



Tripoli, Libya –

A Prosperous Prospect

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Back in the 1930s, Italian dictator Benito Mussolini took pride in calling Libya's extensive coast his country's 'fourth shore'. Libya finally gained independence from Italian rule in 1951 and its constitutional monarchy once again brought about a promise of glamour, and eventually, newly-discovered oil wealth. If you were to drive from Tripoli International Airport into the centre of the capital today, you would find billboards lining the sides of the road displaying pictures of Libyan leader Colonel Muammar Gaddafi. Some billboards praise the success of the 1969 revolution that brought him to power while others display a map of the African continent with Libya as its shining heart.

Founded by the Phoenicians in the seventh century BC, Tripoli was to be at the core of the country's storyline; from its beginnings as a trading community and its collapse and rise under invading armies, to its fight for independence and its importance as the capital city of a new nation. Today, steps are being taken to make Tripoli a tourist and business destination in its own right.

COUNTRY OVERVIEW

Libya, or the Great Socialist People's Libyan Arab Jamahiriya, extends over 1,759,540 km², making it the sixteenth-largest nation in the world. It is bordered to the west by Tunisia and Algeria, to the southwest by Niger, to the south by Chad and Sudan and to the east by Egypt. Libya's northern coastline is defined by the Mediterranean Sea.

Libya has a small population spread over a large area. Just over 6 million people gives a population density of about three persons per km² in the two northern regions of Tripolitania and Cyrenaica, and less than one person per km² elsewhere. Ninety per cent of the people live in less than ten per cent of the area, primarily along the coast. More than half of the population lives in urban areas, mostly concentrated in the two largest cities, Tripoli, the capital of Libya, and Benghazi.



Map of Libya



Political Background

Libya is a Maghreb country, a member of the Arab Maghreb Union, and a founding member of the African Union. It was colonised by Italy from 1911 until it gained independence as a constitutional monarchy in 1951. The country became a republic after the 1969 coup d'état that brought Colonel Muammar Gaddafi to power. Colonel Gaddafi gradually nationalised the economy in the 1970s.

After a long period of difficult relations with the international community, Libya has taken significant steps since 2003 to normalise relations with foreign partners. This has involved the settlement of issues concerning the Lockerbie and UTA flight disasters and the 'La Belle' discotheque, all of which were blamed on the Libyan regime. Moreover, since 19 December 2003, Libya has dismantled its weapons of mass destruction in a transparent and verifiable way.

UN sanctions against Libya were lifted on 12 September 2003. After this decision, intense political contact started again and many leaders and high-ranking officials from EU member states and the European Commission visited Libya.

Progress towards establishing good relations, primarily with the EU, continues to this very day as European companies across different sectors such as hydrocarbons, banking and tourism seek to drive much-needed foreign direct investment (FDI) into the country.

CITY OVERVIEW

Libya's capital, Tripoli, was founded in the seventh century BC and previous inhabitants have included the Phoenicians, the Romans, the



Byzantine and Arab dynasties, the Spanish (who invaded in 1535), the Turks (Ottoman rule was established in 1551) and the Italians (1911-43). The end of World War II brought with it an occupying army of allied forces who granted Libya independence in 1951. A darker period in the country's history came in the 1980s and 1990s when Colonel Gaddafi's government was accused of condoning and even orchestrating a series of terrorist attacks in Europe. As a direct result, the US military fired missiles into the capital in 1986. Today, Tripoli, home to 1.8 million people, has a secular government, and rich Islamic traditions characterise daily life in the city, with Arabic arts and crafts, ornate carpets, handcrafted jewellery (gold and silver), leather goods, pottery and traditional clothing on sale in the city's souks and shops.

With plans for a new international airport and a major redevelopment of the old city into a thriving market similar to the likes of Marrakech, Tripoli is increasingly set to become a major tourist attraction. The government is thought to be investing approximately US\$60-70 billion over the next five years. Other plans also include the relocation of the industrial activity of the city's harbour to Khouf, a town 120 km east, while upgrading the existing harbour into a marina that would accommodate yachts and cruise ships. In addition, some of the Italian-era buildings in the city centre, notably around the Green Square, that were built during the colonial era are also being restored to their original style as part of the cultural revival of the city.

NATIONAL ECONOMIC OVERVIEW

Since the late 1990s the government has been trying to drive the economy forward, primarily by liberalising the sector and changing it into a market economy. It has thus sought to strengthen the private sector and draw in foreign investment. Furthermore, its emergence from global isolation has placed the country back on the world economic map.

Key indicators of future hotel demand are those trends that reflect the relative health of the economy and the spending power of individuals. We have focused on those primary national domestic economic factors that are likely to have the greatest influence on hotel demand in Tripoli. Table 1 summarises these economic indicators.

**Table 1 Key Economic Indicators – Libya**

	Actual				Forecast				
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Real GDP growth (%)	5.4	5.6	5.8	5.8	7.3	7.6	7.2	6.7	6.4
Consumer price inflation (av %)	-2.2	2.0	2.7	6.3	12.5	12.0	11.2	11.5	11.0
Budget balance (% of GDP)	14.6	32.8	38.3	35.9	45.6	42.4	43.2	42.5	42.4
Current-account balance (% of GDP)	11.0	34.9	25.4	46.5	58.6	51.8	50.4	47.3	44.1
Exchange rate LYD:US\$ (av)	1.31	1.31	1.31	1.26	1.19	1.19	1.21	1.23	1.25
Crude oil production (millions of barrels per day)	1.6	1.69	1.72 ¹	1.8	2.0	2.1	2.3	—	—
Hydrocarbon exports (US\$ billions)	19.5	30.4	38.2 ¹	43.4	59.3	39.7	42.0	—	—
Libyan crude oil export price	36.9	51.9	62.5 ¹	69.3	86.0	55.7	54.9	—	—

Sources: Economist Intelligence Unit, August 2008; International Monetary Fund (IMF), November 2007

¹ IMF Estimate for 2006

The Economist Intelligence Unit's (EIU) Libya Country Forecast (August 2008) forecasts national GDP growth for Libya of 5.8% in 2007, 7.3% in 2008, 7.6% in 2009 and 7.2% in 2010. The EIU's projections indicate that GDP will maintain a steady growth rate in 2008 as oil prices have increased drastically. A further increase in 2009 will be a result of several oil fields becoming operational.

After several years of falling consumer prices, inflation has picked up since 2005. Economic growth was strengthened by the easing of control over the domestic market. Owing to increased investment in the country, the EIU forecast consumer price inflation for Libya at a staggering 6.3% in 2007. This is also due to the government's trimming of fuel and electricity subsidies that fed through into the consumer price index as international non-oil commodity prices soared. Housing and food prices in particular increased sharply. The relative stability of the Libyan Dinar (LYD) should also minimise imported inflation. However, given mounting domestic liquidity on the back of high oil prices, the EIU has forecast that inflation will climb to an average of around 12.5% in 2008, before falling to 12% in 2009 and around 11% thereafter, owing to a drop in global non-oil commodity prices.

The Libyan economy depends primarily upon revenues from the oil sector, which contribute about 95% of export earnings, about 25% of GDP and 60% of public sector wages. Substantial revenues from the energy sector, coupled with a small population, give Libya one of the highest per capita GDPs in Africa, but little of this income flows down to the lower orders of society. In the past four years Libyan officials have made progress on economic reforms as part of a broader campaign to strengthen international relationships. This effort intensified after UN sanctions were lifted in September 2003 and in December 2003 after Libya announced that it would abandon programmes to build weapons



of mass destruction. Almost all unilateral sanctions against Libya were removed in April 2004, helping Libya attract more FDI, mostly in the energy sector. The non-oil manufacturing and construction sectors, which account for about 20% of GDP, have expanded from processing mostly agricultural products to include the production of petrochemicals, iron, steel and aluminium.

Libya's economy is set to benefit from increasing oil prices. Geographically closer to the European and American markets, Libya looks to reap the benefits of an end to its international diplomatic isolation. To many, Libya is a 'sleeping oil giant', but despite high reserves, oil production has declined owing to a lack of maintenance and reinvestment. In the 1970s sustained capacity was 3.3 million barrels a day. Production dropped as Colonel Gaddafi consolidated power, shut US and British military bases and nationalised oil assets, which restricted the oil companies' roles. Libya's oil sector bottomed out in the 1980s at 1 million barrels a day. Oil production crept up in the 1990s and is currently near 1.7 million barrels a day. Now, Gaddafi is seeking US\$30 billion in foreign investment, aiming to bring production back up to 1970s levels by 2015. However, it is important to note that although foreign investment in the oil and gas sector has been strong, political machinations and socio-political concerns may hamper progress elsewhere.

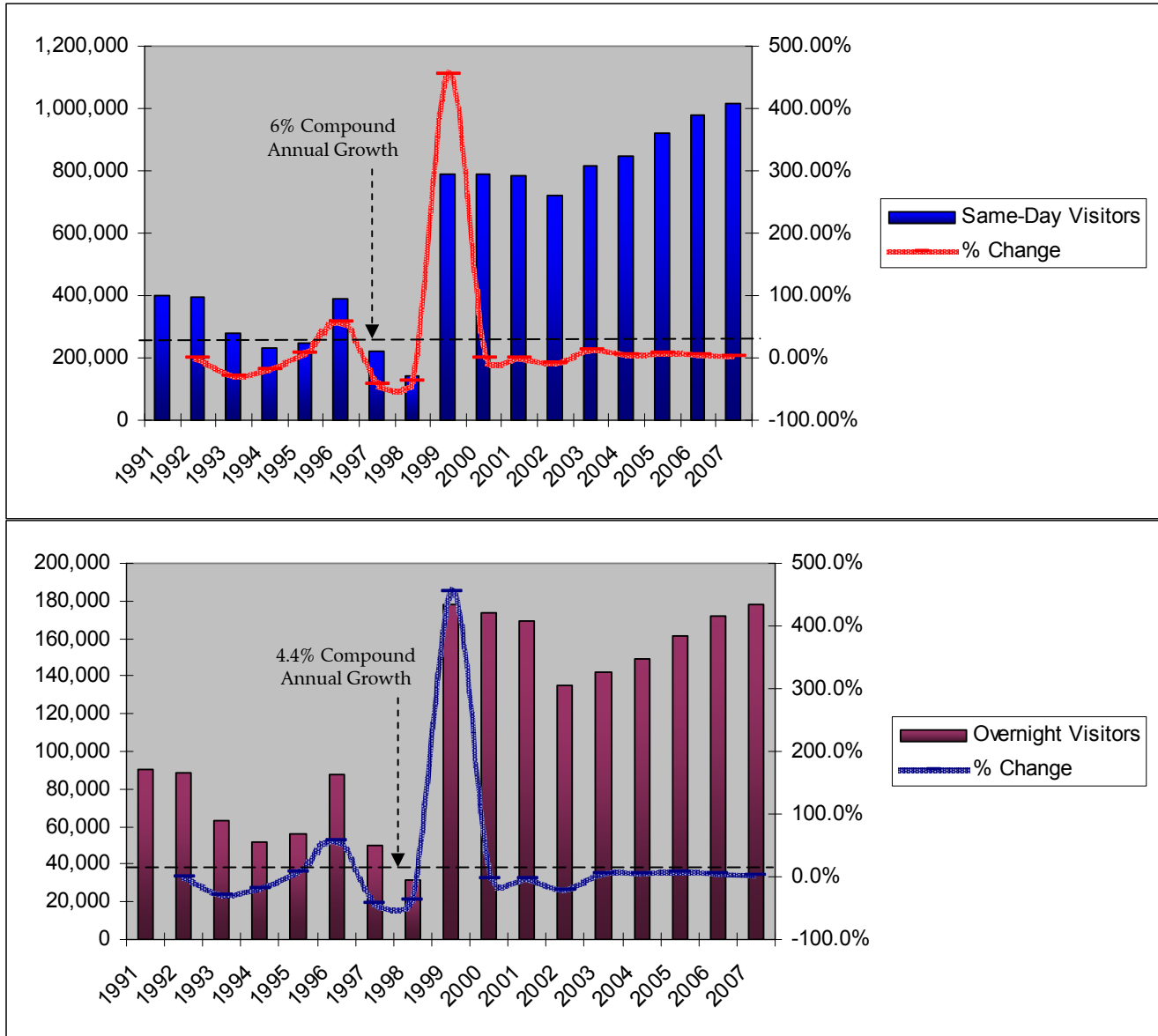
Libya has a large trade surplus which reached US\$24.3 billion in 2006. The surplus has widened in recent years, largely because of rising oil prices, which have boosted oil export revenue. The EIU estimates that in 2007 export earnings rose by 20% to US\$45 billion on the back of high oil prices. Earnings are expected to average around US\$77 billion in 2008-09, owing to strong oil prices and rising production. Imports rose from US\$11.2 billion in 2005 to US\$13.2 billion in 2006, driven by strong demand for consumer and capital goods.

Tourism and Visitation

To determine the effective relevance of the domestic market and the international source countries, an analysis of international visitation to the region has been performed. Figure 1 represents the approximate number of same-day and overnight stays to Libya between 1991 and 2007. These figures have been compiled by the World Travel and Tourism Council (WTTC).



Figure 1 Same-Day and Overnight Visitation to Libya – 1991-07



- International visitation to Libya has historically been primarily made up of same-day travellers, comprising between 82% and 85% of total visits. This is mainly due to the lack of sound facilities that could accommodate such levels of overnight visitation;
- According to the WTTC, visitation to Libya rocketed by over 450% in 1999 to an estimated total figure of 965,000. This significant increase in arrivals can be attributed to the first steps taken by the Libyan regime in an effort to normalise relations with the rest of the world by accepting responsibility for the 1988 Lockerbie bombing;



- As sanctions were gradually lifted from 2003 until 2006, visitor numbers increased steadily reaching almost 1.2 million in 2007. Total international visitation grew at a compound annual rate of 5.8% from 1991 to 2007. Overnight stays grew at a compound annual rate of 4.4%. It is believed that the opening of more quality hotels will induce more overnight demand.

Tripoli International Airport

Tripoli International Airport serves as the city's gateway to the rest of the world. A number of air routes have been created over recent years to meet the demand for an increasing number of visitors. Currently, the following regional and international airlines operate at least one daily flight to and from Tripoli: Qatar Airways, Alitalia, Emirates, Tunisair, British Airways, Air Malta, EgyptAir, Austrian, Turkish Airlines, Air Alge, Syrian Arab Airlines, Jat Airways, Royal Air Maroc and Sudan Airways. KLM and Lufthansa operate five flights a week. It is important to note however that as of the end of July 2008 Swiss International flights have been restricted to one flight per week (down from three) until further notice. This is due to political tensions between Switzerland and Libya following the arrest of Colonel Gaddafi's son in Geneva for allegedly beating two hotel servants. The country's main national carrier, Afriqiyah, serves destinations such as London, Amsterdam, Brussels, Paris, and Geneva in addition to 14 destinations on the African continent.

With the number of passenger flights increasing, the government has launched a development plan for a new airport in Tripoli that will handle up to three million passengers a year. In addition, a contract was signed in December 2007 for the Libyan purchase of 21 Airbus aircraft for its two national carriers.

International Feeder Markets

Table 2 shows regional and international visitation by source country between 2000 and 2005, according to Euromonitor International. More recent data covering 2006 and 2007 was not available at the time of publishing this article.


Table 2 International Visitation to Libya by Source Country 2000-05 (000s)

	2000	2001	2002	2003	2004	2005	Compound Annual Growth Rate 2000-05	% Share of Total (2005)
Egypt	340.7	369.2	354.2	429.2	443.5	458.0	6.1 %	44.2 %
Tunisia	370.4	386.8	329.1	346.3	361.3	377.4	0.4	36.4
Algeria	81.4	82.5	70.4	71.7	75.3	78.8	-0.6	7.6
Europe	25.9	28.0	24.0	28.8	30.0	31.1	3.7	3.0
Morocco	19.4	22.8	19.1	19.1	20.0	20.9	1.5	2.0
Sudan	17.6	19.3	16.3	16.9	17.7	18.4	0.9	1.8
Syria	6.2	7.4	5.7	6.7	7.0	7.3	3.3	0.7
Iraq	6.0	6.9	6.1	5.7	5.9	6.2	0.7	0.6
Other	80.8	30.0	33.0	33.3	35.4	38.1	-14.0	3.7
Total	948	953	858	958	996	1,036	1.8	100.0 %

Source: Euromonitor International, April 2007

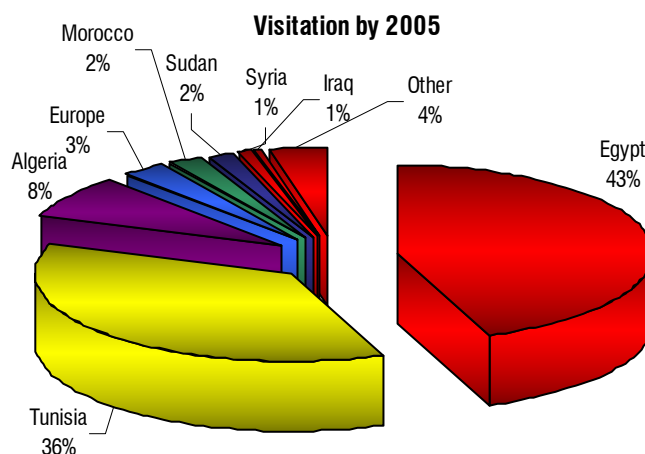


Table 2 shows that Egypt is the main feeder market to Libya, comprising 43% of total visitors in 2005. During the six years under study, European visitors to Libya grew by a compound rate of almost 4%, second only to the growth of Egyptian visitors. This reflects the growing interest in the country's untapped oil wealth.

Supply Analysis

The hotel supply in Tripoli is limited to only one branded hotel and a few government-run properties. The following table looks at a list of some of the city's existing supply, and the largest and most prominent properties.



Table 3 Existing Supply – Major Hotels in Tripoli

Hotel Name	Number of Rooms	Management Company
Corinthia Bab Africa	299	Corinthia Hotels International
Al Mahari	298	Government
Grand Hotel (Al Kabir)	320	Government
Bab Al Bahr	403	Government
Total	1,320	

Source: HVS Research

The aggregate room count for the major hotels by mid-2008 was approximately 1,300. It is important to note however that the Al Mahari closed down in June 2008 for renovation and is expected to reopen under the Radisson brand in 2009.

Corinthia Bab Africa is the only branded hotel in the country. Its launch in 2003 coincided with the lifting of sanctions and the country's emergence from economic isolation. It has since reaped the benefits of being the only hotel with international standards. The other hotel properties are government-run facilities dating back to the 1970s and 1980s. They have since become run down and outdated due to lack of maintenance and poor management. However, there are plans to refurbish the properties to global standards as investors flock into the country. In addition to the Al Mahari, we understand that both the Grand Hotel and the Bab Al Bahr will be taken over and upgraded at some point. This is discussed in more detail in the following section.

Corinthia Hotels International have made another pioneering move in Libya by announcing their second hotel in the country's second largest city, Benghazi. The Malta-based group are also behind Palm City Residences, a residential development just outside of Tripoli's city centre. This project, which is nearing its final stages of construction, and will be the first of its kind in the country, will offer high standard accommodation for working expatriates.

Future Developments

Recent press releases and industry sources have highlighted a number of hotel projects for the city of Tripoli in the next three years. Table 3 looks at those developments that are deemed highly likely to go ahead.


Table 4 Confirmed Future Hotel Supply – Tripoli

Hotel Name	Number of Rooms	Estimated Opening Date	Category	Development Stage	Management Company	Developer
Al Waddan	91	Oct-08	5-Star Deluxe	Under Construction	InterContinental Hotel Group	Magna Holdings
Radisson Tripoli	333	Mar-09	4-Star Deluxe	Pre-Construction	Rezidor	Summa Group
InterContinental Tripoli	394	Sep-09	5-Star	Under Construction	InterContinental Hotel Group	Magna Holdings
Grand Hotel ¹	320	Mar-10	5-Star	Pre-Construction	N/A	Hotel Properties Ltd
Sheraton Tripoli	295	Jul-10	5-Star	Broken Ground	Starwood Hotels & Resorts	Beroko Group
Four Points Tripoli	214	Jul-10	4-Star	Broken Ground	Starwood Hotels & Resorts	Beroko Group
Mövenpick Diar Assalam ²	542	Jul-10	5-Star	Pre-Construction	Mövenpick Hotels & Resorts	N/A
Daewoo Tripoli Hotel	392	Mar-11	5-Star	Broken Ground	N/A	Daewoo Construction
Total	2,581					

¹ Redevelopment of existing hotel

² Room count comprises 320 rooms, 213 serviced apartments and 9 villas

Source: HVS Research

These eight additional hotels are expected to enter the market by 2011. However, some of these projects are still at a speculative stage and may not materialise due to the level of bureaucracy in the country and their delay in breaking ground. However, we consider that the additional 2,500 rooms (approximately), should they materialise, are expected to fulfil investors' appetites to tap the increasing business demand in the market.

The following section discusses in detail each of the proposed developments in the city.

- The **Al Waddan**. The Al Waddan Hotel has historically been one of the most prestigious hotels in the city. Long known for hosting the largest casino on the Mediterranean coast in the 1950s and 1960s, the hotel was neglected over the decades only to close down in the 1990s. It was taken over by Magna Holdings in 2004 and a management agreement was signed with InterContinental Hotels Group (IHG) to manage the property. It will, however, remain unbranded. In addition to restoring it to its former glory, the Al Waddan will have 91 rooms, five food and beverage facilities, a spa, a multipurpose auditorium, its renowned wedding hall and extensive outside catering operations. The hotel is nearing completion and will open in October 2008;
- The **Radisson Tripoli**. The Radisson Tripoli will be the renovation of the existing government-run Al Mahari Hotel. Overlooking Al Fatah Street close to the Al Waddan, the property will comprise 333 rooms, three restaurants, conference space and a fitness centre. The Turkish Summa Group is behind this development in a joint venture with the Libyan Social Security Fund Investments Company (SSFI). The hotel closed down in June and renovations are due to begin anytime soon.



There were plans to reopen the hotel by the end of 2008, however, delays in refurbishment works have pushed the planned date of opening back to 2009;

- The **InterContinental Tripoli**. IHG's sister venture into Tripoli is the management of the newly-built Ghazala hotel, to be called the InterContinental Tripoli. Also developed by Magna Holdings, the hotel is currently under construction and is due to open by September 2009 to mark the fortieth anniversary of the revolution that brought Colonel Gaddafi to power. However, there is a possibility that this symbolic date may not be met due to potential delays in construction. The property will comprise 394 rooms, including seven bungalows by the swimming pool, six food and beverage facilities, a grand ballroom and a spa. It will be alongside the Al Waddan overlooking the harbour;
- The Libyan SSFI has also entered into a joint venture with the Singapore-listed Hotel Properties Limited (HPL) for a US\$30 million refurbishment of the **Grand Hotel** (Al Kabir). Various hotel companies have shown interest in managing this property; however, it remains unbranded at this point. The hotel will be upgraded to a five-star facility and will have fewer than the existing 320 rooms in order to attract up-market guests looking for more spacious rooms and suites. Initial plans place the completion of this project at the beginning of 2010. However, the hotel has not yet closed down and it is not known when refurbishment works will begin. Therefore a substantial delay is expected to occur;
- The **Sheraton Tripoli** and **Four Points Tripoli**. Part of the Hail el Andalous mixed-use development across from the 'People's Parliament' building, the Sheraton Tripoli will have 295 rooms, six restaurants and bars, a spacious spa and extensive conference facilities. The hotel will open by mid 2010. The Four Points Tripoli will be part of the same marina, retail and office development and will be alongside the Sheraton. Also opening by mid 2010, the hotel will consist of 214 rooms, three restaurants and bars, small conference space and a fitness centre. Both Starwood properties are being developed by Beroko Libya for Tourism Company, a subsidiary of the Maltese, Swiss-based Beroko Group. The project has broken ground;
- The **Mövenpick Hotel Diar Assalam**. Mövenpick Hotels & Resorts has signed a management agreement with the Bank of Commerce and Development to develop a 542-unit urban resort in Tripoli. The hotel will be in the up-market residential district of Janzour and will be part of a mixed-use development, which also includes a commercial centre and a yacht club. Opening in 2010, the upscale resort will offer 320 rooms and suites, nine villas, 213 serviced apartments, several restaurants and bars, a 400-delegate conference



hall and a spa complex. However, work on the site is not believed to have begun at this point, which raises questions as to whether the property will be up and running by the scheduled date;

- **Daewoo Construction** has set up a joint venture with Daewoo Tripoli Investment & Development Company in Libya to develop hotels across the country. The Korean company has signed a joint venture with Libya's Economic and Social Development Fund (ESDF) to build a deluxe hotel in Tripoli's business district. The US\$99.8 million development will have 392 rooms and is due to open by early 2011; however, despite having broken ground, it remains unbranded at this point.

There have also been various rumoured projects in Tripoli which have not been listed in the table above. The following list looks briefly at this new supply that remains largely speculative at this point.

- The 350-room Holiday Inn Sidi Al Andalusi will be located in Tajura, near Matiga Airport, and will be developed by Kharafi Group. Planned to open in 2011, the hotel will comprise 100 residences and will be part of a mixed-use development;
- The Bab Al Bahr will be demolished to make way for a 200-room, four-star hotel and a 300-room, five-star property in 2012;
- Hashoo Group Company Ltd is developing a flagship luxury 400-room hotel that will be part of a 300,000 ft² development called Burj al-Bahr. It will incorporate separate residential and commercial towers accompanied by a shopping arcade, a convention centre, a cinema and 11 restaurants. Located in the Matakhi district of Tripoli, 15 km to the east of the city centre, the hotel, which is still unbranded, has not yet broken ground and has been put on hold for undisclosed reasons;
- Projects due to open in 2014 include a 300-room, four-star property near Al Fatah Tower and a five-star hotel backed by Emaar in the Matakhi district east of the city.

In addition to the above-mentioned projects, there are approximately over 1,200 rooms rumoured to enter the market by 2012 and beyond.

Hotel Performance

There are currently no statistics published in terms of hotel performance in Tripoli. The lack of quality supply in the market, however, results in high business demand for upper end hotels. International visitors, in particular, tend to look for the comfort of a recognised, international hotel brand when visiting a market they may not be familiar with. From our visits to Tripoli, we therefore estimate that upper end hotels are achieving occupancies of around 80% and that RevPAR performance for the finest hotels are believed to have been in the region of US\$220 to US\$300 in 2007.



Factors Affecting the Development of Tourism

Interest in the Libyan economy has increased over the last few years as the country has come out of international isolation. Its energy potential remains largely unfulfilled and the easing of political and economic restrictions have opened the doors to a variety of investments. In addition to the government's initiative to build a new airport in Tripoli and upgrade the country's infrastructure, in 2007 the oil ministry released around 40 gas and oil exploration blocks for foreign companies to invest in. Dozens of firms have flocked to bid for deals.

The government has promised to bolster the country's tourism infrastructure. With Roman ruins in and around Tripoli, an old souq (market) in the old city, buildings from the Italian era and a moderate Mediterranean climate along the 1,700 km² coastline, a tourism market is also being created. Tripoli has thus seen the beginnings of the boom as deals for office space, retail outlets, residential developments and hotel projects have been signed. The environment is thus being shaped for a more vibrant expatriate community in Tripoli.

Despite the appetite shown by hotel developers, hotel operators and bankers for tapping into potential oil-related wealth (particularly in Tripoli), certain factors need to be taken into consideration.

- The gradual shift to the notion of a 'free market' and a little capitalism has been rather slow. This can be seen by the slow process of securing deals with local entities and the level of the ever-evident bureaucracy in the country. Establishing contacts at high influential levels of government is advisable to ensure a rather swift process of negotiation, and ultimately, the closing of a deal. Securing such deals for major hotel developments have to go through a local government subsidiary as seen in the latest deals in the market;
- This has led to relatively high barriers of entry for many hotel companies. It is believed, for instance, that Marriott have shown interest in Tripoli since Libya's diplomatic revival in 2004. After being in talks with several developers for existing and proposed projects, Marriott today are actively pursuing a development for a new-build hotel. The company's long-lived interest is a mere example of the interest shown by other hotel chains and keen developers;
- Although various projects in the pipeline have been confirmed, and some have broken ground, it is natural to assume that lending entities, such as foreign banks, will still seem reluctant to engage in such agreements in a virgin economy that many consider to be relatively risky. In addition to the credit crunch taking its toll on the world economy, some bankers may be unwilling to lend more than a specific percentage and equity partners may be expecting very high returns. This is also due to their unfamiliarity with the local market. However, some developers have been able to secure some financing deals. It is only a matter of time, therefore, before foreign banks can



provide a higher loan-to-value ratio, while investors can set returns below the 22% mark. Since financing agreements have to go through local banks, these government entities are still considered inexperienced in dealing with projects of this sort. However, like many Middle Eastern and North African countries, equity is currently believed to take up a major portion of hotel investments;

- In addition to the effects of the credit crunch on lending trends, developers should note that global inflation has had a considerable impact on construction costs as well as energy overheads. For instance, in this year alone, since many of the raw materials used in construction are imported from abroad, the price of cement rose by a staggering 120% within six months, forcing developers to re-examine their development budgets. Furthermore, the rise in energy costs across the board (along with increasing A&G expenses discussed next) will lead hotel operators to expect a potential GOP percentage around or less than 50%, as opposed to what existing hotels are believed to have been achieving over the past couple of years;
- With IHG's sister venture under construction and Starwood's dual brands having broken ground, investors should expect delays in the different phases of development. These may range from securing financing to the hold-up of imported supplies at the port. The initial due opening dates of the Al Waddan and the Radisson Al Mahari are examples. (It is important to note however that the Al Waddan will open its doors in October of this year). Delays may also be caused by the political climate in the country. The recent Swiss-Libyan souring of relations over the July arrest of Colonel Gaddafi's son in Geneva may hamper the advance of the Sheraton and Four Points hotel projects since the Swiss-based Beroko group is behind the development. Swiss International has since been restricted to one flight per week until the situation improves;
- There will be a gap in the services that will be provided by the upcoming hotel supply by 2011. Most of the confirmed projects in the pipeline range between four-star deluxe and five-star deluxe hotels, with only one confirmed mid-market hotel being the Four Points Tripoli. This is seen as a strategic move by Starwood Hotels & Resorts in tapping the demand that will be up for grabs as the upmarket segment becomes saturated. It is believed that Starwood was able to win this deal with the Beroko Group under intense bidding from various international competitors such as Fairmont Hotels & Resorts;
- Skilled labour in Tripoli is a point of concern. Low educational standards and meagre wages characterise the condition of the labour market, with some sources putting the level of youth unemployment at a shocking 40%. Some developers have thus considered importing labour from abroad. For instance, most of the contractors and workers of one of the hotel developments on the ground are foreign nationals



from countries like Egypt and Syria. The Corinthia Bab Africa takes pride in the training that their hotel employees undergo. However, the Corinthia (and eventually other future hotels), faces the risk of having its employees poached by non-hospitality companies that tend to offer more attractive wages and flexible working hours. Moreover, due to the lack of local skill, the entire executive staff will usually be made up of foreign expatriates. This, it is believed, will increase Administrative & General costs as hotel companies will try to attract foreign skill, offering the perks and benefits that come with it;

- Even though tourism is being encouraged in the country, alcohol consumption remains prohibited due to Libya's deep-rooted Islamic traditions. Conflicting opinions on the ground suggest that it will take a couple of years before alcohol can be served, at least in upscale hotels, while others believe it will remain banned for some time.

Conclusion

Critics may argue that the Corinthia's performance in the market is simply the result of a kind of monopoly as it commands its own rates. However, keen investors see this as an opportunity to tap into that demand, much of which is currently staying at hotels that do not fulfil the desired levels of service and facilities, due to the lack of quality supply in the market. With the growing number of oil-related explorations under way and an increasing number of flights landing at the city's international airport, it is only a matter of time before sceptics realise the potential of the Libyan market. Economic activity in the country as a whole is expected to grow, as reflected in the EIU's GDP forecast and other indicators. And, as Tripoli's old city and harbour undergo major redevelopment and buildings from the colonial era are restored to their former glory, the city is on its way to placing itself on the world map as a destination for both mass and cultural tourism.

Some have likened the future of Tripoli and its surroundings to Marrakech for its old markets, to Tunis for its unexplored beaches, to Luxor for its unique historic ruins, and even to Dubai for its potential as a supply-driven hub. However, Libya has a chance today to create an image for itself in its own liking; oil wealth of magnitude proportions for locals and foreigners alike, a cultural destination rich in history and traditions and a business hub that would be the envy of its neighbours along both sides of the Mediterranean, with Tripoli at its heart.



About our Team

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

About the Authors



Elie Milky is a Consultant & Valuation Analyst with the HVS London office, specialising in hotel valuation and consultancy. He joined HVS in 2007 after completing an MBA from IMHI (ESSEC Business School), Paris, France, and a BA in Hospitality Management from Notre Dame University, Lebanon. Since then he has conducted a number of valuations, feasibility studies and consultancy assignments around Europe, the Middle East and Africa.



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