

*FIFA World Cup 2014 is underway. On Thursday, June 12<sup>th</sup>, the match between Brazil and Croatia in São Paulo opened the world's biggest sporting event. A global audience, estimated at 3.5 billion people from more than 200 countries, watched the event. The eyes of the world will be on Brazil for the next 30 days!*

## The Basics

Preparation for the FIFA World Cup began in 2007, when Brazil was announced as the host nation. Since then, plans were drawn and projects executed accompanied by much controversy, protests and delays. While all plans have been successfully implemented, many of them were concluded at the last moment.

In all, 32 national teams from five continents qualified for the World Cup. They outshined squads from 170 other countries. The matches are distributed among 12 host cities in Brazil, located from the Atlantic coast to the middle of the Amazon rain forest. Travel between the host cities can be long, as distances can easily exceed 3,000 kilometers.



## The Preview

HVS São Paulo began studying the perspectives on hotel performance in light of this event since 2010, interviewing South African hoteliers and analyzing data from the World Cup in Germany (2006). Based on this information, it was possible to see that:

- **Every World Cup has its own characteristics:** The economic situation of the host country, internal and external logistics, and the characteristics of the local hotel inventory vary greatly making comparisons difficult.
- **The number and the draw of the games are important:** Issues relating to the football tradition, size and economic level of the population, and distance from the host country are fundamental. They will determine which of the 32 participating teams have the greatest tourism potential (note that the participating countries were only defined during the qualifying rounds and in the lottery draw in December 2013).

In spite of these limiting conditions, it was possible to discern that (i) certain cities will host more games of greater importance and, (ii) the regular demand for each of the individual markets (corporate, events, leisure) will avoid the destination during the World Cup, altering the period of visits. The intersection of these effects was fundamental in understanding the performance outlook for the various hotel markets in Brazil.

## The Match Begins!

Data collected on the eve of the World Cup helps us draw a clear, detailed scenario of the effects that the games will have on the hospitality market in the host cities.

- **Rio de Janeiro will be the big winner** – The local hospitality market was booked far in advance, compared to other host cities. Resultantly, it has the highest forecasted occupancy levels (around 90% through the month-long games) and is anticipated to charge the highest room rates (approximately 150% more compared to the same period last year).

- **Some cities will perform extremely well** – In the eyes of visiting tourists, Recife, Salvador, Fortaleza, and Natal are exotic tropical destinations and have relatively small rooms inventories (approximately 6,000 rooms). This will help the hotels achieve excellent occupancy levels (around 80%), especially on the days on and before the games. Room rates are also expected to be at a premium; averaging 100% above the local norm.
- **Brasilia should do well** – The capital city is forecasted to perform above average (occupancy approximating 70% with the average room rate nearly 60% higher than what is usual of this period). Although offering a relatively limited number of rooms (8,000 rooms), the city will host six sought-after matches, including the quarter final round and third place games. Furthermore, the general elections slated for October has already stimulated political-corporate demand in the local hotel market.
- **Intermediate Block** – São Paulo, Belo Horizonte and Porto Alegre should achieve better results than 2013, but RevPAR will not escalate significantly – varying between 10% to 30% growth for the month. São Paulo is situation specific; it has the largest room inventory in the country (42,000 rooms), and the habitual corporate demand is increasingly avoiding the city. The upscale market segment, however, has been reserved in advance, and should demonstrate good occupancy (80%), coupled with generous increases in room rates.
- **One loser** – Curitiba will be the only city to register a decline in RevPAR in relation to the same period in 2013. In addition to not having a strong tourism appeal, Curitiba has also been at a disadvantage during the draw – they will host only four games, all in the initial stages, pitting countries with low tourist potential.

The aforementioned projections are derived from data originating from our own sample base, interviews with local hotel executives, and studies in conjunction with the major hotel chains. After the conclusion of the World Cup, HVS São Paulo will publish a summary, discussing the initial, industry results, as well as the legacy left by the event on the economy and tourism of the country.

Until then, we will be cheering fervently for our national team. After all, all Brazilians are fanatics for football.

HVS is the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries. Established in 1980, the company performs 4500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 30 offices and 450 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. [www.hvs.com](http://www.hvs.com)

Note: The data presented in this article is for informational purposes only and is not meant as a basis for making investment decisions. For more information contact Cristiano Vasques, [cvasques@hvs.com](mailto:cvasques@hvs.com).

**Superior Results through Unrivalled Hospitality Intelligence. Everywhere.**

Published by HVS South America | Avenida Brigadeiro Faria Lima, 1912, 20º andar, CJ J – São Paulo-SP, Brazil

In association with:

