

Lebanese beaches are willing to play with the big boys



Today, Lebanon is considered as the top beach destination in the Middle East region. **Nagi Morkos**, managing partner, hodema consulting services, takes a look at the competition

The country benefits from numerous natural assets including a 150-kilometer beach coast and a favorable climate but, also dynamic investors, strong concepts, and a liberal culture. Indeed, as opposed to other countries in the region where alcohol is either completely prohibited or only offered in hotels, Lebanon allows its consumption everywhere, which is one of the customers' main attractions. Moreover, its lifestyle does not impose a dress code for women. These factors constitute the main competitive edge of Lebanon's day and night beach resorts in the region.

Dynamic market

This year, the beach season in the country is back in full force. The few remaining public beaches are now outnumbered by private establishments, which are favored by Lebanese who can afford them. More than 150 beach resorts are currently located along the Lebanese coast, the heart of

the market stretching between Chekka and Saida. The increasing demand for resorts is mostly from locals as most Lebanese don't travel abroad often, and thus spend their summer days on the coast. Beaches also attract regional tourists as well as Lebanese expatriates.

The historical hotspots are Chekka, Jounieh and Jiyeh-Damour, respectively north and south of Beirut. Even if the latter remains very popular among developers, investors have lately been targeting the north coast of the capital such as the city of Jounieh which hosts 34% of the establishments, and is considered to be more politically stable than its southern side.

High end positioning

Most private beaches are positioned in the low-end segment, but the industry is shifting towards a higher-end offer. A day at the beach for 14 USD is now a distant memory as developers play the high-end

card to attract customers. Deck chairs have become sun beds, jacuzzis and health clubs are the new trend, and privatized areas for groups can cost up to 400 dollars a day. Most of the high-end establishments are located in Beirut, such as the **Riviera** in Ain Mreisseh. It has the most extensive variety of VIP services, such as bungalows, jacuzzis, sun beds and a private lounge. **Orchid** in the south also offers private huts, with or without jacuzzis.

Edde Sands in Byblos has a private swimming pool for cabana clients and **U Bay** in Jounieh enables its clients to moor their yachts along private piers.

“Eleven new beach resorts are expected to open between 2012 and 2013, mainly in Jiyeh, Damour, Beirut, Kaslik and Halat”

Resorts offering accommodation also raise the bar: Edde Sands' éHotel claims three stars, and its é Boutique Hotel displays five stars. **Pangéa** and **La Guava** have currently the most high-end beach hotels in the form of bungalows. Beirut also offers establishments of higher categories such as **La Plage**, **Riviera** and the **Mövenpick**. Despite being relatively quite expensive these beaches display the highest average occupancy rates. Although considered high for the Lebanese market, the Lebanese beaches' entrance fees remain however considerably lower than those of other areas in the Middle East, such as Dubai.

Mixed-use resort boom

In Jiyeh the opening of **Bamboo Bay** in 1999 changed the playing field. In association with the Beirut restaurant Circus, the beach resort became famous for its popular beach parties. Then in 2003 Edde Sands set new standards in the industry by developing a whole complex where guests can stay

overnight. Former emblematic beach spots, such as **Jonas Beach** in Jiyeh operating since 1993, which consisted of just deck chairs on the sand and a snack bar, have slowly been replaced by resorts that offer multiple types of services. Today only 34% of the establishments in the country limit themselves to beach club activities.

The first step of diversification was to add accommodation to the beach club, whether hotel rooms or bungalows. This idea has spread in the industry and now 66% of the establishments have sleeping capacity and half of the new projects this year include bungalows and apartments.

But, the latest trend is definitely the spa. Edde Sands and Orchid focus their offer on relaxation. While the former manages its own spa, the latter delegates to the local brand Body and Soul. **Riviera**, **Pangéa** and **Mövenpick** also provide massages during the summer season. This trend should not fade in the coming months: more than half of the projects in the pipeline have a spa and some are planning fitness clubs.

Another diversification strategy to attract customers is to target business tourism, which has a steady flow in the country. Some resorts offer specific facilities or convert their restaurants into meeting and seminar rooms. Others host parties, weddings and even fashion shows.

Compared to 'old school' beach facilities with just basic snack bars, the new resorts insist on their food offer. It has become the main contributor to most beach clubs' revenue, but entrance fees to the beach still secure high profit margins, despite generating less revenue. At Edde Sands, around 50% of the earnings revolve around the food



offering, while the beach entry fees only represent 10% of the sales. The resort has the biggest hosting capacity, with over 3,000 guests. It also tries, along with its competitor the Riviera in Beirut, to stand out with its healthy and diet menus. Pangéa is planning on offering sushi in its upcoming hotel restaurant. U Bay also distinguishes itself by having a high-end restaurant, Table Fine, run by a Michelin awarded French chef within its premises. The rest of the establishments usually offer international cuisine and Lebanese mezze.

Stronger concepts

Lebanese beaches stand out from their competitors in the neighboring countries through their innovative and well-built concepts. Although the region encompasses large beach destinations such as Aqaba and Dubai, these remain far from the trendy day beaches and resorts of Lebanon. The Aqaba beach market mainly holds hard surface establishments and Dubai's beaches are almost always linked to hotels, except for the Jumeirah Beach Residences (JBR), which is a public beach.

“ Lebanon still has a long way to go to become serious competition to international hotspots”



Edde Sands

In Lebanon, some investors choose to create original concepts rather than rely on the “classic” beach services. Beach bars such as **Lily Bay** in Jounieh focus on the food and partying rather than sunbathing and swimming. La Plage in Beirut and Orchid are restricted to customers over 21 years of age. Eco-friendly beaches are also in fashion and some establishments have decided to advertize their nature-orientated spirit, such as **Pierre and Friends** in Batroun, as well as **Lazy B** in Jiyeh. These projects limit their construction to the minimum and try to enhance the environment.

A new concept is also emerging with the arrival of the **Damour Beach Resort**, developed by the

owner of City Mall Michel Abchee. Apart from a beach club, a hotel, and private villas, the project also features agricultural land with animals, called Damour Heritage.

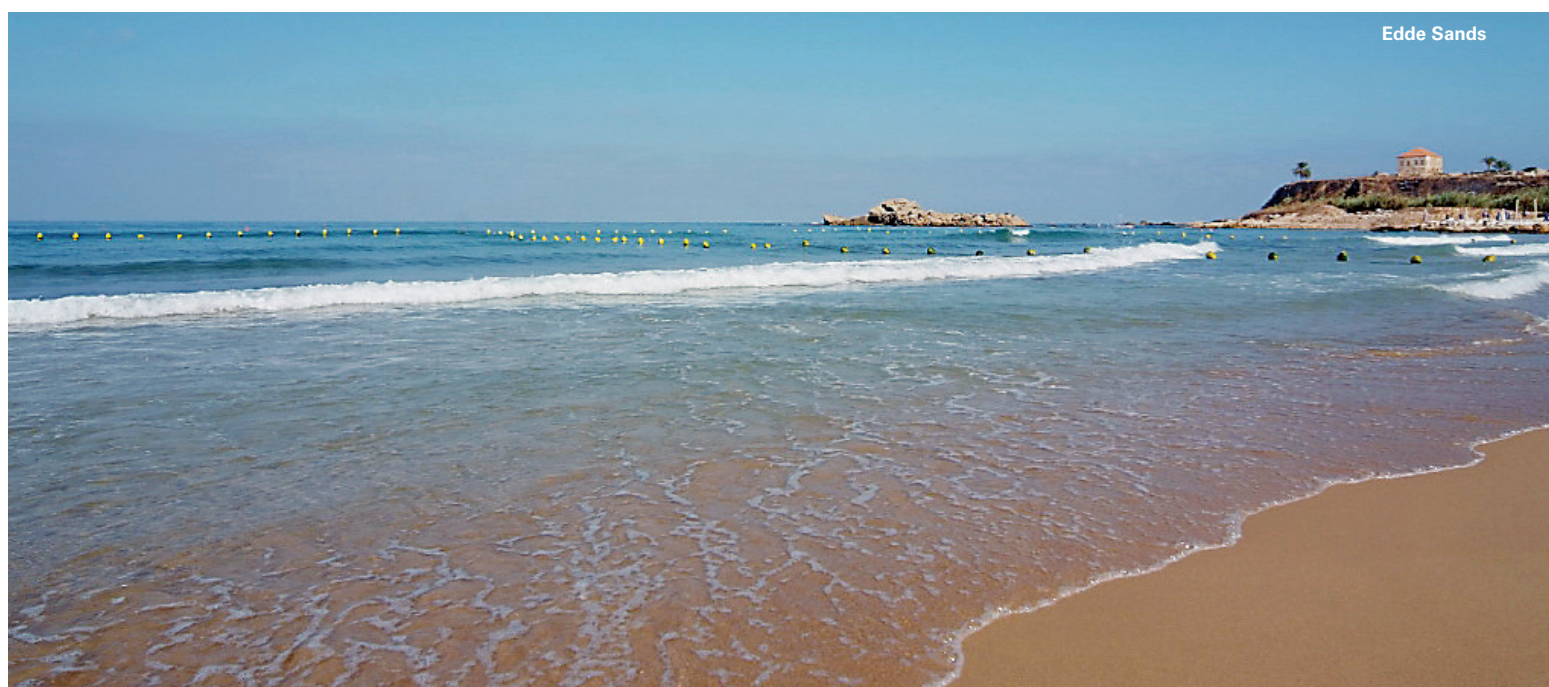
This diversification is seen as a profit boost by investors: villas and apartments can be rented all year round. Like Edde Sands and Riviera, Pangéa will remain open off-season starting 2013. The idea is to secure both a quicker return on investment and the loyalty of the staff, in a context of increased competition on the coast with new investments reaching several million dollars.

The main Lebanese actors position themselves as contenders to large resorts in Cyprus, or to the private resorts at

the Dead Sea such as Mövenpick, Kempinski and Marriott, or even to the Egyptian landmark of resort tourism Sharm al-Sheikh. On top of the local clientele, which mostly comes on the weekends, the Lebanese beaches now target international tourists and Lebanese living abroad, an opportunity to increase their occupancy rates during the week.

Challenges along the way

Various challenges prevent Lebanese resorts from making a name for themselves and play with the big boys. One of the main issues for the developers is the property lease. In some municipalities it is forbidden to build on land along the coast. In Jounieh investors can only rent the property for a limited period



Edde Sands

of time, usually between 5 to 10 years. The rent price is also a concern. In Jiyeh, it can top 10 dollars per square meter. Most of the resorts have an average superfcy of 20.000m2, so the bill can be hard to swallow and prevent developers from investing big money in their projects. Now more and more resorts negotiate longer leases and some even manage to buy the land.

The second problem is the lack of infrastructure. The heavy traffic on the main roads to Batroun and Saida is often a turn-off for customers, which partly benefits private beaches inside Beirut. The level of pollution of the sea is a concerning issue as well.

Many coastal areas are affected by the lack of proper wastewater treatment plant and the sewage sometimes goes directly into the sea. Industrial plants located nearby resorts in Jiyeh, Zouk and Chekka can also deter clients. To distract people from these less than glamorous aspects, beach developers focus on the decor and ambiance of their premises. This constant escalation in luxury and concepts can be confusing for the customers, who cannot differentiate one concept from the other, all having trendy restaurants and jacuzzis.

The abounding offer and problems that stand in the way of the beach industry haven't discouraged

developers from opening new projects. Eleven new beach resorts are expected to open between 2012 and 2013, mainly in Jiyeh, Damour, Beirut, Kaslik and Halat. Most of them are high-end projects, with all the new facilities listed above.

The novelty is that while all the beach resorts, apart from two, had local operators until now, in future nearly half of them will be managed by international groups, such as the **Golden Tulip Hotels, Warwick International Hotels, Kempinski Hotels, Campbell Gray Hotels and Nikki Beach Hotels & Resorts** (see table). However, even if these large-scale projects hold a competitive

edge compared to those in the rest of the Middle East, Lebanon still has a long way to go to become serious competition to international hotspots.
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New and upcoming supply

Resort name	Unit mix	Opening year	Facilities	Location	Development stage	Management company
Jiyeh Marina ¹	180 rooms	2012	Roof top F&B outlet Event room 3 meeting rooms Health club Indoor swimming pool Jacuzzis	Jiyeh	Under construction	Golden Tulip
Veer	Phase 1: 4 duplexes Phase 2: 14 rooms & suites bungalows	Phase 1: 2012 Phase 2: 2013	F&B outlets Pool Spa and health club Water sports	Kaslik	Soft opening: July 2012	Built-in
Damour Beach Resort	N/A	Phase 1: beach club 2012 Phase 2: hotel and private villas Agricultural land : Damour Heritage	F&B outlets 7 pools VIP areas	Damour	Phase 1: Completed opening: June 2012 Phase 2: On Hold	Damour Beach Resort
Road island	9 suites 1 penthouse	2012	Roof pool Jacuzzi	Halat	Under construction	Four Seasons Halat (Local brand)
Kempinski Summerland Private 'Village' apartments	151 rooms 45 apartments	2013	F&B outlets 2 pools Spa 550 cabins	Jnah	Under construction	Kempinski Hotels
Mixed-use project in Halat	30 units	2014	Beach club F&B outlet	Halat	Due diligence period	N/A
Pangéa ¹	70 rooms	2013	F&B outlet Fitness center Tennis and squash courts Water sports center Spa	Jiyeh	Under construction	Warwick International Hotels
Khaldeh resort	N/A	2014	Beach club Meeting rooms F&B outlets Spa and fitness club	Khaldeh	Due diligence period	N/A
Mixed-use project in Batroun	Luxurious villas (number to be advised)	N/A	Pool club F&B outlets	Batroun	Construction to begin	N/A
Port D'Amour	N/A	N/A	N/A	Damour	On hold	CampbellGray Hotels
Nikki Beach Resort & villas project	30 rooms & suites 40 villas	N/A	Spa & health club Pool club F&B outlets	Damour	Due diligence period	Nikki Beach Hotels & resorts

¹ Addition to existing supply
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