



HOTELS ARE PLANNING A COMEBACK

Industry grows more diverse with boutique hotels, revamped services, business facilities, and international partnerships

The hotel industry is still getting a lot of interest from local and international players. Investors are betting on positive developments in the long term, and have already drawn up their plans. New hotels have opened in the past three years and more are underway, despite the difficulties of the hospitality and tourism sectors. "Lebanon has always had an eventful history, but it has also shown a strong rebound capacity and made great comebacks," said Frederic Brohez, General Manager at Le Vendôme InterContinental. Conference facilities and business services are gaining prominence as a way of boosting low-season occupancy. Three- and four-star boutique hotels are gaining popularity among the new tourist classes. Furnished apartments and budget hotels for long stays are also in demand. For some hotel owners, partnering with an international chain is an additional guarantee of success.



HIGHS AND LOWS

According to the last report by the Central Administration of Statistics (CAS) in 2008, the hospitality sector included 300 hotels, around 15,500 hotel rooms, and 99 establishments proposing furnished apartments. In 2013 alone, at least five new hotels joined the hospitality scene, and many more are on the way. Most of these new openings were planned years ago. "The current conditions are not investment drivers," said Jad Shamseddine, General Manager at the recently opened The Smallville Hotel next to the National Museum. But according to Brohez, investors are aware that the current slowdown is a real opportunity to invest. "We won't be able to catch up if the situation improves fast," he said. Work in the Grand Hyatt Beirut Hotel will resume within two months. "We updated our market study to restart on solid ground," said Issam Tannir, Executive Director at the Société Méditerranéenne des Grands Hôtels, a group of Lebanese and Saudi investors who own the project. The hotel is expected to be completed in 2015. Tannir said the group's feasibility studies had revealed some promising findings. But the Hilton Metropolitan and the Acropolis Hotel in Kaslik have faced full or partial closings.

OFF THE BEATEN PATH

New hotels are opening throughout the country. Booming areas outside Beirut are attracting investors. Regions of the Metn are emerging as business centers and hotel attractions. The developers of the Stone 55, a 4-star boutique hotel which opened last month, chose the Zalka highway for its proximity to the Metn, said André Chehwan, Business Development Manager at Warwick Mena, managers of the property. Brohez said that hotels off the beaten path are in high demand, especially in rural areas. Jamal Makki, Chairman and CEO of The Lebanese Arab Company for Trading and Contracting, said the Airport Road area requires many more hotels to meet demand. The company manages the Assaha hotels and restaurants and already has a venue on the Airport



Road, with plans to open another. Such venues would serve both the airport area and downtown. Makki said they are planning developments in other under-served areas, such as Tyr, Bhamdoun, Baalbeck, and the Litani region.

THE HOTEL INDUSTRY REMAINS ACTIVE, DESPITE MARKET UPS AND DOWNS

CHANGING FACES

The profile of hotel guests has changed over the past two years. The majority of clients used to come from the Gulf. Today, they come from Iraq, Syria, Egypt, Turkey, Iran, South Asia and Eastern Europe. "Most of these visitors are not luxury seekers. They use the hotel for its basic bed and breakfast service," said Shamseddine. Boutique hotels have fewer rooms, attractive accommodations and a cozy atmosphere. Four- and three-star hotels are also growing in popularity with affordable prices of around \$50, per night, in the low season. Furnished apartments are increasingly stealing the spotlight from hotel rooms. Ziad Labban, Secretary General of the Syndicate of Furnished Apartments, said demand for furnished properties has been rising since the sector acquired its own syndicate and fell under the supervision of the Ministry of Tourism. Furnished apartments are becoming the top choice for visiting expatriates and are currently enjoying a high occupancy rate, said Nagi Morcos, Managing Partner at Hodema, a consultancy for hospitality services. Labban said furnished apartments vary in price depending on the property's ranking.





BUSINESS FACILITIES

Even hotels in tourist areas are adding a business touch by offering facilities such as conference rooms and equipment. They also offer special rates to event organizers for their conferences. This strategy has helped cushion the impact of low tourist numbers. But such hotels are expected to grow more as the country has the potential to become a hub for businesspeople seeking opportunities in the region, notably future reconstruction works for Syria.

GOING INTERNATIONAL

Most local hotels used to be family-run businesses, but the trend is shifting towards branded properties. Joining international chains guarantees better occupancy rates in tough times, even if it is not an all-risk insurance against a downturn. The Grand Hills will come under Starwood management once its refurbishment is complete. The international chain Golden Tulip is now operating the renovated Jiyeh Marina beach resort and three other facilities. Landmark International Hotels, a new Beirut-based regional hotel management firm, is managing the VEER Boutique Hotel and Resort in Kaslik. Cristal Hotels & Resorts is another new management chain in the market with activities in the UAE and Iraq. It will reopen the Grand Kadri in Zahle.

The Palm Beach is now affiliated with Warwick International Hotels (WIH), which is also managing the Pangea Beach Resort in Jiyeh, and two other properties under construction. WIH sees Lebanon as a land of opportunities, despite the current instabilities, said Jamal Serhan, Chief Operating Officer for the MENA region. "Being present in Beirut and other parts of the country is essential for us to establish our chain in the region," said Serhan. Chains are expecting lucrative opportunities once the situation improves. "It is a

matter of opportune investment," said Hodema's Morcos. International affiliations bring credibility and efficiency to hotels and familiarity for travelers. Management chains also benefit from their local affiliations by widening their international coverage. However, this affiliation has drawbacks, such as higher operational costs, management fees and occupancy rates in low seasons. The fear of standardization is also a factor for those who wish to maintain a local, individual character.

OPPORTUNE INVESTMENT

The hotel industry remains active, despite market ups and downs. "Boutique hotels do better in times of turmoil," said Shamseddine. They have controllable operation costs even during low occupancy. Le Bristol is investing \$20 million for its restoration. Tannir said that investment in the Grand Hyatt project is between \$80 and \$90 million. Investment in the industry is high, especially since property prices have been soaring. According to Shamseddine, investors always expect high real estate costs because they choose booming areas for their hotels. "A four-star hotel invests nowadays around \$250,000 per room to be able to compete with five-star properties," he said. Assaha invested more than \$12 million in its new 50-room Airport Road property. According to Morcos, budget hotels might be an interesting investment opportunity. This type of hospitality model is not very common in the local market. But many investors would currently hesitate about embarking on such a venture because the return on investment would be a long-term one.

REPORTED BY RANA FREIFER

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