

# 2007

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## Syria – Country Snapshot

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# Syria Snapshot

*London office of HVS International*

*Hadrien Pujol and Bernard Forster*

## Economics and Politics

Reforms to reduce the role of the state and encourage investment and private sector initiatives marked 2006 in Syria. On the international stage, Damascus came under increasing pressure from the international community over its alleged implications in the assassination of former Lebanese Prime Minister Rafik Hariri, its relations with Iran and links to Lebanese Hezbollah activists.

According to the EIU, GDP rose by 4.6%. Syria attracted significant FDI from fellow Arab nations, mainly GCC countries, especially in the real estate and tourism sectors. Furthermore, the corporate tax has been significantly reduced from 65% to 35% as an incentive to the private sector.

## Developments and Initiatives

The government has set up a build-operate-transfer (BOT) scheme for tourism projects, with lease terms of up to 99 years and tax holiday periods for the first seven years of operation.

The 'Eighth Gate' project is a US\$500 million mixed-use development located in Yafur, in the suburbs of the city, west of Damascus. The project broke ground in June 2006 and is expected to be completed in six years.

Damascus Hills is Emaar Properties' second major development project in Syria. It will be built on a 500-hectare site near Damascus and will be called 'Damascus Digital City'. The project's estimated development cost is approximately US\$4 billion and will be completed within eight years.

A US\$2 billion development project is planned by Majid Al Futtain Group in the Sabboura District in Syria, an area located on the outskirts of Damascus over a site area of approximately 100 hectares. This integrated mixed-use development is expected to become a major tourist

destination. It will comprise a regional shopping, entertainment and lifestyle resort with 350 retail stores, restaurants and two hotels.

Qatari Diar is planning to invest an estimated US\$200 million on tourism development projects on Syria's Mediterranean coast near Latakia. The project will have a total area of 240,000 m<sup>2</sup> and will involve the construction of a five-star hotel, beachfront apartments, villas and a retail complex.

### Visitation and the Hotel Market

The main feeder markets for tourism in Syria are the Arab countries and Lebanon. The UN investigations following the death of the former Lebanese Prime Minister and the war in Lebanon last summer have significantly reduced international visitation to Syria, especially from Lebanon. On the other hand, the country is now flooded with Iraqi refugees seeking a more secure place to live.

According to the WTO, tourist arrivals for the first three quarters of the year increased by 2%. An encouraging start (8.3% and 9.4% increase in the first and second quarters, respectively) has been offset by a decline of 5.9% in the third quarter.

In 2006, occupancy for quality hotels in Damascus declined by approximately two percentage points, to 73%. Average rate declined by approximately 9% on 2005, to US\$95.

The resultant RevPAR decreased from US\$79 to US\$69 in 2006. This has been reflected in a decrease in GOPPAR of approximately 15%, to US\$58.

With the exception of the recently opened Four Seasons Damascus, the existing quality hotel supply in the market is somewhat aged. Plans have been unveiled to renovate the Sheraton hotel.

Proposed new supply in Syria is illustrated in the following table.

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### **Proposed Hotels – Syria**

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<b>Hotel Name</b>	<b>Number of Rooms</b>	<b>Opening Date</b>	<b>Location</b>
Sheraton Aleppo	199	2008	Aleppo
Sofitel Afamia Beach Resort	246	2008	Lattakia
InterContinental Damascus	392	2009	Damascus

Source: HVS Research

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### Outlook and Opportunities

We expect the major tourism and real estate projects in Damascus and the rest of the country to induce demand for hotel accommodation in the medium term. The organisation of the third Tourism Investment Market Forum in April 2007 is testimony of the importance in which tourism is considered in the development of the country.

In the short term, we remain cautious on the future performance of hotels due to the political position of the country and the instability of its neighbour, Lebanon.

*No investment decision should be made based on the information in this survey. For further advice please contact the authors.*

### **About our Team**

HVS International has a team of Middle East experts that conducts our operations in the MENA region. The team benefits from international and local cultural backgrounds, diverse academic and hotel-related experience, in-depth expertise in the hotel markets in the MENA region and a broad exposure to international hotel markets in Europe. Over the last 24 months, the team has advised on more than 100 hotels or projects in the region for hotel owners, lenders, investors and operators. Together, HVS has advised on more than US\$10 billion worth of hotel real estate in the region.

### **About the Authors**



**Hadrien Pujol** is an Associate Director with HVS's London office. He joined HVS in 2004 and has five years' operational experience in the hospitality industry in Europe. Originally from Carcassonne, France, Hadrien holds an MBA from IMHI (Essec Business School – France and Cornell University – USA) and Diplomas in Hotel Operations from the Lycée Hotelier Savoie – Léman, Thonon Les Bains and the Lycée Hotelier Quercy – Périgord, Souillac. Hadrien is currently preparing his MSc in Corporate Real Estate Finance and Strategy at Cass Business School in London. Since joining HVS he has advised owners on many hotel and hotel-related investment projects and strategic developments in Europe, the Middle East and Africa.



**Bernard Forster** is a Director with HVS's London office, heading the MENA region. He joined the company in 1997 from Accor Hotels & Resorts where he focussed on property management systems, yield management and guest-history systems in Europe, the Middle East and Africa. Previously, Bernard worked in various operational management roles for the Savoy Group (now Maybourne Group) in London as well as for the Dolder Grand Hotel in Zürich. Bernard holds an MSc in Property Investment from City University, London; a BSc (Hons) in Hotel Management from Oxford Brookes University; and a diploma in Hotel Administration from Institut Hotelier 'Cesar Ritz', Le Bouveret, Switzerland.