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Special Market Reports

Issue 66 - HOT SPOTS IN FRENCH-SPEAKING WEST AND CENTRAL AFRICA

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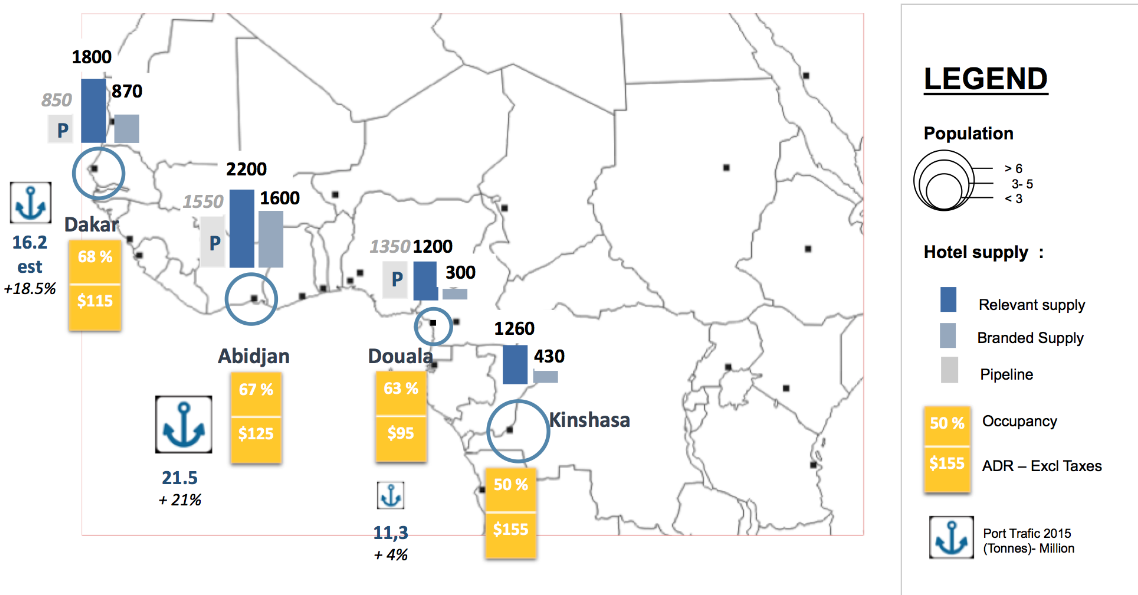
SELECTED HOT SPOTS IN FRENCH-SPEAKING WEST AND CENTRAL AFRICA

Over the past 10 years, Africa has experienced a sustained GDP growth driven by rising prices for oil, minerals and other commodities, but also internal structural changes driven by governments to improve business climate and attract investments.

Introduction

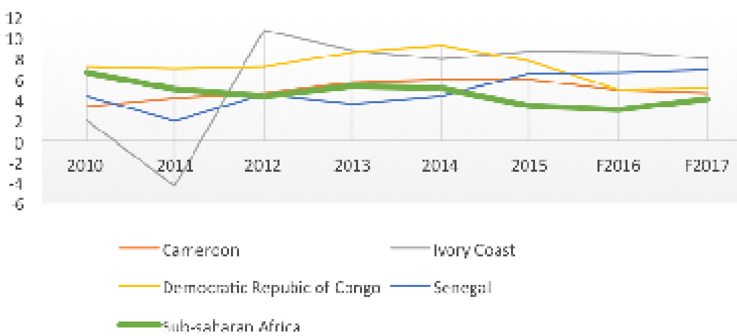
The continent has registered a progression of 2% in 2014 to reach 56 million international tourist arrivals (business and leisure), according to the World Tourism Organization (UNWTO). Sub-Saharan Africa encountered a 3% increase despite the Ebola Virus. For 2015, growth was expected to be between 3 and 5%.
As a result, the hospitality sector has also experienced a significant growth while private investors and hotel groups have surged to seize opportunities in fast developing markets, still at early stages in terms of hotel development.
In West and Central Africa, if economic giants such as Nigeria and Angola have seen a rush in hotel projects, other coastal dynamic countries have also attracted hotel investments and offer significant potential for future development; namely in French-speaking Africa.
We present hereunder our hotspots in selected French-speaking markets.



Population, in millions

	2010	2015	F 2030
Cameroon	20.6	23.3	32.9
Democratic Repubic of Congo	63.8	77.3	120.3
Ivory Coast	20.1	22.7	32.1
Senegal	13.0	15.1	22.8

GDP Growth - IMF



Source : World Bank & World Population Prospects: The 2015 Revision -UN vision, Key Findings and Advance Tables

ABIDJAN

Context

After 10 years of political and security crisis, the country has experienced a rapid recovery and is currently positioned as WAEMU's leading economic power. Political stability has been confirmed with smooth and transparent presidential elections in October 2015 when Alassane Ouattara was re-elected.
Positively impacted by the normalization of the institutional environment and public investment programs, the GDP growth has increased to 8.6% in 2015 and should stabilize around 7% by 2021, well above the Sub-Saharan Africa's average.

Abidjan

As the economic capital of the country, Abidjan concentrates most of Ivory Coast's activities, mainly related to the port and the financial market. The city has been asserting as a MICE destination in West Africa, with the organization of significant international events, supported by fast improving transport connections and major infrastructure projects.
The city is expanding and as result witnesses the development of new areas, such as Cocody and Marcory, which attract corporate building and mixed-use projects, or the airport zone which should expand with the Aerocity project. Plateau district still positions as the central business district concentrating most of the hotel supply.

Hotel Supply

The relevant qualitative supply in Abidjan amounts to 11 units for a total of 2,200 rooms among which about 1,500 are in the upscale segment, with large-size hotels such as Sofitel Ivoire (430 rooms). Overall, the city counts 7 branded hotels for a total of 1,600 rooms. The most recent openings are Onomo in 2012 and Radisson Blu in 2016, both located in the direct vicinity of the airport.

The hotel supply is currently experiencing a transition. A large share of the supply needs significant renovation and the government ambitions to refurbish 5,000 rooms within 2020, while major players such as Sofitel and Novotel are already undergoing a full renovation, while Pullman has also planned a significant upgrade.

Performance

In 2015, Abidjan quality hotels registered an occupancy rate of 67%, slightly above the levels of 2013 and 2014, emphasising the resilience of the market, with performance exceeding 75% for the leading units.

In terms of ADR, the city reaches an average of $ 125 excluding taxes, an increase of 9% versus 2014, reflecting the positive trends that the market has encountered since the end of the crisis.

Pipeline

7 branded hotels for a total of 1,550 rooms are currently in the pipeline and should be opened within 2018. Several other brands have announced their intent to enter the market but projects have not been confirmed yet.

Outlook

The next presidential elections should be held in 2020 and there is still uncertainty about any possible turmoil during and after the election process. However, demand should register a rapid growth and remain high. Hence, if the additional supply is expected to impact hotel performances, especially market occupancy rate, it should rapidly recover considering the dynamism of the market and investor confidence.

Hotel Supply and Pipeline in Abidjan

	Units	%
Rooms	2200	
Branded	1600	73%
Upscale	1545	70%
Branded Pipeline - Rooms	1550	

DAKAR

Context

The country is one of the most stable in West Africa since its independence in 1960. In 2012, Macky Sall won the presidential election. In March 2016, the country held a referendum about major constitutional reforms including a reduction of the presidential term to 5 years, which was endorsed by the population.
With an economy mainly based on agriculture, ore mining and services, Senegal ranks fourth among West African economies, behind Nigeria, Ghana and Ivory Coast. Reforms launched in recent years have allowed the country to experience an accelerated growth from 3.6% in 2013 to 6.5% in 2015 which could attain 7% in the mid-term.

Dakar

Dakar concentrates the majority of Senegal's wealth. Its strength derives from the port and the presence of corporate headquarters, banks and public institutions, mainly located in the district of Plateau, Dakar's CBD, and has by far the highest concentration of hotels. The district of Almadies has become a high-end residential and institutional area, benefiting from an attractive sea-front location and positions as the second hotel cluster. The meeting and conference market is well developed supported by available meeting space in existing hotel units and standing alone facilities.
The city should benefit from the development of a new international airport in Diass.

Hotel Supply

The relevant qualitative supply amounts to 15 units for a total of 1,800 rooms among which 1,300 rooms position in the upscale segment, with uneven quality. Some independent hotels stand out benefiting from their attractive location or by providing quality, such as the 5* Terrou Bi. The market is heavily dominated by small midscale units.
Overall, the city counts five branded hotels (three Accor units, Radisson, Onomo), for a total of 870 rooms.
Since the end of 2000's, Dakar hotel market has changed significantly, with new openings on the midscale and upscale segments: Terrou Bi and Radisson Blu in 2009, Onomo in 2010 and Ibis in 2012, as the Meridien contract came to an end.

Performance

In 2015, Dakar quality hotels registered an occupancy rate of 68%, reflecting the resilience of the market as the best performers exceeded 75%.

In terms of ADR, the city reaches an average of $115 excluding taxes.

Pipeline

5 branded hotels are currently in the pipeline for a total of 850 rooms which should open within 2018, some of them located in a former hotel (currently closed). Other operators are considering the market, focusing on opportunities related to existing hotels currently non-operated (unfinished) or in need of renovation.

Outlook

The next presidential elections are scheduled for 2019 and might impact only marginally hotel performances as the process should roll out smoothly. Dakar's gateway position, the uptrend in economic growth and the political stability should sustain a strong increase in business and leisure demand. Improved accessibility should support Dakar's positioning as a major business hub in West Africa. Occupancy performances reflect a resilient market, benefiting from a growing demand. The pipeline should impact performances over the next 3 years, before getting back to their initial level in 2020.

Hotel Supply and Pipeline in Dakar

	Units	%
Rooms	1800	
Branded	870	48%
Upscale	1300	72%
Branded Pipeline - Rooms	850	

DOUALA

Context

Cameroon has enjoyed political stability since its independence in 1960. Paul Biya, president since 1982, was re-elected for 7 years in 2011. Calls for anticipated elections and modification of the constitution have generated agitation over the last months. Acts of violence perpetrated by Boko Haram on northern territory have intensified, as security also remains volatile along the border regions with Central African Republic.
The country is one of the most diversified economies in central Africa, endowed with rich natural resources, benefiting from mining assets and oil. Cameroon has registered a steady economic growth and reached 5.9 % in 2015 and should position to 4.6% in the longer run.

Douala

With an estimated population of 2.5 million inhabitants, Douala is the economic capital and the main entry point to the country. The city ranks first in the CAEMC zone in terms of population and commercial impact. Douala concentrates headquarters and subsidiaries from the main national and foreign companies and its economy is driven by the port, which despite the decrease in oil prices has registered an average traffic growth above 5%.
Bonanjo and Akwa districts concentrate most of the companies and the administrative buildings, due to their proximity with the port. The city is experiencing a fast urban development.

Hotel Supply

The relevant qualitative supply in Douala amounts to 10 units for a total of 1,200 rooms among which 700 rooms position in the upscale segment. However, some of these properties do not match the expected international standards of their category or need renovation.

The city counts two branded hotels under Ibis and Pullman brands, for a total of 300 rooms, reflecting a very limited brand penetration. The market, dominated by independent hotels is qualitatively and quantitatively under equipped for a city of this size. Douala's market has not encountered any significant changes over the last year while hotel investors have adopted a wait-and-see approach.

Performance

In 2015, Douala quality hotels registered an occupancy rate of 63%, slightly below its 2014 level as result of a decrease of activity related to drop in oil prices.

In terms of ADR, the city reaches an average of $95 excluding taxes, reflecting the large share of low to mid-scale independent hotels in the market and limited prices in the upscale segment.

Pipeline

7 branded hotels for a total of 1,350 rooms could potentially enter the market by 2020. The amount of independent hotel projects is significant, as the state has been supporting the opening and the renovation of hotels in the perspective of the African football cup in 2019.

Outlook

As presidential and legislative elections are scheduled in 2018, uncertainties over succession and the potential candidacy of the current president raise concerns.
Despite the drop in oil price, security issue and persisting challenges to business climate, growth has maintained and we estimate that demand should increase moderately over the next years, supported by Cameroon's leading position in Central Africa and the benefits from major infrastructure projects.

Hotel Supply and Pipeline in Douala

	Units	%
Rooms	1200	
Branded	300	25%
Upscale	700	58%
Branded Pipeline - Rooms	1350	

KINSHASA

Context

With an estimated population of 77.2 million in 2015, DRC is the fourth most populated countries in Africa. The country is still recovering from one of the deadliest conflicts in Africa, which officially ended in 2003. In 2006 Joseph Kabila won DRC's first democratic presidential elections and was further re-elected in 2011. The peace process remains fragile as conflicts persist in eastern regions where multiple armed groups are threatening security.
Since 2010, the country has enjoyed a GDP growth mainly over 7%, well above the Sub-Saharan average, driven by the extractive industries. Due to its natural wealth and massive mineral resources, the country benefits from a significant potential for growth, which should reach 5.7 % in 2021.

Kinshasa

Kinshasa, the administrative capital of the country, is the third megacity in Africa, with more than 11 million inhabitants, and ranks as the world's largest French-speaking city. The city concentrates most of the international and national institutions as well as foreign companies' headquarters, mostly clustered in Gombe, Kinshasa's CDB and institutional area, which, as a result, hosts most of the hotel supply.

Hotel Supply

Impeded by the successive conflicts and crisis, the hotel market in Kinshasa has remained limited in size and is still immature. It has mainly developed over the last 10 years, with the openings of low to mid-scale independent hotels. International groups have returned recently. Kempinski and Accor (Pullman) entered the market in 2014 and 2015, as new operators of two historical hotels (Hotel Fleuve Congo and Grand Hotel).
Overall we estimate the qualitative supply to be very narrow, provided by 10 hotels with a total of 1,200-1,300 hotel rooms among which 60% are in the 4 and 5* segment. Branded units represent only 430 rooms.

Performance

In 2015, qualitative market achieved an average occupancy of 50 % and an ADR of $ 155 excluding taxes. Occupancy has been slowing down over the last years, due to the recent opening of large size units (430 rooms).

Pipeline

At this stage, no hotel project has been confirmed. Two international groups are considering the market for a total of 300-350 rooms in the midscale and upscale segments.

Outlook

Presidential and legislative elections initially planned for 2015 have been delayed to 2016 and might be delayed further as growing tensions are threatening stability.
The market is currently undergoing a wait-and-see phase due to the current political context. This should last until 2016 and 2017. However the market potential of Kinshasa, combined with the absence of confirmed projects within the next five years, should eventually translate in an increase of 4/5 points occupancy in the mid-term, offering opportunity for investors, especially after 2018.

Hotel Supply and Pipeline in Kinshasa

	Units	%
Rooms	1260	
Branded	430	34%
Upscale	770	61%
Branded Pipeline - Rooms	350	

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Charlotte joined Horwath HTL in 2013 and currently serves as Senior Consultant in Horwath HTL. She is in charge of the business development in West and Central Africa and opened Horwath HTL's regional office in 2016, based in Abidjan.
Charlotte has specialized in Market and Feasibility studies for hotel development in the region, from the territorial analysis to the definition of the global concept and its operating conditions. Her other business skills include Due Diligence services, Appraisals and Hospitality Strategy.
She had the opportunity to work with a large panel of hotel industry actors, including international and regional investors, institutions, developers and operators and has a good understanding of every actor's challenges.

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Béatrice Montagnier worked as a research manager for a hospitality consulting company before working as a consultant for a tourism & leisure consulting company for five years. During her career, Béatrice both conducted and participated in numerous feasibility, market, territorial strategy and economic impact studies.
She joined Horwath HTL in 2006 as a senior consultant and then as director. Béatrice specialized in market and programming studies and hotel strategies, especially for urban or resort projects. Her international experience includes Maghreb, the Mediterranean region and more specifically Sub- Saharan Africa, where she has been working since 2008. In charge of Horwath HTL Dakar (Senegal) for 4 years, she is now based in Yaoundé (Cameroon).

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