

PwC Hotels Outlook 2017-2021: Africa's hotel sector remains resilient

According to PwC Southern Africa's Hospitality and Gaming Industry Leader, Pietro Calicchio, Africa's hotel sector has remained resilient in the face of strong economic headwinds. PwC's 7th edition of the [Hotels Outlook: 2017-2021](#) features information about hotel accommodation in South Africa, Nigeria, Mauritius, Kenya, and Tanzania. PwC has also taken a closer look at Ghana and Ethiopia as emerging hotel markets.



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The hospitality sector in South Africa is poised for further growth in the next five years, strengthened by inbound travellers amid a difficult and volatile economic climate. The report projects that South African hotel room revenue will grow by 10.1% in 2017 to R17.5b. Overall hotel room revenue for South Africa is expected to expand at a 9.3% compound annual rate to R24.8b in 2021 from R15.9b in 2016.

The outlook for 2017 is positive with an increase in the number of international visitors to South Africa expected. Domestic tourism is also anticipated to increase by 2.2% in 2017.

“One of the positive outcomes for the hotel market in South Africa was the amendment of visa requirements that required foreign visitors from certain countries to provide biometric data in person. International visitor numbers to South Africa rebounded significantly in 2016 with a 12.8% increase as compared to the 6.8% decrease in 2015,” Calicchio comments.

Visits from China and India increased in 2016 as a result of the relaxation in the visa requirements, travellers from China to South Africa increased by 38% and India recorded a 21.7% increase. Of non-African countries, the UK is still the largest source of visitors to South Africa at 447,840 in 2016.

Of the African countries, the largest number of foreign visitors to South Africa in 2016 came from Zimbabwe at two million, followed by Lesotho at 1.8m and Mozambique at 1.3m. In addition, visits from East and Central Africa also rose by 11.2% in 2016.

It is promising to note a growing number of new hotels planned for the South African market over the next five years. The overall number of available rooms is expected to increase at a 0.9% compound annual rate, thereby adding 2,700 rooms over this period.

Nigeria is expected to be the fastest-growing market from a revenue perspective over the next five years with a projected 14.7% compound annual increase in revenue, benefitting from an improving economy, continued growth in domestic tourism, and expansion in the number of available rooms. South Africa is projected to be the next-fastest growing market with a 9.3% compound annual increase in room revenue, most of which will be generated by rising average room rates and continued but moderating growth in tourism.

The emergence of peer-to-peer inventory from entities such as Airbnb has bolstered growth in non-hotel accommodation. Ongoing growth in the peer-to-peer sector over the next few years will make the market more competitive, which may limit room-rate growth for hotels.

The revenue for the five markets as a group is forecast to rise at an 8.7% compound annual rate to R59.2b in 2021 from R39b in 2016.

Hotel accommodation: South Africa – Nigeria – Mauritius – Kenya – Tanzania

Overall, room revenue in South Africa rose 12.2% to R15.8 billion in 2016, the biggest increase since 2013. Over the past five years, the occupancy rate has risen, surpassing the 60% level and reaching 61.2% in 2016. This gain has stimulated interest and a number of new hotels are expected to open in the next five years. Five-star hotels have had the highest occupancy rates in the market at 79.3% in 2016. Room revenue for five-star hotels is expected to expand at an 11.4% compound annual rate to R4.2 billion in 2021 from R2.4 billion in 2016.

The hotel sector in Cape Town flourished in 2016 as it is the dominant tourist destination in the country. Over the next five years, 55% of all the rooms expected to be added in South Africa will be in Cape Town. Durban's hotel market attracts more tourists than Johannesburg, but fewer than Cape Town. Although Durban benefitted from the pick-up in tourism in 2016, a weak business market held back overall growth.

Elsewhere on the African continent, a number of initiatives have taken place to promote tourism and positively impact the hotel market. The hotel market in Nigeria rebounded in 2016 with a 5.2% increase in total revenue.

In 2016 the number of tourists to Mauritius increased by 10.8%. The hotel market has benefitted from an increase in direct flights and government investments in tourism. Room revenue increased by 15.3% in 2016 due to the 9% increase in guest nights together with an increase in average room rates.

The tourist market in Kenya rebounded in 2016 following four years after decline. The government has introduced a number of initiatives to boost tourism. Hotel room revenue is projected to grow at 6.2% compounded annually to 2021. Over the last year, tourism increased in Tanzania despite the imposition of an 18% VAT on tourism services.

Calicchio adds: "Many destinations have invested in improving and promoting the quality of their tourism offering and are reaping the benefits. In addition, we are seeing the impact of technological disruption play a part over the past year in certain countries."

Outlook: South Africa 2017-2021

The number of available rooms is projected to rise at a 0.9% compound annual rate to 63,900 in 2021 from 61,200 in 2016. Guest nights are forecast to increase at a 1.8% compound annual rate to 15m in 2021 from 13.7m in 2016, with occupancy increasing to 64.3% in 2021 from 61.2% in 2016.

Outlook: Nigeria – Mauritius - Kenya - Tanzania

A number of projects in Nigeria have been delayed or postponed in the wake of the recent economic uncertainty. An 18-month moratorium was placed on hotel construction in Mauritius in November 2015. “Consequently we now expect a smaller expansion in the number of available rooms that we predicted in last year’s Outlook report,” Calicchio adds. Nevertheless, there is still a lot of activity in the market for new hotels which will continue to expand overall hotel capacity.

Nigeria is projected to be the fastest-growing market from a revenue perspective over the next five years. This is mainly due to an improved economy, continued growth in domestic tourism, and expansion in the number of available rooms. Overall hotel room revenue is expected to expand at a 14.6% compound annual rate to \$517m (R7.6b) in 2021 from \$261m (R3.8b) in 2016.

Mauritius is projected to be the slowest-growing of the five countries, with a 6.2% compound annual increase in room revenue. While there is a moratorium on new projects in place in the near term and relatively few rooms expected to be added through 2021, growth in the non-hotel inventory will ease pressure on average room rates.

In Kenya, the number of available rooms is projected to increase from 18,600 in 2016 to 21,000 in 2021. Total room revenue is forecast to rise by 7.5% compounded annually. Tourism is the largest industry in Tanzania, accounting for more than 17% of GDP. Total room revenue is expected to rise to \$371m (R4.6b) in 2021 from \$224m (R3.3b) in 2016.

Calicchio adds: “The hotel market in each country is affected by both the local and global economy, with some countries being more dependent on foreign visitors than others. We are also seeing certain local governments continuing to invest in infrastructure and implementing other plans to unlock the substantial potential that this industry has to bring.”

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