

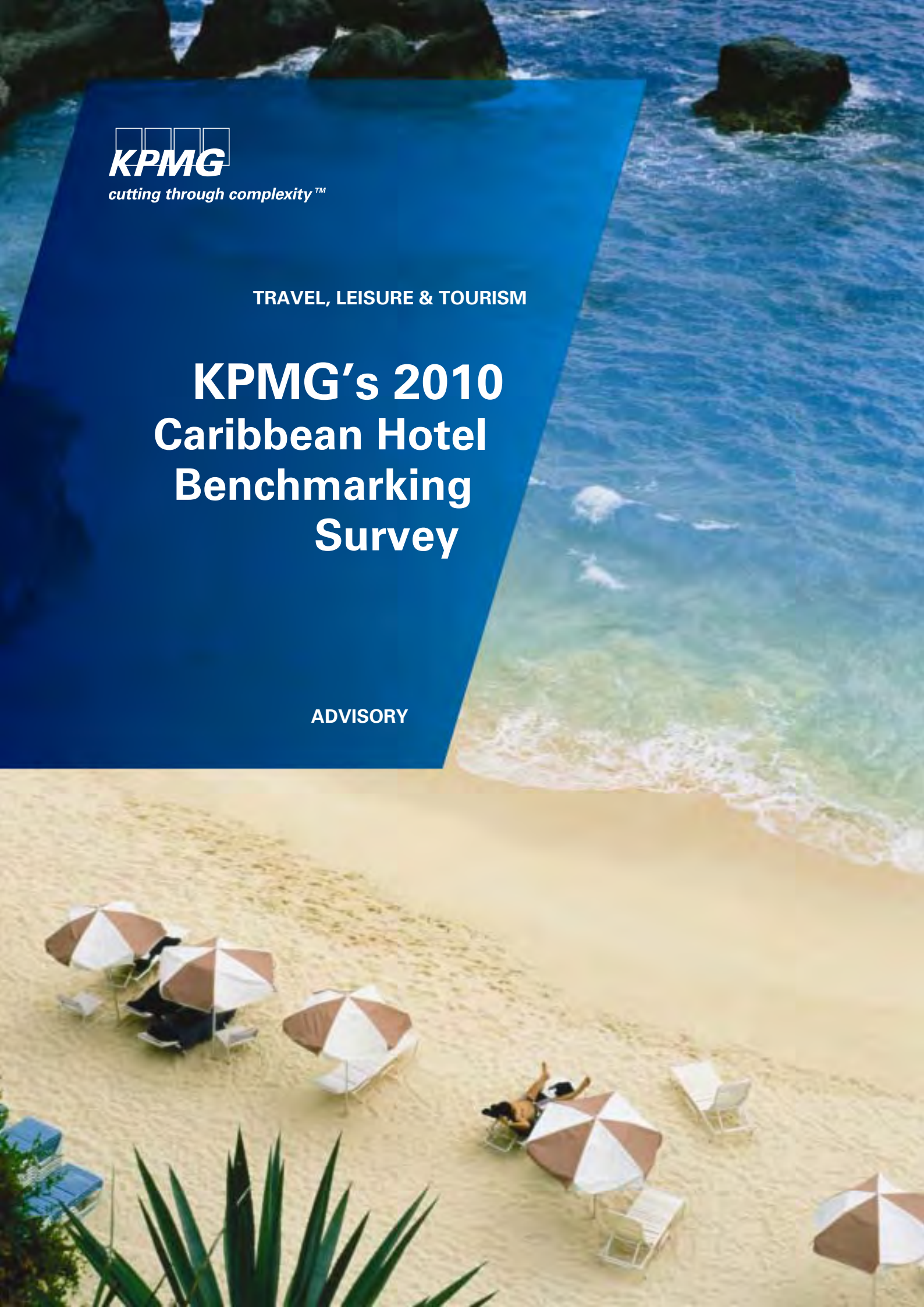


*cutting through complexity™*

TRAVEL, LEISURE & TOURISM

# KPMG's 2010 Caribbean Hotel Benchmarking Survey

ADVISORY





# KPMG's 2010 Caribbean Hotel Benchmarking Survey

Dear Reader,

KPMG's Caribbean Travel, Leisure and Tourism group is pleased to release the results of the 2010 Caribbean Hotel Benchmarking Survey, which has been designed to help owners, operators, lenders and investors better understand the profile and performance of hotels in the Caribbean.

The 2010 Survey was able to build on the success of the inaugural 2008 Survey.

In the intervening period, the investment and operating climate has become more challenging with global economic problems, particularly in the primary source markets for the region, resulting in increasingly price sensitive, value-driven customers.

The resultant squeeze on rates and occupancies is reflected in the operational and financial performance of the respondents which show 2009 profitability and key performance indicators down significantly when compared to 2008. The good news, however, is that a rebound may be in sight for 2011 as rates and occupancies began to recover in 2010 and properties implemented a number of performance improvement strategies.

We would like to take this opportunity to convey a special thank you to our Survey participants (who will also receive a more detailed analysis of the financial results separately). We welcome participation from additional properties for future surveys.

If you have any questions concerning the Survey please contact any of those named below or your local KPMG office listed on the back page.

Sincerely,



Charlene Lewis-Small  
*Associate Director*  
*KPMG in The Bahamas*



Gary Brough  
*Managing Director*  
*KPMG in The Turks and Caicos Islands*



Stephen Woodward  
*Director*  
*KPMG in Bermuda*

# Overview

## Methodology

KPMG's Travel, Leisure & Tourism practice in the Caribbean conducted benchmark surveys into the region's hospitality industry. Financial information for 2008 and 2009 was collected from hotel properties in various Caribbean jurisdictions.

This report is based on the survey data collected. Financial information was analyzed on a consolidated basis and is based on a non-weighted average (mean) of the number of properties.

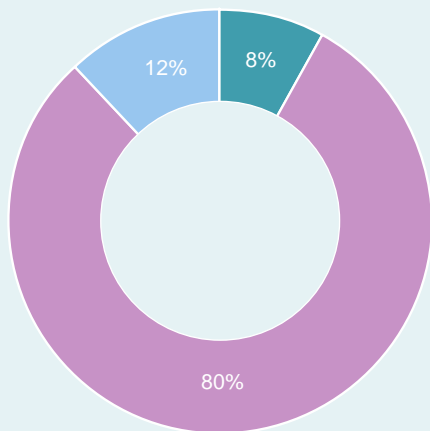
Financial information is presented in accordance with the tenth edition of the Uniform System of Accounts for the Lodging Industry (USALI). Survey responses were reclassified according to USALI where necessary.

The Survey responses were not audited.



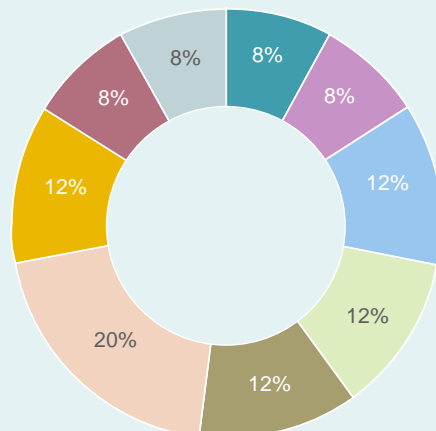
## Profile of Survey respondents

Property type



■ All inclusive ■ Full service ■ Limited service

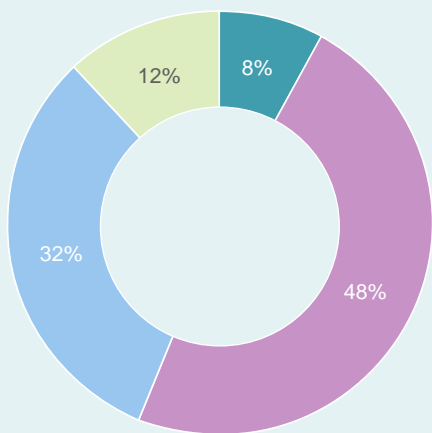
Location



■ Bahamas ■ Barbados  
 ■ Bermuda ■ British Virgin Islands  
 ■ Dominican Republic ■ Dutch Caribbean  
 ■ Eastern Caribbean ■ Turks and Caicos Islands  
 ■ Other



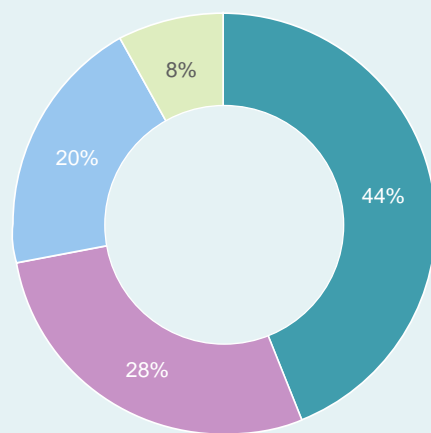
Ownership/management structure



- Independent operator with franchise
- Independent operator without franchise
- Managed by international chain
- Part of a chain of privately owned hotels

Source: KPMG International, KPMG's 2010 Caribbean Hotel Benchmarking Survey

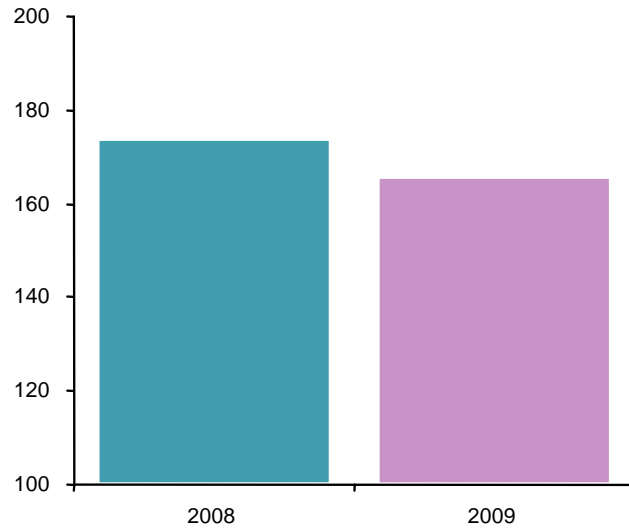
Hotel size



- Under 75 rooms
- 75-199 rooms
- 200-499 rooms
- Over 500 rooms

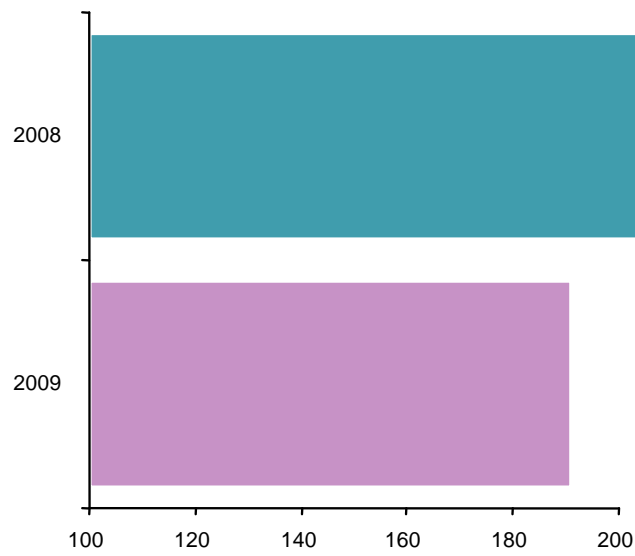
Source: KPMG International, KPMG's 2010 Caribbean Hotel Benchmarking Survey

### Average number of available rooms



Source: KPMG International, KPMG's 2010 Caribbean Hotel Benchmarking Survey

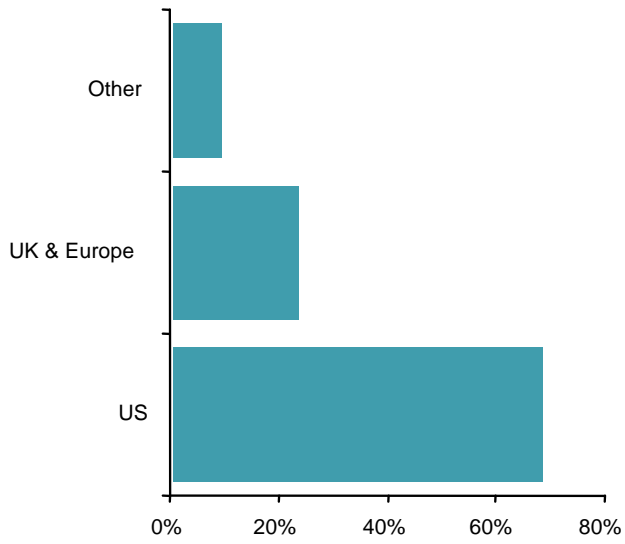
### Average number of full time employees



Source: KPMG International, KPMG's 2010 Caribbean Hotel Benchmarking Survey

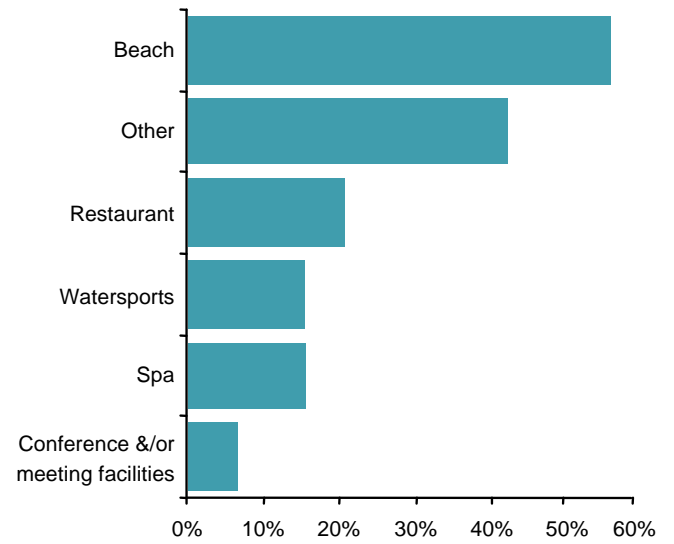


#1 source market



Source: KPMG International, KPMG's 2010 Caribbean Hotel Benchmarking Survey

#1 amenity



Source: KPMG International, KPMG's 2010 Caribbean Hotel Benchmarking Survey



# Benchmarking results

Profitability in 2009 fell by more than 50% when compared to 2008. Faced with cost-conscious guests and shorter booking windows, the industry actively discounted rates in an effort to maintain occupancies. Despite lowering rates in 2009, some properties still posted lower occupancies. As such, 2009 occupancy was down 7% over 2008. Moreover, guest spending on incidentals dropped as visitors sought to cut back on vacation expenses. While there was only a slight decline in 2009's average rates, the overall result was a nearly 14% drop in 2009 RevPAR when compared to 2008.

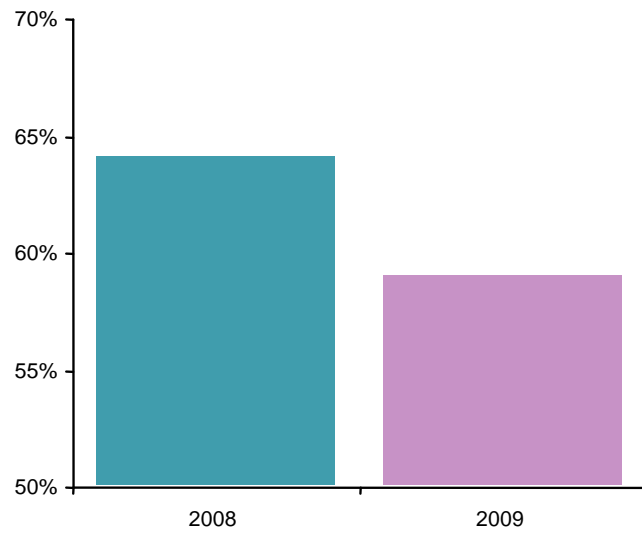
The global economic downturn and ensuing uncertainty in the US, the region's primary source market, further exacerbated these issues. Additionally, hotels continued to be challenged by escalating crime and social unrest as well as managing energy costs, increasing taxes and average employee costs, with limited ability to pass on increases to guests. In 2009, some properties were also affected by extended closures due to hurricane activity or the decision to conduct extensive renovations. In such cases, many were unable to trim the associated fixed expenses as expected. Combined with increased marketing spend to help drive guest traffic, the hotels participating in our Survey barely broke even at a gross operating profit level for 2009.





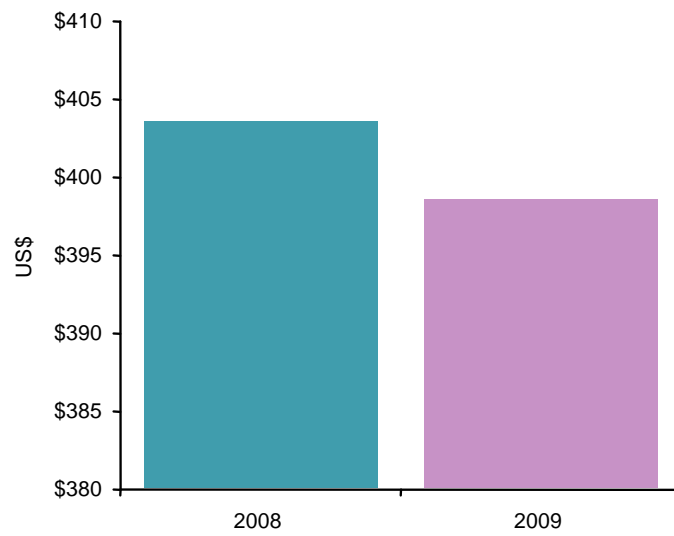


## Occupancy



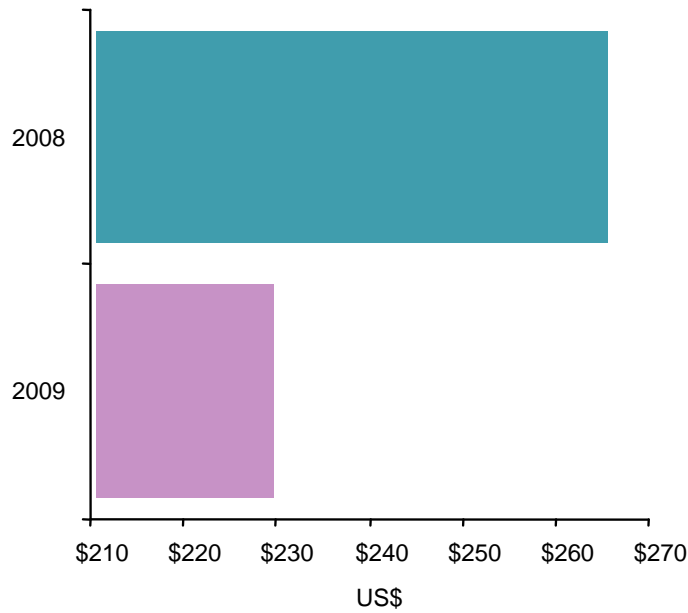
Source: KPMG International, KPMG's 2010 Caribbean Hotel Benchmarking Survey

## ADR



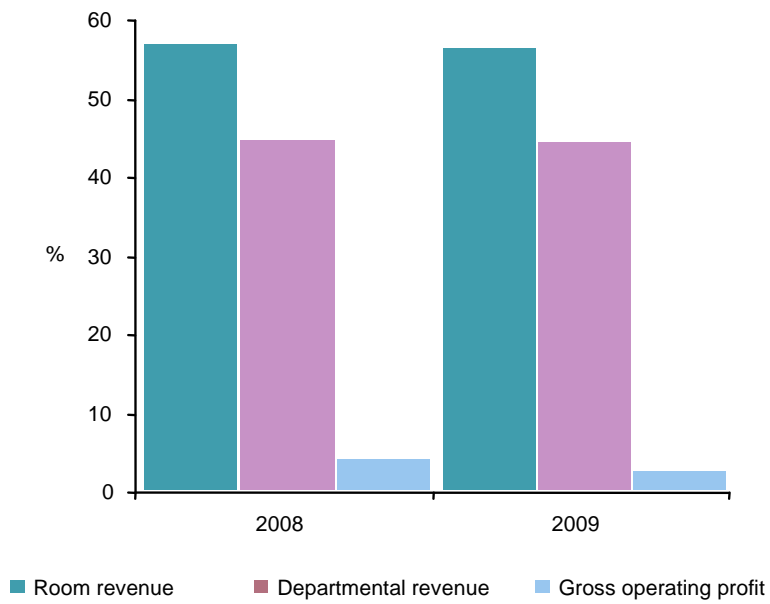
Source: KPMG International, KPMG's 2010 Caribbean Hotel Benchmarking Survey

RevPAR



Source: KPMG International, KPMG's 2010 Caribbean Hotel Benchmarking Survey

Profitability (as % of Total Revenue)



Source: KPMG International, KPMG's 2010 Caribbean Hotel Benchmarking Survey

# Managing performance

Hotels undertook a number of measures to mitigate the difficult operating environment, with varying degrees of success as shown below:

Action	Used in 2009/2010	Effectiveness (scale, 1 to 5)	Intend to use in 2010/2011
Maintaining occupancy	59%	3.9	56%
Discounting room rates	33%	3.6	41%
<b>Rate obscuring packages:</b>			
Value-added packages	52%	3.3	52%
Extra night free	44%	3.6	41%
Opaque distribution channels	19%	2.2	19%
Two for one nights	11%	2.3	4%
Prepaid food & beverage	37%	3.4	41%
Packages with airfare and/or car	19%	2.3	15%
<b>Marketing:</b>			
New market segments	37%	3.3	37%
Pay per click advertising	19%	2.8	19%
Loyalty programs	15%	3.5	30%
Social media	33%	3.0	44%
<b>Cost cutting:</b>			
Reduced hours of operations	22%	3.4	19%
Closed facilities	15%	2.8	15%
Reductions in staff levels	41%	3.0	33%

# Outlook

Below we compare the results of respondents' confidence in the industry against that of lenders to the industry as reflected in our 2010 Caribbean Financing Survey (scaled for comparability):

## Caribbean Hotel vs. Caribbean Bank Confidence Barometer



Source: KPMG International, KPMG's 2010 Caribbean Hotel Benchmarking Survey

## What hotels are saying:

"Growth is visible again"

"The only way is up"

"Flat growth overall"

"... fundamental brand issues...need to be resolved"

"We seem to have turned the corner... expect 2011 to be better than 2010, especially occupancy wise"

"Reduced rates continue to squeeze profits."

"2008 was a record year for us but the huge reduction in demand and significant negative impact on average rate resulted in 2009 being the worst record in our history."

"We are not going to meet our projected occupancy rates for 2010. Average room rates are lower than we have anticipated."

**O**verall, most respondents expect 2010 to show improved performance over 2009 and for meaningful recovery to begin in 2011. Nearly one third of hotels indicated that they intend to undertake renovations within the next 24 months. This compares to less than 10% of hotels planning to restructure or refinance over the same period.





# KPMG's Caribbean Travel, Leisure and Tourism Contacts

This Survey is a collaborative effort by KPMG firms in the region. Please do not hesitate to contact the KPMG firm represented in your country if you have any questions. KPMG firms are represented in more than 20 countries in the Caribbean region, and have a specific knowledge and understanding of the business, cultural, economic and political facets of conducting business in each country.

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