Welcome to the September 2016 edition of our Hotel Destinations South America publication, an annual overview providing a snapshot of key hotel markets across South America.

As you browse through this guide, you will find a selection of notable hotel trends, recent transactions, upcoming new projects and a summary of key market statistics for each destination. We trust you will find this publication relevant, concise and insightful.

We hope you enjoy the read.
Contents

Foreword 04

City Profiles
06 Bogotá D.C., Colombia
07 Buenos Aires, Argentina
08 Guayaquil, Ecuador
09 Lima, Perú
10 Quito, Ecuador
11 Rio de Janeiro, Brazil
12 Santiago, Chile
13 São Paulo, Brazil

Quick Facts 16

Contributors 18
Foreword

A view on South America’s leading destinations

Quito, Ecuador
HAVE WE WEATHERED THE STORM?

On the heels of stagnant growth in 2015, emerging markets in Latin America have remained significantly challenged thus far in 2016. Argentina, Brazil, Ecuador and Colombia, which together represent over 75% of South America’s gross domestic product (GDP) continue to grapple with depressed commodity and oil prices, pronounced devaluation of their currencies vis-à-vis the U.S. dollar (USD), fall-out from corruption scandals, escalating inflation and the adverse effects of purposefully enacted economic austerity measures. From a lodging market perspective, growth of supply outpaced that of demand in a number of the markets profiled in this report, which contributed at least partially to negative, or only marginally positive, growth observed in year-to-date RevPAR in USD.

In addition to the above, unforeseen natural disasters and other events adversely impacted the region’s lodging performance in 2016, including the devastating earthquake that hit Ecuador and the outbreak of the Zika virus. While the jury is still out regarding the net impact of Zika on travel, the virus has generated negative media attention for most of the year, resulting in travel advisory warnings for several Latin American countries and curtailed attendance at the Olympic Games held in Rio de Janeiro, Brazil this summer.

Overall, this year’s string of unfavorable macroeconomic, political and other external events raises the question of whether the region has finally weathered the storm or if we are merely in the calm before another violent interlude. Although economists are predicting lackluster economic growth for most countries in South America, the overall sentiment is that the worst is behind us and a moderate economic recovery is in order.

Our research of trends in key South American lodging markets, as presented in this report, supports this view and suggests that not only was the actual performance of several lodging markets stronger than USD RevPAR statistics might indicate, but that several encouraging dynamics may further strengthen the lodging fundamentals going forward:

- **Macroeconomic outlook** – Argentina, Brazil and, to a lesser extent, Colombia, have all implemented austere macroeconomic monetary and fiscal policies that have had severe negative impact on economic growth. These policies included dramatic increases in benchmark interest rates, fiscal reforms and cuts in public sector spending that are intended to be short-term shocks to quickly redress the macroeconomic malaise of the recent past. If successful, as anticipated, this short-term pain is expected to bring inflation under control, spur economic growth and restore investor confidence.

- **Economic growth** – While oil prices remain near historic lows, some strengthening of oil and other commodity prices has been observed, which – combined with pent-up consumer demand – could propel moderate economic growth in the range of two to three percent per year.

**Political reform** – Public dissatisfaction with systemic corruption, crony capitalism and general economic mismanagement resulted in wholesale political changes in Brazil and Argentina. The long-anticipated impeachment of President Dilma Rousseff has decreased Brazil’s perceived volatility, while Argentina and Peru also welcomed new administrations, albeit under different conditions. Argentinian President Macri is aggressively pushing market-oriented reforms to help promote private and foreign direct investment, while Peruvian President Kuczynski is considered an accomplished technocrat likely to continue Peru’s market economy with an even greater degree of transparency. Colombia has negotiated a temporary ceasefire with the FARC (Revolutionary Armed Forces of Colombia), bringing hope that the country will be able to achieve a much sought-after peace agreement that will end the protracted conflict.

- **Strengthening visitation** – Despite the challenges, several destinations profiled in this report have registered double-digit tourism arrival growth in the past year. Improved airlift and significant investments in airport infrastructure have helped propel robust growth in tourist arrivals to the region. Moreover, the depreciation of local currencies against the USD is enhancing travel, especially from the United States, while also making it increasingly prohibitive for the domestic market to travel abroad. Consequently, leisure markets throughout the region are observing increases in overall visitation.

- **Maturing markets create investment opportunities** – Various trends in South America over the past two years underscore the growth opportunities for professional hotel management companies and international investors – e.g., the investment of private equity regional platforms in more consolidated markets with perceived economies of scale (Brazil: BHG, Atlântica Hotels; Colombia: Hoteles Royal, Decameron Hotels & Resorts; Argentina: Fen Hotels). Similarly, transactions in key gateway cities in the region illustrate the growing maturity of the lodging industry in South America, as domestic REITs and private investment funds acquire strategic, institutional-quality hotel assets.

Based on the aforementioned, it would appear that, while lodging markets in the region have weathered the worst of the storm, success in the foreseeable future will increasingly hinge on the disciplined navigation of steadily improving, if not occasionally turbulent, seas.
Bogotá

With a population of more than 7.9 million and an economy that accounts for approximately 26.0% of Colombia’s overall gross domestic product (GDP), Bogotá continues to be one of the most important economies of Latin America and the major gateway to South America. The bustling city boasts a rapidly growing international visitor base, primarily derived from the corporate demand segment. Bogotá currently offers +2.2 million square meters of quality office space, ranking it the fourth largest office market in Latin America after São Paulo, Mexico City and Santiago. Recent improvements to the perception of overall safety and security are helping position the city as a preferred destination, especially after the government enacted a ceasefire in August 2016 with armed rebel group, FARC (Revolutionary Armed Forces of Colombia). A public referendum on the accord is set to take place in October of this year, which, if approved, would mark the end of a 52-year-old conflict.

HIGHLIGHTS

Tourism

Since 2011, international arrivals have observed a compounded annual growth rate (CAGR) of +11.8% with YTD June 2016 figures suggesting continued growth through 2016. The demand growth in international arrivals in 2015, totaling 3.3 million, has led to a current expansion project known as El Dorado II. El Dorado II, to be completed by 2021, will be located in the outskirts of Bogotá (Chía) and expected to match El Dorado International Airport’s current passenger capacity.

Demand

The development of the Corferias Convention Center, Ágora, is currently underway in the Salitre submarket, which will cater to the growing demand for city-wide meetings and events in Bogotá. In 2015, Bogotá hosted over 450 events, and international travelers spent over US$252 million in meetings-related travel and tourism spend. This amount is expected to escalate even more once Ágora is built, as market participants expect potential spill-over demand to hotels in other neighborhoods in Bogotá.

Supply

Concurrent with growth in tourist arrivals and improved safety and security, Bogotá’s lodging stock has become increasingly international. Although government tax incentives for hotel developers helped stimulate aggressive supply growth in the past, the deadline for new projects is fast-approaching, which is expected to lead to a slowdown in supply pipeline in the coming years. As a result of ground-up lodging developments, together with increasing operating pressure being fueled by existing hotels, opportunities for hotel conversions are being created as more international brands enter the marketplace.

Outlook

This capital city continues to position itself as one of the region’s most prominent corporate markets. Although lodging market indicators have registered declines in USD terms, the strength of the Bogotá market is manifested in the double-digit increases in both ADR and RevPAR in local currency. Increasing international visitation has permitted global lodging brands to enter the market and attract a broader audience while offering competitive rates with their global distribution channels, which has allowed the general market to avoid rate degradation in local currency terms.

NEW HOTELS

2015* USD LCU (000's)
Occupancy | 58.8% |
ADR | $151 |
$414 |
RevPAR | $89 |
$244 |
% ∆ y-o-y | -17.9% |
| +12.5% |

RECENT TRANSACTIONS

W Bogotá
168 rooms | Currently marketed by JLL
Price: Confidential

QUICK FACTS

3.3 million
Number of international visitor arrivals (2015)

+1030 rooms
Number of new hotel rooms expected (+2017)

60.4%
Average occupancy for July YTD 2016

USD $139
Average rate for July YTD 2016

USD $430
LCU

USD $84
LCU
-9% +12%

*LCU = Local Currency Unit; YE = Year-End; Sources: Smith Travel Research (STR), JLL, Aerocivil, MinCIT | Note: Lodging performance data is based on select branded upper-tier hotels that report Y-o-Y = Year-over-Year; YTD = Year-to-Date to STR, customized by JLL; number of new hotel rooms expected are based on hotels currently under construction and reported to STR and/or JLL.
**Buenos Aires**

Buenos Aires is the second largest metropolitan area in South America with an estimated population of 3.0 million (Source: Oxford Economics) and a major international tourist destination. This capital city is Argentina’s major gateway and the country’s political and economic powerhouse. Renowned for its European-influenced architecture and atmosphere, the city offers extensive cultural and entertainment-related demand generators, such as high-end boutique shopping corridors and charming dining venues. Cosmopolitan and multifaceted, Buenos Aires is well-equipped for hosting all types of conventions and trade shows, as evidenced by its consistent ranking as the premier destination in Latin America for meetings and conventions. Moreover, Buenos Aires’ software and IT sector has been recovering, peaking investor interest in 2015/16 after two consecutive years of muted growth (Source: fDi Intelligence).

**HIGHLIGHTS**

**Tourism**

Total international passenger air arrivals to the city’s two ports of entry (Ezeiza International Airport and Aeroparque Jorge Newbery) reached 2.3 million in 2015, a decrease of 6.6% when compared to 2014 figures. Brazil, representing slightly over a quarter of overall tourist arrivals, remains the biggest source market to Buenos Aires, despite the 19.0% decline in year-over-year arrivals due to contractions to the Brazilian economy. The U.S. is Buenos Aires’ primary source market, followed by Canada and Chile.

**Demand**

Approximately 46.0% of total demand in Buenos Aires is related to leisure. The election of President Mauricio Macri has ushered a sense of optimism in the economic and political environment of the country, which is boosting Buenos Aires’ position as a preferred business destination. In 2015, corporate-related demand represented approximately 22.0% of overall demand, up from 18.0% in 2010. Meetings-related demand in Buenos Aires continues to strengthen, overall, and the city was ranked first in Latin America in terms of number of meetings/events (Source: ICCA).

**Supply**

Total quality lodging supply in Buenos Aires is estimated at 24,000 rooms, and the city is home to some of South America’s finest hotels in terms of the number of higher-end, internationally-branded properties. The majority of lodging supply, however, is still independently-managed and family-owned, representing approximately 65% of overall lodging stock in the city. While the market is well-served in terms of luxury and upper-upscale product, Buenos Aires has limited branded, select-service lodging product in downtown Buenos Aires and its surrounding areas, signaling a positioning gap in the market.

**Outlook**

With recent administrative government changes, general investment sentiment continues to improve, in spite of marked inflation growth and a further contraction in GDP projected for 2016. The adoption of the free-float exchange rate has led to the substantial devaluation of the Argentinian Peso in 2016. Nonetheless, YTD July 2016 hotel performance data shows a minor decrease of ADR in U.S. dollars, which is indicative of some real rate growth in spite of the sharp devaluation.

**NEW HOTELS**

- **Alvear Hotel & Residences**: 150 rooms
- **Viceroy Buenos Aires**: 125 rooms
- **Hilton Pilar Buenos Aires**: 170 rooms

**QUICK FACTS**

- **2015* USD LCU**
  - Occupancy: 57.7% | 57.7%
  - ADR: $180 | $1,673
  - RevPAR: $104 | $966
  - % ∆ y-o-y: -8.0% | +5.0%

- **2015 USD LCU**
  - Average occupancy for July YTD 2016: 56.8%
  - Average rate for July YTD 2016: $182 LCU $2,618
  - July YTD 2016 RevPAR + 63%

*LCU = Local Currency Unit; YE = Year-End; Y-o-Y = Year-over-Year; YTD = Year-to-Date

Sources: Smith Travel Research (STR), JLL, Mintur | Note: Lodging performance data is based on select branded upper-tier hotels that report to STR, customized by JLL; number of new hotel rooms expected are based on hotels currently under construction and reported to STR and/or JLL.
Guayaquil

Guayaquil is Ecuador’s most populous and industrial city, located along the western banks of Guaymas River, just north of the Gulf of Guayaquil. This port city benefits from a highly accessible location given its proximity to the Pacific Ocean to the west, thereby making it one of South America’s most important port cities, earning its nickname as, “The Pearl of the Pacific”. The port is the country’s most important commercial and leisure port and, as a result, numerous multinational companies are headquartered in Guayaquil and its outskirts. Historic and picturesque areas of Guayaquil, such as the riverfront promenades (e.g., Malecón 2000) and the colonial neighborhood of Las Peñas, continue to attract tourists. Although parts of Ecuador continue to recover from the devastating earthquake that upended the country earlier in 2016 and decline in oil prices, the government is still spearheading major city-wide urban renewal projects aimed towards advancing the city’s economic and tourism growth.

HIGHLIGHTS

Tourism

To continue promoting travel and tourism in the country, the government anticipates spending more than US$2.7 billion in foreign investment for the construction of two ports and a highway by the end of 2016. Guayaquil is poised to benefit substantially from these initiatives and other urban redevelopment plans that aim to transform Guayaquil into a first-class destination for international tourism and business. Key feeder markets include its capital, Quito, followed by Colombia, Peru and the U.S.

Demand

The city is considered the main commercial and financial hub for the country and, as such, lodging demand in Guayaquil is primarily corporate given the strong presence of multinational companies. Nevertheless, Guayaquil is the main stop-over destination for cruises and for the Galapagos Islands (after Quito); as such, the city does welcome some leisure-related lodging demand, albeit characterized by shorter lengths of stay.

Supply

Nearly 62.0% of Guayaquil’s lodging stock (est. 2,000 rooms) is upscale/upper-upscale given the presence of internationally-branded supply in the market. Nonetheless, and much like its regional counterparts, a representative share of Guayaquil’s lodging stock is also independently branded (24.0% of total lodging stock). Approximately 860 rooms (mostly in the upscale category) are slated to enter the market by 2019, and this incoming lodging supply is expected to be both full- and select-service, which should help diversify the city’s lodging stock.

Outlook

Corporate demand in Guayaquil has weakened in the past two years, but the city has weathered the economic recession a bit better than the rest of the country given the commercial port activity. Moreover, Guayaquil’s tourism industry has improved significantly over the past few years, and the city’s potential remains dependent on the government’s plan to continue investing in infrastructure and urban redevelopment. Anticipated increases in oil prices should bring back lodging demand generated by the oil and gas sector.

NEW HOTELS

- **Radisson Guayaquil**: 85 rooms
- **Hampton Inn Guayaquil Downtown**: 123 rooms
- **ibis Guayaquil Samborondon**: 150 rooms
- **Marriott Guayaquil Samborondon Ecuador**: 202 rooms
- **Swissotel Guayaquil**: 300 rooms

QUICK FACTS

- **0.5 million**: Number of international visitor arrivals (2015)
- **120 rooms**: Number of new hotel rooms expected (+2017)
- **58.5%**: Average occupancy for July YTD 2016
- **USD $97**: Average rate for July YTD 2016
- **USD $57**: July YTD 2016 RevPAR + % v. July YTD 2015

Sources: Smith Travel Research (STR), JLL, Ecuador - Ministry of Tourism | Note: Lodging performance data is based on select branded upper-tier hotels that report to STR, customized by JLL; number of new hotel rooms expected are based on hotels currently under construction and reported to STR and/or JLL.
Lima

Lima is strategically located along the coast of the Pacific Ocean. Lima is the Perú’s most prominent historic, cultural and commercial center, boasting more than 9 million inhabitants. Key tourist attractions include the historic city, dotted with Spanish colonial churches, monasteries, and government palaces. Until recently, the city was often viewed as the unavoidable stopover point for visitors to Cuzco and Machu Picchu. In recent years, however, Perú’s macroeconomic stability and growth has positioned Lima as an attractive destination for business, leisure and group segments, which has afforded the city one of the least seasonal bases of demand in South America. Lima’s growing reputation as a gastronomical hot spot draws an ever increasing number of international transient tourists, while the new convention center generates more group business. The city’s strategic location and improvements to its airline and port infrastructure further contribute to its appeal as a major regional transportation hub.

HIGHLIGHTS

Tourism

Lima is ranked one of the fastest-growing destinations in the region in terms of international overnight visitors, growing at an impressive CAGR of 7.9% over the past decade. Lima continues to promote route development in order to support higher tourist volume. Top feeder markets include Santiago (CL), Buenos Aires (AR), and Miami (FL, USA). These top three feeder markets generated a combined US$548 million in international tourism spend, according to the 2015 MasterCard Global Destination Cities Index report.

In 2015, foreigners visited Lima for both leisure and business purposes, representing approximately 56% and 21%, respectively, of total demand. Although Machu Picchu continues to be the main tourist destination in Perú, Lima’s outstanding restaurants have become a prominent demand generator, as evidenced by the US$7.5 billion the industry generated during the first half of 2016. Group-oriented hotels, coupled with the inauguration of Lima’s new convention center, continue to fuel the growth of group demand in Lima.

Although the majority of quality lodging supply in Lima can be currently characterized as independently-branded, many international brands are represented in the market. Further, approximately 3,900 internationally-branded room supply (particularly in the upscale segment) are slated to enter the market by 2020. Incoming branded lodging supply under construction in the short term are primarily of select-service nature, which will be located in the Miraflores and San Isidro submarkets.

Lima continues to rank as one of the most visited capital cities in Latin America, with international overnight visitors spending in excess of US$1.5 billion in 2015 (Source: MasterCard Global Destination Cities Index). Recent marginal declines in RevPAR to-date (in USD terms), is not expected to hinder Lima’s positive tourism outlook. Further, the recent change in Perú’s government and its commitment to continued macroeconomic probity and investment in airports and ports, as a way to support foreign trade and tourism, should support the advancement of Lima’s tourism industry.

NEW HOTELS

<table>
<thead>
<tr>
<th>2015*</th>
<th>USD</th>
<th>LCU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>65.5%</td>
<td>$227</td>
</tr>
<tr>
<td>ADR</td>
<td>$149</td>
<td>$473</td>
</tr>
<tr>
<td>RevPAR</td>
<td>-9.2%</td>
<td>+1.8%</td>
</tr>
<tr>
<td>% Δ y-o-y</td>
<td>-9.2%</td>
<td>+1.8%</td>
</tr>
</tbody>
</table>

Quick Facts

| 2.0 million | +825 rooms | 64.2% | USD $235 | USD $151 |

*LCU = Local Currency Unit; YE = Year-End; Y-o-Y = Year-over-Year; YTD = Year-to-Date

Sources: Smith Travel Research (STR), JLL, Mincetur | Note: Lodging performance data is based on select branded upper-tier hotels that report to STR, customized by JLL; number of new hotel rooms expected are based on hotels currently under construction and reported to STR and/or JLL.
Quito, Ecuador’s capital city, is nestled within the Andean region straddling the equator. At an elevation of approximately 9,350 feet above sea level, this city is the highest capital in the world, offering cool weather year-round and a myriad of natural tourist attractions. Boasting the second-highest population in Ecuador, after Guayaquil, Quito is one of the country’s main economic engines, observing a high concentration of major government agencies and multinational companies. Quito is among the top-ranked destinations in Latin America, and international overnight visitors in 2015 spent in excess of US$400 million, according to the 2015 MasterCard Global Destination Cities Index report. Quito’s historic center was designated as a World Heritage Site by UNESCO in 1978 and continues to be one of the key tourist attractions in the city.

**HIGHLIGHTS**

**Tourism**

The Ministry of Tourism has worked extensively in promoting Ecuador abroad, resulting in increases in international visitor volume in Quito each year. International visitor arrivals reached approximately 0.8 million in 2015, and most visitors originate from the U.S., Colombia and Peru. The inauguration of the international airport in 2013 led to an increase in passenger traffic, averaging above 1.0 million passengers ever since.

**Demand**

The economy is highly dependent on the oil and gas sector, and declines in oil prices over the past two years has led to government budget cuts and curtailed corporate travel. Despite this, leisure tourism continues to grow, as Ecuador’s adoption of the U.S. dollar as its local currency, coupled with the country’s proximity to the U.S., has encouraged North American travelers to visit the city’s cultural product offering. Colombia and Peru are the primary feeder markets in terms of corporate demand, while U.S. inbound travel is characterized as both leisure and corporate.

**Supply**

Quality lodging supply in Quito, estimated at 5,500 rooms, remains rather underdeveloped when compared to other capital cities in South America. Prior to 2013, the city had a relatively constrained hotel development pipeline prior. This trend is slowly changing, as more internationally-branded projects are announced in the market. Branded lodging supply represents 61% of the overall stock today, and this proportion is anticipated to grow as more international hotels open in the short term, particularly near the airport.

**Outlook**

Despite growth in arrivals, demand is anticipated to soften in the short term. The earthquake in April 2016 has impeded economic recovery and resulted in an immediate redirection of government funds to aid people in need. Incoming supply will impact occupancy growth, as supply growth is expected to outpace demand. Although demand in the corporate segment has softened, a sustained increase in oil prices should bring back demand generated by the oil and gas sector. Lastly, Quito is planning the development of a world-class convention center in the short term in order to promote meetings-related demand.

**NEW HOTELS**

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th>Rooms</th>
<th>2015 Occupancy</th>
<th>2015 ADR</th>
<th>2015 RevPAR</th>
<th>% Change y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holiday Inn Quito Airport</td>
<td>130</td>
<td>67.2%</td>
<td>$118</td>
<td>$80</td>
<td>-7.8%</td>
</tr>
<tr>
<td>Ibis Quito</td>
<td>151</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eurobuilding Express Hotel</td>
<td>217</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royal Green Hotel</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Patricio Hilton Hotel</td>
<td>150</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**QUICK FACTS**

- Number of international visitor arrivals (2015): 0.8 million
- Number of new hotel rooms expected (+2017): 745 rooms
- Average occupancy for July YTD 2016: 60.9%
- Average rate for July YTD 2016: $118 USD
- July YTD 2016 RevPAR + % Y-o-Y: $72 USD (-14%)

Sources: Smith Travel Research (STR), JLL, Quito Turismo | Note: Lodging performance data is based on select branded upper-tier hotels that report to STR, customized by JLL; number of new hotel rooms expected are based on hotels currently under construction and reported to STR and/or JLL.
Rio de Janeiro

Rio de Janeiro is Brazil’s second largest city with almost 6.5 million inhabitants, generating approximately 13% of the country’s overall GDP. The city is also headquarters to major media, financial, oil and gas companies. Rio is a major international gateway market for Brazil, accounting for half of foreign tourist visitation and one-third of corporate visitors. Driven by the 2014 World Cup and the 2016 Olympic Games, Rio underwent a deep transformation in recent years. Together, these events represented 40% of the US $37 billion invested between 2010 and 2015, radically changing areas like Barra da Tijuca and Downtown, with the addition of housing, offices, entertainment, and cultural venues. According to ICCA, Rio ranks as a Top 5 destination for international events in South America, and new event areas in Barra da Tijuca, success of the Olympic Games, and large increases in quality hotel rooms are helping give Rio internationally recognition for its events sector.

HIGHLIGHTS

Tourism

Tourism demand for Rio grew significantly from 2009 (the year were the city was chosen to host the Olympic Games) to 2015. Over this time period, tourist arrivals to Rio achieved a 7.8% CAGR, with 4.1 million international and 22.4 million domestic travelers in 2015. This growth was enabled by the modernization and expansion of both Galeão International Airport and Santos Dumont Domestic Airport.

Demand

Lodging demand in Rio is balanced, with an estimated demand mix of 39% corporate, 38% leisure, and 10% events. Corporate demand is sustained by the oil and gas sector, and has been negatively impacted in the last two years with the decline in oil prices. Demand mix has stratified by neighborhood over time, with certain submarkets catering to leisure travelers (e.g., Copacabana, Ipanema), some to corporate demand (e.g., Downtown), and others as events markets (e.g., Barra da Tijuca).

Supply

Rio has dramatically expanded its lodging inventory in the past two years to accommodate the 2014 World Cup and 2016 Olympic Games. Rooms supply increased from 20,850 to 30,330 and hotel count increased from 146 to 190 per JLL research. Major brands, including Hilton, Marriott and Hyatt expanded significantly in Rio during that period, while existing operators, such as Accor, notably broadened their presence. As a result, Rio has become the second largest hotel market in Brazil and now has more hotels with a brand affiliation than independent hotels.

Outlook

Rio’s tourism and lodging industry has strongly benefited from the global sporting competitions of the past two years and now faces the challenge of filling expanded infrastructure and supply created by these games. Further challenging lodging fundamentals are weakened corporate demand from the decline in the oil and gas sector and as a result of the overall economic recession. Mitigating demand declines is the potential growth in the events market and growth in international visitation, which provides new opportunities for the market.

NEW HOTELS

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th>Rooms</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emiliano Rio</td>
<td>150</td>
<td>2016</td>
</tr>
<tr>
<td>Gran Melia Rio de Janeiro (former Hotel Nacional)</td>
<td>413</td>
<td>2016</td>
</tr>
<tr>
<td>Best Western Eretz Copacabana</td>
<td>64</td>
<td>2016</td>
</tr>
<tr>
<td>Mama Shelter</td>
<td>55</td>
<td>2016</td>
</tr>
</tbody>
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RECENT TRANSACTIONS

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th>Rooms</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Teresa†</td>
<td>44</td>
<td>2016</td>
</tr>
<tr>
<td>Mama Shelter†</td>
<td>55</td>
<td>2016</td>
</tr>
</tbody>
</table>

RECENT TRANSACTIONS

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th>Rooms</th>
<th>Year</th>
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<tbody>
<tr>
<td>Santa Teresa†</td>
<td>44</td>
<td>2016</td>
</tr>
<tr>
<td>Mama Shelter†</td>
<td>55</td>
<td>2016</td>
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QUICK FACTS

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>Number of international visitor arrivals</td>
<td>4.1 million</td>
</tr>
<tr>
<td>Number of new hotel rooms expected</td>
<td>+1,885 rooms</td>
</tr>
<tr>
<td>Average occupancy for July YTD 2016</td>
<td>50.6%</td>
</tr>
<tr>
<td>Average rate for July YTD 2016</td>
<td>USD $261</td>
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<tr>
<td>LCU $953</td>
<td></td>
</tr>
<tr>
<td>% ∆ v. July YTD 2015</td>
<td>-20%</td>
</tr>
<tr>
<td>LCU $482</td>
<td></td>
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</tbody>
</table>

†JLL acted as an adviser in this transaction.
Santiago

Santiago is the main destination and hub for both national and international tourism in Chile. The country’s steady economic growth during last decade has turned Santiago into one of strongest financial and trade centers in South America. Santiago, like few other cities in South America, offers a wide range of tourist attractions. The city center is always a gathering point for visitors, with its iconic historic buildings and museums, and the bohemian neighborhoods of Bellavista and Lastarria provide a pedestrian-friendly corridor of distinguished restaurants, art galleries, and boutiques. The city is also proximate to several international tourist destinations, such as the wine route located in the valleys surrounding Santiago, the main ski resorts atop the nearby Andes, and the port and beaches of Valparaiso and Vina del Mar a short distance to the west.

HIGHLIGHTS

Tourism

Leisure is the main purpose for international visitation to Santiago. Corporate demand is also relevant, as Santiago is headquarters for numerous large companies. The economic slowdown in Brazil is adversely impacting international leisure demand, with 20% fewer Brazilians traveling to Santiago to-date. Event demand in Santiago is still emerging, due to the lack of hotels with ample event space and due to the lack of a diversified base of demand for events. However, according to ICCA, the city has recently achieved growth in number of international events.

Demand

Santiago’s lodging supply is comprised of approximately 12,600 rooms across chain classes. Supply has grown consistently in recent years, as financing has been comparatively available. Moreover, supply is expected to continue to grow over the next 4-5 years. Overall, Santiago has more global operators represented than many South American cities, with 58% of rooms affiliated with international and regional operators.

Supply

Lack of investment in the mining sector due to drop in commodities and oil prices has been a headwind to demand growth, resulting in a reduction in corporate demand and the postponement or cancellation of hotel developments. Marked declines in RevPAR YTD are attributable to the elevated ADRs achieved in 2015 during Copa America and devaluation of the local currency relative to the USD. While incoming supply is anticipated to worsen lodging performance in the near term, Santiago has a history of absorbing new supply over the longer term given its relative economic stability.

Outlook

Santiago continues to consolidate as a major tourist destination in South America. International air arrivals to Santiago reached 1.7 million visitors in 2015, a 12% the improvement over 2014. When taking into account the 741,000 tourists that entered the country over the border from Argentina, total visitation to Santiago reached 2.4 million in 2015, a 22% increase compared to the previous year. The main source market for Santiago is Argentina, which accounts for 38% of tourist visitation, followed by Brazil and the U.S.

NEW HOTELS

- **AC by Marriott**
  - 253 rooms
- **Regal Pacific Manquehue**
  - 230 rooms
- **Hotel City Express Aeropuerto**
  - 142 rooms
- **Novotel Providencia**
  - 180 rooms
- **Holiday Inn**
  - 150 rooms

QUICK FACTS

- 1.7 million Number of international visitor arrivals (2015)
- +2,015 rooms Number of new hotel rooms expected (+2017)
- 59.5% Average occupancy for July YTD 2016
- USD $184 Average rate for July YTD 2016
- USD $126 RevPAR for July YTD 2016
- USD $109 Average rate for July YTD 2016
- LCU $75 RevPAR for July YTD 2016

Recent Transactions

- Sheraton Santiago & San Cristóbal Tower
  - 518 rooms | 2016
  - Price: Confidential
  - † Marketed and sold by JLL.
São Paulo

São Paulo is the among the top-ten largest cities in the world by population and the financial and corporate capital of Brazil. It serves as the main gateway to the country and is a key hub for South America, connecting the sub-continent to many cities in North America and Europe. The city offers extensive shopping, a wide variety of entertainment and dining experiences, and numerous beaches within the state. The city benefits from robust domestic visitation, primarily driven by corporate demand originating from the density of corporate headquarters located in São Paulo. Lately, the city’s software and IT sector has been expanding, evidenced by the high proportion of foreign direct investment in the sector (Source: fDi Intelligence). The stability of the corporate segment along with investments in infrastructure such as airports, metro system, and event spaces, will continue to sustain São Paulo as the primary destination for events and business in Brazil.

HIGHLIGHTS

Tourism

São Paulo is served by two airports, which operate at near maximum capacity with a total passenger count of 58.2 million in 2015, a 1.5% increase over 2014. Major source markets for international tourists are Argentina, United States, Chile, and Europe. Visitation growth in 2015 is likely understated due to the induced demand generated by the 2014 FIFA World Cup. International visitor spend in 2015 is estimated to be over $2.2 billion, ranking São Paulo as one of the top destinations in South America by spending.

Demand

São Paulo’s primary demand base is corporate, driven by the large number of corporations and enterprises located in the city, accounting for more over 50% of visitation to the city. Event demand is also important, representing approximately 20% of demand, with the city serving as the primary event destination in Brazil and the third largest event market in South America. Although leisure demand is still emerging, the city offers a variety of leisure and entertainment amenities, which are helping drive growth in tourist visitation.

Supply

São Paulo has 47,000 rooms of supply and the hotels are fairly institutionalized by South American standards, with 71% of rooms affiliated with international or regional hotel operators. The hotel pipeline for 2016 to 2019 is estimated to be 2,600 rooms, which are mostly affiliated with international brands. The luxury segment of the market is anticipated to expand with the entrance of international luxury brands, including Rosewood and Four Seasons, adding to the two other luxury hotels projects under construction.

Outlook

Despite the economic downturn experienced in Brazil over the past few years, São Paulo’s long-term fundamentals remain strong, supported by the high concentration of corporate headquarters. As the economy and political situation stabilizes, and as the pace of supply additions decelerates, São Paulo should see an improvement in lodging fundamentals in 2017 and beyond.

NEW HOTELS

- **Rosewood São Paulo**
  - Rooms: 262
  - Occupancy: 67.7%
  - ADR: $207
  - RevPAR: $140
  - % ∆ y-o-y: -33.8%

- **Four Seasons**
  - Rooms: 151
  - Occupancy: 67.7%
  - ADR: $207
  - RevPAR: $140
  - % ∆ y-o-y: -33.8%

- **Palácio Tangará**
  - Rooms: 140
  - Occupancy: 67.7%
  - ADR: $207
  - RevPAR: $140
  - % ∆ y-o-y: -33.8%

- **Grand Hotel Ca’ d’oro**
  - Rooms: 150
  - Occupancy: 67.7%
  - ADR: $207
  - RevPAR: $140
  - % ∆ y-o-y: -33.8%

- **Novotel SP Berrini**
  - Rooms: 210
  - Occupancy: 67.7%
  - ADR: $207
  - RevPAR: $140
  - % ∆ y-o-y: -33.8%

QUICK FACTS

- **2015**
  - USD LCU
  - Occupancy: 67.7%
  - ADR: $207 | $690
  - RevPAR: $140 | $467
  - % ∆ y-o-y: -33.8% | -6.3%

- **2015* USD LCU**
  - Average occupancy for July YTD 2016: 64.1%
  - Average rate for July YTD 2016: $196
  - Average RevPAR for July YTD 2016: $714

Sources: Smith Travel Research (STR), JLL, EMBRATUR | Note: Lodging performance data is based on select branded upper-tier hotels that report to STR, customized by JLL; number of new hotel rooms expected are based on hotels currently under construction and reported to STR and/or JLL.

*LCU = Local Currency Unit; YE = Year-End; Y-o-Y = Year-over-Year; YTD = Year-to-Date
Lodging performance by city profiled

Over the past 16 - 18 months, currencies in Latin American economies have experienced unprecedented volatility given a variety of complex, socio-economic and political reasons, as highlighted in the previous individual city overviews. Some local currencies have depreciated between 30% and 50% against the U.S. dollar (USD) since 2014. Consequently, year-over-year growth in USD terms may appear constrained in some markets, which is, at times, a misleading observation due to the currency fluctuation across certain countries in Latin America. When analyzing ADR in local currency (LCU) terms, however, some of the markets profiled are registering real growth in lodging performance due to the increasing international tourist arrivals and introduction of more globally-branded lodging product across the region.

**REVPAR (USD)**

**YTD JULY 2015 - 2016 FIGURES**

![Chart showing REVPAR (USD) for various cities between July 2015 and July 2016](image)

Source: Smith Travel Research (STR), JLL  |  Note: Data is based on select branded upper-tier hotels that report to STR | YTD = Year-to-Date

YTD July data is based on select branded, upper-tier hotels that report to STR | USD = U.S. dollar

**REVPAR (USD)**

**YEAR-END 2014 - 2015 FIGURES**

![Chart showing REVPAR (USD) for various cities at the end of 2014 and 2015](image)

Source: Smith Travel Research (STR), JLL  |  Note: Data is based on select branded upper-tier hotels that report to STR | USD = U.S. dollar
REVPAR (LCU)
YTD JULY 2015 - 2016 FIGURES

Source: STR, JLL, Oxford Economics | Note: Data is based on select branded upper-tier hotels that report to STR | YTD = Year-to-Date
YTD July data is based on select branded, upper-tier hotels that report to STR | LCU = Local Currency Unit

REVPAR (LCU)
YEAR-END 2014 - 2015 FIGURES

Source: STR, JLL, Oxford Economics | Note: Data is based on select branded upper-tier hotels that report to STR | LCU = Local Currency Unit
Quick facts

<table>
<thead>
<tr>
<th>City</th>
<th>Number of international visitor arrivals (2015)</th>
<th>Number of new hotel rooms expected (2017+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bogotá</td>
<td>3.3M arrivals</td>
<td>+1,030 rooms</td>
</tr>
<tr>
<td>Quito</td>
<td>0.8M arrivals</td>
<td>+745 rooms</td>
</tr>
<tr>
<td>Guayaquil</td>
<td>0.5M arrivals</td>
<td>+860 rooms</td>
</tr>
<tr>
<td>Lima</td>
<td>2.0M arrivals</td>
<td>+825 rooms</td>
</tr>
<tr>
<td>Santiago</td>
<td>1.7M arrivals</td>
<td>+2,015 rooms</td>
</tr>
<tr>
<td>São Paulo</td>
<td>2.2M arrivals</td>
<td>+1,625 rooms</td>
</tr>
<tr>
<td>Rio de Janeiro</td>
<td>4.1M arrivals</td>
<td>+1,885 rooms</td>
</tr>
<tr>
<td>Buenos Aires</td>
<td>2.3M arrivals</td>
<td>+445 rooms</td>
</tr>
</tbody>
</table>
Have we reached the economic bottom? If so, is the lodging industry poised to rise significantly in the years to come? *Time will tell.*

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