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## Special Market Reports

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## Dominican Republic Tourism Industry Trend Report 2016

*After modest industry growth in the years following the Worldwide Financial Crisis, in recent years visitor arrival numbers in the Dominican Republic increased significantly, reaching a growth of nearly 10% for two consecutive years, thus solidifying its position as the most visited destination in the Caribbean. With a GDP growth of around 7% in both 2014 and 2015, the country ranks among the fastest growing economies in Latin America. In 2015, tourism was the biggest FDI recipient of all economic sectors.*

### Overview

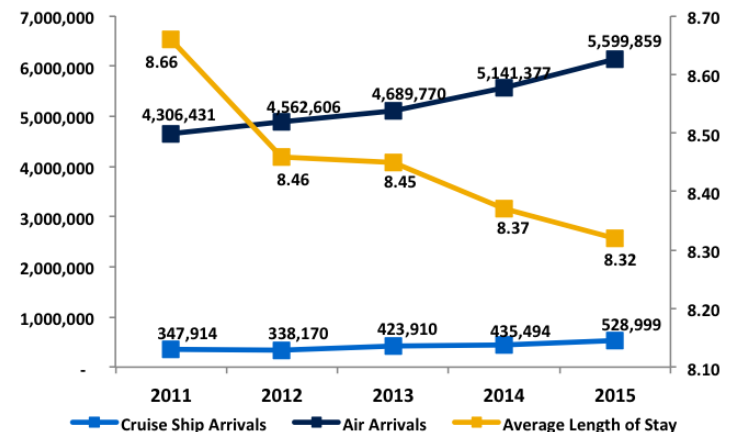
The Dominican Republic occupies the eastern two thirds of the Island Hispaniola in the Greater Antilles archipelago in the Caribbean region, sharing the island with the Republic of Haiti on the western part. It is the second largest Caribbean island after Cuba. The official language is Spanish, while English is also widely spoken.

The country is the biggest economy and top tourism destination in the Caribbean. After the solid GDP increases of the last two years, Q1 of 2016 kept the same pace of economic growth. Besides the appealing Caribbean sun and beaches, the Dominican Republic has one of the most diverse tourism sectors in the Caribbean and Central America, benefiting from lush vegetation, several national parks, and numerous historical sites.

### Visitor Arrivals in 2015

In 2015, The Dominican Republic recorded an unprecedented number of 5.6 million international air arrivals, thus matching the strong increase in visitor arrivals of 2014, accounting for around 20% of the 28.7 million Caribbean’s total tourist arrivals.

Visitor Arrivals, Average Length of Stay, Dominican Republic 2011-2015



Source: ASONAHORES, Central Bank of the Dominican Republic

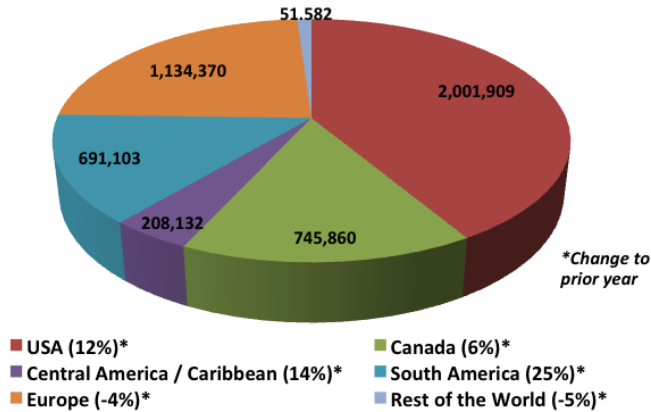
As can be seen in the majority of established tourism markets, the trend in the Dominican Republic goes toward shorter, often spontaneous stays. Beside traditional, well known leisure attractions of the country, visitors are increasingly seeking new activities and encounters. The diverse geography of the Dominican Republic corresponds to the changing preferences and expectations of modern travelers including a rising demand of ecotourism. The potential for further growth of these forms of tourism appears to be striking as the country features 16 national parks, 67 protected areas, with a variety of landscapes ranging from its famous white beaches to mangroves and high mountains. By fostering activities like wild water sports, mountain challenges and underwater adventures, the Ministry of Tourism is focusing on further expanding adventure travel, with the goal of making the country well known for the varied vegetation and the possibility of countless adventurous excursions.

Contrary to main Caribbean cruise destinations like The Bahamas, Cayman Islands, St. Maarten or US Virgin Islands, air arrivals in the Dominican Republic are outnumbering cruise passenger arrivals. However, in recent years, the Dominican Republic has also seen a steep rise in cruise passengers. From 2014 to 2015, arrivals increased 21%, in large due to the debut of Carnival’s Amber Cove in Puerto Plata. According to the Caribbean Journal, the cruise market is also expanding to Cap Cana, having signed with numerous providers. These developments are expected to lead to additional growth of the cruise sector and increase passenger arrivals in the years to come.

### Arrivals by Major Market

In 2015, arrivals from the United States, the Dominican Republic’s most important outbound tourism market, exceeded the 2 million mark for the first time by increasing another 12% in comparison to 2014. Arrivals from Canada - the second biggest market – increased 6%, totaling 745,860 visitors.

Tourist Arrivals by Major Market 2015



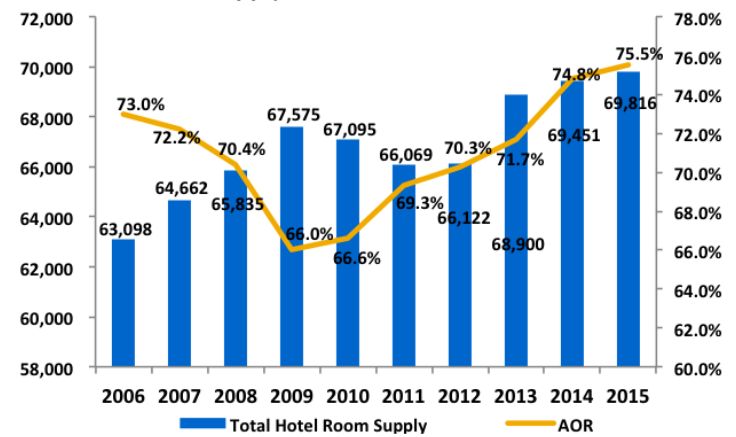
Source: Caribbean Tourism Organization (CTO)

South America as emerging outbound market recorded strong arrival increases of over 25% in 2015. Among South American countries, notable increases could be recorded from Argentina (19% increase compared to the prior year and a total of 133,888 visitors in 2015), Brazil (23% increase, totaling 140,348 arrivals in 2015), Chile (87,766, equivalent to a 7% increase), and Columbia (78,735 arrivals in 2015, 25% increase compared to 2014). Europe as the second biggest outbound market recorded a decrease of 4% in 2015, largely due to a sharp decrease of Russian visitors. Among the major European markets, Germany accounted for the highest figures with 247,613, equivalent to a 7% increase in comparison to 2014. The arrival numbers of other important European outbound markets were as follows: France: 227,483 (-1%), Spain: 172,245 (+14%), England: 142,083 (+12%), and Italy: 86,680 (+6%).

### Hotel Supply and AOR

Due to the strong industry results and attractive legal tourism investment incentives, hotel supply in the Dominican Republic has steadily increased over the past years. The country currently comprises a total of 69,816 hotel rooms, which is an increase of 14% in comparison to ten years ago.

Total Hotel Room Supply, AOR 2006-2015



Source: Central Bank of the Dominican Republic

In addition to the rising hotel supply, the Average Hotel Occupancy Rate (AOR) has also seen steady increases over the last years. In 2015 an AOR of 75.5% was recorded. The average occupancy rate between January and May 2016 was 81.2%, a slight increase of 0.3% when compared to the same period in 2015.

Especially in major tourism hubs like Punta Cana or La Romana, high occupation rates could continuously be recorded over the last couple of years. The country’s capital Santo Domingo, home of the historical UNESCO World Heritage Zona Colonial site which is currently under renovation, and various other cultural offers and activities, is expected to experience further increasing room occupancy in coming years.

The traditional all inclusive hotel segment of the Dominican Republic, comprising many internationally recognized brands, have been progressively changing to a more upgraded tourism product. The development of mixed-use projects has led to the emergence of an increased number of tourism products in the country, including golf, spa, luxury-real estate, and vacation communities and resorts. Additionally, changing customer preferences have led to significant quality improvements in both the facilities` amenities and provided services.

The current hotel pipeline comprises 8 five star properties and 5 upper upscale projects. Governmental and industry stakeholder’s efforts to focus specifically on the luxury market segment are clearly visible. Hotels scheduled to open in 2016 include a hotel property in Santo Domingo, a resort property in Bayahibe, along with three resorts in the country’s biggest tourism hotspot, Punta Cana.

## Visitor Expenditures and FDI

Over the last years, the tourism sector has been successful in increasing total revenues amounting to US\$ 6,153.1 million in 2015, a growth of 9.2% in comparison to 2014 and 40% increase over a five year period. Average daily expenditures per visitor in 2015 were US\$ 129.56. Cruise passengers spent on average US\$ 82.08 per day, this is an increase of 1.5% in comparison to 2014. These numbers are below the high figures of many other Caribbean island destinations, industry stakeholders are hoping to achieve higher visitor expenditures, ADR and RevPAR through the initiated shift from the midscale and upscale market towards the luxury hotel and real estate segment.

The great importance of tourism to the country is highlighted by the fact that the tourism sector was the biggest recipient of FDI among all sectors in 2015, reaching US\$ 2,293.4 million, an increase of 3.8% in comparison to 2014. Another FDI increase in tourism of more than 7% is forecasted for 2016. According to the World Travel and Tourism Council, the total contribution of Travel & Tourism to GDP was DOP500.8bn (16.3% of GDP) in 2015, and is forecast to rise by 5.9% in 2016.

Since the inception of the tourism industry in the Dominican Republic, tax incentives for tourism development have become well established tools for inciting further growth of the sector and related sectors like construction, agriculture, transportation, telecommunication and banking, taking advantage of the multiplier effect of the industry. Law 195-13 as one of the most recent tourism incentive laws was enacted as an amendment to Law 158-01, granting tax exemption for the first 15 years of hotel operations. The high importance of tourism and the political stability makes the country an attractive destination for foreign investment in tourism development.

## Outlook

In 2015, the biggest arrival increases were recorded from the emerging visitor markets Central America/Caribbean and South America, all major South American outbound markets recorded double digit growth. Accordingly, in recent years, tourism operators have been successful in diversifying the main market sources and spreading risks resulting from exposure to economic ups and downs in the biggest foreign visitor markets North America and Europe.

Availability of direct flights and airway traffic remain utmost important for the tourism industry of the whole Caribbean island region. With 3.2 million passenger arrivals in 2015, the International Airport of Punta Cana accounted for 65% of the country's total air passenger arrivals. The second biggest volume in arrival numbers in 2015 was recorded by the International Airport of Las Americas in the capital Santo Domingo with 908,984, an increase of 10% when compared to 2014. The government and industry stakeholders are aware of the importance of flight capacities. With 8 international airports and recent modernization of the International Airport of Punta Cana, the Dominican Republic is adapting to rising visitor influxes, offering one of the most complete airport infrastructures in the Caribbean.

Besides strong hotel performance growth including constantly high room AOR, figures like ADR and RevPAR are significantly lower than in several neighboring, smaller Caribbean islands - this is also due to the fact that the Dominican Republic disposes of a wider range of chain scales than many other Caribbean destinations. Relatively low operating costs are another plus; inconsistent electricity supply remains one downside.

We don't expect negative impacts from the anticipated opening of Cuba to US visitors, i. e. luring US travelers to spend their holidays in Cuba instead of other Caribbean destinations. We do rather expect that the opening of Cuba - along with the increased international attention throughout the last years - will lead to additional induced tourism demand.

Recent trends and phenomenon like Airbnb also find their way to the Dominican Republic, however a decrease of hotel occupancy related to this modern, alternative way of finding lodging and vacation homes cannot be confirmed so far and is not expected in the near future either.

Due to the positive momentum, continuing sector prioritization by the government and a legislation facilitating foreign investment in tourism development projects, the perspectives regarding further sector growth and overall industry outlook remain positive, considering the rich abundance of natural assets and that major sectors like service, construction, financial, and manufacture are also expanding at a healthy pace. The investment climate has improved and there is still considerable undeveloped land, especially on coastal lines. After considerable

investment and improvement of infrastructure among the country's main routes and popular places, it will be important to realize the same improvements in several widely internationally unknown areas and provinces which the government is currently promoting for further harnessing untapped tourism development potential.

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- World Tourism Organization (UNWTO) - <http://www2.unwto.org/en>

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