

## COUNTRY REPORT

# Lebanon

## Still an opportunity

by Karim el Asmar and Nagi Morkos

Although the social and political events which took place during the first half of 2005 have severely hit the economy in the short term, the country is expected to pick up fast



There is a tacit consensus amongst economic sources, that current difficulties will be overcome by next year. This will allow Lebanon to regain a leading position in the Levant. An everlasting link between East and West, Lebanon offers archaeological and historical wealth. The country benefits from 200km of coastline and two mountain chains, with peaks culminating above 3000m in altitude. The exceptional sunny climate and snowy peaked mountains provide unique opportunities to develop all year round tourist activities, with the combination of outdoor, leisure, cultural and historical attractions.

**Growth opportunities abound**  
Under the late Prime Minister, Rafic Hariri, the infrastructure of the country was rebuilt in order to transform it into a tourist hub in the region. In 2002 tourists from the Gulf accounted for 47% of the



total arrival of non-Lebanese visitors. This development coincided with the events of 11 September 2001.

Since then, Lebanon has been registering a double digit growth in tourism. In 2003, the country was getting closer to the 30-year record high in tourism arrival of 1974. By 2004, this record was finally reached: more than 1.5 million non-Lebanese visitors were registered by the Ministry of Tourism.

During a regional overview of the hospitality industry at the Arabian Hotel Investment Conference, held in Dubai late April 2005, it was highlighted that Dubai is the first regional tourism market and Lebanon is the first runner-up.

One major advantage in Lebanon is in the diversity of investment opportunities and tourist attractions. In fact, Lebanon is the only destination in the area able to offer an all year round diversified panel of tourism types, such as cultural and historical tourism, medical tourism, winter sports tourism, summer tourism, shopping tourism, eco tourism leisure tourism and educational tourism.

With highly skilled medical staff available, Lebanon is becoming a regional medical destination, attracting Lebanese expatriates, as well as Gulf nationals.

This variety of tourism styles has enlarged the client-tourist base. In fact, the tourist mix has evolved between 2002 and 2004, with an increase of incoming tourists from

Europe and the US accounting for about 36% of total non-Lebanese arrivals.

To date, much remains to be done in Beirut, as well as outside the capital in the hospitality field. Archeological sites and ecological tourism remain underexploited. With the expected growth of tourism travel to Lebanon, and the development of the European and US market (led by the French travellers), alternative tourism solutions are being explored. For example, several eco-tourism resort projects are being developed. There is still a huge development potential in the hospitality field. Examples in different sectors include:

- Hotels: budget and limited service hotels, two and three-star properties
- Resorts: ski, mountain and ecological resorts
- Furnished apartments: student housing and extended stay lodging

- Mixed real estate: housing condominiums, including facilities such as a pool, a health club, and a spa

### A solid economy

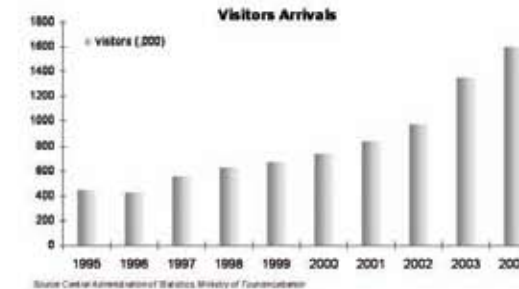
In spite of recent events, the Lebanese currency exchange rate and the amounts of foreign currency deposits available in the country, were not significantly affected. With the support of the Western and Gulf countries, the monetary situation in Lebanon is expected to develop positively.

### Hotel investment

International and regional hotel brands operate presently around 16 hotels. Ten additional branded hotels are expected within 4 years. Additional hotel development projects, such as luxury boutique hotels, budget and residential hotels, are anticipated to increase the hotel inventory further. It is estimated that the total hotel investment in the country will

### UPCOMING LUXURY HOTELS

Hotel Name	No. of Units	Location
Four Seasons	230	Solidere
Raouché Rotana Suites	176	Central Beirut
Boutique Design Hotel	100	Solidere
Grand Hyatt	300	Solidere
Solidere Rotana Suites	150	Solidere
Landmark Hotel	300	Solidere
Old Holiday Inn	300	Central Beirut
Five-Star Hotel	250	Raouché
All Suite Hotel	30	Central Beirut
Gemayzé Boutique Hotel	50	Gemayzé-Saifi
Ritz-Carlton	90	Solidere
Hilton Beirut	250	Central Beirut
Kempinski	265	Dhour Abaydiyeh
<b>Total</b>	<b>2491</b>	



reach \$1 billion in small and medium scale projects.

Projects in Lebanon are less than those of Dubai and other Gulf destinations, due to the country's high density and zoning rules. Nevertheless, project investments range from \$60 million to \$200 million.

The recent trend of small luxury hotels, which emerged recently in Europe, has reached Lebanon adding a new dimension of project development. Typically hotel investments range between \$10 million to \$40 million.

### A world of resorts

The coastal resorts in the Byblos and Batroun areas, north of Beirut, and the Jiyeh area, south of Beirut, have developed dynamically and it is anticipated that additional projects will be initiated in neighbouring area. More development is needed in the Dbayeh marina area, as well as the Solidere park and marina areas. There are rumours about a project in Dbayeh in the region of \$300 million.

Ski domains in the mountain resorts are under development, and the major project of Sannine Zenith, valued at \$1 billion, will contribute to develop winter sports tourism. Furthermore, existing ski

domains are investing in upgrading and expanding their domains.

### Restaurants galore

The Lebanese restaurant market has proven to be extremely dynamic and creative. In the last five years, there has been a surge of creativity and concept creation. Some recent large projects in Beirut have involved investments exceeding \$2.5 million. Each concept is an original idea and a genuine attempt to provide higher customer satisfaction and sustainable return on investment. In fact operators are forced to actively develop new ideas to stay ahead of the competition, driven by seasonality, as well as the scale of the Lebanese market.

New concepts are also being explored in the pub and club areas, such as theme food and ethnic food. All are thriving on two characteristics of the market: the highly sociable Lebanese consumer and the regional jetsetters. Many of these concepts are developed by well travelled individuals. This cultural awareness increases the franchise potential of the concepts.

### Education and technology

Lebanon also offers a unique panel of technological and technical



competencies. World class universities and training programs are supplying the regional market with competent and skilled labour in various fields, such as engineering, information technology, management and law.

Many regional operators find in Lebanon the fertile ground to recruit talent or develop partnerships. For example, a large African based bank is studying the option of subcontracting the process of their back office to their Lebanese partner. Lebanese hospitality schools and educational programs have identified this need and have invested heavily in educational equipment, such as training kitchens and practice hotel rooms. The aim is to produce hospitality technicians and sales people. Recently, a local hospitality undergraduate programme signed an agreement with the Swiss School of Lausanne. Other programs are studying joint ventures with world renowned operators to train highly qualified staff for the region.

### A unique destination

The frequent visits of Lebanese expatriates and the regional population have increased awareness in Lebanon. There is an opportunity for the client base to familiarise themselves with brands, products and services.

Furthermore, the sophisticated and eclectic image of the Lebanese population, has made Lebanon and Beirut the 'in destination' for the regional jet setters. Indeed, the

types of displays and the diversity of brands available in shopping areas, place Beirut on equal ground with major European shopping capitals.

The smaller scale of the country and the ease of access for all regional clients allow greater exposure to brands. In addition to being a gateway to the Levant, Lebanon is also a permanent showcase for the area. The cultural mix of the country creates a unique environment which is familiar to both westerners and easterners.

Recently, an operator wishing to enter the Middle Eastern market was giving more consideration to Beirut over Dubai, because they did not want to be "yet another project in Dubai". Ultimately, clients target projects more in Beirut than in Dubai.

### Future prospects

The regional geopolitical contexts seem to head towards stability and peace, which in turn can only be beneficial to Lebanon, as well as the whole region.

Various international financing organizations and funds, such as the World Bank and the European community, have expressed the will to support Lebanon in its economic growth. Such elements, combined with the dynamism of Lebanese business and the vast opportunities available, are beneficial for sustainable business and tourism development.

Lebanon is working towards a great future.



Karim el Asmar and Nagi Morkos are managing partners of Hodema, a hospitality consulting company specialized in development, strategy and owner representation. Hodema is present in Lebanon, Dubai and Qatar. El Asmar can be contacted at [kasmar@hodema.net](mailto:kasmar@hodema.net) and Morkos at [nmorkos@hodema.net](mailto:nmorkos@hodema.net) or visit Hodema's website [www.hodema.net](http://www.hodema.net)