

Africa hotel transactions set to increase as owners forced to consider disposal prospects - JLL

According to JLL's Hotels & Hospitality Group, Covid-19 is expected to impact the hotel sector in Sub-Saharan Africa in the long term with an increase in the number of hotel transactions expected over the next few years. Vaccines have, however, buoyed prospects for the travel and tourism sector globally and recovery is expected to begin during 2021 into 2022.



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“The issue of recovery in travel is important, as it is the lifeblood to the sector. It is encouraging to see investors and hotel operators begin to express more confidence in the fundamentals of the region. However, many hotel owners have taken out loans or used replacement reserves to cover their working capital requirements, which will need to be paid back from profits once the sector begins to recover and the real impact for owners will last beyond the resumption of normal travel,” says Wayne Godwin, senior vice president, JLL.



Undeterred by Covid-19, private capital continues to invest in commercial real estate

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This is not only a Sub-Saharan African story, it is also a trend that will impact owners around the globe. JLL expects to see an increase in the number of hotel transactions that occur in Africa over the next few years, as many owners need to dispose of non-core assets and realise cash in the absence of the government support packages that have been available in other parts of the world.

“It has been very encouraging to see the sector’s resilience, with many hotels surprising their owners and lenders with a profit under such difficult circumstances. In markets where there is some domestic travel, operating only a portion of rooms, with a reduced headcount and strict cost controls has shielded many owners from the worst of the pandemic. However, in many cases even the best efforts have been no match for the pandemic and owners need to consider disposal prospects,” says Godwin.



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Majority of investment in hotel development

Liquidity in the sector received a welcome boost in 2021, with the announcement of Kasada Capital Management's maiden deployment, acquiring a portfolio of West African hotels from AccorInvest. "JLL expects this to encourage investors who have been considering opportunities in the sector. We are delighted to have been able to support AccorInvest with this sale and have noted an uptick in interest from owners since the deal was announced," says Fabio Nava, vice president, JLL.

"Hotel development has seen the lion share of investment during the last decade, as developers and hotel operators have looked to expand their footprints in the region. Conversely, hotel owners have been reluctant to sell and relatively few open market hotel transactions have occurred relative to the number of new hotel developments that have been announced. We do not expect a reversal in this trend, but we do expect to see far more acquisitions as better value opportunities present themselves for buyers," concludes Nava.

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