



JANUARY 2016

# IN FOCUS: AFRICAN HOTEL MARKET UPDATE

Tim Smith, MRICS  
*Managing Partner*



## Introduction

So another year has started, in what is an ever evolving and always exciting African Hotel Market. Many will be looking for 2016 to offer better trading than 2015, but what is in store, what can we expect?

## 2015 – Was it ALL Bad?

Before we look forward, it is interesting to look back. The hotel market is intrinsically linked to political and economic factors so rather than review just the hotel world it is important to cast our net further. In many ways it is easy to review the hotel market in isolation.



All the main international hoteliers, and many local operators are charging across the continent, keen to open as many hotels as possible. And who can blame them, with such a low base from which to grow, there is clearly demand for new hotels in almost every main city across the continent.

In 2015 Accor announced a deal to open 50 hotels in Angola alone and continue to be active in many other countries; Rezidor has already started 2016 by announcing the signing of a second Radisson hotel for Addis Ababa; Marriott, having taken Protea hotels

under their wing are now merging with Starwood Hotels and Resorts and Hilton announced several deals throughout the year, including their first Garden Inn properties in Nairobi and Gabaronne. The list of exciting openings and projects continues, I am sure 2016 will add many more exciting hotels on to the map.

2015 had its challenges, but also unexpected bright spots. Elections in six countries towards the end of the year slowed economies, earlier in the year Nigeria had a change in power that went relatively smoothly and peacefully. Overall these political changes are proving to be positive with both the Nigerian and Tanzanian governments in particular making positive changes. Long may it continue. 13 countries are scheduled to have presidential elections this year, although many are the smaller economic nations. In January 2016, the Egyptian parliament sat for the first time in almost four years, hopefully showing the country finally returning to normal.

Terrorism, was again, unfortunately far too prevalent. On the positive side the travel advisories for the Kenyan coast were lifted, but alas attacks against tourists in Tunisia and Egypt will have deterred visitors to the continent.



Similarly the attack in the Radisson Hotel in Mali was unforeseen and highlighted security concerns.

14 January 2016 was going down as a major milestone, with the World Health Organisation declaring Africa free of the Ebola virus, unfortunately a new case was discovered but hours later. Despite this seeming set back the progress made by the healthcare professionals must be applauded.



South Africa had a challenging year, firstly the changes to visa requirements, for those travelling with children and those coming from China deterred tourists, but then the lure of a rapidly weakening Rand made the country relatively cheap so attracted more guests. Against Sterling the Rand has dropped in value 34% over the year.

Finally, the price of Brent crude is struggling to exceed US\$30 per barrel - long way from the peak of US\$145 in July 2008. Those economies based on commodities will be suffering, although some commentators are projecting value to return and oil prices to rise to around US\$70 per barrel in 2020. Low oil prices should also offer an opportunity for African businesses and promote renewable energy. The requirement for energy is set to soar in the next few years due to economic growth and demographics, but with two out of three Africans currently lacking access to electricity we need the huge advances in solar, wind and geothermal energy to continue.

## And 2016?

Confidence is everything. A year of growing confidence will be the New Year wish for many, but let's remember we are in control of some of that confidence.

STR Global report 319 hotels, 60,713 rooms are under contract in Africa. This includes 27,790 rooms in 155 hotels under construction, a 35% increase year on year. The hotel industry continuing to grow is clearly positive, but adding positive political, economic and social commentary is crucial for the success of these hotels.

The successful visit of President Obama and The Pope to East Africa will have been great marketing, the removal of travel advisories, and return of European guests to the Kenyan coast are no doubt linked. High profile and successful visits will boost confidence in the region.



Authorities continue to invest time and money building confidence.

- The Radisson Blu hotel attacked in Mali has already re-opened, perhaps more importantly senior management visited the hotel days after the attack. Showing the commitment to fight back as quickly as possible is crucial



- The Egyptian government has committed additional funds to security after recent attacks.
- Not all European countries repatriated their people immediately after the beach attack in Tunisia – not panicking is again a confidence boost.

Given the nature of the Ebola virus the WHO warns there will be occasional new cases, but let us not panic or fear the worst, let us celebrate the work of the health workers and the progress they have made.

Progress has been made in curtailing the attacks of Al-Shabab and Boko Haram, although there is still much to be done and a watchful eye should be kept on these organizations. We should also remember that unfortunately terrorism is a challenge across the globe and is not a unique African problem, so providing visitors do not consider the risk to be greater in Africa, that should give them confidence.



Political stability is perhaps where Africans themselves have most control. The large countries of Kenya and Nigeria have both had relatively peaceful elections, hopefully the people of the 13 countries going to the polls this year will have been encouraged. The problems post election in Burundi should be an exception and NOT the rule.

## Conclusions

Let 2016 be the year Africa focuses on Wildlife and Weather. Countries can work together to stop poaching and protect one of the most impressive tourist attractions the continent has to offer, its wildlife. Hopefully the high profile support of European royalty and international celebrities will help this vital cause.



Let us promote the warm weather of the continent to attract tourist throughout the year, but also foster considerable efforts to use the weather as a source of energy to allow affordable social and economic growth.



We should not be mistaken, the African continent will continue to face many challenges in 2016, but the potential and opportunity throughout the 54 countries should be celebrated and be the catalyst for a growing and prosperous hotel industry.



## About HVS

**HVS**, the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries, celebrated its 35th anniversary last year. Established in 1980, the company performs 4,500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 35 offices and more than 500 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry.

**HVS.com**

**Superior Results through Unrivalled Hospitality Intelligence.  
*Everywhere.***

The **Cape Town** office focuses on the whole African continent. We have worked in 24 different African countries and both the main established and new markets, advising on existing and proposed hotels and resorts.

## About the Author



**Tim Smith, MRICS** is Managing Partner of our Cape Town office, focusing on assignments across the African continent. He graduated from De Montfort University with a degree in Estate Management and has worked as a chartered surveyor since 1995, specializing on the valuation and sale of hotels and other leisure property throughout the EMEA region.

For further information, please contact:

[tsmith@hvs.com](mailto:tsmith@hvs.com)

+27 (0)79 734 2296