



AFRICA'S HOSPITALITY MARKET  
Year in Review  
2016



Hospitality & Tourism Industry Specialists

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# Introduction

*The year 2016 was a busy one for HTI Consulting. We conducted 40 projects in 23 cities ranging from valuations and finance raising to feasibility studies and due diligence.*

Cape Town, Luanda and Dar es Salaam saw lots of activity whilst clients also took us to new destinations such as Somaliland, Malawi and Addis Ababa. Our operator selection expertise also took us as far as Perth in Australia.

Our projects in 2016 have provided a strong understanding of the key trends across the continent. The year was challenging for many markets however some showed positive conditions which drove investor sentiment.

Our year in review provides a brief summary of the top five and bottom five performers across 13 African cities as indicated by STR. Occupancy, ADR, rooms sold, rooms available and future supply have all been taken into account in our assessment.



# GROWING & DECLINING MARKETS

## STR Top 5: Occupancy Growth

Of the top 5 cities that showed the highest growth in occupancy, four were based in Southern Africa and three of these were in South Africa.

Cape Town achieved the highest growth in occupancy of the 13 cities assessed. Continued growth in international leisure tourism and the introduction of more direct international flights has facilitated growth.

Lagos showed the second highest growth however growth was not sufficient to offset the -11.4% occupancy decline experienced at the end of 2015. Government business as well as ICC related activity drove positive occupancy growth in Durban and its surrounds whilst domestic leisure continued to sustain the market. Lusaka hosted a number of conferences in 2016 which contributed towards more positive occupancies

## STR Top 5: Occupancy Decline

Accra and Addis Ababa experienced the largest occupancy decline in 2016. The negative growth in Accra was driven by high levels of new supply (37.8% increase). Despite this trend, demand for accommodation in Accra is increasing and declining occupancy is expected to be a short term trend.

New supply in Addis Ababa (136 roomed Ramada Hotel), combined with a decrease in demand placed significant pressure on market occupancy.

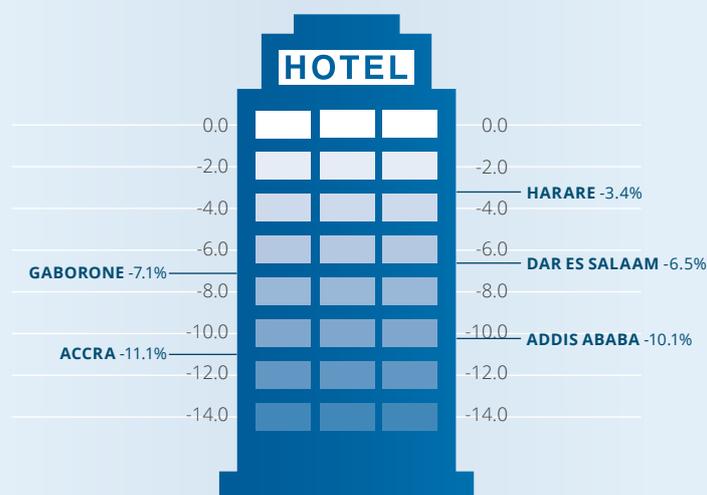
A change in Government policies in Tanzania has weakened investor confidence. This, combined with a shift in Government demand to more affordable accommodation, reduced occupancy in Dar es Salaam. Weak investor sentiment in Zimbabwe continues to limit opportunity for growth in the Harare hotel market.

### TOP 5 OCCUPANCY GROWTH



Source: STR

### TOP 5 OCCUPANCY DECLINE



Source: STR



# GROWING & DECLINING MARKETS

## STR Top 5: ADR Growth

Lusaka and Cape Town were the only cities to achieve ADR growth in US Dollar terms in 2016. Although the rand depreciated significantly against the dollar at the end of 2015 (USD 1 = ZAR 15.47), by the end of 2016, the currency had strengthened to USD 1 = ZAR 13.74 facilitating USD growth in ADR. In local currency ADR increased by 13% in Cape Town.

Dar es Salaam, Nairobi and Windhoek showed declines in ADR in USD terms, however in local currency ADR increased by 6.3%, 2.0% and 9.7% respectively.

## STR Top 5: ADR Decline

Lagos and Accra experienced the largest decline in ADR in US Dollar terms. Depreciation of the Naira against the dollar was the primary cause of lower ADR's in Lagos. ADR increased by 7.9% in Naira. The increase in supply in Accra drove rates downward as the market became increasingly competitive. More contemporary, international standard hotels were able to maintain their rates to an extent with only marginal decreases in ADR. Average rates also declined in Ghanaian Cedi by 11.1%.

Low levels of demand in Harare drove rates downward whilst currency fluctuations and new supply in Gaborone influenced lower ADR (in USD terms). In local currency ADR only declined by -1.1% in Gaborone.

### TOP 5 ADR GROWTH (USD)



Source: STR

### TOP 5 ADR DECLINE (USD)



Source: STR



# GROWING & DECLINING MARKETS

## STR Top 5: Rooms Sold and Rooms Available (Growth)

The opening of the Kempinski hotel in Accra (almost 300 rooms) contributed to the increase in room supply in 2016. Although occupancy levels declined, the number of rooms sold increased. Demand for Accra is recovering after a -0.3% decline in rooms sold between 2014/2015. Nairobi followed a similar trend to Accra with an increase in room supply (Tune Hotel) and a positive increase in rooms sold. In Cape Town, Durban and Lagos, demand growth increased at a higher rate than supply. Growth in Lagos is significant considering the -8.0% decline in rooms sold between 2014 and 2015.

## STR Top 5: Rooms Sold and Rooms Available (Decline)

Addis Ababa was the weakest performer in terms of demand growth in 2016. The State of Emergency declared towards the end of 2016 negatively impacted demand. Rooms available in Addis Ababa also increased due to the opening of the Ramada Hotel. The new supply, combined with a decline in demand, placed occupancies under pressure.

Rooms sold in Dar es Salaam also declined in 2016. Changes in Government policies created an uncertain environment for investors which has reduced roomnight demand. Reduction in Government accommodation budgets has displaced demand outside of the main CBD and Peninsula areas.



ROOMS SOLD ROOMS AVAILABLE

Source: STR



ROOMS SOLD ROOMS AVAILABLE

Source: STR



# GROWING & DECLINING MARKETS

## Future Supply Under Construction

The pipeline under construction is highest in Addis Ababa. Considering the decline in demand in 2016 the market could be placed under considerable pressure in the near term. Nairobi also has a strong development pipeline, however recovery in the tourism sector is evident. Although the Nairobi market is likely to be subdued in the medium term, the long term outlook is positive.

Cape Town's booming market is likely to slow in the short term, particularly in the midscale and upscale space as new supply comes on-line. However, should the market continue to grow at its current pace, the impact of new supply will be short term. Accra and Lagos have shown demand recovery in 2016. It is hoped that continued growth in market demand will limit the impact of growing supply.

### FUTURE SUPPLY UNDER CONSTRUCTION



Source: HTI Consulting

# CONCLUSION

## Strongest Growth: CAPE TOWN

- Growth in occupancy, ADR (USD terms) and roomnights sold combined with no new room supply.
- High levels of new supply planned in the short term, however occupancy only likely to be effected in the short term provided demand growth continues.

## Potential Opportunity: DURBAN

- ADR growth in local currency, occupancy growth and roomnights sold growth.
- Diverse markets including domestic leisure, government and DICC related demand.
- Limited new supply planned.

## Keep Watching: ACCRA

- Roomnights sold growth indicates market recovery (22.4% increase in demand).
- High levels of new supply could prolong subdued market conditions.
- If market recovery continues, new supply could be absorbed at a faster pace than anticipated.

### SUMMARY – GROWTH MARKETS

#### OCCUPANCY



1	Cape Town
2	Lagos
3	Durban
4	Lusaka
5	Pretoria

#### AVERAGE DAILY RATE (US\$)



1	Lusaka
2	Cape Town

#### ROOM NIGHTS SOLD



1	Accra
2	Nairobi
3	Lagos
4	Cape Town
5	Durban

#### FUTURE SUPPLY UNDER CONSTRUCTION



1	Addis Ababa
2	Nairobi
3	Cape Town
4	Lagos
5	Accra



# About the Authors

Hospitality and Tourism International Consulting "HTI Consulting" is a niche, specialist hospitality, mixed-use, real estate and leisure focused consulting company formed in 2003. To-date more than 350 assignments have been completed covering 38 countries in Africa and the Middle East. Our services include:

- Market & Financial Feasibility Studies
- Asset Management
- Operator Selection & Management Contract Negotiation
- Valuations
- Due Diligence
- Brokerage
- Finance Raising

HTI Consulting have recent experience in Addis Ababa, Accra, Cape Town, Dar es Salaam, Gaborone, Lagos, Lusaka, Nairobi and Pretoria where we have recently undertaken Market and Financial Feasibility Studies, Market Assessment, Valuations, Due Diligence, Brokerage and Operator Selection. For additional information on these and other services please contact HTI Consulting: [info@hticonsulting.co.za](mailto:info@hticonsulting.co.za) or +27 21 685 0635

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## WAYNE TROUGHTON

Chief Executive Officer



*Wayne is Chief Executive Officer of HTI Consulting. He has a three year Hotel Management Certificate from the University of Johannesburg and an MBA from CASS Business School in London. Wayne has 9 years of middle management operational experience in leading 5-star hotels and resorts in South Africa and the United Kingdom. Wayne also has 18 years of specialist hospitality consulting experience with HTI Consulting and Grant Thornton covering 36 countries focusing on: feasibilities, due diligence, operator selection, finance raising and asset management.*

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## KIRSTY DE GROOT

Associate, Head of Research & Quality Control



*Kirsty is Head of Research and Quality Control with HTI Consulting and has a BCOM degree in marketing from the University of South Africa. Kirsty has extensive experience in undertaking market and financial feasibility studies for stand alone hotel developments and integrated resorts. Kirsty has worked with HTI Consulting and KPMG (South Africa and Hungary) with a focus on hospitality consulting, for the past 16 years. Kirsty joined HTI Consulting in 2010 as an Associate Consultant, becoming a full-time employee in February 2012. Kirsty has worked on assignments in over 25 countries focusing on feasibility studies, market research and operator selection.*