

Countdown to more rooms

It might have reached the new millennium seven years later than the rest of us, but **Trevor Ward** says Ethiopia is fast catching on to hotel development to seize on rising demand

For years, the luxurious Sheraton Hotel has dominated not just the Addis Ababa skyline, but its hotel market too. However, Ethiopia's capital is seeing a new expansion in hotel stock. There are at least 1,250 mid-market and upscale new rooms under construction, and a further 800 to 1,000 in the planning stages (see table).

Demand is rising. International arrivals increased by 29% in 2006 to almost 300,000, more than double the 2000 figure. Preliminary estimates for 2007 show a significant further increase, due to the celebrations for Ethiopia's Millennium. While that was a substantial reason behind high occupancy levels, which averaged

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about 80% in Addis Ababa in 2007, growth forecasts of 8-10% annually suggest much of the future supply should nevertheless be absorbed without a problem.

Branding pays

As is so often found in markets such as this, internationally branded hotels achieve higher occupancies and rates than locally managed ones, with the exception of the small boutique hotels that find their special market niche.

Counting on that, the Sheraton, and the other branded hotel, the somewhat-aged Hilton, are likely to be joined by Holiday Inn, Radisson, Marriott, Ibis, Novotel and Four Points in the very near future.

The state-owned Ghion chain of hotels, the subject of privatisation rumours for many years, may well see government overcome its reluctance to do a deal as more competition enters the market.

There is a caveat, however. Some of the new hotel projects have been on the drawing board for years and most were supposed to have been completed in anticipation of the Ethiopian Millennium celebrations, which have come and gone. Only time will tell whether all of the hotel projects currently on the go (see table) will materialise. While hotels such as the Ibis and the Novotel are likely to be realised within the planned timeframe, as the promoters have



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financial substance, it is unclear whether the same can be said of the other hotels under construction, such as the Simex and Emerald. What is clear, however, is that the promoters were, for whatever reason, unable to meet their planned realisation date, and that must cast doubt regarding the future of the projects.

Emerging destination

Despite some bumps along the way, Ethiopia's leisure tourism sector is on the up. Addis Ababa is one of Africa's primary administrative centres, the home of the African Union and the United Nations' Economic Commission for Africa. Business and conference demand accounts for 75% of the total demand for hotel accommodation in Addis Ababa and, unlike many African cities which rely almost entirely on the commercial market, the city enjoys a high level of demand from the leisure sector, approximately 16% of total demand.

Addis Ababa boasts several historic sites, such as St George's Cathedral and the Menelik Mausoleum, but it is in the north and the south of the country that the main attractions lie, including the Northern Circuit, taking in such wonders as the sunken churches at Lalibela, and the Rift Valley to the south, a birding paradise. With the increase in tourists coming through Addis Ababa, local entrepreneurs such as Tadiwos Belete of Boston Partners and Sheikh Al Amoudi of Midroc are investing in eco-lodges around the country, tapping into their own resources as well as the diaspora.

Hub gains

Addis Ababa's new airport is attracting increasing numbers of transit passengers, since Ethiopian Airlines has one of the best hubs in Africa. Troubles in neighbouring Kenya, and increasing crime at Johannesburg airport, have also heightened the appeal of Addis Ababa as a transit hub. This activity generates considerable demand for hotel accommodation, and Ethiopian Airlines, in partnership with Chinese investors, is planning a new hotel at the airport to accommodate that demand.

Passenger traffic at the airport has grown at an average of around 20% in the last three years (2004 to 2006, latest data available), and by 120% since 2000; growth is forecast to be 13% in the near future – Ethiopian Airlines will be the first in Africa to fly the new state-of-the-art Boeing Dreamliner. **A**

Addis Ababa - Future hotel projects			
Project	Number of rooms	Status	Estimated opening date
Jupiter Hotel	40	Near completion	Q2 - 2008
Zenebat	80	Under construction	2009
Debrea Damo	80	Under construction	Mid-2009
Intercontinental (SIMEX)	151	Work stopped	2010
Sunshine	250	Studies in progress	2010
Emerald	168	Work stopped	2010
Sheraton (Extension)	200	Studies in progress	2010
Jupiter Hotel 2	102	Under construction	2010
Ibis	140	Under construction	Mid-2010
Novotel	100	Under construction	Mid-2010
African Union	200	Work commenced	Mid-2010
CATIC	325	Studies in progress	2011
Kenenisa Bekele	75	Site identified	2011
Four Points	200	Site identified	2012
Total	2,111		

Source: W Hospitality Group Research