

# 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 2023

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### Introduction

Back in the autumn of 2022, Expedia reported that searches for the upcoming winter season in the Caribbean jumped by 15% compared to same quarter 2021 (which itself was a strong quarter). The hotspots of interest were Ocho Rios (Jamaica) and St. Thomas (US Virgin Islands). In March 2023, Caribbean Journal reported that such autumnal interest had translated into strong actual performances across the region. Regional conferences highlighted that high inflation and interest rates may have cooled investment and particularly debt financing, but owners and operators were taking a long view, believing in the fundamentals of the region. The Caribbean is bouncing back.

In a year of recovery, only one destination suffered any form of decline, namely Los Cabos (-2.6% occupancy and -8% GOPPAR). The standout performers were Cayman Islands (+546% in RevPAR), Santiago (+1,829% in GOPPAR) and Buenos Aires (+5,484% in GOPPAR, although some of this amazing growth was probably exchange rate related).

Despite inflationary pressures, the hotel construction sector remains strong and many new projects are in development. Longer term, there is some uncertainty as economies slow down.

Although there were a few deals across LAC in the last 12 months, reliable data was largely missing. Where transactions may have been few, developers and owners are still busy building new and refurbishing old.

■ Autumnal interest had translated into strong actual performances across the region.

Many thanks to our friends at HotStats for their back page feature contribution, assessing the positive mood in the Caribbean on the back of strong profitability numbers in Q1 2023.

### Philip Camble

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Editor, LAC Hotels Monitor*

## Performance Trends

| City            | 2022/23 |       |        |        | 2021/22 |       |        |        | Growth |       |        |         |
|-----------------|---------|-------|--------|--------|---------|-------|--------|--------|--------|-------|--------|---------|
|                 | ADR     | Occ   | RevPAR | GOPPAR | ADR     | Occ   | RevPAR | GOPPAR | ADR    | Occ   | RevPAR | GOPPAR  |
|                 | €       | %     | €      | €      | €       | %     | €      | €      | %      | %     | %      | %       |
| Aruba           | 421.77  | 75.8% | 319.57 | 196.14 | 352.31  | 59.4% | 209.29 | 101.10 | 19.7   | 27.5  | 52.7   | 94.0    |
| Bogota          | 137.25  | 53.7% | 73.72  | 50.30  | 86.89   | 33.4% | 29.02  | 12.01  | 58.0   | 60.8  | 154.0  | 318.9   |
| Buenos Aires    | 201.01  | 56.5% | 113.48 | 62.41  | 96.58   | 23.5% | 22.71  | 1.12   | 108.1  | 140.1 | 399.7  | 5,484.0 |
| Cartagena       | 136.08  | 74.6% | 101.59 | 68.48  | 93.96   | 66.4% | 62.41  | 34.68  | 44.8   | 12.4  | 62.8   | 97.5    |
| Cayman Islands  | 697.96  | 59.0% | 411.80 | 286.52 | 427.33  | 14.9% | 63.69  | -30.09 | 63.3   | 295.8 | 546.5  | 1,052.3 |
| Los Cabos       | 624.26  | 57.8% | 360.99 | 215.33 | 640.62  | 55.1% | 352.83 | 234.10 | -2.6   | 5.0   | 2.3    | -8.0    |
| Mexico City     | 199.45  | 64.9% | 129.52 | 88.86  | 185.95  | 40.5% | 75.40  | 31.74  | 7.3    | 60.1  | 71.8   | 179.9   |
| Miraflores      | 114.50  | 41.0% | 46.96  | 20.59  | 85.08   | 36.3% | 30.89  | 10.61  | 34.6   | 13.0  | 52.0   | 94.0    |
| Rio de Janeiro  | 136.00  | 66.3% | 90.11  | 46.96  | 88.22   | 56.5% | 49.84  | 19.63  | 54.2   | 17.3  | 80.8   | 139.2   |
| Santiago        | 169.55  | 55.3% | 93.80  | 38.73  | 123.15  | 30.2% | 37.19  | 2.01   | 37.7   | 83.2  | 152.2  | 1,829.1 |
| Sao Paulo       | 144.00  | 61.9% | 89.09  | 57.45  | 108.53  | 35.0% | 38.01  | 11.77  | 32.7   | 76.7  | 134.4  | 388.3   |
| Total Caribbean | 465.60  | 66.0% | 307.39 | 191.10 | 394.59  | 51.1% | 201.82 | 103.07 | 18.0   | 29.1  | 52.3   | 85.4    |

Source: HotStats

- Over the past 12 months the region saw an expansion in volume, with occupancy levels well above 40% across the major cities.
- Increases in occupancy did not come at a rate cost, as the region still held the pricing power to significantly grow ADR.
- The combined effect of both volume and price increases led to a surge in RevPAR, with multiple cities more than doubling their results from the previous year.
- In terms of the bottom line, all major cities achieved positive profits.

## Hotel Construction Costs

| Country                       | Mid market – low | Mid market – high | Luxury        |
|-------------------------------|------------------|-------------------|---------------|
|                               | USD per sqm      | USD per sqm       | USD per sqm   |
| Anguilla                      | 3,010 - 4,730    | 3,490 - 5,490     | 3,180 - 5,650 |
| Antigua and Barbuda           | 3,015 - 4,035    | 3,340 - 4,880     | 3,290 - 6,040 |
| Aruba, Bonaire & Curacao      | 1,885 - 3,230    | 2,210 - 4,170     | 2,530 - 4,660 |
| Bahamas                       | 2,800 - 6,680    | 3,600 - 6,930     | 2,960 - 7,480 |
| Barbados                      | 2,150 - 3,390    | 2,460 - 4,120     | 2,720 - 4,590 |
| Bermuda                       | 3,660 - 4,300    | 3,750 - 4,900     | 3,730 - 5,030 |
| British Virgin Islands        | 3,440 - 4,730    | 3,700 - 5,910     | 5,000 - 6,820 |
| Cayman Islands                | 3,010 - 4,360    | 3,380 - 4,770     | 3,290 - 4,660 |
| Cuba                          | 3,220 - 4,570    | 3,560 - 4,630     | 3,020 - 4,770 |
| Dominica                      | 3,230 - 3,930    | 3,340 - 4,350     | 2,850 - 4,210 |
| Dominican Republic            | 1,510 - 3,010    | 1,880 - 3,180     | 1,920 - 3,880 |
| Grenada                       | 2,790 - 3,660    | 3,090 - 3,810     | 2,960 - 4,320 |
| Guadeloupe                    | 2,960 - 3,600    | 3,100 - 4,640     | 3,730 - 5,270 |
| Guyana                        | 1,720 - 3,120    | 2,040 - 3,320     | 2,200 - 3,770 |
| Haiti                         | 1,290 - 2,150    | 1,500 - 2,910     | 1,980 - 2,970 |
| Jamaica                       | 2,260 - 3,120    | 2,490 - 4,640     | 2,640 - 4,660 |
| Martinique                    | 3,010 - 3,660    | 3,150 - 4,570     | 3,730 - 5,100 |
| Montserrat                    | 2,580 - 3,660    | 2,890 - 4,580     | 3,180 - 5,190 |
| Panama                        | 2,150 - 2,960    | 2,320 - 3,510     | 2,850 - 4,320 |
| Puerto Rico                   | 2,690 - 3,450    | 2,900 - 4,840     | 4,230 - 5,260 |
| Sint Maarten                  | 2,090 - 3,980    | 2,570 - 5,160     | 3,300 - 5,320 |
| St Kitts and Nevis            | 2,790 - 3,550    | 2,970 - 4,540     | 3,590 - 5,430 |
| St Lucia                      | 2,690 - 3,760    | 3,040 - 5,320     | 3,400 - 5,430 |
| St Vincent and the Grenadines | 2,790 - 3,550    | 2,980 - 4,850     | 2,660 - 4,970 |
| Trinidad and Tobago           | 2,475 - 3,760    | 2,780 - 4,660     | 3,450 - 5,500 |
| Turks and Caicos Islands      | 2,580 - 3,870    | 2,880 - 5,000     | 3,130 - 5,120 |
| US Virgin Islands             | 4,090 - 5,320    | 4,630 - 6,300     | 5,490 - 7,230 |

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.

- Much of the region has seen significant construction input cost inflation.
- Fuel costs and shipping costs have compounded material price increases seen elsewhere in the world.
- With economies predicted to see slowing growth, or contraction, there is uncertainty and volatility in forward order book pipelines.
- However, current construction activity in hospitality and resort hotels is strong.
- 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

N/A

| Region                        | Hotel                                 | Opening | Location       | No. of Keys | Total Price | Per Key |
|-------------------------------|---------------------------------------|---------|----------------|-------------|-------------|---------|
| Selected Development Projects |                                       |         |                |             | USD         | USD     |
| US Virgin Islands             | Frenchman's Reef <sup>1</sup>         | 2023    | St. Thomas     | 486         | 350,000,000 | 720,000 |
| Dominican Republic            | Secrets Tides Punta Cana              | 2023    | Punta Cana     | 486         | 175,000,000 | 360,000 |
| Dominican Republic            | Falcon's Resorts by Melia             | 2023    | Punta Cana     | 622         | 350,000,000 | 563,000 |
| Dominican Republic            | Temptation Miches + Grand Miches      | 2022    | Samana Bay     | 496         | 180,000,000 | 363,000 |
| Puerto Rico                   | La Concha Resort <sup>1</sup>         | 2024    | San Juan       | 473         | 45,000,000  | 95,000  |
| Puerto Rico                   | Tryp by Wyndham Mayaguez              | 2022    | Mayaguez       | 51          | 6,800,000   | 133,000 |
| Jamaica                       | Couples Sans Souci <sup>1</sup>       | 2022    | Ocho Rios      | 150         | 12,000,000  | 80,000  |
| Antigua                       | Coconut Bay Beach Resort <sup>1</sup> | 2022    | Coconut Bay    | 250         | 6,000,000   | 24,000  |
| St. Lucia                     | Windjammer Landing <sup>1</sup>       | 2023    | Labrelotte Bay | 353         | 12,000,000  | 34,000  |

Source: Whitebridge Hospitality

<sup>1</sup> refurbishment 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.

- LionGrove acquired Wyndham Grand Rio Mar in Puerto Rico.
- Grupo Inmobiliario Mosa acquired The Ritz-Carlton Cancun in Mexico and have struck a deal to refurb and rebrand as a Kempinski.
- Baillie Lodges (owned by KSL) acquired Tierra Hotels (3x hotels in Chile).
- Marriott International acquired Hoteles City Express (152x hotels), based in Mexico, for around USD100m.
- PIF (the massive Saudi Sovereign Wealth Fund) and A&K Travel Group acquired a stake in Habitas Group (based in Mexico and operating a fabulous luxury hotel in Saudi Arabia) for around USD50m.

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.

## CARIBBEAN PROFITABILITY TRENDS REMAIN STRONG IN THE FIRST QUARTER OF 2023

Investors are bullish on the Caribbean, and that is no wonder given the skyrocketing hotel performance in the region. During the first three months of 2023, the Caribbean greatly exceeded the profitability numbers recorded for the same period of 2019: Gross Operating Profit per available room (GOPPAR) registered a staggering 45% increase while Gross Operating Profit percentage (GOP%) grew by 3.1 points (7%). This upward profitability trend is a continuation of the robust recovery and growth the region has experienced starting in the second quarter of 2022. On an annual basis, GOPPAR for 2022 was 25.6% higher than in 2019, and in that same period, GOP% increased by 3.3 percentage points (9.8%).

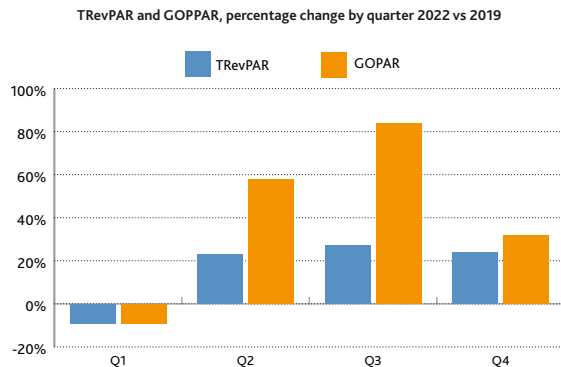


Figure 1. TRevPAR and GOPPAR, percentage change by quarter 2022 vs 2019. Source: HotStats

The expansion of total revenue per available room (TRevPAR) beyond pre-pandemic levels, even during the low season, has been a major force in driving profit gains during 2022. A key factor that contributed to this steep recovery was the lifting of most COVID-related travel restrictions in the region. Moreover, the extension of flexible booking policies encouraged guests to book their stays during off-months, like the hurricane season spanning June through November. Because of this, the Caribbean was able to capitalize on the phenomenon of revenge travel, which is still going strong into the first quarter of 2023.

As shown in Figure 1, GOPPAR outpaced TRevPAR growth for the last three quarters of 2022, denoting a heightened

ability to convert revenue into profits. We measure this conversion as flow through, which for the full year 2022 was 51.3%, 9.7 percentage points higher than 2019. When looking at the first quarter of 2023, flow-through was also on the rise, sitting at 54.1% versus 45.3% in the same period of 2019. To put these numbers into perspective, when looking at the southern region of the state of Florida in the United States, flow through barely increased from 36.0% in 2019 to 36.8% in 2022, and it actually turned negative in the first quarter of 2023, to -11.6%, as the revenue increase was met with a fall in profits.

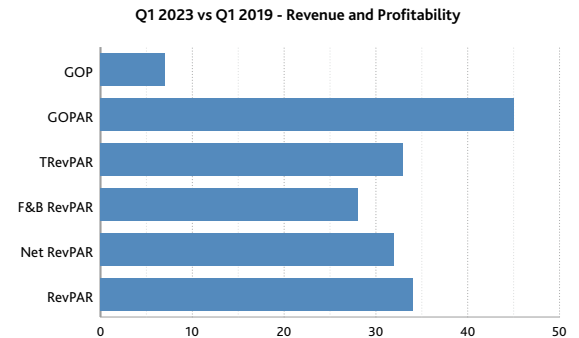


Figure 2. Revenue and Profitability, percentage change Q1 2023 vs 2019. Source: HotStats

Labor is one of the critical variables behind the flow-through uptick in the Caribbean. Even though there have been inflationary increases in payroll, these have remained well below the surge in revenue. Thus, despite a 3.4% increase in total payroll per available room in 2022 versus 2019, the percentage of total revenue dedicated to this expense item fell from 29.5% in pre-COVID times to 26.7% in 2022. Going into 2023, this trend remains strong, with total payroll as a percentage of total revenue at 22.6%, 2.2 percentage points lower than it was in the first quarter of 2019.

When looking at other expenses, utilities are a critical variable. For the full year 2022, total utilities jumped by 22.3% on a per-occupied-room basis compared to 2019. Zooming in on the specific line items, electricity recorded the greatest increase per occupied room for the period, at 27.0%. This pattern remained robust for the first quarter of 2023, with total utilities per occupied room escalating by 25.0% and electricity costs per occupied room up by 34.6% versus the first quarter of 2019. In the face of rising utilities costs, and particularly energy, sustainability initiatives become ever more relevant to protect and grow profitability.



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