



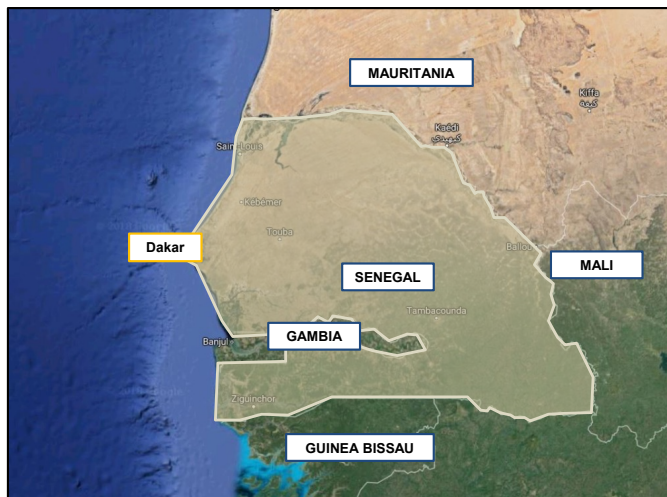
Horwath HTL™

Hotel, Tourism and Leisure

MARKET REPORT

*Senegal: Tourism
and Hotel Market
Overview*

JULY 2018



Country Data Profile – 2017

Size Sq Km:	196,722
Population:	15.7
Demographic Growth (%):	2.9
Urban Areas >1million*:	Dakar: 2.47
Secondary Urban Areas > 100,000:	Pikine: 847,062 Touba: 529,176 Thies: 320,000 Saint-Louis: 176,000
Last/Next Elections:	2012/2019

Source: National Statistics and Demographics Agency of Senegal and World population.net, 2018

General Environment

Senegal benefits from a strategic location on the West coast of Africa bordering the North Atlantic Ocean, and represents a gate-way to the landlocked Sahelian countries. According to the United Nations projections, the population of Senegal should reach 40 million by 2050, underlining a great potential of the domestic market.

Political & Economic Environment

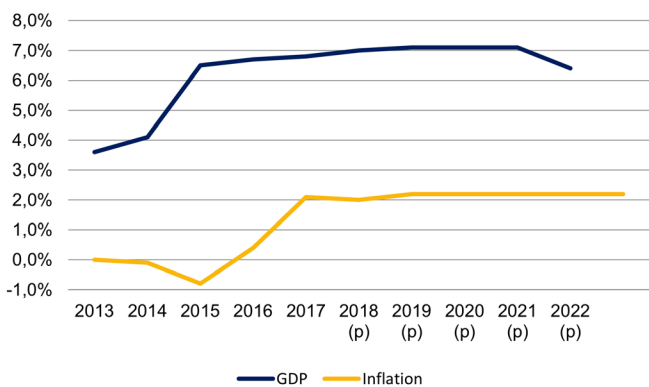
Abdoulaye Wade, the former President, ran the country from 2000 - 2012 and amended Senegal's Constitution over a dozen times. However, in 2012 his decision to run for a third presidential term triggered a large public backlash resulting in a political changeover. Macky Sall won the elections and has launched a series of economic and political measures well received by the population.

Nevertheless, the current government like its predecessors is struggling to find a final solution to the resolution of the Casamance conflict with the separatist movement, which makes difficult relations with Gambia on the south.

However, little progress has been made through the release of two combatants of the Mouvement des Forces Démocratiques de Casamance (MFDC) early January 2018 and the ongoing construction of a bridge between Senegal and Gambia. Overall, Senegal remains a model of democracy in the Sub-Saharan region.



Evolution of GDP and Inflation in Senegal (2013 - 2022)



(P): Projections

Source: IMF and World Bank, 2017

Over recent years, Senegal’s economy has been marked by stability and low inflation. On the macroeconomic level, the country has experienced one of the highest growth rates among the UEMOA (Economic Union and West African Monetary) countries since 2015.

The government launched the Emerging Senegal Plan (ESP) which aims at increasing the productivity of Senegal’s economy in strategic sectors (infrastructure, agriculture, mining and tourism), between 2014 and 2018, with an average of 7% growth and aiming at positioning Senegal as an emerging economy by 2035.

Large infrastructure and urbanization projects under the ESP include:

- The Diamniadio urban pole (to ease up congestion in Dakar, with more than 300,000 inhabitants expected by 2020);
- The “Cit  des Affaires de l’Afrique de l’Ouest”: aims at transforming the former site of the LSS airport into a military private airport and to develop its surroundings with residential homes, commercial, financial, administrative services, and multinational head offices;
- The creation of Dakar Integrated Special Economic Zone (DISEZ, a logistic and industrial hub located near the Blaise Diagne Airport).

Senegal faces a number of structural obstacles, such as the relative lack of natural resources in relation to neighboring countries. And despite a challenging business environment as pointed out by the 140th rank in regard of Doing Business 2018 Report, the country’s economy remains resilient. Over the medium term, Senegal’s economic growth prospects are positive. From 6.5% in 2015, GDP is expected to reach 7.0% in 2018, sustained by the agricultural and industrial sectors. Volumes of exports (phosphate, peanuts, and zircon) increased by almost 15% in 2016, underpinned by a more diversified base in agriculture, fishing, and mining. In the long term, the country, which already exports refined petroleum products, is expected to benefit from the discovery of significant crude oil reserves. Production of the first barrels should start by 2019-2020.



Air Access

The Leopold Sedar Senghor (LSS) airport was the country's main air access until its definitive closure in December 2017. The structure served around 30 airlines that link the country to Europe, North and West Africa with the main airlines being Air France, Ethiopian Airlines, Emirates, Royal Air Maroc and Turkish Airlines. Air traffic through LSS airport has been stable over the last three years, with an annual average traffic of about 1.75 million passengers. In 2017, it was the second airport (after Abidjan) within the UEMOA space in terms of freight and air traffic, and the sixth busiest airport in West Africa.

Until 2017, LSS was the only West African airport with direct flights to the USA. This offer is now completed with Abidjan's airport since the first semester of 2018. The new Blaise Diagne Airport (BDIA) was inaugurated in December 2017. It is located 40 km in the south east of Dakar in Diass, offering an average capacity of 5 million passengers per year. The development of this replacement airport, located outside the capital, is in line with the government's ambition to take the load off the road corridors of Dakar city-center and to improve the accessibility to Saly, considered as an upcoming MICE destination.

In conjunction with the opening ceremony of the BDIA, was held the inaugural flight of the new national airline called Air Sénégal SA (to replace Senegal Airlines). The first commercial flights are expected by the end of 2018.

Tourism

With an average contribution of 10% of GDP and 9% of total employment in 2017, the tourism sector holds a key role within the country's economy. Senegal was the favorite destination in West Africa for a long time, especially in regard to seaside tourism, thanks to a reasonable distance to European countries (main tourist origins) with meaningless time zone difference, stable and safe environment, comfortable climate and a rich natural and cultural heritage (700 km of coastal beaches, 6 National Parks, 7 UNESCO world heritage sites) and qualitative accommodations.

However the sector suffered from a lack of investment and dynamism during the 2000's, as well as strong erosion along the Petite Côte. More recently, the sector seems to be recording a recovery consequently to a series of key measures launched by the government in 2015 to boost the tourism sector (decrease of the passenger fees, waiving of the visa fee, new tourism national agency, etc.). The authorities' ambition is to place Senegal as part of the top five touristic destinations in Africa with 3 million visitors per year by 2023.

Today, tourism sector in Senegal remains one of the most diversified in the sub-region through:

- Business and MICE mainly concentrated in Dakar (the city hosts several international organizations and companies' headquarters) is extending towards two secondary and complementary poles which include



Blaise Diagne International Airport/Diamniadio with crew, transit, large conferences demand; and Saly which is expected to evolve around a smaller MICE activity.

- Leisure along the Petite Côte region, characterized by seaside and nautical activities. La Somone and Saly, the two historical poles promoted by tour-operators are now “ageing”. New poles are currently in development and include Pointe Sarène and Nianing.
- Culture and history around Dakar in the island of Goree (slavery commemoration) and art events (Dakar Biennale of Contemporary African Art, etc.), historical vestiges and festivals in Saint Louis and finally in Touba, the capital of Mourides (annual pilgrimage which attracted an average of 2.5 million people in 2017).
- Nature and ecotourism mainly around Sine Saloum and La Casamance, however underexploited (Club Med being the only international brand in the region) due to political, security and accessibility issues. Other sites of interest such as the Lampoul desert are to be noted.

Hotel Market

For many decades, Senegal hotel offer was limited to independent units of local standards and few branded hotels in Dakar, mainly owned by the government. Today, and according to the Ministry of Tourism, the Senegalese hotel supply reaches approximately 250 units of which about 25% are concentrated in Dakar. The rest of the offer is to be found on the coastline destinations of Petite Côte. Main cities inside the country remain of poor quality standards.

Dakar Hotel Market

Dakar, the economic capital, concentrates the majority of Senegal’s wealth (Autonomous Port of Dakar) and offers important MICE activities due to multiple corporate & banks headquarters, and public institutions implanted in the district of Plateau.

During the 2010-2011 crisis in Ivory Coast, Dakar benefited from the relocation of several international companies and significant international events thus generating a need for quality international units. At the same period, the hotel market registered successive openings starting with the current two leading units: Terrou-Bi and Radisson Blu in 2009 (extended in 2014), then the development of an economic supply including Onomo in 2010, Ibis in 2012 and more recently Yaas in 2017. In reaction to this growing competition, the Accor group renovated two of its historical units: Novotel in 2009 and Pullman in 2016.



Overall, the current reference hotel supply is well structured and diversified. It amounts to 60 hotels for a total capacity of around 3,640 rooms among which 44% representing 1,600 rooms are under international brand management. It is to be noted that Dakar has developed a parallel local supply, mainly positioned on the economic and midscale segment, an interesting offer however marked by a level of services and capacity that remain below the international offer.

Dakar Plateau-district remains the first hotel concentration pole of the city but recent and forthcoming openings tend to relocate around new areas (the Almadies and along the Corniche) that offer qualitative natural surroundings.

In 2017, as per market data, the average occupancy of the reference market reached 75%, the highest performance over the last five years thanks to an attractive significant MICE demand and adequate infrastructures mainly provided by hotels and completed by the International Foreign Trade Centre of Senegal (CICES).

ADR (exclusive of taxes) are estimated as follows:

- Upscale: 110 – 180 €
- Upper Midscale: 90 – 110 €
- Midscale: 70 – 90 €

Hotel demand predominantly originates from Africa (39%), especially from ECOWAS countries and Europe (36%).

National Scale

The Petite Côte (70 km south of Dakar) represents the second hotel market, with a total of 1,800 rooms dominated by large holiday complexes and beachfront hotels. The overall performance remains positive, demand being mainly driven by leisure activities.

However, the hotel market is experiencing difficulties mainly due to erosion and outdated hotel units, thus decreasing the average occupancy rate to about 65%. Hotel groups and tour operators counterbalance this negative impact with low priced packages and regular charter flights.

The Diamniadio-Blaise Diagne airport zone, is today in development as illustrated by the opening in 2017 of a 152-room unit under the Radisson brand. Other regions in the country are characterized by a limited offer, including small independent units and poorly maintained.

Among this offer, should be noted a few exceptions like Club Med Cap Skirring in La Casamance (205 rooms) and some units around the country positioned as boutique hotels.



Projects

In the short-term by 2019, Golden Tulip (118 rooms) will enter the market (after the renovation of the historical Croix du Sud Hotel), Days Hotel & Suites (84 rooms) under construction and the Hyatt Centric (150 rooms) in Plateau-district.

In the midterm, within five years, about 600 additional rooms including Azalaï along the Corniche (202 rooms) and the combo Sheraton/Aloft (397 rooms) in Almadies will open in Dakar. Moreover, a second Club Med (359 rooms), the largest upcoming seaside resort in West Africa is in development, along the Senegalese coast, in Nianing.

In the long term, several projects in the new airport area are expected in the pipeline. Many international and regional operators are currently under discussion with owners and developers.

Prospects

As one of the best performing economies in Sub-Saharan Africa, Senegal growth is expected to maintain at high levels around 7% in 2018, sustained by the agricultural (fishing, peanuts) and industrial sectors (increase in phosphate and mining exports of 15%).

The development perspectives of future hotel demand are mainly found in the business and leisure segments.

Positive trends influencing on Senegal hotel market are summarized as follows:

- A regional position as a main economic hub and political stability which creates a favorable business environment;
- The improving access to the destination with the new airport in Diass/Diamniadio;
- The authorities' support to the tourism sector through infrastructures programs under the Senegal Emerging Plan;
- Increasing hotel performances of Dakar hotel market;
- A pipeline of internationally branded hotel projects more adapted to international standards.

However the overall tourism sector will remain limited in the mid-term as long as the country has to face the following challenges:

- Durable solution to the conflict in La Casamance region and terrorist threats from neighboring countries;
- Low standards of quality and services in the main cities inside the country;
- High cost of reaching the destination compared to other seaside destinations in North Africa.

In this perspective, we are of the opinion that Senegal has potential for diverse hotel development in the mid-term including:

- Midscale and economic hotels as well as apart-hotels in Dakar, especially in Plateau, along the Corniche road and les Almadies;
- Midscale hotels adapted to MICE and leisure activities in Petite Côte mainly in Pointe Sarène and Nianing;
- Economic hotels in secondary cities in Grande Côte region (Saint Louis), La Casamance and the Saloum isles to capture unsatisfied nature and ecotourism demand.

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Charlotte joined Horwath HTL in 2013 and is in charge of the business development in West and Central Africa and opened Horwath HTL's regional office in 2016, based in Abidjan. Charlotte has specialized in Market and Feasibility studies for hotel development in the region, from the territorial analysis to the definition of the global concept and its operating conditions. Her other business skills include Due Diligence services, Appraisals and Hospitality Strategy.



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Catherine joined Horwath HTL in 2017, where she focuses on hotel market and feasibility studies in the African market. Graduated in 2017 from Sorbonne Pantheon and ASSAS University with a Major in International and Economic Law, Catherine is familiar with business law and the African economy. With her additional Masters in International Business, she has knowledge in project management and market studies in China and Africa.

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