



OCAO BAY- TOURISM IN DOMINICAN REPUBLIC

Wine Resort Development Opportunity in Dominican Republic

Ocoa Bay is a proposed wine resort located on the south coast of The Dominican Republic. Vineyards and a wine tasting room have already been established, showcasing the premium wines which are produced in the area. The next phases of the project will see the area transform into a high-end residential community and resort. With access to 10 beaches, key ecological landmarks and the Sierra Martín Garcia National Park, the tourism potential for the resort extends beyond wine and gastronomy, to include mountain and water based activities and ecotourism opportunities.

Within the estate approximately 721,000 square meters have been allocated for the development of 59 villas. These have been designed in the style of tropical and rustic architecture, and built with traditional local materials. In conjunction with the villas a series of amenities will be developed including a boutique winery, clubhouse, boat docks, a marina and a heliport, with supporting infrastructure such as a resort entrance and road system.

A 30-room luxury boutique hotel offering stylish high-end bungalows has been planned, with future expansion capacity for an additional 20 rooms. The hotel will offer vineyard and winery tours wine tasting

events, a spa, outdoor sports facilities, marine sports, mountain hiking and trekking, and space for social events.

A final element of the resort will be a club house with three-meal restaurant and a grill beach restaurant, with its own pier for special events and romantic dinners. The clubhouse will also have its own infinity pool, amphitheatre, wine store and natural product market. It will also feature a number of leisure amenities including a racquet and soccer club, gym, tennis courts, cinema and children's club.

Competitive Development and Operating Costs

Development Costs

- ❖ Construction costs in the Dominican Republic are among the most competitive in the Caribbean. Construction costs for five star hotels range from US\$173 - 346 per sq ft and US\$115 - 321 for three star accommodation.¹

Operating Costs and Infrastructure

- ❖ Dominican Republic is among the lowest cost Caribbean nations for electricity, water charges and telephone costs.²
- ❖ Wage costs in the country are highly competitive: The annual salary of an experienced hospitality employee is approximately US\$3,438 per annum. With 188,000 people directly employed in the country's tourism sector, there is a large and experienced talent pool to support tourism developments.

Dominican Republic's Growing Tourism Market

- ❖ Surrounded by the Atlantic Ocean on the north and the Caribbean Sea on the south, the tropical island of the Dominican Republic boasts nearly 1,000 miles of coastline and 250 miles of the world's top beaches. Its wide variety of sports, recreation and entertainment activities and magnificent national parks, mountain ranges, rivers and beaches have resulted in growing visitor numbers each year.

¹ Based on a Rider Levett Bucknall Survey. The costs include FF&E, but exclude operator's stock and equipment, fees, land costs and local taxes

² fDi Benchmark from the Financial Times Ltd 2015



- ❖ The Dominican Republic is the largest tourist destination in the Caribbean. International tourist numbers increased by 9.6% in 2014 to reach 5.14 million. The USA was the largest source country accounting for 1.78 million visitors. Visitor numbers are expected to reach 10 million by 2023.³
- ❖ The tourism market has experienced rapid year-on-year growth since 2009, with international visitor numbers increasing by 29% between 2009 and 2014.
- ❖ International tourist receipts exceeded US\$5 billion in 2013, with consistent year-on-year increases since 2009.⁴
- ❖ Overseas visitors were responsible for 76% of total tourism expenditure in 2014.
- ❖ The leisure segment accounts for 94.6% of the tourism market value, while business travel accounts for the remainder.
- ❖ The contribution of the tourist industry to The Dominican Republic economy is forecast to increase by 2.8% per annum between 2015 and 2025.⁵

Regional Industry

- ❖ In 2012 approximately 26.3 million people travelled to the Caribbean.
- ❖ Increases are attributed in part to improvements at airports around the region, the opening of new hotel chains, and an increase in direct flights and airline seat capacity.
- ❖ Tourists overall spent more than \$29 billion in the Caribbean in 2014, an increase of more than \$1 billion over the previous year.

Investor Testimonials

“Given the area has established a hugely successful tourist industry, high rental returns are far more achievable than many other more obscure international destinations, which, although they are billed as investment hot spots, suffer from an acute lack of infrastructure and basic services... with the American market demanding more short haul holidays, a much greater demand for Caribbean rentals is being experienced, and international tour operators are fighting to secure rental property. This bodes well for investors looking for consistently high returns.”

Pat Lyons, Managing Director of Lyons Properties, developer of the Punta Pearl Resort, The Dominican Republic

³ Caribbean Tourism Organization

⁴ World Bank World Development Indicators

⁵ WTTC Travel & Tourism Economic Impact 2015

Incentives

Investments in the tourism sector are supported by the Tourism Incentive Act 158-01. The act offers a range of incentives during pre-approval and post approval of development projects. The incentives for provisional approval include:

- ❖ Exemption from the requirement to legally establish the company
- ❖ Increases in share capital
- ❖ Property transfer tax (3 percent of the value of the property)

After the project has been approved the following incentives will be applicable:

- ❖ Exemption from income tax for ten years
- ❖ Exemption from national and municipal taxes
- ❖ Exemption from taxes on construction and planning
- ❖ Exemption from taxes on the payment of loan interest
- ❖ Exemption from equipment import taxes (exempt from customs taxes, taxes on transfer of industrial goods and services)
- ❖ Exemption from taxes on luxury housing

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