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Cuba: Approaching monumental opportunity

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Cuba. It is now six years since I first started to take a personal interest in the country and when I began to travel there. I wanted to explore the traditional destinations and attractions and meet the important decision makers at the Ministry of Tourism. I've also had the opportunities to meet the premier players in hospitality in Cuba and the Cuban hotel companies. For the largest island in the Antilles, the one-time "Queen of the Caribbean," changes are becoming significant and, in terms of the travel industry, they are even greater than expected.

It is true that the announcement made by United States President Obama and Cuba's president Raul Castro on December 17 about the decision to re-establish diplomatic relations between both countries and embark on a process of bilateral normalization has had a major impact on the two countries as well as on the whole world; However, few people believed things could speed up quickly as they have.

The recent Seventh Summit of the Americas, where Cuba participated for the first time, has been one of the most important events in international politics in the last few years. The personal encounter between the U.S. and Cuban presidents and their ensuing statements have shown that this meeting marked a historic milestone that seemingly paves the way for a new course of action. Although huge obstacles are still in the way, the parties are not willing to retrace their steps.

Interest in Cuba is plentiful however the United States Congress does not show a unified front to ensure that President Obama's decision will be materialized as he envisioned. However, he has announced the removal of Cuba from the list of nations that sponsor terrorism - a mere three days since he met with Raul Castro in Panama City.

It is time now for both countries to move forward in resuming diplomatic relations, as announced this past December. The reopening of both their embassies, bank access by both countries, the discussion of other important issues, and, of course, the lifting of the U.S. embargo of Cuba which started nearly 55 years ago (October 1960) - are all significant steps in a positive direction.

Some Interesting Hospitality and Tourism Facts to Note:

As an example of what may happen to the travel industry, let's consider the first quarter of 2015, when no less than one million tourists visited Cuba - already a 14% growth vis-À-vis the same period last year.

A country that reached a record number of tourist arrivals in 2014 (3,016,655 visitors) -a 5.3% increase compared to the previous year, is on the verge of experiencing a boom no one dares to size up. Growth will likely be explosive. Cuba is the largest island in the Caribbean. It has a rich historic heritage that the Castro regime has actually taken an interest to preserve and enhance. Cuba has numerous and abundant natural resources which (in addition to its focus on conservation and protection of unspoiled regions) provide the country with a strength that will surely generate positive word of mouth and buzz. The island also boasts high-quality human resources that are hard

to find in similar quantities throughout the region, and Cuban people are known for their hospitality and cheerfulness. The country's cultural and architectural heritage is priceless, and it has been kept and increased regardless of the hardships it has undergone. Cuba's crime rate and drug consumption are nil, and its care for the environment is emulates that of Northern European countries.

Also worth mentioning - the island (enjoying a very pleasant temperate and tropical climate year-round) is surrounded by a warm, crystal-clear ocean. All this sets up a monumental opportunity for tourists who have not yet traveled and experienced Cuba.

The Hotel Business

Cuba's hotel business is essentially concentrated in three Cuban companies that in one way or another are connected to international players - Grupo Gaviota, Gran Caribe, and Cubanacan. Additionally, there is the Habaguanex hotel chain, mostly located in the historic area of La Habana, La Habana Vieja, and Isla Azul. Furthermore, the non-hotel projects Palmares group has recently created Cubagolf. This group is focused on large-scale mixed-use projects, including resorts, second homes, and golf courses.

The Rules of the Game

for Hotel Development

Cuba has recently restructured its policy for foreign investment and development, which has a direct impact on participation in the island's hotel business. The former investment law (Law 77 of 1995) has been replaced by the new Law 118 of March 2014, which is better adapted to today's times and facilitates, as well as for relations with foreign companies and investors by establishing various forms of foreign investment ventures: A - Mixed enterprises, B - International economic association contracts (including hotel management contracts), and C - Wholly foreign-owned enterprises. Option B, under which management contracts are allowed, is quite a novelty that sets a new course for the island's hotel business.

Foreign Investment in Tourism

as of December 31, 2014

As of December 31, 2014, 26 enterprises were established, of which 12 have already made investments, with 14 hotels in operation featuring 5,649 rooms. Additionally, 68 management contracts were approved with 18 international chains, totaling 35,461 rooms. Effectively, this means that 58.6% of all rooms are with international chains and 86.9% of the 4 and 5 star rooms are under international brands. Thus chains manage almost all the 4 and 5 star properties. The 68 management contracts have been signed with the three major Cuban hotel chains - Gaviota (30 hotels), Gran Caribe (21), and Cubanacan (17).

Investment Opportunities

The Cuban government has thoroughly analyzed investment opportunities throughout the country. These opportunities are primarily focused on new developments in existing tourist destinations, on new destinations to be developed, and on the improvement of existing properties. It is highly probable that more information on business opportunities will be provided during the forthcoming International Tourism Fair to be held in Cuba this May, which is logical in a country where everything is yet to happen in terms of tourism development. Just think that even if the year were to end with 3.5 to 3.7 million arrivals, a figure that will certainly point to significant growth, it will be nothing compared to the 10, 12 or 15 million to be expected in the next few years.

The Arrival of Major

International Hotel Groups

Groups like Meliá, Barceló, Iberostar, NH, Accor, and Pestana, among others, already have a share in Cuba's hospitality arena. At the same time, other groups like Kempinsky are planning new developments. Something that has not gone unnoticed among the major groups is Airbnb announcing the launching of its operations on the island. It goes without saying that the lodging platform will have thousands of rental properties across the island. As a consequence, the arrival of other major groups of this kind is expected. Cuba's hotel and tourism sector deserves that the major players -those present and those to arrive- find their place in the countless opportunities offered by the island. Millions of travelers from around the world are hoping that this happens sooner rather than later.

To be Continued...

Following this issue and through different channels, SAHIC will be providing more information on how to capitalize on this extraordinary development process to be experienced by Cuba's hotel and tourism industry.

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