



Horwath HTL™

Hotel, Tourism and Leisure

Special Market Reports
Issue 27 - WEST AFRICA

August 2014



GENERAL ENVIRONMENT

West Africa experienced an average economic growth rate of 6.4% between 2010 and 2013, and positions as the fastest-growing region in Africa, which should be confirmed in 2014 (gross-domestic-product growth rate forecasted at 7.1%), according to the Economic Community of West African States. This can be mainly attributed to the sustained growth in commodity prices (oil, minerals, agriculture) and services (telecom, banking, etc.).

Nigeria represents 75% of West Africa's GDP, followed by Ghana (8%) and Ivory Coast (4%), according to World Bank. The growth dynamic is driven by the major coastal cities, including Lagos, Accra, Abidjan, Lome, Cotonou and Dakar, which play a major role in international gateways for inland countries. Due to their important port infrastructures, goods are transiting from coastal West Africa to the hinterland by road or train.

The levels of social and political stability in the region are diverse, with several countries being considered as strongholds of democracy (such as Ghana and Senegal). Threats of terrorism and conflicts are limited to a few areas. Thus, the economic outlook of the region, in particular of the business tourism sector, remains promising.

West Africa has been affected by the Ebola outbreak since beginning of 2014. The outbreak is affecting Guinea, Nigeria, Sierra Leone and Liberia. The epidemic has started to affect certain national economies with the disruption of travel and business, and it is estimated that this should affect growth.

TOURISM

As opposed to the rest of Africa, which has experienced important tourist growth in the last decades, tourism in West Africa remains marginal.

- Western countries developed seaside tourism (Cape Verde in a large extent and secondarily Senegal and The Gambia), based on a favorable climate all year long.
- Northern countries are unable to develop sustainable tourism supply due to security issues. The rise of terrorism in Sahel countries significantly disrupted tourism development, affecting emerging tourist areas.
- Business travel dominates in the whole region. Coastal cities concentrate most of the corporate and meetings, incentives, conventions and exhibitions activities, with a favorable positioning of Accra for regional conferences, followed by Dakar. The strong development of Abidjan, Lagos, Abuja and the potential of Lome is to be noted.

AVIATION & TRANSPORTATION

Major international airports in West Africa include Lagos, Abuja, Port Harcourt, Accra, Dakar and Abidjan, which all counted more than 1 million passengers in 2013, according to information from tourism ministries and international airports.

However, West Africa suffers from expensive airfares while local infrastructure, and airlines suffer from an image of poor quality and reliability.

Nevertheless, air transport has made progress over the last decade, through different projects:

- opening of new destinations through the creation of the pan-African airline Asky in 2010 and national companies (Arik Air, 2006; Gambia Bird, 2012; Air Côte d'Ivoire, 2012) and the opening of low-cost flights;
- programs of renovation or construction to provide major hubs (Lagos, Abidjan, Dakar, Lome), often strengthened by the development of airport cities nearby; and
- an increasing number of long-haul destinations directly connected to West African airports (South America, Middle East, etc.).

Other means of transportation remain marginal as most of the road network is poor and in a need of rehabilitation. Furthermore, train is hardly used by international visitors.

HOTEL DEVELOPMENT & TRENDS

Hotel supply in West Africa is dominated by independent supply. It is generally underdeveloped and of poor quality, generating demand pressure. As a consequence of a predominant business demand, hotel development is driven by the increasing number of international business travelers, in light of the economic growth of the region.

Brand penetration has been limited so far, and Accor has historically dominated the market. Hotel supply is upgraded progressively due to the arrival of international hotel operators in the 4-star segment (Hilton Worldwide Holdings, Marriott International, Rezidor Hotel Group, Starwood Hotels & Resorts Worldwide, Kempinski). Budget supply is structured by the penetration of international products. The upper-luxury segment is limited to few specific markets (Lagos, Accra) as the other markets are not mature enough.

Hotel performance in the business cities is satisfying, underlining the lack of supply but also market dynamics (Abidjan hotels recovery after crisis).

There are two main types of visitors' flows:

- Domestic and regional flows (local organisations, NGOs...) targeted by midscale hotels issued from local initiatives (Azalaï, Protea, Onomo...) and budget brands as Ibis.
- International flows (international and regional companies...) targeted by internationally branded hotels, especially in the 4-star segment.

According to Horwath HTL, some 13,000 rooms are under development in West Africa, including 6,500 under construction. Each capital of the region can host a minimum of three internationally-branded hotels in average with a capacity of 150 to 200 rooms, resulting in 15,000 potential additional rooms to be developed. This means that a minimum of 1,500 rooms still can be constructed without impact on occupancy. Considering that all current projects won't be completed, due to financial and technical reasons, the actual potential is much higher.

In this context, hotel investment strategy must be thought at the regional scale, first considering the capitals of the coastal line and then secondary cities. A multiplier effect on brand awareness is to be expected in countries where several hotels of a same brand are under operation.

Therefore, West Africa can be considered as a two-tier region:

- Tier 1: Nigeria (Lagos, Abuja, Port Harcourt), and to a lesser extent, Ghana (Accra, Takoradi) and Ivory Coast (Abidjan, Yamoussoukro), can justify creating a hotel network in the capitals and selected regional cities.
- Tier 2: In all other countries, markets are small or not mature enough to justify hotel developments outside the capital cities for the time being.

CONCLUSION

It is Horwath's opinion that hotel investment opportunities in West Africa are material and driven by the following factors:

- The increase in business demand supported by the continued economic growth, the rise in air traffic and the increasing number of regional exchanges;
- A deficit in hotel capacity and quality as supply is unable to match demand in certain destinations

A critical factor affecting the materialization of the hotel potential in West Africa is the ability to maintain a context of political stability and security. This remains a challenge, specifically in Sahel countries.

WRITTEN BY:



BEATRICE MONTAGNIER

Director

Horwath HTL Senegal

email: bmontagnier@horwathhtl.com

Beatrice Montagnier worked as a consultant in the tourism & leisure consulting industry for 5 years before joining Horwath HTL in 2006. She specialized in market and programming studies and hotel strategies, especially for urban or resort projects. Based in Dakar, she is in charge of Horwath HTL Office in Senegal. Her international experience includes the Maghreb region, the Mediterranean region and Sub-Saharan Africa.

HORWATH HTL SENEGAL

Point E, BP 45235,

Dakar, Senegal

T +221 77 288 77 77

www.horwathhtl.com



ASIA PACIFIC

AUCKLAND, NEW ZEALAND
auckland@horwathhtl.com

BANGKOK, THAILAND
ishweder@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
jsmith@horwathhtl.com.au

TOKYO, JAPAN
tokyo@horwathhtl.com

AFRICA

CAPE TOWN, SOUTH AFRICA
capetown@horwathhtl.com

DAKAR, SENEGAL
bmontagnier@horwathhtl.com

LATIN AMERICA

BUENOS AIRES, ARGENTINA
cspinelli@horwathhtl.com

SÃO PAULO, BRAZIL
mcarrizo@horwathhtl.com

MEXICO CITY, MEXICO
mjgutierrez@horwathhtl.com

DOMINICAN REPUBLIC
sotero.peralta@crowehorwath.com.do

SANTIAGO, CHILE
cspinelli@horwathhtl.com

BOGOTA, COLOMBIA
mjgutierrez@horwathhtl.com

EUROPE

AMSTERDAM, NETHERLANDS
amsterdam@horwathhtl.com

ANDORRA LA VELLA, ANDORRA
vmarti@horwathhtl.com

BARCELONA, SPAIN
vmarti@horwathhtl.com

BUDAPEST, HUNGARY
mgomola@horwathhtl.com

DUBLIN, IRELAND
ireland@horwathhtl.com

FRANKFURT, GERMANY
frankfurt@horwathhtl.com

ISTANBUL, TURKEY
merdogdu@horwathhtl.com

LISBON, PORTUGAL
vmarti@horwathhtl.com

LONDON, UK
eheiberg@horwathhtl.com

MADRID, SPAIN
vmarti@horwathhtl.com

MOSCOW, RUSSIA
mohare@horwathhtl.com

OSLO, NORWAY
oslo@horwathhtl.com

PARIS, FRANCE
pdoizelet@horwathhtl.com

ROME, ITALY
zbacic@horwathhtl.com

SALZBURG, AUSTRIA
gkroell@horwathhtl.com

WARSAW, POLAND
jmitulski@horwathhtl.com

ZAGREB, CROATIA
scizmar@horwathhtl.com

ZUG, SWITZERLAND
hwehrle@horwathhtl.com

NORTH/CENTRAL AMERICA

ATLANTA, USA
mbeadle@horwathhtl.com

ATLANTA, USA
pbreslin@horwathhtl.com

DALLAS, USA
jbinford@horwathhtl.com

CHICAGO, USA
tmandigo@horwathhtl.com

DENVER, USA
jmontgomery@horwathhtl.com

LOS ANGELES, USA
ynathraj@horwathhtl.com

LAS VEGAS, USA
lboll@horwathhtl.com

MONTREAL, CANADA
pgaudet@horwathhtl.com

NEW YORK, USA
sdavis@horwathhtl.com

PHOENIX, USA
ddean@horwathhtl.com

SAN FRANCISCO, USA
jhiser@horwathhtl.com

TORONTO, CANADA
horwath@horwathhtl.com