

Hotel Performance In South Africa and The Western Cape 2017 – 2021



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Introduction

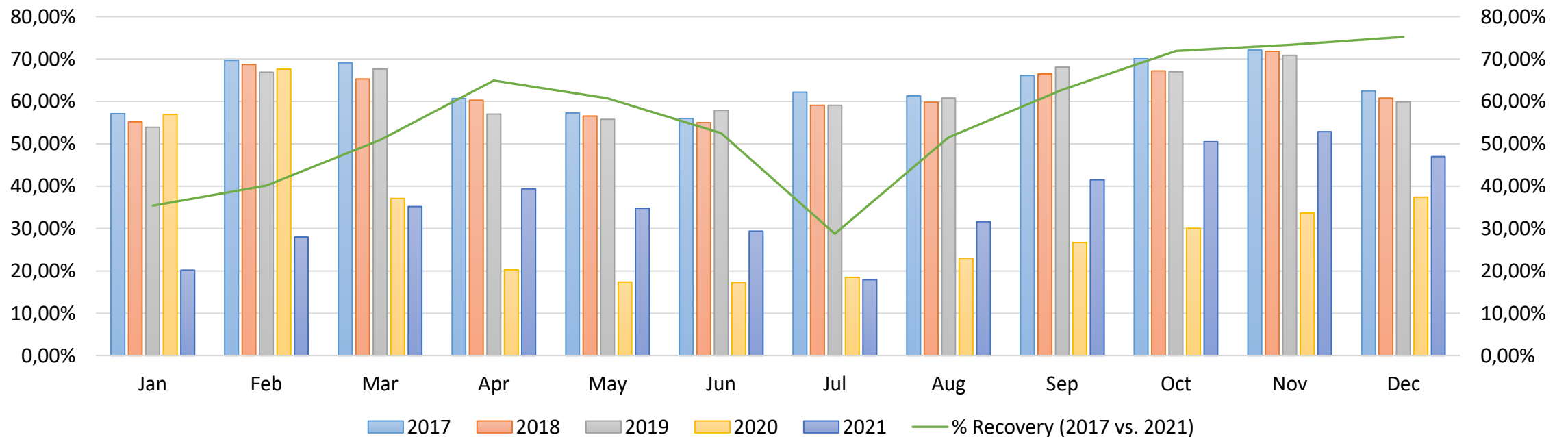
- This report covers hotels in South Africa with a specific focus on the Western Cape. Key major city trends are also provided with a comparison of Cape Town and Sandton. Hotel occupancy, average daily rate as well as revenue per available room are analyzed. All data shown in the tables and graphs was received from STR – South Africa Hotel review statistics from 2017 – 2021.
- The hospitality industry in South Africa is a combination of international hotel brands and domestically grown brands. The country has several individual hotel properties that are spread across the major cities of the country. South Africa has around 451 hotels with 192 hotels belonging to international brands that are currently operating in the country which is very high in the African region.
- Tourism is a key economic driver in the Western Cape and contributes to job creation, with around 300 000 people being employed by the industry. The hospitality industry alone contributes R40 billion to the Western Cape economy, which it simply cannot lose. Cape Town is an international leader in business tourism, according to ratings published by the United Nations World Tourism Organisation. South Africa is already established as the leading convention destination in Africa led by Cape Town, which is among top-50 convention cities in the world. Cape Town is also known as the Events Capital of Africa.



South African Hotel Performance / Trends

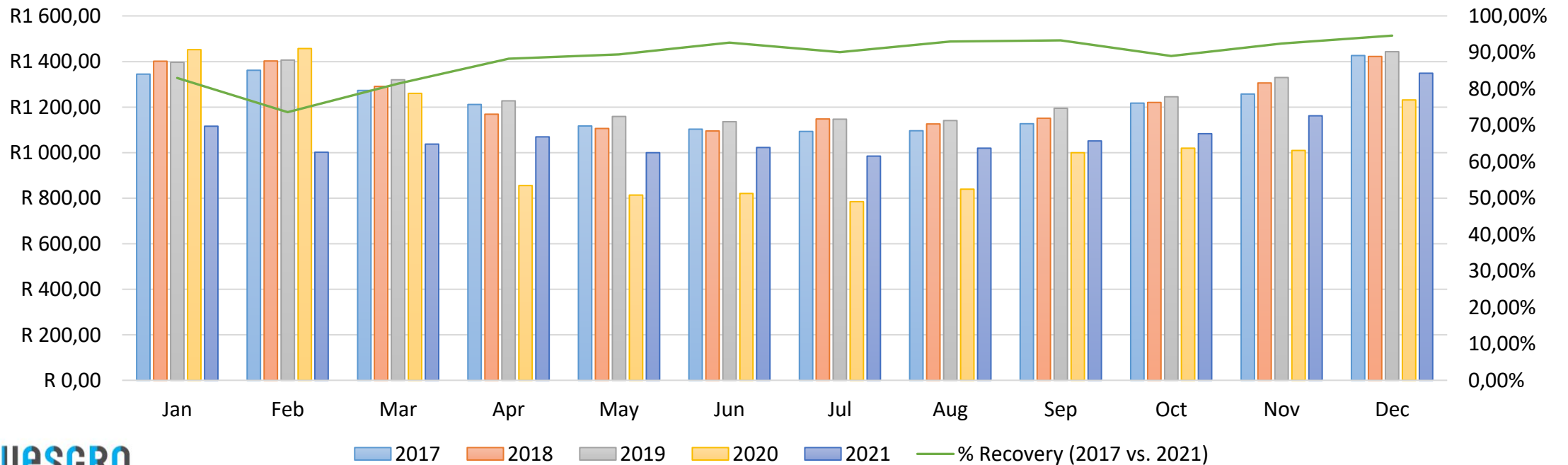
3. South Africa Hotel Performance

- Post pandemic hotel occupancy in the country reached its peak at **52.9%** in November 2021, as compared to that of 2020 (**33.7%**).
- As of August 2021, the year-to-date occupancy levels in the South Africa reflected a consecutive month-to-month growth, rising from **31.6%** in August to **47.0%** in December.
- When compared to 2020, occupancy rates in 2021 have shown a strong recovery as from March 2021 and remained at a steady pace through to November 2021.



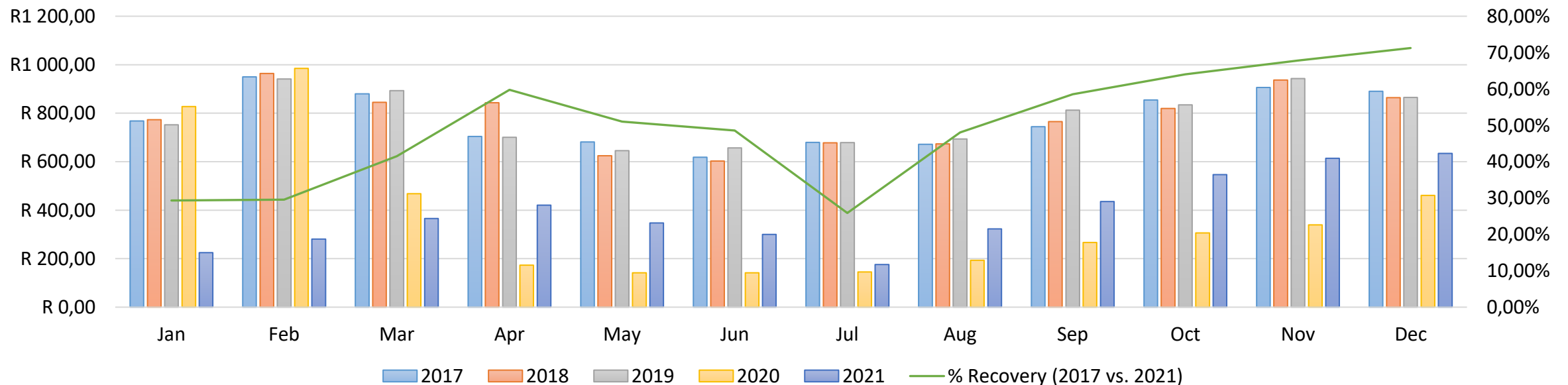
3.1 Average Daily Rate

- According to the PWC hotel outlook report (2018-2022), a dip in the occupancy rate, a stronger rand, and slower domestic inflation contributed to the slower growth in ADR. With occupancy rates expected to drop in the near term, we look for ADR growth to moderate to **3.3%** in 2018. We then expect modest growth in occupancy rates and continued moderate inflation to result in ADR growth remaining relatively modest, with a projected **4.1%** compound annual increase. The average rate will rise from **R1 205** in 2017 to a projected **R1 475** in 2022.
- The data depicted below from STR (2022) shows the predicted growth by PWC mentioned above. Even though a high drop in bookings was seen in 2020, an average daily rate of **R1 348** was received in December 2021.



3.2 Revenue Per Available Room (RevPar)

- Revenue per available room (RevPAR) is a metric used in the hospitality industry to measure hotel performance. The measurement is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate.
- Hotels are seeing bookings made closer to the time of arrival, facilitated by online travel sites, with tourists able to get better rates in the process. In some cases, this leads to cancellations and switching to better last-minute deals. This trend will continue, putting continued pressure on overall average pricing (PWC, 2019-2023).
- Nonetheless, the highest RevPar recorded in the South African hotel industry over the period under review was seen in February 2020 with an amount of **R985,13**. Following the decline of accommodation usage as a result of the Covid-19 pandemic, the revenue received from March 2020 – September 2021 was a record low in the industry; however, a steady increase has since been seen.

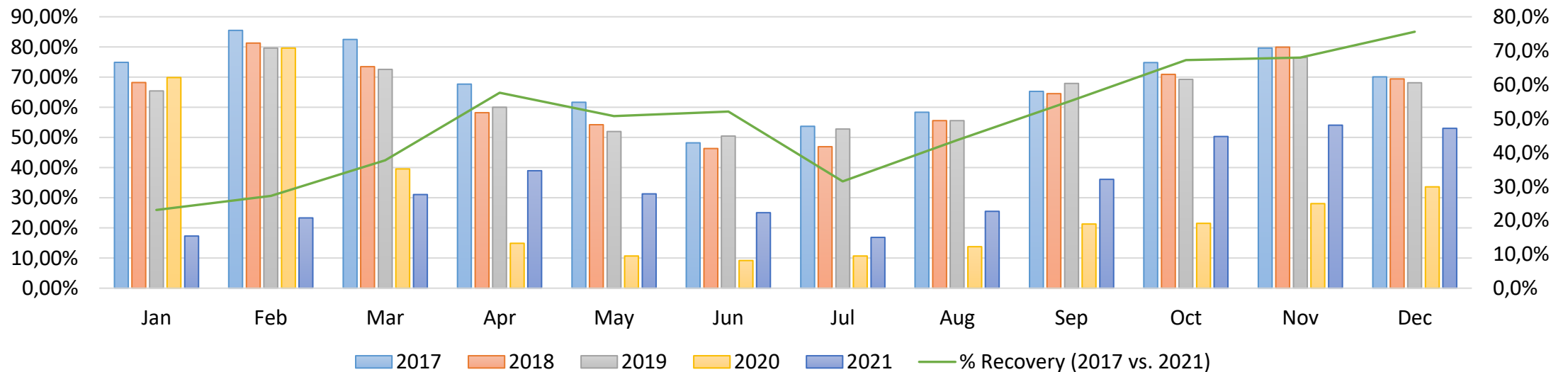




Western Cape Hotel Performance/Trends

4.1 Western Cape Occupancy Performance & Recovery

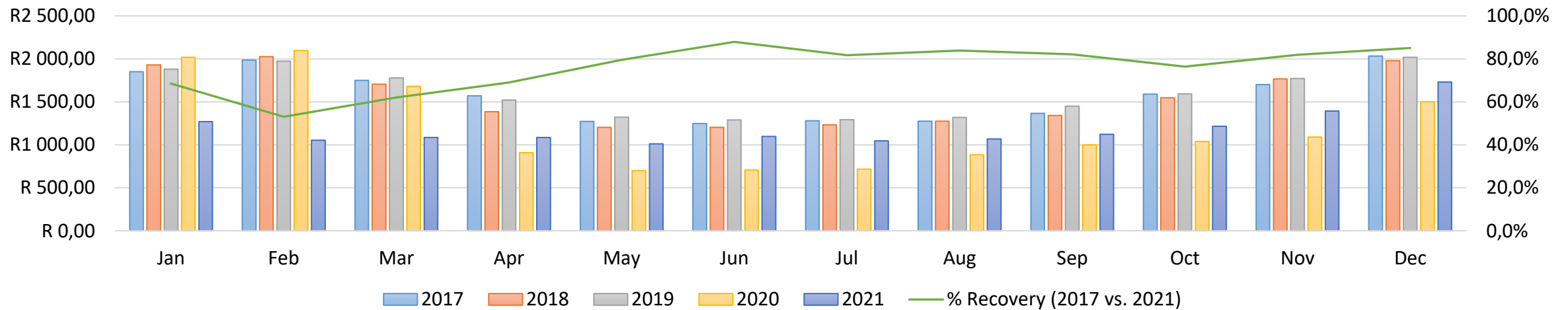
- The term occupancy refers to the number of room nights sold, divided by the number of room nights available in respect of a defined period in time, expressed as a percentage.
- Occupancy in the Western Cape, was sitting at **53,0%** in December 2021, a **20%** increase as compared to the same period in 2020, reaching a **recovery rate of 75,6%** when compared to the **70,1%** occupancy in December 2017.



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	74,90%	85,5%	82,5%	67,7%	61,7%	48,2%	53,7%	58,4%	65,3%	74,8%	79,6%	70,1%
2018	68,20%	81,3%	73,5%	58,2%	54,2%	46,3%	46,9%	55,6%	64,5%	70,9%	79,9%	69,4%
2019	65,4%	79,6%	72,6%	60,0%	52,0%	50,5%	52,8%	55,6%	67,9%	69,3%	76,5%	68,1%
2020	69,9%	79,6%	39,6%	14,9%	10,7%	9,2%	10,7%	13,8%	21,3%	21,5%	28,1%	33,6%
2021	17,3%	23,3%	31,1%	39,0%	31,3%	25,1%	16,9%	25,5%	36,1%	50,3%	54,1%	53,0%
% Recovery (2017 vs. 2021)	23,1%	27,3%	37,7%	57,6%	50,7%	52,1%	31,5%	43,7%	55,3%	67,2%	68,0%	75,6%

4.2 Average Daily Rate (ADR)

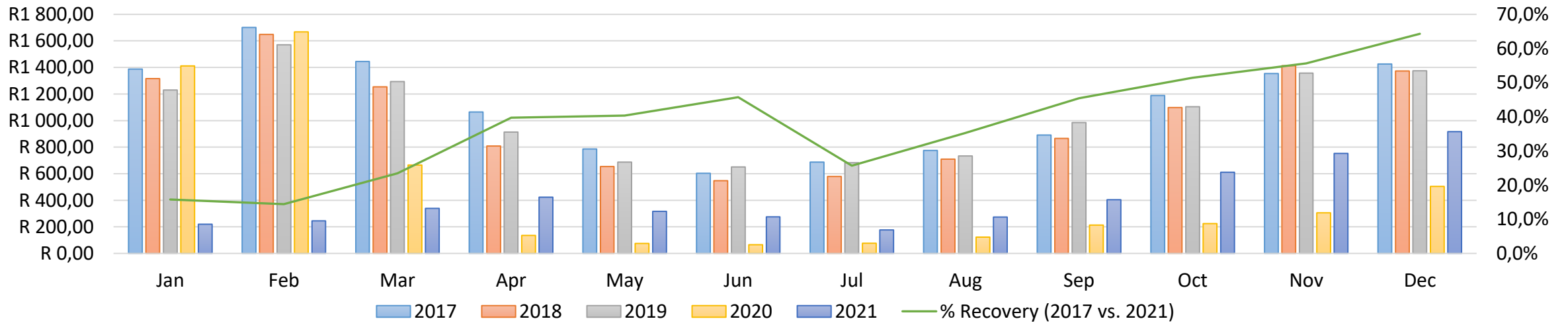
- The term average room rate is an accommodation establishments net accommodation revenue per night sold.
- The Average Daily Rate (ADR) for the Western Cape grew to **R1, 730.65** in December 2021 with a year-to-year growth of **15,2%** (2020 vs 2021). Looking at the previous years under review, a slight dip was also seen in some months of 2018 compared to 2017 but numbers rose again in 2019, quite likely because of the drought.



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	R1 852,03	R1 987,87	R1 750,82	R1 571,62	R1 273,97	R1 249,25	R1 281,23	R1 274,55	R1 365,75	R1 590,21	R1 700,55	R2 034,50
2018	R1 930,07	R2 026,82	R1 706,10	R1 386,79	R1 204,76	R1 203,45	R1 234,05	R1 276,61	R1 342,68	R1 547,48	R1 766,86	R1 979,87
2019	R1 879,93	R1 974,30	R1 779,84	R1 522,18	R1 322,70	R1 289,55	R1 292,60	R1 320,55	R1 449,48	R1 592,02	R1 773,48	R2 018,13
2020	R2 018,36	R2 096,39	R1 680,92	R908,33	R698,87	R707,85	R716,18	R883,09	R999,60	R1 038,65	R1 089,98	R1 502,31
2021	R1 269,65	R1 054,80	R1 087,05	R1 085,16	R1 013,24	R1 098,90	R1 046,73	R1 069,67	R1 122,20	R1 215,68	R1 392,60	R1 730,65
% Recovery (2017 vs. 2021)	68,6%	53,1%	62,1%	69,0%	79,5%	88,0%	81,7%	83,9%	82,2%	76,4%	81,9%	85,1%

4.3 Revenue Per Available Room

- Revenue per available room (RevPar) is a conceptual link between average occupancy rates and average room rates, it is the net accommodation revenue per day, per available room.
- The highest RevPar post the pandemic in the Western Cape was seen during the festive season in the month of December 2021 (**R916,71**) with a year-to-year increase of **81,7%** as compared to 2020.



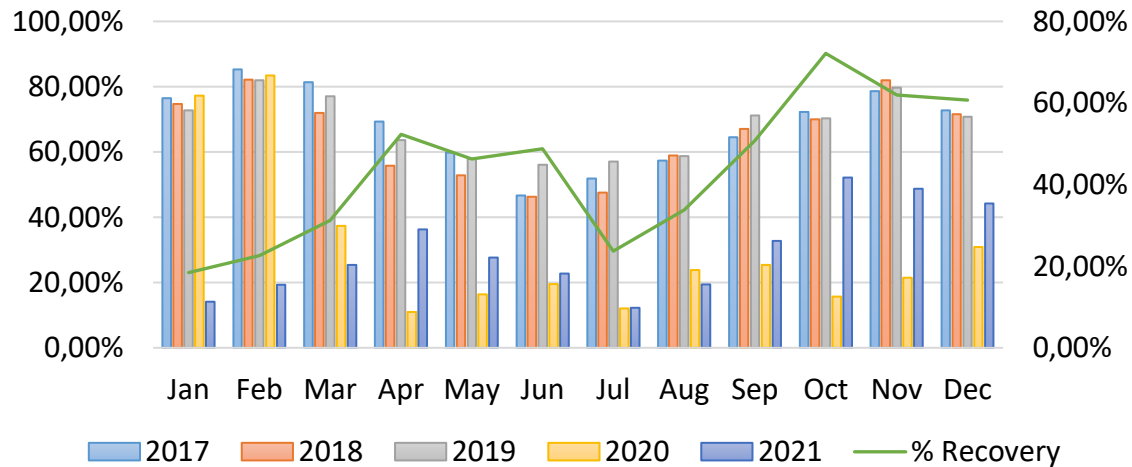
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	R1 387,94	R1 700,59	R1 444,84	R1 064,08	R786,26	R602,49	R687,70	R774,36	R891,80	R1 188,82	R1 353,62	R1 426,12
2018	R1 315,66	R1 647,99	R1 253,41	R807,80	R653,56	R548,10	R578,63	R709,23	R866,36	R1 097,62	R1 412,17	R1 373,52
2019	R1 230,05	R1 571,07	R1 292,81	R914,00	R688,17	R651,50	R682,80	R734,02	R984,75	R1 103,81	R1 357,30	R1 375,19
2020	R1 410,86	R1 668,04	R664,97	R134,94	R74,89	R65,20	R76,72	R122,25	R212,54	R223,75	R306,11	R504,38
2021	R219,23	R245,33	R338,55	R422,87	R317,30	R275,36	R176,49	R273,08	R404,93	R611,54	R753,39	R916,71
% Recovery (2017 vs. 2021)	15,8%	14,4%	23,4%	39,7%	40,4%	45,7%	25,7%	35,3%	45,4%	51,4%	55,7%	64,3%

Key City Trends

Cape Town

Cape Town 5 – 3 Star Hotel Occupancy Trends 2017 - 2021

5 Star Hotel Occupancy (2017 -2021)

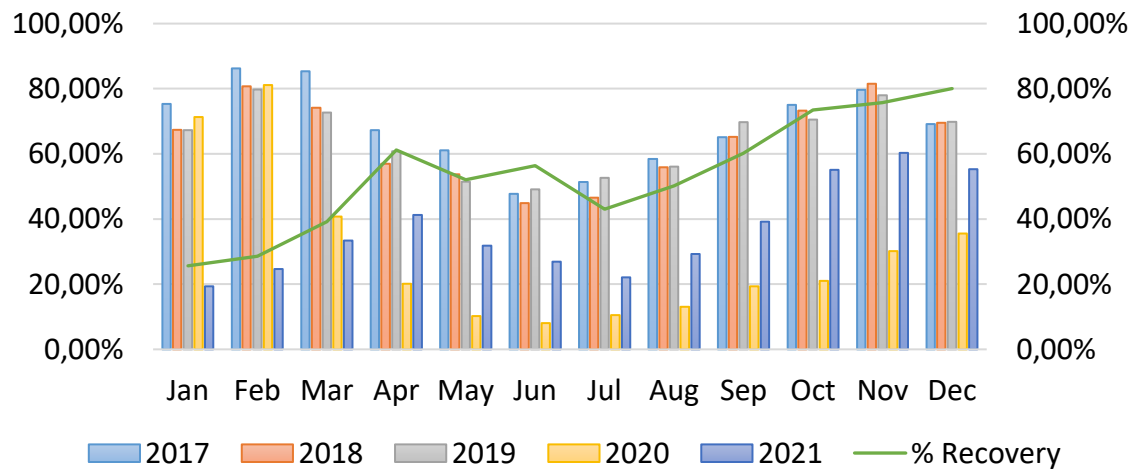


Over the 5 years under review the highest occupancy rate over the various hotel grades was received in the months of February and March as well as November and December.

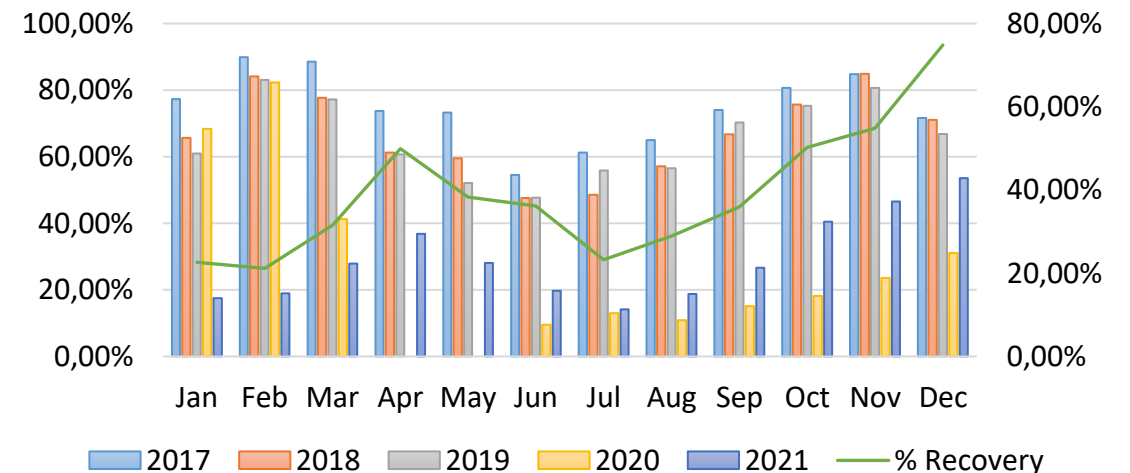
Despite the challenges imposed by the pandemic, occupancy was still evident even though the numbers were low.

Recovery has also been quicker in the 4 – star hotel category compared to the other hotel grades.

4 Star Hotel Occupancy (2017-2021)



3 Star Hotel Occupancy (2017 – 2021)

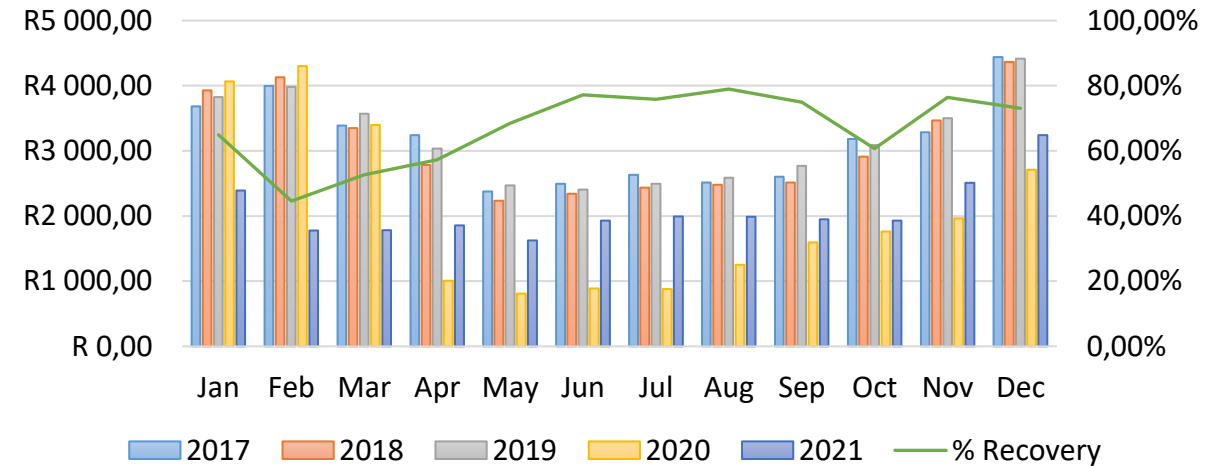


Cape Town 5 – 3 Star Hotel Average Daily Rate (ADR) 2017 - 2021

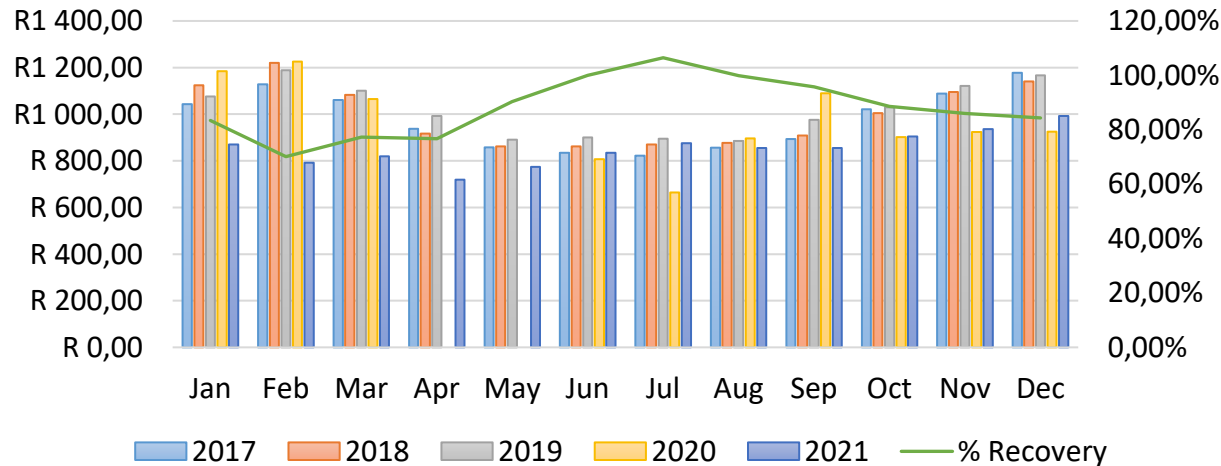
The Average Daily Rate (ADR) for Cape Town 5 star hotels grew to R3 243,63 in December 2021 with a recovery rate of 73% as compared to it's 2017 figures.

4 star (R1420,27) and 3 star (R999,21) hotels had a recovery rate of over 80% for the 5 year period under review.

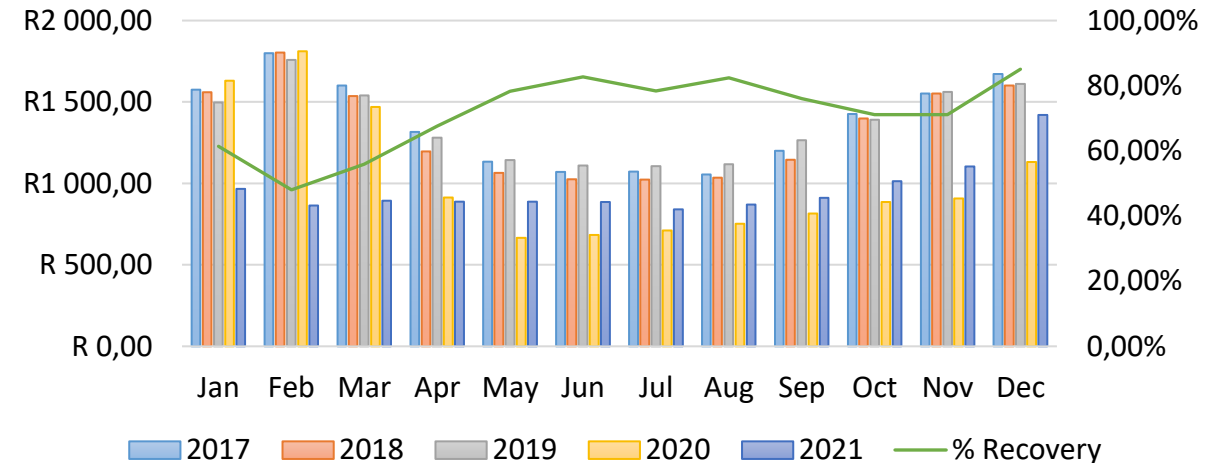
5 Star Hotel Average Daily Rate (ADR) 2017 - 2021



3 Star Hotel Average Daily Rate (ADR) 2017 -2021

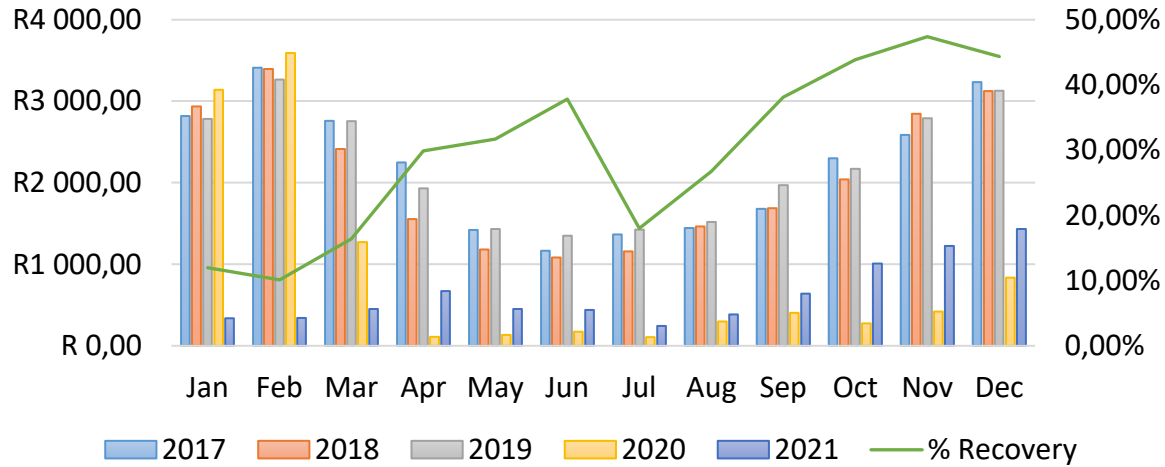


4 Star Hotel Average Daily Rate (ADR) 2017-2021

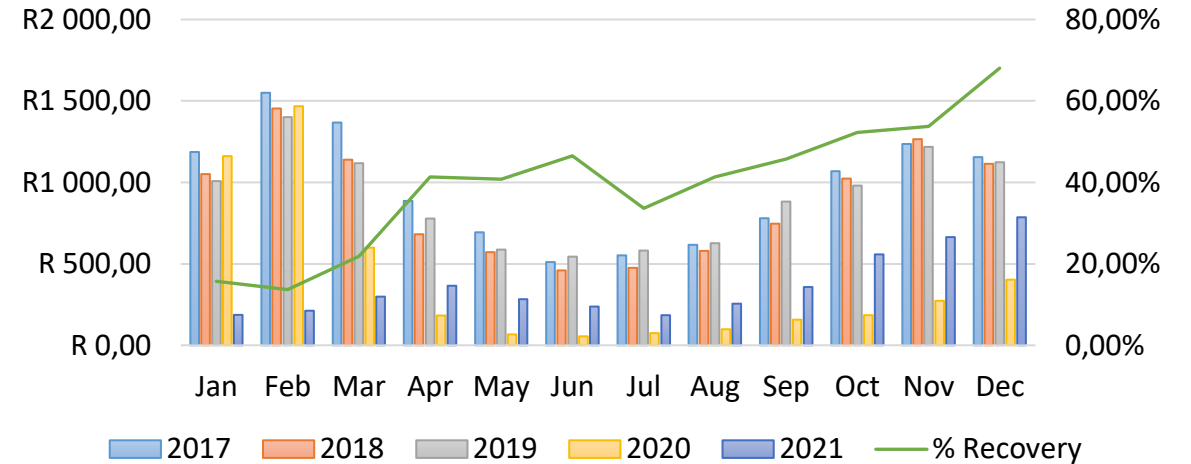


Cape Town 5 – 3 Star Hotel Revenue Per Available Room (RevPar) 2017 - 2021

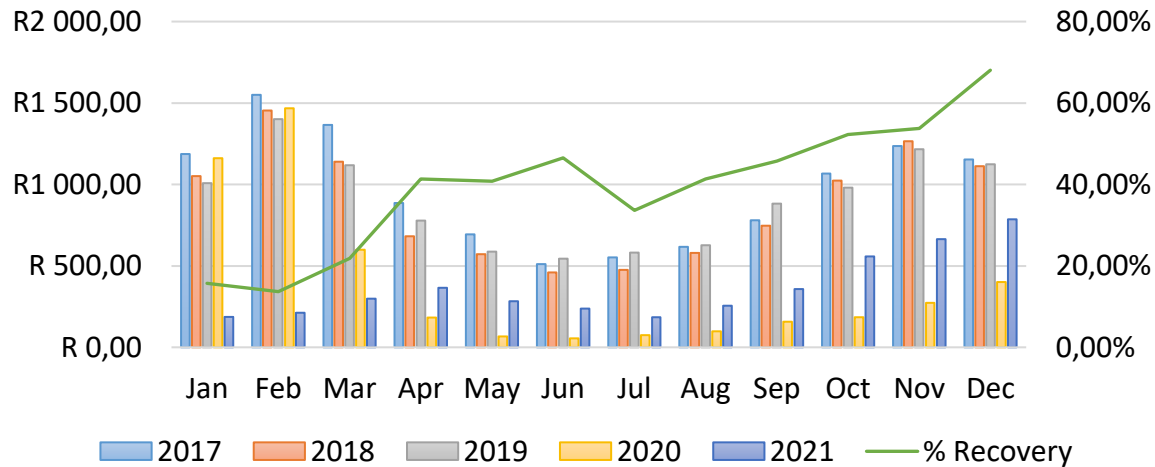
5 Star Hotel Revenue Per Available Room (RevPar) 2017-2021



4 Star Revenue Per Available Room (RevPar) 2017 - 2021



3 Star Hotel Revenue Per Available Room (ADR) 2017 - 2021



Five-star hotel establishments received a year-to-year growth of 71,27% as compared to 2020 December figures.

Four-star hotels had a higher increase with a 95,40% increase over the period, when compared to the previous year.

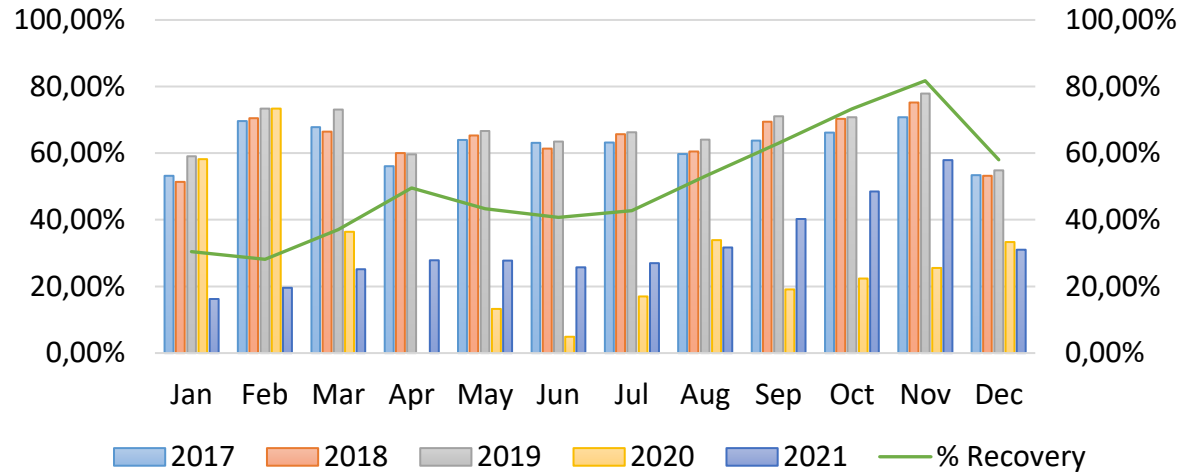
Three-star establishments also saw a positive year-to-year growth of 84,73% when compared to figures seen in December 2020.

Key City Trends

Sandton

Sandton 5 – 3 Star Hotel Occupancy Trends 2017 - 2021

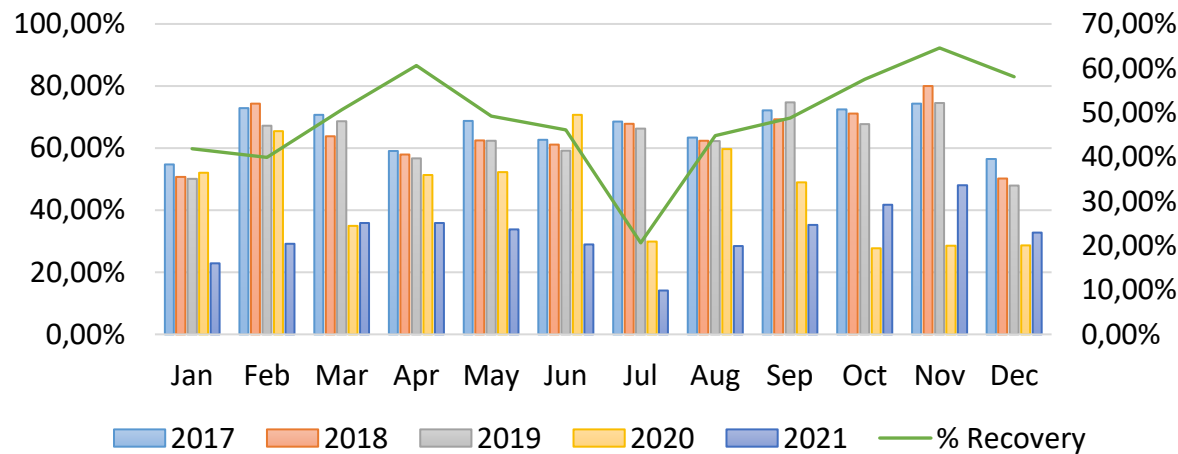
5 Star Hotel Occupancy (2017-2021)



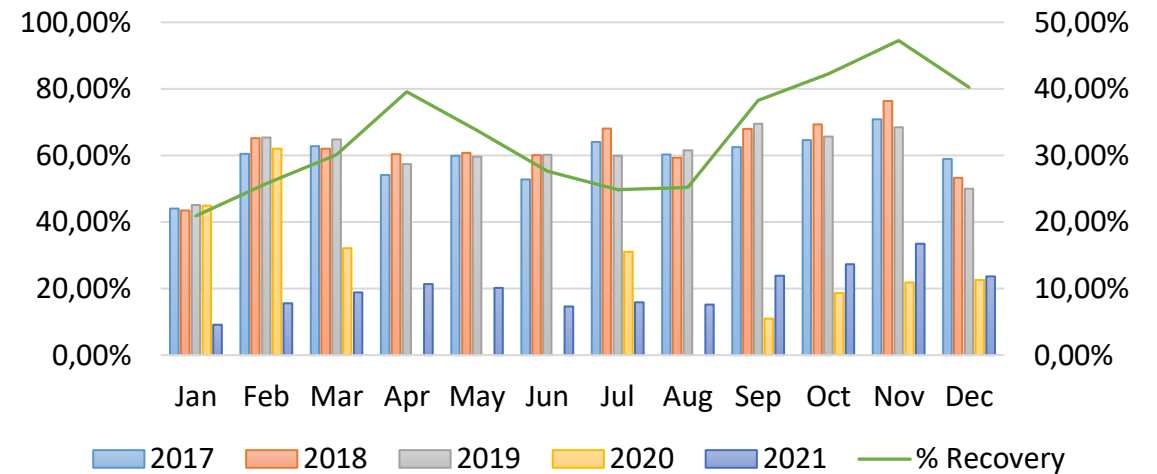
Among all 3 hotel grades under review Sandton city saw the highest occupancy in November.

5 star hotels welcoming 58% occupants followed by 48% in 4 star & 34% in 3 star hotels.

4 Star Hotel Occupancy (2017 – 2021)



3 Star Hotel Occupancy (2017 – 2021)

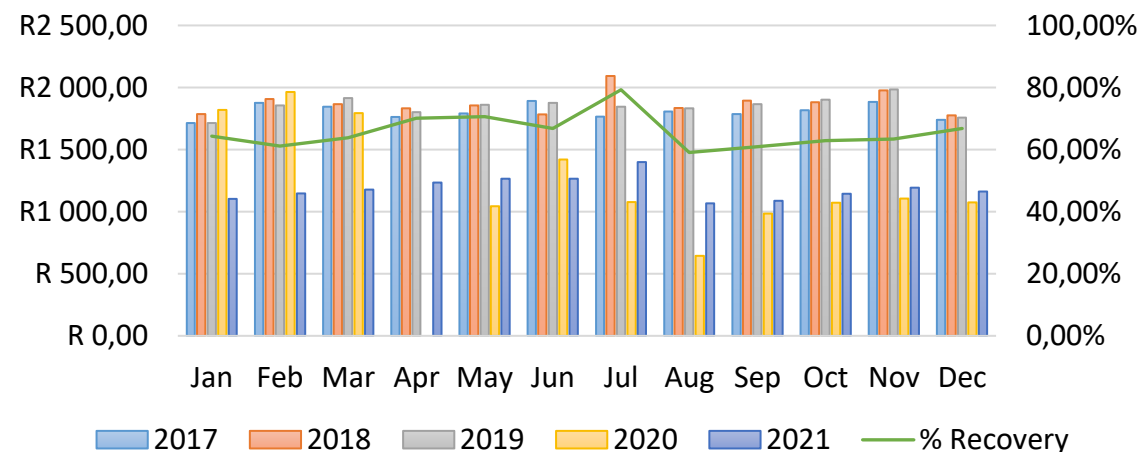


Sandton 5 – 3 Star Hotel, Average Daily Rate (ADR) 2017 - 2021

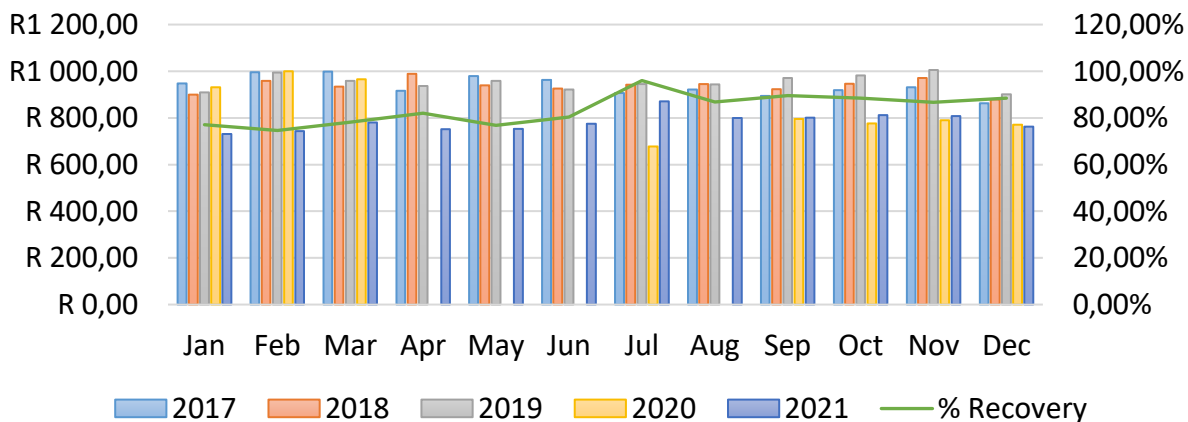
Sandton 5-star hotels had the highest Average Daily Rate (ADR) in July 2021 (R1 400,99) with a 79,35% recovery rate as compared to it's 2017 figures.

4-star (R1 019,22) hotels saw a higher ADR recovery in October 2021 whereas 3-star hotels (R870,55) had their recovery increase in July as that of their 5-star counterparts.

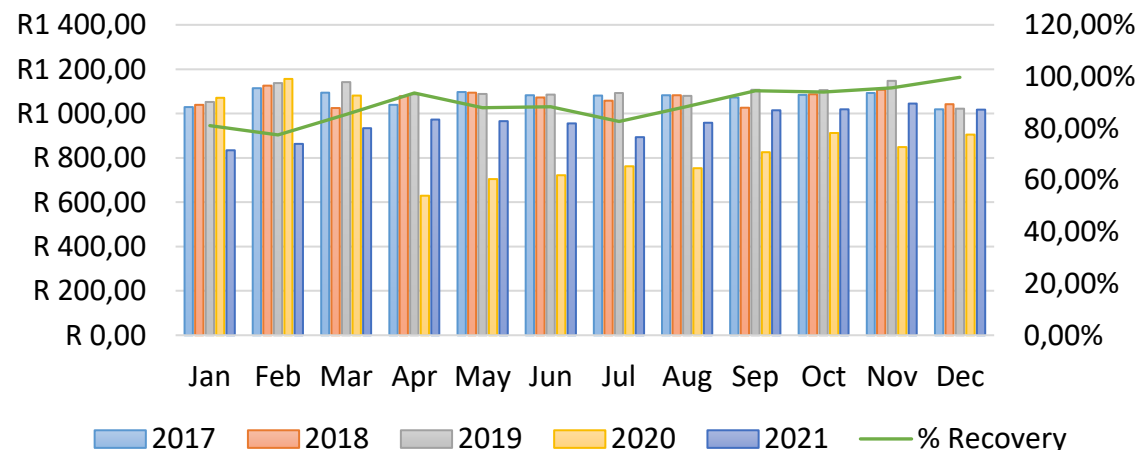
5 Star Hotel Average Daily Rate (ADR) 2017 - 2021



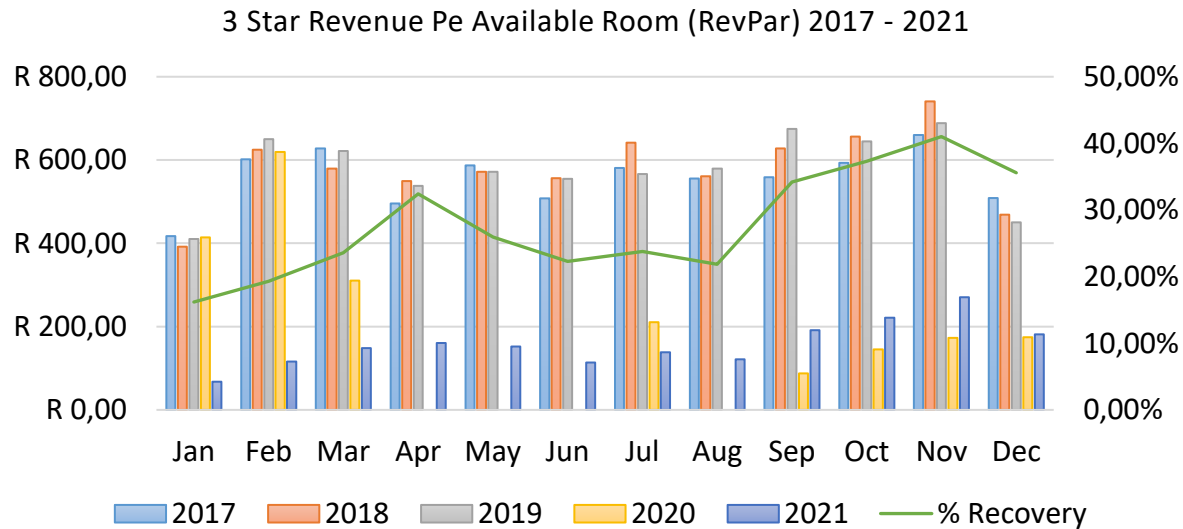
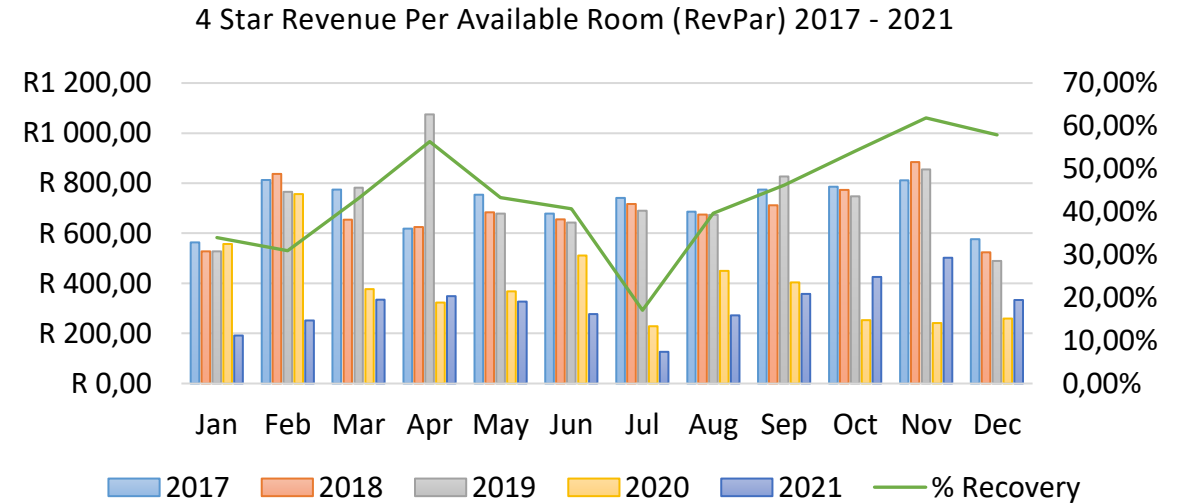
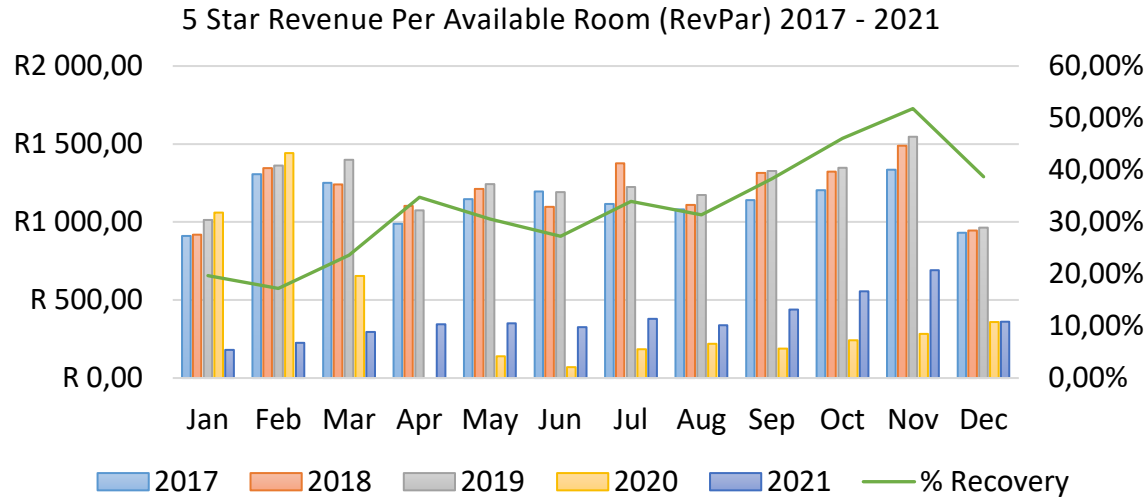
3 Star Hotel Average Daily Rate (ADR) 2017 - 2021



4 Star Hotel Average Daily Rate (ADR) 2017 - 2021



Sandton 5 – 3 Star Hotel Revenue Per Available Room (RevPar) 2017 - 2021



The highest average RevPar for 5-star hotels in Sandton was seen in November 2021 (R691,41) a 51,80% recovery rate as compared to 2017.

4-star (R425,52) as well as 3-star (270,54) hotels saw their highest RevPar in November as well.

Key Findings

- This report highlights key trends from the South Africa's hospitality industry with a specific focus on the Western Cape over a 5-year period (2017-2021).
- According to the PWC Hotels Outlook (2019-2023) report, a new trend has been seen from tourists whereby they now value their experiences over the possessions acquired during their trips, as such the hospitality industry is well-positioned to benefit from this trend as SA and the Western Cape offer great opportunities for unique experiences. Wildlife, safaris and adventure attracts visitors, having a positive impact on tourism.
- After the Covid-19 pandemic, the pace of recovery for the South African tourism and hospitality economy has been extremely slow. Besides the negative impact caused by the pandemic the industries have been further held back by the country's electricity and water constraints.
- However, hotel occupancy had a strong recovery over the 5-year period, with revenue seeing a positive increase as well.
- South Africa normally has the highest share of arrivals during December as it is holiday season, this is also evident in the occupancy levels shown, however the Western Cape had the highest share of occupancy in 2021 as compared to the entire country (47%).
- Occupancy in the Western Cape, was sitting at 53,0% in December 2021, a 20% increase as compared to the same period in 2020, reaching a recovery rate of 75,6% when compared to the 70,1% occupancy in December 2017.
- One of the major cities in the country "Sandton" (31%) also followed after "Cape Town" (44%) in terms of occupancy in 5-star hotels during the month of December.
- The Average Daily Rate (ADR) for Cape Town 5-star hotels grew to R3 243,63 in December 2021 with a recovery rate of 73,07% as compared to its 2017 figures. Whereas Sandon had an average daily rate of R1 163,01 with a recovery rate of 66,81% compared to 2017.

Sources

[South African Hotel Review Monthly Report \(2017 -2021\) \(STR\)](#)

www.modorintelligence.com

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Hortwarth HTL Market Report (September 2020)



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