An evolving landscape
An overview of hotel real estate in Sub-Saharan Africa
October 2018
# Overview of hotel real estate in Sub-Saharan Africa

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Following a high supply growth period during the past five years, the hotel sector in Sub-Saharan Africa is going through a period of absorbing new rooms, while investors are broadening their focus in the region.

The demand outlook for the region is strong, with economic diversification, accelerating growth and improving tourism infrastructure and air access. Hotel developers are becoming more experienced in creating product that better suits demand, while investors are increasingly focused on alternatives within the hospitality sector.

Tourism growth is a key focus for governments in Africa due to its positive impact on economic growth and employment, as well as foreign exchange earnings.

This focus is resulting in a high level of investment in tourism infrastructure such as airports and airlines, while visa regulation is gradually improving. Business tourism is highly impacted by economic growth, foreign investment and corporate entry, yet increasingly domestic and regional tourism are providing a strong base for demand. These factors combined provide a more diverse and resilient underpin for hotel demand in the region.

In 2018, hotel performance has been mixed across the region, largely due to the impact of new supply entering the markets, as well as external demand pressures.

West Africa has seen the most improvement in performance with commodity pricing on the up and many economies thriving. East Africa has experienced good demand growth, yet occupancy has been under pressure due to recent supply growth. Performance in Southern Africa is stagnant as a result of the economic slowdown in South Africa, as well as the impact of the drought in Cape Town. Indian Ocean performance continues to be very strong with an excellent outlook.

Investment into new hotels in Sub-Saharan Africa is driven by local players, as they understand their neighbourhoods and project risks best.

The investors who we surveyed for this edition are cautiously optimistic about hotels and 60%+ plan to increase their investment into the sector. Lenders continue to be focused on portfolio lending and existing relationships, with some development finance institutions (DFIs) taking a more flexible approach to development funding. Debt is available, but lending remains traditional with conservative terms. In this publication we provide an overview of the debt climate and the latest lending terms.

Introduction

In line with global trends we are seeing an increasing number of generalist real estate investors getting into hotels, which is bringing new capital into the sector.

The search for yield is progressively more focused on alternative hospitality sectors such as serviced apartments, as well as value oriented segments like the limited service and budget segments. This is a clear indication of the evolution of the hotel sector in the region, as well as the increasing prominence of the hotel sector as a core real estate asset class in Africa.

Transactions are on the increase, with regional transaction volumes for 2018 forecast at US$ 350 million.

South Africa has experienced high volumes primarily because of related party transactions, while there are more assets on the market in West and East Africa now than in recent memory. The entrance of international capital is increasing both in private and institutional form and in this publication we explore some of the barriers to investment currently being faced in Africa.

With an improving performance outlook across the region, a wider range of real estate investors are looking at the hotel sector. Getting the best return on investment will increasingly require alternative strategies, such as value add plays, roll out strategies, and developing product which disrupts the traditional hotel sector. This evolution will ensure that it remains an exciting region to trade in.
2017 was a record year for the region’s debt markets as global liquidity flooded in to take advantage of a rare moment when global growth was coordinated. 2018 has been more challenging. A combination of a slower acceleration in growth, high oil prices and fears surrounding the unwinding of the US Federal Reserve’s balance sheet have impacted sentiment. We would argue that the challenges seen in debt and equity markets have not been replicated in the real estate sector, particularly in Sub-Saharan Africa which remains at a very early stage in the cycle compared to developed markets. The region, in our view, continues to make progress and increasingly is featuring on investor radars. Though overall transaction volumes remain low, deals are closing and capital is being raised.
The challenge for Sub-Saharan African markets looking forward for the next 12 months, is the extent to which this change in sentiment for more liquid access points can be mitigated within real estate. Nonetheless we remain optimistic for a number of reasons:

1. Liquidity

The liquidity that flowed into debt markets in particular, and which has made them so vulnerable to the US interest rate cycle, has not come into real estate. Though there have been some large capital raises in the sector, little of that liquidity has been deployed. Admittedly, this low liquidity implies that pricing can be volatile, however the flip side is that we do not believe that the sector has been overbought. **Good quality assets, in good locations with transparent and reliable income streams, remain attractive to investors.**

2. Global outlook

The hotel market, in particular, benefits not only from an improving domestic backdrop, but also from a supportive external environment. If the US and European central banks are moving into a period of more restrictive monetary policy, it is because of an improved economic outlook. As much as Sub-Saharan African business cycles are correlated with developed markets, so too is the hotel market. **Strong economic growth in the US, Europe and China is, broadly speaking, supportive of Sub-Saharan African hospitality.** Global growth, according to the IMF, is estimated to have grown by 3.8% in 2017 and will come in at 3.9% in 2019.

3. Economic growth

Although the region’s economic growth is accelerating more slowly, it is still growing. From 1.4% growth in 2016 in real terms, growth jumped to 2.8% in 2017 and is expected to reach 3.4% in 2018 and 3.7% in 2019. Much of that moderation in performance between 2018 and 2019 is a function of lacklustre growth in the major economies of Nigeria and South Africa. If these countries are excluded, on IMF numbers, growth for the region is forecast to come in at 4.8% in 2018 and 5.4% in 2019. The challenge looking ahead, and as alluded to above, will be managing the impact of growing debt levels. Some 40% of low income countries in the region are now assessed by the IMF as being in debt distress or a high risk of debt distress. **Investors will have a close eye on policy decisions across the region** to ensure a greater commitment to fiscal consolidation to mitigate future volatility, largely as a result of vulnerabilities to global factors such as the oil price and the US interest rate cycle.

4. Transparency

While the improvement is moderate in our view, **increasing transparency in the markets in which we operate will underpin the investment case for real estate.** After all, market transparency is the foundation which allows investors to operate and make decisions with confidence. Our latest JLL transparency survey suggests that the region is gradually making progress. Admittedly, rather like the region’s economy, transparency is advancing at a more muted pace than in previous years. Nonetheless investors and business, as well as communities, are demanding much higher standards. This brings confidence to the sector and the credibility required to reinforce future growth. Markets like South Africa, Botswana and Mauritius have always been closer to European standards in terms of transparency. It is encouraging that we also see improvement in historically semi-transparent markets like Kenya and Nigeria. This in turn will attract new capital to these shores.
Africa growth fundamentals

Strong correlation between Sub-Saharan economies and global economic growth, estimated at 3.9% for 2019.

Growing debt levels present risk: fiscal consolidation is key.

Supportive demographics: from 2018 to 2035, UN predicts world’s 10 fastest growing cities will be African.

Transparency levels on the rise (particularly valuation standards): Improvers Nigeria and Kenya ranked 53rd and 67th on JLL’s Global Real Estate Transparency Index.
Overview of hotel real estate in Sub-Saharan Africa
Global and regional capital flows

Global investor appetite for real estate remains buoyant and global markets are on track for a robust 2018. Real estate markets have maintained their momentum despite intensifying economic and political risks, with global hotel transaction volumes expected to total US$ 50 billion in 2018, with H1 2018 up 5% year on year. Despite the long tail of the global real estate cycle and the search of yield by institutional investors, capital flows into Sub-Saharan Africa remain subdued.

Buoyed by a strong international tourism industry and increasing worldwide economic growth, the healthy global economy has re-energised a growth cycle of new deal-making, with transaction volumes in 2018 expected to match 2017. Global tourist arrivals are anticipated to reach 1.8 billion in 2030 and this strong travel demand drives optimism in the hotel industry, and hotel performance outlook is positive.

Global hotel investment sentiment is up as most markets are posting growth in hotel operating performance. As investors search for yield, the case for hotel investment activity remains strong. Institutional investors and generalist real estate players are continuing to look to the hotel sector for returns and this is bringing new players and capital into the sector.

Due to the developing nature of most Sub-Saharan African hotel markets, liquidity remains low and availability of good quality hotels for sale is limited. There are few viable portfolio acquisition opportunities available, and this is reducing the ability of international capital to be efficiently deployed into the region. In line with the trend for global hotel group consolidation, there is a high level of appetite for platform acquisitions in the region, and management platforms in particular are increasing in value.

Total global expectation for real estate transactions
US$ 50 bn in 2018

Regional liquidity
US$350 m in 2018

Annual forecasted investment for hotel development in 2019
US$ 1.7 bn

Value of hotel estate in Sub-Saharan Africa
US$ 50 bn
For 2018 we forecast hotel transaction volumes of US$ 350 million, with this expected to increase to US$ 400 million in 2019.

When looking at pricing, in many cases local investors are able to outprice international investors as they price risk differently in their home market and this is causing a gap in pricing between local sellers and international buyers. In South Africa and the Indian Ocean this is less the case, where liquidity is higher and pricing more established.

There is evidence of an increased level of interest from generalist real estate investors (rather than specialist hotel investors) in many markets, yet their initial interest continues to be in leases and guaranteed income. As these investors become more comfortable with the sector, we should see them taking increased operational earnings exposure in the future. Across most economic sectors, investment from Chinese private and public sources is being felt and we should also see increased investment into hotels.

New capital formation, including the new Katara/Accor investment fund for Africa, as well as several private equity style development funds, are an indication of the evolution of the sector. The new investors will need to work with increasingly experienced local players to access high quality assets and to deploy capital into new development opportunities. With the potentially large weight of capital looking for opportunities in the sector, there will be a need to differentiate and innovate, which should be the focus during the coming years.
Hotel market overview

Sub-Saharan Africa is a diverse region in every sense, and the hotel sector is no different. The impact of new supply is particularly pronounced due to the low supply base in many cities. Positive demand fundamentals have often have had to compete with a wave of new development that has swept the continent. Alternatively, political or economic change has had a significant impact on trading. Overall 2018 has seen good demand growth across the region, buoyed by a recovery in resource pricing, limited election activity and political reform in many parts of the continent.

**Southern Africa** entered 2018 on the back of renewed confidence as a result of noteworthy political changes in South Africa, Zimbabwe and Angola. Zimbabwe has seen a substantial improvement in trading, albeit off a considerably low base following a tough trading decade. The relatively peaceful transition to the Mnangagwa dispensation has led to an increase in hotel demand, however long-term prospects will depend on a sustained economic recovery.

**In South Africa**, the first real new supply cycle since 2006-2010 is underway, and supply growth has outpaced demand growth in Pretoria, Johannesburg, Durban and Cape Town. Much has been made of the negative impact of the water crisis in Cape Town, and while the impact of the Day Zero campaign has been pronounced, the decline in occupancy is largely a result of 1,000+ new rooms entering the market in 2017. While occupancy in South Africa has fallen to 60% during the first seven months of 2018, room rate growth has outpaced inflation in most cities. It will be important to see real rate growth during the coming years, yet with a high level of new supply on the horizon, this will require a reinvigorated economy and improved sentiment.

**Mozambique** has exceptional long-term potential, yet the hotel sector continues to be depressed due to muted economic conditions. The acceleration of large infrastructure projects in the oil and gas sector is needed to drive hotel demand. **Namibia** and **Windhoek**, in particular, have seen a reversal of their stronger 2017 performance, decreasing from an occupancy of 66% in 2017 to 58% in 2018 on the back of tougher economic conditions and new supply entering the market.

**East Africa** is experiencing positive tourism and hotel demand growth, yet is facing pressure on trading due to the weight of new supply into many key regional cities. **Ethiopia** and **Eritrea** are likely to see the positive impact of the recent political changes, with both countries expected to open up their economies significantly to foreign investment. Nairobi and Dar es Salaam have seen RevPAR decline by 6% and 7% respectively in US Dollar terms during 2018, primarily impacted by lower room rates, with occupancy remaining around 50% in both markets. The medium-term outlook for these markets is positive if supply growth remains sustainable, which is our base case scenario.

**Kampala** is one of the strongest markets in the region. The market has seen significant growth in new supply and has held up well. With the likelihood of increased oil and gas activity leading up until 2020, the market is in a strong space, particularly as the pipeline for new hotels is relatively small. **Kigali** is still in a state of market saturation, although the government and operators are focused on driving demand growth through the MICE segment as well as expanding air access and the offering to leisure visitors.
Recent political change in Ethiopia and Eritrea has positive impact, particularly with regard to foreign investment.

Kampala is one of the strongest markets in the region with marked growth in new supply, and a government focus on driving demand growth.

Lagos, Abidjan and Dakar all show robust 2018 trading results with a good medium-term outlook.

South Africa has seen challenging performance due to a slow economy and supply growth.

Indian Ocean has continued its strong growth story, with the high occupancy environment that emerged in 2016 now yielding rate growth.

Hotel supply distribution
West Africa has seen stronger demand conditions return, with cities like Lagos, Abidjan and Dakar showing robust trading results in 2018 and with a good medium-term outlook. The hotel sector in Nigeria has experienced a tough few years of trading, yet RevPAR is recovering with the support of improved oil prices and economic prospects. Room rates have however declined due to increased competition and a high proportion of room nights now being priced in Naira.

Investors across Nigeria and Ghana are increasingly looking for ways to reduce capital costs as a means to increase yields in a lower room rate environment. While these markets are beginning to attract speculative development interest again, development costs that do not align with reasonable room rates are making it difficult to achieve commensurate yields, and developers need to work harder to unlock opportunities.

Markets such as Abidjan and Dakar have been more resilient on the back of their more diversified economies, while markets such as Conakry, Bamako, N’Djamena and Lome continue to experience pressure due to the high level of new supply that has entered the cities in the past few years.

Currency is an important factor for investors in West Africa to consider, with CFA linked countries less exposed to currency devaluation. Non-CFA countries have historically been insulated from devaluation with their room rates in hard currency. Demand pressure in markets such as Lagos has seen contracted rates shift to a local currency basis, which has devalued significantly in recent years, putting pressure on earnings in hard currency.

The Indian Ocean has continued its strong growth story, with the high occupancy environment that emerged in 2016 now yielding rate growth. Mauritius and Seychelles will see US Dollar ADR growth of 20%+ in 2018, resulting in exceptionally strong earnings growth. Secondary Indian Ocean markets such as Madagascar and Zanzibar are also benefiting from strong growth in airlift and long-haul global travel. We expect this trend to continue into 2019 with a bullish trading outlook.

Across the region, supply pipelines are becoming more sustainable than they have been during the high supply growth period of 2014 to 2017. We forecast that supply across the region will grow at 1.7% in 2018, accelerating to 2.2% in 2018. Demand fundamentals are good, with international and domestic travel on the increase, and economic growth forecasts stronger than the 2016 to 2018 period. In the short term, many key markets will see depressed trading due to the absorption of new supply.

With responsible lending and increasingly savvy hotel developers looking closer at project viability and creating concepts better geared to demand, we can expect an improved trading climate in the years ahead.
Overview of hotel real estate in Sub-Saharan Africa
Investor sentiment

Hotel investment in the region is evolving and to get an update on sentiment and investment strategies, we interviewed the leading hotel investors and developers focused on the region. Investors are cautiously optimistic, with the majority looking to increase their exposure to the sector despite having lower return expectations. With many of the investors becoming more experienced, it is clear that they are looking at new investment models, operating models and alternative opportunities.

Deployment of capital by investors continues to be focused primarily on development (51%) rather than acquisition (33%), with just over 18% of investors indicating that they would look at both. As there continues to be a lack of assets available for acquisition, development will remain the investment focus in the short term. The growth in appetite for acquisitions is due to investors increasingly looking at value add opportunities, through rebranding, expansion and repositioning rather than building new.

Acquisition-focused investors prefer to look at single assets or portfolios with a value of US$ 30 million or more, which provides for more efficient deployment of capital rather than acquiring single assets of a lower value. The recent average value of our transactions in Sub-Saharan Africa at US$ 34 million which supports this. The general focus is on assets of 125+ keys unless they are in the luxury segments, which is more flexible.

There is a shift in the preferred transaction structure, with most investors seeking outright ownership or a majority ownership (55%), followed by minority ownership (20%) and 25% being flexible depending on the project. When we commenced this survey several years ago, the focus tended to be on JV structures as this was viewed as the best approach to acquiring land and local knowledge.

Most owners are now preferring absolute or majority control to prevent challenges with minority partners on exit. Given the more institutional and structured form of capital entering the market, we see this focus on outright investments increasing.

Target operating structures continue to vary widely due to the diverse nature of investment into the region. Where leases were preferred 45% of the time last year, this has come down to 29% this year. It could be an indication that investors are getting more comfortable with management agreements – or operating themselves – rather than leaving profits with the tenant.

Franchise agreements have also increased in popularity to close to 20% and more investors are considering operating themselves, especially beyond their first projects. We expect to see more franchising in the short term as brands become more flexible and look to conversion for growth. Where external operators are preferred, some 70%+ still prefer international operators.

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**Target ownership structure**

- Outright ownership: 45%
- JV majority: 25%
- JV minority: 20%
- Various: 10%

**Target operating structure**

- Fixed lease: 24%
- Variable lease: 19%
- Management agreement: 19%
- Franchise: 19%
- Owner operate: 29%
Investors are cautiously optimistic about investing in the sector, with 60%+ of investors indicating that they would look to increase their investment.

When questioned on the investment climate in the hotel sector, 50% of investors felt that this had improved over the past 12 months, 20% saw this as unchanged, while the remaining 30% felt that the climate had deteriorated. Overall the target returns that investors are seeking have decreased over the past year, which aligns with a general view that the risks in the sector have reduced. This is in line with our daily discussions with investors, who are becoming more realistic about return expectations, where these were often inflated in the past.

Target returns in the sector vary significantly by project, market and investment type, yet for development the target US$ project IRR is 12% to 16%, while acquisition yields tend to range from 7.5% to 12.5% and higher depending on the maturity of the asset and the value add opportunities. With sensible leveraging of 50% to 60%, investors are effectively targeting 14% to 20% return on equity on developments.

Investors are cautiously optimistic about investing in the sector, with 60%+ of investors indicating that they would look to increase their investment in the sector during the short and long term, almost all at a moderate rate rather than substantially so. Less than 10% of investors are planning to reduce their exposure to the sector, with the remaining 30% looking to keep their exposure at a similar level.

It is clear from our discussions that the more experienced hotel investors are working harder to find opportunities, and are becoming more innovative in their approach. We are seeing an increase in the projects which include serviced apartments, more focus on roll-out strategies in the mid-market segment, and an increase in integrated developments where hotels, residential, commercial and retail work seamlessly alongside each other. This evolution suggests the hotel industry in Africa is expanding the sector overall and generating new demand.

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**Figure 3: Risk vs Return perception and exposure**

- **Planned long-term exposure to Sub-Saharan African hotels**
- **Planned short-term exposure to Sub-Saharan African hotels**
- **Change in risk-return perception throughout last 12 months**
Evolving debt markets

Hotel lending in Sub-Saharan Africa: Banks getting to grips with the sector

When looking at lending on hotel developments in Sub-Saharan Africa, banks have continued to be prudent in their lending and conservative in their leveraging. Lending has been driven by existing banking relationships with cross collateralisation of assets, as well as the development finance institutions (DFI). Over the past years, lenders and developers have been searching for yield outside of their traditional asset classes and this is introducing new lenders to the sector.

There will continue to be a preference from lenders for leases, yet the reality is that there are few leases available in most markets, and market volatility in Sub-Saharan Africa is not well suited for this type of operating agreement. As much as these leases provide excellent security for the banks, they are often offered by operators with weaker balance sheets. In most developed markets, lenders will have specialist teams to focus on the hotel sector, yet this is not yet the case in most of Africa. This in turn makes it more challenging for lenders to place reliance on operational earnings, when the property teams are used to leases.

Banks are increasingly savvy when it comes to management agreements and they show positive intent to get to grips with the sector. What lenders normally look for in senior debt funding would be consistent and predictable cash flows and strong covenants. In the absence of this in an operational business (rather than a real estate letting entity), the banks are primarily taking a view on the jockey and the cross-collateralisation provided for the hotel development. They are increasingly looking at outside expertise from an initial project assessment to periodic reviews of hotel performance relating to their lending covenants.

A further constraint to hotel lending is internal mandate pressures as well as country and sector limits. Country and sector limits can be challenging when looking at larger developments, or larger acquisitions. Banks will generally have a preference of not lending less than US$ 10 million, yet often start to have challenges with single asset or country limits if this increases beyond US$ 25 million. This is much less of an issue in the region’s core real estate markets where banks have stronger balance sheets and lending capacity. Lower lending limits end up in syndicated lending, or club lending, or the need for alternative sources of debt. Development banks do not have central bank regulations which makes project funding easier and can be a good alternative source of funding.
Lending appetite
Commercial banks prefer lending against acquisitions or refinancing existing assets, as this provides them with a trading history to lower the risk and assist in underwriting. This in turn is not an area where the DFIs tend to play as it does not meet their development mandate. During development the active lenders depend very much on the jurisdiction, the debt of the banking sector, and the interest from DFIs to be in a certain market. There are many instances where construction loans are provided off the back of lender take-outs post-construction and into operations.

With an increasing focus by generalist real estate investors on the sector, we are seeing borrowing off existing portfolios and credit facilities. This in turn is bringing lenders to the hotel sector who previously did not have exposure to the asset class. Over time these lenders should become more comfortable with the industry and the pool of lenders will deepen as a result, and improve liquidity and lending terms.

Lending requirements
A strong balance sheet and client track record is what most lenders look for when considering hotel funding in Sub-Saharan Africa. Trends in the last few years have shown that banks are more comfortable to lend to clients with a portfolio of different assets as it diversifies the risk for the developer and bank. Global banks without an African footprint have limited appetite to enter the hotel lending space on the continent unless this is with their existing global clients, as local implementation is challenging.

Lending on hotels sees a loan to value, or often loan to cost, below 60% and more importantly, this would be supported by additional security in the form of a cession of shares or guarantee from the shareholders behind the transaction. Given this requirement, hotel developers tend to be successful business conglomerates, family businesses or real estate players with existing credit lines and banking relationships. Owner operators have traditionally been strongest in South Africa and Indian Ocean as they can lend effectively against a portfolio.

Loan terms
Local currency lending is generally an expensive option (outside of hard currency pegged countries), but the majority of debt funding on large projects is priced in USD or EUR in Sub-Saharan Africa. The rate linked to such debt is based on LIBOR and generally ranges between LIBOR + 4% to LIBOR + 6%. Tenors tend to be 7 years with main stream banks whereas development banks can go up to 12 years. With an expected higher interest rate environment in the medium term, this is going to start putting pressure on equity returns due to lower positive carry. Lenders will look at hard currency denominated loans for hotels in Africa even outside of countries which have their currencies pegged to hard currencies, due to the hard currency denomination of room rates. This denomination of room rates provides a hedge between the lending currency and room revenues, which reduced risk to the lender as well as lowering pricing for the borrower. As the hotel sector matures in Africa it is likely that room rates will increasingly be contracted in local currency (especially for domestic travel) and this could start to erode the hard currency hedge and increase the cost of borrowing.

Factors driving change
The banking sector in Africa is constantly going through change and this impacts on their capital reserving requirements, their ability to lend, their pricing, and in some cases their solvency. Aside from banks completing stringent due diligence on hotel projects, it is critical for investors to consider the banking relationships that they are entering into to ensure that these are sustainable. As the hotel sector, we also need to work with the lenders to educate them of the volatility that can occur through cycles and how good operators are able to manage downside risk and maximise cash flow for debt service.

Mezzanine lending is still very much in its infancy in the real estate sector in Africa and this tends to be replaced by equity products rather than traditional mezzanine. We expect to see change in this during the coming years as there is a high level of demand from investors for projects where additional leveraging can be sustained. Alternative lenders are not active in the sector currently, yet there are a number of owner operators who have their own listed bonds to reduce their cost of debt. Through consolidation of ownership and operations, this may increase.

Hotel lending outlook
Lending on new hotel developments and acquisitions is available in the region, and is generally provided on conservative terms. Single asset financing without further balance sheet or cash flow recourse will continue to be challenging and the domain of the DFIs where they have significant market appetite. New lenders are entering the sector through their existing relationships with diverse real estate players, which is deepening the lender pool. In turn lenders are become increasingly knowledgeable, which is positive as this should result in the most feasible and sensible hotel projects receiving funding. With a clear market opportunity, the next few years will be interesting to watch to see whether alternative and mezzanine lenders will enter the sector.
Overview of hotel real estate in Sub-Saharan Africa
High supply growth in recent years has undoubtedly placed pressure on hotel trading in Sub-Saharan Africa, yet the outlook in the medium term is positive, with a more sustainable pipeline and stronger demand fundamentals. Regional markets are increasingly diverse and out of sync, as such the prospects and risks across the region vary immensely. Overall the macro environment has improved, political risk has decreased, economies are diversifying. Paired with a strong growth in international and regional tourism in Africa, this forms a solid demand base.

We expect hotel trading to remain under pressure during the balance of 2018 and in 2019, as new rooms continue to be absorbed into the market. Despite this muted trading environment in many markets, there is evidence that well placed, distributed, branded, and developed products are able to consistently outperform the market. New segments such as serviced apartments and branded economy hotels hold strong returns prospects. This wide spectrum of market prospects and asset performance brings both opportunities and challenges to investors looking at the sector.

We are positive on the outlook for hotel investment in Sub-Saharan Africa in the medium and long term. Developing cities with high supply growth were always going to place pressure on performance and this is now being felt. This is resulting in an evolution of investment strategies to the region, meaning those who read the markets well, create relevant product, and innovate in their approach to the sector will reap the reward.
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