



# NATAL OCEAN CLUB

## RESORT & SPA CABO CARAUBAS BRAZIL

### Rate Analysis & Price Point Position

Prepared by:  
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## SUMMARY BASED ON PROPOSED FACILITIES, INTEREST, AND AGREEMENTS

FACTOR	DESCRIPTION
Guestrooms	110 Total Ocean Master 2 ( 4 bedroom, 400 sqm inc pool ) Beach Villa 13 ( 3 & 4 bedroom, 305/356 sqm inc pool ) Beach Cabana 14 ( 1 bedroom, 140 sqm inc pool ) Beach Suite 81 ( 2 bedroom, 106 sqm )
Food & Beverage	Fine dining, café, lounge, bar, room service, beach service, banquets and special event catering
Meeting Facilities	Flexible event and meeting space encompasses meeting rooms with open air spaces and outdoor patios with unique surroundings.
Other Amenities	Beach front, sculpted gardens, reservable pool cabanas and decks
Commercial	Spa, specialty boutique and grocer, retail shop, grocery delivery, Brazilian art gallery, professional tennis and gym instruction.
Projected opening date	November 2010
Parking	To be determined, adjacent to property and out of room view preferred, approximate need for 200 spaces
Site	90,000 square meters – approx 20 acres, including waterfront
Ownership Interest	Fee Simple

## RATE STUDY AND COMPARISON CRITERIA

- Ocean front or near beach location
- Full service up market properties, four and five star international standard
- Comparable market mix
- Consistent seasonal pricing
- Alternate choice of existing clientele
- Linear regression perceived value to price



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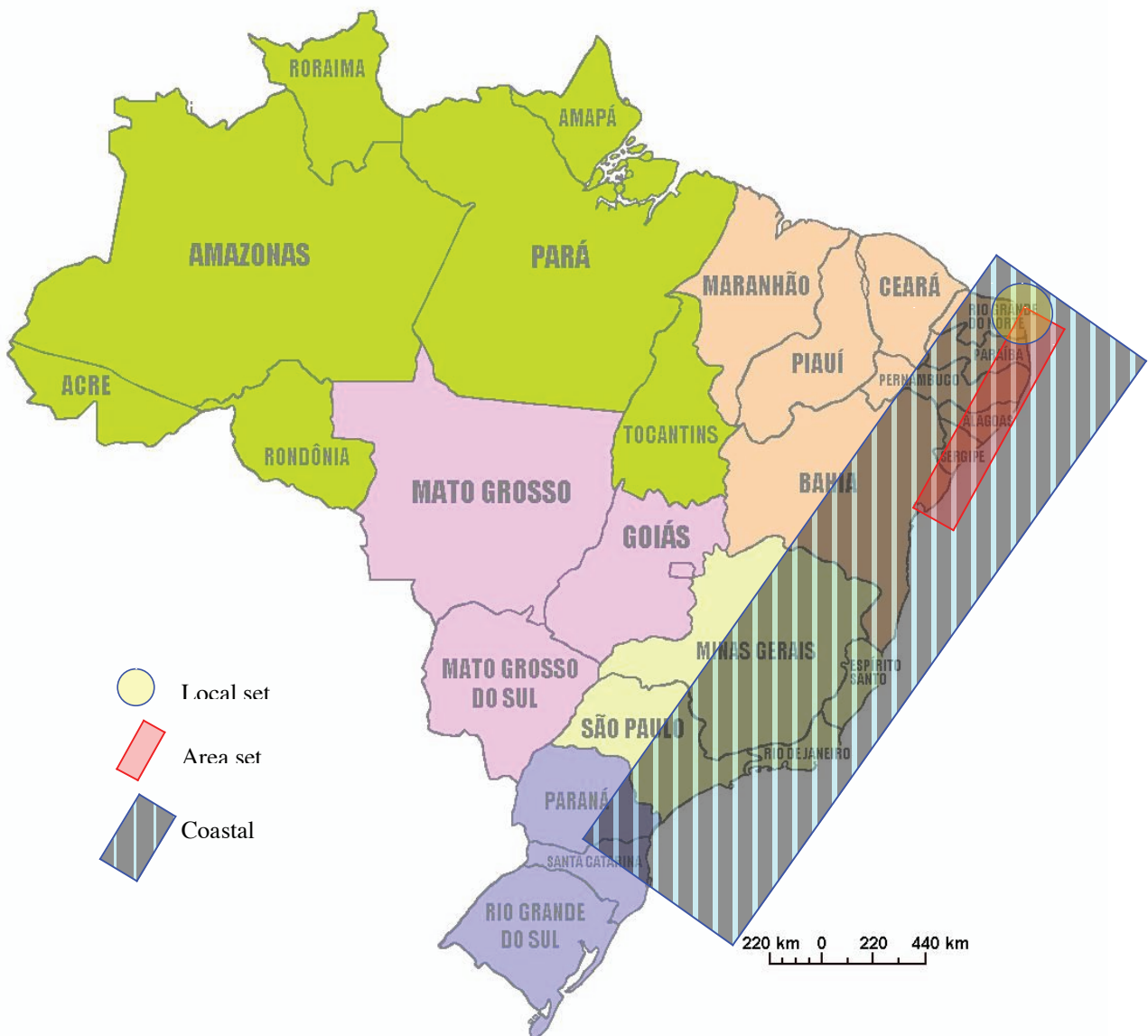
## LOCATION

Natal Ocean Club will benefit from three location factors of:

- i) Distance from local commercial center
- ii) Immediate area attractions
- iii) Regional coast line draws from a national and international basis. Ongoing development in each of these settings increases access and appeal from local, national and international markets.

Hotel market sets are described as three separate sub-markets; Local, Area, and Regional, each of which has distinct and separate characteristics. Unlike city center hotels, The Natal Ocean Club will benefit by competing in all three of the markets. The sets may be further defined as local, area beach, and coastal beach markets.

## COMPETITIVE SETS BY LOCATION



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## DEMAND GENERATORS

Business to vacation resorts, including the subject resort, is driven primarily by location, supply, services, and amenities.

Proximity to demand generators include: airports, business, government, colleges, hospitals and other institutions, convention centers, tourist attractions, museums, historical sites, and recreational opportunities.

## MARKET MIX

The business market climate drives commercial travelers and the strength of the local business community is key to this segment. The size, stability and diversity of major local employers are important factors. Plans for future major capital expenditure developments and implementation for projects such as manufacturing plants, transportation systems, sea ports and airport, commercial, government and sporting facilities, will drive resort business in the phases of short, medium, and long term.

The leisure market is hinged to tourism activity and resort areas rely on local attractions as an aid to bring in customers. Attractions include natural or scenic sites, recreational activities, cultural or historic sites, special events and shopping and entertainment venues.

The group market consists of both leisure and business segments. Leisure groups include select tours, industrial activities, athletic events, and cultural programs among classes. Tour groups are often brought to an area for sightseeing and attending special events are seasonal driven by originating climate.

Business group meetings are typically associated with conferences, board meetings, training programs, seminars, trade shows and other gatherings. Often the sponsoring organization will be from the local area. Out-of-region or international organizations use a variety of local meeting facilities because they often rotate the sites of their meetings.

## BUSINESS MIX

The Property must take advantage of the three primary location advantages to capture off season business from commercial travelers and up market business meetings and special events. The spa component, banquet and meeting facilities, and entertainment characteristics of the destination will allow the seasonality of demand to increase group and leisure business during the off peak periods.



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## COMPETITIVE SET

Known as “the city of sun”, the Natal area is home to a diverse selection of luxurious, affordable and unique accommodations. Natal Ocean Club will compete with hotels and resorts listed in the chart below, among others, in terms of location, market positioning, and facilities:

PROPERTY	ROOMS	MASTER*	VILLA*	STANDARD*	EVENT CAPACITY
Local					
Pestana Beach Natal	186	X	44	142	250
Sehrs Hotel	396	1	122	273	500
Manary Praia Hotel	24	5	5	14	30
Ocean Palace Resort	315	18	32	265	400
Toca da Coruja	23	12	5	6	0
Area					
Pousada Maravilha	8	3	3	2	10
Mosquito Blue	44	X	14	30	100
Pousada do Toque	14	4	3	7	25
Nannai	91	10	41	40	200
Pestana Carmo	79	5	20	54	250
Tivoli Praia do Forte	243	13	54	176	400
Txai	40	12	14	14	100
Kiaroa	28	7	7	14	50
Coastal Region					
Fasano	91	9	36	46	0
Fazenda da Lagoa	14	8	8	3	14
Fazenda Corumba	9	4	4	5	10
Estrela D Agua	28	8	8	14	40
Ponta dos Ganchos	29	5	5	12	50

\*Only for indicating and not actual, the room types are for a comparison of prices, size, style, and clientele.



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## VALUE ENHANCEMENTS

The Natal Ocean Club Resort and Spa is a unique project that is transforming the ocean front splendor into a destination center of activity and enjoyment on the sun drenched tropical Natal coast. Guests and visitors will discover the beautiful interplay of architectural design and natural surroundings of the tropics. The extensive quality, regionally selected materials, top-of-market furnishings, and commissioned artistry are expected to be appealing to the affluent travelers that are active and adventuresome. The opportunity to inspire guests comes from combining natural beauty, impressive design, and a superior choice of accommodations with service and amenities unparalleled in the region.

There are current unmet local, area, and regional needs for an up-market lodging property. The areas existing facilities provide, essentially, basic lodging and banquet space for the community. The aforementioned characteristics of the resorts adds to the sophistication needed to support a showcase property and host to business meetings, special events, food & beverage experiences and entertainment features.

## MARKET REPRESENTATION

Less than half of the hotels and resorts in Brazil are affiliated with an internationally recognized brand name. Natal Ocean Club has the advantage of being the only Preferred hotel in the regional set. Preferred Hotels® sales & marketing personnel and representation will be able to provide Natal Ocean Club with the following:

- Outside sales support to market the new product and expose property to feeder markets' travel professionals, including international through Preferred Hotel's global sales offices.
- Loyalty marketing campaigns to a 250,000 person database of travelling clients.
- Market to previously unsolicited corporate negotiated, retail commercial and meeting business.
- Market to previously unsolicited entertainment business.
- Establish relationships with key Internet providers to carry the Property in the market and position with high placement and direct booking links.
- Provide a recognizable Chain code, PH, which will open up the Property to a vast array of leisure and corporate travel agencies.
- Include the Property in a network of hotels which cross market through a collective internet site, collection of brochures placed in guest rooms of all member hotels, and cross selling through Preferred Hotels literature and collateral where all affiliated hotels are represented.
- Market to regional, national, and international travelers visiting the region through Preferred Hotels Sales Personnel
- Cross promotions to AMEX Travel and airline affiliations



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## CONCLUSION

Natal Ocean Club has the characteristics and potential to be the market leader due to its ocean front location, affluent appeal, beautiful landscape, luxury amenities, world class service and its year-round climate draw from visitors of both hemispheres. Natal Ocean Club will provide a resort experience that is currently unavailable in the subject market.

Today's travelers are made up a variety of interests and needs related to the Natal Ocean Club. Ocean front locations have a history to continually be re-discovered by each new generation of travelers making the resort a destination of infinite period. The benefit is of a sustainable basis of which ocean front resorts are on par with larger cosmopolitan demand centers.

Within the next six to eighteen months the international travel and tourism industry is expected to bounce back to its pre-2009 situation. The rates increases in Brazil have been steady even through the 2009 period which makes the opportunity for an significant incline to the upward trend. However, there are also some drawbacks. Large developments will eventually take place in the emerging market and Natal Ocean Club must remain committed to ongoing capital improvements to maintain it's share of the luxury market over time.

As a circumstance of conservative forecasting and rate strategy due to a new untested local market, the preliminary rates and price positioning have not exceeded international norms or that which have been demonstrated in markets with a comparable history. With additional future amenities and sources of revenue for the business, along with more hotels and resorts entering the market and distribution channels enabling the area to be more broadly marketable, in the mid to long term, hotel rates and accommodated demand are likely to increase to levels experienced on a global basis.

Given consideration to the all findings reported, Natal Ocean Club will introduce rates to the market that are at or 5% to 10% above the combined competitive set median.



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## RATE COMPARISON BY PROXIMITY

RESORT	CITY	2009 HIGH SEASON			2009 LOW SEASON		
		MASTER	VILLA	STANDARD	MASTER	VILLA	STANDARD
Local Set							
Pestana Beach	Natal	X	278	154	X	178	131
Sehrs Hotel	Natal	708	307	256	514	225	170
Manary Praia Hotel	Ponta Negra	X	389	272	X	329	174
Ocean Palace Resort	Ponta Negra	1,150	545	355	778	405	260
Toca da Coruja	Pipa	445	243	150	300	150	100
Area Set							
Pousada Maravilha	Noronha	1,610	1,100	910	1,025	820	720
Mosquito Blue	Jericoacoara	X	171	117	X	153	103
Pousada do Toque	Milagras	630	480	260	500	310	200
Nannai	Recife	940	670	470	880	500	345
Pestana Carmo	Salvador	703	400	258	606	354	258
Tivoli Praia do Forte	Praia do Forte	908	560	430	750	500	365
Txai	Itacare	950	800	650	800	650	450
Kiaroa	Maru	1,100	850	580	1,100	850	580
Regional Coastal Set							
Fazenda da Lagoa	Una	1,030	X	670	855	X	510
Fazenda Corumba	Trancoso	1,940	X	450	905	X	380
Estrela D Agua	Trancoso	1,100	945	540	700	600	520
Ponta dos Ganchos	Celso Ramos	2,000	745	690	1,480	610	590
Fasano Hotel	Rio	3,250	1,750	640	3,250	1,350	450



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## HIGH TO LOW RATE COMPARISON

RESORT	CITY	2009 HIGH SEASON			2009 LOW SEASON		
		MASTER	VILLA	STANDARD	MASTER	VILLA	STANDARD
Fasano	Rio	3,250	1,750	640	3,250	1,350	450
Ponta dos Ganchos	Celso Ramos	2,000	745	690	1480	610	590
Fazenda Corumbau	Trancoso	1,940	0	450	905	0	380
Pousada Maravilha	Noronha	1,610	1,100	910	1,025	820	720
Ocean Palace	Ponta Negra	1,150	545	371	778	405	260
Estrela D Agua	Trancoso	1,100	945	540	700	600	320
Kiaroa	Maru	1,100	850	580	1100	850	580
Fazenda da Lagoa	Una	1,030	0	670	855	0	510
Txai	Itacare	950	800	650	800	650	450
Nannai	Recife	940	670	470	880	500	345
Tivoli Praia do Forte	Praia do Forte	908	560	430	750	500	365
Sehrs Hotel	Natal	708	307	256	514	225	170
Pestana Carmo	Salvador	703	400	258	606	354	258
Pousada do Toque	Milagras	630	480	260	500	310	200
Manary Praia Hotel	Ponta Negra	0	389	272	0	329	174
Toca da Coruja	Pipa	450	300	150	350	150	100
Pestana Beach Natal	Natal	0	178	154	0	178	131
Mosquito Blue	Jericoacoara	0	171	117	0	153	103

All Prices are in USD \$



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## AVERAGE DAILY RATES

RESORT	2009 HIGH SEASON			2009 LOW SEASON		
	MASTER	VILLA	STANDARD	MASTER	VILLA	STANDARD
Local Set						
Ocean Palace	1,150	545	371	778	405	260
Sehrs Hotel	708	307	256	514	225	170
Manary Praia Hotel		389	272		329	174
Pastrana Beach Natal		178	154		178	131
Toca da Coruja	445	300	150	300	150	100
Average High	929	355	241	646	284	167
Coastal Region Set						
Fasano	3,250	1,750	640	3,250	1,350	450
Ponta dos Ganchos	2,000	745	690	1,480	610	590
Fazenda Corumba	1,940		450	905		380
Pousada Maravilha	1,610	1,100	910	1,025	820	720
Kiaroa	1,100	850	580	1,100	850	580
Estrela D'Agua	1,100	945	540	700	600	320
Fazenda da Lagoa	1,030		670	855		510
Txai	950	800	650	800	650	450
Nannai	940	670	470	880	500	345
Tivoli Praia do Forte	908	560	430	750	500	365
Pestrana Carmo	703	400	258	606	354	258
Pousada do Toque	630	480	260	500	310	200
Mosquito Blue		171	117		153	103
Average High	1,174	672	502	873	535	402
Combined Set Average	1,210	623	431	939	489	334

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## 2009 NATAL OCEAN CLUB PRELIMINARY RATE SCHEDULE

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
DAYS	31	28	31	30	31	30	31	31	30	31	30	31
Occupancy*	89%	83%	75%	67%	55%	51%	75%	80%	66%	67%	71%	73%
Room Nights	28	23	23	20	17	15	23	25	20	21	21	23

\*Surveyed Comp Set Average

### ADR

Master	1,150	1,150	1,150	895	895	895	1,150	1,150	895	895	1,150	1,150
Villa 4 Bdrm	733	733	733	601	601	601	733	733	601	601	683	683
Villa 3 Bdrm	583	583	583	466	466	466	583	583	466	466	583	583
Beach Cabana	525	525	525	410	410	410	525	525	410	410	525	525
Beach Suite	500	500	420	341	341	341	500	500	341	341	420	500
Hotel Suite	339	339	270	270	219	219	339	339	219	219	270	339
Sky Spa	310	310	265	265	205	205	310	310	205	205	265	310

All Prices are in USD \$

Rates are subject to change due to demand during holidays, cultural events, sporting events, conventions, or travel conditions.

Hotel Suites & Sky Spa units were added in February 2010. The projected rates are the estimated market rate based on the existing demand for the other resort room types.

## NATAL OCEAN CLUB 5 YEAR RATE FORECAST \*

	STUB OPEN 2010	1ST YEAR 2011	2ND YEAR 2012	3RD YEAR 2013	4TH YEAR 2014	STABALIZED 2015
Annual Change	3%	3%	2%	2%	1%	1%
Comp Set Occupancy	74%	75%	77%	78%	79%	80%
Penetration	70%	80%	90%	105%	110%	110%
Industry Increase	4%	6%	5%	5%	4%	4%
Master	1,100	1,167	1,225	1,286	1,338	1,391
Villa 4 Bdrm	704	746	784	823	856	890
Villa 3 Bdrm	562	596	626	657	684	711
Beaach Cabana	503	533	560	588	611	636
Beach Suite	446	473	497	521	542	564
Hotel Suite	289	303	319	335	351	387
Sky Spa	268	281	215	310	326	359

All Prices are in USD \$

\* Figures are Indicative



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## METHODOLOGY

Virtually every chain in the United States provides reporting data on nearly all of their properties, this data gives a basis for operating percentages in almost every size of hotel and in every type of market. Hotel management uses this data as a comparison in other international locations.

Reservation processing companies also collect and provide data on international hotels of all caliber. Along with that source, management also examines online listings and hotel directories for information on hotels that don't provide any operating statistics. We don't stop there. We call hotels in our competitive sets; local, area, regional, and national to obtain rates for all available categories. Based on this information we group the hotels - those that report data and those that don't - into groupings based off of price level and geographic proximity. We then estimate the price levels achievable in our forecasting models.

2009 competitive set existing rates were researched and scrutinized to determine base rates by category and then an annual increase was used to forecast conservatively as compared to the 8-9% increase that industry reports and country officials are projecting for Brazil.

We believe it imperative to perform this analysis at least twice a year in order to provide stakeholders in the resort with the best estimate of total lodging demand and room revenue on asset of interest. Armed with this information a more informed decision can be made.



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## GLOSSARY

### ADR (Average Daily Rate)

Room revenue divided by rooms sold.

### Affiliation Date

Date the property affiliated with current chain/flag

### Census (Properties and Rooms)

The number of properties and rooms that exist (universe)

### Change in Rooms

Indicator of whether or not an individual hotel has had added or deleted rooms.

### Exchange Rate

The factor used to convert revenue from U.S. Dollars to the local currency. The exchange rate data is obtained from Oanda.com. Any aggregated number in the report (YTD, Running 3 month, Running 12 month) uses the exchange rate of each relative month when calculating the data.

### Demand (Rooms Sold)

The number of rooms sold (excludes complimentary rooms).

### Full Historical TREND

Data on selected properties or segments starting in 1987.

### Occupancy

Rooms sold divided by rooms available.

### Open Date

Date the property opened

### Penetration

Subject property performance against competitive set.

### Percent Change

Amount of growth, up, flat, or down from the same period last year (month, ytd, three months, twelve months). Calculated as  $((TY-LY)/LY) * "100"$ .

### Revenue (Room Revenue)

Total room revenue generated from the sale or rental of rooms.

### RevPAR - Revenue Per Available Room

Room revenue divided by rooms available (occupancy times average room rate will closely approximate RevPAR).

### Sample % (Rooms)

The % of rooms STR receives data from. Calculated as  $(\text{Sample Rooms}/\text{Census Rooms}) * "100"$ .

### Standard Historical TREND

Data on selected properties or segments starting in 1997.

### Supply (Rooms Available)

The number of rooms times the number of days in the period.

### Twelve Month Moving Average

The value of any given month is computed by taking the value of that month and the values of the eleven preceding months, adding them together and dividing by twelve.

### Year to Date

Average or sum of values starting January 1 of the given year.



## INDUSTRY REPORTS

"5.4 million foreign tourists visit Brazil per year, spending an average of US\$900 per tourist. The goal of the Brazilian government through 2014 is to increase the number of arrivals to 10 million, with each tourist spending at least US\$1,300."

"The internal market in Brazil is developing and the population is looking for leisure, tourism being one of the main options," he said. "The ratio population/ number of rooms available in Brazil is extremely lower when compared to the ratios shown in the U.S.A., Mexico and Argentina, which presumes huge opportunity for tourism and hospitality in Brazil."

"Brazil has the largest domestic market in South America with a population of around 200 million, and the country accounts for 50 percent of South America's gross domestic product."

"Brazilians are traveling more and more, so the domestic market has increased a lot in the past five to 10 years," said Cristiano Gonçalves, VP development South America for Hilton Hotels Corporation. "I'm not just talking about leisure travelers, but business travelers as well. The growth of the domestic market is absolutely amazing."



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## SOURCES

### Smith Travel Research

In 2008, STR brought together Deloitte's HotelBenchmark™ and The Bench to form STR Global. STR Global offers monthly, weekly, and daily STAR benchmarking reports to more than 38,000 hotel clients, representing nearly 5 million rooms worldwide. STR Global and STR are now the world's foremost sources of hotel performance trends and will offer the definitive global hotel database and development pipeline. STR is headquartered in

Hendersonville, TN, and STR Global is based in London, with a satellite office in Singapore.

### Pannell Kerr Forster

Formed in 1969 from just four firms - Australia, Canada, UK and US - the network now comprises over 230 member firms in 120 countries. With around 15,000 partners and staff, the member firms in our network have an overall annual turnover (including correspondent firms) of around US\$2.02 billion.

### Hospitality Valuation Services

Since 1980 HVS has expanded both its range of services and its geographical boundaries. Located in more than twelve countries, HVS offers consulting services in a wide range of areas, including appraisal and valuation, executive search, investment banking, hotel management, gaming, hotel parking, food and beverage, asset management, golf, sales and marketing services, interior design, and shared ownership services, as well as convention, sports, and entertainment facilities.

### TravelClick

TravelClick is a leader in hotel ecommerce solutions, providing a continuous flow of high-value online bookings to hotels worldwide. A uniquely comprehensive one-stop solution, TravelCLICK offers market intelligence, distribution, and digital marketing solutions delivered with personal attention and local market expertise. With revenue optimization experts in every global market, we help our clients make better business decisions, generate greater demand from the right mix of channels, convert more shoppers to high-value guests, and increase hotel revenue.



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