

## Beirut for the Rich Only: An Average of \$1m for a Residential Apartment



A view of the Lebanese capital Beirut on January 29, 2014. (Photo: AFP-Patrick Baz)

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**A recent study on property prices produced by the real estate advisory agency, RAMCO, shows the average price of apartments in Beirut has risen to \$1.091 million.**

"Trade in property and real estate speculation raised the prices artificially until it became almost impossible for people working in this country to live in it," says former minister Charbel Nahas, commenting on the RAMCO study.

"Those who want to live in Beirut need to get richer to own property in the capital." This statement, mentioned in the study published by RAMCO, is a clear indicator of the economic and social changes occurring in the capital.

The city's native population can no longer afford to live in it. Their income levels are very far from meeting the minimum standard of living in Beirut. The rentier system in Lebanon kicked out its original residents with mid-level income or less, turning it into a center for the filthy rich, those who benefit from the rents to increase their wealth. And this is how the system works in Lebanon.

The Lebanese system, with its politics, clientelism, confessionalism, and classism, has led to an unjustified soaring of prices of apartments. The latest example was revealed in the RAMCO study on the prices of apartments located within the city of Beirut.

The study indicates that the average cost of an apartment in the city (the average price based on the average area of new apartments) has risen to \$1.091 million. It also shows the wide disparity between the city's two peripheries and the center; the downtown districts under Solidere in comparison to west Beirut and Achrafieh.

The average price of an apartment in downtown Beirut is around \$2.634 million, compared to \$1.042 million in Achrafieh and \$994,000 in west Beirut. This means the cost of an apartment in Solidere is 2.6 times that in the west of the city and 2.5 times that in Achrafieh.

The study indicates that the average size of apartments decreased by 18 percent in the past four years, to reach 252 m<sup>2</sup>. The median price of this area reached "an unprecedented level for apartments in the capital, despite the stagnation in the market and the low sales volume in the past months," according to RAMCO Director Karim Makarem.

The study concludes that the average price of a square meter rose to \$4,143 in west Beirut, \$4,204 in Achrafieh, and \$8,156 in downtown Beirut. The average for the city reached \$4,331 for a residential square meter.

Encouraging rents does not only produce internal discrepancies in the prices of apartments within the city, it also leads to huge differences between Beirut and similar cities in other countries.

Former minister Charbel Nahas conducted a comparative study on the average prices of apartments of two French cities, which are similar to Beirut in terms of population, geographic features, and mode of living.

It showed that the cost of one square meter in Beirut is equivalent to 10 times the minimum wage, while the cost of one square meter in the French city of Lyon is 1.82 times the minimum wage and 2.12 times the minimum wage in Marseille. Both cities are

very similar to Beirut. Lyon has a population of 491 thousand people, rising to 1.7 million if the suburbs are added; Marseilles has a population of 850 thousand and 1.7 million with the suburbs. Beirut, on the other hand, has a population of 500 thousand and two million with the suburbs.

Nahas's figures show an enormous and excessive difference between Beirut, on one hand, and Lyon and Marseilles, on the other, based on indicators of income and property prices. The numbers show that the minimum wage in Lebanon is 25 percent that of France. However, the average price of a square meter in Lebanon is 123 percent that of France (Lyon and Marseilles).

Thus, the disproportionate figures for income and property prices between Beirut and two French cities indicate a structural problem. "If we consider that France is a normal country, the problem in Lebanon becomes one of the structure of the economic and social system. Hence, bridging the gap between income levels and property prices requires one of two things: reducing prices by 5 times or raising the minimum wage by 5 times, in comparison to the cases of Lyon and Marseilles," Nahas maintains.

In this sense, rents impose themselves in the economic and social fabric and the dependency spreads quickly to the other cities and villages. Makarem articulates this situation by mentioning that those who want to reside in Beirut "need to get richer... In the past years, the income level required to buy an apartment in Beirut has soared."

This situation did not come by accident. It came out of the essence of the structure of the Lebanese system, which has turned society into tools for rentier operations. Lebanese citizens became shackled to funding those who benefit from the rentier system, whether those who made their fortunes from interest on treasury bonds or those who built their wealth through real estate speculation, wholesale and retail, buying property at times of stagnation in the market and selling them at a multiplied price after a while.

The economy, on the macro and the sectoral levels, was the biggest loser in this domain. This system was financed by the public Treasury, directly or through subsidies and political and clientelist benefits. The share of rents from the GDP (related to trade in property and interests) started to overwhelm job producing rents and industrial sectors. Thus, the flurry in property trading and building construction would raise its head every five years then hide under the ashes of inflation, to come back later.

Worst of all, the system has blocked and rejected all reform attempts. During the year in which minister Nahas took over the Ministry of Labor, he proposed one of the most important corrective projects for the real estate sector, which would have diverted the rents towards society, namely the tax on real estate profits. Amounts resulting from such a tax could have been used to fund comprehensive health insurance for all the Lebanese. The current system leaves half the population without any health insurance and forces them to seek the support of politicians for medical care and hospitalization.

In fact, the cost of property is a clear indicator of the cost of living. Real estate prices are leading prices in the market, which means they pull all other prices up or down. They did not decrease in the past years, despite all the "calamities" plaguing Lebanese society, its economy, and its security, in addition to the repercussions of the global financial crisis. This means that the system continues to finance rents from the pockets of the Lebanese.

### Average Price of Apartments Under Construction within Beirut Municipality

	Downtown	Achrafieh	West Beirut	Average
Average Cost per Square Meter in US\$	8,156	4,204	4,143	4,331
Average Size of Apartment in Square Meters	323	248	240	252
Price of Apartment	2,634,388	1,042,592	994,320	1,091,412

This article is an edited translation from the Arabic Edition.

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