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An Eye on West Africa

I've written on a few occasions in this column about how the hotel chains are expanding in Africa, signing deals with investors who are looking for professional management and a brand. We have a look each year at what they're signing, mostly reporting growth in the number of hotels and rooms in their pipeline.

But this year, based on data provided in the first two months, we saw, for the first time in 11 years, a reduction in the number of hotels in the development pipeline – that's hotels which the brands have signed which were to open sometime in the future. Or not. Because between 2018 and 2019 we count no fewer than 74 hotels with over 12,000 rooms which the chains have removed from their lists, projects that once upon a time they made a great fanfare about, and as travellers we looked forward to them opening. That's the equivalent of 18% of the hotels in last year's pipeline, and 16% of the rooms. So 12 months ago those hotels were expected to open as Hiltons, Sheratons, Marriotts, Radissons et al – but now won't.

Although almost 100 deals were signed by the chains in 2018, it wasn't enough, when taking into account openings, to make up the difference, and the overall total fell.

Add to that the fact that another metric we look at, the performance in terms of opening hotels on time, was also down. In early-2018 the chains expected to open 115 new hotels in the same year, but actually opened only 46 hotels. That's a 39% 'actualisation' rate, down from 54% in 2017. Adjusting by the hotels due to open in 2018 that were 'canned' by the chains gives a figure of 45% actualisation – still not a terrific performance, was it?

What happened?

Well, it's usually the money that didn't (happen). Of the total 16 hotels that the chains have removed from their pipelines in West Africa, 11 are in Nigeria, where there are several 'hulks' littering the landscape, including the Meridien in Ikoyi (Lagos) and the Four Points in Benin City, which started but the money wasn't there to finish them. And several others which never went beyond 'the paperwork' because of lack of finance, and the chains ultimately lost patience with the promoters. It is not uncommon for chains to be tied into a non-compete clause – they sign a deal to manage a promoter's hotel, and commit not to manage another hotel with that brand in a certain geographic area. If that promoter doesn't deliver the hotel, then the chain is likely turning away other projects, because of that

commitment. In those circumstances, the chain will invoke an option to walk away – and that's what has been happening in some of these projects.

Looking at the hotels that didn't open as planned last year, I can see that a lack of finance was very often the reason, but also there can be time-consuming challenges, particularly here in West Africa, such as government permitting and licences, disputes over land title and poor planning, as well as delays at the ports holding up building materials and operating supplies, and construction difficulties, the latter including meeting brand standards, a condition precedent for the chain to open the hotel. And then, exceptionally, there is the impact of external uncontrollable events, tragedies such as the Ebola crisis in 2014 which delayed the opening of the Noom hotel in Conakry, and renewed conflict in Mali delaying hotels from opening in Bamako.

So these pipelines are not always what they appear. Of the total pipeline this year – that's 401 hotels with just over 75,000 rooms – around half are under construction, and half are not yet on site. Of those 'under construction' there are many here in West Africa on which work started or has stopped, and some where progress is painfully slow, way behind schedule. In Lagos, for example, there's a pipeline of 4,500 rooms, of which 56% are 'under construction' – but half of those are closed sites, with nothing happening!

There are 22 branded hotels with 3,010 rooms slated to open in 2019 in West Africa. A few have already opened, including the Noom and Radisson Blu hotels in Niamey, and the Mantis Providence Hotel in Lagos. Then there's another 28 hotels with 4,910 rooms due to open in 2020 – somewhat ambitious, because 25% of them are not yet under construction!

So they're not all going to open, either on time or at all, but we're way ahead of where we were 10 years, even five years ago, aren't we? ■

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