

LATIN AMERICA & CARIBBEAN HOTELS MONITOR

MAY 2017

ISSUE 6





**WHITE
BRIDGE**

Whitebridge Hospitality is a specialist advisor to investors, developers and operators in the hospitality industry around the globe. We provide investment, operational and planning advice, and guidance in respect of the entire hospitality spectrum, including: hotels, mixed-use resorts, leisure facilities, casinos, visitor attractions and sporting venues. Our uniquely qualified team can provide services throughout an asset's life cycle.

RLB | Rider Levett Bucknall

Rider Levett Bucknall is an independent, global property consultant, providing advice focused on the cost, quality and sustainability of the built environment. The firm, which has over 3,600 staff operating from more than 120 offices, offers Quantity Surveying, Building Surveying, Project Management and Advisory Services.



STR provides clients with access to hotel research with regular and custom reports covering over 55,000 hotels globally. They provide a single source of global hotel performance data, offering concise, accurate and thorough industry research worldwide and they track a variety of Profitability, Pipeline, Forecast and Census data covering all aspects of the industry.

LAC HOTELS MONITOR

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Introduction

The last 12 months have been another year of mixed performances in the LAC region, with each of the three sub-regions experiencing different levels of performance. At a high level, the RevPAR growth statistics reveal that: Central America was the best performer with an increase of +1.3%; South America, despite the Olympic Games in Brazil, fell by -0.8%; the Caribbean suffered the most under the external influences of an expansive Cuba, a weak Canadian dollar and the threat of Zika, recording a decline of -3.5%.

Despite the dip in hotel performance levels in the Caribbean, more recent monthly trends indicate that the declines are slowing and growth is expected going forward. The hotel trends for 2016 also seem to be at odds with the general tourism trends to the region, as in February 2017, the CTO announced that the region hit a high of 29m arrivals in 2016, the 7th consecutive year of growth and the 3rd consecutive year above global growth rates. Further strong growth in arrivals is expected as infrastructure (airports in particular) is enhanced.

Confidence in an upbeat future for the Caribbean is reflected in the number of new projects that are coming to fruition in the region. See [pages 6 and 7](#), where the number of transactions across the LAC region has fallen further compared to the previous edition of the LAC Hotels Monitor, but the number of new projects has increased.

The hotel trends for 2016 appear to be at odds with the general tourism trends to the Caribbean region.

In honour of a unique occurrence, in which Brazil hosted the two largest sporting events back-to-back, and with many thanks to our friends at STR, our back-page feature provides some insights into the impact of such sporting events on their respective destinations in recent years.

Philip Camble

*Director, Whitebridge Hospitality
Editor, LAC Hotels Monitor*

Performance Trends

Apr-Mar City	2017			2016	
	ADR	Occ	RevPAR	ADR	Occ
	USD	%	USD	USD	%
Aruba	273.7	69.8	191.1	283.4	66.2
Barbados	274.7	67.7	186.0	282.3	69.9
Bogota	96.3	57.1	55.0	97.0	54.2
Buenos Aires City	115.5	60.4	69.8	115.1	60.3
Cancun/ Chetumal	203.5	72.1	146.7	204.7	71.2
Dominican Republic	134.2	73.3	98.3	133.7	70.0
Lima	148.1	67.4	99.8	152.2	68.3
Mexico City	130.6	70.1	91.6	133.3	67.5
Panama City	96.4	52.5	50.7	100.2	50.2
Puerto Rico	176.2	68.5	120.7	189.9	73.5
Rio de Janeiro	163.2	49.8	81.3	126.4	59.6
San Jose	96.2	69.6	66.9	94.9	64.3
San Salvador	97.8	70.0	68.4	98.8	67.5
Santiago	125.8	66.8	84.0	138.5	66.4
Sao Paulo	96.8	58.2	56.3	95.7	59.6
US Virgin Islands	340.2	77.4	263.2	330.5	76.2

Note: Period of analysis refers to April 2015 to March 2016 and April 2016 to March 2017

Source: STR

- It is important to note that the data above is in USD and will be subject to fluctuating exchange rates. All data displayed is also available in local currencies, so please contact STR for more information.
- Brazil, with over 34,000 rooms in pipeline, is by far the country with the highest volume of supply coming in the upcoming years. Colombia follows with just over 7,000 rooms in pipeline.
- The LAC region experienced mixed RevPAR results from the period April 2016 to March 2017, ranging from declines of -13.6% in Puerto Rico, to +9.7% in San Jose.

RevPAR	ADR		Growth Occ		RevPAR	
	Abs (USD)	%	Abs %	%	Abs (USD)	%
187.58	-9.7	-3.4%	3.6	5.5%	3.6	1.9%
197.45	-7.6	-2.7%	-2.2	-3.2%	-11.4	-5.8%
52.59	-0.7	-0.7%	2.9	5.4%	2.4	4.6%
69.39	0.5	0.4%	0.1	0.2%	0.4	0.6%
145.76	-1.2	-0.6%	0.9	1.2%	0.9	0.6%
93.62	0.5	0.4%	3.2	4.6%	4.7	5.0%
103.94	-4.0	-2.6%	-1.0	-1.4%	-4.2	-4.0%
90.02	-2.7	-2.0%	2.6	3.8%	1.6	1.7%
50.30	-3.7	-3.7%	2.3	4.6%	0.4	0.7%
139.69	-13.8	-7.3%	-5.0	-6.9%	-19.0	-13.6%
75.33	36.8	29.2%	-9.8	-16.4%	6.0	7.9%
61.03	1.3	1.4%	5.3	8.2%	5.9	9.7%
66.72	-1.0	-1.0%	2.4	3.6%	1.7	2.5%
91.95	-12.7	-9.2%	0.4	0.5%	-8.0	-8.7%
57.03	1.1	1.1%	-1.4	-2.4%	-0.7	-1.3%
251.90	9.6	2.9%	1.2	1.5%	11.3	4.5%

- Central America experienced an increase in RevPAR (+1.3%), with occupancy growth (+4.1%) mitigating a -2.6% ADR decline.
- South America experienced a steep decline in occupancy (-5.0%), leading to a -0.8% RevPAR decline.
- The Caribbean was the only sub-region to experience drops in both occupancy and ADR, resulting in the steepest regional decline in RevPAR (-3.5%).

Hotel Construction Costs

Country	Mid market – low
	USD per sqm
Anguilla	2,200 - 3,000
Antigua & Barbuda	2,600 - 3,300
Bahamas	1,600 - 5,100
Barbados	1,800 - 2,800
Bermuda	3,100 - 3,700
Brazil	850 - 1,200
British Virgin Islands	3,000 - 4,300
Cayman Islands	2,600 - 3,700
Cuba	2,400 - 3,400
Dominica	2,100 - 2,700
Dominican Republic	1,300 - 2,600
Grenada	2,600 - 3,300
Guadeloupe	2,700 - 3,300
Haiti	1,100 - 1,700
Jamaica	1,700 - 2,300
Martinique	2,700 - 3,300
Montserrat	2,300 - 3,200
Netherlands Antilles	1,600 - 2,400
Panama	2,100 - 2,900
Puerto Rico	2,500 - 3,100
St Kitts & Nevis	2,600 - 3,200
St Lucia	2,300 - 2,900
St Vincent & The Grenadines	2,000 - 2,500
Trinidad & Tobago	1,800 - 2,700
Turks and Caicos Islands	1,800 - 2,700
US Virgin Islands	3,700 - 4,600

Source: Rider Levett Bucknall

- Overall there has been little overall movement in construction costs in the region since the last report.
- General economic performance trends have been stilted by continued geopolitical and natural phenomena, both within the region and beyond.
- Zika virus and Hurricane Matthew have impacted locally.
- Brexit and Global Commodity prices have rippled across the region.

Mid market – high

Luxury

USD per sqm	USD per sqm
2,600 - 3,900	3,000 - 4,900
2,900 - 4,600	3,300 - 5,900
2,200 - 6,200	2,800 - 7,400
2,300 - 3,700	2,700 - 4,500
3,400 - 4,300	3,700 - 4,900
950 - 1,700	1,050 - 2,200
3,900 - 5,500	4,900 - 6,700
2,900 - 3,800	3,100 - 4,000
2,700 - 4,000	3,000 - 4,700
2,400 - 3,100	2,700 - 3,500
1,600 - 3,200	1,900 - 3,900
2,700 - 3,600	2,900 - 3,900
3,200 - 4,200	3,600 - 5,000
1,500 - 2,300	2,000 - 2,900
2,100 - 3,100	2,600 - 3,900
3,200 - 4,200	3,700 - 5,000
2,700 - 4,100	3,200 - 5,100
2,000 - 3,700	2,400 - 4,900
2,500 - 3,600	2,900 - 4,400
3,200 - 4,000	4,000 - 4,900
3,000 - 4,200	3,400 - 5,200
2,900 - 3,600	3,400 - 4,300
2,300 - 2,900	2,500 - 3,300
2,500 - 3,500	3,100 - 4,300
2,300 - 3,200	2,700 - 3,700
4,600 - 5,700	5,600 - 6,800

These costs have been prepared from a survey of Rider Levett Bucknall offices. Costs are expressed per square metre of gross internal floor area. The costs include FF&E, but exclude operator's stock and equipment. Fees, land costs and local taxes (VAT or similar) are also excluded. Costs are generally based on constructing international hotels to international specifications. Data is prepared to highlight key cost trends and differences between markets. Users should verify the suitability of general cost data to their specific circumstances. Exchange rates and inflation can distort generic data, for specific project guidance please contact Rider Levett Bucknall.

- Pipelines in hospitality and infrastructure projects remain reasonably promising, but many timings may be less certain.
- Cuba and Dominican Republic are looking particularly strong in pipeline.

Transaction Tracker

Region	Hotel
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Portfolio Transactions

2x Santiago hotels

2x Resort Hotels ¹

Single Asset Transactions

Barbados	Treasure Beach
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Dominican Republic	Treasure Island Resort
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Mexico	Courtyard by Marriott
	Fiesta Inn Monterrey Valle
	Valle Real Hotel
	Grand Fiesta Americana

Region	Hotel	Opening
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Selected Development Projects

Bahamas	Warwick Paradise Island	2016
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Brazil	Gran Melia Nacional ²	2016
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Dominican Republic	Hampton by Hilton	2017
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Jamaica	former Wyndham Hotel	2017
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Riu Reggae	2016
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Royalton	2017
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Sandals	2019
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Mexico	Grand Velas Resort	2016
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Paradisus Resort ²	2017
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Puerto Rico	AC by Marriott	2017
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Turks & Caicos	The Shore Club	2016
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Source: Whitebridge Hospitality

- Other notable deals: Sheraton Salta (Arg) acquired by Grupo Pheonix (Sp); Windsor Atlantica in Rio (Bra) by Blackstone; Sivory Punta Cana (DR) by PortBlue Hotels (Sp); Fiesta Americana Hermosillo (Mex) by FibraHotel (Mex).
- Big mixed use deals: Gencom bought Peninsula Papagayo (Four Seasons) for USD255m (C Rica); CTFE (Asia) acquired control of Baha Mar (Bah).

Location	No. of Keys	Total Price	Per Key
Chile	518	95,000,000	183,000
Mexico	933	119,800,000	128,000

Paynes Bay	35	10,500,000	300,000
Playa Grande	36	66,800,000	1,900,000
Chihuahua	152	12,700,000	83,000
Monterrey	177	13,000,000	73,000
Monterrey	85	3,700,000	43,000
Puerto Vallarta	482	79,000,000	164,000

Location	No. of Keys	Total Price	Per Key
Nassau	250	28,000,000	112,000
Rio de Janeiro	413	130,000,000	315,000
Santo Domingo	117	7,000,000	60,000
Kingston	303	62,600,000	207,000
Montego Bay	454	61,600,000	136,000
Negril	573	150,000,000	262,000
Port Antonio	250	100,000,000	400,000
Los Cabos	306	150,000,000	490,000
Los Cabos	350	35,000,000	100,000
San Juan	233	45,000,000	202,000
Long Bay Beach	106	100,000,000	343,000

¹ Located in Los Cabos & Nuevo Vallarta, price is total value of assets post-extension works

² Major renovation project

- Corporate deals: launch of Atelier de Hoteles with USD700m war chest; USD172m fund raise by RLH Properties; Wyndham acquiring Fen Hotels (Arg); RLH Properties taking stakes in 4x hotels in Mayakoba (Mex, c. USD500m); Pace Holding acquiring Playa Hotels (Mex, DR, Jam); AccorHotels acquiring control of 26x hotels in Brazil (c. USD70m).

Prices have been rounded where appropriate. We do not warrant the accuracy of this data which was obtained from publicly available sources and reported in industry journals. Conversions to USD were made according to the exchange rate at the time of the announcement.

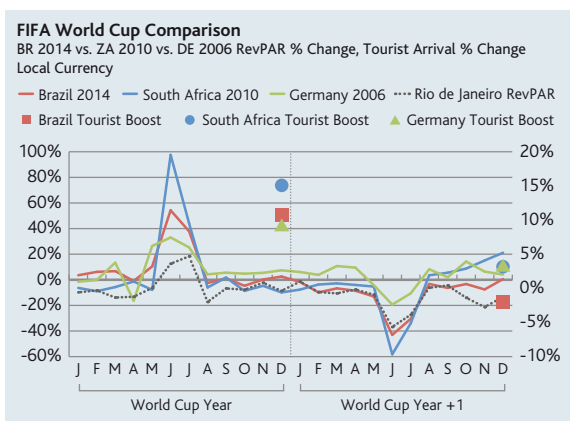
BRAZIL - WORLD CUP V OLYMPIC GAMES

Introduction

For the first time the same destination hosted both the FIFA World Cup and Olympic Games back-to-back. Here we consider the impact of each on a destination.

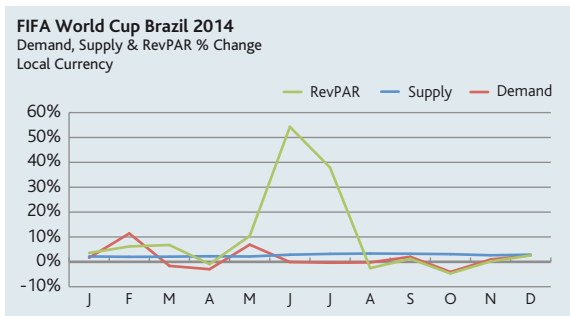
FIFA World Cup

The chart below shows the more mature the destination the less pronounced the increase in RevPAR during the tournament and the less pronounced the technical dip on its anniversary.



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The graph below shows a high growth rate in demand prior to the tournament and slight decline during the tournament, whilst supply remained relatively constant. The spike in RevPAR was therefore probably achieved at the expense of occupancy



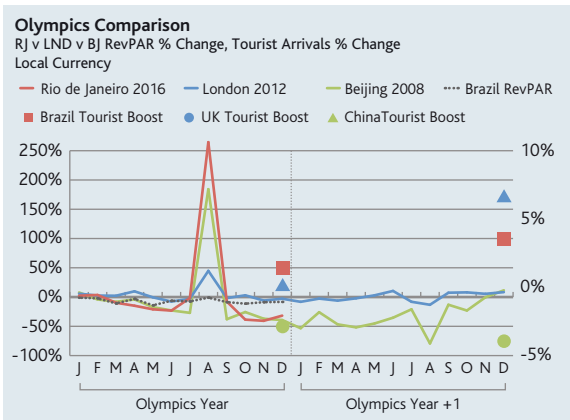
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Whilst the World Cup is hosted by a nation (or nations), the Olympic Games are hosted by a city and its environs and as such one would expect slight differences in impact on local hotel markets.

Olympic Games

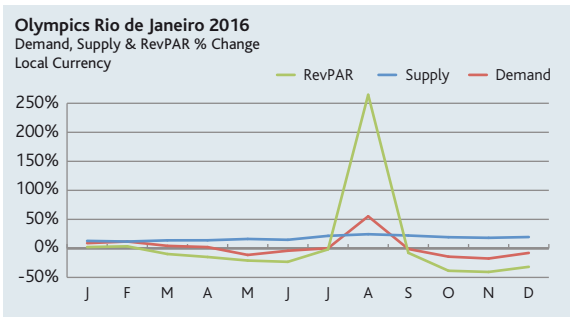
The chart below shows a similar trend, whereby the more mature the destination the less the impact an event has on hotel performances.

Growth in RevPAR was much stronger in Rio compared to the World Cup, whilst the impact on Brazil was minimal. The data would therefore indicate that a World Cup has a broader benefit to a nation than an Olympic Games.



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The graph below shows a clear spike in demand during the Games and clearly explains the spike in RevPAR growth during this period. The growth in supply was more pronounced in Rio for the Games than across Brazil for the World Cup.



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