

LATIN AMERICA & CARIBBEAN HOTELS MONITOR

MAY 2019

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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.



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Rider Levett Bucknall is an independent construction, property and management consultant, providing advice focused on the cost, quality and sustainability of the built environment. Worldwide the firm has over 3,600 staff operating from more than 120 offices. Its international reach ensures that it provides services in line with the latest innovations and examples of best practice, supporting expertise across all sectors of the built environment. Achievements are renowned: from the early days of pioneering quantity surveying, to landmark projects such as the Sydney Opera House, HSBC Headquarters Building in Hong Kong, the 2012 London Olympic Games and CityCenter in Las Vegas.



STR provides clients with access to hotel research with regular and custom reports covering over 64,000 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

After a tempestuous 2017, the Caribbean was virtually untouched by natural disasters and cyclones in 2018. Under such balmy and sun-filled skies, this sub-region has prospered (with 15 of 24 destinations recording growth in arrivals, according to CTO) and many islands recorded positive RevPAR growth. Within the LatAm sub-region, performance trends were far more mixed, with many destinations suffering from supply growth issues and negative currency fluctuations (note all RevPAR results in this Monitor are shown in USD).

Some upward pressure on development costs in the Caribbean is likely to be more than matched by increases in future performance levels, as a US-led recovery across the sub-region continues. Perhaps as a consequence of such a bright forecast, the Caribbean pipeline continues to look strong and many hotels have been refurbished.

The transaction space was relatively quiet in the last 12 months, with only one portfolio deal of note and a handful of single asset transactions (some of which were subject to multiple trades within the period, notably: the Grand Lucayan Resort Bahamas, bought and sold by the Government; and the Hilton Beach & Golf Resort Los Cabos in Mexico, sold as a whole followed by the sale of a subset of rooms to Hilton Grand Vacations).

Such a bright forecast, the Caribbean pipeline continues to look strong and many hotels have been refurbished.

For our final page feature, RLB has delved into the recent social media archives in order to provide some valuable design tips with which to maximise a hotel's performance by increasing its social appeal in this new social media savvy world.

Philip Camble

Director, Whitebridge Hospitality
Editor, LAC Hotels Monitor

Performance Trends

Apr-Mar City	2019			2018	
	ADR	Occ	RevPAR	ADR	Occ
	USD	%	USD	USD	%
Aruba	326.6	76.0	248.1	296.4	75.5
Barbados	286.6	67.8	194.2	277.0	67.7
Dominican Republic	141.7	73.5	104.2	139.7	72.5
Puerto Rico	205.8	67.6	139.1	189.4	72.6
San Jose	99.3	69.4	68.9	96.3	71.8
San Salvador	95.4	70.6	67.4	96.1	68.2
Panama City	92.7	49.8	46.2	89.6	53.3
Mexico City	121.3	67.4	81.8	124.0	66.3
Cancun	204.5	70.7	144.5	209.8	73.5
Buenos Aires	118.0	69.4	81.9	113.5	70.0
Rio de Janeiro	96.6	53.0	51.2	110.8	48.6
Sao Paulo	94.5	62.6	59.2	101.9	61.1
Santiago	123.2	67.7	83.3	124.9	70.7
Bogota	88.1	57.1	50.3	89.9	56.3
Lima	133.6	63.6	85.0	137.5	68.4

Note: Period of analysis refers to April 2018 to March 2019 and April 2017 to March 2018

Source: STR

- Please note that the data above is reported in USD and will be subject to fluctuating exchange rates. All data displayed is also available in local currencies, please contact STR for more information.
- Rate performance was mixed throughout the region, driven by currency inflations and devaluations that affected Venezuela and Argentina, most notably.
- Demand continues to outpace supply in South America. When analysing performance on a subcontinent level, both Central and South America reported occupancy growth in 2018, increasing by 2.1% and 2.2%, respectively.
- Brazil, with over 19,000 rooms in the pipeline, remains the country with the highest volume of new inventory expected in the coming years. Peru and Colombia follow, with more than 5,500 rooms in their respective pipelines, while Chile sits fourth with 3,600 rooms.

RevPAR	ADR		Growth Occ		RevPAR	
	Abs (USD)	%	Abs %	%	Abs (USD)	%
223.81	30.2	10.2%	0.4	0.6%	24.3	10.8%
187.60	9.6	3.5%	0.0	0.1%	6.6	3.5%
101.21	2.1	1.5%	1.1	1.5%	3.0	3.0%
137.46	16.4	8.7%	-5.0	-6.9%	1.6	1.2%
69.13	3.0	3.1%	-2.4	-3.4%	-0.2	-0.4%
65.54	-0.7	-0.7%	2.5	3.6%	1.9	2.8%
47.76	3.1	3.4%	-3.5	-6.5%	-1.6	-3.3%
82.30	-2.7	-2.2%	1.1	1.6%	-0.5	-0.6%
154.19	-5.4	-2.6%	-2.8	-3.8%	-9.7	-6.3%
79.48	4.4	3.9%	-0.6	-0.8%	2.4	3.0%
53.78	-14.1	-12.8%	4.4	9.2%	-2.6	-4.8%
62.29	-7.4	-7.3%	1.5	2.5%	-3.1	-5.0%
88.22	-1.7	-1.4%	-3.0	-4.2%	-4.9	-5.5%
50.60	-1.8	-2.0%	0.8	1.4%	-0.3	-0.6%
94.08	-3.9	-2.9%	-4.8	-7.0%	-9.1	-9.7%

- Santiago recorded a 4.2% decline in occupancy, driven by supply growth that saw the market reach 15,500 rooms.
- San Jose maintained one of the highest year-end occupancy levels in Central America (79.4%), despite a 2.4% drop in the metric when compared with 2017 levels. MICE business helped drive ADR growth (+3.1%), with the opening of the \$35million Costa Rica Convention Center in April 2018.

Hotel Construction Costs

Country	Mid market – low
	USD per sqm
Anguilla	2150 - 3230
Antigua & Barbuda	2560 - 3130
Bahamas	1530 - 4890
Barbados	1730 - 2700
Bermuda	3000 - 3620
Brazil	1200 - 1480
British Virgin Islands	3070 - 4310
Cayman Islands	2530 - 3530
Cuba	2310 - 3230
Dominica	2170 - 2700
Dominican Republic	1240 - 2490
Grenada	2550 - 3200
Guadeloupe	2650 - 3230
Haiti	1010 - 1650
Jamaica	1660 - 2210
Martinique	2670 - 3280
Montserrat	2200 - 3060
Netherlands Antilles	1570 - 2480
Puerto Rico	2480 - 3100
St Kitts & Nevis	2520 - 3190
St Lucia	2230 - 3010
St Vincent & The Grenadines	2010 - 2520
Trinida & Tobago	2150 - 3260
Turks and Caicos Islands	1940 - 2910
US Virgin Islands	3770 - 4520

Source: Rider Levett Bucknall

- Economic activity in the Caribbean is expected to grow in the next 12 months, supported by US-led tourism and continued activity in construction from the 2017 hurricanes.
- Industry wide focus on quality of construction and code-compliance is likely to have an upward pressure on costs.
- The island economies are expected to grow in 2018, although in several cases this is a recovery from significant decline.

Mid market – high

Luxury

USD per sqm	USD per sqm
2420 - 3740	3010 - 4840
2700 - 4160	3130 - 5710
2370 - 4460	2720 - 7070
1970 - 3290	2590 - 4330
3160 - 4100	3620 - 4810
1280 - 2000	1350 - 2900
3380 - 5570	4910 - 6570
2780 - 3430	3060 - 3980
2540 - 3550	2900 - 4520
2300 - 3030	2700 - 3520
1550 - 2600	1860 - 3720
2710 - 3210	2810 - 3820
2800 - 4050	3530 - 4830
1170 - 2250	1890 - 2800
1800 - 3070	2540 - 3860
2820 - 4080	3560 - 4870
2420 - 3790	3060 - 4890
1800 - 3380	2410 - 4840
2640 - 4400	4030 - 4950
2690 - 4100	3410 - 5130
2430 - 4040	3280 - 5190
2140 - 3380	2520 - 4680
2430 - 4040	3280 - 5190
2180 - 3610	2960 - 4580
3960 - 6030	5380 - 7000

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 impact of US-China trade wars is being watched closely, what with the Caribbean being a destination for Chinese investment.

Transaction Tracker

Region	Hotel
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Portfolio Transactions

Cayman	2x Grand Cayman resorts ¹
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Single Asset Transactions

Bahamas	Grand Lucayan Resort Grand Lucayan Resort ²
Mexico	Secrets Silversands Riviera Clevia Grand Leon ³ Hilton Beach & Golf Resort ⁴

Region	Hotel	Opening
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Selected Development Projects

Dominican Republic	Presidential Suites By Lifestyle	2018
Puerto Rico	Boho Beach Club	2018
Bahamas	Margaritaville at The Pointe*	2019
Dominican Republic	Melia Grand Reserve at Paradisus	2019
Mexico	Holiday Inn Express Playa del Carmen	2019
Mexico	TRS Coral & Grand Palladium	2019
Bahamas	GoldWynn*	2020
Dominican Republic	Hacienda Samana Bay*	2020
Dominican Republic	Hampton by Hilton Airport	2020
Jamaica	H10 Ocean Coral Spring	2021
Mexico	Breathless Cancun Resort	2021
Puerto Rico	Zafira St Clair	2021
Dominican Republic	Moon Palace	2023

Source: Whitebridge Hospitality

* includes residential

- Other notable deals: Walton Street Capital acquired JW Marriott Mexico City (Mex); HES Group acquired Embassy Suites by Hilton Santo Domingo (DR).
- Corporate deals: Access Industries & partners invested in Selina (USD100m, Pan); AccorHotels invested in Atton Hotels (USD105m, Chi).

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.

Location	No. of Keys	Total Price	Per Key
		USD	USD
Grand Cayman	474	339,800,000	717,000
Freeport	709	65,000,000	92,000
Freeport	519	65,000,000	125,000
Cancun	441	160,000,000	363,000
Leon	140	10,300,000	73,000
Los Cabos	87	41,000,000	471,000

Location	No. of Keys	Total Price	Per Key
		USD	USD
Cabarete	77	36,000,000	468,000
Cabo Rojo	61	4,500,000	74,000
Nassau	300	250,000,000	833,000
Punta Cana	432	110,000,000	255,000
Playa del Carmen	91	8,000,000	88,000
Yucatan Peninsula	1,139	280,000,000	246,000
Nassau	90	120,000,000	1,333,000
Samana Peninsula	100	100,000,000	1,000,000
Punta Cana	150	15,000,000	100,000
Falmouth	1,000	250,000,000	250,000
Cancun	429	160,000,000	373,000
Vieques	134	50,000,000	373,000
Punta Cana	2,149	600,000,000	279,000

¹ Westin Seven Mile Beach Resort, Sunshine Suites Resort

² sold twice within the period

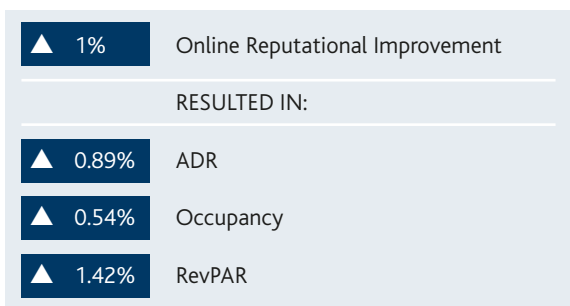
³ for a 50% stake

⁴ keys sold after sale of whole resort

DESIGN, SOCIAL MEDIA AND HOTEL PERFORMANCE

Introduction

In 2012, Cornell University undertook research using STR data to find a link between online reputational score and hotel performance. It found that a 1% increase in online reputational score led up to a 1.4% increase in RevPAR¹.



More recently in 2018, McKinsey identified that personalisation in marketing can drive between 5%-15% revenue growth for companies in the travel sector².

Another Cornell University paper highlights the growth of the Millennials segment: *"For millennials, more often than not, it's all about the experience - along with the resulting Instagram or Snapchat photo"*³.

So: can design trends be linked to social media strategy as a way to improve hotel performance?

Key Hotel Design Trends To Create Instagramable Moments

Wellbeing is seeing outside spaces being brought into hotels (greenery) and blurring the transition from inside to outside spaces. Consider contemplation spaces to encourage mindfulness, Yoga terraces and holistic spas. Meaningful mechanical and electrical systems, such as water purification and lighting design to align with circadian rhythms, are increasingly common.

Sustainability aligns with Millennial values. Forget "greenwash" and look for genuine attempts to minimise or offset carbon footprint. Think sustainably sourced materials and embodied energy.

“Experiential” offerings, whereby curated experiences are increasingly being offered. Design impacts include curated art, whisky bars, sommelier stations, chef’s tables and cookery classes.

Lobbies and lounges as “social spaces” as digital natives are not socially isolated in real life. Consider uptake of “co-working” environments in the workplace: communal tables encourage casual interactions, and lounges and bars need a buzz at all times of the day. Such spaces are being blended with lobbies, where you can forget the traditional reception desk too (a check-in experience needs to be more personable and not “over the counter”).

Local interiors and architecture should include locally inspired themes, as bland branded interiors do not create images worth sharing. Interesting and unique buildings make great photo opportunities. Then there is the all-important setting and vistas.

Independent/local F&B offers for authentic travel experiences worth sharing, independent and local F&B offers are on the increase. Food provenance and artisan are key trends. Increasingly hotels are looking to local communities to drive F&B revenue, which makes for a more authentic offer.

In summary, designers can respond to new hotel distribution channels and play a critical part in helping to drive performance through them.

¹ Anderson, C. (2012). The impact of social media on lodging performance [Electronic article]. Cornell Hospitality Report, 12(15), 6-11.

² McKinsey & Co (2018) No customer left behind: How to drive growth by putting personalization at the center of your marketing

³ Adamson, A., & Dev, C. S. (2016). Hospitality branding in the age of the millennial. Boston Hospitality Review, 4(3), 1-9.



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