

Major hotel groups to discuss growth strategies for West African hotel sector at WAPI Summit

In recent years, West Africa has been at the heart of the continent's growth and economic transformation. The region will be better integrated from a local and international context as many of the countries continue to stabilise and this increased integration raises the need for quality travel and accommodation infrastructure.



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The growth of the hotel sector is an important indicator of how well a market is developing its travel infrastructure, and the indicators for West Africa are mixed. According to [W Hospitality Group's 2017 Hotel Chains Pipeline report](#), West Africa has a pipeline of 114 hotels and 20,790 rooms, accounting for 42% of the sub-Saharan African hotel pipeline. However, of these hotel deals signed and planned, only approximately 9,875 rooms, or 48% have moved to construction.

In addition, projects in the region have longer than average development periods at approximately six years, compared to the two- to three-year development programme that is usually planned. Some of the reasons for these delays are high capital investment required, lack of access to adequate financing options, limited access to raw materials, high construction and material costs, a heavy reliance on importation, the inadequate technical capacity to manage the development programme, and other barriers to entry.

Three markets dominate the West African hotel pipeline

Of the hotel pipeline for West Africa, Nigeria contributes 49.6% or more than 10,000 hotel rooms (in 61 hotels). Nigeria is also the top market in Africa for planned rooms.

The other substantial markets in West Africa include Cape Verde with 11 hotels and 3,478 rooms, and Senegal with 14 hotels and 2,164 rooms. These three markets contribute a total of 15,955 hotel rooms, or 77% of the West African hotel pipeline.

Approximately 57% of the pipeline in these countries have moved to site, however, some of these projects have been stalled for some time. In a country, like Nigeria, this can be significant. For instance, 40% of Nigeria's pipeline was signed between 2009 and 2014, and a large portion of these projects is still in the "planning" phase. In Senegal only approximately 44% of the deals signed have moved to site.

Low completion rate troubling for the development of the hotel sector

Although the pipeline of hotels to the sub-region is encouraging and indicative of strong investor interest, the low completion rate of projects could be troubling for the development of the hotel sector. It is also difficult for the hotel chains whose expansion plans in these markets rely on partnerships with local and foreign investors to develop these hotels. All the major global hotel chains have strong expansion plans to increase their operating presence on the continent, and in West Africa.

The growth strategy for these hotel chains has traditionally relied on their development teams signing deals for new build hotels, primarily with their flagship brands, with local owners. However, more chains are adopting creative expansion strategies, such as conversions and rebranding of existing properties, acquisition of existing local hotel operators, affecting growth through the franchise model, or developing owned hotels first.

Growth strategies

Senior representatives from major hotel groups such as Hilton, Carlson Rezidor and Mangalis, and other key hotel experts will be discussing growth strategies in the ever-changing West African economic environment at the upcoming [West Africa Property Investment \(WAPI\) Summit](#) to be held on November 28 & 29 at the Eko Hotel, Lagos Nigeria.

Hilton recently announced a plan to support the conversion and rebranding of 100 existing hotels through its Hilton Africa Growth Initiative, by committing \$50m to supporting these conversions. Commenting ahead of the conference, Mike Collini, vice president development sub-Saharan Africa, Hilton, remarked on the opportunities presented by the inadequate hotel supply.

He said: "To overcome this we are looking at rolling our focused service brands in key markets with a focus on our Hilton Garden Inn product. We are also pioneering the use of modular construction with a new Hilton Garden Inn in Accra, which is a fast and cost-effective build model for owners and developers."

Andrew McLachlan, Carlson Rezidor's senior vice president Africa and Indian Ocean for development, said in a direct comment to [Estate Intel](#): "Today we have 17 hotels open or under development in the region and in our new five-year development strategy we have identified five Tier 1 Cities in West Africa (Lagos, Abuja, Accra, Abidjan and Dakar) where we see scaled growth opportunities... across the luxury to midscale hotel segment." McLachlan also commented on the model of conversion of existing hotels, saying that the group sees an opportunity to adopt this model to reposition the hotel under its management, particularly in cases where the existing hotel may not be performing to its full potential.

Newcomer and regional hotel chain, Mangalis Hospitality Group, intends to increase its presence in West Africa, in the next five years. Wessam Oshaka, in a statement to Estate Intel, reiterated the group's "ambition to operate at least 13 hotels by 2020 in West Africa." The group had initially focused development on owned hotels in core markets such as Cote d'Ivoire and Senegal, but the second phase of development will now focus on management agreements, resulting in a portfolio that will comprise 75% owned hotels and 25% managed hotels.

Oshaka explains: “Africa as we know, suffers from a lack of properties responding to the needs of modern travellers. The region comes with its challenges especially in terms of financing, logistics and skilled workforce. Taking all these factors into account, we adopted the most suitable approach for a healthy growth plan.”

The hotel sector discussions at WAPI will expand on these topics, highlighting the success cases and the more challenging markets. The discussions will also centre on key indicators of hotel performance in West African markets.

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