



SAMMUT DEVELOPMENTS

PROPOSED HOTEL

**138/142 CRONULLA STREET
CRONULLA**

VIABILITY REPORT

SEPTEMBER 2019

**PRIME
SQUARE**

CONTENTS

Introduction	3
Overview	4
Project Methodology	6
Location	7
Capture Zone	9
Demand Drivers	10
Tourism in Sutherland Shire	19
Market Penetration	20
Competitive Hotels	21
Comparable Hotels	24
Hotel Pipeline	27
Airbnb	28
Competition - Function Space	32
The Opportunity	34
Business Segmentation	35
Indicative Space Program	37
Summary	48
Appendices	
Tourism in Australia	40
Tourism in NSW	43
Hospitality Industry - Australia	44
Hospitality Industry - Sydney	46
Hospitality Market Definitions	49
Glossary of Terms	51
Disclaimer	57
Contacts	58

INTRODUCTION

This report is prepared for Sammut Developments by Prime Square and addresses the mixed use development proposed for 138-142 Cronulla Street, Cronulla.

At present, Sammut Developments has secured 4 lots (land area of 1,468 sqm) with plans to host retail spaces, a co-working offering and a hotel. Prime Square has prepared various scenarios based on the land area and provided recommendation on the optimal hotel space configuration and mix in relation to the retail and residential components.

This report addresses the location attributes, the likely demand drivers, competitive and comparable hotels, market positioning and it provides recommendations for the most efficient space configuration to attract and retain guests.

We thank Sammut Developments for the opportunity to work on this exciting project and trust this report will be in line with the company's requirements and expectations.



OVERVIEW

Recently hotel investment has outperformed the majority of other real estate asset classes. According to Tourism Australia, the risk return profile of hotel assets was superior to that of other asset classes, having similar volatility to industrial and office assets, however, considerably outperforming those with higher returns.

For the calendar year 2018, Australia, on a nationwide basis, reported a dip (-0.2%) in hotel occupancy to 75.9%, average daily rate increased by 1.8% to \$191 and revenue per available room (RevPar) increased by 1.5% to \$145. The occupancy was well over 80% for Sydney, Melbourne, Hobart and Cairns. Deloitte Access Economics is expecting RevPAR to increase by 2.5% in 2019 and Dransfield's Hotel Futures 2018 predicts average annual growth of 4.1% to FY2026. This is well supported with the international and domestic tourism numbers which all saw an increase from the previous year.

STR reported for February 2019 that overall occupancy in Melbourne increased despite the increase in hotel room supply. This is due to the increased demand for accommodation largely due to major events being held in Melbourne. This highlights the importance of major events and their impact on Melbourne's hotel occupancy.

There was an increase of international tourism with 9.3 million international visitors arrivals for the year ending January 2019, an increase of 5.5% relative to the previous year. The last three years have seen average growth of 7.5 per cent. Over the past decade, international tourism has increased by 65% or an additional 3.6 million visitors. They stayed over 274 million nights in total (up 4%), which is an average stay of 29 nights per visitor. They had a total trip spend of \$43.9 billion (up 7%).

International visitor growth trends were positive. China was a major driving force behind this with 1,312,226 visitors in 2018 which represented double digit growth (13%). India saw more significant growth of 20.5% to 314,045 visitors, albeit off a smaller base.

The importance of the China inbound market to Australia was amplified when considering the number of nights Chinese visitors spent in Australia – at almost 57,000,000, it was greater than the next top three countries combined, United Kingdom (22,241,546), India (18,068,194) and the United States (13,463,956). Although representing the second most number of arrivals at 1,244,473, length of stay by New Zealand visitors fell by 10.9% to 12,827,187 nights (5th ranked).

Amid current growth and the positive longer-term outlook for the hotel sector, the nature of the market is also changing, creating specific niche opportunities for investors and developers.

OVERVIEW

Two big market segments are shaping the future of hotels in Australia and will, therefore, have the greatest influence on where opportunities lie – the inbound Asian market, typically demanding high-end luxury product, and the massive ‘millennials’ market (born 1980 – 2000), in the upper mid-scale category.

On the domestic front, overnight travel saw strong growth for the year ending Sept 2018, with overnight trips up 7% to reach a record of 102.7 million. The growth in overnight trips was reflected through strong gains in visitor spending which increased by 10% to a record \$70.3 billion. This was an increase of \$6.6 billion over the previous year and was driven by strong growth across travel for holiday, to visit friends and relatives (VFR), and business travel.

Domestic leisure travelers saw growth of 8.6 per cent while business trips grew 7.7 per cent in the year to September 2018.

In addition, Australians took over 204.6 million domestic day trips during the year which was an increase of 7%. Domestic spend totaled \$22 billion, an increase of 8%.

New South Wales and Victoria saw a significant increase in overnight trips with \$33.6 million (+8% YoY) and \$25.4 million (+7% YoY) respectively. Expenditure for Australia’s three largest states experienced double digit growth.



PROJECT METHODOLOGY

The following activities were undertaken:

- Visited the designated site for the potential hotel and inspected the surrounding precinct.
- Visited and viewed hotels identified as potential competition.
- Identified likely sources of demand and quantified this to refine the capacity and configuration of the proposed hotel.
- Sourced the operating performance of comparable hotels and used this as a basis to forecast hotel occupancy and average daily rates.
- Sourced tourism and hospitality industry information from various advisors and agencies including the Sutherland Shire Council, Destination NSW, Tourism Australia, Australian Bureau of Statistics, Tourism Research Australia, STR Global, Dransfield Hotels and Resorts, Horwath Asia Pacific, Deloitte, JLL Hotels, Savills and CBRE Hotels.
- Sourced population and demographic information from local government sources.
- Distillation and analysis of information gathered preparatory to considering options and recommendations.
- Development of criteria for potential hotel and preparation of financial projections.
- Review of the plans and input provided on the indicative hotel area plans.

LOCATION

Sydney

Sydney is the capital of New South Wales. It has a population of approximately 5.73 million making it the largest city in Australia. Although it is the largest, it is not the most densely populated, ranking third after Melbourne and Adelaide.

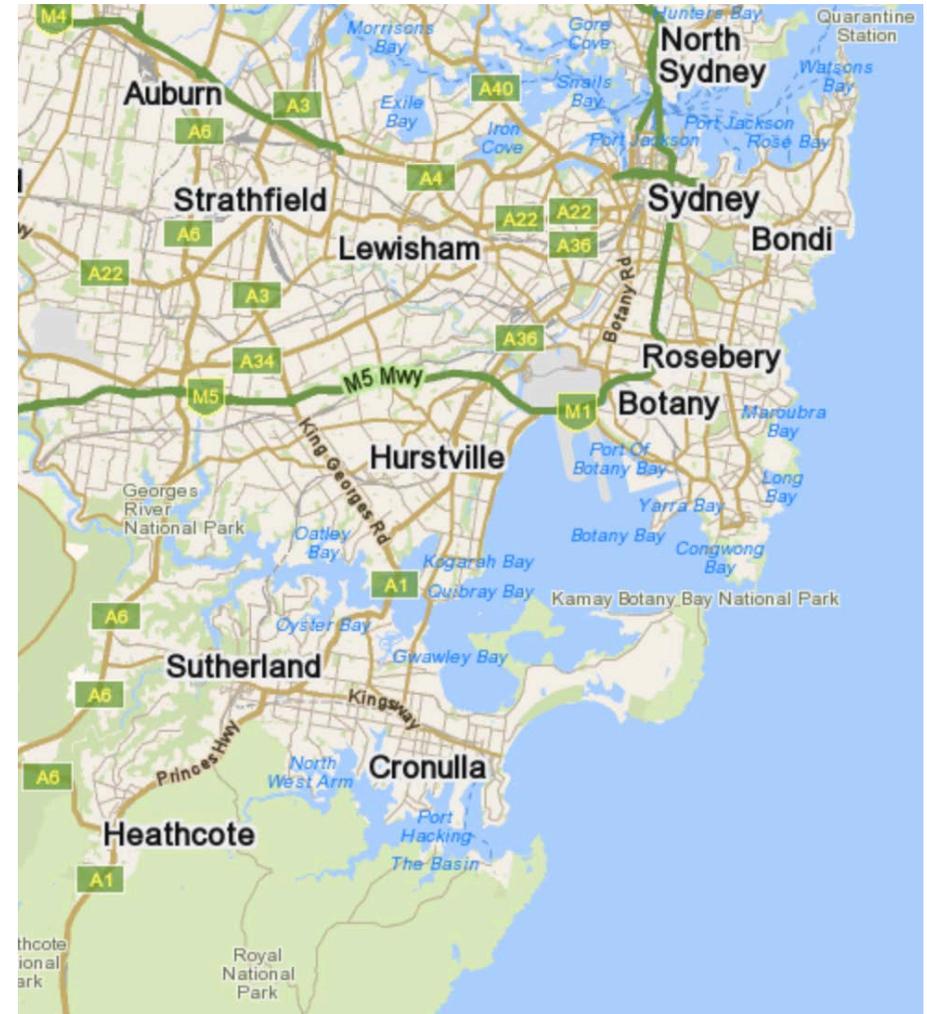
Sydney is a diverse cultural city with a large number of ethnic groups living in it. The top five ancestries for the city are Australian, English, Irish, Scottish and Chinese.

Some of Australia's most iconic landmarks are located in Sydney such as the Harbour Bridge and Opera House.

The Opera House is synonymous with Sydney as a city. The uniqueness of the design of the Opera House has seen the building declared as a UNESCO World Heritage Site. 10.9 million people visit the site every year. The building is home to theatres, studios, a concert hall, exhibition rooms and a cinema, however most tourists are only interested in the exterior design of the building.

According to the Economist Intelligence Unit, which publishes an annual global liveability ranking, Sydney is the fifth most liveable city in the world in 2018.

The University of Sydney ranks as the 42nd best university in the world with the University of New South Wales (UNSW) not far behind at 45th best.



LOCATION

Cronulla

The proposed hotel is located in Cronulla which is approximately 26km south of the Sydney CBD. Cronulla is a popular beachside suburb and has a number of heritage-listed sites including, the sand dunes, railway station, post office and Fisheries Centre.

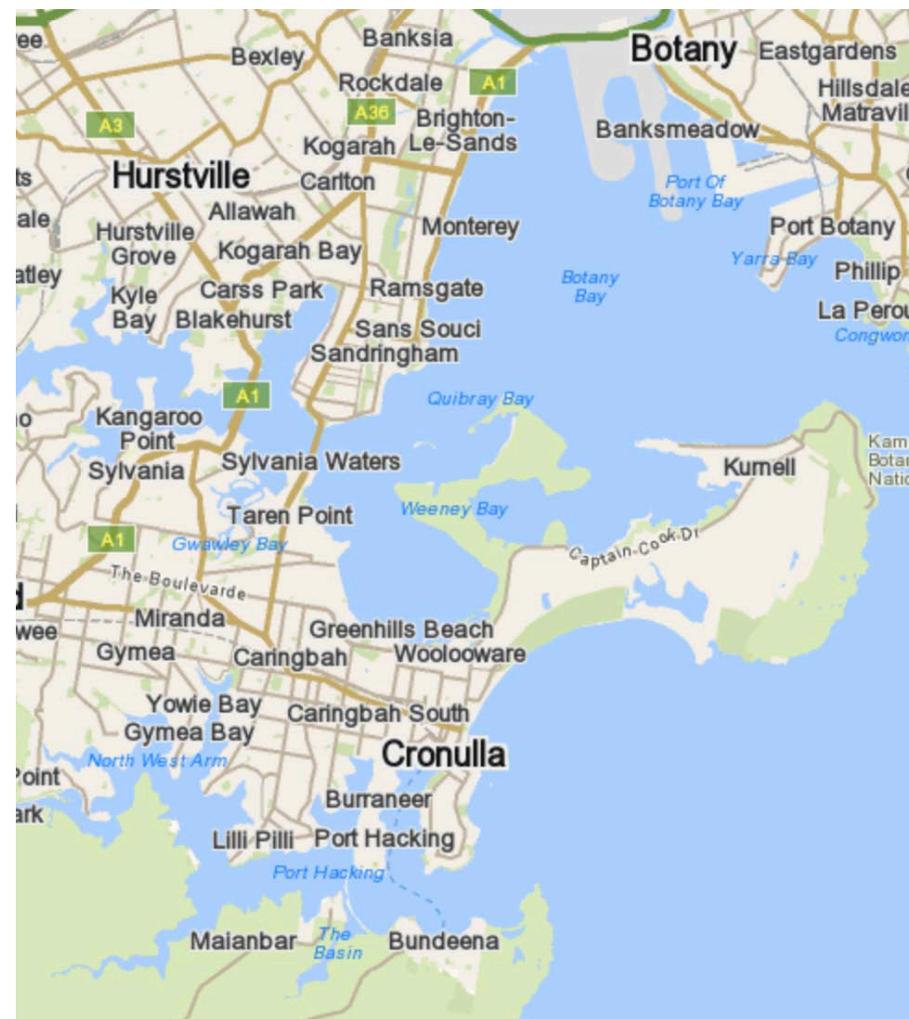
The beach features a long stretch of sand from Boat Harbour running along the south of the State Park to North Cronulla.

According to the 2016 census, over 18,000 people live in Cronulla.

Cronulla railway station is one of the final destinations on the T4 Eastern Suburb and Illawarra lines. It takes approximately 55 minutes to travel from the CBD to Cronulla station with a train leaving every 15 minutes. There is also a ferry cruise which runs from Port Hacking to Bundeena.

The Site

The site has a triple street frontage on with Cronulla Street on the west, Beach Park Avenue to the south and Surf Lane to the east. This will provide it maximum visibility and uninterrupted views over Monro Park and Cronulla Station.



CAPTURE ZONE

The Sutherland Shire and its surrounding municipalities have a strong economic impact contributing a combined Gross State Product of \$59.7 billion, which is 10.7% of New South Wales's economy.

There are approximately 22,297 businesses within the municipality with a further 82,636 in the neighbouring four municipalities. These businesses provide employment to over 450,000 people.

Some of the neighbouring municipalities are across from Botany Bay however, are still considered an important part of the capture zone as the hotel is likely to have the ability to be a destination hotel attractive to nearby businesses for events and functions.

This is the primary capture zone of the hotel, which represents a large and diverse potential market.

For the hotel to be sustainable and viable, diversified sources of demand will be very important.

Municipality	Total Population	# local jobs	GDP (\$ billion)	% of Gross State Product (GSP)	Largest Industry	Population Forecast (2036)	% Population Change	# local businesses
Sutherland Shire Council	229,213	85,919	\$11.10	2.00%	Health Care and Social Assistance	266,020	16.06%	22,297
Georges River Council	158,411	55,946	\$7.79	1.40%	Health Care and Social Assistance	185,346	17.00%	17,148
Bayside Council	174,378	94,923	\$15.01	2.70%	Transport, Postal and Warehousing	212,836	22.05%	15,754
City of Canterbury Bankstown	373,931	118,449	\$14.48	2.60%	Health Care and Social Assistance	463,311	23.90%	33,324
Liverpool City Council	223,304	94,828	\$11.31	2.00%	Health Care and Social Assistance	386,646*	73.15%	16,410
Total	1,159,237	450,065	\$59.69			1,514,159		

*year2041

DEMAND DRIVERS

Cronulla Sharks

Pointsbet Stadium or affectionately known as Shark Park, is the home of the Cronulla Sharks National Rugby League (NRL) team. It is one of sixteen teams in the NRL.

The stadium has a capacity of 22,000 and half of their games are played at the venue. The Sharks had a record 15,725 members in 2018, eclipsing the previous record in the prior year.

In 2018, there were a total of 116 million cumulative television audience across the NRL including finals and the league has a combined membership of approximately 333,000 club members.



DEMAND DRIVERS

Sydney Airport

In 2018, 44.4 million passengers passed through the airport (up 2.5% from 2017) - 38% of these were international with the other 62% domestic passengers.

The airport saw almost 77,000 international, 177,100 domestic, 57,000 regional and 8,600 freight aircraft movements. This equated to over 344,000 total aircrafts flying into and out of Sydney Airport.

5.2 million from Asia (excluding Greater China), 3.5 million from New Zealand, 3.2 million from Greater China, 2.5 from the Americas and 2.3 from Europe and the Middle East.

The Sydney to Melbourne flight route was the second busiest in the world with 54,102 flights in a 12 month period to February 2019. Brisbane to Sydney ranked 12th busiest with 33,443 flights.



DEMAND DRIVERS

Other Events

Major events bring activity to the area and generally have a positive impact on occupancy of hotels. This can come in the form of those attending the events as well as those involved such as sponsors, event participants and suppliers. Some of the larger events held at Cronulla include;

AUSFEST – Australia Day celebrations

This is a two day festival beginning on Australia day and is held on Cronulla beach. It boasts a line-up of some of the municipalities and Australia's best artists and performers.

In 2017, the first of the two day AUSFEST celebrations, attracted more than 35,000 people.

Cronulla Easter Show

The Cronulla Easter Show is held over four days and offers all the classic Easter attractions such as show bags, farm animals, face painting and pony rides. 2018 saw a record crowd well in excess of 50,000 visitors with 15,000 to 18,000 visitors per day.

Bumper crowds are expected again at this year's Cronulla Easter show after a record turnout in 2018.

Cronulla Spring Festival

This is the biggest annual community event in the Sutherland Shire and attracted an estimated 40,000 people over in 2018. The festival is family orientated and brings together over 100 artisan stalls, food trucks, performances, amusement rides and a petting zoo.

Australian Music Week

Australian Music Week is Australia's most accessible, grassroots music industry conference, held in Cronulla every November. It brings artists and industry professionals at the forefront of the grassroots music scene. It showcasing more than 150 artists, Australian Music Week boasts genuine music discovery across an incredibly diverse cross-section of Australian and international music, from indie pop, electronica, rock and blues through to folk, americana and country.

DEMAND DRIVERS

Cape Solander in Kamay Botany Bay National Park

Known as one of the best whale watching spots in Sydney, Cape Solander in Kurnell's Kamay Botany Bay National Park offers panoramic ocean views from high sandstone cliff walls. Cape Solander is also a great starting point for several coastal and bush walking tracks in this area.

Kurnell is also known the birthplace of modern Australia where Captain James Cook landed in 1770, making first contact with the original inhabitants of the area, the Gweagal Aborigines whilst navigating his way up the East Coast of Australia on Endeavour.



Hazelhurst Regional Gallery & Arts Centre

With over 235,000 visitors per year, the Hazelhurst Arts Centre is an arts complex located on The Kingsway in the suburb of Gymea, 8km west of Cronulla. It is the first public arts centre of its kind in Australia and sits on 1.4 hectares of gardens.



DEMAND DRIVERS

Bundeena / Royal National Park

Bundeena is adjacent to the village of Maianbar and lies on the southern side of Port Hacking, opposite the suburbs of Cronulla and Burraneer. The village is surrounded by the Royal National Park, the most popular national park in New South Wales which consistently attracts more than 3.2 million visitors each year.

Bundeena may be reached by passenger ferry from Cronulla or by road through the Royal National Park from Sutherland or Waterfall. Cronulla and National Park Ferry Cruises provides regular ferry services between Cronulla and Bundeena. Ferry trips vary from 20 minutes to 30 minutes.



DEMAND DRIVERS

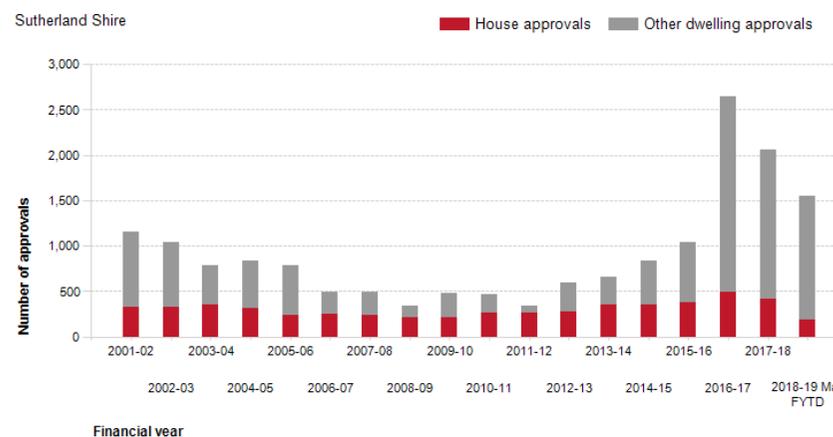
Local Demand

There has been an increase in building approvals, especially within the apartments and townhouse segment, in the Sutherland Shire. As more townhouses and units come to market, the persons per dwelling will likely decrease when compared to traditional house density for a house. As dwelling size reduces, local demand will increase as friends and family visiting may prefer to have their own space and accommodation but still within close proximity.

Some of the larger developments have been listed below (source: Urban.com.au). These are at various stages of the project however give an indication of the scale and density of upcoming developments in Cronulla.

- Wavelength – Iridium Developments, 63 residences over 9 levels (Registration and Sales)
- 43 Ewos Parade- Novus Property Investments Pty Ltd, 19 residences over 5 levels (Planning Assessment)
- Ivori – Collingwood 8 Pty Ltd, 32 residences over 5 levels (Registration and Sales)
- 37-38 Girriland Road – Novus Property Investments Pty Ltd, 17 residences over 5 levels (Planning Assessment)
- 33-37 Seaview Street – 15 residences over 3 levels (Planning Assessment)
- Ozone Residences - Ozone Cronulla Pty Ltd, 30 residences over 9 levels (Registration and Sales)
- 40-44 Kingsway – Fourways Motors (Bankstown) Pty Ltd, 18 residences over 6 levels (Planning Assessment)

Residential building approvals



Source: profile.id.com.au

DEMAND DRIVERS

Hospital Demand

Hospitals are a major demand driver for a hotel. This is not only for friends and family of patients, but also outpatients, visiting consultants, suppliers and other traveling medical related professionals.

The Sutherland Hospital and Community Health Service is located in the Sutherland Shire ('the Shire'), approximately half an hour drive south of Sydney, in the suburb of Caringbah.

The Sutherland Hospital was established in 1958 and is a major metropolitan hospital and teaching hospital.

The hospital has 375 inpatient beds and each year cares for more than 50,000 patients in their Emergency Department and around 28,000 patients are admitted to the hospital.

Also located in Caringbah, the **Kareena Private Hospital** with 142 inpatient beds.

Kareena caters for a full range of specialties including cardiology, orthopaedics, general surgery, colorectal surgery, obstetrics and gynaecology, general medicine, geriatric medicine, rehabilitation, gastroenterology, plastic surgery, ear, nose and throat surgery, urology, ophthalmology, paediatrics, respiratory medicine and vascular surgery.



DEMAND DRIVERS

ANSTO (Australian Nuclear Science and Technology Organisation)

The Australian Nuclear Science & Technology Organisation (ANSTO) is Australia's national nuclear organisation and the centre of Australian nuclear expertise.

With more than 1,000 employees, centre is located in Lucas Heights, 20km west of Cronulla. It houses Australia's only nuclear reactor.

There is on-site accommodation, the Lucas Heights Motel , a 3.5 star accommodation with 18 standard motel rooms and two self-contained family units.



DEMAND DRIVERS

Corporate Demand

Britton Maritime Systems (BMS)

Established since 1987, BMS specialises in the manufacture, maintenance and integration of military / law enforcement and commercial craft. The company's base is Kurnell, near Cronulla in southern Sydney where all design, production, and manufacturing operations take place. BMS has supplied craft and other equipment such as specialised fire pumps to South Africa, Indonesia, Malaysia, Singapore, New Guinea, the Solomon Islands and Kiribati. BMS also supply the Australian Federal Police vessels and NSW and Queensland with tactical response boats and to state emergency services.

Biogill

BioGill is a biotechnology company that manufactures unique above ground, attached growth bioreactors used worldwide in water treatment systems. The company headquarters and gill manufacturing are located in Taren Point, Australia, with sales offices in Milwaukee, Wisconsin (USA) and Shanghai, China. There are more than 250 BioGill bioreactors operating in over 25 countries, around the world.

Enware

Enware is a specialist plumbing and personal safety equipment manufacturer and supplier. Located in Taren Point, the company employs more than 200 people and develops specialist products for various industries including hospital and health, education from child care to universities, laboratory, aged care and accessible disabled applications, commercial residential projects, Industrial and manufacturing plants and mining, oil and gas.

Enware's client base include Australian and international companies: McDonald's, Coles, Qantas, HP, Nestle, Unilever, Motorola, BASF and other blue-chip organizations.

TOURISM IN SUTHERLAND SHIRE

According to Tourism Research Australia, for 2017/18, there were over 640,000 domestic visitors nights and nearly 830,000 international visitors nights in Sutherland Shire.

In the 5 years up to 2017/18, international visitors to Sutherland Shire were more likely to be visiting friends and relatives, accounting for nearly 40% of all visitors.

Visitors Nights	2012/13	2017/18	CAGR 2013/18
Domestic Visitor Nights	634,017	644,444	0.3%
International Visitor Nights	565,152	829,502	8.0%

Main reason for trip	Visitors	Visitor nights	%
Business	13,224	114,008	4.0%
Other reason	25,513	460,813	16.1%
Holiday	43,683	780,015	27.2%
Education	5,532	367,754	12.8%
Visiting friends and relatives	63,747	1,140,013	39.8%
Total	151,699	2,862,603	100%

Source: TRA

MARKET PENETRATION

The proposed hotel must be appealing to both local, business and leisure demand.

It is recommended that hotel be approximately 40 rooms which will give it a share of the market at 15% amongst its primary competition.

Penetrating this market will require a reputable hotel operator and strong brand to use its marketing reach to build and retain patronage. This is expected to give the hotel the best prospect of becoming the premier hotel in the area. Clear and attractive signage will be required to bring awareness of the hotel and the potential hotel's location is highly visible being opposite Cronulla station.

Cronulla and adjacent suburbs have not been well serviced by upscale or upper upscale hotels. There is minimal hotel development in the area that provides an opportunity to deliver a quality hotel asset in the area. Additionally there is an absence of a hotel greater than 100 rooms. The upcoming Cronulla Sharks hotel will be amongst the larger developments.

It is recommended a full service, upscale / upper upscale hotel brand be considered. This is the neglected segment in this area. The hotel is integrated within a mixed-use site and is likely to be attractive to both corporate and leisure guests.

This does represent a unique opportunity to capture demand for a hotel with a range of quality amenities for both leisure and business.

Property	Location	Rooms	Fair Market Share
Proposed Hotel	Cronulla	40	15%
Quest Cronulla Beach	Cronulla	60	23%
Rydges Cronulla Beachside	Cronulla	84	32%
<i>Proposed Cronulla Sharks Hotel</i>	Cronulla	75	29%
		259	100.0%

COMPETITIVE HOTELS

There were seven properties identified as the supply of hotels in the area. Of these, only two are considered competitive – the Quest Cronulla Beach and the Rydges Cronulla Beachside. The largest hotel is the Rydges which offers 84 rooms, followed by the Quest with 60 rooms.

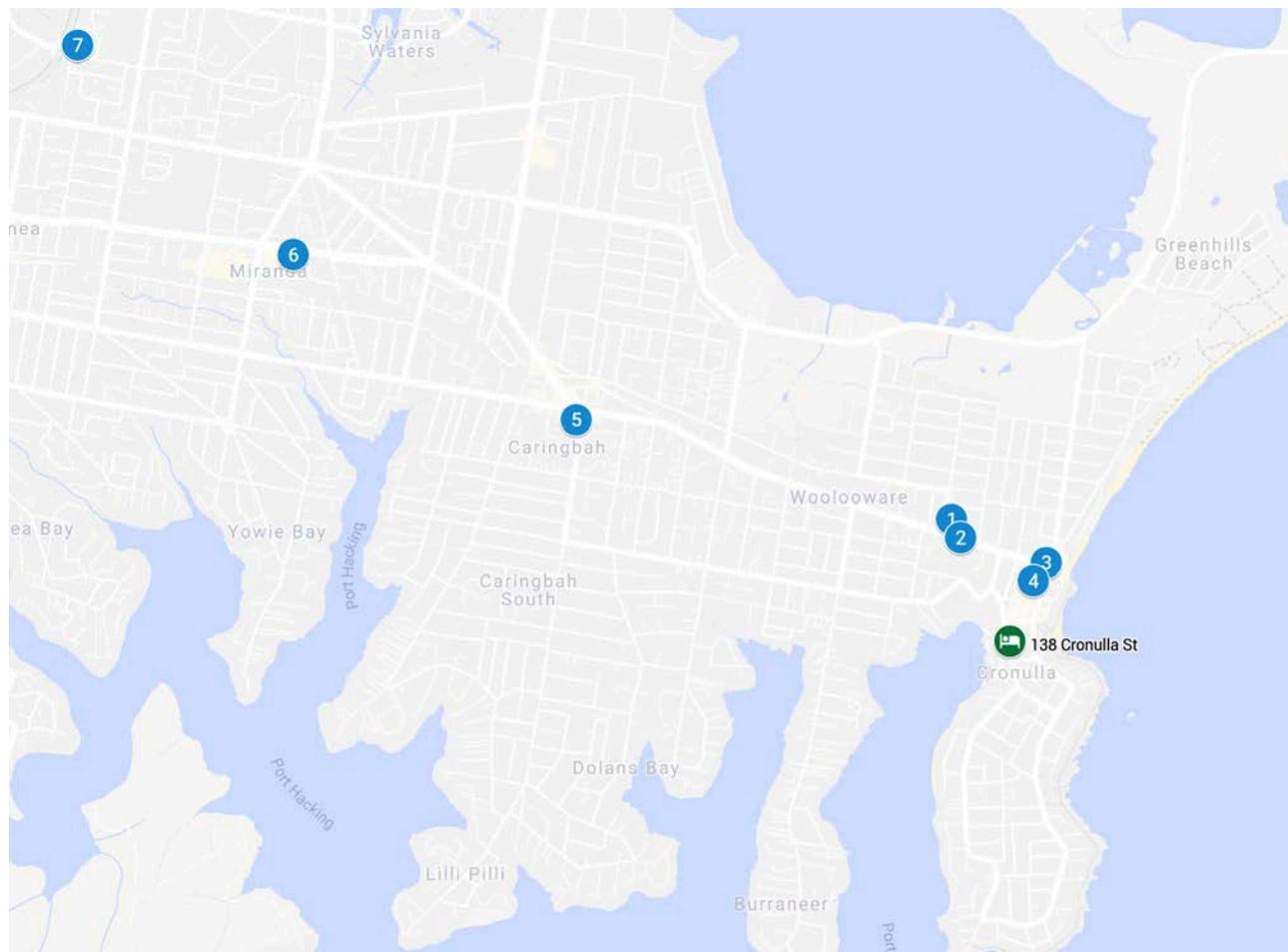
The majority of accommodation is motel style operations and are not considered directly competitive to the proposed hotel. They have been listed to show the total supply.

The average rate for a weekend was \$147 with weekends commanding a higher rate of \$191 per night. Rates were obtained for the same dates to ensure consistency.

#	Property	Location	Rooms	Price Weekdays	Price Weekends	Function/Event Space	Excellent Review	# reviews	Rating out of 5
1	Cronulla Motor Inn	Cronulla	26	\$115	\$150	N/A	18%	104	3.0
2	Guesthouse 83	Cronulla	29	\$120	\$150	N/A	25%	24	3.0
3	Quest Cronulla Beach	Cronulla	60	\$175	\$215	N/A	53%	666	4.5
4	Rydges Cronulla Beachside	Cronulla	84	\$171	\$224	Up to 150 guests	44%	225	4.0
5	Nightcap at Caringbah Hotel	Caringbah	13	\$135	\$160	N/A	38%	91	4.0
6	Metro Hotel Miranda	Miranda	52	\$135	\$215	N/A	36%	569	4.0
7	Abcot Inn	Sylvania	46	\$122	\$131	Up to 120 guests	8%	110	3.0
Total			310						

COMPETITIVE HOTELS

#	Property	Location
1	Cronulla Motor Inn	Cronulla
2	Guesthouse 83	Cronulla
3	Quest Cronulla Beach	Cronulla
4	Rydges Cronulla Beachside	Cronulla
5	Nightcap at Caringbah Hotel	Caringbah
6	Metro Hotel Miranda	Miranda
7	Abcot Inn	Sylvania



COMPETITIVE HOTELS



Quest Cronulla Beach

The property is located directly opposite North Cronulla Beach and offers studios (40sqm), one (49sqm) and two bedroom (89sqm) apartments are available. Studios are equipped with kitchenettes while apartments have full kitchens and laundry facilities. Other facilities include outdoor swimming pool and spa.

Accommodation 60 rooms
Conference / Event space n/a

TripAdvisor

- 53% excellent reviews
- 4.5 out of 5 (total of 666 reviews)



Rydges Cronulla Beachside

Rooms sizes start at 28sqm with the majority being this size. One bedroom suites are much larger at 50sqm and two bedroom suites are also available. Most of the rooms provide for ocean views. The hotel offers an on-site restaurant and bar

Accommodation 84 rooms
Conference / Event space for up to 150 guests

TripAdvisor

- 44% excellent reviews
- 4.0 out of 5 (total of 225 reviews)

COMPARABLE HOTELS

A comparable set of hotels located in across the county has been compiled to draw similarities and provide equivalent rates and amenities. These are often leading hotels in their operating in a differentiated location. These markets often provide a more bespoke experience for their guests. They usually have some standout features, whether it be their design, amenities or services which are appealing to their guests.

These hotels provide a good indicator for the quality of facilities and services which should be considered for the proposed hotel. The room rates of these hotels are also a good indicator of what to expect.

The average rate for the weekdays was \$206 with weekends commanding a higher price at \$260 per night.

#	Property	Location	Rooms	Price Weekdays	Price Weekends	Function/Event Space	Excellent Review	# reviews	Rating out of 5	Overall Rating
1	The Calile Hotel	QLD	175	\$223	\$279	300 banquet, 500 cocktail	71%	213	4.5	#11 of 174 Hotels in Brisbane
2	QT Bondi	NSW	69	\$199	\$239	n/a	66%	317	4.5	#1 of 9 Hotels in Bondi
3	Bannisters Port Stephens	NSW	78	\$204	\$275	yes	51%	272	4.5	#1 of 3 B&Bs / Inns in Soldiers Point
4	Hougoumont Hotel Fremantle	WA	37	\$147	\$180	up to 30 people	67%	577	4.5	#1 of 9 Hotels in Fremantle
	Total		359							

COMPARABLE HOTELS



The Calile Hotel

This hotel provides an indication of how the proposed hotel should be positioned. It offers nine function spaces which can be combined to cater for larger venues. Standard rooms are 33sqm, junior suites 39sqm and deluxe suites 50sqm.

Accommodation 175 rooms
Conference / Event space up to 500 cocktail or 300 banquet

TripAdvisor

- 71% excellent reviews
- 4.5 out of 5 (total of 213 reviews)



QT Bondi

The hotel is located within walking distance of Bondi Beach. There is no gym therefore they provide access to Speedo Fitness Club. Room sizes are 30sqm and suites 40sqm.

Accommodation 69 rooms
Conference / Event space n/a

TripAdvisor

- 66% excellent reviews
- 4.5 out of 5 (total of 317 reviews)

COMPARABLE HOTELS



Bannisters Port Stephens

Room rates are charged based on season – low season is from June - August and high season from mid-December to mid-January. There are standard rooms which are approximately 30sqm and luxury suites are 50sqm. There is also a penthouse. There is signature restaurant, infinity pool, terrace bar and casual tavern restaurant.

Accommodation 78 rooms
Conference / Event space n/a

TripAdvisor

- 51% excellent reviews
- 4.5 out of 5 (total of 272 reviews)



Hougoumont Hotel Fremantle

Some of the hotels key attractions include happy hour between 5-6 with complementary drinks, a business service centre with conference room, free gym access to the Spring Into Fitness studio and free complimentary continental breakfast. There are two rooms available with the cabin room being 18sqm and stateroom 32sqm.

Accommodation 37 rooms
Conference / Event space for up to 30 guests

TripAdvisor

- 67% excellent reviews
- 4.5 out of 5 (total of 577 reviews)

HOTEL PIPELINE

There is one hotel development in Cronulla which is being developed as a joint venture between the Cronulla Sharks Leagues Club and Capital Bluestone. The location is at the corner of Captain Cook Drive and Foreshore Road, Woollooware Bay which is amongst a larger development of the Cronulla Sharks grounds. There have been multiple stages of the development which have consisted mostly of residential apartment development. Currently at stage four of the development, which includes a hotel, Bay central shopping centre, refurbished Sharks Leagues Club. Woolworths and Dan Murphy's are large tenants of the shopping centre.

The hotel will consist of approximately 75 rooms.



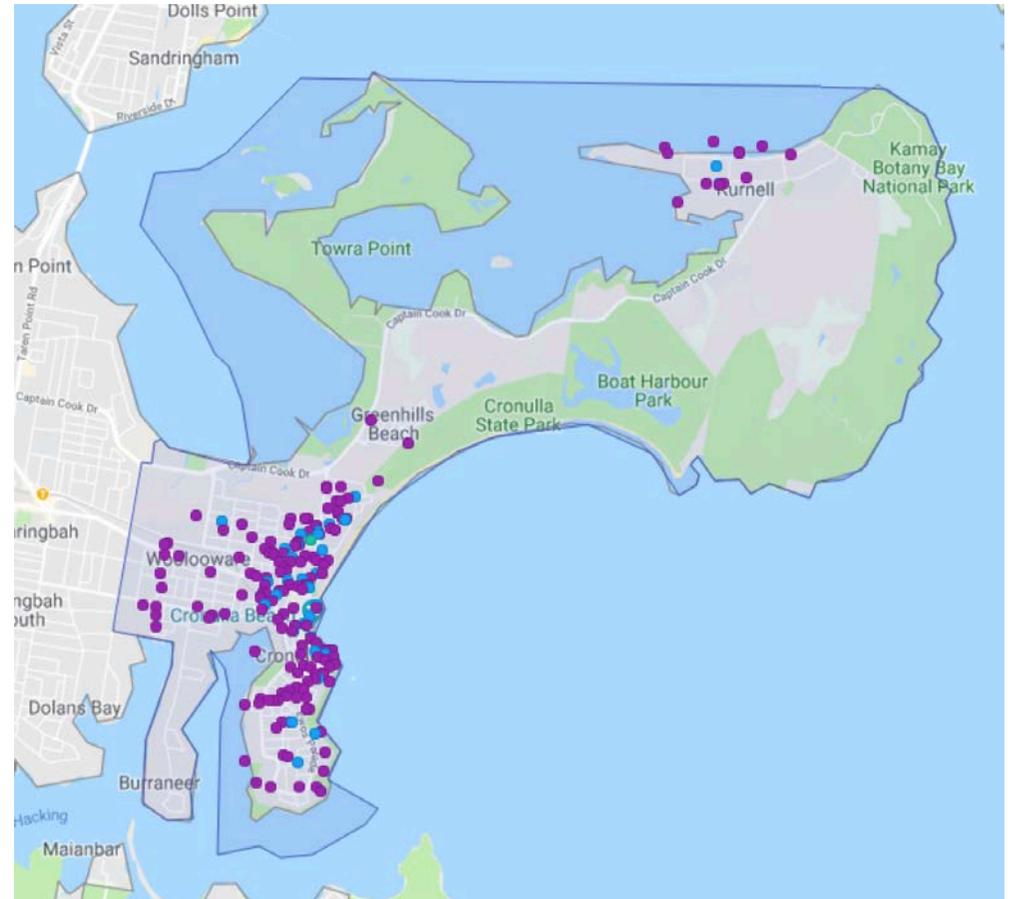
AIRBNB

Cronulla has 155 active rentals listed with Airbnb which comprises of 128 (82%) entire homes, 26 private rentals and 1 shared room.

The average daily rate (ADR) is \$151 and occupancy rate was 57% for May which is one of the quieter months due to seasonality.

	Average Daily Rate	Occupancy Rate	Active Rentals
Cronulla-Kurnell	\$151	57%	155
Caringbah - Lilli Pilli	\$116	60%	30
Bundeena - Maianbar	\$280	29%	69

Source: airdna.com



AIRBNB – DEMAND GROWTH

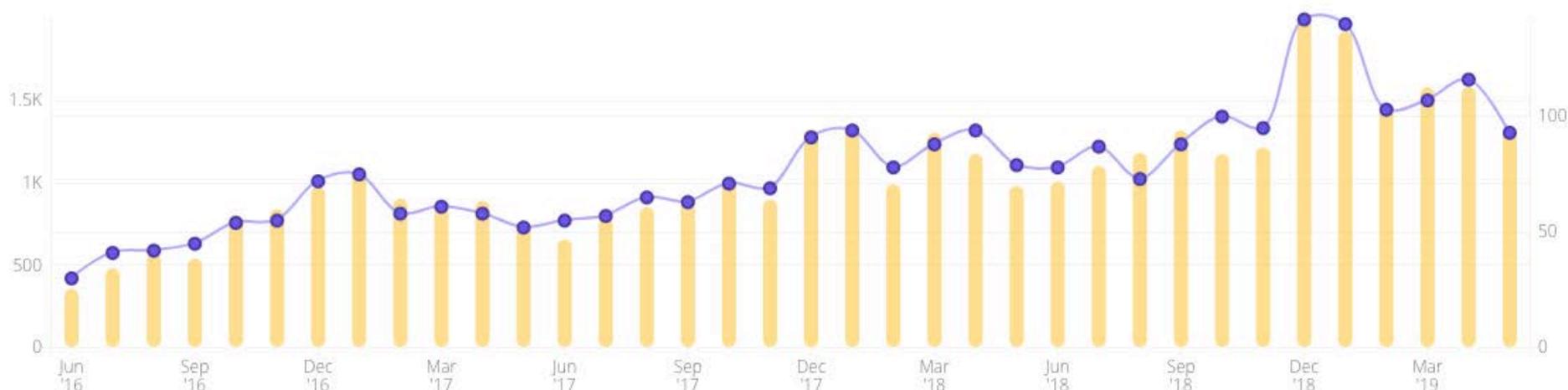
Airbnb now represents a significant category of the accommodation market and this is evident in Cronulla with an increased demand in Airbnb accommodation for the suburb. There are likely to be people staying at an Airbnb due to the limited choice with quality hotels in the area. There is an opportunity to capture some of this demand with an attractive hotel.

The number of booked properties has increased to over 100 entire homes for the first time in December 2018 which reached its highest level at 142 booked properties.

The year-on-year trend for December shows there has been a substantial increase in the number of nights booked. December 2018 experienced 1,993 listed nights booked which was an increase of over 670 booked nights from December 2017. December 2016 reported fewer than 1,000 nights.

The market appears to be impacted based on seasonality with the summer months of December and January the busiest while June was generally the most quiet month of the year.

Supply of accommodation is broken up into approximately 52% being one bedroom (66 properties), with 31% (40 properties) offering two bedrooms and the remaining being three bedrooms or greater.

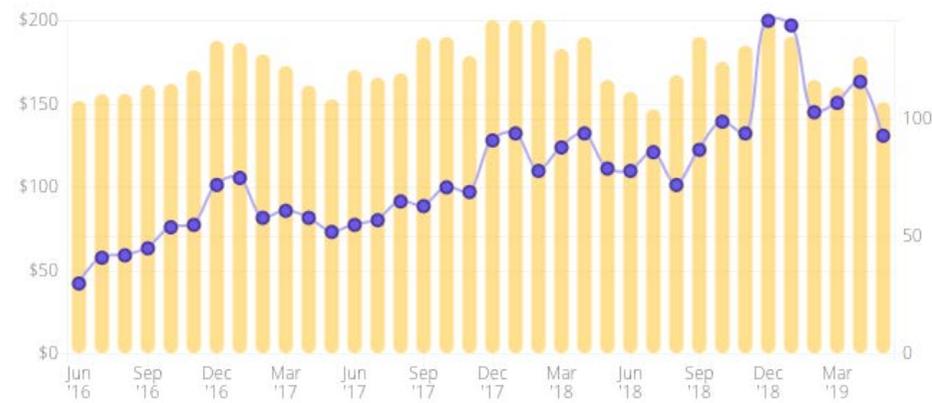


Demand Growth

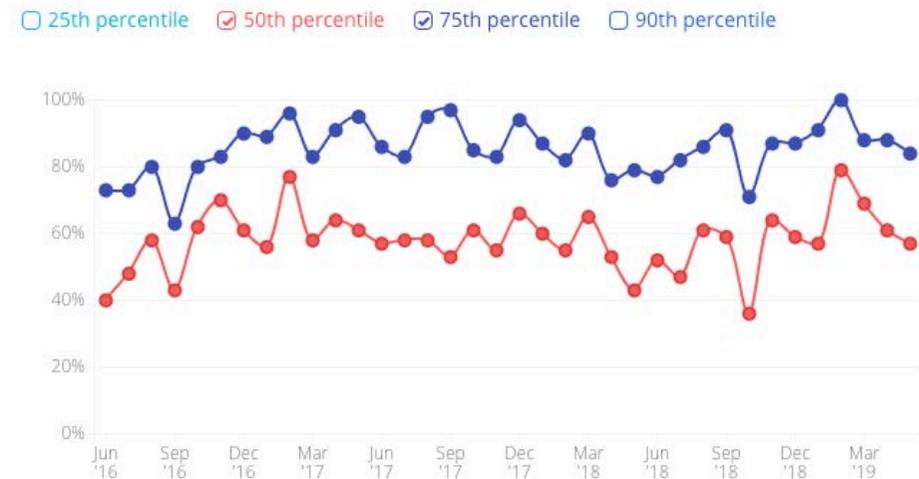
AIRBNB – ADR AND OCCUPANCY

Rate (yellow columns in the graph) adjustments are made in line with seasonality. The highest monthly average daily rate was \$200 which was experienced in the summer months (December 2017, January 2018, February 2018 and December 2018)

The ADR monthly low was \$147 in July 2018. This is still a relatively healthy rate for the off-peak season.



Average Daily Rate



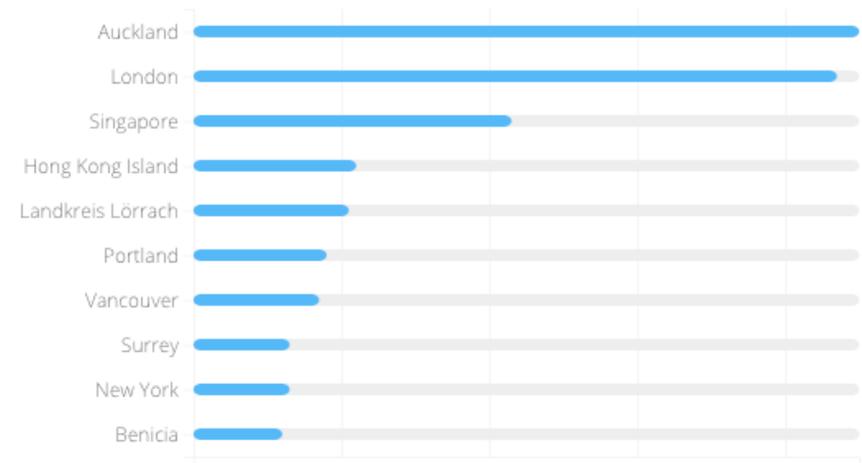
Occupancy

AIRBNB – GUEST ORIGINS

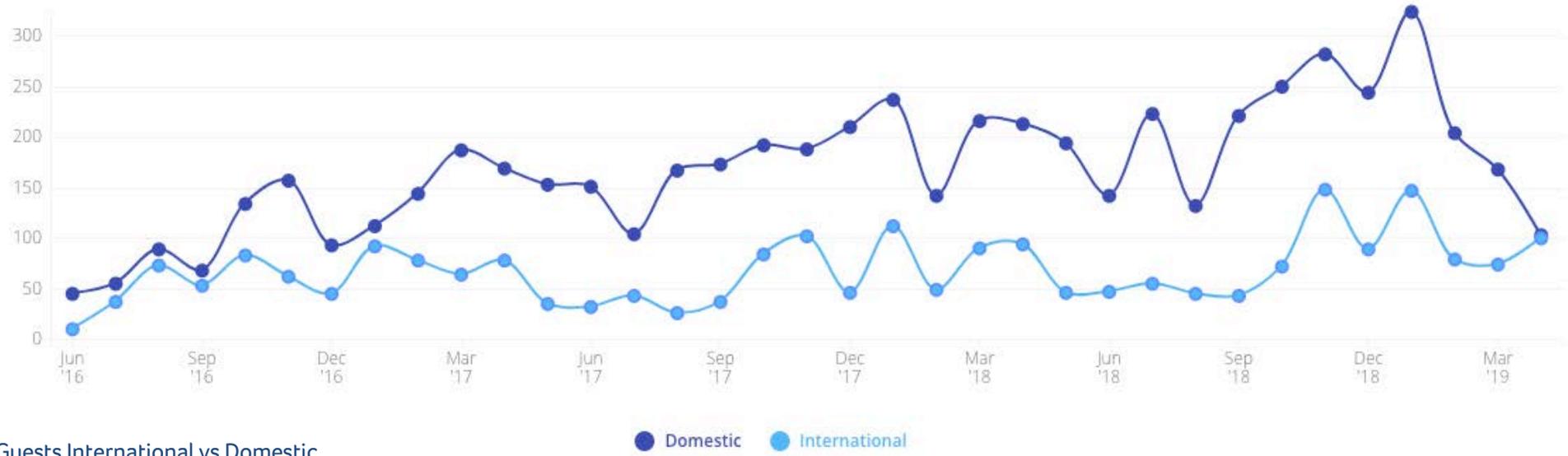
For the month of April, there were 209 guest arrivals of which 51% were international.

In January 2019 saw the high number of guests with a total of 471 (324 domestic and 147 international). The majority of guests were from Sydney, followed by Melbourne and the ACT.

There has been a gradual increase in total number of guest to the region.



International Guests



Guests International vs Domestic

COMPETITION – FUNCTION SPACE

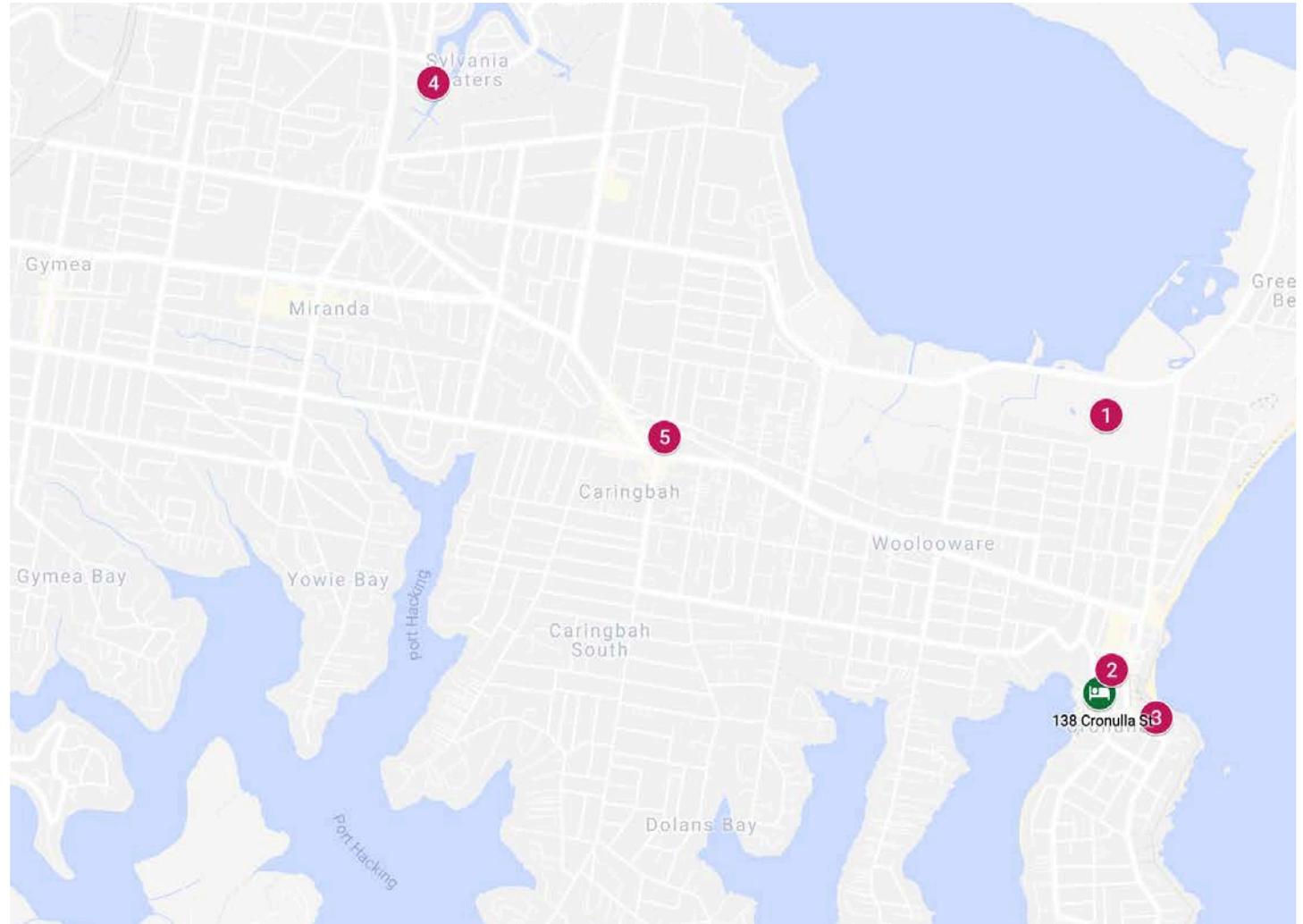
There are dedicated function and conference venues which are not associated with hotels. These are available for hire for personal events, corporate seminars and other events.

These will provide some competition to the conference and meeting room facilities the proposed hotel is recommended to offer. The hotel has the benefit of offering a differentiated service by allowing function/event and guestroom packages for a more integrated experience.

#	Competition	Features
1	The Greenery	Located within the Cronulla golf course overlooking the manicured garden Main room can sit 130 guests with room hire ranging from \$250-\$500
2	1908 Cronulla	Two rooms available which can be combined to cater for 120 seated or 180 standing Can cater for casual and formal events from Corporate dinners, events, christmas parties, cengagements, reunions
3	Zimzala Restaurant Cronulla	The venue overlooks the Crobulla coastline Up to 130 guests Also hosts various events such as Christmas in July, Melbourne Cup, dining experiences
4	Doltone House - Sylvania Waters	Four rooms available suitable for corporate and personal functions UP to 600 guests as cocktail, or 440 as banquet AV equipment, commercial kitchen on site
5	Highfield - Public House / Botanica - Caringbah	The complex offers a range of private spaces to accommodate up to 200 guests

COMPETITION – FUNCTION SPACE

#	Competition
1	The Greenery
2	1908 Cronulla
3	Zimzala Restaurant Cronulla
4	Doltone House - Sylvania Waters
5	Highfield - Public House / Botanica - Caringbah



THE OPPORTUNITY

There are a number of factors that will define the market positioning of the hotel and hence, determine its capacity to deliver returns. Fortunately, many of these are favourable for the Cronulla Street hotel.

Location. The hotel will be on a prominent site amongst a beachside location. This will provide it with a high level of visibility and accessibility.

A destination hotel. There are very few hotels in the area and almost negligible pipeline hotels. It is recommended the proposed hotel will feature specific attributes and demonstrable differentiation and the introduction of a new and fresh brand in the upper to upper-upscale segments in the area will help bring create a reputation for the hotel.

An upscale, lifestyle orientated hotel brand that have a strong following with aspirational, affluent and tech-savvy travelers is highly recommended. The property should be seamlessly integrated in its environment and become a place to stay, meet, experience music, food, arts and culture. This will allow it to stand out as the destination hotel in the precinct and build a strong relationship with the local community. Furthermore, it will make the property an attractive venue for meetings and events.

The hotel should target both business and leisure travellers looking for a different yet comfortable hotel experience.

The hotel should be full service, contemporary upscale hotel offering a unique ambience and a strong value proposition.

BUSINESS SEGMENTATION

Accommodation

The mix of customers staying in the hotel is anticipated to be approximately 60% business related and 40% leisure related. It is anticipated that business travelers will be the primary segment of guests for the hotel during the weekdays with weekend stay being predominately leisure travelers.

The number of businesses in the municipality is almost 23,000 which will be the core driver behind corporate guests. It is expected that guests will be a mix of interstate, regional New South Wales visitors and also international guests.

Leisure travelers will also occupy rooms throughout the week. Their purpose of travel will vary and include visiting family and friends, attending local events and functions and those looking for a getaway from the CBD.

Food and Beverage

The food and beverage outlets, including the breakfast experience, will be operated by the management of the venue, part of the development.

BUSINESS SEGMENTATION

Conference and Events

The development will have a good conference and event proposition. To ensure the facilities meet market expectations and can deliver a good commercial return, the hotel's conference and event space must be able to service multiple user markets.

Each identified user market has unique requirements and these diverse markets should be targeted to create demand for week-round functions.

The Sutherland Shire municipality has a diverse range of businesses, education organisations, sporting clubs, cultural organisations as well as a multicultural society that celebrates many occasions. Having a flexible space to accommodate meetings, exhibitions, presentations, social events and wedding receptions will maximise utilisation of the hotel's events and conference space.

The meeting and conference market is driven by the corporate, government and association sectors and is reactive to the vagaries of economic and political pressures. Small business meetings and conference accommodations for intimate groups will generate consistent activity and revenue for the hotel including:

- Cocktail parties
- Special events
- Film shoots
- Product launch
- Networking



INDICATIVE SPACE PROGRAM

Proposed Hotel - 35 keys	Sq.m	% of Total Area
Public Areas		
Hotel Lobby/Reception	42	1.43%
Restaurant / Bars / Lounge / Conference / Functions	1,479	50.30%
Total Public Area - Incl circulation	1,521	51.73%
Administration		
Front Office	25	0.85%
Luggage Storage	10	0.34%
Management	100	3.40%
Total Admin - Incl circulation	135	4.59%
Guestroom & Support		
Guestroom Area	990	33.67%
Guestroom Circulation	45	1.52%
Internal Stair (20 sq.m/floor)	75	2.55%
Lifts (20 sq.m/floor)	75	2.55%
Linen rooms (10 sq.m/floor)	100	3.40%
Total Guestroom & Support - Incl Circulation	1,285	43.68%
Total Area Incl Circulation	2,941	100.00%

Guestroom Mix			
	Keys	Size	Area
	10	26	260
	20	28	560
	5	34	170
	35	28	990

Four schemes have been discussed and reviewed internally. These ranged from a full-service hotel of 85 rooms and FSR of 5:1 and above, with options of 70 rooms to a mix of residential/commercial at varying FSR over 4:1 and taller than proposed.

After numerous meetings with Sammut Developments and the appointed architect, the adopted mix with 35 guestrooms, as indicated in the table on the right, was the most reasonably sensitive result for the site.

SUMMARY

Corner site benefiting from excellent views and beach access enabling an experience-driven hospitality design.

Good access from Sydney CBD (less than 1 hour) and Airport (40 minutes) which is a good benchmark for many companies and organizations.

Capacity to capture demand from existing short-term accommodation options in the area (including Airbnb, HomeAway), which do not offer the same quality/experience as envisaged at the proposed hotel. There is an opportunity to attract high yielding private function demand and corporate, conference from Sutherland Shire although the environment is mainly composed of small and medium enterprises and cannot rely anymore on large corporate (Caltex or Toyota).

Excellent opportunity to create and deliver an upscale destination hotel in a superb location that is accessible to both international and domestic travellers, especially on weekends. The hotel will appeal to discerning and affluent guests who are looking for a quality property in a beach location with exceptional yet discreet service and amenities and an outstanding dining experience, understood to be mainly third party operated.

APPENDICES

TOURISM IN AUSTRALIA

According to the Deloitte Tourism and Hotel Market Outlook 2019, continued growth for international visitors is expected in 2019 albeit more moderate compared to previous years due to weaker global economic conditions in the medium term. This will be supported by the growth of domestic visitors which is anticipated to strengthen over the next few years.

In 2018, Tasmania and Western Australia both saw double digit growth in domestic trips. Victoria and Queensland saw over 7 per cent growth in visitor nights. Overall seven states and territories saw an increase in domestic trips.

Tourism Research Australia's 10-year forecast is for international visitors' nights to grow by 5.8% a year, while domestic nights are expected to grow by a healthy 1.9% p.a. TRA also predicts that China visitor room nights will continue to grow by 8.6% over the next 10 years which extrapolates to 122 million room nights.

It is anticipated that by 2026/27, Australia will welcome 15 million international visitors, representing growth of 75% over 2016/17. These additional visitors will also increase overnight spend with it forecast to reach over \$151 billion in 2026/7, double the expenditure on 2016/17 and an annual increase of 4.1%. Domestic spending will be the largest driver with it expected to reach \$97.5 billion.

Overall tourism spend is predicted to steadily increase to the year 2026/27 in all forms of travel with average growth of 3.7%:

- international spend is forecast to have to largest average annual growth of 6.7% to \$75.8 billion
- domestic overnight spend will have an annual average increase of 2.1% per year to reach \$75.5 billion
- day trip spend is set to experience average annual growth of 1.3% to \$21.9 billion

The potential for Chinese tourism is still high as Australia is only capturing 1% of the outbound Chinese tourism market.

National hotel room stock has the potential to increase by 33,000 new rooms which are anticipated to be operational by the end of 2020. Not all projects will materialise and therefore the final number is likely to be fewer than this.

Tourism is an important industry for Australia. In 2016-17 it contributed \$55.3 billion to Australia's economy and employed almost 924,000 people, of this over 110,000 people were employed in the accommodation industry.

TRA forecasts overnight spend will reach approximately \$131 billion by 2020. While more needs to be done to reach this target, the outlook is positive, with more than \$37.8 billion worth of infrastructure in the tourism investment pipeline, and continued progress towards streamlining access into Australia.

TOURISM IN AUSTRALIA

International Visitors

International visitors reached an excess of 9 million for the first time. This was an increase of 5.5 per cent. International visitor expenditure in Australia surpassed \$43.9 billion in the year to December 2018, increasing by 7 per cent over the previous year. Some of this can be attributed to the weaker Australian dollar making Australia a more attractive destination for international visitors. This also saw expenditure from overseas visitors significantly exceed nominal GDP growth of 2.8 per cent.

Strong growth in international visitors is forecast to continue for the next few years, increasing at 6.0% per year to reach 11.4 million arrivals by 2021–22. This is expected to translate into higher spend, which is expected to increase 9.7% annually to reach \$64.6 billion. India saw considerable growth in 2018 with 18.2 per cent growth with five year average growth just shy of 15 per cent.

China is set to continue driving this growth, increasing at an average annual rate of 12.3% to reach 2.2 million visitors by 2021–22, overtaking New Zealand (NZ) as the largest inbound market in 2017–18. Visitor numbers from the US are also expected to grow strongly – up 6.1% per year to 1.0 million in 2021–22. In the short term, this growth is expected to continue because of improvements in their domestic economy and the lower value of the Australian dollar relative to the US currency. In terms of spend, India is expected to have average annual increases of 12.4% over the next five years to reach \$2.6 billion by 2021–22.

This rapid increase in spend will come off the back of increases in visitation of 9.4% annually over the next five years and is brought about by growing prosperity and the continuing transition of millions of people into consumer oriented, middle-class populations.

Holiday is expected to remain the main purpose of visit, increasing its share of trips from 51% to 53% in 2021–22, reaching 6.1 million visitors. Other categories will remain largely unchanged.

TOURISM IN AUSTRALIA

Domestic Visitors

Domestic travel trends remain positive. The growth of domestic travel can be attributed to low interest rates keeping inflation steady. This provides good conditions for a continued strong domestic travel demand in the coming years. Deloitte Access Economics predict that visitor nights are to grow an average of 3.8% per year to the year 2021 with domestic trips set to increase by 4.2% on average per year for the same period. There are some challenges which may hinder this such as a decrease in housing prices which may impact consumer sentiment and discretionary spending including domestic travel.

According to Tourism Research Australia (TRA), there were over 102 million domestic overnight visitors for the year to September 2018. This was an increase of 7% for the year. They stayed 368.2 million nights (+6%), with an average of 3.6 nights per visitor. The increase in number of nights and visitors contributed to the increase in overnight spend which was up 10% to \$70.3 billion. Expenditure, including day trips, by Australians has seen increases every year since 2007, except for for in 2009 which saw a slight decline of 2%. Since 2014 growth has been 5% of greater.

TRA reported that for the year ending September 2018:

- Holiday visits grew by 9% to 41.7 million trips, and spend by 8% to \$34.3 billion
- Visiting friends and relative trips increased by 7% to 34.7 million, and spend rose 16% to \$14.5 billion
- Business travel grew by 8% to 22.6 million, and spend increased 13% to \$18.4 billion

Nights spent in hotels, motels and resorts increased to 94 million nights (+ 8%) which was driven by growth in holiday and business travel. This style of accommodation now accounts for 26% of all nights consumed on domestic overnight trips.

Although room nights are forecast to continue to increase, growth is likely to be at a slower rate than total trips due to a decrease in average trip length. This is likely due to the increase in business travellers who will have shorter trip durations and a shift towards shorter holidays.

The most popular purpose of travel for Australians was holiday, with 40.5 million travelers for the year ending June 2018. This was followed by visiting friends and relatives (VFR) with 33.8 million and business with 22 million visitors. This translated to 156 million nights for holidays, 109.5 million nights for VFR and 74 million nights for business.

TOURISM IN NSW

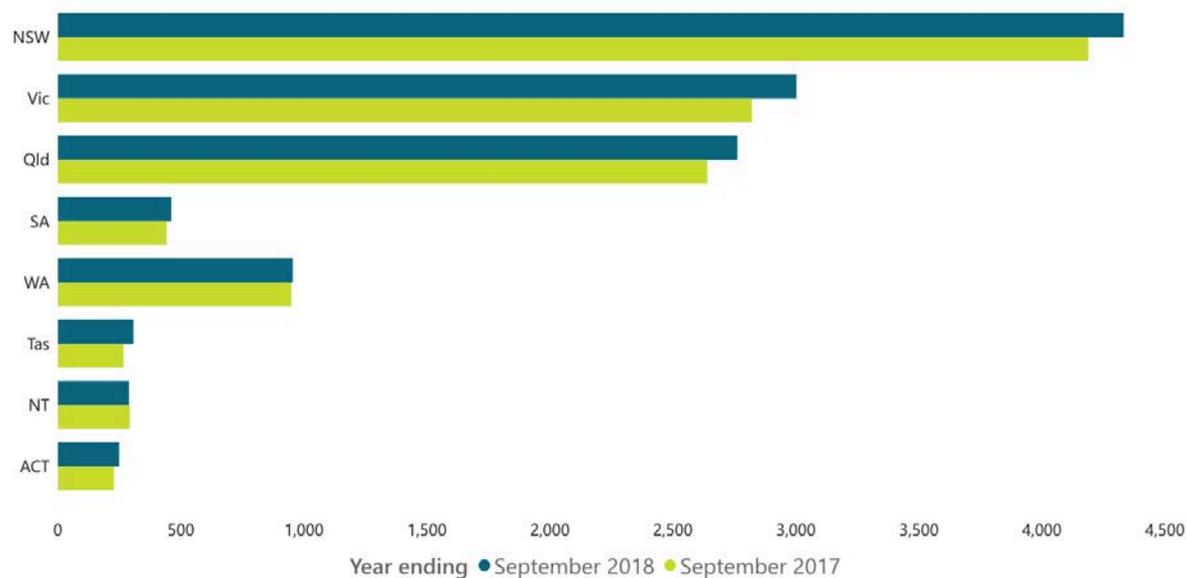
NSW leads Victoria and Queensland across the three major metrics – visitation, bed nights and expenditure.

Sydney alone received 4.1 million international visitors, who stayed 82.3 million nights and spent over \$10.1 billion, which is a phenomenal achievement and puts us well ahead of Melbourne and Brisbane.

NSW remains the top destination for ten of the top fifteen source markets to Australia, namely China, USA, United Kingdom, Korea, Hong Kong, Germany, Canada, France and Indonesia.

Regional NSW received 868,800 international visitors in the year ending March 2019, who stayed 15.1 million nights in the State’s rural centres.

International Visitors by State or Territory



Source: Tourism Research Australia

HOSPITALITY INDUSTRY - AUSTRALIA

Leisure-focused markets such as the Gold Coast, North Queensland and Hobart saw significant gains in ADR with the Gold Coast seeing an increase of 8.5 per cent in 2018.

Seasonality was evident in certain months. December had the highest average room rate of \$204 in 2018, while the winter months of June and July saw average rates across the country average \$30 lower. Occupancy rates were increased by at least one percentage point in each of January, February and May, with a notable increase of 2.8 per cent in February.

Sydney was the most expensive city with average room rates at \$260. Melbourne and Gold Coast the next two most expensive hotel markets at \$209 and \$203 respectively.

The key performance indicators for the nation:

- Room occupancy of 75.9% (-0.2%)
- Room rate of \$190.9 (+1.8%)
- RevPAR of \$144.9 (+1.9%)

The outlook for Australia's hotel performance is positive overall. Deloitte Access Economics is forecasting occupancy to dip slightly in 2020 before recovering in 2021. Room rates are predicted to increase over 2% each year to surpass \$200 per night by the year 2021.

The hospitality sector has seen steady growth over the past 5 years. The growth is expected to continue over the next few years to 2023 with employment expected to grow by 6% which equals to an additional 57,000 jobs.

Employment in accommodation services has remained fairly stable over the past decade. In 2018 the employment level was at 111,600 and is projected to grow slightly to 114,700 by 2023.

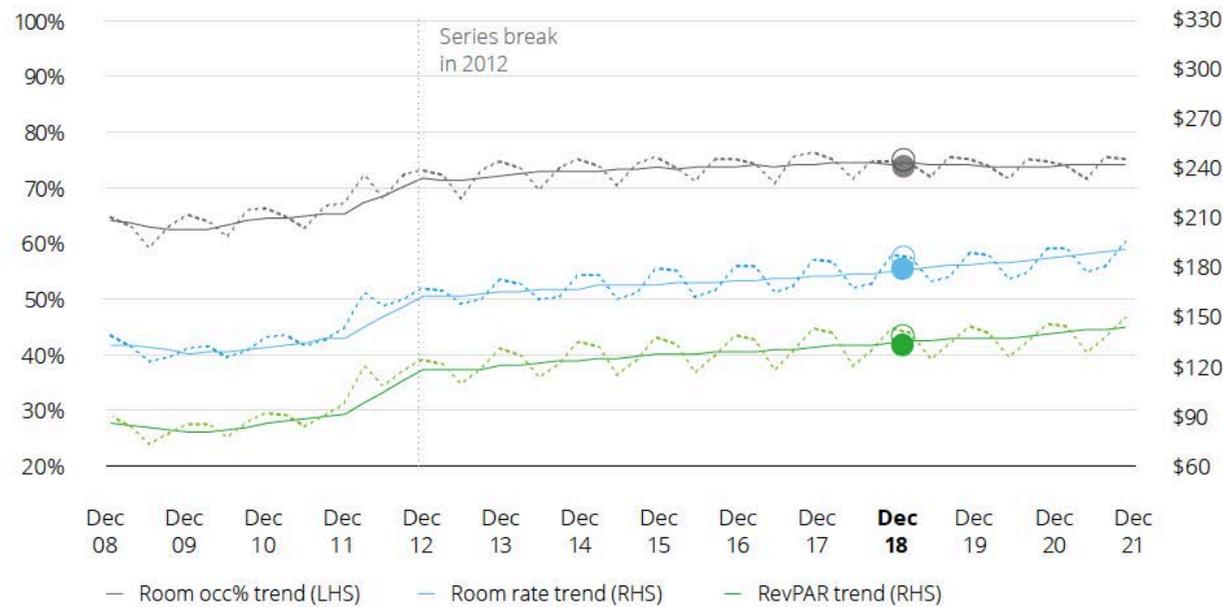
Deloitte Hotel Performance Forecasts - Australia

		2018 observed	2019 forecast	2020 forecast	2021 forecast	2018-21 forecast (p.a.)
Room occupancy	Trend	75.9%	76.1%	75.7%	76.1%	
	% growth	-0.2%	0.2%	-0.5%	0.5%	0.1%
Room rate	Trend	\$190.9	\$195.1	\$199.1	\$204.8	
	% growth	1.8%	2.2%	2.0%	2.9%	2.4%
RevPAR	Trend	\$144.9	\$148.5	\$150.7	\$155.8	
	% growth	1.5%	2.5%	1.5%	3.4%	2.5%

Source: STR and Deloitte Access Economics. Rates exclusive of GST

HOSPITALITY INDUSTRY - AUSTRALIA

Deloitte Hotel Outlook - Australia



Source: Deloitte Access Economics based on STR data. Rates exclusive of GST
 Note: Prior to 2012 data was based on ABS. STR data used from 2013 onwards

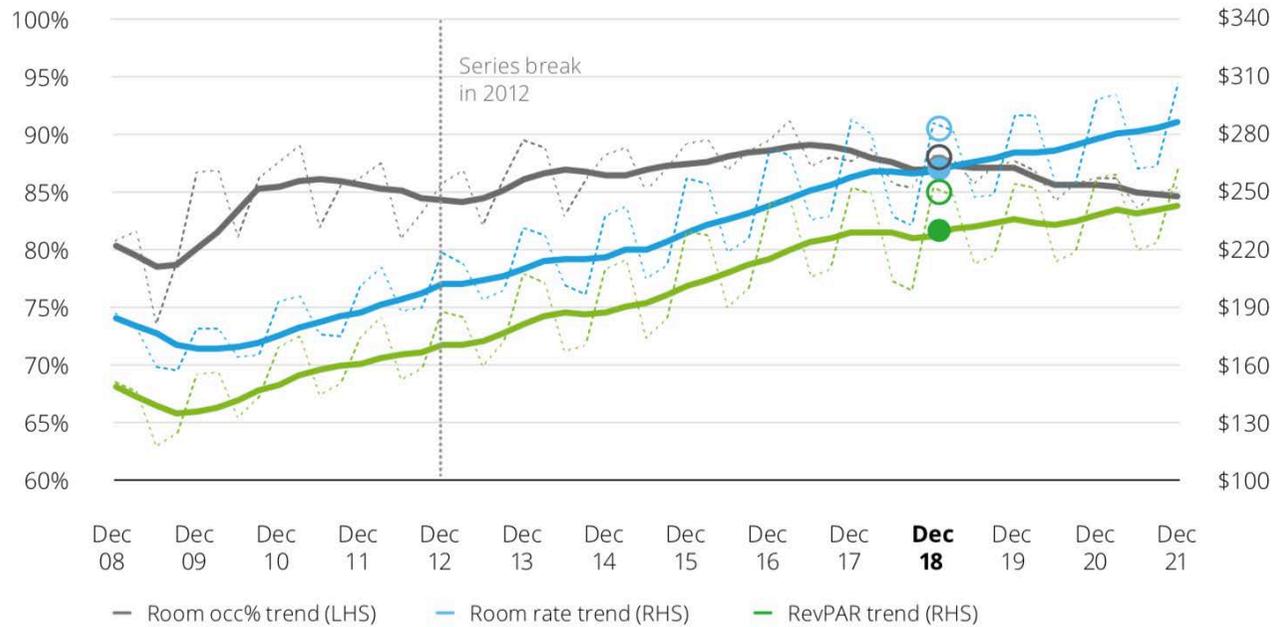
HOSPITALITY INDUSTRY - SYDNEY

For the year ending September 2018:

- Sydney welcomed 14.7 million overnight visitors, growth of 7.6 per cent compared to the previous year. For the first time since 2011, growth in domestic overnight trips exceeded that of international visitation.
- The appeal of Sydney continues to draw business and leisure travellers supporting a very healthy hotel sector. Average room occupancy levels within the city's business district have been above 86 per cent for the past six years. Hoteliers have been able to capitalise on the strong demand with average daily room rates increasing 4.3 per cent on average each year in the last five years.
- Key performance indicators for Sydney for 2018;
 - Occupancy of 87.1 % (-1.7%)
 - Average daily rate of \$260.7 (+0.9%)
 - RevPAR of \$227.1 (-0.8%)
- Sydney's strong and diverse events calendar is a strong drawcard for visitors. Sporting events are regularly hosted in Sydney, along with exhibitions, music concerts, and extended festivals such as Vivid, Sydney Festival and Mardi Gras. The many iconic beaches and national parks surrounding the harbour city make Sydney an ideal base for many days of sightseeing. The nation's most visited national park, the world heritage listed Blue Mountains, is also easily accessible as a day tour.
- The International Convention Centre Sydney (ICC Sydney) at Darling Harbour continues to host major conferences and exhibitions. In 2018, events at ICC Sydney attracted over 1.3 million visitors who contributed \$820 million in direct expenditure to the state.
- A number of new accommodation projects have gained development approval and are under construction or plan to begin shortly.
- This year will see the opening of two serviced apartment properties adding 450 rooms to the city's 22,000 room supply, with further momentum in the following years as ten new properties are scheduled to open in both 2020 and 2021. Each year will see room supply grow by 6 to 8 per cent, the first influx of new rooms since 2000.

HOSPITALITY INDUSTRY - SYDNEY

Deloitte Hotel Outlook - Sydney



Source: Deloitte Access Economics based on STR data. Rates are exclusive of GST.

Note: Prior to 2012, data was based on ABS' Survey of Tourist Accommodation, STR data was used from 2013 onwards.

HOSPITALITY INDUSTRY - SYDNEY

Deloitte Hotel Performance Forecasts - Sydney

		2018 observed	2019 forecast	2020 forecast	2021 forecast	2018-21 forecast (p.a.)
Room occupancy	Trend	87.1%	87.1%	85.7%	84.8%	
	% growth	-1.7%	0.1%	-1.7%	-1.0%	-0.9%
Room rate	Trend	\$260.7	\$271.0	\$278.2	\$287.5	
	% growth	0.9%	3.9%	2.7%	3.3%	3.3%
RevPAR	Trend	\$227.1	\$236.1	\$238.4	\$243.8	
	% growth	-0.8%	4.0%	1.0%	2.3%	2.4%

Source: STR and Deloitte Access Economics. Rates are exclusive of GST.

HOTEL MARKET DEFINITIONS

Hotels by Scale

The international hotel data gathering firm, STR Global, groups hotels according to a scale of four key levels with intermediate levels for more refined differentiation:

- Luxury
- Upper Upscale ~ Upscale
- Upper Midscale ~ Midscale
- Economy
- Budget

Service Levels

A further level of hotel categorization refers to the service level provided, which ranges through limited service, select service and full service.

- Limited Service hotels are basically rooms-only operations, without food and beverage facilities, and very few other services and amenities. These hotels are often in the Economy or Budget tiers.
- Select Service hotels sit between Limited Service and Full Service and target a customer with a narrow range of requirements that might include breakfast only and some business facilities and a fitness option.
- Full Service hotels are differentiated by the variety of amenity offered which will include restaurants and cafes, lounge and bar facilities, meeting and function rooms, health club – pool, spa, gym – and retail kiosks or shops. Staffing levels are higher to provide guest services such as concierge, valet parking, room service and bed turn-downs each evening.

HOTEL MARKET DEFINITIONS

Hotels and Serviced Apartments

The traditional hotel form comprises bedroom and suite accommodation with allowance for seating, with an internal bathroom included and no facilities for domestic activity such as preparing meals or laundry. Restaurant, bar and leisure facilities are generally provided within the hotel premises.

The serviced apartment hotel emerged approximately 30 years ago providing a configuration similar to a residential apartment with separate lounge room, dining and kitchen spaces accommodating self-catering and laundry facilities. Initially this was a 'no frills' format not offering food and beverage outlets but, over the years, restaurants and bars have been included by many properties although often managed externally to the hotel operation. The limited service format is seen as a trade-off to the larger apartment footprint and is often promoted to a longer-staying guest or family groups.

This configuration is somewhat unique to Australia and its growth and sizeable share of the lodging market is largely due to the development model. Developers could finance these projects through apartment sales when conventional debt financing was unavailable. One of the significant drawbacks of this model is the ownership structure. Multiple individual owners, overlaid with several management entities and tiers and hefty fees deliver a complex model and one that is almost universally avoided by major hotel brands.

GLOSSARY OF TERMS

Average Daily Rate (ADR) – A measure of the average rate paid for rooms sold; calculated by dividing room revenue by rooms sold.

Average Length of Stay (ALOS)– The total room nights in a hotel or segment divided by the number of reservations in the hotel or segment. Formula: Total occupied room nights / Total bookings.

Average Rate Index (ARI)–A metric used to determine whether the property is achieving its fair share of ADR compared to a specific group of hotels (i.e. a competitive set). It is calculated by taking the ADR of the property and dividing it by the ADR of the competitive set (competitive set data collected through a third-party provider such as STR). An ADR of above 1.00 indicates that the property is achieving more than its fair share, while below 1.00 suggests that the hotels in the competitive set are 'eating' into the properties' 'pie'.

Best Available Rate (BAR) – A commonly used base rate upon which all other priced segments are based. Also the common rate used for comparison between hotels.

Block code – A code attached only to group rooms that are a part of a block.

Block pricing — A non-yieldable rate given to a set number (or block) of rooms held for a particular group.

Booking curve–An important tool for yielding that provides a visual representation of the pickup, number of bookings, availability and yielding capacity of the hotel over time.

Booking engine – The technology that allows reservations to be made on a website.

Booking window – The timeframe in which hotel reservations come into hotels for a particular stay date(s).

Budget– Refers to the annual budget prepared in late Fall that sets the financial plan for the property for the next calendar or fiscal year. It includes a daily occupancy, rate and RevPAR by major market segments and feeds into the financial budget for the property. The budget shows percent change vs. last year and previous year by month and quarter.

Capacity – The set number of rooms in a hotel.

GLOSSARY OF TERMS

Central Reservation System (CRS) – A system or an office that is used by hotels in one chain or organization, or created by a third-party vendor, used to maintain hotel information, inventories and rates and to manage the reservation process.

Channel management – The techniques and systems used by hotels to update hotel information, room inventory and rates in each of the distribution channels.

Channels – Different methods by which a customer books/reserves a room.

Closed to arrival (CTA) – An inventory control mechanism used by revenue managers meaning no new reservations can be taken for guests arriving on this date.

Commissions – The payments that a travel agent receives for each reservation made on their site.

Competitive set – Consists of a group of hotels by which a property can compare itself to the group's aggregate performance.

Conversion – The transition by a customer from shopping or gathering information to taking an action such as purchasing or making an inquiry.

Day(s) Before Arrival (DBA) – The number of days before the stay date

Demand – The amount of interest in a product.

Denial – A notification that the hotel has been shopped on the hotel's direct booking engine and a rate was not given because the hotel was sold out or a restriction was placed on the shopped date.

Displacement Analysis – Determining whether it's beneficial to take rooms out of inventory that could be requested later at a higher rate (usually in a group environment). To analyse, multiply the number of guestrooms that will be denied times the average rate for that segment of business. If that is higher than the group revenue, then the group should be turned away.

Dynamic Pricing – The process of actively applying revenue management by selling the same products at different prices to different customers.

GLOSSARY OF TERMS

Forecast – Expected revenue results based on analysis (occupancy and average rate included). Forecasts also typically refer to predicted demand.

Global Distribution Systems (GDS) – Four large reservation systems (Amadeus, Galileo, Sabre, Worldspan) originally designed for airlines and now widely used by travel agents only to book all forms of travel. GDS systems generally use older technology and are not connected through the Internet.

Gross Operating Profit Per Available Room (GOPPAR) – A metric that measures total revenue minus operational and marketing expenses per room.

Group Displacement – The process of evaluating a group's total profitability in comparison to the profitability of accepting business from other channels

Leisure traveller – Non-business traveller, or someone traveling for personal reasons and not work.

Length of stay – The number of nights a guest has booked at the hotel.

Look-to-book ratio – Used in the travel industry to show the percentage of website visitors (lookers) relative to the number who book on the website (bookers).

Lose-it Rate – A rate where the hotel would be better off leaving the room unsold than sell at this rate.

Market Penetration Index (MPI) – A metric used to determine whether the property is achieving its fair share of occupancy compared to a specific group of hotels (i.e. a competitive set). It is calculated by taking the occupancy percentage of the property and dividing it by the occupancy percentage of the competitive set (competitive set data collected through a third-party provider such as STR). A MPI of above 1.00 indicates that the property is achieving more than its fair share, while below 1.00 suggests that the hotels in the competitive set are 'eating' into the properties' 'pie'.

Metasearch – A type of search engine that aggregates inventory from several sources and presents it in a single space.

Minimum Length of Stay (MinLOS) – An inventory control mechanism used to optimize stay patterns, primarily to ensure that a peak demand night does not get filled with one-night stays.

GLOSSARY OF TERMS

Net rate – The sell rate with commission already taken out, sometimes required for OTAs.

Occupancy – The percentage of available rooms that were sold during a specified period of time. Occupancy is calculated by dividing the number of rooms sold by rooms available. $\text{Occupancy} = \text{Rooms Sold} / \text{Rooms Available}$.

Occupancy Index – The measure of your property occupancy percentage compared to the occupancy percentage of your competitive set. Formula: $\text{Hotel OCC} / \text{competitive set OCC} * 100$.

Online Travel Agency (OTA) – An Internet-based hotel and travel reservations system. Hotels typically provide inventory to OTAs, which sell the rooms in exchange for a commission.

Opaque – Describes a booking channel where the supplier (hotel) remains hidden until after the purchase is complete.

Open Pricing – The ability to price all room types, channels and dates independently of each other to maximize revenue without having to close any off.

Overbooking – The practice of confirming reservations beyond capacity, either in expectation of cancellations or no-shows, or in error.

Pace – Also called pickup, pace is the rate at which reservations are made for a particular date.

Pay Per Click (PPC) – A marketing technique employed when a marketer establishes links or advertising copy on a web page and agrees to pay a fee each time a web user clicks on those links.

Predictive Analytics – Extracting information from data and using it to predict trends and behaviour patterns.

Price Elasticity – An economic measure that shows the responsiveness or “elasticity” of the demand for a product based on a change in its price.

ProPAR – Profits per available room, an emerging metric that calculates not revenue, but net revenue. This factors in customer acquisition costs and other expenses. Net RevPAR is another term for this.

GLOSSARY OF TERMS

Property Management System (PMS) – Used onsite in an individual hotel to allow for guest check-in and check-out.

Rate parity – The strategy to maintain consistency of rates between sales channels, usually enforced through contractual agreements between hotel companies and third-party vendors.

Regret – A notification that the hotel has been shopped on its direct booking engine and a rate was given, but a guest chooses not to accept the reservation

Revenue per available room (RevPAR) – A metric used to assess how well a hotel has managed their inventory and rates to optimize revenue. Calculated by multiplying occupancy by ADR.

Revenue Generating Index (RGI) or RevPAR Index (RPI) – A metric used to determine whether a property is achieving its fair share of revenue compared to a specific group of hotels (i.e. a competitive set). It is calculated by taking the RevPAR of the property and dividing it by the RevPAR of the competitive set (competitive set data collected through a third-party provider, such as STR). An RGI of above 1 indicates the property is achieving more than its fair share, while below 1 suggests that the hotels in the competitive set are eating into the properties' pie. Traditionally, operators prefer to multiply the number by 100 (or convert into a percentage).

Revenue Management – The art and science of predicting real-time customer demand and optimizing the price and availability of products to match that demand.

Revenue per Square foot of function space (REVPAS) – A measure of how effectively hotels (especially group and convention hotels) are at renting their function space. Formula: Total Function Room revenue/ Total square footage of function room space.

Revenue Strategy – A more comprehensive approach to revenue management that encompasses not just pricing and demand optimization but also business intelligence as it relates to sales, marketing, distribution and other functions across the hotel enterprise. It also accounts for costs associated with customer acquisition and retention; leverages interdepartmental intelligence to facilitate a collaborative approach to revenue generation; and unlocks behavioural insights through new data sources and price elasticity testing.

GLOSSARY OF TERMS

STR– A private company that provides a clearing house where hotels can enter their own operating data (ADR, Occupancy and total rooms) and STR then aggregates this information with data from other hotels in the same market and allows participating hotels to compare their KPIs.

Shoulder Date – Nights that are next to full or very compressed dates. If a Friday and Saturday are forecasted to be sold out, and Sunday is not, it would be considered a shoulder date in that example.

Stay Pattern Management– A revenue management process that seeks to make optimum use of hotel capacity by ensuring the stay patterns on the books do not result in un-sellable stay patterns remaining to be booked.

Transient – Non-group business.

Unconstrained Demand – The forecast of how many rooms you could sell if you had an unlimited number of rooms.

Web Shopping Regrets and Denials – When a hotel has been shopped online and a rate was given but the guest did not book a reservation (regret), or a rate was not given at all due to a restriction or sell out (denial).

Yield–The dynamic pricing, overbooking and allocation of perishable assets to maximize revenue.

Yield Management – Sometimes synonymous with Revenue Management, Yield Management is the process of understanding, anticipating and reacting to customer needs and behaviour with the intent of maximizing revenue.

DISCLAIMER

This report has been prepared by Prime Square Pty Ltd (Prime Square) on behalf Sammut Developments exclusively for the use of Sammut Developments and does not carry any rights of publication or disclosure to any other party.

Sammut Developments is the sole proprietor of this presentation which must not be copied, referred-to, reproduced or transmitted in any form or by any means, either in whole or in part, without the prior written consent of Prime Square.

Whilst the information presented, and views expressed in this report have been prepared in good faith and are believed to be current at the time of preparation, Prime Square accepts no responsibility or liability to any party in connection with such information and views as the information may be inaccurate or out of date. Some of the information herein was obtained from sources believed to be reliable but has not been independently verified by Prime Square.

Any projections contained herein have been prepared by Prime Square based upon various assumptions and hypotheses for its own use. No representation, warranty or guarantee of any kind is made in relation to the accuracy, completeness or suitability of these projections or any level of performance, return on investment, or any other result.

Some sections of this report contain forward-looking statements that are based on Prime Square's and other parties' expectations, estimates, projections and assumptions. Words such as "expects," "anticipates," "plans," "believes," "scheduled," "estimates" "projects" and variants of these words and similar expressions are intended to denote forward-looking statements which include, but are not limited to, projections of occupancy, revenues, cash flows, flow through ratios, construction costs and market performance.

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties which are difficult to predict. Therefore, actual future results and trends may differ materially from what is presented in forward-looking statements due to a variety of factors. No representation is made, or warranty given, in respect of the accuracy of forward-looking statements.

Prime Square is not a practicing valuer and does not hold any valuer's license, therefore, any reference to property values and contributory income should not be relied on for purchase decisions or as a basis for investment or funding negotiations.

This information may not be appropriate for the reader's purposes and no recipient is entitled to rely upon it for any purpose. Prime Square shall not be liable for any loss, liability or damage connected in any way with the use or reliance of the information provided.

**PRIME
SQUARE**

Robert J Wilson (Melbourne)

M. +61 (0) 413 000836

E. robert.j.wilson@primesquare.com.au

www.primesquare.com.au | www.thelobbyist.co

Arnaud Millécamps (Sydney)

M. +61 (0) 415 804934

E. arnaud.millecamps@primesquare.com.au

