

Hotel Partners Africa
Tel +234 (0)1 791 4165
Email info@HotelPartnersAfrica.com
www.HotelPartnersAfrica.com



HOTEL PARTNERS
AFRICA

AHIF SUMMARY REPORT

OCTOBER 2013

The directors from Hotel Partners Africa presented at the African Hotel Investment Forum in Nairobi on the 23-25th September. This short report highlights the content of each of the director's involvement with regard to their area of expertise.



African Hotel Investment Forum

INTRODUCTION

AHIF organised by Bench Events and the Kenya Tourist Development Corporation (KTDC) took place on September 23-25 at the InterContinental Nairobi. The conference is a destination where professionals from all aspects of the hospitality industry come to learn and network. Last year over 20 deals were announced and this year AHIF 2013 brought together 400 stakeholders from across the world, hoping to get a piece of the African hospitality industry's pie.

Considering the extraordinary circumstances that unfolded as attendees arrived to have only 10% of attendees be unable to come says so much about how spirited and united this industry is.

KEY POINTS FROM EACH HPA SPEAKER

TREVOR WARD

Trevor Ward commented on hotel development in terms of what has been completed, what has fallen out, what has come into the pipeline and where are we now?

He presented a regional summary table on chain hotel developments taking place in Africa during which in 2013 new hotel development in sub-Saharan Africa had increased to 130, acquiring a total of approximately 21,052 rooms. Compared to 2012 figures, 2013 had an extra 30 hotels and 3,943 rooms in the development pipeline.

Trevor went onto discuss the top 10 cities in Africa by the number of rooms of which Lagos ranked 1st with 4,080 rooms in the pipeline a 19% increase on the previous year.

Trevor was joined by members from ACCOR, IHG, Starwood, Rezidor and Hyatt to discuss where the development teams are focusing their energies on the continent. Where should investors be putting their money and what are the most profitable operating models and sectors for Africa?



VERNON PAGE

The session held by Vernon was based on a question and answer format involving participants from ACCOR, IDC, IFC (International Finance Corporation – World Bank Group) and African Export-Import Bank.

The aim of the question and answer session was to establish what type of owner/investor is active in the market and where is the funding for hotel projects coming from? What is the depth of debt available to the sector? What sets them apart from other real estate assets in the mind of a financier and what products are available for hotel finance?



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Vernon was involved in a round table discussion drilling down into the destinations for development in Africa. Round table sessions are discussions where participants are able to interact with the facilitators and each other in an open dialogue.

MARK MARTINOVIC

Mark was involved in the 'ABC of Hotel Development in Africa' discussion panel hosted by Mark Dunford a consultant from Lausanne Hospitality Consulting.

Mark was particularly involved in the design and construction phase and particularly focused on some of the construction pitfalls when trying to build a hotel in Africa.

A summary of the key discussion topics can be seen below:



CONSTRUCTION PITTFALLS

- Availability of cost data
- Programming issues due to long lead procurement items
- Logistics
- Taxes and Import duties
- Absence of professional organizations

OWNERSHIP AND TITLE DIFFICULTIES

- Land owned by tribal leadership
- Land reforms
- Lease vs. Freehold
- Poor records of Title deeds and ownership. (e.g. After a war like Angola)

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DAVID HARPER

David discussed who are the likely buyers? Is there any appetite from the international market? How have hotel values changed across the continent in the last few years and where has growth in values been strongest?

David showed that hotel buyers vary depending on their motive and can range from owner operators, family groups, SPV's, HNWI, investment funds, pension funds and family trusts. He went onto explain the process of selling a hotel and that planning your exit strategy early and acquiring the best management team was crucial.



SUMMARY

The HPA team attended, sponsored and presented at AHIF 2013. All the feedback from attendees at the conference was very positive, and despite the events occurring in Nairobi at the same time, the event was a tremendous success. A number of deals were announced off the back of the conference, including a new development on Cape Verde where Small Luxury Hotels have been put in to run a new development on Boa Vista.

Contact Information

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Company Information

Hotel Partners Africa is an alliance of three leading hospitality consultancies, with considerable expertise throughout Africa: W Hospitality Group, Hotel Spec and Leisure Property Services.

This collaboration was a natural evolution of the founding partners, Trevor Ward, Mark Martinovic, David Harper and Vernon Page, working together for many years and the requirement of existing and future clients for a complete turn-key solution.

In the complex world of hotel development and management, balancing a client's specific needs with all the processes and requirements to satisfy funders, manage risk, oversee cost efficient and fit for purpose construction, negotiate contracts with operators, actively portfolio manage investments to enhance value, valuations, sales and acquisitions, Africa has conspicuously lacked a professional and integrated, complete-solutions provider with integrity, experience and proven track record to provide a seamless service throughout the lifecycle of a hotel project.

In creating this "one-stop shop", Hotel Partners Africa has established a highly proactive team to build long-standing relationships with major players, particularly: branded chains, developers, fund managers and property owners.