

Covid-19 is threatening hotel development growth in Africa

As an important industry in Africa, tourism has created both direct and indirect jobs - sustaining foreign currency earnings. According to the 12th annual survey by W Hospitality Group, African hotel development had returned to growth at the start of 2020, with more than 78,000 rooms in 408 hotels in the pipeline; however, with the rise of the Covid-19 outbreak, Africa's hotel industry has been hard hit.



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W Hospitality Group's managing director, Trevor Ward, said: "The growth of the chains' presence in Africa has been a very positive story since we started this analysis in 2009. It is quite clear from the numbers that the chains, the developers, the investors – and all of us at W Hospitality Group – continue to believe in the opportunities that Africa presents in the hotel and tourism industry.

"However, our industry has been devastated by the impact of Covid-19, possibly more so than most other economic sectors, mainly because of the almost total shutdown of borders and of the aviation sector – no flights means no guests."

"With that background, we see a slowdown in pipeline growth in 2020, as we all get to grips with the new reality. With so many of the players locked down, fewer deals will be signed, and it is inevitable that some of the planned openings in 2020 will be delayed, due to closed or slower-paced construction sites, restrictions on funding and a lack of market demand.

"According to our latest data, there are 90 hotels with 17,000 rooms scheduled to open in 2020, but we estimate that at least half of these will be delayed, bringing the actualisation rate down to no more than 40%."

Development performance

This year's [African Hotel Chain Development Pipeline survey](#) covers 35 international and regional hotel contributors across the 54 countries in North and sub-Saharan Africa and in the Indian Ocean islands. It reveals a 3.6% increase in the 2019 pipeline.

Most encouraging was a record 68 chain hotels opening last year, fully 75% of those which were scheduled to open, with 11,000 rooms. That performance was substantially up from the 39% of those scheduled to open in 2018 actually doing so. Accor performed particularly well; it opened 18 hotels last year with almost 3,500 rooms in its various brands, ranging from Ibis to Fairmont.

The findings of the 2020 Pipeline report, together with a mid-year update, will be discussed in depth at Bench Events' new virtual conference, Africa Tomorrow, to be held on 21 July. This event is complementary to the Africa Hotel Investment Forum (AHIF), which has in previous years connected business leaders to serious investors, driving funds into tourism projects, infrastructure and hotel development across the continent.

Marriott, the world's largest hotel chain, has the largest pipeline in Africa, 22% more hotels and 6% more rooms than second-placed Accor, but Accor has been catching up fast, signing 25 new deals last year, compared to Marriott's 17 new projects

Hotel Chain Development Pipelines in Africa 2020

Top 10 Chains by Number of Planned Rooms					
		Hotels	Rooms	Change on 2019	Average Size
1	Marriott International	90	17,902	5.90%	199
2	Accor	74	16,868	24.60%	228
3	Hilton Hotels & Resorts	53	10,093	-10.00%	190
4	Radisson Hotel Group	38	7,385	-17.70%	194
5	InterContinental Hotel Group	13	2,642	38.80%	203
6	Barceló Hotels & Resorts	8	2,488	-	311
7	Meliá Hotels & Resorts	6	1,954	-15.70%	326
8	Hyatt International	11	1,859	23.40%	169
9	Mangalis Hotel Group	13	1,522	-14.50%	117
10	Deutsche Hospitality	4	1,503	32.00%	376

If Accor can open its hotels in 2020 at the same rate that it did in 2019, it is likely the company will overtake Marriott and position itself as the largest operator in Africa.

Top 10 Chains: Pipeline vs Existing Hotels in Africa						
		Pipeline		Existing		Pipeline vs Existing (Rooms)
		Hotels	Rooms	Hotels	Rooms	
1	Marriott International	90	17,902	139	24,567	73%
2	Accor	74	16,868	155	25,688	66%
3	Hilton Hotels & Resorts	53	10,093	48	13,344	76%
4	Radisson Hotel Group	38	7,385	41	8,254	89%
5	InterContinental Hotels Group	13	2,642	27	6,329	42%
6	Barceló Hotels & Resorts	8	2,488	14	3,203	78%
7	Meliá Hotels & Resorts	6	1,954	12	3,084	63%
8	Hyatt International	11	1,859	8	1,838	101%
9	Mangalis Hotel Group	13	1,522	4	572	266%
10	Deutsche Hospitality	4	1,503	15	4,888	31%
TOTAL		310	64,216	463	91,767	70%

Trevor Ward said: "We have to wait and see what will happen in the second half of 2020, and in 2021, as we emerge from lockdown and other restrictions. Tourism is such an important industry in Africa, because of the direct and indirect jobs that it creates and sustains, as well as its strong foreign currency earnings. We are anxious to see hotels reopen and get back to contributing to the African growth story."

Matthew Weihs, managing director of Bench Events, which is staging Africa Tomorrow, said: "Right now, we are facing the biggest recession in history. For those seeking to operate hotels, it is a dreadful time.

"However, for the savvy investors, this is actually a moment of opportunity because hotels are a long-term investment and one of the secrets of success is to spend money during the bottom of the economic cycle in order to capitalise on the upturn as soon as it comes. That's one reason why I expect the networking sessions at Africa Tomorrow will be very busy and fruitful."

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