



Caribbean Hotel Market Overview

November 12, 2015

Parris E. Jordan
Managing Director
HVS



Presentation Overview

- Quick Facts on the Region
- Visitor Arrival Trends
- Hotel Performance and Analysis
- Trends & Observations

The Caribbean – Quick Facts

- **32** island nations/ Population: **39 million**
- Approximate number of hotel rooms – **225,000**
- Largest Countries by Population
 - **Cuba**: 11.1 million
 - Dominican Republic: 10 million
 - Haiti: 9.7 million
 - Jamaica: 2.9 million
 - Trinidad & Tobago: 1.2 million
- Largest Cities by Population
 - **Santo Domingo**: 2.8 million
 - Havana: 2.7 million
 - Port-au-Prince: 1.7 million
 - Kingston: 925,000

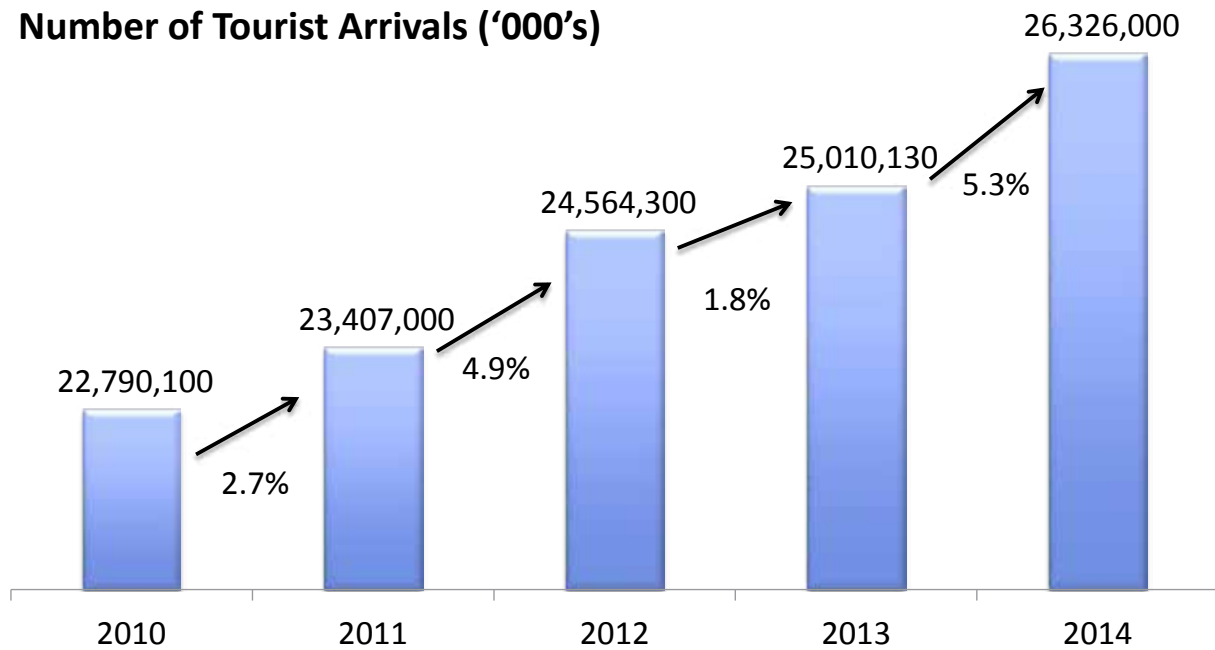
The Caribbean - Quick Facts (contd.)

- Hospitality & Tourism
 - generated almost **US\$30 billion** in revenues in 2014
 - most important economic and employment sector
- Over **26 million** visitors traveled to the region last year
- Main source markets – **US**, Europe, Canada continue to dominate
 - US outbound travel to the Caribbean increased almost **10%**
- Roughly **32%** of overseas US visitor travels to the Caribbean & Central America

Arrivals are Up and Demand is Increasing

Change from 2010 - 2015

Number of Tourist Arrivals ('000's)



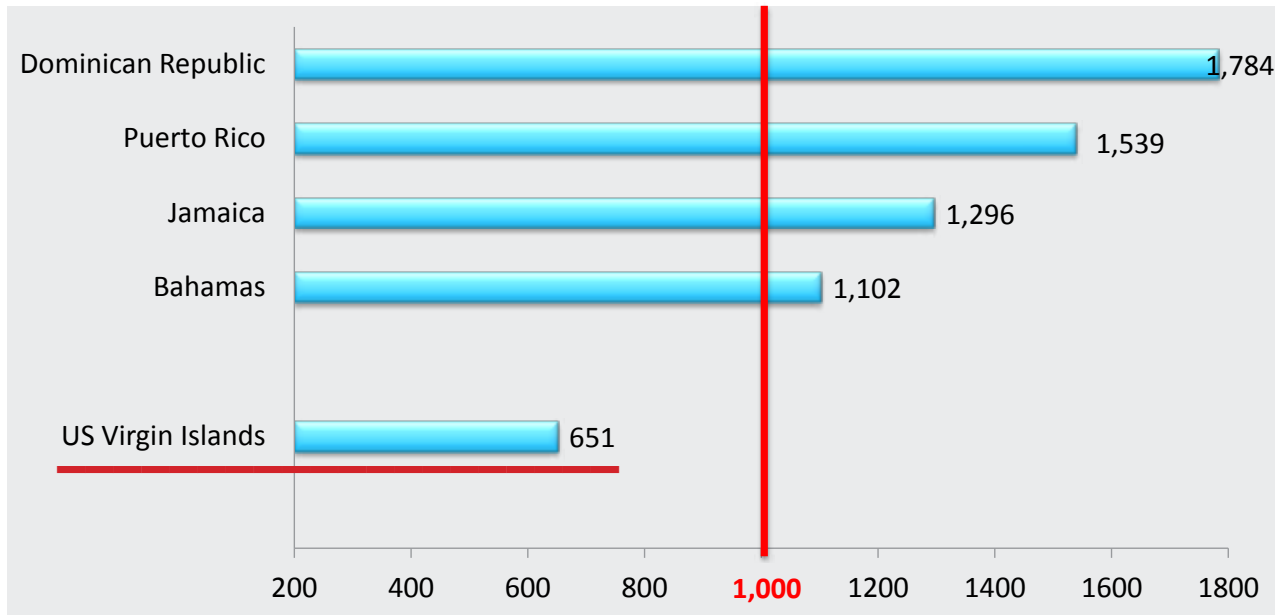
Island Nations Receiving the Most Tourists

2014 Total Arrivals ('000's)



Island Nations Receiving the Most American Tourists

2014 Total US Arrivals ('000's)

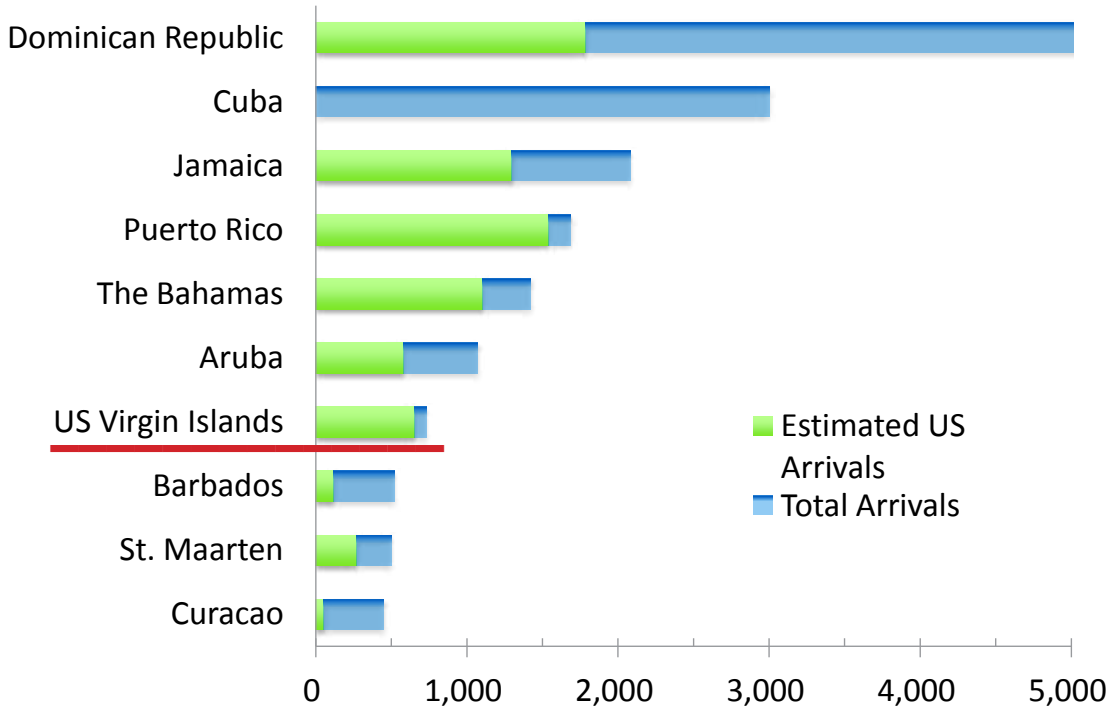


Countries Receiving the Most American Tourists (2014)

Rank	Island	Estimated US Arrivals	US as % of Total Arrivals
1	Dominican Republic	1,784,486	34.7%
2	Puerto Rico	1,538,508	91.1%
3	Jamaica	1,296,457	62.3%
4	Bahamas	1,102,449	77.5%
5	USVI	650,757	89.1%
6	Aruba	576,783	53.8%
7	Turks & Caicos	297,309	80.8%
8	Cayman Islands	287,969	75.2%
9	St. Maarten	266,611	53.3%
10	Belize	199,321	62.1%

Tourists Arrivals – US & Total

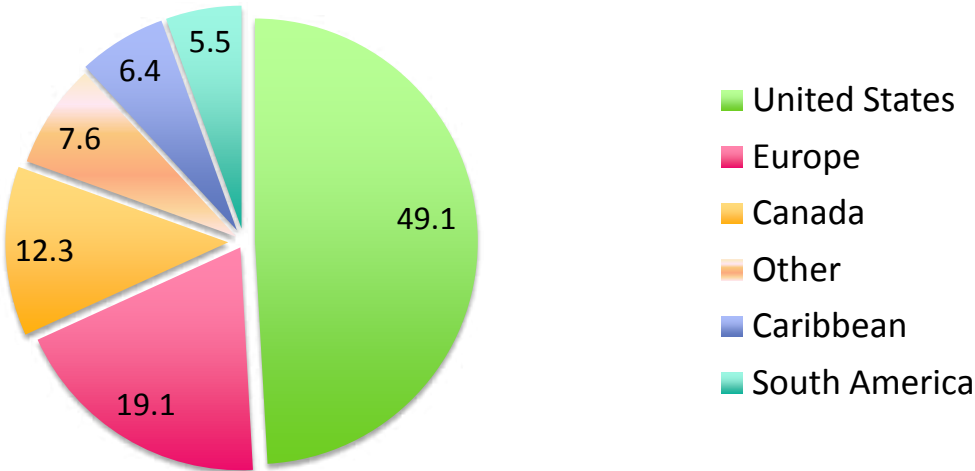
2014 Number of Arrivals (000's)



Source: Caribbean Tourism Organization; Parris Jordan

Tourist Arrivals, by Country of Origin

Source Markets as Percentage of Total 2014 Arrivals, (%)

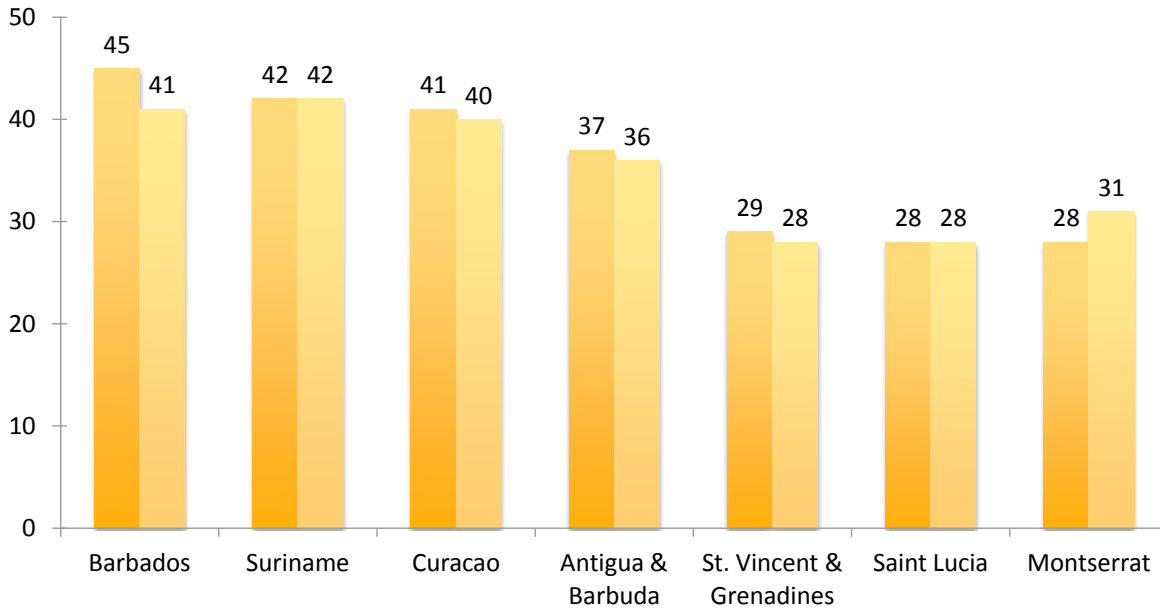


Source: Caribbean Tourism Organization; Parris Jordan

Island Nations Reliant Upon European Tourists

Arrivals by Country of Origin (%)

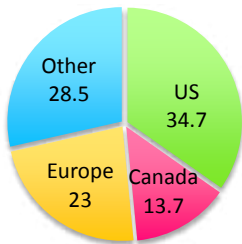
Percentage of Visitors from Europe, 2014 vs. 2013



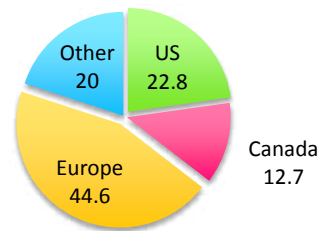
Island Nations that Draw From Diverse Markets

Arrivals by Country of Origin (%), 2014

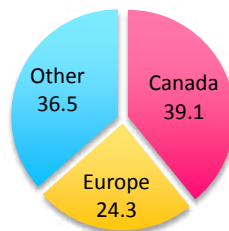
Dominican Republic – 5,141,377 total arrivals



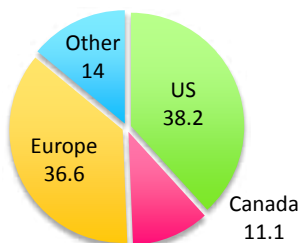
Barbados – 519,598 total arrivals



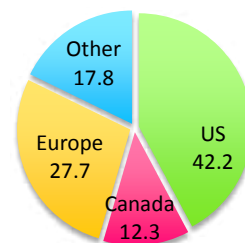
Cuba – 3,001,958 total arrivals



Antigua & Barbuda – 249,316 total arrivals



Saint Lucia – 338,158 total arrivals



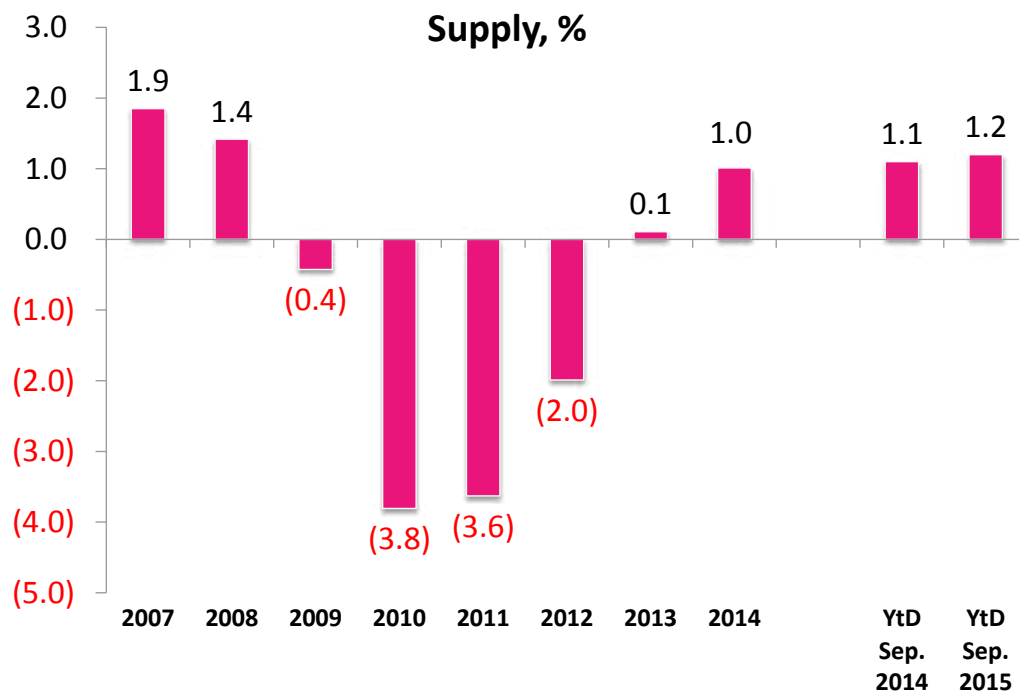
Caribbean Source Markets

Any Notable Shifts?

- **Most islands exhibited increases** in 2014 and rate of growth above 2012-2013
- **Of the 24 islands surveyed:**
 - US ranked first for **16** Caribbean islands
 - Europe ranked first for only **one** Caribbean island
 - Other ranked first for 6 Caribbean islands
- **US visitation up roughly 10% from 2013**
- **Market still very reliant on US visitation**
 - vice versa – overseas visitation from the US to Caribbean & Central America increased every year since 2007
- **Europe and Canada follows the US**

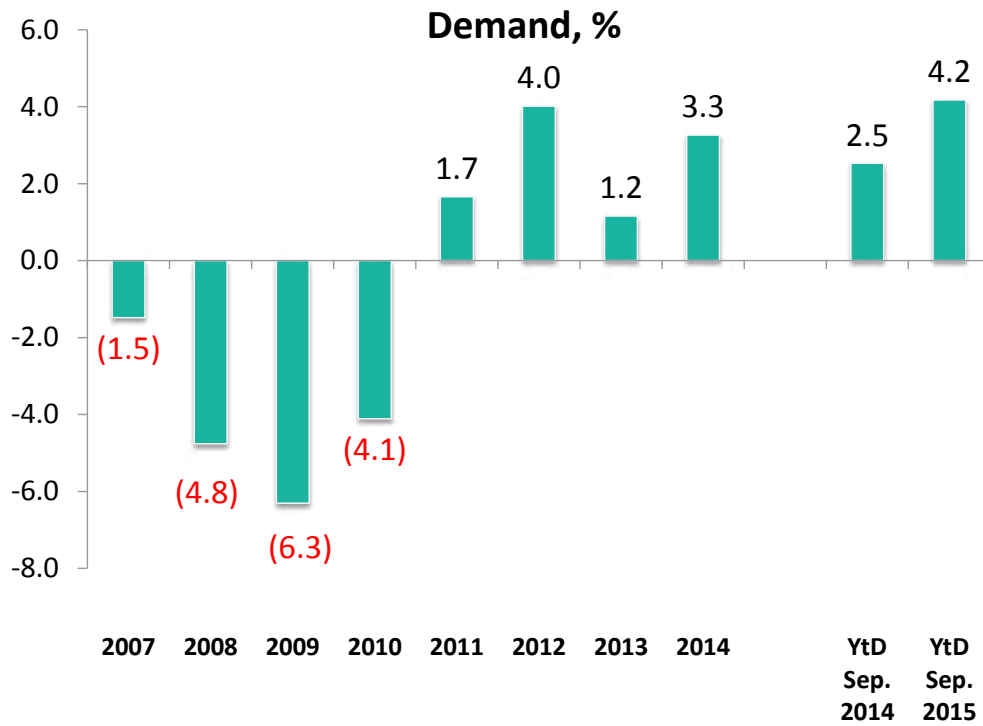
Caribbean Metrics:

% change from 2007 – 2014 and YTD September 2015



Caribbean Metrics:

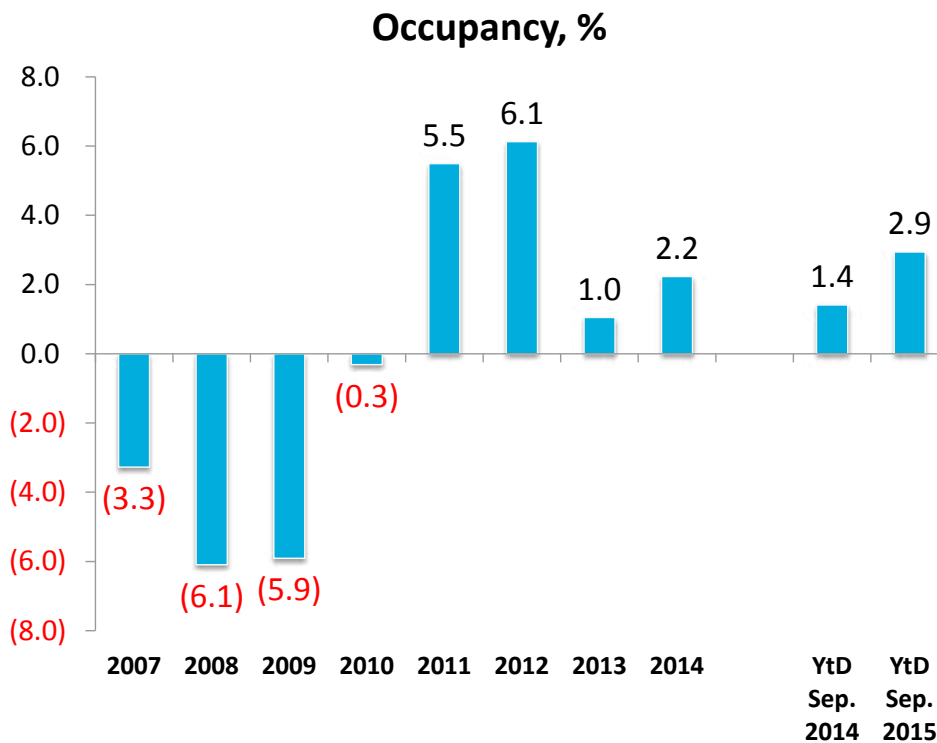
% change from 2007 – 2014 and YTD September 2015



Source: Smith Travel Research; Parris Jordan

Caribbean Metrics:

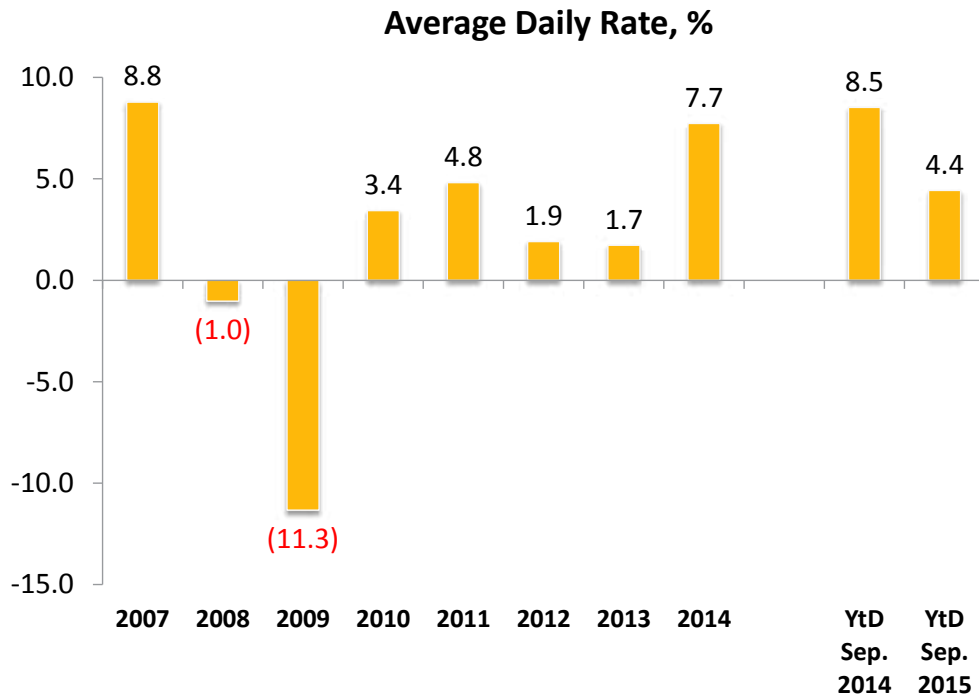
% change from 2007 – 2014 and YTD September 2015



Source: Smith Travel Research; Parris Jordan

Caribbean Metrics:

% change from 2007 – 2014 and YTD September 2015

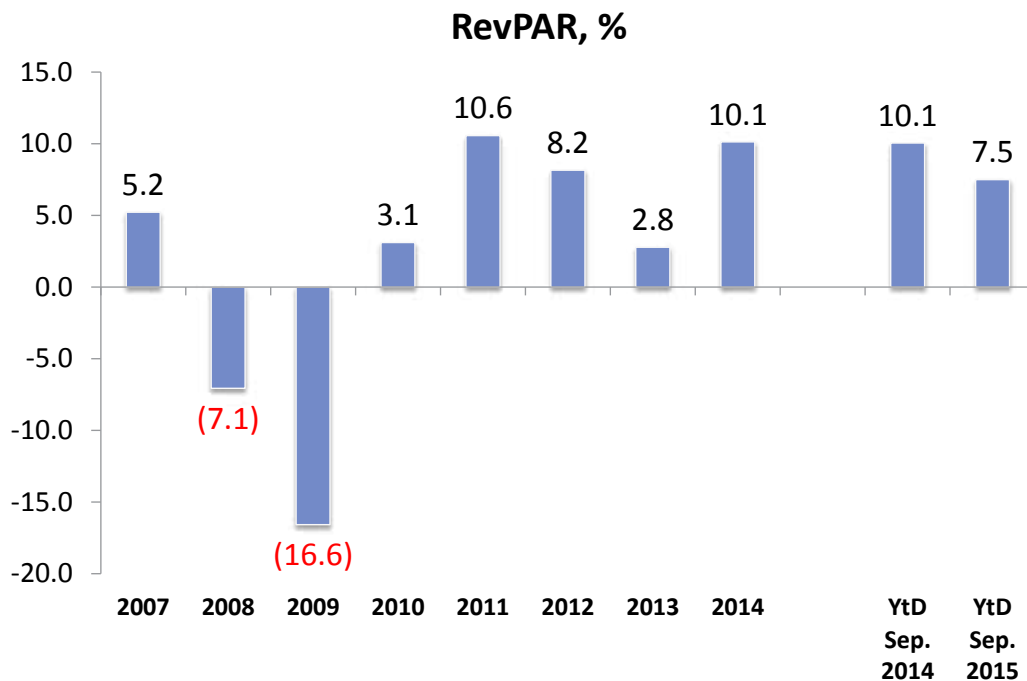


Source: Smith Travel Research; Parris Jordan

- 17 -

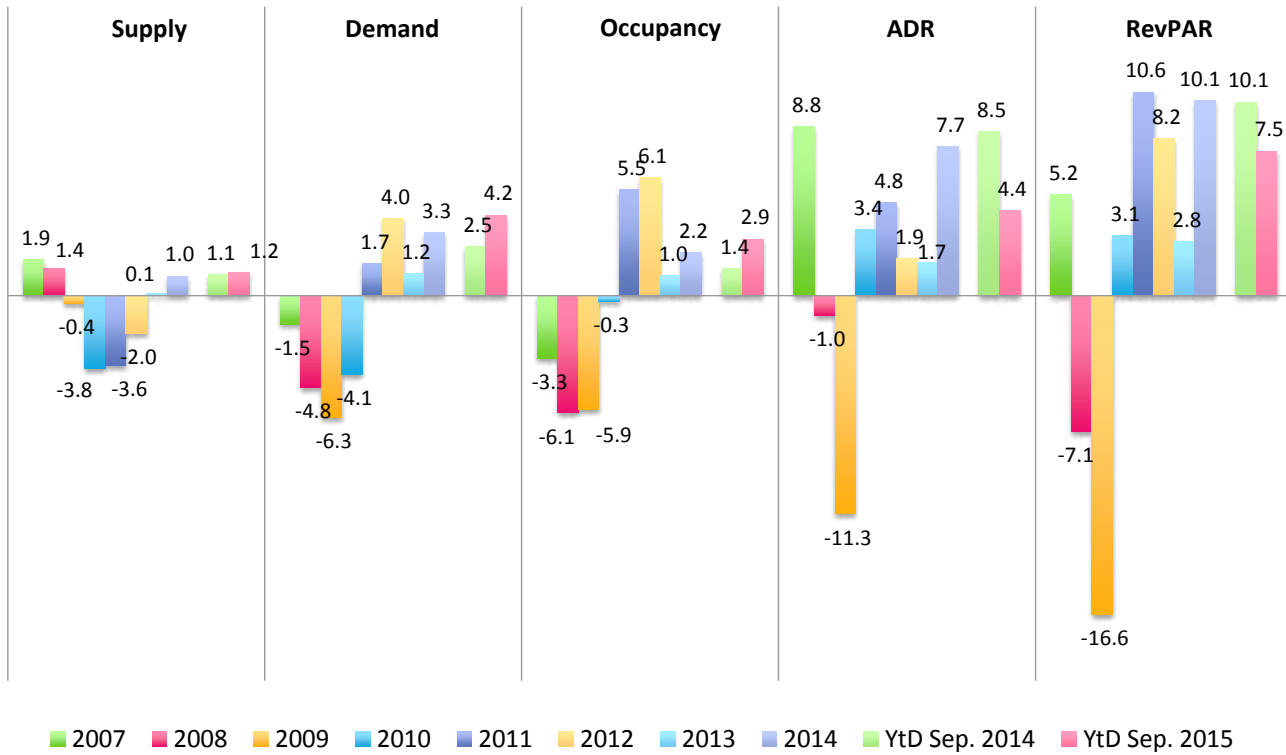
Caribbean Metrics:

% change from 2007 – 2014 and YTD September 2015



Source: Smith Travel Research; Parris Jordan

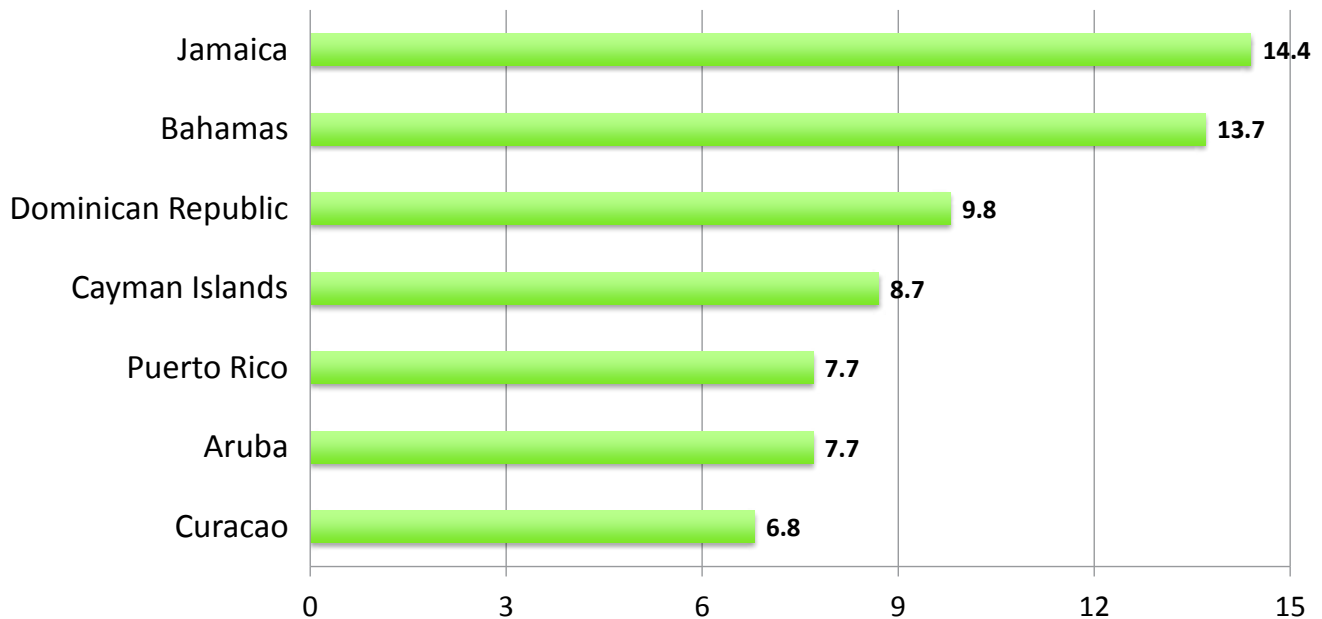
- 18 -



Source: Smith Travel Research; Parris Jordan

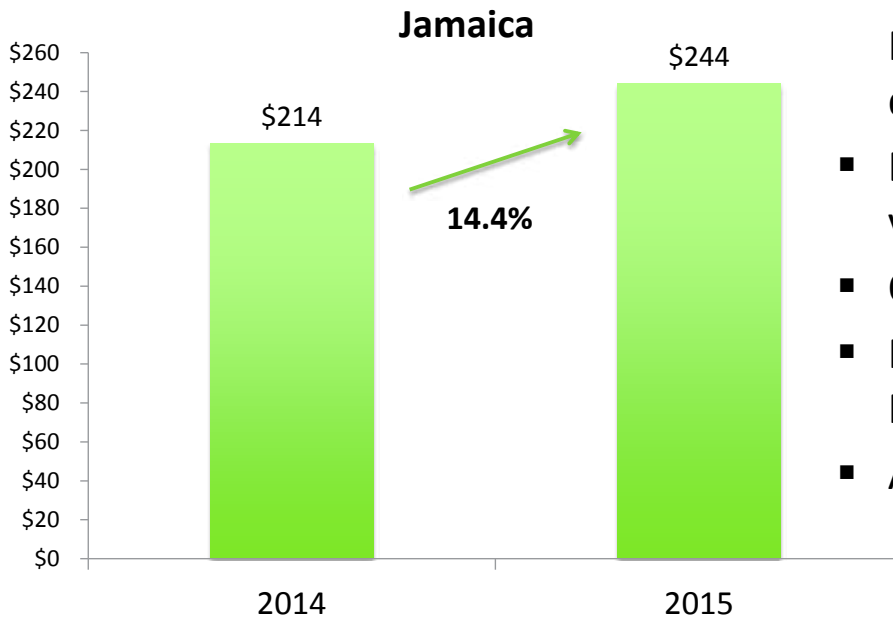
Jamaica Experienced Strongest RevPAR Growth YTD 2015

YTD RevPAR Change (%)



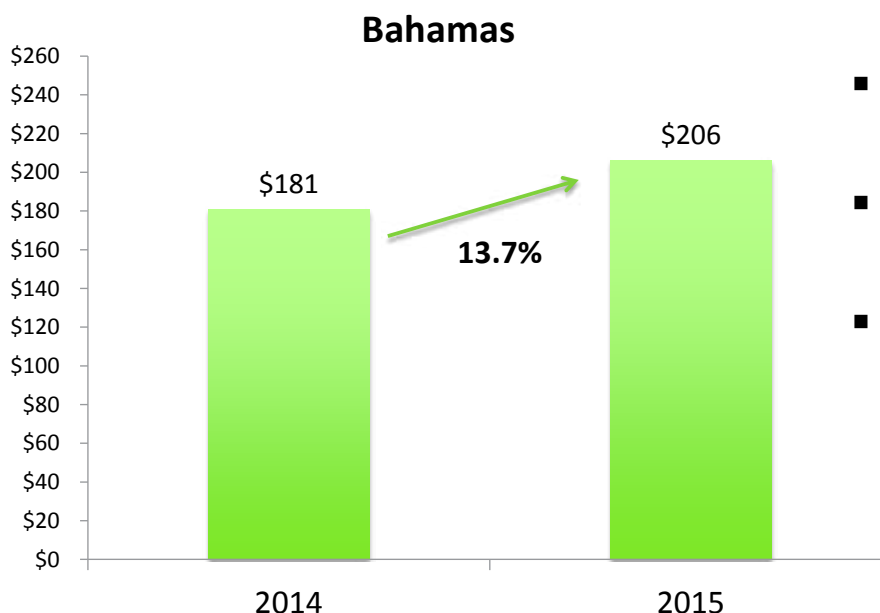
Source: Smith Travel Research; Parris Jordan

Expanding All-Inclusive Market Brings 14.4% Rise in YTD RevPAR



- Very strong ADR gains Particularly last 7 quarters
- Demand continues very strong growth
- Occupancy levels peak
- Resulting in strong RevPAR gains
- All inclusive dominates

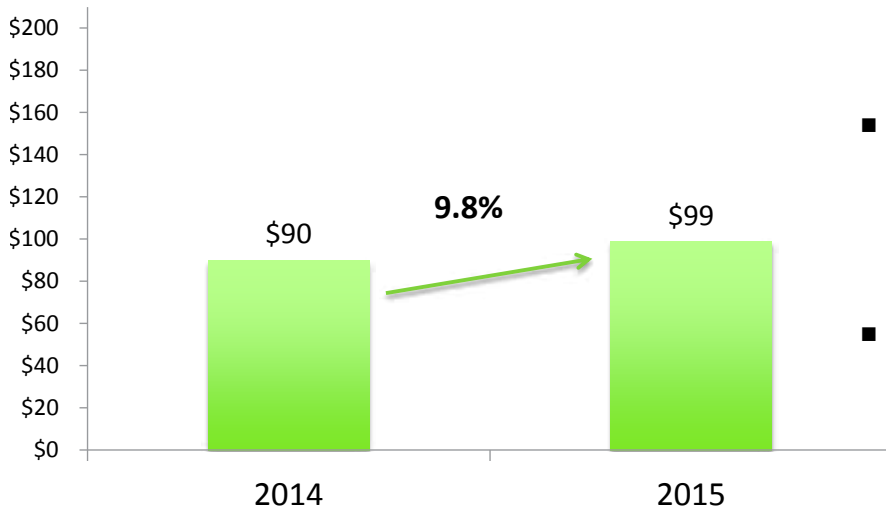
Market exhibiting strong increases to RevPAR driven by huge gains in ADR



- Rate increases past two years.
- Substantial YTD increase in ADR
- Occupancy levels improving
- Existing hotels performing very well – bracing for new supply

Dominican Republic market continues to exhibit strong fundamentals

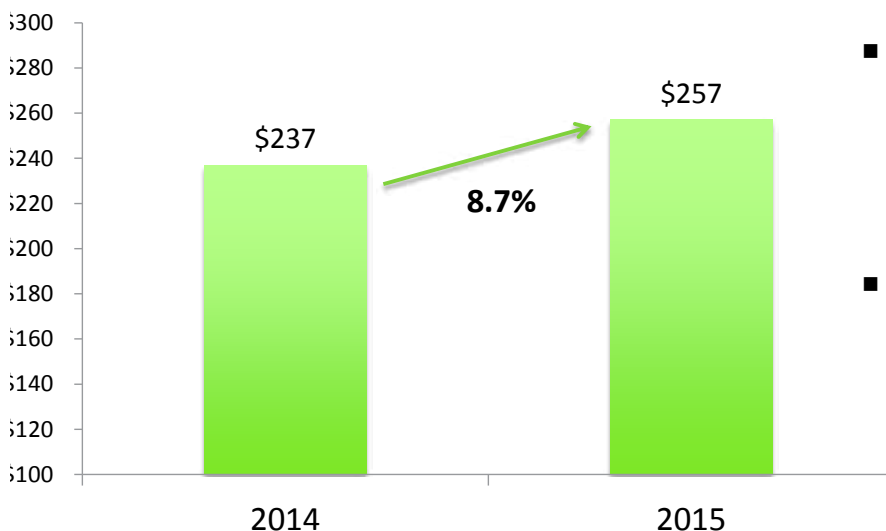
Dominican Republic



- Double digit ADR increases four of last five years
- Occupancy gains – last 4 years resulting in over 70% occupancy
- Visitor arrivals continue to increase particularly from the US

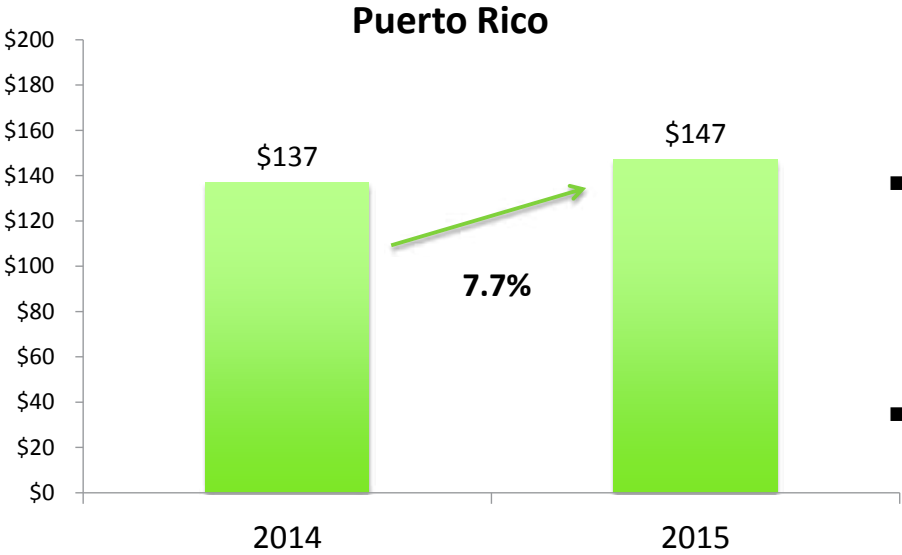
Substantial ADR Growth as Operators Target Higher Rated Business

Cayman Islands



- Very strong gains to ADR during the YTD period
- Notable gains to occupancy since 2012 peaking in 2014. Above 70%
- Improved hotel performance continues

Notable RevPAR Growth Continues Through Strong Demand

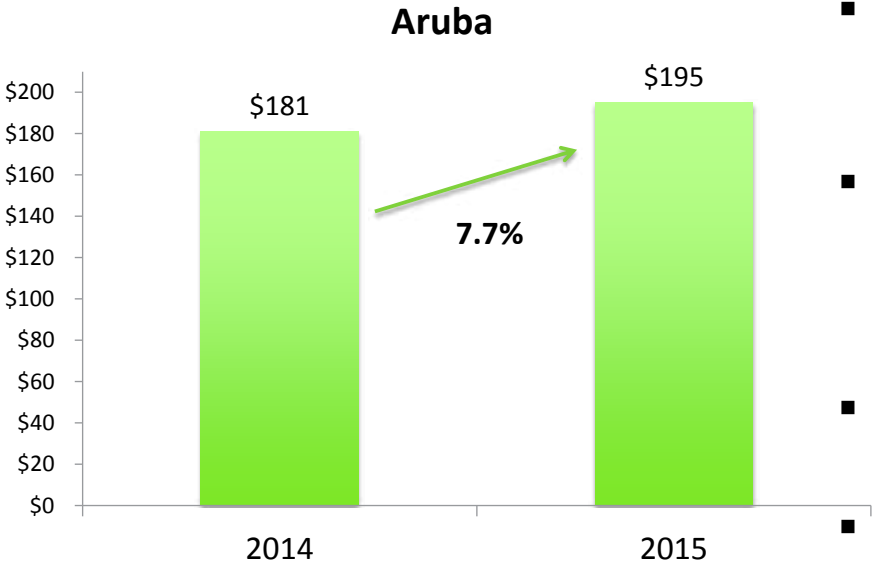


- Forecasted to end 2015 as 5th straight year with gains to ADR
- Occupancy remains high and demand continues to strengthen into YTD
- Leisure market improving



Source: Smith Travel Research & HVS; Parris Jordan

Aruba Market Continues to Post Impressive Gains to ADR

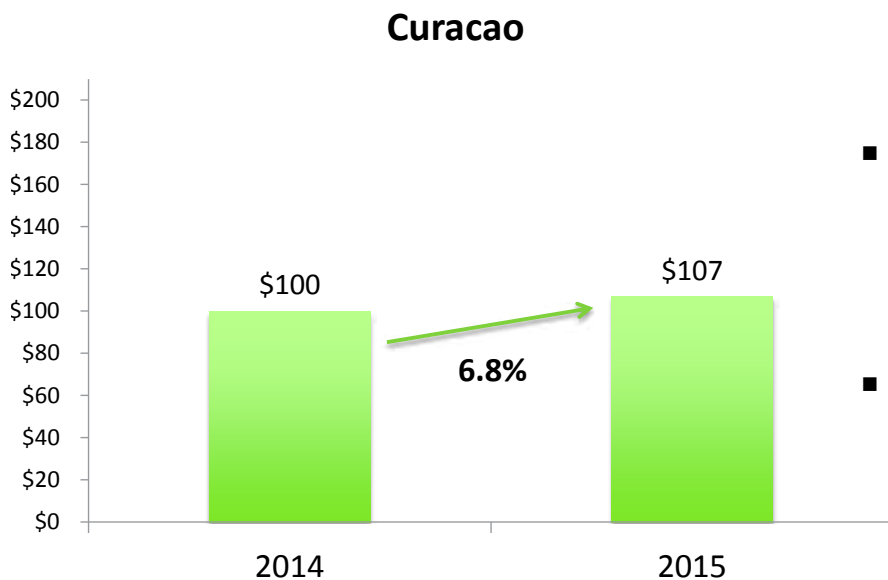


- ADR returned to prior peak since 2011
- Will end 2015 with 6 years of consecutive ADR growth
- Rebranding of existing assets
- Limited new supply



Source: Smith Travel Research & HVS; Parris Jordan

Notable RevPAR gains Demonstrate Strength of the Curacao market



- Notable ADR increases four of last five years
- Branded hotels continue to post impressive occupancy levels
- Increasing airlift – notably from the US – JetBlue and American Airlines

Observations & Trends Market Continues to Strengthen

The Good News

- **Improving Economic conditions continue in 2015**
- **Overall hotel performance continues positive growth**
 - Trending towards 6th consecutive year of ADR and RevPAR growth
 - RevPAR increases will be driven by increases in ADR 3 years in a row
- **Demand levels continue to rise while**
 - trending towards 5th consecutive year of increasing demand
- **Additions to supply levels are low** – but slowly increasing
- **Operators generating higher revenues (driven by rooms revenue) while expenses decreasing** (particularly electricity)
- **Strong gains in NOI past four years**
- **ADR and RevPAR levels surpassed the prior peak in 2014**
- **Visitor Arrivals continue upward trend** – grew above market
- **Airlines increasing Airlift to the Region** – JetBlue and American Airlines

Observations & Trends

Other Good News

- **Owners have more options for refinancing**
- **Traditional lenders are slowly returning to the market**
 - LTV 50-60% range
 - DCR 1.4 – 1.5X
 - Interest rates L + 400-550 range – refinancing
 - L + 450-600 range – new construction – project, sponsor, location and brand are all critical
 - US CMBS lenders in the market 6-6.5% interest rate
 - High Yield lenders available, particularly on renovation projects; rates between 12-15%. Equity kicker depending on project duration or lack of coverage on cash flow

Observations & Trends Challenges Remain

- Airline ticket prices still high despite lower fuel prices
- Increasing competition from other warm weather destinations – with newer hotels
- Traditional lenders are slow to return to the market – will consider the best opportunities in the better markets
- Financing for new construction still very difficult to attain – significant equity required

Cruise ships docked at St. Thomas, U.S. Virgin Islands

