Culinary influences make a comeback

Eating out

More than 12,000 restaurants have opened since 2006, reports **Abigail Fielding-Smith**

Lebanon might be a conflict-ridden country subject to regular fly-overs by Israeli war planes. But when it comes to fine dining, neither domestic political bickering nor threatening warplanes can stop the appetite.

The country has seen a restaurant boom more reminiscent of London in the 1990s than a dysfunctional Middle Eastern state.

Paul Aris, president of the restaurant and café owners syndicate, says more than 12,000 restaurants have been licensed since 2006 (and many more are likely to have opened without a licence). Although most are cafés, there has been an increasing trend towards fine dining in the past six months, he says.

A series of Michelin-starred chefs are about to supervise the opening of restaurants in the centre of Beirut, which has been rebuilt after the 1975-1990 civil war. One food importer says he is bringing in an average 1.5 tonnes of high-quality meat a week from Australia. "We are getting established as the gastronomic capital of the Middle East," says Mr Aris.

To some extent, the mushrooming restaurant sector is an inevitable response to the cash injected into the services economy by a fast growing tourism industry. Tourism is thought to consist largely of holidaying Lebanese expatriates who enjoy taking friends and family out for meals.

Locals also seem to be spending more on eating out. Nagi Morkos, a hospitality industry expert with Hodema Consulting Services, says it is no longer unusual to spend $150 on a meal.

The boom also appears to reflect changes in the national palate. Antoine Rizk, manager of Indigo on the Roof, says tastes and entrepreneurs have evolved together since the civil war shattered the restaurant industry.

In the early 1990s, even the introduction of American-style fast-food outlets seemed exotic. "If you opened a French-fry stand in 1994, you would make millions," jokes Mr Rizk.

Johnny Farah, owner of the popular Asian-style restaurant, Casablanca, in Beirut's Ain Mreisse neighbourhood, recalls that when he first opened in 1997, he had to put a fillet of beef on the menu so that there would be something customers "could understand", until he eventually became so annoyed by their refusal to stray away from it that he took it off.

Since then, cosmopolitan influences have steadily returned, and now, as Ziad Kamel, managing partner at a recently opened bistro in Gemmayze, puts it, "sushi is the national dish of Lebanon".

Foreign wines are now cheaper to import, after duties were halved in 2006. Industry representatives say customers are not only familiar with a wider range of foods and beverages but also more exacting in their tastes. "Before, people were happy with 4-5 marbling, today everyone's asking for 7 or 9," says Mazen Noureddine from U Food importers.

At the same time, there has been a renaissance of Lebanese culinary culture, with dishes such as *mouloukhiyeh* and regional specialities appearing in

> 'You can't let the risk of instability influence plans. What would be the point of living in Lebanon?'

smart restaurants, and the emergence of a "slow food" movement dedicated to supporting local producers.

Less organic but perhaps just as effective in the evolution of a gastronomic scene are efforts of the Solidere company, which owns large swathes of the central area.

It is opening several outlets, including a branch of the London Moroccan restaurant Momo, and three eateries headed by Michelin-starred chefs.

Joseph Asseily, chairman of BHC, Solidere's hospitality arm, says the group is hoping to raise standards. "Because of uncertainties [in the political environment], people tend to want quick returns on investments and, and because of that you can't afford top design and top chefs," he says. "We decided we need to raise the bar."

The hospitality industry has also benefited from the Gulf financial crisis, analysts say. Lebanon has 45 hospitality schools and a deep pool of multilingual talent to draw on, but for many years, as the Gulf boomed, restaurants found it impossible to keep skilled staff.

"I think the crisis helped us, bringing back people who went to Dubai," says Mr Morkos. Badeeh Abla, managing director of the industry consultants, Nobrand, cites the recession as the reason there are now "40 good chefs in this country".

Propitious though circumstances are, the estimated $300m of investment in the restaurant sector in the turbulent years since 2005 is hard to explain.

Marwan Barakat, head of research at BankAudi, says restaurants have what investors call a high "event risk", and Lebanon always has the potential to generate events. Particularly for the high-end restaurants, for which start-up costs can be up to $3,000 per decorated square metre, it remains, on the face of it, a problematic investment.

But, says Mr Barakat, the restaurant sector also has a low investment-to-value-added ratio, making it profitable for investors with excess liquidity. Underpinning the spreadsheet calculations, moreover, is a culture which prides itself on entrepreneurship, resilience and fine living.

Mr Kamel, whose bistro was conceived in 2008 when political violence nearly took the country to civil war, does not allow the ever-present risk of instability to influence his investment plans.

"You can't use that as a factor," he says. "Otherwise, what would be the point of living in Lebanon?"

Beirut's heart beats for the wealthy

Real estate

Lucy Fielder on a sector that has seen prices rising by 25 per cent a year

In Beirut's city centre, glass towers soar where streets once rambled and hoardings promise sleek shops and designer homes on the once chaotic Martyrs' Square.

Before civil war broke out in 1975, the area was a melting pot in which traditional markets and cafés huddled next to chic restaurants. But after ruin, rebuilding and now a property boom, the capital's heart beats for the rich.

"The people who come and buy in this area have their own budget, and want to make money," says Salah Karameh, sales manager of the Beirut Gardens development, which promises "refined living" on Martyrs' Square. "It's not for normal people; these are top business people."

Expatriate Lebanese have driven a property boom, accounting for at least 60 per cent of sales – closer to 90 per cent in exclusive areas. Real estate prices shot up along with the crane-dotted skyline, by about 25 per cent a year between 2004 and 2009, according to Beirut's Ramco property advisers. In the capital, prices start at $2,000 to $10,000 a square metre on the first floor, and ascend with storey and view.

Analysts say that the latest boom started in 2004, when wealthy expatriates and Gulf citizens noticed that for the price of a small flat in Europe or the Gulf, Beirut offered space, seaviews and clear ownership.

Political turmoil following the 2005 killing of Rafiq Hariri, the Sunni prime minister, and the 2006 war with Israel gave investors only momentary pause. And as the financial crisis created distrust in western and Gulf banks, Lebanon enjoyed calm after a May 2008 agreement papered over political rifts.

Beirut property looked like a safe bet. The economy expanded 8.5 per cent that year and 7 per cent in 2009. At an October real estate fair in the capital's BIEL exhibition centre, prospective buyers nibbled canapés and studied models of landmarks-in-progress.

Anthony El Khoury, chief executive officer of Estates, developers of the District//S "urban village", says 30 per cent of units have been sold off-plan since the launch in late September.

"Most of our apartments are bought by end-users, so we don't have speculation and prices are not inflated," he says. "All the fundamentals of the economy are in place." For high-end projects, clients pay the total in instalments before completion, limiting developers' exposure.

But sky-high prices have stirred talk of a bubble.

Hana Anouti, an economist at the ministry of economy and trade, insists that the market has solid foundations. "Demand is still growing," she says. "Prices are starting to stabilise – they're not going to skyrocket, but they're not going to go down, either."

But Nassib Ghobril, chief economist at Byblos Bank, says Beirut properties are overvalued. "There are severe distortions in the Lebanese market," he says. "About 3,000 residential units are coming on to the market in the next three years. The question is: who is going to buy them?"

Although speculation is relatively low, "there's no use saying it doesn't exist – it accounts for about 20 per cent of the market", Mr Ghobril says.

Real estate borrowing has grown, boosting the market but also increasing consumer risk, he adds.

In mid-2009, the central bank dropped reserve requirements in Lebanese pounds to encourage housing loans. Mortgages increased by 48 per cent in the year ending June 2010, according to Mr Ghobril.

"It's the consumer that's bearing the risks of the sector, since developers are mainly funded by downpayments rather than banks," he says.

For now, though, mortgages amount to $3.1bn, which is just 2.5 per cent of Lebanese banks' portfolios, according to Bank Audi.

Luxury property developers say demand has eased in the past few months.

Mazen Mardini, development manager of Beirut Terraces, a seafront glass skyscraper draped with hanging gardens, says sales have been solid, with a third of flats sold since

Beirut Terraces, a glass skyscraper with hanging gardens

March, but that less prestigious projects could suffer.

Today, in Lebanon, supply is more than demand," he says. "This will be the challenge for developers, to differentiate their property and have the edge."

Ramco's Mr Makarem says prices will rise in 2010-11, but at a slower rate of 10-15 per cent. "There's no crisis yet, but we're entering a period of stagnation," he says. "There's demand, but developers are asking for 15-20 per cent more than fair market value, and neither side is willing to meet each other at the moment."

Fears of instability have grown, with predictions that the special tribunal for Lebanon in The Hague could indict members of the Hizbollah Shia paramilitary group over Mr Hariri's assassination.

Because property is a long-term investment, Mr Ghobril says, turmoil tends to rattle buyers but not deter them. Some investors might even invest if prices drop.

To restore balance to the market and meet local residents' demand, the next generation of flats should be small- to medium-sized and on Beirut's outskirts, where prices drop to $600-$2,000 a metre for a quality home.

"We've started to see smaller flats be offered for sale, as the market seems to be adjusting to the budgets people have," says Mr Makarem. "There's a definite shift."

Staggering beauty and a niche in rhinoplasty

Tourism

Lucy Fielder reports on an industry that is, increasingly, the country's lifeblood

In the shaded portico of the Roman Bacchus Temple, Alison Craig tries to capture Baalbek's vast proportions in her viewfinder.

It will be hard enough, she says, to persuade friends back in New York of Lebanon's "staggering" beauty. "People just won't believe it," she says. "You say you're going on holiday to Lebanon and they're like: 'God, why?'"

Yet more tourists visited Lebanon this year than at the height of the 1970s prewar golden age: a projected 2.3m by year-end. That figure, up from 1.8m in 2009, is despite Ramadan falling during August, which kept many potential Arab visitors at home.

As global tourism reeled from the financial crisis, the World Travel and Tourism Council ranked Lebanon first worldwide for the growth of its tourism industry, by 39 per cent in 2009.

More Europeans, Americans and Asians came this year, as well as the Arabs who constituted 36 per cent of visitors. A 10 per cent increase in exit tax, about $5 per visitor, will fund a promotion drive next year targeting Germany, Russia, Spain and the UK.

A film in production aims to draw visitors to Lebanon's cultural wealth and natural beauty. "These are the kinds of tourists we want to attract," says Fadi Abboud, the tourism minister. "This little country is not cut out for fish-and-chips tourism."

But caviar tourists are welcome. Super-rich Gulf visitors who stay for a month or more push average expenditure per visit up to $4,000. Income from tourism will reach almost $8bn this year. Package tourism accounts for less than 3 per cent.

But stability remains elusive and embassy warnings cautious at best. A May 2008 agreement brokered in Qatar ended ushered in a rare period of calm. But the prospect of strife looms again, with fears that the United Nations-backed special tribunal for Lebanon will accuse the Hizbollah Shia militant group of killing Rafik Hariri, the former prime minister, in 2005.

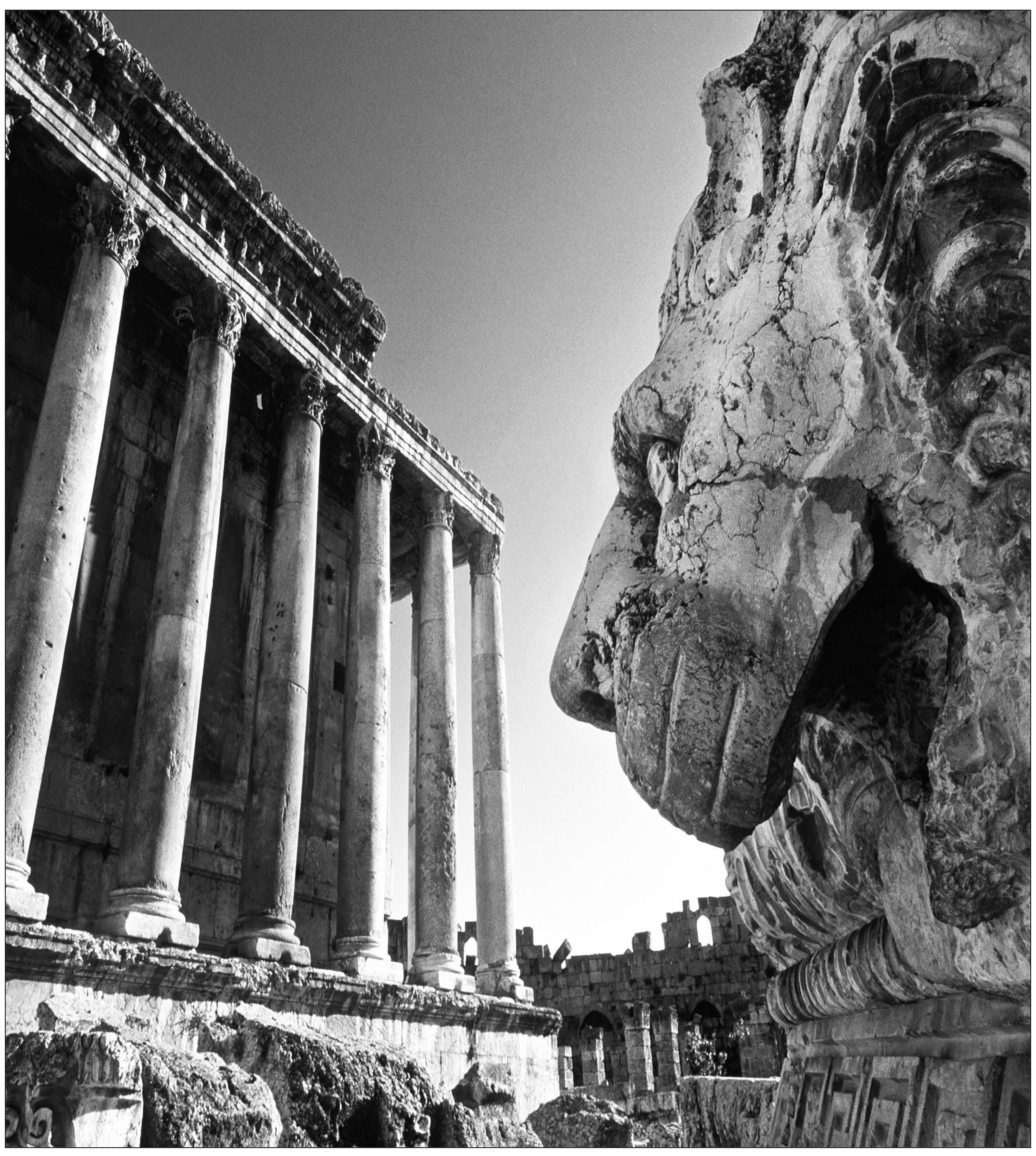
Tensions have been escalating in recent months amid warnings from Hizbollah that indicting some of its members will provoke civil strife.

Tourism is increasingly Lebanon's lifeblood. About 500,000 people, or 38 per cent of the workforce, work in the sector full-time. Beirut hotel rooms yielded an average of $179 a night in the first nine months of 2010, the second highest in the region, Ernst & Young reported. Occupancy averaged 68 per cent.

The sector contributed about 12 per cent of gross domestic product this year, says Marwan Barakat, head of research at Bank Audi. "The 2.3m visitors projected for this year is a very healthy figure," he says. "But tourism has the potential to double over the next three or four years, if the calm political and security situation is maintained."

Lebanon's banks seem willing to shoulder the risk. Their loans to local hotels and restaurants increased by 11.5 per cent in the first half of 2010, to reach $858m in June, Mr Barakat says.

Foreign investment in tourism stands at $4bn, says Mr Abboud,



Temple of Bacchus: a film aims to draw visitors to Lebanon's cultural wealth and natural beauty Alamy

funding new spas, hotels and beach resorts.

More development is required. Water shortages are commonplace, electricity blackouts a daily occurrence. Public transport is poor and the country has among

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the highest numbers of cars per capita in the world. "Improving the infrastructure is going to take some time, but we're working hard to get somewhere," says Mr Abboud. "We need trains, as soon as possible, and to make Lebanon more eco-friendly."

Eco-tourism is an area Mr Abboud and local adventure groups are keen to expand. The Lebanon mountain trail, a network of paths criss-crossing the country's rocky, forest-clad spine, has drawn about 2,000 visitors since its launch in 2009, he says.

In the summer festival season, Baalbek temple, the ancient fishing port of Byblos and the courtyard of the Ottoman Beiteddine Palace, ring out with classical, world and pop music.

Other potential niche areas abound, with hopes that more tourists will come to ski, sample the famed cuisine or tour the Bekaa Valley's vineyards.

Or have a nose job. Elias Chammas heads the gleaming Hazmieh International Medical Centre on the pine-clad hills above Beirut. In summer, he performs one or two extra plastic surgery operations a day on visitors, mostly from the Gulf.

The clinic is part of a tourism ministry project to promote medical tourism packages – including flights and accommodation – with Dubai-based public relations company, Image Concept.

"Health tourism could be very important for Lebanon. We already perform more than half the region's plastic surgery," says Mr Abboud.

Competition between Lebanon's many highly qualified doctors keeps prices low – about $2,000 for rhinoplasty.

"We get a lot of Arab tourists: they trust Lebanese surgeons and our clinics are top quality," Dr Chammas says. "Or Lebanese expatriates come, get something done, then enjoy the rest of their holiday."

What to do with a sweet tooth and a nose for business

Profile
Patchi

Lucy Fielder on the passion of a chocolatier

More than most children, Nizar Choucair was obsessed with chocolate. He would hang around his uncles' confectionery shops in Beirut, helping out after school.

"When I was about 20, I realised chocolate was more than just a passion and opened my own shop," he recalls.

That was 1974, as civil war loomed, and the boutique was on exclusive Hamra Street. Now, Mr Choucair's wholly owned Patchi chain has more than 140 stores in 33 countries, which, he says, made sales of $250m in 2009.

The young Beiruti had a sweet tooth and a nose for business. "I'd been open about six months when I felt the sands were shifting. I was ambitious and Lebanon was a small market," he says, unwrapping a chocolate from a bowl on the table and popping it into his mouth.

After its start in Lebanon, Patchi, from *baci*, Italian for kisses, opened in Jordan then Saudi Arabia. As war engulfed Lebanon from 1975 to 1990, the brand built its regional reputation for luxury.

In the central Beirut flagship store, drawers of chocolates wrapped in gold, silver or gem-coloured foil cover one wall; samples sit on tiny pedestals in a glass case. "We display them like jewels," says Olga Hindi, public relations manager.

Many boast tiny gifts: a teddy bear, or a flower of diamanté or silk, as Patchi has carved a niche making wedding favours.

In Lebanon and the Arab world, favours are big business, and the tradition extends to the birth of a baby and other occasions. "Here, if a bride comes to you for her wedding souvenirs, she'll come back when she has a baby, then for birthdays, or for Ramadan or Christmas," Mr Choucair says. "Most customers get to know us through a joyous occasion and stay with us for life."

Ahead of the Muslim Eid al-Adha holiday this month, the Hajj pilgrimage to Mecca is the theme. A handmade silver tray on feet holds 5kg of gold-wrapped chocolates. Nestled among them a silver "Allah" and prayer beads. The price tag is $1,330.

In 2008, the chocolate-maker teamed up with Harrods, the London department store, to sell what was dubbed the world's most expensive chocolate box, priced at £5,000. A silk or gold flower or Swarovski crystal decorated each piece; gold and platinum lined the

'I love chocolate. I see it in my dreams,' says Niza Choucair

Italian leather and Indian silk box.

Baby Patchi chocolate and toy arrangements range from several hundred dollars to bespoke sets for thousands of dollars; wedding and baby celebrations account for 20 per cent of Patchi's business.

Packaging is key to the line's cachet. Patchi's four factories in Sibline, south of Beirut, manufacture the sleek boxes and ribbons, and many of the favours. Another makes glass and porcelain giftware. Patchi Silver's craftsmen make the ornate silver trays and bowls by hand.

Five factories, in Dubai, Egypt, Lebanon, Saudi Arabia and Syria, produce the chocolate itself. Patchi employs 4,800 people worldwide, 60 per cent in the factories, 40 per cent in the shops.

In 2009, Wolff Olins, a consultancy, tipped the confectioners as one of five food or drink makers from emerging economies that could become global brands.

Michel Chalhoub, associate professor at the Lebanese American University School of Business, says: "In Lebanon and the region, Patchi has been very successful in creating brand-recall. If you say you're serving Patchi at a wedding, it's seen as a good thing. "I think there's strong potential globally, especially if they play on Lebanon's reputation for luxury and good food, as Lebanese wine has."

Patchi has for several years eyed a 49 per cent stock flotation on either the London or Dubai stock exchange, to fund further expansion. But the plans were postponed when the financial crisis forced the closure of 14 shops during 2008 and 2000.

With branches reopening, Mr Choucair says plans to go public are being reconsidered, but he expects a flotation in about two years.

Plans for a café chain, however, have been scrapped. Mr Choucair says he will stick to chocolate and giftware. "It's enough to be able to work 24/7 in your passion and be successful," he says.

"I love chocolate. I see it in my dreams."