

# **SOUTH AFRICAN TOURISM INVESTMENT OPPORTUNITIES & PROJECTS**

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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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**broadening horizons**



**tourism**

Department:  
Tourism  
REPUBLIC OF SOUTH AFRICA



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# Geographic Location



# South Africa in Context

- 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

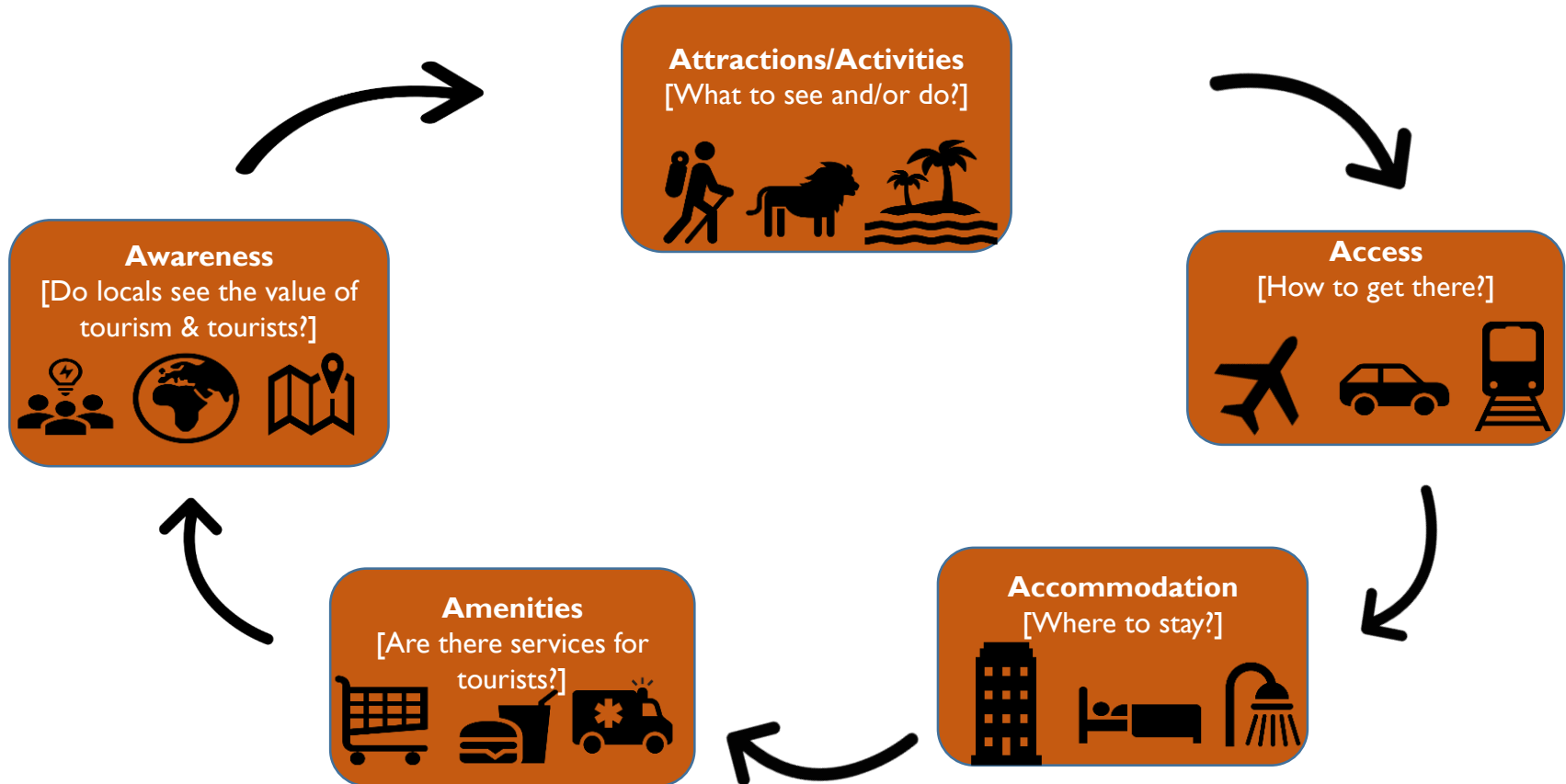
DEMOGRAPHICS	ECONOMIC INDICATORS
<b>A.</b> Land area: 1,219 million sq.km	<b>D.</b> Currency: South African Rand (ZAR) Exchange Rate (4 Oct. 2022): 1 US\$ = 17.63 ZAR 1 EUR = 17.60 ZAR
<b>B.</b> Capitals: Pretoria (Administrative), Cape Town (Legislative) & Bloemfontein (Judicial).	<b>E.</b> Total GDP Africa Ranking (2021 est. World Bank): 1. US\$ 440.7 bn – Nigeria <b>2. US\$ 419.5 bn – South Africa</b> 3. US\$ 404.1 bn – Egypt
<b>C.</b> Population (2021 Est. World Bank) 1. Nigeria – 211 million 2. Ethiopia – 117 million <b>6. South Africa – 60 million</b>	<b>F.</b> GDP per capita: (2021 est. World Bank) <b>1. US\$ 13,306 – Seychelles</b> <b>2. US\$ 8,812 – Mauritius</b> <b>6. US\$ 6,994 – South Africa</b>

# 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:
  - High impact projects with multiplier effects, i.e. that will be able to crowd in further investment including community benefits.
  - Projects with no fundamental problems such as disputes on ownership, unresolved land claims, etc., which could undermine confidence in the project.
  - Projects with one or more core attraction(s) within the area.
  - Projects in underdeveloped areas with high tourism potential.
  - Long-term lease on the land.
  - Partnership with a credible operator (hotel management company).
  - Community buy-in.



# Components of Destination Supply – Tourism as a System



## **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	<p>Bay with a huge detached cliff that has a giant opening carved through its centre by the waves. The development will include the following:</p> <ul style="list-style-type: none"> <li>• <b>Phase 1:</b> 100-room hotel (3 or 4 star)</li> <li>• <b>Phase 2:</b> Self-catering accommodation (60-rooms) <ul style="list-style-type: none"> <li>▪ Day Visitors Facilities which include restaurant, Lounge, Health Spa, Fitness Centre</li> <li>▪ A 300 seater conference facility</li> </ul> </li> </ul>
APPROXIMATE COST	<p>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. <b>Investment required at 33% of the project cost: US\$ 5.1 million. Jobs:</b> 86 permanent (direct) and 200 during construction</p>
CURRENT STATUS	<ul style="list-style-type: none"> <li>• All planning processes are complete and the project is ready to start.</li> <li>• Letter of intent signed with Marriot International as the preferred operator.</li> <li>• Lease agreement with the Department of Agriculture, Land Reform &amp; Rural Development signed (custodian of rural and/or communal land with no title deed).</li> </ul>
TYPE OF PARTNERSHIPS	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
CONTACT DETAILS	<ul style="list-style-type: none"> <li>• Mr Bossie Bosman, Director: Incopho Coastal Developments, Cell: +27 82 699 8705 &amp; E-mail: <a href="mailto:jongani@mweb.co.za">jongani@mweb.co.za</a></li> <li>• Ms Katlego Mphahlele, Senior Dealmaker: IDC, Tel: +27 11 269 3101 &amp; Email: <a href="mailto:katlegom@idc.co.za">katlegom@idc.co.za</a></li> </ul>

# 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:
  - Critical Infrastructure Programme (Department of Trade, Industry and Competition)
  - Municipal Infrastructure Grant (Department of Cooperative Governance)
  - 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)

- 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.



# Concluding Remarks

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!**

