

COMMERCE

Starwood marks new era with acquisition of Cuban hotels

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Hotel Santa Isabel, Havana

By FORREST CARDAMENIS

Starwood Hotels & Resorts is set to become the first United States-based hospitality brand to open for business in Cuba in more than half a century.

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The hotelier has inked a deal to acquire two hotels in Havana and has signed a letter of intent for a third on the heels of the U.S. Treasury Department's receipt of authorization. With the U.S. reinstating trade with Cuba after a decades-long embargo, tourists are bound to flock to the island for their first chance of visiting the long off-limits neighbor.

"We are excited to add this sought-after destination to our growing Latin American and Caribbean portfolio, and offer our loyal guests more choice in this evolving market," said Jorge Giannattasio, chief of Latin American operations at **Starwood**. "Hotel conversions, like those we announced today, allow us to preserve history, architecture and culture while offering a unique branded experience.

"With our long-standing, locally based and highly experienced team in Latin America and the Caribbean, we look forward to welcoming guests to Cuba for many decades to come."

Untapped potential

Americans have been prohibited from entering Cuba since 1962, meaning that around two-thirds of the population has never been legally allowed to visit, except in rare journalistic or educational contexts. Boomers and seniors also likely did not have a chance to visit in their youth, meaning the island a mere 90 miles from Key West, FL may be flooded with eager tourists as relations normalize.



Hotel Inglaterra, Havana

Rather than starting anew by building new hotels, Starwood is seeking to honor Cuba's independent heritage with the acquisition of Hotel Inglaterra and Hotel Quinta Avenida, which will join The Luxury Collection and Sheraton brands, respectively. The Hotel Santa Isabel will also convert into a Luxury Collection hotel.

Starwood is partnering with the 141-year-old Hotel Inglaterra's current owner, Gran Caribe, for the rebranding. The hotel is located downtown, mere footsteps from the Gran Teatro de La Habana and is home to the Gran Caf el Louvre, a longtime favorite of artists and travelers.



Musicians Driving a Convertible in Havana; image by Stefano Torrione/Hemis/Corbis

The conversion of the Hotel Santa Isabel is awaiting U.S. Treasury Department approval but has been agreed to by Habaguanex, its owner. The 19th century colonial-style palace is located in Havana's city center and is considerably smaller than the Inglaterra, with just 27 rooms, compared to 83.

The announcement comes more than a year after President Obama first announced plans to normalize trade relations and seven months after the establishment of the U.S. Embassy in Cuba. In February, an agreement allowing U.S. airlines to fly directly between the two countries was reached, paving the way for hospitality companies to enter the new market.

President Obama is currently in Cuba, the first U.S. president to visit since Calvin Coolidge made a speech at the 1928 Pan-American Conference. The citizens of both countries have met the visit with excitement, adding a touch of symbolism to Starwood's entrance.

Popular online hotel reservation site Booking.com has also begun to list properties for instant booking, indicating that competition is already underway. With 110 daily roundtrip flights approved, many consumers will likely be hoping to stay with their favorite hospitality brands, and Starwood now has a chance to snatch new loyalists from those slower on entering the market.

A new era

Starwood has recently agreed to a merger with Marriott International to form the world's largest hotel company. The size of the newly formed company will help leverage economies of scale and similarly serve consumers in new parts of the world.

On March 21, Starwood Hotels & Resorts signed an amended definitive merger agreement with Marriott International, judging the hotelier's revised acquisition offer as superior to a competing proposal.



The Canyon Suites at The Phoenician, a Luxury Collection Resort, Scottsdale

After receiving an unsolicited offer from a Consortium led by China's Anbang Insurance Group, Starwood was planning to leave its intended merger with Marriott for what it perceived as a more desirable deal. Following revised terms from Marriott, Starwood is again set to join with the company to create what will be the largest hotelier globally ([see story](#)).

Although the implementation of roundtrip flights is still in waiting and has perhaps taken longer than consumers may have expected, excitement among American travelers has been building since the initial December 2014 announcement.

Results of a Travel Leaders Group survey from January 2015 Results indicated that travel would remain robust in 2015 as Americans look to explore new destinations and revisit old favorites. The survey showed Cuba as a popular "up and coming" destination for travelers looking for a new experience as the political restrictions began to improve ([see story](#)).

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