
Rooms with an African view

Hotels outlook: 2016–2020

South Africa – Nigeria – Mauritius – Kenya – Tanzania



6th edition

July 2016

Image courtesy of Tsogo Sun



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Hotels outlook: 2016–2020

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Sixth edition

PwC's team of hotel specialists provide an unbiased overview of how the hotel industry in South Africa, Nigeria, Mauritius, Kenya and Tanzania is expected to develop over the coming years. It details the key trends observed and discusses the challenges facing the sector as well as considering its future prospects.

Every day, PricewaterhouseCoopers (PwC) plays a significant supporting role in hospitality businesses across the world. With our local knowledge of culture, laws and business needs, we help clients make the most of changing market scenarios.

We understand how developments in the broader hospitality environment are affecting our clients and work with them as a trusted advisor to provide solutions to help improve organisational effectiveness and long-term success. More significantly, we focus on the issues and challenges that are of utmost importance to our clients. These include restructuring, talent management, changing revenue models, compliance, changing guest requirements and managing capital spend. We have made a substantial commitment to understanding the forces that are impacting these issues and continue to develop and deliver solutions to help our clients achieve their financial, operational and strategic objectives.

Hotels outlook: 2016-2020 demonstrates deep knowledge of the hotel market and is a powerful tool for understanding critical business issues. To learn more about the challenges and opportunities that lie ahead for the hotels industry in the countries covered by our Hotels outlook, please visit www.pwc.co.za/hospitality-and-leisure.

Africa's tourism industry

The tourism industry continues to be one of the fastest-growing and most vibrant sectors of Africa's economy. In spite of recent challenges, including the fall in oil prices, change in visa regulations in South Africa and contraction of the global economy, the sector has significant potential to create jobs, uplift inclusive economic growth across the continent, and reduce poverty.

Africa is steadily developing into one of the world's great regions for travel. With its exceptional, unfiltered fusion of breathtaking, life-inspiring offerings – history, heritage, culture, tradition, wildlife, natural beauty, and most importantly, the innate spirit of the continent's people – Africa never fails to create an imprint on the minds and hearts of travellers from across the globe.



Image courtesy of Tsogo Sun

Hotels Outlook: 2016 - 2020

South Africa – Nigeria – Mauritius – Kenya – Tanzania

Prepared and edited by:

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Research methodology

Historical data was derived from our analysis of Smith Travel Research (STR) data and local country data combined with other information on industry trends. Data was collected up until 30 June 2016. As some of the historical data was generated through surveys, year-to-year swings sometimes occur because of entities of different sizes being sampled rather than because of underlying industry trends.

Historical data from STR may also differ from one year to the next, reflecting differences in the make-up of the participating sample of hotels. We applied a harmonising model to smooth out these swings in order to better reflect underlying market trends.

We then developed forecasting models based on the historical performance of the hotel sector, economic prospects for each country and the rest of the world, and estimates of domestic and international overnight travel. We also took into account announced plans for expansion by hotel operators, as well as competition, pricing trends and the expected reaction of proprietors to changing occupancy rates.

Quantitative research and analysis was provided by Wilkofsky Gruen Associates Inc., a provider of global research and analysis of the hotel industry. See www.wilkofskygruen.com for more information.

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Requests should be submitted in writing to Pietro Calicchio at pietro.calicchio@za.pwc.com outlining the excerpts you wish to use along with a draft copy of the full report that excerpts will appear in. Provision of this information is necessary for every citation request to enable PricewaterhouseCoopers to assess the context in which the excerpts are being presented.

The market

This report covers hotels in South Africa, Nigeria, Mauritius, Kenya and Tanzania. The market consists of spending generated by renting rooms.

Figures for South Africa are expressed in rand; figures for Nigeria, Kenya and Tanzania are shown in US dollars (USD); and figures for Mauritius are expressed in euros. Tables showing comparisons between countries are in rand. We use a constant exchange rate for the 2016 – 2020 period.

Rand: USD	12.7425
USD: Naira	197.8724
Rand: Euro	14.1301
Euros: Mauritian rupee	38.9363
Euros: USD	0.9018
USD: Kenyan shilling	98.2035
USD: Tanzanian shilling	2 036.9180



Johannesburg
28 July 2016

To our clients and friends both in and beyond the hotel industry:

Welcome to the 2016 edition of our annual Hospitality publication, the *Hotels outlook: 2016-2020*. This edition focuses only on the hotels segment of the hospitality market, with detailed forecasts and analysis. It discusses the key trends observed in the hotel industry as well as critical challenges and future prospects.

In the South African market, revenue from hotel room accommodation rose 8.1% in 2015 to R14.2 billion, reflecting an increase in stay unit nights and a 6.5% rise in the average room rate.

International visitor numbers to South Africa decreased by 6.8% in 2015. However, there was an increase towards the end of 2015 and this trend has continued in 2016, with January 2016 international visitor numbers breaching the one million mark for the first time. The outlook for 2016 is positive, with international visitor numbers up by 16.8% for the months of January to April 2016 when compared to the same period in 2015. We forecast that hotel room revenue will grow by 11.9% in 2016 to R15.8 billion.

It is also promising to see a growing number of new hotels planned for the South African market over the next five years. We are forecasting an additional 2 600 hotel rooms to be added over this period.

This publication also features information about hotel accommodation in Nigeria, Mauritius, Kenya and for the first time this year, Tanzania.

The hotel market in Nigeria has not fared as well as South Africa with stay unit nights dropping 12% and room revenue down by 3.6% over the past two years. Hotel room revenue in Mauritius increased by 6.7% in 2015 and is projected to grow at 10.6% compounded annually to 2020. Kenya's hotel market is recovering, with growth being achieved for the first time in four years. This is projected to grow at 6.1% compounded annually to 2020. Tanzania's hotel room revenue amounted to US\$222 million in 2015, which is 14.4% up on the prior year. We are forecasting compound annual growth of 10.8% in this market to 2020.

The hotel market in each country is affected by both the local and global economy, with some countries being more dependent on foreign visitors than others. The growth forecast is therefore dependent on how well both the local and global economy performs and grows over the next five years.

We at PwC continue to stay on top of trends and developments that may impact hospitality companies, now and in the future, and look forward to sharing our thoughts with you.

We appreciate your feedback and ask that you continue to tell us what we can do to make our publications more relevant and useful to you. If you would like clarification on any matters covered in this publication, or you believe we can be of service to your business in any way, please contact one of our hospitality specialists listed on page 52 of this report.

Finally, we thank you for your support and wish you an exciting and rewarding year ahead.

Sincerely,

Pietro Calicchio
Director
Leader – Hospitality

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Overview



Image courtesy of Tsogo Sun

- The number of hotel rooms planned in Africa has increased from previous years and is continuing on the rise due to the developments in the pipeline across the continent.
- Overall room revenue in South Africa, Nigeria, Mauritius, Kenya and Tanzania rose 6.7% in 2015 the largest gain since 2011. Tanzania had the largest increase with a 14.4% gain, the result of a large increase in the average room rate that offset a drop in stay unit nights. Tanzania's market is heavily dependent on foreign tourism.
- Nigeria's long-term prospects remain positive for the hospitality industry, though the impact of its current weaker economy is likely to reflect in near-term hotel performance.
- Kenya's economic growth has been strong and a number of incentives have contributed to a recent increase in tourist and business arrivals. Occupancy rates in Nairobi and Mombasa remain high and the average room rate is on track for another healthy gain in 2016.
- The hotel market in Mauritius is also based on foreign tourism but, in contrast to Tanzania, it experienced an increase in stay unit nights in 2015, but a drop in the average room rate that resulted in an overall 6.7% increase in room revenue.
- Kenya and Nigeria are more dependent on business travel and domestic tourism than either Tanzania or Mauritius, in part because of declines in foreign tourism due to terrorism. Each suffered declines in stay unit nights in 2015 and room revenue in Nigeria fell 1.5%. In Kenya, a large increase in the average room rate led to a 6.1% increase in room revenue.
- South Africa also experienced a decline in foreign tourism in 2015, but an increase in domestic travel led to a small gain in stay unit nights and an 8.1% increase in room revenue as the average room rate increased.

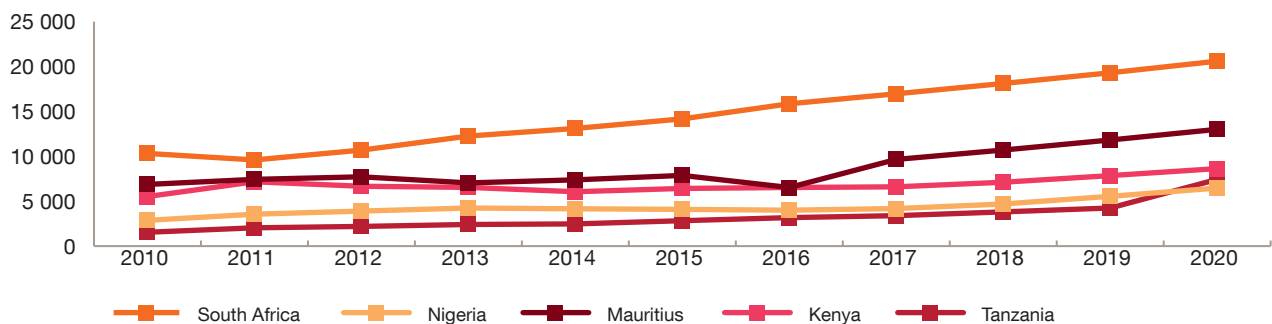
- In the first quarter of 2016, South Africa saw a resurgence in the industry due to the devaluation of the currency and the relaxation of certain of the visa regulations introduced in late 2014. This created a 15% year-on-year increase in visitor numbers for the period.
- Tanzania and Mauritius are projected to be the fastest-growing markets over the next five years, with projected compound annual increases in room revenue of 10.8% and 10.6% respectively. Most of the increase in Tanzania will be the result of growth in the average room rate, while nearly half of the gain in Mauritius will come from growth in stay unit nights. The Nigerian market will increase at a 9.6% compound annual rate as stay unit nights begin to expand again.
- We expect growth in South African room revenue to average 7.8% compounded annually, driven by modest growth in stay unit nights and mid-single-digit gains in the average room rate.
- We expect Kenya to be the slowest-growing country with a 6.1% compound annual increase in room revenue, helped by a rebound in stay unit nights beginning in 2018 and moderating growth in the average room rate.
- The five markets as a group will increase at an 8.6% compound annual rate to R53.4 billion in 2020 from R35.4 billion in 2015.

Hotel room revenue in South Africa, Nigeria, Mauritius, Kenya and Tanzania (R millions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20 CAGR
South Africa	10 317	9 594	10 688	12 249	13 100	14 165	15 844	16 958	18 105	19 296	20 586	
% change		-7.0	11.4	14.6	6.9	8.1	11.9	7.0	6.8	6.6	6.7	7.8
Nigeria	2 867	3 555	3 899	4 243	4 154	4 090	4 001	4 180	4 689	5 543	6 460	
% change		24.0	9.7	8.8	-2.1	-1.5	-2.2	4.5	12.2	18.2	16.5	9.6
Mauritius	6 867	7 432	7 715	7 037	7 376	7 870	8 874	9 651	10 696	11 813	13 000	
% change		8.2	3.8	-8.8	4.8	6.7	12.8	8.8	10.8	10.4	10.0	10.6
Kenya	5 518	7 161	6 664	6 537	6 053	6 422	6 524	6 601	7 110	7 849	8 627	
% change		29.8	-6.9	-1.9	-7.4	6.1	1.6	1.2	7.7	10.4	9.9	6.1
Tanzania	1 542	2 039	2 192	2 408	2 472	2 829	3 173	3 390	3 810	4 243	4 727	
% change		32.2	7.5	9.9	2.7	14.4	12.2	6.8	12.4	11.4	11.4	10.8
Total hotel revenue	27 111	29 781	31 158	32 474	33 155	35 376	38 416	40 780	44 410	48 744	53 400	
% change		9.8	4.6	4.2	2.1	6.7	8.6	6.2	8.9	9.8	9.6	8.6

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 1 Hotel room revenue in South Africa, Nigeria, Mauritius, Kenya and Tanzania (R millions)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

South Africa



Image courtesy of Tsogo Sun

Travel and tourism in South Africa

After growing at an 8.0% compound annual rate between 2009 and 2013, the number of foreign overnight visitors to South Africa rose only 0.2% in 2014 before falling 6.8% in 2015, a decline that would have been worse were it not for a rebound late in the year.

A factor cited as contributing to the decline was the implementation of a new visa regime that required foreign visitors from certain countries to provide biometric information, which meant they had to apply for a visa in person. There was also a requirement that children

under 18 provide a certified unabridged birth certificate and, in the case of a child travelling with a single parent or relative, a letter of consent from the parent not travelling was also to be provided.

In countries where there are only a few South African visa processing centres, such as China and India, it became difficult for people to obtain visas for South Africa. These serious difficulties led to the number of travellers to South Africa from China decreasing by 46% in 2014, while the decrease from India was 23.5%.

In October 2015, these restrictions were eased and further amendments are under consideration, including granting visas to those with visas to visit the United States or the United Kingdom, which have strict screening procedures, and allowing touring companies to obtain visas for their groups. Visits from China edged up 2.2% in 2015, but remained 45% lower than the peak in 2013, while visits from India fell an additional 8.5% in 2015 for a cumulative 30% decline over the past two years.



The number of foreign overnight visitors to South Africa rose only 0.2% in 2014 before falling 6.8% in 2015

Relaxing of visa regulations has positive impact

Key elements of the easing of the visa regulations that have had a positive impact on the tourism numbers in late 2015 and early 2016, include:

- BRICS countries visa benefits through accredited tourism company programme for member states.
- The Minister of Home Affairs, Malusi Gigaba, approved an accredited tourism company programme for China with the National Department of Tourism on 29 January 2016, confirming research that the tourism sector in China is highly regulated and therefore tourism operators are already accredited by the said Government.
- The Department of Home Affairs is looking at introducing an accredited tourism company programme for countries like India and Russia as well as considering a long-term multiple-entry visa for a period exceeding three months and up to three years for frequent travellers (for business meetings), business people and academics.

Future developments regarding visa regulations include:

- South African passports for minors will now detail both parents' particulars, replacing the unabridged birth certificate as the required document when travelling. The process, however, still needs to be rolled out.
- International visitors who have gone through the process of applying for a visa in order to enter South Africa, would not be required to provide birth certificate identification provided both parents are travelling with the minor, since that country's visa security checks would include birth certificate proof.
- In the next 12 months the Department of Home Affairs is looking to implement what could easily be the first step towards Africa's equivalent of the US Visa, by awarding certain categories of frequent travellers (businessmen and academics) from the rest of Africa extended multiple-entry visas for a period of up to 10 years.
- Visas on arrival for travellers with UK, US or Canadian visas, or any other country with stringent visa control.
- Biometric data collection to be implemented at OR Tambo International Airport.

Concerns about the Ebola virus may also have played a role in curtailing foreign visitors even though South Africa was not a major centre for the disease.

For 2015 as a whole, visitor number declines were recorded from every region except the Middle East and North Africa. Latin America recorded the steepest decline, 22.7%, in large part reflecting the weak economy in Brazil, a leading source of travellers to South Africa. Europe decreased 3.5%, North America was down 4.4%, while there were declines of more than 7% in visitors from the Asia-Pacific and African regions as a whole.

The 2016 visitor numbers show a favourable upturn in the market. This is further explained in the publication later on.

Source markets

Foreign overnight visitors by continent

	2014	2015	% change
Europe	1 379 321	1 331 349	-3.5
North America	369 801	353 450	-4.4
Latin America	65 118	50 304	-22.7
Middle East	38 932	39 482	1.4
Asia-Pacific	401 537	370 403	-7.8
Africa	7 279 814	6 746 114	-7.3
Unspecified	14 713	12 671	-13.9
Total	9 549 236	8 903 773	-6.8

Sources: Statistics South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Of non-African countries, the United Kingdom remains the largest source of visitors to South Africa at 407 486 in 2015, an increase of 1.4%. It was one of the few countries from where visitors increased in 2015, but that gain did not offset the overall 6.8% decline from 2014. Visits from the United States dipped below 300 000 in 2015, down 3.9% from 2014 and more than 14% lower than in 2013. Germany was down 6.5% in 2015 and 15% cumulatively from 2013, while Australia fell 10.8% in 2015 and 20% since 2013.

Foreign overnight visitors from top-ten non-African sources of travel to South Africa

	2013	2014	2015	% change 2013 – 2014	% change 2014 – 2015
United Kingdom	432 186	401 914	407 486	-7.0	1.4
United States	347 030	309 255	297 226	-10.9	-3.9
Germany	300 531	274 571	256 646	-8.6	-6.5
France	133 642	131 502	128 438	-1.6	-2.3
Netherlands	120 707	131 287	121 883	8.8	-7.2
Australia	124 717	111 213	99 205	-10.8	-10.8
India	111 930	85 639	78 385	-23.5	-8.5
China	153 662	82 905	84 691	-46.0	2.2
Canada	68 511	60 544	56 224	-11.6	-7.1
Italy	67 186	58 605	52 377	-12.8	-10.6

Sources: Statistics South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Of African countries, the largest number of foreign visitors to South Africa in 2015 came from Zimbabwe (2.1 million), followed by Lesotho (1.5 million) and Mozambique (1.3 million), but all were lower than in 2014. Of the visitors from the Southern African Development Community (SADC) countries, Botswana, Mauritius, Namibia, Seychelles and Tanzania were the only countries to record increases. The SADC countries in total accounted for 74% of South Africa's foreign visitors in 2015. Overall, visits from SADC countries were down 7.3% in 2015 to 6.6 million.

Foreign overnight visitors to South Africa from SADC countries

	2014	2015	% change
Angola	53 592	48 416	-9.7
Botswana	555 590	593 514	6.8
DRC	29 800	28 503	-4.4
Lesotho	1 501 642	1 394 913	-7.1
Madagascar	2 741	2 643	-3.6
Malawi	166 964	135 260	-19.0
Mauritius	16 772	17 020	1.5
Mozambique	1 283 016	1 200 335	-6.4
Namibia	211 453	212 514	0.5
Seychelles	5 294	6 253	18.1
Swaziland	918 490	838 006	-8.8
Tanzania	28 221	35 817	26.9
Zambia	176 972	161 259	-8.9
Zimbabwe	2 143 716	1 900 791	-11.3
Total SADC	7 094 263	6 575 244	-7.3

Sources: Statistics South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Visits from East and Central Africa fell 6.9% in 2015. Kenya is the leading source of visitors to South Africa from that area at 27 077, down 8.5% from 2014. Uganda was the next highest source at 11 561, 13.0% lower than in 2014.

Foreign overnight visitors to South Africa from East and Central Africa

	2014	2015	% change
Burundi	1 118	1 021	-8.7
Cameroon	4 545	5 122	12.7
Central African Republic	119	139	16.8
Chad	487	402	-17.5
Comoros	179	184	2.8
Congo	3 944	3 722	-5.6
Djibouti	89	120	34.8
Equatorial Guinea	479	606	26.5
Eritrea	637	619	-2.8
Ethiopia	7 070	7 210	2.0
Gabon	8 402	7 730	-8.0
Kenya	29 586	27 077	-8.5
Reunion	28	41	46.4
Rwanda	1 538	933	-39.3
São Tomé and Príncipe	143	112	-21.7
Somalia	173	241	39.3
Uganda	13 286	11 561	-13.0
Total East and Central Africa	71 823	66 840	-6.9

Sources: Statistics South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Visits from West Africa were down 10.6%. Nigeria and Ghana, which together comprised 84% of visits from that area, fell 10.6% and 18.2% respectively in 2015. The Nigerian economy slowed sharply in 2015, which was likely a contributing factor to the decline. The economy in Ghana also moderated, but not as severely as in Nigeria. The percentage decrease is high in comparison to the real numbers.

Foreign overnight visitors to South Africa from West Africa

	2014	2015	% change
Benin	1 887	2 047	8.5
Burkina Faso	855	816	-4.6
Cape Verde Island	690	640	-7.2
Côte d'Ivoire	2 260	2 354	4.2
Gambia	560	563	0.5
Ghana	19 789	16 184	-18.2
Guinea	1 952	1 565	-19.8
Guinea-Bissau	131	109	-16.8
Liberia	364	477	31.0
Mali	1 036	1 221	17.9
Mauritania	411	208	-49.4
Niger	302	394	30.5
Nigeria	65 973	59 002	-10.6
Saint Helena	121	189	56.2
Senegal	2 363	2 417	2.3
Sierra Leone	583	453	-22.3
Togo	515	610	18.4
Total West Africa	99 792	89 249	-10.6

Sources: Statistics South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

North Africa is not a major source of visitors to South Africa, accounting for only 0.2% of total visits from Africa, but it was the only area in Africa that recorded an increase in 2015, of 6.1%.

Foreign overnight visitors to South Africa from North Africa

	2014	2015	% change
Algeria	1 160	1 286	10.9
Egypt	6 514	7 210	10.7
Libya	1 353	702	-48.1
Morocco	1 465	1 606	9.5
South Sudan	940	1 088	15.7
The Sudan	1 399	1 725	23.3
Tunisia	1 105	1 164	5.3
Total North Africa	13 936	14 781	6.1

Sources: Statistics South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Foreign and domestic visitors

Tourism to South Africa picked up in December 2015 and remained strong in the first quarter of 2016. The number of visitors to Robben Island was up 43% in December 2015 and the Aerial Cableway on Table Mountain as well as the V&A Waterfront in Cape Town both had record seasons. Durban also had a record festive season with 1.4 million visitors in December 2015 – January 2016, up 20% from 2014/15.

The devaluation of the rand and, the relaxation of certain visa regulations has

had a positive impact on the tourism industry in South Africa, making the country a more attractive tourist destination. The ability of Chinese travellers to apply for their visas through accredited travel companies under the revised visa regulations has contributed to the upturn in visitor numbers.

The number of monthly overnight tourist visitors rose above the one million mark for the first time in January 2016 and was up 15% from 0.9 million in January 2015. Through April 2016, foreign overnight visitors to

South Africa was up 16.8% over the first four-months of 2015 Visitor numbers from Europe have increased by 13.6%, China 38% and North America 16.4% through to April 2016 when compared to the first four months of 2015.

As visits to South Africa increased in the latter part of 2015, we expect growth in 2016 to moderate during the latter part of this year. For 2016 as a whole, we project a 12.4% increase in foreign visitors.



Tourism to South Africa picked up in December 2015 and remained strong in the first quarter of 2016

Overnight tourist visitors (thousands)

	2015	2016	% change
January	878	1 013	15.4
February	681	804	18.1
March	733	905	23.5
April	720	796	10.6
Total	3 012	3 518	16.8

Source: Statistics South Africa

Recognising the importance of tourism to the South African economy, as well as the upturn in the industry, the President announced further investment in the tourist industry in early 2016. Tourism contributed 9% to South Africa's GDP in 2015.

Global economic growth, however, has been lacklustre in recent years, and is expected to remain so. While a global recession is not anticipated, modest global economic growth will limit growth in tourism.



Image courtesy of Tsogo Sun

We project the growth rate in the number of foreign overnight visitors to South Africa to fall below 4% annually beginning in 2018, but on the strength of near-term gains, the growth rate will average 5.8% compounded annually over the entire forecast period, rising from 8.9 million foreign visitors in 2015 to a projected 11.8 million foreign visitors in 2020.

Domestic travel has been the stronger sector over the past two years, rising 4.3% in 2014 and 1.7% in 2015. South Africa's economy is

weakening however, and we project domestic travel to decline in 2016. We then look for a rebound in 2017 and modest increases in subsequent years as economic growth improves. For the forecast period as a whole, we project a 2.1% compound annual increase in domestic travellers to 6.0 million in 2020 from 5.4 million in 2015.

The total number of travellers in South Africa will reach a projected 17.8 million by 2020, a 4.5% compound annual increase from 2015.



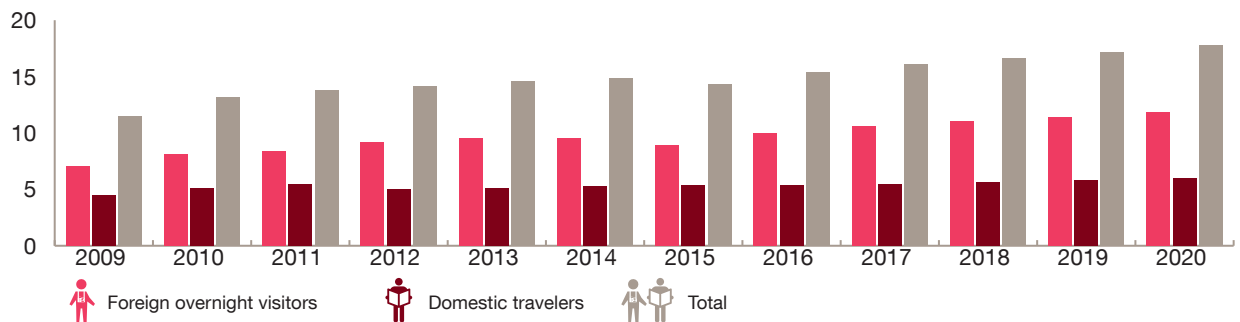
Domestic travel has been the stronger sector over the past two years, rising 4.3% in 2014 and 1.7% in 2015.

Travel and tourism to South Africa (millions)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Foreign overnight visitors	7.01	8.07	8.34	9.19	9.53	9.55	8.90	10.00	10.60	11.00	11.40	11.80	
% change	3.9	15.1	3.3	10.2	3.7	0.2	-6.8	12.4	6.0	3.8	3.6	3.5	5.8
Domestic travellers	4.49	5.13	5.43	4.97	5.09	5.31	5.40	5.35	5.45	5.60	5.78	6.00	
% change	1.6	14.3	5.8	-8.5	2.4	4.3	1.7	-0.9	1.9	2.8	3.2	3.8	2.1
Total	11.5	13.2	13.77	14.16	14.62	14.86	14.30	15.35	16.05	16.60	17.18	17.80	
% change	3.0	14.8	4.3	2.8	3.2	1.6	-3.8	7.3	4.6	3.4	3.5	3.6	4.5

Sources: Statistics South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 2 Domestic and foreign visitors (millions)



Sources: Statistics South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



We expect the overall number of available rooms to increase at a 0.7% compound annual rate to 63 700 in 2020 from 61 100 in 2015

Hotel accommodation in South Africa

Between 2009 and 2011, the number of available rooms increased 12.7%. This was in part related to the expansion associated with the FIFA World Cup in 2010. The increase in available rooms exceeded the growth in stay unit nights and the average occupancy rate fell from 55.6% in 2009 to 53.0% in 2011.

Over the past four years, there was only a 1.0% cumulative increase in the number of available rooms and occupancy rates picked up, rising to 59.6% in 2015.

With occupancy rates and visitor numbers on the rise, there is renewed activity. There are a number of major hotels expected to open in the next five years and several others in the planning stage, although no dates have been announced.

All told, we expect 2 600 rooms to be added during the next five years. Major openings of hotels with 200 rooms or more include:

- Radisson Blu Hotel & Residences in Cape Town (2017);

- Sun International Menlyn as part of a R3 billion urban casino and entertainment complex (2017);
- Marriott Executive Apartments in Johannesburg for R1 billion (2019);
- Tsogo Sun's two-hotel complex in Cape Town, Stayeasy and Sunsquare Hotel, at a combined cost of R680 million, (2017);
- Radisson Red V&A Waterfront in Cape Town at a cost of R380 million (2017).
- ibis Communicare in Cape Town is another major project slated for 2019.

We expect the overall number of available rooms to increase at a 0.7% compound annual rate to 63 700 in 2020 from 61 100 in 2015.

The South African economy has been weakening in recent years, with GDP growth coming in below 1.5% over the past two years.

Economic growth is expected to further moderate in 2016 to only 0.1% with a modest improvement to 0.7% in 2017 and to 1.6% in 2018. The economy is then expected to grow at an annual rate of more of 2% in 2019 and 2020.

For the next four years, South Africa is projected to grow more slowly than the overall global economy, but to grow at a faster rate in 2020. Growth for the entire forecast period will average an estimated 1.4% compounded annually for South Africa and 2.3% compounded annually for the global economy.

Consumer price inflation dropped to 4.6% in 2015, its lowest level since 2010. Inflation is picking up, however, in 2016 and is expected to rise to 6.5%, which would be its highest level since 2009. Over the forecast period, inflation is projected to average 6.0% compound annually.



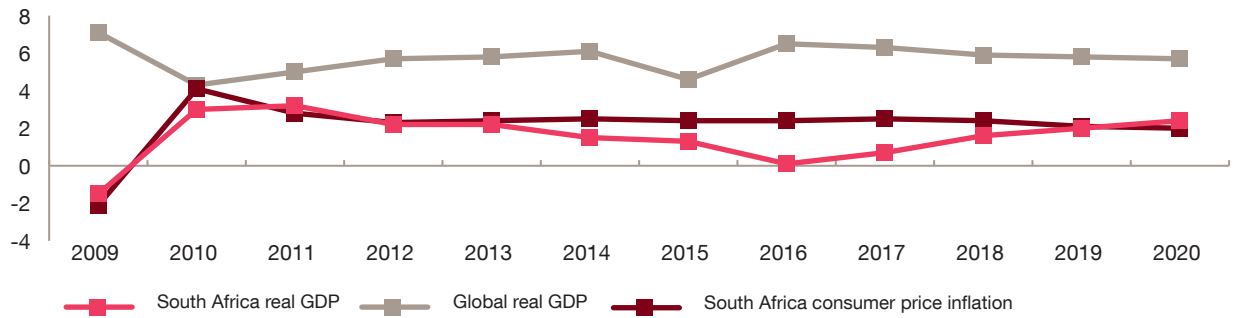
Image courtesy of Sun International

Real GDP growth and consumer price inflation (%)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20 CAGR
South Africa real GDP	-1.5	3.0	3.2	2.2	2.2	1.5	1.3	0.1	0.7	1.6	2.0	2.4	1.4
Global real GDP	-2.1	4.1	2.8	2.3	2.4	2.5	2.4	2.4	2.5	2.4	2.1	2.0	2.3
South Africa consumer price inflation	7.1	4.3	5.0	5.7	5.8	6.1	4.6	6.5	6.3	5.9	5.8	5.7	6.0

Sources: International Monetary Fund, World Bank, Statistics South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 3 Real GDP growth and consumer price inflation (%)



Sources: International Monetary Fund, World Bank, Statistics South Africa, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

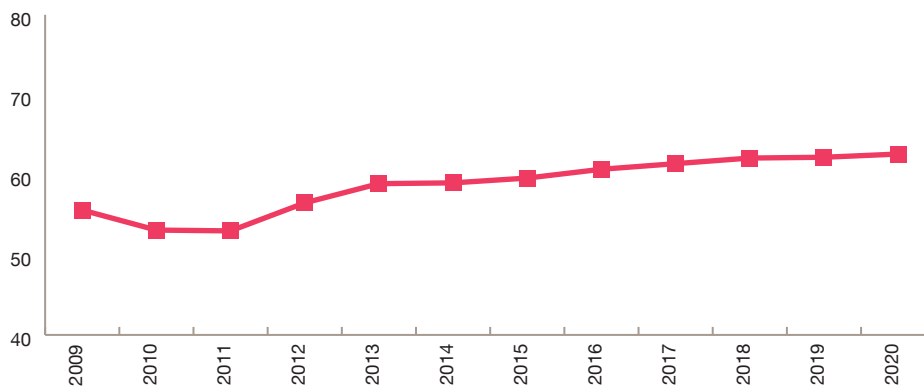
Stay unit nights edged up 1.5% in 2015. With the market now picking up, we look for faster increases during the next two years, principally fuelled by growth in international visitors.

Over the latter part of the forecast period, growth in international visitors will be moderate while visits

from South Africa will pick up, reflecting the differing trends in economic growth. On balance, we forecast growth in stay unit nights of 1.4% annually over the 2019-20 period and will average 1.9% compounded annually for the forecast period as a whole.

With stay unit nights growing faster than room supply, the occupancy rate for hotels will rise from 59.6% in 2015 to a projected 62.6% in 2020.

Fig. 4 Hotel occupancy rates in South Africa (%)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

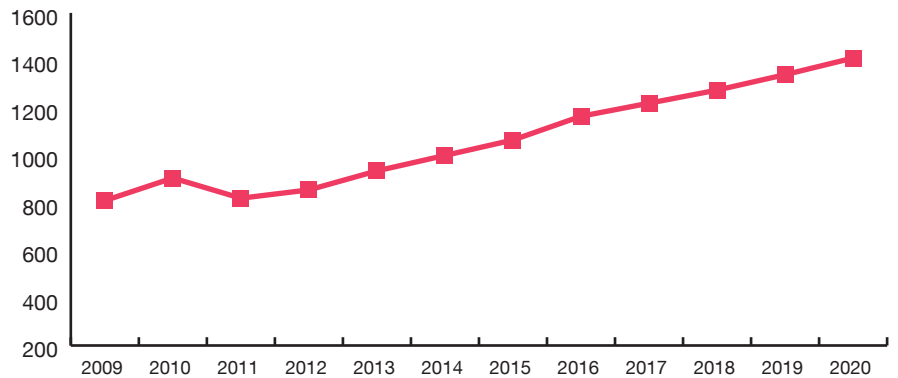
The average room rate increased 6.5% in 2015, down from the 7.0% rise in 2014. With stay unit nights accelerating, room rates were up in early 2016 and we project a 9.4% increase for the year as a whole. We then look for mid-single-digit gains over the

remainder of the forecast period with the average rate climbing to R1 410 in 2020, a 5.8% compound annual increase from R1 065 in 2015.

Inflation is estimated at 6.0% compounded annually over the next five years. The

key driver of price growth in the average room rates, is occupancy rates. We are projecting a pickup in 2016, but with occupancy expected to remain relatively stable, we do not expect a dramatic rise in room rates.

Fig. 5 Hotels: Average room rates, 2009-2020 (R)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Image courtesy of Sun International

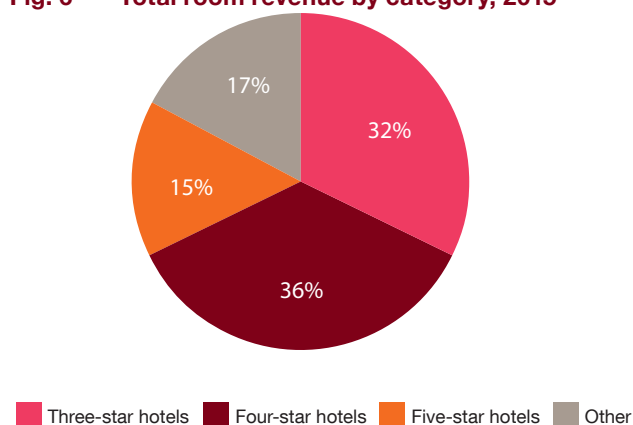
Hotel room revenue is expected to expand to R20.6 billion in 2020, up 7.8% compounded annually from R14.2 billion in 2015.

Hotels in South Africa

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Available rooms (thousands)	53.7	58.8	60.5	60.4	60.9	60.8	61.1	61.2	62.0	62.6	63.4	63.7	
% change		9.5	2.9	-0.2	0.8	-0.2	0.5	0.2	1.3	1.0	1.3	0.5	0.8
Stay unit nights (millions)	10.9	11.4	11.7	12.5	13.1	13.1	13.3	13.6	13.9	14.2	14.4	14.6	
% change		4.6	2.6	6.8	4.8	0.0	1.5	2.3	2.2	2.2	1.4	1.4	1.9
Occupancy rates (%)	55.6	53.1	53.0	56.5	58.9	59.0	59.6	61.2	61.9	62.1	62.2	62.6	
Average room rates (R)	810	905	820	855	935	1 000	1 065	1 165	1 220	1 275	1 340	1 410	
% change		11.7	-9.4	4.3	9.4	7.0	6.5	9.4	4.7	4.5	5.1	5.2	5.8
Total room revenue (R millions)	8 829	10 317	9 594	10 688	12 249	13 100	14 165	15 844	16 958	18 105	19 296	20 586	
% change		16.9	-7.0	11.4	14.6	6.9	8.1	11.9	7.0	6.8	6.6	6.7	7.8

Sources: PricewaterhouseCoopers LLP Wilkofsky Gruen Associates

Fig. 6 Total room revenue by category, 2015



Sources: PricewaterhouseCoopers LLP Wilkofsky Gruen Associates

Three-star hotels

Three-star hotels accounted for 36% of all available hotel rooms in South Africa and 32% of total hotel room revenue. The average room rate of R900 was 15% below the overall average of R1 065 for all hotels.

Stay unit nights for three-star hotels rose 2.0% and combined with the 5.3% increase in the average room rate, room revenue rose 7.4%.

We expect stay unit nights to increase at a 1.9% compound annual rate, comparable to the gain in 2015. With stay unit nights expanding a bit faster than available rooms, which will rise at a 0.9% compound annual rate, the occupancy rate will edge up to 66.8% in 2020 from 63.8% in 2015.

The average room rate will rise to a projected R1 170 in 2020, growing at a 5.4%

compound annual rate, comparable to the increase in 2015. Room revenue in three-star hotels will expand at a projected 7.4% compound annual rate to R6.6 billion in 2020 from R4.6 billion in 2015.



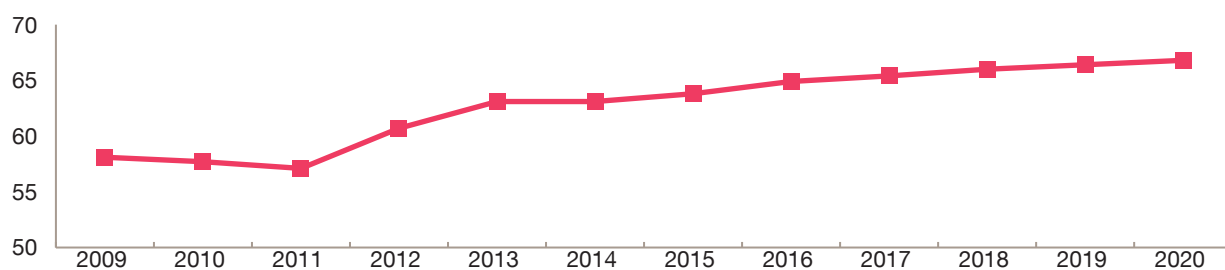
Three-star hotels accounted for 36% of all available hotel rooms in South Africa and 32% of total hotel room revenue

Three-star hotels in South Africa

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Available rooms (thousands)	18.4	20.4	21.6	21.6	21.7	21.7	21.9	21.9	22.2	22.4	22.7	22.9	
% change		10.9	5.9	0.0	0.5	0.0	0.9	0.0	1.4	0.9	1.3	0.9	0.9
Stay unit nights (millions)	3.9	4.3	4.5	4.8	5.0	5.0	5.1	5.2	5.3	5.4	5.5	5.6	
% change		10.3	4.7	6.7	4.2	0.0	2.0	2.0	1.9	1.9	1.9	1.8	1.9
Occupancy rates (%)	58.1	57.7	57.1	60.7	63.1	63.1	63.8	64.9	65.4	66.0	66.4	66.8	
Average room rates (R)	650	720	690	730	800	855	900	950	1 000	1 055	1 110	1 170	
% change		10.8	-4.2	5.8	9.6	6.9	5.3	5.6	5.3	5.5	5.2	5.4	5.4
Total room revenue (R millions)	2 535	3 096	3 105	3 504	4 000	4 275	4 590	4 940	5 300	5 697	6 105	6 552	
% change		22.1	0.3	12.9	14.2	6.9	7.4	7.6	7.3	7.5	7.2	7.3	7.4

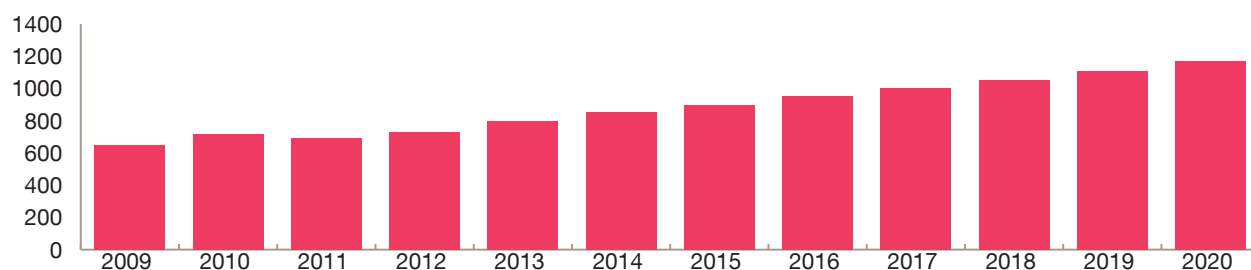
Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 7 Three-star: Occupancy rates (%)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 8 Three-star: Average room rates (R)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Four-star hotels

Available rooms and stay unit nights were both flat for four-star hotels over the past two years. Revenue growth for four-star hotels was generated by an increase in the average room rate, which increased revenue by 7.5% to R5.0 billion in 2015.

We look for a 2.6% increase in stay unit nights in 2016, reflecting a strong

first quarter, and expect somewhat faster increases thereafter with growth over the entire forecast period averaging 3.4% compounded annually.

Six of the new hotels expected to open in the next five years will be four-star hotels and they will account for 38% of the total growth in room capacity.

Room availability will increase at a 1.3% compound annual rate. The occupancy rate will increase from 62.5% in 2015 to a projected 69.1% in 2020.



Six of the new hotels expected to open in the next five years will be four-star hotels and they will account for 38% of the total growth in room capacity

Four-star hotels in South Africa

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Available rooms (thousands)	15.1	16.1	16.7	16.6	17.1	17.1	17.1	17.1	17.6	17.7	18.1	18.2	
% change		6.6	3.7	-0.6	3.0	0.0	0.0	0.0	2.9	0.6	2.3	0.6	1.3
Stay unit nights (millions)	3.2	3.2	3.3	3.6	3.9	3.9	3.9	4.0	4.1	4.3	4.5	4.6	
% change		0.0	3.1	9.1	8.3	0.0	0.0	2.6	2.5	4.9	4.7	2.2	3.4
Occupancy rates (%)	58.1	54.5	54.1	59.3	62.5	62.5	62.5	63.9	63.8	66.6	68.1	69.1	
Average room rates (R)	1 050	1 175	1 030	1 055	1 140	1 200	1 290	1 425	1 525	1 600	1 680	1 765	
% change		11.9	-12.3	2.4	8.1	5.3	7.5	10.5	7.0	4.9	5.0	5.1	6.5
Total room revenue (R millions)	3 360	3 760	3 399	3 798	4 446	4 680	5 031	5 700	6 253	6 880	7 560	8 119	
% change		11.9	-9.6	11.7	17.1	5.3	7.5	13.3	9.7	10.0	9.9	7.4	10.0

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

The average room rate began to rise rapidly in early 2016, reflecting an increase in occupancy rates, and we project a 10.5% increase for the year as a whole. We then look for moderating gains and a 6.5% compound

annual increase to an estimated R1 765 in 2020 from R1 290 in 2015. Room revenue will increase to R8.1 billion in 2020, a 10.0% compound annual gain.



Five-star hotels had the highest occupancy rates in the market at 79.5% in 2015, up from 70.7% in 2014 as stay unit nights increased 12.5%

Five-star hotels

Five-star hotels had the highest occupancy rates in the market at 79.5% in 2015, up from 70.7% in 2014 as stay unit nights increased 12.5%. The average room rate rose 7.7% in 2015 to R2 370, more than twice the overall average for all hotels.

Five-star hotels as a whole accounted for 15% of total hotel room revenue in 2015, three times their 5% share of available rooms.

We do not see any plans for new five-star hotels in the next five years, although that could change as demand grows and occupancy rates increase.

Average room rates for five-star hotels increased in early 2016 and we project a 20.9% increase for the entire year.

With occupancy rates rising to 85% in 2016, we expect continued above-average growth in the average room rate, which we expect will increase at an 11.3% compound annual rate to R4 050.

The driver of this increase is the relationship between supply and demand. In 2009-10, five 5-star hotels opened in South Africa, raising five-star hotel capacity by 52% in just two years.

The occupancy rate dropped from 65.8% in 2007 to 51.4% in 2011. Since 2010, no five-star hotels have opened and demand has now caught up with supply, raising the occupancy rate to more than 70%. This is also a factor driving the increase in average room rates.

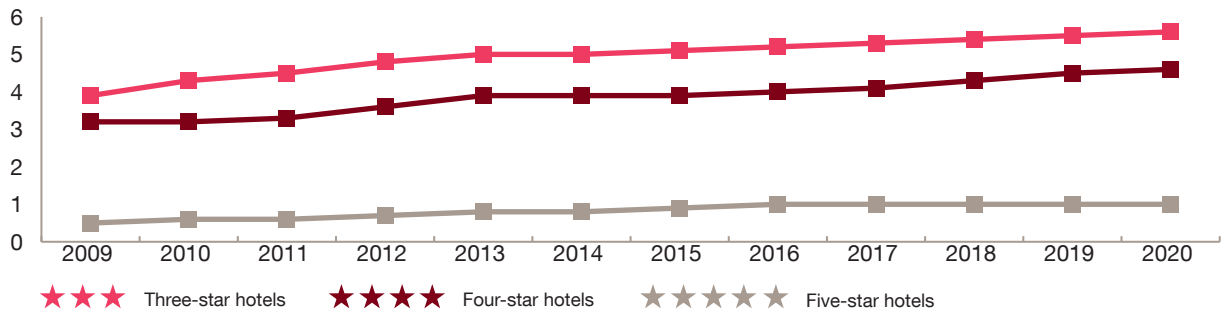
Room revenue will expand at a 13.7% compound annual rate to R4.1 billion in 2020 from R2.1 billion in 2015. Five-star hotels will increase their share of the market to 20% by 2020.

Five-star hotels in South Africa

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Available rooms (thousands)	2.5	3.1	3.2	3.2	3.2	3.1	3.1	3.2	3.2	3.2	3.2	3.2	
% change		24.0	3.2	0.0	0.0	-3.1	0.0	3.2	0.0	0.0	0.0	0.0	0.6
Stay unit nights (millions)	0.5	0.6	0.6	0.7	0.8	0.8	0.9	1.0	1.0	1.0	1.0	1.0	
% change		20.0	0.0	16.7	14.3	0.0	12.5	11.1	0.0	0.0	0.0	0.0	2.1
Occupancy rates (%)	54.8	53.0	51.4	59.8	68.5	70.7	79.5	85.4	85.6	85.6	85.6	85.4	
Average room rates (R)	1 920	2 115	1 750	1 780	1 950	2 200	2 370	2 865	3 200	3 465	3 750	4 050	
% change		10.2	-17.3	1.7	9.6	12.8	7.7	20.9	11.7	8.3	8.2	8.0	11.3
Total room revenue (R millions)	960	1 269	1 050	1 246	1 560	1 760	2 133	2 865	3 200	3 465	3 750	4 050	
% change		32.2	-17.3	18.7	25.2	12.8	21.2	34.3	11.7	8.3	8.2	8.0	13.7

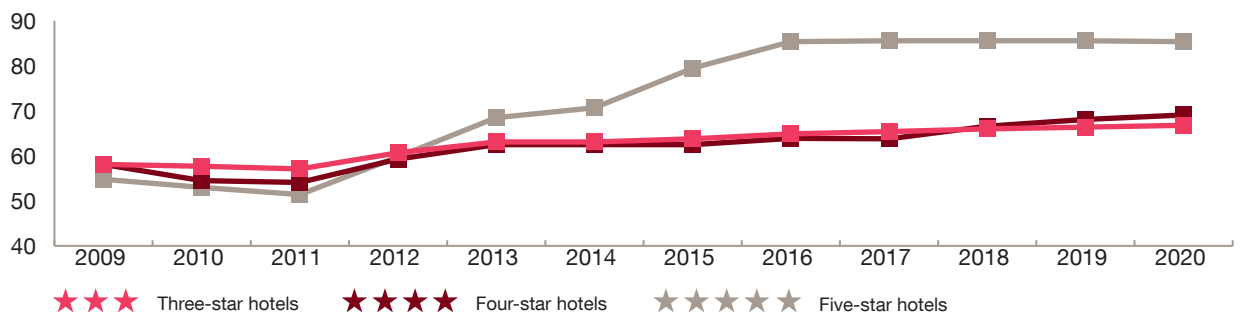
Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 9 Stay unit nights: Three-, four- and five-star hotels (millions)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 10 Occupancy rates: Three-, four- and five-star hotels (%)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Image courtesy of Sun International

Johannesburg

The hotel market in Johannesburg rebounded in 2015 following several weak years. Johannesburg is more of a business destination than a tourist destination and the drop in international tourism did not have much of an impact on the hotel market in Johannesburg.

Johannesburg has four major venues for trade shows – Johannesburg Expo Centre, the Sandton Convention Centre, Gallagher Convention Centre, and the Ticketpro Dome.

Stay unit nights rose 8% and room revenue increased more than 20% in 2015. In the first quarter of 2016, however, stay unit nights were running behind their levels in 2015, although rising room rates are propelling room revenue.

While there was strong growth in all segments, four- and five-star hotels led the way in 2015. Stay unit nights jumped 14%, but still remained lower than in 2013, while room revenue increased more than 35%.

The three-star segment was not quite as robust, with a 10% increase in stay unit nights and a 17% increase in room revenue.

While the overall market is showing strong growth in early 2016, stay unit nights in Johannesburg are slightly down but rising room rates may still lead to healthy revenue growth.

Cape Town

Cape Town is the leading tourist destination in South Africa and the decline in foreign tourists hurt the market. Stay unit nights in 2015 were down more than 4% through July, but rebounded over the latter part of the year and the decrease for the year as a whole was less than 1%.

With foreign tourism now on the rise, stay unit nights were up more than 5% in the first quarter of 2016. The increase is said to be due to the rand devaluation, noting occupancies over December 2015 and January 2016 at record highs. Cape Town also is a trade show destination with the Cape Town International Convention Centre a leading venue.

Four-star hotels fared the worst in 2015 with a 4% drop in stay unit nights, while five-star and three-star hotels each recorded modest increases of about 2%.

Room rates in all categories were up significantly in 2015 and the revenue picture was much stronger than stay unit nights, with overall revenue increasing 9%.

Over the next five years, 54% of all the rooms expected to be added in South Africa will be in Cape Town. Stayeasy Cape Town, ibis Communicare Cape Town, Radisson Blu Hotel & Residences Cape Town, Radisson Blu Blaauwberg Cape Town, Sunsquare Cape Town, Radisson Red V&A Waterfront Cape Town, and

The Silo are expected to open in Cape Town in the next five years, collectively adding more than 1 500 rooms.

The interest in new hotel developments in Cape Town reflects its historical strong growth rates and its appeal as a tourist destination.

Durban

Durban is also a tourist destination as well as a business destination for international travellers and it appears to capture both trends. With the formation of the National Convention Bureau in 2012, South Africa has become a leading international destination for trade shows and business conferences.

The Durban International Convention Centre is a state-of-the-art facility.

With respect to 2015, stay unit nights increased 5% and room revenue was up 14%.

In early 2016, Durban has seen an 11% increase in stay unit nights and a 22% increase in room revenue as it is benefiting from the pickup in foreign tourism.

Durban appears to be on track for a solid year in 2016.



The hotel market in Johannesburg rebounded in 2015 following several weak years

Looking back: 2015

In last year's Outlook, we forecast the occupancy rate to rise to 60.0% in 2015 and it nearly reached that level averaging 59.6%. Overall, stay unit nights also nearly reached expectations, rising to 13.3 million, slightly lower than our 13.4 million projection. Average room rates rose 6.5%, as we predicted, but the 8.1% increase in total room revenue was slower than the 8.9% increase projected for the year.

Forecasts – Occupancy

Our occupancy forecasts for five-star hotels and three-star hotels were both on target but four-star hotels were lower than we expected.

Occupancy: Actual vs forecast results for 2015 (%)

	2015 projected occupancy	2015 actual occupancy
Five-star hotels	79.5	79.5
Four-star hotels	63.7	62.5
Three-star hotels	63.8	63.8
All hotels	60.0	59.6

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Image courtesy of Sun International

Forecasts – Stay unit nights

Likewise, stay unit nights for five-star hotels and three-star hotels matched our projection, but were a bit short for four-star hotels.

Stay unit nights: Actual vs forecast results for 2015 (millions)

	2015 projected stay unit nights	2015 actual stay unit nights
Five-star hotels	0.9	0.9
Four-star hotels	4.0	3.9
Three-star hotels	5.1	5.1
All hotels	13.4	13.3

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Forecasts – Average room rates

Average room rates rose more slowly than we projected for five-star and three-star hotels, but faster for four-star hotels.

Average room rates: Actual vs forecast results for 2015 (%)

	2015 projected average room rate growth	2015 actual average room rate growth
Five-star hotels	10.9	7.7
Four-star hotels	5.4	7.5
Three-star hotels	7.0	5.3
All hotels	6.5	6.5

Forecasts – Total room revenue

Room rates did not increase as much as we expected with the result that revenue growth fell short of expectations in each category.

Total room revenue: Actual vs forecast results for 2015 (%)

	2015 projected total room revenue growth	2015 actual total room revenue growth
Five-star hotels	24.8	21.2
Four-star hotels	8.1	7.5
Three-star hotels	9.2	7.4
All hotels	8.9	8.1

Outlook: 2016 - 2020

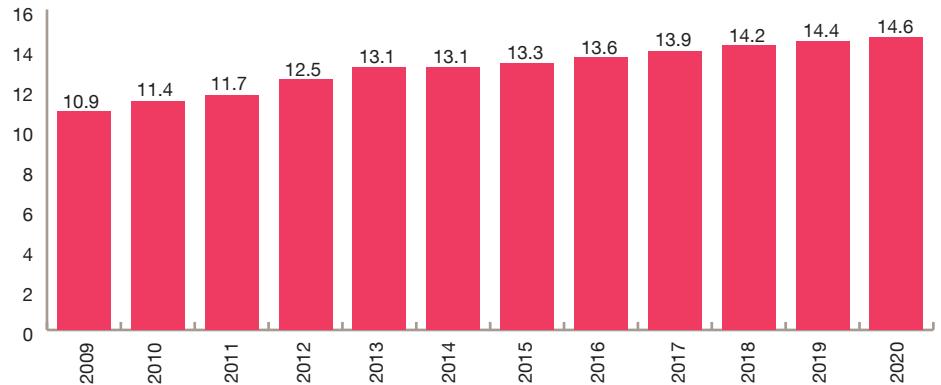
- The number of available hotel rooms will rise at a 0.8% compound annual rate to 63 700 in 2020 from 61 100 in 2015.
- We project stay unit nights to increase at a 1.9% compound annual rate to 14.6 million in 2020 from 13.3 million in 2015.
- Overall hotel room revenue is expected to expand at a 7.8% compound annual rate to R20.6 billion in 2020 from R14.2 billion in 2015.

Fig. 11 Available rooms (thousands)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 12 Stay unit nights (millions)

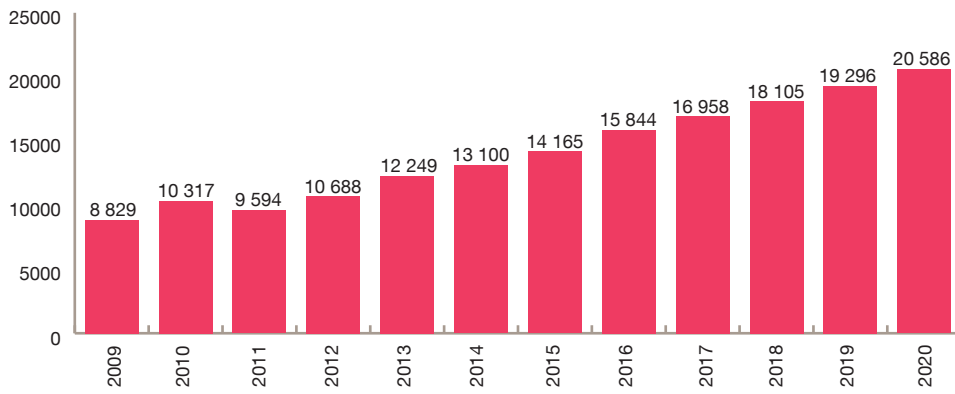


Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Overall hotel room revenue is expected to expand at a 7.8% compound annual rate to R20.6 billion in 2020 from R14.2 billion in 2015

Fig. 13 Total room revenue (R millions)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Nigeria



Image courtesy of Tsogo Sun

Hotel accommodation in Nigeria

The Nigerian hotel market has been hurt by terrorist activities in the north-eastern region and the 2014 Ebola outbreak, which affected largely Lagos state, the country's major commercial hub. Stay unit nights fell a cumulative 12% during the past two years and room revenue declined 3.6% over the same period.

Tourism is not a major industry in Nigeria compared to other African countries. Tourism accounts for only 1.7% of GDP. By contrast in 2015, tourism contributed 14% of GDP in Tanzania, 26% in Mauritius, 10% in Kenya and 9% in South Africa. Most of the hotel market in Nigeria is for business travel and Nigeria's large economy has fuelled that component of the market.

In 2015, however, economic growth slowed to 2.7%, less than half the 6.3% increase in 2014. Interest rates have increased and oil and natural gas prices have declined, putting a dent into Nigeria's economic outlook.

While a modest improvement is anticipated in 2016, this should be seen in perspective, as 2016 has been a difficult year and is likely to continue this way. The contraction in real GDP growth, double-digit inflation and high levels of unemployment and uncertainty around the business environment are contributing to this.

Growth for the next five years is projected at 4.0% compounded annually.

While that gain would be well above the 2.3% projected increase for the global economy, it represents a slowdown compared with growth over the 2009 - 14 period.

Consumer price inflation fell from double-digit increases in 2010-12 to high single-digit advances during the past three years. Inflation is rising again and is expected to exceed 10% annually during the next four years before dropping to 9.0% in 2020.



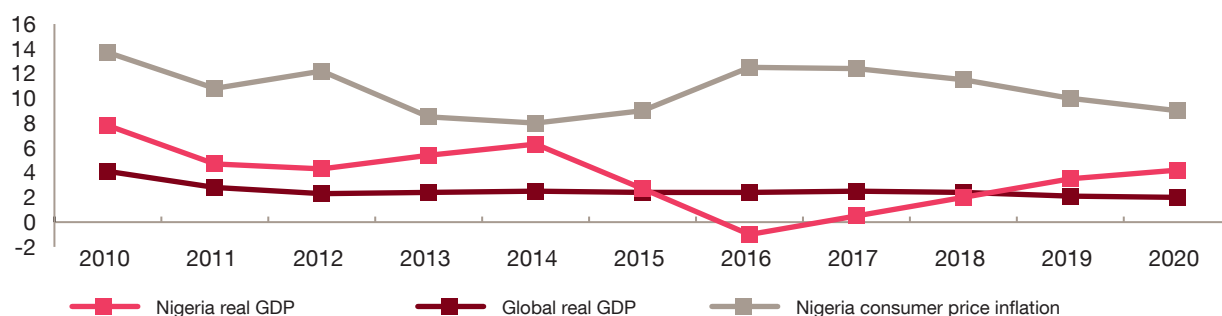
Tourism accounts for only 1.7% of GDP in Nigeria

Real GDP growth and consumer price inflation (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Nigeria real GDP	7.8	4.7	4.3	5.4	6.3	2.7	-1.0	0.5	2.0	3.5	4.2	1.8
Global real GDP	4.1	2.8	2.3	2.4	2.5	2.4	2.4	2.5	2.4	2.1	2.0	2.3
Nigeria consumer price inflation	13.7	10.8	12.2	8.5	8.0	9.0	12.5	12.4	11.5	10.0	9.0	11.1

Sources: International Monetary Fund, World Bank, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 14 Real GDP growth and consumer price inflation (%)



Sources: International Monetary Fund, World Bank, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Lagos will be adding 10 hotels with more than 1 900 rooms, six hotels with more than 1 100 rooms will open in Abuja, and three hotels are coming to Port Harcourt with more than 600 rooms

Boko Haram attacks have been pretty much limited to the north-eastern region. Security concerns in Abuja and Lagos have lessened and there has been relatively little impact and hotels in those cities are doing well. The postponement of elections may have delayed travel plans slightly, although the peaceful transition post-election has restored travel activities. Industrial action has had an insignificant impact on the tourism industry.

The increase in interest rates and structural economic challenges pertaining to the oil & gas industry and foreign exchange has put some hotel projects on hold and others have been delayed. Nevertheless, there is still a lot of activity going on with 27 hotels either under construction or in the planning stages during the next five years.

Between 2010 and 2015, 2 100 rooms were added, a 30% cumulative increase. During the next five years, more than twice that total, or 4 700 rooms will become available, increasing the overall number of available rooms by 51%.

Hilton, with six planned openings, Best Western with four and Fairmont, Park Inn and ibis with two each will be the most active. Sheraton, Radisson Blu, Marriott, Hyatt Regency and Holiday Inn are among other international brands that plan to add hotels in Nigeria in the next five years.

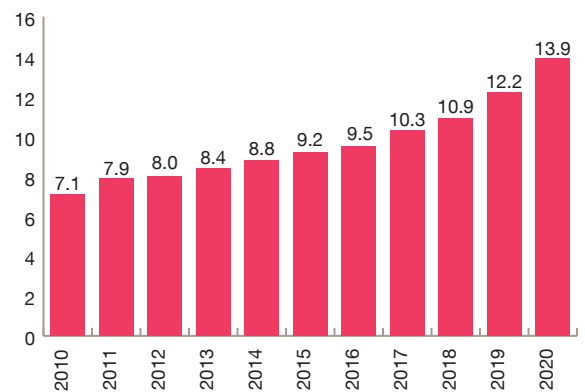
Lagos will be adding 10 hotels with more than 1 900 rooms, six hotels with more

than 1 100 rooms will open in Abuja, and three hotels are coming to Port Harcourt with more than 600 rooms. Ikeja and Owerri will each be getting two hotels and more than 500 rooms, while one hotel is scheduled to open in each of Ikot, Uyo, Owo and Onitsha, together adding more than 600 rooms.

These expansion plans provide indications that the current macro-economic challenges are expected to be temporary. The investments are being made based on a long-term view of the Nigerian economy.

Nevertheless, this increase will not match the 8.6% compound annual expansion in the number of available rooms to cater for growth in urbanisation and business activity, and the occupancy rate will fall to 37.3% in 2020 from 44.7% in 2015.

Fig. 15 Available rooms (thousands)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Meanwhile, with the economy on the decline, we expect stay unit nights to continue to fall in 2016 before stabilising in 2017.

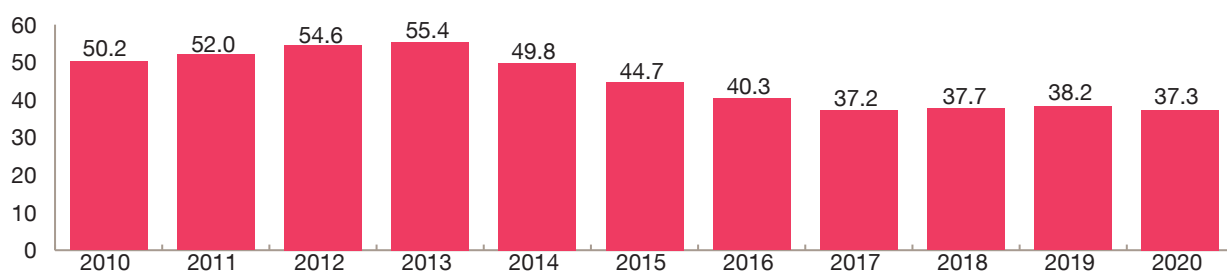
In 2018, as the economy begins to pick up, we project stay unit nights to again expand. Growth for the five year forecast period will average 4.8% compounded annually, highest among the five countries covered in this report.

Hotels in Nigeria

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 – 20 CAGR
Available rooms (thousands)	7.1	7.9	8.0	8.4	8.8	9.2	9.5	10.3	10.9	12.2	13.9	
% change	12.7	11.3	1.3	5.0	4.8	4.5	3.3	8.4	5.8	11.9	13.9	8.6
Stay unit nights (millions)	1.3	1.5	1.6	1.7	1.6	1.5	1.4	1.4	1.5	1.7	1.9	
% change	8.3	15.4	6.7	6.3	-5.9	-6.3	-6.7	0.0	7.1	13.3	11.8	4.8
Occupancy rates (%)	50.2	52.0	54.6	55.4	49.8	44.7	40.3	37.2	37.7	38.2	37.3	
Average room rates (US\$)	173	186	191	196	204	214	224	234	245	256	267	
% change	-1.1	7.5	2.7	2.6	4.1	4.9	4.7	4.5	4.7	4.5	4.3	4.5
Total room revenue (US\$ millions)	225	279	306	333	326	321	314	328	368	435	507	
% change	7.1	24.0	9.7	8.8	-2.1	-1.5	-2.2	4.5	12.2	18.2	16.6	9.6

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 16 Occupancy rates (%)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Image courtesy of Tsogo Sun

Three and four-star hotels

We have combined data for three and four-star hotels in Nigeria. These hotels accounted for 47% of total available rooms and 53% of stay unit nights in 2015.

The average room rate was \$214 (R2 867) in 2015, 5% higher than the overall average, reflecting the fact that there are only a few five-star hotels in Nigeria.

Most of the growth in available rooms will be in three- and four-star hotels, which will increase at a

10.9% compound annual rate, raising its share of total hotel room capacity to 52% by 2020.

We project stay unit nights to rise by 6.6% compounded annually, not large enough to prevent a decline in occupancy rates to 41.7% in 2020 from 51.0% in 2015.

The average room rate is projected to increase by 2.8% compounded annually to \$258 (R3 288). Total room revenue will reach \$284 million (R3.6 billion)

from \$180 million (R2.3 billion) in 2015, a 9.5% gain compounded annually.

Three and four-star hotels in Nigeria

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Available rooms (thousands)	3.8	4.2	4.3	4.3	4.3	4.3	4.4	4.8	5.1	6.1	7.2	
% change		10.5	2.4	0.0	0.0	0.0	2.3	9.1	6.3	19.6	18.0	10.9
Stay unit nights (millions)	0.8	0.9	0.9	1.0	0.9	0.8	0.8	0.8	0.9	1.0	1.1	
% change		12.5	0.0	11.1	-10.0	-11.1	0.0	0.0	12.5	11.1	10.0	6.6
Occupancy rates (%)	57.7	58.7	57.2	63.7	57.3	51.0	49.7	45.7	48.3	44.9	41.7	
Average room rates (USD)	189	203	207	214	219	225	232	239	245	251	258	
% change		7.4	2.0	3.4	2.3	2.7	3.1	3.0	2.5	2.4	2.8	2.8
Total room revenue (USD millions)	151	183	186	214	197	180	186	191	221	251	284	
% change		21.2	1.6	15.1	-7.9	-8.6	3.3	2.7	15.7	13.6	13.1	9.5

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Looking back: 2015

The forecasts for Nigeria in last year's Outlook were in line with what occurred. Stay unit nights were what we anticipated, 1.5 million, but the occupancy rate at 44.7% was a bit higher than the 42.4% expected, as fewer rooms were added.

Room revenue fell 1.5% in 2015, a bit less than the 2.3% decrease we expected, but the 8.6% revenue decline projected for the three and four-star hotel market was nearly equal to the 8.8% projected decline.

Actual vs forecast results for 2015

	2015 projected	2015 actual
Occupancy (%)	42.4	44.7
Stay unit nights (millions)	1.5	1.5
Total hotel room revenue growth (%)	-2.3	-1.5
Three and four-star hotel room revenue growth (%)	-8.8	-8.6

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Image courtesy of Tsogo Sun

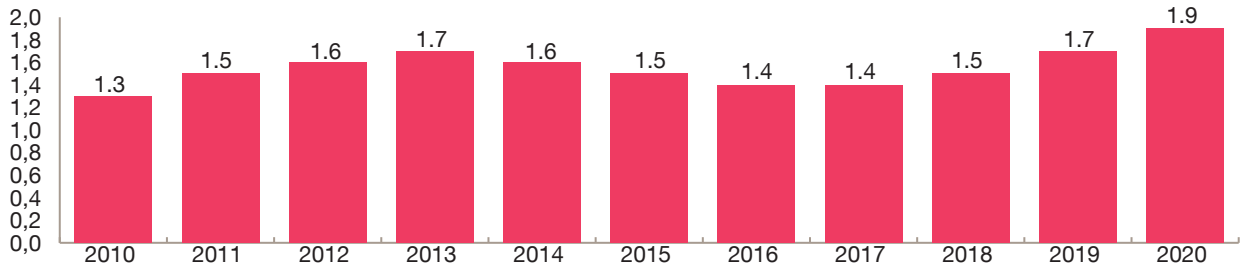
Outlook: 2016 - 2020

Stay unit nights will continue to fall in 2016 as the economy declines but will rebound beginning in 2018. For the forecast period as a whole, we project stay unit nights to rise at a 4.8% compound annual rate to 1.9 million in 2020 from 1.5 million in 2015.

Average room rates have been growing at moderate rates in recent years and we expect this pattern to continue with projected increases averaging 4.5% compounded annually over the next five years.

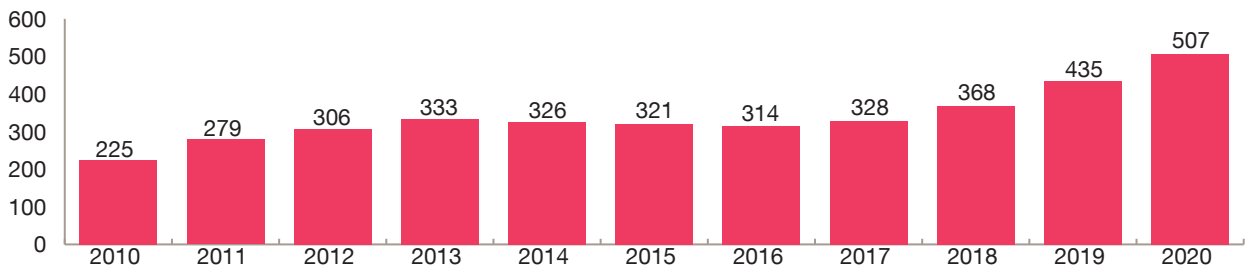
Overall hotel room revenue is expected to expand at a 9.6% compound annual rate to \$507 million (R6.5 billion) in 2020 from \$321 million (R4.1 billion) in 2015.

Fig. 17 Stay unit nights (millions)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 18 Total room revenue (US\$ millions)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Image courtesy of Tsogo Sun

Mauritius



Image courtesy of Mauritius Tourism Promotion Authority

Hotel accommodation in Mauritius

The number of tourist arrivals to Mauritius increased by 10.9% in 2015, the largest increase during the past five years. This is the opposite experience to that of South Africa, where the number of tourist arrivals declined in 2015. In addition, continued and sustained marketing efforts and promotions by Air Mauritius and the Mauritius Tourism Promotion Authority (MTPA), with the support of hotels on the island, have contributed significantly to the increase in visitors from China. The number of people travelling to Mauritius from China increased by 41.4% in 2015 and that from India rose 17.9%.

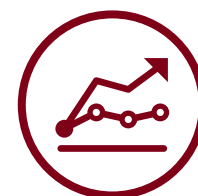
Visits to Mauritius continued their strong pattern early this year. The number of airline seats rose 8.5% in 2015 compared to 2014 while the passenger load factor increased from 75.8% to 77%. This has had a positive impact for the tourist sector in Mauritius. We project an additional 10% increase for 2016.

We expect the global economy to be a major influence, as Mauritius relies principally on foreign leisure travellers. Falling oil prices have led to an overall decrease in ticket prices thus increasing the number of travellers to Mauritius. Moreover, improved competition between

airlines spurred by the arrival of Turkish Airlines has also helped push ticket prices down.

We expect steady but moderate global real GDP growth over the next three years followed by slower growth in 2019-20. For the forecast period as a whole, we expect global real GDP to rise at a 2.3% compound annual rate.

Consumer price inflation is low in Mauritius at only 1.3% in 2015. Inflation is expected to pick up a bit in the next few years but it will remain low at 2.2% compounded annually through 2020.



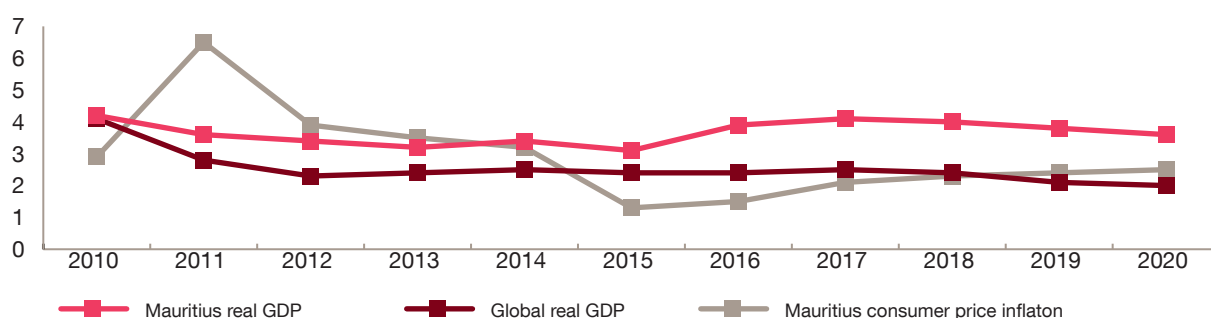
The number of tourist arrivals to Mauritius increased by 10.9% in 2015, the largest increase during the past five years

Real GDP growth and consumer price inflation (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Mauritius real GDP	4.2	3.6	3.4	3.2	3.4	3.1	3.9	4.1	4.0	3.8	3.6	3.9
Global real GDP	4.1	2.8	2.3	2.4	2.5	2.4	2.4	2.5	2.4	2.1	2.0	2.3
Mauritius consumer price inflation	2.9	6.5	3.9	3.5	3.2	1.3	1.5	2.1	2.3	2.4	2.5	2.2

Sources: Mauritius Chamber of Commerce and Industry, International Monetary Fund, World Bank, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 19 Real GDP growth and consumer price inflation (%)



Source: Mauritius Chamber of Commerce and Industry, International Monetary Fund, World Bank, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



For the first five months of 2016, the number of airline seats grew by 7.4% year on year in line with the growth of 10% in tourist arrivals

We look for a similar pattern in tourist arrivals to Mauritius over the latter part of the forecast period, with growth dropping to just over 4% annually in 2019-20. Over the next two years, however, we expect a cumulative 17% increase in tourist arrivals. Over the next five years, tourist arrivals will increase at a projected 6.0% compound annual rate to 1.5 million in 2020 from 1.2 million in 2015.

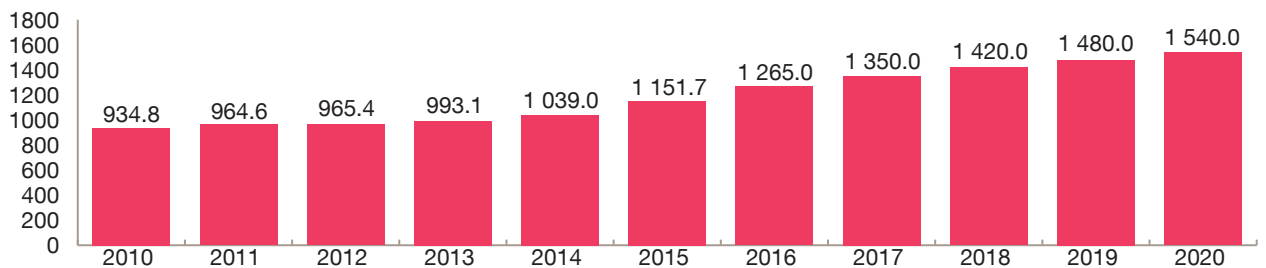
For the first five months of 2016, the number of airline seats grew by 7.4% year on year in line with the growth of 10% in tourist arrivals. With an increase in both the number of seats and passenger load factor, the increase in tourist arrivals is expected to be at or slightly above 10% for 2016.

Tourist arrivals to Mauritius (thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Tourist arrivals	934.8	964.6	965.4	993.1	1 039.0	1 151.7	1 265.0	1 350.0	1 420.0	1 480.0	1 540.0	
% change	7.3	3.2	0.1	2.9	4.6	10.9	9.8	6.7	5.2	4.2	4.1	6

Sources: Ministry of Finance and Economic Development, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 20 Tourist arrivals (thousands)



Sources: Ministry of Finance and Economic Development, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Image courtesy of Mauritius Tourism Promotion Authority

More tourists come to Mauritius from France than from any other country. France accounted for 22% of all tourist arrivals in 2015. Europe as a whole accounted for 55% of total arrivals in 2015. Arrivals from Europe increased

10.7% in 2015, with double-digit increases from the United Kingdom, Belgium, Spain, Austria, Sweden and the Netherlands. Visitors from Russia fell 13.9%, as that country's economy is shrinking.

Tourist arrivals from Europe

	2014	2015	% change
France	243 665	254 362	4.4
United Kingdom	115 326	129 796	12.5
Germany	62 231	75 272	21.0
Italy	29 557	29 250	-1.0
Switzerland	29 285	30 697	4.8
Russia	13 289	11 444	-13.9
Belgium	11 465	14 223	24.1
Spain	8 633	10 030	16.2
Austria	8 303	11 439	37.8
Czech Republic	6 852	7 267	6.1
Sweden	6 454	11 636	80.3
Netherlands	4 796	6 935	44.6
Other	30 692	39 432	28.5
Total Europe	570 548	631 783	10.7

Source: Ministry of Finance and Economic Development

The next-largest source of tourists, 25%, comes from Africa, led by nearby Réunion at 143 834 in 2015, up 1.5%, and South Africa at 101 954, 9.5% more than in 2014. Overall tourist arrivals from Africa increased 3.8% in 2015.

Tourist arrivals from Africa

	2014	2015	% change
Reunion	141 665	143 834	1.5
South Africa	93 120	101 954	9.5
Madagascar	13 039	12 215	-6.3
Seychelles	6 926	5 652	-18.4
Kenya	3 266	3 376	3.4
Zimbabwe	1 735	1 884	8.6
Namibia	1 393	1 474	5.8
Mayotte	1 042	1 024	-1.7
Comoros	938	758	-19.2
Mozambique	806	927	15.0
Other	10 226	11 530	12.8
Total	274 156	284 628	3.8

Source: Ministry of Finance and Economic Development



Double-digit increases were also recorded in visitors from the United Arab Emirates, Saudi Arabia, Indonesia and the Philippines

The number of visitors from Asia-Pacific rose 22.6% with most of that increase coming from China and India, which together accounted for a third of the total increase in tourist arrivals in 2015. Double-digit increases were also recorded in visitors from the United Arab Emirates, Saudi Arabia, Indonesia and the Philippines.

Tourist arrivals from Asia-Pacific

	2014	2015	% change
People's Republic of China	63 365	89 585	41.4
India	61 167	72 145	17.9
Australia	17 529	17 900	2.1
United Arab Emirates	8 001	9 050	13.1
South Korea	3 182	3 494	9.8
Malaysia	2 970	2 557	-13.9
Saudi Arabia	2 390	2 854	19.4
Indonesia	1 937	2 272	17.3
Singapore	1 849	1 779	-3.8
Philippines	1 687	2 024	20.0
Japan	1 659	1 415	-14.7
Hong Kong	1 455	1 327	-8.8
Other	9 826	10 560	7.5
Total	177 017	216 962	22.6

Source: Ministry of Finance and Economic Development

Arrivals from the Americas rose 8.4% in 2015, as a 17.5% increase in the United States and a 19.2% gain in Canada offset a 20.6% decline from Brazil, where that country's economy is suffering.

Tourist arrivals from the Americas

	2014	2015	% change
United States	7 308	8 586	17.5
Canada	4 710	5 615	19.2
Brazil	2 456	1 949	-20.6
Other	2 074	1 795	-13.5
Total	16 548	17 945	8.4

Source: Ministry of Finance and Economic Development

There were 13 617 hotel rooms available in Mauritius in 2015, up 6.4% from 2014, as the Shangri-La and Radisson Blu opened during the year. There are a number of new hotels expected to open within the next five years:

- The Ritz-Carlton in late 2017 with 126 rooms;
- The Anantara Le Chaland with 224 rooms; and
- The Oberoi, Beachcomber and Jumeirah resorts by 2018.

It is expected that with the growth in demand and occupancies above 70%, the hotels identified and sites, such as Les Saline on the West Coast and Belle Mare on the East, will see hotel developments go ahead.

Furthermore, Le Victoria Hotel will add 40 rooms during 2016, while Constance Belle Mare Plage will add 21 rooms by the first quarter of 2017.

These developments are in line with the statement of the Deputy Prime Minister and Minister of Tourism who called for 600 rooms to be added annually starting 2018.

Stay unit nights rose 13.9%, by far the largest gain during the past five years, as the hotel market benefited from the large increase in foreign arrivals. We do not expect that pace

to be maintained, as growth in foreign arrivals will moderate. We project stay unit nights to increase at a 4.6% compound annual rate through 2020.

Room revenue rose only 6.7% in 2015 as the average room rate fell 6.4%. Hotels in Mauritius are very expensive, but rates have been falling since 2012, as the country seeks to remain competitive with Sri Lanka, Maldives and Seychelles, its chief rivals.

Sri Lanka and Seychelles have booming tourist markets. Tourist arrivals to Sri Lanka rose 18% in 2015 and were continuing at that pace through the first five months of 2016.

Seychelles tourist arrivals rose 19% in 2015 and were growing at a 10% pace through early 2016.

The Maldives has not been as strong, posting a modest 2.4% increase in tourist arrivals in 2015.

The fall in average room rate is also attributable to much higher occupancy during low season than in previous years, which pulls down the average room rate for the year. The increase in low season occupancy is probably attributable to a high dollar-euro exchange rate driving tourists away from dollar-denominated destinations.

This also explains the impact of the average room rates achieved for the whole year. With the strong rebound in stay unit nights in Mauritius in 2015, the average room rate began to increase in early 2016 and we project a 6.2% gain for the year as a whole.

With the occupancy rate climbing to 73% in 2016, there will be upward pressure on pricing. We project a 5.7% compound annual increase over the next five years.

Hotel room revenue in Mauritius is expected to increase from €557 million (R7.9 billion) in 2015 to a projected €920 million (3.0 billion) in 2020, growing at a 10.6% compound annual rate.



Stay unit nights rose 13.9%, by far the largest gain during the past five years, as the hotel market benefited from the large increase in foreign arrivals



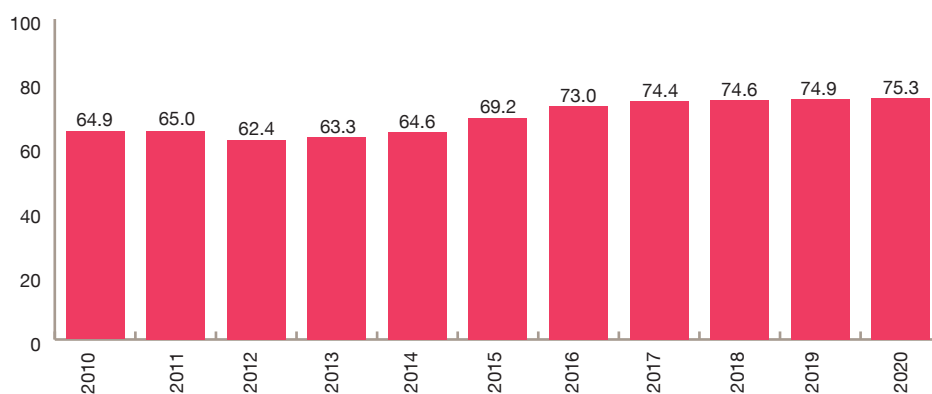
Image courtesy of Mauritius Tourism Promotion Authority

Hotels in Mauritius

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Available rooms (thousands)	12.1	11.9	12.5	12.4	12.8	13.6	13.7	13.8	14.4	15.0	15.6	
% change	5.4	-1.2	5.0	-1.2	3.4	6.4	0.3	1.1	4.3	4.2	4.0	2.8
Stay unit nights (millions)	2.9	2.8	2.9	2.9	3.0	3.4	3.7	3.8	3.9	4.1	4.3	
% change	10.0	-1.0	1.1	0.0	5.6	13.9	6.1	2.7	4.5	4.6	4.9	4.6
Occupancy rates (%)	64.9	65.0	62.4	63.3	64.6	69.2	73.0	74.4	74.6	74.9	75.3	
Average room rates (€)	170	186	191	174	173	162	172	182	193	204	214	
% change	-9.6	9.4	2.7	-8.9	-0.6	-6.4	6.2	5.8	6.0	5.7	4.9	5.7
Total room revenue (€ millions)	486	526	546	498	522	557	628	683	757	836	920	
% change	-0.6	8.2	3.8	-8.8	4.8	6.7	12.7	8.8	10.8	10.4	10.0	10.6

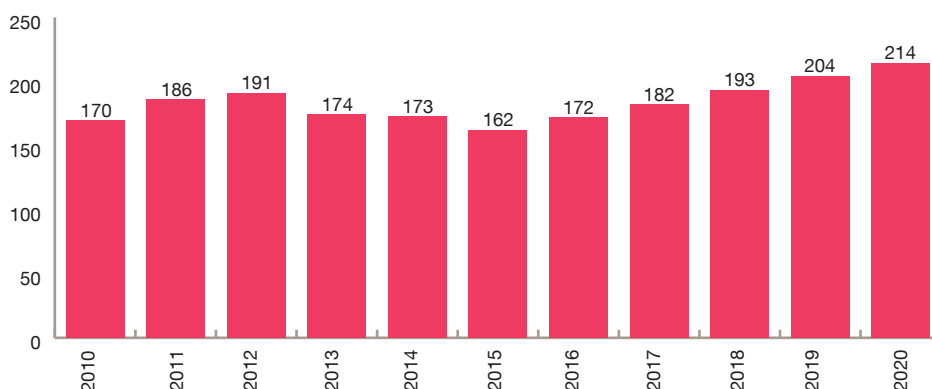
Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 21 Occupancy rates (%)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 22 Average room rates (€)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Total room revenue for five-star hotels will increase by a projected 12.5% compounded annually to €491 million

Five-star hotels

Five-star hotels had been the better-performing sector through 2014, but that changed in 2015 with room revenue rising only 1.9%, down from the 9.9% increase in 2014.

While stay unit nights increased 9.1%, the average room rate fell 6.6%, driven primarily by higher occupancies during low season when rates are at their lowest. Most of the competition from The Maldives, Sri Lanka and Seychelles is in the five-star market.

Average room rates for five-star hotels fell 7.3% between 2010 and 2015 compared with the 4.7% decrease for the market as a whole. Apart from a few hotels, the majority of five-star establishments held their prices in 2015.

In early 2016, however, the average room rate rose and we expect ongoing increases over the next five years, as growth in foreign arrivals continues and as occupancy rates increase. The average room rate will increase from €227 (R3 208) in 2015 to

€307 (R4 338) in 2020, a 6.2% compound annual increase.

Stay unit nights rose 9.1% in 2015 and we expect continued growth stemming from increases in foreign tourism. Growth will average 5.9% compounded annually.

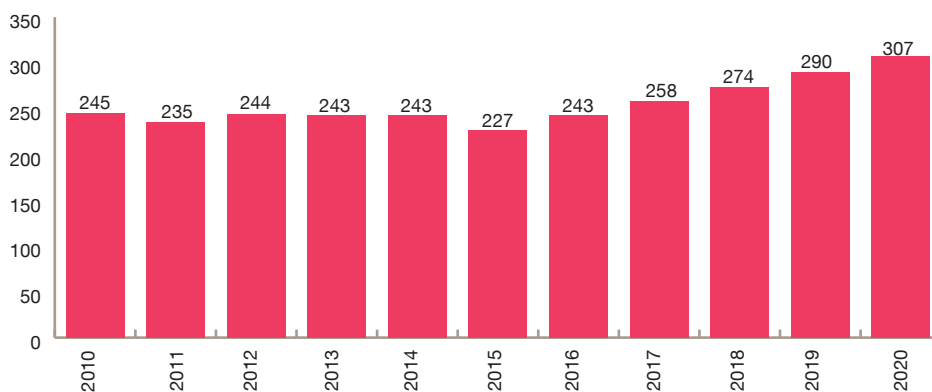
Total room revenue for five-star hotels will increase by a projected 12.5% compounded annually to €491 million (R6.9 billion) in 2020 from €272 million (R3.8) billion in 2015.

Five-star hotels in Mauritius

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Available rooms (thousands)	4.5	4.8	5.0	5.1	5.1	5.0	5.0	5.1	5.3	5.5	5.7	
% change	2.3	6.7	4.2	2.0	0.0	-2.0	0.0	2.0	3.9	3.8	3.6	2.7
Stay unit nights (millions)	0.8	0.9	1.0	1.0	1.1	1.2	1.3	1.3	1.4	1.5	1.6	
% change	14.3	12.5	11.1	0.0	10.0	9.1	8.3	0.0	7.7	7.1	6.7	5.9
Occupancy rates (%)	48.7	51.4	54.6	53.7	59.1	65.8	71.0	69.8	72.4	74.7	76.7	
Average room rates (€)	245	235	244	243	243	227	243	258	274	290	307	
% change	-11.2	-4.1	3.8	-0.4	0.0	-6.6	7.0	6.2	6.2	5.8	5.9	6.2
Total room revenue (€ millions)	196	212	244	243	267	272	316	335	384	435	491	
% change	1.6	8.2	15.1	-0.4	9.9	1.9	16.2	6.0	14.6	13.3	12.9	12.5

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 23 Average room rates for five-star hotels (€)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



We expect stay unit nights to increase at a 5.5% compound annual rate over the next five years as foreign tourism grows

Three and four-star hotels

We have combined data for three and four-star hotels in Mauritius. Room revenue for this component of the market fell 16% between 2011 and 2014. In 2015, however, the market rebounded with an 11.4% gain on the strength of an 18.2% increase in stay unit nights, which offset a 6.3% drop in the average room rate.

We expect stay unit nights to increase at a 5.5% compound annual rate over the next five years as foreign tourism grows.

As with the rest of the market, the average room rate for three and four-star hotels began to rise in early 2016. We expect room rates to continue to grow as tourism increases. The average rate is expected to

rise from €105 (R1 484) in 2015 to €140 (R1 978) in 2020, a 5.9% compound annual increase.

Overall room revenue for three and four-star hotels is projected to increase at an 11.7% compound annual rate to €238 million (R3.4 billion) in 2020 from €137 million (R1.9 billion) in 2015.

Three and four-star hotels in Mauritius

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Available rooms (thousands)	6.3	6.6	6.6	6.8	7	7.2	7.2	7.2	7.2	7.2	7.2	
% change	1.6	4.8	0	3	2.9	2.9	0	0	0	0	0	0
Stay unit nights (millions)	1.1	1.3	1.2	1.2	1.1	1.3	1.4	1.5	1.5	1.6	1.7	
% change	10	18.2	-7.7	0	-8.3	18.2	7.7	7.1	0	6.7	6.3	5.5
Occupancy rates (%)	47.8	54	49.7	48.3	43.1	49.5	53.1	57.1	57.1	60.9	64.7	
Average room rates (€)	106	112	113	108	112	105	112	119	126	133	140	
% change	-12.4	5.7	0.9	-4.4	3.7	-6.3	6.7	6.3	5.9	5.6	5.3	5.9

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Looking back: 2015

Our forecasts for the market as a whole underestimated the actual growth in all categories except five-star hotels. Stay unit nights were 14.3% higher than we expected, occupancy rates increased more than our projections, and total room revenue growth of 6.7% was well above our 1.6% projection.

Five-star hotels grew more slowly than we expected, however, but three and four-star hotels fared much better.

Actual vs forecast results for 2015

	2015 projected	2015 actual
Occupancy (%)	63.0	69.2
Stay unit nights (millions)	3.01	3.44
Foreign & domestic visitors (millions)	1 070.0	1 151.7
Total hotel room revenue growth (%)	1.6	6.7
Five-star hotel room revenue growth (%)	6.4	1.9
Three and four-star hotel room revenue growth (%)	4.1	11.4

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Outlook: 2016 - 2020

We project the number of available hotel rooms to increase at a 2.8% compound annual rate, rising to 15 600 in 2020.

The average occupancy rate will rise from 69.2% in 2015 to 75.3% in 2020.

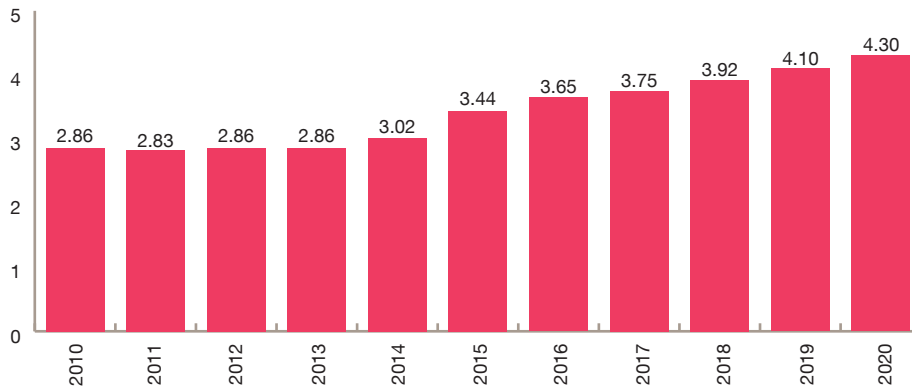
We project stay unit nights for the forecast period as a whole to rise from 3.4 million in 2015 to 4.3 million in 2020, a 4.6% compound annual increase.

We project that average room rates will increase by

5.7% compounded annually to 2020.

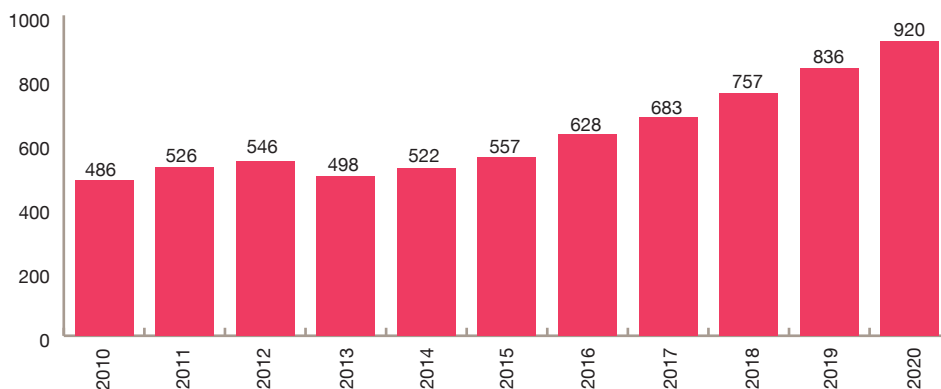
Hotel room revenue in Mauritius is expected to grow at a 10.6% compound annual rate to 2020.

Fig. 24 Stay unit nights (millions)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 25 Total room revenue (€ millions)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Hotel room revenue in Mauritius is expected to grow at a 10.6% compound annual rate to 2020

Kenya



Hotel accommodation in Kenya

Various threats to tourism growth have included the economic slowdown in Western economies, particularly in Europe, the Ebola virus outbreak, terrorist attacks and travel advisories as well as recent political instability.

However, a number of mitigation measures and incentives have contributed to a recent increase in tourist arrivals for the period January-April 2016, as compared to the same period in 2015.

Stay unit nights for Kenya as a whole fell 15% over the past four years, mitigated by an increase in domestic tourism and business travel. Domestic tourism was barely a factor a decade ago, but has recently become important as middle-class incomes rise.

Kenya's devolved system of government has caused domestic travel to increase. Devolution has created 47 county governments in addition to the national government and commerce within and between counties is increasing as a result.

Another trend we can point to is urbanisation, with cities like Naivasha, Nanyuki, Nakuru and Kisumu, among others, growing in terms of population and as commercial centres. There is a lot more business travel between these cities now.

In 2015, stay unit nights fell 2.8%, but a 9.1% increase in the average room rate resulted in a 6.1% gain in room revenue. The increase in the average room rate represents a turnaround from recent years. The average room rate fell 3.6% between 2011 and 2014.

Kenya's economic growth has been strong, rising 5.6% in 2015, its largest gain since 2010. This increase has spurred domestic tourism and has also stimulated business travel. Chinese companies are now active in Kenya, particularly in the food production, aviation, motor vehicle and construction industries. They are also investing in hotels.

Kenya's economy is expected to remain strong, growing at a 6.0% compound annual rate, more than twice the expected growth in global GDP.

Consumer price inflation has been trending down in recent years and we expect it will continue to moderate, averaging 5.7% compounded annually during the next five years.



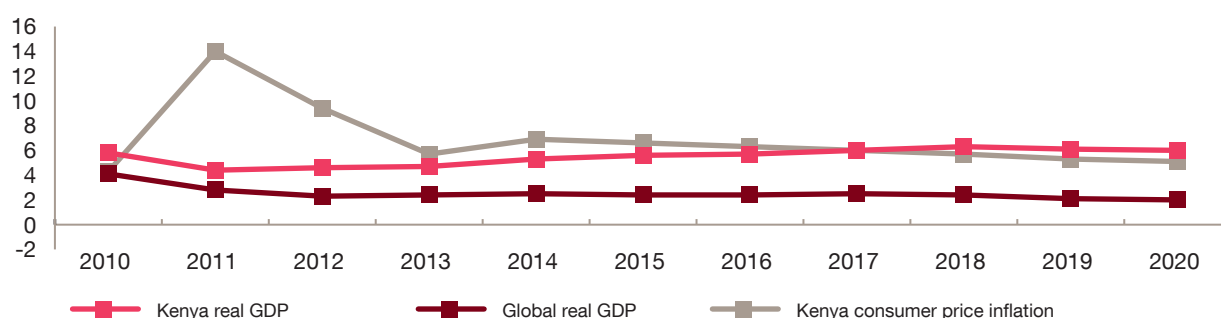
Stay unit nights for Kenya as a whole fell 15% over the past four years

Real GDP growth and consumer price inflation (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Kenya real GDP	5.8	4.4	4.6	4.7	5.3	5.6	5.7	6.0	6.3	6.1	6.0	6.0
Global real GDP	4.1	2.8	2.3	2.4	2.5	2.4	2.4	2.5	2.4	2.1	2.0	2.3
Kenya consumer price inflation	4.3	14.0	9.4	5.7	6.9	6.6	6.3	6.0	5.7	5.3	5.1	5.7

Sources: International Monetary Fund, Rabobank, World Bank, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 26 Real GDP growth and consumer price inflation (%)



Sources: International Monetary Fund, Rabobank, World Bank, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



In total, 16 hotels are expected to be built, adding 2 900 rooms and expanding hotel capacity by 14% with a 2.7% compound annual increase in available rooms over the next five years

Robust economic growth will play a key role in attracting new hotels and business travellers as well as domestic and foreign tourists.

Occupancy rates in Nairobi and Mombasa remain high and international companies such as Marriott, Sheraton, Ramada, Hilton Garden Inn, Mövenpick Hotel and Four Points by Sheraton are planning new hotels in Kenya in the next five years.

In total, 16 hotels are expected to be built, adding 2 900 rooms and expanding hotel capacity by 14% with a 2.7% compound annual increase in available rooms over the next five years. The Radisson Blu and Best Western are already open.

Kenya's economic growth trend is strong and the planned hotel investment reflects confidence in the country's growth trajectory, rising middle class, urbanisation, devolution and position as a regional hub for multinational businesses.

Kenya's construction industry, access to the port of Mombasa, skilled workforce and other factors contribute to Kenya's position as a preferred destination for investment. The country has also demonstrated resilience with regard to various challenges and a commitment to address challenges like security.

Rough Guides, a travel guide book series popular among Western travellers, named Kenya one of the top-10 destinations in 2016 because of its national parks, safaris and beaches.

In the near term, however, concerns about political instability and terrorism remain the primary issues impacting the hospitality sector and the experience in early 2016 indicates that declines in stay unit nights will continue.

We project a 5.7% decrease in 2016 and an additional 3.0% decline in 2017.

Helped by a strong economy, we look for a recovery beginning in 2018 after the 2017 elections, with growth averaging 1.1% compounded annually through to 2020. Despite that increase, stay unit nights in 2020 will remain 10% lower than in 2011.

The average room rate is on track for another healthy gain in 2016 and we project more moderate increases thereafter, with growth averaging 4.9% compounded annually through 2020.

Occupancy rates will decline over the next two years before edging up beginning in 2018. The hotel occupancy rate will average 48.8% in 2020, down from 53.0% in 2015 and well below the recent peak of 66.1% in 2011.

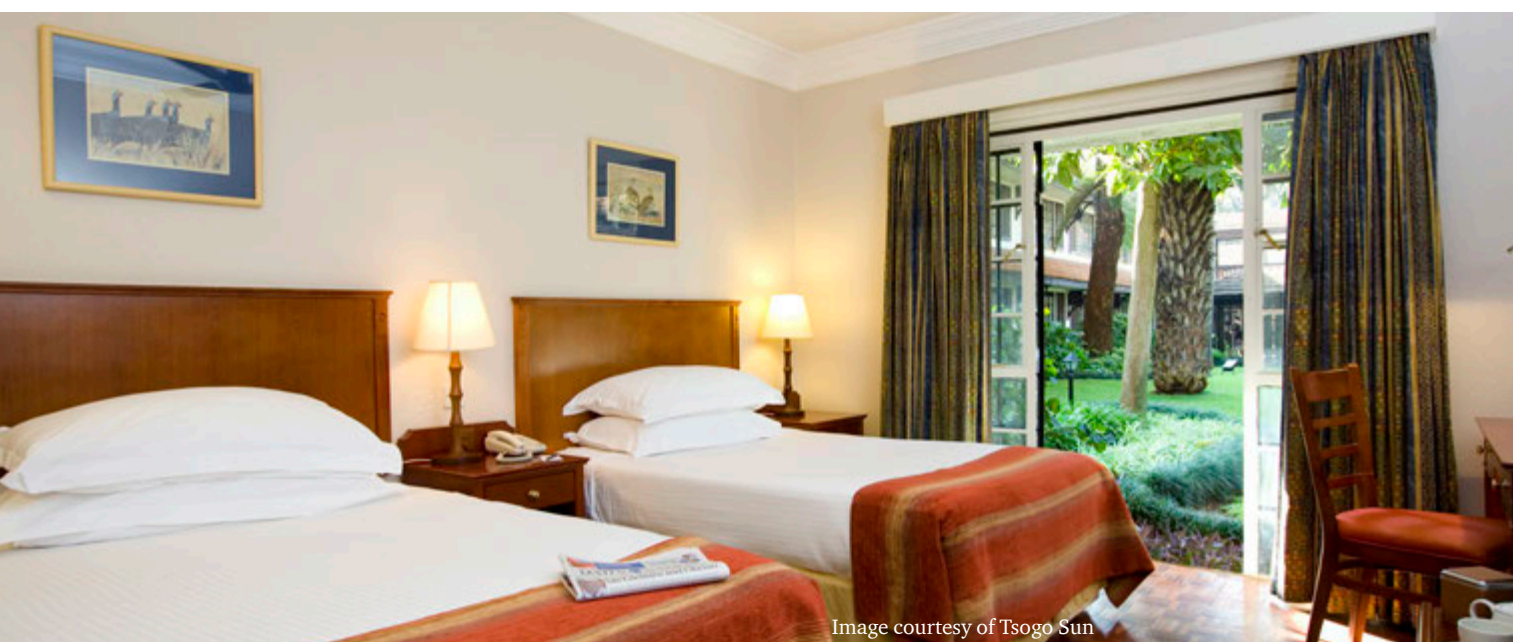


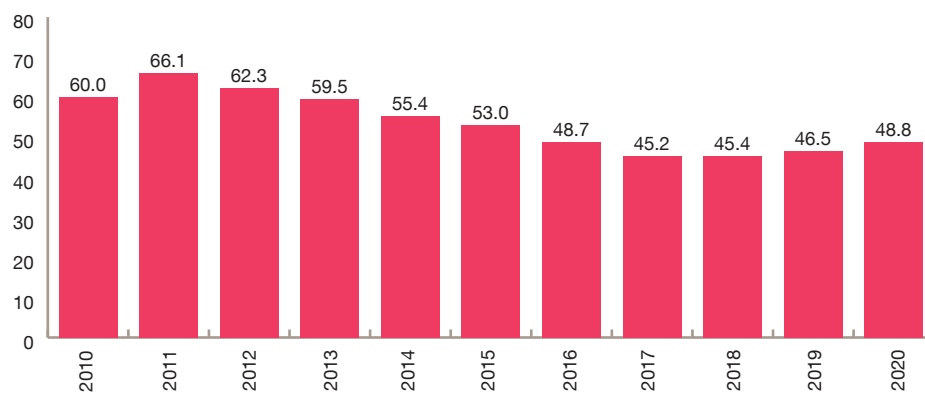
Image courtesy of Tsogo Sun

Hotels in Kenya

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Available rooms (thousands)	16.9	17.0	17.1	17.5	17.8	18.1	18.5	19.4	19.9	20.6	20.7	
% change		0.6	0.6	2.3	1.7	1.7	2.2	4.9	2.6	3.5	0.5	2.7
Stay unit nights (millions)	3.7	4.1	3.9	3.8	3.6	3.5	3.3	3.2	3.3	3.5	3.7	
% change		10.8	-4.9	-2.6	-5.3	-2.8	-5.7	-3.0	3.1	6.1	5.7	1.1
Occupancy rates (%)	60.0	66.1	62.3	59.5	55.4	53.0	48.7	45.2	45.4	46.5	48.8	
Average room rates (USD)	117	137	134	135	132	144	155	162	169	176	183	
% change		17.1	-2.2	0.7	-2.2	9.1	7.6	4.5	4.3	4.1	4.0	4.9
Total room revenue (USD millions)	433	562	523	513	475	504	512	518	558	616	677	
% change		29.8	-6.9	-1.9	-7.4	6.1	1.6	1.2	7.7	10.4	9.9	6.1

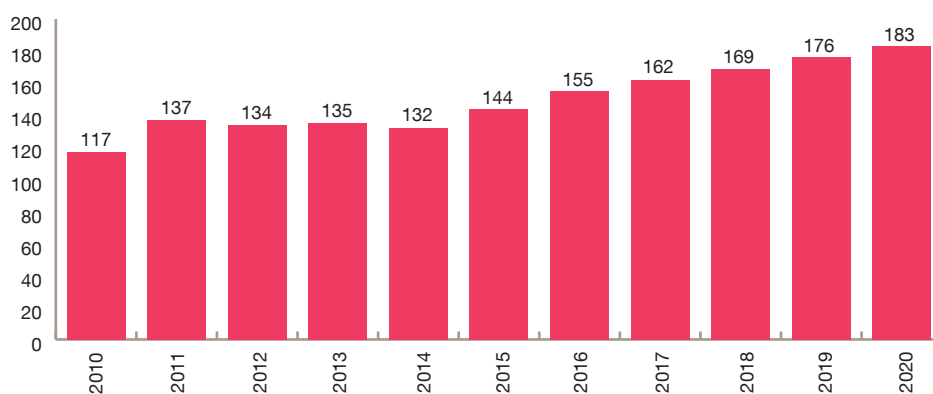
Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 27 Occupancy rates (%)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 28 Average room rates (USD)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



We project the number of available rooms to increase from 18 100 in 2015 to 20 700 in 2020, a 2.7% compound annual increase

Looking back: 2015

We expected that safety concerns would continue to affect the hotel market adversely in 2015 and our projection for stay unit nights was on target. The actual occupancy rate of 53.0% was slightly higher than our 51.3% projection, as there was a smaller increase in available rooms.

We had expected a modest decline in the average room rate but instead the rate jumped 9.1%. Consequently, instead of the expected 4.1% decrease in room revenue, actual room revenue rose 6.1%.

Actual vs forecast results for 2015

	2015 projected	2015 actual
Occupancy (%)	51.3	53.0
Stay unit nights (millions)	3.5	3.5
Total hotel room revenue growth (%)	-4.1	6.1

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Outlook: 2016 - 2020

We project the number of available rooms to increase from 18 100 in 2015 to 20 700 in 2020, a 2.7% compound annual increase.

Stay unit nights will total an estimated 3.7 million in 2020, a 1.1% compound annual increase from 3.5 million in 2015.

The occupancy rate will fall during the next two years as we are projecting capacity to grow faster than demand

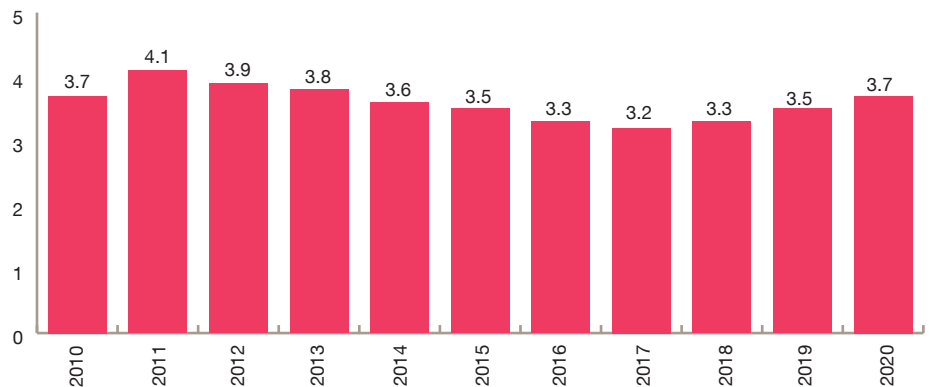
in the near term, but grow more slowly over the 2018-20 period.

For the forecast period as a whole, capacity will grow faster than stay unit nights and hotel occupancy will fall to an estimated 48.8% in 2020 from 53.0% in 2015.

We project the average room rate to increase from \$144 (R1 835) in 2015 to \$183 (R2 332) in 2020, a 4.9% compound annual increase.

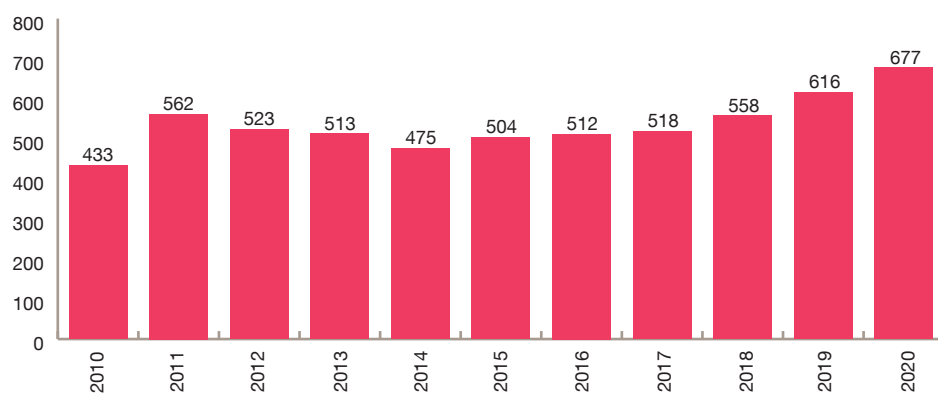
Total room revenue will expand by 6.1% compounded annually, rising to \$677 million (R8.6 billion) in 2020 from \$504 million (R6.4 billion) in 2015.

Fig. 29 Stay unit nights (millions)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 30 Total room revenue (USD millions)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Image courtesy of Tsogo Sun

Tanzania



Image courtesy of Tsogo Sun



Hotel accommodation in Tanzania

Tourism is the largest industry in Tanzania, accounting for 14% of GDP. Tanzania features the Serengeti, Mount Kilimanjaro, the Ngorongoro Crater and a host of other attractions. More than 1.1 million tourists visited Tanzania in 2015, down from 1.14 million visitors in 2014. Tourism now generates more foreign exchange than gold (for which the world market price has declined).

The government is promoting Tanzania as Africa's leading tourist destination and is working

to double the number of foreign visitors. The Ministry of Natural Resources and Tourism is looking to attract investment in the hotel industry, and in particular looking to expand its five-star hotel segment.

Tanzania also has a booming economy. Real GDP has risen at a 6.7% compound annual rate since 2010 and growth is projected at 6.4% compounded annually over the next five years.

While it is always good to have a strong domestic economy, as a country

relying on foreign tourism, the global economy is the key metric. Global economic growth will average a more moderate 2.4% increase compounded annually.

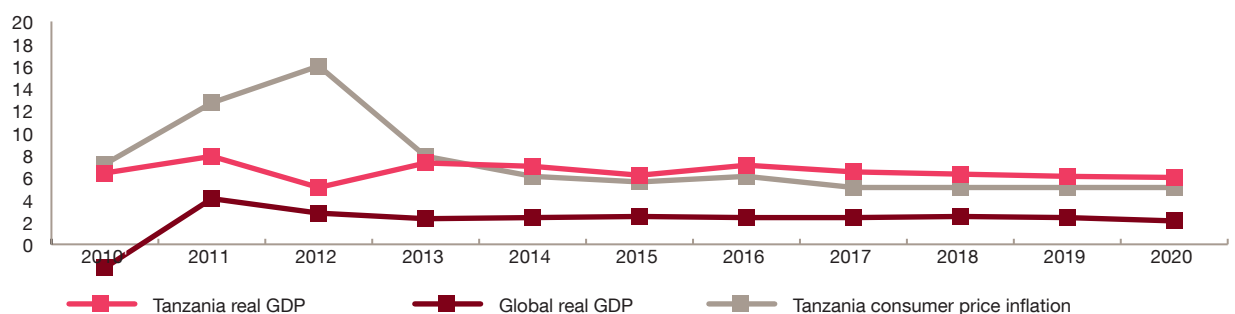
The government is promoting Tanzania as Africa's leading tourist destination and is working to double the number of foreign visitors

Real GDP growth and consumer price inflation (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016 - 20 CAGR
Tanzania real GDP	6.4	7.9	5.1	7.3	7.0	6.2	7.1	6.5	6.3	6.1	6.0	6.4
Global real GDP	-2.1	4.1	2.8	2.3	2.4	2.5	2.4	2.4	2.5	2.4	2.1	2.4
Tanzania consumer price inflation	7.2	12.7	16.0	7.9	6.1	5.6	6.1	5.1	5.1	5.1	5.1	5.3

Sources: International Monetary Fund, World Bank, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 31 Real GDP growth and consumer price inflation (%)



Sources: International Monetary Fund, World Bank, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Over the next five years, six hotels are scheduled to open, adding 600 rooms

Over the next five years, six hotels are scheduled to open, adding 600 rooms. Hyatt Regency and Best Western are among the major chains contributing to that increase. Growth in available rooms will average 1.5% compounded annually with an 8% cumulative increase.

Despite these positive developments, stay unit nights fell 5.9% in 2015, as a result of the less than robust global economy, and a 21.9% increase in the average room rate. While the price hike likely contributed to the decline in stay unit nights, room revenue increased 14.4%.

Early returns in 2016 suggest that a rebound in stay unit nights is not imminent while the surge in the average room rate

continues, which we project at 19.4%. We do not believe such increases can be sustained and we project growth to moderate to mid-single-digit gains beginning in 2017.

As room rate growth moderates, we look for a pickup in stay unit nights. The removal of the VAT exemption on various tourist services with effect from July 2016 may also dampen demand.

With respect to revenue growth, the increase is entirely due to higher average prices. There was a decline in stay unit nights in 2015 and a further decrease is expected in 2016.

The average price rose 22% in 2015, which offset the decline in stay unit nights, resulting in a 14% increase

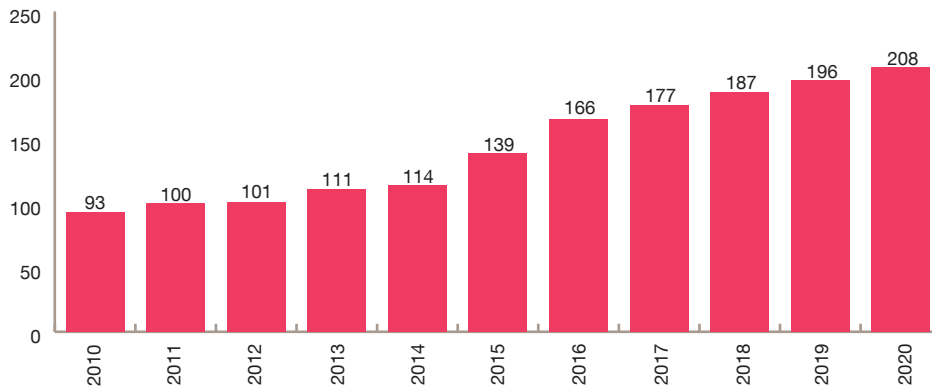
in room revenue. In the first quarter of 2016, the average price was up 19% over the first quarter of 2015. The growth in revenue is coming entirely from price increases, not from occupancy growth.

Hotels in Tanzania

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2016-20 CAGR
Available rooms (thousands)	7.1	7.1	7.2	7.2	7.4	7.7	7.7	7.8	8.2	8.3	8.3	
% change		0.0	1.4	0.0	2.8	4.1	0.0	1.3	5.1	1.2	0.0	1.5
Stay unit nights (millions)	1.3	1.6	1.7	1.7	1.7	1.6	1.5	1.5	1.6	1.7	1.8	
% change		23.1	6.3	0.0	0.0	-5.9	-6.3	0.0	6.7	6.3	5.9	2.4
Occupancy rates (%)	50.2	61.7	64.5	64.7	62.9	56.9	53.2	52.7	53.5	56.1	59.3	
Average room rates (USD)	93	100	101	111	114	139	166	177	187	196	206	
% change		7.5	1.0	9.9	2.7	21.9	19.4	6.6	5.6	4.8	5.1	8.2
Total room revenue (USD millions)	121	160	172	189	194	222	249	266	299	333	371	
% change		32.2	7.5	9.9	2.6	14.4	12.2	6.8	12.4	11.4	11.4	10.8

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 32 Average room rates (USD)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Outlook: 2016 - 2020

Growth in available rooms will average 1.5% compounded annually with an 8% cumulative increase. The number of available rooms will increase from 7 700 in 2015 to 8 300 in 2020.

We project stay unit nights to rise from 1.6 million in 2015 to 1.8 million in 2020, a 2.4% compound annual increase.

Stay unit nights will rise a bit faster than available rooms and hotel occupancy will edge up to 59.3% in 2020 from 56.9% in 2015.

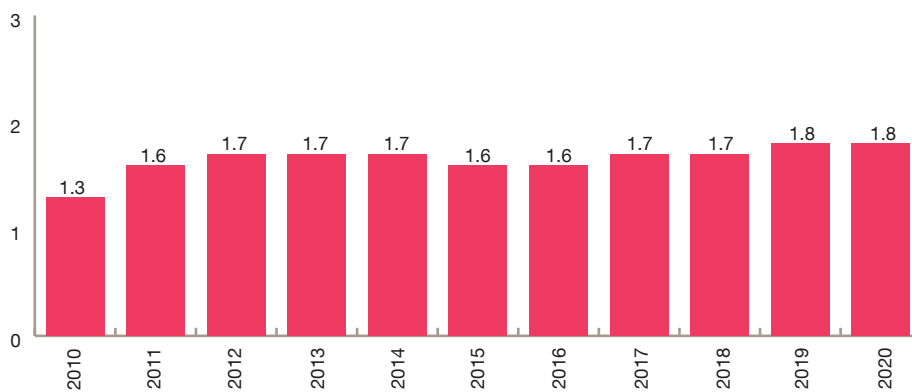
We project the average room rate to increase from \$139 (R1 771) in 2015 to \$206 (R2 625) in 2020, an 8.2% compound annual increase.

Total room revenue will expand by 10.8% compounded annually, rising to \$371 million (R4.7 billion) in 2020 from \$222 million (R2.8 billion) in 2015.



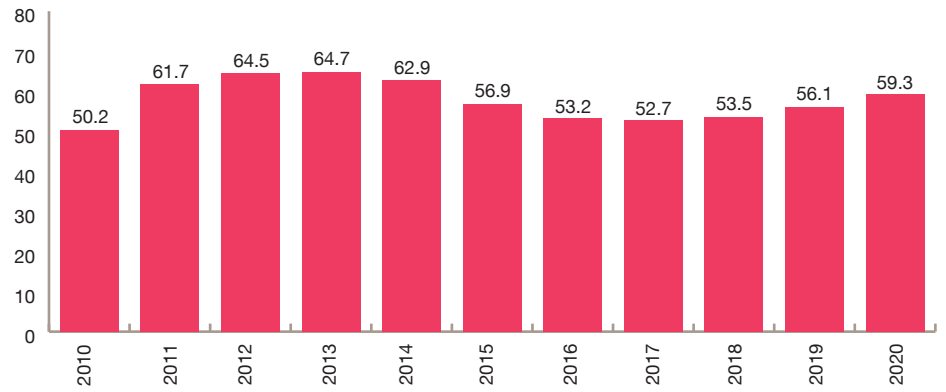
Total room revenue will expand by 10.8% compounded annually, rising to \$371 million (R4.7 billion) in 2020 from \$222 million (R2.8 billion) in 2015

Fig. 33 Stay unit nights (millions)



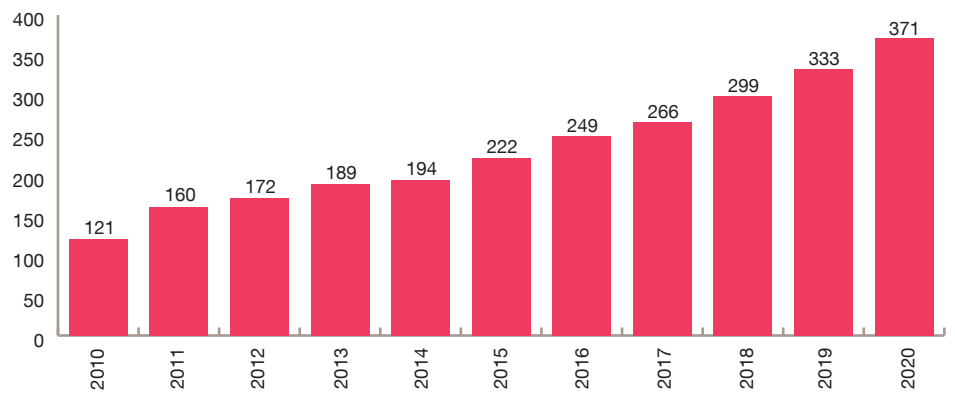
Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 34 Occupancy rates (%)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Fig. 35 Total room revenue (USD millions)



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Image courtesy of Tsogo Sun

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