

## Hospitality Gears Up for 2010

As the 2010 Soccer World Cup approaches, there is much debate about the benefits of this major global event for South Africa.

Joop Demes, managing director of Pam Golding Hospitality, says the increasing exposure South Africa is receiving worldwide due to the 2010 Soccer World Cup is the equivalent of hundreds and hundreds of million rand in free advertising for the country's hotel and tourism industry.

"This will only increase as we build up to the event and will be sustainable due to the unique experience we offer tourists visiting our country. This is coupled with the fact that the cheaper South African rand will indeed play an important role towards long-term sustainability," says Demes.

"During the past 16 months Golding Hotel Investment Consultants has facilitated new hotel developments with a total value of approximately R1,6bn, with 50% of these being with international operators. In addition, over the past 12 months the same company has facilitated the sale of four hotel and game lodge operations with a total value of R625m – all for overseas buyers, while Pam Golding Hospitality & Tourism Consultants is currently conducting six feasibility studies for new hotels, three of which are on behalf of an international operator.

"Further to this, one of our clients, Protea Hotels, is currently involved in 43 new hotel projects which are at various stages and notably, predominantly located in Southern Africa. Another client, the International Arabella/Starwood Group, is presently investigating their involvement for six new hotel projects in South Africa," says Demes.

He adds that of significance is the fact that during 2007, and for the second year in succession, the South African hotel market as a whole experienced a double digit increase in Revpar (revenue per available room, i.e. the product of room occupancy and average room rate), with the year 2007 up by a very impressive 16,3% compared to 2006.

During 2007 and compared to 2006 the five star hotels increased their Revpar by 19% while the overall Johannesburg Revpar growth was 25,5%, as quoted by the Deloitte Hotel and Benchmark Study.

Leonard Brewer and Peter Bruil, directors of Pam Golding Lodges & Guesthouses (PGLAG), report that in the run-up to 2010 South African buyers are demonstrating an increasing appetite for acquiring well-located guesthouses, particularly in the Western Cape. The company, which specialises in the marketing of lodges and guesthouses mainly priced from R5m to R50m and ranging in size from six to 40 rooms, has over the past 12 months alone (to March 2008) concluded transactions to the total value of over R130m.

"To date some 70% of the guest lodges we have sold have been to overseas buyers or South Africans returning to the country. This is due to the fact that international, mainly European buyers have adopted a longer planning horizon in regard to capitalising on this forthcoming high-profile event. Now we find that local buyers are coming to the fore and becoming increasingly active in this sector of the hospitality industry as they realise the potential positive implications for tourism," says Bruil.

"Going concerns situated in prime tourism areas, such as the Cape Winelands, Cape Town Atlantic Seaboard and to a somewhat lesser extent the Garden Route – due to its greater seasonality and shorter average length of stay – offer good returns and are less prone to any possible risk factor. As a result sound capital growth together with a steady income from operations can be expected, coupled with the obvious spin-offs from heightened global exposure as a result of the Soccer World Cup," says Brewer.

Brewer points out that the World Cup event provides a major PR opportunity for the tourism industry.

"Bearing in mind that this takes place during our low tourism season, coupled with the fact that South Africa is still a relatively young as opposed to a mature tourism destination, we will reap the benefits of huge increased global exposure to our numerous tourism attractions.

For the tourism industry this is not just about the limited duration of the event itself, as is evidenced by the sizeable investment being made here by major global hotel operators experienced in investing in developing tourism markets. As the host country, it is in fact a four year period of free marketing and exposure – wherein we can capitalise on the growing interest in South Africa and our tourism industry."

One of the noteworthy transactions concluded recently by PGLAG is the sale of the Cape Heritage Hotel and Heritage Square in central Cape Town, a 4-Star, 15 room hotel with leases for restaurants and shops, sold close to the asking price of R35m. With historic connections to South Africa, the new owners desired a change of lifestyle, while Cape Town's central area enjoys generally high occupancies and interest from both the tourist and corporate markets.

Additional transactions are currently being negotiated for establishments in Gauteng and the Western and Eastern Cape regions at a further value of some R80m.