SOUTH AFRICAN TOURISM INVESTMENT OPPORTUNITIES & PROJECTS

Hon. F. Mahlalela, Deputy Minister for Tourism, Republic of South Africa

INVESTING IN THE SOUTH AFRICAN TOURISM SECTOR DURING THE PANDEMIC: HOLE-IN-THE-WALL RESORT DEVELOPMENT

UNWTO Forum “Rebuilding Africa’s Tourism Resilience for Inclusive Socio-Economic Development.” Arusha, United Republic of Tanzania

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Table of Contents

- Geographic Location
- South Africa in Context
- Background to the Pipeline
- Components of Destination Supply
- South Africa’s Value Proposition
- Project Summary
- Hole in the Wall Resort, Eastern Cape Province
- Hole in the Wall in Pictures
- Selected Major Hotel Developments Launched during the Pandemic (Rural)
- Selected Investment Incentives
Africa has 55 countries with a total population of 1.256 billion.

Southern African Development Community (SADC) has 15 countries with a total population of 277 million.

Located at the southern tip of Africa, South Africa is one of the most promising emerging markets globally.

Positive demographic profile, with expanding middle-class who’s spending power is growing.

South Africa remains a top tourism destination for visitors from across the globe, owing to its diverse offerings and world-class infrastructure.

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<tr>
<th>DEMOGRAPHICS</th>
<th>ECONOMIC INDICATORS</th>
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<tr>
<td></td>
<td>1  US$ = 17.63 ZAR</td>
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<td>1  EUR = 17.60 ZAR</td>
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<td></td>
<td>1.  US$ 440.7 bn – Nigeria</td>
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<td>2.  US$ 419.5 bn – South Africa</td>
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<td>3.  US$ 404.1 bn – Egypt</td>
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<td>2. Ethiopia – 117 million</td>
<td>2.  US$ 8,812 – Mauritius</td>
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Background to the Pipeline

• South Africa through the Department of Tourism manages a Pipeline of Nationally Prioritised Tourism Investment Opportunities focusing on projects with the following attributes:
  o High impact projects with multiplier effects, i.e. that will be able to crowd in further investment including community benefits.
  o Projects with no fundamental problems such as disputes on ownership, unresolved land claims, etc., which could undermine confidence in the project.
  o Projects with one or more core attraction(s) within the area.
  o Projects in underdeveloped areas with high tourism potential.
  o Long-term lease on the land.
  o Partnership with a credible operator (hotel management company).
  o Community buy-in.
Components of Destination Supply – Tourism as a System

- **Awareness**
  - [Do locals see the value of tourism & tourists?]

- **Attractions/Activities**
  - [What to see and/or do?]

- **Access**
  - [How to get there?]

- **Amenities**
  - [Are there services for tourists?]

- **Accommodation**
  - [Where to stay?]
CASE STUDY

HOLE IN THE WALL RESORT DEVELOPMENT, EASTERN CAPE PROVINCE
Hole in the Wall Resort Development

• Located in the Eastern Cape Province - the second largest of South Africa’s 9 provinces. Situated in the “Wild Coast” region.

• Vast diversity of environments, cultural attractions and outdoor activities.

• A paradise for nature lovers with high mountains, sandy beaches and forests. - ideal for surfing, hiking, sailing, bird viewing and much more.

• Home to two national parks - Garden Route National Park (shared with the Western Cape, i.e. a trans-provincial park) and Addo Elephant National Park.

• The Hole in the Wall is an extraordinary natural formation of a tidal island containing a natural arch pierced through a wall of sandstone and shale by the waves of the sea (Wild Coast). The arch is large enough for a sailboat to cross underneath it with ease, and a walking distance off the beach joining the rock formation to the land at low tide. The site itself is of cultural significance.
**PROJECT TITLE/NAME**  
HOLE-IN-THE-WALL RESORT DEVELOPMENT

**AUTHORITY**  
Incopho Coastal Developments (Pty) Ltd

**LOCATION**  
Hole in the Wall near Coffee Bay in the OR Tambo District Municipality, Eastern Cape Province

**TYPE OF DEVELOPMENT**  
Accommodation and Conference Facilities

**PROJECT DESCRIPTION**  
Bay with a huge detached cliff that has a giant opening carved through its centre by the waves. The development will include the following:
- **Phase 1**: 100-room hotel (3 or 4 star)
- **Phase 2**: Self-catering accommodation (60 rooms)
  - Day Visitors Facilities which include restaurant, Lounge, Health Spa, Fitness Centre
  - A 300 seater conference facility

**APPROXIMATE COST**  
Project Funding Structure: US$ 15.4 million – 1. IDC at 60% (US$9.3 million - senior debt), 2. Incopho Coastal Development at 7% (US$ 1.1 million), 3. **Investment required at 33% of the project cost: US$ 5.1 million. Jobs**: 86 permanent (direct) and 200 during construction

**CURRENT STATUS**  
- All planning processes are complete and the project is ready to start.
- Letter of intent signed with Marriot International as the preferred operator.
- Lease agreement with the Department of Agriculture, Land Reform & Rural Development signed (custodian of rural and/or communal land with no title deed).

**TYPE OF PARTNERSHIPS**  
- Equity partnership at 33% of the project cost. Target return on equity of 13%. Leverage funding of (debt) 55% (plus 5% grant) of the capital cost is to be financed via the IDC (a South African development finance institution with a mandate to invest across the continent) on commercial terms. Currently the developers have committed approximately US$ 142 000 for the project establishment phase. Certain portion of the consortium contribution will come from govt contribution in the form of a grant.

**CONTACT DETAILS**  
- Mr Bossie Bosman, Director: Incopho Coastal Developments, Cell: +27 82 699 8705 & E-mail: jongani@mweb.co.za
- Ms Katlego Mphahlele, Senior Dealmaker: IDC, Tel: +27 11 269 3101 & Email: katlegom@idc.co.za
Value Proposition

• Investment Required: 33% equity from the investor (about US$6 million) with a target return on equity of 13% (per annum).

• Debt partner (senior debt) on board in the form of the Industrial Development Corporation (IDC).

• Strong community beneficiation element in the project (shareholding, rental income, jobs and business opportunities for small businesses).

• Availability of critical infrastructure incentives:
  o Critical Infrastructure Programme (Department of Trade, Industry and Competition)
  o Municipal Infrastructure Grant (Department of Cooperative Governance)
  o Green Tourism Incentive Programme (Department of Tourism)

• Partnership with a credible hotel management company (Marriott International)
INDI - ATLANTIC HOLE IN THE WALL

CONCEPTUAL MASTER PLAN: FEBRUARY 2022
Selected Major Hotel Investments
Launched During the Pandemic (Rural Areas)

- **Greenfield – SleepOver Motel**: A new budget accommodation brand launched a few months prior to the advent of the Covid-19 pandemic (one project) with a further seven (7) motels launched during the pandemic. Combined Value: US$6.1 million with about 98 jobs created.

- **Greenfield – The Kruger Shalati – The Train on the Bridge**: A boutique hotel occupying a converted steam engine parked on a bridge in iconic Kruger National Park (A Big 5 Game Reserve), offering 31 rooms, consisting of 24 carriage rooms. About 200 jobs created.

- **Brownfield – The Capital Zimbali Hotel** (formally Fairmont Zimbali) acquired by the Capital Hotels and Apartments Group in 2021. Located in Ballito, North of Durban in the KwaZulu-Natal Province. It is a 154-room hotel.
The three rural or per-urban hotels launched during the pandemic shows that the Tourism Sector is indeed resilient in line with the theme of this Forum - Rebuilding Africa’s Tourism Resilience for Inclusive Socio-Economic Development.

South Africa is open for business – especially in underdeveloped areas with high tourism potential.
THANK YOU!