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Hotel development on the horizon for Cameroon

Cameroon has the potential for hotel development. And following an upward trend in demand, the hotel supply is expected to expand

Economic & political environment

Cameroon has enjoyed political stability since its independence in 1960 and made the transition to multi-party democracy in 1990. Its President has been in power since 1982.

Since the first Boko Haram attack on Cameroonian soil in September 2014, acts of violence on northern territory have intensified. While spreading insecurity, they are weakening the political stability by reviving animosity between the country's northern and southern regions. Security also remains volatile along the border regions with Central African Republic.

Located along the guinea golf, Cameroon is endowed with rich natural resources, benefiting from mining assets and oil. The country remains a small producer but oil represents almost 40% of Cameroon's total export (oil rents accounted for 5.5 % of GDP in 2013-World Bank). After several years of declining production, oil prospects have improved since 2013.

Despite a challenging business environment (as pointed out by low indices in regard of doing business), the country has registered a steady economic growth. 2014 has witnessed a slowdown, following the drop in oil prices. Based on IMF forecast, the country should reach a 5% growth within the next years boosted by the development of large infrastructure projects, such as Kribi deep-water port, Lom Pangar, hydrocarbon and mining projects...

	2011	2012	2013	2014	2015	2016	2020
GDP %	4,1	4,6	5,6	5,1	5,0	5,0	5,0
Consumer Prices	2,9	2,4	2,1	1,9	2,0	2,1	2,2

Source: IMF World Economic Outlook - April 2015

Air Access

Cameroon is a natural hub for central Africa due to its strategic location and is an interface between landlocked countries of Central Africa and the coast. However, current transport infrastructures remain limited and are an impediment to growth.

Cameroon has 3 international airports in Douala, Yaounde and Garoua. Douala remains the main entry point with 745,000 passengers in 2013 (+8% vs 2012).

Tourism

The country benefits from natural assets (forest and wildlife), much diversified landscapes and culture. However, its image has been affected by security issues. Hence despite a significant potential, leisure tourism remains limited and concentrates on seaside tourism, namely in the Kribi area, country's main tourist destination.

Hotel Development and Trends

Overall, the hotel supply in Cameroon remains poorly developed. It mainly concentrates in Douala, the economic capital and secondary in Yaounde, the capital city.

Douala is the first city in the CAEMC zone in terms of population and commercial impact. As Cameroon's largest port and major economic center, it concentrates more than 25% of the hotel supply. 1500 rooms provide an acceptable level of comfort, among which 900-950 rooms can be considered of international standards.

- International branded supply remains limited and represented by 2 Accor hotels (300 rooms) under Ibis and Pullman flags. Pullman entered the market earlier this year, with the takeover of the former Meridien Hotel. The hotel should be renovated within 2016.
- Douala’s market hasn’t encountered any significant changes over the last year and has proven to be a relatively stable market, supported by the economic activity.
- In 2014, as per market data, the average occupancy reached about 64%, at par with 2013. So far security issues in the northern region have had a limited impact on the hotel performances. ADR are estimated as follows :

Upscale	140/150 USD
Midscale	90/105 USD
Economy	app. 70 USD

Yaounde is the second market concentrating 17% of the national supply, with 800 rooms suitable for international guests.

- This supply is made of large independent units (among which two former Accor hotels), and one single branded hotel, the 5-star Hilton which benefits from a leading position.
- Besides independent hotels opening, the market has not undergone any major structural changes over the last 5 years. Mainly driven by government, international organizations and NGO, the market hence benefits from stable fundamentals but remains narrow with limited prospects for growth in the mid-term outside GDP’s growth.
- Hence, the occupancy remains lower than Douala, reaching an estimated average of 55%, with revenue on average 20% under Douala, for comparable products.

Hotel demand originates predominantly from national and African travelers which generate 75% of the rooms sold. As observed in most of the sub-Saharan Africa’s metropolis, demand is driven by business clients. MICE demand represents a significant share in both cities.

In addition, coastal cities such as Kribi and Limbe position as leisure destinations and are secondary hotel markets.

Projects

Following the upward trend in demand, the hotel supply is expected to expand. Based on Tophotel database and Horwath HTL intelligence, 400 to 500 rooms could open in Douala within 2019 in the 3*

and 4* segment, including a second Ibis property. At this stage, a significant share is expected to be run independently. International brands such as Hilton and Marriott are considering the market.

Cameroon is to host the Africa cup of Nations in 2019. This should generate a surge in hotel projects prior to the event.

Overall, hotel investors have adopted a wait and see approach. Major infrastructure projects should have positive impacts on the economy. However, persisting challenges affecting the business climate have been hindering investments.

Perspectives

Internal tensions in the ruling party are deepening ahead of the presidential and legislative elections scheduled in 2018. President Biya’s health has been a concern and there are associated uncertainties over succession or willingness to run for a sixth term in office.

Oil diminishing low prices and maturing of current reserves might present an unfavorable long-term outlook. In this perspective, the quest for reserves and further diversification of the economy will be determinant in attracting foreign investors.

However growth has maintained despite the security and humanitarian crisis and should reach 5% over the next year as Cameroon positions as a leading economy in central Africa.

Business travel concentrates on Douala as the main economic centre, and on Yaoundé, as the decisional centre. In this perspective, we are of the opinion that Cameroon has a potential for hotel development in both Douala and Yaounde. For brands, a dual location could stand as an opportunity. However, Douala's market remains stronger and more structured than Yaoundé and in this sense seems of highest priority.

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