



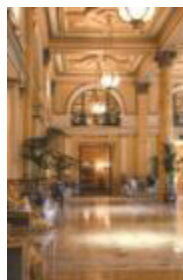
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IN FOCUS: **MAURITIUS**

THE PAST, PRESENT AND FUTURE

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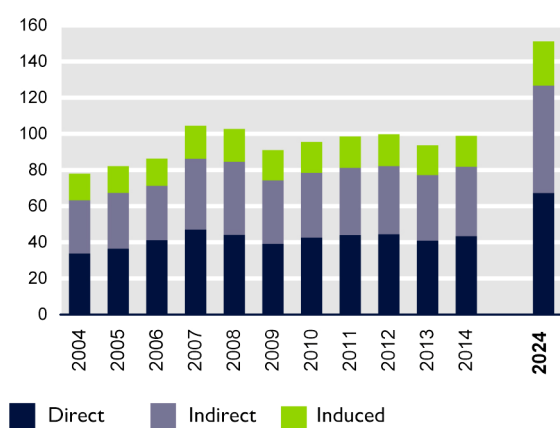
This article looks at the ‘traditional’ view of Mauritius as a luxury destination for the European traveller and analyses where the market has been placed following the global economic crisis. Key discussions include the shift in source markets and the upcoming trend of offering full-board and all-inclusive packages. The article also provides a performance outlook for the next five years.

The Past

Mauritius gained independence from Great Britain in 1968 and officially became a republic on 12 March 1992. Mauritius consists of four different islands: Mauritius, Rodrigues, Agalega and Saint Brandon. Mauritius is the largest island with a population of 1.25 million and is the focus of this article. The main islands, Mauritius and Rodrigues, are of volcanic origin and are almost entirely surrounded by coral reefs. Mauritius is in the middle of the Indian Ocean some 2,000 km off the southeast coast of Africa (Mozambique) and some 11,000 km off the west coast of Australia. The island covers an area of 1,865 km².

Mauritius’s capital, largest city and economic and administrative centre is Port Louis, which is in the central northwest part of the island. Port Louis’ economy is dominated by its well-sheltered port, which handles the island’s international trade. Economic growth was first driven by sugar, then textiles and tourism, and more recently financial services. The information and communications technology sector is now emerging as the fifth pillar of the economy. Despite this, much of the economic growth in the market can be attributed to the expansion of the tourism sector (11.3% of total GDP in 2013 and 24% of total employment according to WTTC).

TABLE 1: ECONOMIC IMPACT TOURISM – 2013 (MUR bln)



Source: WTTC 2014

MAP OF MAURITIUS



Mauritius is a cosmopolitan and culturally diverse country. The island is also referred to ‘god’s own island in the sun.’ Descriptions of Mauritius usually involve the abundance of vibrant, vivid colour; not just the sea, which deepens from aquamarine in the shallows to the indigo of waters of the reef that encircles much of the island, but also the emerald cane fields of its lush interior and the brightly painted Hindu temples in almost every village. Indeed, after he visited remote Mauritius in 1896, Mark Twain said, ‘Mauritius was made first and then heaven; and heaven was copied after Mauritius.’ This sparked a century-long influx of high-end, exclusive travellers mainly from France, the UK and Germany who until recently accounted for the majority of guests to the numerous luxury hotels (see Table 4).

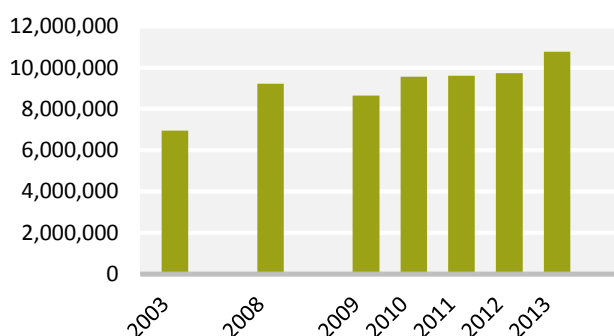
Traditionally, guests stayed at the hotel on a bed-and-breakfast or half-board basis and hotels offered a main dining restaurant which served breakfast lunch and dinner, accompanied by one or two speciality à la carte restaurants which came at a supplementary charge. In addition, several hotels on the island (such as La Pirogue Hotel & Casino and Le Saint Geran Hotel & Casino) had their own casinos, which generated additional demand.

The Present

Tourism Arrivals

International tourist arrivals in Mauritius more than tripled between 1990 and 2013. This growth has slowed over the past decade, owing mainly to the negative impact of the economic crisis in the main source markets. Between 2002 and 2013, Mauritius recorded a compound annual growth rate in visitation of 3.3%. The island enjoyed significant growth until 2008 as economic conditions thrived. In 2009 the force of the global economic crisis was felt with international arrivals dropping 6.4%. It was not long before arrivals bounced back and by 2010 they had exceeded the previous peak of 2008. The same applies with bednights, see Table 2.

TABLE 2: BEDNIGHTS



Source: Statistics Mauritius

Despite both arrivals and bednights surpassing the peak levels achieved in 2008, the numerous additions to supply have hampered hotel performance, specifically occupancy growth (see Table 7).

The majority of people arriving in Mauritius arrive by air at SSR International Airport, which is in the southeast of the island. Approximately 95% of total arrivals are international; the remainder is made up of arrivals from the adjacent island Rodrigues.

In September 2013, the airport opened a new terminal which doubled its capacity to 4.5 million passengers a year. The terminal has eight aircraft stands, one of which is designed for the Airbus A380. Emirates Airline has provided a daily service between Dubai and Mauritius since 16 December 2013 using this aircraft, thus increasing capacity by 153 seats a flight. In addition, we are aware that from May 2014 the

Thomson 787 Dreamliner will introduce flights to Mauritius.

We consider that the flight routes available from the airport have a direct impact on the main source markets for Mauritius. The islands' national carrier, Air Mauritius, made a number of changes to its routes recently: services to Milan, Sydney and Melbourne were cancelled in June 2012 and services to Geneva, Frankfurt, Durban, Bangalore and Munich stopped in October 2012.

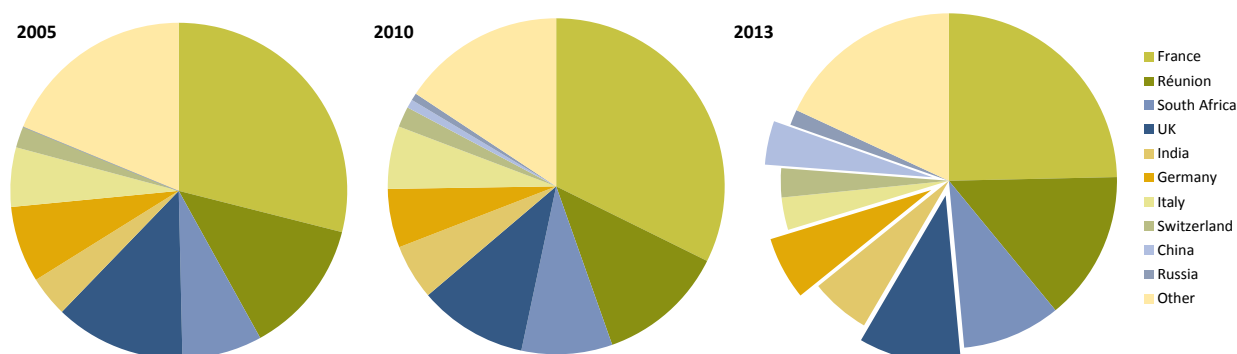
On the other hand Air Mauritius and the Mauritian government have teamed up and carried out various marketing campaigns to attract Chinese tourists. In July 2013, Air Mauritius launched a weekly route to Beijing and between 28 January and 12 February 2014 a third weekly route was introduced between Mauritius and Hong Kong. Table 3 shows the scheduled flights arriving at the airport; we note that there are numerous additional charter flights in peak season other than those listed in the schedule.

TABLE 3: SCHEDULED FLIGHTS

Origin	Airline	Frequency
France	Air Mauritius	8 per week
	Air France	3 per week
	Corsair	1 per week
UK	Air Mauritius	3 per week
	British Airways	3 per week
Germany	Condor	3 per week
Switzerland	Edelweiss	1 per week
China	Air Mauritius	3 per week
Hong Kong	Air Mauritius	1 per week
Dubai	Emirates	14 per week
Russia	Transaero	2 per week
Seychelles	Air Seychelles	3 per week
Australia	Air Mauritius	1 per week
Angola	Air Mauritius	1 per week
Malaysia	Air Mauritius	2 per week
South Africa	Various	Daily
Reunion	Various	Daily
Rodrigues	Various	Daily
Madagascar	Various	Daily

Source: Airports of Mauritius

TABLE 4: SOURCE MARKETS



Source: Statistics Mauritius

Source Markets

As a direct result of the reduced airlift to the traditional European source markets following the challenging economic circumstances in those countries, Mauritius has seen a shift in its main source markets over the past few years. Although the majority of arrivals still originate from Europe, their share is declining and being replaced by emerging markets.

In 2013, arrivals from Europe fell by a further 2% on top of an 8% decline in 2012. The decline in 2013 was led by France (-7%) and Italy (-22%). Over the same period, arrivals from the UK and Germany increased for the first time since 2008 and 2011, respectively. Arrivals from Europe accounted for 55% of total arrivals (see Table 4).

In 2013, Africa accounted for 28% of total arrivals. The two strongest African markets, Réunion and South Africa recorded growth of 3% and 6%, respectively. In addition to weekend and holiday leisure travel from those source markets, the MICE segment, particularly originating from South Africa, helps to smooth seasonality.

Mauritius did not idly watch the declining numbers in the traditional Western European source markets. On the contrary, the aforementioned and ongoing marketing efforts and additional flight routes to new source markets have resulted in tourist arrivals from Asia increasing by 27% in 2013, accounting for a growing share of total arrivals (reaching 13%). This was driven by arrivals from China, which more than doubled compared to the previous year.

Other important source markets for Mauritius include the UAE, which saw a 51% increase in 2013 compared to the previous year driven by the expansion of Emirates Airlines' flight network, and India, which has seen steady growth over the past few years.

As mentioned earlier, the flight routes available from SSR International Airport have a direct impact on the main source markets for Mauritius. Direct flights to traditional European source markets such as Germany and Italy have been cancelled while connections to emerging markets such as China have improved, and this is clearly reflected in the source market statistics.

Shift To All Inclusive?

Considering the pressure on hoteliers over the past few years resulting from the increased competition between hotels on the island but also with other island destinations such as Maldives and Seychelles, a number of upscale hotels in Mauritius have shifted their food and beverage offering by moving towards full-board and all-inclusive packages, which historically was not the case. For more information regarding Maldives and Seychelles, see our article *In Focus: Welcome to Paradise!*

In addition, the majority of hotels in the upscale and luxury segments started to introduce a set menu at all restaurants in the hotel, waiving the supplementary charges at their speciality à la carte restaurants for guests on these packages. Evidently there are exceptions to the above; however, we note that this strategy is perhaps not the most profitable in the long

TABLE 5: FULL BOARD AND ALL INCLUSIVE

Hotel	Full Board	All Inclusive
Angsana Balaclava	No	No
Beachcomber Dinarobin Hotel Golf & Spa	Yes	Yes
Beachcomber Paradis Hotel & Golf Club	Yes	Yes
Centara Grand Azuri Resort & Spa	No	No
Centara Poste Lafayette Resort & Spa	No	No
Constance Belle Mare Plage	No	No
Constance Le Prince Maurice	No	No
Four Seasons Resort Mauritius at Anahita	No	No
Hilton Mauritius Resort & Spa	Yes	No
InterContinental Resort Mauritius	Yes	Yes
Le Méridien Ile Maurice	Yes	Yes
LUX* Belle Mare	Yes	Yes
LUX* Le Morne	Yes	Yes
LUX* Grand Gaube	Yes	Yes
Maritim Hotel Mauritius	No	Yes
One&Only Le Saint Géran	No	No
Outrigger Mauritius Resort & Spa	No	No
Sofitel Bel Ombre	No	No
Sofitel Mauritius L'Imperial Resort & Spa	Yes	No
The Oberoi, Mauritius	No	No
The Westin Mauritius Turtle Bay Resort & Spa	No	No

Source: HVS Research

run as it involves sacrificing additional revenue generated through food and beverage outlets and targeting a less high-end clientele. Table 5 lists the current full-board and all-inclusive offering at upscale and luxury hotels in Mauritius. We note that this list of hotels is not exhaustive.

Is this a long-term trend resulting in Mauritius moving from a luxury high-end destination with speciality à la carte restaurants to a destination offering full-board and all-inclusive packages, arguably targeting less-affluent clientele? From our visits and discussions with hoteliers, we understand that following the economic crisis many consumers, particularly from Europe, have become more price sensitive and want to know exactly how much they will be spending on their holiday before they depart; therefore, the need for full-board and all-inclusive packages has evolved over recent years.

However, we stress that there are different tiers and segments in each source market that can be attracted. For example, we are aware that there is a market for Chinese tourists on a low-rate basis, but also note that other luxury hotels in Mauritius attract high-end, high-rate-paying Chinese guests. The art is in selecting the correct source market tier for the hotel offering.

Seasonality

The highest number of arrivals in Mauritius is experienced between October and April, with the real peaks being the two weeks over Christmas and New Year and the Easter holidays (which shift between March and April annually). Arrivals in July are strong as native Mauritians that do not reside on the island tend to visit during this period. The low season, winter, lasting from May to October, is cool and dry, influenced by the steady southeasterly trade winds. July and August are the coolest months with an average temperature of 22°C.

From our research in the market, we understand that there is demand for MICE events in the low season, which some of the hoteliers capture successfully. In addition, we understand that many native Mauritians working abroad return to the island during these low-season months for holidays and stay in hotels, and this generates additional demand. We are aware that this type of demand generally pays a lower average rate as Mauritian citizens get a preferred rate at the hotels; however, the additional business is beneficial in order to smooth seasonality and increase overall annual revenues.

New Supply

As at December 2013 there were 114 licensed hotels in Mauritius with a total room capacity of 12,376. Approximately 20 of these hotels are branded upscale and luxury hotels.

Notable additions to supply in the past few years have been concentrated on the upscale and luxury market and include the 172-room St. Regis Mauritius Resort and the 100-room Centara Poste Lafayette Resort & Spa in the northwest, both of which opened at the end of 2012, the 181-room Outrigger Mauritius Resort and Spa, which opened on the site of the former Movenpick at the end of 2013, and the 139-room Holiday Inn at the airport, and the 190-room Westin Mauritius Turtle Bay Resort & Spa which opened in Spring 2014 on the site of the former Grand Mauritian Resort and Spa.

We make the following comments on the proposed supply detailed in Table 6.

- The boutique hotel expected to open in 2014 was originally planned to be a Missoni hotel; however, since Carlson Rezidor ended its partnership with Missoni earlier this year, it is unclear which brand this boutique hotel will carry upon opening;
- Royal Park is an independent luxury residential development in the northwest of the island, in the

Bay of Balaclava. Phasing of some residences has already taken place and Sunset Villas are expected to launch later in 2014;

- In addition, we are aware of a luxury hotel and residential development on the island, which will have a combined total of approximately 250 keys. We are aware that a letter of intent has been signed with a luxury international operator; however, official press confirmation is forthcoming in the following weeks so watch this space;
- We are also aware of a project said to become the Ritz Carlton Mauritius Les Saline. This project will include a mix of guest rooms, suites and villas (of 1-4 bedrooms) totalling 126 units. We have not been able to confirm a precise opening date; hence, this project is not fully confirmed at this stage.

TABLE 6: NEW SUPPLY

Future Openings	Number of Rooms	Opening Date
Boutique Hotel	80	2014
Royal Park Residential Resort	100	2014
Luxury Hotel and Residences	250	TBC
Ritz Carlton Mauritius Les Saline	126	TBC
Total	556	

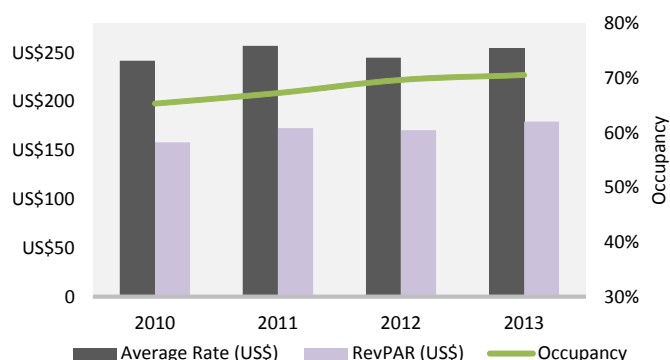
Source: HVS Research

The vast majority of new projects are in the luxury segment and therefore will underpin the status of Mauritius as a luxury destination in the future. However, the continuous growth of hotel supply in the market potentially outpacing growth in demand is likely to continue in increased competition. The projects mentioned previously are only examples and we are sure other developers are actively pursuing projects in the market.

Historical Performance

Table 7 details the performance of upscale and luxury hotels in Mauritius between 2010 and 2013. The market has experienced a strong increase in occupancy over the period. Average rate saw strong growth before declining in 2012, a likely result of the increase in supply and challenging economic conditions in the traditional source markets leading to a lack of demand,

TABLE 7: HISTORICAL HOTEL PERFORMANCE



Source: HVS Estimates

thus forcing hoteliers to reduce rates. This can be notably observed in the volume strategy pursued by most of the hotels in 2012 whilst sacrificing average rate. 2013 however registered an increase in both occupancy and average rate indicating a positive trend.

The Future

We consider that, despite the current shift from a luxury resort destination, where pricing premiums could be achieved throughout the upscale and luxury segment compared to other island destinations, towards a more price-sensitive traveller profile, Mauritius will continue to be a luxury, internationally sought-after tourism destination. The new supply focusing continuously on the upscale and luxury segment fosters efforts to continuously attract high-end clientele to the island.

Challenges

- The location of Mauritius, further away from its main source markets than some competing island destinations such as the Maldives and the Seychelles, means higher airlift costs are envisaged to increase competition with those paradise islands;
- A change in source markets is being fostered by the decision of Air Mauritius to optimise its network by stopping some direct flights to important traditional source markets such as Germany, Italy and Switzerland. Visitors from these destinations have to go through hubs like Paris, London, or Dubai which lengthens the journey by several hours;
- Latest figures indicate that, whilst Mauritius has received more tourists in 2013 than in 2012, the actual tourism receipts per tourist have dropped by 11%. It seems that the shift in source markets so far has not resulted in the capture of higher-spending guests from Asia and the Middle East to replace the traditional European traveller.

We shall overcome...

- Even though direct air-routes have been cut from some of the traditional markets, daily A380 flights from Emirates Airlines and two additional flights on the China route are expected to have a positive effect on arrivals to Mauritius and foster tourism growth in the short to medium term;
- A resultant change in source markets will provide less reliance on the traditional European countries

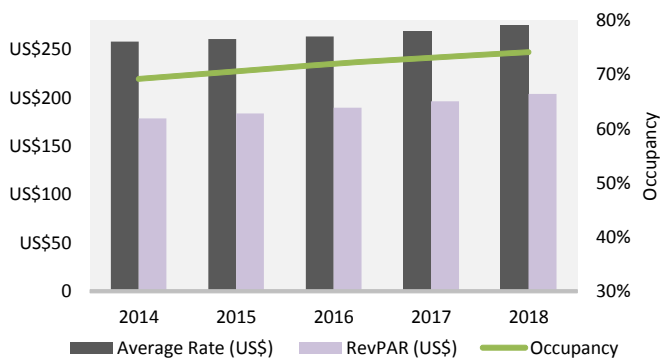
which are being outpaced by Asia and the Middle East in regards to economic growth;

- As already discussed, it is important that hoteliers attract the correct tier of both the traditional and the emerging source markets for their hotel, as every source market registers the different tiers of travellers. Ultimately, increasing the number of arrivals and average tourism spend should be the focus of the upscale and luxury hotel market;
- Tourism is also linked to property acquisition in Mauritius, and a number of luxury resort projects in the pipeline are targeting luxury villa owners. Those guests should be encouraged to spend more time on the island and increase their average spend;
- As mentioned earlier in the article, the government has put extensive effort into replacing lost demand by working with Air Mauritius to attract demand from China and Emirates Airways to attract MICE demand. The government should continue to do this and work with other emerging markets in order to increase demand, but should not neglect the traditional source markets.

The Crystal Ball

As a destination, Mauritius has a positive future, it has simply had some major changes following the global economic crisis and it now has the task of repositioning itself as a luxury destination. Table 8 shows our forecast of hotel performance for upscale and luxury hotels in Mauritius between 2014 and 2018, a moderately upwards facing trend.

TABLE 8: FORECAST HOTEL PERFORMANCE



Source: HVS Estimates

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