

Staying power

Tourism is just one of the factors that can affect the hospitality industry and hotel property development. HTI Consulting CEO Wayne Troughton talks about trends driving the sector

WORDS: KIRSTEN HILL :: PHOTOS: SUPPLIED



CAPITAL MIRAGE

Hotel development in SA is growing steadily thanks to limited entry of new stock since the hotel “glut” of 2010, allowing the market time to absorb an oversupply of rooms, according to HTI Consulting CEO Wayne Troughton.

Hospitality and tourism specialist HTI Consulting analyses market and financial data to conduct in-depth feasibility studies and assist with operator selection, business and marketing strategies and development concepts for hotel, residential, real estate, leisure, conference and integrated resort developments in Africa and the Middle East. Its clients include the V&A Waterfront, Pareto, Starwood, Marriott, Accor and Verde Hotels.

“In light of the more positive hotel trading environment, new property developments are coming online,” explains Troughton. “However, to ensure maximum project viability and long-term sustainability, forward-thinking developers are now embracing key global hospitality trends driven by changing consumer preferences.

“The local hotel market weathered the challenging tourism year of 2015 well, with STR Global data indicating that occupancy for the country as a whole increased from 62.5% in

2014 to 63.4% in 2015,” he says. “Although a small growth percentage, overseas and African travel to SA declined by 4.9% and 7.3% respectively, which highlights the strength of the domestic market in driving local hotel demand.”

STR Global reported that average daily rates and revenue per available room across the country also showed positive increases of 6.5% and 8.0% respectively.

These are Troughton’s key trends in hospitality property development:

Mixed-use hospitality

With factors such as safety, security and convenience becoming a priority for consumers, hospitality offerings within mixed-use developments are increasingly in demand and often tend to perform at higher levels than their standalone counterparts.

People are also rediscovering urban areas, seeking them out as places to live and places to stay when travelling. Walkable neighbourhoods offer residents ready access to civic, economic and social nodes, to which local hotels can provide access for guests.

Melrose Arch in Johannesburg, and the V&A Waterfront in Cape Town, are two standout mixed-use developments where, through strategic planning,



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local developers have created dynamic precincts able to offer residents and visitors all of life’s conveniences within walking distance. Research in 2016 found that some of the properties at the V&A Waterfront achieved respective occupancies and average daily rates 18% and 52% above their standalone counterparts.

Historically, mixed-use developers have limited their exposure in the hospitality

market through the security of annual rentals.

However, with positive returns and oversupply in some residential and office nodes, big developers are turning their focus towards hospitality products. Increasingly, they are seeking to take more risk with the potential for higher returns. Rezidor’s Radisson Red (opening in Cape Town in 2017) at the V&A Waterfront is a case in point. This development introduces a new, contemporary and youthful offering which fills a much-needed gap that targets the up-and-coming millennial group.

The millennial shift

Although still lagging their global counterparts, hospitality brands in SA are continuously evolving to attract, satisfy and retain the attention of millennial travellers. Locally, the urban and edgy Marriot’s Protea Hotel Fire and Ice brand successfully targets youthful trendsetters with its chic developments in Cape Town, Melrose Arch and Menlyn.

Internationally, brands such as Starwood, Rezidor and Hyatt have introduced new offerings to cater to this influential generation that, in short, seeks value-for-money, customised experiences, digital convenience and innovations. Each has launched brands — Starwood’s Aloft, Hyatt Place and Rezidor’s Radisson Red — to cater specifically to these needs and include social areas such as kids’ zones, Wi-Fi zones, business zones and chill-out areas.

Appealing to a generation that has never known a world without the internet, technology is at the forefront of these brands, with self-service check-ins and plug-and-play connectivity often ruling the day.

Going green

Eco-friendly hotel concepts are the way of the future. As environmental concerns grow, travellers have become increasingly aware of their need to use and support eco-friendly technology, as well as sustainable and responsible tourism practices. More than two-thirds of world travellers indicate they prefer to stay in eco-friendly hotels, according to a recent Tripadvisor survey.

Launched in 2013, the award-winning Hotel Verde, a few hundred metres from Cape Town International Airport, markets itself as “Africa’s greenest hotel”. It is also the only hotel on the planet to have received a double platinum certificate from an American authority for “going green”.

Its myriad sustainable practices and efficient features garnered it media exposure of R25m after two

years of operation and it is hugely popular with guests.

Older hotels are also fast embracing greener practices, with iconic developments such as KwaZulu-Natal’s Oyster Box Hotel now featuring everything from energy-saving lights to a sophisticated building management system for maximum energy efficiency at all times.

The aparthotel

Globally, serviced apartments, also known as extended stay or hotel apartments, is the fastest-growing hospitality sector, accounting for 9% of total hotel rooms worldwide.

There are only about 20 such properties in SA. The Capital Hotel Group owns 40% of these, mostly in Johannesburg’s northern suburbs. It recently launched the Capital Mirage in Cape Town’s De Waterkant. The group says it plans to open nine luxury apartment and hotel developments between now and 2018 in the sub-Saharan region.

The serviced apartments sector is expanding rapidly and exploring new areas in an imaginative way. The concept is attractive to developers as the product can operate in the real estate or the hospitality sector. As they are built more like flats, they provide developers with an alternative exit strategy, enabling them to be sold as residential products. While some are teaming with high-end hotels, others are looking at the work-leisure combination.

Last year, Marriott announced the signing of the 200-unit Marriott Executive Apartments at Melrose Arch. Along with an adjacent hotel, these developments will be the first Marriott-branded properties to be developed in SA.

Carlson Rezidor further strengthened its presence by announcing the Radisson Blu Hotel & Residence Cape Town would open early next year.

It is in the heart of Cape Town’s Foreshore, only 500m from the Cape Town International Convention Centre. The landmark property will comprise 214 rooms and 124 flats, including a luxury penthouse.

Says Wolfgang Neumann, Rezidor president and CEO: “Hotel residences are becoming an increasingly important offer for business and leisure travellers alike. This new property will allow us to add value for our guests and to capture additional market share.”

These products will take the supply of hotel apartments in SA to a new level and, in the process, add diversity to the country’s overall accommodation offering.