

HOTEL yearbook 2012

Scenarios for the year ahead

A special excerpt from
the Hotel Yearbook 2012 :

The 2012 outlook for key geographic markets
Exclusive situation reports from Horwath HTL

This excerpt from the Hotel Yearbook 2012 is brought to you by :



ECOLE HÔTELIÈRE DE LAUSANNE

The Ecole hôtelière de Lausanne (EHL) is the co-publisher of The Hotel Yearbook. As the oldest Hotel School in the world, EHL provides university education to students with talent and ambition, who are aiming for careers at the forefront of the international hospitality industry. Dedicated to preparing tomorrow's executives to the highest possible level, EHL regularly adapts the contents of its three academic programs to reflect the latest technologies and trends in the marketplace. Since its founding in 1893, the Ecole hôtelière de Lausanne has developed more than 25'000 executives for the hospitality industry, providing it today with an invaluable network of contacts for all the members of the EHL community. Some 1'800 students from over 90 different countries are currently enjoying the unique and enriching environment of the Ecole hôtelière de Lausanne.



HORWATH HTL

Horwath Hotel, Tourism and Leisure consulting are the world's number one hospitality consulting organisation, operating since 1915. Horwath HTL are the industry choice; a global network offering complete solutions in markets both local and international. Through involvement in thousands of projects over many years, Horwath HTL have amassed extensive, in-depth knowledge and understanding of the needs of hotel & real estate companies and financial institutions.

Horwath HTL are the world's largest consulting organisation specialised in the hospitality industry, with 50 offices in 39 countries. They are recognised as the pre-eminent specialist in Hotels, Tourism and Leisure, providing solutions through a combination of international experience and expert local knowledge.



HSYNDICATE

With an exclusive focus on global hospitality and tourism, Hsyndicate.org (the Hospitality Syndicate) provides electronic news publication, syndication and distribution on behalf of some 750 organizations in the hospitality vertical. Hsyndicate helps its members to reach highly targeted audience-segments in the exploding new-media landscape within hospitality. With the central idea 'ONE Industry, ONE Network', Hsyndicate merges historically fragmented industry intelligence into a single online information and knowledge resource serving the information-needs of targeted audience-groups throughout the hospitality, travel & tourism industries... serving professionals relying on Hsyndicate's specific and context-relevant intelligence delivered to them when they need it and how they need it.



CORNELL UNIVERSITY SCHOOL OF HOTEL ADMINISTRATION

Founded in 1922, Cornell University's School of Hotel Administration was the first collegiate program in hospitality management. Today it is regarded as one of the world's leaders in its field. The school's highly talented and motivated students learn from 60 full-time faculty members – all experts in their chosen disciplines, and all dedicated to teaching, research and service. Learning takes place in state-of-the-art classrooms, in the on-campus Statler hotel, and in varied industry settings around the world. The result: a supremely accomplished alumni group-corporate executives and entrepreneurs who advance the industry and share their wisdom and experience with our students and faculty.

Slow but steady

OUR 2012 ASSESSMENT OF KEY GEOGRAPHIC MARKETS FOR THE HOTEL INDUSTRY IS ROUNDED OUT WITH A LOOK AT AFRICA. THE SOUTH AFRICAN OFFICE OF **HORWATH HTL** CONTRIBUTES A LOOK AT PROSPECTS IN ITS OWN BACKYARD, WHILE THE REST OF THE CONTINENT IS REVIEWED BY **W HOSPITALITY** IN NIGERIA.

SOUTH AFRICA

SITUATION REPORT

Since 1994, when South Africa transitioned from the system of apartheid to one of democracy, the country's tourism industry has grown exponentially. South Africa has become the country with the highest influx of tourist arrivals in Sub-Saharan Africa and has one of the best tourism infrastructures in the region. Today, the South African government recognizes the possibilities the tourism sector can deliver, subsequently identifying it as one of the six core pillars of growth in the country's New Growth Path framework.

After several years of remarkable growth, the global financial crisis took its toll on travel and tourism worldwide, and the number of tourist arrivals in South Africa began to decline from late 2008. Despite hosting the 2010 FIFA World Cup mega soccer event last year, growth in tourist arrivals between 2008 and 2010 slowed considerably.

In the meantime, the hotel industry had enjoyed rising demand as well as significant investment in the sector, with hotel performance peaking in 2007. However, the arrival of the downturn in late 2008 caused those hotels relying on international leisure travel to suffer, while those hotels relying more on domestic corporate and government travel fared better, given the number of projects in-country pertaining to World Cup preparedness activities.

In light of declining tourist arrivals, compounded by an increase in room inventory as new hotel developments commenced operations in anticipation of 2010, room-night demand in 2009 declined by an estimated 10 percentage points, while average room rate was estimated to have increased by approximately 4% (before being adjusted for inflation of approximately 6.5%).

The year 2010 was welcomed with renewed optimism, and although overall room-night demand declined by an estimated 3 percentage points when compared to occupancy registered in 2009, room rates negotiated some years prior in respect of the 2010 FIFA World Cup mega event helped the South African hotel industry register a 15% increase in average room rate (in



South African Rand terms), prior to taking into account inflation of approximately 4%.

In the first five months of 2011, hotel performance was comparable with occupancy and average room rate registered in the same five-month period last year. As would be expected, hotel performance over June and July 2011 was significantly weaker than occupancy and average room rate registered over the two-month 2010 FIFA World Cup period.

While year-to-date September 2011 room-night demand registers an estimated 2 percentage point decline, year-to-date September

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2011 average room rate has decreased by an estimated 14%. The outlook for the remainder of 2011 is one of cautious optimism in anticipation of domestic corporate and government demand weakening as the end of the year approaches.

OUTLOOK FOR 2012

Looking ahead to 2012 and beyond, continued uncertainty in many of the country's key source markets is likely to continue to subdue international leisure travel demand. With local economic activity slowing, we expect a weakening of demand from the domestic corporate and government demand segments which is likely to place further downward pressure on room night

demand. As hoteliers continue to attempt to gain market share through competitive pricing, hotel owners are likely to come under pressure as they experience cash flow problems and struggle to pay interest on their loans.

We believe that the return to growth is likely to be slow with hotel performance largely driven by the return of the international leisure traveller, coupled with an improved local economic environment. We anticipate that the South African hotel industry's recovery is only likely to be reflected in late 2013.

| Michèle de Witt ■



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