

Hotels moving in on Africa's potential

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With limited opportunities for expansion in SA, a slew of hospitality companies are eyeing the rest of the continent, for future growth as there is an under-supply of quality hotels and upbeat economic prospects.



Protea has signed a deal that will see it moving into Rwanda and chief executive Arthur Gillis said last week that Protea was building new hotels in Zambia, Ghana, SA, Nigeria and Uganda at a total cost of more than US\$100m. It was planning to expand to at least three more countries within the next couple of years.

"Africa currently has far more base development potential than just about anywhere else in the world. Numerous African economies are expanding rapidly and it's encouraging to see GDP (gross domestic product) projections of between 6% and 8% becoming a reality on the back of political stability and a desire to create wealth for many rather than just a few," Gillis said.

According to research by consultancy W Hospitality Group this year, companies leading the way were Hilton Worldwide, with 6,230 rooms in its African pipeline; Carlson Rezidor, with 5,947; Accor, with 5,165; and Marriott, with 3,900.

W Hospitality managing director Trevor Ward said there "was a boom in Africa, in all sectors, including hotels".

"Global investors are looking at the continent in a much more serious and sophisticated way. We are being contacted by an increasing number of dedicated investment funds seeking to enter the African hotel market," he said.

New brands for Africa

New brands including Campanile, Dusit, easyHotel, Fairmont, Hyatt Place and W Hotels Worldwide are also diversifying their footprint with expansion on the continent.

Jan van der Putten, Hilton Worldwide's vice-president of operations for Africa and the Indian Ocean, said at the Tourism Indaba last month that the group was targeting key capital cities.



"We have a lot of focus, attention, and dedicated work being done on African growth and in the months and years ahead we will see these elements come to fruition," he said.

But there is a caveat, Africa is not an easy place to do business. While rich pickings are available, risks can hinder growth. Andrew McLachlan, Carlson Rezidor's vice-president, business development, said last week the biggest challenge in Africa was the time it takes to develop a new hotel.

"In SA, we expect a new hotel of 200 rooms should open within 18 to 24 months after construction starts. In certain parts of sub-Saharan Africa, the construction period can double, which makes the overall cost of the development very expensive. In addition, many items in a new hotel are not sourced locally so they need to be imported and with poor harbour and road infrastructure the logistics presents further challenges," he said.



Carlson Rezidor established a dedicated Africa office in 2007 in SA and since then it has experienced significant growth, increasing its African portfolio from eight hotels open and under development in five countries to 50 hotels open and under development in 21 countries, including Mozambique and Cote d'Ivoire.

Source: Business Day via I-Net Bridge

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