

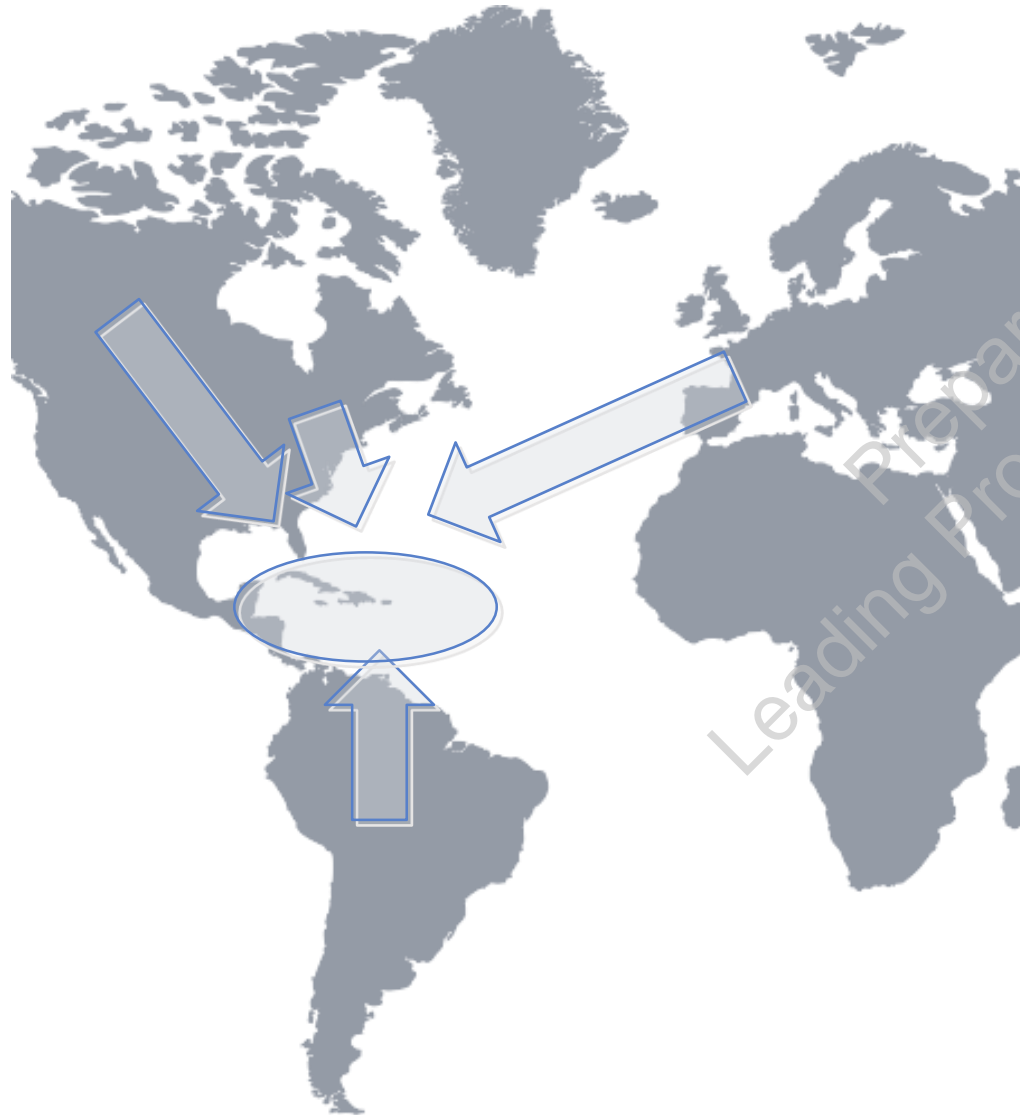
TRAVEL AND RESORT TRENDS IN THE CARIBBEAN & LATIN AMERICA

George Spence

Leading Property Group

September 2018

Why so Popular? The Caribbean is a destination that works for consumers from three continents

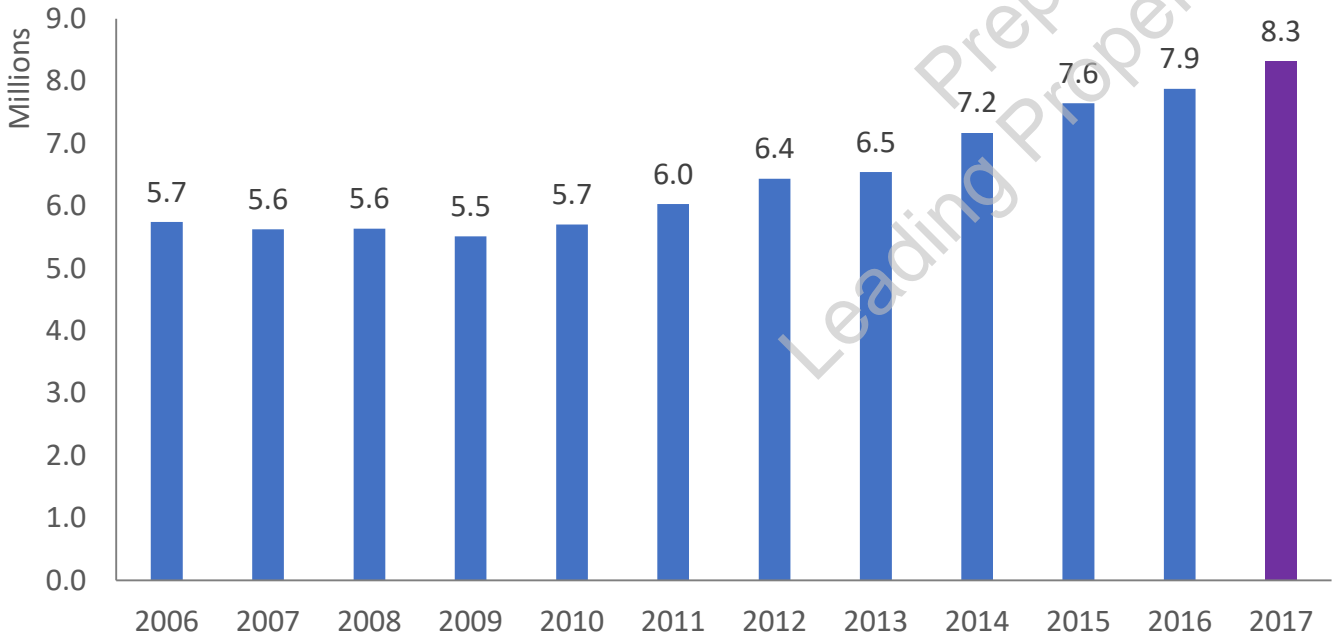


	Cancun	Jamaica	Punta Cana
Travel Time (hrs)			
Miami	1.5	1.6	2.3
New York	3.5	3.6	3.6
Chicago	3.4	4.0	4.4
Buenos Aires	9.0	8.2	8.0
Sao Paulo	8.7	7.6	7.0
Santiago	8.3	7.7	7.7
Madrid	10.4	9.7	8.7
London	10.4	9.9	9.0
Paris	10.7	10.2	9.3
Berlin	11.5	11.0	10.3

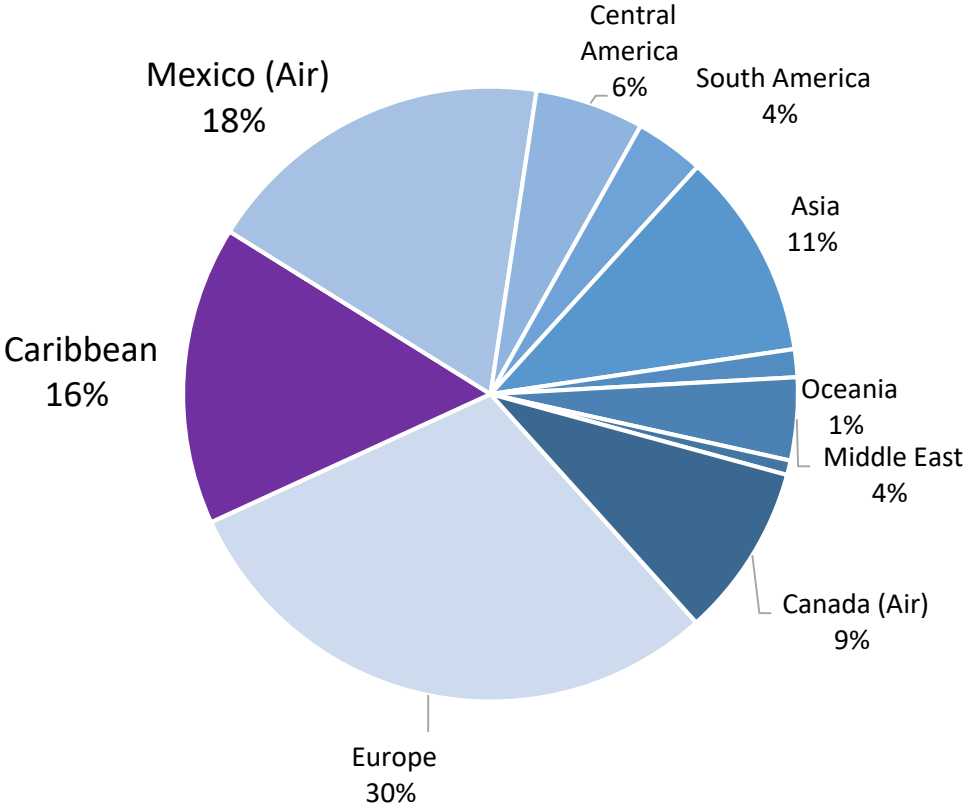
U.S. Travel to the Caribbean has been Growing Persistently Year on Year and is the Caribbean's most important source market

Travel by U.S. citizens to the Caribbean has shown robust growth since 2010.
2010-2017 CAGR of 5.6%

US Citizen Travel to Caribbean, Full Year 2006-2017

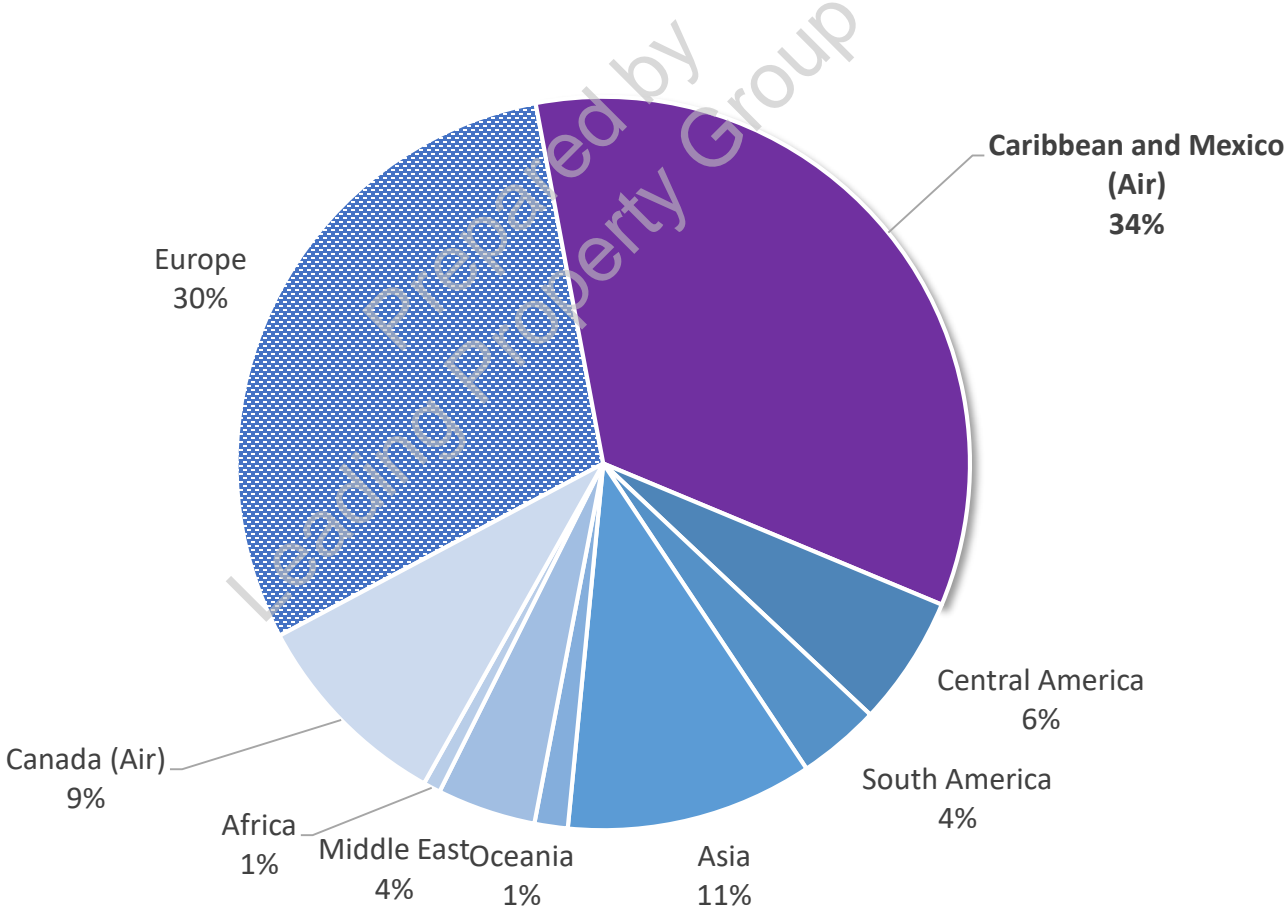


2017 US Citizen Travel Overseas

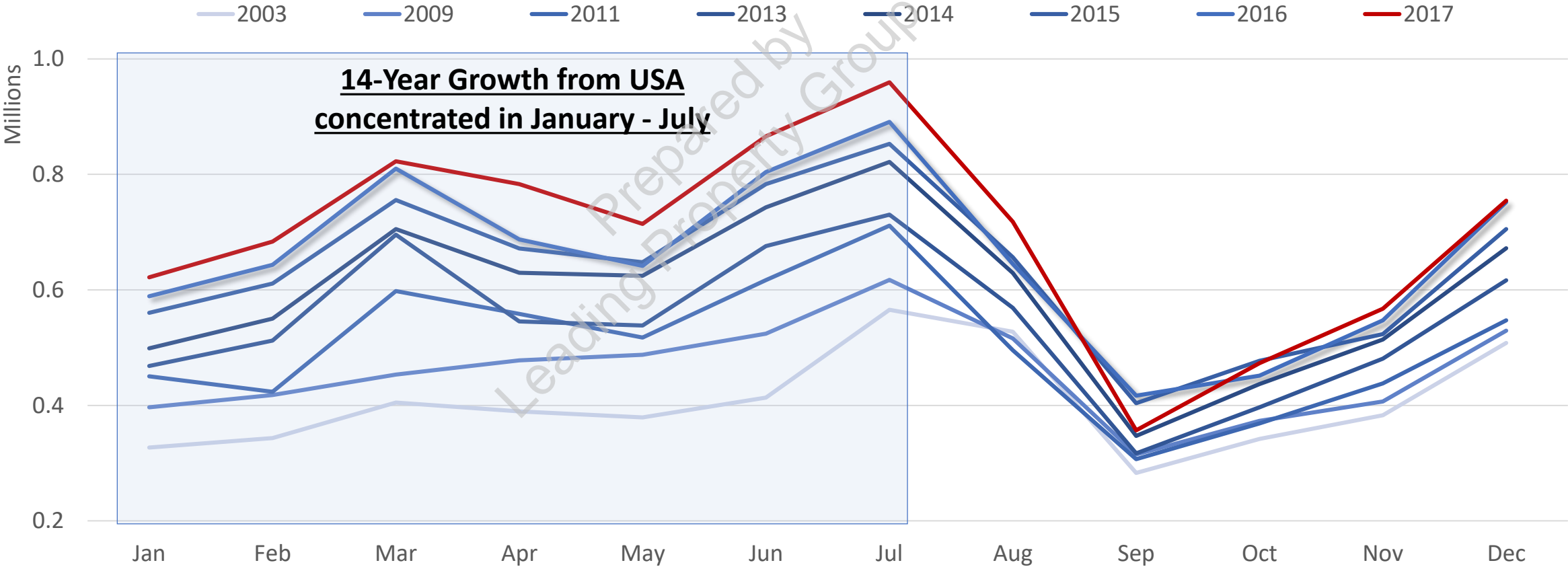


The Caribbean and Mexico, Taken Together, Have Surpassed Europe as the Largest Destination Market for U.S. Travelers

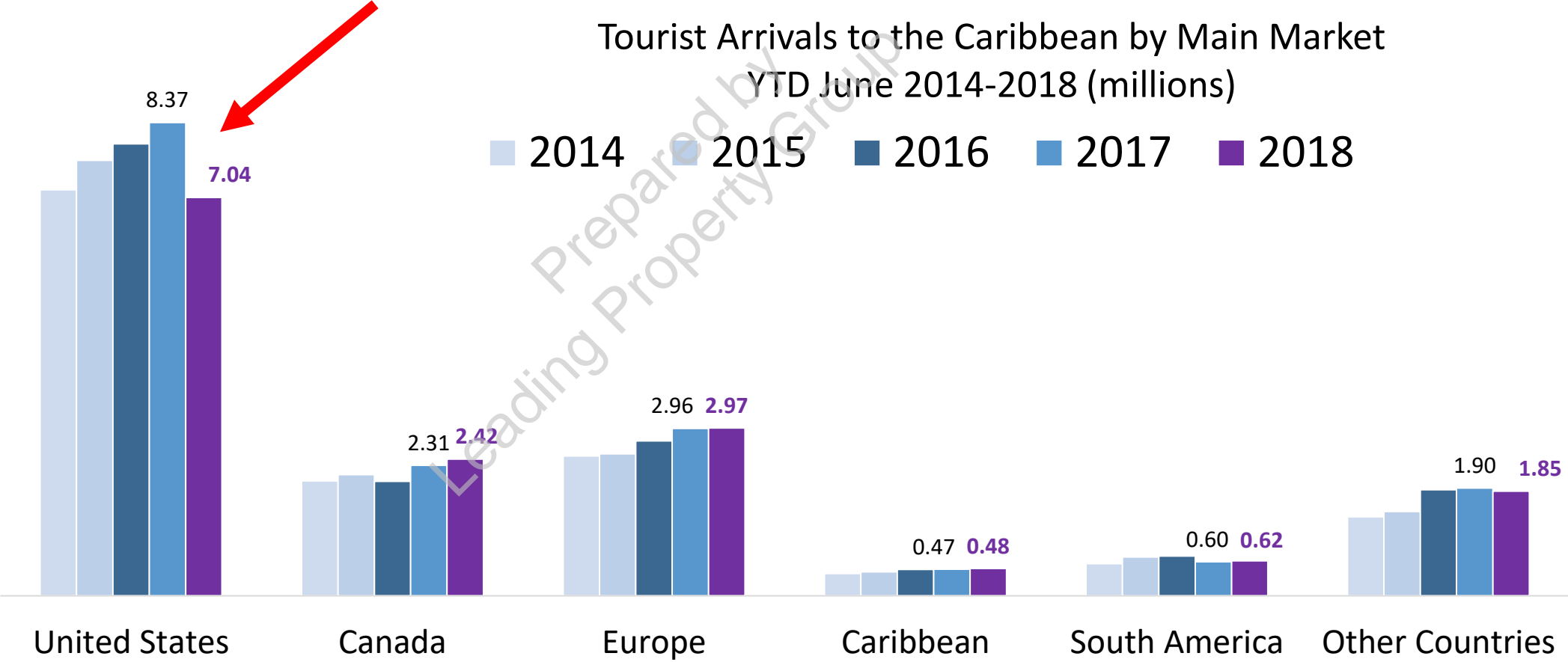
2017 US Citizen Travel Overseas



Monthly US Citizen Travel to the Caribbean: Increasingly Seasonal

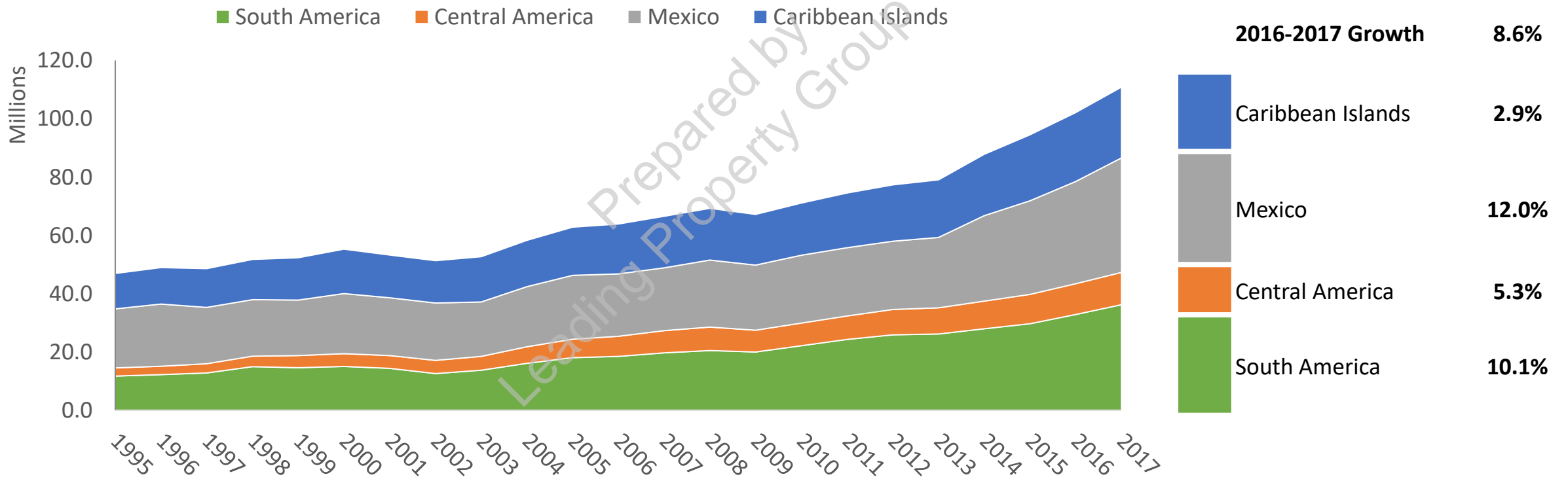


Some decline in U.S. Travel to Caribbean after the Hurricanes of 2017



Tourist arrivals to the Latin-America and Caribbean region have grown at an average rate of 4% over the past 22 years

International Tourist Arrivals to Caribbean and Latin America

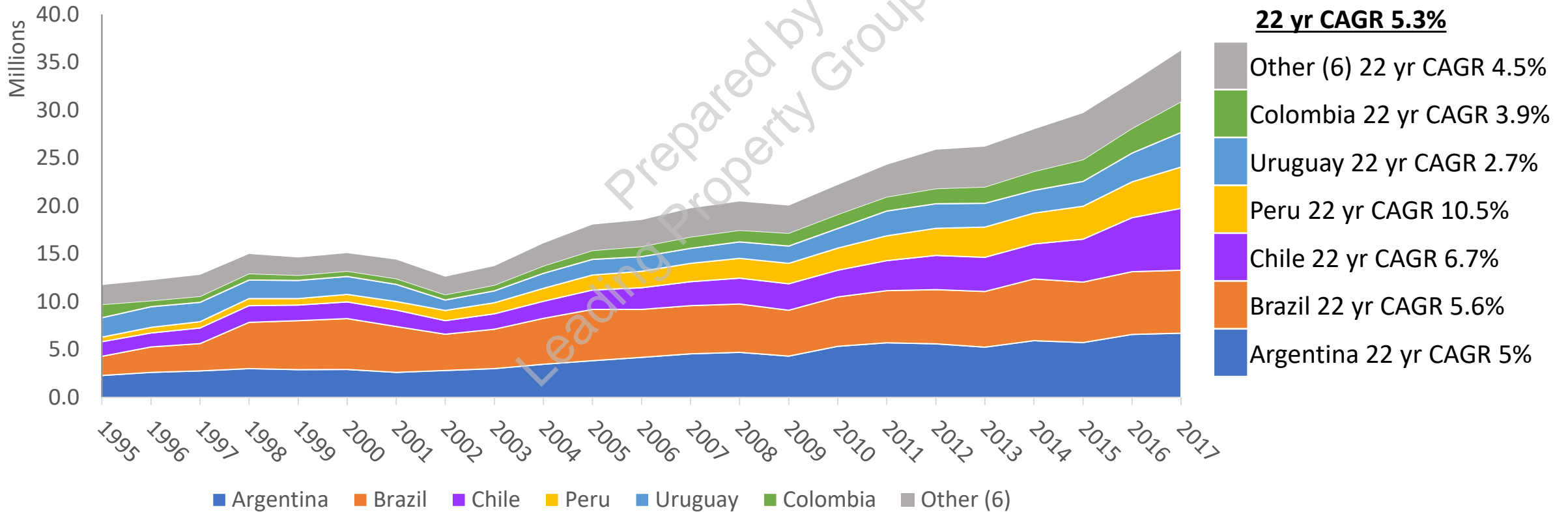


22-year trend

- Caribbean Islands 22 yr CAGR 3.2%
- Central America 22 yr CAGR 6.4%
- Mexico 22 yr CAGR 3.1%
- South America 22 yr CAGR 5.3%

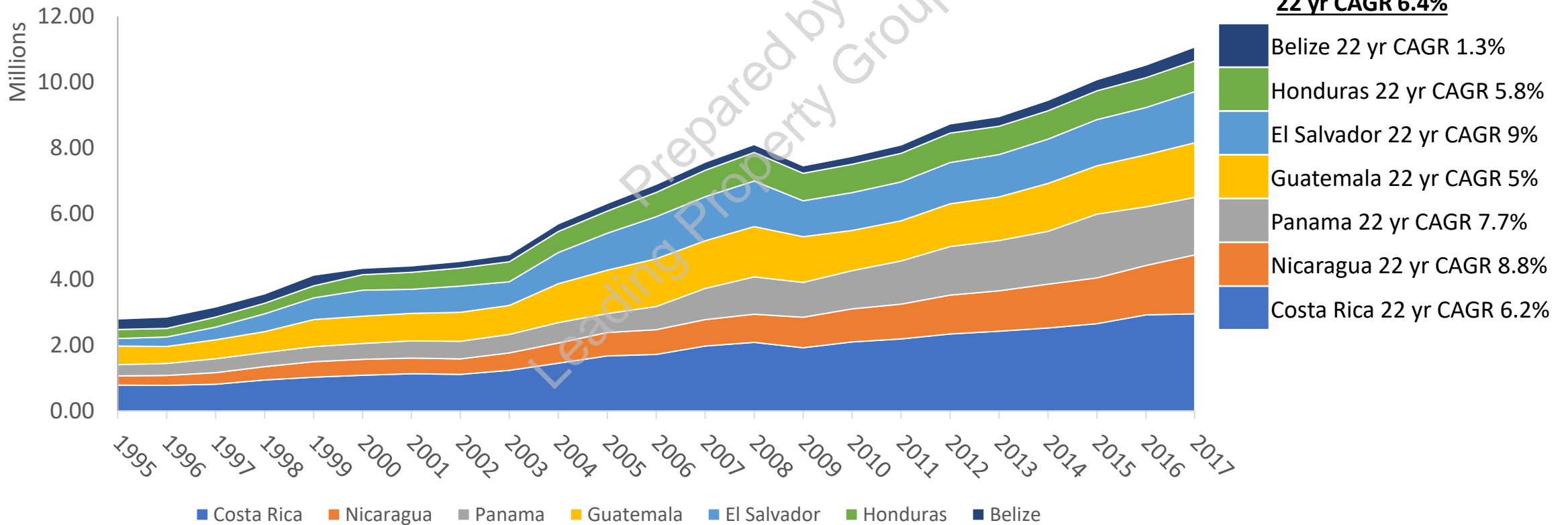
Tourist Travel to South America Resilient

Tourist Arrivals - South American Destinations



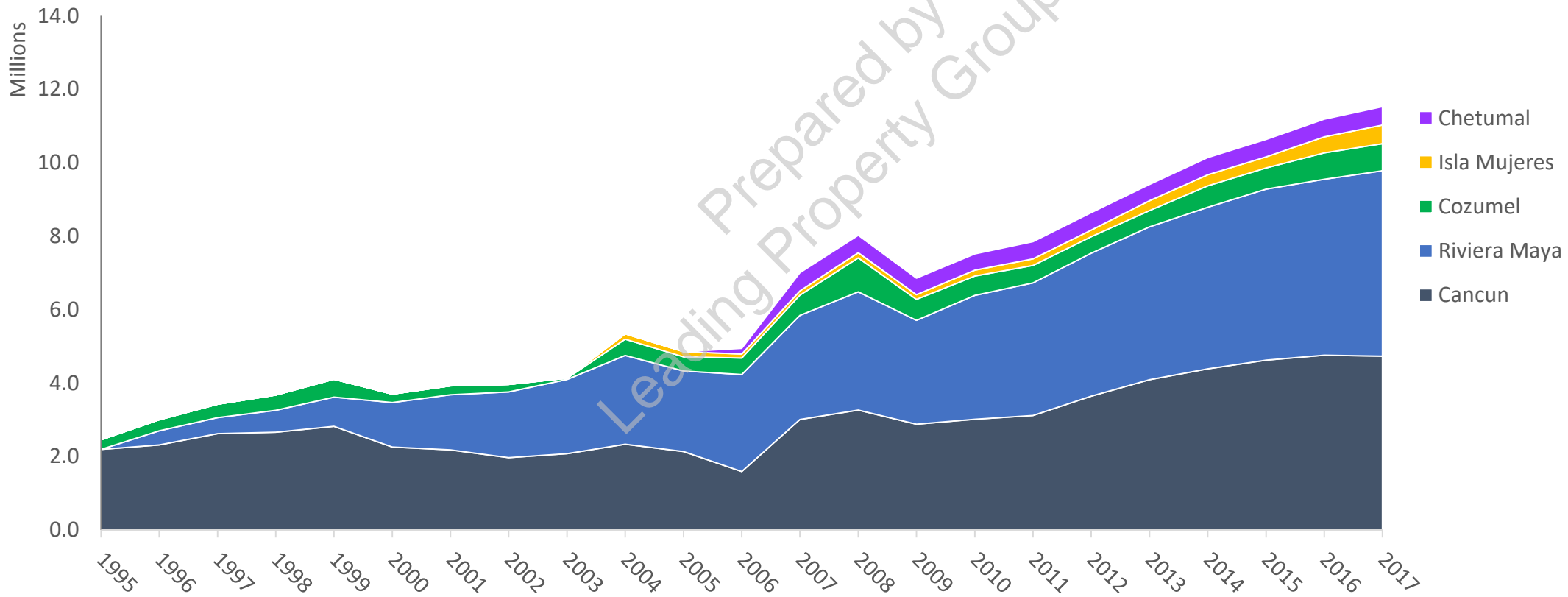
Central America Has Grown Steadily

International Tourist Arrivals to Central America



Mexican Caribbean: Cancun & Riviera Maya Success Story

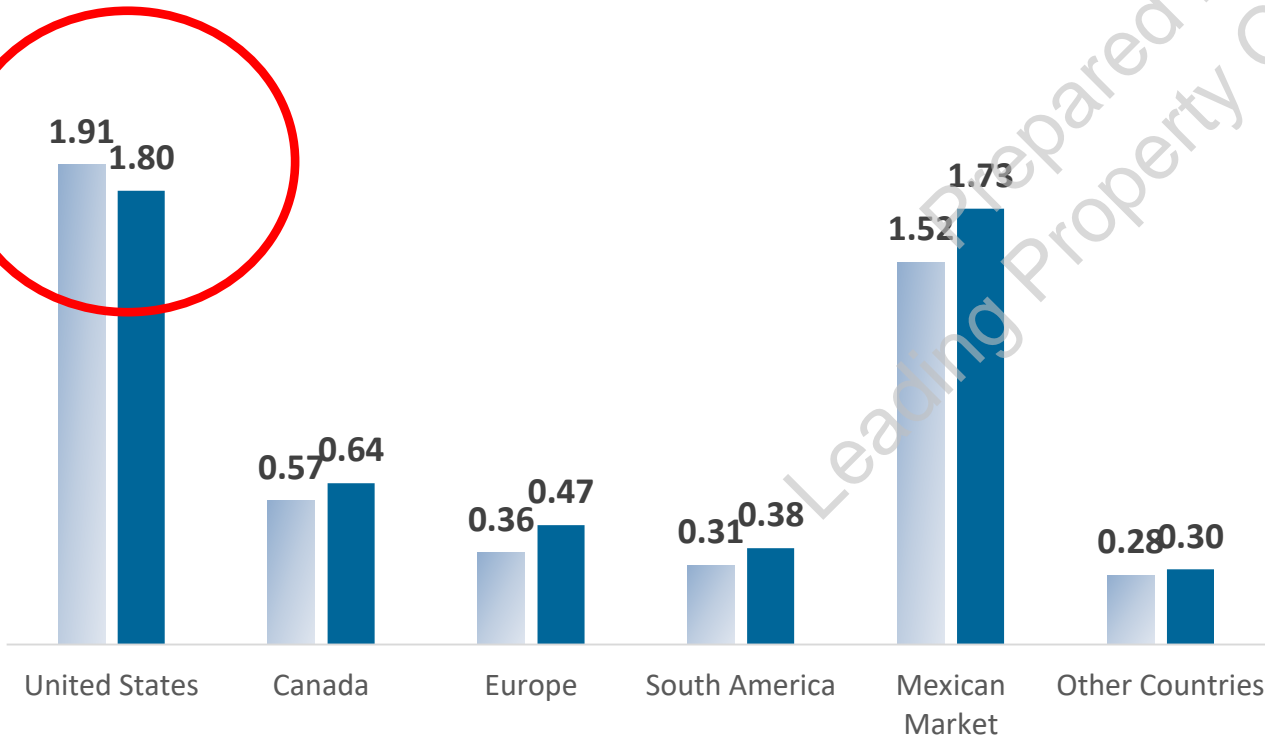
Tourist Arrivals to Mexican Caribbean (includes local tourism)



Travel to Cancun / Riviera Maya Down for U.S. Travelers in 2018 and Up for Other Markets

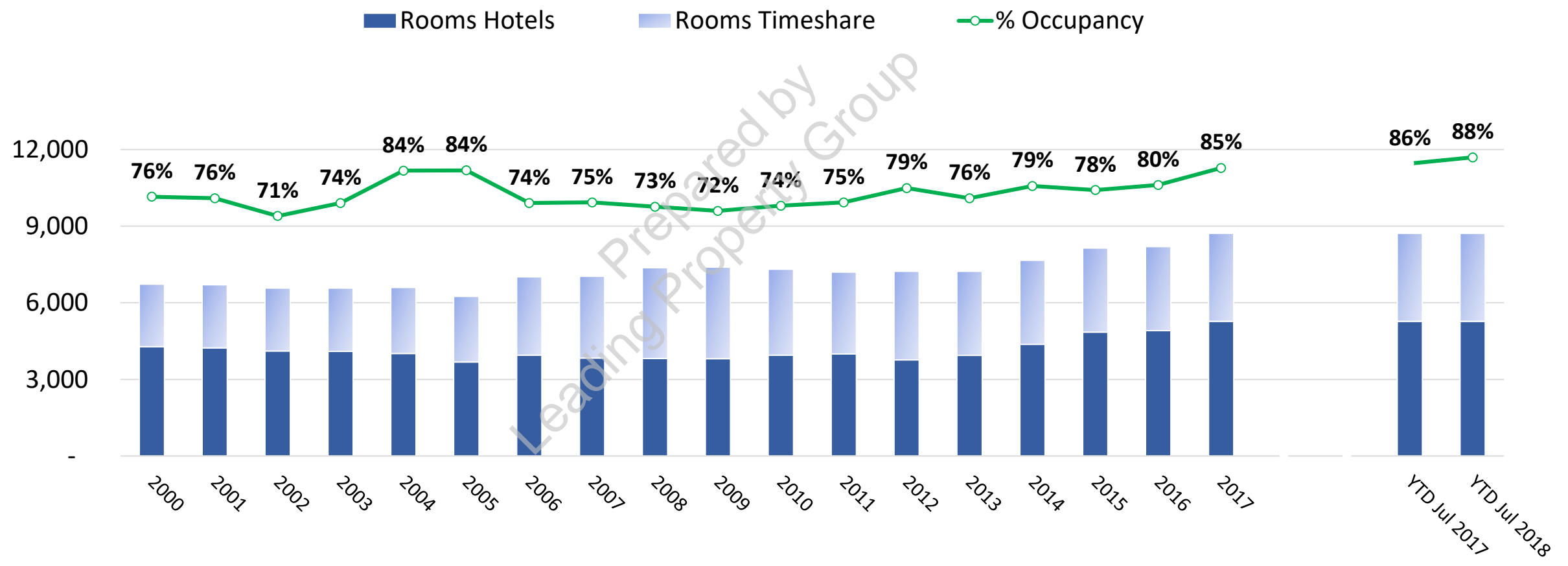
Tourist Arrivals Quintana Roo by Main Market YTD May (millions)

■ YTD May 2017 ■ YTD May 2018



Quintana Roo	YTD May 2017	YTD May 2018	% Ch 18/17
United States	1.91	1.80	↓ -5.5%
Canada	0.57	0.64	↑ 12.2%
Europe	0.36	0.47	↑ 30.2%
South America	0.31	0.38	↑ 21.4%
Mexican Market	1.52	1.73	↑ 14.0%
Other Countries	0.28	0.30	↑ 8.1%
Total	4.96	5.33	↑ 7.6%

Host Country: Aruba Room Inventory & Occupancy

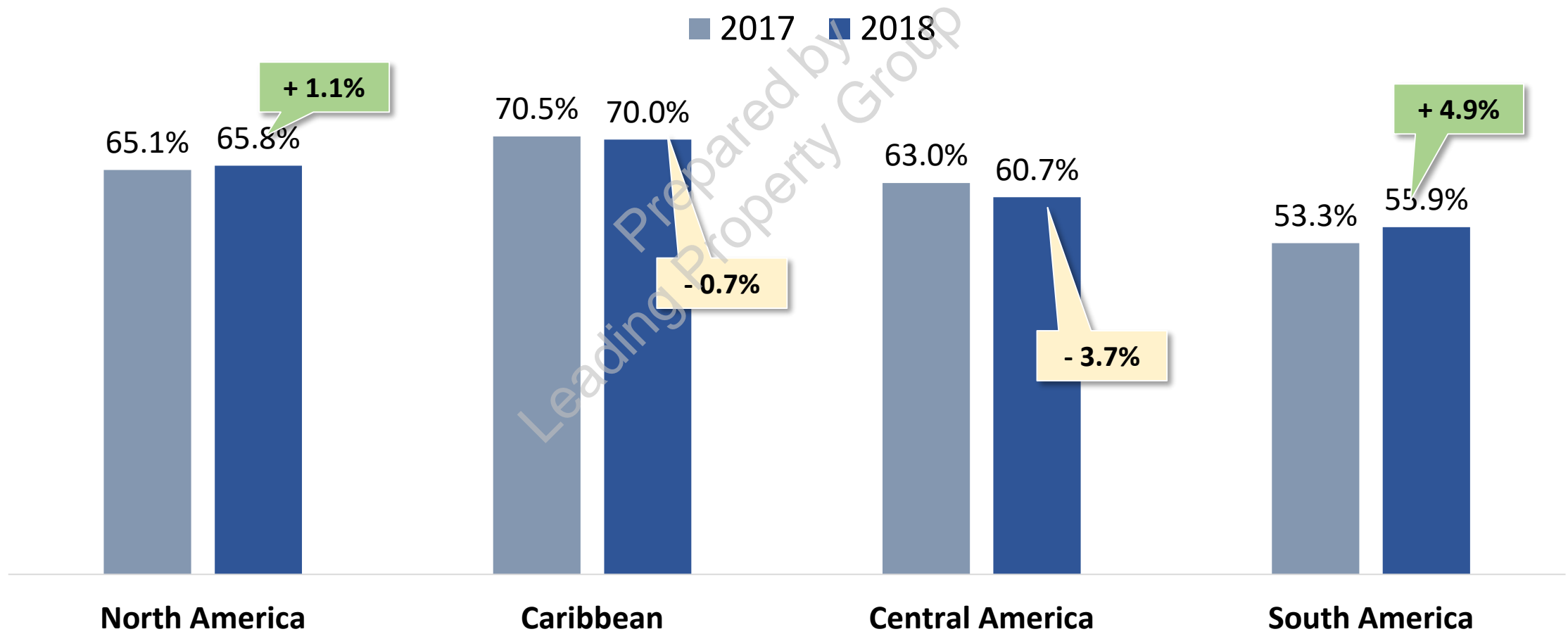


Regional Occupancy Levels

YTD June 2018

% Occupancy - YTD June

■ 2017 ■ 2018

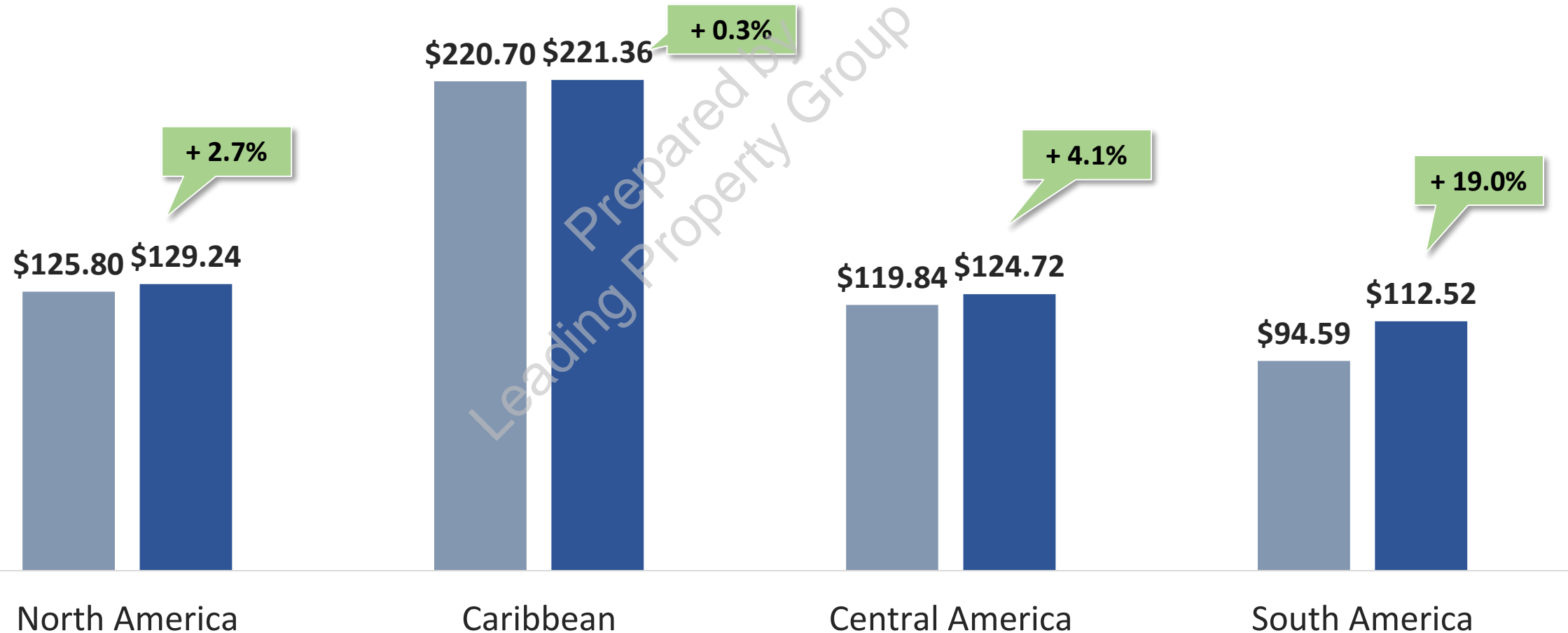


Regional Average Daily Hotel Rate Levels

YTD June 2018

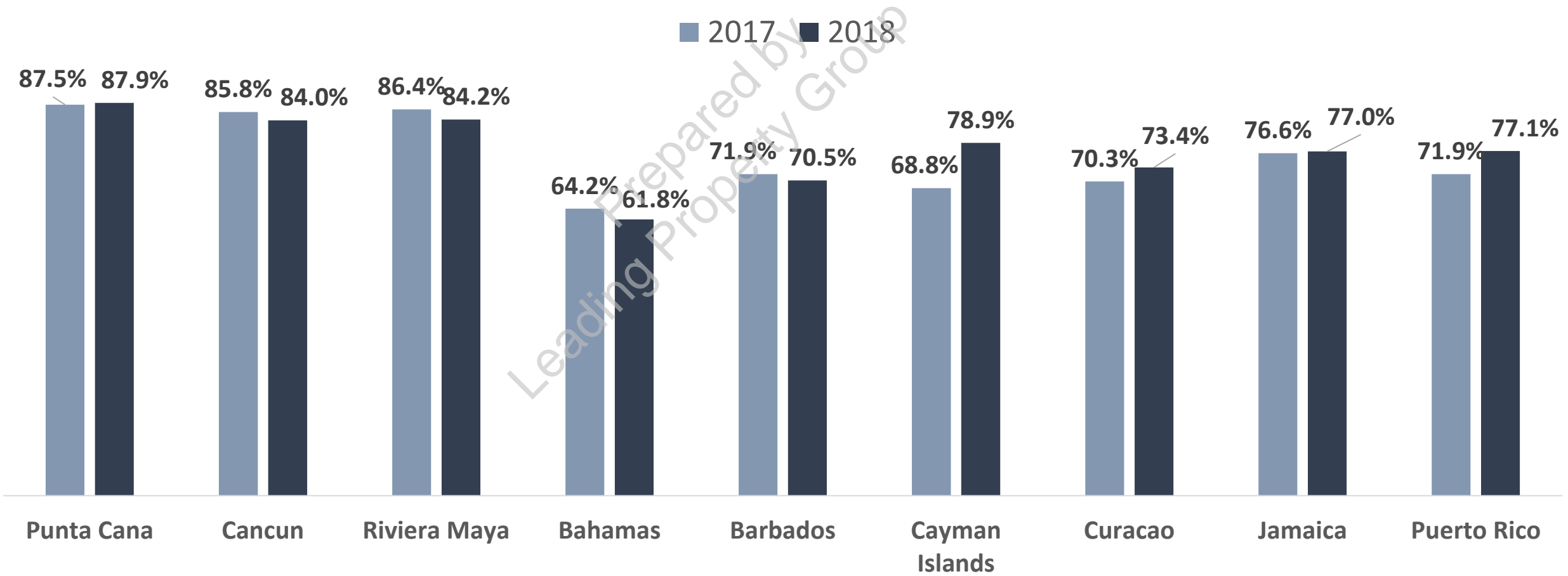
Average Daily Rate (ADR) USD - YTD June

■ 2017 ■ 2018



Selected Caribbean Destinations

Average Room Occupancy YTD June

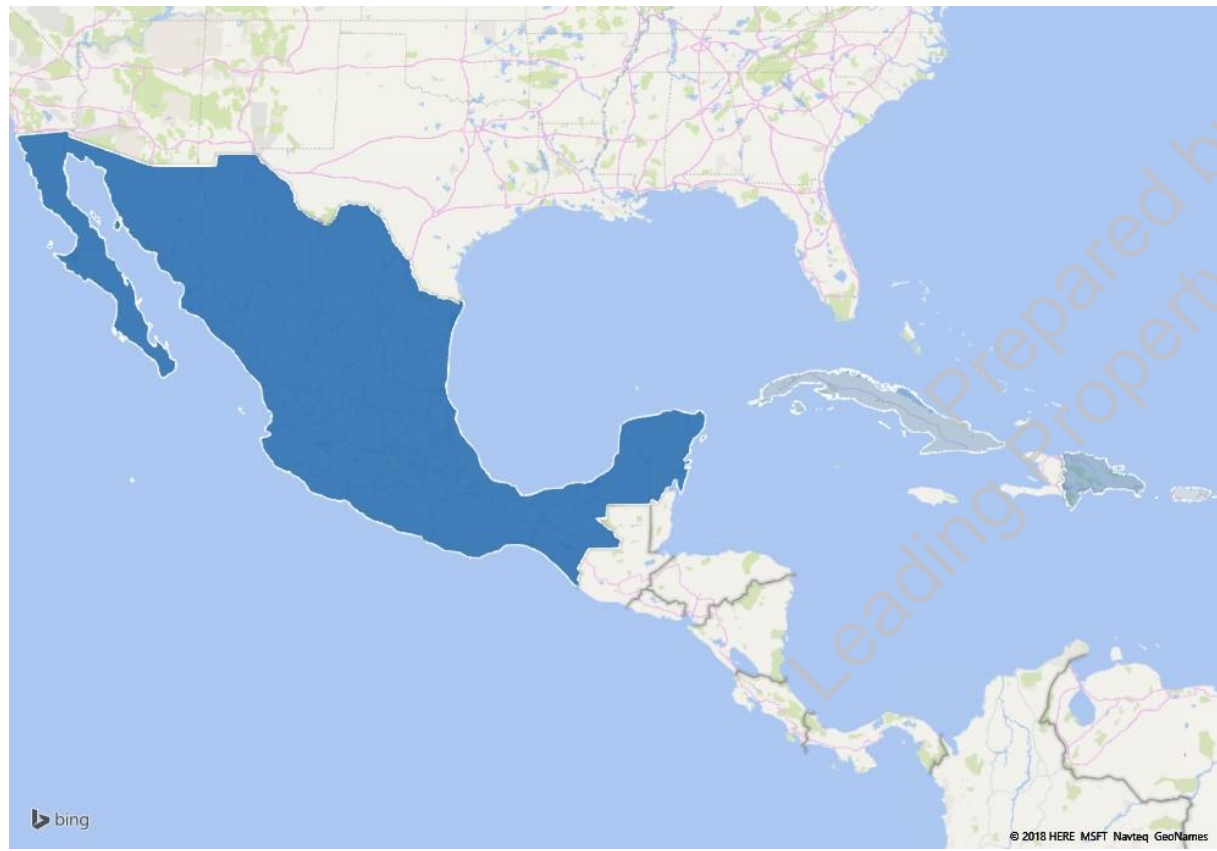


Hotel Pipeline

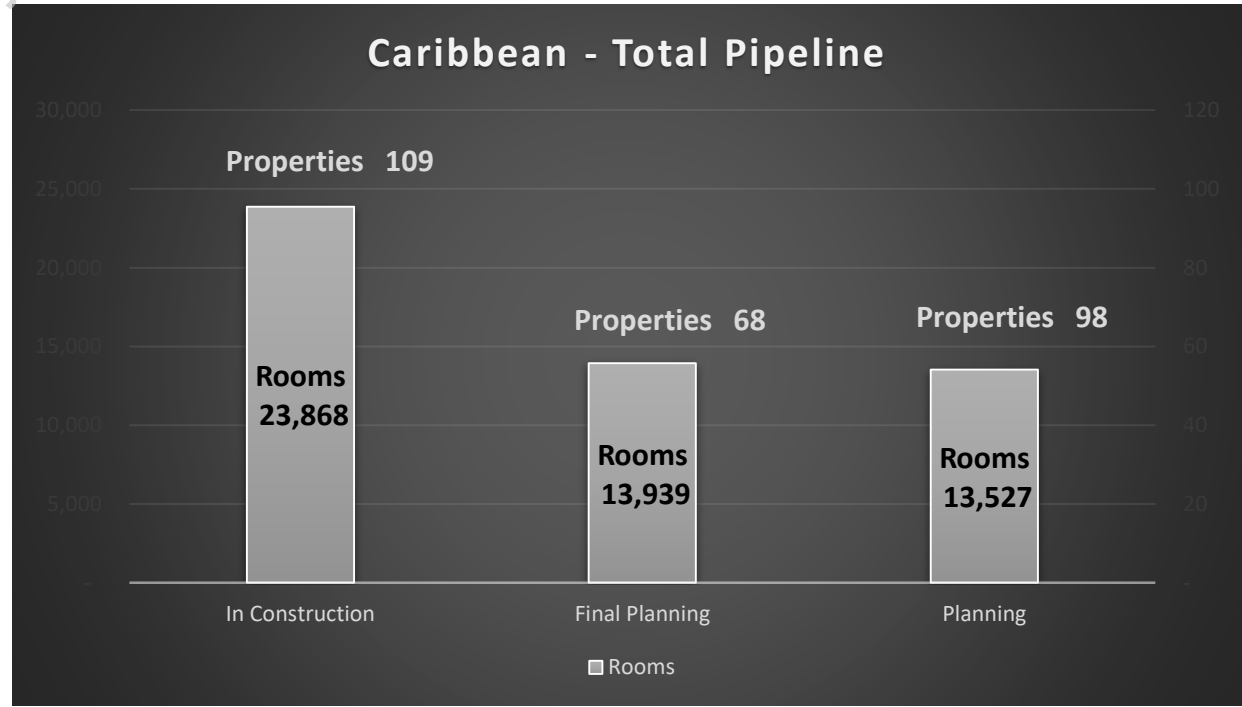
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Leading Property Group

Caribbean and Mexico

Top Countries Hotel Supply and Development Pipeline (as of July 2018)



Country	Rooms in Construction	% of Existing Supply
Mexico	13,501	3.4%
Cuba	2,240	3.6%
Dominican Republic	4,447	6.3%
Puerto Rico	556	4.3%

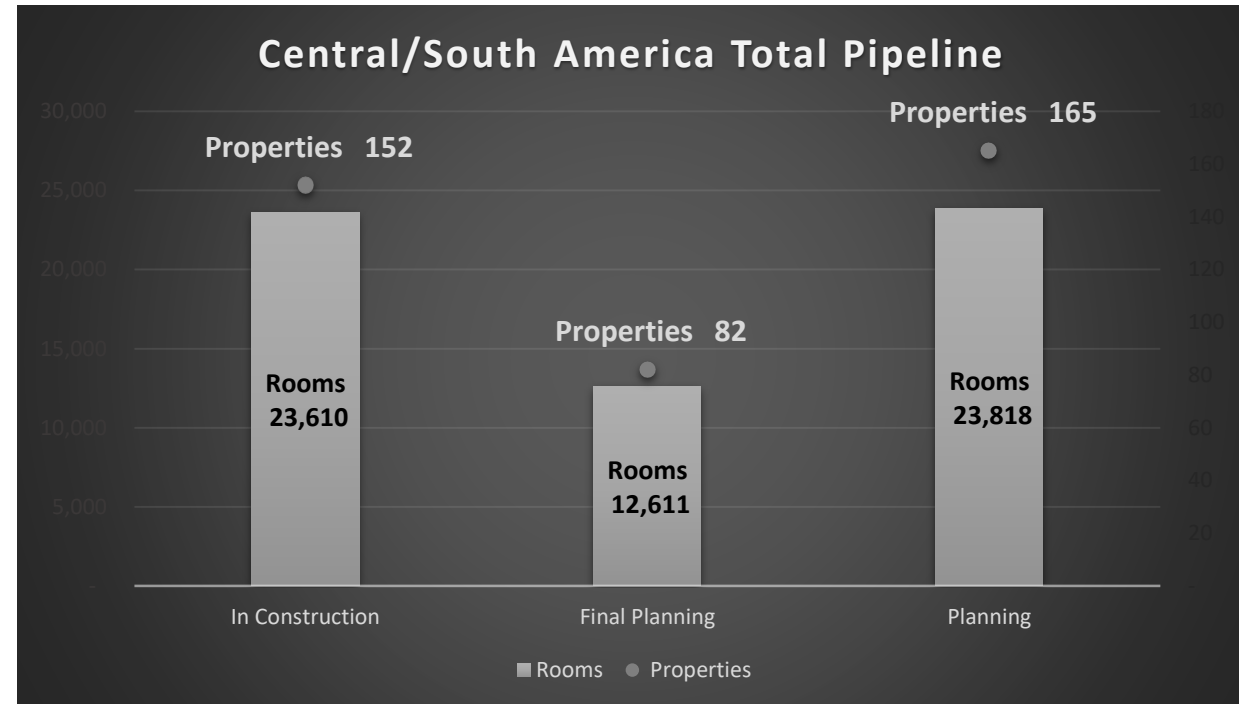


Central and South America

Top Countries Hotel Supply and Development Pipeline (as of July 2018)



Country	Rooms in Construction	% of Existing Supply
Colombia	3,848	7.5%
Peru	1,523	5.7%
Chile	1,905	5.1%
Brazil	9,921	3.8%
Argentina	1,455	2.3%



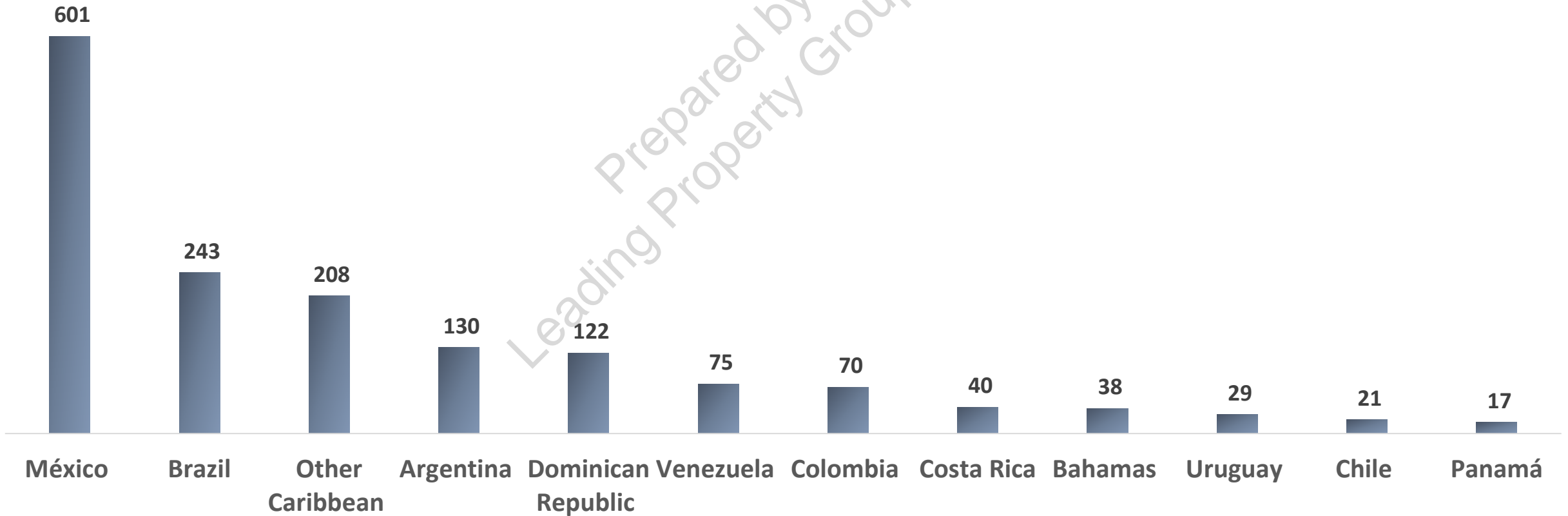
Vacation Ownership

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Timeshare Developments in LatAm & Caribbean

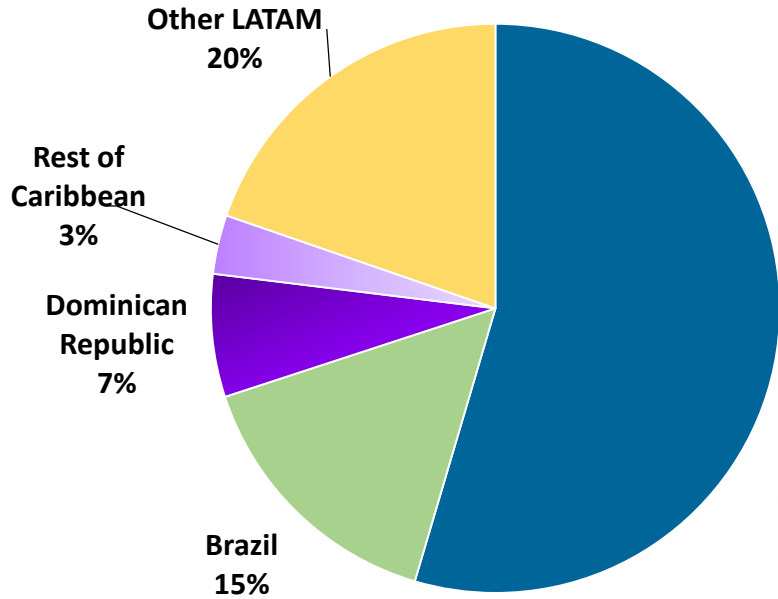
Mexico, Brazil, Dominican Republic, and Other Caribbean are Leaders

2017 Developments Affiliated to an Exchange Company in Selected Latin America and Caribbean Countries

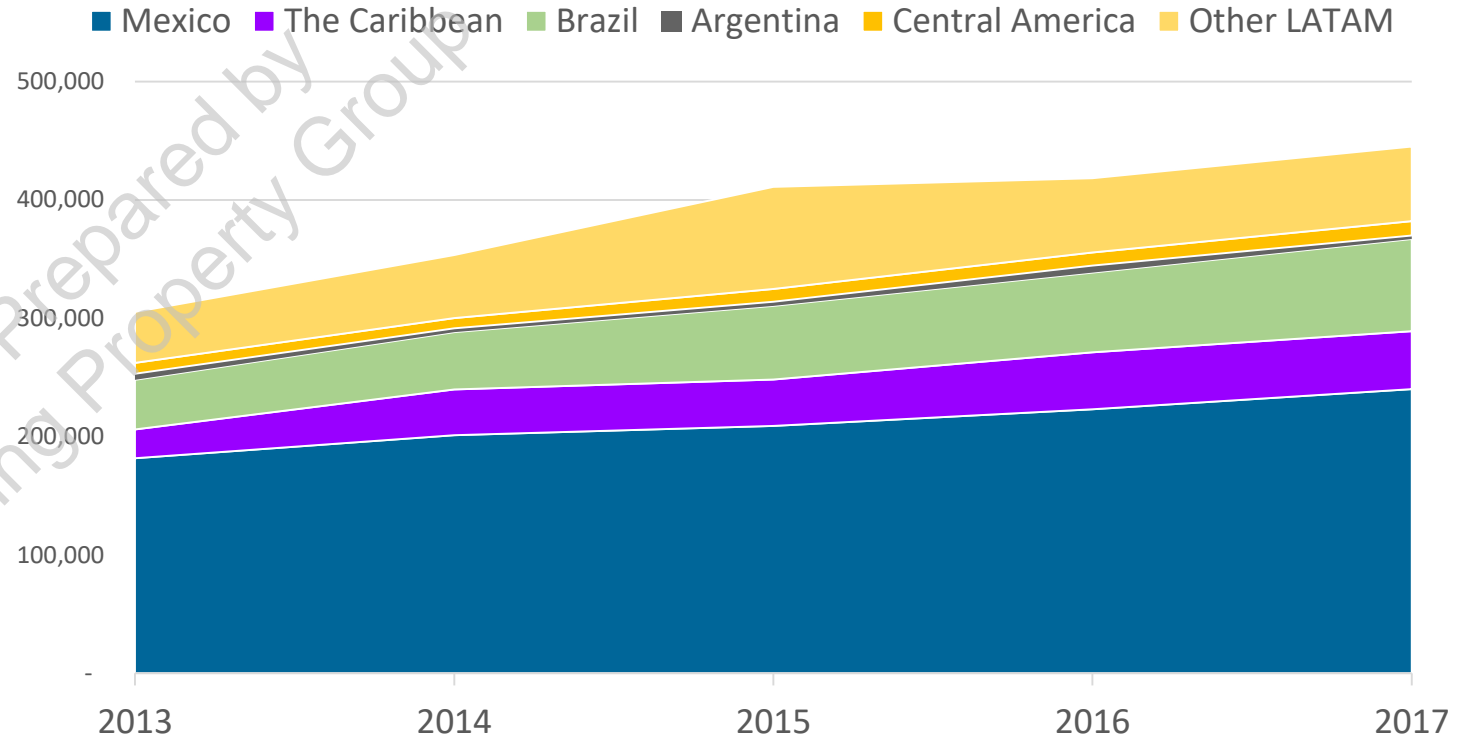


Timeshare Sales Concentrated in Mexico

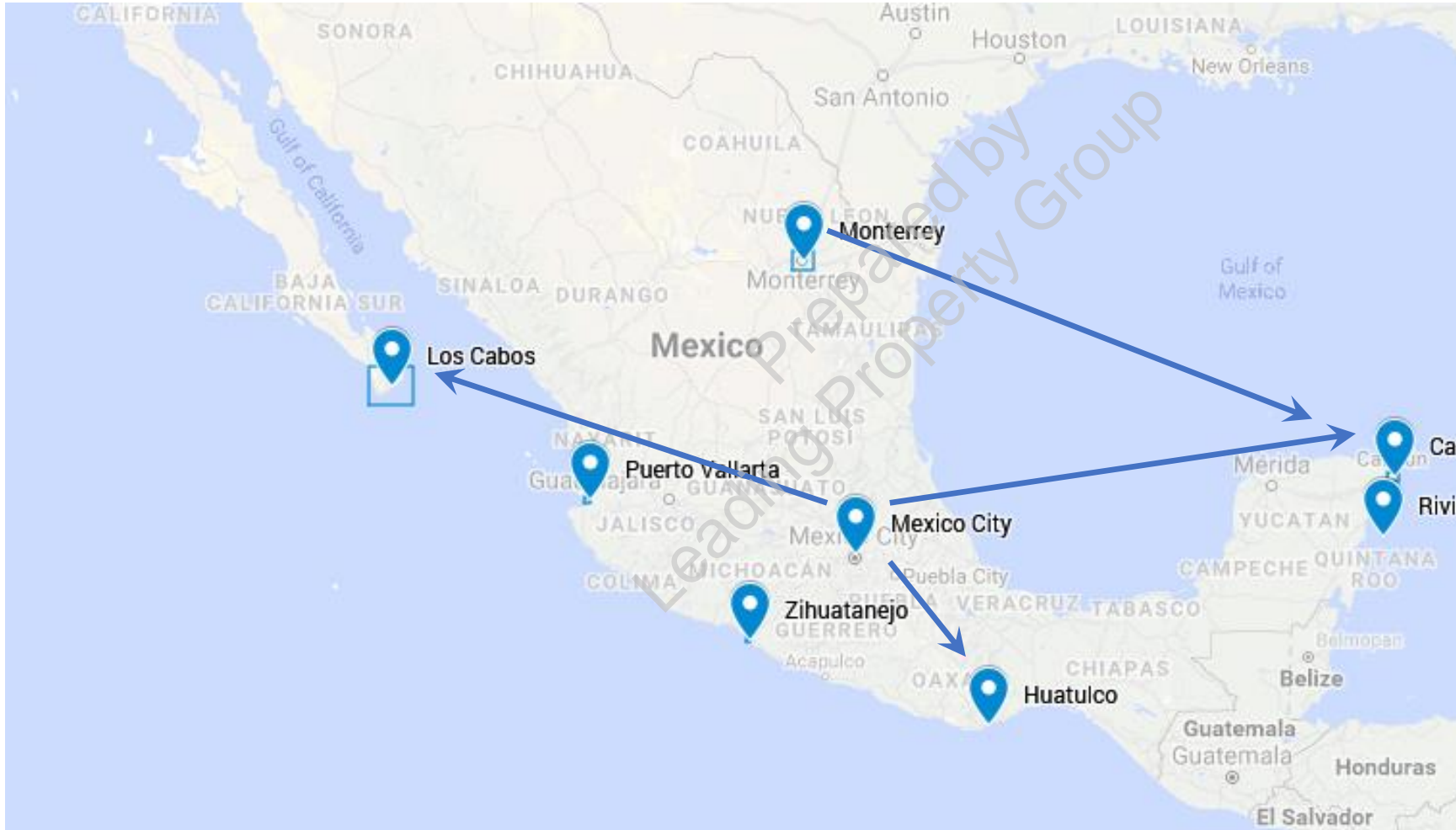
Sales of Intervals by Destination 2013-2017



Sales of Intervals by Destination 2013-2017

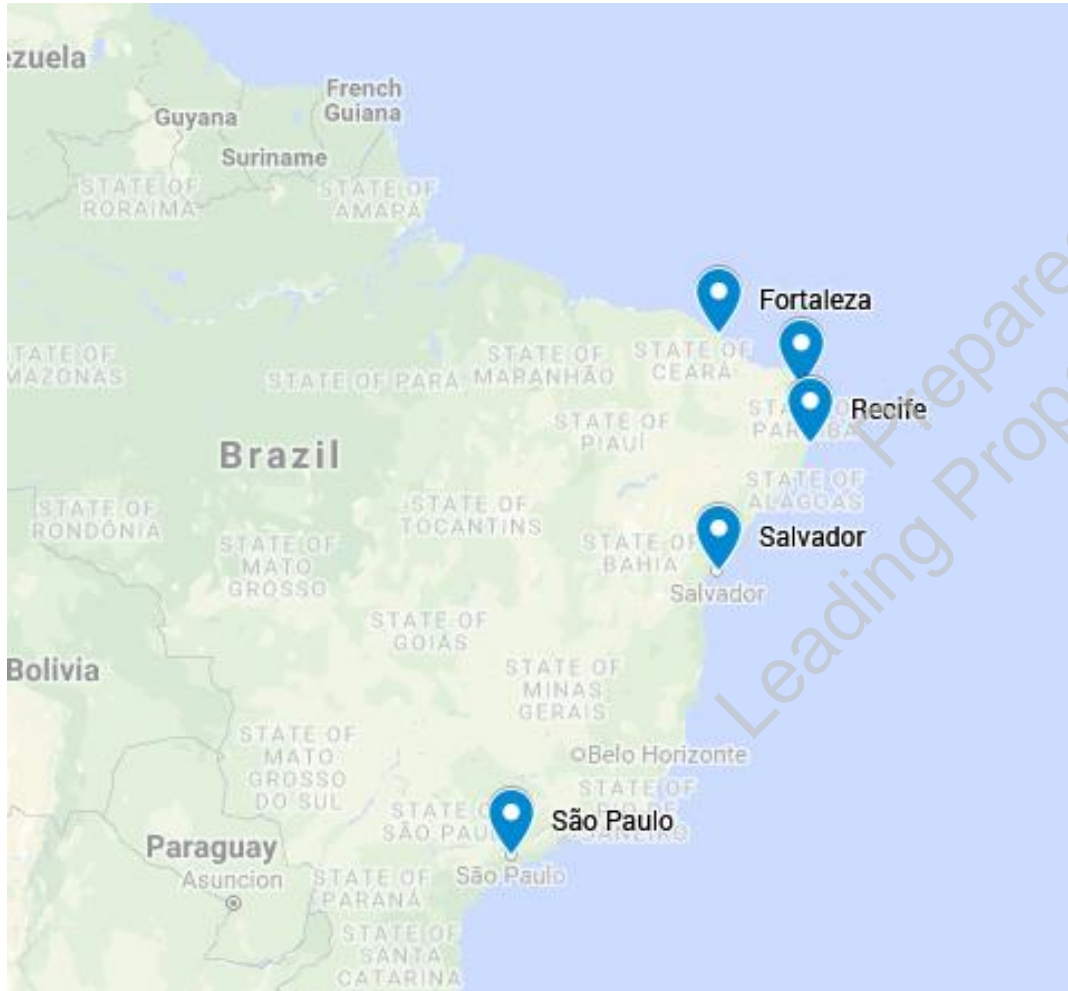


Mexico: Domestic & International Client Base

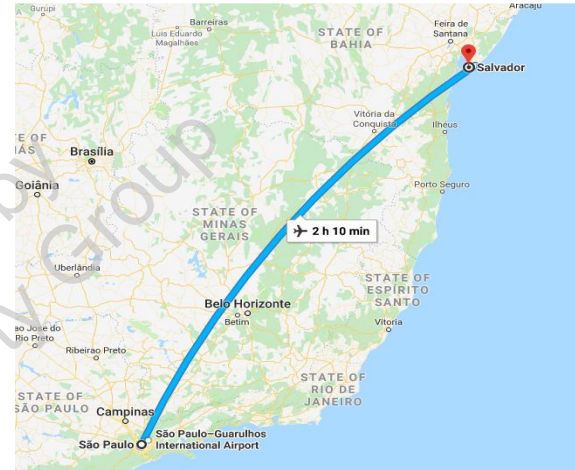


- Mexico has a highly developed and competitive domestic timeshare industry
- International timeshare companies participate as well
- Beach vacations for residents of the country's big cities are favorites
- Many U.S. visitors purchase memberships while visiting Mexico

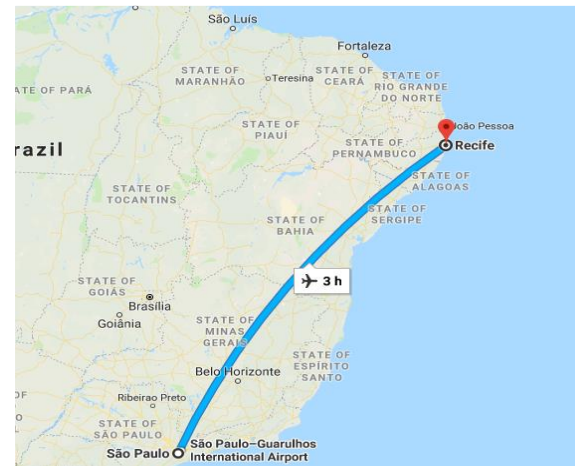
Brazilian North East Beach Resorts



Sao Paulo => Salvador: 2 hr flight

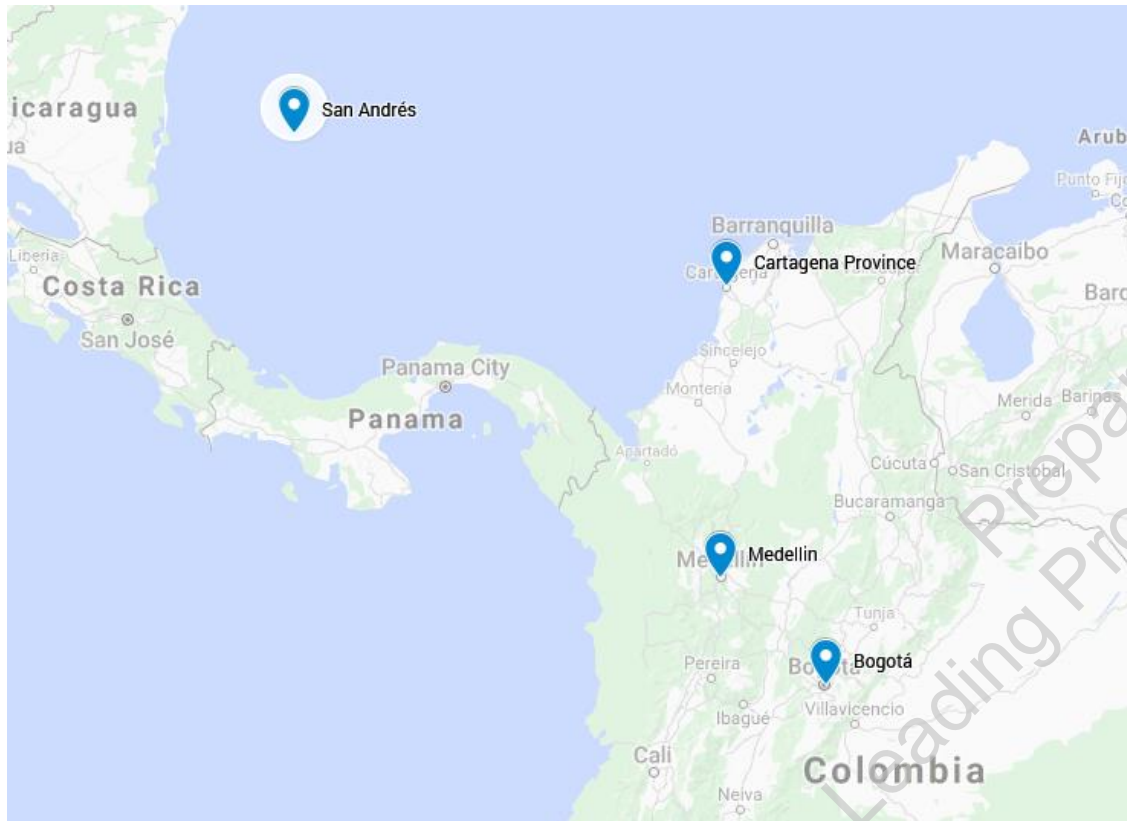


Sao Paulo => Recife: 3 hr flight

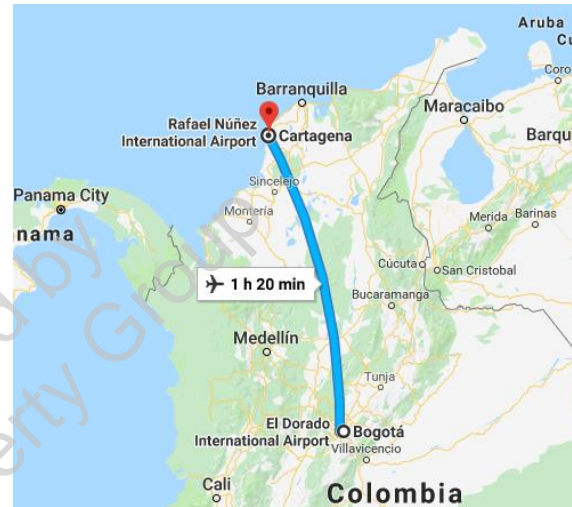


- Brazil has a large middle class urban population that wants to travel with the family for leisure vacations
- There is a domestic timeshare industry adapted to its consumer's needs
- Beach vacations and Orlando are favorites
- Exchangeability is very important

Colombia



Bogota => Cartagena: 1 hr 20m flight



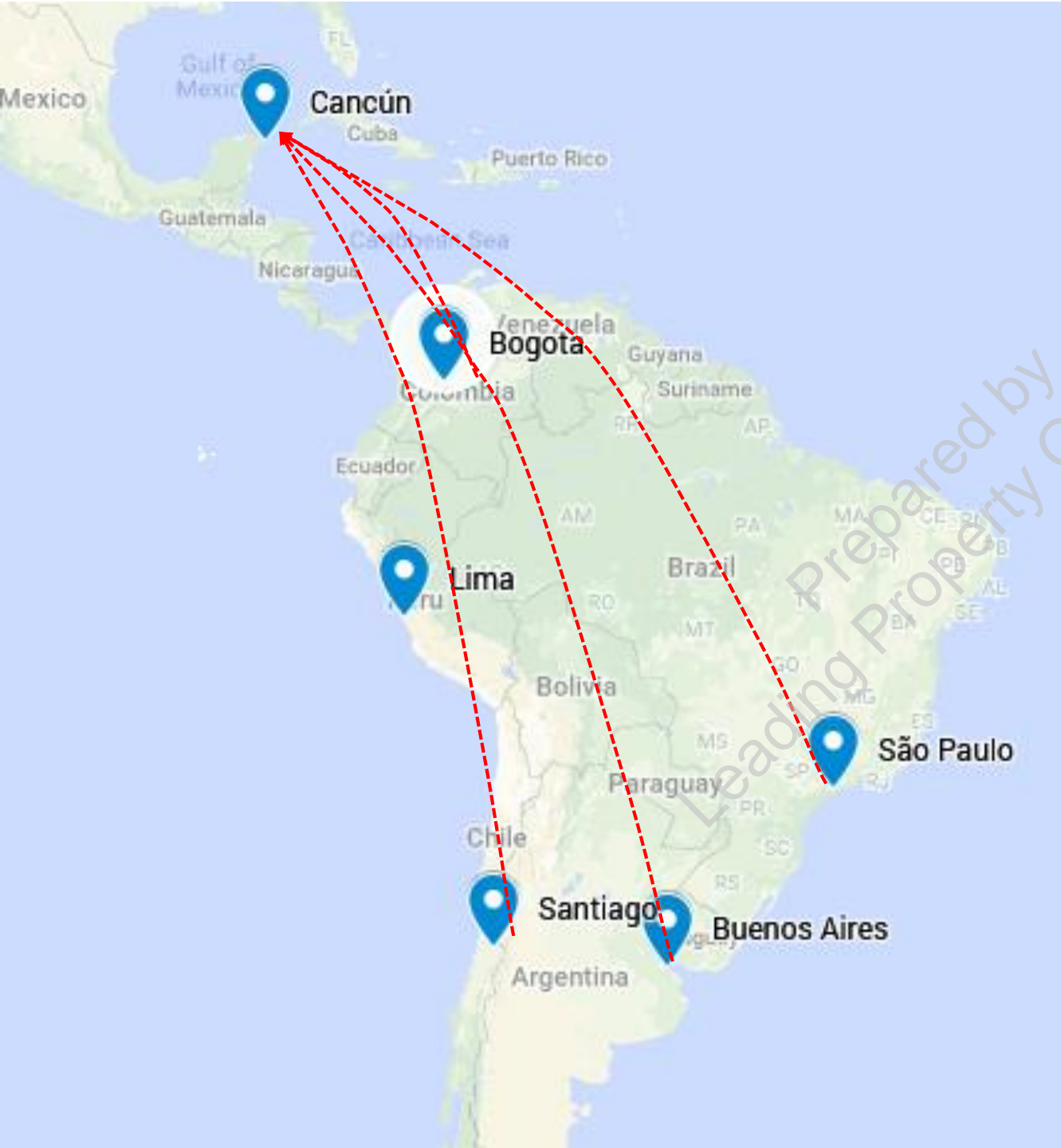
Bogota => San Andres: 2 hr 10m flight



- Colombia has a resilient market for mostly domestic vacationers to its Caribbean coast
- There is a domestic timeshare industry adapted to its consumer's needs
- An appropriate price point, and options for exchangeability in the Colombian context are key

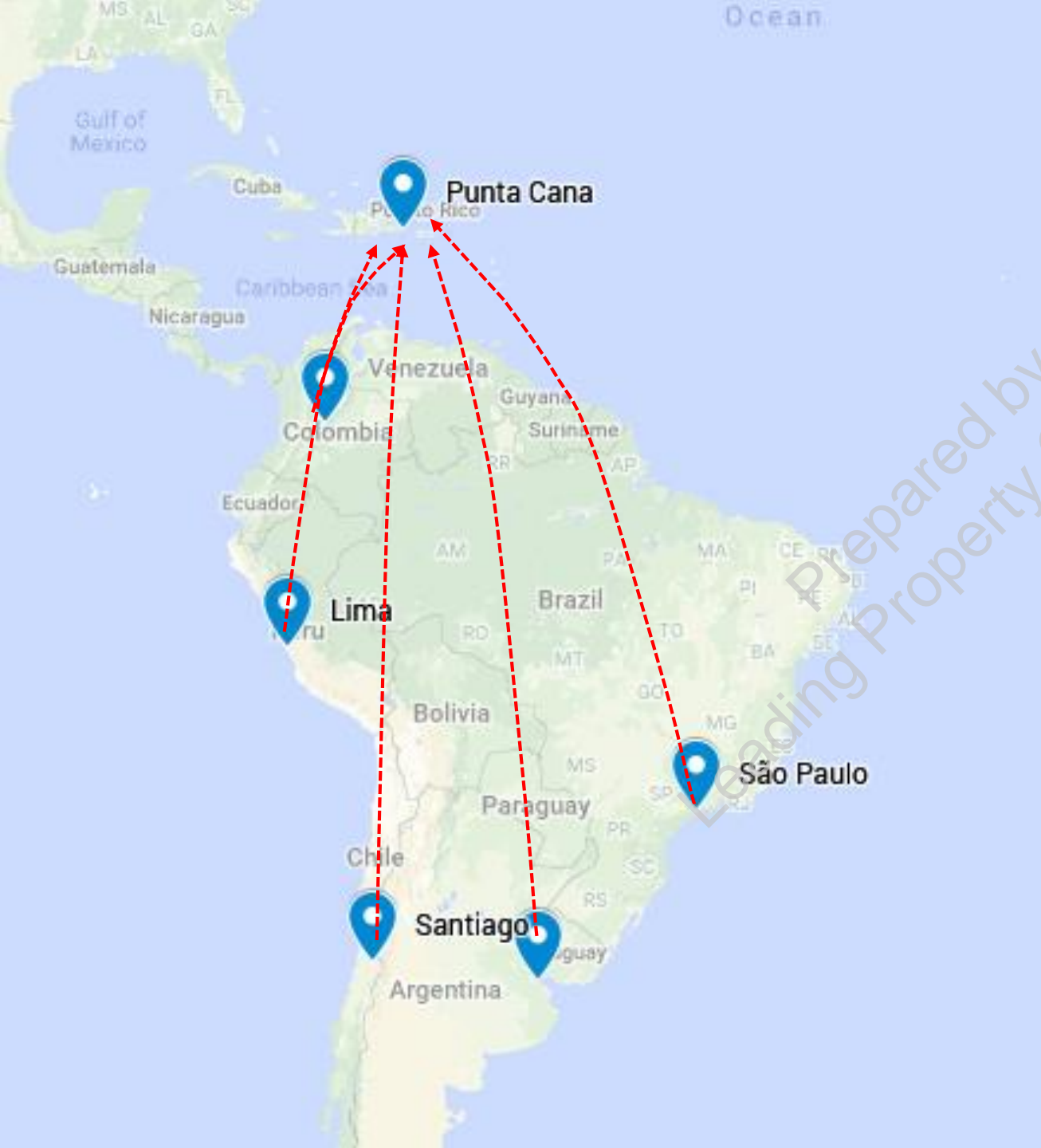
Cancun

- Cancun and the Riviera Maya have a long history of attracting vacationers from North America and Europe
- Over recent years, an increasing proportion of visitors come from Latin America
- Brazil, Argentina, Colombia, Chile and Peru are major markets
- The timeshare / vacation club market is strong, highly developed and competitive



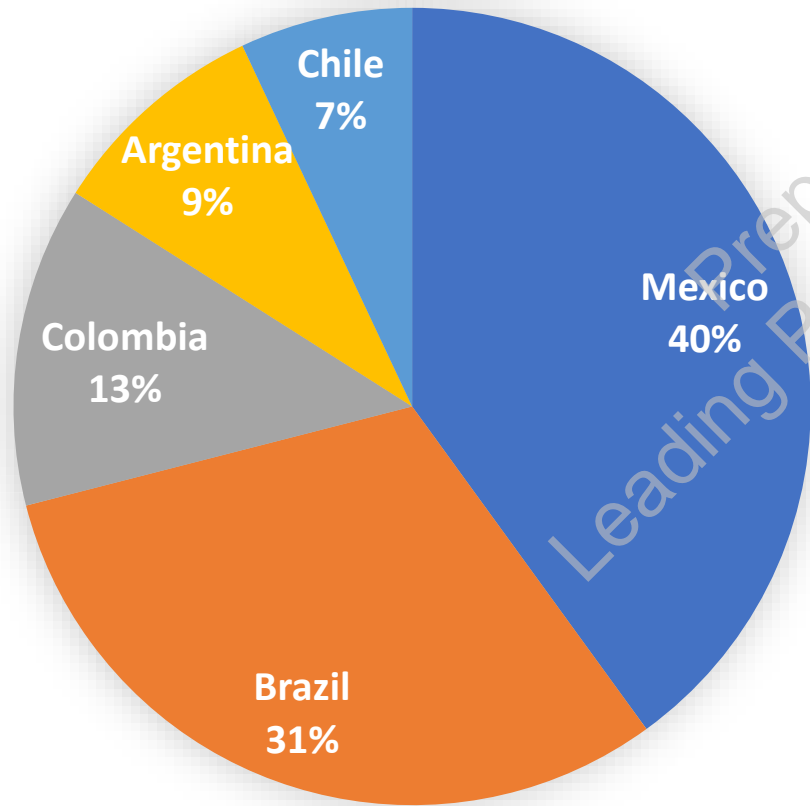
Punta Cana Dominican Republic

- Punta Cana in the Dominican Republic has been a major destination for visitors from North America and Europe
- Over recent years, an increasing proportion of visitors come from Latin America
- Brazil, Argentina, Colombia, Chile and Peru are major markets
- There is a very active timeshare market, increasingly focused on vacation or travel clubs

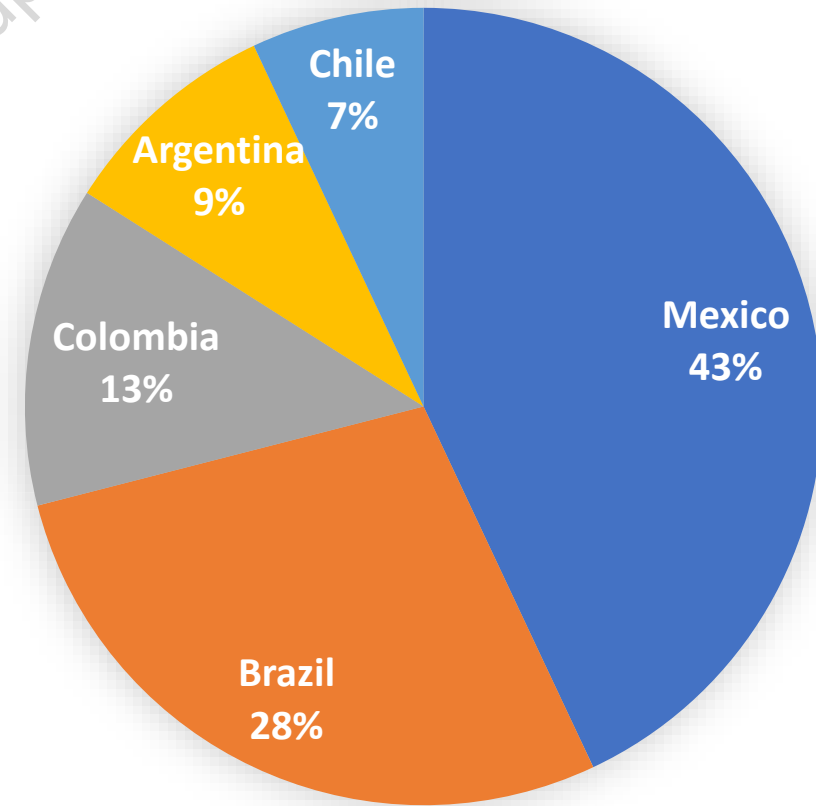


Largest Latin American Travel Markets: Mexico, Brazil, Colombia, Argentina & Chile

Share of Travel Bookings in LatAm 2015

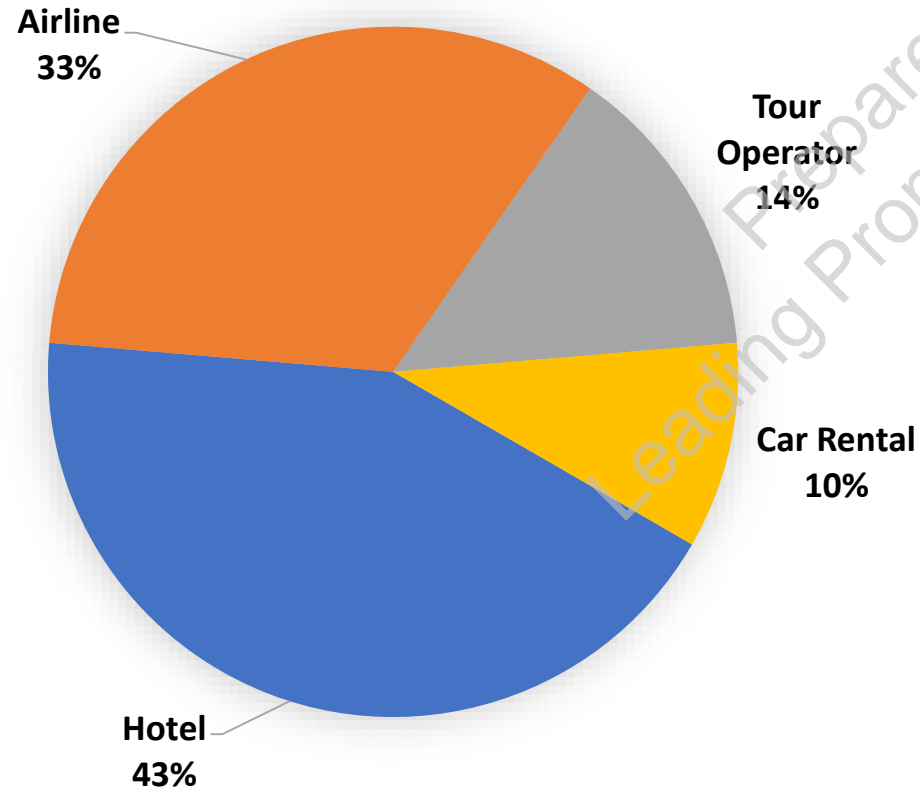


Share of Travel Bookings in LatAm 2020

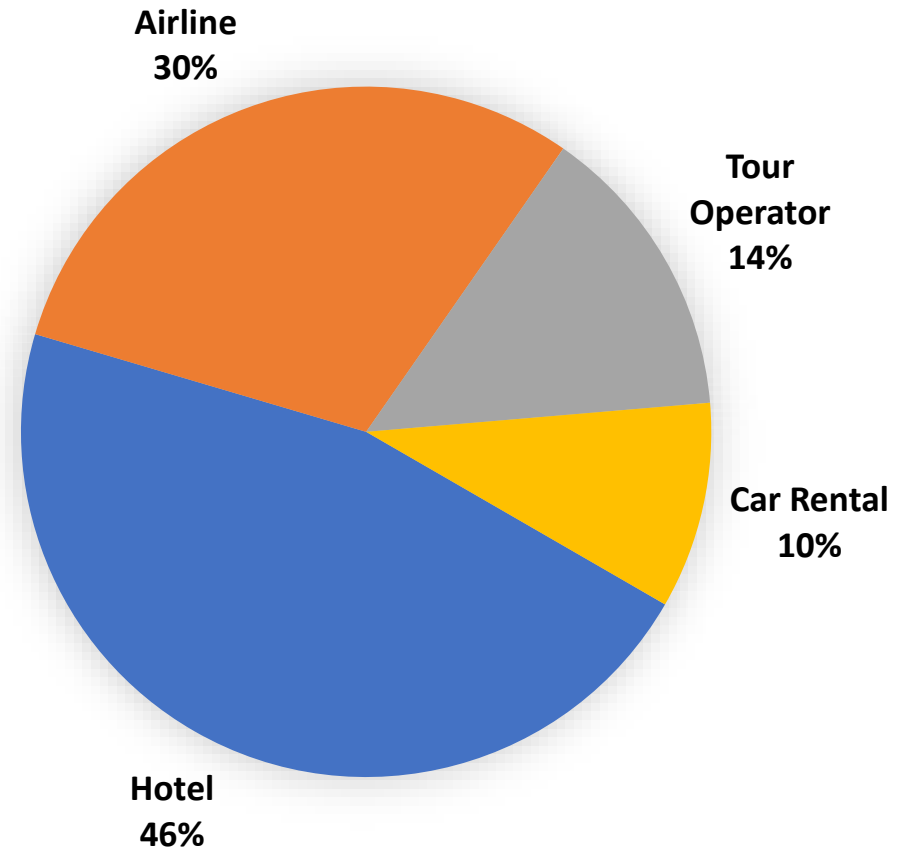


Hotel Stays are the Largest Component: An Opportunity for Shared Ownership

LatAm Travel Market by Segment 2015

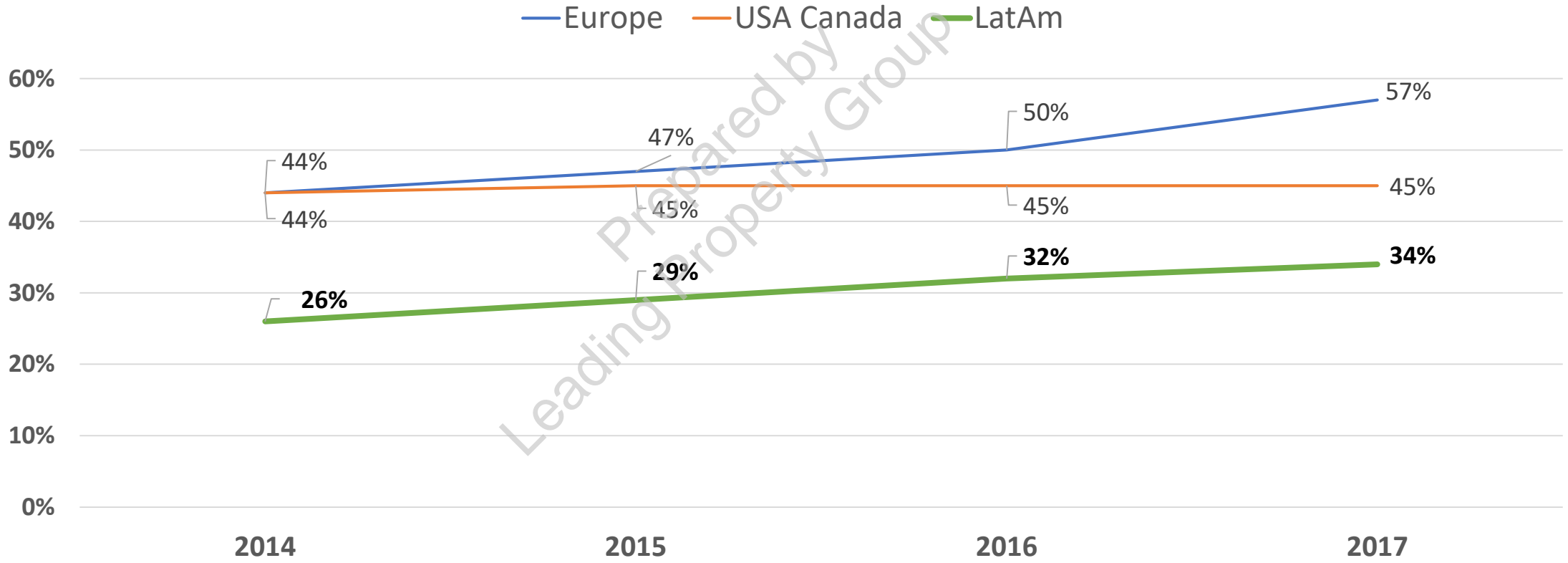


LatAm Travel Market by Segment 2020



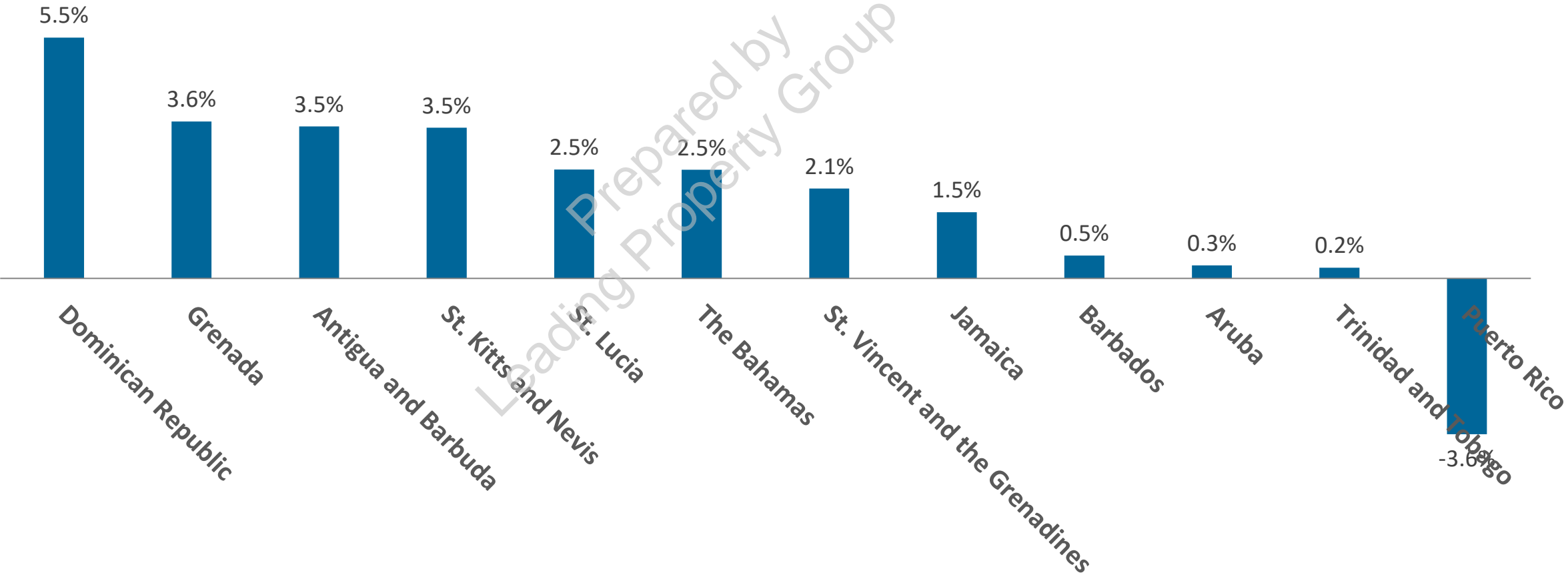
Online Penetration of Travel Market in LatAm

Online Travel Penetration of Travel Market by Region



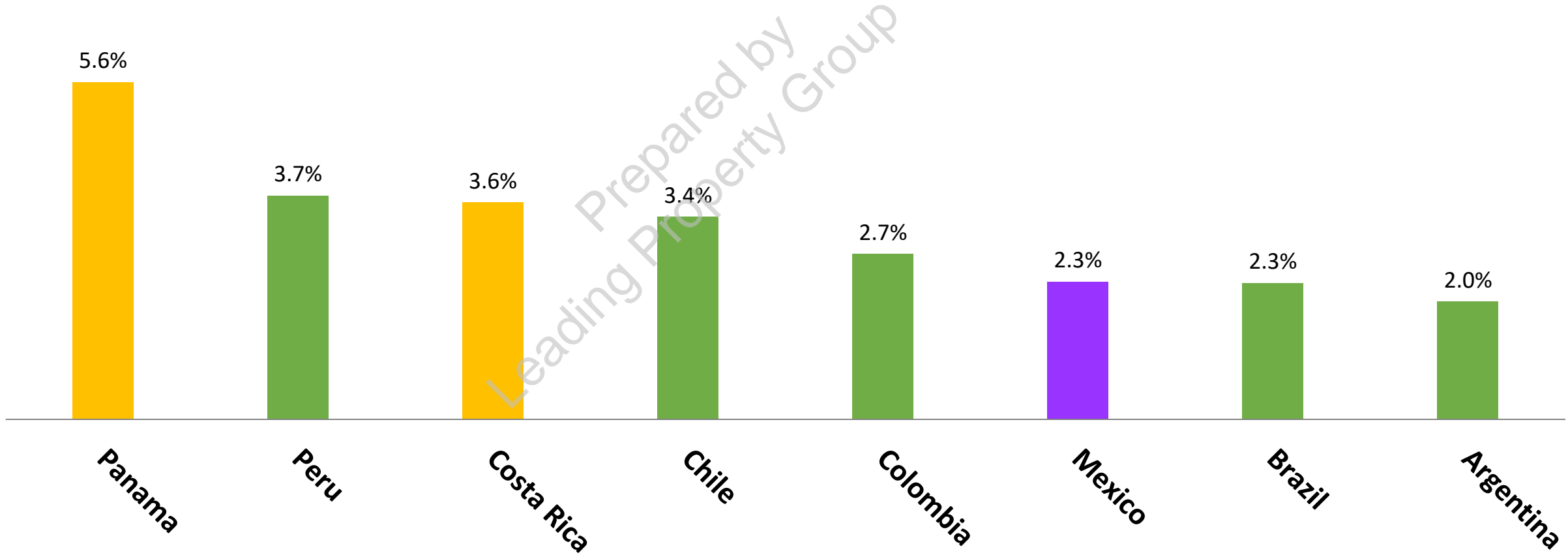
Over time, the % of travel purchased online in LatAm is growing towards levels prevailing in the USA and Canada

2018 GDP Growth Rates Main Caribbean Destinations

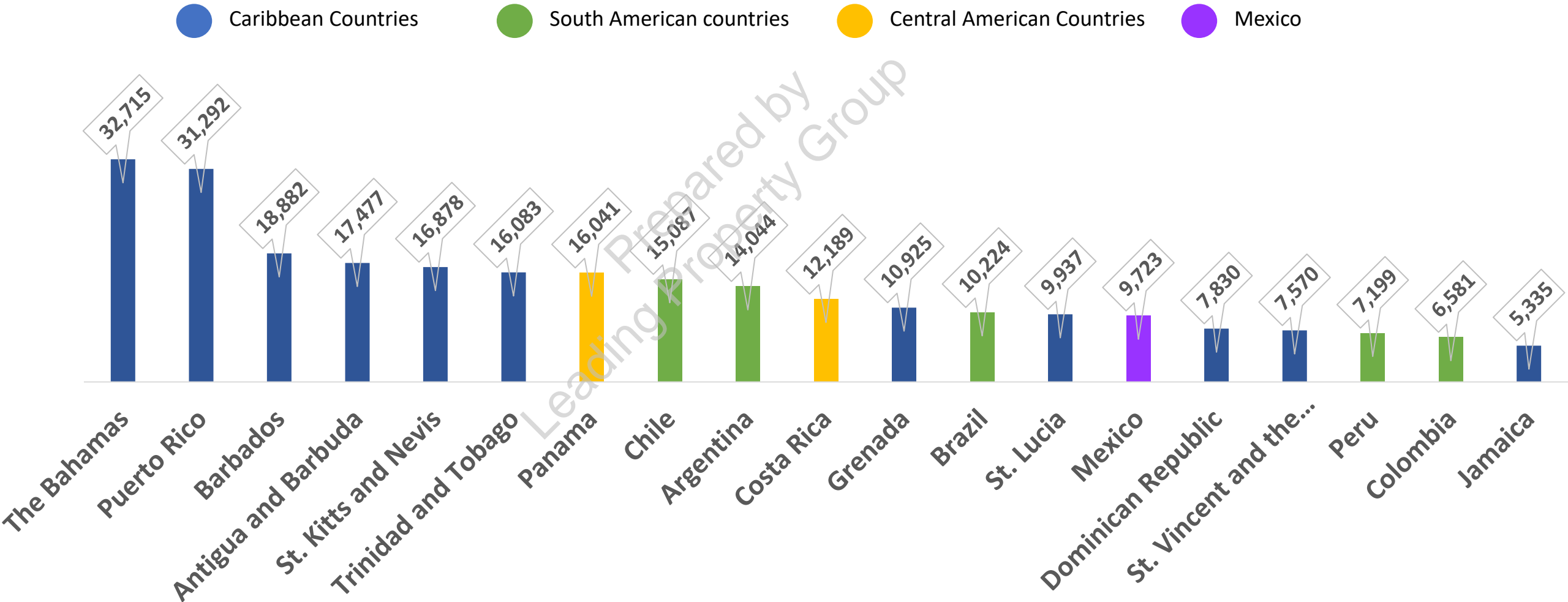


2018 GDP Growth Rates Other LatAm Destinations

● South American countries ● Central American Countries ● Mexico



Per Capita GDP Main Destinations 2018



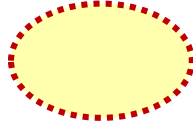
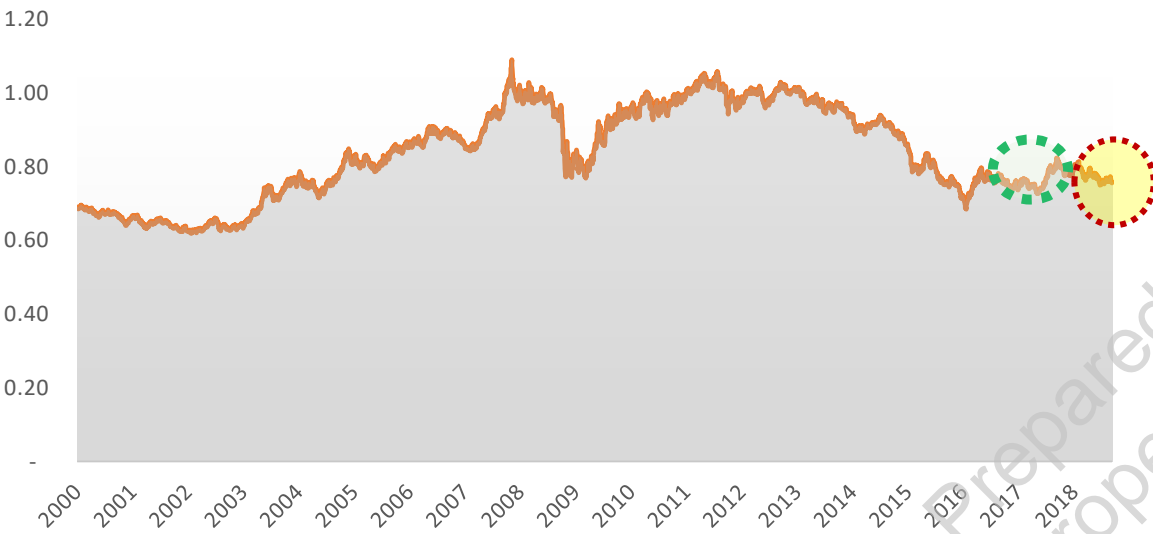
Exchange Rates

- Source Markets
- Destination Markets

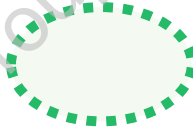
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Exchange Rates Major Source Markets

1 CAD => USD

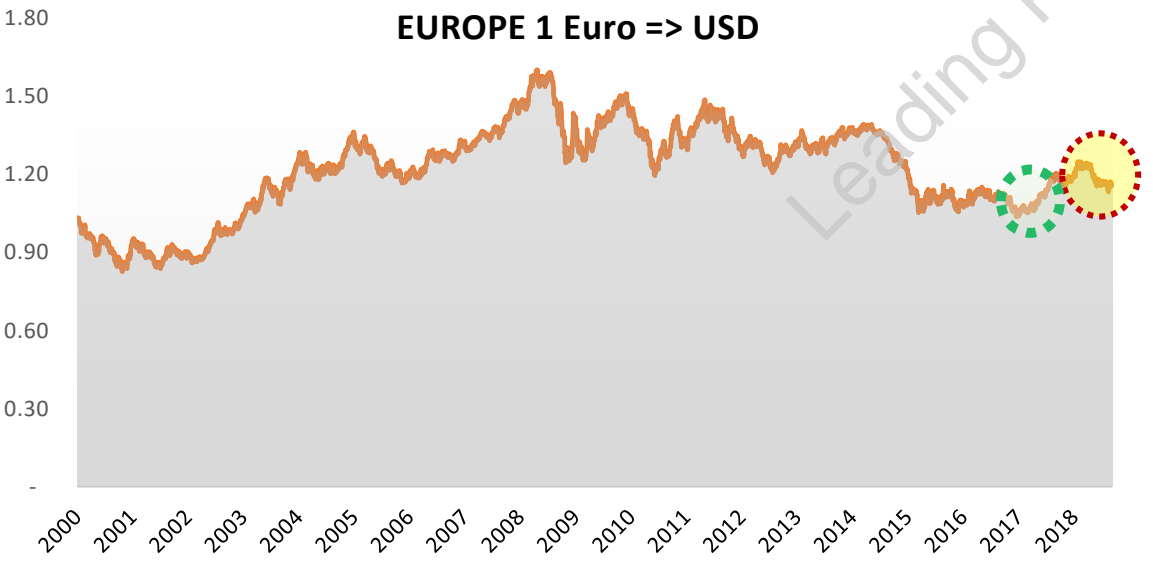


A Caribbean / LatAM vacation became **more** expensive for the tourists from these source markets

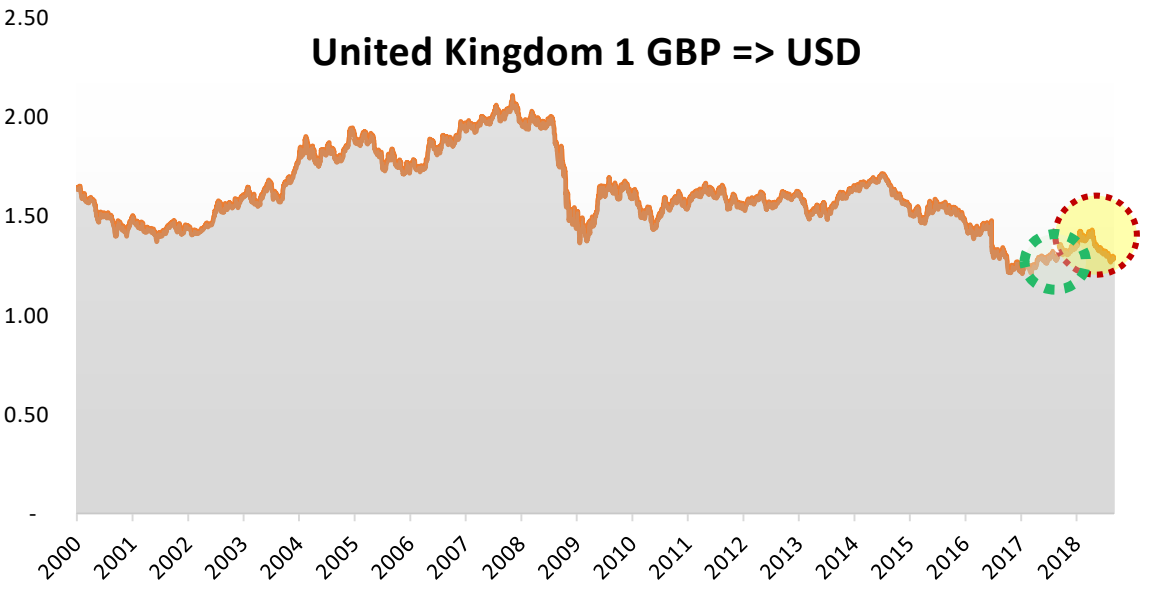


A Caribbean/LATAM vacation became **less** expensive for the tourists from these source markets

EUROPE 1 Euro => USD

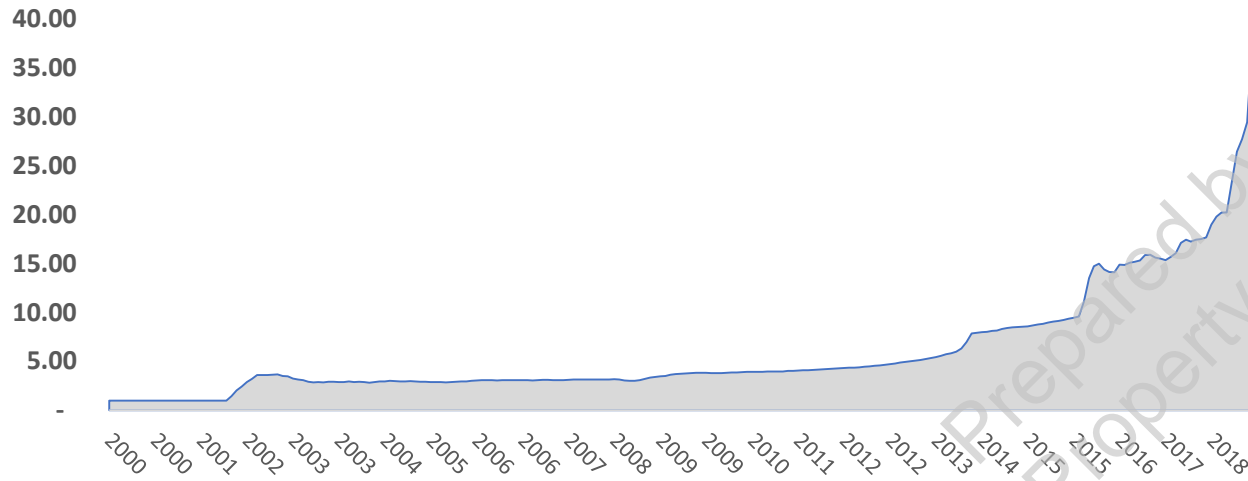


United Kingdom 1 GBP => USD

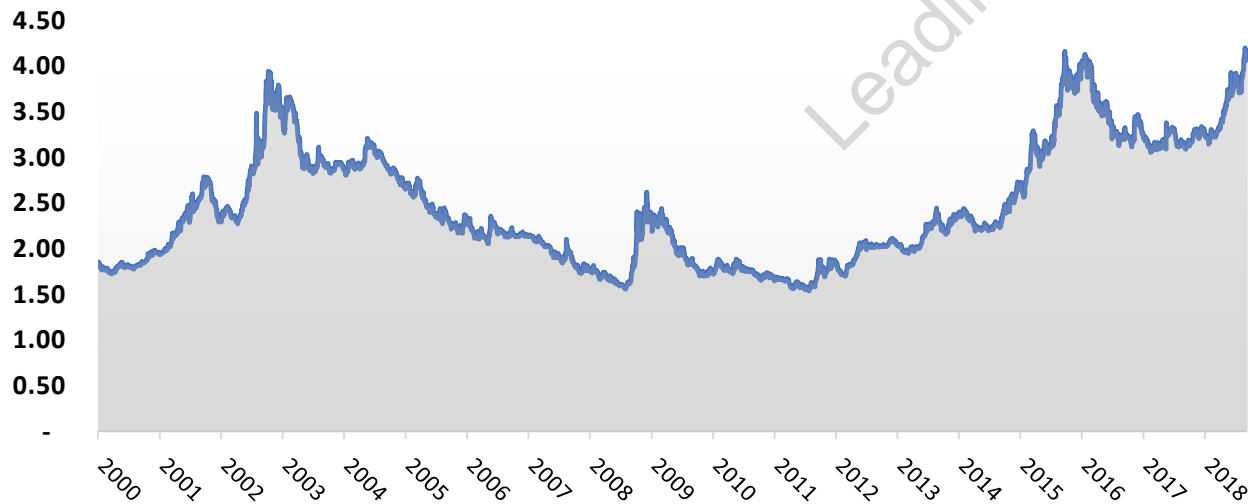


Argentina and Brazil

Exchange Rate Argentinian Peso to US\$1



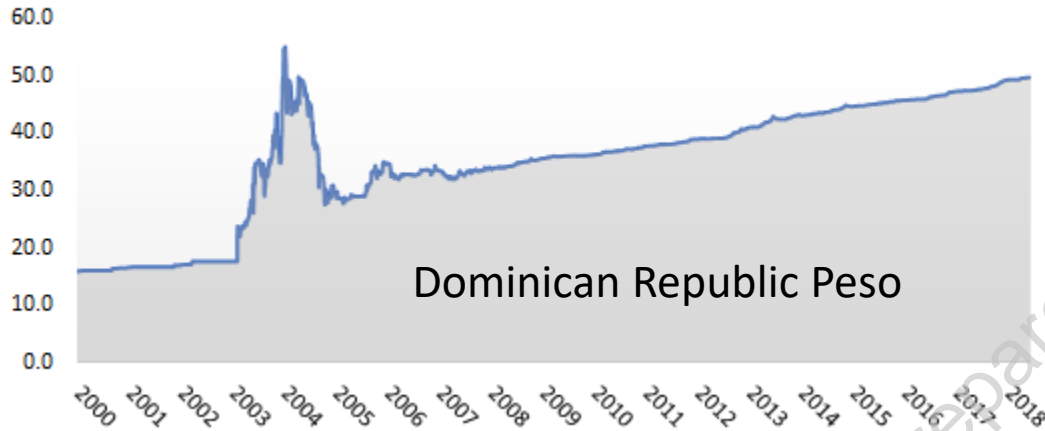
Exchange Rate Brazilian Real for US\$1



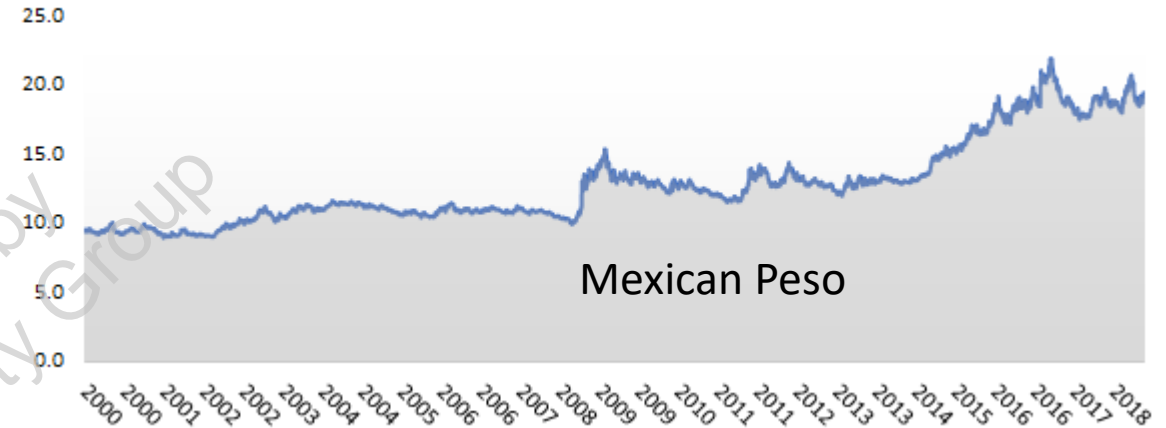
- Recent marked depreciation of the Argentine Peso
- This FX depreciation has caused extensive challenges to Argentina's large outbound tourism industry
- Local destinations and resorts should become more attractive on a relative basis
- Recent depreciation of the Brazilian Real
- This hurts outbound travel
- Makes domestic locations and resorts more attractive

FX Rates at Destinations: Depreciating Currencies

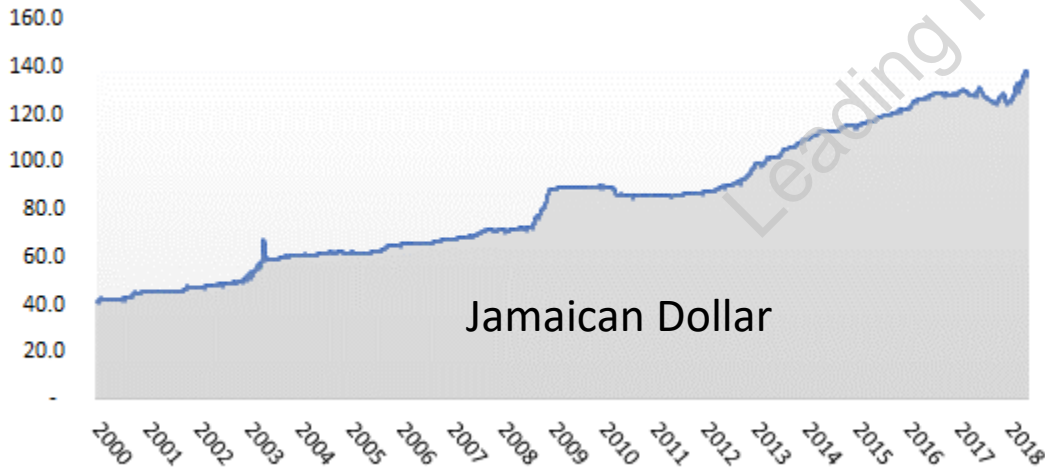
DOP-USD Exchange Rate 2000-Sept. 2018



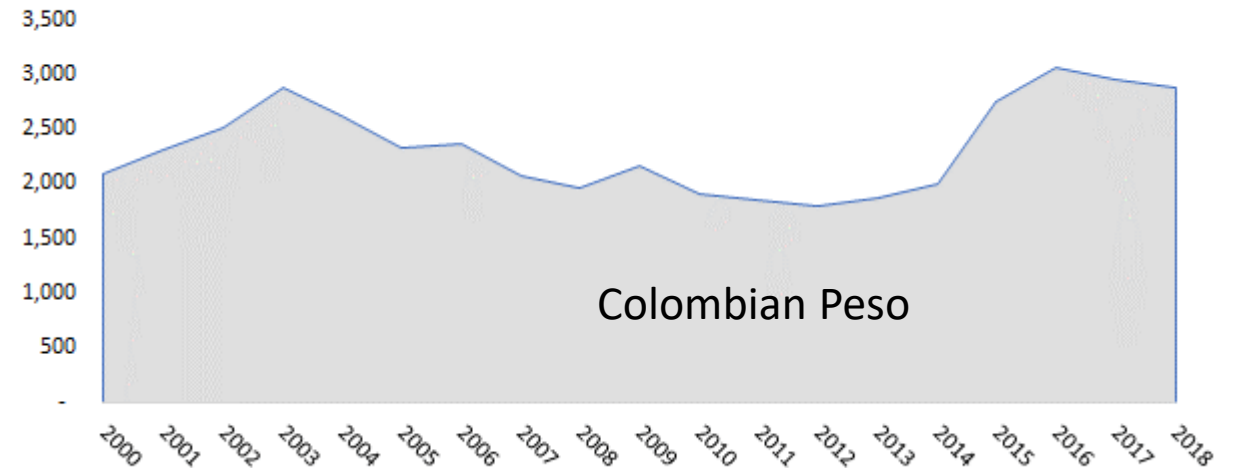
MXP to USD Exchange Rate 2000- September 2018



JMD to USD Exchange Rate 2000-Sept. 2018



COP -USD Exchange Rate 2000-Sept. 2018



A Depreciating Local Currency Can Provide Cost Advantages

Sovereign Ratings

Rating	Agency	Country
A+	S&P	Bermuda
Aa3	Moody's	Cayman Islands
BBB+	S&P	Mexico, Aruba, Trinidad and Tobago, Peru
BBB	S&P	Panama
BBB-	S&P	Colombia
BB+	S&P	Bahamas
BB-	S&P	Brazil, Dominican Republic, Costa Rica
B	S&P	Jamaica
B3	Moody's	St. Vincent & The Grenadines
CC	S&P	Barbados
Caa2	Moody's	Cuba

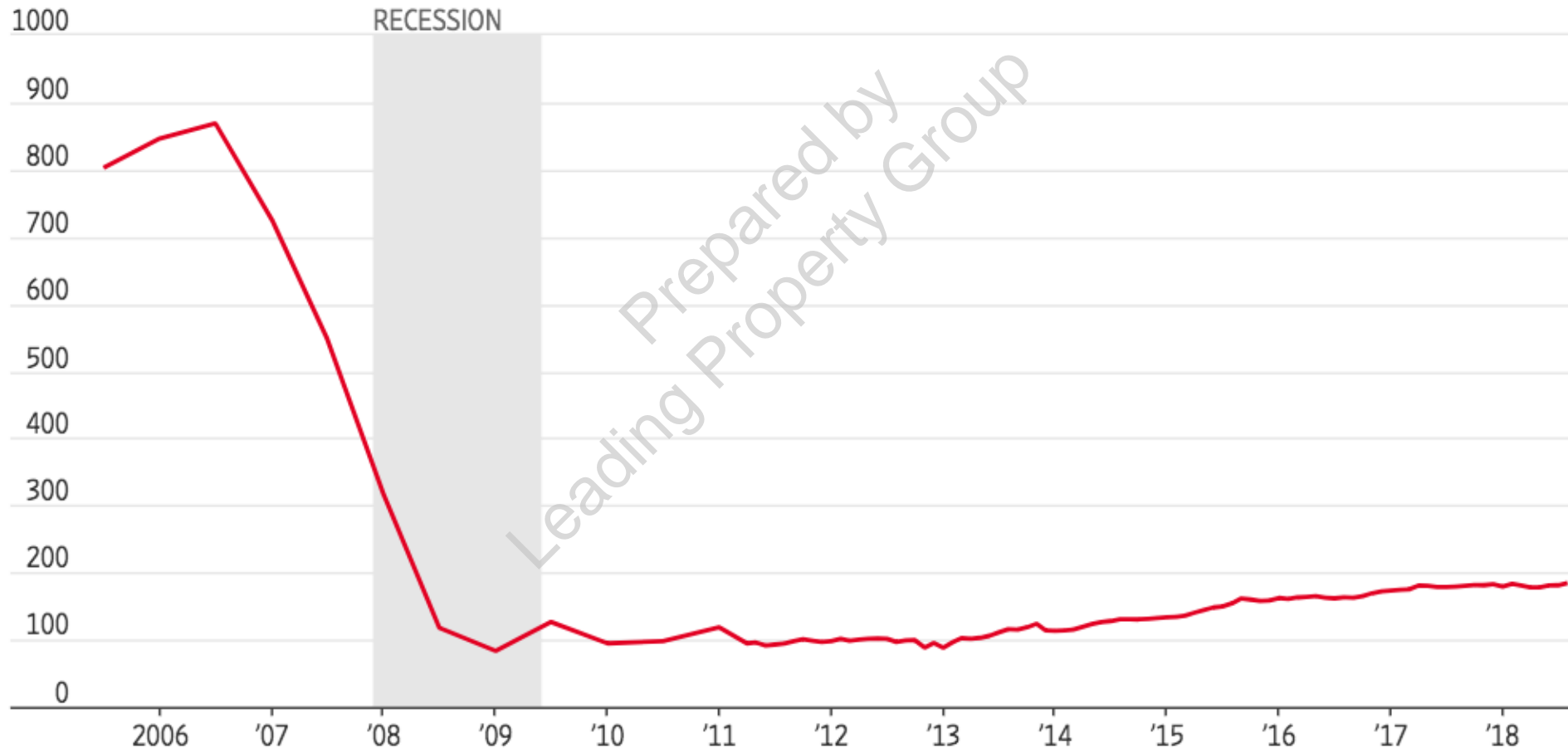
Trends Affecting Shared Ownership vs Full Ownership

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Full Ownership Has its Challenges:

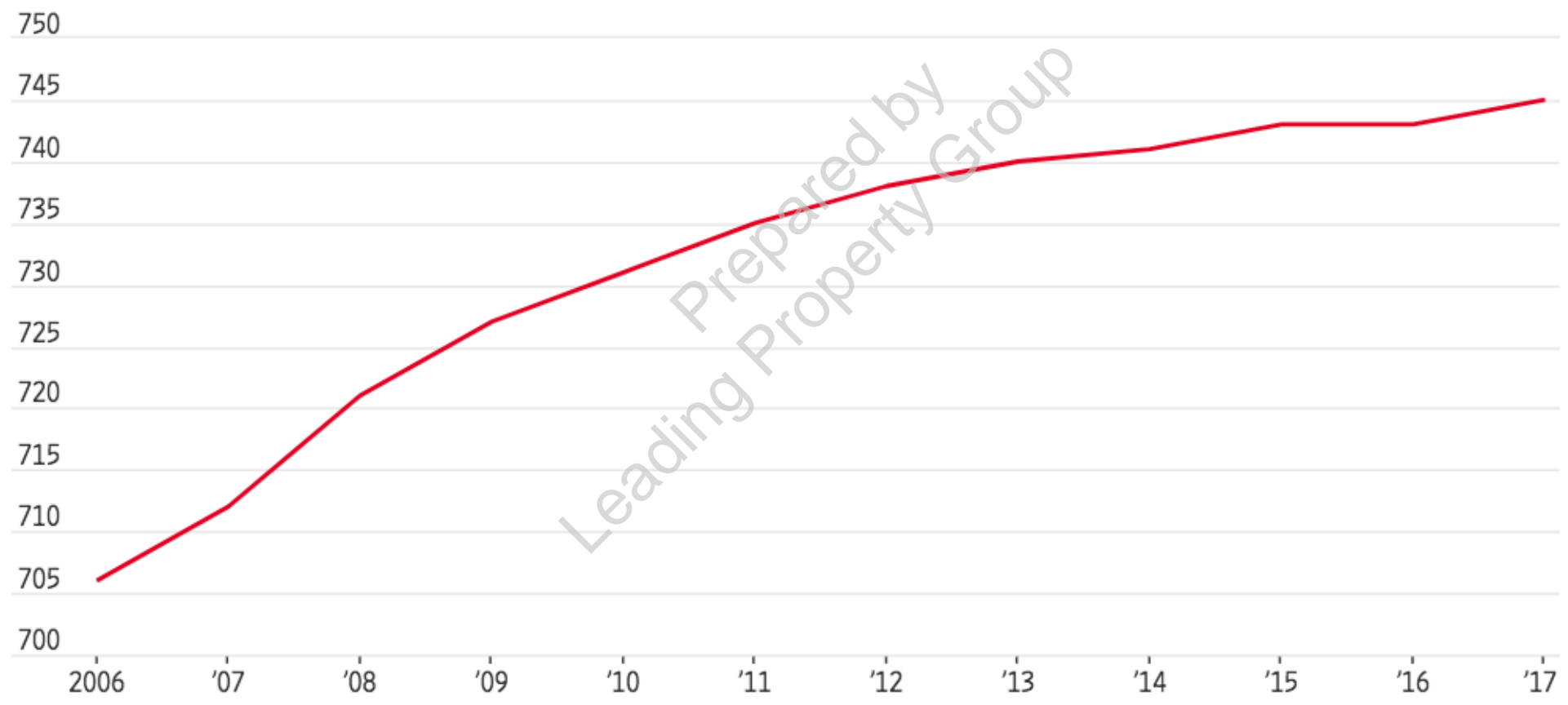
Credit Criteria for Full Ownership Mortgages are tough

Mortgage credit availability index



Full Ownership Has its Challenges: Average Credit Scores Have Been Climbing

Average credit score on purchase loans



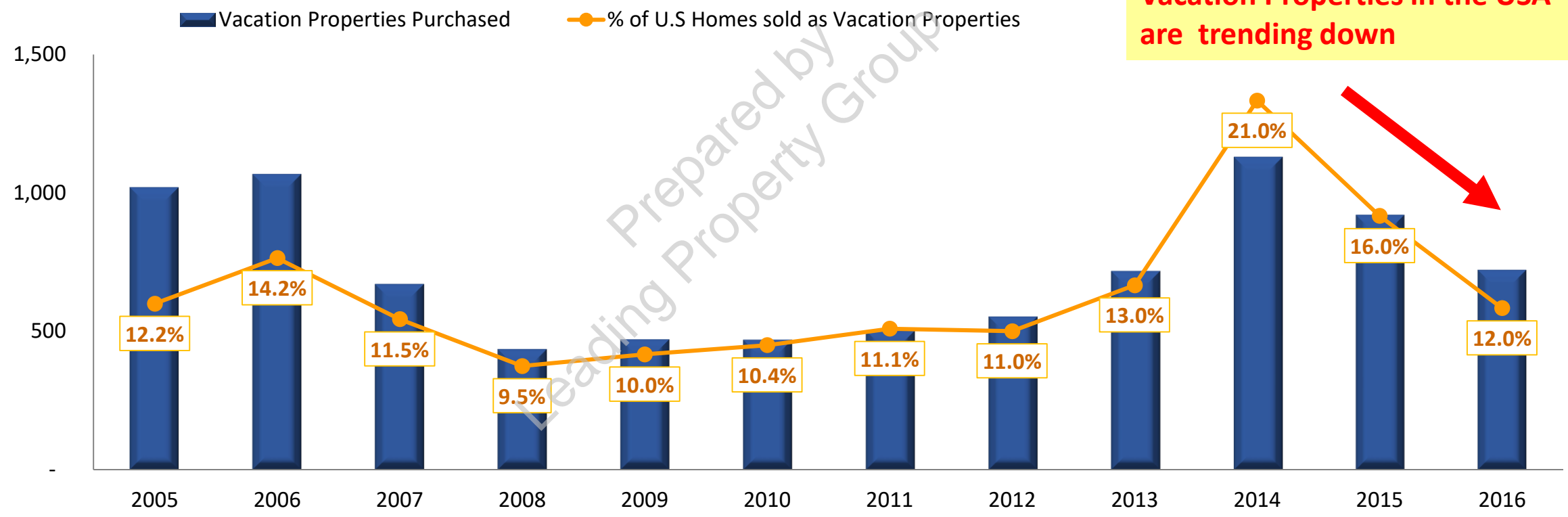
Full Ownership Has its Challenges: Mortgage Interest Rates Are Moving Upwards

Average rate on 30-year mortgage



Sales of Full Ownership Vacation Properties in the USA are on a Declining Trend after a Peak in 2014

USA Sales of Vacation Properties - Absolute and as % of US Home Sales

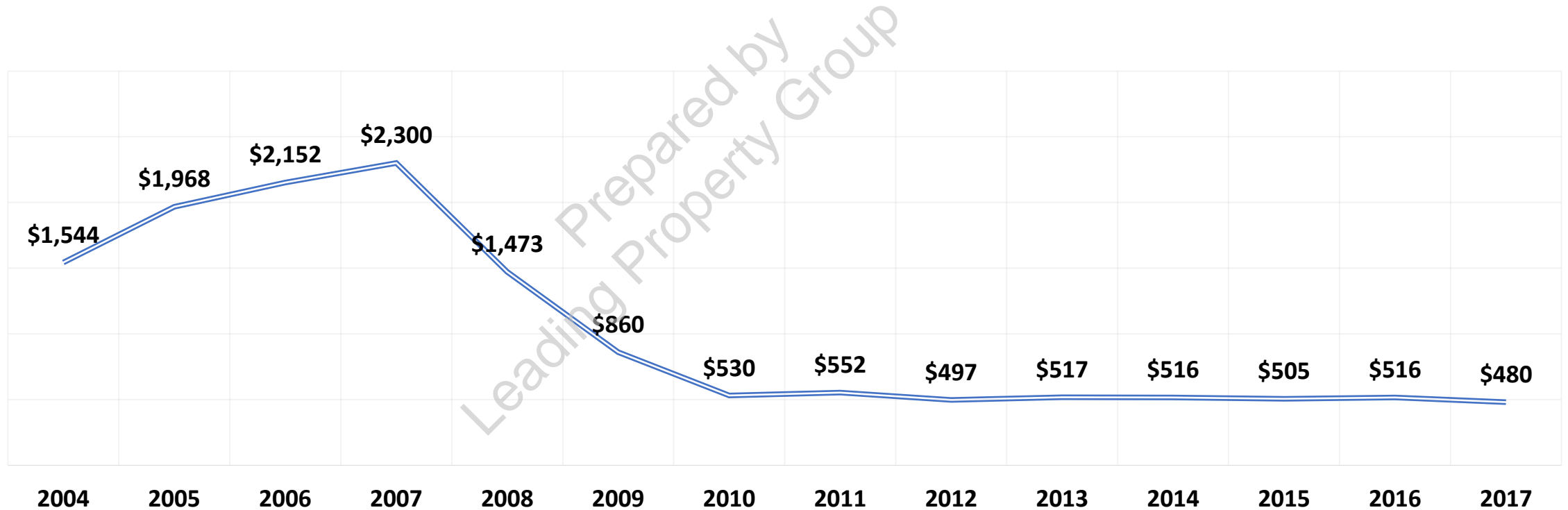


After a peak in 2014, sales of Vacation Properties in the USA are trending down

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Within the Realm of Shared Ownership: Some Asset Classes Have Adjusted to Lower Volumes

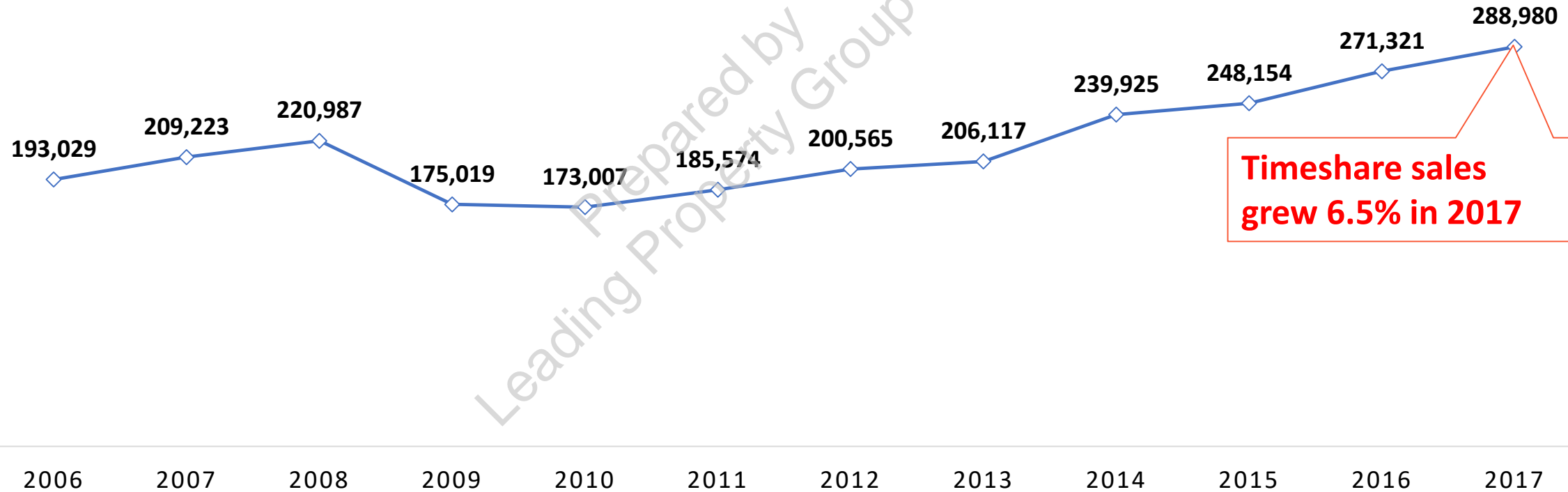
U.S. Sales Volume of Shared Ownership Real Estate – US\$ millions



Sales Volume for Fractional, Private Residence Clubs & Destination Clubs

Sales of Timeshare Intervals Growing Strong

TIMESHARE VOLUME OF INTERVALS SOLD
MEXICO AND CARIBBEAN



Timeshare has proven to be a resilient and dynamic asset class in the Caribbean

The Sharing Economy



For acquiring, providing or sharing goods and services



Facilitated by a community based on-line platform



Allowing individuals to access assets like apartments and automobiles that would otherwise be under-used

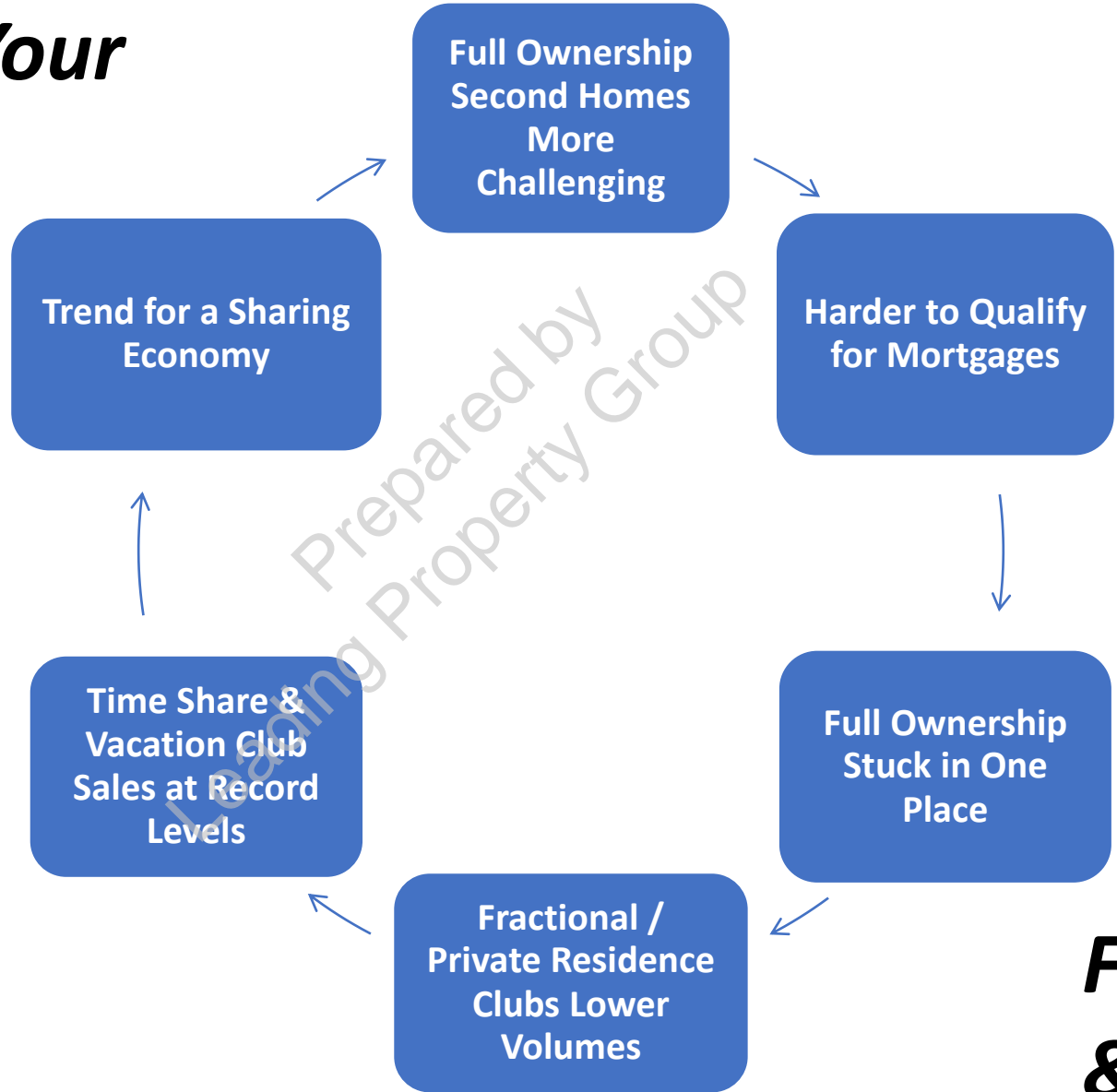
Consumers have developed a new and growing awareness of the advantages of “sharing” as a concept

Classic Examples



UBER

The Trend is Your Friend



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For Timeshare & Vacation Clubs

Evolving Trends and Preferences are Favorable

Full Ownership of Vacation Homes is More Challenging

- ✗ Costs of ownership are very high
- ✗ Costs tend to fall disproportionately on one person or a couple in the family
- ✗ Harder to qualify for financing
- ✗ Grandfather wanted a vacation home in one dependable spot year after year
- ✗ Millennials want continuous variety
- ✗ Shared ownership can answer the need if accompanied by a robust exchange network

Timeshare and Vacation Clubs are in the “Sweet Spot” for Consumers

- ✓ The price point is accessible
- ✓ Financing is easier to qualify for
- ✓ Millennials and younger consumers do want to commit to future travel
- ✓ Experiences in the destinations are key
- ✓ Exchangeability is key
- ✓ They do not want to lock into repeats of the same experience
- ✓ They want a unit they can visit with friends

Positive Overall Scenario

- ✓ Steady growth in travel trends to the Caribbean and LatAm
- ✓ Appeal from outbound markets and growing domestic markets
- ✓ Whole ownership 2nd home competition is constrained
- ✓ Timeshare & Vacation Club sales growing steadily
- ✓ The “Sharing Economy” and “Millennials” are an opportunity
- ✓ A robust exchange program is a necessity, not an option
- ✓ The shared ownership products and sales processes have to be tweaked in order to appeal to Millennials

THANK YOU

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Leading Property Group provides advisory services to resort owners and developers in the Caribbean and Latin America regarding resort concepts, development, branding, debt and equity financing, sales of existing resorts and expansion through acquisitions and mergers.

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