

HVS African Hotel Valuation Index reveals hotel rooms in Seychelles have the highest value

12 August 2014, London: Hotels in the **Seychelles** have the highest value per room across Africa, according to the first annual African Hotel Valuation Index (HVI) compiled by hotel valuation specialist HVS London.

The survey of internationally branded properties covers 14 African markets including Nigeria, Ghana, Egypt, South Africa, Morocco, Angola and Zambia. The HVI ranks each market relative to an African average and monitors annual percentage changes in the values of four- and five-star hotels, reporting the average value per room in each region in US dollars.

Hotels in the Seychelles demonstrated the highest value per room (US\$522,000) largely because of the high quality of properties on the islands and high barriers to entry, along with its reputation as a luxury leisure destination. Occupancy in the Seychelles is around 65%, although visitation to the region has grown by 8% from 2008 to 2013.

In terms of value growth hotels in the Nigerian capital of **Abuja**, a city that was built in the 1980s, have seen a rapid rise in value from US\$450,200 in 2012 to US\$492,000 in 2013, ranking it second in the HVI. Hotels in Nigeria are expected to retain their position as one of the top performers because hotel supply is limited.

With an average hotel rooms value of US\$380,300 **Lagos**, the centre of Nigeria's modern economy, is one of the hot spots of Africa's hotel development. The city already boasts a number of internationally branded hotels, including the newly-opened 352-room InterContinental. More than 4,000 are in the pipeline for development and occupancy in the high 60%.

Lack of supply was the reason hotels in the Angolan capital city of **Luanda** reached third place in the valuation index at US\$471,000 per room. The city, despite having high levels of poverty, is acknowledged to be one of the most expensive in the world with accommodation in short supply and the oil industry employing a high level of foreigners. Value increases of 15% in 2013 meant that Luandan hotels have seen the highest rise in room value of the 14 markets surveyed for the African HVI.

Hotels in **Nairobi** have been amongst the most turbulent over the past few years, largely because of the country's political problems and terrorist attacks. However, values per room have remained virtually unchanged from 2009 to 2013 at around US\$160,00, with last year being another year of recovery.

Recent events in Kenya and Nigeria remind us of the unique challenges hotel investors to this continent face. It is not for the faint-hearted, but returns available can compensate for the risks, said HVS director Tim Smith, co-author of the report.

The African continent is one of fastest growing emerging markets in the world with rapidly evolving economies and developing local wealth which is leading to an increased demand for hotels that is not satisfied by current stock.

Global valuation and strategic specialist HVS has recently increased its interest in Africa as a result of investor demand for local knowledge across the continent. A new HVS office will open later this year in Cape Town, reflecting the demand for investment expertise.

There is enormous demand from operators and investors to add to hotel supply across the African continent, but the challenge is to understand where and when to open these hotels. HVS has now developed a comprehensive understanding of hotel supply and demand across Africa and we are now well placed to advise on development opportunities, Smith added.

We are hugely excited about the launch of the inaugural African HVI, commented report co-author and HVS director Sophie Perret. We look forward to expanding the survey into new markets as more data becomes available in future years.

You can download a copy of 2014 African Hotel Valuation Index, by Tim Smith and Sophie Perret at
<http://www.hvs.com/article/7017/2014-african-hotel-valuation-index/?campaign=email>

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For further information please contact:

Linda Pettit, Tilburstow Media Partners

Linda@tilburstowmedia.co.uk

Tel: +44 13 4283 2866.

Mob: +44 79 7378 9853

Tim Smith, Director

tsmith@hvs.com

Tel: +44 20 7878 7729

Mob: +44 77 2578 1043

Sophie Perret, Director

sperret@hvs.com

Tel: +44 20 7878 7722

Mob: +44 7725 781 037