Caribbean Hospitality Financing Survey

2023

Now, for tomorrow

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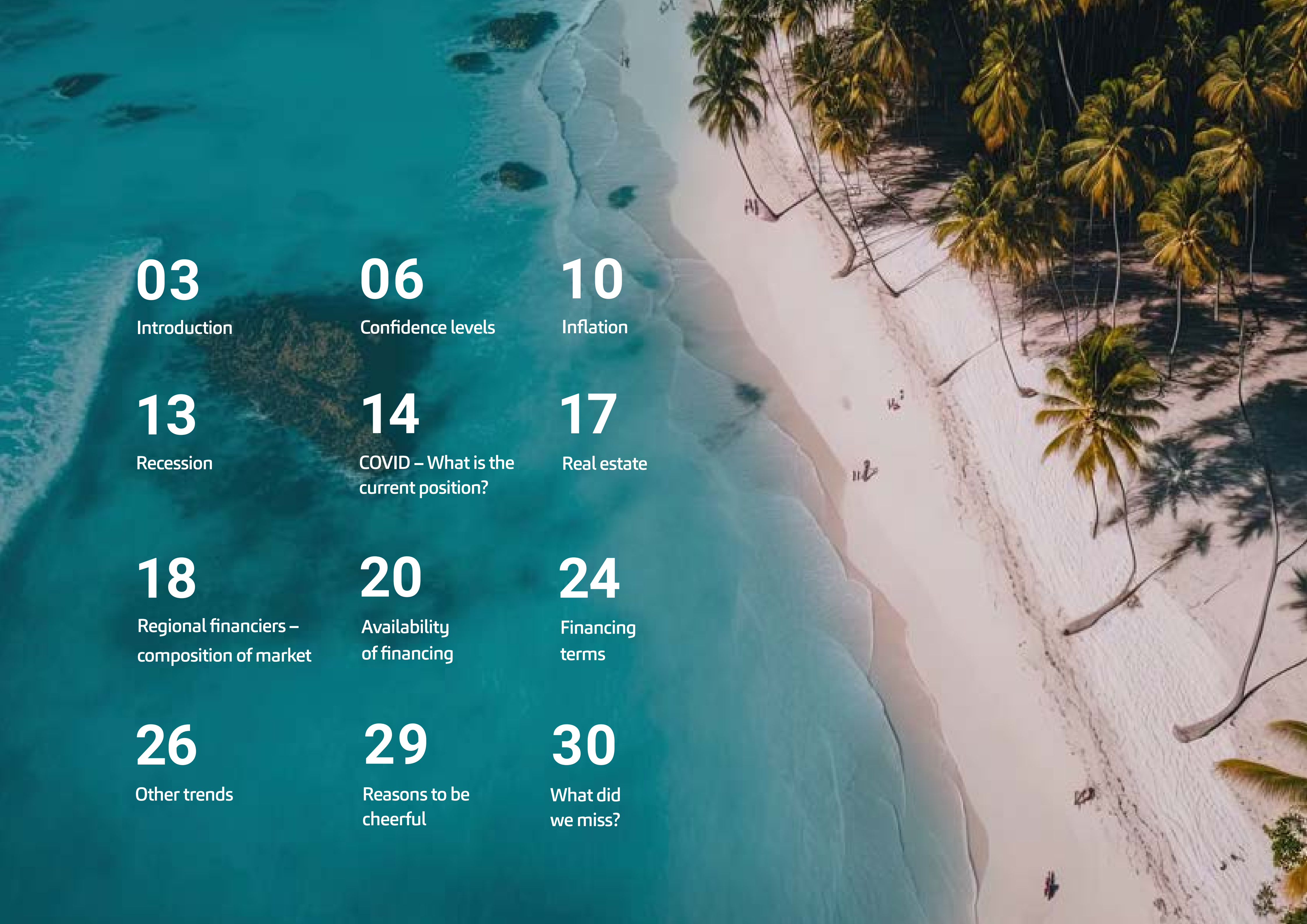

Introduction

Tourism must surely be a candidate to be the world's most resilient industry.

Tourism suffered a US$4.9 trillion fall in its contribution to global Gross Domestic Product and 62 million jobs were lost due to the COVID pandemic, according to the World Travel and Tourism Council (WTTC).

Yet the WTTC predicts the sector will return to pre-pandemic levels by the end of 2023, and over the next decade will grow at an average annual rate of 5.8%, more than double the 2.7% average annual growth rate, while generating 12.6 million new jobs. A remarkable recovery by any standards.

If this wasn't impressive enough, the industry has simultaneously reinvented itself in the image of the people it serves.

Tourists reassessed their values during the pandemic and are increasingly visiting new, exotic destinations that have attributes they can relate to, such as protection of the environment, sustainability and lifestyle.

Resilience is certainly the predominant characteristic we have seen exhibited time after time by the Caribbean tourism industry since our survey started in 2009. Regionally, we have seen a similar recovery from COVID as has been experienced globally.

In fact, the Caribbean has recovered quicker than any other region in terms of tourism's contributionto GDP.

Previously we have witnessed recoveries from region-specific catastrophic events such as hurricanes Irma, Maria and Dorian, which were all Category 5 hurricanes. Historically, the industry has also rebounded swiftly from other catastrophic events such as 9/11, SARS, and the 2008 financial crisis. Despite these crises, confidence levels in the industry remained high and grew consistently.

If we have survived and bounced back from global health pandemics, terror attacks and economic crises and taken direct hits from catastrophic hurricanes, what else could possibly affect us?

How about inflation? Did someone really say inflation? Surely not! If we can defy global pandemics, then why do we need to worry about inflation?

Actually, we raised a warning flag about inflation in our survey last year when we noted:

"Unquestionably a cloud on the horizon is inflation. Rates have been very low for 30 years or so and we have been somewhat complacent."

We also stated:

"How big a problem higher inflation will be in the long run remains to be seen. It could stabilise as global tensions ease. Alternatively, it could continue to grow and move economies into areas none of us wish to inhabit. We are certainly not there yet but there are already mumblings of the R word for recession amongst the most pessimistic of the financing community."

What impact has inflation had regionally? Our Confidence Barometer, which records the financing community's confidence levels in the Caribbean tourism industry, is showing a small downturn. Bank confidence levels are down from 7.40 to 6.64 out of 10, while non-bank confidence levels are down from 8.31 to 7.47. A downturn was somewhat inevitable after many years of record levels of confidence and can be attributed to several factors, but inflation appears to be the most important.

Responses to most survey questions were overwhelmingly positive, so it was not difficult to identify what caused the downturn in confidence levels.Negative comments were largely restricted to global economic factors, most notably inflation and, to a lesser extent, the prospects of a recession.

There was a critical 10-day period during our collection of survey responses, the timing of which almost certainly contributed to the downturn in confidence levels.

On March 10, Silicon Valley Bank (SVB) collapsed. On March 12, Signature Bank (Signature) was shut down by Federal Regulators fearing contagion as depositors withdrew substantial funds following the collapse of SVB. On March 19, USB bought Credit Suisse in a "government brokered" deal and on March 20, First Republic Bank's shares collapsed amid fears of a run on the bank and it has subsequently been taken over by JP Morgan Chase.

There were numerous contributory factors to the collapse of SVB, but inflation was certainly a critical factor, as described more fully in the inflation section of our report.

Notwithstanding the above, the smart money is very much on the tourism industry having the ability to cope with the effects of inflation and move on and grow just as it has overcome so many other challenges.

Moving onto the predominantly positive responses to other questions.

Most respondents now consider COVID to be old news.

The region's real estate market remains strong.

Confidence about future tourist numbers is high.

We know billions of US dollars have already been invested in Caribbean tourism by participants in our survey.

Half our non-bank respondents have a deal flow and pipeline stronger than before COVID and intend to make further investments in Caribbean tourism projects over the next 12 months.

Banks report the majority (73%) of pre-inflation borrowers have taken the higher interest rates introduced to counteract inflation in their stride.

There appears to be a variety of financing sources and investors, including family offices, which is a sector we need to monitor closely moving forward to see if their increased interest in the region translates into inward investment.

Another important sector we need to keep our eye on is the popular all-inclusive market, growth of which remains strong, although interestingly, some respondents suggested the market for new all-inclusives may have become saturated.

Financiers have high expectations of regional governments to ensure critical issues such as airlift are kept up to date and crime kept under control. An increasing number of respondents believe it is becoming more difficult to conduct business in the region, a disconcerting trend which all key stakeholders in the industry need to be alert to.

In conclusion, monitoring the development of the Caribbean tourism industry is certainly not boring. We never cease to be amazed by its remarkable resilience which has been achieved in large part by identifying, addressing and overcoming challenges and not just wishing them away. It is important to keep reminding ourselves of this successful approach.

Overall, this 2023 survey should be viewed as a positive report, while inevitably identifying challenges. We look forward to working with other key stakeholders in the region to address and overcome those challenges to enhance tourism's candidacy for being the most resilient industry in the world.

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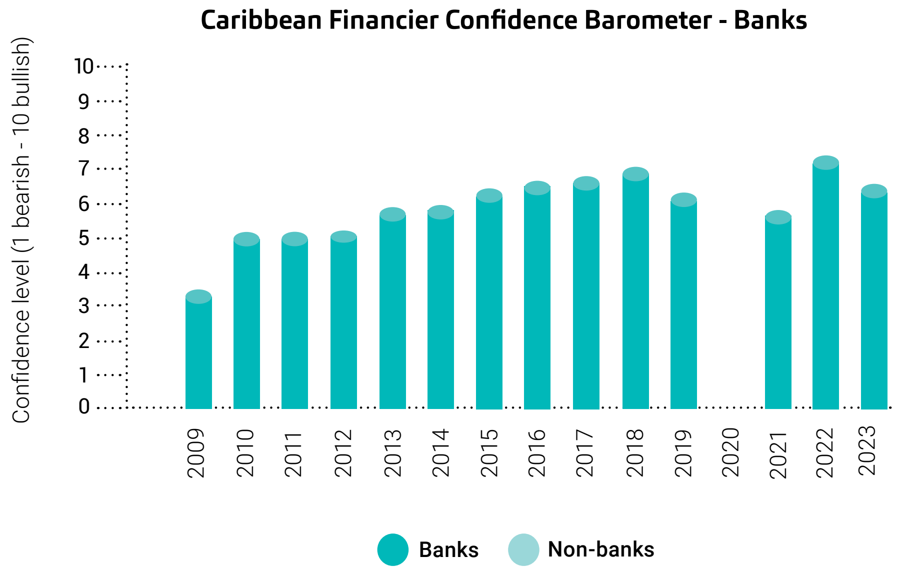
Confidence levels

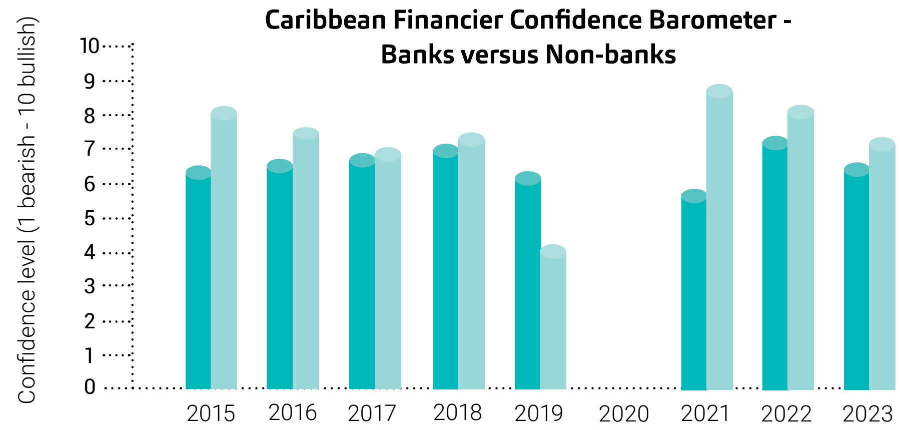
Last year, confidence levels of banks in the Caribbean tourism industry reached their highest level since our survey started in 2009 (7.40 out of 10). Non-bank confidence was even higher at 8.31 out of 10.

Confidence levels dipped by around 10% for both banks and non-banks in 2023. The 6.64 confidence level for banks was down from last year's record level which was somewhat inevitable. The 7.35 recorded by non-banks was higher than the confidence level of banks albeit down from the unsustainable record highs of 8.96 in 2021 and 8.31 in 2022.

A reassuring characteristic of results over the last two years is the consistency of opinion between banks and non-banks. Historically, a significant 'confidence gap' existed between the two communities, which could largely be attributed to differences in their inherent nature, with banks typically being more conservative and risk averse than non-banks.

The reason(s) for the confidence levels falling a little this year is easy to identify because responses to most other survey questions were positive and indeed very positive in places. The primary questions which elicited negative responses related to the global economy, with respondents expressing concerns about inflation and, to a lesser extent, the prospects of a recession.





No survey was conducted in 2020 due to the pandemic

On a wide variety of other questions, respondents provided predominantly positive responses. For example, they believe that the long dark shadow cast by COVID is now: "old news -we have moved on."

WTTC's key findings that the Caribbean's recovery from COVID has been faster than any other region in the world in terms of GDP contribution, and its prediction that tourist numbers should be back to pre-COVID levels by the end of 2023, are consistent with what respondents are seeing in the marketplace.

Expectations re number of tourists

Generally, financiers are optimistic about future tourist numbers. When asked to choose from a variety of options, their most popular response was: "numbers will return to or exceed pre-COVID levels" with 73% of banks and 70% of non-banks choosing this option.

Interestingly, 25% of non-banks (0% banks) believe the number of tourists visiting the Caribbean over the next 12 months will: "go through the roof."

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, the most common being: "business as usual". (82% banks, 47% non-banks).

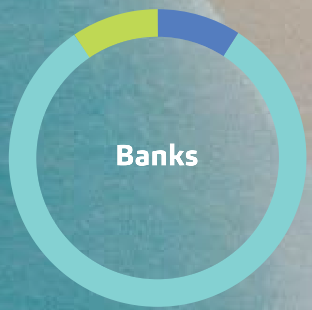
What are your expectations re the number of tourists visiting the Caribbean over the next 12 months?

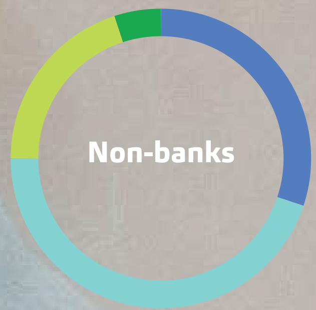
Have you made new investments in Caribbean tourism projects since the outbreak of the pandemic?

50% Yes

50% No

Which best describes your current approach to lending to projects in the Caribbean tourism industry?





- I'm 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
- I'm not lending

The best way to illustrate the continued strength of financiers' confidence in the Caribbean tourism industry despite the slight drop this year is to share some of their comments.

"There is significant interest in the Caribbean from travellers, in part because it is near shore US."

"Most key indicators are green."

"Property prices have come down in some markets and buyers are looking for alternative asset classes due to the volatility in the stock markets, which aligns with their reprioritisation of lifestyle choices to spend more time on family/work from home also."

"The Caribbean is a great destination for the US, with direct flights accessible within a few hours' travel."

"We have a skew towards luxury tourism and have seen strong demand/performance."

"Close to home market for North Americans, less risk and easier to travel to."

"Proximity to the major tourism markets. Generally, politically stable and offers good value. The resilience shown by the Caribbean during and post the pandemic now highlights the untapped investment opportunities which exist."

"There is still latent demand and liquidity that makes travel to the Caribbean appealing"

"There is still pent-up demand in travel, and resort destinations are still in high demand. With low unemployment, people want to travel, and the Caribbean is poised to benefit from this surge in demand."

"Moderate growth but challenges on operating costs, labour availability, airline lift, etc."

"Pent up demand and less restrictions imposed by a majority of islands in the region."

"People have money to travel, earn more, etc."

Inflation

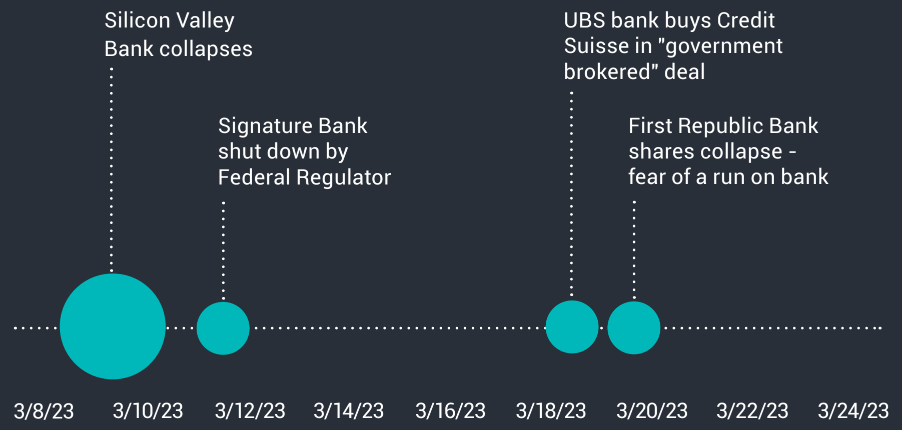
Let's address the negative news head on! As stated in the Confidence Levels section, there were very few questions which elicited negative responses and they related almost exclusively to global economic factors. Inflation appeared to be the issue causing the most concern.

Just less than half (45%) of banks (26% of non-banks) state they are very concerned about inflation and 36% (68% of non-banks) are a little concerned. Generally, this feedback was not unexpected, particularly given there was a critical 10-day period during our collection of survey responses.

Recent events

On March 10, Silicon Valley Bank ("SVB") collapsed. On March 12, Signature Bank (Signature) was shut down by Federal Regulators fearing contagion as depositors withdrew substantial funds following the collapse of SVB. On March 19 USB bought Credit Suisse in a "government brokered" deal and on March 20, First Republic Bank's shares collapsed amid fears of a run on the bank and it has subsequently been taken over by JP Morgan Chase.

There were numerous contributory factors to the collapse of SVB, such as a non-diverse customer base and weak investment policy, but inflation was certainly a critical factor.

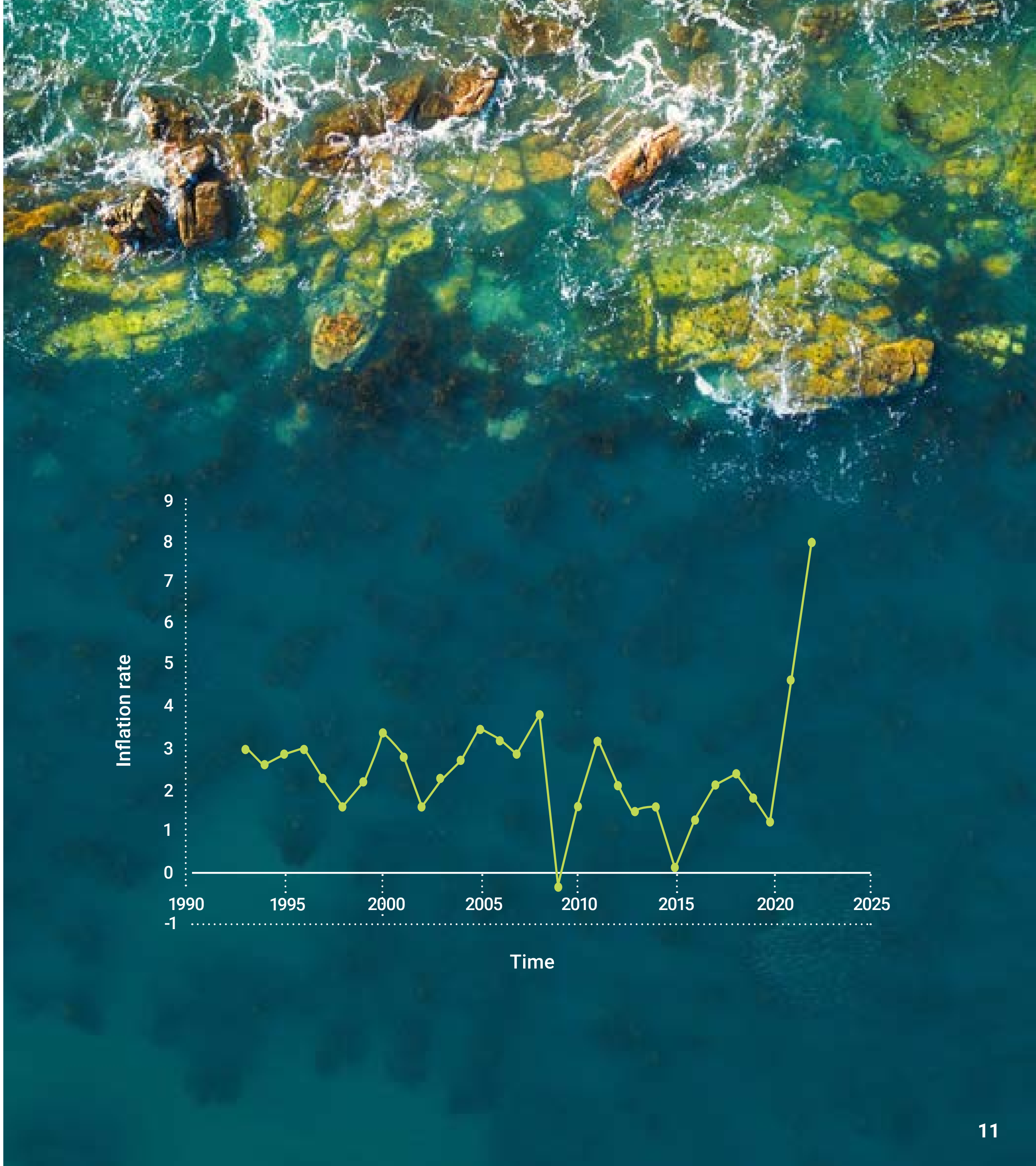


A negative 'spread' between low interest rates on its assets (Treasury bills) and having to pay high interest rates on its liabilities to depositors to remain competitive because of rate increases by the Federal Deposit Insurance Corporation (Fed) contributed to the bank's collapse. SVB suffered losses when liquidating fixed rate asset positions in order to meet its high interest rate obligations to depositors, which led to a 'run' on the bank.

These events of March '23 suggest our 30-year 'holiday' from inflation in North America and Europe has maybe left us a little complacent and somewhat 'rusty' in terms of dealing with inflation in an efficient manner.

Last 30 years

For approximately three decades, inflation rates have been low with associated relatively low interest rates. We may have become relatively complacent and expected these conditions to continue indefinitely. Consequently, many stakeholders may be largely unfamiliar with inflation and how best to deal with it.



How are established borrowers adjusting to higher interest rates?

27%

We have had to restructure their loan

73%

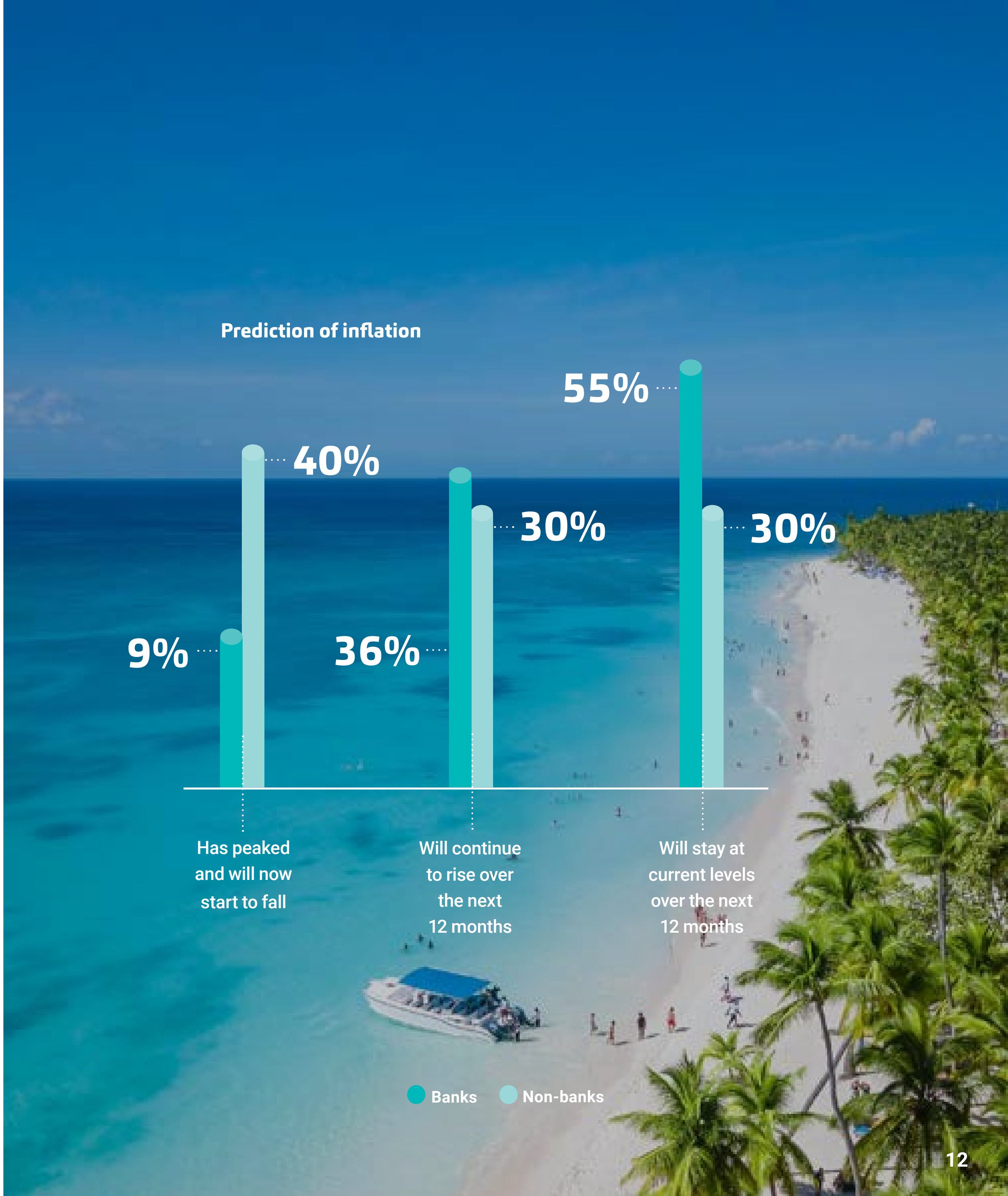
They have taken it in their stride

Impact on current loans

One of the many concerns associated with inflation is the impact of the introduction of higher interest rates to counteract inflation, and how those higher rates would affect current borrowers who have been used to lower rates and may not be able to afford higher rates. Our banking respondents provided some considerable reassurance in this regard. Nearly three quarters (73%) of their clients had taken the higher interest rates in their stride.

Next 12 months

When we asked respondents what their major concern for the Caribbean tourism industry over the next 12 months was, most banks (64%) stated inflation as did 35% of non-banks.It is obviously very difficult to predict inflation over the next 12 months, with even professional economists struggling to do so. However, we invited our respondents to provide their best estimates and somewhat predictably all options from which they had to choose received support.



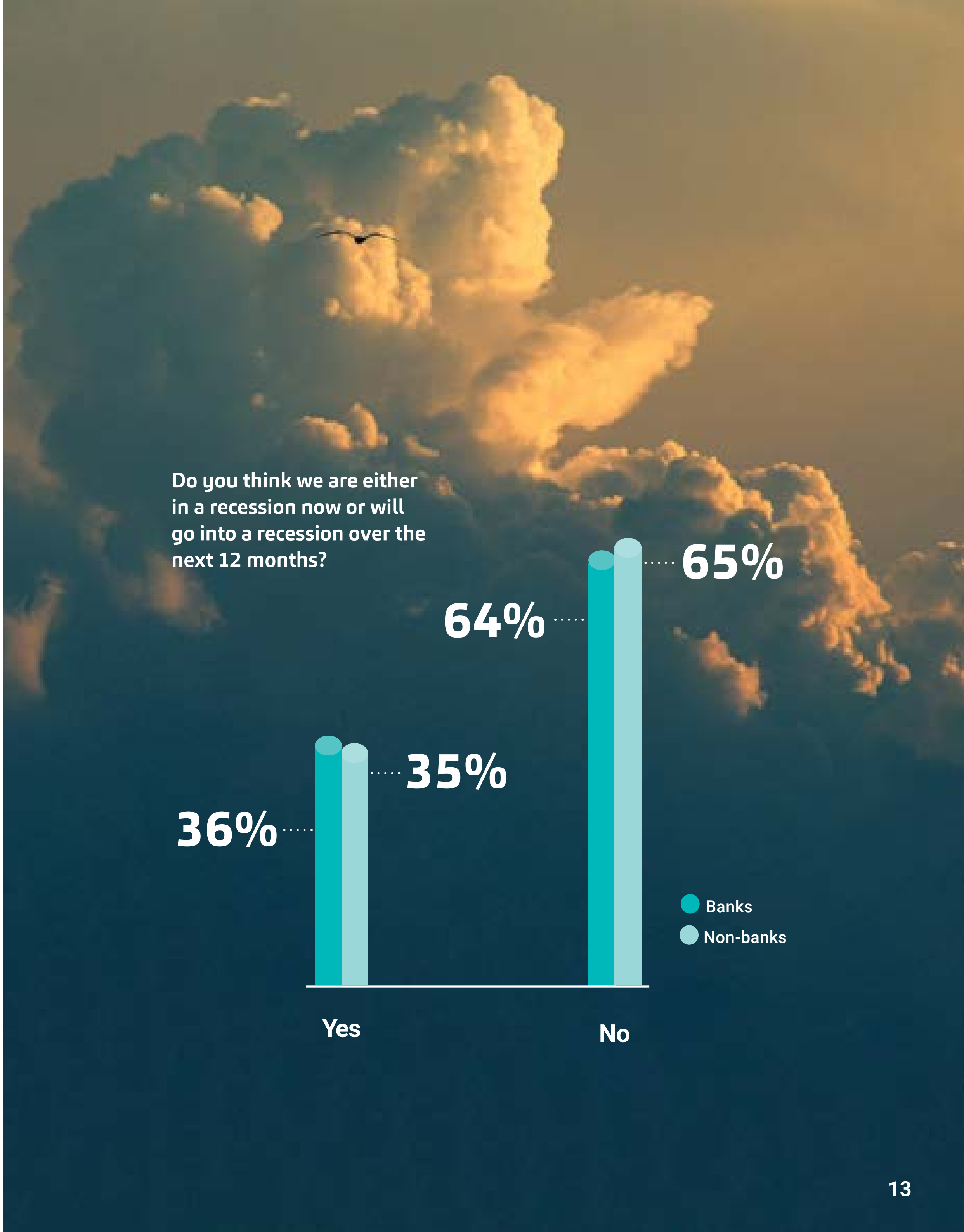
Recession

Last year we only felt it necessary to simply allude to the 'R' word. It was merely something of a storm cloud on the horizon at that point. This year the concerns expressed by respondents render it worthy of its own section, albeit a short one!

Nearly two thirds of both banks (64%) and non-banks (65%) do not think we are in a recession now nor will we be going into a recession over the next 12 months.

This seems to be a view supported by a strict definition of a recession, which requires a fall in GDP in two successive quarters. This has not yet been met in our main feeder markets, although there have been some close calls.

It is a view that also appears to be supported by recent economic events with more uncertainty, partly caused by the banking scare, leading to more caution on behalf of financiers, which has taken some of the heat out of the inflationary price spiral. Importantly, the labour market remains strong with unemployment staying at acceptable (i.e., not too high) levels, ironically boosted by our very own tourism industry. The Lindsey Group reports that while tourism employs 11% of the global workforce, it is currently responsible for a remarkable 47% of new recruits.



COVID – What is the current position?

The tourism industry has understandably been preoccupied with COVID and its impacts since early 2020.

As highlighted in our introduction, the global tourism industry suffered a US$4.9 trillion fall in its contribution to global GDP and 62 million job losses due to the COVID pandemic. Who wouldn't be preoccupied by such huge movements? However, WTTC has also reported that the industry will return to pre-pandemic levels by the end of 2023.

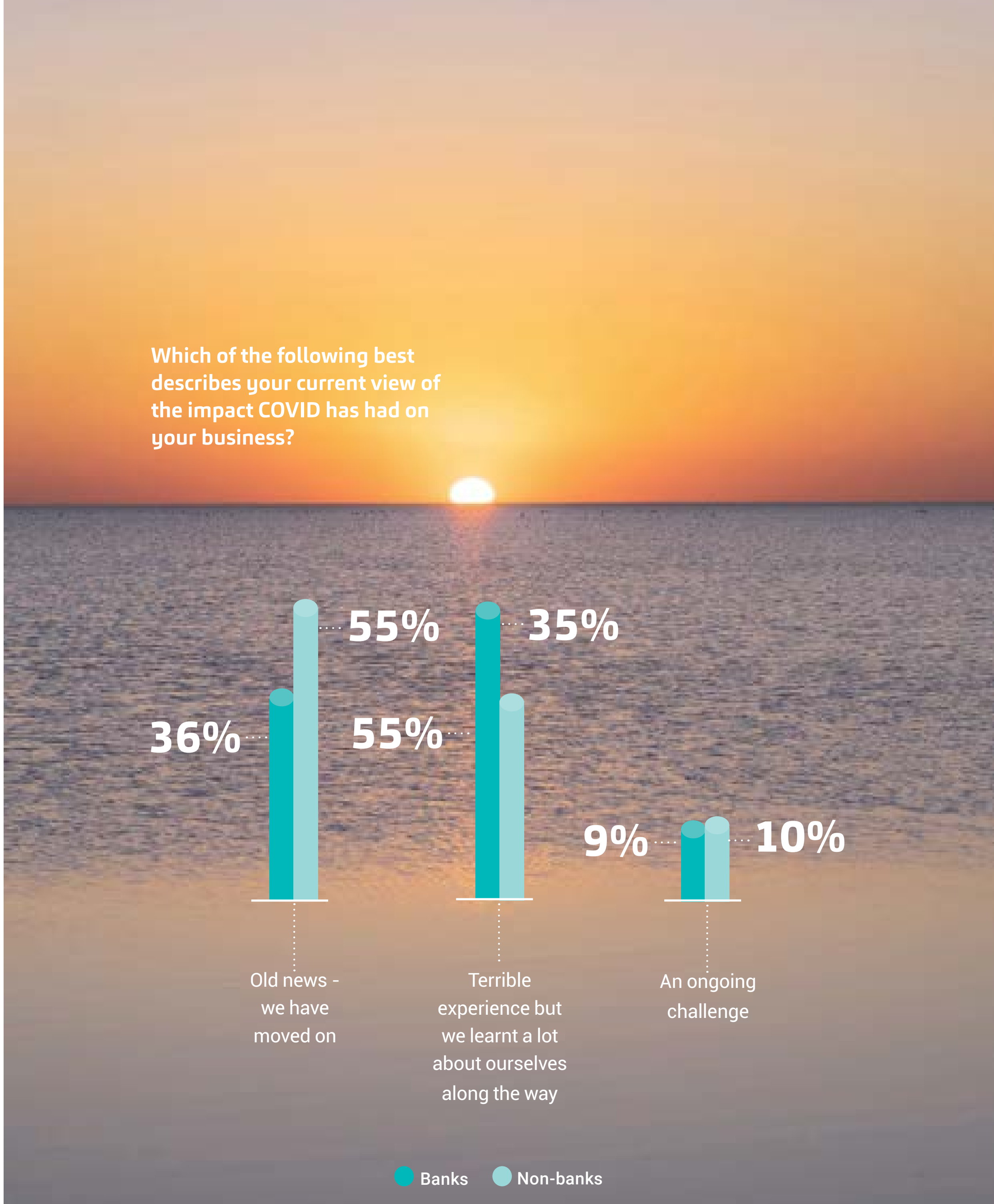
So, what are our respondents' current views on COVID?

Most respondents (73% banks, 70% non-banks) hold views that are consistent with those of WTTC.

As previously stated, most respondents now consider COVID to be old news and they have moved on (36% banks, 55% non-banks).

For 55% of banks and 35% of non-banks, the best description of their current view of COVID is that it was a terrible experience, but they learned a lot about themselves along the way.

A minority (9% banks, 10% non-banks) view COVID as an ongoing challenge.



We know US$ billions have already been invested in the Caribbean tourism industry by participants in our survey.

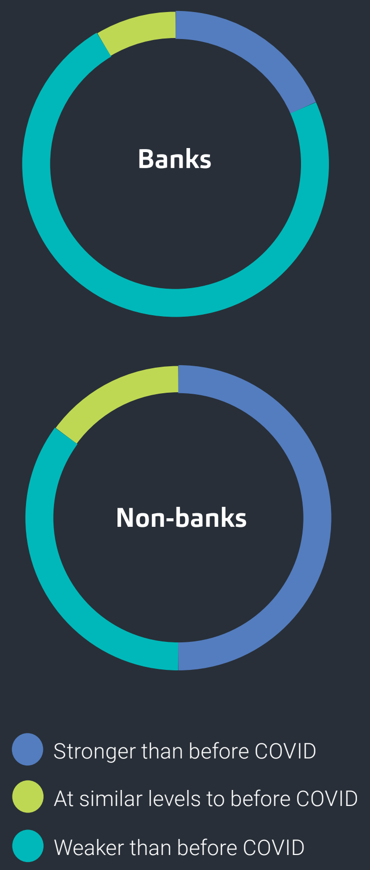
Nearly one in five (18%) banks and 50% of the non-bank respondents stated that their ‘deal flow’ and ‘pipeline’ are stronger than before COVID.

Half of non-bank respondents have made new investments in Caribbean tourism projects since the outbreak of the pandemic and intend to make further investments over the next 12 months.

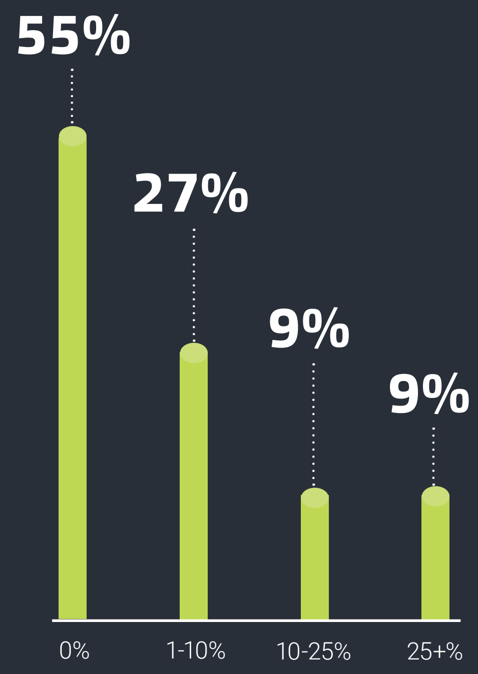
Given lifestyle changes post pandemic and a general reappraisal of priorities by many, respondents were asked if they thought the Caribbean is more attractive to some types of investors who may not have previously been attracted to the region. Nearly two thirds (64%) of respondents thought that would be the case.

As in all major catastrophes, there are injured parties. Almost half (45%) of our banking respondents had at least some clients that went out of business because of COVID. Nearly one in 10 (9%) banks had more than 10% of their clients suffer this fate, and a further 9% had more than 25% of their clients go out of business.

What is your current "deal flow" and "pipeline" like?



How many tourism industry clients of yours went out of business as a consequence of COVID?



When respondents were asked to specify one major change in the regional tourism financing landscape due to COVID, we received great feedback illustrating the huge impact of the pandemic and how it changed the inward investment landscape.

Emphasises the single focus of many countries' economies which should be changed to diversify revenue sources."

"Higher development risk due to higher construction costs and supply chain issues."

"Land packages over cruises."

"Stronger Debt/Equity Funding."

"Lower leverage."

"Financial completion guarantees are more popular."

"More focus on market volatility impact as a key risk area."

"Pre-Sales are very important for project finance in this space and equity contributions need to be higher."

Real estate

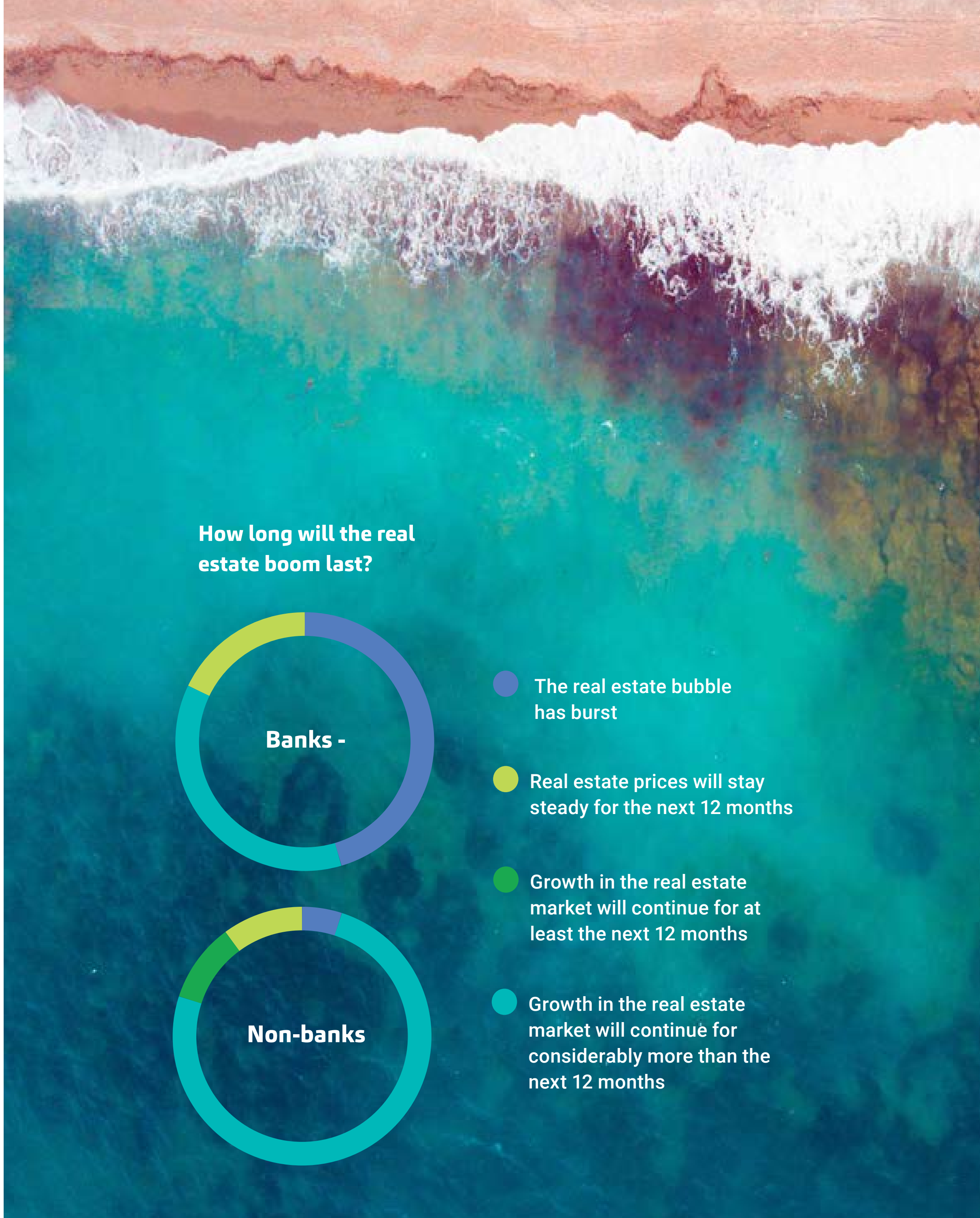
The real estate market has enjoyed a prolonged boom in recent years and the responses from our survey participants remain bullish in this regard.

Only 5% of our respondents think the real estate bubble has burst.18% of banks (10% non-banks) think growth in the real estate market will continue for considerably more than the next 12 months while 36% of banks (10% non-banks) believe growth will continue for at least the next 12 months.

There appear to be several reasons for this prevailing positive sentiment.

During inflationary times, tangible assets like real estate are considered relatively safe investments and a hedge against inflation.

In a Caribbean tourism context, the real estate market is primarily one of new development and investment in second homes. The challenges currently experienced elsewhere with commercial real estate, for example, are nowhere near 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, along with a desire to have a Plan B based in a favourable location in the event of a COVID version 2.0 scenario, have also contributed to the strength of the real estate market in the region.



Regional financiers – composition of market

Who are the major financiers of hospitality projects in the Caribbean region? From the comments disclosed to the right, it can be seen that our respondents are seeing a wide variety of institutional investors in the region which can only be viewed as positive.

However, it should be noted that in our "what did we miss?" section at the end of the survey, there is a suggestion that there may currently be an overreliance on regional lending, with a perceived dilution of interest in the region from some historically major players, while new players are not increasing their activity at the same pace.

Last year, in our first survey post-pandemic, a great deal of attention was given to the enhanced investment in the region by family offices representing High Net-Worth (HNW) individuals. These HNWs were attracted to the Caribbean first and foremost by the merits of investments on a standalone basis, although the lifestyle attraction of the Caribbean in a post-pandemic world was certainly a positive influence on their investment decisions.

"Smaller private investors and institutions."

"Regional Banks."

"International and bilateral official institutions."

"Family Offices."

"Regional and Local banks as well as Development institutions."

"Private family offices providing debt & equity."

"Local and regional pension funds, local and regional life insurance companies, regional commercial banks, US private equity, family offices (also from Europe)."

"Regional Banks and Private Equity from developed markets."

"Various climate funds."

"UK family offices and institutions. Some US and UK hedge fund interest."

In 2023, family offices remain one of the many categories of institutional investors receiving honourable mentions from our respondents.However, we note that 64% of our bank respondents are not seeing increased activity of family offices in the region, which is interesting.

Typically, family offices have little interaction with traditional banks when making their investments, while HNW investors may be investing more in the region, but not necessarily through a structured family office. It could, however, also mean that the increased interest in the region first shown by family offices post pandemic may not be as strong as first thought. Watch this space! We will continue tomonitor this important issue.

Syndication

Last year, we reported on an increased number of syndicated transactions, which was a positive development as syndicated deals in the region have historically been rare. We followed up on this development this year. Nearly one in five (18%) of respondents indicated that they were involved in more syndicated transactions than they were pre-pandemic, which is a positive despite the percentage being relatively small. When asked if the syndication partners were new or established, 64% of respondents stated they were already established and 36% stated they were both.

Regional risk profile

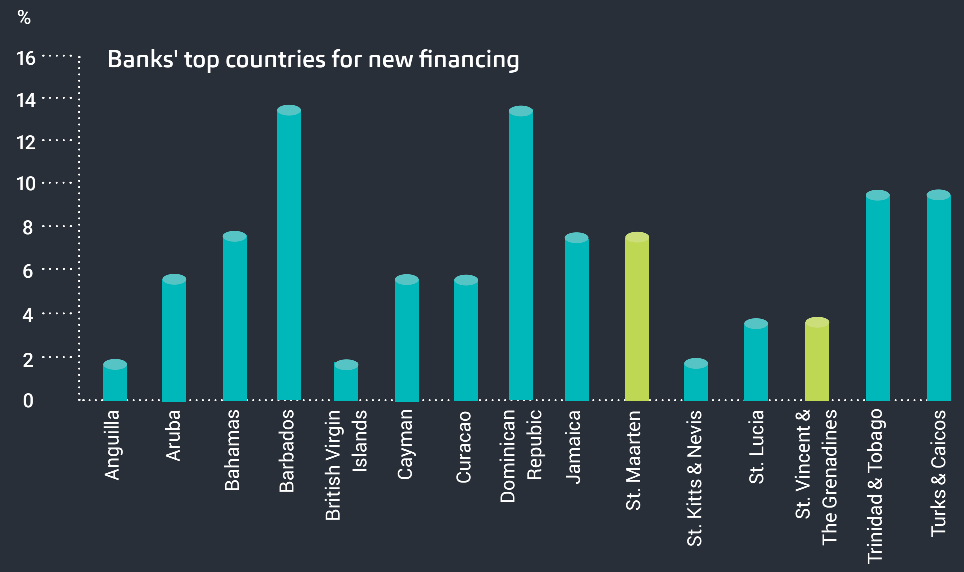
When asked whether the risk profile of regional tourism financing opportunities was improving sufficiently to attract new institutional investors, views were fairly evenly split, but the majority of both banks (64%) and non-banks (58%) thought that this was the case.

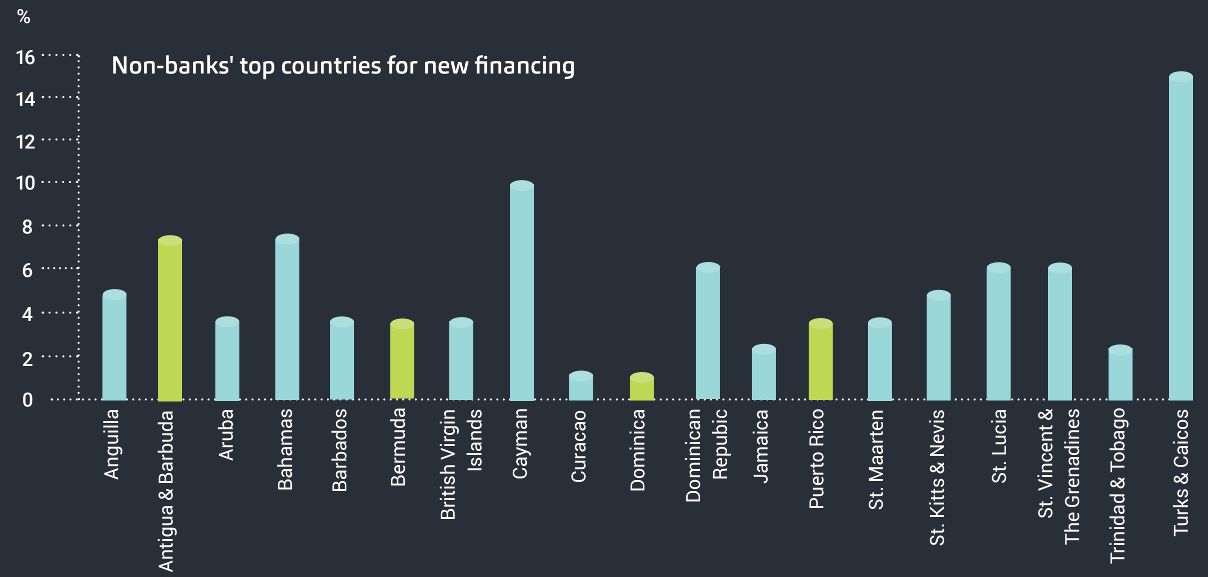
Availability of financing

When we looked at which Caribbean destinations financiers are most bullish about in terms of willingness to fund projects, 19 countries were put forward, of which 15 were nominated by both banks and non-banks.

These destinations are highlighted in the second graph in Light blue.

Those in green were nominated by either a bank or non-bank but not both.





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

Jamaica - Strong traveller demand Dominican Republic - Strong traveller demand."

"Aruba, Turks & Caicos, Curacao - known markets with good performance."

"Barbados, TCI, St. Maarten, Aruba, Jamaica."

"Barbados, Antigua, Saint Lucia due to strong and growing demand and the relative maturity of the tourism sector in these markets."

"Cayman Islands, Anguilla, Turks and Caicos."

"Bahamas, St. Kitts and Turks & Caicos."

"Turks and Caicos - market characteristics, Anguilla - improved airlift Antigua."

"Anguilla - due to market knowledge."

"Dominican Republic, Cuba and Jamaica."

"Puerto Rico, Grand Cayman and Bahamas. Market perception is that these are safer territories given their continued increased performance metrics during pandemic, Puerto Rico is getting more attention given tax incentives."

"TCI, DR"

"Turks & Caicos. Airlift, strong propensity to second home ownership by North American & European buyers. Lots of high-net-worth capital in the market."

"Turks and Caicos, Cayman, Bahamas - Upscale markets with close proximity to the States that largely cater to those that have the ability to travel / spend regardless of the plight of the world economy."

"Turks & Caicos - The most desirable emerging real estate market, Bahamas - Great real estate, Jamaica - Great real estate."

Nature of financing over last 12 months

Most banks indicate their primary financing activity over the last 12 months has been the provision of bridge loan type facilities along with restructuring of existing financing arrangements.

Focus for the next 12 months

Looking forward to the next 12 months, there appears to be a strong emphasis among banks on funding renovations and refurbishments, although there does appear to be a broadening of scope which is even extending to the financing of new builds.

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

"Resorts, Aruba & TCI."

"New Hotels, New Condo Developments. Barbados, Guyana, TCI, Aruba, St Maarten."

"New projects based on villa development, as this is booming in Turks & Caicos."

"Large tracts of beach front land with reasonable prices."

"Cautiously optimistic that the tourism market will continue to thrive. I see our risk primarily from outside sources such as expansion of war in Ukraine, energy supply disruption or major US recession due to a combination of factors."

"Hospitality, Commercial, Residential Cayman and Anguilla."

"Real Estate - Turks & Caicos, Bahamas, Jamaica in that order."

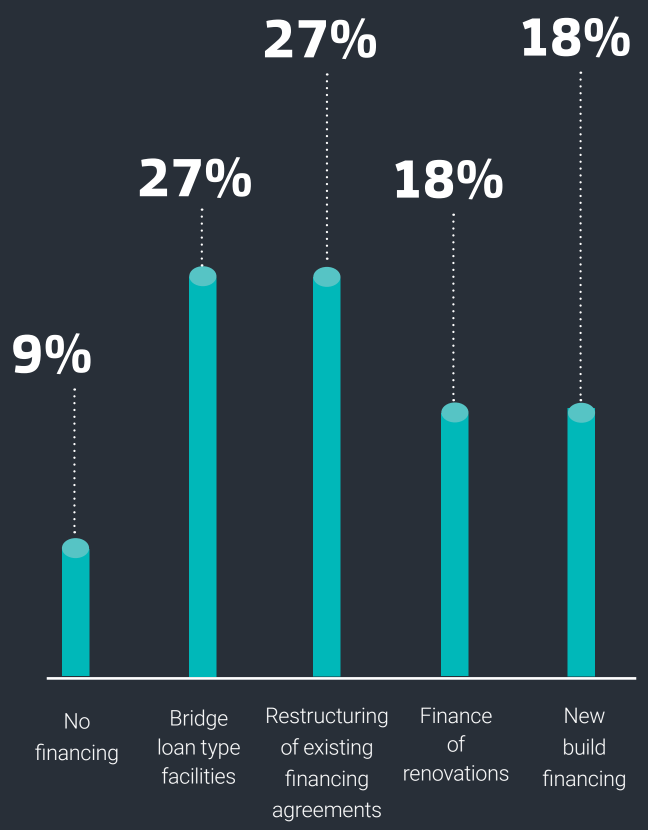
"Asset light developments (i.e., sales to third parties rather than keeping ownership of assets). Luxury."

"Cautious in the Caribbean and focus more on other markets."

"Development and repositioning existing hotels."

"Invest in real estate as it is not going anywhere, and it is an excellent store of wealth."

Bank - What is primary financing activity over the last 12 months as it relates to Caribbean tourism projects?



All-inclusive resorts

Last year, we reported that the majority of banks said they were engaged in more transactions involving all-inclusive resorts, a business model seemingly validated by the large Apple Leisure transaction and the entry of big brands into this sector of the market.

We followed up on this apparent trend this year and approximately 45% of banks stated they were increasingly engaged in transactions involving all-inclusive resorts, with very few (15%) non-banks confirming increased activity with all-inclusive resorts, which is not surprising given the historic financing of this sector by banks.

When asked their opinion on the all-inclusive business model, responses varied, with some indication that the market may have peaked somewhat. This is another area which we will monitor closely moving forward.

Among the non-bank community, there appears to be a very strong concentration on villa developments, particularly in luxury markets along with residential components of hotel and resort development.

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 indicated that this was not an issue.

For those indicating a minimum investment amount, the said minimum varied significantly. For some it was as high as US$300m. Most fell in the US$10m - US$50m range but several made it clear they would still be interested in transactions in the US$1m – US$10m range.

Which of the following best reflects your opinion on the all-inclusive business model?

Financing terms

Regarding the terms of financing, somewhat surprisingly there have been no significant changes, although generally the terms are conservative.

The average debt service coverage ratio (DSCR) is 1.4, loan to value 60% and interest rate margin 397 basis points above SOFR.

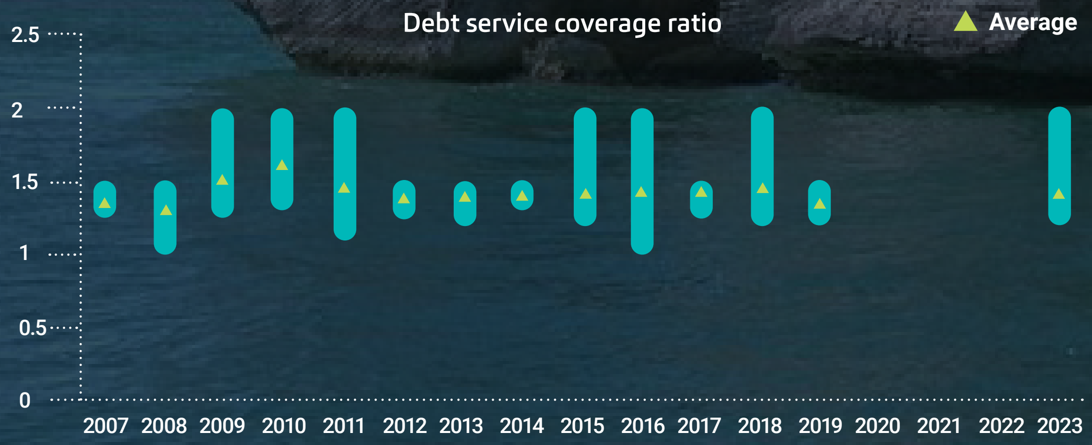
Terms are supplemented by restrictive covenants such as dividend distribution restrictions re DSCR and technical completion reserves for cost overruns on construction, which were raised when we asked what the two most critical covenants required were.

Responses included:

Technical Completion Reserve for cost overruns on construction."

"Debt Service Reserve Account, Dividend distribution restrictions."

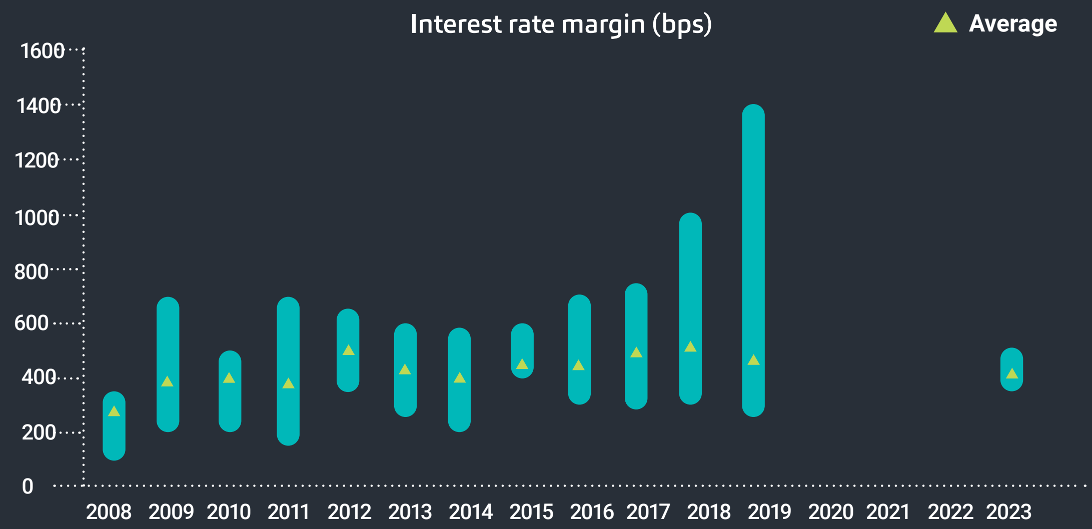
"Pre-Sales, Adequate Equity. ESG covenants."



The big issue for borrowers is not the terms, but whether the 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 be fortunate enough to receive a term sheet.

Non-banks indicate a target IRR of 10-25%, depending on the circumstances and type of funding with equity attracting the higher rates. Their target hold period is between five to 10 years, with a typical exit strategy being by way of sale.



No survey was conducted in 2020 due to the pandemic.

No equivalent data collected in 2021 and 2022.

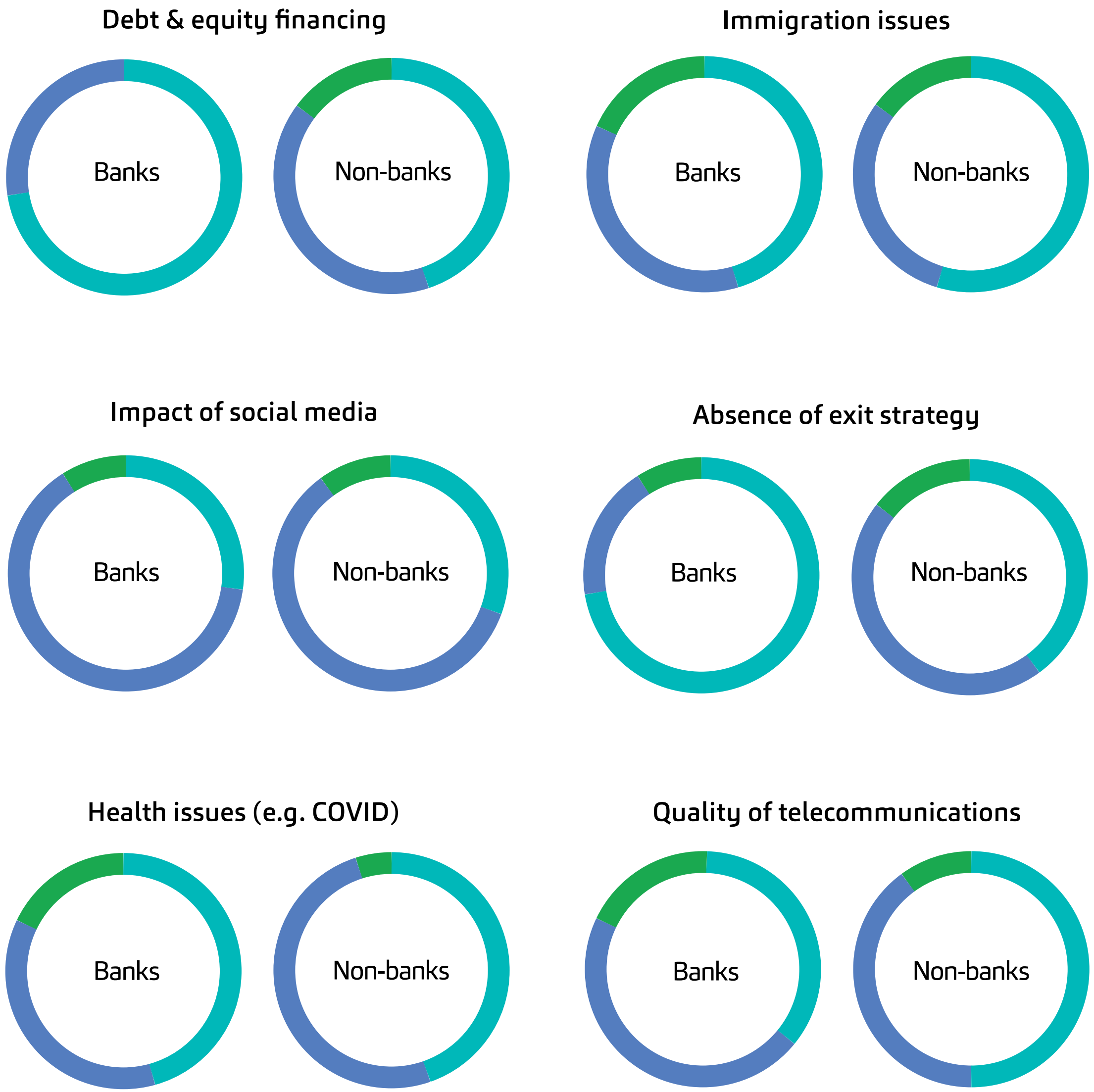
Other trends

The critical issues impacting financing activity in the region are very clear once again.
As we have seen in prior years, airlift is the most critical issue for all respondents. It really is a non-negotiable factor. Crime pretty much falls into the same category, second at 75% for non-banks and approximately the same for banks.

Availability of financing is particularly important for the banking community and shares top spot for them with airlift.

When asked how these critical issues impacting financing activities can be mitigated, respondents demonstrated strongly held views. Most of their comments indicated a clear expectation that governments should lead in these areas with the private sector providing support.

Somewhat related to these comments, we mentioned last year that regional governments need to keep their eyes on the fact that a significant minority of respondents (20-25%) believed it was becoming more difficult to conduct business in the region. We are seeing similar results this year, with 36% of banks and 35% of non-banks of the opinion that it is becoming more difficult to conduct business in the region. This is a troublesome trend which should not be ignored by all key stakeholders in the industry, including regional governments.



Very Important

Moderately Important

Not Important

Most are Government involvement related."

"Better policing, education and illegal immigration control."

"Government investment in infrastructure."

"Govt need to invite banks to return with significant incentives."

"Full engagement by all stakeholders."

"Strategic investment in key infrastructure."

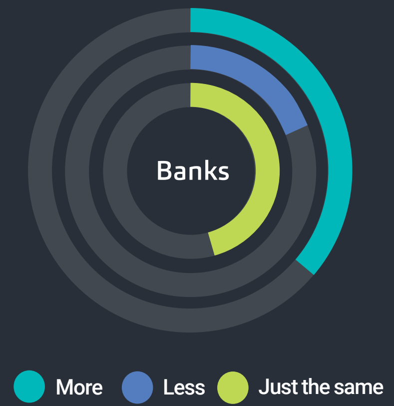
"Improved government involvement including appropriate allocation to overarching tourism budgets. Increased investment in infrastructure, particularly sustainability infrastructure."

"Crime growth needs investment in infrastructure to facilitate healthy living - better schools, sports facilities, libraries."

"Government creating an enabling environment."

"Workforce, schooling, training, immigration, long term housing construction planning (PPP)."

View on level of difficulty to conduct business 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.

“Single villa rentals.”

“M&A and JV opportunities are abundant.”

“Growing tech industry and accompanying opportunities.”

“Increase in the level of interest in Caribbean real estate.”

“The more health-conscious millennials / zoomers will be more inclined to indulge in wellness eco-oriented travel experiences.”

“Resorts with branded real estate.”

“Airport expansion.”

“Better focus on improving environmental sustainability.”

What did we miss?

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

1

“We typically ask for a Technical Completion Reserve (10% of Construction cost) and a Financial Completion Reserve (12 months

2

“US Banks and pension funds are not lending to the region and nor are European institutions. Dependency on regional lending is now of key importance, but is very inconsistent and not organised.”

3

“Willingness of competitive long-term lending has to improve.”

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