

# [Executive]

## How developers are positioning themselves along Beirut's western waterfront



*Greg Demarque / Executive*

On February 10, 1966, Inmaa Tourism and Hotels bought two plots of land on the sandy shores of Ramlet al-Baida. Eight years later, the company bought seven more plots, bringing its total land holdings on the coast in this area of Beirut to around 30,000 square meters (m<sup>2</sup>). The land is still owned by Inmaa. Who owns Inmaa, however, is another story entirely, one which reflects the confusing ownership structure of the land stretching from Dalieh near the Pigeon Rocks to the end of Beirut's southern city limits. Individual people own only around 27 percent of the Dalieh-Ramlet al-Baida land. The public sector — via the Beirut Municipality and the Lebanese government — each own three plots which represent around 5 percent of the land. Corporations own the rest. The three with the largest holdings are Sakhrat Al-Bahr Real Estate, Al-Bahr Real Estate and Inmaa. On a human level, however, Rafik Hariri's heirs and Wissam Achour are the most important players on Beirut's private coast.

### **Who owns Inmaa**

In 2005, Inmaa's majority shareholder, Kuwait's General Investment Authority, was trying to sell the company to divest from the land, according to a news report carried by MENA FN. However, this attempt failed, claimed the report, so Inmaa would again try to put itself up for sale.

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In Beirut, Raja Makarem stood behind his large wooden desk, using a laser pointer to highlight plots on a giant map of the city on the wall. Nine years ago, he says, he was on the cusp of brokering a deal for an American company to buy 70,000 m<sup>2</sup> of land for \$140 million — including the nine Inmaa plots, which he says accounted for 30 percent of the total land on offer. For the Inmaa land, the buyers were slated to purchase the company's shares, not the land it owned. The deal, he says, fell through.

In 2007, Stow Capital Partners, a real estate company registered in Bermuda with offices in the UK and Lebanon, announced they'd bought 40,000 m<sup>2</sup> of land "on the outskirts of the city of Beirut." Stow's website explains "[t]he plot was identified in early 2005 as a site with legal problems where value could be added. An option was taken on the land allowing for a window of opportunity to sort through the legal hurdles and investigate if resolutions could be facilitated, while locking in a very competitive price." A 2014 document from Lebanon's commercial registry shows no reference to Kuwait's General Investment Authority's ownership in Inmaa. Instead, Walid Daouk, a nonexecutive director at Stow and former information minister, owns 21.2 percent of Inmaa, while Stow itself owns 8.1 percent. Inmaa's largest shareholder is a company called Barbara Bay Ltd with 32.3 percent. Executive believes Barbara Bay is registered in the Cayman Islands, but could not retrieve documents showing definitive proof. Nazem el-Khoury, Stow's executive director and a former minister of environment, tells Executive that Stow kicked around ideas for a large scale development a few years ago, but believes the plans are on hold. He suggests Farouk Kamal, Stow's executive chairman, is the best person to ask about the company's current plans for the land and the companies that own Inmaa. Kamal did not respond to phone messages left at his office nor an email seeking comment. It is unclear why Stow says it bought 40,000 m<sup>2</sup> of land when the company is only associated with the 30,000 m<sup>2</sup> owned by Inmaa. Kamal, who is also chairman of Beirut Waterfront Development of Zaitunay Bay fame, told Executive in January 2014 that a project on the site had been "fully designed — but I don't know if we will launch it."

## Jumping down the rabbit hole

Over the course of the past six months, Executive has connected the 51 plots of land stretching from Dalieh south to Beirut's city limit to actual human owners. Nahnoo, a local NGO, shared nine of the land ownership documents with Executive, the rest came from the DGLRC and the Commercial Registry. The process was slow moving at points in part because companies own the vast majority of the land — 90 percent of the approximately 290,000 m<sup>2</sup> — not individual people.

Corporate ownership of land is legal under Lebanese law and useful for a variety of reasons, explains Eddy Sakr, a partner with the auditing and tax advisory firm Sarkis Sakr & Partners. One reason, he says, is for succession planning, as dividing a company among one's children is often better for future development purposes than dividing the land. In Lebanon, every plot of land consists of 2,400 shares, and if a plot has multiple shareholders, all must agree on how to use the land before it can be developed. The records show that ownership in many of the Dalieh plots was passed from parents to children, resulting in miniscule holdings and multiple owners. For example, plot number 1116 is the fifth smallest of the 13 Dalieh plots with a total area of 1,458 m<sup>2</sup>. Yet it has 26 owners. Records show Al-Bahr Real Estate owns almost all of the plot (with 2133.6771 shares) with the 25 remaining people having inherited a number of shares ranging from 66.6667 to 0.7292. If land is passed to children via a company, Sakr says,

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the children have more flexibility as shareholders in a company to brush aside dissenting voices when the time comes to develop the land.

Another reason to register land in the name of a company is to avoid fees related to both selling and bequeathing it. Sakr says that another reason to register land in the name of a company is to avoid fees related to both selling and bequeathing it. “If land is owned by a person, and that person wants to sell or give it to their kids, they have to go to the real estate directorate and pay a 6 percent fee for the sale [or transfer].” If the land is corporately owned and the corporation is a joint stock company (a *société anonyme libanaise* or SAL in Lebanon), “you can transfer shares from one person to another without having to pay any tax,” says Sakr. As the Inmaa example illustrates, land in this part of Beirut has often changed hands via corporate deals rather than land sales. Sakr warns that developers who buy a company only for the land it owns may avoid a registration fee in the short term, but could end up paying more in the long run should they want to develop the land. On the books of the original land-owning company, he says, the land will have a certain value that has no doubt gone up by the time the buyer acquires that first company. When that buyer wants to sell units in whatever project gets built on the land, the land itself will have to be revalued and the developer will pay a capital gains tax on the difference in valuations — an amount that more often than not exceeds the registration fee.

## So who owns what?

The Lebanese government owns three of the plots, clustered south of the Mövenpick hotel on a curve in the land, for a total area of 5,729 m<sup>2</sup>. Beirut’s municipality also owns three plots. One is a slender strip of 246 m<sup>2</sup> wedged between two privately owned plots, which are themselves surrounded by the government’s land. The city’s other two plots — 5070 and 5069 — are prime, sandy beach property right on the water at the northern edge of Ramlet al-Baida and total 8,568 m<sup>2</sup>. Almost all of the human owners of shares in a plot inherited their land. Exceptions include, but are not limited to, Kamal Sadr — who purchased the 3,987 m<sup>2</sup> plot 1554 north of the city’s land in 2014 — and Salwa Beidoun. Beidoun today owns 100 shares in each of four Dalieh plots (1113, 1117, 1118 and 1119). The purchase is registered on July 31, 1990. Al-Bahr Real Estate owns the remaining shares in each of the plots Beidoun partially owns. Whether she only bought a small amount of shares in 1990 or bought them all and sold most to Al-Bahr later is unclear from the records. Executive was unable to reach any of the individual human owners.

## The Hariris

While Rafik Hariri is today ‘known’ for having bought up much of the Dalieh land, he actually first acquired seashore property in Ramlet al-Baida, not Dalieh. And he did it indirectly. It all started in 1981 when Hariri bought 73 percent of the shares of Méditerranée Investors Group (MIG), which in turn owned 59 percent of BankMed, according to a 2005 BankMed annual report. The next year, the annual report says, Hariri bought all of MIG and in 1983 BankMed “became a wholly owned subsidiary of MIG.” In a 1994 interview published on his website, former Prime Minister Fouad Siniora explained that when Hariri bought BankMed, he also became owner of one of the bank’s “sister companies,” as Siniora puts it, called Mediterranean Real Estate, which owned plots 4026, 4027, 4285 and 2233 (a total of 15,703 m<sup>2</sup>) — all beach properties between the city of Beirut’s land and the land currently under development

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for the Eden Rock Resort. Additionally, in the interview Siniora says that in 1991 Hariri bought shares in a company called National Company for Land and Buildings (NCLB), which then owned plot 2231, the largest of the Dalieh–Ramlet al-Baida plots with a total area of 29,073 m<sup>2</sup>. Today, over 99 percent of NCLB is owned by a holding company founded in 1984 called Irad Investment Company. Irad also owns 200 of Mediterranean Real Estate's 5,000 shares (or 4 percent).

The land ownership documents do not provide a detailed history of how the land has changed hands, rather they show only the current owners. For four plots, the documents did reveal who a company bought shares from, but that is the exception, not the rule. Ditto the commercial registry documents. They only show current shareholders, not the history of share purchases. That said, there are several land owning companies that purchased land within years or — in the most extreme case, days — from when they were founded which are today owned by Irad. For example, Irad owns 99.9 percent of the National Company for Land and Buildings 2 (NCLB2). NCLB2 was founded on July 10, 2002 and bought three plots in Ramlet al-Baida on July 13, 2002. Two of the plots, according to the Siniora interview, were at one point owned by Mediterranean Real Estate. Al Bahr Real Estate, founded in 1994, purchased shares in two Dalieh plots in 1998, bought more shares in another Dalieh plot in 2000 and then acquired MP Michel Murr's shares in four others on May 26, 2007. Irad owns 99.9 percent of Al Bahr. A third company, Sakhtrat Al-Bahr, was founded in 1994 and on December 30 1995 purchased shares in three Dalieh plots and, on the same day, bought all 2,400 shares in three other Dalieh plots. Irad does not own Sakhtrat Al-Bahr. In fact, only 89 of the company's 26,500,000 shares have listed owners on its commercial registry document. Among them, however, are BankMed Investment SAL (BMI), MEP Investment SAL (99 percent owned by BMI) and Med Propterties SAL (99 percent by Bank Med Group SAL Holding).

## **Wissam Achour**

In 2011, Wissam Achour made what appears to be his first foray into purchasing land in Ramlet al-Baida through a contract with a company called Eden Rock Tourism and Development. His lawyer, Bahij Abou Mjahed, told Executive in January that Achour will pay \$175 million for the 22,295 m<sup>2</sup> of land — or \$7,849 per square meter, quite a jump from the \$2,000 per square meter Raja Makarem was about to sell land right next door for in 2006. The money has not been fully paid, Mjahed said, and only will be once the two tower resort complex currently in the excavation phase starts drawing in capital. In 2013, he made another purchase more closely in line with the tradition of the area.

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Achour did not buy land directly, but rather he bought companies that own the land. Commercial registry documents show that Achour now owns 80 percent of Mediterranean Real Estate (the company Hariri owned via his purchase of BankMed, according to the Siniora interview), and thus plots 4027 and 4026. He also bought Al-Bahr Real Estate 2, which owns plots 1388 and 1389 — smaller plots near the Lebanese government's land — as well as 5071 and 2369. The latter two, 4027 and 4026, are in a line of plots that stretch across much of Ramlet al-Baida's sandy shore and the two cover a total area of 30,265 m<sup>2</sup>. The documents do not show who Achour bought the companies from, but Irad has a 4 percent stake in Mediterranean Real Estate as does FRH Holding, 99.9 percent of which is owned by

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Fahd Rafik Hariri. Irad and FRH Holding also each have one share out of 30,000 shares in Al-Bahr Real Estate 2. Achour's 30,000 plus square meters of contiguous beach is not far from the Eden Rock Resort. Four plots stand between the two parcels — plots which are all owned by companies of which Irad owns 99.9 percent.

Manal Dana, Achour Development's marketing manager, tells Executive, as she has told other news outlets, that Achour has no big development plans for the 30,265 m<sup>2</sup>. "The land will be renovated so people can go down on clean sand without any garbage. There will be small fees at the entrance to preserve it and [fund] small entertainment activities, like in Europe. But there will not be any towers on it, it will not be constructed, this area."