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HOTEL CHAIN DEVELOPMENT PIPELINES IN AFRICA, 2013

Welcome to our 5th annual survey of the international hotel chains' development intentions and activities in Africa. Based on information supplied by the chains themselves in January 2013, this research tracks signed and confirmed deals in the 54 countries of Africa. We are aware that many other deals are being discussed (and we are proud to be working on many of them!), and we will include them in future surveys just as soon as the ink is dry.

We are immensely grateful to all of the hotel chains who continue to support this research. We are really pleased to see new hotel chains such as Dusit and Fairmont entering the African hotel market this year, as well as several new brands from the existing chains – Hilton Garden Inn, Campanile, easyHotel and Hyatt Place, amongst others.

This year's survey is based on the contributions from 29 hotel groups with 59 brands between them. We were not able to obtain data from several South Africa-based groups who have previously contributed, and have rebased the historic data accordingly. In any event, previous surveys have proved that the regional chains are slow at international expansion, and it is the international chains who lead the way, with the top six slots held by the European and American global players.

We calculate that the 29 hotel chains in the survey currently have almost 90,000 rooms operating in Africa, with around 48,000 in North Africa and 41,000 in sub-Saharan Africa. That is clearly imbalanced, with 5 countries in the former and 49 in the latter, but not surprising, due to the tourism development that has taken place in North Africa, particularly in Morocco, Tunisia and Egypt. However, the pace of new development is faster in sub-Saharan Africa than it is in North Africa, with more rooms in the development pipeline below the Sahara than above it for the first time since we commenced this survey in 2009.

As explained in the introduction to this year's survey, Africa is receiving more and more attention from the international chains, who clearly see the need to expand their presence, particularly with above-average growth in the number of travellers to the region, and some of the fastest-growing economies in the world. All of the global players now have deal-makers based in sub-Saharan Africa, and the payback on that investment is evident from the growing number of signed branding and management agreements.

Our analysis can only be a snapshot at any one time, and therefore some of the hotels listed may well have opened by the time you read this. Please do let us know if you spot any errors or omissions in the data. Any comments on how to improve this survey would be most welcome. And new contributors are always very welcome.

Trevor J Ward Managing Director	Damilola Adepoju Senior Consultant

Lagos, Nigeria
March 2013

INTRODUCTION – THE AFRICA CONTEXT

Africa's really difficult, isn't it?

Where isn't?! In many respects Africa, most especially sub-Saharan Africa, is in rather better shape than Europe! Government debt in sub-Saharan Africa is around one third of GDP, whilst the figure in the Euro area is well over twice that figure, at 87 per cent. A number of fundamental socio-economic and demographic trends are taking place in Africa, which are making the international community sit up and pay attention:

- The IMF forecasts that seven of the top ten fastest-growing countries in the next five years will be in Africa, and that the average growth in Africa will be higher than the average growth in Asia.
- GDP per capita (on a PPP basis) in Nigeria, the most populous nation on the continent, and the second-largest economy, increased from US$950 in 2000 to US$2,600 in 2011.
- 10 countries - Algeria, Angola, Egypt, Ghana, Kenya, Morocco, Nigeria, South Africa, Sudan and Tunisia - accounted for 81 per cent of private consumption in 2011.
- 40 per cent of Africa's population live in cities – Africa has a greater proportion of its population living in cities than India (30 per cent). Spending by urban dwellers is increasing twice as fast as rural spending, and their per capita income is, on average, 80 per cent higher than the country average.
- Whilst Africa has the world's fastest growing population, fertility rates are down from historic levels, which means that the working age population is growing fastest, and that means further real increases in GDP per capita, a decline in the dependency ratio, and a higher level of per capita disposable income.
- The largest 50 cities in Africa, with 13 per cent of the population, are forecast to contribute nearly 40 per cent of GDP growth in the next decade.
- 40 per cent of the growth in spending power is forecast to occur in households with an average income above US$20,000.

According to Renaissance Capital, in their recent book[*], Africa can be compared to Asia in the early 1980s, and to India in the early 1990s, in terms of its trajectory for growth. Investors are challenging the "flawed myth that treats Africa as a homogenous disaster area", based no longer on adventurism, but on empirical evidence that shows the benefits that will accrue from the demographic dividend, the natural resources and their ability to generate power, the increasing number of countries with full, if sometimes fragile democracy, falling inflation, low debt levels………and so on, and so on.

Of course Africa has its challenges – but so too do India and Asia. Take a leaf from the Economist magazine's change of attitude, from a headline of "Africa - The Hopeless Continent" in 2000, to "Africa Rising" in 2011.

[*] The Fastest Billion – The story Behind Africa's Economic Revolution. ISBN-13: 978-0957420304

2013 RESEARCH FINDINGS

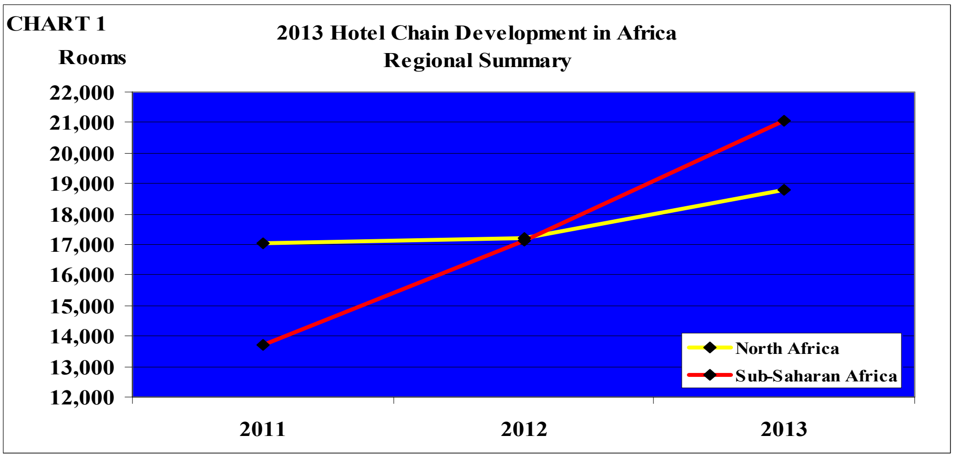
At the beginning of 2013, the international and regional hotel chains which contributed to our survey reported a total of 207 hotels in their development pipelines in Africa, with almost 40,000 rooms. This includes only those binding deals which have been signed between a hotel chain and an owner, and is up almost one third on two years ago. In a dynamic market, with an increasing number of players, new management and franchise opportunities appear every day, but these are the ones with full approval and which are more likely than not to proceed.

Table 1 shows the Tale of Two Africas – the distribution of the deals between North Africa and the rest of the continent.

TABLE 1
2013 Chain Hotel Development in Africa
Regional Summary

	2013		2012*		2011*	
	Hotels	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**
North Africa	77	18,782	77	17,217	75	17,038
Sub-Saharan Africa	130	21,052	100	17,109	76	13,700
TOTAL	**207**	**39,834**	**177**	**34,326**	**151**	**30,738**

* In all the tables we have rebased previous years' data to include 2013 contributors only



The pipeline in North Africa has experienced relatively little growth, for two reasons – several hotels in previous years' pipeline data opened in 2012 (Accor alone opened 8 hotels with 1,153 rooms in Algeria, Morocco and Tunisia), and the political turmoil in the region has had a negative effect on new investment and, therefore, new deals. Several hotels which are in the pipeline have effectively been suspended, pending a return to sustained normality.

As in previous years, the detail behind the headline shows a distinct tale of two Africas. In North Africa, the development pipeline grew by 9 per cent in 2013. In sub-Saharan Africa, however, the increase was a massive 23 per cent. This compares to 4 per cent growth in Europe and 8.6 per cent growth in Asia Pacific, according to pipeline data produced by STR Global (although the growth in Africa is from a much lower base).

The top ten brands by number of hotels and rooms in their pipelines are shown in Table 2 and Chart 2.

TABLE 2 2013 Chain Hotel Development in Africa Top 10 Brands by Number of Planned Hotels and Rooms								
Rank by Hotels			**Rank by Rooms**					
						Change on 2012	**Average Size**
1=	Hilton	17	**1**	Hilton	5,400	68.4%	318
1=	Radisson Blu	17	**2**	Radisson Blu	4,191	11.5%	247
3	Novotel	12	**3**	Novotel	2,192	7.6%	183
4=	Ibis	11	**4**	Marriott	1,767	41.4%	196
4=	Golden Tulip	11	**5**	Park Inn	1,676	11.9%	168
6	Park Inn	10	**6**	Ibis	1,675	8.7%	152
7=	Marriott	9	**7**	Golden Tulip	1,608	88.7%	146
7=	Kempinski	6	**8**	Kempinski	1,481	8.0%	247
7=	easyHotel	6	**9**	Mövenpick	1,369	-37.3%	274
10	Mantis	6	**10**	InterContinental	1,296	-35.5%	324

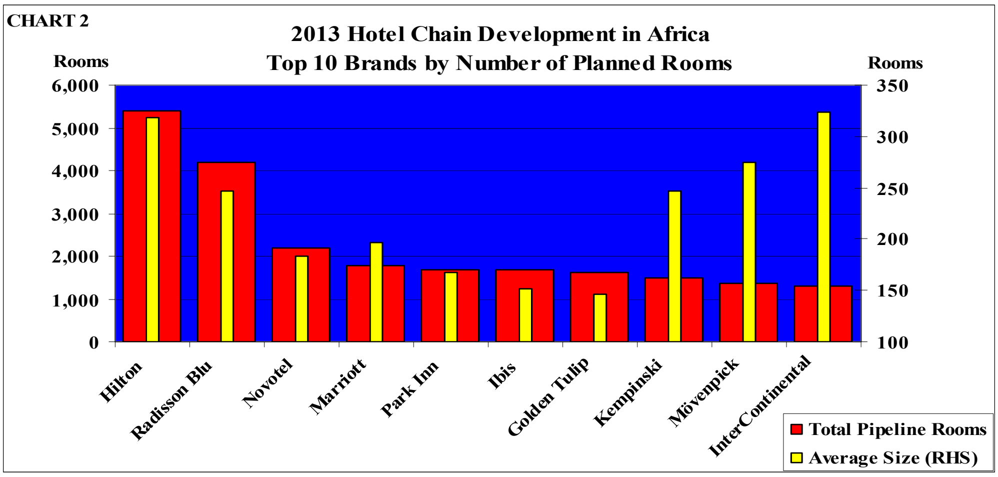


Table 2 and Chart 2 analyse the pipeline by brand. The number one slot is occupied by the Hilton core brand on its own – the performance of Hilton Worldwide, and its pipeline in three brands (Hilton, Doubletree by Hilton and Hilton Garden Inn), is analysed in Table 4.

Two brands are first equal in terms of the number of hotels in the pipeline, but whilst this is an indication of how large the system footprint is set to grow, the number of rooms is a better indication of future earnings, and Hilton outstrips Radisson Blu by almost 30 per cent on that measure, because of the larger average size of their planned hotels.

Golden Tulip is a new entrant to the top ten in 2013, primarily due to its rapid expansion into Francophone West Africa, including the first new, branded hotel in Burkina Faso for many years, and into Algeria. Their hotels have, however, a much smaller average size. InterContinental lost two hotels, in Marrakech and Luanda, from their brand pipeline, without any replacement. Mövenpick, on the other hand, opened seven hotels and hotel boats with a total of 772 rooms in 2012, all in Egypt, hence the reduction in their pipeline. Accor opened 11 hotels with almost 2,000 rooms in 2012, mostly Novotel and Ibis properties, but managed to replace some of the pipeline to record modest increases in both brands.

One thing to be noted, however, when looking at signed deals, is that not all those rooms are under construction, and therefore their realisation, especially in many of the more difficult business environments that typify Africa, cannot be 100 per cent certain. We have analysed the deals reported by the chains as to whether they are on site or not, and the ranking changes.

TABLE 3
2013 Chain Hotel Development in Africa
Top 10 Brands by Pipeline Status

Rank	Brands	Hotels	Rooms			Rank – All Deals
			Total	Onsite Construction		
1	Hilton	17	5,400	4,272	79.1%	1↔
2	Radisson Blu	17	4,191	3,056	72.9%	2↔
3	Park Inn	10	1,676	1,416	84.5%	5↑
4	Golden Tulip	11	1,608	1,387	86.3%	7↑
5	Marriott	9	1,767	1,000	56.6%	4↓
6	Mövenpick	5	1,369	989	72.2%	9↑
7	Novotel	12	2,192	955	43.6%	3↓
8	InterContinental	4	1,296	953	73.5%	10↑
9	Kempinski	6	1,481	717	48.4%	8↓
10	Steigenberger	1	668	668	100.0%	- ↑

Park Inn and Golden Tulip rise up the rankings, having more of their rooms actually under construction than Novotel, who drop from third position in all pipeline rooms to seventh in this analysis. Ibis leave the top ten completely, replaced by Steigenberger with their single hotel, the Aqua Magic in Hurghada, Egypt, due to open in 2013.

The above analysis is of brands – many of the hotel companies are multi-brand players, so it is relevant to look at it per group as well. It is noticeable that the global chains are now entering the African market with more of their brands – Hyatt have signed their first Hyatt Place deal, Hilton are moving ahead with Hilton Garden Inn, and Louvre are bring Campanile and Première Classe to Africa. This gives owners greater choice, whilst still receiving support from a major group.

Table 4 and Chart 4 overleaf shows the pipelines by hotel chain, and Table 5 analyses the status of those pipelines.

TABLE 4
2013 Chain Hotel Development in Africa
Top 10 Chains by Number of Planned Hotels and Rooms

Rank by Hotels			Rank by Rooms				
						Change on 2012	Average Size
1	**Accor**	30	1	Hilton Worldwide	6,230	84%	271
2	**Carlson Rezidor**	28	2	Carlson Rezidor	5,947	11%	212
3	**Hilton Worldwide**	23	3	Accor	5,165	-14%	172
4	**Marriott**	22	4	Marriott	3,900	55%	177
5	**Louvre**	17	5	Starwood	2,514	17%	279
6	**Starwood**	9	6	IHG	2,413	-16%	302
7=	**Best Western**	8	7	Louvre	2,290	146%	135
7=	**IHG**	8	8	Kempinski	1,481	8%	247
7=	**Lonrho**	8	9	Mövenpick	1,369	-37%	274
10	**Kempinski**	6	10	Rotana	1,355	8%	271

CHART 4

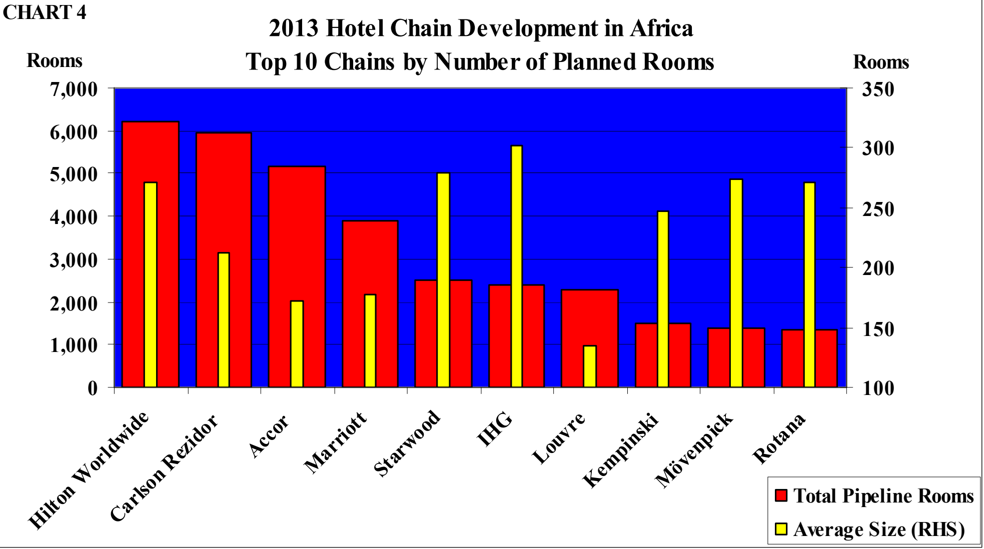


TABLE 5
2013 Chain Hotel Development in Africa
Top 10 Chains by Pipeline Status

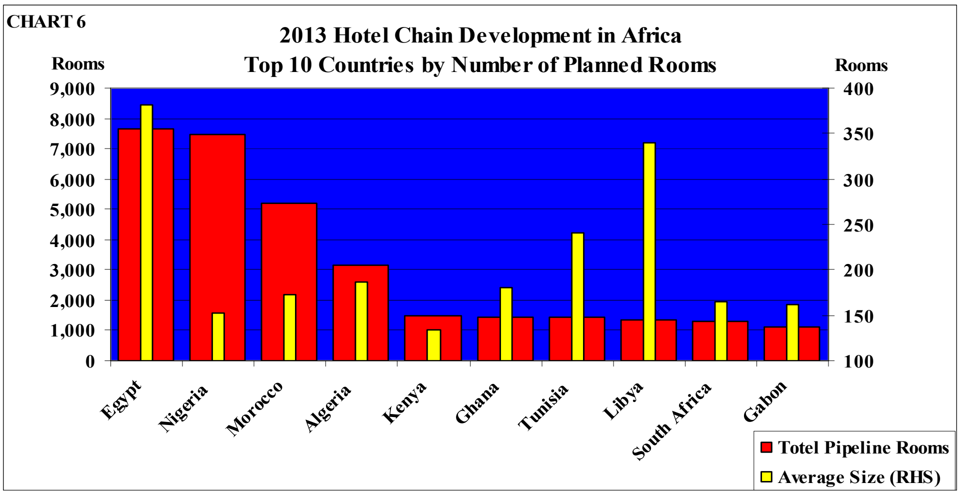
Rank	Company	Hotels	Rooms			Rank – All Deals
			Total	Onsite Construction		
1	Hilton Worldwide	23	6,230	4,982	80%	1↔
2	Carlson Rezidor	28	5,947	4,472	75%	2↔
3	Accor	30	5,165	2,028	39%	3 ↔
4	Louvre	17	2,290	1,990	87%	7↑
5	Marriott	22	3,900	1,931	50%	4↓
6	IHG	8	2,413	1,528	63%	6↔
7	Starwood	9	2,514	1,385	55%	5↑
8	Mövenpick	5	1,369	989	72%	9↑
9	Best Western	8	796	731	92%	-↓
10	Kempinski	6	1,481	717	48%	8↓

All the majors are there, dominated by Hilton Worldwide and Carlson Rezidor, both of which have invested heavily in establishing development offices in Africa. Best Western enters the ranking with eight signed membership agreements and almost 800 rooms, of which all but one property is under construction. Six new African Best Western hotels are due to open in 2013, taking the total to 14 hotels with over 1,500 rooms.

Where is all this activity taking place? Of the total pipeline, 47 per cent is in the five countries of North Africa, and 53 per cent in the 49 countries of sub-Saharan Africa. Table 6 shows the top ten countries.

All of the five North African countries feature in the top ten destinations for branded hotel developments, the majority of activity are located in Egypt and Morocco, where the tourism industries are most well-established.

TABLE 6 2013 Chain Hotel Development in Africa Top 10 Countries by Number of Rooms				
		Hotels	**Rooms**	**Average Size**
1	**Egypt**	20	7,644	382
2	**Nigeria**	49	7,470	152
3	**Morocco**	30	5,178	173
4	**Algeria**	17	3,160	186
5	**Kenya**	11	1,469	134
6	**Ghana**	8	1,441	180
7	**Tunisia**	6	1,441	240
8	**Libya**	4	1,359	340
9	**South Africa**	8	1,320	165
10	**Gabon**	7	1,128	161



Nigeria, Africa's largest country by population, the power house of West Africa – and tipped to overtake South Africa this decade as the largest economy on the continent - has almost 7,500 rooms under contract, up 10 per cent on last year's figure, with at least two more deals signed since the beginning of 2013 (not included in the above data), and thousands more in the "nearly" category.

Note that hotels being planned or developed in North Africa are typically larger than those in sub-Saharan Africa, particularly in Egypt. Nigeria may have the largest pipeline in sub-Saharan Africa, but the average size of hotel there is relatively small. Conversely, however, one of the largest hotels in West Africa, the InterContinental Lagos with 358 rooms, is due to open in 2013.

New to the Top Ten in 2013 are Kenya and Gabon. Nairobi is the focus of attention in Kenya, with seven companies entering the market there – Best Western, Country Lodge, Accor (Novotel and Ibis), Carlson Rezidor (Radisson Blu and Park Inn), Dusit, easyHotel and Kempinski. With almost 1,500 rooms between them, of which almost 700 are due to open in 2013, is an oversupply situation looming?

In terms of pipeline status, as Table 7 overleaf shows, the main change is that Ghana drops from sixth place to eighth place, as more deals are signed (but have yet to get underway) on the back of the country's emerging oil industry.

TABLE 7 2013 Chain Hotel Development in Africa Top 10 Countries by Pipeline Status						
Rank	Company	Hotels	Rooms			Rank – All Deals
			Total	Onsite Construction		
1	**Egypt**	20	7,644	6,463	85%	**1↔**
2	**Nigeria**	49	7,470	3,302	44%	**2 ↔**
3	**Morocco**	30	5,178	2,762	53%	**3↔**
4	**Algeria**	17	3,160	2,245	71%	**4↔**
5	**Tunisia**	6	1,441	1,312	91%	**6↑**
6	**Kenya**	11	1,469	1,069	73%	**5↓**
7	**South Africa**	8	1,320	950	72%	**9↑**
8	**Ghana**	8	1,441	820	57%	**6↓**
9	**Libya**	4	1,359	736	54%	**9↓**
10	**Gabon**	7	1,128	674	60%	**10↔**

On average, the global hotel brands have less than 2 per cent of their total rooms in sub-Saharan Africa, and with rapid expansion of their existing and upcoming hotels in China, India and other developing and developed countries, this percentage could drop further. But the rewards in Africa are high, and with economic growth rates in many countries of 7 per cent and above, it is regarded by many as the most profitable place to do business – just slower than "normal".

Many projects in sub-Saharan Africa are delayed from their original opening date, for a variety of reasons. But we see that improving, as more sophisticated investors, including specialist funds, enter the market, capable of running a successful development project. We have identified five hotel funds currently active in Africa, with others being established, seeking acquisition and new-build opportunities. In addition, several international construction companies, from Europe, the Middle East and elsewhere, are eying the market, bringing construction finance with them.

Since we first started the hotel pipeline survey in 2009, we have seen the number of rooms increase from 30,000 rooms to 40,000 rooms, and in the intervening four years, the hotel chains have opened an estimated 20,000 rooms in Africa.

Africa is firmly on the agenda!

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<u>Notes on the sample:</u>

We sent questionnaires to 42 international and regional hotel chains, of which 29 submitted data. In addition, three international chains provided a zero-deal return, and two South-Africa based chains declined to participate this year (although they had participated in the past). We polled only those international chains with an interest in being in Africa, or Africa-based chains with operations and/or deals outside their home country.

This report summarises the results of our analysis. Detailed information on all the deals signed by the chains are provided only to the contributors.

HOTEL GROUP DEVELOPMENT PIPELINES 2013	APPENDIX 1

W HOSPITALITY GROUP	TOTAL			PRE-CONSTRUCTION (PLANNING)	ROOMS ON SITE (CONSTRUCTION)
GROUP	**Countries**	**Hotels**	**Rooms**		
Accor	11	30	5,165	61%	39%
African Sun	2	6	817	30%	70%
Azalai	3	3	450	60%	40%
Baglioni	1	1	80	0%	100%
Best Western	4	8	796	8%	92%
Carlson Rezidor	17	28	5,947	25%	75%
City Lodge	2	2	188	0%	100%
Corinthia	1	1	323	100%	0%
Dusit rooms	1	1	197	0%	100%
Fairmont rooms	1	1	230	100%	0%
Four Seasons	3	4	484	21%	79%
Hilton	13	23	6,230	20%	80%
Hyatt	1	2	281	53%	47%
IHG	5	8	2,413	37%	63%
Jumeirah	1	2	336	100%	0%
Kempinski	6	6	1,481	52%	48%
Lonrho	6	8	747	59%	41%
Louvre	8	17	2,290	13%	87%
Mantis	1	6	321	27%	73%
Marriott	10	22	3,900	50%	50%
Millenium & Copthorne	1	1	250	100%	0%
Minor	1	2	32	0%	100%
Mövenpick	3	5	1,369	28%	72%
Pestana	2	2	330	78%	22%
Rotana	5	5	1,355	77%	23%
Starwood	4	9	2,514	45%	55%
Steigenberger	1	1	668	0%	100%
Sun International	1	1	281	0%	100%
Wyndham	2	2	359	0%	100%
TOTAL ALL	**32**	**207**	**39,834**	**38%**	**62%**

HOTEL GROUP DEVELOPMENT PIPELINES 2013 **APPENDIX 2**

W HOSPITALITY GROUP	North Africa		sub-Saharan Africa		Total Africa		PRE-CONSTRUCTION (PLANNING)	ROOMS ON SITE (CONSTRUCTION)
COUNTRY	**Hotels**	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**		
Algeria	17	3,160			17	3,160	29%	71%
Angola			3	764	3	764	100%	0%
Benin Republic			4	645	4	645	50%	50%
Botswana			1	104	1	104	0%	100%
Burkina Faso			1	192	1	192	0%	100%
Burundi			1	120	1	120	0%	100%
Cameroun			1	160	1	160	100%	0%
Cape Verde			1	288	1	288	100%	0%
Chad			1	177	1	177	0%	100%
Egypt	20	7,644			20	7,644	15%	85%
Ethiopia			6	1,019	6	1,019	53%	47%
Gabon			7	1,128	7	1,128	40%	60%
Ghana			8	1,441	8	1,441	43%	57%
Guinea Republic			3	659	3	659	18%	82%
Ivory Coast			2	432	2	432	0%	100%
Kenya			11	1,469	11	1,469	27%	73%
Libya	4	1,359			4	1,359	46%	54%
Mali			1	105	1	105	0%	100%
Mautitania			1	250	1	250	100%	0%
Mauritius			2	206	2	206	39%	61%
Morocco	30	5,178			30	5,178	47%	53%
Mozambique			4	554	4	554	53%	47%
Nigeria			49	7,470	49	7,470	56%	44%
Rwanda			2	492	2	492	0%	100%
Senegal			4	659	4	659	23%	77%
Seychelles			1	30	1	30	0%	100%
Sierra Leone			2	371	2	371	54%	46%
South Africa			8	1,320	8	1,320	28%	72%
Sudan			1	200	1	200	100%	0%
Tanzania			3	157	3	157	66%	34%
Tunisia	6	1,441			6	1,441	9%	91%
Uganda			2	640	2	640	54%	46%
TOTAL ALL	**77**	**18,782**	**130**	**21,052**	**207**	**39,834**	**38%**	**62%**