

Feasibility Study for a Hotel Project in Luanda, Angola

Bachelor Thesis for Obtaining the Degree

Bachelor of Business Administration

Tourism and Hospitality Management

Submitted to Mag. Arch. Gabriel Kacerovsky

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Declaration of Authorship

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Abstract

This piece of work contains a feasibility study for a hotel project in Luanda, Angola. It aims to evaluate whether the implementation of a boat hotel in Luanda would be feasible. The proposed project shall be positioned in the upscale market of Luanda for a moderate price. The reason for the evaluation of the planned hotel project is the exorbitant price policy of Angola's hotel supply and the lack of quality accommodations.

The study is based on secondary data, which was collected from sources, such as the Ministry of Hospitality and Tourism, Angola and hotel suppliers of Luanda, and interpreted.

The feasibility study elaborates a market analysis that comprises the macroeconomic environment of Angola and the Angolan hotel industry, as well as the microeconomic environment where the boat hotel shall be implemented. A competitive analysis of the hotel supply, as well as a financial forecast shall elaborate whether the project should be established.

Regarding the financial forecast and the evaluation of the market analysis, the author highly recommends implementing the boat hotel in the Luandan market.

Table of Contents

Declaration of Authorship.....	2
Table of Contents.....	4
List of Tables	7
List of Figures	8
1 Introduction	9
1.1 Project.....	9
1.2 Assignment.....	9
2 Location.....	11
2.1 Luanda / Angola	11
2.1.1 Demography.....	12
2.1.2 History & General Overview	14
2.1.3 Social Environment & culture	16
2.2 Transportation	17
2.2.1 Air traffic	17
2.2.2 Railway	18
2.2.3 Roadway.....	19
2.2.4 Shipping.....	19
2.3 Politics.....	19
2.4 Economic overview	19

2.4.1	Inflation	25
2.4.2	Oil and Mineral resources	25
2.4.3	Agriculture, Forestry and Animal Resources.....	26
2.5	Potentials in Tourism	27
2.6	Assessment	32
3	Project Site	34
3.1	Location.....	34
3.1.1	Visibility.....	35
3.1.2	Accessibility	35
3.1.3	Demand Generators.....	36
3.1.4	SWOT for the micro location.....	37
3.1.5	Assessment micro site.....	38
3.1.6	Suitability for a hotel.....	39
3.2	Hotel Supply	41
3.2.1	Relevant Hotels in Luanda.....	41
3.2.2	Key Competitors in Luanda	43
4	Product.....	48
4.1	General.....	48
4.1.1	Positioning.....	49
4.1.2	Current Planning	51
4.1.3	Recommendations	51

4.2	Strategic Plan	53
4.2.1	Mission	53
4.2.2	Vision.....	53
4.2.3	Values	54
4.2.4	The objectives	54
5	Forecast.....	56
5.1	Timeline.....	56
5.2	Operative departments.....	56
5.2.1	Rooms	56
5.2.2	Food & Beverages	57
5.2.3	Other Revenues.....	57
5.3	Costs.....	58
5.3.1	Wages.....	58
5.3.2	Other expenses	59
5.4	Investments.....	59
6	Conclusion.....	61
7	Bibliography	62
	Appendices.....	64

List of Tables

Table 1: Main Economic Indicators 2007-2011.....	24
Table 2: Points of tourism interest in Luanda.....	31
Table 3: Assessment micro site.....	38
Table 4: Suitability of micro site for various guest segments.....	39
Table 5: Suitability of micro site for different hotel types.....	39
Table 6: Hotel supply in Luanda.....	41
Table 7: Projected need for employees.....	58
Table 8: Investment.....	59

List of Figures

Figure 1: Map of Angola.....	11
Figure 2: Projected Population Growth Angola (2010 - 2100).....	12
Figure 3: Angolan Population 1950.....	13
Figure 4: Angolan Population 2050.....	13
Figure 5: Kissama National Park, Luanda.....	16
Figure 6: Waterfall Luanda.....	16
Figure 7: Railway Angola.....	18
Figure 8: Government Angola (Emblem).....	19
Figure 9: Total Oil Production in Angola 2003 – 2011.....	21
Figure 10: Total Inflation in Angola 2003 – 2011.....	25
Figure 11: Luanda Bay.....	26
Figure 12: Total Arrivals in Luanda 2007 – 2015.....	28
Figure 13: Annual Visitors to Luanda in 2009 – 55 % Increase to 2008.....	29
Figure 14: Employment Growth in the Tourism Sector 2007 – 2015.....	30
Figure 15: Ilha do Cabo, Luanda.....	34
Figure 16: Beach at Ilha do Cabo.....	36

1 Introduction

1.1 Project

Mr. Ruí Miguel Fernadez, a Portuguese diplomatic agent is planning the development of a boat hotel of the middle to upscale segment in Luanda, Angola.

The client has purchased a piece of real estate at the bay side of Ilha do Cabo Luanda. A vessel with about 5600 sq m is for sale for USD 3.500.000 and Mr. Fernandez has entered into negotiations with the owner of the vessel and wants to identify whether the project would be of profit.

The framework of the project is foreseen to contain the following elements:

- boat hotel with 80 guest rooms (including 75 rooms and 5 suites)
- lounge and bar
- restaurant
- parking area

At the moment of the assignment, the project is in the stage of planning.

1.2 Assignment

Mr. Ruí Miguel Fernandez, a private investor assigned the contract to prepare a short feasibility study for the planned hotel in Luanda with writing from 15th December 2010.

The scope of this work is to develop a Business Plan for Mr. Ruí Miguel Fernandez, taking in consideration the implementation of a boat hotel in Luanda, Angola. This Business Plan includes the elaboration of the key guidelines to implement the business.

A market analysis is elaborated in this Business Plan where the Sonho Boat Hotel will be implemented, and the main elements related to the creation of this hotel is elaborated, namely its microeconomic environment, project description and provisional financial statements for the first 10 years of activity. Financial aspects of the hotel sector were taken in consideration, as well as the execution of an analysis of the Angolan macroeconomic context.

Aim of the study is to evaluate whether the establishment of such a project would work out in Luanda and whether to proceed with the eventual development of the hotel.

Item of the assignment is the brief analysis of the following elements:

- location
- market
- product
- forecast (departmental revenue, overheads, personnel costs, operating profit)

The assignment was conducted in December 2010. The research of the Angolan market and of the proposed location was conducted during January 2011. The study contains the site and market situation at the time of the market research. It is based on the most recent data available.

The legally required audit regarding corporate and fiscal terms is not part of the assignment. The study is based on general terms and conditions of doing business. This piece of work contains the skills of a neutral expert and is being prepared to the best of one's knowledge. However the guarantee of the actual occurrence of any forecasted results is not given due to rapid changes in the Angolan market.

The study was exclusively prepared for the client's use and will not be forwarded to any third party.

Macroeconomic Analysis

2 Location

2.1 Luanda / Angola

Luanda, the capital city of Angola, is located at the coast of the Atlantic Ocean. It is the largest city of Angola and separated into two parts, the Baixa de Luanda (lower part of the old city) and the Cidade Alta (upper part of Luanda). Luanda is divided into nine districts:

- Município de Cazenga
- Município de Ingombota
- Município de Kilamba Kiaxi
- Município de Maianga
- Município de Rangel
- Município de Samba
- Município de Sambizanga
- Município de Cacuaco
- Município de Viana

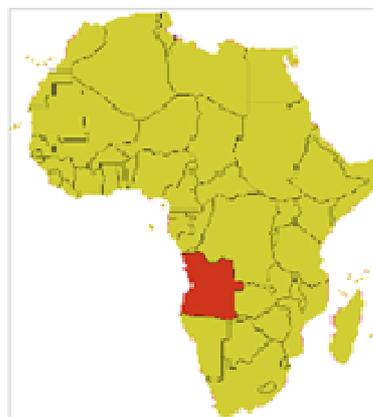
Latitude / Longitude

Luanda is located at 8.83833 (latitude in decimal degrees), 13.2344 (longitude in decimal degrees).

Figure 1: Map of Angola



<http://blog.ertl-media.at>



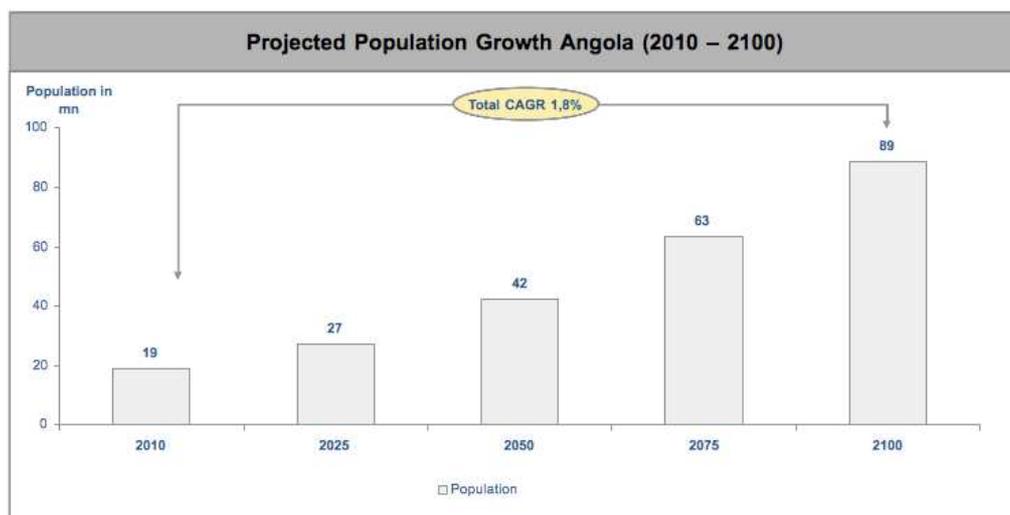
www.flaggen-server.de

2.1.1 Demography

According to Angola Fact File published by eBiz Guide Angola, Angola's population is estimated to have approximately 15.116.000 residents in 2006 and it is worldwide ranked number 70. Luanda is not only the capital city of Angola, but it also is the largest city with about 5.000.000 of Angola's total population. Regarding the annual population growth Angola is ranked at number 47 with 2.45 per cent per year therefore the population in 2015 is estimated to reach about 18.795.095.

According to the Federal Statistical Office the life expectancy of Angolan's population is assessed to be 47.1.

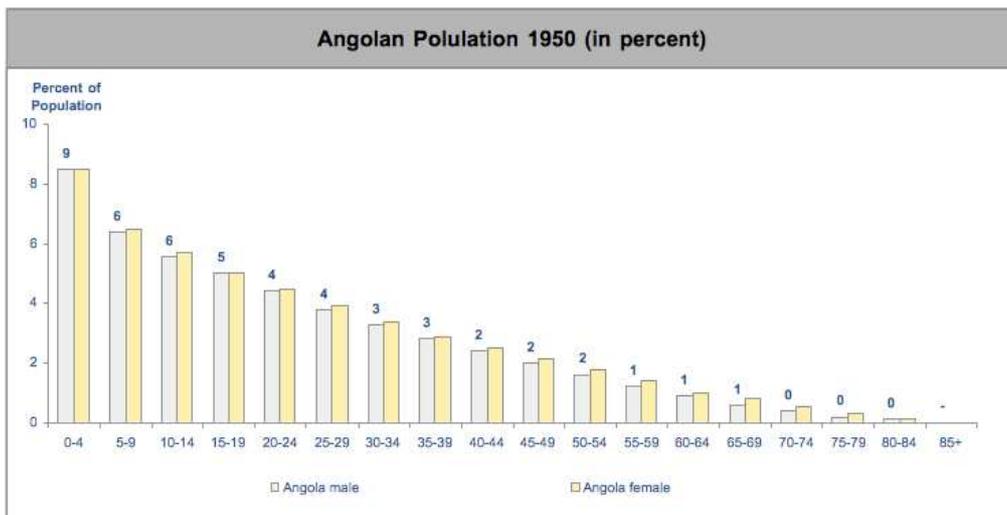
Figure 2: Projected Population Growth Angola (2010 - 2100)



www.prb.org

The graph above displays Angola's projected population trends which are expected from 2010 to 2100. These estimations coincide with assumptions of Angola's economic performance, increased life expectancy, as well as reduced infant mortality. These are the indicators that represent more developed nations with focus on investments in the health care sector, research and development of medicine, and quality of life, not to forget safety and security.

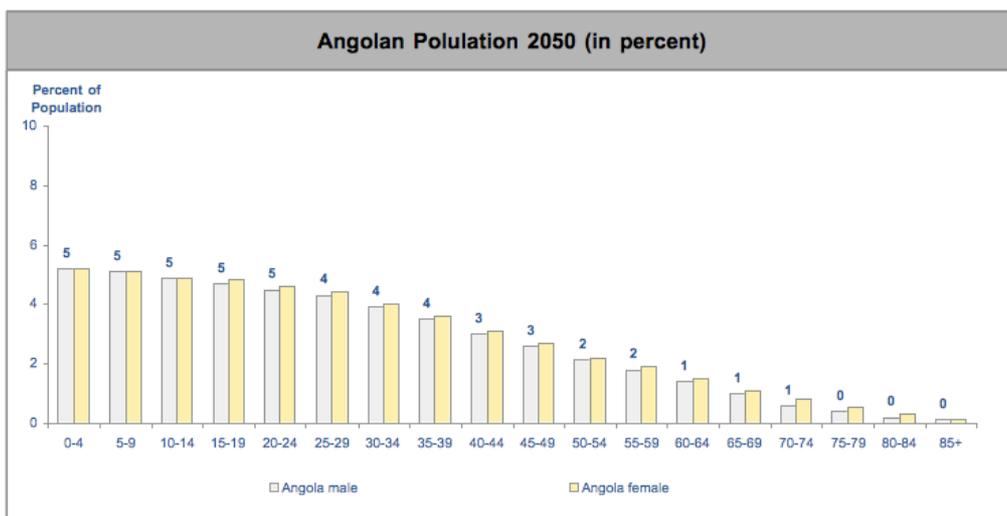
Figure 3: Angolan Population 1950



www.faculty.fairfield.edu

The age / sex graph above shows the number of people at each given age / sex in 1950. By 1950 Angola has still been a Portuguese colony and most Angolans had to suffer under inhuman work forces, as well as the lack of healthcare. It is obvious from the graph that the infant mortality rate was very high with loads of children dying before the age of 5 years.

Figure 4: Angolan Population 2050



www.faculty.fairfield.edu

The graph above displays the projected population of Angola for 2050. Compared to the graph of 1950, hundred years earlier, it is apparent that the age / sex graph of 2050 shows a significant decrease of infant mortality. One can see that also the

fertility rates have decreased, because of advances in the health care and vaccinations.

The graph shows a young population, where young adults represent the majority of the population. Such “youth bulges” can have negative impacts due to a lack of job opportunities that can cause unrest and violence of frustrated people. If Angola can retain a stable economy, high healthcare standards and high employment opportunities it could handle this issue and prevent the country of instability.

The Angolan population is composed of different ethnic groups such as Ovimbundu, who represent 37 per cent of the total population. Another 25 per cent belong to Kimbundu, Bakongo are counted with 13 per cent, Mesti co (mixed European and native African) are merely 2 per cent of Angolans and even less represent Europeans with 1 per cent, and others with 22 per cent. Regarding the religious distribution most residents have indigenous beliefs with 47 per cent, 38 per cent belong to Roman Catholics and another 15 per cent are Protestants.

By the end of 2007 Angola assumed to host 12.100 refugees and 2.900 asylum seekers. Major parts of the refugees were originally from the Democratic Republic of Congo, who migrated in the 1970s.

2.1.2 History & General Overview

Since independence in November 1975 Angola was facing a devastating civil war, that destroyed most of the infrastructure and the country faced a huge regression in development. The Popular Movement for the Liberation of Angola (MPLA) took power but two other “anti-colonial” parties, including the UNITA, combated the MPLA. The National Union (UNITA) fought for the Total Independence of Angola. After 27 years of civil war, from 1975 to 2002, the former Portuguese colony's residents were forced to rebuild Angola and it is currently still undergoing a massive reconstruction.

Due to the fact that Angola is rich in natural resources such as oil and minerals it counts to the richest countries of Africa and Luanda was currently rated the most expensive city in the world in December 2010, announced by finchannel.com. Since the civil war ended in 2002 the economy has gone through a massive boom thanks

to the oil industry. Therefore Luanda became a fertile basis for business transactions and a new metropolis for business people from all over.

According to an article in the Economist in February 2011 Angola's economy is one of the fastest growing economies in the world during the last ten years.

After the war ended in 2002 Angola has underwent a solid reconstruction of the country however much of its infrastructure is still destroyed. However Angola's wealth on natural resources such as oil and minerals privileges the country to boost the economy. Recently Angola's economy has boomed not only due to internationally high oil prices but also because of the rising oil production in the country.

Nevertheless the instability of the country still reflects in the corruption and in the mismanagement within the public sector, especially in the oil industry.

Despite the country's richness in oil and other resources the poverty rate exceeds most other African countries.

Leisure Tourism seems to be a foreign word for residents as most Tourists come to Luanda stay for business reasons. Nevertheless Luanda is still called „the Monaco of Africa“, which at the moment might hold true for the exorbitant living costs rather than for being a magnet for tourists from all over the world.

The provincial director of the hotels and tourism department of Luanda, Joaquim Neto, said on September 24th 2010 „that the local government is worried about the poor divulgence of information on internal tourism“.¹

During the official opening of tourism and hotels fair, that was happening at Luanda's Independence Square, he claimed that Tourism in Luanda is only promoted for business purposes. However as the country has stabilized in the last years future promotional activities should be targeted at leisure and cultural tourists leveraging Luanda's historical sites and monuments.

1 <http://allafrica.com/stories/201009240520.html>

In addition to its historical sites Luanda has many other attractions, such as Kissama National Park, which is the closest national park to Luanda, Kalandula Falls, Ilha do Mussulo and many more. Also Angola's culture influenced by different ethnicities, such as Bantu, Ovimbundu, Mbundu, Bakongo, Chokwe should attract tourists to visit Luanda.

Figure 5: Kissama National Park, Luanda



www.aboutafricasafari.com

As Luanda is currently the most expensive city in the world this situation is also reflected in the prices of hotel rooms. One standard room at a four- star hotel costs approximately up to 800 USD per night. These exorbitant but prevalent prices for a quite simple accommodation do not attract tourists to stay in Luanda.

2.1.3 Social Environment & culture

Since the consequences of the civil war implicate a major reconstruction of Angola it is comprehensible that the travel and tourism industry concerning the leisure sector has stagnated since the end of the war in 2002. In a manner of speaking the leisure tourism industry in Angola is quite new.

Then again business tourism in Angola gained a lot due to the massive wealth on oil and diamonds.

The natural beauty of the country, including rivers, waterfalls and a scenic coastline attract people to come to Angola.

Luanda appeals with its monuments, museums and beaches. Another important element that stimulates tourism is the culture's focus on music and dance. Angola is best known for Kizomba, a very sensual dance style

Figure 6: Waterfall Luanda



www.myvirtualflights.com

to Zouk music, a genre that combines Portuguese romantic lyrics and African rhythms. Though Kizomba is a very young dance style it became very popular and seems to be Angola's national dance style.

As already mentioned before, Angola consists of three main ethnic groups, Ovimbundu, Kimbundu and Bakongo. A small population of whites present merely 1 per cent, whereby most of these are ethnically Portuguese and most of them live in Luanda. Portuguese is not only Angola's official language but also the predominant one.

Many Angolans are unemployed and about 70 per cent live below the poverty level, therefore traditional eating habits of residents are hardly distinguishable. People in coastal areas, such as Luanda include seafood in their diet and in the southern west part of the county the majority rely on dairy products and meat.

Women play a vital role in farming and food trading in Angola and men are either herders or they do salaried jobs.

Since Angola used to be a Portuguese colony and different classes and elites erased due to the Portuguese who domineered most of indigenous Angolans and took their power one can still identify a significant gap between blacks and whites, poor and rich.

Though many indigenous people still represent the vast majority of the poor, the assimilated and the indigenous live together in peace.

Soccer is kind of a national sport in Angola, like in most other sub-Saharan Africa.

2.2 Transportation

2.2.1 Air traffic

Angola is estimated to have 252 airports and airfields, whereupon only 32 have paved runways. Quatro de Fevereiro International Airport is Angola's only airport, which receives international flights, located in Luanda. It is approximately 5 km away from the city center. The public transports from Luanda airport are very limited. One

can reach the city center by taxi or transportation organized by hotels. Also a car rental at Quatro de Fevereiro International Airport can alleviate the stay in Luanda.

Airlines that approach Quatro de Fevereiro International Airport:

Other transportation:

- Aeroflot
- Air France
- Air Gemini
- Air Mali
- Air Namibia
- British Airways
- Brussels Airlines
- Diexim Expresso
- Delta Air Lines
- Emirate

2.2.2 Railway

Luanda Railway is Angola's main railway that connects Luanda with other Angolan regions. It covers a total of 2.952 km, though a small part of it is used. Its main terminal is at the Atlantic port of Luanda and it goes inland east to Malanje. Luanda Railway does not reach the Democratic Republic of Congo and other frontiers.

Figure 7: Railway Angola



<http://cdn.lightgalleries.net>

In 2005 a rehabilitation project was launched in order to rebuild the railway system that was destroyed by the civil war.

2.2.3 Roadway

Angola's roadway network covers about 76.626 km, whereas merely 19.156 km, mostly in Luanda, are paved and do not meet adequate standards. However the State Security for Construction represented by Joanes André announced, in Angola Press, that the road traffic in Luanda will improve in 2011. The roadways range from the capital to other cities and also go cross-border.

2.2.4 Shipping

Relatively to ports, Angola has three main ports, connecting with the rest of southern Africa. Angola's three main ports are located in Luanda, Lobito and Namibe. In terms of shipping there is also the important port of Cabinda.

2.3 Politics

In September 1979 President Jose dos Santos came to power of Angola. Angola's politics is structured as a presidential republic, whereby President Jose dos Santos represents both, head of state and head of the government. When Dos Santos was re-elected many people regarded the election as set-up democratic election. Angola's political landscape is characterized

by corruption and one can also speak of a dictatorial regime. Since the recent revolts in 2011 in Libya, Tunisia and Egypt also Angolans were animated to rebel against Dos Santos in order to putsch the regime.

Figure 8: Government Angola



2.4 Economic overview

Angola is one of the African countries with great potential of development, mainly due to its oil and mineral resources, to its capacity in terms of power energy and great potential in the cattle-breeding/agriculture, fisheries and forestry.

With the peace agreements in April 2002 the Angolan perspectives of economic growth are promising. However the liquidity squeeze allied to the lack of rigorous

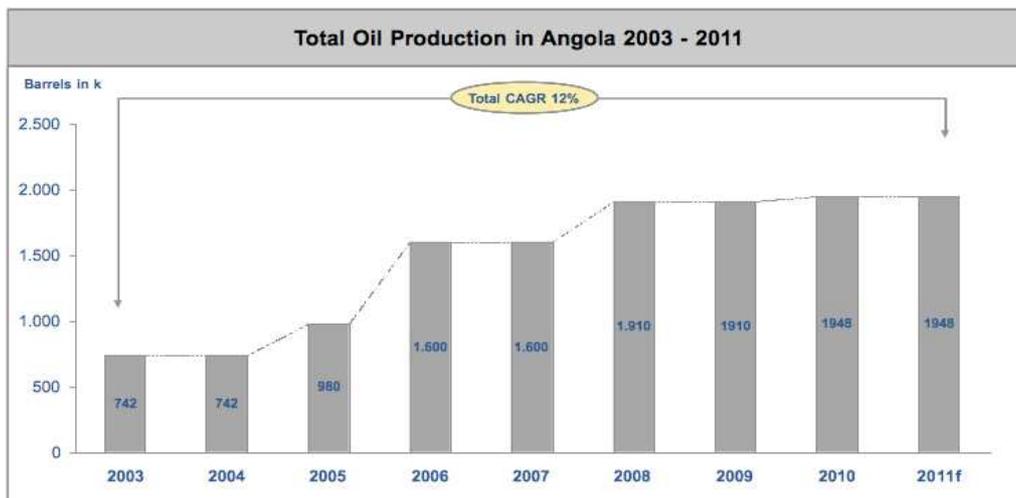
mechanisms in the execution of the state budget (OGE) and control of oil revenues, were delaying the rapid growth of the Angolan economy.

As a consequence of Angola joining the International Monetary Fund (IMF) and the World Bank, in September 1989, several changes took place in the macroeconomic policy of the country, consolidated in the government action programme (PAG), announced in September 1990, which fundamental declaration was the gradual move towards a market economy. Since 1990 a policy of privatisation of public companies has been strived by the government. The staff-monitored program (SMP) which was concluded with the IMF in April 2002 lapsed, as the government refused to implement some measures agreed within this program.

During the last years Angola has accelerated economic growth by providing its oil resources to international companies in order to increase production. According to the CIA Fact File in 2002 the oil production reached one million barrels/day, which allowed financing the country's reconstruction, budgeted in 2002 with over USD 25 billion. In 2003 a slight increase in the world demand derived from uncertainties and oil production cut in Iraq as a consequence of the war, and OPEP discipline, caused a relative improvement in terms of perspectives for the Angolan crude oil price. In relation to the mineral resources, the activity is equally dynamic through the concession of the exploitation areas to large international economic groups.

The following graph shows the total production of oil in barrels per year. The graph displays a significant increase of Angola's oil production since 2008.

Figure 9: Total Oil Production in Angola 2003 - 2011



CIA World Factbook

Regarding the table above one can see that there was a remarkable increase of oil production since 2006 and another rise in 2008. Angola has stabilized its position at the international oil market since 2007, with number 16 at the worldwide oil production rank.

Since the world economic crisis at the end of 2008 the Angolan economy was negatively affected by the sudden decline of international oil prices, since oil is the main source of revenues. According to the IMF the oil industry contributes approximately 75 per cent of the total governmental revenues and 96 per cent of merchandise exports. Due to the loss of revenues generated from oil the public finances and the balance of payments were badly influenced. Angola's budget showed a significant deficit which was represented by the extensive increase of interest rates and exchange rate. Facing the pressure of financial deficit the government was not able to pay back obligations to domestic suppliers.

At the end of 2009 the authorities introduced an extensive adjustment program, which was supported by a Stand-By Agreement (SBA) with the Fund. The main

instruments taken into account where: exact fiscal adjustment focusing on the reduction of expenditures; reform of the foreign exchange auction system, that caused an extensive depreciation of the kwanza; maintenance of a tight monetary policy in order to maintain the exchange rate; intensive control of commercial banks to protect financial stability; and a substantial package of reform measures, that was initiated to improve public financial management and the internal direction of the central bank.

The government's program has displayed a significant success in supporting the recovery of oil prices, but also by accurately implementing the main instruments of the program.

Though the authorities' program has shown a significant success the government has to continue with the stabilization process and has to face the important challenges. The massive stock of government payments that accrued from 2008/2009 has to be executed.

Since the major decrease in 2008, the public investments need to increase in order to finance the massive deficits on infrastructure. Angola's level of reserves are below the pre-crisis levels, which means that the country has to accumulate more in order to resist the oil price volatility and inflation and the government's long-term reform program has to be advanced.

Since the government has implemented the authorities' program after the world economic crisis in 2008 Angola's economic performance has increased significantly and shows an ongoing progress in managing the recovery from the drop of oil prices.

Reserves have been rebuilt and are remaining to, the exchange rate has stabilized since 2010 and the fiscal position has stabilized by reducing spending levels.

The controls of spending have been sharpened in order to avoid further emerge of new arrears.

Though Angola's economic assumptions of 2010 have not been confirmed the economic performance has all in all had a positive output. GDP growth during 2010 was projected to be about 2, 3% per cent.

Due to the IMF Angola's economic performance in 2011 will have a positive outcome, as the oil output picks up and the output of the non-oil sector returns to growth rates before 2008.

Regarding the medium-outlook of the country's economic performance the oil production in 2012 will remain to rise. According to the IMF the inflation, which by now is at about 15 per cent, has experienced a little change respective the economic downturn.

Pursuant to the IMF Angola has met most quantitative criteria of 2010 and the implementation of the reform program will remain continuative with most benchmarks met.

Angola's economic activities have displayed a positive performance at the beginning of 2010. Since the recovery from the economic crisis the oil prices in international markets rose and the worldwide demand increased as well, which can explain the positive performance in 2010. Contrary, the mineral sector, which is ranked as second main export product, though it only represents 1,5per cent of total exports, has shown a pregnant decrease in 2009. Also the non-oil sector accounted for a good performance and added beneficence to the GDP increase.

Angola's governmental priorities are still focused on the humanitarian assistance to war displaced population, its resettlement, demining, reintegration of UNITA ex-soldiers to normal life and rehabilitation of the socio-economic infrastructures.

The economic flows generated by the transformation industry are still quite reduced, the country is totally dependent of its extractive industry, namely of oil and diamonds. However there are strong expectations by the entrepreneurs that the development of the future transformation industry will contribute for the improvement of the trade balance, and thus the balance of payments. However the industrial expansion in short and medium term will depend on technological resources and Know-How imported to elaborate the industrial product. With the existence of natural resources, manpower, and a stability increase in the financial system, there are conditions for this sector to flourish rapidly.

Main Economic Indicators 2007-2011

Table 1: Main Economic Indicators 2007-2011

	2007	2008	2009	2010 projection	2011 projection
Real economy (per cent change)					
Real GDP	22,6	13,8	2,4	2,3	6,4
Oil sector	20,4	12,3	-5,1	-1,3	3,8
Non-oil sector	24,4	15	8,1	4,7	8,1
Consumer Price index (annual average)	12,2	12,5	13,7	14,5	12
GDP (mio. Of USD)	60449	84179	75508	84304	89951
GDP per capita (USD)	3443	4671	4082	4425	4584

Angolan authorities and IMF Staff estimates and projections

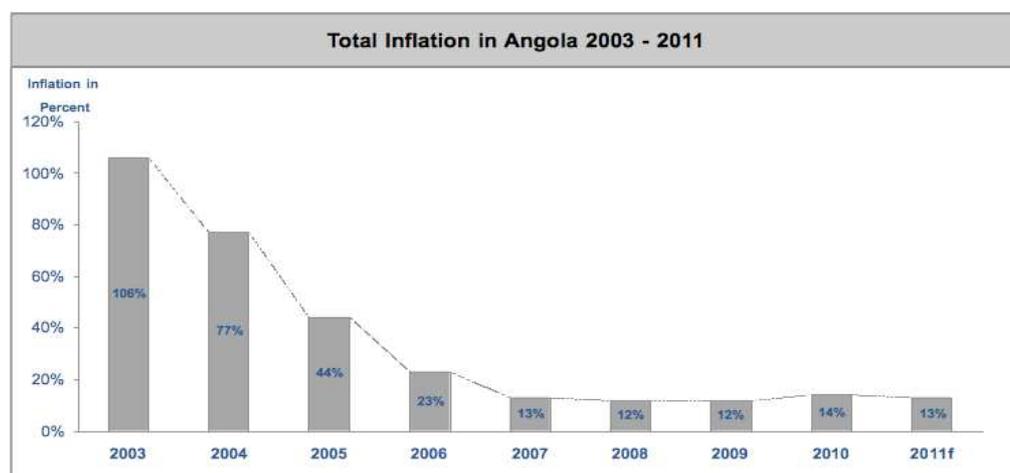
For more details see appendix 1.

Regarding the changes during the last decades the economic situation in Angola has improved a lot. Since the Angolan economy has grown exorbitantly due to its oil production and mineral industry, the potential on the tourism sector is also given. As the business activities in Angola have risen during the last years there will be a need for additional accommodations, especially in Luanda. Concerning the analysis above Luanda's market is well suited for the implementation of a hotel.

2.4.1 Inflation

The inflation rate has decreased significantly from 2003 to 2011 as shown in the following graph. The inflation rate in 2009 amounted approximately 12%, but has increased again in 2010 to about 13, 7%. In 2011 the rate has decreased again to about 13, 3%.

Figure 10: Total Inflation in Angola 2003 - 2011



INE

Due to the exorbitant decrease of inflation during the last decade and regarding the fact that inflation is estimated to continue to decrease, a further positive impact can be identified that reflects the stability of the country. As a stable currency of a country also affects the economic growth it is obvious that the investments in Angola will continue to rise in the upcoming future. Therefore also the investments in the tourism sector will continually increase.

2.4.2 Oil and Mineral resources

The oil exploitation has been and it will continue to be crucial in the dynamics of the hotel industry's future. Luanda can benefit from this potential of oil exploitation as most oil companies' headquarters are located in Luanda. Prospectively the growth of the hotel demand in this region will continue, as to new discoveries of oil springs, namely in deep waters will potentially increase the flow of travellers to this region.

Mineral resources are available at almost every part of the country. Many companies have settled in Luanda since 2006 and the establishment of world companies will continue for the next ten years.

2.4.3 Agriculture, Forestry and Animal Resources

A significant growth for resources is also foreseen in medium to long term. To have an overview of the enormous potential of Angola, it is sufficient to say that it is possible to produce from bearded cereals (wheat, barley, oat, rye, etc.) in the cold and on the irrigation period, or in non-irrigated regime during the rainy season. It is also possible to emphasize the plantation of oil palm trees in Cabinda and Zaire, the foundation of olive and grape yards in the lowlands of Bero and Giraúl, in the Namibe province.

Forestry resources are equally vast, as well as the silvicolous exploitation. The Angolan natural forestry are precious wood reserves, and can be found in the forest of Dembos and Maiombe noble wood such as African mahogany and species of wood of commercial value in the eastern woods.

The exotic forestry species and those with recognized economic value, as the eucalyptus and pine trees, are easily adapted to the highlands with an altitude above 1200m.

Angola has also numerous reserves and potentials in the cattle breeding sector. Not only cattle breeding exploitation is based in traditional south and southern parts of the country, but also expanded up to the humid highlands of the central and north regions of the country.

The development of the tourism infrastructures, although currently reduced, could represent the development of the hotel sector. Such as the following successful cases of countries like Cuba, Dominican Republic, Mauritius and even Mozambique, Angola can create the necessary infrastructures for that level of development.

Figure 11: Luanda



www.trekearth.com

2.5 Potentials in Tourism

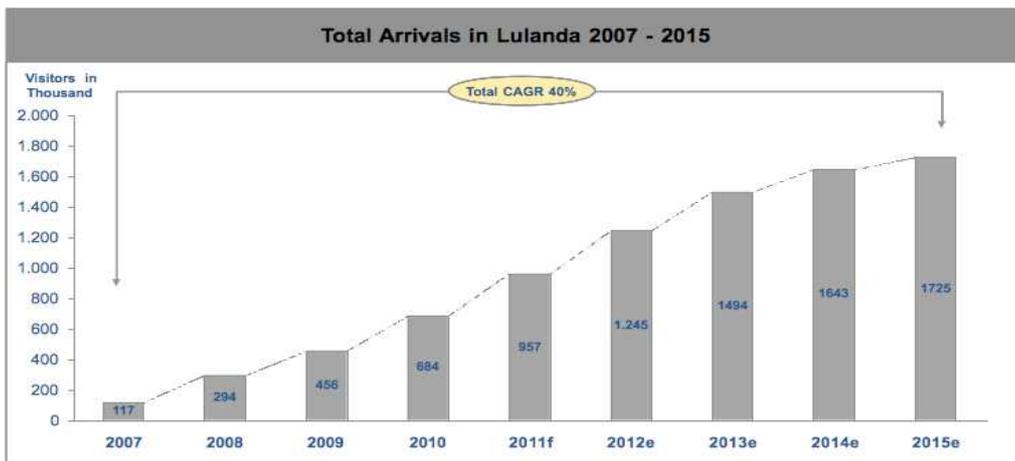
Despite the enormous potential in the tourism and hotel industry, the development in Angola has been slow throughout the last decades. The precarious security conditions because of the civil war, which destroyed the country until April 2002, as well as the lacking basis of infrastructures and leisure options, have hindered the rapid development of the tourism market. The hotel industry in Angola is not dependent on leisure tourism, but weighted essentially in the national and international companies' staff business travel which operates in Angola, supplying most of the hotel customers to Angola.

According to the first peace in the early 90's, there was a significant increase of foreign visitors' entrance in the country, reaching 67.000 entries in 1990. Yet with the restart of the civil war in 1992, the movement of visitors fell sharply until 1995. Since then the number of visitors is increasing again, reflecting a climate of economic liberalization, of peace and growing economic stability.

According to the Ministry of Hotels and Tourism 294.258 visitors were recorded in Luanda in 2008, which represented an approximate increase of 60 per cent compared to the tourism flow of 2007.

The following graph shows the arrivals in Luanda from 2007 to 2010 and the forecasted arrivals until 2015:

Figure 12: Total Arrivals in Luanda 2007 - 2015



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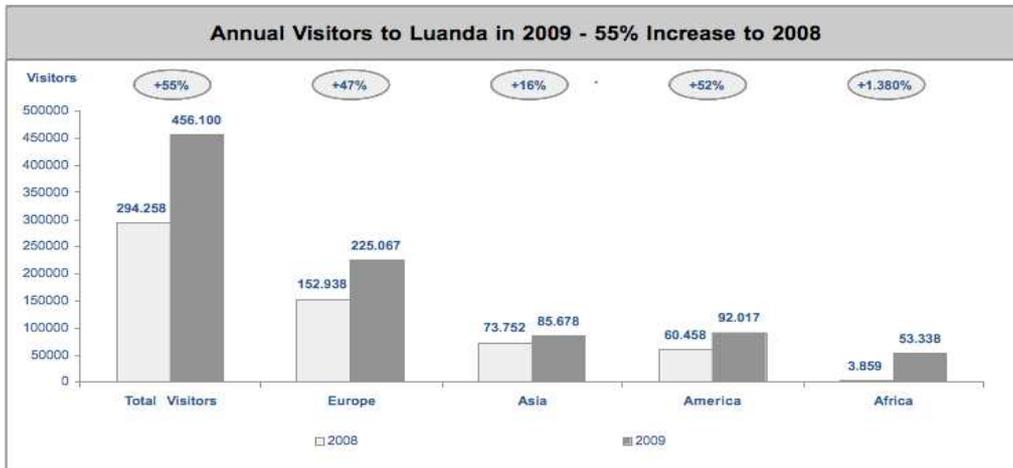
Concerning the tourists' countries of origin the records from the previous years remain continuingly with the most visitors from Europe, that represented 152.900 voyagers in 2008. Second rank of tourists' origin visiting Luanda was Asia with 73.800 and 60.400 travelers were from South and North America. Only 3.900 individuals presented Africa's visitors arriving in Luanda in 2008 and the Middle East and Australia merely represented 1.900 and 1.400 people visiting Luanda.

Regarding to a report, which was published in October 2010 the Ministry of Hotels and Tourism announced that the number of international arrivals in Angola increased by 55 per cent from 2008 to 2009.

Pursuant to official data published by Minhotur about 456.100 visitors came to Luanda in 2009, whereby approximately 225.100 people came from Europe, which represent almost half of international arrivals in Luanda in 2009. Second rank of travelers' provenience in 2009 depicts Americans with 92.000 visitors. Compared to 2008 the second most represented country was Asia, which in 2009 decreased to a visitors' number of 85.700 voyagers. Another 53.300 arrivals came from other African countries.

The graph below displays the annual visitors to Luanda from 2008 and 2009, respective their country of origin:

Figure 13: Annual Visitors to Luanda in 2009 – 55 % Increase to 2008



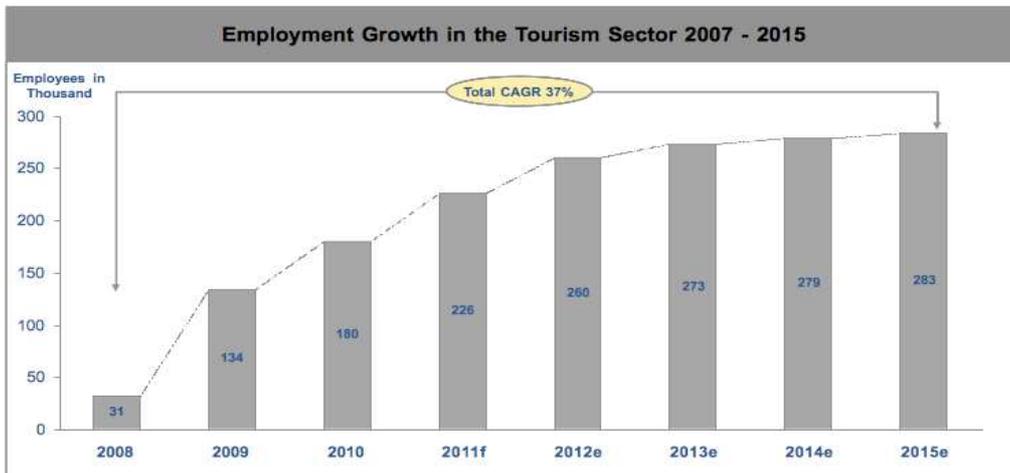
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Factually Angola is still facing a major reconstruction due the 27 years of civil war, which destroyed major parts of the infrastructure and the fundamental basis for social and environmental structures. Despite Angola's insufficient aviation system, the availability of appropriate accommodations and lacking safety one can identify a significant increase in the tourism sector during the last years, which seem to continuingly stabilize.

The intense growth rate in the tourism sector also has a positive impact on Angola's economy. In 2009 approximately 134.000 Angolans were employed in the tourism industry, whereupon since 2008 solely 31.000 jobs were newly created in the industry. Luanda benefits from this increase and employed more than 100.000 people only in the tourism sector in 2009.

The following graph shows the projected employment growth rate in the Tourism Sector from 2008 to 2015:

Figure 14: Employment Growth in the Tourism Sector 2007 - 2015



Minhotur

Since the main source of revenues generated from is the oil industry, and the gap between the rich and the poor is remaining to continue, it is important that the tourism industry keeps improving the positive performance and becomes to be the second important indicator that drives the economy. The vital interest on international tourists initiates the government to invest in infrastructural projects and animates to accelerate these.

Many tourists come to Angola due to the 1.650 km of coastlines, the national parks and for other reasons concerning the natural beauty Angola is offering. However Angola's tourism sector has grown during the last years it still remains to be an insiders' tip. Though the government is trying hard to improve the overall situation Angola is still facing a long period of reconstruction in many parts of the country, outside Luanda.

During the 27 years of civil war millions of Angolans escaped from the war and went either abroad or to the capital city Luanda, whose number of residents increased rapidly to over 2.500.000 people. Since the end of the civil war in 2002 the country is encountering a peaceful reinforcement. Though Angola's overall reconstruction will still remain to take years or even decades the tourism industry can have a key role in the rehabilitation of the country.

From the several points of tourism interest, the following are pointed out as the most important ones:

- Coastal / Beach
 - Beach resorts
 - Fishery sport
 - Nautical sports
- Interior / Natural Parks / Game reserve
 - Safaris
 - Animal Hunt
- Landscape
 - Mountains
 - Waterfalls
- Historical Tourism
 - Monuments
 - Architecture

Luanda is of tourism interest, as verified in the table below:

Table 2: Points of tourism interest in Luanda

Beach	Natural Parks	Landscape	Historical Tourism
Ilha do Cabo, Mussulo, Corimba, Santiago, Cabo Ledo	Kissama Park	Mirrador da Lua, Barra do Dande	City Center, Fortess, Cidade Alta, Historical places and Monuments, Mona – Quimbunda Sueg and Itengo

In conclusion one can say that the tourism sector in Angola has mostly recovered from the aftermath of the civil war. As projected above there has been a significant increase of international arrivals in Luanda, which will continually increase and stabilize during the next years.

2.6 Assessment

<p>Strengths</p> <ul style="list-style-type: none"> ▪ Sights within the historic city center ▪ Favorable economic development ▪ Appealing culture, music, dance ▪ Numerous possibilities for excursions in the surrounding area ▪ Beautiful landscape and beaches ▪ Tropical climate conditions ▪ Capital and biggest city of Angola 	<p>Weaknesses</p> <ul style="list-style-type: none"> ▪ Limited number of international flights ▪ Expensive city for expatriates ▪ Limited infrastructure ▪ Limited number of international tourists
<p>Opportunities</p> <ul style="list-style-type: none"> ▪ Increase in number of international flight connections to Luanda ▪ Greater extent of tourists from abroad ▪ Reanimation of cultural attractions ▪ Intercultural skills ▪ Achievement of international events (concerts, cultural events, etc.) ▪ Improvement of infrastructure ▪ Nature-based tourism ▪ Niche market development ▪ Develop cultural tourism products 	<p>Threats</p> <ul style="list-style-type: none"> ▪ Unstable political situation ▪ Crime and safety problems ▪ Lack of infrastructure ▪ Legislative regulations ▪ Corruption on upcoming businesses ▪ Natural catastrophs ▪ Economic and political risks

Concisely the strengths of the macro environment of the hotel project reflect the positive impact of Luanda's sights within the historic city center, Angola's appealing culture with music and dance and the country's beneficial beautiful landscape and its amazing beaches. Further benefits the environment is facing are the tropical climate conditions and the favorable economic development.

Due to the long-lasting war Luanda still has to face a major reconstruction of its infrastructure, though it has already improved since 2002. Luanda's opportunities in the tourism sector are to improve the number of accommodations due its increasing annual arrivals and develop cultural tourism products. All cultural attractions that were destroyed through the war have to be reanimated. The weaknesses Luanda is facing are the limited number of international flights and the exorbitant prices

regarding daily costs, though the inflation rate has significantly decreased since 2007. One also has to take the threats into account that are dominated by political instability, lacking safety and crime and corruption. Though the economic situation has stabilized during the last decade one cannot guarantee for a stable economy due to its corrupt political situation.

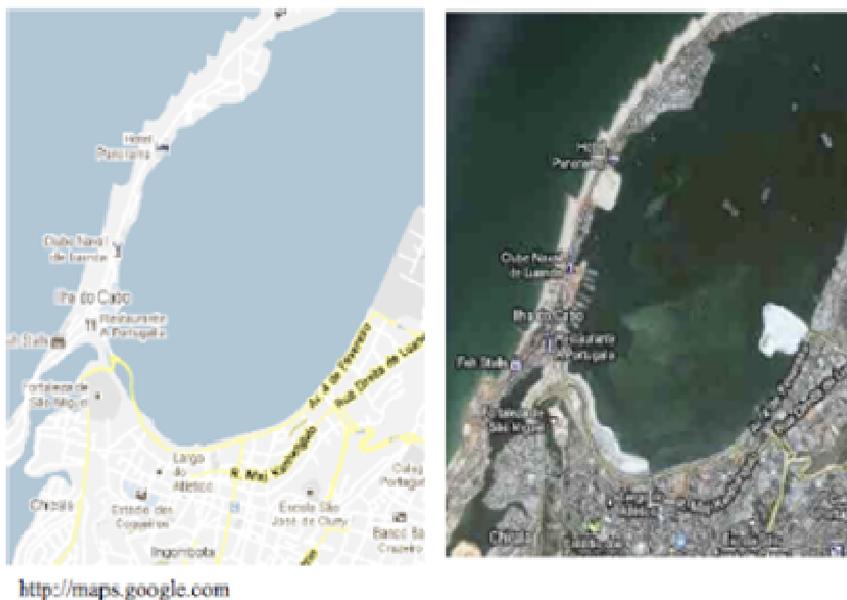
3 Project Site

3.1 Location

The property at the seaside is located at the beginning of Ilha do Cabo, close to Avenida Murtala Mohamed #49. Ilha do Cabo is a headland of 9 km of length that lies between the Atlantic Ocean and the bay of Luanda. The peninsula is part of the district Ingombota, one of the nine districts of Luanda.

Residents of Luanda come to “Ilha” on the weekends in order to recover from quotidian stress of the capital. The peninsula appeals with the variety of exclusive bars, restaurants and clubs along the beaches. Furthermore the marinas and the flea markets where the traditional lifestyle with music, dances and clothes represent Angolan culture and attract people to come to Ilha do Cabo.

Figure 15: Ilha do Cabo, Luanda



3.1.1 Visibility

The visibility of the hotel project will be very limited as the hotel is directly located on the waterfront of Ilha do Cabo. The project site is only visible and predominantly perceivable as a hotel when standing right in front of the boat hotel. Therefore it is very important that the project will be marketed in the right way and that the surrounding is provided with signs that advert the hotel project.

3.1.2 Accessibility

As already mentioned before, the hotel project is located at Ilha do Cabo, # 49. As the transportation facilities in Luanda are overall very limited and there are no public transports available the hotel will have to offer private transportation. There are only a very small number of public taxi providers. Some institutions such as EcoTur and Macon Taxi though provide some private transports, that cost about 30\$ per trip. Another company called B Home provides airport pick-ups, which have to be reserved in advance. In 2010 a new company, Afri-taxi, started its operation and provides approximately 150 vehicles. Another opportunity to travel around Luanda, predominately used by residents are the so-called “Cangongeiros”, which are “taxi” vans that are painted in blue and white and can carry 12 passengers. These vans do not have signs that label them as taxis, apart from displaying the destination they go to. One has to be familiar with Luanda in order to know where the vans go to. These alternative taxis are not comfortable and dangerous for tourists, but they are an inexpensive way of traveling around Luanda. People can also rent a car at the airport but they are very expensive. The airport is only approximately 7km away from the point of interest and it takes about 15 minutes to get there by car.

3.1.3 Demand Generators

As already mentioned at a previous part of the study Luanda is very well known for its oil industry and diamond resources. Due to the fact that most oil companies have their major corporate headquarters in Luanda it is mainly dominated by business travelers. Although the city offers a lot of tourist attractions, such as Kissama National Park, Mussolo islands, Ilha do Cabo and many beaches. Ilha do Cabo is characterized by its beauty of the surrounding beaches. The island represents the Angolan lifestyle and culture with its markets, bars, restaurants and clubs. Also the historic city center of Luanda is reached within a short period of time, merely 20 to 25 minutes by foot. Thus, the location

Figure 16: beach at Ilha do Cabo



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chosen for the hotel is very suitable for guests who prefer staying at the beachside of Luanda combined with experiencing Angolan culture, but still close to the city center. The location is also appropriate for business travelers who want to experience the Angolan

lifestyle and be away from quotidian stress of business. The peninsula is also well known for its gastronomic facilities in the surrounding area. Also shopping facilities such as boutiques, and traditional Angolan markets can be found in the vicinity of the site.

Legal situation

The audit of the legal framework was not included in the project assignment.

3.1.4 SWOT for the micro location

<p>Strengths</p> <ul style="list-style-type: none"> ▪ good accessibility from the airport ▪ quiet location at the seaside ▪ surrounding beaches ▪ numerous bars, restaurants and clubs ▪ historic city center within walking distance ▪ traditional markets ▪ Angolan lifestyle experience ▪ location at the portside ▪ yachting club 	<p>Weaknesses</p> <ul style="list-style-type: none"> ▪ limited visibility
<p>Opportunities</p> <ul style="list-style-type: none"> ▪ development of boat hotel ▪ enhanced promotion of Ilha do Cabo and thus increased recognition of the district ▪ general upgrading of the surrounding area ▪ integration of neighbouring companies in the development concept ▪ increase of the district's attractiveness ▪ increasing supply in the upscale market 	<p>Threats</p> <ul style="list-style-type: none"> ▪ competitive hotels in the surrounding area ▪ general project related risks ▪ general economic, political and natural risks ▪ general security risks

The site of the hotel project benefits from its good accessibility to Luanda's main airport and from the close historical city center. Another advantage of the location is the surrounding offer of restaurants and clubs in the vicinity and the integration of daily Angolan lifestyle. The site also profits from its quiet location at the recreational side at the ocean. An additional benefit also represent the numerous beaches with its bars the offer of a yachting club right next to the site. Merely the bad visibility is of bad advantage to the location.

3.1.5 Assessment micro site

Table 3: Assessment micro site

criteria name	assessment				
	--	-	o	+	++
visibility			•		
accessibility by car				•	
accessibility by means of public transport			•		
general transportation coverage			•		
image of surrounding area					•
view from site					•
quality of surroundings					•
environmental situation					•
security				•	
cleanliness				•	
tourist attractiveness					•
shopping facilities in the vicinity				•	
gastronomic facilities in the vicinity					•
entertainment facilities in the vicinity				•	

The most important advantages of the site are the attractiveness and the image of the surrounding area. Also the security and the cleanliness of the surrounding area can be considered as good, as these factors are not automatically given in Luanda. The gastronomic facilities the site is surrounded by also illustrate a privilege for the location, whilst the visibility and the accessibility by means of public transportation are rather limited.

3.1.6 Suitability for a hotel

The following chart displays the suitability of the micro site for different guest segments:

Table 4: Suitability of micro site for various guest segments

guest segment		suitability of micro site for demand by particular guest segment				
purpose of travel	category	--	-	0	+	++
business	business travelers					•
	fair / congress attendees			•		
	conference / seminar attendees				•	
	participants of incentives	•				
	airline crews				•	
leisure	individual tourists					•
	group tourists			•		

Due to the fact that site is close to the city center, where most important companies' headquarters are located the site is well suitable for business travelers. Since the site is positioned at a quiet region, directly at the bayside of Luanda, though close to the historic city center, it is of potential interest to individual tourists. Regarding the short destination to Luanda's airport the hotel is also well suited for airline crews.

The following chart illustrates the suitability of the site for different hotel types:

Table 5: Suitability of micro site for different hotel types

hotel type		suitability of micro site for particular hotel type				
type	category	--	-	0	+	++
city hotel	five star (luxury)				•	
	four stars (upper class)					•
	three stars (economy)			•		
	two stars (budget)	•				
motel	one star (low budget)	•				
		•				
holiday resort		•				
serviced apartments			•			
			•			

The site is well suited for a hotel in the upscale market. Under consideration of the quiet location of the peninsula and the close distance to the city center it is less suitable for a hotel in the budget or low-budget segment.

3.2 Hotel Supply

According to the assignment of Mr. Ruí Miguel Fernandez the Sonho Boat Hotel should be positioned in the middle to upscale sector. Luanda’s offer in hotels is very limited and therefore the competition is limited as well. Though most hotels are very high priced the quality is not given automatically in the market.

The economic hotel supply in Luanda is inefficient to oppose the existing demand and extremely limited by the security factor. The hotel network was estimated in 28 units in 2009 with a capacity of 2.500 rooms. However merely half of the hotels are of acceptable quality.

Customers do not have many options when it comes to average scale hotels with adequate quality and are forced to choose high standard hotels which offer more security, but which are very expensive.

3.2.1 Relevant Hotels in Luanda

Table 6: Hotel supply in Luanda

Hotel	Number of Rooms
Trópico	280
Alvalade	202
Talatona Convention	201
Le Presidente	199
Continental	71
Mundial	55
Tivoli	54

In September 2002 Hotel Alvalade was opened, property of the Portuguese Group Teixeira Duarte. The inauguration came after a year of the reopening of Hotel

Trópico which was recovered by the same group and considered a success case. The two hotels are one of the highest in quality, but they also belong to the most expensive ones in the market.

The hotel system in Angola is not hierarchical according to international quality standards; its classification is executed by a system of hotels' own "stars". Though, a proposal for the construction of a five star Sheraton Hotel with 300 bedrooms has been discussed for more than two decades. In May 2003 it was announced by Don Elliot, Southern Africa manager of the Sheraton Group, after a meeting with Luanda Mayor, Simão Paulo that Luanda will have a five star hotel of the Sheraton chain, built in the eixo-viário area. Some of the technical studies were made in 1992 but the implementation of the project was not executed. The "Sheraton" project should have been opened in 2008. Eventually the implementation did not take place.

In 2010 Talatona Convention Hotel, the first five star hotel based on international standards was opened and is currently rated the most expensive hotel in Luanda with rack rates starting from 600 USD for one room.

Due to the lack of offer on high quality hotels for an adequate price most transients choose high priced hotels, as the security and international standards volitional is hardly given in low-priced hotels of the Angolan market.

3.2.2 Key Competitors in Luanda

3.2.2.1 Trópico

Hotel Tópico underwent a complete reconstruction in 2001 by the Teixeira Duarte group, in order to attain present modern facilities, which ranked the hotel under the best places of the hotel supply in Luanda. The hotel has 272 standard rooms and 8 suites, which represent the vast majority of capacity installed in the country, with meetings and conference facilities for 500 to 600 delegates.

- No rack rates available
- \$400 USD - \$800 USD

Rooms include	Amenities offered within hotel include
<ul style="list-style-type: none"> • Air-conditioning • Radio • Satellite TV • Internet • Safety Vault • Telephone • Mini Bar 	<ul style="list-style-type: none"> • Restaurant • Bar-Cafeteria • 24 hour room service • Concierge service • Transfer services • Underground parking • Conference Room • Laundry Service • Shops • Tennis / squash courts • Swimming Pool • Hair dresser

3.2.2.2 Alvalade

Situated in the Alvalade district, this hotel is considered to be one of the best in Luanda but also one of the most expensive ones. The construction cost of the hotel was around USD 25.000.000\$ and is owned by Teixeira Duarte. The hotel offers 188 rooms, 14 suites, three restaurants, bar, open cafe, two meetings rooms, two conference rooms, underground parking area with three floors and a small gym.

- No rack rates available
- rates from \$400 USD - \$800 USD

<ul style="list-style-type: none"> • Rooms include • Air Conditioning • Satellite TV • Internet • Telephone • Mini Bar 	<ul style="list-style-type: none"> • Amenities offered within hotel include • Restaurants • 24 hours security • Bar-Cafeteria • Concierge service • PC Business Area • Laundry Service • Transfer services • Swimming pool • Underground parking • Fitness centre
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3.2.2.3 Talatona Convention Hotel

Talatona Convention Hotel is located at the southern edge of Luanda, in the suburb of Talatona. It is the newest hotel that was implemented to the hotel market of Luanda and the first hotel that is ranked on international standards as a five star hotel. Talatona Convention Hotel offers a total of 201 rooms and suites.

Rack Rates

Rates	Single	Double
Standard Deluxe	600 USD	680 USD
Executive	680 USD	750 USD
Junior Suite	900 USD	
Luxury Suite	1.500 USD	
Presidential Suite	5.000 USD	
Villa	3.500 USD	

Rooms include	Amenities within hotel include
<ul style="list-style-type: none"> • Working area • Electronic Safe • Telephone • High Speed Internet • LCD Television • Cable TV with 48 channels • Room Service 24hrs • Daily cleaning and Turndown Service • Private Bar • Hair Dryer • Wake Up Service 	<ul style="list-style-type: none"> • External Pool • Tennis Court • Fitness Center • SPA • Beauty Salon • shops / boutiques • Business Center • Laundry • Heliport • Parking • Talatona Convention Center

<ul style="list-style-type: none">• Bathrobe and slippers• Bathroom with shower and bathtub	<ul style="list-style-type: none">• Airport / City shuttle
--	--

3.2.2.4 Le Presidente Meridien

Situated next to Luanda's port, this hotel is the only hotel associated to a prestigious brand, through the link with Le Meridien Hotels & Resorts. The building was originally designed to accommodate flats and offices in the 1970's. After conversations with the officeholders the building became a hotel in 1985. Le Presidente Luanda is a five star hotel that offers services and amenities that hotels of the up-scale sector characterize. The hotel reaches 26 floors and is decorated in a slight European style with hints of local African culture. The hotel offers 196 Standard Rooms, 2 Diplomatic Suites and 1 Presidential Suite.

Rack Rates

Rates	Single	Double
Standard Room	264 USD	303 USD
Diplomatic Room	660 USD	698, 50 USD
Presidential Suite	880 USD	918, 50 USD

Rooms include	Amenities within hotel include
<ul style="list-style-type: none"> • Internet access • Shower with bath • Direct dial phone • Mini bar • Color satellite TV with cable movies • Hair dryers • 24 hour room service • Air conditioning • In room safe 	<ul style="list-style-type: none"> • 24 hour front desk / concierge • Courtesy airport shuttle • Bellmen / porter • Secretarial services • Wheel chair accessible • Elevators • Multilingual staff • Outdoor parking • Meeting / banquet facilities (500 people) • Restaurant

4 Product

4.1 General

Business risks in the Angolan context

The basic infrastructures at national level are in very poor condition or overloaded, creating risks for the business operational activities. Key considerations should be taken into account for the hotel project implementation:

- Electricity power cuts are frequent. To assure the operations continuity, the hotel should dispose generators and other alternative energy resources
- Telephone lines are scarce, calls are expensive and the network is overloaded. It is necessary to effectuate additional investments to create solutions for an independent telecommunications infrastructure for the hotel. An example is the use of a communication solution via satellite
- The availability in supply for daily operations is irregular, creating significant differences in the prices. Consequently it is necessary to create additional spaces for storage and an additional investment in working capital
- Transport for shuttle services and for purchase are expensive when locally purchased and are subject to a high taxation in import rights if purchased outside the country
- The accounting and reports requisites are expensive and arduous and special attention should be paid to this activity
- Frequent alterations to the legislation require a special attention over the emission of the new legislation in order to prevent heavy fines imposed in sequence of frequent audits executed by several governmental authorities (i.e.: economic police, labour ministry)
- The staff allowances are in general extended to family aggregation (i.e.: medical assistance)

- Staff transportation is a benefit usually given by the hotelier's operators to guarantee its employees punctuality when changing shifts, once the public transports are not viable. On the other hand the transports and their maintenance costs are high
- Security is a fundamental concern to be taken into account in the hotel sector. The respective costs should be registered either for staff security or externally requested services which increases one or the other exploitation costs

A huge gap between the offer of the existing product and the international visitors demand is evident since the end of the 1980's. Several trials were registered to capitalize the opportunities, but the consequent failures of developing a hotel of international patterns is due to the high business risk in Angola. The hotel offer is limited mainly to the installed capacity level.

Due to security risks in Angola the hotel project is foreseen to be implemented on Ilha do Cabo, which represents a rather secure region of Luanda. The client's intention is to purchase a vessel, which is for sale and he is currently negotiating with the owners. The idea of the floating hotel was the client's suggestion due to various reasons. The keynote and main advantage of this project is to build a hotel, which can move in precarious situations, such as political unrest. Furthermore the operation of the hotel project can be implemented earlier, as a faster assembling of the hotel is guaranteed. Another benefit would be the lower expenses of purchasing the landed property, as only a small area is foreseen for the parking area. All these factors seem to be evident and the hotel receives its uniqueness. The concept is the client's one, as he knows about the legal situations in Luanda. He has conducted the contract to elaborate whether the implementation of this project would be feasible.

4.1.1 Positioning

As already mentioned before in 3.1.4 the sites advantages include its good accessibility to the airport as well as the attractive location at Ilha do Cabo where numerous gastronomic facilities are located.

With respect to the factors mentioned above regarding the location the site it is very suitable for a hotel in the upscale market with four stars, based on international standards.

The following part displays the various guest segments that are of relevance to the planned hotel:

business travelers

This target group is very attractive to the proposed hotel, since business travelers still represent the highest market share on the Luandan market. Another reason for the high occupancy expected by business travelers is due to the high number of companies' headquarters located in Luanda who also prefer a quiet, recovering location outside their daily business.

individual tourists

The quiet position of the planned hotel as well as the various gastronomic facilities surrounding the area can be of attractiveness to this potential target group. Furthermore the option of experiencing the Angolan lifestyle can be of benefit to this segment. One would expect this segment to represent a big part of the hotel's overall guest mix, next to the business travelers.

tourist groups

Although the hotel is planned in the upscale market one would assume to attract tourist groups as well as the tourism demand in Luanda is increasing and the hotel is planned of good value for price, which is very rare in Luanda.

seminar and conference guests

Under consideration of the high capacity due to the size of meeting facilities in Luanda's hotels and the rather small seminar rooms offered at Sonho Boat Hotel, this target group will represent a small number of the guest mix.

guests of incentive travelers

Due to the limited amount of fairs and congresses held in Luanda this segment will represent a small number of incentive travelers and will not be of great importance to the hotel project.

4.1.2 Current Planning

The whole project area encompasses about 4000 sq m.

According to the assignment the following elements are foreseen to be integrated within the framework of the project:

- lodging area with 80 keys – 75 guest rooms and 5 suites
- welcome area with reception and bar
- restaurant with about 130 seats
- pool bar
- meeting facilities – 2 conference rooms
- fitness club, swimming pool, saunas, steam bath
- kitchen, storage areas, machinery and equipment areas

4.1.3 Recommendations

According to the positioning and the current planning described above, the foreseen facilities for the hotel project are recommended to be planned as follows:

rooms

The hotel should aim to be positioned at the upscale market with focus on high quality for a moderate price in order to differentiate from the other suppliers at the hotel market in Luanda. The concept should foresee to have 75 standard rooms with an average size of 25 sq m, including bathrooms. All rooms should be of same quality. The 5 suites should comprise of 60 sq m.

Regarding the furnishment of the rooms the following elements should be included in each room:

- appealing room furniture and equipment focusing on an international design
- all rooms should be furnished with quality products
- adequate amount of seating possibilities; suites should provide additional sleeping facilities (e.g. pull-out couch or chair)

- bathrooms are recommended to be equipped with a shower tub, one washbasin, hairdryer, illuminated magnifying mirror and towel racks and an extra toilet
- all rooms should be equipped with a multimedia / entertainment system, which include flat-screen, CD / DVD player, high speed internet with WLAN possibilities and a telephone
- adequate size of writing desk with sufficient lighting and comfortable seating, appropriate arranged power outlets
- air conditioning with heating and cooling options
- all rooms should be equipped with mini bar, in-room locker, kettle
- adequate fire and life safety measures (e.g. smoke detectors, sprinklers, etc.)

gastronomic facilities

The hotel should provide a restaurant, which will be used for breakfast, lunch and dinner, whereupon at lunch only small snacks will be provided. It should be located on the 4th floor and the easy accessibility for guests should be given. Therefore the restaurant should be positioned close to the elevators of the hotel. The restaurant should offer a capacity of 100 to 130 seats. The restaurant should offer the capacity of about 100 seats inside the hotel and another 30 seats on the terrace of the hotel. A pool bar is recommended to be on the fourth floor as well, next to the pool, with a capacity of another 40 seats where drinks and snacks are being offered. Furthermore a lobby-bar is recommended to be positioned right next to the main entrance of the hotel, on the 2nd floor. This bar should aim to provide a capacity of 30 seats.

meeting facilities

According to the assignment there should be 2 conference rooms that should be provided on the 1st floor of the hotel. It is recommended that the conference rooms will be combinable. The rooms should also include air conditioning, as well as

presentation and audio-visual equipment and high speed internet with the opportunity for WLAN.

Recovering area

The hotel should provide an outdoor swimming pool on the 4th deck; a Jacuzzi would be a bonus and would support the uniqueness of the hotel with its special view over the ocean. Inside there should be a small fitness club with about 80 sq m. Next to the fitness room it is recommended to position a relaxation area with 2 saunas and 1 steam bath.

Parking area

In front of the hotel a small parking space should be built for a capacity of about 40 cars.

4.2 Strategic Plan

The following part of the study approaches several strategic components, which are fundamental for the establishment of the hotel.

4.2.1 Mission

According to the project proponents, Sonho Boat Hotel's mission is summarized in the following points:

- Sustain quality, functionality, comfort of rooms, permanently assuring customers essential needs
- Provide lodging to customers at a fair price – “Cost Consciousness”
- Endow guests access to different technologies 24 hours a day in an effective and practical way;
- To contribute for the country economic development, generating employment, offering differentiated services to its customers / guests for an adequate price

4.2.2 Vision

According to project proponents the hotel's vision will be the following:

- To be pioneer in Luanda and establish as a professional hotel in the up-scale market
- To become a management success example in the Southern region of the African continent

4.2.3 Values

The proposed hotel's values are the following:

- Practice of fair price – Prices should be proportional to quality and rendered service costs
- Professionalism and quality in customer service – The customer is the business “reason of being”. One should be served with courtesy and professionalism.
- Maximization in the management business technology use – the use of an integrated management system, with modules for reserves, invoices, treasury management, salary processing, budget, general and analytical account, that could be one of the examples of the maximization of the IT use
- Efficiency and availability of the information technologies and peripheral services to guests and customers – This implies that all staff who work in the front-office have an adequate knowledge in the use of technologies offered to customers (Internet, telephone, fax, etc.). On the other hand it implies also the availability of these systems 24 hours a day
- Ecology – One of the hotel's core values is to respect the environment
- Feasibility and consistency of the services – Absolute respect for customers reservations, alternative resources of energy to ensure hot water and air conditioning 24 hours a day

4.2.4 The objectives

To target the vision and mission, the proposed hotel will have to determine a set of objectives, which will constitute the guidelines of its activity. The strategic and financial objectives of Sonho Boat Hotel are explained in the following:

4.2.4.1 Strategic objectives

- To lead the business travellers segment “cost consciousness”
- To contribute for the creation and development of the national and international tourism segment
- To establish loyal customers
- To reach a room occupancy rate of 75 per cent after the 3rd year of activity
- To reach a restaurant occupancy rate of 80 per cent during the 4th year of activity
- to become a reference in the Angolan hotel market
- to attract local residents from Luanda to come to the restaurant

4.2.4.2 Financial objectives

- To reach positive net results after the 3rd year of activity

Briefly the hotel project's mission is to offer a high quality product with a fair price. Another core value of the mission's statement is to contribute for the country economic development in generating employment. The project's vision is to establish as one of the leading hotel suppliers in Luanda and to become a management success example in the southern part of Africa. The values of Sonho Boat Hotel are to offer a good value for money, provide professionalism and quality in customer service 24 hours a day. Another important value of the project is to pay attention to the natural environment. The strategic objectives are to contribute for the development of national and international tourism and to establish loyal customers. Another important objective is to reach room occupancy of 75 per cent after the third year of activity and a restaurant occupancy rate of 80 per cent during the 4th year of activity. The financial objective is to reach positive net results after the 3rd year of activity.

5 Forecast

5.1 Timeline

The financial forecast is based on duration of 10 years of activity, which starts in 2012 and ends in 2021. All forecasted values are based on assumptions and one can not guarantee for the actual occurrence of these values. All values are contingent to 360 days per year.

The forecast is based on the following criteria:

- positioning: four – star category, based on international standards
- number of keys: 80
- management: privately owned and operated

The forecasted values of the first ten years of operation do not show stabilization and the stabilization phase of the hotel project will take a longer period of time, however the profitability continually increases. This long balance phase is due to the lack of suppliers in Luanda and the corresponding oversized demand. As described in the market analysis the number of visitors will increase in the next few years and therefore the demand on hotels will rise as well.

5.2 Operative departments

5.2.1 Rooms

The forecast is contingent to the following criteria:

The average room occupancy rate in the first operating year is estimated to be 60 per cent and 65 per cent in the second operating year. The forecasted occupancy rate for the third year will be 70 per cent and in the fourth and fifth year the occupancy rate is assumed to be 75 per cent. During the sixth year of operation the residence rate is estimated with 80 per cent and from the seventh year on the habitation rate is assumed to stabilize to a percentage of 85.

The average net room rate is estimated to be 150 USD during the first year of operation. The following years the average net room rate is assumed to increase of 5 per cent per year.

5.2.2 Food & Beverages

The restaurant of the hotel project is foreseen to have a capacity of 130 seats.

The average occupancy rate of the restaurant is estimated to be 60per cent in the first year of operation. In the 2nd and 3rd year of operation the occupancy rate for the restaurant is assumed to be 70 per cent and from the 4th year on the average occupancy rate is estimated to be 80 per cent.

The revenue of food per customer per day is estimated to amount 45 USD in the first year and increases by 5 per cent every year. The revenue of beverages per customer per day is estimated to be 25 USD and increases by 5 per cent each year.

5.2.3 Other Revenues

It is estimated that each costumer will spend an average of 3, 6 USD on telephone expenses per day. Further it is assumed that an average of 5 USD is spent on parking per day, either by hotel guests or restaurant guests. Extra services are expected to amount 5 USD per customer per day.

5.3 Costs

5.3.1 Wages

The employees' wages are based on actual but confidential data.

The employees' wages are based on actual but confidential data.

Table 7: Projected need for employees

Number	Category	USD / month
3	Managers	2600 USD
10	Kitchen Staff	1000 USD
10	Restaurant Staff	900 USD
12	Cleaning & Housekeeping	500 USD
2	Maintenance	900 USD
6	Reception	1100 USD
3	Driver	900 USD
3	Security	1100 USD
5	Other employees	500 USD

The total wages include a flexibility of 3 per cent, where insurance is included. The wages are estimated to increase by 3 per cent each year.

5.3.2 Other expenses

In order to train skilled employees the project is foreseen to spend 50.000 USD on recruiting and training in the 1st year. In the 2nd year it is foreseen to spend 25.000 USD on recruiting and training and from the 3rd year on it is assumed to spend 10.000 USD.

The costs for food and beverages are estimated to amount 30 per cent of revenues of F&B. During the first three years of operation it is foreseen to spend 5 per cent of the revenues on marketing and after the 3rd year it is assumed to spend 3 per cent.

The maintenance costs for the hotel project are foreseen to be 15 per cent of total revenues. IT service costs are estimated to be 15 per cent of IT equipment for each year. The material costs are assumed to amount 1, 5 per cent of total revenues. Power and energy costs are assessed with 2, 25 per cent of total revenues per year. Water costs are foreseen to be 1, 05 per cent of total revenues. Equipment costs are considered to amount 5 per cent of total revenues.

Insurance is assumed at 2 per cent of asset value. Additional costs are defined to 10 per cent of total revenues.

5.4 Investments

Table 8: Investment

Cost of Vessel	3.000.000 USD
Renovation Cost	3.500.000 USD
Parking Area	72.000 USD
IT Equipment (software & hardware)	120.000 USD

Investment costs are covered by 20 per cent of private equity and 80 per cent on bank loan. The interest rate is defined to be 9 per cent.

The first year of operation already displays a profit of 440.000 USD and the ongoing years show a rather positive profitability.

6 Conclusion

To conclude the hotel project is of great potential to be implemented in the Angolan hotel market. Regarding the economic growth Angola is facing during the next couple of years it is very likely to be of potential supply for business people travelling to Luanda, as most Angolan oil companies' headquarters are located in Luanda. Due to the large increase of international arrivals in Angola it is very important for the country to provide enough accommodation capacity. The demand for the Angolan hotel market seems to flourish over the next years and therefore the capacity of lodging has to be increased rapidly, as the lack of accommodations is distinct. Also Angola's potential on natural beauty and its exotic climate is significant and of great capability for the tourism sector to grow.

The proposed location of the site is of tourism potential to leisure tourists as it is at Luanda's most beautiful and relaxing part of the city, though very close to the historic city center. At the same time it is a very suitable location for business travelers, as many companies are located in the center of Luanda.

Regarding the lack of hotel supply and the over priced accommodations it is very likely that the hotel project is able to establish in the hotel industry of Luanda, as Sonho Boat Hotel aims to offer high quality for a moderate price.

The idea of implementing a floating hotel in Luanda represents a very good solution due to the political, rather instable situation and the rapidly changing environment of Luanda.

From the forecasted results of the hotel project's financial situation one would highly recommend to implement the hotel in the Angolan market, though the occurrence of the actual outcome can not be guaranteed due to several factors such as political instability.

Although the political situation in Angola has stabilized since 2002, this state can rapidly change. However the client's proposed suggestion of doing business on a vessel, which gives the opportunity of casting off in precarious situations, features another basis of implementing the project.

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Appendices

Appendix 1: Main Economic Indicators from 2007 – 2011

	2007	2008	2009	2010 Proj.	2011 Prog. 4th review
Real economy (percent change)					
Real GDP	22.6	13.8	2.4	2.3	6.4
Oil sector	20.4	12.3	-5.1	-1.3	3.8
Non-oil sector	24.4	15.0	8.1	4.7	8.1
Consumer price index (annual average)	12.2	12.5	13.7	14.5	12.0
Consumer price index (end of period)	11.8	13.2	14.0	15.0	10.8
Gross domestic product (billions of kwanzas)	4,637	6,316	5,989	7,756	8,879
Of which: Non-oil gross domestic product (billions of kwanzas)	2,100	2,747	3,327	3,999	4,834
Gross domestic product (millions of U.S. dollars)	60,449	84,179	75,508	84,304	89,961
GDP per capita (U.S. dollars)	3,443	4,671	4,082	4,425	4,584
Central government (percent of GDP)					
Total revenues	45.8	50.5	30.9	42.2	40.1
Of which: Oil	37.1	40.8	19.4	31.9	30.3
Total expenditures	34.5	41.6	39.5	34.7	35.6
Of which: Capital expenditures	11.5	14.0	12.4	7.7	9.1
Overall balance (budget basis)	11.3	8.8	-8.6	7.5	4.5
Non-oil primary fiscal balance (excluding grants, budget basis)	-24.8	-30.5	-25.9	-20.4	-21.9
Money and credit (end-of-period, percent change)					
Broad money	49.3	93.7	27.5	22.4	21.0
Velocity (non-oil GDP/average M2)	2.9	2.4	1.8	1.6	1.5
Credit to the economy (12-month percent change)	74.2	70.2	55.4	26.6	33.4
Balance of payments					
Goods and services trade balance (percent of GDP)	30.6	25.1	-0.5	11.6	5.9
Exports, f.o.b. (percent change, in U.S. dollars)	39.5	43.8	-36.1	21.8	0.9
Of which: Oil	41.1	45.2	-36.3	21.5	0.5
Imports, f.o.b. (percent change, in U.S. dollars)	55.6	53.6	8.0	-5.4	18.2
Current account balance (percent of GDP)	15.7	8.5	-10.0	0.6	-4.8
Gross international reserves (end-of-period, millions of U.S. dollars)	11,197	17,878	13,238	16,238	17,938
In months of imports of goods and services ¹	3.1	5.1	3.9	4.3	4.3
Gross external debt (percent of GDP)	15.8	16.5	20.0	20.7	19.8
Exchange rate					
Official exchange rate (kwanzas per U.S. dollar, end-of-period)	75.0	75.1	89.4	92.6	...
Nominal effective exchange rate	-0.1	11.3	-21.7
Real effective exchange rate	7.9	21.7	-14.0
Oil					
Oil production (thousands of barrels per day)	1,717	1,906	1,809	1,786	1,853
Angola oil price (average, U.S. dollars per barrel)	72.4	93.9	60.9	75.1	72.6

Angolan authorities and IMF staff estimates and projections

Appendix 2: Profit & Loss for first ten years of operation

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Rooms	2.592.000	2.948.400	3.333.950	3.750.705	3.938.240	4.410.809	4.920.851	5.183.873	5.425.213	5.395.477
F&B	1.125.200	1.375.920	1.444.713	1.733.859	1.820.342	1.941.359	2.006.937	2.107.274	2.112.667	2.323.269
Other Revenues	202.508	227.097	244.569	252.055	252.055	279.504	298.973	298.973	298.973	298.973
Total Revenues	3.917.808	4.551.417	5.023.242	5.746.619	6.020.617	6.601.692	7.224.731	7.571.119	7.934.827	8.316.719
Costs										
Wages	583.342	600.894	619.921	658.388	687.513	707.211	727.501	748.399	789.924	792.094
Cost of F&B	521.500	587.960	722.358	866.830	910.171	955.580	1.003.464	1.053.667	1.108.519	1.151.695
SS&A	1.854.280	2.115.465	2.307.406	2.501.990	2.613.871	2.850.999	3.105.149	3.243.475	3.394.868	3.550.680
Total Costs	3.009.272	3.404.319	3.649.685	4.037.207	4.211.554	4.513.840	4.836.113	5.048.511	5.271.110	5.504.409
EBITDA	908.536	1.147.098	1.374.557	1.709.192	1.809.063	2.087.852	2.388.618	2.522.609	2.663.717	2.812.310
Depreciation and Amortization	243.067	243.067	243.067	243.067	243.067	243.067	243.067	243.067	243.067	243.067
EBIT	665.469	904.031	1.131.491	1.466.125	1.565.996	1.844.786	2.145.551	2.279.542	2.420.650	2.569.244
Interest	481.824	481.824	481.824	481.824	481.824	481.824	481.824	481.824	481.824	481.824
EBT	183.645	422.207	649.667	984.301	1.084.172	1.362.962	1.663.727	1.797.718	1.938.826	2.087.420
Tax (35% Tax Rate)	0	0	227.389	344.305	379.460	477.037	582.305	629.201	679.588	730.397
Net Profit / Loss I	183.645	422.207	422.288	639.996	704.712	885.925	1.081.423	1.168.517	1.260.237	1.356.023

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Growth p.a.	# Employees	% Rate
in USD													
Revenues													
Rooms													
Occupancy Rate	60%	65%	70%	75%	75%	80%	85%	85%	85%	85%			
# of Room	80	80	80	80	80	80	80	80	80	80			
Average cost per Room (USD)	150	157,5	165,375	173,64375	182,325938	191,442234	201,014346	211,065063	221,618317	232,699232	5%		
Revenue Per Available Room (RevPar) (USD)	32400	36855	41674,5	46883,8125	49228,0031	55135,3635	61510,3899	64585,9094	67815,2049	71205,9651			
Days per Year	360	360	360	360	360	360	360	360	360	360			
Revenues Room	2592000	2948400	3333960	3750705	3938240,25	4410829,08	4920831,19	5166872,75	5425216,39	5696477,21			
Food and Beverages													
Occupancy Rate Restaurant	60%	70%	70%	80%	80%	80%	80%	80%	80%	80%			
Available Seats	130	130	130	130	130	130	130	130	130	130			
Revenue of Food per Customer per day (USD)	25	26,25	27,5625	28,940625	30,3876563	31,9070391	33,502391	35,1775106	36,9363861	38,7832054	5%		
Revenue of Beverages per day per Customer (USD)	15	16	17	17	18	19	20	21	22	23	5%		
Average Customers per Day	78	91	91	104	104	104	104	104	104	104			
Days per Year	360	360	360	360	360	360	360	360	360	360			
Revenue F&B	1.123.200	1.375.920	1.444.716	1.733.659	1.820.342	1.911.359	2.006.927	2.107.274	2.212.637	2.323.269			
Other Revenues													
Telephone	62.208	67.392	72.576	77.760	77.760	82.944	88.128	88.128	88.128	88.128			
Extra Services	86.400	98.280	105.840	113.400	113.400	120.960	128.520	128.520	128.520	128.520	5%		
Parking	54.000	61.425	66.150	70.875	70.875	75.600	80.325	80.325	80.325	80.325	5%		
Revenue Other	202.608	227.097	244.566	262.035	262.035	279.504	296.973	296.973	296.973	296.973			
Total Revenues	3.917.808	4.551.417	5.023.242	5.746.399	6.020.617	6.601.692	7.224.731	7.571.119	7.934.827	8.316.719			
Costs													
Wages													
Managers	93.600	96.408	99.300	102.279	105.348	108.508	111.763	115.116	118.570	122.127	3%	3	
Kitchen Staff	120.000	123.600	127.308	131.127	135.061	139.113	143.286	147.585	152.012	156.573	3%	10	
Restaurant Staff	108.000	111.240	114.577	118.015	121.555	125.202	128.958	132.826	136.811	140.916	3%	10	
Cleaning & Housekeeping	72.000	74.160	76.385	78.676	81.037	83.468	85.972	88.551	91.207	93.944	3%	12	
Maintenance	21.600	22.248	22.915	23.603	24.311	25.040	25.792	26.565	27.362	28.183	3%	2	
Reception	79.200	81.576	84.023	86.544	89.140	91.815	94.569	97.406	100.328	103.338	3%	6	
Driver	32.400	33.372	34.373	35.404	36.466	37.560	38.687	39.848	41.043	42.275	3%	3	
Security	39.600	40.788	42.012	43.272	44.570	45.907	47.284	48.703	50.164	51.669	3%	3	
Other Employees	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	30.000	3%	5	
Total Wages	566.400	583.392	600.894	648.921	667.488	686.613	706.311	726.601	747.499	769.024			
Total Wages incl. 3% flexibility rate	583.392	600.894	618.921	668.388	687.513	707.211	727.501	748.399	769.924	792.094	3%		
Additional Costs per employee													
recruiting and training	40.000	20.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000			
Cost of F&B													
Food (@50% of Revenues)	351.000	429.975	451.474	541.769	568.857	597.300	627.165	658.523	691.449	726.022			50%
Beverages (@50% of Revenues)	210.600	257.985	270.884	325.061	341.314	358.380	376.299	395.114	414.869	435.613			50%
Total Cost F&B	561.600	687.960	722.358	866.830	910.171	955.680	1.003.464	1.053.637	1.106.319	1.161.635			
Selling General and Administrative Cost													
Recruiting and Training	40.000	20.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000			
Marketing	195.890	227.571	251.162	172.392	180.619	198.051	216.742	227.134	238.045	249.502			
Administrative Costs	117.534	136.543	150.697	172.392	180.619	198.051	216.742	227.134	238.045	249.502			3,00%
Maintenance Costs	587.671	682.713	753.486	861.960	903.093	990.254	1.083.710	1.135.668	1.190.224	1.247.508			15%
IT Service Costs (@15% of initial IT Costs)	18.000	18.000	18.000	18.000	18.000	18.000	18.000	18.000	18.000	18.000			15%
Material Costs	58.767	68.271	75.349	86.196	90.309	99.025	108.371	113.567	119.022	124.751			1,50%
Power and Energy	88.151	102.407	113.023	129.294	135.464	148.538	162.556	170.350	178.534	187.126			2,25%
Water Costs	41.137	47.790	52.744	60.337	63.216	69.318	75.860	79.497	83.316	87.326			1,05%
Equipment Costs	195.890	227.571	251.162	287.320	301.031	330.085	361.237	378.556	396.741	415.836			5,00%
Insurance (@2% of Asset Value)	129.459	129.459	129.459	129.459	129.459	129.459	129.459	129.459	129.459	129.459			2%
Other Costs / Miscellaneous	391.781	455.142	502.324	574.640	602.062	660.169	722.473	757.112	793.483	831.672			10%
Total SG&A Costs	1.864.280	2.115.465	2.307.406	2.501.990	2.613.871	2.850.949	3.105.149	3.246.475	3.394.868	3.550.680			

in USD		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Investments in 2011											
Cost of Hotel	3000000										
Renovation Cost	3500000										
Parking Area	72000										
IT Equipment HW and SW	120000										
Total Investments	6692000										
Equity of Owner 20%	1338400										
Credit 80%	5353600										
Interest Rate @ 9%	9,00%	481.824	481.824	481.824	481.824	481.824	481.824	481.824	481.824	481.824	481.824
Depreciation of Hotel and Parking Lot 30 years	3%	219.067	219.067	219.067	219.067	219.067	219.067	219.067	219.067	219.067	219.067
Depreciation of IT Equipment 5 Years	20%	24.000	24.000	24.000	24.000	24.000	24.000	24.000	24.000	24.000	24.000
Reserves	3%	200.760	200.760	200.760	200.760	200.760	200.760	200.760	200.760	200.760	200.760