

LATIN AMERICA & CARIBBEAN HOTELS MONITOR

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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.

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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 50,000 hotels globally, out of which over 1,000 hotels are based in the LAC region, which is an increase of 200 properties since LAC Hotels Monitor was last published in 2014. 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.

LAC HOTELS MONITOR MAY 2015

Introduction

The deal rush we witnessed in last year's LAC Hotels Monitor was sustained through 2014 and into early 2015, with multiple single hotel deals and an increasing number of portfolio transactions. The various Mexican FIBRAs continue to be active, with many single asset and portfolio deals in the last 12 months.

The Spanish group NH Hotels has started to flex its new financial muscles in the region and acquired Royal Hoteles in Colombia, as well as signing a number of operating agreements. Indeed, the overall pipeline in Central and South America remains strong across the region (up 9.5% over 2014 in March 2015, according to STR Global data). Development in the Caribbean remains relatively subdued, but with performance levels improving and the US economy on a sustained growth trajectory, there is renewed hope for new investment into the islands.

Overall the performance picture seems to have picked up, with many destinations showing strong RevPAR growth. Standout trends include: RevPAR at Rio de Janeiro barely moved (1.7% growth) despite Brazil hosting the 2014 World Cup finals; Panama City RevPAR continues to decline as it struggles to find ways of attracting more visitors; despite unrest in key locations in Mexico, the resorts of Cancun and Chetumal continue to grow strongly (18.2% RevPAR growth over the period under review).

The various Mexican FIBRAs continue to be active, with many single asset and portfolio deals in the last 12 months.

Based on recent work in the region, for our final page feature we highlight an emerging tourism trend and invited EDSA to put forward an example-of-best-practice resort that best encapsulates some of the critical success factors required when designing new resorts for the high spending adventure travel segment.

Philip Camble

Director, Whitebridge Hospitality
Editor, LAC Hotels Monitor

Performance Trends

Apr-Mar City	2015			2014			Growth					
	ADR	Occ	RevPAR	ADR	Occ	RevPAR	ADR		Occ		RevPAR	
	USD	%	USD	USD	%	USD	Abs (USD)	%	Abs %	%	Abs (USD)	%
Aruba	291.58	66.3	193.23	248.31	64.1	159.10	43.27	17.4	2.2	3.4	34.13	21.5
Barbados	339.28	65.1	220.73	328.15	62.5	205.21	11.13	3.4	2.6	4.2	15.52	7.6
Bogota	122.47	56.0	68.54	136.42	57.8	78.86	-13.95	-10.2	-1.8	-3.1	-10.32	-13.1
Buenos Aires City	133.53	63.6	84.87	138.23	64.3	88.85	-4.70	-3.4	-0.7	-1.1	-3.98	-4.5
Cancun/Chetumal	189.27	69.9	132.21	177.07	63.2	111.84	12.20	6.9	6.7	10.6	20.37	18.2
Dominican Republic	125.62	71.2	89.48	115.25	70.7	81.48	10.37	9.0	0.5	0.7	8.00	9.8
Lima	155.28	74.4	115.51	150.88	72.3	109.16	4.40	2.9	2.1	2.9	6.35	5.8
Mexico City	134.01	66.3	88.84	130.38	65.3	85.19	3.63	2.8	1.0	1.5	3.65	4.3
Panama City	104.23	49.0	51.11	108.93	51.2	55.82	-4.70	-4.3	-2.2	-4.3	-4.71	-8.4
Puerto Rico	190.12	72.7	138.17	186.45	72.5	135.21	3.67	2.0	0.2	0.3	2.96	2.2
Rio de Janeiro	222.07	72.5	160.94	212.59	74.4	158.22	9.48	4.5	-1.9	-2.6	2.72	1.7
San Jose	95.77	59.5	57.01	97.99	58.2	57.07	-2.22	-2.3	1.3	2.2	-0.06	-0.1
San Salvador	98.23	65.6	64.46	98.21	69.0	67.80	0.02	0.0	-3.4	-4.9	-3.34	-4.9
Santiago	146.53	66.7	97.75	157.24	69.7	109.65	-10.71	-6.8	-3.0	-4.3	-11.90	-10.9
Sao Paulo	142.30	63.1	89.76	143.50	64.0	91.89	-1.20	-0.8	-0.9	-1.4	-2.13	-2.3
US Virgin Islands	315.93	70.1	221.32	306.68	63.3	194.26	9.25	3.0	6.8	10.7	27.06	13.9

Note: Period of analysis refers to April 2013 to March 2014 and April 2014 to March 2015

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

- It is important to note that the above data is in USD and will be influenced by fluctuating exchange rates in this region. All data displayed above is available in local currency, so please contact STR Global for further information.
- Panama City continues to have the largest pipeline in Central America, which, combined with low demand growth, is suppressing occupancy at low levels.
- The LAC region experienced mixed RevPAR results for the 12 months to March 2015, ranging from declines of -13.5% in Bogota, to over 21% growth on the Caribbean island of Aruba.
- Mexico's growth was driven by occupancy, particularly in the resort destinations, such as Cancun and Chetumal, which grew by 10.6% in the 12 months to March 2015.
- Generally, we are seeing demand growth across Central America and more muted growth in South America. Supply growth has been outpacing demand in both regions.
- RevPAR growth in the Caribbean market over the past 12 months has been driven in the main by increases in ADR as the islands recover from the financial crisis.

Hotel Construction Costs

Country	Mid market – low	Mid market – high	Luxury
	USD per sqm	USD per sqm	USD per sqm
Anguilla	2,100 - 3,340	2,550 - 4,210	2,960 - 5,180
Antigua & Barbuda	2,440 - 3,480	2,750 - 4,860	3,040 - 6,240
Bahamas	1,760 - 3,570	2,170 - 6,890	2,780 - 8,150
Barbados	1,750 - 3,080	2,180 - 3,760	2,620 - 4,420
Bermuda	2,960 - 4,000	3,370 - 4,690	3,670 - 5,330
Brazil	990 - 1,460	1,120 - 2,090	1,260 - 2,700
British Virgin Islands	3,060 - 4,810	3,970 - 6,180	4,880 - 7,550
Cayman Islands	2,520 - 3,940	2,730 - 4,120	3,100 - 5,180
Chile	1,520 - 2,060	1,800 - 2,410	2,200 - 3,770
Cuba	1,990 - 2,960	2,300 - 2,810	2,550 - 3,320
Dominica	2,000 - 2,800	2,250 - 3,250	2,500 - 3,660
Dominican Republic	1,350 - 2,950	1,690 - 3,730	2,040 - 4,260
Grenada	2,380 - 3,360	2,510 - 3,690	2,640 - 4,030
Guadeloupe	2,700 - 3,750	3,200 - 4,690	3,700 - 5,400
Haiti	1,060 - 1,910	1,530 - 2,550	1,960 - 3,210
Jamaica	1,600 - 2,370	2,110 - 3,430	2,270 - 4,370
Martinique	2,750 - 3,800	3,120 - 4,600	3,600 - 5,500
Montserrat	2,210 - 3,410	2,640 - 4,420	3,040 - 5,380
Netherlands Antilles	1,640 - 2,740	2,130 - 4,160	2,540 - 5,470
Puerto Rico	2,470 - 3,470	3,240 - 4,510	4,020 - 5,560
St Kitts & Nevis	2,650 - 3,760	3,140 - 4,880	3,570 - 6,040
St Lucia	2,250 - 3,210	2,780 - 3,940	3,320 - 4,670
St Vincent & The Grenadines	1,950 - 2,740	2,190 - 3,150	2,430 - 3,560
Trinidad & Tobago	1,740 - 2,880	2,180 - 3,400	2,910 - 4,580
Turks and Caicos Islands	1,740 - 2,880	2,180 - 3,400	2,620 - 3,920
US Virgin Islands	3,710 - 5,130	4,620 - 6,330	5,510 - 7,420

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 included. 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.

- Since last year's LAC Hotels Monitor, the Caribbean region has seen improved growth in 2014 and early 2015, and the outlook for 2015 is for further growth, although inevitably in an area characterised by individual island economies, the picture is very varied.
- The economic improvement is leading to a continuing recovery in the construction industry, although this is by no means at a universal pace. Construction prices are expected to increase steadily over the next year or so.
- Construction costs are growing fastest in the Bahamas, British Virgin Islands and St Kitts & Nevis.

Transaction Tracker

Country	Hotel	Location	No. of Keys	Total Price	Per Key
Portfolio Transactions				USD	USD
	6x Tivoli hotels	Brazil, Portugal	1,685	190,800,000	113,000
	20x Royal Hotels	Colombia	2,257	98,900,000	44,000
	27x Decameron Hotels & Resorts	LatAm, Carib, Africa	7,561	500,000,000	66,000
	4x Microtel Inn hotels	Mexico	463	19,300,000	42,000
	2x hotels in Xalapa	Mexico	245	16,400,000	67,000
Single Asset Transactions					
Bahamas	One&Only Ocean Club	Paradise Island	105	105,000,000	1,000,000
Colombia	NH Parque 93	Bogota	137	24,400,000	178,000
Costa Rica	Mona Lisa Hotel & Casino	San Jose	93	10,000,000	108,000
Jamaica	Hilton Rose Hall	Montego Bay	489	85,500,000	175,000
	Sunset Jamaica Grand	Ocho Rios	730	300,000,000	411,000
Mexico	Casa Grande Chihuahua	Chihuahua	115	8,000,000	69,000
	Valle Grande Hotel	Ciuda Obregon	135	8,500,000	63,000
	Microtel Ciudad Juarez	Ciudad Juarez	117	4,300,000	37,000
	Fiesta Inn Cuernavacao	Cuernavacao	155	18,000,000	116,000
	Microtel Culiacan	Culiacan	109	3,900,000	36,000
	Casa Grande Delicias	Delicias	89	5,400,000	61,000
	Mexico Plaza Guadalajara Andares	Guadalajara	186	12,900,000	69,000
	Hotel Mexico Plaza Silao	Guanajuato	143	7,000,000	49,000
	Fussion 5 Hotel	Leon	165	9,300,000	56,000
	Fairfield Inn by Marriott	Los Cabos	128	8,500,000	66,000
	Hilton Centro Historico	Mexico City	458	90,000,000	197,000
	Crowne Plaza Monterrey Airport	Monterrey	219	26,500,000	121,000
	Sheraton Ambassador	Monterrey	229	13,500,000	59,000
Fiesta Inn San Luis Potosi Oriente	San Luis	140	9,500,000	68,000	
Lausana Tijuana Hotel	Tijuana	140	9,200,000	65,000	

Source: Whitebridge Hospitality

- Soros Fund Management participated in the recapitalisation of Atlantica Hotels International in Brazil.
- China State Construction Engineering Corporation (a major Chinese contractor) acquired the famous British Colonial Hotel in Nassau, Bahamas (famous for featuring in the James Bond movie *Thunderball*, and in keeping with the secret agent spirit, the price was not disclosed).
- Melia Hotels International and Popular Group (a leading financial services group in the Dominican Republic) issued bonds in the sum of €90m to help fund Melia's investments on Dominican Republic.
- UK-based London & Regional Properties acquired the Fairmont Royal Pavillion on Bardados.

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.

A DESIGN TREND IN THE LAC REGION

Introduction

The rich natural world of the LAC region has caught the attention of the international tourism industry, especially the booming adventure tourism segment.

A Wealth of Nature

The wondrous natural landscape of the LAC region is home to:

- 13% of the world's land mass
- 23% of the world's forests
- 31% of the world's freshwater resources
- 35% of the world's megadiverse countries.

Investment Opportunities

Owners and developers are becoming aware that the most successful resort properties are those with authentic, indigenous designs that preserve and enhance natural assets. With so much opportunity in the LAC region, the need for forward-thinking design and restraint in development becomes even more important.

Therefore, a well conceived project should attract the adventure traveller, who is a welcome guest from a purely commercial perspective.

The Adventure Traveller

Adventure travelers are a booming breed that tend to stay longer at a destination, spend more than the average tourist, and seek out experiences that benefit local communities and ecologies. According to the Adventure Travel Trade Association, approximately two-thirds of an adventure traveler's budget is spent directly in the destination, compared to just 10-15% for the traditional tourist. The wondrous natural landscapes of Latin America and the Caribbean are fueling demand for sustainable, unique adventure experiences, and to remain competitive the industry must develop more responsibly and do more to conserve the land, culture and wildlife.

Consumers are increasingly turning their backs on artificial 'travel worlds' in favor of destinations with greater local authenticity and community interaction. This trend has led to a 195% growth of adventure travelers between 2010 and 2013, with over 42% of travelers departing on adventure trips according to the 2014 UNWTO Global Report on Adventure Tourism.

Case Study - Punta Mita, Mexico



After years of declining tourism in Puerto Vallarta, a region on the Pacific Coast of Mexico, the local government decided to partner with developers in an effort to improve regional tourism. They commissioned EDSA to prepare a sustainable master plan for the 2,470 acre Punta Mita peninsula.



Innovative solutions included the creation of a fishing village for a community that had taken possession of a part of the site, bolstering the local economy and adding to the authenticity of the site. The peninsula is also home to award winning Four Seasons and St. Regis branded hotels, a range of low density residential homes, a signature golf course, and extensive areas preserved for natural conservation.

EDSA's design of the St. Regis placed heavy emphasis on outdoor amenities and attractions, with a focus on leaving a light footprint on the land. The region's first outdoor spa embraces the climate and beauty of the location with open, natural features. EDSA's master plan successfully unified cultural influences and the area's natural topography and ecology, resulting in increased market share, a unique luxury destination, and appeal for experience driven adventure tourists.

Photographs provided by EDSA.
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