



Huatulco: Mexico's Next Hot Spot?

*Improved access by land, sea, and air aims to make it easier
for tourists to arrive and for Huatulco to seize its potential*

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Founded in 1985, Huatulco is one of the original Integrally Planned Resorts created by Mexico's National Trust for Tourism Promotion (FONATUR). The resort development is situated on the Pacific Coast, approximately 172 miles from the state capital Oaxaca and 474 miles southeast of Mexico City. The site was originally chosen based on the natural beauty of its nine bays (the Bahias de Huatulco) and numerous small coves that stretch along 16 miles of coastline, inclusive of 36 white sandy beaches. The area also boasts mountains and valleys irrigated by the Coyula, San Agustín, and Copalita Rivers, as well as the Bahias de Huatulco National Park, a protected area covering 29,368 acres and nurturing some 9,000 plant species of the lowland tropical forest.

Despite its abundant charms, Huatulco has yet to reach its full potential, unlike Cancún, FONATUR's first and by far most successful Integrally Planned Resort. Huatulco's lodging options currently comprise approximately 2,600 rooms in various categories, a relatively low rooms supply that is set to expand dramatically in the next decade. While there are a handful of branded properties affiliated with very well-respected chains based in the United States, Spain, and Mexico, most of Huatulco's hotels are small independently owned-and-operated properties.

The slowing global economy and the deepening U.S. recession caused occupancy levels to drop significantly at each of the Integrally Planned Resorts during 2008, with the exception of Cancun and Huatulco. Americans continued to travel to Cancun largely because of its ease of access and its affordability in comparison to other beach destinations, such as Hawaii. The Mexican economy did not begin to be affected by the recession until the last quarter of 2008; hence Huatulco, with its strong domestic demand base, did not experience the sharp declines seen in the other Integrally Planned Resorts that rely more on international visitors.

The following table illustrates the market-wide occupancy levels attained in each of the five original FONATUR resorts since 2004.

Table 1 – Occupancy Trends of the Integrally Planned Resorts

Resort	Occupancy				
	2004	2005	2006	2007	2008
Huatulco	43.1 %	48.5 %	51.5 %	51.1 %	50.6 %
Cancún	77.2	77.3	75.1	71.9	71.9
Ixtapa/Zihuatanejo	60.2	62.2	67.7	64.8	55.7
Loreto	37.6	42.0	54.8	65.6	55.9
Los Cabos	56.1	64.0	69.3	65.2	57.6

Source: Secretaria de Turismo de Mexico (SECTUR)

These figures show that throughout most of the illustrated period, Huatulco's occupancy level was significantly lower than that of the other resorts. What's behind this discrepancy? It's not that Huatulco lacks any inherent advantages; the answer rather lies in a corollary to the old real estate axiom regarding location, namely *access, access, access*. Huatulco has struggled with a Catch-22 common to many nascent destinations. Without good airlift, it is difficult to attract demand. Without demand, it is difficult to attract more airlift.

The following table shows the number of passengers arriving in Huatulco on international, domestic, and charter flights since 1997.

Table 2 – Airport Passenger Arrivals

Year	International Flight Arrivals	Percent Change	Average Annual Change *	Domestic Flight Arrivals	Percent Change	Average Annual Change *	Charter Passengers	Percent Change	Average Annual Change	Total Passengers	Percent Change	Average Annual Change *
1997	4,795	— %	— %	96,028	— %	— %	51,545	— %	— %	152,368	— %	— %
1998	5,603	16.9	16.9	95,374	(0.7)	(0.7)	49,686	(3.6)	(3.6)	150,663	(1.1)	(1.1)
1999	6,894	23.0	19.9	104,429	9.5	4.3	46,397	(6.6)	(5.1)	157,720	4.7	1.7
2000	0	(100.0)	(100.0)	96,781	(7.3)	0.3	66,722	43.8	9.0	163,503	3.7	2.4
2001	0	—	(100.0)	120,737	24.8	5.9	34,087	(48.9)	(9.8)	154,824	(5.3)	0.4
2002	228	—	(45.6)	108,132	(10.4)	2.4	22,858	(32.9)	(15.0)	131,218	(15.2)	(2.9)
2003	321	40.8	(36.3)	93,142	(13.9)	(0.5)	29,341	28.4	(9.0)	122,804	(6.4)	(3.5)
2004	0	(100.0)	(100.0)	87,173	(6.4)	(1.4)	41,305	40.8	(3.1)	128,478	4.6	(2.4)
2005	3,315	—	(4.5)	106,811	22.5	1.3	38,425	(7.0)	(3.6)	148,551	15.6	(0.3)
2006	4,513	36.1	(0.7)	123,838	15.9	2.9	51,713	34.6	0.0	180,064	21.2	1.9
2007	5,530	22.5	1.4	131,120	5.9	3.2	44,864	(13.2)	(1.4)	181,514	0.8	1.8
<i>Year-to-Date through October</i>												
2007	4,513	—	—	112,952	—	—	31,381	—	—	148,846	—	—
2008	4,781	5.9 %	—	95,703	(15.3) %	—	40,616	29.4 %	—	141,100	(5.2) %	—

* Average annual compounded change since 1997

Source: Secretaria de Turismo de Mexico (SECTUR)

While Huatulco is well served by a number of Mexico-based carriers with flights from Mexico City, Toluca, and Oaxaca, Continental Airlines is currently the only major U.S.-based carrier that offers regularly scheduled service year-round, with a non-stop flight from Houston. Other international carriers operate flights on a seasonal basis. However, air service to Huatulco may soon improve, as FONATUR and other governmental and private agencies have initiated a program to re-launch the destination and promote Huatulco as a world-class beach resort.

At the forefront of this initiative is Grupo Aeroportuario del Sureste, S.A.B. de C.V. (ASUR), the first privatized airport group in Mexico. ASUR operates Cancun Airport and eight others in the southeast of Mexico, including the Huatulco Airport. In October of 2008, ASUR announced that it had purchased 321 acres of land from FONATUR for \$21 million, with the mandate to create at least 1,300 additional hotel rooms in Huatulco within the next four years. FONATUR's master plan calls for an eventual 5,000 rooms, as well as a variety of residential projects, all developed with the goal of maintaining the integrity of Huatulco's natural environment. For four consecutive years, Huatulco has received the Destination Sustainability Certificate granted by the international company Green Globe.

To further improve access to Huatulco, there are plans to widen the Puerto Escondido-Huatulco highway, thereby reducing the driving time between Oaxaca and Huatulco from 6 ½ hours to 3 ½ hours. Other area roadway improvements are also in the works. The Santa Cruz cruise ship pier began operations in 2003. While passenger counts have dropped since the U.S. recession took hold, the port now receives a record of more than 50 ships per year. Additional plans to improve the tourism infrastructure include enhancements to the Marina Chahué district; the construction of new golf courses, shopping centers, and nightlife zones; and the development of ecological parks and archaeological sites. Though international visitation, especially from North America, may fall in 2009, the improvement of the global economy and the travel that this will induce should coincide favorably with the completion of many of these development projects.

Beyond the instability of the world economy, Mexico faces some additional challenges. The Swine Flu outbreak, which originated in Mexico in late April of 2009, is expected to negatively affect the country's tourism industry. At the time of this article, the scope and severity of the outbreak was still unclear, but reduced travel to Mexico will be one of the immediate outcomes. The World Health Organization and other agencies are coordinating with the Mexican government to identify and contain the outbreak, after which normal travel to the country should resume. Despite the challenges, Huatulco benefits from spectacular natural beauty, a rich cultural heritage, and solid infrastructure. Once the economy rebounds and the anticipated improvements to access and enhanced tourism attractions are realized, Huatulco could soon become one of Mexico's hottest destinations.

About the Author



Jane Rogers is a Senior Project Manager for the HVS Mexico City office and is a primary manager for Mexico and Central America consulting assignments. She oversees hotel appraisal assignments, compiles market statistics and data, and completes site inspections, analyses, and reports for hotels in Mexico, Central America, the Caribbean, and the United States.

Jane began her hospitality career at the historic Stoneleigh Hotel in Dallas, working in various front-office positions. She has also held positions in both food and beverage operations and hotel rooms divisions, including the position of Reservations Manager for the Dallas Hilton Inn. Apart from her vast hotel appraisal and consulting experience, Jane acquired extensive knowledge of Mexico's resort destinations while working as a sales representative for wholesale tour operators American Leisure and Armadillo Tours; she has also led numerous familiarization trips for travel agents to destinations throughout the country.

Jane earned her bachelor's degree from the University of Texas at Austin and has completed graduate work at Texas Woman's University. She is fluent in English and proficient in Spanish and French.

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