HOTEL FUTURES 2015

A REVIEW OF THE REVENUE PERFORMANCE
OF MAJOR AUSTRALIAN HOTEL MARKETS
WITH FORECASTS TO 2023

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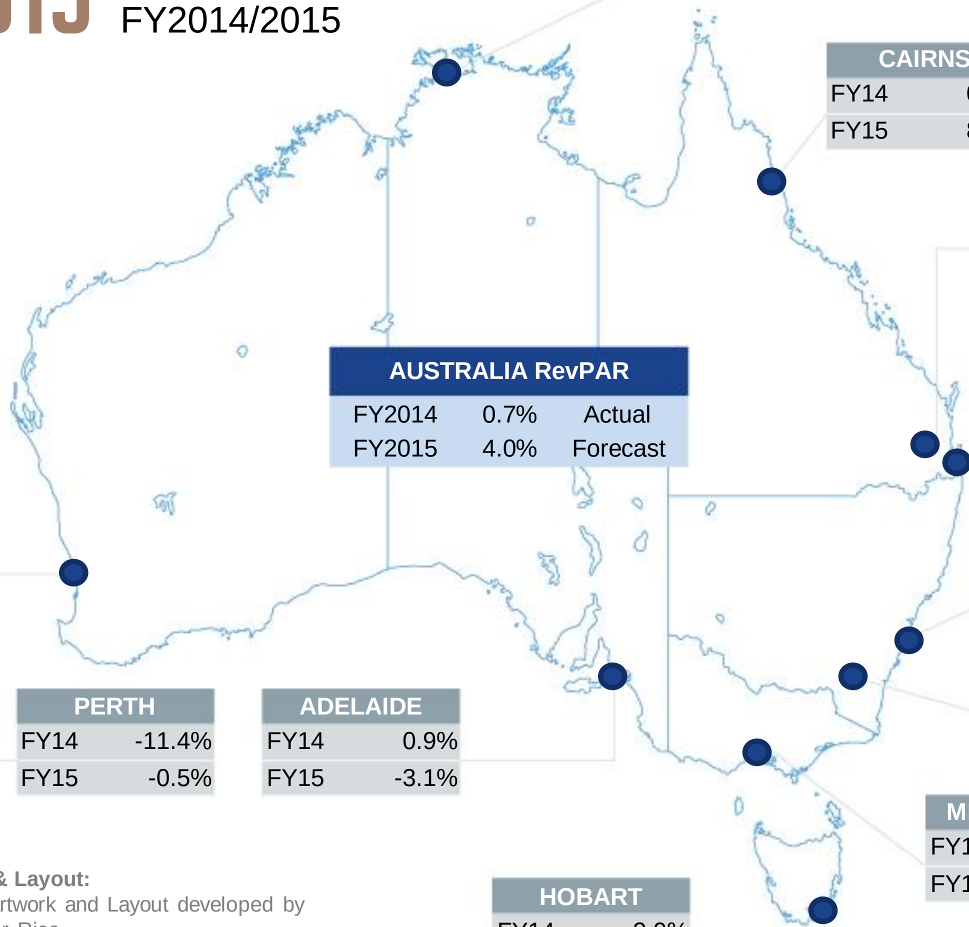
HOTEL FUTURES 2015

RevPAR Growth
FY2014/2015



AUSTRALIA RevPAR		
FY2014	0.7%	Actual
FY2015	4.0%	Forecast

DARWIN	
FY14	-4.9%
FY15	-4.9%

CAIRNS	
FY14	0.9%
FY15	8.7%

BRISBANE	
FY14	-8.4%
FY15	0.3%

GOLD COAST	
FY14	-0.4%
FY15	8.2%

SYDNEY	
FY14	5.9%
FY15	5.6%

CANBERRA	
FY14	-2.7%
FY15	0.0%

MELBOURNE	
FY14	5.6%
FY15	7.3%

HOBART	
FY14	2.9%
FY15	5.1%

ADELAIDE	
FY14	0.9%
FY15	-3.1%

PERTH	
FY14	-11.4%
FY15	-0.5%

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CONTENTS

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ABOUT DRANSFIELD

DRANSFIELD is a specialist professional services organisation advising the tourism, finance and property industries.

Our experience includes a wide range of property and business related projects involving over 55,000 hotel rooms and numerous food and beverage outlets in more than 500 hospitality enterprises throughout Australia.

For further information on the range of services we provide, and the ways in which we can assist you, please visit our website **www.dransfield.com.au** or contact us

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DRANSFIELD

Our core offering is the ability to integrate the various service skill sets into a cohesive solution for development, operations and overarching advice. Service streams include:

TRANSACTIONS

- Agency
- Operator Selection
- Due Diligence
- Vendor Representation
- Interested Party Assessments
- Bid Advisory
- Transaction Management
- Leasing

DEVELOPMENT

- Development Management
- Commercialisation of Design
- Integration of Development & Operations
- Feasibility Assessment
- Planning
- Design

SHARED OWNERSHIP

- Scheme Concept
- Responsible Entity
- Marketing & Sales
- Feasibility
- Advisory

STRATA/COMMUNITY TITLE

- Scheme Concepts
- PDS & Prospectus (AFS Licensed)
- Offer Structure
- Project Design and Commercialisation
- Operator Selection
- Project Marketing

EXPERT'S REPORTS

- Independent Expert Reports
  - Prospectus
  - PDS
- Expert Witness
  - Independent Court Reports
  - Litigation Support & Management

ASSET MANAGEMENT

- Asset Management
- Strategy Development & Implementation
- Operations Implementation
- Financial & Operational Reporting
- Stakeholder Management
- Refurbishment

ADVISORY AND FINANCE

- Operations
- Feasibility & Best Use Studies
- Strategic Consulting
- Restructuring Services
- Investment Risk Analysis
- Portfolio Assessment
- Debt & Equity Sourcing
- Refinancing
- Valuation Management
- Joint Venture/Equity Participation
- Independent Advisory
- Debt Restructuring

HF2015 SNAPSHOT

Medium term RevPAR growth of 4.6% with strong long term, averaging 4.4%. Occupancy expected to maintain over 75% nationally.

FY2014

In FY2014 the Australian Capital City Hotel Markets recorded slowed 0.7% revenue growth, well below 5.5% expectations, perhaps partially influenced by a change in ABS reporting processes

- The large markets of Sydney and Melbourne led the way, recording 5.9% and 5.6% growth.
- Perth (-11.4%) and Brisbane (-8.4%) recorded the most significant decline as mining demand unwound.

RevPAR

Hotel Futures 2015 represents an upgrade to prior growth expectations from this lower FY2014 base

- RevPAR growth averaging 4.6% p.a in the medium term is up from the 4.5% previously expected, driven by rate growth.
- The Australian market is forecast to grow at an average of 4.4% p.a over the full forecast term.
- Additional rate opportunities in the medium term could lead to a further upgrade.

Supply

Since the last edition of HF, there has been significant development proposal activity. This is filling in the order book and is within previious "Market Response" expectations. Despite this activity, Hotel Futures 2015 represents a marginal downgrade in absolute supply to prior expectations

- Australia market supply growth of an average of 2.9% is expected over the medium term to 2017 as timing for delivery is generally delayed.
- Our national long term forecast is for an increase in supply averaging 3.0% p.a.

Demand

The TFC has upgraded long term demand expectations, particularly for international visitors, whilst a weaker Australian dollar will drive demand for both domestic and international visitors.

Hotel Futures 2015 long term demand forecast is a lesser upgrade at 3.5% average annual growth to FY2023

- Medium term demand growth of 3.3%, consistent with prior expectations.
- Growth rates still constrained by supply in Sydney.

Average Room Rate (ARR)

With 6 of the 10 cities recording over 75% occupancy, we think there is capacity for hoteliers to move stronger on rate, particularly in gateway cities

- Medium term rate growth of 4.2% is marginally down, driven by a weaker 2015 with outperformance expected in 2016.
- Long term rate growth forecast averaging 3.9% p.a with more upside potential than downside risk.

TOTAL AUSTRALIAN MAJOR CITIES (WEIGHTED) – HMGSA

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	Occ
HISTORICAL								
FY2006	81,098	1.9%	2.5%	$135.49	6.1%	$100.15	6.7%	73.91%
FY2007	81,717	0.8%	4.4%	$145.88	7.7%	$111.74	11.6%	76.60%
FY2008	83,007	1.6%	1.8%	$156.22	7.1%	$119.87	7.3%	76.73%
FY2009	85,043	2.5%	-1.9%	$155.82	-0.3%	$114.54	-4.4%	73.51%
FY2010	85,740	0.8%	2.5%	$152.39	-2.2%	$113.89	-0.6%	74.74%
FY2011	87,002	1.5%	3.6%	$159.94	5.0%	$122.00	7.1%	76.28%
FY2012	87,009	0.0%	0.1%	$166.47	4.1%	$127.08	4.2%	76.34%
FY2013	86,989	0.0%	0.7%	$168.94	1.5%	$129.85	2.2%	76.86%
FY2014	87,346	0.4%	0.1%	$170.77	1.1%	$130.81	0.7%	76.60%
Actual Avg FY2006-2014		**1.0%**	**1.5%**		**3.3%**		**3.9%**	**75.7%**
Avg FY2010-2014		**0.5%**	**1.4%**		**1.9%**		**2.7%**	**76.2%**
Year	**Rooms***	**Supply % Chng**	**Demand % Chng**	**ARR**	**% Chng**	**RevPAR**	**% Chng**	**Occ**
FORECAST								
FY2015	89,327	2.3%	2.7%	$176.85	3.6%	$136.08	4.0%	76.9%
FY2016	91,557	2.5%	3.3%	$185.08	4.7%	$143.49	5.4%	77.5%
FY2017	95,166	3.9%	3.9%	$193.02	4.3%	$149.61	4.3%	77.5%
Avg FY2015-2017		**2.9%**	**3.3%**		**4.2%**		**4.6%**	**77.3%**
FY2018	99,295	4.3%	5.2%	$202.19	4.7%	$157.99	5.6%	78.1%
FY2019	104,211	5.0%	4.2%	$208.98	3.4%	$162.12	2.6%	77.6%
FY2020	107,620	3.3%	3.2%	$215.64	3.2%	$167.25	3.2%	77.6%
FY2021	109,655	1.9%	3.0%	$223.61	3.7%	$175.28	4.8%	78.4%
FY2022	111,617	1.8%	3.0%	$231.86	3.7%	$183.82	4.9%	79.3%
FY2023	113,587	1.8%	3.0%	$240.50	3.7%	$192.90	4.9%	80.2%
Avg FY2018-2023		**3.0%**	**3.6%**		**3.7%**		**4.3%**	**78.5%**
Total Forecast Avg FY2015-2023		**3.0%**	**3.5%**		**3.9%**		**4.4%**	**78.1%**

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AUSTRALIA AT A GLANCE FY2014

This is the 18th edition of Hotel Futures. We report on major Australian hotel markets during FY2014 with forecasts to FY2023

- In FY2014 the Australian Capital City Hotel Market recorded slowed 0.7% revenue growth, well below 5.5% expectations. A surprisingly poor year.
- A particularly poor performance in resource centric cities was only partially offset by robust performances in the key markets of Sydney and Melbourne.
- Half of the 10 major cities reported year on year growth
  - The large markets of Sydney and Melbourne led the way, recording 5.9% and 5.6% growth respectively.
  - Perth (-11.4%) and Brisbane (-8.4%) recorded the most significant decline with anticipated recoveries failing to materialise.
- Demand growth did not come along as strongly as expected and drove the underperformance
  - Demand increased just 0.1% against expectations for 3.3% growth.
  - This was the 3rd consecutive year of demand growth of less than 1%.
- Capital cities recorded no real supply growth, increasing total room nights available by just 0.4%
  - This represents the 5th consecutive year of supply growth less than 2.5%.
  - Delays in anticipated openings and “Market Response” not contributing with softer market conditions affected supply timing.
- Occupancies contracted slightly, though remained healthy finishing the year at 76.6%.
- Rate growth of 1.1% was well below 4.9% expectations as hoteliers chased occupancy given the softer demand environment.
- STR, which reports on samples from the whole country, reported higher RevPAR growth of 4.3% for the year. STR occupancy levels improved 2.2% which led to a 2.1% increase in rates. The STR sample includes larger hotels more frequently managed by major hotel operators and this sample would typically outperform the market averages represented in the full survey undertaken by ABS. The ABS survey includes smaller, often independent properties with lesser market reach. This survey transitioned from a quarterly to annual basis which appears to have affected measurement of short term (year on year) results.

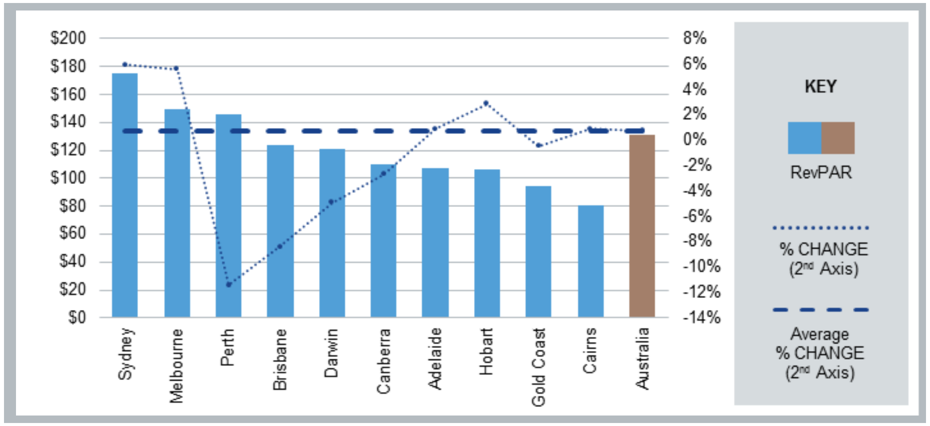
AUSTRALIAN MAJOR CITY HOTEL FY2014 PERFORMANCE

	FY2014 Performance		
Location	**Rate**	**Occupancy**	**RevPAR**
Adelaide	-2.9%	77.9%	0.9%
Brisbane	-4.7%	75.2%	-8.4%
Cairns	-0.2%	65.2%	0.9%
Canberra	0.7%	66.7%	-2.7%
Darwin	-1.7%	76.3%	-4.9%
Gold Coast	5.2%	64.5%	-0.4%
Hobart	7.8%	70.6%	2.9%
Melbourne	2.6%	82.8%	5.6%
Perth	-8.8%	81.0%	-11.4%
Sydney	3.7%	86.6%	5.9%
Total Market	**1.1%**	**76.6%**	**0.7%**

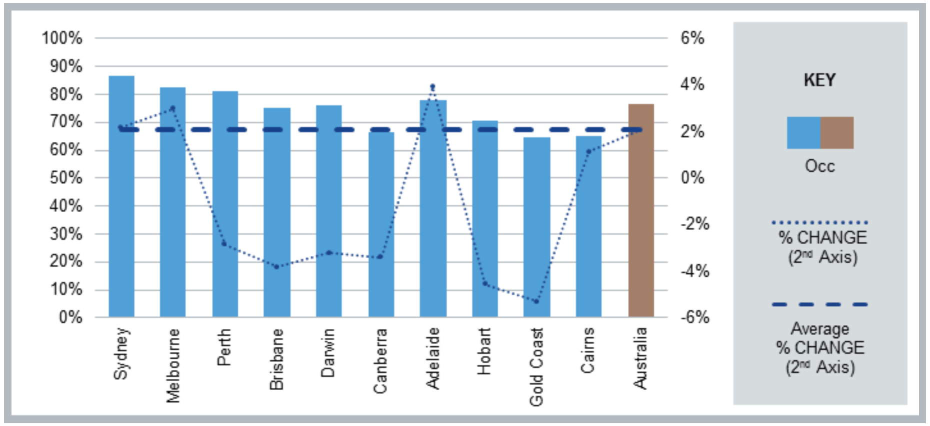
AUSTRALIA AT A GLANCE FY2014

A flat year all round. National RevPAR grew 0.7% in FY2014. ARR rose 1.1%. Supply and demand growth were largely unchanged at 0.4% and 0.1% respectively

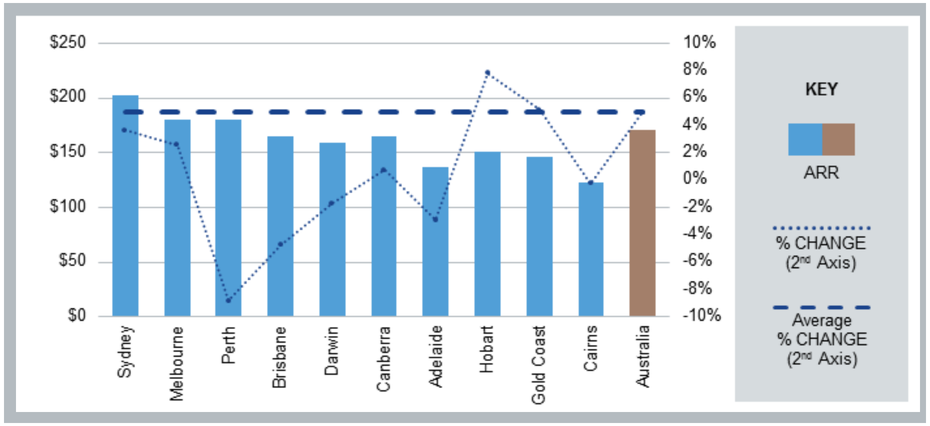
REVPAR – ACTUAL & % CHANGE FY2014



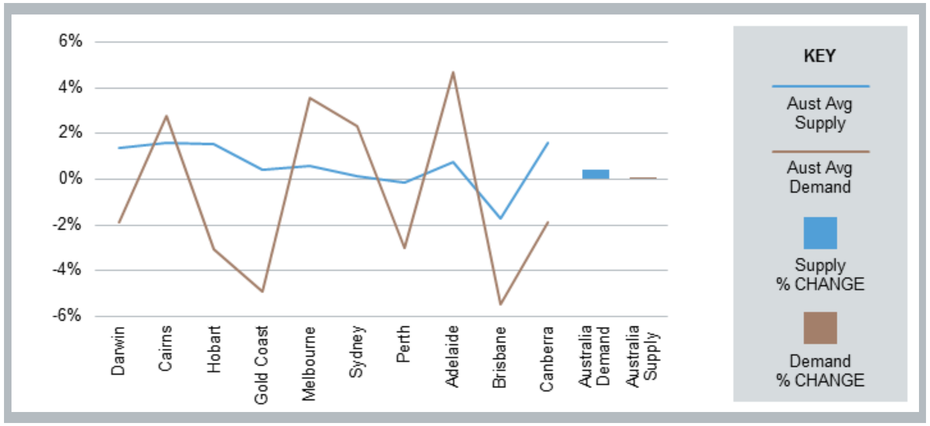
OCCUPANCY – ACTUAL & % CHANGE FY2014



ARR – ACTUAL & % CHANGE FY2014



SUPPLY AND DEMAND % CHANGE FY2014



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SHORT AND MEDIUM TERM OUTLOOK

FY2015 National Outlook

- RevPAR for FY2015 is forecast to grow by a healthy 4.0%, driven by rate growth of 3.6%.
- Although strong growth is forecast, it represents a downgrade from the 5.8% expected in our previous edition of Hotel Futures, despite being from a lower FY2014 base.
- The FY2015 outlook is strong in the major markets with mining related markets expected to continue to struggle through FY2015.
- Supply growth forecasts of 2.3% are below prior expectations, as Market Response fails to materialise, combined with delays in active projects.
- Demand growth of 2.7% is a downgrade on the 3.6% previously expected. This is a combination of major market demand being constrained due to lack of supply and other markets moving through a consolidation period. Our Demand forecast is contrary to the growth expected in key demand reports such as the TFC's tourism forecast, which have been upgraded.
- Occupancies remain a very healthy 76.9%, largely in line with prior expectations.

Medium Term Outlook to FY2017

- RevPAR growth of an average 4.6% p.a is up from the 4.5% previously expected for the same period, driven by rate growth.
- Supply growth of 2.9% p.a is below previous expectations of 3.7%, off a lower base, holding back demand growth but fueling rate and RevPAR growth.
- Demand growth of 3.3% is inline with previous expectations.
- Occupancy expectations of 77.3% are very similar across the 3 years.
- Rate growth of 4.2% p.a is marginally down, driven by a weaker 2015 with outperformance expected in 2017.

AUSTRALIAN MAJOR CITY HOTEL MARKET REVENUE FORECASTS

	Forecast Average RevPAR Growth		
Location	**Short FY2015**	**Medium FY15-17**	**Long FY15-23**
Adelaide	-3.1%	2.1%	3.3%
Brisbane	0.3%	2.1%	4.8%
Cairns	8.7%	7.3%	4.6%
Canberra	0.0%	1.0%	3.6%
Darwin	-4.9%	0.4%	2.3%
Gold Coast	8.2%	6.7%	4.4%
Hobart	5.1%	1.4%	2.4%
Melbourne	6.2%	5.9%	4.5%
Perth	-0.5%	0.9%	3.6%
Sydney	5.6%	6.0%	4.6%
Total Market	**4.0%**	**4.6%**	**4.4%**

FY2023 LONG TERM OUTLOOK

Long Term Outlook to FY2023

- The Australian major cities RevPAR is forecast to grow at an average of 4.4% p.a and represents an upgrade to prior expectations in both absolute and growth rate basis.
- Outperformance in the back end of the forecast is driving the growth and follows the market correction in the mining based markets. This is expected to partly reverse over the next couple of years.
- Supply has again been delayed by 12-18 months and is driven by Market Response being transferred to actual projects though at a later time. The peak of the development cycle is now expected through FY2018-2019.
- Demand growth of 3.5% p.a on average represents an upgrade to prior expectations and is line with the most recent upgrade of the TFC forecasts.
- Rate growth forecast of 3.9% has more upside potential than downside risk and is driven by strong tare growth through FY2016-18.

TOTAL AUSTRALIAN MAJOR CITIES (WEIGHTED) – HMGSA

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	Occ
				FORECAST				
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Avg FY 15-17		**2.9%**	**3.3%**		**4.2%**		**4.6%**	**77.3%**
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Avg FY18-23		**3.0%**	**3.6%**		**3.7%**		**4.3%**	**78.5%**
Total Forecast Avg FY 2015-2023		**3.0%**	**3.5%**		**3.9%**		**4.4%**	**78.1%**

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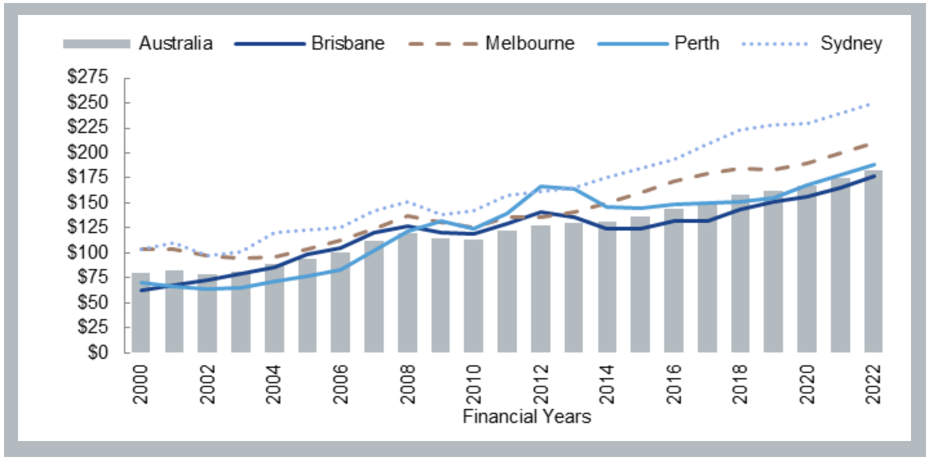
CITY SUMMARIES

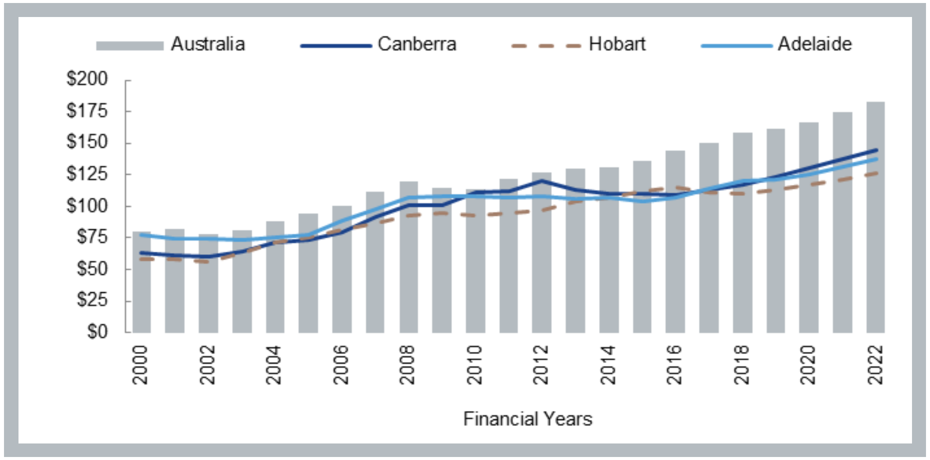
City	3 Year RevPAR Outlook (avg. p.a)	Comment	Key Driver
Adelaide	2.1%	Slight outperformance in 2014 and a minor overall forecast upgrade constrained by supply. Long term RevPAR upgrade to 3.3%.	Supply not fully absorbed, limited rate growth
Brisbane	2.1%	Soft demand and rate in 2014 has lowered the base, increasing growth prospects but with lower average Real RevPAR. Medium term recovery constrained by new supply but very strong in the second half to average RevPAR growth of 4.8%.	Significant supply being partially absorbed and follows FY2013 & FY2014 recovery
Cairns & Port Douglas	7.3%	The growth continues, fueled by a lower exchange rate and improved access. Remains a relatively low supply and rate market. RevPAR growth normalises to 4.6% in the long term.	Strong rate growth and limited new supply
Canberra	1.0%	Poor medium term based on FY2015 with new supply later. Overall downgrade to 3.6% long term RevPAR growth with improvement in the second half.	Limited demand coupled with above average supply
Darwin	0.4%	Supply is arriving late as a key demand driver contracts, though the correction has arrived earlier than previously anticipated. A better second half though with long term RevPAR growth a low 2.3%.	Significant supply not being absorbed
Gold Coast	6.7%	Contrary reported performance from ABS vs STR, however medium term outlook is very positive with good demand and minimal supply. RevPAR growth tapers in the second half to average a still high 4.4%.	Rate growth with positive supply demand equation
Hobart	1.4%	Increased supply proposals impact the medium term. Average RevPAR growth improves to 2.4% over the forecast period once significant new supply is absorbed.	Significant supply FY2017
Melbourne	5.9%	Average growth of 4.5% p.a over the forecast period is upgraded, driven by a positive supply and demand equation, and continued occupancy above 80%. The next wave of supply, pitched at the upper end of the market is comfortably able to be absorbed, will drive reported rates upward.	Strong rate growth
Perth	0.9%	FY2014 saw a major correction which has continued into FY2015. This is from a very high base and despite the slowdown, quality supply is progressing. The market needs this and should absorb with RevPAR growth recovering in the second half, and prospects of outperformance.	Correction closing in FY15 and high supply not being fully absorbed
Sydney	6.0%	Long term average RevPAR growth of 4.6% p.a is tempered by limited historical rate growth despite strong occupancy. Limited active supply growth at present. The current forecast has more upside opportunity than downside risk associated with it. We could easily see the Sydney market outperform the forecast by 2-3 points in annual RevPAR growth.	Rate growth, demand being constrained by lack of supply
Australia	4.6%	A mixed medium term bag as the supply half of the cycle influences, and some markets correct. Strong major markets.	High occupancy, low supply

CITY SUMMARIES

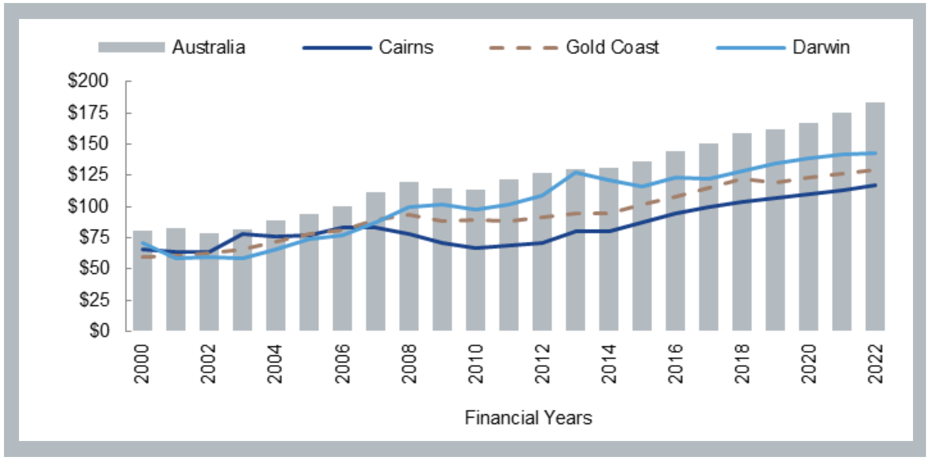
MAJOR CAPITAL CITY REVPAR COMPARISON



SECONDARY CAPITAL CITY REVPAR



LEISURE BASED CITY REVPAR



Relative RevPAR

- The Australian market is showing consistent RevPAR average growth of 4.4% p.a through to FY2023 with most cities showing steady growth.
- Sydney is forecast to remain the highest RevPAR city, a title it has held for all but one year, and regained following the resetting of the Perth market in late 2012/13.
- Following the correction of the Perth Market, Melbourne has moved back to the number two city.
- The other major cities, Perth and Brisbane, are continuing through a small correction however will revert to similar growth profiles in the long term.
- Adelaide remains forecast to lose position as a result of the influx of supply.
- The leisure based Queensland cities recovery is expected to continue, and largely catch up to Darwin which is also going through a correction following a period of abnormal resource filled growth.

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MARKET TRENDS

In 2014 the Australian hotel transaction benchmark was raised again with major asset sales in excess of $2B.

Transaction Trends

In 2014 transaction volumes continued to strengthen, surpassing the $2B mark and underpinned by several high quality trophy assets

- Sales continued to be dominated by foreign investors, particularly the Asian market with Chinese investors becoming a more relevant force in 2014.
- The recent free trade agreement between Australia and China will also facilitate further investment, in part, by raising the FIRB screening threshold for non Chinese State Owned Enterprises from $252M to $1.09B and reducing red tape associated with foreign investment.
- Investment demand for Sydney assets was particularly prevalent, with $1B in sales represented by 3 individual hotel sales and led by the record breaking $463M price paid by the Chinese based Sunshine Insurance Group for the Sheraton on the Park, Sydney. Trophy asset demand and pricing has encouraged the owners of other large Sydney luxury hotels, The Hilton and The Westin, to go to market with high price expectations.
- As competition grows for major hotel assets we are seeing a tightening of yields, with some transactions occurring on a sub 6% yield.
- The IPD Index indicated that annual hotel returns of 12.9% (September quarter 2014) have vastly improved on the prior corresponding period, driven almost entirely by improved capital growth. The hotel sector has outperformed all other property asset classes over the period.
- Purchaser types were varied including developers, owners/operators and, institutional and individual investors.

Hotel Development

Proposal Activity Increasing

- Actual hotel openings were again below market expectations and requirements in many cities, through the pipeline has improved over the last 12 months.
- Hotel construction commencements are projected to tip $2.6B in 2015 after doubling in 2014 to $2B. On top of this a further $20B is in the pipeline for mixed use projects with a hotel component (CLSA).
- Specific proposal activity in the major markets of Perth, Brisbane and Melbourne were above prior years and mostly in line with our Market Response expectations for volume, albeit slightly behind anticipated timing. The Sydney market still lags behind the other markets in total construction and proposal activity, with Market Response provisions accounting for 80% of total new supply expectations, compared with 50% for Melbourne and 20% for Brisbane and Perth.
- The softening of the mining sector should improve Hotel development costs which should in turn positively impact feasibility.
- State and federal governments are more actively participating in the facilitation of Australian hotel investment both locally and overseas (particularly SE Asia and China).
- Capital is available for well credentialed projects (and some not so well credentialed!).
- Timetables for major hotel delivery are now commonly 5 years from proposal to opening, longer than historical trends.

TRANSACTIONS

KEY TRANSACTIONS – 2014 and 2015 YTD

Property	Purchaser	Reported Price
Sheraton on the Park, Sydney	Sunshine Insurance Group Corporation	$463.0
Sofitel Darling Harbour (International Convention Centre Hotel)	Schwartz Family Co	$368.0
Sofitel Wentworth, Sydney	Frasers Centrepoint	$202.7
NEXT Hotel, Brisbane	Challenger	$133.0
Bell City, Preston – Victoria	Elanor Investors Limited	$142.9
Park Hyatt, Melbourne	Fu Wah International Group	$135.0
Novotel Brighton, Sydney	Oscars Hotel Group	$105.0
Sofitel Gold Coast	Huayu Group China through Blue Ocean Gold Coast	$83.0
Vibe Hotel, North Sydney	CBUS Property	$80.0
Rydges Darwin Airport Hotel & Rydges Darwin Airport Resort	Real Estate Capital Asia Partners IV (SC Capital)	$80.0
Jupiter's Townsville Hotel & Casino	Colonial Leisure Group	$70.0
Oaks on Lonsdale	Ovolo Group Ltd	$65.0
Holiday Inn Sydney Airport		$60.0
Adina Apartment Hotel, Brisbane	Mapletree Investments	$50.0
Novotel Wollongong, Northbeach	Oscars Hotel Group	$48.0
Mint Resorts & Apartments	Mantra Group	$46.3

SUPPLY

Increased proposal activity starts soaking up Market Response forecasts, but well within expectations.

National Supply Largely Unchanged

- In FY2014 Australian major city hotel supply grew marginally by 0.4% or 357 rooms, well below expectations for 2,300 rooms. This followed 2 years of flat growth and marked the 5th consecutive year of growth less than 2.5%.
- A net total increase of 9,630, or only 12.4% of rooms, has occurred since FY2001
  - The smaller markets of Canberra and Cairns led all capital cities in FY2014 with slight 1.6% growth, followed by Hobart (1.5%) and Darwin (1.4%).
  - The larger cities of Sydney and Melbourne grew by a meagre 0.2% and 0.6% respectively.
  - Two cities recorded a contraction in supply, Brisbane (-1.7%) and Perth (-0.2%).
- Hotel Futures 2015 represents a marginal downgrade in total absolute supply levels to prior expectations, with slightly higher growth from a lower 2014 base
  - In FY2015 supply is forecast to grow 2.3%, a downgrade to prior expectations of 3.1%.
  - Australian capital city supply growth to average 2.9% p.a over the medium term to 2017, which is a downgrade on earlier expectations of 3.7% for the same period. Actual live proposals and market response are both taking longer than anticipated.
  - Our national long term forecast is for an increase in supply at an annual average of 3.0% and slightly up from 2.8% forecasts in Hotel Futures 2014, from a slightly lower base.
  - The next major supply cycle is expected through FY2017-2019 where an additional 14.5% will be added. This is 12 months later than previously anticipated.

Major City Long Term Supply Growth Forecasts by Type

- Over the past 12 months proposal activity has been the highest experienced in a long time. Our five year outlook is based on supply forecasts where only 38% of expected new rooms have not yet been proposed but are an anticipated additional Market Response to conditions. “Market Response” is our provision for additional projects not currently identified or active, to come into the pipeline within a forecast period. This level compares with 55% in the prior year as the order book is filled.
- With 72% of rooms over the 5 year period not yet committed i.e. construction not begun, there remains significant opportunity for the market to respond to any change in market conditions.
- Of the 25,000 additional rooms forecast to FY2023 approximately 56% are attributable to Market Response, and below previous expectations of 70%. This is to be expected as we move further through the current supply cycle.

SUPPLY BY TYPE – Short, Medium and Long term

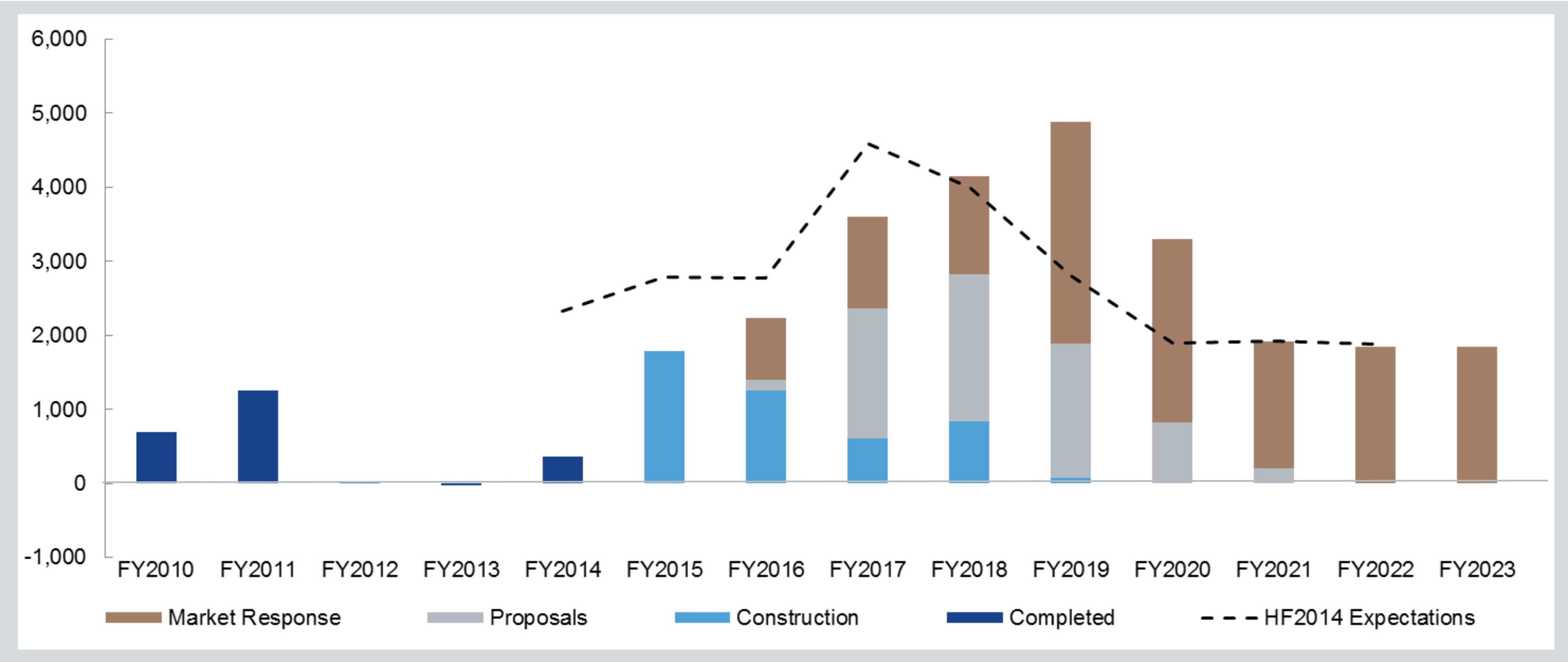
	FY15 1 Yr	FY15-FY17 3 Yrs	FY15-FY19 5 Yrs	FY15-FY23 9 Yrs
Construction	100%	48%	28%	18%
Proposals	0%	25%	34%	26%
Market Response	0%	27%	38%	56%

DRANSFIELD HOTELS & RESORTS

SUPPLY NATIONAL

Following 3 years of limited supply growth we expect to see an increase in new supply across the country, with the peak of the supply cycle expected through 2018/2019, 12 months later than last expectations

MAJOR CITY SUPPLY GROWTH PERFORMANCE AND FORECASTS TO FY2023 – ROOMS

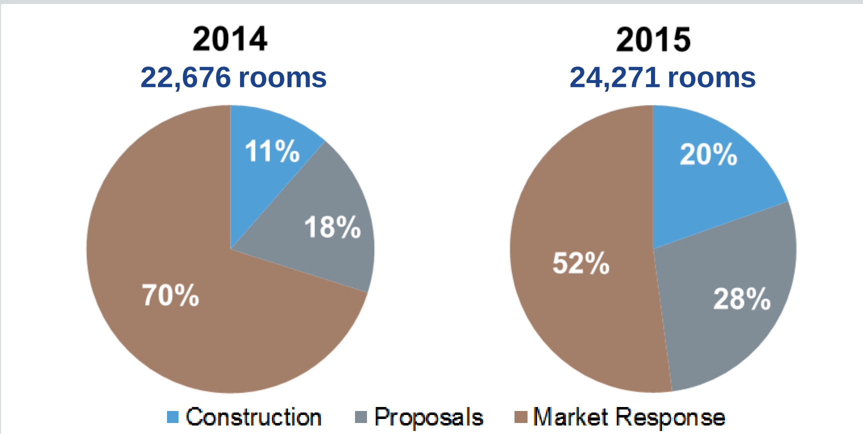


DRANSFIELD HOTELS & RESORTS

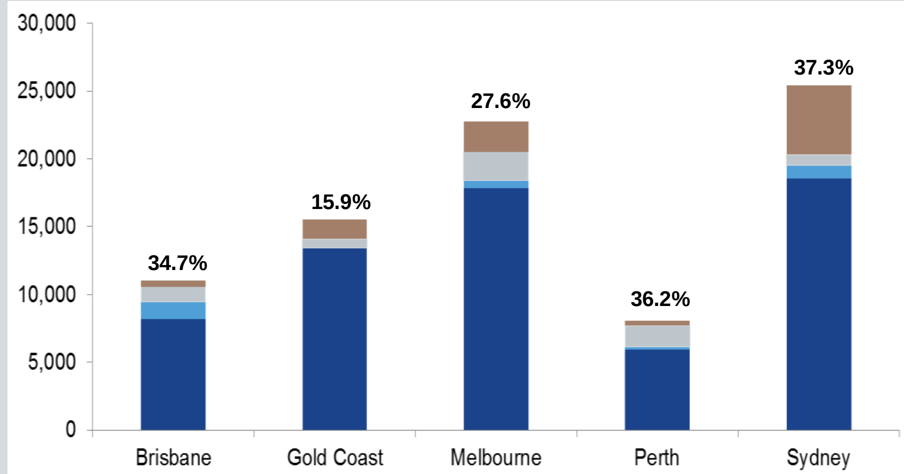
SUPPLY NATIONAL

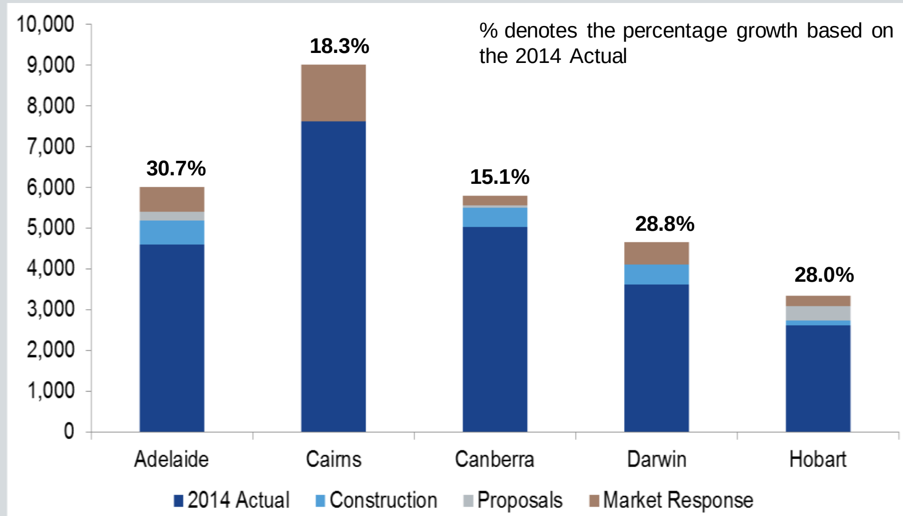
- Since the release of Hotel Futures 2014 there has been significant proposal activity with many major new hotel projects announced. These were located across the country, signalling the next hotel Development Cycle
  - Hotel proposals and actual construction now make up 48% of forecast new rooms to FY22 up from 29% in HF2014.
  - Generally the new projects are coming on 12-24 months later than anticipated in our Market Response provisions.
- Key Trends in this development cycle include:-
  - More focussed at the upper end of the market (luxury/5 star)
  - Mixed use developments and often as part of a large precinct
  - Operator sponsored vs developer sponsored
  - Stronger level of government sponsorship
  - Increased volume of conversions or repositioning of older assets
- This supply cycle is more focussed on traditional hotel stock where as the previous cycle was focussed on Serviced Apartments.

MAJOR CITY FORECAST SUPPLY BY TYPE COMPARISON HF2014 vs HF2015: FY2015 to FY2022



MAJOR CITY FORECAST SUPPLY GROWTH BY TYPE FY2015-2023





DEMAND ABS & DRANSFIELD

An improved international demand outlook has led to a general upgrade in our demand forecasts. Our forecasts reflect improved demand growth supported by additional supply in high occupancy cities.

National Demand FY2014

In FY2014 demand for accommodation increased by 0.1% across the ten cities covered by Hotel Futures. This was below expectations for 3.3% growth.

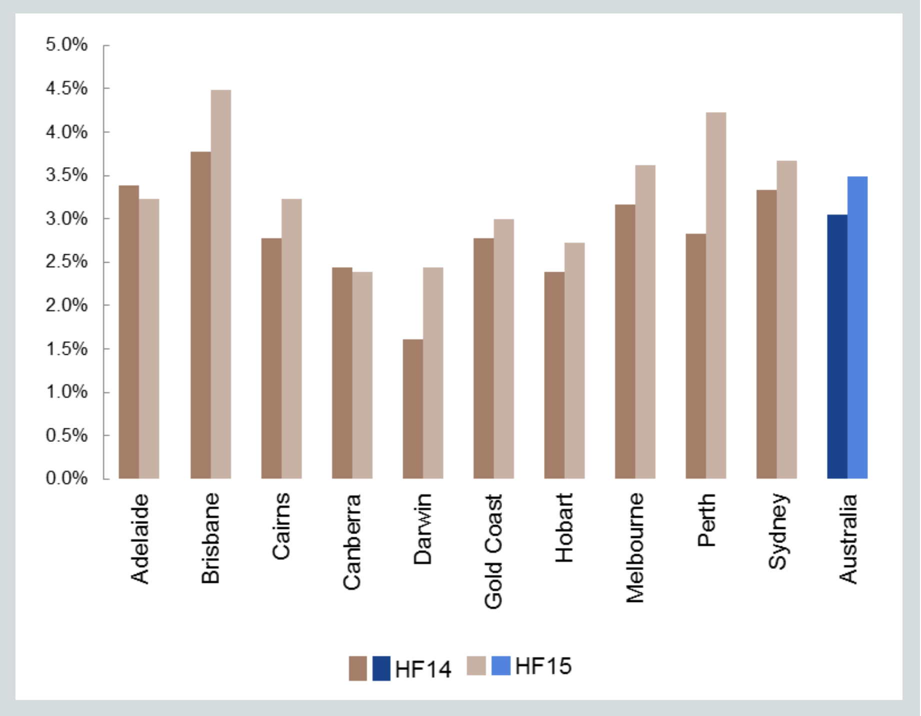
- Timing for the completion of many projects has been delayed an average of 6 months and sometimes more which has created demand bottle necks in many of the major cities constraining growth opportunities, particularly in Sydney.
- Growth was underpinned by the key markets of Melbourne (3.6%) and Sydney (2.4%) with 6 out of 10 cities recording a decline in demand
  - Adelaide led the country in percentage growth with a 4.7% increase, whilst Cairns was the only other major city to grow (2.8%).
  - Brisbane (-5.5%), Gold Coast (-4.9%), Hobart (-3.1%) and Perth (-3.0%) all recorded demand declines in excess of 3.0%.

Dransfield National Demand Forecast

Hotel Futures 2015 long term demand forecast is for average growth of 3.5%, which is a slight upgrade from the 3.0% previously expected, constrained by short and medium term supply. Increased air access to gateway cities together with favourable exchange rates will drive short term demand growth whilst an improved supply pipeline though the medium term will facilitate expectations.

- We expect demand to increase by 2.7% in FY2015 slightly below prior expectations of 3.6% with less supply to enable.
- Medium term demand growth is expected to average 3.3%, and is inline with prior expectations as supply constraints continue to suppress visitor growth.
- Long term growth forecast of 3.5% is slightly above prior expectations, starting from a lower base and finishing above in terms of absolute visitor nights.

DRANSFIELD NATIONAL DEMAND FORECAST



DRANSFIELD HOTELS & RESORTS

DEMAND TFC FORECASTS

The TFC's 2014 long term visitor night forecast to FY2023 represents an upgrade, with 3.3% average annual growth following 2.0% in FY2014

TFC International Forecasts

Long term visitor international forecasts represent a large upgrade with average annual growth of 6.1% expected to FY2023, well up on the 3.8% previously forecast.

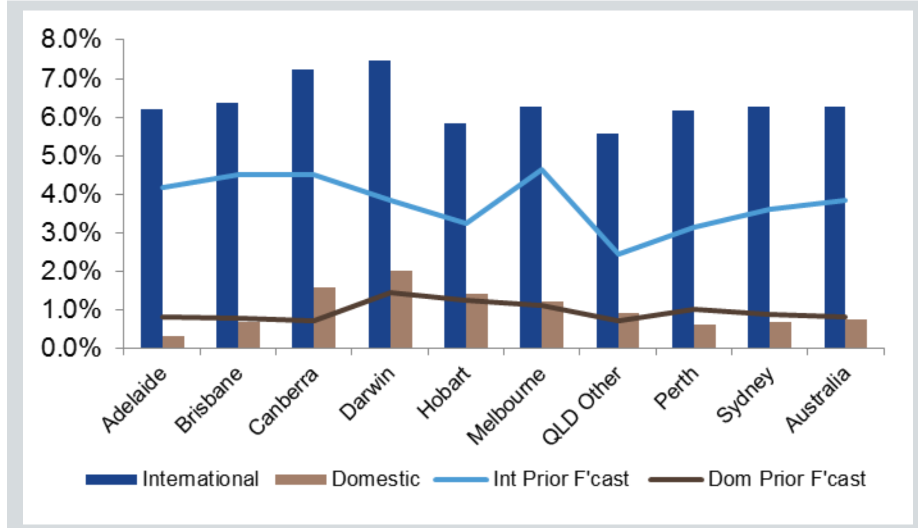
- In FY2014 international visitor nights increased by 0.6% and were below 1.2% expectations following strong growth of 8.1% in the prior year
- In FY2015 international visitor nights are forecast to grow 9.2% to 237.4M
- In FY2014 international visitors are expected to account for 27.2% of total visitor nights spent in HMGSA, slightly up on FY2013 actuals of 25.3%.
- International arrivals increased 7.6% during FY2014 to 6.147M and are forecast to grow a further 5.7% in FY2015, representing an upgrade on prior forecasts
- A landmark air services agreement between the Australian and Chinese governments will open the way for new air routes. The cap on seats from China's largest cities to the Australian gateway cities of Sydney, Melbourne, Brisbane and Perth will triple to almost 67,000 seats each week, by 2016. Routes to smaller cities, like Adelaide and Cairns, will have no limits.
- Average annual visitor night growth rate forecast for FY15-FY23 :-
  - China 7.0% p.a to 58.6M
  - UK 5.5% p.a to 44.4M
  - South Korea 7.8% p.a to 22.2M
  - India 7.8% p.a to 19.7M

TFC Domestic Forecasts

Domestic visitor nights average annual growth of 0.8% to FY2023 is unchanged.

- Total domestic visitor nights are now expected to reach 308.4M by 2023 (previously 316.4M).
- Long term domestic visitor night forecasts in HMGSA have been downgraded to annual average growth of 1.1% from 1.3%, to reach 84.3M by FY2023 (previously 88.9M).
- The share of domestic nights spent in HMGSA has been slightly downgraded from 27.7% in the previous forecast for the period FY2015–FY2023, to 27% in this years update. This represents an absolute downgrade of 4.6M rooms nights in FY2023.

TFC FORECAST MOVEMENT – Long Term to FY2022



Outbound Travel Forecasts.

- All outbound growth forecasts have increased since last years publication.
  - The TFC have forecast a 4.3% increase in short term departures for FY2015 against 2.9% prior expectations following stronger than expected growth in FY2014
  - 3 year forecast to FY2017 has been upgraded to 3.7% vs 3.3% previously
  - 5 year forecast to FY2019 has also been upgraded to 3.7% vs 3.3% previously
- Long term outbound departures forecasts for FY2015-FY2023 have been slightly increased to 3.6% average annual growth per year, despite starting from a higher base than was expected in the prior years forecasts. This amounts to a total of 131,000 more departures by FY2023.
- Current results to November 2014 have departures 3.3% higher than the prior corresponding period and are on trend with expectations.

ARRIVALS AND DEPARTURES

In FY2014 international arrivals recorded the strongest growth of the past 10 years at 7.9%.

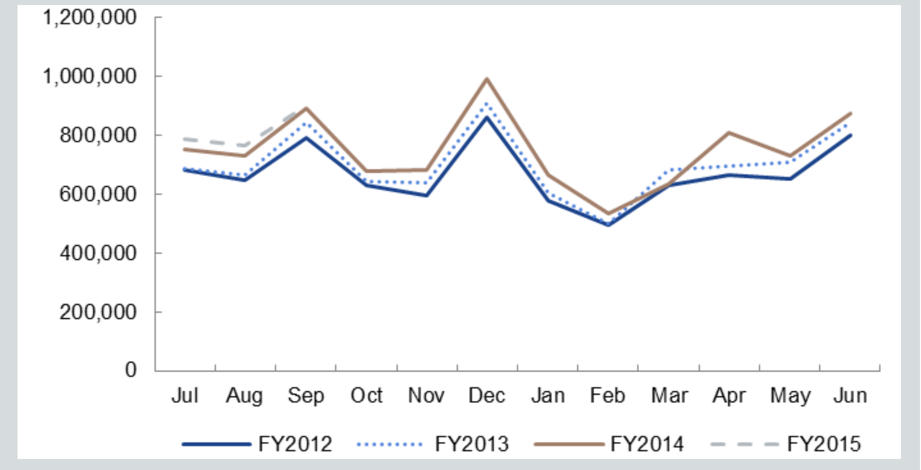
Resident Departures

- Total domestic departures were up 6.5% in FY2014, following 4.9% growth the previous year.
- In FY2014, seven individual months registered growth above the prior year, whilst only one month recorded a decline.
- Holiday periods continued to show strength with growth above 9% over the Christmas and Easter periods.
- New Zealand, Indonesia, United States and Thailand continue to be the key destinations for overseas travel by Australians.
- Resident departures have remained strong to start off FY2015 (July-Sept) recording 3.3% growth following a strong prior corresponding period and are expected to average 3.8% growth p.a over the long term to FY2023.
- Growth forecasts are for VFR travellers to lead the way with long term growth of 4.8% p.a and to reach 3.17M departures by FY2023, though Holiday makers will account for the majority, with 7.32M people expected to depart at a growth rate of 3.9% p.a.

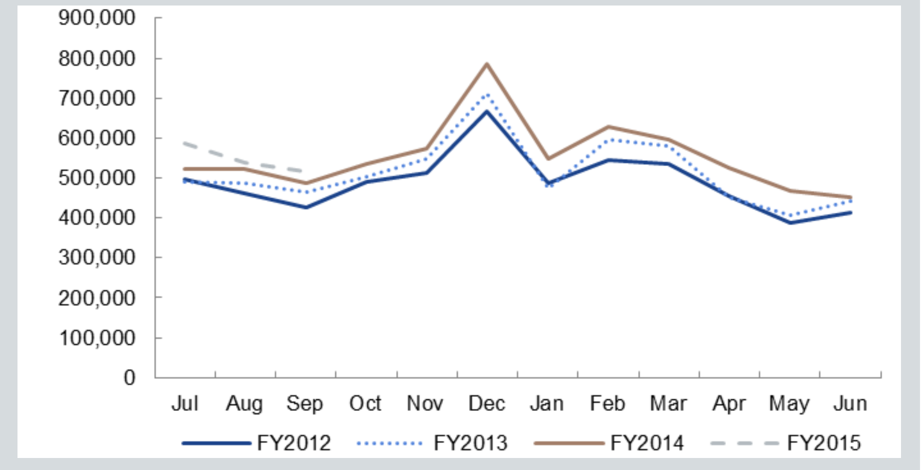
Visitor Arrivals

- International arrivals recorded the strongest growth of the past 10 years in FY14 with 7.9% growth. This was even more impressive given robust growth of 4.9% in the P.C.P. Growth has improved to 8.2% growth over the year to September 2014.
- All 12 months experienced growth, with 3 months above 15%.
- Despite the growth in visitor arrivals, visitor nights only increased by 1%
- Leisure travel continued to underpin growth in international visitation with 45% of people traveling for this reason and jumping 8.8% in FY2014.
- Those visiting friends and relatives accounted for 27.7% whilst business travellers made up 12.5%.
- July to September 2014 international arrivals have continued in the same vein and are up 7.0% on the P.C.P.
- Weakness in the $A also bodes well for continued growth in international tourism.
- All signs point to a strong year with high seasons remaining around the holiday periods.

RESIDENT DEPARTURES – SHORT TERM LESS THAN 1 YEAR



INTERNATIONAL VISITOR ARRIVALS TO AUSTRALIA



DRANSFIELD HOTELS & RESORTS

AUSTRALIAN AIRPORTS PERFORMANCE

AIRPORT HISTORICAL PERFORMANCE

- Nationally the major airports of Australia have been able to achieve average annual passenger growth of 3.4% since FY2010
  - Whilst the % growth of internationals is much higher than domestic (6.1% vs 2.6%) it is off a much lower base.
  - FY2011 and FY 2013 were the stronger periods with annual growth of 5.6% and 4.4% respectively.
  - FY2014 had annual inbound passenger growth of just 1.3% with domestic relatively unchanged at 0.1%.
- Between FY2010 and FY2014, outbound passenger movement grew 1.5% p.a on average with domestic averaging 2.6%
- Since 2010 all cities with the exception of Canberra have experienced an increase in passenger movement
  - Darwin and Perth have the highest % growth, albeit off a low base, achieving average annual growth of 7.1% and 7.3% respectively.
  - Sydney had the largest growth in terms of absolute passenger numbers up 2.1M or an average of 3.7% p.a..

AIRPORT PASSENGER FORECASTS – Average Annual Growth

- Growth to 2023 in passenger movements across the 10 major airports of 3.9% p.a
  - Expectations over the next 5 years are higher at 4.2%.
  - Sydney will still be the largest airport by number of passengers although making up a smaller share of total passengers, as other major airports open up new routes internationally.
  - The Gold Coast and Brisbane are the strongest performing with expectations in excess of 4% p.a for the period to 2023 (4.8% and 4.2% respectively).
  - An additional 3 cities have long term growth expectations of 4% p.a.
  - The forecasts assume a level of infrastructure development at the airports to be able to meet increased capacity.

MAJOR AUSTRALIAN CITIES AIRPORTS: PASSENGER MOVEMENT (FY10-14)

	FY 2014 Actual ('000s)			Annual % growth 2010-2014		
	Dom.	Int.	Total	Dom.	Int.	Total
Adelaide	3,334	460	3,794	0.7%	18.0%	2.0%
Brisbane	8,529	2,438	10,967	3.9%	4.4%	4.0%
Cairns	1,899	236	2,135	5.4%	2.3%	5.0%
Canberra	1,433	0	1,433	-3.1%	n/a	-3.1%
Darwin	844	167	1,010	6.1%	13.3%	7.1%
Gold Coast	2,446	442	2,888	2.4%	5.6%	2.9%
Hobart	1,050	0	1,050	3.3%	n/a	3.3%
Melbourne	10,885	3,650	14,535	1.3%	7.7%	2.7%
Perth	4,432	2,047	6,479	6.6%	9.0%	7.3%
Sydney	12,725	6,616	19,341	2.3%	4.7%	3.0%
Australia	47,576	16,055	63,631	2.6%	6.1%	3.4%

MAJOR AUSTRALIAN CITIES AIRPORTS: PASSENGER FORECASTS TO FY2023 – Average Annual Growth

	Actual	Forecast		
	FY10-14	FY15-FY19	FY15-23 %	FY2023 #
Adelaide	2.0%	3.8%	3.6%	10,501
Brisbane	3.7%	4.5%	4.2%	33,534
Cairns	5.5%	3.9%	3.7%	6,185
Canberra	-3.1%	3.9%	3.6%	4,759
Darwin	8.0%	4.5%	4.0%	3,144
Gold Coast	2.9%	5.3%	4.8%	9,384
Hobart	3.5%	3.8%	3.5%	2,726
Melbourne	2.7%	4.1%	4.0%	44,750
Perth	7.4%	4.4%	4.0%	19,267
Sydney	3.0%	3.8%	3.7%	54,517
Australia	3.4%	4.2%	3.9%	188,767

Source: Airport traffic data as published by Department of Infrastructure and Regional Development.
Forecast: Air Passenger Movements through Capital and Non Capital City Airports to 2030-31 (November 2012)

In 2014, 0.9% RevPAR growth represents outperformance relative to low expectations as a result of delays in reporting from new hotels. A positive supply and demand equation did not bolster rate growth as hoteliers chose to protect occupancy.

ADELAIDE REGIONS – JUNE 2014

	Establishments	Rooms	RevPAR
Adelaide City	43	4,559	$99.14
ADELAIDE TOURISM REGION			
Hotels	32	3,826	$105.88
Motels	47	1,848	$64.92
Serviced Apartments	21	1,454	$99.76
Total	**100**	**7,128**	**$94.06**
STAR GRADING			
5-star	5	n.p.	n.p.
4-star	40	3,971	$94.10
3-star	40	1,337	$58.86
Other	15	n.p.	n.p.
Total	**100**	**7,128**	**$85.97**

FY2014 YEAR IN REVIEW

	2014 FORECAST	ACTUAL 2014	Var	
RevPAR	-0.8%	0.9%	1.6%	▲
Supply	6.9%	0.7%	-6.2%	▼
Demand	4.0%	4.7%	0.7%	▲
Occupancy	72.9%	77.9%	5.0%	▲
ARR	2.0%	-2.9%	-4.9%	▼

2014 Year In Review

- In FY2014 Adelaide hotels recorded subdued revPAR growth of 0.9%, a slight recovery on FY2013's 1.8% decline, and slightly outperforming our -0.8% forecast
  - The supply growth of 0.7% was well below our 6.9% expectations due to late recorded openings.
  - Adelaide led the country in demand growth with a 4.7% increase leading to occupancies up 3.0 points to 77.9% and well above expectations.
  - Rates fell 2.9% despite a positive supply and demand equation.
- The STR sample recorded stronger RevPAR growth of 5.9%. This was based on enhanced rate growth of 1.0%.

Demand Driver Analysis

A strong domestic market drove a FY2014 demand recovery and slightly outperformed our expectations.

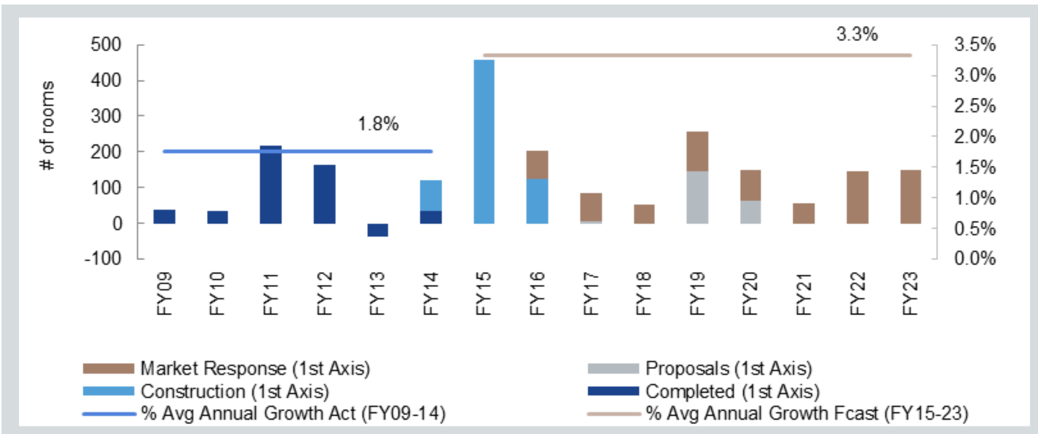
- In FY2014 demand for Adelaide hotels increased by 4.7%, and was slightly higher than our 4.0% expectations despite delayed supply.
- City data for FY2014 for Adelaide reveals:-
  - International visitor nights decreased by 4.9% to 7.8M nights
  - Domestic visitor nights grew by a large 20.6% to 8.7M nights
  - Total visitor nights increased by 7.0% to 16.5M nights
- In FY2014 Adelaide hotel's domestic visitor night content increased to 75.7% from 75.4%
- The TFC forecasts for Adelaide for the period to FY2023 have been upgraded to average growth of 3.5% p.a compared to 2.7% previously :-
  - Annual domestic visitor night growth of 0.3% vs. 0.7% previously
  - Annual international visitor night growth of 6.2% vs. 4.2% previously

Dransfield Demand Forecast, Adelaide City Hotels

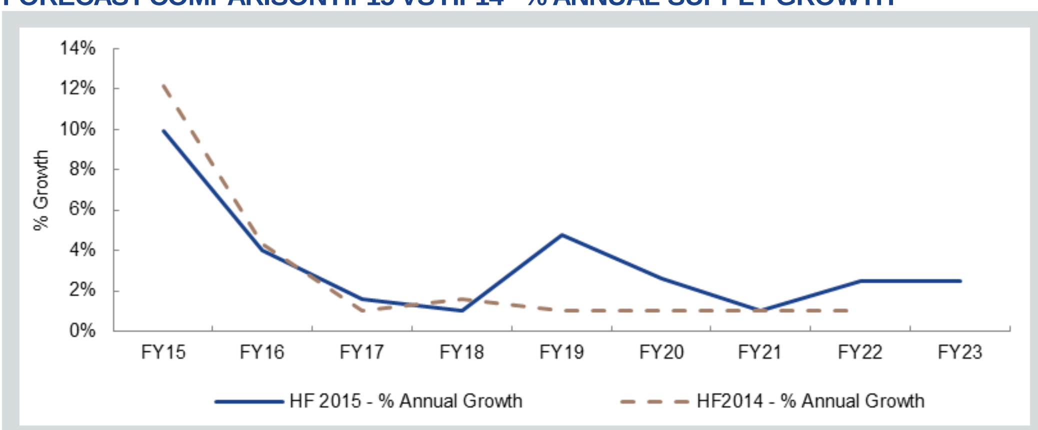
- Annual demand growth of 3.2% is expected over the long term and is in line with growth rate expectations in the prior forecast. The Dransfield demand forecast to FY2023 represents a small upgrade in absolute visitor nights due to the higher base performance from FY2014
  - We expect demand to increase 5.0% in FY2015 as we see a boost in visitor numbers correlating with a large influx in new low cost supply. Demand is also likely to increase as a direct result of redevelopments to key demand drivers such as the Adelaide Oval.
  - Medium term demand growth to FY2017 is expected to average 4.3% and is slightly down from prior forecasts of 4.7%. This is driven by a higher FY2014 base and tempered by a slight reduction in short term supply additions. Absolute visitor nights are projected to be in line with prior forecasts.
  - Long term demand growth has been largely maintained over the life of the forecast and is expected to average 3.3%. Visitor numbers are up a small 12,000 nights compared with prior forecasts.

Additional supply is expected over the medium term. Demand growth will absorb this reasonably quickly however this will be a drag on medium term room rates.

SUPPLY ACTUAL & FORECAST BY TYPE FY09-FY23



FORECAST COMPARISON HF15 VS HF14 - % ANNUAL SUPPLY GROWTH



Supply Actual

- In FY 2014 Adelaide supply recorded an increase of 0.7% (33 rooms), well below expectations for 6.9% (314 rooms) growth.
- Several projects were delayed relative to expectations and have since opened in the first half of FY2015.
- The Adelaide market has experienced limited growth of just 411 rooms over the past 5 years.

Supply Forecasts

- Supply forecasts to FY2023 represent a small absolute downgrade with annual growth of 3.3%. The majority of activity is expected over the next two years with additional potential supply expected in approximately FY2019
  - All of the FY2015 supply growth of 9.9% or 457 rooms is attributable to hotels that have recently opened in the first half of FY2015.
  - Supply growth for the medium term to FY2017 is expected to average 5.2% p.a (744 rooms) from a lower base, down from 5.8% (887rooms) in the prior forecast; the downgrade is partly due to a downgrade in percentage probability of proposed projects and a slight reduction in anticipated Market Response.
  - There is a 424 room downgrade in absolute room numbers by FY2017. Volumes catch up in the latter half of the forecast as improving market conditions promote additional supply growth.

Supply Cycle Expectations

- The new forecast has absolute room numbers slightly behind the prior forecasts (90 rooms) as we move through the supply cycle to FY2022
  - There are currently 3 projects with approximately 582 rooms, or 12.7% of 2014 supply, under construction representing an increase of 82 rooms on the prior forecast.
  - Total proposals of 216 rooms (444 @ 49% probability), over 4 projects, represent a decrease of 250 rooms over the prior forecast. This decrease is a result of a reduction in completion probability as more information comes to light on each individual project, as well as the movement of hotels previously categorised as proposals into the more certain construction phase.

DRANSFIELD HOTELS & RESORTS

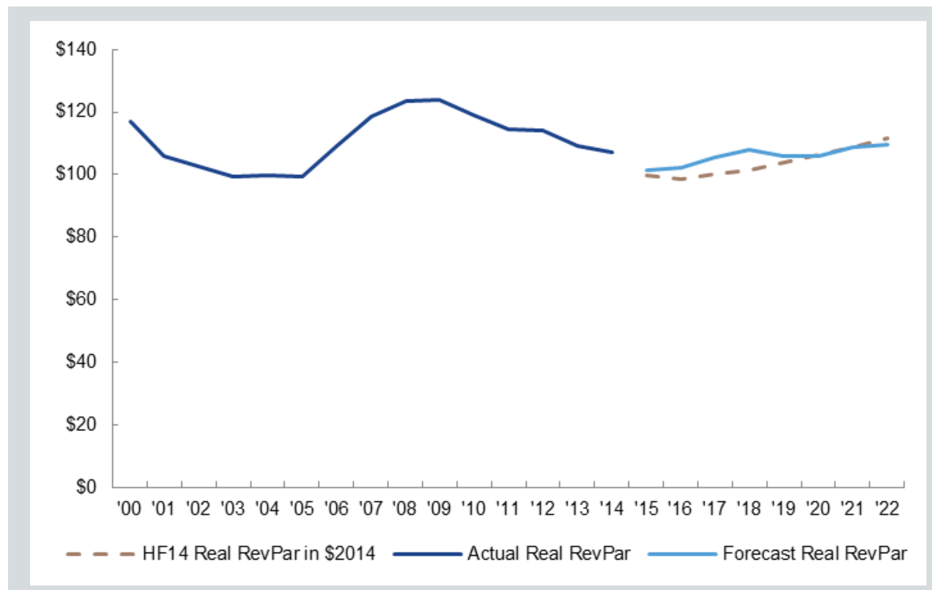
Rate growth constrained by supply in the medium term with occupancy relatively stable.

- As a result of slightly improved market conditions towards the back end of the forecast, and a reduction in the probability attributed to the remaining active proposals, we have increased our Market Response allowance slightly. The current forecast assumes 611 additional rooms attributable to Market Response which is likely to be achieved through 4-6 additional projects, and is up from 518 rooms in our prior forecast.
- Market response now accounts for 43% of all new supply compared with 37% in the prior forecast.

Conclusion

- Adelaide continued to maintain a temperate short term accommodation market, with another year of sub 2.0% RevPAR movement, the sixth consecutive year.
- Long term occupancy levels are an upgrade compared to prior expectations and are forecast to average above 76% to FY2023
  - In FY2014 Occupancy levels increased by 3.0 points to historic highs of 77.9%. A large influx of supply in FY2015 will have a dampening effect on performance despite strong short term demand growth.
  - We expect some short term volatility with occupancy levels dipping below 75% over the next two years as the market absorbs the new supply.
- Rate growth expectations for the forecast period have been maintained at 3.3% p.a from a lower base following the 2.9% decline in FY2014
  - Expectations for FY2015 are for a slight recovery with rate growth of 1.5%.
  - Medium term rate growth of 2.8% is below the long term average, as a result of new supply coming on line.
  - The longer term benefits from completion of the supply cycle.
- Our forecast has been slightly upgraded with Real RevPAR up an average of 2.0% compared with prior forecasts.
- RevPAR growth rates have been slightly downgraded and are averaging 3.2% p.a vs 3.9% over the corresponding period (FY2015-22) due to the higher FY2014 base.
  - In FY2015, RevPAR is expected to decline by 3.1% which is below prior expectations for a 1.8% contraction. This is as the market looks to absorb the influx of new and largely low cost supply.
  - In the medium term to FY2017 RevPAR is expected to grow by an average of 2.1% p.a with demand growth driving rates though the latter term. This represents an upgrade on prior expectations for 1.7% growth p.a.
  - Average growth of 3.3% p.a over the forecast period to FY2023 is driven by healthy above CPI rate growth and a relatively neutral supply and demand equation.

ADELAIDE CITY REAL REVPAR



DRANSFIELD HOTELS & RESORTS

Long term average RevPAR growth of 3.3% p.a is a slight upgrade with a relatively neutral supply and demand equation, growth held back in the medium term as moderate new supply is absorbed

ADELAIDE CITY – HOTELS, MOTELS AND SERVICE APARTMENTS

ACTUAL

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
HISTORICAL									
FY2000	3,440	4.5%	5.8%	$112.57	0.8%	$77.56	2.0%	$116.93	68.9%
FY2001	3,518	2.3%	1.2%	$109.34	-2.9%	$74.51	-3.9%	$105.95	68.1%
FY2002	3,691	4.9%	3.4%	$110.38	0.9%	$74.09	-0.6%	$102.45	67.1%
FY2003	4,152	12.5%	10.8%	$111.54	1.1%	$73.74	-0.5%	$99.30	66.1%
FY2004	4,325	4.2%	4.7%	$114.23	2.4%	$75.91	2.9%	$99.74	66.4%
FY2005	4,451	2.9%	7.1%	$112.02	-1.9%	$77.43	2.0%	$99.28	69.1%
FY2006	4,276	-3.9%	3.6%	$118.67	5.9%	$88.43	14.2%	$109.05	74.5%
FY2007	4,159	-2.7%	1.3%	$126.29	6.4%	$98.06	10.9%	$118.46	77.6%
FY2008	4,147	-0.3%	-0.3%	$137.49	8.9%	$106.71	8.8%	$123.36	77.6%
FY2009	4,186	0.9%	-0.9%	$142.43	3.6%	$108.56	1.7%	$123.69	76.2%
FY2010	4,220	0.8%	1.7%	$140.07	-1.7%	$107.73	-0.8%	$119.11	76.9%
FY2011	4,439	5.2%	3.0%	$142.34	1.6%	$107.15	-0.5%	$114.35	75.3%
FY2012	4,602	3.7%	3.0%	$144.34	1.4%	$107.97	0.8%	$113.88	74.8%
FY2013	4,564	-0.8%	-0.6%	$141.48	-2.0%	$106.03	-1.8%	$109.21	74.9%
FY2014	4,597	0.7%	4.7%	$137.34	-2.9%	$106.97	0.9%	$106.97	77.9%
Actual Avg FY 2000 - 2014		**2.3%**	**3.2%**		**1.4%**		**2.4%**		**72.8%**
Avg FY 10-14		**1.9%**	**2.3%**		**-0.7%**		**-0.3%**	**$112.71**	**76.0%**
Avg FY 12-14		**1.2%**	**2.4%**		**-1.2%**		**0.0%**	**$110.02**	**75.9%**

FORECAST

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
FORECAST									
FY2015	5,054	9.9%	5.0%	$139.40	1.5%	$103.71	-3.1%	$101.43	74.4%
FY2016	5,257	4.0%	4.0%	$144.27	3.5%	$107.32	3.5%	$102.15	74.4%
FY2017	5,341	1.6%	4.0%	$149.32	3.5%	$113.69	5.9%	$105.31	76.1%
Avg FY 15-17		5.2%	4.3%		2.8%		2.1%	$102.96	75.0%
FY2018	5,395	1.0%	3.0%	$154.55	3.5%	$119.99	5.5%	$107.92	77.6%
FY2019	5,653	4.8%	3.0%	$159.19	3.0%	$121.48	1.2%	$106.08	76.3%
FY2020	5,802	2.6%	2.5%	$163.96	3.0%	$124.97	2.9%	$105.94	76.2%
FY2021	5,860	1.0%	2.5%	$170.52	4.0%	$131.90	5.5%	$108.56	77.4%
FY2022	6,006	2.5%	2.5%	$177.34	4.0%	$137.17	4.0%	$109.61	77.4%
FY2023	6,157	2.5%	2.5%	$184.44	4.0%	$142.66	4.0%	$110.68	77.4%
Avg FY18-23		**2.4%**	**2.7%**		**3.6%**		**3.9%**	**$108.13**	**77.0%**
Total Forecast Avg FY 2015-2023		**3.3%**	**3.2%**		**3.3%**		**3.3%**	**$106.41**	**76.3%**

COMPARISON HF2014 vs HF2015 – Average and Absolute to FY2022

Year	Rooms	Supply Avg	Demand Avg	ARR	ARR Avg	RevPAR	RevPAR Avg	Avg Real RevPAR	Avg Occ
HF 2014	6,096	2.9%	3.3%	$188.16	3.4%	$142.39	3.9%	$103.75	72.1%
HF2015	6,006	3.4%	3.3%	$177.34	3.3%	$137.17	3.2%	$105.87	76.2%

In 2014 decline in demand for Brisbane Hotels saw rates under further pressure with RevPAR decline for a second consecutive year. The expected recovery did not start to materialise until after financial year end.

BRISBANE REGIONS – JUNE 2014

	Est	Rooms	RevPAR
Brisbane City Core	71	8,187	$118.98
BRISBANE TOURISM REGION			
Hotels	33	4,252	$129.62
Motels	89	3,854	$81.60
Serviced Apartments	71	5,009	$107.72
Total	**193**	**13,115**	**$107.07**
STAR GRADING			
5-star	6	1,340	$167.05
4-star	83	7,729	$114.63
3-star	95	3,742	$73.91
Other	9	304	$61.23
Total	**193**	**13,115**	**$107.07**

FY2014 YEAR IN REVIEW

	2014 FORECAST	ACTUAL 2014	Var
RevPAR	3.2%	-8.4%	-11.6% ▼
Supply	5.8%	-1.7%	-7.5% ▼
Demand	6.0%	-5.5%	-11.5% ▼
Occupancy	78.4%	75.2%	-3.2% ▼
ARR	3.0%	-4.7%	-7.7% ▼

2014 Year in Review

- In 2014 Brisbane hotels recorded RevPAR decline of 8.4%, well below our 3.2% growth expectations. A reduction in demand forced hoteliers to retreat on rate
  - A 1.7% supply decline offset the 5.5% decline in demand.
  - Occupancies remained strong at 75.2%, albeit below 78.4% expectations.
  - The below expectation performance was as a result of a forecast recovery in demand not materialising as early in FY2014 as anticipated.
- STR reported lesser RevPAR decline of 3.2%. Demand levels for larger and branded products appear to have been maintained at a higher level than many of the smaller independents, which have faced the full force of the downturn.

Demand Driver Analysis

After a poor 2013, the demand recovery forecast for 2014 did not eventuate, with a decline recorded. Continued decline in mining infrastructure spend, limited spending from government and poor Queensland confidence all contributed.

- In FY2014 demand for Brisbane hotels declined by 5.5%, and well below our 6.0% growth expectations, held back further by supply delays
- City data for FY2014 for Brisbane reveals:-
  - International visitor nights decreased by 4.8% to 20.1M room nights
  - Domestic visitor nights increased by 7.6% to 16.5M nights
  - Total visitor nights increased by 0.5% to 36.6M nights and contrary to hotel night demand
- In FY2014 Brisbane hotel's high domestic visitor nights content increased to 71.3% from 69.4%
- The TFC forecasts for Brisbane for the period to FY2022 have been marginally upgraded to average growth of 3.5% p.a compared to 2.7% previously :-
  - Annual domestic visitor night growth of 0.3% vs. 0.7% previously
  - Annual international visitor night growth of 6.2% vs. 4.2% previously

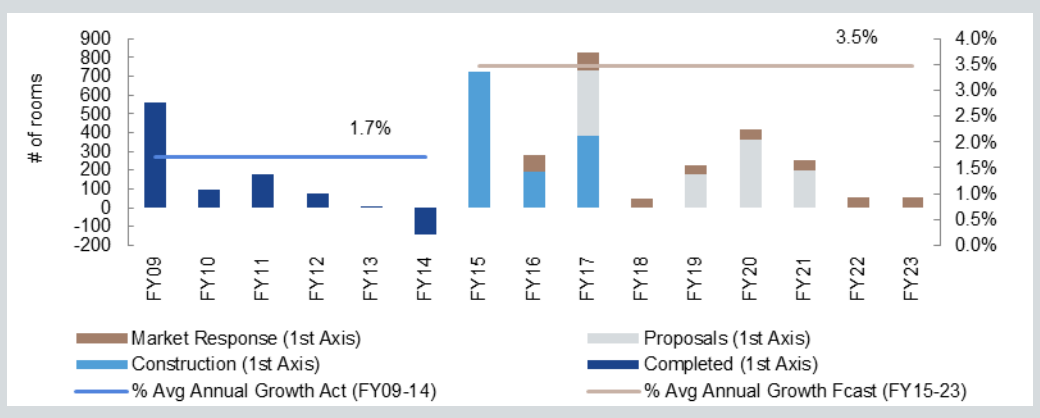
Dransfield Demand Forecast

- Annual demand growth of 4.5% is expected over the long term which is well up from the 3.8% previously expected. The Dransfield demand growth forecast to FY2023 represents a small downgrade in absolute visitor nights from the prior forecast. This is mostly as a result of the lower base from underperformance in FY2014.
  - We expect demand to increase 5.0% in FY2015 to recover almost the entirety of the 2014 decline. Early indications from industry sources show that the market has recovered in the 1st half of FY2015, driven by the impact of the G20 summit
  - Medium term demand growth to FY2017 is expected to average a higher 5.7% up from 4.5%. This is driven by the upgrade of the TFC forecasts as well as the lower 2014 base and increased supply averaging 7.0%. Absolute visitor nights are still down 224,000 or 7.8%.
  - Long term growth to FY2022 of 4.7% sees visitor numbers at that time down a small 85,000 compared with prior forecasts. Demand growth over the long term is driven by the introduction of new infrastructure, high end accommodation projects and destination development (RNA Showgrounds, Queens Wharf etc.) together with an expected recovery of the Queensland market more broadly.

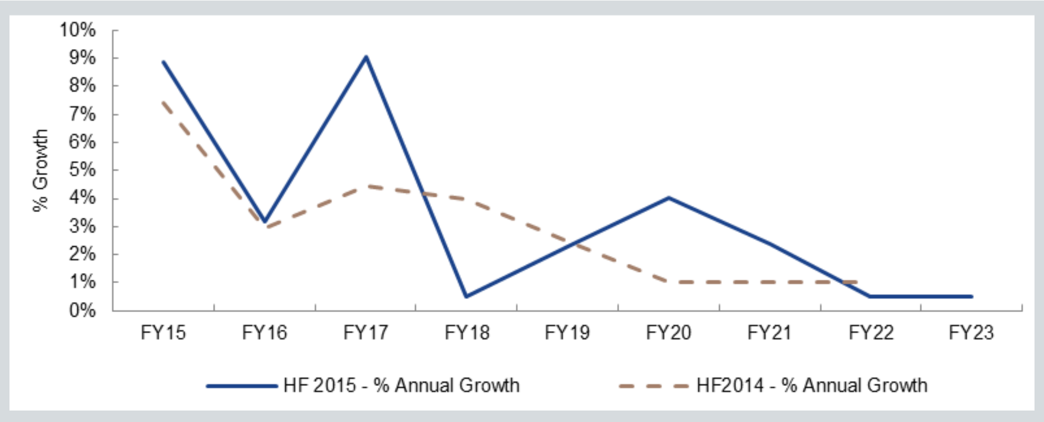
BRISBANE

A large number of rooms have moved from Market Response to the more certain construction and proposal categories. Forecast absolute supply represents a marginal downgrade over the long term.

SUPPLY ACTUAL & FORECAST BY TYPE FY09-FY23



FORECAST HF15 VS HF14 - % ANNUAL SUPPLY GROWTH



Supply Actual

- In FY2014 Brisbane supply recorded a decline of 1.7% (143 rooms), below expectations for 5.8% (479 rooms) growth.
- There were a number of openings in the second half of FY2014 which were not recorded by ABS and are slightly delayed to expectations. These additional rooms will likely be captured in FY2015.
- The Brisbane market has experienced limited growth of just 214 rooms over the past 5 years. This following the peak supply increases of FY2006-FY2009 which saw 1,700 rooms added.

Supply Forecasts

- Supply forecasts to FY2023 represent a small absolute downgrade with average annual growth of 3.5%. The majority of activity is expected in the next three years with a couple of additional major projects expected around FY2020, including the Queens Wharf project
  - Much of the FY2015 supply growth of 9.0% is attributable to hotels that have recently opened.
  - Supply growth for the medium term to FY2017 is expected to average 7.0% (1,839 rooms), up from 4.9% (1,368 rooms) in the prior forecast; the upgrade is partly due to the delayed reporting of new supply in FY2014. There is a 151 room downgrade in absolute room numbers for FY2017.

Supply Cycle Expectations

- The new forecast to FY2022 has absolute room numbers 140 rooms behind the prior forecasts. As we move through the supply cycle we have lower market response expectations compounded by a slightly weaker market
  - There are currently 7 projects with approximately 1,300 rooms, or 15.9% of 2014 supply, under construction representing an increase of 359 rooms on the prior forecast.
  - Total proposals of 1,091 rooms (1,423 @ 77% probability) for the forecast, over 5 projects, represent an increase of 700 rooms over the prior forecast. This increase is as a result of a number of new projects being added, together with an improved assessment of the probability of proposals proceeding.

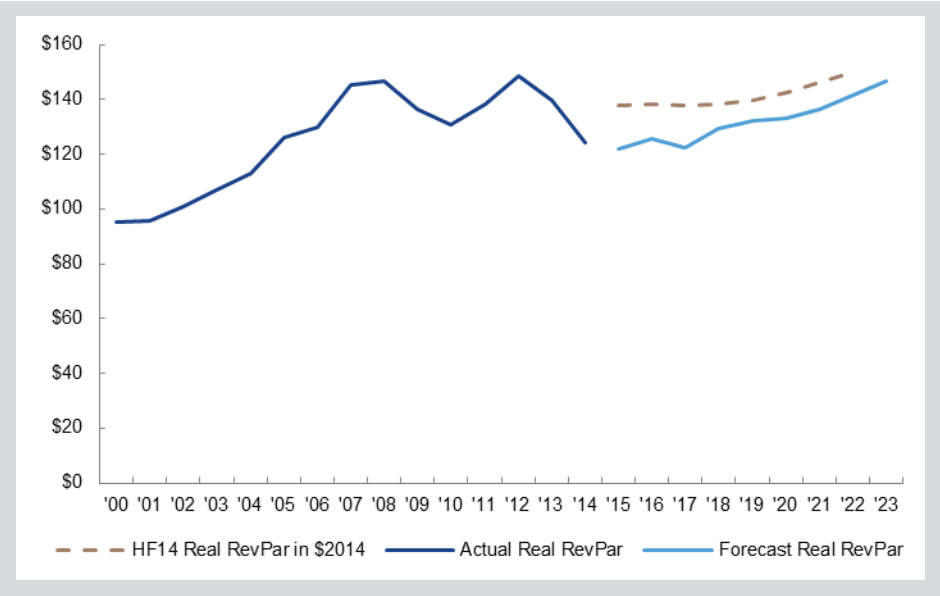
Long term RevPar growth of 4.8% is forecast off a lower 2014 base. Absolute Real RevPAR represents an average decline of 7.9% to the prior forecast, recovering somewhat in the second half of the forecast period

- As a result of the increased number of rooms which have moved to the construction and proposal stages, together with the softer market conditions over the past couple of years, we have tempered Market Response expectations. The current forecast assumes 455 additional rooms attributable to yet unnamed projects which is likely to be achieved through 2-3 additional projects, and is down from 1,430 rooms in our prior forecast.
- Market response to FY2022 now accounts for 16% of all new supply, compared with 60% in the prior forecast as a natural consequence of moving through the supply cycle.

Conclusion

- Brisbane has experienced a second consecutive year of declining revPAR and is back below pre GFC levels. Early indications for FY2015 are that the market is now starting to recover. The G20 summit will positively impact 2015 despite only being a relatively short event.
- Despite the consecutive years of demand decline, the market continues to have strong occupancy in excess of 75%, and is expected to maintain this for the term of the forecast
  - Over the period of the forecast the occupancy expectations are slightly below prior expectations but are still strong.
  - Material supply increases over the medium term are expected to be quickly absorbed.
- Rate growth expectations for the forecast period have improved to 3.7% from a lower base
  - Expectations for 2015 is a recovery with rate growth of 4%.
  - Medium term rate growth of 3.3% is below the long term average as a result of new supply coming on line. This is likely to be felt more in the existing and older properties with new additions to the market expected to outperform market averages.
- Our forecast is for reduced long term average Real RevPAR (7.9%).
- RevPAR growth to FY2022 represents an upgrade, and averages 4.6% from a lower 2014 base, previously 4.0%
  - In FY2015, RevPAR is expected to grow by 0.3% which is below prior expectations of 2.1% as the market looks to absorb the influx of new supply.
  - In the medium term to FY2017 RevPAR is expected to grow by an average of 2.1%. A strong FY2016 is expected however additional new supply is forecast to come on line in FY2017 which will temper RevPAR growth potential. This forecast represents a small downgrade to prior expectations of 2.7%.
  - Average growth of 4.8% over the forecast period is driven by strong performance from FY2018 as the market recovers from he downturn in mining and absorbs the new supply coming on line in the short/medium term.

BRISBANE CITY REAL REVPAR



DRANSFIELD HOTELS & RESORTS

Strong average RevPAR growth of 4.8% p.a. is tempered in the short and medium term as supply is absorbed and contracts rates, however is likely to accelerate in the period beyond as fundamentals kick in

BRISBANE CITY CORE – HOTELS, MOTELS AND SERVICE APARTMENTS

ACTUAL

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
HISTORICAL									
FY2000	6,666	7.7%	6.8%	$101.04	-2.0%	$63.11	-2.9%	$95.15	62.5%
FY2001	6,359	-4.6%	3.8%	$98.87	-2.1%	$67.21	6.5%	$95.57	68.0%
FY2002	6,266	-1.5%	3.1%	$102.73	3.9%	$73.04	8.7%	$101.00	71.1%
FY2003	6,043	-3.6%	0.5%	$107.36	4.5%	$79.57	8.9%	$107.14	74.1%
FY2004	6,088	0.7%	5.8%	$110.53	3.0%	$86.00	8.1%	$113.00	77.8%
FY2005	6,255	2.7%	6.0%	$122.39	10.7%	$98.25	14.2%	$125.97	80.3%
FY2006	6,596	5.5%	4.2%	$132.80	8.5%	$105.32	7.2%	$129.87	79.3%
FY2007	6,931	5.1%	8.6%	$146.77	10.5%	$120.32	14.2%	$145.35	82.0%
FY2008	7,413	7.0%	4.9%	$157.74	7.5%	$126.78	5.4%	$146.56	80.4%
FY2009	7,973	7.5%	0.8%	$159.04	0.8%	$119.81	-5.5%	$136.50	75.3%
FY2010	8,069	1.2%	3.4%	$154.07	-3.1%	$118.54	-1.1%	$131.06	76.9%
FY2011	8,250	2.2%	4.6%	$164.86	7.0%	$129.82	9.5%	$138.53	78.7%
FY2012	8,322	0.9%	4.2%	$173.24	5.1%	$140.84	8.5%	$148.55	81.3%
FY2013	8,330	0.1%	-3.7%	$173.25	0.0%	$135.53	-3.8%	$139.59	78.2%
FY2014	8,187	-1.7%	-5.5%	$165.03	-4.7%	$124.18	-8.4%	$124.18	75.2%
Actual Avg FY 2000 - 2014		**2.0%**	**3.2%**		**3.3%**		**4.6%**		**76.1%**
Avg FY 10-14		**0.5%**	**0.6%**		**0.8%**		**1.0%**	**$136.38**	**78.1%**
Avg FY 12-14		**-0.2%**	**-1.7%**		**0.1%**		**-1.2%**	**$137.44**	**78.3%**

FORECAST

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
FORECAST									
FY2015	8,914	8.9%	5.0%	$171.63	4.0%	$124.54	0.3%	$121.80	72.6%
FY2016	9,195	3.2%	5.0%	$178.50	4.0%	$131.83	5.9%	$125.48	73.9%
FY2017	10,026	9.0%	7.0%	$182.07	2.0%	$131.96	0.1%	$122.24	72.5%
Avg FY 15-17		**7.0%**	**5.7%**		**3.3%**		**2.1%**	**$123.18**	**73.0%**
FY2018	10,076	0.5%	5.0%	$190.26	4.5%	$144.08	9.2%	$129.58	75.7%
FY2019	10,305	2.3%	4.0%	$196.92	3.5%	$151.64	5.3%	$132.41	77.0%
FY2020	10,721	4.0%	4.0%	$203.81	3.5%	$156.89	3.5%	$133.00	77.0%
FY2021	10,976	2.4%	4.0%	$211.96	4.0%	$165.76	5.7%	$136.43	78.2%
FY2022	11,031	0.5%	3.2%	$220.44	4.0%	$177.02	6.8%	$141.45	80.3%
FY2023	11,086	0.5%	3.2%	$229.26	4.0%	$189.05	6.8%	$146.66	82.5%
Avg FY18-23		**1.7%**	**3.9%**		**3.9%**		**6.2%**	**$136.59**	**78.4%**
Total Forecast Avg FY 2015-2023		**3.5%**	**4.5%**		**3.7%**		**4.8%**	**$132.12**	**76.6%**

COMPARISON HF2014 vs HF2015 – Average and Absolute to FY2022

Year	Rooms	Supply Avg	Demand Avg	ARR	ARR Avg	RevPAR	RevPAR Avg	Avg Real RevPAR	Avg Occ
HF 2014	11,171	3.0%	3.5%	$234.98	3.5%	$191.21	4.0%	$141.42	78.6%
HF2015	11,031	3.8%	4.7%	$220.44	3.7%	$177.02	4.6%	$130.30	75.9%

CAIRNS & PORT DOUGLAS

In 2014 reported RevPAR change of 0.9% was below 7.1% expectations as rate was not claimed. The STR sample was more consistent with expectations.

CAIRNS REGIONS – JUNE 2014

	Establishments	Rooms	RevPAR
Cairns	60	5,312	$73.43
Port Douglas	38	2,341	$77.18
Cairns & Port Douglas	98	7,653	$74.58
Tropical North Queensland			
Hotels	34	3,897	$77.29
Motels	59	3,075	$59.11
Serviced Apartments	78	3,997	$76.93
Total	**171**	**10,969**	**$72.00**

FY2014 YEAR IN REVIEW

	2014 FORECAST	ACTUAL 2014	Var	
RevPAR	7.1%	0.9%	-6.2%	▼
Supply	1.0%	1.6%	0.6%	▲
Demand	3.0%	2.8%	-0.2%	▼
Occupancy	65.8%	65.2%	-0.5%	▼
ARR	5.0%	-0.2%	-5.2%	▼

2014 Year in Review

- In FY2014 Cairns hotels recorded slight 0.9% RevPAR growth, marking 4 consecutive years of growth
  - The performance was well below expectations for 7.1% growth, following strong growth of 12.1% in the prior year.
  - Supply increased by 1.6% or roughly 45,000 room nights, slightly above our expectations.
  - Demand growth of 2.8% was inline with expectations.
  - Hotelier's confidence did not translate through to rates as they fell 0.2%, despite a positive supply and demand equation, pushing occupancies up 0.7 points to 65.2%.
- STR reported greater year on year RevPAR growth of 4.2% for the Cairns region, though this excludes Port Douglas which has a higher rate environment and domestic content.

Demand Driver Analysis

Market recovery continues with the regions 4th consecutive year of demand growth following a similar period of demand decline. Visitor numbers are now the highest they have been in the history of the forecast

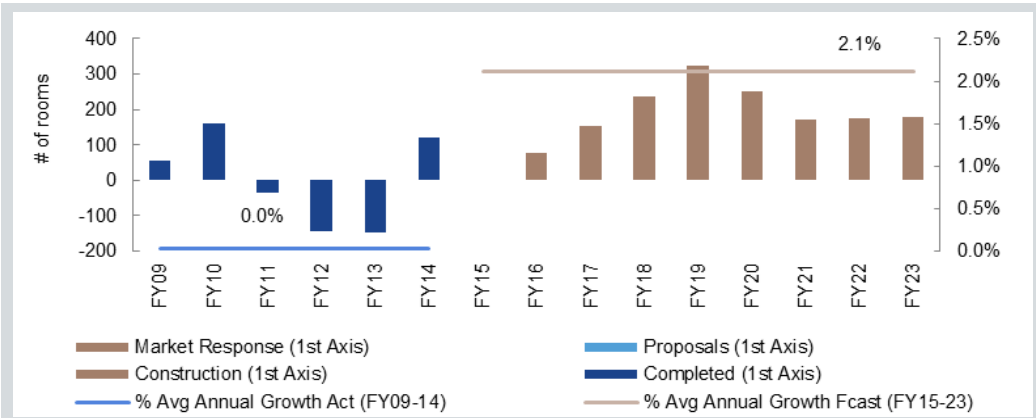
- FY2014 demand for Cairns/Port Douglas hotels increased by 2.8% in line with expectations.
- City data for FY2014 for Tropical North Queensland reveals:-
  - International visitor nights decreased by 4.0% to 6.2M nights
  - Domestic visitor nights grew by 8.7% to 8.7M nights
  - Total visitor nights increased by 3.0% to 14.9M nights
- In FY2014 Cairns hotel's domestic visitor nights content increased to 65.4% from 61.9%
- The TFC forecasts for Queensland, excluding Brisbane, for the period to FY2023 have been upgraded to average growth of 2.4% p.a compared to 1.4% previously :-
  - Annual domestic visitor night growth of 0.9% and in line with previous forecasts
  - Annual international visitor night growth of 5.6% vs. 2.4% previously

Dransfield Demand Forecast

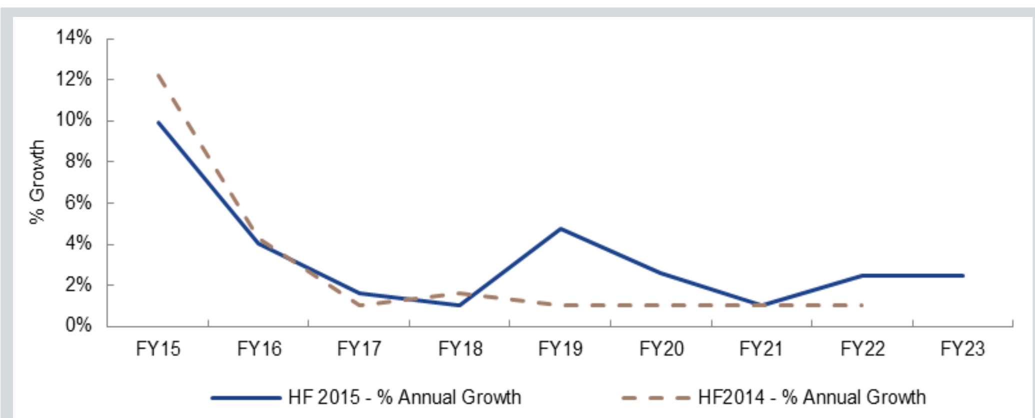
- Annual demand growth of 3.2% is expected over the long term, upgraded from 2.8% previously and also represents an upgrade in absolute visitor nights. The result is driven by an upgrade through the full forecast period as an improved exchange rate drives leisure markets
  - In FY2015, we expect demand to increase 4.0%, the strongest single year since 2004.
  - Medium term demand growth to FY2017 is expected to average a higher 3.7% up from 2.8%. This is driven by the upgrade of the TFC forecasts supported by the weakening of the Australian dollar. Absolute visitor nights are still up 43,000 at this point.
  - Long term growth to FY2022 of 3.3% sees visitor night numbers up a small 151,000 compared with prior forecasts. The long term forecast will be helped by the repositioning of the Australian Dollar. This will need to be supported by continuing direct flight access from major capital cities both domestic and international.

Supply has not been commercial and continues to be constrained by demand and rate performances. 100% of the supply forecast is based on anticipated Market Response rather than specific projects.

SUPPLY ACTUAL & FORECAST BY TYPE FY09-FY23



FORECAST COMPARISON HF15 VS HF14 - % ANNUAL SUPPLY GROWTH



Supply Actual

- In FY2014 Cairns supply recorded growth of 1.6% (120 rooms) and in line with expectations
  - This small annual increase follows 3 consecutive years of supply decline.
  - Following the last major increase of FY2004 there has been a net increase of just 274 rooms available which equates to annual growth of less than 0.5%.

Supply Forecasts

- Supply forecasts to FY2023 represent a small absolute downgrade with annual growth of 2.1%. The next supply cycle is expected to come in FY2018/20 with the market currently focussing on refurbishment rather than development
  - We are forecasting no supply increase in FY2015.
  - Supply growth for the medium term to FY2017 is expected to average a low 1.0% (270 rooms), in line with prior forecasts.
  - Our long term forecasts do not include the addition of rooms associated with the Aquis project. The project is targeted to include 7,500 hotel rooms (equal to the entire exiting supply of the region) to come on line from 2018. Should the project proceed in its current form then it will completely change the competitive landscape and demand profile, and subsequently the forecast, for the region.

Supply Cycle Expectations

- The new forecast is largely in line with prior expectations with absolute room numbers 35 behind the prior forecast
  - There are presently no rooms under construction and outside of the Aquis project and there are also no major proposals captured in our forecast.
  - There has been a marginal downgrade in Market Response, directly related to prior expectations for FY2015 not materialising. The current forecast assumes 1,392 additional rooms attributable to unspecified projects, which could be achieved through 8-12 projects. It is down from 1,471 rooms in our prior forecast.
  - Market Response to FY2022 accounts for 100% of all new supply in line with 2014 expectations.

DRANSFIELD HOTELS & RESORTS

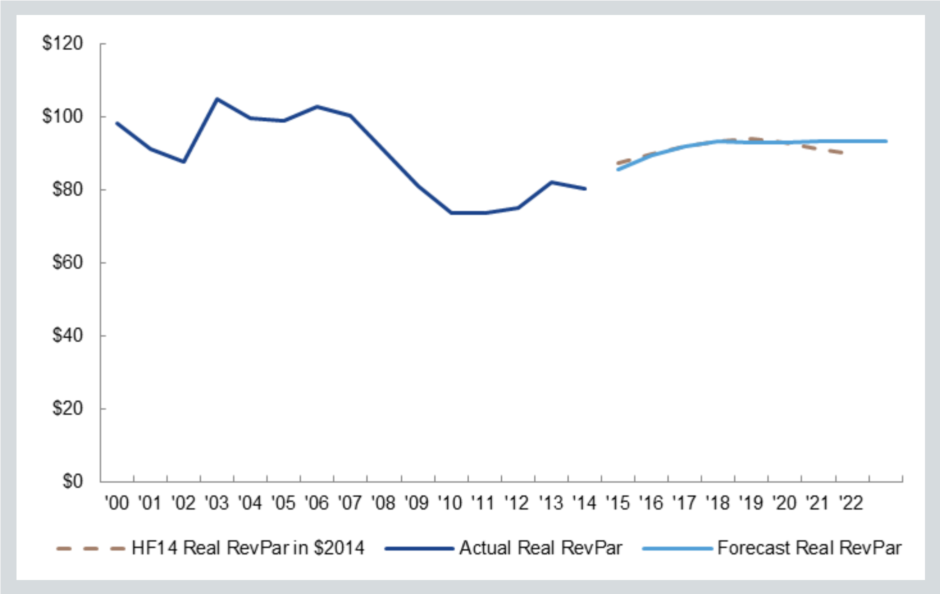
CAIRNS & PORT DOUGLAS

Medium term RevPAR growth of 7.3% p.a as rate growth is driven by improved demand as a result of the weaker Australian dollar.

Conclusion

- Current occupancy rates are the highest they have been for the past 7 years and are in line with the historical average. With limited supply on the horizon we expect the forecast average to be higher than this historical average (70.6% vs 63.8%)
  - Over the period of the forecast, occupancy expectations have increased as a result of an upgrade to demand.
  - Limited long term supply growth fuels the improved occupancy levels.
- Rate growth expectations for the forecast period have improved to 3.4% from a lower 2014 base
  - Expectations for 2015, from a flat 2014, are for rate growth of 4.5%, marginally higher than prior expectations.
  - Medium term rate growth of 4.5% is above the long term average following an improved demand outlook and favourable exchange rates.
  - As a regional leisure destination Cairns/Port Douglas is always going be one of the first regions to be impacted when adverse market conditions arise. As such long term rate forecasts are tempered to allow for the occasional underperforming year.
- Our forecast is for long term Real RevPAR expectations in line with prior expectations off a slightly lower base.
- Average RevPAR growth over the forecast period has been upgraded and is averaging 4.6% from the lower 2014 base
  - In FY2015, RevPAR is expected to grow by 8.7%, which is above prior expectations of 6.1%, as demand expectations increase against a backdrop of no new supply expectations.
  - In the medium term to 2017 RevPAR is expected to grow by an average of 7.3% which represents an upgrade to prior expectations of 5.9%.
  - Average growth of 4.6% p.a over the forecast period as limited supply growth and continued demand growth give hoteliers the confidence to move on rate.

CAIRNS & PORT DOUGLAS REAL REVPAR



DRANSFIELD HOTELS & RESORTS

Medium term RevPAR growth of 7.3% p.a as rate growth responds to improved demand and limited supply

CAIRNS & PORT DOUGLAS HOTELS, MOTELS AND SERVICE APARTMENTS

ACTUAL

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
HISTORICAL									
FY2000	6,819	0.2%	2.6%	$98.76	-1.2%	$65.12	1.2%	$98.18	65.9%
FY2001	7,020	2.9%	2.0%	$97.86	-0.9%	$63.96	-1.8%	$90.95	65.4%
FY2002	7,105	1.2%	0.0%	$98.17	0.3%	$63.39	-0.9%	$87.66	64.6%
FY2003	6,155	-13.4%	-1.2%	$105.85	7.8%	$77.94	22.9%	$104.95	73.6%
FY2004	7,338	19.2%	7.0%	$114.82	8.5%	$75.87	-2.7%	$99.70	66.1%
FY2005	7,373	0.5%	0.0%	$117.16	2.0%	$77.06	1.6%	$98.81	65.8%
FY2006	7,192	-2.5%	0.6%	$122.72	4.7%	$83.24	8.0%	$102.64	67.8%
FY2007	7,273	1.1%	-1.3%	$125.12	2.0%	$82.83	-0.5%	$100.07	66.2%
FY2008	7,612	4.7%	-0.8%	$124.67	-0.4%	$78.20	-5.6%	$90.40	62.7%
FY2009	7,669	0.7%	-3.9%	$118.77	-4.7%	$71.08	-9.1%	$80.98	59.8%
FY2010	7,829	2.1%	-1.8%	$115.57	-2.7%	$66.55	-6.4%	$73.58	57.6%
FY2011	7,792	-0.5%	2.9%	$115.92	0.3%	$69.00	3.7%	$73.63	59.5%
FY2012	7,649	-1.8%	1.5%	$115.33	-0.5%	$71.02	2.9%	$74.90	61.6%
FY2013	7,502	-1.9%	2.7%	$123.47	7.1%	$79.64	12.1%	$82.03	64.5%
FY2014	7,622	1.6%	2.8%	$123.16	-0.2%	$80.35	0.9%	$80.35	65.2%
Actual Avg FY 2000 - 2014		**1.0%**	**0.9%**		**1.5%**		**1.8%**		**64.4%**
Avg FY 10-14		**-0.1%**	**1.6%**		**0.8%**		**2.7%**	**$76.90**	**61.7%**
Avg FY 12-14		**-0.7%**	**2.3%**		**2.1%**		**5.3%**	**$79.09**	**63.8%**

FORECAST

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
FORECAST									
FY2015	7,622	0.0%	4.0%	$128.71	4.5%	$87.32	8.7%	$85.40	67.8%
FY2016	7,698	1.0%	4.0%	$134.50	4.5%	$93.96	7.6%	$89.43	69.9%
FY2017	7,852	2.0%	3.0%	$140.55	4.5%	$99.15	5.5%	$91.85	70.5%
Avg FY 15-17		**1.0%**	**3.7%**		**4.5%**		**7.3%**	**$88.90**	**69.4%**
FY2018	8,088	3.0%	3.5%	$146.17	4.0%	$103.62	4.5%	$93.19	70.9%
FY2019	8,411	4.0%	3.5%	$150.56	3.0%	$106.22	2.5%	$92.74	70.5%
FY2020	8,663	3.0%	3.0%	$155.07	3.0%	$109.40	3.0%	$92.74	70.5%
FY2021	8,837	2.0%	3.0%	$158.95	2.5%	$113.24	3.5%	$93.20	71.2%
FY2022	9,013	2.0%	2.5%	$162.92	2.5%	$116.64	3.0%	$93.20	71.6%
FY2023	9,194	2.0%	2.5%	$167.00	2.5%	$120.14	3.0%	$93.20	71.9%
Avg FY18-23		**2.7%**	**3.0%**		**2.9%**		**3.3%**	**$93.05**	**71.1%**
Total Forecast Avg FY 2015-2023		**2.1%**	**3.2%**		**3.4%**		**4.6%**	**$91.66**	**70.6%**

COMPARISON HF2014 vs HF2015 – Average and Absolute to FY2022

Year	Rooms	Supply Avg	Demand Avg	ARR	ARR Avg	RevPAR	RevPAR Avg	Avg Real RevPAR	Avg Occ
HF 2014	9,048	2.3%	2.8%	$167.40	3.3%	$114.56	3.8%	$91.22	68.9%
HF2015	9,013	2.1%	3.3%	$162.92	3.6%	$116.64	4.8%	$91.47	70.4%

DRANSFIELD HOTELS & RESORTS

In 2014 demand retreated taking RevPAR with it. The blow was softened by holding on rate.

CANBERRA REGIONS – JUNE 2014

	Establishments	Rooms	RevPAR
Canberra	49	4,992	$117.33
CANBERRA TOURISM REGION			
Hotels	18	2,534	$122.16
Motels	16	1,312	$80.31
Serviced Apartments	50	1,152	$124.27
Total	**50**	**4,998**	**$111.59**
STAR GRADING			
5-star	3	n.p	n.p
4-star	29	2,953	$106.42
3-star	15	1,419	$78.78
Other	3	n.p.	n.p.
Total	**49**	**4,992**	**$111.51**

FY2014 YEAR IN REVIEW

	2014 FORECAST	ACTUAL 2014	Var	
RevPAR	3.6%	-2.7%	-6.3%	▼
Supply	3.9%	1.6%	-2.3%	▼
Demand	4.0%	-1.9%	-5.9%	▼
Occupancy	69.1%	66.7%	-2.4%	▼
ARR	3.5%	0.7%	-2.8%	▼

2014 Year in Review

- In FY2014 Canberra hotels had a poor year as RevPAR contracted by 2.7% against 3.6% growth expectations
  - This followed a 6.0% decline in the previous year
  - A 1.6% increase in supply, together with a 1.9% decrease in demand, created a surplus of rooms dragging occupancy down 2.3 points to 66.7%.
  - A counter intuitive 0.7% increase in rate somewhat insulated Canberra hotels from further decline. This was likely due to high quality additions and astute refurbishments placing upward confidence on rate. We expect lower end and dated properties to exit in the coming years as they struggle to compete with the improved accommodation offerings now available in Canberra.
- Unusually, the STR sample reported a greater year on year RevPAR decline of 6.3%, driven by rate contraction of 5.0%.

Demand Driver Analysis

The demand recovery forecast for 2014 did not eventuate with a decline recorded. Government volatility and budget pressure led to a reduction in travel patterns particularly for government employees.

- In FY2014 demand for Canberra hotels declined by 1.9%, well below our 4.0% growth expectations.
- City data for FY2014 for Canberra reveals:-
  - International visitor nights decreased by 11.8% to 4.2M nights
  - Domestic visitor nights decreased by 16.4% to 5.2M nights
  - Total visitor nights decreased by 14.4% to 9.4M nights, hotels fared better as availability increased
- In FY2014 Canberra hotel's high domestic visitor nights content increased to 90.3% from 88.1%
- The TFC forecasts for Canberra for the period to FY2023 have been upgraded to average growth of 4.3% p.a compared to 2.5% previously :-
  - Annual domestic visitor night growth of 1.6% vs. 0.7% previously
  - Annual international visitor night growth of 7.2% vs. 4.5% previously

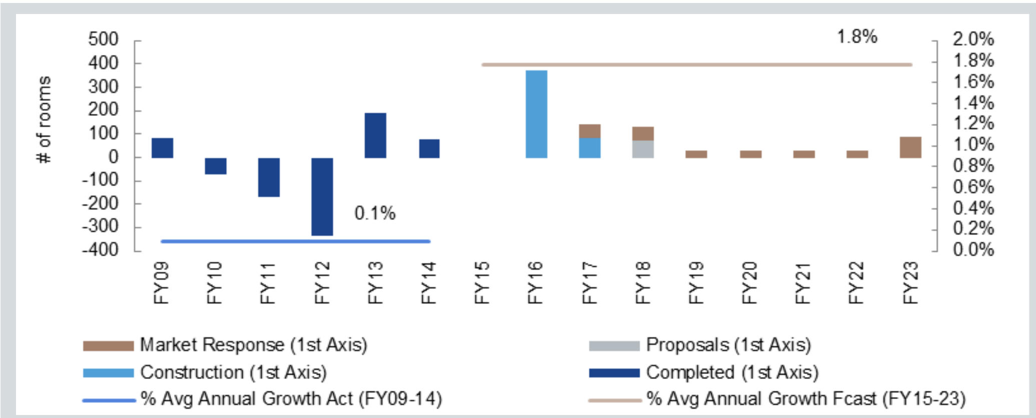
Dransfield Demand Forecast

- The Dransfield demand growth forecast to FY2023 is unchanged and represents a downgrade in absolute visitor nights as a result of the lower base in FY2014. Annual demand growth of 2.4% p.a is expected over the long term
  - We expect demand to remain flat in FY2015 as government volatility persists.
  - Medium term demand growth to FY2017 is expected to average 2.3% p.a and is inline with prior forecasts.
  - Long term growth to FY2022 of 2.4% sees visitors down a small 66,000 nights compared with prior forecasts.

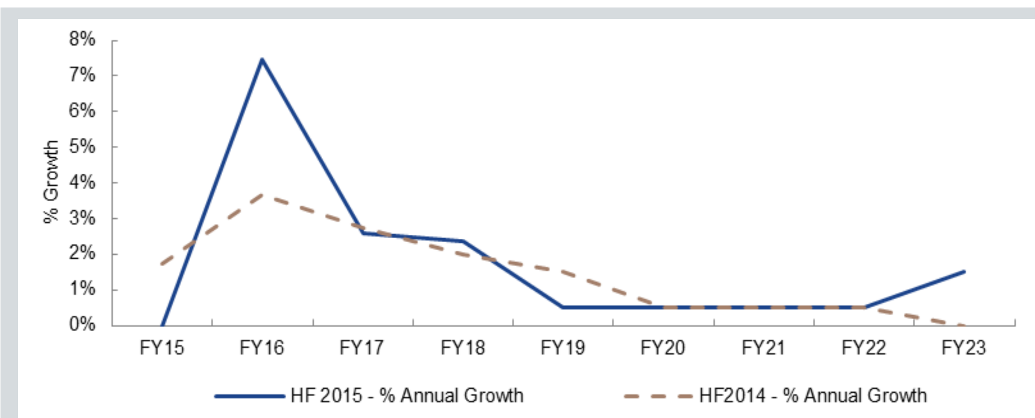
DRANSFIELD HOTELS & RESORTS

Long term supply expectations slightly downgraded following recent falls in demand and short term Market Response not materialising.

SUPPLY ACTUAL & FORECAST BY TYPE FY09-FY23



FORECAST COMPARISON HF15 VS HF14 - % ANNUAL SUPPLY GROWTH



Supply Actual

- In FY2014 Canberra supply recorded growth of 1.6% (78 rooms), which was below expectations of 3.9% (191 rooms).
- This was due to small accommodation operators exiting the market following the introduction of new and better quality offerings, a well as refurbishments, forcing out older and tired stock. The small allowance for Market Response also did not eventuate given soft market fundamentals.
- The Canberra market has experienced limited growth over the last decade with less stock than 12 years ago.

Supply Forecasts

- Supply forecasts to FY2023 represent a small absolute downgrade with annual growth of 1.8%. The majority of activity is expected to occur between FY2016 and FY2017
  - We are not aware of any developments due to open in FY2015 and have forecast no growth. This is a downgrade on prior expectations for 1.9% growth which was all attributable to anticipated Market Response rather than specific projects.
  - Supply growth for the medium term to FY2017 is expected to average 3.3% (515 rooms), up from 2.7% (342 rooms) in the prior forecast though coming from a lower base. Despite the growth rate upgrade, there is a 30 room downgrade in absolute room numbers for FY2017 following the supply underperformance in FY2014.
  - Long term growth of 1.8% p.a is expected to FY2023.

Supply Cycle Expectations

- The new forecast has absolute room numbers 60 rooms behind the prior forecasts . Lower market response is occurring in a weaker market
  - There are currently 4 projects with approximately 460 rooms, or 9.1% of 2014 supply, currently under construction representing an increase of 307 rooms on the prior forecast. This is a result of new projects coming to light and the progression of proposal projects into the construction phase.
  - Total proposals of 75 rooms (150 @ 50% probability) for the forecast, over a single project, represent a decrease of 78 rooms over the prior forecast. This decrease is as a result of a projects moving into the construction phase.

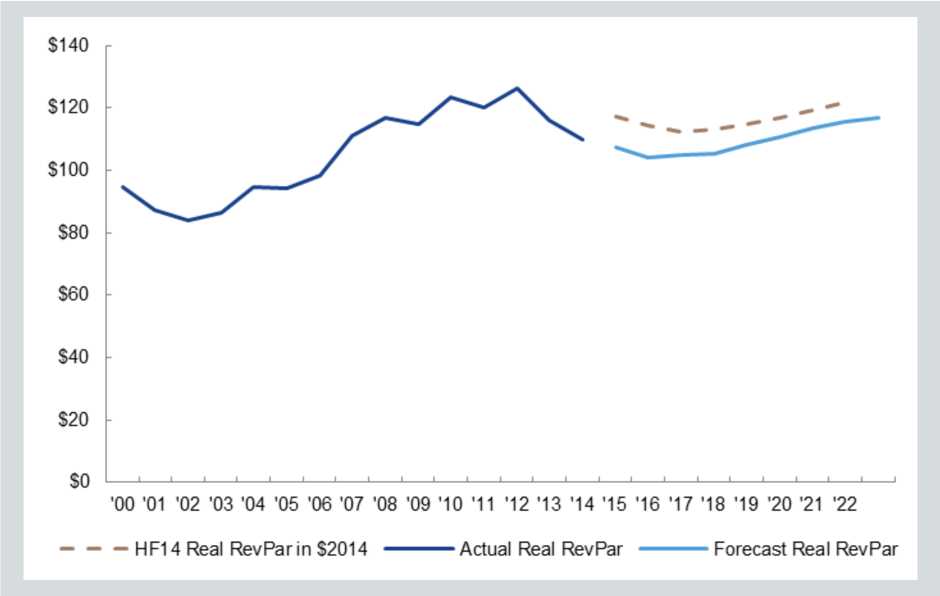
Medium term RevPAR growth a low 1.0% p.a, as supply is introduced in a weak market.

- Following a downturn in market fundamentals, we have tempered Market Response expectations. The current forecast assumes 226 additional rooms attributable to yet unnamed projects, which is likely to be achieved through 2-3 additional projects, and this is down from 551 rooms in our prior forecast.
- Market response to FY2022 now accounts for 30% of all new supply compared with 64% in the prior forecast as a natural consequence of moving through the supply cycle.

Conclusion

- In FY2014 Canberra recorded a second consecutive year of demand led RevPAR decline. The small nature of Canberra's short term accommodation market holds inherent volatility, as has been seen over the last 10 years with double digit RevPAR swings occurring.
- The quality of the upscale Canberra properties has improved significantly and may cause lesser properties to fall out of the market as the competitive gap widens in a low occupancy market. AOT or government controlled purchasing is likely to place further pressure on smaller properties with clear preferences for chain branded products.
- Occupancy levels have now been held below 70% for two years, a downgrade on the 70% plus levels achieved over the last decade. We expect these lower occupancy levels to maintain over the long term and to record average levels of 67.2% to FY2023
  - Over the period of the forecast the occupancy expectations are below prior expectations.
  - We expect occupancy levels to only tip back over 70% at the back end of the forecast.
  - Our forecast has been prepared on a conservative basis given recent performance. There are opportunities to outperform, particularly if Canberra Airport's international strategic direction is realised and mooted projects such as the Canberra convention centre project go ahead.
- Rate growth expectations for the forecast period have contracted slightly from a lower base following underperformance in FY2014
  - Expectations for FY2015 are for a zero rate growth as hoteliers opt to chase occupancy.
  - Medium term rate growth of 2.0% is slightly below prior expectations of 2.3% as the trading environment has softened.
  - We expect rates to improve over the back half of the forecast as limited supply additions are easily absorbed by demand growth. Our long term forecast for rates is 2.9% average growth p.a to FY2023.
- Our forecast is for reduced long term Real RevPAR (averaging down 6.5% on prior expectations).
- RevPAR growth is in line with prior expectations and averaging 3.6% p.a to FY2023 from a lower base
  - In FY2015, RevPAR is expected to remain unchanged to FY2014 which represents a downgrade on 4.3% prior expectations as demand growth fails to materialise.
  - In the medium term to 2017 RevPAR is expected to grow by an average of 1% with all of the growth focused in FY2017 following two soft years as the market resets. This medium term forecast represents a downgrade to prior expectations for 2.0% growth p.a.
  - Average growth of 3.6% over the forecast period is driven by a stronger second half as the market recovers in an environment of very limited additional supply.

CANBERRA CITY REAL REVPAR



Market growth expected in the second half of the forecast as demand growth returns, driving occupancy and rate as limited new supply materialises.

CANBERRA CITY HOTELS, MOTELS AND SERVICE APARTMENTS

ACTUAL

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
HISTORICAL									
FY2000	4,856	6.4%	14.7%	$100.15	1.1%	$62.88	9.0%	$94.80	62.8%
FY2001	5,039	3.8%	0.7%	$100.79	0.6%	$61.41	-2.3%	$87.32	60.9%
FY2002	5,197	3.1%	3.7%	$99.10	-1.7%	$60.73	-1.1%	$83.97	61.3%
FY2003	5,102	-1.8%	0.9%	$101.76	2.7%	$64.08	5.5%	$86.29	63.0%
FY2004	4,994	-2.1%	5.5%	$106.03	4.2%	$71.94	12.3%	$94.53	67.8%
FY2005	4,911	-1.7%	-1.3%	$108.10	2.0%	$73.60	2.3%	$94.36	68.1%
FY2006	4,960	1.0%	4.4%	$113.47	5.0%	$79.85	8.5%	$98.46	70.4%
FY2007	5,011	1.0%	5.4%	$125.11	10.3%	$91.85	15.0%	$110.96	73.4%
FY2008	5,016	0.1%	-2.5%	$141.08	12.8%	$100.89	9.8%	$116.63	71.5%
FY2009	5,097	1.6%	-2.0%	$145.72	3.3%	$100.54	-0.4%	$114.55	69.0%
FY2010	5,023	-1.4%	6.8%	$149.28	2.4%	$111.61	11.0%	$123.40	74.8%
FY2011	4,857	-3.3%	-5.4%	$153.80	3.0%	$112.49	0.8%	$120.04	73.1%
FY2012	4,762	-2.0%	-2.3%	$164.43	6.9%	$119.86	6.6%	$126.42	72.9%
FY2013	4,954	4.0%	-1.5%	$163.29	-0.7%	$112.67	-6.0%	$116.05	69.0%
FY2014	5,032	1.6%	-1.9%	$164.50	0.7%	$109.65	-2.7%	$109.65	66.7%
Actual Avg FY 2000 - 2014		**0.7%**	**1.7%**		**3.5%**		**4.6%**		**68.3%**
Avg FY 10-14		**-0.2%**	**-0.9%**		**2.5%**		**1.9%**	**$119.11**	**71.3%**
Avg FY 12-14		**1.2%**	**-1.9%**		**2.3%**		**-0.7%**	**$117.37**	**69.5%**

FORECAST

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
FORECAST									
FY2015	5,032	0.0%	0.0%	$164.50	0.0%	$109.65	0.0%	$107.24	66.7%
FY2016	5,408	7.5%	4.0%	$169.43	3.0%	$109.31	-0.3%	$104.04	64.5%
FY2017	5,547	2.6%	3.0%	$174.52	3.0%	$113.04	3.4%	$104.72	64.8%
Avg FY 15-17		**3.3%**	**2.3%**		**2.0%**		**1.0%**	**$105.33**	**65.3%**
FY2018	5,679	2.4%	3.0%	$179.75	3.0%	$117.16	3.6%	$105.37	65.2%
FY2019	5,707	0.5%	2.5%	$186.04	3.5%	$123.67	5.6%	$107.98	66.5%
FY2020	5,736	0.5%	2.5%	$192.56	3.5%	$130.54	5.6%	$110.67	67.8%
FY2021	5,764	0.5%	2.5%	$199.30	3.5%	$137.80	5.6%	$113.42	69.1%
FY2022	5,793	0.5%	2.0%	$206.27	3.5%	$144.75	5.0%	$115.67	70.2%
FY2023	5,880	1.5%	2.0%	$213.49	3.5%	$150.56	4.0%	$116.80	70.5%
Avg FY18-23		**1.0%**	**2.4%**		**3.4%**		**4.9%**	**$111.65**	**68.2%**
Total Forecast Avg FY 2015-2023		**1.8%**	**2.4%**		**2.9%**		**3.6%**	**$109.54**	**67.2%**

COMPARISON HF2014 vs HF2015 – Average and Absolute to FY2022

Year	Rooms	Supply Avg	Demand Avg	ARR	ARR Avg	RevPAR	RevPAR Avg	Avg Real RevPAR	Avg Occ
HF 2014	5,861	1.6%	2.3%	$214.06	3.0%	$155.12	3.6%	$116.15	69.9%
HF2015	5,793	1.8%	2.4%	$206.27	2.9%	$144.75	3.6%	$108.64	66.8%

In 2014, unexpected demand decline halted RevPAR growth and reset forecasts.

DARWIN REGIONS – JUNE 2014

HOTELS & MOTELS			
Hotels	11	1,617	$143.71
Motels	12	619	$94.03
Serviced Apartments	14	1,387	$135.57
Total	**37**	**3,623**	**$132.09**
STAR GRADING			
5-star	2	n.p.	n.p.
4-star	19	2,556	$139.78
3-star	10	504	$98.11
Other	6	n.p.	n.p.
Total	**37**	**3,623**	**$132.09**

FY2014 YEAR IN REVIEW

	2014 FORECAST	ACTUAL 2014	Var
RevPAR	6.9%	-4.9%	-11.8%
Supply	6.1%	1.4%	-4.7%
Demand	5.0%	-1.9%	-6.9%
Occupancy	78.0%	76.3%	-1.7%
ARR	8.0%	-1.7%	-9.7%

2014 Year in Review

- Following unparalleled RevPAR growth of 17.6% in FY2013, Darwin corrected with a 4.9% contraction in FY2014
  - Darwin's underperformance was primarily demand driven, with a 1.9% reduction compared to expectations for 5.0% growth.
  - A slight increase in supply pushed occupancies down 2.5 points to a still high 76.3%.
  - Hoteliers responded by reducing rates by 1.7% as they focused on retaining occupancy, well off the 8% growth forecast.
- STR reported enhanced performance with 2.7% RevPAR growth. Despite a more pronounced contraction in occupancy, rates actually rose by 5.5%. This suggests that smaller and unbranded hotels bore the brunt of the downturn.

Demand Driver Analysis

Continued expected demand growth associated with major mining infrastructure projects did not materialise as commodity prices reduced drastically over the past 18 months. This impacted all aspects of the mining industry despite continuing localised construction activity.

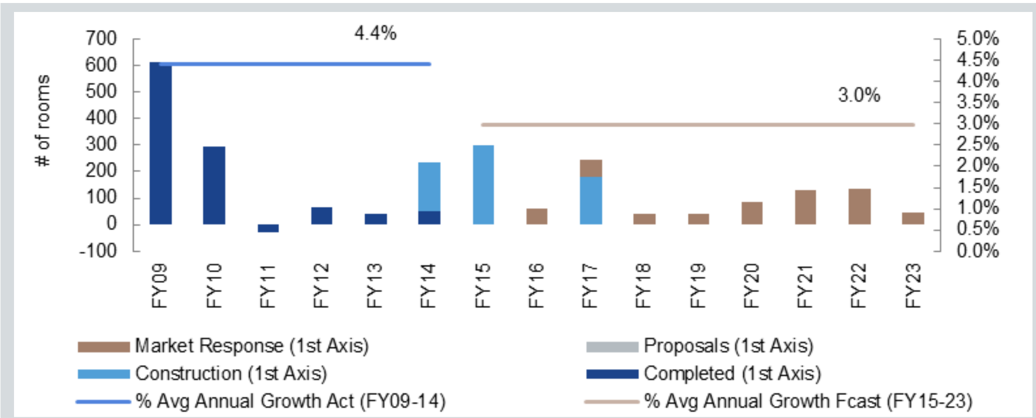
- In FY2014 demand for Darwin hotels declined by 1.9%, and well below our 5.0% growth expectations.
- City data for FY2014 for Darwin reveals:-
  - International visitor nights increased by 35.9% to 1.5M
  - Domestic visitor nights decreased by 4.7% to 3.6M nights
  - Total visitor nights increased by 13.0%% to 5.1M nights
- In FY2014 Darwin hotel's high domestic visitor nights content decreased to 80.5% from 85.6%
- The TFC forecasts for Darwin for the period to FY2023 have however been upgraded to average growth of 5.1% p.a compared to 2.9% previously :-
  - Annual domestic visitor night growth of 2.0% and in line with previous forecasts
  - Annual international visitor night growth of 7.5% vs. 4.0% previously

Dransfield Demand Forecast

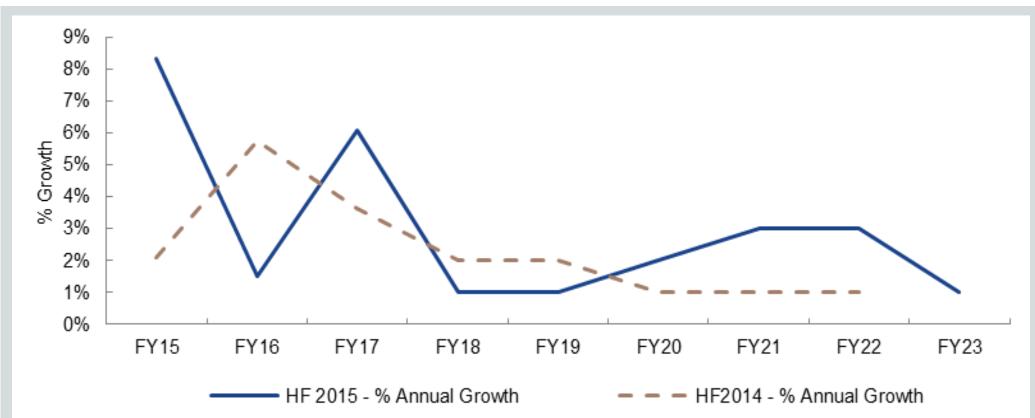
- Annual demand growth of 2.4% is expected over the long term, increased from our 1.6% earlier expectations. The forecast to FY2023 represents a small upgrade in absolute visitor nights from the prior forecast, mostly as a result of the upgraded demand expectations in the back end of the forecast
  - We expect demand to increase 1.0% in FY2015 to recover half of the 2014 decline. This is still a downgrade on prior expectations as reduced demand from the mining sector continues to impact the market.
  - Medium term demand growth to FY2017 is expected to average 2.8%. Underperformance in FY2015 is offset by improved performance expected in FY2017 which in prior forecasts anticipated a market correction following major project completion. The lower FY2014 base and additional as well as delayed project activity have extended the lifecycle of this major demand driver.
  - Long term growth to FY2022 of 2.5% sees visitor numbers up a small 44,000 compared with prior forecasts. Despite a decline in infrastructure spending in the short term we anticipate demand growth for a longer period than previously.
- We have smoothed out the long term forecast, however the reality is that year on year performance for the smaller markets can be highly variable around a central trend.

Long term supply expectations upgraded slightly to 3.0% p.a with an improved shorter term outlook.

SUPPLY ACTUAL & FORECAST BY TYPE FY09-FY23



FORECAST COMPARISON HF15 VS HF14 - % ANNUAL SUPPLY GROWTH



Supply Actual

- In FY2014 Darwin recorded small supply growth of 1.4% (50 rooms), well below expectations for 6.1% growth (only 215 rooms in the small market) as two small properties exited.
- The Darwin market has experienced limited supply growth more recently. This follows the peak supply increases of FY2009-FY2010 which saw a 30% increase which has been fully absorbed, helped by a decline in supply in FY2012.

Supply Forecasts

- Supply forecasts to FY2023 represent a small upgrade, both absolute and in annual growth
  - All of the FY2015 supply growth of 8.3% is attributable to a single project which has since opened.
  - Supply growth for the medium term to FY2017 is expected to average 5.3% (602 rooms), up from 3.8% (447 rooms) in the prior forecast; the upgrade is due to new projects being announced that are in excess of prior Market Response expectations.
  - Long term growth is expected to average 3.0% p.a.

Supply Cycle Expectations

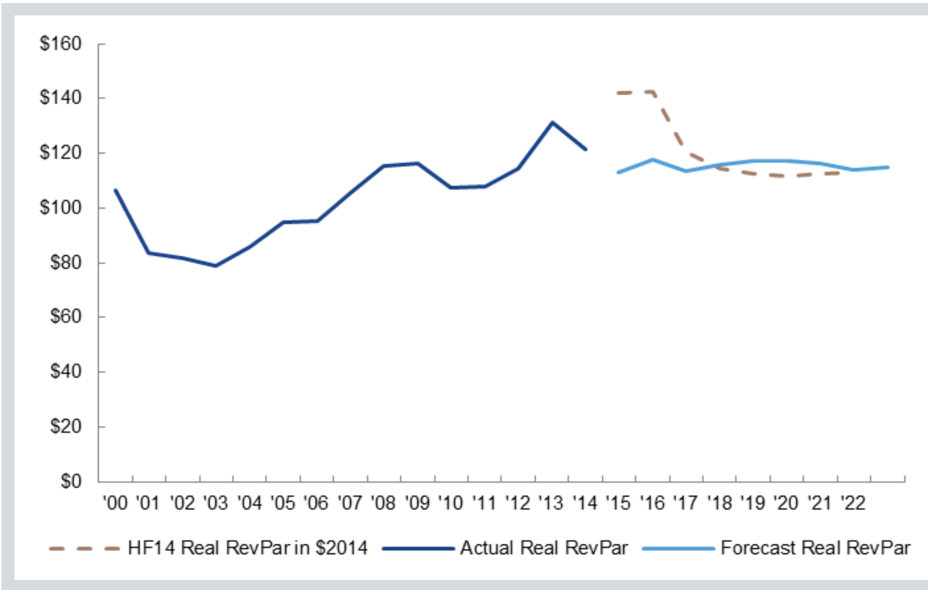
- The new forecast has absolute room numbers up 121 rooms on the prior forecasts as Market Response crystallises into specific projects
  - There are currently 2 projects with approximately 481 rooms, or 13.3% of FY2014 supply, under construction representing an increase of 295 rooms on the prior forecast.
  - There are presently no known proposals for the Darwin market. Proposals underpinning the prior forecast have converted to construction or have been abandoned.
  - In assessing the current development profile, and taking regard of current market conditions, we have reduced our Market Response expectations, particularly through FY2016-18. The current full term forecast assumes 560 additional rooms attributed to unspecified Market Response, which is likely to be achieved through 4-6 additional projects. This is down from 725 in our prior forecast.
  - Market Response to FY2022 now accounts for 54% of all new supply compared with 92% in the prior forecast as a natural consequence of moving through the supply cycle.

Improved RevPAR growth is expected in the second half of the forecast following the current correction which is in direct response to reduced infrastructure development.

Conclusion

- The Darwin City market has experienced strong occupancy over the past 3 years in excess of 75% against a long term historical average of 69.8%. The long term forecast average of 72.5% is above the historical average but below recent performance as the abnormal construction demand driver abates
  - Over the period of the forecast, occupancy expectations are in line with prior expectations although lower in the short to medium term.
  - Material supply increases over the medium term are expected to be absorbed over the longer term.
- Rate growth expectations for the forecast period have improved to 2.8% from a lower FY2014 base.
  - Expectations for 2015 are for a recovery with rate growth of 2% compared with prior expectations of 7% where infrastructure led demand was expected to continue.
  - Medium term rate growth of 2.7% is above prior expectations and is in line with long term averages.
- Our forecast is for reduced long term average Real RevPAR (down 4.6% on the previous forecast) due to short term underperformance. Real RevPAR catches up with prior expectations through the medium term.
- RevPAR growth is however upgraded and averaging 2.3% p.a (1.5% previously) albeit from a much lower base
  - In FY2015, RevPAR is expected to decline by 4.9% which is below prior expectations of 8.0% growth as the market looks to absorb the influx of new supply in an environment of reduced demand.
  - In the medium term to FY2017 RevPAR is expected to grow by an average of 0.4% and includes 2 years of decline. The updated forecast is above prior expectations of a 0.5% decline where significant market corrections were expected in FY2017.
  - Average long term growth of 2.3% is expected, though impacted by a weak medium term outlook as the market absorbs new supply with reduced business demand.

DARWIN CITY REAL REVPAR



Average long term RevPAR growth of 2.3% p.a. is expected, impacted by a weak medium term outlook as the market absorbs new supply and reduced business demand.

DARWIN CITY HOTELS, MOTELS AND SERVICE APARTMENTS

ACTUAL

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
HISTORICAL									
FY2000	2,598	0.9%	20.7%	$97.51	3.1%	$70.62	23.4%	$106.47	72.4%
FY2001	2,605	0.3%	-12.6%	$93.23	-4.4%	$58.84	-16.7%	$83.67	63.1%
FY2002	2,619	0.5%	-0.7%	$94.73	1.6%	$59.05	0.4%	$81.66	62.3%
FY2003	2,652	1.3%	-4.2%	$99.16	4.7%	$58.47	-1.0%	$78.73	59.0%
FY2004	2,658	0.2%	9.0%	$102.06	2.9%	$65.43	11.9%	$85.98	64.1%
FY2005	2,796	5.2%	12.0%	$108.28	6.1%	$73.93	13.0%	$94.79	68.3%
FY2006	2,902	3.8%	5.6%	$111.24	2.7%	$77.31	4.6%	$95.34	69.5%
FY2007	2,880	-0.7%	2.6%	$121.87	9.6%	$87.51	13.2%	$105.72	71.8%
FY2008	2,847	-1.2%	4.7%	$131.00	7.5%	$99.63	13.8%	$115.16	76.0%
FY2009	3,461	21.6%	13.9%	$143.04	9.2%	$101.95	2.3%	$116.15	71.3%
FY2010	3,753	8.4%	6.0%	$139.27	-2.6%	$97.04	-4.8%	$107.28	69.7%
FY2011	3,723	-0.8%	-0.3%	$144.34	3.6%	$101.10	4.2%	$107.89	70.0%
FY2012	3,527	-5.3%	0.9%	$145.41	0.7%	$108.52	7.3%	$114.46	74.6%
FY2013	3,569	1.2%	6.9%	$161.97	11.4%	$127.65	17.6%	$131.48	78.8%
FY2014	3,619	1.4%	-1.9%	$159.21	-1.7%	$121.43	-4.9%	$121.43	76.3%
Actual Avg FY 2000 - 2014		**2.4%**	**4.2%**		**3.6%**		**5.6%**		**69.8%**
Avg FY 10-14		**1.0%**	**2.3%**		**2.3%**		**3.9%**	**$116.51**	**73.9%**
Avg FY 12-14		**-0.9%**	**2.0%**		**3.5%**		**6.7%**	**$122.46**	**76.6%**

FORECAST

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
FORECAST									
FY2015	3,920	8.3%	1.0%	$162.39	2.0%	$115.49	-4.9%	$112.95	71.1%
FY2016	3,978	1.5%	4.5%	$168.89	4.0%	$123.66	7.1%	$117.70	73.2%
FY2017	4,221	6.1%	3.0%	$172.26	2.0%	$122.46	-1.0%	$113.44	71.1%
Avg FY 15-17		**5.3%**	**2.8%**		**2.7%**		**0.4%**	**$114.69**	**71.8%**
FY2018	4,263	1.0%	3.0%	$177.43	3.0%	$128.63	5.0%	$115.68	72.5%
FY2019	4,306	1.0%	2.5%	$182.75	3.0%	$134.45	4.5%	$117.40	73.6%
FY2020	4,392	2.0%	2.0%	$188.24	3.0%	$138.49	3.0%	$117.40	73.6%
FY2021	4,523	3.0%	2.0%	$193.88	3.0%	$141.26	2.0%	$116.26	72.9%
FY2022	4,659	3.0%	2.0%	$197.76	2.0%	$142.68	1.0%	$114.01	72.1%
FY2023	4,706	1.0%	2.0%	$203.69	3.0%	$148.42	4.0%	$115.14	72.9%
Avg FY18-23		**1.8%**	**2.3%**		**2.8%**		**3.3%**	**$115.98**	**72.9%**
Total Forecast Avg FY 2015-2023		**3.0%**	**2.4%**		**2.8%**		**2.3%**	**$115.55**	**72.5%**

COMPARISON HF2014 vs HF2015 – Average and Absolute to FY2022

Year	Rooms	Supply Avg	Demand Avg	ARR	ARR Avg	RevPAR	RevPAR Avg	Avg Real RevPAR	Avg Occ
HF 2014	4,538	2.3%	1.2%	$202.12	1.9%	$144.15	0.9%	$121.14	72.8%
HF2015	4,659	3.2%	2.5%	$197.76	2.8%	$142.68	2.1%	$115.61	72.5%

DRANSFIELD HOTELS & RESORTS

In 2014 the ABS survey reported RevPAR decline of 5.0% at odds with the STR sample of upscale larger properties which reported 6.2% revenue growth.

GOLD COAST REGIONS – JUNE 2014

	Establishments	Rooms	RevPAR
Hotels	27	6,608	$91.04
Motels	28	1,308	$60.87
Serviced Apartments	96	5,490	$73.75
Total	**151**	**13,406**	**$81.08**

FY2014 YEAR IN REVIEW

	2014 FORECAST	ACTUAL 2014	Var	
RevPAR	4.5%	-0.4%	-5.0%	▼
Supply	0.5%	0.4%	-0.1%	▼
Demand	3.0%	-4.9%	-7.9%	▼
Occupancy	69.8%	64.5%	-5.3%	▼
ARR	2.0%	5.2%	3.2%	▲

2014 Year in Review

- In FY2014 Gold Coast Hotels underperformed to record 0.4% RevPAR decline against expectations for 4.5% growth
  - A 4.9% demand contraction drove the underperformance.
  - Supply change was negligible as has been the case for many years now. Over the last 10 years there has been a net increase of just 200 rooms.
  - As a result of the negative supply and demand equation, occupancy levels fell 3.6 points to 64.5%.
  - Counterintuitively, rates improved 5.2% as the lag between market performance and hoteliers movement on rate was evident.
- STR reported very divergent improved performance with 6.2% RevPAR growth recorded. The contrarian result between the upscale STR sample and full ABS market was consistent with feedback from many of major operators on the Gold Coast.

Demand Driver Analysis

The Gold Coast Market experienced an unexpected decline in demand, giving up growth achieved in the prior 2 years. A recovery is forecast for the short term as exchange rate movements support local leisure markets.

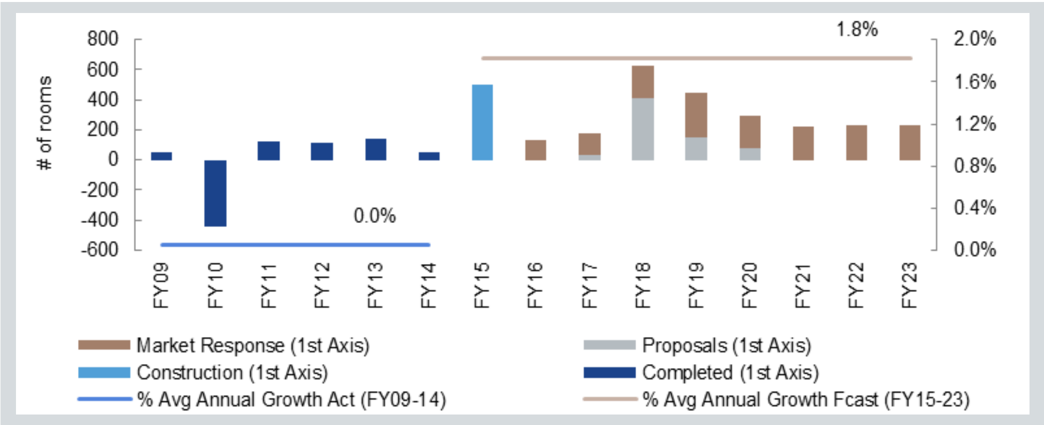
- In FY2014 demand for Gold Coast hotels declined by 4.9%, and well below our 3.0% growth expectations.
- City data for FY2014 for Gold Coast reveals :-
  - International visitor nights increased by 12.2% to 8.6M nights
  - Domestic visitor nights decreased by 3.6% to 14.3M nights
  - Total visitor nights increased by 1.8% to 22.9M nights
- In FY2014 gold Coast hotel's high domestic visitor night content decreased to 77.0% from 80.4%
- The TFC visitor night forecasts for Queensland less Brisbane for the period to FY2023 have been upgraded to average growth of 2.4% p.a compared to 1.4% previously
  - Annual domestic visitor night growth of 0.9% and in line with previous forecasts
  - Annual international visitor night growth of 5.6% vs. 2.4% previously

Dransfield Demand Forecast

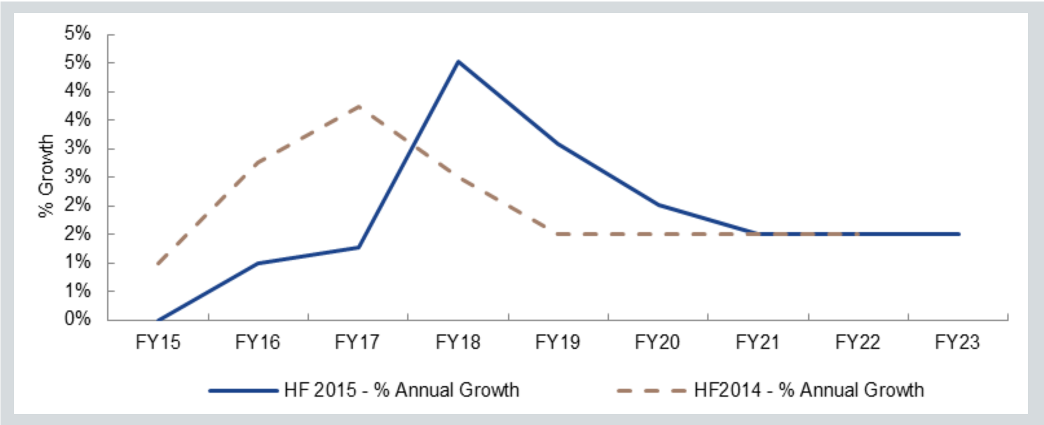
- Annual demand growth of 3.0% is expected over the long term representing a small upgrade on prior forecasts. The Dransfield demand growth forecast to FY2023 represents a downgrade in absolute visitor nights from the prior forecast driven by the lower base in FY2014
  - We expect demand to increase 4.0% in FY 2015 recovering from the 2014 reported decline. The Gold Coast Market was a beneficiary of the G20 Summit and the swing in exchange rates.
  - Medium term demand growth to FY2017 is expected to average 3.7% and in line with prior expectations. Absolute visitor nights are still down 293,000 or 7.6%.
  - Long term growth to FY2022 of 3.0% sees visitor numbers down 211,000 compared with prior forecasts. We do not expect sustained above average long term growth rates as the Gold Coast is largely a leisure destination with multiple competitive locations. Proposed infrastructure development including the proposed cruise terminal, the redevelopment of Jupiter's and the expansion of residential hubs on the fringe of the Gold Coast could help the market outperform the current forecast.

Supply increases averaging 1.8% p.a are expected in the longer term, slightly down on earlier expectations in response to reduced apartment pricing and more conservative investment guidelines.

SUPPLY ACTUAL & FORECAST BY TYPE FY09-FY23



FORECAST COMPARISON HF15 VS HF14 - % ANNUAL SUPPLY GROWTH



Supply Actual

- In FY2014 Gold Coast supply remained relatively unchanged with a slight increase of 0.4% (55 rooms), in line low with expectations for a 0.5% increase (66 rooms).
- In the last 10 years the Gold Coast market has had net increases of 209 rooms or 1.5%. This has largely been driven by the correction that the market had through the GFC.

Supply Forecasts

- Supply forecasts to FY2023 remain largely unchanged with annual growth of 1.8%. Despite limited change in the absolute numbers, the timing of the addition of supply is later than previously anticipated. Meaningful supply is now anticipated to come on line through the period FY2018-2019 where an additional 1,000 rooms are expected
  - We are forecasting no supply growth for FY2015, down from 1.0% in the prior forecast as a result of the Market Response allowance not materialising into actual projects.
  - Supply growth for the medium term to FY2017 is expected to average just 0.8% (308 rooms), down from 2.5% (1,031 rooms) in the prior forecast as a result of a delay in proposals and a tempering of Market Response from a soft FY2014.

Supply Cycle Expectations

- Room numbers forecast are largely unchanged with timing adjustments following a review of the market and a slowdown in current proposals.Room rates and RevPAR remain below other regional destinations, and demand and rate performance would need to be above current expectations to encourage substantive new supply. There are signs of a return to large offshore funded projects which would not secure domestic support
  - There are no rooms, currently under construction for the region, although there are a couple of major projects expected to commence shortly.
  - Total proposals of 677 rooms (1,021 @ 66% probability), over 6 projects, represent an increase of 341 rooms over the prior forecast. The majority of the supply is expected to come on line through FY2018-19.

DRANSFIELD HOTELS & RESORTS

Medium term RevPAR growth of 6.7% p.a as demand growth outstrips low supply and occupancy breaks the 70% barrier enabling moderate rate growth.

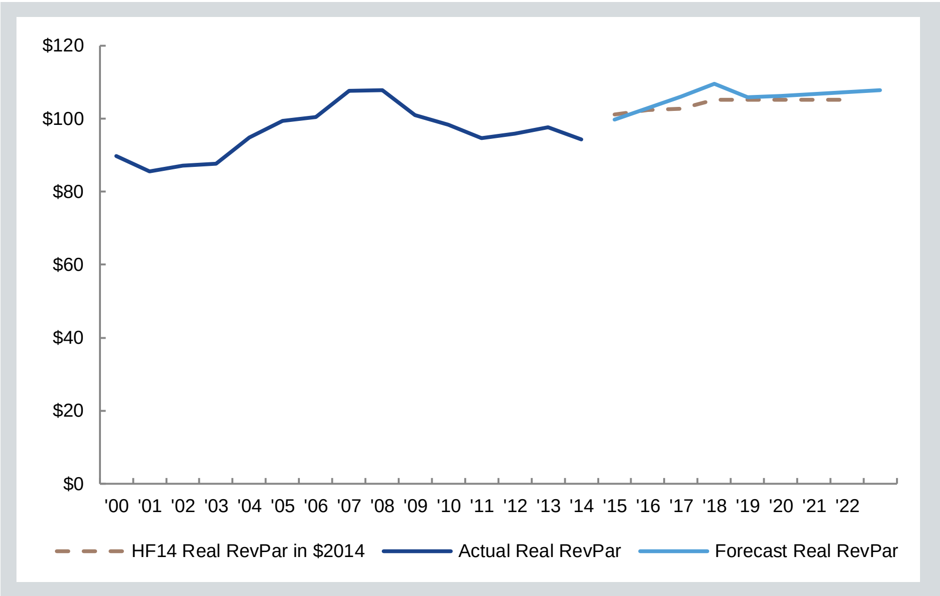
- For the purpose of the forecast we have excluded the Gold Coast Integrated Resort and Cruise Ship Terminal, which as it currently stands, has almost 3,000 rooms planned. (An element has been considered in our Market Response allowance)
- As a result of the increased proposal activity we have reduced the total Market Response allowance by 500 rooms (1963 to 1454) compared with prior forecasts. This would likely be absorbed through an additional 7-9 projects
- Market Response to FY2022 accounts for 68% of all new supply considered in the forecast. With a number of projects being announced we have reduced the total additional Market Response by 1,000 rooms compared with prior forecasts

Conclusion

- The Gold Coast has experienced demand decline in 4 of the last 6 years and has occupancy some 6 points off the peak of FY2007. We expect the market to outperform this anomaly for the balance of the forecast with llimited supply and demand growth pushing occupancies to higher levels
  - Over the period of the forecast occupancy expectations are slightly below prior expectations (70.1% vs 72.9%) but positive for a large scale regional leisure destination.
  - Occupancy rates are helped by the limited supply expected to materialise over the life of the forecast.
- Rate growth expectations for the forecast period have improved to 3.2% (previously 3.0%) as a result of the demand upgrade
  - Expectations for 2015 is rate growth of 4%.
  - Medium term rate growth of 3.7% is above the long term forecast average with low supply and improving demand drivers. Rate growth will be positively enhanced by the 2018 Commonwealth Games as well the continued improvement in destination marketing through Asia and beyond.
- Our forecast sees a small 1.5% increase to long term average Real RevPAR

- RevPAR growth to FY2023 represents an upgrade to prior expectations and averaging 4.4% p.a from a lower 2014 base
  - In FY2015, RevPAR is expected to grow by 8.2% which is above 6.1% prior expectations, driven by a downgrade in expected supply and stronger rate prospects.
  - In the medium term to 2017 RevPAR is expected to grow by an average of 6.7%. This forecast represents an upgrade to prior expectations of 4.5%.
  - Average growth of 4.4% over the forecast period is helped by a positive supply and demand equation and stronger occupancy.

GOLD COAST REAL REVPAR



Medium term average RevPAR growth of 4.4% p.a over the forecast period is helped by a positive supply and demand equation and stronger occupancy.

GOLD COAST HOTELS, MOTELS AND SERVICE APARTMENTS

ACTUAL

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
HISTORICAL									
FY2000	13,176	3.5%	6.7%	$96.59	0.7%	$59.54	3.7%	$89.77	61.6%
FY2001	13,251	0.6%	2.5%	$95.77	-0.8%	$60.18	1.1%	$85.58	62.8%
FY2002	13,223	-0.2%	2.7%	$97.46	1.8%	$63.03	4.7%	$87.16	64.7%
FY2003	12,976	-1.9%	-1.5%	$100.37	3.0%	$65.14	3.3%	$87.72	64.9%
FY2004	13,357	2.9%	8.3%	$105.65	5.3%	$72.16	10.8%	$94.82	68.3%
FY2005	13,206	-1.1%	0.3%	$111.82	5.8%	$77.46	7.3%	$99.31	69.3%
FY2006	13,281	0.6%	0.1%	$118.19	5.7%	$81.47	5.2%	$100.46	68.9%
FY2007	13,081	-1.5%	0.3%	$127.01	7.5%	$89.15	9.4%	$107.71	70.2%
FY2008	13,386	2.3%	1.0%	$134.68	6.0%	$93.33	4.7%	$107.89	69.3%
FY2009	13,436	0.4%	-4.7%	$134.59	-0.1%	$88.58	-5.1%	$100.93	65.8%
FY2010	12,989	-3.3%	-1.1%	$132.09	-1.9%	$88.93	0.4%	$98.32	67.3%
FY2011	13,109	0.9%	-0.4%	$133.37	1.0%	$88.64	-0.3%	$94.59	66.5%
FY2012	13,219	0.8%	1.8%	$135.44	1.6%	$90.85	2.5%	$95.82	67.1%
FY2013	13,360	1.1%	2.6%	$139.14	2.7%	$94.73	4.3%	$97.57	68.1%
FY2014	13,415	0.4%	-4.9%	$146.31	5.2%	$94.31	-0.4%	$94.31	64.5%
Actual Avg FY 2000 - 2014		**0.4%**	**0.9%**		**2.9%**		**3.4%**		**66.6%**
Avg FY 10-14		**0.0%**	**-0.4%**		**1.7%**		**1.3%**	**$96.12**	**66.7%**
Avg FY 12-14		**0.8%**	**-0.2%**		**3.1%**		**2.1%**	**$95.90**	**66.5%**

FORECAST

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
FORECAST									
FY2015	13,415	0.0%	4.0%	$152.17	4.0%	$102.01	8.2%	$99.77	67.0%
FY2016	13,549	1.0%	4.0%	$156.73	3.0%	$108.19	6.1%	$102.98	69.0%
FY2017	13,723	1.3%	3.0%	$163.00	4.0%	$114.43	5.8%	$106.00	70.2%
Avg FY 15-17		**0.8%**	**3.7%**		**3.7%**		**6.7%**	**$102.92**	**68.8%**
FY2018	14,345	4.5%	6.0%	$171.15	5.0%	$121.83	6.5%	$109.57	71.2%
FY2019	14,788	3.1%	1.5%	$172.86	1.0%	$121.16	-0.6%	$105.79	70.1%
FY2020	15,086	2.0%	2.5%	$178.05	3.0%	$125.39	3.5%	$106.30	70.4%
FY2021	15,312	1.5%	2.0%	$183.39	3.0%	$129.79	3.5%	$106.82	70.8%
FY2022	15,542	1.5%	2.0%	$188.89	3.0%	$134.34	3.5%	$107.35	71.1%
FY2023	15,775	1.5%	2.0%	$194.56	3.0%	$139.05	3.5%	$107.87	71.5%
Avg FY18-23		**2.4%**	**2.7%**		**3.0%**		**3.3%**	**$107.28**	**70.8%**
Total Forecast Avg FY 2015-2023		**1.8%**	**3.0%**		**3.2%**		**4.4%**	**$105.83**	**70.1%**

COMPARISON HF2014 vs HF2015 – Average and Absolute to FY2022

Year	Rooms	Supply Avg	Demand Avg	ARR	ARR Avg	RevPAR	RevPAR Avg	Avg Real RevPAR	Avg Occ
HF 2014	15,725	2.0%	2.8%	$181.53	3.1%	$134.27	3.9%	$104.06	73.3%
HF2015	15,542	1.9%	3.1%	$188.89	3.3%	$134.34	4.6%	$105.57	70.0%

DRANSFIELD HOTELS & RESORTS

In 2014, despite declining demand, the Hobart market was able to achieve one of the biggest rate increases over the history of Hotel Futures.

HOBART REGIONS – JUNE 2014

	Establishments	Rooms	RevPAR
Hotels	21	1,479	$84.58
Motels	18	665	$68.45
Serviced Apartments	11	633	$127.09
Total	**50**	**2,777**	**$90.31**
STAR GRADING			
5-star	1	n.p.	n.p.
4-star	23	1,733	$107.48
3-star	22	n.p.	n.p.
Total	**50**	**2,777**	**$90.31**

FY2014 YEAR IN REVIEW

	2014 FORECAST	ACTUAL 2014	Var	
RevPAR	5.0%	2.9%	-2.1%	▼
Supply	1.0%	1.5%	0.5%	▲
Demand	2.5%	-3.1%	-5.6%	▼
Occupancy	75.0%	70.6%	-4.5%	▼
ARR	3.5%	7.8%	4.3%	▲

2014 Year in Review

- In 2014 Hobart hotels recorded RevPAR growth of 2.9%, below 5.0% expectations
  - Strong September quarter with 8% growth.
  - Demand contracted by 3.1%. Combined with a 1.5% increase in supply, occupancies fell 3.3 points to 70.6%.
  - Despite the negative supply and demand equation, rates were able to easily outperform our 3.5% expectations, rising 7.8% and driving the performance.
- STR reported greater RevPAR growth of 6.7%, maintaining occupancy. The STR sample covers a relatively low 57% of the ABS census reflecting the smaller average property size in a small market.

Demand Driver Analysis

Demand decline for Hobart was the 2nd in 3 years, following 4 consecutive years of growth, and flowing from a major reduction in visitation. The decline was impacted by falls in both domestic and international visitors

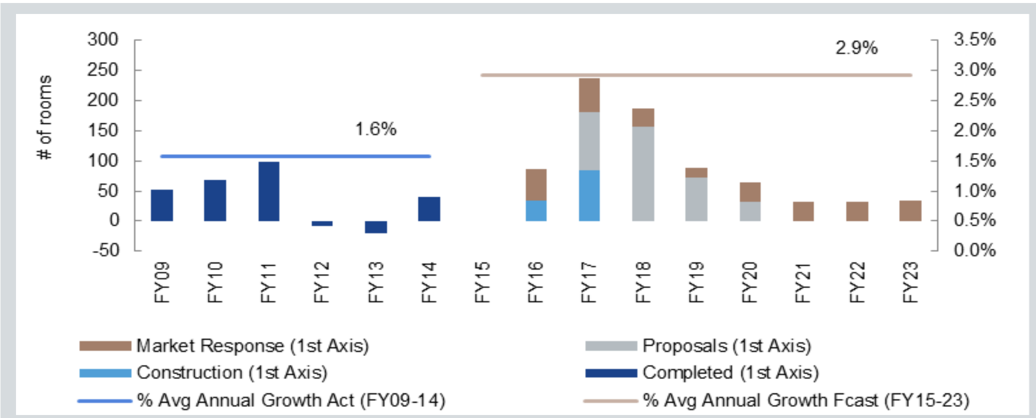
- In FY2014 demand for Hobart hotels declined by 3.1%, and well below expectations for growth of 2.5%.
- City data for FY2014 for Hobart reveals :-
  - International visitor nights decreased by 17.5% to 1.6M nights
  - Domestic visitor nights decreased by 15.8% to 3.6M nights
  - Total visitor nights decreased by 16.4% to 5.2M nights
- In FY2014 Hobart hotel's high domestic visitor nights content decreased to 84.1% from 86.2%
- The TFC forecasts for Hobart for the period to FY2023 have been upgraded to average growth of 2.8% p.a compared to 1.8% previously:-
  - Annual domestic visitor night growth of 1.4% vs. 1.1% previously
  - Annual international visitor night growth of 5.9% vs. 3.3% previously

Dransfield Demand Forecast

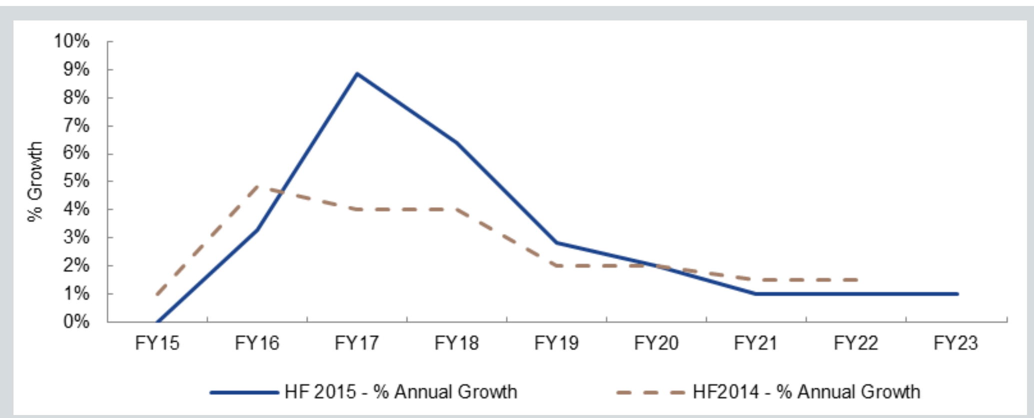
- Annual demand growth of 2.7% is expected over the long term, up from 2.4%. The Dransfield demand forecast for FY2023 represents a small downgrade in absolute visitor nights from the prior forecast, mostly as a result of the lower base in FY2014 not being offset by the higher growth rate
  - We expect demand to increase 2.0% in FY 2015 to recover much of the FY2014 decline. Early indications from industry sources show that the market has recovered in the 1st half of FY2015.
  - Medium term demand growth to FY2017 is expected to average a higher 3% up from 2.7%. This is driven by the upgrade of the TFC forecasts as well as new supply promoting demand. Absolute visitor nights are still down 34,000 at that point.
  - Long term growth to FY2022 of 2.8% sees visitor numbers down a small 18,000 compared with the last year of prior forecasts.

Long term supply growth of 2.9% p.a represents an upgrade from prior expectations and is largely based on a number of new project announcements

SUPPLY ACTUAL & FORECAST BY TYPE FY09-FY23



FORECAST COMPARISON HF15 VS HF14 - % ANNUAL SUPPLY GROWTH



Supply Actual

- In FY2014 Hobart supply recorded growth of 1.5% (40 rooms), in line with prior expectations
- The small increase follows 2 years of supply decline. The smallest market in our Hotel Futures analysis has remained fairly steady (1.06% annually over last 10 years) with large percentage increases representing small absolute room numbers

Supply Forecasts

- Supply forecasts to FY2023 represent an absolute upgrade with annual growth of 2.9%
  - We are forecasting no supply increase in FY2015.
  - Supply growth for the medium term to FY2017 is expected to average 4.1% (326 rooms), up from 3.3% (237 rooms) in the prior forecast; the upgrade is entirely due to new projects that have been announced over the past 12 months and are in excess of Market Response previously anticipated for the period.
  - Long term supply is expected to average 2.9% p.a to FY2023, slowing towards the back end following the influx through FY2016-18.

Supply Cycle Expectations

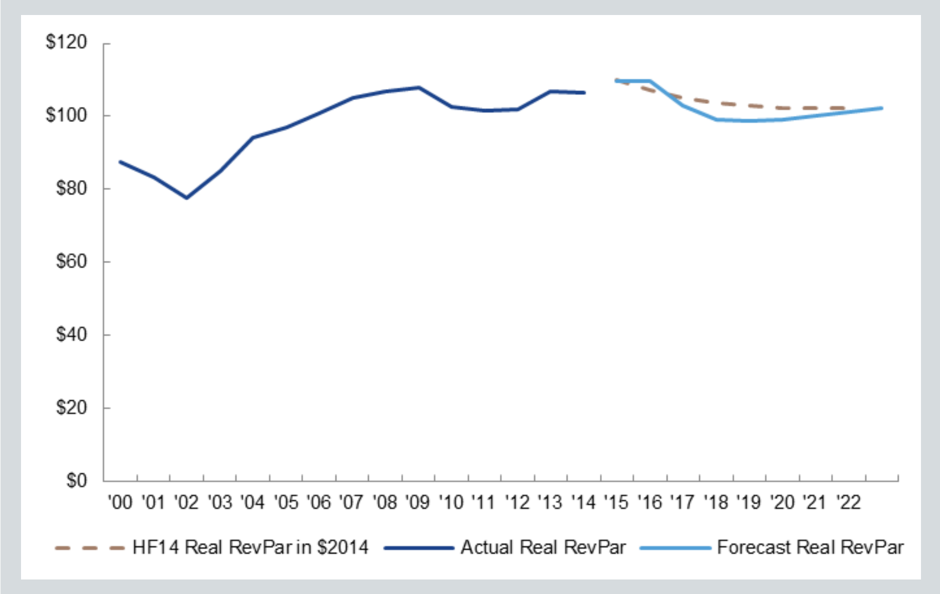
- The new forecast has absolute room numbers 156 rooms above previous forecasts. As we move through the supply cycle, actual prospects are slightly above prior Market Response allowances
  - There are currently 2 projects with approximately 120 rooms under construction, or 4.5% of 2014 supply, against zero construction activity in prior forecasts.
  - Total proposals of 336 rooms (671 @ 50% probability) for the forecast, over 5 projects, represent an increase of 289 rooms over the prior forecast. Total proposal activity is being generated from 4 key projects around the CBD with a mix of traditional hotel and serviced apartments. This represents the largest proposal activity in Hobart's history.
  - As a result of the increased proposal activity we have softened our additional Market Response expectations. The current forecast assumes 289 additional rooms attributable to unspecified projects/anticipated Market Response, which would likely be achieved through 2-4 additional projects, and is down from 543 rooms in our prior forecast.
  - Market response to FY2022 now accounts for 35% of all new supply compared with 92% in the prior forecast, reducing as actual projects materialise and infill the previous allowance.

The size of the Hobart market with its short term volatility makes it difficult to forecast. Our long term forecast shows a marginal downgrade.

Conclusion

- Despite the decline in demand the Hobart market continues to operate with occupancies in excess of 70% (9 consecutive years). With new supply expected to come on line, and soft demand growth over the last 4 years, we expect the long term forecast average occupancy to be marginally below FY2014
  - Over the period of the forecast occupancy expectations are below prior expectations (68.9% vs 73.9%).
  - Material supply increases for the market over the next 4 years are not expected to be fully absorbed.
- Rate growth expectations for the forecast period are in line with prior expectations from a higher FY2014 base
  - Expectations for FY2015 are for rate growth of 3%, slightly below prior expectations as a result of 2014 outperformance.
  - Medium term rate growth of 2.3% is below the long term average. This is impacted by the FY2017 forecast which has the biggest single year increase in supply in the history of the forecast.
  - Long term rate expectations average 2.6% p.a, inline with prior expectations.
- Our forecast is for reduced long term Real RevPAR averaging down 1.8% on last year's expectations
- RevPAR growth to FY2023 has been downgraded and averaging 2.4% from a lower base
  - In FY2015, RevPAR is expected to grow by 5.1% which is in line with prior expectations with no new supply anticipated.
  - In the medium term to FY2017 RevPAR is expected to grow by an average of 1.4% p.a. Significant supply growth in FY2017 has resulted in a RevPAR decline being forecast for that year as the market struggles to absorb new supply.
  - Average growth of 2.4% p.a over the forecast period impacted by significant supply increases. Should these proposals not materialise, then outperformance of forecasts should be expected.

HOBART CITY REAL REVPAR



DRANSFIELD HOTELS & RESORTS

Average RevPAR growth of 2.4% p.a over the forecast period impacted by significant supply increases. Should these proposals not materialise, then outperformance of forecasts should be expected.

HOBART CITY HOTELS, MOTELS AND SERVICE APARTMENTS

ACTUAL

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
HISTORICAL									
FY2000	2,099	0.7%	4.2%	$91.61	0.4%	$58.14	3.9%	$87.66	63.5%
FY2001	2,063	-1.7%	-3.3%	$94.01	2.6%	$58.67	0.9%	$83.44	62.4%
FY2002	2,145	4.0%	0.1%	$93.41	-0.6%	$56.09	-4.4%	$77.57	60.1%
FY2003	2,241	4.5%	12.8%	$97.48	4.4%	$63.21	12.7%	$85.12	64.8%
FY2004	2,358	5.2%	10.5%	$105.04	7.8%	$71.54	13.2%	$94.01	68.1%
FY2005	2,403	1.9%	2.4%	$110.46	5.2%	$75.63	5.7%	$96.97	68.5%
FY2006	2,435	1.3%	4.2%	$116.04	5.0%	$81.73	8.1%	$100.78	70.4%
FY2007	2,366	-2.8%	-2.9%	$123.46	6.4%	$86.93	6.4%	$105.01	70.4%
FY2008	2,376	0.4%	4.6%	$125.93	2.0%	$92.37	6.3%	$106.78	73.4%
FY2009	2,428	2.2%	2.9%	$128.14	1.8%	$94.62	2.4%	$107.81	73.8%
FY2010	2,497	2.8%	4.2%	$123.83	-3.4%	$92.68	-2.1%	$102.46	74.8%
FY2011	2,596	4.0%	1.9%	$129.68	4.7%	$95.14	2.7%	$101.53	73.4%
FY2012	2,587	-0.3%	-0.7%	$131.98	1.8%	$96.51	1.4%	$101.80	73.1%
FY2013	2,568	-0.7%	0.4%	$140.15	6.2%	$103.62	7.4%	$106.73	73.9%
FY2014	2,608	1.5%	-3.1%	$151.10	7.8%	$106.62	2.9%	$106.62	70.6%
Actual Avg FY 2000 - 2014		**1.5%**	**2.6%**		**3.5%**		**4.5%**		**69.4%**
Avg FY 10-14		**1.5%**	**0.5%**		**3.4%**		**2.5%**	**$103.83**	**73.2%**
Avg FY 12-14		**0.2%**	**-1.1%**		**5.3%**		**3.9%**	**$105.05**	**72.5%**

FORECAST

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
FORECAST									
FY2015	2,608	0.0%	2.0%	$155.63	3.0%	$112.01	5.1%	$109.55	72.0%
FY2016	2,694	3.3%	3.0%	$160.30	3.0%	$115.04	2.7%	$109.50	71.8%
FY2017	2,932	8.9%	4.0%	$161.90	1.0%	$111.01	-3.5%	$102.83	68.6%
Avg FY 15-17		**4.1%**	**3.0%**		**2.3%**		**1.4%**	**$107.29**	**70.8%**
FY2018	3,119	6.4%	3.5%	$165.14	2.0%	$110.15	-0.8%	$99.07	66.7%
FY2019	3,208	2.8%	3.0%	$169.27	2.5%	$113.09	2.7%	$98.74	66.8%
FY2020	3,273	2.0%	3.0%	$173.50	2.5%	$117.02	3.5%	$99.21	67.4%
FY2021	3,305	1.0%	2.0%	$178.70	3.0%	$121.73	4.0%	$100.19	68.1%
FY2022	3,339	1.0%	2.0%	$184.06	3.0%	$126.62	4.0%	$101.18	68.8%
FY2023	3,372	1.0%	2.0%	$189.59	3.0%	$131.71	4.0%	$102.18	69.5%
Avg FY18-23		**2.4%**	**2.6%**		**2.7%**		**2.9%**	**$100.09**	**67.9%**
Total Forecast Avg FY 2015-2023		**2.9%**	**2.7%**		**2.6%**		**2.4%**	**$102.49**	**68.9%**

COMPARISON HF2014 vs HF2015 – Average and Absolute to FY2022

Year	Rooms	Supply Avg	Demand Avg	ARR	ARR Avg	RevPAR	RevPAR Avg	Avg Real RevPAR	Avg Occ
HF 2014	3,183	2.6%	2.4%	$176.71	2.5%	$130.33	2.3%	$104.46	73.8%
HF2015	3,339	3.2%	2.8%	$184.06	2.5%	$126.62	2.2%	$102.53	68.8%

In 2014 a positive supply and demand equation drove strong RevPAR growth of 5.6% in line with expectations

MELBOURNE REGIONS – JUNE 2014

	Establishments	Rooms	RevPAR
Melbourne	130	17,876	$139.01
MELBOURNE TOURISM REGION			
Hotels	89	14,369	$109.58
Motels	98	4,948	$45.76
Serviced Apartments	116	8,633	$88.28
Total	**303**	**27,779**	**$90.30**
STAR GRADING			
5-star	23	n.p.	n.p.
4-star	162	16,706	$117.94
3-star	104	5,047	$71.62
Other	14	n.p.	n.p.
Total	**303**	**27,779**	**$120.90**

FY2014 YEAR IN REVIEW

	2014 FORECAST	ACTUAL 2014	Var	
RevPAR	5.0%	5.6%	0.6%	▲
Supply	3.5%	0.6%	-2.9%	▼
Demand	3.5%	3.6%	0.1%	▲
Occupancy	80.4%	82.8%	2.4%	▲
ARR	5.0%	2.6%	-2.4%	▼

2014 Year in Review

- In 2014 Melbourne hotels recorded strong RevPAR growth of 5.6%, in line with our 5% expectations
  - Melbourne was the second best performing major market in Australia FY2014.
  - Supply growth slowed to 0.6% following average growth of 3.8% p.a over the last 5 years.
  - Demand growth was in line with expectations of 3.6% vs 3.5% previously, supported by one of the strongest national office markets and comprehensive event and conference calendar.
  - Occupancy improved 2.4 points to a historic high of 82.8%.
  - Despite the positive trading conditions, rate growth of just 2.6% was achieved in an above 80% occupancy environment.
- STR reported enhanced performance of 7.2% RevPAR growth. Occupancy levels in this sample were maintained at a higher level and drove rates, which increased by 3.5%

Demand Driver Analysis

Demand growth was in line with expectations as Melbourne continues to capitalise on a very strong event calendar and healthy conference market. Supply growth over the past 5 years has unlocked the cities capacity to drive demand growth and cater to large groups.

- In FY2014 demand for Melbourne hotels grew by 3.6%, and in line with expectations
- City data for FY2014 for Melbourne reveals :-
  - International visitor nights remained consistent with the prior year with 41.5M nights
  - Domestic visitor nights decreased by 5.5% to 21.0M nights
- In FY2014 Melbourne hotel's domestic visitor nights content decreased to 66.2% from 67.7%
- The TFC forecasts for the period to FY2023 have been upgraded to average growth of 4.8% p.a compared to 3.6% previously :-
  - Annual domestic visitor night growth of 1.2% vs. 1.0% previously
  - Annual international visitor night growth of 6.3% vs. 4.7% previously

Dransfield Demand Forecast

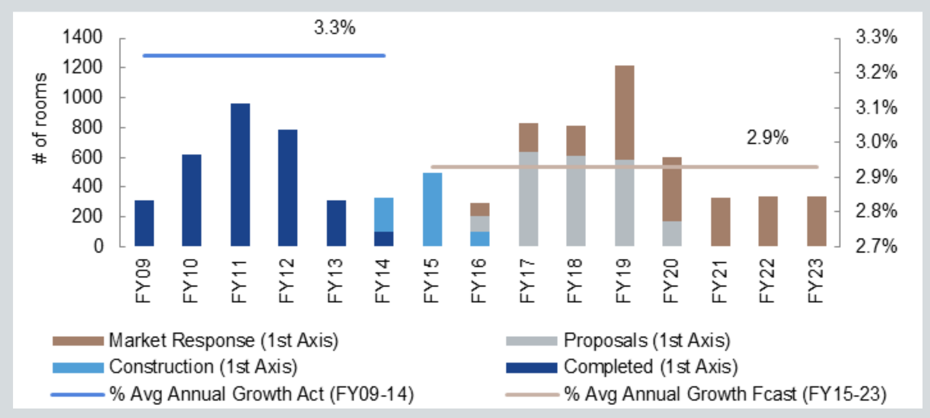
Annual demand growth of 3.6% is expected over the long term which is an upgrade on prior expectations. The Dransfield demand growth forecast to FY2023 also represents an upgrade in absolute visitor nights from the prior forecast, in line with TFC expectations

- We expect demand to increase 3.0% in FY2015 and in excess of expected supply increases. This growth is driven by expectations of a strong Q1 CY2015 off the back of the World Cup Cricket Finals, Melbourne Fashion Week and the Melbourne International Grand Prix.
- Medium term demand growth to FY2017 is expected to average a higher 3.5% and in line with prior expectations.
- Long-term growth to FY2022 of 3.6% sees visitor nights up 278,000 compared with prior forecasts. There is an element of risk in the forecast from FY2018 once the Sydney International Convention Centre opens with reports that the centre is already securing major international events.
- Increases in room supply through the medium to long term, facilitate continued demand growth.

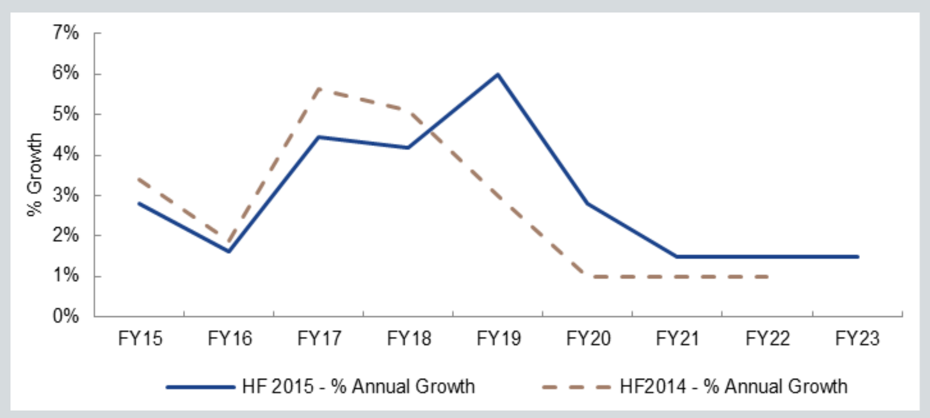
MELBOURNE

Supply increases averaging 3.1% p.a. to FY2022, slightly up on earlier expectations of 2.8% and able to be absorbed

SUPPLY ACTUAL & FORECAST BY TYPE FY09-FY23



FORECAST COMPARISON HF15 VS HF14 - % ANNUAL SUPPLY GROWTH



Supply Actual

- In FY2014 Melbourne supply remained relatively unchanged with a slight increase of 0.6% (104 rooms). This was below expectations of a 3.5% increase (640 rooms), as a result of delay in reporting of new properties and Market Response not materialising
- The Melbourne market is at the bottom of the supply cycle following 5 years of significant development, with FY2014 representing the smallest net increase in supply since 2008. Expectations are that supply will ramp up over the next 5 years

Supply Forecasts

- Supply forecasts to FY2023 represent absolute room number expectations in line with prior forecasts with average annual growth of 2.9% compared to 2.8%. There is reduced activity expected in the next year. Meaningful supply is expected to come on line through the period FY2017-2019 where an additional 2,800 rooms are expected
  - We are forecasting for 2.8% supply growth for FY2015, down from 3.4% in the prior forecast as a result of a delay in openings and a reduction in market response.
  - Supply growth for the medium term to FY2017 is expected to average 3.0% (1,625 rooms), down from 3.6% (2,065 rooms) in the prior forecast, with actual projects coming on line later than the market response expectations.

Supply Cycle Expectations

- The new forecast begins some 500 rooms behind the prior years forecast and falling further behind in the medium term as actual proposals come on later than prior market response anticipated. Total supply levels do recover at the back end of the forecast
  - There are currently 4 projects with approximately 597 rooms, or 3.3% of 2014 supply, currently under construction or opened and due to report in 2015, representing a increase of 92 rooms on the prior forecast as a result of adjustments to timing of projects.
  - Total proposals of 2,116 rooms (3,531 @ 60% probability) for the forecast, over 15 projects, represent a significant increase of 1,042 rooms over the prior forecast as we progress through the next supply cycle. The majority of the supply is expected to come on line through FY2017-20, with the majority of new proposals being driven by offshore developers who have made significant land purchases over the past 18 months.

DRANSFIELD HOTELS & RESORTS

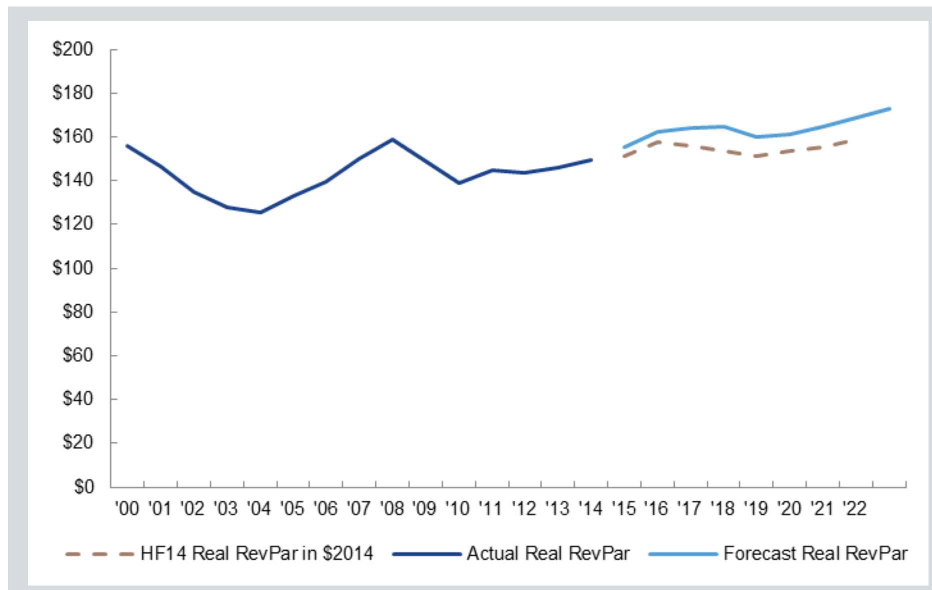
Long term average RevPar growth of 4.5% p.a is forecast and is an upgrade on prior expectations, thanks to improved demand. RevPAR represents an average increase of 5.2% on prior expectations.

- As a result of the large number of projects being announced we have transferred much of the prior Market Response allocation to specific proposals, reducing the remaining Market Response by approximately 600 rooms compared with prior forecasts. The current forecast assumes 2,552 additional rooms attributable to Market Response, which is likely to require 10-12 additional projects.
- Market response accounts for 44% of all new supply considered in the forecast compared to 60% in the prior forecast.

Conclusion

- Demand growth coupled with a lull in supply growth has seen occupancies stay above 80% for the second consecutive year, where they are forecast to remain for the balance of the forecast
  - Over the period of the forecast occupancy is anticipated above prior expectations as demand continues to outstrip supply.
  - Supply cycle upswing expected through FY2017-19.
  - Occupancy forecasts assume that the Melbourne market can overcome the impact of the re-opening of the International Convention Centre in Sydney.
- Rate growth expectations for the forecast period of 3.8% have been marginally upgraded off the back of stronger demand expectations
  - Expectations for FY2015 is for rate growth of 6% in line with prior expectations as the market continues to be driven by events and conferences.
  - Medium term rate growth of 5.3% is well above the long term average, reducing as the market responds to new supply coming on line from FY2018. This slowdown in rate growth is less likely to be felt by the newer branded properties.
- Our forecast is for improved long term Real RevPAR, up an average 5.2%.
- RevPAR growth to FY2023 has also been upgraded and averages 4.5% p.a, previously 4.1%, from a slightly higher base
  - In FY2015, RevPAR is expected to grow by 6.2% which is above prior expectations of 5.6% as the market supply is delayed.
  - In the medium term to 2017 RevPAR is expected to grow by an average of 5.9%. This forecast represents an upgrade to prior expectations of 4.9%.
  - Average growth of 4.5% over the forecast period is driven by a positive supply and demand equation, and continued occupancy above 80% instilling confidence in hoteliers. The next wave of supply, pitched at the upper end of the market, will drive reported rates upward.

MELBOURNE CITY REAL REVPAR



DRANSFIELD HOTELS & RESORTS

Average annual growth of 4.5% over the forecast period is driven by a positive supply and demand equation, and continued occupancy above 80% instilling confidence in hoteliers. The next wave of supply, pitched at the upper end of the market, will drive reported rates upward.

MELBOURNE CITY HOTELS, MOTELS AND SERVICE APARTMENTS

ACTUAL

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
HISTORICAL									
FY2000	10,999	6.4%	7.1%	$143.73	0.5%	$103.37	1.2%	$155.85	71.9%
FY2001	11,228	2.1%	3.6%	$141.34	-1.7%	$103.15	-0.2%	$146.68	73.0%
FY2002	11,673	4.0%	-0.3%	$139.58	-1.2%	$97.70	-5.3%	$135.10	70.0%
FY2003	12,472	6.8%	6.0%	$136.79	-2.0%	$94.95	-2.8%	$127.86	69.4%
FY2004	13,517	8.4%	9.6%	$136.31	-0.4%	$95.70	0.8%	$125.75	70.2%
FY2005	13,883	2.7%	11.3%	$136.36	0.0%	$103.78	8.4%	$133.06	76.1%
FY2006	14,433	4.0%	4.6%	$147.87	8.4%	$113.25	9.1%	$139.65	76.6%
FY2007	14,853	2.9%	7.5%	$155.54	5.2%	$124.48	9.9%	$150.38	80.0%
FY2008	14,724	-0.9%	0.8%	$169.01	8.7%	$137.48	10.4%	$158.92	81.3%
FY2009	15,037	2.1%	-2.1%	$167.83	-0.7%	$130.90	-4.8%	$149.14	78.0%
FY2010	15,655	4.1%	2.1%	$164.62	-1.9%	$125.91	-3.8%	$139.21	76.5%
FY2011	16,621	6.2%	10.4%	$170.64	3.7%	$135.78	7.8%	$144.90	79.6%
FY2012	17,403	4.7%	4.0%	$172.41	1.0%	$136.21	0.3%	$143.66	79.0%
FY2013	17,717	1.8%	3.6%	$176.10	2.1%	$141.55	3.9%	$145.80	80.4%
FY2014	17,821	0.6%	3.6%	$180.60	2.6%	$149.48	5.6%	$149.48	82.8%
Actual Avg FY 2000 - 2014		**3.7%**	**4.8%**		**1.6%**		**2.7%**		**76.3%**
Avg FY 10-14		**3.5%**	**4.7%**		**1.5%**		**2.8%**	**$144.61**	**79.6%**
Avg FY 12-14		**2.4%**	**3.7%**		**1.9%**		**3.3%**	**$146.31**	**80.7%**

FORECAST

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
FORECAST									
FY2015	18,317	2.8%	3.0%	$191.43	6.0%	$158.78	6.2%	$155.28	82.9%
FY2016	18,615	1.6%	3.0%	$202.92	6.0%	$170.58	7.4%	$162.36	84.1%
FY2017	19,446	4.5%	4.5%	$211.03	4.0%	$177.46	4.0%	$164.39	84.1%
Avg FY 15-17		**3.0%**	**3.5%**		**5.3%**		**5.9%**	**$160.68**	**83.7%**
FY2018	20,260	4.2%	4.5%	$217.37	3.0%	$183.34	3.3%	$164.89	84.3%
FY2019	21,472	6.0%	4.0%	$221.71	2.0%	$183.51	0.1%	$160.24	82.8%
FY2020	22,077	2.8%	3.5%	$228.36	3.0%	$190.27	3.7%	$161.30	83.3%
FY2021	22,408	1.5%	3.0%	$236.36	3.5%	$199.84	5.0%	$164.48	84.6%
FY2022	22,744	1.5%	3.5%	$244.63	3.5%	$210.91	5.5%	$168.53	86.2%
FY2023	23,085	1.5%	3.5%	$253.19	3.5%	$222.59	5.5%	$172.69	87.9%
Avg FY18-23		**2.9%**	**3.7%**		**3.1%**		**3.9%**	**$165.35**	**84.9%**
Total Forecast Avg FY 2015-2023		**2.9%**	**3.6%**		**3.8%**		**4.5%**	**$163.80**	**84.5%**

COMPARISON HF2014 vs HF2015 – Average and Absolute to FY2022

Year	Rooms	Supply Avg	Demand Avg	ARR	ARR Avg	RevPAR	RevPAR Avg	Avg Real RevPAR	Avg Occ
HF 2014	22,753	2.8%	3.1%	$244.46	3.6%	$202.52	4.0%	$154.57	80.6%
HF2015	22,744	3.1%	3.6%	$244.63	3.9%	$210.91	4.4%	$162.68	84.0%

DRANSFIELD HOTELS & RESORTS

In 2014 Perth continued to correct with a small reduction in demand leading to a large reduction in rate and RevPAR.

PERTH REGIONS – JUNE 2014

	Establishments	Rooms	RevPAR
Perth City	47	5,963	$146.13
PERTH TOURISM REGION			
Hotels	48	6,756	$144.92
Motels	32	1,780	$86.50
Serviced Apartments	45	2,678	$124.64
Total	**125**	**11,214**	**$130.80**
STAR GRADING			
5-star	5	370	$181.67
4-star	53	5,648	$147.20
3-star	55	3,649	$91.75
Other	12	370	$53.29
Total	**125**	**11,214**	**$130.80**

FY2014 YEAR IN REVIEW

	2014 FORECAST	ACTUAL 2014	Var
RevPAR	4.2%	-11.4%	-15.6% ▼
Supply	1.8%	-0.2%	-1.9% ▼
Demand	2.0%	-3.0%	-5.0% ▼
Occupancy	83.6%	81.0%	-2.6% ▼
ARR	4.0%	-8.8%	-12.8% ▼

FY2014 Year in Review

- In 2014 Perth continued its market correction, falling 11.4% as it entered the back end of the resource boom and commodity prices retreated.
  - Despite the year on year decline, average annual compound growth of over 10.0% for the last decade puts the short term position into perspective.
  - This performance highlights the volatility and inherent risk associated with forecasting smaller markets.
  - Demand for hotel rooms softened 3.0% as state-wide construction activity slowed. Over the same period Perth office vacancies pushed to their highest levels in almost 2 decades, a trend which has continued through FY2015.
  - A slight delay in supply, as approval and construction timing blew out, tempered the result with occupancy levels falling just 2.4 basis points.
  - Hoteliers moved excessively on rate during the local economy downturn, dragging rates back a significant 8.8%, despite high underlying occupancy.
- STR – A lesser RevPAR decline of 5.3% was recorded by the STR sample for the corresponding period, occupancy base (0.9% growth) was maintained for this sample and there was a lesser reduction in rate (-6.1%).

Demand Driver Analysis

The demand recovery forecast for 2014 did not eventuate with a decline recorded. An unexpected decline in commodity prices and mining infrastructure spend and related business travel is the key contributor towards the results.

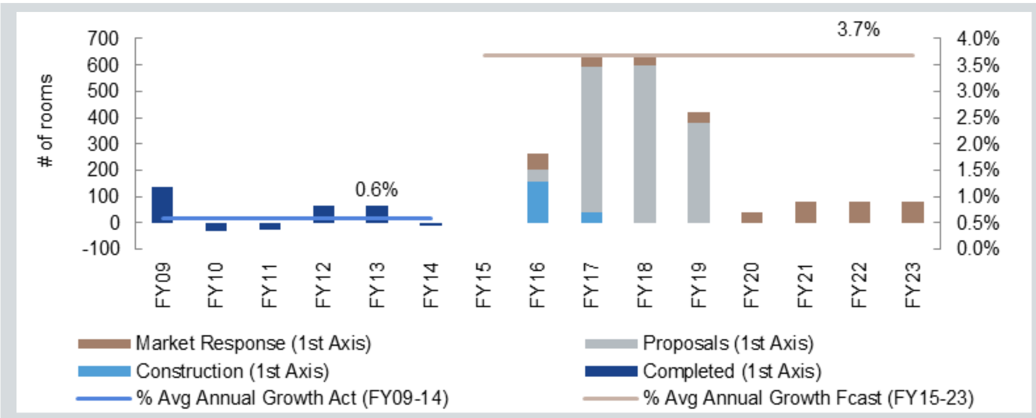
- In FY2014 demand for Perth hotels declined by 3.0%, and well below our 2.0% growth expectations.
- City data for FY2014 for Perth reveals :-
  - International visitor nights decreased by 3.3% to 21.1M nights
  - Domestic visitor nights grew by 0.6% to 11.7M nights
  - Total visitor nights decreased by 2.0% to 32.8M nights
- In FY2014 Perth hotel's domestic visitor nights content increased to 68.1% from 66.8%
- The TFC forecasts for Perth for the period to FY2023 have been substantially upgraded to average growth of 4.4% p.a compared to 2.4% previously :-
  - Annual domestic visitor night growth of 0.9% vs. 0.6% previously
  - Annual international visitor night growth of 6.2% vs. 3.1% previously

Dransfield Demand Forecast

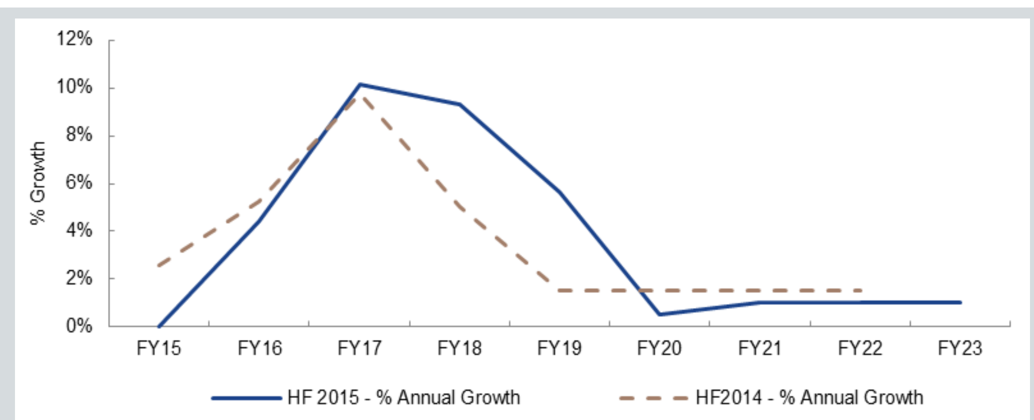
- Annual demand growth of 4.2% p.a is expected over the long term, upgraded from 2.9% for the same period in the prior forecast. The Dransfield demand growth forecast represents an upgrade in absolute visitor nights from the prior forecast, as a result of stronger growth expected through the medium term. Additional supply unlocks available room nights to better match expected growth levels.
  - We expect demand to increase 1.0% in FY 2015 to partially recover the 2014 decline. Whilst market demand has declined over the past couple of years occupancy remains very strong and in excess of 80%.
  - Medium term demand growth to FY2017 is expected to average a higher 4.3% p.a up from 3.7%. This is driven by the upgrade of the TFC forecasts as well as the lower 2014 base. Absolute visitor nights are still down 65,000 or 3.1%.
  - Long term growth to FY2022 of 4.4 % sees visitor numbers up 141,000 compared with prior forecasts. The long term recovery of the mining market, increased supply unlocking demand and the continued improvement of direct air access to Asia are anticipated and required to achieve the forecast.

Supply growth averaging 3.7% p.a over the term of the forecast follows 18 months of significant project announcements. Market Response now accounts for just 17% of all new rooms expected, down from 60% in HF2014 as the order book is filled.

SUPPLY ACTUAL & FORECAST BY TYPE FY09-FY23



FORECAST COMPARISON HF15 VS HF14 - % ANNUAL SUPPLY GROWTH



Supply Actual

- In FY2014 Perth supply remained largely unchanged and recorded a decline of just 0.2% (10 rooms), below growth expectations of 1.8% (105 rooms) and as a result of Market Response not materialising, and boutique projects not progressing as anticipated
- The Perth market has experienced limited growth of 217 rooms over the past 10 years, as the mining sector demands on the construction industry pushed up construction prices impacting hotel feasibility

Supply Forecasts

- Supply forecasts to FY2023 represent a small absolute upgrade with average annual growth of 3.7%. The majority of activity is expected over the period FY2017-19
  - We are forecasting unchanged supply in FY2015.
  - Supply growth for the medium term to FY2017 is expected to average 4.9% (890 rooms) down from 5.8% (1,112) rooms in the prior forecast. The downgrade is due to a delay in new projects coming on line compared with earlier Market Response expectations. There is a 337 room downgrade in absolute numbers to FY2017.
  - The above allowances exclude additional rooms at the Crown Perth as it sits outside the ABS region for Perth. This development is seen as an additional demand generator and as such the additional rooms do not materially effect the forecast.

Supply Cycle Expectations

- The new forecast has absolute room numbers 95 rooms ahead of the prior forecasts as we move through the supply cycle and see a number of quality new projects being announced
  - There are currently 3 projects with approximately 196 rooms, or 3.3% of 2014 supply, under construction representing an increase of 148 rooms on the prior forecast.
  - Total proposals of 1,576 rooms (2,869 @ 55% probability) for the forecast, over 14 projects, represent a significant increase of 907 rooms over the prior forecast. There have been a number of large scale projects announced over the past 18 months, many of which have well advanced or approved designs. The new proposals represent some of the larger upscale/luxury brands entering the Perth market including Hilton's Doubletree, Westin and Ritz Carlton. Perth proposals typically have delays and low completion probability.

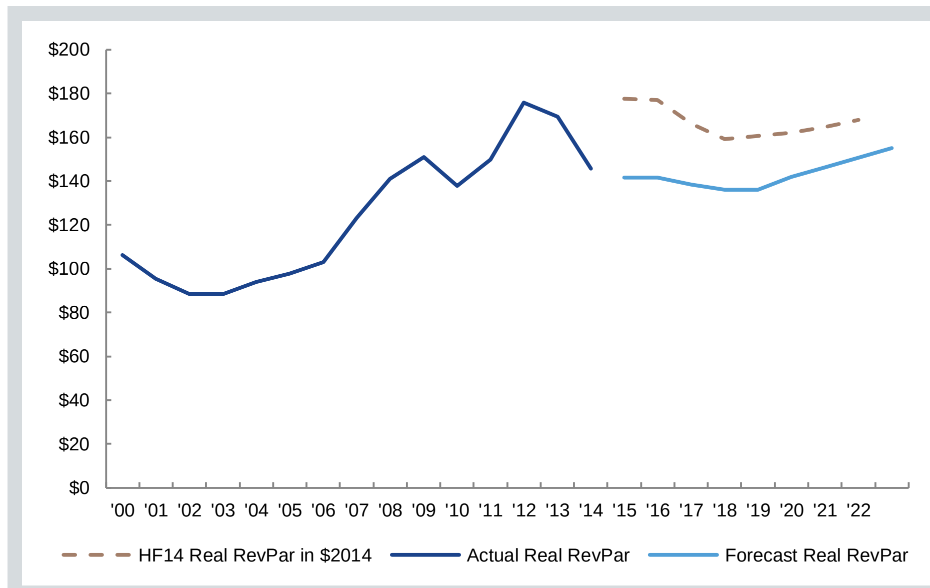
Short term forecasts are for limited growth as the market continues its correction. Long term prospects are improved, with outperformance potential should proposals not materialise.

- Whilst the market has weakened, potentially impacting development, many of the larger projects are partly sponsored by the WA government which should see them progress (Perth Waterfront and the Northbridge link).
- As a result of the increased number of projects being announced, coupled with the recent downturn of the market, we have reduced our remaining Market Response expectations. The current forecast assumes 370 additional rooms attributable to new projects to FY2022 which is likely to be achieved through an additional 2-4 projects, and is down from 1,144 rooms in our prior forecasts.
- Market response to FY2022 now accounts for 17% of all new forecast supply compared to 59% in the prior forecast.

Conclusion

- Perth has experienced a second consecutive year of declining RevPAR giving up some of the gains through FY2011 and FY2012, however still well up on FY2010 (16%). Key Industry indicators seem to show that there is still some decline expected over FY2015 but at a much lower rate that in the prior years
- Despite the apparent downturn in the market, hotels have been able to maintain high occupancy, recording a very healthy 81% for FY14
  - Over the period of the forecast occupancy expectations are slightly above prior expectations as a result of improved demand expectations through the medium term.
  - Material supply increases through FY2017-19 are expected to be absorbed over the medium and longer term.
  - With recent market conditions, developers would be revaluating feasibilities which may see some projects delayed or abandoned.
- Rate growth expectations for the forecast period have declined to 3.0% from 3.5% previously
  - Expectations for FY2015 are for a 1.5% reduction as the market slowdown continues. This is against prior expectations of 7% rate growth.
  - Medium term rate growth of 1.3% is below the long term average as a result of a weak FY2015 as the market correction continues with hoteliers not confident to move on rate despite high occupancies.
  - Meaningful rate growth is delayed pending absorption of the new supply due to come on line through FY2017-18.
- There continues to be a higher than average element of risk in the Perth market which has been highly volatile, more so in the past 5 years
- Our forecast is for reduced long term Real RevPAR averaging down 15.2% on high prior expectations, primarily as a result of underperformance in FY2014
- RevPAR growth has however been upgraded and averaging 3.6% p.a from this lower base.
  - In FY2015, RevPAR is expected to decline by 0.5% which is below prior expectations of 7.4% growth as the market recovery takes longer and continued to be adversely impacted by weak commodity prices.
  - In the medium term to FY2017 RevPAR is expected to grow by an average of 0.9% p.a. As expected, rate recovery is constrained by significant supply growth which will need to be absorbed.
  - Long term expectations are for average RevPAR growth of 3.6% p.a, and largely focussed in the second half of the forecast following new supply additions through FY2017-19.

PERTH CITY REAL REVPAR



Long term expectations are for average RevPAR growth of 3.6% p.a, and largely focussed in the second half of the forecast following new supply additions through FY2017-19.

PERTH CITY HOTELS, MOTELS AND SERVICE APARTMENTS

ACTUAL

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
HISTORICAL									
FY2000	5,119	4.2%	11.1%	$101.93	-2.7%	$70.40	3.8%	$106.15	69.1%
FY2001	5,208	1.7%	1.1%	$97.69	-4.2%	$67.02	-4.8%	$95.30	68.6%
FY2002	5,322	2.2%	-2.1%	$97.20	-0.5%	$63.91	-4.6%	$88.37	65.8%
FY2003	5,386	1.2%	6.9%	$94.49	-2.8%	$65.63	8.7%	$88.37	69.5%
FY2004	5,749	6.7%	10.0%	$99.82	5.6%	$71.47	8.9%	$93.92	71.6%
FY2005	5,702	-0.8%	2.4%	$103.04	3.2%	$76.15	6.5%	$97.64	73.9%
FY2006	5,594	-1.9%	2.1%	$108.53	5.3%	$83.51	9.7%	$102.97	76.9%
FY2007	5,515	-1.4%	4.1%	$125.55	15.7%	$101.95	22.1%	$123.17	81.2%
FY2008	5,722	3.8%	6.9%	$145.92	16.2%	$122.05	19.7%	$141.09	83.6%
FY2009	5,860	2.4%	-0.9%	$163.53	12.1%	$132.38	8.5%	$150.83	81.0%
FY2010	5,827	-0.6%	-3.9%	$159.43	-2.5%	$124.72	-5.8%	$137.89	78.2%
FY2011	5,799	-0.5%	4.9%	$170.00	6.6%	$140.24	12.4%	$149.66	82.5%
FY2012	5,866	1.2%	5.6%	$193.66	13.9%	$166.83	19.0%	$175.95	86.1%
FY2013	5,929	1.1%	-2.1%	$197.12	1.8%	$164.41	-1.4%	$169.34	83.4%
FY2014	5,919	-0.2%	-3.0%	$179.77	-8.8%	$145.65	-11.4%	$145.65	81.0%
Actual Avg FY 2000 - 2014		**1.3%**	**2.9%**		**3.9%**		**6.1%**		**76.8%**
Avg FY 10-14		**0.2%**	**0.3%**		**2.2%**		**2.6%**	**$155.70**	**82.3%**
Avg FY 12-14		**0.7%**	**0.2%**		**2.3%**		**2.0%**	**$163.65**	**83.5%**

FORECAST

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
FORECAST									
FY2015	5,919	0.0%	1.0%	$177.07	-1.5%	$144.90	-0.5%	$141.71	81.8%
FY2016	6,180	4.4%	4.0%	$182.38	3.0%	$148.67	2.6%	$141.51	81.5%
FY2017	6,809	10.2%	8.0%	$186.94	2.5%	$149.39	0.5%	$138.38	79.9%
Avg FY 15-17		**4.9%**	**4.3%**		**1.3%**		**0.9%**	**$140.53**	**81.1%**
FY2018	7,443	9.3%	7.0%	$193.49	3.5%	$151.34	1.3%	$136.11	78.2%
FY2019	7,862	5.6%	5.0%	$200.26	3.5%	$155.69	2.9%	$135.95	77.7%
FY2020	7,902	0.5%	4.0%	$208.27	4.0%	$167.56	7.6%	$142.05	80.5%
FY2021	7,981	1.0%	3.0%	$216.60	4.0%	$177.71	6.1%	$146.27	82.0%
FY2022	8,060	1.0%	3.0%	$225.26	4.0%	$188.48	6.1%	$150.61	83.7%
FY2023	8,141	1.0%	3.0%	$234.27	4.0%	$199.90	6.1%	$155.08	85.3%
Avg FY18-23		**3.1%**	**4.2%**		**3.8%**		**5.0%**	**$144.34**	**81.2%**
Total Forecast Avg FY 2015-2023		**3.7%**	**4.2%**		**3.0%**		**3.6%**	**$143.07**	**81.2%**

COMPARISON HF2014 vs HF2015 – Average and Absolute to FY2022

Year	Rooms	Supply Avg	Demand Avg	ARR	ARR Avg	RevPAR	RevPAR Avg	Avg Real RevPAR	Avg Occ
HF 2014	7,965	3.6%	2.9%	$268.31	3.4%	$214.13	2.9%	$166.86	79.5%
HF2015	8,060	4.0%	4.4%	$225.26	2.9%	$188.48	3.3%	$141.57	80.7%

DRANSFIELD HOTELS & RESORTS

Strong 5.9% RevPAR growth in FY2014 but below expectations in this high occupancy environment due to under-whelming rate growth for the second consecutive year.

SYDNEY REGIONS – JUNE 2014

	Establishments	Rooms	RevPAR
Sydney	103	18,528	$157.86
SYDNEY TOURISM REGION			
Hotels	107	20,159	$152.96
Motels	104	7,205	$81.57
Serviced Apartments	70	6,478	$141.71
Total	**281**	**33,842**	**$135.49**
STAR GRADING			
5-star	25	7,417	$138.29
4-star	128	18,431	$86.57
3-star	103	6,759	$56.35
Other	25	1,235	$38.28
Total	**281**	**33,842**	**$90.56**

FY2014 YEAR IN REVIEW

	2014 FORECAST	ACTUAL 2014	Var	
RevPAR	8.2%	5.9%	-2.3%	▼
Supply	1.3%	0.2%	-1.1%	▼
Demand	2.0%	2.4%	0.4%	▲
Occupancy	85.3%	86.6%	1.3%	▲
ARR	7.5%	3.7%	-3.8%	▼

FY2014 Year in Review

- In 2014 Sydney hotels recorded RevPAR growth of 5.9% and was the strongest performing major market in Australia, in both absolute dollar value and growth rate.
  - Despite fair growth, Sydney underperformed against 8.2% expectations.
  - Negligible supply movement, a phenomena which has been at the forefront of the Sydney market for many years now, continued, recording just 30 additional rooms for the year.
  - Demand increased 2.4%, pushing already high occupancies up 1.9 points to an unprecedented 86.6%, and setting a new benchmark for Sydney.
  - Rate opportunities continue to be missed, rising just 3.7% in the continuing very high occupancy environment.
- The STR sample was more robust with high 8.2% RevPAR growth, brought about by slightly stronger rate growth

Demand Driver Analysis

Continued high occupancy and lack of meaningful supply is restricting demand growth for the country's largest market. This situation is set to become worse through the short to medium term. Continued strength of the cruise line industry, an improving events calendars and the opening of the Convention Centre in 2018 will all be significant demand drivers for Sydney.

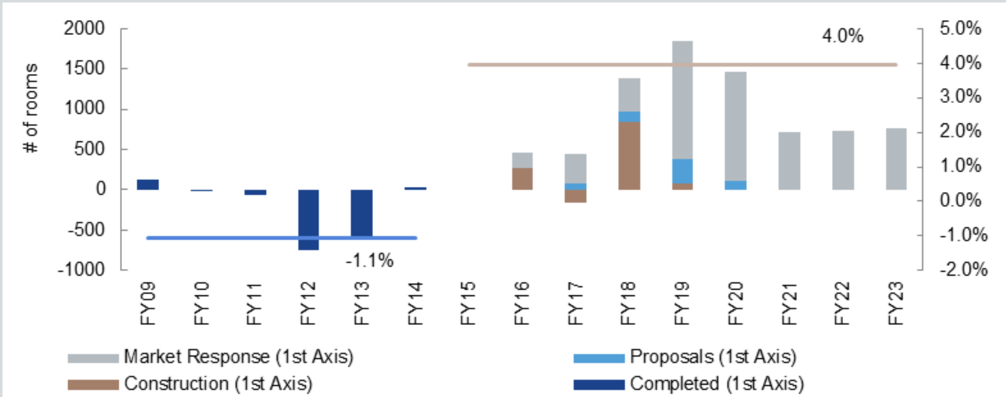
- In FY2014 demand for Sydney hotels grew by 2.4%, slightly above our 2.0% growth expectations, despite supply constraints and will be difficult to replicate, creating upside opportunity for RevPAR
- City data for FY2014 for Sydney reveals :-
  - International visitor nights increased by 5.6% to 62.5M nights
  - Domestic visitor nights grew by 13.5% to 23.7M nights
  - Total visitor nights increased by 7.6% to 86.2M nights
- In FY2014 Sydney hotel's domestic visitor nights content remained consistent with the prior year at 53.9%
- The TFC forecasts for Sydney for the period to FY2023 have been subsequently upgraded to average growth of 5.0% p.a compared to 3.1% previously :-
  - Annual domestic visitor night growth of 0.3% vs. 0.7% previously
  - Annual international visitor night growth of 6.3% vs. 3.9% previously

Dransfield Demand Forecast

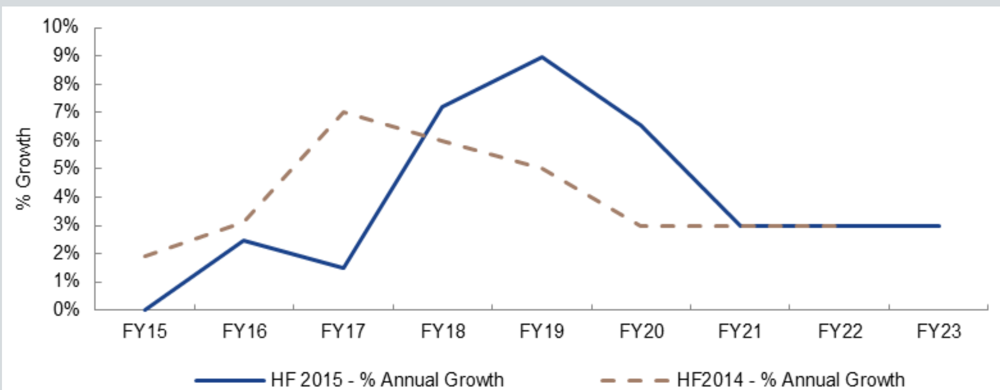
- Annual demand growth of 3.7% p.a on average is expected over the long term, which is a small upgrade on prior expectations constrained by a lack of supply. The Dransfield demand growth forecast to FY2023 represents an upgrade in both growth rate and absolute visitor nights, driven by continued growth in international visitors and a stronger domestic market thanks to a sustained lower Australian dollar
  - We expect demand to increase 1.5% in FY2015, below expectations of 3.0% as lack of supply growth constrains demand growth.
  - Medium term demand growth to FY2017 is expected to average a low 1.7% down from 4.3% again driven by a lack of new supply. New stock previously expected in FY2017 is now expected to arrive 12 months later.
  - Long-term growth forecasts to FY2022 of 3.7% p.a on average sees visitor nights up by 136,000 (2%) on prior forecasts. The demand growth profile can only be achieved if meaningful supply well over and above the current proposal level can be achieved. As it stands the long-term occupancy forecast of 86% effectively means that the city is full most nights except Friday and Sunday.

Supply growth is below needs and estimates are largely related to Market Response (76%). With additional supply withdrawals in the short to medium term there is a real possibility that actual supply will be below forecast.

SUPPLY ACTUAL & FORECAST BY TYPE FY09-FY23



FORECAST COMPARISON HF15 VS HF14 - % ANNUAL SUPPLY GROWTH



Supply Actual

- In FY2014 Sydney supply remained relatively unchanged with a slight increase of 0.2% (29 rooms), below expectations of a still small 1.3% increase (240 rooms)
- The Sydney market continues to be plagued by limited new supply. Total number of available rooms is now 3,000 (13%) below the peak supply of 2001
- Since 2001, 10 of the 13 years have experienced supply growth of less than 1% with 7 of those recording a decline. This is despite occupancy levels consistently in excess of 80% and the highest room rates in the country

Supply Forecasts

- Supply forecasts to FY2023 are consistent with average annual growth of approximately 4.0%. There is no material activity expected in the next three years. Meaningful supply levels are not expected to come on line until FY2018-20 where an additional 4,000 rooms are expected, in line with the opening of the International Convention Centre at Darling Harbour
  - We are forecasting no supply growth for FY2015 against prior expectations of 1.9%.
  - Supply growth for the medium term to FY2017 is expected to average just 1.3% p.a (742 rooms), down from 4.0% (2,331 rooms) in the prior forecast. The downgrade is a result of delays to original anticipated supply together with the announcements that 550 rooms will be withdrawn for conversion to alternative uses.

Supply Cycle Expectations

- The updated forecast is very similar to prior forecasts (FY2015-22) which includes further existing withdrawals than previously anticipated. It still relies on a very substantial increase in Market Response with only 31% of the first 6 years covered by actual construction and proposal activity
  - There are currently 8 projects and 2 removals which account for approximately 1,025 additional rooms, or 5.5% of 2014 supply, under construction, having transferred from the proposal stage in the prior forecast, or newly identified. This includes major projects such as the expansion of the Four Points Darling Harbour and as well as the Convention Centre Hotel. The increase in construction has been offset by the announced closures of the Menzies and Sir Stamford Hotels.

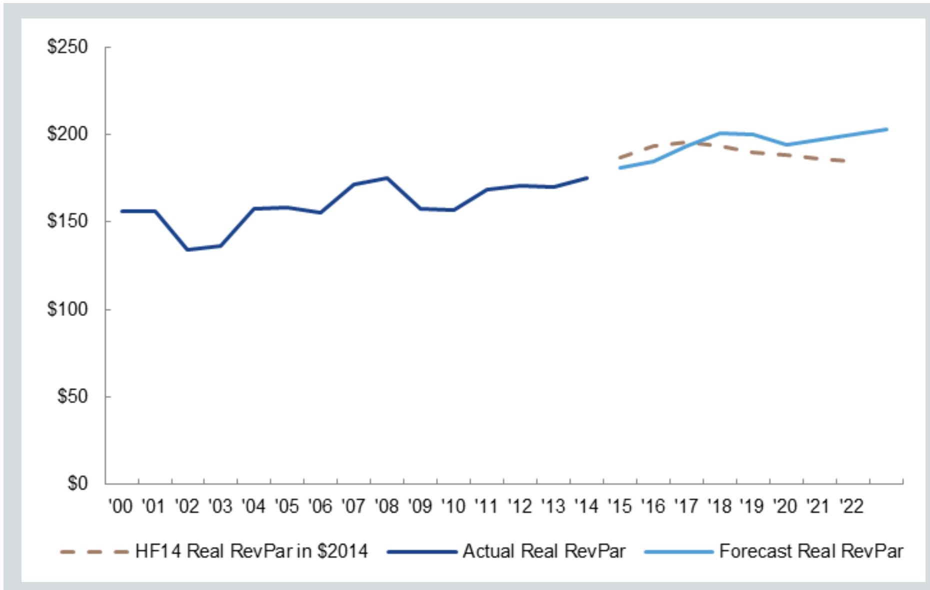
Long term RevPAR growth of 4.6% is tempered by the lack of new supply in the medium term constraining demand and the limited historical rate growth despite strong occupancy

- Total proposals of 758 rooms (1,108 @ 68% probability) for the forecast, over 7 projects, represent a decrease of 612 rooms over the prior forecast as projects transferred to the construction phase. The low probability is representative of the Sydney market's historic difficulty in increasing short-term accommodation.
- Based on the historical performance and average time for projects to be built we have tempered our Market Response for the short term, but look to recover in the period FY2018-20. This has impacted the overall market response, which is a downgrade of 390 rooms compared with prior years forecast. The downgrade is not in response to actual market conditions but market behaviour. The current forecast assumes 5,900 additional rooms over the life of the forecast. A figure likely requiring 15-25 additional projects to go ahead.
- Market response to FY2022 accounts for 76% of all new supply considered in the forecast compared to 81% in the prior forecast.

Conclusion

- Sydney's extremely high occupancy levels, the highest in the country, are expected to remain for the period of the forecast as limited supply comes on line well below even organic growth levels. The continued high occupancy over 85% is stifling the market's capacity to grow demand
  - Over the period of the forecast the occupancy expectations are slightly above prior expectations as supply fails to materialise in the short term.
  - The Sydney market could easily absorb supply over and above that allowed in our forecast, however given historical performance this will be unlikely unless there a significant change in policy to promote Hotels as highest and best use.
- Rate growth expectations for the forecast period have improved to 4.8% as supply continues to be delayed
  - Expectations for FY2015 are for 4.0% rate growth and below prior year's expectations due to poor short term rate claiming behaviour. The reforecast is being influenced by historical performance of Sydney hoteliers with regards to rate, together with latest industry reports, rather than underlying market conditions which infer greater rate growth opportunity.
  - Medium term rate growth of 5.7% is above the long term average, with rate slowing from FY2019 as the market absorbs the new supply which is behind organic growth.
- Our forecast is for improved long term Real RevPAR, up 2.2% on prior average forecasts
- Long term RevPAR forecasts represent an upgrade, averaging 4.6% p.a, previously 4.0%
  - In FY2015, RevPAR is expected to grow by 5.6% which is below prior expectations despite strong market fundamentals.
  - In the medium term to FY2017 RevPAR is expected to grow by an average of 6.0% p.a. This forecast represents a slight downgrade to prior expectations of 6.3% based on behaviour rather than the market.
  - Average growth of 4.6% p.a over the forecast period is driven by a combination of continued high occupancy and above average rate growth.
- The current forecast has more upside opportunity that downside risk associated with it. We could easily see the Sydney market outperform the forecast by 2-3 points in annual RevPAR growth
  - Three quarters of the anticipated supply is market response, which traditionally has either come on line later than expected or not materialised.
  - Rate growth forecasts have been tempered following recent historical RevPAR growth performance which has averaged just 2.9% for the past 5 years, despite sustained high occupancy levels.

SYDNEY CITY REAL REVPAR



DRANSFIELD HOTELS & RESORTS

The current forecast has more upside opportunity than downside risk associated with it. We could easily see the Sydney market outperform the forecast by 2-3 points in annual RevPAR growth.

SYDNEY CITY HOTELS, MOTELS AND SERVICE APARTMENTS

ACTUAL

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
HISTORICAL									
FY2000	19,367	10.7%	13.9%	$145.21	0.2%	$103.68	3.1%	$156.32	71.4%
FY2001	21,425	10.6%	8.6%	$156.65	7.9%	$109.83	5.9%	$156.18	70.1%
FY2002	20,707	-3.4%	-4.5%	$139.87	-10.7%	$96.86	-11.8%	$133.94	69.3%
FY2003	18,625	-10.1%	-4.8%	$138.43	-1.0%	$101.43	4.7%	$136.58	73.3%
FY2004	18,152	-2.5%	4.8%	$152.54	10.2%	$120.13	18.4%	$157.85	78.8%
FY2005	18,568	2.3%	2.9%	$155.79	2.1%	$123.41	2.7%	$158.23	79.2%
FY2006	19,429	4.6%	1.4%	$164.10	5.3%	$125.96	2.1%	$155.32	76.8%
FY2007	19,648	1.1%	6.7%	$175.49	6.9%	$142.09	12.8%	$171.66	81.0%
FY2008	19,763	0.6%	1.9%	$184.57	5.2%	$151.35	6.5%	$174.96	82.0%
FY2009	19,896	0.7%	-3.5%	$176.31	-4.5%	$138.57	-8.4%	$157.89	78.6%
FY2010	19,878	-0.1%	6.2%	$170.09	-3.5%	$142.06	2.5%	$157.06	83.5%
FY2011	19,817	-0.3%	3.0%	$182.93	7.5%	$157.88	11.1%	$168.48	86.3%
FY2012	19,073	-3.8%	-7.4%	$195.20	6.7%	$162.11	2.7%	$170.98	83.0%
FY2013	18,498	-3.0%	-1.0%	$195.04	-0.1%	$165.29	2.0%	$170.25	84.7%
FY2014	18,527	0.2%	2.4%	$202.20	3.7%	$175.13	5.9%	$175.13	86.6%
Actual Avg FY 2000 - 2014		**0.5%**	**2.0%**		**2.4%**		**4.0%**		**79.0%**
Avg FY 10-14		**-1.4%**	**0.6%**		**2.9%**		**4.8%**	**$168.38**	**84.8%**
Avg FY 12-14		**-2.2%**	**-2.0%**		**3.4%**		**3.5%**	**$172.12**	**84.8%**

FORECAST

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2014 Real RevPAR	Occ
FORECAST									
FY2015	18,527	0.0%	1.5%	$210.29	4.0%	$184.86	5.6%	$180.79	87.9%
FY2016	18,983	2.5%	1.5%	$222.91	6.0%	$194.12	5.0%	$184.76	87.1%
FY2017	19,269	1.5%	2.0%	$238.51	7.0%	$208.70	7.5%	$193.33	87.5%
Avg FY 15-17		**1.3%**	**1.7%**		**5.7%**		**6.0%**	**$186.30**	**87.5%**
FY2018	20,653	7.2%	7.0%	$255.21	7.0%	$222.94	6.8%	$200.50	87.4%
FY2019	22,504	9.0%	7.0%	$266.69	4.5%	$228.78	2.6%	$199.76	85.8%
FY2020	23,975	6.5%	3.5%	$274.69	3.0%	$228.92	0.1%	$194.07	83.3%
FY2021	24,694	3.0%	3.5%	$285.68	4.0%	$239.24	4.5%	$196.90	83.7%
FY2022	25,435	3.0%	3.5%	$297.11	4.0%	$250.01	4.5%	$199.78	84.1%
FY2023	26,198	3.0%	3.5%	$308.99	4.0%	$261.27	4.5%	$202.70	84.6%
Avg FY18-23		**5.3%**	**4.7%**		**4.4%**		**3.8%**	**$198.95**	**84.8%**
Total Forecast Avg FY 2015-2023		**4.0%**	**3.7%**		**4.8%**		**4.6%**	**$194.73**	**85.7%**

COMPARISON HF2014 vs HF2015 – Average and Absolute to FY2022

Year	Rooms	Supply Avg	Demand Avg	ARR	ARR Avg	RevPAR	RevPAR Avg	Avg Real RevPAR	Avg Occ
HF 2014	25,624	4.0%	3.5%	$286.61	4.0%	$235.23	3.5%	$189.65	84.7%
HF2015	25,435	4.1%	3.7%	$297.11	4.9%	$250.01	4.6%	$193.74	85.9%

METHODOLOGY & BACKGROUND

In producing Hotel Futures, Dransfield have committed to making available to investors, long term historical information and one view of what the future might look like. Investors now have available to them forecasts of key demand drivers, published by Tourism Research Australia (TRA), and a number of other government and private sources. Supply information is provided by local and state governments as well as private organisations. Hotel Futures seeks to interpret the impact of these expectations on hotel revenues, when combined together in a supply/demand equation.

In presenting a market forecast it is important for readers to accept that individual hotels will be influenced by the market, but will not behave in an identical manner. The market forecast is therefore a guide against which the past and future performance expectations for any particular hotel may be reviewed.

Australian Bureau of Statistics – Adjustment in Reporting

The ABS recently changed the collection and release activity of the survey of tourist accommodation small area data (STA). From 1 July 2013 the collection frequency of the STA moved from a quarterly to annual release and on a financial year basis. Further information on the change can be found at www.abs.gov.au.

Sources of Historic Forecast Data

Where it is noted that Australian Bureau of Statistics (ABS) data has been used in our analysis, this refers only to historic data. Forecasts are solely the product of Dransfield, though the construction of the forecast may rely on information published by Tourism Research Australia.

Tourism Research Australia was created on 1 July 2004 and brings together the Australian Tourism Commission, See Australia, the Bureau of Tourism Research and the Tourism Forecasting Council. The Tourism Forecasting Committee (TFC) was also established following the formation of Tourism Australia (TA). The TFC remains an independent body providing forecasts of activity across international, domestic and outbound tourism sectors. The resources for the TFC are provided by Tourism Research Australia (TRA), which is a division of Tourism Australia.

Effect of changes to Australian Bureau of Statistics Classifications

Following ABS movement to full financial year data, Dransfield identified a general downgrade in reported FY2014 data, which appears to be brought about by a change in methodology.

Dransfield identified performance below other reports and expectations, that suggest a level of inaccuracy in the year on year data, across a sample of major cities covered.

Whilst there were geographical and sample size differences between ABS reporting and alternative sources, the performance gap is greater than can be explained. We have therefore, included in this edition of Hotel Futures 2015, a comparative FY2014 performance sample provided by STR Global to provide a more comprehensive perspective of market performance.

STR Global

STR Global provide global hotel data covering daily and monthly performance data, forecasts, annual profitability, pipeline and census information. STR collects data from 46,000 hotels globally, representing 5.3 million rooms.

The Australian and New Zealand Hotel Review provides a sample of the whole market and coverage typically sits within a range 50-75% of the entire census. The data consists of the majority of larger and branded operators but also contains information from many smaller operators and independents. This sample is on average of a higher quality than the market covered in a full survey.

Typically, STR sample data outperforms ABS survey data and provides a slightly skewed top end performance review based on subject properties who participate in the survey.

METHODOLOGY & BACKGROUND

Historical Changes to Australian Bureau of Statistics Methodology

As a result of the introduction of the Goods and Services Tax (GST) on 1 July 2000, the ABS reports data inclusive of GST. To enable meaningful comparison to the previous years, we have adjusted the post 1 July 2000 data by reducing revenues by 1/11th, making them net of GST.

In the June 2003 quarter, an additional 132 establishments (5,918 rooms) were added to the Australian Bureau of Statistic's Survey of Tourist Accommodation room stock count. The addition of these establishments resulted in a break in the time series between the March and June quarters 2003 and would tend to understate supply growth. To offset this, the base figures for quarters June 2002 to June 2003 have been increased by a factor, provided by the ABS, to take into account the effect of the break in the series. The factor used varies for different cities and ranges from an increase of 1.9% to 6.2%. In 2007 the ABS redrew the geographical boundaries of the Sydney City Region and divided the City Region into four sub-regions: Inner, South, East and West. The changes to the boundaries has not impacted the total Sydney City region, rather the sub parts of the region have been redrawn.

In the 2012 TFC forecast, historical performance and forecasts are being reported on a financial year basis. Previous calendar year forecast of November 2011 have been adjusted to report on a financial year basis for comparative purposes. They are at best an indication of what the financial year forecasts would have been if prepared on that basis.

Effective from 1 January 2012, the ABS has replaced the Australian Standard Geographical Classification (ASGC) with the new Australian Statistical Geography Standard (ASGS) as the geographic framework for its survey data. For the purposes of our Hotel Futures analysis, this changes the boundaries applicable to the Darwin and Cairns regions. Accordingly, comparisons with prior period data for these two regions is not exactly like for like, however the effect of the change in coverage is relatively minimal. We have taken the opportunity through these classification changes to include Port Douglas in our Cairns market forecasts.

Sydney City has undergone a more significant change in reporting and we now also compare data movements in the broader Sydney Tourism Region which has not undergone any boundary changes

Supply Expectations

In calculating supply expectations, Dransfield consider three stages of development

1) Under construction or recently completed

2) Proposals

3) Market Response

Our forecast recognises that not all project proposals will proceed as anticipated, and probability estimates have been applied to sites where construction has not yet started and may not start or could be delayed. Following consideration of mooted and under construction supply, and likely market performance, Dransfield provide a "Market Response" provision which seeks to estimate the volume of additional rooms that may be delivered during the forecast period that do not relate to current projects Eg. the Market Response to forward supply and demand conditions. This is informed by past market behavior, including identified trigger points in key revenue metrics.

Demand

Our demand forecasts are partly based on international and domestic visitor forecasts published by Tourism Research Australia (TRA) through the Tourism Forecasting Committee (TFC). They also require a level of subjective judgment. In July 2014, TRA released revised forecasts updating those issued in June 2013 relied upon in the 2014 edition of Hotel Futures. TFC forecasts are produced on a financial year basis.

There are multiple indicators of future demand for the major cities considered in Hotel Futures. The TFC publishes a range of related actual and forecast national statistics including:

METHODOLOGY & BACKGROUND

- International Arrivals;
- International Visitor nights;
- International Visitor nights in Hotels, Motels, Guest Houses and Serviced Apartments (HMGSA);
- Domestic Visitor Nights
- Domestic Visitor nights in Hotels, Motels, Guest Houses and Serviced Apartments (HMGSA).

International visitor forecasts are now undertaken on a state by state basis, similar to what has historically been provided for the domestic forecasts. We have undertaken correlation testing on each of the above demand indicators and found varying degrees of correlation to actual results in different years. None of the individual indicators have a very strong historical correlation with the room nights occupied in the cities that Hotel Futures reports on. This is partly due to the differing proportions of international and domestic visitors in each city, though we do take regard of the known changes in market mix. It is also due to the differing geographic boundaries of the indicators and the subject, for example, using the international forecast for the whole state has only an indirect relationship with an individual city.

Changes in the level of supply in each city also alter travel patterns as room availability improves.

The difficulty in using raw statistics/forecasts is demonstrated by considering the lack of growth in International Arrivals in 2009 compared to the 5% increase in International Visitor nights and 6% reduction in International Visitor Nights to Hotels. The demand figures estimated in Hotel Futures therefore require a significant subjective assessment.

In our analysis, the TFC visitor forecasts and customer market mix in individual states are blended and adjusted to reflect historical differences between these key drivers, actual results and the impact of additional supply. Supply often stimulates demand growth and there are differing expectations for individual city growth rates compared to the whole state. Historically, actual performance and our forecasts for a city's demand growth have exceeded 'melded' growth rates (combined International and Domestic forecasts) based on TFC data for larger geographic areas, sometimes quite substantially.

Room Rate Methodology

Real room rate change is mostly impacted by occupancy levels. Changes upward generally lag occupancy movements by approximately twelve months, whilst hoteliers respond to new market circumstances and contract prices move. Regression analysis has been used to analyse historic real rate growth and is used as a guide to forecasting likely future growth rates based on expected occupancy levels. Room rates are presented net of GST.

Room Yield/RevPAR Methodology

The most reliable indicator of hotel profitability is the RevPAR (revenue per available room or yield) which indicates the revenue available from which profit is derived. Given the change in inflation over the last decade, we have calculated a 'real RevPAR' curve in each market so that a more realistic comparison of future expectations and past performance can be made. The real RevPAR is also a good guide as to when new projects might be considered viable, and therefore likely to proceed.

Nominal growth rates depend on the starting base, (e.g. growth rates calculated from a peak will be lower and often negative compared to growth rates calculated from a trough). Comparing the average real RevPAR of a whole forecast to prior forecasts is therefore the most objective and complete way to determine if it has been upgraded or downgraded. For the purposes of comparing current forecast real RevPAR with our previous forecasts, CPI data has been used.

GLOSSARY OF TERMS

Australian Bureau of Statistics (ABS)	The ABS is Australia's national statistical authority and provides survey based statistics of hotels, motels and serviced apartments.
Average Room Rate (ARR)	The Average Room Rate is the average daily revenue per occupied room. Calculated as Total Room Revenue divided by occupied room nights. This rate is calculated net of GST. Also known as Average Daily Rate (ADR).
Global Financial Crisis (GFC)	The GFC refers to the global economic slowdown that commenced in 2008.
HF	Dransfield's annual Hotel Futures publication
Hotels	Hotels with guest facilities, licensed to operate a public bar. References made to the 'hotel market' generally include motels, guest houses and serviced apartments.
HMGSA	Hotels, Motels, Guest Houses and Serviced Apartments, a statistical basket of competitors
Motels	Motels predominantly provide short-term accommodation available to the general public, provide a bath (or shower) and toilet in most guest rooms and have breakfast available for guests.
Serviced Apartments	Self contained units with full cooking facilities, daily service and provision of linen and laundry.
Occupancy	The Occupancy is the number of rooms occupied divided by the number of rooms available.
RevPAR	The RevPAR is the revenue per available room night, calculated as occupancy multiplied by Average Room Rate or total room revenue divided by available room nights. Also known as and previously defined in Hotel Futures as Yield.

GLOSSARY OF TERMS

Real RevPAR	The RevPAR calculated in 2014 dollars to remove the effect of inflation. Previously defined in Hotel Futures as Real Yield.
Yield/Room Yield	The Room Yield is the revenue per available room night calculated as occupancy multiplied by Average Room Rate. Also known as RevPAR.
Real Yield	The Room Yield calculated in 2014 dollars to remove the effect of inflation. Also referred to as Real RevPAR
Tourism Forecasting Committee (TFC)	A division of Tourism Australia. The TFC is an independent body charged with providing consensus forecasts of activity across international, domestic and outbound tourism sectors.

TABLE REFERENCE

Room Night Supply	The sum of the number of rooms available for each night of the year. This is not always the same as a calculation of the number of rooms times the number of days in the year, as rooms are not always available for the whole year when new supply is introduced, or old supply withdrawn part way through the year.
Rooms	This figure is based on the equivalent rooms available for the full year calculated by dividing supply by the number of days in the year.
Room Night Demand	The sum of the number of rooms occupied for each night of the year. This information is not directly supplied by the ABS and is calculated by multiplying supply by the reported occupancy.
Star Grading	The grading of hotels and motels with facilities based on the classification used by members of the Australian Automobile Association (AAA).

SOURCES OF DATA

ABS – Australian Bureau of Statistics
www.abs.gov.au

Actual Data to FY2014 relating to Room Night Supply, Room Night Demand, Occupancy, Takings/Rate and RevPAR actuals, and calculated historical growth rates as published in:

- Survey of Tourist Accommodation (STA), Tourist Accommodation, Small Area Data (Cat. No. 8635).
- International Visitor Arrivals to Australia, 3401.0 Table 1: Total Movement, Visitor Arrivals – Category of Movement.
- Resident Departures, 3401.0 Table 2: Total Movement, Resident Departures – Category of Movement (Short Term less than 1 year)

STR
www.str.com

Data relating to STR year on year growth rates as published in:

- 2015 STR Global, Ltd. Australia and New Zealand Hotel Review

Tourism Research Australia (TRA) and The Tourism Forecasting Committee (TFC)
www.tourism.australia.com

Data relating to historical and forecast demand as published through TRA and its affiliate TFC:

- Regional Forecasts – July 2014 (tables), Tourism Research Australia, Canberra. Data relating to Demand forecasts
- IVS – International Visitors in Australia: June 2014 Quarterly results of the International Visitor Survey
- NVS – Travel by Australians June 2014 quarterly results from of National Visitor Survey
- TRA Special Request: NVS and IVS overnight visitors in Hotel/Resort or Motor Inn

BITRE
www.bitre.gov.au

Airport Traffic Data as published by The Bureau of Infrastructure, Transport and Regional Economics (BITRE), which is a division of The Department of Infrastructure and Regional Development.

- Air Passenger Movements Through Capital and Non-Capital City Airports to 2030-31 (November 2012)