Bright outlook for SA's 5-Star hotel market

By Zeenat Moorad

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The outlook for the 5-Star hotel market in SA is looking brighter, according to Joop Demes, CEO of Pam Golding Hospitality, particularly when viewed against the backdrop of global uncertainty.

"As far as many of us can remember, Europe's financial future has never seemed quite so fragile.

"To comment with any certainty on the 2012 outlook for Europe and on the euro-rand exchange rate will depend on Europe's politicians showing sound leadership by saving the euro through fiscal and monetary reform," Demes commented on Tuesday, 14 February 2012.

While Africa has been fairly insulated from the eurozone crisis due to its lack of meaningful integration into the global financial system, fluctuations in the rand's exchange rate do play a major factor in foreign investment and value-for-money proposition for foreign tourists to SA.

The rand exchange rates to the euro, pound and dollar during December 2011 and January 2012, translated on average to a 15% discount compared to prices last season.

And according to Demes, there was no doubt that this contributed to a sharp improvement in high-end leisure business in Cape Town and to a lesser extent Johannesburg.

"Lead times for visitor bookings are indeed becoming shorter and the 2010 Soccer World Cup gave many new visitors a very favourable impression, which is clearly paying off as foreign tourists are attracted by word-of-mouth recommendations from friends and family who were here in June/July 2010.

"This is coupled with prices that are lower compared to the prices during the World Cup event," he said.

Statistics from the December 2011 STR Global South African Hotel review support Demes's views, show that Cape Town's 5-Star market, which was written off by many market commentators over the past six months, experienced a very pleasing final quarter of 2011.

During the period October to December 2011 the occupancy figures averaged 66.4%, reflecting an increase of 18.1% compared to the same period last year.

Cape Town 5-Star hotels increased their 2011 annual average occupancy by 8.5% compared to the 2010 World Cup year.

In what remains a competitive market, the encouraging news is that Cape Town's 5-Star hotels managed on average to increase their room rate by 2.3% during December 2011 compared to December 2010.

And while the January 2012 STR review is not yet available, it appears to have been another rewarding month for the big brands in the 5-Star hotel industry in Cape Town.

The Cape Grace, One&Only, The Table Bay and Radisson Blu all experienced very healthy increases in revenue per available room (RevPAR) compared to last year, with the Mount Nelson clocking in a 49.5% growth in RevPAR in January compared to January 2011.

"We anticipate that the January 2012 RevPAR growth for the Cape Town 5-Star market will be in excess of 20% compared to January 2011," Demes stated.

Sandro Fabris, regional managing director in Africa for the Orient Express Group - owners of the Mount Nelson in Cape Town and the Westcliff Hotel in Johannesburg, credits the introduction of new direct flights, the positive image of Cape Town and SA, unrest in the Middle East and an improved exchange rate for improved trading at both of its hotels.

Looking ahead, consensus among industry leaders is that business and event travel will also fare better during 2012.

Demes pointed out that there were a number of international funds and private individuals who were seeking operators and hotels that provided compelling offers to a target market that could demonstrate growth and stability.

"In conjunction with this there are a number of sellers needing to raise liquidity and this could well result into one or two larger deals with critical mass that will pave the way for one of the bigger global brands," he noted.

Accor, Starwood and Hilton have all announced aggressive expansion plans in sub-Saharan Africa while Marriott, which for many years has been looking for an opportunity in Southern Africa, has announced the senior vice president appointment of industry specialist Alex Kyriakidis, former global chief of hospitality for Deloitte.

"It is going to be an interesting year and acquiring properties to re-brand seems at present a better option compared to building something new.

"When speaking to a number of regional hotel operators most agree the timing is right to acquire existing hotel properties in Southern Africa," Demes concluded.