

Tourism in South America is here to stay - By Arturo García Rosa

2008-01-23

The hotel industry keeps pace with the growth of the economy at a global level, and for Latin American countries opportunities for development are many

The tourist boom has provoked a rise in hotel investments in the region. Heading this is Argentina where hotels have recovered their rates and high occupancy and became more of a business after the devaluation, generating a multitude of new projects, some of them traditional and others that add something new.

From large projects to small undertakings, all seek to attract a share of the growing demand. Large domestic and foreign investors are betting on important chains to give a name to their projects and there is a possibility of new arrivals such as "W", St Regis and Jumeirah. The market is also diversifying with new models such as "condo hotels" and "mixed-use projects," while the lack of building space is pushing old neighborhoods to reinvent themselves in order to keep pace with the growth. The provinces are developing and creating new clusters.

CURRENT SITUATION OF HOTEL DEVELOPMENTS IN ARGENTINA

There is no doubt that Argentina is leading the business in South America. Buenos Aires is a prime example as no other city in the region has its level of occupancy (almost 80%) and its rates (between US\$ 300 and US\$ 350 for luxury hotels).

The tourism business became attractive in value when it became competitive price-wise as a result of the devaluation. It was then that the opportunity was taken advantage of to advertise its tourism market abroad at highly competitive prices.

However, today things have changed: there are segments that seek quality and quality is what protects destinations and services from the changing fortunes of economic cycles. Today Argentina is a lot more expensive in dollar terms than in 2002, but it continues to be cheaper compared to other destinations, such as Europe for example. Besides, it has shown another strength beyond its prices, such as its variety of sceneries, its cultural offer, its people, which clearly distinguish Buenos Aires from the rest of South America.

Since Argentina emerged from the crisis, groups of Americans and Europeans began to explore the domestic market, interested mainly in building hotels in Buenos Aires and Patagonia, highlighting Argentina's potential.

As long as their guarantees are covered and that problems such as air transport begin to be solved, investments, undoubtedly will multiply throughout the country.

Pushed by investors and developers, the mixed-use projects are starting to set a trend in the country. The goal, above all else, is to amortize the cost of the plots of land that are on the rise continually. This is how the residential hotel or condo-hotel has arisen in the United States in recent years. When it is a top brand hotel and its branding covers the whole complex, the value of the name causes the housing units to be priced at a higher level than the market pays in the same area. In fact, the residential projects that use this system can increase their value between 10% and 30% depending on the brand and the location.

Usually, this operation enables the business to be structured in such a way that the sale or presale of the apartments, with this additional value provided by the branding, finances the cost of the land and the construction of the whole complex, including the hotel. Thus the hotel is free of debt, its construction financed 100% by the sale of the housing units, without any additional investment. This set up of the project ends up with a luxury hotel plus the administration of the hotel services that the housing units are going to demand and that in turn feed the hotel's business.

Either through its traditional formats or new variations, everything seems to indicate that tourism is here to stay.

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