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## **Special Market Reports**

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## Chile Market Overview

*Almost 4,500,000 international visitors arrived at Chile in 2015, which indicates an important growth of 22% compared to 2014, and a record number of overseas visitors during the last years. Regarding average occupancy rate, during 2015 an occupancy rate of 41% was registered at the national level, according to INE, which represented 1.38 points of growth (pp) in comparison with 2014. In this article, we will examine the most important items related to tourism and hotel sector, including the pipeline of hotel projects.*

### Overview

Chile is located in the southwest end of the American continent; its territory covers a total surface of 756,102 km<sup>2</sup>. It is divided into 15 regions, 54 provinces and 346 communes in total, and its capital city is Santiago.

Its economy is internationally recognized as one of the strongest in the continent. Despite various periods of crisis faced throughout its history, an important and sustained economic growth has been seen in the last few years.

It is a developing country, with high per capita income. Its population (18.2 million of inhabitants) has among the highest literacy, life quality, economic growth, human development, life expectancy and globalization rates and per capita GDP in Latin America.

Chile has become a foreign investment platform for other Latin American countries and several companies have begun to establish their corporate headquarters in Santiago. It also has substantial presence in investments in the services area, in Latin America.

According to the Chile's Foreign Investment Committee:

- Chile is the best assessed emerging economy from Latin America and one of the most recognized worldwide.
- The World Investment Report 2015 issued by UNCTAD, placed Chile as the eleventh global recipient of foreign direct investment during 2014. The country, which totaled USD 23,000 million for IED, ranked second in Latin America, after Brazil and above Mexico.
- Chile has kept an attractive and dynamic business

environment for investors. According to the Business Environment Ranking 2014-2018 from the Economist Intelligence Unit (EIU), Chile ranks 13° among 82 economies from around the world.

- In the Global Competitiveness Index 2014-2015 published by the World Economic Forum, Chile ranked 33° among 144 economies, above the remaining countries of the region.
- In the Corruption Perceptions Index 2014, published by Transparency International, Chile scored 73 points, among the 21 best assessed economies, out of 175 countries analyzed in the study.
- Chile has signed commercial agreements with more than 60 countries, expanding their domestic market from 16.6 million of inhabitants towards another of 4,302 million of potential consumers around the world (which represents 85.7% from global GDP and 63% from worldwide population.)
- In the Technological Preparation Index 2014, published by the World Economic Forum, Chile ranks 35° among 148 countries, heading the ranking of countries from Latin America.
- According to the Investments Bank UBS, Santiago de Chile is one of the 15 cheapest cities in the world for establishing foreign companies. In their report Prices and Wages 2013, Chile's capital city scored 52.8 points and ranked 60° among 72 cities, on a scale where number 1 (Oslo) is the most expensive city and New York is the basis for comparison with 100 points.

### Tourist Activity

According to SERNATUR (Servicio Nacional de Turismo de Chile), during 2015, Chile received 4,478,336 international visitors, generating an approximate income of USD 2,400 million. The average stay of visitors was 8.5 nights, which indicates a decline of 3.5% with respect to 2014.

The main reason for visiting Chile in 2015 was vacations and personal reasons, followed by visitors who arrived for business. In terms of average expenditure, it should be noted that business visitors represented the highest figure (USD 893), while vacation visitors presented a much lower number (USD 561).

**Arrival of international visitors 2006-2015**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
International tourists*	2.274.420	2.534.296	2.710.024	2.759.695	2.800.637	3.137.285	3.554.279	3.576.204	3.674.391	4.478.336
Total expenditure per person (USD)	505,2	578,7	590,4	580,4	565,3	569,0	593,6	596,6	602,4	542,9
Average stay (days)	10,4	10,9	9,8	9,9	8,5	8,5	8,7	8,9	8,8	8,5

\* Excursionists have not been included, only international visitors.

Source: SERNATUR

Most of the tourists that visit Chile come from Argentina and Brazil. The second biggest number stems from Bolivia and Peru, although tourists coming from USA also represent an important percentage.

The arrival of tourists from bordering countries increased by 53% in 2015.

Country	2010	2011	2012	2013	2014	2015	Var. 15/14 (%)
Argentina	1.099.845	1.181.714	1.477.282	1.468.812	1.442.287	2.065.557	0.43
Bolivia	294.568	321.069	355.039	383.834	395.265	419.737	0.06
Peru	313.853	342.347	338.903	332.461	349.778	364.399	0.04
Brazil	240.789	330.766	380.072	365.321	415.217	463.953	0.12
EE.UU.	157.599	177.328	178.852	176.72	185.633	213.919	0.15
México	32.406	36.064	37.424	39.083	41.702	46.886	0.12
Canada	36.972	42.831	42.675	38.671	39.823	43.859	0.1
Colombia	49.03	67.367	80.615	79.523	84.465	102.038	0.21
Rest of America	123.657	146.802	148.212	162.406	163.075	188.349	0.15
Germany	60.351	59.423	64.343	67.163	72.753	74.427	0.02
Spain	61.744	74.322	72.941	82.179	82.806	83.039	0
France	60.683	65.063	63.03	65.058	69.061	71.236	0.03
England	42.914	45.239	44.421	42.208	45.148	46.869	0.04
Rest of Europe	130.394	142.25	148.781	150.178	155.592	157.205	0.01
Australia	30.681	33.158	46.605	50.521	54.839	53.909	-0.02
Asia	28.327	36.414	42.507	41.991	43	51.182	0.19
Rest of the world	36.824	35.129	32.575	30.078	33.949	31.772	-0.06

Source: SERNATUR

**Average expenditure of international tourists**

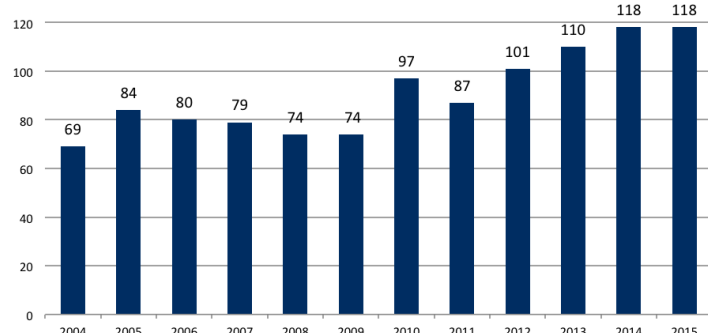
Source: SERNATUR

According to the 2015 Travel and Tourism Competitiveness Index (TTCI), which measures factors that turn a specific country into an attractive location for investments and business development, Chile reached the 51st place worldwide, second in South America (after Brazil) and 8th in America.

On the other hand, according to the 2015 ranking of the ICCA (International Congress and Convention Association) Chile is the seventh most important destination in America in the MICE segment (Meetings Incentives Conventions and Exhibitions) with 118 international events, right after the USA, Canada, Brazil, Mexico, Argentina and Colombia. It is also in the 34th place globally.

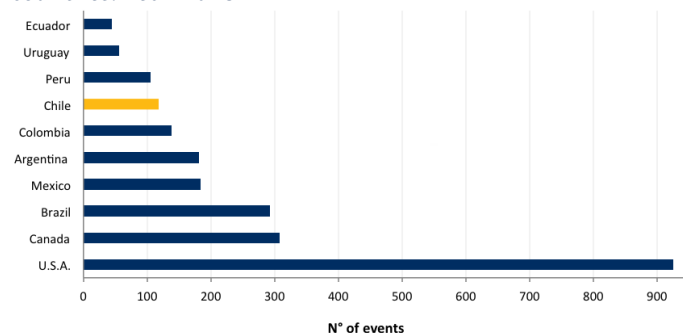
During the last 10 years the number of events held in Chile reported an accumulated increase of 41%.

#### International events in Chile. Period 2004-2015



Source: ICCA – International Congress and Convention Association

#### International events in the Americas - Top 10 host countries. Year 2015



Source: ICCA – International Congress and Convention Association

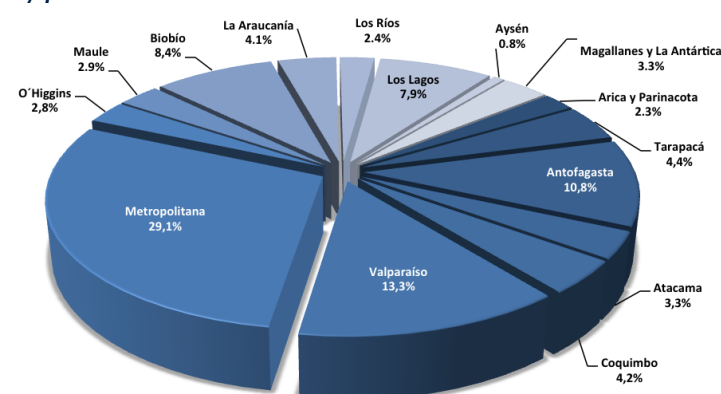
#### Lodging offer

According to the figures provided by the INE (Chile's National Institute of Statistics) during 2015 a total of 863,683 lodging units were offered, of which 62.3% corresponded to the category "hotels" (facilities classified as hotels or apart-hotels) and 37.7% to the category "others" (facilities classified as inns, B&B, residencies, lodges and similar).

The regions that presented the highest number of lodging offerings in 2015 were the metropolitan area (170,611), Valparaíso (134,654) and Los Lagos (85,126).

The total number of rooms offered in 2015 was 2,434,252 of which 47.2% corresponded to the category "hotel" and 52.8% to the category "others". In that case, the regions that represented the highest offer were O'Higgins, Valparaíso and the Metropolitan area with 393.625, 375.447 and 351.453 respectively.

#### Distribution of the Lodging offer (category hotel) in Chile, by province. Year 2015.



Source: INE (Instituto Nacional de Estadística de Chile)

Regarding average occupancy rate, the INE said that during 2015 an occupancy rate of 41% was registered at the national level, which represented 1.38 points of growth (pp) in comparison with 2014. The occupancy rate was of 51% in the case of the "hotel" category, 1.69pp, while the "others" category presented an occupancy rate of 24.4%, with a 0.84pp variation.

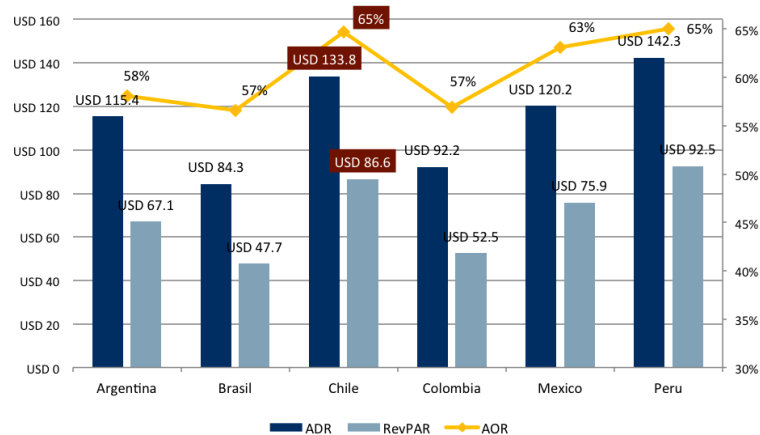
On the other hand, according to STR Global, during the last years the Chilean market has presented an accumulated decrease of 7,8% in terms of AOR with occupation rates between 70% and 65%. More over, ADR

presented an accumulated decrease of 11,2% in USD between 2011 and 2015, which resulted, according to occupation levels, in a relevant accumulated decrease of the RevPAR of 18,5% in USD between 2011 and 2015.

	Country	2011	2012	2013	2014	2015
AOR	Argentina	0.62	0.59	0.59	0.58	0.58
	Brazil	0.69	0.66	0.63	0.61	0.57
	<b>Chile</b>	<b>0.7</b>	<b>0.71</b>	<b>0.68</b>	<b>0.65</b>	<b>0.65</b>
	Colombia	0.59	0.59	0.59	0.57	0.57
	Mexico	0.57	0.58	0.59	0.63	0.63
	Peru	0.66	0.67	0.66	0.67	0.65
ADR (USD)	Argentina	139,4	136,9	129,4	116,0	115,4
	Brazil	141,1	133,3	130,1	127,8	84,3
	<b>Chile</b>	<b>150,7</b>	<b>159,7</b>	<b>152,9</b>	<b>142,7</b>	<b>133,8</b>
	Colombia	138,1	135,2	127,3	118,1	92,2
	Mexico	103,4	106,0	123,4	121,0	120,2
	Peru	130,7	132,0	138,1	143,0	142,3
RevPAR (USD)	Argentina	86,6	80,5	76,0	67,7	67,1
	Brazil	97,2	87,5	82,3	78,3	47,7
	<b>Chile</b>	<b>105,6</b>	<b>113,1</b>	<b>103,3</b>	<b>92,2</b>	<b>86,6</b>
	Colombia	82,1	79,2	75,2	67,1	52,5
	Mexico	58,5	61,5	73,3	76,0	75,9
	Peru	85,8	88,4	91,1	95,5	92,5

Source: STR Global

### Hotel market performance of Chile & other countries from Latin America. Year 2015



Source: STR Global

During 2015, Chile's ADR positioned in the second place, after Peru and above other countries such as Argentina, Brazil and Mexico. At the same time, the AOR reached a position above all analyzed Latin American countries, except for Peru which has the same AOR.

### Hotel development

Brand	Chain	Province	Category	Year of Opening	Rooms
Four Seasons	Four Seasons	Santiago	Luxury	2016	200
Radisson Blu Santiago, La Dehesa	Radisson	Lo Barnechea	Luxury	2016	105
Nhow Santiago de Chile	NH Hotels	La Dehesa	Midscale	2016	140
Atton Concepcion	Accor	Concepción	Midscale	2016	138
Park by Radisson Santiago At Vespucio	Hyatt	Santiago	Midscale	2016	126
Inside by Meliá	Meliá Hotels	Santiago	Midscale	2016	120
Hampton by Hilton Curico	Hilton	Curico	Midscale	2016	90
Ibis Downtown	Accor Hotels	Santiago	Economic	2016	130
Ibis Providencia	Accor Hotels	Santiago	Economic	2016	120
Ibis Budget Downtown	Accor Hotels	Santiago	Budget	2016	169
Ibis Budget Providencia	Accor Hotels	Santiago	Budget	2016	150
Royal Decameron Ritoque	Royal Decameron	Ritoque	Upscale	2017	344
Royal Decameron Atacama	Royal Decameron	Atacama	Upscale	2017	72
Innside Santiago	Hilton	Santiago	Midscale	2017	120
Hampton Inn Santiago	Hilton	Santiago	Midscale	2018	150
Hampton Inn by Hilton Antofagasta	Hilton	Antofagasta	Midscale	2022	144

Source: Horwath HTL LatAm / TOPHOTELPROJECTS

**SOURCES:**

- Invest Chile – Foreign Investment Promotion Agency, [www.investchile.gob.cl](http://www.investchile.gob.cl)
- INE – National Institute of Statistics of Chile, [www.ine.cl](http://www.ine.cl)
- SERNATUR – National Tourism Service of Chile, [www.sernatur.cl](http://www.sernatur.cl)
- ICCA – International Congress and Convention Association, [www.iccaworld.com](http://www.iccaworld.com)
- STR Global, [www.strglobal.com](http://www.strglobal.com)
- TOPHOTELPROJECTS, [www.tophotelprojects.com](http://www.tophotelprojects.com)

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*Sergio Giorgetti is currently a Fieldwork Director at the Argentina's office of Horwath HTL.*

*Sergio has led the fieldwork done in several projects in Argentina, Brazil, Chile, Ecuador, Mexico and Colombia, and has also participated in the development of strategies to define competitive mixed-use projects attractive to the market in terms of product, finance and economic performance. His experience includes the strategic analysis and development of mixed-use projects including diverse business units such as: resorts, hotels, golf courses, sports centers, retail, offices, residences and other tourism facilities; taking into account the complexity and uniqueness of each scenario and evaluating the available funding options for the project.*

*Sergio has participated in several projects throughout the region such as Feasibility Studies for the development of "limited services", 4\* and 5\* hotels in Buenos Aires (Argentina), Santiago (Chile), Sao Paulo (Brazil), amongst other cities, and Conceptualizations Studies for the development of mixed-use projects in Rio Negro (Argentina), Buenos Aires (Argentina), Guayaquil (Ecuador), Cancún (Mexico), amongst other cities. Additionally, he has also participated in the design of the Tourism Development Plan for the Province of Jujuy, Argentina, Thermal Tourism Product Club in Chile, and the Study for Hotel and Tourism Investment in Colombia.*

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