

'Startling' spike in new hotels

David Harper* reports on the remarkable growth of the hotel industry in sub-Saharan Africa over three years.



Sub-Saharan Africa's hotels: the Abuja Hilton (top) and Kombo Beach Resort, The Gambia.

in Abuja makes more income for Hilton than any other managed hotel in the world. Although there are already a number of established hotel markets in the region, including South Africa, Mauritius and the Seychelles, Leisure Property Services have identified six "hot" hotel markets with remarkable growth prospects. These are Angola, Tanzania, Kenya, Ethiopia, Ghana and Nigeria.

Angola

Angola has been the star performer across the region in terms of new supply. In the last four years, the number of hotels has grown by 138%. In terms of bedrooms, this represented growth of 4,780 rooms or 170%. In addition, Angola has recently created a sovereign wealth fund that will, amongst other things, invest in hospitality.

Tanzania

Tanzania is now one of the most desirable hotel locations and is attracting a host of international investors to the region. HPL, the Singaporean-listed company, is building the new Four Seasons in Serengeti and Four Seasons are also working on a new hotel in the Ngorogoro Crater and another on Zanzibar. There is strong demand from investors for hotels in a number of locations across the country including the corporate locations of Dar es Salaam and Mwanza, as well as the leisure destinations of Arusha, Zanzibar and the game parks.

Nigeria

Nigeria has been one of the strongest growing hotel markets in the world over the last few years, with a large number of openings, including the 234-bedroom Four Points by

Sheraton and 170-bedroom Radisson Blu. There are currently 43 new branded hotels in the pipeline in Nigeria, equating to over 6,800 new bedrooms.

Ghana

Ghana is the new darling for hoteliers and investors in West Africa. There are currently over 11 new hotels proposed in Ghana, equating to just over 1,750 new bedrooms, on top of the recent additions of supply including the Mövenpick and Labadi Beach Hotel in 2011.

Ethiopia

Addis Ababa is sometimes referred to as the capital of Africa, and in terms of new hotels that is certainly the case. At 264 metres tall, the Chuan Hui International Hotel in Addis Ababa will be the tallest building in Africa with 58 floors and 480 five-star bedrooms. This follows the opening of the 220-room Radisson Blu in February 2012.

Kenya

Kenya was one of the first "developed" hotel markets in sub-Saharan Africa, but political and economic turmoil caused the country to lose this privileged position. However, the future is looking positive again, and there have been signs of more investment in recent months.

Kenya's tourist numbers rose by 15.4% in 2011 compared with the previous year and earned the country \$1.18bn, a growth of 31.7% on the previous year. A swish Richard Branson homestead in the Masai Mara is due to open in 2013, along with Hemingways in Nairobi with 45 suites, Beach House in Kilifi and Segera Camp in the foothills of Mount Kenya.

There has been increased demand for hotels across sub-Saharan Africa, from hotel customers and potential investors, which has led to increasing hotel values. This is supported by the increasing profitability of hotels, and rising demand for quality investments in Africa whilst the underlying economic principles continue to look promising.

One word of caution – not all markets or locations are the same, and investors should seek expert advice to ensure you make the best possible investment at the most favourable time. ■

* David Harper is the managing director of Leisure Property Services, a firm of property brokers that specialises in African hotel transactions.

Following a survey, the Lagos-based W Hospitality Group reports that there are 99,000 chain hotel bedrooms operating in Africa, of which 54,600 are located in sub-Saharan Africa (SSA), and 44,400 are located in the five countries of North Africa. This equates to 1,160 bedrooms per country in SSA compared with 8,860 bedrooms per country in North Africa. This statistic alone shows the startling potential for investment in sub-Saharan Africa.

Investors and developers have understood this; in the last three years there has been a 9.7% increase in new projects in North Africa whilst at the same time, an increase of 53% in sub-Saharan Africa.

According to STR Global, the specialist benchmarking company, performance is improving across the region, with trading in certain cities better than in many regions across the world. It is even reputed that the Hilton