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Hamilton, Bermuda – June 1, 2011

KPMG releases 2011 Caribbean Region Financing Survey

KPMG's annual Caribbean Region Financing Survey examining the status of lending in the hospitality and tourism sector across the Caribbean has been released at the Caribbean Hotel & Tourism Investment Conference. The 2011 Survey focuses on financing trends, the outlook for the region and the identification of current changes in the lending environment, and is available for download on our website, www.kpmg.bm.

The Survey was conducted via telephone interviews between February and April 2011 and covered nine countries including Bermuda, and 19 lenders and financiers. Hotel financing brokers/consultants were also included, for the first time in the Survey, as they represent a new source of financing for the sector. Survey respondents represented an aggregate portfolio US\$2.8 billion in loan exposure in the region.

KPMG's Raymond Campbell reported, at the opening session, that a key finding was that that "only 36% of the Survey participants have positive views for the prospects of the Caribbean tourism industry over the next 12 months".

Moreover, global economic issues were seen as the most significant challenge facing the sector. Interestingly, other factors including social issues, the UK Travel Tax and quality of the hotel product were not seen as significant.

Responses to questions geared to finding out what makes a successful hotel project, indicated that the main success factors were a well capitalized project and the presence of a global brand. There was no clear consensus on the importance of other factors, including airlift, beachfront location or the level of government support.

Steve Woodward, Director of KPMG Enterprise in Bermuda commented on the survey's findings, stating; "Although the Caribbean market is showing signs of a tourism recovery in 2011, initial indications are that the pace of recovery in Bermuda will be slower.

"In terms of new tourism developments, there are still many distressed projects across the Caribbean needing to be worked through – the recent receiverships in Bermuda being a good example. The second home real estate market in the major economies also continues to be extremely sluggish, and many of the troubled Caribbean projects were reliant on sales of villas, condos and fractional units for much of their construction financing. Add to this the more cautious approach from lenders that our survey has indicated, then I think it is likely be several years before we see anything like a return to the boom years.

"On the matter of existing loans however, survey respondents indicated that lenders were more open than previous years to assisting distressed clients in several ways - including restructuring loan facilities and the extension of loan maturities."

Lenders also indicated that clients, who were experiencing difficulties, should implement changes to improve operating performance. The key expectation of lenders was prudent management of expenses and a proactive focus on liquidity and capital, supported by a proactive business plan, an effective marketing campaign and a creative sales strategy.

Survey respondents indicated that financiers have increased the spread of interest rates for loans to the hospitality sector, with the spread being the largest in the last five years of the KPMG Survey.

The survey found that well capitalized projects with “unique selling points” are likely to be successful and notwithstanding significant risks, there is cautious optimism about the hospitality sector in the months to come.

For further information on this report, a copy of which has been included with this media release, please contact:

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PDF Document Attachment:

“2011 Caribbean Region Financing Survey”

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