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# 2010 SOUTH AMERICA HOTEL MARKET OVERVIEW

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## ***A Fascinating and Challenging Market: The Hospitality Business***

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The development of the hotel industry has had a strong correlation with the development of the Tourism industry around the world and, especially, in our region. A young industry in South America that is turning its 60 years of life, flourished since the development of the commercial aviation.

Getting hotels to be considered within the real estate development framework in our region was quite unusual until some years ago. Today, the hotel business is becoming the star of Real Estate events, drawing the attention of both, experienced and new players. Also, the most important business newspapers write about this business, and traditional newspapers highlight it on the economy pages or in real estate supplements.

With the economic crisis hitting the markets globally by the end of 2008, the hotel industry could not avoid a turndown on its markets worldwide. The effects of the crisis within the markets were compared to those caused by The Great Depression of 1929. Although 2010 is still a challenging year for many markets, small signs of recovery are being noticed. However, it is still difficult to have the answer for 'Have the markets hit bottom yet?' or 'When will the markets hit again the levels achieved by 2007-2008?'

More than ever before, phrases like "Nothing is permanent except change" or "Life is dynamic and a process of ceaseless change" come to my mind and remind me that what could keep a business safe is having resilient leaders with the ability to change the strategy on the road.

As consultants, we like to think as owners so that we can always offer our clients the best service for their businesses, mostly in these times of uncertainty.

We like to see changes as opportunities. We truly believe that the Hospitality Industry in South America is full of opportunities ready to be pursued.

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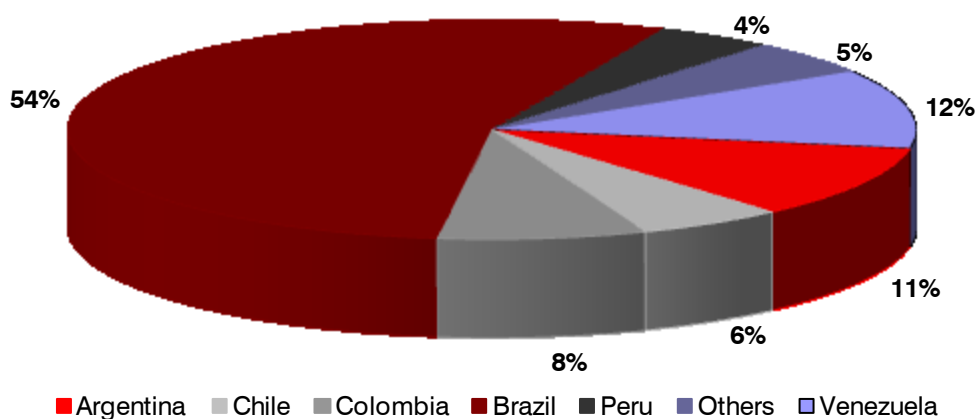


## 2010 South America Hotel Market Overview

### ECONOMIC OVERVIEW

South America comprises 13 countries and accounts for around 5% of World GDP. As of 2009 data, Brazil has the largest GDP of the region, with US\$ 1,570 billion (54% of South America), followed by Venezuela (12%), Argentina (11%), Colombia (8%), Chile (6%) and Peru (4%). The rest of the countries<sup>1</sup> account for the remaining 5%:

Share of total South American GDP (2009)



Source: World Economic Outlook, April 2010 (IMF)

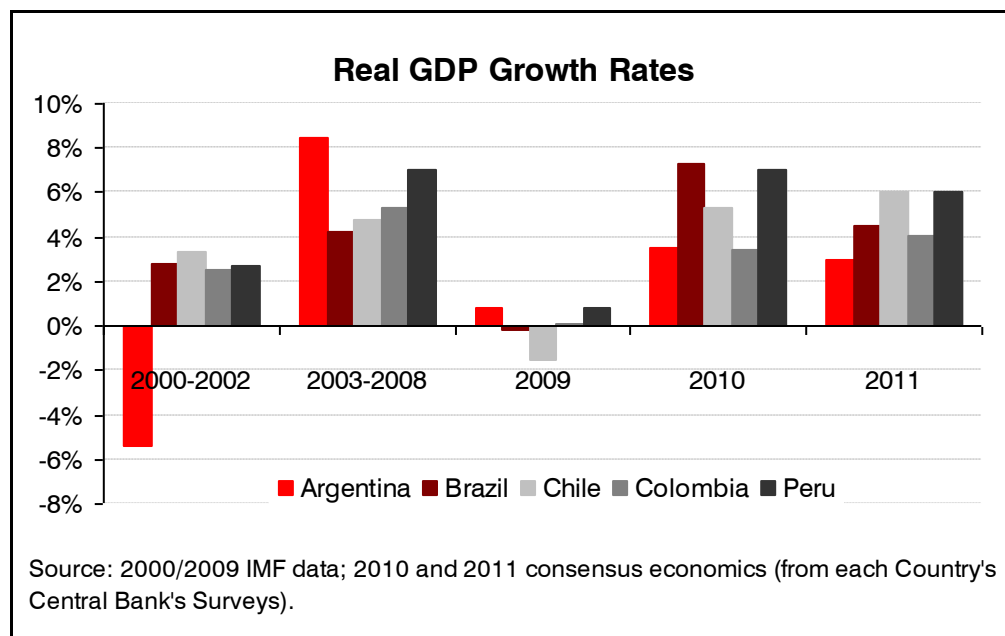
In the last decade, South America has proven to be a rapidly evolving economy. Underpinned by a very strong international demand for commodities, also favoured by the improvement of terms of trade, current account balances have been showing steadily growing surpluses. Capital inflows made interest rates fall, encouraging investment and development of various industries, including tourism. Risk Ratings have improved for most countries, among which Brazil, Peru, Chile and Colombia have been rated as “investment grade”.

The abovementioned factors caused strong GDP growth rates that were observed between 2003 and 2008, followed by the world crisis that plummeted performance in 2009. International commodity prices plunged together with

<sup>1</sup> Bolivia, Ecuador, Guyana, Paraguay, Suriname, Trinidad & Tobago and Uruguay

demand, so money inflow was severely reduced, pulling consumption down as well. Even though the forecasts at the beginning of 2009 were pessimistic, most of them underestimated the contraction of the first two quarters. Fortunately, recovery signs slowly started to appear at the end of 2009, leveraged mainly by regional demand generated by Brazil. At the end of 2009, forecasts for 2010 had already recovered some optimism for the region.

The following chart exposes real GDP average growth divided by periods (2000-2002 and 2003-2008) and recent years. Between 2000 and 2008 expansion rates were steadily increasing, especially between 2003 and 2008. The international crisis shock during 2009 is very eloquent from a graphic viewpoint and optimistic forecasts can be observed for the years 2010 and 2011.



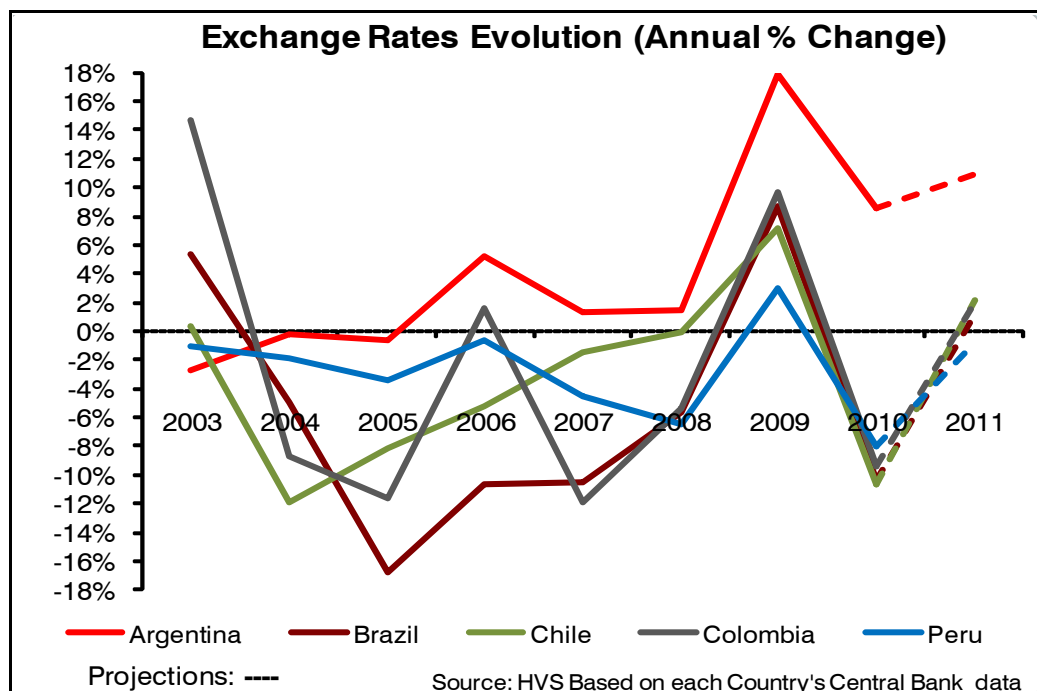
Forecasted growths for 2010 and 2011 assume that recovery is already here and that economies will continue their growth path, although at lower estimated rates than those before the global crisis. External and domestic demand, flexible fiscal policies, healthy fundamentals, higher commodity prices and favourable terms of trade are helping the region recover and attract foreign investment.

Recovery is projected<sup>2</sup> to be especially strong in economies such as Peru (top performer, is expected to expand by 7.5% in 2010), Brazil (7.3%), Argentina (6.6%), Chile (5.3%) and Colombia at 3.4%.

<sup>2</sup> Source: each Countries' Central Banks' Surveys

For 2011, GDP growth rates are expected to be similar to those of 2010: Peru (6%), Chile (6%), Brazil (4.5%), Argentina (4.4%) and Colombia (4%).

Exchange rates (defined as local currency per US dollar) have shown similar behavioral patterns for Argentina, Brazil, Chile, Colombia and Peru. From a broad perspective, currencies depreciated in 2003 and appreciated between 2004 and 2008, except for Argentina and Colombia, who devaluated in 2006. In 2009 all of the analyzed countries devaluated their currencies against the US dollar. The following chart plots the internannual percentage change in exchange rates:



During and after 2010, with economic consolidation, policies should be expected to be gradually less accommodative in order to keep foreign capital inflow up. Recent policies have included allowing currency appreciation, accumulating foreign exchange reserves and reintroducing capital controls. Nevertheless, according to the IMF, there is also an argument for keeping low interest rates for a longer period than justified by domestic cycles in order to avoid attracting speculative capital inflows.

## TOURISM OVERVIEW

South America represents around 2.3% of worldwide international tourist arrivals, which in 2009 was equivalent to 20.6 million tourists. This portion of international tourism has been kept stable throughout the past decade.

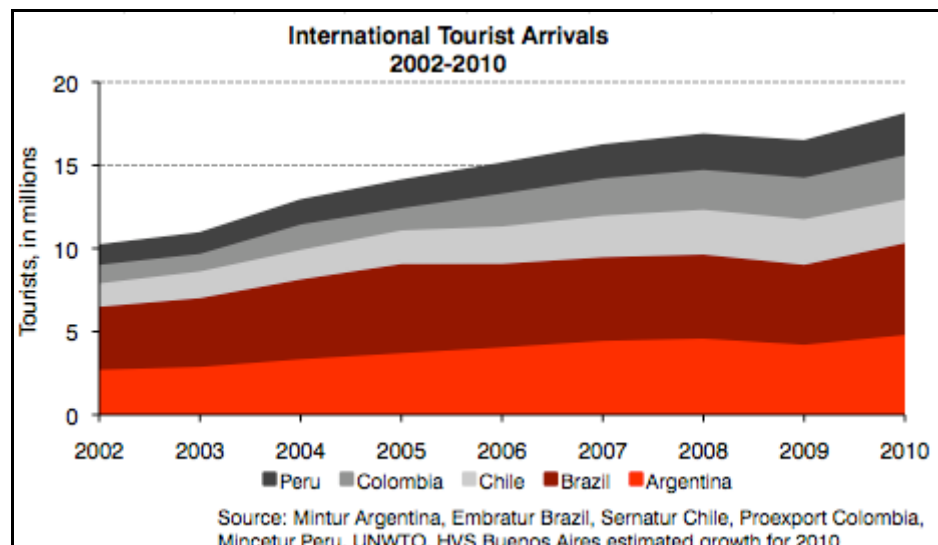
Marked by September 11, 2001 terrorist attacks and by pandemic Avian Influenza, the beginning of the decade was not promising for the industry. International tourism figures suffered an important decrease, and the world conflicts outlook was utterly uncertain. Remarkably, world recovery reappeared by 2003. Since then, and until 2008, international tourist arrivals in South America experienced a 9% average annual growth. These rates more than doubled long term worldwide annual growth rates, estimated by UNWTO to be around 4%.

In 2009 tourist arrivals declined by 4.2%, both because of international crisis and H1N1 flu pandemic health alerts falling onto the main countries of the region. The first two quarters of last year were difficult for the hospitality industry, and fortunately slight recovery signs started to appear since the third quarter. Nowadays, we can observe that recovery seems definitely here. During

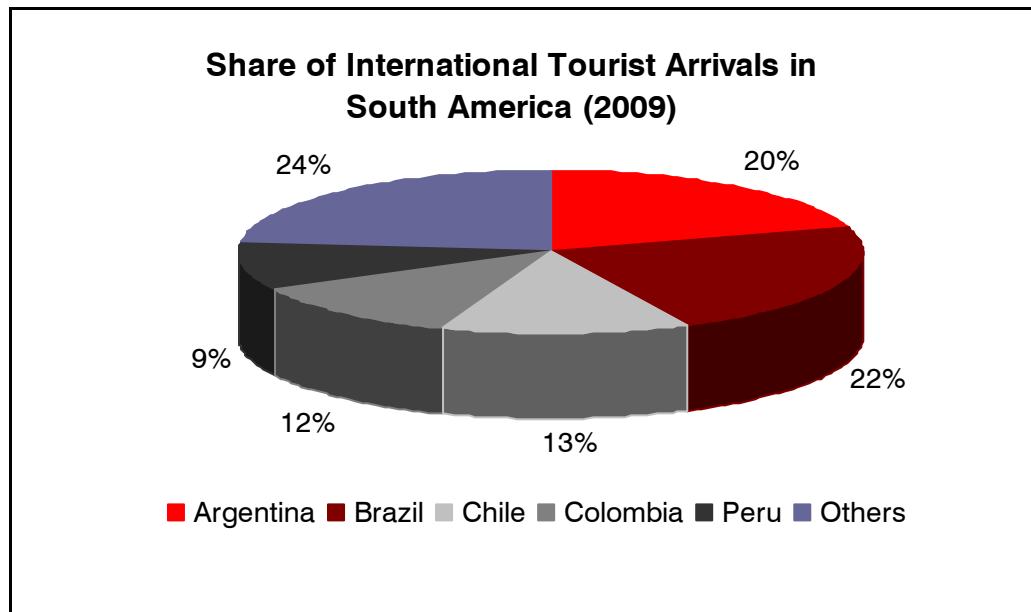
*South America represents around 2.3% of worldwide international tourist arrivals, which in 2009 was equivalent to 20.6 million tourists.*

2010 tourist arrivals worldwide have been growing again: according to UNWTO's last Barometer update, total international tourist arrivals have grown by 6.9% worldwide. South America keeps track of

that growth and has experienced an average growth of 5.7%, and the hot season has not yet arrived here. The following chart shows the evolution of international arrivals throughout 2002 and 2010. Overall international tourist arrivals were around 14.2 million in 2003, and we can expect to reach almost 23.0 million in 2010, when growth rates are expected to be back to 2008 levels.



Amongst the countries of the region, Brazil is the main tourist receiver, followed closely by Argentina and then by Chile. When comparing Argentina, Brazil, Chile, Colombia and Peru against the other countries of the region, the following relationship could be observed for 2009:



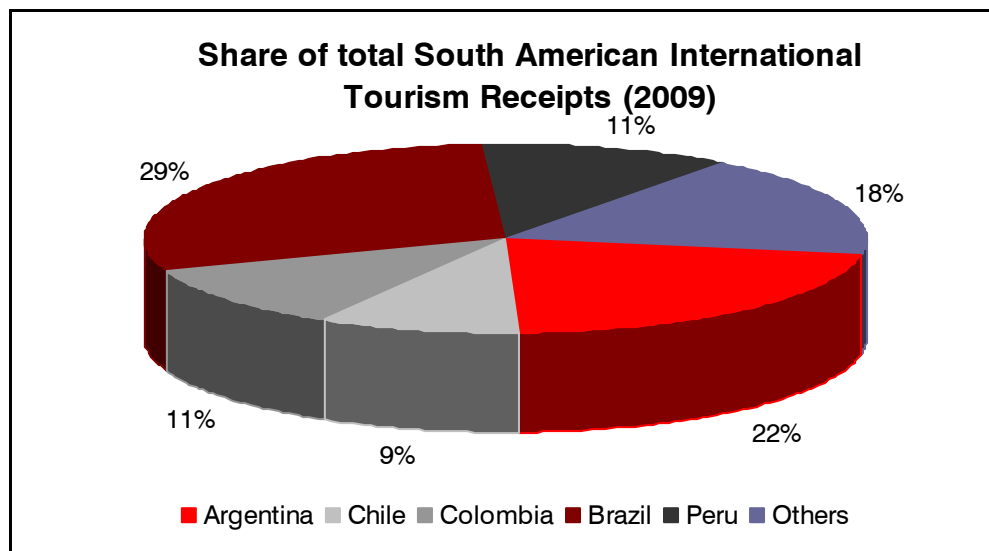
Source: UNWTO

Hotel development throughout the region is also showing signs of recovery. For Luxury, Upper-Upscale, Upscale and Midscale segments, existing supply for the whole of Central and South America is of 99,905 rooms, with a total active pipeline of 15,483<sup>3</sup>, which means an expected 15.5% increase in supply for those segments.

Brazil also leads the International Tourism Receipts: in 2009 the total amount was US\$ 5,305 million, accounting for 29.5% of South America. Brazil was followed by Argentina with 21.8%, Peru (11.4%), Colombia (11.1%) and Chile (8.7%). The following chart shows the share of International Tourism Receipts of the analyzed countries relative to the rest of South America.<sup>4</sup>

<sup>3</sup> Source: STR Global: Central/South America June pipeline, 19 July 2010

<sup>4</sup> Others: Bolivia, Ecuador, Paraguay, Uruguay, Venezuela



Brazil is the largest and one of the fastest growing countries in South America, therefore a great tourism generator towards the region. Furthermore, the organization of 2014 FIFA World Cup (Brazil) and 2016 Olympic Games (in Rio de Janeiro) promises a huge expansion for the industry, and is expected to boost tourist arrivals in Brazil and in the main South American tourist destinations. A great number of investments will be made in Brazil for these two great events, which is expected to assure confidence for private investors, especially given the government policies for the sector. All of these factors are expected to bolster the overall economic situation, which will mean more spending power and more tourism for the region.

## Buenos Aires

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Buenos Aires is Argentina's capital and largest city in addition to being the second largest city in South America, after the city of Sao Paulo. Besides being the main gateway to international tourist arrivals for all domestic final destinations, it has a wide array of demand generators for all tourism segments, making it a very attractive city for international tourism.

Soon after the 2001-2002 national crisis, and encouraged by highly depreciated exchange rates, all three tourist segments started to pour into Buenos Aires. Economic recovery brought corporate tourists, a very rich cultural, gastronomic and shopping supply attracted leisure tourism, and meetings and congresses flourished.



According to the International Congress and Convention Association (ICCA), in 2009 Buenos Aires was the 11th city in the world ranking of number of events per city, leading the way amongst other cities of the Americas. ICCA rankings cover meetings organized by international associations which take place on a regular basis and rotate through a minimum of three countries.

## **SUPPLY AND DEMAND**

As the decade went by, tourism supply grew both in quantity and quality and Buenos Aires consolidated as one of the most renowned tourist destinations in South America.

In year 2000 Buenos Aires had 10 hotels from the Luxury and Upper Upscale segments. The city ended 2009 with 17 properties, with room inventory growing from 3,078 to 4,278, i.e. a 40% increase in supply. This has turned the Buenos Aires top market<sup>5</sup> into a very competitive one, bringing about better service, internationalization of standards and more benefits for the guests. It is important to notice that Buenos Aires luxury market, unlike the majority of South American cities, is characterized by a more consolidated luxury and upper upscale hotel supply, with 15 properties managed by international Hotel Brands or affiliated to internationally renowned Reference Groups.

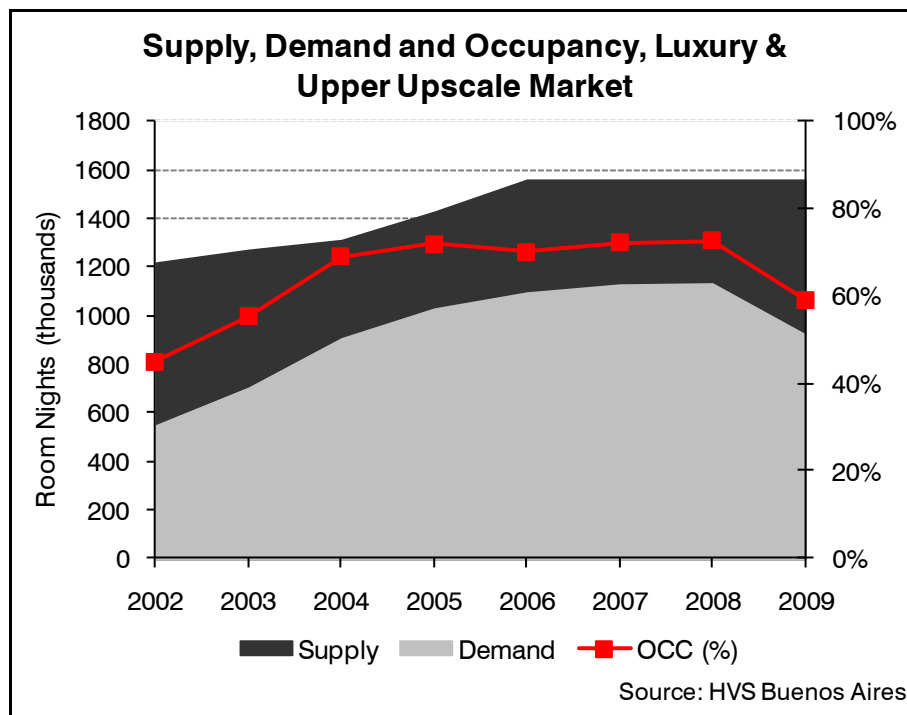
Demand has experienced a remarkable growth between 2002 and 2008. The increase in tourist arrivals was mainly motivated by the high quality leisure offer at convenient international prices and the strong positioning that has acquired Buenos Aires as one of the main tourist destinations in South America. Furthermore, economic recovery brought new business developments in the country and the activity acquired renovated dynamism.

The significant growth in demand was able to rapidly absorb the expansion in supply. Therefore, performance indicators followed an upward trend between 2002 and 2008.

In 2009, accompanying the global trends, the segment was harshly affected by the international economic crisis and the H1N1 flu.

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<sup>5</sup> Top market refers to Luxury & Upper Upscale market segmentation.



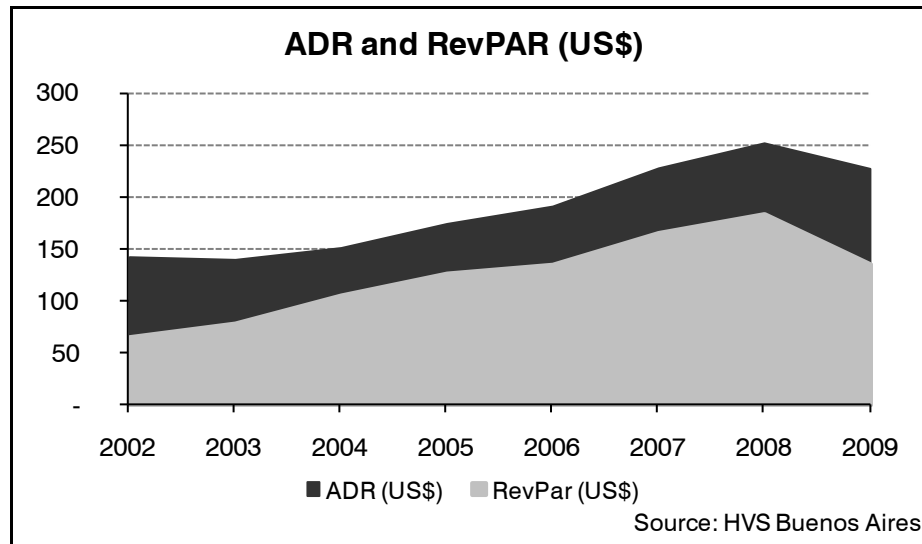
Every performance indicator plummeted during 2009. Fortunately, demand has already started to rebound and between January and July 2010, RevPAR grew by 20.37% versus the previous year.

### AVERAGE DAILY RATES

Average Daily Rates also performed extraordinarily during the analyzed period, almost doubling in 2008 (US\$ 252) the level of 2002 (US\$ 142) and over-performing rates before local crisis and currency devaluation. During this period the local currency gradually depreciated: nonetheless, ADR in US dollars kept rising uninterruptedly at annual rates over 10%. This improvement in ADR was supported by the addition of top hotels in the market, which contributed to raising the market average, plus the high occupancy rates observed in the period. This growth was interrupted in the beginning of 2009 due to the effects of the international economic crisis and some months later by the H1N1 flu, reflecting a 10% fall in the ADR.

In addition, it is important to note that the Buenos Aires performance stands out from other cities in the region, with higher ADR levels due to two main factors: the city displays top hotel products, which cannot be found in other South American markets (with the exception of some Brazilian cities); and Buenos Aires is very well positioned not only as a corporate and meeting & convention destination but also as one of the top leisure destinations in the region, only

followed closely by Rio de Janeiro. The effect of both factors helps reach one of the higher ADR levels in the region.



## TRENDS AND OPPORTUNITIES

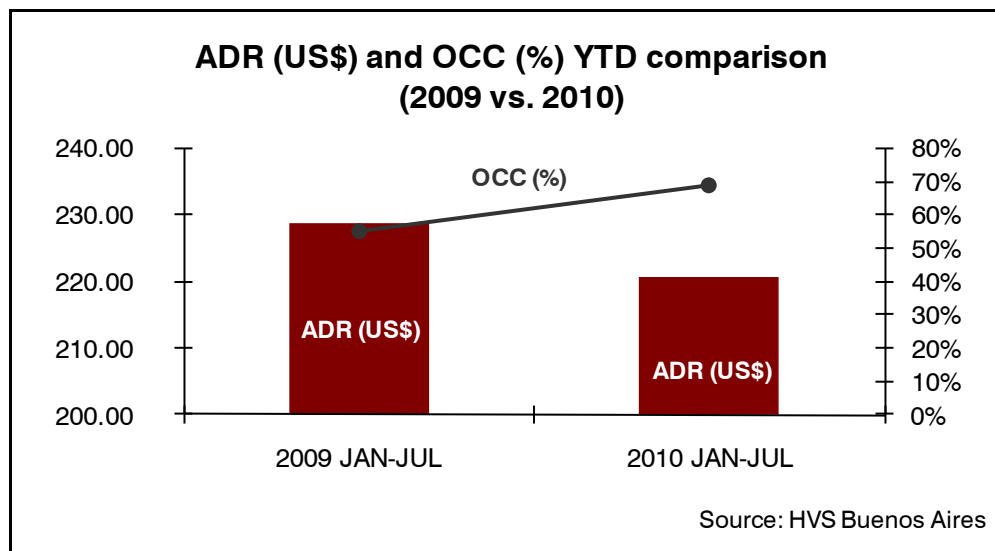
After the strong market downfall observed in 2009, we estimate an important recovery in demand levels for the current year. By analyzing cumulative results between January and July 2010, we expect a 15% growth in demand for the whole year. Notwithstanding this, demand is not yet expected to reach the record levels in 2008.

The abovementioned recovery is being boosted mainly by demand from neighbor countries, especially from Brazil and other Mercosur members.

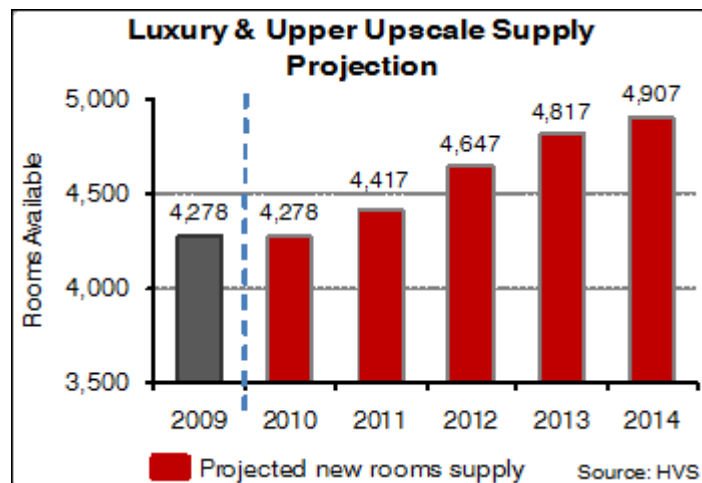
Regarding the ADR evolution in US dollars, up to July the top market experienced a shortage of 3.5% compared to the same period in 2009. According to the main market players, the objective has been to rapidly encourage occupancy, resigning higher rates, as the first step in recovering performance. In addition, local currency experienced some devaluation in the first half of 2010. When analyzing ADR in local currency, we also observe an increase of 4% against 2009.

The rate recovery is expected to evolve throughout the second half of 2010, underpinned by the uptrend in demand and the higher value of the Argentine Peso, measured in real terms, experienced since the second semester of 2009, during which period a better overall economic performance is observed.

The following chart shows occupancy expansion and average rates contraction from January through July 2010, which translates into a 20.37% increase in RevPAR.



The industry recovery has reactivated projects left on stand-by because of the uncertainty generated by the global crisis, and has launched new upcoming projects. Pipeline is busy again in Buenos Aires; by 2014 an addition of 4 hotels and 629 new rooms is expected. This implies a 14.70% increase in present supply for the high-end market.



Most new projects for the top market will be developed in Puerto Madero, except for the Alvear Art Hotel to be located near Plaza San Martin. This is the youngest neighborhood in the city with the Hilton Buenos Aires being its first hotel in 2001. Puerto Madero is associated with high-end lifestyle, the most expensive apartments where sold in this area, and it still has open land availability with great views of the riverside and the City's skyline for the development of large projects. There are other areas with potential for investment opportunities in Buenos Aires, especially for the Boutique Hotel segment with limited room supply, such as Recoleta, Palermo, and San Telmo, among others. It should be

noted that the major strength of these areas is the proximity to demand generators, but they face barriers to entry due to the limited supply of parcels with privileged location and stronger construction restrictions, especially when projecting large properties.

## Santiago

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Santiago is Chile's capital and largest city, and the center of its largest conurbation, Greater Santiago. Chile's steady economic growth has transformed Santiago into one of Latin America's most modern metropolitan areas.

The city is the main hub for international tourists arriving at the airport to connect flights with the main destinations in Chile. Large investments have been made in infrastructure: the airport was refurbished, new access roads to the city were built and modern residential and commercial buildings were developed throughout the last decade.

Santiago is one of the few South American capital cities with easy access to both ski and beach resorts. It is a tourist destination that has experienced significant growth in the last years and represents the country's main tourist attraction. As a result, there has been a development of the hotel and tourism supply of the city, which has increased Santiago's capacity to accommodate visitors and provide facilities for congresses and conventions.

Business and economic activity in Chile grew at a fast pace during the past decade; since Santiago is the financial center and business hub of the country, business people arrive in large numbers in the city every day. Corporate travelers represent around 70% of total accommodated demand.

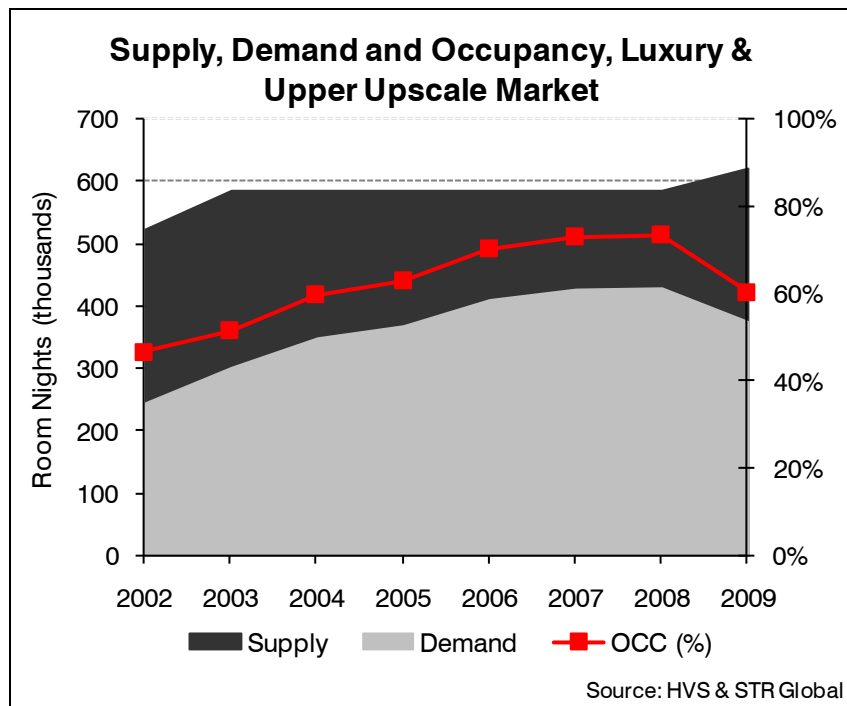
Santiago reached the 40th world place in ICCA's 2009 Statistics Report, with 41 meetings held that year.

### SUPPLY AND DEMAND

The majority of the hotels present in the Chilean Luxury and Upper Upscale Segments entered the market during the 1990s. The top market supply has not had significant growth during the analyzed period; only two properties entered the market in the past decade, the Ritz Carlton Santiago in 2003 and the W Hotel & Residences in 2009, adding 401 rooms to total supply.

Santiago has experienced considerable growth as a tourist destination throughout the past decade. Occupancy levels increased from 2002 through 2008, accompanying the economic growth observed during the same period, and

as a consequence of the mix of both a strong increase in tourist arrivals in Santiago and a stable supply of rooms. Overall behavioral patterns in terms of performance have been similar to those of other cities in the region, and Santiago has also suffered from both the economic crisis started in mid 2008 and the H1N1 flu experienced in 2009.

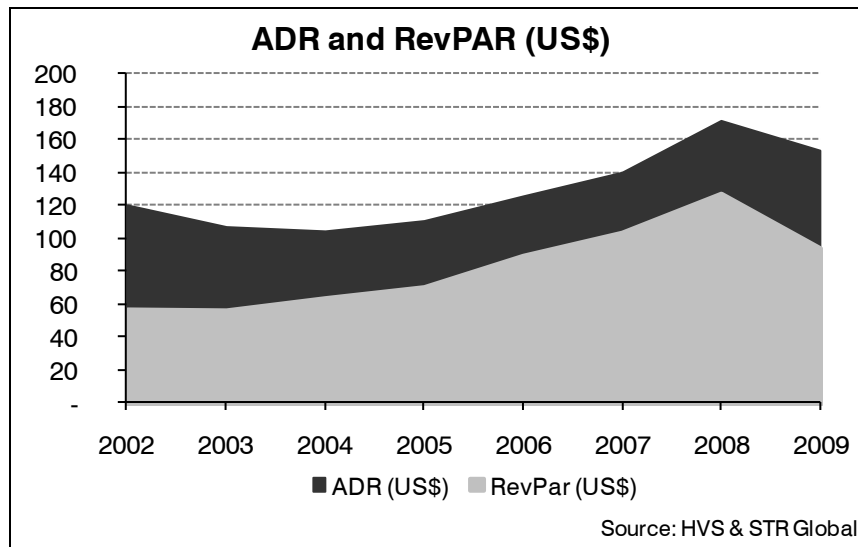


## AVERAGE DAILY RATES

The ADR levels for the Santiago market went through a period of stagnation from 2002 to 2005 in local currency, mainly due to the high competitiveness among the hotels in the market. After consecutive periods of international crises that affected hotel occupancy levels, and in an effort to sustain such levels, and therefore hotel incomes, adjustments on rates have been made.

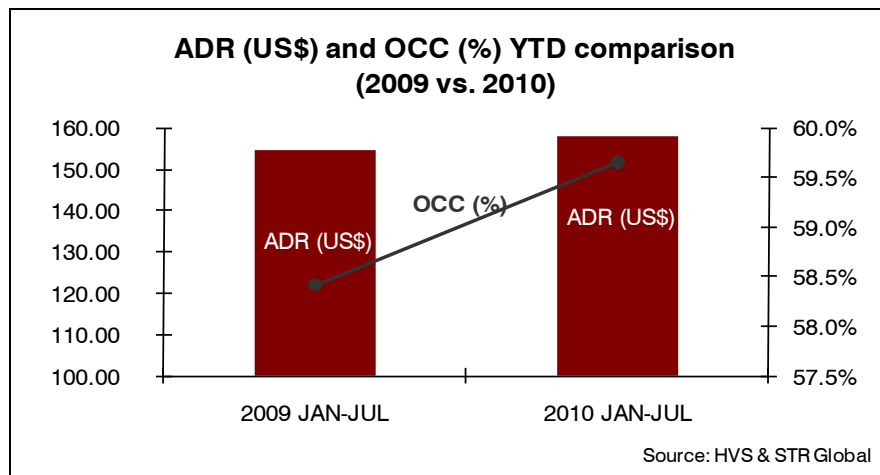
If we analyze the ADR change in US dollars, the effect is not as pronounced because of the appreciation of the Chilean peso vis-à-vis the American dollar.

Average daily rates grew gradually from 2006 to 2008, when higher occupancy levels were seen. The highest rate was achieved in 2008, when the Chilean Luxury & Upper Upscale Market reached an average of US\$ 172, an increase of 22.0% versus the previous year. One of the factors that contributed to the rise in the average daily rate in US dollars was the appreciation of the national currency in the period 2004 – 2008, interrupted in 2009, when a sharp decline in rates was observed, concurrently with the world trends.



## TRENDS AND OPPORTUNITIES

The 2009 crisis was followed by the earthquake that struck Chile on February 27, 2010. This worsened the overall situation even more. Reconstruction efforts are progressing, and there is some optimism over the response of the economy. Despite the earthquake, slight improvements in occupancy and rates have been noted, both growing around 2% between January and July 2010, compared to the same period in 2009.

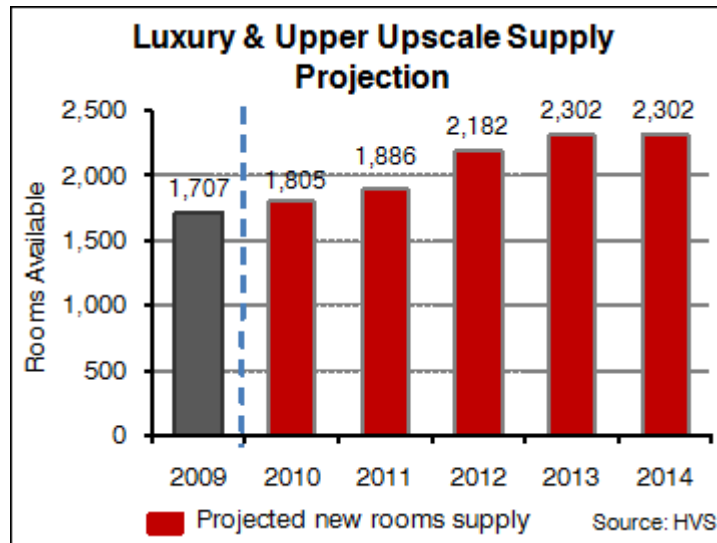


Nevertheless, Chile is one of the fastest growing countries in the region and has one of the most dynamic economies, which flows mainly through Santiago. When the country is completely back in track, hospitality performance indicators are expected to improve significantly.

Current supply of top Hotels in the analyzed segment is still underdeveloped, which represents an important opportunity for potential investors. Once these types of properties have entered the market it is expected that average daily rates will reach higher levels than those observed in the market nowadays and in the past.

The areas that concentrate the majority of the projected properties for the Luxury and Upper Upscale segments in Santiago are Las Condes and Providencia. Particularly, in Las Condes, Isidora Goyenechea Street and the Golf Neighborhood, not only because of their high-end profile but also for the proximity to main demand generators for both Corporate and Leisure travelers. Another area that shows potential for hotel developments is Nueva Las Condes, despite seeming more attractive for Upscale products than for Luxury or Upper Upscale properties.

Regarding new developments, two hotels have been projected in the abovementioned areas, adding a total of 416 rooms, and there are plans to refurbish an existing property that will add another 81 rooms. These additions to supply represent an increase of 27.5% in current stock.





## Lima

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Lima is the capital city of Peru, and besides being the gateway to the country's main tourist destinations such as Cusco, Machu Picchu and The Sacred Valley, it has become an important destination in South America itself. The town, with its multicultural and multiethnic heritage, offers an interesting array of tourist attractions, ranging from colonial architecture, museums, nightlife and its world famous cuisine.

Lima's Jorge Chávez International Airport has direct flights and connections to the world's main cities. In 2008 it underwent a major transformation with significant investments in infrastructure that turned it into a very modern terminal. Nowadays it serves as a hub for LAN Airlines.

Corporate tourism represents around 80% of the total demand for hotels in Lima. The Meetings & Conventions market is still underdeveloped and has a great potential. Meeting spaces are scarce and highly demanded. According to ICCA 2009 Statistic Report, Lima ranked 46th in the world list of meetings and conventions, with thirty four events in 2009.

Leisure tourism is also an important demand driver for the city's hotels, especially during long weekends and holiday periods.

### SUPPLY AND DEMAND

The Luxury and Upper Upcale segments remained still throughout the past decade with no significant additions to supply. Most of the hotels in this market segment were built no more than 10-15 years ago. It is a relatively young market as the opening dates of most of the properties go back to the 1990s and the beginning of 2000. The properties are mainly located in the districts of Miraflores and San Isidro, both high-end residential and retail areas, following the shift of the city's financial area from the historic center to today's modern financial center in the so-called San Isidro Empresarial sub market and the Miraflores Neighborhood.

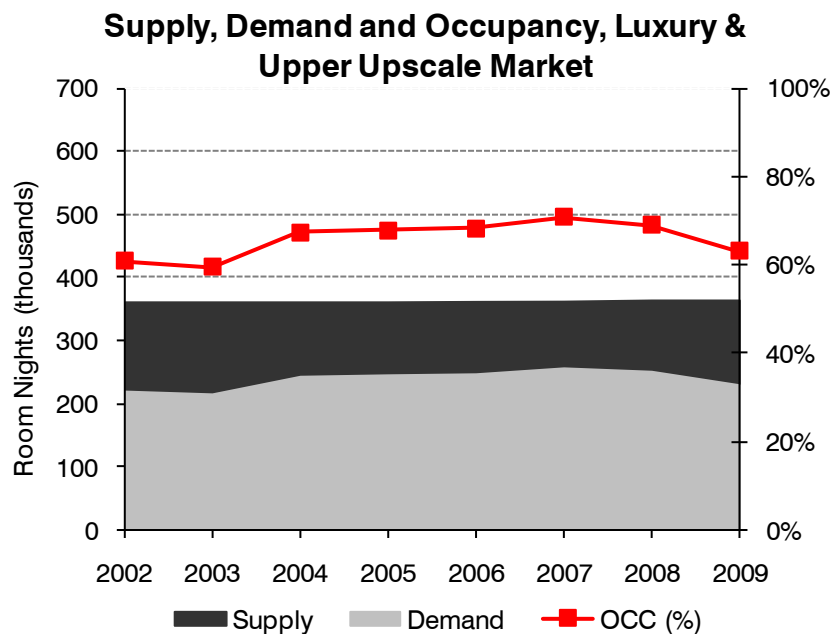
Demand remained low throughout 2002 and 2003, mainly due to a reduction in incoming tourism from the USA and Argentina. Both countries experienced severe shocks from the 09-11 terrorist attacks and subsequent war, together with the economic and political crisis in Argentina.

Between 2004 and mid 2008 a pronounced growth in demand was observed, reaching 71% occupancy in 2007. This tourism expansion was the result of an

improvement in the global economy and the solving of the aforementioned regional problems. The world saw extraordinary growth rates until its sudden stop caused by the crisis started with the Lehman Brothers bankruptcy in 07/2008.

During the international expansion, Peru over performed the world's average growth rates because of the effectiveness of the economic policies implemented that strengthened the Peruvian economy.

From the second half of 2008 and until the end of 2009 demand plummeted, directly related to the international crisis. Occupancy rates fell to a 63% level in 2009.



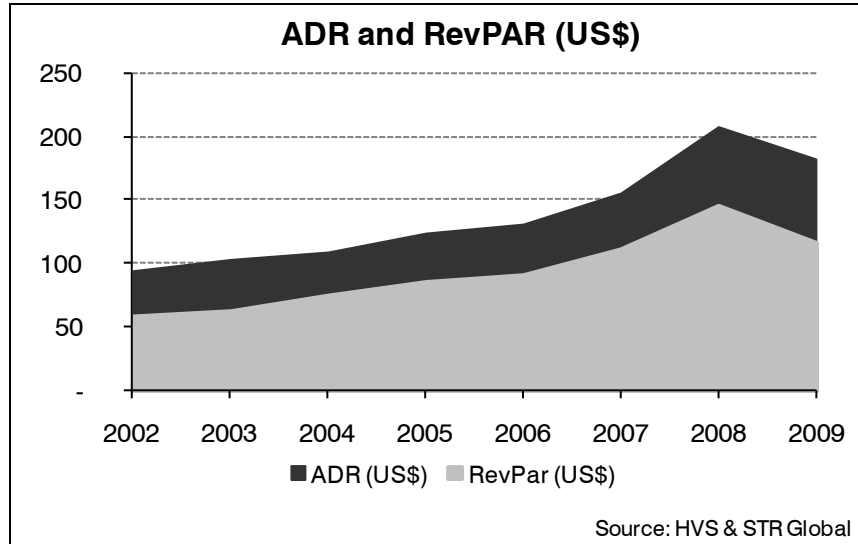
### AVERAGE DAILY RATES

Average Daily Rates in US dollars reached historical minimums in 2002. Together with demand recovery, and a steady path of currency appreciation, ADR started to recover in 2003 and embarked on an upward trail, experiencing in 2007 and 2008 record growth rates of 19% and 34% respectively.

In 2008, average rates reached US\$ 208, almost doubling levels in 2002, as a result of the abovementioned appreciation process.

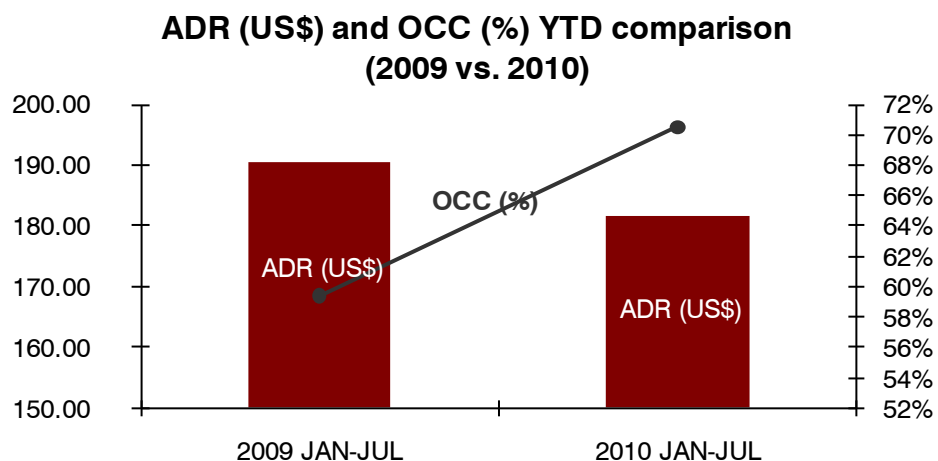
As from the second half of 2008, and due to the impact of the international crisis on lodging demand, rates started to fall, dropping by 12.0% in 2009 vis-à-vis

2008. Furthermore, this reduction in ADR accounted for a currency depreciation of around 3% in 2009.



## TRENDS AND OPPORTUNITIES

Following the industry drop in 2009, the top segment in Lima has started to show signs of recovery. Despite last January's flooding of Aguas Calientes and the Inca trail, which caused the suspension of numerous trips, the demand for Luxury and Upper Upscale segments was increased by almost 20% in the January-July period, as compared to 2009. This allows for great expectations for 2010.

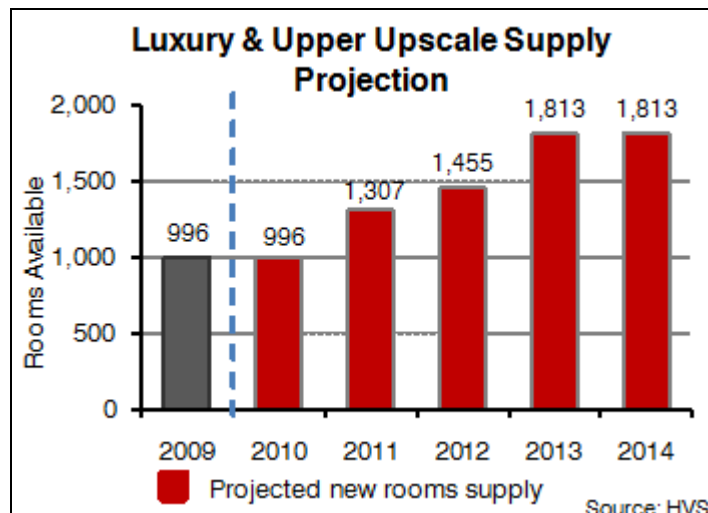


Source: HVS & STR Global

When analyzing the behavior of ADR in US dollars we have observed a slight reduction during the same period, even though local currency has appreciated against the US dollar. This fall in ADR was compensated by the great recovery in occupancy, which resulted in a 14% increase in RevPAR.

The marked growth in tourist arrivals during the last five years has encouraged the development of new properties for the Upper Upscale & Luxury segment, which was characterized by a constant supply and an increasing demand for several years before the world crisis.

The top market is expected to almost double its offer during the next five years, adding 3 new hotels with a total of 820 new rooms. Main development areas are Miraflores and San Isidro, two high-end neighborhoods in Lima.



## Bogota

Bogota is the capital city in addition to being Colombia's cultural, educational, commercial and investment center. It offers highly qualified human resources, with a labour force of more than 3.6 million people. Currently, Bogota relies on a modern infrastructure and a supply of business services that facilitate company operations and are the main reasons for being described as one of the best cities to do business in America.

After being continuously threatened by a bad reputation for security until the 1990s, tourism has flourished since 2000. Encouraged by the government campaign entitled "The only risk is wanting to stay", investment in infrastructure and improvements in safety, tourists have started to visit Bogota.

Being Colombia's capital and most important city, Bogota receives lots of leisure travellers heading to other domestic destinations. Because of the flourishing of business transactions, it also receives a large number of corporate tourists.

According to ICCA information, Bogota has experienced a significant growth in the ranking of cities with most meetings in the world, being ranked as the 79th city (out of 288) in 2009, which represents a remarkable increase vis-à-vis 2002 when it reached the 229th position.

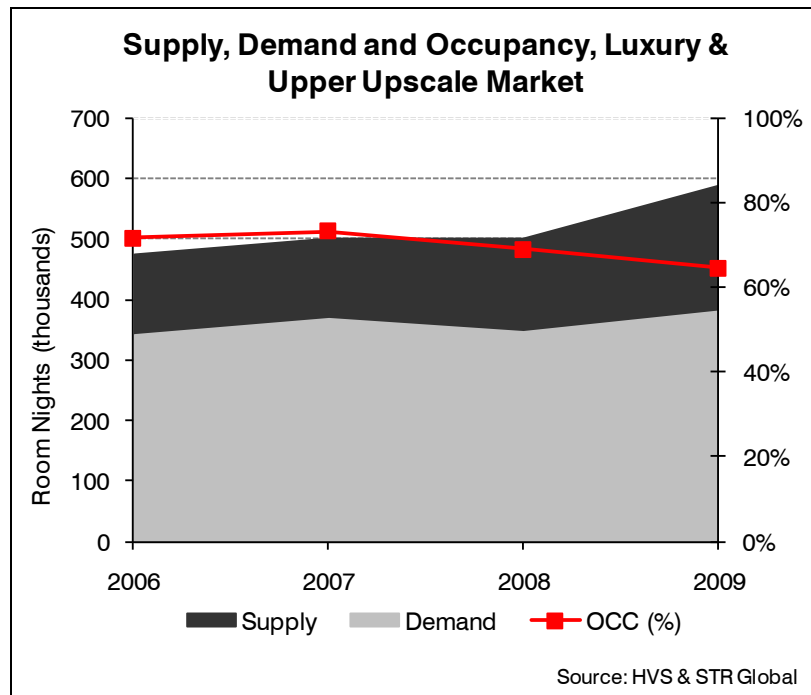
## **SUPPLY AND DEMAND**

The room supply in the Luxury and Upper Upscale hotel segment was relatively stable until the end of the last decade, when the supply started to grow, mainly due to the opening of the Marriott Hotel in the Salitre area, during the second half of 2009.

The increase in rooms available and the projected growth for the upcoming years occurred especially in response to the tax incentive plan implemented by the government to promote the hospitality industry. Hotel development was also encouraged by a rise in incoming tourism in recent years.

The demand kept its recovery pace and growth for the 2003 - 2008 periods, due to the sustained economic expansion and the efforts made to improve security and the country's image abroad. In 2007 the highest peak of demand was recorded, with an occupancy rate of approximately 73% for the Luxury and Upper Upscale market segment.

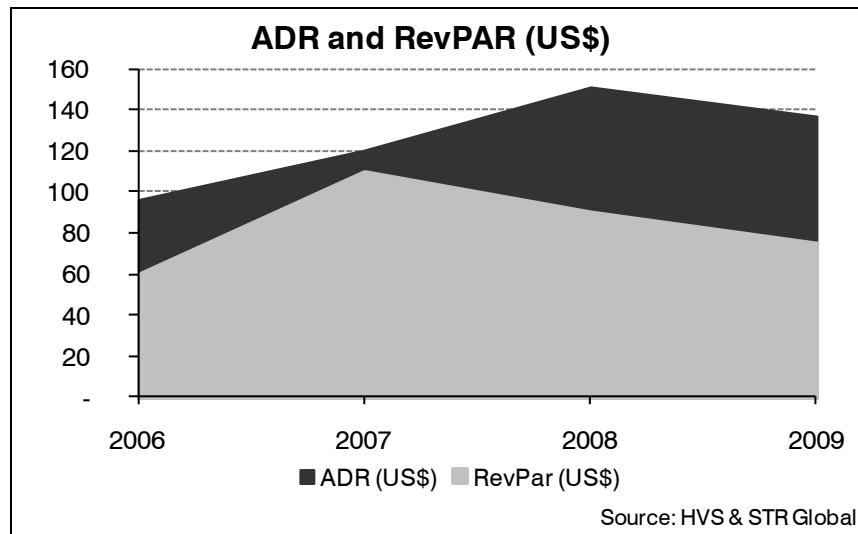
From the end of 2008 throughout 2009, demand dropped as a result of an economic slowdown caused by the international crisis, which dragged the occupancy levels in 2009 to 65%.



### AVERAGE DAILY RATES

During 2007, the market average rate improved considerably as a consequence of stabilized demand in record levels, and also a strong appreciation of the local currency.

In 2009, the average rates fell by nearly 9%, mainly due to the impact of the international crisis and the depreciation of the local currency vis-à-vis the American dollar, which was one of the effects of that crisis on the Colombian market. Thus, if we analyze the variations in the average local currency rates, no major changes are seen as levels remained stable.

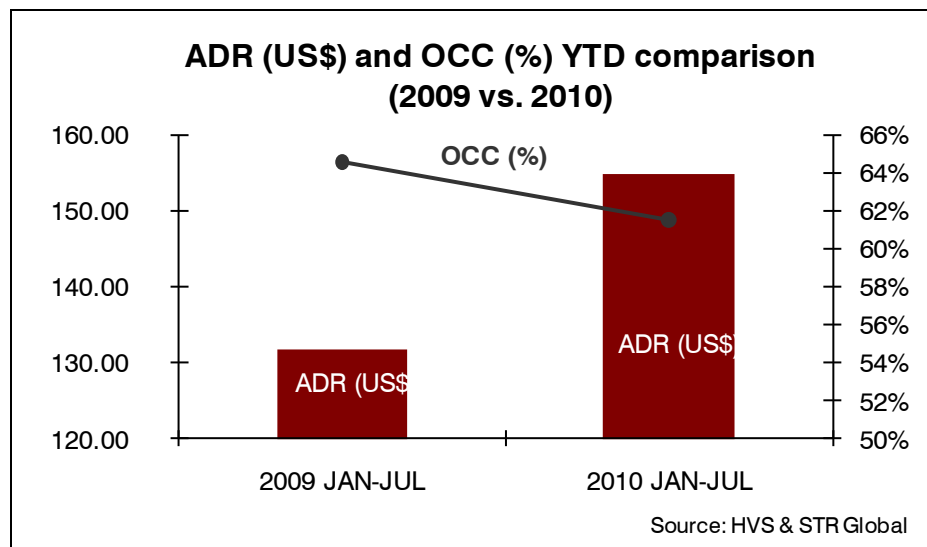


## TRENDS AND OPPORTUNITIES

The threat of conflicts with Venezuela discouraged tourism in the first half of 2010, impacting mostly on the inbound tourism from Venezuela.

On the other hand, the sharp growth in room supply due to the opening of Marriott and JW Marriott, has caused a short-run imbalance between supply and demand, which is affecting the market.

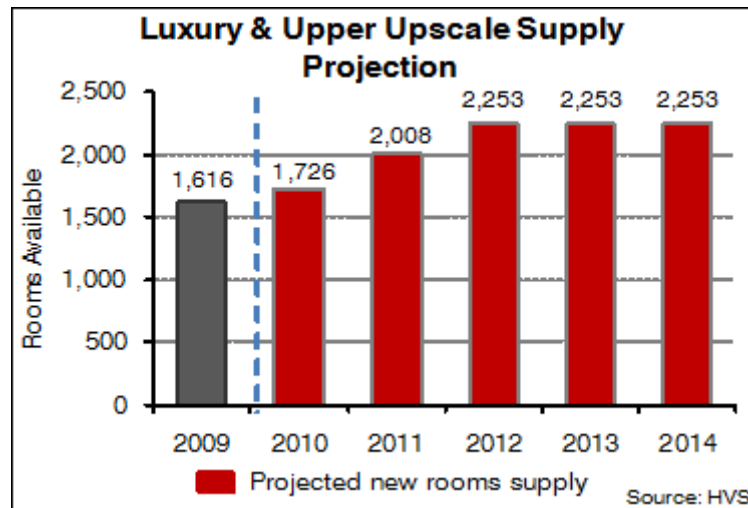
Both these factors explain why the top segment in Bogota is still unable to recover from 2009, and why downward trends have persisted in 2010. Occupancy contracted by 4.7% between January and July 2010 versus the same period in 2009.



On the other hand, ADR has increased by almost 18%, but mainly because of the exchange rate appreciation. This growth in rates has pushed the RevPAR up by 12.0%, despite occupancy dropped.

There are 2 ongoing projects in Bogota for the top segment, which will add 372 rooms. This represents a 30% increase in current supply.

The Colombian Government has been actively promoting tourism development through a series of measures such as tax benefits, and focusing on markedly improving the security of the country. These efforts are aimed at attracting not only investors but also leisure and corporate tourists. It is important to note that one of the most important issues that potential investors should consider is the timing and the pipeline of future developments in order to avoid a supply-demand imbalance.





## HVS Brand Promises

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- We Wrote the Book
- We Are The Industry Leaders
- We Cover the World
- We Have The Expertise
- Our Clients Say We Are The Best
- We Think Like An Owner
- We Are Cost Efficient, We Deliver Best Reports On Time
- We Have An Unmatchable Local And Global Database
- We Work Under Strict Confidentiality

## Areas of Expertise

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- Market & Feasibility Studies
- Highest & Best Use Of the Land Analysis
- Hotel & Mixed Use Real Estate Projects
- Valuations
- Strategic Planning
- Investment
- Project & Construction Management
- Operator Search & Brand Selection
- Franchising & Management Contract Negotiations
- Hotel Asset Management
- Marketing & Communication
- Human Resources
- Hotel Management
- Tourist Destination Planning & Marketing

## HVS

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HVS is the world's leading consulting and services organization focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. Established in 1980, the company performs more than 2,000 assignments per year for virtually every major industry participant. HVS principals are regarded as the leading professionals in their respective regions of the globe. We are client driven, entrepreneurial, and dedicated to providing the best advice and services in a timely and cost-efficient manner. Through a worldwide network of 30 offices staffed by 400 seasoned industry professionals, HVS provides an unparalleled range of complementary services for the hospitality industry.

## HVS Argentina & Peru

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HVS Argentina is the continuance of RHC – Hospitality Consulting, founded by Arturo Garcia Rosa in 1995. Since then actively works in the regional market – mainly in Colombia, Peru, Chile, Argentina, Uruguay, Panama, Costa Rica and Ecuador– offering a wide range of services for the hospitality and real estate industry and tourist destinations.

Since 2008, HVS leads the organization of the leading event of the industry in the Region, SAHIC – South American Hotel & Tourism Investment Conference, being the first three editions held in Buenos Aires, Rio de Janeiro and Cartagena de Indias, Colombia.

In 2009, accompanying the growth process of the economy of the country and the accumulated experience for the intensive work during the last five years, HVS Peru started to operate with the opening of its office in Lima.

*This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before action or refraining from action on any of the contents of this publication. HVS Argentina would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. HVS Argentina accepts no duty of care or liability for any loss occasioned to any person's action or refraining from action as a result of any material in this publication.*