



# IRR Viewpoint

## Caribbean Hospitality Market Report 1st Quarter 2024

By James V. Andrews  
MAI, CRE, FRICS, ASA

# Caribbean Hospitality Market Update

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Carlisle Bay, Antigua

### Overview

The improving trend of the performance in the tourism sector that we saw in 2021 and 2022 continued throughout 2023. Arrivals to the 25 reporting destinations (excluding Mexico and Central America) has now approached the pre Covid-19 pandemic levels at just under 22.8 million with most destinations reporting through November or December 2023. With the addition of the markets that have not yet released their fourth quarter results, it is anticipated that arrivals will exceed pre-Pandemic figures. Through December, hotel performance indicates a 9.4% increase in occupancy and a 11.1% increase in Average Daily Rate (ADR) based on data from STR. Overall, Caribbean hotel performance is nearing (or exceeding) its pre-Pandemic peak in occupancy but has already surpassed the ADR peak in experienced in 2019.

### Arrivals Continue to Grow in 2023

The Caribbean Tourism Organization (“CTO”) reported tourist arrivals to the greater Caribbean region (including the Caribbean coast of Mexico) peaked at nearly 32 million in 2019, then declined to 11.2 million due to the pandemic. As various Caribbean destinations opened back up for tourism in late 2020 and throughout 2021, arrivals started to climb; up to ~19 million by the end of the year. Although data is not complete for the full year 2023, the CTO projected about a 10% increase over 2022 for the region. For the first 3+ quarters of 2023, the average rate of growth in the top 25 Caribbean destinations (excluding Mexico) was 26.1% over the prior year.

Of the 25 destinations reporting stayover arrivals to the CTO in 2023, all reported growth in arrivals over the same period in 2022, ranging from 6.4% (Cuba) to 85.1% (BVI). These 25 destinations in the Caribbean (excluding Mexico) saw about 22.8 million arrivals (some markets reporting through December), up an average of 26% over the same period in 2022.

The destinations reporting the largest increases in stayover arrivals include the BVI (85.1%, which opened later from the pandemic), Curacao (60.5%, with the opening of Sandals), Barbados (51%, which has a larger market share from the UK and Europe), Turks and Caicos (51%), St. Lucia (35%) and Dominican Republic (32%).



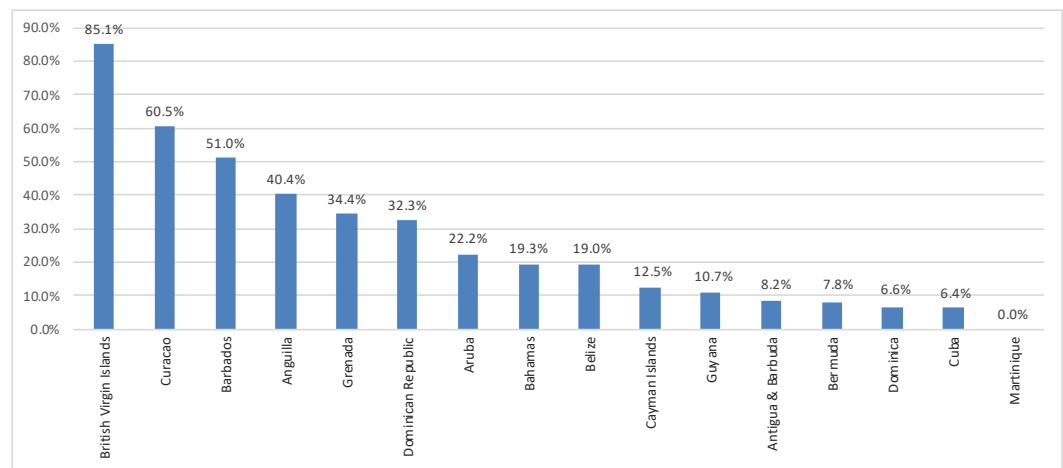
Mangrove Beach Corendon Resort, Curio by Hilton Curacao

CARIBBEAN STAYOVER ARRIVALS - LEADERS											
Destination	2019 Arrivals	% Chg	2020 Arrivals	% Chg	2021 Arrivals	% Chg	2022 Arrivals	% Chg	2023 YTD Arrivals	% Chg	2023 Months
Anguilla	95,375	-20.1%	25,381	-73.39%	28,376	11.80%	47,882	262.60%	75,948	40.4%	Jan-Oct
Antigua & Barbuda	202,964	8.7%	125,069	-38.38%	169,469	35.50%	189,686	70.80%	249,380	8.2%	Jan-Nov
Aruba	926,949	1.3%	368,280	-60.27%	806,534	119.00%	816,328	44.00%	1,243,554	22.2%	Jan-Dec
Bahamas	1,804,184	12.9%	440,551	-75.58%	892,997	102.70%	874,177	66.40%	1,393,767	19.3%	Jan-Sep
Barbados	528,881	2.6%	195,193	-63.09%	144,833	-25.80%	275,815	499.40%	559,701	51.0%	Jan-Nov
Belize	503,178	14.6%	144,168	-71.35%	218,991	51.90%	288,061	94.30%	408,963	19.0%	Jan-Nov
Bermuda	269,479	4.6%	44,320	-83.55%	72,153	62.80%	60,805	198.70%	175,966	7.8%	Jan-Nov
British Virgin Islands	302,499	-40.9%	82,704	-72.66%	55,577	-32.80%	121,423	374.60%	261,445	85.1%	Jan-Dec
Cayman Islands	502,739	10.7%	121,887	-75.76%	17,308	-85.80%	146,612	2679.40%	379,370	12.5%	Jan-Nov
Cuba	4,275,558	1.3%	1,086,799	-74.58%	356,470	-67.20%	1,074,814	494.90%	2,436,980	6.4%	Jan-Dec
Curacao	463,652	8.2%	174,912	-62.28%	264,992	51.50%	355,656	136.70%	582,397	60.5%	Jan-Dec
Dominica	75,479	-12.9%	21,734	-71.20%	14,888	-31.50%	37,491	334.40%	62,098	6.6%	Jan-Nov
Dominican Republic	6,446,036	6.2%	2,405,737	-62.68%	4,994,309	107.60%	4,904,156	66.90%	8,058,531	32.3%	Jan-Dec
Grenada	162,902	10.0%	43,807	-73.11%	42,099	-3.90%	91,488	306.50%	157,981	34.4%	Jan-Nov
Guyana	314,727	15.9%	86,522	-72.51%	157,383	81.90%	128,235	105.60%	319,056	10.7%	Jan-Dec
Jamaica	2,680,920	5.1%	880,577	-67.15%	1,464,399	66.30%	1,430,404	99.70%	2,019,676	13.0%	Jan-Aug
Montserrat									5,867		Jan-Oct
Puerto Rico	1,610,292	-21.8%	798,880	-50.39%	1,664,866	108.40%	1,102,960	11.50%	1,730,068	27.2%	Jan-Nov
Saint Lucia	423,736	2.2%	130,719	-69.15%	199,347	52.50%	242,547	119.50%	342,294	34.6%	Jan-Nov
St. Kitts & Nevis	59,099	11.8%	28,716	-51.41%	19,441	-32.30%	55,260	481.90%	89,134	6.0%	Jan-Nov
St. Maarten	319,696	-55.8%	106,438	-66.71%	248,852	133.80%	261,608	70.10%	395,053	16.0%	Jan-Dec
St. Vincent & the G'dines	72,983	5.4%	27,042	-62.95%	24,230	-10.40%	37,498	283.40%	62,174	36.4%	Jan-Oct
Trinidad & Tobago	388,576	-4.9%	95,354	-75.46%	40,621	-57.40%	155,393	1121.80%	308,970	22.5%	Jan-Dec
Turks and Caicos	152,094	-10.3%	299,086	96.65%	404,664	35.30%	138,762	168.70%	662,707	50.9%	Jan-Dec
US Virgin Islands	572,163	-25.0%	419,146	-26.74%	824,461	96.70%	598,833	2.30%	782,023	28.6%	Jan-Dec

Source: Caribbean Tourism Organization, except Various Govt. Tourism Departments Where Noted \*

The following chart illustrates some of the top destinations in terms of growth in arrivals.

Growth in Arrivals by Country, YTD 2023



For the Caribbean, the largest source market by far continues to be the US (55%), followed by Europe (20%) and Canada (9%).

### Hotel Performance Thrives in 2023

Based on data from STR/Costar, for the 12-month period ending December 2023, occupancy rates and average daily rates improved moderately over the same period in the prior year. The net effect is an increase in revenues per available room.

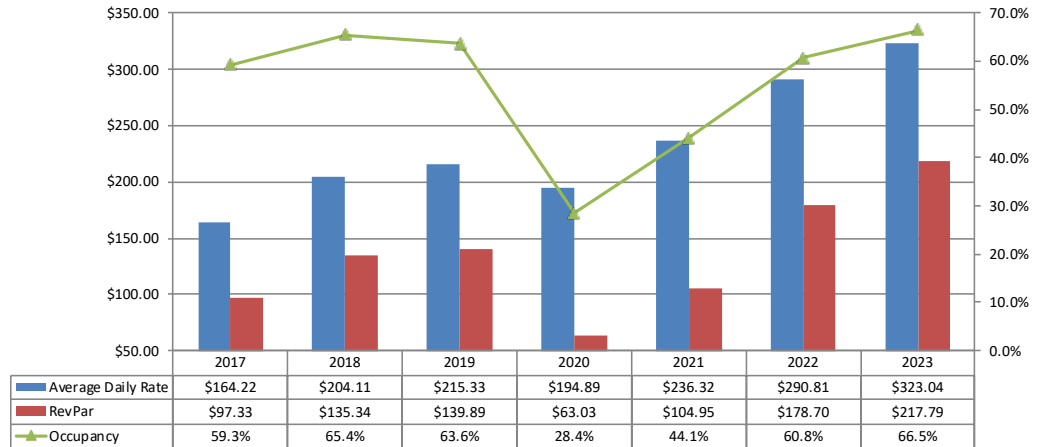
Caribbean hotel metrics continue to improve at a dramatic pace. For the year 2023, occupancy in the region was up 9.4% to 66.5%. In addition, the average daily rate in the Caribbean increased 11.1% to \$323.04. As such, RevPar in the region was naturally up 21.9% for the year 2023 to \$217.79.

We note that occupancy has now surpassed the pre-pandemic peak of 65.4% which was achieved in 2018, ADR continues its long term increasing trend and has far surpassed that of the pre-pandemic peak by breaking the \$300 mark, while RevPAR has now broken the \$200 mark for the first time based on available information from STR.



Graycliff Hotel, Nassau, Bahamas

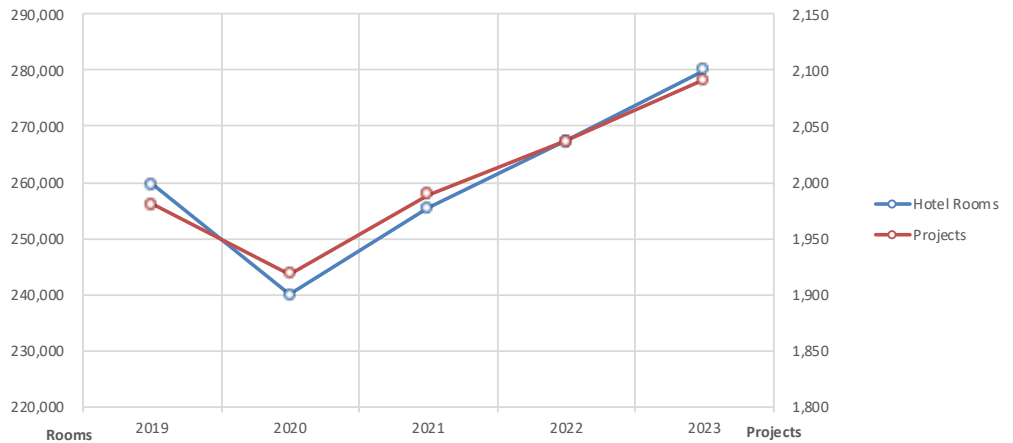
### Annual Caribbean Hotel Trends



It is apparent that the market has now surpassed the stabilized levels achieved prior to the pandemic. We project modest improvement for the rest of this year, but not the level of growth seen in the last two years.

As of December 2023, the total number of rooms in inventory in the Caribbean stood at 280,038 in 2,091 projects, higher than the inventory noted all prior years that we have studied. The sharp decrease in inventory in 2020 was simply a function of hotels that were closed and not reporting due to the pandemic.

### Caribbean Hotel Inventory

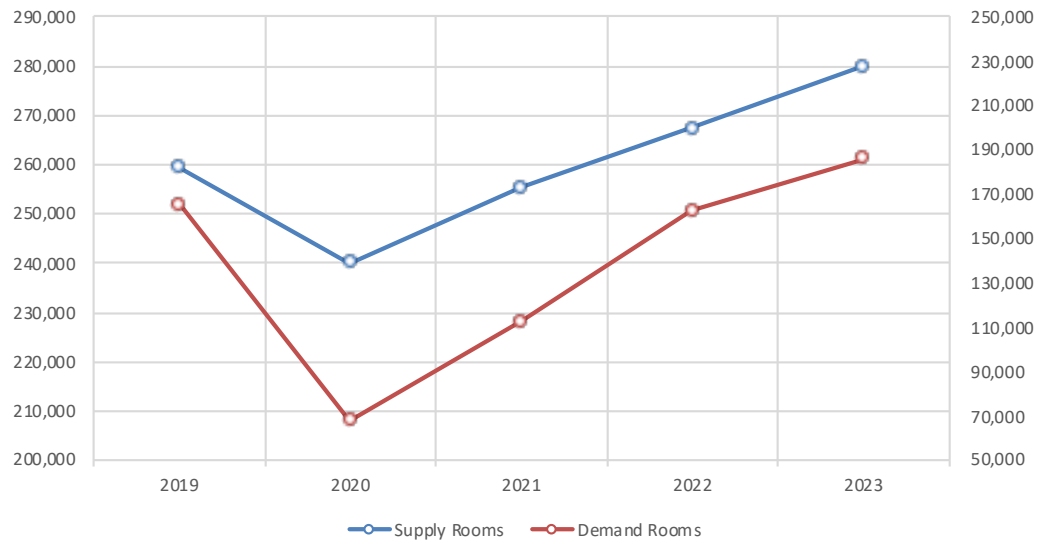


Based on a comparison of the total number of rooms in inventory and occupancy overall, we can interpolate the number of room nights sold in each year, and the growth rate in demand versus supply. Demand growth exceeded that of supply in 2015 through 2017 but lagged behind supply growth in 2018 and 2019. The years 2020 and 2021 were anomalies due to the pandemic. As of the year-to-date December 2023, supply increased 4.7% while demand increased 14.6% over the prior year. This increase in demand is significantly less than the increase in the calendar year 2022 as the market approaches stabilized levels.



Village Cay Hotel and Marina,  
British Virgin Islands

### Supply/Demand Comparison Year to Date December



For the twelve months through December 2023, the highest ADRs reported in the region are as follows:

- Saint Barthelemy: ADR \$2,696, Occupancy 55.9%
- Anguilla: ADR \$1,612, Occupancy 40.6%
- Turks and Caicos Islands: ADR \$1,202, Occupancy 68.4%
- Cayman Islands: ADR \$622, Occupancy 64.2%

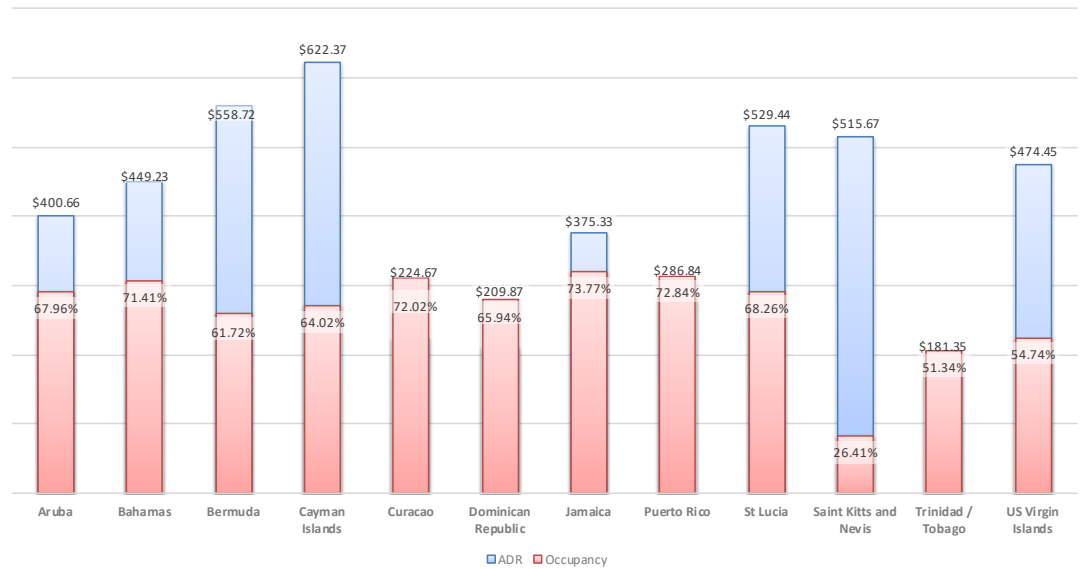
Note that St. Barth, Anguilla and Turks & Caicos (as well as BVI) are reporting extremely high ADRs which are outside the range of the remainder of the region, due to the fact that they only have a select number of reporting hotels/condominium resorts in those locations, which are all ultra-luxury in nature. Because these numbers are outside the range of the rest of the region, and considered outliers to a certain extent, we report the other destinations separately.

The following graph illustrates some of the other primary destinations in the Caribbean in terms of hotel performance for 2023. Of this set, Cayman, St. Lucia, Bermuda, St. Kitts/Nevis, and the USVI are reporting the highest ADRs.



Proposed Kimpton Kawana Bay, Grenada

Hotel Statistics by Country, 12 Months Ending December 2023



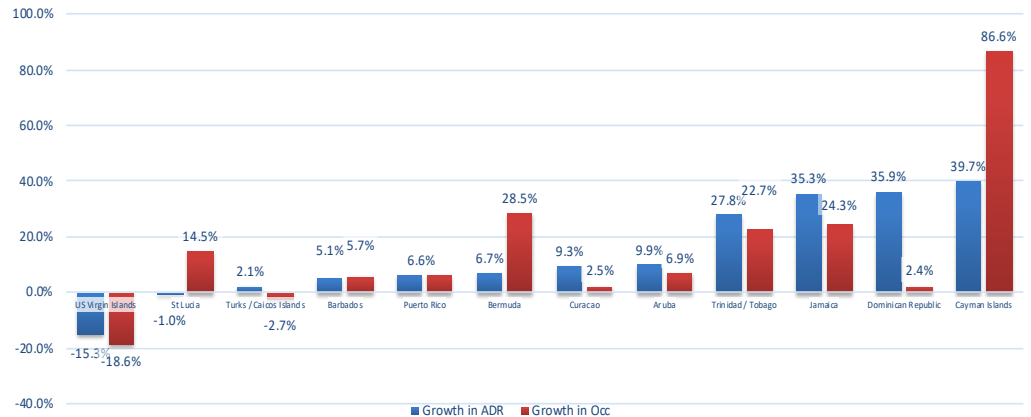
The highest growth in ADR was reported by the Cayman Islands, at 39.7% above the same period last year, followed by the Dominican Republic (+35.9) and Jamaica (+35.3%). In terms of improvement in occupancy, the Cayman Islands reported a 86.6% growth rate, The growth in occupancy is attributed to the later date when these islands fully opened back up for tourism, such that the 2022 and 2023 growth in tourism has been higher than the prior year. Fewer countries are reporting double-digit growth in occupancy as the market becomes stabilized. The US Virgin Islands saw a decline in both occupancy and ADR in 2023. This is likely due to increased room inventory, hurricane damaged properties reopened and the fact that this market saw extraordinary growth in the recovery stage of the pandemic as they were one of the first destinations to re-open.

It is likely that inflationary factors resulting in increases in costs for hotels will result in continued increases in ADR for hotels that retain the same business model. In the years leading up to the pandemic, occupancy had been very high compared with the long term history; as we move into 2024-25, we may see rates correcting some to reflect supply/demand factors.



Warwick Hotel, Nassau, Bahamas

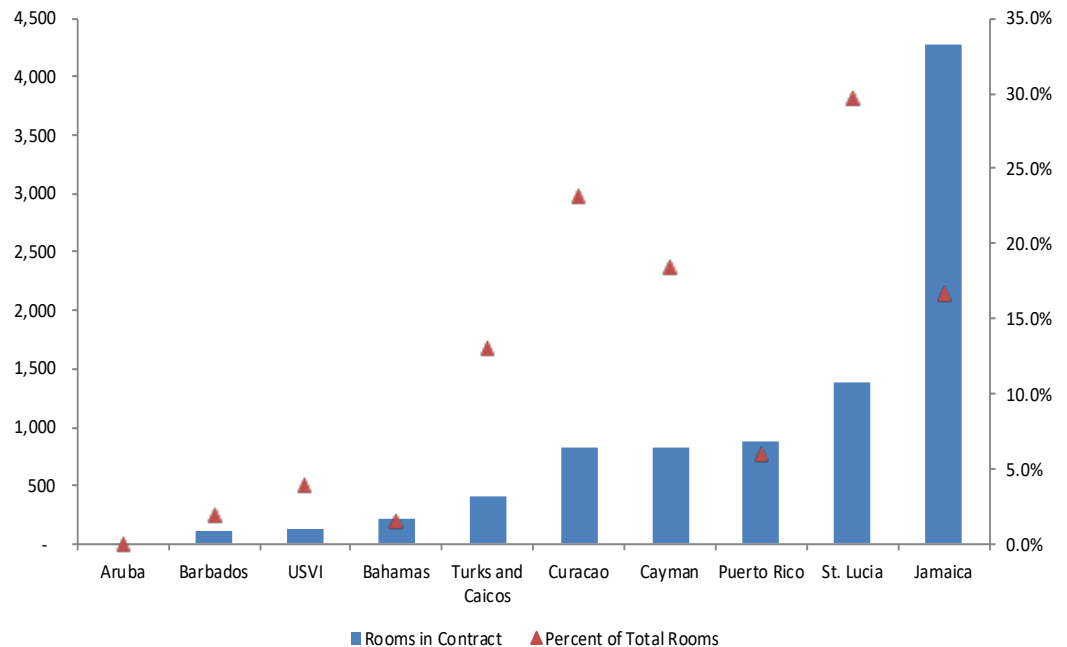
### Growth in ADR and Occupancy by Country 2023



### Pipeline Down Due to Financing Costs

As of December 2023, STR/Costar reported 96 projects totaling 19,651 rooms in the “Final Planning” or “In Construction” phase in the Caribbean (excluding Mexico). As of October 2019, there were a reported 134 projects in those categories in the Caribbean (excluding Mexico); totaling 30,184 rooms. This represents an 35% decrease in rooms in construction or final planning in 2023 compared with Q4 2019. This could relate to some projects having been temporarily deferred due to the pandemic and supply chain issues. In addition, increasing interest rates have had an effect on the ability to get new debt financing for Caribbean projects.

### Caribbean Pipeline By Country As Of December 2023



The Dominican Republic leads the Caribbean in terms of the destination with the most rooms in final planning or construction phase at 8,597 rooms, followed by Jamaica (4,279 rooms) and St. Lucia with 1,378 rooms in this category. As the graph above indicates, the number of rooms which St. Lucia has in the pipeline represent more than 29% of the total existing room stock in

that destination, with Cayman potentially adding rooms representing 23% of the existing inventory. This is, of course, assuming all planned projects move forward, although debt financing has become more of a problem in recent years due to rising interest rates.

The largest projects In the Planning, Final Planning, or In Construction Stage are shown following.



*Hermitage Bay Resort,  
Antigua*

<b>Largest Projects Under Contract</b>			
Project	Unit Count	Location	Stage
Hard Rock Montego Bay	1,100	Montego Bay, Jamaica	In Construction
Dream/Secrets Esmeralda	1,000	Playa Esmeralda, Dominican Republic	In Construction
Marriott Trelawny Jamaica	800	Montego Bay, Jamaica	Final Planning
Riu Aquarelle	753	Jamaica	In Construction
Autograph Collection Punta Cana	650	Punta Cana, Dominican Republic	Final Planning
Zemi Miches All-Inclusive	502	Playa Esmeralda, Dominican Republic	In Construction

Source: STR, Inc.

We note that most of the largest projects are all-inclusive in nature, and in markets that are dominated by that type of product.

According to the World Travel and Tourism Counsel (“WTTC”), the Caribbean has the highest share of the tourism sector to total GDP Worldwide at 15%. This fact reflects the importance of tourism on the economies of these countries. Data also reflects that the larger economies such as Puerto Rico, Jamaica, Trinidad & Tobago and those in Central America have more diverse economies and rely less on tourism than the smaller island destinations.

## Transactions

Needless to say, the volume of hotel transactions in the greater Americas has been significantly stifled due to rising interest rates over the last 12 months. Some notable transactions in 2023 include:

- Verdanza Hotel, San Juan, PR, 221 rooms, \$24.5 million or \$110,860/room
- Be Live (4 hotels), Dominican Rep., 2,395 rooms, price not disclosed, buyer was Hilton
- Gran Cul De Sac, St. Barth, 42 rooms, price undisclosed
- Hermitage Bay, Antigua, 30 villas, \$14 million or \$467,000/key
- Jewel Punta Cana, DR, 620 rooms, \$132,000/room, buyer undisclosed, the seller (Playa) will remain as operators
- Hyatt Place/Hyatt House, San Juan, PR; 275 rooms, price undisclosed,
- Secrets St. James and Wild Orchid, Montego Bay, Jamaica, 348 rooms, price undisclosed

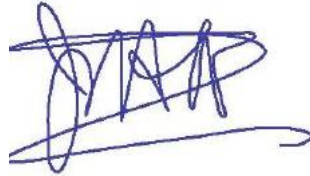
## Conclusions and Forecasts

It is now evident that any effect that Covid-19 had on the Caribbean tourism market has now ended. It is also clear that the pent-up demand for leisure travel has resulted in improving performance for virtually all Caribbean destinations. Tourism Analytics is reporting that many Caribbean destinations are having a great start to 2024. For example, incoming passengers are up 12% in February over last year to San Juan Puerto Rico, 7.7% to Montego Bay (Jamaica), 18% in Aruba for January and 19% for the USVI (January).



We project that tourism revenues and hotel performance in the Caribbean will stabilize at current levels of occupancy with some modest growth in ADR in line with inflation.

*Part of the greater network of Integra Realty Resources offices, IRR-Miami/Caribbean provides real property and business valuation and consulting services throughout South Florida and the Caribbean region; specializing in hotel and resort investment assets and businesses.*

The logo for Integra Realty Resources (IRR) features the lowercase letters "irr" in a bold, blue, sans-serif font. A registered trademark symbol (®) is positioned to the upper right of the letters. The logo is set against a white square background that is partially framed by a dark blue shape on the top and right sides, and a brown shape on the bottom and left sides.A handwritten signature in blue ink, appearing to read "J. Andrews", is written over a horizontal line.

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Sources for Underlying Data Used in Graphs, Tables and Charts:

1. Caribbean Stopover Arrivals: *Caribbean Tourism Association*
2. Caribbean Stayover Arrivals – Leaders: *Caribbean Tourism Association*
3. Growth in Arrivals by Country: *Caribbean Tourism Association*
4. Hotel Performance, Year to Date December: *STR, Inc.*
5. Caribbean Hotel Inventory: *STR, Inc.*
6. Supply/Demand Comparison Year to Date December *STR, Inc.* and Integra Realty Resources
7. Hotel Statistics by Country: *STR, Inc.*
8. Growth in ADR and Occupancy by Country: *STR, Inc.*
9. Caribbean Pipeline by Country: *STR, Inc.*
10. Latest Projects Under Contract: *STR, Inc.*