



APRIL 2011

BELIZE: A SMALL HOTEL MARKET POISED FOR GROWTH  
**MOTHER NATURE'S BEST KEPT SECRET**



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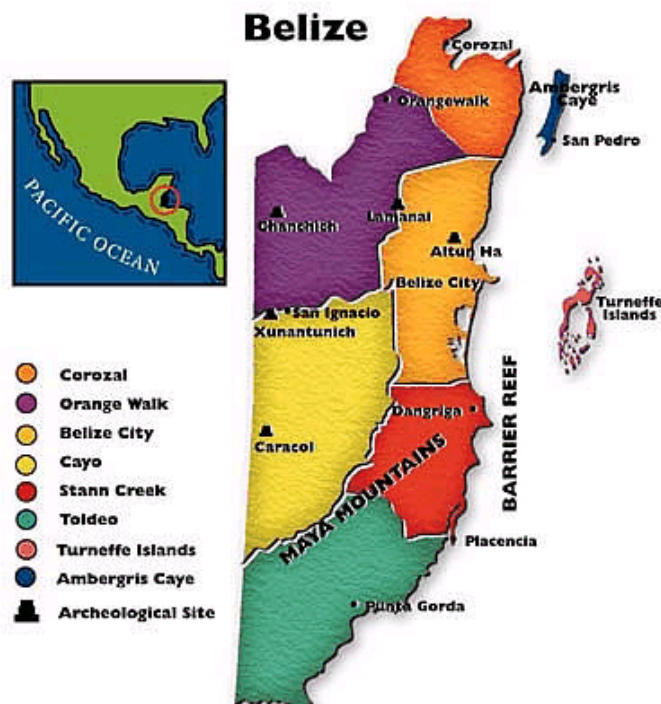
Since 2008, HVS Miami has performed consulting engagements in the Stann Creek and Cayo Districts of Belize for various hotel developers, investors, lenders and operators.

The Government of Belize is keen on developing new partnerships and alliances with both local and foreign investors to cultivate investment opportunities within the lodging sector. This commitment coupled with a limited supply of hotel rooms, improving hotel fundamentals, and a dearth of upscale to luxury hotels in the marketplace makes Belize an attractive investment opportunity for hotel developers. This article provides an overview of the Belizean tourism industry, while taking a closer look at the national lodging market and highlighting specific regions offering the greatest potential for hotel development.

## Belize Overview

Bordering Guatemala to the south and west, and Mexico to the north, Belize is strategically located at the center of the Americas where North America converges into Central America. With a population estimated at 333,201 residents,<sup>1</sup> Belize is the smallest non-island sovereign state in the Americas. Although Kriol (Belizean Creole) and Spanish are spoken among the population, Belize is the only country in Central America where English is the official language. Due to its geographic location and cultural history, Belize is considered to be a Central American nation with strong ties to both the Caribbean and Latin American regions.

MAP OF BELIZE



<sup>1</sup>“Statistical Institute of Belize,” Statisticsbelize.org.bz, Retrieved February 2011

## Belize's Travel and Tourism Industry

Belize is divided into six districts: Corozal, Orange Walk, Belize, Cayo, Stann Creek, and Toledo. While each district offers tourists something distinctive and unique, the common themes influencing travel to Belize are coastal vacationing, jungle wildlife adventure, and the exploration of historic Mayan ruins.

Belize offers visitors a rich and diverse cultural and nature-based tourism destination. Although Belize is a small country, its geography ranges from rich pine forest, lush tropical rainforest, savannah, and mangrove forests to sandy beaches, rivers, streams and lagoons, all of which serve to enhance Belize's reputation as a premier nature and adventure tourism destination, and also lend credence to its slogan as "Mother Nature's Best Kept Secret."<sup>2</sup> However, Belize's biggest attraction lies just off the country's shores, comprised of hundreds of small sand islands known locally as cayes, and the world's second largest barrier reef.

Since the early 1990s, Belize has gained recognition from the international community as a pioneer in the ecotourism sector. An estimated 40 percent of Belize's land is under protected status, limiting tourism-related development to certain coastal and inland areas. Along the coast of Belize, resort and residential development has been concentrated within three locations: on the peninsula of Placencia, the small seaside town of Hopkins, and the main snorkeling and diving destination of San Pedro on Ambergris Caye. Despite sanctions on real estate development, the Government of Belize recognizes the importance of the tourism industry and recently approved a \$13.3 million loan for the Belize Tourism Board, the executing agency for these funds, to administer a national sustainable tourism master plan that will foster economic growth in the tourism sector and improve infrastructure for tourist destinations.

## Travel and Tourism Trends

Over the past decade, tourism has emerged as an integral pillar of the Belize economy. Tourism expenditures represent about 22% of GDP, and one in every seven jobs is related to or driven by tourism.<sup>3</sup> The World Travel & Tourism Council estimates that this sector's relative contribution to GDP will almost double from \$4.1 million in 2010 to \$8.0 million by 2020. The following table summarizes some key facts pertaining to Belize's travel and tourism industry.

**FIGURE 1: FORECAST OF KEY TRAVEL AND TOURISM INDICATORS (\$US MILLIONS)**

Belize	2005	2006	2007	2008	2009 (E)	2010 (F)	2020 (F)
Personal Travel & Tourism	\$ 48.1	\$ 47.3	\$ 49.6	\$ 49.5	\$ 48.9	\$ 51.6	\$ 99.8
Business Travel & Tourism	30.4	34.5	41.7	45.8	44.9	46.9	83.4
Corporate	27.1	30.8	37.0	40.9	40.2	41.9	73.8
Government	3.3	3.7	4.7	4.9	4.7	5.0	9.6
Government Expenditures	6.0	6.4	7.3	8.1	8	8.3	15.1
Visitor Exports	22.3	268.5	297.4	285.9	267.0	274.3	559.3
Travel & Tourism Consumption	306.8	356.7	395.9	389.2	368.7	380.9	757.5

Source: World Travel & Tourism Council 2010

The travel and tourism industry is a significant driver of Belize's economy, and the country's dependence on this sector is anticipated to increase moderately by 2020. The table on the following page presents a number of key macroeconomic indicators and their estimated impact on Belize's economy through 2020.

<sup>2</sup> www.belizetourism.org, Retrieved February 2011

<sup>3</sup> *Belize Tourism Board: Action Plan 2010-2012*, Belize Tourism Board, January 2011

**FIGURE 2: KEY TRAVEL AND TOURISM TRENDS**

Topic	Outlook	2010	10-Year Trend	2020
Gross Domestic Product	The contribution of Travel & Tourism to Gross Domestic Product (GDP) is expected to rise from 28.2% (BZD816.3mn or US\$408.2mn) in 2010 to 31.4% (BZD1,601.2mn or US\$800.6mn) by 2020.	28.2%	↑	31.4%
GDP Growth	Real GDP growth for the Travel & Tourism Economy is expected to be -0.1% in 2010 and to average 4.4% per annum over the coming 10 years.	-0.1%	↑	4.4%
Employment	The contribution of the Travel & Tourism Economy to employment is expected to rise from 28.3% of total employment, 34,000 jobs or 1 in every 3.5 jobs in 2010, to 31.6% of total employment, 53,000 jobs, or 1 in every 3.2 jobs by 2020.	28.3%	↑	31.6%
Visitor Exports	Export earnings from international visitors are expected to generate 37.2% of total exports (BZD548.5mn or US\$274.2mn) in 2010, growing (nominal terms) to BZD1,118.5mn or US\$559.2mn (42.6% of total) in 2020.	37.2%	↑	42.6%
Investment	Travel & Tourism investment is estimated at BZD148.6mn, US\$74.3mn or 24.7% of total investment in 2010. By 2020, this should reach BZD274.2mn, US\$137.1mn or 25.9% of total investment.	24.7%	↑	25.9%

Source: World Travel & Tourism Council

According to the World Travel & Tourism Council, an estimated 25.9% of total investment in Belize will be allocated to the travel and tourism sector by 2020; this equates to approximately US \$137 million. A growing number of private developers have made significant investments in the coastal areas of Belize, which suggests that the private sector has a certain confidence in the future of the country. In recent years, foreign demand for vacation and retirement homes spurred a boon in residential real estate development in certain resort destinations of Central America, with moderate activity occurring in Belize. While this trend has slowed in conjunction with the overall healing of the global economy, the Government of Belize has instituted financial incentives to attract private investment for tourism-related projects.

### Economic and Demographic Review

Based on fieldwork conducted in Belize and our research, we have evaluated various economic and demographic statistics to determine trends in lodging demand. The primary source of demographic statistics used in this article is the Belize Tourism Board (BTB). The data are summarized in the following tables.

**FIGURE 3: OVERNIGHT VISITOR ARRIVALS**

Year	Visitor Arrivals	% Change
2000	195,766	-
2001	195,955	0.1 %
2002	199,521	1.8
2003	220,574	10.6
2004	230,832	4.7
2005	236,573	2.5
2006	247,309	4.5
2007	251,422	1.7
2008	245,007	(2.6)
2009	232,249	(5.2)
2010	238,691	2.8

Average Annual Compounded Change: 2.0%

Source: Belize Tourism Board

Since 2000, overnight visitor arrivals to Belize have grown modestly at an average annual compounded rate of 2.0%. After a challenging year in 2009 when international travel declined across the globe, total visitation to Belize increased by 2.8% in 2010. Prior to the global downturn, visitation had registered positive year-over-year growth from 2000 to 2007, but this trend reversed in years 2008 and 2009, when visitation declined by -2.6% and -5.2%, respectively. Overnight visitor arrivals to Belize are expected to increase as the government continues to pump investment in the country’s infrastructure and global marketing efforts start to take hold.

Another important indicator of lodging demand are airport passenger counts. The following table illustrates historical operating statistics for the Philip Goldson International Airport (PGIA), the main port of entry for tourist arrivals to Belize.

**FIGURE 4: PHILIP GOLDSON INTERNATIONAL AIRPORT STATISTICS**

Year	Passenger Traffic	Percent Change*	Percent Change**
2000	131,683	-	-
2001	133,774	1.6%	1.6%
2002	129,675	-3.1%	-0.8%
2003	151,978	17.2%	4.9%
2004	162,675	7.0%	5.4%
2005	174,636	7.4%	5.8%
2006	178,568	2.3%	5.2%
2007	182,915	2.4%	4.8%
2008	178,360	-2.5%	3.9%
2009	168,047	-5.8%	2.7%
2010	172,402	2.6%	2.7%

\*Annual average compounded percentage change from the previous year

\*\*Annual average compounded percentage change from 2000

Source: Philip Goldson International Airport (PGIA)

The Philip Goldson International Airport (PGIA) is located just outside of Belize City. PGIA offers both international and regional airlift; regional carriers include Maya IslandAir and Tropic Air. International

carriers into Belize include US Airways, American Airlines, Atlantic Airlines, Continental Airlines, Delta Airlines, and Grupo Taca. In addition, the airport accommodates a small number of charters and private flights that fly into the airport every year. According to the Belize Tourism Board, 78% of all passenger arrivals that fly into PGIA originate from the United States, followed by Canada, which accounts for 5.5% of passenger arrivals. A new international airport is under development in the district of Placencia and is expected to offer charter flights originating from Europe and the United States; however, the PGIA airport will maintain its position as the main port of entry.

The cruise industry in Belize has experienced a recent boom, as the Carnival Corporation finalized an agreement to build a new cruise port in the Port Loyola area of Belize City in May 2010. The estimated cost of the cruise port is US \$50 million, and represents Carnival’s largest cruise port in the world. The new port is expected to generate more than US \$500 million in revenue over the first 20 years of the agreement.

The port of Belize City has experienced robust growth over the illustrated period seen below, with cruise ship arrivals growing by an average annual compounded rate of 11.5%, despite lacking key infrastructure and service training in and around the port zone of Belize City.

The following table illustrates historical cruise ship statistics for Belize City.

**FIGURE 5: CRUISE SHIP STATISTICS**

Year	Passenger Traffic	% Change
2002	319,690	-
2003	575,196	79.9 %
2004	851,436	48.0
2005	800,331	(6.0)
2006	655,931	(18.0)
2007	624,128	(4.8)
2008	597,370	(4.3)
2009	705,219	18.1
2010	764,628	8.4

Average Annual Compounded Change: 11.5%

Source: Belize Tourism Board

The Government of Belize has taken concrete steps to upgrade the port zone in Belize City for cruise line arrivals. Direct government investment has been earmarked for the Fort George tourism area to upgrade tourism infrastructure, create a more diversified and competitive tour operator program, and enhance the aesthetic appearance and image of Belize’s cruise tourism business.

## Profile of Belizean Hotel Supply

The national supply and branding landscape of the Belizean lodging industry consists of roughly 664 properties spanning 6,849 rooms, with a majority of the hotel inventory oriented towards the budget traveler. The market is undersupplied in the branded hotel category with just one chain-affiliated hotel (Radisson Fort George in Belize City) and one brand-affiliated property (Ka’ana Boutique Resort - Small Luxury Hotels of the World). Budget and economy hotels constitute a significant portion of the hotel

inventory, with approximately 75% of all hotels in Belize offering 30 guestrooms rooms or less, according to the Belize Tourism Board.

The following table presents the total supply of hotels and hotel rooms by region.

FIGURE 6: NATIONAL SUPPLY OF HOTELS BY REGION

HOTELS IN BELIZE							Ranking by Number of Hotels
Region	2005	2006	2007	2008	2009	2010P	
Belize District	60	54	59	61	56	54	
Ambergris	92	98	99	108	125	141	1
Caye Caulker	67	70	73	71	75	79	
Cayo	87	89	97	95	101	101	3
Corozal	29	31	29	34	34	36	
Orange Walk	17	18	20	19	19	19	
Stann Creek	55	55	56	60	58	56	
Placencia	81	81	88	99	109	104	2
Toledo	33	29	35	36	37	38	
Other Islands	36	36	35	37	37	36	
<b>TOTAL</b>	<b>557</b>	<b>561</b>	<b>591</b>	<b>620</b>	<b>651</b>	<b>664</b>	

FIGURE 7: NATIONAL SUPPLY OF HOTEL ROOMS BY REGION WITH RANKINGS BASED ON NUMBER OF HOTEL ROOMS

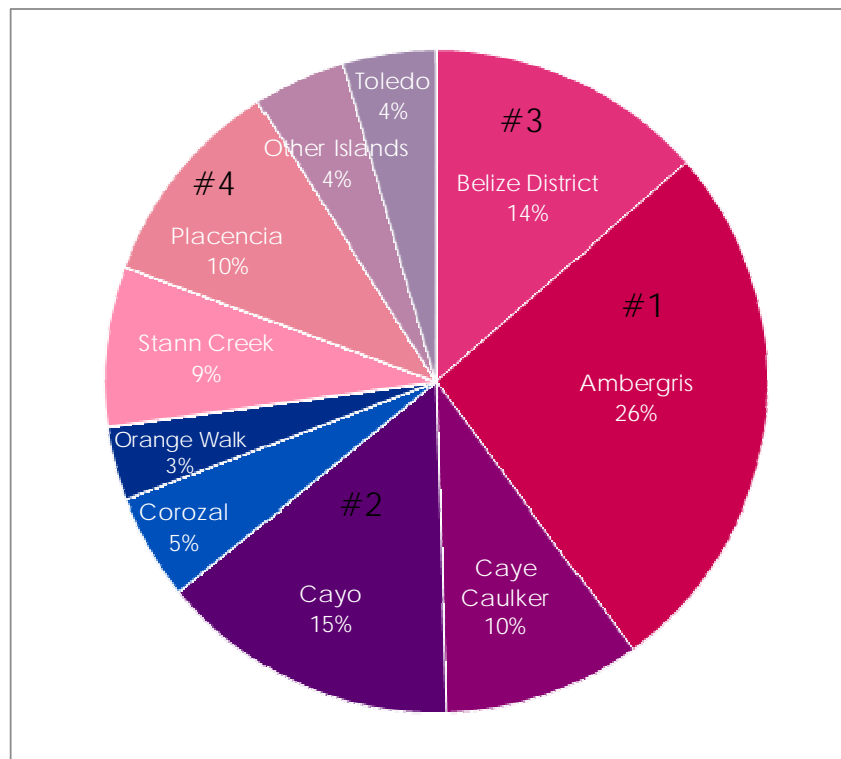
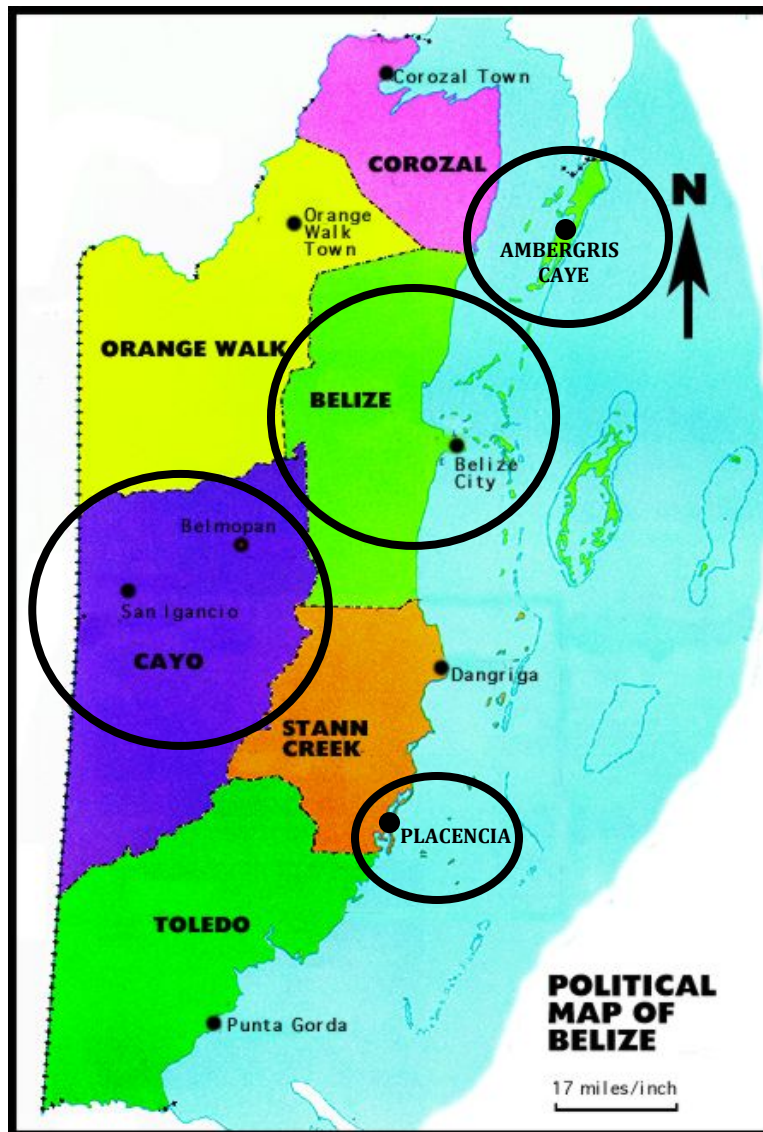


FIGURE 8: MAP OF TOP 4 REGIONS BY NUMBER OF HOTEL ROOMS



Ambergris Caye, which includes the popular diving and snorkeling destination of San Pedro, contains the largest supply of hotel rooms (1,807 hotel rooms or 26.4% of total rooms supply), followed by the Cayo District (1,001 hotel rooms or 14.6% of total rooms supply), which is recognized for its historic Mayan ruin sites and natural reserves and parks.

It is also important to consider the average room count per hotel. The following table indicates that the average room count per hotel in Belize amounts to roundly 10 guestrooms. Since budget and economy hotels comprise almost 75% of the hotel inventory, national occupancy and average rate figures for the national lodging industry are depressed. These hotels are generally small in size, between 10 to 20 rooms, and offer little more than a bed and bathroom. Historically, these hotels have catered to backpackers, adventure tourists, divers and other price-sensitive travelers.



FIGURE 9: AVERAGE ROOM COUNT PER HOTEL BY REGION

Area Description	Number of Hotels	Percent of Total	Number of Rooms	Percent of Total	Average Room Count per Hotel
Belize District	54	8.1%	928	13.5%	17
Ambergris	141	21.2%	1,807	26.4%	13
Orange Walk	19	2.9%	247	3.6%	13
Cayo	101	15.2%	1,001	14.6%	10
Stann Creek	56	8.4%	537	7.8%	10
Corozal	36	5.4%	348	5.1%	10
Other Islands	36	5.4%	311	4.5%	9
Caye Caulker	79	11.9%	656	9.6%	8
Toledo	38	5.7%	307	4.5%	8
Placencia	104	15.7%	707	10.3%	7
<b>Total</b>	<b>664</b>	<b>100.0%</b>	<b>6,849</b>	<b>100.0%</b>	<b>10</b>

The Belize District offers the largest hotels by room count with an average of 17 guestrooms per hotel, followed by Ambergris Caye and Orange Walk who average 13 guestrooms per hotel each. In sum, there is a shortage of hotels in Belize that contain more than 30 guestrooms that sufficiently accommodate the needs of a sophisticated international traveler. Given this fact, we are of the opinion that there is a market opportunity for hotel developers to build an upscale, full-service hotel with more than 30 guestrooms in one of the areas covered in the forthcoming section. Improving global economic conditions, low construction costs, and mobilized efforts by the Belizean Government to attract private investment and market the country as a premier international tourist destination are factors that make the present timing opportune for hotel development.

## Areas Poised for Growth

Given the existing room supply, limited branded hotel inventory, and the government's active role in growing Belize as a tourism destination, it is our opinion that three areas present the greatest opportunity for hotel development: Placencia, Stann Creek, and Belize City.

### Placencia

Placencia is located on a sixteen-mile peninsula that extends off the southern coast of the Stann Creek District, and is bordered by the Caribbean Sea to the east and by a mangrove-fringed lagoon to the west. Placencia consists of three villages: Maya Beach, Seine Bight and Placencia Village. The most established community, known as the village of Placencia, encompasses the southern tip of the peninsula. Previously a sleepy fishing village, Placencia has enjoyed increased tourism demand over the last seven years, which has led to some real estate development of large-scale projects, including several master-planned communities, the construction of a Municipal Pier and Promenade that is being funded by the government, a new international airport that is under construction, as well as proposals from investors to develop a new cruise port. These developments are expected to usher in a new wave of higher-quality construction and design that will substantially improve the competitive standard of existing facilities and Placencia's viability as an international tourism destination. Of the three areas discussed in this section, Placencia is experiencing the most rapid growth in terms of real estate development and increased tourism activity.

We note that the market feasibility of a new hotel development in Placencia will be significantly influenced by the completion of the new international airport, which is scheduled to be finished by 2014. We would advise hotel developers to monitor the construction progress of the new airport.

### Stann Creek

Located within the southern region of Belize, the district of Stann Creek is home to most of the region's major urban communities. Most of these communities are situated along the coast, with basic infrastructure supporting the coastal areas. The two largest towns in the district are the coastal towns of Dangriga and Hopkins. The town of Hopkins features the most hotel and vacation ownership inventory, most of which is positioned towards the upscale market. Overall, Stann Creek has the fifth largest hotel inventory in Belize, which is heavily concentrated along the coast where sea-based pursuits such as snorkeling, diving, fishing and tours of the regional cays are the main attraction. Although smaller than other hotel markets discussed in this section, the hotel inventory is relatively diverse ranging from small guest homes (most comparable to a budget hotel or hostel) to small upscale resorts such as Hamanasi. Hopkins benefits from relatively good airlift by virtue of regional air carriers, Maya Island Air and Tropic Air, which offer inexpensive flights to Dangriga. Visitors can just as easily fly to Dangriga and drive approximately 30 minutes to Hopkins; multiple daily flights are offered from Belize City to Dangriga by the aforementioned air carriers with a total flight time of approximately 20 minutes. Given the existing room supply and current demand for upscale lodging accommodations throughout the Stann Creek District, it is our opinion that an investment opportunity exists for hotel developers to introduce a first-class, chain-affiliated beach resort that can capitalize on the existing demand for more upscale hotel products in Belize and other Central American destinations, while utilizing the international marketing powers of a global brand, since no chain-affiliated beach resorts currently exist in the country.

### Belize City

Belize has become a popular cruise destination in the Caribbean, with roundly 765,000 passengers arriving via cruise ships in 2010. However, a lack of investment and infrastructure has deprived Belize City of realizing its full economic potential, including demand for overnight accommodations. In an effort to realize the real economic benefits of bringing better tourism infrastructure to Belize City, the Government is seeking partnerships with global hotel brands to help redevelop the port zone and local businesses. Given the Government's emphasis in developing Belize City as one of the Country's central tourism destinations, it is our opinion that an investment package offering government subsidies, tax incentives, and a commitment to regentrifying the surrounding areas could make the development of an upscale, brand-affiliated hotel financially feasible.

## Conclusion

Increased tourism activity over the last seven years has spawned real estate development primarily in the coastal areas of Placencia, Stann Creek and San Pedro. The development of these areas has had a positive impact on the quality of the existing infrastructure, airlift capacity, and associated businesses and services throughout Belize even though a majority of the lodging establishments remain relatively small in scale. Given the current pace of growth and aggressive marketing plan of the Belize government, it is our opinion that Placencia, Stann Creek and Belize City offer the most compelling market opportunities to develop a first-class lodging product that can take advantage of the existing and forecast demand for lodging accommodations.



## About HVS

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**THE HVS MIAMI OFFICE** provides a variety of consulting and valuation services for hotels and shared ownership real estate over a wide geographic area, which includes the United States, the Caribbean Basin, and Central and South America. The "HVS Florida" team has worked in many markets where the existing hotel supply is limited to non-existent, and has experience in analyzing and assessing their future demand potential. This ability to 'think out of the box' is critical for many of their clients with projects located in Central America and the Caribbean Basin. During the past 12 years, the HVS Florida team has provided advisory services and valuations for over 1,000 projects in the region for hotel owners, lenders, investors and operators.

## About the Authors



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**Kathy Conroy** is Director-Partner in charge of overseeing operations of the Consulting & Valuation Services office of HVS located in Miami. She has been a designated member of the Appraisal Institute (MAI) for over 25 years, and has performed thousands of hospitality real estate feasibility analyses and valuations. Kathy is a recognized authority in timeshare, fractional, and hospitality mixed-use real estate, and serves as the President of HVS Shared Ownership Services Division, which focuses on consulting and valuation services relative to the above real estate sectors. Kathy is a frequent panelist and/or moderator at hospitality industry conferences. She has published 9 articles and authored 2 books. She also holds a certified general appraiser license and a real estate broker license.

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