



# Caribbean Hotel Market Overview

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# Presentation Overview

- Quick Facts on the Region
- Visitor Arrival Trends
- Hotel Performance and Analysis
- Trends & Observations

## The Caribbean – Quick Facts

- **32** island nations/ Population: **39 million**
- Approximate number of hotel rooms – **225,000**
- Largest Countries by Population
  - **Cuba:** 11.1 million
  - Dominican Republic: 10 million
  - Haiti: 9.7 million
  - Jamaica: 2.9 million
  - Trinidad & Tobago: 1.2 million
- Largest Cities by Population
  - **Santo Domingo:** 2.8 million
  - Havana: 2.7 million
  - Port-au-Prince: 1.7 million
  - Kingston: 925,000

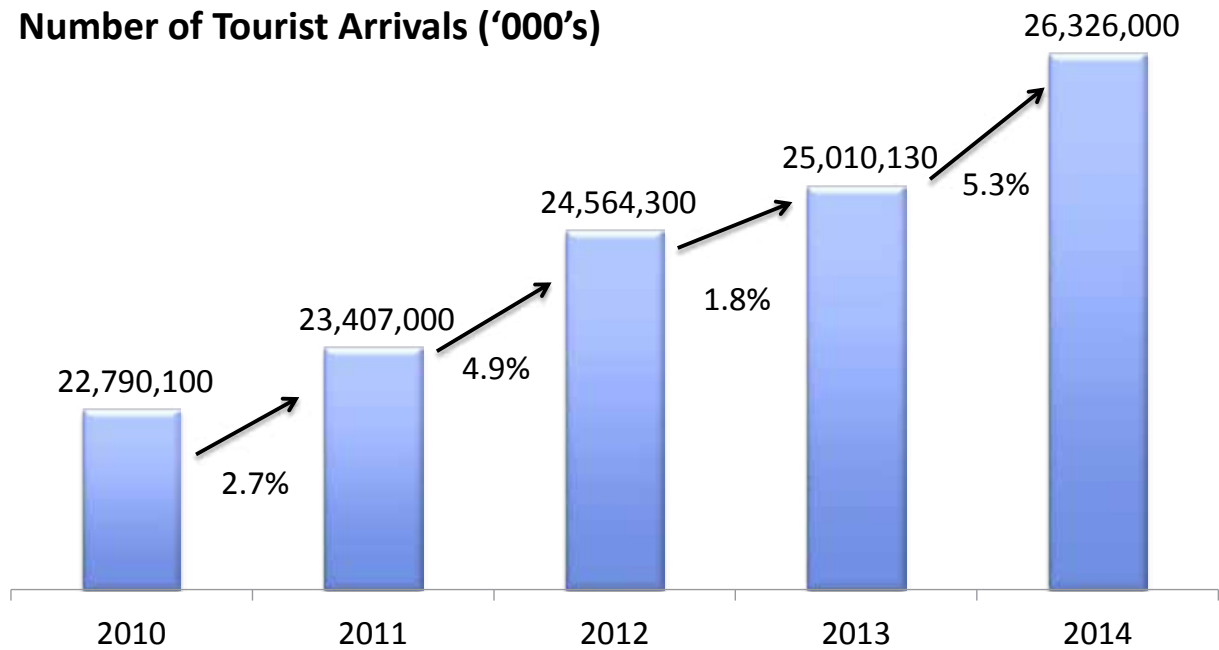
## The Caribbean - Quick Facts (contd.)

- Hospitality & Tourism
  - generated almost **US\$30 billion** in revenues in 2014
  - most important economic and employment sector
- Over **26 million** visitors traveled to the region last year
- Main source markets – **US**, Europe, Canada continue to dominate
  - US outbound travel to the Caribbean increased almost **10%**
- Roughly **32%** of overseas US visitor travels to the Caribbean & Central America

# Arrivals are Up and Demand is Increasing

Change from 2010 - 2015

Number of Tourist Arrivals ('000's)



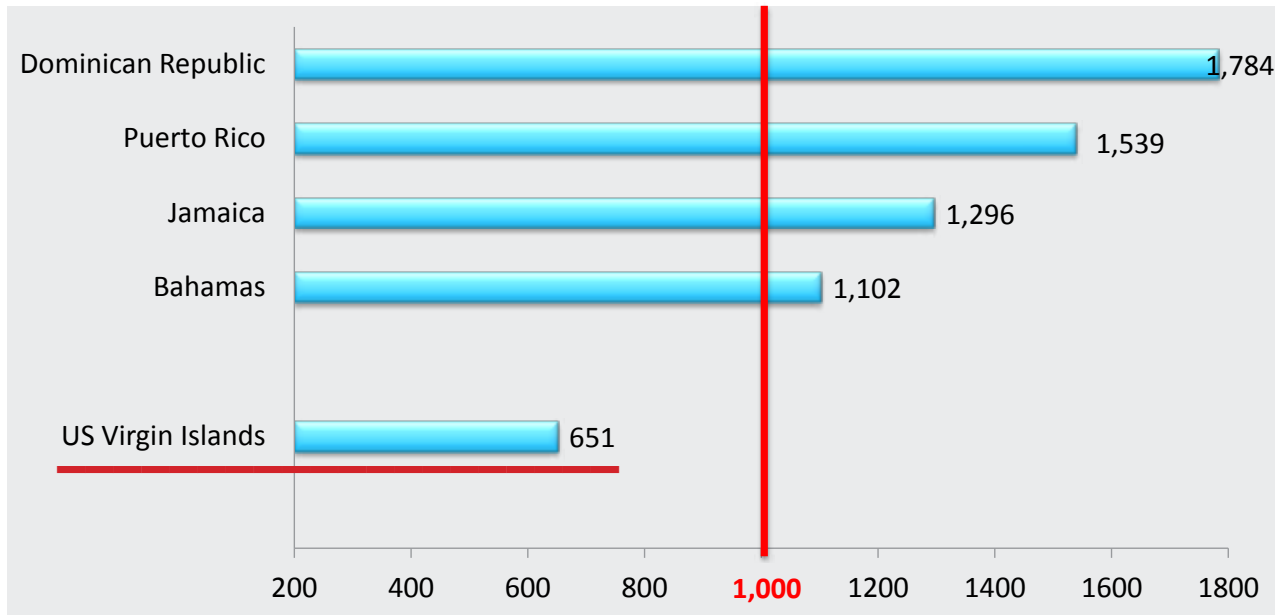
## Island Nations Receiving the Most Tourists

2014 Total Arrivals ('000's)



# Island Nations Receiving the Most American Tourists

2014 Total US Arrivals ('000's)

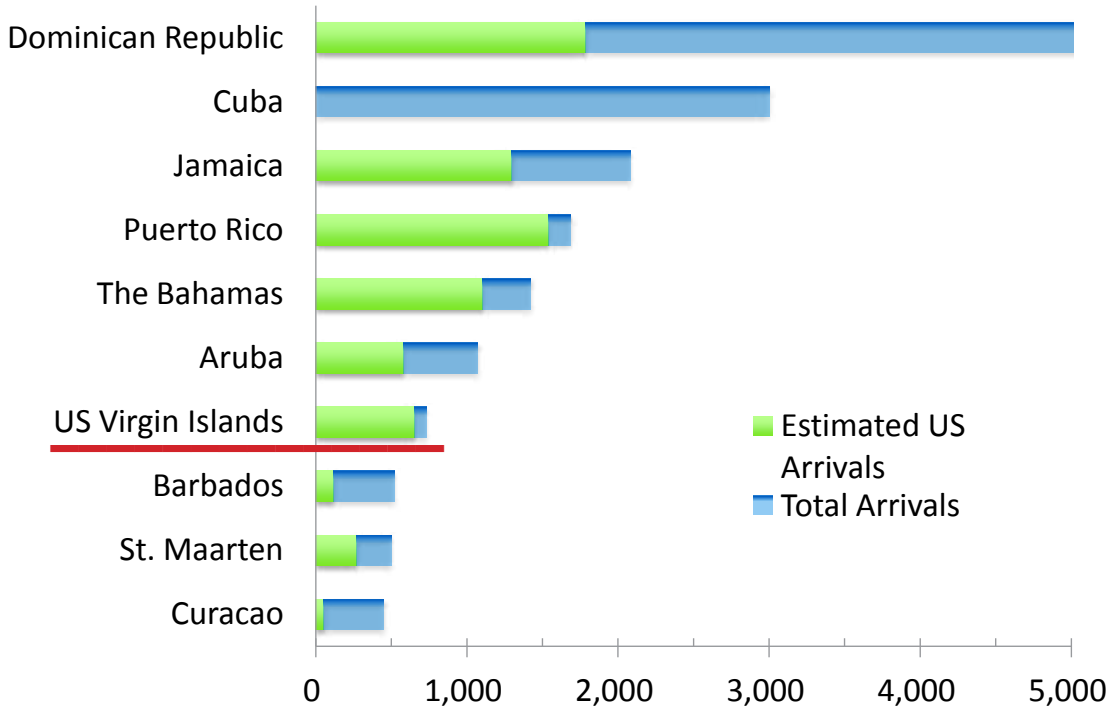


# Countries Receiving the Most American Tourists (2014)

Rank	Island	Estimated US Arrivals	US as % of Total Arrivals
1	Dominican Republic	1,784,486	34.7%
2	Puerto Rico	1,538,508	91.1%
3	Jamaica	1,296,457	62.3%
4	Bahamas	1,102,449	77.5%
5	USVI	650,757	89.1%
6	Aruba	576,783	53.8%
7	Turks & Caicos	297,309	80.8%
8	Cayman Islands	287,969	75.2%
9	St. Maarten	266,611	53.3%
10	Belize	199,321	62.1%

# Tourists Arrivals – US & Total

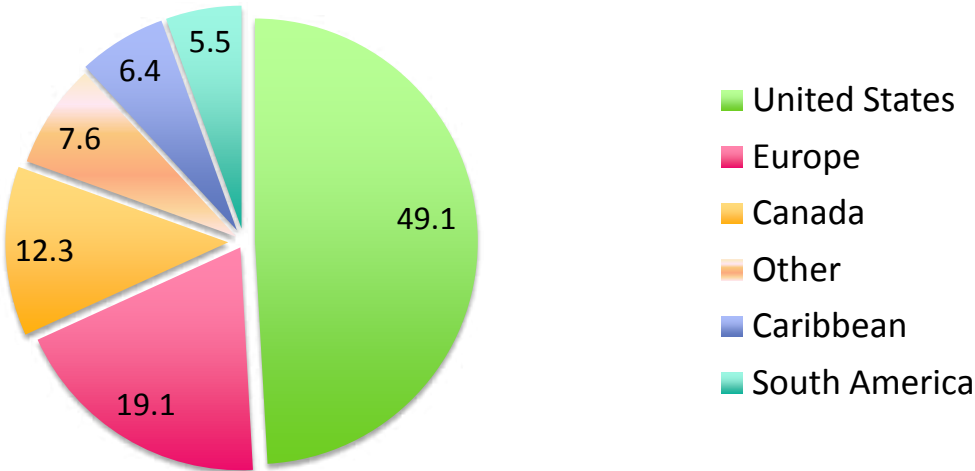
2014 Number of Arrivals (000's)



Source: Caribbean Tourism Organization; Parris Jordan

# Tourist Arrivals, by Country of Origin

Source Markets as Percentage of Total 2014 Arrivals, (%)

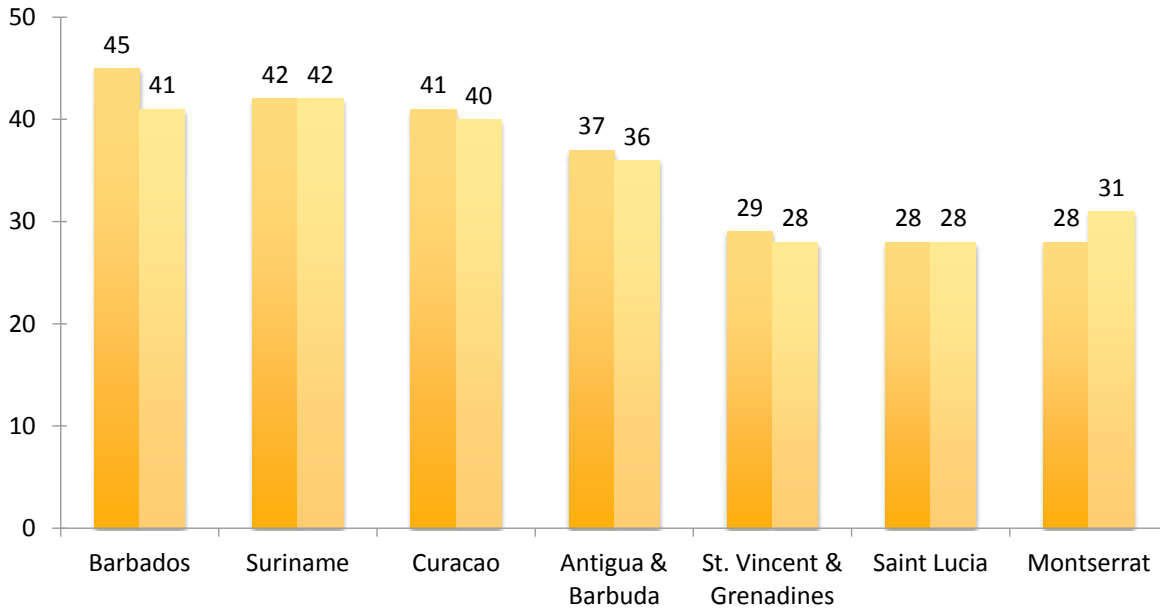


Source: Caribbean Tourism Organization; Parris Jordan

# Island Nations Reliant Upon European Tourists

## Arrivals by Country of Origin (%)

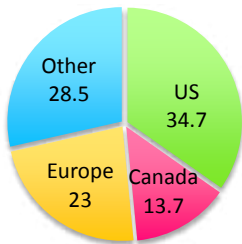
Percentage of Visitors from Europe, 2014 vs. 2013



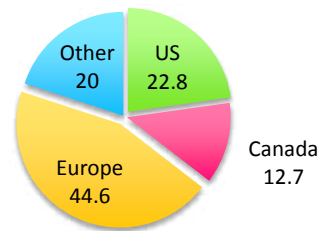
# Island Nations that Draw From Diverse Markets

## Arrivals by Country of Origin (%), 2014

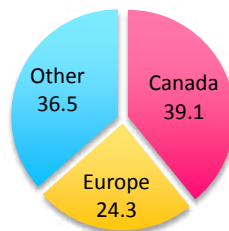
**Dominican Republic – 5,141,377 total arrivals**



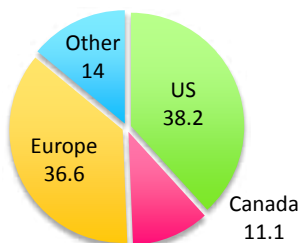
**Barbados – 519,598 total arrivals**



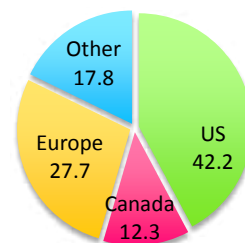
**Cuba – 3,001,958 total arrivals**



**Antigua & Barbuda – 249,316 total arrivals**



**Saint Lucia – 338,158 total arrivals**



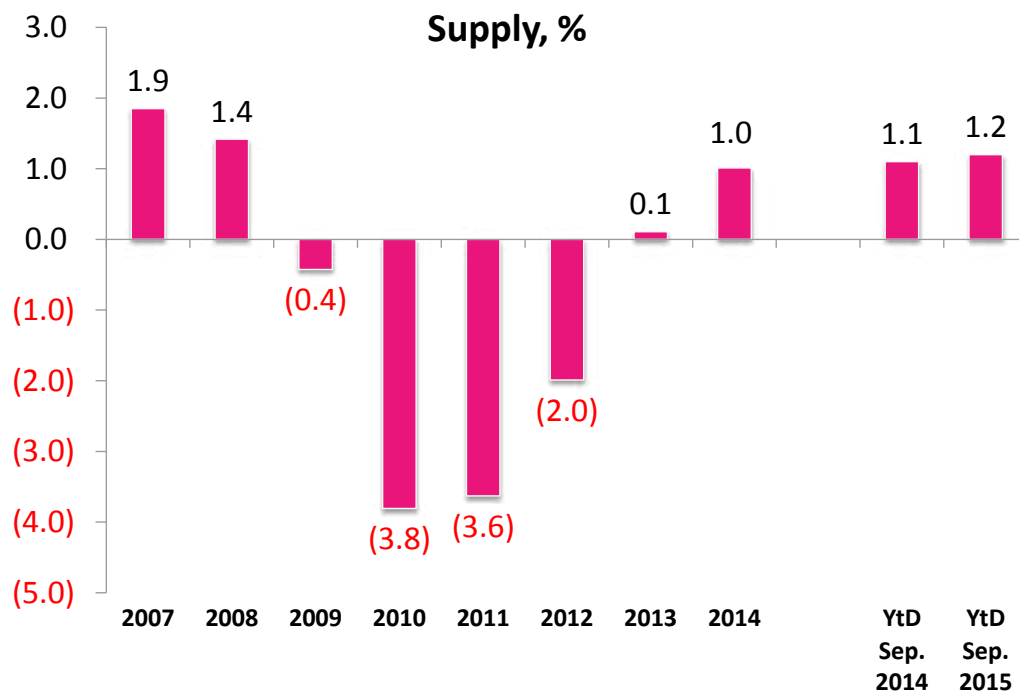
# Caribbean Source Markets

## Any Notable Shifts?

- **Most islands exhibited increases** in 2014 and rate of growth above 2012-2013
- **Of the 24 islands surveyed:**
  - US ranked first for **16** Caribbean islands
  - Europe ranked first for only **one** Caribbean island
  - Other ranked first for 6 Caribbean islands
- **US visitation up roughly 10% from 2013**
- **Market still very reliant on US visitation**
  - vice versa – overseas visitation from the US to Caribbean & Central America increased every year since 2007
- Europe and Canada follows the US

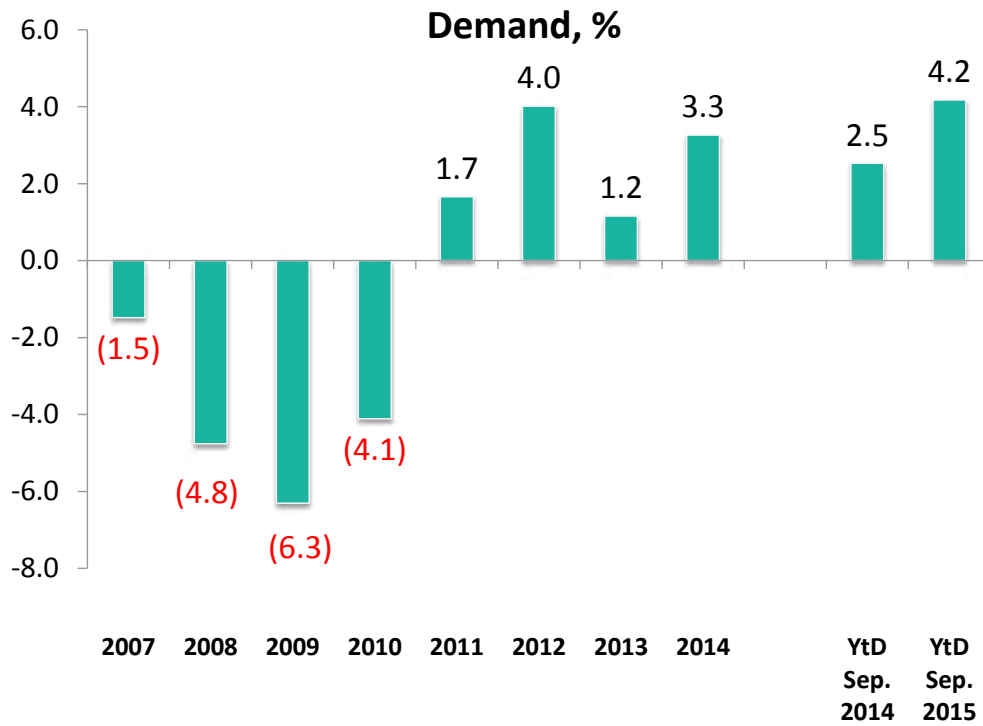
## Caribbean Metrics:

% change from 2007 – 2014 and YTD September 2015



# Caribbean Metrics:

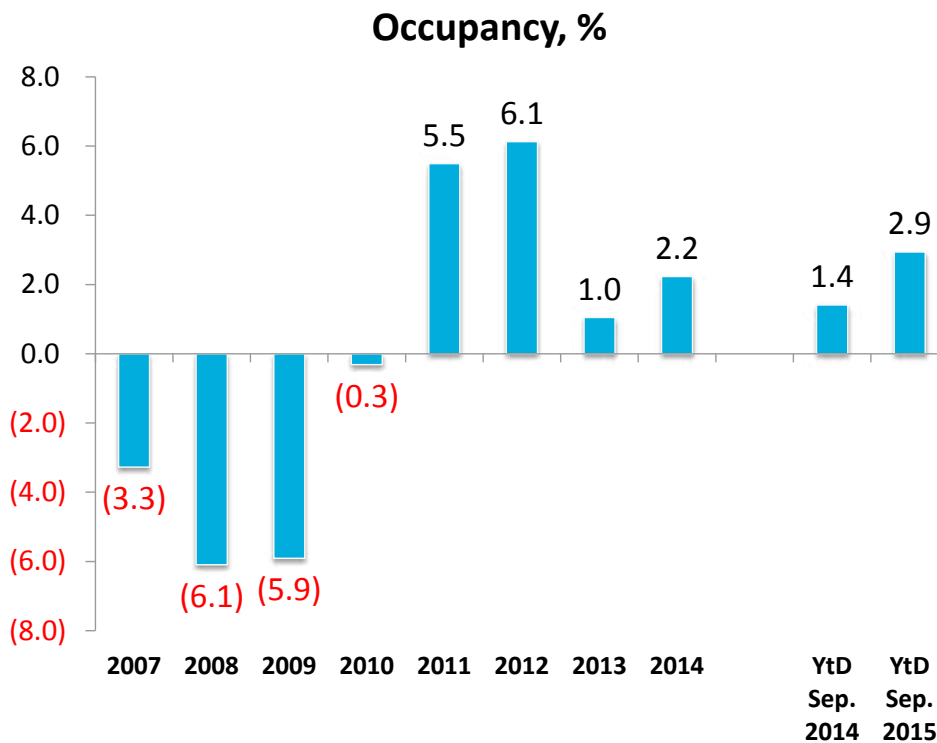
% change from 2007 – 2014 and YTD September 2015



Source: Smith Travel Research; Parris Jordan

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% change from 2007 – 2014 and YTD September 2015

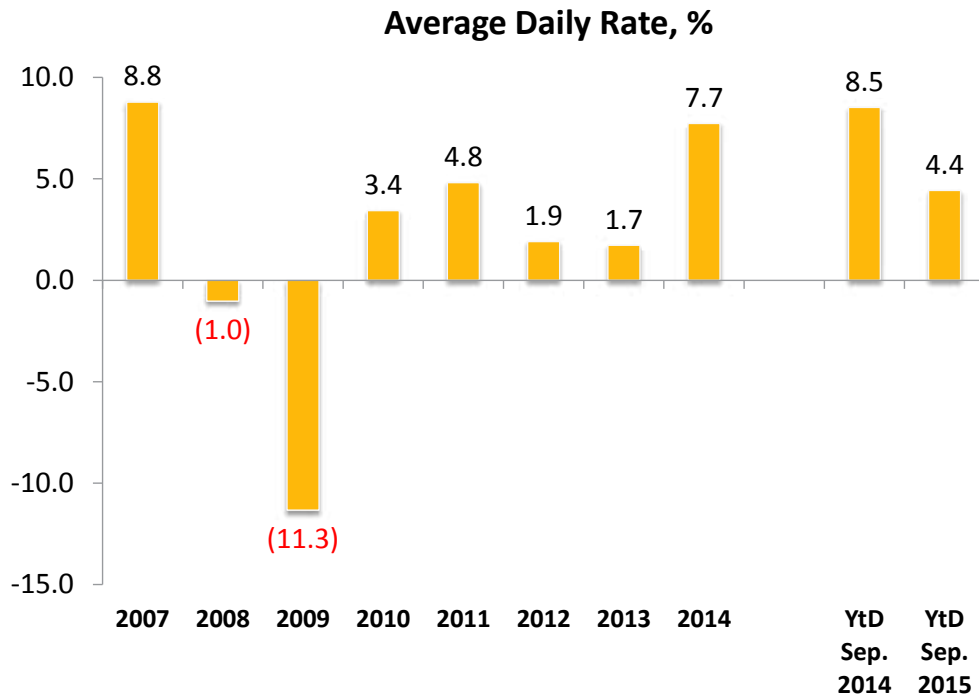


Source: Smith Travel Research; Parris Jordan



# Caribbean Metrics:

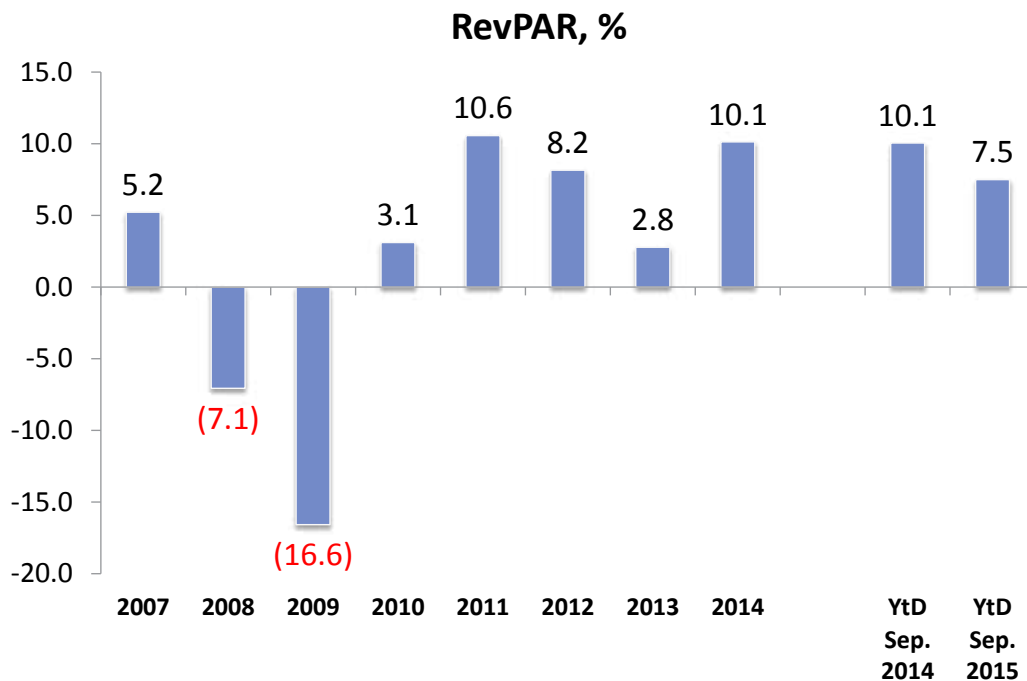
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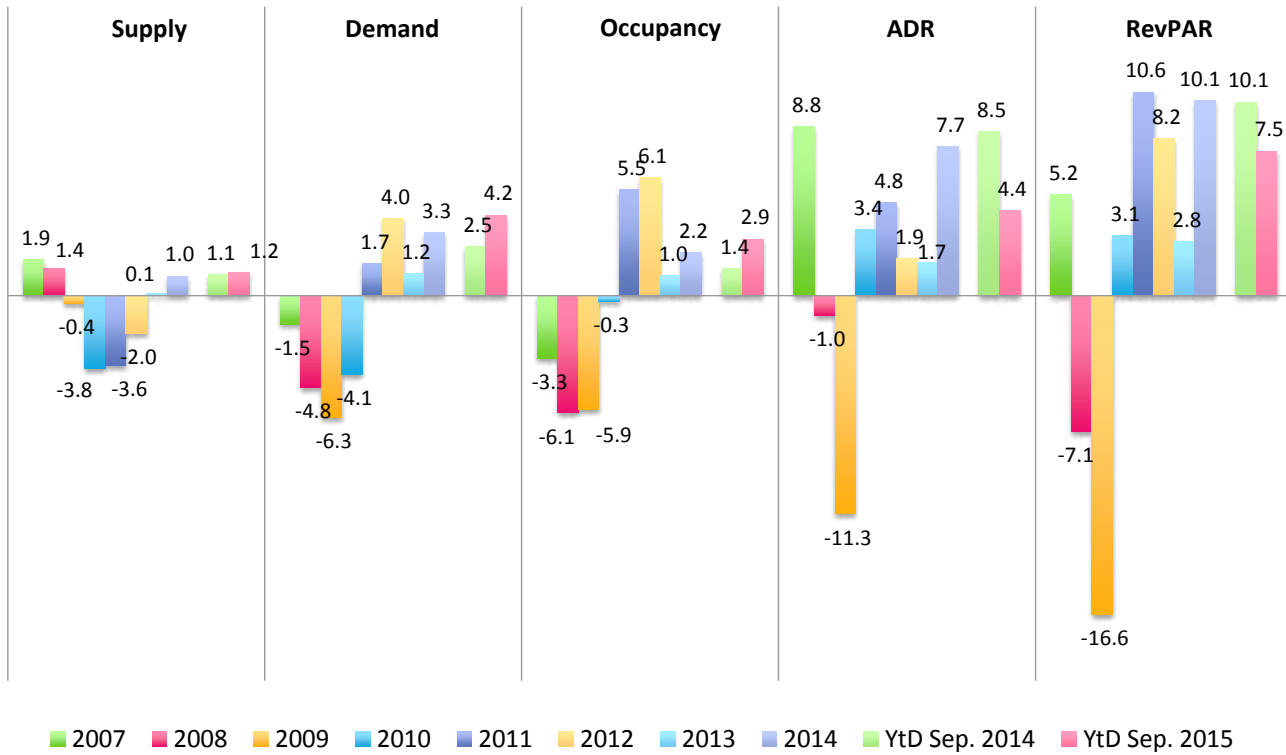
Source: Smith Travel Research; Parris Jordan

# Caribbean Metrics:

% change from 2007 – 2014 and YTD September 2015



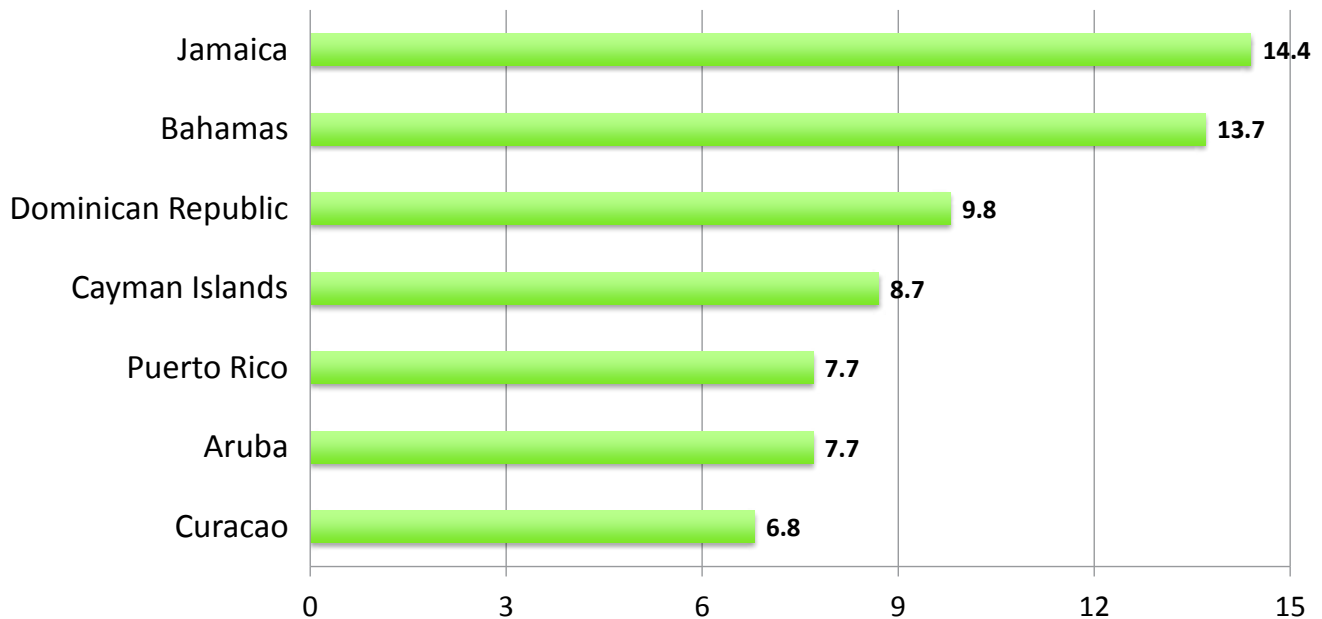
Source: Smith Travel Research; Parris Jordan



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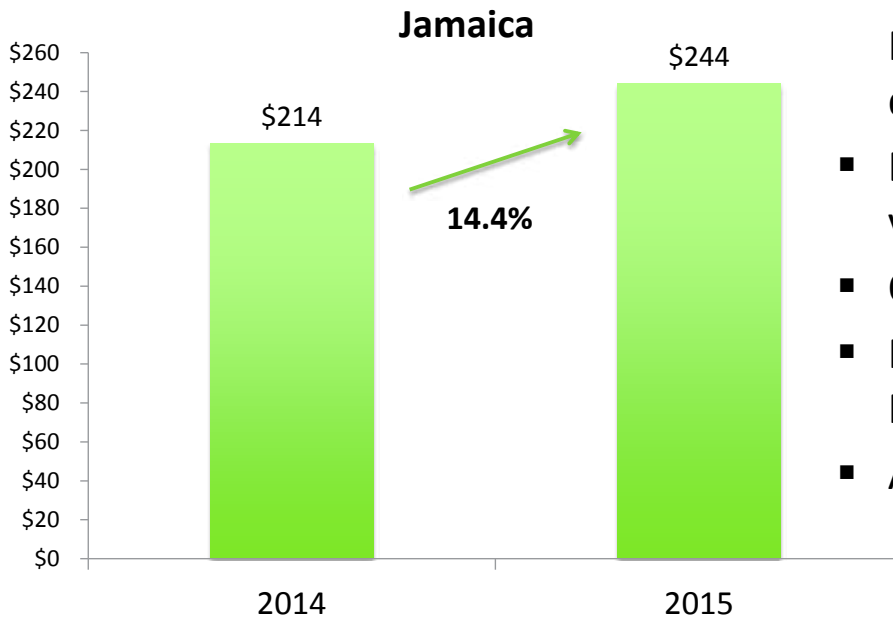
## Jamaica Experienced Strongest RevPAR Growth YTD 2015

### YTD RevPAR Change (%)



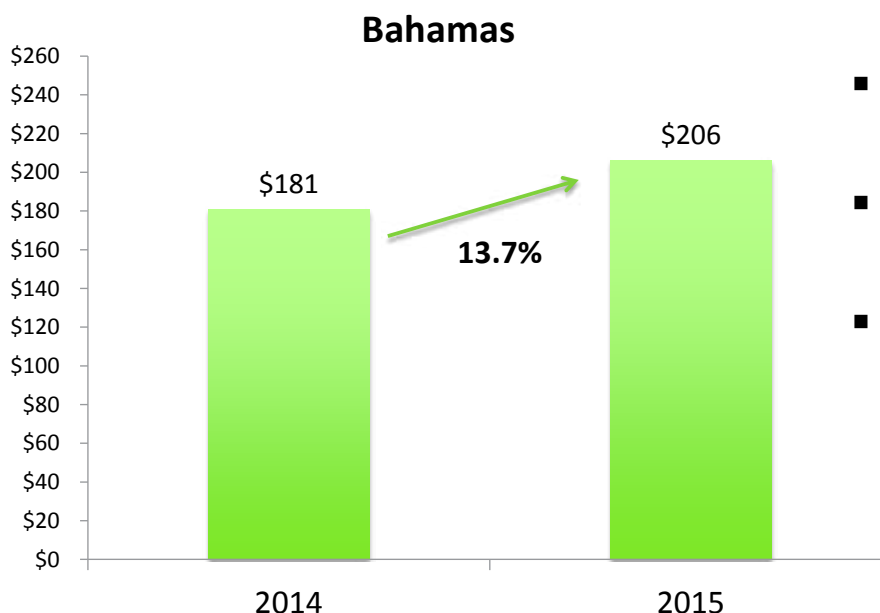
Source: Smith Travel Research; Parris Jordan

## Expanding All-Inclusive Market Brings 14.4% Rise in YTD RevPAR



- Very strong ADR gains Particularly last 7 quarters
- Demand continues very strong growth
- Occupancy levels peak
- Resulting in strong RevPAR gains
- All inclusive dominates

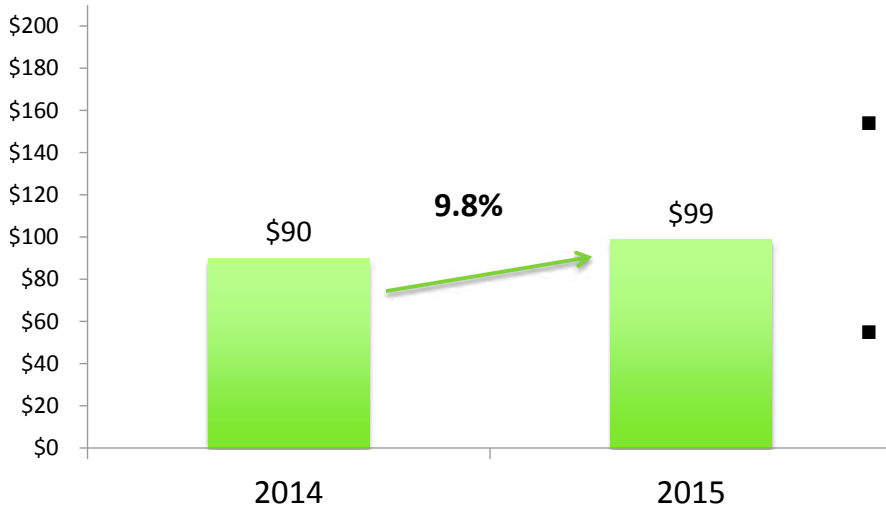
## Market exhibiting strong increases to RevPAR driven by huge gains in ADR



- Rate increases past two years.
- Substantial YTD increase in ADR
- Occupancy levels improving
- Existing hotels performing very well – bracing for new supply

# Dominican Republic market continues to exhibit strong fundamentals

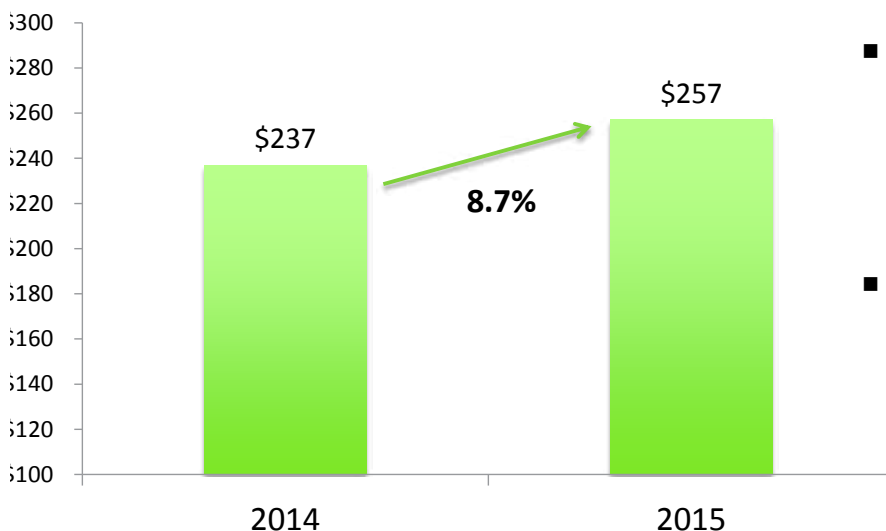
## Dominican Republic



- Double digit ADR increases four of last five years
- Occupancy gains – last 4 years resulting in over 70% occupancy
- Visitor arrivals continue to increase particularly from the US

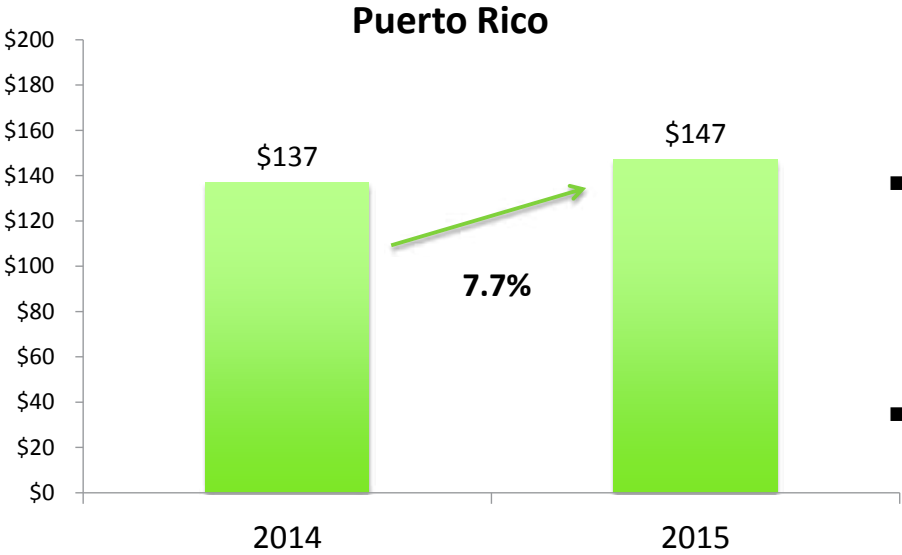
# Substantial ADR Growth as Operators Target Higher Rated Business

## Cayman Islands



- Very strong gains to ADR during the YTD period
- Notable gains to occupancy since 2012 peaking in 2014. Above 70%
- Improved hotel performance continues

# Notable RevPAR Growth Continues Through Strong Demand

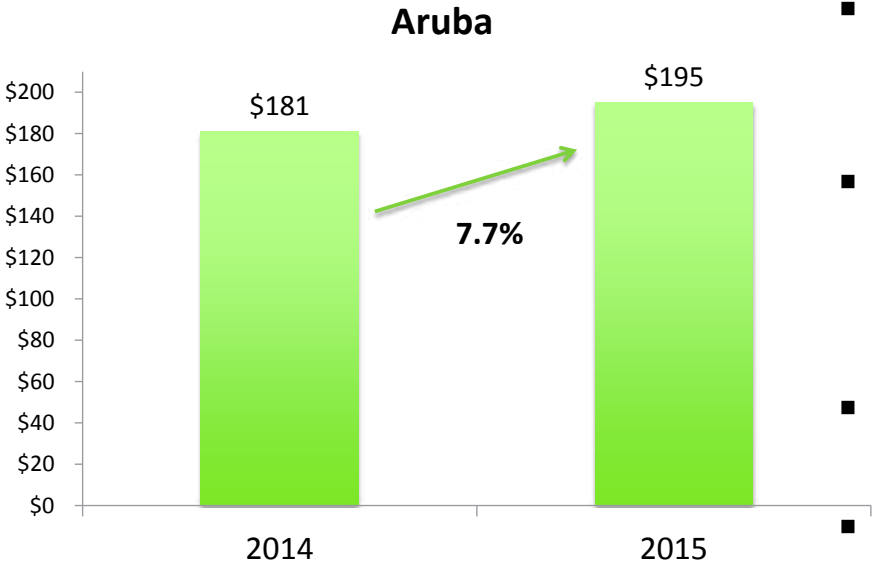


- Forecasted to end 2015 as 5<sup>th</sup> straight year with gains to ADR
- Occupancy remains high and demand continues to strengthen into YTD
- Leisure market improving



Source: Smith Travel Research & HVS; Parris Jordan

# Aruba Market Continues to Post Impressive Gains to ADR

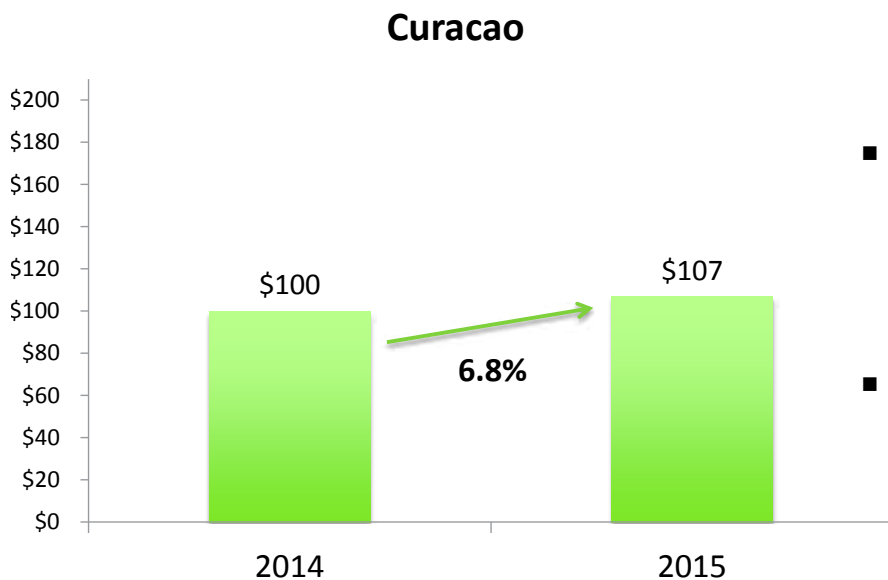


- ADR returned to prior peak since 2011
- Will end 2015 with 6 years of consecutive ADR growth
- Rebranding of existing assets
- Limited new supply



Source: Smith Travel Research & HVS; Parris Jordan

# Notable RevPAR gains Demonstrate Strength of the Curacao market



- Notable ADR increases four of last five years
- Branded hotels continue to post impressive occupancy levels
- Increasing airlift – notably from the US – JetBlue and American Airlines

## Observations & Trends Market Continues to Strengthen

### The Good News

- **Improving Economic conditions continue in 2015**
- **Overall hotel performance continues positive growth**
  - Trending towards 6<sup>th</sup> consecutive year of ADR and RevPAR growth
  - RevPAR increases will be driven by increases in ADR 3 years in a row
- **Demand levels continue to rise while**
  - trending towards 5th consecutive year of increasing demand
- **Additions to supply levels are low** – but slowly increasing
- **Operators generating higher revenues (driven by rooms revenue) while expenses decreasing** (particularly electricity)
- **Strong gains in NOI past four years**
- **ADR and RevPAR levels surpassed the prior peak in 2014**
- **Visitor Arrivals continue upward trend** – grew above market
- **Airlines increasing Airlift to the Region** – JetBlue and American Airlines

# Observations & Trends

## Other Good News

- **Owners have more options for refinancing**
- **Traditional lenders are slowly returning to the market**
  - LTV 50-60% range
  - DCR 1.4 – 1.5X
  - Interest rates L + 400-550 range – refinancing
  - L + 450-600 range – new construction – project, sponsor, location and brand are all critical
  - US CMBS lenders in the market 6-6.5% interest rate
  - High Yield lenders available, particularly on renovation projects; rates between 12-15%. Equity kicker depending on project duration or lack of coverage on cash flow

## Observations & Trends Challenges Remain

- Airline ticket prices still high despite lower fuel prices
- Increasing competition from other warm weather destinations – with newer hotels
- Traditional lenders are slow to return to the market – will consider the best opportunities in the better markets
- Financing for new construction still very difficult to attain – significant equity required



Cruise ships docked at St. Thomas, U.S. Virgin Islands

