LATIN AMERICA & CARIBBEAN HOTELS MONITOR

MAY 2014

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BRIDGE

Whitebridge Hospitality is a specialist advisor to investors, developers and operators in the hospitality industry around the globe. We provide investment, operational and planning advice, and guidance in respect of the entire hospitality spectrum, including: hotels, mixed-use resorts, leisure facilities, casinos, visitor attractions and sporting venues. Our uniquely qualified team can provide services throughout an asset's life cycle.

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The firm has over 3,000 staff across more than 100 international offices and offers three core services - Quantity Surveying, Building Surveying and Project Management, alongside advisory services.

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STR Global and STR collect hotel performance data from more than 46,000 hotels globally out of which 800 hotels are based in Latin America and the Caribbean. Our commitment to clients is to provide confidential, reliable, accurate and actionable data to assist in strategic and operational decisions. We provide a single source of global hotel performance, profitability, pipeline and census data covering all aspects of the hotel industry.

LAC HOTELS MONITOR
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Introduction

What a difference the introduction of FIBRAs[1] and CKDs[2] has made on transaction activity in the region. This time last year, known transactions stood at c. US$800m with just US$150m transacting in Mexico. Fast forward 12 months and activity levels have reached US$1.6bn with acquisitions in Mexico increasing three-fold, driven by the creation of these new tax-favourable investment vehicles, injecting domestic and international funds into hotel real estate.

The Caribbean has also witnessed a boost in transactions with activity increasing by 65%. The stand-out deal of the year has to be the acquisition of Hotel Isle de St Barts by luxury operator LVMH, bought for a reported US$4m a key.

> Acquisitions in Mexico have increased three-fold driven by new tax-favourable investment vehicles.

Operating performance across the region has been mixed. Mexico is the star performer with resorts in Cancun/Chetumal driving strong RevPAR growth (up 28% year-on-year). Meanwhile, Panama continues to lag behind (with a fall in RevPAR of 13%), whilst interestingly, Rio de Janeiro is experiencing a pre-World Cup slump driven by a fall in rates.

Looking forward, investor and developer confidence in the region is likely to gain further momentum, driven primarily by activity in Latin America and Mexico in particular. Of the 70,000 hotel rooms in the pipeline, c.80% are in Latin America. We are also likely to see the continuing evolution of new destinations such as Peru, and a shake-up in ownership of a major player is on the horizon with Decameron Resorts reportedly up for sale. Exciting times ahead…

Paul Thomas
Director, Whitebridge Hospitality
Editor, LAC Hotels Monitor

[1] Fideicomiso de Inversión y Bienes Raíces
[2] Certificados de Capital de Desarrollo

Performance Trends

Apr-Mar	2014			2013	
Country/City	ADR	Occ	RevPAR	ADR	Occ
	US$	%	US$	US$	%
Aruba	247.6	64.3	159.1	226.2	69.1
Barbados	332.4	63.8	212.0	330.7	64.6
Dominican Republic	120.4	70.9	85.3	113.8	69.5
Puerto Rico	197.2	72.6	143.2	181.3	73.5
US Virgin Islands	308.9	69.5	214.6	300.8	68.1
Buenos Aires City	139.2	64.8	90.3	144.7	62.1
Sao Paulo City	142.3	64.9	92.4	150.2	64.7
Rio de Janeiro City	209.4	74.4	155.9	222.2	76.2
Santiago	168.0	69.2	116.3	169.9	70.6
Bogota	141.2	58.4	82.5	149.5	57.5
Lima	148.8	72.3	107.6	144.5	71.9
San Jose	99.5	58.1	57.8	99.9	57.4
San Salvador	98.2	69.0	67.8	93.3	65.1
Cancun/Chetumal	175.4	66.2	116.0	143.2	63.2
Mexico City	131.0	65.0	85.1	127.2	62.3
Panama City	107.9	51.0	55.0	115.1	55.1

Note: Period of analysis refers to April 2012 to March 2013 and April 2013 to March 2014
Source: STR Global (Latin America), STR (Mexico & Caribbean)

- Panama City continues to have the largest piepline in Central America but demand is lagging behind supply, with occupancy levels continuing to fall.
- Latin America and the Caribbean region experienced mixed RevPAR results for the previous 12 months, ranging from -13.2% for Panama City to 28% growth for Cancun/Chetumal, where the resorts continue to perform strongly.

RevPAR	Growth					
	ADR		Occ		RevPAR	
US$	Abs (US$)	%	Abs %	%	Abs (US$)	%
156.4	21.40	9.5	-4.9	-7.0	2.76	1.8
213.5	1.71	0.5	-0.8	-1.2	-1.56	-0.7
79.2	6.57	5.8	1.3	1.9	6.16	7.8
133.2	15.87	8.8	-0.9	-1.2	9.94	7.5
204.8	8.05	2.7	1.4	2.1	9.88	4.8
89.9	-5.48	-3.8	2.7	4.4	0.41	0.5
97.1	-7.88	-5.2	0.2	0.4	-4.74	-4.9
169.3	-12.79	-5.8	-1.8	-2.3	-13.42	-7.9
120.0	-1.87	-1.1	-1.4	-1.9	-3.62	-3.0
85.9	-8.28	-5.5	0.9	1.6	-3.44	-4.0
103.9	4.30	3.0	0.4	0.6	3.69	3.6
57.3	-0.45	-0.5	0.8	1.3	0.50	0.9
60.7	4.96	5.3	3.9	6.1	7.10	11.7
90.6	32.16	22.5	2.9	4.6	25.49	28.1
79.2	3.76	3.0	2.7	4.3	5.83	7.4
63.4	-7.27	-6.3	-4.1	-7.4	-8.40	-13.2

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- Generally, we are seeing stronger demand growth across Central America, whilst performance among South American countries is more mixed.
- Growth in the Caribbean markets over the past 12 months has been driven by increases in rate.

Hotel Construction Costs

Country	Mid market – low
	US$ per sqm
Anguilla	2,120 - 3,370
Antigua & Barbuda	2,420 - 3,450
Argentina	994 - 1,352
Bahamas	1,700 - 3,450
Barbados	1,720 - 3,030
Bermuda	2,900 - 3,920
Brazil	1,060 - 1,570
British Virgin Islands	2,910 - 4,580
Cayman Islands	2,480 - 3,880
Chile	1,450 - 1,970
Cuba	1,950 - 2,900
Dominica	2,000 - 2,800
Dominican Republic	1,300 - 2,850
Grenada	2,430 - 3,430
Guadaloupe	2,700 - 3,750
Haiti	1,040 - 1,870
Jamaica	1,550 - 2,300
Martinique	2,750 - 3,800
Montserrat	2,300 - 3,550
Netherlands Antilles	1,620 - 2,700
Puerto Rico	2,400 - 3,370
St Kitts & Nevis	2,520 - 3,580
St Lucia	2,210 - 3,150
St Vincent & The Grenadines	1,950 - 2,740
Trinidad & Tobago	1,740 - 2,880
Turks and Caicos Islands	1,740 - 2,880
US Virgin Islands	3,600 - 4,980

Source: Rider Levett Bucknall

- Subdued export demand coupled with tighter financing conditions in 2013 have left many countries in the Latin America and Caribbean region struggling with relatively weak and volatile growth patterns.
- Construction activity in many countries is constrained by low tourism flows and/or by foreign investment which has not been stable. Exchange rate fluctuations can therefore have a significant impact on demand as well as comparable costs.

Mid market – high	Luxury
US$ per sqm	US$ per sqm
2,575 - 4,250	2,990 - 5,230
2,720 - 4,810	3,010 - 6,180
1,250 - 1,704	1,450 - 2,000
2,100 - 6,660	2,690 - 7,870
2,150 - 3,700	2,580 - 4,350
3,300 - 4,600	3,600 - 5,230
1,200 - 2,250	1,350 - 2,900
3,780 - 5,890	4,650 - 7,190
2,690 - 4,060	3,050 - 5,100
1,720 - 2,300	2,100 - 3,600
2,250 - 2,750	2,500 - 3,250
2,250 - 3,250	2,500 - 3,660
1,630 - 3,600	1,970 - 4,120
2,560 - 3,770	2,690 - 4,110
3,200 - 4,690	3,700 - 5,400
1,500 - 2,500	1,920 - 3,150
2,050 - 3,330	2,200 - 4,240
3,120 - 4,600	3,600 - 5,500
2,750 - 4,600	3,170 - 5,600
2,100 - 4,100	2,500 - 5,390
3,150 - 4,375	3,900 - 5,400
2,995 - 4,650	3,400 - 5,750
2,730 - 3,860	3,250 - 4,580
2,190 - 3,150	2,430 - 3,560
2,180 - 3,400	2,910 - 4,580
2,180 - 3,400	2,620 - 3,920
4,490 - 6,150	5,350 - 7,200

These costs have been prepared from a survey of Rider Levett Bucknall offices. Costs are expressed per square metre of gross internal floor area. The costs include FF&E, but exclude operator's stock and equipment. Fees, land costs and local taxes (VAT or similar) are also excluded. Costs are generally based on constructing international hotels to international specifications. Data is prepared to highlight key cost trends and differences between markets. Users should verify the suitability of general cost data to their specific circumstances. Exchange rates and inflation can distort generic data, for specific project guidance please contact Rider Levett Bucknall.

- Where there has been construction sector growth, this has often resulted from Government spending in the lead up to general elections, or from exporting nations less tied to the US economic cycle.

Transaction Tracker

Region		Hotel
Portfolio Transactions		
	Caribbean (Various)	13 x Playa Hotels
	Chile	Ritz Carlton, Crowne Plaza & InterContinental Santiago
	Mexico	Fiesta Inn Xalapa + One Xalapa Hotel
Single Asset Transactions		
Caribbean	Jamaica	Forum Hotel*
		Ritz Carlton Rose Hall
	Puerto Rico	Condado Vanderbilt, La Concha Renaissance Resort, & Condado Vanderbilt Condo Towers (in development)
	St Barts	Hotel Isle de France
	St Martin	Radisson Blu Marina & Spa
Latin America	Brazil	Hotel Gloria
	Mexico	Hotel Camino Real Guanajuato
		Holiday Inn Express Playa del Carmen
		Hotel Mexico Plaza Celaya
		Aloft Guadalajara Las Americas
		Holiday Inn Guadalajara Centro Historico
		Mexico Plaza Irapuato
		Holiday Inn Puebla La Noria
		Hotel Mexico Leon Centro Max
		Holiday Inn Mexico Coyoacan Hotel
		Holiday Inn Express Toluca
		Melia Mexico Reforma
		Wyndham Casa Grande Monterrey
		Marriott Real Puebla Hotel
		Four Seasons Punta Mita
		Holiday Inn Tampico Altamira

Source: Whitebridge Hospitality

* Sold out of receivership

- Hyatt Hotels Corporation secured an agreement to invest US$325m into a JV with Playa Hotels & Resorts B.V in return for a 20% stake plus convertible preferred stock. The agreement will see the development of new all-inclusive Hyatt Resorts across the LAC region.

Location	No. of Keys	Total Price	Per Key
		US$	US$
Various	5,800	325,000,000	56,000
Santiago	875	230,000,000	263,000
Xalapa	245	16,400,000	67,000
Portmore	200	3,200,000	16,000
Montego Bay	427	70,000,000	164,000
San Juan	802	260,000,000	324,000
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St Barts	39	154,400,000	3,960,000
St Martin	252	45,000,000	179,000
Rio de Janeiro	353	85,500,000	242,000
Bajio	105	17,500,000	167,000
Cancún	145	11,000,000	76,000
Celaya	150	10,600,000	71,000
Guadalajara	142	16,700,000	117,000
Guadalajara	90	10,000,000	111,000
Irapuato	102	6,900,000	68,000
La Noria	150	15,200,000	101,000
Leon	139	11,400,000	82,000
Mexico City	214	39,700,000	185,000
Mexico City	127	5,900,000	46,000
Mexico City	489	60,000,000	123,000
Monterrey	198	15,900,000	80,000
Puebla	192	27,800,000	145,000
Punta Mita	173	200,000,000	1,156,000
Tamaulipas	98	7,900,000	81,000

- Mexico has clearly been the hotbed of investment activity with over US$450m invested in over 4,500 rooms during 2013/2014. Interest has been driven by the recently formed FIBRA's (real estate investment trusts) and CKDs, accounting for 25% and 50% of transactions, respectively.

LAT AM PIPE FACES TOUGH FUTURE

Investor and developer confidence in the hotels sector continues to show signs of improvement. The pipeline for new hotel rooms across the region currently stands at just under 70,000, equivalent to 13% of the existing stock.

Latin American countries dominate the pipeline, with Brazil alone accounting for over 60% of the new hotel stock due to come on line, primarily to address accommodation requirements for the 2014 World Cup and 2016 Olympic Games. Mexico will also witness a substantial increase in room supply facilitated by the new found liquidity in the market.

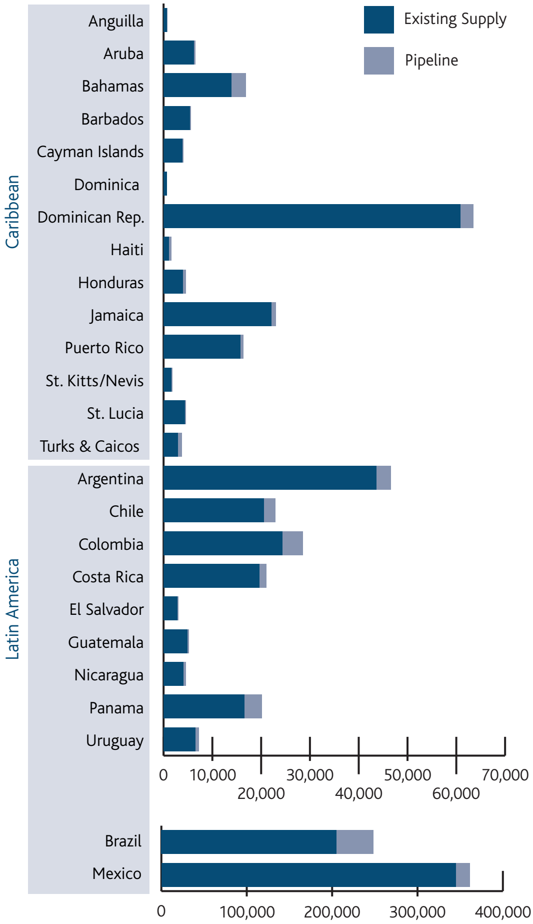
Growing middle classes and greater distribution of wealth in Latin American countires have helped fuel domestic tourism demand, which in turn have driven requirements for more hotel rooms. Argentina in particular has experienced some of the region's highest GDP increases (9% in 2011 and 2012 vs. 6% and 4% for the LAC region) and has the fourth largest pipeline of the countries listed (c. 3,000 new rooms).

Economic growth has, however, been slower than anticipated in key Latin American countries and looks set to reduce further with latest GDP forecasts being cut for 2014 to 2.5% (from 3.5%). Growing tensions in countries such as Brazil and Argentina, rising inflation levels, along with a cooling off of the region's powerhouse economies, may result in a slower materialisation of the development pipeline.

Construction activity in the Caribbean remains well below pre-recession levels, but there are green shoots emerging. The Bahamas leads the field with a 22% increase anticipated in room stock (primarily due to the Baha Mar project), while countries such as the Domican Republic and Jamaica continue to see investment in new supply.

Of particular note are the Turks & Caicos islands, where future supply is set to increase by 25%, largely as a result of new projects including the revived Molasses Reef scheme.

In summary, development prospects remain positive in Latin America in the short term despite the volatility evident in some markets. However, it is apparent that delivery times may protract in many countries. As for the Caribbean, a return to pre-recession construction activity is unlikely as long as better value deals continue to be had through acquisitions of distressed resorts.



Note: Only countries where future development is planned have been included

Source: STR & STR Global

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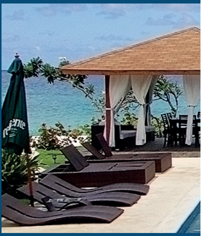

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