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The state of Peru's tourism, hotels

In 2014, Peru received approximately 3.2 million tourists, which resulted in a 1.6% increase compared to the previous year.

According to the last report published by the World Tourism Organization in 2014, Peru received nearly 3.2 million foreign tourists and ranked fourth in the South American ranking, after Brazil, Argentina and Chile.

Peru's gross domestic product for 2014 was \$208.2 billion and its population is 31 million inhabitants.

Peru has one of the fastest-growing economies of the region. Between 2002 and 2013, the average growth rate was 6.1%, within a low inflationary environment (2.6% on average). A favorable external environment, careful macroeconomic policies and structural reforms in different scopes, have brought about the scenario of significant growth and low inflation.

Peru has numerous acknowledgments as an international destination:

- Peru is considered one of the seven spots around the world where culture was born.
- It has more than 70 archeological sites for tourism purposes.
- It is one of the 12 mega-diverse countries.
- Peru has 12 destinations recognized by UNESCO as Heritage of Humanity: eight cultural, two natural and two mixed.
- The global edition of the World Travel Awards for 2014 awarded Peru with the "World's Leading Culinary Destination" and "World's Leading Tourism Site" awards.

Tourism activity

According to Promperu, in 2014, Peru received approximately 3.2 million tourists, which resulted in a 1.6% increase, compared to the previous year. In connection with the data provided by the Ministry of Foreign Commerce and Tourism report for 2013, 62% of the foreign tourists who visited Peru were men, and the average age of the visitors

was 39 years old. Moreover, the main reason for traveling was Holidays/Leisure (61%), followed by Visiting Family and Friends, Business and other reasons (approximately 13% each). The tourists' average stay was approximately 10 days, and the average expenditure per day was \$125.

| Foreign Tourist Arrivals 2008-2014p | | | | | | | |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Indicator | 2008 | 2009 | 2010 | 2011 | 2012 p/ | 2013 p/ | 2014 p/ |
| International Visitors | 2,057,620 | 2,139,961 | 2,299,187 | 2,597,803 | 2,845,623 | 3,163,639 | 3,214,934 |

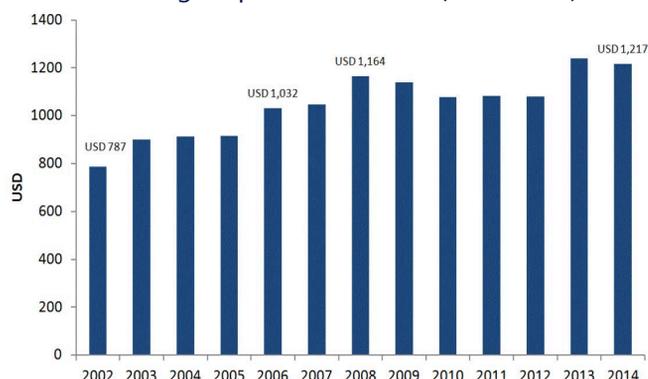
p/: preliminary information
 Source: National Superintendent of Migrations
 Process by: Horwath HTL Latin America

Regarding foreign tourists' origins, most of them come from Chile and the U.S. They are followed by South Americans, although there are tourists coming from Europe, too.

| Country | 2008 | 2009 | 2010 | 2011 | 2012 p/ | 2013 p/ | 2014 p/ | Var. 14/13 (%) |
|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| Chile | 452,705 | 464,153 | 595,944 | 741,717 | 806,929 | 886,485 | 903,793 | 2.0% |
| USA | 420,608 | 426,325 | 417,232 | 411,935 | 447,218 | 487,328 | 514,228 | 5.5% |
| Ecuador | 128,063 | 136,054 | 152,445 | 160,841 | 176,071 | 208,358 | 223,995 | 7.5% |
| Argentina | 97,478 | 121,172 | 127,062 | 147,403 | 158,950 | 155,145 | 155,931 | 0.5% |
| Colombia | 76,559 | 87,225 | 98,642 | 112,816 | 133,975 | 134,725 | 151,876 | 12.7% |
| Brazil | 64,573 | 82,764 | 87,674 | 117,537 | 126,085 | 143,538 | 147,875 | 3.0% |
| Spain | 84,906 | 90,714 | 96,666 | 105,231 | 111,041 | 122,567 | 131,174 | 7.0% |
| Bolivia | 86,619 | 93,408 | 86,181 | 88,042 | 101,546 | 111,983 | 126,689 | 13.1% |
| France | 63,920 | 66,071 | 66,985 | 72,900 | 81,851 | 81,904 | 82,260 | 0.4% |
| Germany | 52,173 | 51,864 | 53,201 | 56,197 | 62,051 | 62,570 | 68,703 | 9.8% |
| Rest of the world | 530,016 | 520,211 | 517,155 | 583,184 | 639,906 | 769,036 | 708,410 | -7.9% |
| TOTAL | 2,057,620 | 2,139,961 | 2,299,187 | 2,597,803 | 2,845,623 | 3,163,639 | 3,214,934 | 1.6% |

p/: preliminary information
 Source: National Superintendent of Migrations
 Process by: Horwath HTL Latin America

Tourist' average expenditure in Peru (2002-2014)



Source: MINCETUR - Ministry of Foreign Commerce and Tourism
 Process by: Horwath HTL Latin America

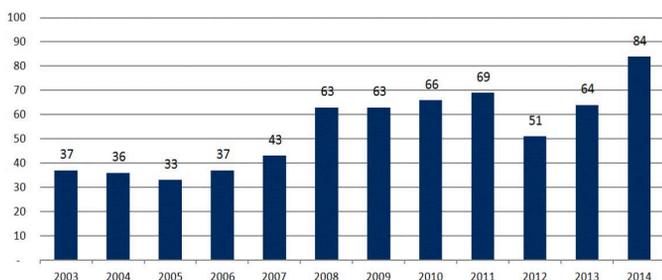
The organization Sociedad de Hoteles del Perú mentioned that the national lodging market is one of the markets with the highest growth, regarding different areas of the Peruvian economy. Foreign currency arising from this activity is estimated at \$3.9 million for 2014 as well.

Data from the Ministry of Labour and Promotion of Employment found that in 2012, employment in the restaurant and hotel industries represented 6.5% of total employment—that is to say, it gathered about 1 million employees.

Peru ranks 58th in the global ranking for the Travel and Tourism Competitiveness Index for 2015, from the World Economic Forum, which analyzes the attractiveness of different aspects for making investments or for developing businesses within the travel and tourism industry of a specific country.

Peru ranks eighth among Latin American countries (under Brazil, Chile and Argentina), but according to the quality and quantity of its natural resources, it ranks 12th at a worldwide level. The country also is poorly positioned in regard to safety (ranks 118th) and transportation infrastructure (ranks 121st). On the other hand, and according to the annual ranking for 2014 made by the International Congress and Convention Association, Peru is the eighth most important destination of the American continent, regarding the international segment from meetings, incentives, conventions and exhibitions, with 84 international events hosted. Moreover, Lima (Peru’s capital city) ranks fourth in the ranking of events classified by cities in America, together with Río de Janeiro, with 64 events hosted in 2014, above cities like New York and Bogotá, among others.

International events in Peru (2003-2014)



Source: ICCA - International Congress and Convention Association

Hotel supply

Peru’s Ministry of International Commerce and Tourism indicates that in 2014 the amount of categorized lodgings offered was 2,597 hotels. From the total amount of these establishments, 32.2% correspond to upscale, midscale and economy hotels, whereas in connection with the amount of rooms, the same categories reach 46.7%.

Between 2009 and 2014, the country’s hotel supply had an average growth of 8% per year.

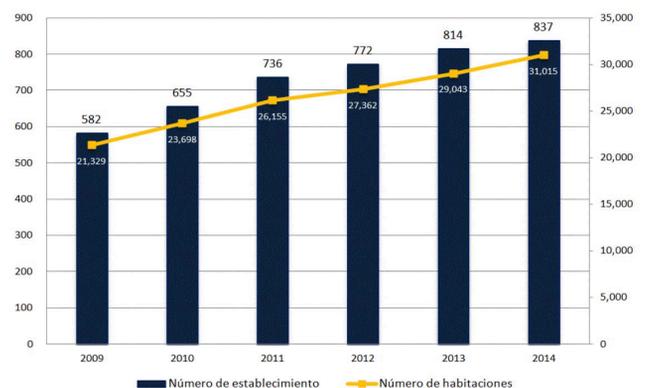
Peru's Hotel Supply - 2014

| Category | Number of establishments | Number of rooms |
|------------------|--------------------------|-----------------|
| Total | 17,015 | 231,846 |
| 5 Stars | 40 | 4,778 |
| 4 Stars | 68 | 5,035 |
| 3 Stars | 729 | 21,202 |
| 2 Stars | 1,364 | 28,630 |
| 1 Star | 396 | 6,721 |
| Without category | 14,418 | 165,480 |

Source: MINCETUR - Ministry of Foreign Commerce and Tourism

The National Institute of Statistics and Informatics pointed out that the amount of total overnight stays for the period 2009 through 2014 increased by 78%. In 2014, about 62.5 million roomnights were registered in the whole country; 79% of them correspond to national tourists, with the remaining 21% to foreign tourists.

Number of establishments and rooms* (2009-2014)



Source: MINCETUR - Ministry of Foreign Commerce and Tourism

* Only 3*, 4* and 5* hotels

Process by: Horwath HTL Latin America

Top 10 Ranking National Hotel Chains

| | Number of hotels | Number of rooms |
|-------------------|------------------|-----------------|
| Casa Andina | 22 | 1,640 |
| Hotel San Miguel | 9 | 823 |
| Libertador | 2 | 446 |
| Los Portales | 5 | 427 |
| La Plaza Arequipa | 4 | 360 |
| Aranwa | 5 | 349 |
| Tierra Viva | 8 | 239 |
| Costa Del Sol | 2 | 166 |
| Inkaterra | 4 | 143 |
| La Hacienda | 2 | 143 |

Source: Horwath HTL Latin America

Top 10 Ranking International Hotel Chains

| | Number of hotels | Number of rooms |
|-------------------------------------|------------------|-----------------|
| Starwood Hotels & Resorts Worldwide | 6 | 1,315 |
| Accor Hotels | 3 | 552 |
| Hilton Worldwide | 3 | 482 |
| GHL | 8 | 481 |
| Tunderbird | 4 | 447 |
| Marriott | 2 | 446 |
| Wyndham Hotels and Resorts | 4 | 370 |
| Belmond | 5 | 316 |
| Decameron | 1 | 301 |
| Atton | 1 | 252 |

Source: Horwath HTL Latin America

According to STR Global, sister company of Hotel News Now, during the last years, the Peruvian market has presented an accumulated growth of 3.1% in terms of average occupancy rate, with occupancy rates between 64% and 67%. Moreover, average daily rate presented an accumulated growth of 18.3% in U.S. dollars between 2010 and 2014, which resulted, according to occupancy levels, in an important accumulated growth of revenue per available room by 19.6% in U.S. dollars, between 2010 and 2014.

When comparing Peru with other Latin American countries, we realize that in 2014, Peru presented AOR levels that are above average when it reached the highest global occupancy level (66%) and one of the highest ADRs (\$144.80).

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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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