

# CARIBBEAN TRENDS®

IN THE HOTEL INDUSTRY  
TWELFTH EDITION - 2017



S495

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## How Currency Exchange Impacts Caribbean Tourism

Two factors affect how currency exchange impacts the Caribbean Tourism. The Destination, where visitors are going, and the Point of Origin, where visitors are coming from.

On June 2016, British electorates voted to leave the European Union. Because of this vote, the British pound fell to its lowest level against the US dollar in 31 years. This sharp fall makes the British pound worth 12% less causing concern for those Caribbean destinations that market to U.K. travelers. The reduced value of the pound will limit U.K. travelers spending, which includes vacations, and ultimately result in a slower growth in demand from leisure guests to the Caribbean.

When it comes to the demand for travel from the U.K. to the Caribbean, airlines may have to adjust their prices and routes, although airlines such as Easyjet and British Airways indicate it should not hurt their businesses even though profits may decrease. Destinations such as Barbados and St. Lucia are among those affected by the Brexit vote. Barbados attracts more tourists from the U.K. than it does from Europe and the U.S. combined so a decline in British tourism could cause people to quickly abandon the Barbadian dollar. As for St. Lucia, the Brexit vote may cause the value of the pound to increase. If the pound is valued, U.K. travelers will have less money to spend while on vacation.

Hoteliers in the Caribbean who cater to U.K. or European travelers should recognize the increased cost associated with European travelers. They may want to consider marketing more heavily to U.S. travelers who can take advantage of the strength of the American dollar.

## Zika Update

Most hoteliers in the region report that the Zika virus is less of a concern than it was in 2016. Although the Zika virus has not been officially eradicated, most tourist destinations have taken great care in spraying and limiting contact with the mosquitos that carry the virus.

Group bookings that elsewhere in 2016 have indicated that for 2018 and beyond, the Caribbean has returned as a more popular destination. This should provide more compression into the market enabling hoteliers to increase room rates.

## Impacts of Hurricane Irma and Hurricane Maria

Never before has the region experienced two Category 5 Hurricanes. Although too early to tell as of the date of this publication, the Caribbean is expected to be negatively impacted. The areas hit hardest so far (Puerto Rico, the British Virgin Islands and Barbuda) will experience significant loss of tourism revenue. Those countries not impacted will benefit by some of the displaced demand as long as marketing efforts emphasize that "We Are Open for Business"!

It may be sometime (two to five years) that the islands that have been impacted will be able to repair their tourism infrastructure. Destinations such as Puerto Rico where there is substantial inventory of guest rooms and infrastructure will have a far reaching impact throughout the Caribbean in the years to come.

TOURIST ARRIVALS BY MAIN MARKET											
Destination	Period	United States		Canada		Europe		Other		Total	
		Tourists	% ch	Tourists	% ch	Tourists	%ch	Tourists	%ch	Tourists	%ch
Anguilla	Jan - Dec	50,508	6.9%	3,501	3.1%	8,879	12.8%	16,351	11.1%	79,239	8.2%
Antigua & Barbuda*	Jan - Dec	108,652	14.8%	21,196	-8.9%	95,956	-0.3%	39,383	1.1%	265,187	5.9%
Aruba	Jan - Dec	628,765	1.2%	42,059	-4.8%	86,743	7.6%	344,387	-8.1%	1,101,955	-10.1%
Bahamas	Jan - Dec	1,159,209	1.1%	127,593	-15.9%	92,994	6.1%	101,975	3.8%	1,481,771	-0.2%
Barbados P	Jan - Dec	168,945	14.1%	78,903	5.9%	258,408	1.3%	125,211	9.6%	631,467	6.7%
Belize P	Jan - Dec	254,543	18.3%	21,866	-9.0%	42,631	4.1%	66,543	2.1%	385,583	13.0%
Bermuda *	Jan - Dec	182,896	16.4%	23,744	-5.0%	28,984	-1.6%	8,867	1.8%	244,491	11.2%
Cayman Islands	Jan - Dec	300,571	3.0%	23,274	-4.2%	29,220	-14.5%	32,386	1.1%	385,451	0.6%
Cuba 1	Jan - Dec	-	-	527,757	-4.3%	352,370	37.7%	410,740	24.1%	1,290,867	1.8%
Curacao	Jan - Dec	59,717	-5.5%	17,960	-2.9%	206,767	3.3%	156,818	-15.5%	431,262	-3.6%
Dominica P	Jan - Dec	19,404	11.0%	3,085	4.0%	14,596	6.1%	41,000	1.8%	78,085	4.8%
Dominican Republic *	Jan - Dec	2,085,186	4.2%	768,486	3.0%	1,261,571	1.2%	1,844,098	7.4%	5,959,341	6.4%
Grenada	Jan - Dec	57,928	12.4%	13,801	0.1%	34,400	1.9%	29,230	-6.7%	135,359	2.1%
Guyana	Jan - Dec	90,567	6.4%	24,019	-0.7%	12,462	1.1%	108,247	25.5%	235,295	13.8%
Haiti	Jan - Dec	106,902	-17.5%	11,074	-12.2%	12,557	34.8%	10,424	-24.6%	140,957	-14.5%
Jamaica	Jan - Dec	1,406,058	4.6%	372,137	-4.9%	1,000,000	5.5%	1,378,780	0.6%	4,157,675	2.8%
Montserrat	Jan - Dec	1,492	10.5%	307	-6.1%	1,458	1.7%	6,175	6.1%	9,372	5.5%
Puerto Rico **	Jan - Dec	1,440,854	-1.8%	17,056	-1.1%	37,400	0.0%	12,000	1.1%	1,615,855	-0.7%
St. Kitts and Nevis	Jan - Jul	26,491	-4.9%	3,348	1.4%	4,328	0.3%	7,397	1.7%	41,564	-6.9%
Saint Lucia	Jan - Dec	157,576	3.2%	37,772	1.3%	80,169	-6.2%	72,355	6.4%	347,872	0.9%
St. Maarten *	Jan - Dec	275,322	3.6%	57,001	1.4%	142,711	24.3%	53,115	-34.0%	528,154	4.5%
St. Vincent and the G'dines	Jan - Dec	22,848	3.6%	8,010	0.1%	21,300	-0.9%	26,503	9.4%	78,751	4.5%
Suriname	Jan - Nov	7,743	3.6%	2,000	14.1%	10,000	7.6%	139,191	18.9%	256,951	13.4%
Trinidad and Tobago	Jan - Dec	174,163	-4.4%	4,000	-6.0%	1,000	-11.4%	124,189	-8.8%	408,782	-7.0%
Turks and Caicos	Jan - Dec	365,854	16.1%	4,000	23.2%	1,000	27.7%	28,228	23.3%	453,612	17.5%
US Virgin Islands	Jan - Nov	-	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>9,152,194</b>		<b>2,300,830</b>		<b>3,303,200</b>		<b>4,017,890</b>		<b>18,775,724</b>	
<b>% of all arrivals</b>		<b>48.7%</b>		<b>12.3%</b>		<b>17.6%</b>		<b>21.4%</b>		<b>100%</b>	

\* Non- Resident Air Arrivals \*\*Non-Resident Hotel Reservations Cancellations P. Preliminary figures 1. USA total included in Other

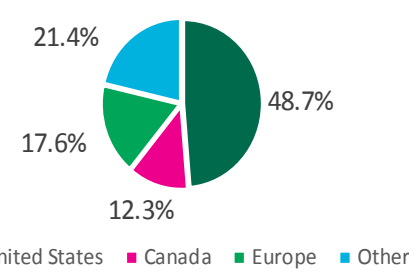
Note: U.S.V.I. reported figures in these tables are Hotel Registrations whereas in the U.S. Stay Over totals are Air Arrivals

Note: Figures are subject to review by reporting countries

Source - Caribbean Tourism Organization

- The United States still dominates the Caribbean tourist market, accounting for 48.7% of all arrivals (an increase of 3.6 percentage points from the previous year).
- Turks and Caicos had a strong year over year increase in tourism of 17.5%. Belize and Cuba had one of the highest growth rates in the Caribbean with a year-over-year growth rate of 18.3%. Conversely, Aruba (which accommodates a significant amount of South American demand) fell 10.1%.
- 17 out of 26 reporting countries experienced growth in their tourist arrivals over 2015, while 6 out of 26 had double digit growth.

Tourist Arrivals by Main Market



**SUMMARY OPERATING STATEMENT**  
All Caribbean Properties

	Year End 2016 in USD	% Change from 2015**	Ratio to Revenue	Per Available Room/Year	Per Occupied Room/Day
<b>Revenues</b>					
Rooms	\$ 19,768,631	-2.6%	55.1%	\$ 6,000	\$ 261.44
Food & Beverage	\$ 10,210,299	-1.5%	28.5%	\$ 3,153	\$ 132.94
Other Operated Departments	\$ 4,759,051	-1.3%	13.3%	\$ 1,455	\$ 60.94
Miscellaneous Income	\$ 1,131,514	-7.2%	3.2%	\$ 352	\$ 14.96
<b>Total Operating Revenue</b>	<b>\$ 35,869,495</b>	<b>-2.2%</b>	<b>100.0%</b>	<b>\$ 121,386</b>	<b>\$ 474.37</b>
<b>Departmental Expenses*</b>					
Rooms	\$ 4,610,373	0.0%	23.3%	\$ 15,602	\$ 63.96
Food & Beverage	\$ 7,880,868	-1.2%	22.0%	\$ 26,670	\$ 109.12
Other Operated Departments	\$ 3,216,280	-1.6%	6.7%	\$ 10,884	\$ 42.53
<b>Total Departmental Expenses</b>	<b>\$ 15,707,520</b>	<b>-1.2%</b>	<b>43.8%</b>	<b>\$ 53,156</b>	<b>\$ 207.73</b>
<b>Total Departmental Income</b>	<b>\$ 20,161,975</b>	<b>-3.2%</b>	<b>56.2%</b>	<b>\$ 68,230</b>	<b>\$ 266.64</b>
<b>Undistributed Operating Expenses</b>					
Administrative and General	\$ 3,216,280	-4.4%	9.1%	\$ 10,998	\$ 42.98
Information and Telecommunications Systems	\$ 521,766	45.5%	1.5%	\$ 1,766	\$ 6.90
Sales and Marketing	\$ 2,539,027	-1.3%	7.1%	\$ 8,592	\$ 33.58
Property Operation and Maintenance	\$ 1,040,766	-1.0%	4.9%	\$ 5,959	\$ 23.29
Utilities	\$ 1,710,555	-7.1%	5.5%	\$ 6,709	\$ 26.22
<b>Total Undistributed Expenses</b>	<b>\$ 9,038,394</b>	<b>-1.6%</b>	<b>28.0%</b>	<b>\$ 34,024</b>	<b>\$ 132.97</b>
<b>Gross Operating Profit</b>	<b>\$ 10,123,820</b>	<b>-4.7%</b>	<b>28.2%</b>	<b>\$ 34,206</b>	<b>\$ 133.67</b>
<b>Management Fees</b>	<b>\$ 1,710,476</b>	<b>0.0%</b>	<b>4.1%</b>	<b>\$ 5,013</b>	<b>\$ 19.59</b>
<b>Income Before Non-Operating Income and Expenses</b>	<b>\$ 8,622,944</b>	<b>-8.0%</b>	<b>24.0%</b>	<b>\$ 29,192</b>	<b>\$ 114.08</b>
<b>Non-Operating Income and Expenses</b>					
Income	\$ (74,000)	-	-0.3%	\$ (327)	\$ (1.28)
Rent	\$ 540,508	-8.9%	1.5%	\$ 1,829	\$ 7.15
Property and Other Expenses	\$ 118,157	-5.7%	0.3%	\$ 400	\$ 1.56
Insurance	\$ 803,751	-6.7%	2.2%	\$ 2,720	\$ 10.63
Other	\$ 233,286	-18.5%	0.7%	\$ 789	\$ 3.09
<b>Total Non-Operating Income and Expenses</b>	<b>\$ 1,599,004</b>	<b>-13.1%</b>	<b>4.5%</b>	<b>\$ 5,411</b>	<b>\$ 21.15</b>
<b>EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)</b>	<b>\$ 7,027,340</b>	<b>-4.3%</b>	<b>19.6%</b>	<b>\$ 23,781</b>	<b>\$ 92.94</b>

\* Departmental Revenue column is percent of corresponding Departmental Revenue  
\*\* Data taken from a sub-sample of properties that reported data for both 2015 and 2016

	2016	Change
<b>Average Units Available Per Day</b>	296	
<b>Average Units Available For Year</b>	108,147	
<b>Average Paid Units Occupied For Year</b>	75,615	
<b>REVPAR</b>	\$ 182.79	-3.0%
<b>ADR</b>	\$ 261.44	-0.2%
<b>Occupancy</b>	69.9%	-2.8%

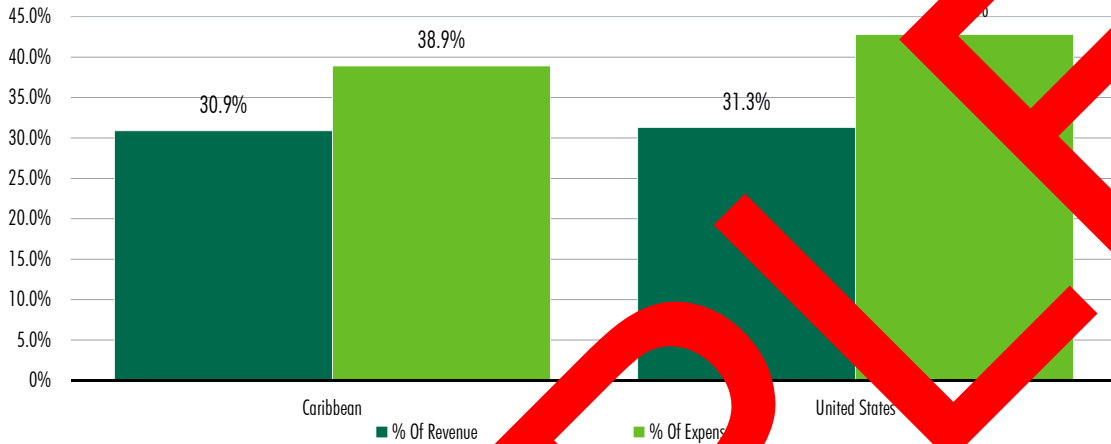
<b>CARIBBEAN AND FLORIDA RESORTS</b>		
<b>Revenue and Expense Ratio Comparison</b>		
	<b>Caribbean</b>	<b>Florida</b>
<b>Revenues</b>		
Rooms	54.3%	51.0%
Food & Beverage	28.5%	37.4%
Other Operated Departments	13.8%	9.7%
Miscellaneous Income	3.4%	1.9%
<b>Total Revenue</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Departmental Expenses*</b>		
Rooms	24.0%	23.1%
Food & Beverage	17.4%	64.1%
Other Operated Departments	66.7%	12.8%
<b>Total Departmental Expenses</b>	<b>44.7%</b>	<b>41.6%</b>
<b>Total Departmental Income</b>	<b>55.3%</b>	<b>58.4%</b>
<b>Undistributed Operating Expenses</b>		
Administrative and General	9.0%	7.0%
Information and Technology Systems	1.4%	1.4%
Sales and Marketing (including Franchise Fees)	7.1%	6.4%
Property Operation and Maintenance	5.0%	4.0%
Utilities	5.6%	2.6%
<b>Total Undistributed Expenses</b>	<b>28.2%</b>	<b>21.5%</b>
<b>Gross Operating Profit</b>	<b>27.1%</b>	<b>37.0%</b>
<b>Management Fees</b>	<b>3.9%</b>	<b>3.3%</b>
<b>Income Before Operating Income and Expenses</b>	<b>23.2%</b>	<b>33.7%</b>
<b>Non-Operating Income and Expenses</b>		
Income	-0.3%	-0.1%
Rent	1.5%	2.8%
Property and Other Taxes	0.4%	2.6%
Insurance	2.4%	1.5%
Other	0.7%	2.2%
<b>Total Non-Operating Income and Expenses</b>	<b>4.7%</b>	<b>9.1%</b>
<b>EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)</b>	<b>18.4%</b>	<b>24.6%</b>

\* Ratio to Revenue column is percent of corresponding Departmental Revenue

Labor Cost Data: Caribbean and United States Comparison

The following graphs and table compare labor costs for Caribbean hotels to similar expense ratios at U.S. properties.

Labor Costs



Note: Total Labor Costs are the sum of Salaries and Wages and Payroll Related Expenses.

Employee Benefits



Note: This chart represents employee benefits as a percentage of total labor cost and total salaries and wages.

CHANGE IN LABOR COSTS: 2015 - 2016		
	Caribbean	United States
Salaries, Wages, and Payroll Charges, Contracted Labor, and Bonuses	1.1%	2.9%
Payroll Related Expenses	0.5%	2.5%
Total Labor Costs	0.9%	2.8%

Note: Percentage changes are only for properties that reported both 2015 and 2016 data.