

LATIN AMERICA & CARIBBEAN HOTELS MONITOR

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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

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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 2016

Introduction

The last 12 months in the LAC region have witnessed some significant performance ups and downs. High level, RevPARs in LatAm declined, whilst those in the Caribbean were stable and even grew slightly. Zooming in, Brazil suffered from low levels of demand growth and high levels of supply growth, with RevPAR falling by -48.2% in Rio and by -35% in Sao Paulo. Material declines also occurred in Bogota (-17.4%) and Buenos Aires (-8%).

Relative stability in the Caribbean has resulted in a good number of very sizeable projects being announced since our last LAC Hotels Monitor. These include: a USD1.5bn mixed use scheme on a 38ha site at Pensioner's Beach on Antigua, being promoted by Mr Ahmed Abbas Alewi (Antigua and Barbuda's Ambassador to Iraq); and Robert De Niro is in on the action having announced a USD250m resort project on the former K-Club resort site, Barbuda.

The number of transactions with full publicly available data has dropped off and our Transaction Tracker is looking lighter than normal of late. Perhaps declining performance levels are having an effect on value expectations, which, combined with continuing funding constraints, are affecting overall appetite for deals in the region.

From a construction perspective, the levels of development activity are such that steady, if modest, cost inflation is prevailing in most countries.

Relative stability in the Caribbean has resulted in a good number of very sizeable projects being announced since our last LAC Hotels Monitor.

In recognition of the growing importance of pipeline in the region, our final page feature provides an overview of planned hotel development in key countries, broken down by standard/quality of accommodation to be built.

Philip Camble

Director, Whitebridge Hospitality
Editor, LAC Hotels Monitor

Performance Trends

| Apr-Mar City | 2016 | | | 2015 | |
|--------------------|-------|------|--------|-------|------|
| | ADR | Occ | RevPAR | ADR | Occ |
| | USD | % | USD | USD | % |
| Aruba | 280.4 | 66.3 | 185.8 | 288.6 | 66.5 |
| Barbados | 291.2 | 68.9 | 200.5 | 283.6 | 65.8 |
| Bogota | 98.8 | 55.3 | 54.6 | 120.2 | 55.1 |
| Buenos Aires City | 125.9 | 61.2 | 77.1 | 132.2 | 63.4 |
| Cancun/ Chetumal | 200.6 | 70.6 | 141.6 | 185.8 | 70.7 |
| Dominican Republic | 133.2 | 69.9 | 93.1 | 125.9 | 70.5 |
| Lima | 150.8 | 68.3 | 103.0 | 151.6 | 74.7 |
| Mexico City | 134.2 | 67.4 | 90.4 | 134.2 | 66.1 |
| Panama City | 100.2 | 50.6 | 50.7 | 103.7 | 50.5 |
| Puerto Rico | 191.5 | 73.7 | 141.2 | 187.9 | 72.3 |
| Rio de Janeiro | 127.2 | 61.3 | 78.0 | 217.1 | 69.4 |
| San Jose | 95.3 | 64.6 | 61.6 | 95.7 | 59.5 |
| San Salvador | 98.8 | 67.4 | 66.6 | 98.2 | 65.6 |
| Santiago | 141.5 | 65.7 | 93.0 | 142.7 | 66.3 |
| Sao Paulo | 95.9 | 59.3 | 56.9 | 140.7 | 62.2 |
| US Virgin Islands | 329.8 | 75.2 | 248.1 | 314.9 | 70.4 |

Note: Period of analysis refers to April 2014 to March 2015 and April 2015 to March 2016

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.
- Rio de Janeiro and Sao Paulo top the list of cities with the highest amount of rooms in pipeline, followed by Lima.
- The LAC region experienced mixed RevPAR results from the period April 2015 to March 2016, ranging from declines of -48.2% in Rio de Janeiro, to +12.0% in the US Virgin Islands.

| RevPAR | ADR | | Growth | | RevPAR | |
|--------|-----------|--------|--------|--------|-----------|--------|
| | Abs (USD) | % | Abs % | % | Abs (USD) | % |
| 191.91 | -8.3 | -2.9% | -0.2 | -0.3% | -6.1 | -3.2% |
| 186.74 | 7.6 | 2.7% | 3.0 | 4.6% | 13.8 | 7.4% |
| 66.17 | -21.4 | -17.8% | 0.3 | 0.5% | -11.5 | -17.4% |
| 83.79 | -6.3 | -4.7% | -2.2 | -3.4% | -6.7 | -8.0% |
| 131.28 | 14.9 | 8.0% | -0.1 | -0.1% | 10.3 | 7.9% |
| 88.74 | 7.3 | 5.8% | -0.6 | -0.8% | 4.4 | 5.0% |
| 113.30 | -0.8 | -0.5% | -6.4 | -8.6% | -10.3 | -9.1% |
| 88.70 | 0.0 | 0.0% | 1.2 | 1.9% | 1.7 | 1.9% |
| 52.32 | -3.5 | -3.3% | 0.1 | 0.2% | -1.7 | -3.2% |
| 135.90 | 3.7 | 2.0% | 1.4 | 1.9% | 5.3 | 3.9% |
| 150.70 | -89.9 | -41.4% | -8.1 | -11.7% | -72.7 | -48.2% |
| 56.91 | -0.4 | -0.4% | 5.1 | 8.6% | 4.6 | 8.2% |
| 64.46 | 0.6 | 0.6% | 1.8 | 2.8% | 2.2 | 3.4% |
| 94.60 | -1.2 | -0.9% | -0.6 | -0.9% | -1.6 | -1.7% |
| 87.47 | -44.8 | -31.9% | -2.9 | -4.6% | -30.6 | -35.0% |
| 221.58 | 14.9 | 4.7% | 4.9 | 6.9% | 26.5 | 12.0% |

- Central America has seen the strongest demand growth between April 2015 and March 2016 in the region, rising by 5.5% compared to the same period last year. Coupled with a 2.5% increase in supply, Central America RevPAR grew by 2.5%.
- South America experienced a 3.3% dip in demand during the same period, and in combination with a steep fall in rates, the region's RevPAR dropped by -28.0%.
- While demand and supply in the Caribbean have changed at similar paces between April 2015 and March 2016, an emphasis on ADR led to a 2.5% RevPAR boost.

Hotel Construction Costs

| Country | Mid market – low |
|-----------------------------|------------------|
| | USD per sqm |
| Anguilla | 2,200 - 3,000 |
| Antigua & Barbuda | 2,600 - 3,300 |
| Bahamas | 1,600 - 5,100 |
| Barbados | 1,800 - 2,800 |
| Bermuda | 3,100 - 3,700 |
| Brazil | 850 - 1,200 |
| British Virgin Islands | 3,000 - 4,300 |
| Cayman Islands | 2,600 - 3,700 |
| Cuba | 2,400 - 3,400 |
| Dominica | 2,100 - 2,700 |
| Dominican Republic | 1,300 - 2,600 |
| Grenada | 2,600 - 3,300 |
| Guadeloupe | 2,700 - 3,300 |
| Haiti | 1,100 - 1,700 |
| Jamaica | 1,700 - 2,300 |
| Martinique | 2,700 - 3,300 |
| Montserrat | 2,300 - 3,200 |
| Netherlands Antilles | 1,600 - 2,400 |
| Panama | 2,100 - 2,900 |
| Puerto Rico | 2,500 - 3,100 |
| St Kitts & Nevis | 2,600 - 3,200 |
| St Lucia | 2,300 - 2,900 |
| St Vincent & The Grenadines | 2,000 - 2,500 |
| Trinidad & Tobago | 1,800 - 2,700 |
| Turks and Caicos Islands | 1,800 - 2,700 |
| US Virgin Islands | 3,700 - 4,600 |

Source: Rider Levett Bucknall

- Many of the islands have seen construction activity levels come back in most sectors.
- Fragility still remains with public debt and finance being a challenge to many projects. Steady (if modest) construction inflation is being seen in most countries.
- Inevitably there is variance across the island economies. Construction growth is most balanced in the Bahamas, Haiti and Jamaica with all sub-sectors of construction activity reporting various stages of growth.

Mid market – high

Luxury

| USD per sqm | USD per sqm |
|---------------|---------------|
| 2,600 - 3,900 | 3,000 - 4,900 |
| 2,900 - 4,600 | 3,300 - 5,900 |
| 2,200 - 6,200 | 2,800 - 7,400 |
| 2,300 - 3,700 | 2,700 - 4,500 |
| 3,400 - 4,300 | 3,700 - 4,900 |
| 950 - 1,700 | 1,050 - 2,200 |
| 3,900 - 5,500 | 4,900 - 6,700 |
| 2,900 - 3,800 | 3,100 - 4,000 |
| 2,700 - 4,000 | 3,000 - 4,700 |
| 2,400 - 3,100 | 2,700 - 3,500 |
| 1,600 - 3,200 | 1,900 - 3,900 |
| 2,700 - 3,600 | 2,900 - 3,900 |
| 3,200 - 4,200 | 3,600 - 5,000 |
| 1,500 - 2,300 | 2,000 - 2,900 |
| 2,100 - 3,100 | 2,600 - 3,900 |
| 3,200 - 4,200 | 3,700 - 5,000 |
| 2,700 - 4,100 | 3,200 - 5,100 |
| 2,000 - 3,700 | 2,400 - 4,900 |
| 2,500 - 3,600 | 2,900 - 4,400 |
| 3,200 - 4,000 | 4,000 - 4,900 |
| 3,000 - 4,200 | 3,400 - 5,200 |
| 2,900 - 3,600 | 3,400 - 4,300 |
| 2,300 - 2,900 | 2,500 - 3,300 |
| 2,500 - 3,500 | 3,100 - 4,300 |
| 2,300 - 3,200 | 2,700 - 3,700 |
| 4,600 - 5,700 | 5,600 - 6,800 |

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.

Transaction Tracker

| Region | Hotel |
|--------|-------|
|--------|-------|

Single Asset Transactions

| | |
|-------------------|---------------------------------|
| Barbados | Waves Hotel & Spa |
| Cayman | Treasure Island Resort |
| Jamaica | Breezes Montego Bay |
| Mexico | Casa Grande Ciuda Juarez |
| | City Express Chihuahua |
| | City Express Junior Chihuahua |
| | Courtyard by Marriott Chihuahua |
| | Hampton by Hilton Chihuahua |
| | Arriva Express Plaza del Expo |
| | Staybridge Suites Expo |
| | Hampton by Hilton Hermosillo |
| | Holiday Inn Reynosa Industrial |
| Puerto Rico | El San Juan Resort & Casino |
| | San Juan Beach Hotel |
| US Virgin Islands | Ritz-Carlton St Thomas |

| Region | Hotel | Opening |
|--------|-------|---------|
|--------|-------|---------|

Selected Development Projects

| | | |
|------------|------------------------|------|
| Antigua | Labahia Hotel Resort | 2018 |
| Bermuda | St Regis Resort & Golf | 2018 |
| Costa Rica | Rosewood Resort | 2018 |
| Cuba | Suntime International | tbc |
| Jamaica | Courtyard by Marriott | 2015 |
| Mexico | Sofitel Mexico Reforma | 2017 |
| Nicaragua | Hyatt Hotel | 2016 |

Source: Whitebridge Hospitality

- Other deals of note included: The Cove (Bahamas) acquired by Enchantment Group; Fiesta Americana Monterrey and Cencali Villahermosa (Mexico) acquired by FibraHotel; Grand Pineapple Resort (Antigua) acquired by Elite Island Resorts.

| Location | No. of Keys | Total Price | Per Key |
|--------------|-------------|-------------|---------|
| St James | 70 | 18,000,000 | 257,000 |
| Grand Cayman | 288 | 15,500,000 | 54,000 |
| Montego Bay | 124 | 7,800,000 | 63,000 |
| Chihuahua | 145 | 6,900,000 | 48,000 |
| Chihuahua | 104 | 5,400,000 | 51,000 |
| Chihuahua | 105 | 2,200,000 | 21,000 |
| Chihuahua | 152 | 14,400,000 | 95,000 |
| Chihuahua | 190 | 19,700,000 | 104,000 |
| Guadalajara | 181 | 8,600,000 | 48,000 |
| Guadalajara | 117 | 8,200,000 | 70,000 |
| Hermosillo | 151 | 11,100,000 | 74,000 |
| Poniente | 95 | 7,200,000 | 76,000 |
| San Juan | 387 | 71,000,000 | 183,000 |
| San Juan | 96 | 20,000,000 | 208,000 |
| St Thomas | 180 | 64,000,000 | 356,000 |

| Location | No. of Keys | Total Price | Per Key |
|------------------|-------------|-------------|---------|
| Friars Hill | 120 | 52,000,000 | 433,000 |
| St George's | 122 | 120,000,000 | 984,000 |
| Papagayo | 130 | 115,000,000 | 885,000 |
| Hemingway Marina | 600 | 150,000,000 | 250,000 |
| Kingston | 130 | 22,000,000 | 169,000 |
| Mexico City | 297 | 137,000,000 | 461,000 |
| Managua | 140 | 20,000,000 | 143,000 |

- Corporate deals included: Soros Fund Management's USD300m investment in Fen Hotels of Argentina; AccorHotels' 30% investment in Oasis Collections in Argentina (an online holiday rental business, operating in 18 destinations across LatAm, USA and Europe).

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.

HOTEL DEVELOPMENT PIPELINE ANALYSIS

Introduction

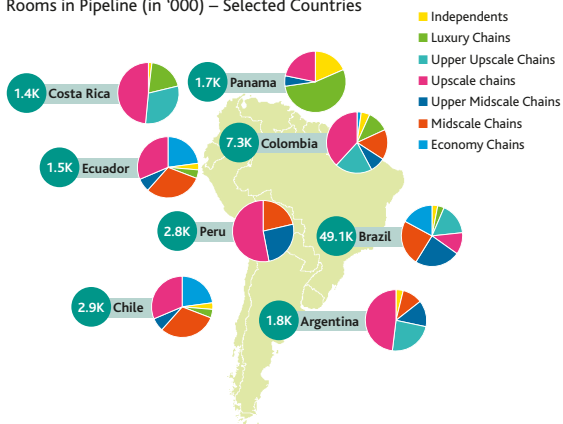
The Latin America & Caribbean region (the LAC region) was the only region in the world to witness an actual decline in demand in 2015 (-1.2%) and yet there are worrying signs that development activity is continuing unabated.

Latin America

The graphic below summarises the pipelines of key countries in Central & South America, by quality grading (in 000s).

Central & South America

Rooms in Pipeline (in '000) – Selected Countries



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Based on the foregoing we would highlight the following:

- Brazil has by a huge margin the largest number of hotel keys in development at present (just below 50,000 keys), of which circa 50% are in the Midscale segments. The vast majority of the pipeline will be branded and only a small proportion will be Luxury hotels.
- Columbia has the second largest pipeline (over 7,000 keys), of which circa 60% are in the Upscale and Upper Upscale segments.
- Panama stands out from the rest, given the very high proportion (over 50%) of Luxury keys in development. It will be interesting to see how a country that is still emerging as a tourist destination absorbs this concentrated increase in Luxury hotel supply.

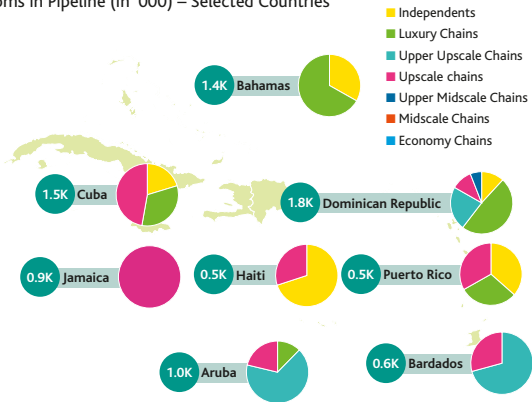
Caribbean

According to the Caribbean Tourism Organisation (CTO), the region recorded a second consecutive year in which the growth of total stopover arrivals to the Caribbean (7%) surpassed that of world tourism growth (4%) in 2015. The key drivers behind such a recovery are: sustained economic recovery in their main markets (USA, UK), a strong US dollar and dramatic declines in oil prices.

The graphic below summarises the pipelines of key island nations, by quality grading (in 000s).

Caribbean

Rooms in Pipeline (in '000) – Selected Countries



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Based on the foregoing we would highlight the following:

- Overall it is interesting to note the lack of Midscale and Economy projects in the region. Perhaps a market opportunity for the creative developer?
- Dominican Republic has the largest pipeline at present, which is probably to be expected given it is one of the largest islands in the region.
- Bahamas is evidently basking in a wave of high quality hotel development, whereby over 60% of new supply is in the Luxury segment.
- Barbados surprisingly has no Luxury hotel projects at present.



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