

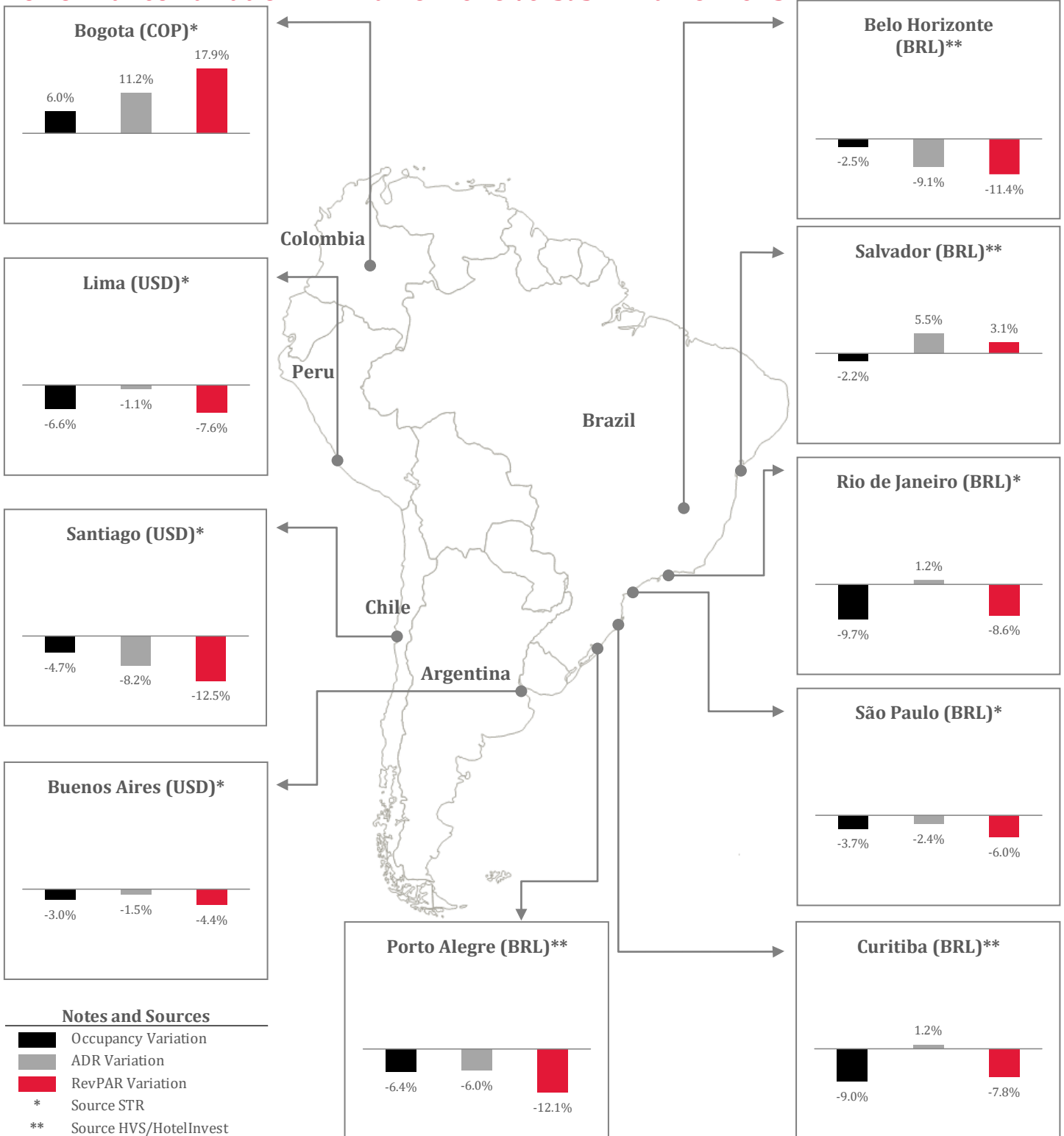
# Market Pulse: South America

1<sup>st</sup> Half of 2016 | 2<sup>nd</sup> Edition



The Market Pulse of South America is the annual publication by HVS/HotelInvest in partnership with STR which analyzes the partial performance of 10 major hotel markets in South America. Overall, in the first half of 2016 the economic slowdown continued to affect the economy in most of the analyzed markets. Despite being a widespread reality, its impact in the hospitality industry is different in each country.

## Performance Variation – 1<sup>st</sup> half of 2016 versus 1<sup>st</sup> half of 2015



Methodological note: The large sample is formed mostly by data from STR, complemented by internal records of HVS/HotelInvest and data provided by third parties. We thank all those who contributed to the realization of this publication and invite new hotels, hotel chains and associations to share their data with STR for future editions. The information presented here was produced based on the performance of 82,795 rooms and contains the major hotels of each segment in each city. Therefore, we have the certainty that the indicators of evolution are an excellent reflection of what is happening in each market. Daily Rate data are presented in nominal values and in local currencies of each market, with the exception of Buenos Aires, Santiago and Lima, which are dollarized rates markets. Our annual comparisons use the same sample base in the entire series, except when there are openings or significant changes in segmentation.

## Argentina – Buenos Aires

- › **Positive prospects in the medium-term.** Despite the risk perception related to Argentina, the economic adjustments should permit more predictability in the country and bring benefits in the medium-term.
- › **Fall in tourist flow.** The economic and political situation in Argentina and the crisis in Brazil, one of the main markets for the country, had an impact on the domestic and international tourist flow to Buenos Aires (based on market research, not official statistics).
- › **Dollar appreciation has limited impact on the hotels' profitability.** The occupancy rate decreased, even with the insignificant increase in supply, due to the drop in demand. Despite the dollarized daily rates, the dollar appreciation against the peso added little to the hotels' bottom line, given the increase in input costs and utilities.

## Chile – Santiago

- › **Uncertainty and loss of confidence in the central government.** Despite the solid base, recent reforms have reduced the private sector's confidence and there are no signs of change in this scenario, at least in the short term.
- › **Significant growth of tourist flow.** International tourism grew by 35.0% between January and March of 2016 compared to the same period of 2015.
- › **Hotel industry affected by the national economy and the opening of new hotels.** The hotel performance was impacted by an increase in supply and a decrease in demand. In addition, the Copa America hosted in 2015 influenced the increases in the daily rate. The market recovery depends on the solution of the national economic issues.

## Colombia – Bogota

- › **The Bogota economy is an outline in the region and stands out among the other South American countries.** The economic and social adjustments in recent years were well implemented and the country is growing, despite the slowdown, trend that is expected to continue in the coming years.
- › **Significant growth of tourist flow.** The international tourism grew by 11.2% between January and May of 2016 compared to the same period of 2015.
- › **Supply stabilization and demand growth show good prospects for the hotel industry.** With the significant demand growth and the slowdown in new supply, the hotel performance in Bogota is improving and points to the beginning of a market recovery cycle.

## Peru – Lima

- › **Healthy economy and partially affected, but with good prospects.** Despite the impact of the fall in commodity prices on the economy, the recent election of President Pedro Pablo Kuczynski should bring a positive outlook to the country.
- › **Significant growth of tourist flow.** International tourism grew by 7.4% between January and May of 2016 compared to the same period of 2015
- › **Lima hotels present the best performance in the region.** Punctually, the hotel industry was affected by the economic slowdown and the presidential elections. The high performance is expected to remain at least in the short-term, given the positive economic outlook and the increase in supply expected only from 2018.

## Brazil

- › **Reflections of the improvement in the economic and political conditions must be felt already in the short-term.** After the beginning of the interim government of Michel Temer, financial analysts foresee a positive scenario from 2017 onwards, with real GDP growth, inflation control and lower interest rate. Once the political crisis is solved, it is expected that the country will return to present a promising environment for investors and business.
- › **In the medium-term, supply will start to stabilize.** The development cycle seems to have come to an end. In cities with low performance, some hotels are leaving the market. In Salvador, two hotels closed at the beginning of this year (682 rooms), and it is expected that over 700 rooms will also close down their activities in the coming months. No new supply is expected; therefore, the tendency is a market recovery.
- › **After years of decline, the markets apparently reached the lowest levels of demand.** Monthly data show that in the last months of the semester, some of the analyzed markets' demand remained stable compared to last year. It seems to be the beginning of a recovery cycle, which depends on the evolution of the economy and supply in each market.
- › **Rates still suffer declines caused by the low demand.** Even with the recent stability in demand, the daily rates are being pressured in most markets, with the exception of Curitiba, Salvador and Rio de Janeiro (Curitiba comes from a low base and there is no room for cuts, Salvador had a great summer season, which led to significant increases in the daily rates, and in Rio de Janeiro there was some openings of sophisticated hotels).



## About HVS

HVS is the world's leading consulting and services organization, focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries. Established in 1980, the company performs 4500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 35 offices and 450 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry.

**Superior Results through Unrivalled Hospitality Intelligence. *Everywhere.***

## About HotelInvest

HotelInvest was founded in 1999 by Diogo Canteras and is a reference in hotel investment consulting in South America. With a team of 20 consultants and experience in 14 countries, the company is active in three business areas: hotel investment consulting (which represents HVS in South America), having elaborated more than 700 studies in Brazil and other countries; hotel asset management, a division focused on the supervision and maximization of profits from hotel investments, which at present, manages 31 contracts and about 7,500 hotel rooms; and hotel investment funds; and the Investment Fund area, which is responsible for the administration of the Fundo de Investimento Imobiliário FII Hotel Maxinvest (Maxinvest Real Estate Investment Fund), one of the most successful investment funds in Brazil during five years with an internal rate of return of over 30% annually.

**Intelligence in Hotel Investments**

## About STR

STR offers clients — including hotel operators, proprietors, investors, destination administrators, local and national governments, industry suppliers, counselors and sponsors — a standardized, world platform, a transparent, logical methodology, and a quality service all over the world. STR monitors hospitality supply and

demand data and offers a valuable analysis of market activities, both for international and regional hotel groups and independent properties. With more than 55,000 hotels participating in our research of hotel performance, we are the primary source in the world for the historical tendencies of hospitality performance. We supply standardized and personalized information that will help understand past performance, market projections, and the dynamics of supply and demand in the hospitality sector.

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