

HOTELIERS IN SOUTH AMERICA HAVE POSITIVE EXPECTATIONS



While the economies of South America continue to grow, both political headwinds and the potential to oversupply still brings back hoteliers to reality. According to the South American Hotel and Tourism Investment Conference (SAHIC), opportunities, however, still remain in the region despite the growing difficulty in navigating its hotel market.

During the opening session of the conference, Arturo Garcia Rosa, the SAHIC president, who doubles up as the president of HVS Argentina, disclosed that **South America is still full of opportunities and the sector players within the region only need to be a bit more careful.** And although the international tourism into a good number of the region's countries is seen to be on a slight decline, the hotel business has started to grow within the region, an indicator that the business is starting to mature.

In his address to the 400-delegate conference, the SAHIC president pointed out that the two major challenges that have recently cropped up in some of the region's market include political red tape and potential oversupply.

Nevertheless, the feeling among the shareholders within the sector is a feeling geared towards a positive business, observed Rosa.

According to figures from the HVS Argentina, the region's collective inbound visitation fell from 7% growth to 4% growth between 2012 and 2013, a rate that is still, however, higher than the world averages. The figures put Brazil on top spot in inbound traffic. Other countries that have also shown significant growth include Uruguay, Colombia and Peru.

During the conference, the VP of development at Melia Hotels International, Fernando Fernandez, in his address, concurred with Garcia Rosa that there are overwhelming opportunities all around Latin America. He said that the region has jumped off the shadows and is currently leading the boom, the middle classes are growing exponentially and there's a vast opportunity to create select-service products with certain levels of designs and styles that will attract the domestic customers.

Garcia Rosa in his speech highlighted some of the following facts about hotel performance in the South American markets:

In Bogota, some concern is being raised over the market conditions and government policies, and while Colombia is actually experiencing a heightened development interest primarily as a result of the long-term tax incentive program, the demand has not been as impressive as would otherwise be expected.

In Lima and Buenos Aires, occupancy has continued to rise with hoteliers being able to sustain the rate increases. However, Montevideo, has seen a significant decline in occupancy and is thus one of the markets that investors are advised to stay away from.

The market's slight decline in occupancy in Rio de Janeiro, however, is of no significant concern because of the adequate long-term demand making Brazil to remain the top country within the

region with the most opportunity followed by Colombia and Paraguay in that order.

Garcia Rosa advises international investors who are considering building their niche within the region that they should be patient with Argentina - the country has been through many bad situations that may not favor a serious investment while in Bogota, any potential investor must first understand the possibility of oversupply.

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