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Introductory STATEMENT

2022 Annual Spring Revenue Conference
JOHN P. WOODS, AIA, NCARB
FIRST VICE PRESIDENT/PRESIDENT-ELECT
St. Thomas-St. John Chamber of Commerce

Good day,

Thank you for including the St. Thomas-St. John Chamber of Commerce in the 2022 Annual Spring Revenue Conference.

I am John P. Woods, First Vice President/President-Elect of The Chamber. I will be making a few comments on status of the business community within our district.

In general, we have experienced major upheavals in the business community as a result of the 2017 hurricanes and most recently the Covid-19 Pandemic.

My discussion is centered around three of the primary industries in the St. Thomas-St. John District. They are:

Construction
Retail, and
Hospitality.

CONSTRUCTION

The 2017 Hurricanes devastated the built infrastructure of the United States Virgin Islands. The process of restoration has been slow and arduous. Even so, the Virgin Islands Government has been able to secure billions of dollars for the restoration and rebuilding of our Territory. The construction industry has been, and remains robust since 2017. We expect this trend to continue for at least the next five (5) years as major reconstruction projects to include schools, hospitals, public housing, many other government structures to be rebuilt, and physical infrastructure comes online.

Construction and Property Acquisition in the private sector also remains robust in the Territory. The increase in overnight and short-term rentals since the easing of the pandemic has expanded speculation in the real estate market such that there is a shortage throughout the District in properties to acquire. This trend needs to be watched closely to determine if the opening of the world will result in this trend going back to pre-pandemic levels.

RETAIL AND HOSPITALITY

For two years during the pandemic, cruise calls were suspended. Retail sales in the main shopping areas of Downtown, Havensight and Crown Bay were devastated.

Gross Receipts slowed to a trickle for most merchants operating in these areas who historically relied on ship passenger traffic.

On the other hand, once the Virgin Islands opened, AirBNB rentals, car rental agencies, supermarkets and restaurants bars experienced substantial upticks in business. This resulted in increased Gross Receipts Tax collection as overnight hotel and Villa business surged in the St. Thomas-St. John District.

Commercial landlords Downtown, including the Virgin Islands Port Authority and the Government Employees Retirement System, were initially unable to collect any rent. One hundred (100) percent rent abatements were granted in the first months of the pandemic resulting in no Gross Receipt payments.

As the Territory opened for overnight business, landlords, especially in the Historic District assessed rents in the range of 25-50 percent of the leases. In some cases, merchants were still unable to pay even these amounts. Many businesses have closed during this period.

Once ship calls resumed, ship occupancy rates for the first six to eight (6-8) months hovered around 25-35 percent on those ships. Currently, we are told anecdotally that occupancy is in the 50-60 percent range.

The Virgin Islands Port Authority (VIPA) and GERS have almost restored rents. Many landlords in the District have raised rates to 75 percent or in some cases 100 percent. However, there are still many large tenants who have not been able to pay pre-pandemic rents.

Merchants' sales have begun to improve, but not across the board. Gross Receipt Taxes (GRT) collection has also correspondingly improved as more ship calls arrive with increased passenger traffic.

We do not see Gross Receipt Taxes (GRT) collection and Income Taxes being restored to pre-pandemic levels for merchants and landlords in the areas discussed for several years.

There is a sense of cautious optimism that conditions will continue to improve absent any major shock to the system. Tourists and visitors have been wowed by the Main Street Enhancement project and Phase One of the waterfront esplanade.

There is unanimous support and enthusiasm that Phase Two will lead to a renaissance on the waterfront, and can be a catalyst for economic investment and growth.

THE CONCLUSION

In conclusion, the St. Thomas-St. John Chamber of Commerce is cautiously optimistic that the economy in the Territory will be reasonably strong based on the reasons discussed in my statement. There is a lot of interest by investors in the U.S. Virgin Islands. The increase in the overnight and marine industry since 2021 is encouraging that economic opportunities are expanding outside of the area of cruise-ship tourism.