

Why Nigeria's hotel sector is set for a good year, despite challenges

Late last year, Nigeria's Vice President Yemi Osinbajo predicted 2020 would be 'a more glorious year for Nigeria'. He was referring to the country's predicted GDP growth rates of 2.5%, as expected by the [International Monetary Fund \(IMF\)](#).

The [African Development Bank \(AfDB\)](#) is even more optimistic, anticipating 2.9% growth this year, which is subject to the latest coronavirus outbreak that has rocked the global economy.



Image source: [Gallo/Getty](#)

One of the drivers is the government's mission to fast-track the diversification of the economy, which still heavily relies on oil and gas. This is paying off: last year, the country's [ICT sector, for instance, contributed 14.6%](#) to the GDP, which is significantly higher than the share of the fossil fuel extraction sector (8.8%). This makes Nigeria the unofficial tech capital in the West African region.

Annual 12% growth for hotel sector

Then there is the ongoing focus on the travel sector, a resilient and growing industry. According to Nigeria's National Bureau of Statistics (NBS), tourism accounted for 34% of the country's GDP in 2017 and 20% of all jobs.

The [PwC Hospitality Outlook: 2019-2023](#), in addition, suggests that between 2017 and 2018, Nigeria's hotel sector expanded by 20%, making it Africa's fastest-growing accommodation market. This is not where the story ends: according to the report, Nigeria's hotel industry is expected to grow by 12% per year between now and 2023.

This year alone will see the realisation of 26 new properties across the country. These include six projects by South African hotel company BON Hotels, such as the BON Hotel Transtell Asaba, the BON Hotel Platinum Enugu, the BON Hotel Lafia Kano, BON Hotel Nest Ibadan, BON hotel Smith City Awkwa and BON Hotel Hyatti Warri. "These six projects alone account for 417 new bedrooms," says Bernard Cassar, development director at BON Hotels.

Focus on domestic tourism

The projected growth of Nigeria's hotel sector doesn't surprise him. "The country has plenty to offer to overseas travellers, from national parks and game reserves to intriguing world heritage sites and a vibrant culinary tradition," Cassar explains,

adding that the impact of domestic tourism shouldn't be underestimated. "Nigeria's population is 204 million people strong, of whom [almost a quarter are middle class](#). This and overall rising disposable incomes are fuelling domestic travel, requiring more hotel capacity."

What amplifies Nigeria's tourism and hotel potential is the government's long-term strategy to improve the accessibility of, between, and within Nigeria's key metros. The year 2016, for instance, saw the launch of the country's first high-speed train between the capital city of Abuja and Kaduna. A similar service is on the cards to connect Lagos to Abuja, Nigeria's two largest business hubs.

"The easier it gets to travel from A to B, the more a country is accessible for tourists, particularly business travellers," Cassar says. "Nigeria is, after all, West Africa's top business travel destination."

Improving and diversifying energy mix

Over and above building more hotels and making business and tourism hubs more accessible, Nigeria is working towards improving its energy security situation. This has led to the construction of the first independent power station in the commercial city of Aba in the south-east of the country. The project by Geometric Power Limited, once completed, will feature a [141MW gas-fired power plant](#), a 27km-gas pipeline, and a distribution utility to supply clean power to Aba, a city of 2.5 million people, and surrounding communities.

Solar energy is also on the agenda. In February this year, Mohammad Mahmood Abubakar, Nigeria's Federal Minister of the Environment, announced the launch of the third green bond programme. The intention is to raise \$68.7m (25 billion naira) to finance several renewable energy projects across the country.

In March, the government proceeded to announce the Nigeria Electrification Project (NEP), an initiative worth \$200m that will provide off-grid energy to 105,000 rural households and 20 000 small and medium enterprises.

According to Cassar, Nigeria's electrification and accessibility drive will directly benefit tourism. "More clean power and better mobility will help grow the economy, which in turn, attracts more tourists, both leisure and business travellers. This will grow the economy even further. Everyone wins! New life is being breathed into old manufacturing cities like Aba through privatised power generators of electricity, and BON Hotels will be there to add value to the infrastructure rebuild."