CAPE TOWN ACCOMMODATION PERFORMANCE REVIEW

In respect of the period
APRIL 2021 and MAY 2021

Published June 2021

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INTRODUCTION

We are pleased to present the Cape Town Accommodation Performance Review Report in respect of the two month period covering April 2021 and May 2021. The report that follows provides insight into the Cape Town Metropole accommodation sector performance trends over the two month period and includes Members' view with regard to the impact the June/ July 2021 School Holiday period and the British & Irish Lions Rugby Touring is likely to have on performance in the coming two month period.

It is important to note the Survey closed before the President of the Republic announced Adjusted Lockdown Level 4 regulations would become effective Monday 28 June 2021. As such Members' forward looking feedback was provided assuming travel from Gauteng would continue, conferences and events as well as sit-down dining would be permitted, and the sale of alcoholic beverages for on-site consumption would be permitted. Adjusted Lockdown Level 4 regulations restricted the aforementioned activities, among other restrictions, and consequently are anticipated to have a negative impact on performance trends in July 2021.

In total 42 accommodation members representing approximately 68 310 available room nights (per month) participated in the analysis that follows representing approximately 24 percent of Cape Town Tourism's accommodation members with establishments located in the Cape Town Metropole. This Report summarizes the outcome of the survey. Regrettably, given the relatively low number of participants, the results could not be segmented by accommodation type nor geographic location.

Of the 42 participants, approximately 28 percent represented member establishments located along the Atlantic Seaboard with a further approximately 24 percent representing member establishments located in the City Centre. Participants representing member establishments situated along the Blaauwberg Coast accounted for a further approximately 19 percent.

Member establishments situated in the Helderberg contributed approximately 10 percent of the responses received whereas member establishments situated on the Southern Peninsula and in the Southern Suburbs contributed approximately 7 percent respectively of the responses received with the final approximately 5 percent of responses being shared by member establishments situated in the Northern Suburbs. No responses were received from members situated on the Cape Flats.

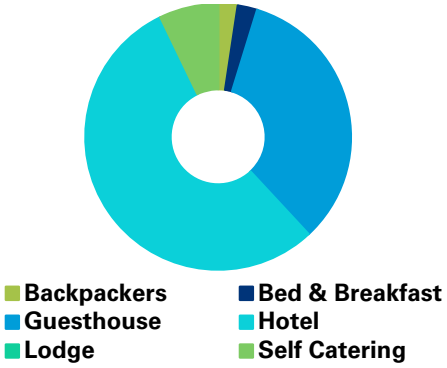
The majority of participants (approximately 55 percent) represented hotels followed by guesthouses (approximately 33 percent). Self catering establishments represented approximately 8 percent of responses received with a further approximately 2 percent of responses received from backpacker and bed & breakfast establishments respectively. No responses were received from members representing lodges.

We would like to thank all the Cape Town Tourism accommodation members who participated and look forward to their continued support. We welcome any comments and suggestions that will make the Report more relevant and helpful to the Cape Town accommodation sector.

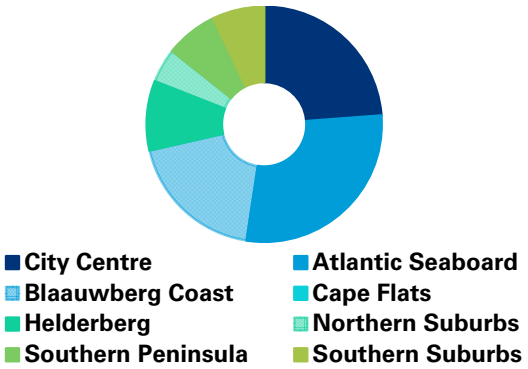
Sincerely,
Michelè de Witt I Director, Horwath HTL (South Africa)

SHARE OF PARTICIPANTS

ACCOMMODATION TYPE



GEOGRAPHIC LOCATION



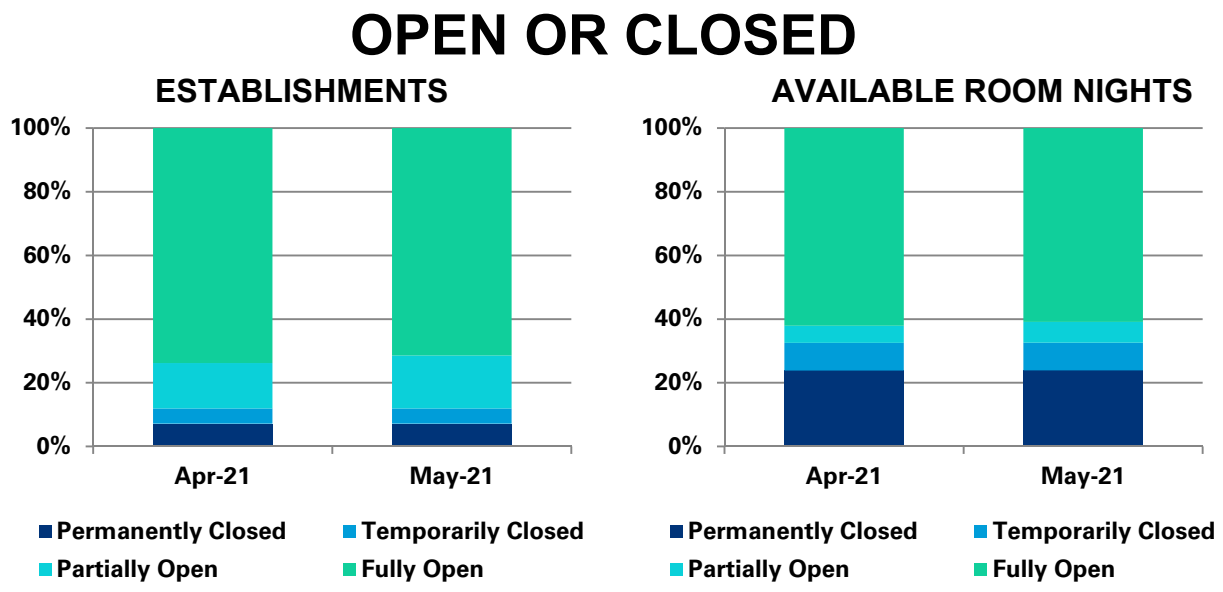
OPEN OR CLOSED

Of the member establishments that responded to the Survey, the majority (approximately 88 percent) reported that they were open for business in April 2021 and May 2021 whereas approximately 12 percent of respondents indicated that the establishment remained closed throughout the period under review.

We wish to draw the reader's attention to the fact that the Survey methodology relies on member responses and a nil response cannot be classified as "open" or "closed". It is therefore possible that the quantum of member establishments closed over the period under review could be greater.

Of the Members who indicated their establishment is **OPEN** some 14 percent indicated they were only partially open in April 2021 whereas some 17 percent indicated they were only partially open in May 2021.

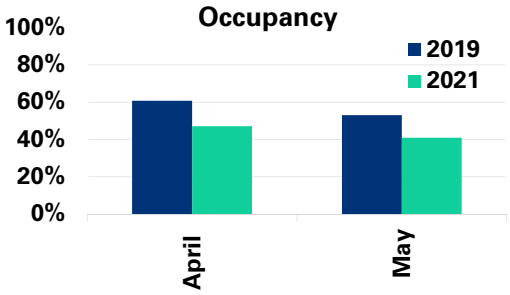
Of the participating members who indicated that they are currently **CLOSED**, approximately 60 percent of this group of respondents indicated their accommodation establishment would not re-open; in other words it had closed permanently. The remaining 40 percent of this group of respondents indicated their accommodation establishment is likely to re-open, however, at the time of our survey the timing of when the establishment would recommence operations was unknown.



ACTUAL PERFORMANCE

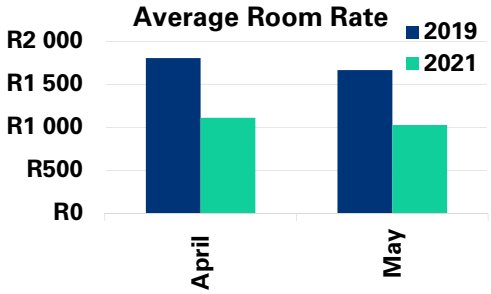
Demand for accommodation across the Cape Town Metropole registered an aggregate rate of approximately 47.1 percent in April 2021 marking the fourth consecutive month on month increase in demand.

Demand was largely driven by the domestic market demand segment which accounted for approximately 78.8 percent of room nights sold with just over two rooms sold to leisure guests for every one room sold to business travellers.



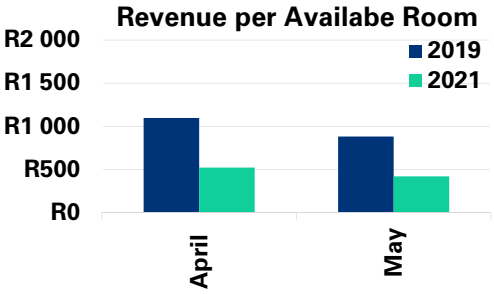
Approximately 7.4 percent of the room nights sold in April 2021 were reportedly sold to the regional market demand segment. Again, although to a lesser extent, more room nights were sold to leisure regional travellers as opposed to business regional travellers.

The remaining approximately 13.9 percent of room nights sold in April 2021 were reportedly sold to international visitors. Unlike the trends observed among domestic and regional travellers, room night demand by international business travellers was almost three times greater than room night demand registered among international leisure travellers.



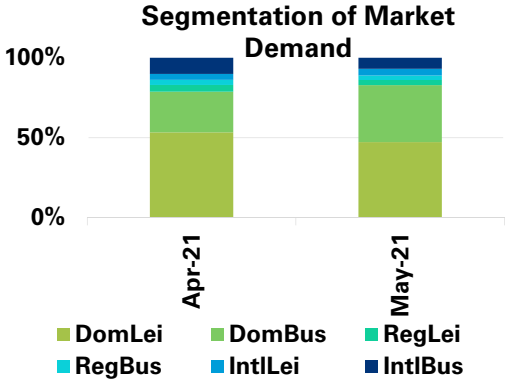
Respondents reported achieving an average room rate of approximately R1 111 in April 2021 with revenue per available room amounting to approximately R523 in respect of the month under review.

By comparison, in April 2019, participating members at that time reported registering an aggregate occupancy of some 60.8 percent at an average room rate of approximately R1 807 with a resultant revenue per available room in respect of April 2019 of approximately R1 098.



Feedback from participating members indicated demand for accommodation in May 2021 declined to approximately 40.9 percent of reported available room nights.

The domestic market remained the key driver of demand for accommodation in May 2021 accounting for approximately 82.9 percent of the room night sold during the month. However, in May 2021 there was an uptick in the proportion of domestic business room nights with less than one and a half times more leisure room nights being sold for every one domestic business room night sold.



Demand from regional markets declined marginally in May 2021 with approximately 6.1 percent of all room nights sold in the month being sold to this market demand segment. Demand from regional leisure travellers only just surpassed demand for room nights generated by regional business travellers.

The proportion of room nights sold to international visitors also declined marginally in May 2021 and accounted for approximately 11.1 percent of room nights sold. Interestingly, whilst demand from international business travellers remained higher than demand from international leisure travellers, international business room night demand declined to 1.7 for every one international leisure room night sold.

Average room rate in May 2021 also registered a decline when compared to April 2021 to approximately R1 028 (approx. -8 percent) with revenue per available room registering approximately R421; less than half the revenue per available room recorded in May 2019 when room night demand registered an aggregate occupancy rate of approximately 53.0 percent at an average room rate of some R1 666..

ANTICIPATED PERFORMANCE

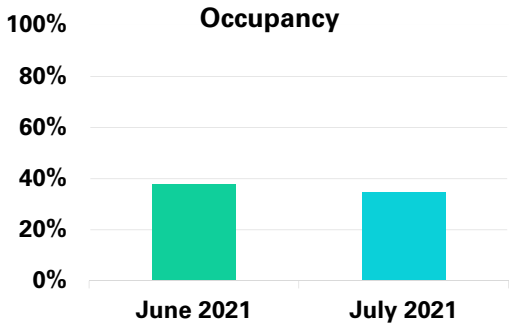
Looking forward to the months of June 2021 and July 2021, feedback received from participating members suggest members expect the Cape Town Metropole accommodation sector's recovery to slow in terms of room night demand.

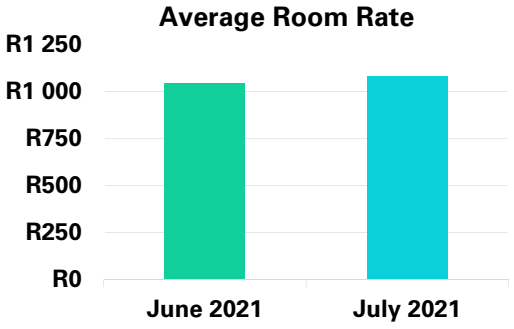
Room night demand is expected to register some 37.8 percent of the available rooms indicated in respect of June 2021 before declining marginally to some 34.5 percent of the indicated number of available rooms in July 2021.

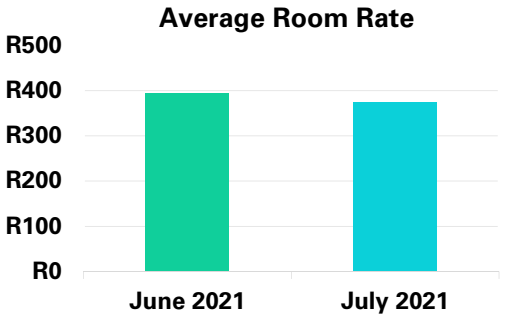
Average room rate is forecast to strengthen, albeit marginally, in June 2021 when compared to May 2021 to approximately R1 046 per room night sold and continuing to strengthen in July 2021 with average room rate expectations suggesting R1 083 per room night sold in July 2021.

Unfortunately with room night demand expectations being low, in spite of improved average room rate expectations, revenue per available room is expected to decline to approximately R395 in June 2021 and down to R374 in July 2021.

The aforementioned expectations were registered by Members prior to the announcement of Adjusted Lockdown Level 4 regulations and therefore do not take into account the potential impact these regulations and associated restrictions on travel and certain hospitality activities may have on performance trends in July 2021.







IMPACT ON PERFORMANCE | JUNE/ JULY SCHOOL HOLIDAYS

At the time of our Survey, the mid-year School Holidays were scheduled to commence in mid- to late-June 2021 for learners attending Private Schools and from Friday 09 July 2021 for learners attending Public Schools. We asked Members to share their insights with regard to the anticipated impact on performance at their respective accommodation establishments of the mid-year School Holidays?

Of the Members who provided feedback to this question, only 8 percent were of the opinion demand for accommodation would peak as a result of the mid-year School Holiday period whereas 65 percent of respondents felt the mid-year School Holiday period would not result in an increase in demand for accommodation at their establishments. 27 percent of respondents replied *maybe*.

The majority of Members (78 percent) agreed with the sentiment that the mid-year School Holiday demand was unlikely to influence average room rate; although some 11 percent of respondents were of the view that their establishment was likely to register a higher average room rate over the mid-year School Holiday period. The remaining 11 percent of respondents were concerned that their establishment was likely to register a lower, or even a much lower, average room rate as a result of the mid-year School Holidays.

With the change in timing of the mid-year School Holiday period, in particular for learners attending Public Schools, coupled with the more restrictive regulations implemented with Adjusted Lockdown Level 4 which came into effect on Monday 28 June 2021, the impact on the performance of the accommodation sector in the Cape Town Metropolitan area will be closely monitored and reported on in the following edition of the Cape Town Accommodation Performance Review Report.

IMPACT ON PERFORMANCE | BRITISH & IRISH LIONS RUGBY TOUR

The British & Irish Lions is a rugby union team selected from players eligible for the national rugby teams of England, Ireland, Scotland, and Wales. The team tours every four years, rotating between Australia, New Zealand, and South Africa, in that order.

Due to the COVID-19 pandemic, tour organisers were initially unsure as to whether the 2021 tour would take place as planned. In March 2021, it was confirmed that the tour would go ahead in South Africa between the 3rd of July 2021 and the 7th of August 2021. All eight matches will be played behind closed doors in only four venues situated in Gauteng and Cape Town.

With 3 of the 8 matches being played in Cape Town, we asked Members' if they anticipated demand for accommodation to peak over the two / three week period when the British & Irish Lions Tour is in Cape Town?

The majority of responding Members responded NO citing the absence of spectators as the main reason for their response. In fact Members shared feedback to the effect that until such time as it was announced that the Tour would be played behind closed doors, they had recorded strong demand for accommodation at higher than currently achieved average room rates. Subsequent to the *behind closed doors* announcement coupled with the United Kingdom placing South African on the *red travel list*, almost all, if not all, reservations were cancelled.

As a result, responding Members do not foresee that the 2021 British & Irish Lions Tour will have any impact (positive or negative) on the current demand trends; however Members agree that the *behind closed doors* policy had a definitive negative impact on the potential positive impact the Rugby Tour could have had not only in terms of demand for accommodation, but the greater economy that would have benefited from the multiplier effect of tourism.

EXPLANATION OF TERMS

OCCUPANCY

The term Occupancy refers to the number of room nights sold, divided by the number of room nights available in respect of a defined period in time, expressed as a percentage.

AVERAGE ROOM RATE

The term Average Room Rate is an accommodation establishment's net accommodation revenue per room night sold. The Average Room Rate excludes meals and any other items that may be included in the Rack Rate and accounts for all discounts and the incidence of multiple occupancy.

REVPAR

Revenue per Available Room (RevPAR) is a conceptual link between average occupancy rates and Average Room Rates; it is the net accommodation revenue per day, per available room.

TOTAL REVENUE

The sum of income generated from operating departments presented net of Government taxes such as VAT.

GROSS OPERATING PROFIT (GOP)

Operational result before management fees and fixed charges.

DOMESTIC SOURCE MARKET

Domestic tourism refers to residents of South Africa travelling within South Africa.

REGIONAL/ AFRICAN SOURCE MARKET

Regional/ African tourism refers to residents from a country on the African Continent travelling to South Africa.

INTERNATIONAL SOURCE MARKET

International tourism refers to residents from a country in one region of the world (e.g.: Europe), excluding Africa, travelling to South Africa.

SURVEY METHODOLOGY

As with all studies of this kind, a random sample of data collection methodology was used to enlist participants for this report. Therefore, while we believe the results to be the most accurate available, they are still subject to non-sampling errors. In addition, although the information in this report has been obtained from sources which we believe to be reliable and accurate, we do not guarantee its accuracy since it is submitted by third parties.

The values presented in the report, both for the current month and in respect of the same period last year, are averages of the responding establishments' data. We feel this calculation to be most reflective of the industry segments.

This report is not intended to represent the rendering of legal, accounting, or professional services. The values presented should not be considered a standard for any accommodation type or geographic location, but only as a guideline for comparison with the performance results of your establishment. They are not an attempt by the publisher of this report to set or conform prices or operating standards for the accommodation sector within the Cape Town metropole.

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