

Case Study

Beach Enclave
Turks & Caicos:
Creating a Luxury Villa Resort Brand

by Chekitan S. Dev
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Beach Enclave Turks & Caicos: Creating a Luxury Villa Resort Brand

Introduction

It was the spring of 2019 and Beach Enclave (BE), a company that designed, built and operated luxury private villa resorts on Turks and Caicos Islands (TCI) in the Caribbean, had just celebrated its second anniversary. A relatively novel concept in the lodging industry, Beach Enclave's villas offered guests the impeccable design, exceptional amenities and personalized experiences & services of a luxury resort in the privacy of a full home. Meanwhile, villa owners enjoyed an asset maintenance program for their property and the opportunity to opt in the branded rental program and resort services. "Beach Enclave is for travelers who seek the privacy of a beach villa, yet appreciate the bespoke services and amenities of a luxury boutique resort," explained Vasco Borges, BE's CEO (Exhibit 1).

In just over two years, the company had more than doubled the number of its custom-designed luxury properties, selling them in record time to homeowners, outperformed TCI's villa rental market, and earned Trip Advisor #1 Hotel among 43 in Turks and Caicos. Beach Enclave now managed 24 villas in three locations, each on a special beach ("Beach Enclave") on the coveted Providenciales ("Provo") Island, whose beaches ranked among the best in the world.¹

Borges was already eyeing further expansion in the Caribbean: "In five years, we want to expand our Beach Enclave luxury private villa brand to other neighboring islands, and we want developers to approach us as a hospitality management company," he envisioned. But first, Beach Enclave needed to develop a unique and well-defined flagship brand on TCI. Borges had just acquired land next to its Beach Enclave Long Bay ("BELB") resort location and he and his team were considering three alternate operating models for its development. They were wondering which one could best help establish BE's brand and serve as a model for Beach Enclave's future expansion.

The Luxury Villa Resort Niche

In 2013, while working as Chief Financial Officer for Grace Bay Resort, one of TCI's most established resort brands, Borges identified an opportunity for the development of a luxury villa development and management business model. At that time, TCI's hospitality and real estate markets were dominated by the condominium resort model.² Buyers interested in owning vacation property on TCI had to choose between either living in a two to three-bedroom condominium-type complex or living in a free-standing home and dealing with the upkeep and challenges of managing a second home. "I thought there was an opportunity for a combination of the two: the comfort and privacy of a full home with the convenience and services of a condo resort," he explained. On the hospitality side, luxury group travel was an emerging trend in the travel industry. Groups of friends or multi-generation families would combine a luxury trip with a reunion and sought groups of suites or large homes that would allow them to share time together, under a single roof.

Beach Enclave's Real Estate Play

In 2013, Borges found 10 acres land on the North Shore of Provo to develop 6 beachfront villas and 3 ocean view villas and incorporated Beach Enclave. The company's Real Estate investors were

1. Begley Bloom, Laura (2019). "The World's 50 Best Beaches, Ranked, Plus 6 Getaways Millennials Will Love," *Forbes*, November 27, 2017, <https://www.forbes.com/sites/laurabegleybloom/2017/11/27/ranked-the-worlds-50-best-beaches/#3406b95c5c29>, accessed 07/05/2019

2. Condominiums are building structures divided into several units that are each separately owned, surrounded by common areas that are jointly owned.

mainly high net worth individuals and family offices with ties to TCI.

Villas at Beach Enclave North Shore (“BENS”) were put on sale in 2014 as off-plan properties, i.e. construction would start only after the villa had sold. “If they do not sell, we just own the land,” noted Borges. With sales prices ranging from \$2.5 to \$4 million, BENS villas featured 6,000 to 8,000 sq. ft. of indoor and outdoor fully furnished living space, 4-5 bedrooms layout, and a tropical minimalist and contemporary “barefoot Caribbean” aesthetic on 0.9 acres of land. The sales agreement included management services³, a homeowners’ association (HOA)⁴ and an optional branded rental program. Rental was optional, but if selected, was managed by Beach Enclave. Rental revenues were split 60% for the owners, 40% for Beach Enclave. Revenues from amenities and services outside the rental package (beach bar, extra food & beverages, extra services....) were 100% BE’s. All the villas successfully sold within 18 months, and BENS officially opened for reservations in November 2016. In subsequent years, Beach Enclave opened two additional resorts on Provo: Beach Enclave Long Bay (“BELB”) featuring 5 custom-designed 5-7 bedroom beachfront villas⁵ in 2018 and, Beach Enclave Grace Bay (“BEGB”) composed of 4 beachfront villas and 6 ocean-view villas, all featuring 5-8 bedrooms to open in November 2020 (**Exhibit 2**).

Building Beach Enclave’s Bespoke Luxury Experience

The Beach Enclave guest experience began right from the booking process and pre-arrival. Reservations and concierge were one team, composed of destination experts, all based on property. Through the booking and pre-arrival, the Beach Enclave canvassed the guests about the preference of the group, its interest in outings on TCI or any special occasions and celebrations. When they arrived on TCI, guests were met by a greeter at the airport, placed into a taxi that brought them to the property. At the villa, they were welcomed by the Resort Manager and their personal butler who toured the villa with them, shortly followed by a one-on-one with their concierge. The same butler stayed with them the entire stay, serving breakfast and drinks by the pool, organizing housekeeping, planning meals, coordinating water activities for the guests with the beach attendants, and organizing with the concierge any outings or extra services. For meals, guests could leave the Beach Enclave estate to eat in the many restaurants available on TCI, have meals delivered to their villa, or have a chef prepare and serve them in their villa. The butler and concierge services were included in the guest rental program and available to owners for an extra charge. Beach Enclave kept a staff of about 10 butlers on hand and a list of on-call butlers in time of high occupancy.

The Beach Enclave resorts had few common amenities. “Our owners and guests are coming to stay in the privacy of their villa, so Beach Enclave’s goal is not to provide a wide array of common amenities, but instead, to deliver personalized in-villa luxury services,” Borges explained. Common amenities were limited to yoga/fitness centers, small beach bars and tennis courts. “It is difficult to run food and beverage amenities when you have only large villas and cater to large groups, it is either no affluence or high affluence” observed Torai, BE’s hospitality Director.

Off to a Flying Start

Beach Enclave’s hospitality performance matched its earlier real estate success. At the end of 2017, a year after they opened for rentals, the Revenue per Available Villa (RevPAV)⁶ of BENS’ beachfront

3. Maintenance program, 24/7 management presence on property, privacy and security (gated entrance and professional security on property), dedicated concierge on property, a fitness center, beach amenities and use of non-motorized watersports.

4. A homeowners association (HOA) is an organization in a subdivision that sets and enforces rules for the properties and their residents. Those who purchase property within an HOA’s jurisdiction automatically become members and are required to pay HOA fees, which typically covered the costs of maintaining and improving the building’s common areas, such as reception areas, lobbies, patios, pool, beach, landscaping.etc.

5. A 6-7 bedroom house included 1-2 suites in a separate garden cottage.

6. RevPAV was obtained by multiplying the average daily villa rate charged (ADR) with the average daily occupancy achieved. ADR was obtained by dividing villa revenue by the total number of villas occupied by guests during the applicable period.

properties had reached or exceeded its competitors' (**Exhibit 3**). Overall, from 2017 to 2018, BENS saw occupancy increase by 30%, ADR by 16%, and RevPAV by 54%. In April 2019, Beach Enclave earned a perfect 5.0-star rating from 83 reviewers on TripAdvisor, ranking it first of 43 hotels on TCI.

In 2019, 71% of Beach Enclave's guests came from the United States, particularly from Florida, the tri-state region (NY, NJ, and CT), and Texas. Typical guests were families or groups of couples of 6 guests or more who stayed on average 5-6 days. About 1/3 of the groups had children of 12 years or under. "We are getting more requests from smaller groups, for example return guests who first came in a group or smaller families, but our villas are too large to host them," Torai noted. In 2019, 36% of reservations came from wholesalers (both villa experts such as Villas of Distinction and Luxury Retreats, and traditional wholesalers such as Classic Vacations and Island Destinations), 37% from direct booking and 15% from luxury travel agents. Online Travel Agencies, like Expedia or Booking.com accounted for only 5% of reservations. "The key for our success is twofold," Torai summed up, "first, 15% our guests are repeat guest and 37% book directly with us – both amazing statistics for a nascent brand; second, we were able to appeal to both new distribution channels such as Luxury Retreats (our biggest single partner) and to traditional channels like Travel Agents."

Competitive Landscape

The market for villa rentals on TCI consisted of stand-alone villas or villas that were part of an existing larger resort. Beach Enclave did not consider stand-alone luxury villas as direct competition, because they provided minimal in-villa services.

Until 2016, the most prominent resorts with luxury villas on TCI were Amanayara (36 hotel pavilions and 20 fully serviced 3-5 bedroom private villas) and COMO Parrot Cay (61 rooms and a dozen beach houses and villas). In 2017, some existing TCI resorts began jumping on the villa bandwagon (**Exhibit 4**). Two models were emerging: the "resorts with villas model" where the resorts built on-site clusters of villas with bespoke architecture and brand unity (Shore Club Hotel) and the "collection of villas with a connection to the resort model" where the resort built off-site villas and/or took over the brand management of existing stand-alone villas (Wymara and Grace Bay Resorts). These villas' owners and guests had access to the resort's amenities (restaurant, bar, fitness, spa...). "The main distinction between Beach Enclave and most of these resorts is that their villa rentals do not include a dedicated butler who stays in the house with the guests; such a service may be available at an additional cost," noted Lee Annie Lee, Beach Enclave's Revenue & Marketing Manager and a graduate from Cornell University's School of Hotel Administration. Apart from the local players, Beach Enclave villas also competed with neighboring Caribbean islands destinations such as St Bart's, Anguilla, and St. Martin.

The Case for Diversifying the Experience

In late 2018, after two years of successful sales and rentals of Beach Enclave villas, Lee noticed a gradual slowdown in rentals. "With the addition of Long Bay's three beachfront villas to our rental portfolio in November 2018, we expected the volume of reservations to increase accordingly or more, but instead the revenue per villa decreased," she worried. "Our wholesalers are attributing the general slowdown of villa reservations on TCI to the reopening of St Barts, Anguilla and Mexico resorts, which were devastated by hurricanes in 2017, but the slowdown does not seem to affect TCI's hotels," Lee puzzled. In fact STR, a hospitality research firm, recorded a 101.2% jump in hotel RevPAR on TCI in November 2018 (compared to November 2017), driven by a 75% rise in occupancy and a 17.3% rise in ADR.⁷ "I think lower occupancy for villas is due to 3 factors: first, the supply of private villa resorts has grown faster than the demand; second, TCI has lost market share to neighboring islands; third, we were overconfident in raising our daily rates in 2018," Borges

7 Louw, Rico (2018). "Turks and Caicos Pacing Caribbean Hotel Industry," November 9, 2018, Caribbean Journal, <<https://www.caribjournal.com/2018/11/09/turks-and-caicos-pacing-caribbean-hotel-industry/>>, accessed on 7/02/2019.

analyzed. In early 2019, Beach Enclave launched promotional rates (except for the holiday season) to boost occupancy. As of May 2019, occupancy rates were still lagging compared to 2018's levels (**Exhibit 3**). Promotional rates now represented half of the reservations.

Beach Enclave's top management was starting to wonder if their current concept of large private luxury villa resort was nimble enough to respond to a demand slowdown in the increasingly crowded private villa market. "With our current business model of large private villas, occupancy is seasonal, we are doing very well during the holidays when groups and families gather for celebrations, but not so well in between, maybe it is time to diversify our offering" Borges reckoned. He identified several ways in which Beach Enclave could potentially stabilize seasonality and increase revenues. One was adding smaller 1 to 3 bedrooms of 3000 sq. ft. units to Beach Enclave's portfolio to cater to guests traveling as couples or in smaller groups. Another was adding signature amenities for which Beach Enclave did not have to split revenues with owners. "People want privacy, but they also want a place to socialize before retreating to their villas," he pointed out, "maybe we should provide more amenities, such as a restaurant, or a spa, but for them to have consistent quality and be operationally cost-effective, we need to bring in more guests and predictable traffic."

The BELB's Extension Opportunity

In 2018, Beach Enclave bought 3 acres of beachfront land next to BELB's 5 acres. Borges saw this extension as an opportunity to experiment with a new operating model for the Beach Enclave brand on TCI and for future expansion to neighboring islands. BELB's villa owners welcomed the idea of adding more amenities and more volume to the resort, but they did not want them next to their villas. Borges was considering three alternate pathways for BELB's extension (**Exhibit 5**):

- Option A: Villa Collection: BELB would add another three 5-7 bedroom luxury villas for sale and rental and maintain the present model of luxury private villas with a dedicated butler and amenities provided mostly in-villa.
- Option B: Villa Resort: BELB would add six 2-3 bedroom beach cottages for sale and mandatory rental. A concierge would be shared across 3 or 4 beach cottages. The resort would include a Club Lounge, with a full bar/restaurant, event space, kids program, as well as upgraded sports facilities and new tennis courts.
- Option C: Villas and Suites Resort: BELB would add four 2-3 bedroom beach cottages for sale and mandatory rental, plus a 24 all-suite hotel. Beach Enclave would retain ownership of half of the suites; the other half would be converted into 6 condominiums for sale (2-3 bedroom condo units). BELB would become a full amenity resort with a rooftop wellness spa, multiple restaurants and bars, common pools and decks, and a sports area.

As Borges was examining the financial statements for the development and operation for the 3 options (**Exhibits 5 and 6**), he was wondering which one made the most financial sense. In choosing between the 3 options, he also needed to take into account how each of them would affect Beach Enclave's branding strategy both on TCI and in future markets on neighboring Caribbean islands.

How far should Beach Enclave deviate from their super-sized luxury private villa resort model? Should Beach Enclave just continue to concentrate on in-villa services with minimal in-resort amenities? Should they just increase their rental revenues through building and renting smaller villas, requiring a higher share of rental revenues in the split with future owners or even owning some of the smaller units?

If Beach Enclave were to invest in additional on-resort amenities, what mix of small villa and hotel rooms was optimal to sustain quality amenities? Was a higher density model compatible with Beach Enclave's existing brand positioning? How should Beach Enclave define the inclusion of hotel rooms on a private estate? Should the hotel be branded separately with two sub brands: Beach Enclave Villa and Beach Enclave Hotel? Which Club amenities should the brand focus on? Amenities that fostered social interactions (food & beverage, events...), or health and wellness amenities

(spa, fitness, yoga...)? Should they be open to the public? Would new channels of distribution need to be opened up to fill these new rooms? How should Beach Enclave position their brand with travel agents to differentiate themselves from TCI's competitors already serving the hotel with villa segment?

These were just a few decisions Borges and his team needed make as they considered creating a Beach Enclave brand which could scale to the entire Caribbean and the rest of the world.

Bio of Beach Enclave Executive Team

Vasco Borges, Founder, CEO: Borges has over a decade of experience in luxury real estate development and management. He previously worked 7 years at McKinsey & Company, as a consultant and project manager in the Luxury Goods and Private Equity practices across Europe, South America and Asia; and as Brand Manager at Danone. Before founding Beach Enclave, he was a project manager at the Water Cay development for the Starwood Capital Group, and was the Chief Financial Officer of the Grace Bay Resorts. At Grace Bay Resorts, he participated in the development and opening of the Estates at Grace Bay Club, and led construction completion and opening of the Veranda Resort & Residences. Through his tenure, he supported the transformation of the Grace Bay Club to one of the most recognized and awarded resort companies in TCI.

Joshua Torai, Hospitality Director: Torai headed the brand and guest experience, applying his experience as cluster manager for Aman Resorts and Alila in Asia, as well as General Manager positions in some of the most sought after resorts in the Caribbean. At Beach Enclave, he is in charge of operations and branding.

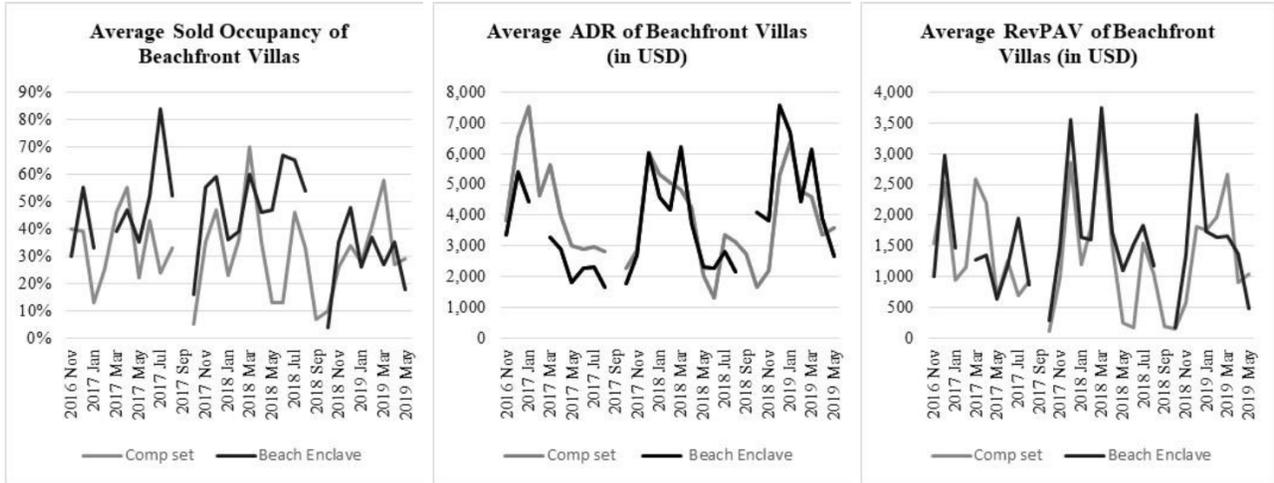
Annie Lee, Revenue Manager: Lee joined Beach Enclave in 2018. Her hospitality career began at Cornell University where she received her bachelor's degree in hospitality administration and most recently, a certificate in revenue management. In her spare time, she founded and oversaw a wholesale bakery specializing in macarons and high-end event cakes. At Beach Enclave, she oversees revenue management, marketing and reservations. Annie Lee, Revenue Manager: Lee joined Beach Enclave in 2018. Her hospitality career began at Cornell University where she received her bachelor's degree in hospitality administration and most recently, a certificate in revenue management. In her spare time, she founded and oversaw a wholesale bakery specializing in macarons and high-end event cakes.

EXHIBIT 2**Beach Enclave's Resorts and Services in January 2019**

	North Shore	Long Bay	Grace Bay
Number of Villas	9 villas (6 beachfront)	5 villas (all beachfront)	10 villas (4 beachfront)
Villa Size	4-5 bdr	5-7 bdr	5-8 bdr
Sale Price(beachfront)	~\$4 million (2014)	~\$5 million (2017)	~\$10 million (2019)
Resort Opening Date	11/2016	11/2018	Opening 11/2020
Shared Amenities	On-site reception/Fitness Center / Beach bar / Tennis Court	On-site reception/Fitness Center	On-site reception/Fitness Center / Tennis courts / Kids' Club/Restaurant & Beach Bar
In-villa Amenities	Furnished outdoor and indoor living areas / Heated infinity edge swimming pool /Multiple outdoor terraces and decks/Outdoor showers / Two beach-facing master bedrooms (minimum) / Fully equipped kitchens / SONOS indoor/outdoor sound systems / Apple TV, cable and WiFi / Fully air-conditioned living spaces / Natural oil based and automated mosquito system / Private, shaded beach deck (beachfront villas) /Private access to the beach (beachfront villas)		
Complimentary services	Airport meet & greet / Transfers to villa / On-site Concierge and Resort Manager / 24/7 on-site management / Dedicated butler / Daily housekeeping and turndown / A la carte breakfast delivered daily in the villa / Daily yoga classes by Retreat Yoga & Wellness / Weekly Paddleboard Ecotour by Kite Provo @BELB / A \$700 voucher/stay/villa for watersports rentals/classes @BELB / Daily pool and beach setup / Use of non-motorized water sports (paddleboards, kayaks and snorkel gear) / Use of golf cart		
Extra Services	Private Chef services, for full day or specific meals / Access to Beach Enclave private fleet of boats / Private dinner on the beach and/or bonfire / Pre-arrival and during stay villa provisioning / Rental car booking, with pick-up and drop-off on property / Expert organization of special events and celebrations / Rental car booking, with pick-up and drop-off on property		

EXHIBIT 3

Beach Enclave Beachfront Villa Operating Performance vs. Comp Set, 2017-2019



Source: Data compiled by Beach Enclave together with comp set, beachfront villas only.

Note: Average Daily Rate (ADR) was villa revenue divided by the total number of villas occupied during the applicable period. Revenue Per Available Villa (RevPAV) was ADR multiplied by the occupancy rate.

EXHIBIT 4

Selected Resorts with Villas in Beach Enclave’s Competitive Set on TCI

Beach Enclave	Shore Club Villas	COMO Parrot Cay	Wymara Villas	Grace Bay Residences
Private Villa Resort	Condo Resort with villas	Hotel & Villa Resort	Villa Collection	Villa Collection
5-10 villas, 4-8bdr each	Condo (38 suites) 6 villas, 6 bdr each	Hotel (45 bdr) 15 Cottages (1-3 bdr) 10 Private villas (3-15 bdr)	6 villas, 5bdr each	3 villas, 4-6 bdr each
	Affiliation: The Hartling Group ^a	Affiliation: COMO Hotels&Resorts, COMO group ^d	Affiliation: Wymara Ltd	Affiliation: Grace Bay Resorts ^c
Location: North Shore and Long Bay	Location: Long Bay Villas on resort site	Location: Parrot Cay (private island) Villas on resort site	Location: Turtle Tail Villas at 2.2 mi from resort Signing privileges at the Wymara Resort (91 bdr)	Location: Grace Bay Villas at 3.6 mi from resort Signing privileges at Grace Bay Club
Resort Amenities: Fitness center Beach bar (BENS)	Resort amenities: 4 Pools 3 Restaurants and 3 Bars Fitness center Tennis courts Spa Watersports & Bikes Business Center Kids club	Resort amenities: Infinity pool 2 restaurants and 3 bars Fitness Center COMO Shambhala spa Watersports equip-ment Business center Tennis court Meeting/wedding space Boutique	Resort amenities: 1 pool 2 restaurants and 1 bar Fitness center Spa Watersports equip-ment Boutique	Resort amenities: 3 pools 3 restaurants and 3 bars. Fitness center Spa Watersports equip-ment Business center Kids Club Tennis courts
Villa daily rate ^b : \$2,900-\$13,100	Villa daily rate ^b : \$6,000-\$13,000	Villa daily rate ^b \$2,027-\$13,000	Villa daily rate ^b : \$5,500-\$10,500	Villa daily rate ^b : \$6,000-\$12,000

Source: Beach Enclave and Casewriters, compiled from data from each company’s Website, accessed 06/24/2019.

^a The Hartling Group was a real estate development and management group in TCI. It owned and managed 3 resorts: The Palms TCI (72-suite resort, 2005), The Sands at Grace Bay (72-suite resort, 2000), The Shore Club on Long Bay Beach (38-suite resort)

^b Rack rates (from lowest to highest) for villas with maximum 5 bedrooms, as posted on each company’s Website accessed on 06/24/2019. Does not include promotions or discounts.

^c Grace Bay Resorts owned and managed Grace Bay Club (82 accommodations), the West Bay Club (46-suite resort), Point grace (35-suite resort), and the Private Villa Collection. The Grace Bay Club comprised the Grace Bay Club Hotel (22-suites), The Villas at Grace Bay Club (1-3 bedroom studios) and The Estate at Grace Bay Club (22 residences), operated as a single luxury resort with seven beachfront buildings, 3 pools, and 750 feet on Grace Bay..

^d COMO Hotels and Resorts, 15 ultra- luxury resorts worldwide, belonged to the COMO group, a Singapore-based lifestyle company founded and owned by Christina Ong. COMO group’s activities included Club 21 (fashion brands and designer partnering), COMO Hotels and Resorts, COMO Shambhala (spa/wellness centers in 14 world locations), and COMO Lifestyle (food and beverage businesses).

EXHIBIT 5
Projected Financial Statement for the Development and Operation of BELB's Extension (in USD)

	Option A: Villa Collection	Option B: Villa Resort	Option C: Villas and Suites
Villas	3		
Beach Houses		6	4
Condos and Suites - 3rd party owned			6
Suites - BE Owned			12
Amenities	Beach Bar	Club Lounge	Full Resort
Sources			
Equity - Beach Enclave	2,000,000	2,000,000	4,250,000
Debt	2,679,000	2,679,000	7,610,098
Sales	14,250,000	16,500,000	21,229,412
Design options	225,000	300,000	200,000
	19,154,400	21,479,500	33,289,510
Uses			
Sales cost (broker comm., legal)	757,000	825,000	1,401,252
Construction cost & landscaping	6,300,000	8,400,000	20,080,000
Land acquisition	4,179,500	4,179,500	4,179,500
Site works & improvements	200,000	200,000	250,000
Common areas & amenities	100,000	450,000	Incl. in const. cost-
Soft costs	300,000	300,000	1,500,000
Pre-Opening, FF&E, OS&E	50,000	100,000	800,000
Interest expenses	535,900	669,875	1,000,000
Principal repayments	2,679,500	2,679,500	4,078,758
	15,102,400	17,803,875	33,289,510
Distributable cash	4,052,100	3,675,625	
Outstanding debt at development			(3,531,340)
Revenues			
Room revenue	1,200,000	1,800,000	6,500,000
Rooms - cost of sales	(144,000)	(216,000)	(1,000,000)
Rooms - owner share	(633,600)	(792,000)	(2,050,000)
F&B revenue		250,000	1,200,000
Spa revenue			300,000
Other income	200,000	300,000	1,156,306
	622,400	1,342,000	6,106,306
Expenses			
Rooms expenses	(240,000)	(360,000)	(869,354)
F&B expenses		(200,000)	(900,240)
Spa expenses			(205,915)
OI Expenses	(40,000)	(60,000)	(66,860)
Administrative & general	(200,000)	(250,000)	(630,000)
Sales & marketing	(60,000)	(90,000)	(460,000)
Maintenance & utilities	(75,000)	(100,000)	(700,000)
Strata/HOA contribution	150,000	180,000	210,000
	(465,000)	(880,000)	(3,622,369)
EBITDA	157,400	462,000	2,483,937

Source: Beach Enclave

EXHIBIT 6
Simplified Net Present Value for the Three BELB's Extension Options (in USD)

	Total		Years							
			1	2	3	4	5	6	7	8
Option 1: Villa Collection										
Cashflows										
<i>Development:</i>										
Equity	(2,000,000)	(2,000,000)								
Distributable Cash	4,052,100				2,026,050	2,026,050				
<i>Operations:</i>										
EBITDA	550,900					78,700	157,400	157,400	157,400	
EBITDA-Residual Value ¹	1,259,200									1,259,200
	3,862,200	(2,000,000)			2,026,050	2,104,750	157,400	157,400	157,400	1,259,200
Performance Indicators										
Equity Multiple	2.9									
IRR	40%									
NPV ²	1,413,539									
Option 2: Villa Private Resort										
Cashflows										
<i>Development:</i>										
Equity	(2,000,000)	(2,000,000)								
Distributable Cash	3,675,525				1,837,813	1,837,813				
<i>Operations:</i>										
EBITDA	1,386,000						462,000	462,000	462,000	
EBITDA-Residual Value ¹	3,969,000									3,696,000
	3,862,200	(2,000,000)			1,837,813	1,837,813	462,000	462,000	462,000	3,696,000
Performance Indicators										
Equity Multiple	4.4									
IRR	45%									
NPV ²	2,331,379									
Option 3: Villa & Suites Resort										
Cashflows										
<i>Development:</i>										
Equity	(4,250,000)	(4,250,000)								
<i>Operations:</i>										
EBITDA	8,693,779					1,241,968	2,483,937	2,483,937	2,483,937	
EBITDA-Residual Value ¹	19,871,496									19,871,496
Debt Repayment ³	(2,401,311)					(600,328)	(600,328)	(600,328)	(600,328)	
Debt Rpt-residual value ⁴	(2,118,804)									(2,118,804)
	19,795,159	(4,250,000)				641,641	1,833,609	1,833,609	1,833,609	17,752,691
Performance Indicators										
Equity Multiple	5.7									
IRR	32%									
NPV ²	4,933,536									

Source: Beach Enclave

¹Condominium resorts historically trade at an 8 multiple, with hotels 12 multiple and above. EBITDA residual value= EBITDA x 8. Discount due to uncertainty whether units will remain in rental pool, and less upside potential.

²The discount rate of the NPV is 15%, which is the preferred return rate provided to investors on real estate projects.

³Debt repayment is simplified: it assumes a 7% interest rate and ten year principal amortization of the outstanding debt.

⁴Outstanding debt principal (after 4 years repayment, excluding interests).

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