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## **Special Market Reports**

### **Issue 81 - SIERRA LEONE**

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## SIERRA LEONE

*Affected by more than 10 years of civil war, the acceptable hotel supply in Sierra Leone is very limited and concentrates mainly in Freetown. The market of the capital city has remained immature, as supply has been lagging behind a growing demand, boosted by the mining sector. Showing strong potential for growth, the hotel market has hence experienced significant changes since 2010, with the development of new properties and the arrival of branded supply. In 2014 and 2015, the economy was strongly disrupted by the Ebola outbreak, compounded by the decline of commodities prices, which also affected the hotel market.*

### Countries data profile - 2015

	Sierra Leone
Size (sq km)	71,700
Population (million)	6.4
Demographic growth (%)	2.4
Urban areas > 1 million	Freetown: 1.0
Last presidential elections	2012
Next presidential elections	early 2018

Source: IMF and World Bank

### Context

After gaining independence in 1971, Sierra Leone suffered from one of the bloodiest civil wars in Africa, from 1991 to 2002, which resulted in 70,000 casualties, more than 2 million displaced and the destruction of the country's infrastructures.

Despite continuing political weaknesses and persisting ethno-regional tensions, the country has made significant progresses to build a stable, democratic state. President Ernest Bai Koroma, was elected in 2007 and won a second mandate in 2012. A major government reshuffle took place earlier this year (March 2016). The current mandate will end at the end of 2017 and next presidential and legislative elections are planned for early 2018.

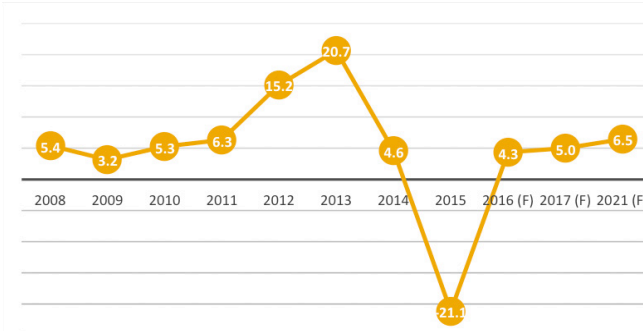
Sierra Leone's Constitutional Review Committee has been working on a project to revise the 1991 constitution. The later should be approved by referendum in 2017.

Until Ebola Crisis, Sierra Leone had one of the highest GDP growth in Sub-Saharan Africa's. Economy has been dominated by the mining sector which accounts for the majority of the export revenue (90 %) and to a significant share of GDP growth, due to abundant mining reserves (diamonds, bauxite, gold and iron ore). Sierra Leone's economy is dominated by agriculture (55% of the GDP).

In order to reach a middle-income status, the country has engaged structural reforms which are reported to be largely on track as per last IMF's press release.

Since 2011, GDP has been boosted by the mining activity, appealing rising FDI and generating a double-digit growth of 15% in 2012 and almost 21% in 2013.

### Real GDP Growth



Strongly disrupted by the Ebola outbreak, growth plummeted dramatically to 4% in 2014 and -21% in 2015, as the prices of iron ore, the main driver of growth dropped. From December 2013 to March 2016, the virus caused close to 4000 deaths as more than 14 000 cases were reported. The World Bank estimates the overall impact of the Ebola crisis in Sierra Leone at \$1.9 billion <sup>1</sup>.

Inadequate infrastructure (namely energy, water supply and roads) remain a major obstacle to the establishment of a sustainable growth, whereas economic governance mechanisms and effectiveness of public finance management system still need to be improved.

### Tourism

Lungi International Airport is the main entry point, connected by ferry to the mainland. A relocation project of the current airport in Mamamah is envisaged. Traffic at the airport increased steadily until 2012, after which no data are available. However, traffic is reported to have dropped significantly during Ebola crisis.

<sup>1</sup>: Including the shocks in 2014 and 2015, and the projections for 2016 as the economic impact is outlasting the epidemiological impact.



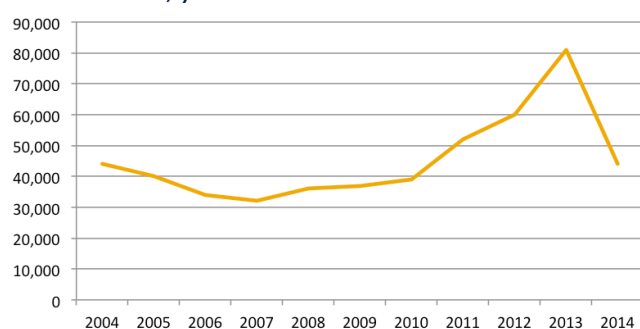
In the 70's and the 80's, Sierra Leone was a well-positioned and upper-scale seaside tourist destination with attractive beach resorts. The country was appealing to the European market, namely English and French and leisure tourism amounted to 70% of arrivals. The tourist activity was severely affected by the civil war, which left almost all the tourist infrastructure to be rebuilt.

Tourism is still underdeveloped in Sierra Leone, despite a strong will of the government to structure the sector and capitalize on its natural wealth. The development is still hindered by poor air connections, lack of structured products, poor accommodation standards.

The country benefits from beautiful beaches (such as Lumley Beach, Lakka) and several Islands which could offer opportunities for beach tourism (Bunce Island, Banana Island, Turtle Islands) with 400 km of coasts. The natural and wildlife wealth also offers a high potential to tap into the eco-tourism market, among which Tacugama reserve, Western Peninsula Forest Reserve, Outamba Kilimi National Park, Tiway Island Reserve; Gola Forest Reserve. In addition to beach tourism, the country has from cultural and heritage tourism (remnants of transatlantic slave trade, indigenous culture).

Tourist arrivals have registered a steady increase since 2008, hitting rock bottom in 2014 during Ebola Crisis, with 44 000 tourists registered.

**Tourist Arrivals, years 2000**



Source : World Bank

Currently the bulk of demand is generated by business clients (mining industry and related sectors). Additionally, demand is complemented by technical staff from NGO, institutional organizations and embassies.

## Hotel Market

### Hotel Facts and Figures, 2015

	Sierra Leone
Relevant hotels	9
Rooms in capital city	600

3/5 of the national hotel supply is located in the West Province, i.e. in Freetown. Supported by sustained growth, Freetown is gradually positioning as a business destination.

Financial, economic and cultural centre of Sierra Leone, Freetown hosts the headquarters of the largest companies of the country. Its economy is strongly linked to the activity of the port.

Most hotels were destroyed during the civil war. Since the early 1990s accommodation supply hence developed anarchically to respond quickly to growing hotel demand. Individual homes transformed into small hotel / guest houses, extended over time. As a result, the supply is ill-adapted, low-end and has major defects in terms of design and from an operational point of view.

The acceptable supply is estimated to amount to around 600 rooms, among which 240 branded rooms only, including small independent size units providing alternative options. Compared with other countries in West Africa, Sierra Leone presents a very limited hotel supply but this should be put in perspective with the low development of the country and the rather recent the return to stability. With the fast economic development, many units have been renovated and/or undergone extension work. Over the last 5 years, the market registered the opening and extension of new independent hotels (100 rooms) as 2 hotels have been reconverted and opened under international brands: Radisson Blu Mammy Yoko (171 keys) in 2014 and the Golden Tulip Kimbima (65 keys) in 2016. The market still remains immature.

A 5\*Hilton (200 keys) is currently under development on the site of the former Cape Sierra hotel as well as a 3\*Seen hotel (140 keys) should enter the market in 2017. 100 additional keys could also be developed within 2018 in the midscale segment, but haven't been confirmed yet. Overall, 350 international rooms should enter the market by 2018.

## Performance

Business demand has followed a positive trend since 2008, with a strong recovery in 2011, which de facto impacted the market average occupancy.

In 2013, occupancy rates positioned around 65% for the most qualitative units reaching 75% to 80% for the highest performing units, explained by the size of the hotels and their positioning (corporate contracts). During Ebola crisis average performances dropped dramatically. Some hotels, adapted to international travellers were less affected, benefiting from the presence of NGO and International organizations.

In 2015, the occupancy rate was slightly below 2013 level, impacted by the additional entry of over 200 keys in 2014 (including independent hotels). This impacted the performances of exiting units which had benefited from a non-competitive position until then.

## Development Prospects

IMF after its final review under the Extended Credit Facility estimates that the economy proved resilient in the face of two major exogenous shocks: the Ebola epidemic and collapse of iron ore prices in 2014-2015.

WHO declared Sierra Leone free of EVD transmission in March 2016. Growth is expected to improve gradually in 2016-17, reaching successively 4.3% and 5%, supported by new investments in mining, agriculture and fisheries. The growth is projected to remain sustainable over the medium term, according to the IMF.

Whereas many opportunities remain largely impeded by the underdevelopment of infrastructure, and an investment and business climate to improve, economic growth prospects are encouraging for the coming years. Hence business demand should increase.

We believe that the consolidation of the international supply, should have a positive impact on the market, offering suitable and secured alternatives for business travellers. The arrival of additional international operators should further structure the market, with the strengthening of the mid-range segment.

However, Freetown, whose market has already integrated 300 rooms in two years should absorb 350 more within 2018. Based on the significant pipeline, despite the economic rebound, we hence expect the market to experience a drop in occupancy until the absorption of the additional units in the mid-term.

Although tourist flows remain very limited or non-existent, in the long term, we believe that there is a potential in Sierra Leone for the development of leisure and beach tourism, assorted with ecotourism in the rest of the country.

## WRITTEN BY:

**BÉATRICE MONTAGNIER****Director**

Horwath HTL West &amp; Central Africa

email: [bmontagnier@horwathhtl.com](mailto:bmontagnier@horwathhtl.com)

*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).*

**HORWATH HTL WEST & CENTRAL AFRICA**

7, Avenue Noguès – Abidjan Plateau 5th Floor,

SCI BROADWAY (BSIC) building

01 BP 5754 Abidjan

Ivory Coast

+225 20 30 49 71

+237 6 91 68 09 29

[www.horwathhtl.com](http://www.horwathhtl.com)



*Hotel, Tourism and Leisure*

#### **ASIA PACIFIC**

AUCKLAND, NEW ZEALAND  
auckland@horwathhtl.com

BANGKOK, THAILAND  
ischweder@horwathhtl.com

BEIJING, CHINA  
beijing@horwathhtl.com

HONG KONG, SAR  
hongkong@horwathhtl.com

JAKARTA, INDONESIA  
jakarta@horwathhtl.com

KUALA LUMPUR, MALAYSIA  
kl@horwathhtl.com

MUMBAI, INDIA  
vthacker@horwathhtl.com

SHANGHAI, CHINA  
shanghai@horwathhtl.com

SINGAPORE, SINGAPORE  
singapore@horwathhtl.com

SYDNEY, AUSTRALIA  
rdewit@horwathhtl.com

TOKYO, JAPAN  
tokyo@horwathhtl.com

#### **AFRICA**

**ABIDJAN, IVORY COAST**  
cspecht@horwathhtl.com

KIGALI, RWANDA  
fmustaff@horwathhtl.com

CAPE TOWN, SOUTH AFRICA  
capetown@horwathhtl.com

#### **EUROPE**

AMSTERDAM, NETHERLANDS  
amsterdam@horwathhtl.com

ANDORRA LA VELLA, ANDORRA  
vmarti@horwathhtl.com

BARCELONA, SPAIN  
vmarti@horwathhtl.com

BELGRADE, SERBIA  
slovreta@horwathhtl.com

BUDAPEST, HUNGARY  
mgomola@horwathhtl.com

DUBLIN, IRELAND  
ireland@horwathhtl.com

BERLIN, GERMANY  
germany@horwathhtl.com

ISTANBUL, TURKEY  
merdogdu@horwathhtl.com

LISBON, PORTUGAL  
vmarti@horwathhtl.com

LIMASSOL, CYPRUS  
cmichaelides@horwathhtl.com

LONDON, UK  
eheiberg@horwathhtl.com

MADRID, SPAIN  
vmarti@horwathhtl.com

OSLO, NORWAY  
oslo@horwathhtl.com

PARIS, FRANCE  
pdoizelet@horwathhtl.com

ROME, ITALY  
zbacic@horwathhtl.com

SALZBURG, AUSTRIA  
austria@horwathhtl.com

WARSAW, POLAND  
dfutoma@horwathhtl.com

ZAGREB, CROATIA  
zagreb@horwathhtl.com

ZUG, SWITZERLAND  
hwehrle@horwathhtl.com

#### **LATIN AMERICA**

BUENOS AIRES, ARGENTINA  
cspinelli@horwathhtl.com

DOMINICAN REPUBLIC  
speralta@horwathhtl.com

SANTIAGO, CHILE  
cspinelli@horwathhtl.com

#### **MIDDLE EAST**

DUBAI, UNITED ARAB EMIRATES  
kdrubbel@horwathhtl.com

#### **NORTH AMERICA**

ATLANTA, USA  
pbreslin@horwathhtl.com

DENVER, USA  
jmontgomery@horwathhtl.com

MIAMI, USA  
acohan@horwathhtl.com

MONTREAL, CANADA  
pgaudet@horwathhtl.com

NEW YORK, USA  
pbreslin@horwathhtl.com

TORONTO, CANADA  
pgaudet@horwathhtl.com