

# LATIN AMERICA & CARIBBEAN HOTELS MONITOR

MAY 2013

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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 3,000 staff across more than 100 international 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 46,000 hotels globally out of which 800 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 MAY 2013

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### Introduction

As reported in our first issue, the Caribbean continues to show signs of recovery with good gains in RevPAR being made across most markets, particularly in the Dominican Republic, Puerto Rico and the US Virgin Islands. Managing the impacts of new supply is the main theme for Latin American countries, with occupancy levels being hit hardest.

Nowhere is this impact being felt more heavily than in Panama, where occupancy levels dipped below 50%. The country alone contributed to over 40% of the total 9,000 new hotel rooms in Latin America. The Ministry of Tourism (ATP) is taking steps to address this imbalance and Whitebridge Hospitality has been working in partnership with ATP to identify ways of boosting room nights.

Latin America continues to dominate the development pipeline within the region, with around 9,000 new hotel rooms added in 2012.

The volume of transactions within the region remains low with reported deals totalling under US\$1 billion. Over half of this amount relates to properties in the Caribbean including several properties obtained through distressed sales, with the resort operator, Sandals, being particularly active.

In this issue, our back page feature explores the relationship between tourism and GDP growth, further illustrating the boom that Latin America is experiencing in contrast to a mixed performance in the Caribbean.

### Paul Thomas

*Director, Whitebridge Hospitality  
Editor, LAC Hotels Monitor*

## Performance Trends

Apr-Mar Country/City	2013			2012			Growth					
	ADR	Occ	RevPAR	ADR	Occ	RevPAR	ADR		Occ		RevPAR	
	US\$	%	US\$	US\$	%	US\$	Abs (US\$)	%	Abs %	%	Abs (US\$)	%
Aruba	227.86	68.47	156.02	222.77	63.99	142.55	5.09	2.3	4.5	7.0	13.47	9.5
Barbados	346.24	63.55	220.04	319.45	63.93	204.22	26.79	8.4	-0.4	-0.6	15.83	7.8
Dominican Republic	113.17	65.19	78.52	101.79	66.03	67.21	11.38	11.2	-0.8	-1.3	11.31	16.8
Puerto Rico	181.22	73.54	133.26	171.36	69.11	118.43	9.86	5.8	4.4	6.4	14.83	12.5
US Virgin Islands	302.29	68.37	206.69	295.82	61.46	181.81	6.47	2.2	6.9	11.2	24.87	13.7
Buenos Aires City	144.36	62.06	89.59	153.40	69.12	106.03	-9.05	-5.9	-7.1	-10.2	-16.44	-15.5
Sao Paulo City	154.33	64.90	100.08	162.82	67.60	110.09	-8.49	-5.2	-2.7	-4.0	-10.01	-9.1
Rio de Janeiro City	238.60	77.90	185.91	230.36	80.20	184.72	8.24	3.6	-2.3	-2.9	1.19	0.6
Santiago	169.15	70.62	119.44	162.36	72.08	117.02	6.79	4.2	-1.5	-2.0	2.42	2.1
Bogota	152.56	56.79	86.63	155.23	61.26	95.09	-2.67	-1.7	-4.5	-7.3	-8.45	-8.9
Lima	144.66	72.06	104.25	138.94	69.57	96.66	5.72	4.1	2.5	3.6	7.59	7.9
San Jose	99.83	57.39	57.29	105.20	59.46	62.55	-5.37	-5.1	-2.1	-3.5	-5.25	-8.4
San Salvador	93.36	65.19	60.87	91.29	68.73	62.74	2.08	2.3	-3.5	-5.1	-1.87	-3.0
Cancun/Chetumal	130.53	66.33	86.58	126.30	63.45	80.14	4.23	3.3	2.9	4.5	6.44	8.0
Mexico City	126.20	62.45	78.80	120.91	63.09	76.28	5.29	4.4	-0.6	-1.0	2.53	3.3
Panama City	115.73	48.54	56.17	126.44	58.73	74.26	-10.71	-8.5	-10.2	-17.4	-18.09	-24.4

Note: Period of analysis refers to April 2011-March 2012 and April 2012-March 2013

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

- There was mixed RevPAR performance across Latin America and the Caribbean, for the past 12 months, ranging from -24.4% for Panama City to 16.8% growth for the Dominican Republic.
- Panama City saw the highest influx of new supply with an increase of 26.2%. This increase subsequently caused the market to have the lowest occupancy of 48.5% which was a decline of 17.4%.
- After Panama City, Bogota had the second highest supply increase of 6.2%.
- Within Latin America the market with the highest RevPAR increase was Lima driven by a 5.4% increase in demand.
- Of the two Brazilian cities, Rio de Janeiro continues to outperform Sao Paulo, mainly driven by the difference in ADR.
- Barbados continues to have the highest ADR and RevPAR performance within the Caribbean, followed closely by the U.S. Virgin Islands.

## 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	975 - 1,310	1,210 - 1,700	1,400 - 2,000
Bahamas	1,510 - 5,450	2,100 - 6,660	2,690 - 7,870
Barbados	1,720 - 3,030	1,830 - 3,600	1,900 - 4,240
Bermuda	2,910 - 3,920	3,200 - 4,580	3,490 - 5,230
Brazil	1,150 - 1,590	1,200 - 1,800	1,400 - 2,950
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
Chile	1,510 - 1,970	1,720 - 2,250	2,050 - 3,590
Cuba	1,700 - 2,300	2,300 - 2,600	2,600 - 3,000
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

Source: Rider Levett Bucknall

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.

- Whilst varying by country, the general state of the Construction industry particularly in the Caribbean is best described as "lethargic".
- Tender prices have generally remained fairly static across Latin America and the Caribbean. As a result, currency fluctuations remain a larger driver for international cost benchmarking.
- Investment in infrastructure, including airport expansions, is starting to be a feature in the region. However, levels of investment are unlikely to drive significant growth in Tender Prices in the short term.

## Transaction Tracker

Region	Hotel	Location	No. of Keys	Total Price	Per Key	
Portfolio Transactions				US\$	US\$	
	Mexico	5 x NH Hotels	Mexico, Chile, Colombia, Uruguay	804	70,000,000	87,000
Single Asset Transactions						
Caribbean	Bermuda	The Fairmont Hamilton Princess	Hamilton	410	130,000,000	317,000
	Cayman Islands	Ritz Carlton Grand Cayman*	Grand Cayman	365	177,500,000	486,000
	Grenada	LaSource Resort <sup>1</sup>	St George's	100	71,000,000	710,000
	Turks & Caicos	The Veranda Resort & Residences	Cockburn Town	168	100,000,000	595,000
Latin America	Uruguay	Conrad Hotel Resort & Casino	Punta del Este	294	140,610,000	478,000
	Mexico	Mosquito Beach & Mosquito Blue Resorts	Playa del Carmen	78	25,500,000	327,000
		El Pueblito Beach Resort	Grand Cayman	365	50,000,000	143,000

Source: Whitebridge Hospitality

\* Sold out of receivership

<sup>1</sup> Price includes an undisclosed capex agreement over 10 years

- Development of The Molasses Reef resort in West Caicos will recommence as a result of new (undisclosed) investment from European investors. The previous developers, Logwood Development Co., have now sold most of their interest in the project.
- Spanish hotelier ROC Hotels acquired three properties in Cuba in February 2013 for an undisclosed sum. The properties, previously owned by C Hotels, include two hotels in Varadero and one in Havana.

## Selected Projects Under Construction (2013-2014)

Project/Hotel Name	Location	No. of Keys	Hotel Company	Opening	Development Cost	Per Key
					US\$	US\$
Marriott Guyana	Guyana	197	Marriott International	2013 Q2	52,000,000	264,000
Sonesta, Costa Rica	Costa Rica	171	Sonesta Collection Group	2013 Q3	40,000,000	234,000
Ritz Carlton Palm Beach*	Aruba	320	Ritz Carlton Hotel Company	2013 Q4	200,000,000	625,000
Hyatt Place Manati	Puerto Rico	104	Hyatt Hotels Corporation	2014 Q1	38,000,000	365,385
Paradise Cayo Largo	Cuba	384	Melia Hotels International	2014 Q2	75,000,000	195,000
Hard Rock Hotel & Casino	Aruba	310	Hard Rock Hotels	2014 Q2	120,000,000	387,000
Hyatt Place Bayamon	Puerto Rico	156	Hyatt Hotels Corporation	2014 Q2	50,000,000	321,000
Marriott Port-au-Prince	Haiti	175	Marriott International	2014 Q2	45,000,000	257,000
Riu Playa Blanca	Panama	520	Riu Hotels & Resorts	2014 Q3	67,000,000	129,000
Hotel des Artistes	Haiti	250	Independent	2014 Q4	38,000,000	152,000

Source: Whitebridge Hospitality

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

- Latin America saw the greatest addition of hotel room stock in 2012, with just under 9,000 new rooms entering the market. Panama in particular has been a key contributor to this growth with over 4,000 new hotel rooms in Panama City alone.
- The focus for new development continues to be in Latin America, although as highlighted from above, the Caribbean will witness a spate of new hotels over the next few years.

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.

## TOURISM & ECONOMIC PERFORMANCE WITHIN THE REGION

We provide an analysis of the change in volume of international tourist arrivals and variance in GDP performance of selected countries within the region between 2011 and 2012.

Studies have shown that there is a direct correlation between international tourist arrivals and GDP growth. This is particularly the case in developing economies where tourism is a key employer and revenue generator.

Our analysis reveals the strong contrast between Latin America and the Caribbean in terms of tourist arrivals and economic growth.

Most of Latin America continues to experience very strong economic performance, with changes in GDP growth between 2011 and 2012, exceeding 8% in countries such as Panama. These markets have witnessed notable increases in arrivals, both from a leisure perspective but also international business tourists eager to capitalise on the economic success within the region.

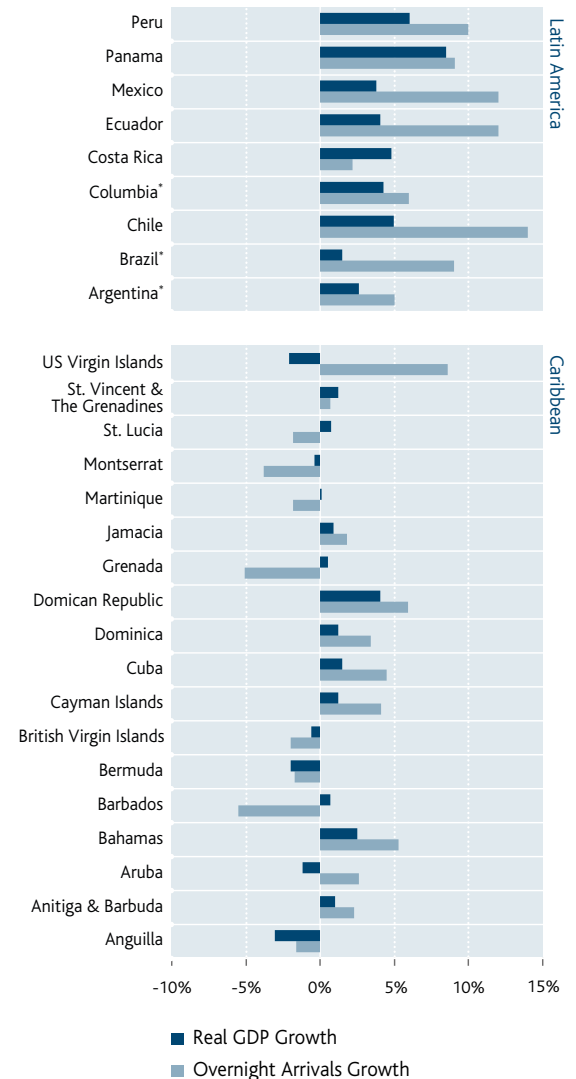
In contrast, the Caribbean, which is an established leisure tourist destination and where tourism is often the principal contributor to GDP, has delivered mixed results between 2011 and 2012.

On the whole, overnight arrivals to the Caribbean are up on the previous year but at considerably lower levels to those achieved in Latin America. Growth has been particularly strong in the US Virgin Islands (albeit from a very small base) and in the Dominican Republic and the Bahamas.

St Lucia, Barbados and Grenada, registered declines in arrivals in 2012. These markets rely heavily upon the USA and the UK for tourists, but tough economic conditions in these feeder markets have contributed to a fall in demand.

The outlook for tourist arrivals in the coming years suggests that Latin America will experience strong annual growth rates in key markets, particularly with the advent of the 2014 FIFA World Cup in Brazil. The Caribbean will continue to deliver mixed results with dependency remaining on the health of the US and European economies.

## Tourism & Economic Performance (2011-2012)



Source: IMF, Caribbean Tourism Organisation and individual country tourism authorities  
\*Whitebridge Hospitality estimates based on official part-year performance indications



**WHITE  
BRIDGE**

Telephone: +44 (0)20 7195 1480  
philip.camble@whitebridgeh.com  
paul.thomas@whitebridgeh.com  
www.whitebridgehospitality.com

## RLB | Rider Levett Bucknall

Telephone: +1 (0)246 435 5795  
mark.williamson@bb.rlb.com  
martyn.bould@ky.rlb.com  
paul.beeston@uk.rlb.com  
www.rlb.com



For hotel data in Mexico and Caribbean contact:

Fatima Thompson  
fatima@str.com  
Telephone: +1 (0)615 824 8664 x 3339  
www.str.com



For hotel data in Latin America contact:

Patricia Boo  
pboo@strglobal.com  
Telephone: +44 (0)20 7922 1967  
www.strglobal.com