

# Hospitality Investment in Semera City, Afar Region: Trends, Challenges, and Opportunities

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## Abstract

Afar Region is endowed with diverse and unique tourism resources with improved tourist flow, but in the capital Semera City, there is an imbalance between supply and demand for accommodation. Hence, the main objective of this study was to assess trends, challenges, and opportunities for hospitality investment in Semera City. The study employed a descriptive research design with a concurrent mixed research approach. The study used questionnaires, key informant interviews, observation, and secondary data collection instruments. Comprehensive and purposive sampling was used to select hotel investors and experts respectively. The study applied descriptive statistical analysis for quantitative data mainly frequencies, percentages, and mean, and thematic analysis for qualitative data. The findings of the study revealed that Semera City offers significant opportunities for hotel investment due to extraordinary tourist attractions with improved tourist flow in the Afar Region, the import policy of the government, strong market demand for accommodation, recommended occupancy rate for hotel establishment, and little competition among existing hotels and positive hotel market trend. However, the study has identified the factors that hinder hotel investment activities which include interruption of water supply, shortage of health facility, high inflation, unavailability of foreign currency, unavailable transportation access, poor tax administration and customs procedure, lack of raw materials supply, political instability of the country, climate conditions of the city, lack of skilled manpower and land provision, were among the challenging factors of hotel investment in Semera City.

**Keywords:** Hospitality Investment; Challenges; Opportunities; Trends; Afar

**DOI:** 10.7176/JTHS/69-01

**Publication date:** March 30<sup>th</sup> 2026

## 1. Introduction

Hotel investment involves the allocation of capital towards the development, ownership, or management of hotels, for financial returns and economic benefits (UNECA 2020; Dai et al., 2017). Understanding the investment opportunities and challenges in hotel investment is crucial for a successful hotel establishment and maximizing returns (Snejina, 2016). Investing in hotels successfully combines art and science (O'Neill et al., 2023). because; it needs to consider various aspects like economics, politics, market conditions, finance, and tax laws (Vimala & Stephen, 2022) and demand strong financial power (Kebete, 2021). The hotel industry is a major driver of socio-economic development and attracting investment due to the growing number of tourists and tourism destinations worldwide (Radić & Perić, 2016; Baum & Mudambi, 2015).

The global hotel investment is experiencing a growth trend, currently outlined by increasing demand for accommodation and strong investment opportunities (Rioles, 2023). This trend is evident in countries like India, which has seen a significant rebound in hotel investment (WTTC, 2023). To attract investors in the tourism and hotel industry, several African countries have adopted new investment policies that include easing regulatory restrictions, tax breaks, providing financial incentives, and setting up one-stop investment promotion agencies that encourage investors (Schiff, 2023; Davidson & Sahli, 2015). Among African countries, South Africa, Botswana, Mauritius, and Rwanda are hard at creating a favorable environment that encourages investments in the tourism and hotel sector (UNWTO, 2022).

Ethiopian hospitality boasts a century-long legacy, starting with the modern Taitu Hotel founded in 1905 G.C, marking the beginning of what is now known as the "Ethiopian hospitality industry" (Kebede, 2014). Currently, the Ethiopian government is developing tourism destinations and resorts to encourage investment and has taken courageous steps to promote tourism as a priority area under the home-grown economic reform agenda (Abebe et al., 2021). This project of the Ethiopian government is known as "Gebeta-Lehager". Despite tourist flow growth in the Afar Region, there is a substantial gap between demand-supply of accommodation in Semera City (ARSCTB, 2023; Mekonen et al., 2022).

Regarding hotel investment opportunities and challenges, there are some researches which were conducted in different countries with different scopes such as Guadie (2020); Krisada (2019); Abebe et al; (2021); and Newell & Seabrook (2006) and Gatsinzi & Donaldson (2010). However, previous studies have not addressed factors like land accessibility factors, location, market-related, seasonality, competition, socio-cultural, geography, and

environmental factors; there has been no prior scientific study that comprehensively investigates the trends, challenges, and opportunities of hotel investment; investment opportunities and challenges are dynamic and vary by region (Reta & Teshome, 2018) since making it difficult to apply findings directly to Semera City. Hence, there is an immediate need to conduct research on investment opportunities and challenges for hotel establishments in Semera City. The objectives of this study are: 1). To analyze the trend of hotel investment in the study area. 2). To assess key investment challenges for hotel establishments and 3). To identify investment opportunities available for hotel establishments.

## **2. Review of related Literature**

### **2.1 Characteristics of Hotel Investment**

Hotel investment is unique due to its dual nature as both real estate and an operating business (Marriott, 2016). Investors must consider location, market demand, and operational efficiency. Additionally, hotel investments often require substantial capital and have long payback periods, making them suitable for investors with a higher risk tolerance (Celikmih & Akmesse, 2021).

According to Abebe et al. (2021), investing in hotels can go through several analyses including risk, strategic, geographic attractiveness, and economic analysis. Cash flow, net present value (NPV), internal rate of return (IRR), profitability of index (PI), return on investment (ROI), and payback period are all included in the economic analysis of hotel investment. Strategic analysis is a comprehensive understanding of the hotel industry (Mariana et al., 2016).

### **2.2 Trends of Hotel Investment**

#### **Global Trends**

The global travel and tourism market has grown steadily since the 1950s, with a significant acceleration post-Cold War, averaging an annual growth rate of 4.1% from 1995 to 2010 (Ernst & Young, 2011). In countries like India, the increase in international tourist arrivals has driven hotel demand (Kumar & Gupta, 2019). Global trends in hotel investment show a shift towards emerging markets and niche segments, such as eco-friendly and boutique hotels. This shift is driven by changing consumer preferences and the search for higher returns (UNWTO, 2022).

#### **Regional Trends**

In the African context, hotel investments have been concentrated in major cities and tourist destinations. However, there is growing interest in secondary cities, driven by infrastructure development and government incentives (UNECA, 2020). In recent years, Africa has seen a rise in hotel investments due to booming tourism. However, challenges such as foreign ownership concerns and the need for high-quality international hotels persist (AfDB, 2016; Mbaiwa, 2011). South Africa, Kenya, and other rapidly growing economies highlight the demand for more hotel rooms (World Bank, 2017).

In Ethiopia, the government's focus on tourism as a key economic driver has led to increased hotel investments, particularly in areas with rich cultural and natural attractions (Tefera, 2018).

Modern hotel development in Ethiopia began in the early 20th century with the establishment of the Taitu Hotel by Empress Taitu Bitul in 1905 (Megersa, 2016; Kebede, 2014). Ethiopia's hotel industry grew under Emperor Haile Selassie (1930-1974), with the development of modern hotels like Ras Hotel and Addis Ababa Hilton (Megersa, 2016). The Derg regime (1974-1991) saw a slowdown in hotel investment due to its socialist ideology prioritizing state-owned enterprises (Tafla et al., 2012). However, post-1991, economic reforms and privatization policies boosted both domestic and foreign investment in the hotel sector (Seid & Lamesegen, 2019).

## **3. Description of the Study Area and Research Methodology**

### **3.1 Description of the Study Area**

Afar National Regional State is one of the twelve Regional States of Ethiopia. Semera City is the capital of the Afar Region located in northeastern Ethiopia on the Awash Assab highway that was designed and constructed to replace Asiatu as the capital city of the region. Semera has a latitude and longitude of 11°47'30"N and 41°0'50"E respectively (Figure 3.1) and is situated at a distance of 595 km from the country's capital city Addis Ababa (Hailu et al., 2021). It has a desert climate.

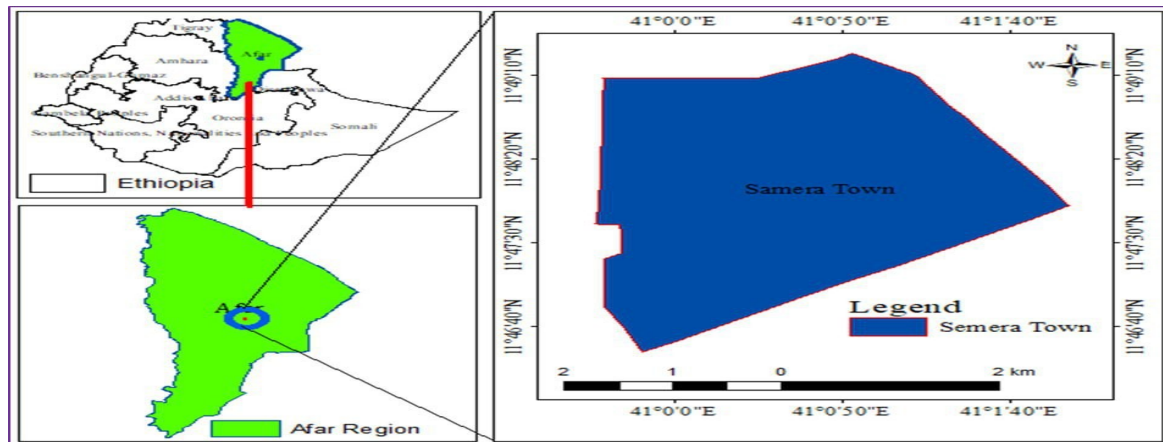


Figure 1: Map of the Study Area  
 Source: Geographical Information System (GIS), 2024

### 3.2. Research Method and Materials

#### 3.2.1 Sources and Methods of Data Collection

This study has adopted a descriptive research design with a concurrent mixed research approach. The study has used both primary and secondary sources of data via questionnaires, interviews, observation, and published and unpublished articles and reports as the basic data collection instruments. Observation was used to assess the visible parts of challenges and opportunities of hospitality investment in the study area such as the status of existing and newly established hotels, infrastructure status, weather conditions, topography, land availability, and raw material availability to identify available hotel investment challenges faced by investors. Quantitative data were obtained from licensed hotel investors and existing hotel owners via questionnaire and qualitative data from 15 experts from 5 different target groups via key informant interview.

#### 3.2.2 Sampling Techniques and Sample Size Determination

This study used purposive and comprehensive types of sampling to select and determine the sample size of the study population. Comprehensive (available) sampling was used to select existing and licensed hotel investors. This sampling technique is employed due to the small size of the population which is 45 (there are 27 existing hotels and 18 registered hotel investors who licensed and started operation). 12 experts were purposively selected for interview using purposive sampling based on experience, knowledge, the relevance of the study, and entire day to day activities related to hotel investment as shown in Table 3.1.

Table 1: Purposely Selected Samples of the Study

N o	Sample target populations (institutions where respondents are working)	Quantity	Reason for selection
1	Afar Region Culture and Tourism Bureau	4	Expertise and responsibility regarding hotel and tourism investment like certification and qualification.
2	Afar Region Investment Commission	3	Expertise and responsibility regarding hotel and tourism investment like licensing and registration.
3	Afar Region Land Administration Bureau	2	Expertise and responsibility concerning land use policy like land acquisition, land lease, and zoning for a hotel establishment
4	Academicians from Samara University (tourism & hotel department)	3	Experience working in the field of tourism and hospitality industry
	Total	12	

The quantity of experts was based on the data obtained from each government bureau and data saturation. In total, the sample size was 57 participants.

### 3.2.3 Method of Data Analysis

In this study, descriptive and thematic analysis was used. The qualitative data collected through interviews and observation was analyzed using thematic analysis. On the other hand, the quantitative data gathered through questionnaires, and reports were analyzed using descriptive statistics mainly frequency, percentage, mean, and standard deviation, and presented through graphs and tables.

## 4. RESULTS AND DISCUSSION

### 4.1 Trends of Hotel Investment in Semera City

#### 4.1.1 Attractiveness of Hotel Market for Hotel Investment

Table 2: Trend of the Hotel Investment Climate in Semera City

		Frequency	Percentage
Valid	Not attractive	1	2.2
	Moderate	11	26.7
	Attractive	20	44.4
	Very attractive	6	17.8
	Total	38	91.1
Missing	System	3	8.9
Total		41	100.0

Source: Author Compilation, 2024

As depicted in Table 4.2, 44.4 % of respondents stated that Semera City is attractive for hotel investment while 17.8%, responded as very attractive. Therefore, we can infer that Semera City has positive trends in hotel investment in profitability. This positive trend of hotel investment is considered an opportunity for hotel investors in the study area.

In the interview conducted with the Director of Investment, Promotion, and Information at the Region Investment Commission, the interviewee stated that:

*Various items are imported by domestic not only hotel investors but also tourism investors from an international market. Investors in the hotel business can import vehicles, large equipment, beds, tables, chairs, and cloths with no import tax. Thus, a duty-free policy implemented by the government has played a very critical role in encouraging local investors in hotel businesses. The Afar Region Investment Commission, along with the federal government, offers tax breaks and duty-free privileges, further enhancing the attractiveness of Semera City as an investment destination.*

This reduces the cost of importing necessary supplies and equipment, making the hotel investment more profitable. Therefore, the interview data above which are government incentives are also highlighted as a contributing factor that Semera City has a positive investment climate for hotel investment. Attractive investment trends and government incentives make Semera City an attractive destination for hotel investors.

#### 4.1.2 Initial Investment Capital Flow for Hotel Projects in Semera City

According to the data from the Afar Region Investment Commission, the trend of the initial investment capital flow for hotel projects in Semera City over eleven years from 2014-2024 shows fluctuations rather than a consistent upward or downward path. Even though the total investment capital flow for hotel investment is increasing from time to time, there was a slight decrease observed in 2017 and a significant decrease in 2022 while there was a slight increase from 2014 to 2016 and again from 2023 to 2024 and a substantial increase from 2018 to 2021.

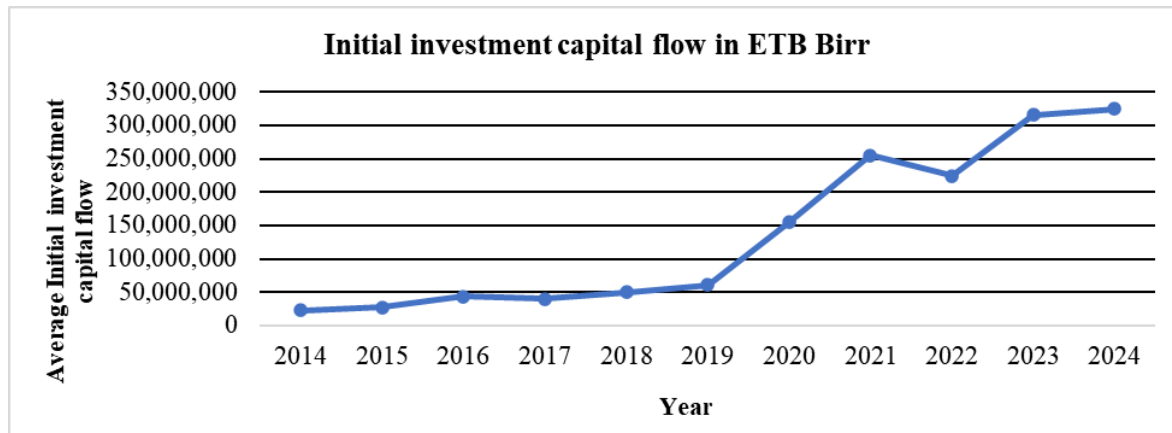


Figure 2: The Trend of Average Initial Investment Capital in the Hotel Industry from 2014-2024  
 Source: Compiled by the Researcher based on the Investment Report of Afar Region Investment Commission (2014–2024).

#### 4.1.3 Tourist Arrivals and Receipts in the Afar Region

According to the data from the Afar Region Culture and Tourism Bureau (2023), the number of international tourist arrivals has fluctuated over the years. There have been periods of increase, and decrease, and now an apparent improvement in international tourists with some delays in 2021 and 2022 due to the conflict in Northern Ethiopia, while the number of domestic tourists has shown a relatively consistent increase over the years, except for a slight decrease observed in 2019 and 2020 due to the outbreak of COVID-19 (ARCTB, 2023). This suggests a growing interest among domestic travelers to explore destinations within the Afar Region.

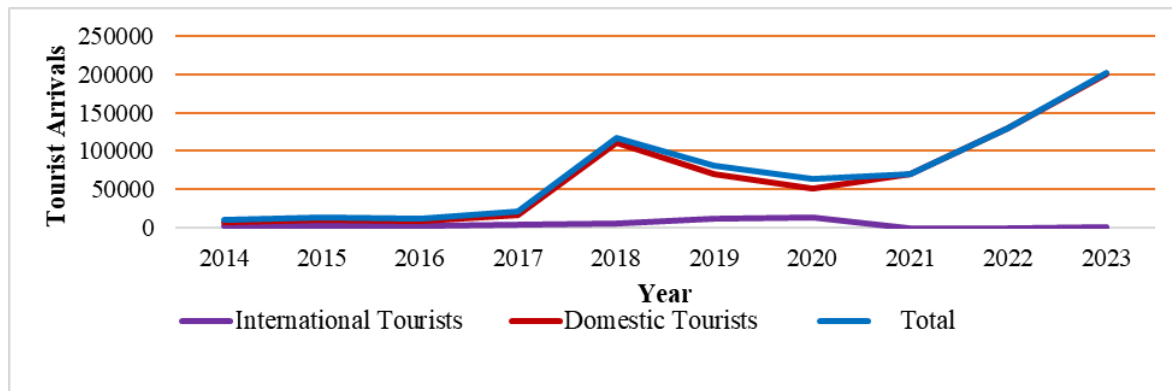


Figure 3: International and Domestic Tourist Arrivals in Afar Region from 2014-2023  
 Source: Afar Region Culture and Tourism Bureau (ARCTB) (2014-2023)

#### 4.1.4 Hotel Occupancy Rate and Source Markets in Semera City

Figure 4 provides data on the average room occupancy rates of star-rated hotels in Semera City from 2016 to 2023. There was a significant increase from 2016 (36.6%) to 2018 (78.6%), suggesting a rising demand for hotel rooms, due to increased tourism and business activities. Occupancy rates fluctuated in the subsequent years (2019 to 2021), indicating variability in the factors influencing hotel room demand due to COVID-19 and the seasonality nature of the hotel business.

The occupancy rates increased again in 2022 (82.9%) and 2023 (87.4%), reaching the highest levels observed in the period covered by the data. This suggests a strong and growing demand for hotel accommodations in recent years in the city, possibly driven by increased conference tourism. This data is supported by the previous research conducted by Pratiwi *et al.* (2015) stated that hotel development (investment) is recommended when the overall occupancy rate in a city is more than 50%.

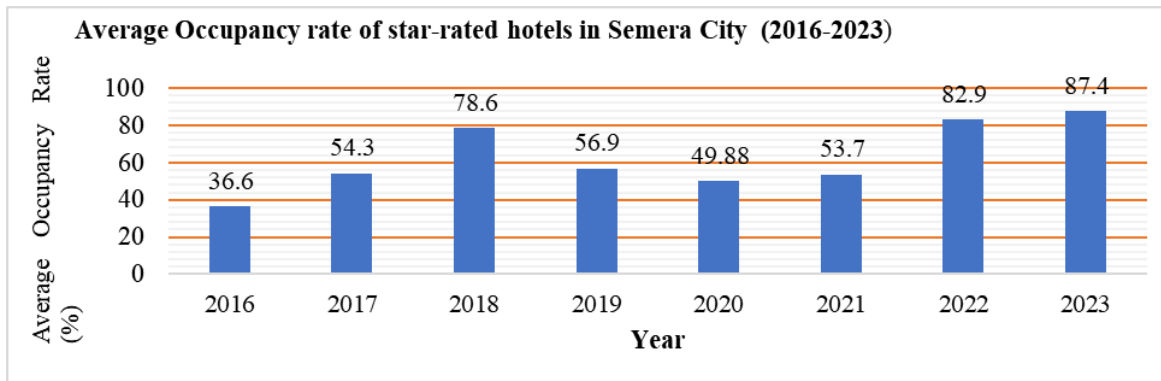


Figure 4: Average Hotel Room Occupancy Rate of Star-rated Hotels from 2014-2023  
 Source: Compiled by the Researcher based on the data of Afar Region Culture and Tourism Bureau and Hotels themselves (ARCTB) (2014-2023).

#### 4.1.5 Legal Status of Hotel Business (Ownership Structure) in Semera City

Figure 5 shows the legal status of the hotel business and reveals that most hotels in Semera City operate as a sole proprietorship legal form. There were no hotels operated as partnership in the study area. Only two star-rated hotels are operating as private limited companies which are Kurifitu Resort and Spa (now Mohammed Lallo hotel and resort) and Ruftana Hotel. The legal status of hotel business analysis will help prospective hotel investors identify the most suitable structure, considering factors like liability protection, tax regulations, and ease of operation in Semera City.

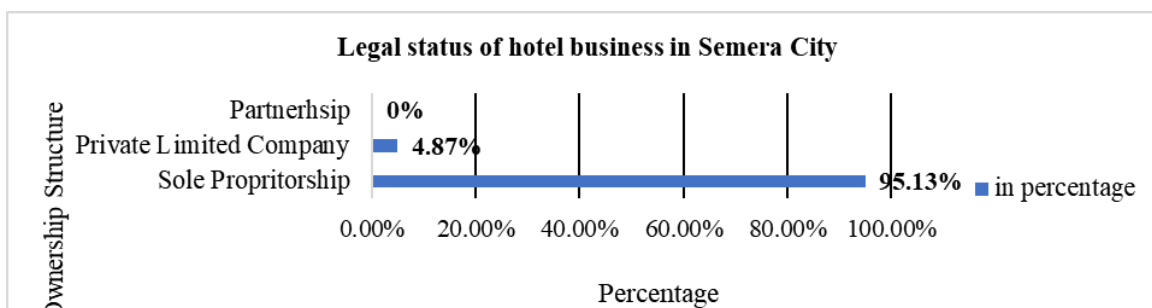


Figure 5: Legal Status of the Hotel Business  
 Source: Filed Survey (2014)

#### 4.2 Challenges Faced for Hotel Investment

The calculated mean score of an item was classified in ranges to fit the five-scaled Likert's measure of responses (not challenging, little challenging, moderately challenging, highly challenging, and very highly challenging) as shown in Table 3.

Table 3: The Mean Score Range for Five-Scale Likert's Response

	Mean	Response
1	From 1.00 to less than 1.80	Not challenging
2	From 1.81 to less than 2.60	Little challenging
3	From 2.61 to less than 3.40	Moderately challenging
4	From 3.41 to less than 4.20	Highly challenging
5	From 4.21 to less than 5.00	Very highly challenging

Source: (Al-Sayaad *et al.*, 2006)

#### 4.2.1 Nature of Hotel Business Factors Affecting Hotel Investment

Table 4: Nature of Hotel Business Factors Affecting Hotel Investment

Sub-factors	Mean	Std. Deviation	Factor Rank
Seasonality	3.85	.910	2
Competitive nature of the hotel business (level of competition within the hotel)	2.22	.988	3
Ongoing operational cost (capital-intensive nature of hotel investment)	3.93	.959	1

Source: Author Compilation, 2024

As Table 4 shows, except competitive nature of the hotel business, other factors namely ongoing operational cost and seasonality have a mean score value of 3.93 and 3.85 respectively, indicating that those factors are highly affecting hotel investment in Semera City. On the other hand, competition has a mean score of 2.22 which is below 3, which indicates respondents asserted that this factor has a little challenge on hotel investment and can be considered an opportunity for hotel establishment.

#### 4.2.2 Infrastructural-Related Factors Affecting Hotel Investment

Table 5: Infrastructural Factors Affecting Hotel Investment

Sub-factors	Mean	Std. Deviation	Factor Rank
Access and quality of telecommunication service	3.05	.999	6
Access to a health facility	3.88	.714	3
Transport availability	3.95	.705	2
Access and quality of appropriate IT infrastructure	3.29	.782	5
Access to an electric facility	3.32	.934	4
Interruption of water supply	4.41	.631	1

Source: Author Compilation, 2024

Based on descriptive analysis using mean–standard deviation in Table 5, all infrastructural factors are challenges of hotel investment at different levels. Particularly, the main factors associated with the infrastructural challenges are transport, and health facilities having a mean score of 3.95, and 3.88 respectively, which are highly challenging factors of hotel investment in Semera City. The interruption of water supply is the most critical infrastructural challenge for hotel investment with a mean score of 4.41, indicating a very high challenge. This factor is ranked 1<sup>st</sup>, making it the most critical infrastructural challenge affecting hotel investment according to the survey.

The other factors namely interruption of telecommunication service, access to the electric facility, and quality of appropriate IT infrastructure all have a mean value of 3.05, 3.32, and 3.29 respectively indicating moderate challenge of hotel investment in the city.

The findings align with Gatsinzi and Donaldson's (2010) study, which identified similar infrastructural challenges for hotel investment in Kigali, Rwanda such as water, electricity, and telecommunication infrastructure are challenges of hotel investment.

#### 4.2.3 Land Accessibility Factors Affecting Hotel Investment

Table 6: Land Accessibility Factors Affecting Hotel Investment

Sub-factors	Mean	Std. Deviation	Factor Rank
The land management system	3.34	1.013	1
Bureaucratic procedure	2.37	.888	3
Availability and cost of land (Lease price)	3.05	.973	2

Source: Author Compilation, 2024

According to Table 6, factors namely bureaucratic procedure a little challenge on hotel investment in Semera City which has a mean score of 2.37, this indicates that this factor is considered an opportunity for hotel investors. On the other side, the availability and lease price of land and land management systems in the study area are moderately challenging for hotel investment which has a mean score of 3.34 and 3.05 respectively.

This result is in line with the previous research which was conducted by Wang *et al.* (2018) which identified land access challenges for hotel investment, including complex land management systems and government control of land.

#### 4.2.4 Market-Related Factors Affecting Hotel Investment

Table 7: Market-related Factors Affecting Hotel Investment

Sub-factors	N	Mean	Std. Deviation	Factor Rank
Raw materials supply (availability of essential supplies)	41	4.05	.805	1
Location of Semera City	41	2.49	0.883	3
Cost of construction material	41	3.88	.900	2

Source: Author Compilation, 2024

As shown in Table 7, the mean score values for raw materials supply and costs of construction materials are 4.05 and 3.88 respectively. This value indicates that respondents replied that all those market-related factors are highly challenging factors that directly impact the feasibility and profitability of a hotel investment in Semera City. Relative to other variables, the location of Semera City has a mean score of 2.49. This indicates that the location of the study area is a little challenge for hotel investment.

#### 4.2.5 Geography and Environmental Factors Affecting Hotel Investment

Table 8: Geography and Environmental Factors Affecting Hotel Investment

Sub-factors	Mean	Std. Deviation	Factor Rank
Climate and weather conditions	4.29	.814	1
Topography condition of the city	2.63	1.067	3
Waste management rules and regulations in the city	3.32	1.011	2
Laws regulating environmental pollution such as air and water	2.59	.894	4

Source: Author Compilation, 2024

As depicted in Table 8, the mean score of climate conditions is 4.29. This implies that most of the respondents strongly agreed that the climate and weather conditions of Semera City are very highly challenging for hotel investment and operations.

The interviewee added that the climate of the city is very difficult and it requires investing in expensive technological infrastructure like AC (air-conditioning) and ventilators for each room, meeting hall, lobby area, and restaurant of the hotel.

The mean score of topography condition and waste management rules and regulations in the city are 2.63 and 3.32; this indicates respondents consider these factors as moderately challenging factors for hotel investment. On the other hand, laws regulating environmental pollution such as air and water have a mean score value of 2.59; this indicates that this environmental factor is a little challenge for hotel investment in the study area.

#### 4.2.6 Socio-cultural Factors Affecting Hotel Investment

Table 9: Socio-cultural Factors Affecting Hotel Investment

Sub-factors	Mean	Std. Deviation	Factor Rank
Community working habits	3.32	.687	1
Community belief, and socio-cultural norm	2.39	.737	4
Society's level of education	3.024	1.0604	2
Gender-driven problems	2.59	1.048	3
Ethnic conflict among residents of the city	1.59	.948	5

Source: Author Compilation, 2024

As the statistical results in Table 9 depicted, the mean scores of community work habits and society's level of education are 3.32 and 3.024 which are above three and indicate that the majority of the respondents agree that those factors have moderate challenge on hotel investment in the study area. On the other hand, community beliefs and sociocultural norms, and gender-driven problems are a little challenging for hotel investment having a mean score value of 2.39, and 2.59 respectively. The mean value of ethnic conflict among residents of the city is 1.59, indicating no challenge to hotel investment in the study area. The mean score value of those socio-cultural factors is below three, which indicates respondents do not consider these as challenges for hotel investment.

Findings of earlier studies in different parts of the world support my findings.

For instance, this result is directly in line with the previous study which was conducted by Abebe *et al.* (2021) identified community attitudes as socio-cultural challenges for hotel investment.

#### 4.2.7 Financial and Economic Factors Affecting Hotel Investment

Table 10: Financial and Economic Factors Affecting Hotel Investment

Sub-factors	Mean	Std. Deviation	Factor Rank
Credit extension service provided by financial institution	3.12	.748	5
High level of interest rate on loan	3.27	.867	4
Unavailability of foreign currency	4.07	.932	2
Exchange rate fluctuation	3.95	.999	3
High inflation	4.37	.623	1
High cost of hotel investment	3.95	.835	3
lending bureaucracy	2.80	1.077	6

Source: Author Compilation, 2024

As depicted in Table 10, the study identifies several financial and economic challenges that can hinder hotel investment in Semera City. They are macro-economic variables that have a countrywide effect such as high inflation, unavailability of foreign exchange reserves, high cost of hotel investment and exchange rate fluctuations are the main challenges hindering the hotel investment activities in the study area having a mean score of 4.37, 4.07, 3.95 and 3.95 respectively which are very highly challenging and highly challenging factors respectively. This means the majority of hotel investors agree that those financial and economic-related factors significantly discourage their investment activities.

Other variables which include, a high level of interest rate on loans, and credit extension services provided by financial institutions are all moderately challenging for hotel investment practices in Semera City having a mean value of 3.27 and 3.12 respectively. Compared to the previous three finance and economic-related factors, they have a lesser influence on hotel investment activities in the study area. On the other hand, the bureaucracy of lending institutions that give loans has a mean value below three (2.8), this indicates that the factor is not challenging hotel investment and is considered an opportunity available for hotel investors in Semera City.

The study's findings are consistent with the study conducted by Newell & Seabrook (2006) and Sanjeev *et al.* (2012), which identified the financial factors mentioned above as significant challenges for hotel investment and also highlighted that hotels are capital-intensive projects, they dependent on banks for the financing of their projects.

Regarding loan provision, another interviewee with a licensed hotel investor indicated that banks and credit institutions offer limited financing with no special considerations to loan requests for hotel investment.

#### 4.3. Opportunities Offered for Hotel Investment in Semera City

Table 11: Respondent's Response to Hotel Investment Opportunities

Statements about Opportunities for Hotel Investment		Percentage, N=41					Total
		SD	D	N	A	SA	
1	There is an attractive incentive for hotel investors	0	4.4%	24.4%	53.3%	8.9%	100%
2	There are enough tourist destinations	0		2.2%	53.3%	35.6%	100%
3	Conference tourism is increasing	0	6.7%	22.2%	57.8%	4.4%	100%
4	There is a high number of tourist flow in the city	0	2.2%	33.3%	51.1%	4.4%	100%
5	There is a growing demand for accommodation in the city	0		8.9%	57.8%	24.4%	100%
6	There is custom-free import activity (Import policy of the government)	0	2.2%	22.2%	62.2%	4.4%	100%
7	Availability of both skilled and unskilled labor force at a lower wage rate	2.2%	48.9%	35.6%	4.4%		100%
SD = Strongly Disagree, D =Disagree, N =Neutral, A =Agree and SA = Strongly Agree							

Source: Author Compilation, 2024

Table 11 shows that when asked about attractive incentives for hotel investors, 4.4% of respondents disagreed, 24.4% were neutral, 53.3% agreed, and 8.9% strongly agreed. This indicates that 53.3% believe there are

attractive incentives for hotel investors. Additionally, 53.3% confirmed the abundance of tourist destinations in the Afar Region, suggesting a growing number of hotel customers due to these attractions.

Notably, an academician from Samara University and an expert from the Afar Region Culture and Tourism Bureau highlighted that the region's unique tourism resources, such as the Danakil Depression, Erta Ale volcano, and Awash National Park, attract many tourists. However, the lack of standardized hotels in Semera City hampers tourism development, as complaints about hotel quality and variety are common.

Regarding conference tourism, 57.8% of respondents agreed it is increasing, with 4.4% strongly agreeing. Only 6.7% strongly disagreed, and 22.2% were neutral. This suggests conference tourism is on the rise, presenting an opportunity for hotel investors.

In terms of tourist flow, 51.1% of respondents agreed there is a high number of tourists, while 4.4% disagreed, 2.2% strongly agreed, and 33.3% were neutral. This indicates a good occupancy rate, further highlighting investment opportunities.

62.2% of respondents affirmed that hotel materials can be imported duty-free, enhancing the attractiveness of hotel investment. This aligns with findings from Kebete (2021) and the World Investment Report (2005), which highlight the importance of tax exemptions for investor appeal.

Educational initiatives and the new hotel and tourism program at Samara University is expected to address the skill gap in the city's workforce. The absence of specialized training programs is a noted issue. The Dean of the School of Tourism and Hospitality Studies at Samara University mentioned that the university's new hotel and tourism program aims to address this skill gap.

## 5. Conclusions and Recommendations

The study reveals a positive trend in hotel investment in Semera City from 2014 to 2023, with high tourist flow and recommended occupancy rates for hotel establishments. Hotel Investment Opportunities include extraordinary tourist attractions, government support, duty-free import policy of the government and low competition among existing hotels in the study area.

The study has identified hotel investment challenges including infrastructure, socio-cultural and financial factors, land issues, climate conditions, political instability, high construction costs, supply interruptions, seasonality, and operational costs. Geography and environmental factors like waste management, topography, and water pollution also play a role. Accordingly, the following points are recommended:

- As stated in the analysis part, one of the most serious problems hotel investors pointed out was the lack of loans for their hotel projects. Therefore, the Afar Regional Investment Commission should collaborate with financial institutions to offer loans for hotel investors, considering both local and foreign currency needs.
- The city administration and the regional government should improve overall infrastructure, especially addressing the issues of water supply, transportation access, and health care facilities.
- The land administration bureau should develop clear land use policies for easier land acquisition.
- Afar region's Investment Commission and Culture and Tourism Bureau, along with the Ethiopian Investment Commission should develop a comprehensive marketing strategy to attract domestic and foreign investors. This could include developing an attractive website, targeted promotional campaigns (brochures and seminars), and stakeholder engagement initiatives.
- There should be regular meetings among relevant bureaus (investment commission, culture and tourism, land administration) and hotel investors are crucial concerning hotel investment activities to bring together the government and those investors to solve investment-related problems and to ensure hotel project success.

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