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KPMG's 2011 Caribbean Hotel Benchmarking Survey

Travel, Leisure and Tourism
August 2011

KPMG INTERNATIONAL





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Dear Reader:

KPMG's Caribbean Travel, Leisure and Tourism group is pleased to present the results of the 2011 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.

Since releasing our last survey several Caribbean destinations have begun to show signs of stabilization with increased visitors and occupancies. However, the hotel industry continues to operate in difficult times with challenges of lower daily rates, falling visitor spend and higher operating costs leading to reduced profitability in 2010. Nevertheless, most Survey participants do expect to see significant improvement in market conditions over the next 12 to 24 months and several are investing in order to capture some of this anticipated growth. What is clear, however, is that there are no "quick fix" solutions for the region and improvements will take time and a lot of hard work and will, in many ways, depend on global economic conditions and developments.

We take this opportunity to say 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 us 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*

Overview

Methodology

KPMG's Travel, Leisure and Tourism practice in the Caribbean conducted benchmark surveys into the region's hospitality industry. Financial information for 2009 and 2010 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.

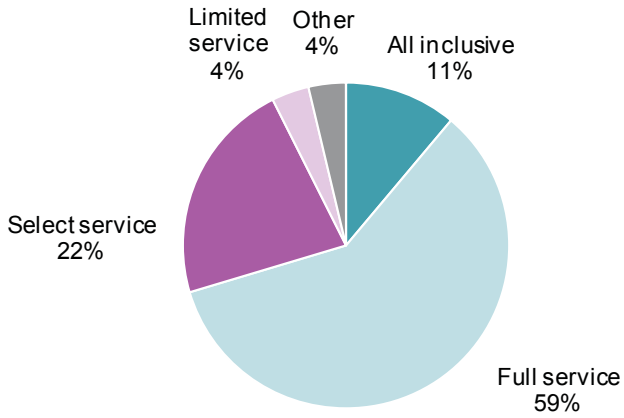
Financial information is presented in accordance with the tenth edition of the Uniform System of Accounts for the Lodging Industry (USALI). Survey responses were reclassified according to USALI where necessary.

The Survey responses were not audited.



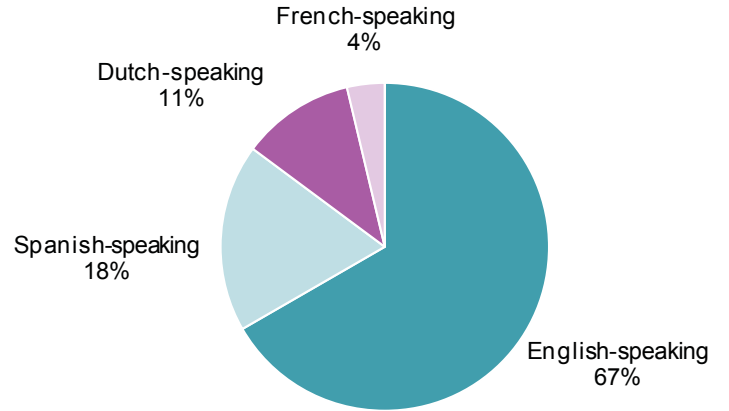
Profile of survey respondents

Property type



Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

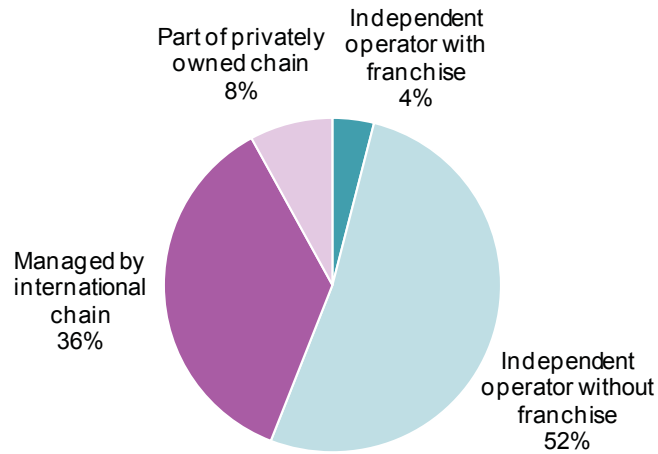
Caribbean location



Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

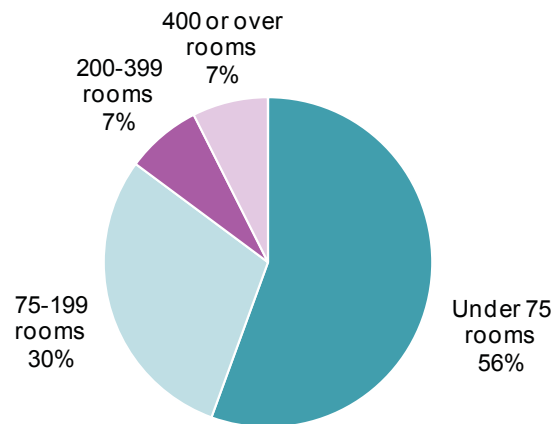


Ownership/management structure



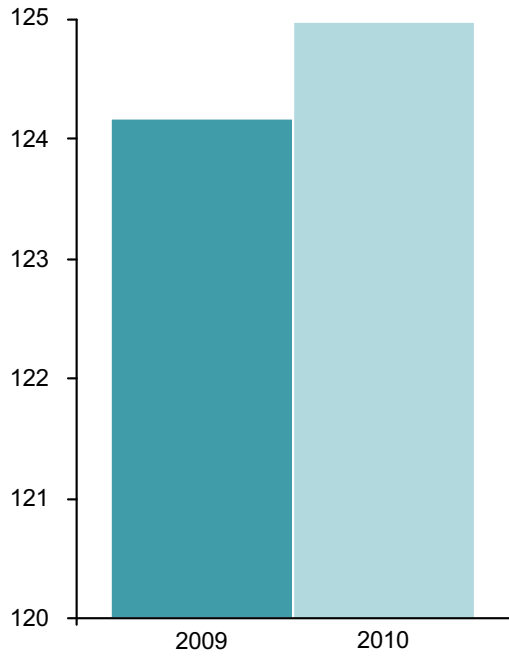
Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

Hotel size



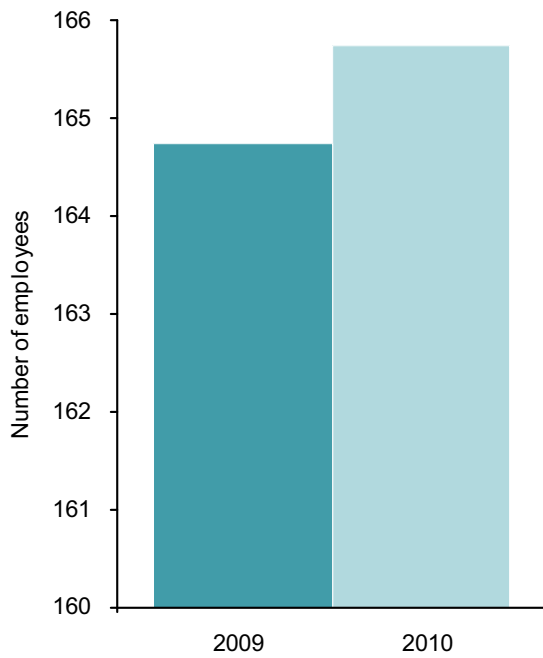
Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

Average number of available rooms



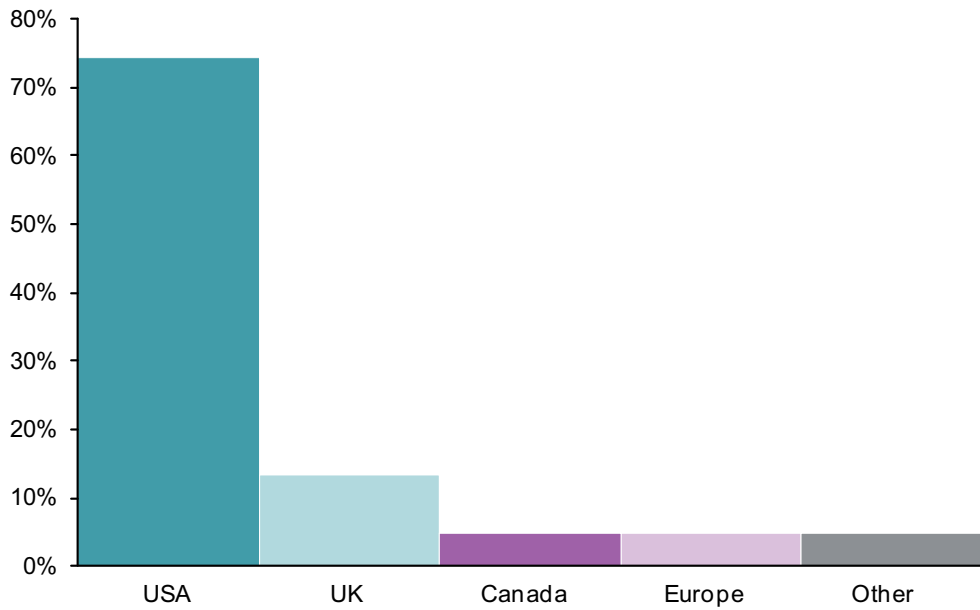
Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

Average number of full time employees



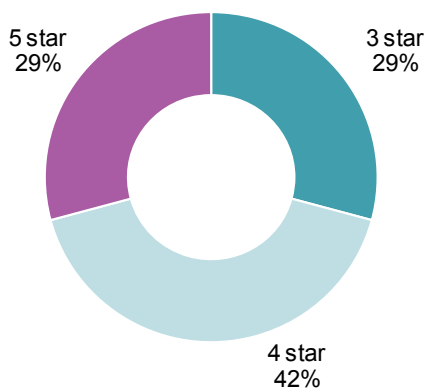
Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

Primary guest market



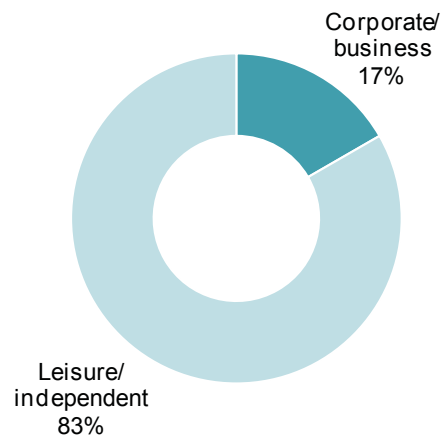
Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

Rating



Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

Primary guest segment

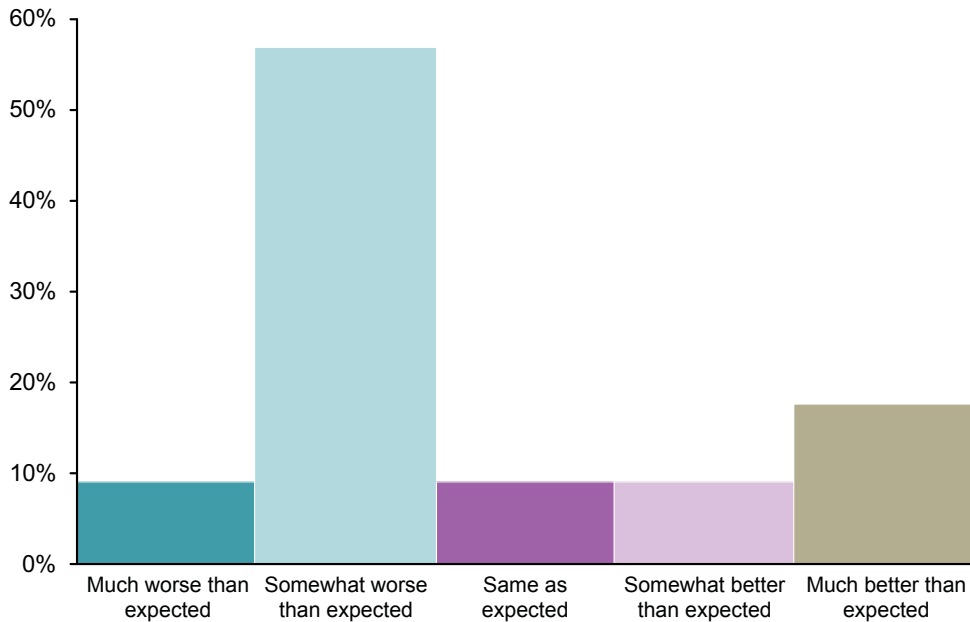


Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

Benchmarking results

Approximately two-thirds of participating hotels reported that 2010's performance did not meet budget.

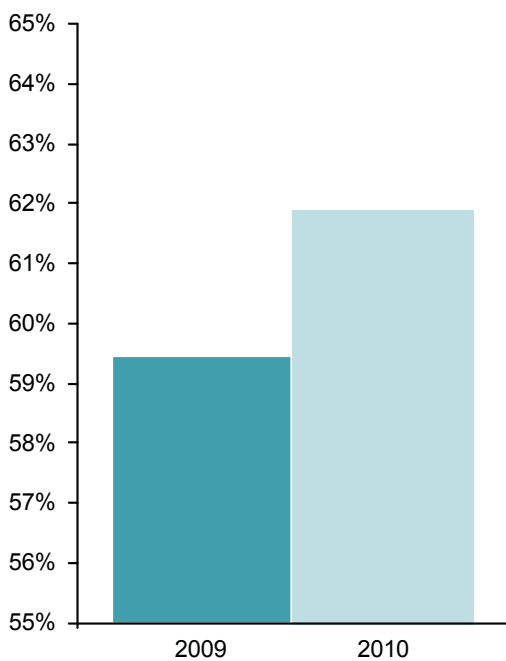
How did 2010's performance compare to budget?



Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

The 3% increase in RevPAR includes the combined effect of a 1% dip in ADR against a 4% increase in occupancy.

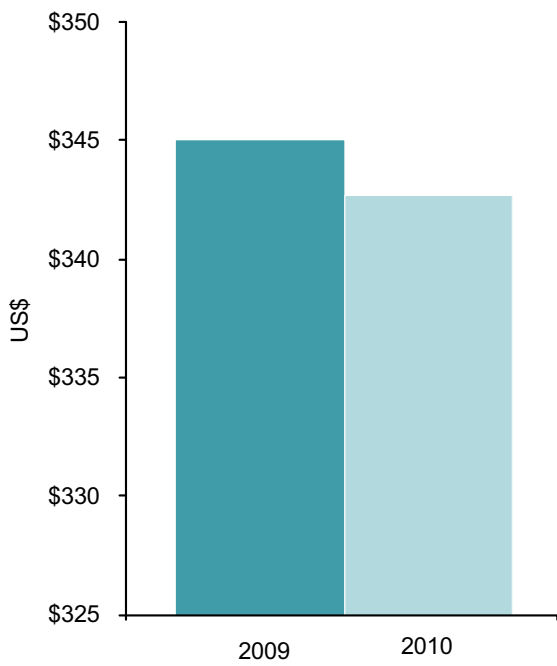
Occupancy



Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

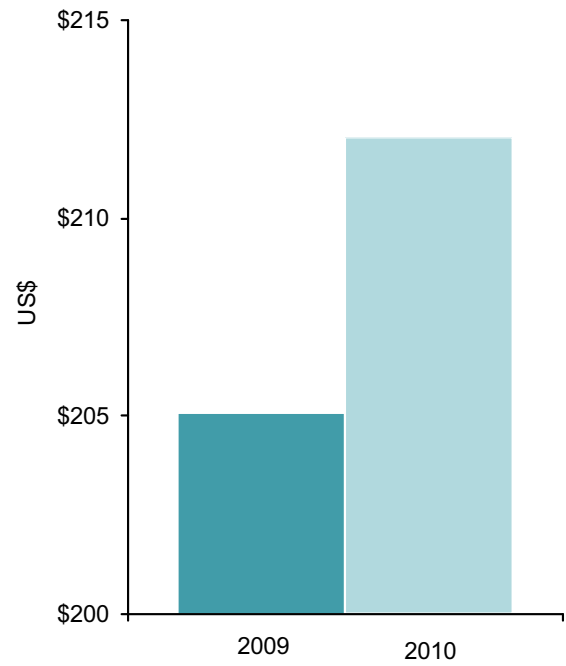


ADR



Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

RevPAR



Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

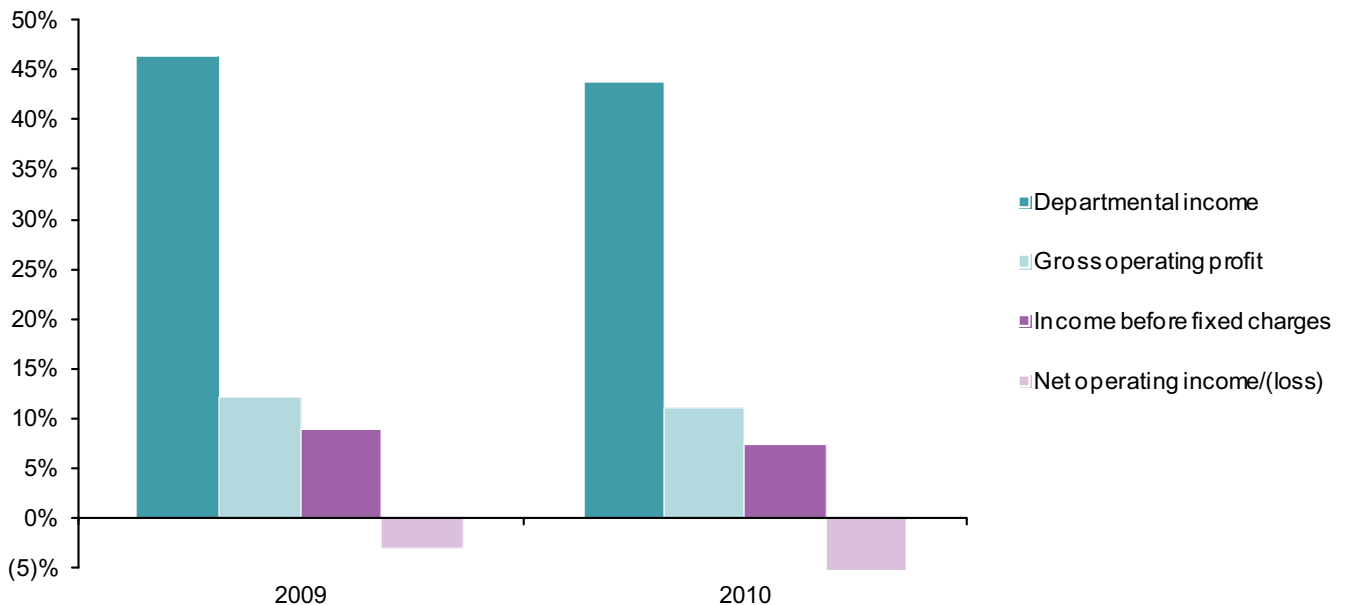


Despite the uptick in certain key performance indicators, 2010's profitability was down across the board when compared to 2009, largely because of:

- a decrease in guest expenditure on discretionary/incidental items
- increases in expenses related to other operated departments, utilities, management fees and fixed costs

On average, reporting hotels posted positive income before fixed charges but negative net operating income. Nevertheless both the average room and full-time employee counts held steady over the period.

Profitability (as % of total revenue)

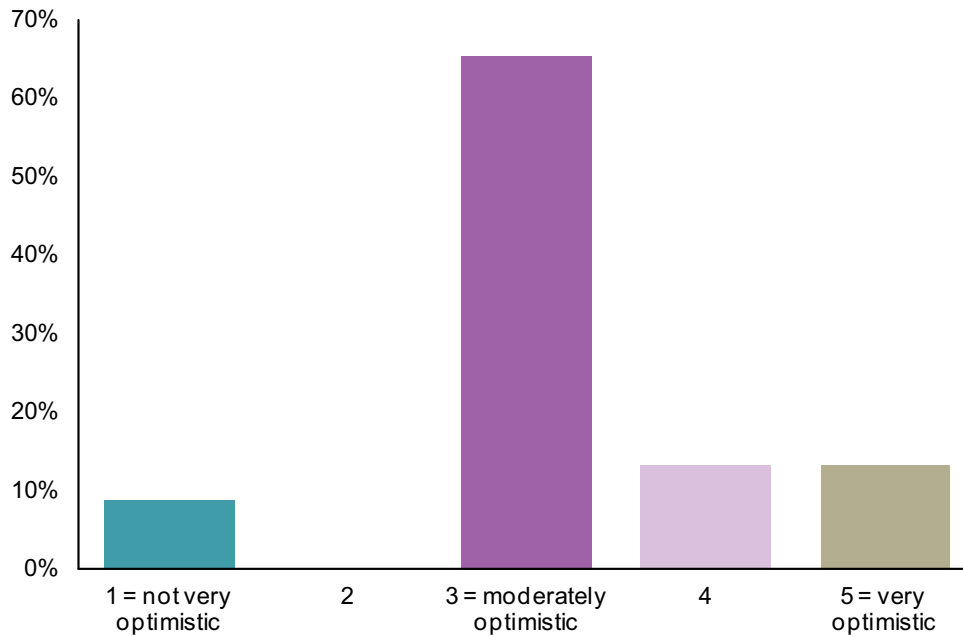


Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

Outlook

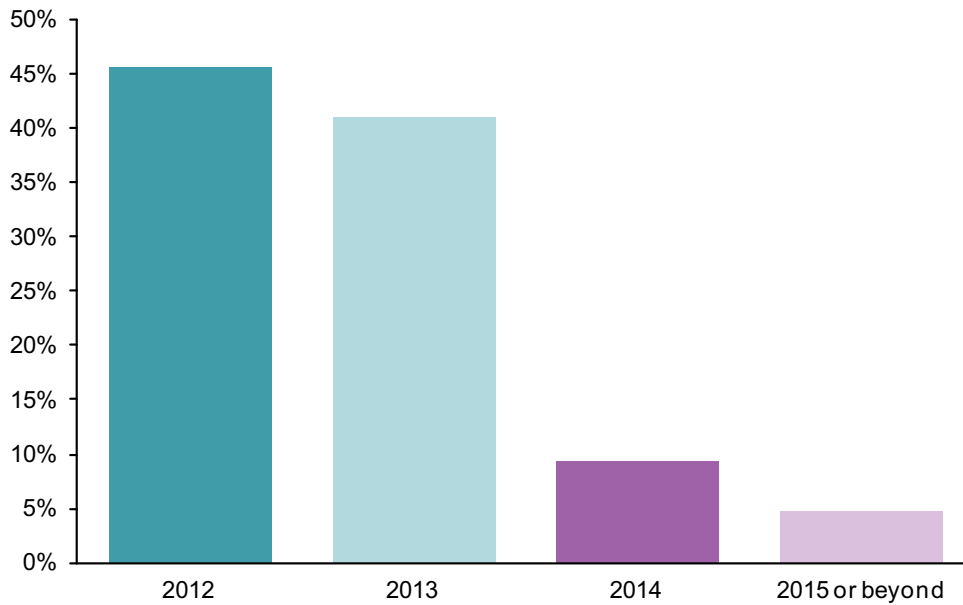
Most hotels in the Survey believe 2011 will be better than 2010 but that meaningful growth will not return until 2012 or 2013.

Will 2011's performance be better than 2010's?



Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

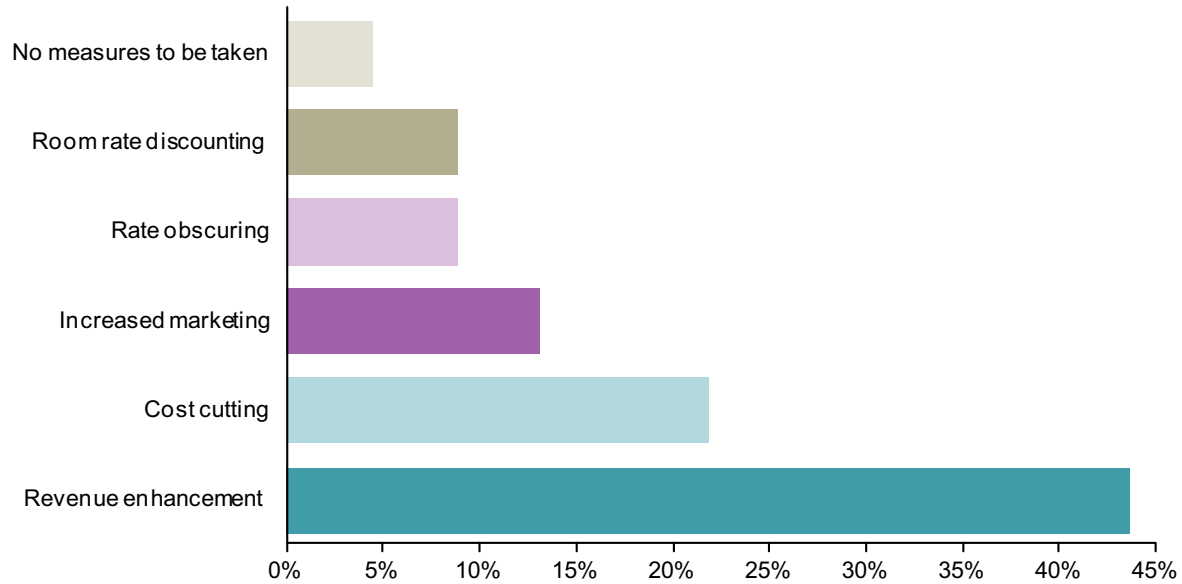
When will growth return?



Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

In an effort to maintain rates and occupancies, nearly 45% of hotels are using revenue enhancement (e.g. up-selling, cross-selling, improving reservation systems, etc.) as their primary performance improvement tool for 2011, followed by cost cutting measures at just over 20%.

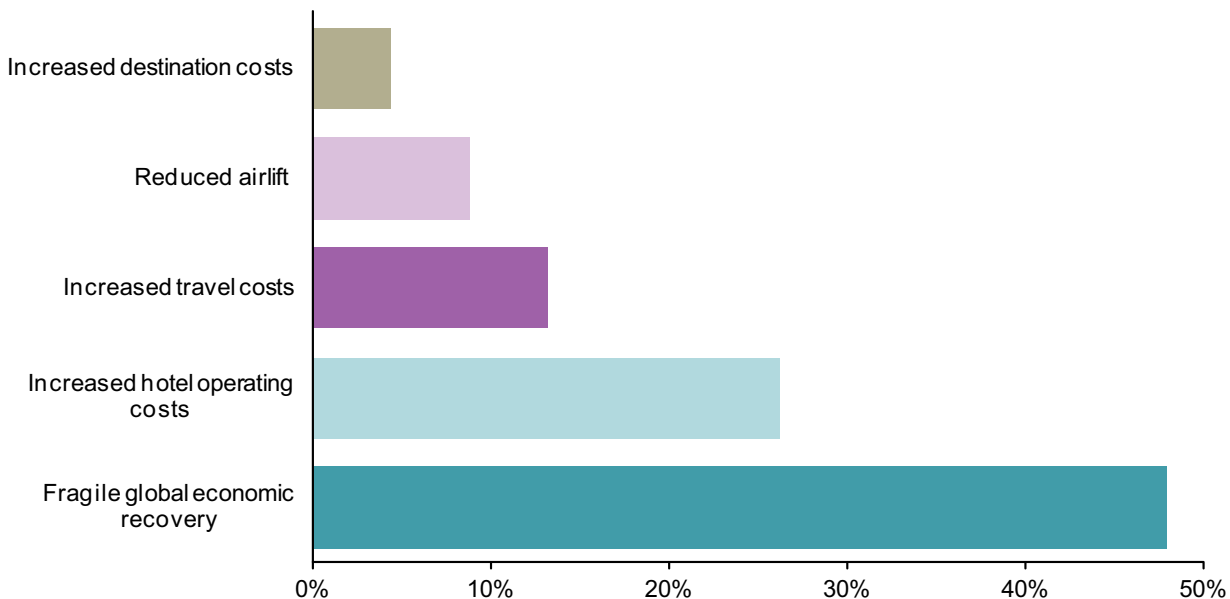
Primary performance improvement tool for 2011



Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

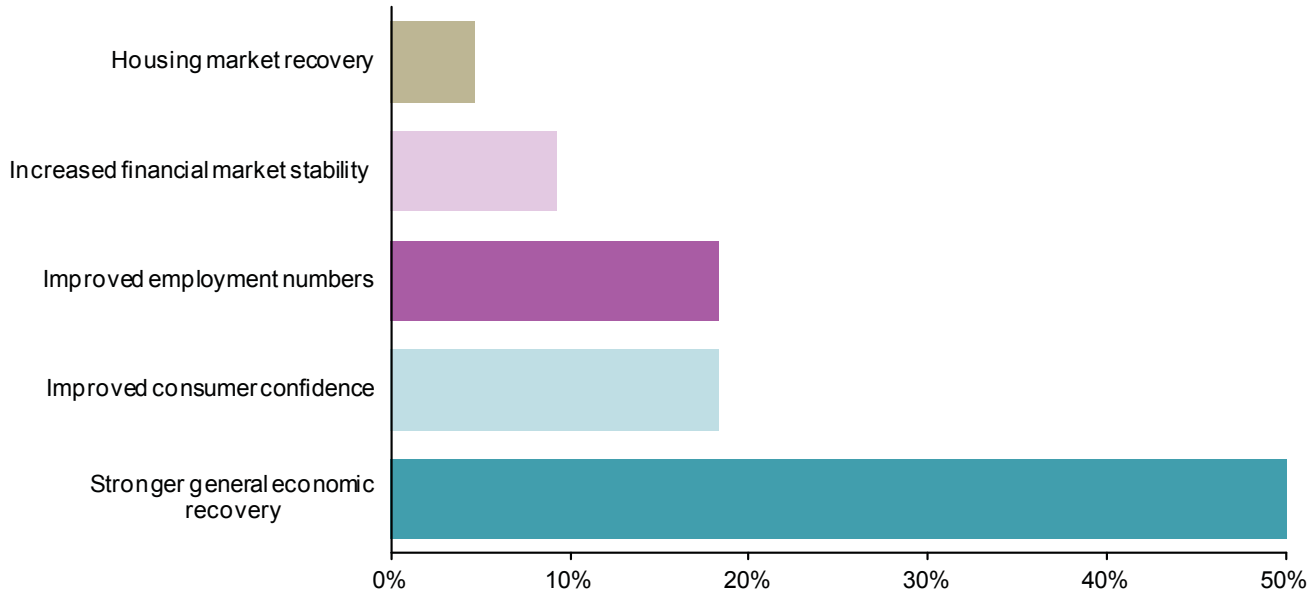
Slow economic recovery, particularly in the main source markets for visitors, is seen as the primary hindrance to a rebound in the Caribbean tourism industry. As such, nearly half of the hotels surveyed believe that a turnaround in the economy will be the main indicator of a return to growth.

Challenges to growth



Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

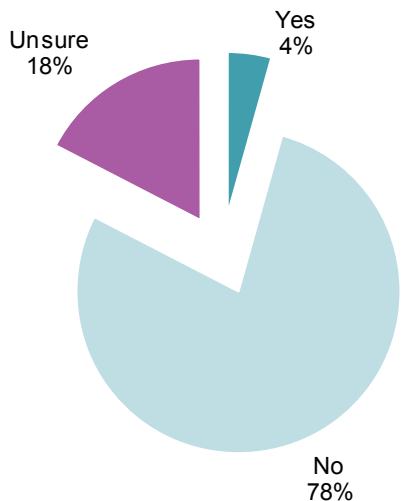
Indicators of growth



Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

Given the difficult operating climate over the last few years, an overwhelming majority of reporting hotels do not believe there is enough regional government leadership to make the changes they think are needed within the tourism industry. Specific concerns noted include the lack of investment in the industry by some jurisdictions and the general cost and availability of airlift.

Are regional governments showing sufficient tourism leadership?

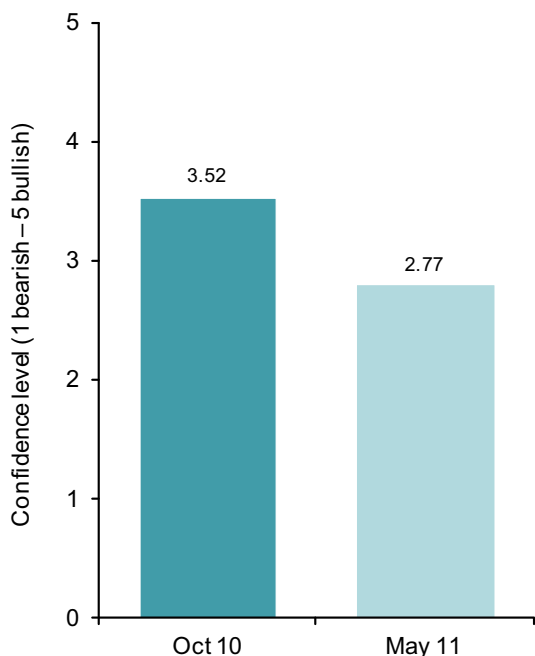


Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

Confidence

Below we compare the results of respondents' confidence in the industry against results from last year as reflected in our 2010 Caribbean Hotel Benchmarking Survey:

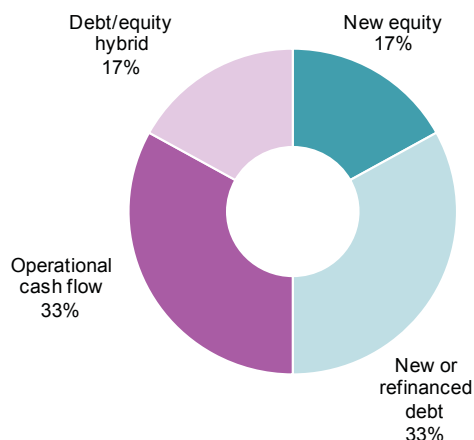
Caribbean hotel confidence barometer



Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

Despite the drop in confidence, more than 40% of hotels indicated that they intend to expand within the next 18 months, using a variety of funding sources:

How will expansion plans be funded?



Source: KPMG International, KPMG's 2011 Caribbean Hotel Benchmarking Survey.

What hotels are saying:

"Growth is visible again"

"Must focus on improving our competitive advantage – people and culture"

"Signs are positive but seen false dawns before"

"The sky is not the limit, only we can limit our skies!"

"Our destination's brand has lost its lustre"

"Until governments fully appreciate the importance of the sector, not just in direct employment and construction, but the ancillary services such as accounting and insurance, their policies will never address the core problems in the sector"

KPMG's Caribbean Travel, Leisure and Tourism Contacts

Please 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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