Hospitality news MIDDLE EAST

Issue 113 | Aug - Sep 2017
hospitalitynewsmag.com

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COASTAL OPPORTUNITIES

With 220 km of coast, Lebanon is a natural seaside destination. Although some iconic beach clubs, such as ATCL and Sporting, existed before the civil war began in 1975, most beach concepts emerged afterwards, from 1990 onwards, and began booming in the 2000s. **Nagi Morkos**, managing partner at Hodema consulting services, gives us a glimpse into this sector

Today, the seaside has become almost saturated, with about 170 beach projects in existence. Developers have difficulty finding available plots of land with access to the sea on which to build new concepts. All along the coast, most of the land is already exploited. Despite the recent tourism crisis, competition remains fierce for those who wish to secure a spot by the water.

'Beaches' cover a huge range of concepts, from small snack shops with plastic chairs to resorts worth half a billion dollars in investment. The one thing they have in common is their access to the sea, whether sandy or rocky. Usually, 'beaches' are divided into three categories: private beaches, where visitors pay a daily entrance fee; resorts, where clients book rooms; and gated communities that sell or rent bungalows or flats.

Private day beaches

Private day beaches can take the form of a simple beach with private access or can include some facilities such as sunbeds, private jacuzzis, swimming pools or restaurants. They usually require minimal investment compared to resorts or gated communities, with the client paying a daily entrance fee between USD 3-50, which is the main source of revenue for the owners.

Beaches are, by definition, seasonal and operate for an average of 20 weeks per year. Owners therefore try to diversify their sources of revenue and often rent out their space at night for private events, such as thematic receptions or weddings. These can represent up to 20 percent of yearly revenues.

The vast majority of private day beaches are located between Batroun and Saïda, although new projects have recently emerged to the north in Enfeh and to the south around Tyre. So far, all of these private day beaches are homegrown and locally managed concepts.

In the current context, the advantage of private day beaches is that they rely on a local clientele made up of Lebanese and expatriates who are very loyal, as evidenced by the fact that over the last five years, there have been no closures of significance in this segment. On the contrary, beaches keep opening, as witnessed with the relaunch of La Siesta in Khaldé.

To survive in a highly-competitive environment, private day beaches aim to specialize and target specific customers. Some bet on luxury, like Orchid, which invested USD 2 million in a new location in Batroun in 2015. Others, like Lazy B in Jiyeh, set out to identify itself as a relaxation destination, with large gardens, wellbeing activities and no music. Another growing trend is the 'beach party' concept, with places such as Iris beach in Damour or Loco Beach in Batroun, which host DJs day and night.

Beach resorts: heavily dependent on tourism

With tourist numbers remaining low due to the chronic instability that continues to plague Lebanon, the number of large beach resorts is also small, totaling just 10. In addition, land prices on the seafront are extremely high, prompting most investors to develop hotels elsewhere. According to the Syndicate of Beach Owners, the cost of a square meter of land on the seafront near the capital city can reach USD 5000.

For this reason, some investors opt to play safe and partner with international or regional operators to boost their chances of attracting a wider clientele. Both Mövenpick Hotel in Beirut and Golden Tulip in Jiyeh have adopted this strategy.

Given that the sea is only accessible from May to October, such hotels offer much more than just a room and a beach, with other services allowing properties to operate out of season and be sustainable long term. These include a wide range of facilities, such as restaurants, banquet halls, meeting rooms and spas to attract both corporate and leisure clientele.

The latest addition to Lebanon's beach resorts is the Kempinski Summerland Hotel and Resort, which opened in September 2016. This iconic hotel, built in 1978 by the Saab family, underwent a complete revamp and change of ownership. Located on a 75,000 sq-meter plot of land south of Beirut, the resort includes a luxury hotel of 153 rooms, 73 private apartments and 583 beach huts. The complex also includes a marina, two swimming pools, two spas, three restaurants and a 300-meter-long sandy beach for a total investment of USD 500 million.

However, beach resorts have been hit hard by the tourism crisis. Just 1.6 million tourists visited Lebanon in 2016, down from 2.2 million in 2010. Arrivals from the Gulf have

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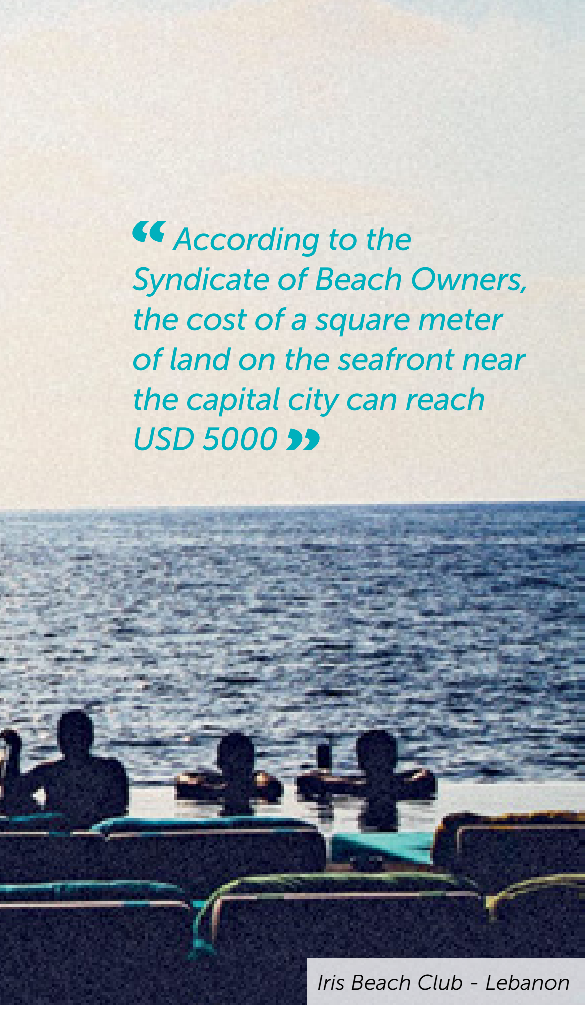
Iris Beach Club - Lebanon


Six Senses in Zighy Bay - Oman


Atlantis, The Palm - UAE

fallen significantly, weighing heavily on the occupancy of Lebanon’s hotels. This segment is known for its high spending levels, with the average purchasing power of Gulf tourists estimated to be five times higher than that of Lebanese customers. On the plus side, there is a glimpse of hope that things will pick up again in 2017.

The Ramadan schedule has also had a knock-on effect on business. For the past five years, the fasting period has fallen during summer, which has slowed down tourism activity. According to the Syndicate of Beach Owners, the month of Ramadan produces a decrease in turnover of 60 percent.

Beach gated communities: a safe bet

No matter how hard the crisis hits, buying or renting a bungalow or a flat on the seafront remains a must for Lebanese and expatriate investors. Gated communities are residential or mixed-use real estate projects, characterized by a closed perimeter of walls, fences and controlled entrances that only tenants and their invitees can access. The added value of such projects lies in the sense of security and exclusivity that tenants feel. In the case of gated communities located at the seaside, the project also includes private beach access, pools and sometimes a marina.

Beach gated communities were mostly developed during the Lebanese Civil War. The majority of them are located on the northern coast of Beirut around Jounieh, an area that remained relatively calm when the rest of the country was caught up in chronic, episodic violence.

The north of Lebanon has always been an exception, with beach gated communities that date back to the 1980s, such as Las Salinas in Enfeh, Miramar Resort Hotel & Spa and Palma Beach Resort in Tripoli.

From a current real estate perspective, beach gated communities help owners to develop their land by dividing them into several smaller plots, which are easier to sell than larger ones. Key recent projects, such as Kye Resort in Tabarja, successfully sold a good number of units because they kept them small and offered them at ‘affordable’ prices.

Beach concepts also successful in the Gulf

Beach concepts are also a fast-growing trend in Gulf countries. However, the majority of these beaches are found within hotels across these destinations, since the target clientele is mostly foreign tourists.

The UAE and Dubai, in particular, is the regional champion, showcasing plenty of beach resorts, including Atlantis the Palm, The Ritz Carlton, the Four Seasons and the Westin.

To the south, Oman is also carving a niche as a destination for beach tourism, with high-end resorts like Six Senses in Zighy Bay, Shangri La and Chedi Hotel & Spa in Muscat.

In some other Gulf countries, beach concepts exist, but are kept secluded due to cultural restrictions. Saudi Arabia, for example, is home to a number of private beaches, like Salhiyeh in Obhur to the north of Jeddah. However, these facilities target mainly expatriates.

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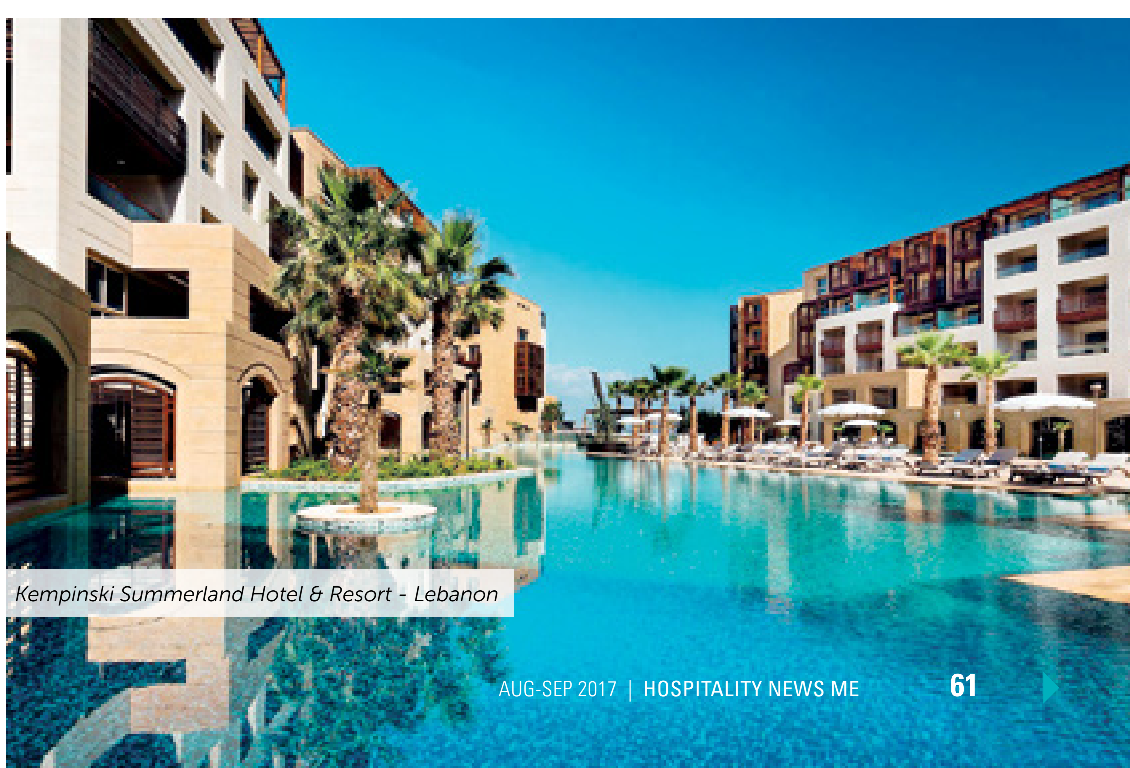
Kempinski Summerland Hotel & Resort - Lebanon