Caribbean Hospitality Financing Survey

2024

Now, for tomorrow

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Introduction

Sometimes we just need to take a step back and remind ourselves of how critically important the tourism industry is to Caribbean economies.

The World Travel & Tourism Council (WTTC) reports annually on the economies of 185 countries and 26 economic regions, in order to provide both public and private sector entities with evidence of the importance of tourism. Their latest published results from 2022 reveal that six Caribbean nations rank among the top 10 most tourism-dependent countries globally in terms of GDP contribution, while seven Caribbean nations feature in the top 10 for the direct contribution of tourism to employment figures.

Simply put, the Caribbean is the most tourism dependent region in the world.

Similar results have been reported consistently over the years and provide context to our survey results.

Inward investment in the region's tourism industry is critical for the health of Caribbean economies and for creating employment opportunities.

The Caribbean competes on a global scale for investment. To maintain its competitive edge, it's essential to stay informed about the real-time factors influencing investment in the region. Our annual survey identifies the most important current issues impacting the financing of projects in the tourism industry.

Many issues are high profile, with the pandemic being the most obvious in recent years, threatening the livelihoods of millions and the economies of most countries in the region.

Catastrophic hurricanes fall into the same category, although typically their impact is more localised with a quicker recovery period than was the case with the pandemic.

Other issues impacting financing are less obvious and their influence often underestimated.

One such issue features heavily in this year's survey, and that is insurance coverage for tourism projects - or rather the lack thereof.

'How can insurance have anything like the same impact on the tourism industry as the pandemic and category 5 hurricanes?', we hear you ask.

Not so fast. Financiers understandably want to ensure a tourism project has adequate insurance coverage before they will lend to, or invest in, that project. Historically, the availability of insurance coverage has been considered a formality. Not anymore. In 2023, the availability of insurance coverage was severely limited. The typical providers of insurance to the Caribbean market perceived the market to be too risky from their perspective.

So, where does this leave banks and investors? If they stick to their usual mandates regarding insurance coverage, they will likely have to pass on several, highly promising, opportunities. They may have to compromise on their existing requirements if they want to remain competitive - and that is exactly what some of our survey respondents are having to do.

From a developer's perspective, the inability to demonstrate sufficient insurance coverage may hinder their ability to secure financing.

A shortage of insurance capacity is not going away any time soon as climate change concerns gain momentum.

However, problems provide opportunities and we elaborate on these in the insurance section of this report.

Our Confidence Barometer, which records the financing community's confidence levels in the Caribbean tourism industry, is consistently the most popular feature of our survey. Last year confidence dropped slightly after several years of increases. This year, the confidence level of banks in the Caribbean tourism industry rebounded, reaching its highest level since our survey started in 2009 (8.20 out of 10). Non-bank confidence was also high (8.00 out of 10).

The reasons for the high confidence levels include a sense that the Caribbean is considered a safe haven in these turbulent times elsewhere in the world.

There is also a feeling that, generally, the Caribbean handled the pandemic well.

Whilst inflation remains a concern for financiers, and primarily for banks, the worst-case scenarios appear to have been avoided - for the time being at least. This time last year there had been a series of major bank failures, with inflation a contributory factor.

There was uncertainty regarding whether more bank failures would follow. The fact that they did not and the economy stabilised created a sense of relief and contributed to a rebound in confidence.

However, this is no time to be complacent. Some respondents indicated that their higher level of confidence is restricted to certain Caribbean countries rather than the region as a whole.

Generally, responses to other survey questions are bullish.

The deal flow of 67% of bank respondents is stronger than it was last year, and all banks have seen an improvement in their customers' Key Performance Indicators (ADR, REVPAR, occupancy etc.).

Nearly two thirds (63%) of non-banks made new investments in Caribbean tourism projects over the last 12 months. 81% anticipate making new investments over the next 12 months, which bodes well for the future.

The region's real estate market remains strong.

Confidence in future tourist numbers is high.

We made commitments to closely monitor several topics that were highlighted in prior year reports.

For example, the continued increase in investment in the region of family offices and the popular all-inclusive market, growth of which remains strong. Last year our findings in both these areas raised some eyebrows and so it was with some trepidation that we awaited responses this year. However, we have received similar results again this year as can be seen in the relevant sections of this report.

Any student would be pleased to receive a school report as positive as this. However, there is more work to be done.

Our survey revealed several negative findings that we believe all stakeholders in the industry should be concerned about.

Over the last three years the number of respondents who believe it is becoming more difficult to conduct business in the region has increased. This sentiment is particularly prevalent amongst the non-bank community.

Another concern raised in the 'What did we miss?' section of our report was the issue of professional service providers like banks, insurance companies and accountants seemingly exiting the region or parts thereof.

Each year, we learn something new when compiling this survey, and engaging with the active financiers of tourism projects in the region is very productive. They are a fascinating, highly skilled, resilient group, and we are grateful for their interest in the Caribbean.

We look forward to working with all key stakeholders in the region's tourism industry to address the challenges outlined in this report. If any motivation is required to find solutions, we need only remind ourselves just how important the tourism industry is to Caribbean economies.

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Importance of tourism to Caribbean economies

The Caribbean is the most tourism dependent region in the world according to WTTC data. Six Caribbean nations rank among the top 10 most tourism-dependent countries globally in terms of direct contribution to GDP. Seven feature in the top 10 for the direct contribution of tourism to employment figures.

It should be noted that several highly tourism dependent Caribbean countries were not included within the 185 countries reviewed by WTTC. Caribbean representation within the top 10 would have been even higher had they too been included.

It should also be noted that the tables only show the direct impact of tourism on an economy. If the indirect and induced economic impacts were also included, it would show that some economies are virtually entirely dependent on tourism. The multiplier impact applied to direct contributions is widely recognised as being in excess of 2x.

Direct contribution to GDP, share of whole economy GDP, percent

Rank	Economy	2022
1	Macau	34.6
2	Antigua and Barbuda	31.9
3	Aruba	30.3
4	Seychelles	25.9
5	Maldives	24.5
6	St Lucia	24.4
7	Anguilla	22.2
8	Grenada	21.5
9	Bahamas	17.6
10	Cape Verde	12.2

Direct contribution to employment, share of whole economy employment, percent

Rank	Economy	2022
1	St Lucia	43.5
2	Aruba	38.3
3	Antigua and Barbuda	29.5
4	Maldives	28.1
5	UK Virgin Islands	28.1
6	Anguilla	26.7
7	Bahamas	25.8
8	Macau	22.2
9	Seychelles	21.1
10	Grenada	21.1

Caribbean nations

World Travel & Tourism Council (WTTC)

Confidence levels

Our Confidence Barometer, which records the financing community's confidence levels in the Caribbean tourism industry, is consistently the most popular feature of our survey - for us and our respondents!

It is always fascinating to see the direction of travel (pardon the pun) and whether confidence is increasing or not. Last year showed a small downturn in confidence, inevitable after many years of increasing levels of confidence.

This year we are pleasantly surprised by the results! Confidence amongst banks in the Caribbean tourism industry reached its highest level since our survey started in 2009 (8.20 out of 10). Non-bank confidence was also high (8.00 out of 10).

Whilst the non-bank sector - represented by private equity firms, family offices, developers and others - is usually more confident than the traditionally more conservative banking sector, these results are encouraging, not least because they continue the reassuring trend of consistency of opinions between banks and non-banks.

The are many reasons for the high confidence levels.

The Caribbean is considered a safe haven in times of turmoil elsewhere in the world. Our primary feeder market is, of course, North America and generally North American tourists are familiar with the Caribbean.

Travel has jumped up the list of priorities for many families who have reassessed their values post pandemic. However, there remains some reticence to travel long distances to remote areas where there may be real or perceived danger. The Caribbean is a relatively short trip for most, airlift is excellent and the region's industry knows what North American tourists want and expect.

There is also a feeling that, generally, the Caribbean handled the pandemic well. This is corroborated by the findings of WTTC that the Caribbean's recovery from COVID in terms of its contribution to GDP has been faster than that of any other region in the world.

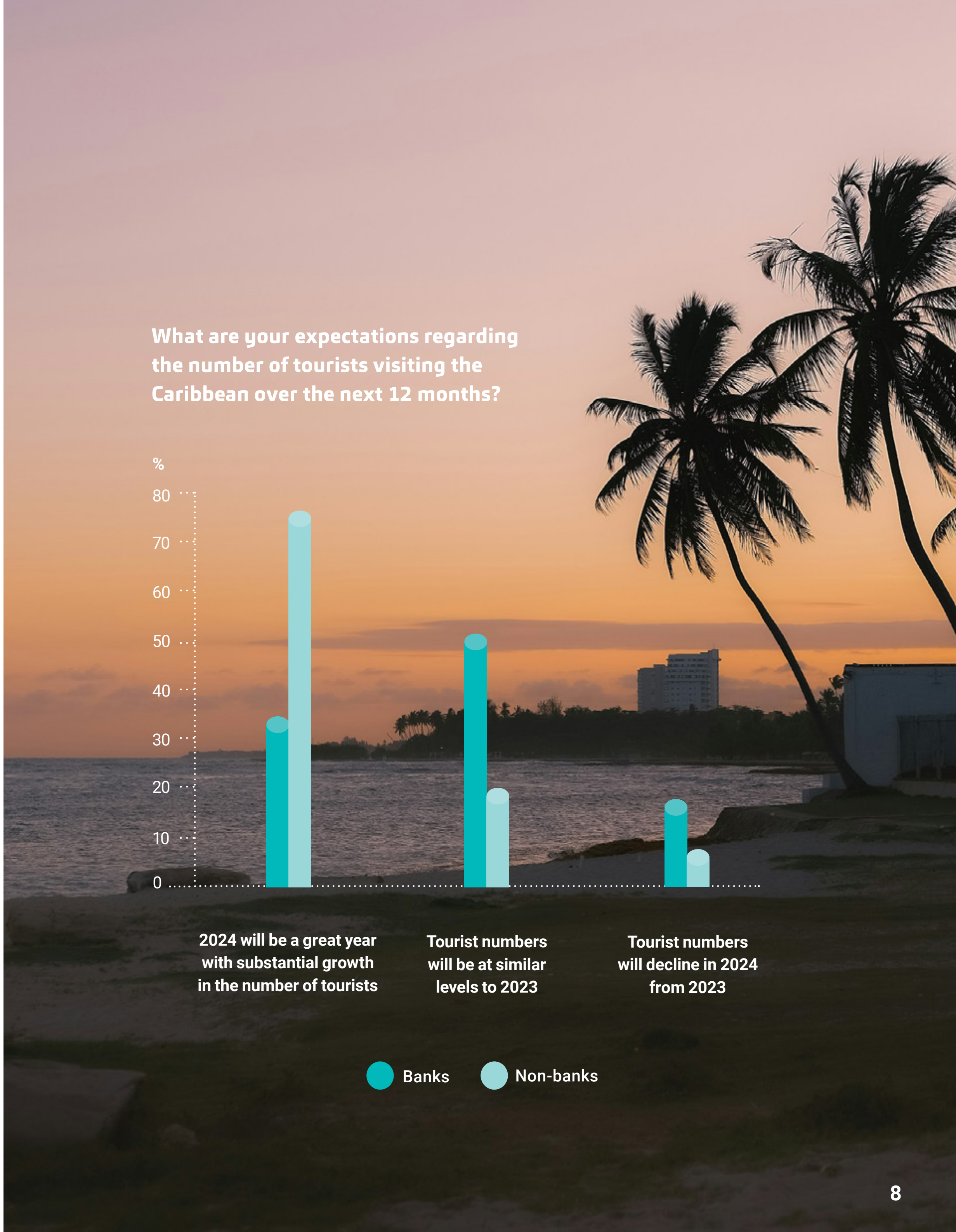
Other reasons for increased confidence include a strong pipeline of future reservations and a perceived excess demand with limited new room inventory having been introduced in recent years, partly as a consequence of COVID.

Last year, inflation was cited as the main reason for the slight dip in confidence. Whilst inflation remains a concern for financiers, and primarily for banks, the worst-case scenarios appear to have been avoided for the time being, fingers crossed, and a sense of relief has contributed to the increase in confidence.

However, this is no time to be complacent despite the high confidence levels. Some respondents indicated that their higher level of confidence is restricted to certain Caribbean countries rather than the region as a whole. Other negative responses are outlined in more detail below and elsewhere in this report.

Expectations regarding the number of tourists

Financiers are optimistic about future tourist numbers. When asked to choose from a variety of options, the most popular response of non-banks (75%) was: "2024 will be a great year with substantial growth in the number of tourists". This was the second top response of banks receiving 33% of votes. 50% of banks, however, chose the option of "tourism levels will be at similar levels to 2023."



Current approach to lending or investing

When asked which option best describes their current approach to lending to, or investing in, projects in the Caribbean tourism industry, respondents had a variety of views. 50% of banks selected: "we're bullish and think it's a great time to lend". Their appetite to lend is consistent with their view that their customers' operational KPIs (ADR, RevPAR, occupancy) have improved. The remaining 50% of banks stated that their approach was "business as usual", as did 56% of non-banks.

On the face of it, this more bullish position of banks may seem to contradict the consistent confidence levels of the two communities. We think the reality is more nuanced: "business as usual" for non-banks is to be more bullish than banks – if you see what we mean!

Financiers' high levels of confidence in the Caribbean tourism industry can be illustrated by some of their quotes:

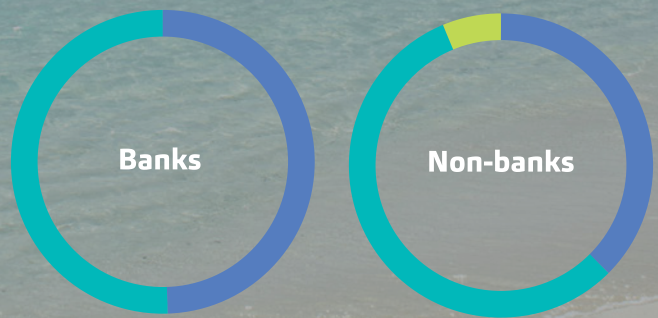
"The Caribbean will always be a peaceful place to visit free of political turmoil, which will continue to open the store to everyone."

"Proximity to North America, strong demand for Caribbean vacations, increasing resort development in the Caribbean."

"Increasing offer of resort accommodations, increased air lift."

Banks' current approach to lending

- We're bullish and think it's a great time to lend
- Business as usual
- I'm cautious and "keeping my powder dry" until I have a better idea of current economic trends
- We're not lending



Insurance

Occasionally our survey reveals a new important issue that has not been featured to any great extent in prior surveys. One such issue has revealed itself this year, and that is insurance coverage for tourism projects - or rather the lack thereof.

Financiers typically make it a condition of any loan or investment that a tourism-related project can evidence that it has adequate insurance coverage. Historically, the availability of insurance coverage has been considered a formality. Whilst there has certainly been the occasional spike in insurance premiums following an active hurricane season, pricing terms have soon returned to normal. It is fair to say tourism projects could always rely on being able to acquire sufficient insurance coverage to satisfy potential lenders or investors one way or another.

The insurance market in 2023 was the 'hardest' in recent memory. Coverage was severely restricted. The Caribbean market was perceived by insurers to be too 'risky'. If a tourism project was fortunate enough to be offered coverage it had to pay vastly inflated premiums in some cases. Many tourism projects were not offered coverage.

Ironically, it was not a busy Caribbean hurricane season that triggered this reduction in capacity. It was the huge claims resulting from the 2022 hurricanes that hit the Florida Peninsula, notably Hurricane Ian.

It would of course be naïve not to recognise that these capacity decisions took place in an environment of higher sensitivity to risk driven by climate change concerns and the perception of insurers regarding the future potential impact of climate change on small island communities such as those in the Caribbean.

This year we asked our bank respondents to what extent the ability, or lack thereof, of potential borrowers to evidence adequate insurance would impact their lending decision. All banks stated that it is a challenge and 33% stated it is a 'really big issue'.

Banks and other lenders and investors are facing a difficult decision. If they stick to their usual mandates, they will likely have to forego several opportunities that are creditworthy in all other respects and thus they may lose their competitive position. They may have to compromise on their existing requirements and take on more risk if they want to compete - and this is exactly what some are doing. Half of bank respondents (50%) stated they have had to compromise their usual requirements regarding insurance.

From a development perspective the difficulty in securing adequate insurance coverage could lead to less inward investment into the region.

A shortage of insurance capacity is not going away any time soon as climate change concerns gain momentum.

This tight insurance market was the major concern (44%) expressed by non-banks when considering a lending decision. However, problems provide opportunities.

Industry's search for a solution

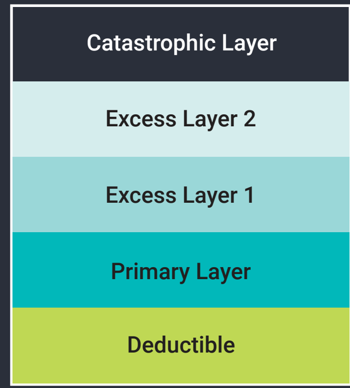
Whilst tourism is by far the number one industry in the Caribbean, the second most important is financial services. Bermuda, an honorary member of the Caribbean for purposes of this discussion, is widely recognised as the insurance and reinsurance capital of the world and is home to some of the world's largest catastrophic event insurers and numerous captive insurance companies. Could the Caribbean's second most important industry offer solutions to the challenges faced by its most important industry?

Developers and resort owners are becoming much more informed about the structure of insurance coverage and generally are willing to take on more risk through higher deductibles or by self-insurance strategies such as forming their own captive insurance companies. However, they still want insurance coverage with traditional insurance companies for big catastrophic events. The diagrams to the right show examples of risk towers illustrating the different layers of insurance coverage which developers are increasingly critiquing in order to find a solution to the lack of insurance coverage.

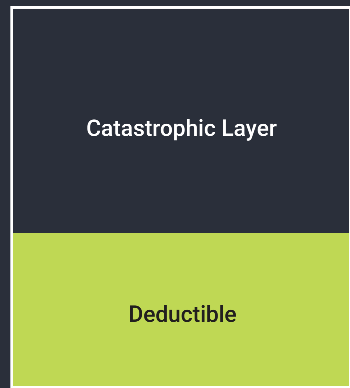
There is a potentially huge opportunity here either for the Bermuda market or more traditional markets such as Lloyd's syndicates.

The Caribbean tourism industry has proven time and time again that it will respond and adapt to solve various problems and we are confident the current insurance challenge will prove to be no different.

Insurance coverage layers



Specific event coverage



Inflation

Last year inflation was cited as the main reason for a dip in confidence amongst the financing community.

Rates had been very low for a long period (30+ years) and a whole generation had not really had to deal with its potential impacts and were understandably nervous as rates spiked to 9%.

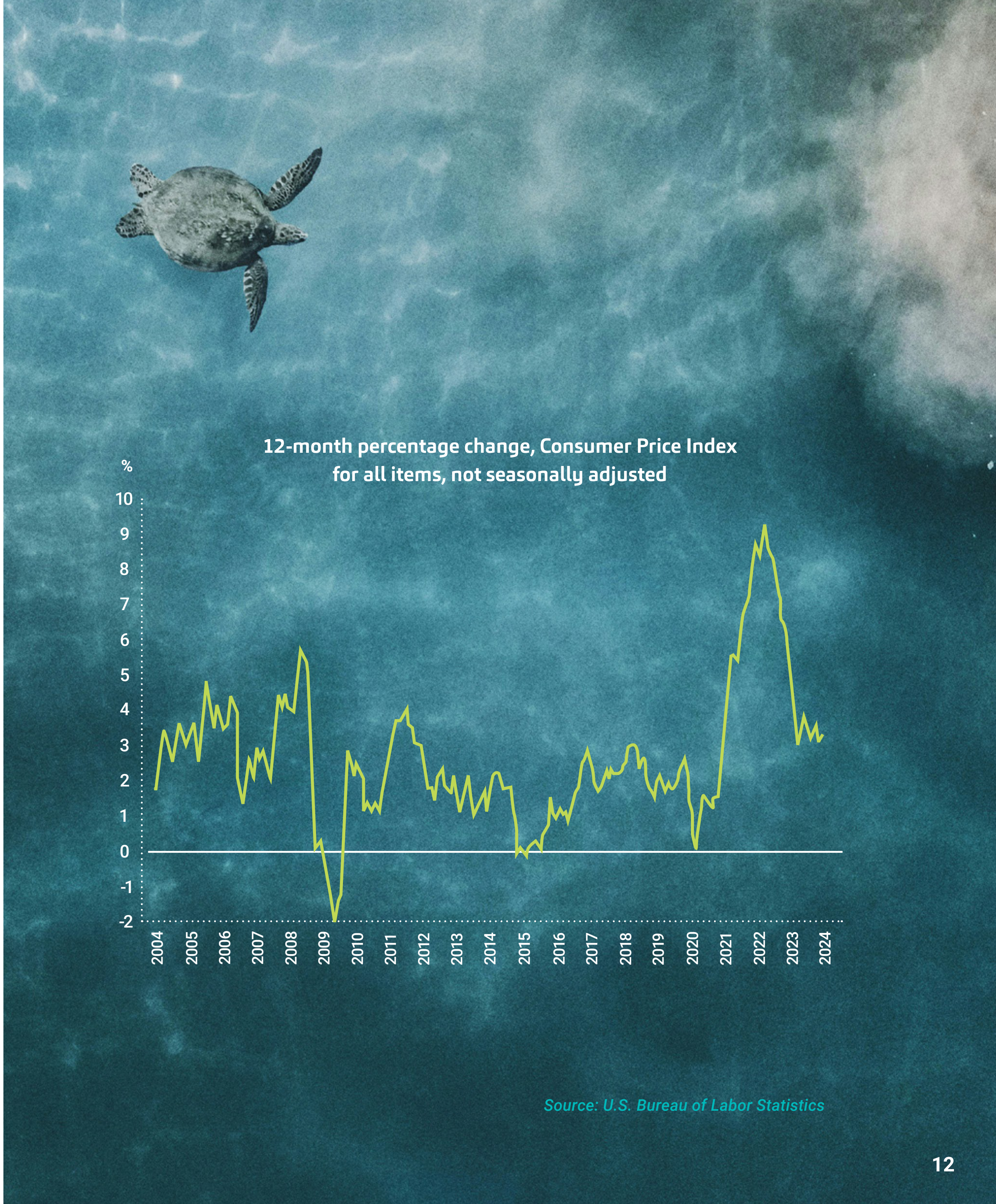
Concerns were exacerbated by supply chain problems following the pandemic which led to high price increases for certain items. No-one really knew how high inflation rates would climb and whether they would cause a recession as interest rates increased to combat inflation.

This time last year several major banks had gone out of business and there were concerns that this would continue to spiral out of control. Silicon Valley Bank (SVB) had collapsed and Signature Bank was shut down by Federal Regulators fearing contagion as depositors withdrew substantial funds following the collapse of SVB.

There were numerous contributory factors to the collapse of SVB but inflation was certainly a critical factor. The fact that other major banks did not collapse, and that inflation has not increased dramatically, suggest the worst-case scenarios appear to have been avoided for the time being. A consequent sense of relief has contributed to the increase in confidence.

Nonetheless, inflation and a potential recession remains a concern for all respondents and is in fact the major concern of banks. For non-bank respondents it is considered a challenge that is second only in importance to a hard insurance market.

The extent of inflationary concerns has however reduced somewhat. Only 17% of bank respondents (0% of non-banks) think inflation will increase over the next year.



Source: U.S. Bureau of Labor Statistics

Last 30 years

For approximately three decades, inflation rates were low with associated relatively low interest rates. Whilst inflation has settled down somewhat over the last 12 months, our 30-year 'holiday' from inflation has not returned nor is it likely to any time soon as inflation appears to be an issue that we will have to continue to deal with for the foreseeable future.

Even professional economists struggle to predict inflation over the next 12 months.

Earlier this year, the US Fed indicated the likelihood of multiple interest rate cuts this year… and yet:

- "Sales of existing homes up 9.5% in February
- Home prices up by 5.7%
- S&P Index of US manufacturing activity hits 21-month high
- Index of leading economic indicators increased in Feb after 23 negative months"

The Sunday Times (March 2024)

If such economic data persists, cutting interest rates repeatedly would be very unlikely if inflation is to be kept under control.

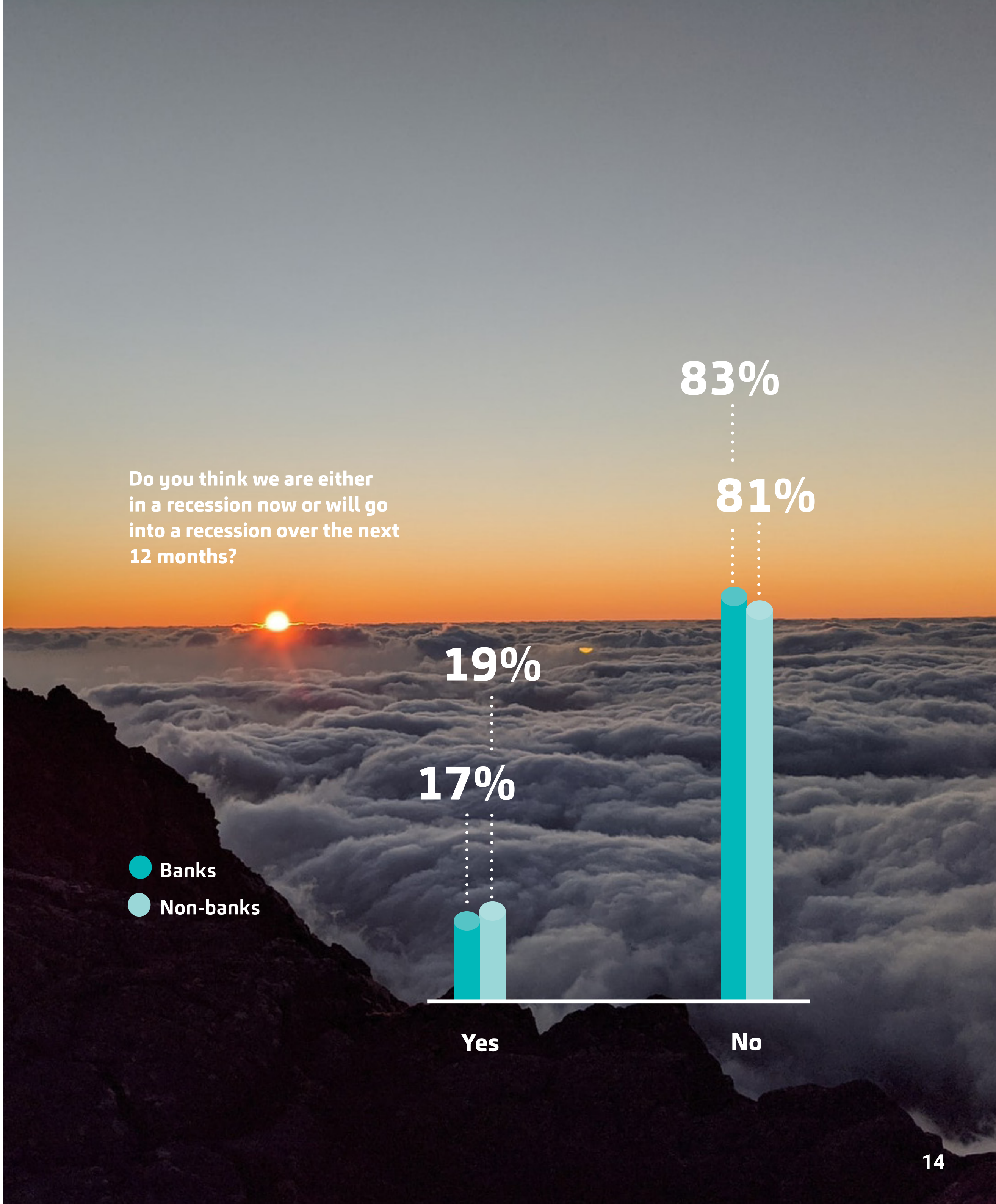
In April this year, Jamie Dimon - head JPMorgan Chase – cautioned that US interest rates could rise as high as 8%.

BBC News (April 2024)

We invited our respondents to provide their best estimate of inflation over the next 12 months, and their responses are noticeably more confident than last year. A sizeable percentage of both bank respondents (33%) and non-banks (44%) expect a fall in inflation over the next 12 months.

Recession

If there is increased confidence that inflation is under control, then traditional laws of economics dictate that there should be fewer concerns about the prospect of recession - and that is exactly what our responses show. The majority of respondents (83% banks, 81% non-banks) do not believe we are either in a recession now or will go into a recession over the next 12 months.



Real estate

The region's real estate market remains strong. None of our respondents think the real estate bubble has burst or will burst in the next 12 months. 33% of banks and 56% of non-banks think the real estate market will grow for the next 12 months or for considerably more than the next 12 months.

There appear to be several reasons for this remarkably sustained bull market for real estate in the region.

As we noted last year, tangible assets like real estate are considered relatively safe investments during inflationary times and a hedge against inflation.

In the Caribbean the real estate market is primarily one of new development and investment in second homes. Therefore, the challenges currently experienced elsewhere with commercial real estate, for example, are not as relevant in the Caribbean. The reappraisal of priorities experienced by many investors during the pandemic and the greater priority now given by them to lifestyle and travel continue to contribute to the strength of the real estate market in the region.

Regional financiers – composition of market

This year, the majority of bank respondents (67%) noted that they were not seeing new lenders in the Caribbean marketplace. Banks that did see new lenders stated that these new entrants were headquartered in the Caribbean, North America, Central and South America and Europe.

Regional risk profile

We asked both bank and non-bank respondents whether the risk profile of regional tourism financing opportunities was improving sufficiently to attract new institutional investors. Remarkably, this year all banks agreed that this was the case, up from 64% last year, and 20% in 2022. This is an encouraging trend that bodes well for its future. The majority of non-banks agreed that the risk profile of Caribbean tourism financing opportunities was improving - 63% this year compared to 58% last year.

Reviewing responses to this subject in recent years, it's clear that the regional financing market is in a transitional stage. Some traditional lenders are exiting parts of the region and/or appear lukewarm to further opportunities. Other new entrants are not necessarily institutional investors e.g. family offices (see below), and where they are new institutional investors, they are understandably getting to know the market and treading carefully (see syndications below).

Family offices

Since 2022, our reports have given a great deal of attention to the enhanced investment in the region by family offices representing high net-worth (HNW) individuals. As we noted in our report last year, HNWs were attracted to the Caribbean first and foremost by the commercial merits of investments on a standalone basis. However, the lifestyle attraction of the Caribbean in a post-pandemic world was certainly a positive influence on their investment decisions. This trend continues today.

Two thirds (67%) of bank respondents said they have seen an increase in the activity of family offices in the region, a significant increase from 38% of respondents in 2023.

This is supported by 94% of non-bank respondents who highlighted that they believe the Caribbean is now more attractive to new types of investors who may not have been attracted to the region before.

Have you seen an increase in activity of family offices?

Is the Caribbean now more attractive to new types of investors?

Syndication

There continues to be an increase in the number of syndicated deals that the banking community is seeing, with 83% of bank respondents confirming this trend for which there appear to be a variety of reasons. For example, as some of the traditional lenders become less active in the region, it puts more pressure on those remaining as their regional and country risk limits may be tested, and so they are keen to take less risk on large deals by working with syndication partners.

Some of those syndication partners are new market entrants who see syndicated deals as an ideal way to dip their toes into the water with less risk than if they were to go it alone. Finally, there is more transactional activity generally in the region which has led to more syndications.

In terms of the identity of syndication partners, responses were evenly split between partners already established in the region and new entrants.

50%
Established

50%
Both

Availability of financing

When we looked at which Caribbean destinations financiers are most bullish about in terms of willingness to fund projects, 15 countries were put forward, of which 6 were nominated by both banks and non-banks.

Some of the reasons cited by respondents as attractive financing features in the countries nominated are:

“Turks and Caicos Islands, Bahamas, Cayman Islands. Financial safe havens catering to tourism that is more resilient to potential economic shocks in the Americas and Europe.”

“Dominican Republic - most institutionalised lending sector, government understanding program for hospitality, air capacities; Jamaica - plenty of ongoing opportunity; Aruba - stable, beloved, and strong reputation.”

“Dominican Republic due to its stability and track record of growth. Turks and Caicos due to its potential to refine services and tourism offering that would expand the overall experience and feasibility. Guyana for its unprecedented growth in the energy sector, accompanied by every other industry and service that must support the viability of this growth.”

“Institutionally we’re comfortable with the larger mature markets – DR, Jamaica, and Aruba due to their robust visitation base originating mostly from the US, ample airlift, and institutional quality assets.“

“Bahamas, Turks and Caicos and Cayman Islands.”

“Curacao, Aruba, both show strong growth and new product.”

Nature of financing over last 12 months

As anticipated by last year's survey, most banks' (67%) primary financing activity over the last 12 months has been related to new build financing. Of the remaining bank respondents, the primary financing activity was restructuring of existing financing agreements (17%) and financing acquisitions of resorts (17%).

Focus for the next 12 months

For the next 12 months, the main focus for both our bank and non-bank respondents will be on financing existing resorts, be that through refinancing, expansion and/or renovation (83% and 69% respectively).

Respondents also shared their likely focus over the 12 months in terms of asset types and locations.

When asked where their focus is likely to be over the next 12 months in terms of asset types and locations, respondents stated:

"Senior loans in Guyana and the Dominican Republic."

"Leisure oriented/resort due to the ongoing strength of the leisure traveler and ongoing lack of corporate group and especially individual corporate traveler."

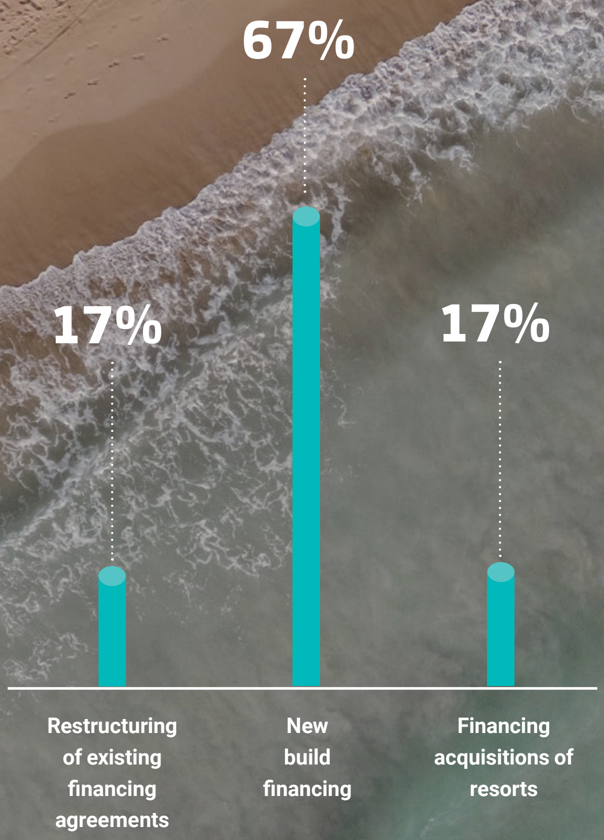
"Focus on Cayman Islands, opening new hotel, starting new commercial and residential 10 story buildings."

"Upgrades and investments to current assets to remain competitive with current market competition and other Caribbean locations."

"Real Estate Villas and Completed Condos"

"Four to five star resorts in tier-1 jurisdictions."

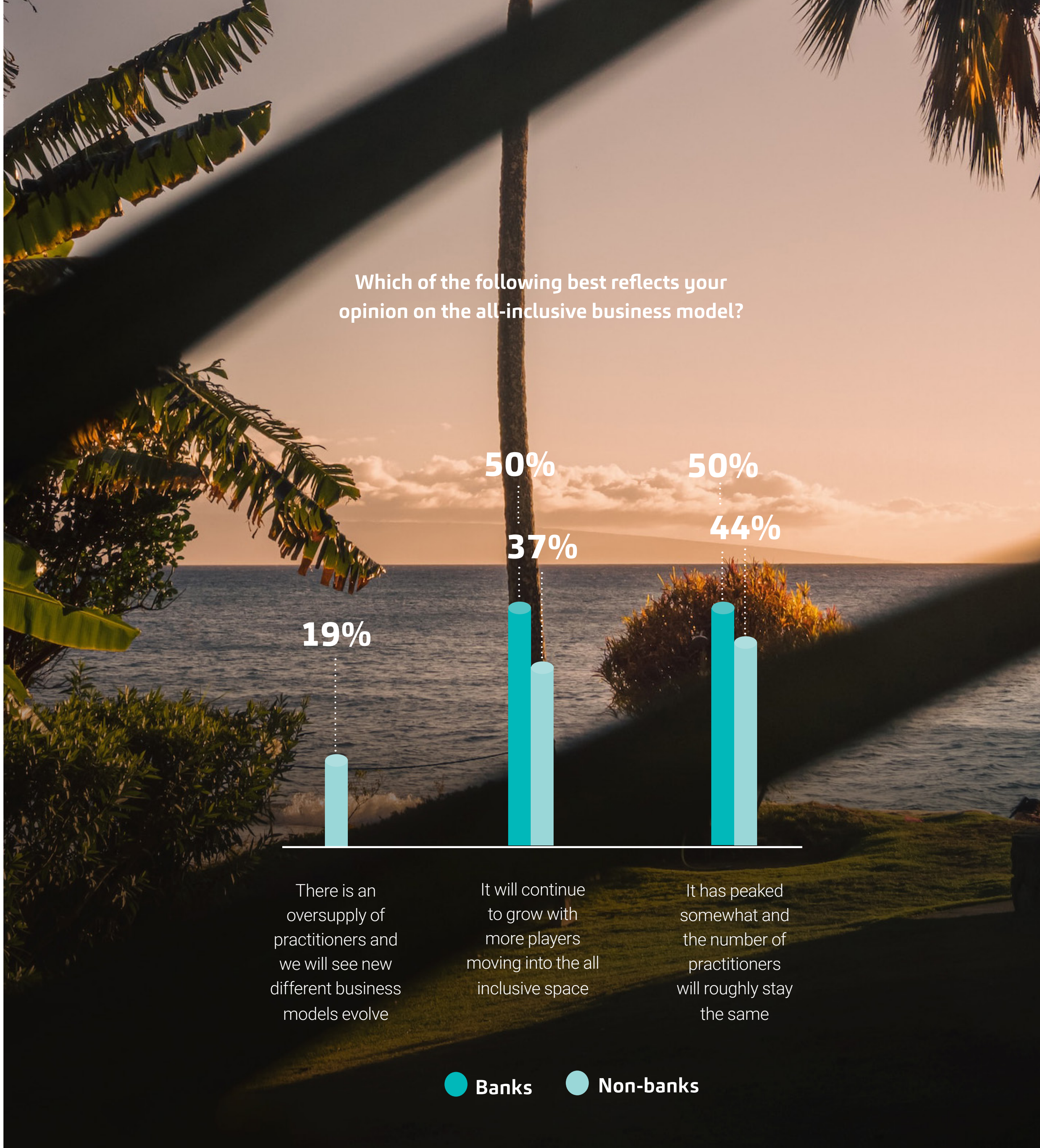
Primary financing activity for banks over the last 12 months relating to Caribbean tourism projects



All-inclusive resorts

The majority of bank respondents (67%) said they continue to be increasingly engaged in transactions involving all-inclusive resorts, an ongoing trend we have reported since 2022. This appears to be driven by the major brands increasingly adopting this business model. However, when it comes to future growth, the sentiment of the banking community is evenly split. Half believe that the all-inclusive market will continue to grow with more players moving into the space, and the other half believe that the market has peaked and the number of players will remain the same. This is consistent with the non-banks view on the future growth of the all-inclusive model with 44% now believing it has peaked (compared to 35% in the previous year).

Last year's results regarding the financing of all-inclusive resorts received a lot of attention when released as the all-inclusive business model is really a hot topic and understandably so with it having been validated by the Apple Leisure transaction and subsequent widespread adoption by the big brands. Accordingly, there may have been an expectation of more bullish responses on future growth prospects. However, the results are the results!



Scale

When asked if deals are often too small in the Caribbean and whether there is insufficient scale to make the investment worthwhile, most respondents this year again indicated that this was not an issue.

For those indicating a minimum investment amount, their minimum varied significantly. For some it was as high as US$100m. For others, there is no minimum.

In short, developers considering an investment in the Caribbean should be comforted to know that there are sufficient financiers out there regardless of size of project.

"I would say the deals are quite large - maybe there are some that are small, but generally the ones we find appealing are in the US$50M+ equity investment and up."

"Target market (island) US$5 million. New island US$10million+."

"No [we do not share the sentiment that deals in the Caribbean are too small and there is insufficient scale to make the investment worthwhile]. As a smaller private lender we review anything over US$250k."

Financing terms

Banks' terms continue to be supplemented by restrictive covenants. When asked what were considered to be the most critical convenant requirements, the following quotes are illustrative of the responses received:

"DSCR, Leverage."

"LTV and DSCR."

"Guarantor liquidity and DSCR."

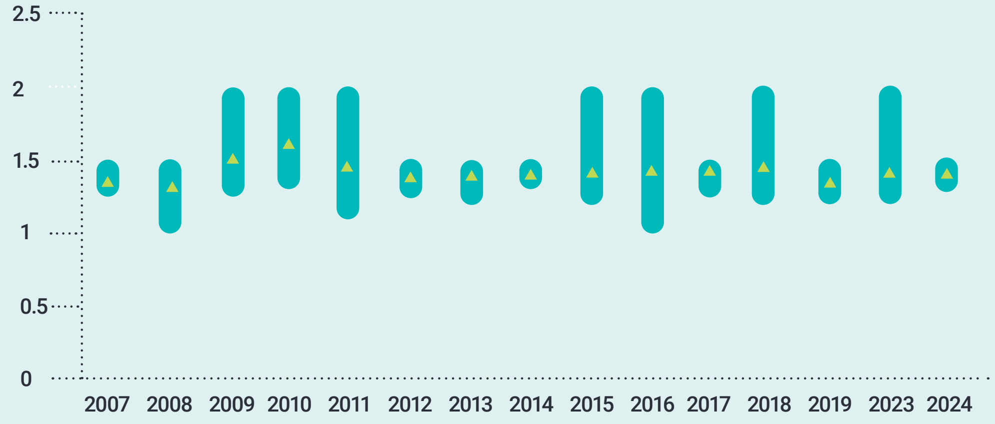
"10% (of Project Cost) Reserve for construction cost overruns and Minimum Debt Service Reserve."

This year, financing terms have shifted slightly, all in a favorable direction for investors, however these changes are not significant. As in previous years, terms remain generally conservative.

Banks' target terms and conditions

The average debt service coverage ratio (DSCR) remains firmly at 1.4 the average with a very narrow range, loan to value ratio has nudged up a little to 64% from 60% and the interest rate margin is typically 396 basis points above SOFR, virtually the same as last year (397 basis points).

Debt service coverage ratio



No survey was conducted in 2020 due to the pandemic.
No equivalent data collected in 2021 and 2022.

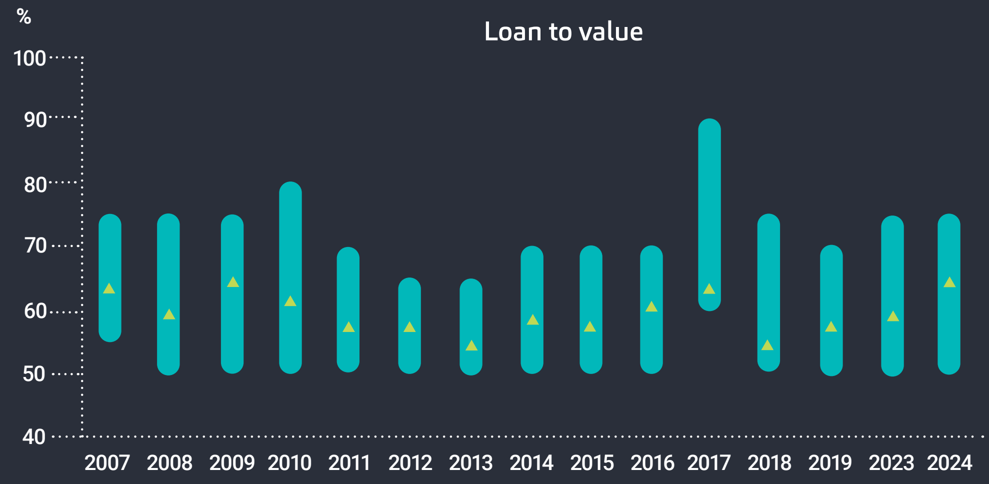
As with previous years, the big issue for borrowers is not terms, but whether financing is available.

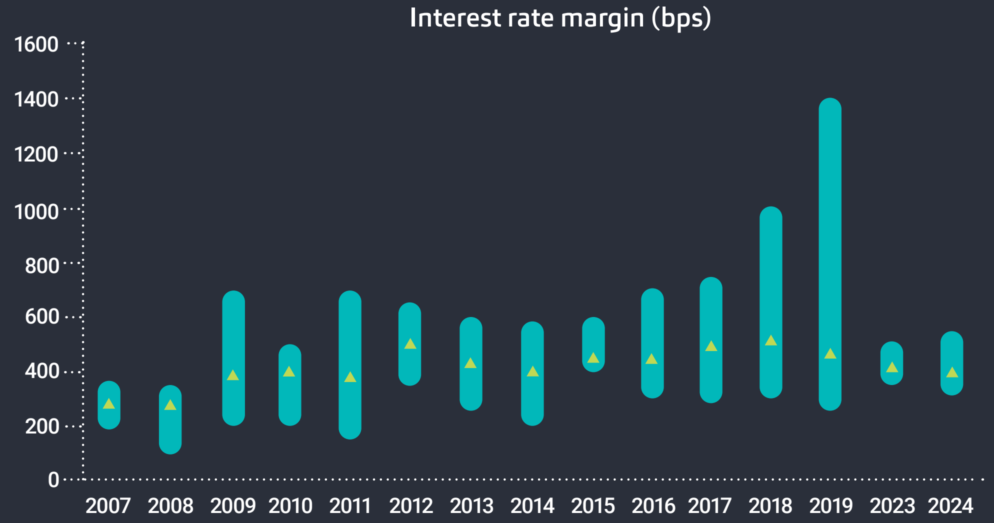
It is highly unlikely that there is anything in the average loan terms that would prevent an investor moving forward, should they receive a term sheet.

Non-banks' target terms and conditions

Non-banks indicate a slightly lower target IRR from last year of between 7%-22% (compared to 10%-25%), depending on the circumstances and type of funding with equity obviously attracting the higher rates. Their target hold period has widened to between three to 15 years (from five to 10 years last year) with most responses again at the higher end of the range. A typical exit strategy is by way of sale to an institutional investor or HNW individual.

The upper and lower rates of the range of target IRRs for non-banks have dipped a fraction compared to last year at 7%-22% versus 10%-25% which may be illustrative of a slight reduction in risk perception. However, the actual target IRRs are dependent on the opportunity and the type of funding provided with equity obviously attracting the higher rates. Most target IRRs quoted were towards the high end of the range. A typical exit strategy is by way of sale to an institutional investor or HNW individual.

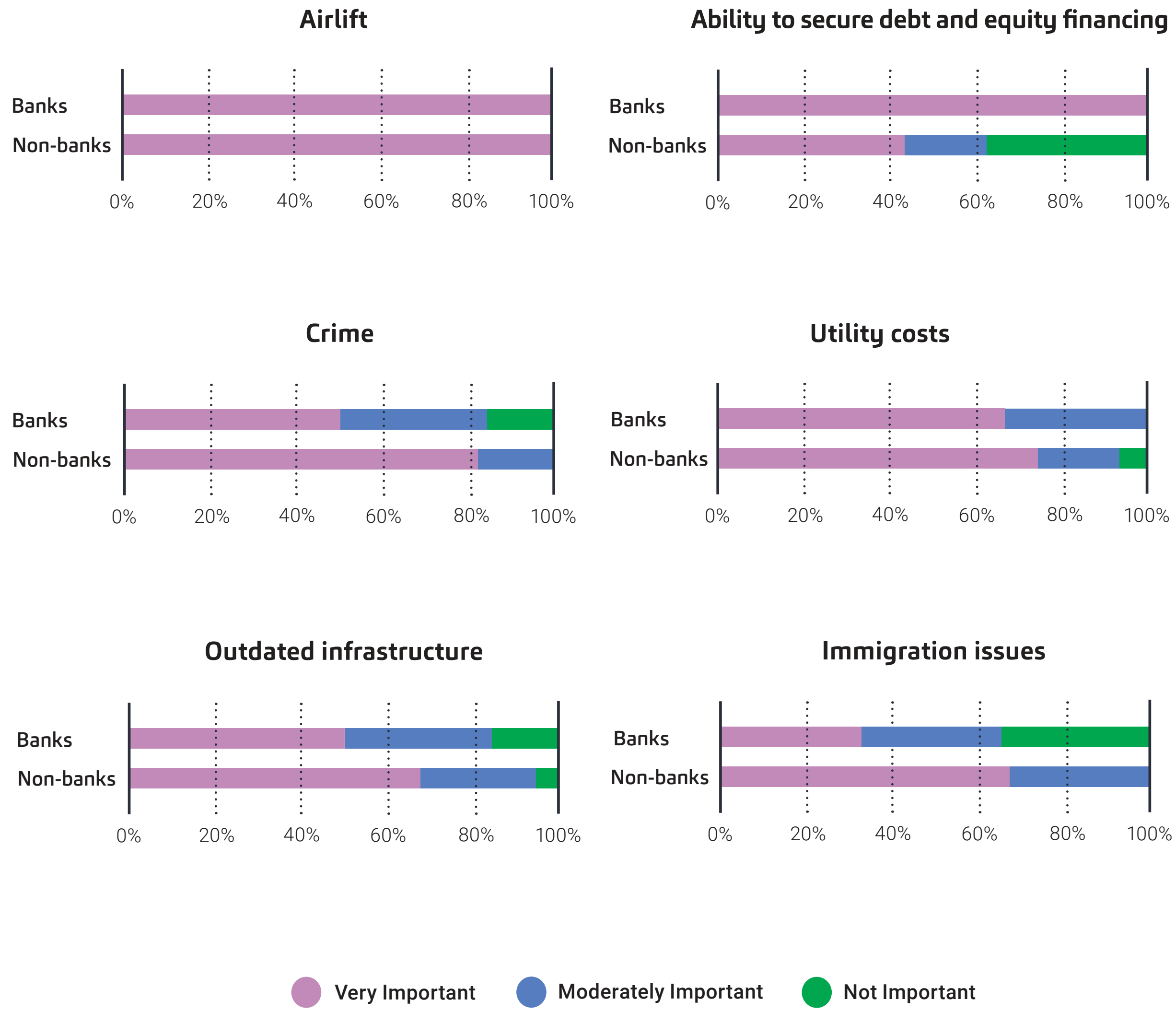




No survey was conducted in 2020 due to the pandemic.
No equivalent data collected in 2021 and 2022.

Other trends

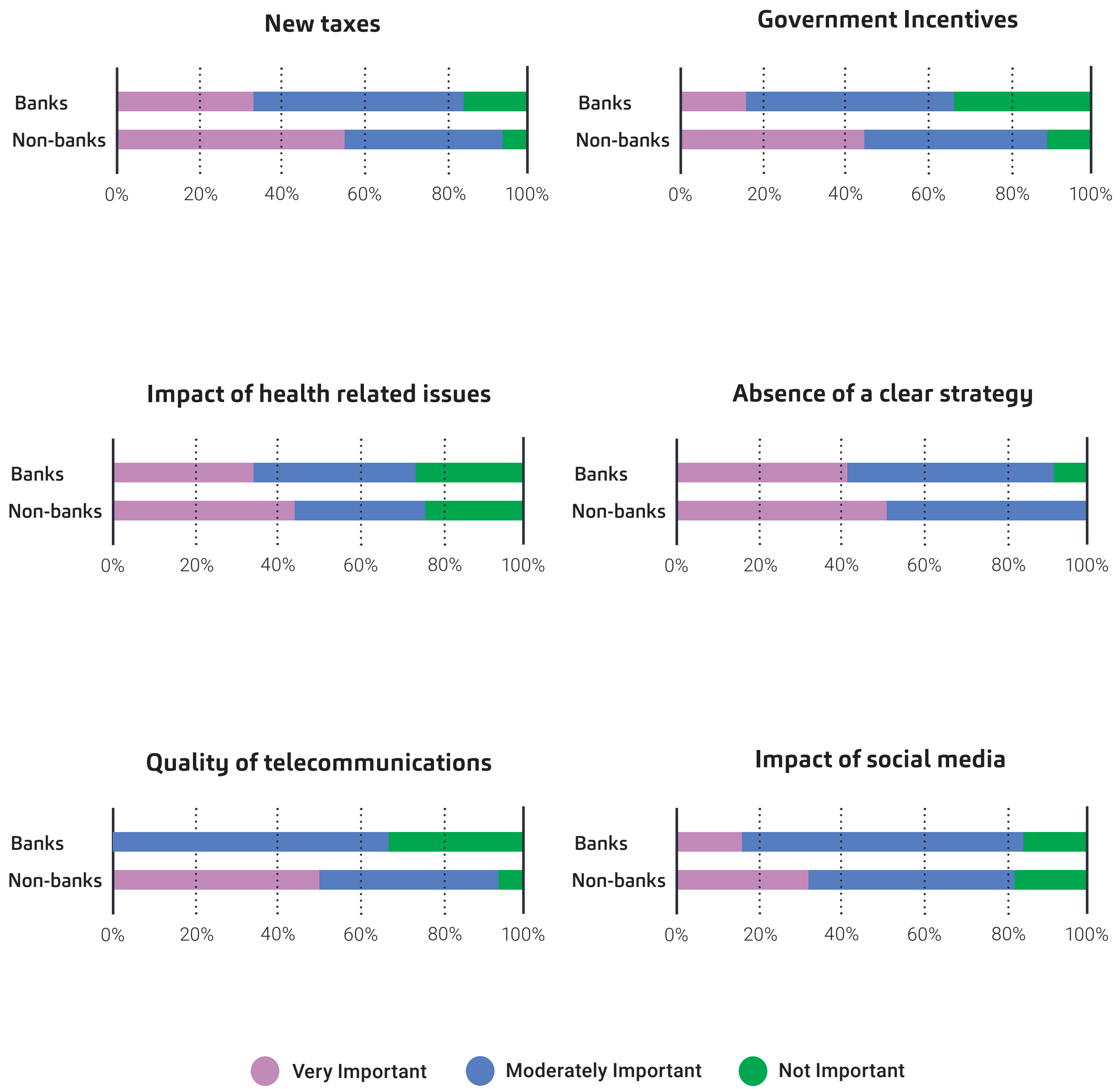
The critical issues impacting financing activity in the region continue to follow the same, clear trend as in prior years. All respondents within the banking and non-banking community identified airlift as their most critical issue. Banks identified the ability to secure debt and equity financing as being equally as important. For non-banks, crime remained the second highest concern (81%) followed by utility costs (75%).



Additional concerns shared by respondents include high insurance premiums (see more on pages 10-11), the development impact of projects, and high staff accommodation costs in certain geographies.

Mitigation wise, a rise in public and private collaboration and an increase in government support and investment remain the most common recommendations by respondents to alleviate their concerns and to accommodate growth. Where government capacity is stretched, respondents also noted PPPs could be a potential solution.

Last year we raised concerns about a rising trend in the number of respondents who think it is becoming more difficult to conduct business in the Caribbean region. In 2022, 20% of banks and 25% of non-banks noted it was becoming more difficult, increasing to 36% and 35% respectively in 2023. This year, more than half of non-banks (56%) believe it is more difficult to conduct business in the region. This is a disturbing trend that should not be ignored by industry stakeholders, both public and private, given the critical importance of the industry to the region and the need to maintain a competitive advantage. The number of banks who believe it has become more difficult to conduct business has dropped slightly to 33%. However, the remaining 67% believe that difficulty levels have not changed since last year, showing that there is still some room for improvement.



Respondents’ suggestions on how to mitigate concerns regarding the ability to conduct business in the Caribbean:

Collaboration: “This is the billion-dollar question. The answer is different in each of the islands, but it's collaboration, honest deal-making, and being thoughtful about how to create economic impact that puts funds in the coffers for the needed projects while not overcharging travelers so they don't show up (Laffer's curve).”

Gov support (airlift, crime): “Focus by government on improving airport, focus on mitigating crime & increasing incentives for existing business enterprises. Gov support.”

Gov investment: “Investment by local governments and public / private partnerships.”

Gov support and investment (airlift,utilities): “Airlift through active discussions with government and airlines. Utilities through renewablesinvestment.”

Collaboration: “Private and public collaboration for a unified vision on the growth of the Caribbean.”

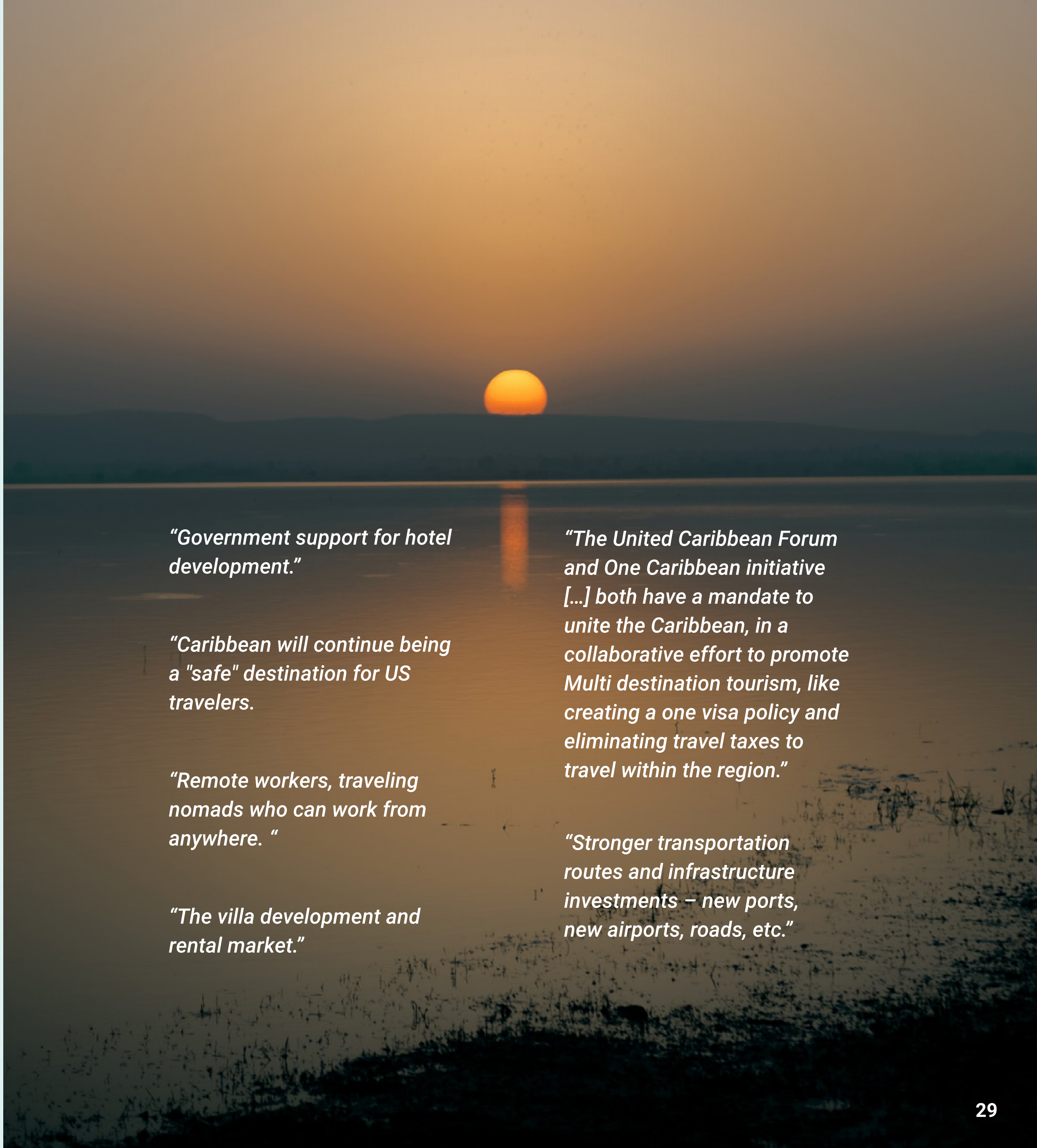
Gov support: “Better dialogue with government.”

Gov support: “Better government response to update infrastructure to accommodate growth.”

PPP to alleviate gov capacity constraints: “I see PPP as an important strategy to overcome the outdated infrastructure and lack of government capacity in the Caribbean.”

Reasons to be cheerful!

We asked our respondents what single new opportunity excites them the most and fills them with optimism about the future of the tourism industry in the Caribbean. Here are some of their responses:



“Government support for hotel development.”

“Caribbean will continue being a "safe" destination for US travelers.

“Remote workers, traveling nomads who can work from anywhere. “

“The villa development and rental market.”

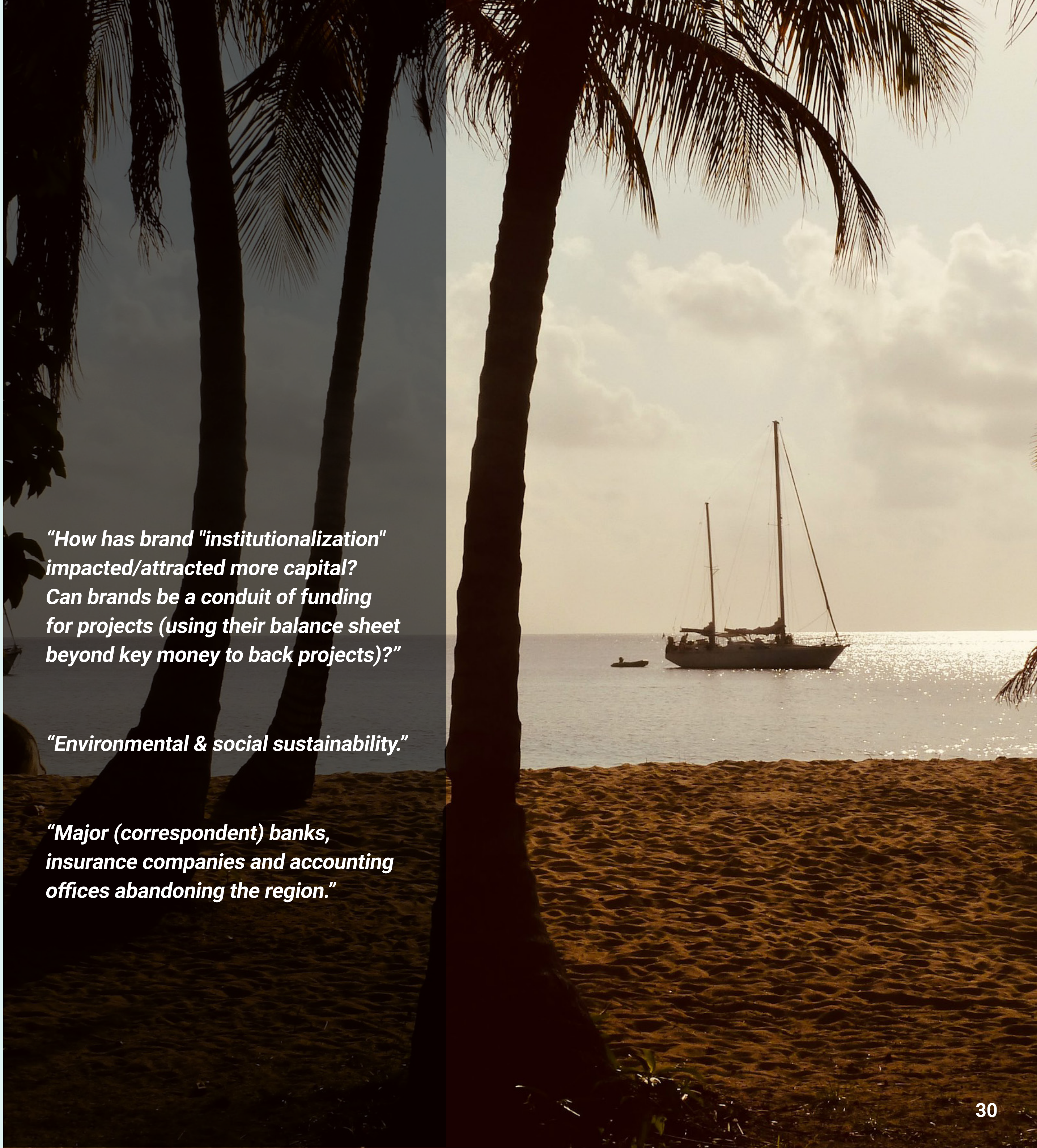
“The United Caribbean Forum and One Caribbean initiative [...] both have a mandate to unite the Caribbean, in a collaborative effort to promote Multi destination tourism, like creating a one visa policy and eliminating travel taxes to travel within the region.”

“Stronger transportation routes and infrastructure investments – new ports, new airports, roads, etc.”

What did we miss?

Respondents were asked whether our survey missed any critical issues impacting their decision to finance tourism projects in the Caribbean.

Here are some of their responses:



“How has brand "institutionalization" impacted/attracted more capital? Can brands be a conduit of funding for projects (using their balance sheet beyond key money to back projects)?”

“Environmental & social sustainability.”

“Major (correspondent) banks, insurance companies and accounting offices abandoning the region.”

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