2019 in the Caribbean Region: ‘Cause Every Little Thing Gonna Be Alright

By Kristina M. D’Amico

Strong Year-to-Date Performance, Bolstered by ADR Increases

The Caribbean islands have long been established as a popular travel destination for U.S., Canadian, and European travelers. Tourism to the islands is highly dependent upon the availability of transportation. Cruise ships and airlines are responsible for the vast majority of visitor arrivals to the islands, with air service the method of transportation for almost all of the tourists requiring overnight accommodations.

Consequently, the availability and caliber of air service to the local airports has had a material influence on the level of tourism to the islands. Despite the record-breaking 2017 hurricane season, the region as a whole performed well and rebounded from the 2016 declines associated with the Zika virus. This trend continued into 2018, despite the rebound for some islands impacted by the hurricanes and the Sargassum epidemic.

Airlift continues to increase in the region, with new carriers and new routes announced daily. Most recently, United Airlines announced plans to launch nonstop service to Curaçao from Newark International Airport in New Jersey, Caribbean Airlines launched a new inter-island flight between Kingston and Grand Cayman, and British Airways announced two new weekly flights to St. Lucia from London (for a total of nine weekly flights). Year-to-date data through June 2019 indicate another strong year of RevPAR growth, despite the large amount of new supply entering the market and the continuation of the Sargassum issue.
Crisis Management Continues

The region has faced some interesting challenges thus far in 2019. Despite some lingering effects of both Hurricane Maria and Hurricane Irma from 2017, issues have stemmed from negative press related to the Dominican Republic and the Sargassum epidemic. As of mid-year 2019, the Dominican Republic faced a media crisis given the many deaths of tourists at resorts throughout the country, which caused a media frenzy and wide-spread cancelations that ultimately hurt tourism in the country.

Sargassum, a genus of large brown seaweed (a type of algae) that floats in island-like masses and never attaches to the seafloor, thus accumulating along the shore, has been a lingering issue in the Caribbean since 2011, but the blooms in 2018 and thus far in 2019 have been far superior to previous years. The severity of these annual blooms, reaching from the Dominican Republic to Barbados, is very hard to predict and poses challenges to hotel operators. It is still unclear at this time if the annual blooms will have longer-term economic consequences. To mitigate this problem, many hotels have set up nets to block the incoming algae and have had to hire additional staff to clear beaches twice daily. Additionally, in the case of some luxury hotels and beaches with abnormal blooms, hotels have reached out to guests and ultimately refunded their reservations.

Given the aforementioned topics and issues in previous years, such as the Zika virus, hotel owners and operators have focused more on crisis management, public relations, and handling guests during these uneasy times as part of their operational and budgeting strategies.

All-Inclusive Resorts Shine with New Entrants

All-inclusive resorts provide lodging, food & beverage, and entertainment for a fixed price, also referred to as the “package revenue.” The rising popularity of all-inclusive resorts is directly correlated to the value proposition for...
the guest. Given this continued increase in popularity and a trend to offer far more upper-upscale and luxury vacation experiences, many of the traditional hotel companies are announcing their entrance into the all-inclusive resort realm. Traditionally, all-inclusive resorts were only located in places like Jamaica and the Dominican Republic; however, as the all-inclusive resort product continues to evolve, new islands and new brands are welcoming the concept.

Hilton, which announced its entrance and partnership with Playa Hotels & Resorts in 2018, plans to grow its portfolio of all-inclusive resorts throughout the Caribbean and Mexico via the Hilton Hotels & Resorts brand. Most recently, Marriott International has entered the all-inclusive segment after many years of strategic planning. The company plans to open a mix of new builds and conversions throughout the region while leveraging its Autograph Collection, Ritz-Carlton, Westin, and Marriott brands, with more than 2,000 rooms currently in the works. As increased competition continues now that most brands are represented, hotel owners and operators are focused on developing new and unique experiences at each individual resort and developing additional revenue sources outside of the “package” prices.

**Update: Hurricane Dorian**

Since the time of writing this article, the Bahamas (specifically the islands of Grand Bahama and Abaco) were struck with a devastating Category 5 hurricane. While this hurricane severely impacted both Grand Bahama and Abaco, leading to the unfortunate loss of lives and a significant amount of damage, the hotel industry was minimally affected, as most of the hotel inventory in the Bahamas is located on Nassau and New Paradise Island. Currently, all airports in the Bahamas are open, with the exception of those in Grand Bahama and Abaco. The other major islands, such as Harbour Island, Eleuthera, Exuma, Bimini, and Cat Island, were not affected severely and are open and operational for tourism.

**About CHICOS:**

Join the leading owners, developers, and stakeholders of lodging and hospitality assets in the Caribbean region this November for the 9th Annual Caribbean Hotel Investment Conference & Operations Summit (CHICOS).

Staged by HVS, CHICOS is the premier industry conference for the region. This year’s conference will be held November 14–15, 2019, in Jamaica at the acclaimed Secrets Resort Wild Orchid in Montego Bay. CHICOS 2019 will feature discussion panels and workshops focusing on the current successes and positive trends of the region, including the double-digit ADR growth exhibited by the market during the first half of the year, compared to the corresponding period from 2018. Apart from the positive attributes, the panels will also focus on the challenges impacting the region.

Panels and break-out sessions will cover available capital, financing of new projects, and new market opportunities for both first-time and seasoned developers who are interested in pursuing deals in the region. In addition to the always-anticipated Leaders and Lenders panel, CHICOS will raise topics concerning crisis management, insurance, master-planned developments, equity, debt, and overall financing of projects.

For more information and to register, visit [chicos.hvsconferences.com](http://chicos.hvsconferences.com).
Kristina D'Amico is a Director in the HVS Miami office. Her expertise spans consulting and valuation for both existing and proposed hotels and resorts throughout South Florida, the Caribbean, and Latin America. Kristina’s significant international consulting and appraising experience includes assets in the Caribbean Basin across 17 Caribbean islands, as well as the Riviera Maya region of Mexico and various countries in Latin America. In particular, due to her creative thinking abilities and her skill with complex projects, she has an extensive background in consulting and valuation of proposed and existing all-inclusive resorts, as well as mixed-use resorts with a residential component. She is a state-certified general real estate appraiser and is working through the final requirements for her MAI designation. Contact Kristina at (305) 378-0404 Ext. 506 or [email protected].