

# LATIN AMERICA & CARIBBEAN HOTELS MONITOR

MAY 2018

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**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.

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# LAC HOTELS MONITOR

## MAY 2018

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### Introduction

2017 was the costliest hurricane season on record (estimated at around USD282bn, with some six major hurricanes and four retired names) and flight capacity around the region fell materially. As a result, hotel performance trends have varied enormously in the last 12 months, from a RevPAR growth high of +69.2% in San Jose to a low of -26.8% in Rio de Janeiro (where the city is still recovering from its Olympic hangover).

Natural disasters in the region have not only impacted performance, but also the cost of development, whereby contractors and suppliers are busy rebuilding many destinations and this is having an above inflationary effect on cost and delaying completions.

There have been a good number of transactions in the period, including a number of portfolio deals. Much of the investment has come from purchasers in Europe and the USA, perhaps a sign that international investors are again seeing the region in a more positive light. The pipeline also appears healthy, with a number of big schemes recently announced and underway (especially in Mexico and the Dominican Republic).

Contractors and suppliers are busy rebuilding many destinations and this is having an above inflationary effect on cost and delaying completions.

For our final page feature, we have invited our friends at Regera Hospitality Trends in Bogota, Colombia, to present a Snapshot on this emerging destination. After years of negative imagery, as successive governments fought FARC rebels, the peace treaty of December 2016 means this beautiful country can finally look to exploit its potential as an international tourist destination and we want to celebrate this bright future.

### Philip Camble

*Director, Whitebridge Hospitality*  
*Editor, LAC Hotels Monitor*

## Performance Trends

Apr-Mar City	2018			2017	
	ADR	Occ	RevPAR	ADR	Occ
	USD	%	USD	USD	%
Aruba	296.6	76.0	225.4	275.8	69.7
Barbados	285.7	68.0	194.2	276.3	67.7
Dominican Republic	139.5	72.7	101.4	136.4	73.8
Puerto Rico	189.7	72.7	137.9	176.3	68.4
San Jose	96.5	71.7	69.2	95.3	68.7
San Salvador	96.1	68.2	65.5	97.8	69.8
Panama City	90.6	51.1	46.3	95.4	51.7
Mexico City	130.3	67.3	87.7	130.0	70.1
Cancun	219.1	72.6	159.0	204.6	74.0
Buenos Aires	128.0	70.2	89.8	124.9	62.3
Rio de Janeiro	111.4	48.6	54.1	164.0	49.3
Sao Paulo	101.9	60.0	61.2	97.4	58.3
Santiago	125.1	70.8	88.5	123.4	66.5
Bogota	90.6	57.7	52.3	93.5	53.6
Lima	139.6	69.2	96.6	148.1	67.3

Note: Note: Period of analysis refers to April 2016 to March 2017 and April 2017 to March 2018

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 28,000 rooms in pipeline, stays for the second consecutive year, 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. It is worth pointing out the exponential growth of the Dominican pipeline in the past ten months, from around 1,700 rooms to over 4,700 rooms.
- The LAC region experienced mixed RevPAR results from the period April 2017 to March 2018. Rio de Janeiro is still suffering from post-olympic drawbacks, seeing its RevPAR falling by nearly -33%. On the other hand, in neighbouring Argentina, its capital, Buenos Aires, saw an increase of +15.3% in RevPAR.

RevPAR	ADR		Growth		RevPAR	
	Abs (USD)	%	Abs %	%	Abs (USD)	%
192.20	20.8	7.5%	6.3	9.0%	33.2	17.3%
187.18	9.3	3.4%	0.2	0.4%	7.0	3.7%
100.70	3.1	2.3%	-1.2	-1.6%	0.7	0.7%
120.70	13.3	7.6%	4.2	6.2%	17.2	14.2%
0.00	1.2	1.2%	3.0	4.3%	69.2	5.6%
68.26	-1.7	-1.8%	-1.6	-2.3%	-2.7	-4.0%
49.35	-4.8	-5.1%	-0.6	-1.2%	-3.1	-6.2%
91.13	0.3	0.3%	-2.8	-4.0%	-3.4	-3.7%
151.32	14.5	7.1%	-1.4	-1.9%	7.7	5.1%
77.84	3.1	2.5%	7.8	12.6%	11.9	15.3%
80.90	-52.6	-32.1%	-0.7	-1.5%	-26.8	-33.1%
56.76	4.5	4.7%	1.7	3.0%	4.4	7.8%
82.04	1.6	1.3%	4.3	6.5%	6.5	7.9%
50.12	-2.9	-3.1%	4.1	7.7%	2.2	4.3%
99.71	-8.5	-5.8%	1.9	2.8%	-3.1	-3.1%

- Central America experienced a drop in RevPAR (-1.4) with a close to null occupancy growth (+0.2%) mitigating a -1.4% ADR decline.
- Pulled by Argentina's performances, South America is facing its 7<sup>th</sup> consecutive growth in RevPAR, in the last 12 months by +0.7%.
- The Carribean still faces difficulties due to the extremely violent hurricanes hitting the islands in September 2017 (resulting in a drop in RevPAR of -15.9% in that month).

## Hotel Construction Costs

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

Source: Rider Levett Bucknall

- The hurricanes (Irma and Maria) of Aug and Sep 2017 had a significant impact on 12 of the 32 Caribbean islands. In Barbuda 90% of buildings were destroyed.
- This has impacted the construction industry, with large demand in housing and infrastructure sectors. Government focus on these basic needs is likely to have impacted a number of pipeline projects.

Mid market – high

Luxury

USD per sqm	USD per sqm
2,600 - 4,000	3,000 - 4,800
2,800 - 4,400	3,100 - 5,700
2,100 - 6,000	2,700 - 7,100
2,200 - 3,500	2,600 - 4,300
3,300 - 4,200	3,600 - 4,800
1,130 - 1,975	1,260 - 2,750
4,000 - 5,400	4,900 - 6,600
2,800 - 3,800	3,100 - 4,000
2,600 - 3,900	2,900 - 4,500
2,400 - 3,100	2,700 - 3,500
1,600 - 3,100	1,900 - 3,700
2,700 - 3,500	2,800 - 3,800
3,100 - 4,000	3,500 - 4,800
1,500 - 2,200	1,900 - 2,800
2,100 - 3,000	2,500 - 3,900
3,100 - 4,100	3,600 - 4,900
2,600 - 4,000	3,100 - 4,900
2,000 - 3,700	2,400 - 4,800
3,300 - 4,000	4,000 - 5,000
3,000 - 4,200	3,400 - 5,100
2,800 - 4,100	3,300 - 5,200
2,300 - 3,600	2,500 - 4,700
2,700 - 4,200	3,300 - 5,200
2,400 - 3,700	3,000 - 4,600
4,600 - 5,800	5,400 - 7,000

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.

- The island economies are expected to grow in 2018, although in several cases this is a recovery from significant decline.
- IMF forecasts an increase of 3.5% per annum in GDP.

## Transaction Tracker

Region	Hotel
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### Portfolio Transactions

2x Sheraton & Park Tower hotels
3x Riu hotels
5x Sagacor resorts
4x Mayakoba Tourism hotels

### Single Asset Transactions

Anguilla	Cap Juluca
Argentina	Sheraton Cataratas
Bahamas	Grand Lucayan Strip Hotel
Bermuda	Tucker's Point Hotel*
Mexico	Fiesta Americana Condesa
	Fiesta Am. Hacienda Galindo
Panama	Trump Ocean Club Int'l Hotel
Puerto Rico	Marriott & Stellaris Casino
Uruguay	Conrad Resort & Casino <sup>1</sup>

Region	Hotel	Opening
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### Selected Development Projects

Dominican Republic	Secrets Cap Cana Resort & Spa	2017
Dominican Republic	Hotel Emotions Playa Dorado	2017
Bahamas	The Pointe (mixed use)	2018
Puerto Rico	Four Seasons	2018
Jamaica	Excellence Oyster Bay	2018
Dominican Republic	Lopesan Costa Bavaro	2019
Jamaica	AC Hotels	2019
Dominican Republic	Grand Fiesta Americana	2019

Source: Whitebridge Hospitality

- Other notable deals: Belmond (UK) acquired its Las Casitas (Per); Krystal Grand Reforma Uno (Mex) acquired by Barcelo (Sp); Andaz Papagayo (CRic) by Gencom (USA); Ritz-Carlton Grand Cayman (Cay) by Dart RE (USA);
- Portfolio: 2x Renaissance Aruba & Curacao (DAnt) acquired by Wind Creek Hosp (USA).



Location	No. of Keys	Total Price	Per Key
		USD	USD
Argentina	920	100,000,000	109,000
Dominican Republic	1,590	100,000,000	63,000
Jamaica	1,320	310,000,000	235,000
Mexico	865	234,800,000	271,000

Maundays Bay	96	84,600,000	881,000
Iguazu National Park	180	55,000,000	306,000
Grand Bahama	542	65,000,000	120,000
Hamilton	88	60,000,000	682,000
Cancun	507	162,600,000	321,000
Queretaro	168	7,112,974	42,000
Panama City	202	24,500,000	121,000
San Juan	527	184,000,000	349,000
Punta de Este	294	180,000,000	612,000

Location	No. of Keys	Total Price	Per Key
		USD	USD
Punta Cana	456	160,000,000	351,000
Puerto Plata	475	40,000,000	84,000
Nassau	150	200,000,000	1,333,000
Cayo Largo	140	230,000,000	1,643,000
Montego Bay	315	110,000,000	349,000
Playa Bavaro	1,020	150,000,000	147,000
Kingston	220	50,000,000	227,000
Punta Cana	554	130,000,000	235,000

\* out of administration

<sup>1</sup> for a 55% stake

- Corporate deals: H10 Hotels (Sp) acquired Oceans (Carib, USD150m); Jin Jiang (Chi) acquired 12% of Keystone Hotels (Cay, USD181m); Inversiones Nacionales de Turismo (Per) acquired Inversiones La Rioja (Per).

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.

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## SNAPSHOT - COLOMBIA

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### Introduction

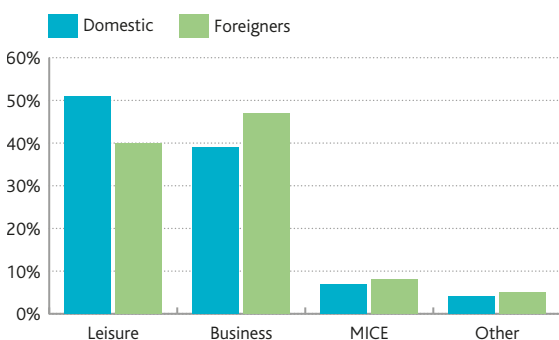
Tourism is a rapidly growing sector in Colombia, with international arrivals increasing by 20% in 2017 and tourism accounting for 5.1% of total GDP. As a result Colombia has one of the most dynamic hotel markets in the region.

### Tourism Trends

In 2017, total tourism receipts reached USD5.9m, becoming the country's second largest foreign currency generator (after oil exports), and more important than coal and coffee.

In 2017, the majority of tourists staying overnight in hotels in Colombia were domestic visitors (67%). The key international source markets were LatAm (16%), USA (9%) and Europe (4%). The graph below shows the purpose of visit mix within Colombian hotels..

### Purpose of Visit Mix (2017)



Source: DANE, Muestra Mensual de Hoteles.

The above shows that most domestic visitors are staying in hotels for Leisure reasons, whilst international visitors are staying for Business reasons. However, the proportion of international visitors staying for Leisure is expected to increase significantly in future because of the signing of the peace treaty between government and the FARC Guerilla movement in November 2016, after which the country's image has improvement materially worldwide.

## Pipeline

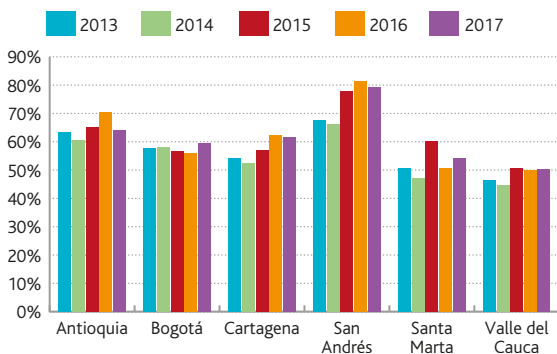
Since 2013, Colombia has received USD7.2bn of FDI into hotel development projects, resulting in one of the highest pipelines in the region. The majority of new supply in the next few years will be within the Upscale segment, and the least activity in the Economy segment, and most construction activity is in Bogota and Cartagena.

## Hotel Performance Trends

Colombia as an overall hotel market has one of the lowest RevPAR levels in the region (after Brazil, on a USD basis), largely because of the rapid growth in supply in recent years (stimulated by a tax incentive introduced in 2003 and removed in Dec 2017, after which the pace of new supply is expected to slowdown and to respond more sensitively to demand levels).

Graph below summarises recent occupancy trends in key cities, and shows that generally speaking such levels have been improving despite strong supply growth (overall country occupancy was c. 55% in 2017).

## Hotel Occupancy Trends



Source: STR 2018. All rights reserved.

Most hotels are relatively small and independently or family operated. There are relatively few major brands in Colombia, despite the fact that recent performance data indicates that Branded hotels have been less affected in terms of RevPAR declines compared to the Independents. The cities with the highest ADRs were: Cartagena (USD130), Bogota (USD87) and San Andres Island (USD75).

We would like to thank Regenera Hospitality Trends for preparing this Snapshot and for further information on Colombia, please contact: [tomas.miro@regenera.co](mailto:tomas.miro@regenera.co)



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