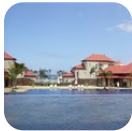


# Future for SA hotels looks rosy

By  Danette Breitenbach

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2016 was a positive year for South Africa's hotel sector, with further growth forecast over the next five years. This is the finding of PwC's 7th edition of the [Hotels Outlook: 2017 - 2021](#), which features information on hotels through a synopsis of historical performance for 2016 and to forecast revenue and other key trends for the 2017 - 2021 period.



## Positive outlook for African hotel sector

Danette Breitenbach 29 Jun 2017



## Increase in visitors

The hotel market is affected by local and global conditions, but despite a volatile economic climate, there is growth going forward, says Pietro Calicchio, hospitality and gaming industry leader for PwC Southern Africa. "The main reason is inbound travellers which has led to increased visitor numbers."

This increase in visitor numbers saw 2016 room revenue in South Africa increase by 12.2% to R15.9 million. This also pushed up the average room rates by 8.9%, while for the first time in years, occupancy rates were also over 60% (at 61.2% vs. 59.6% in 2015).

South Africa saw an increase of nearly 13% in foreign visitor numbers. "This is due to the amendment in visa regulations and the devaluation of the rand which has made the country a more attractive destination, as well as added routes from London, Frankfurt, Doha and Addis Ababa," says Calicchio.

Visits from Africa increased, in particular from East and Central Africa. The top 10 non-African sources of travel also increased by 17%, compared to the over 10% decrease in 2015. The real stars are China (38%) and India (22%) whose visitor numbers increased significantly. However, their levels are still not what they were in 2013.

## Hotel revenue

Three-star hotel revenue for 2016 increased by 7.6% to R4.9b and the occupancy rate was nearly 65% (2015: nearly 64%). Revenue increased by over 14% to R5.7b for four-star hotels with a 65.5% occupancy (2015: 62.5%) rate.

Five-star hotels boasted a revenue of R2.4b - nearly 15% up in the previous year with an occupancy rate for nearly 80%. Revenue for 2021 is forecast at R4.2b with an occupancy of 88%. This is because no five-star hotels will be added to the market.



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## Cape Town leading

Cape Town is the country's leading tourist destination and increased its guest nights by seven percent and room revenue by 20%. Durban saw guest nights rise by four percent and room revenue increased 12%. The forecast for both cities are positive.

Johannesburg, however, showed a decline in guest nights against the previous year, but still managed to offset this and overall room revenue rose nearly five percent. The direct flights to Cape Town and Durban could be one of the reasons why Johannesburg has declined, says Calicchio.

## The future looks rosy

The future looks rosy as investment into the sector will continue, with a further 63,900 rooms becoming available in 2021 of which 55% of this additional capacity will be in Cape Town. "We also forecast that guest nights will increase at a 1.8% compound annual rate to 15m in 2021 from 13.7m in 2016. The total room revenue will expand at 9.3% compound annual rate to R24.8b in 2021 (from R15.9b in 2016)."

Last year tourism contributed 10% to South Africa's GDP, up one percent from 2015. "This is partly due to government supporting the tourist industry with increasing funding while 40% of business travellers to the country who attend a convention or conference return within five years as tourists says research conducted by the National Convention Bureau," he says. In addition, foreign overnight visitors will increase by 5.6% this year.

While Airbnb is starting to have an impact, he says business travellers are not doing Airbnb yet. "In South Africa, many

guest houses are using Airbnb as a platform. However, we will see Airbnb having a bigger impact in the future,” he adds.

## ABOUT DANETTE BREITENBACH

Danette Breitenbach is a marketing & media editor at Bizcommunity.com. Previously she freelanced in the marketing and media sector, including for Bizcommunity. She was editor and publisher of AdVantage, the publication that served the marketing, media and advertising industry in southern Africa. She has worked extensively in print media, mainly B2B. She has a Masters in Financial Journalism from Wits.

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