

Puerto Rico

Hotels & Hospitality | 2019

Hotel Destinations Report

JLL Research



Welcome to the 2019 edition of the Hotel Destinations Puerto Rico publication, produced in collaboration with the Puerto Rico Tourism Company (PRTC). As you browse through the guide, you will find a selection of notable hotel trends, upcoming projects, and a summary of key market statistics and performance for each region. We trust you will find this publication relevant, concise, and insightful. We hope you enjoy the read.

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Destination overview

Puerto Rico is showing healthy signs of recovery following the tragic devastation caused by Hurricane Maria in 2017. Although air traffic to the island still remains below historic levels, recent positive indicators point to a strong post-hurricane comeback: 2019 air capacity exceeding 2015 levels; cruise visitation surpassing prior peak levels; robust lodging performance growth year-over-year given overall demand compression; renovated lodging and real estate product that enhances the destination's competitiveness in the region; and improved destination awareness.

Puerto Rico has endured a series of difficult crises over the past decade and a half. The island's economy has suffered from a decade-long recession, initiated by the expiry of certain tax incentives in 2006 that caused manufacturing employment on the island to plummet. This prolonged recession was punctuated with the spread of the Zika virus throughout the Caribbean in 2016 and the impact of Hurricanes Irma and Maria in 2017. Despite these setbacks, Puerto Rico's Gross Domestic Product (GDP) is projected to increase by 3.9% in 2019 and to remain positive for subsequent years, in part due to the strategic efforts of the Government of Puerto Rico and backing of the US Government. The recovery in GDP is closely paralleled to the return of the lodging sector to the island. As many as 3,200 hotel rooms were lost as a result of the hurricanes in 2017. By 2020, approximately 2,400 rooms will be re-introduced to the market and, coupled with the +850 additional rooms underway, available lodging supply is expected to surpass prior supply levels by 2022.

Air capacity to the island in 2019 will increase for the first time since 2016, which is expected to support lodging demand growth. Despite the constriction of flights by the airlines over the past three years, demand for airlift into Puerto Rico has sustained. Puerto Rico's 2018 load factor, defined as number of passengers divided by available seats, was the highest on record at over 85%, indicating continued demand.

In the past decade, Puerto Rico has also passed incentives designed to foster and diversify overall economic growth throughout the island. The Puerto Rico Tourism Development Act (Act 74), Tourism Industry Support Act of 2016 (Act 137) and Individual Investors Act (Act 22), along with the designation of almost the entirety of the island as a Qualified Opportunity Zone, have set the stage for significant future investment and development.

Puerto Rico overview

The road to recovery after Hurricane Maria

On the heels of a challenging 2015 and 2016 due to the Zika virus that plagued most of the Caribbean, Puerto Rico was further devastated by Hurricane Irma and Hurricane Maria in late August and early September of 2017, respectively. These two storms, in particular Hurricane Maria, caused unprecedented damage and flooding throughout all of Puerto Rico. Electricity outages throughout Puerto Rico and access to clean water and food became limited for most of the island. Hurricane Maria was the worst storm to hit Puerto Rico in over 80 years, causing an estimated \$94 billion in damage to the island.

Despite the devastation, Puerto Rico is recovering faster than other Caribbean islands. To assist in the recovery efforts, as of February 2019, the US Federal Government distributed \$11.1 billion of the \$15.7 billion in allocated FEMA funding for disaster recovery efforts. By year-end 2019, FEMA estimates that a total aid of \$21 billion will be distributed across the island, which represents approximately 50% of total federal funding allocated to Puerto Rico. Federal aid and private insurance proceeds are contributing to the relatively efficient repair of Puerto Rico's infrastructure, which is improving the quality of the island's overall tourism product and attractiveness.

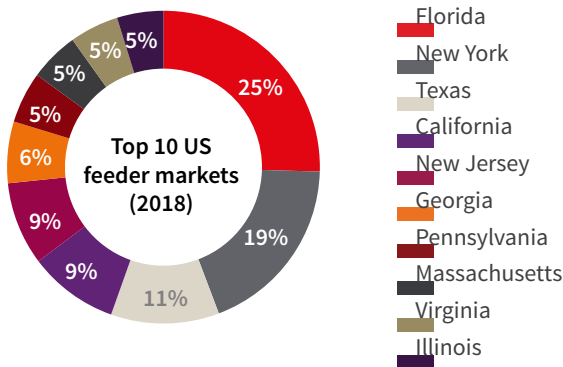
Source: Federal Emergency Management Agency (FEMA)



A highly accessible destination

Puerto Rico, home to 3.7 million US citizens, is a destination characterized by a scenic topography of towering mountains, rainforests, white sandy beaches, and a vibrant culture forged from a mix of Caribbean, Hispanic, African, and US influences. Given Puerto Rico's designation as a US Commonwealth, one of the island's competitive advantages over other Caribbean islands is the non-passport requirement for US citizens. This allows Puerto Rico to strongly and uniquely position itself as one of the most accessible destinations in the Caribbean, with numerous non-stop flights primarily from San Juan's Luis Muñoz Marín International Airport (SJU) to key feeder markets. Despite the whirlwind of turmoil caused by the 2017 hurricane season, Puerto Rico was still the fourth most visited destination across the Caribbean region, demonstrating its overall resilience.

Puerto Rico also boasts several thriving industries, especially in the pharmaceutical, medical devices, biotechnology, aerospace and information technology sectors, which allow the island's economy to be diversified and not solely dependent on tourism, unlike other Caribbean islands.

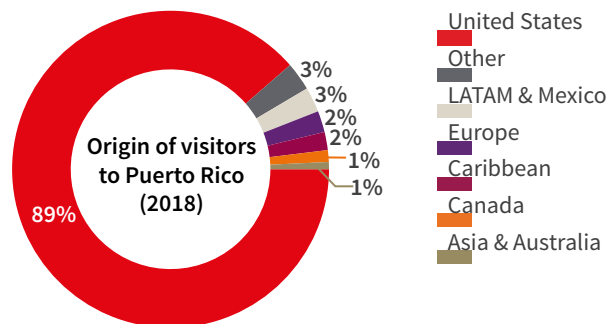


A Caribbean tax haven under US jurisdiction

Puerto Rico attracts significant foreign investment due to its favorable taxation environment. Following the 2017 hurricanes, most of the island was declared a Qualified Opportunity Zone by the US Government. Qualified Opportunity Zones retain this designation for 10 years and enable investors paying US taxes to invest recognized capital gains in qualified projects in Puerto Rico on a tax-advantaged basis.

Additionally, in Puerto Rico, tourism and hospitality investors enjoy a 90% exemption rate on property taxes, as well as an 100% exemption on municipal construction and sales taxes. New tourism projects could be eligible for tax credits for up to 40% of project development costs. These incentives are geared toward attracting private investment to Puerto Rico, which is expected to sustain investors' desire to revitalize and invest in the island's recovery for years to come.

Because Puerto Rico operates within a United States jurisdiction, investors also benefit from political stability and familiar policies and regulations that would otherwise be foreign in other Caribbean markets.



Source: Puerto Rico Tourism Company, JLL



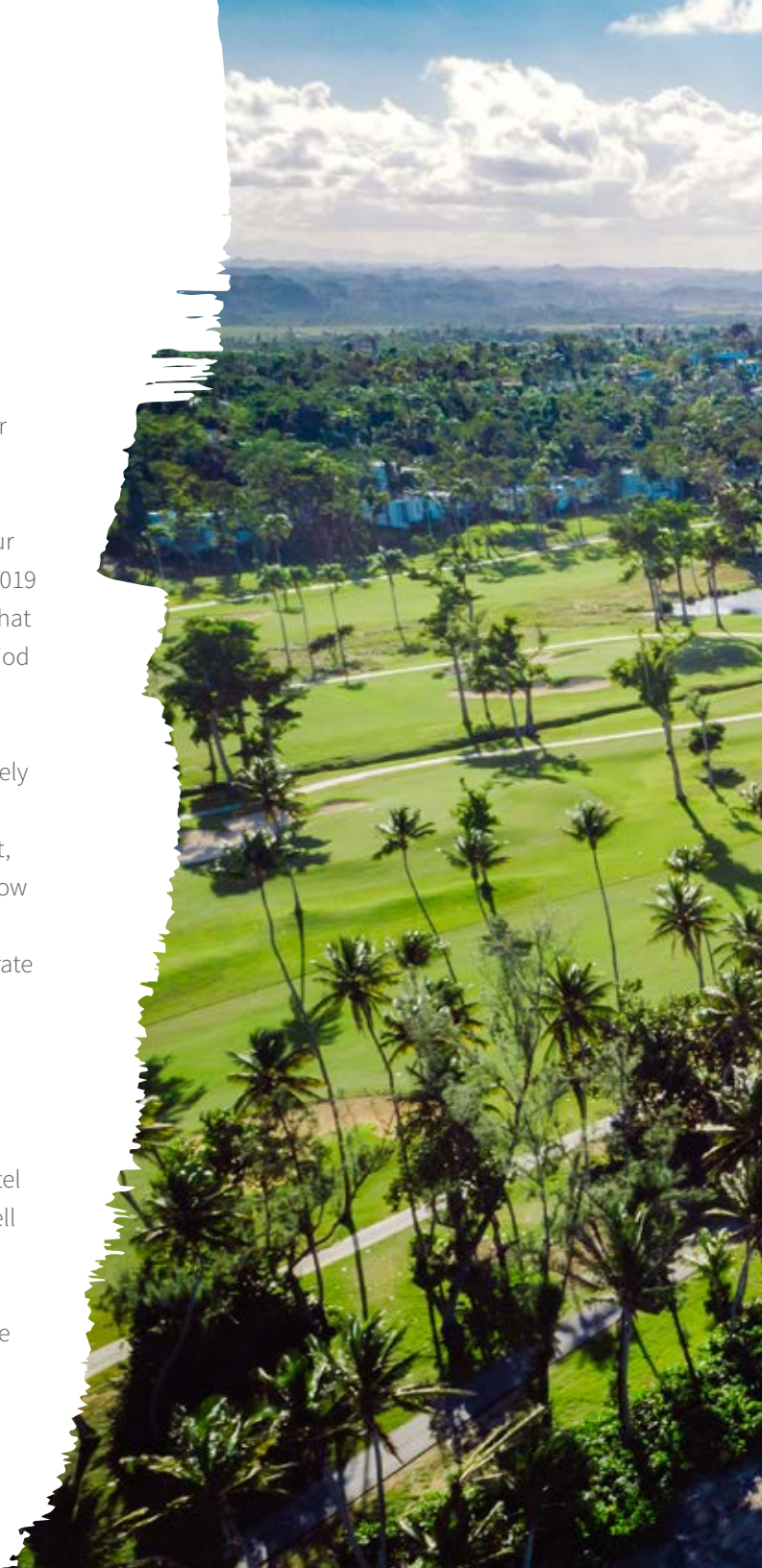
Lodging performance

Lodging supply in Puerto Rico is primarily comprised of branded product, located in the San Juan area within the metropolitan area ("Metro Region"). Over 61% of total room supply on the island is in the Metro Region and 75% of the island's internationally-branded room supply is in the San Juan area. Prior to the 2017 hurricanes, roughly two out of every three rooms were branded. In 2019, that number is still above half. Outside of the Metro Region, the remaining branded supply is primarily resort product situated along the coast.

Given the challenges endured over the past few years, 2015 is considered by most in the market as the last normal year for lodging performance. The impact of Zika in 2016 and the hurricanes in 2017 significantly altered lodging supply and demand dynamics throughout the island. Although operating hotels benefited from compression in major markets caused by decreased supply and increased demand from government agencies and relief workers, 2018 was generally viewed as a recovery year for the island, achieving atypically high occupancy and average daily rates, which are expected to normalize in the mid-term. As damaged properties like the Condado Plaza Hilton (189 damaged rooms), Coco Beach (486 rooms), and the Ritz-Carlton San Juan (416 rooms) are brought

back online throughout 2019 and 2020, they will be joined by a handful of new properties currently under construction, including the Aloft Ponce (150 rooms), Aloft San Juan (177 rooms), Tru by Hilton Condado (88 rooms), Tru by Hilton Arecibo (92 rooms), and Four Seasons Cayo Largo (136 rooms). Year-to-date April 2019 lodging performance, as reported by STR, indicates that average rates have increased 11% over the same period during the prior year at the expense of occupancy. In the short- to mid-term, increases in lodging supply is anticipated to induce new demand to the market, likely at the expense of rate, as the island accommodates the expanded supply. The renovated lodging product, coupled with the new additions to supply, should allow the island to recover rate in the mid- to long-term as these hotels stabilize and aim at surpassing historic rate levels.

New development opportunities and the redevelopment of existing properties are being incentivized by favorable tax policies passed by the government. The openings of the Serafina Beach Hotel (96 rooms) and O:LV Fifty Five Hotel (26 rooms), as well as the recent reopening of the Ritz-Carlton Reserve Dorado Beach (133 rooms), St. Regis Bahia Beach Resort (139 rooms) and Caribe Hilton (652 rooms), are indicators of the success of these incentives and the return of lodging supply to the island.





*Puerto Rico was ranked as
the #1 place to visit in 2019*

-New York Times

Lodging distribution

Metro area hosts a majority of branded hotels

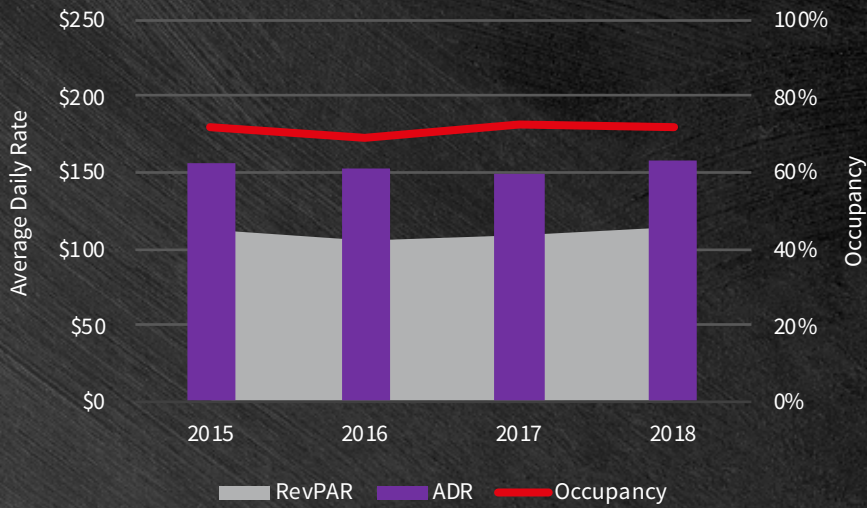


Source: PRTC, JLL, STR

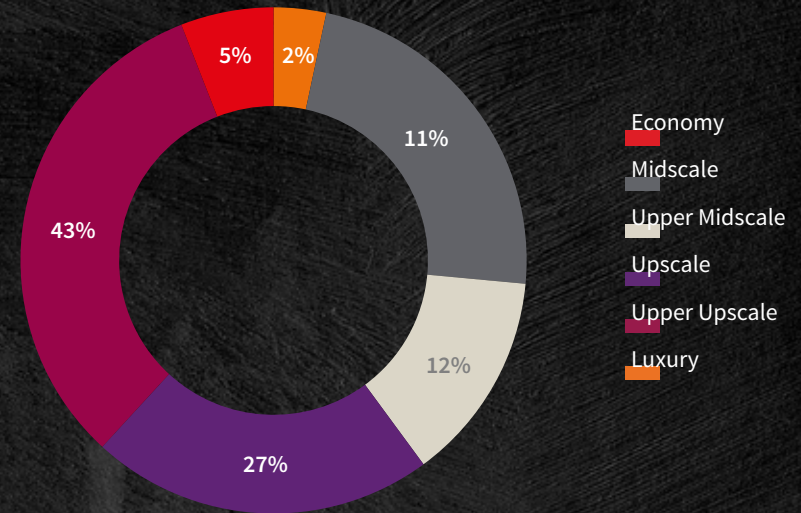
Note: Property quantities are based currently operating assets and do not include those closed for repairs.

*Unbranded properties include independent hotels and resorts, Bed & Breakfasts, Posadas, Paradores, and Guesthouses.

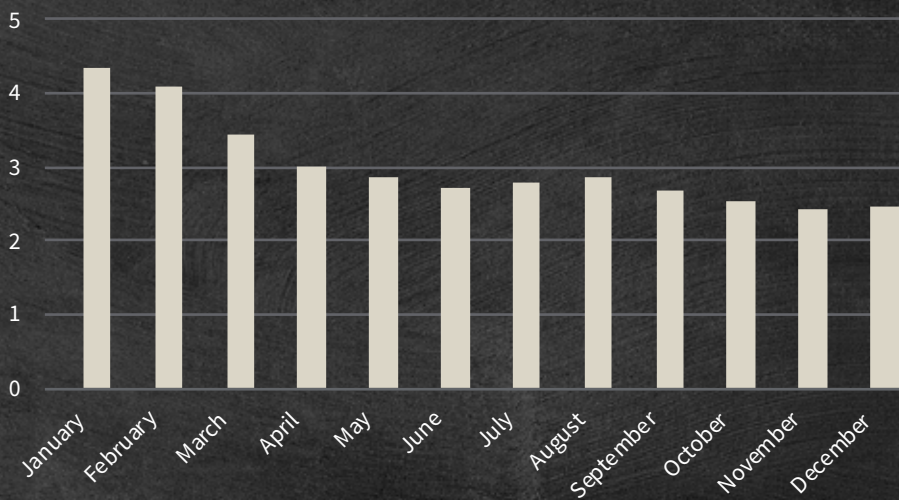
Puerto Rico lodging performance (2015 - 2018)



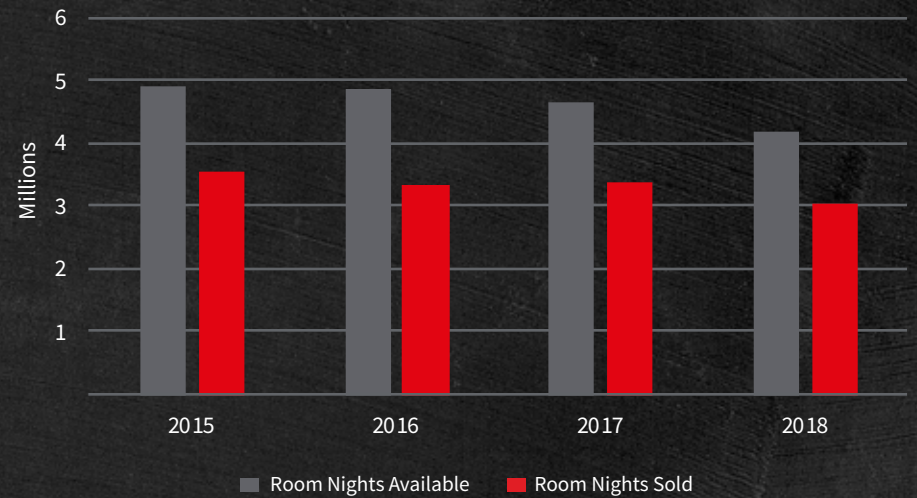
Puerto Rico hotel rooms by class (2018)



Average length of stay (days)



Lodging supply and demand (2015 - 2018)



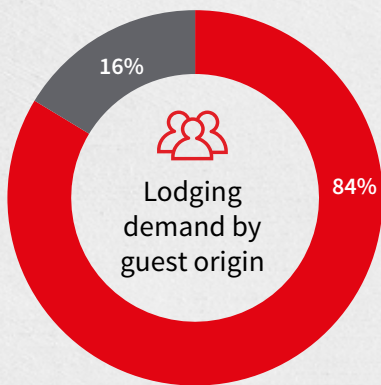
Source: Puerto Rico Tourism Company. Based on Hotel Registrations in Year 2018, STR, JLL

Metro Area

The Metropolitan (Metro) area encompasses Puerto Rico's primary urban region, including the capital of San Juan and surrounding municipalities such as Carolina, Bayamón and Caguas. The majority of Puerto Rico's lodging supply is concentrated in San Juan and its immediate surroundings, in four primary submarkets and a handful of secondary submarkets, and lodging demand is overwhelmingly driven by non-resident travelers. Condado in San Juan and Isla Verde in Carolina represent the Metro area's most developed and established lodging submarkets, although limited availability of vacant land in those areas will eventually constrain new development in the long term, and will most likely consist of conversions or redevelopment of existing buildings.



Metro Area



■ Non-residents
■ Residents

Population
1,048,600

San Juan

San Juan is by far the most popular destination among travelers to the island, offering a vast array of historic sites, attractions, cultural activities, and entertainment, and easily accessible thanks to its international airport. The city offers three world-class museums, as well as a thriving art gallery scene, and visitors are often impressed by the city's intimate setting, nightlife, dining scene and vibrant, live performance calendar.

San Juan is home to major demand generators, such as the Port of San Juan and the Puerto Rico Convention Center, respectively the Caribbean's largest cruise terminal and largest convention center. The \$170 million District Live! entertainment complex is also slated to open in the Convention Center District at the end of 2019. In the future, the Convention Center District will also welcome Puerto Rico's first digital film production studios, a multi-million development project expected to include film production studios, a film academy, a museum and a hotel.

Carolina

Carolina is home to Puerto Rico's main point of entry, the Luis Muñoz Marín International Airport (SJU), which handles more than 90% of total commercial passenger traffic. As a result, the oceanfront neighborhood of Isla Verde, located next to SJU, has developed into a thriving and high-quality lodging submarket, attracting business and leisure lodging demand given its proximity to the airport and the quality of its beaches, reputed as the best in the San Juan area. Carolina is also an

important industrial center, which attracts corporate transient lodging demand.

Bayamón

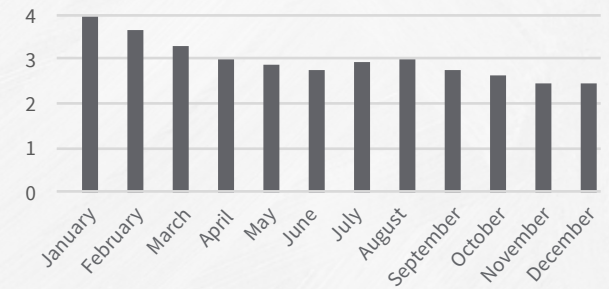
Bayamón, located about 25 minutes from SJU airport, is the Island's second largest city and one of its most important industrial and commercial centers. Bayamón is the capital of Puerto Rico's strong food services industry, with a wide variety of manufacturing businesses and is a hub of the island's retail sector, home to more shopping centers per capita than any other city in Puerto Rico. The city also features major hospitals and universities, along with best-in-class sports facilities. The 156-key Hyatt Place Bayamón & Casino located next to the Plaza del Sol shopping center, and the independent 44-key San Miguel Plaza Hotel are the only hotels in the area. Lodging demand in Bayamón is primarily business-driven.

Caguas

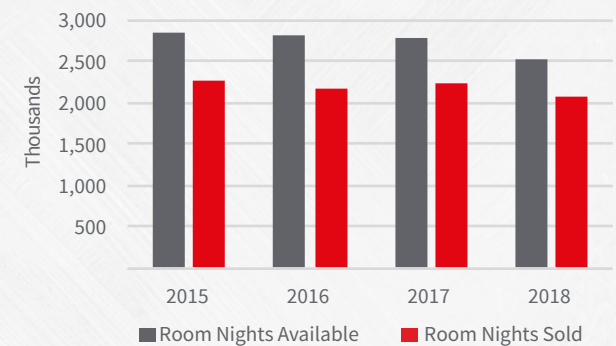
Caguas is a city located 20 miles South of San Juan, in the Central Mountain Range of Puerto Rico. The 126-key Four Points by Sheraton Hotel & Casino is the only hotel in Caguas, located in the outskirts of the city, and lodging demand is expected to be primarily driven by business travelers and local residents.

Quick facts - Metro Area

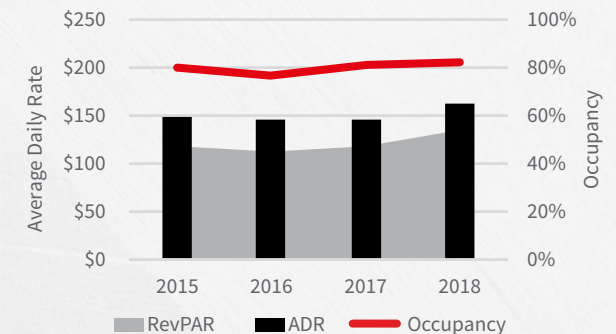
Average length of stay (days)



Lodging supply and demand (2015 - 2018)



Lodging performance (2015 - 2018)



Source: Puerto Rico Tourism Company, JLL

CONVENTION DISTRICT, MIRAMAR & SANTURCE

Existing Lodging Supply
1,400 Rooms
79% Branded
47% Upper Upscale/Luxury

Incoming Hotel Supply
177 Rooms
100% Branded

ALOFT HOTEL CONVENTION CENTER

177 keys
2019 opening date
Upscale

CONDADO

Existing Lodging Supply
3,500 Rooms
78% Branded
72% Upper Upscale/Luxury

Incoming Hotel Supply
88 Rooms
100% Branded

TRU BY HILTON:

88 keys
2022 opening date
Midscale

ISLA VERDE

Existing Lodging Supply
2,700 Rooms
76% Branded
55% Upper Upscale/Luxury

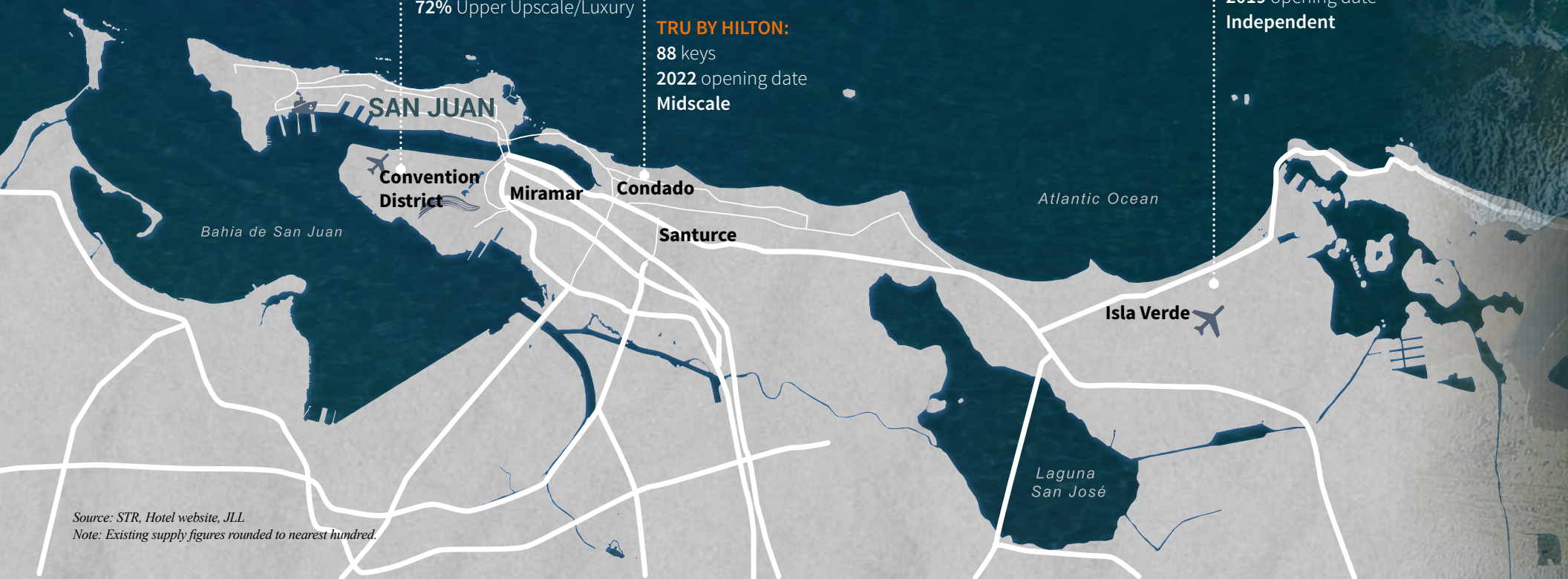
Incoming Hotel Supply
318 Rooms
0% Branded

JADE ST. CLAIR:

108 keys
2019 opening date
Independent

NOIR ST. CLAIR:

210 keys
2019 opening date
Independent



Source: STR, Hotel website, JLL
 Note: Existing supply figures rounded to nearest hundred.

An aerial photograph of a beach with turquoise water and people swimming. The water is a vibrant greenish-blue, and the sand is a light tan color. Several people are visible in the water, some swimming and some standing. The beach is on the left side of the image, and the water extends to the right. The overall scene is bright and sunny.

Established Metro Area: Condado & Isla Verde

Outlook: Demand compression resulting from the closure of hotels following Hurricane Maria has allowed San Juan hotels to achieve abnormally high occupancy levels and rates in 2017 and especially 2018. However, the recent reopening of the 652-keys Hilton Caribe and future opening of the 177-keys Aloft at the end of 2019 are expected to soften this demand compression and lead to rate normalization and decreases in occupancy in the market, especially in 2020. As air capacity returns to normal levels and new demand generators induce additional demand into the market, the San Juan lodging market is expected to come back stronger than ever before starting in 2021-2022.

Condado



Neighborhood highlights

Condado is one of San Juan's most coveted and luxurious neighborhoods. The bustling Ashford Avenue features some of the city's most iconic oceanfront hotels and a variety of upscale shopping options, trendy and sophisticated restaurants, and lively nightlife options and casinos. The area besides the beach features several small parks, residential condominiums and pedestrian-friendly streets, which make Condado a pleasant and popular destination for both tourists and locals alike.



Demand

Condado benefits from diverse demand drivers including leisure, business, cruise and conventions given its central location, close to the Port of San Juan and the Old town, the Puerto Rico Convention Center and the San Juan International Airport. Although leisure travelers often represent the largest segment of demand at Condado hotels, the area's larger hotels attract groups and benefit from induced demand generated by the convention center and cruise passengers. In 2017 and 2018, hotels in the area have benefitted from strong demand compression, achieving occupancy levels in the high 80s to mid 90s, and ADR increasing by over 20% over pre-hurricane and pre-Zika levels.



Supply

Condado represents San Juan's most developed and established lodging neighborhood, with approximately 3,500 hotel rooms. Over 80% of Condado's lodging supply is classified as upscale and upper upscale, including large hotels such as the Renaissance La Concha, Condado Vanderbilt and Marriott San Juan. Following Hurricane Maria, most hotels in Condado remained open, except for the Caribe Hilton, which reopened in May 2019 after undertaking a full renovation, and the Condado Plaza Hilton which remains only partially open. Although most hotels in the area were built decades ago, new developments or conversions have opened recently, including the 96-key Serafina beach hotel, the 26-key O:LV Fifty Five boutique hotel, and the 233-key AC Marriott. Incoming supply in the area remains scarce, with the 88-key Tru by Hilton as the only project currently announced to open by 2023.

Isla Verde



Neighborhood highlights

Located in the District of Carolina, Isla Verde is often considered as a part of San Juan. It is located next to the Luis Muñoz Marín International Airport and east of Condado and the historic district of Santurce. With its oceanfront row of upscale hotels along the main oceanfront boulevard, Isla Verde attracts both business and leisure travelers, along with locals as it boasts the San Juan area's best beaches. The nearby VIVO Beach Club is also a popular destination for tourists and locals, and features an outdoor beach club and pool, restaurants and a full-scale brewery, and regularly hosts live music events.



Demand

Lodging demand in Isla Verde is primarily driven by transient, business travelers. The area's proximate location to the international airport and its convenient access to the local highway provide easy access to the rest of the city. Historically, branded hotels in this area have achieved occupancy levels in the high 70s to mid 80s. This submarket has also benefitted from demand compression over the past two years, with select service hotels boasting ADRs approaching the US\$180-\$200 range. Unlike Condado, this area does not often benefit from demand induced by the convention center as the hotels closest to the convention district tend to fill first.



Supply

Isla Verde features 7 internationally-branded hotels and only a handful of smaller independently-run properties, for a total of about 2,700 available rooms. Although hotels range from midscale to luxury, more than 70% of the internationally-branded supply is positioned in the upper upscale and luxury segments, such as the 386-key El San Juan Hotel Curio Collection, the 398-key InterContinental San Juan, the 416-key Ritz-Carlton and the 310-key Embassy Suites, all located oceanfront except the Embassy Suites. Due to the scarcity of available land in Isla Verde, new hotel development has been sparse, with most hotels having been built decades ago. Two new properties will open in Isla Verde in 2019, part of the independently-run St. Clair Hotel Collection: the 108-key Jade St. Clair and the 210-key oceanfront Noir St. Clair.



Expanding Metro Area: Convention District, Miramar & Santurce

Outlook: Given the upcoming transformation of the Convention District, neighboring areas, which are currently relatively under-supplied, present significant potential for future growth and development. The up-and-coming neighborhood of Santurce, with its concentration of trendy restaurants and bars, its artistic atmosphere, and its central location next to Condado and close to the Convention District/Miramar, is also poised for major future growth, especially as the neighborhood continues to develop and improve safety levels. As more hotels develop in these areas, the Puerto Rico Convention Center (PRCC) is expected to be able to attract and secure more international, large-scale events and conventions, further boosting convention and group demand to San Juan and benefiting the entire lodging sector.



Neighborhood highlights

The Convention District is home to the Caribbean's largest convention center: the Puerto Rico Convention Center. The area will soon consolidate as one of San Juan's main prominent entertainment destination with the opening of the District Live! entertainment complex at the end of the year, and the upcoming film complex. District Live! will feature an entertainment venue that holds up to 6,000 people, a rum micro distillery, a night-day nightclub, the first urban zip line on the island, along with numerous retail options.



Demand

Hotels located in the Convention District and in the adjacent Miramar area benefit from induced demand generated by the Puerto Rico Convention Center. Thanks to its proximity to the Port of San Juan, cruise passengers also represent a significant amount of demand, along with travelers looking for more affordable quality lodging options compared to oceanfront hotels located in Condado or smaller independently run hotels with older amenities.



Supply

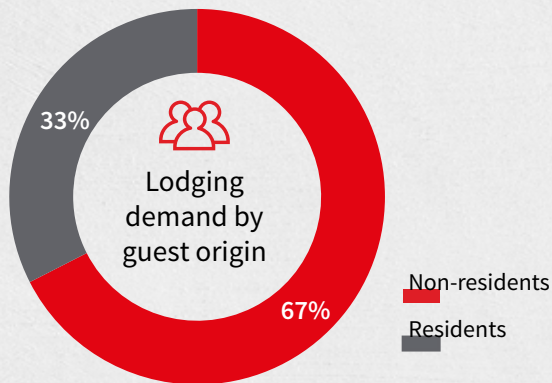
Until the opening of the 503-key Sheraton Hotel and Casino in 2009, the PRCC stood alone in the Convention District. Since then, two new properties have opened, the 126-key Hyatt House in 2014 and the 149-keys Hyatt Place in 2016. The 135-key Courtyard by Marriott, located in Miramar, is also within close distance to the PRCC. With the opening of the 177-keys Aloft by the end of the year, as part of the District Live! multi-million development, the Convention District's lodging inventory will reach close to 1,000 available rooms.



Eastern Region

The Eastern Region is a popular leisure destination for locals and international tourists given its diverse tourism product - pristine beaches, El Yunque tropical forest, rare bioluminescent bays, and endless water activities, including snorkeling, scuba diving, and boating. Overall lodging supply in late 2017 contracted by approximately 2,000 rooms, which virtually represented the entirety of this region's existing supply. Many large-scale resorts were temporarily closed given the extent of the damages post-hurricane, and some are planned to reopen by the end of 2019. Other properties, such as the 750-key El Conquistador and 157-key W Vieques remain closed until further notice.

Population
413,800



Rio Grande

Rio Grande is a resort destination located approximately 40 minutes away from SJU and easily accessible via a six-lane expressway. The area features three high-end resorts: the 135-key St. Regis Bahia Beach, the 400-key Wyndham Grand Rio Mar, and the 486-key Coco Beach, all located within gated residential communities. The hotels were renovated following the 2017 hurricanes and, to-date, the former Meliá Coco Beach is undergoing renovations and scheduled to reopen during the fall as a Hyatt Regency. Resorts in Rio Grande are well-positioned to attract leisure guests and large groups (particularly in the MICE segment) given the area's quality beaches and generally larger hotel offering. The Wyndham and the soon-to-open Hyatt Regency feature ample meeting facilities, which allows them to generate 15% to 20% of their demand from groups. Given Rio Grande's beautiful landscapes, golf courses, proximity to El Yunque National Rainforest, and convenient accessibility from San Juan, the destination has the potential to continue consolidating itself as a prime resort destination in the outskirts of San Juan.

Fajardo

Fajardo, located about one hour from San Juan, is considered the boating and yachting hub of Puerto Rico. The destination features one of the Caribbean region's largest marinas, pristine waters and beaches, as well as many water sports activities. Fajardo also boasts one of the rarest bioluminescent lagoons, a popular day-trip excursion from San Juan.

Fajardo is home to Puerto Rico's largest hotel, the 750-key El Conquistador resort, a mega-resort featuring over 200,000 square feet of event space and a wide array of guest amenities. When it operated as a Waldorf Astoria prior to Hurricane Maria, the hotel attracted significant

Note: MICE = Meetings, Incentives, Conventions, Exhibitions

group demand largely due to its large conference facilities, along with high-rated, transient leisure demand. The hotel currently remains closed and it's unclear when the hotel will reopen. Other incoming luxury hotels include the 136-key Four Seasons Cayo Largo currently under construction in Fajardo, which is part of a broader master plan that contemplates unbranded and branded residences.

Vieques and Culebra

The islands of Vieques and Culebra offer world-class beaches, nature reserves, and small beach town atmospheres. Their lodging supply is very limited and consists mainly of a handful of independent properties with less than 30 rooms each. The 156-key W Hotel was Vieques' largest hotel but remains closed until further notice. In 2014, a new boutique hotel opened, the 22-key El Block hotel, and an additional 118-key hotel is currently being developed by St. Clair.

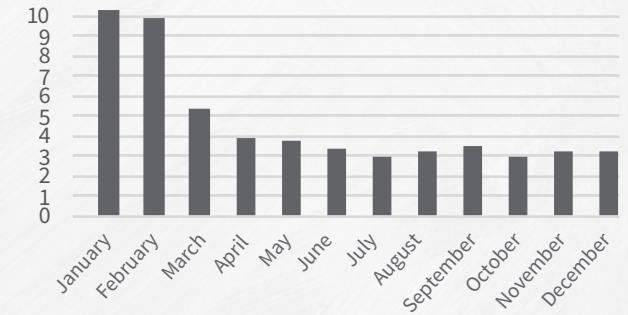
Until now, the islands' accessibility constraints have limited lodging demand to primarily Puerto Rican vacationers or non-resident visitors who have already been to Puerto Rico before. However, improvements to the ferry's reservation system in early 2019 is expected to simplify the process of getting to the islands, which should boost tourism demand.

Ceiba

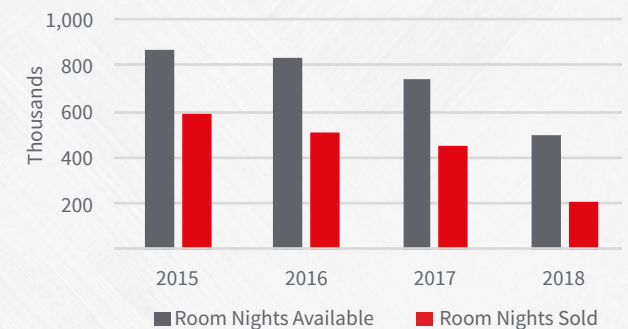
In October 2018, the ferry system to Vieques and Culebra was relocated from Fajardo to Ceiba. Home to the former Roosevelt Roads Naval Station, local authorities are hoping the naval station could be redeveloped into a major resort destination on the eastern coast of Puerto Rico.

Quick facts - Eastern Region

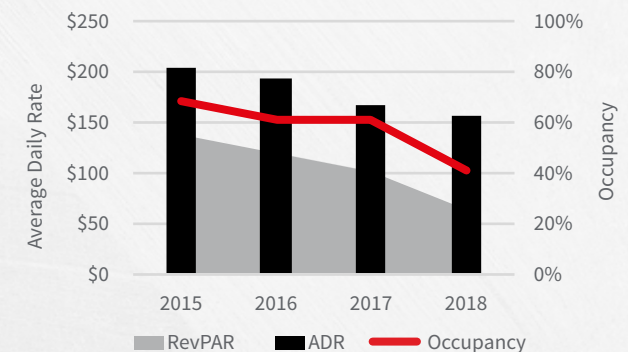
Average length of stay (days)



Lodging supply and demand (2015 - 2018)



Lodging performance (2015 - 2018)

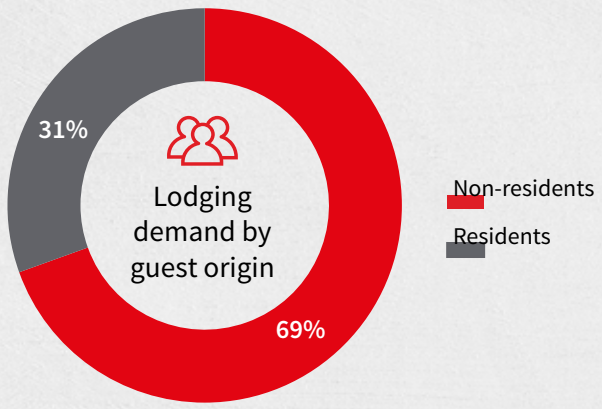


Source: Puerto Rico Tourism Company, JLL

Porta Caribe



Population
395,200



The Southern coast of Puerto Rico is known for its beaches, dramatic coastal bluffs and green flatlands. There is sparse lodging supply compared to other regions, despite the region's close proximity to both an international airport and cruise port, as well as a recently retrofitted highway. The area used to be home to the islands' largest employer and Forbes' 500 oil company, CORCO, but after the Venezuelan oil embargo in 1970's the company gradually ceased operations leaving healthcare, retail and education as the largest employers in the area.

*Nicknamed
"the Pearl of the South,"
Ponce serves as the
regional hub for
several Puerto Rico
government entities*

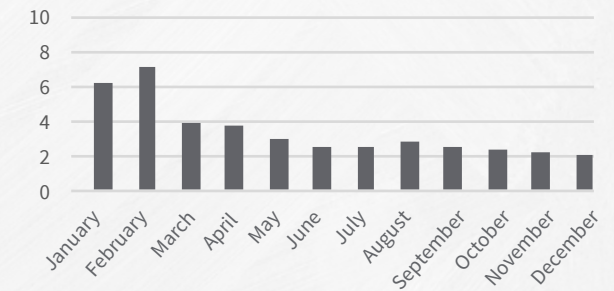
Ponce

As the largest city outside of the Metro Region and a history that dates to the 17th century, Ponce is a destination for Puerto Rican residents and non-residents alike. The historic zone in Ponce boasts unique architecture, wide plazas, and several museums and churches. Although uninhabited, the adjacent Isla Caja de Muertos has a ferry to accommodate visitors looking to explore the island's beaches, hiking trails, and historic lighthouse. Ponce's port, the Ponce's Port of the Americas, has the capacity to ship over 600,000 tons and has begun attracting cruise visits after a brief hiatus. Ponce is also home to one of island's three international airports, Mercedita Airport. Ponce's lodging supply remains small compared to its population, totaling roughly 800 rooms. The two branded products in the area, the Hilton Ponce Resort (255 rooms) and the Holiday Inn (116 rooms), are outside of the city center and cater primarily to transient leisure demand. The only supply entering the market is the Aloft Ponce (150 rooms), which is slated to open in the first quarter of 2020.

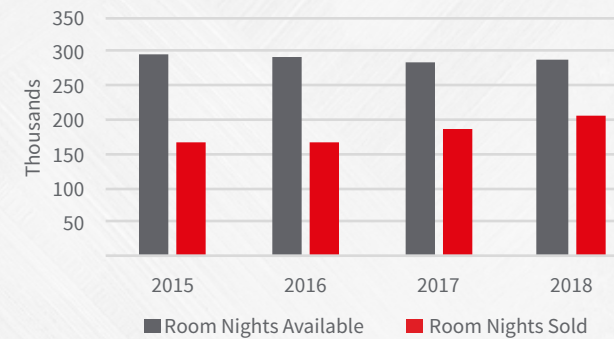


Quick facts - Porta Caribe

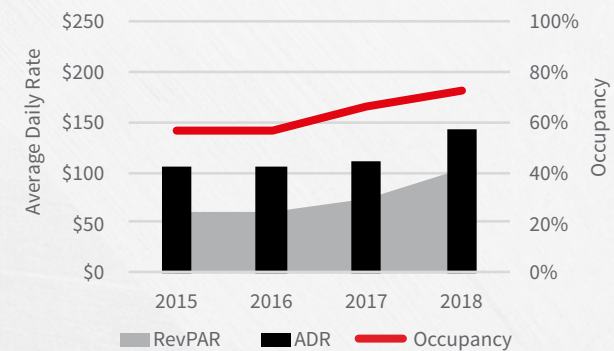
Average length of stay (days)



Lodging supply and demand (2015 - 2018)



Lodging performance (2015 - 2018)

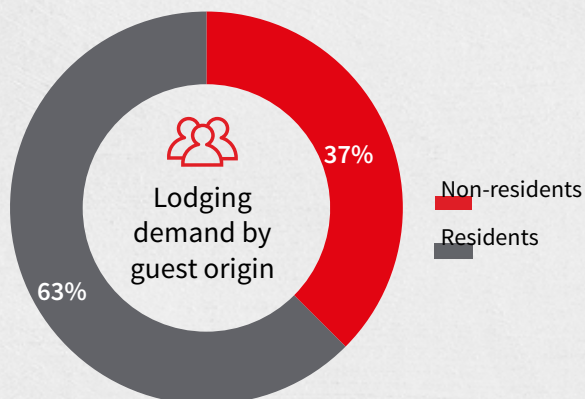


Source: Puerto Rico Tourism Company, JLL

Porta del Sol

Home to beautiful beaches, surfing towns and nature-oriented attractions, Porta del Sol is a tourist destination mainly driven by local tourists and non-resident travelers visiting friends and family. The region also features important industrial and pharmaceutical plants, along with one international and one local airport. Available lodging supply in 2018 is already back to pre-hurricane level, and demand is rising, with occupancy and ADR in 2018 surpassing 2017 levels. Porta del Sol's lodging sector has the potential to develop further, and it is likely that developers will be looking at this area for future opportunities.

Population
556,300



Aguadilla

The Rafael Hernández Airport (BQN) located in Aguadilla is Puerto Rico’s second largest international airport and is serviced by United Airlines, Spirit Airlines, and JetBlue. The airport provides direct connectivity to Orlando, Fort Lauderdale, and New York, three destinations with large Puerto Rican communities. Aguadilla is best known to leisure visitors for its beaches, but it also houses important industrial and pharmaceutical plants like Honeywell and Hewlett Packard, and the airport’s Lufthansa Technik Center.

Few lodging options exist in Aguadilla today. The 155-key Courtyard by Marriott Hotel and Casino, located next to the airport, is the city’s only internationally-branded hotel, and its lodging demand is predominately transient business, crew, and leisure guests. Aguadilla’s shorelines still feature large vacant parcels that could be developed into oceanfront resorts and residential communities, and adding new supply to the area could be an important catalyst for the airport to open new routes and increase overall air capacity to benefit the area’s lodging sector.

Isabela

Although Isabela is a popular sea-side vacation destination, it currently features only a handful of small independent hotels and resorts, including the 37-key Villa Montaña Beach and the 20-key Royal Isabela. Given the abundance of vacant land along Isabela’s coastline, as well as the city’s proximity to BQN (20-minute drive away), the destination has strong potential for future oceanfront hotel and residential development.

Rincón

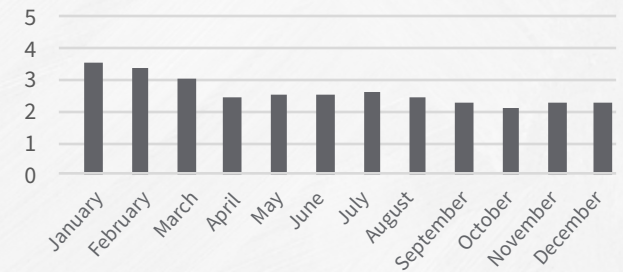
Rincón is Puerto Rico’s surfing capital, and its secluded and laid-back, small-town atmosphere has been popular with Puerto Rican vacationers and non-resident guests looking for beach vacations and water-sport activities away from the crowds. Rincón features an estimated 300 hotel rooms, the majority of which are positioned in the midscale and upper-midscale class. The 112-key Rincón of the Seas is the largest resort in the area, and the all-suite, 29-key Horned Dorset Primavera Hotel is the area’s most high-end hotel. Demand in Rincón is exclusively leisure-driven, and development potential exists to add lifestyle or boutique hotels to improve the lodging product available for vacationers.

Mayagüez

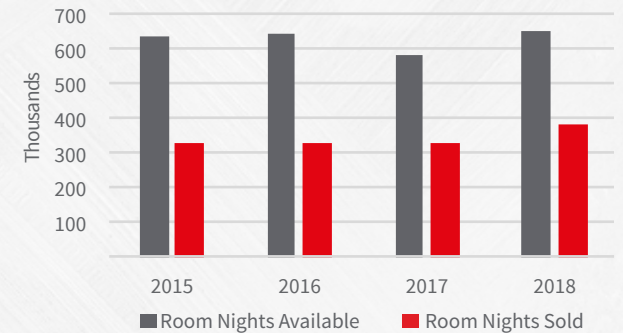
Mayagüez is an important college town and its economy revolves around its port and several industries, including the production of the Puerto Rican Medalla beer. Apart from its historic center and landmark buildings, the city features shopping centers, Puerto Rico’s only zoo, and the University of Puerto Rico’s tropical agricultural research center. Although Mayagüez is the city with the largest hotel room inventory in Porta del Sol, it only has four hotels and about 400 rooms, and all properties were built over 15 years ago. Downtown Mayagüez features only 1 branded hotel, the 49-key Howard Johnson, along with one small independent property. The 206-key Mayagüez Resort & Casino and the 141-key Holiday Inn Hotel & Casino are both located on the outskirts of the city and cater primarily to Puerto Rican leisure guests and business travelers.

Quick facts - Porta del Sol

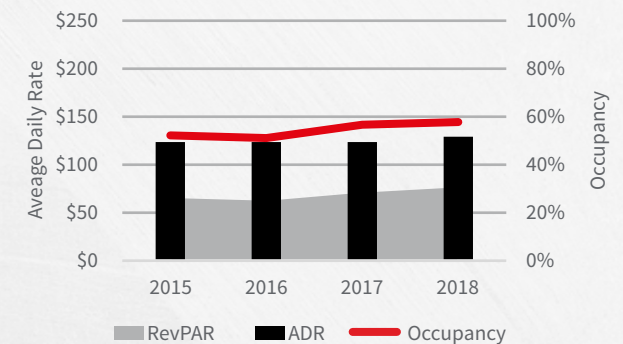
Average length of stay (days)



Lodging supply and demand (2015 - 2018)



Lodging performance (2015 - 2018)

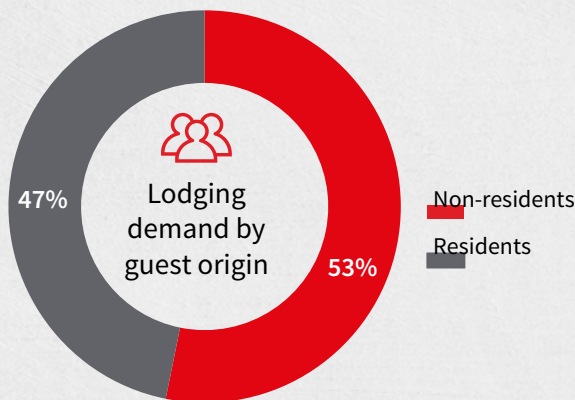


Source: Puerto Rico Tourism Company, JLL

Porta Atlántico



Population
556,300



The northern coast of Puerto Rico boasts panoramic views of the ocean, the most traveled highway in Puerto Rico (PR-22), and the strongest RevPAR performance on the island. This is largely due to the luxury properties that have opened since 2017 and the lack of other lodging supply. Despite the relatively few existing hotels, the area is poised for growth as these two municipalities - Dorado and Arecibo - continue to attract new leisure and corporate lodging demand in the area.

A quick drive from Metro, Porta Atlántico offers spectacular views, luxury lodging, and a variety of beaches.



Dorado

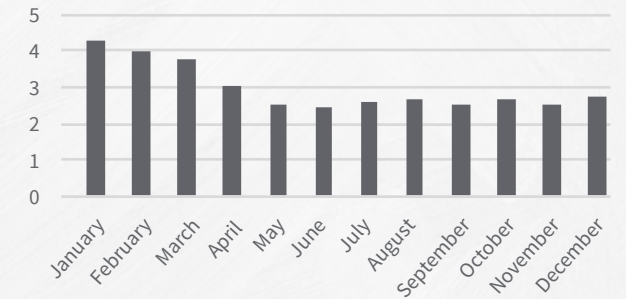
Home to the recently re-opened Ritz-Carlton Reserve (133 rooms) and an Embassy Suites (174 rooms), Dorado has emerged as a strong corporate and leisure destination given its proximity to San Juan. Several luxury residential and timeshare resort communities exist throughout Dorado, catering primarily to local residents and international second-home buyers/residents who enjoy the tranquility of the town and the convenient location near San Juan. Preliminary plans are underway to develop a +\$200 million JW Marriott. Various pharmaceutical companies, clothing manufacturers, and medical equipment manufacturers are also located in Dorado, further diversifying the overall lodging demand in the area.

Arecibo

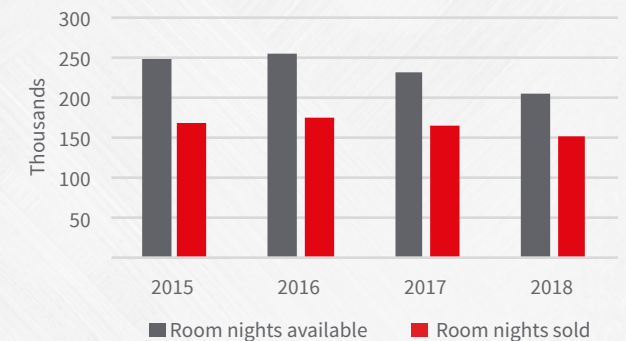
Settled in 1556, Arecibo was the third Spanish settlement in Puerto Rico and is the island's largest city in terms of surface area. Arecibo features several cultural assets, including a variety of museums, a historical lighthouse and church, as well as the Arecibo Observatory, which boasts one of the world's largest radar-radio telescopes. Several major multinational companies have offices and industrial plants in Arecibo, including GE, Thermo King Corporation, and Eaton, among others. From a lodging perspective, supply is limited and generally independently-branded. Incoming supply, however, is anticipated to diversify this product mix, with the addition of a Tru by Hilton hotel (92 rooms) scheduled to open in 2022.

Quick facts - Porta Atlántico

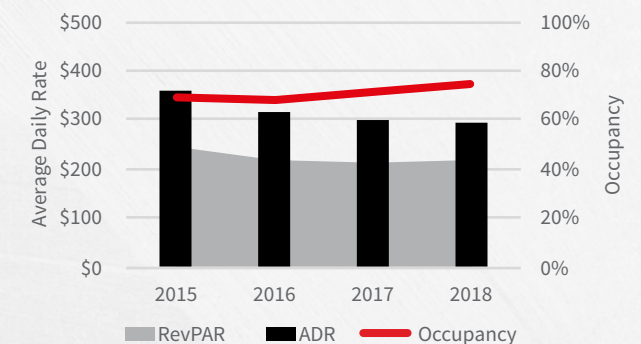
Average length of stay (days)



Lodging supply and demand (2015 - 2018)



Lodging performance (2015 - 2018)



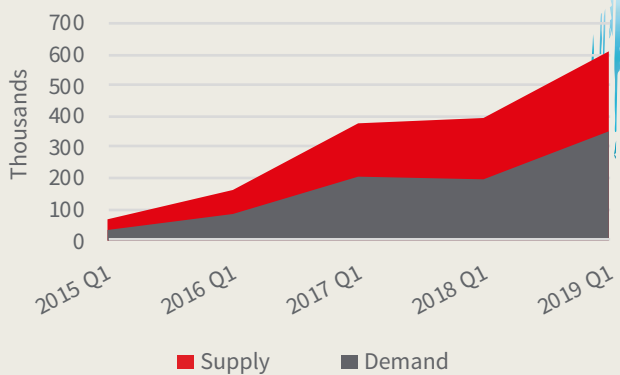
Source: Puerto Rico Tourism Company, JLL

Impact of alternative lodging

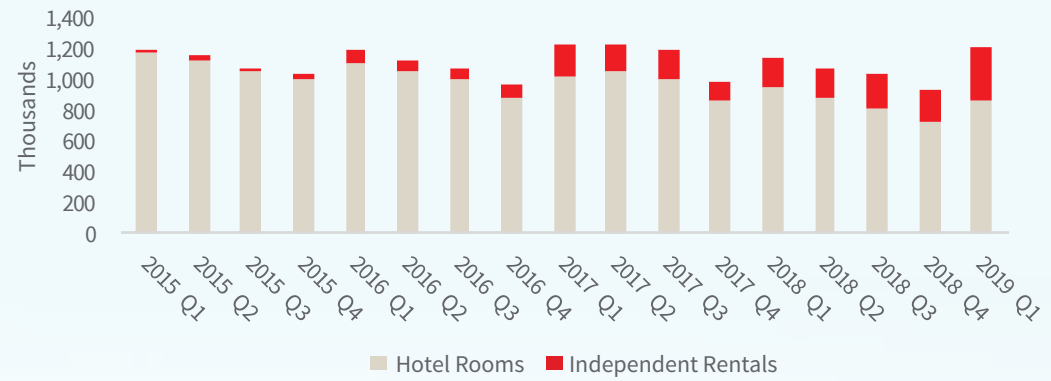
In 2018, Airbnb supplied 9,300 unique places to stay throughout Puerto Rico. That same year, an estimated 385,000 Puerto Rican visitors opted to stay at alternative lodging accommodations instead of traditional hotels. In the past four years, the sheer volume of visitors choosing alternative lodging accommodations has increased, largely due to the growth in this type of offering following the hurricane and closure of many hotels.

Since 2017, alternative lodging accommodations have been catering to an underserved market post-hurricane, particularly in the economy and midscale segments across the Metro region. As traditional hotels re-enter the market, following extensive renovations and/or re-branding efforts, operators anticipate that normalized demand levels will ensue, especially as visitors seek branded, higher-quality lodging product.

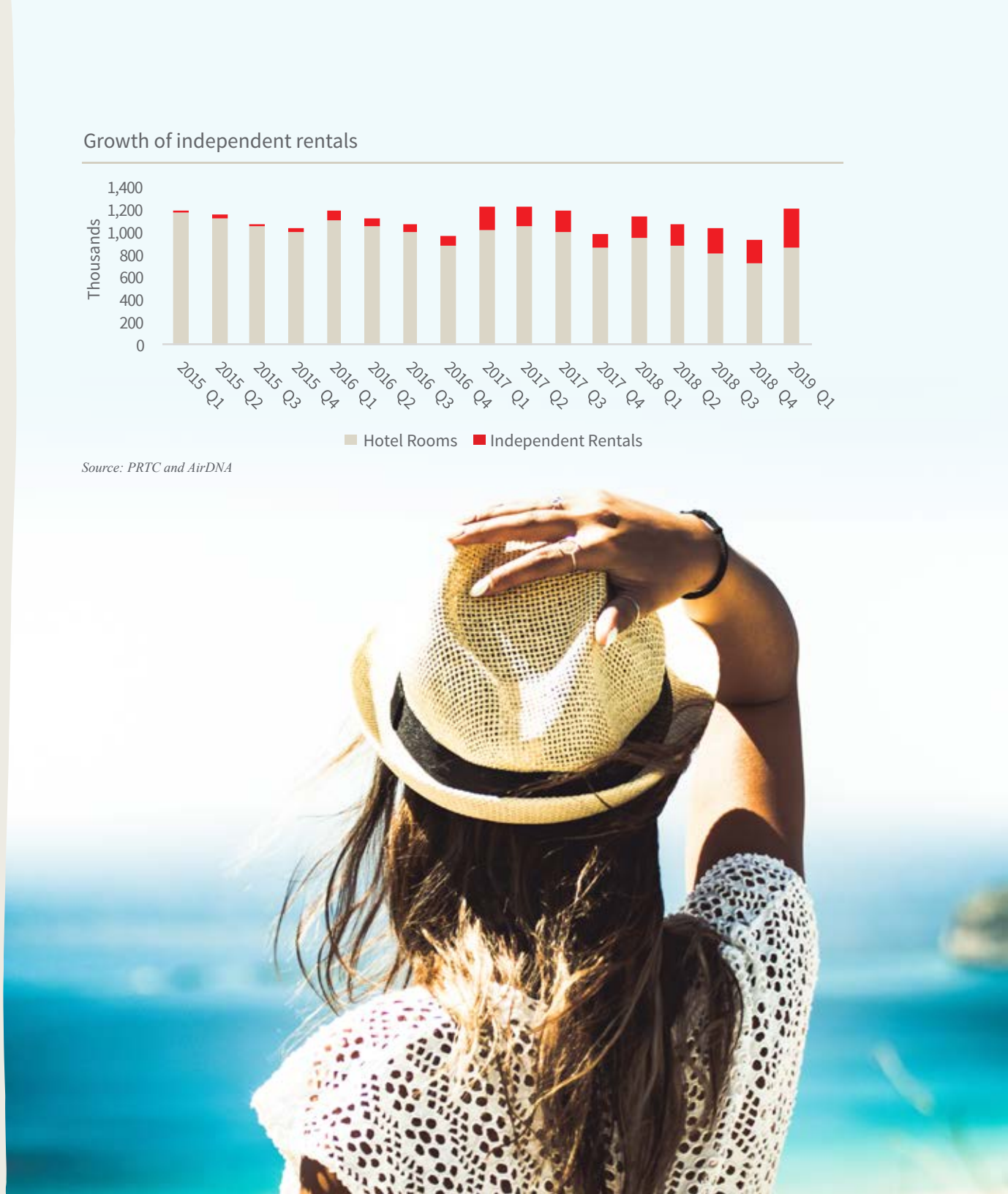
Supply and demand of independent rentals



Growth of independent rentals



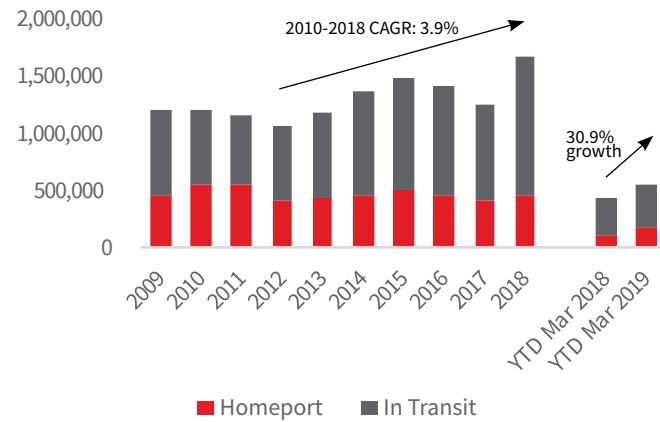
Source: PRTC and AirDNA



Quick facts

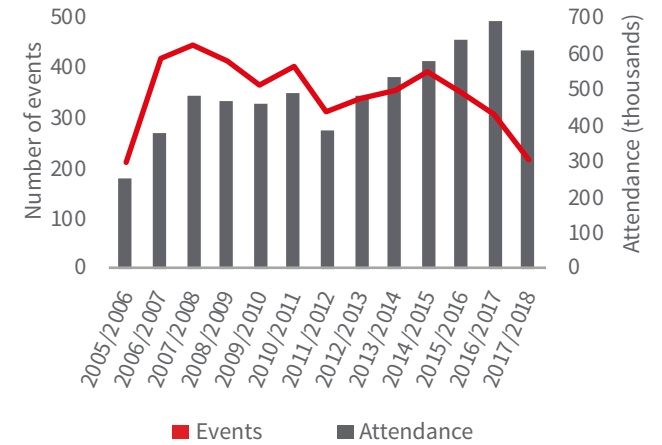


Port of San Juan - Cruise passenger movement



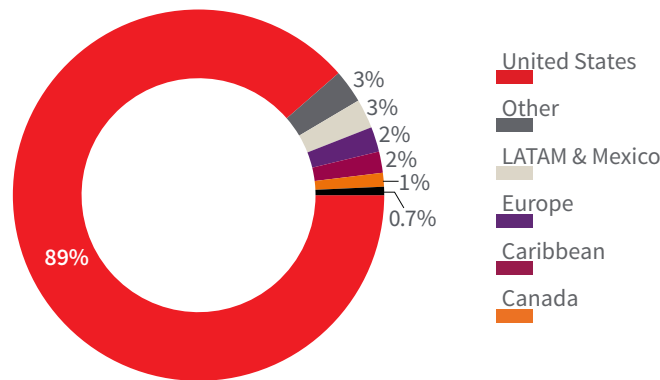
Note: CAGR = Compound Annual Growth Rate; YTD = Year-to-Date
 Source: Puerto Rico Ports Authority (Autoridad de los Puertos - APPR), JLL

Puerto Rico Convention Center



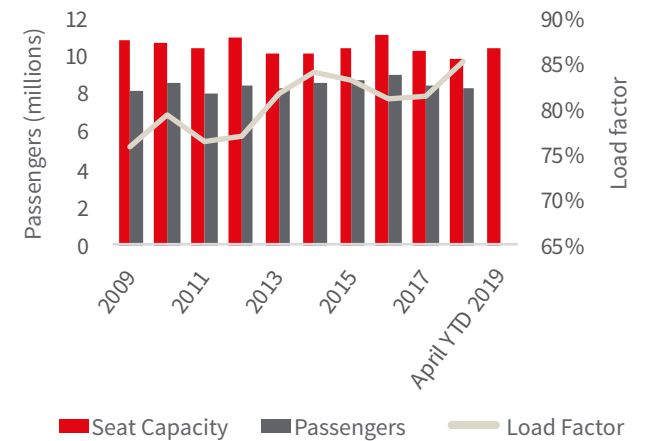
Source: Puerto Rico Convention Center, JLL

Origin of visitors to Puerto Rico (2018)



Source: Puerto Rico Tourism Company Based on Hotel Registrations (2018), JLL

Puerto Rico - Air travel and capacity



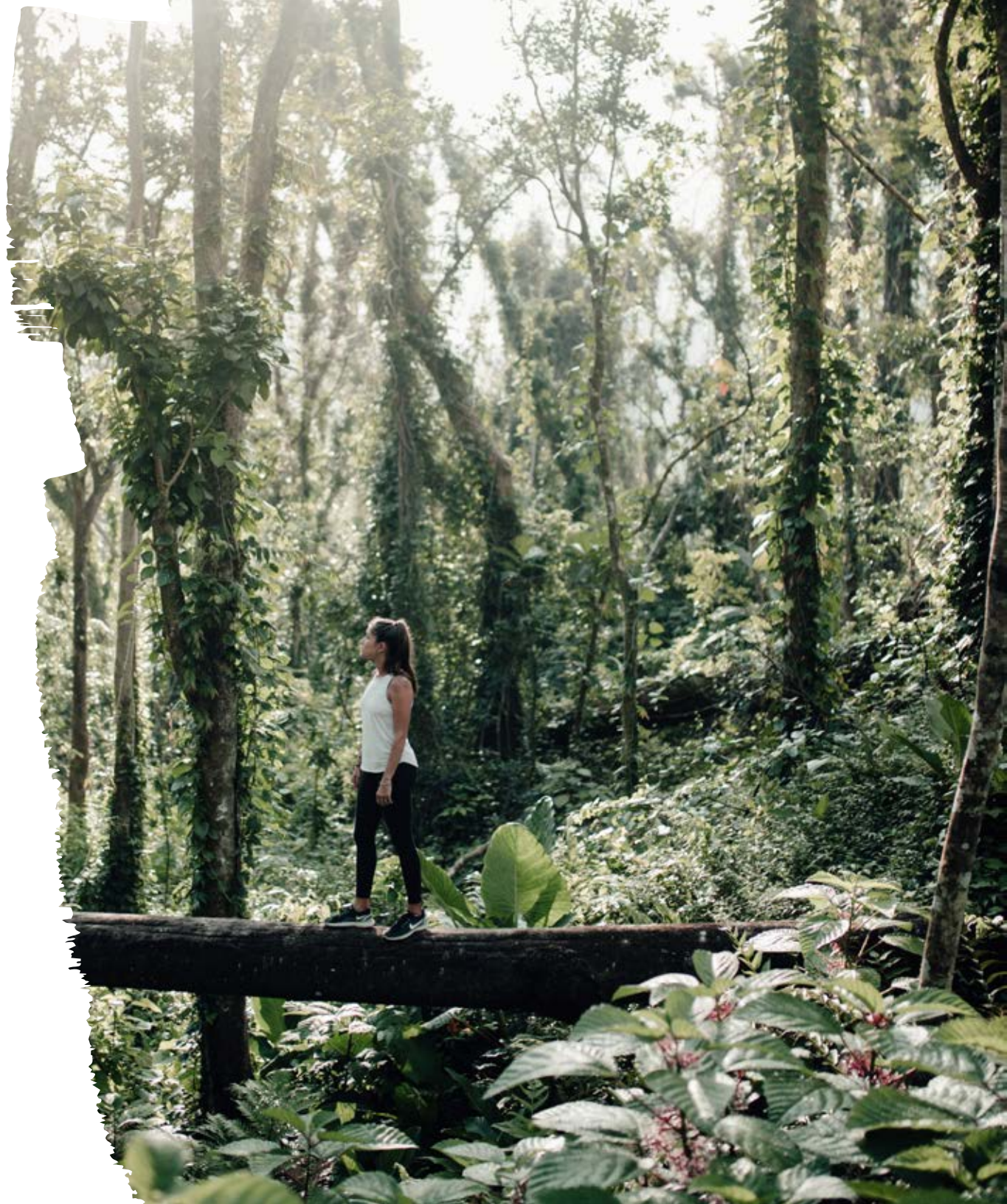
Source: Puerto Rico Ports Authority, Aerostar/ASUR, PRTC, JLL

About the Puerto Rico tourism company

The Puerto Rico Tourism Company (PRTC), founded in 1970, is a public corporation responsible for stimulating, promoting and regulating the development of Puerto Rico's tourism industry.

The PRTC is the Destination Management Organization, and government entity, with the sole mission to Elevate the Tourism Competitiveness. The four key areas of the PRTC are the Planning, Development, Administration and Measurement of the travel and tourism sector in the destination.

A key functionality of the organization is to provide assistance to investors and foster capital investment for the hospitality and experience product offering. Establishing governance structures, defining public policy, and instilling legislation and regulations are some of the duties the organization is responsible for that supports the planning and development of tourism in Puerto Rico.





About JLL's Hotels & Hospitality Group

JLL's Hotels & Hospitality Group has completed more transactions than any other hotels and hospitality real estate advisor over the last five years, totalling more than \$71 billion worldwide. Between negotiating the world's most extraordinary, enticing, and profitable property deals, the group's 350-strong global team in over 20 countries also closed more than 5,300 advisory, valuation and asset management assignments. Investors worldwide turn to JLL to shape their strategies, tailor their portfolios and maximize the value of their assets. We are recognized as the global leader in real estate services across hospitality properties of all shapes and sizes. Our expert advice is backed by industry-leading research. We apply our broad spectrum of hotel valuation, brokerage, asset management and consultancy services through every phase of the hotel lifecycle. We have helped more hotel investors, owners and operators achieve high returns on their assets than any other real estate advisor in the world. Whether you are looking for a hotel or you're ready to sell, we'll use our capital markets expertise, hospitality industry knowledge and global relationships to put the right parties together and execute a bespoke deal that exceeds your objectives.

To find out more, talk to JLL.

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Contributors

Clay B. Dickinson

Managing Director
Latin America & the Caribbean
clay.dickinson@am.jll.com

Wendy Chan

Senior Vice President
wendy.chan@am.jll.com

Ben Appelbaum

Vice President
ben.appelbaum@am.jll.com

Margaux Mielcarek

Associate
margaux.mielcarek@am.jll.com

Andy Carlson

Senior Vice President - Retail
andy.carlson@am.jll.com



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