

Commonwealth Association of Planners

Regional Conference

*Tourism Impacts
Investment Trends and Land Values
June 26, 2007*

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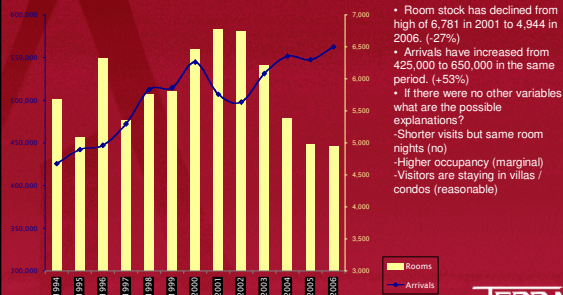


Investment Trends & Land Values

- Decreasing number of hotel rooms
- Increased condo / villa units in short term market
- Condo / villa development growth
- Hotel property ownership and management separating
- Land sold with different measures of value



Tourism Statistics



Source : Barbados Tourism Authority publications



Hotel to Condo Conversions

- Coconut Creek
- Inn on the Beach
- Kings Beach
- Rainbow Reef
- St Lawrence East
- Sam Lords Castle
- Glitter Bay
- Ginger Bay
- Silver Rock
- South Beach
- Sierra Beach



Approximately 1,000 rooms lost



New Condo Properties

- Port St Charles
- Sugar Hill
- Royal Westmoreland
- Mullins
- Villas on the Beach
- Sandy Cove
- St Peters Bay
- Palm Beach
- Old Trees
- Reids House
- The Falls
- And more...



Summary of New Projects

Name	Status	Unit Type	Location	Count	Value
Complete	Apartment	Overland	West	120	
Complete	Apartment	Overland	West	80	
Complete	Apartment	Near-Beach	West	200	
Complete	Apartment	Near-Beach	West	9	
Complete	Apartment	Near-Beach	West	5	
Complete	Apartment	Near-Beach	West	3	
Complete	Apartment	On Beach	West	24	
Complete	Apartment	On Beach	West	6	
Complete	Apartment	On Beach	West	9	
Complete	Apartment	On Beach	West	13	
Complete	Apartment	Near-Beach	West	5	
Complete	Apartment	On Beach	West	120	
Complete	Apartment	On Beach	West	30	
Complete	Apartment	Near-Beach	West	6	
Complete	Apartment	On Beach	West	14	
Complete	Apartment	On Beach	West	90	
Complete	Apartment	On Beach	South	18	
Complete	Villa	Near-Beach	West	6	
Complete	Apartment	On Beach	West	18	
Complete	Apartment	Near-Beach	South	40	
Complete	Apartment	On Beach	South	7	
Complete	Apartment	On Beach	South	16	
Complete	Villa	Overland	West	26	

Approx. 800 units added in 10 years


Source : Terra Caribbean database
Note : Crane Beach Resort and others not included above



Summary of Projects in Process

Project	Status	Unit Type	Location	Count	Value
10	Planned	Villas	Orlando	100	\$1.1
11	In Progress	Apartments	Orlando Beach	100	\$4.5
12	In Progress	Apartments	Orlando Beach	100	\$4.1
13	In Progress	Apartments	Near-Beach	100	\$2.2
14	In Progress	Apartments	Orlando Beach	100	\$6.5
15	In Progress	Apartments	Orlando Beach	100	\$1.9
16	In Progress	Apartments	Near-Beach	100	\$1.6
17	In Progress	Apartments	Near-Beach	100	\$1.5
18	In Progress	Apartments	Orlando	100	\$6.6
19	In Progress	Apartments	Orlando Beach	100	\$2.6
20	In Progress	Villas	Near-Beach	100	\$1.7
21	In Progress	Apartments	Orlando Beach	100	\$9.2
22	In Progress	Villas	Near-Beach	100	\$2.5
23	In Progress	Apartments	Orlando	Control	\$1.0
24	In Progress	Apartments	Orlando Beach	100	\$2.2
25	In Progress	Apartments	Orlando	100	\$1.9
26	In Progress	Apartments	Orlando	100	\$1.5
27	In Progress	Villas	Near-Beach	100	\$6.6
28	In Progress	Apartments	Orlando Beach	100	\$2.2
29	In Progress	Villas	Orlando	100	\$6.5
30	In Progress	Villas	Near-Beach	100	\$2.0
31	In Progress	Apartments	Orlando	Control	\$6.0
32	In Progress	Apartments	Orlando Beach	100	\$1.5
33	In Progress	Apartments	Near-Beach	100	\$1.2
34	In Progress	Villas	Orlando	100	\$1.5
35	In Progress	Apartments	Orlando	100	\$1.5
36	In Progress	Villas	Orlando	100	\$1.2
37	In Progress	Villas	Near-Beach	100	\$1.5
38	In Progress	Villas	Orlando	Control	\$6.0

Approx. 600 units under construction



Approx. 600 units
under construction



Summary of Selling from Plan

Name	Status	Unit Type	Location	Coast	Total
	From Plan	Apartments	Inland	West	70
	From Plan	Apartments	On Beach	South	54
	From Plan	Apartments	Near-Beach	South	19
	From Plan	Villas	On Beach	West	16
	From Plan	Villas	Inland	West	9
	From Plan	Apartments	On Beach	South	15
	From Plan	Villas	Near-Beach	West	8
	From Plan	Apartments		West	36
	From Plan	Villas	Inland	West	

Approx. 250 units in pre-construction sale mode

TERRA
CARIBEAN

Approx. 250 units in pre-construction sale mode



Summary of declared concepts

Name	Status	Unit Type	Location	Coast	Total
	Concept	Apartments	Near-Beach	West	27
	Concept	Apartments	On Beach	West	46
	Concept	Apartments	On Beach	West	65
	Concept	Villas	Inland	South	4
	Concept	Apartments	On Beach	West	10
	Concept	Apartments	On Beach	South	77
	Concept	Apartments	Near-Beach	West	51
	Concept	Apartments	Inland	Central	14
	Concept	Apartments	On Beach	West	7
	Concept	Apartments	Near-Beach	South	46
	Concept	Villas	Inland	West	160
	Concept	Apartments	Near-Beach	South	8

More than 500
units announced

TERRA
CAR BEACH

More than 500
units announced

[illegible]

- Last 12 months data for beachfront apartments
- Completed, and under construction
- Total absorption of 48 units per year in these categories
- Do the math - how many years supply do we have at current demand levels?
- Good news for tourism is - if the units are not sold they are likely to be put into a rental pool
- Statistics tell lies - units being sold from plan are not included in these figures and could therefore push the absorption higher

[illegible]

Why Condos and Not Hotels?

- Highest & Best Use
 - Legal permissibility
 - Physical possibility
 - Financial feasibility
 - Maximum productivity
- Assume that physical possibility and financial feasibility do not separate the two uses.
- Legal permissibility also does not separate as there are no designated hotel sites as such.
- Return from condominium development is immediate - 3 to 5 years. Hotel development is subject to significantly different economic projections.

The logo for Terra, featuring the word "TERRA" in a large, serif font, with "SOUTH BEACH" in a smaller, sans-serif font underneath it. The logo is positioned in the bottom right corner of the slide.

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Recent Sales

- The Regent
 - 85,000 sf of land
 - Permission guidelines for 87,000 sf of saleable real estate
 - US\$21.5 million sale price at auction
 - US\$250 psf
 - If a hotel was built it could have 120 rooms
 - Land cost alone US\$180,000 per key
 - As a condominium development with 45 units cost would be \$475,000 per saleable unit.
 - US\$250 psf in land cost per saleable sf

The logo for Terra Escapes, featuring the word "TERRA" in a large, serif font, with "ESCAPES" in a smaller, sans-serif font below it. The logo is set against a dark background with a subtle, light-colored geometric pattern.

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Recent Sales

- Sun Haven Beach Apartments
 - 21,000 sf of land
 - 40 room apartment hotel closed for 5 years
 - US\$3.5 million sale price
 - US\$166 psf
 - If a hotel was renovated with 40 rooms
 - Land cost alone US\$87,000 per key
 - As a condominium development with 16 units cost would be \$220,000 per saleable unit.
 - US\$160 psf in land cost per saleable sf

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Recent Hotel Sales

Property	Location	Land Area (ac)	Price	Sale /List	Year	No Rooms	Price/ room
Hastings		0.60	2,550,000	S	2003	44	\$53,425
The Gap		0.52	2,000,000	S	2004	35	\$57,143
Dover		8.00	23,500,000	S	2004	167	140,719
Sandy Beach		3.58	13,000,000	S	2005	130	100,000
St Philip		86.00	26,000,000	S	2005		
Ir Silver Sands		1.69	4,900,000	S	2005	87	\$56,322
The Gap		0.92	3,500,000	S	2005	43	\$81,395
Maxwell		2.50	8,000,000	S	2004	78	102,564
Rockley		1.70	10,000,000	L	2007	113	88,496
The Gap		1.21	7,500,000	L	2007	76	90,658
Bay Street		2.50	22,000,000	L	2007	133	165,414
Hastings		2.78	26,000,000	L	2007	99	262,626

Highest actual sale price per room is \$140,000
 This is for an operational hotel in good condition
 Land is exchanging at higher than that on land price divided into rooms possible

TERRA
 CAR BEAN

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Current Condo Sales

Barbados Project Summary Report Quarter 1, 2007

Apartment

Development	Total Units	Units Available	Size (Sq. Ft.)	Price (USD)	PSF
Completed	60	2,850 - 3,100	\$2,900,000 - \$4,100,000	\$1,033 - \$1,333	
On-lease	13	2	3,111 - 3,173	\$1,400,000 - \$1,700,000	\$450 - \$539
On-sale	7	2	2,450 - 3,000	\$1,250,000 - \$1,750,000	\$512 - \$585
On-sale	14	1	2,700 - 3,000	\$700,000 - \$1,200,000	\$259 - \$400
On-sale	8	2	3,100 - 3,100	\$1,400,000 - \$1,600,000	\$452 - \$515
On-sale	5	2	4,000 - 5,000	\$2,500,000 - \$3,000,000	\$625 - \$600
On-lease	15	2	3,100 - 3,100	\$900,000 - \$1,100,000	\$290 - \$355
On-lease	23	5	3,100 - 3,200	\$900,000 - \$950,000	\$290 - \$300
On-sale	12	2	2,900 - 3,400	\$700,000 - \$1,000,000	\$241 - \$295
On-lease	50	18	3,100 - 3,247	\$975,000 - \$1,150,000	\$315 - \$356
On-sale	23	14	3,100 - 3,100	\$975,000 - \$1,150,000	\$315 - \$369
On-sale	25	8	3,100 - 4,000	\$975,000 - \$1,150,000	\$315 - \$364
On-lease	20	1	3,100 - 3,100	\$2,500,000 - \$3,000,000	\$806 - \$972
On-lease	20	1	3,100 - 3,100	\$2,500,000 - \$3,000,000	\$806 - \$972
On-lease	15	4	3,100 - 3,100	\$2,500,000 - \$3,000,000	\$806 - \$972
On-sale	15	4	2,700 - 3,100	\$2,500,000 - \$3,000,000	\$806 - \$972
On-sale	54	28	3,100 - 3,173	\$975,000 - \$1,150,000	\$315 - \$369
On-sale	30	2	3,111 - 3,172	\$975,000 - \$1,150,000	\$315 - \$369
On-sale	80	30	3,100 - 3,100	\$975,000 - \$1,150,000	\$315 - \$369
On-lease	7	2	3,100 - 3,200	\$550,000 - \$1,100,000	\$177 - \$343
On-sale	15	1	3,100 - 3,100	\$975,000 - \$1,150,000	\$315 - \$377
On-sale	17	10	3,100 - 3,100	\$975,000 - \$1,150,000	\$315 - \$374
On-lease	57	57	2,600 - 3,000	\$900,000 - \$1,000,000	\$347 - \$333
On-sale	15	7	3,000 - 3,400	\$900,000 - \$1,000,000	\$300 - \$294
On-lease	20	18	3,100 - 3,470	\$975,000 - \$1,150,000	\$315 - \$343
On-lease	22	14	3,100 - 3,100	\$975,000 - \$1,150,000	\$315 - \$339

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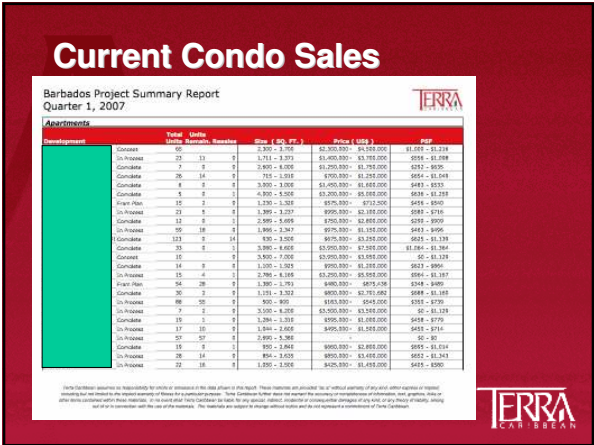
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Trends in Hotel Development

- Hospitality and Tourism is the worlds fastest growing industry accounting for almost 15% of the world economy.*
- Hotel management separated from property ownership
- Private equity is the largest source for development funds for hotels
- Private equity is focused on short term real estate capital appreciation
- Owner occupied properties in the past looked at a blended return from operations and capital appreciation
- When owners today are unhappy with the return they are quick to go the condo conversion route

*Source - International Real Estate Institute

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Trends into the Future - Barbados

- Hotel room stock will continue to fall and will be replaced by condominium hotel type operations.
- Villas will play an ever increasing role in the development of the tourism offering.
- Beachfront properties will be purchased by inland developments to act as beach access and private club amenities.
- Condo's and villas that are purchased by non-residents remove debt from local tourism operators balance sheets and shift it outside of Barbados
- Employment generated from 20 villas or from a 60 room hotel is not different in number of people employed but the total salary bill and cost to the operator is higher for villas.

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Planning Policies

- Certain areas zoned for hotels - remove highest and best use options
- Access to the beach to promote inland development opportunities
- Shift to villas from hotels may not be bad economics or planning

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New measures of value

- **Commercial (residential & office)**
 - Measure is price per square of useable product
 - E.g. Land of 50,000 sf with permission for 70,000 sf of office space is more valuable than equivalent with permission for 50,000 sf only.
 - Similarly for residential condominium developments it is the price per square foot of saleable real estate that is the measure.
- **Residential**
 - Price psf reported is growing rapidly
 - What is not reported is that the lot sizes are getting smaller
 - Total cost for a house lot in the middle class market not increasing as fast as the \$ psf.



Parting comments

- No discussion on trends in the tourism market would be complete today without mention of the Paradise Four Seasons project
- Approx 26 acres of land purchased for US\$41 million
- Concept is a 102 room hotel and 44 villas all branded Four Seasons
- Villas being sold from plan at US\$2,000 psf (\$11 to \$16 mil each)
- Sales are brisk!
- Within the last month our offices have been contacted by 3 other high-end hotel brands looking for sites in Barbados
- Of the hotel properties constructed or scheduled to be constructed in Barbados over the period discussed we have Sandy Lane, Hilton and now Four Seasons.
- If these are the trends then, we are trending towards high-end branded hotels and high-end villa rentals



Q&A

"I always arrive late at the office, but I make up for it by leaving early."

"The definition of a consultant: Someone who borrows, your watch, tells you the time and then charges you for the privilege."

"You have to stay in shape. My grandmother, she started walking five miles a day when she was 60. She's 97 today and we don't know where the hell she is."

"Have you ever noticed? Anybody going slower than you is an idiot, and anyone going faster than you is a maniac."

