

# The Big Interview: Richard Katzman and Fernanda L'Hopital, HVS

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The following interview of **Richard Katzman** and **Fernanda L'Hopital**, HVS, was conducted by Clare Nicholls of TOPHOTELNEWS. It was originally published in **TOPHOTELNEWS** on October 4, 2022.

## Where in South America do you feel currently offers the best opportunities for hotel investment?

South America offers varied investment environments with different drivers. The nature and depth of business lodging demand should be evaluated on a market-by-market and project-by-project basis. During the height of the COVID-19 pandemic, travel in many markets was significantly shut down. As economies have been reactivated, we note some interest in business lodging opportunities on a targeted basis—that is, in local markets that present specific opportunities. This is the case in several countries, including Colombia, Chile, and Argentina.

Resort investment and development opportunities have different drivers. The Cartagena market in Colombia is active and that is likely to remain the case in the mid-term. Investment is also active in selected markets in Brazil and Ecuador. In the longer term, with a greater focus on regional planning and tourism development, coastal areas in several countries also present potential. Additional opportunities can be developed around historical districts and in non-coastal areas that highlight particular natural features, as can be found across South America, including Chile, Argentina, Peru, Colombia, and Ecuador.



## What are the advantages and drawbacks of investing in South American hotels at the moment?

Historically, hotel investment in South America has tended to be local. In somewhat larger markets, such as Brazil and Argentina, local investors and developers have built portfolios over time. In countries like Colombia, Chile, and Peru, where real estate capital markets have become more structured, hotel investment has gradually come to be regarded as part of an institutional market. Meanwhile, in Brazil, hotel investment has largely adhered to the condo-hotel model that has prevailed over time.

As in other emerging economies, several countries in South America are appealing because much remains to be done. In many countries, the potential to draw greater regional and international demand is considerable, particularly in the leisure sector. Similar to other parts of the world, political and social conditions are fluid, and

### Summary

As the South American hotel industry is recovering after the pandemic hit the continent hard, Richard Katzman (Managing Director, HVS Mexico City) and Fernanda L'Hopital (Senior Project Manager, HVS Buenos Aires) gave an interview to TOPHOTELNEWS about the current status of development prospects across this continent.

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investors must ensure that risk profiles match their investment strategies.

A focus on countries with more mature real estate capital markets or trending toward formalization of a real estate asset class will, over time, offer better exit strategies and potential for value enhancement through capital rate compression. In this regard, among many, the Mexican hotel investment market of the past two decades presents an interesting model. Capital market matured with the creation of assorted vehicles for equity investment and greater availability of debt, accompanied by high-quality product in both the business and leisure lodging sectors. While South American markets operate independently as to financing, institutionalization of real estate capital markets remains an important ingredient that can help draw a deeper and more diverse pool of investors.

## Which hotel segments are proving popular for developments across the continent?

In general terms, hotel development across South America is varied and dictated by local market conditions and the ability to discern an opportunity. Across major urban markets, a considerable wave of development came ahead of the COVID-19 pandemic, and demand for additional product may be limited as economies continue to ramp up. In many countries with recent or forthcoming elections, political uncertainty has also made development selective.

Selected opportunities are being pursued in midsize markets with specific drivers that warrant additional hotel supply. In such markets, the opportunity to introduce or expand the presence of domestic and international brands is part of a trend observed across emerging economies in the region and elsewhere. Indeed, international brands seek to expand their footprints across their different product lines.

Perhaps the most popular opportunities are found in resort development. Many countries, including Brazil, Colombia, Peru, and Ecuador, offer opportunities for further development in the near to mid-term.

## Are you seeing more new builds or conversions for hotels in the area?

In the years leading up to the COVID-19 pandemic, development was split between new builds and conversions. A number of high-quality hotels with international brands opened across major urban areas, and the Cartagena resort market specifically, accompanied by an expansion of branded product in midsize cities. This new product complements traditional local hotel alternatives in different markets. Hotel brand development executives continue to seek out conversions, presenting a way for traditional product to gain visibility and distribution, while allowing brands to expand their footprints. Across the region, the ability to offer soft brands has provided and will continue to provide great flexibility.

## Are there any particular hotel brands that are making a hotel development drive across the continent?

It is interesting to note that international brands have had a presence across South America for decades. The evolution of their strategies follows economic development in each country and the demand characteristics that it generates.

An additional factor that influences brand strategies is driven by M&A activity and by the formation of alliances between the larger hotel companies and smaller, differentiated platforms. A few examples are **Accor's** acquisition of regional hotel chain Atton, as well as its acquisition of and/or alliances with **Banyan Tree**, **Faena**, **sbe**, and other groups; **Hyatt's** acquisition of AM Leisure, including the **AMResort** platform, which provides a vehicle for expansion in the region; **Choice Hotels'** recent acquisition of **Radisson Americas**, which provides a more robust platform from which to plan for future growth; **Wyndham's** 2016 acquisition of **Fñn Hotels**; and **NH Hotels'** phased acquisition of Colombian hotel company **Hoteles Royal**.

In addition, expansion strategies are driven by the commitment of leading hotel companies to aggressively pursue new formats. For example, **Hilton**, **Marriott**, **Hyatt**, **IHG**, Wyndham, and others have rolled out

strategies in the past years to grow in all-inclusive lodging, presenting opportunities for growth in many South American markets.

## How is HVS involved in Latin American hotel projects?

As a leading advisory firm specialized in the preparation of hotel market and feasibility studies as well as appraisals, we have in the past years been involved in projects across South America, as well as Mexico and Central America, analyzing and advising on both urban and resort projects. We have been involved in planning complex, large-scale master plans, complementing the work of design teams by helping to establish the mix of hotels, residential product and other components that can lead to a successful project, also completing financial models that allow master developers to establish the strategies for different components and projects in their ensemble.

## How do you view the current regional pipeline?

The current pipeline is moderate but growing. Many countries in the region were severely affected during the height of the COVID-19 pandemic and are still in a recovery phase. At the same time, developers are stepping up review of new projects. As economies stabilize and the impact of electoral changes are rationalized, it is reasonable to expect that development pipelines will grow.

## How do you see the South American hotel market progressing over the next few years?

The South American hotel market is, by and large, fragmented, with each market evolving according to local drivers. A limited number of investors have ownership positions across borders within South America. However, brand and operating platforms clearly have a more regional approach. Over time, we anticipate ongoing pursuit of specific opportunities in prime and secondary urban locations, as developers respond to specific needs, accompanied by a more diverse offering of lodging experiences and brand alternatives.

In resort markets, opportunities appear to be driven by structural characteristics of the travel industry itself. Across key global markets, leisure travel has had a sustained recovery, and traveler demand for differentiated experiences—a clear trend well before the COVID-19 pandemic—continues to grow. Within this context, many South American countries are well positioned to expand their participation.

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## About **Richard J. Katzman**



Richard Katzman is Senior Managing Partner for the LATAM region. He established the HVS Mexico City office in 2007. He has been active in Mexico and other Latin America countries since 1992. During this period, Richard formed Grupo Inmobiliario Inova, a real estate advisory boutique that merged in 2001 with Insignia/ESG, then among the most prominent real estate service companies in the world. In 2003, following the merger between Insignia/ESG and CB Richard Ellis, Richard elected to reestablish an independent platform prior to joining HVS in 2007. Richard was born and raised in Mexico City. He completed his undergraduate studies at Cornell University, School of Hotel Administration, and received his MBA from The Wharton School. He is fluent in English, Spanish, French, and Portuguese. Contact Richard at +52 (55) 5245-7590 or [\[email protected\]](#).

## About **Fernanda L'Hopital**



Fernanda L'Hopital, a Senior Vice President with HVS, has dedicated half of her 20-year professional experience to hotel consultancy. Fernanda has in-depth knowledge of the tourism, hospitality, and related real estate markets in South America. During her career in the hotel industry, she has conducted more than 200 studies and has gained plenty of experience in performing market research, feasibility studies, strategic planning, business plans, development plans, highest and best use studies, operator search, management and franchise contract negotiation, and valuations for hotels and other real estate projects. Her regional experience is mainly built on her thorough work in countries like Colombia, Peru, Chile, Argentina, Ecuador, Uruguay, Bolivia, and Paraguay, where she has worked both on operating and developing hotels and other real estate projects. Fernanda has a bachelor's degree in Economics from Universidad de Buenos Aires and a master's degree in Business Administration from Universidad del CEMA. For more information, contact Fernanda at [\[email protected\]](#).