International Journal of Tourism & Hospitality Reviews
eISSN: 2395-7654, Vol 5, No 2, 2018, pp 253-264
https://doi.org/10.18510/ijthr.2018.523

A CRITICAL STUDY OF INVESTMENTS IN NEW HOTELS IN LEBANON DURING 2012-2016

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Article History: Revised on 30th October, Revised on 03rd November, Published on 24th December 2018

Abstract

Purpose of the study: This research aims at understanding why investments in new hotels sustained in Lebanon during 2012 -2016 despite the unstable political situation that reigned over the country.

Methodology: It mobilizes a survey based on a total population sample of new hotels to explain the phenomenon and identify its determinants.

Main findings: Investments in new hotels in Lebanon during this crisis period are of a real estate form, encouraged by a number of factors, mainly the low cost of construction materials, the availability of a low waged Syrian manpower, the presence of investments loans and incentives from IDAL, a public agency and KAFALAT, a private one. These new hotels will operate as customized lodging facilities to cope with the growing AirBnB trend from one hand and with the increased demand from middle to high social class families of Syrian refugees.

Limitations: Limitations were mainly at the methodological level. Access to data at the Lebanese Ministry of Tourism and collection of data through questionnaires were the major challenges.

Implications: The analysis of the phenomenon allows a better understanding of its elements, factors and process. Therefore, concerned parties could benefit from it and take appropriate corrective measures where needed and/or adapt existing measures to changes in the hospitality industry in Lebanon. Also, researchers could connect the results to the literature related to post-crisis tourism to reveal promising research tracks.

Originality/Novelty of the study: Theoretically, crises periods in a destination are not favorable for hotels investments. Yet, Lebanon witnessed during the critical period of 2012 – 2016 the construction of new hotels all over its territory. This phenomenon raises questions about the drives of these investments, their source of capitals and their process of decision making. The findings depict new insights regarding investments in new hotels during crisis period. They are basically real estate investments, virtually designed to be hotels but operate as customized lodging facilities.

Keyword: new hotels; investments; crisis; instability; insecurity; political conflicts.

INTRODUCTION

Lebanon, a Mediterranean country which witnessed ups and downs in its political history, represents an interesting field to study investments issues. Actually, Lebanon's economy is based on the service sector particularly tourism which total contribution to GDP reached 22.1% in 2015 (investinlebanon.gov.lb). Its location, history and socio-cultural diversity are the main factors that played a role in attracting both tourists and tourism investors. These touristic features attracted worldwide hotel chains to Lebanon such as Intercontinental, Starwood, Accor, Radisson, Ramada, Four Seasons and many others.

However, since 2005 Lebanon is hit by a severe political crisis that have been accentuated by the Arab Spring and the Syrian war. As a result, Lebanese tourism has been negatively affected as well as the whole economic investments. Yet, the hotel sector is still doing well with new investments coming up each year as shown by the construction of lodging buildings and as attested by the figures of the Lebanese Ministry of Tourism. This phenomenon is interesting to analyze as it can brings new knowledge regarding the tourism accommodation investments in an unstable country. The permanence of investments in the Lebanese hospitality sector in a risky environment raises many questions regarding the factors, actors, conditions, strategies and stakes beyond this phenomenon.

RESEARCH PROBLEM

Lebanon is a small-surfaced country located at the eastern side of the Mediterranean. Its social fabric is composite, meaning it is composed of religious-based communities. The country follows a unique politico-administrative system known as "confessionalism" where each community is represented in the government according to its demographic weight. This, coupled to endless geopolitical tensions in the Middle East region (particularly the Arab-Israeli conflict) has entered Lebanon in 1975 in a civil war that lasted for nearly 15 years. To that, internal political disagreements and extra-national allegiances of some parties impacted negatively the stability of the country. Indeed, Lebanon witnessed – after the civil war –a series of political unrest ranging from the Israeli operation "The Grapes of Wrath" in 1996, to the assassination of its prime minister in 2005, to the Israeli-Hezbollah war in July 2006, and recently a number of terrorism attacks induced by the war in Syria.

In parallel, Lebanon's economy is based on the tertiary sector. Actually, a step back into Lebanon's contemporary history shows that the French mandate oriented the Lebanese economy towards services in favor of the French economic interests in the "Levant" region at that period. This service-based economy was later encouraged by the senior Lebanese economists of the Independence period on the grounds that Lebanon doesn't have basic resources to get engaged in sound industrial or agricultural activities. The geographical location of Lebanon at the crossroad of three continents, and at the frontier of the Arab World favored this assumption. As a result, service sectors particularly banking and tourism have been promoted and witnessed a considerable growth.

A deep look into the tourism sector before 1975 – starting date of the civil war – reveals that Lebanon's tourism offer was diversified and mass tourism oriented. In fact, the abundance of tourism natural resources in a land that witnessed the rise of three religion, the succession of many civilizations and the hybridization of many cultures attracted tourists and made Lebanon a favorite tourism destination for Europeans and Arabs. As a result, the tourism industry developed and Lebanon was a target for tourism investments, particularly in its tourist accommodation sector. International hotel chains like Holiday Inn, Carlton, Intercontinental and others opened their branches in Beirut – the Lebanese capital – and contributed to designating it as "The Paris of the East". The Lebanese governments of this glorious touristic era, adopted economic policies and regulations in favor of tourism investments.

The reconstruction of Lebanon that started in the early 90(s) was held under the same economic scheme, i.e. service-oriented economy. In this way, tourism infrastructure was developed: renewal and modernization of Beirut port and airport, new highways linking Lebanese cities as well as linking Lebanon to Arab neighboring countries, restructuring of the Lebanese airline company (MEA), restoration of Beirut historical Downtown, rehabilitation of seaside walks and marinas, …. Also, tourism investments were encouraged. In this respect, a national investment promotion agency called Investment Development Authority of Lebanon (IDAL) was established in 1994 with the aim of promoting Lebanon as a key investment destination, and attracting, facilitating and retaining investments of all kinds in the country. IDAL's mission is to provide investors with a range of incentives and business support services. Tourism is one of its investment sectors' priorities.

Custom reduction is another strategy followed by the post-civil war governments to encourage investments. For the tourist accommodation sector, investors benefits from discounted taxes on imported materials. They pay only 6% of the total due tax. Tax reduction for tourist accommodation investments covers also many operational issues like electricity, water supply and fiscal taxes.

These incentives succeeded to a large extent in attracting capital investments in the Lebanese tourism lodging sector during the relatively calm period of 1997 – 2004. Several international and regional hotel chains run different tourism lodging types, mainly hotels, resorts and furnished apartments. New arrivals in this sector include Mariott, Campbell, Rotana, etc.

The year 2005 marks a turning point in the contemporary Lebanese political history. The assassination of Mr. Hariri, the prime minister, dragged Lebanon into a series of political, economic and security crises. In 2011, the Syrian war exhausted the country with the huge number of Syrian refugees that entered the territory and that severely affected its public infrastructure, economic system, political stability, and security status. To that, terrorists' organizations (ISIS and Al-Nusra Front) get infiltrated to some Lebanese regions and committed violence acts against local communities and Lebanese military forces. In 2014, the mandate of the president of the Lebanese republic ended, but the internal frictions between political parties delayed the election of a new president for about thirty months. Moreover, Arab countries asked their citizens to avoid travel to Lebanon many times between the period of 2012-2016, mainly in 2012, 2013 and serious travel ban in 2016. In turn, the waste crisis of 2015 and the civil society's protests that accompanied it, has distorted the touristic image of Lebanon.

In all these conditions, it's obvious that investments in the hotel sector won't be effective. Still, the critical period of 2012 - 2016 witnessed a persistence of investments in this sector, under the form of market entry investments. These investments belong mainly to the Green field type, where investors build their facilities from the ground up. This phenomenon raises questions about the profitability of investments in new hotels in a country hit by crises. Indeed, the logic of concerned investors is blurred and needs to be clarified for a better understanding of the phenomenon. Hence, this research strive to answer the following questions:

- Why investments in new hotels persisted in Lebanon although the severe crisis that hit the country during 2012 – 2016?
- Who are the investors?

- What are the drives for these investments?

To answer these questions, the cross-sectional research appears to be the most appropriate research approach. It allows to study a specific timeline phenomenon. Hence, this research studies investments in new hotels in Lebanon at a specific period of time, i.e. from 2012 to 2016. This period is characterized by political fluctuations and a decrease in tourist arrivals, thus constituting an unfavorable time for new hotels investments.

LITERATURE SURVEY

As defined by the business dictionary, investment is a "determination made by directors and/or management as to how, when, where and how much capital will be spent in investment opportunities". (Businessdictionary.com). Stiglitz & Walsh (2005) defined investment as "the purchase of an asset in the hope of making a profit" (p. 239).In the same vein, Avram et al. (2009) defined investment as expenditure made now to make gains in future. In turn, Breuer et al. (2010) considered that investments are "the main engine for the development and the economic recovery" (p. 30).

The track of investment definitions in the literature reveals the evolution of the concept from a mercantilist approach to a growth economy approach (Shvetsova, 2014). Theoretical definitions assigned to investment were classified by Pop (2012) into two categories: traditional and modern. The former relates to the capital investment by linking investments to the acquisition of new assets, the latter enlarge the coverage of the investment concept to include other areas, i.e. economic, financial and accounting.

According to Virlics (20I3), investments can be either fix like buildings, machinery, etc. or monetary investments such as stocks, bonds etc. Types of investment can also refer to replacement investment where a physical asset is replaced, and net investment where new assets are added to the existing ones.

Thus, investment is the allocation of savings to productive activities in a way to generate profit. This means that the investment is a process which involves - according to Masse (1959) - four elements: the subject, the object, the cost and the effects. Pop (2012) describes the investment process as a "chain of steps, actions and operations as well as factors involved in the investment activity" (p. 198).Or, a process needs a decision in order to be run so investment decisions are taken by investors based on determinants. Harcourt et al. (1967) evoked three major determinants of decisions related to investments: profit expectations, cost of the asset and financial availability. To that, Virlics (20I3) pointed out to subjective and objective factors beyond investment decisions. While subjective determinants refer to the investor past experiences, objective ones relate to the Business environment. Furthermore, Avram et al. (2009) indicated that the analysis of risk factor is the most influential determinant of investment decisions. It helps investors decide whether to proceed with their investments or not. As risk is multi-faceted, getting information at the right time can make a big difference and even change decisions. This is why investors carry on empirical researches and studies, and relies on investment appraisal techniques[1] before starting their investments.

In light of the above, hospitality investments can be defined as the employment of capital in one of the hospitality industry sectors, i.e. food, beverage and accommodation (Gu, 1994). Precisely in the tourist accommodation sector, investments refer to a lodging unit such as inn, hostel, motel, hotel, resort, tourist residence, guesthouses, etc. Tourist accommodation investments are profit oriented. They aim at increasing value over time and generating returns. According to Rushmore (2002), investors in the hotel sector can be owners, lenders or operators. While lenders and operators types suppose the existence of a lodging facility, owners can either develop a new one or acquire an existing one. In both ways, hotel investments fall under the capital investment category where investors seek to achieve growth by exploiting any types of assets, whether fixed or current. Examples of fixed assets in the hotel sector include properties and equipment; items of current assets consist of cash or what is expected to be turned into cash within one year like inventories[2], accounts receivable[3], cash equivalents, etc.

To that, tourist accommodation sector is considered as a "hybrid asset class" because it combines business and property risks. Youness and Kett (2007) argue that a hotel investment "inherits three categories of risk that are directly attributable to the main phases of its lifecycle: development risk, operating risk and obsolescence risk" (p .70). All are impacted by internal and external risk factors. While internal factors are to a large extent controllable, conversely external ones are not. A severe economic downturn, political setback, new legislations, changes in demographic or social conditions, demand and supply dynamics, etc. are examples of macro-environmental factors that affect largely investments in the tourist accommodation sector. Investment performance in the hotel sector depends thus on the adoption of strategies that align properly both internal and external contexts.

[1] Like Net Present Value (NPV), Payback Period, Average Accounting Return (ARR), Internal Rate of Return (IRR), Profitability Index (PI), Capita Asset Pricing Model (CAPM), etc.

[2] Inventories consist of goods or stocks owned a by business but hasn't been sold yet.

[3] Amounts owed to a company by its customers.

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eISSN: 2395-7654, Vol 5, No 2, 2018, pp 253-264
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According to Newell and Seabrook (2005), hotels investments are"the most closely linked property sector to economic conditions and external events" (p. 280). This raises the debate whether to consider this sector as part of the property portfolio (DeRoos & Corgel, 1996), or as another asset class with high risk profile (Property Council of Australia, 2003). Actually, hotels investments involve more risk than other property sectors because of their high volatility, capital intensive nature, low government intervention and dependence on other sectors. This implies that hotels investments decisions necessitate more than the classical investment appraisal techniques (the Net Present Value (NPV), the Capital Asset Pricing Model (CAPM), the Average Room Rate (ARR) and the Internal Rate of Return (IRR)). In this line, Newell and Seabrook (2005) identified the factors influencing hotel investments decision making, which they classified into three categories by order of their importance: financial[4] and location factors, economic and diversification[5]factors, and relationships[6] factors. Based on, we can retain that financial and location attributes (supply and demand, site attributes) are prioritized over economic conditions and operational considerations.

On another track, the hotel sector appeals largely to transnational companies (TCN). According to Rodriguez (2002), the globalization of international investment "encourages hotel companies to search for new destinations in an effort to diversify and have a more flexible service" (p. 597). Foreign direct investment (FDI) in the hotel sector can take different forms like shared ownerships, franchises, management contracts, license agreements, strategic alliances, joint ventures, etc. Nevertheless, FDI decision making process requires thorough analysis of the different aspects specific to the targeted country of expansion. In this respect, Kim and Hwang (1992) pointed out to the country's level of risk, and considered that the higher the political, economic and the financial risk, the lesser the investment attractiveness. As for FDI locational determinants, they are multifaceted; explanatory variables for the hotel sector includes – according to Kundu and Contractor (1999) – the market size, the internationalization of host economy, the index of host country business environment and sector-specific[7] determinants.

Furthermore, Culp (2001) believes that today's world is becoming a riskier place. His assumption is based on the fact that change includes a risk component. In turn, Wildasky (1988) believes that progress cannot be experienced without risk. Therefore, risk analysis is a key issue in any investment appraisal whether undertaken in home country or FDI. Suominen (2003) defines "risk analyses" as risk source, possibility and consequence analyzing method. He argues that risk analyses include four variables: technical risks, social risks, economical risks and political risks. Savvides (1994) indicates that measuring risk variables is critical to the viability of a project as a deviation in one variable can cause irreversible damage. For the hotel sector, Poirier (1997) claimed that political risks are the most influential variable in hotels investments.

This brief literature review allows us to conclude that hotel investments are a capital intensive business. Capital investments are interested in this sector but investments' decision-making follows a comprehensive process which includes a financial analysis, a strategic analysis and a risk analysis. Political variables are major determinants in a country's attractiveness for investments.

HYPOTHESES

This research hypotheses are formulated by crossing both theoretical and practical insights. In an attempt to explain the increase of new hotels' investments in Lebanon during a crisis period, three hypotheses are privileged:

H1: Investments in new hotels in Lebanon are a form of real estate business.

This hypothesis refers to DeRoos and Corgel (1996)'s theory that considers hotels investments as part of the real estate portfolio. This means that investors are investing in the construction sector. Their objective is to set up a lodging facility that can lately be sold to, or operated by another investor. In this way, they can secure the growth of their investments.

H2: Crisis period in Lebanon is favorable for investments in construction of new hotels.

This hypothesis refers to the sharp decrease in real estate prices in Lebanon during the studied period. This means that investors can buy a land at an affordable price and build a tourism lodging facility at a low cost by benefiting from the depressed prices of construction materials and the availability of a Syrian manpower at low wages.

H3: Investments in new hotels in Lebanon are Lebanese-based capitals, encouraged by investments' incentives and loans.

This hypothesis identifies the sources of capitals for new hotels' investments in Lebanon. These investments are done either by individuals or companies (mainly Joint Stock companies (s.a.l) and Limited Liability companies (s.a.r.l)). Lebanese

[4] Several measurement techniques are available to state on the financial performance in the tourist accommodation sector like Return On Investment (ROI), RevPar, Gross Operating Profit, etc.
[5] Meaning geographic and segment diversification.
[6]Relationship with stakeholders.
[7] Level of tourism receipts for example.

investments are encouraged by IDAL, the national investment promotion agency and by KAFALAT[8], a Lebanese financial company that assists small and medium enterprises (SME) in getting commercial loans at a preferred interest rate.

METHODOLOGY

To test theses hypotheses, our methodological plan consisted of two phases:

- The first phase involves collection of secondary data about the new hotels' investments in Lebanon during the period 2012 – 2016. The Lebanese Ministry of Tourism, particularly the Hotel department were very useful in this respect. Actually, any hotel investment at the Lebanese territory should start by a hotel license request presented to the Ministry of Tourism. This request consists of presenting a hotel file that contains technical information about the hotel, but also detailed information about the investors. Data collected from these files pertains to year of startup investment, hotel name (if specified), location (in terms of administrative districts), investors' name and type, and nationalities of shareholders. This data is summarized in the below table, nevertheless for confidentiality issues, we didn't mention the investor(s) name.

Table 1: Profile of New hotels investments in Lebanon during 2012 – 2016 (Source: Salem, 2017 based on Lebanese Ministry of Tourism' data)

Startup year	Hotel name	Location	Investors' type	Nationalities of investors
2012	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Company	Lebanese
	Unspecified	North Lebanon	Company	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Urban	Mount Lebanon	Company	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Individual	Iraki
	King Georges	Mount Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Company	Lebanese
	Unspecified	Mount Lebanon	Company	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Chateau Nabil	Mount Lebanon	Individual	Lebanese
	Unspecified	Beirut	Company	Lebanese
	Unspecified	Beirut	Company	Lebanese
	Weekend	Mount Lebanon	Individual	Lebanese
	Majestic Byblos	Mount Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
2013	Unspecified	Mount Lebanon	Individual	Lebanese
	Semena	Beirut	Company	Lebanese
	Unspecified	Bekaa	Individual	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Bella Ora	North Lebanon	Individual	Lebanese
	Unspecified	Beirut	Company	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Layali el Chams	Bekaa	Company	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Beirut	Individual	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
2014	Unspecified	Mount Lebanon	Individual	Lebanese

[8]KAFALAT is an Arabic term that signifies guaranties. The company was established in 1999 but it started its loans program for SME in 2011.

eISSN: 2395-7654, Vol 5, No 2, 2018, pp 253-264
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	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Nabatieh	Company	Lebanese
	Via Roma	Mount Lebanon	Individual	Lebanese
	Unspecified	Beirut	Individual	Lebanese
	Unspecified	Bekaa	Individual	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Beirut	Individual	Lebanese
	Lordia Hills	Bekaa	Individual	Lebanese
2015	Unspecified	North Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Association	Lebanese
	Aqua dream	Mount Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Company	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Bekaa	Individual	Lebanese
	Unspecified	Beirut	Individual	Lebanese
	Unspecified	Mount Lebanon	Company	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Le Télégraphe	Mount Lebanon	Individual	Lebanese
	Unspecified	Beirut	Company	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
2016	Unspecified	Bekaa	Individual	Lebanese
	Unspecified	Bekaa	Individual	Lebanese
	TilalLubnan	Mount Lebanon	Company	Lebanese
	Shemlan Hills	Mount Lebanon	Individual	Lebanese
	Khan Yuzarsif	South Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Company	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Beirut	Individual	Lebanese
	Unspecified	Mount Lebanon	Individual	Lebanese
	Unspecified	Mount Lebanon	Company	Lebanese

- The second phase involves collection of primary data through a questionnaire-based survey. The survey's population consists of all 66 hotels identified in the above table as per the data collected from the Lebanese Ministry of Tourism records. As for sampling method, we opted for a total population sample. This choice was favored by the limited population size and by the need of reliable information to explain the phenomenon and initiate a grounded theory.
  The questionnaire was addressed to the person designated as "responsible of the project" in the hotel file presented to the Lebanese Ministry of Tourism. 66 questionnaires were distributed, all were collected back. The questionnaire includes ten questions (nine semi-open questions and one close-ended questions) with variables pertaining to:
  1) source of investment's capital (private, loans, private +loans)
  2) status of the hotel's property (owned, bought, rent)
  3) prospective plan regarding the hotel (construction and operation, construction and shared ownership, construction and franchise or management contracts, construction and sale)
  4) prospective operational model (Hotel, Guest House, Furnished Apartment, AirBnB)
  5) drives of investments (property price, construction material price, manpower price, investment incentives, investment loans)
  6) investment's objective (growth, profit, community development, money laundering)

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eISSN: 2395-7654, Vol 5, No 2, 2018, pp 253-264
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7) potential investment risks (political, economic, safety and security, changes in foreign investment regulations)
8) conducted studies and analyses (feasibility study, risk analysis, sensitivity analysis, market analysis, SWOT analysis, PESTEL)
9) investor's perception of its investment (investment in real estate, in the tourism industry, opportunity investment, political investment)
10) investor's awareness of the crisis period (consciousness or not of the critical Lebanese situation)

Questionnaires' data processing was done through SPSS version 21. Descriptive and inferential analyses were done to statistically describe variables' influence and identify correlated ones.

LIMITATIONS

Limitations were mainly at the methodological level. First, access to data at the Lebanese Ministry of Tourism required a long procedure of getting permissions and in-site consultation of documents. It also required readings about Lebanese Laws and regulations pertaining to the construction and operation of hotels, as well as to the process of getting a hotel license.

Second, although the sample size of this research is a total population sample, the number of units (66 hotels) was too small to reflect significant relationships from the statistical analysis of the data. Yet, the qualitative nature of this research problem, and the adopted methodological plan that crosses secondary and primary data, enabled to explore and explain the different dimensions of the problem.

Third, the questionnaire survey was first intended to be delivered by email, but only five filled questionnaires were returned back after four weeks although the permanent reminders. Therefore, we were obliged to go visit each hotel (sometimes more than one time) for our questionnaires to be filled in by the right persons.

To that, laying out the foundation of the problem was a challenge in itself as prior studies about new hotels investments during crises are not abundant. This necessitates a huge effort to set a solid theoretical framework. The scope of our problem was another challenge as it calls for a multidisciplinary approach articulating economic, political, territorial and legislative dimensions as well as safety and security issues.

FINDINGS AND ANALYSIS

To start with the secondary data summarized in the above table, it's remarkable that almost all investments in new hotels (99%) are made by Lebanese investors. This favor the first part of our third hypothesis (H3) related to source of capitals' in new hotels investments during 2012 – 2016 period. The majority of these investments takes place outside the capital Beirut (56 out of 66 hotels), mainly in Mount Lebanon district which is the largest district in Lebanon. Actually 44 new hotels are located in this touristic featured district, joining mountainous and littoral topography. The Bekaa district comes in the second rank with seven new hotels investments, followed by North Lebanon district (three hotels), then South Lebanon and Nabatieh districts which are equally ranked (one hotel for each district).

Fig. 1: Administrative location of new hotels investments in Lebanon during 2012 – 2016

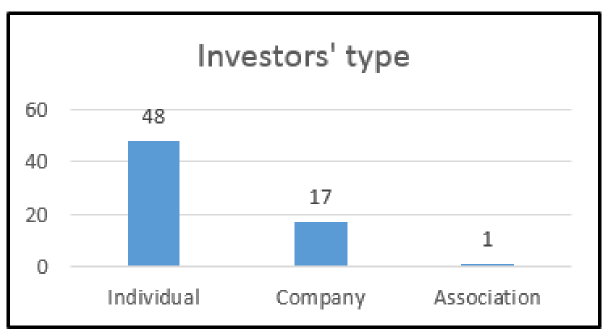

Fig. 2: Types of new hotels' investors in Lebanon during 2012 - 2016

In parallel, 48 out of 66 investments are held by individuals, 17 by companies and one by an association. A crossing between the location of investments (mainly outside Beirut) and the type of investors (mainly individuals) suggests that investors either own their property or they buy it recently profiting from the decrease in real estate prices during the crisis especially outside Beirut.

To that, 77% investors didn't specify a name for their hotels when presenting their hotels files at the Ministry of Tourism. Here, it's important to underline that when it comes to construction of new hotels, Lebanese regulations stipulate that the investors need to get the approval of the Ministry of Tourism first before proceeding with other construction-related procedures. This explains why the majority of investors doesn't specify a name for their hotels. They are concerned with construction formalities for the time being, not with the hotel operation which means they are not decided yet about the way they will run the hotel in the future.

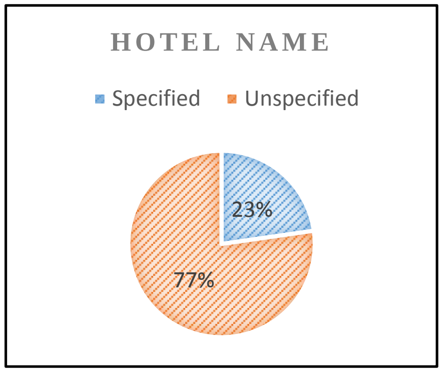

Fig.3: % of specified and unspecified hotels names in the files presented to the Ministry of Tourism during 2012 - 2016

Also, the examination of new hotels investments' numbers during 2012 – 2016 shows a considerable decrease in 2013, a dip in 2014 and a progressive increase in 2015 and 2016. A matching between this down-to-up movement of new hotels' investments with the situation in Lebanon reveals that the significant depression is between 2012 – 2014, a period that witnessed a number of violence, mostly under the forms of kidnapping, assassinations and terrorist attacks. This leads to argue that new hotels investments are sensitive to safety and security events more than to political ones. Indeed, the presidential vacancy period that started in May 2014 and lasted for November 2016 induced a political crisis; even though it doesn't seem to highly affect new hotels investments as they quietly increased during this period (figure 4).

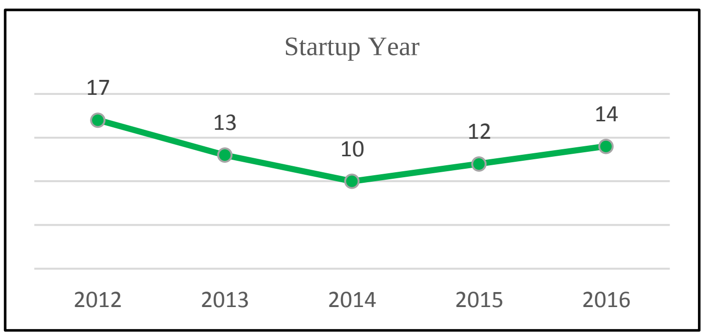

Fig.4: Number of yearly new hotels' investments during 2012 – 2016

As for primary data collected through the survey, a frequency-based descriptive analysis allows to retain the followings:

- **62.1% of capitals invested in new hotels during the study period are a mixture of private capitals and loans** while 36.4% are strictly private capitals. 1.5% comes from donations.
- **60.6% of the hotel properties are already owned by investors**, while 37.9% are bought for hotel constructions purposes. 1.5% is rented.
- **47% of investors will refer to franchise and management contracts to run their hotels once built**, 37.9% of them will run their hotels by themselves, and 15.2% will sell their hotels' structures.
- **56.1% of investors declared that the operational model of their premises will be exclusively as hotels** against 43.9% who declared that it would be "flexible" accommodation venues convertible to cope with changes in demand.
- **56.1% of investors in new hotels are instigated by investment loans provided mainly by KAFALAT**, 19.7% by the availability of low waged Syrian manpower, 15.2% by the sharp decline in property prices and 9.1% by the decrease of construction material prices.

- **74.2% of new hotels investments during 2012 – 2016 aim profit**, 15.2% aim growth, while only 10.6% aim the development of their community.
- **66.7% of survey participants argue that safety and security are the major potential risk that threatens their investments in Lebanon**, while equal percentage of them (16.7%) opted for political and economic risks.
- **51.5% of our investors have conducted a feasibility study before going on with their projects**, 19.7% did a SWOT analysis, 10.6% a market analysis, 7.6% a PESTEL analysis 7.6% a risk analysis and 3% a sensitivity analysis.
- **60.6% of new hotels' investors in Lebanon consider that they invest in the real state sector,** 30.3% who consider their investments are related to tourism industry and 7.6% of them consider that they seized an investment opportunity during this period.
- **78.8% of new hotels' investors in Lebanon are aware that the country is witnessing a crisis period** against 21.2% who do not.

These results converge with H1 and H3. Actually, more than half of surveyed investors attribute their investments to the real estate field (60.6%) and assign to loans facilities a major role in initiating their investments (56.1%). In this way, the first hypothesis (H1) related to the categorization of new hotels investments under the umbrella of real estate businesses is validated, and so is the second part of the third hypotheses (H3) related to the drives of these investments.

As for the second hypothesis (H2) related to the presence of a correlation between crisis period and construction of new hotels, inferential statistics are of great help. Actually, the Chi-square test of association determines whether categorical data are related or independent. To make the test, we considered two variables pertinent to this hypothesis: investors' perceptions of their investments and their awareness of the crisis that hits Lebanon. Here, null hypothesis refers to the absence of association between these two variables. Below are the output tables of Chi-square test.

Table 2: Output tables of Chi-square test crossing the two categorical variables: investors' perceptions of their investments and their awareness of the crisis period

Investor's perception of its investment * Investor awarness of the crisis period Crosstabulation

Count

		Investor awarness of the crisis period		Total
		Yes	No	
Investor's perception of its investment	Investment in real estate	40	0	40
	Investmnet in the tourism industry	8	12	20
	Opportunity investment	4	1	5
	Political investmment	0	1	1
Total		52	14	66

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	32.492[a]	3	.000
Likelihood Ratio	36.287	3	.000
Linear-by-Linear Association	18.132	1	.000
N of Valid Cases	66		

a. 5 cells (62.5%) have expected count less than 5. The minimum expected count is .21.

Since $p < 0.001$ (less than the significance level 0.05), we reject the null hypothesis and admit that there is an association between the drives of investments in new hotels and the crisis period that reigns over Lebanon. As such, our second hypothesis (H2) is validated.

Another important finding to highlight is the projected operational model of the premises. Although 56.1% of respondents opted for hotels, it's remarkable that nearly 44% of investors believe their accommodation venues could be converted in accordance to changes in demand. This conversion will take the form of a polyvalent accommodation available to host AirBnB clients and to be a customized lodging facility. To better understand this tendency, a Pearson correlation is conducted to examine the relationship between this variable, i.e. the projected operational model of the premises, and the variable pertaining to the investors' perception of their investment. Results show a significant association between these two variables as shown in table 3.

Table 3: Correlation Table for the two categorical variables: Projected operational model of the premises and investors' perceptions of their investments

Correlations			
		Prospective operational model	Investor's perception of its investment
Prospective operational model	Pearson Correlation	1	.761**
	Sig. (2-tailed)		.000
	N	66	66
Investor's perception of its investment	Pearson Correlation	.761**	1
	Sig. (2-tailed)	.000	
	N	66	66
**. Correlation is significant at the 0.01 level (2-tailed).			

This signals the emergence of a new type of accommodation in the Lebanese hospitality industry induced by the absence of state regulations regarding the hosting of AirBnb tourists, and by the presence of middle to high social class families of Syrian refugees that search for temporary accommodation in Lebanon waiting the end of war in Syria. This new form of accommodation is characterized mainly by being based on individual investments, relying on both private capitals and loans, with land owned by the investor and located outside the capital Beirut. The construction permit of the venue is obtained for a hotel to benefit from tax reductions on startup hotel investments, but the operation is a customized form of accommodation. This customized form is facilitated by the lessened controlling procedures and measures by the concerned authority, the Lebanese Ministry of Tourism, due to the chronic tourism crisis that hit the country since the beginning of the Syrian war.

CONCLUSION

This hypothetico-deductive research sets off from an observed phenomenon in Lebanon which is the continuity of investments in new hotels during the critical period of 2012 – 2016. It conducted a survey to test its hypotheses and find answers to its interrogations. It came out with interesting findings that can be summarized under five headings. The first one is **that investments in new hotels in Lebanon during 2012 – 2016 period are a real estate business.** They profit from the low cost of construction (low prices of materials, low manpower wages, low prices of properties) during the crisis period to build a lodging facility that will be run later (once the crisis has declined) primarily through franchising and management contracts. In this way, investors ensure the profitability of their investments.

The second headings relates to the nationality of investors and sources of capitals. It is surprising to find out that **almost all investors are Lebanese and mainly individuals**. This suggest that something encouraged Lebanese citizens to initiate an investment at this critical period, i.e. KAFALAT loans and IDAL incentives, as well as the low cost of construction materials and the availability of a low waged Syrian manpower, both being induced by the Syrian war and its repercussions on Lebanon.

The third issue is that **investments in new hotels are taking place outside the capital Beirut**, particularly in Mount Lebanon district. Or, this district is famous for its natural and rural aspects. This reveals a change in Lebanese tourism supply towards nature-based types of tourism. It also reflects the belief in the resilience of the tourism system once the crisis is out.

The fourth issue is about **the absence of pertinent studies and analyses for hotels investments** in such a serious period. Actually, our literature review revealed that risk analyses are a decisive tool for hotels investments, nevertheless they were barely done by 7.6% of our surveyed investors. This indicates that investors are not hotel sector specialists. They are beginners' investors in the accommodation sector. They believe Lebanon is a touristic country and they seize an occasion where low property prices, low construction costs and loans facilities are grouped to invest in new hotels, without having a clear vision of their projects.

The fifth issue is about **the operational model of the supposed to be hotels, but acting as a customized form of accommodation**. This is underpinned by a number of factors, mainly the AirBnb platform which has revolutionized the tourism lodging sector. Its ease use by both customers and suppliers and its unregulated status in Lebanon are encouraging property owners to get involved in lodging investments. The presence of middle to high social class Syrian refugees favor these investments as they need lodging during their temporary stay in Lebanon.

Accordingly, the permanence of investments in new hotels in Lebanon during the serious period of 2012 – 2016 is due to financial conditions set by the government (loans and incentives) from one hand, and to economic conditions induced by crisis (low cost of constructing a hotel) from the other. These investments are done by investors who are not specialists in the hotel sector, but who considers that their profitability is guaranteed as they are making a real estate business.

FUTURE SCOPE OF THE WORK

This research showed that crises time represents an opportunity for the private sector, mainly individuals owing a land, to construct a lodging venue, which would be run later under any form of hotels' operation. Therefore, investors are privileging the construction dimension of a hotel over the operational one. This finding should be connected to the literature related to post-crisis tourism that studies the attractiveness of places having been subject to crises. The connection between investments in new hotels during crisis in a destination and tourists' motivations for visiting it after the crisis, is a promising research track. It will enrich tourism and hospitality field by bringing new knowledge and contribute to the advancement of theories related to it.

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eISSN: 2395-7654, Vol 5, No 2, 2018, pp 253-264
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