



IRR Viewpoint

Caribbean Hospitality Market Update 4th Quarter 2017 Report

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Viceroy Sugar Beach
St. Lucia

Overview

The year 2017 was shaping up to be another year of growth for tourist arrivals to the region, though hotel performance was only improving slightly prior to the double whammy of September hurricanes that affected the northern Leeward Islands and Puerto Rico. There have since been a number of hotels temporarily close, which will have the effect of reducing supply by about 5,000 rooms in these markets for at least the immediate tourist season from December to April, 2018.

Tourism Arrivals Growth Slowing

Even prior to the hurricanes of September, arrivals to most destinations in the Caribbean were slowing according to data from the Caribbean Tourism Organization. Of the top thirteen reporting countries, the average rate of growth is flat (0.38%) for the year-to-date 2017.

CARIBBEAN STAYOVER ARRIVALS - LEADERS									2017
Destination	2014 Arrivals	% Chg	2015 Arrivals	% Chg	2016 Arrivals	% Chg	2017 YTD Arrivals	% Chg	Months
Dominican Republic	5,141,377	9.60%	5,599,427	8.90%	5,959,347	6.40%	4,400,124	5.60%	Jan-Aug
Jamaica	2,080,181	3.60%	2,123,042	2.10%	2,181,684	2.80%	1,625,257	6.10%	Jan-May
Puerto Rico	1,688,472	6.10%	1,786,563	5.80%	1,790,229	-0.10%	989,667	2.70%	Jan-Jun
Aruba	1,072,082	9.50%	1,224,935	14.30%	1,101,954	-10.00%	719,813	-6.80%	Jan-Aug
US Virgin Islands	730,367	3.90%	769,058	5.30%	796,889	4.30%	453,055	3.40%	Jan-Jun
Barbados	519,639	2.20%	591,872	13.90%	631,513	6.70%	399,659	5.90%	Jan-Jul
Martinique	489,561	0.00%	487,364	-0.40%	519,304	6.60%	342,503	4.80%	Jan-Jul
Turks and Caicos	368,164	26.70%	386,052	4.86%	453,612	17.50%	255,037	-1.50%	Jan-Jun
Trinidad & Tobago	412,537	0.00%	439,749	6.60%	408,782	-7.00%	299,821	-3.80%	Jan-Sep
BVI	383,148	4.70%	393,018	1.80%	407,764	3.80%	243,363	1.30%	Jan-Jun
Cayman Islands	382,816	10.84%	385,379	0.67%	385,451	0.00%	295,265	4.80%	Jan-Aug
St. Lucia	338,158	-2.09%	344,908	2.00%	347,872	0.86%	269,239	9.20%	Jan-Aug
Curacao	450,953	2.50%	468,442	3.10%	441,262	-5.60%	262,062	-12.60%	Jan-Aug
Average Increase		5.88%		5.66%		4.41%		1.19%	

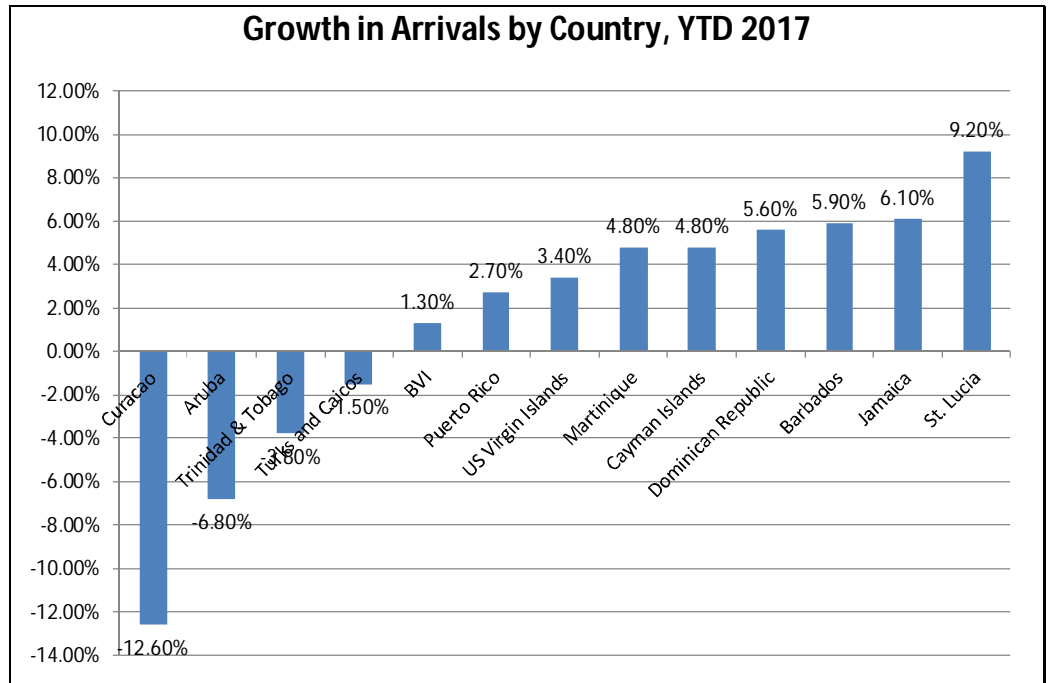
Source: Caribbean Tourism Organization, Various Govt. Tourism Departments

The largest increase in arrivals is noted in St. Lucia (9.2%) with the largest decline being from Curacao (-12.6%). Note that the data does not include Cuba, which has not yet reported for 2017.

Other destinations with notable gains include Jamaica (6.1%), Barbados (5.9%) and the Dominican Republic (5.6%).



Curtain Bluff
Antigua



Source: Caribbean Tourism Association

Other destinations with notable gains include Jamaica (6.1%), Barbados (5.9%) and the Dominican Republic (5.6%).

The data above does not include the countries of Cuba, the Bahamas, and St. Maarten, which have not reported arrival statistics so far for 2017. Cuba hosted over 4.2 million arrivals in 2016 and is reportedly aiming for 4.7 million in 2017. In 2016, visitors to Cuba increased dramatically following on relaxation of the travel rules by the Obama administration which allowed more Americans to travel there, yet now some of those travel restrictions are back in place.

For example, Americans traveling to Cuba for “people to people exchange” (known as the closest to tourism of the approved reasons), once again must go through an organized travel group with a schedule full of cultural activities. Americans were still a small portion of the overall tourists traveling to that country; with Canada and Europe being the largest source markets. Also not allowed for Americans is business dealings with any companies affiliated with the Cuban military, which owns many of the hotels in Havana in some way.

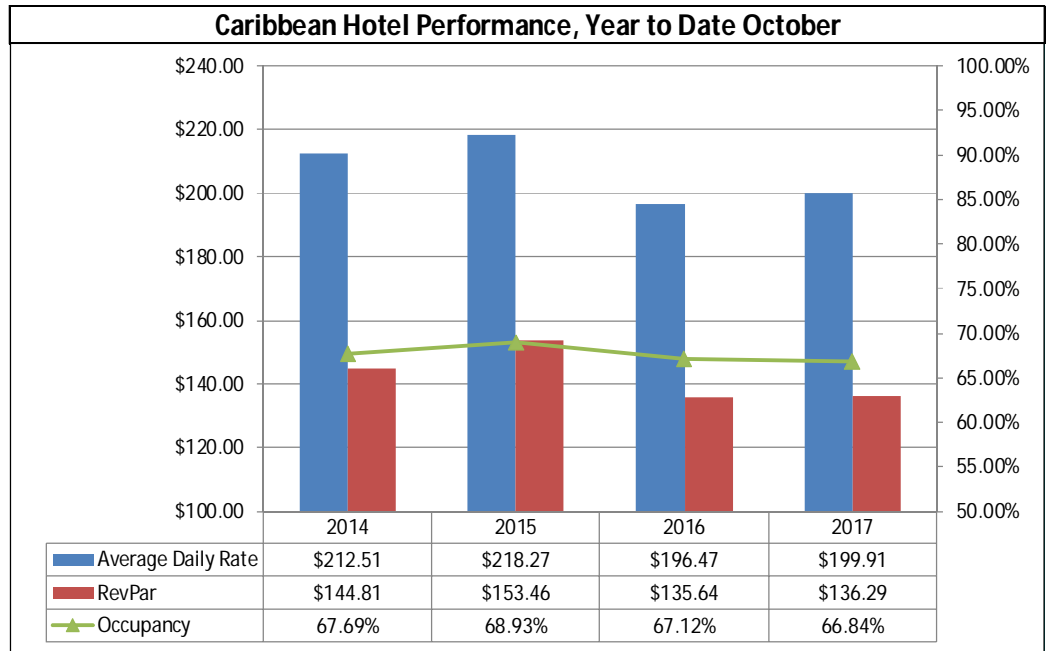
Hotel Performance Continue Declines from Peak Levels

For the year to date through October 2017, hotel performance has generally been flat based on data from STR Inc.

For the year-to-date October, occupancy in the region is down .4%. For same period, the average daily rate increased 1.8% for the Caribbean. According to the data, however, RevPar is up .5% for the year to date.



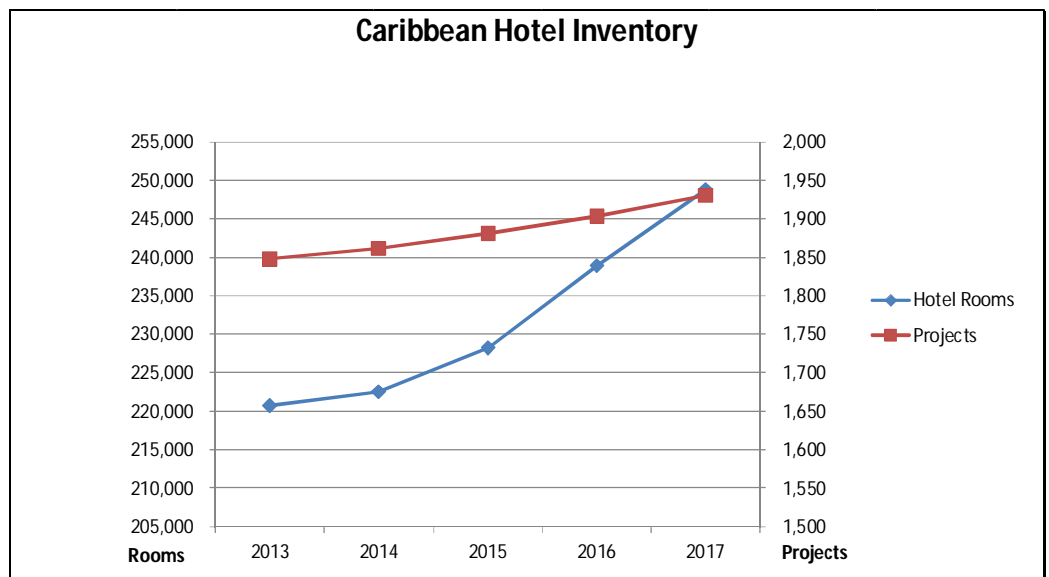
Baha Mar
The Bahamas



Source: STR

It should be noted that the occupancy noted above for September and October may have been impacted by the closure of hotels due to the hurricanes, as the rooms in these closed hotels would not be reported in the STR data for those months. The sample included in the data for October was 216 properties with 60,787 rooms, as compared with the July data of 272 properties with 65,712 rooms; resulting in a decline of 8%. Some of the decline, however, could also be attributed to properties that normally close during September and October, as a certain number of the smaller properties do.

As of September 2017, the total number of rooms in inventory (regardless of closures) in the Caribbean grew by 0.33% to 248,768 in 1,931 projects over the same period in the prior year.

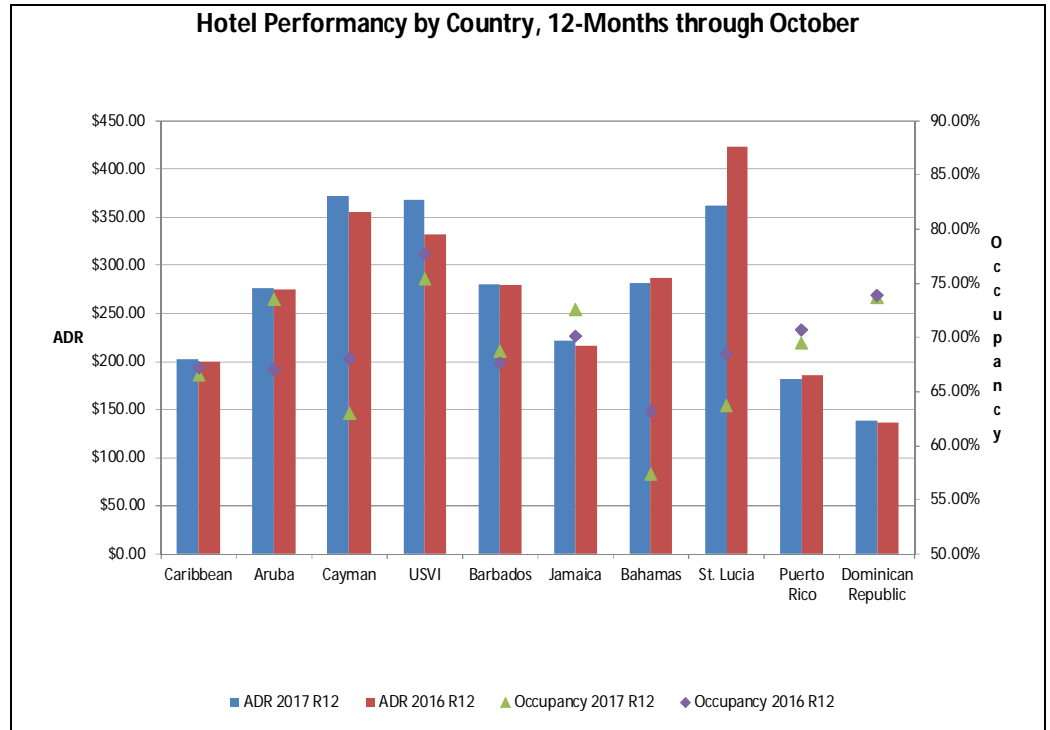




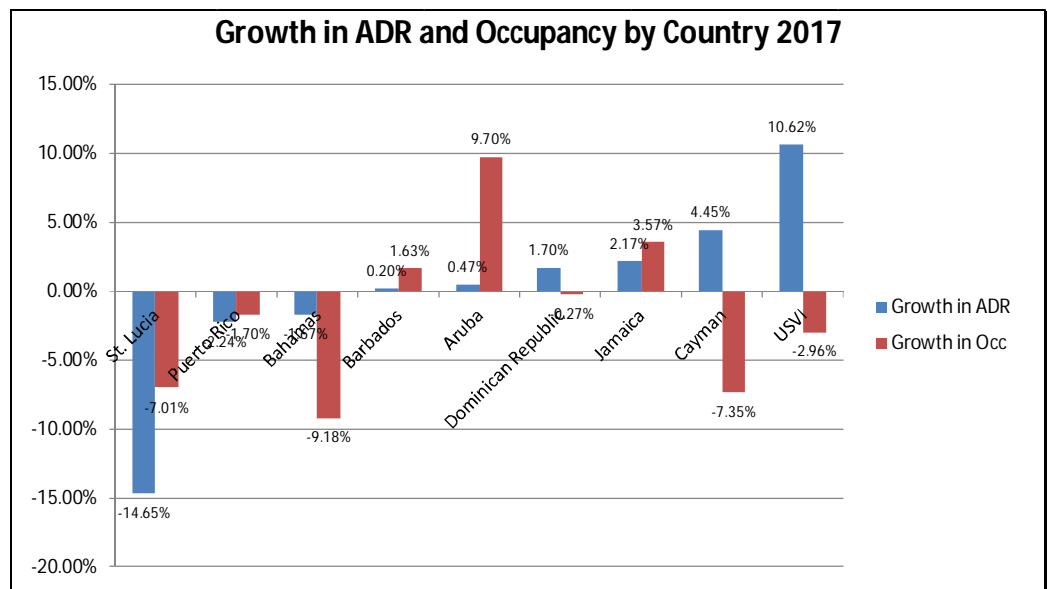
Ritz Carlton
Grand Cayman

For the twelve months through October, 2017, the Cayman Islands is reporting the highest ADR for the reporting countries in the region at \$371.34, (up 4.55%) followed by the U.S. Virgin Islands (\$367.40, up 10.62%) and St. Lucia (\$361.48, down 14.65%). We note that St. Lucia is leading the region in growth in arrivals at 9.2%, so one has to wonder if this is related to a decline in hotel rates over the same period, which were previously well over \$400.

Note that this data excludes one reporting country; Turks and Caicos; with reported ADRs above \$900; however this data is not a good indicator due to the fact that very few properties (only luxury) in TCI report performance to STR. Also notable is that the highest growth in ADR was reported by USVI, at over 10% above the same period last year.



Source: STR



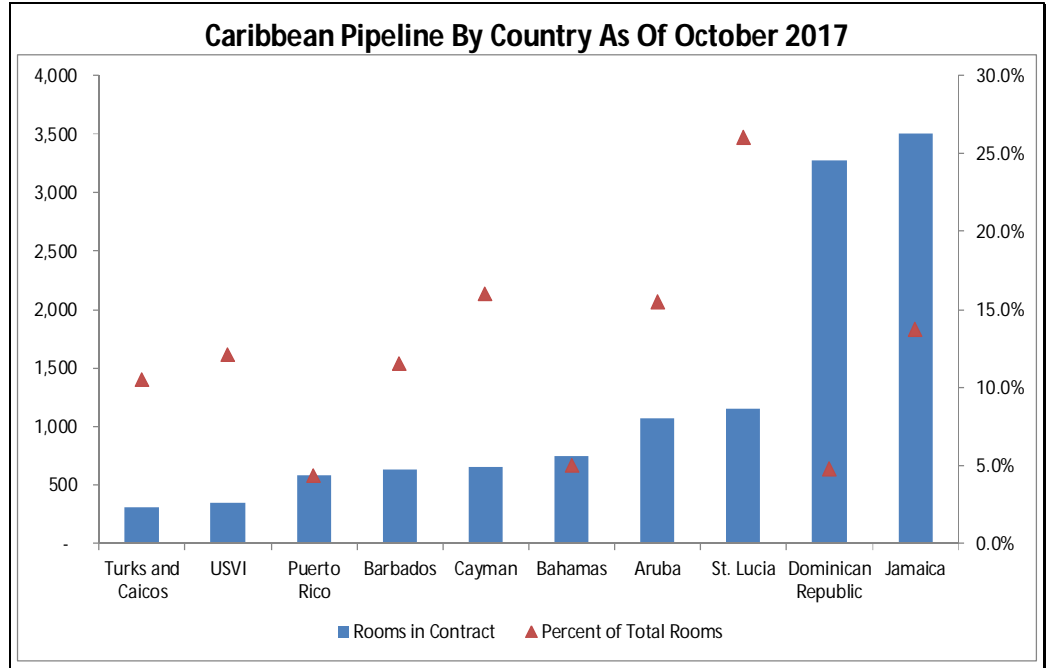
Source: STR

Pipeline Continues to Increase

As of October, 2017, STR reported 76 projects “Under Contract” in the Caribbean (*excluding Mexico*); totaling 18,063 rooms. This represents a 6.42% increase in rooms “Under Contract” compared with June, 2017; and a 31.97% increase in rooms “In Construction”. The projects “Under Contract” include those in the “In Construction”, “Final Planning” and “Planning” stages, but do not include projects in the “Unconfirmed” stage.



Beaches
Turks and Caicos



Source: STR

Jamaica still leads the Caribbean in terms of the destination with the most rooms “In Contract” (3,505) due to the proposed 2,000-room Celebration Jamaica; which is in the Final Planning stage. As the graph above indicates, the rooms which St. Lucia has in the pipeline represents more than 25% of the total existing room stock in that country, while six other destinations are adding between 10% and 17% to their existing inventory.

The Dominican Republic is a close second in pipeline rooms; with 3,274 rooms under contract. Cuba has 2,628 rooms under contract and St. Lucia has 1,148 rooms in this category. The largest projects in the Planning, Final Planning, or In Construction Stage are shown following.

Largest Projects Under Contract

Project	Unit Count	Location	Stage
Celebrations Jamaica	2,000	Montego Bay, Jamaica	Final Planning
Melia Internacional	934	Veradero, Cuba	Final Planning
Paladium Hotel Grand	850	Montego Bay, Jamaica	Final Planning
Paradisus Cayo Santa Maria	802	Cayo Santa Maria, Cuba	In Construction
Royalton Bavaro Resort	730	Punta Cana, Dominican Republic	In Construction

Source: STR, Inc.

Information indicates that most of the newest projects, and all of the largest, are in the top three largest markets in terms of existing and proposed hotel rooms. Notwithstanding any changes to risk perception due to the hurricanes in September, the entire region appears to be poised for significant growth in the hotel sector based on the number of announced projects.

Hurricane Effects

The region and its hotel sector was significantly impacted by two, back-to-back, Category-5 hurricanes that tore through the northern Leeward Islands in September. Hurricane Irma had the greatest effect on the islands of Barbuda, St. Barth, Anguilla, St. Maarten/St. Martin, St. Thomas (USVI) and most of the BVI; while two weeks later Hurricane Maria mostly bashed Dominica, St. Croix (USVI) and Puerto Rico.



Zemi Beach
Anguilla

In Anguilla, it is reported that Four Seasons will re-open April, 2018, CuisinArt in the summer, and Cap Juluca in November of next year. Ce Blue and Frangipani can open as early as next month, and Zemi Beach is ready to open as soon as there is electric power.

In the BVI, damaged hotels with scheduled re-open dates include Scrub Island (February, 2018), Sebastian's on the Beach (Q2, 2018) and Peter Island Resort (December, 2018). Other properties such as Maria's, Village Cay and Nanny Cay are all already partially open. On the other hand, some of the major properties such as Rosewood Little Dix Bay (this resort was already closed for renovations), Long Bay Beach Resort and Bitter End Yacht Club are all closed until further notice.

In Puerto Rico there are many well-known tourist hotels already open for business or opening in early December, such as Ritz Carlton Dorado Beach, San Juan Marriott, Condado Vanderbilt and La Concha. Others with scheduled opening dates in January include Caribe Hilton, Condado Plaza, St. Regis Bahia Beach, Sheraton Old San Juan and Sheraton Puerto Rico. The Ritz Carlton San Juan is scheduled to re-open in April. San Juan's hotel inventory is therefore in relatively good shape compared to many smaller islands in the region.

In the USVI, most of the larger hotel resorts were damaged. Those scheduled to open in 2018 include Renaissance Carambola (March), Bolongo Bay (June), Ritz Carlton (October), Marriott Frenchman's Cove (December), and Westin St. John (November). Those that are closed indefinitely include Marriott Frenchman's Reef, Caneel Bay and Sugar Bay.

In St. Maarten/St. Martin, all three Sonestas are closed until further notice, as is the Westin Dawn Beach, Divi Little Bay and Flamingo Beach, amongst others. St. Maarten's hotel inventory appears to be the hardest hit overall in terms of percentage of rooms out of commission for the long term.

Conclusions and Forecasts

It appears that there will be a significant reduction in available rooms in this part of the Caribbean through the peak of tourist season 2018 due to hurricane damage, which will likely result in lower arrivals, but buoyed occupancy rates and average daily rates. We estimate approximately 5,000 rooms that were previously open will be closed throughout the primary tourist season of 2018 (at least through April) because of hurricane damage.

Otherwise, the year 2017 was turning out to be relatively consistent with the prior year in terms of hotel statistics. Arrivals were continuing to grow, showing evidence of greater usage of non-traditional lodging options such as Airbnb, VRBO and other villa rental alternatives.

There remains to be some concern with the growing number hotel rooms in inventory and the number of new projects being announced, and there is a significant increase in the number of rooms currently under construction (which are generally outside the hurricane affected areas). Growth in supply could result in a longer term decline in occupancy, especially if growth in arrivals begins to slow.

Part of the greater network of Integra Realty Resources offices, IRR-Caribbean provides real property and business valuation and consulting services throughout the Caribbean region; specializing in hotel and resort investment assets and businesses.



A handwritten signature in blue ink, appearing to read "J. Andrews", is positioned above the contact information.

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