

hodemahighlights



Can Lebanon still be an opportunity?

The impact of the war on the hotel, tourism and leisure industry.

Published in Hospitality News - N° 48 September 2006 by Karim El Asmar

>>> The war on Lebanon, which started on July 12th 2006 and lasted for over a month, resulted in far more than just material infrastructure damages.

The 2006 summer season was estimated to generate around US\$ 4 billion in the hospitality and leisure industry. Professionals in the industry were echoing that this summer would beat previous records of 2004.

Whether in hotel room occupancy, or restaurant and resorts, activity was expected to increase by a double digit figure in comparison to 2004. The monetary and economic stability, despite the assassination of former prime minister Rafic Hariri boosted confidence in the country. It regained a certain stability with regards to security, and the initiation of the national dialogue between the political leaders, motivated analysts to improve the country profile.

The hospitality industry

The immediate impact of the war has been disastrous: cancellations of hotel bookings and outlets faced with sudden inactivity. Some Beirut hotels and outlets maintained a level of activity with the arrival of international correspondents and reporters, while others had to close for insufficient activity. Hotels located in the northern part of the country however were literally assaulted by the population fleeing from Beirut and the southern part of the country.

The Monroe Group closed the Monroe Hotel in Ain El Mreisseh, and concentrated its activity on Markazia and Printania Hotels; Al Habtoor hotels entered into a crisis management program freezing all their activity in the country; InterContinental Mzaar achieved 100% occupancy three weeks ahead of the peak summer period.

A few Beirut outlets relocated to the mountains: Asia, Mayrig and Taboo opened in Broumana, while Element and Cactus opened in Mzaar and Faqra.

Paradoxically, outlets located on Gouraud Street in Gemayze, maintained a good level of activity, quickly becoming perks for reporters and Beirut inhabitants who had decided to remain in the city.

What were the challenges facing the F&B, leisure and hospitality industries?

During the first days of the war, population relocating north of Beirut rushed to all supply stores, gathering basic-need goods. An increased rush on bakery products increased the pressure on the outlets. Unofficially, some owners commented that their turnover for July was up by 20% to 30% in comparison to the previous year. On several occasions, the syndicate of bakers and millers made public announcements stating that flour was available, in an attempt to reduce pressure on the outlets.

As the war waged on, outlets were faced with the challenge of managing the perishable items on their menu. To this effect, the Balthus and the Market restaurants in Beirut reviewed their menus and maintained items that had products with market availability or long preservation capacity.

Paradoxically, the sudden freeze of activity in the hospitality, food and beverage and leisure industry increased the pressure on suppliers, especially with regards to perishable goods. As a result supermarkets and retail stores were proposing promotions on luxury and imported food items.

Operators were also faced with the challenges of gas and fuel shortages, necessary for supply in raw materials and power plants operation and deliveries.

The InterContinental Mzaar for instance operated under a strict energy management program, which they communicated to their customers. Another major challenge for operators during this period was in human resources management. Some hotels lodged employees on premises. Other operations entering into a crisis management program and had to initiate a staff recuperation and vacation program.

Another challenge was the relocation of employees to other countries in the region as well as Europe, Canada, US and Australia. It is expected that this will have a lasting effect.

The post war perspective, are there still ventures?

In the post 1701 UN resolution, and the cessation of hostilities, expert opinion is divided on the economic outcome for the country. Obviously the economy and hospitality industry will remain heavily marked by the physical and moral impacts of the war. However, a rapid recuperation is possible if there is a stable solution to the conflict. The reconstruction efforts and the extension of development aid to the country may give Lebanon a new economic boom.

In the hospitality industry, we may observe a shift in the segment of travelers, with an increasing number of diplomatic and corporate segments as opposed to the previous leisure segmentations.

With regards to the F&B and leisure activity it is expected that a number of outlets will have to seek new financing, new markets or else close. The lack of track performance for some outlets and operators will strengthen the position of seasoned operators in front of financiers. The beach resorts and leisure markets will be significantly affected by the ecological downfalls of the war. Heavy works for the rehabilitation of the beaches will be required and international support is necessary and heavy campaigning will be necessary to adjust travelers' perception. Finally, a recent announcement by a large developer DAMAC, on maintaining the course of their projects and development schedules in Lebanon, gives hope. Such developers faith, and the deposits made by Gulf states in the Lebanese Central Bank, helps reinforce the belief that the economy has a strong potential for recuperation, provided the country stabilizes politically.

What's next?

The Lebanese operators have shown a strong resilience throughout the civil war and this is now an essential quality to overcome the current economic upheaval. With the availability of franchise concepts, and the expatriation of experienced human resources, local brands with a powerful identity can seek regional expansion.

For the hotel market, a rapid political stabilization could induce a business boom since regional investors have remained committed to the country. The corporate segment could become the main business for most hotels as well as Lebanese expatriates coming on short to mid stays.

In conclusion, since 1996, a lot of effort has been invested into promoting Lebanon as a tourism destination and by 2006 a Lebanese tourism market was identified in the Gulf and a market was developing in Europe. Now there is an urgent need to create a powerful promotion campaign with the support of the Ministry of Tourism and professional associations, such as the Chamber of Commerce and Industry, in order to reboot Lebanon as a tourist destination.



OUTLOOK FOR 2007

Today many hotel and restaurant owners are discouraged from running out of options in managing their properties. Hotel occupancy rates oscillate between 20% and 40%, and a tragic number of restaurants are in dismay, about to close or have already closed. Although, Lebanon has attracted many Lebanese expatriates and Gulf tourists. Still, the level of activity has remained very low in comparison to 2003 and 2004. Airport traffic was down by 14% in 2006 compared to 2005, totaling 2.82 million as opposed to 3.28.

Hospitality industry - today in a situation of asphyxiation - contributes around 10% of GDP, and employs around 140'000 persons. Without access to credit facilities and legal support measures it will be very difficult to go through such a phase. More than ever, the ministry of tourism and the government have the duty to promote Lebanon, but it has also the duty to propose concrete solutions for the whole sector.

Of course promises were made by the international community to support the Lebanese government and by the Lebanese government to undertake reforms, especially after the war in July 2006. With the failure of Paris II reforms, the government is facing higher international pressure for round III of Paris conferences.

Paris III is coming with a basket of reforms aiming at boosting the economic environment and stimulating growth. In addition to privatization decisions, and expenditure streamlining, the program will encompass financial and monetary reforms addressing the access to credit.

Although credit facilities have been available for the hospitality industry, the access remained complicated. In fact, the program for credit facilities must be escorted with additional reforms such as the credit attribution process, as well as the creation of effective credit insurance legislation. Such facilities are desperately needed by the hospitality industry which has undergone massive losses.

On the other hand, a dire market traditionally attracts buyers with the massive price drops. During 2006, few transactions were recorded in Lebanon. Prices have remained rather high. We cannot but wonder whether we lack determined buyers or whether owners are clinging on trying to maximize evasive profits, despite the crisis anticipating beautiful days.

In all cases, the hospitality sector needs to see drastic changes, as many properties need to undergo renovation and restructuring, both of which require money.

In the first half of 2007 the challenge for the industry will be to survive whilst maintaining standards.

hodema^{sal}
hospitality development

Badaro 2000 Bldg - Badaro St - Beirut - Lebanon • P.O. Box 16-6364 Beirut - Lebanon
Tel | Fax +9611381101 - info@hodema.net - www.hodema.net





Interview with Mr. Maher El Baradei, Areka Group

Lebanon has always been an attraction to both Foreign & Arab tourists. We as Areka Group insisted on opening a branch in Lebanon because of our faith in the strong attraction this country has as a tourist destination.

>>> **Areka is specialized in building, consulting and managing projects related to Beauty & Wellness such as spa resorts, spas, and health clinics. Our team consists of Technical & Spa consultants all of whom are experienced professionals in their fields.**

Could you give us a brief presentation of yourself and your company?

First of all I would like to thank you for giving me the opportunity to introduce myself and my prestigious company to you. My name is Maher Baradei, I am an architect. I worked in Saudi Arabia for 14 years specializing in both real estate and the construction field. During my time there I had opportunity to be part of a number of very successful investments with high-profiled investors.

I came back to Lebanon 2 years ago to work with the Areka Group. We are specialist in building, consulting and managing projects related to Beauty & Wellness such as spa resorts, spas, and health clinics. Our team consists of Technical & Spa consultants all of whom are experienced professionals in their fields.

What do you think of Lebanon as a tourist attraction?

Lebanon had always been an attraction to both Foreign & Arab tourists. We as Areka Group insisted in opening a branch in Lebanon because of our faith in the strong attraction this country has as a tourist destination. Let's not forget that recently Beirut was ranked in the top 10 "Best International Country" award. We sincerely believe that Lebanon will enjoy its former glory in the near future.

How does the security issue influence your investment decision?

Security issues are essential for any existing and future investments, in particular as most investors are non-Lebanese, and have other investment opportunities through out the world. Despite the fact that we had a war this summer, we had to

delay the opening of only one of our projects that was due to open in August of 2006. However, security and peace are crucial elements for any investment to become a success.

What are your current projects in Lebanon?

We are a group of 4 companies: Areka United, Clinique Areka Internationale, Areka Limited, and Areka International for Tourism Enterprises.

Areka United is a trading company concerned with selling Chinese tea and supplements, spa equipments and medical equipments.

Clinique Areka Internationale is a chain of clinics offering holistic treatments, pain management, diet and beauty services. We plan on inaugurating the first clinic in Verdun by the beginning of year 2007.

Areka Limited is the managing company of 3 Day Spas in Lebanon. The first is under construction and will be inaugurated by early 2008. It offers the following services: spa, diet center, beauty center and fitness.

Areka International for Tourism Enterprises is the managing company of a Destination Spa in Kfarabida - North Lebanon. It offers all previously mentioned services at a larger scale and including a hotel.

Our Total Investment is 35 to 40 million dollars.

On which project are you working with hodema?

We are working with hodema on Kfarabida Project - Areka International for Tourism Enterprises. We are cooperating to develop the project. It will cost between 15 and 17 million dollars.

What was the added value of hodema as one of your collaborating team?

hodema studies are scientific enough to be acknowledged by prominent Lebanese banks; in fact the company had been recommended to us by our bankers. hodema have easily gained our confidence with their deep knowledge of the Lebanese territory in the absence of correct official statistics. hodema has guided us towards achieving the very best for our investment.

Do you think that the necessary know-how to develop spas is available locally or do you plan to recourse to expats?

We do have the necessary know-how (concept, technical, design...) to develop spas since one of our companies (Areka United) has a Spa Consultancy Department. Sadly, the Lebanese market lacks professional consultants in the spa business. However, we only refer to foreign companies from around the world for the manufacturing.

What is your reading of the spa trends in the Middle-East area? Will it develop easily?

Stress is becoming the main reason for health problems. Middle Easterns with substantial financial means and deteriorated health are traveling abroad to distress in European and American spas. We know how much it is costing them to do so. Spas we are building in the Middle East are offering the same services and quality in a more familiar environment at more reasonable charges. Consequently, we think that it will be feasible and fast-growing.





Destination Spa, North Lebanon

The Spa & Healthy center sector is booming progressively. This comes as a result of the growing demand for relaxation and the emergence of new trends. Destination Spa hotels are part of a spa industry that has grown tremendously in the past two decades. Areka is a destination SPA hotel located in Batroun, a booming region in North Lebanon. hodema's objective was to analyze the most gainful approach to the project, evaluating thoroughly the Lebanese market and its opportunities. Areka destination SPA will encompass various lodgings, F&B outlets and diverse facilities.

Hotel de Charme, Bekaa

Today's hotel guests are having higher expectations regarding flawless and personalized service. The international trend has been towards the development of charm hotels. These hospitality properties offer a smaller number of rooms with unique personality and high personalization.

hodema is currently carrying out the study and concept development of a charm hotel in the Bekaa region. The project aims at attracting regional and European tourists looking for authenticity and refinement in the impressive Lebanese valley.

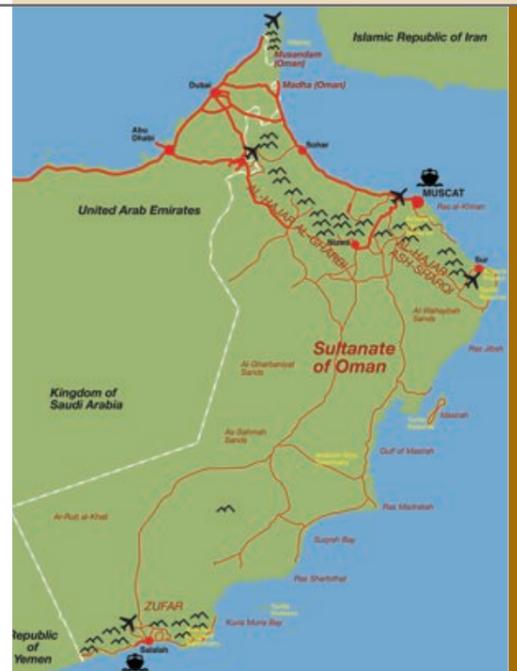


Healthy Fast Food, Lebanon

The emerging wellness and healthy eating trends have inspired many Food and Beverage concepts worldwide. In fact, the health-conscious and busy 21st century customer has flashed the creation of "healthy fast food" style cafés and restaurants. hodema analyzed the viability of this trend within the Lebanese market and tailor made a concept inspired from this growing fashion.

Country Report, Oman

Among hodema's missions is to unveil emerging tourism destinations in the Middle East and North Africa region; and Oman definitely appears to be a future tourism destination following a different path than Dubai. In fact, the Sultanate of Oman's economy has always been based on oil production; however, "Oman's vision" for 2020 aims at diversifying the country's economy and finding employment for the new Omani generation. There are numerous industrial, real estate and tourism mega-projects planned or in progress in Oman. Current hotels in Muscat are experiencing a strong expansion in RevPAR; a 53% improvement from 2004 reaching \$US87 in 2005.



Internal Catering Implementation, Sukleen, Lebanon



During the war in July '06, Sukleen took in charge around 2000 employees' meals as part of its integral plan to encourage more Lebanese labors to join its workforce. With the counseling of hodema, Sukleen established a new internal catering department, which enabled it to integrate a better food management and hygiene system to its operations. Thanks to this system, the company's labors benefit from a free 3-meal-service (breakfast, lunch and dinner) and the employees enjoy a friendlier cafeteria environment.



Asian Food Trends

Did Asian food come to the Middle East from the West?

Published in Hospitality News - N° 44 Nov/Dec 2005 by Karim Asmar and Nagi Morkos from hodema

>>> Asian food is a label for very different types of cuisine counting Chinese, Indian, Indonesian, Japanese, Thai, Vietnamese, Malaysian, Polynesian, Korean, Filipino, Singaporean and Hawaiian food. It is very popular all over the world, witnessing tremendous growth, with significant market penetration both internationally and in the Middle East. The growth of Asian food involves Asian products, such as spices, ginger, lemongrass, exotic fruits, as well as development of restaurant concepts.

A course in history

The Asian food development saga started in the 19th century, when Chinese merchants and immigrants from Canton began developing settlements in the West, particularly California. Meat and vegetable dishes were served in standard sauces, while other dishes were sweetened with caramel, sugar and fruit such as pineapples or cherries. New items were then invented, such as the Chinese fortune cookie or the California roll.

Asian architecture and interior design in restaurants also influenced the popularity of Asian cuisine. The best example would be the famous chain restaurant Trader Vic's (created in 1932 in California) and Tikki bars. They combined colourful interiors with typical design and offered Polynesian dishes. From America, the trend spread to the rest of the world.

Asian influences

At the end of the 80s, world food started with globalisation. Consumers were interested in discovering new cuisines-either shifting from one type to another or combining them during the same dining experience.

Among these new cuisines were the Ethnic and Asian cuisine which lay at the heart of world cuisine development. Although the food is adapted to local consumers, the spirit of the original recipes was respected. Many Asian dishes and products were assimilated like sushi, curries, spring rolls, spices, soy and others.

Eventually, the world cuisine experience added components such as music and the architecture. Interior design soon became a predominant element in the composition of a world cuisine experience. Design even affected the perception about the quality of food, such as with the Buddha Bar concept (Paris, Beirut and Dubai) or Nirvana Lounge (Paris).

Fused with Asia

While assimilating varied cuisines and adapting them to their taste, western culture created what is now known as fusion cuisine. Early expressions were the Tex-Mex food and Asian food described above. Unlike world cuisine, fusion is a mix of ingredients and cooking techniques on the same plate.

Today, with the impulse of chefs such as the famed Jean-Georges Vongerichten, Asian food is gaining an unequalled place in fusion cuisine. The French-born chef, who lived for several years in Asia and then in New York, started by mixing Asian spices with traditional French dishes in many of his restaurants in New York and Europe (Vong,

Jean-Georges, Market). Other examples of fusion cuisine include the combination of Japanese and Peruvian food by Nobu Matsuhisa, as well as the mix between Asian and Cuban cuisines by Asia de Cuba restaurants in New York and London.

Asian food in the Middle East

Asian food arrived to the Middle East in successive waves, coloured by western tastes. In fact, Middle Eastern dining trends were influenced by the evolution in western markets. The last wave typically illustrates the development of trends in the Middle East. One of today's lifestyle trends, whether in clothing accessories or interior design, is conceived in a 'new age' Zen minimalist approach. The focus is on the raw unaltered material and ingredients. This Asian trend explains the success of the Japanese/sushi restaurants among all Asian and the very quick absorption of market shares. Indeed in terms of cuisine, it offers the most adapted nutrients with this new living mode.

Success of sushi in the Middle East has been fast and massive. The development of the sushi also favoured and encouraged the restaurant design development. Sushi was naturally associated with trendy and hip design, causing architecture to reinvent restaurant conception, even pushing the limits with designs such as the Yo Sushi in London (the birth of the sushi trail) and the daring design of the Yabani sushi restaurant in Beirut.

The high visibility of sushi restaurants has rendered the other Asian restaurants lacking in design. Asian design was always traditional and authentic creating the impression of out-of-time old restaurants. As a result the gap between sushi and other Asian food grew, and today sushi is considered the locomotive of trendy Asian food. However, new eating habits and emerging best selling items, such as the Chinese steam cooked dim sum or the Asian noodles, may trigger the revival of other Chinese foods. The new trendy restaurants, such as Wagamama and Noodles House, seem to proclaim this new trend.



Middle East countries	Asian food restaurants	Chinese	Japanese	Indian	Korean	Pakistani	Thai	Vietnamese	Others
Dubai	81	18	15	18	2	3	11	2	12
Lebanon	44	19	15	4	-	-	2	1	3

Sources: Dubai Explorer 9th edition (2005)

Taste & Rhythm 2004-2005



"We hear much about Asian food, yet we sometimes fail to grasp the diversity of cuisines this includes."



ABOUT DIM SUM

Dim sum is a Chinese tradition originating from Canton. The dishes include a wide selection of fried and steamed dumplings, as well as various other sweets and savoury items. Originally, dim sum referred to the Cantonese practice of serving small dishes in the teahouses. The method involved food being brought to the table on a tray. The customers would then select the items they desired. Often their bill would be calculated by counting the number of empty plates each person had in front of them. Today, Dim sum is also a term used to describe Chinese style appetizers or snacks, served in any manner, as well as steamed and fried dumplings.

hodema publishes, on a regular basis, articles in Hospitality News and Le Commerce du Levant.

For more info on hodema services, projects and published articles please visit our site www.hodema.net

The other example, the dim sum, a Chinese Cantonese traditional item, is also gaining popularity. Some restaurants even serve dim sum exclusively for lunch. New trends may also be affected by the 'grazing' style of consumption, which is familiar to the Middle Eastern culture, since it is related to the mezze concept. The Thai Kitchen at the Park Hyatt hotel in Dubai best illustrates this trend. The restaurant is designed with seating around three open kitchens. The food is served in small celadon cups, plates and saucers to encourage sharing.

In terms of availability of Asian food on the market, Dubai and Beirut offer the widest choice of restaurants. Dubai alone has more than the double, in terms of outlets, in comparison to Lebanon. This development was massively encouraged by the presence of skilled Asian labour and the geographical proximity. As a result, Dubai lists 18 Indian restaurants as opposed to 4 in Lebanon, as well as some Pakistani restaurants, which do not exist in Lebanon.

Asian Food is still underdeveloped in the Middle East and is perceived as a westernized trend. This trend is often warped by a tendency of mixing Asian foods from different countries, creating 'Pan Asian' restaurants, which would normally be considered a heresy in Asia and Europe. If you are in Tokyo, Bangkok or New Delhi, you will not find curries, sushi and Peking duck in the same menu, but you would find them in Beirut or Dubai.