

# Top trends for hotel investors in 2018

By  Michelé de Witt 25 Jan 2018

The fundamental pillars underpinning investment, irrespective of the economic sector or host country, are not substantively different. Investors seek comfort in terms of government policy - does the potential host country have a stable political track record? Investors are keen to understand the dynamics of the potential consumer market what are the demographics that characterise the potential host country's population? Is the host country 'open for business' and can consumers from outside its borders easily gain access to its market? Is the host country's economy sufficiently diversified in order to protect economic growth from individual sector-specific shocks?



Michelé de Witt, Director for Horwath HTL South Africa

Within the hospitality investment environment in Africa we have noticed that the profile of investors has evolved over time and now includes not only hotel owner/operators, but developers/property companies, high net worth individuals, investment funds, private equity, and REITs (real estate investment trusts), and a growing appetite by institutional investors.

There is evidence of a shift from predominantly foreign/international investors to a higher proportion of local investors. This too has impacted the investment trends as local investors perceive the political and economic risks differently when compared to the international investor. Another interesting trend is the evolution of previously first-time hotel investors/owners now recycling their capital into new hotel projects.

It has been said that hospitality investment is not for the faint-hearted nor is it for those seeking short-term investment returns. The hospitality industry is dynamic and ever-changing and the needs of the consumer are constantly evolving. Today's hotel developers are under constant pressure to 'future-proof' their respective hotel projects. We see this translate into the function and style of hotels under development today, as well as those hotels that have recently commenced operations across the continent.

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## Location, location, location...

The choice of location remains a key component of the overall success of any project. In more developed cities, the availability of reasonably priced land to develop a hotel is scarcer than in cities which are less developed. As a result, we have noticed an uptick in the number of conversions (hotels developed in what may previously have been an office building).

and mixed-use developments.

We have witnessed a growing appetite for mixed-use developments across the continent as developers understand how they are able to leverage different components of a mixed-use development to mitigate, to some extent, the investment risk associated with components of the overall project perceived to be riskier. Mixed-use developments may comprise a combination of, or variation of, office space, hospitality, retail, and residential.

## **Lifestyle brands**

The millennial generation is the new consumer with the characteristics of millennials well documented. This too has influenced decisions regarding the refurbishment of existing properties and the development of new hotels.

As a consequence, we are witnessing an ever-increasing number of 'lifestyle' brands being brought to market. Many of these new lifestyle brands are re-engineering the public spaces incorporated in hotels, the extent to which technology is incorporated in the design and service offering of the hotel, as well as the size and functionality provided in guest bedrooms. We also notice with interest that many of the new lifestyle brands are being presented as market niche products – in other words targeting a very specific segment of the broader hospitality consumer market. In many instances, this approach aims to differentiate the hotel from its perceived competitors.

## **Environmentally conscious travellers seek responsible hotels**

And as travellers become more environmentally conscious their choices in terms of hotels that position themselves as social and environmentally responsible corporate citizens is gaining momentum. This trend is further amplified in the choice of eatery where travellers tend to favour restaurants offering an authentic menu incorporating locally sourced ingredients procured from sustainable sources.

The hospitality sector is not immune to the effects of disruptors evident in society today. Consequently, we would expect the hospitality industry to continue to re-engineer and reinvent itself in order to remain relevant and deliver new, meaningful experiences to an ever more informed traveller.

Looking ahead, the words of William Arthur Ward aptly describe our sentiment with regard to future development trends: "The pessimist will complain about the wind; the optimist will expect it to change; the realist will adjust the sails."

## **ABOUT MICHELÉ DE WITT**

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