

City Lodge to expand in East Africa

City Lodge Hotels has set aside R475m to build two new hotels in East Africa, and is looking for other opportunities to add hotels in capital cities across East and Southern Africa, the company said.



City Lodge's two hotels in Kenya are delivering higher profits and better occupancy rates than its South African hotels. Image: [Hotel and Restaurant](#)

The company last year opened its 104-room Town Lodge Gaborone, and it recently bought the 50% it did not already own in two hotels in Nairobi.

In its year ended June City Lodge's normalised diluted headline earnings a share rose by 11% to 643.1c, with revenue growing 9% to more than R1bn . But City Lodge said the second half of its financial year was disrupted by strikes, weak economic growth, and more public holidays than in the first half.

Occupancies in the company's domestic hotels rose slightly to from 62% to 63%, showing a gradual trend of improving occupancies after a post-2010 World Cup hangover in the hospitality sector.

Vestact Portfolio Manager Byron Lotter said the numbers look good and their expansion plans are quite exciting. Lotter said City Lodge's Kenyan hotels generated far higher profits per room than its South African hotels.

East Africa profitable

The company's occupancies were historically closer to 80%, and it was expanding in tough times. He expected City Lodge to reap the benefits of its expansions as occupancies recovered with a healthy tourism industry, despite competition in the hotel sector.

City Lodge said in addition to buying the remaining 50% of its Kenyan joint venture, the group has made significant progress towards increasing its presence in East Africa.

The company had concluded an agreement to buy land in Nairobi for development of a 170-room City Lodge Hotel at a cost of 23m. It expects construction to start in the first quarter of 2015 and the hotel to open in mid-2016.

It said it had also concluded a long-term land lease to develop a 147-room City Lodge Hotel in Dar es Salaam, Tanzania, subject to regulatory approval. The development was expected to cost \$22m and was expected to start in the first quarter of next year.

"We continue to explore additional opportunities in Nairobi as well as Kampala, Uganda. Investigations are also continuing into buy suitable sites in Maputo, in Windhoek and Lusaka," he said.

City Lodge is also developing a 149-room City Lodge Hotel at the Waterfall City precinct in Midrand at a cost of R130m. The hotel is expected to open in December and be fully operational by February next year.

Construction of the company's 90-room Road Lodge Pietermaritzburg has been delayed, but City Lodge said it expected the necessary approvals to be received for construction to begin in the new financial year.

The company said it had concluded land and building lease agreements for the development of a 148-room City Lodge Hotel at Newtown Junction in the Johannesburg central business district, with construction likely to start soon and



The Gaborone Town Lodge is proving popular among tourists and business executives who are travelling to the city, providing nice profits for the City Lodge group. Image: [South African Hotels](#)

completion scheduled for the end of next year.

City Lodge said after various disruptions between January and May, the pattern of slow but steady growth in occupancies has resumed, similar to the trend experienced over the past two to three years.

Source: Business Day via I-Net Bridge

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