

HVS supports Nairobi Hotel Investment Forum

The siege in Nairobi's Westgate shopping mall has raised obvious concerns over security and safety in a country poised for growth. This was the conclusion of HVS London director Tim Smith, attending the Africa Hotel Investment Forum 2013 in Nairobi this week, following the decision by organisers to go ahead with the conference.

"The message to militant groups has to be that it's business as usual," commented Smith.

HVS London has this week published a new report outlining prospects for Nairobi's hotel sector. Written before the siege, the report outlines the fact that while occupancy in Nairobi's hotels has fluctuated over the past three years, peaking at 67% in 2011 before falling back to 59% in 2012, average rates have grown from US\$135.37 in 2010 to US\$147.01 in 2012. This has boosted revPAR by 6.85% during this period.

Said report author Samantha Muna, HVS's East Africa representative: "By 2017 we still forecast occupancy to have recovered to 62% and total room nights sold to have risen by 65% from 2010. Our forecast of average daily rate [ADR] shows modest growth to 2016 as the market absorbs new supply. By 2017 we expect average rate to have risen to around US\$168 with a revPAR growth of around 28.25% since 2010.

The current room count of the Nairobi hotel sector is estimated to be around 6,000, a figure that is rapidly growing as new supply enters the market. This supply has been welcomed, as many existing hotels in Nairobi are tired and in need of refurbishment.

International hotel brands represented in Nairobi include Best Western, Crowne Plaza, Fairmont, Hilton, Intercontinental, Kempinski and Southern Sun, while others such as Accor, Hyatt, Marriott, Rezidor and Starwood have yet to be represented in the city. However, many are known to be searching for opportunities or have developments underway as the number of tourists visiting Nairobi continues to grow and demand for accommodation and conferences strengthens.

"The development pipeline remains strong with a number of local and internationally branded properties set to enter the market over the next few years," says Samantha Muna.

In Nairobi, total international arrivals have registered a compound annual growth rate (CAGR) of 4.3% in the period of 2000 to 2012. Some 47% of international arrivals to the country are from Europe, although Asian markets are becoming increasingly important.

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