



Tourism Investment in Hotel Accommodation

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For a sustained growth in the tourism sector, an adequate level of investment into the sector is an imperative. Attraction of investment funds depends, among other factors, on the rate of return earned, investment incentives, and facilitating investment funds.

This report presents a review of investment in the Curaçao tourism sector in which the focus is primarily on accommodations. The investments incentives will also be highlighted.

Introduction

From 2006 and beyond a prospect of about 3,000 hotel rooms will be build, which means it will just about double the amount of rooms that are already on the island. These investments have already produced significant growth and many positive indicators arising out of these initiatives over the current and impending years.

Hotel room development and occupancy

As of 2004, Curaçao has a total of 3,557 hotel rooms of which 3,049 rooms pertain to the larger hotels, the smaller hotels have 107 rooms, apartments 380 rooms, and guesthouses have a total of 21 rooms (figure 1). These rooms are registered rooms that are available and can be occupied by tourists.

The hotel average occupancies figures for 2002-2005 show a positive trend since 2002 with 57.39 percent, 2003 with 62.25 percent, 2004 with 69.30 percent and 2005 with 75.05 percent (see figure 2). It is expected that this positive trend is continued during 2006. The visitors are spending more nights in Curaçao; the average amount of nights they spend is about 8 to 9 nights.

Role in the economy

Tourism currently plays an increasing role in the economy of the Netherlands Antilles. The average value added share for the HORECA (hotel, restaurant & café) industry in Curaçao is equal to more than 2 percent of the Gross Domestic Product. The United Nations World

Figure 1. Hotel Rooms by Type of Accommodation, Curacao

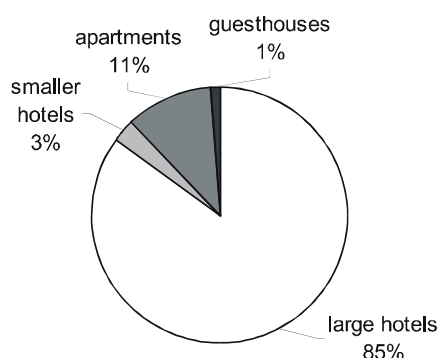
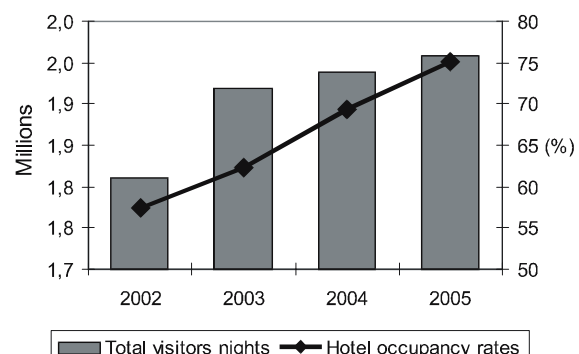
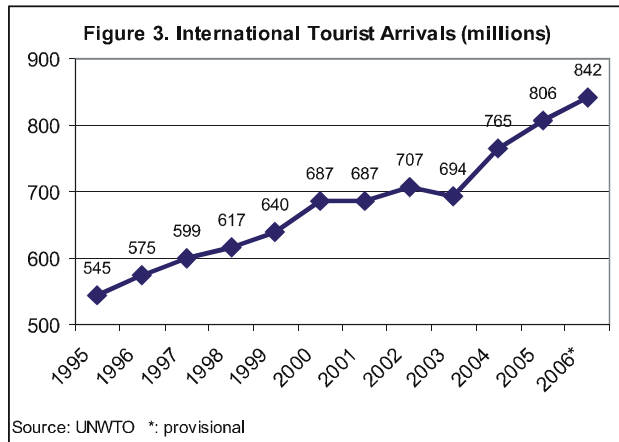


Figure2. Stay over nights and occupancy rates



Tourism Organization (UNWTO) has estimated in 2006 an above average growth in international tourist arrivals of around 4.5 percent (see figure 3) around the world. Increases in tourist arrivals can attribute to more jobs directly and indirectly



Period	Total visitors nights	Hotel occupancy rates
2002	1,810,661	57.4
2003	1,918,304	62.3
2004	1,938,580	69.3
2005	1,959,330	75.1

Source: Curaçao Tourism Board (CTB)

Hotel	Estimated Investment	Number of rooms
1 Knip Beach Resort	33	192
2 Four Points Hotel	30	200
3 Piscadera Resort	11	120
4 Marichi Hotel	10	92
5 Hill Side Beach Resort	38	208
6 Westin Curaçao Resort	180	350
7 Bahia Bucanero	-	147
8 Pen Resort	26	246
9 Hyatt Regency	200	350
Total	527	1,905

Source: CTB
All data are estimates and subjected to change

Hotel	Estimated investment amount (mill. NAF.)	Number of rooms
1 Marazul Quality Suites	7	20
2 Blue Bay Village	13	156
3 Rif Fort Renaissance Resort	130	240
4 Toucan Beach Resort	18	88
5 La Palapa Beach resort	27	180
6 Blue Lagoon Ocean Resort	2.5	40
7 Clarion Hotel & Suites	9	150
Total	206.5	874

Source: CTB
All data are estimates and subject to change

to the industry. Tourist travel to Curaçao has increased with Naf 427.7 million in 2005 from Naf 397.9 million in 2004. Tourism is also one of the growing earners of foreign exchange in the

Netherlands Antilles. The prospective growth of the tourism industry can contribute significantly to national income and its foreign exchange earnings.

Investments

The investments that are considered in this segment are related to hotel investments. The greater part of these investment projects are planned to take place in 2006 and beyond. Next to these investment projects there are other projects that have been scheduled to be completed in 2006 from previous investments made in prior years. The investments in these projects are divided in three categories:

I. Investment projects that are in development

These are projects that are in the primary stage of development; most of these projects have a memorandum of understanding stating among others that the government is willing to cooperate in working towards realization of this project. Others are privately funded projects. In the preparation phase (see table 2) there are nine projects pending with a projected investment value of 527 million guilders and a total of 1,905 rooms.

II. Investment projects that are in construction

These are projects that are in that stage where they are ready to start or are building the infrastructure, edifice and components of the hotel. In table 3 a total of seven projects that are in construction can be viewed, of which the investment value is approximately 206 million guilders with a total of 874 rooms.

III. Investment projects that are expanding

These are existing projects which are already in operation and are at the stage of expanding their current amount of room accommodations. A total of 443 rooms (see table 4) are expected to be built to accommodate the growing tourist ingress to Curaçao. The investment value of this operation is estimated to be around 80.7 million guilders.

Overall hotel investments

In summary (see table 5) over a total of 814 million guilders will be invested in 2006 and the upcoming years. This means that there will be

more employment opportunities on the employment market. And these investments will automatically trickle down to other business industries, like for example the construction industry.

Incentives

The primary aim of incentives is to significantly contribute to the growth, development and competitiveness of specific industry sectors by providing industrial investment allowances, in the form of tax relief, to qualifying industrial projects. In Curaçao several incentives are given of which a brief description follows:

Ground rent incentive

For the parcels that are zoned for hotel development, favorable terms can be applied in granting long lease rights on these parcels. These terms are subject to endorsement by the Island Council of the territory of Curaçao and are evaluated on a case-by-case basis.

Building permit incentive

It is possible for the investor to apply for an incentive on the building permit levies in dealing with tourism projects. Normally a tourism project is subjected to levies when acquiring the building permit. This amounts to a percentage of the estimated building value.

Tax Holiday

Special tax facilities are available for newly incorporated companies for the operation of hotels and or other establishments providing accommodation and recreation aiming to promote visit of tourists.

The aim of these incentives is to attract and maintain investments. A great part of these hotel investments also receive, upon negotiations with the government, an agreement regarding safeguarding their investment funds.

Conclusion

Economic conditions are changing which also requires a change in methods to generate investor interest. An aggressive investment promotion program will realize an increase in annual economic growth inside the tourism sector. Table 5 shows that a large amount of capital is estimated to be invested in developing

Table 4: Investments in expansion

Hotel	Estimated Investment amount in mill NAF.	Number of rooms
1 Kura Hulanda Lodges	18.0	80
2 Bahia Inn	3.5	53
3 La Vista Resort	5.2	100
4 Bon Bini Resort	4.0	55
5 Curaçao Marriott Beach Resort	30.0	87
6 Avila Beach Hotel	20.0	68
Total	80.7	443

Source: CTB
All data are estimates and subject to change

Table 5. Hotel investments

Hotel	Estimated Investment amount in mill NAF.	Number of rooms
In development	527.0	1,905
In construction	206.5	874
Expansion	80.7	443
Overall Total	814.2	3,222

Source: CTB
All data are estimates and subject to change

more rooms; this ultimately will lead to an increase in economic activities. The key players are the investors and the tourists who will occupy these future accommodations.