

# LATIN AMERICA & CARIBBEAN HOTELS MONITOR

OCTOBER 2012

ISSUE 1





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. It utilises a Responsible Management philosophy, helping clients spend less money by delivering more efficient, cost conscious and sustainable results on both a corporate and asset basis. The firm has over 2,900 staff operating from more than 120 offices and offers three core services - Quantity Surveying, Building Surveying and Project Management, alongside advisory services.

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STR Global and STR collect hotel performance data from more than 45,000 hotels globally out of which 750 hotels are based in Latin America and the Caribbean. Our commitment to clients is to provide confidential, reliable, accurate and actionable data to assist in strategic and operational decisions. We provide a single source of global hotel performance, profitability, pipeline and census data covering all aspects of the hotel industry.

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## LAC HOTELS MONITOR OCTOBER 2012

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### Introduction

Following on from the success of our EMEA Hotels Monitor, we welcome you to our first edition of the Hotels Monitor for the Latin America and Caribbean region.

The economic crises of recent years have taken their toll on the region, but the last 12 months have seen strong performances in many of the markets under review. In particular, the Caribbean appears to be on the road to recovery, with a notable increase in performance in the Dominican Republic. Conversely, some markets in Latin America have struggled, notably Panama City, where the volume of new supply is outstripping demand.

The lack of development activity in the Caribbean over the last four years has driven construction costs down. Perhaps for this reason, there are a number of hotels in the pipeline across the region which appear to be progressing to some degree. Development hotspots include: Puerto Rico, Dominican Republic and Haiti (which is rebuilding after the devastating earthquake of January 2010).

The Caribbean appears to be on the road to recovery. On the other hand, some markets in Latin America have struggled.

There have been few public transactions in the region in the last 18 months, with the vast majority taking place in Latin America. Also noteworthy are two sales out of receivership on Anguilla.

We hope you enjoy this first issue of the LAC Hotels Monitor and please do send us any feedback or comments.

### Philip Camble

*Director, Whitebridge Hospitality  
Editor, EMEA Hotels Monitor*

## Performance Trends

Jul-Jun Country/City	2012			2011			Growth					
	ADR	Occ	RevPAR	ADR	Occ	RevPAR	ADR		Occ		RevPAR	
	US\$	%	US\$	US\$	%	US\$	Abs (US\$)	%	Abs %	%	Abs (US\$)	%
Aruba	223.10	64.9	144.88	208.55	62.7	130.69	14.55	7.0	2.3	3.6	14.19	10.9
Barbados	319.36	64.7	206.66	328.30	59.8	196.30	-8.94	-2.7	4.9	8.2	10.36	5.3
Dominican Republic	107.25	69.2	74.19	88.94	61.1	54.36	18.31	20.6	8.1	13.2	19.82	36.5
Puerto Rico	171.96	70.4	121.13	167.20	68.8	115.01	4.76	2.8	1.6	2.3	6.12	5.3
US Virgin Islands	306.05	63.9	195.72	272.54	63.0	171.58	33.51	12.3	1.0	1.6	24.14	14.1
Buenos Aires City	153.91	68.4	105.28	143.73	71.1	102.21	10.18	7.1	-2.7	-3.8	3.07	3.0
Sao Paulo	140.86	65.8	92.71	130.35	67.8	88.40	10.51	8.1	-2.0	-2.9	4.31	4.9
Rio de Janeiro	217.21	77.6	168.54	196.44	74.0	145.33	20.77	10.6	3.6	4.9	23.22	16.0
Santiago	169.25	72.5	122.64	152.30	71.2	108.48	16.95	11.1	1.2	1.7	14.16	13.1
Bogota	162.15	57.8	93.71	161.40	60.2	97.11	0.74	0.5	-2.4	-3.9	-3.40	-3.5
Lima	144.10	70.1	101.06	137.48	72.6	99.75	6.62	4.8	-2.4	-3.3	1.31	1.3
San Jose	106.26	60.1	63.87	103.73	57.8	59.91	2.53	2.4	2.4	4.1	3.96	6.6
San Salvador	92.56	67.6	62.53	86.43	67.3	58.16	6.14	7.1	0.3	0.4	4.37	7.5
Cancun/Chetumal	118.91	64.1	76.23	128.40	60.5	77.62	-9.49	-7.4	3.7	6.1	-1.39	-1.8
Mexico City	120.76	63.2	76.27	118.80	60.4	71.76	1.97	1.7	2.8	4.6	4.52	6.3
Panama City	125.89	55.3	69.65	133.66	59.6	79.70	-7.77	-5.8	-4.3	-7.2	-10.05	-12.6

Note: Period of analysis refers to July 2010 – June 2011 and July 2011 to June 2012

Source: STR Global (Latin America), STR (Mexico & Caribbean)

- The majority of markets across Latin America and the Caribbean saw increases in revenue per available room for the 12 months to June 2012, compared to the previous year.
- Only Bogota, Cancun/Chetumal and Panama City reported declining RevPAR in local currency. All three markets experienced higher supply increases compared to other LAC destinations.
- In Panama City the growth in demand, in terms of occupied rooms, was 11% higher than in any other LAC market under review. However, the significant increases in hotel room supply resulted in the lowest occupancy levels of any of the markets listed.
- The Dominican Republic witnessed the greatest increase in RevPAR of all the Caribbean destinations under review, with an increase of over 35% on the previous year's performance.
- Barbados, where STR tracks the performance from 12 hotels, achieved the highest average room rate in US\$ of the selected markets. The Island experienced a contraction in its room supply by 10.8% over the 12 month period in 2012.

## Hotel Construction Costs

Country	Mid market – low	Mid market – high	Luxury
	US\$ per sqm	US\$ per sqm	US\$ per sqm
Anguilla	2,090 - 3,270	2,500 - 4,250	2,910 - 5,230
Antigua & Barbuda	2,420 - 3,450	2,720 - 4,810	3,010 - 6,180
Argentina	994 - 1,352	1,250 - 1,704	1,450 - 2,000
Bahamas	1,510 - 5,450	2,100 - 6,660	2,690 - 7,870
Barbados	1,720 - 3,030	1,830 - 3,630	1,940 - 4,240
Bermuda	2,910 - 3,920	3,200 - 4,580	3,490 - 5,230
Brazil	1,060 - 1,570	1,140 - 1,760	1,140 - 1,990
British Virgin Islands	2,910 - 4,580	3,780 - 5,890	4,650 - 7,190
Cayman Islands	2,480 - 3,880	2,690 - 4,060	2,910 - 4,240
Cuba	2,190 - 3,430	2,460 - 4,110	2,730 - 4,800
Dominica	1,950 - 2,740	2,190 - 3,150	2,430 - 3,560
Dominican Republic	1,220 - 2,740	1,520 - 3,420	1,830 - 4,110
Grenada	2,430 - 3,430	2,560 - 3,770	2,690 - 4,110
Guadeloupe	2,620 - 3,600	3,050 - 4,480	3,490 - 5,360
Haiti	970 - 1,780	1,400 - 2,400	1,830 - 3,030
Jamaica	1,610 - 2,420	2,050 - 3,330	2,480 - 4,240
Martinique	2,620 - 3,600	3,050 - 4,480	3,490 - 5,360
Montserrat	2,190 - 3,460	2,620 - 4,470	3,050 - 5,470
Netherlands Antilles	1,510 - 2,620	1,920 - 3,920	2,330 - 5,230
Puerto Rico	2,330 - 3,270	3,050 - 4,250	3,780 - 5,230
St Kitts & Nevis	2,440 - 3,400	2,850 - 4,450	3,250 - 5,500
St Lucia	2,210 - 3,150	2,730 - 3,860	3,250 - 4,580
St Vincent & The Grenadines	1,950 - 2,740	2,190 - 3,150	2,430 - 3,560
Trinidad & Tobago	1,740 - 2,880	2,330 - 3,730	2,910 - 4,580
Turks and Caicos Islands	1,740 - 2,880	2,180 - 3,400	2,620 - 3,920
US Virgin Islands	3,490 - 4,900	4,360 - 6,050	5,230 - 7,190

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.

Source: Rider Levett Bucknall

- The contraction of the Caribbean Construction Market has continued in 2012. Countries whose output has historically depended on tourism and tourism funded projects have been particularly hard hit as the traditional markets of the UK and USA suffer from recession.
- Speculative development has declined considerably, which combined with public austerity measures, has resulted in a general decline in market confidence.
- Tender prices have also fallen considerably from their peak of 2008 and have now stabilised at the bottom of the cycle. With construction costs remaining fairly static, foreign markets being the source of any specialized materials can have a more significant impact on international benchmark costs than local market factors.
- For those projects coming to the market in the Caribbean, inward investment from China and South America is likely to be a feature.

## Transaction Tracker

Region	Hotel	Location	No. of Keys	Total Price	Per Key	
Portfolio Transactions				US\$	US\$	
	3 x Kerzner International hotels <sup>1</sup>	Bahamas & Mexico	3,691	175,000,000	47,000	
	29 x Grupo Posadas hotels <sup>2</sup>	South America	2,600	275,000,000	106,000	
Single Asset Transactions						
Caribbean	Anguilla	Temenos Resort*	Rendevous	32	15,000,000	469,000
		Cap Juluca*	Maundays Bay	53	25,000,000	472,000
	Jamaica	Pegasus Hotel	Kingston	304	11,000,000	36,000
Latin America	Brazil	TXAI Itacare	Itacare	40	12,200,000	305,000
		Porto Hotel Vitoria	Vitoria	302	38,680,000	128,000
	Mexico	Sun Getaway Resort	Puerto Vallarta	359	18,500,000	52,000
		Hilton Cancun Golf & Spa Resort	Cancun	426	85,000,000	200,000
		Hotel Nikko Mexico	Mexico City	756	190,000,000	251,000
		ME Cancun	Cancun	433	61,200,000	141,000
	Peru	El Pueblo Resort & Convention Centre	Lima	235	13,600,000	58,000

Source: Whitebridge Hospitality

\* Sold out of receivership

<sup>1</sup> End purchaser assumes responsibility for US\$2.3 billion of debt in association with the resorts

<sup>2</sup> Price includes development pipeline of 14 hotels (2,000 rooms)

- Brazil Hospitality Group has been one of the most active players in the region, acquiring Grupo Solare in Brazil for an undisclosed sum in January 2012. Grupo Solare managed eight hotels spanning the quality spectrum from budget to luxury.
- Canadian firm Blue Diamond Hotels & Resorts acquired the 350-key Breezes Trelawyn Hotel in May 2012, and the Grand Paradise Bavario Beach Resort (1,029 keys) in July 2012. Both hotels were acquired for undisclosed sums.

## Selected Projects Under Construction (2012-2013)

Project/Hotel Name	Location	No. of Keys	Hotel Company	Opening	Development Cost	Per Key
					US\$	US\$
Amber Dune Resort & Spa	Dominican Republic	209	Spectrum Hospitality Group	Q4 2012	120,000,000	574,000
Aloft Panama	Panama	312	Starwood Hotels & Resorts	Q4 2012	50,000,000	160,000
Park Inn Don Bosco	Costa Rica	125	Hyatt Hotels Corporation	Q1 2013	16,000,000	128,000
Now Gems @ Cap Cana*	Dominican Republic	350	AM Resorts	Q1 2013	400,000,000	1,143,000
Ritz Carlton Reserve Dorado Beach*	Puerto Rico	200	Ritz Carlton Hotel Company	Q1 2013	342,000,000	1,710,000
Hyatt Place Tijuana	Mexico	144	Hyatt Hotels Corporation	Q2 2013	14,000,000	97,000
Best Western	Haiti	106	Aimbridge Hospitality	Q3 2013	20,000,000	189,000
JW Marriott Hotel & Resort, Coco Beach	Puerto Rico	371	Marriott International	Q4 2013	244,000,000	658,000
Fairmont Dorado Beach	Puerto Rico	500	Fairmont Hotels	Q4 2013	214,000,000	428,000

Source: Whitebridge Hospitality

\* Development cost includes wider resort costs in addition to the hotel

- The focus for new developments is primarily Latin America, with gathering momentum in the hotel pipeline in Puerto Rico and Mexico.

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.

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## SUSTAINABLE CONSTRUCTION TECHNOLOGY

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### General Considerations

Sustainable technologies have become increasingly important to hotel projects. A combination of factors is driving their use including reducing operating costs, reducing carbon emissions, compliance with local codes and to achieve CSR objectives.

As a result of the varying drivers, many facets of the technologies have to be understood; pay back periods, carbon reduction potential and visibility to guests are all considerations.

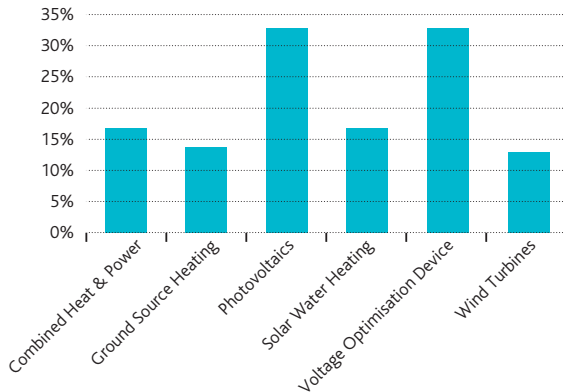
### Payback Periods

The payback period of any technology should consider a number of project-specific factors, including:

- Regulatory opportunities including feed-in tariffs
- Typical weather and climatic conditions
- Proximity to mains services
- Hotel size/offering and resulting services demand

Early modelling of the specific criteria of the project in question will allow both pay back periods and CO<sub>2</sub> savings to be considered for a range of different options.

### Sample Return on Investment



Source: Rider Levett Bucknall

The return on investment is based on a sample project, a notional 150 key mid-market business hotel in an urban location. For specific guidance, project specific data should be modelled and used to assess the cost and benefits of any technology. Local factors will always significantly affect the return on investment. Figures are based on notional geographic location of Middle East for solar technologies and Europe for the remainder.

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## TYPICAL TECHNOLOGIES

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### Combined Heat and Power (CHP)

Combined Heat and Power is a heating boiler and electrical generator combined. The heat used to generate power is then used to heat the building.

### Ground Source Heat Pumps

Heat is drawn from the ground using either a series of horizontal coiled pipes or a vertical bore hole. The sun heats the ground, which below the surface is protected from extremes of heating or cooling.

### Photovoltaics (PV)

Photovoltaic materials (solar cells) generate direct current electricity when exposed to light. Cells are grouped together to form PV modules and solar arrays.

### Solar Thermal

Solar collectors are used to heat domestic water (or sometimes heating systems). A number of systems are available heating by direct or indirect means.

### Voltage Optimisation

The voltage delivered by mains electrical supplies will typically vary (within a tolerance) according to local area demand and length of supply. Voltage Optimisation Devices smooth the supply to the optimum voltage.

### Wind Turbines

Turbines create power from wind using blades to drive a generator. These can range from multiple large scale wind farms to smaller building mounted turbines.

### SUMMARY

Green initiatives are set to not only become a “nice to have” to meet guest expectations but will increasingly be required to comply with legislation such as the Carbon Reduction Commitments. With careful planning technologies can also be implemented that meet expectations for a return on investment.



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