to engross the ranks of the economically disenfranchised population.

The opposition to the Shehabists and to the rule of the *Deuxième bureau* increased. And in the 1968 legislative elections, the Tripartite Alliance — formed by Chamoun, Pierre Gemayel (the leader of the *Kataeb*), and Raymond Edde (the son of Emile Edde) — scored significant gains, and its candidate, Suleiman Frangieh, was elected president in 1970.<sup>54</sup> The new president and his government pledged to engage in economic and social reforms, but what followed was a return to the policies of the pre-Shehab era.

#### 4.4.3. Luxury developments and poverty belt

In the post-independence period, several urban studies and plans for Beirut were commissioned, for example the 1950 Egli Plan, and a second study by Ecochard in the early 1960s.<sup>55</sup> However, none were implemented (Verdeil 2011). In 1954 a basic master plan for Beirut was adopted, loosely based on the Egli Plan (Charlesworth 2006, 64, also see 7.1.). And in 1963, a public department for planning was created, the Directorate General of Urban Planning (DGUP).

The urban expansion covered the totality of municipal Beirut, accompanied by a heavy densification and a burst of new constructions. By 1970, it was estimated that seventy percent of buildings in Beirut were constructed in the previous 25 year (Gaspard 2004, 71). A significant number of the new buildings were dedicated to the rental market. Many older constructions, such as Orosdi Back, were torn down to make way for more profitable developments, and large commercial projects were built in the vicinity of the newly reconstructed center. Gentrification was affecting several of

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<sup>54</sup> The Shihabist candidate in 1970 was Elias Sarkis. He will be elected president in 1976.

<sup>55</sup> To cite other studies, Doxiadis Plan (1958) or the Mission IRFED (1959-1964).

Beirut's neighborhoods. In Qantari, just to the west of downtown, a residential gentrification took place, based on a demolition-reconstruction process (Ashkar, forthcoming). Further to the west, the Hamra area, which in the 1930s consisted of house gardens and farms, was developed into a middle class neighborhood. Hamra will turn into a commercial and cultural center, and the most cosmopolitan part of the city (Khalaf, Kongstad, 1973).

A significant part of the financial sector profit was invested in real estates, fueling the construction boom in Beirut. Property speculation intensified, and attracted further capital investment from the Gulf monarchies and Lebanese expats. Most investments went to luxury projects, especially upscale residential buildings, many of which remained vacant. In 1966, there were nearly 5,000 empty luxury apartments in Beirut (Ruppert 1999, 55), and this number rose to around 50,000 on the eve of the civil war (Traboulsi 2007, 160). Meanwhile, the country was facing a severe housing crisis amidst a lack of proper measures by the state to address this issue.<sup>56</sup> In the early 1970s, the number of inhabitants of Beirut and its suburbs was estimated at around 1,100,000 — one third of the country's population (Bourgey and Pharès 1973). And nearly half of them were living “in so-called ‘critical’ or very high occupancy conditions” (Gaspard 2004, 71). The majority of dwellers in the suburbs were the working class and the poor,<sup>57</sup> and a *poverty belt* emerged around the capital, punctuated by many slums (Traboulsi 2007, 161-162).<sup>58</sup>

#### 4.4.4. The path to war

In the early 1970s, the social and economic crisis was reaching new heights. The cost of living nearly doubled between 1967 and 1975, and wages barely followed this hike (Dubar and Nasr 1976, 296). Near daily strikes and protests were organized by trade unions or students' organizations, and protesters were identifying the politico-economic system as the cause of the malaise. The established political elite was adamant against the idea of change. In a 1972 speech that epitomized this stance, the then Prime

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<sup>56</sup> For example, in 1965, the Lebanese parliament approved plan for constructing social housings, but it never materialized (Traboulsi 2007, 145).

<sup>57</sup> In the early 1970s, it was estimated that 40 percent of the Lebanese were middle-income earners, and around 45 percent lived in poverty (Nasr 1978, 12).

<sup>58</sup> Including the Palestinian refugee camps

Minister Saeb Salam responded to Kamal Jumblatt — the main figure of the Left movement — by declaring: “we welcome [him] in his capacity as the son of a well-bred ‘house’ and as an honorable chief of his [Druze] sect, but we categorically refuse to deal with him as one who invites destruction and sabotage, poses as the protector of the Left and of Communism and exploits popular problems [for his own interests]” (Traboulsi 2007, 171). But while almost all of the notables and the oligarchs regardless of their religious affiliations were opposed to change, only the Maronite political elite — that profit the most out of the system — were willing to fight at any cost to preserve the status quo. Two main coalitions emerged. The first was headed by Chamoun, Gemayel, and Frangieh, and assembled many Maronite political figures and powers. The second encompassed the leftists and Arab and Syrian nationalists under the leadership of Jumblatt.<sup>59</sup> By 1973, the two rival coalitions were training and arming their followers, and sporadic clashes were occurring. The situation escalated dramatically on April 13, 1975, and intense fighting engulfed the suburbs — the poverty belt. The civil war has officially started, and it will last for fifteen years.

#### **4.5. The civil war: an upheaval resulting in the same politico-economic system (1975-1990)**

The civil war witnessed large scale fighting, massive displacement, and social and economic hardships. Nearly 150,000 were killed (Makdisi 1997, 664) and another 17,000 were kidnaped and presumably dead (Young 2000, 42).<sup>60</sup> Geographically, the war encompassed all the Lebanese territory, with the active involvement of various local, regional and international belligerents. Alliances kept on shifting, and the fighting followed a different logic in different regions, and at different times. What started mainly as a contestation of the economic conditions, turned into a conflict between the various political elite and warlords, and sectarianism was heavily mobilized. (For some

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<sup>59</sup> The situation was also exacerbated with the rise of Palestinian armed groups in Lebanon. The coalition of Chamoun-Gemayel was very hostile towards the Palestinians, while the Left and the nationalists saw in them a natural ally.

<sup>60</sup> Out of a population of around 3 million. Till now no official figures exist.

detailed accounts of the war, see: Salibi 1988; Fisk 1990; Ménargues 2004; Traboulsi 2007).

In the first year of the war, Beirut's downtown was the scene of the fiercest combat, accompanied by massive looting. Very soon the battlefield in Beirut was stabilized along the Damascus Road, and the capital will remain divided along this line for most of the war duration. The finance and trade center was destroyed, and starting in 1977 there were several attempts to reconstruct that area (see 6.1.1.). By the same year of 1977, the central district had lost at least one third of its population (BERMS 1980, 55), and more would flee in later years. This area would remain devastated and under populated until the end of the war. It was housing mainly poor displaced people.

However, amidst the desolation and destruction of the central district, a sumptuous mansion stood nearly intact, surrounded by a well-maintained garden. This was the residence of Henri Pharaon. He was paying off all the warring factions to spare and preserve his favorite palace. In fact, most of the economic elite not only survived the war, but they thrived by it too. Their ranks were also engrossed by new comers, from those enriched by war activities, to those who made fortune abroad, such as the real estate developer Rafic Hariri. These elite cooperated with the multitude of militias, and many bankrolled different warring factions (Traboulsi 2007). Several changes affected the political elite, but in general, those who did not form their own militia saw their power and influence waning. This was particularly the case of Muslim notables, many of whom were replaced by new emerging political forces such as the Amal Movement led by Nabih Berri, or Hezbollah, as true representatives of their Shi'a sect. Kamal Jumblatt was assassinated in 1977, and was succeeded by his son Walid Jumblatt. The Chamoun gradually lost their influence. Pierre Gemayel's son, Bashir Gemayel, was elected president in 1982, just to be assassinated couple of weeks later. In turn, his brother Amin Gemayel was elected president. And so on.

The state did not split nor disintegrate. Most warring parties were keen on preserving the state structure, nevertheless, it was nearly hollowed out, and robbed of much of its role and income (Picard 2000, 295). The public administration kept on functioning, albeit with considerably diminished efficiency. Governments were regularly changed, and usually comprised of the main politician-warlords. The parliament met frequently, mainly to renew its mandate, as well as to approve certain

legislative bills — for example, a law to provide social housing in 1980, or a new construction law in 1983 (see 7.1.2.3.). This situation was slightly complicated during the period 1988-1989, when Lebanon had two prime ministers and no president. But still, the administration maintained a certain stability, and the central bank was financing the two rival governments (Salem 1989).

#### **4.5.1. War economy and construction frenzy**

Picard (2005, 28) cites three main pillars to wartime activities: 1) the trafficking in illegal or legal goods, 2) land speculation, and 3) remittances from the Lebanese diaspora. Since the 1950s, many Lebanese were migrating, mainly to the Gulf monarchies, to seek better job opportunities. This migration escalated during the war, and an estimated 900,000 people left the country — roughly 30 percent of the population (Traboulsi 2007, 238). They sent money to relatives back home, and some of the cash was dedicated to finance the warring groups. And since all foreign banks had left the country, local banks handled this money flow.

These banks also profited from drug trafficking and money laundering. However most of their profit came from two sources. First, by financing the budget deficit of the state through buying treasury bills (TBs). This began in late 1982 after the election of Amin Gemayel who engaged in a vast spending program. Between 1980 and 1983, the banks had already doubled their deposits and capital assets (Maasry 1988, 336). The second source of profit was the speculation against the Lebanese Pound that was initiated by local banks in 1984. “Banks started to purchase dollars in large quantities, drawing down on their [LBP] reserves that were regularly fed by the redemption of their TB holdings” (Gaspard 2002, 202). What followed was a severe depreciation of the Lebanese currency, the enrichment of speculators — including the banks — and the impoverishment of most Lebanese (see 7.2.1.2.).

Real estate continued to provide huge financial benefits. The war period saw extensive construction activity in Beirut and its suburbs, and “the volume of new construction broke all records during the war years and exceeded, by far, the relatively limited extent of destruction by artillery” (Khoury 1998, 183). Interestingly, most of the constructions in Beirut happened following regulations (Nasr and Verdeil 2008, 1123).

A sizable part of this construction frenzy was to house the more than 800,000 displaced during the war (Traboulsi 2007, 238), and real estate developers benefitted much from these operations. Moreover, and in partnership with warlords, developers “launched a variety of speculative projects, including coastal land reclamation, marinas, high-rise luxury hotels, gated communities, and shopping malls” (Picard 2005, 39), mainly east and north of Beirut.<sup>61</sup> Hamra in the West, and Charles Malik Avenue — in proximity to Furn al-Hayek — in the East, became the new financial centers of Beirut, and the scene of large real-estate developments, inciting an increase in land prices.

Finally, some military campaigns were driven by the high value of land (ibid.). This was particularly the case of the central district, but also of slums in and around Beirut, such as the shantytown of Karantina just to the north of Mar Mikhael.<sup>62</sup> For example, in 1976, Dany Chamoun — the son of Camille Chamoun, and a militia leader — disclosed to a British reporter that the clearing of Karantina would pave the way to a better and “proper urban development” (Dimpleby 1976).

#### **4.6. The neoliberal project and the ruling elite: political discord and economic concord (1990-2017)**

The Iraqi invasion of Kuwait in 1990 disturbed the geopolitical setting in the region, and hastened the end of the civil war. The Lebanese politico-economic system was the main cause for the war in Lebanon. And the war ended by reproducing the same system, albeit with minor adjustments (Koch 2009). Economic liberalism was maintained, and became guaranteed by the constitution (see 2.2.). The post-war consecutive governments were basically a power sharing arrangement between the main warlords and the oligarchs who financed them, under the tutelage of Syria and Saudi Arabia. The economic elite played a bigger role in politics, especially the real estate developers, such as Rafic Hariri who held the premiership for 10 years, or Michel Murr who served as Deputy Prime Minister and the arch Minister of Interior. Some main

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<sup>61</sup> These areas enjoyed a better security environment than the western part of Beirut.

<sup>62</sup> Karantina shantytown developed in place of the nineteenth century quarantine, and most of its dwellers were poor Lebanese. In 1976, it fell to the Kataeb and Chamoun militia, and a massacre ensued. Nowadays, the area is the location of the famous Beirut nightclub, B018 (see Map 19).



militia/political parties were excluded. This was the case of the Lebanese Communist Party (LCP), the Kataeb, the Lebanese Forces — a splinter of the Kataeb — and Michel Aoun — the head of one of the two governments of 1988-1989. Others, like Hezbollah, fought legislative elections but chose not to participate in the executive authority. However, after 2005, they were all integrated in most of the subsequent governments, except for the LCP.

In the year 2005 Rafic Hariri was assassinated. What followed was a series of political turmoil and deadlocks that still manifests in present day politics. The country also witnessed major security incidents, mainly between 2005 and 2008. Still, and as noted, nearly all of the antagonistic political parties were present in the same governments since 2005 (see 5.1.), and they tend to agree on, and benefit from most of the economic and social policies that were put in place in the early 1990s (see 5.3.1). Moreover, when faced with popular demands, they usually form a united bloc. This was particularly the case with the protest movements in 2004, 2011, and 2015, which were mainly centered on economic issues.<sup>63</sup> And in every one of these cases, the ruling parties would put aside their political quarrels, and attempt to undermine these movements (e.g. Indymedia Beirut 2004). The post-war years saw a sequence of economic crisis that increased inequalities, and pushed a large number of Lebanese to look abroad for job opportunities, mainly in the Gulf Monarchies. In 2017, the economist Sami Atallah stated that “[t]he country’s policymakers are morally and intellectually bankrupt when it comes to developing an economic system that delivers equitable growth for its citizens” (Young 2017). However this statement requires first an interest on behalf of policymakers in actually delivering equality, which does not seem to be the case. The post-war economic policies were basically the continuity of Michel Chiha’s program, but on a grand scale.

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<sup>63</sup> In May 2004, demonstrations all over Lebanon were organized by trade unions to protest the dire economic situation. In winter of 2011, and in the wake of the uprisings in Tunisia and in Egypt, a wide popular mobilization was demanding the abolition of sectarianism, economic reform, and social justice. The same demands were voiced by another wave of protests in summer 2015, on the backdrop of a garbage crisis.

#### 4.6.1. The debt economy

The post-war neoliberal project was personified by Rafic Hariri. He first became Prime Minister in 1992, following yet another depreciation of the local currency, which seems to be orchestrated to facilitate his accession to power (Corm 2003, 229).<sup>64</sup> The use of financial operations to achieve political goals was rife, and Hariri made sure to appoint his close associates in key financial positions. For example, Fouad Siniora became a minister of finance,<sup>65</sup> and Riad Salameh was appointed governor of Banque du Liban.<sup>66</sup> In another noteworthy instance of finance-related manipulation, in 1995 the interest rates of treasury bills were skyrocketed to 45 percent, in order to facilitate the extension of Elias Hrawi presidential term (*ibid.*, 228). The 1992 speculation permitted Lebanese banks to recoup their previous losses and to achieve certain profit; and the spectacular increase of interests in 1995 allowed them to accumulate huge profits (Kubursi 1997). Needless to say that many politicians were shareholders in these banks, and some bankers were also politicians (see 5.2.3.).

Hariri's policies were based on low taxation, privatization and heavy investment in infrastructure (Makdisi 1997; Corm 2003, 237-241; Wakim 1998). Most of the political elite subscribed into this program, which is still maintained till the present day. The flagship of these policies was the reconstruction of the central district, and it was entrusted to a private company established by the state. Many politicians headed by Hariri, became shareholders in that company (Wakim 1998, Ohrstrom 2007). In parallel, an extensive infrastructure program was put in motion, from building a new airport, to the construction of a wide highway network. The construction of most of these projects was commissioned to companies belonging either to politicians or to their associates (Wakim 1998). Other projects, such as an underground rail system, were scrapped, mainly because politicians did not own companies with the adequate expertise to undertake such projects — therefore unable to extract large profits (Semaan 2010).

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<sup>64</sup> The main trigger for the speculation against the LBP was the decision by the governor of Banque du Liban to stop intervening in support of the Lebanese currency (Dibeh 2002, 47). The decision was taken by the recently appointed governor, Michel Khuri, who happened to be a close associate of Rafic Hariri (Wakim 1998).

<sup>65</sup> Siniora was appointed minister of state of financial affairs for the period 1992-1996, and then minister of finance in 2000-2004.

<sup>66</sup> Prior to his appointment, Salameh used to work at Merrill Lynch, and was in charge of Hariri's portfolio at that firm (Krijnen 2016, 143).

To finance these projects — and to maintain the exchange rate of the currency — the central bank relied on continuously issuing treasury bills with high interests. (Peters, Raad and Sinkey 2004, 264). This, coupled with high unemployment and stagnation of the economy, meant that by 1997 ninety percent of the state revenue was going to servicing the debt (Eken and Helbling 1999). In turn public debt ballooned, and in 2002 it reached 170 percent of the GDP (Dibeh 2011).<sup>67</sup> This debt was largely subscribed by local banks.<sup>68</sup> The high interests and the short period for debt maturities guaranteed these banks stable and ample revenues (Chaaban 2017). And while most economic sectors in Lebanon were in crisis, the banking sector flourished,<sup>69</sup> and most of its profit was reinvested in finance or in real estates. In turn this led to land speculation and to the development of real estate booms (see 8.1.2.) encouraged by tax breaks (Krijnen 2016, 93) and supported by the promulgation of favorable laws (see 7.1.). The real estate sector grew considerably becoming in 2007 the second contributor to Lebanon's GDP, behind finance and services and ahead of industry and agriculture sectors (Ashkar 2011, 50).<sup>70</sup> Upscale constructions mushroomed in many parts of Beirut, accompanied by the displacement of many of the lower to middle income population. And gentrification became a main feature of Beirut's post war urban development.

#### 4.6.2. The electoral system and the elite's enduring grip on power

This chapter will conclude by addressing a main mechanism that maintains the political and economic elite in power: the electoral system. Members of Parliament are elected after receiving a plurality of votes, in multi-member constituencies.<sup>71</sup> Seats are allocated to different religious confessions, but they are elected by universal suffrage. This confessional reservation of seats reduces the effectiveness of sectarian

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<sup>67</sup> Lebanon's debt to GDP ratio was the highest in the world, and it will be surpassed only by that of Japan and Greece in the aftermath of the 2008 world economic crisis.

<sup>68</sup> In the early 2000s eighty percent of the public debt was detained by Lebanese banks (Dibeh 2011). This share decreased as the central bank began purchasing parts of this debt. In 2017 47 percent of the debt was held by Lebanese banks, and another 37 percent by Banque du Liban (Chaaban 2017).

<sup>69</sup> In 2005, Lebanese banks' deposits stood at 255 percent of the GDP, the second highest in the world after Luxembourg (Berthélemy, Dessus and Nahas 2007, 7).

<sup>70</sup> Since the 1930s Lebanon had a significant industrial sector, but it received little support from the state.

<sup>71</sup> The coming legislative elections, scheduled for May 6, 2018, will be held under a new electoral system, combining proportional representation and multi-member plurality vote.

mobilization, which is seldom used in the context of legislative elections.<sup>72</sup> To increase their chances of winning, different political parties join a single electoral ticket, therefore enticing their supporters to vote for the ticket as a whole. Most of the time, all the members of that ticket are elected. In general, elections are fought between two large coalitions that assemble the major political parties and figures, as well as the economic elite that bankrolls them. This plurality system favors big coalitions, and sanctions those who do not join them (Saad 2007).

In addition, the voters' register is based on the 1932 census (see 3.4.). Consequently, many voters have to travel to their ancestral towns or villages to cast their vote. This creates a situation where many Lebanese are "deprived of the right to vote in cities where they had been living for decades – where they worked, paid their taxes and fees, became individualized and grouped into socio-professional and class forms of representation – in short, where they [have] interests to be defended and represented" (Traboulsi 2007, 171). In many cases, the voting in the village of *origin* is conducted along family or clan allegiances, which favors the established notables, old or new. It also hinders the chances of new political movements – usually concentrated in urban agglomerations – since it scatters their electorate. This situation is more alarming on the municipal level, especially in Beirut and its suburbs. For example, in 2004, the suburb of Haret Hreik had a population of around 100,000, while its registered voters did not exceed 10,000 – more than half of them not residing in that area (Ghoul 2004). As a consequence, municipal councils are more inclined towards the needs of a small electorate, while neglecting the majority of the inhabitants. The combination of the electoral system and of the state of the registrar, permitted the endurance of the rule of the political and economic elite, and formed an obstacle to change through the ballot box.

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<sup>72</sup> The most famous example of sectarian mobilization was not to empower a party's position, but rather to avoid the defeat of the candidates of one of its coalition partner: In the 2005 election, Hezbollah had to issue a *fatwa* – a religious legal opinion – to compel its supporters to vote for the Lebanese Forces.

## 4.7. Conclusion

The modern history of Beirut is tightly linked to the rise of a trade and finance bourgeoisie that dominated the city, and later imposed its economic vision on the Lebanese Republic. The country was ruled by an alliance of the notables and the bourgeoisie, and the entanglement grew between the two groups as most of the former became businessmen, and many of the latter went into politics. The hold of this elite on power was ensured by a convenient electoral system. Lebanon was dotted with a politico-economic system based on economic liberalism, and on a power sharing among elites according to sectarian lines. And although the country went through — and is still experiencing — many crises, this system is still maintained today. The main attempt to change the system resulted in a civil war. It is imperative here to not view the war as a break of sorts. The war consolidated the politico-economic system. The outcome of the war maintained the power sharing arrangement, albeit with some adjustments, and it enshrined economic liberalism in the constitution. Additionally, the financialization of the economy was accelerated during the war, and the real estate industry was boosted. These processes were amplified in the post-war period with the growing political role of bankers and real estate developers. During this period, a consensus was reached among the main political actors around the economic system, which evolved from economic liberalism to neoliberalism.

Much of the wealth in Beirut was created either abroad, or through recycling capital surplus, and in both cases most were emanating from the oil-booming Gulf region. A considerable part of profit was invested as a spatial fix in real estates, and that sector generated substantial revenues, as capital accumulation went hand in hand with urbanization (Harvey 1985). The cycles of demolition-reconstruction made sure that capital was not entrapped for long periods of time in the built environment (see 1.2.1.), and these cycles were significantly aided by war circumstances. The First World War offered the appropriate conditions to reclaim the prime real estate that was the medieval city. The civil war presented a bigger opportunity for capital to take over the whole central district. Capital investment in real estate drove land commodification and increased speculation, resulting in several real estate booms based on upscale

constructions. And a considerable part of Beirut's urban renewal and development proceeded through gentrification.

The elite largely employed the state for their own benefit, from subjugating the administration to their clientelistic schemes, to obtaining favorable conditions and regulations. Moreover, and mostly since the 1980s, the state became a source of ample financial profit for the elite, especially with a high public debt owned mostly by Lebanese banks. This exploitation of the state by the political elite will be addressed further in the following chapter, in which the focus will be on the real estate sector.

## Chapter 5. Politicians as real estate developers and investors, and their exploitation of the state

This chapter focuses on the conflict of interest between those entrusted with the power of legislation, and those the laws and regulations should protect. The first part examines the relation between politicians, banks, and the real estate industry, while the second part details how the state is mobilized to strictly serve the interests of the political elite, particularly in the domain of real estates and banking. This is preceded by brief reviews of the current political scene to set the stage. The scope of this research does not offer the space to detail all the political alliances and shifts. Nevertheless, it is deemed necessary as a first step to depict the fragmentation and complexity of this scene, in order to ascertain that investment activities in real estate are common practice among most political actors, regardless of political affiliation. This will be revealed as the chapter uncovers the depth and extent of the connection between the political elite and the real estate industry. A comprehensive review of this relation has to take into account the involvement in real estate of the politicians' relatives and business partners,<sup>73</sup> as well as the intersection of the political elite business interests in various economic sectors.<sup>74</sup> However, this review will only focus on the direct investment of politicians in real estate, and on indirect investment relation through the banking sector. The chapter concludes by underlying the various ways this elite uses the state for their own benefit, starting from determining general policies, to promulgating favorable legislations, and ending with their employment of the state's administration and institutions of every type and level. This chapter will also introduce additional actors and institutions that play certain roles we will encounter in later chapters.

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<sup>73</sup> For example, the son of the former president Michel Suleiman co-owns Span Properties (Freifer 2015), or, in the case of the business relation between Hezbollah and Ali and Qasim Tajeddine, owners of the real estate company Tajco (Traboulsi 2014, 112).

<sup>74</sup> For some aspects of this cross-sector relation, see Traboulsi (2014), and Ibrahim and Saoud (2015).

## 5.1. A brief overview of the current political situation

As noted earlier (see 4.6.), and since 2005, almost all of the main political actors were included in the governing process,<sup>75</sup> allowing them to maintain the same political, economic, and social policies of the 1992 Hariri cabinet (see 5.3.1.). In 2005, two main coalitions were formed, still alliances kept on shifting, and since 2010 both coalitions are in a state of decomposition.<sup>76</sup> Therefore they do not represent a valid grid of analysis for the current situation. This review aims to present an idea of the patchwork that is the Lebanese political scene through its acutely calibrated representation in the present parliament:

The majority of the 128 members of this Parliament are affiliated to the following parties:<sup>77</sup> The Future Movement, founded by Rafic Hariri and currently led by his son Saad Hariri — the current Prime Minister; the Kataeb led by the Gemayel; the Lebanese Forces (LF), a splinter of Kataeb; the National Liberal Party led by Dory Chamoun, the son of Camille Chamoun; the Marada led by Suleiman Frangieh, the grandson of the former president Frangieh; the Free Patriotic Movement (FPM) led by Michel Aoun — the current President of the Republic; the PSP led by Walid Jumblatt; the Lebanese Democratic Party led by Talal Arslan;<sup>78</sup> Amal Movement led by Nabih Berri — the current Speaker of Parliament; Hezbollah; the SSNP; the Lebanese Baath, the sister party of the ruling Baath in Syria; the Democratic Left;<sup>79</sup> and finally, the three Armenian parties: Tashnag, Hunshak, and Ramgavar. The parliamentary groups of the aforementioned parties include many of the oligarchy, most notably the Hariri block. Other members of the oligarchy have their own parliamentary groups, such as Najib Mikati, Michel Murr, and Mohammad Safadi. And finally, the old bourgeoisie is also represented in this parliament with, among others: Nayla Tueni; Michel Pharaon, the grandnephew of

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<sup>75</sup> As an example see Appendix C on the composition of the current government.

<sup>76</sup> These are the March 8 and March 14 coalitions, named after two large demonstrations that took place in March 2005. The first coalition is mainly centered on Hezbollah, FPM, and Amal. As for the second, it is mainly centered on Future Movement, PSP, Kataeb, and LF. However the legislative election of June 2005 was not fought according to this division. In addition, many frictions existed within the same coalitions. For example: in early 2010s, the Kataeb distanced themselves from March 14, while the PSP announced their formal withdrawal from that coalition; as for the March 8, an antagonistic relation exists between Amal and FPM, and in 2015, FPM and Marada filed two opposing candidates for the presidential election.

<sup>77</sup> As noted previously, a new parliament will be elected in May 2018.

<sup>78</sup> The Arslan are the historical rivals of the Jumblatt notability in the south of Mount Lebanon.

<sup>79</sup> Member of the March 14 coalition composed of social democrats and ex-communists.



Henri Pharaon; and Tammam Salam, the son of Saeb Salam. These various political actors have differing political aspirations and projects. However, nearly all of them share common economic interests. A case in point here, the real estate industry being an extreme example, as it will be revealed in the following section.

## 5.2. The connection between politicians and the real estate industry

The relationship between politicians and the real estate industry takes two main forms: 1) a direct relation; as in a politician who is also a real estate developer or investor. This type of relations encompasses politicians who own real estate companies fully or partially, or other companies whose activities are related to that industry such as engineering firms, cement factories, quarries, import of construction materials and equipment,. It also includes politicians who finance real estate developments, or own properties used for construction or speculative purposes. A variation of this form can be described as a hidden-direct relation, where a politician invests in real estate as a “silent associate” (Ashkar 2011, 69), in other words, in an informal way and unknown to the general public. Or 2) an indirect relation, when politicians invest in companies that in turn invest in real estates. In this case, the focus will be on the relation between politicians and the banking sector, and the involvement of the latter in the real estate sector. This section will examine these relations through three angles: the politician-developers, the politician-investors, and the banking link. For this review politician-developers are either those who made their fortune in the real-estate industry, or those hailing from families whose main business is the real estate domain. Therefore, real estate investment constitutes the basis of their personal fortune. If a politician owns a real estate development company as part of his business group, but do not fulfill these two conditions, therefore she or he is considered a politician-investor.<sup>80</sup> Along this review, the profile of some key political actors will be developed. And on a last note, all the cited persons in the following paragraphs are politicians, and at the end of this section, their names are compiled in a single table, with the respective official positions they held between 1992 and 2017 (see Table 5).

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<sup>80</sup> By tracing this distinction, this thesis departs from Baumann’s (2012b) interpretation of the “contractor bourgeoisie,” in which he bundled together the developers and the investors.

### 5.2.1. Politician-developers

The post-war period witnessed the political rise of a “new contractor bourgeoisie” (Baumann 2012b, 125), many of whom made their fortune during the oil-driven construction boom in the Gulf in the 1970s and 1980s. Their most emblematic figure is Rafic Hariri, who dominated the political scene in the 1990s and early 2000s. The following review is in three parts. The first is centered on the Hariri and their network of close political allies. The second discusses the deputy prime ministers. As for the third, it reviews other politician-developers.

#### 5.2.1.1. The Hariri circle

Rafic Hariri migrated to Saudi Arabia in 1965. His breakthrough occurred in the mid-1970s as he built close ties to the then Saudi crown prince,<sup>81</sup> and he began to accumulate construction contracts. In 1979, he acquired an ailing French firm, OGER, which became in record time one of the biggest development companies in the Middle East. Hariri diversified his investments, and in 1981 he acquired the Mediterranean Investment Group (MIG) that holds among its subsidiaries a Lebanese bank — which was renamed BankMed in 2004. Some of Hariri’s employees, of that early period, will later follow him into politics. This was the case of Fouad Siniora, the managing director of MIG, as well as of three engineers: Farid Makari, Fadl Shalaq, and Antoine Andraos (Blanford 2006; Baumann 2012a). Hariri had political and business ambitions in Lebanon. For example, in the aftermath of the Israeli invasion of Beirut in 1982, he was appointed as the Saudi King’s envoy to Lebanon.<sup>82</sup> In the same year, he dispatched his company to clear the rubble in the central district, and under this pretext, certain neighborhoods were demolished. Hariri was already drawing plans for the reconstruction of that area even as late as then (see 6.1.1.).<sup>83</sup> As years passed, his political influence increased,<sup>84</sup> as did his business ventures. For instance, between 1987 and 1991, he established fifty real estate companies, and they were registered under the names of his relatives and close associates (Wakim 1998, 128-139). From among these employees some will later become parliamentarians or ministers, such as Fouad Siniora,

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<sup>81</sup> Fahd bin Abdul Aziz.

<sup>82</sup> In 1978 Hariri was granted the Saudi citizenship, a privilege bestowed only on few people. And in 1982, Fahd, his patron, became King of Saudi Arabia.

<sup>83</sup> In 1983 he visited the then president Amin Gemayel, and brought along as a surprise a large model for a redesigned central district (Salem 1995, 103).

<sup>84</sup> He was given much credit for the conclusion of the Taif Agreement in 1989, which represented the beginning of the end of the war.

Joseph Moughaizel, Bahij Tabbara, or his sister Bahia Hariri. In 1994, Solidere — the company entrusted with the reconstruction of the central district — was established and Hariri, by then prime minister, became its major shareholder (Ohrstrom 2007). From the early 1990s till his assassination in 2005, Hariri was considered the biggest real estate owner and developer in the greater Beirut area. Politically, Rafic Hariri was inherited by his son Saad, who also became the major shareholder in OGER. In addition, Saad Hariri is involved in many other real estate companies, such as HAR Properties — whose portfolio of upscale developments includes AYA tower in Mar Mikhael.<sup>85</sup> Till the present day, the Hariri family and their close associates are the biggest shareholders in Solidere, mainly through BankMed (Wehbe 2012; Ibrahim and Saoud 2015). The list of politicians in the Hariri circle also includes: Salim Diab, the chairman of a major architecture and engineering firm; and Samir Jisr, a shareholder in a few real estate companies (Ibrahim and Saoud 2015).

#### 5.2.1.2. The Deputy Prime Ministers

Since 1990, four out of the six persons who served as deputy prime minister (DPM) were politician-developers. Two of them are Michel Murr and his son Elias Murr. Michel Murr made his fortune in the construction and real estate sector in West Africa, where he established Group Murr in 1955. On his return to Lebanon, he was elected to the 1968 Parliament.<sup>86</sup> During the war, Murr was appointed minister on several occasions, and he was involved in many speculative real estate operations, such as sea resorts.<sup>87</sup> In the 1990s, Michel Murr became DPM and minister of interior. During the 2000s the same positions were held by his son, who also took over the management of Group Murr in 1993 (Traboulsi 2014, 110). This group's projects include two multi high-rise complexes: Cap sur Ville and Les Toits de Beyrouth (see 5.3.2.). Issam Fares, the third DPM, migrated to the Gulf in 1950s. Two decades later, he acquired controlling assets in a Dutch construction company, and secured several profitable projects (Vloeberghs 2015, 40).<sup>88</sup> In the 1980s, he established Wedge Group in Texas, which invests in a wide range of sectors: oil, real estate, banking, media, etc. One of its subsidiaries in Lebanon is Wedge

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<sup>85</sup> HAR Properties is founded by Fahd Hariri, the youngest brother of Saad Hariri. Fahd Hariri also owns FRH Investment Holding sal, a main shareholder in Bank Audi.

<sup>86</sup> In that election, he ran on the ticket of the Kataeb, in exchange of financing a good part of their campaign in the related constituency.

<sup>87</sup> Particularly sea resorts, such as Halat sur Mer, located some 20-kilometer to the north of Beirut.

<sup>88</sup> Among these projects was the series of bridges and causeways connecting Saudi Arabia to Bahrain — constructed by his Dutch firm Ballast Nedam, which he sold in 1987.

Real Estate sal (Wedge Group n.d.). The fourth DPM is Samir Moqbel, an engineer who established his own real estate and contracting company, S.Mokbel & Partners, back in 1965 (Ashkar 2011, 71). And in the last decade, his firm developed several high rises in Beirut.<sup>89</sup>

### 5.2.1.3. More politicians-developers

The list of politician-developers includes many other names, chief among them: Mohammad Safadi who worked in the construction sector in Saudi Arabia in the 1970s. And in the 1980s, he moved to London<sup>90</sup> where he founded the real estate company Stow Capital Partners Ltd (Schellen 2014a). In 1995, Safadi returned to Lebanon and established the Safadi Group Holding, which comprises companies active in real estate and construction (Traboulsi 2014, 114). Stow Capital also invests in real estate in Lebanon,<sup>91</sup> mainly in the central district with projects such as Zaitunay Bay (see 6.2.3.3.). In January 2017 two former ministers were sitting on the board of Stow Capital Partners Ltd (2017): Nazim Khuri and Walid Daouk. The second on this list is Yassin Jaber a business partner and a political ally of Nabih Berri. His father made his wealth as a real estate developer in West Africa, where he established the Jaber Group (Quilty 2005). As for Jaber he began his career as a developer in Saudi Arabia in the 1970s (Ad-Diyar 2004). He currently co-owns Jaber Group with his brother, which has a large portfolio in real estate development. In addition, he is a major shareholder in cement companies (Ibrahim and Saoud 2015). By 2010, the Jaber were considered the biggest real estate owners and developers in Beirut area, having surpassed the Hariri.<sup>92</sup> And finally, Ibrahim Kanaan who is a lawyer and a member of the FPM, in 1959 his father established Comptoir al-Amaneh, a development company which had extensive real estate activity during the war (Haddad 2005). In addition, Kanaan founded another real estate company (Ibrahim and Saoud 2015).

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<sup>89</sup> Including the 2005 St. George Towers and the 2013 St. George Residences, both multi high-rise projects in Ashrafieh. Samir Mokbel is notoriously known for playing part, along with the LF, in importing toxic waste from Italy to Lebanon, in the late 1980s. Ironically, in 1992 he was appointed Minister of Environment (Wakim 1998).

<sup>90</sup> He moved to London as the business manager of the head of Saudi Air Force, Prince Turki bin Nasser, and was later involved in the Al-Yamamah arms deal scandal (Leigh and Evans 2007).

<sup>91</sup> On one occasion Safadi Group went into a joint venture with Stow Capital — and Saudi investors — to develop the Marina Towers in the central district (Zein 2003).

<sup>92</sup> Interview with Mohammad Wehbe, October 17, 2011

### 5.2.2. Politician-Investors

The list of politician-investors extends much longer, but the discussion will be about the four top investors in Beirut: Najib Mikati, Walid Jumblatt, Nabih Berri, and Michel Pharaon.<sup>93</sup> These politicians, in addition to going into partnership with developers on a project basis, they either own real estate companies, or are shareholders in such companies:

Najib Mikati is currently the wealthiest person in Lebanon, in *ex aequo* with his brother. Their immense wealth was made in the telecommunication sector (Baumann 2012, 61). Since 2007, their business empire is centered on M1 Group. The real estate branch of this group, M1 Real Estate, has substantive investments in Beirut, mainly in the central district (Solidere 2012). The aforementioned Walid Daouk sits on the board of M1 Real Estate. Daouk is also a lawyer for many real estate companies, especially those owned by Adnan Kassar (Ibrahim and Saoud 2015). As for Walid Jumblatt, he owns several real estate companies, some in partnership with Marwan Hamadeh. Jumblatt is also a shareholder in quarries and cement companies. One of those companies, Ciment de Sibline, is partially owned by Saad Hariri. Many politicians in the entourage of Jumblatt also have stakes in development companies, such as Akram Shehayeb, Alaeddine Terro, Henri Helo, Nehme Tohme, or Ghazi Aridi (Ibrahim 2013, Ibrahim and Saoud 2015). The third, Nabih Berri, is the Speaker of Parliament and a main shareholder in Jamil Ibrahim Establishment, which is one of the biggest development companies in Beirut (Ibrahim and Saoud 2015). The portfolio of this company includes the high rises Atomium 5205 and Les Dômes de Sursock, located at the edge of Furn al-Hayek. And last but not least, Michel Pharaon owns several contracting and real estate companies, one of them, Pharaon Reality sal, is chaired by Nabil de Freige (ibid.).

### 5.2.3. The banking link

The final line of inquiry will examine the relationship between politicians, banks and the real estate sector. It was already noted that some politicians are shareholders or owners of banks, as is the case of Hariri and BankMed. In other cases it was the bankers who ventured into politics as with Raymond Audi, the founder and chairman

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<sup>93</sup> As provided by the economic journalist Mohammad Wehbe. Interview on December 4, 2014.

of Bank Audi. The chairman and main shareholder of Fransabank, Adnan Kassar is another example. Kassar – who was tipped to become prime minister in 2005 – also owns several real estate companies, and is a shareholder in Jumblatt’s cement manufacturing factories (AEB 2005). Reviewing the 2016 annual reports of the top ten Lebanese banks revealed that politicians were directly linked to at least eight of these institutions, either as board members or shareholders (see Table 4). In the latter case, many politicians are shareholders through companies they own.<sup>94</sup> The Banks’ investments in the real estate sector takes various forms. For example, many banks are shareholders in the semi-public bank, Banque de l’Habitat, whose main purpose is to provide housing loans.<sup>95</sup> Still, their main form of investment is through the loans provided to this sector. Another angle to explore this involvement is to look at the real estate companies affiliated to banks.

#### 5.2.3.1. Banks’ loans to the real estate sector

Lebanese banks invest heavily in the real estate sector through a variety of loans they provide. These loans cover both ends of the market, from loans to developers to construct their projects, to loans for consumers enabling them to purchase apartments. According to the World Bank (2016, 12-13), these loans represented around 41 percent of total loans in 2015, and nearly 90 percent of all loans to private sectors were exposed either directly or indirectly to the real estate sector. The figures of the World Bank were backed by a review on Lebanese banks annual reports. In general, these reports manipulated their loans data in various and often-obscure ways; some reports were denuded of any data (e.g. BBAC 2016; SGBL 2016). In the following table, only clear data were retained, therefore the volume of loans to the real estate sector could actually be considerably higher.<sup>96</sup> Still, nearly all the reports stated that housing loans represented the majority of loans provided to individual customers. Moreover, for some “the main driver behind the increase in loans was the ‘housing’ ” (Bank of Beirut 2016, 66).<sup>97</sup> As for

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<sup>94</sup> Note that small shareholders are not disclosed in these reports, and the data on the companies that own shares in these banks is not always available. In addition, this review did not take into account cases such as SGBL. This bank is mainly owned by Antoun Sehnaoui, however two politicians from the Sehnaoui family were former shareholders and managers in this bank.

<sup>95</sup> 80 percent of the bank’s shares are owned by 25 banks and 10 insurance companies, including among others, Bank Audi, BLOM Bank, and Byblos Bank (Banque de l’Habitat n.d.).

<sup>96</sup> For example, this table did not take into consideration loans filed under the label of contractors or contracting (e.g. Bank Audi 2017; BLF 2017), although most reports hint that contracting is related to real estate development.

<sup>97</sup> To cite other examples: for Byblos Bank (2016, 55), “the main increase in retail loans was the result of the increase in housing loans,” while Crédit Libanais (2016, 34) recorded a “9.5% growth rate in the housing loans portfolio.”

the real estate industry, in most reports it received either the largest or the second largest share of total loans (e.g. Bank Audi 2016, 38; BankMed 2016, 44; BLOM Bank 2016, 50). The sum of loans to housing and to developers constitute by far the majority of the provided loans, and in two cases, BLOM Bank and BankMed, they nearly amounted to half of the total loans of these banks.

Top 10 Lebanese Banks in 2017 <sup>98</sup>	% of bank loans in 2016, going to			Politicians as shareholders or board members in 2016
	real estate sector	housing	sum	
Bank Audi	Real estate services and developers: 19.8%	7.1%	26.9%	Raymond Audi (chairman & main shareholder), Najib Mikati (shareholder via Business Holding sal and Investment Holding sal)
BLOM Bank	Real estate Developers: 4.9% Project financing: 17.7%	23.6%	46.2%	Youssef Takla (advisor to the board)
Fransabank	Construction: 11%	16.7%	27.7%	Adnan Kassar (chairman & main shareholder), Walid Daouk and Nehme Tohme (board members)
Byblos Bank	no data	19.8%	>19.8%	Arthur Nazarian (board member)
SGBL	no data	no data	no data	
Bank of Beirut	Real estate and construction: 27.4%	13%	40.4%	Anwar Khalil (shareholder)
BankMed	Real estate and general contractors: 37.2%	9.8%	47%	Saad Hariri and Fouad Siniora (shareholders via MedGroup), Rayya Haffar and Ghazi Youssef (board members)
BLF	Real estate: 23.5%	no data	>23.5%	
Crédit Libanais	Construction and real estate: 14.5%	25.2%	39.7%	Marwan Hamadeh, Hagop Jokhadarian and Samir Makdesi, (board members)
BBAC	no data	no data	no data	Adnan Kassar (shareholder via Fransabank)

Table 4: Top Lebanese banks: Politicians directly linked to the bank, and the bank's loans to real estate.

Sources: Bank Audi (2017, 13, 38, 53, 203); BankMed (2017, 26-27, 44-45, 178-179); BBAC (2017); Bank of Beirut (2017, 28, 66-67); BLOM Bank (2017, 17, 50, 143); Byblos Bank (2017a, 26, 53, 55); BLF (2017, 52); Crédit Libanais (2017, 18, 84, 158); Fransabank (2017, 10-11, 42, 46); SGBL (2017).

### 5.2.3.2. Real estate companies indirectly owned by banks

The Law of Money and Credit of 1963 prohibits banks from engaging in activities or owning companies in domains not related to finance.<sup>99</sup> Still, Banque du Liban was compelled on two occasions to enforce this law, through issuing clear prohibitions, first

<sup>98</sup> As listed by *The Banker* magazine in July 2017 (Byblos Bank 2017b, 8).

<sup>99</sup> Law implemented through decree no. 13513, article 152. Note that banks are allowed to own real estate companies for non-profit activities, such as the construction of a bank's headquarter or branch.

in 2008, on banks from engaging in real estate related speculation, and later in 2016, on banks from establishing or contributing to the establishment of real estate companies.<sup>100</sup> The first prohibition was introduced in the same period when the central bank was voicing its fears on the formation of a real estate bubble (Habib 2008; see also 8.1.2.). As for second, it seems to be in response to banks finding ways to circumvent the prohibition on owning real estate companies. And although on such companies' records the bank's name does not appear, the bank and the real estate company would belong to the same business group, and share the same shareholders. The bank would also raise the needed capital for the development, offer attractive loans, and direct its clients towards the real estate company projects (Speetjens 2013). Two clear examples are the cases of al-Mawarid Bank and al-Mawarid Real Estate sal, and of Bank Audi and CGI sal.

The general manager of Al-Mawarid Real Estate described her company as “the property development arm of al-Mawarid Bank” (B'here 2012, 80). Aside from the name, the bank and the real estate company share the same shareholders (krijnen 2016, 139). On February 5, 2018, and on the website of one of their real estate developments, Achrafieh 4748, it was still displayed that the project is financed by al-Mawarid Bank, and that the bank offers financing schemes for potential clients (Achrafieh 4748 n.d. a; n.d. b). The chairman and main shareholder of the two companies are Marwan Kheireddin, who is the brother-in-law and the financier of Talal Arslan (Traboulsi 2014, 24). As for CGI sal,<sup>101</sup> it was established by Banque Saradar in the 1990s, and after the merger of this bank with Bank Audi in 2004, it became affiliated with the latter (Saradar Group n.d.). By the early 2010s, CGI sal emerged as a major real estate company in Beirut with several large residential developments, including Abdel Wahab 618, a multi high rise project in Furn al-Hayek. In 2011, the newly founded Saradar Group acquired 81 percent of CGI's shares. As for the remaining shares, they are still presumably owned by the group of Bank Audi (Speetjens 2013).<sup>102</sup>

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<sup>100</sup> Amendments introduced to Basic Circular no. 81: Basic Decision no. 7776, article 3, paragraph 1, subparagraph h and subparagraph j, respectively (BDL 2001).

<sup>101</sup> CGI stands for Conseil et Gestion Immobilière.

<sup>102</sup> In 2012, Bank Audi Group was still holder of the remaining 19 percent shares, and was entitled to 30 percent of CGI's profits until mid of 2016 (Bank Audi 2013, 124-125).



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Andraos, Antoine																										
Aridi, Ghazi									•	•	•	•	•	•	•	•	•	•	•	•	•	•	•			
Arslan, Talal	•				•	•	•		•	•	•	•	•	•			•	•		•					•	•
Audi, Raymond																	•	•								
Berri, Nabih																										
Daouk, Walid																				•	•	•	•			
De Freige, Nabil																							•	•	•	
Diab, Salim																										
Haffar, Raya																			•	•	•					
Hamadeh, Marwan	•	•	•	•	•				•	•	•	•	•	•	•	•	•								•	•
Hariri, Bahia																	•	•								
Hariri, Rafic	◊	◊	◊	◊	◊	◊	◊		◊	◊	◊	◊	◊													
Hariri, Saad																		◊	◊	◊					◊	◊
Helo, Henri																										
Fares, Issam									•	•	•	•	•	•												
Jaber, Yassin				•	•	•	•						•	•												
Jokhadarian, Hagop																										
Jisr, Samir									•	•	•	•	•													
Jumblatt, Walid	•	•	•	•	•	•	•																			
Kanaan, Ibrahim																										
Kassar, Adnan														•	•			•	•	•						
Khalil, Anwar	•	•	•	•	•		•	•	•																	
Kheireddine, Marwan																				•	•	•	•			
Khuri, Nazem																				•	•	•	•			
Makari, Farid				•	•																					
Makdisi, Samir	•																									
Mikati, Najib							•	•	•	•	•	•	•	◊						◊	◊	◊	◊			
Moghaizel, Joseph				•																						
Mokbel, Samir	•	•	•	•																•	•	•	•	•	•	•
Murr, Elias									•	•	•	•	•	•	•	•	•	•	•	•						
Murr, Michel	•	•	•	•	•	•	•	•	•																	
Nazarian, Arthur									•	•	•												•	•	•	
Pharaon, Michel									•	•	•	•	•	•	•	•	•	•	•	•			•	•	•	•
Safadi, Mohammad																	•	•	•	•	•	•	•			
Shalaq, Fadl				•	•																					
Shehayeb, Akram				•	•	•													•	•	•		•	•	•	
Siniora, Fouad	•	•	•	•	•	•	•		•	•	•	•	•	◊	◊	◊	◊									
Tabbara, Bahij	•	•	•	•	•	•	•		•	•	•	•	•													
Takla, Youssef																	•	•								
Terro, Alaeddine																			•	•	•	•				
Tohme, Nehme														•	•	•	•									
Youssef, Ghazi																										

Prime Minister ◊ Speaker of Parliament ■  
Minister • Member of Parliament ■

Table 5: Cited politicians involved in real estate, and their respective official positions 1992-2017.  
Additional sources: The Lebanese Parliament, <https://www.lp.gov.lb/>;  
Presidency of the Council of Ministers, <http://www.pcm.gov.lb>.

### 5.3. The state in service of real estate industry

The previous section showed the extent to which many politicians are involved in the real estate sector. Add to that the nearly absent legal guidelines in Lebanon to determine conflict of interest for elected public figures (Najem 2012, 15). This situation allowed these politicians to make use of the state in order to advance their real estate interests. The use of the state can take different ways, which this section will examine by addressing four points: 1) the general policies adopted by the state, 2) the employment of the legislation, 3) the political intervention in the administration, and 4) the role of public institutions in assisting the real estate industry.

Regarding state policies, the ministerial statements of post-war governments will be reviewed. A ministerial statement is the government's objectives and principles stated in official form upon its formation. It outlines the government's agenda and general policies, and based on this document the government seeks confidence from parliament. The review of the statements will follow the policies on construction and housing. It will also point out the legislative plans regarding construction, rent, and urban heritage.

Legislation represents the state's most effective and powerful tool, which happens to be at the disposal of the political elite. The utilization of this tool will be examined in detail in chapters 6 and 7. Still, this section will highlight the exploitation of legislation by politicians to boost their real estate profits.

Regarding the administration, two types of intervention will be considered: on one hand politicizing the administration, and on the other obstructing its work. The latter applies to cases in which the work of the administration could hinder the elite's plans; while the former is done to support their interests.

The first three points are mainly considered from the angle of promoting and advancing the interests of the political elite, and those of the real estate industry in general. As for the last point, it presents a different angle, that of securing and protecting these interests. And in this case, the review will be of actions taken by the central bank to aid the real estate industry.

### 5.3.1. The ministerial statements: Construction as engine for economic growth

Most policies put forward by the consecutive ministerial statements remained in line with those underlined by the statement of the first Hariri cabinet of 1992. The only break occurred in 1998 with Salim Hoss's government, which was formed on the back of yet another economic crisis, and with the election of a new president. The statement of Hoss's government was a critique and a condemnation of the economic and social policies of its predecessors. The first challenge identified by this statement was "to stop the financial bleeding, which was due to preceding policies, and the adopted construction approach, and the failure of the process of administrative reform" (CoM 1998). Hoss's government fell in 2000, and most of the few changes it introduced were later reversed.

In Hariri's 1992 statement, a strong emphasis was put on the issues of construction and housing. Regarding construction, the statement announced that the government "will launch [...] the economic cycle and accelerate development and construction in order to achieve social security and economic prosperity" (CoM 1992b). No details were given about how these objectives were to be achieved. However, the context in which the term construction was used mainly implied the reconstruction project of the central district. After Hariri's comeback to power in 2000 — and the return to previous policies — the statement of his government reevaluated the objective of construction. With the persistence of the economic crisis, the priority of this new government was to "continue the process of construction and economic revival to stimulate growth" (CoM 2000). The term development — in both its social and economic senses — that accompanied construction in 1992, was later replaced by "economic revival." The social dimension of the construction process was basically throughout the text, while the expressions "construction" and "economic revival" were jointly cited four times. Construction, which was considered a source of the economic crisis by Hoss's government, was redefined as an engine for economic growth. In the 2000 statement, construction was clearly not confined to the operations in the central district. For this statement, a main recourse to achieve economic revival was "to amend some provisions of the construction law, so as to simplify and stimulate the performance of investors in this vital [real estate] sector" (*ibid.*). By 2004, a new construction law was promulgated (see

7.1.). And since 2005, the topic of construction nearly disappeared from the successive ministerial statements.

As for the issue of housing, the 1992 statement regarded the situation of housing as critical, and made it one of the government's priorities, but without identifying adequate measures. In the 2000 cabinet statement, the solution for housing was proposed to be achieved through housing loans, within a framework of cooperation between two public institutions and the banks. The 2003 statement advanced another solution for the housing crisis, this time through the promulgation of a "modern and balanced law on rent" (CoM 2003), which would basically liberalize all rent contracts (see 7.2.). As with the case of construction, the housing issue gradually vanished from subsequent ministerial statements. The 2009 statement reaffirmed the commitment to a new rent law, but without relating it to the housing crisis. Plans for a new legislation on rent were included in most ministerial statements since 1992. On another issue, the 2011 ministerial statement pledged to preserve the built heritage. But while a new law on rent received much legislative effort, and was promulgated in 2017, no such efforts were invested regarding the built heritage (see 7.2. and 7.3.). And finally on the issue of urban planning, the 1992 statement pledged to review these regulations. However, this was not in relation to Beirut's master plan, but rather to the development of a general master plan for the entire Lebanese territory.

In sum, boosting the real estate industry was an objective of the successive governments, first under the pretext of social and economic development, and later in prophecy of an economic revival. This was pursued, among others, by engaging in an amendment to the construction law, or by finding solution to the housing crisis through a public-private loaning scheme — rather than building social housing, for example.<sup>103</sup> Some measures that could slightly affect the growth of this industry were occasionally advanced, such as a law on preservation, but still, they would not be pursued. In contrast, the successive governments were more determined on proposing, and engaging in policies that respond to a neoliberal logic, as with a new rent law. The governmental jargon usually presented these policies in the context of the common

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<sup>103</sup> Since the 1970s, a few laws were promulgated stipulating the construction of social housing, none were implemented. The latest was no. 539/1996 which established the Public Corporation for Housing and entrusted it with building social housing, and providing long term housing loans. However, this institution was confined to the latter task only.

good. For instance, the liberalization of rent became a fair law that would also alleviate the housing crisis.

### 5.3.2. Legislations: Laws that benefit the politico-economic elite

The use of laws and regulations for the benefit of politicians and the real estate industry will be discussed in depth in later chapters, as in the case of the Construction Law (see 7.1.), or regarding the legislative framework of the reconstruction of the central district (see 6.1.3.), or even in cases related to this reconstruction process, as with the Zaitunay Bay project (see. 6.2.3.3.). Therefore, the current review is mainly to highlight the exploitation of the legislative tool by politicians, and it will discuss two cases that vary in the adopted approach and the anticipated beneficiaries. The first case represents a clear subversion of the law in favor of one political actor. Such cases remain a rarity in Lebanon. The approach is usually more subtle, wrapped within a narrative of economic or social interest, and the outcome of the legislation would benefit a larger section of the political and economic elite, as it will be seen in the second case.

The first case is related to the Decree no. 4857/1994, which amended drastically the master plan of an area overlooking Beirut, from scrapping the height limit of new constructions, to increasing considerably the total exploitation ratio (TER) — the amount of the allowed constructible square meter per plot. This decree became operational on a Thursday only to be rescinded the next Monday.<sup>104</sup> This four-day window was sufficient for the Group Murr to obtain construction permits for its multi high-rise projects, Cap Sur Ville and Les Toits De Beyrouth.<sup>105</sup> The height of these several buildings exceeds the 120-meter limit in an area where new constructions are limited to the 20 meter mark. The decree allowed Michel Murr to engross considerable profit from land; its abrogation eliminated potential competing developments in that area, and guaranteed an unobstructed panoramic view for these high rises — unless new amendment to the master plan.

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<sup>104</sup> The decree was promulgated on March 9, 1994. It went in-force the day of its publication in the *Official Gazette* on March 17, and was rescinded on March 21.

<sup>105</sup> Interview with Mohammad Zbeeb, April 11, 2013.

The second case is related to the Law no. 402/1995, promulgated under the title of exempting the construction of hotels from certain regulations of the Construction Law. This law was promoted as a support for the hospitality and tourism industries in Lebanon, and its provisions were applicable for a period of five years only. However, its main objective laid somewhere else (Wakim 1998): In early 1990s Rafic Hariri purchased many properties in Raouche and Ramlet al-Baida on the western shores of Beirut. This area is part of Zone 10 in Beirut's master plan. It has a very low TER, and in most of this zone the construction height is limited to 9 meter (see 7.1.1). Hariri included in Law no. 402 a clause exempting properties on the coast of Beirut from these regulations, on two conditions: their area exceeds the 20,000 square meters, and they are developed as hotels or touristic resorts. The former condition fit perfectly with the size of Hariri's properties. However, the two development projects in Raouche and Ramlet al-Baida would only proceed in the mid-2010s.<sup>106</sup> By then, the property in the latter area was purchased by the real estate mogul Wissam Achour — former son-in-law of Nabih Berri, and a current business partner to Saad Hariri. The delays in these projects can explain the constant five-year extension of the provisions of this law.<sup>107</sup>

Aside from this clause, tailored to fit Hariri's interests, Law no. 402 basically doubled the TER of land in case of the construction of a hotel. And a good number of developers and hotel owners profited from this provision. The list of projects in Beirut, built according to this law, includes three hotels in Raouche area owned by Wissam Achour,<sup>108</sup> and a multi high-rise project owned by Bahaa Hariri, Saad Hariri's older brother.<sup>109</sup>

### 5.3.3. The administration and political intervention

First, and as a quick review of the state of the administration, it is relevant to reiterate that the elite used the administration to provide job opportunities and income

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<sup>106</sup> In 2014-2015, the two projects drew many protests organized by urban and environmental activists (Saksouk-Sasso 2015, Battah 2015)

<sup>107</sup> The latest extension of the law was in 2014 (Law no. 264/2014).

<sup>108</sup> The hotels are Lancaster Plaza Hotel, Lancaster Hotel Raouche, and Lancaster Suites Raouche (Achour Holding n.d.). They are built respectively on plots no. 2914, 1106, and 1140 in Ras Beirut. The decrees allowing the respective increase in TER, according to Law no. 402/1995, are: no. 10097/1997, no. 10093/1997, and no. 9529/1996.

<sup>109</sup> The Verdun Gardens. The Enforceable Decree no. 995/2007 was promulgated to increase the TER according to Law no. 402/1995.

for their supporters (see 4.4.1.). In addition most of the administration is underfunded, short on qualified human resources, and lack proper modernization (Ashkar 2011, 100).<sup>110</sup> The intervention of the political elite in the administration to better serve their business interests is mainly achieved through either politicizing the administration, or by obstructing its work.

### 5.3.3.1. Politicizing the administration

On this issue, politicians would appoint their associates or clients in key positions.<sup>111</sup> This is easily done in certain governmental institutions that are detached from the main administrative structure, which is regulated by the law on public sector employees.<sup>112</sup> For example, a person from the private sector can be appointed to head such institutions. This is particularly the case of the central bank or of the Council for Development and Reconstruction (CDR). The latter was established in 1977 to facilitate the reconstruction of war-damaged areas and infrastructure.<sup>113</sup> The CDR is directly accountable to the Prime Minister, who also appoints the head of this organization. This situation led to the appointment of former employees of Rafic Hariri, Fadl Shalaq and Nabil Jisr,<sup>114</sup> as presidents of this organization.<sup>115</sup> Through his control over the CDR, Hariri also controlled the construction process of the central district, as well as achieved various financial profits (Baumann 2012a, 121).

As for the *traditional* administration, holders of key positions, such as director generals, have to be grade one public employees who made their carrier in the public sector, and are appointed by the government. A certain number of these employees is not politically influenced, and some are interested in the public good. For instance, during the 2004 debates of the joint parliamentary committees on the new Construction Law, it was Joesph Abdel Ahad, the head of the directorate general of Urban Planning (DGUP), who voiced most of the objections regarding the enlargement of buildings' volume (see 7.1.3.). Abdel Ahad was the last full-time director general of the DGUP, and since 2005, this directorate is led by acting directors, as in the case of many other

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<sup>110</sup> Some notable exceptions are the Ministry of Finance and the CDR.

<sup>111</sup> During the parliamentary debates on the new Construction Law (see 7.1.3.), parliamentarians acknowledged the politicization of the administration, and they were also joking about it.

<sup>112</sup> Legislative Decree no. 112/1959.

<sup>113</sup> Legislative Decree no. 5/1977.

<sup>114</sup> Nabil Jisr is the brother of the aforementioned Samir Jisr (see 5.2.1.1.).

<sup>115</sup> Shalaq headed the CDR in 1991-1995 and 2004-2006. As for Jisr, he is the current head of the CDR since 2006, having also presided over it in 1995-1999.

directorates. The failure to appoint director generals is mainly due to a lack of agreement inside the government, however this situation is also beneficiary to the members of the government. An acting director is appointed by the minister overseeing the directorate, and can be removed from his position at any time. These realities create a patron-client relation between the minister and the acting director, as Byrns (2011, 90) noted, “acting directors [become] accountable only to their boss [i.e. the ministers that appointed them] and not to the general public.” Abdel Ahad acknowledged that acting directors “bend easily to political pressure, but if they have a strong character, no one can influence them.”<sup>116</sup>

As an example on how this politicization materializes, this review will look at certain actions taken by the Higher Council for Urban Planning (HCUP). The HCUP is presided over by the Director General of DGUP, and formed of seven director generals, of a representative of the CDR, and of private actors.<sup>117</sup> Among its responsibilities is to opine on master plans developed by the DGUP, or to approve certain projects, such as the construction of buildings higher than 50 meters (see 7.1.4.1.). Between 2005 and 2013, on average, acting directors represented five out of the seven directorate generals, especially the DGUP, and during this period, not a single permit for the construction of a high rise was refused.<sup>118</sup> Two HCUP documents, obtained by the author, revealed that the HCUP granted permission for the construction of two high rises against the advice of the departments of Design and of Plans at the DGUP. In one case, a high rise in Gemmayze area, the permission was given even though the Department of Plans pointed out that the high rise did not fulfill the standards adopted by the HCUP concerning that area.<sup>119</sup>

### 5.3.3.2. Obstructing the administration

The obstruction of some institutions’ work usually occurs when it collides with the interests of the politico-economic elite. Hence, political pressure will be applied to

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<sup>116</sup> Interview with Joesph Abdel Ahad, September 15, 2011.

<sup>117</sup> The HCUP is composed of 13 members: the Director General of Urban Planning (acts as head of HCUP); the Director General of Justice; the Director General of Interior; the Director General of Roads and Buildings; the Director General of Housing; the Director General of Municipalities; the Director General of environment; the Head of Programs at the CDR; the Head of the OEAB; the Head of the OEAT; an urban planner; an architect; and a sociologist. The last three appointed by the Minister of Public Works (Legislative Decree 69/1983).

<sup>118</sup> Interview with Rodolphe Haddad, April 18, 2013.

<sup>119</sup> This last case is related to HCUP document no. 42324. The other HCUP document is no. 43759.



stop, delay, or alter the course of action the administrative bodies (see also 7.3.). This was particularly the case of the Department of Plans in the DGUP regarding developing plans for Beirut. The head of this department disclosed that “it is forbidden to work on Beirut, especially on developing a new master plan [due] to political pressures”, and most of the tasks of his department are to “execute the regulations.”<sup>120</sup> Aside of this interdiction, in the past fifteen years, this department was engaged in three studies only on Beirut: the first was a study on the western coast of Beirut, the second on a slum in the south of the city, and the third on the area of Gemmayze. The first two studies were abrogated in their preliminary phases. The third, whose main goal was preserving the built heritage of Gemmayze and to restrict the construction of high rises, was halted in its advanced stages. Still, the HCUP considered it as a guideline for future developments in that area (Ashkar 2011, 101-102). And as seen previously, the HCUP did not abide by its own decisions.

#### **5.3.4. The central bank at the rescue of the real estate sector**

Already, the previous chapter pointed at the reality of political intervention in Banque du Liban (BDL), from employing BDL to achieve political goals and financial profit, to the political appointment of the bank’s governor (see 4.6.1.). However, the focus of this paragraph will be on the role of the central bank in shoring up the real estate industry. And to highlight this role, it will be contrasted with BDL’s actions regarding other sectors of the economy.

First, it is relevant to note that Lebanon was not directly hit by the global financial crisis of 2008. The BDL was highly praised for shielding the country from that crisis, since it forbade Lebanese banks from speculating in risky packages of bundled up debts (Antelava 2008). Still, Lebanon’s economy was constantly passing through crisis during the 1990s and 2000s, and the economic situation was worsened by the 2006 war with Israel, with the severe damage inflicted to the industrial sector.<sup>121</sup> Since the 1990s, the BDL refrained from any direct interventionist policy to alleviate the crisis, and in

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<sup>120</sup> Interview with Rodolphe Haddad, September 13, 2011.

<sup>121</sup> Around 200 manufacturing companies were damaged, more than half of them sustaining total damage. In the aftermath of the war, these industries received insignificant financial aid from the state (Quilty 2006; Reddick 2011).

general, its approach was confined to specific financial measures, such as easing loans in the aftermath of the 2006 war (BDL 2007).

However, in late 2012, the BDL became more interventionist as the real estate bubble was on the verge of bursting (see 8.1.2.). In January 2013, the BDL pumped USD1.46 billion into the economy. Nearly 56 percent of this package went to housing loans, while productive sectors received around 14 percent (BDL 2013).<sup>122</sup> Since, the BDL kept on providing yearly stimulus packages, USD800 million in 2014, and USD1 billion for each of 2015, 2016, and 2017 (Arbid 2017), with more than two thirds of the credits dedicated to the real estate sector (BDL 2016; 2017). By the end of 2017 the real estate sector was still in crisis, however these consecutive packages alleviated many of this sector's woes. Meanwhile, the economy of the country was still in bad shape with stagnant growth and rising levels of poverty (Arbid 2017; Nash 2017).

The imbalance of BDL's approach towards the different economic sectors, and the disproportionate allocation of shares of the stimulus packages, are additional indicators of the state's bias towards the real estate industry. It is apparent that the main objective of the successive packages was not to stimulate the economy, but rather to bailout the real estate industry.

## 5.4. Conclusion

While discussing the economic liberal French Third Republic, Guillemin (1972) identified it as “the republic of the rich, run by the rich, and for the benefit of the rich.” This appears to be the case of the current Lebanese Republic.<sup>123</sup> The Lebanese parliament — and government — is a patchwork of multitudes of political parties and actors. But aside from their political differences, most of these actors share common business interests. This chapter dedicated a good part to unveil the depth and extent of their involvement in the real estate sector. This involvement is seen in two main ways:

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<sup>122</sup> The World Bank estimates that just 6 percent found their way into productive sectors (Dyke 2014).

<sup>123</sup> For comparison purposes, the richest member of the current U.S. congress is Greg Gianforte with a net worth of around USD315 million (Dennison 2017). The net worth of his Lebanese counterpart, Najib Mikati, stands at around USD2.7 billion (Forbes 2018). Due to banking secrecy in Lebanon, it is difficult to assess the volume of wealth of politicians.

a direct investment venture, and an indirect way through the banking sector. The political rise of real estate developers in the post war period meant that more attention was given to the real estate sector as a source of lucrative profit, and the political elite mobilized the state to serve their interests in that domain. This mobilization takes four main forms: 1) imposing state policies that promotes construction under the guise of social and economic development, 2) promulgating laws in line with these policies to increase the exploitation of land, and therefore boosting their own profits and that of the real estate industry in general, 3) controlling the administration either by politicizing it, or by obstructing it, to advance their real estate schemes, and 4) using the state institutions and public funds to rescue the real estate industry. The divergence of these actions resulted in an ever-growing commodification of land, and led to most of Beirut's gentrifications. The third part of this thesis will discuss the main cases of gentrification, and a special attention will be given to laws that support and shape them.

PART III.

LAWS AND REGULATIONS:  
SHAPING THE GENTRIFICATIONS OF BEIRUT

## Chapter 6. The special case of gentrification of Beirut Central District

This chapter examines the first of the three cases of gentrification in Beirut: the reconstruction of the Central District. This case differs from the two other cases regarding its setting and the mechanisms of change. This area was considerably damaged during the civil war, and in the early 1990s, the reconstruction process was entrusted to Solidere, a private company established by the State. The outcome of this redevelopment was a wholesale dispossession of previous landowners and tenants (Zayan 1998), an extensive remodeling of the center (Khoury 1998), and the reshaping of its memory (Stanton 2004). The new built spaces were destined to the wealthiest of the population (Hourani 2012). This dissertation does not intent to cover all the aspects of this transformation. The interested reader is referred to, among others, Tabet (1996), Makdisi (1997), Schmid (2002), Verdeil (2002), Leenders (2003), Mango (2004), or Makrem (2014). For a narrative from the point of view of Solidere, see Gavin and Maluf (1996), Gavin (1998; 2015), or Kabbani (1998). As for Hourani (2012; 2015), his works represent one of the few studies on the outcome of the reconstruction.

The focus of this chapter is on elements of this transformation that are of direct interest to this dissertation: 1) the two components of gentrification: the production of space and the change in land-users; and 2) the role of laws and regulations in this process. For the latter, the discussion addresses wartime planning, the law that established the reconstruction company, and the adopted master plan for that area. As for the former, this chapter examines the succession of demolitions, the displacement of population, and the new spaces and their users. The chapter is divided into two parts: first, the context of change, and second, the transformation itself. A fine line between these two denominations does not always exist, nevertheless, the adoption of Law no. 117/1991 — paving the way for the establishment of Solidere — can be considered as the turning point, which allowed the transformation to take its present form. The section

on the context of change offers a brief overview of the center at the beginning of the war. Then, it put in contrast two plans for redeveloping that area, one conducted by the State, and the other by a private actor. It continues by reviewing the demolition operations, which were intended to support the latter project. And it concludes by examining the legislation and regulatory framework for the reconstruction, which was tailored to fit that project. As for the part on the transformation, first, it discusses the eviction and dispossession of the center's land-users, be they pre-war landowners and tenants, or refugees that squatted the place during the war; second, it looks into the adopted master plan for the reconstruction; and third, it addresses the outcome of the transformation by reviewing three reconstructed spaces, as well as their usage and their users.

### **6.1. Context of change: planning and demolition**

The boundaries of what is now known as the Central District was first defined in 1977, as efforts were underway to redevelop war-torn areas in the center of Beirut. On the eve of the civil war, these areas housed the main governmental institutions and were the business center of Beirut and of Lebanon. For instance, they were the location of nearly 42 percent of the city's commercial establishments and offices. With an area of 1.4 square kilometer, they were the place of residence for around 25,000 inhabitants, and the place of work for more than a third of a million (BERMS 1980, 55, 77). In the first months of the war, life in these areas carried on more or less as normal, as fighting was concentrated in the peripheries of Beirut. In September 1975, violence spread to the center, many fires erupted, and a good number of commercial enterprises were destroyed or damaged (AEB 1975c). At the time, there were no clear demarcation lines, and the zones of influence of different warring parties overlapped and intersected. This situation changed on December 9, when the Kataeb and their allies committed mass sectarian killing in the port area. As a response, the Left and the nationalists aimed to control the whole of Beirut. Backed by the Palestinians, they began the battle in the hotels district — to the west of the old city — and their push eastward was halted next to the port, along Martyrs' Square. It is this zone of combat that would become the Central District. This area sustained substantial damage and, together with the port,

was systematically looted by all the warring factions (Issawi 2001). Throughout the war, there seemed to be a concerted effort by the different belligerent actors to demolish the center, and on many occasions the bombardment of that area did not respond to clear military objectives (Corm 1993, 324). Already, when the first round of violence erupted in the center, in September 1975, there was suspicion that most of the damage was a result of arson, or even of deliberate acts of “economic sabotage” (AEB 1975a; 1975b). Until the end of the war, this area remained in a devastated state. As for its population, it dropped to around 16,000 by 1977 (BERMS 1980, 55). This number continued to decrease during the course of the war, by the end of which, refugees formed the majority of the inhabitants.

The war period saw several plans to redevelop the center. At the beginning, these endeavors were led by the State, then later by private actors, namely Rafic Hariri. The Hariri project was backed by targeted demolition that fit the planning scheme, and to create a *fait accompli* on the ground. At the end of the war a hegemonic narrative stressed on the bankruptcy of the State to embark in the reconstruction of the Central District. A task that was depicted as too complex, too arduous, and too ambitious, and therefore it required one large private company to undertake it (Makdisi 1997; Mango 2004). Along with this discourse, Hariri mobilized his political connections, so a law was passed granting the reconstruction of war-damaged areas to stock exchange companies established by the State. By law, such companies were granted substantive powers, mainly the power to expropriate properties and to abrogate contracts, and to provide the compensation through stock options. This law basically created the gentrification of the Central District by displacing former land-users, as well as their rights, and by consigning the reconstruction process to private actors and to market dynamics.

### **6.1.1. From public to private planning, and the outlining of the Solidere Project**

By the end of 1976, the civil war seemed at its closure. The new president, Elias Sarkis, appointed as prime minister a professor of economy, Salim Hoss. The need to repair the damaged areas in a rapid and efficient way, led this government to establish the CDR in January 1977, which was headed by another economist. This new institution was intended to be a highly specialized and flexible organization, and therefore it was

detached from the existing administrative structure. To make it easier to hire specialists with clearly identified skills, recruitment conditions were simplified and attractive salaries were offered. In addition, the CDR had its administrative and financial autonomy, and it was placed under the direct control of the prime minister (Verdeil 2002, 389). In brief, a super ministry was created. In parallel, the French Atelier Parisien d'Urbanisme (APUR) was entrusted to develop a planning scheme for the Central District. Three objectives were put forward: 1) to remold the center into a meeting place for the various communities, 2) to modernize the center while retaining its “oriental” character, and 3) to observe a modicum of realism, and “to refrain from exacerbating, through planning, the very legacy of havoc and destruction propagated by the war.” (Tabet 1993, 91).



Map 5: Synthesis map of the APUR master plan. Source: P. Khoury, K. Khoury and Raad (1978, 73).

The APUR plan presented in June 1977, considered 30 percent of the area for remodeling. Still, the plan paid attention to the rehabilitation of existing buildings and to the preservation of the urban fabric, while at the same time it aimed to improve the



infrastructure. In addition, an emphasis was put on restoring the communal diversity in the center, both in class and sectarian terms, and on the reintegration of the center with the rest of the city (P. Khoury, K. Khoury and Raad 1978; Tabet 1993, 92; Makdisi 1997, 667; Verdeil 2002, 418-427). By April 1978, the APUR master plan was finalized, in assistance with local architects and planners, and it was adopted by decree in the same month.<sup>124</sup> Two months later, the war broke again, bringing all this process to a halt.

The APUR plan marked the height of public authorities' wartime planning effort for the Central District. From that moment on planning proposals were to be carried out by private actors, and the most ambitious among them was Rafic Hariri.<sup>125</sup> In 1983 his firm, OGER, launched an international competition to redevelop three neighborhoods in the center, including the eastern souks and an area in Saifi. The final design took no consideration of the pre-war urban and social conditions (Verdeil 2002, 435). With the war activities resuming in 1984, the design process moved to OGER offices in Paris, where it proceeded in confidentiality and on the basis of a wider intervention scheme. The new plan encompassed the entire central district, with the intention to redesign more than 60 percent of that area. The landfill, which began to form on the northern shore, was included in this plan with the consideration of extending it further. On a more radical note, this study advocated for the creation of one company to carry out the development scheme, and for the expropriation of almost the entire central district. To facilitate the expropriation process and to lower its cost, a public company was considered. And to solve the financial issue of compensations, the proposed solution was to compensate the landowners and tenants through giving them shares in this anticipated company (ibid., 441-446). Three senior Lebanese urban planners were given insights to the master plan, one of them was Henri Edde, a former minister and an urban planner at Dar al-Handasa (ibid., 447-448).<sup>126</sup> On his part, Hariri was promoting the project in close political circles (Wakim 1998).

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<sup>124</sup> Decree no. 1163/1978.

<sup>125</sup> In addition, Hariri was planning to redevelop other areas in Beirut agglomeration. For Hariri's plans, and for other proposals for reconstructing the Central District, see Verdeil (2002).

<sup>126</sup> To be more accurate, Dar al-Handasa (Shair and Partners). Dar al-Handasa — House of Engineering in Arabic — was founded in Beirut in 1956 by four university professors. It later split into three branches. The Shair and Partners branch will later develop, under the name of Dar Group, into a global architecture and engineering firm. In 2016, it had more than 18,000 employees, and nearly 200 offices operating in 58 countries.

With the end of the war, the reconstruction of the Central District became government priority. In 1991, the CDR — by then headed by Hariri's employees, Fadl Shalaq — commissioned the reconstruction study to Dar al-Handasa. The produced plan, under the direction of Henri Edde, basically proposed the total demolition of the center, and the construction of a new one featuring extravagant elements, from an eighty meter wide boulevard to artificial lakes and islands (Makarem 2014, 191). This master plan raised a wave of protest, and in 1993, the CDR asked Dar al-Handasa for another study. The new plan — developed without Edde who had resigned earlier — removed the controversial elements of its predecessor, but still called for the demolition of up to 80 percent of existing buildings. In addition, it had many similarities with the master plan produced by OGER in 1986 (Verdeil 2002, 445-447). In hindsight, the Edde plan was “a deliberate red herring” to facilitate the adoption of the OGER plan (Makdisi 1997, 679).

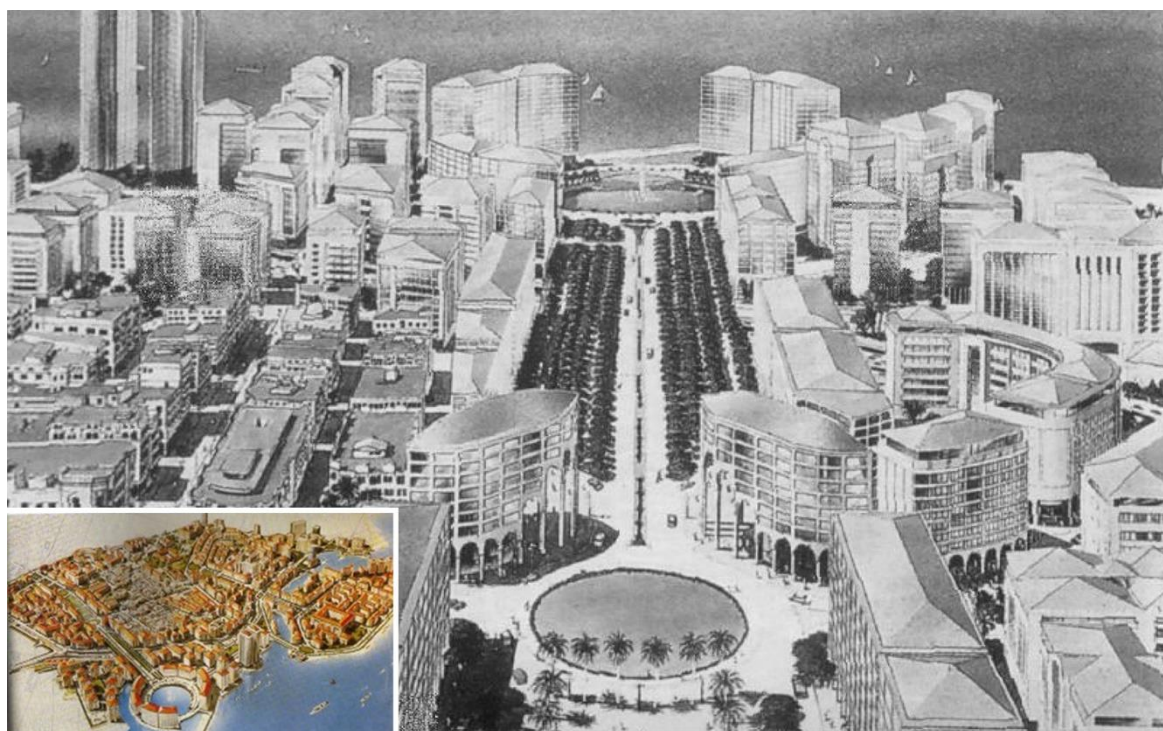


Image 7: 3D renditions of the 1991 Edde master plan. Sources: Kabbani (1998, 253); Verdeil (2010).

### 6.1.2. A succession of demolitions to impose a *tabula rasa* approach

In a scene from the 1981 movie *Die Fälschung*, while the camera is panning over the Central District, the sniper tells the foreign journalist:

“From here you can see the whole commercial district. It’s totally destroyed. We will rebuild it later. It will be better than before. Architects have already prepared the plans. Anyway, the old souks were not profitable” (Junkersdorf and Dauman 1981).

This statement echoed the dominant narrative of the time — which persisted till the establishment of Solidere — from depicting the center as destroyed beyond rehabilitation, to the need for building a modern — read profitable — downtown (Makdisi 1997). However, and as seen in this movie,<sup>127</sup> although the area was damaged, it is a far cry to claim it is beyond repair.



Image 8: View of the Central District in 1980 taken from Starco Center, and geolocation according to a 1956 aerial photo. Panoramic collage and annotation by author. Sources: Junkersdorf and Dauman (1981); LAF-DGA, ref. 004/60/72.

The APUR plan considered the demolition of more than a quarter of the city’s structure, including most of those seen in the image taken from *Die Fälschung* (the

<sup>127</sup> The movie was shot in 1980 in Beirut during a lull in fighting. And aside from the black smoke to the right of the image, this collage represents an authentic scene of the Central District at the time.

yellow block in the aerial photo).<sup>128</sup> In 1977 few buildings that sustained severe damage were demolished, and the resumed fighting in 1978 put an end to this operation.<sup>129</sup> In summer 1982, Israel invaded Lebanon, and occupied Beirut for a brief period of time. This invasion added considerably to the damage of the Central District. But still, the percentage of irreparable buildings in that area was still below 20 percent (Mango 2004, 35). The aftermath of this invasion saw the reunification of Beirut under the control of the Gemayel presidency. The APUR plan was dusted off, but no significant action was taken. Hariri offered the services of OGER to clean up the center and to rehabilitate some of its buildings.<sup>130</sup> Under this pretext, OGER demolished many surviving structures, including Souk al-Nouriye and Souk Sursuq, as well as large sections of Saifi area to the east of Martyrs' Square.

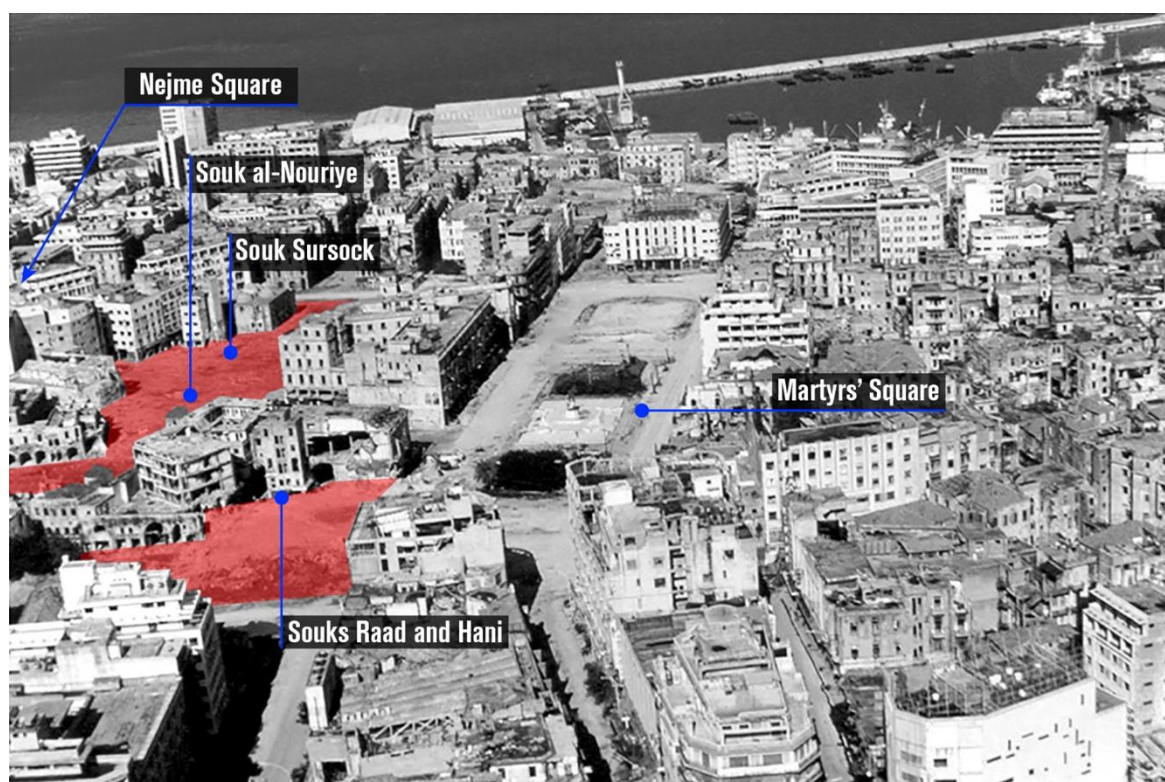


Image 9: 1983 aerial photo of Martyrs' Square showing the demolition of the nearby souks.  
Annotation by author. Source: Rishani (2011).

These unauthorized operations had a tacit official approval, and the demolished areas corresponded to the ones that OGER was studying at the time (Makarem 2014, 180-180). The bulldozing was halted by the resuming war activities in 1984. Two years later

<sup>128</sup> The APUR master plan suggested the remodeling of this block because of the proposed road infrastructure, and to connect it with the adjacent souks (P. Khoury, K. Khoury and Raad 1978, 69).

<sup>129</sup> Among the demolished was the renowned Khan Antoun Bey, a commercial complex built in 1853.

<sup>130</sup> The rehabilitation “did not go beyond a face lift” (Beyhum and et al. 1992, 33).

during a lull in fighting further unofficial demolitions were carried out by OGER (Makdisi 1997, 668). By the end of the war in 1990 nearly 20 percent of buildings in the center were demolished by such operations, as for the rest, between 24 and 40 percent of structures were deemed irreparable — with the last figure given by an employee at Solidere (Verdeil 2002, 50, 53).

After the approval of Law no. 117 in December 1991, which laid the foundation for the reconstruction company, the CDR headed by Shalaq dispatched demolition crews to the Central District (Makrem 2014, 200). The demolition began before the approval of any reconstruction plan. Buildings that could have been repaired were targeted. The use of high explosive demolition charges — far in excess of what was needed — meant that nearby structures suffered excessive damages, and were deemed irreparable too. These structures were in turn demolished through yet other big explosions, thus spreading more damages around them (Makdisi 1997, 672). This process *de facto* ruled out the possibility for an alternative planning based on the preservation of the space. The last demolitions took place in 1997 and they were conducted under heavy police presence amid tense standoff with former property owners (Makrem 2014, 17).<sup>131</sup> By the end of this process, the center lost 80 percent of its buildings, in comparison to 1975 (see Map 7). The mandate era center was the only neighborhood to be retained in its entirety. Apart from that area, a majority of the preserved structures were religious and public buildings, and large commercial projects built in 1950-1970, such as Starco Center or the Azariye complex. In total, 265 buildings were retained, and the criteria behind their choice did not seem related to the severity of their damage,<sup>132</sup> but rather, the “buildings that occupy more densely their plot, thus in the most profitable way, [which] were preserved” (Verdeil 2002, 54).

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<sup>131</sup> Many incidents occurred during the demolition process. The deadliest one took place in 1996, when a demolition crew brought down a building with squatters still inside. 13 people were killed (Makdisi 1996, 23).

<sup>132</sup> For instance, the neighborhood of Wadi Abu Jamil, where extensive demolition took place, barely sustained wartime damage, on the contrary to the heavily damaged mandate era center, which was retained (Makrem 2014, 201).

### 6.1.3. A legislation framework tailored to fit the Solidere project

The legislation and regulatory framework for the reconstruction was established before the arrival of Hariri to power, especially with the Law no. 117/1991. Although the prime minister at the time, Omar Karami, was opposed to this law, Hariri managed to push forward its promulgation through mobilizing his wide political network (Wakim 1998).<sup>133</sup> This law was an amendment to a clause in Law no. 5/1977 on the establishment by the state, through the CDR, of real estate holding companies in charge of developing all, or parts, of a master plan.<sup>134</sup>

The legal basis for such companies is found in the 1962 law on urban planning,<sup>135</sup> and it was amended by the CDR Law of 1977, in anticipation of the reconstruction process. The APUR plan proposed to entrust the rehabilitation to property owners in the least damaged areas, and to establish small-scale real estate holding companies for the more damaged neighborhoods. 75 percent of shares in these companies would go to property owners and other holders of rights in that area, while the rest would be held by the State. Consequently, there would be no room for an intervention of private investors in the redevelopment process (Mango 2004, 31).

Law no. 117 was enacted as a general law, applicable to any area in Lebanon damaged by the war, however it was tailored specifically to fit the circumstances and conditions of the Central District, and it had striking similarities with the study conducted by OGER in its Paris offices (see 6.1.1.). The first article of this law brought the most radical change by allowing the CDR to establish joint-stock companies for redevelopment purposes, and therefore paving the way for the involvement of private capital. The other articles in the law ensured that such companies can engross considerable profit and had wide range ability to maneuver.

First, they stipulated the expropriation of all properties in the area to be developed, and the transfer of their ownership to the company in question, including the public domain — roads, squares, etc. All properties within that area were to be

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<sup>133</sup> Part of this mobilization was done through bribery, as advanced by Najah Wakim (1998), an MP at that time: around forty politicians were offered interest-free loans from Hariri's banks to buy shares in the anticipated new company. Hariri guaranteed that once appointed prime minister, he would make sure that stock prices would double. And then they would make profit by selling these shares to his banks.

<sup>134</sup> Law no. 117/1991 is an amendment to Law no. 5/1977, article 5, clause 6.

<sup>135</sup> Law of July 26, 1962, on urban planning, article 19.

treated as a single redevelopment bloc. Still, the new produced public spaces had to represent one fourth of the total area, and they had to be transferred back to the State. As for private properties, this law stated:<sup>136</sup>

“All of real estate properties in all their forms, whoever are their owners, and all of business companies, and all of the rights of lease or of management, falling within the limit of the area concerned shall be deemed to be contributions in kind [to the capital of the company]. Upon completion of the cash subscription in the capital of the company, the ownership of the real estate properties and of business companies, and the rights of lease, shall be devolved to the real estate company by power of law.”

In the previous law of 1977, rights holders retained their properties and contracts, while being shareholders in the company. The new law expropriated their properties and abrogated all contracts, and was swapped by shares in the company. In addition, the provisions of this law stipulated that the capital of the company was to be supplemented by another set of shares that would be open to public subscriptions, and all the shares of the company were to become immediately negotiable on the Beirut Stock Exchange.

The resemblance to the OGER study was also on the incorporation of the landfill in the project. According to the provisions of Law no. 117, the company “shall be reimbursed for all infrastructure works incurred, in one or a combination of the following ways: in cash, in land within the reclaimed land zone form the sea, in State owned properties within the developed zone, or in concessions for the exploitation of infrastructure services.”<sup>137</sup> And finally, the company was exempted from the quasi-majority of taxes, for a determined period of time.

The law was adopted in December 1991, and in May 1992, Karami’s government fell under street pressure, as speculation against the Lebanese currency exacerbated the economic crisis (see 4.6.1.). The main task of the newly formed government was to hold the first legislative elections since 1975. In July, this government issued Decree no. 2537/1992 that created a joint stock company by the name of La Société Libanaise pour le Développement et la Reconstruction du Centre-Ville de Beyrouth, better known

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<sup>136</sup> Law no. 117/1991, article 3.

<sup>137</sup> Ibid.

under the acronym Solidere. According to Law no. 117, this company was entrusted with the legal and managerial control over the whole of the Central District. The elections in summer 1992 produced a parliament composed of warlords, notables, and the economic elite. Hariri made sure that his associates were on different electoral tickets, so to form a large loyal parliamentary group (Wakim 1998). The last act of the outgoing government was to approve the controversial Edde master plan (Makdisi 1997, 674).<sup>138</sup> All the pieces of the reconstruction project envisioned by Hariri — as well as of his political project — were set in place. In October 31, he was appointed prime minister, and consequently through the CDR, he took direct control of the reconstruction process. On March 4, 1994, the new master plan for the center was approved,<sup>139</sup> and two months later, Solidere was incorporated as a joint stock company.

## **6.2. The transformation: dispossession and reconstruction**

Nearly all of the Central District became the property of Solidere. 80,000 square meters, mainly hosting religious and public buildings, were excluded from the project, and Solidere was given 1.8 square kilometer of land. The reclaimed area formed one third of that domain, and was handed to Solidere in return for infrastructure work in the center. To justify this transfer of this new land, infrastructure cost was inflated, and was estimated at USD595 million, meanwhile other estimates put this cost as low as USD50 million (Makdisi 1997, 678). In 2003, it was predicted that sales from the reclaimed land would generate USD1.1 billion of profit to Solidere (Leenders 2003, 314). The value of land in the Central District was evaluated at USD1.17 billion, and was distributed as Type A shares to rights holders as compensation for their properties and contracts. This figure was apparently an undervaluation, as first sales in 1995 fetched at least fourfold the appraisal price. The capital for reconstruction was set at USD650 million, and was raised through sales of Type B shares (Mango 2004, 75). In later years, stock market manipulation forced the majority of rights holders to sell their shares, and

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<sup>138</sup> Decree no. 2786/1992.

<sup>139</sup> Decree no. 4830/1994.



the political and economic elite, namely the Hariri, would become the main shareholders in Solidere (Ohrstrom 2007, Wehbe 2012).

In the 1990s and 2000s, Solidere recorded immense profit,<sup>140</sup> and enjoyed many additional benefits from the State. Ten months after the assassination of Hariri, Solidere's lifespan was extended from 25 to 35 years.<sup>141</sup> Two years later, the Enforceable Decree no. 207/2007 expanded the permitted activities of this company.<sup>142</sup> Solidere was no longer confined to managing and developing the center, but was also allowed to engage in other real estate developments, in and outside of Lebanon. Already from its inception, critics depicted the reconstruction project as “nothing less than a system of class segregation whereby the future central district of Beirut will be cut off and isolated from the rest of the city and the country precisely in class terms” (Beyhum in Makdisi 1997, 700). And the development of this project materialized this depiction.

### 6.2.1. The eviction, and the wholesale dispossession through stock options

The gentrification of the Central District differs from other cases of gentrification in that most of the displaced population did not live in that area for fifteen years. The majority of land-users were forced out due to war conditions. However, the reconstruction project did not allow their return, and therefore maintained their displacement. From being landowners and tenants, they were converted into holders of devalued shares, and were excluded from the reconstruction process. To achieve their exclusion, a growing discourse put the blame on the pre-war population. Henri Edde lamented that popular classes overran the center in 1960s, leading to its decline. For Edde, “they, and the businesses they engaged in, were incompatible with the needs of a global city” (Edde in Hourani 2015, 177). Solidere (1995, 3), while refraining from depreciating the pre-war center, considered that some of the *afflictions* that befell that area were related to its land-users:

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<sup>140</sup> After the boom years came the slump: starting 2011-2012, Solidere began to record net losses, and in 2017, its shareholders received no dividend (Barrington 2017).

<sup>141</sup> Decree no. 15909/2005.

<sup>142</sup> According to the 1990 amendments of the Lebanese Constitution, if the President of the Republic did not sign a law or a decree, they would be promulgated as *Enforceable* after the expiration of a set period of time (Lebanese Constitution, articles 56 and 57).

“Located at the historical and geographical core of the city, the vibrant financial, commercial and administrative hub of the country, the Beirut Central District came under fire from all sides throughout most of the 16 years of fighting. At the end of the war, that area of the city was afflicted with overwhelming destruction, total devastation of the infrastructure, the presence of squatters in several areas, and extreme fragmentation and entanglement of property rights involving owners, tenants and lease-holders.”

The state of property rights was considered as an obstacle to the revitalization. As for the issue of squatters, the narrative used them as a further endorsement of Solidere’s actions. The center was depicted at once as deserted, and as only inhabited by illegal occupiers of the space. This portrayal gained ground, and it was adopted by some figures opposed to the reconstruction project, as well as by researchers (e.g. Mango 2004, 25; Makerm 2014, 181). However, the same researchers also cited cases where pre-war residents were still living in that area, as in the case of Avedis Hamelian, who owned a three-story house next to the Grand Serail (Mango 2004, 11). Until this day, there is no comprehensive research on the residents that remained during the war, but it is relevant to point out their existence. Other examples include a building in Minet al-Hosn, which until 1993 housed four pre-war tenants (Raschka 1995),<sup>143</sup> and not to forget the aforementioned Henri Pharaon (see 4.5.).<sup>144</sup> Still, the Central District was inhabited mainly by refugees. To evict them, financial compensations were paid by Solidere. A survey, conducted by this company in 1991 found 2,500 families living in the center. This number rose exponentially in two years, and it was reported that around 20,000 families were compensated (Makrem 2014, 244). This surge in number of refugees was mainly related to some political parties, especially Amal and Hezbollah, making use of the compensations to remunerate their supporters (ibid. 509). Compensations were in the range of USD8,000 to USD12,000, and in some cases they were significantly higher (schmid 2002, 239). However, a number of refugees who lacked political backing, were evicted without any payment, as in the case of Zeinab Majed, a young divorcee, mother of one, and in charge of four other children (Raschka 1995). Non-Lebanese were not compensated. The costs incurred by the evictions amounted to around USD250 million,

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<sup>143</sup> Among these tenants were Gaby Mardinian and his family. They were still living there in 1994, when a demolition crew was about to bring down their building.

<sup>144</sup> All the cited examples are from the western part of the Central District. This area was relatively far from the demarcation line, and it suffered less damage than the eastern part, i.e. the areas surrounding the mandate era center and Martyrs’ Square.

and Solidere filed them under “infrastructure works,” and therefore the company was reimbursed by the State (Leenders 2013, 314; Makarem 2014, 247).

The larger eviction was of the former owners and tenants of the Central District through the expropriation process. As noted earlier, some private properties were exempted. Aside from religious buildings, these properties mainly belonged to either politicians or to large property owners, as with Henri Pharaon’s mansion or Starco Center (Makarem 2014, 199).<sup>145</sup> Few other landowners were given the option to keep their properties in exchange of paying Solidere a percentage of the estimated cost of renovation. However, this turned to be a scam, as many landowners saw their properties expropriated even though they paid the required fees, as in the case of Avedis Hamelian (Mango 2004, 11-14; Paige 2004).<sup>146</sup>

Landowners and tenants were offered Type A shares in compensation for their properties and contracts. The number of these rights holders was believed to be more than 100,000, and fewer than 10 percent of them refused to take Solidere stock options (Ohrstrom 2007). The compensations were based on evaluations put forward by a newly formed appraisal committee, headed by a relative of Hariri (Mango 2004, 51). This committee largely undervalued properties. What was valued between USD400 and USD1,200 per square meters, was sold few years later between USD5,000 and USD10,000 — even before the completion of infrastructural work — and in 2007, the same properties would fetch 15,000 to 20,000 USD per square meter (Wakim 1998; Ohrstrom 2007). At the time most of rights holders accepted the undervalued compensations in hope they would recoup their losses after the anticipated rise of Solidere’s share prices. In mid-1994 after the subscription to Type B shares was closed, Solidere was listed on the market, and its stocks immediately rose by 70 percent. However, at the time most of Type A shares were not allocated yet to rights holders (Makarem 2014, 30). After two weeks, share prices began to drop (Ohrstrom 2007).<sup>147</sup> By 1998 they reached the same level as of their issuance date, and by 2004 they plummeted to 40 percent of their initial value (Mango 2004, 112). Solidere’s stocks would recover later, and in 2008 shares

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<sup>145</sup> The mansion was sold by Pharaon’s son in 1992. The 92-year-old Henri Pharaon moved to Carlton Hotel, where he was killed one year later by his bodyguard (The New York Times 1993). Pharaon’s mansion is now a private museum, owned by the jeweler Robert Mouawad.

<sup>146</sup> In 1994, even though his house did not need renovation, Hamelian agreed to pay USD250,000 in exchange for keeping it. Four years later, his property was expropriated, and without reimbursement.

<sup>147</sup> And as noted by Wakim (see footnote 133) and Ohrstrom (2007), many politicians gained hundreds of thousands of dollars by selling their shares at the peak of stock prices.

reached tenfold their 2004 price.<sup>148</sup> But this late surge was too late for more than half of rights holders, who had already sold their shares at loss (Ohrstrom, 2007). Most of rights holders experienced a double dispossession, first they lost their properties or contracts, and second, they lost their already undervalued compensation.

### 6.2.2. A master plan controlling in detail the production of space

For Angus Gavin (1998, 221), the head of the urban planning department at Solidere, a main objective of the reconstruction was to reactivate the center, which then “can be the place where the city reconnects. By creating a mixed-use destination at the heart of Beirut, with extensive areas of public open space, it can rediscover its role as the city’s meeting point and ‘social arena’.” However, the first feature of the Central District’s master plan was to accentuate the division between this area and the rest of the city. The avenue that forms the southern limit of the center was doubled in width, to reach 45 meter wide, and two over passes were added to it. The western limit was also a road, and its width was in turn increased. And finally, a new 25 meter wide street was constructed on the eastern edge (Saliba and Tayeb 2014, 420). This ring road amounted to a buffer zone surrounding the Central District, which is strengthened by the non-existence of proper pedestrian passages. In contrast, within the center, several streets were turned into pedestrian use only, and others were identified as pedestrian-priority zones. In addition, many green open spaces were created,<sup>149</sup> with much effort invested in landscaping. A good number of these spaces would be limited to private use only, as for the rest, their access and usage would be subjected to various restrictions and a constant control (see 6.2.3.).

The master plan of the Central District departed radically from the one of Beirut. The main element in the latter plan was the identification of exploitation ratios, mainly the TER, for different zones in the city (see 7.1.1.). As for the Central District’s master plan, first, it reshaped extensively the urban fabric. A new road grid supplemented the

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<sup>148</sup> The initial stock issuance price was USD100, but in 1996, Solidere split share value from USD100 to USD10. For comparison purposes this last value is considered, therefore: in mid-1994, stock price rose from USD10 to USD17. It would then fall steadily to reach USD4.16 in 2004. One year later, it experienced a meteoric rise, and reached USD36.2 in 2008. In February 2018, Solidere’s shares were traded at around USD8.3 (Mango 2004, 112; Solidere n.d. a)

<sup>149</sup> It is the term “green open space” that is used in all of Solidere’s literature to designate public spaces.

old one, in which most of the previous narrow alleys and nonlinear roads were removed. Large and mostly rectangular blocks and parcels were created, allowing a better exploitation of land. Instead of defining a TER for different areas, a total of constructible square meters in all of the Central District was calculated, based on the previous average of TER in the center, which was around 5.5. According to that, every block received a fixed number of constructible square meters, as well as specific conditions for envelope control (Gavin 1998, 229). Therefore the master plan controlled the density and volume of every block or parcel. The center of the district became a low rise area, while most of the high-density blocks — up to 40 story high buildings — were located at the border of the district (Achkar 1998, 112; see Map 7). The Central District was divided into ten sectors, which in turn were subdivided into subsectors. Each of these subsectors had its own detailed plan and regulations, which defined the “widely differing characters and identities in terms of land use, built form and central, organizing features” (Gavin 2015, 53).

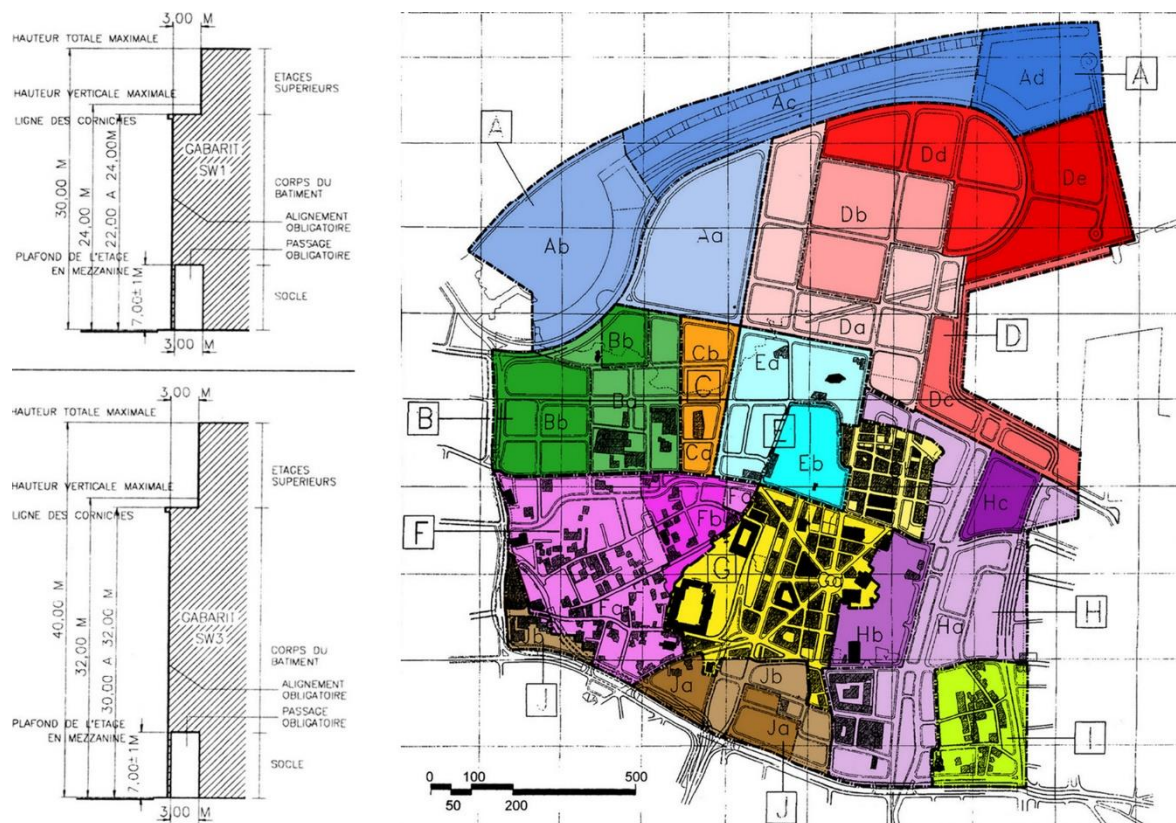
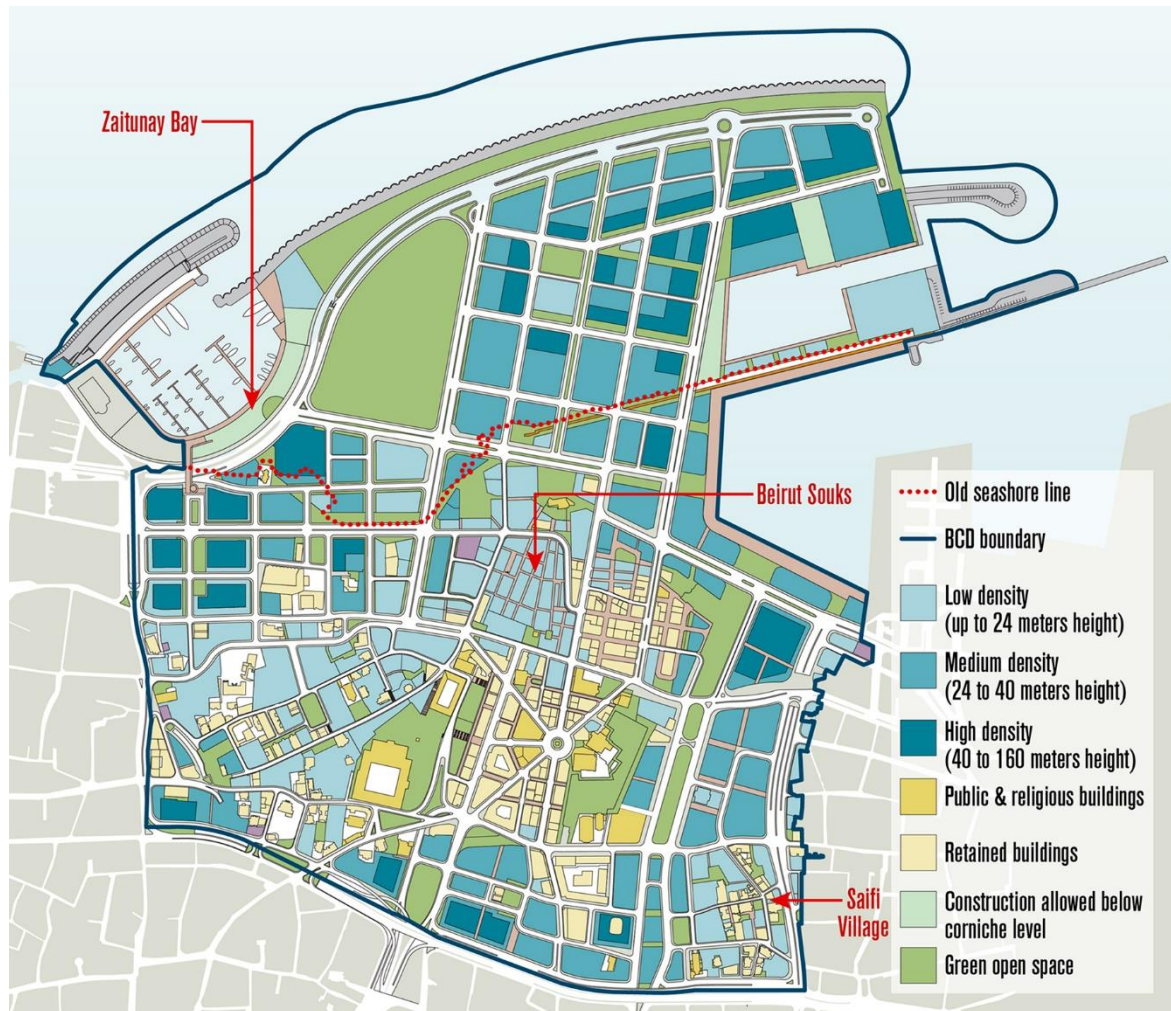


Figure 13: (to the left) Samples of streetwall control in the Central District. Source: Achkar (1998, 126). Map 6: (to the right) Zoning plan of the Central District. Subdivisions of a sector are in the same shade of color. Coloring by author. Source: Achkar (1998, 115).

A set of controls was imposed on buildings heights, frontages, setbacks, their location within the parcel, on the architectural details, on the land use of every parcel, etc. In brief, the master plan controlled almost all aspects of the physical production of space in the Central District, and defined to a large degree the future usage of this space.



Map 7: Central District master plan: density of new constructions, retained buildings, and green open spaces. Annotation in red by author. Source: Solidere (2012).

### 6.2.3. The new spaces: an island for the rich

The Central District is still a construction site, but more than half of it has been already redeveloped and put into use. What scholars and specialists pointed out — and feared of — in the 1990s has materialized. The center has become “an enclave for the super-wealthy of the region, [...] a space of consumption oriented toward not the Lebanese but the expatriate and the tourist” (Hourani 2012, 158). Many locals work in the center, but the quasi-majority cannot afford to live or even shop, there. For most

dwellers in Beirut, their visit to the center consists of driving through it to avoid traffic jam in the rest of the city. As for the new residents of the Central District, there is barely any information on them, as they reside in gated communities protected by heavy security apparatuses. Add to that, most of these residential spaces are probably vacant. The former vice president of the Municipality of Beirut conceded the lack of information, and acknowledged the high rate of vacancy, and that apartments are used for speculation purpose. He added, “it is more likely that they do not work in Lebanon. They only come for the summer.”<sup>150</sup> It seems that the center has no permanent residents.

To assess the current situation, three cases are considered: Saifi Village, a residential quarter; Beirut Souks, the main commercial center in the District; and Zaitunay Bay, initially a public domain area that was later developed into a quayside hosting many restaurants and other facilities (for locations, see Map 7).

#### **6.2.3.1. Saifi Village**

Saifi village was the first project to be delivered by Solidere in 2000. It occupies the place of the pre-war carpenters’ quarter (Kassir 2010, 537). According to Solidere (n.d. b), the design is “inspired by traditional Lebanese vernacular architecture [...] reinforcing the sense of place. An atmosphere of residential peace and serenity is conveyed by landscaped gardens, courtyards, paths and pedestrian streets.” This area is composed of four residential blocks, which are basically four gated communities. But still, the ground floor of buildings was dedicated to commerce use. The public space in that area is composed of the narrow streets separating these blocks, and of a small central square. The cost to live there is beyond the reach of the majority of the people in Lebanon.<sup>151</sup> The residential apartments were put on the market in 1999, for a price average of USD2,150 per square meter, and it was sold out fairly quickly (Boudisseau 2015). Eighteen years later, this price had more than tripled to reach USD7,200 (OLJ 2017), and the cheapest apartment stood at around USD1 million. At the start of the project some apartments were offered for rent, and the cheapest rent was USD16,000 per year, the equivalent of four times the annual minimum wage (Genberg 2002, 29). Nevertheless, Saifi Village is viewed as the most affordable area in the Central District

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<sup>150</sup> Interview with Nadim Abu Rizk, May 2, 2013.

<sup>151</sup> Needless to say the gardens, courtyards, and paths are inside the gated communities.

(Becherer 2016, 4). The size of its population is unknown (Mohsen 2012), but this project is considered to have the highest occupancy rate in the center.<sup>152</sup>

In 2004, and in face of criticism that the Central District was both an exclusive place for the rich and lacking culture, Solidere resolved to turn Saifi Village into an art district. In a matter of weeks, scores of new shops — from contemporary art galleries to artisans' spaces — popped up in the area, which was rebranded as *Le Quartier des Arts* (Wilson-Goldie 2004). Although some of these shops are still in existence till this date, this phenomenon did not prove to be a success, and many of them had to close down. In 2015, the rent for commercial spaces in that area varied between USD250 and USD500 per square meter per year (Boudisseau 2015), far below the price in other hubs of creative industries, like Mar Mikhael (see 8.2.3.2.). In 2017, the central square was usually occupied by a handful of people, with most being the clientele of the adjacent coffee shop and restaurant. The nearby streets were mainly frequented by tourists and security guards. The latter, on several occasions, instructed people with shabby clothes to leave the area.

#### 6.2.3.2. Beirut Souks

Beirut Souks is the flagship commercial project of Solidere. It was developed in place of the nineteenth century northwestern souks, which was a popular market destination for the middle-to-lower classes. The stated objective of the project was “to revitalize the familiar character of a souk while accommodating contemporary needs of shopping and retail” (Moneo 1998, 263). The design of this project retained the streets' alignments and names, but the produced space had nothing in common with the previous one. A team led by Jad Tabet, a local architect, was entrusted to draw a master plan for Beirut Souks, based on the winning proposals of an international competition. Tabet and his team argued for the return of former merchants. They proposed that Solidere “charge higher rents for the anchor locations and [...] larger spaces designated for upscale shops and restaurants. These higher rents would subsidize the lower rents asked of the prewar merchants for smaller shops” (Hourani 2012, 150). Upon the completion of the master plan, Tabet's team was disbanded. This coincided with the economic crisis of the late 1990s, and the return of Hariri to power with his plan of tackling the crisis through additional neoliberal policies (see 5.3.1.).

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<sup>152</sup> Interview with Nadim Abou Rizk, May 2, 2013.



Tabet's plans were considered as "dreams that sacrifice gross leasable area" (ibid., 155), and the aim of the project shifted towards tourism development: "Beirut Souks [were] to constitute the heart of economic and tourist activity, contributing to put Beirut on the map as a major regional center for shopping" (Solidere 2009, 10). In other words, the targeted clientele were to be international business travelers and the wealthy from the region. Beirut Souks which opened in 2009, consisted of more than 200 shops mainly housing luxury international brands — such as Hermès, Louis Vuitton, or Porsche Design. Nearly half of these shops were "owned by just five politically connected business groups with extensive holdings throughout the new city center" (Hourani 2015, 177). Nowadays, Beirut Souks is largely devoid of shoppers, and most visitors come either out of curiosity, or to attend a movie at the cinema complex. Jad Tabet described the current state of the project he helped to design as followed: "stripped of the actual people and the social relations between them, Beirut Souks has become little more than a folkloric tragedy" (Tabet in Hourani 2012, 159).

#### 6.2.3.3. Zaitunay Bay

Zaitunay Bay was constructed on reclaimed land from the sea that stretches along a marina for high-end boating in Minet al-Hosn neighborhood.<sup>153</sup> In 2000, the Hoss government issued the Decree no. 3808/2000, which considered this land part of the public domain, and stated literally that Solidere had no rights upon it. Later that year, Hariri was once again prime minister, and this decree was revoked. In 2003, the property of this land was transferred to Solidere (Zbeeb 2013), and in 2004 the real estate company Beirut Waterfront Development was established to develop it as Zaitunay Bay. This company was a 50/50 joint venture between Solidere and Stow Water Development (Schellen 2014a). The latter is owned by Mohamad Safadi's London based real estate firm, Stow Capital Partners. The project consisted of developing the area below the corniche level into a quayside with 17 restaurants and many other facilities. And in 2006, the government in which Safadi was Minister of Public Works, adopted the Decree no. 16546/2006 which altered the regulations of sector A in Solidere's master plan, to accommodate this project. The only public space left in Zaitunay Bay was a walkway between the restaurants and the marina, and later on, the access to the

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<sup>153</sup> It was named after the Zaitune neighborhood in Minet al-Hosn, which all traces of it were erased by the reconstruction project. Zaitune was a popular area, and was famous for its brothels — which relocated to this neighborhood after being displaced by gentrification of the port area in the early 1900s (see 4.2.3.).

walkway was restricted to the clientele of the restaurants and to members of the yacht club (Zbeeb 2012). This walkway witnessed a rare success of the opposition to the Solidere project. In March 2013, a rights and environmentalist organization, Masha',<sup>154</sup> convinced the teachers trade union to divert the course of their demonstration to pass through the walkway. A hesitant police force offered them passage, and since then, it became open to the general public again (Nassar 2013).

In contrast to the two previous examples, Saifi Village and Beirut Souks, Zaitunay Bay's restaurants are often bustling with customers, and the marina is consistently full with high-end yachts. As for the walkway, it appears to be the only part frequently used by the general public.

### 6.3. Conclusion

According to Harvey (2005, 77), the neoliberal state "typically produces legislation and regulatory frameworks that advantage corporations, and in some instances specific interests. [...] In many of the instances of public-private partnerships [...] the state assumes much of the risk while the private sector takes most of the profits." This was exactly the case of the reconstruction of Beirut's Central District, disproportionately so. The public-private partnership took the form of the state creating a private company, handing to it immense powers, while exercising limited supervision over its actions. Moreover, the state would periodically intervene to broaden the company's powers, and subsequently its profits. The Lebanese State assumed nearly all the risks of the Solidere project, with the direct consequence being the ballooning of public debt (Makarem 2014). Legislations were specifically tailored to fit this project, and to the great benefit of some private interests, at the expense of disenfranchising and dispossessing a large part of the population.

The reconstruction of the Central District encompasses many forms of gentrification. It is a demolition-reconstruction gentrification, a mega gentrification that lead to mass displacement, or even a new-build gentrification putting pressure on neighboring areas. The gentrification of the Central District is a peculiar case of gentrification on many levels; especially that war was the context leading to its

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<sup>154</sup> The organization is named after the Arabic word for commons.

formation. A rent gap was developing in the pre-war years (see 4.4.3.), and this gap was increased during the war, due to the cessation of activities in the center and to the damages inflicted to the built structures. However, these two factors should not be seen as a steep devaluation in capitalized ground rent, since ground rent is in a good part capitalized when the land is sold (Smith 1979a, 543; Clark 1988, 252). And even with all the devastation, the capitalized ground rent in the center was still high because of the location and the non-substitutable features of that area, in other words the differential rent 1 and the monopoly rent (see 1.2.1.2.). The rent gap in the Central District was mainly achieved through ground rent dispossession as formulated by López-Morales (2010; 2011): the production of different capitalized ground rents for different social and economic actors, the lower CGR-1 for owner-occupiers and the higher CGR-2 for market agents (see 1.2.1.2.). The devaluation of the former began with the expropriation process, which meant that owner-occupiers were deprived from capitalizing the ground rent according to market dynamics. It then proceeded by two stages of price devaluation: first by an undervalued appraisal, and second through an expropriation that reduced by one fourth the value of this appraisal. By then a large rent gap was created, and was handed to large-scale developers to exploit. This rent gap was more the result of institutional decisions rather than a process of devalorization-revalorization. Another difference is regarding the pace of gentrification. If in general gentrification of a neighborhood is a gradual process through time, in the case of the Central District it was abrupt, especially regarding the displacement of population, and to a certain degree, the erasure of previous spaces and their memory. The Central District's gentrification was the product of a *tabula rasa* approach towards the built environment, the land-users, and the rights associated with it. A very distinctive feature of the gentrification of the Central District is most of the evicted population were already displaced. The displacement induced by this gentrification was mostly the eviction of land-users' rights: their rights to return and their rights over the place. The issue of land-users properties and contracts being swapped by shares in the company that henceforth owned these properties, should not be seen as an extenuation of the displacement, for two reasons: first because of the inequitable appraisal and the following dispossession via stock market manipulation, and second, these properties were later sold by Solidere. Therefore owning shares is not equivalent to owning part of these properties.

Laws and regulations played a very direct and essential role in the gentrification of the Central District. Demolitions did occur outside the scope of legislations, as unauthorized but tacitly approved operations during the war, or as authorized but still not legal yet, as with the operations conducted by the CDR in the first part of 1992. However, the adoption of the Edde plan — and then of the final master plan — legalized the previous demolitions and caused the later ones. The law establishing Solidere displaced the previous land-users and transferred the ownership of land to a joint-stock company. This second action, and the fact that the state refrained from interfering in the reconstruction process, meant that the reconstruction was left to market dynamics and speculation. In essence, this guaranteed that the incoming population is restricted to the wealthiest. And finally, the master plan controlled in detail the production of space, and dictated its future uses. Laws and regulations did not only support the gentrification of the Central District, but they also created it, had a direct role in every stage of it, shaped its development, and defined its outcome.

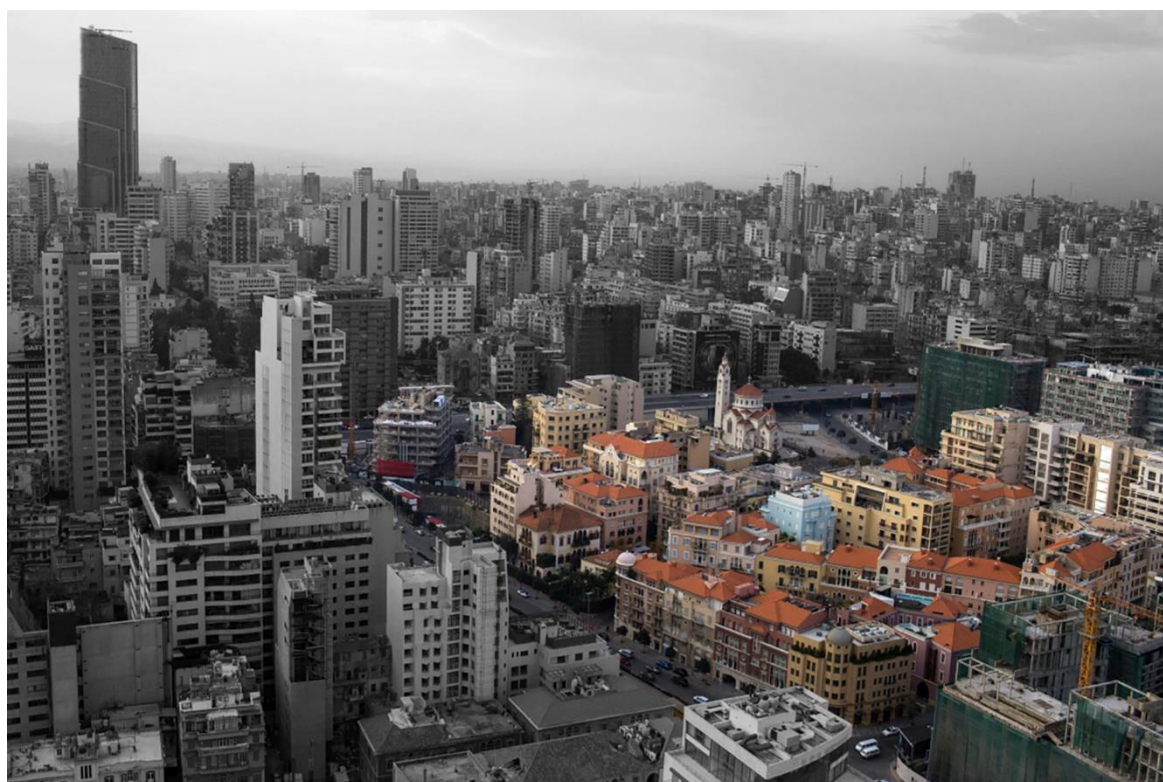


Image 10: View of Saifi Village, in 2017. The Central District in color, the rest of Beirut in black and white. Color manipulation by author. Photo by Sam Tarling. <http://www.samtphoto.com/>.

## Chapter 7. Major laws affecting the urban space

This chapter examines three sets of laws and regulations that impact the different gentrifications in Beirut, aside from the Central District. For the latter case, they do not seem to play a significant role, mainly due to the special case of that gentrification. Still, the conclusion of this chapter will discuss the issue of these laws and regulations in regard to the Central District. The three sets of legislation are on construction, rent, and the built heritage. Accordingly, this chapter is divided into three subchapters: In the first part, the master plan of Beirut and the Construction Law are discussed. This subchapter reviews both of them, examines their development, with specific attention to the role of elected politicians in this process, and examines their combined effects. In the second part, the issue is the existence of two legislations on rent, the first a very strict rent control that applies to pre-1992 contracts, and the second a very liberal form of rent for post-1992 contracts. The examination follows the development of rent control, and shows the particularity of the Lebanese rent control. Then, it discusses the situation created by the coexistence of two contrasting laws on rent, and the consequent implications. As for the third part, it addresses the issue of archeological findings and of the built heritage, mainly viewed as being an obstacle for real estate operations. The main focus of this subchapter is on the inadequacy of the adopted measures on preservation. All along the discussions in this chapter, the provided examples are mostly related to the neighborhoods under study in Chapter 8, Furn al-Hayek and Mar Mikhael, and the wider area in which they are located, Ashrafieh and Rmeil (see Map 1). Each subchapter has its own partial conclusion that outlines the respective findings, as well as discusses the impact of the related legislations on the rent gap and its composing elements.

## 7.1. Construction Law and Beirut Master Plan

Early in 2017, the veteran architect Jad Tabet was elected as the head of the Order of Engineers and Architects in Beirut (OEAB)<sup>155</sup> — the largest trade union for architects and engineers in Lebanon. In his first interview, Tabet blasted the existing construction regulations. “They have to be torn apart, and rewritten from scratch,” he said, before adding, “the current Construction Law is extremely backward, and all its amendments aimed only to increase the exploitation ratio, and therefore it mainly serve the interests of merchants of buildings” (Barjas 2017). This statement reflected the opinions of many professionals in his field — as it will be seen all along this discussion. In general, construction regulations are depicted as inadequate and at the service of the real estate industry. This issue will be examined by this subchapter, through reviewing the two main regulations affecting the construction of space in Beirut: the Construction Law, and Beirut master plan. The former apply to the entirety of the Lebanese territory, and it is subjected to the conditions of master plans in place. The Construction Law can add certain exemptions to the regulations of master plans. In turn, a master plan can refute any of the Construction Law exemptions or conditions. This is particularly the case of detailed master plans, such as with the one of the Central District.

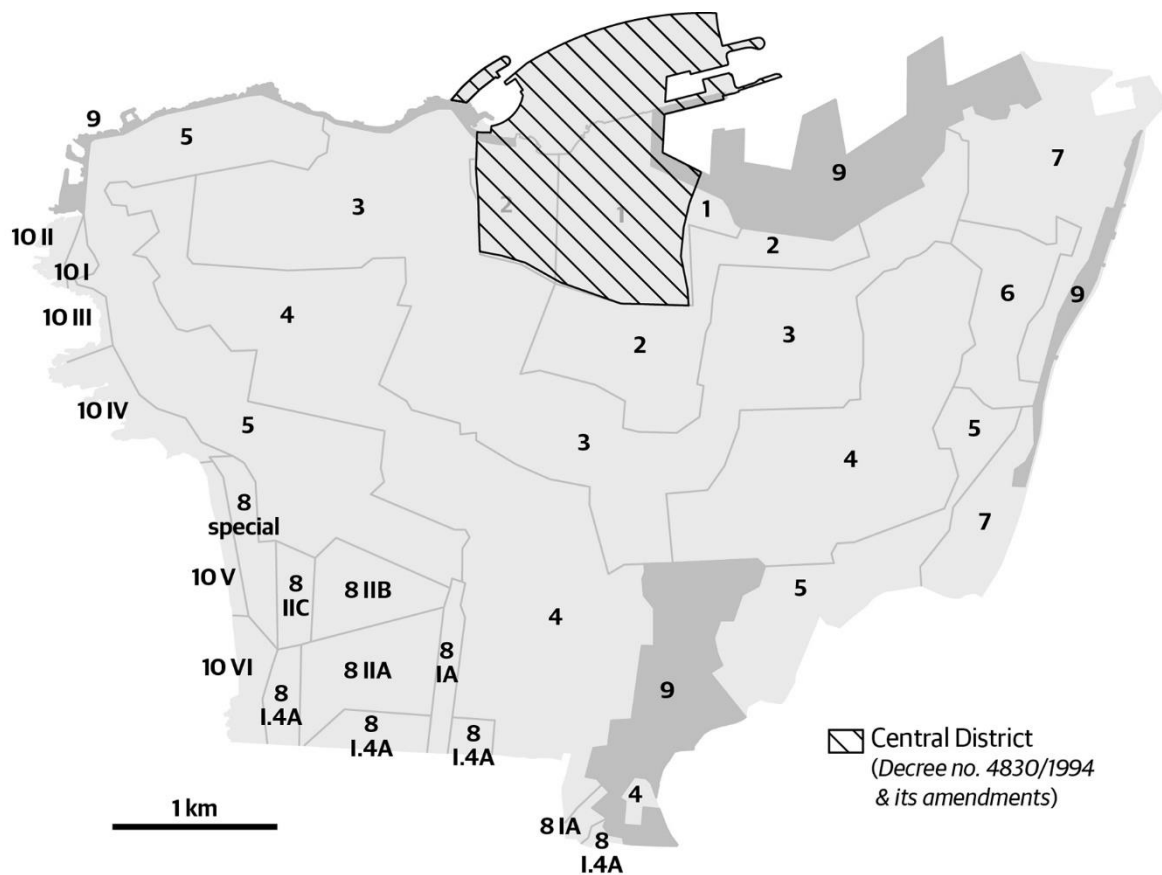
The current review aims to understand the impact of these regulations on Beirut. It begins by examining the existing Beirut master plan, then reviews the changes applied to this plan since its adoption, and makes a comparison to the legislative effort invested in amending the Construction Law. For the latter, it examines the development of the latest law, mainly by reviewing the parliamentary debates on that bill law, and identifying the basic logic behind the new amendments. After that, it examines the new Construction Law, focusing on the provisions that allow a higher exploitation of land. And it concludes by an assessment of the combined effects of the Construction Law and of Beirut master plan.

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<sup>155</sup> The election of Tabet was considered as an electoral upset, because the defeated candidate was backed by a coalition of the ruling political parties. The OEAB was generally in favor of maintaining construction regulations as they are, mainly because a good part of its revenue consists of a share of construction permits taxation.

### 7.1.1. Beirut master plan: a rudimentary plan allowing high exploitation

Urban planning in Beirut still follows the 1954 master plan.<sup>156</sup> This master plan is loosely based on previous studies in the 1940s and early 1950s, namely the first Ecochard plan and the Egli plan, and was later complemented by a proposed road network inspired from the second Ecochard plan (see 4.3.3. and 4.4.3.). Since, Beirut master plan experienced few and limited changes. This master plan is very basic. It divided Beirut into 10 zones, which were dotted with certain regulations, mainly in regard to setting exploitation ratios and determining the dimensions of constructible parcels. Most elements of this master plan can be summarized in the following map and table:



Map 8: Beirut master plan: zoning. Illustration by author. Source: DGUP.

<sup>156</sup> Decree no. 6285/1954.

Zone	Building height	Setback		Ground coverage	TER	Constructible parcel			Parcel subdivision			Garages						
		Road centerline (m)	Lot limits (m)			Area (m <sup>2</sup> )	Façade (m)	Depth (m)	Area (m <sup>2</sup> )	Façade (m)	Depth (m)							
1	-	4.5	-	100%	6	100	9	7	250	10	10	cf. Decree						
2	-	4.5	-	GF 100% Floor 70%	5	100	9	7	250	10	10							
3	-	4.5 6 for roads<9	-	60%	4	120	10	8	300	12	12							
4	-	4.5 6 for roads<10 2 for roads>10	-	50%	3.5	150	10	8	300	15	12							
5	-	From corniche 4 Other roads 3	2.5	40%	2.5	250	12	14	500	17	17							
6	-	4.5 6 for roads<10 2 for roads>10	-	50%	2.5	200	12	8	400	15	15							
7	-	4.5 6 for roads<10 2 for roads>10	-	70%	3	100	9	7	250	12	15							
8	Minimal area of plot (m <sup>2</sup> )	Minimal width of façade (m)	Minimal depth of plot (m)	Setback (m) (from road axis)	Setback (m) (from side)	Setback (m) (from back)	Minimal depth of façade (m)	Distance between buildings	Min. constructible surfaces	Maximal number of floors	Maximal TER	Maximal height	Maximal area of ground floor	Maximal area of typical floor	Maximal area of roof	Garages		
I A	1200 <sup>a</sup> 800 <sup>b</sup>	30 25	35 25	cf. plan	6	6	-	12	30%	4	0.9	17	-	-	-	cf. Decree		
I.4 A	900 <sup>a</sup> 750 <sup>b</sup>	25 20	30 20		4.5	6	-	9	40%	4	1.4	17	-	-	-			
Special	1200 <sup>a</sup>	30	35		5	8	60%	-	30%	-	2	-	-	-	-			
II A	1200 <sup>a</sup>	30	40		5	8	60%	-	20%	-	1.25	-	0.1	1	0.15			
II B	1200 <sup>a</sup>	30	40		5	8	60%	-	25%	-	1.5	-	0.1	1.25	0.15			
II C	1200 <sup>a</sup>	30	40		5	8	60%	-	25%	-	1.75	-	0.1	1.5	0.15			
	Setback from alignment: 8 m for lots on 30 m wide road 6 m for lots on 20 to 30 m wide road 4 m for lots on 10 to 15 m wide road 4 m for lots on particular roads <sup>a</sup> Constructible parcel <sup>b</sup> Parcel subdivision																	
9	<i>Non ædificandi</i>																	
10	Use						Ground coverage	TER	Maximal number of floors		Maximal height (m)		Garages					
I	Residence, offices, hotels, etc.						16%	1	7		-		cf. Decree					
II	Sport, resorts, recreation						15%	0.2	-		9							
III	<i>Non ædificandi</i>																	
IV	Sport, resorts, recreation						15%	0.2	-		9							
V	<i>Non ædificandi</i>																	
VI	Residence, tourism						cf. Decrees no. 4811/1966 and no. 4918/1982											

Table 6: Zoning regulations in Beirut. Source: DGUP.

The zoning of this master plan and its high exploitations mirrored the modern urban ideals of that time (Verdeil 2002, 202), as in the high densification of the center. A density that gradually decreased as moving further out of that area. In this scheme, zones are arranged in a concentric way, and in disregard to social, economic, or geographic criteria.



The master plan's sole focus was on determining the volume of new constructions, with little to no consideration of other aspects of the built environment. Simon Moussalli, a veteran urban planner, dismissed the master plan of Beirut — and other construction regulations — as having one and only purpose: the issuance of an increasing number of construction permits. He added that urban planning, understood as a service for a better life of the society, does not exist in Beirut (Schellen 2004, 46). On the adoption of this master plan, the architect Charles Hadifé argued that it “shifted the priority of urban development from addressing the issues of the space's functionality and the needs of its users, towards purely achieving financial profit.”<sup>157</sup> As seen earlier, the process of land commodification in Beirut had already begun in the late nineteenth century (see 4.2.3.), but the adoption of this master plan did signal a shift, whereby smaller and lower structures were deemed not profitable, and would have ultimately be replaced by large and more profitable ones. This process was developing in the pre-war years on a slow pace with the construction of large commercial projects in the center of Beirut. The TER is the main element in the master plan to represent this shift towards extracting more profit from land, and it was aided by the fact that this plan scrapped the previous 26-meter cap on building heights (Achkar 1998, 45). As an example the center of Beirut, Zone 1, had a TER of 6. With this coefficient, and in the ultimate case where all floors in a construction had an area equal the parcel's area, would have led to a 6 story high building. In case the average area of a floor is equal to half of that of the parcel, then theoretically a 12 story high building can be constructed, and so on. In these cases, a building's height had to follow the regulations on the envelope in the Construction law (see 7.1.4.2.). Initially, and contrary to other zones, Zone 1 did not have a fixed TER. And under these circumstances the large commercial complexes in the center were built, such as the Azariye or Starco Center (Habre 2016). The TER of such constructions was neighboring the value of 7 (Verdeil 2002, 369). In 1971 a decree was issued fixing the TER for that zone at 6.<sup>158</sup> Nevertheless, with a high coefficient still, this measure did not affect the gradual cycle of the replacement of existing buildings with larger developments.

In addition to a high TER, the master plan provided the possibility to increase this TER in case the parcel was adjoining two separate roads. This increase was of 10 percent

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<sup>157</sup> Interview with Charles Hadifé, May 10, 2013.

<sup>158</sup> Decree no. 2339/1971.

if only one of the roads had a width of 7.5 meters or higher, and it would go up to 20% in case both roads had this necessary width (Achkar 1998, 29). The final boost for larger developments came through fixing the minimal dimensions for constructible parcels. These dimensions were higher than those of existing parcels in and around the center of Beirut, this measure aimed to reorganize Beirut's cadaster in favor of larger plots, and therefore larger constructions. These measures also sanctioned smaller plots and eliminated the possibility of small-scale future projects.

On a final note, some peripheral zones were provided with further details like zone 8, which was a new middle-to-high class area in Beirut, and zone 10, the western coast of Beirut. As for the *non ædificandi* zones, these were not intended to house private constructions, they are the port of Beirut; the pine forest — the only park in Beirut; a narrow strip of land along the northern shore; and another strip along Beirut River.

### **7.1.2. Beirut's master plan and the Construction Law: a binary legislative approach**

The urban planner Habib Debs noted that Beirut has an “obsolete” master plan, and whenever Beirut's zoning or construction regulations were modified, it was only to allow more construction density and higher exploitation ratios.<sup>159</sup> For Debs this process “was always in the interest of the developers, owners and investors and never in the interest of the common good” (Byrns 2011, 89). While this appears to be the case, it is relevant to differentiate between the approach towards the Construction Law, and that towards Beirut master plan. In the latter case, and since its adoption, few modifications were introduced to that plan. While the former, it seems to be the subject of a continuous legislative effort. The following chapter discusses this binary approach towards these two legislations, starting with highlighting the reasons behind maintaining the 1954 Beirut master plan. And it concludes with a brief overview of lobbying by the real estate industry

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<sup>159</sup> Interview with Habib Debs, April 16, 2013.

### 7.1.2.1. Reasons behind the persistence of an obsolete master plan

The simple and basic nature of Beirut's master plan was constantly criticized by urban planners. Already in 1960 Georges Riachi, the head of the commission that established that master plan, considered it as a late and insufficient measure (Verdeil 2002, 270). In the early 1960s, Ecochard referred to the deficiencies in Beirut master plan by stating that "the urgency to [approve his plan] is being felt imperatively on a daily basis, as Beirut's suburbs are developing in a disorderly manner, and as we have in front us the leads of how Beirut will become quite soon" (Ecochard in *ibid.*, 251). However, the development, or the replacement of Beirut's master plan meant adding restrictions to real estate operations.<sup>160</sup> Since the beginning, this action was vehemently opposed by politicians who had real estate interests in Beirut. This was the case of Saeb Salam in his opposition to the adoption of the Ecochard plan in the 1960s (*ibid.*, 257), and as noted earlier, there is an apparent *interdiction* for urban planning studies on Beirut (see 5.3.3.2.).

In contrast, the post-war government showed interest in providing most areas in Lebanon with master plans,<sup>161</sup> and in 2005 the CDR produced a land use and development plan for all the Lebanese territory.<sup>162</sup> On this contradictory approach, Rodolphe Hadad, the head of the Department of Plans at the DGUP, commented that these "projects [in the regions] are less politicized, people know each other and land prices are low. While In Beirut nothing can be achieved outside a framework set by a political will, and for political objectives. [In addition, in Beirut] there is a strong speculation."<sup>163</sup> The architect Fadlallah Dagher echoed this statement as he linked the lack of interests of the successive Lebanese governments in developing a new plan to Beirut, with the fact that "we have a lot of politicians who deal in development" (Byrns 2011, 90). On his part, the previous vice president of the Municipality of Beirut — who is also an architect — Nadim Abu Rizk acknowledged that the situation is complicated, and it is not related only to political issues.<sup>164</sup> Still, he refrained from identifying the

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<sup>160</sup> Interview with Rodolphe Haddad, April 18, 2013.

<sup>161</sup> For example, between 1996 and 2006, more than 95 Master Plans were studied by the DGUP in collaboration with urban planning offices and local authorities (Souami, Verdeil 2006).

<sup>162</sup> Decree no. 2366/2009.

<sup>163</sup> Interview with Rodolphe Haddad, September 13, 2011.

<sup>164</sup> Interview with Nadim Abu Rizk, September 26, 2011.

other reasons responsible for the stalemate surrounding the development of Beirut master plan.

#### **7.1.2.2. Beirut master plan: few amendments in the course of 60 years**

Since the promulgation of its decree in 1954, Beirut's master plan had received less than a dozen amendments, most being minor adjustments. The pre-1992 amendments can be divided into two groups, those amending general regulations of the master plan, and those specific to certain zones. In the first category there is the Decree no. 9948/1955, which mainly expanded tolerance to parcels' dimensions, and the Decree no. 5550/1973 that focused on the geometry of parcels, and prohibited constructions on their narrow parts. The second category includes the previously noted decree that fixed the TER for Zone 1, and also Decrees no. 4811/1966 and no. 4918/1982 that regulated Zone 10. In the post-war period fewer amendments were made, namely Decrees no. 3964/1993 and 10411/1997, which slightly modified the limits of certain zones. The major change came in 1992 when the Central District was detached from Beirut master plan, and was dotted with its own plan. Other legislations had impacts on the master plan. This would be the case of the already noted law on hotels (see 5.3.2.) or some provisions of the Construction Law (see 7.1.4.3). However, these laws are applicable all over the Lebanese territory, and therefore they do not constitute an amendment *per se* of Beirut master plan.

#### **7.1.2.3. The Construction Law: periodical amendments towards increasing the exploitation of land**

On the opposite end of the master plan of Beirut, the Construction Law was periodically amended and most of the times this was done to increase the allowed constructible area or the height of buildings. On a few occasions amendments were introduced to curb this trend, however such legislations were to be abrogated with the formation of a new government. This was particularly the case of Decree no. 2351/1992. This decree intended to lower the angles of the envelope (see 7.1.4.2.), and therefore to reduce the height of buildings. It was promulgated in the last days of the first Omar Karami premiership on April 10, 1992. Six months later, it was abrogated by Rashid Solh's government on October 15.<sup>165</sup> This abrogation came at the same day of the

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<sup>165</sup> Decree no. 2791/1992.

adoption of the Edde plan (see 6.1.1.), and several days before the appointment of Rafic Hariri as prime minister.<sup>166</sup>

Several major revisions were made to the Construction Law, namely the Construction Law of 1983, promulgated during the war,<sup>167</sup> and the latest Construction Law no. 646/2004, which will be discussed later in this chapter. Many amendments to the Law of Construction came in the form of exemptions to existing regulations, and were promoted as support for different causes. This was the case of the already discussed Law no. 402/1995 on hotels, which its official intention was to support the tourism industry. Another case was Law no. 523/1996, whose aim was to tackle traffic congestion through the construction of additional parking spaces. According to this law, an equivalent area of these additional spaces can be added to the constructible area of the building, and would be in turn exempted from the TER.

Another example is Law no. 6/1980, dubbed as the Murr Floor, after the then minister who sponsored this law, Michel Murr. Law no. 6 official objective was to alleviate the housing crisis during the war by constructing 20,000 housing unit. Part of these units was to be financed by the State, while the rest were to be built by the State as social housing. To finance this scheme, the law permitted the construction of an additional floor, on top of the allowed TER. While the latter provision was implemented, no single housing unit was constructed according to this law.<sup>168</sup> In 2012-2013, in a case reminiscent of the Murr Floor, a Sustainable/Green Building Bill was referred to parliament, and it was dubbed the Mikati floor, after the then prime minister Najib Mikati. This bill called for the exemption from the TER of the construction of an additional floor in so-called sustainable/green buildings. The intended aim of this bill was to finance the hike of public sector wages (Redd 2013).<sup>169</sup>

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<sup>166</sup> In many ways, Rachid Solh's government was paving the way to the first Hariri government, especially by adopting, at the last minute, what can be considered controversial legislations, but which at the same were part of the Hariri policies, as was seen in the case of the Edde plan.

<sup>167</sup> Legislative Decree no. 148/1983.

<sup>168</sup> According to this law, 75% of the revenue would go to the construction of the 20,000 housing unit, and 25% would be distributed to municipalities so to assist them in developing public spaces and infrastructure projects. As with the issue of housing units, no municipality received financial aid according to this law.

<sup>169</sup> This bill raised many protests, and till this day it was not debated in parliament (Khatib 2013; Wehbe 2013).

#### 7.1.2.4. The real estate lobbying for favorable construction regulations

At least since the end of the war, there existed permanent lobbying by the real estate industry, with demands ranging from lower taxation to more exemptions to the TER. This lobbying usually followed the same pattern, as in 1) real estate is an important economic sector in Lebanon, 2) real estate industry is constantly facing obstacles, and 3) the State has to act to shore up this industry (Ashkar 2015). In general, political and security instabilities were to blame for the woes of this industry, and that in total disregard to the fact that the latest real estate boom took place amidst such instabilities (see 8.1.2.2.). A most vocal representative of the real estate industry is Elie Sawma, the head of The Building Promoters Federation of Lebanon.<sup>170</sup> For instance, Sawma described the Sustainable/Green Building Bill as a “ray of hope for the real estate sector,” adding that “the Murr Floor had benefited part of the investors in the past, so why not give the other part the opportunity to benefit from the law, and increase the construction exploitation ratio?” (Ajam 2013). Another example from 2014, Sawma was pushing for a bill supposedly to solve housing crisis. According to this bill, the State would expropriate land in the vicinity of Beirut, raise the TER, and exempt developers from taxes (Al-Akhbar 2014). Back in the early 2000s, Sawma and his federation were mainly lobbying for the adoption of the new Construction Law (Ashkar 2011, 50). He even claimed “we wrote [the bill] and sent it to the parliament and [the deputies] signed it” (Krijnen 2010, 77). After the promulgation of the law, he expressed his satisfaction with a “modern law [that] responds to the expectations of investors, engineers and developers,” before adding that the new law “offered an extra 12% to the built area” (Elias, 2004). Sawma and his federation might have played some role in drafting the new Construction Law. However, documents obtained from the Lebanese Parliament showed a very active role played by parliamentarians in developing the bill.

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<sup>170</sup> In this capacity, Sawma can also attend certain preliminary parliamentary debates regarding construction regulations, and that as part of a policy to involve private actors in developing the preliminary phase of bills. For example, Sawma was present in the committee preparing the Sustainable/Green Building bill. This committee was formed of nine deputies. Other attendees included the head of DGUP and the head of the Order of Engineers and Architects in Beirut. (NNA 2013b).

### 7.1.3. The new Construction Law: the parliamentary debates

This research benefitted from acquiring private parliamentary documents: the minutes of meetings of the joint parliamentary committees, entrusted with developing the bill of the Construction Law. These documents shed light on the dynamics behind the elaboration of that bill, and on the logic behind amending or adding certain clauses.

The joint committees were comprised of several parliamentary committees. Representatives of certain ministries and directorates were present in consultative capacity, but no private actors took part in these meetings.<sup>171</sup> Among the deputies debating the bill, several were already mentioned as having direct links with the real estate industry, namely Yassin Jaber, Michel Pharaon, Henri Helo, or Nabil De Freige (see 5.2.). Note that several attending deputies had interests in real estate but were not cited earlier, such as Jihad Samad.<sup>172</sup> Also attending in a consultative capacity was Najib Mikati, the then Minister of Public Works. The most active debaters were Jaber, Mohammad Kabbani, a member of the Hariri inner circle, and Mikhael Daher who presided the sessions.<sup>173</sup>

Minutes	Number and Date	Topics of discussion
MoM1	no. 6, 2004.04.27	Permits for the use of the public domain; extension of construction permits; unfinished construction and the related fines; safety regulations.
MoM2	no. 69, 2004.05.04	Setback off roads; inner height of apartments; building envelope; setback off rivers; regulations for people with impairments; safety regulations; exemption to the TER; balconies; underground floors; insulation for roofs.
MoM3	no. 144, 2004.05.11	Exceptions for certain projects; forms and colors of façades; fences; financial guarantees; insurance; technical audit.
MoM4	no. 154, 2004.06.01	Violations to the law, fines, and penalties.
MoM5	no. 145, 2004.06.08	Judicial competence; role of the HCUP; parking spaces.

Table 7: Five minutes of meetings of the parliamentary joint committees entrusted with developing the bill of the Construction Law. Source: The Lebanese Parliament.

<sup>171</sup> The joint committees entrusted with developing the bill on the Law of Construction are composed of the following parliamentary committees: Finance and Budget; Administration and Justice; Public Works, Transport, Energy and Water; Defense; Interior and Municipalities; National Education, Higher Education and Culture; National Economy, Trade, Industry and Planning. Also present, on consultative grounds: The Minister of Public Works; The Director General of Urban Planning; The consultant of the Minister of Transport; The Director General of Roads and Buildings; The consultant of the Minister of Finance; The Director General of Antiquities; The Director General of Standards and Specifications; The representative of the Ministry of Interior; The representative of the consultant of the prime minister; The head of the Legislation and Consultations department at the Ministry of Justice.

<sup>172</sup> Samad was an engineer. On several occasions during the debates, he made reference to his expertise in real estate development in Abu Dhabi.

<sup>173</sup> Daher is a notable from the north of Lebanon

Most arguments put forth during these debates were in favor of higher and larger constructions. Only few attendees showed some reservations on these matters. The following discusses two examples, the first about the drive for higher constructions, and the second, about balconies.<sup>174</sup> And it concludes by reviewing the subsequent parliamentary debates and ratification of this law.

#### **7.1.3.1. In favor of higher constructions**

In areas where master plans do not limit the height of constructions, as it is the case in most of Beirut, the height is determined by the building envelope, which is the volume inside of which the building should be constructed (see 7.1.4.2.). In MoM2, setbacks off roads were discussed, and Jaber raised his fear that this point might affect the envelope, resulting in lower buildings. It was then agreed that any amendment to the setbacks would only be applicable for areas lacking a master plan.

These meetings also agreed on leaving the identification of the envelope dimensions to the implementation decree that would follow the law.<sup>175</sup> Nevertheless, there was a consensus on increasing its height. On a related issue, according to the old law high-rise buildings whose height exceeds 40 meters required the HCUP approval. In MoM5, it was agreed that only construction exceeding 50 meter high needed such approval, therefore liberating buildings whose height varied between 40 and 50 meters from such constraint. This 25 percent of height increase would be applied later on envelopes, by the implementation decree.<sup>176</sup>

Another example on the tendency towards higher buildings was related to the issue on parking spaces. In MoM5, it was decided that if a high rise allocated parking spaces for the municipality, then it could go higher by two floors. When the Hezbollah MP Mohammad Fneish questioned if these two floors “should be in respect to the [related] master plan.” Mikhael Daher replied amid the consent of his colleagues that “the shape [of the building] will not change if you add two floors.” Later on, the adopted law stated that by providing such spaces, a high rise would benefit from a maximal of

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<sup>174</sup> For a detailed article on these minutes of meetings, see Ashkar (2014a).

<sup>175</sup> The Implementation Decree’s purpose is to determine the conditions of applicability of the Law. Therefore it addresses and develops the details not present in the Law. While producing the Law is the responsibility of the parliament, the Implementation Decree is the task of the Council of Ministers.

<sup>176</sup> Decree no. 15874/2005.



1,500 constructible square meters, to be exempted from the TER. Still, the added floors had to respect the envelope.

#### 7.1.3.2. Balconies or rooms?

In the previous law, balconies were exempted from the TER on condition that their areas do not exceed 20 percent of the TER. The draft of the new law proposed to cover balconies with glass curtains. In MoM2, only one deputy, Henri Helo, and the Director of the DGUP raised their objections, and argued that this measure would *de facto* turn balconies into additional rooms. And therefore, this represented a 20 percent increase to the TER. Helo also argued that glass curtains were very expensive, and thus “we will be favoring rich people.” The response of his fellows MPs ignored the TER issue, but stressed on the right to use balconies, and on taking people’s needs and desires into consideration:

MP Mikhael Daher: “I, as a citizen, want to take advantage of my balcony. So you allow me to use it in summer but not in winter?”

MP Mohammad Kabbani: “It has been thirty years that people close their balconies, to make new rooms, lack of money do not allow them to buy a new apartment. Nowadays people use less their balconies, because of the pollution and noise.”

MP Yassin Jaber: “People use different colors for their curtains; it is a distortion for the exterior look of the building. Glass represents aesthetics. [...] Let us regulate in a way to preserve a homogeneous appearance. [...] Let us see, within the framework of law, what the people desire, and then legislate it. [...] At least we will be giving them opportunities to close their balconies in a civilized way.”

MP Mohammad Fneish: “What is the difference between a textile curtain and a glass curtain? We suggest the use of transparent not-colored glass.”

This provision was included in the law, and a later decree identified glass panels equipped with aluminum frame as glass curtains,<sup>177</sup> and therefore turning balconies into rooms. Later on, and as explained by an architect, all the areas of a floor dedicated to balconies, would be assembled in one place, so to create a future large room. And even

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<sup>177</sup> Enforceable Decree no. 617/2007.

in the design, this supposed balcony would be equipped, for example, with air conditioning and heating outlets to facilitate its conversion to a room.<sup>178</sup>



Image 11: Balconies in Furn al-Hayek Street according to the previous (to the left) and to the current Construction Law (to the right). Abdel Wahab 618 towers are seen in the background.

Photo by author, 2017.

### 7.1.3.3. Ratification of the Law: unanimous is the keyword

The new Construction Law no. 646/2004, was ratified in a parliament session on December 11, 2004. The minutes of this general meeting, consulted at the library of parliament, provided a picture of the debates, or rather the lack of them, preceding the promulgation of this law: The Speaker of Parliament proposed that the law be ratified as one article, hence excluding thorough debate. This was followed by another proposal by the Speaker to apply the status of urgency on this article, which in turn eliminated any chance of debate. The article was put to vote, and then all of the parliamentarians voted in favor of it (Ashkar 2014a). The new Construction Law was ratified unanimously.

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<sup>178</sup> Interview with Tofy Abi Semaan, April 26, 2013.

#### 7.1.4. The new Construction Law: higher and larger buildings

The new Construction Law, no. 646/2004, was basically an amendment of its predecessor: the Legislative Decree no. 148/1983 and its amendments. The changes can be summed up in the following table:

Articles	Changes on:
2, 3, 4, 5, and 6	Conditions related to the construction permit
11	Parts of the construction that no longer requires a field of view <sup>179</sup>
13	Safety regulations & special regulations for people with impairments
14	Parts of the construction excluded from the TER
16	Extra conditions for the construction of Grands Ensembles
17	Parking spaces regulations & incentives to build more of them

Table 8: Main changes to the Construction Law in 2004.  
Sources: Law no. 646/2004; Legislative Decree no. 148/1983.

As noted earlier, on many issues the new law did not go into details, and left this task to the implementation decree, Decree no. 15874/2005. The review of the new law is centered on two issues that increased the exploitation of land: the building envelope and the exemption to the TER. But first, it discusses briefly the regulation of high rises.

##### 7.1.4.1 High-rise building higher than fifty meters

The first regulation on high rises was adopted in 1971 as part of the Decree 2165/1971. Accordingly, buildings whose height exceeded 40 meter required the approval of the HCUP, and their parcel had to be four times the size of a parcel issued from subdivision, according to the related zoning (see 7.1.1.). In April 1992, the short-lived Decree no. 2351/1992 limited the height of such buildings between 32 and 45 meters. In case their height exceeded the 45 meters limit, their construction had to follow the regulation of the *Grands Ensembles*,<sup>180</sup> which meant tougher regulations. For instance, in this case the parcel had to have an area of at least ten times a parcel issued from subdivision.<sup>181</sup> As noted earlier, this degree was abrogated couple of month later (see 7.1.23.).

<sup>179</sup> A minimum setback distance of 4.5 meter is required for rooms' windows or openings.

<sup>180</sup> These are large housing and commerce projects that do not follow the TER or the building envelope. In addition to the approval of the HCUP, they require a specific decree issued by the Council of Ministers.

<sup>181</sup> Law no. 646/2004 increased the required parcel area to 4,000 square meters.



In case there is no setback from adjacent parcels, such as in Zones 2, 3, 4, 6 and 7 in Beirut, a vertical line can be drawn on the limit of the parcel, and its intersection with the diagonal coming from (H) will delimit the volume. In this scenario, a much larger volume is produced.<sup>182</sup> And finally, although the building has to fit within the volume, several elements of the structure are allowed to exceed the limits. For example, on roads with width exceeding 9 meters, balconies are allowed to go outside of the volume by 1.05 meter.<sup>183</sup>

In comparison with the old law, the new one increased the value of (H) and (H') by 25 percent, respectively from  $2 \times (R1+X+R2)$  to  $2.5 \times (R1+X+R2)$ , and from  $4 \times E$  to  $5 \times E$ . The following figure provides three scenarios of the envelope, according to the existence of a second road (1), or if a setback is considered (2) or not (3). These scenarios are also compared with the envelope of the old law, in dark grey:<sup>184</sup>

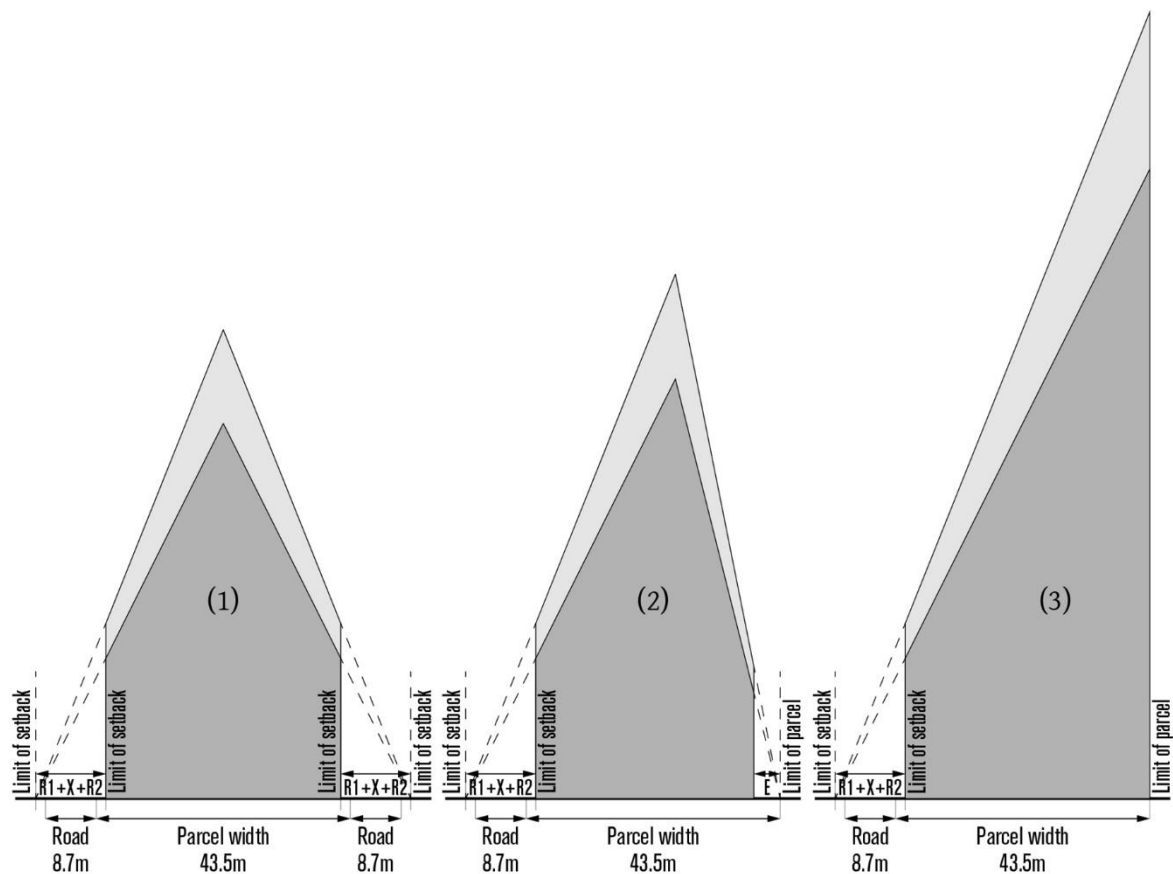


Figure 15: Building envelope scenarios, and comparison with old envelope.

Sources: Legislative Decree no. 148/1983; Decree no. 15874/2005.

<sup>182</sup> Article 9 of the decree provides further information on different scenarios, for instance if the parcel had a façade on a circular square, or if it sits on the corner of two roads, etc.

<sup>183</sup> Article 8.1.a of the Decree no. 15874/2005.

<sup>184</sup> The dimensions of the parcel and the roads are of the same case in 7.1.5.

#### **7.1.4.3. On the exemptions to the exploitation ratio**

Aside from the cases of balconies, and their de facto conversion to rooms, hence adding 20 percent of constructible area to the TER, the list of exemptions to the TER include:

- The area of external walls. In order to be exempted, they must be double-walls for insulation purpose. Their width had to be between 22 and 35 centimeter.
- The main stair and elevator in every building or block of the building, on condition that their area does not exceed 20 square meter. This exemption existed in the previous law, but the 2004 law added a 6 square meter exemption for every additional elevator.
- Technical floors. Previously one technical floor was exempted, and the new law allowed all of the technical floors to be exempted, on condition that their height does not exceed 1.9 meter.
- The pilotis floor on ground level, including an entrance, a waiting room, a meeting room for the residents of the building, a room for janitor, and small and technical rooms. All these are exempted on the condition that they do not exceed 5 percent of the TER.
- In case of a high rise allocating parking spaces to the municipality, the construction benefit from an additional 12 square meter for every car park, on condition that the sum does not exceed 1,500 square meters or 10 percent of the TER, and no more than two floors are added.
- Other examples include: porch roofs, cornices, wall coating, planters, etc.

Some of these exemptions already existed in previous laws on construction. The new law and its following decrees increased the area of existing exemptions and added new ones. Listing the exemptions does not provide a precise idea of their impacts, and therefore a concrete example has to be considered (see 7.1.5.2.).

#### **7.1.5. The combined effects of Beirut's Master Plan and the Law of Construction**

As seen, for both Beirut master plan and the Construction Law, the main interests are centered on exploitation ratios and exemptions to these ratios, on building heights

and on parcels dimensions. Within this context, the foremost objective of architecture became a mathematical exercise to fit maximum of constructible square meters within a plot, and to increase the height of a building as much as possible. To understand the combined effect of these two regulations, first there is a need to address their effect on the process of designing buildings, and second, their impact is assessed through examining the built area and height of a high rise.

#### **7.1.5.1. The first stage of designing buildings: the Return Rate on Investment study**

As explained by architect Charles Hadifé, the first phase of designing a building in Beirut is called the Return Rate on Investment study (RRoI).<sup>185</sup> This study consists of a mathematical exercise to determine within the scope of the law the maximal amount of constructible square meters that can fit with the highest possible elevation. Based on that, the expected financial profit of a building can be deduced. It is according to this preliminary study that developers would decide to proceed with the project or not.<sup>186</sup>

According to Tofy Abi Semaan, another architect, this study is carried out in disregard to all other factors, such as social or environmental impact, or the integration of the new building within its surrounding. Abi Semaan explained that “what only matters is the anticipated sellable areas,” and therefore from the beginning architects consider “thinner and taller volumes, over larger and lower ones,” since the price of square meter increases with height.<sup>187</sup> Moreover, some architects, in their bid to take full advantage of the allowed height, tend more and more to design the top of buildings in a triangular or conical shape, thus filling the upper top of the building envelope.

Even at the early stage of RRoI, details such as planters or the thickness of walls are considered, because they count within the sellable areas. When developers put new apartments on the market, the displayed area of these units is not limited to the area of the interior space, but also includes that of exterior planters, exterior walls, balconies, staircases, elevators, shafts, and so on. The real estate consultant Guillaume Boudisseau

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<sup>185</sup> Interview with Charles Hadifé, May 10, 2013.

<sup>186</sup> Abi Semaan cited an example of a developer who withdrew from a project because the anticipated profit did not reach the 400 percent. Although this case does not reflect the attitude of the majority of developers, still, this gives an idea of the volume of anticipated profits from land.

<sup>187</sup> Interview with Tofy Abi Semaan, April 26, 2013.

saw this as a “total scam, and what is usually offered as a 200 square meter apartment, has in fact an area of around 100 square meter.”<sup>188</sup>

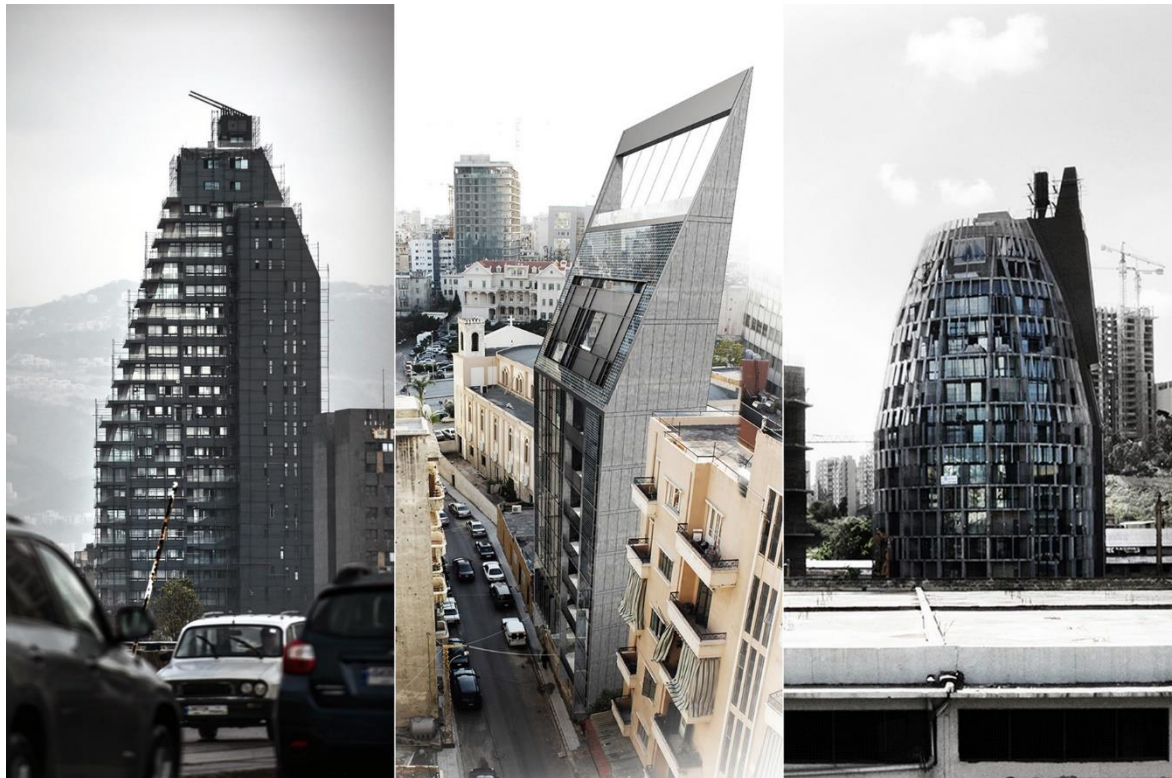


Image12: Buildings in Beirut, constructed or under design, taking full advantage of the top of the building envelope. The three buildings are designed by Bernard Khoury: to the left, the high rise Skyline in Mar Mikhael; in the center, a project on hold next to Damascus Road; to the right, Artist Lofts in Corniche al-Nahr. Source: Bernard Khoury, <http://bernardkhoury.com/>.

Several architects in Lebanon made a reputation on combining an original design with a maximum of constructible square meters and building heights. Among these architects are Nabil Gholam, Bernard Khoury, or Charles Hadifé, who designed several high rises in Beirut. As explained by Hadifé, these architects play a central role in increasing land value. He cited the case of a land in Gemmayze owned by Ali Abdel Latif. In 2007, developers were offering Abdel Latif USD1.6 million for this property on the basis that it could not accommodate significant number of constructible square meters. Abdel Latif approached Hadifé, who made an RRoI study of this land, which in turn allowed Abdel Latif to sell his property for USD2.5 million. In this case, the action of the architect increased the value of land by more than 50 percent.<sup>189</sup> Soon after, Abdel Latif — by then converted into real estate developer — asked Hadifé for an RRoI for a land in

<sup>188</sup> Interview with Guillaume Boudisseau, March 25, 2011.

<sup>189</sup> Interview with Charles Hadifé, November 19, 2014.



Sursock neighborhood. The margin of anticipated profit, prompted Abdel Latif to purchase the land, and to advertise the project under the name of Sursock Yards. The still un-built project caught the attention of a real estate company, Premium Projects, which bought the design and the land from Abdel Latif. The estimated price of a hypothetical square meter in the RROI was USD1,600, and this hypothetical square meter was sold to Premium Projects for USD2,000.<sup>190</sup> This company would later make USD5.5 million of profit after the completion of the high rise.<sup>191</sup>

#### **7.1.5.2. Assessing the combined effect of Beirut master plan and the Construction Law: the case of the high rise Trabaud 1804**

Since architecture became mainly a mathematical exercise, assessing the combined impact of these two legislations, has to be done through such exercise. Towards this end, the 23 story high Trabaud 1804 in Furn al-Hayek is considered. In comparison with other tall buildings in Furn al-Hayek (see Table 13), Trabaud 1804 can be considered as a medium size high rise, and therefore can provide a fair representative sample. The interest in this choice also resides with its developers, and for a brief period of time, displayed the selling price of every apartment. Therefore this would help to estimate some of the profits made due to the new Construction Law.<sup>192</sup> To construct this high rise, the developer Capstone Investment Group, acquired five parcels, no. 1802, 1803, 1804, 1806, and 4809, and merged them together (see Map 9).

The area of the new parcel is of around 1,500 square meters, above the minimum required area to construct a high rise in Zone 3.<sup>193</sup> The first four parcels formed a sizable rectangle suitable for the construction of a high rise. As for parcel no. 4809, and although its position and shape are at odds with the rest of the lots, its acquisition was very essential, since it supplied the new formed parcel with a second adjacent road, Yared Street, of around eight meter in width. And therefore it provided the project with the additional 20 percent on the TER that the master plan allows.

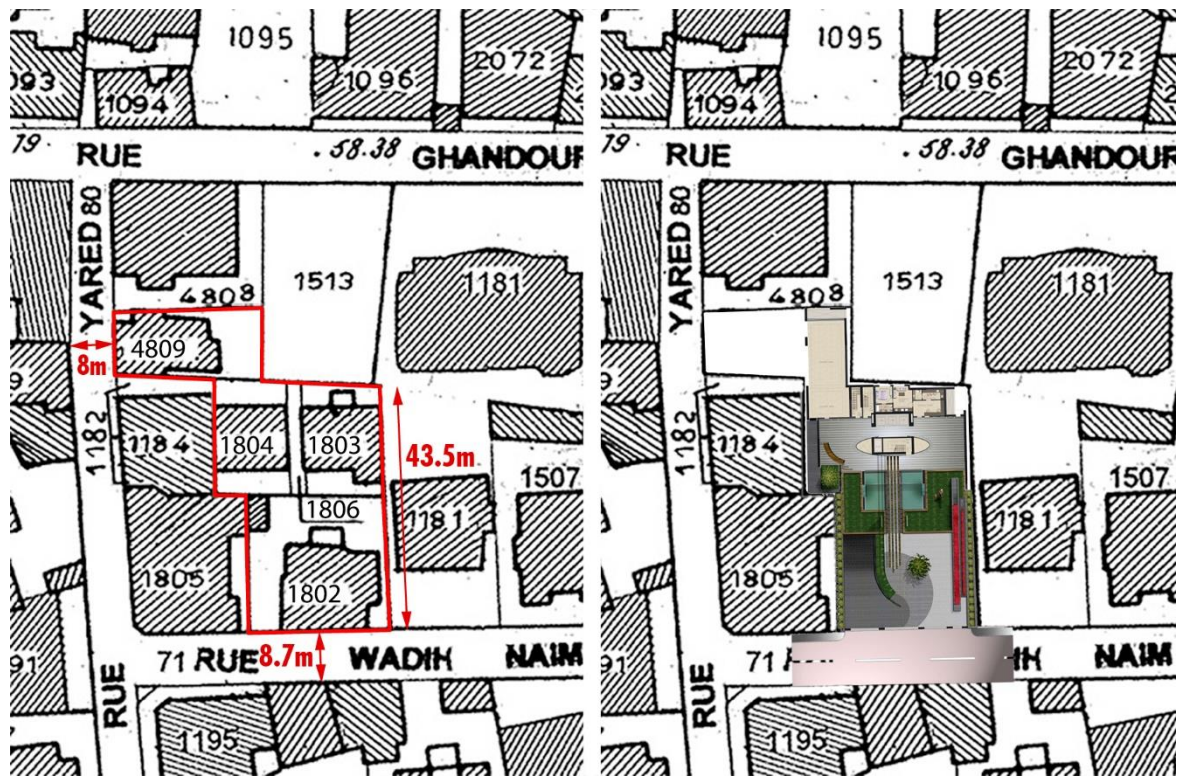
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<sup>190</sup> Some developers, such as Premium Projects, do not commission designs for their projects, but rather they buy already designed ones.

<sup>191</sup> Interview with an architect, December 5, 2014.

<sup>192</sup> In general, developers do not disclose publicly the price of apartments.

<sup>193</sup> The minimal parcel subdivision in Zone 3 is 4×300 square meter = 1200 square meter (see Table 6).



Map 9: The parcels used to construct Trabaud 1804 (to the left); the new parcel with the ground floor of Trabaud 1804, showing the location of the high rise within the parcel. Collage by author.

Sources: DGUP; Trabaud 1804, <http://trabaud1804.com/>.

The “Price List” of Trabaud 1804 provided areas of all of the apartments. As noted earlier, the displayed area of an apartment includes areas of other sections of the building, such as elevators, lobby, technical sections, and so on. Therefore the sum of apartments’ areas mirrors the total constructible square meters of the high rise. According to this list, and by excluding the area of terraces:

The total constructible area:  $A_t = 11,155$  square meters.

The TER of that zone is 4, and therefore the allowed constructible area is 4 times the size of the plot, and it should be equal to  $4 \times 1500$ , therefore:

The allowed constructible area:  $A_0 = 6,000$  square meter.

By adding the 20 percent increase for adjoining two roads,  $0.2 \times 6,000 = 1,200$ :

The allowed increased constructible area becomes:  $A_1 = 7,200$  square meter.

By comparison, the area of Trabaud 1804 exceeds by around 4,000 square meters, more than 50 percent, what is allowed by the master plan. To understand this discrepancy in the figures, a closer look has to be taken at the exemptions provided by

the Construction Law. Note that the following exercise does not pretend to be comprehensive. It has to be considered more as an approximation, and its main objective is to reveal the impacts of these exemptions. The considered exemptions are those on pilotis and technical floors (A), main stair and main elevator (B), additional elevators (C), external walls (D), and balconies (E). It will not take in account the additional area due to parking spaces. In general, developers of high rises chose not to benefit from this provision, since they consider public parking spaces — even though separate from the high-rise entrance — have the potential of devaluing the high rise.<sup>194</sup> Other exemptions, such as planters, are not also taken in account.

For simplification purpose, all the 23 floors are considered to have equal areas. In order to know a floor area,  $F$ , the allowed constructible area  $A_1$  is divided by the number of floors:

Typical floor area,  $F = 7,200 / 23 = 313$  square meters.

To facilitate further the calculus, floors are considered to have square shapes. This also provides the minimal perimeter. Hence every side of this square is equal to:

Dimension of a floor side,  $S = \sqrt{F} = \sqrt{313} = 17.7$  meter

As for the pilotis and technical floors, each of their area is considered similar to that of a typical floor. The law allows the exemption of the pilotis floor and of two technical floors, therefore:

A) Additional area (pilotis & technical),  $F_p = 3 \times F = 939$  square meters.

By adding these floors, the number of floors is increased by 3 to reach:

Number of floors,  $N = 26$ .

Twenty square meters from the main stair and elevator are exempted from the TER. The accumulated exempted area would then be  $20 \times$  the number of floors:

B) Additional area (main stair & elevator),  $F_m = 20 \times 26 = 520$  square meter.

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<sup>194</sup> Interviews with Jihad Ibrahim, September 19, 2011, and with Rodolphe Haddad, April 18, 2013.

Also, Trabaud 1804 has 2 additional elevators, which are exempted from the TER on condition of not exceeding 6 square meters each, this leads to:

C) Additional area (additional elevators),  $F_e = 2 \times 6 \times 26 = 312$  square meter.

As for external walls, the sum for each floor is that of the perimeter multiplied by the width of the wall, 35 cm. Since floors are considered as squares, the perimeter is equal  $4 \times S$ . For the total of that area for the whole building, the result is then multiplied by the number of floors:<sup>195</sup>

D) External walls area,  $W = 4 \times S \times 0.35 \times N = 4 \times 17.7 \times 0.35 \times 26 = 644$  square meters.

And finally, balconies can reach 20 percent of the TER, therefore:

E) Total balconies area,  $B = A_1 \times 20/100 = 7,200 \times 0.2 = 1,440$  square meter.

The total built area according to the new Construction Law would then be equal to the sum of the allowed constructible area  $A_1$  and of the highlighted exemptions:

Calculated area  $A_c = A_1 + F_p + F_m + F_e + W + B = 7,200 + 939 + 520 + 312 + 644 + 1,440$

$A_c = 11,055$  square meter.

Although this exercise was approximate and ignored certain exemptions, it nearly reached the same figure as the total constructible area of Trabaud 1804, which is  $A_t = 11,155$  square meter. In addition, it showed in detail the significant difference that these exemptions can make. They represent a 55 percent increase to the TER. And by dismissing the 20 percent in TER, due to adjoining roads, the total increase on the original TER would then go up to 86 percent. If the original TER for Zone 3 in Beirut is 4, then the “real” TER in this case is around 7.2. Some architects claim that through their design they can double the TER,<sup>196</sup> and in light of this exercise, this seems to be very plausible.

Concerning the envelope, Trabaud 1804 is located in Zone 3, where there is no limit for the number of floors or of the building height. There is also no setback from adjoining parcels. As for the setback off of the road, it is six meters from the road

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<sup>195</sup> Usually the pilotis floor (ground floor) is not totally surrounded by walls, but for simplification purpose it is considered as such

<sup>196</sup> Interview with Tofy Abi Semaan, April 26, 2013

centerline. Therefore, the envelope followed scenario no. 3, in figure 15. In order to reach the maximum height, the high rise was placed at the very back of the parcel. Trabaud 1804 has a height of 94.5 meter, and with a width of around 16 meter for the last floor, it fits well within the building envelope. By comparison with the envelope according to the previous law, Trabaud 1804 could have only reached 75.6 meter. Due to the new law this high rise gained 19 meters in height, in other words, five additional floors.

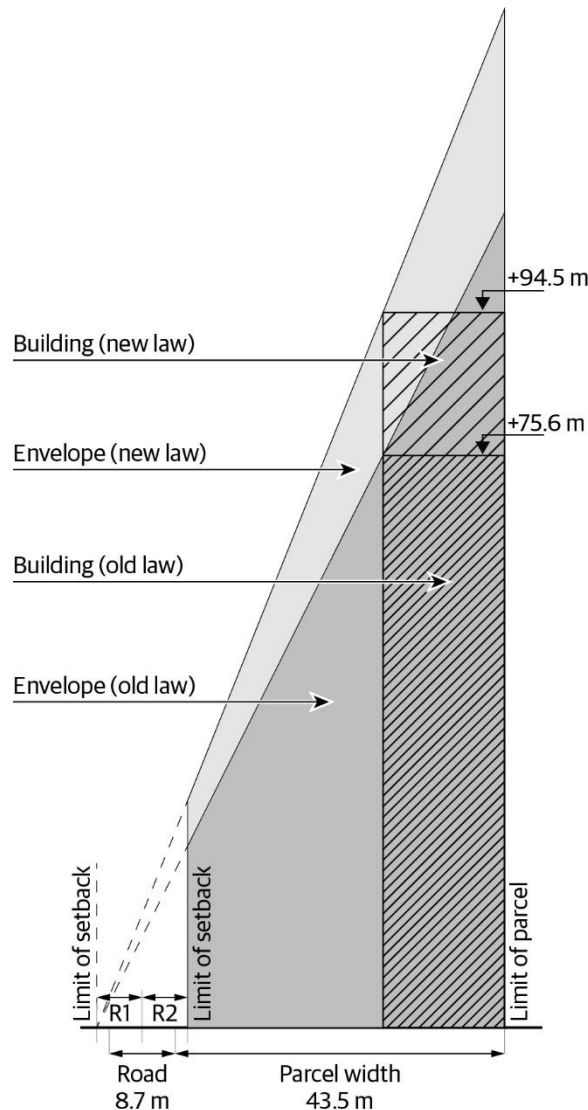


Figure 16: Envelope of Trabaud 1804 according to the old and new Construction Law.

Sources: Legislative Decree no. 148/1983; Decree no. 15874/2005.

When it comes to profitability, height is a very essential element. In general, the price of an apartment is considered to increase by USD100 per square meter per floor (Boudisseau 2010b, 84). The “Price List” of Trabaud 1804 showed that this was the case until the fourteenth floor. From the fifteenth to the nineteenth floors, the price increase

is by USD200 per square meter, and for the top four floors, this increase was by USD500 per square meter. The additional top five floors to the high rise due to the new Construction Law, represented 15 percent of the area of the building, but they amounted to 21.3 percent of the total price. This would give a general idea of the amount of profit brought by this height increase. It is difficult to estimate the profit due to the increase in the TER. But by only considering the profit related to the height increase, it is safe to assume that total profit amassed for the promulgation of the new Construction Law exceeded considerably the 25 percent.

#### **7.1.6. Partial conclusion**

Commenting on construction of high rises in Mar Mikhael, at the expense of old buildings, the general manager of Al Mawarid Real Estate, Rania Akhras said: “I hope that some of the other buildings are preserved because it’s a very nice area. But the building code and plot size forces us to build high.” Putting aside the fact that the real estate industry was in favor of such regulations, and they were not coerced to follow them as implied by her statement, Akhras identified clearly the role of construction regulations: to favor higher and larger developments. These regulations are periodically amended to permit the extraction of more profit from land, in other words to increase the potential ground rent, and therefore to enlarge the rent gap.

First, it is relevant to note the binary approach towards developing the regulations. Beirut master plan was kept nearly as it is since 1954, because any potential revision of this plan would ultimately lead to restrict real estate operations. On the other hand, more legislative effort was invested in the Construction Law, with almost all these efforts going into the same direction: higher buildings, and more exemption to the TER that are translated into a larger amount of constructible square meters. And while these two approaches can be considered to be dualistic, they both aim to achieve the same objective: more profit from land.

The minutes of the parliamentary meeting provided a tangible example on how laws and regulations were utilized to serve the interest of the political elite, even though the real aims were camouflaged with the rhetoric of serving the common good, as it was with the debates on balconies. The procedure for the promulgation of the

Construction Law, and its unanimous ratification, showed the political elite working in perfect unison on an issue that serves their interests and that of the real estate industry. These interests are better served with regulations that in practical functions as mathematical equations to extract the maximum profit, and that in total disregard to their social or environmental implications. At this point, the role of some architects becomes crucial, since they can mobilize their mathematical ingenuity to push this land exploitation to the limit, in turn contributing to increasing the potential ground rent. The example given on the RRoI showed how the action of an architect increased profit by more than 50 percent. In other terms, a design of a building can increase the rent gap.

## **7.2. The double standards of the Rent Law**

Since 1992, Lebanon had two laws for rent. The first was a strict rent control, and applied for pre-1992 contracts, and the second was a total liberalization of rent for post-1992 contracts. This situation appeared to come to an end in 2017, with the promulgation of Enforceable Law no. 2/2017, which consisted of a transitory phase to the total abrogation of rent control contracts. However, this implementation of this law is currently suspended amidst legal disputes and lack of funds to implement it (Marsi 2017). As usual in the Lebanese context, figures and estimates vary widely. In the early 2010s, it was estimated that between 80,000 and 170,000 tenants had a rent control contract. As for post-1992 contracts, they were evaluated around 50,000 (Cochrane 2012). According to the Lebanese Central Administration of Statistics (2006, 315-317) there was in the mid-2000s around 50,000-rented dwellings in Beirut, which amounted to half of the residential dwellings in city. No breakdown was provided according to the type of contract, and in any case the statistics of this administration were not famous for their reliability. Although the situation on this issue remains ambiguous, it is safe to assume that in Ashrafieh and in Rmeil, a majority of residents were rent control

tenants, and that it was common to have in the same building owner occupiers and tenants according to both rent laws (Public Works Studio (2017)).<sup>197</sup>

For controlled contracts, rent is way below market prices, and very strict conditions attached to abrogate such contracts. On the opposite, post-1992 contracts are left to negotiations between tenants and landowners, with the bare minimum of regulations and State intervention. The issue of rent laws in Lebanon will be discussed in three parts: the first one will review the development of rent control and the conditions attached to the abrogation of these contracts. It will also highlight the peculiarity of the Lebanese rent control. The second will address the post-1992 period with the liberalization of rent, and the coexistence of the two legislations on rent. It will examine the gap between the old and new rent, and the consequences arising from this situation. As for the last part, its starting point is a tragedy that occurred in 2012, which precipitated the legislative effort to abrogate rent control. It will discuss the narrative on rent control being a barrier against gentrification, and it will conclude with the implication of that tragedy on the built heritage. The last point constitutes both an introductory section for the third part of this chapter that deals with urban heritage regulations, and a showcase on the correlation between the different laws affecting the built space.

### 7.2.1. The construction of rent control

The reasons for rent control are embedded in times of severe crisis, such as wars or economic depressions. These crises inflate the cost of basic necessities, such as rent, food, or energy. But while with the latter ones buying cheaper products or adopting different ways of consumption can reduce expenses, with rent, households are faced with two options, either to pay more or to move out. This radical situation of rent could exacerbate the already existing crisis, and increase social tension and unrest. Therefore, rent control presented an efficient tool to largely contain such crisis. In this context, it

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<sup>197</sup> A 2016 survey conducted by Public Works Studio on 208 buildings, in a neighborhood between Furn al-Hayek and Mar Mikhael gave the following result: 63 buildings had a majority of rent control tenants; 46 had a majority of owner-occupiers; 32 had a majority of liberal rent tenants; 32 had a majority of rent control tenants and of owner-occupiers; 24 were uninhabited; and 11 were transformed from residential to commercial use. The field survey conducted for this research also suggested a majority of residents are rent control tenants.



is no surprise that the first modern rent control legislation was introduced during the First World War in 1915 in the United Kingdom. Other European countries emulated this measure and later on, after the Great Depression in the 1930s and the Second World War, rent control was adopted in most countries all over the world. In the following decades, rent control in these countries was either abrogated or became a permanent part of rent regulations. (Willis 1950, Ashkar 2014b).

Rent control in Lebanon dates back to that same period, and it was first introduced during the Second World War. However, contrary to most cases the Lebanese rent control remained as a temporary measure that was continuously renewed, and the peculiarity of the Lebanese case stems from the lack of proper mechanism to adjust rent prices.

#### **7.2.1.1. Rent control in Lebanon: a temporary measure constantly renewed**

Prior to 1940 rent in Lebanon was regulated by chapter IV of the 1932 Lebanese Code on Obligations and Contracts, which replaced the previous Ottoman regulations on this matter (Nassar-Chaoul 1995, 165). The provisions of this chapter can be summarized as follows: rent shall be terminated by the end of the contract (article 590); a contract can be abrogated in three cases: misuse, negligence, and refusal of payment (article 595); and contract shall not be annulled in the event of the death of either the tenant or the landowner (article 600). It was a liberal form of rent, and lease contracts were basically a product of negotiation between tenants and landowners, with minimal state intervention. Couple of months after the outbreak of the Second World War, a one-year moratorium on rent was imposed in January 1940.<sup>198</sup> In June of that year France capitulated to Nazi Germany, and Marshal Pétain became the head of the French State. Soon after, the British imposed a blockade on Lebanon and Syria, which were under French authority loyal to Pétain. The blockade led to severe shortages in fuel and wheat. Prices of commodities increased significantly, and social unrest was looming (Hokayem 1994, 86). In the context of this crisis in December 1940, lease contracts were extended for yet another year, and a freeze on rent prices was imposed.<sup>199</sup> In 1941, the British occupied Lebanon and Syria, and the administration was handed to the “Free French” of General De Gaulle. This new situation turned the economic crisis into a boom, as

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<sup>198</sup> High Commissioner Decision no. 19/1940.

<sup>199</sup> High Commissioner Decision no. 368/1940.

Lebanon's economy profited from the Allies war efforts. Still, rent contracts were extended, and strict rules were introduced for the annulment of these contracts. Landowners were allowed to reclaim their property back for personal use only, and on condition that they do not have another proper place to live in. Nevertheless, a correction of rent prices was introduced.<sup>200</sup> When the independence of Lebanon came along, the government in 1944 also extended rent contracts. Since, a moratorium on rent was periodically renewed. In the absence of any state policy to solve the housing crisis the permanent extension was the only available tool for the government to relatively contain this crisis. However, this was done in an erratic way, especially concerning the correction of rent prices. No automatic adjustment mechanism was introduced, and between 1945 and the outbreak of the civil war, only on two occasions a legislation was issued to relatively correct these prices. This resulted in a large gap between old and new rent prices. Meanwhile, more provisions were introduced to rent legislations. Rent contracts became inheritable. They can be abrogated in case of an upcoming demolition of the building, on two conditions: 1) the physical state of the building deteriorated, and became unfit for housing purposes, and 2) the construction of a new building in place of the old one. And finally, in case of an abrogation of a rent contract, the landowner had to pay the tenant a financial compensation.

The arguments for such regulations centered around shielding the lower to middle income population from market speculation (Legal Agenda 2015). Still, their main impact was limited on protecting older tenants, and did little to ease the housing crisis, especially in the absence of regulations to control new rent prices. Landowners were always asking for higher prices for new contracts, and by the 1970s the issue of a rent cap became a recurring demand in trade unions protests (Traboulsi 2007, 167). In parallel, the 1950s and 1960s saw a boom of construction of new buildings dedicated to the rental market, however their target was the middle classes or foreign residents, which rendered them unaffordable for the majority of Lebanese (Yehya 2015, 380). As for buildings with older and cheaper rent contracts, they were deemed unprofitable, and were seldom renovated or maintained in a bid to force out the existing tenants.

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<sup>200</sup> Legislative Decree no. 134/1941.

Date	Regulation	Extension till	Rent price	Notes
1940.01.26	Decision no. 16	1940.12.31	-	
1940.12.28	Decision no. 368	1941.12.31	Freeze	
1941.12.31	Legislative Decree no. 134	1942.12.31	Correction	Strict rules to abrogate contract. Property can be reclaimed by landowner for personal use (subject to conditions)
1942.12.11	Legislative Decree no. 288	1943.12.31	Correction	Reclaimed property cannot be rented again.
1944.02.29	Law	1944.12.31	Correction	
1954.05.07	Law	December 1955	-	In case of reclaiming back a property, tenants are financially compensated. Property can be reclaimed for demolition-construction, if it is dilapidated or not fit for housing.
1956.06.21	Law	1958.12.31	Correction	
1961.08.09	Law	1961.12.31	-	
1967.05.09	Law no. 29	1969.12.31	Freeze	Rent contracts are inherited.
1970.12.26	Law no. 16	1970.12.31	-	
1971.03.30	Law no. 30	1971.05.31	-	
1971.12.10	Law no. 65	1972.12.31	-	
1973.01.31	Law no. 8	1973.05.31	-	
1973.09.04	Law no. 17	1973.12.31	-	
1974.03.25	Law no. 10	1977.12.31	Correction	
1983.08.26	Law no. 22	1985.12.31	Correction	Pre-1972 contracts: rent increase. Post-1975 contracts: rent decrease.
1986.02.25	Law no. 13	1986.12.31	-	
1992.07.22	Law no. 159	-	-	New Rent Law.
1992.07.22	Law no. 160	1995.12.31	Correction	Exceptions to Law no. 159/1992 for pre-1992 contracts.

Table 9: List of legislations extending the provisions of rent control.

Source: LU-CRSLI, <http://www.legallaw.ul.edu.lb/>.

### 7.2.1.2. The peculiarity of rent control in Lebanon: severe currency depreciation coupled with lack of price correction measures

The Lebanese rent control, although it consisted of permanently extending temporary legislations, its conditions and elements were not different from that of other rent control around the world, from example regarding the fixed rent prices, or the inheritance of rent contracts (Ashkar 2014b). The specificity of the Lebanese case was a product of the war years.

As discussed earlier (see 4.5.1.), a speculation against the Lebanese Pound (LBP) began in 1984, which led to its severe depreciation. During the first part of the war the Lebanese currency more or less maintained a stable exchange rate, especially opposite the U.S. Dollar (USD). In April 1975, USD1 was equivalent to LBP2.24, and by April 1983, the LBP had only lost half of its value, as it was exchanged LBP4.15 for the dollar. With the speculation, the value of the LBP began to plummet. In December 1984, USD1 was equal to LBP8.65, then to LBP18.1 in the following December, and LBP69.74 in December 1986. This depreciation continued, and by the end of the war in November 1990 USD1 was exchanged for LBP706.65. This steep depreciation wiped out the savings of most of the middle and lower classes. In an economy based on imports, the collapse of currency led to a dramatic surge in cost of living, while wages failed to follow suite. By the end of the war the average salary of a worker barely covered one third of a family's vital expenses (Traboulsi 2007, 228). In brief, most Lebanese were impoverished, be they tenants or small landowners. With the renewal of speculation in 1992 (see 4.6.1.), the Lebanese currency depreciated even further, and the peak occurred just before the arrival of Hariri to power, when USD1 was traded for LBP2527. Since, the Lebanese currency gained some of its value starting December 1997, Banque du Liban was constantly stabilizing the exchange rate at LBP1507.5 for the dollar — a fixed rate that still exist to this day (see figure 17).

Rent prices were in the Lebanese currency, and while the LBP plummeted, rent prices were fixed, and were not corrected to follow this depreciation. This made the controlled rent prices to fall into less than 1/1000 of their initial value. In the early 1990s, and in most cases, rent prices of old contracts were equivalent to, or even less than, the price of a loaf of bread. Landowners had virtually lost all income from their property. Another repercussion of this situation was that landowners began to refrain from renting their vacant property. In the immediate post-war period, the housing crisis was reaching alarming levels, and social unrest was looming, including one pitting tenants against landowners. A reform of rent was urgent, and the Lebanese government sought to address the crisis through neoliberal policies.

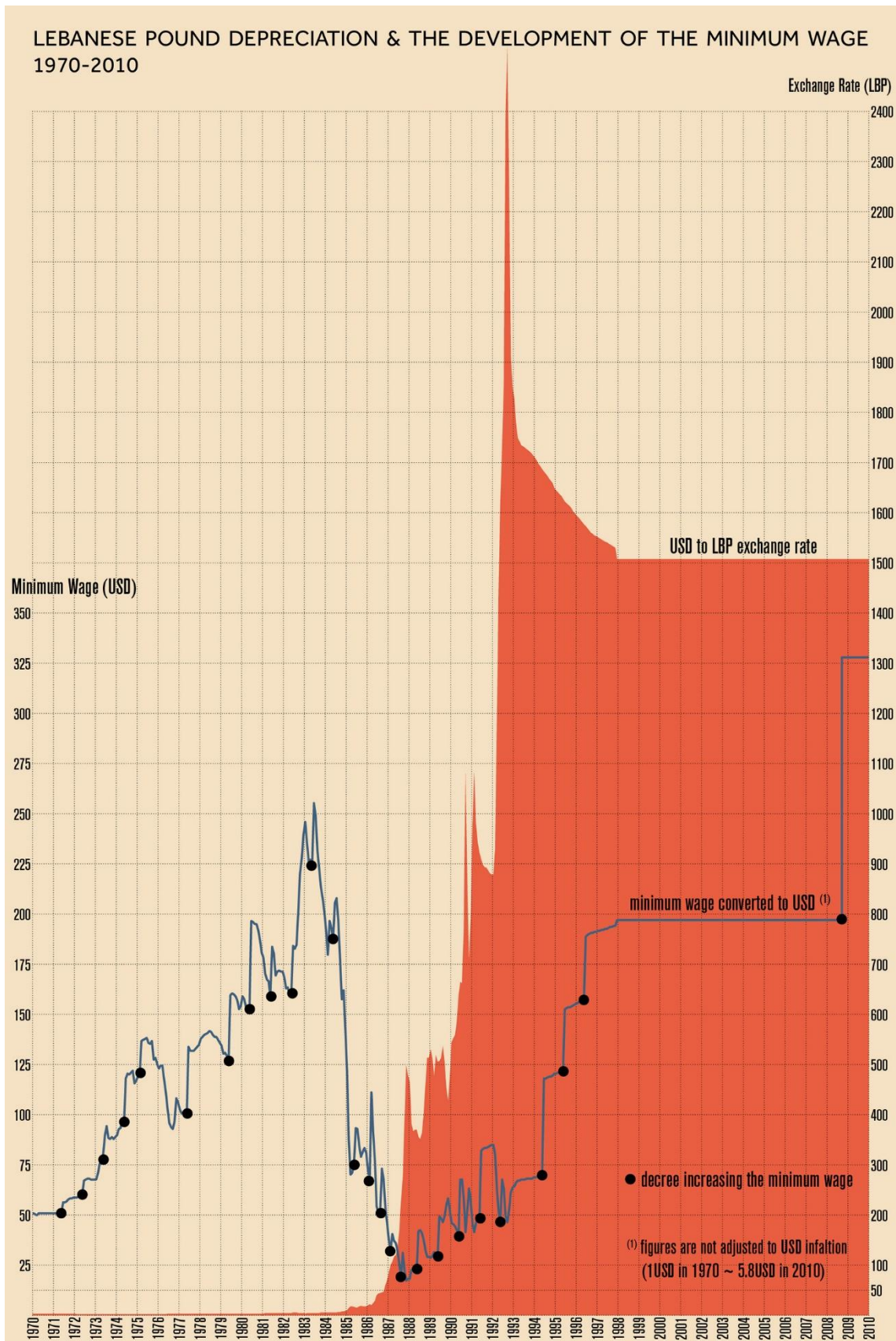


Figure 17: Depreciation of the Lebanese currency, and the development of the minimum wage.

Sources: BDL (n.d.); Nasr (2008, 11).

## **7.2.2. The coexistence of two laws on rent, and their impact**

The pre-war governments continuously extended rent control, but for them it was a temporary solution and they always contemplated the abrogation of this control. This was the main reason why rent control was always extended for short periods, usually no more than one year. In 1992, and in the context of the critical situation of rent, the Hariri government was able to partially abrogate this control. On July 22, 1992, two laws on rent were promulgated;<sup>201</sup> the first would apply to post-1992 contracts, and the second to pre-1992 contracts. The price of controlled lease contracts was adjusted, but they stayed considerably below market prices. This measure led many landowners to seek the abrogation of rent controlled contracts in order to make profit, and the most practical way to achieve this was through the clause on the future demolition-reconstruction of the building. The following discusses the situation arising from the coexistence of these two rent laws and the gap created between old and new contracts, as well as the consequences of this situation.

### **7.2.2.1. Liberalizing rent for post 1992 contracts**

The law that liberalized rent, Law no. 159/1992, was an amendment to the Article no. 543 of the Code on Obligations and Contracts. Law no. 159/1992 stated that all contracts signed after the promulgation of this law should follow the provisions of the Code, and that new rent contracts duration shall be limited to three years, unless otherwise agreed by tenants and landlords. After the end of three years period a new contract is to be renegotiated without any account to the previous contracts. In other words, the tenants had no rights arising from their previous tenure. In this law, the only security or even benefit given to the tenant was that they could not be unlawfully evicted from their rented dwelling during this three years period, or the rent increased. As seen earlier (in 7.2.1.1.), this Code's provisions on rent basically left the issue of rent to negotiation between tenants and landlords. The new law represented a return to a bare minimum of state interventionism, and rent was left to be regulated mainly by market dynamics.

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<sup>201</sup> Coincidentally, this was the same day of the promulgation of the decree that established Solidere.

### 7.2.2.2. Rent control for pre 1992 contracts

The law on rent control, Law no. 160/1992, was promulgated as an exception to the Rent Law and applied to pre-1992 contracts. It was enacted as a temporary measure for three years, but it was annually renewed ever since. This law maintained all the elements of the previous rent control, especially regarding the abrogation of contracts. A landowner could abrogate a rent contract in two main cases: first, if the landowner needed the apartment for his own or for his children's accommodation, on condition of not owning another dwelling; and second, if the building was in a state of dilapidation or not fit for housing, the landowner could claim their property back on condition of the upcoming demolition of the building and the construction of a new one. In both cases, the landowner had to pay a financial compensation to the tenant, which is in the range of 25 to 50 percent of the value of the rented property. A certain variation applied to property rented for commercial use. For example, the clause on the future demolition-reconstruction did not apply in this case, the conditions for reclaiming back the property were easier, but an additional compensation had to be made, in light of the loss occurred due to the cessation of business activities. This law also included a correction to rent prices, which in turn were readjusted two years later:

Date of rent contract	Increase for residential rent (according to rent paid on 1986.12.31)	Increase for non-residential rent (according to rent paid on 1986.12.31)
Before 1954.01.01	165 fold	660 fold
1954.01.01 – 1961.12.31	130 fold	520 fold
1962.01.01 – 1966.12.31	112 fold	448 fold
1967.01.01 – 1972.12.31	83 fold	332 fold
1973.01.01 – 1978.12.31	59 fold	236 fold
1979.01.01 – 1982.12.31	42 fold	168 fold
1983.01.01 – 1984.12.31	24 fold	96 fold
1985.01.01 – 1985.12.31	18 fold	72 fold
1986.01.01 – 1986.12.31	12 fold	48 fold
For contracts signed after 1987.01.01 and expired on:		
Before 1988.01.01	4 fold	8 fold
1988.01.01 – 1988.12.19	3 fold	6 fold
1988.12.20 – 1989.06.29	2.3 fold	4 fold
1990.06.30 – 1990.12.31	1.7 fold	3 fold
1991.01.01 – 1991.12.31	1.3 fold	2 fold

Table 10: Increase of rent prices for old contracts. Source: Law no. 336/1994.

The first note on this adjustment of price is the clear accumulated gap between old contracts' prices, and the failure of pre-war corrections. Although the increase in

rent in certain cases exceeded 100 folds, old rents stayed way below market prices. The increase was greater for non-residential rent, which made them closer to the rent price of similar spaces for the same purpose. The subsequent laws that extended rent control also adjusted rent prices, however with inflation of new rent prices, this correction did not affect this imbalance in prices.

### 7.2.2.3. The gap between old and new rents

With the absence of comprehensive studies or research on rent prices in Lebanon it is hard to assess exactly the difference between the old and new contracts. Other factors would make such assessment more difficult to established, as with the quality of the rented spaces, their areas, their locations, and the volatility of rent price, etc. Researchers tend to adopt vague estimates based on limited surveys. And while there is some information for old contracts, data for new ones are scarcer. For example, in the early 2010s it was estimated that the majority of old rent contracts in Mar Mikhael were less than USD1,000 per year (Krijnen 2016, 156). In comparison, for the same neighborhood around the same time, the annual average rent for medium size dwelling would be around USD7,200 to USD8,500.<sup>202</sup> This dissertation will not assess the gap through advancing general estimates, but rather by highlighting some representative examples, first on new contracts, then a comparison with old ones:

In the late 1990s, Saseen Kawzally rented an 80 square meter first floor apartment in Mar Mikhael for USD350 per month. The lease contract was renewed twice without the landowner asking for a price increase. In 2008, the landowner raised the rent to USD600 per month, and in 2011, he refused to renew the contract. Later that year, landowner rented the apartment, and without any renovation work, for a monthly rent of USD1,200. This was at a time when Mar Mikhael turned into a trendy place (see 8.2.3.). As for Kawzally, he had to move to Zarif — a neighborhood close to Hamra — that is slightly more affordable than Mar Mikhael. He rented there an apartment with similar conditions and size to his previous dwelling, and he had to pay USD1,000 per month.<sup>203</sup> In another case, in 2009, Bassem Chit rented a 120 square meter penthouse on the seventh floor of a 1970s building in Karm al-Zaitun, in the eastern part of Asharfieh. The rent was USD750 per month. In 2010, and before the end of the three-year contract

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<sup>202</sup> Interview with a real estate middleman, April 10, 2013.

<sup>203</sup> Interview with Saseen Kawzally, May 9, 2017.



period, the landowner asked for a rent increase, which Chit refused. Later that year, the elevator broke down, and the landowner declined to repair it, so to pressure tenants to vacate the building. Chit left the apartment in April 2011. The elevator was fixed couple of months later, and the penthouse was rented for the sum of USD1,250 per month. As for Chit, he rented a 60 square meter apartment in Furn al-Hayek for USD700 per month. The apartment was on the fifth floor of an old building that did not have an elevator.<sup>204</sup>

These two examples provide a general idea on liberal rent contracts. The situation of tenants was insecure, and rent was significantly increased when contracts were being renegotiating. In both cases the apartments were rented again without any upgrading of space. Re-renting apartments without renovation or upgrading is very common, especially when the landowner can increase the rent without the need of revaluing the space.<sup>205</sup> This situation arose from three factors, the increase in demand for housing in Beirut, the limited number of apartments on the rent market, and the real estate boom in the late 2000s, which one of its effect was a hike in rent prices (Ashkar 2015, see 8.1.2.). As for old contracts, three examples from Furn al-Hayek can sum up the situation.

Gebrayel used to pay USD250 annually for his rent, in Beit Lahm Street. In early 2010s, and along with couple of other tenants, he had to move out because of the upcoming demolition of the building. However, the landowner did not demolish the building, but rather rented the apartment again, without renovation, for USD850 per month. Gebrayel did not disclose the amount of the compensation he received.<sup>206</sup> In a similar case on Ashrafieh Street, Leila Oueini's old rent was around USD70 per year, and her contract was abrogated for the same reason of the upcoming demolition. Oueini received USD30,000 in compensation, and the landowner rented her apartment again for USD800 per month.<sup>207</sup> Note that in both cases, tenants were unlawfully evicted, since the place was rented again, and the demolition-reconstruction operation did not take place. However, the interest of the above examples is that the same apartment, and without upgrading work, was rented according to the two laws on rent. To conclude with a final example, also in Ashrafieh Street, Ahmad Beydoun lived in a rent controlled 160 square meters apartment. The rent was USD300 per month. In the same building,

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<sup>204</sup> Interview with Bassem Chit, May 12, 2013.

<sup>205</sup> Interview with a real estate middleman, April 10, 2013.

<sup>206</sup> Interview with Gebrayel, January 5, 2015.

<sup>207</sup> Interview with Ahmad Beydoun, December 20, 2014.

120 square meter apartments were rented according to the new law for USD1,500 per month. In 2014, and as a bill to abrogate old contracts was being debated in parliament, Beydoun's landowner asked him to pay USD1,700 monthly for rent. Beydoun refused because the bill was not passed yet.<sup>208</sup>

The variation in rent prices was mainly attributed to the dates when contracts were signed. For instance, the majority of contracts signed in the 1940s and 1950s their annual rent in 2010 was around USD100.<sup>209</sup> The three cited examples showed the large disparity in rent prices between the old and new contracts. They can also provide a general idea about the gap between the capitalized ground rent, in regard to the old and new law.<sup>210</sup> For the first case, this gap was 41 fold, for the second, it reached 137 fold, as for the last case, it was 5 fold. Even when considering only the lower figure, the gap represented a substantial potential profit. Still, other factors had to be considered too, mainly: the conditions to abrogate contracts, and the financial compensation.

On the latter issue, compensations varied greatly. In general, low income population such as Oueini, accepted low sums in the range of USD20,000 to USD30,000.<sup>211</sup> As for the others, they went to court asking for higher compensations. For instance, in 2011 a real estate developer purchased a building in Furn al-Hayek, and offered the two tenants USD80,000 in compensation each to vacate the premise — also for a demolition-reconstruction purpose. As tenants refused this sum, the matter went to court. The judge ruled USD190,000 in compensation for the tenant occupying the first floor, Leila Azzi.<sup>212</sup> As for Mireille who lived in the second floor, she was awarded USD240,000.<sup>213</sup> In a similar case in an another part of Furn al-Hayek, the court ruled USD200,000 in compensation to the tenant.<sup>214</sup> In other recorded cases in Beirut the court settled the compensation at USD375,000 (Ghazzal 2014). While the amount of compensation can differ regarding the value of the apartment, it is apparent that the poorest, lacking financial means to fight the case in court, accepted low compensations.

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<sup>208</sup> Ibid.

<sup>209</sup> See footnotes 212 and 213.

<sup>210</sup> To determine more exactly this gap, the capitalized ground rent deriving from the sale of land had to be taken in account too.

<sup>211</sup> These low figures were mainly collected from interviews in Makarem Street and Moumneh Street, the poorest area in Furn al-Hayek.

<sup>212</sup> Interview with Leila Azzi, April 30, 2013. Azzi's annual rent was USD105.

<sup>213</sup> Interview with Mireille, April 30, 2013. Mireille's annual rent was around USD100.

<sup>214</sup> Interview with Issam Khoury, December 20, 2014. Khoury's annual rent was USD2,000.

As for the conditions to abrogate contracts, it was already noted the strict conditions to do so. And apart from the cited examples of Gebrayel and Oueini, in nearly all cases former tenants were also evicted for a demolition-reconstruction purpose, but the place was not rented again. And depending on the case: a building was demolished and a new one constructed in its place, or the building was demolished awaiting a future construction, or the building was left to decay. These two factors add constraints to the gap discussed earlier, for 1) the majority of compensations are costly to many small landowners, and 2) the demolition-reconstruction is way beyond their financial means.

#### 7.2.2.4. The impact of the two laws on rents

As seen earlier, the new Rent Law was clearly in favor of landowners since after the three year periods a new contract was negotiated, and on many occasions landowners raised the rent substantially, without any renovation or upgrading of the space. This situation allowed them to keep on extracting an increasing financial profit from their properties. This contrasted with the situation of landowners renting their properties according to the old law. For them, in order to make profit from their properties, rent control contracts had to be abrogated. The most practical way to do so was through Article 8-c of Law no. 160/1992: the upcoming demolition of the building and the construction of a new one, and the payment of a significant financial compensation. Two conditions that were way beyond the financial means of small landowners, many of whom were impoverished during the war.<sup>215</sup>

This contrasting situation between these two groups of landowners affected their relation vis-à-vis real estate developers vying for their properties. The first group of landowners was more reluctant to sell their properties to a real estate investors. As explained by one of them, “only those who are in dire financial situation or in need of a quick [financial] fix would sell their buildings. Other than that, why someone would sell a chicken that lay golden eggs?”<sup>216</sup> The high profitability that their properties bring would strengthen the position of these landowners in sale negotiations with real estate developers or investors. The total opposite can be said of landowners stuck with old lease contracts. For most of them, selling their properties was the only way to achieve

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<sup>215</sup> If in some cases landowners managed through a fraudulent action to abrogate contracts, this only worked with the most destitute tenants, who did not afford court fees.

<sup>216</sup> Interview with landowner, December 5, 2014. The landowner used an Arabic idiom that mirrors the English, “To kill the Goose That Laid the Golden Eggs.”

financial profit from their properties.<sup>217</sup> Therefore, many of them were very willing to sell, or to swap their property with one or two apartments in the building to be constructed. (Ashkar 2014e). The lack of profitability, the imbalance in negotiation powers, and the constraints imposed by the rent control, were summed up in few lines by the director of Har Properties, Philippe Tabet:

“Property owners who rent their apartments since years for derisory sum, because of the old rent law, often prefer to sell to developers who have the means to evict tenants” (Le Commerce du Levant, 2011b).

### 7.2.3. Towards an end of rent control

Since the mid-1990s, there were several legislative attempts to abolish rent control (Bekdache 2014). The breakthrough came in the wake of a tragedy on January 15, 2012. That day, a six story building in Ashrafieh collapsed, resulting in the death of 27 persons. Nearly all tenants in that building had rent control contracts. The public investigation and the court held the landowners accountable for this tragedy. The cause of this incident was the collapse of a structure column due to excavation work undertaken by the landowners (Hamiyeh 2012). Regardless of this fact the Association of the Owners of Rented Buildings (AORB) – the organization of landowners renting their properties according to the old rent law – blamed rent control for that tragedy. They argued that unjust rent control impeded landowners from maintaining their buildings. The media attention shifted to focus on rent control, and parliamentarians proceeded with the bill that would abolish old rent contracts. And in 2017 Enforceable Law no. 2/2017 was promulgated, which is basically a transitional phase towards the total abrogation of old contracts. This interim period witnessed constant mobilization of both rent-control tenants and landowners. The former, and in a bid to advance their case, depicted rent control as an obstacle to gentrification. This issue will be discussed in the following, before concluding with addressing another implication of the Ashrafieh tragedy that affected the built heritage.

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<sup>217</sup> For instance, Karim, who owned a building with rent control in Furn al-Hayek, his main income was from a fledgling bookshop he opened in the ground floor of his building. In 2013, he collected around USD1,000 from the eight tenants in his building. In 2014, he sold it to real estate developer because he “was fed up being in financial difficulties, and [he wanted] to enjoy life.” Karim did not disclose the selling price his building. Interview with Karim, December 4, 2014.

### **7.2.3.1. On the implication of the total liberalization of rent: Was rent control a barrier against gentrification in Beirut?**

Since the 1990s a conflict was going on between the AORB and the Committee for the Rights of Tenants (CRT) that represents tenants with rent control contracts. The stepping up of legislative efforts to abolish the old Rent Law in the wake of the Ashrafieh's tragedy exacerbated this conflict. Both sides increased their lobbying efforts, and they organized protests and demonstrations on a monthly, if not a weekly, basis. It was at the height of this mobilization in summer 2013 that the CRT framed rent control in a wider context, especially as an obstacle to gentrification.<sup>218</sup> For the CRT, totally liberalizing rent would ultimately lead:

“To destroy what is left of co-existence spaces; to empty Beirut of its middle and low income population; to enable the control of real-estate companies and banks over what is left of Beirut's old building stock, and to use it for speculation purposes; to facilitate the demolition of what is left of Beirut's built heritage; and to assist in the destruction of the historic, social and architectural memory of Lebanon” (NNA 2013a).

This discourse aimed to widen the mobilization, and to attract various rights groups, especially those active in the preservation of the urban heritage (see 7.3.2.4.). While it is true that many of middle to low-income people in Beirut lived in rent controlled dwellings, the other arguments of the CRT can be a subject of debate. For example, it was seen earlier that the practical way to abrogate rent contracts was to demolish the building, and that real estate developers were targeting such buildings. Moreover, the policy of the CRT was not to intervene on a case-by-case basis regarding the abrogation of rent contracts. They considered such cases as a private matter between the tenant and the landowner, conducted within the framework of law, and the payment of a proper compensation. The sole focus of the CRT was on the constant renewal of rent control (Ashkar 2013). The attempt by the CRT to widen the mobilization was not successful for many reasons, including that urban heritage organizations were in favor of liberalizing rent (Cochrane 2012). Nevertheless, their narrative that rent control was a barrier to the frenzy of real estate boom and speculation, and consequently to gentrification, was widely adopted among activists

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<sup>218</sup> Note that until this date there is no Arabic word for gentrification.

and researchers, and rent control was seen as the last obstacle against the total commodification of land in Beirut (Marot 2015). In gentrification studies the relaxation of rent control or its abolition are usually considered as a support, or even a trigger for gentrification (Slater 2010). Therefore, in a setting where two forms of rent, controlled and liberalized coexist, it looks more likely that gentrification would proceed within the context of liberalized rent. However, this does not seem to be the case in Beirut, at least for the demolition-reconstruction based gentrification (Ashkar 2011; Boissinot and Catusse 2011; see 8.1.). As noted earlier landowners of rent controlled buildings were more prone to sell their property for a demolition-reconstruction process.

The law abrogating rent control, Enforceable Law no. 2/2017, is still not implemented till this date. And a clear assessment of its implications requires an enough passage of time. No doubt the total abrogation of rent control will impact many aspects of the production of and use of space in Beirut. But maybe the only certainty is what Nassib Ghobril, the chief economist of Byblos Bank Group, said:

“It will certainly have an impact on the market because property owners will be able to generate real income from their property if they want to keep their tenants and agree with them. If they want to recuperate their property, they can decide to put it on the market or give it to their children, or some may want to refurbish it. It is an individual decision” (Schellen 2014b).

Landowners of rent-controlled buildings would then have the same privileges as the other group of landowners, and the large gap created by rent control would then disappear.

#### **7.2.3.2. An excuse to demolish old buildings**

Aside from accelerating the demise of rent control, the collapse of the building in Ashrafieh led to the demolition of many old buildings. In the aftermath of the tragedy an atmosphere of confusion was created regarding the safety of old buildings. This began with the president of Beirut Municipality declaring without any evidence that 20 percent of historic buildings in the city were in danger of collapse (Bajjaly 2012a). Many landowners pinned signs on their buildings, warning of their imminent collapse, even though most of these buildings were structurally sound. This move was intended to evict rent control tenants, and under this pretext some of these tenants were evicted and several buildings were demolished (Bekdache 2014). In addition, Beirut

Municipality entrusted a company with an inspection survey of old buildings. Soon after, rent-control tenants in certain buildings received letters from the municipality asking them for an immediate evacuation under the pretext of the imminent collapse of the buildings. Later it turned out that the targeted buildings were not only well preserved, but were also on the list of the buildings whose demolition is prohibited (see 7.3.2.1.). A collusion took place between the Municipality of Beirut and some real estate developers to hasten the construction of certain projects: first, by accelerating the eviction of tenants, and second, by removing the obstacles of listed buildings (Bajjaly 2012b).

#### **7.2.4. Partial conclusion**

In general in gentrification studies rent control is viewed more or less as an obstacle against gentrification, while rent liberalization is considered as a main facilitator of this process. After all, it was the decontrol of rent in the UK that was a main factor behind the gentrification described by Ruth Glass (Ashkar 2014b). The case of Beirut provides a context where these two types of rent laws coexist, but still; it has to be considered as a special case. First, the main dividing line between these two types is the date of signature of these contracts, before or after 1992, and therefore controlled rent is confined to older buildings, many of which are going through a cycle of revalorization.

Second, both rent regulations in Lebanon can be considered as somewhat extreme in comparison to similar legislations in other countries. For rent control, prices are so low and the conditions to abrogate these contracts are very strict and relatively costly to small landowners. In this case the capitalized ground rent is also very low, and consequently, a large rent gap has developed. The financial requirements to abrogate contracts basically eliminate the possibility of landowners to profit from this large gap, and favor the intervention of large capital. Moreover, the most practical way to abrogate these contracts, the demolition-reconstruction process, facilitated an urban renewal stemming particularly from this process. Rent control regulations are supposed to lessen the commodification process (Bernt 2017, 43). However, in Beirut's case, with the large rent gap and the mentioned clause to abrogate rent, rent control became a main mechanism of urban renewal. The emergence of this rent gap is less

related to the devalorization of property, but more the result of inadequate rent regulations. On the other hand, post-1992 rent contracts are totally liberalized with no restrictions whatsoever on rent prices. This, coupled with an increasing demand for housing permit landowners to increase the capitalized ground rent by continuously raising rent price. In many cases this increase in capitalized ground rent is not accompanied by an upgrading of space, thus ruling out the spatial component of gentrification (see 1.1.). Therefore the simple act of raising rent cannot be considered as gentrification. For liberalized rent contracts, the continuous increase of capitalized rent does not rule out the emergence of rent gap, but in any case it would remain much smaller in comparison to the gap in rent control cases.

The above depiction applies mainly to residential rent. For rent controlled commercial spaces the situation and dynamics differ. The increase in rent for these spaces in the 1990s made them more or less closer to market prices, which means that landowners have a relatively better income from their properties. In addition, the clause of demolition-reconstruction for abrogating old contracts does not apply. Nevertheless the gap between old and new contracts persists, mainly because for the latter there is the possibility of a periodical and considerable increase in rent.

On a final note, the argument that neoliberalism is a return to economic liberalism (see 2.2.) cannot be clearer than in the case of liberalizing rent in Lebanon, since it was achieved just by reverting to the 1932 legislation.

### **7.3. Urban heritage regulations**

In the past century municipal Beirut experienced a heavy densification of the built environment, to the point vacant parcels had become a rarity in the city. In 2009, it was reported no more than 200 vacant lots in Beirut suitable for construction (Abu Zaki 2009), and according to the geographer Ali Faour, by 2014 this number has dwindled to around 100 (Baradii 2014). This figure might not be totally accurate, but they are indicative of the scarcity of available land for construction. Consequently, most of new real estate developments had to be built in place of existing structures. Beirut had a large stock of old buildings, many of them are considered to form the built heritage of



the city and they occupied prime lands in Beirut. Preserving these buildings would pose serious obstacles in face of new projects. In addition, another major obstacle for the real estate industry is the archeological ruins buried underneath the city, especially in and around the Central District. Beirut has been inhabited since prehistoric times. By the third millennium BC, it was already a fortified city with two harbors. And in the first century AD, it experienced a considerable urban growth, as it became a Roman colony, and the seat of an influential law school. This is a glimpse of the rich history of the city. Subsequently, it is nearly inevitable not to stumble on archeological ruins while constructing a project in the center of Beirut.

Lebanon is still lacking proper legislations to protect the built heritage. The main regulation in place is still the outdated 1933 High Commissioner decision on antiquities.<sup>219</sup> This legislation protects selected pre-1700s monuments and sites from demolition, and the land of these protected structures have to be expropriated. This subchapter in its first part, addresses the issue of archeological findings, and in its second part, discusses the major measures taken to protect the built heritage in Beirut, especially what is official known as the list of buildings whose demolition is prohibited.

### **7.3.1. Towards the privatization of archeological findings**

In Beirut most archeological findings are clustered in and around the Central District. During the early stages of the reconstruction of this district, Solidere intentionally bulldozed many archeological sites, including most of the Phoenician city, some parts of which dates to 3000 BC (Haddad 1998). Under pressure from many rights groups the reconstruction process was delayed for proper excavations. However, only seven sites were retained, and put on the general antiquities inventory, with the rest of the findings either transferred outside that area, or were illegally demolished by Solidere. The Roman Baths was the site that received proper maintenance the most, and was surrounded by a public garden and a public square. One of these sites, a neighborhood dating to the Persian and Hellenistic periods from the fifth till the third century BC, was incorporated underneath Beirut Souks (Massena 2014). If in the 1990s, Solidere accepted to amend its master plan to accommodate these seven sites, later

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<sup>219</sup> High Commissioner decision on antiquities of November 7, 1933.

archeological findings were deemed an obstacle to real estate development, and they did not received similar treatments. For example, in 2012, with the implicit backing of the government, a real estate developer demolished the ruins of a Phoenician port in the area of Minet al-Hosn (Meguerditchian 2012). The discovery of a Roman hippodrome<sup>220</sup> in 2007 in Wadi Abu Jmil area posed a bigger problem for Solidere because, first, it occupied a large part of this neighborhood, and second, it was listed in the antiquities inventory in 2009. Still, and after lobbying from Solidere and the developers of this site, the Ministry of Culture removed the hippodrome from the list in 2012. Parts of the Roman racecourse were dismantled, while others were demolished. The then Minister of Cultural justified this decision by claiming “the state cannot acquire properties in Downtown Beirut” (Makarem 2014, 290). The archeological findings multiplied, namely with the discovery of a second site of Roman baths just to the south of Saifi Village, and of a third and large bath just to the west of the Central District. In the latter case, faced with public pressure to preserve the site, the Ministry of Culture asked the developer to preserve the baths in their location, and incorporate them within the design of the new high rise. As usual, the Ministry of Culture cited the lack of financial means to purchase the land, and stated that the access to the baths, by now part of the high-rise lobby, would be open to the public (Bajjaly 2013). The developer accepted to integrate the archeological findings in the design, and used it as additional element to promote the sales of the high rise’s apartments (Massaleh Real Estate 2014). While the archeological site underneath Beirut Souks is owned by the State, these baths remained a private property, and any access to them is conditioned by the approval of the company that runs the high rise. This case represented a precedent for the privatization of archeological findings, and this model of “integration” was also offered to other developers in the Central District, especially in the case of the second discovered Roman Baths.

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<sup>220</sup> Beirut’s Roman hippodrome turned to be one of the largest racecourses in the eastern part of the Roman Empire.



Image 13: Parts of Roman Baths underneath the lobby of the high-rise Saifi Crown. Source: Halawi (2014).

### 7.3.2. The deficiency of built heritage regulations

In the 1990s, and in light of the demolitions in the Central District, the question on preserving the urban heritage received much attention, and urban heritage movements were pushing for the promulgation of law that protects this heritage. In 2007, the government referred a bill on this matter to parliament,<sup>221</sup> but the latter never debated it. A very similar bill was put to parliament in 2017, and it is still awaiting debates (Preston 2018). The articles of these two bills are very ambiguous, and still in need of further development.<sup>222</sup> However, they aimed for the preservation of individual buildings, as well as of urban sectors, and providing incentives for this preservation. According to these bills, and under the pretext of the large public debt, the State does not provide financial assistance for the landowners of such buildings; but rather they were offered a “transfer of development rights.” In other words, landowners can sell the additional theoretical square meters, which the TER allows them, to neighboring developments (Ashkar 2011, 108-109). The Ministry of Culture promoted these bills as in offering a law that is “fair for everyone” (Byrns 2011, 93). Nevertheless both bills

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<sup>221</sup> Enforceable Decree no. 1057/2007.

<sup>222</sup> Interview with Rifai, September 19, 2011.

were criticized as yet another measure benefitting the real estate industry, and without providing an efficient preservation scheme (Bajjaly 2007; Preston 2018). Meanwhile, and since the late 1990s, the Minister of Culture had resorted to some regulations and measures to protect parts of this urban heritage, with limited success:

### 7.3.2.1. The list of buildings whose demolition is prohibited

In 1995 the urban heritage organization, APSAD,<sup>223</sup> draw up a list of 1051 buildings – with so-called traditional character – in Beirut, apart from the Central District, which are ought to be preserved. The Ministry of Culture adopted this list and a decision was made prohibiting their demolition. The owners of these buildings asked either for this decision to be revoked or to receive financial assistance from the State. In response, the Minister of Culture commissioned an architecture consultancy firm for a detailed survey of the APSAD list. This last survey retained nearly half of these buildings, which are located on 459 parcels, and they were classified according to five categories. This survey was criticized for reducing the number of listed buildings, and for adopting criteria that would lead to further delisting. This was particularly evident for the last category, since the criteria for preservation openly implied that these buildings were not worth being preserved.

Category	Criteria	No. of parcels
A	Buildings linked to historical figures; featuring special architectural and artistic qualities; generally in good shape and requiring a minimum of restoration work.	34
B	Buildings not linked to specific historical events but are representative of a certain time period or of a distinct architectural style.	127
C	Similar to category B, but consist of buildings that suffered significant damage due to war or negligence.	48
D	Buildings with no significant historical value and not linked to a specific period, but feature distinctive architectural elements.	161
E	Buildings with no historical or architectural value because: <ul style="list-style-type: none"> <li>- They are less than 50-60 years old.</li> <li>- They do not follow traditional architecture criteria.</li> <li>- The original architecture/design was fundamentally changed/altered.</li> <li>- Considerable amount of new materials were added to the building.</li> <li>- They constitute a danger due to structure flaws.</li> <li>- They are too expensive to rehabilitate.</li> </ul>	89

Table 11: The 1998 listed buildings: category, criteria for preservation, and number of preserved parcels.

The last two categories were to be removed from for the list in 1999. Source: APLH (n.d.).

<sup>223</sup> Association pour la Protection des Sites et Anciennes Demeures.

On the opposite side, arguments were advanced that the number of buildings to be preserved in Beirut, apart from the Central District, had to be equal to the number of buildings preserved in the Central District, i.e. 265 (Brones 2010, 176). In 1999 the government issued Decision no. 32 that retained buildings of the first three categories on the list, therefore decreasing the number of protected structures to nearly 250, by preserving 209 parcels. This protection was done through the inclusion of these parcels on the antiquities inventory for a temporary period of 10 years. Aside from that, no other measures were taken to preserve or maintain these buildings, and no incentives or financial assistance were provided to their owners (*ibid.*, 186-187).

Throughout the years, owners of these buildings would try to delist their properties, and real estate developers considered them as an obstacle to the development of their industry (Catusse Boissinot 2011). In the first decade following the issuance of the decision no. 32, the listed buildings were more or less maintained but the situation would change completely later on.

#### **7.3.2.2. 2000-2010: the protection of listed buildings, and the case of the high rise Ibrahim Surssock residences**

During the 2000s, many owners of listed buildings attempted to delist their properties, mainly through filing lawsuits against the Ministry of Culture. However the Ministry won all these cases in court, and the Directorate General of Antiquities (DGA) – the department directly responsible for this list – kept monitoring these structures closely. It was believed that only a couple of these buildings were unlawfully demolished.<sup>224</sup> But a case in the mid-2000s would pave the way for a different interpretation of preservation.

In early 2000s, the once immensely wealthy Surssock were in financial trouble. As a way to achieve quick profit, May Arida, the widow of Ibrahim Surssock and owner of the nineteenth century Villa Linda Surssock, considered the construction of a high rise in the garden of her mansion. The garden was sold to MENA Capital in return for five apartments in the new high rise for the Arida and Surssock.<sup>225</sup> The parcel on which the mansion stood and included the garden was on the preservation list. The lawyer of

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<sup>224</sup> Interview Khaled Rifai, September 9, 2011.

<sup>225</sup> Interviews with Fifi Kallab, May 7, 2013, and with a director at MAN, May 7, 2011. Note that this garden separated Villa Linda Surssock from a yet another Surssock palace turned museum.

Arida was a former influential minister, Fouad Boutrus, lobbied the then Minister of Culture Tariq Mitri. The latter issued a decision that the non-built part of a parcel was not a subject for preservation, and therefore the high rise can be constructed.<sup>226</sup> The APSAD, headed by Yvonne Sursock-Cochrane, the cousin of Arida, supported this move. The architect of the high rise was Ziad Akl, another member of APSAD, who at the time was also member of the HCUP. And the HCUP gave its approval for the construction of the high rise (Brones 2010, 200). This case discredited the APSAD, which was not only the main urban heritage organization, but was also the driving force behind the establishment of the preservation list. Later on, two urban heritage movements emerged, Save Beirut Heritage (SBH) and the Association for the Protection of the Lebanese Heritage (APLH). But most importantly, this case opened a breach in the preservation list.



Image 14: Villa Linda Sursock, and the high rise Ibrahim Sursock Residences. Photo by author, 2017.

### 7.3.2.3. Post-2010: the continuous dwindling of the number of preserved buildings

As noted, the Ministry of Culture was successful to fend off the attempt to delist buildings in court. And then in one case in June 2011, the State Consultative Council — the supreme administrative court in Lebanon — issued a resolution allowing the

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<sup>226</sup> Interview with Fifi Kallab, May 7, 2013, and Khaled Rifai, September 9, 2011.

demolition of a listed house in the neighborhood of Zoqaq el-Blat, owned by a real estate company (Bajjaly 2011b). This decision was based on the fact that the time period for the demolition ban had ended in 1999. The Ministry of Culture forgot to renew the preservation regulation. And although the government hastened to issue another ten-year ban period, this time gap was enough for the demolition of a good number of listed buildings.<sup>227</sup> In addition to this incident, the fragility of the preservation list laid in the status of the regulation. It was not a law or a decree, but rather a government decision, and therefore it is subject to the decisions and interpretation of the Minister of Culture, as seen with the Surssock case. In 2011, the Minister of Culture, Salim Warde, argued that the preservation of a building could be achieved by preserving its façade only. This interpretation was mainly to facilitate the construction of AYA tower in Mar Mikhael. The company developing the project was Har Properties, which was owned by the youngest son of Rafic Hariri (Byrns 2011, 93). Based on the preservation of façades, Warde allowed the demolition — except of their façades — of four listed buildings, two of which owned by the minister Michel Pharaon, and the other two for the development of AYA (Bajjaly 2011a). This interpretation set another precedent, and many listed buildings were demolished except their façades, which were incorporated in the new real estate developments.

The collapse of the Ashrafieh building in 2012 (see 7.2.3.) would lead to further demolitions of listed buildings. By 2015, it was estimated that around half of the originally listed buildings are still standing. But even with these low numbers the listed buildings constituted an obstacle to real estate developments, and several of these projects were aborted because a building was on that list.<sup>228</sup> And nowadays, some of these buildings were converted into restaurants, while most of the rest housing rent control tenants, were left in a state of decay (Rahhal 2013).

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<sup>227</sup> Interview with Khaled Rifai, September 9, 2011.

<sup>228</sup> Interviews with Antoine Kowayess, April 27, 2011, with Jamil Ibrahim, September 19, 2011, and with Leila Azzi, April 30, 2013.

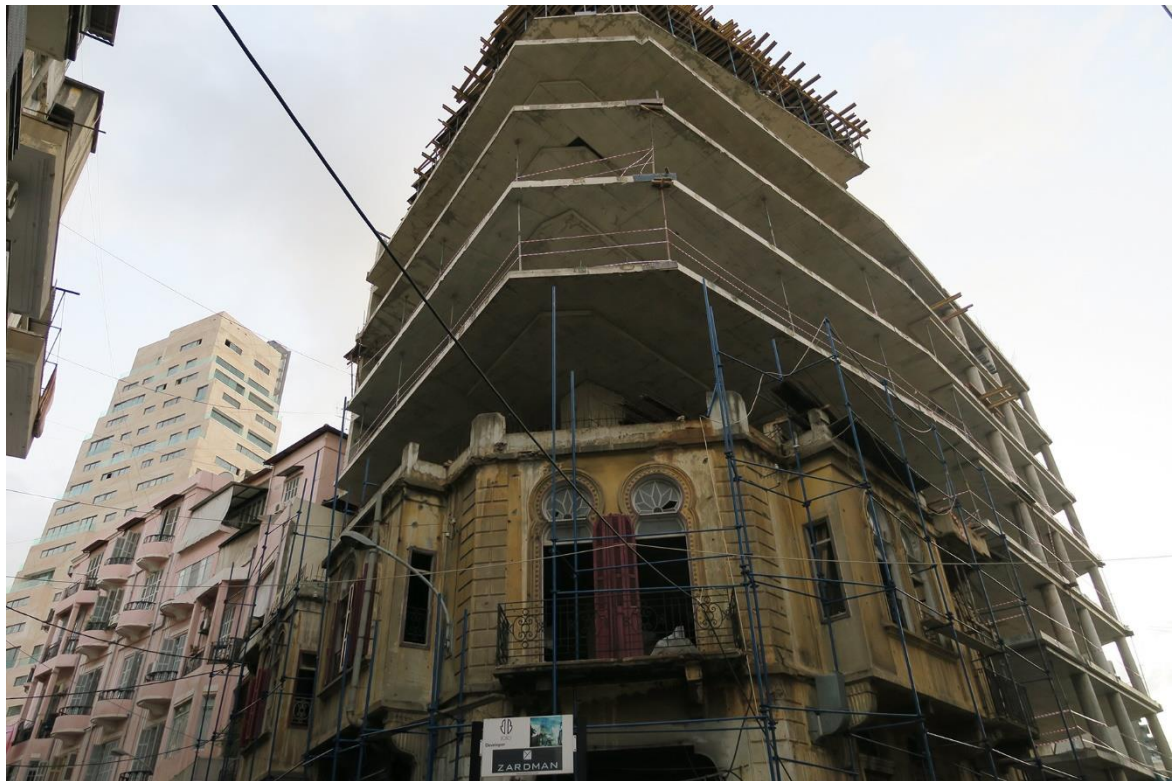


Image 15: A listed building in Mar Mikhael that was demolished except its façade, which was incorporated in the real estate project Bobo Residences. AYA tower, which set the precedent of *façadism*, can be seen in the background, to the left. Photo by Saseen Kawzally, 2017.

#### **7.3.2.4. The built heritage movement, and other inadequate measures for heritage protection**

Aside from listing buildings, the DGA made several attempts to preserve the built heritage. The DGA was the main public body to push for the study on Gemmayze (see 5.3.3.). And in 2009, with the accord of the Ministry of Interior and Beirut Municipality, the DGA was granted a power to veto demolition permits, which led to a halt of the demolition of around 80 buildings in the period 2008-2010 (Ashkar 2011, 105). Nevertheless, this cooperation between public bodies did not seem to endure, as Beirut Municipality did not show interest in stopping the demolitions.<sup>229</sup> The DGA actions were backed mainly by urban heritage groups, SBH, and APLH. These two groups emerged in 2010 in the wake of demonstrations to save the built heritage, and for a brief period of time they became a significant pressure group, influencing the decisions of the Ministry of Culture. By mid-2010s, they seemed to run out of steam, their activities declined considerably, and even a founding member of SBH declared, “There are nearly no

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<sup>229</sup> Interview with Khaled Rifai, September 9, 2011.



buildings left to protect.”<sup>230</sup> In early 2010s, the urban heritage movement became the main opposition for the demolition-reconstruction based gentrification. However, their main concern was to protect buildings with little interest to their inhabitants, which most of them are rent control tenants. And in a position that mirrored that of the CRT (see 7.2.3.1), they considered the evictions of these tenants as a private matter between tenants and landowners, regulated by the law (Ashkar 2013).

### 7.3.3. Partial conclusion

In general, the built heritage and archeological findings form an obstacle to real estate developments, especially in a very dense city like Beirut. This appeared to be the main reason why the consecutive governments and parliaments had failed to develop proper legislations on these two issues. When it comes to archeological ruins the State, under the pretext of lack of funds, was willing to accommodate the new discoveries to the benefit of the real estate industry. Some were destroyed, with the complicity of the State, others were removed from the site, and more recently they were de facto privatized. As for the urban heritage, and under pressure from heritage movements, the State adopted some measures to protect a small number of buildings. Still, these measures were inadequate. They consisted of a ban on demolition, without the provision of any assistance to preserve or maintain these buildings. In addition, this measure was at the whim of the various interpretation of the meaning of preservation.

Many researchers have showed that heritage preservation engendered gentrification (Zukin, 1987; Carpenter and Lees 1995; Smith, 1996). But this was mainly due to the financial assistance and incentives that accompanied the preservation decision. In a context such as in Beirut the lack of this assistance pushes landowners to find other ways to profit from their protected buildings, including the option of demolishing them. Listing a building and its parcel for preservation would lower the potential ground rent. But since this protection is temporary, and subject to a possible termination, this leads to the emergence of another potential ground rent. Therefore, it can be argued that in this case a parcel of land has two potential ground rent: 1) an actual potential ground rent, which is limited by the existing conditions and

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<sup>230</sup> Interview with Giorgio Tarraf, April 18, 2013.

restrictions; and 2) a probable potential ground rent, which is related to a probable circumventing or canceling of these conditions for certain cases.

#### 7.4. Conclusion

The aim of this conclusion is to shed light on the correlation between the three sets of legislations discussed in this chapter. But prior to that it is necessary to look at their role in the Central District. First, as discussed earlier, the Construction Law is subjected to the conditions of the master plan in place. In the case of the Central District the master plan restricts the two elements of the Construction Law that have the most effect on enlarging constructions: 1) identifying the building height for every parcel nearly eliminated the role of the envelope, and 2) brushing aside the notion of the TER, allocating constructible square meter per plot, and imposing many conditions — for example, the interdiction of a pilotis floor (Achkar 1998, 113) — greatly reduced the impact of the exemptions to the TER. Second, the expropriation process entailed the abrogation of all previous rent contracts before the establishment of Solidere in 1992, therefore no rent control contracts exists in that area. As for liberal rent contract, and since the reconstruction of the center is still an ongoing process, it is yet too early to assess their impact. Third, the list of protected buildings includes buildings in Beirut, but outside of the Central District. Buildings to be preserved in that area are identified by the center's master plan. What remains is the regulation on antiquities. The archeological findings did to a certain degree alter the Central District master plan. However, the inclusion of such sites on the inventory of antiquities is mainly a political decision, and since the mid-1990s no archeological site was permanently added to this list. In sum, the impacts of these regulations are greatly reduced in the center, because of the special regulations for this area and of the political corruption.

The State's approach towards these legislations differs markedly. For some, there is a permanent effort to amend or develop, for others; there is a keen interest to preserve the status quo. However, these different approaches share the same objective: the extraction of more profit from land, be it by allowing more exploitation and liberalizing rent, or by not imposing restrictions.

The three sets of regulations can interact in several ways, still, the main correlation can be interpreted as follows: on one hand the combination of the Construction Law and Beirut master plan increases considerably the potential profit from land. In the dense urban setting of Beirut, this mainly has to materialize through a demolition-reconstruction process; on the other hand the rent control deprives landowners from a relevant profit from their properties. To achieve this profit, contracts have to be abrogated, and the most practical way to do so is also through a demolition-reconstruction process. And the lack of adequate regulations on the built heritage facilitates this process.

In addition, these regulations had a significant impact on the rent gap. The amendments to the Construction Law and the rent control increased the rent gap. In the former case, this was done through raising the potential ground rent, and in the latter, by ensuring a very low capitalized ground rent. Liberal rent contracts do increase the capitalized ground rent, but with the existence of high potential ground rent due to construction regulations, the continuous increase in rent according to this law would not lead to a situation where this form of capitalized ground rent would reach the potential ground rent. Therefore a rent gap persists in the case of liberal rent, although it is lesser than the one in the case of rent control. The absence of proper regulations on preservation ensure the potential ground rent is not capped. Moreover these regulations allow a different interpretation of the potential ground rent. The highest and best use of land can differ according to many factors such as speculation or market dynamics, but in Beirut's case regulations add another dimension. First, the construction regulations mainly through the exemptions render the highest exploitation of land subject to geometrical prowess and mathematical ingenuity. And therefore, different designs of a certain project lead to various, and sometimes disparate, potential ground rents. Second, the possibility of removing certain restrictions that limit the potential ground rent permits the emergence of yet another potential ground rent. The significance of this probability is that its mere existence drives the actors of change to push towards its realization.

The combination of these legislations increases the rent gap all over Beirut — aside from the Central District. Still, it is relevant to point out that this rent gap cannot be the same all over the city due to the influence of other factors. In any case, the existence of a rent gap does not necessarily lead to gentrification (see 1.2.1.). But this

existence allowed this transformation to occur, and it took different forms in different places. The following chapter will discuss this issue through the cases of Furn al-Hayek and Mar Mikhael, and it will also highlight the role of laws and regulations beyond the stage of facilitating gentrification.

## Chapter 8. The gentrifications of Beirut

This chapter discusses the gentrifications in the rest of Beirut. Contrary to the case of the Central District these gentrifications developed under the same sets of laws and regulations. Two marked forms of gentrification are considered. The first is a residential gentrification based on a demolition-reconstruction process, and mainly resulting in construction of upscale high rises. This form is linked to the post-war real estate boom and land speculation, and the chosen case is of the neighborhood of Furn al-Hayek. And although this area is not considered to be the most, so-called, prestigious neighborhood in Beirut, it came to typify the wave of upscale construction as it became a main target of real estate developers in anticipation of the last real estate boom. The second form is a mixture of commercial and nightlife gentrification, due to the development of the food and beverage, and creative industries. This gentrification is based on renovation, and on the replacement of small commerce or workshops with bars, restaurants, and creative industries. This was particularly the case of Mar Mikhael that became the latest trendy neighborhood in Beirut, and whose case is discussed in this chapter. The interpretation of creative industries is still a matter of debate (Peck 2005; Galloway and Dunlop 2007; Potts and et al. 2008). For this thesis, creative industries are limited to small and medium enterprises related to the arts, crafts, and design (ACDs) community, and they encompass the following activities: advertising, music, movies, architecture, information technology (IT), fashion, design (jewelry, furniture, or others), and so on. They also include “supporting industries” such as specialized bookshops or conceptual restaurants (Medneta 2014). In brief, what characterizes creative industries is their size, and the alternative form or quality of the products they offer, which also contains a creative dimension.

The two forms of gentrification are discussed in two separate subchapters, each divided into three parts: 1) the former situation, 2) the context of change, and 3) the transformation. The combination of the first two parts allows the understanding of reasons behind the development of the specific form of gentrification in the relative

neighborhoods. The last parts in the subchapters depict the gentrification from different angles, emphasizing its development and outcome, and highlighting the role of laws and regulations in the process.

### **8.1. Demolition-reconstruction gentrification in Furn al-Hayek**

Eric Clark (2005, 258) noted that the greater the difference in socio-economic status between former and a new residents, the more marked will be the accompanying change in the built environment, and gentrification process will be the more noticeable. This is exactly the case of the dominant form of gentrification in Beirut, which is on a demolition-reconstruction process. Old buildings, one to five story high, were demolished to make place for the construction of high rises that are totally disconnected from their immediate environment. These towers are basically vertical gated communities, a vertical class segregation that appears to gain momentum all over the world (Graham 2016). The starting price of these apartments in 2010 was no less than USD500,000 (Alami 2011, 36),<sup>231</sup> a sum equal to 125 times the minimum yearly wage,<sup>232</sup> rendering them inaccessible to the vast majority of Lebanese. The displaced residents were low to middle income population. The vast majority of them were rent control tenants, and they received compensations ranging between USD20,000 and USD250,000. Still, even the highest compensation would not allow them to live in the new high rises. Most of the incoming population was either affluent Lebanese, which these apartments represent an additional address in their real estate portfolio, or Lebanese expats mainly those working in the Gulf monarchies, who would only use these apartments few months per year. Consequently, these upscale high rises would remain vacant most of the time.

This form of gentrification developed in many neighborhoods in Beirut (see Map XX.), but the focus of this chapter is on the area of Furn al-Hayek. Officially, there is no administrative unit by the name of Furn al-Hayek. The sector of Furn al-Hayek is one

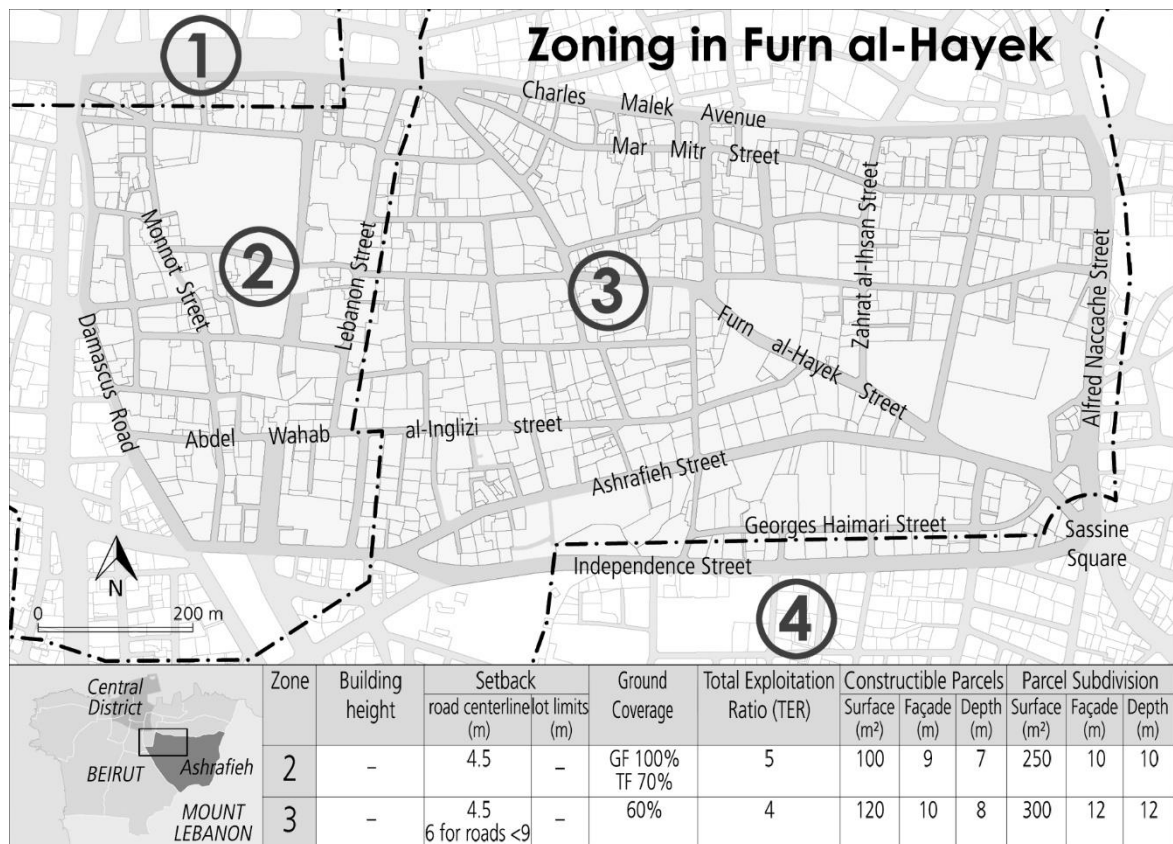
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<sup>231</sup> Note that the starting price in upscale high rises is much higher. For example, the starting price of an apartment in Trabaud 1804, in Furn al-Hayek, is USD1,500,000 (See Appendix D).

<sup>232</sup> Between 2008 and 2011, the minimum monthly wage in Lebanon was USD333. In January 2012, the Lebanese government raised the minimum monthly wage to USD450 (Decree no. 7426/2012).

determined by the subdivisions made by the electricity company (see 3.3.1.), and is enclosed by the following streets: Lebanon Street, Abdel Wahab al-Inglizi Street, Zahrat al-Ihsan Street, and Mar Mitr Street. However, this thesis considers the wider area of Furn al-Hayek, which most real estate developers labeled as the *Golden Triangle* or the *Golden Square*. This area has a rectangular shape and is bordered by relatively wide streets: Damascus Road, Independence Street, Alfred Naccache Street, and Charles Malek Avenue. This area is the northwestern slope of the Asharafieh hill. At the top of the hill sits Georges Haimari Street, at around 95 meter above sea level, which makes it the most coveted place by developers due to its strategic location.

A very relevant point to make is that Furn al-Hayek is part of Zones 2 and 3 of Beirut master plan, with a TER of 5 and 4 respectively, which permits the construction of large volumes. These zones do not have a height limit, and it was shown earlier that a parcel of around 1,500 square meters in Zone 3 was sufficient to erect a 23 story high building (see 7.1.5.2.). This situation is easier to achieve in Zone 2 as it has smaller dimensions for parcel subdivision (see 7.1.4.1).



Map 10: Zoning in Furn al-Hayek. Illustration by author. Source: DGUP.

Examining the case study begins with a depiction of the former situation of the area. It then proceeds by discussing the context of change, which is the post-war real estate booms. And it concludes by addressing the transformation itself. For the last point, the displacement of population and the demolition of previous spaces are discussed but the main focus is on the new spaces and their users, in other words, on the materialization of the form of gentrification.

### **8.1.1. Former situation: Furn al-Hayek, a socially mixed neighborhood with a bourgeois reputation**

In the early 2000s, Furn al-Hayek was a mixed neighborhood on several levels. On the social level different classes coexisted, from the old mercantile bourgeoisie to some of the urban poor.<sup>233</sup> However the majority of its population belonged to the middle class. And although a good number of them were impoverished during the war period, many of them retained the cultural aspect of an urban petite bourgeoisie, even though lacking the necessary financial means. It was also a mixed-use neighborhood, with commerce and services occupying ground floors of residential buildings. The main roads surroundings Furn al-Hayek mainly harbored office buildings, while some small-scale manufacturing existed in the inner area. On the physical level it was a heavily built neighborhood, with a large stock of old buildings.

Certain neighborhoods in Beirut, such as Furn al-Hayek, have a reputation as being bourgeois areas. This mainly has to do with the historical formation of the neighborhood rather than a reflection of an actual situation. In the nineteenth century many of the aristocratic bourgeois built their mansions and palaces on the western slope of the Asharafieh Hill. The Sursock settled on the lower part of the slope, while others, such as the Bustrus or the Trad families constructed their mansions further up the hill. These areas are now known respectively as Sursock and Furn al-Hayek neighborhoods. In the second part of the nineteenth century, these areas began to experience urban densification; first it attracted the less wealthy bourgeoisie, then the various social classes. This process was accelerated in the early twentieth century with the fragmentation of the large estates, the diminishing power of the urban aristocracy

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<sup>233</sup> The old bourgeoisie had their mansions scattered all over the neighborhood, while the poor were mainly concentrated around Makarem Street to the south of Furn al-Hayek.



and the emergence of a new middle class of professionals, bureaucrats and small merchant (Saliba 1998, 2). Many of the newcomers had the financial means to acquire land and construct three to six story buildings, many of which they were put on the rental market (Gholam-Khoury 1998, 81). At the eve of the civil war Furn al-Hayek was a diverse area in terms of social classes, with a majority of its residents being middle-income population living in rented housing. During the war years, this area retained most of its inhabitants, and accommodated a relatively few number of refugees. Only a narrow strip along the demarcation line was abandoned, but dwellings as near as 100 meter from that line remained inhabited all along this period.<sup>234</sup> In the early 1990s, the social fabric in Furn al-Hayek did not change much in comparison with the pre-war years. The main difference was that many inhabitants were left poorer, but since a good number of them had rent control contracts they paid little to no rent.

Furn al-Hayek was also diverse in terms of land use and economic activities. From the late nineteenth century, it developed as mixed-use area with commerce and other economic activities occupying ground floors of residential buildings. Most of these activities took place along the main axes of circulation, such as Mar Mitr Street, and later on along Charles Malek Avenue, while they were more or less dispersed in the inner area of the neighborhood. During the war Charles Malek Avenue developed into an economic center for East Beirut. Office buildings up to ten stories high were constructed along this boulevard, many of which housed banks' branches or headquarters (Puyo 1998). In addition, small-scale manufacturing was part of the neighborhood's economy. Most notable among them were carpentry workshops that clustered around Trabaud Street. In the early 1990s Furn al-Hayek housed around a dozen carpentry workshops. However by 2013, only one of these workshops was still operational, and was solely run by a 76 year old carpenter.<sup>235</sup>

Furn al-Hayek, as most of Beirut, had narrow streets, six to ten meters wide. Narrow pavements bordered these streets, and their width rarely exceeded half a meter. Public spaces are nearly inexistent in this area, and they mainly consist of a small public garden on the northern edge of the neighborhood. On the other hand, Furn al-Hayek had a good amount of vegetation, with a wide variety of trees and shrubs that grow on private properties, thus adding to the architectural appeal of this area. The

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<sup>234</sup> Interview with Leila Azzi, April 30, 2013.

<sup>235</sup> Interview with carpenter, May 16, 2013.

building stock in Furn al-Hayek was a patchwork of nineteenth century mansions, the so-called traditional Lebanese houses, mandate era eclectic style building, and modern architecture of the 1960s and 1970s. In brief, Furn al-Hayek had a heterogeneity of architectural styles. However they had a main unifying element since they were all aligned with the streets. The traditional Lebanese houses are the main interest of urban heritage groups. These were mainly bourgeois buildings constructed in the late nineteenth century. Their plans consisted of a large central hall connecting the different rooms and functions of the apartment. The elevation of these houses varied between one to three floors. Their façade was dotted with three arches, and the house was topped with a red tiled roof. In the early 2000s, these buildings formed a large stock in Furn al-Hayek, and mostly inhabited by rent control tenants.

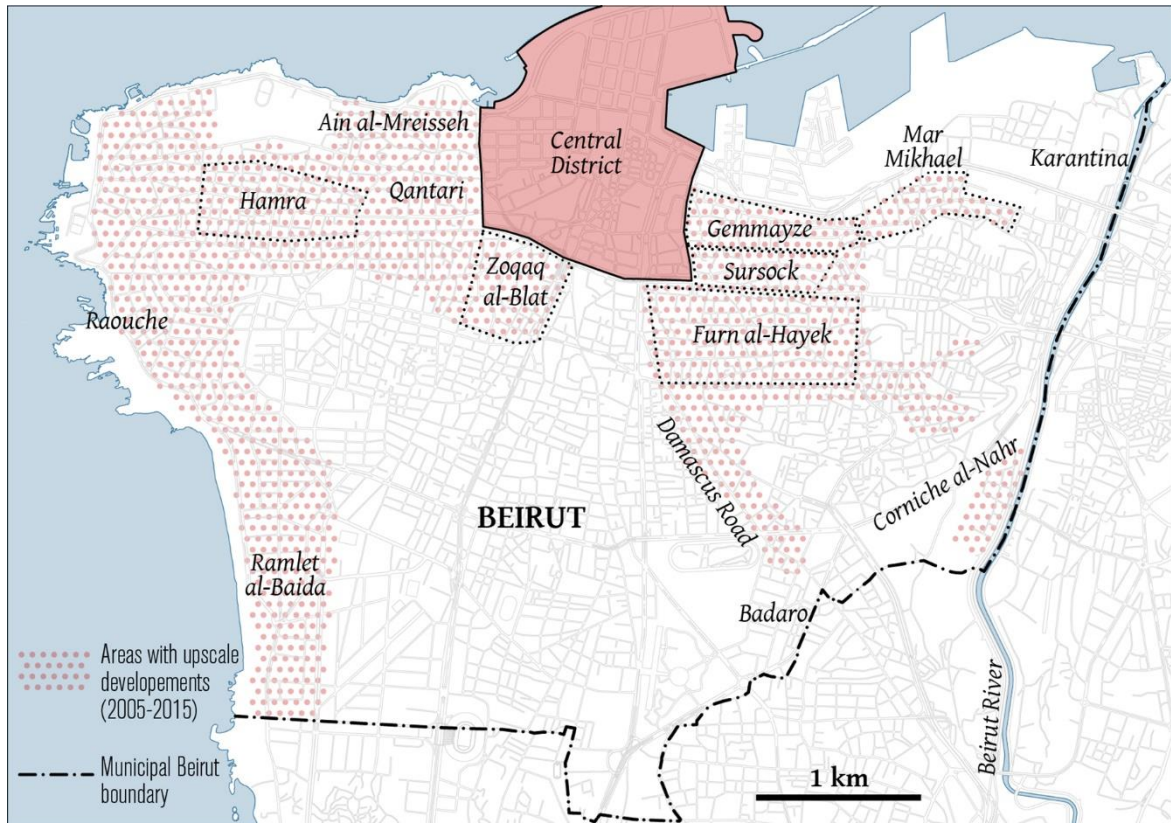
### **8.1.2. Context of change: real estate boom and speculation**

In the post-war period Beirut witnessed two real estate booms centered on upscale high-rises, the first in the 1990s and the second starting from 2005. It is within the context of the second boom that gentrification in Furn al-Hayek accelerated. Already some high rises were erected in the first boom, however most constructions during that period were gathered on the western shores of Beirut, in Surssock neighborhood, and to a certain degree in the Hamra — the most cosmopolitan area in pre-war Beirut, which still retains some of its cultural and commercial importance. In anticipation for the second boom, developers were looking for new neighborhoods, and their choice fell on Furn al-Hayek. Prices of land in this neighborhood were cheaper than say Surssock. Plus, it had a bourgeois notoriety. And not to forget it was not a popular (poor) area. In comparison to the neighborhoods surrounding the Central District, Furn al-Hayek had the best quality-price balance that the developers were looking for.<sup>236</sup> The 2005 boom began in the same areas like the previous one, but Furn al-Hayek became the symbol of

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<sup>236</sup> Interviews with Jihad Ibrahim, September 19, 2011, and with Paul Sahyoun, May 20, 2013. The choice of Furn al-Hayek can be best understood by a comparison with other neighborhoods surrounding the Central District: to the east of the center lays the commercial Gemmayze Street and the prestigious Surssock neighborhood. In comparison, Furn al-Hayek offered the advantage of lower land price, as well as being situated on higher ground. On the southern edge of the center, Bashoura was a popular area housing many of the war-displaced population and of the urban poor. To the west, Qantari was still scarred by war devastation. As for the southwest, Zoqaq al-Blat presented many similarities with Furn al-Hayek, be it on the social or architectural level, and even in terms of reputation. However, it was surrounded by popular areas, in contrast Furn al-Hayek was adjacent to Surssock. As the boom progressed, both Qantari and Zoqaq al-Blat would attract upscale developments in the late 2010s.

the construction boom nicknamed the Golden Triangle. With the progression of the boom the decrease of available land and the diminishing of the margin of profit – read, rent gap – in these areas, especially Furn al-Hayek, developers targeted new neighborhoods, such as Zoqaq al-Blat or Mar Mikhael. The following review discusses the anticipation to the boom, its development, and the speculation and price increase that accompanied it.



Map 11: Approximate areas in Beirut where upscale real estate projects were constructed in 2005-2015.

Illustration by author. Source: field survey by author.

### 8.1.2.1. Furn al-Hayek as the *Golden Triangle*

For most developers the early 2000s was a preparation period awaiting the next real estate booms. In the 1990s, most upscale buildings were constructed on the northern and western shores of Beirut. Sursock neighborhood had a good share of these projects, and few were built in Furn al-Hayek. Starting 2000, developers began promoting Furn al-Hayek and its surroundings as the new place for such projects. This area was dubbed the *Golden Triangle* (Khalaf 2001).<sup>237</sup> The choice of Furn al-Hayek was

<sup>237</sup> For other developers it was the *Golden Square*. Regardless, only developers and some journalists used this term, but it did not find its way to the general public.

mainly based on several factors: Its proximity to the Central District, the view that it offers to both the sea and the mountain, and the traditional character of the neighborhood. Although these attributes were shared with all the adjacent areas of the center, Furn al-Hayek had the advantage of not being a popular area or severely affected during the civil war, of having lower land prices than other prestigious neighborhood, like nearby Sursok, as well as being situated on higher ground than the others.<sup>238</sup>

In anticipation to the coming boom real estate investors and developers began to purchase land in Furn al-Hayek. By 2005 several projects were initiated in the area, and well-situated parcels were reaching premium prices (Boudisseau 2005). That year can be considered as the turning point, and the start of the second post-war real estate boom. This period also corresponds with the adoption of the new Construction Law in 2004, and its related implementation decree in 2005, which the real estate industry was lobbying for. The correlation between the new law and the boom was not accidental since many developers were putting their projects on hold awaiting the promulgation of that law (Ashkar 2015, 90).

#### **8.1.2.2. Real estate boom and bust**

Prior to discussing the real estate boom of the 2000s, two issues have to be addressed: First, that the real estate sector is affected by political and security instabilities, and second that the real estate boom in Beirut was linked to the 2008 global financial crisis. The first claim is usually advanced by developers in order to justify the crisis of their industry. However the latest real estate booms flourished amidst such crisis. As for the second, some researchers argue that the real estate boom was a result of 1) the political agreement reached after May 2008, and 2) Lebanon being shielded from the global financial crisis of September 2008, and therefore a significant financial capital flowed to Lebanon (Krijnen 2016, 98-99). While this flow of capital might have had an impact, as in prolonging relatively the boom period, it does not take into account two factors: first, a real estate project is a relatively long process through time. In Beirut, the time period for constructing a high rise is no less than five years from its start to its completion, and second, all the indicators point that the real estate boom was underway before May or September 2008. A simple example would be to look at the

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<sup>238</sup> Interviews with Jihad Ibrahim September 19, 2011, Charles Hadifé May 10, 2013, and Karim Makarem, December 10, 2014.

development of apartment prices (see Table 12), which shows that already in April 2008, these prices were nearly double in comparison to 2007.

It is fair to say that the boom began around 2005-2006, and showed signs of stagnation starting 2010. This boom developed along the same line of the previous one, as in it was dependent on upscale residential projects with large apartments, and its main target were Lebanese expats. At the beginning upscale projects were constructed in the same areas of the 1990s boom, the shores of Beirut and certain prestigious neighborhoods. The main difference was the prominence of Furn al-Hayek with the rush of constructing many upscale high-rises in that area, the scale of change in that neighborhood, and all the publicity and hype that surrounded it. Although prices in some other areas were still higher, Furn al-hayek came to symbolize this boom.<sup>239</sup> As the real estate boom developed, developers began targeting other neighborhoods, previously avoided in the 1990s, such as Mar Mikhael or Zoqaq al-Blat, a neighborhood on the southwestern edge of the Central District.

Fears of a bubble due to speculation were expressed by local and foreign finance institutions. In July 2008 the governor of Banque du Liban had already voiced his concerns of a bubble formation (Habib 2008), to reiterate another warning two years later (The Daily Star 2010). In the same year, the director of JP Morgan in the Middle East, Paolo Moscovici explicitly stated that “in Beirut there is a real estate bubble” and is in danger of bursting (McGinley 2010). And by 2011 the real estate industry went into a crisis, with no sign of recovery till this date. The bubble was bursting, but the ramifications of this crisis seemed to be more or less contained due to several factors, chief among them the successive stimulus packages by Banque du Liban (see 5.3.4.).<sup>240</sup>

### **8.1.2.3. Price increase, speculation, and the rent gap**

Speculation and astronomic price increases accompanied the real estate boom. These can be measured in two ways, the price increase of land and of new apartments. For the latter, economic magazines provide periodical prices on the available first floor apartments in new buildings. As for the former, the reliance is on estimates backed by

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<sup>239</sup> For instance, by reviewing *Executive Magazine* or *Le Commerce du Levant*, the number of articles on real estate developments in Furn al-Hayek exceeded that of other areas.

<sup>240</sup> Other reasons can also be listed; for example many big developers have their unsold apartments largely financed by banks, with significant monthly interest, which allow them to sustain a crisis for at least five years (Interview with Mohamad Wehbe, December 4, 2014).

a concrete example. As in most data on Lebanon, these estimates had to be treated with caution. Real estate experts put the margin of error on their evaluations to around 20 percent, and in some cases, it even goes up to 50 percent (Abou Lahoud 2001, 54). According to such estimates, it appears that land prices in Furn al-Hayek grew by tenfold between 1998 and 2011. In 1998, it was reported that the price of one square meter of land was in the range of USD1,000 to USD2,700 (Puyo 1999, 41). In 2004, and according to the director of CGI, the price of one square meter of land varied between USD1,500 and USD3,500 (Sidani 2004). While at the end of the boom in 2011, and according to the head of REAL,<sup>241</sup> Masaad Faris, this range was between USD15,000 and USD20,000. While commenting on these figures Faris hinted to the role of speculation, by saying that it is “an issue related to supply and demand. And the demand does not necessarily indicate the realistic price of land” (Nasr 2013). A concrete example from Furn al-Hayek approximately backs these estimates: in 2004 a two story old house in Gergy Zeidan Street was put on the market for USD2 million. This figure does not represent the value of the house, but rather of the land.<sup>242</sup> By 2007, the landowner was asking USD5 million, and two years later, this number rose to USD7.5 million. In 2010, the property was sold to a developer for USD8 million; however, to his dismay he discovered it was a listed building. Nevertheless, he sold it again for USD9 million in 2011. In this case, the price of land had increase by nearly fivefold between 2004 and 2011.<sup>243</sup> But if the real estate boom has led to a significant hike in land prices, the crisis that began in 2011 did not lead to a decline in these prices, as landowners were reluctant to drop their prices (Makarem 2017).

Another indicator on the price increase can be seen in the sales of new apartments. Looking at data provided by *Le Commerce du Levant* on the price of first floor apartments (see Table 12), an increase of around fourfold can be detected between 2001 and 2011, and since then there seemed to be price stagnation. Note that it would be misleading to compare apartments, since many variables exists, such as location of the high rise, the amenities provided, or the available new apartments on the market. Still, they provide an insight into market price tendencies in different parts of Beirut. In addition, they indicate the early hike in price in Furn al-Hayek in comparison to fairly

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<sup>241</sup> REAL, or Real Estate Association of Lebanon, is a union for upscale real-estate developers.

<sup>242</sup> The intention of the landowner of the house was to sell it for a developer, who would then constructed a new project in its place.

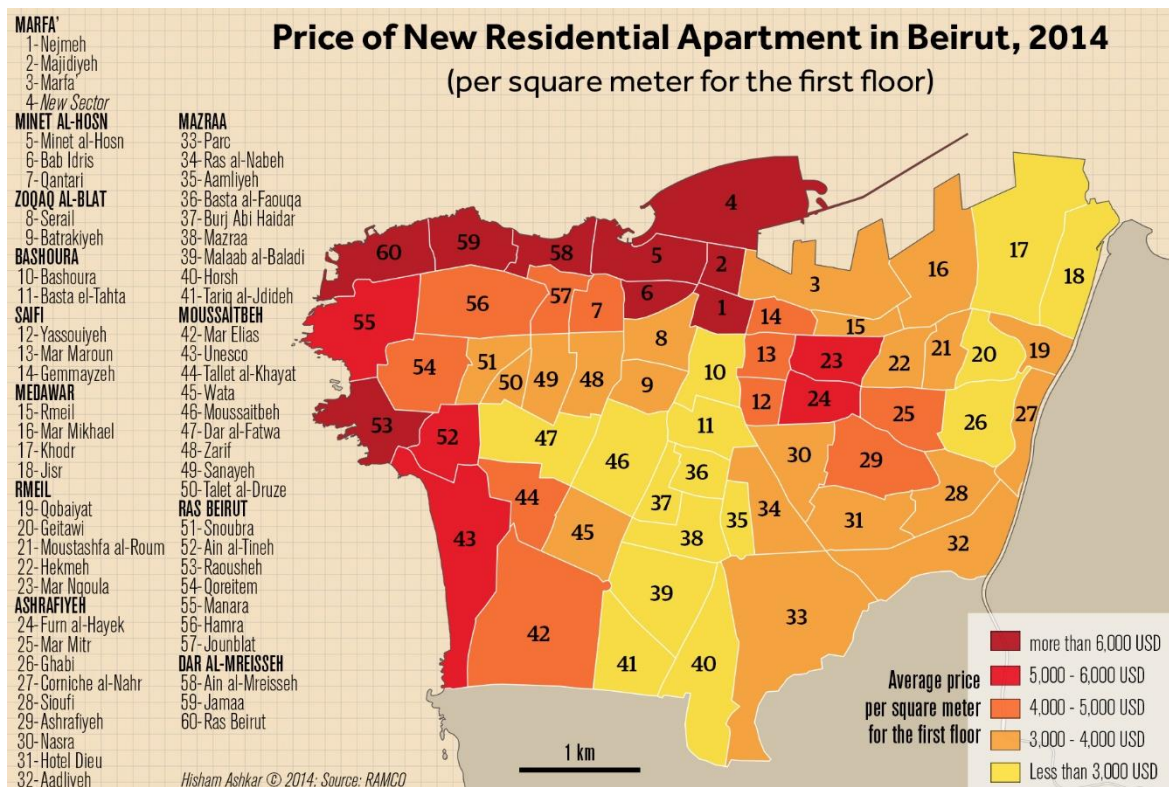
<sup>243</sup> Interview with hairdresser and real estate middleman, May 16, 2013.

similar neighborhoods, such as Zoqaq al-Blat, or to commercial and cultural centers, such as Hamra. These prices also show the effects on Mar Mikhael, traditionally a popular area, as the real estate industry was targeting new and profitable neighborhoods.

Date	Furn al-Hayek	Tabaris-Sursock	Gemmayze	Mar Mikhael	Hamra	Zoqaq al-Blat
August 2001	1200-2200		900-1300	600-800	1200-1800	n/a
April 2002	1200-1600	1700-2500	1200-1400	500-720	1000-1300	n/a
April 2002	1200-1600	1700-2500	1200-1400	500-720	1000-1300	n/a
June 2003	1200-1600	n/a	900-1100	750-800	1500-2000	n/a
April 2007	1500-2100	1700-2100	1700-1800	n/a	1400-2700	1000-1500
April 2008	2000-3500	3700	2100-3000	n/a	1500-2500	1500-2300
April 2009	3000-4500	4500-5000	3000-3500	2500-2700	2500-3500	1600-2500
August 2011	3700-4800	4800-5700	3500-4000	2900-3000	3800-4700	3500-3800
August 2014	3500-5000	4800-5500	3600-4000	2800-3750	3300-4500	3400-4200
September 2017	3600-4750	4800-5500	3400-4250	3000-3750	3750-5500	3400-4000

Table 12: Price range of first floor apartments in new buildings in USD per square meter, 2001-2017.

Sources: Khalaf 2001; Abou Lahoud 2002; Hawi and Abou Lahoud 2003; Boudisseau 2007; Boudisseau and Bosquin 2008; RAMCO 2009; 2011; 2014; 2017.



Map 12: Price per square meter of first floor apartments in new buildings in Beirut, in 2014.

Source: Ashkar (2014d).

In general, real estate developers dismissed the existence of a speculation. They considered this hike in prices as a mere correction of market prices, and that real estate prices in Lebanon are lower than those in the region (e.g. Abou Zaki 2009, Nasr 2013). These claims are contradicted by some studies. For example, in 2011 and according to the Global Property Guide, new apartments in Beirut with an average of USD4,258 per square meter had topped the prices in the Middle East, surpassing regional cities such as Dubai, or even European ones such as Berlin or Lisbon (Byblos Bank 2011, 2). For their part, real estate consultants acknowledged the existence of speculation, and considered that “it amounted to 20 percent of the market.”<sup>244</sup> With the persistence of the real estate crisis and high real estate prices, Banks began voicing their criticism, as with the chief economist of Bank Byblos, Nassib Ghobril:

“The current prices are not in line with the level of income of the residents, nor with the infrastructure, or the provided services and the quality of life in Lebanon. [...] The rise that occurred between 2007 and 2010 was dizzying and irrational, boosted by the incoming of speculators and amateurs, and was in parallel coupled by an expansionist monetary policy” (Khoury 2017).

This statement was not only a condemnation of speculation, but also the financialization of the economy undertaken by the state since the 1990s. And on this instance, it is relevant to point out that Banque du Liban, although it voiced its concerns regarding a bubble formation, was at the same time offering many incentives to the housing loans and mortgage market, which many of them ended up in the upscale real estate market (Krijnen 2016, 118-121).

The figures advanced earlier on the spectacular increase in prices hide two dimensions. The first is related to new constructions. The given numbers were for first floor apartments. But for the complete picture the price of higher apartments has to be considered. In general, the price increases by USD100 to USD125 per square meter per floor, for the first ten to fifteen floors of a high rise, and by higher margins for higher floors. For instance, the first floor in the high rise SkyGate, at the top of the Ashrafieh hill, was sold for USD6000 per square meter, while the price for the 37<sup>th</sup> floor reached USD11,000 (RAMCO 2016). And while it is more complicated to build a comparison

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<sup>244</sup> Interview with Karim Makarem, December 10, 2014.



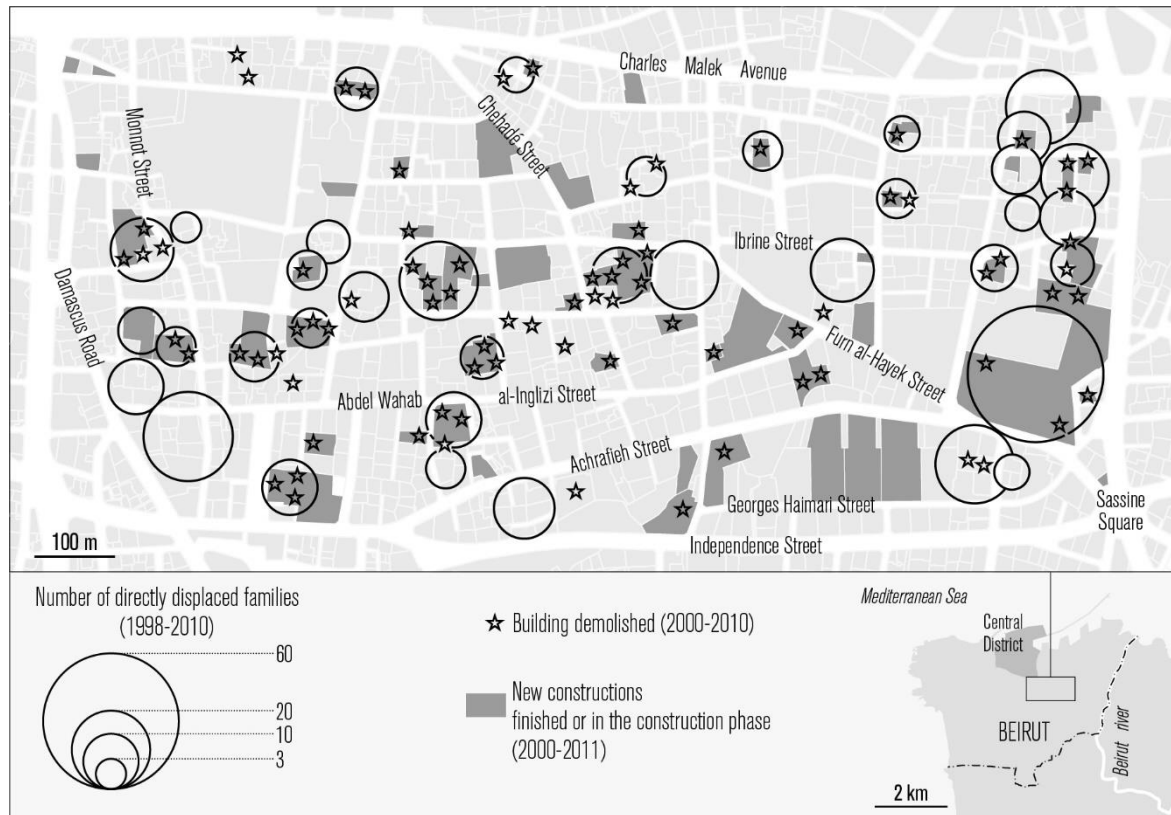
through time of the price of new constructions, the above example invites to consider that the hike in apartment prices can be higher than what the table showed.

The second hidden dimension is related to speculation and the rent gap. Speculation does increase the potential land rent, but also it leads to a large upswing of the capitalized ground rent, and consequently the rent gap will diminish to negligible proportions (Clark 1995, 1495). And looking at the trends in the price increase of land and new apartments, this looks to be the case of the former as the proportional increase of the former is higher than the latter. However, the land hosting the new constructions was purchased earlier, and therefore a time gap between the price increase of land and of new constructions exists. In some cases developers had purchased the land decades in advance (Boudisseau 2005). In other cases, the time gap is reduced to the time period for obtaining a permit (Boudisseau 2011), which can take one year or so. In this case the design would be produced before the acquisition of land, while in general, the sale of apartments commences before the actual construction of the building (see 8.1.3.). In a scenario of rampant speculation, even a narrow time gap of six months can make a significant difference. Therefore the sold land — i.e. the capitalized ground rent — just prior to development does not mirror the current potential land rent (see 1.2.1.2), but rather it has to be seen in light of a higher potential land rent in a six months or a one year time, due to speculation. In the early phases of speculation this time gap allows a high rent gap. But this rent gap will be greatly reduced later on, as speculation reaches its heights, engendering in the process a substantial increase in the capitalized ground rent.

### **8.1.3. The transformation: a gentrification based on the construction of residential high rises**

The real estate booms lead to a gentrification process in Furn al-Hayek, and in many other parts of Beirut. Furn al-Hayek being a main center of the post-2005 boom was significantly affected by this transformation. To examine gentrification in Furn al-Hayek a wider time period have to be considered, as many of the displacement and demolition occurred prior to the start of the boom. It is believed that in the period between 1998 and 2010 more than 350 families were displaced by the real estate operations, around 80 buildings were demolished, and a somewhat smaller number of

new constructions was erected. To put these numbers in context it is relevant to reiterate that Furn al-Hayek has a small area of around 0.7 square kilometer.



Map 13: Gentrification in Furn al-Hayek: Directly displaced population, demolished buildings, and new constructions. Sources: Field surveys by Eléonore Boissinot and the author in 2011; and by author in 2014.

As noted earlier (see 7.2.), there is no comprehensive data on the residents of Furn al-Hayek, but it is believed that a majority of its residents are rent control tenants, with others being either owner-occupiers or tenants according to the liberal law on rent. The findings of the surveys suggest that an overwhelming majority of the displaced were rent control tenants, which were evicted according to the clause on the upcoming demolition/reconstruction of the building.<sup>245</sup> Very few of the displaced had a liberal rent contract,<sup>246</sup> and nearly none of them were owner-occupiers.<sup>247</sup> Real estate

<sup>245</sup> A field survey in 2011 conducted by Eléonore Boissinot and the author in 2011, and another one conducted by the author in 2014. Most data were collected from the neighbors of the displaced or from shop owners in the neighborhood. And therefore, the data cannot be accurately verified. For this reason, this thesis refrains from advancing a breakdown according occupancy status. However, it appears that a vast majority of the displaced were rent control tenants.

<sup>246</sup> Note that the real estate operations lead also to a displacement of commerce and other economic activities. In this case, it seems that the ratio of displacement is more balanced between pre-1992 and post-1992 tenants.

<sup>247</sup> The main reason that most of owner-occupiers are reluctant to sell their apartments to developers was that the sum obtained from selling their properties does not allow them to purchase another apartment in Furn al-Hayek. Interview with resident in Ibrine Street, ,

developers were mainly targeting rent-controlled building (as it was explained in 7.2.2.). The process of eviction rarely caused delays to real estate operations, mainly for two reasons: On several occasions developers were willing to pay significant sums of money as compensations (see 7.2.2. and 8.1.3.1.), and second, most of rent control tenants were low to middle income population with little social or economic resources (Boissinot, Catusse 2011). This was coupled with the reluctance of the two main opposition groups to gentrification — the CRT and the urban heritage movement — to interfere on a case by case issue (see 7.2.3.1. and 7.3.2.4.). Until around 2007-2008, the evicted tenants relocated to other areas in Ashrafieh, as they preferred to remain close to their previous neighborhood. After this date, and with the hike of apartments and rent prices, most of the displaced were forced to move to the suburbs, and in certain cases to towns as far as 50 kilometer from the Beirut (Ashkar 2016).

In the following the focus will be on the creation of new spaces and their users. The first section deals with the preliminary stage of a real estate operation, which is the targeting of parcels by developers. It reveals the logic behind the choice of location, the dynamic between developers and tenants, as well as the extent of the demolition process. The second section discusses the new created spaces, which are mainly the product of the Construction regulation. The third section looks at the marketing of the high rises, which can reveal what developers consider to be the assets of their projects, as well as the aspiration of their clientele. This examination is complemented by the fourth section that deals with the incoming population.

#### **8.1.3.1. The targeted parcels: eviction of population, and demolition of old buildings**

In the early 2000s there were a handful of large vacant parcels in Furn al-Hayek, most were located on Georges Haimari Street, which lies on the top of Ashrafieh hill. By 2010, the last of these parcels was sold to construct the high rise The Edge (see Map 14). Apart from these few cases, developers were left with the option of purchasing already constructed and inhabited parcels. For developers, well-located parcels were preferably the ones on the upper part of the hill slope. An imperative condition would be that these parcels border two adjoining roads, so they could benefit from the 20 percent increase in TER (see 7.1.1.). Towards this end, several parcels were purchased, and merged together. Another essential criterion was the potential profit generated by the Return Rate on Investment study (see 7.1.5.1.). The choice of land was further complicated by

the willingness of landowners to sell. On this point, the best options for developers were the old merchant bourgeoisie, and the rent control landowners. On the former point, this elite was previously the largest landowners in the area, but in the past century, they have been increasingly selling their properties. By the 2000s, they still owned certain properties and were very willing to sell to, or to go into partnership with developers to achieve more profits. This was the case of the aforementioned Ibrahim Sursock Residences (7.3.2.2.), or of the Fernainé family that in the 2000s sold four plots to Jamil Saab to construct the high rise Le Patio.<sup>248</sup> On the other hand, rent control landowners were an easier target for developers, since they barely profit from their properties (see 7.2.2.4.), and subsequently most construction projects began with the old rent clause on evicting tenants through a demolition-reconstruction process.

This would add two factors to be considered by developers for the acquisition of land: first, the complexity of occupancy status in these buildings, and second, the cost of building's demolition and of the compensations to be paid for rent control tenants. Accordingly, pre-1940 buildings offer an advantage, because they mainly consist of two to four floors, and they host a lesser number of tenants.<sup>249</sup> For example, the developers of The Edge, in order to benefit from a second adjoining road had purchased plot no. 413 (see Map 14, and Appendix H), which housed two six story high buildings dating from the 1950s. Nearly all the 20 or so evicted families were rent controlled tenants, and had to receive compensations. This number can be contrasted with the case of the high rise 50 Rue du Liban, which required the demolition of three older buildings that only housed six families (see Table 13). For a good number of developers, the amount of compensations did not seem to pose a problem, especially in the light of the high profit anticipated. For instance, the cost of evicting ten families would amount to the price of one new apartment — in a high rise that would have forty or so apartments — but still, less compensations would mean more profit.<sup>250</sup> In the case of 50 Rue du Liban, in mid-2000s, the would-be evicted tenants were dissatisfied with the offered compensations, and went to court asking for higher sums. The developer, Antoine Kowayess, feared that the judicial process would cause long delays, and he immediately settled with tenants outside of the court for sums of around USD150,000.<sup>251</sup> What mattered more to

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<sup>248</sup> Interview with Karl Ferneiné, April 15, 2011.

<sup>249</sup> Interview with architect, December 5, 2014.

<sup>250</sup> Interview with Mohamad Wehbe, December 4, 2014.

<sup>251</sup> Interview with Antoine Kowayess, April 27, 2011.

developers were the delays incurred to the construction process, and on this point too, the lower number of tenants was also preferable, since that would mean less complications to the process.<sup>252</sup>

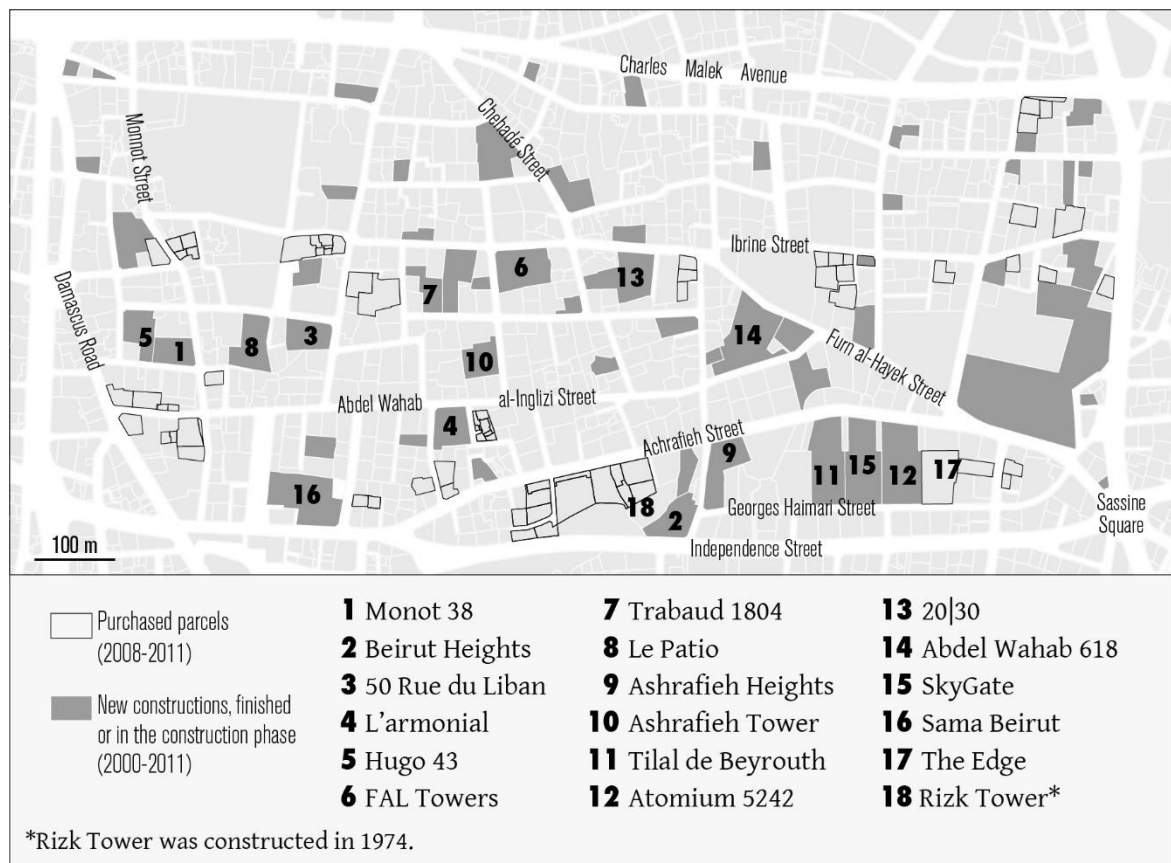
High rise	Developer	No. of floors	Completion Date	Previous situation	No. of directly displaced families
Monot 38	Mouawad Investment Group	18	Under construction	3 buildings	around 6
Beirut Heights	JM Properties	19	2015	Monastery	0
50 Rue du Liban	Ycarinvest	20	2012	3 buildings	around 6
L'Armonial	Greenstone	20	2012	4 buildings	around 10
Hugo 43	Ycarinvest; CGI sal	22	2010	1 building	around 7
FAL Towers	FAL Towers sal	22	2014	Vacant plot	0
Trabaud 1804	Capstone Investment Group	23	2015	4 buildings	around 20
Le Patio	Jamil Saab & Co.	25	2012	3 buildings	more than 9
Ashrafieh Heights	Sahyoun Group	26	Under construction	1 building	n/a
Ashrafieh Tower	IMHOTEP sal (Sahyoun Group)	26	2008	3 buildings	more than 8
Tilal de Beyrouth	n/a	26	2003	vacant plot	0
Atomium 5242	Jamil Ibrahim Establishment	27	2005	vacant plot	0
Rizk Tower*	n/a	27	1974	n/a	n/a
20 30	Jamil Saab & Co.	28	2017	5 buildings	more than 12
Abdel Wahab 618	CGI sal	37	2017	Vacant plot	0
SkyGate	MENA Capital	40	2014	vacant plot	0
Sama Beirut	Antonios Project	50	2016	6 buildings	more than 10
The Edge	Park Hill sal	50	Under construction	2 buildings	around 20

This table does not take into account the displaced commerce or other economic activities.

\*Rizk Tower was constructed in 1974, and therefore it is not related to current gentrification.

Table 13: The tallest high rises in Furn al-Hayek, and the previous situation of their parcels. Source: Field survey by author, complemented by a research on the related high rises or developers websites.

<sup>252</sup> Ibid.



Map 14: New constructions, the tallest high rises, and purchased parcels by developers in Furn al-Hayek.

Sources: Field surveys by Eléonore Boissinot and the author in 2011; and by the author in 2014.

In their endeavors several obstacles faced developers. For instance the refusal of certain landowners to sell their properties. This was particularly the case of the high rise Hugo 43, at first planned to be constructed on four plots that would form a large rectangle.<sup>253</sup> However the owner of one of these parcels, which housed a building mostly rented according to the new rent law, was adamant in his refusal to sell his property.<sup>254</sup> Subsequently, the high rise was constructed on L shape parcels formed by the merger of the other three plots. However the main difficulty facing new developments were the listed buildings (see 7.3.2.). Furn al-Hayek had a large stock of old buildings, many of which were on that list. And while in certain cases developers, with the assistance of the Minister of Culture, were able to circumvent this obstacle (see 7.3.2.3.), most developers prefer to avoid these buildings, since, first, this circumventing could not be applied to all cases, and second, even if it worked it would result in delaying the construction project. Sometimes developers would find an alternative means to surmount this obstacle, by purchasing the property, and sabotaging it or intentionally

<sup>253</sup> Plots no. 43, 44, 45, and 46. The owner of parcel no. 45 refused to sell. For location see Appendix F.

<sup>254</sup> Interview with Antoine Kowayess, April 27, 2011.

leaving it to decay. When the building would reach an advanced state of dilapidation, then it could be removed from the list, and consequently demolished. This was particularly the case of a cluster of old buildings in Ibrine Street, most of them are on the list of protected buildings.<sup>255</sup> These were first purchased by a real estate investor in 1985. In 2009, a real estate developer acquired them, and contemplated their demolition and the construction of a new project. In the course of the following three years, their inhabitants — around fifteen families — all were rent control tenants, were evicted with more or less proper compensation.<sup>256</sup> The developer then deliberately removed certain windows and doors, and drilled large holes in the ceiling, so to accelerate the decaying of the buildings, aided by weather conditions. Most of these buildings, which were still inhabited and in a good condition in 2010, by 2017, they appeared in a dilapidated state.



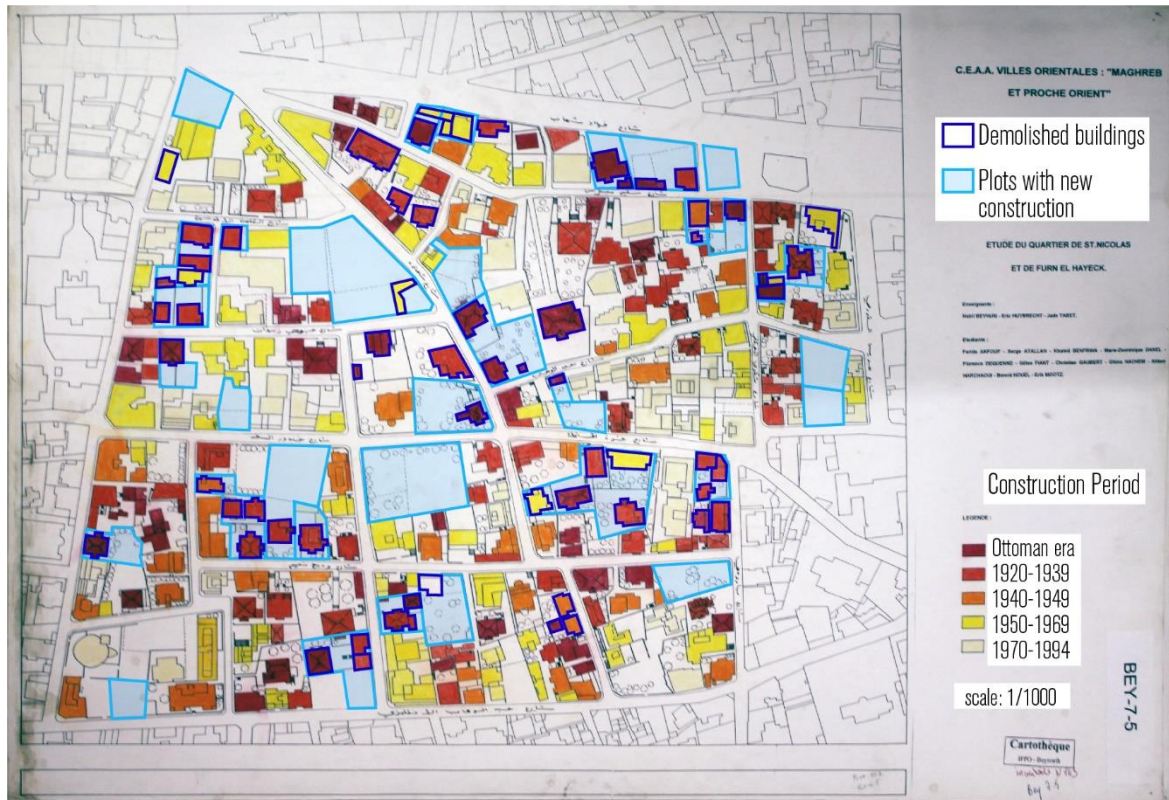
Image 16: An early twentieth century building on Ibrine Street in Furn al-Hayek, which was intentionally left to decay. Photo by author, 2017.

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<sup>255</sup> Plot numbers 574, 575, 576, 577, and 578.

<sup>256</sup> Interview with resident, April 29, 2013.

Aside from the large number of displacements, the gentrification process led to the destruction of a significant number of old buildings. A comparison with a 1994 map of the center of that area reveals that by 2017, 65 buildings were demolished. 46 of the demolished buildings were constructed before 1940, and they represent 34 percent of the structures in Furn al-Hayek that date back to that period.<sup>257</sup> And while not only demolished buildings had the same architectural quality, this is an additional indicator to the gradual erosion of the built heritage in that area.



Map 15: Demolished buildings and new constructions in the center of Furn al-Hayek, 1994-2017. Annotation in blue by author. Sources: Huybrecht and Beyhum (1994); field survey by author.

### 8.1.3.2. The new created spaces

As seen earlier, the Construction Law and Beirut master plan had an impact on the design process of new buildings, from the tendency for taller buildings, to placing the construction at the back of the plot to achieve this height, to others (see 7.1.5.). These were materialized in the new constructions in Furn al-Hayek, especially in the case of the high rises. The first contrast between the high rises and the rest of the neighborhood, is that they are purely residential. Only four high rises contain

<sup>257</sup> According to the 1994 map, 135 buildings were constructed before 1940.



commerce or offices, and that due to their specific location: The high rise Sama Beirut is located at the intersection of two commercial streets, and its first ten floors were dedicated to commerce and office spaces; and three high rises on Georges Haimari Street, Ashrafieh Tower, Atomium 5242, and SkyGate (see Map 14, and Appendix H). These high rises benefitted from a more than ten-meter level difference between their parallel adjacent streets, Georges Haimari Street and Ashrafieh Street. The commerce spaces are located on the latter, which is the lower street, and a clear separation exists between these spaces and the residential areas accessible from the higher level. The main reason for avoiding commerce in these high rises was the fear of devaluating the building, as explained by the architect Tofy Abi Semaan:<sup>258</sup>

“In general, [developer] ask us not to have commerce in the ground floor, since it will attract people from different backgrounds, or areas, or classes, and this would depreciate the value of the building.”

Depending on the plot relation with adjacent roads, the high rise was constructed in the middle or at the back of parcel,<sup>259</sup> and thus a large open space emerged between the building and the road that played the role of a buffer zone.<sup>260</sup> Fences were erected on the edge of the plot, equipped with CCTV cameras and backed by security personnel. The space between the fence and the high rise featured some greenery, but it was mainly destined as an access to the building, or to the underground parking. This would lead to the second contrast between the high rises and their surroundings, since nearly all of the existing buildings are aligned with the street, and many of them had commerce on the ground floor. Moreover, high rises fences had several entrances, thus excluded the existence of parking spaces on the street in front of the parcel, contrary to the case of adjacent buildings. Therefore a contrast was created regarding both the physical space and its usage, and not to forget the large volume of the high rise. This contrast was accentuated by the density of constructions in Beirut and the narrowness of its roads.<sup>261</sup>

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<sup>258</sup> Interview with Tofy Abi Semaan, April 26, 2013.

<sup>259</sup> The first scenario for the plot adjacent to two parallel roads, the second for a plot adjacent to two perpendicular streets. See the discussion on building envelope (7.1.4.2.).

<sup>260</sup> Interview with Tofy Abi Semaan, April 26, 2013.

<sup>261</sup> To get an idea on the density of Beirut and the width of its roads, see Appendix K, which compares two satellite images with the same scale, the first of Furn al-Hayek, and the second of the neighborhood of Prenzlauer Berg in Berlin (the area surrounding Kollwitzplatz).

The ground floor of a high rise mainly consists of a spacious entrance hall. Domestic accessed the building on the side of this hall, and were systematically searched entering or exiting the building (Boissinot, Catusse 2011). To reach the apartments, every high rise was equipped with two or more elevators, in addition to a separate elevator for services and domestics use. Residents had at their disposal a large number of amenities. For instance, the high rise 20|30 featured: Indoor pool; Outdoor pool; Recreation room; Conference room; Celebration hall; Private health club; Cigar lounge; Wine cellar; Security surveillance; Resident surveillance monitors for playgrounds; Concierge and doorman services; 24/7 maintenance service crew. In addition, “20|30 also provides secluded full accommodations and lounges for those escorted by drivers or security personnel; bearing in mind the latest monitoring, communication and safety measures” (Jamil Saab & Co n.d., 37). In sum, these high rises are basically upscale gated communities that are totally separated from, and are contrasting with their surroundings.



Image 17: A carpenter workshop next to the entrance of a high rise, in Mar Mitr Street. The high rise is barely visible as it is located in retreat off of the street. Photo by author, 2017.

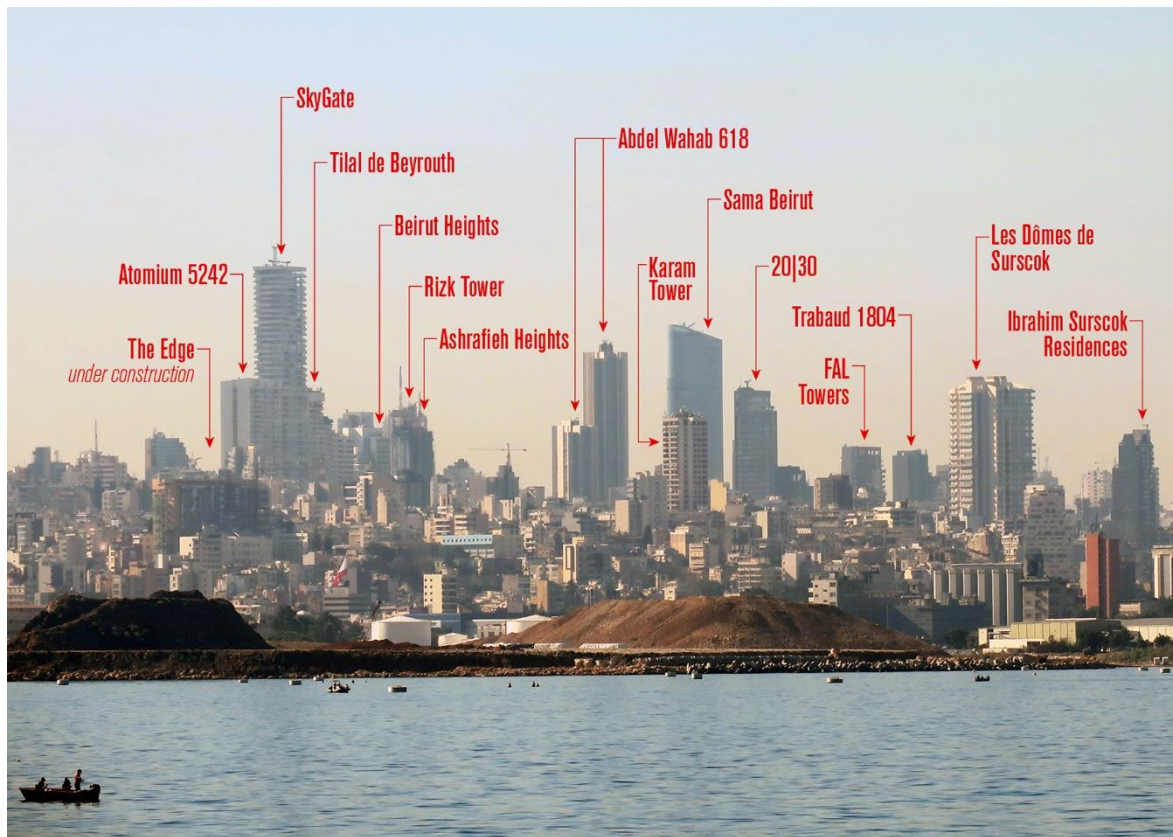


Image 18: Northeast view of Ashrafieh. Several high rises are visually obscured by other high rises. Les Dômes de Surscok and Ibrahim Surscok Residences are in Surscok neighborhood. Karam Tower is in Rmeil. The rest are in Furn al-Hayek. Photo and annotation by author, 2017

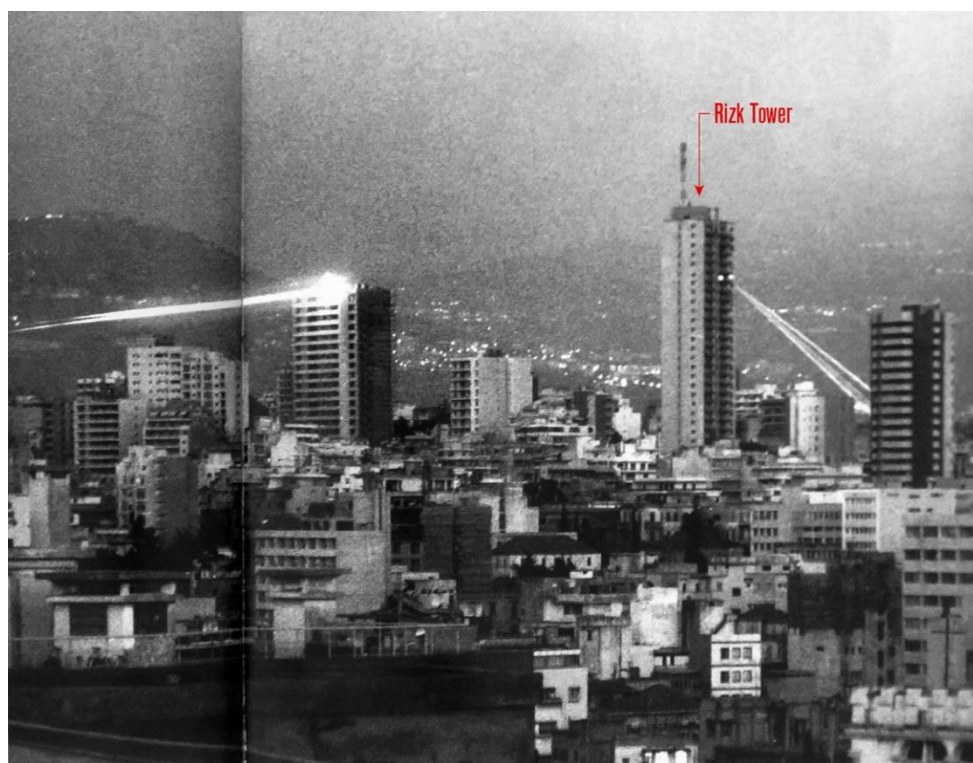


Image 19: Ashrafieh hill in 1978, with Rizk Tower being the tallest structure. The photo was taken during a round of fighting in the civil war. Source: Chami (2003).

### 8.1.3.3. Marketing the high rises

To examine the marketing of high rises, a review was conducted on several high rises brochures. Most of these buildings were promoted in a similar way, and their marketing stressed on five issues: 1) the location of the high rise, 2) the quality of the neighborhood, 3) the amenities and security provided, 4) the additional advantages of living in that high rise, and finally 5) on the panoramic views that the height can offer.

On the first two points, the brochures stressed the significance of the location regarding both the character of the neighborhood, and the proximity of the location to the main business, cultural, or entertainment centers in Beirut. On the second point, it is relevant to point out that municipal Beirut have a small area of around 18 square kilometer, which basically render any location in the city in proximity to aforementioned centers. And those proximate locations mentioned by the brochures roughly covered one fifth of the city. Still, to live in one of these high rises is:

“[A]n extraordinary lifestyle opportunity at the heart of the ‘Golden Triangle’ in Ashrafieh, Beirut. [It is] where tradition and charm captivate you at the turn of every corner. The area’s proximity to Downtown and easy access to the thriving Sassine Square and ABC Mall as well as other leisure destinations (Gemmayze, Monot [sic] and Abdel Wahab Al Inglizi streets) have made this distinguished neighborhood the living quarters of many well-to-do Lebanese and expatriates” (Capstone n.d., 8).

A strong emphasis was put on the traditional architectural character of Furn al-Hayek, and on how the new high rise would fit within this rich heritage. The brochure of 20|30 drew a picture of “sleek new buildings [standing] next to traditional homes that champion classic architecture” (Jamil Saab & Co n.d., 14), while Abdel Wahab 618 was depicted as “an impressive contemporary addition to the area’s magnificently restored patrimonial architecture” (CGI 2011, 6). All along the brochures, the built heritage was showered with praise, and the physical character of the neighborhood appeared to be a main selling point. Old buildings also featured in the views that high rise can offer, for lower level apartments.



Image 20: The brochure of Trabaud 1804 with the caption "Direct views on Trabaud Street from the Tower." Source: Capstone (n.d., 16-17).

This celebration of the built heritage is contradicted with the fact that these high rises were built at the expense of demolishing old and traditional buildings. While this celebration can be easily dismissed as a kind of deceit, it also points to an element that the high rises lack, which its potential clientele want to have (see 8.1.3.4).<sup>262</sup>

On the other hand, an emphasis was put on the amenities and security provided by the high rises, and as seen previously those buildings provide a wide range of such services (see 8.1.3.2). In addition, brochures boasted of the landscaping and greenery provided. For instance, SkyGate featured stock photos with the caption "over 3000m2 of lush landscape gardens" (Mena Capital n.d., 19), but in reality, the actual landscape consisted of small lawns and some trees.<sup>263</sup>

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<sup>262</sup> More recently, this celebration reached a high level of surrealism with the project Mar Mikhael Village in Mar Mikhael. To construct this project, the developer demolished the oldest brewery in Lebanon, La Grande Brasserie du Levant founded in 1930. This brewery would then feature in the marketing of the project, under the title of "reviving heritage" (Capstone 2017, 10). The architect of the project, Bernard Khoury, justified the demolition by the additional allowed constructible square meter that the existing structure cannot accommodate. He stated "a choice was made to demolish the existing building, replacing it with the memory of its shell" (Khoury n.d.). The new project had no resemblance whatsoever to the previous brewery.

<sup>263</sup> The photo in SkyGate brochure is of Portland's Japanese Garden, in the USA, and bears nothing in common with the actual landscaping for that high rise. The Portland photo was taken by Peter Griffith. <https://www.masterfile.com/image/en/700-00182692/japanese-garden-portland-oregon-usa>.

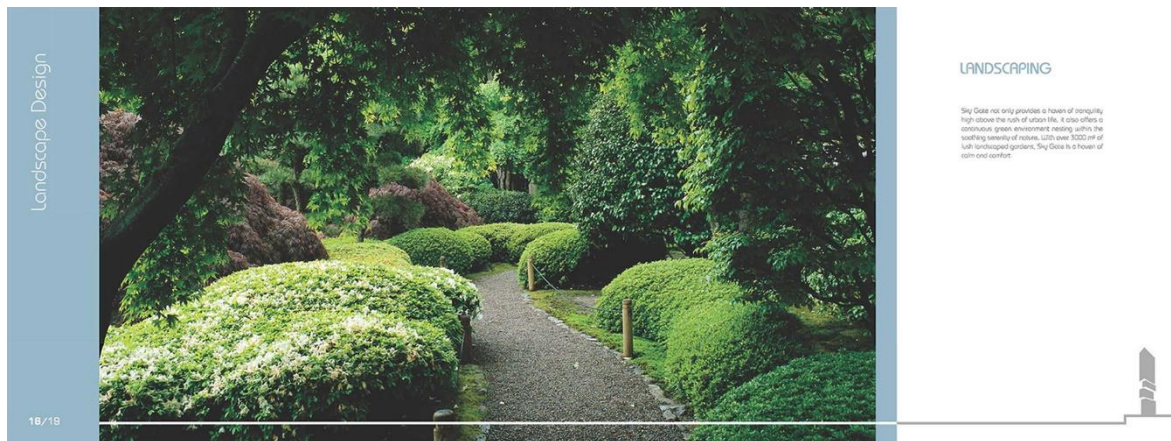


Image 21: The landscaping featured in brochure of SkyGate, which is in fact a photo of Portland's Japanese Garden (see footnote 263), in the USA. Source: Mena Capital (n.d. 18-19).

This misleading depiction of landscape has to be seen in light of point number four in this review: the additional advantages of living in a high rise, as a major theme in the brochures was to stress on the calm and serenity offered by the high rises, and to portray these buildings as a place of escape and refuge. For example, Abdel Wahab 618 “provides residents a majestic escape from the urban jungle, while still being in the center of it all.” Moreover, it is a place for “those seeking the privilege of rural calm and privacy” (CGI 2011, 5). Le Patio went even further by featuring photos of nature and rural life, and by inviting the potential buyer to “succumb to the relaxed unbuttoned lifestyle that Le Patio weaves around you. An exceptional address in a refined environment. Intimate and relaxing. Close to the city center, the shops, the night life and the social scene, yet still surrounded by natural beauty” (Jamil Saab & Co 2007, 11).

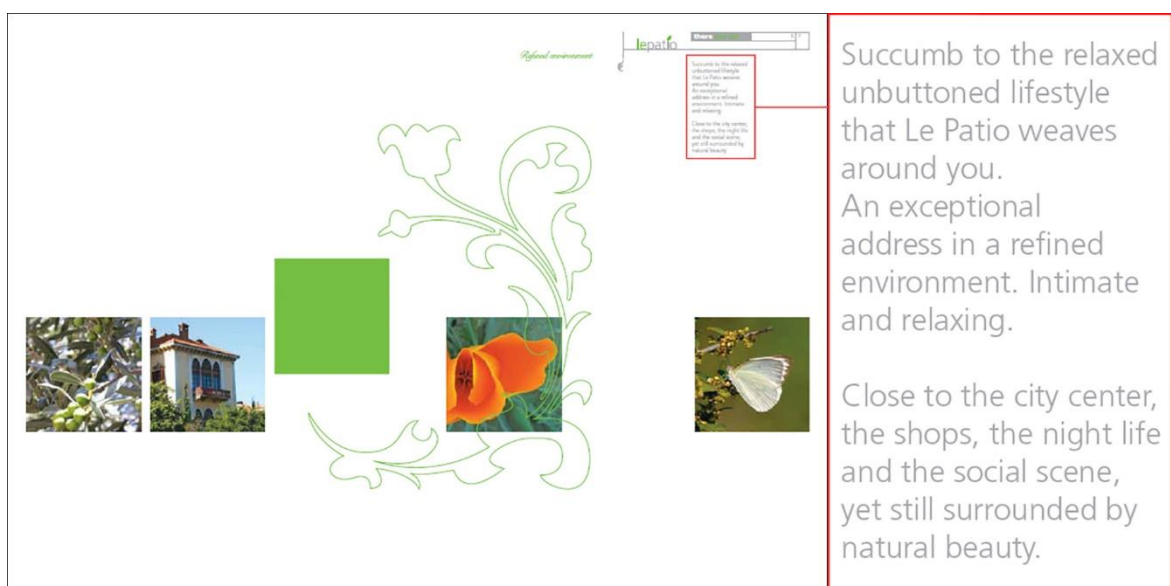


Image 22: The environment promised by the high rise Le Patio. Annotation in red by author. Source: Jamil Saab & Co. (2007, 10-11).



Image 23: The reality of Le Patio. In the forefront, the excavation site of the high rise Monot 38, publicized as “The Urban Dream.” Photo by Eléonore Boissinot, 2011.

In general, this imaginary refuge depicts a high rise as a rural place in contrast to its urban setting. This was also reflected in the names given to high rises. For example, another tower developed by CGI in Gemmayze was christened as Gemmayze Village. Only for few high rises, the concept of refuge was contextualized in regard to the main asset of a high rise, which is the height. SkyGate — which is one of the tallest high rises and is located on the top of Ashrafieh hill — was depicted as providing “a haven of tranquility high above the rush of urban life” (Mena Capital n.d., 4). But still, the brochure of SkyGate added a geographical distance between the high rise and the city, when it considered that “Ashrafieh is situated on a hill overlooking the city of Beirut” (ibid.), as if Ashrafieh and Beirut are dissociated.

And finally, all high rises boasted the views they offer, describing them as spectacular or breathtaking panoramic views. But still, it is worthy to note that only the higher levels of a high rise would benefit from such views, and not forget that these

views would be punctuated by the silhouette of other high rises. This can be seen in the photo below, taken from the top floors of the high rise Trabaud 1804.<sup>264</sup>

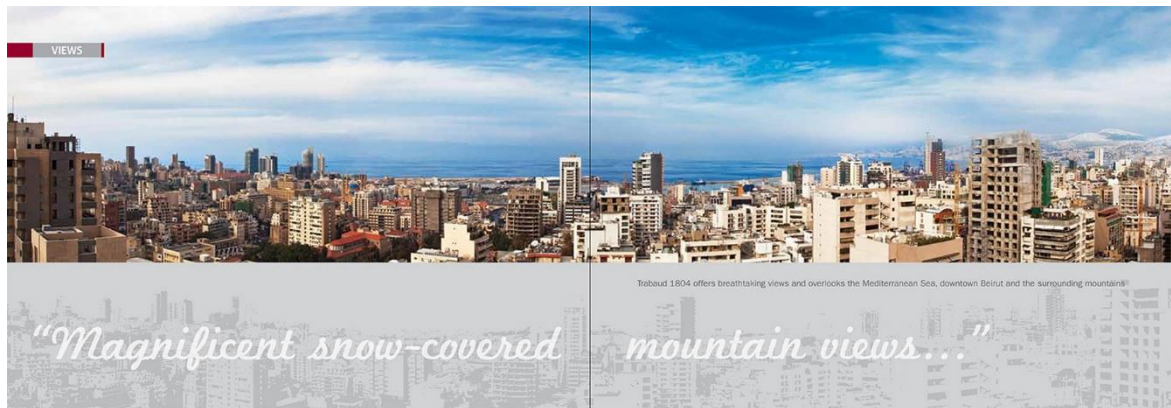


Image 24: View from the top floors of the high rise Trabaud 1804. Source: Capstone (n.d., 16-17).

In sum, and putting aside the issues of amenities and security, and of the offered views for the top floors, these high rises were marketed for qualities that either they do not have, such as the natural environment, or that they destroy, such as the urban heritage. But the most striking is that many high rises were offered as rural sanctuaries, more than being urban towers. Even more, several promotions tended to minimize the fact that a high rise is a tall building, as it was put by the brochure of Le Patio: “it is not a tower but a lovely urban quarter” (Jamil Saab & Co 2007, 17). This marketing, coupled with the opinion of the new residents (see 8.1.3.4.), would dismiss any assumption that living in a high rise is related to some cultural local aspects. These high rises were the product of Construction regulations that allows a substantial profit from land. And then later, they were packaged and sold as reflecting a rural ideal, surrounded by an urban heritage environment. Still, and as it will be seen in the following section, these were not the reasons the incoming population purchased these apartments.

#### 8.1.3.4. The incoming population

The architect Charles Hadifé stated that a tight web of relations connects real-estate developers, investors, and a significant number of the real estate clientele, and on many instances they keep on buying from each other.<sup>265</sup> Accordingly, it is relevant to begin the discussion on the incoming population by looking at the early stages of the development of a high-rise project. In general, for every project, the developer would

<sup>264</sup> This photo was taken in early 2010s. Since then, couple of high rises sprouted in front of Trabaud 1804.

<sup>265</sup> Interview with Charles Hadifé, May 10, 2013.



set up a joint stock company entrusted with developing the project, and which will be dissolved after the completion of the high rise.<sup>266</sup> A common way to establish the fund of this company by the developer was contacting a dozen potential investors, which are usually their friends and acquaintances. The fund would then be collected through a round-table meeting (Boudisseau 2012, 37). Many of these investors are also developers, and on most occasions, they prefer to act as “silent investors,” so their names would not appear on public records. This was also the preferred choice of many politicians for investment in real estate.<sup>267</sup> In general, the developer used the collected fund to pay half of the price of the land, while a bank would finance the other half.<sup>268</sup>

Financing the construction of the high rise is done through selling a good part of it in advance.<sup>269</sup> For example, 50 percent of the apartments in Sursock Yards were sold by 2010, one year before the commencement of excavation works (Boudisseau 2010a, 80). Or in the case of Trabaud 1804, by the time excavation works began in 2011, 45 percent of the high rise was already sold (Boudisseau 2011). To sell these apartments developers would organize specific galas, or even private parties. Although projects would be publicized in the local and regional media or even online, most sales occur through personal connections. On this issue, and on the targeted clientele, the developer Antoine Kowayess explained:<sup>270</sup>

“These are people of a certain standard of living, who goes to fancy restaurants three or four times a week. This class represents five percent of the Lebanese population. People know each other. Everyone knows everyone; it is the world of businessmen and expatriates. [...] We have to sell quickly, this facilitates the cash flow. For that end, we resort to networks of friends. As I said, it is a small circle of people. And during high-society meetings we advertise for our projects. And most buyers are Lebanese expats, who will live in these apartments for couple of months a year.”

In general, the assumption in the neighborhood, and even in the local press, is that most buyers of these apartments were foreign national, especially from the Gulf

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<sup>266</sup> Interviews with Antoine Kowayess, April 27, 2011, and Paul Sahyoun, May 20, 2013.

<sup>267</sup> Interview with Antoine Kowayess, April 27, 2011.

<sup>268</sup> Interview with Charles Hadifé, May 10, 2013.

<sup>269</sup> Ibid.

<sup>270</sup> Interview with Antoine Kowayess, April 27, 2011.

monarchies.<sup>271</sup> This supposition mainly results from the fact that these apartments lay vacant most of the year, and that there is nearly no interaction between the new residents and the rest of the neighborhood.<sup>272</sup> However, the large majority of buyers are either rich Lebanese, or Lebanese expats. Hadifé pointed out that all the buyers in Sursok Yards were Lebanese, and that he knew personally around 80 percent of them.<sup>273</sup> Real estate consultants and economic journalists also consider that nearly two thirds of the apartments were purchased by Lebanese expats.<sup>274</sup> For most expats, these apartments represent a *pied-à-terre*, a space to spend their holidays when in Lebanon.<sup>275</sup> It is also worthy to note that several of these apartments were owned by the previous landowners or by the architects who designed the high rises, since many of them prefer to swap their land or their fees with new apartments.<sup>276</sup>

The interviewed residents of high rises gave different reasons for the choice to live in such buildings. However, for most of them this was related to the amenities and security provided, as well as the permanent maintenance. For some, it was also related to the neighborhood, as Furn al-Hayek became an illustrious address.<sup>277</sup> While for others, living in a high rise provided a minimal social interaction.<sup>278</sup> Some stated their preference to live in old traditional buildings,<sup>279</sup> while for others; their first choice would be to live in the Central District.<sup>280</sup> But most deplored the lack of proper public spaces and of pedestrian friendly streets in Furn al-Hayek. For all these residents, their choices to buy these apartments appeared to be based on the best available option in the market. And while the low rise and manicured spaces of the Central District seemed to be beyond their reach — either for financial or for availability reasons — the second best option in Beirut is a high rise.

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<sup>271</sup> Most interviews with locals in Furn al-Hayek who do not live in a high rise.

<sup>272</sup> Interviews with shop owner, May 16, 2013, with pharmacist, May 16, 2013, etc.

<sup>273</sup> Interview with Charles Hadifé, November 19, 2014.

<sup>274</sup> Interview with Guillaume Boudisseau, March 25, 2011, and with Mohamd Wehbe, December 4, 2014.

<sup>275</sup> Interview with Guillaume Boudisseau, March 25, 2011.

<sup>276</sup> Interview with director at MAN, May 7, 2011, and with architect, December 5, 2014.

<sup>277</sup> Interview with Bilal Khuri, December 20, 2014.

<sup>278</sup> Interview with a high rise resident, October 8, 2011.

<sup>279</sup> Interview with Tabet, January 2, 2015.

<sup>280</sup> Interview with a high rise resident, October 8, 2011.

#### **8.1.4. Partial conclusion**

The gentrification in Furn al-Hayek is driven by profit from land, by the large rent gap that several laws and regulations contributed to forming. Any hypothesis claiming the role of culture in this process can be easily dismissed, first based on the opinions of new residents, and second on the fact that only a minority can benefit from what a high rise can provide: the height and the views. The majority of their residents will be living in lower levels, with their views blocked by other high rises. The claim that these constructions can ease the housing crisis also does not stand, for the overwhelming majority of Lebanese cannot afford their prices. The main reason these high rises were built is that, under the current construction regulations, it is the best way to maximize profit. Then they were packaged and sold as something else. No doubt, their main allure is the range of amenities they provide. These high rises are vertical gated communities that are barely inhabited. The value of these properties has to be seen in their exchange value, rather than their use value.

These high rises are the product of the convergence of the three sets of regulations: A strict rent control that is costly and relatively difficult to abrogate, with a significantly low rent, leading to a ground rent dispossession of landowners in favor of large real estate developers and investors. A rent control with the most practical way to abrogate its contracts is through a demolition-reconstruction process, which turns it into a main mechanism of renewal of the urban space, a process that fits perfectly with the aspirations of the real estate industry. A demolition that is carried on within a context lacking urban heritage regulations, aside from an inadequate measure for protecting certain buildings. If the regulations on rent and heritage set the stage for the transformation, those on construction dictate its outcome, which is the high rises.

## **8.2. Food and beverage, and creative industries gentrification in Mar Mikhael**

The second form of gentrification to be discussed is a mixture between commercial and nightlife gentrification. Post-war Beirut witnessed a booming bar

scenes that developed according to a cluster model. This led to a process of gentrification with bars, followed by upscale restaurants, replacing the former commerce and other business activities. This led to an upgrading of space, an increase in rent, and to a change in the population of land-users. This transformation turned such areas into trendy neighborhoods, which in turn attracted creative industries. In this gentrification the two laws on rent played a significant role, on one hand rent control for commercial spaces did not present real obstacles for change, and on the other, the liberal rent allowed for a periodical increase in rent prices, and subsequently more profit to landowners and a high rate of turnover for the venues in the neighborhood.

This phenomenon was first implemented on Monnot Street, and later materialized on a large scale in Gemmayze. In this case creative industries played an insignificant role, as they were offset by the already high rent in that area. There was a sense of anticipation that the transformation would move to Mar Mikhael. And as the first bars opened in this neighborhood in 2009-2010, creative industries swiftly moved in to benefit from the still low rent. Mar Mikhael became the new trendy area in Beirut hosting a large number of food and beverage, and creative industries. Mar Mikhael is a natural linear extension of Gemmayze, as both are situated along the former Tripoli Road which starts from the eastern gates of the old city of Beirut, leading towards the north (see Map 16). The area under examination is along the main street in Mar Mikhael, Armenia Street, between the electricity company and the abandoned train station (see Appendixes I and J). This area is limited by the highway to the north, and by the Ashrafieh hill to the south. This hill rose just to the south of Armenia Street with a level difference exceeding the 15 meter, which creates a marked division between Mar Mikhael and the area just above it. The following discusses the former situation of Mar Mikhael as a popular and industrial area, the development of the bars scene in post-war Beirut, and finally the gentrification of Mar Mikhael.

### **8.2.1. Former situation: Mar Mikhael a popular industrial neighborhood**

For a better understanding of the situation of Mar Mikhael it is relevant to frame its situation in relation to Gemmayze, since they are an extension of each other. The old road starting from the eastern gates of the medieval city of Beirut, and leading north,

was known as Tripoli Road. Within the municipal boundary of Beirut the area surrounding the first part of this road became Gemmayze, and the second, Mar Mikhael (see Map 16). These two areas experienced different social and economic developments. Gemmayze was in proximity to the center, to the west, and to Sursok neighborhood to the east, a location that turned into the choice of residence for a relatively wealthy population. On the contrary, lower income population settled in Mar Mikhael, a process that was accelerated with the construction of Beirut train station in that area, making it the point of arrival of many migrants to the city. In addition, and in the late 1910s, the population of Mar Mikhael was boosted by the arrival of Armenian refugees, who first settled in camps on the eastern edge of the neighborhood. A decade later, many Armenians left the camps to reside in different parts of Mar Mikhael. As for the camps, they developed into urban quarters housing the poor.<sup>281</sup>

The economy of Gemmayze was a continuity of that of the center, and it mainly based on commerce and services — retail shops, as well as affordable restaurants, cafés, and hotels, etc. While Mar Mikhael was mainly an industrial area. Already in the beginning of the twentieth century it hosted many workshops, a good number of whom were directed to services the port or the train station. The number of workshops increased significantly in the 1920s with the influx of Armenian refugees, many of whom were skilled craftsmen. By the 1930s, Mar Mikhael became the site of several factories, namely the first brewery in Lebanon, La Grande Brasserie du Levant, established in 1930.<sup>282</sup> By the late 2000s, and although factories had long closed their doors, Mar Mikhael was still a center of small to medium industries. Most of them employed five to ten workers, with few having up to twenty or fifty employees. A variety of specialties existed in Mar Mikhael. There were carpenters, tailors, mechanics, or other metal and industrial workshops. In general, these were highly specialized workshops. For example, one workshop would produce buckles, to be used for dresses, shoes, bags, etc. Another workshop only produced piston rings of different sizes, shapes and functions. These workshops mainly supplied large companies, and were not dependent on the local clientele. This was also the case of mechanics, most of their

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<sup>281</sup> Camps to the east of Mar Mikhael, such as Nour Hajin, remained predominantly Armenian (see Map 19). While those on the north east, such as Karantina — in place of the old quarantine — saw the succession of different waves of poor migrants from different ethnicities and backgrounds (Bourgey and Pharès 1973, Farah 2011). On the fate of Karantina, see footnote 62.

<sup>282</sup> In the early 2010s, the brewery building was demolished to make way for an upscale development, amid the outcry of urban heritage activists (see also footnote 262).

business relied on contracts with car insurance companies. These workshops were more or less prospering, with constant demand for their work and services.<sup>283</sup> Most of the workshops were located in the back streets off Armenia Street, while this main road was mainly dominated by mechanics and commerce. A large number of this commerce was directed to service the workshops. This was also the case of the few restaurants in that area, whose opening hours correspond to that of the workshops. In the evening, as the last workshops closed their doors, the activity in the neighborhood would decline significantly. Only one grocery shop would remain open till midnight. And finally, it is relevant to note that the workshops, the commerce, and other economic activities, occupied the ground floors or basements of residential buildings.

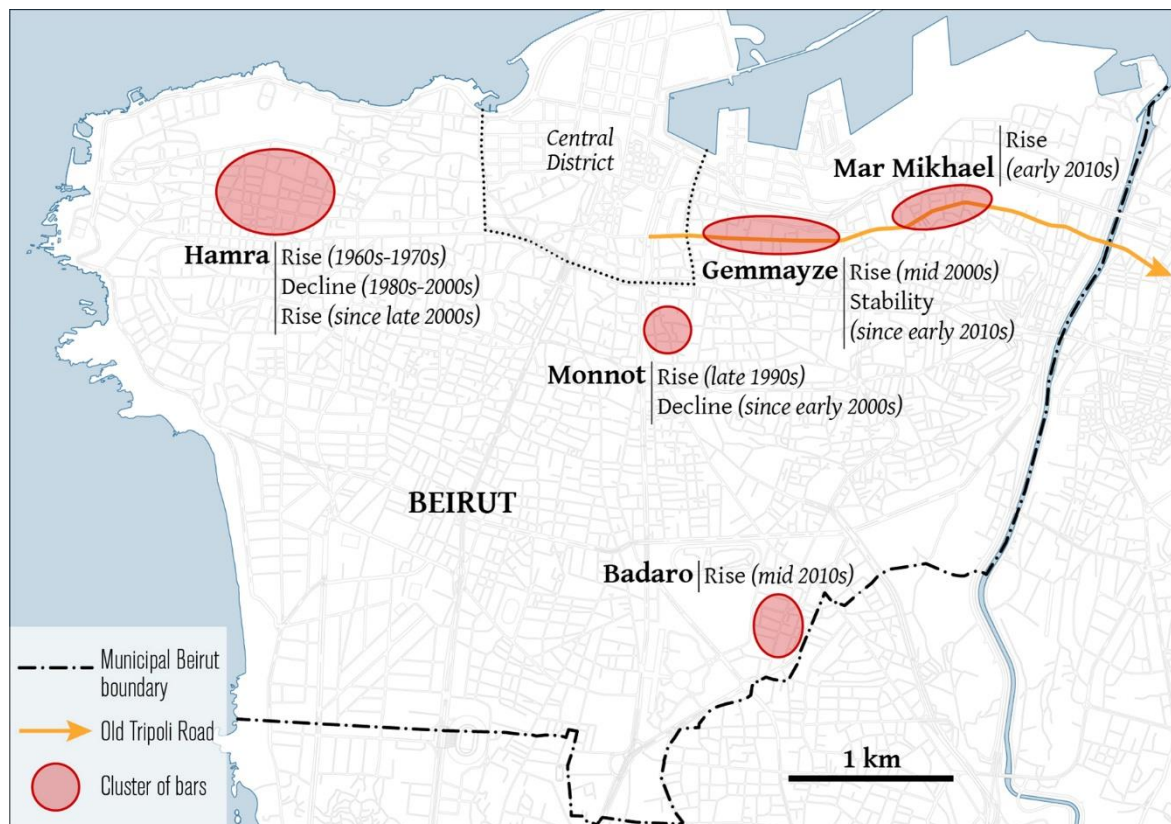
Geographically Gemmayze and Mar Mikhael are located at the foot of the Asharfiah hill. On average, a 15-meter level difference separates the main road in these areas with the immediate roads on the upper level, and many stairways connect these two levels. Gemmayze Street has a width of around eight meters supplemented on the sides with narrow pavements that seldom exceeds 50 centimeter. However, the extension of Gemmayze Street in Mar Mikhael, Armenia Street, doubles in width, and its pavements are larger than one meter, wide enough to accommodate chairs, tables or benches, thus having the potential of enabling the operation of sidewalk cafés. At the junction of Gemmayze and Armenia streets sits the electricity company, an imposing modern architecture building from the 1960s with a large retreat off the main street, thus accentuating the physical opening of space (see image 25). On the architectural level, most buildings in Gemmayze date back to the late nineteenth century or early twentieth century with a large number of either the three arches traditional architecture or the eclectic style of the 1920s, a testimony to the prosperity of the area at that time. In Mar Mikhael, while most buildings date back to the same period, a majority has a more simple and modest architecture. And finally, it is worth noting that Mar Mikhael being a mixed residential-industrial area made it a popular neighborhood but with the density that accompanies other popular neighborhoods in Beirut.

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<sup>283</sup> Interviews with Saseen Kawzally, October 7, 2017, and Vicken Shakarjian, November 28, 2017.

### 8.2.2. Context of change: the cluster model development of the food and beverage industry

During the civil war entertainment and nightlife activities dwindled in Beirut. The city of Jounieh, 15 kilometer to the north of Beirut, emerged as a center of nightlife, a position that it will hold till around the year 2000. In 1990s Beirut most bars and pubs were located in Hamra, nearly all dating back to the 1970s. They were rundown, and most would close down by the turn of century due to financial difficulties. There was a shortage of nightlife venues in the city, and entrepreneurs stepped up to fill this gap. But while nightclubs opened in various locations in Beirut, the bars and pubs scene developed in a cluster model that first began in Monnot Street in late 1990s. Couple of years later, another cluster developed in Gemmayze, and was followed around 2010 with two clusters, one in Mar Mikhael, the other in Hamra. The latest cluster to date was formed in Badaro, a middle class neighborhood that was developed in the 1960s. From their part, restaurants followed a different logic of development, still, whenever a bars cluster developed, restaurants would then follow.



Map16: Clusters of bars in post-war Beirut. Illustration by author. Source: Field survey by author.

### 8.2.2.1. Monnot Street and the bars' cluster model

In the second half of the 1990s there were several attempts to open up bars in different places in Beirut and its suburbs. Most of these attempts turned out to be a failure, and bars were closed down after one or two years, except in Monnot Street. The advantage of that street was its location. First, it was adjacent to the campus of Université Saint-Joseph,<sup>284</sup> and second, it was in the center of Beirut, just next to the old demarcation line, Damascus Road. In addition, and due to its proximity to the front line, this street was still under inhabited in the 1990s. By the end of that decade Monnot became a trendy street, and the most coveted place for partying in Beirut. On a stretch of no longer than 100 meter, bars, clubs and restaurants were crammed next to each other. And in several cases, the areas of these places did not exceed couple of square meters, such as the appropriately named bar, Hole in the Wall.

However by early 2000s, Monnot began to show signs of decline. It was after all a narrow and sloped street, and became quickly overcrowded. Add to that the lack of parking spaces in the area (Mortimer and Hashash 2001).<sup>285</sup> Noise complaints from residents in Monnot played a significant part in shutting down a number of bars (speetjens 2006). But perhaps the most significant was the amateurism that characterized the rise of Monnot. “There were a lot of people who wanted to give it a shot, see if they could make a buck. It was mostly them who failed, while the good ones survived” (ibid.). By the mid-2000s a good number of nightlife activities migrated to a more attractive neighborhood, Gemmayze. Nowadays, Monnot is far from its heyday, with only a handful of bars and restaurants still in existence. But the Monnot phenomenon revealed “the allure of an untapped market space, [and] gave birth to a business model that [will be] replicated by entrepreneurs looking to make a quick buck” (Executive Magazine 2009). The first replica of this model, on a more professional level, took place in Gemmayze.

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<sup>284</sup> Université Saint-Joseph (USJ), along with the American University of Beirut (AUB) and the public university, Lebanese University (LU), are the biggest and oldest universities in Lebanon.

<sup>285</sup> Beirut lacks proper public transport system, and a large number of dwellers use their private cars for their daily travels.



### 8.2.2.2. The nightlife gentrification of Gemmayze

During the war the western end of Gemmayze — the part closer to the center — suffered considerable damage, but the whole neighborhood was in a state of decline. The end of the war did not bring economic revival to Gemmayze, and its commerce and services were struggling. Still, the quaint character of the neighborhood made it a point of attraction. Many young people sought residence there, although most were offset by the relatively high rent. An annual art festival was organized along Saint Nicolas' stairs that links Gemmayze to Sursock, in an attempt to brand the area as an art quarter. And a visit to the area became a fixture on tourists' agenda. Few businesses flourished from these activities, as with the restaurant *Le Chef* — witnessing a revival it became a favorite dining place for university students, young professionals, and tourists — but in general, the economy of the neighborhood was in stagnation. Around 2002-2003 young entrepreneurs opened the first bars on the western end of Gemmayze Street, such as *Torino Express* and *Bar Louis*. Gradually, Gemmayze was being perceived as a mature alternative to Monnot. While the latter attracted late teens and those in their early twenties, the former became the favorite place for people in their thirties. By 2005 dozens of bars and pubs sprung along Gemmayze Street and in the adjacent alleys. Gemmayze had eclipsed and replaced Monnot Street. The waves of bars were soon followed by the opening of upscale restaurants. This transformation, and the periodical art activities, attracted some of the creative industries to Gemmayze, mostly art galleries and design workspaces. Still their number remained limited due to the high rent in that area.

By 2010, most of the rundown commerce in Gemmayze was replaced by bars or restaurants, whose number exceeded the one hundred. And in January 2011 this transformation reached a milestone with the closure of *Qahwat al-Qzaz* (the glass Café), located at the western end of Gemmayze. This was the most famous traditional café in Beirut established in 1920. This once bustling café would only host a handful of elderly people in the 2000s. In 1997, the building of the café had a new landowner who proceeded to evict existent tenants, including *Qahwat al-Qzaz*. It took 12 years of judicial dispute to abrogate the rent control contract of the café. On the day of its closure, urban heritage activists organized a protest, among other events (Nasrallah 2011). This would be the starting point for the new urban heritage organizations SBH

and APLH (see 7.3.2.4.).<sup>286</sup> A few months later, an upscale restaurant called Qahwat Leila replaced Qahwat al-Qzaz.

The popularity of the area as a nightlife destination was accompanied by a hike in rent. The pioneers, such as Tornio Express and Bar Louis, had rent contracts of around USD200 per square meter per year. By 2004 spaces were rented for twice as much, and commercial rent prices continued their ascent, reaching USD700 per square meter per year in 2006, and USD900 in 2009 (Speetjens 2006; Executive Magazine 2009). Moreover, at the time of renewing rent contracts, landowners would ask for higher prices (see 7.2.2.4.). For instance, in 2009 one landowner increased the yearly rent from USD40,000 to USD120,000 (Executive Magazine 2009). This situation posed a constraint on many bar owners. In addition, residents of Gemmayze were constantly opposing the nightlife transformation in their neighborhood. Starting in the mid-2000s, they were pressuring the public authorities to regulate the bar scene, to impose noise curfew after midnight, and to deal with the issue of parking places. On two occasions, the Ministry of Tourism responded to these complaints by closing down certain bars (Hayek 2008, Hamiyeh 2010).

By the end 2000s, Gemmayze looked to be approaching a saturation point, rent prices were reaching new heights, not to forget the permanent conflict with the residents. The food and beverage industry was looking for new locations for their investments (Le Commerce du Levant 2011a). For most, the nearby Mar Mikhael seemed to be the obvious choice, and there were many anticipations that the bar scene would extend to that area. The question was not if this will happen, but rather when will it happen.

### **8.2.3. The transformation: A gentrification based on food and beverage, and creative industries**

The transformation in Monnot Street was a limited case of gentrification. It was restricted to a section of the street, and for a brief period of time. Its significance is that it became model implemented in Gemmayze, where most of economic activities have

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<sup>286</sup> Interestingly, nearly none of the participants in that protest had ever been into the café before, whose clientele for the past decades were restricted to a few low-income elderly.

been gentrified, with bars and upscale restaurants taking over the rundown commerce and services in that area. A similar phenomenon would take place in Mar Mikhael starting in 2009-2010, with a main difference that it was also driven by creative industries.

Before discussing this transformation, it is relevant to point out that a demolition-reconstruction gentrification, similar to that in Furn al-Hayek, was taking place in Gemmayze and in Mar Mikhael. In the former area, upscale residential projects were constructed during the two post-war real estate booms, most of which were built on the secondary roads leading to Gemmayze Street. As for Mar Mikhael, starting 2010 — towards the end of the second real estate boom — upscale residential projects including several high rises, were constructed in different location in that area. In general, the transformation in Mar Mikhael was depicted as having progressed in three phases: first, the establishment of creative industries, then, they were followed by the food and beverage (F&B) industry, which in turn attracted real estate developers (Kabalan 2016). Already in 2010, local media were voicing their fear that bars, restaurants, and creative industries, would eventually bring the “barbarians” (Merhi 2010), a.k.a the real estate developers. This narrative found its way to research (see 8.2.4.), however it suffers from two flaws. First, both the food and beverage, and creative industries moved to Mar Mikhael at the same time (see 8.2.3.1.), and second, it fails to acknowledge that a real estate development is a long time project. To establish a bar, it takes two to sixth months from its start to its completion, as for a real estate project; it takes at least four to five years.

In the middle of the second real estate boom, developers were looking for new locations for their future projects, and for some of them, Mar Mikhael seemed to be a good option: It was the continuation of Gemmayze, it was in Zone 3 of Beirut master plan — therefore a high TER — and although it was not a popular neighborhood, it has a relatively low density in comparison to other areas. For example, in 2007 the real estate developer Naila Kettaneh-Kunigk bought a parcel in Mar Mikhael for her project East Village. A year later, Har Properties and al-Mawarid Real Estate bought also properties in the neighborhood for their respective projects AYA and The Skyline (Boudisseau 2010c, Salem 2010). East Village was completed in 2010, but it took until 2014 for the construction of The Skyline, while in 2017, AYA was still in the finalization

stage.<sup>287</sup> So, while the initial phases of the real estate projects in the area began before the arrival of the F&B and creative industries, the completion of most of these projects took place after the transformation of Mar Mikhael. Real estate developers also had an impact on the marketing of Mar Mikhael. As they labeled Furn al-Hayek the Golden Triangle previously, they dubbed Mar Mikhael, first as Soho Beirut, before settling on depicting it as the “bobo” area of the city.<sup>288</sup> This vision of a bohemian neighborhood was adopted simultaneously by the F&B industry and the ACDs community. Already in 2010, Jean-Marc Bonfils, the architect behind East Village, predicted “the neighborhood will become a predilection area for the bobos, the bourgeois bohemians” (Le Commerce du Levant 2011b). In February 2011 another developer, Zardman, launched a real estate project in Mar Mikhael under the name of Bobo Residences (see Image 15).

The following discusses the other gentrification in Mar Mikhael, the one based on F&B and creative industries. In the first part it depicts that transformation, and in the second, it highlights the role played by rent laws in this gentrification.

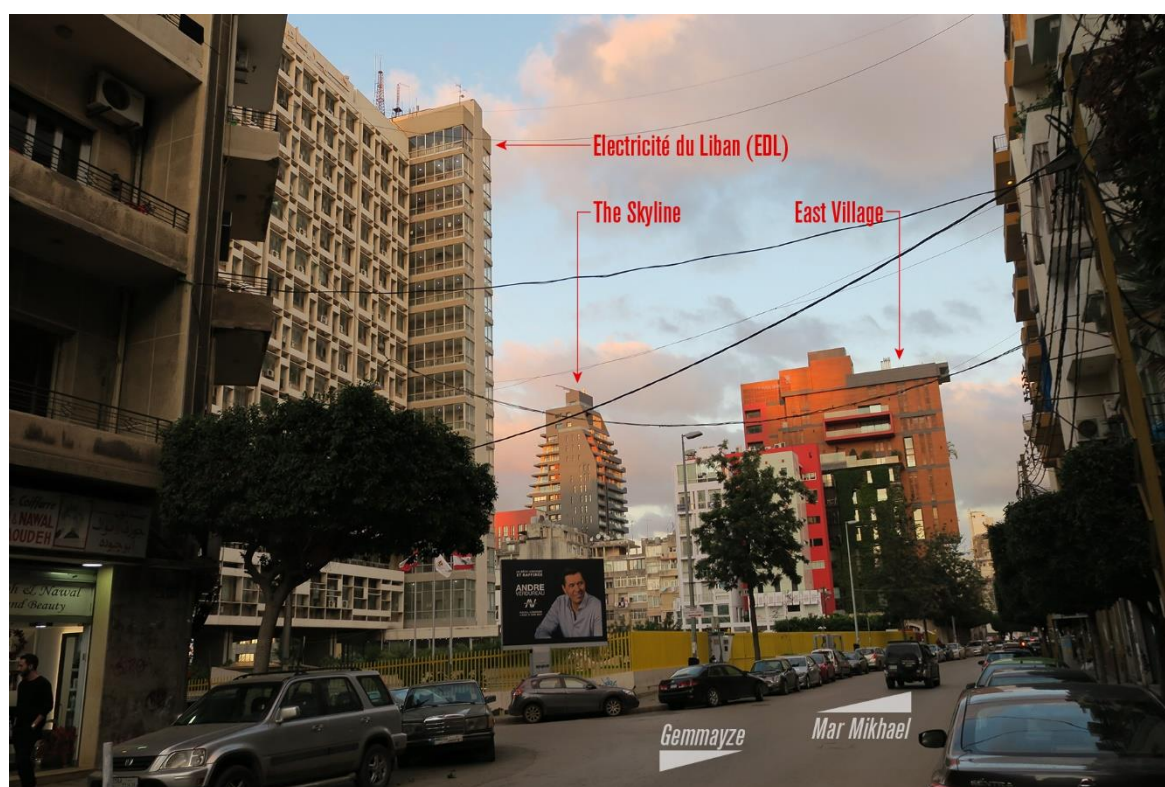


Image 25: The junction between Gemmayze and Mar Mikhael, with the open space created by the electricity building. Two upscale projects are also seen in the image. Photo and annotation by author, 2017.

<sup>287</sup> For AYA tower, also see 7.3.2.3, and Image 15.

<sup>288</sup> The term Soho Beirut was later applied by developers on the former industrial area between Corniche al-Nahr and Beirut River (see Map 11).

### 8.2.3.1. Mar Mikhael from small scale industries to a hub for food and beverage, and creative industries

In 2006 the designer Lina Audi opened its contemporary design boutique, Liwan on Madrid Street in Mar Mikhael. This was the first instance of an ACD moving to that area. However, this move was not followed by other designers, and for several years Liwan would remain at odd with its industrial surrounding (Le Commerce du Levant 2011a). However the shift will come in 2009-2010, and it was spearheaded by bars and cafés mostly. As noted earlier, there was an anticipation that Mar Mikhael would turn into the new hub for the bars scene, but it seemed a hesitation was still prevailing among investors in the F&B industry. The breach would occur at the beginning of 2009, when an edgy bar/club opened at the start of Armenia Street, opposite the electricity company.<sup>289</sup> Around that time, Rabih Awad, a bar owner in Gemmayze, was sensing the decline of Gemmayze, and chose to relocate to the middle of Armenia Street. The new bar opened in mid-2009, and took the name of the industrial motor workshop that it replaced, *Électro-Mécanique*.<sup>290</sup> Simultaneously, and couple of meters away, a pub/resto called *L'Osteria* opened its doors. These were the pioneers in Mar Mikhael, and their arrival received an immediate coverage by the local press. And while this coverage was generally positive, it also feared “that Mar Mikhael might morph into a new Gemmayzeh, with property prices soaring and [...] making life hell for [the residents]” (Lee 2009). The mental barrier that was holding back the F&B and ACDs entrepreneurs from investing in Mar Mikhael has been broken. The opening of the first bars in Gemmayze went nearly unnoticed, and it took at least three years for that area to become a trendy place. For Mar Mikhael, it took less than a year to reach that status. The ACDs community was the fastest to move in and take advantage of the still low rent price. During 2010 more than a dozen creative industry spaces popped up in the area, along with a half a dozen bars. Most of these places opened up in the middle of Mar Mikhael, in vicinity to Liwan, *Électro-Mécanique*, and *L'Osteria* (see Map 17). These figures would double in the following year, and the first upscale restaurants began to move to Mar Mikhael. In 2014, there were around 50 bars and restaurants (Redd and Rahhal 2014), with nearly an equivalent figure for the ACDs (Gerbai and et al 2016, 55). And in 2017 these numbers were still on the rise. In turn, the rise of Mar Mikhael

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<sup>289</sup> The bar was named *Behind the Green Door*, after a 1972 cult porn movie.

<sup>290</sup> Interview with Rabih Awad, May 12, 2013. *Électro-Mécanique* was also known as *EM Chill*.

attracted some organizations and NGOs. This was particularly the case of the feminist collective Nasawiya, which opened its center and a café in 2011, next to Alexander Fleming Street. Nasawiya had to move out couple of years later due to an increase in rent, but Mar Mikhael remained attractive for other groups, such as the LGBTQ organization Helem, which relocated to the neighborhood in 2016 (Yan 2016).

Most of the incoming businesses to Mar Mikhael were not amateurs, but what can be considered as established entrepreneurs. This was particularly true for restaurants but also for bar owners too. While some bar owners, like Awad, relocated to the neighborhood, others kept their bar running in Gemmayze or in Hamra, and opened new ones in the area. For example, Andreas Boulos, the owner of Torino Express in Gemmayze — and one of the pioneers in that area — opened in 2011 another bar, Internazionale, in Mar Mikhael. The same also went to the creative industries. Many of the ACDs places in Mar Mikhael had other branches or points of sales in Lebanon and abroad. In 2015 it was estimated that more than 40 percent of the ACDs products were destined to export, mainly to Europe and the Gulf monarchies (Krijnen 2016, 162). In addition some in the ACDs community adopted a strategy of diversification and expansion. For instance, in 2010, Tony Sfeir established an artisan publishing house on Armenia Street, Plan BEY. Two years later, a sister gallery B/B Multiples was opened in Berlin, mainly to sell books, prints, and artworks produced by Plan BEY. In 2013, Sfeir rented an old house adjacent to his workspace, and turned it into a guesthouse called BEYt, which later on turned into a restaurant, Makan. In 2014, he took over the adjacent shop, previously occupied by a hairdresser, and turned it into an exhibition space, Zawal.<sup>291</sup> In the same year, and just couple of meters away, he opened the restaurant Mótto (Kinneberg 2014). It is also noticeable that these creative industries, similar to most of the workshops they replaced, did not service the local area, nor were dependent on their location for their economic activities.

Most of the previous workshops in Mar Mikhael had rent control contract, and they were content in cashing up their compensation, and relocated outside the neighborhood. In general, they moved to industrial areas in the suburbs of Beirut. In one case, a mechanic who has a contract with an insurance company relocated to Nahr Ibrahim, some 30 kilometer to the north of Beirut. These relocations did not seem to

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<sup>291</sup> *Beyt* is Arabic for home, *makan* is Arabic for place, and *zawal* is Arabic for ephemeral.

have affected these workshops, as most of their economic activities did not rely on their location, but rather on their contracts with larger companies. However, this had a downturn impact on the commerce and services that depended on these workshops, especially retail shops. Only few adapted to the transformation, such as grocery stores that extended their opening hours till late at night and started serving alcohol.<sup>292</sup> As for the residents, the incoming of bars and restaurants presented them with several inconveniencies, from traffic jams at night, to the erratic behavior of revelers, to the issue of loud noise persisting well after midnight (Abou Jaoude 2013). On the opposite, they tend to view the establishment of creative industries in a more positive light (Rahhal 2015); still, they barely purchase anything from these new places.<sup>293</sup>



Image 26: Mar Mikhael: bar on the ground floor (L'Osteria), restaurant on the first floor (Italian Project).

Photo by author, 2017.

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<sup>292</sup> Interviews with Siham Moubayed, Gilbert Zaynun, Fares Khairallah, Joseph Baz, Siham Tekian, December 20, 2014, with Vicken Shakarjian, November 28, 2017, etc.

<sup>293</sup> Interviews with residents in Mar Mikhael.

### 8.2.3.2. Liberal rent contracts as a mechanism of urban renewal

Besides the location and the characteristics of the neighborhood, the main attraction in Mar Mikhael was the low rent. Early in 2010 a 30 square meter venue in Gemmayze would have a yearly rent of around USD30,000, while a similar size place in Mar Mikhael would be rented at nearly USD7,000 (Rahhal 2014). But as entrepreneurs moved in, a rapid surge in rent prices ensued. During 2010 alone, rent for new spaces in Mar Mikhael increased by at least 60 percent, to reach USD500 per square meter per year along Armenia Street, and between USD200 to USD300 in the adjacent roads (Le Commerce du Levant 2011a). These prices would triple, and even quadruple, in later years.

A good number of shops in Mar Mikhael had rent control contracts, while most of the rest were owned by their users. Only few had post-1992 contracts. As noted previously (see 7.2.2.), although pre-1992 contracts for commerce were below market prices, the gap between old and new rent was much smaller than in the case of residential rent — due to a higher correction. In addition, it was easier to abrogate commercial rent contracts, however in this case two compensations had to be paid for the tenants, one related to the size of the place, and another to the incurred loss in business activity. As the wave of transformation began in Mar Mikhael, many landowners saw it as an opportunity to increase their profit from their properties. The main hindrance to abrogate rent contracts was the double compensation, which ranged between USD25,000 and USD200,000.<sup>294</sup> But this did not prove to be an insurmountable barrier for two reasons: first, with the surge of rent prices landowners had the possibility to recuperate the paid compensation in just few years' time. And second, in most cases, the landowner would ask the new investor to pay that compensation (Le Commerce du Levant 2011a). Unlike the antagonism that characterized the relation between landowners and existing tenants in the case of residential rent (see 7.2.3.), a form of cooperation emerged between these two groups when it came to commercial rent in Mar Mikhael. As the existing commerce in the neighborhood declined — with the relocation of workshops — some landowners agreed not to charge their tenants with rent, so to keep the shops running in order to claim a larger compensation from the anticipated new investor. In this scenario, the landowner would obtain a part of the compensation paid for the tenant. This was the case for example of a glass shop and

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<sup>294</sup> This wide range is mainly related to size of the space. Interviews with Elie Aftim, December 21, 2014, Saseen Kawzally, October 7, 2017, Vicken Shakarjian, November 28, 2017, etc.



electrical parts shop on Armenia Street.<sup>295</sup> This cooperation, while it was partly due to the personal relation between landowners and tenants, it was mainly driven by the prospect of a mutual financial benefit.

Contrary to the case of residential rent, where most landowners had to sell their properties, the situation of commercial rent enable landowners to retain their properties, and even to expand their businesses. A case in point was that of Vicken Shakarjian. A mechanic by trade, Shakarjian was the proprietor of his own industrial motors workshop, *Électro-Mécanique*. He also owned a shop that was rented according to the old rent law. The workshop consisted of a 20 square meter area on the ground floor, and of a large basement. Although the workshop was very profitable,<sup>296</sup> Shakarjian rented it to Rabih Awad in 2009 for USD2,000 per month. At the end of the contract in 2014, Awad sought only the basement for a new underground bar, *The Back Door*, and he rented it for USD1,000 per month. As for the ground floor, it was rented to a new bar, *Clockroom*, for USD2,500 per month. In parallel, Shakarjian abrogated the rent control in his second shop, and rented it for another bar for USD3,000 per month. In 2016, Shkarjian bought the basement in the adjacent building to his former workshop. This basement housed a print workshop with a rent control contract. Shakarjian's plan was to evict the tenant of the print workshop, to pay him USD30,000 in compensation, and to rent it as a bar or a club for USD1,000 per month. According to this scenario, Shakarjian would recuperate the compensation in less than three years.<sup>297</sup>

For comparison purposes, the rent of *Clockroom* was around USD1,500 per square meter per year, nearly threefold the 2010 prices. Adjacent to *Clockroom* sat *Bar 35* whose rent in 2017 was USD2,000 per square meter per year. As for the restaurant *Memory Lane*, on the opposite side of the street, the rent was USD2,200 per square meter per year.<sup>298</sup> These mentioned places were located on the main street in *Mar Mikhael*, Armenia Street. Rent on the secondary street was relatively lower than these figures. In addition, rent for creative industries was nearly half of that for the B&F industry. And while many of the latter settled on Armenia Street, the former were concentrated on the secondary roads and the back alleys.

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<sup>295</sup> Interviews with glass shop owner, and with electrical shop owner, November 26, 2017.

<sup>296</sup> For instance, profits from his work as a mechanics allowed Shakarjian to buy a Ferrari car.

<sup>297</sup> Interview with Vicken Shakarjian, November 28, 2017.

<sup>298</sup> For *Bar 35*, the rent was USD7,500 per month for an area of around 45 square meter. For *Memory Lane*, the rent was USD11,000 per month for an area of around 60 square meter. These figures were provided by Vicken Shakarjian.



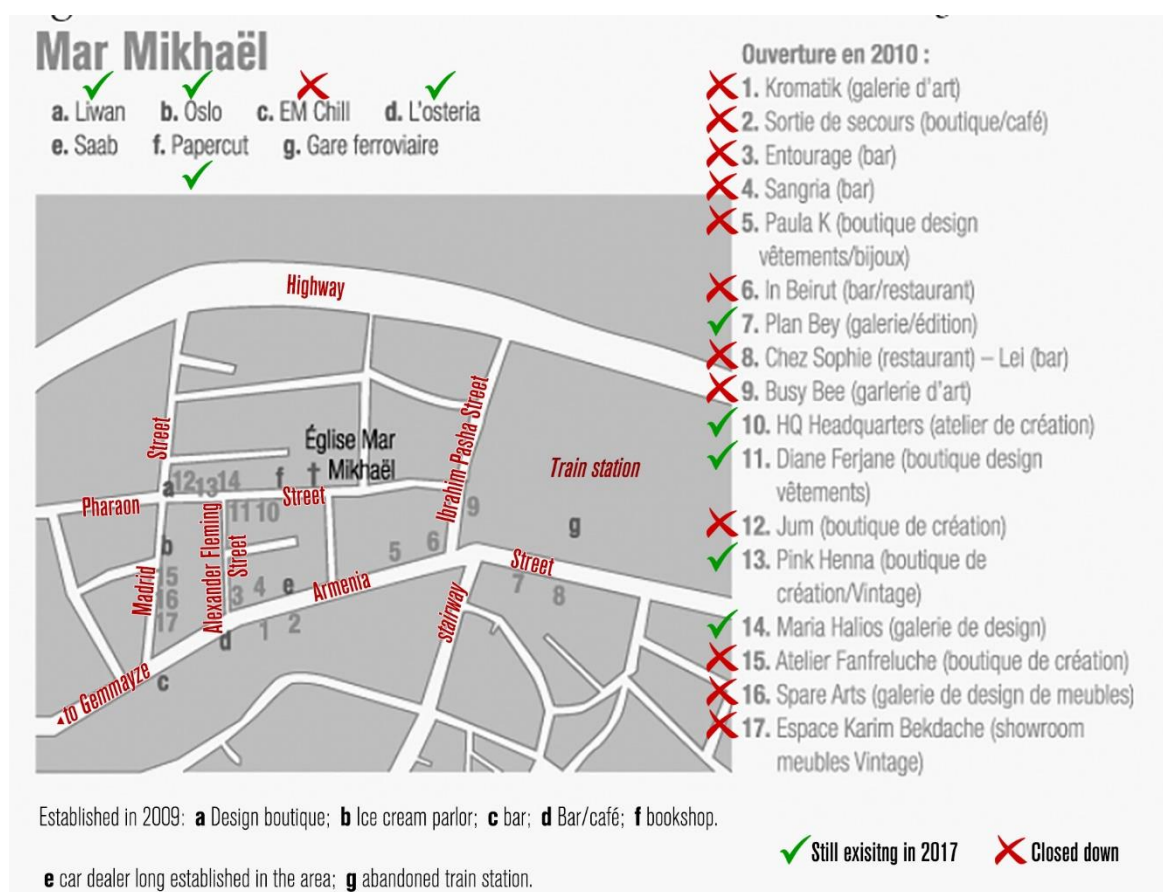
Image 27: Mar Mikheal: a bar (Clockroom) adjacent to a mechanic workshop. Photo by author, 2017.

The spiraling of rent price made Mar Mikhael lose one of its main assets, its price affordability. At the end of rent contracts periods — in general after three or five years — many landowners asked for high rent. For instance, Rosy Abourous, the owner of a jewelry design store, saw its rent double between 2010 and 2014 (Khoury 2014). But while Abourous was able to afford this increase, others preferred to move out of the area. This was for example the case of Karim Bekdache’s architecture studio and furniture showroom, or of the feminist collective Nasawiya. This increase in rent also affected the F&B industry. Several small entrepreneurs were pushed out by a higher rent, while some bigger ones who can afford the increase opted for relocation seeking more profit. Charles Frem, the founder of Central Management that manages several top end bars, explained that:

“Operators move to new areas because eventually rent in trendy areas goes up and becomes too high. So, for example, in late 2015, an outlet of the same size with a rent of \$100,000 in booming Mar Mikhael had a rent cost of \$70,000 in Dbayeh – so you are saving 30 percent, which is attractive” (Rahhal 2017).

A handful of bars and ACDs that were established in 2010 remained operational in 2017 (see Map 17), and nearly half of the B&F industries that existed in 2014 had closed down three years later (see Map 18). Several reasons can account for this high ratio of

closure, from using these venues as a temporary money-laundering scheme, to bars being shut down by police due to illegal activities, such as drug dealing. Still, the two frequent causes were, a bad management resulting in bankruptcy, and the issue of rent. On this last point, the reasons were either the increase of rent, or the conditions attached to the renewal of the contract. For instance, the bar Woodstock had to close down after the landowner insisted at the time of the contract renewal that a one year rent had to be paid in advance, a condition that the bar owner could not afford to fulfill.<sup>299</sup> But while many bars, restaurants or ACDs were closing down or relocating outside of Mar Mikhael, others were moving in and filling their places. For example, the two bars that existed next to the electricity company in 2014, Cinq and EDL (see Map 18), were replaced respectively by a bar, Mothershucker, and a nightclub, Karma, by 2017. It was estimated that in 2017 the number of bars and restaurants in Mar Mikhael had doubled in comparison to 2014, and that period saw also an increase in the number of creative industries in the area.



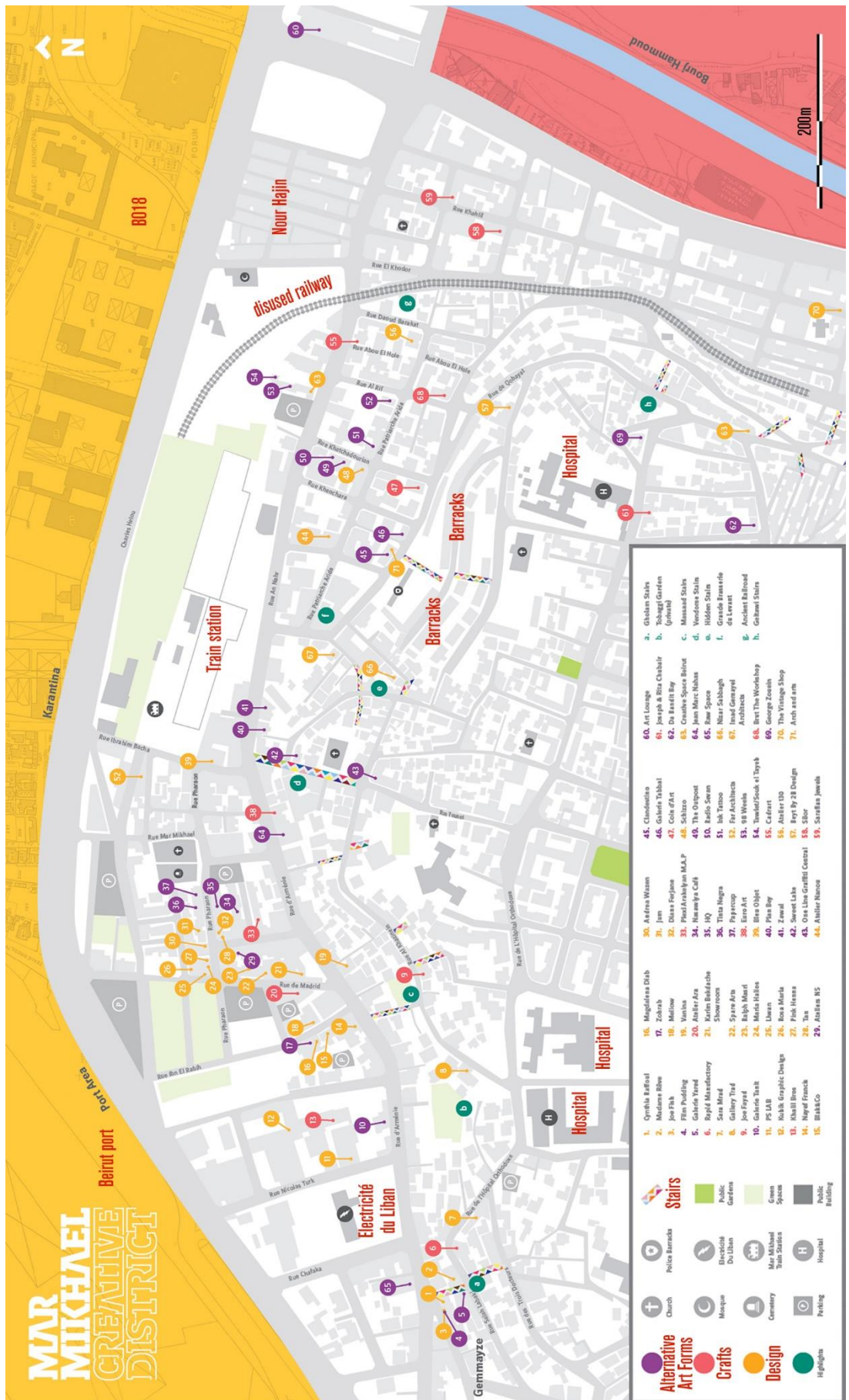
Map 17: F&B and creative industries in Mar Mikhael in 2010, and their situation in 2017. Annotation by author. Sources: Le Commerce du Levant (2011b); field survey by author in 2017.

<sup>299</sup> Interview with Kamal, November 27, 2017.

THE ROAD TO HAPPINESS  
The restaurants, bars and cafés of Mar Mikhael



Map18: Bars and restaurants in Mar Mikhael in 2014, and their situation in 2017. Annotation by author.  
Sources: Redd and Rahhal (2014); field survey by author in 2017.



Map 19: Creative industries in Mar Mikhael, 2014. Annotation in red by author. Source: Medneta (2014, 53).

#### 8.2.4. Partial conclusion

The commerce and nightlife gentrification in Mar Mikhael was driven by the booming F&B industry in post-war Beirut, as well as by an influx of creative industries to that area. For some, the gentrification of Mar Mikhael was depicted as following the scenario described by Ley (2003), as in artists move to a poor neighborhood, valorize it, in turn attracting big capital, which in Beirut's case materialized with the construction of upscale residential projects (Krijnen 2016, 162). But as seen earlier, this big capital was already at work in the area before the incoming of the so-called artists, and the slowdown of this upscale residential gentrification was mainly due to the post-2011 real estate crisis. Moreover, the ACD community in Mar Mikhael are not the common artists depicted by Ley. These are entrepreneurs. They did not pave the way for gentrification, but rather they gentrified the area, and they acknowledged this fact. Abdallah Mashnouk, the business partner of Tony Sfeir in his several creative industrie endeavors, admitted that "yes, we're part of the gentrification here," before adding "but we're trying to do it with some soul and some taste" (Kinneberg 2014).

This gentrification was largely facilitated by the laws on rent. The main obstacle provided by rent control on commerce was the double compensations. And in comparison to residential rent control it lacked both, the strict conditions to abrogate contracts, and the clause on the upcoming demolition-reconstruction. This obstacle was easily surmounted as rent prices soared, and allowed landowners to retain their properties, and to extract further profits from them. This hike in rent prices was the result of the influx of the F&B and creative industries, and of a total liberal law on rent that lacks mechanisms for control, such as a cap on rent prices. The only relative control that this law provides is a minimum duration of rent contract, set at three years. This time period became largely responsible for the high rate of turnover of establishments in that area, which rendered a main mechanism of urban renewal absent, since every three to five years a good number of bars, restaurants, or ACDs had to relocate due to the continuous increase in rent.

### 8.3. Conclusion

As seen in the previous chapter, laws and regulations enlarged the rent gap, especially those on construction or rent control. They also created a situation where ground rent dispossession is possible, as in the case of rent control, and they removed existing or potential barriers facing gentrification process, be it with a very liberal law on rent or with lack of adequate regulations for the built heritage. This situation existed all over Beirut, apart from the Central District, and led to an environment conducive to the development of gentrification. The materialization of this transformation in certain neighborhoods was related to other factors, mainly to 1) the development of a boom; 2) the situation and character of the neighborhood; and 3) the choices made by the agents of change, in one case the real estate developers, and in another F&B and creative industries. The demolition-reconstruction gentrification in Furn al-Hayek was a result of an anticipated boom in real estate that was fostered by the adoption of a new construction law. This neighborhood offered several advantages to developers, from its location on a hill slope facing the sea, to being cheaper than the usual upscale coveted areas, but at the same time having a high class reputation, keeping in mind it was not a popular neighborhood. It was this quality/price ratio that attracted developers, who began promoting it as the new illustrious address in the city. This situation is congruent with other documented cases of gentrification, in which this transformation does not always occur in neighborhoods where the rent gap is the highest, and that due to factors such as stigmatization or the perception of these areas (Slater 2015, 12-13), but in areas that besides the rent gap, have other attractive qualities. As the real estate boom in Beirut developed and the rent gap began to diminish in Furn al-Hayek, the attention of developers shifted towards other more profitable areas that have a relatively good reputation: either inherited, such as Zoqaq al-Blat, or newly constructed, as in the case of Mar Mikhael and its marketing as a bohemian bourgeois neighborhood. This gentrification was tightly linked to the development of the real estate bubble and land speculation, and as the bubble burst, the pace of this gentrification has greatly slowed down. This case of gentrification was clearly driven by capital, in which the cultural factor played little to no role. The commerce and nightlife gentrification in Mar Mikhael was also a product of another anticipated boom, and it developed in parallel to the upscale residential based gentrification in that neighborhood. It was a result of a

booming F&B industry. The location of Mar Mikhael as an extension to the trendy Gemmayze, made it an obvious choice for the expansion of that industry. In addition the flat geography of that area, the relatively low density of the neighborhood, and the relatively wide main street, were assets for Mar Mikhael in a city characterized by high density and narrow, often sloped streets. The creative industries in their quest for a location in trendy neighborhoods were offset by the high rent in Gemmayze. But as soon as the F&B industry began to spread into Mar Mikhael, the ACDs community moved in en masse to that area. It would be misleading to consider the industrial character of Mar Mikhael as an attraction element. After all, these industries were located in the ground floors and basements of residential buildings, and they did not have their own separate space with their own character. As soon as a workshop was transformed into a bar or a creative industry place, there would be no physical trace of the previous industrial space. Notwithstanding that apart from Mar Mikhael the F&B boom was, and is still taking place in relatively middle class neighborhoods. This gentrification was also driven by capital, albeit one smaller than that of upscale real estate projects. The agents of change from the F&B or the creative industries were entrepreneurs. They moved to Mar Mikhael to profit from the low rent, and as the rent soared a good number of them relocated to other areas.

As noted earlier (see 8.1.4. and 8.2.4.), laws and regulations played an essential role in both gentrification processes. For the demolition-reconstruction gentrification they had an impact on every stage of this transformation. They set the stage for it, shaped its development, and to a large degree defined its outcome. As for the F&B and creative industries based gentrification, the laws on rent played a significant role: from a rent control for commerce that can be easily abrogated, thus facilitating this transformation; to a liberal rent legislation with no cap on rent price, but with a minimum rent contract period of three years, which largely guided a renewal and upgrading of the space and its activities according to that period. In brief, this was a rental gentrification of non-residential areas. Finally, it is worth noting that while the upscale high rise based gentrification was exploiting nearly all the existing rent gap, the F&B and creative industries based gentrification did not do so. A situation coupled with the effect of liberal rents, apparently lead to a rapid re-gentrification of Mar Mikhael.



## Chapter 9. General Conclusion

The role of laws and regulations in supporting the development of gentrification is a well-established matter in gentrification studies. The aim of this thesis was to look at their role beyond the initial phase of this transformation, examine their impacts on the development of gentrification, and on the form that it would take. To achieve this objective three cases of gentrifications in Beirut were discussed along with the sets of laws and regulations that affected them. These cases were presented within the wider context of 1) the historical political, economic, and urban development of the city; and of 2) the interrelation between the political elite and the real estate industry, in order to shed light on the conflict of interest for those entrusted with developing laws and regulations, and to show how the State was mobilized by this elite to serve its own interests. The gentrification cases discussed varied widely, from the scale of transformation, to its dynamics and underlying logic. These cases encompass various uses, different occupancy status, and were intended for different users of space. In the case of the Central District, it had its own specific legislations, while the other two developed within the same framework of laws and regulations. The purpose of studying this variety of gentrifications was to obtain a comprehensive view of the role played by laws and regulations in these processes.

This conclusion is in three parts, each one summarizes the main findings, underlines the contribution made by this thesis to gentrification studies, and suggests future research questions and guidelines. The first part discusses the role of laws and regulations regarding gentrifications in Beirut. It stresses the prominent role they play throughout the development of gentrification, and asserts the pertinence of considering this role in any gentrification-based study. The second part focuses on the rent gap theory, a tool extensively used by this thesis. It examines the different rent gap scenarios in Beirut, and proposes further development of that tool. The third part addresses the particularities of Beirut's case, arguing that these specificities reside mainly in an imbalance of power relation within an advanced capitalist context.

## **9.1. The gentrifications in Beirut, and the role of laws and regulations in these processes**

This thesis discussed three cases of gentrification, the first being the total gentrification of the city center. To reconstruct the war-damaged Central District this area was handed over to a private company, Solidere, to own and manage. A tabula rasa approach was adopted: the previous land users were displaced, all rights were abolished, and a large-scale demolition was conducted. The result was the construction of an upscale district destined to the most affluent of the population. The second case was a demolition-reconstruction based gentrification that affected large parts of Beirut, and was related to a real estate boom. The thesis studied the neighborhood of Furn al-Hayek, where former residents were displaced and buildings were demolished to pave the way for upscale residential constructions, many of them high rises — or to be more accurate, vertical gated communities. This case had a striking similarity to that of the Central District regarding the tabula rasa approach, albeit on a smaller fragmented scale. The third case is an economic related gentrification in Mar Mikhael, where workshops and traditional commerce were replaced by F&B and creative industries, and was related to the booming of the nightlife scene. In this case the upgrading of space was done through renovation. These three gentrifications differ greatly, from scale to land use and functions, and from volume of invested capital to the process of upgrading the space. At first sight they seemed to have nothing in common apart from their coexistence in the same city. However, in the three cases the State played a significant role, especially through the power of legislation. This was most evident in the case of the Central District, where it took the form of a direct State intervention, from the takeover of that area to its transfer to private entities. In the two other cases the State provided the appropriate framework for the development of gentrification through laws and regulations.

In the three cases laws and regulations contributed to establishing a context favorable for gentrification. In the Central District this was done by promulgating Law no. 117/1991 that entrusted the reconstruction of war-torn areas to stock-exchange

companies established by the State. In the case of Furn al-Hayek laws enlarged considerably the rent gap. The combination of the Construction Law and Beirut master plan increased the potential ground rent on one hand, on the other, rent control diminished the capitalized ground rent. The conditions attached to this law created a situation of ground rent dispossession, therefore restricting the beneficiaries of this considerably large rent gap to large capital only. As for Mar Mikhael, gentrification was facilitated by rent control for commerce which was easier to abrogate, and by a liberal rent law with no control or caps attached, thus allowing a continuous increase in the capitalized ground rent.

The role of laws and regulations extended beyond supporting gentrification to affect its development. The obvious example is the Central District, where gentrification was a result of direct intervention by the State. Laws and regulations were responsible for the displacement of land-users through the expropriation process and the abolition of existing rights. Swapping properties and contracts for shares in Solidere led to further dispossession of these land-users. It was through a law that ownership of this area was granted to Solidere, along with the many powers entrusted to that company. Most of the demolition was done according to the adopted master plan, which in turn tightly controlled the production of the new spaces and their future uses. In addition, by entrusting the reconstruction to a stock-exchange company — and by retreating from any interventionist role apart from serving the interest of this company — the State made sure the reconstruction was subject to market dynamics and speculation, which consequently restricted the new land-users to the affluent few. In Furn al-Hayek, and within a context of coexistence of two laws on rent, gentrification proceeded mainly through rent control, which is usually considered to present more hindrance to gentrification than the liberal form of rent. This unlikely scenario was less related to the nature of the law, whether it is rent control or rent liberalization, and more related to which law offered better conditions and more profit to capital investment. Rent liberalization empowered landowners, while rent control put them in a situation of ground rent dispossession by preserving very low rents, and by allowing for considerable financial compensations for abrogating these contracts. The most practical way to abrogate rent control was through a demolition-reconstruction process, which fit the schemes of large real estate developers. This process was facilitated by lack of adequate regulations to protect the built heritage. And lastly, the

highest earning and best use of land — to reach the potential ground rent — was framed by the combination of the Construction Law and Beirut master plan, which favors the construction of high-rises. As for the gentrification in Mar Mikhael, the relative ease with which commercial rent control could be abrogated, coupled with ever increasing profits provided by rent liberalization, made it a non-residential rental gentrification. The only condition instituted by the liberal rent law is the three-year minimum period for contracts. In turn, this time period became a main factor punctuating the cycle of upgrading of space in Mar Mikhael, and consequently it determined the progress rhythm of gentrification considerably— as wealthier businesses began replacing those opened three or five years earlier.

Granted, the development of these gentrifications was dependent on several other factors than laws and regulations. The presence of a rent gap was essential, as this potential for considerable profit attracted capital investment. But the rent gap alone cannot explain why gentrification developed in certain neighborhoods, and why it took the subsequent form. Three main factors can be cited along with the rent gap: the characteristics of the gentrified area, the anticipation of a boom, and the choices made by agents of change. The gentrification of the Central District was a special case in many aspects including the civil war as a context of change, added to its location as the center of the city with all the characteristics such status offers; from the strategic geographical location, to the symbolism the area holds. The center as a much coveted area would constantly attract capital investment, and this was greatly facilitated by war destruction and the reconstruction plans, and in light of an anticipated economic revival. The reconstruction could have developed in various ways, but it was the continuous lobbying by certain private actors that led to the current situation. As for the gentrifications of Furn al-Hayek and Mar Mikhael, they were triggered by booms unrelated to the geographic and historical settings of the neighborhoods. For the latter it was the development of the bars scene, while for the former it was an upscale real estate boom. Still, in both cases the location and characteristics of the neighborhood played a significant part in determining the choice of agents of change. Furn al-Hayek presented developers with a convenient quality/price ratio. It was a neighborhood with a solid bourgeois reputation, a pleasant architectural character, and it was not a popular/poor area. In addition, land prices were still lower than other neighborhoods with an affluent reputation. As the boom developed and rent gap began to narrow,

developers looked for other neighborhoods that also had such convenient ratios. As for Mar Mikhael, being in continuity with the trendy Gemmayze neighborhood was essential for the development of the F&B and creative industries gentrification. Other factors include the topography and the relatively low density of that area.

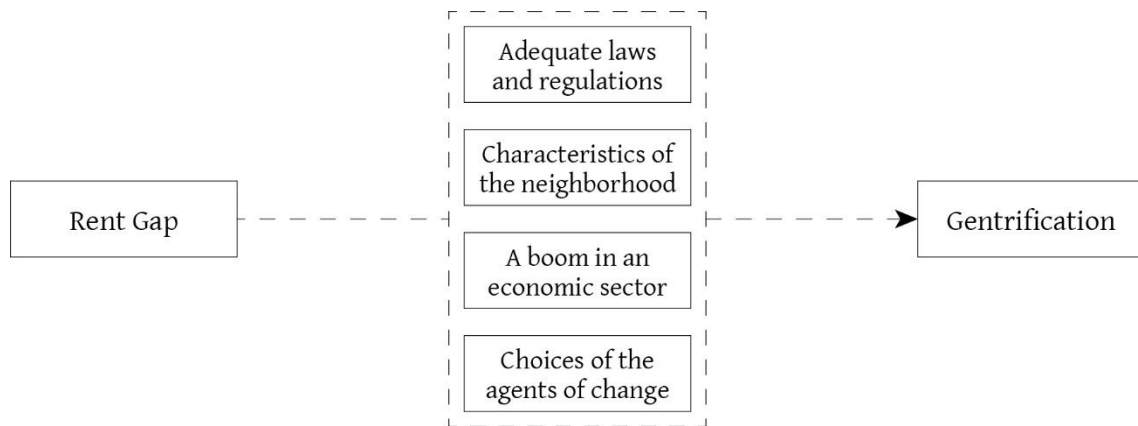


Figure 18: Conditions for the transition from rent gap to gentrification. Illustration by author.

In gentrification studies, it has long been established that laws and regulations play a role in this process by supporting this transformation (see 1.4.). One of the latest contributions to this literature pointed out that legislations could act as a “gap,” which together with the rent gap allows the development of gentrification (Bernt 2017, 186). The contribution of this thesis is to point at the role of laws and regulations as being more than an element of support for gentrification. In the case of a direct State intervention, as with the Central District, laws and regulations play an overwhelming role in the process. The State uses the power of legislation to establish new conditions and realities, thus leading to, and determining the intended transformation. In the cases where the State provides the appropriate framework for gentrification, such as Furn al-Hayek and Mar Mikhael, laws and regulations can have five main functions, from supporting the transformation to affecting its form and development, they are: 1) removing obstacles to gentrification; 2) increasing the rent gap, or creating a situation of ground rent dispossession, in which the set conditions can only be overcome by large capital intervention; 3) guiding capital investment by creating unequal situations that subsequently offer considerable profit; 4) dictating the highest and best use of land, thus greatly determining the new upgraded spaces and their intended use; and 5) setting the rhythm of the development of gentrification.

No doubt the role and impact of laws and regulations vary from one gentrification to another, and they are dependent on several factors, from what

different legislations stipulate, to the dynamic of change, among others. Still, it is imperative to consider the role of laws and regulations in every gentrification study, after all, they form the context in which this transformation develops. In this context, it is equally important to look at preserved or non-promulgated legislations – the passive actions – as well as the newly amended or promulgated ones, which in many cases are designed to foster gentrification. Considering the role of laws and regulations become more critical when conducting a comparative research on gentrification. Comparing two cases of gentrification without comparing the laws and regulations that foster and guide these transformations, risks reaching inaccurate or misleading conclusions. For example, comparing the gentrification in Furn al-Hayek to another case also based on construction of upscale high rises, cannot be understood without considering the construction regulations in Beirut, which are directly responsible for this form of gentrification in Furn al-Hayek, as well as the set of legislations that exists in the other case.

In addition, this thesis calls for a fresh look at the already established role of laws and regulations in the gentrification process. This was particularly the case of rent control. And while several cases, such as in Berlin, showed that gentrification can develop within a context of rent control, this form of rent was still considered as offering more obstacles to gentrification, in comparison to rent liberalization (Holm 2013; Bernt 2017). Rent control does offer several restrictions to urban transformations, however it contains within it the mechanisms to foster certain transformations, and to increase profit made from land, as with the clause on modernizing buildings in the case of Berlin (*ibid.*), or with the clause on the demolition-reconstruction in the case of Beirut. In the latter case rent control also created a situation of ground rent dispossession. And in comparison to rent liberalization, which allowed landowners an ever increasing profit, rent control offered real estate developers favorable conditions and a better prospects for financial gains. Consequently, in the case of Furn al-Hayek where the two forms of rent coexist, gentrification proceeded through the context of rent control. The issue then is not to contemplate which form of rent legislation constitutes a barrier, or is more favorable to gentrification, but rather to establish the fact that gentrification develops through the law that offers the most of profit.

The examination of the role of laws and regulations all along the process of gentrification, and the reevaluation of the previous understanding of the role of certain

laws, pave the way for more opportunities for research. One of these leads is a question asked by this thesis at the very beginning which remained unanswered: Can laws and regulations be considered a common denominator for cases of gentrification that share the same form?

This thesis already showed that laws and regulations affect considerably the form that a gentrification can take, and in certain cases they even constitute the main element determining this form. Answering the above question requires a comparative study on gentrification cases that have the same form, with the aim of establishing their common denominators. No doubt every gentrification is unique (Bernt 2017, 187). However, acknowledging this fact is not to be considered only as a testimony to the complexity of gentrification, but rather it is an incitement to uncover these transformations' common elements. Only then we can know if a form of gentrification is contingent to certain common elements and factors, and if the conjuncture of certain elements and conditions can lead to the same form of gentrification.

## **9.2. Developing the rent gap beyond a simple graph on value**

Throughout this dissertation the rent gap proved to be a useful tool to analyze gentrification, and the role of laws and regulations in this transformation. This thesis showed that laws and regulations do influence the rent gap. They can minimize the capitalized ground rent or create a situation of ground rent dispossession, as with the case of rent control, or they can increase the potential ground rent, as seen with the Construction Law. Since its introduction in 1979 the rent gap theory was the subject of innumerable discussions and debates. And although calls for developing it are issued regularly (Slater 2015), only on two occasions did this theory see development. The first was closing of the rent gap cycle (Clark 1988), and the second was the introduction of two capitalized ground rent (López-Morales 2010; 2011). The findings suggest 1) mobilizing the rent gap as an analytical tool, by adapting the graph to the case study, and 2) based on this adaptability further developing it by proposing a new addition.

As previously seen, several laws and regulations affected the rent gap, as well as other factors such as speculation. Bearing in mind that the rent gap is more a depiction

rather than an accurate measurement (see 1.2.1.2.), several graphs can be drawn representing how the various factors affect the behavior of the rent gap. Four factors will be considered: rent control, rent liberalization, the new Construction Law, and speculation.

In the case of renting properties, the capitalized ground rent is a combination of the rent paid by tenants, and of the value of the property, which upon sold represents the sum of the accumulated capitalized ground rent. When it comes to rent control, the steep depreciation of the Lebanese currency and the lack of appropriate price correction drove down rent prices. In addition, the capitalized ground rent that can be extracted from selling the property was also reduced due to the financial compensation, which represents 25 to 50 percent of the rented property value (see 7.2.2.). Therefore, in this scenario the capitalized ground rent plunges deeper than in a usual devalorization setting. In the case of rent liberalization these two factors do not exist. Moreover, the lack of restrictions on rent and housing pressure led to a continuous increase in capitalized ground rent (ibid.). In this case the rent gap does not follow a devalorization-revalorization cycle, but rather an increasing valorization one, a scenario usually associated with super gentrification. As for the new Construction Law, its promulgation increased the potential ground rent by at least 25 percent (see 7.1.5.). And finally, we saw speculation had increased land prices fivefold — if not more — between 2004 and 2011. Still, it has to be considered that speculation pushes both the capitalized and the potential ground rents up, although the increase in the latter is slightly ahead of that in the former (see 8.1.2.).

Visualizing these scenarios, and indicating the factor and timing of change provide better comprehension of the ground rent situation, and dispel some of the abstraction that surrounds its graph. The following graphs are based on that drawn by Smith in 1979. Note that they do not have a similar time period — for example rent liberalization began in 1992 — nor they are accurate depictions — for instance, for better visual representation and comparison with other graphs, the fivefold increase due to speculation is not accurately shown — and not to forget that each graph is shown in isolation from other factors that can affect the rent gap. Their main purpose is to provide a general representation of the impact of each factor on the rent gap.



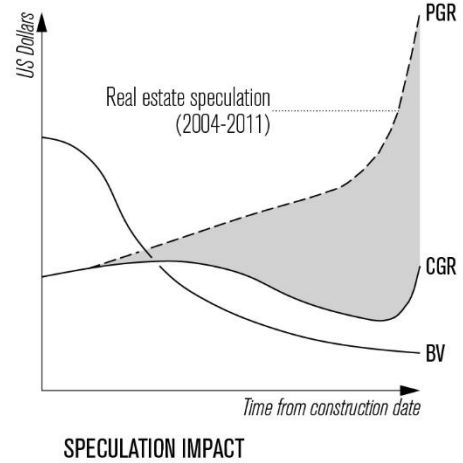
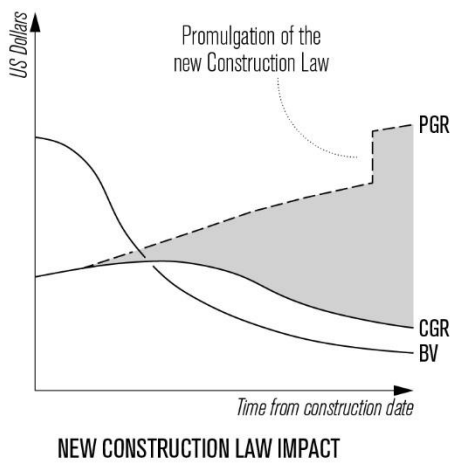
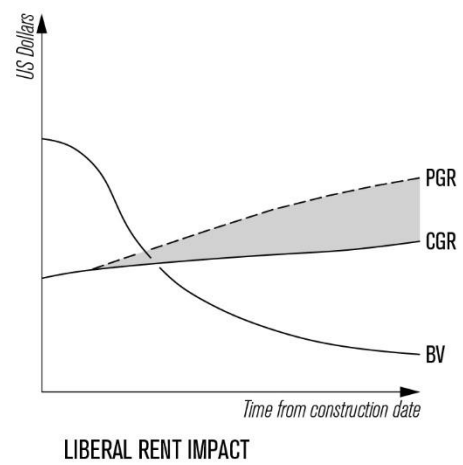
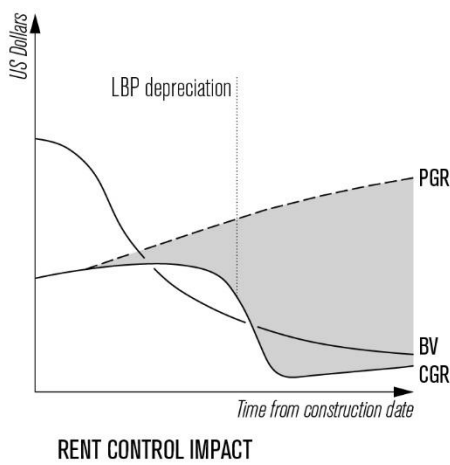
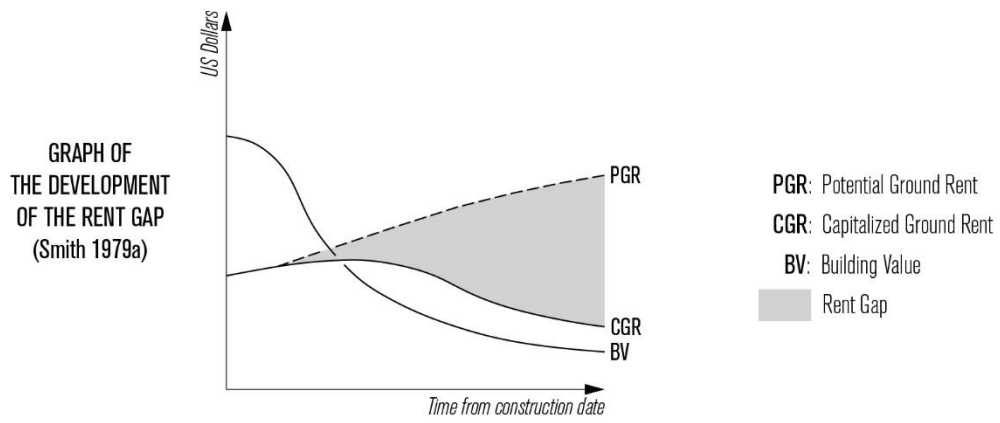


Figure 19: Impact of different factors on the rent gap in Beirut. Illustration by author.

By applying the different impacts on one graph, a clearer representation of the rent gap in Beirut emerges. For instance, comparing the rent gap scenarios according to the two laws on rent reveals the large margin of profit in the case of rent control.

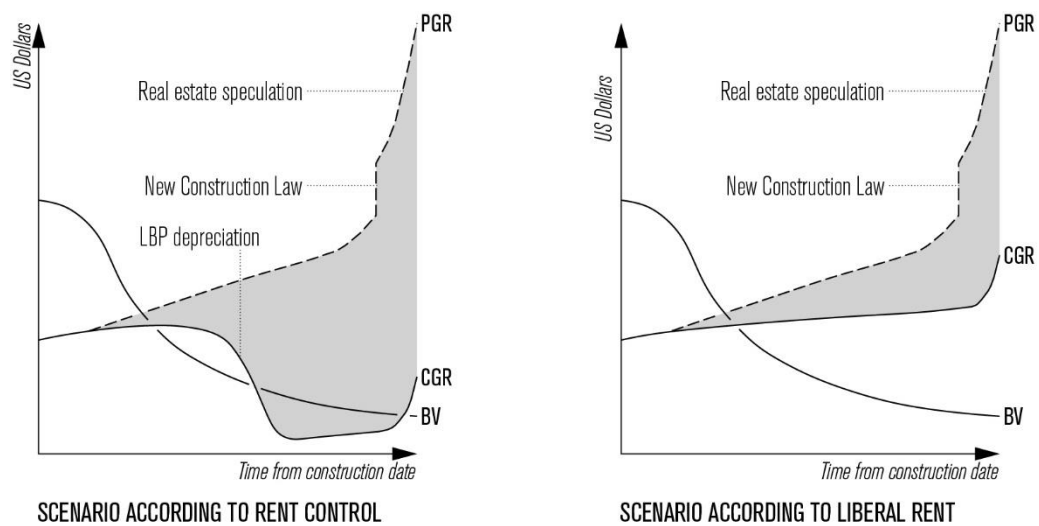


Figure 20: Combined impacts of different factors on the rent gap in Beirut. Illustration by author.

Most research on gentrification uses the rent gap as was drawn by Smith in 1979, or its refinement by Clark in the late 1980s. By representing on the rent gap graph the different factors that affect it, this thesis showed that 1) the rent gap can turn into a visual analytical tool that can adapt to various scenarios, 2) it is not confined to devaluation-revaluation cycle, and 3) by indicating the impacts of different factors, the rent gap graph is no longer an abstract representation, but rather one that mirrors the specificities of the studied case.

In general the rent gap is considered a depiction of market dynamics. However, as seen in the previous examples laws and regulations do affect the rent gap, and they can also be represented on the related graph. This depiction of factors influencing the rent gap opens the way to the representation of other factors that affect gentrification, even those that do not increase or diminish the rent gap. This representation can take advantage of the axis of the time of construction, which can play the role of a timeline of gentrification. For example, the issue of perception that might hinder or expedite the gentrification process can be shown on this timeline, as well as the moment when this perception began to change (see 8.3.). Following the same reasoning, other factors can be represented too. Accordingly, this thesis proposes adding a bar of variables on the rent gap graph, which progresses along the axis of the time of construction. This bar would represent various quantitative or qualitative variables that affect gentrification. For example, it can show in parallel the number of displaced and incoming population over time. Or it can represent social, political, or economic factors that triggered, or slowed down the gentrification. Furthermore, this bar can turn into

a timeline accompanying the rent gap graph, pointing out the main events leading to gentrification and affecting its development. Therefore this bar is not restricted to one specific variable, such with the two axis on time and price in the rent gap graph, but rather it is subject to the circumstances of the studied case and the choices of the researcher. By adopting this flexible bar some dimensions in the gentrification process, which were considered as implicit in the rent gap theory such as the displacement (Slater 2015, 12), could then be depicted and become explicit and clearly visible.

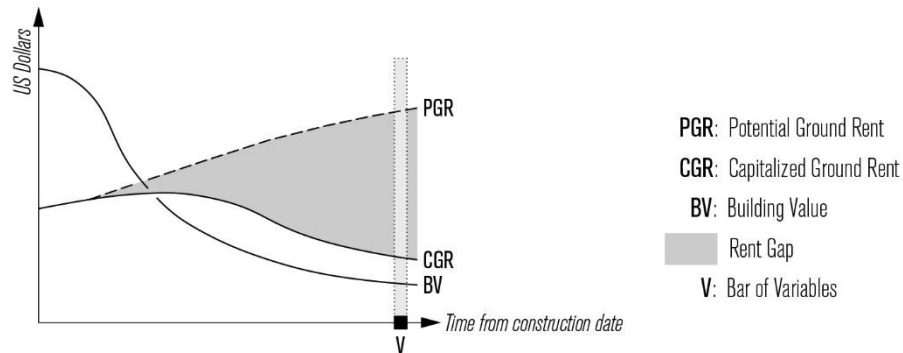


Figure 21: The rent gap and the bar of variables. Illustration by author.

As an example of the use of bar of variables, this thesis will consider the amendments on the rent gap made by López-Morales: the two capitalized ground rent (CGR), CGR-1 capitalized by current owner occupiers, and CGR-2, capitalized by agents of market renewal (see 1.2.1.2). As noted, these CGR mirror the potential ground rent (PGR) according to the means of different actors, and do not have to be considered as realized CGR. By adopting the same logic of López-Morales, other such CGRs had to exist too. For instance, when discussing the F&B and creative industries based gentrification in Mar Mikhael, it was noted that the agent of change did not exploit all of the rent gap, otherwise the gentrification would be based on construction of upscale high rises (see 8.3.). Accordingly, a CGR for these actors has to be considered. This can also be the case of other actors and agents of change. Therefore, a comprehensive representation of the rent gap graph made by López-Morales (see Figure 4) had to include several CGRs: CGR-1, CGR-2, CGR-3, to reach CGR-n, which is equivalent to the PGR (see Figure XX). However, the resulting graph can be misleading since first, these CGRs are not realized, and second, the graph would give the impression of a succession of stages. The ideal depiction would be to show these CGRs as curves of relative PGRs, but this would overburden the graph and make it illegible. In this case the bar of variables would transform into a vertical axis denoting the different relative PGRs: PGR-1, PGR-2, PGR-

3, to PGR-n, the equivalent of the PGR, the highest and best use of land at this moment in time. In addition, this axis can indicate the probable potential ground rent (PPGR) — a higher potential ground rent arising from the possibility of circumventing or canceling certain conditions that limit the PGR (see 7.3.3.).

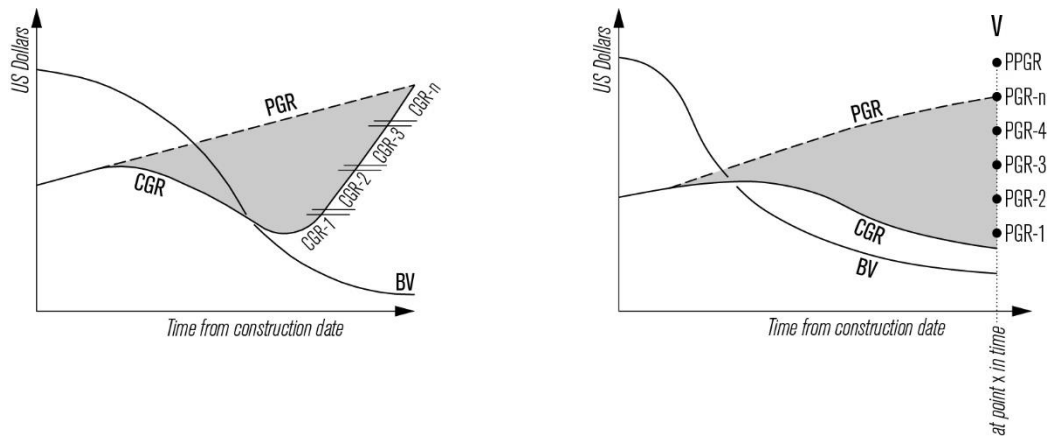


Figure 22: the multiple capitalized ground rent scenario, and its representation using the variables bar. Illustration by author.

Both cases, adapting the rent gap to the different studied cases, and introducing the bar of variables, can turn the rent gap into a malleable tool for analyzing and depicting the many dimensions of gentrification. At the same time it would preserve as much as possible the simplicity that characterizes the rent gap. Of course the idea of the variables bar is still a proposal, and its development is left for future research.

### 9.3. Cities of quartz, and the excavation of the future

To conclude the dissertation it is necessary to address what constitutes the specificities of the Lebanese case, and what lessons can be drawn of them. First, on the issue of religious communities and sectarianism — an ever present theme albeit to varying degrees in urban studies on Beirut<sup>300</sup> — this paper seldom pointed out this issue in the review of the historical development of Beirut, and totally ignored it in the chapters that followed. This was not done to intentionally minimize the role of

<sup>300</sup> Besides previous works by the author of this thesis, it seems the only researcher that completely ignored the issue of sectarianism in urban studies on Lebanon was Saree Makdisi, an American-Lebanese professor of comparative literature, who in the 1990s conducted several researches on the reconstruction of the Central District.

sectarianism, but because it did not play any role in the gentrifications of Beirut. There was no adopted policy that had a communitarian logic. The different groups involved or affected by gentrification encompassed actors from different religious affiliations or backgrounds. This was the case of the displaced population — e.g. Leila Azzi is Christian and Leila Oueini is Muslim — of real estate developers — e.g. Jamil Saab is Christian and Jamil Ibrahim is Muslim — and so on.<sup>301</sup> In fact, it can be argued that in most urban studies on Beirut, if the indication to religious affiliations or communities were removed, no significant change could be detected in these studies. For instance, in all urban research that dealt with the rise of the city in the nineteenth century, the fact the bourgeoisie were mostly Christians was always pointed out. And while this is true, in no way it resulted in a privileged situation for the majority of Christians.<sup>302</sup> Nevertheless researchers, even those coming from a Marxist tradition (e.g. Traboulsi 2007), kept perpetuating this sectarian depiction. The historical development of Beirut provided by this paper showed clearly that an urban history of Beirut can do without an extensive reference to religion, and the sectarian issue can be confined to the few occasions where it did actually played a role, in other words, where it was utilized for political ends. The same goes for the issue of colonialism. Lebanon was never colonized. The French Mandate was an occupation, but in no way it can be compared to Algeria or Indochina where the colonial power had radically affected the social and economic situations. Even if the colonial interpretation was included in the economic context and the development of capitalism, it was mainly championed and carried by a native and aggressive bourgeoisie.

Beirut, as every other city had its own specific realities, but similar to other cases in the world “there are [...] surface appearances that disguise underlying realities” (Harvey 2014, 5). The particularities of the case of Beirut, at least when it comes to gentrification, does not seem to be related with what is generally attributed to cases in the so-called global south, from cultural, to social or to colonial related issues. For instance, it is hard to find a case outside of the global north in which the issue of corruption is not addressed. However, corruption has little to do with the gentrification

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<sup>301</sup> The author intentionally chose people with the same first name.

<sup>302</sup> It is relevant to note that in the first half of the twentieth century most of the middle class was from Christian backgrounds. However this was due to the fact that most of the inhabitants of the mountains surrounding Beirut — and thus those who benefited from the economic rise of the city and the silk-based industrial revolution — were Christians. The other Christians living in the peripheries had the same social and economic situations as their Muslim neighbors.

in Beirut, as laws and regulations were overwhelmingly observed and implemented during the processes of these transformation. And here it is imperative to consider that promulgating laws that serve the interest of a certain elite, in a context where there is nearly no legislations regulating conflict of interests, is not corruption, or even exclusive to the global south. These are elected politicians who are legally implementing their political and economic agenda. By the same logic, other cultural or social specifics can be either dismissed or restricted to a minimal role. The north-south divide is to a large degree geopolitically motivated, and once this surface of appearances is scratched, other realities emerge.

The particularities of gentrification in Beirut are more related to laws and regulations in place, and mainly to a politico-economic system based on economic liberalism, which barely changed in the past century. An economic system that can be described as advanced capitalism. Recently, David Harvey (2014, 162) talked of an “emergent unholy alliance between state powers and the predatory aspects of finance capital to create a form of ‘vulture capitalism’ that is as much about cannibalistic practices (economies of dispossession) and forced devaluations as it is about achieving harmonious global development. [...] Capital survives not only through a series of spatio-temporal fixes that absorb the capital surpluses in productive and constructive ways, but also through the devaluation and destruction.” Putting aside the global dimension in this argument, Lebanon fits this depiction at least since the independence. Not to forget that deindustrialization in Lebanon, especially in the mountains, took place nearly a century ago and the economic vision of the nascent republic was based on finance and services. All that in a setting of a minimal state intervention in social or economic affairs, apart from boosting the interests of the economic elite. Many of the neoliberal attributes were already in play in Lebanon before its advent, or to be more accurate, before the revival of economic liberalism. So while neoliberalism — Chile in the 1970s or the United Kingdom in the 1980s — started as deconstruction of the social welfare state and of the Keynesian economic system, in Lebanon it was a continuity and development of the existing system. In the Lebanese case there was no prerogative of dismantling a previous economic system, and there were relatively few public companies to be privatized. So while in many parts of the world neoliberalism was synonyms with privatizing public assets, in Lebanon it began with an advanced form: the privatization of the whole center of the capital city. It was a privatization of public

spaces, of collective memory, and even a large-scale *privatization* of private properties. In other words, it was the transfer of tangible and intangible public and private assets to the ownership of the higher classes. This situation led Saree Makdisi (1997, 695) to state that “the process of privatization is already at a more advanced stage in Lebanon than elsewhere in the world. [...] Lebanon may be seen as a kind of laboratory for the most extreme form of laissez-faire economics that the world has ever known. And, moreover, Beirut itself, especially in view of the reconstruction project, can be seen as a laboratory for the current and future elaborations of global capitalism.”

It would be tempting to depict Beirut, or Lebanon, as a singular or exceptional case. After all it is one of the few cases outside of global north where at the same time, 1) an indigenous bourgeoisie was in command of the economy, 2) an economic liberalism system persisted throughout the twentieth century, and 3) a democratic system was retained all along this period.<sup>303</sup> However, and at least since the 1990s, these conditions existed in many countries outside of the western world. This particularity of Lebanon has to be seen more in light of the dynamics inside its politico-economic system, and Makdisi (1997, 695) pointed out a main characteristic: the lack of an effective opposition to the liberal economic project. As seen in this thesis, nearly all the main political groups were integrated in the system, and they adhered to the same political project. Outside of the political parties, opposition is generally weak and fragmented, as it was seen in the case of the two main opposition groups to gentrification, the tenants' organization and urban heritage activists (see 7.2.3. and 7.3.2.). It is hard not to notice that Makdisi's arguments on Beirut had striking similarity with that of Mike Davis on Los Angeles. In his influential book, *City of Quartz: Excavating the Future in Los Angeles*, Davis (1990) argued that Los Angeles was also a laboratory for capitalism, and in an increasingly capitalistic world, that city mirrors our future. For Davis this was mainly the result of an imbalance of power, as the ruling political and economic elite in that city had successfully crushed or overcame the opposition to their projects. It is this combination of an economic liberal system and a weak opposition that allows the development of advanced capitalism. The greater the imbalance of power, the more the political and economic elite are able to fully implement their

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<sup>303</sup> Much criticism can be voiced concerning the nature of democracy in Lebanon, especially the electoral system, but this does not override the fact the system of government in Lebanon is a parliamentary democracy based on universal suffrage, in which the ballot box dictates the balance and transfer of power.

neoliberal projects, and in our case, the starker is the process of gentrification. And it is in such places like Beirut, regardless of their geographical location, that gentrification and its dynamics materialize in their clearest form, and therefore allow us to better comprehend this transformation, and even the future of cities worldwide within a context of persistent neoliberalism.



# Appendixes

## Appendix A. List of Interviews

Interviews by the author:

1. Cordelia Koch. Doctor in Law. August 24, 2011.
2. Rodolphe Haddad. Urban planner affiliated to the director-general office, and responsible of planning in Beirut in the Department of Plans at the DGUP. September 13, 2011.
3. Joseph Abdel Ahad. Director of DGUP, 1999-2005. September 15, 2011.
4. Jihad Ibrahim. Purchasing manager at Jamil Ibrahim Establishment, son of real estate developer Jamil Ibrahim. September 19, 2011.
5. Khaled Rifai. Head of the Archaeological Monuments and Built Heritage Department at the DGA. September 19, 2011.
6. Sami Feghali. Head of the Land Use Department at the CDR. September 22, 2011.
7. Elie Helo. Engineer, Public Facilities Projects Department at the CDR. September 22, 2011.
8. Nadim Abu Rizk. Architect and vice-president of Beirut Municipality, 2010-2016. September 26, 2011.
9. Eric Bouvard. Representative of the “Région Île-de-France” at Beirut Municipality. September 28, 2011.
10. Camille Fawaz. Head of the Public Works Unit for Ashrafieh at Beirut Municipality. October 3, 2011.
11. Jamil Saad. Head of the Engineering Department at Beirut Municipality. October 3, 2011.
12. Resident of a high rise, male, Lebanon Street. October 8, 2011.
13. Mohammad Wehbe. Economic journalist at al-Akhbar newspaper. October 17, 2011.
14. Grocery shop owner, male, College al-Salam Street. October 18, 2011.
15. Carole Babikian. Head of the association Achrafieh 2020. April 6, 2013.
16. Real estate middleman, Mar Mikhael. April 10, 2013.
17. Mohammad Zbeeb. Journalist and founder of Masha'. April 11, 2013.
18. Debs Habib. Urban planner. April 15, 2013.
19. Serge Yazigi. University professor and founder of Majal. April 15, 2013.
20. Rodolphe Haddad. *Supra*. April 18, 2013.
21. Giorgio Tarraf. Activist at Save Beirut Heritage. April 18, 2013.
22. Tofy Abi Semaan. Architect. April 26, 2013.

23. Resident, female, Ibrine Street. April 29, 2013.
24. Leila Azzi. Resident, Huvelin Street. April 30, 2013.
25. Mireille. Female, resident, Huvelin Street. April 30, 2013.
26. Nadim Abu Rizk. *Supra*. May 2, 2013.
27. Fifi Kallab. Head of the association Byblos Ecologia. May 7, 2013.
28. Sami Feghali. *Supra*. May 7, 2013.
29. Elie Helo. *Supra*. May 7, 2013.
30. Saseen Kawzally. Former resident, Mar Mikhael. May 9, 2017.
31. Charles Hadifé. Architect. May 10, 2013.
32. Rabih Awad. Bar owner, Mar Mikhael. May 12, 2013.
33. Bassem Chit. Former resident, Furn al-Hayek. May 12, 2013.
34. Landowner, male, Monot Street. May 15, 2013.
35. Carpenter, male, Wadih Naim Street (Trabaud Street). May 16, 2013.
36. Grocery shop owner, male, Lebanon Street. May 16, 2013.
37. Hairdresser and real estate middleman, male, Gergy Zeidan Street. May 16, 2013.
38. Pharmacist, male, Huvelin Street. May 16, 2013.
39. Taylor, male, Abdel Hadi Street. May 16, 2013.
40. Paul Sahyoun. Real estate developer, Sahyoun Group. May 20, 2013.
41. Charles Hadifé. *Supra*. November 19, 2014.
42. Karim. Male, landowner, Furn al-Hayek Street. December 4, 2014.
43. Mohammad Wehbe. *Supra*. December 4, 2014.
44. Architect, female. December 5, 2014.
45. Real estate middleman, male, Asharafieh Street. December 5, 2014.
46. Landowner, male, Mar Mitr Street. December 5, 2014.
47. Karim Makarem. Director of Ramco Real Estate Advisors. December 10, 2014.
48. Saseen Kawzally. *Supra*. October 7, 2017.
49. Serje Banna. Former resident in Ashrafieh. October 8, 2017.
50. Najla Chami. Former resident in Ashrafieh. October 8, 2017.
51. Electrical shop owner, male, Armenia Street. November 26, 2017.
52. Glass shop owner, male, Armenia Street. November 26, 2017.
53. Textile shop owner, male, Armenia Street. November 26, 2017.
54. Kamal. Bar manager, Mar Mikhael. November 27, 2017.
55. Vicken Shakarjian. Property owner, Mar Mikhael. November 28, 2017.

Interviews by Eléonore Boissinot:

56. Guillaume Boudisseau. Journalist and real estate consultant at Ramco Real Estate Advisors. March 25, 2011.

57. André Trad. Architect, AAA. April 6, 2011.
58. Jihad Ibrahim. *Supra*. April 7, 2011.
59. Karl Fernainé, landowner. April 15, 2011.
60. Employee at a stationery shop, female, Lebanon Street. April 15, 2011.
61. Ninette Fadel. University professor. April 27, 2011.
62. Antoine Kowayess. Real estate developer, Ycarinvest. April 27, 2011.
63. Director at MAN construction company. May 7, 2011.
64. Grocery shop owner, Furn al-Hayek Street. May 12, 2011.
65. Elie Achkar. Architect. May 16, 2011.
66. Nadim Klink. Real estate investor. May 19, 2011.

Interviews by Masters students at the Lebanese University - Urban Planning Department:

Hala Abi Nader, May Hajjar, Mahasen Halabi, Lisette Kady, Amanie Majed, Salwa Mokaddem, Dima Raydan, Abeer Sharrouf, Bouchra Tohmé, Ali Wehbi, Nadine Zeidane, Hanadi Zorkta:

67. Former resident, female, Mar Mitr Street. December 18, 2014.
68. High rise resident, female, Mar Mitr Street. December 18, 2014.
69. Mitri. Male, owner of an ice cream shop, Mar Mitr Street. December 18, 2014.
70. Norma. Female, owner of a retail store, Mar Mitr Street. December 18, 2014.
71. Jean Tabbal. Owner of a furniture store, Mar Mitr Street. December 18, 2014.
72. Leon Telvizian. Former resident, Armenia Street. December 18, 2014.
73. Abu Bayda. Male, resident, Mar Mitr Street. December 20, 2014.
74. Elie Afteem. Owner of an electronics shop, Armenia Street. December 20, 2014.
75. Bahij. Male, resident, Mar Mitr Street. December 20, 2014.
76. Joseph Baz. Shop owner, Armenia Street. December 20, 2014.
77. Ahmad Beydoun. Resident, Ashrafieh Street. December 20, 2014.
78. Antoine Chahine. Former resident, Mounneh Street. December 20, 2014.
79. Diane Ferjane. Shop owner, Pharaon Street. December 20, 2014.
80. Lee Frederix. Owner of HQ furniture shop, Pharaon Street. December 20, 2014.
81. Roy Hayek. Owner of a music shop, Armenia Street. December 20, 2014.
82. Fares Khairallah. Shop owner, Armenia Street. December 20, 2014.
83. Bilal Khoury. High rise resident, Beit Lahm Street. December 20, 2014.
84. Issam Khoury. Resident, Mar Mitr Street. December 20, 2014.
85. Siham Moubayed. Employee at a candy store, Armenia Street. December 20, 2014.
86. Nour Mitri. Owner of a restaurant, Armenia Street. December 20, 2014.
87. Naela Nammour. Owner of Pink Henna shop, Pharaon Street. December 20, 2014.
88. Serdar. Male, employee at a restaurant, Armenia Street. December 20, 2014.
89. Siham Tekian. Resident, Armenia Street. December 20, 2014.

90. Gilbert Zaynun. Former owner of a shop, Armenia Street. December 20, 2014.
91. High rise resident, Moumneh Street. December 20, 2014.
92. Pharmacist, female, Armenia Street. December 20, 2014.
93. Ghada. Female, shop owner, Pharaon Street. December 21, 2014.
94. Carolina Shammas. Shop owner, Madrid Street. December 21, 2014.
95. Ghida Ferjane. Restaurant manager, Armenia Street. December 22, 2014.
96. Painter, female, resident, Mar Mitr Street. December 23, 2014.
97. Samia Bitar. Resident, Armenia Street. December 27, 2014.
98. Hairdresser, male, Ibrine Street. December 29, 2014.
99. Resident, female, Ibrine Street. December 29, 2014.
100. Khalil. Male, resident. College al-Salam Street. December 30, 2014.
101. Sawsan Saad. Resident. Saseen Square. December 30, 2014.
102. Sylvie Nasr. Resident, Beit Lahm Street. January 2, 2015.
103. Owner of a boutique, female, Ibrine Street. January 2, 2015.
104. Tabet. Female, high rise resident Ibrine Street. January 2, 2015.
105. Gebrayel. Male, former resident, Beit Lahm Street. January 5, 2015.

In addition, this thesis benefitted from a multitude of casual discussions with users of the space in Furn al-Hayek and Mar Mikhael, while conducting the field surveys in June 2011, April 2013, November and December 2014, and November 2017.

**Appendix B. Lebanon's Presidents, Speakers of Parliament, and Prime Ministers,  
1991-2017**

	<i>President of the Republic</i>	<i>Speaker of Parliament</i>	<i>Prime Minister</i>	
1991	Elias Hrawi	Hussein Husseini	Omar Karami	
1992			Rashid Solh	
1993	Emile Lahoud	Nabih Berri	Rafic Hariri	
1994			Rafic Hariri	
1995				
1996				
1997				
1998				
1999	Salim Hoss			
2000	Michel Suleiman	Nabih Berri	Rafic Hariri	
2001			Omar Karami	
2002				Najib Mikati
2003			Fouad Siniora	
2004				
2005				
2006			Saad Hariri	
2007				
2008			<i>vacant</i>	Najib Mikati
2009			Michel Suleiman	
2010	Saad Hariri			
2011	Najib Mikati			
2012	Tammam Salam			
2013				
2014				
2015	<i>vacant</i>	Saad Hariri		
2016	Michel Aoun			
2017		Saad Hariri		
2018				

## Appendix C. The Lebanese Government of December 18, 2016

Office	Name	Political affiliation
Prime Minister	Saad Hariri	Future
Deputy PM and Minister of Public Health	Ghassan Hasbani	close to LF
Minister of Foreign Affairs and Emigrants	Gebran Bassil	FPM
Minister of Defense	Yaacoub Sarraf	close to FPM
Minister of Interior and Municipalities	Nouhad Mashnouq	Future
Minister of Finance	Ali Hasan Khalil	Amal
Minister of Justice	Salim Jreissati	FPM
Minister of Telecommunications	Jamal Jarrah	Future
Minister of Energy and Water	Cesar Abi Khalil	FPM
Minister of Public Works and Transport	Yussof Finianos	Marada
Minister of Education and Higher Learning	Marwan Hamadeh	close to Future and PSP
Minister of Labor	Mohammad Kabbara	Future
Minister of Social Affairs	Pierre Abi Assi	LF
Minister of Economy and Trade	Raed Khuri	FPM
Minister of Information	Melhem Riachi	LF
Minister of Displace	Talal Arslan	Lebanese Democratic Party
Minister of Sport and Youth	Mohammad Fneish	Hezbollah
Minister of Tourism	Avadis Kadianian	Tashnag
Minister of Environment	Tarek Khatib	FPM
Minister of Agriculture	Ghazi Zaaiteer	Amal
Minister of Industry	Husein Hajj Hassan	Hezbollah
Minister of Culture	Ghattas Khuri	Future
State Minister for Parliamentary Affairs	Ali Qanso	SSNP
State Minister for Administrative Development	Enaya Ezzeddine	Amal
State Minister for Refugees	Mouin Merhebi	Future
State Minister for Presidential Affairs	Pierre Raffoul	FPM
State Minister for Combating Corruption	Nicolas Tueni	close to FPM
State Minister for Planning	Michel Pharaon	close to Future and LF
State Minister for Women	Jean Ogasapian	Ramgavar
State Minister for Human Rights	Ayman Shuqair	PSP

## Appendix D. Traбуд 1804 price list



*An extraordinary lifestyle opportunity at the heart of the "Golden Triangle" in Ashrafieh, Beirut.*

### PRICE LIST | AS OF JANUARY 3, 2011

FLOOR	PRICE PER m <sup>2</sup>	APARTMENT AREA	APARTMENT PRICE		
22-23	\$ 8,500	562 m <sup>2</sup> (+209 m <sup>2</sup> Terraces)	\$ 5,665,250		
20-21	\$ 8,000	674 m <sup>2</sup> (+98 m <sup>2</sup> Terraces)	\$ 5,784,000		
19	\$ 7,300	443 m <sup>2</sup>	\$ 3,233,900		
18	\$ 7,100	443 m <sup>2</sup>	\$ 3,145,300		
17	\$ 6,900	443 m <sup>2</sup>	\$ 3,056,700		
16	\$ 6,700	443 m <sup>2</sup>	\$ 2,968,100		
15	\$ 6,500	443 m <sup>2</sup>	\$ 2,879,500		
14	\$ 6,300	443 m <sup>2</sup>	\$ 2,790,900		
13	\$ 6,200	443 m <sup>2</sup>	\$ 2,746,600		
12	\$ 6,100	443 m <sup>2</sup>	\$ 2,702,300		
11	\$ 6,000	443 m <sup>2</sup> (+143 m <sup>2</sup> Terraces)	\$ 3,087,000		
		Apartment A	Apartment B	Apartment A	Apartment B
10	\$ 5,900	291 m <sup>2</sup>	300 m <sup>2</sup>	\$ 1,716,900	\$ 1,770,000
9	\$ 5,800	295.5 m <sup>2</sup>	300 m <sup>2</sup>	\$ 1,713,900	\$ 1,740,000
8	\$ 5,700	291 m <sup>2</sup>	300 m <sup>2</sup>	\$ 1,658,700	\$ 1,710,000
7	\$ 5,600	295.5 m <sup>2</sup>	300 m <sup>2</sup>	\$ 1,654,800	\$ 1,680,000
6	\$ 5,500	291 m <sup>2</sup>	300 m <sup>2</sup>	\$ 1,600,500	\$ 1,650,000
5	\$ 5,400	295.5 m <sup>2</sup>	300 m <sup>2</sup>	\$ 1,595,700	\$ 1,620,000
4	\$ 5,300	291 m <sup>2</sup>	300 m <sup>2</sup>	\$ 1,542,300	\$ 1,590,000
3	\$ 5,200	295.5 m <sup>2</sup>	300 m <sup>2</sup>	\$ 1,536,600	\$ 1,560,000
2	\$ 5,100	291 m <sup>2</sup>	300 m <sup>2</sup>	\$ 1,484,100	\$ 1,530,000
1	\$ 5,000	295.5 m <sup>2</sup>	300 m <sup>2</sup>	\$ 1,477,500	\$ 1,500,000

■ SOLD

A DEVELOPMENT BY CAPSTONE INVESTMENT GROUP S.A.L.

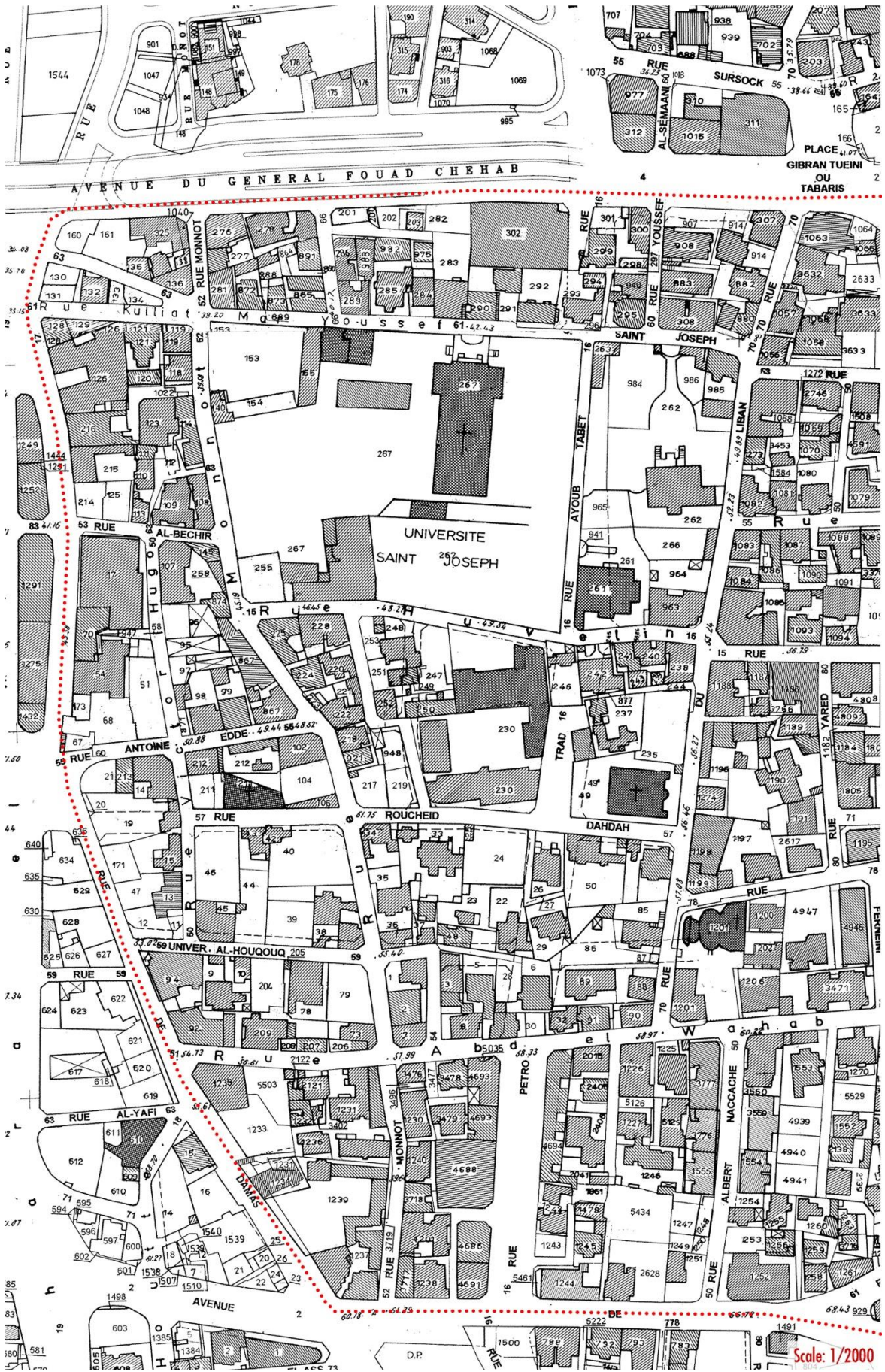
109 Allenby Street, 2<sup>nd</sup> Floor, Beirut Central District, Lebanon | (t) +961 1 99 33 11 - (f) +961 1 99 33 12 | [www.capstone-lb.com](http://www.capstone-lb.com)

**Appendix E. Sample of annual rent for pre-1992 contracts, and of paid compensations, in Furn al-Hayek**

Person	Location	Annual rent (pre-1992 contract)	Compensation
Female	Mar Mitr Street		USD30,000
Issam Khoury	Mar Mitr Street	USD2,000	USD200,000
Male	Mar Mitr Street	USD1,000	
Ahmad Beydoun	Ashrafieh Street	USD3,600	
Leila Oueini	Ashrafieh Street	USD70	USD30,000
Gebrayel	Moumneh Street	USD250	
Sylvie Nasr	Beit Lahm Street	USD400	
Female	College Al-Salam Street		USD40,000
Male	College Al-Salam Street		USD50,000
Leila Azzi	Huvelin Street	USD105	USD190,000
Mireille	Huvelin Street	USD100	USD240,000
Helo	Makarem Street	USD260	
Male	Makarem Street		USD20,000
Male	Makarem Street		USD35,000

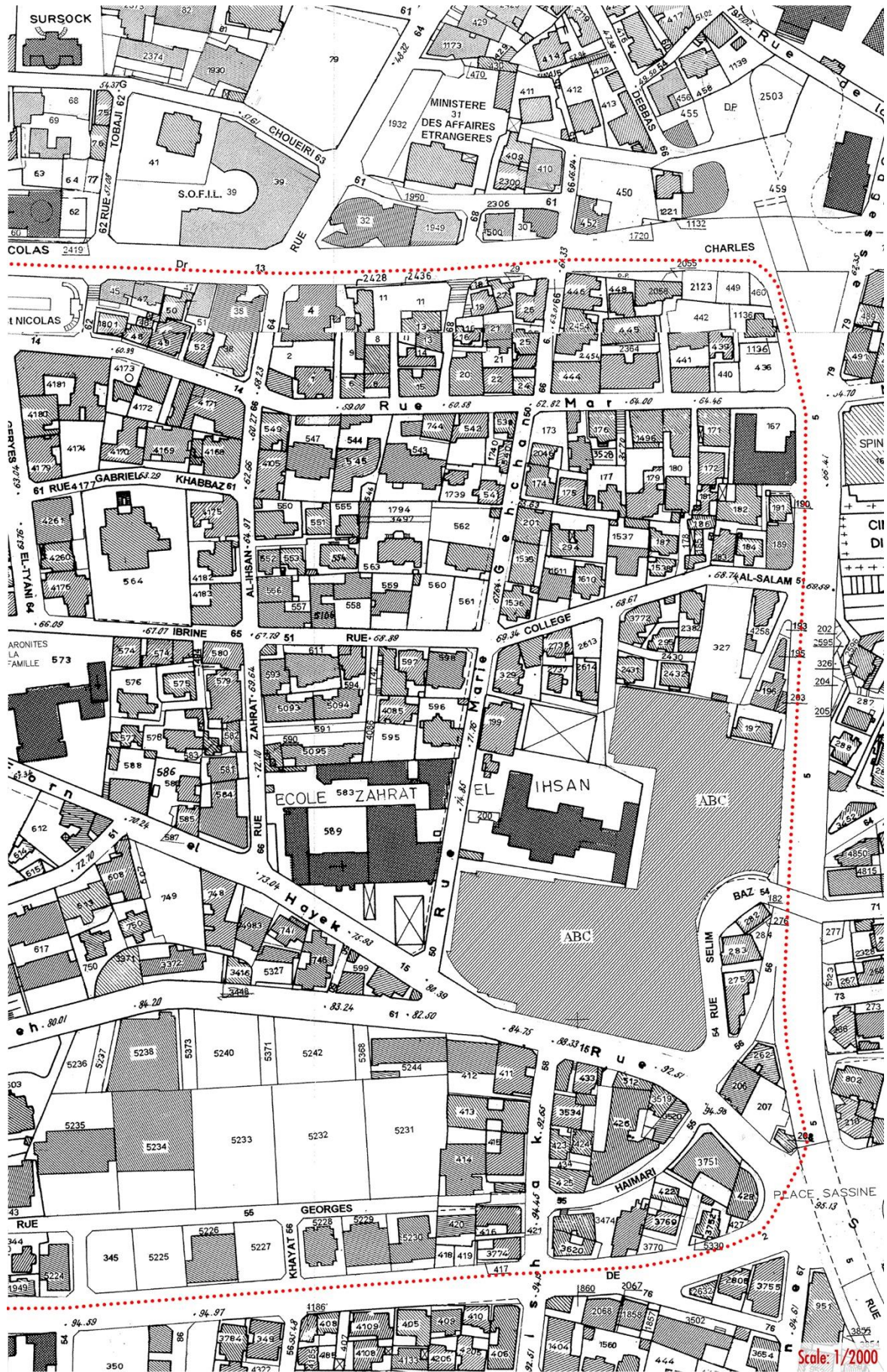


# Appendix F. 2004 cadastral map of Furn al-Hayek, western part

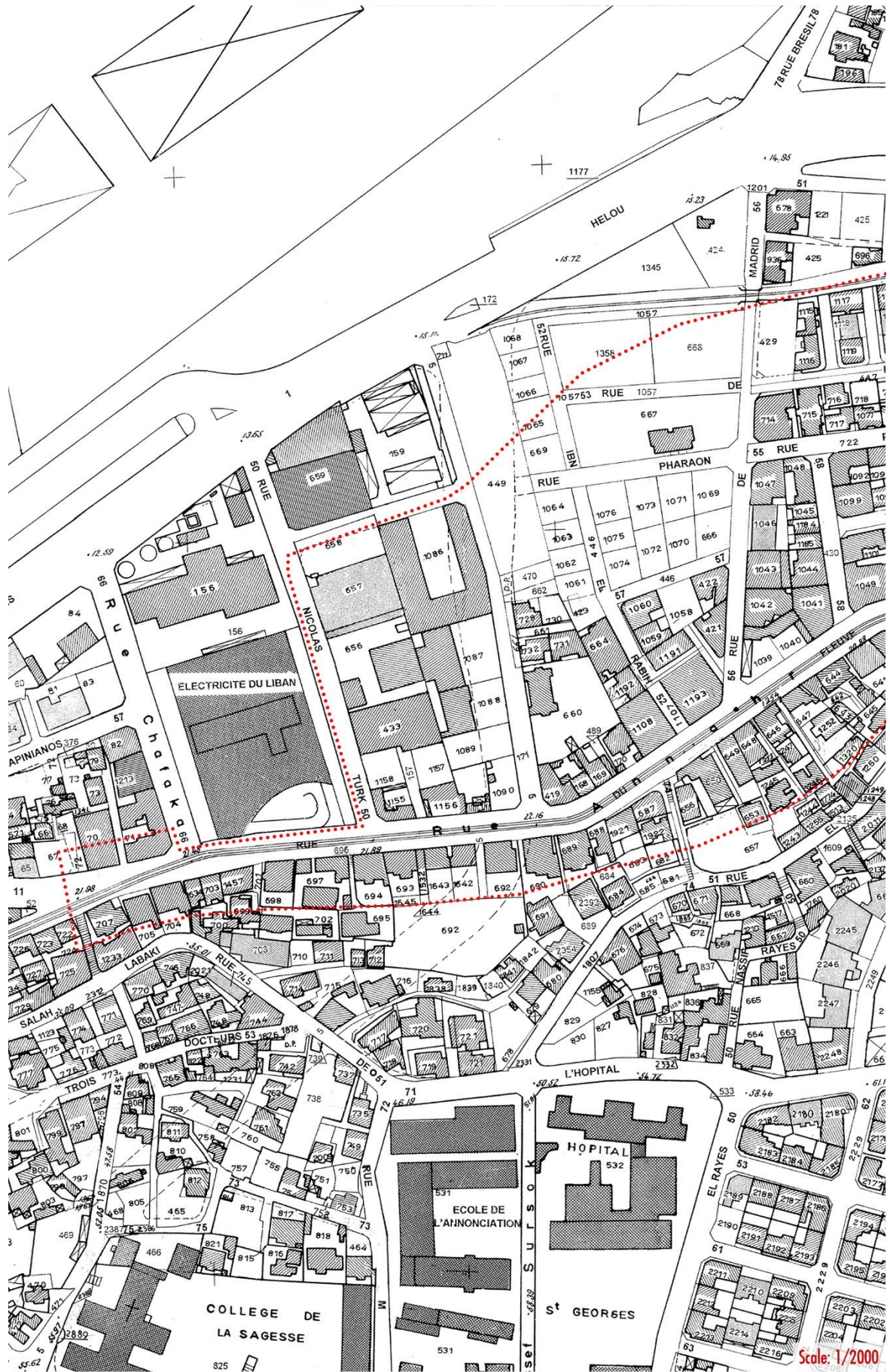




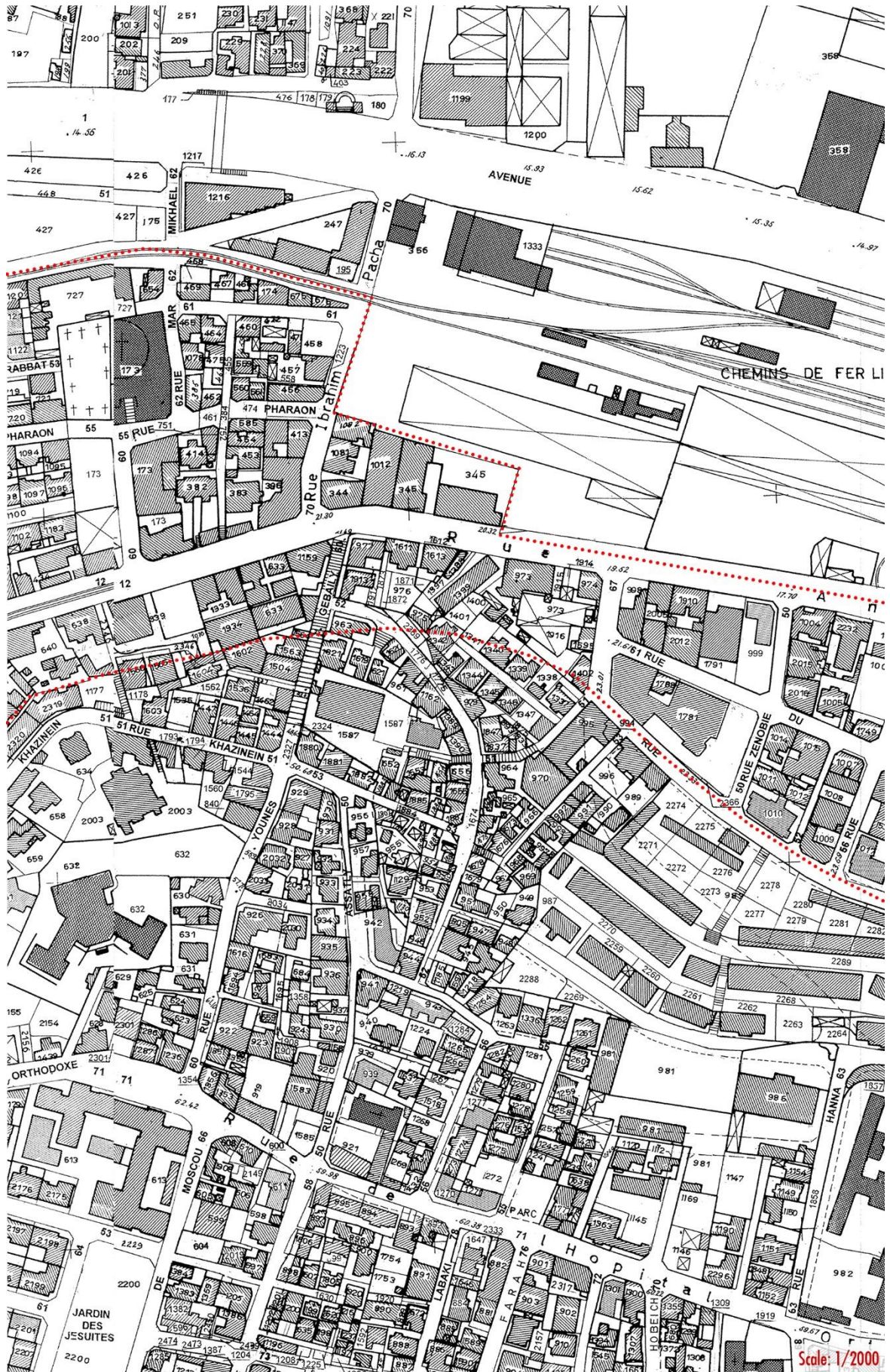
# Appendix H. 2004 cadastral map of Furn al-Hayek, eastern part



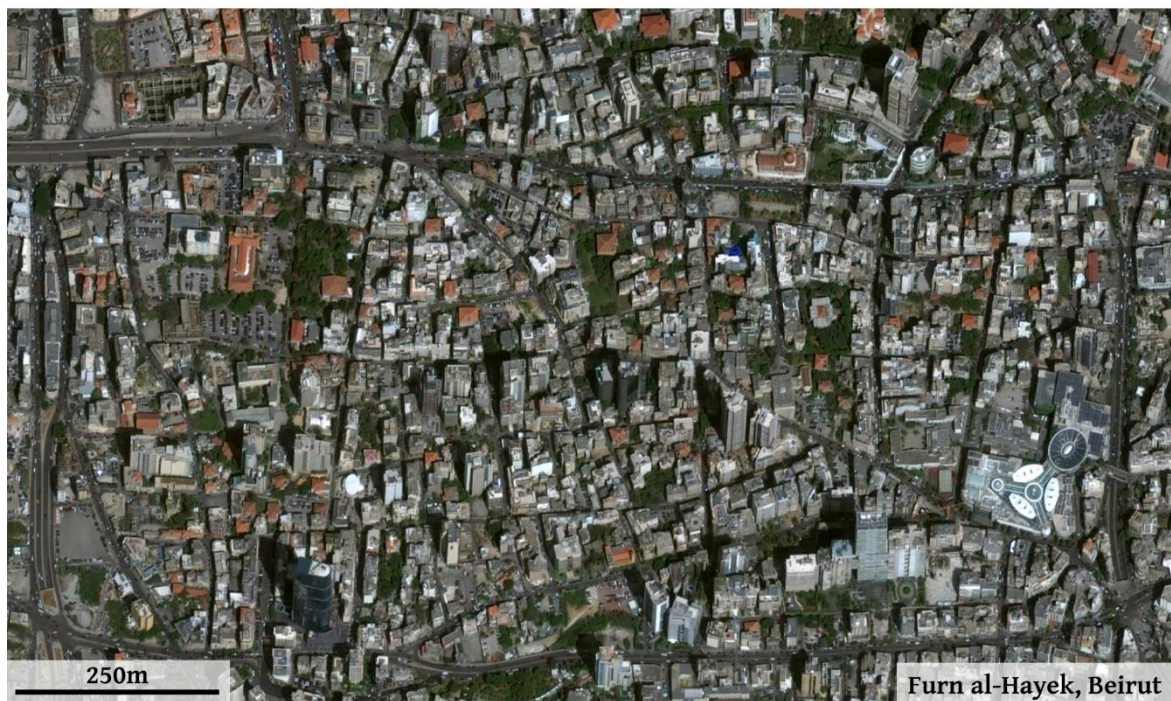
Appendix I. 2004 cadastral map of Mar Mikhael, western part



# Appendix J. 2004 cadastral map of Mar Mikhael, eastern part



**Appendix K. Satellite image comparison between Furn al-Hayek and Prenzlauer Berg in Berlin**



Dates of satellite images, for Furn al-Hayek: April 11, 2017; for Prenzlauer Berg: June 7, 2016.

Source: Google Earth.

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Date	Type	No.	Abridged title
1926.05.23	Constitution	-	The Lebanese Constitution
1932.03.09	Law	-	Code on Obligations and Contracts
1933.11.07	High Commissioner Decision	-	Regulation on Antiquities
1940.01.26	High Commissioner Decision	19	On paying rent and extending rent contracts
1940.08.30	Legislative decree	61	A new regulation for construction permits
1940.12.28	High Commissioner Decision	368	Extension of rental contracts, and regulation of rent prices
1941.12.31	Legislative Decree	134	Law on rent
1942.12.11	Legislative Decree	288	Law on rent
1944.02.29	Law	-	Extending rent contracts and fixing rent price
1954.05.07	Law	-	Law on rent
1954.09.11	Decree	6285	Adopting Beirut master plan
1955.07.26	Decree	9948	Amendment to the regulations of Beirut zoning
1956.06.21	Law	-	Law on rent
1956.09.03	Law	-	Law on banking secrecy
1959.06.12	Legislative Decree	112	Public employees regulation
1961.08.09	Law	-	Extending the provisions of rent law for one year
1962.07.26	Law	-	On urban planning
1963.07.26	Law implemented through Decree	13472	Implementation of the bill on urban planning
1963.08.01	Law implemented through Decree	13513	Law of Money and Credit, and the establishment of the Central Bank
1966.06.24	Decree	4811	Regulating zone 10 of Beirut master plan
1967.05.09	Law	29	Extending rent contracts, fixing rent price, and adding new provisions
1970.12.26	Law	16	Extending the provisions of rent law
1971.03.30	Law	30	Extending the provisions of rent law
1971.11.15	Decree	2165	Implementation of the Construction Law provisions

Date	Type	No.	Abridged title
1971.12.08	Decree	2339	Fixing the TER for Zone 1 of Beirut master plan
1971.12.10	Law	65	Extending the provisions of rent law till 1972.12.31
1973.01.31	Law	8	Extending the provisions of rent law
1973.06.08	Decree	5550	Amendments to Beirut master plan
1973.09.04	Law	17	Extending the provisions of rent law
1974.03.25	Law	10	Law on rent
1977.01.31	Legislative Decree	5	Establishment of the Council for Development and Reconstruction
1977.06.30	Legislative Decree	118	Law of Municipalities
1978.04.15	Decree	1163	Plan and regulations for the commercial central district of Beirut
1980.05.17	Law	6	Financing and building 20,000 housing unit in all the Lebanese regions
1982.03.02	Decree	4918	Amending Article 3 of Decree no. 4811/1966 on regulating zone 10 of Beirut master plan
1982.12.28	Decree	83	Ratification of the regulation and plan for the commercial central district of Beirut
1983.08.26	Law	22	Rent provisions
1983.09.09	Legislative Decree	69	Law on urban planning
1983.09.16	Legislative Decree	148	Construction Law
1986.02.25	Law	13	Extending rent law
1990.09.21	Law	18	Constitutional Law to amend the Constitution
1991.12.07	Law	117	Amending some provisions of Legislative Decree no. 5/1977 (CDR)
1992.02.19	Decree	2236	Delimitation the scope of the area for the real estate company for construction of the commercial central district of Beirut
1992.04.10		2351	Implementing the provisions of the Construction Law
1992.07.22	Law	159	Amending article no. 543 of the Code of Obligations and Contracts (on rent)
1992.07.22	Law	160	Law on rent
1992.07.22	Decree	2537	Establishing a real estate joint stock company under the name of Solidere
1992.10.15	Decree	2786	Ratification of the regulation and plan for the commercial central district of Beirut
1992.10.15	Decree	2791	Amending the implementation decree of the Construction law
1993.08.17	Decree	3964	Assigning a section of zone 9, and added to zone 4 in Beirut master plan
1994.03.04	Decree	4830	Ratification of the regulation and plan for the commercial central district of Beirut



Date	Type	No.	Abridged title
1994.03.09	Decree	4857	Amending the zoning in Mar Roukoz-Dahr al-Hsayn
1994.05.24	Law	336	Amending provisions in Law no. 160/1992
1995.01.12	Law	402	Exempting the construction of hotels from some of the provisions of the Construction Law
1996.01.26	Decree	9525	Permission for increasing the TER for construction of a hotel: plot no. 1140 in Ras Beirut
1966.06.06	Law	523	Amending article 19 of the Construction Law
1996.07.24	Law	539	Establishing the Public Corporation for Housing
1997.04.03	Decree	10093	Permission for increasing the TER for construction of a hotel: plot no. 1106 in Ras Beirut
1997.04.03	Decree	10097	Permission for increasing the TER for construction of a hotel: plot no. 2914 in Ras Beirut
1997.06.10	Decree	10411	Ratification the amendment to a zone limit in Beirut master plan
1999.03.03	Decision	32	Retaining some buildings on the list of buildings whose demolition is blocked
2000.09.08	Decree	3808	Amending the master plan of Beirut central district
2001.08.06	Law	339	Amending Law no. 402/1995 (on exempting hotels)
2004.12.11	Law	646	Amending the Construction Law
2005.12.05	Decree	15874	Implementation decree of the Construction Law
2005.12.09	Decree	15909	Amending the regulation of Solidere
2006.03.09	Decree	16546	Amending the master plan of Beirut central district and the regulation of Zone 'A'
2007.03.26	Enforceable Decree	207	Amending Article 3 of the regulation of Solidere
2007.08.08	Enforceable Decree	617	Amending the implementation decree of the Construction Law
2007.11.24	Enforceable Decree	995	Permission for increasing the TER for construction of a hotel: plot no. 1331 in Ras Beirut
2007.11.24	Enforceable Decree	1057	Referring to parliament a bill on the protection of the built heritage
2009.06.20	Decree	2366	The National Physical Master Plan for the Lebanese Territory
2012.01.25	Decree	7426	Setting a new minimum wage
2013.11.13	Circular	33	Strict implementation of the Construction Law provisions
2014.04.15	Law	264	Extending time period of Law no. 402/1995 (on exempting hotels)
2017.02.28	Enforceable Law	2	Amending rent law

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MoM3: Joint parliamentary committees. 2004c. “Minutes of Meeting no. 144/2004.” The Parliament of Lebanon. May 11.

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