

Silky Sands, Besotted Tourists

Luxury Hoteliers Lament Mass Appeal Of Caribbean's Punta Cana Resort Area

By [KRIS HUDSON](#)

PUNTA CANA, Dominican Republic—Topping the wish list for hoteliers in this busy Caribbean destination during the holidays: more affluent visitors, preferably American. Especially those who will return to buy a vacation home.



Sanctuary Cap Cana

The Punta Cana area on the Dominican Republic's eastern shore has established itself as one of the Caribbean's most popular tourism destinations, with its massive, all-inclusive resorts touting buffets, beer pong and boogie boarding to clientele often described in global tourism circles as the "drunk and sunburned" masses. Many Punta Cana hotels are near capacity this holiday season, and forecasts call for more visitors next year than in any year since the late 1990s.

Yet Punta Cana's mass-market juggernaut has a downside: The area's reputation as a stronghold for affordable accommodations has hindered expansion of luxury resorts. Just 8.2% of rooms in Punta Cana are classified as luxury, says Smith Travel Research. That compares with 14.4% in the rest of the Caribbean.

"It's a little bit of a challenge to sell the Dominican Republic to a luxury crowd," says Ignacio "Nacho" Foncillas, an adviser to Spanish investor Redberry SA, which controls two luxury resorts in Cap Cana, an upscale, 25,000-acre development of resorts and vacation homes in Punta Cana. "Ultimately, it's a perception that is based mostly on lack of information."

That confusion means that some luxury accommodations in Punta Cana are less expensive than on other Caribbean islands. Rooms in the posh, 35-suite Tortuga Bay villas in the Puntacana Resort fetch \$550 to \$1,400 a night on average. Rates at the upscale Sanctuary resort in the

adjacent Cap Cana development are \$249 to \$5,000. Travel agents say those prices are higher in St. Barts and Anguilla, exclusive, tranquil island venues that limited resort development on their white-sand shores. Rates at Anguilla's 95-room Cap Juluca resort range from \$1,000 to \$8,000.



Because Punta Cana has big, affordable resorts and easy accessibility "sometimes, the perception is that it's not as private, or high-end," says Ginny Caragol, a director at luxury travel agency Valerie Wilson Travel Inc.

What Punta Cana lacks in luster it makes up in volume.

Passenger arrivals at the Punta Cana International Airport increased 9.7% in the fiscal year ended June 30 and are projected to increase 10.5% this year. That far outpaced the projected 3.1% growth rate for the Caribbean as a whole. Tourism experts credit the Dominican Republic's gains to vacationers avoiding Mexico in fear of drug violence and the volume of mass-market resorts.

The Dominican Republic's first big forays into tourism actually were with luxury properties. The country emerged on the global tourism radar in 1975 when Gulf & Western Inc. of the U.S. developed 7,000 acres on its southeastern coast into the luxury Casa de Campo resort. Around the same time, American investors teamed with Dominican Frank Rainieri Sr. to buy a 15,000-acre swath of jungle on the country's eastern coast and develop it over the next 30 years into the exclusive Puntacana Resort.

Mr. Rainieri built the Punta Cana International Airport in 1985, which helped turn the area into a top destination. The airport fueled an explosion of resorts, but mostly all-inclusive locales. Such venues typically offer guests a room, meals and select drinks for a flat, affordable daily rate.

Mr. Rainieri says he might change the name of the resort to distance it from the party scene that has erupted. "I made, probably, one mistake: I named the airport Punta Cana Airport, and the name became generic," the 66-year-old president of Grupo Puntacana says. "Definitely, we are studying the possibility of how we can identify ourselves better."

Today, the original Puntacana Resort development includes three exclusive golf courses; the 250-room Puntacana Hotel; the Tortuga Bay resort; and a village with shops, schools and employee housing. The centerpiece is the seaside, Corales golf course designed by prominent course architect Tom Fazio and the 126 home sites that surround it, averaging \$1.4 million per acre. Owners of the first mansions there include singer Julio Iglesias, designer Oscar de la Renta and ballet dancer Mikhail Baryshnikov.

Adjacent to the Puntacana Resort is Cap Cana, a 25,000-acre development started in 2001 to cater to upscale visitors and vacation-home buyers. Ultimately, developer Grupo Cap Cana SA

envisions a collection of luxury resorts and vacation homes built around a 90-slip marina and three golf courses designed by Jack Nicklaus.

But Cap Cana's progress has been spotty. A Trump-branded development of homes atop a mesa overlooking Cap Cana has ground to a near halt. A golf course languishes half-complete and another lowered its initiation fee last year to \$50,000 from \$75,000 and opened its doors to nonmember golfers. Cap Cana in October announced it had defaulted on \$119 million in bonds and was attempting to negotiate a restructuring with bondholders.

Ricardo Hazoury, president of Grupo Cap Cana, says sales of existing homes far outpace sales of new lots because developers aren't building. "This is a long-term project," he says. "We started at a good time, when real estate was increasing in price and the market was amazing. At this moment, Cap Cana is in a bad time."

Spain's Redberry, which owns controlling stakes in Cap Cana's Sanctuary and the new Fishing Lodge resorts, in June hired Salamander Hotels & Resorts, of Middleburg, Va., to manage the properties. Salamander, led by Black Entertainment Television co-founder Sheila C. Johnson, intends to market Cap Cana and its golf courses to guests at the three golf resorts that Salamander manages in Florida. "We perceived that we needed to have an operator who is attuned to the U.S. market," says Redberry's Mr. Foncillas.

All told, the Punta Cana area encompasses an estimated 30,000 hotel rooms, nearly all of them all-inclusive. Among the newest owners is Mexico's Palace Resorts LLC, which opened the 1,800-room Hard Rock Punta Cana hotel and casino in 2009. For \$225 night, guests partake of the complex's nine restaurants, casino, spa and half-mile of beachfront. Boisterous staffers direct volleyball games and other contests in the resort's 15 swimming pools.

Punta Cana's megaresorts make no apologies for their dominance.

The all-inclusive experience "is what the consumer expects from that destination," says Frank Maduro, Palace's vice president of marketing. "We're just giving what the consumer wants and demands."

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