

# 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.

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## LAC HOTELS MONITOR MAY 2022

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### Introduction

The last 12 months have been a period of transition for the region, from the depths of C19 into the light of recovery for many destinations. Recent analysis by the Development Bank of Latin America shows that LAC has clearly surpassed economic projections and that leisure travel is fuelling a 'boom' across many regional markets. What with testing requirements falling away, opening skies and plenty of revenge tourism, the next 12 months should see strong growth in lift capacity and hotel performances.

Performance data clearly shows the recovery underway, with most destinations achieving triple digit growth in occupancy, RevPAR and GOPPAR. Only two destinations showed any kinds of decline: Miraflores (-8% in occupancy) and Santiago (-13% in ADR). Among many stars, Aruba shone through with a +1,115% increase in GOPPAR.

There were very few single asset transactions this period and only one that disclosed sufficient information publicly to be included herein. That is not to say the region was all quiet. There were some interesting corporate deals, showing that there is still keen interest to invest in LAC.

■ From the depths of C19 into the light of recovery for many destinations.

For our final page feature, HotStats and RLB have prepared a briefing note on the impact of today's high inflation environment and suggest some possible solutions to handle such pressures within our industry.

### Philip Camble

*Director, Whitebridge Hospitality  
Editor, LAC Hotels Monitor*

## Performance Trends

City	2021/22				2020/21				Growth			
	ADR	Occ	RevPAR	GOPPAR	ADR	Occ	RevPAR	GOPPAR	ADR	Occ	RevPAR	GOPPAR
	€	%	€	€	€	%	€	€	%	%	%	%
Aruba	382.22	62.2%	237.82	136.75	332.92	17.6%	58.55	-13.47	14.8	253.8	306.2	1,115.4
Bogota	102.70	33.4%	34.30	14.19	81.26	6.8%	5.56	-11.99	26.4	388.4	517.3	218.4
Buenos Aires	165.79	23.5%	38.99	1.92	92.70	6.8%	6.30	-17.58	78.8	245.8	518.4	110.9
Cartagena	111.05	66.4%	73.77	40.99	88.93	18.8%	16.73	-5.66	24.9	253.2	341.1	824.7
Los Cabos	623.10	52.8%	329.12	205.88	584.71	24.6%	143.86	46.41	6.6	114.7	128.8	343.6
Mexico City	172.30	40.0%	68.85	28.14	135.32	10.7%	14.49	-21.99	27.3	273.2	375.1	227.9
Miraflores	80.53	36.3%	29.24	10.05	56.57	39.3%	22.23	5.62	42.4	-7.6	31.6	78.9
Panama	105.68	49.3%	52.12	20.93	94.36	16.2%	15.28	-5.67	12.0	204.5	241.0	468.9
Rio de Janeiro	82.08	56.5%	46.37	18.26	69.48	24.3%	16.86	-5.08	18.1	132.8	175.0	459.2
Santiago	112.50	30.4%	34.16	5.97	128.93	5.9%	7.56	-20.78	-12.7	418.0	352.1	128.7
Sao Paulo	99.79	33.9%	33.78	9.54	83.34	12.5%	10.38	-9.58	19.7	171.8	225.5	199.6
Total Caribbean	394.17	50.9%	200.61	106.40	290.31	17.5%	50.73	-23.48	35.8	191.2	295.4	553.1

Source: HotStats

- Expect continued pent-up demand for remainder of 2022 – European cost of living crisis could affect economy segment.
- The seemingly global labour challenge doesn't seem to have affected the region at the same levels as in US, Asia and Europe.
- Inflation – Increased costs are slowing profit ramp up across the globe, guest expenses and food items in particular.
- The "Energy Crisis" – likely to impact the region later this year.

## Hotel Construction Costs

Country	Mid market – low	Mid market – high	Luxury
	USD per sqm	USD per sqm	USD per sqm
Anguilla	2310 - 3550	2620 - 4170	3180 - 5650
Antigua and Barbuda	2690 - 3490	2890 - 4390	3290 - 6040
Aruba & Barbuda	1540 - 2660	1820 - 3380	2530 - 4660
Bahamas	1980 - 5160	2780 - 4770	2960 - 7480
Barbados	1820 - 2880	2090 - 3470	2720 - 4590
Bermuda	3130 - 3770	3290 - 4250	3730 - 5030
British Virgin Islands	3180 - 4490	3510 - 5730	5000 - 6820
Cayman Islands	2640 - 3770	2920 - 3840	3290 - 4660
Cuba	2420 - 3440	2680 - 3720	3020 - 4770
Dominica	2310 - 2880	2450 - 3390	2850 - 4210
Dominican Republic	1320 - 2660	1660 - 2700	1920 - 3880
Grenada	2640 - 3330	2810 - 3500	2960 - 4320
Guadeloupe	2800 - 3440	2960 - 4350	3730 - 5270
Guyana	1430 - 2660	1740 - 2830	2200 - 3770
Haiti	1040 - 1750	1220 - 2380	1980 - 2970
Jamaica	1700 - 2330	1860 - 3450	2640 - 4660
Martinique	2800 - 3440	2960 - 4280	3730 - 5100
Montserrat	2310 - 3220	2540 - 3980	3180 - 5190
Panama	2090 - 2940	2300 - 3440	2850 - 4320
Puerto Rico	2600 - 3290	2770 - 4640	4230 - 5260
Sint Maarten	1650 - 3130	2020 - 4110	3300 - 5320
St Kitts and Nevis	2640 - 3380	2830 - 4330	3590 - 5430
St Lucia	2310 - 3100	2510 - 4210	3400 - 5430
St Vincent & the Grenadines	2090 - 2660	2230 - 3580	2660 - 4970
Trinidad & Tobago	2260 - 3460	2560 - 4270	3450 - 5500
Turks & Caicos Islands	2030 - 3080	2290 - 3930	3130 - 5120
US Virgin Islands	3900 - 4710	4100 - 6190	5490 - 7230

Source: Rider Levett Bucknall

- Tender price inflation across the region is currently running at high levels, through a combination of supply chain disruption, energy prices and shipping cost increases.
- Availability of materials and contractor's appetite for delivery risk is also impacting tender prices.
- Tender prices are volatile with risk additions impacting pricing.
- As ever, exchange rate fluctuations will impact construction costs.

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	Location	No. of Keys	Total Price	Per Key
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### Single Asset Transactions

Puerto Rico	Dorado Beach Ritz-Carlton Reserve	Dorado	96	193,000,000	2,010,000
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Region	Hotel	Opening	Location	No. of Keys	Total Price	Per Key
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### Selected Development Projects

					USD	USD
Dominican Republic	4x Grupo Globalia apart-hotels	2022	Various Locations	1,000	200,000,000	200,000
Cayman Islands	Hampton by Hilton <sup>1</sup>	2021	Grand Cayman	120	14,000,000	117,000
Mexico	Corazon Cabo Resort & Spa	2022	Cabo San Lucas	204	100,000,000	490,000
Colombia	Sonesta Cartagena <sup>2</sup>	2021	Cartagena	34	2,500,000	74,000
Cayman Islands	Ritz-Carlton Grand Cayman	2021	Grand Cayman	369	50,000,000	136,000
Bahamas	Sandals Royal Bahamian Resort	2022	Nassau	404	55,000,000	136,000
Trinidad & Tobago	Brix, Autograph Collection	2022	Port of Spain	161	51,000,000	317,000
Mexico	Banyan Tree Veya Bacalar	2025	Bacalar Lagood	40	28,000,000	700,000
Puerto Rico	Residence Inn San Juan	2022	San Juan	231	50,000,000	216,000

Source: Whitebridge Hospitality

<sup>1</sup> refurbishment only

<sup>2</sup> extension only

- Dovetail + Co acquired 86-key Cambridge Beaches Resort & Spa in West End, Bermuda.
- Driftwood Capital acquired 240-key Sheraton Old San Juan in San Juan, Puerto Rico.
- Safe Harbour Marinas acquired Puerteco del Rey, a marina in Puerto Rico.
- Hyatt Corp acquire Apple Leisure Group (a major operator in LAC) for circa USD2.7m.
- Aimbridge Hospitality (one of the largest TPOs in the world) acquired Grupo Hotelero Prisma in Mexico (operator of some 42 hotels).
- Advent International (a major investor in Aimbridge Hospitality) acquired GHM Hotels in Columbia (operator of some 62 hotels).

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.

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## INFLATION IMPACT ON THE HOTEL SECTOR

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### Construction Costs

The construction sector has seen significant increases in tender prices, with consecutive upward revisions to most forecasts as the world economies emerged from Covid restrictions.

Whilst hotel projects may have been slower to return, the construction industry has been buoyed by other sectors. The Caribbean islands are particularly suffering with shipping cost increases and availability, due to the reliance on imported materials.

### Mitigation Strategies

#### Procurement Impact:

In a buoyant market, the form of contract and route to select contractor is key. There has been a swing to two stage procurement routes (Early Contractor Involvement) and negotiation.

#### Timescales:

Expect the time to convert a contractor's price to a contract sum to be longer than may have historically been scheduled. Contractors will be looking to back off fixed price risk down the supply chain if possible. Streamlined client decision making and approval once negotiations concluded are key.

#### Design out:

The impact on materials and trades varies by region. By identifying the most heated or volatile trades alternative design solutions may be possible that mitigate price risk.

#### Risk Sharing:

Risk sharing may mitigate contractor risk additions. Examples may include advance purchase of materials by client, relief for delay damages, early sub-contractor order placement and separation of fit out contracts from shell & core (deferring fixed price on later packages).

Budgeting and procuring construction projects in a market that not only has higher than recent historical levels of inflation, but also much volatility will always be challenging. Working corroboratively with the supply chain and considering the risk and mitigation strategies early is key to successful outcomes.

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## LAC PROFIT POPS IN Q1 AMID ENDURING COVID-19, INFLATION WORRY

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*By Michael Grove, COO, HotStats*

The LAC region is not alone in the hardship exacted by COVID-19 and now added variables, including high inflation, rising interest rates and labour costs, but the region's hotels are showing resilience.

In Latin America, gross operating performance per available room (GOPPAR) was recorded at USD \$139 in March 2022, which is only \$1 off what was recorded in March 2019 and higher than any other preceding month back to 2018. Q1 2022 GOPPAR of \$101 was \$17 lower than Q1 2019.

### Caribbean Vibes

Caribbean territories are each taking their own approaches to welcoming travellers back. Overall, the region has seen vast performance improvement and March 2022 saw its GOPPAR pop to \$266, \$3 higher than in March 2019—evidence that the tourism haven is making its way back to its normal plateau.

### Not the Last Resort

In Mexico, resort locations have led the way. Quintana Roo, home to Cancún, Cozumel and Playa del Carmen, recorded GOPPAR of \$154 in Q1 2022, reaching \$205 in March. It's \$60 higher than Mexico on aggregate in Q1.

Guest Expenses are 18% up per occupied room vs Q1 2019, although undistributed expenses PAR are down 15% through efficiencies. Energy cost is at pre-pandemic levels, although expected to rise sharply towards the end of the year. Time to revisit the ROI on energy related CAPEX projects.

The real unknown is how harshly the economy segment in particular, will be hit by the cost of living crisis in Europe and the US, but expect pricing to be a challenge later this year.

A balance of passing the additional costs to the customer whilst retaining market share will be key over the next 12 months.



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