

ANALYSIS HOSPITALITY INDUSTRY

Growth all but certain



How did the Lebanese hospitality industry perform in 2008 and what are the challenges ahead?
by KARIM ASMAR

Analysts consider the Lebanese hospitality sector performance in 2008 positive with the number of passengers equal to around 3.6 million during the first 11 months of the year. Lebanon set a new record high exceeding the benchmark of 2004 by 25%. Indeed, the stabilization of the political context and the reopening of the national dialogue under the patronage of the Lebanese president placed the year 2008 on an upward curve.

While the Lebanese tourism industry had a rough beginning last year, it was able to recover quickly. A few months back, after 18 months of political stalemate and without a president, projections were rather pessimistic. However, the Doha deal triggered the long awaited wave of hope and tourists came flowing in.

The jump of hotel performance in Beirut for the year 2008

In a regional review of the hospitality sector in the first quarter of 2008, Beirut's performance was poor. The city ranked the lowest on occupancy with 36.8%, while the ARR was US\$115 below the regional average of US\$180.7 and US\$42 for the RevPAR (Table 1).

Hotel performance in the Middle East, Q1 2008

Location	Occupancy (%)	ARR (US \$)	RevPAR (US \$)	RevPAR (%)
Middle East	74.3	180.7	134	19.4
Dubai	88.6	356	315	12.5
Abu Dhabi	86.7	291	252	24.4
Muscat	84.2	275	232	35.4
Doha	77.3	274	212	1.8
Manama	72.1	231	166	21.9
Riyadh	82.8	249	206	22.9
Cairo	83.0	125	104	31.3
Amman	54.5	129	83	37.1
Alexandria	71.4	80	57	44.7
Beirut	36.8	115	42	20.5
Burghuda	76.2	45	34	23.3
Taba	68.1	36	25	107.7

Source: Hotel benchmark survey by Deloitte

With ease in political tension confidence was restored and the tourism sector revived; occupancy jumped to 61% in June. It continued to increase till 69% in July and soared to 91% in August, a rate Lebanon has not experienced for the last 4 years. In fact, the performance registered in 2008 proves both the impact of the political stability on the tourism industry in Lebanon, and the attractiveness of the country as a destination.

2008	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Occupancy (%)	43	32	34	44	29	61	69	91

Source: Byblos Bank report of economic research & analysis department, issue 87, compiled by Hodema

The occupancy rate in Beirut reached 50% in the first 8 months of 2008, up 13% from 37% in comparison to 2007. Moreover, ARR reached US\$164 and RevPAR US\$84, up by 73.6% year-on-year.

The country's performance in 2008 has brought Lebanon back to the 2004 level of activity with a total number of tourists reaching 885,729 in the first 8 months and is expected to reach 1.3 million by the end of the year with revenue expected to amount to more than US\$ 6 billion. Based on previous forecasts, tourism industry could contribute as high as 20% of GDP, but today it is estimated at only 10% of GDP. Clearly, the country has great economic potential in its tourism industry. The country will require political stability in order to develop to its true potential. Much emphasis and expectations are placed

on the national dialogue, the upcoming elections and government policies to favor the normalization of the political process.

A major challenge in the region is the infrastructure and many governments have initiated development programs, placing emphasis on tourism development as a mean for economic independence. Middle Eastern governments are committed to long-term strategies to move away from reliance on oil and associated revenues and are investing substantially in tourism products and services that will appeal to different segments. Syria has announced the launch of the development of two major highways linking the coast to its eastern frontier and the southern frontier to the northern frontier. At the same time Dubai has launched its monorail public transportation as a solution to the massive traffic jams.

Major challenges in the country

In Lebanon, infrastructure developments are also a challenge and the country has been working on major restructuring to its roadway system, in addition to reconstructing the entire infrastructure destroyed during the 2006 war. The country has to however make efforts when it comes to tourism infrastructure. Many sites remain underexploited and require technical support as well as promotion and commercial development. In addition, Lebanon would gain by developing its network of tourism offices in the country as well as in foreign capitals.

Lebanon has been designated to host the Francophone games in September 2009. In the organization of these games, the country will be expected to host more than 10,000 athletes along with officials and spectators. Needless to say that such an event will put great deal of stress on both the public and private hospitality touristic facilities of the country. However, hosting such an event successfully will place Lebanon on the tourism map once again.

Hotel Name	Number of rooms	Targeted opening date	Location
Raouche Rotana Suites	170	2009	Raouche
Hilton Beirut	167	2009	Beirut Central District
Four seasons	234	2009	Beirut Central District
Grand Hyatt	354	2010	Beirut Central District
Campbell Gray Hotel	100	2009	Beirut Central District
Solidere Rotana Suites	250	2010	Beirut Central District

Source: compiled by Hodema

A financial crisis is hitting the world and upcoming Lebanese elections in spring 2009 may threaten the political stability in the country but growth in 2009 is all but certain.

Encouraging indications are revealed

The growth of tourism and the development perspectives the Lebanese market had in 2004, encouraged developers to initiate a series of project developments. Consequently, the syndicate of restaurateurs announced 360 new restaurant projects in 2008. Moreover, Lebanese restaurant brands have displayed a strong dynamism and expanded in the Middle East.

On the hotel side, the new properties were welcomed, as the Lebanese market needed an upgrade of the standards and an increased capacity during the peak periods. It is important to note that major hotels have recorded 100% occupancy for the 2008 Christmas and New Year period, and there are waiting lists for the first months of 2009. Furthermore, new openings by international and regional brands will bring high visibility, which will contribute to the country's overall visibility on the international tourism market.

However, with the political instability in Lebanon during last year, hotel openings scheduled for 2008 have been delayed. As a result, the Lebanese hotel room inventory may suffer a supply shortage in 2009 if tourism pursues the pick up registered at the end of 2008, especially with the upcoming Francophone Games.

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