

The 2014 hotel pipeline report

By Damilola Adepoju

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At W Hospitality Group, we have published an annual survey of the international chain's development intentions and activities in Africa since 2009. Our 6th annual pipeline report, published in April 2014 highlights the growth story that the sub-Saharan African (SSA) region is proving to be. Of the total 215 hotels in the pipeline for Africa, 142 hotels, almost 70 per cent, are in the SSA region. This represents an increase of 23 per cent from the previous year's pipeline for the region, and maps a growth trend over the last five years.

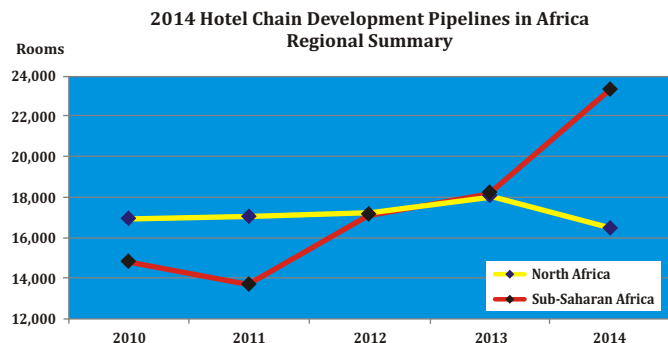


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Table 1: 2014 Hotel Chain Development Pipelines in Africa Regional Summary

	2014		2013		2012		2011		2010	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
North Africa	73	16,449	73	18,065	77	17,217	75	17,038	72	16,909
Sub-Saharan Africa	142	23,283	115	18,191	100	17,109	76	13,700	77	14,801
TOTAL	215	39,732	188	36,256	208	34,326	151	30,738	149	31,710

*In all tables we have rebased previous years' data to include 2014 contributors only



The positive growth in the SSA region is in contrast to North Africa, which actually experienced a negative growth in 2014. North Africa continues to be negatively impacted by unrest in many markets in the region, particularly Egypt. This affected investment on existing projects and has severely curtailed the number of new hotel deals. It is also true that North Africa is relatively better developed than SSA, thus, the latter region has much catching up to do. The number of hotel rooms planned in SSA has risen since 2011 and for the first time, there is a marked positive difference for the SSA region.

This year, our survey included 27 international and regional (African) hotel chains (and their 59 brands), and it covered 38 countries, seven more countries than were featured in the 2013 survey. Countries like South Sudan and Liberia made their debuts in the pipeline survey, and countries like Congo, Equatorial Guinea and the DRC had previously not seen any pipeline action in three years. The pipeline for West Africa, as a sub-region, makes

up 34.1 per cent of the total pipeline, which is the second-highest of the five African sub-regions (North, Southern, West, East and Central).

It is important to note however, that although these hotel deals have been signed by the hotel chains, this does not always mean that the hotels are actively being built, or are even on site. In deed one cannot be certain that the hotel deal will actually be open by the indicated completion date, or even at all. This is unfortunately the norm in the African business environment, where development programmes tend to have much longer durations than are originally planned. An analysis of the hotel deals by region, and by construction status shows North Africa with 75 per cent of its signed deals as having commenced construction, versus 56 per cent in SSA.

Table 2: 2014 Hotel Chain Development Pipelines in Africa SSA vs. North Africa by Pipeline Status

	Hotels	Rooms	
		Total	Onsite Construction
North Africa	73	16,449	12,381 (75%)
Sub-Saharan Africa	142	23,283	13,018 (56%)

Nigeria has the most hotel rooms in the pipeline, with 6,614 rooms in 40 hotels. The five North African countries take up the second through sixth positions, and other high-ranking SSA countries include South Africa, Ghana, Ethiopia and Senegal.

Table 3: 2014 Hotel Chain Development Pipelines in Africa Top 10 Countries by Number of Rooms

	Hotels	Rooms	Average Size
1 Nigeria	40	6,614	165
2 Morocco	29	4,828	166
3 Egypt	15	4,703	314
4 Algeria	15	3,172	211
5 Libya	7	2,205	315
6 Tunisia	7	1,541	220
7 South Africa	9	1,293	144
8 Ghana	6	1,080	180
9 Ethiopia	6	990	165
10 Senegal	5	914	183

However, when we analyse the pipeline by construction status - whether it is still being planned versus under construction - the order of the top 10 countries are slightly different and Nigeria loses its number one position.

**Table 4: 2014 Hotel Chain Development Pipelines in Africa
Top 10 Countries by Pipeline Status**

Rank	Country	Hotels	Rooms			Rank - All Deals
			Total	Onsite Construction		
1	Egypt	15	4,703	3,913	83%	3↑
2	Morocco	29	4,828	2,778	58%	2↔
3	Algeria	15	3,172	2,680	84%	4↑
4	Nigeria	40	6,614	2,467	37%	1↓
5	Libya	7	2,205	1,905	86%	5↔
6	Tunisia	7	1,541	1,105	72%	6↔
7	Rwanda	4	819	819	100%	-↑
8	Cote D'ivoire	4	772	772	100%	-↑
9	South Africa	9	1,293	763	59%	7↓
10	Ghana	6	1,080	732	68%	8↓

Nigeria has the least percentage of new rooms under construction of any of the countries on this top 10 list. This reflects the slow pace of getting projects started in the country. For instance, only 38 per cent of the hotel rooms that are reported to open in 2015 are under construction. This most likely means that most of the hotels planned for 2015 will not open on schedule and will be delayed by one or more years.

It is also noteworthy to analyse the pipeline by hotel chain, in order to know the more active hotel operators on the continent. Carlson Rezidor, Hilton Worldwide and Marriott International maintain the first three spots on the rankings by number of hotels and hotel rooms planned. Marriott increased its pipeline from the previous year's by 34 per cent and plans to open hotels in 11 countries on the continent. Starwood also increased its 2013 pipeline by 39 per cent this year, and has 16 hotels planned, in eight countries.

**Table 5: 2014 Hotel Chain Development Pipelines in Africa
Top 10 Chains by Number of Planned Hotels and Rooms**

Rank by Hotels			Rank by Rooms				
Rank	Chain	Hotels	Rank	Chain	Rooms	Change on 2013	Average Size
1	Carlson Rezidor	30	1	Carlson Rezidor	6,248	5%	208
2	Marriott	26	2	Hilton	6,165	1%	247
3	Hilton Worldwide	25	3	Marriott	5,243	34%	202
4	Starwood	16	4	Starwood	3,499	39%	219
5	Mangalis	15	5	Mangalis	2,210		147
6	Best Western	10	6	IHG*	2,055	15%	294
6=	Accor	10	7	Accor	1,587	0%	159
6=	Swiss International	10	8	Kempinski	1,567	6%	261
9	Louvre Hotels Group	9	9	Rotana	1,455	7%	243
10	Azalai	8	10	Azalai	1,129	151%	141

* based on data provided by IHG in September 2013, which has not been updated



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**Table 6: 2014 Hotel Chain Development Pipelines in Africa
Top 10 Chains by Pipeline Status**

Rank	Country	Hotels	Rooms			Rank - All Deals
			Total	Onsite Construction		
1	Hilton	25	6,165	3,962	64%	2↑
2	Carlson Rezidor	30	6,248	3,878	62%	1↓
3	Marriott	26	5,243	3,225	62%	3↔
4	Starwood	16	3,499	1,858	53%	4↔
5	Mangalis	15	2,210	1,560	71%	5↔
6	Kempinski	6	1,567	1,317	84%	8↑
7	IHG	7	2,055	1,170	57%	6↓
8	Louvre Hotels Group	9	1,128	1,128	100%	-↑
9	Best Western	10	1,033	968	94%	-↑
10	Mövenpick	4	945	945	100%	-↑

In addition to the international chains, there is also the presence of some regional (African) chains in the pipeline survey. Azalai is based in Mali and Mangalis, a new entrant to the survey and to the market, is owned by the Senegalese Teylium Group and has ambitions of becoming the foremost African hotel brand, both within and outside Africa. Mangalis debuts on the pipeline with 15 hotels and 2,210 hotel rooms, scheduled to open between 2014 and 2016.

With Marriott's recent acquisition of Protea, the Washington D.C. based hotel chain has now become the largest hotel chain on the African continent. It will be interesting to see how this acquisition motivates other international and regional players alike. In fact, there has been a recent announcement of a joint venture between the Australian StayWell Hospitality Group and the South African Mantis Collection. It is expected that there might be more mergers and acquisitions in the coming year, and that may possibly shape the big story in next year's survey.

For the 2014 pipeline survey, the big story is the clear focus that the hotel chains have on sub-Saharan Africa. 2014 records new countries in the pipeline, some for the first time and others for the first time in years. Also the chains are introducing new brands in the market as they have established their flagship brands. Hilton is building on its brand recognition and introducing its mid-scale Hilton Garden Inn, while Carlson Rezidor, building on the success of its Radisson Blu brand is keen on developing new Park Inn by Radisson hotels on the continent. The sub-Saharan Africa region is clearly underserved with quality hotel rooms, but increased development activity (business challenges notwithstanding) will help to correct this supply deficit.

Damilola Adepoju is a hospitality industry consultant, with professional and academic experience in diverse markets in Asia, North America and Europe. Her experience includes financial roles held at lodging and commercial real estate companies in Washington D.C and New York, as well as a current position at the leading hospitality advisory firm in sub-Saharan Africa, W Hospitality Group.