

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.



Rider Levett Bucknall (RLB) is a global independent construction, property and management consultancy, with a team of more than 4,000 people, working across 40 countries to shape the future of the built environment. By providing independent advice through the skills and passion of our people, we deliver value and sustainable solutions for our clients. We are committed to developing new services and techniques that respond to how we build for the future, integrating wellbeing, economic and environmental impacts. 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.



HotStats provides a unique monthly profit and loss data benchmarking service to hoteliers from across the globe that enables monthly comparison of hotels' performance against competitors. It is distinguished by the fact that it maintains in excess of 500 key performance metrics covering revenue, cost, profit and other statistics, providing far deeper insight into the hotel operation than any other tool. The HotStats database totals millions of hotel rooms worldwide.

LAC HOTELS MONITOR MAY 2024

Introduction

Trend trackers in the region reported enormous growth expectations in September 2023, with Dom Rep leading the way (+54% in international arrivals and +39% in groups expected in Q4 2023, compared to the same period in 2019) and US and Canadian demand dominating air bookings. By contrast, traffic to Cancun was showing signs of a slowdown in the same period. As a further sign of its huge popularity, last year Dom Rep became the first nation in the Caribbean to top 10m visitors in a single year and the growth trajectory was ongoing in early 2024.

Performance levels have been a mixed bag around the region, from a high of +45% growth in GOPPAR in Santiago to a low of -22% in Los Cabos. Highest ADR growth in USD terms was achieved by Cayman Islands (+16%) and highest occupancy level in Aruba (76.8%).

After some economic slowdowns across many parts of the region in 2023, the forecasts for 2024 and 2025 are more encouraging, which in turn may have an upward impact on development costs in certain markets.

There were some deals in LAC in the last 12 months but the lack of transparency means that we could only report on a few. Meanwhile, refurbishments, extensions and even new builds are ongoing thereby keeping the sector busy in other ways.

■ Performance levels have been a mixed bag around the region.

Many thanks to our friends at HotStats for their back page feature contribution, a deep-dive into Central America as the region's performance levels level off and 'normalise'.

Philip Camble

*Director, Whitebridge Hospitality
Editor, LAC Hotels Monitor*

Performance Trends

Apr-Mar City	2022/24				2022/23				Growth			
	ADR	Occ	RevPAR	GOPPAR	ADR	Occ	RevPAR	GOPPAR	ADR	Occ	RevPAR	GOPPAR
	€	%	€	€	€	%	€	€	%	%	%	%
Aruba	475.73	76.8%	365.37	262.05	448.06	77.5%	347.39	237.25	6.2	-0.9	5.2	10.5
Bogota	165.06	55.2%	91.09	58.74	170.78	53.7%	91.73	62.54	-3.3	2.7	-0.7	-6.1
Cartagena	180.27	68.1%	122.74	76.84	169.33	74.6%	126.41	85.12	6.5	-8.8	-2.9	-9.7
Cayman Islands	805.67	65.1%	524.16	367.86	696.52	59.0%	410.95	291.42	15.7	10.3	27.5	26.2
Los Cabos	981.44	57.6%	565.02	319.01	1,035.98	57.5%	595.81	408.95	-5.3	0.1	-5.2	-22.0
Mexico City	213.05	67.7%	144.22	96.57	226.21	64.3%	145.45	99.14	-5.8	5.3	-0.8	-2.6
Miraflores	114.09	52.2%	59.56	30.01	117.32	41.0%	48.11	21.04	-2.8	27.3	23.8	42.6
Rio de Janeiro	165.46	65.9%	109.11	55.81	148.12	66.3%	98.14	51.07	11.7	-0.5	11.2	9.3
Santiago	181.18	61.2%	110.92	54.03	162.78	55.3%	90.05	37.19	11.3	10.7	23.2	45.3
Sao Paulo	193.95	60.7%	117.76	75.95	169.09	60.0%	101.48	64.50	14.7	1.2	16.0	17.8
Total Caribbean	430.02	70.7%	304.22	192.56	414.77	67.3%	279.02	171.87	3.7	5.2	9.0	12.0

Source: HotStats

- The Caribbean remains very strong in terms of pricing power and occupancy, as one of the top markets in both metrics on the rolling 12 months for 2024 and 2023, and achieving continued growth.
- City centres in South America are seeing surges in the top line, as exemplified by the double-digit RevPAR increases in Rio de Janeiro, Sao Paulo, Miraflores and Santiago.
- The strength of the South American comeback on the top line has also translated into improved profitability, as the two markets with the greatest GOPPAR increases in the sample are Miraflores and Santiago.
- In Central America, despite growing occupancy (like in Mexico City) or stabilization (as in Los Cabos) softening ADR has led to decreases in RevPAR and GOPPAR.

Hotel Construction Costs

Country	Mid market – low	Mid market – high	Luxury
	USD per sqm	USD per sqm	USD per sqm
Anguilla	3,320 - 5,210	3,970 - 6,870	4,620 - 9,380
Antigua and Barbuda	3,320 - 4,440	3,670 - 6,070	4,030 - 8,470
Aruba, Bonaire & Curacao	1,980 - 3,390	2,630 - 4,630	3,280 - 6,460
Bahamas	3,080 - 7,340	3,910 - 9,270	4,740 - 12,310
Barbados	2,370 - 3,730	2,960 - 4,820	3,550 - 6,510
Bermuda	4,030 - 4,740	4,380 - 5,590	4,740 - 7,100
British Virgin Islands	3,790 - 5,210	4,740 - 6,420	5,680 - 8,400
Cayman Islands	3,320 - 4,800	3,910 - 5,830	4,500 - 7,550
Cuba	3,230 - 4,570	3,500 - 5,520	3,770 - 7,100
Dominica	3,840 - 4,520	3,620 - 4,750	3,390 - 5,470
Dominican Republic	1,580 - 3,160	1,980 - 3,930	2,370 - 5,160
Grenada	2,800 - 3,660	3,010 - 4,200	3,230 - 5,210
Guadeloupe	3,110 - 3,780	3,650 - 4,770	4,180 - 6,340
Guyana	1,890 - 3,430	2,370 - 4,140	2,840 - 5,340
Haiti	1,420 - 2,370	2,040 - 3,170	2,660 - 4,360
Jamaica	2,260 - 3,280	2,910 - 4,650	3,550 - 6,630
Martinique	3,010 - 4,030	3,550 - 5,030	4,090 - 6,630
Mexico	2,440 - 2,850	3,210 - 4,520	3,940 - 5,680
Montserrat	2,970 - 4,210	3,590 - 5,450	4,210 - 7,350
Panama	2,360 - 3,260	2,780 - 4,050	3,200 - 5,330
Puerto Rico	2,960 - 3,980	3,740 - 5,170	4,520 - 6,990
St Kitts & Nevis	2,940 - 3,730	3,450 - 4,860	3,960 - 6,590
St Lucia	2,690 - 3,960	3,610 - 5,820	4,520 - 8,450
Sint Maarten	2,310 - 4,380	3,440 - 5,920	4,560 - 8,210
St Vincent & the Grenadines	2,940 - 3,730	3,360 - 5,310	3,790 - 7,580
Trinidad & Tobago	2,480 - 3,770	3,120 - 5,190	3,770 - 7,280
Turks & Caicos Islands	2,840 - 4,260	3,610 - 5,650	4,380 - 7,750
US Virgin Islands	4,910 - 6,390	5,810 - 7,590	6,720 - 9,660

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.

- In 2023, Latin America and the Caribbean experienced a significant economic slowdown.
- 2024 and 2025 economic growth forecasts are more promising, translating through to the construction sector.
- However, volatility is expected to be less and inflation forecasts have generally been revised downwards.
- In many countries notable active construction sectors are both infrastructure and hotels and this may put pressure on the labour market particularly in the US islands.
- Exchange rate fluctuations will impact costs compared against a common currency.

Transaction Tracker

Region	Hotel		Location	No. of Keys	Total Price	Per Key
Single Asset Transactions						
Dominican Republic	Jewel Punta Cana		Punta Cana	602	82,000,000	136,000
Region	Hotel	Opening	Location	No. of Keys	Total Price	Per Key
Selected Development Projects					USD	USD
Jamaica	Grand Palladium Resort ¹	2023	Montego Bay	537	27,500,000	51,000
Dominican Republic	Premier Club at Casa de Campo ²	2023	La Romana	58	90,000,000	1,552,000
Panama	Indigo Panama City	2023	Panama City	124	30,000,000	242,000
British Virgin Islands	Scrub Island Resort, Spa & Marina ¹	2025	Scrub Island	65	8,000,000	123,000
Bahamas	British Colonial Hotel ¹	2023	Nassau	288	100,000,000	347,000
Dominica	Fort Young Hotel & Dive Resort ¹	2023	Roseau	100	18,000,000	180,000
Mexico	Omni Pontoque Resort	2026	Punta de Mita	224	225,000,000	1,004,000
Jamaica	Courtleigh Hotel & Suites ¹	2024	Kingston	127	2,000,000	16,000
Peru	Motto by Hilton Cusco	2024	Cusco	58	5,000,000	86,000

Source: Whitebridge Hospitality

¹ refurbishment only

² extension only

The last 12 months have been pretty lean on the transactions front and those deals that did happen did not share much reliable information. However, here below summaries of some of the more interesting deals.

- Holiday Inn Club Vacations acquired 4x Royal Resorts properties across Mexico.
- Alojica of Mexico acquired Marriott Vallarta Resort & Spa in Puerto Vallarta, Mexico.
- MC Hotel Group (the company behind Marbella Club, Spain) acquired a luxury resort in the region (USD14m).
- JRK Property Holdings acquired Hyatt Place & Hyatt House in San Juan, Puerto Rico.

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.

NORMALIZING PERFORMANCE IN CENTRAL AMERICA

2023 in Central America was characterized by profit erosion, with a 2.2 percentage-point year-over-year decline in gross operating profit margin, to 39.3%. However, this is not to be taken as an overall efficiency loss in the market, but a return to more normal results after an uncommonly high performance in 2022. Once Omicron passed, hoteliers saw great top-line growth, particularly through double-digit ADR increases. At the same time, relaxed service standards kept operating costs at bay, resulting in greater flow-through and profit conversion. As both demand and service standards began to normalize in 2023, margins were put under pressure and effectively softened starting in the second quarter.

Total revenue per occupied room (TRevPOR) and occupancy trends show that while volume dominated in the first half of 2023, it was a decline in spend that ultimately drove revenue down in the remainder of the year. In full-year numbers, while total revenue per occupied room fell by 3.7% in 2023, occupancy rose by 7.0%, giving as a result a 1.8% gain in total revenue per available room (TRevPAR).

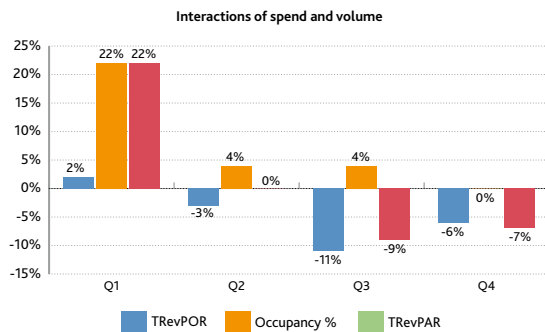


Figure 1. YOY % Change in TRevPOR and Occupancy 2023 vs 2022 by quarter - Central America. Source: HotStats

Erosion continued in the first three months of 2024. Results on a per-available-room basis provide further details about the dynamics involved: while total revenue remained almost flat year-on-year, consistent growth in all major expense categories resulted in shrinking profits.

In terms of spend and volume, the region experienced a 1% decline in TRevPOR that was barely compensated for by a 1.3% rise in occupancy. Zooming into the different operated departments, F&B revenue suffered the deepest year-on-year fall on a per-occupied-room basis, placing 3% below the first quarter of 2023. At the other end of the spectrum, Parking revenue per occupied room expanded by 12.1%, albeit only accounting for 0.2% of total revenue.

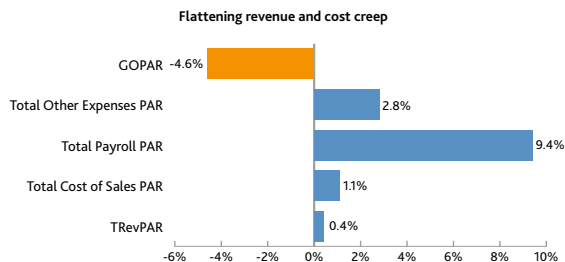


Figure 2. Q1 2024 YOY % Change - Per Available Room - Central America. Source: HotStats

In terms of expenses, labour is a key challenge in the region. Competition to find, engage, and retain talent, coupled with cost-of-living adjustments, has translated into an upshoot in payroll costs, not only on a per available and per occupied room basis but also as a percentage of revenue. Full-year 2023 numbers show that payroll costs accounted for 24.8% of total revenue, a 2 percentage-point expansion from 2022. During the first quarter of 2024, overall payroll margins surged again year-on-year, this time by 1.8 percentage points to 22.3%.

It is in the operated departments where these labour struggles hit the hardest. Consequently, as Central America heads once again towards a normalized performance, its cost structure has become lighter in terms of undistributed expenses than it was in 2019, but with a greater portion of revenue being taken up by operated expenses.



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