MARKET REPORT

HVS Market Intelligence Report: Liberia, Costa Rica

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With a bevy of new hotel developments and a promise to expand its international airport, Liberia has set its sights on Costa Rica's burgeoning tourism.

Historically, the economy of the Guanacaste Province, and that of Costa Rica, has been rooted in agricultural crops such as coffee and bananas. Yet, while agriculture remains the basis of the national economy, tourism has produced more revenue than any single export crop during the last few years. The tourism industry continues to grow, providing new employment opportunities and stimulating the Costa Rican economy.[1]

The beaches, volcanoes, rainforests, and national parks of the Guanacaste Province attract a considerable number of tourists to Costa Rica. In order to cater to the lodging needs of an expanding tourist clientele, multiple upscale lodging developments have been proposed for Guanacaste's Pacific coast, including a St. Regis, a JW Marriott, a Ritz-Carlton, a Mandarin Oriental, and others from well-known international brands.

Tourism in Guanacaste began to blossom in 2002, which marked the arrival of the first international flight into Liberia's Daniel Oduber Quirós International Airport. Approximately 25 regional and international airlines now provide service to and from Liberia, establishing the city as the "gateway" to all of Costa Rica. From 2001 to 2006, passenger arrivals increased 397%, reflecting an average annual rate of growth of 37.8%. CALITUR, the Liberia Tourism Chamber, forecasts an additional 51% in total passenger arrivals by 2010.[2]

Airport Statistics

Year	Passenger Traffic	Percent Change*	Percent Change**
2001	70,655	—	—
2002	56,262	-20.4 %	-20.4 %
2003	90,750	61.3	13.3
2004	194,025	113.8	40.0
2005	298,728	54.0	43.4
2006	351,515	17.7	37.8
Year-to-date, June			
2006	205,085	—	—
2007	237,481	15.8 %	—

*Annual average compounded percentage change from the previous year
**Annual average compounded percentage change from first year of data

Source: Daniel Oduber Quirós International Airport

The city of Liberia, located at the center of this popular province and only 40 minutes from the Pacific coast, is developing itself as the economic and service center for this area. Recently completed projects in Liberia include the Plaza Centro Liberia and Plaza Santa Rosa, both popular retail centers. Driven by this momentum, the Costa Rican government has partnered with private investors to position the city for the future. A $300-million mixed-used development, Solarium, is currently under construction across from the Daniel Oduber Quirós International Airport. When completed in 2010, Solarium is expected to include residential condominiums, office space, retail space, restaurants, and free-trade zones. Other projects under construction include Villa Guanacaste, a business park; and Plaza Futura, a business park with retail space. The Guanacaste Country Club, currently under construction, is just one of several upscale residential developments that have been proposed or already broken ground near the city.

In response to such growth, the government is also beginning preparations to improve the region's infrastructure. The Costa Rican government is now accepting bids for companies who are interested in operating and remodeling the airport. When the airport renovation is completed, it will be similar to, or larger than, the Juan Santamaría International Airport in San José. Construction has also begun on the expansion of Highway 21, which serves as the major thoroughfare connecting Liberia with Guanacaste's Pacific coast.

Guanacaste



Increasing tourism and a developing infrastructure could both enliven and put pressure on the city of Liberia, which currently lacks quality lodging facilities. While the city generates a significant amount of commercial and leisure demand, beach resorts located within an hour of Liberia offer luxury accommodations that siphon much of this demand away. Upcoming hotels, such as the proposed Hilton Garden Inn and the proposed Holiday Inn Express, will help the city accommodate travelers. However, additional new facilities and/or major renovations of existing ones will be necessary in order to satisfy the needs of travelers to this city and to keep up with the forecasted increase in demand. As the Guanacaste Province matures as a popular tourist destination, Liberia will continue to develop as its economic and service support center. Moreover, with development of first-class hotels, retail, and recreational facilities in the city, Liberia promises to be not just a gateway for this tropical country, but a destination sought on merits of its own.