SOUTH AMERICA, ESPECIALLY BRAZIL, DRIVING DEVELOPMENT IN THE REGION

The resurgence of lodging construction in South America is gathering speed, having bounced back faster than most other regions of the world. Rapid government intervention, including broad stimulus programs, lower interest rates and investment incentives, minimized the impact of the global recession and banking crisis. Escalating international demand for natural resources exported by these countries is further bolstering their economies, with several to see vigorous GDP growth through 2014. The lodging industry has rebounded impressively as well. Occupancy has nearly recovered to pre-recession highs, while average room rates and RevPAR have surpassed those levels. As a result, developer and global brand sentiment is avidly enthusiastic, and the Construction Pipeline in South America is flourishing.

The revival of lodging construction is exceptionally robust in Brazil. It's the world's 8th largest economy and home to 63% of South America Pipeline projects and 66% of rooms. Since reaching a low in Q4 2009, the country's Total Pipeline has grown for four consecutive quarters to 175 projects/28,104 rooms in Q4 2010, a 30+% year-over-year (YOY) increase by projects and rooms. New Project Announcements (NPAs) into the Pipeline have also regained momentum, with 44 projects/6,764 rooms in Q4, the highest LE has recorded in the last three years. With Brazil having host nation status for two major international sporting events in 2014 and 2016, developers are eager to ramp up construction, which will drive NPAs and Pipeline totals up to new highs through mid-decade.

Latin America: By Country & Region

	Q4 2010		% Change YOY	
	Projs	Rms	Projs	Rms
Brazil	175	28,104	32%	33%
Other SA Countries	101	14,535	6%	5%
Central America	59	9,319	69%	34%
Mexico	115	17,438	-5%	-3%
Caribbean	66	12,586	-4%	-16%
Total Americas	**516**	**81,982**	**14%**	**9%**

Pipeline totals for other South American countries have also grown, with 101 projects/14,535 rooms in the Total Pipeline at the end Q4, up 6% and 5% YOY, respectively. A majority of this activity is in Argentina, Colombia, Peru, and Chile, which account for 30% of total South American projects and 28% of rooms. As in Brazil, fiscal and monetary policies and strong export industries buttress these economies, with GDP growth of 4% or more projected over the next three years. This strong economic growth, combined with the rebound in operating results, has boosted developer and global franchise company optimism, resulting in four quarters of Pipeline count increases and rising NPAs.

As South America's Pipelines build up, the rate of New Hotel Openings will begin to pick up pace. In 2011, LE's Forecast projects 40 hotels/5,846 rooms to open in Brazil, while a total of 25 hotels/3,079 rooms will open in other South American countries. For 2012, Brazil's New Openings will briefly drop to 33 hotels/4,616 rooms, with 34 hotels/4,636 rooms expected to come online in the rest of South America.

The development outlook for South America looks bright for some time to come, with investor and developer sentiment very high. Seeing tremendous opportunity, leading global franchise companies are furthering their strategies to expand their presence in the region, especially with their select service brands. All of this will promote accelerating Pipeline growth, which is expected to last at least through the middle of this decade.

CENTRAL AMERICA REBOUNDING - RECOVERY SLOWER ELSEWHERE

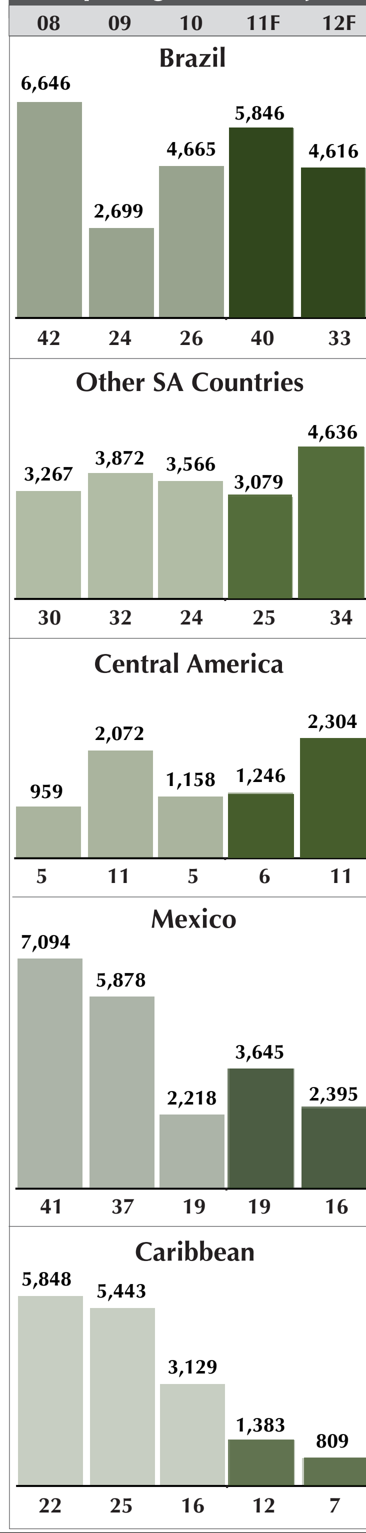
Development activity in Central America has been increasing steadily, with the Total Pipeline at 59 projects/9,319 rooms at the end of Q4. Much of this is in Panama, which accounts for 66% of total projects, and Costa Rica, 24%. With healthy economic growth projected for the next three years and rising status as a tourist and, in the case of Panama, commercial destination, these countries are drawing increased attention from global hotel companies.

New Project Announcements into Central America's Pipeline are coming at a rising pace, reaching a high in Q4 of 15 projects/1,326 rooms. New Hotel Openings will also increase in 2012, when 11 hotels/2,304 rooms will come online.

The global financial crisis had a more sizeable impact in Mexico and has dampened hotel development there, particularly for larger, high-end properties in resort locations. Declining counts have brought the Total Pipeline to 115 projects/17,438 rooms at the end of Q4. NPAs into the Pipeline have also continued to decline, with just 7 projects/876 rooms in Q4, a 6-quarter low. The country remains a focal point for development, with several global franchise companies having recently announced intentions of further development, particularly for their select service brands. With the contraction of the Pipeline, Mexico's New Hotel Openings will hold in a lower channel, with 19 projects/3,645 rooms to open in 2011 and just 16 projects/2,395 rooms in 2012.

The Caribbean continues to struggle to regain footing. With heavy dependence on tourism, lodging operations have shown only minimal gains. At 66 projects/12,586 rooms, the Total Caribbean Pipeline is in a bottoming formation and will decline further, as New Project Announcements into the Pipeline are at the lowest LE has recorded in the past three years, with just 9 projects/902 rooms in Q4. More substantial and sustained lodging operational improvements are needed. Until then, Pipeline activity will remain sluggish.

LE's Forcast for New Hotel Openings - Rms/Projs



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