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HOTEL BRAND DEVELOPMENT PIPELINES IN AFRICA, 2011

Each year the West Africa-based W Hospitality Group carries out a survey of the main hotel brands' development activities in Africa. Based on information supplied by the chains themselves in January 2011, this research tracks signed and confirmed deals for management contracts and other deals (management contracts are by far the majority of agreements signed) in the 53 countries of Africa. We are aware that many other deals are being discussed (and are privileged to be working on many of them!), and we will include them in future surveys just as soon as the ink is dry.

This paper presents our analysis of the data which is provided in the annexes (contributors to the survey also receive full listings by chain and by country). We are grateful to all of the chains who contributed to this research and trust that the analysis is of use to them, and also to others involved and interested in the development of the hotel industry in Africa.

We estimate that the hotel chains in the survey currently have over 92,000 rooms operating with their brands in Africa, with around 40,000 in North Africa and 52,000 in sub-Saharan Africa. But when one considers that there are only five countries in North Africa (Morocco, Algeria, Libya, Tunisia and Egypt), the opportunity in the other 48 countries on the continent is obvious. Africa is receiving increasing attention from the international chains, who see clearly the need to fill the gaps in their coverage, particularly with above-average growth in the number of travelers to the region, and some, like Rezidor, Hilton, InterContinental, Accor and Marriott, are now taking the plunge and locating development directors in Africa itself.

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 there are any errors or omissions in the data, and any comments on how to improve this important survey would be very welcome. Additional contributors are also very welcome.

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2011 Research Results

At the beginning of 2011, the hotel chains reported a total of 156 hotels, with just over 31,000 rooms, in their development pipelines. This means signed deals, but as we comment later, not necessarily cement being poured!

Hotel Development in Africa 2011 Regional Summary						
	2011		2010		2009	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
North Africa	75	17,038	72	16,909	61	15,611
Sub-Saharan Africa	81	14,101	80	15,223	90	15,753
TOTAL	**156**	**31,139**	**152**	**32,132**	**151**	**31,364**

Compared to the 8 to 10 per cent contractions in pipelines in other parts of the world, particularly Europe and the USA, the pipeline has been quite stable for the past three years. And note, of course, that a reduction in the numbers is not wholly a bad thing – the objective is to get new hotels open and making money, and that has been happening, with several new openings in North Africa, South Africa and Nigeria.

North Africa still dominates the development effort, especially in the hotspots of Morocco and Egypt. This research data was, however, collected before the turmoil hit the region, particularly in Libya, and we know that there will be delays and cancelled projects. Two hotels in last year's pipeline, the JW Marriott and the Four Points by Sheraton, had opened in Tripoli, Libya – and promptly closed again when the conflict erupted there. And work has been suspended on many projects in Egypt, pending the elections to be held there later this year

The top brands by number of hotels and rooms in their pipelines are as follows:

Hotel Development in Africa 2011 Top 10 Brands by Number of Planned Hotels and Rooms						
Rank by Hotels				Rank by Rooms		
1	Radisson Blu	16		1	Radisson Blu	3,327
2	Ibis	14		2	Hilton	2,807
3	Novotel	11		3	Ibis	2,150
4	Hilton	10		4	Mövenpick	2,053
5	Etap	9		5	Novotel	1,955
6	Park Inn	7		6	Holiday Inn	1,900
7=	Holiday Inn	6		7	InterContinental	1,532
7=	Lonrho	6		8	Etap	1,294
7=	Mövenpick	6		9	Kempinski	1,000
10	Sofitel	5		10	Le Meridien	965

This analysis tracks only branded hotels, and therefore does not capture all hotel projects in Africa. But it probably captures the majority – in Lagos, two thirds of the new supply under construction is branded, so one can surmise that at least that proportion of the new hotel pipeline is included. And in many smaller cities around the continent, the branded hotel under construction is the only serious game in town.

Some companies, like African Sun and Southern Sun, operate with multiple brands, some owned by them (Southern Sun have Stay Easy and Garden Court for example) and others as franchisees (both companies operate hotels under franchise from IHG), as well as managing unbranded hotels, but only those new deals that are confirmed by the brand owner are included.

There are some interesting movements in the rankings when one moves from a consideration of hotels to one of rooms. Whilst "the more hotels the merrier", the economic unit on which profits are made is the letting unit. Hilton have fewer hotels in the pipeline than Novotel, but they are, on average, larger properties. And whilst Rezidor have been steaming ahead with their Radisson and Park Inn brands, vying with Accor for first place in the development stakes, the average size of a new Park Inn in Africa, at 137 rooms and suites, is way below Le Meridien's average size of 320 (in three hotels), and who just pip Park Inn by 6 rooms to take the Number 10 slot.

One thing to be wary about, however, when looking at signed deals, is that not all those rooms are under construction, and therefore their realization, especially in many of the very difficult business environments that typify Africa, cannot be certain. We have analysed the deals reported by the chains as to whether they are on site or not, and the ranking looks different.

Hotel Development in Africa 2011
Top 10 Brands by Pipeline Status

Rank	Brands	Hotels	Rooms			Rank – All Deals
			Total	Onsite Construction		
1	Hilton	10	2,807	2,269	80.8%	2↑
2	Radisson Blu	16	3,327	1,737	52.2%	1↓
3	Ibis	14	2,150	1,310	60.9%	3 ↔
4	InterContinental	5	1,532	1,276	83.3%	7↑
5	Holiday Inn	6	1,900	1,168	61.5%	6↑
6	Novotel	11	1,955	1,005	51.4%	5↓
7	Le Meridien	3	965	965	100.0%	10↑
8	Marriott	4	851	851	100.0%	- ↑
9	Sofitel	5	803	708	88.2%	- ↑
10	Crowne Plaza	2	693	693	100.0%	- ↑

Hilton and Radisson Blu change places, and InterContinental moves up the ranks, closely followed by its stable mate Holiday Inn. Etap, Kempinski and Mövenpick are replaced by Marriott, Sofitel and Crowne Plaza, with more rooms actually under construction. Le Meridien and Marriott have 100 per cent of their signed rooms on site – but a relatively small pipeline compared to the other global giants.

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:

Hotel Development in Africa 2011
Top 10 Companies by Number of Planned Hotels and Rooms

Rank by Hotels			Rank by Rooms		
1	Accor	41	1	Accor	6,371
2	Rezidor	23	2	Rezidor	4,286
3	Marriott	12	3	IHG	4,125
4	IHG	13	4	Hilton	2,967
5=	Hilton	11	5	Starwood	2,784
5=	Starwood	11	6	Marriott	2,503
7=	Lonrho	6	7	Mövenpick	2,053
7=	Mövenpick	6	8	Kempinski	1,000
9	Kempinski	5	9	Lonrho	913
10	Rotana	3	10	Rotana	700

Hotel Development in Africa 2011
Top 10 Companies by Pipeline Status

Rank	Company	Hotels	Rooms			Rank – All Deals
			Total	Onsite Construction		
1	Accor	41	6,371	3,728	59%	1↔
2	IHG	13	4,125	3,137	76%	3 ↑
3	Marriott	12	2,503	2,503	100%	6↑
4	Hilton	11	2,967	2,429	82%	4↓
5	Rezidor	23	4,286	2,271	53%	2↓
6	Starwood	11	2,784	1,727	62%	5↓
7	Wyndham	3	676	676	100%	- ↑
8	Mövenpick	6	2,053	661	32%	7↓
9	Lonrho	6	913	608	67%	9↔
10	African Sun	2	396	396	100%	- ↑

All the majors are there, dominated by Accor, which has such a large pipeline that, although only 59 per cent is on-site, the number of rooms under construction still exceeds IHG's by around 20 per cent.

Where is all this activity taking place?

Hotel Development in Africa 2011 Top 10 Countries by Number of Rooms			
		Hotels	**Rooms**
1	Egypt	19	5,967
2	Morocco	30	5,297
3	Nigeria	23	4,811
4	Algeria	14	2,575
5	Libya	6	1,937
6	Ghana	7	1,346
7	South Africa	8	1,009
8	Tunisia	4	762
9	Equatorial Guinea	4	661
10	Ethiopia	3	482

All of the five North African countries feature in the top ten destinations for branded hotel developments – driven either by the booming tourism industries in the likes of Morocco, Tunisia and Egypt, or by the opening up of the oil-based economies in Algeria and Libya. Over half of Accor's pipeline is in Morocco and Algeria, underlining their commitment to North Africa.

The availability of finance in North Africa has historically been greater, sourced domestically, from Europe or from the Middle East, with foreign investors perceiving less risk there than in the more volatile sub-Saharan Africa. How times change!

Nigeria, Africa's largest country by population and the power house of West Africa, has almost 5,000 rooms under contract, with thousands more in the "almost" category – it seems that every hotel operator is seeking a presence there. New openings recently have included Radisson Blu and Four Points by Sheraton in Lagos, and many groups have hotels under construction there, including Accor, Legacy, IHG, Protea and Hilton.

As before, signed deals is one thing, actual activity is another:

Hotel Development in Africa 2011 Top 10 Countries by Pipeline Status						
Rank	**Company**	**Hotels**	**Rooms**			**Rank – All Deals**
			Total	**Onsite Construction**		
1	Egypt	19	5,967	4,579	77%	**1↔**
2	Nigeria	23	4,811	3,086	64%	**3 ↑**
3	Morocco	30	5,297	2,658	50%	**2↓**
4	Algeria	14	2,575	2,135	83%	**4↔**
5	Ghana	7	1,346	1,028	76%	**6↑**
6	Tunisia	4	762	762	100%	**8↑**
7	South Africa	8	1,009	754	75%	**7↔**
8	Equatorial Guinea	4	661	661	100%	**9↑**
9	Kenya	3	540	540	100%	**- ↑**
10	Rwanda	2	529	529	100%	**- ↑**

Nigeria and Morocco change places, and one of Africa's brightest stars, Rwanda, joins the list, with a Radisson Blu and a Marriott under construction in Kigali.

Equatorial Guinea, one of Africa's smallest countries, has 4 hotels under construction, 3 by Accor - a Sofitel (their second) and an Ibis in Malabo on Bioko Island, and another Ibis in mainland Bata – and a Hilton close to Malabo airport. South Africa remains at a surprisingly low 7th position, but with several companies now locating developers there (Hilton, IHG, Accor, Rezidor and more to follow) we can expect more activity there, as well as elsewhere on the continent, in coming years (as this was being written, Hilton announced the opening of their first hotel in Cape Town, included above in their pipeline).

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 6 per cent and above, it is regarded by many as the most profitable place to do business – just oftentimes slower than "normal".

For those in the know, the opportunities in Africa are as vast as the continent itself.

HOTEL GROUP DEVELOPMENT PIPELINES 2011 **APPENDIX 1**

W HOSPITALITY GROUP	TOTAL			PRE-CONSTRUCTION (PLANNING)	ROOMS ON SITE (CONSTRUCTION)
GROUP	**Countries**	**Hotels**	**Rooms**		
Accor	18	41	6,371	49%	51%
African Sun	2	2	396	0%	100%
Aman Resorts	1	1	20	100%	0%
Baglioni	1	1	72	0%	100%
Best Western	3	3	306	33%	67%
Cresta	3	3	240	38%	62%
Four Seasons	3	3	491	22%	79%
Hilton	10	11	2,967	25%	75%
Hyatt	1	1	120	0%	100%
IHG*	7	13	3,485	25%	75%
Kempinski	5	5	1,000	38%	62%
Legacy	1	1	67	0%	100%
Lonrho	6	6	913	23%	77%
Marriott	8	12	2,503	0%	100%
Movenpick	5	6	2,053	50%	50%
Protea	2	3	398	50%	50%
Rezidor	16	23	4,286	30%	70%
Rotana	3	3	700	50%	50%
Southern Sun	1	1	130	100%	0%
Starwood	9	11	2,784	45%	55%
Sun International	2	2	375	50%	50%
Three Cities	1	1	146	0%	100%
Wyndham HG	3	3	676	0%	100%
TOTAL		**156**	**31,139**	**32%**	**68%**

HOTEL GROUP DEVELOPMENT PIPELINES BY COUNTRY **APPENDIX 2**

	North Africa		Sub-Saharan Africa		Total Africa		PRE-CONSTRUCTION (PLANNING)	ROOMS ON SITE (CONSTRUCTION)
COUNTRY	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms		
Algeria	14	2,575			14	2,575	17%	83%
Angola			2	561	2	561	31%	69%
Benin			2	355	2	355	44%	56%
Botswana			2	183	2	183	0%	100%
Burundi			1	160	1	160	0%	100%
Cameroon			1	150	1	150	100%	0%
Cape Verde			1	288	1	288	100%	0%
Egypt	19	5,967			19	5,967	23%	77%
Eq. Guinea			4	661	4	661	0%	100%
Ethiopia			3	482	3	482	0%	100%
Gabon			3	226	3	226	9%	91%
Ghana			7	1,346	7	1,346	24%	76%
Kenya			3	540	3	540	0%	100%
Libya	6	1,937			6	1,937	85%	15%
Madagascar			2	366	2	366	100%	0%
Mauritius			2	234	2	234	26%	74%
Morocco	30	5,297			30	5,297	50%	50%
Mozambique			2	268	2	268	0%	100%
Namibia			2	243	2	243	38%	62%
Nigeria			23	4,811	23	4,811	37%	63%
Rwanda			2	529	2	529	0%	100%
Senegal			3	412	3	412	25%	75%
Seychelles			1	149	1	149	0%	100%
Sierra Leone			1	171	1	171	0%	100%
South Africa			8	1,009	8	1,009	25%	75%
Sudan	2	500			2	500	60%	40%
Tanzania			1	200	1	200	100%	0%
Tunisia	4	762			4	762	0%	100%
Uganda			1	272	1	272	0%	100%
Zambia			3	435	3	435	37%	63%
Zimbabwe			1	50	1	50	0%	100%
TOTAL ALL	75	17,038	81	14,101	156	31,139	34%	66%