



## HOTELS

## Too much room at the inn

**The struggle to fill hotel** beds continues, and has forced more SA hospitality players to put up the “for sale” boards.

In the past two months alone, Pam Golding Properties’ hospitality arm has been mandated to sell a substantial 23 midmarket (three- and four-star) hotels across SA and Zimbabwe, collectively worth around R1bn. Of these, 16 are located in SA.

Auctioneers Auction Alliance has 12 distressed hotels currently up for grabs – 22 have already gone under its hammer this year.

Hospitality Property Fund is also looking to offload four or five of its underperforming hotels – it’s the first time since the fund listed in 2006 that it will be a seller and not a buyer.

That follows Hyprop Investments’ recent sale of the five-star Grace in Rosebank for R85m to Southern Sun – 20% below its 2010 valuation of R107m.

Others that have closed their doors this year include Le Vendome and the historic Alphen in Cape Town. Southern Sun Grayston in Sandton will close temporarily at the end of the year.

Pam Golding Hospitality CEO Joop

Demes says while some local players are complaining of declining profitability, international brands are keen to enter SA at a deep discount at what they believe is the bottom of the market.

Pam Golding Hospitality’s portfolio of 23 hotels is selling at around 50% less than current replacement value. Says Demes: “Buyers can pick up rooms at around R500 000/key, half of what it would cost to build a new hotel.”

Demes is already talking to, among others, Accor, Hilton and Spanish-listed NH who are looking to grow their footprint in Southern Africa. They are particularly interested in breaking into the midpriced market where local brands including Protea and City Lodge have traditionally dominated.

“These well-established global players see an enormous gap to develop the mid-market domestic and African traveller markets, which they believe is being largely ignored by local hotel players.”

JSE-listed Hospitality is looking to offload underperforming hotels in secondary areas. Says CEO Gerald Nelson: “We are not embarking on a sudden disposal spree. But we want to focus on larger, well located properties in the big



**Joop Demes** Offshore investors sniffing around

cities and will use the proceeds from the sales of noncore properties to strengthen our balance sheet and reduce debt.”

Both Demes and Nelson are seeing encouraging signs that the market is finally turning, with forward bookings showing marginal year-on-year growth.

SA hotel occupancies and revenues have over the past two years been squeezed by lower demand amid strong growth in new hotels in the run-up to the soccer World Cup.

Latest industry figures show SA occupancies dropped to an average 52% for the six months to September 2011. That’s down from more than 70% in the mid-2000s.

**Joan Muller**

## COMMAND HOLDINGS

## General confusion

**Shareholders in security** group Command Holdings – currently suspended from the JSE – are in the rather invidious position of wondering whether they’ll see audited results from the 2010 financial year before the close of the 2011 financial year.

Command, headed by Shaffie “The General” Mowzer, first reassured shareholders in mid-April that the overdue 2010 financials would be published by the end of April.

Since then, Command has on four separate occasions (April 29, May 9, June 2 and August 13) nominated dates on which the financial statements would be released, but each time failed to deliver

the audited numbers. The last date set for delivery was October 18.

Officially the results are being delayed by a “lapse of an agreement regarding the acquisition of Comwezi Security Services, which had certain adjustments that had to be taken into account”.

The nondelivery of the 2010 financial statements means Command could not – as indicated in August to shareholders – apply to have its JSE suspension lifted.

It also appears the date for Command’s AGM, which was set for December 7, will have to be changed as JSE requirements stipulate shareholders must get audited financial statements 21 days before the AGM.

**Marc Hasenfuss**



**Shaffie  
“The  
General”  
Mowzer**

*Hetty Zornman*