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2010-2011 SOUTH AMERICA MARKET OVERVIEW

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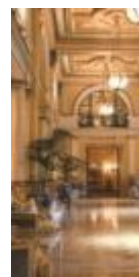
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Regional Economic Overview

The recent performance of South America in terms of economic growth and political and institutional stability has attracted interest among investors in the region, due to its promising business climate. The strengthening of the major economies of South America, and particularly the development of the primary cities of the region, represent significant opportunities for potential investors.

To place this in perspective, there follows some of the indicators that reflect the investment climate in South America

FIGURE 1: INVESTMENT CLIMATE INDICATORS

Country	Overall 2011 "Ease of Doing Business" Rank (out of 183 economies)		Long-term Sovereign Credit Rating	Foreign Direct Investment Flows 2010
	South America	World		
Peru	1	36	BBB	7,328
Colombia	2	39	BBB-	6,760
Chile	3	43	A+	15,095
Paraguay	5	106	BB-	268
Argentina	6	115	B	6,193
Uruguay	7	124	BB+	1,627
Brazil	8	127	BBB-	48,462
Bolivia	10	149	B+	651

Source: Standard & Poor's; The World Bank Group; Economic Commission for Latin America

After a sharp economic slowdown in 2009 due to the global economic crisis, South America showed clear signs of recovery in 2010, fuelled by an increase in consumption and investment, as a result of the implementation of stimulative policies, inventory accumulation, higher commodity prices, positive terms of trade and favorable external financing conditions.

South America showed clear signs of recovery in 2010.

However, the pillars of this growth differed among the various countries. Unlike those whose economies were more integrated to the financial markets of South America (those with lower spreads and higher credit ratings such as Brazil, Chile, Colombia, Peru and Uruguay), the rest of the region experienced restrictive external financing conditions, so its growth was mostly based on a favorable balance of trade.

Brazil, Peru and Uruguay, with an actual GDP growth of over 7% in 2010, are already operating at or near full capacity, with unemployment rates at historic lows in some cases. In Chile and Colombia, the activity significantly picked up last year, with a 5% increase, despite the earthquake that hit Chile and the conflicts occurred between Colombia and Venezuela. The more

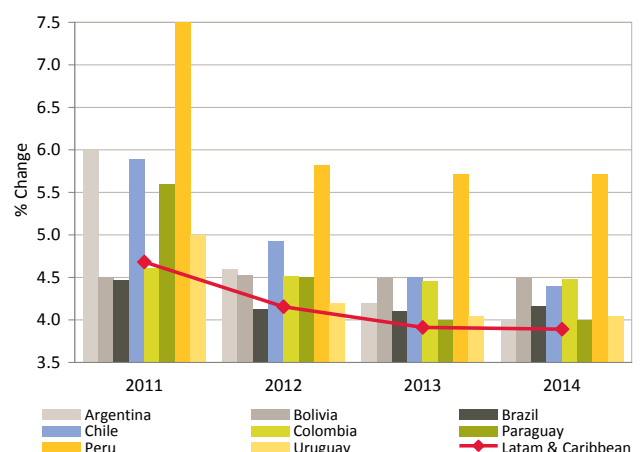
financially integrated economies benefited from the increase in capital inflows during 2010. This in turn encouraged a general recovery of credit, which included public and private agencies, and a currency appreciation with Brazil, Colombia and Uruguay experiencing the largest appreciation since end-2009. The Chilean, Colombian, and to a less extent, the Peruvian stock markets were kept very busy. In these countries, the inflation rate remained near targets (or within target ranges), although core inflation and inflation expectations rose in some cases.

On the other hand, in Argentina and Paraguay the sharp growth was supported by close intraregional trade ties with Brazil, a rebound in agriculture following the drought of 2009, and highly stimulative policies. In these countries, policies of fiscal and monetary stimulation are pushing demand up and contributing to a rise in inflation.

While most of the countries will be benefited by favorable terms of trade, those economies that are more integrated with the financial markets will face other challenges as a result of the easing of conditions of external financing. In some countries of South America, the fast growth of intra-regional demand will foster growth, while in other cases; restrictions on supply will continue to slow down growth, causing inflationary pressures.

For 2011, GDP growth rates are expected to moderate in most of the South American Countries, with the exception of Chile, Colombia and Bolivia, which foresee increases versus 2010. For the 2012-2014 periods, a positive GDP growth of about 4% per annum is expected for the main countries of the region. It is worth pointing out that Peru will stand out as the leader in terms of economic growth in South America.

FIGURE 2: REAL GDP GROWTH FORECAST



Source: International Monetary Fund, World Economic Outlook Database, April 2011

In the future, the main risks to be faced by the major countries in the region are related to the possibility of a continuous increase in domestic demand, fuelled by favorable external conditions (which leads to rising capital inflows) and the continuity of stimulative policies. This could pose a problem, especially in countries that have reached their potential GDP, where demand pressures threaten to generate inflationary pressures and widen current account deficit.

It is important to highlight that although growth perspectives for South America are favorable, some latent external risks might impact on the South American economies. Among them, we can mention the reawakening of the euro area disorders, the possibility that the Middle East and North Africa tensions get to continue and a more prolonged crisis in Japan takes place, among others.

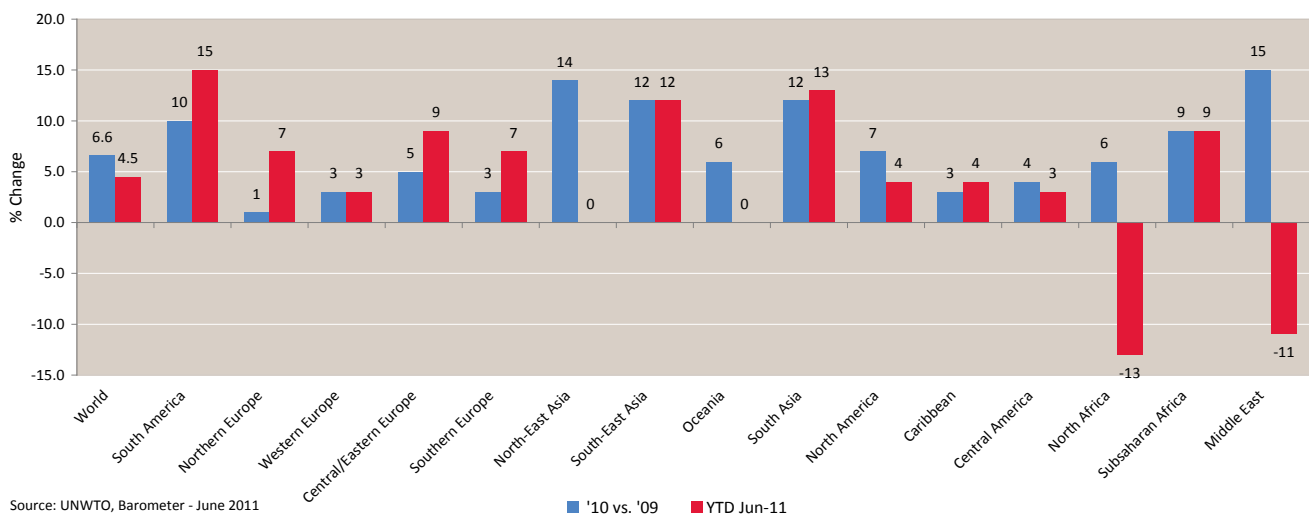
Regional Tourism Overview

South America represents 2.51% of worldwide international tourist arrivals, which in 2010 was equivalent to 23.5 million tourists. Although this percentage represents a small share of the world pie, it is worth mentioning its strong and sustained growth in the recent years, reaching a 40% increase compared to 2002, when the share was only 1.79%.

America 6%, the latter resulting from the strong results of South America. Asia Pacific reported a 5% growth. On the other hand, the only negative results were those of the Middle East -11% and North Africa -13% due to the recent political events. So far in 2011, South America has been the sub region that grew most in the world, tripling the average worldwide growth, reaching 15%, consolidating South America as the new worldwide leader in terms of growth in demand.

Figure 4 shows the evolution of international arrivals in the 2008-2010 period by country, comparing them

FIGURE 3: INTERNATIONAL TOURIST ARRIVALS % CHANGE BY REGION AND WORLD



Source: UNWTO, Barometer - June 2011

According to the analysis done by UNWTO (Figure 3), year 2010 characterized by the recovery of the flow of tourists, being slower in developed economies and faster in developing ones. In 2010, worldwide international tourist arrivals increased by 6.6% compared to 2009, reaching a new historical record of 935 million, exceeding in 16 million the peak level of

In 2010 international tourist arrivals in South America grew 10.33% compared to 2009, almost twice the worldwide average.

919 million tourists in 2008. South America grew 10.33% compared to 2009, which represents almost twice the worldwide average being slightly behind the subregions of South East Asia with 12%, North Asia

and the Middle East with 14% which were the ones with the highest worldwide growth.

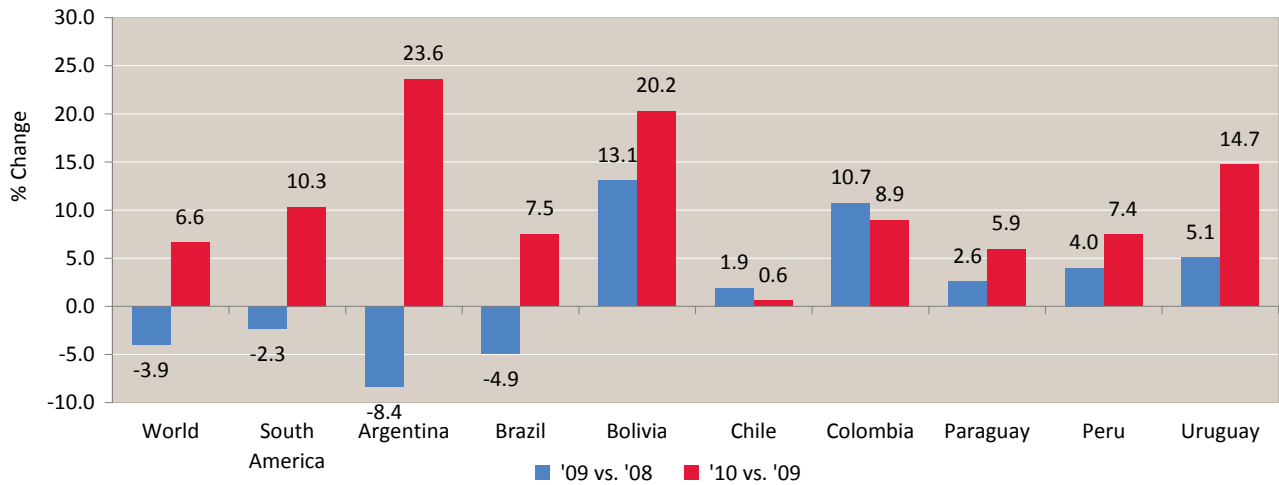
For year 2011, UNWTO has already published preliminary data of the first half of the year, registering a growth of 4.5% compared to 2010, totalizing a new record of 440 million of international tourist arrivals, 19 million more than the same period in 2010. The growth was led by the European continent and

with the region and the world. Those countries that are growing over the worldwide average (6.6%) may be clearly seen in the chart: Colombia, Argentina, Uruguay, Brazil and Peru. Colombia, Argentina and Uruguay had an even more outstanding performance because of their double-digit growth and because they grew above the region's average (10.33%). It is important to highlight the change in the regional leadership of international arrivals, now headed by Argentina, which narrowly surpassed (163,750 visitors) Brazil for the first time. However, Brazil may soon regain the top position by being the host country in 2014 and 2016 of two of the major sport events in the world -the FIFA World Cup and the Olympic Games.

The 15% growth of the region during the first semester of the year is worth emphasizing, in order to highlight the trend of a sharp growth in the region's demand.

According to the ranking 2010 of ICCA - International Congress and Convention Association-, which represents events organized by international institutions that rotate through a minimum of 3

FIGURE 4: INTERNATIONAL TOURIST ARRIVALS YEAR-ON-YEAR % CHANGE 2008-2010



Sources: Mintur Argentina, Embratur Brazil, Sernatur Chile, Proexport & Das Colombia, Sernatur Paraguay, Mincetur Peru, Mintur Uruguay, UNWTO

countries, the countries of the region have been climbing up the ranks year by year, one of them ranking among the top 10 and six among the top 50. Likewise, investments in infrastructure announced in several markets project an even higher growth in this significant demand generator. An example of this is the opening of Westin Lima Hotel last June, with a Convention Center with capacity for 2,000 attendees, placing Lima in the map of major events; and the even newer announcement of CICB-Centro Internacional de Convenciones de Bogota-, designed to host 4,000 attendees, projected for 2014.

Moreover, the position of the cities of the region is highlighted, six of them ranking among the top 50, led by Buenos Aires in the 12th position. Chart 5 below shows the ranking of Southamerican countries and cities.

FIGURE 5: ICCA RANKING 2010

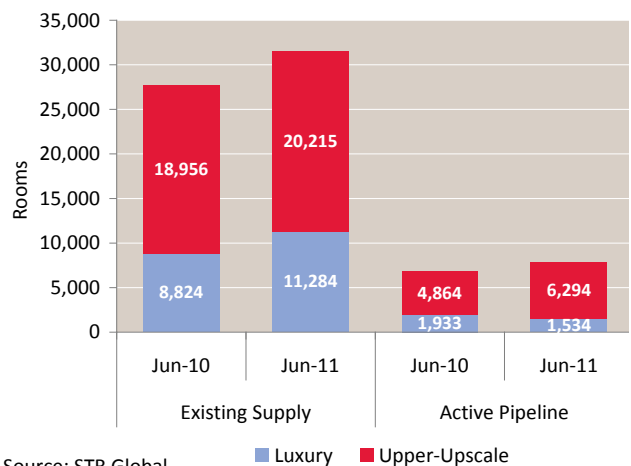
Rank	Country	# Mtgs	Rank	Cities	# Mtgs
9	Brasil	275	12	Buenos Aires	98
18	Argentina	172	24	Sao Paulo	75
33	Chile	97	30	Rio de Janeiro	62
34	Colombia	95	33	Santiago de Chile	58
44	Perú	44	47	Bogotá	38
47	Uruguay	42	48	Lima	37
51	Ecuador	30	59	Cartagena	31
64	Paraguay	19	83	Montevideo	22
75	Venezuela	10	96	Quito	19
86	Bolivia	6	110	Viña del Mar	17

Source: International Congress & Convention Association (ICCA)

Pipeline – New Hotel Projects

According to data provided by STR Global for Central and South America, the hotel room supply for the Luxury & Upper - Upscale segment of June 2011 was 31,499 rooms, representing a 13% increase over the 27,780 hotel rooms available the same month a year before. By June 2010, about 68% of the hotel rooms belonged to the Upper-Upscale segment; however, this percentage fell to 64% in June 2011 due to a higher addition of hotel rooms in the Luxury segment.

FIGURE 6: PIPELINE CENTRAL AND SOUTH AMERICA (DEC 2010)



Source: STR Global

By June 2011, the portfolio of current projects being developed includes 7,828 hotel rooms; this means an estimated increase of 24.9% in the supply for the aforementioned segments. Regarding the Luxury segment, there is a drop in the number of rooms projected, which is mainly explained by a slowdown in the pace of the estimated investment (which had been

very active during the recent years), and to a lesser extent, by the addition of a significant number of rooms that were still in progress in June 2010. On the other hand, the Upper-Upscale segment shows an increase close to 30% in the number of rooms under construction, which shows a strong interest in this category among investors.

In the following section, we will focus on the analysis of the region's most representative Spanish speaking markets: Bogotá, Buenos Aires, Lima and Santiago, in order to identify trends and investment opportunities, based on their strong economic indicators, both current and projected; on their strong international increases in demand, above the regional and worldwide average; and most of all, on their friendly and positive investment climates, actively promoted by their respective governments.

Bogota, Colombia

Bogota is Colombia's capital city and its cultural, educational, trade and business center. The town is mainly a tourist, trade, and business destination. In recent years, its infrastructure and corporate services have been significantly improved, and this has led to the establishment of a rising number of major multinational companies.

Economic Indicators

FIGURE 7: KEY ECONOMIC INDICATORS - COLOMBIA

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	Estimates Start After
GDP Constant Prices (% Change)	6.90	3.55	1.45	4.31	4.61	4.51	4.46	4.48	2009
GDP Current Prices (US\$, Billions)	210.57	234.54	231.79	285.51	307.85	325.37	344.06	363.04	2009
GDP per Capita, Current Prices (US\$)	4,794	5,277	5,154	6,273	6,685	6,982	7,297	7,609	2009
CPI (% Change, End of Period)	5.69	7.68	2.00	3.17	3.20	3.10	3.02	3.01	2010
Unemployment Rate (% Of Total Labor Force)	11.15	11.30	12.00	11.80	11.50	11.00	10.50	10.00	2010
Population (Persons, Millions)	43.93	44.45	44.98	45.51	46.05	46.60	47.15	47.71	2009
General Government Gross Debt (% Of GDP)	32.69	30.97	36.19	36.51	36.31	35.41	33.97	32.69	2009
Current Account Balance (% Of GDP)	-2.86	-2.95	-2.16	-3.11	-2.09	-2.17	-1.93	-2.27	2009
Exchange Rate (National Currency per US\$)*	2,078	1,966	2,156	1,899	1,803	1,788	n/a	n/a	2010

Source: International Monetary Fund, World Economic Outlook Database, April 2011

* Banco de la República Colombia. Annual Average Exchange Rate until 2010. From 2011 End of Period Data based on the Survey of Inflation and Exchange Rate Expectations published by the Banco de la República Colombia.

In recent years, before the global economic crisis, its economy grew at an annual rate of over 4%, with peaks of 7% per annum for the 2006-2007 period. The good performance of the Colombian economy, regardless of the effects caused by the global economic crisis, was mainly supported by public spending austerity policies, a growth strategy aimed at exports, an improvement in domestic safety and high commodity prices. Direct foreign investment reached a record high of 10.6 billion dollars in 2008, but dropped to 7.2 billion dollars in 2009, before starting to pick up in 2010, mainly in the oil sector.

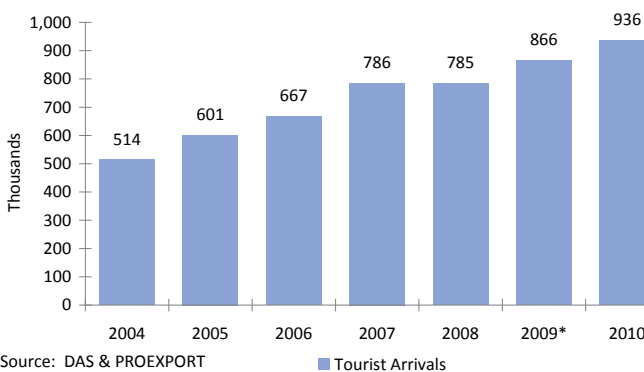
The unemployment rate was reported at about 15% at the beginning of the decade. Since 2005, it has varied between 11% and 12%.

The good performance of macroeconomic indicators, the current fiscal order, the approval of important structural changes, positive economic expectations and positive results with regards to safety are some of the factors that have contributed to the long term qualification of the Colombian debt, as well as to the positioning achieved in the ranking of countries with the best business environment in Latin America.

Tourism Indicators

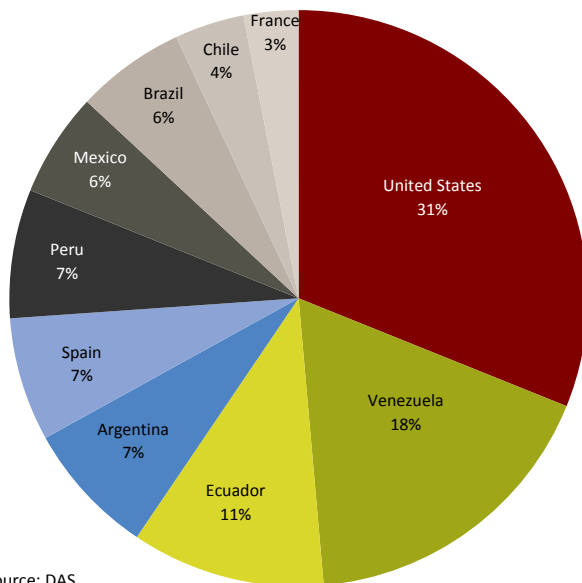
Arrivals at El Dorado Airport, main entrance way to Colombia, almost doubled in the 2004-2010 period, growing at an annual average rate of 10.5%. The good economic performance, along with the actions implemented by the government in terms of safety, have been crucial in promoting the positioning of Bogotá as a centre of business and tourism.

FIGURE 8: INTERNATIONAL TOURIST ARRIVALS TO BOGOTA BY EL DORADO INTERNATIONAL AIRPORT – 2004 TO 2010



Source: DAS & PROEXPORT
*2009 HVS projection

FIGURE 9: INTERNATIONAL TOURIST ARRIVALS TO COLOMBIA BY COUNTRY OF ORIGIN - 2010



Source: DAS

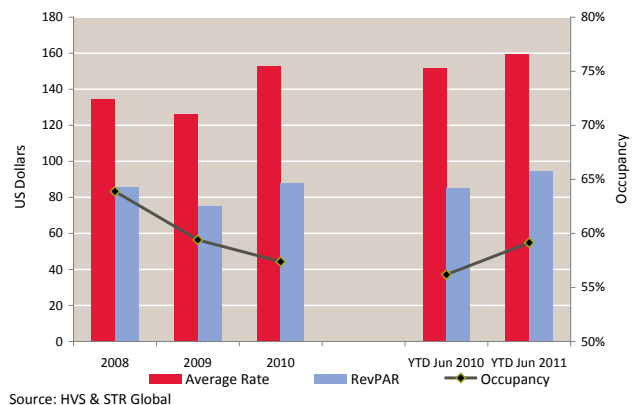
According to information supplied by the Ministry of Trade, Industry and Tourism, the main tourism generating country is the United States, that grew at an average rate of 9.5% in the 2007-2010 period. Venezuela follows well behind, with a drop of 17% and then Ecuador, having grown 20% compared to 2009. In the third place ranks the block made up by

Argentina, Spain, Peru, Mexico, Brazil and Chile, some of them with sharp growth rates compared to 2009, showing and projecting a greater participation for the years to come: Brazil +40%, Argentina +36%, Chile +25% and Mexico +18%.

Market Performance

The average occupancy of Bogotá's Luxury & Upper Upscale segment hotels fell 3.4% in 2010. This drop is due to the fact that the increase in demand, resulting from a stronger economic growth, was offset by an important increase in the supply starting at the end of 2009, when the Marriot and JW Marriot were inaugurated. On the other hand, as of June 2011 year to date, the occupancy rate increased by 5.3%, mainly due to the economic growth and by the higher capture of demand by the superior segment hotels, mainly by the newly inaugurated ones.

FIGURE 10: BOGOTA'S LUXURY & UPPER-UPSCALE HOTEL MARKET PERFORMANCE



Source: HVS & STR Global

Average rates in US dollars increased 21% in 2010 compared to 2009, however, it is worth considering that in terms of local currency, rates remained virtually without changes. Therefore, we can conclude that the rate increase in US dollars is caused mainly by the sharp appreciation of the peso against US dollar registered in 2010. During the first semester of 2011, average rates have shown a behavior similar to occupancy, growing at the same level of 5.4%.

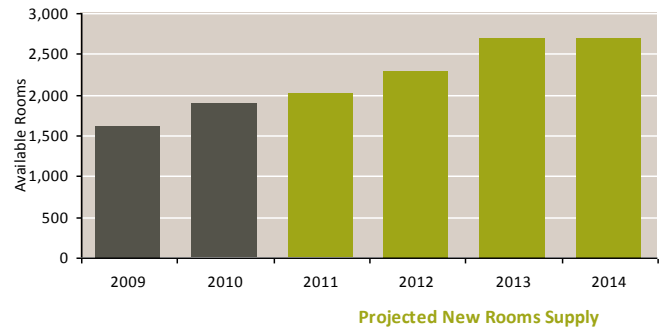
Trends

Based on Colombia's economic performance, by its international projection and by the large increase of international arrivals registered at an annual rate of 14% for the 2002-2010 period, we observe a favorable outlook for the City, even taking into account the incorporation of supply in years to come, i.e. 13% in 2011, 16.19% in 2012 and 16.82% in 2013. None of them have surpassed the historical record of 17.32% absorbed by the market in 2010. This is why we think that, despite the increase of supply in future years, the outlook of the market is positive.

Bogota is gradually consolidating itself as a business centre in the region, due to its strategic geographic location and to its favorable business climate that motivate the starting up of new regional offices of multinational companies. The recent appointment in last August about the completion of the CICB -Bogota's International Centre of Conventions-, which is planned for 2014, consolidates even more this positioning. There are undoubtedly more opportunities for new projects, in alignment with the growth of the country and of Bogota itself. Fiscal incentives, currently available for projects until 2017, transpire the political decision to develop the offer the country and the city are demanding for the following years.

To the traditional neighbourhoods of hotel development, from North to South, Usaquén, Calle 100, Parque de la 93, Nogal and Salitre, we believe it is time to add the Centre of the city, also called International Centre, that, based on private and public projects already announced, expects to undergo a strong urban and architectural renovation in order to belong to the city centre and thus, turn into a spot for hotel development opportunities in the short term.

FIGURE 11: LUXURY & UPPER-UPSCALE MARKET SUPPLY PROJECTION – 2009 TO 2014



Source: HVS Buenos Aires

Buenos Aires, Argentina

Buenos Aires is Argentina's capital and largest city, in addition to being the second largest city in South America, after the city of Sao Paulo. Besides being the main gateway to international tourist arrivals for all domestic final destinations, it has a wide array of demand generators for all tourism segments, making it a very attractive city for international tourism.

Economic Indicators

FIGURE 12: KEY ECONOMIC INDICATORS - ARGENTINA

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	Estimates Start After
GDP Constant Prices (% Change)	8.64	6.79	0.84	9.16	6.00	4.59	4.20	4.00	2010
GDP Current Prices (US\$, Billions)	262.04	328.03	310.17	370.27	456.82	526.30	578.48	618.81	2010
GDP per Capita, Current Prices (US\$)	6,658	8,253	7,728	9,138	11,169	12,749	13,886	14,721	2006
CPI (% Change, End of Period)*	8.47	7.24	7.70	10.92	11.00	11.00	11.00	11.00	2010
Unemployment Rate (% Of Total Labor Force)	8.48	7.88	8.68	7.74	9.00	8.53	8.43	8.40	2010
Population (Persons, Millions)	39.36	39.75	40.13	40.52	40.90	41.28	41.66	42.04	2006
General Government Gross Debt (% Of GDP)	67.66	58.13	57.60	47.85	40.71	36.65	35.78	35.32	2010
Current Account Balance (% Of GDP)	2.26	1.32	1.76	0.89	0.11	-0.51	-0.82	-0.85	2009
Exchange Rate (National Currency per US\$)**	3.12	3.16	3.73	3.91	4.29	4.90	n/a	n/a	2010

Source: International Monetary Fund, World Economic Outlook Database, April 2011

* Private analysts estimate that consumer price inflation has been considerably higher than the official estimates of inflation since 2007.

** Banco Central de la República Argentina (BCRA) Data. Annual Average Exchange Rate until 2010. From 2011 End of Period Data based on REM - BCRA.

For the period 2007 to 2010, economy registered a strong economic growth with ratios of about 7% to 9%, with the only exception of year 2009 when the country did not grow, affected by the impact of the global economic crisis. On the other hand, the economic growth caused a decrease in the unemployment rate of about one point between year 2007 and year 2010, and also in the ratio of the debt over GDP, that went from 67% in year 2007 to 48% in year 2010.

Regarding domestic inflation, according to the consensus of economic analysts, since 2007 there have been strong inflationary pressures, not reflected by official figures. According to these private analysts, inflation has reached levels close to 20% in the past year and it is expected to continue around these levels, at least in the short term.

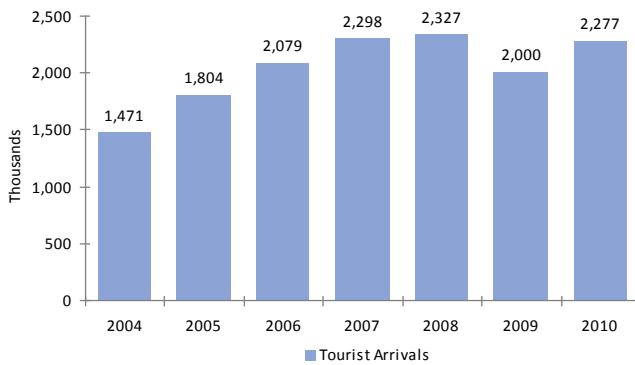
The peso remained stable in relation to the US dollar since its devaluation in 2002 up until 2008, under a regime of flotation band. Since 2009, the local currency has started a devaluation process and reached an exchange rate of 4 pesos per dollar by the end of 2010.

Economic forecasts show that the economic growth will continue, although it will slow down in a progressive way from the highest values reached during this year.

Tourism Indicators

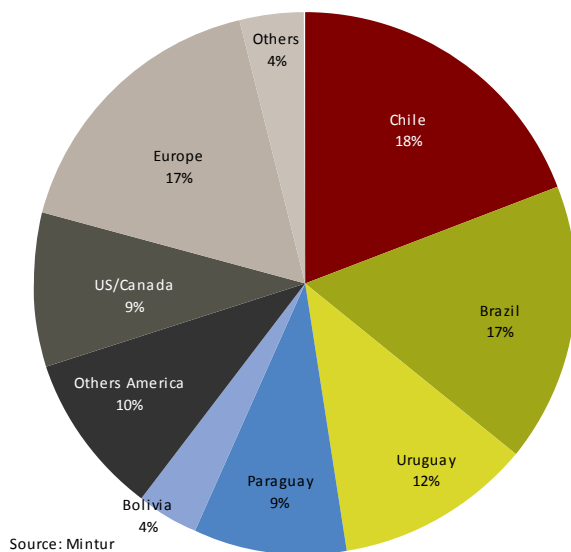
Regarding tourist flow, international tourist arrivals at Ministro Pistarini Airport, the main gate to the country, grew steadily during the 2004-2008 period, together with the national economic performance, resulting in tourism as one of the most dynamic sectors in the Argentine economy. During year 2009, there was a decrease in international tourist arrivals at Ezeiza Airport as a consequence of the effects of the global crisis and, mainly, of the pandemic H1N1 flu. During year 2010, in alignment with the worldwide level, this trend was reversed showing a recovery of arrivals of international tourists.

FIGURE 13: INTERNATIONAL TOURIST ARRIVALS TO BUENOS AIRES BY MINISTRO PISTARINI INTERNATIONAL AIRPORT – 2004 TO 2010



Source: ETI, Ministry of Tourism

FIGURE 14: INTERNATIONAL TOURIST ARRIVALS TO ARGENTINA BY COUNTRY OF ORIGIN - 2009



Source: Mintur

In 2009, the main source of tourists arrivals in Argentina was Chile, representing 18% of the flow of

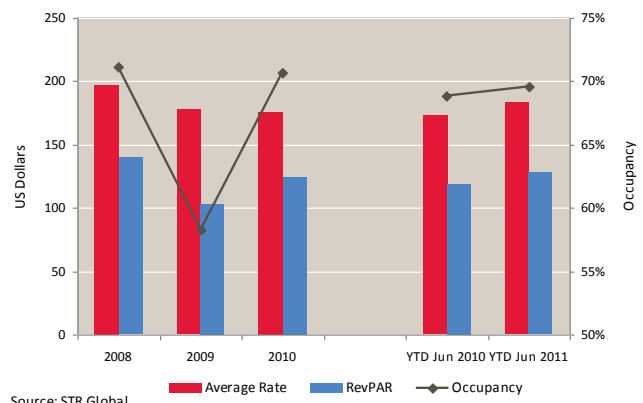
tourists to the country, followed closely by Brazil and Europe, both with 17% share. Uruguay is ranked in fourth place with 12%.

According to recent partial data available from the National Ministry of Tourism, the largest source of tourists arrivals in Argentina during the first three quarters of 2010 is Brazil (which represents a change in trend), followed by Chile, that until year 2009 was at the top of the ranking. The sharp growth of the flow of Brazilian tourists to the country during the past five years is remarkable, mainly motivated by the economic recovery of Brazil and by the favorable exchange rate with Argentina.

Market Performance

During 2010, hotel demand experienced a sharp recovery, generating an increase in the occupancy rate of over 20% for the City's hotel top segment. With this increase, occupancy reached levels similar to those registered before the economic crisis and before the effects caused by the H1N1 flu. In the first half of 2011, the demand increased slightly compared to the same period in 2010, generating a rise of 1% in the occupancy rate.

FIGURE 15: BUENOS AIRES'S LUXURY & UPPER-UPSCALE HOTEL MARKET PERFORMANCE



Source: STR Global

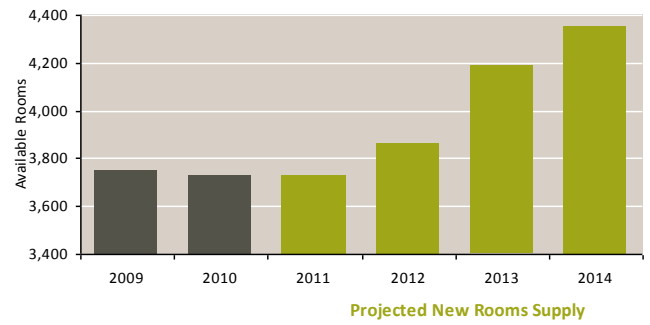
During 2010, average rates in terms of US dollars, maintained almost the same levels as in 2009. However, in the year to date, June 2011, average rates have grown 6%.

Trends

The outlook for the market regarding demand remains positive for this year and the next one, based mainly on the good performance projected for the local and regional economy. Moreover, the occupancy rate and the average market rate are expected to remain stable in the levels reached during 2010.

After having been stable for the last 5 years, hotel supply in the segment under analysis is beginning to show an outlook of strong growth. Between years 2012 and 2014, the following hotels are expected to open: Alvear Art Hotel, St. Regis, Alvear Puerto Madero and a five star hotel in a mixed-use development Madero Harbour.

FIGURE 16: LUXURY & UPPER-UPSCALE MARKET SUPPLY PROJECTION – 2009 TO 2014



Source: HVS Buenos Aires

Lima, Peru

Lima is the capital city of Peru, and besides being the gateway to the country's main tourist destinations such as Cusco, Machu Picchu and The Sacred Valley; it has become an important destination in South America itself. The town, with its multicultural and multiethnic heritage, offers an interesting array of tourist attractions, ranging from colonial architecture, museums, nightlife and its world famous cuisine.

Economic Indicators

FIGURE 17: KEY ECONOMIC INDICATORS - PERU

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	Estimates Start After
GDP Constant Prices (% Change)	8.91	9.80	0.86	8.80	7.50	5.82	5.72	5.72	2010
GDP Current Prices (US\$, Billions)	107.25	126.87	126.98	152.83	167.85	181.37	195.60	210.25	2010
GDP per Capita, Current Prices (US\$)	3,801	4,427	4,363	5,172	5,593	5,952	6,321	6,691	2009
CPI (% Change, End of Period)	3.93	6.65	0.25	2.08	3.50	3.01	2.00	2.00	2010
Unemployment Rate (% Of Total Labor Force)	8.42	8.39	8.60	8.02	7.50	7.50	7.50	7.50	2010
Population (Persons, Millions)	28.22	28.66	29.10	29.55	30.01	30.47	30.95	31.42	2009
General Government Gross Debt (% Of GDP)	30.90	25.04	26.56	24.33	22.47	20.71	19.28	18.11	2010
Current Account Balance (% Of GDP)	1.36	-4.19	0.17	-1.52	-2.06	-2.81	-2.55	-2.77	2010
Exchange Rate (National Currency per US\$)*	3.13	2.93	3.01	2.83	2.72	2.71	2.70	n/a	2010

Source: International Monetary Fund, World Economic Outlook Database, April 2011

* Banco Central de Reserva del Perú. Annual Average Exchange Rate until 2010. From 2011 End of Period Data based on the Survey of Economic Expectations published by the Banco Central de Reserva del Perú.

The Peruvian economy showed a significant growth from 2002 to 2008, registering the highest rates from 2005 onwards. Growth soared in 2007 and 2008 due to higher international prices for minerals and metals and an aggressive strategy of trade liberalization, later falling to 0.9% as a consequence of global recession and a decrease in the commodities export price. Peru has shown a quick recovery from 2010, and it is expected to be the country with the biggest growth of South America in the years to come.

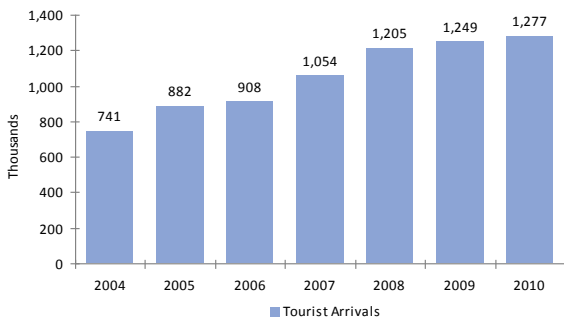
The country has managed to keep inflation at low levels during the past few years, with the exception of 2008. The exchange rate has remained at around 3.50 soles (local currency) per American dollar. Since 2003, it has started a gradual process of appreciation, which was only interrupted in 2009, to continue its growing trend in 2010.

The prevailing institutional and fiscal order and the good performance of macroeconomic indicators have motivated significant flows of investments to Peru that has resulted in its ranking first in South America's "Ease of Doing Business" 2011. Moreover, the country has achieved a better qualification for its sovereign debt.

Tourism Indicators

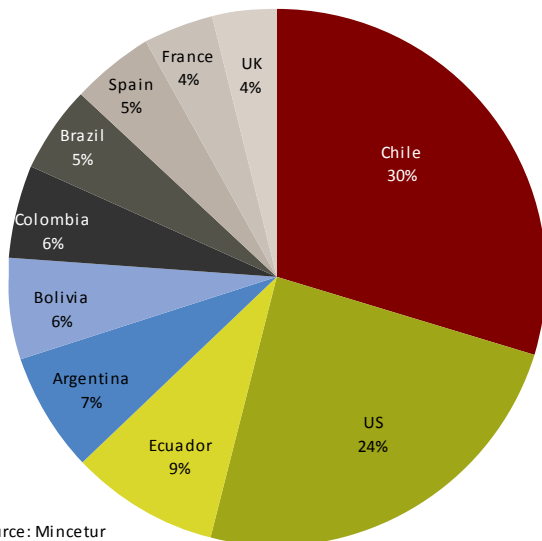
As shown in the chart below, the number of international arrivals at Jorge Chavez airport during the last 6-year time period shows a remarkable average growth rate of 9.5% per year. Arrivals of international visitors were doubled in the last 8 years, from 620,000 in 2003 to 1,277,000 in 2010.

FIGURE 18: INTERNATIONAL TOURIST ARRIVALS TO LIMA BY JORGE CHAVEZ INTERNATIONAL AIRPORT – 2004 TO 2010



Source: Mininter, Dingemin, Mincetur

FIGURE 19: INTERNATIONAL TOURIST ARRIVALS TO PERU BY COUNTRY OF ORIGIN - 2009



Source: Mincetur

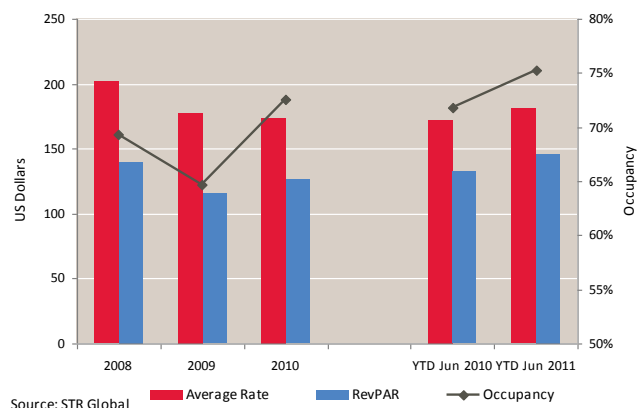
According to the last available data from Mincetur, the main sources of tourists arrivals in Peru are Chile and United States, mainly due to the strong participation and activities carried out by companies of these countries in Peru, followed by Ecuador, Argentina, Bolivia, Colombia and Brazil. It is important to highlight those countries with the largest double-digit growth ratios: Brazil 29%, Argentina 26% and Colombia 14%.

Market Performance

After a difficult year for Lima's hotel industry on account of the global financial crisis and, to a lesser extent, the swine flu, the segment experienced a rebound in 2010 in terms of occupancy levels in the top segment, which increased 12%, reaching the highest level in recent years. Trends for 2011 look promising, considering that up until June 2011 occupancy increased 5% compared to the same period last year. This pickup was largely due to the world's economic recovery, to Peru's strong growth as well as the remarkable growth experienced by Chile, Argentina and Colombia (main tourism outbound countries to Peru), and to Peru's consolidating position as a cultural and natural tourist destination.

In 2008, the average daily rate reached the highest level in recent years, mainly due to the economic growth of the country and the significant demand increase generated by two major worldwide summits hosted in Lima. In 2009, the effects of the worldwide economic crisis produced a decrease of 12% in rates. In 2010, in spite of the growth in demand, rates decreased slightly with respect to previous years since the market prioritized volume growth. In year to date June 2011, the average rate has increased 5%, reaching 180 American dollars.

FIGURE 20: LIMA'S LUXURY & UPPER-UPSCALE HOTEL MARKET PERFORMANCE



Source: STR Global

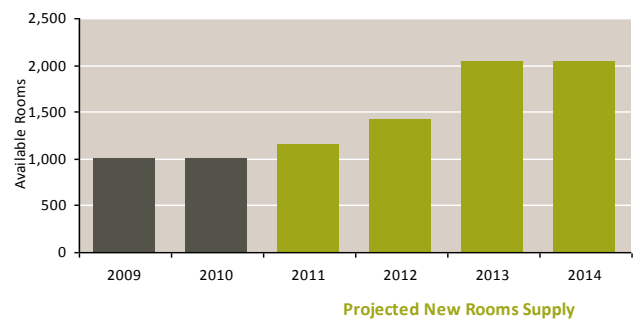
Trends

For the remaining of this year and 2012, we estimate that the growth in demand will strengthen, in connection with the results of the first half of the year. We observe that prudence and moderation in business decisions, typical of electoral processes as the one experienced by Peru from April to July, have faded rapidly due to the positive signals shown by the new government, that has confirmed and strengthened the positive economic climate in Peru. We estimate that the country will continue attracting new investments and that the corporate and MICE demand segments will grow. The projected growth in demand will allow an increase in the average Luxury and Upper-Upscale segment rates. It is worth mentioning that this increase will be moderate because existing hotels will remain cautious against the upcoming market competitors.

Hotel supply had remained without changes since 2001, except for Royal Park Hotel which came back to be independently run again (no longer member of Sofitel Group). So far and for the years to come, the outlook changes radically. Westin Lima opened last June, with a brand new Convention Center for 2,000 attendees, positioning the City as an option for large events, allowing us to estimate an improvement in Peru's position in the ICCA ranking for the future. For 2012 and 2013, taking into account the entry of Hilton and two new projects already in advanced stages of development, the supply will grow strongly according to the market opportunities and its operational performance indicators, especially in the prominent Lima's neighborhoods of San Isidro and Miraflores.

To sum up, we believe it crucial to consider the sharp increase of supply in years to come, and we do recommend to carefully evaluate announced projects as well as their market absorption share rates, which will undoubtedly be determining to decide on future investment opportunities.

FIGURE 21: LUXURY & UPPER-UPSCALE MARKET SUPPLY PROJECTION – 2009 TO 2014



Source: HVS Buenos Aires

Santiago, Chile

Santiago is Chile's capital and most important city. Chile's steady economic growth has transformed Santiago into one of Latin America's most modern metropolitan areas.

Economic Indicators

FIGURE 22: KEY ECONOMIC INDICATORS - CHILE

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	Estimates Start After
GDP Constant Prices (% Change)	4.57	3.70	-1.69	5.26	5.89	4.93	4.50	4.40	2010
GDP Current Prices (US\$, Billions)	164.21	170.75	161.10	203.32	231.30	244.27	253.75	261.82	2010
GDP per Capita, Current Prices (US\$)	9,901	10,194	9,485	11,828	13,294	13,872	14,237	14,559	2009
CPI (% Change, End of Period)	7.84	7.10	-1.38	2.97	4.54	3.20	3.00	3.00	2010
Unemployment Rate (% Of Total Labor Force)	7.03	7.41	9.63	8.30	7.20	7.20	7.20	7.20	2009
Population (Persons, Millions)	16.58	16.75	16.98	17.19	17.40	17.61	17.82	17.98	2009
General Government Gross Debt (% Of GDP)	4.10	5.17	6.24	8.83	10.92	10.22	9.65	9.05	2010
Current Account Balance (% Of GDP)	4.54	-1.94	1.60	1.87	0.53	-1.33	-2.12	-2.35	2010
Exchange Rate (National Currency per US\$)*	522.47	522.46	559.61	510.25	470.00	480.00	490.00	n/a	2010

Source: International Monetary Fund, World Economic Outlook Database, April 2011

* Banco Central de Chile Data. Annual Average Exchange Rate until 2010. 2011 Data corresponds to November 2011 End of Month Data, 2012 to August 2012 End of Month Data and 2013 to August 2013 End of Month Data based on the Monthly Survey of Economic Expectations published by the Banco Central de Chile.

During the past ten years Chile has managed to consolidate an open market economy that exports over one quarter of its GDP; it has made commercial agreements with 57 countries. It has a well developed financial market and has the best qualifications of sovereign bonds in South America. In the past five years its GDP has grown at about 5% per year, with the exception of 2008 and 2009, that, due to the international crisis, grew 3.7% and fell 1.7% respectively. Likewise, it is worth mentioning that in spite of the devastating earthquake suffered by Chile in February, the country's economy grew 5.2%, since the economy's strength mitigated the effects of the earthquake.

Furthermore, the growth experienced over the last years resulted in a reduction of unemployment reaching 7% in 2007, to grow again in 2008 and 2009 up to 9.6% due to the international economic crisis. Finally, it went down again when the economy picked up in 2010, reaching a value slightly over 8%.

Tourism Indicators

As shown in Figure 23, the statistic of arrivals at Merino Benitez Airport reverts the trend of the former two years in 2010, increasing to 16,237 visitors, resulting in a 4.3% average growth rate in the period of 2004-2010. According to recent reports by Sernatur, in 2011 the growth rate has sharply increased, projecting growths of two digits per year. It is worth mentioning that Santiago ranks in the ICCA ranking 2010 in the fourth place behind Buenos Aires, San Pablo and Rio de Janeiro, with a total of 58 concluded events, just four less than Rio.

FIGURE 23: INTERNATIONAL TOURIST ARRIVALS TO SANTIAGO BY MERINO BENITEZ INTERNATIONAL AIRPORT – 2004 TO 2010

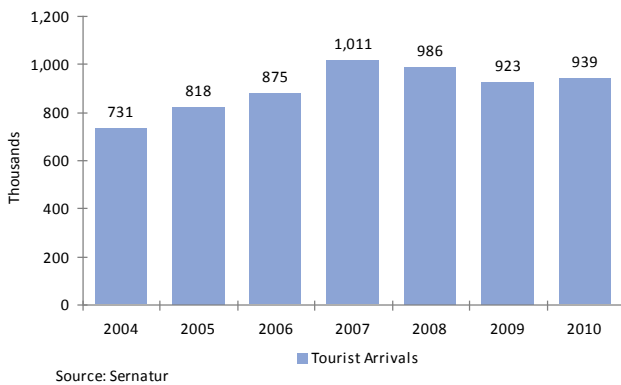
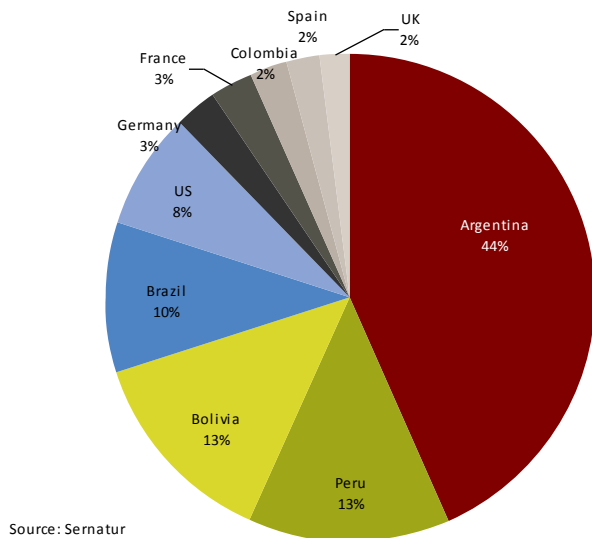


FIGURE 24: INTERNATIONAL TOURIST ARRIVALS TO CHILE BY COUNTRY OF ORIGIN - 2010



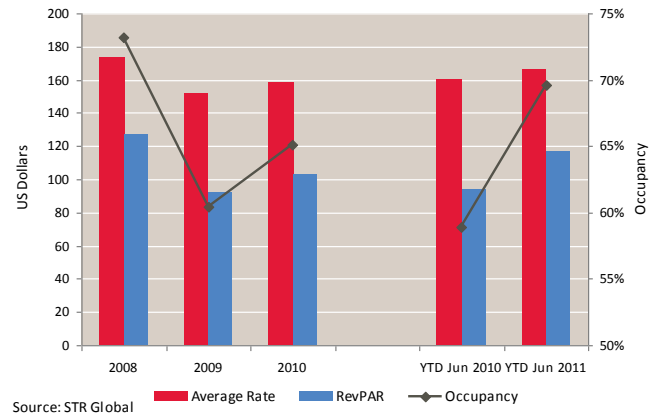
According to data provided by Sernatur, Argentina is the absolute leader and main source of visitors to Chile, remaining stable, followed far behind by Peru, Bolivia and Brazil, and to a lesser extent, the United

States. Peru is the country that has grown more since 2009, with a 15% rate, Colombia follows with a 9% rate and Brazil with an 8%, while the United States and Spain show a sharp fall of 14% and 5% respectively.

Market Performance

After a peculiar 2009 when the market had been affected by the economic crisis, the swine flu, and a difficult beginning of 2010 hit by the earthquake that shook the country at the end of February, Santiago recovered rapidly from the second semester of 2010 and reached an occupancy level of 7.6% higher than 2009. This increase was due to the strong economic growth that Chile has been undergoing, the same as the region's main sources of tourism to the country.

FIGURE 25: SANTIAGO'S LUXURY & UPPER-UPSCALE HOTEL MARKET PERFORMANCE



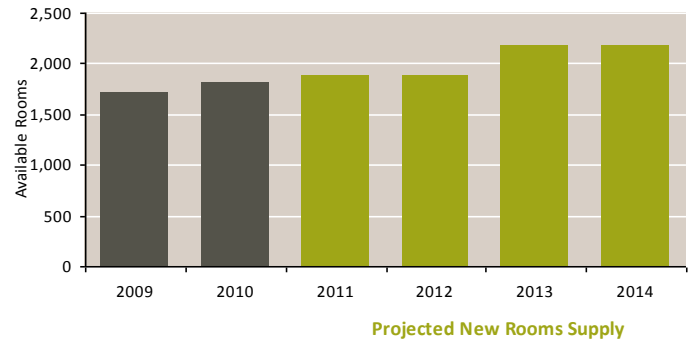
In accordance to what happened in the second half of 2010, the first half of 2011 consolidates the growing trend, duplicating the occupancy rate and RevPar, although keeping the growth rate with regards to the average rate. The main cause of this recovery is the strong economic growth that the country is having.

Trends

Market demand will remain in an up-trend in the next years, mostly as a result of the country's and the region's favorable economic indicators. With regard to ADR and occupancy performance levels, forecasts indicate that the Luxury & Upper-Upscale market will continue to grow in line with the pickup of demand.

In the Luxury & Upper-Upscale segment, after the opening of W in November 2009 and the enlargement of the InterContinental Hotel that added 81 rooms in December 2010, we have added to the pipeline for forthcoming years the property that is part of the Mixed-Use Project Costanera Center planned for 2013. We believe Santiago presents a very promising scenario for hospitality investment; proof of this is the interest shown by renowned international hotel chains in entering the market, among them Park Hyatt, Sofitel, Four Seasons and St. Regis.

FIGURE 26: LUXURY & UPPER-UPSCALE MARKET SUPPLY PROJECTION – 2009 TO 2014



Source: HVS Buenos Aires

About the authors



Graciana Garcia Iribarne is the Managing Director of HVS Buenos Aires & HVS Lima. She joined HVS in the year 2002. Prior to assuming this position she worked as Senior Consultant and Executive Vice President of the HVS Buenos Aires office. Graciana has consulted for numerous mid- and large-scale mixed-use developments, valuations, feasibility studies, operator searches, and hotel openings, and has provided strategic advice in Latin America, mainly in Colombia, Peru, Chile, Argentina, Uruguay and Paraguay. In addition to her duties with HVS Lima and HVS Buenos Aires, Graciana is Vice President of the South American Hotel & Tourism Investment Conference (SAHIC), the region's largest annual hotel investment conference, which is held in a different South American city each year.

Before joining HVS, Graciana achieved more than ten years of hotel operations and management experience. She graduated from Hotel Management at the University of Belgrano. Her hospitality career started in 1992 at the Caesar Park Buenos Aires (Westin Hotel). In 1998, she traveled to Europe and worked at the Caux Palace (Montreaux) adding to her knowledge the recognized expertise and excellence of the Swiss hotel school. Back in Argentina, she worked for renowned hotel chains, such as Marriott International and Starwood Hotels & Resorts.



Santiago Berraondo obtained a degree in Economics from Universidad Argentina de la Empresa in 1999, and two years later he did a postgraduate diploma in finance at Universidad Torcuato Di Tella in Buenos Aires. In December 2007, he also completed an executive program at Universidad Di Tella Business School with a concentration in the real estate and hotel industry and in financial modeling. In 2006, upon joining HVS Buenos Aires, he began to work in consulting services. While working at the firm, he has prepared numerous economic-financial feasibility studies for urban hotels, boutique hotels, integrated resorts, and mixed-use suburban developments, with a focus on market analysis, product definition, and financial modeling. At the same time, he has completed several valuations for hotels in the region. Most of the projects Santiago has participated in are located in Argentina, Chile, Colombia, Peru, and Uruguay.



Fernanda L'Hopital has a degree in Economics from Universidad de Buenos Aires and a MBA from Universidad del CEMA. She started her professional career as a consultant in the Corporate Finance area, working for local companies specialized in the SME sector. In 2002, Fernanda joined Argentina's Ministry of Economy as a consultant at the *Dirección Nacional de Cuentas Internacionales* (National Board of International Accounts), being responsible for estimating direct foreign investment accounts and private debt in the Balance of Payments. In 2006, she joined the HVS Buenos Aires team in the consulting and valuation area, where she has acquired great expertise in the industry through her participation in numerous market studies, feasibility analyses, valuations, and strategic planning for hotels, resorts, and mixed-use projects. Most of the projects Fernanda has worked on are located in Argentina, Chile, Peru, Colombia, and Uruguay.



Rosa Sasaki joined HVS Buenos Aires in 2007, after holding several positions in the major hotels of Buenos Aires. Rosa, with an Argentine-Japanese nationality, obtained her degree in Hotel Management from the Perito Moreno Institute. She started her career in the hospitality industry 14 years ago at the Caesar Park Buenos Aires (Westin). Three years later she was invited to join the team of the first Meliá hotel in Argentina, and had an active participation in its opening process. She pursued her career at the Hilton Buenos Aires as Duty Manager and subsequently in the Revenue Management area of the Marketing and Sales Department.



Mariela Cababie joined HVS in 2007 after gaining a vast experience in the hotel industry working for several years in the Kempinsky Hotels in Buenos Aires in the Human Resources area and then becoming General Manager. Prior to her hotel experience, she held marketing positions in various companies where she worked on the design and implementation of strategic marketing plans.

Mariela holds a BA in Business Management from the Universidad de Buenos Aires, a postgraduate degree in Strategic Human Resources from IDEA and Diploma in Marketing from University of California, Berkeley.



Ramiro Alem joined HVS Buenos Aires in 2010. He is a specialist in marketing and sales for the hotel industry. He developed his managerial experience during the last seven years in the most renowned international hotel chains, where he had the possibility to combine his operational abilities with business strategies, positively contributing to successful results.

Ramiro holds a BA in Tourism from the Universidad de Morón and a MBA from Universidad del CEMA. He also has experience in the academic area as professor of Marketing & Sales in ESEADE Business School.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before action or refraining action on any of the contents of this publication. HVS Argentina would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. HVS Argentina accepts no duty of care or liability for any loss occasioned to any person action or refraining form action as a result of any material in this publication.



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HVS IN SOUTH AMERICA

HVS Buenos Aires is the continuance of RHC – Hospitality Consulting, founded by Arturo Garcia Rosa in 1995. Since then, HVS actively works in the regional market –mainly in Colombia, Peru, Chile, Argentina, Uruguay, Panama, Costa Rica and Ecuador– offering a wide range of services for the hospitality and real estate industry and tourist destinations.

Since 2008, HVS organizes the leading event of the industry in the Region, SAHIC – South American Hotel & Tourism Investment Conference, hosting the first four editions in Buenos Aires, Argentina; Rio de Janeiro, Brazil; Cartagena de Indias, Colombia and Santiago, Chile. Its 2012 edition will take place in Lima, Peru, on September 10-11.

In 2009, accompanying the growth process of the economy of the country and the accumulated experience as a result of the intensive work during the last five years, HVS Peru started to operate with the opening of its office in Lima.