



OUTLOOK FOR

CARIBBEAN TOURISM:

Continued Sunshine

By Sherrie Negrea

CPG Real Estate's five-star Dorado Beach, a Ritz-Carlon Reserve, occupies the secluded former estate of Laurance S. Rockefeller in San Juan, Puerto Rico. Photo by Don Riddle



Scott Berman '84



David Dodwell '71

With its perfect white-sand beaches, transparent turquoise waters, and unrelenting sunshine, the Caribbean was a prime tourist destination long before the first modern cruise ships sailed toward the islands in the mid-1960s filled with passengers seeking paradise.

The Caribbean's steady growth in travel since then was briefly interrupted by the Great Recession, but the region has since rebounded and now finds itself in the midst of a major building boom that is transforming a number of islands with very expensive new resort hotels.

Most notable among them is Baha Mar, the 3.5-billion-dollar property developed by Brad Stone '77 and his company, Global Gaming Asset Management. That massive development follows a wave of new hotel construction in Aruba, Jamaica, Puerto Rico, Grenada, Negril, and the Turks and Caicos Islands, and major renovations of existing properties across the region.

"There's more investment interest in the Caribbean now than there ever has been," said Scott Berman '84, a Miami-based principal of PricewaterhouseCoopers

Avenue of the Palms
at Nisbet Plantation
Beach Club

and leader of the firm's hospitality and leisure consulting practice.

Not only are traditional

resorts cropping up throughout the islands, but new types of accommodations are also emerging to offer travelers more diverse options. Hyatt, for example, moved into the all-inclusive resort market last year with two new properties in Jamaica, one for adults and one for families. At the same time, developers are building mixed-use projects that combine hotel rooms, time shares, fractional ownership, and condominium units that can revert back into the rental pool.

"People are looking for something different, they're looking for somewhere foreign, and they're looking for somewhere safe to park and invest their money," said David Dodwell '71, owner of the Nisbet Plantation Beach Club in Nevis and The Reefs Resort and Club in Bermuda. "I think the appeal of the Caribbean is that it's foreign and it's generally safe. People are anxious to put their capital back into the real estate market and, in some cases, the resort real estate market."

On the island of Nevis, Dodwell's plans for a mixed-use development next to the 36-room Nisbet resort are now moving off the back burner after being delayed by the recession. "The world changed in 2008," he said. "It's started to come back."

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NEW UNDER THE SUN

Over the past decade, the number of tourist arrivals in the Caribbean climbed from 15.6 million in 2004 to 20.4 million in 2014, a 30-percent increase, according to the Caribbean Tourism Organization. The top five destinations last year were the Dominican Republic, with 5.1 million arrivals; Cuba, with three million; Jamaica, with 2.1 million; Puerto Rico, with 1.7 million; and Aruba, with 1.1 million.

The steady growth in the tourism market is driving development not only of hotels but also of more targeted attractions than the typical poolside bars, hot tubs, and golf courses. "You have more boutique hotels that are trying to create footprints in this part of the world," said Kenny Blatt '81, a principal with CPG Real Estate, which owns seven hotels in the Caribbean. "The guests want sun and sand, but they also want something that's experiential, something that gives them a little more to do. A lot of resorts are trying to create activities that give guests that experience."

The Ritz-Carlton at
Dorado Beach; photo
by Don Riddle

At Dorado Beach, a CPG-owned Ritz-Carlton Reserve in San Juan, Puerto Rico, guests can participate in Jean-Michel Cousteau's Ambassadors of the Environment program, which offers educational tours of coral reefs, a bird sanctuary, and an archeological site directly on the 1,400-acre property. Formerly owned by the Rockefeller family, Dorado Beach opened after a 342-million-dollar upgrade in 2012 and is considered one of the most luxurious hotels in the Caribbean.

Another recent trend among Caribbean resorts is to feature celebrity chefs as star attractions in their restaurants. At the Dorado, guests can feast on avant-garde dishes prepared by José Andrés, the Spanish chef credited with introducing the "small plates" concept in the United States. The Calabash Hotel in Grenada features British television celebrity chef Gary Rhodes, and the Ritz-Carlton Hotel in Grand Cayman boasts celebrated seafood chef Eric Ripert.

Offering a combination of sports activities, three meals per day, and nightly entertainment, all-inclusive resorts are becoming increasingly popular in the Caribbean. American branded hotels are jumping into the all-inclusive market, which was previously dominated by Spanish operators, said Blatt, who is based in CPG's West Palm Beach office.

In December 2014, Hyatt Hotels and Resorts opened two all-inclusive resorts in Montego Bay after an investment of 85 million dollars. The Hyatt Zilara Rose Hall, which is reserved for adults, is located at the former



Ritz-Carlton in Montego Bay and features 230 guest suites. Nearby, the Hyatt Ziva Rose Hall, a family-oriented hotel, offers 496 suites.

"The all-inclusive platform is driving a lot of new business into the market," Berman said. "Historically, that's been a very cheap vacation, and the Dominican Republic, Cuba, and Mexico have historically been the destinations that have attracted that business. The trend is that all-inclusive is breaking out into new markets in a much higher price point."

GROWTH IN CRUISING

Tourism in the Caribbean contributed 52 billion dollars to the region's economy last year, which constituted fifteen percent of the gross domestic product, according to the World Travel and Tourism Council. For many islands, the flow of tourists is highly dependent on one factor—the cruise ships that dock at their ports.

As the world's most popular cruise destination, the Caribbean has attracted increasing numbers of visitors who choose to explore the islands through organized shore excursions from their towering ships. Over the past decade, cruise passenger arrivals (the number of arrivals at each port) in the Caribbean rose from 19.3 million to 24.4 million, an increase of 27 percent, according to the Caribbean Tourism Organization.

"The cruise industry plays a significant role in the Caribbean by helping put some of the destinations on



Kenny Blatt '81



Robert Kwortnik



The Great House at
Nisbet Plantation
Beach Club, on the
island of Nevis in the
West Indies



the map in the North American market,” said **Robert Kwortnik**, associate professor of services marketing at the School of Hotel Administration, who specializes in the cruise industry.

What is driving the popularity of cruising in the Caribbean, Kwortnik said, is the access to ports of call that passengers can easily explore from their ship. “One of the main benefits of cruising is the ability to visit a variety of destinations during one trip and do so in relative safety,” he said. “You can return to your floating hotel at the end of the night, and you can visit destinations like Haiti or Jamaica where you might feel a little more cautious.”

Another factor contributing to the increasing numbers of cruising passengers in the Caribbean is the growing size of ships sailing to the region. With its Oasis-class megaships, Royal Caribbean International has dominated the market for the largest cruise vessels. Its *Allure of the Seas*, which made its maiden voyage in 2010, is the largest passenger ship in the world and can accommodate 6,296 passengers.

That is more than double the size of passenger vessels that sailed into the Caribbean a decade earlier, Kwortnik said. Because of the larger capacity, however, cruise lines are able to contain costs for passengers through

economies of scale, which in turn has made cruising a more attractive option for visiting the islands. “In inflation-adjusted prices, a cruise is far less expensive today than it was 30 years ago,” he noted. In his classes at SHA, Kwortnik shows students advertisements for three-day cruises to the Caribbean in 1985 with a list price of 299 dollars; today, a similar cruise may cost 199 dollars.

While cruise-ship passengers have limited time to spend money while on shore, the islands benefit from the port taxes and the infrastructural improvements that the cruise lines have helped finance to make ports accessible for their 200,000-ton ships.

“Cruising, which was once brushed off, is now considered an important part of the overall landscape,” said Berman. “The number of ships that have been built and positioned in the Caribbean, particularly in the winter, has been very important to the growth in land-based tourism. For the cruise traffic, if you like a destination, you may consider coming back for a land-based vacation.”

At a length of 1,020 feet with a beam of 157.5 feet, Royal Caribbean's *MS Navigator of the Seas* is one of the largest passenger ships in the world. Upgrading ports to accommodate such large ships can be a major undertaking. Photo courtesy of Royal Caribbean International

THE CUBA FACTOR

Last December, President Obama announced his momentous goal of re-establishing relations with Cuba, and Americans have been able to visit the Caribbean island more easily since then. Although tourist travel to Cuba from the United States is not yet permitted, Americans can take a trip for one of twelve approved purposes—including visits to close relatives, educational activities, and public performances—without having to apply for a license, a process that once took months to complete.

The shift taking place in American attitudes toward Cuba could eventually open a floodgate of travel to the region. Anxious to experience life on the island before it changes dramatically, increasing numbers of Americans are finding ways to fly there. Monitoring the air traffic into José Martí International Airport on a flight website, Berman noted, “Every third plane to Cuba is a charter from Miami.”

Cuba has long been a popular destination for visitors from Canada and Europe. The three million tourist arrivals in Cuba last year represented a 47-percent increase in visitors to the island over the past decade. If the trade embargo with Cuba is lifted and tourism from the United States is allowed, many expect interest in visiting the island to be overwhelming. “I think Cuba is going to be amazingly relevant, amazingly interesting, and amazingly sexy just because it’s been off-board for the longest time,” Blatt said. “Everyone is going to want to rush to Cuba and say they went.”

Before Cuba can become a thriving tourist destination, however, its infrastructure must undergo major improvements, beginning with everything from updating roads to modernizing telecommunications. New hotels will have to be developed before Cuba can offer tourists the comforts and amenities available at competing Caribbean destinations; many of the 61,000 existing hotel rooms on the island are unused because of maintenance problems. And although Cuba is now a regular stop for cruise ships owned by Canadian and European companies, its harbors will need dredging

and other upgrades to accommodate the larger ships owned by American cruise lines.

“It’s going to take time and investment and great engineering to reconstruct Cuba so that it’s even closely competitive with today’s Caribbean,” Berman said. “It’s a huge opportunity, but with a great many challenges.”

With or without Cuba in the mix, new growth in Caribbean tourism could come from tapping new markets in order to draw both visitors and investors. “I think the future is going to be in how we start to interest tourists and developers from other parts of the world, particularly Asia, to enjoy the Caribbean,” Blatt said.

While the tourism market is

American travelers are anxious to experience Cuba before its inevitable transformation, which will come as a result of that very demand. Photo by Christina Heggie '10



expected to continue to grow, Dodwell predicts the current cycle of development in the Caribbean will level off, following the pattern for hotel construction in the United States. “What’s being talked about now is that there are three to four years left in this cycle,” he said. “It doesn’t mean gloom and doom like in 2008, but it means a cycle-down and consolidation. Then something brilliant will come up and take hold, and development will come back.”