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Hotel outlook for Central Africa looks bright

With about 106 million inhabitants, Central Africa totals some 10% of total African population

Central Africa remains a region of political fragility with several active and looming conflicts—most of them with cross-border impacts—such as: violent clashes in Central African Republic since 2013; on-going conflict in Democratic Republic of the Congo, mainly in the east; and post-conflict situation dynamics in Chad. This situation also is subjected to uncertainty in regard of political changeovers.

However, the region stands as one of the wealthiest on the continent as a result of its abundant natural resources, including oil, gas and ore. Most Central African countries rely mainly on commodities and exports. Gabon, Republic of Congo and Equatorial Guinea ranked among the 10th biggest oil producers in Africa in 2013, while Cameroon, Chad, DRC also are exporters of crude oil.

Gross domestic product, constant prices - % change

Country	2011	2012	2013	2014	2015
Cameroon	4.1	4.6	5.5	5.1	5.2
Central African Republic	3.3	4.1	-36	1	5.3
DRC	6.9	7.2	8.5	8.6	8.5
Chad	0.1	8.9	3.9	9.6	6.7
Republic of Congo	3.4	3.8	3.3	6	7.5
Equatorial Guinea	5	3.2	-4.8	-2.5	-7.9
Gabon	6.9	5.5	5.6	5.1	5.4
São Tomé and Príncipe	4.9	4	4	5	5.5

GDP, current prices - Billions- US dollars

Country	2013	2014
DRC	29.9	32.7
Cameroon	29.3	32.2
Gabon	19.3	20.7
Equatorial Guinea	15.6	15.4
Chad	13.4	15.8
Republic of Congo	13.5	14.1
Central African Republic	1.5	1.7
São Tomé and Príncipe	0.3	0.4

Source: IMF, World Economic Outlook, October 2014

Regional macroeconomic figures remain favorable, and growth is forecasted to reach around 5% in 2014, according to the most recent data available from the United Nations' "World economic situation and prospects 2014."

Main features of Central African economies are as follows:

- The top three gross domestic products are sustained by oil exports for Gabon, combined with large domestic markets for Cameroon and DRC, resulting in improved macroeconomic fundamentals.
- Republic of Congo and Equatorial Guinea have seen growth in GDP impacted by the drop in oil prices in 2013.
- Chad and Central African Republic have suffered from serious national and regional political tensions.
- São Tomé & Príncipe remains isolated with an economy based on agriculture while offering potential for tourism.

Air access

The number of air passengers in Central Africa is significantly lower than in the other regions in Africa, according to ENAC and international airports data. Only Libreville and Brazzaville airports recorded more than 1 million passengers in 2013.

While continental connections grow faster than intercontinental connections, routes between West and East Africa remain an issue due to ill-adapted hubs and carriers. Yet, the sector has been improving over the last years through different projects:

- **Development of national and regional carriers:** Cameroon and Congo launched their own air company in 2011, improving connections to West Africa with Asky Airlines.
- **Major airport infrastructure projects** are under development in Kinshasa and N'Djamena and achieved in Brazzaville.

Tourism

Tourism has long been neglected by governments in favor of more lucrative sectors, and investment in infrastructures has thus been marginal. As a consequence, the region remains far behind the rest of Africa regarding tourism development and suffers from various negative factors:

- security, safety and sanitary issues;
- poor access factors and high air fares;
- barriers to entry (visa policy); and
- poor image.

Whereas the region shows significant potential for tourism growth, especially in terms of eco-tourism (Congo River, Gabonese forests, Mount Cameroon), foreign visitors remain most entirely business-oriented.

Governments are increasingly conscious that tourism could help build a better image for their countries.

São Tomé & Príncipe is the only country to have positioned itself as a leisure destination, while Gabon and Cameroon are setting up national strategies for tourism development.

Hotel development & trends

Hotel supply in Central Africa remains limited when compared to other regions of Africa. The development of hotels has emerged for a large part to match general demand from governments and international firms, of which most are oil-related. Hence, most hotels are to be found in capital cities.

Hotels also are in secondary cities near oil-production spots (Libreville/Port-Gentil, Yaounde/Douala, Brazzaville/Pointe-Noire). For brands, dual location in the capital city and near to production spots stands as an opportunity to develop sister hotels and benefit from economies of scale.

Hence, satisfying supply in line with global quality standards is estimated to amount to some 6,000 to 7,000 rooms, among which should be some 3,100 branded rooms, according to data from Horwath HTL. As a sign of their longstanding presence in the market, most existing properties show a need of refurbishment.

Demand is dominated by global business guests from oil and mining companies and from governmental bodies and non-governmental organizations. Over the few last years, the number of business arrivals has increased steadily. In addition, the increase in long-stay demand is underlining the potential for aparthotels.

Central Africa remains an immature hotel market dominated by independent economic and mid-range units. Most properties are far below expected global standards. Branded hotel supply has historically been limited and mostly dominated by Accor, Hilton Worldwide Holdings and Starwood Hotels & Resorts Worldwide, especially in coastal countries.

Supported by the economic growth and the improvement of the business climate over recent years, refurbishment programs have been engaged in existing hotels, and more diversified global brands plan to enter the market. However, important delays due to security and financial constraints often affect project completion.

Moreover, as a consequence of rapid urban development, residential and mixed-used projects are multiplying in the capitals. These major urban projects will have a significant impact on urban dynamics and support the development of the hotel market.

Among the most significant recent hotel openings: Laico (Bangui), management takeover of the Fleuve Congo Hotel by Kempinski (Kinshasa), Hilton (Malabo), Park Inn and Onomo (Libreville).

According to Horwath HTL, some 2,900 rooms are in the pipeline:

- Some of the "major brands" are extending their presence in Africa, with hotels mainly positioned in the 4-star segment (Marriott International, Rezidor Hotel Group, InterContinental Hotels Group).
- Regional chains (Azalaï, Onomo, Mangalis), still at an early stage of their development, have identified the opportunity to arrive in these markets—more specifically in the mid-range segment.

The projects pipeline witnesses these additions, according to Horwath HTL: Hilton (N'Djamena, Douala), Mangalis (N'Djamena, Kinshasa, Brazzaville, Douala), Marriott (Douala, Libreville), Kempinski (Oyala) and Accor (Kinshasa).

Conclusion

The outlook for hotel investment in Central Africa is positive. The region offers significant perspective for the hotel sector, deriving mainly from global business travel, whereas tourism and leisure remain limited.

Economic growth of the region has been robust and is supported by its growing population and strong demand for commodities. Over the few last years, most of the governments have taken measures to improve the business environment and to diversify economies.

Further growth will rely on the capability of individual countries to improve their infrastructure and to address the challenge of cheaper oil exports.

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