HVS

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TRENDS AND OPPORTUNITIES SOUTH AMERICA

2015 | 2016

Argentina |Chile |Colombia | Peru | Brazil

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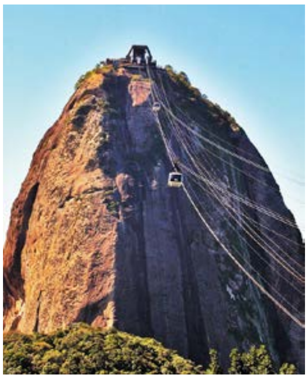

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Introduction

It is our great pleasure to present the second edition of the Trends and Opportunities Report, an annual publication by HVS/Hotel Invest (in partnership with STR) that illustrates and analyzes the sector's performance in some of the major markets in the region.

Every year we provide recent and reliable information in addition to telling you about the challenges and opportunities in South America's main hotel markets. We are convinced that an informed and transparent market is more solid and professional. Having said this, we believe that this publication will increasingly become a key tool for hoteliers, developers, and investors by supporting them to properly formulate their business and investment strategies.

If you wish to receive this publication and other news from HVS/Hotel Invest, please visit our websites (www.hvs.com and www.hotelinvest.com.br) and follow us on LinkedIn (HVS| HotelInvest).

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Our Sample

The Report's broad database mostly comprises data from STR, supplemented by HVS/HotelInvest own records and data provided by third parties. We thank all those who have contributed to this publication and we invite new hotels, operators, and associations to share their data through STR for future editions.

The information contained herein is based on the performance of 76,296 rooms using data on average daily rates in nominal value and national currencies, and includes the main hotels in each segment of each city. We are therefore certain that the trend indicators truly reflect what is happening in each market universe.

Our annual comparisons use the same sample base throughout the historical series, except when there are openings or significant segmentation changes. Our wide sample plane is statistically significant and is shortlisted below:

- **Buenos Aires:** Source STR – 7,865 rooms (39% of the analyzed universe);
- **Santiago**: Source STR - 6,505 rooms (47% of the analyzed universe);
- **Bogota**: Source STR - 7,389 rooms (70% of the analyzed universe);
- **Lima**: Source STR - 4,362 rooms (54% of the analyzed universe);
- **Rio de Janeiro**: Source STR - 14,242 rooms (63% of the analyzed universe);
- **São Paulo**: Source STR - 20,172 rooms (55% of the analyzed universe);
- **Salvador**: Source HVS/ Hotel Invest - 5,403 rooms (60% of the analyzed universe);
- **Curitiba**: Source HVS/ Hotel Invest - 2,800 rooms (31% of the analyzed universe);
- **Porto Alegre**: Source HVS/ Hotel Invest - 2,448 rooms (36% of the analyzed universe);
- **Belo Horizonte**: Source HVS/ Hotel Invest – 5,110 rooms (44% of the analyzed universe).

2015 Retrospective and 2016 Outlook

Avoid hasty conclusions; there is growth and opportunities ahead

If you analyze the figures of South America's economy in 2015, you may get the impression that the region is going through a delicate situation, what with the dollar rate and inflation going up, the GDP dropping, interest rates rising, and a deteriorating fiscal situation… There seems to be little hope for the regional market in the short term. As a backdrop to this "crisis" stands China's economic slowdown, poor global economic growth, and a fall in commodity prices, especially oil, gas, and metals. This combination of external factors has hit South American exports and government's tax revenues. Despite these unattractive numbers, a more in-depth analysis shows a more favorable scenario. The explanation is simple - the average is discouraging on account of Brazil and Venezuela, two major regional economies that have been strongly affected by a series of negative factors, particularly of a political nature. In the other main four countries in the region covered by this Report, the situation is the opposite.

In **Argentina**, Mauricio Macri's election has meant a dramatic change of tack in the country's economy direction and is sending out signals of good prospects in the medium term. Apart from a high inflation rate, the new president faces major challenges. However, changes in the economic, political, and social agenda let us see the much hoped-for light at the end of the tunnel. Despite economic slowdown expectations in the short term, while the main adjustments are under way, the recovery should start in 2017, fueled by greater competitiveness and a more favorable business climate generated by the peso devaluation and by the lifting of foreign trade restrictions.

In **Chile**, sensible macroeconomic policies and a stringent fiscal discipline have again demonstrated that the country's direction is an excellent crisis-buster. A proof of this is the good response of its economy in the face of a drop in international copper prices, one of the country's main exports and a substantial source of revenue, and of Brazil's crisis, one of Chile's main trade partners. With a 2% growth in 2015, there are prospects for economic pickup in 2016 and 2017. Even though inflation has exceeded the government's expectations, it is still not significant.

In **Colombia**, external adverse factors have been offset by successful internal initiatives. There has been a slight economic slowdown, strongly influenced by international crude oil prices, accompanied by concerns about the country's fiscal deficit and a rise in inflation and in base interest rates. However, progress toward a peace agreement with the FARC and the uptrend in domestic consumption seem to be very good reasons for renewing hope for the future. The government has shown its commitment to fiscal discipline, in addition to introducing a robust infrastructure investment plan. In 2016, the economy will grow at a slower pace but still above 2.5%, with an expected uptrend in 2017.

Peru's economy has been slightly affected by the adverse external scenario. Despite an increase in inflation, devaluation of the local currency, and the need to increase base interest rates, the economy has expanded compared to 2014. New productive investments, which became operational and augmented export volumes, have offset the drop in commodity prices. Regardless of this, the positive performance of the domestic market has provided additional impetus to the domestic product. Economic analysts expect an economic boost in 2016 and 2017.

In **Brazil**, the plunge in GDP has reflected the country's political crisis and corruption scandals. Despite a still uncertain 2016, recent news leads us to believe that political straightening out is under way and that economic adjustments will soon follow suit.

Once this uncertain stage is over, expectations may be reshaped, which would indicate the country's long-awaited recovery.

Opportunities and challenges for the hotel industry

The dollar appreciation has opened a window of opportunities for the industry

Economic factors and increased supply had an impact on hotel performance in 2015. In sync with the economic events, during 2015 the hotel markets analyzed in this Report showed a drop in occupancy, daily rates (save for Lima), and RevPAR (in US dollars). These variations are mostly accounted for by the following: 1) demand slowdown in some markets (Buenos Aires, Brazil, Lima); 2) an increase in supply above demand growth (in all markets except Buenos Aires); 3) pressure on rates as a result of higher competitiveness; 4) devaluation of local currencies vis-à-vis the US dollar. Notwithstanding this, several cities and segments have continued to show attractive occupancy levels and a two-digit growth of average daily rates in local currency.

Once this short-term uncertain scenario is over, South America will grow again. The historical growth in the last 10 years and future prospects capture the attention of national and foreign investors in the region. Some of the current opportunities include:

Attracting foreign investors: on account of the dollar appreciation and a bet on regional economic fundamentals;

Acquisition of assets in poor performing markets: the drop in asset value presents opportunities for the purchase and conversion of hotels and chains already in operation;

New developments in cities under demand pressure: the development of hotels in the economy and mid-market segments is still at a budding stage in the region. In addition, leisure projects steal the limelight, especially for destinations with an expanding domestic market.

Improvement of operating efficiency in hotels in operation. In a scenario of economic uncertainty, increasing revenue becomes a challenge, especially in cities with new scheduled openings. In this context, seeking greater operating efficiency is key to increasing profitability margins. Reviewing operating processes and seeking the assistance of asset managers will help achieve better results.

Structuring new funding options. In Brazil, for instance, structuring a condo hotel is no longer an easy option. On the other hand, one of the greatest risks in the sector has considerably decreased - oversupply. Better qualified investors are more likely to arrive in Brazil.

Chains have also increased conversion efforts. The participation of independent hotels predominates in the region. The challenge lies in finding properties meeting the brands' requirements.

Market Overview

Bogota*

Year	OCC	ADR (USD)	RevPAR (USD)
2015	55%	$102	$56
2016F	▬	↑	↑

Belo Horizonte**

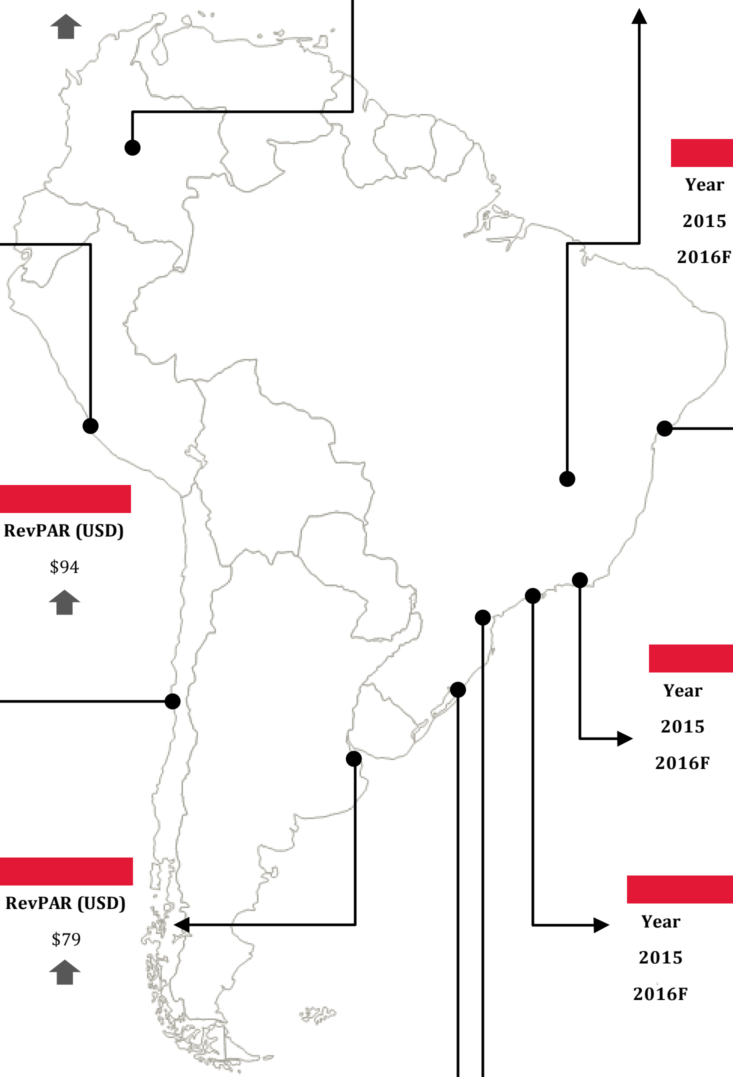
Year	OCC	ADR (USD)	RevPAR (USD)
2015	47%	$54	$26
2016F	↓	↓	↓

Lima*

Year	OCC	ADR (USD)	RevPAR (USD)
2015	70%	$153	$107
2016F	▬	↑	↑

Salvador**

Year	OCC	ADR (USD)	RevPAR (USD)
2015	53%	$62	$33
2016F	↓	↓	↓



Santiago*

Year	OCC	ADR (USD)	RevPAR (USD)
2015	66%	$143	$94
2016F	▬	↑	↑

Rio de Janeiro*

Year	OCC	ADR (USD)	RevPAR (USD)
2015	62%	$137	$85
2016F	↓	↑	↓

Buenos Aires*

Year	OCC	ADR (USD)	RevPAR (USD)
2015	62%	$127	$79
2016F	↑	↑	↑

São Paulo*

Year	OCC	ADR (USD)	RevPAR (USD)
2015	60%	$87	$52
2016F	↓	▬	↓

Porto Alegre**

Year	OCC	ADR (USD)	RevPAR (USD)
2015	60%	$75	$45
2016F	↓	↓	↓

Curitiba**

Year	OCC	ADR (USD)	RevPAR (USD)
2015	65%	$67	$44
2016F	↓	▬	↓

Notes and Sources

↑	Perspective of Increase
▬	Perspective of Stability
↓	Perspective of Decrease
OCC	Occupancy
ADR	Average Daily Rate - nominal value
RevPAR	Revenue Per Available Room
*	Source STR
**	Source HVS/HotelInvest
F	Forecasts consider a stable exchange rate

Argentina - Buenos Aires

Macri's election brings positive economic prospects for the country

ECONOMY AND TOURISM – ARGENTINA

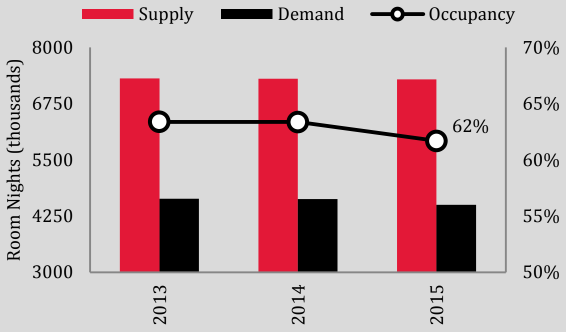
Indicator	2013	2014	2015	2016F
GDP (annual variation in %)	2.9	0.5	1.3	0.2
Inflation (annual variation in % - average of period)	10.6	21.7	16.9	24.2
Exchange Rate (ARS per USD - average of period)	5.48	8.12	9.27	14.43
External Debt (% GDP)	32.5	41.0	42.3	50.6

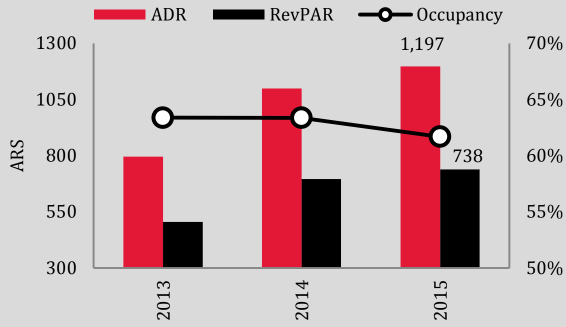
Source: LatinFocus Consensus Forecast – January 2016
F - Forecast

Indicator	2012	2013	2014	2015
Foreign Arrivals	5,586,903	5,246,000	5,935,300	n/a
Expenditure per capita (USD)	847	794	751	n/a
Foreign Arrivals at the Ezeiza Airport and Jorge Newbery Airport	2,568,201	2,385,171	2,466,700	n/a

Source: Inprotur/INDEC

HOSPITALITY – BUENOS AIRES





Source: STR

- **After years of difficulties, the change of president brings new positive prospects for the country.** As in 2014, in 2015 Argentina was affected by weaker domestic and foreign demand, financial and trade controls, confidence crisis, economic distortions, and an unresolved conflict with its international creditors. Despite these setbacks, Macri's election by the end of 2015 was highly appreciated by the market.

- **2016: economic adjustments and change of direction.** The election of a new government has led to a change of tack and a favorable scenario for an economic pickup. In the meantime, 2016 will be a challenging year on account of the implementation of adjustments and reforms needed to create a better business climate that may help attract investors.

- **A 6.1% increase in RevPAR despite the economic slowdown in 2015.** The hotel sector in Buenos Aires has felt the impact of the economic slowdown, with a 2.7% drop in occupancy. A decline in tourism demand and a more price-sensitive guest profile have resulted in a more competitive market. Notwithstanding this, there has been a 9.0% rise in the average rate in local currency.

- **Economic recovery and supply stability bring positive prospects for the hotel industry**. 2016 will see an increase in average rates (in local currency) and occupancy as a result of stable supply, of the impact that the change of government will have on corporate tourism, and of the strong devaluation of the Argentine peso in December 2015. The US dollar rise will positively affect the operating margins of hotels, which have part of their rates in dollars, thus somewhat offsetting the rising costs generated by high inflation. In the medium term, the possibility of new transactions and the evaluation of new projects will be reconsidered.

Chile - Santiago

Demand trends indicate opportunities for new developments

ECONOMY AND TOURISM – CHILE

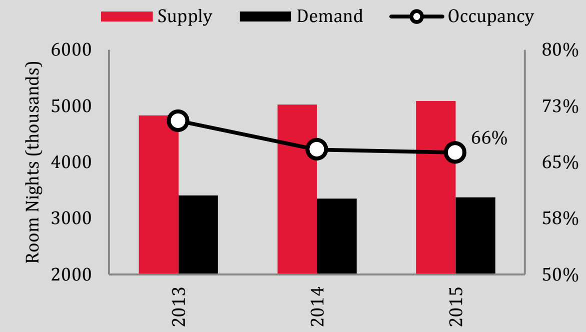
Indicator	2013	2014	2015	2016F
GDP (annual variation in %)	4.2	1.9	2.1	2.3
Inflation (annual variation in % - average of period)	1.8	4.4	4.4	4.0
Exchange Rate (CLP per USD - average of period)	496.0	571.0	655.0	712.0
External Debt (% GDP)	12.8	15.1	16.3	18.0

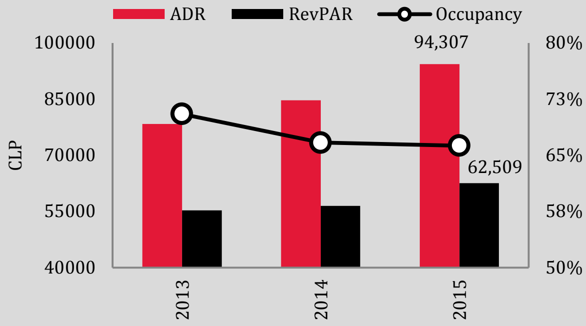
Source: LatinFocus Consensus Forecast – January 2016
F - Forecast

Indicator	2012	2013	2014	2015
Foreign Arrivals	3,554,279	3,576,204	3,674,391	4,478,336
Expenditure per capita (USD)	594	597	602	n/a
Foreign Arrivals at the Comodoro Arturo Merino Benítez Airport	1,371,417	1,413,197	1,477,678	1,657,046

Source: INE

HOSPITALITY – SANTIAGO





Source: STR

- **In 2014 and 2015, the economic slowdown was caused by external factors.** Issues such as the drop in the price of copper (Chile's major export) prevented further economic growth in 2015 due to decreased exports and currency devaluation.

- **Stable economic growth trend for upcoming years.** Economic analysts expect a stable growth for the country in upcoming years. The predictability of Chile's economic expansion shows that it is one of South America's least-risky countries.

- **Currency devaluation has attracted more visitors to Chile.** As noted in last year's Trends & Opportunities Report, the growth trend regarding the arrival of foreign visitors has been confirmed. In addition to a greater number of tourists, currency devaluation has led to a higher volume of foreign investments in the country.

- **Positive prospects for demand growth.** As a result of a slight economic recovery and the increase in foreign visitor arrivals, demand has gone up in Santiago (+0.6%). A stable increase is expected for the next years in line with the economy's expansion.

- **Increase of average daily rates in 2015**. Despite a slight retraction in occupancy levels (-0.6%), a gradual economic recovery and the organization of the *Copa América* in July have contributed to a rise in the daily average rate (+6.6%).

- **Expansion of supply focused on premium products.** Considering the openings in 2015, 54% of hotel supply in operation in Santiago is concentrated in the Upscale, Upper-Upscale, and Upper-Midscale segments. Developments in more price-sensitive segments are still negligible in the country.

Colombia - Bogota

Current economic slowdown delays market recovery

ECONOMY AND TOURISM – COLOMBIA

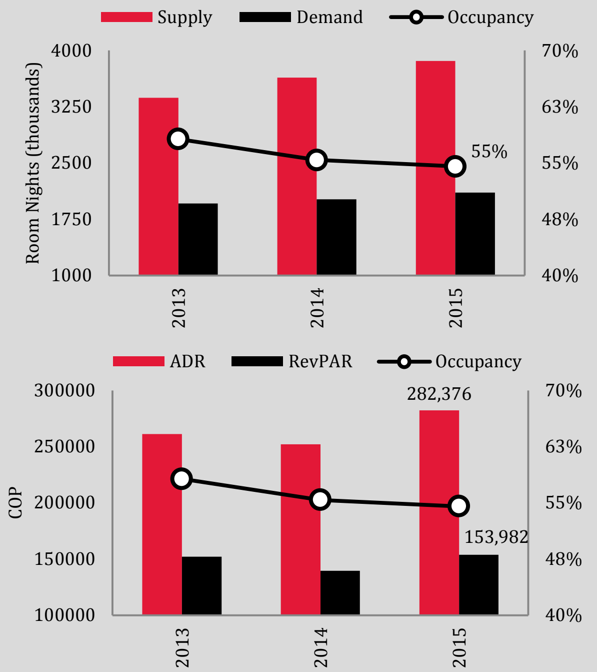
Indicator	2013	2014	2015	2016F
GDP (annual variation in %)	4.9	4.6	2.9	2.7
Inflation (annual variation in % - average of period)	2.0	2.9	5.0	5.5
Exchange Rate (COP per USD - average of period)	1,869.0	2,003.0	2,749.0	3,159.0
External Debt (% GDP)	34.9	37.8	40.8	41.8

Source: LatinFocus Consensus Forecast – January 2016
F - Forecast

Indicator	2012	2013	2014	2015
Foreign Arrivals	1,591,120	1,726,300	1,967,814	n/d
Expenditure per capita (USD)	1,081.0	1,023.0	1,076.0	n/d
Foreign Arrivals at the El Dorado Airport	1,085,939	1,216,264	1,372,829	n/d

Source: Procolombia

HOSPITALITY – BOGOTA



Source: STR

- **The fall in the price of crude oil and other commodities has affected economic growth.** However, despite this slowdown, the process has been slow and gradual. Projections indicate a decrease in crude oil dependence and a more diversified economy, with growth around 4% by 2018.

- **Foreign tourism has benefitted from local currency devaluation.** In 2015 the strong devaluation of the peso vis-à-vis the US dollar had a positive impact on foreign tourism, with an increased number of arrivals. This, plus Colombia's peace process, will further benefit the promotion, positioning, and image of the country as an international destination.

- **Stable occupancy in 2015.** With steady demand growth and slightly lower supply in the sample under analysis, occupancy remained stable.

- **The average daily rate went up again.** With a more balanced ratio between supply and demand growths, Bogota's hoteliers have managed to increase their rates.

- **Still uncertain prospects in the short term.** What with slower economic growth and new hotels ready to open, Bogota's short-term scenario remains unclear. In the medium term, the conditions of tax benefits for the construction of new hotels will limit further supply. With lower hotel growth and higher demand, the sector's performance projections are positive.

Peru - Lima

Demand pressure indicates opportunities for new hotels in Lima

ECONOMY AND TOURISM – PERU

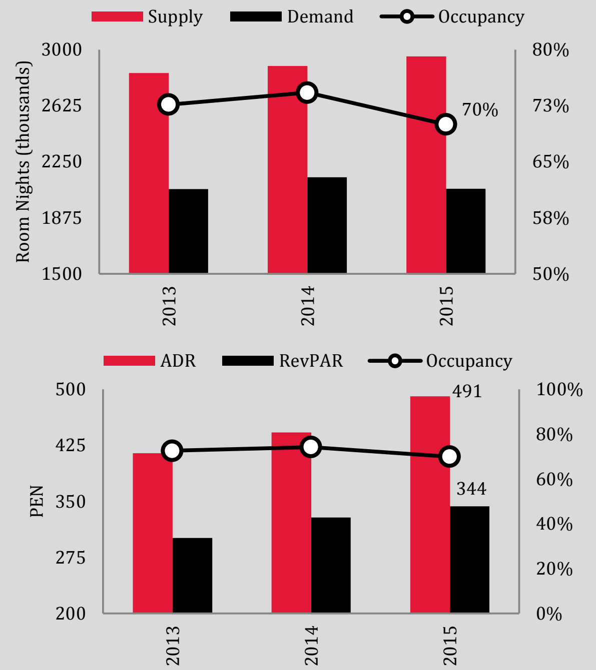
Indicator	2013	2014	2015	2016F
GDP (annual variation in %)	5.8	2.4	2.7	3.4
Inflation (annual variation in % - average of period)	2.8	3.3	3.6	3.8
Exchange Rate (PEN per USD - average of period)	2.7	2.8	3.2	3.5
External Debt (% GDP)	19.6	20.1	21.8	23.3

Source: LatinFocus Consensus Forecast – January 2016
F - Forecast

Indicator	2012	2013	2014	2015
Foreign Arrivals	2,528,373	2,742,526	2,824,801	3,036,661
Expenditure per capita (USD)	1,281.0	1,281.0	1,282.0	n/a
Foreign Arrivals at the El Dorado Jorge Chávez Airport	1,606,264	1,820,431	1,849,194	n/a

Source: Mincetur

HOSPITALITY – LIMA



Source: STR

- **Positive economic growth projections.** Despite the fact that public spending reduction continues, an issue that was already pointed out in last year's Trends & Opportunities Report, the depreciation of the Peruvian Nuevo Sol has attracted foreign investment into the country. Additionally, copper production is expected to grow by 60% in 2016, with the exploitation of "Las Bambas" mine located to the west of Cusco.

- **Projections of increasing foreign arrivals.** The steady rise in the arrival of foreign visitors to Peru is partly accounted for by the promotional actions undertaken in the country as a travel destination. In 2015, this increase was propelled by the devaluation of the Peruvian currency against the US dollar and its impact on the flow of travelers from the main outbound markets to Peru.

- **Strong hotel demand pressure allowed for a 7.5% rate increase above inflation**. Despite a drop in occupancy (-5.7%), generated by the recent opening of hotels, the average daily rate has been substantially readjusted (+11.0%), thus leading to a 4.6% RevPAR increase. At present, Lima has one of South America's highest rates.

- **Increase in the number of major events expected.** With the inauguration of the Convention Center, accommodating 10,000 people, Lima will be able to host a larger number of major events.

- **Limited pipeline of new hotels**. Despite the supply increase projected until 2018, the potential growth of the Peruvian economy, combined with a hotel market that has already reached its seasonality peak, indicate a possible rise in the sector's profitability.

Brazil

Fall in asset value brings opportunities for mergers and acquisitions in the sector

ECONOMY AND TOURISM – BRAZIL

Indicator	2013	2014	2015	2016F
GDP (annual variation in %)	3.0	0.1	-3.6	-2.6
Inflation (annual variation in % - average of period)	6.2	6.3	9.0	8.1
Exchange Rate (BRL per USD - average of period)	2.2	2.4	3.3	4.1
External Debt (% GDP)	31.2	33.7	34.6	39.3

Source: LatinFocus Consensus Forecast – January 2016
F - Forecast

Indicator	2012	2013	2014	2015
Foreign Arrivals	5,676,843	5,813,342	6,429,852	n/a
Expenditure per capita (USD)	1,138.0	1,130.0	1,294.0	n/a
Foreign Arrivals at the Guarulhos Airport	11,387,443	12,524,000	13,581,000	13,620,000

Source: MTur/FIPE

HOSPITALITY – COMPARATIVE TABLE

	2015 Data			2015 over 2014 variation		
Indicators	**OCC**	**ADR**	**RevPAR**	**OCC**	**ADR**	**RevPAR**
Rio de Janeiro	62%	R$ 458	R$ 286	-14%	-15%	-27%
São Paulo	60%	R$ 341	R$ 205	-3%	0%	-4%
Salvador	53%	R$ 208	R$ 110	-7%	-10%	-16%
Curitiba	65%	R$ 223	R$ 145	-1%	-2%	-3%
Porto Alegre	60%	R$ 252	R$ 151	-6%	-9%	-15%
Belo Horizonte	47%	R$ 181	R$ 86	-19%	-20%	-36%

Source: STR/ HVS/ HotelInvest

- **Heightened uncertainty in the country due to political and economic crisis.** Investigations on "Operação Lava Jato" and discussions regarding President Dilma's impeachment dominate the national arena. There is a notorious loss of political strength in the government, which further hampers the search for a solution to the economic crisis. Curbing inflation and getting the country back on the growth path are the main challenges.

- **Moderate growth trend in the medium term.** Despite currency devaluation, political and economic issues have decreased foreign investments in the country. It is hoped that by implementing the necessary corrective actions the international scenario will regain trust in the country and that Brazil will begin to grow again.

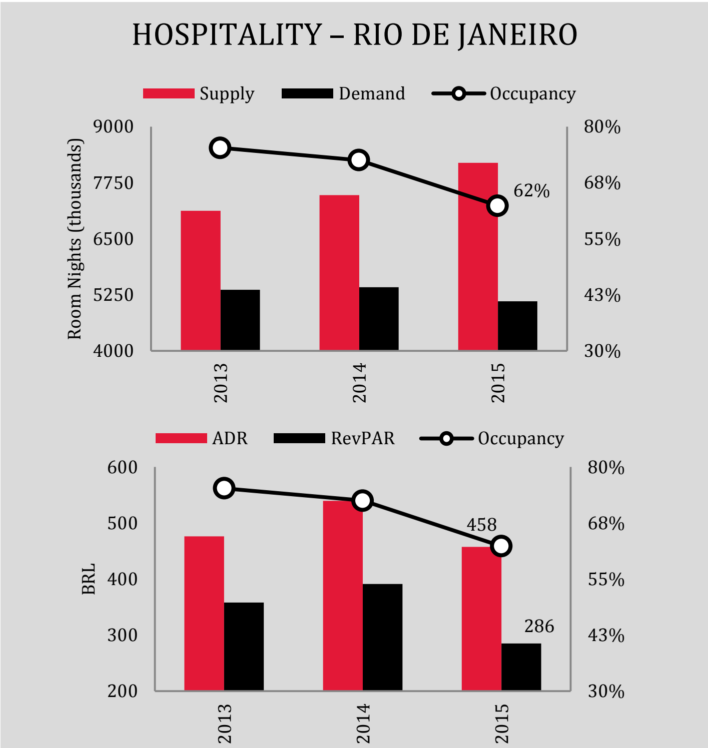
- **A high dollar rate has significantly increased leisure tourism demand in Brazil.** Only in 2015, the leisure segment in some hotels and resorts had a turnover increase of up to 25%. The trend is also positive for 2016. With a high dollar rate, Brazilians have re-planned their travels throughout the country. As regards foreign demand, the country is cheaper so that more international visitors may arrive in Brazil.

- **The crisis has also opened new opportunity windows.** The Real devaluation and the drop in asset value in the country attract the attention of foreign investors. There is a consolidation trend in several sectors of the economy, including the hotel industry. Once the country's political and economic issues have been solved, the trend in the medium term is for market recovery and asset appreciation.

- **The World Cup partly accounted for the drop in rates.** After the 2015 sports event, rates went back to normal levels. Apart from the World Cup effect, new supply and economic recession have also put downward pressure on rates.

Rio de Janeiro

Despite the downtrends, Rio is still the market with the best RevPAR in the country



Source: STR

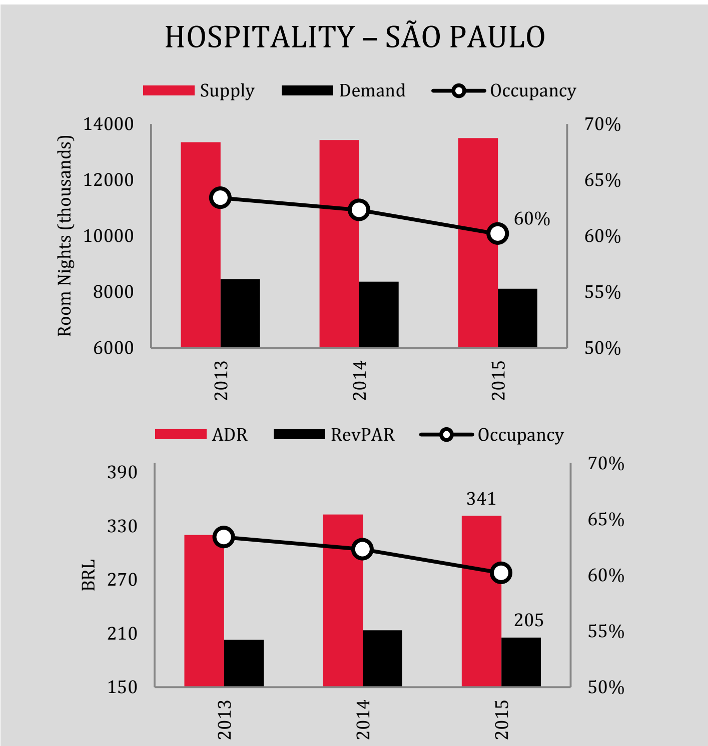
- **Impact of the oil and gas chain.** The fall of the international crude oil price and investigations on Petrobras have led to a substantial decrease in corporate demand in the city.

- **Significant increase of new supply.** What with the upcoming Olympic Games, several hotels are being inaugurated. In 2015, 4,277 new rooms opened, of which 65% are located in the Barra district. This supply expansion together with shrinking demand has led to a 14% drop in occupancy in the sample under study.

- **Opportunity to consolidate Rio de Janeiro as an international travel destination.** Five billion spectators are expected to attend the Olympic Games. For the hotel sector, increases in the average daily rate will likely occur in 2016 during the event.

São Paulo

With steady supply, it is one of the least affected cities in the country



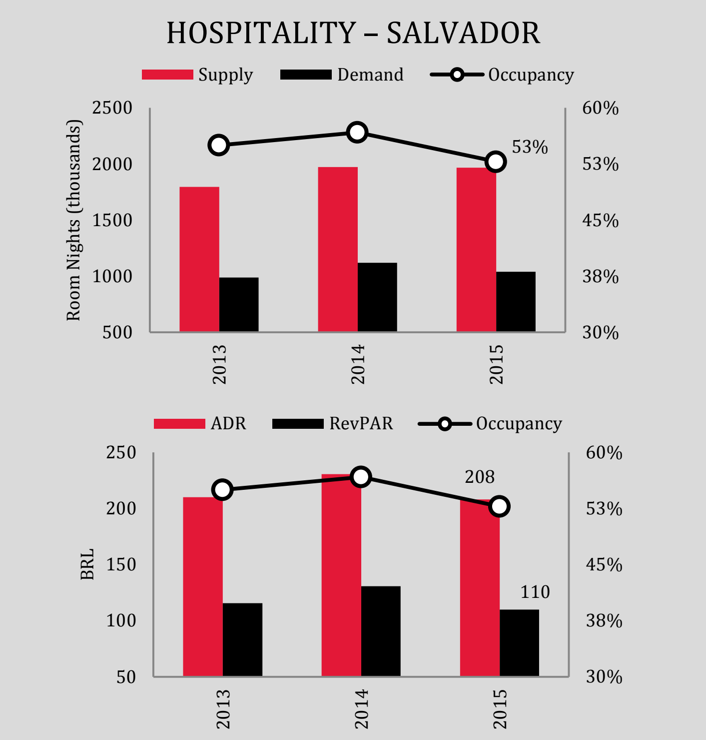
Source: STR

- **The average daily rate has remained stable.** Thanks to a stable supply, the effects of decreased demand have been minimized. Unlike other cities in the country, the rate did not experience a negative trend. With the exception of Curitiba, it was the city with the lowest drop in occupancy.

- **Positive prospects in the medium term.** With the country's economy growing again, Sao Paulo will be the destination boasting the best performance recovery prospects on account of being Brazil's largest hotel market and financial center. Sao Paulo will also be the starting point to look for hotel development options other than condo hotels.

Salvador

Demand drop increased hotel competitiveness in 2015



Source: HVS/ HotelInvest

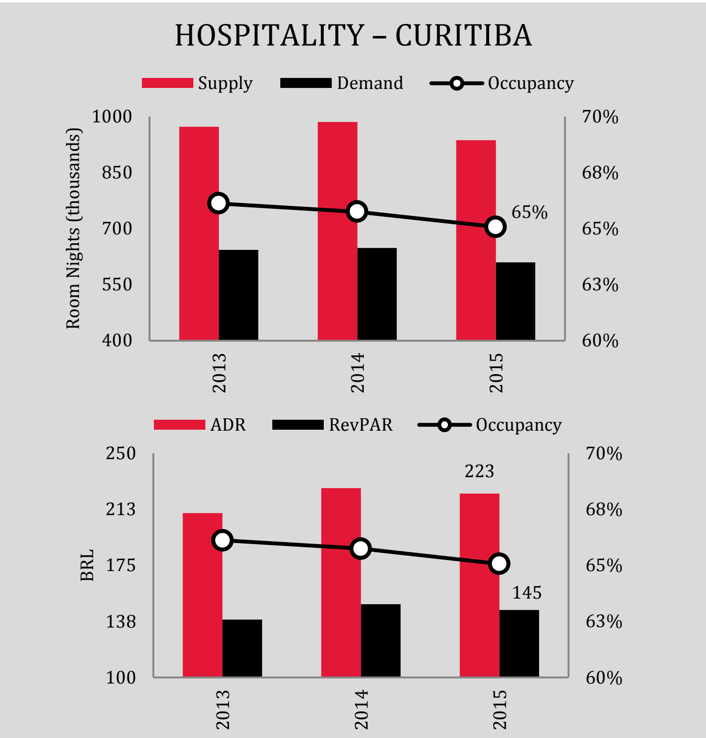
› **The closing of the Convention Center reduced accommodation demand.** Congresses that were previously held in Salvador began to be organized in other cities. The premises have been closed for refurbishment since 2015 and there are yet no plans for reopening.

› **Poor performance led to the closing of some hotels.** Lower performance forced some hotels to close in 2015, including some small establishments and two big ones – Pestana (431 rooms) and Tulip Inn (252 rooms). A pickup in demand will benefit those hotels that have remained in operation.

› **Focus on operating efficiency.** In a recession environment, the chances of increasing revenue are limited. It is essential to keep the operation compact to improve hotel results.

Curitiba

Less affected performance indexes due to supply shrinkage



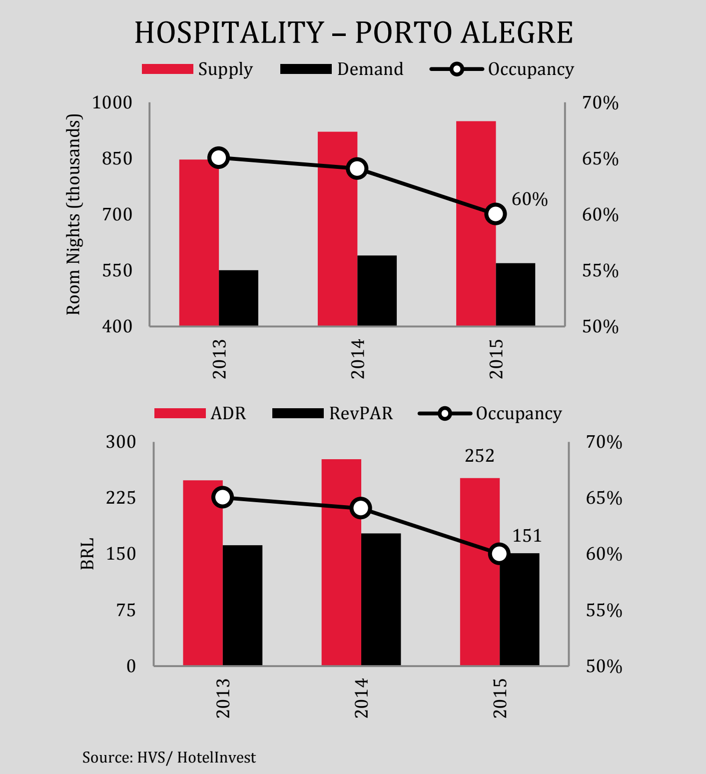
Source: HVS/ HotelInvest

› **Highest occupancy levels among the Brazilian cities included in this Report.** Unlike other markets, Curitiba saw a drop in supply after the closing of the Deville Rayon Hotel in 2015 for refurbishment. It reopened in 2016 as Ramada Rayon. Thus, despite a fall in demand, occupancy levels and average daily rates have remained almost stable, which makes Curitiba stand apart from the six Brazilian cities analyzed here in terms of occupancy.

› **Growth performance projections above national averages for 2016.** With likely delays in the inauguration of hotels under construction, supply may remain stable in 2016. Without an increase in competitiveness, the average daily rate will be less affected throughout the year.

Porto Alegre

The challenge in 2016 is to prevent further drops in rates



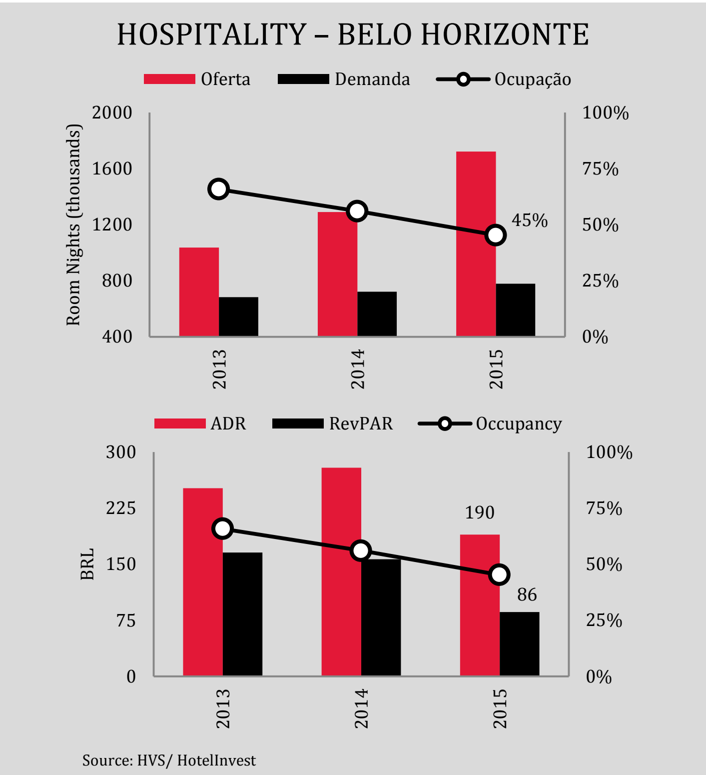
- **Increase in supply and fall in demand in 2015.** Although there was only one inauguration at the beginning of 2015, some hotels were fully operational for the first time last year. This, in addition to a drop in demand, has led to a downtrend in occupancy levels and in average daily rates.

- **Average daily rate similar to 2013.** With an unusual average daily rate in 2014 (World Cup), and strong customer renegotiation, the average daily rate of Porto Alegre hotels in 2015 was similar to 2013.

- **Challenging prospects for 2016.** Despite the lack of new openings except for Intercity Duo, which may be scheduled for 2017, demand can still fall and push rates to a more modest level. The key to keeping the sector's profitability is to avoid entering a price war.

Belo Horizonte

A challenging scenario with a sharp drop in indicators for the third consecutive year



- **Worsened performance in 2015.** With a substantial growth in hotel supply, Belo Horizonte was the city with the sharpest fall in average daily rates and RevPAR among the cities under analysis. With stronger competition, most hotels lowered their rates.

- **Supply growth above demand growth.** In 2015, the city's supply grew by 33.5% in the sample under study. This imbalance between supply and demand will continue in the short term. There is a risk of more hotels closing.

- **Opportunities for hotel repositioning and acquisition.** 2016 will be a challenging year for hoteliers in this mining capital. In this sense, there is room for assessing the repositioning and acquisition of hotels in operation.

About HVS

HVS is the world's leading consulting and services organization, focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries. Established in 1980, the company performs 4500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 35 offices and 450 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry.

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About HotelInvest

HotelInvest was founded in 1999 by Diogo Canteras and is a reference as an advisory service for hotel investment in South America. With a team of 20 consultants and experience in 14 countries, the company is active in three business areas: hotel investment consulting (which represents HVS in South America), having elaborated more than 700 studies in Brazil and other countries; hotel asset management, a division focused on the supervision and maximization of profits from hotel investments, which at present, manages 31 contracts and about 7,500 hotel rooms; and hotel investment funds; and the Investment Fund area, which is responsible for the administration of the Fundo de Investimento Imobiliário FII Hotel Maxinvest (Maxinvest Real Estate Investment Fund), one of the most successful investment funds in Brazil during five years with an internal rate of return of over 30% annually.

Intelligence in Hotel Investments

About STR

STR offers clients — including hotel operators, proprietors, investors, destination administrators, local and national governments, Industry suppliers, counselors and sponsors — a standardized, world platform, a transparent, logical methodology, and a quality service all over the world. STR monitors hospitality supply and demand data and offers a valuable analysis of market activities, both for international and regional hotel groups and independent properties. With more than 55,000 hotels participating in our research of hotel performance, we are the primary source in the world for the historical tendencies of hospitality performance. We supply standardized and personalized information that will help understand past performance, market projections, and the dynamics of supply and demand in the hospitality sector.

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During his 30 years in the hotel industry, Diogo has led more than 500 projects globally. He has worked as Director of Development in companies such as Caesar Park and Choice Atlantica Hotels. Diogo brought HVS to Brazil in 1999 and since 2013 represents the company in South America. In 2007 he structured and implemented the Hotel Maxinvest REIT, considered for years the most profitable real estate fund in Brazil, currently managed by Banco BTG-Pactual and HotelInvest. In addition to his role with HVS, he taught for 8 years at the main Brazilian business school – the Getúlio Vargas Foundation. He lectures extensively on hotel trends, being a frequent lecturer at major hotel schools and conferences in South America and is a member of numerous hotel industry committees such as HAMA - Hospitality Asset Managers Association. Diogo owns the FRICS title from the Royal Institution of Chartered Surveyors (RICS), world leader entity in real state professionals qualification, an Engineering degree from the Polytechnic University of Sao Paulo (POLI-USP) and a post-graduate degree in Business Administration from the Getúlio Vargas Foundation (FGV).

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A professional with 11 years experience, eight of which have been dedicated to global consultancies of hotel business structuring. Pedro has been involved in more than 250 projects concerning market research, economic and financial analysis, valuation, business plans, development plans, marketing strategies and sector studies in South America, Europe, Asia and Africa. He has been working on operating and developing hotel projects and on varied hotel assets across different positioning. He wrote the book "Hotel Development in Brazil: Market Overview and Trends" published by SENAC (main publisher of hotel publications in Brazil). Pedro has a Bachelor degree in Tourism from the University of Sao Paulo, a Masters in Direction of Tourism Enterprises degree from the Universidad de Alicante (Spain) and a Specialization in Finance from Saint Paul Institute and an MBA from the business school INSPER.

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Fernanda has in-depth knowledge of the tourism, hospitality and related-real estate markets in South America. During her career in the hotel industry she has conducted more than 200 studies and has gained plenty of experience in performing market research, feasibility studies, strategic planning, business plans, development plans, highest and best use studies, operator search, management and franchise contract negotiation, and valuations for hotels. Her regional experience is mainly built on her thorough work in countries like Colombia, Peru, Chile, Argentina, Ecuador, Uruguay, Bolivia and Paraguay where she has worked both on operating and developing hotels and other real estate projects. For more than 9 years in the hotel industry she has conducted projects for more than 70 clients including construction and development companies, hotel operators, investment funds, financial institutions, government agencies and many investors. Fernanda has a Bachelor degree in Economics from the Universidad de Buenos Aires and a Masters in Business Administration from Universidad del CEMA.

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She is a professional with five years experience in the Brazilian tourism and hotel market. Prior to joining the team of HVS South America in early 2012, Rebecca has served as a consultant in a leading corporate travel agencies in Brazil, Franstur Kontik. Since then, has participated in approximately 50 projects, including studies of economic feasibility, valuation and market research. Having analyzed several markets and categories, such as budget or luxury hotels, and also resorts. She has a Bachelor degree in Tourism from the University of São Paulo.

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Renata has worked at AIESEC, the world's largest organization run by youth, where at first, she assisted in the selection of candidates for exchange programs from different countries and continents. Subsequently, she took over the position of financial manager at the area of Professional Internships in the AIESEC office at USP. In addition, she did an internship at the Walt Disney World Resort in Orlando, where she served as a General Services in the food area of the complex. Since the start of 2015 she joined the consulting team of Hotel Investments at HVS South America. Renata is an undergraduate student in Tourism from the University of São Paulo (USP).