

Mexico hoteliers bullish about future

18 February 2013
By Jeff Higley
Editorial Director
jeff@hotelnewsnow.com



José Carlos Azcárraga (center), CEO of Grupo Posadas makes a point during a general session at the Mexico Hotel & Tourism Investment Conference as Luis Barrios (right) of Hoteles City Express and moderator Richard Katzman of HVS-Mexico listen.

Editor's note: Most of the references in this story are taken from a simultaneous translation service that was provided during the conference.

MEXICO CITY—Hotel industry executives in Mexico are optimistic that the recent surge of interest in the sector will continue into the foreseeable future.

Speaking during various sessions held at the recent Mexico Hotel & Tourism Investment Conference at the Hyatt Regency Mexico City, panelists didn't shy away from the prevailing sense of confidence that permeates the country's hotel segment.

Sergio Pérez, senior VP of corporate accounts at CBRE Mexico, said during a session about business-travel demand that the macroeconomic indicators point to a continued renaissance for hotels.

"Mexico started into the last global crisis in a soft manner and left it quickly. Growth the last year has been good," he said. "We're super optimistic because of what has happened in the last two years."

"We're very optimistic—Mexico has a lot of offer," said Alejandra Arellano, director of sales and corporate accounts for InterContinental Hotels Mexico, during a session about group and conference travel. "Demand is high. In Mexico, economically we're going to grow. Yes, it's going to grow. We have to push."

José Carlos Azcárraga, CEO of Mexican hotel operator Grupo Posadas, said he expects the country to continue to experience a growth in domestic travelers.

"I do not have any doubt (the middle class) will keep on growing in the next few years," he said. "It's the tip of the iceberg. We're starting another cycle. We will grow more and have greater profit."

Posadas operates 102 hotels comprising more than 18,000 rooms in Mexico. It owns six brands: Live Aqua, Fiesta Americana, Fiesta Americana, Fiesta Inn, One Hotels and The Exploean.

Luis Barrios, president and director general for Hoteles City Express, said Mexico has performed better than Brazil, Russia, India and China, but the BRIC countries get more publicity.

"The stars have been aligned for several years" for Mexico, he said.

Barrios said his company's goal is to develop hotels and focus on the economy segment. It has more than 60 properties comprising more than 9,500 rooms open. The company has opened a hotel every six weeks for the past 10 and a half years. Hoteles City Express will add about 1,000 rooms to its system during 2013, and it has several hotels under construction in Columbia.

"The success has been to focus on this segment and place the identification and need of the consumer on this level," Barrios said.

A check on the trends

Data in an [STR presentation \(free registration/sign-in required\)](#) revealed a solid 2012 performance for the 3,300 hotels in Mexico:

- Occupancy was up 3.2% to 58.4%;
- Average daily rate increased 6.5% to 1,327.37 pesos (\$104.66);
- Revenue per available room jumped 10% to 801.55 pesos (\$63.20); and
- Room revenue checked in at 98.4 billion pesos (\$7.8 billion).

Arellano said the corporate and congress travel sectors achieved the most growth during 2012.

"We are trying to grow association business," Arellano said. "In Mexico, it's a little bit slow. We've tried to look for other kind of government groups, but we have not achieved so much growth in this area."

Alejandro Ramírez, director general for BTC Business Travel Consulting, said the meetings market has grown in Mexico and has created issues that can only be solved by more hotel development.

"It is difficult to find empty convention centers for events," Ramírez said, adding that in many instances groups have to be separated because hotels aren't large enough to host, feed and perform other functions required.

Camilo Bolaños Dutriz, VP of real estate and development Latin America at Hyatt Hotels Corporation, said determining the correct business mix is fundamental in finding the best use of a hotel's meeting areas.

"In the next few years this will be remedied to a degree," he said, adding that finding the right balance between meetings being a profit center and a roomnight generator is essential.

"We always want to make them a profit center," he said.

Arellano said resorts are attracting more big pharmaceutical companies because the recreational activities and amenities are in place for delegates. Ramírez added that there is a risk banking on that business because such companies have implemented spending limits that could curtail opportunities for hotels.

Technological revolution

Many speakers agreed that upgrading and maintaining technology in hotels is among the largest issues faced by hotel owners in Mexico.

"The market is changing," Ramírez said. "The fact that technology must be immersed at the hotel is a must."

Oscar Chávez, director of development and acquisitions in Mexico and Central America for Starwood Hotels & Resorts, said rapidly changing technology puts pressure on owners to maintain their products.

"The public is more demanding in what they receive," he said, citing younger travelers as a catalyst to the technological revolution at hotels.

An all-inclusive conversation

Several speakers on a hotel opportunities panel said all-inclusive properties are where a lot of the action is taking place.

"You're going to see changes to all inclusive," said George Massa, VP and managing director development in Mexico for Hilton Worldwide. "We want to have a profitable industry. There has been some movement to all inclusive (to accomplish that).

"The all-inclusive thing is here to stay. That's the reality," he added. "This forces us to be more efficient and to offer the best products at a good fee and price."

Michel Montant, director of corporate sales at Grupo Posadas, said all-inclusive hotels will continue to be main destinations for tourists because of the value proposition they bring to the table.

"Mexico growth, we see it mainly in the all inclusive," Montant said.

He said the operation of an all-inclusive hotel is more predictable, which in some ways makes it easier to manage.

"It's like a manufacturing plant," Montant said. "You (can) plan your operations."

Montant said that sooner or later, Mexican people will better understand the all-inclusive concept, and when that happens, business will increase even more.

Some challenges ahead

All of this doesn't mean there aren't challenges ahead.

Eduardo Güémez, managing director of LaSalle Investment Management Mexico, said there are things that need to be watched.

"Clearly, the USA economy is a red flag," he said. "We still depend on them to grow. The USA economy is an important thing, and we're concerned about it."

Barrios said the Mexican government must continue to carry out reforms for the hotel surge to continue.

"If we have long-term, efficient changes, the sector will benefit," he said, adding the policies must be made with the entire country in mind rather than specifically for tourist areas.

"You live in a country that knows it has high potential that you're not taking advantage of," Barrios said. "We need to understand we're in a cyclical industry and there are going to be ups and downs."



Camilo Bolaños Dutriz (right) of Hyatt Hotels Corporation and Alejandro Ramírez of BTC Business Travel Consulting share ideas during a Mexico Hotel & Tourism Investment Conference session about group and conference travel.