IRR Viewpoint

Caribbean Hospitality Market Update
4th Quarter 2022 Report

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Integra
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St. James Club, St. Lucia

Caribbean
Hospitality Market Update

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Overview

The improving trend of the performance in the tourism sector that we saw in 2021 continued throughout the first three quarters of 2022. Arrivals to the 25 reporting destinations (excluding Mexico and Central America) have already surpassed those of the entire year 2021, at over 13.7 million. Through October, hotel performance indicates a 46% increase in occupancy and a 20% increase in Average Daily Rate (ADR) based on data from STR. Overall, Caribbean hotel performance is nearing its pre-pandemic peak in occupancy but has already surpassed the ADR peak of 2019.

Arrivals Continued to Grow in 2022

The Caribbean Tourism Organization ("CTO") reported tourist arrivals to the greater Caribbean region (including the Caribbean coast of Mexico) peaked at nearly 32 million in 2019, then declined by a dismal 64.8% in 2020, to 11.2 million. As various Caribbean destinations opened back up for tourism in late 2020 and throughout 2021, arrivals started to climb; up to ~19 million by the end of the year.

Of the 25 destinations reporting stayover arrivals to the CTO in 2022, all reported growth in arrivals over the same period in 2021, ranging from 2.3% (USVI) to 2,679% (Cayman Islands). These 25 destinations in the Caribbean (excluding Mexico) saw about 13.7 million arrivals through October, up an average of 546% over the same period in 2021. This astonishing level of growth indicates that the region was still very much in recovery mode in 2021.

The destinations reporting the largest increases in stayover arrivals are those which re-opened to tourism most recently (Cayman Islands at +2,679%, Trinidad and Tobago +1,122% and Barbados +495%). Those with the least amount of increase in 2022 are those which opened earlier and experienced the most growth in 2021 (USVI at +2.3% and Puerto Rico at +11.5%).

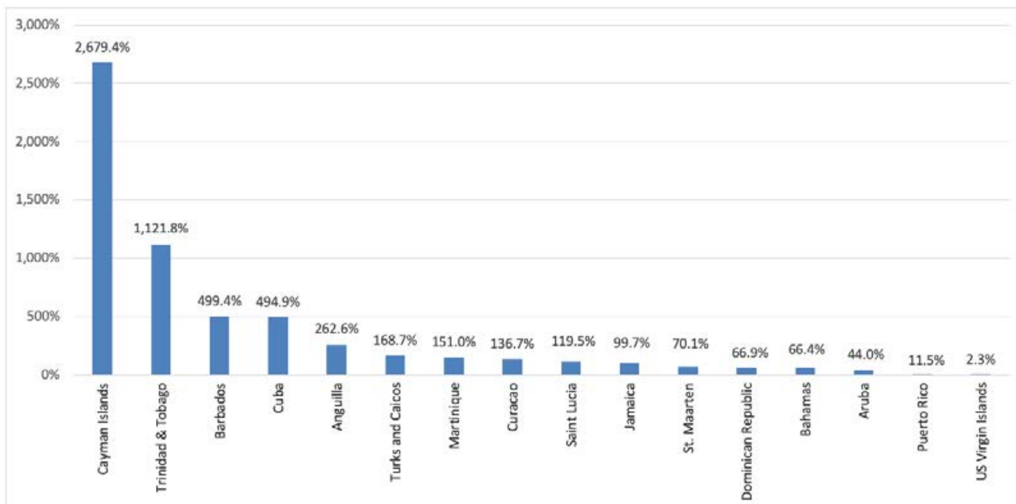
Bolongo Bay Beach Resort
St. Thomas, USVI

CARIBBEAN STAYOVER ARRIVALS - LEADERS

Destination	2018 Arrivals	% Chg	2019 Arrivals	% Chg	2020 Arrivals	% Chg	2021 Arrivals	% Chg	2022 YTD Arrivals	% Chg from 2021	2022 Months
Dominican Republic	6,568,888	3.80%	6,446,036	6.2%	2,405,737	-62.68%	4,994,309	107.60%	4,904,156	66.90%	Jan-Aug
Cuba	4,711,910	11.90%	4,275,558	1.3%	1,086,799	-74.58%	356,470	-67.20%	1,074,814	494.90%	Jan-Sep
Jamaica	2,472,727	7.80%	2,680,920	5.1%	880,577	-67.15%	1,464,399	66.30%	1,430,404	99.70%	Jan-Jul
Bahamas	1,627,121	-4.01%	1,804,184	12.9%	440,551	-75.58%	892,997	102.70%	874,177	66.40%	Jan-Jul
Aruba	890,134	-2.90%	926,949	1.3%	368,280	-60.27%	806,534	119.00%	816,328	44.00%	Jan-Sep
Puerto Rico	1,260,821	-10.70%	1,610,292	-21.8%	798,880	-50.39%	1,664,866	108.40%	1,102,960	11.50%	Jan-Jul
Martinique	537,391	3.10%	556,268	0.3%	312,244	-43.87%	291,011	-6.80%	270,471	151.00%	Jan-Jun
Barbados	678,528	4.70%	528,881	2.6%	195,193	-63.09%	144,833	-25.80%	275,815	499.40%	Jan-Aug
Belize	489,261	10.80%	503,178	14.6%	144,168	-71.35%	218,991	51.90%	288,061	94.30%	Jan-Sep
Cayman Islands	463,001	8.50%	502,739	10.7%	121,887	-75.76%	17,308	-85.80%	146,612	2679.40%	Jan-Jul
US Virgin Islands	477,840	-14.30%	572,163	-25.0%	419,146	-26.74%	824,461	96.70%	598,833	2.30%	Jan-Aug
Trinidad & Tobago	375,485	-3.50%	388,576	-4.9%	95,354	-75.46%	40,621	-57.40%	155,393	1121.80%	Jan-Sep
Curacao	431,705	-9.80%	463,652	8.2%	174,912	-62.28%	264,992	51.50%	355,656	136.70%	Jan-Sep
Saint Lucia	394,780	11.00%	423,736	2.2%	130,719	-69.15%	199,347	52.50%	242,547	119.50%	Jan-Aug
Bermuda	281,886	10.30%	269,479	4.6%	44,320	-83.55%	72,153	62.80%	60,805	198.70%	Jan-Jun
Guyana	286,732	5.10%	314,727	15.9%	86,522	-72.51%	157,383	81.90%	128,235	105.60%	Jan-Jun
Antigua & Barbuda	268,949	-6.70%	202,964	8.7%	125,069	-38.38%	169,469	35.50%	189,686	70.80%	Jan-Sep
Turks and Caicos	167,760	-8.20%	152,094	-10.3%	299,086	96.65%	404,664	35.30%	138,762	168.70%	Jan-Mar
British Virgin Islands	192,312	-17.90%	302,499	-40.9%	82,704	-72.66%	55,577	-32.80%	121,423	374.60%	Jan-Aug
Grenada	160,970	8.10%	162,902	10.0%	43,807	-73.11%	42,099	-3.90%	91,488	306.50%	Jan-Sep
St. Maarten	177,590	-0.30%	319,696	-55.8%	106,438	-66.71%	248,852	133.80%	261,608	70.10%	Jan-Aug
St. Kitts & Nevis	74,237		59,099	11.8%	28,716	-51.41%	19,441	-32.30%	55,260	481.90%	Jan-Sep
St. Vincent & the G'dines	80,080	-3.50%	72,983	5.4%	27,042	-62.95%	24,230	-10.40%	37,498	283.40%	Jan-Aug
Dominica	62,875	7.90%	75,479	-12.9%	21,734	-71.20%	14,888	-31.50%	37,491	334.40%	Jan-Sep
Anguilla	54,533	-13.90%	95,375	-20.1%	25,381	-73.39%	28,376	11.80%	47,882	262.60%	Jan-Jul

Source: Caribbean Tourism Organization, except Various Govt. Tourism Departments Where Noted *

The following chart illustrates some of the top destinations in terms of growth in arrivals.

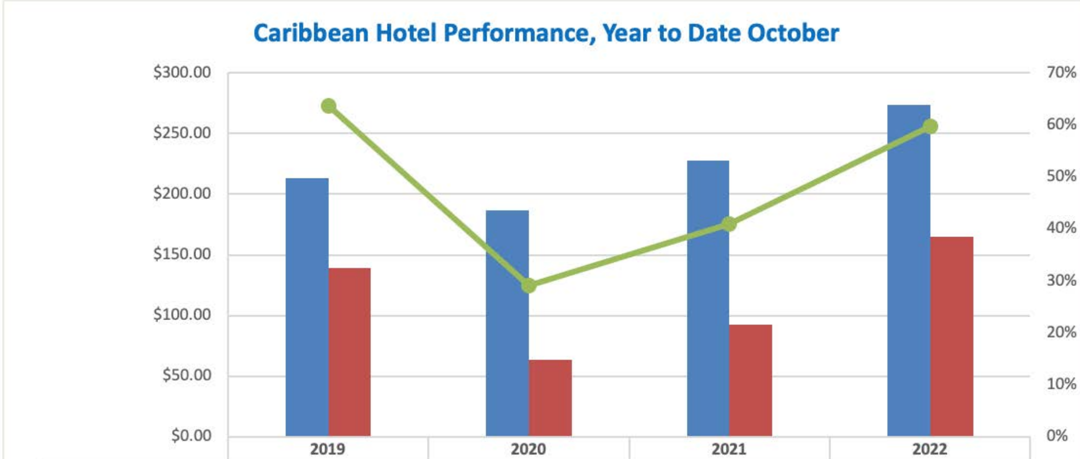


Hotel Performance Continued to Improve in 2022

Based on data from STR/Costar, for the 12-month period ending October 2022, occupancy rates have improved significantly, and average daily rates improved moderately over the same period in the prior year. The net effect is an increase in revenues per available room.

For the year-to-date through October, occupancy in the region is up 46.0%. For same period, the average daily rate increased 20.1% for the Caribbean. As a result, RevPar is up 78.8% for the year to date. We note that while occupancy has not quite reached the pre-pandemic peak, achieved in 2019, ADR has surpassed that of the year-to-date through October 2019.

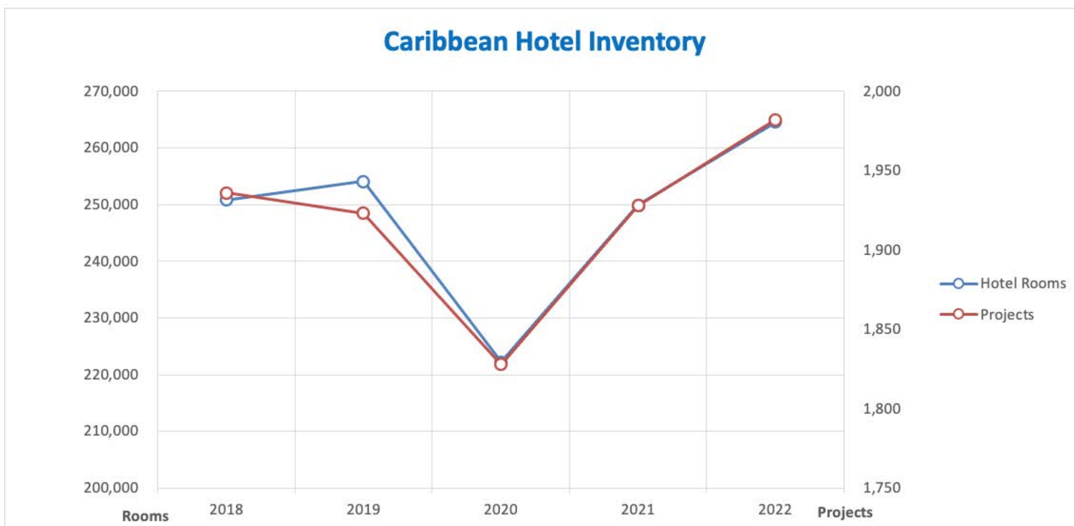
Hotel On the Key
St. Croix, USVI



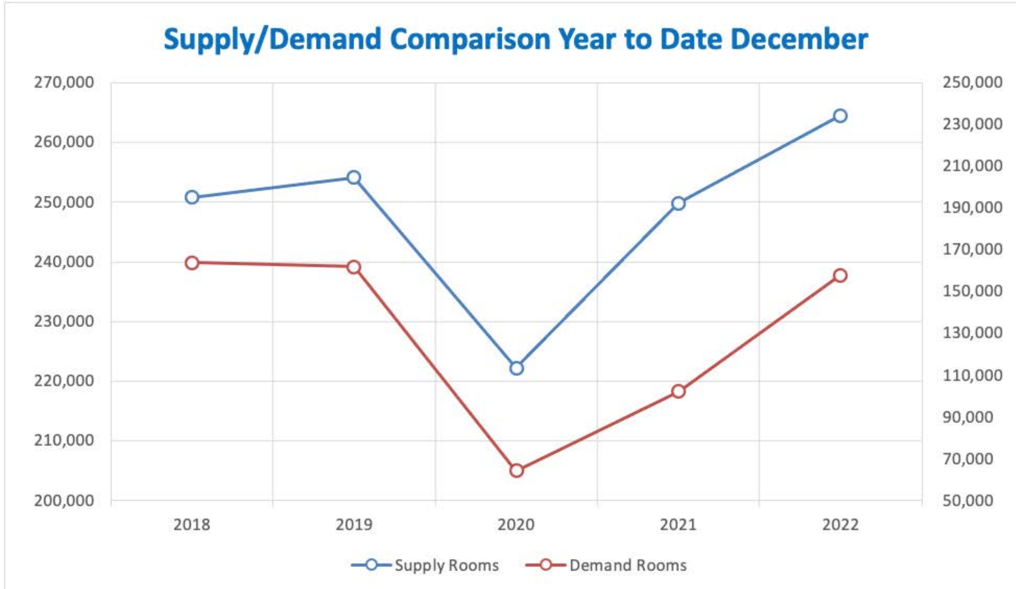
	2019	2020	2021	2022
Average Daily Rate	$213.12	$186.47	$227.70	$273.55
RevPar	$139.10	$63.49	$92.25	$164.97
Occupancy	63.66%	29.00%	40.92%	59.75%

Thus far in 2022, hotels and booking engines are reporting significant growth in activity in terms of future reservations, and we project continued improvement for the rest of this year. In our opinion, however; it may not be until the winter-spring season of 2022-23 before the industry is able to match or exceed 2019 levels in terms of arrivals and occupancy.

As of September 2022, the total number of rooms in inventory in the Caribbean stood at 264,544 in 1,982 projects, higher than the inventory noted in 2019. The sharp decrease in inventory in 2020 was simply a function of hotels that were closed and not reporting due to the pandemic.



Based on a comparison of the total number of rooms in inventory and occupancy overall, we can interpolate the number of room nights sold in each year, and the growth rate in demand versus supply. Demand growth exceeded that of supply in 2015 through 2017 but lagged supply growth in 2018 and 2019. As of the year-to-date in October 2022, supply increased 5.5% while demand increased 54.6% over the prior year. This dramatic increase in demand is only slightly below that of the calendar year 2021.




Proposed Kimpton Kawana Bay, Grenada

For the twelve months through October 2022, the highest ADRs reported in the region are as follows:

- Saint Barthelemy: ADR $2,281, Occupancy 61.57%
- Turks and Caicos Islands: ADR $1,168, Occupancy 70.23%
- British Virgin Islands: ADR $862.30, Occupancy 56.44%

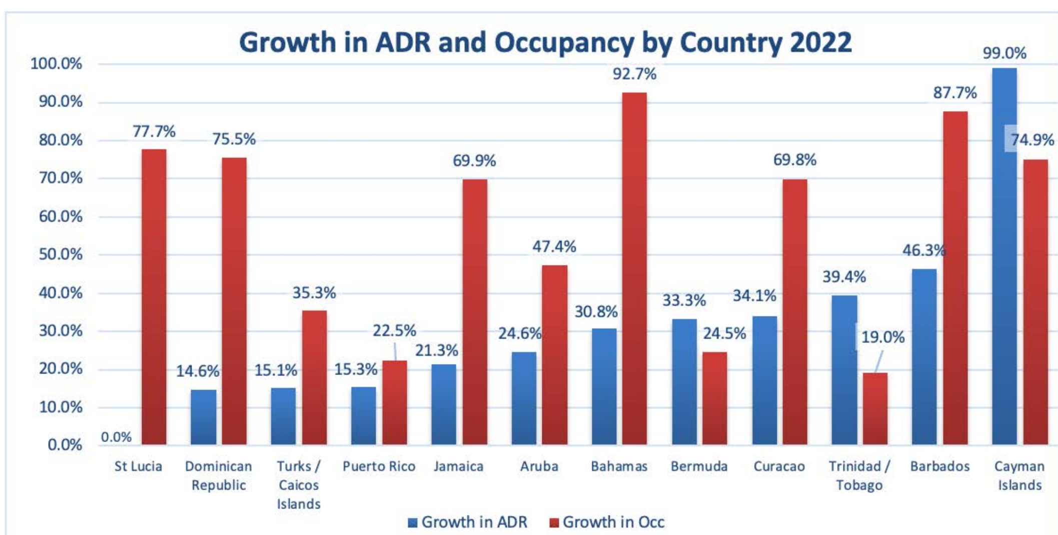
Note that these three destinations are reporting extremely high ADRs which are outside the range of the remainder of the region, since they only have a select number of reporting hotels/ condominium resorts in those locations, which are all ultra-luxury in nature. Because these numbers are outside the range of the rest of the region, and considered outliers to a certain extent, we report the other destinations separately.

The following graph illustrates some of the other primary destinations in the Caribbean in terms of hotel performance for 2022. Of this set, St. Lucia, USVI; St. Kitts/Nevis, Cayman, Bermuda, and the Bahamas are reporting the highest ADRs.

Proposed Kimpton Kawana Bay, Grenada

The highest growth in ADR was reported by the Cayman Islands, at 99% above the same period last year, followed by Barbados (+46.3) and Trinidad/Tobago (+39.4%). In terms of improvement in occupancy, the Bahamas reported a 93% growth rate, Barbados grew 88%, and St. Lucia grew 78%. These islands fully opened back up for tourism on a later date compared to others in the region, so the 2022 growth in tourism has been higher than the prior year.

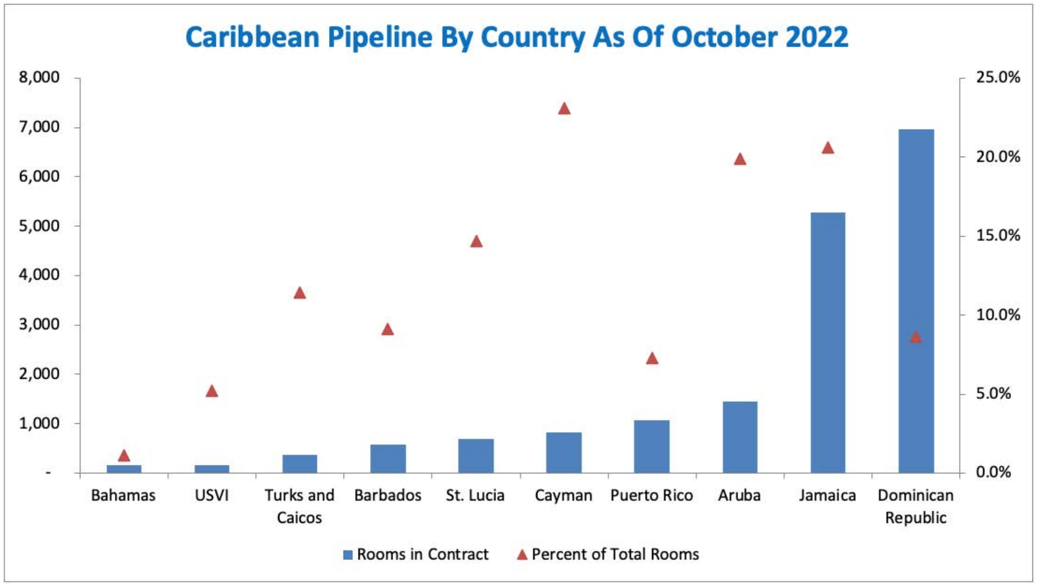
It is likely that inflationary factors will boost costs for hotels and lead to continued increases in ADR for hotels that retain the same business model. In the years leading up to the pandemic, occupancy had been very high compared with the long term, and should that begin to subside in 2023-24, we may see rates correcting to reflect supply/demand factors.



Pipeline Continues to Grow

As of October 2022, STR/Costar reported 92 projects totaling 20,550 rooms in the "final planning" or "in construction" phase in the Caribbean (excluding Mexico). As of October 2019, there were a reported 134 projects in those categories in the Caribbean (excluding Mexico), totaling 30,184 rooms. This represents a 31.2% decrease in rooms in construction or final planning in 2022 compared with Q4 2019. This could relate to some projects having been temporarily deferred due to the pandemic and supply chain issues. In addition, increasing interest rates have affected the ability to get new debt financing for Caribbean projects.

Proposed Sandals at Santa Barbara Beach Resort, Curacao



The Dominican Republic leads the Caribbean in terms of the destination with the most rooms in final planning or construction phase at 6,971 rooms, followed by Jamaica (5,282 rooms, including the proposed 2,000-room Celebration Jamaica; which remains in the Final Planning stage) and Aruba with 1,440 rooms in this category. As the graph above indicates, the rooms which Cayman has in the pipeline represent more than 23% of the total existing room stock in that destination, with Jamaica potentially adding rooms representing 21% of the existing inventory. All of the other destinations are now planning to add less than 15% to their existing inventory, which is down from last year.

The largest projects in the Planning, Final Planning, or In Construction Stage are shown following.

Largest Projects Under Contract

Project	Unit Count	Location	Stage
Celebrations Jamaica	2,000	Montego Bay, Jamaica	Final Planning
Marriott Trelawny Jamaica	800	Montego Bay, Jamaica	In Construction
Secrets/Tides Punta Cana	700	Punta Cana, Dominican Republic	In Construction
Riu Aquarelle	700	Jamaica	In Construction
Autograph Collection Punta Cana	650	Punta Cana, Dominican Republic	Final Planning

Source: STR, Inc.

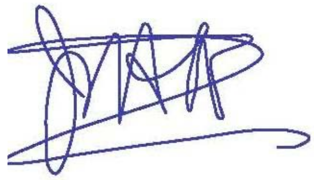
We note that most of the largest projects are all-inclusive in nature, and in markets that are dominated by that type of product.

Galley Bay Resort, Antigua

Conclusions and Forecasts

All indications are that the serious threat of Covid-19 is subsiding, although the virus is likely to be around in some form for some time. Nevertheless, there is evidence of pent-up demand for leisure travel which is already resulting in improving performance for those destinations that have opened or lessened travel restrictions. In its 2022 Travel Trends Report, Expedia revealed that more than two-thirds of Americans (68%) are planning to go big on their next trip this year, and are eyeing exotic international destinations including Europe, Asia and the Caribbean. Additionally, Expedia reports that the Caribbean (38% lower than January 2019) and Southern and Mediterranean Europe (-41%) have shown the fastest rates of recovery in the world toward 2019 levels. We project that tourism revenues and hotel performance in the Caribbean will reach pre-pandemic levels in late 2022 and/or early 2023, then the growth pattern will likely subside slightly after the initial enhanced demand has been met.

Part of the greater network of Integra Realty Resources offices, IRR-Miami/Caribbean provides real property and business valuation and consulting services throughout South Florida and the Caribbean region, specializing in hotel and resort investment assets and businesses.



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Sources for Underlying Data Used in Graphs, Tables and Charts:

1. Caribbean Stopover Arrivals: *Caribbean Tourism Association*
2. Caribbean Stayover Arrivals – Leaders: *Caribbean Tourism Association*
3. Growth in Arrivals by Country: *Caribbean Tourism Association*
4. Hotel Performance, Year to Date December: *STR, Inc*.
5. Caribbean Hotel Inventory: STR, Inc.
6. Supply/Demand Comparison Year to Date December *STR, Inc*. and Integra Realty Resources
7. Hotel Statistics by Country: *STR, Inc*.
8. Growth in ADR and Occupancy by Country: *STR, Inc*
9. Caribbean Pipeline by Country: *STR, Inc.*
10. Latest Projects Under Contract: *STR, Inc*