Queensland Tourism Product Lifecycle Study

Prepared for:	Queensland Government
Prepared by:	Jones Lang LaSalle Hotels & Hospitality Group
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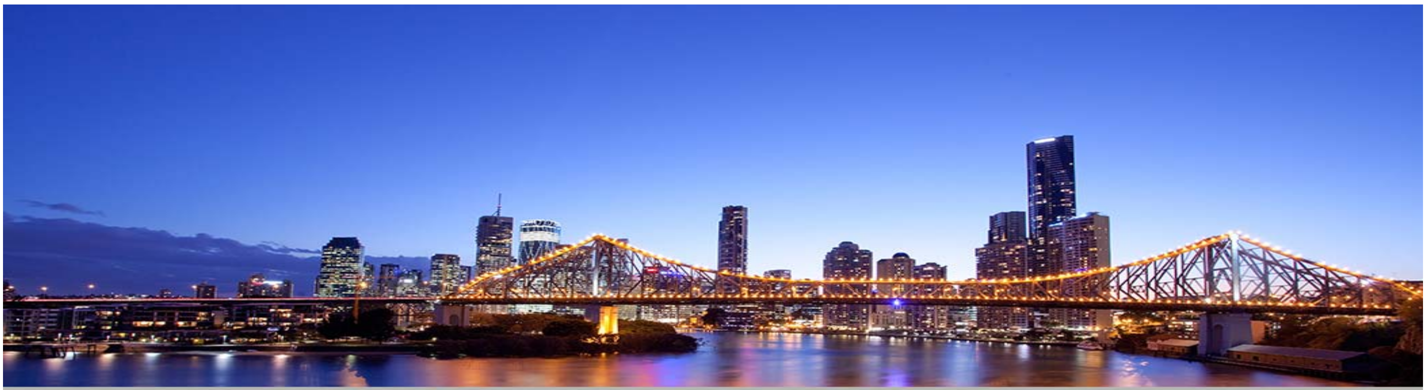

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Karen Wales
Executive Vice President
Research & Strategic Advisory
karen.wales@ap.jll.com

Julian Whiston
Executive Vice President
Strategic Advisory
julian.whiston@ap.jll.com

1 Executive Summary

JLL was engaged by the Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB) to undertake a Queensland Tourism Product Lifecycle Study.

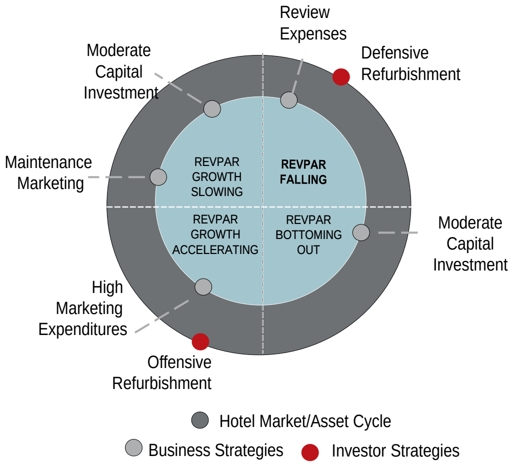
The Study is a response to anecdotal suggestions that Queensland tourism product has become 'tired' or is 'in need of a refresh' with some observers suggesting that the industry went through a surge in investment in the 1980s, and since that time, levels of reinvestment in existing product have dropped or lagged.

The Product Lifecycle Study requirements has been a recommended work process by Industry leaders who have asked the Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB) so as to examine levels of investment and reinvestment across the tourism industry and ascertain where in product lifecycle the industry and its destinations are currently placed.

1.1 Methodology

The Study has been undertaken by reference to the Hotel Market Cycle overlays hotel sector and associated market cycles as shown in the following graphic. The framework reflects the cyclical nature of hotel investment market. Specific strategies need to be implemented that are prudently timed in accordance with the relative position of the market cycle. Hotel development and refurbishment investment does not occur all of the time, but when it is financially viable and the timing of new room supply is a key driver of the hotel cycle.

The Hotel Market Cycle
Market and Asset Overlay



Source: JLL

New hotel development is most commonly impacted by expectations about the future level of demand. However, it can also be impacted by factors outside of the hotel market/asset cycle including a liquidity surge (either in Australia or overseas) and the relative performance (or under performance) of other property assets. Hotel development will occur where supply, demand and pricing fundamentals dictate that there is a reasonable chance of financial viability. Typically a city hotel market would need to be consistently trading at an annual average occupancy of 80% or more for it to be considered undersupplied. However, where seasonality is a factor, such is the case in Queensland, markets may experience capacity constraints during peak trading times but not necessarily over the course of the whole year.

The timing of refurbishment investment also varies in accordance with the hotel market cycle with minimal ‘soft refurbishment’ projects undertaken in flat or weakening markets. Theses refurbishment projects are defensive in nature and typically involve upgrading soft furnishings and fittings. Minor programs seek to reduce or defer the erosion of market position and property income levels. Such programs should be planned around expected guest utilisation and have minimal negative impact on occupancy levels.

Conversely extensive upgrade programs are ideally undertaken in the ‘trough’ or early upturn phase of cycle so as to minimise disruption to hotel operations and maximise the number of areas that can be worked on at any one time. They can often include repositioning and re-branding projects which aim to move the hotel into a different sector and to increase the property’s room rate. These projects tend to occur in strengthening markets to maximise their impact, lift market position and increase property income and overall investment returns. Major refurbishment projects can involve creating new guest rooms using redundant space, replacing services and bathrooms or introducing new guest facilities, such as IT and in-room entertainment.

1.1.1 Hotel Market Cycle

By reference to the Australian Bureau of Statistics’ Survey of Tourist Accommodation and recent trading statistics from STR Global, JLL undertook a detailed analysis of historical trading performance and the accommodation market cycle for the Queensland Tourism Regions.

Detailed commentary was provided for the major markets (Brisbane, Cairns, Gold Coast and Great Barrier Reef) which together account for 70% of Queensland’s total accommodation supply but a considerably higher proportion of capital investment in the sector ($10.0 billion or 80.3% of the total). This commentary highlights the prevailing market conditions during periods of development, acquisition and re-investment activity over a 25 year period (where available) and also includes a short summary on the current outlook for new development and refurbishment investment over the next five years.

A similar but more concise analysis was provided for the smaller regional tourism regions which still permitted assessment of hotel market cycles and development / investment triggers.

1.1.2 Product Lifecycle Analysis

The starting point for determining the accommodation product lifecycle was to undertake a stocktake of Queensland’s short term accommodation supply. Information was collated from STR Global, Australian Bureau of Statistics and JLL’s proprietary hotel property database. This analysis found that there are approximately 75,091 accommodation rooms currently operating in Queensland with an estimated value in the order of $12.4 billion.

To calculate the stage in the product lifecycle we mapped Queensland's accommodation supply using JLL's product lifecycle matrix by reference to the four stages in the accommodation production lifecycle, namely:

- Stage One: Emerging – 1 to 3 years old (or under its current brand or format) where operational and profit trends have not been established;
- Stage Two: Growth – occupancy, ADR and RevPAR and NOI are growing annually, at premiums to the competitive set;
- Stage Three: Mature – occupancy has flattened and ADR is growing at inflation. Net Operating Income is stable; and
- Stage Four: Declining – occupancy, ADR and RevPAR are flat or declining. Profit is erratic and trending down.

In the absence of recent trading statistics for all properties, we considered a range of factors which impact the stage in the accommodation product lifecycle with our central thesis calculated from the physical property characteristics and brand association to provide an indication for the stage in the product lifecycle. These include the age of the asset, date of the last major refurbishment and any product repositioning resulting from a change of brand.

Our analysis also considered the grade of the property and expected lifespan for the asset. Higher grades of accommodation asset require more frequent and extensive capital investment to maintain their competitive position. The ownership stricture can also impact the expected lifespan of the assets with hotels or serviced apartments owned in one line broadly understood to have a lifespan of around 40 years which is considerably longer than a strata-titled serviced apartment at 25 years given the level of capital which is available for capital expenditure and marketing. Together these factors enable JLL to assess the extent to which each asset currently meets market needs.

Under our central thesis we have been able to determine the stage in the product lifecycle for around 50,257 accommodation rooms which represents approximately two thirds of Queensland's total accommodation supply but a considerably higher proportion of capital investment at an assumed value of $9.5 billion (80% of the capital invested).

Where we have been unable to adopt our central thesis we have also considered the operating structure, ownership profile and level of competition in the local accommodation market as follows:

- Operating structure – the operating contract may include provisions for the on-going maintenance and capital expenditure programme for the asset. For example in a Hotel Management Agreement, the contract will stipulate an allowance which must be made each year for re-investment in Furniture Fixtures & Equipment (typically 3% of revenue) whereas other more recent Hotel Management Agreements stipulate that the property be maintained in accordance with brand standards with items of capital expenditure to be agreed each year as part of the annual budget and plan. A property which is operated under a Hotel Management Contract will therefore include greater provisions for refurbishment than a property which is operated under a Management Letting Rights or Franchise Agreement;
- Ownership – the ownership profile of a given asset can indicate the level of funds which may be available for reinvestment; and
- Competing properties in the local accommodation market.

1.2 Queensland's Accommodation Market Profile

Our analysis of Queensland's accommodation market highlighted the following:

- Market size: 75,000 rooms at an estimated value of $12.4 billion.

- Geographic dispersal: Gold Coast, Brisbane, TNQ & Sunshine Coast dominate comprising more than 75% of accommodation rooms but a higher proportion of capital invested at approximately $10.6 billion or 85% of total.

- Property profile: High proportion of stock owned by individuals & small owner operators. Serviced apartments are the dominant form accounting for around one third of accommodation rooms and 37% of capital invested. Full service hotels represent only 19.7% of rooms but 30.0% of capital invested.

- Segment profile: Upscale segment dominates which is the sweet spot for serviced apartments whereas budget/select service segment remains fairly untapped. Upscale product accounts for more than 50% of rooms and 60% by value. 5-star product ranked ahead of midscale product by value despite considerably fewer rooms.

- Age of assets: Median age of 20-29 years with almost 25,000 rooms aged more than 20 years. Analysis by value highlights that it is the higher grade and full service hotel product which is aging. Refurbishment costs expected to escalate in line with the age of product.

- Refurbishment investment: Around one quarter of stock by value has been refurbished in the past five years (14,000 rooms). Expenditure is primarily directed at larger properties in the major centres. Typically operators/investors work to 7-year cycles for rooms & 5-year cycles for food, beverage and public areas. If properly appraised, planned and executed, refurbishments can lift asset value.

- Branding: 65% of accommodation rooms are unbranded with an investment value of $6.9 billion. Unbranded rooms are predominantly smaller properties with less than 100 rooms where the cost of third party brand/franchise or management structure is prohibitive. Of the branded stock, domestic brands dominate accounting two thirds of rooms or $3.4 billion.

- Ownership: Private owners estimated to own approximately 80% of rooms (includes strata). Strata structures govern around $3.3bn but with no clear mechanism for reconsolidation, these properties are more likely to exit the sector at the end of their natural life.

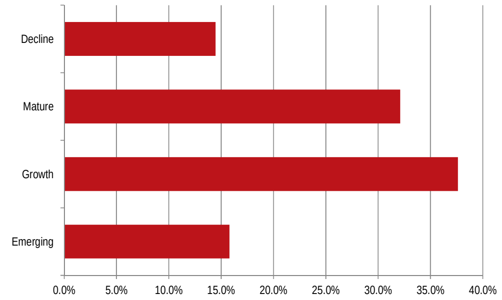
1.3 Queensland's Product Lifecycle

To calculate the stage in the product lifecycle we mapped Queensland's accommodation supply using JLL's product lifecycle matrix, a summary of which follows. This highlights that the majority of rooms are in the growth stage but with a high proportion reaching maturity – by 2020 widespread refurbishment may be required.

The majority of Queensland's accommodation rooms (37.6%) are in the growth stage of the product lifecycle but with a high proportion reaching maturity (32.1%) There are considerably fewer accommodation rooms in the emerging (15.8%) and decline stages (14.5%) reflecting the low levels of construction activity which have been evident over the past five years immediately following the Global Financial Crisis.

- The low level of development activity over the past five years has resulted in few “new’ rooms with investment orientated towards refurbished product. Capital has been directed towards larger full service hotel and resort product which is typically owned in one-line.
- In most cases market conditions do not currently support new development but the current trading upswing evident in Queensland’s resort markets could provide the basis for refurbishment investment.

Queensland Accommodation Market Product Lifecycle
By Total Rooms



Source: JLL

1.4 Queensland’s Hotel Market Cycle

The following table highlights the dichotomy which is currently evident in Queensland’s accommodation markets. The key leisure markets are predominantly in recovery with RevPAR generally trending upwards and with the Greater Barrier Reef and Fraser Coast tourism regions currently trading at a near term RevPAR high. The exception is the Whitsundays Tourism Region where RevPAR is currently at the lowest level recorded in recent times and continuing to be on a downward trend.

By contrast, the State’s regional resource markets are mostly contracting from the record highs which were evident through 2012 when the mining sector boomed. RevPAR in Mackay is currently at the lowest level recorded in recent times having reduced 22.7% compared to the recent peak with declines evident in both occupancy and ADR. The Northern and Central Regions are also trending down but occupancy levels are showing signs of stabilisation and therefore we believe they are slightly more advanced in the hotel market cycle. The exceptions are Darling Downs, Bundaberg and the Outback with all three regions still experiencing differing levels of RevPAR growth although we note that recent trading statistics are not available for Bundaberg and the Outback.

Brisbane’s accommodation has also been declining over the past couple of years but is starting to show signs of stabilisation with occupancy levels having recorded slight growth through 2014. Notwithstanding, considerable new supply is currently under construction or planned for Brisbane City and therefore we expect to accommodation market to continue to moderate over the coming year albeit with a demand surge anticipated owing to the city’s hosting of the G20. RevPAR in Brisbane is currently 6.5% below its most recent peak.

Queensland Hotel Market Cycle – Market Comparison

Market	June 2014 RevPAR	Trough	Variance	Peak	Variance	Trend
Bundaberg	$72	Not available				Increasing
Brisbane	$149	$118	26.9%	$160	-6.5%	Stable
Cairns	$97	$84	15.5%	$100	-3.3%	Increasing
Central	$88	$82	7.5%	$109	-19.1%	Declining
Darling Downs	$104	$89	16.1%	Current	0.0%	Increasing
Fraser Coast	$62	$52	18.4%	Current	0.0%	Increasing
Gold Coast	$112	$104	8.1%	$121	-7.3%	Increasing
Great Barrier Reef	$218	$180	21.5%	Current	0.0%	Increasing
Mackay	$114	Current	0.0%	$147	-22.7%	Declining
Northern	$86	$76	12.8%	$97	-11.2%	Declining
Outback	$65	Not available				Increasing
Sunshine Coast	$104	$98	6.5%	$109	-4.7%	Increasing
Whitsundays	$62	$60	3.0%	$64	-4.3%	Declining

Source: ABS, STR Global, JLL

1.4.1 Queensland SWOT Assessment

Strengths	Weaknesses
• Abundance of natural attractions, well-regarded. by international & domestic visitors. • Market size. • Income & capital growth potential. • Liquidity. • Risk profile (of Australia). • Government support for tourism sector.	• Demand generators are clustered in four major markets focussed on sports & theme parks. • Low dispersal of tourism demand across the state. • Low levels of investment grade stock - serviced apartments & motels dominate. • Remote long-haul destination for international visitors. • Leisure orientation has magnified impact of shocks. • Daily & monthly seasonality patterns.
Opportunities	**Threats**
• Mid-market hotels. • Investment in leisure markets given trading upswing. • Government investment in infrastructure. • G20 & CG 2018 will provide catalysts for growth. • Repositioning opportunities. • Yield seeking investment • Direct flight connectivity & uplift to Asia & major Australian centres.	• Aging product. • High cost of construction & refurbishment. • Current market conditions do not support development. • Government and resources travel remains low. • Competing global destinations & investment opportunities. • Oversupply of rooms in corporate markets including Brisbane. • Room stock uncertainties given extent of apartments. • Extreme weather events.

PART A – Product Lifecycle

2 Queensland Accommodation Product Lifecycle

The starting point for determining the accommodation product lifecycle was to undertake a stocktake of Queensland's short term accommodation supply. Information was collated from STR Global, Australian Bureau of Statistics and JLL's own internal proprietary hotel property database.

This analysis found that there are approximately 75,091 accommodation rooms currently operating in Queensland with an estimated value in the order of $12.4 billion.

This represents a higher number of accommodation rooms when compared to the Australian Bureau of Statistics' Survey of Tourist Accommodation which tracks properties with 15 rooms or more and reports that there were 61,306 rooms at the end of 2012 (as outlined in Part B of this report – Hotel Market Cycle Analysis).

2.1 Methodology

To estimate and present the State's lifecycle we mapped Queensland's accommodation supply using JLL's product lifecycle matrix which references four key stages, namely:

- Stage One: Emerging – 1 to 3 years old (or under its current brand or format) where operational and profit trends have not been established;
- Stage Two: Growth – occupancy, ADR and RevPAR and NOI are growing annually, at premiums to the competitive set;
- Stage Three: Mature – occupancy has flattened and ADR is growing at inflation. Net Operating Income is stable; and
- Stage Four: Declining – occupancy, ADR and RevPAR are flat or declining. Profit is erratic and trending down.

In the absence of recent trading statistics for all properties, we have also considered a range of other factors which influence the position in the accommodation product lifecycle. More particularly we consider properties relative to our central thesis which has regard to such factors as the physical property characteristics and brand association. Factors also include the age of the asset, date of the last major refurbishment and any product repositioning resulting from a change of brand.

Our analysis also considered the grade of the property and expected lifespan for the asset. Higher grades of accommodation asset require more frequent and extensive capital investment to maintain their competitive position. The ownership stricture can also impact the expected lifespan of the assets. Hotels or serviced apartments owned in one line are broadly understood to have a lifespan of around 40 years which is considerably longer than a strata-titled serviced apartment at 25 years. This variance is considered a consequence of the respective levels of capital which is typically available for ongoing improvement and marketing. Together these factors enabled JLL to assess the extent to which each asset currently meets market needs.

Under our central thesis we have been able to determine the stage in the product lifecycle for around 50,257 accommodation rooms which represents approximately two thirds of Queensland's total accommodation supply but a considerably higher proportion of capital investment at an assumed value of $9.5 billion (80% of the capital invested).

Where we have been unable to apply our central thesis we have also considered broader market trends as they relate to operating structure, ownership profile and competition in the local accommodation market as follows:

- Operating structure – the operating contract may include provisions for the on-going maintenance and capital expenditure programme for the asset. For example in a Hotel Management Agreement, the contract will stipulate an allowance which must be made each year for re-investment in Furniture Fixtures & Equipment (typically 3% of revenue) whereas other Hotel Management Agreements stipulate that the property be maintained in accordance with brand standards with items of capital expenditure to be agreed each year as part of the annual budget and plan. A property which is operated under a Hotel Management Contract will therefore often ordinarily include greater provisions for refurbishment than a property which is operated under a Management Letting Rights or Franchise Agreement;
- Ownership – the ownership profile of a given asset can indicate the level of funds which may be available for reinvestment; and
- Competing properties in the local accommodation market.

2.2 Profile of Queensland's Accommodation Market

As a backdrop to our product life analysis, the commentary which follows profiles Queensland's accommodation market by reference to geographic location, property type and star grading. Summaries have been calculated using a weighted average by reference to both room count (market size) and indicative value (capital invested). Indicative value has been calculated using an approximate pricing per room applied to various asset types having regard to location, property type and star grading.

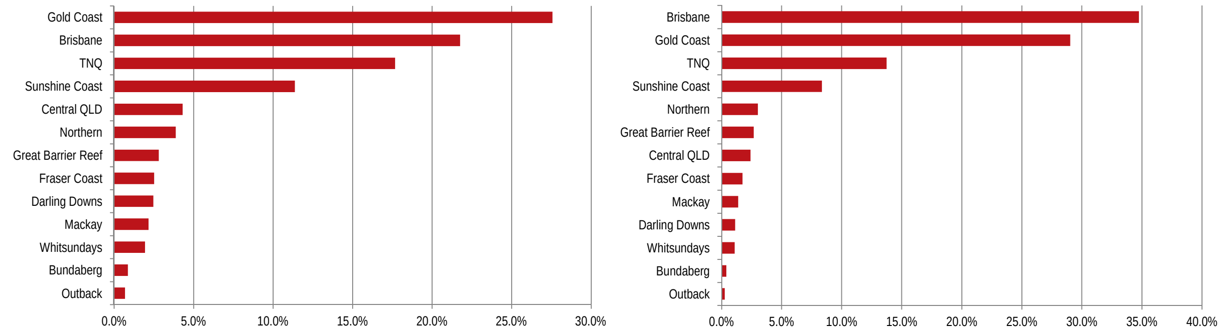
We emphasise that this analysis is not representative of actual assessed values as specific hotels may be under/over-performing relative to our base case and influenced by other critical factors such as location specifics, the age and maintenance of real estate product, management expertise, brand strength, distribution networks and/or management contract type or terms.

2.2.1 Geographic Dispersal

The majority of the State's accommodation rooms are located in the Gold Coast (20.675 rooms), Brisbane (16,315 rooms), Tropical North Queensland (13,252 rooms) and the Sunshine Coast (8,530 rooms) with these four regions comprising more than three quarters of Queensland's total accommodation stock. These four regions account for an even higher proportion of capital invested in the sector at around $10.6 billion (86% of the total stock) and are the most highly sought markets for investors as shown in the chart following.

Average pricing (on a per room basis) ranges between $62K per room in the Outback Tourism Region to $263K per room in Brisbane, reflecting the location and product/grade offering in each market. As expected a higher proportion of higher graded full service hotel product in a state capital will tend to exceed the pricing expectations of more regional locations.

Queensland Accommodation Market by Geographic Location
By Total Rooms (LHS) & Capital Invested (RHS)

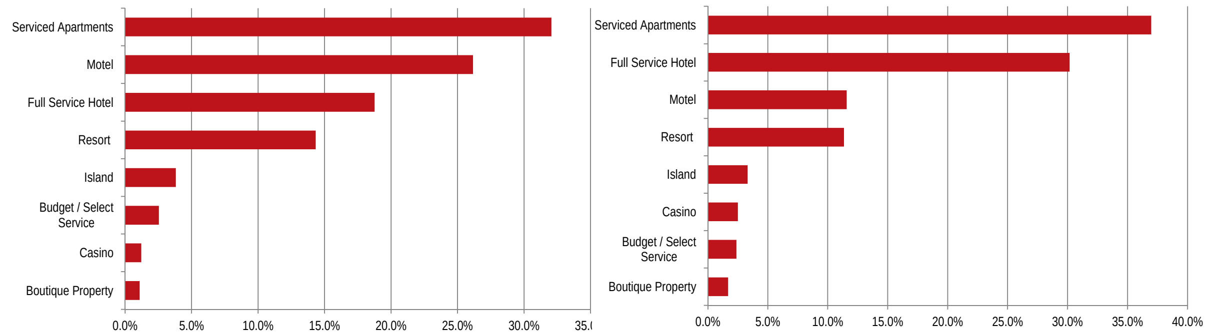


Source: JLL

2.2.2 Product Type

The majority of accommodation rooms in Queensland are serviced apartments (24,097 rooms) with this asset type accounting for one third of total accommodation rooms. This is followed by motels (19,576 rooms), full-service hotels (14,069 rooms) and resorts (10,743 rooms) as shown in the chart following. With the majority of serviced apartments being strata-titled, this indicates that a very high proportion of room supply is owned by individual investors and/or smaller operators which tend to have lower access to capital for refurbishment.

Queensland Accommodation Market by Property Type
By Total Rooms (LHS) & Capital Invested (RHS)



Source: JLL

Analysis by capital invested highlights the importance of the full-service hotel sector within the short-term accommodation sector accounting for only 19.7% of accommodation rooms but 30.0% of capital invested in the sector. Other property types are similarly proportioned by rooms and capital invested, except for casino hotels which typically have a higher underlying worth given their proximity to and /or association with casino demand which can often result in these hotels generating income and profit levels over and above that of full-service hotels either in isolation or as a component of a wider integrated casino offering.

2.2.3 Star Grading

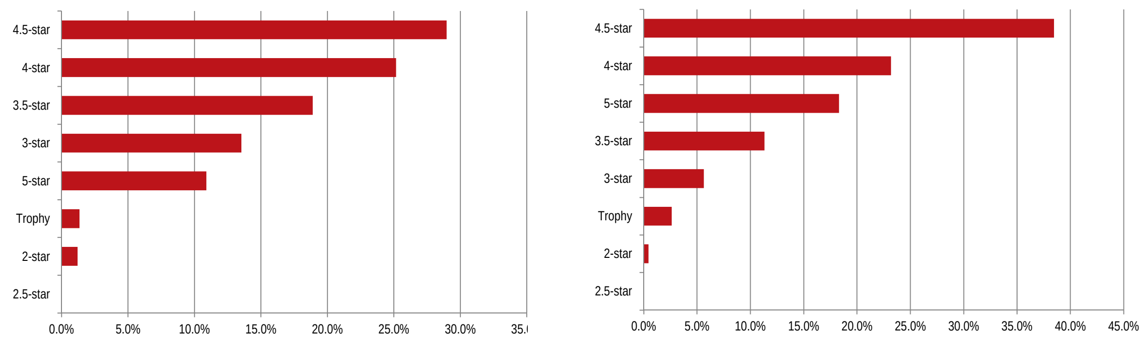
The Australian STAR Rating Scheme - owned by Australia's Auto Clubs and managed by AAA Tourism - remains the official accommodation certification scheme in Australia offering consistent ratings for approximately 10,000 properties nationwide, although we note that an increasing number of hotels are self-rating.

For the purposes of our analysis, we have relied upon both official and self-ratings although we note that having an accredited rating system provides an important comparison metric for the industry and an additional tool for investors to evaluate pricing. Moves away from such a system to rely on consumer blogging sites for example clouds transparency.

Analysis by star grading highlights the dominance of the 4.5-star and 4-star segments with these two segments accounting for over half of accommodation room supply. This reflects the growth in the serviced apartment sector with 4-star or 4.5-star generally regarded as the 'sweet spot' for these accommodation products with 4.5-star product preferred in leisure destinations.

It is also worth noting comparisons by value ranks Queensland's 5-star segment ahead of the 3-star and 3.5-star product with the majority of rooms of this category being predominantly motel stock. The Australian budget/select service segment remains fairly untapped by owners and operators alike. Lower construction costs and high profit levels for budget/select service hotels is narrowing the development feasibility gap and we expect these developments to spearhead the next development cycle.

Queensland Accommodation Market by Star Grading
By Total Rooms (LHS) & Capital Invested (RHS)



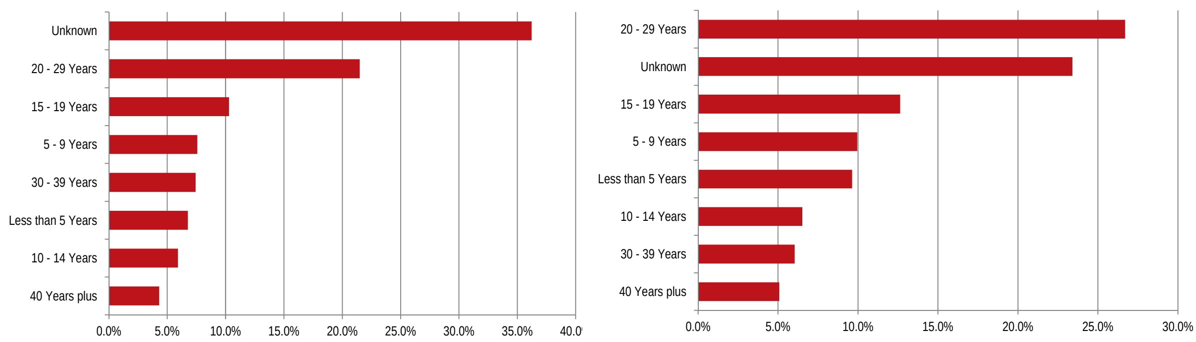
Source: JLL

2.3 Age of Accommodation Assets

Hotel development has been largely unfeasible over the past fifteen years as Australian hotel values have not kept pace with the rapid growth in construction and underlying land costs. Hotels continue to often trade at a discount to the replacement cost for a similar location, management contract and standard, hence there has been low motivation to develop. Development over the past decade has been skewed towards strata-titled serviced apartments. Queensland has been a primary focus for this type of development, the State having pioneered the introduction of management letting rights legislation in the early 1990's. Development activity in this regard was also amplified owing to the extent of resort destinations which are found across Queensland with many strata-titled serviced apartments over the last cycle sold as 'lifestyle' investments.

As a consequence, Queensland's accommodation product has aged considerably with an estimated median age of 20-29 years across the country (based on a basket of 312 establishments with 47,827 rooms). With almost 25,000 rooms aged 20 years plus, this poses a challenge for the industry over the coming decade as refurbishments costs escalate in line with the age of product.

Queensland Accommodation Market by Age of Accommodation Assets
By Total Rooms (LHS) & Capital Invested (RHS)



Source: JLL

The same analysis by value demonstrates a weighting towards older stock which indicates that it is the higher grade and full service hotels which are aging.

An appropriate brand and correct positioning are key drivers of success in the hotel industry. Hotel owners may need to reposition a hotel when the asset has lost effectiveness in serving its intended market due to obsolescence or as market dynamics change in accordance with the surrounding landscape.

Functional obsolescence occurs when a building has reduced usefulness due to poor or out-of-place design for its location and can be curable or incurable, depending on the situation. It is generally accepted that the sustainable life for a real estate asset is around 30 to 40 years before extensive refurbishment and replacement works are required. Technology is also likely to become a key differentiator as it requires significant investment in infrastructure (e.g. cabling, wireless hot spots, bandwidth and functionality), which can be difficult to install in old real estate product without extensive refurbishment.

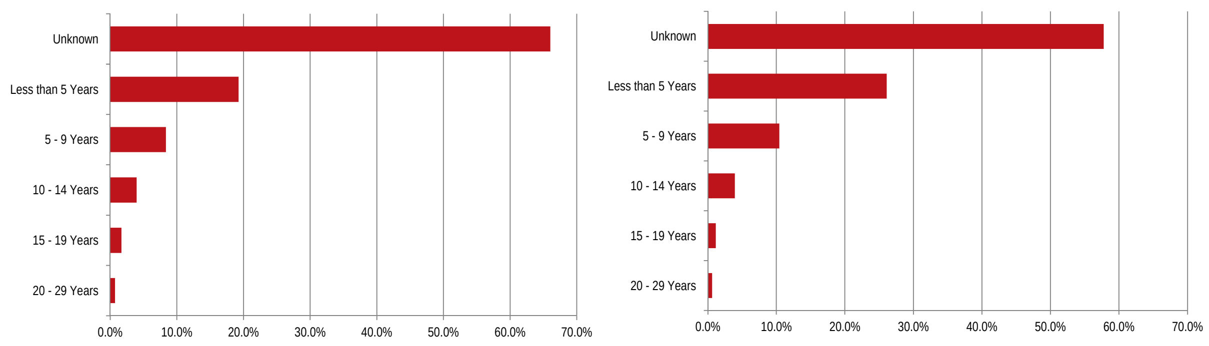
2.4 Refurbishment Investment

How often a refurbishment should be undertaken is largely dependent on the age of buildings, standard of construction and current fit out, level of on-going maintenance and strength or competitiveness of the operating market. Typically operators and investors work on 7 year cycles for room refurbishments and 5 year cycles for food, beverage and public areas. However, this can often be extended with a well-designed, high quality fit out and rolling maintenance programs.

With increasingly discerning customers and frequent technological advancements the acceptable time between refurbishments appears to be shortening. To maintain market position there is often the need to regularly enhance the product to create the perception of a 'new' environment. Moreover, designs can quickly become dated, fixtures and fittings permanently damaged or operationally inefficient especially as advancements are made and new competitors enter the market.

According to our records, approximately 14,000 rooms have been refurbished in the past five years which accounts for around one quarter of stock by investment value. Refurbishment expenditure has primarily been directed at larger properties in the major centres with few refurbishments that we are aware of occurring outside of Brisbane, Gold Coast, TNQ, Great Barrier Reef and the Sunshine Coast but with a few instances in Whitsundays and the Northern Tourism Region.

Queensland Accommodation Market by Refurbishment Investment
By Total Rooms (LHS) & Capital Invested (RHS)



Source: JLL

Refurbishment programs should be developed in accordance with the long term strategy for the hotel, to best serve its target markets and be malleable enough to stand the test of time. If properly appraised, planned and executed, a refurbishment program can make a significant contribution to the value of any hotel asset. However, failure to adequately assess and manage this process can result in increased investment risk and diminished return on equity.

Sustainability initiatives are also becoming an important factor in hotel refurbishment as part of Corporate Social Responsibility (CSR) strategies and as companies look to take advantage of technological advancements to achieve operational efficiencies. Examples include recycle/reuse, water saving, energy efficiency and maintenance/longevity.

In all instances, it is important to be proactive rather than reactive, to outline the optimal investment strategy and identify the critical path to completion. Refurbishments require a diverse range of supplier relationships and negotiations and, given the cyclic nature of the market, are often be undertaken simultaneously with competing properties. A lack of adequate planning and foresight can lead to significant delays in the procurement of services, fixture and fittings.

2.5 Branding in Accommodation Real Estate

The value of hotel real estate has traditionally been focussed on the physical attributes, location and capabilities of management to drive profit. While these remain the primary drivers, the separation of accommodation real estate and hotel operating has seen another asset increasingly yield cash flows: brand. To an extent, the key components of a hotel brand will depend upon the size, customer recognition and marketing infrastructure of a hotel company and can be separated into intangibles and tangibles. Intangibles include those aspects of a brand which are most evident to the customer but are most difficult to value, for example brand name and image.

Hotel operators are investing heavily in their brand portfolios in an attempt to meet consumer demands, establish brand loyalty and market share. Understanding brand dynamics has become a critical component to investing and operating in the industry. Currently the role of hotel brand varies depending on market segment and ability to drive superior performance, whilst consumers have historically chosen hotels largely on the basis of proximity and room quality. Broad consumer acceptance of comparison websites or Online Travel Agencies (OTAs) has also brought pricing to the fore and hotel operators will need to establish safeguards to ensure they do not lose control of their room inventory.

Aggressive brand building has been a key feature of the Australian hotel market over the past fifteen years with the top ten accommodation operators having expanded their portfolios over and above the increases in total accommodation room supply. The operating profile has also shifted with little growth by international players (except for Accor and Best Western) and strong growth by domestic brands, due in part to the emergence of strata-titled serviced apartments as well as alternative operating structures e.g. franchising. Reflecting this, our analysis highlighted 291 brand affiliations or changes in Queensland's accommodation market with the majority having occurred over the past ten years.

Having regard to the major brands in Queensland's accommodation market (approximately 40 brands), we estimate that domestic brands account for approximately 64.1% of accommodation rooms and cover around $3.4 billion of accommodation real estate. Further, we estimate that approximately 38.1% of accommodation rooms in Queensland remain unbranded with an investment value of $3.8 billion.

International and large domestic operators typically have access to wide global distribution networks which can increase visitation to a city or region by broadening their appeal to international or corporate travellers who may be a member of guest loyalty programmes. A city or State that is not well-represented by these major accommodation providers will need to work harder to attract guests through promotions if it is to attract its fair share of visitors as it will not benefit from increased promotion through these operators' distribution channels.

As operators know, trading success is much about superior location, shrewd operational management and high service standards. A hotel which achieves all three will undoubtedly create its own inimitable brand, the value of which will be maximised.

2.6 Operating Contract

As a unique hybrid of business and real estate, hotels are not always easily categorised as either a property or business concern in isolation. Daily tenanting also makes cashflows more unpredictable when compared to the lease arrangements and simple management practices for 'traditional' property assets. Some owners have attempted to overcome this by securing leases from operators but Hotel Management Contracts still dominate. Hotel Management Contracts govern around $2.5 billion of Queensland's hotel real estate (19.8%) but only 10,367 accommodation rooms (13.8%).

Innovation by some local players is also paying dividends with operators increasingly willing to take on alternative structures notably franchise agreements to grow their rooms under management, particularly in regional locations. Regional properties are often considerably smaller and under a franchise agreement, fees are paid by the owner to the franchisor for the use of the brand's name, logo, goodwill, marketing, referral and reservation systems. Brand attributes therefore play a crucial role in an owner's decision to acquire or change a franchise affiliation as it implies a certain type of facility along with an expected level of quality. Brands also focus on different market segments and can be profitable if in the right combination of location and competitive set. The opportunity for expansion through franchising in Queensland is quite pronounced with franchise agreements in place for only $0.8 billion of accommodation real estate (4,400 rooms). This compares to 40,000 rooms which are owner operated.

More commonly given the prevalence of strata titled serviced apartments, accommodation rooms (11,110 rooms or $1.9 billion of capital invested) are managed under a Management Letting Rights scheme which may or may not also be subject to a management arrangement or brand services agreement. Queensland pioneered the management Letting Rights legislation in Australia.

2.7 Ownership Profile

As a real estate asset class, hotel properties have historically been characterised as offering a higher return in exchange for a higher risk profile. This more 'intensive' return profile has meant that hotel investment has traditionally been the domain of the more nimble and risk accepting specialist private investors as opposed to the more risk-averse publicly listed vehicles which have greater management reporting and transparency requirements.

Public ownership is defined as an investment which is available to the general public through both listed and unlisted vehicles. Private ownership is defined as investment in private unlisted entities which are restricted in terms of their ownership. Private ownership also includes strata-title structures which have become increasingly commonplace in Australia's accommodation sector over the past fifteen years.

Our analysis confirms that hotel ownership remains the domain of the private investor with 46.1% of accommodation rooms and 57.4% of capital invested being privately held. Whilst we have been unable to determine the ownership profile of some accommodation rooms, mostly motels, we anticipate that the majority of this product is also privately held and therefore the proportion is more likely to be in the order of around 80%.

Private investors tend to be more opportunistic in their acquisition of hotel properties; appreciative of the upside and accepting of the downside risk. These investors view hotels as an asset class where the volatility can be actively managed to derive an above market return. More often than not these investors are driven by an opportunistic attraction to a particular transaction – be it yield, capital growth or trophy asset status.

2.7.1 Fragmented Ownership

Two major trends have dominated the Australian hotel investment landscape since the late 1990s; the sell down of hotel real estate by operators and growth in strata titled serviced apartments. This has resulted in a more fragmented ownership profile compared to twenty years ago with strata owners now owners of approximately 17,000 accommodation rooms in Queensland with a total investment value of around $3.3 billion.

With such a high proportion of rooms controlled by a disparate group of investors, this could pose a problem for the Queensland tourism industry moving forward. With no clear mechanism for re-consolidation, it is possible that strata-titled stock will exit the sector at the end of its natural life (through residential conversion) rather than be consolidated and sold in one line (which in many cases may be logistically challenging). A limited capital base and refurbishment challenges along the way may also reduce the natural life of such stock compared to a hotel which is owned 'in-one-line' thereby reducing the typical 40 years plus life of the asset. We estimate that the natural life of serviced apartment stock short-term as transient accommodation offering is around 25 years.

The separation of hotel ownership and operations has been another major trend over the past decade but hotel operators still represent one of the most influential ownership groups. Many of these assets are owned by regional operating groups with few Queensland accommodation assets owned by international players.

As major operators have sold down real estate to pursue 'asset light' or 'asset right' strategies, hotel transactions, notably corporate mergers and acquisitions, have changed in their complexity to reflect brand strategies with a greater focus on operating synergies, technology platforms and building brand equity rather than amassing hotel real estate.

Over the past twenty years the Australian hotel investment landscape has at times been characterised by strong capital inflows most notably by Asian investors as these investors looked to take advantage of displaced hotel or property markets, as well as currency fluctuations. Foreign ownership of Queensland's accommodation real estate totals around 8,400 rooms or $2.1 billion with offshore capital having been directed towards the State's capital and city hotel markets in recent years.

2.8 Accommodation Product Lifecycle – by Region

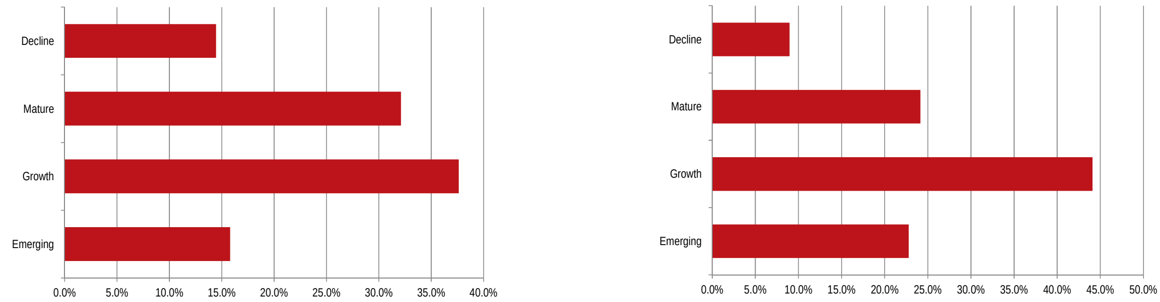
To calculate the stage in the product lifecycle we have mapped Queensland's accommodation supply using JLL's product lifecycle matrix by reference to methodology outlined in Section 2.1, a summary of which follows.

2.8.1 Queensland

The following analysis highlights how the majority of Queensland's accommodation rooms (37.6%) are in the growth stage of the product lifecycle but with a high proportion reaching maturity (32.1%) There are considerably fewer accommodation rooms in the emerging (15.8%) and decline stages (14.5%) reflecting the low levels of construction activity which have been evident over the past five years and immediately following the Global Financial Crisis.

The same analysis by value indicates that a greater proportion (44.1%) of the accommodation market is currently in the growth phase of the product lifecycle given the high levels of re-investment in the accommodation sector particularly larger full service hotel and resort product which is typically owned in one line. The proportion of accommodation rooms which are reaching maturity or in decline is considerably lower at 24.1% and 9.0% respectively, offset by a higher proportion of rooms in the emerging phase (22.8%) with new refurbished product.

Queensland Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)

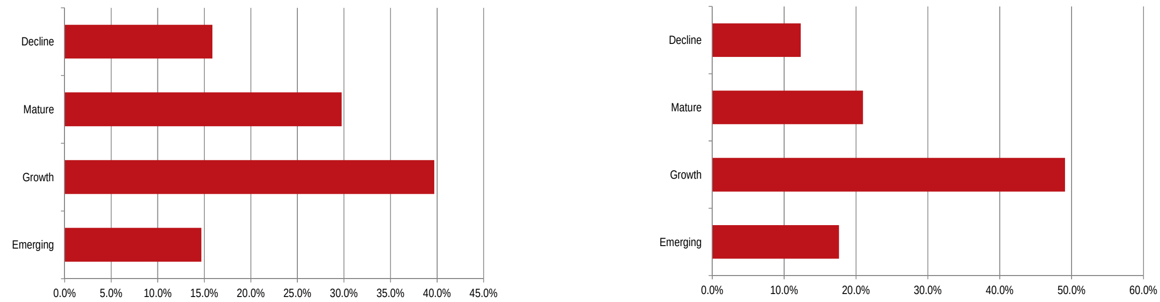


Source: JLL

2.8.2 Gold Coast

The majority of Gold Coast's accommodation rooms (39.7%) are in the growth stage of the product lifecycle but with a high proportion reaching maturity (29.8%) There are considerably fewer accommodation rooms in the emerging (14.7%) and decline stages (15.9%). The same analysis by value indicates that a greater proportion (49.1%) of the accommodation market is currently in the growth phase of the product lifecycle given the high levels of re-investment in the hotel sector. The proportion of accommodation rooms which are reaching maturity or in decline is considerably lower at 21.0% and 12.3% respectively, offset by a slightly higher proportion of rooms in the emerging phase (17.6%).

Gold Coast Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)

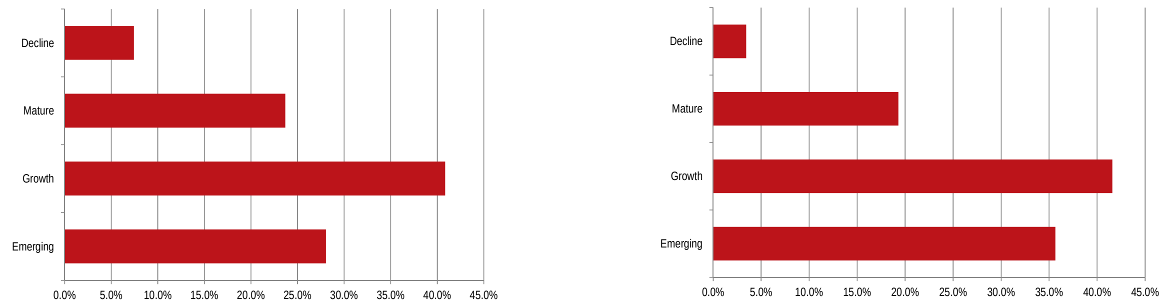


Source: JLL

2.8.3 Brisbane

The majority of Brisbane's accommodation rooms (40.8%) are in the growth stage of the product lifecycle but with a fairly high proportion in the emerging phase (28.1%) This reflects the current stage in the hotel market cycle as well as the strong profit growth which has been evident in Brisbane for much of the past decade which has resulted in surplus income being re-invested to ensure properties remain competitive, particularly higher graded hotel product. There are considerably fewer accommodation rooms in the mature (23.7%) and decline stages (7.4%). The same analysis by value indicates that a slightly higher proportion (41.6%) of the accommodation market is currently in the growth phase of the product lifecycle. The proportion of accommodation rooms which are reaching maturity or in decline is also lower at 19.3% and 3.5% respectively, offset by a slightly higher proportion of rooms in the emerging phase (28.1%).

Brisbane Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)

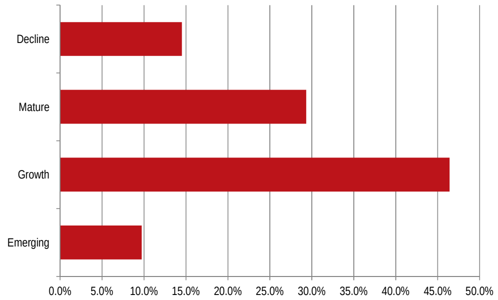


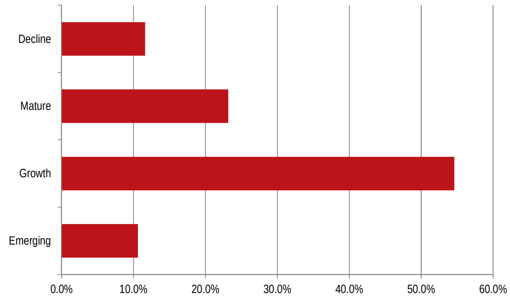
Source: JLL

2.8.4 Tropical North Queensland

The majority of accommodation rooms (46.4%) in Tropical North Queensland are in the growth stage of the product lifecycle but with a fairly high proportion reaching maturity (29.3%) There are considerably fewer accommodation rooms in the emerging (9.7%) and declining stages (14.5%). The same analysis by value indicates that a slightly higher proportion (54.6%) of the accommodation market is currently in the growth phase of the product lifecycle. The proportion of accommodation rooms which are reaching maturity or in decline is also lower at 23.2% and 11.6% respectively, offset by a slightly higher proportion of rooms in the emerging phase (10.6%).

TNQ Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)



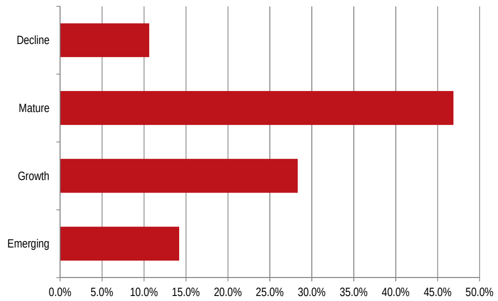


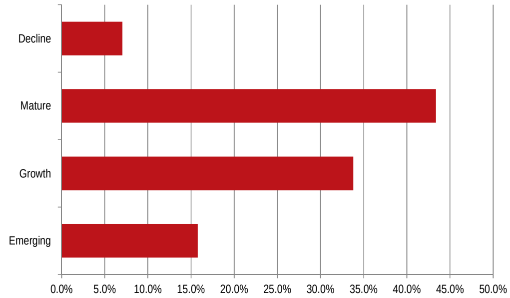
Source: JLL

2.8.5 Sunshine Coast

The majority of accommodation rooms (46.9%) in the Sunshine Coast Tourism Region are in the mature stage of the product lifecycle with few new rooms developed in recent years There are considerably fewer accommodation rooms in the growth (28.3%), emerging (14.2%) and declining stages (10.6%). The same analysis by value indicates that a lower proportion (43.4%) of the accommodation market is currently in the mature and declining (7.0%) phase of the product lifecycle. This is offset by a higher proportion of rooms in the emerging (15.8%) and growth stages (33.8%).

Sunshine Coast Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)



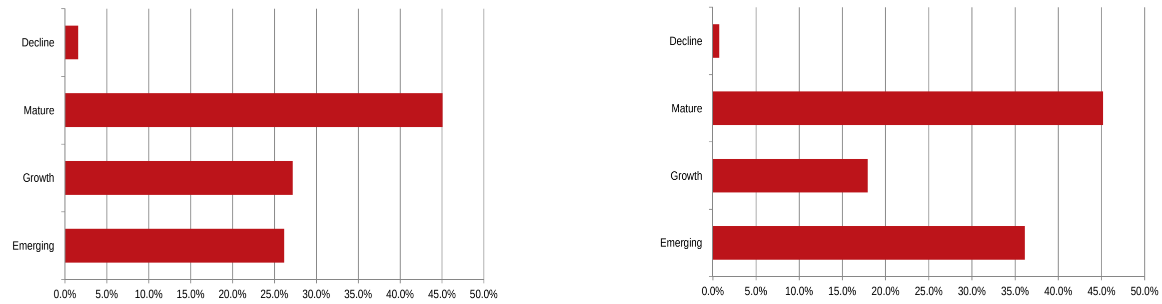


Source: JLL

2.8.6 Great Barrier Reef

The majority of accommodation rooms (45.1%) in the Great Barrier Reef Tourism Region are in the mature stage of the product lifecycle with few new rooms developed in recent years. There are considerably fewer accommodation rooms in the growth (27.2%), emerging (26.2%) and declining stages (1.6%). The low proportion of product in the declining phase reflects the profile of the accommodation market which is predominantly resorts with very limited motel and serviced apartment stock. The same analysis by value indicates that a similar proportion (45.2%) of the accommodation market is currently in the mature phase of the product lifecycle but with a higher proportion of product in the emerging phase (36.1%) with considerable investment over the past few years following cyclone damage and in line with the current stage in the hotel market cycle. This is offset by a lower proportion of rooms in the growth (17.9%) and declining stages (0.8%).

Great Barrier Reef Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)

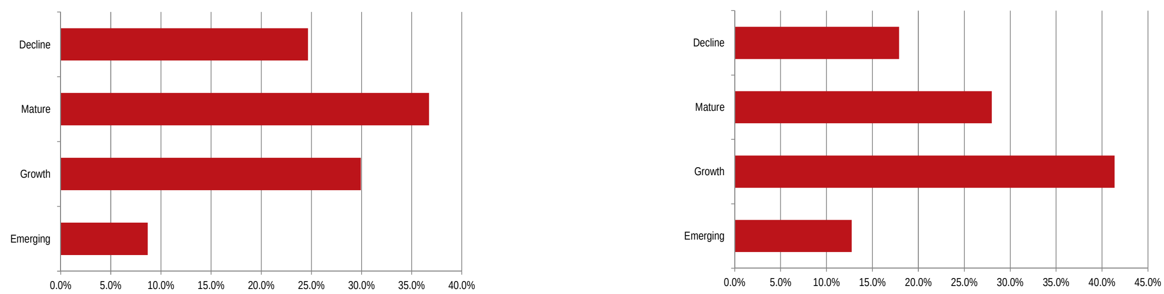


Source: JLL

2.8.7 Regional Queensland

The majority of accommodation rooms (36.7%) in regional Queensland are in the mature stage of the product lifecycle with few new rooms developed in recent years but with a fairly high proportion in decline (24.7%). There are considerably fewer accommodation rooms in the emerging (8.7%), and growth stages (29.9%). The same analysis by value indicates that a higher proportion of the accommodation market is currently in the growth (41.4%) and emerging (12.7%) phases of the product lifecycle. This is offset by a lower proportion of rooms in the mature (28.0%) and declining stages (17.9%).

Regional Queensland Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)



Source: JLL

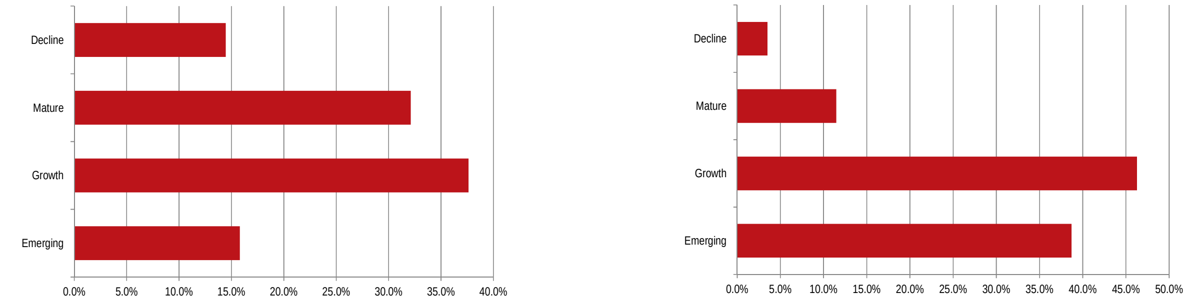
2.9 Accommodation Product Lifecycle – by Property Type

As summarised below, we have also undertaken the same analysis, as outlined in Section 2.8 with respect to property type.

2.9.1 Hotels

The majority of hotel rooms in Queensland are in the growth (36.7%) and mature (32.1%) stages of the product lifecycle. There are considerably fewer accommodation rooms in the emerging (15.8%), and declining stages (14.5%). The same analysis by value is markedly different with a considerably higher proportion of the accommodation market in the emerging (38.7%) and growth (46.2%) phases of the product lifecycle. This is offset by a lower proportion of rooms in the mature (11.5%) and declining stages (3.5%).

Hotel Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)

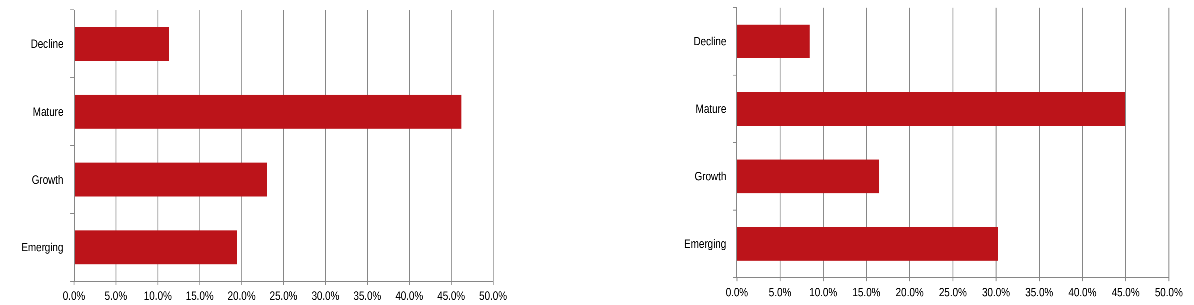


Source: JLL

2.9.2 Island Resorts

The majority of island resort rooms in Queensland are in the mature (46.2%) stage of the product lifecycle. There are considerably fewer accommodation rooms in the growth (23.0%), emerging (19.5%), and declining stages (11.3%). The same analysis by value is quite different with a considerably higher proportion of the accommodation market in the emerging (30.2%) phase of the product lifecycle. This is offset by a lower proportion of rooms in the mature (44.9%), growth (16.5%) and declining stages (8.4%).

Island Resorts Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)

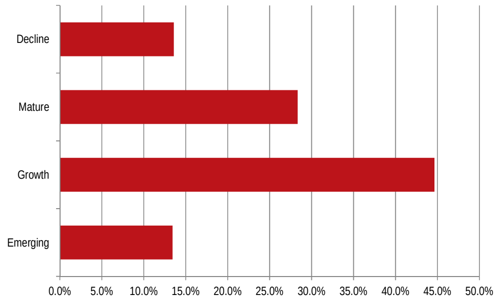


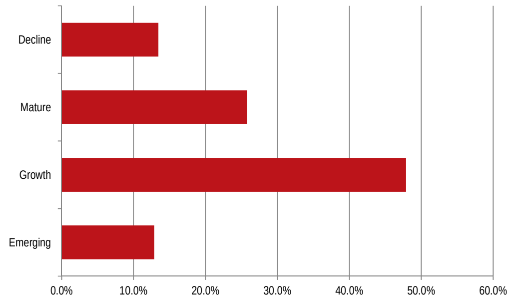
Source: JLL

2.9.3 Resorts

The majority of resort rooms in Queensland are in the growth (44.6%) and mature (28.3%) stages of the product lifecycle. There are considerably fewer accommodation rooms in the emerging (13.4%) and declining stages (13.6%). The same analysis by value shows indicates that there are more rooms in the growth (47.9%) phase of the product lifecycle. This is offset by a lower proportion of rooms in the emerging (12.9%), mature (25.8%) and declining stages (13.4%).

Resorts Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)



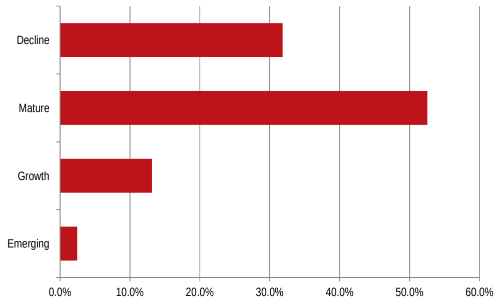


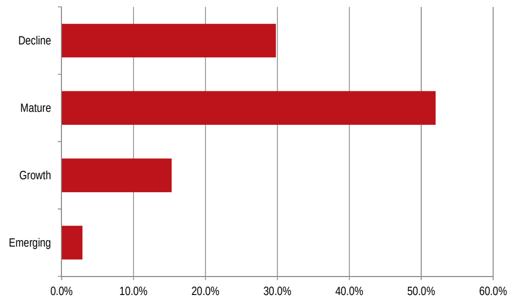
Source: JLL

2.9.4 Motels

The majority of motel rooms in Queensland are in the mature (52.5%) and declining (31.8%) stages of the product lifecycle. There are considerably fewer accommodation rooms in the emerging (2.5%) and growth stages (13.2%). The same analysis by value highlights that a higher proportion of the accommodation market is in the emerging (2.9%) and growth (15.3%) phases of the product lifecycle. This is offset by a lower proportion of rooms in the mature (52.0%) and declining stages (29.8%).

Motels Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)



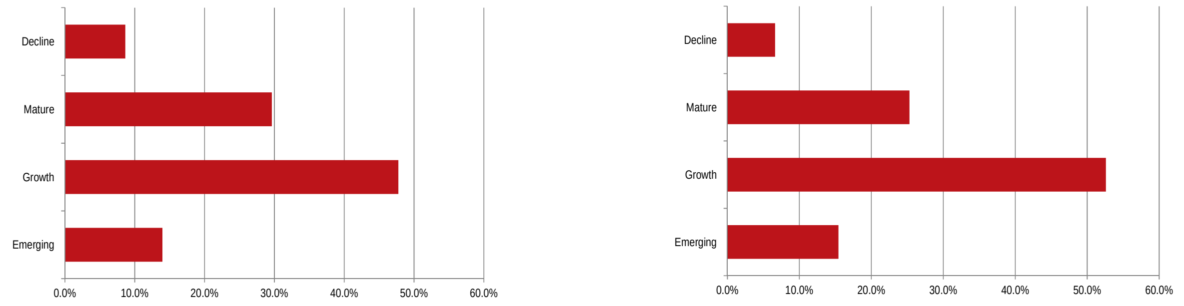


Source: JLL

2.9.5 Serviced Apartments

The majority of serviced apartment rooms in Queensland are in the growth (47.8%) and mature (29.6%) stages of the product lifecycle. There are considerably fewer accommodation rooms in the emerging (14.0%) and declining stages (8.6%) with only limited levels of product developed over the past five years and low levels of capital available for re-investment. The same analysis by value indicates that there is a higher proportion of the accommodation market in the emerging (15.4%) and growth (52.6%) phases of the product lifecycle. This is offset by a lower proportion of rooms in the mature (25.3%) and declining stages (6.6%).

Serviced Apartments Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)



Source: JLL

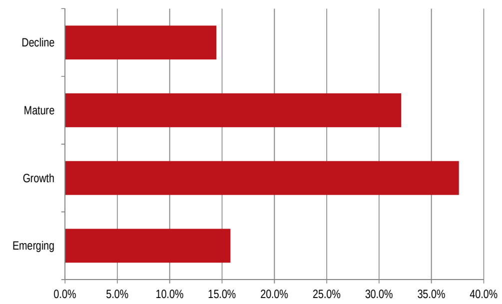
2.10 Accommodation Product Lifecycle – by Star Grading

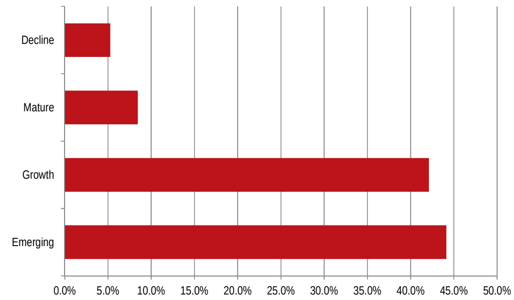
In line with the preceding section, we have also undertaken the same analysis with respect to grading/market position.

2.10.1 Luxury

Our analysis based on market positioning highlights that the majority of luxury accommodation rooms in Queensland are in the growth (37.6%) and mature (32.1%) stage of the product lifecycle with considerably fewer accommodation rooms in the emerging (15.8%) and declining stages (14.5%). Whilst few new luxury rooms have been built in recent years owing to the cost versus value gap, luxury product which does exist has seen fairly high levels of re-investment to ensure that it remains competitive. The same analysis by value indicates that there is a higher proportion of the accommodation market in the emerging (44.1%) and growth (42.1%) phases of the product lifecycle, reflecting the ongoing re-investment in trophy product. This is offset by a lower proportion of rooms in the mature (8.5%), and declining stages (5.3%).

Luxury Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)



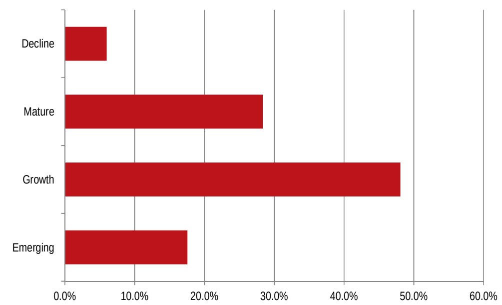


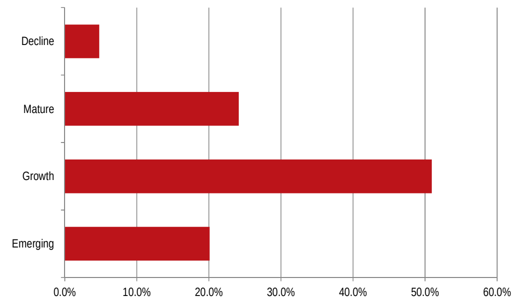
Source: JLL

2.10.2 Upscale

The majority of upscale accommodation rooms in Queensland are in the growth (48.1%) and mature (28.4%) stages of the product lifecycle. There are considerably fewer accommodation rooms in the emerging (17.6%) and declining stages (6.0%) with limited levels of product developed over the past five years. The same analysis by value indicates that there is a higher proportion of the accommodation market in the emerging (20.1%) and growth (50.9%) phases of the product lifecycle. This is offset by a lower proportion of rooms in the mature (24.2%) and declining stages (4.8%).

Upscale Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)



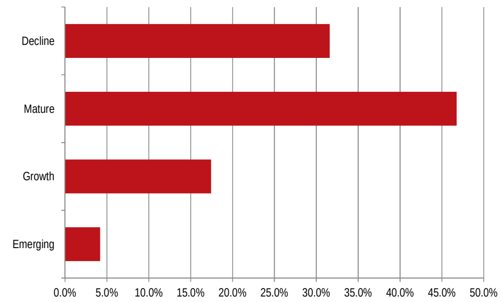


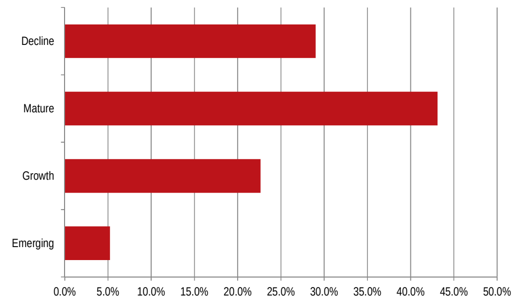
Source: JLL

2.10.3 Midscale

The majority of midscale rooms in Queensland are in the mature (46.8%) and declining (31.6%) stages of the product lifecycle. There are considerably fewer accommodation rooms in the emerging (4.2%) and growth stages (17.4%) with only limited levels of product developed over the past five years. The same analysis by value indicates that there is a higher proportion of the accommodation market in the emerging (5.2%) and growth (22.6%) phases of the product lifecycle. This is offset by a lower proportion of rooms in the mature (43.1%) and declining stages (29.0%).

Midscale Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)



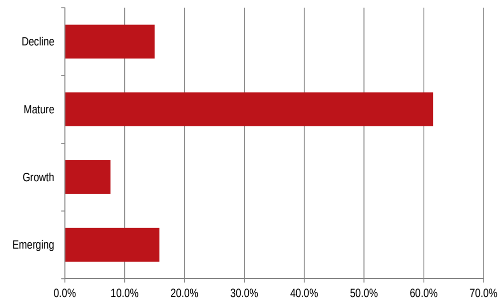


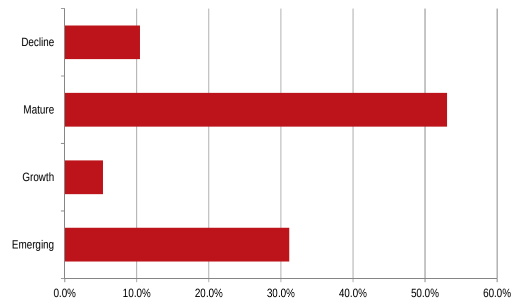
Source: JLL

2.10.4 Budget

The majority of budget accommodation rooms in Queensland are in the mature (61.5%) stage of the product lifecycle with considerably fewer accommodation rooms in the emerging (15.8%), growth (7.6%) and declining stages (15.0%). The same analysis by value indicates that there is a higher proportion of the accommodation market in the emerging (31.2%) phase of the product lifecycle, reflecting the level of investment in budget hotel product. This is offset by a lower proportion of rooms in the growth (5.3%), mature (53.0%) and declining stages (10.5%).

Budget Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)





Source: JLL

3 International and Domestic Comparisons

As part of our Tourism Product Lifecycle Study we were also asked to undertake comparative analysis with respect to two competing destinations; one domestic city destination and international resort destination for which we selected Sydney and Phuket respectively.

Sydney competes with Brisbane as a domestic short stay vacation destination whilst also exhibiting similar, if more pronounced, characteristics as a key business and convention centre and major metropolitan centre with a large VFR (visiting friends and relatives) market. Over the past decade Phuket has emerged as one of Asia's premier resort destinations and increasingly competes with Queensland's leisure markets as a long-stay vacation market for Australian and Asian visitors alike.

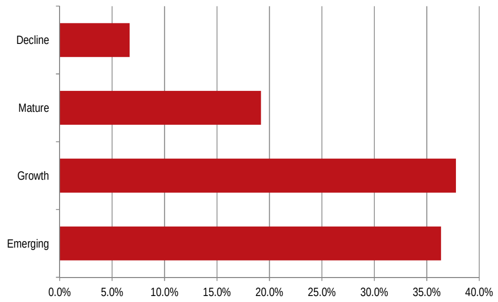
We present our findings below with respect to the overall market and summarised by star grading having adopted a similar methodology to that which is outlined in Section 2.1.

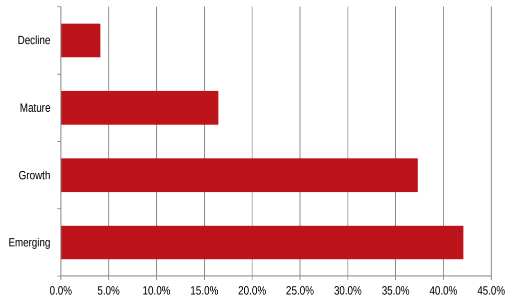
3.1 Sydney

Our analysis of Sydney City's accommodation market found that there are approximately 25,441 accommodation rooms currently operating with an estimated value in the order of $9.1 billion. This represents a high average price per key of $359K.

This analysis highlights how the majority of Sydney City's accommodation rooms (37.8%) are in the growth stage of the product lifecycle but with a high proportion which are emergent (36.4%) There are considerably fewer accommodation rooms in the mature (19.2%) and decline stages (6.7%). The same analysis by value indicates that an even greater proportion (42.1%) of the accommodation market is currently in the emerging phase of the product lifecycle. This proportion of accommodation rooms which are reaching maturity or in decline is lower at 16.5% and 4.1% respectively and with little change for those in the growth phase.

Sydney City Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)





Source: JLL

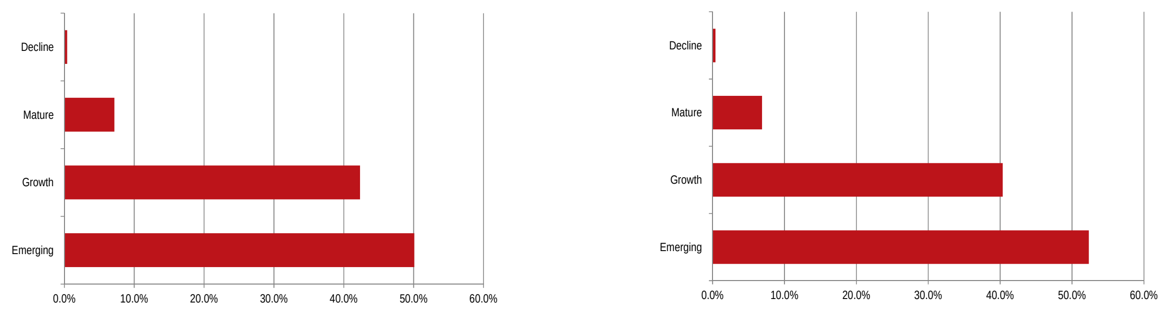
This also reflects the high proportion of luxury and upscale rooms in Sydney as well as the recent strength of the accommodation market which has been trading at record occupancy levels for an extended period of time and with very few additions to supply. New accommodation development continues to be held back by the cost versus value gap and the higher returns offered from alternate use. A lack of available sites within the CBD has also resulted in capacity become constrained. In this environment owners have therefore been willing to undertake major capital works, confident that the market conditions are unlikely to change and that the desired level of return will be achieved.

Institutional ownership of accommodation rooms in Sydney is also one of the highest in Australia with the city viewed as the main entry points for investors and operators. These groups have shown a greater propensity to invest capital to reposition accommodation assets as they look to capitalise on the trading upswing and crystallise total returns.

3.1.1 Luxury

Our analysis highlights that the majority of luxury accommodation rooms in Sydney City are in the emerging (50.1%) and growth (42.3%) stages of the product lifecycle and with considerably fewer accommodation rooms in the mature (7.2%) and declining stages (0.4%). While there have been only low levels of new accommodation product developed in recent years, existing hotels have been extensively refurbished in recent times with major capital works undertaken at five-star hotels such as the Park Hyatt Sydney and Four Seasons Sydney. The same analysis by value indicates that an even higher proportion of accommodation rooms in the emerging (52.3%) phase of the product lifecycle. This is offset by a lower proportion of rooms in the growth (40.4%), mature (6.9%) and declining stages (0.4%).

Luxury Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)

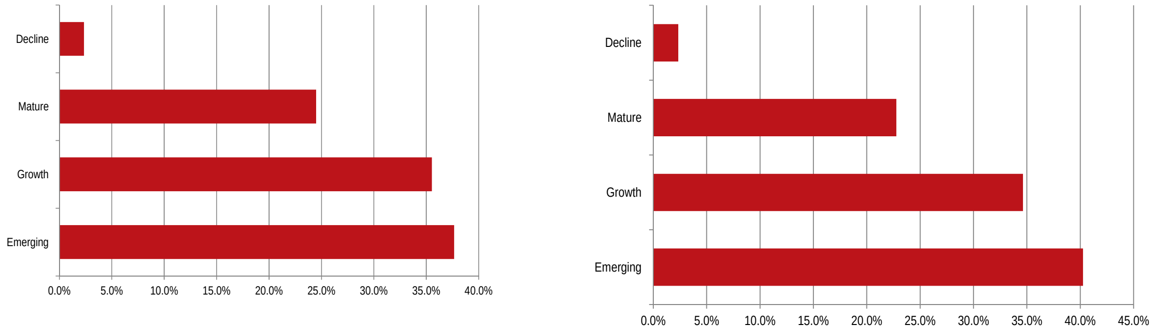


Source: JLL

3.1.2 Upscale

The analysis highlights that the majority of upscale accommodation rooms in Sydney City are also in the emerging (37.6%) and growth (35.5%) stages of the product lifecycle and with considerably fewer accommodation rooms in the mature (24.5%) and declining stages (2.3%). Serviced apartment rooms only account for 23% of the total accommodation supply in Sydney City and where it does exist the majority of product was developed in the lead up to the Olympics or thereafter (notably by Meriton Apartments) and is therefore newer. The same analysis by value indicates that an even higher proportion of accommodation rooms in the emerging (40.3%) phase of the product lifecycle. This is offset by a lower proportion of rooms in the growth (34.6%), mature (22.8%) and declining stages (2.3%).

Upscale Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)

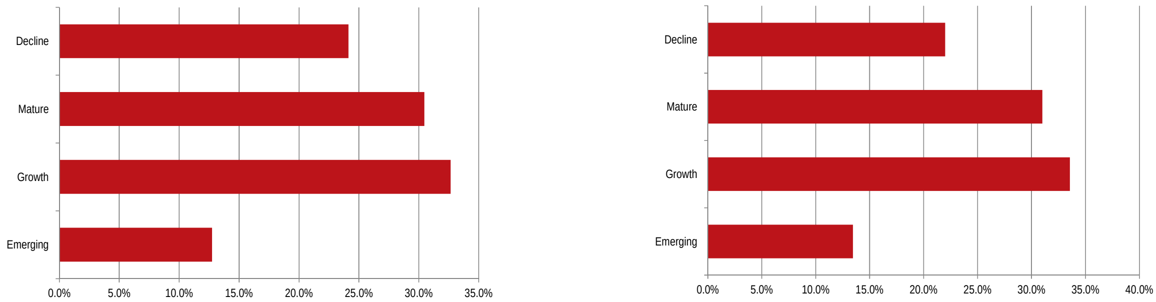


Source: JLL

3.1.3 Midscale

Our analysis highlights that the majority of midscale rooms in Sydney City are more advanced in the product lifecycle with the majority ranked in the growth (32.7%) and mature (30.5%) stages. This reflects the older style of product and very high cost of land which means that new development when it does occur has been directed towards higher graded product. Overall, there are fewer three-star and below accommodation rooms in Sydney City and what does exist is primarily located in the city fringe. There are also a fairly high proportion of rooms in the decline stage (24.1%). The same analysis by value indicates that there are a higher proportion of rooms in the emerging (13.4%) and growth (33.6%) phases which reflects the higher levels of re-investment in midscale hotel product.

Midscale Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)

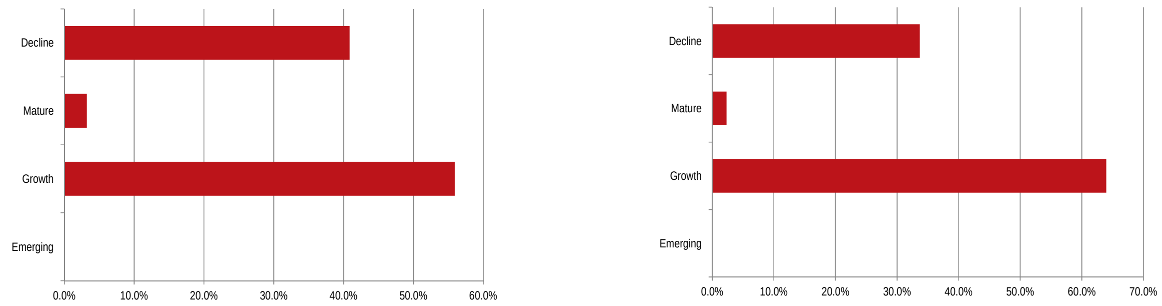


Source: JLL

3.1.4 Budget

Whilst very limited as a proportion of the total Sydney City accommodation market, our analysis highlights that the majority of budget accommodation rooms are in the growth (55.9%) and decline (40.9%) stages of the product lifecycle with no rooms in the emerging phase and only a few regarded as mature. The same analysis by value indicates little variation in the accommodation product lifecycle.

Budget Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)



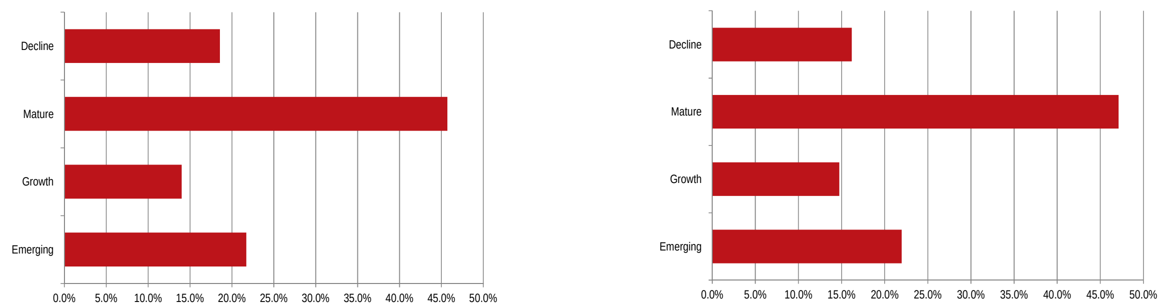
Source: JLL

3.2 Phuket

Our analysis of Phuket's accommodation market found that there are approximately 25,441 accommodation rooms currently operating with an estimated value in the order of THB9.1 billion. This represents a high average price per key of THB9 million per key (approximately AU$359K).

Our analysis highlights how the majority of Phuket's accommodation rooms (45.7%) are in the mature stage of the product lifecycle but with a fairly high proportion (21.7%) which are emergent, i.e. new hotels/resorts or newly refurbished product. There are considerably fewer accommodation rooms in the growth (14.0%) and decline stages (18.6%). The same analysis by value indicates that a slightly lower proportion of rooms are in decline but broadly the analysis is similar.

Phuket Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)



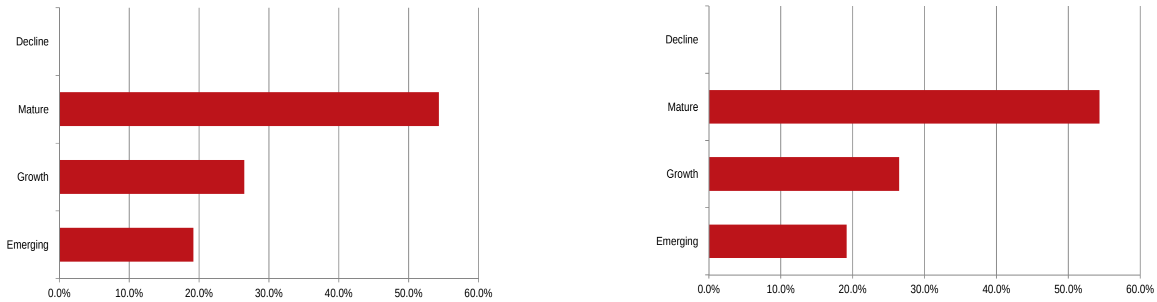
Source: JLL

This reflects the high proportion of luxury and upscale rooms in Phuket as well as political and natural events occurring over the past decade which have resulted in erratic trading performance and reduced capital for re-investment. As an emerging market, hotel ownership has initially been predominantly domestic owner operators with a significant growth of international brands and offshore capital emerging over the past 10 years. Notwithstanding domestic capital still dominates. Phuket's hotel and resort market also competes with the holiday house/villa market which has experienced considerable growth in recent years.

3.2.1 Luxury

The majority of luxury accommodation rooms in Phuket are in the emerging (54.3%) and growth (26.5%) stages of the product lifecycle and with considerably fewer accommodation rooms in the emerging (19.2%). Our analysis did not indicate any accommodation being in the declining stage

Luxury Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)

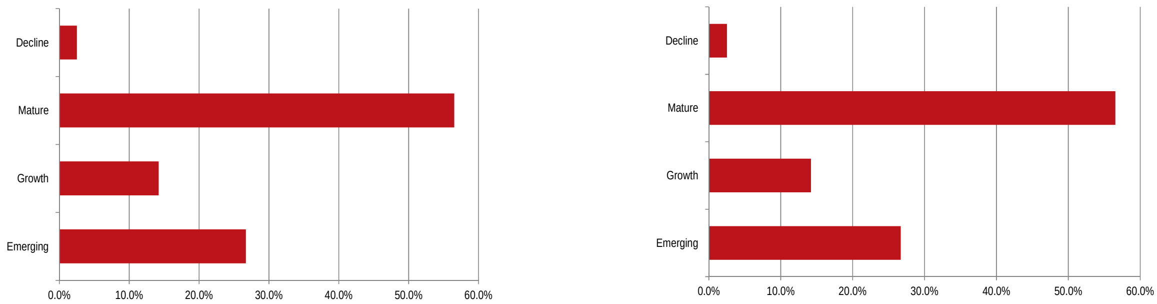


Source: JLL

3.2.2 Upscale

The majority of upscale accommodation rooms in Phuket are also in the mature (56.5%) and emerging (26.7%) stages of the product lifecycle and with considerably fewer accommodation rooms in the growth (14.2%) and declining stages (2.5%).

Upscale Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)

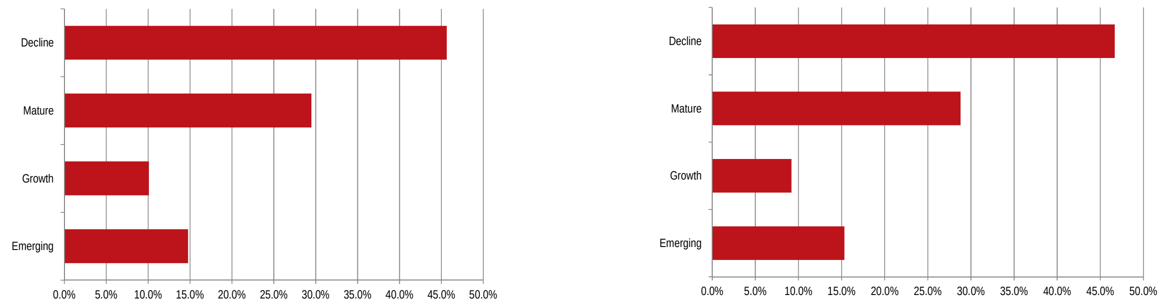


Source: JLL

3.2.3 Midscale

The majority of midscale rooms in Phuket are more advanced in the product lifecycle with the majority ranked in the mature (29.5%) and decline (45.6%) stages. This reflects consumer's preference for higher graded product in resort destinations. Where midscale product does exist it is typically smaller and older style.

Midscale Accommodation Market Product Lifecycle
By Total Rooms (LHS) & Capital Invested (RHS)



Source: JLL

3.2.4 Budget

Whilst very limited as a proportion of the total Phuket accommodation market, our analysis highlights that where they do exist budget accommodation rooms are in the emerging phase of the product lifecycle with this grade of accommodation product relatively new to the Asian market and still rare in resort destinations.

4 Visitor Attractions Spectrum

The hotel property sector and sub-sectors as commented on in previous sections, provides a valuable barometer for a destination's tourism trends as well as insights into the level of investment and reinvestment into the sector. Under the main premise of this study, these insights facilitate the determining of where a market stands in terms of product lifecycle. Notwithstanding this, at a more rudimentary level, it is important to acknowledge that in most cases hotel property development exists in response to the overall appeal of its location and interacts with nearby demand drivers.

With this in mind, we have also given some consideration to the State's principal tourism attractions and where possible commented on where they might also be positioned in terms of a lifecycle. However, we do comment that the broadness of the attractions space is such that our observations are more subjective or intuitive than those made relating to the hotel's sector for which they is a greater level of statistical data.

4.1 Demand Generators

Demand generators are what drive visitors to a particular destination and are ultimately how an area or region builds presence and ultimately evolves to become a destination or marketplace. A destination's character will be defined by specific demand generators or combinations of generators.

Demand generators may be as simple as the natural environment such as the beaches, rainforest and reef. These resources might be cleverly crafted to enhance or create demand in the form of activities. Examples might include: diving, sailing and other water based activities as well as golf, hiking, horse-riding and so forth. Demand will also be induced by institutions of historical or cultural value such as museums, and historic buildings/monuments or events. Significant international examples might include the Great Wall of China, Sydney Opera House, the Eifel Tower, Angkor Wat, the Louvre and so forth.

The aforementioned demand generators and attractions and surrounds may be further punctuated with amenity such as fine restaurants and the wider food and beverage offering within the locale, theatres, theme parks and casinos as well as other drivers of visitation and activities such as sports, medical and wellness tourism.

The above is largely orientated towards leisure tourism. It is worthwhile noting that corporate travel and business tourism is also of significance. These segments are largely driven by an area's commercial activities and hence often favours city centres, larger conurbations and more recently in Australia, the resource markets. Business tourism also drives visitation in the form of meetings, incentives, convention and exhibition (MICE) related activities. While delegations are often orientated towards commercial destinations and purpose-built convention facilities, incentive groups will also provide visitation to leisure destinations.

Given the sufficiency of the underlying demand drivers as noted above, the extent and scale of demand will also be determined by a market's accessibility. Hence a market's core infrastructure such as road, rail, ports and airports are also significant enhancers and demand drivers in their own right.

While noting that in some instances there may be an element of convergence, for the purposes of commenting on Queensland's attractions we have identified the following core categories:

- Natural Attractions;
- Historical/Cultural Attractions;
- Experiences; and
- Man-Made Attractions.

4.2 Natural Attractions

Nature-based tourism relies on experiences directly related to natural attractions. Australia is blessed with a diverse range of ecosystems, breath-taking landscapes and unusual wildlife. These natural attractions make Australia one of the leading providers of nature-based tourism in the world.

Queensland is rich in terms of its natural attractions. The most established are considered to be:

- Great Barrier Reef Marine Park and its associated tropical islands
- Numerous Beach orientated coastal destinations; and
- Daintree Rainforest and other national parks State-wide.

In terms of natural attractions, the stage in the product lifecycle is of less relevance and for the purposes of this study is considered to be "neutral". The conservation and management of these attractions is considered to be in the public interest. Investment activity rests with the elected Government, by way of the application of legislation and the policy of the time. Notwithstanding, influencers may sometimes include lobby groups. Lobby groups may represent a very broad range of views and local interests. Given the scale of Queensland and the extent of its natural resources both environmental and business groups are well represented.

It is worthwhile noting that Queensland's climate might also be considered a significant natural attraction, although not a physical asset of the same character as the aforementioned. It is undoubtedly a critical success factor for the State. While noting that in recent years, the State has experienced several extreme weather events that have impaired tourism activity, on balance the warmer and more tropical climate relative to more southerly Australian States holds significant appeal and is an important attractor for domestic and international visitors. The iconic nature of our national parks and marine parks, including five World Heritage areas—more than any other State—provides a strong competitive advantage in both domestic and international markets. Each year there are in excess of 51 million visits by Australians to Queensland's national parks and marine parks.

The Queensland Government recognises the importance of the State's protected areas as a major tourism drawcard and has recently introduced new policies which seek to govern their protection and use. The Queensland Eco and Sustainable Tourism (QuEST) initiative replaces the Tourism in Protected Area policy and builds on the previous policy to improve access and provide new opportunities in national parks and other protected areas for ecotourism operators.

A summary of Queensland's major natural attractions follows:

Natural Attraction	Location
Beaches	Gold Coast, Sunshine Coast, Fraser Coast
Tropical islands	Great Barrier Reef
Daintree Rainforest	TNQ
Great Barrier Reef Marine Park	Great Barrier Reef
Major National Parks	
Homevale National Park	Mackay
Eungella National Park	Mackay
Dryander National Park	Whitsundays
Conway National Park	Whitsundays
Whitsunday Islands National Park	Whitsundays / GBR
Paluma Range National Park	Townsville
Halifax Bay Wetlands National Park	Townsville
Hinchinbrook Island National Park	TNQ
Girringun National Park	TNQ
Edmund Kennedy National Park	TNQ
Hull River National Park	TNQ
Kurrimine Beach National Park	TNQ
Eubenangee Swamp National Park	TNQ
Ella Bay National Park	TNQ
Wooroonooran National Park	TNQ
Barron Gorge National Park	TNQ
Daintree National Park	TNQ
Cedar Bay National Park	TNQ
Black Mountain National Park	TNQ
Dryander National Park	Whitsundays
Conway National Park	Whitsundays
Whitsunday Islands National Park	Whitsundays / GBR
Paluma Range National Park	Townsville
Botanic Gardens	
City Botanic Gardens	Brisbane
Bundaberg Botanic Gardens	Bundaberg
Emerald Botanic Gardens	Highlands
Gold Coast Regional Botanic Gardens	Gold Coast
Mackay Regional Botanic Gardens	Mackay

Source: JLL

4.3 Experiences

Queensland remains a stand-out leisure destination given the aforementioned natural resources and climate. Experience-orientated activity and development which capitalises on this environment includes golf courses (approximately 300 on record state-wide), marinas and other water-based activities as well as several distilleries and wineries. In recent years, spa and wellness activities have also risen in prominence.

Experiences should be designed so that the negative impacts on nature and culture that can damage a destination are minimised and to ensure that the traveller is educated on the importance of conservation. Experiential businesses need to work in cooperation with local authorities and people to meet local needs and deliver conservation benefits whilst also directing revenues to the conservation and management of natural and protected areas and biological diversity. Experiences are best managed through regional tourism zoning and visitor management plans, as well as long-term monitoring programs to assess and minimise impacts.

The trend is for smaller scale experiences which are usually owner operated, although some larger scale facilities are successful for example golf courses. Integration and inclusion of local communities and indigenous peoples is also becoming a common feature of these facilities. Some experiences also incorporate an accommodation component for example semi-permanent camps and eco-tents. This recognises that the international market, in particular, is prepared to pay premium prices in such facilities but this market also expects quality experiences and services in natural settings. Viable operations offer high standards of hospitality, especially food and beverage and authenticity is a major factor in creating a strong sense of place. Site locations maximise the view shed, and minimise the intrusion of support facilities. Facilities should not detract from the main feature of the location but should capture the importance of place in the design and complement protected areas.

A summary of Queensland's major experiences follows:

Experiences	Location
Sailing	GBR/Whitsundays
Cruises	GBR/Whitsundays
Aquaduck Safari	Gold Coast
Whale Watching	Brisbane, Gold Coast
Surf Schools	Gold Coast, Sunshine Coast
Coastal Walks	
Reef Charters	
Fishing	
Golf Courses	
Brisbane - 71 courses	
Bundaberg - 13 courses	
Fraser Coast - 14 course	
Gladstone - 5 courses	
Gold Coast - 36 courses	
Mackay - 7 courses	
Outback QLD - 28 courses	
Rockhampton - 24 courses	
Southern Downs - 7 courses	
Sunshine Coast - 23 courses	

Experiences	Location
Whitsundays - 5 courses	
Toowoomba - 32 courses	
Townsville - 18 courses	
TNQ - 20 courses	
Wineries	
Bundaberg Rum Distillery	Bundaberg
Tamborine Mountain Distillery	Gold Coast
Whiskey Gully Wines	Stanthorpe
Eumundi Winery	Sunshine Coast
Cedar Creek Estate Winery	Gold Coast
Sirromet Wines	Brisbane
Mount Nathan Winery	Gold Coast
Albert River Wines, Mt Tamborine	Gold Coast
Mason Wines Mount Tamborine	Gold Coast
Maleny Mountain Wines	Sunshine Coast
Blindmans Bluff Winery	Sunshine Coast

Source: JLL

4.4 Historical / Cultural Attractions

Australia's natural and cultural assets are a major draw card for international and domestic visitors. Protection and conservation of these assets is essential for the survival and sustainable growth of the tourism industry over the longer term. Many of Australia's historic heritage assets are located in non-metropolitan regional Australia where the contribution of cultural tourism to economic growth is of great importance, as well as being of policy significance. In addition, although Australia's non-Indigenous cultural assets are only 200 years old, they represent important icons and appear to contribute to a sense of national identity.

In this regard, however, Queensland's offering is considered to be relatively light. Museums are a significant feature with operations located in most major cities across the State although massing of these attractions is generally within the larger cities such as Brisbane. Buildings of historical/cultural significance that might also qualify as attractions are also located within the larger city centres.

In terms of product lifecycle, with Government being a key stakeholder in many of these facilities investment is relatively stable. We note that in some respects there has been a convergence of private and public interest in terms of the promotion of cultural attractions. A recent example of such activity would include the "Corroboree" a facility located at Dreamworld on the Gold Coast with an orientation towards aboriginal/native history and culture.

The cultural heritage resource is fragile and requires sensitive use and management if it is to form the basis of tourism enterprises. In order to facilitate sustainable use, it is important for managers, tourists and operators to understand the characteristics of this resource, particularly the intersection of physical and community or social attributes of heritage sites as important aspects of conservation and visitor experience. The potential heritage properties offer for future tourist development should also not be underestimated.

Cultural heritage managers sometimes assume that tourism can provide the economic basis for conservation. At the same time, the significance of cultural heritage is held to be greater than mere monetary value. The effective and sustainable use of heritage properties as the basis of tourism requires significant amounts of planning both to ensure economic and conservation success and to meet a number of statutory guidelines and laws.

A summary of Queensland's major historical / cultural attractions follows:

Historical / Cultural Attractions	Location
Queensland Art Gallery and Gallery of Modern Art	Brisbane
Queensland Museum & Sciencentre	Brisbane
Army Museum of North Queensland	Townsville
Beaudesert Historical Museum and War Memorial	Scenic Rim
Beenleigh Historical Museum and War Memorial	Logan
Bundaberg Railway Museum and Regional Art Gallery	Bundaberg
Cairns Regional Gallery	Cairns
Caloundra Regional Art Gallery	Sunshine Coast
Centre of Contemporary Arts Cairns	Cairns
Gladstone Maritime Museum	Gladstone
Gladstone Regional Gallery & Museum	Gladstone
Gold Coast City Gallery	Gold Coast
Harvey Bay Historical Village & Museum	Harvey Bay
Ipswich Antique Centre & Art Gallery	Ipswich
Logan Art Gallery	Logan
Longreach Powerhouse Museum	Central West
John Flynn Place Museum & Art Gallery	North West
Maritime Museum of Townsville	Townsville
Museum of Australia Army Flying	Toowoomba
Museum of Tropical Queensland	Townsville
Qld Government House	Brisbane
Queensland Parliament House	Brisbane
Rockhampton Art Gallery	Rockhampton
Stanthorpe Heritage Museum and Regional Art Gallery	Southern Downs

Source: JLL

4.5 Man-Made Attractions

The extent of the State's man-made attractions is considerable and for the purposes of making comment in terms of product lifecycle we have further broken down the space into a number of sub-segments:

4.5.1 Amusement & Theme Parks

Queensland is a dominant State with regards to this sub-segment. Of particular prominence are the large-scale operations of both Ardent Leisure and Village Roadshow which include: Dreamworld and WhiteWater World as well as Movie World, Wet n Wild, and Seaworld. In addition, our research identified a further twelve attractions on the Gold Coast which were categorised as amusement & theme park operations of varying sizes. This significant massing of amusement and theme parks on the Gold Coast has created a significant demand driver for the area and is now one of the market's defining draw cards.

Other amusement and theme parks are located between the Gold Coast, Brisbane and the Sunshine Coast, including Aussie World. While attractions were noted elsewhere in Queensland, it is clear that there is a preference for locations that benefit from ease of access inter-State and intra-State as well as larger local populations. These assets tend to be privately owned hence their success is built on attracting high volumes of visitation.

In terms of product lifecycle, while investment may reduce during periods of economic decline, the sector remains competitive and it is understood, particularly by the larger operators, that it is important to remain current and even ahead of trend. Hence reinvestment is often essential. This is most evident amongst the larger theme park operations where significant capital is strategically invested in new rides, franchises and so forth in order to remain current.

4.5.2 Zoos, Sanctuaries & Aquariums

The extent of Queensland's wildlife is significant; hence zoos, sanctuaries and aquariums are relatively prominent attractions in the State. Our research noted approximately twenty significant operations of this type State-wide. Of particular notoriety being the Australian Zoo on the Sunshine Coast. Operations are understood to be a mix of private and public investment.

It is interesting to note that these operations tend not to be located across a broader geographic area including regional markets. As generally smaller scale operations, with an orientation towards the local environs, access to a large local population appears to be less of a concern than with the aforementioned amusement and theme parks.

In terms of lifecycle, there is less pressure on operators to reinvent or invigorate offerings frequently. However, maintaining standards and quality of operation remain critical success factors.

4.5.3 Convention, Entertainment & Exhibition Centres

Convention centres rarely generate profits and even if they do these profits are usually insufficient to provide a reasonable return on investment. Consequently, private sector convention centre development is quite rare. Instead, the public sector—federal, state and local governments—justify investment in convention centres by recognising the significant external benefits convention activity creates in their communities. Convention centres support a variety of tourist-related industries including accommodation demand, food, beverage, catering, transportation, retail and other industries.

Facilities remain relatively current in Queensland in terms of this space. Recently, significant investment has been made into the extension of the Brisbane Convention & Exhibition Centre and the redevelopment of the RNA Showgrounds. In the last ten years facilities have also been introduced into several of Queensland's regional markets including Cairns and Mackay.

4.5.4 Casinos

There are four Casino operations in Queensland at the present time. These are located in Brisbane, The Gold Coast, Townsville and Cairns. This is a highly regulated industry and the development of further Casino operations is subject to the granting of further licenses. Transactional activity in this area is limited owing to the small number of operations and the character of the casino market. As privately owned enterprises, often publicly listed companies, reinvestment is made in response to the prevailing commercial environment.

It is understood that the granting of up to three new Casino licenses are being considered by the Government. While there is likely to be an underlying willingness to reinvigorate existing product, it is likely that a cautious approach to investment will exist at this time.

4.5.5 Theatres and Sports Stadiums

As a sports-loving state, Queensland boasts a range of significant sporting venues. In Brisbane, in line with its larger population, there is a massing of venues such as the Gabba, Suncorp Stadium Doomben and Eagle Farm race courses. These are regarded as excellent facilities. Similarly the Gold Coast also benefits from a number of notable venues, and as the host of the 2018 Commonwealth Games, investment in sporting venues is anticipated to increase.

In terms of theatres, as with sports stadiums, while regional venues exist, the larger demand inducing venues tend to be located within Brisbane and the Gold Coast where there is a significant local population, ease of access for a wide geographic area and supporting infrastructure (including but not limited to accommodation offerings and transportation).

While some venues are privately managed, government often remains a stakeholder with active interest and support for the venues. The scale of some of the larger operations tends to require a symbiotic relationship between the state and private enterprise. In a number cases where venues are privately owned (examples tend to be of smaller scale and might include the Tivoli and Eatons Park) on-going capital investment is reactive to underlying demand.

A summary of Queensland's major historical / cultural attractions follows:

Man-Made Attractions	Location
Amusement & Theme Parks	
Dreamworld & WhiteWater World	Gold Coast
Movie World, Wet n Wild, Seaworld	Gold Coast
Adventure Parc Currumbin	Gold Coast
Aussie World	Sunshine Coast
Australian Outback Spectacular	Gold Coast
Big Kart Track	Sunshine Coast
Bungy Australia	Logan
Cable Ski Logan	Logan
Cable Ski Cairns	TNQ
Draculas Haunted House	Gold Coast
Fraser Coast Discovery Sphere	Fraser Coast
Infinity Attraction	Gold Coast
King Tutts Putt Putt	Gold Coast
Kingston Park Raceway	Logan
Putt Putt Golf Mermaid Beach	Gold Coast
Racecentre	Gold Coast
Ripleys Believe It Or Not Odditorium	Gold Coast
Sea Life Mooloolaba	Sunshine Coast
Superbee Honeyworld	Gold Coast
The Ginger Factory	Sunshine Coast
The Wax Museum	Gold Coast
The Wheel of Brisbane	Brisbane
Timezone Surfers Paradise	Gold Coast
Top Shots Fun Park	Sunshine Coast
SkyPoint Observation Deck & Climb	Gold Coast
Zoos, Sanctuaries & Aquariums	
Australian Zoo	Sunshine Coast
Australian Butterfly Sanctuary	Mareeba
Billabong Sanctuary	Townsville
Birdworld Kuranda	Tablelands
Cairns Tropical Zoo	TNQ
Cooberrie Park Wildlife Sanctuary	Capricorn Coast
Currumbin Wildlife Sanctuary	Gold Coast
Darling Downs Zoo	Toowoomba
David Fleay Wildlife Park	Gold Coast
Forest Den National Park	Central West
Fraser Coast Wildlife Sanctuary	Fraser Coast
Hartleys Crocodile Adventure	TNQ
Koorana Crocodile Farm	Rockhampton
Lone Pine Koala Sanctuary	Brisbane
Mon Repos Conservation Park	Bundaberg

Man-Made Attractions	Location
Paradise Country Aussie Farm Tour	Gold Coast
Reef HQ Aquarium	Townsville
Snakes Downunder Reptile Park & Zoo	Bundaberg
The Rockhampton Zoo	Rockhampton
Wildlife Habitat Port Douglas	TNQ
Convention, Exhibition & Entertainment Centres	
Brisbane Convention & Exhibition Centre	Brisbane
Gold Coast Convention & Exhibition Centre	Gold Coast
Cairns Convention Centre	Cairns
Royal International Convention Centre	Brisbane
Townsville Entertainment and Convention Centre	Townsville
Mackay Entertainment & Convention Centre	Mackay
Logan Entertainment Centre	Logan
Casinos	
Jupiters Casino Gold Coast	Gold Coast
Jupiters Casino Townsville	Townsville
Treasury Casino Brisbane	Brisbane
The Reef Casino	Cairns
Theatres	
Lyric Theatre & Playhouse, Queensland Performing Arts Centre	Brisbane
Brisbane Powerhouse	Brisbane
Brisbane Entertainment Centre	Brisbane
The Arts Centre Gold Coast	Gold Coast
Empire Theatre	Toowoomba
Stadia / Racecourses	
The Gabba	Brisbane
Suncorp Stadium	Brisbane
Ballymore Stadium	Brisbane
Queensland Tennis Centre/Tennyson Brisbane	Brisbane
Doomben Racecourse	Brisbane
Eagle Farm Racecourse	Brisbane
Gold Coast Racecourse	Gold Coast
Cbus Super Stadium (Robina Stadium)	Gold Coast
Metricon Stadium	Gold Coast
Logan Metro Indoor Sport Centre	Logan
1300 Smiles Stadium	Townsville
Gold Coast Aquatic Centre	Gold Coast
Queensland Sport & Athletics Centre	Brisbane

Source: JLL

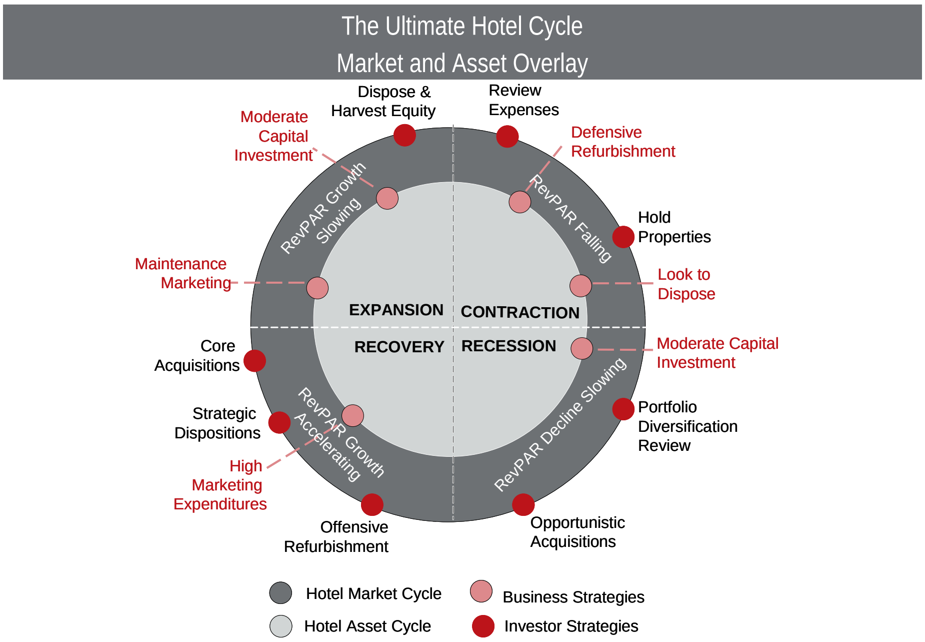
PART B – Hotel Market Cycle Analysis

5 Australia's Hotel Market Cycle

Investor sentiment (debt and equity providers) is largely affected by anticipated performance of the operational markets along with the general property market and the availability of capital. The availability of capital is in turn related to both the domestic and international economic environment, as they relate to an investors' level of perceived risk and return. Hotels can offer an attractive proposition for specialist investors often benefiting from higher yields and the opportunity for income growth through active asset management as well as market performance.

5.1 Hotel Market Cycle

The hotel investment market is cyclical and specific strategies need to be implemented that are prudently timed in accordance with the relative position of the market cycle. Hotel development and refurbishment investment does not occur all of the time, but when it is financially viable and the timing of new room supply is a key driver of the hotel cycle.



Source: JLL

New hotel development is most commonly impacted by expectations about the future level of demand. However, it can also be impacted by factors outside of the hotel market/asset cycle including a liquidity surge (either in Australia or overseas) and the relative performance (or under performance) of other property assets. Hotel development will occur where supply, demand and pricing fundamentals dictate that there is a reasonable chance of financial viability. Typically, in Australia, a city hotel market would need to be consistently trading at an annual average occupancy of 80% or more for it to be considered undersupplied. However, where seasonality is a factor, such is the case in Queensland, markets may experience capacity constraints during peak trading times but not necessarily over the course of the whole year.

The timing of refurbishment investment also varies in accordance with the hotel market cycle with minimal 'soft refurbishment' projects undertaken in flat or weakening markets. These refurbishment projects are defensive in nature and typically involve upgrading soft furnishings and fittings. Minor programs seek to reduce or defer the erosion of market position and property income levels. Such programs should be planned around expected guest utilisation and have minimal negative impact on occupancy levels.

Conversely extensive upgrade programs are ideally undertaken in the 'trough' or early upturn phase of cycle so as to minimise disruption to hotel operations and maximise the number of areas that can be worked on at any one time. Programs can often include repositioning and re-branding projects which aim to move the hotel into a different sector and to maximise the property's room rate. These projects tend to occur in strengthening markets to increase their impact, lift market position and enhance property income and overall investment returns. Major refurbishment projects can involve creating new guest rooms using redundant space, replacing services and bathrooms or introducing new guest facilities, such as IT and in-room entertainment.

This section considers in more detail the historical trends which have underpinned investment and development in Australia and Brisbane's accommodation market as a backdrop to understanding the current state of play.

5.2 Australia's Hotel Market Cycle – Historical Performance 1989 to 2013

Our analysis of the Australian hotel market cycle pertains to the performance of the nine major accommodation markets over the past twenty years between 1989 and 2013, namely Adelaide, Brisbane, Canberra, Cairns, Gold Coast, Hobart, Melbourne, Perth and Sydney. Darwin has been excluded in order to maintain consistency as trading statistics are only available for this city from 1998.

Historically, Australia's accommodation market has experienced cycles of between seven and ten years with real RevPAR growth averaging 0.4% per annum over the past 24 years (1989 and 2013) with substantial variations over the peak and tough years. Supply has been the major influence on the level of volatility as shown in the chart following with increases averaging 3.3% per annum although this has dropped significantly to average 1.0% per annum over the past five years. Demand has been much more stable, generally demonstrating consistent and reliable growth patterns, increasing on average by 4.4% per annum and having recorded only two years of decline in 2008 and 2009. More generally, the accommodation market has demonstrated consistent resilience in the wake of global/national demand shocks occurring in the early 1990s, 2001/02 and again in 2008/09, in part due to the strength of the Australian economy and the large domestic tourism base. Despite this, room rates have declined marginally in real terms reducing on average by -0.6% per annum, down from $200 in 1989 to $172 in 2013.

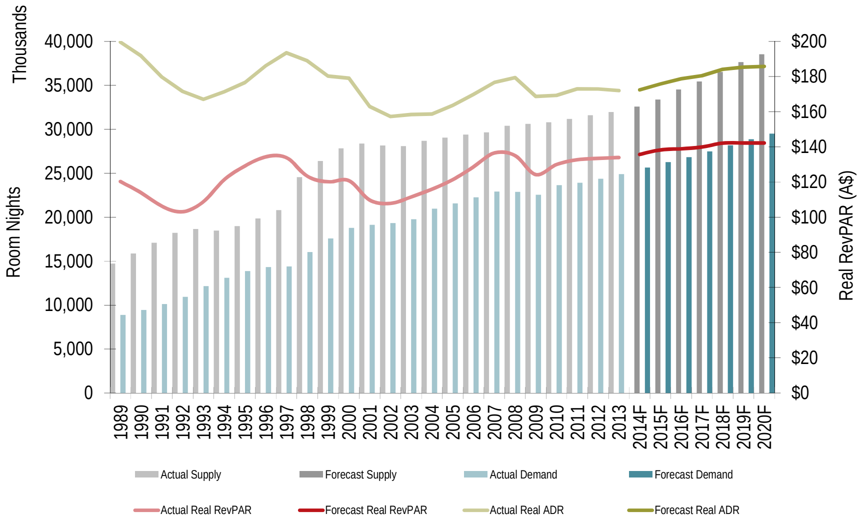
In the late 1980's and early 1990s, Japanese investors and local entrepreneurs became active in developing and acquiring Australian hotels and resorts, often on the basis of optimistic forecasts regarding the expected level of future demand and income and the liquidity surge of the late 1980's supply in Sydney was further boosted by the release of Government land. As a consequence, supply increases were modest against a relatively small base stock but poorly timed coinciding with the pilot strike in 1989 and national recession in 1991/92 resulting in three years of declining room rates.

Accommodation room supply increased 26.7% (10,776 rooms) between 1989 and 1992. Notwithstanding, the fall in real RevPAR was relatively contained reducing by only 14.3% from the assumed 1989-high.

The improving domestic economy, as well as a slight reduction in room supply in 1994 (-483 rooms or -0.9%) resulted in strong gains in real RevPAR over a short four year upswing period, increasing by 30.3% between 1992 and 1996 before investors once again turned their attention to new development. Buoyed by the announcement that Sydney would host the Olympics in 2000 and bullish expectations about the likely level of future demand, 18,775 rooms were added to Australia's major accommodation markets between 1996 and 2000, representing an increase of 36.1% on the base stock. Increases in accommodation supply were exacerbated by the introduction of strata-titled serviced apartments with total room supply Australia-wide increasing by 60% between 1997 (earliest available) and 2000. This compares to growth of 13% in the hotel segment during the same period, albeit from a much smaller base.

Whilst the Olympics did boost trading in 2000, real RevPAR increased only 0.6% year-on-year before declining sharply in 2001 (-9.1%) and again in 2002 (-1.7%) as Australia's accommodation market was adversely impacted by global and local demand shocks. The September-11 event was unique given its direct and immediate impact on global tourism. Locally, the similarly timed collapse of Ansett Airlines also saw tourism decline particularly in remote domestic destinations such as Perth and Cairns, lengthening the downturn in most markets. Consequently real RevPAR reduced by 19.7% between 1996 and 2002.

Australian Accommodation Market
Major Markets Historical and Forecast Performance1989 to 2020F



Source: Australian Bureau of Statistics / JLL

Higher alternate returns in Australia's residential sector at the turn of the century resulted in a number of hotels being closed for residential conversion with all markets except for Melbourne recording a reduction in accommodation room supply in one or more years between 2001 and 2006 as the residential property sector boomed and Sydney in particular grappled with a post-Olympics oversupply of hotel rooms. Total accommodation room supply reduced by 1,268 rooms in 2002 and 2003 (-1.1%), but with the most significant reductions evident in Sydney and Brisbane where supply fell by 15.6% and 6.9% respectively.

The expansion of Low Cost Carrier (LCCs) networks early in the new millennium and the strong domestic economy also proved a boon for many accommodation markets with more frequent but shorter trips taken around the country. Early beneficiaries included major leisure destinations such as the Gold Coast, Sunshine Coast, Whitsundays and to a lesser extent Cairns, but the benefits were short-lived. The strong domestic economy and booming commodities sector resulted in strong appreciation of the Australian dollar challenging the competitiveness of Australia as a leisure destination, particularly when faced with competing destinations across Asia. Consequently, outbound travel increased sharply whilst inbound tourism remained flat and Australia became a net exporter of visitors for the first time in history in early 2008.

Notwithstanding, with supply additions held back by the cost-versus-value gap and higher returns offered by alternate use (office and residential), Australia's city accommodation markets saw strong growth over the ensuing five years with demand underpinned by the booming and less price-sensitive corporate and conference segments. The market peaked in 2007 as supply projects started to emerge (though still minimal) and the global financial crisis (GFC) impacted sentiment and subsequently tourism demand in the second half of 2008. The result was a longer but moderate upswing with real RevPAR increasing by 26.6% between 2002 and 2007.

The GFC triggered credit halt eliminated the potential supply threat and as a consequence there was a very short two-year downturn to 2009 with room night demand declining for the first time in the 24-year period, reducing by 0.1% in 2008 and 1.5% in 2009. The fall in real RevPAR was very contained as a result declining by 9.0%, half of the level of the previous cycle and two-thirds of that recorded in the early 1990s. Similar to 2001, ADR declined sharply as hoteliers looked to stimulate additional sources of demand through a raft of marketing campaigns and promotions. Demand outcomes between cities tend to fluctuate in the wake of such events due to the varying levels of discretionary leisure spend and internationally sourced demand, as well as localised marketing initiatives and the prevailing supply environment.

Trading spiked between 2009 and 2013 as travel patterns normalised, albeit somewhat weighed down by global economic uncertainty. Demand growth increased by 2.5% per annum over the four years, outpacing supply increases of 1.1% per annum with the addition of 4,335 rooms. Growth was strongest in Australia's state capitals as leisure markets remained under pressure from the high Australian dollar which saw record numbers of Australians heading offshore. The resource-driven states experienced the strongest gains as commodities prices sky-rocketed. The environment shifted towards the end of 2012 and through 2013 as the resource sector slowed and the key leisure markets lifted from the prolonged trough. Real RevPAR increased 7.8% over the period to average $134 in 2013. This is approximately 1.9% below the 2008-high and 0.3% below the 1996-high.

Australian Hotel Market Cycle 1989 to 2020F

Year		Real RevPAR (2013$)		Volatility		Cycle Length (Years)		
High	Low	High	Low	Growth	Fall	High	Low	Total
1989	1992	$120	$103	n/a	-14.3%	n/a	3	n/a
1996	2002	$134	$108	30.3%	-19.7%	4	6	10
2007	2009	$136	$125	26.6%	-9.0%	5	2	7
2019F	2020F	$142	$142	14.5%	-0.02%	10	1	11

Source: Australian Bureau of Statistics / JLL

5.3 Australia and Queensland's Accommodation Investment & Development Timeline

A summary of the Australian and Queensland accommodation market's investment and development timeline follows.

Period	General Market Trends	Queensland Hotel Development
Mid to late 1980s	Japanese investors and local entrepreneurs were active in developing and acquiring hotels and resorts, often on the basis of optimistic forecasts regarding the expected level of future demand and income. This was also driven by financial sector de-regulation from 1983 along with expansionary monetary policy following the stock market collapse of late 1987.	The Brisbane Expo in 1988 was a catalyst for new hotel development in the mid-1980s which saw significant upscale/five-star operations enter the market including the now Hilton Brisbane and the Pullman & Mercure hotels. Development activity continued through to the end of the decade with the completion of the Heritage Hotel (now the Stamford) as well as the Novotel and several fringe CBD hotel operations. Hotel development surges were also experienced in several of the State's core leisure markets including TNQ, Gold Coast and the Sunshine Coast. A number of island resorts were also developed including Daydream and Bedarra Islands and the Jupiters Casino in Townsville also opened at this time.
1991 to 1994	The 1991/92 recession brought development activity to a halt along with a high number of foreclosures. Receivers and financiers sold large quantities of distressed property assets, mostly to South-East Asian buyers. Total room supply across the major markets also declined slightly.	Against a more challenging funding environment, the pace of development slowed in Brisbane between 1991 and 1994. Large-scale hotel development of note included the Mercure Brisbane. However, it was the Gold Coast that experienced the highest level of large-scale hotel development at this time with hotels such as Crowne Plaza Surfers Paradise, Surfers Paradise Marriott Resort & Spa and Paradise Island Resort built. These three hotels alone introduced just over 900 rooms to the market. Although development activity in Queensland did moderate over this period, unlike other some other States construction activity continued despite the challenges associated with the banking/development sector.
1996 to 1997	Construction activity picked up with investors buoyed by Sydney's winning bid to host the 2000 Olympic Games and expectations of strong growth in international tourism. Development activity was primarily serviced apartments. Local investors re-entered the market and sector specific property trusts grew in popularity, resulting in the launch of major listed hotel vehicles such as Grand Hotel Group and Peppers Hotel Group.	Development interest continued with Surfers Paradise and the Gold Coast the primary targets. During this period some four operations each with a rooms inventory of 280-rooms or reached this market. While large-scale development tended to be massing on the Gold Coast significant development activity was taking place elsewhere. In Brisbane Rydges Southbank came to market. In Cairns the Reef Casino and Novotel Oasis were completed and Port Douglas also saw a significant expansion with the completion of another destination resort that was subsequently split to form two adjoining hotels: the now QT Port Douglas and the Ramada Resort Port Douglas.

Period	General Market Trends	Queensland Hotel Development
1998 to 2000	Development activity peaked, pockets of Asian divestment emerged and local investors bought hotels. Operators began to consolidate, reducing brand competition.	During this period Brisbane saw the opening of two hotels of 200-rooms or more including the five-star Brisbane Marriott. Queensland's regional markets including Gold Coast continued to experience development interest. Another key leisure market, the Sunshine Coast, also experienced supply gains in terms of small and medium-sized operations being completed in these years.
2001 to 2002	Development activity slowed in most major markets with some hotels in Sydney and to a lesser extent Brisbane being converted to residential mainly in city fringe locations in response to booming residential prices. Asian buyers, particularly Singaporeans, revisited the market and all but two hotel specific property trusts delisted.	The extent of new supply contracted over this period as the market absorbed the new supply of the previous few years and grappled with a down turn following the September-11 terrorist attacks. Development activity in these years was largely orientated towards the strata model.
2003 to 2007	Subdued development activity as construction costs soared. The exceptions were Melbourne and serviced apartment developments in leisure destinations. Asian owners divested taking advantage of favourable exchange rates and domestic investors dominated the acquisition landscape, notably unlisted funds.	Development surged state-wide with the orientation of newly built transient accommodation both in leisure and city markets now gravitated significantly towards strata development schemes. While some budget and midscale product was developed, conventional in-one-line hotel developments became less commonplace. The appeal of more immediate returns by way of the sale of individual units to small investors was significant. The pricing of a strata scheme relative to an in-one-line development also addressed the issue of escalating construction costs. As a result a development feasibility gap prevented the delivery of new conventional hotel projects.
2008 to 2011	Investment activity slowed considerably in the post-GFC restricted credit environment before increasing again as counter-cyclical Asian investors snapped up mainly CBD assets from domestic funds to meet changed debt requirements. Construction projects remain largely on hold given the lack of development finance and the supply outlook being largely benign.	The onset of the GFC put an end to a significant proportion of mooted development progressing as banks and developers alike felt the full impact of the financial crisis engulfing the wider economy. Despite the aforementioned headwinds, a strong trading recovery, fuelled in Queensland by strong demand from the resources sector in 2010 and 2011 led to shelved and new development coming back into play. Extraordinary trading highs were experienced during this period in several regional corporate markets. The same levels of growth were not shared by the State's leisure markets which traded at sub-optimal levels subsequent to the GFC. Downward pressure on trading in the leisure markets was compounded by several significant weather events during this period. These events were profound and led to the closure of a number of island resorts and significant insurance claims.

Period	General Market Trends	Queensland Hotel Development
		The focus of development during this period continued to be led by strata product or a combination of in-one-line and strata product. Notable developments included: Novotel Brisbane Airport, The Emporium Hotel, Hilton Surfers Paradise, Soul Surfers Paradise, Peppers Broadbeach and numerous Meriton, Oaks and Quest hotel apartment developments.
2012 to 2014	The dichotomy which had been evident in the Australian market started to shift towards the end of 2012. Previously city hotel markets were trading at high occupancy levels with assets sought by Asian investors whereas leisure and regional markets were under pressure with higher instances of distress. Assets in these markets were being snared by counter cyclical / yield focussed domestic private investors. As the resource segment softened trading in some city hotel markets started to decline whereas leisure markets entered the recovery phase, albeit from a very low base. After a prolonged period of low annual supply increases, record occupancy levels and strong capital inflows development activity is picking up with the accommodation pipeline across the ten major markets at a decade high. Considerably more projects are mooted although it is unlikely that all will advance. Several State governments have been proactively encouraging tourism related development. In some instances, the leisure market appears to be front and centre with the development of demand inducing large-scale and super-scale destination resorts incorporating casino operations being considered with projects planned in Sydney, Perth, Brisbane, Cairns and the Gold Coast. Office conversions, mixed use developments and serviced apartments are dominating accommodation construction trends. .	As the resources sector has moved from a projects to production phase, room night demand within Queensland's corporate centres have fallen. This moderation has been compounded by a concurrent drive for greater cost-efficiencies within the resources sector. Trading declines were most profound in markets that also had a reliance on government related demand and reduced and/or managed expenditure in this regard post-election. Consequently investor interest at the levels experienced in prior years has softened. Notwithstanding the above, interest in the sector remains. Government support for the hospitality and tourism sector remains and development activity sustained. Particular attention is being given to demand inducing super-scale development such as the Integrated Resort Precinct in Brisbane and Aquis in Cairns. Despite pressure on Queensland's corporate markets, the State's leisure markets are showing the early signs of a rebound in trading levels albeit from a low base. Hence investor and developer interest is anticipated to redirect itself to the leisure markets during this period. Brisbane is now experiencing a development surge, boosted by Brisbane Marketing's investment attraction strategies. New hotels in 2014 include the Four Points by Sheraton, Meriton Hershal Street, Gambaro's and Alpha Mosaic opening year to date with further hotel completions scheduled for later in the year including: Next Hotel, Inchcolm Hotel, Tryp and the Quest Woolloongabba. A concern now is whether the market will have adequately recovered or experienced sufficient demand growth in time to adequately absorb new supply.

Source: JLL

6 Brisbane City Hotel Market Cycle

Statistics pertaining to the supply and performance of Brisbane's accommodation market have been sourced from the Australian Bureau of Statistics' (ABS) Survey of Tourist Accommodation (STA) which was conducted on a quarterly basis to June 2013. Data for calendar year 2013 has been estimated by JLL by reference to ABS statistics to June 2013 and STR Global statistics for a basket of hotels and serviced apartments.

According to the ABS, there were 194 properties with 13,258 accommodation rooms (15 rooms or more) in Brisbane Tourism Region at the end of June 2013 with an average property size of 68 rooms. This represents 21.5% of the total accommodation supply in Queensland.

Brisbane Tourism Region extends from Caboolture in the north to Logan in the South and Ipswich in the west. The majority of accommodation rooms are located in Brisbane City (9,112 rooms or 69%) and this is the focus of our analysis. A snapshot of recent performance trends follows.

Brisbane Tourism Region – FY 2013 Accommodation Performance Summary

Grade	Rooms	PPN of Stock	2013 Occ %	2013 ADR $	RevPAR 2003-2013	RevPAR Trend
City	9,112	68.8%	78.5%	$175	5.8%	Declining
Metropolitan	4,136	31.2%	65.0%	$129	6.6%	Declining
Tourism Region	13,300	100.0%	74.3%	$163	5.9%	Declining

Source: Australian Bureau of Statistics / JLL

6.1 Historical Performance 1989 to 2013

Brisbane City is the second largest accommodation centre in Queensland and had 88 accommodation establishments with 9,122 rooms at the end of June 2013. This represents an average property size of 104 rooms.

Historically, Brisbane's accommodation market has experienced cycles of between eight and nine years with real RevPAR growth averaging 1.3% per annum over the past 24 years (1989 and 2013). Supply has been the major influence on the level of volatility with increases averaging 3.9% per annum. Demand has been much more stable, generally demonstrating consistent and reliable growth patterns, increasing on average by 5.3% per annum and having only recorded one year of decline in 2013. Room rates have recorded a slight decline in real terms (2013$), down from $172 in 1989 to an estimated $170 in 2013.

In the early 1990's supply increases in Brisbane City were modest against a small base of room stock but increases largely came on line in one year and coincided with the national recession in 1991. Hence at this time, the fall in real RevPAR in the Brisbane market was relatively profound declining 11.8%.

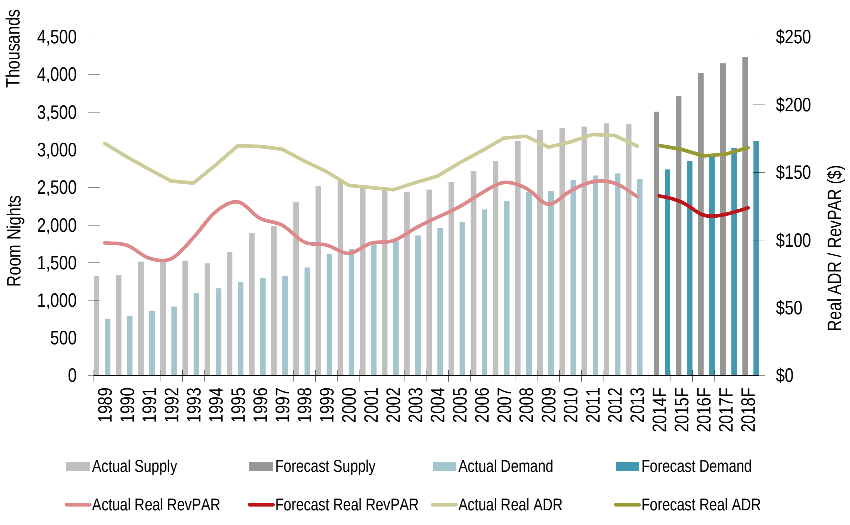
Strong growth in international and domestic tourism, in line with expanding aviation networks and the improving domestic economy, as well as a slight reduction in room supply in 1994 resulted in strong gains in real RevPAR of 48.3% over a three year upswing period.

The start of the hotel development cycle in 1994 was further exacerbated by the introduction of strata-titled serviced apartments, lengthening the development cycle to a six year period with the addition of more than 3,000 rooms in Brisbane between 1995 and 2000. This created a longer five-year downturn with real RevPAR reducing by 29.6%.

Unlike many other Australian markets, Brisbane's accommodation sector recorded growth in 2001 and 2002 with the closure of a number of hotels for residential conversion. In Brisbane, supply declined for three years with closure of around 500 rooms between 2000 and 2003 and occupancy levels increased sharply as a result.

Office demand in Brisbane sky-rocketed in 2004 and remained strong until the second half of 2012. A key driver was the commodities boom and associated expansion in mineral and energy projects as capital expenditure and employment in the mining sector, while usually linked to activities 'on site', this growth also impacted CBD white-collar employment.

Brisbane City Accommodation Market
Historical and Forecast Accommodation Performance 1989 to 2018F



Source: Australian Bureau of Statistics / JLL

With supply additions held back by the cost-versus-value gap and higher returns offered by alternate use (office and residential), Brisbane's accommodation market saw strong growth over the ensuing five years before reaching its cyclical peak in 2007 as supply projects started to emerge, mostly in the form of strata-titled serviced apartments. This created a longer seven-year upswing with real RevPAR increasing by 57.9%.

The GFC eliminated the potential supply threat and as a consequence there was a very short two-year downturn to 2009. The fall was also very contained with real RevPAR in the Brisbane market declining by 11.2%, only one third of the level of the previous cycle and is a similar level to that experienced in the early 1990s.

As the global and national economies stabilised, Australia's accommodation markets reverted to the strong growth trajectory which was evident prior to the global financial crisis. In Brisbane this was compounded by the strength of the commodities sector which saw real RevPAR exceed the 2007-peak in 2011 with growth of 13.0% over the two year period. Changes within the national and state political environment resulted in a notable shift in demand from mid-2012 onwards as the incoming State Government introduced austerity measures which saw the public sector workforce reduced and freezes on travel and entertainment expenditure. We understand that the State Government had accounted for around 30% of commercial office space in Brisbane prior to these changes. This reduction in Government related demand has had a notable impact on both the commercial and hotel accommodation markets. At the same time the mining/resources segment softened with some projects put on hold and others moving from project into a production phase. As a result real RevPAR is estimated to have fallen by 7.6% between 2011 and 2013 as the market experienced what amounted to a localised demand shock: the second in five years.

Brisbane Hotel Market Cycles 1989 to 2018F

Year		Real RevPAR		Volatility		Cycle Length		
High	Low	High	Low	Growth	Fall	High	Low	Total
1989	1992	$98	$86	n/a	-11.8%	n/a	3	n/a
1995	2000	$128	$90	48.3%	-29.6%	3	5	8
2007	2009	$143	$127	57.9%	-11.2%	7	2	9
2011	2016F	$143	$119	13.0%	-17.2%	2	5	7

Source: Australian Bureau of Statistics / JLL

6.2 Occupancy and Rate Correlation

Historically, it has widely been accepted that average room rates typically lag the occupancy cycle by around 18 months in Australian cities. Analysis of the Brisbane City's accommodation market over the past 24 years reaffirms this with correlation between the two metrics highest when lagged by two years as shown in the following table.

Occupancy and Rate Correlation Statistics

Period	Correlation
Actual Occupancy and ADR 1989 - 2013	73.3%
Actual Occupancy and ADR Lagged 1 Year 1989 – 2013	82.2%
Actual Occupancy and ADR Lagged 2 Years 1989 – 2013	84.9%
Actual Occupancy and ADR Lagged 3 Years 1989 - 2013	81.5%

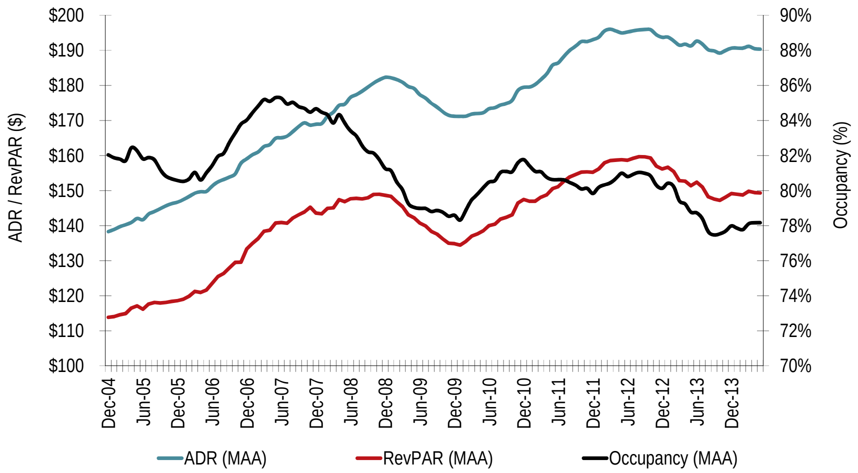
Source: Australian Bureau of Statistics / JLL

6.3 Brisbane Near Term Performance

JLL subscribes to monthly performance statistics for a basket of 45 properties located in Brisbane CBD. Data is available from January 2004 to May 2014.

Nominal RevPAR (moving annual average) in Brisbane is currently quite stable having peaked in August 2012 at $160. RevPAR over the year to May 2014 averaged $149 which represents a shortfall of around 6.5% compared to the recent peak. Occupancy levels averaged 78.2% over the year to May 2014, 8.4% below the June 2007 peak whereas room rates averaged $196, 2.8% below the March 2012 peak.

Brisbane Branded Supply
Recent Trading Performance (Moving Annual Average)



Source: JLL

6.4 Outlook 2014 to 2018F

Brisbane's accommodation market has softened in line with weaker government, corporate and convention demand but occupancy levels are now stabilising after a year of decline. Occupancy levels peaked in August 2012 at 81.0% before reducing 3.5 points over the ensuing year as the mining/resources and government sectors contracted. Occupancy levels averaged a lower but still respectable 78.2% to May 2014, just 0.7 points above the September 2013 low and highlighting a degree of weakness relative to the historic highs in the Brisbane accommodation market.

Trading is expected to continue to improve through 2014, boosted by the G20 summit in November which is expected to attract more than 7,000 delegates & media to Brisbane. Whilst trading is likely to experience a near term demand uplift from hosting this event, supply increases will likely result in occupancy levels moderating in early 2015 given the current trading characteristics.

Any notable uplift in performance will be dependent on the extent of recovery in the corporate and conference segment. Government demand is expected to potentially increase ahead of the 2015 State election. Resources sector related demand is considered to also have the potential to improve over the medium term with renewed investment in mining infrastructure projects. Recent investments in convention infrastructure including the expansion of Brisbane Convention and Exhibition Centre and the opening of the new Royal International Convention Centre (RICC) will underpin future tourism demand, together with longer term projects aimed at revitalising Brisbane's CBD to include the creation and re-activation of centres and precincts.

6.4.1 Forecast Supply

Accommodation development projects have progressed and it may prove more challenging to absorb this new supply against the current trading backdrop. Five projects are currently under construction, scheduled for completion over the next couple of years. A further five proposed projects are expected to start construction within the near future. New openings over the coming year include three projects in Fortitude Valley and four projects in the CBD. Supply increases are expected to average 4.9% per annum to end 2018 which represents the highest rate of growth of the major Australian accommodation markets.

JLL is also aware of 13 mooted projects with 1,943 rooms, although we consider it unlikely that all will proceed in the current environment.

Brisbane City - Forecast Supply Summary

	Projects	Net Rooms	% Increase	Years
Existing Rooms (Jun-13)		9,122		
Recently Completed	6	480	5.3%	2013-14
Under Construction	5	667	6.9%	2014-15
Likely Proposed	5	973	9.5%	2015-16
Mooted	13	1,943	17.3%	2016-18
Total	29	3,767	44.5%	

Source: Australian Bureau of Statistics / JLL

6.4.2 Likelihood for Reinvestment

Nominal RevPAR in Brisbane has averaged around $149 over the year to May 2014, which is 6.5% below the August 2012 peak of $160 and is projected to continue to decline over the next two years. In this environment refurbishment investment is likely to be defensive and therefore limited to the upgrade of soft furnishings and fittings for example. Major refurbishment and/or repositioning projects will likely be held back until investors/owners become confident that the Brisbane City accommodation market has returned to growth. On the basis of our current forecasts we expect this to be in 2017 as shown in the table following.

Brisbane City Accommodation Market, Actual and Forecast Performance 1989 to 2018F

	RNA (000's)	% Change	RNO (000's)	% Change	Occ %	% Change	ADR A$	% Change	RevPAR A$	% Change
Actual										
1989	1,326		758		57.2%		$88.55		$50.63	
1990	1,336	*0.8%*	797	*5.1%*	59.6%	*4.3%*	$89.44	*1.0%*	$53.31	*5.3%*
1991	1,516	*13.5%*	864	*8.4%*	57.0%	*-4.4%*	$87.11	*-2.6%*	$49.62	*-6.9%*
1992	1,528	*0.8%*	919	*6.4%*	60.1%	*5.6%*	$83.01	*-4.7%*	$49.93	*0.6%*
1993	1,529	*0.1%*	1,097	*19.4%*	71.7%	*19.3%*	$83.62	*0.7%*	$59.99	*20.1%*
1994	1,493	*-2.4%*	1,161	*5.8%*	77.8%	*8.4%*	$93.23	*11.5%*	$72.51	*20.9%*
1995	1,647	*10.3%*	1,244	*7.1%*	75.5%	*-2.9%*	$106.42	*14.2%*	$80.39	*10.9%*
1996	1,896	*15.2%*	1,302	*4.7%*	68.7%	*-9.1%*	$108.84	*2.3%*	$74.73	*-7.0%*
1997	1,989	*4.9%*	1,321	*1.5%*	66.4%	*-3.2%*	$107.81	*-0.9%*	$71.62	*-4.2%*
1998	2,308	*16.0%*	1,437	*8.7%*	62.3%	*-6.3%*	$103.04	*-4.4%*	$64.16	*-10.4%*
1999	2,523	*9.3%*	1,615	*12.4%*	64.0%	*2.8%*	$99.43	*-3.5%*	$63.63	*-0.8%*
2000	2,617	*3.7%*	1,682	*4.2%*	64.3%	*0.4%*	$96.88	*-2.6%*	$62.26	*-2.1%*
2001	2,533	*-3.2%*	1,783	*6.0%*	70.4%	*9.5%*	$99.98	*3.2%*	$70.38	*13.0%*
2002	2,470	*-2.5%*	1,792	*0.5%*	72.6%	*3.1%*	$101.75	*1.8%*	$73.85	*4.9%*
2003	2,439	*-1.2%*	1,862	*3.9%*	76.4%	*5.2%*	$108.56	*6.7%*	$82.90	*12.3%*
2004	2,474	*1.5%*	1,965	*5.5%*	79.4%	*4.0%*	$114.88	*5.8%*	$91.25	*10.1%*
2005	2,574	*4.0%*	2,042	*3.9%*	79.3%	*-0.1%*	$125.82	*9.5%*	$99.81	*9.4%*
2006	2,720	*5.7%*	2,210	*8.2%*	81.2%	*2.4%*	$137.63	*9.4%*	$111.82	*12.0%*
2007	2,851	4.8%	2,318	4.9%	81.3%	0.1%	$148.81	8.1%	$120.97	8.2%
2008	3,123	9.5%	2,445	5.5%	78.3%	-3.7%	$156.36	5.1%	$122.43	1.2%
2009	3,266	4.6%	2,453	0.3%	75.1%	-4.1%	$151.59	-3.1%	$113.84	-7.0%
2010	3,293	0.8%	2,601	6.0%	79.0%	5.2%	$158.60	4.6%	$125.27	10.0%
2011	3,311	0.5%	2,662	2.3%	80.4%	1.8%	$167.92	5.9%	$134.98	7.7%
2012	3,354	1.3%	2,668	1.0%	80.2%	-0.3%	$173.10	3.1%	$138.76	2.8%
2013E	3,348	-0.2%	2,612	-2.9%	78.0%	-2.7%	$169.64	-2.0%	$132.32	-4.6%
CAAG 1989 – 2013		3.9%		5.3%		1.3%		2.7%		4.1%
	RNA (000's)	% Change	RNO (000's)	% Change	Occ %	% Change	ADR A$	% Change	RevPAR A$	% Change
Forecast										
2014	3,518	5.1%	2,742	5.0%	77.9%	-0.1%	$175	3.0%	$136	2.9%
2015	3,811	8.3%	2,879	5.0%	75.5%	-3.1%	$176	0.0%	$132	-3.1%
2016	4,129	8.3%	2,994	5.0%	73.2%	-3.1%	$176	1.0%	$129	-2.1%
2017	4,223	2.3%	3,023	2.5%	73.4%	0.2%	$180	2.0%	$132	2.2%
2018	4,265	1.0%	3,098	2.5%	74.5%	1.5%	$185	3.0%	$138	4.5%
CAAG 2014 - 2018		4.9%		3.7%		-1.1%		1.5%		0.3%

Source Australian Bureau of Statistics, JLL

6.5 SWOT Analysis of the Brisbane City Accommodation Market

Strengths	Weaknesses
• One of Australia's best performing hotel markets over the past decade. • Traditionally strong corporate demand from mining and coal segments, as well as technology and government. • Strong growth in international tourism demand over the past decade. • Resilient domestic tourism market. • Proven ability to deliver strong ADR growth over the past decade. • Entry point into Australia for travellers heading north. • Three sporting codes operate during the winter months.	• Weekly trading patterns with low take- up at weekends. • Few highly regarded tourism demand generators in Brisbane city. • Lack of large non-sporting events. • Age and quality of existing hotel product with new properties predominantly strata-titled serviced apartments. • Remote long haul destination for international visitors. • Demand in Brisbane City declined for the first time ever in 2013 highlighting the current trading backdrop. • The market faces new challenges with significant increases in new supply over the next few years. This is likely to push back refurbishment investment in the sector.
Opportunities	**Threats**
• Improve weekend leisure business in Brisbane City. • Recovery in government travel in advance of and following the 2015 State election. • Expansion of the Convention Centre and new Royal International Convention Centre in Fortitude Valley with good pipeline of events thereafter. • Expansion of the city into Fortitude Valley with investment in infrastructure and relocation of major corporate tenants. • Growth in aviation capacity from expansion of low cost carrier network across Australia. • Government investment in tourism infrastructure (QWB) and the development of city precincts improving city's appeal as a leisure destination. • G20 will act as a catalyst for future growth.	• Rebalancing of the Australian economy and a continued slowdown in the resources sector. • A continuation of State Government austerity measures including travel and further cuts to the public sector workforce. • High degree of seepage of tourism demand into rented apartment/house market. • Supply uncertainties given the high proportion of serviced apartment stock in the market. • All or a high proportion of mooted accommodation projects advance. • Council investment attraction/promotion strategies continue despite being out of sync with the current trading environment cultivating potential over-supply.

![JLL]

7 Gold Coast Tourism Region Hotel Market Cycle

Statistics pertaining to the supply and performance of Gold Coast's accommodation market have been sourced from the Australian Bureau of Statistics' (ABS) and Survey of Tourist Accommodation (STA) which was conducted on a quarterly basis to June 2013 and is now done annually.

According to the ABS, there were 152 properties with 13,350 accommodation rooms (15 rooms or more) in Gold Coast Tourism Region at the end of June 2013 with an average property size of 88 rooms. This represents 21.5% of the total accommodation supply in Queensland. A snapshot of recent performance trends follows.

Gold Coast Tourism Region – FY 2013 Accommodation Performance Summary

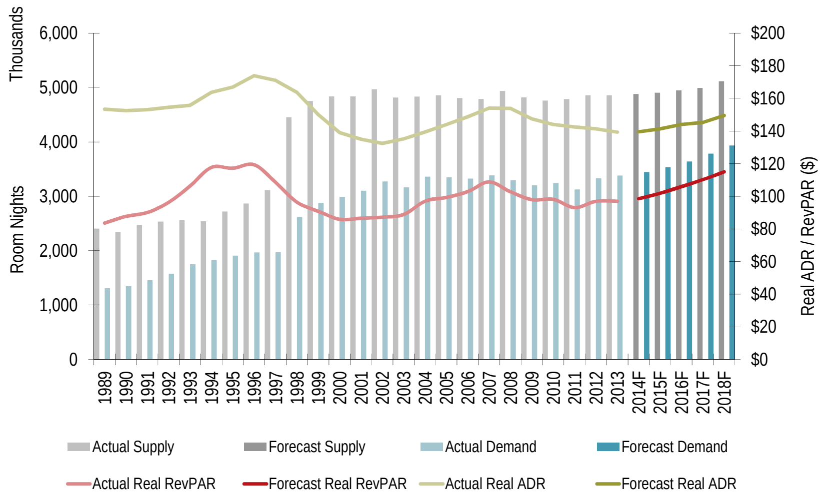
Grade	Rooms	PPN of Stock	2013 Occ %	2013 ADR $	RevPAR 2003-2013	Trend
Tourism Region	13,350	100.0%	68.1%	$139	3.9%	Increasing

Source: Australian Bureau of Statistics / JLL

7.1 Historical Performance 1989 to 2013

The Gold Coast tourism region is the third largest accommodation centre in Australia and largest in Queensland. Accommodation room supply expanded rapidly through the 1990's but has remained relatively stable over the last ten years. The region also has a large holiday or second-home apartment market which adds a rogue element to supply as apartments move in and out of rental pools. Hotels account for 46.1% of room supply, which is only slightly higher than serviced apartment room stock at 43.5%. However the two segments demonstrate quite different characteristics. Hotels tend to have a larger average property size of approximately 239 rooms, considerably higher than the 59-room average for serviced apartments.

Gold Coast Tourism Region Accommodation Market
Historical and Forecast Accommodation Performance 1989 to 2016F



Source: Australian Bureau of Statistics / JLL

Historically, Gold Coast's accommodation market has experienced cycles of around 11 years with real RevPAR growth averaging 0.6% per annum over the past 24 years (1989 and 2013). Supply has been the major influence on the level of volatility with increases averaging 3.0% per annum but with little change recorded over the past five years. Demand has been generally stable with annual increases having averaged 4.0% per annum but with six years of decline since 2002. Room rates have declined marginally in real terms averaging -0.4% per annum, down from $153 in 1998 to $139 in 2013.

In the early 1990's, supply increases on the Gold Coast were small (436 rooms or 6.8% over a three year period) against a relatively modest room base and as a result real RevPAR continued to grow each year until the start of the next development cycle which occurred in 1996. Real RevPAR increased by 42.7% between 1989 and 1996, with visitation to the Gold Coast boosted by expanding aviation networks and an influx of Japanese and domestic leisure visitors.

As a result the development cycle in the late 1990s was extreme and further exacerbated by the introduction of strata titled serviced apartments. This resulted in a near doubling of room supply over a five year period with 6,282 rooms coming on line between 1995 and 2000, creating a four-year downturn with real RevPAR reducing by 28.0%. As demand conditions softened, growth over the next cycle was boosted by the periodic withdrawal of room supply with a reduction in rooms recorded in 2003, 2006, 2007, 2009 and 2010. As experienced elsewhere new accommodation supply was generally held back by the cost-versus-value gap although some new upscale projects did come on line in 2008.

Having increased by 26.7%, real RevPAR peaked in 2007 before declining 14.5% over the four years to 2011 as the high Australian dollar and GFC impacted domestic and international leisure travel patterns. The appreciation of the Australian dollar has been a major factor for the Australian tourism industry since 2004; driving outbound travel and conversely reducing the competitiveness of long-stay domestic tourism. Difficulties in competing effectively against changing consumer preferences have also become evident. For predominantly leisure destinations like the Gold Coast, the impact has been pronounced as Australia's solid economic performance has made overseas travel more affordable and low cost carriers have made travel more affordable and available to many.

Gold Coast Hotel Market Cycles 1989 to 2020F

Year		Real RevPAR		Volatility		Cycle Length		
High	Low	High	Low	Growth	Fall	High	Low	Total
1996	2000	$119	$86	42.7%	-28.0%	7	4	11
2007	2011	$109	$93	26.7%	-14.5%	7	4	11
2018F	2020F	$115	$113	12.8%	-1.4%	7	2	9

Source: Australian Bureau of Statistics / JLL

7.2 Occupancy and Rate Correlation

Historically, it has widely been accepted that average room rates typically lag the occupancy cycle by around 18 months in Australia. Analysis of the Gold Coast accommodation market over the past 24 years reaffirms this with correlation between the two metrics highest when lagged by two years. The overall correlation is lower than for most city accommodation markets given the higher dependence on leisure tourism and monthly seasonality patterns throughout the year, resulting in fewer opportunities to yield as shown in the following table.

Occupancy and Rate Correlation Statistics

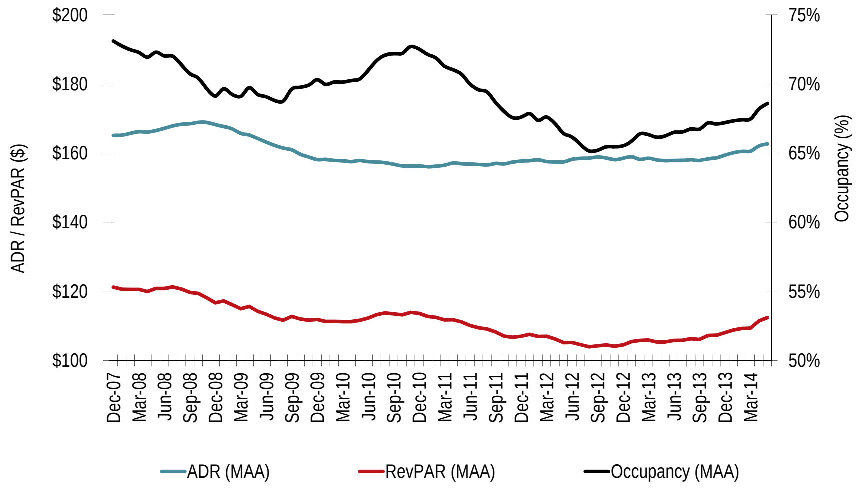
Period	Correlation
Actual Occupancy and ADR 1989 - 2011	60.1%
Actual Occupancy and ADR Lagged 1 Year 1989 - 2011	68.1%
Actual Occupancy and ADR Lagged 2 Years 1989 - 2011	71.5%
Actual Occupancy and ADR Lagged 3 Years 1989 - 2011	69.2%
Source: Australian Bureau of Statistics / Jones Lang LaSalle Hotels	

7.3 Gold Coast Near Term Performance

JLL subscribes to monthly performance statistics for a basket of 42 properties located on the Gold Coast. Data is available from January 2007 to May 2014.

Nominal RevPAR (moving annual average) in Gold Coast is currently trending upwards having bottomed in August 2012 at $104. RevPAR over the year to May 2014 averaged $112 which represents an increase of around 8.1% compared to the trough. Notwithstanding RevPAR still remains around 7.3% below the near term peak of $121 which was recorded in July 2008. Occupancy levels averaged 68.6% over the year to May 2014, 6.2% below the December 2007 peak whereas room rates averaged $163, 4.0% below the October 2008 peak.

Gold Coast Branded Supply
Recent Trading Performance (Moving Annual Average)



Source: JLL

7.4 Outlook 2014 to 2018F

The outlook for the Gold Coast accommodation market has improved as demand has strengthened over the past couple of years. Market occupancies are expected to record modest growth in the absence of any major supply additions, before stabilising. Accordingly, room rate growth is expected to build gradually over the medium term, albeit from a low base.

Tourism is one of the key drivers for the Queensland state and local economies, resulting in several marketing initiatives to promote the region and provide prospects for future tourism growth. Growth will be underpinned by the recent reduction in the Australian dollar and improvements in the Queensland state economy as well as inbound tourism from Asia.

The Gold Coast is renowned for its beaches, shopping and entertainment facilities and forecasts may be exceeded should demand conditions strengthen over and above current expectations for example strong inbound growth from China or a recovery in the Japanese market. Gold Coast Tourism agencies have been actively sourcing flights from Asia with services now provided by Air Asia X and Scoot with direct flights to Kuala Lumpur and Singapore.

The successful bid to host the 2018 Commonwealth Games is also expected to provide a welcome boost to the tourism industry as evidenced by Melbourne which hosted the Games in 2006. A number of sporting venues will be utilised during the event with many venues expected to be extended and/or upgraded.

7.4.1 Forecast Supply

Supply increases are expected to average 1.0% per annum to end 2018 with only one proposed project (239 rooms) expected to advance over the near term. Investment in infrastructure ahead of the Commonwealth Games in 2018 will likely see some mooted projects progress, but overall the supply outlook remains relatively benign. JLL is aware of a further three mooted projects with 570 rooms however their likelihood remains somewhat uncertain owing to the on-going sub-optimal economic conditions. Recent signs of a trading recovery on the Gold Coast have not been sufficient to warrant more projects being progressed with development debt domestically still difficult to obtain. Consequently, we anticipate that only a proportion of the mooted projects will proceed.

Serviced apartment development is also expected to remain relatively constrained. Prior to the start of the global financial crisis, higher interest rates had started to reduce the appeal of second home investments to the retail market – typically how serviced apartment projects are funded - as most projects offered a negative yield spread. While interest rates remain low this could see more projects progress although we believe that a positive yield spread would have to be evident for at least three years before retail investors were tempted back into the second-home investment market to such an extent as to have a material impact on development activity.

Notwithstanding this, we note that during the last 12 months there has been reportedly a surge in interest from overseas investors looking to acquire residential investments in key markets across Australia. The Gold Coast has been a key market of interest in this regard, particularly for investors of Asian origin including but not limited to the Chinese. Against this backdrop there exists development interest from overseas developers keen to tap into this demand source. The motivation of development in this case is orientated towards capital sales to an emerging market. The success of such new development from a capital sales and ultimately operationally is uncertain. Currently beneficiaries appear to be pre-existing residential and serviced apartment development that had until recently been regarded as surplus supply and challenging to divert at levels above cost.

Gold Coast Tourism Region – Forecast Supply Summary

	Projects	Net Rooms	% Increase	Years
Existing Rooms		13,300		
Recently Completed		0	0.0%	
Under Construction	0	0	0.0%	
Likely Proposed	1	239	1.8%	2016
Mooted	3	570	4.1%	2016-18
Total	4	809	6.0%	

Source: Australian Bureau of Statistics / JLL

7.4.2 Likelihood for Reinvestment

RevPAR (for a basket of hotels, excludes serviced apartments) has averaged $112 over the year to May 2014 with stronger growth evident over the past four months. This is still 7.1% below the December 2007 high of $121. With RevPAR expected to continue on an a generally upward trajectory over the next few years, it is likely that some hotel investor/owners will consider major refurbishment projects ahead of the Commonwealth Games in 2018. The high proportion of strata-titled serviced apartment stock does however pose a problem for the Gold Coast's tourism industry with less capital available for re-investment by individual owners.

Gold Coast Tourism Region Accommodation Market, Actual and Forecast Performance 1989 to 2018F

	RNA (000's)	% Change	RNO (000's)	% Change	Occ %	% Change	ADR A$	% Change	RevPAR A$	% Change
Actual										
1989	2,406		1,312		54.5%		$79.17		$43.17	
1990	2,347	-2.5%	1,349	2.8%	57.5%	5.4%	$84.50	6.7%	$48.57	12.5%
1991	2,474	5.4%	1,456	7.9%	58.9%	2.4%	$87.52	3.6%	$51.51	6.1%
1992	2,533	2.4%	1,578	8.4%	62.3%	5.9%	$89.23	2.0%	$55.59	7.9%
1993	2,565	1.2%	1,750	10.9%	68.2%	9.5%	$91.57	2.6%	$62.49	12.4%
1994	2,543	-0.8%	1,829	4.5%	71.9%	5.4%	$98.04	7.1%	$70.52	12.8%
1995	2,720	6.9%	1,909	4.4%	70.2%	-2.4%	$104.66	6.7%	$73.45	4.2%
1996	2,869	5.5%	1,968	3.1%	68.6%	-2.2%	$111.86	6.9%	$76.76	4.5%
1997	3,113	8.5%	1,977	0.4%	63.5%	-7.5%	$110.29	-1.4%	$70.02	-8.8%
1998	4,453	43.0%	2,623	32.7%	58.9%	-7.2%	$106.44	-3.5%	$62.69	-10.5%
1999	4,750	6.7%	2,875	9.6%	60.5%	2.7%	$99.03	-7.0%	$59.94	-4.4%
2000	4,836	1.8%	2,988	3.9%	61.8%	2.1%	$95.84	-3.2%	$59.22	-1.2%
2001	4,836	0.0%	3,101	3.8%	64.1%	3.8%	$97.12	1.3%	$62.29	5.2%
2002	4,969	2.8%	3,272	5.5%	65.9%	2.7%	$98.15	1.1%	$64.64	3.8%
2003	4,816	-3.1%	3,164	-3.3%	65.7%	-0.2%	$103.02	5.0%	$67.69	4.7%
2004	4,833	0.4%	3,361	6.2%	69.5%	5.8%	$108.70	5.5%	$75.60	11.7%
2005	4,856	0.5%	3,350	-0.3%	69.0%	-0.8%	$115.21	6.0%	$79.48	5.1%
2006	4,808	-1.0%	3,325	-0.8%	69.2%	0.2%	$123.30	7.0%	$85.26	7.3%
2007	4,789	-0.4%	3,384	1.8%	70.7%	2.2%	$130.60	5.9%	$92.28	8.2%
2008	4,936	3.1%	3,297	-2.6%	66.8%	-5.5%	$136.15	4.2%	$90.92	-1.5%
2009	4,820	-2.4%	3,201	-2.9%	66.4%	-0.5%	$132.51	-2.7%	$88.01	-3.2%
2010	4,762	-1.2%	3,244	1.3%	68.1%	2.6%	$132.38	-0.1%	$90.18	2.5%
2011	4,787	0.5%	3,127	-3.6%	65.3%	-4.1%	$134.31	1.5%	$87.73	-2.7%
2012	4,857	1.5%	3,332	6.6%	68.6%	5.0%	$137.94	2.7%	$94.62	7.9%
2013	4,857	0.0%	3,382	1.5%	69.6%	1.5%	$139.32	1.0%	$97.00	2.5%
CAAG 1989 - 2013		3.0%		4.0%		1.0%		2.4%		3.4%
	RNA (000's)	% Change	RNO (000's)	% Change	Occ %	% Change	ADR A$	% Change	RevPAR A$	% Change
Forecast										
2014	4,882	0.5%	3,551	5.0%	72.7%	4.5%	$145	4.0%	$105	8.7%
2015	4,906	0.5%	3,517	1.5%	73.5%	1.0%	$149	3.0%	$110	4.0%
2016	4,949	1.9%	3,587	1.5%	73.2%	-0.3%	$154	3.0%	$113	2.7%
2017	5,016	1.9%	3,659	1.6%	73.0%	-0.3%	$160	4.0%	$117	3.7%
2018	5,142	2.5%	3,787	3.5%	73.7%	1.0%	$169	6.0%	$125	7.0%
CAAG 2014 - 2018		1.7%		2.0%		0.3%		4.0%		4.3%

Source Australian Bureau of Statistics, JLL

7.5 SWOT Analysis of the Gold Coast Accommodation Market

Strengths	Weaknesses
• Established domestic and international leisure destination. • Size and diversity of accommodation market and tourism attractions appeals to a wide range of visitors. • Proximity to Brisbane and ease of accessibility via road, air and rail with good linkage to major cities on the Eastern seaboard. • International recognition as a premier holiday destination.	• Domination of the holiday and VFR segments as the majority of corporate and MICE visitors tend to stay in Brisbane. • Disjointed marketing efforts in recent years. • Highly seasonal visitation. • Concentration of accommodation product in the mid-tier segment and a high proportion of serviced apartments.
Opportunities	**Threats**
• New sporting facilities encouraging additional events and visitation to the area. • 2018 Commonwealth Games has the potential showcase the destination and deliver long term benefits for the tourism industry. • Relatively new convention and exhibition centre to encourage MICE and corporate groups to the region. • Reduced road congestion into Surfers Paradise following construction of the new light transit system. • Diversification of local economy to include a broader mix of industries including education, health and medicine, marine, film and multimedia, sport and technology. This will result in a higher proportion of business tourism. • Capacity for more domestic and international flights through the Airport. • Successful clean-up of crime. • Refurbishment/upgrading of existing offering.	• Oversupply of rooms reducing yields to operators/owners. • On-going negative media coverage from "schoolies week" and resurging crime rates on the Coast. • The development of competing tourism infrastructure across Asia, particularly theme parks, resulting in fewer international tourists. • Premature over supply based on the sale of investment product and associated short-term capital returns without due regard or adequately responding to underlying demand fundamentals and arguably the need to first absorb residual supply conceived prior to the GFC. • Australian dollar remains high for an extended period of time resulting in a permanent shift in Australian travel patterns with more Australians travelling overseas for long-stay vacations.

8 Tropical North Queensland Hotel Market Cycle

Statistics pertaining to the supply and performance of Tropical North Queensland's accommodation market have been sourced from the Australian Bureau of Statistics' (ABS) and Survey of Tourist Accommodation (STA) which was conducted on a quarterly basis to June 2013 and is now done annually.

According to the ABS, there were 173 properties with 10,940 accommodation rooms (15 rooms or more) in Tropical North Queensland Tourism Region at the end of June 2013 with an average property size of 63 rooms. This represents 17.7% of the total accommodation supply in Queensland.

The majority of accommodation rooms are located in Cairns City and Port Douglas. A snapshot of recent performance trends follows.

TNQ Tourism Region – FY 2013 Accommodation Performance Summary

Grade	Rooms	PPN of Stock	2013 Occ %	2013 ADR $	RevPAR 2003-2013	RevPAR Trend
Cairns Region	7,209	65.9%	67.8%	$117	1.8%	Increasing
Port Douglas	2,315	21.2%	49.0%	$156	-0.5%	Increasing
Tourism Region	10,940	100.0%	61.4%	$137	1.8%	Increasing

Source: Australian Bureau of Statistics / JLL

8.1 Historical Performance 1989 to 2013

Our analysis of the Tropical North Queensland accommodation market pertains to the Cairns Region which is the third largest accommodation centre in Queensland.

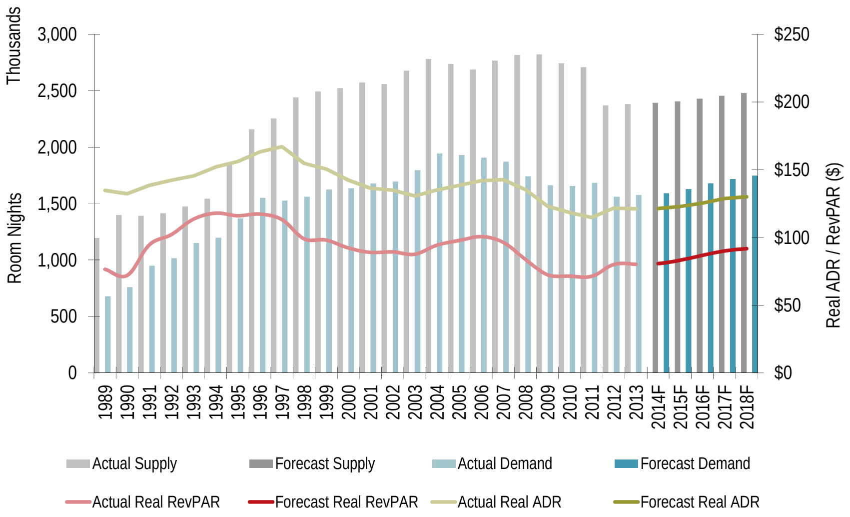
Accommodation room supply expanded rapidly through the 1990's but has declined over the past ten years. The region also has a large holiday or second-home apartment market which adds a rogue element to supply as apartments move in and out of rental pools. Hotels account for 35.6% of room supply, with the majority of accommodation rooms being serviced apartments comprising 36.4% of the total supply and with motels making up the remaining one third. The two segments demonstrate quite different characteristics. Hotels tend to have a larger average property size of approximately 111 rooms, considerably higher than the 50-room average for serviced apartments.

Historically, Cairns' accommodation market has experienced cycles of around ten to 11 years with real RevPAR growth averaging 0.2% per annum over the past 24 years (1989 and 2013). Arguably demand has been the major influence on the level of volatility with increases averaging 3.6% per annum but with eight years of decline. Demand declined each year between 2005 and 2010 as the tourism market underwent a structural shift against the high Australian dollar.

Whilst supply has increased at an average rate of 2.9% per annum, it has also been quite erratic with seven years of decline. As a result, room rates have declined marginally in real terms averaging -0.4% per annum, down from $135 in 1998 to $121 in 2013.

In the early 1990's, supply increases were significant (601 rooms or 18.2% over a three year period) against a relatively small room base and as a result real RevPAR continued to grow each year until the start of the next development cycle which occurred in 1994. Real RevPAR increased by 64.1% between 1990 and 1994, with visitation boosted by expanding aviation networks and an influx of Japanese leisure visitors.

Cairns Region Accommodation Market
Historical and Forecast Accommodation Performance 1989 to 2018F



Source: Australian Bureau of Statistics / JLL

The start of the hotel development cycle came earlier in Cairns in 1995 and was exacerbated by the introduction of strata-titled serviced apartments resulting in the addition of more than 2,600 rooms in a short four year timeframe whereas demand softened following the Asian Financial Crisis in 1997/98 as well September-11 and the collapse of Ansett Airlines in 2001. Consequently this resulted in a seven-year downturn with real RevPAR reducing by 24.6%.

While demand conditions remained generally weak over the upswing increasing on average by 1.5% per annum between 2001 and 2006, growth was boosted by the periodic withdrawal of room supply with a reduction in rooms recorded in 2002, 2005 and 2006. New accommodation supply was generally held back by the cost-versus-value gap although some new apartment projects did open in 2007 and 2008.

The peak of the cycle came earlier in Cairns than in other Australian accommodation markets with real RevPAR increasing by 13.1% over the five years to 2006. The downturn was also more pronounced with real RevPAR reducing by 29.2% over the five years to 2011 to reach $71 to be at the same level as in 1990. The appreciation of the Australian dollar has been a major factor for the Australian tourism industry since 2004; driving outbound travel and conversely reducing the competitiveness of long-stay domestic tourism. Difficulties in competing effectively against changing consumer preferences have also become evident. For predominantly leisure destinations like Cairns, the impact has been pronounced as Australia's solid economic performance has made overseas travel more affordable and low cost carriers have made travel more affordable and available to many.

Cairns Hotel Market Cycles 1989 to 2018F

Year		Real RevPAR		Volatility		Cycle Length		
High	Low	High	Low	Growth	Fall	High	Low	Total
n/a	1990	n/a	$72	n/a	n/a	n/a	n/a	n/a
1994	2001	$118	$89	64.1%	-24.6%	4	7	11
2006	2011	$101	$71	13.1%	-29.2%	5	5	10
2018F	2021F	$92	$87	28.6%	-4.8%	7	3	10

Source: Australian Bureau of Statistics / JLL

8.2 Occupancy and Rate Correlation

Analysis of Cairns' accommodation market over the past 24 years highlights little or no correlation between occupancy and room rates. This reflects the seasonality of the market as well as the impact of demand shocks which have been more pronounced on a market which is heavily reliant on the provision of air traffic with little or no drive market. These factors have resulted in a greater degree of volatility in the accommodation market which can act as a deterrent to investment.

Occupancy and Rate Correlation Statistics

Period	Correlation
Actual Occupancy and ADR 1989 - 2011	6.0%
Actual Occupancy and ADR Lagged 1 Year 1989 - 2011	17.5%
Actual Occupancy and ADR Lagged 2 Years 1989 - 2011	22.7%
Actual Occupancy and ADR Lagged 3 Years 1989 - 2011	22.5%

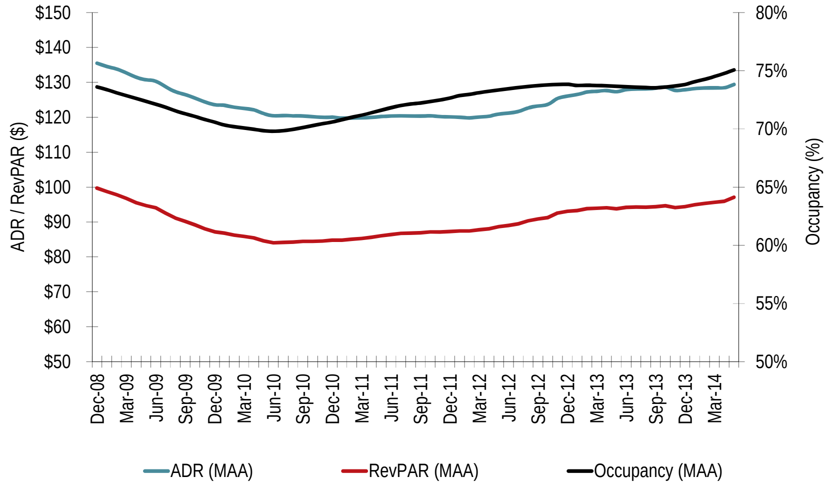
Source: Australian Bureau of Statistics / Jones Lang LaSalle Hotels

8.3 Cairns Near Term Performance

JLL subscribes to monthly performance statistics for a basket of 16 properties in Cairns. Data is available from January 2007 to May 2014.

Nominal RevPAR (moving annual average) in Cairns is currently trending upwards having bottomed in June 2012 at $104. RevPAR over the year to May 2014 averaged $97 which represents an increase of around 15.5% compared to the trough. Notwithstanding RevPAR still remains around 3.3% below the near term peak of $100 which was recorded in December 2008. Occupancy levels averaged 75.1% over the year to May 2014, which is line with the previous peak whereas room rates averaged $129 which is 8.9% below the December 2008 high.

Cairns Branded Supply
Recent Trading Performance (Moving Annual Average)



Source: JLL

8.4 Outlook 2014 to 2018F

The outlook for the Cairns accommodation market has improved as demand has strengthened over the past couple of years. Highlights in 2014 will include the G20 Finance Ministers' meeting in November, ahead of the main leader's meeting as part of the G20 summit in Brisbane. An estimated 2,000 people are anticipated to visit Cairns for the event.

Market occupancies are expected to record modest growth over the next three years, in the absence of any major supply additions, before stabilising with growth underpinned by the recent reduction in the Australian dollar and improvements in the Queensland state economy. Accordingly, room rate growth is expected to build gradually over the medium term, albeit from a low base.

Current tourism infrastructure projects include the Port of Cairns foreshore development which will link the Esplanade to the new Cairns Cruise Liner Terminal through improved and expanded public spaces. A proposed site has also been selected for the new Performing Arts Centre, located at the intersection of Lake, Wharf and Hartley Streets. The site is to accommodate the centre as well as any future expansion of the Cairns Convention Centre and part of the site can also be made available for a potential hotel or residential development. Council is currently in discussions with Ports North (site owner) and the Queensland Government to seek funding for the project. An aquarium is also currently proposed for the Cairns CBD and is anticipated to be completed by 2015.

Cairns Airport received approval from the Queensland Government in March 2013 for a $1 billion redevelopment project to occur over the next 20 years. The key project is the Aviation Economic Precinct planned for the eastern side of the runway and will provide the aviation sector with opportunities to establish new operations or grow existing operations.

8.4.1 Forecast Supply

Supply increases are projected to average 0.9% per annum to end 2018 excluding the mooted Aquis integrated resort development project with preliminary approval for a Casino operator. This proposed project in its current form (7,500 rooms) would represent a significant increase (107.1%) on the existing room stock in Tropical North Queensland and needless to say, would have a material impact on the local accommodation and likely defer any additional projects for an extended period of time.

Cairns Tourism Region – Forecast Supply Summary

	Projects	Net Rooms	% Increase	Years
Existing Rooms		7,209		
Recently Completed		0	0.0%	
Under Construction	0	0	0.0%	
Likely Proposed	0	0	0.0%	
Mooted	2	7,721	107.1%	2016-18
Total	2	7,721	107.1%	n/a

Source: Australian Bureau of Statistics / JLL

8.4.2 Likelihood for Reinvestment

RevPAR (for a basket of hotels & apartments) in Cairns has averaged $100 over the year to May 2014 and while having shown some improvement, it remains 5.9% below the December 2007 market peak of $106. Occupancy levels have recorded strong growth since bottoming in January 2013, increasing 4.1 percentage points to be at near decade-high. Against this backdrop, ADR growth has been achieved with rates trending upwards but still 8.9% below the previous peak. Whilst timing in the hotel market cycle may therefore indicate the opportunity for reinvestment, profit levels remain low and the availability of funds for capital expenditure will likely be limited. In this environment we expect major refurbishment projects to remain limited although some light investment in order to maintain market positioning and in some cases brand standards is likely.

Cairns Tourism Region Accommodation Market, Actual and Forecast Performance 1989 to 2018F

	RNA (000's)	% Change	RNO (000's)	% Change	Occ %	% Change	ADR A$	% Change	RevPAR A$	% Change
Actual										
1989	1,195		679		56.8%		$70		$40	
1990	1,400	*17.1%*	761	*12.1%*	54.4%	*-4.3%*	$73	*5.3%*	$40	*0.8%*
1991	1,393	*-0.5%*	951	*25.0%*	68.2%	*25.5%*	$79	*8.0%*	$54	*35.6%*
1992	1,415	*1.5%*	1,016	*6.9%*	71.8%	*5.3%*	$82	*3.7%*	$59	*9.1%*
1993	1,475	*4.3%*	1,151	*13.3%*	78.1%	*8.7%*	$86	*4.1%*	$67	*13.2%*
1994	1,545	*4.7%*	1,199	*4.1%*	77.6%	*-0.6%*	$91	*6.5%*	$71	*5.9%*
1995	1,844	*19.4%*	1,370	*14.3%*	74.3%	*-4.2%*	$98	*7.5%*	$73	*2.9%*
1996	2,159	*17.1%*	1,551	*13.2%*	71.9%	*-3.3%*	$105	*7.2%*	$75	*3.7%*
1997	2,256	*4.5%*	1,528	*-1.5%*	67.7%	*-5.7%*	$108	*2.6%*	$73	*-3.3%*
1998	2,442	*8.3%*	1,562	*2.2%*	63.9%	*-5.6%*	$101	*-6.6%*	$64	*-11.8%*
1999	2,494	*2.1%*	1,625	*4.0%*	65.1%	*1.9%*	$99	*-1.3%*	$65	*0.6%*
2000	2,525	*1.2%*	1,637	*0.7%*	64.8%	*-0.5%*	$98	*-1.3%*	$64	*-1.8%*
2001	2,573	*1.9%*	1,679	*2.6%*	65.3%	*0.7%*	$98	*0.0%*	$64	*0.7%*
2002	2,559	*-0.5%*	1,695	*1.0%*	66.2%	*1.5%*	$100	*1.9%*	$66	*3.5%*
2003	2,678	*4.6%*	1,796	*5.9%*	67.1%	*1.2%*	$100	*-0.5%*	$67	*0.7%*
2004	2,783	*3.9%*	1,944	*8.3%*	69.9%	*4.2%*	$105	*5.8%*	$74	*10.2%*
2005	2,737	*-1.6%*	1,932	*-0.6%*	70.6%	*1.0%*	$111	*5.3%*	$78	*6.4%*
2006	2,689	*-1.8%*	1,907	*-1.3%*	70.9%	*0.5%*	$118	*6.1%*	$83	*6.6%*
2007	2,768	3.0%	1,871	-1.9%	67.6%	-4.7%	$121	2.9%	$82	-2.0%
2008	2,817	1.8%	1,742	-6.9%	61.9%	-8.5%	$120	-0.9%	$74	-9.3%
2009	2,824	0.2%	1,663	-4.6%	58.9%	-4.8%	$111	-7.7%	$65	-12.2%
2010	2,744	-2.8%	1,657	-0.4%	60.4%	2.5%	$109	-1.6%	$66	0.8%
2011	2,710	-1.2%	1,684	1.7%	62.2%	3.0%	$108	-0.6%	$67	2.4%
2012	2,370	-12.5%	1,561	-7.3%	65.8%	5.9%	$119	9.9%	$78	16.4%
2013	2,382	0.5%	1,576	1.0%	66.2%	0.5%	$121	2.0%	$80	2.5%
CAAG 1989 - 2013		2.9%		3.6%		0.6%		2.3%		3.0%
	RNA (000's)	% Change	RNO (000's)	% Change	Occ %	% Change	ADR A$	% Change	RevPAR A$	% Change
Forecast										
2014	2,394	0.5%	1,671	1.0%	69.8%	5.5%	$125	3.0%	$87	8.6%
2015	2,406	0.5%	1,727	2.3%	71.8%	2.8%	$130	4.0%	$93	6.9%
2016	2,430	1.0%	1,758	3.2%	72.3%	2.2%	$136	5.0%	$99	5.8%
2017	2,455	1.0%	1,788	2.3%	72.8%	0.8%	$144	6.0%	$105	6.7%
2018	2,479	1.0%	1,816	1.7%	73.3%	0.7%	$150	4.0%	$110	4.6%
CAAG 2014 - 2018		0.9%		2.1%		1.2%		4.7%		6.0%

Source Australian Bureau of Statistics, JLL

8.5 SWOT Analysis of the Tropical North Queensland Accommodation Market

<table>
<tr><th>Strengths</th><th>Weaknesses</th></tr>
<tr><td>
Access point to the Great Barrier Reef, Port Douglas and Daintree Rainforest.
Close proximity to Asia, particularly Japan, making it a short-haul destination.
Increased capacities following expansion of Cairns International Airport.
Broad appeal to both domestic and international leisure travellers.
Cairns Convention Centre is well-regarded.
</td><td>
Primarily a long-stay holiday and leisure destination with low levels of corporate & conference travel. This makes the market more susceptible to economic shocks as highly dependent on discretionary spend.
Distance to Australian major metropolitan centres - Brisbane, Sydney & Melbourne.
Annual seasonality from being a tropical destination with low visitation during wet season makes it hard to yield manage.
Highly competitive trading environment in recent years has seen overall market pricing decline.
Economic austerity measures and natural disasters have impacted major source markets, notably Japan & U.K.
</td></tr>
<tr><th>Opportunities</th><th>Threats</th></tr>
<tr><td>
Increase market share from growth inbound source markets notably China, India and Middle East.
Recovery in visitation from traditional source markets once the GFC abates, notably Japan and United Kingdom.
Proposed redevelopment of the Cairns foreshore to link the Esplanade to the new cruise liner terminal via the promenade.
Introduction of direct flights from China & other growth markets and/or charter flights during peak travel period e.g. Chinese New Year.
</td><td>
Continued adverse weather events affecting visitation and consumer perception.
Increased competition from offshore destinations (Fiji, Bali & Thailand) for domestic long-stay leisure travel.
Supply uncertainties given the high proportion of serviced apartment stock in the market.
High degree of seepage of tourism demand into rented apartment/house market.
Unforeseen demand shocks.
Australian dollar stays high for an extended period of time, resulting in a further reduction in domestic and international leisure travel.
Protraction of global financial crises and/or further deterioration in global economic sentiment. Further declines in discretionary spending.
</td></tr>
</table>

9 Great Barrier Reef Hotel Market Cycle

Statistics pertaining to the supply and performance of Great Barrier Reef's accommodation market have been sourced from the Australian Bureau of Statistics' (ABS) and Survey of Tourist Accommodation (STA) which was conducted on a quarterly basis to June 2013 and is now done annually.

Our analysis of the Great Barrier Reef accommodation market pertains to the accommodation resorts located on the islands along the Queensland Coast which include the offshore portions of the Tropical North Queensland, Northern, Whitsundays, Mackay, Central Queensland and Bundaberg Tourism Regions.

According to the ABS, Great Barrier Reef Tourism Region had 11 accommodation establishments with 1,815 rooms at the end of June 2013 with an average property size of 165 rooms. This represents 2.9% of Queensland's accommodation supply. The number of establishments has reduced over the last ten years, declining from a total of 17 in June 2002. We note a number of resorts such as Lizard Island, Dunk Island, Brampton Island Resort and Club Med Lindeman Island have been closed for periods and in some cases remain closed following cyclone damage over the past few years.

Great Barrier Reef Tourism Region – FY 2013 Accommodation Performance Summary

Grade	Rooms	PPN of Stock	2013 Occ %	2013 ADR $	RevPAR 2003-2013	Trend
Tourism Region	1,815	100.0%	56.7%	$272	2.8%	Increasing

Source: Australian Bureau of Statistics / JLL

9.1 Historical Performance 1989 to 2013

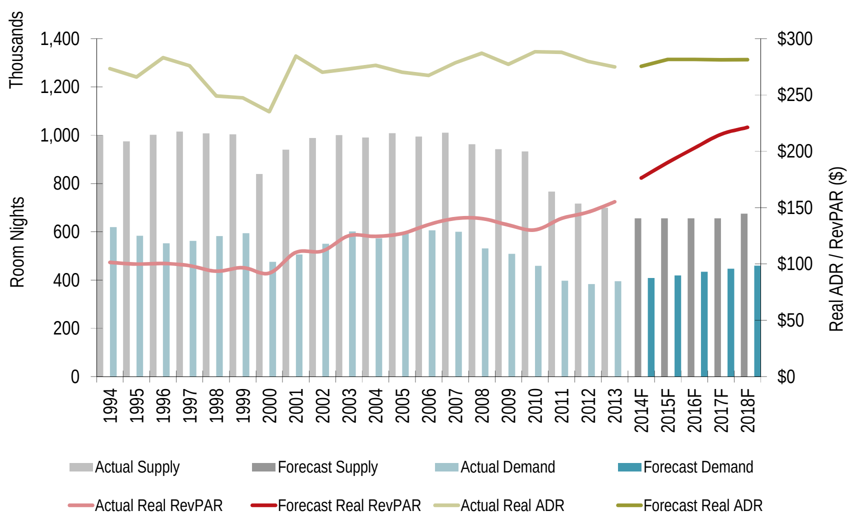
The Great Barrier Reef is the world's largest coral reef system comprising over 900 islands and stretching over 2,600 kilometres. The World Heritage listed coral reef is largely protected by the Great Barrier Reef Marine Park which manages the reef in partnership with the Queensland Government. The Great Barrier Reef is separated into three regions and as a result the hotel market cycle does not perform in the same way as other markets. An overview of the regions follows:

- Northern Great Barrier Reef is a popular tourist destination for international travellers, easily accessible via Cairns International Airport. The region spans from Cape York to Hinchinbrook and includes island resorts such as Green Island, Lizard Island (currently closed), Fitzroy Island, Dunk Island (currently closed) and Bedarra Island. Most of these islands are surrounded by other smaller islands, some of which are national parks and can be accessed for camping and bush walking.
- The Central Great Barrier Reef spans from Townsville to Mackay and features the well-known and popular Whitsunday Islands, the largest offshore chain of islands on Australia's east coast. The Whitsundays comprise a total of 74 islands, only seven of which have resort facilities including; Daydream Island, Dent Island, Hamilton Island, Hayman Island, Long Island, Lindeman Island and Brampton Island. Of these, we note both Lindeman Island and Brampton Island Resorts are currently closed resulting from a combination of poor performance and previous weather events. The Great Barrier Reef is serviced by dedicated airports including the Great Barrier Reef Airport (Hamilton Island), Whitsunday Coast (Proserpine) Airport as well as Gladstone and Cairns Airports.

- The southern part of the reef is the most accessible reef touch-point in Queensland, spanning 300 kilometres of Queensland coast and is only a four hour drive from Brisbane. The region extends from south of Bundaberg to the Capricorn Coast north of Rockhampton and includes the islands of Lady Elliot, Lady Musgrave, Heron, Wilson and Great Keppel.

Historically, the Great Barrier Reef's accommodation market has experienced cycles of around five years with real RevPAR declining on average by 0.5% per annum over the past 20 years (1994 and 2013). Demand has been the major influence on the level of volatility having declined on average by 2.3% per annum and with ten years of decline. Reductions in accommodation supply have contributed to this trend with supply withdrawal evident in 12 of the 20 years. Accommodation supply peaked in 2007 at 2,768 rooms but has recorded consecutive annual declines over the past six years with the closure of 850 rooms (30.7%). Despite this, room rates have recorded little growth in real terms, up from $273 in 1994 to $275 in 2013.

Great Barrier Reef Accommodation Market
Historical and Forecast Accommodation Performance 1989 to 2018F



Source: Australian Bureau of Statistics / JLL

Great Barrier Reef Hotel Market Cycles 1989 to 2018F

Year		Real RevPAR		Volatility		Cycle Length		
High	Low	High	Low	Growth	Fall	High	Low	Total
1994	2000	$169	$133	n/a	-21.3%	n/a	6	n/a
2003	2005	$164	$159	23.3%	-3.4%	3	2	5
2007	2010	$166	$142	24.2%	-14.4%	2	3	5
2018F	2021F	$178	$172	25.5%	-3.3%	8	2	10

Source: Australian Bureau of Statistics / JLL

9.2 Occupancy and Rate Correlation

Analysis of Great Barrier Reef's accommodation market over the past 20 years highlights negative correlation between occupancy and average daily rate. This indicates that higher room rates have the potential (albeit marginal) to deter demand. This also reflects the dependence on leisure tourism which is more price-sensitive, reduction in accommodation supply with the closure of a number of island resorts over the past ten years as well as monthly seasonality patterns and the impact of demand shocks with the region highly reliant on the provision of air traffic. These factors have resulted in a greater degree of volatility in the accommodation market which can act as a deterrent to investment.

Occupancy and Rate Correlation Statistics

Period	Correlation
Actual Occupancy and ADR 1994 – 2013	-55.4%
Actual Occupancy and ADR Lagged 1 Year 1994 – 2013	-51.1%
Actual Occupancy and ADR Lagged 2 Years 1994 - 2013	-37.8%
Actual Occupancy and ADR Lagged 3 Years 1994 - 2013	-28.9%

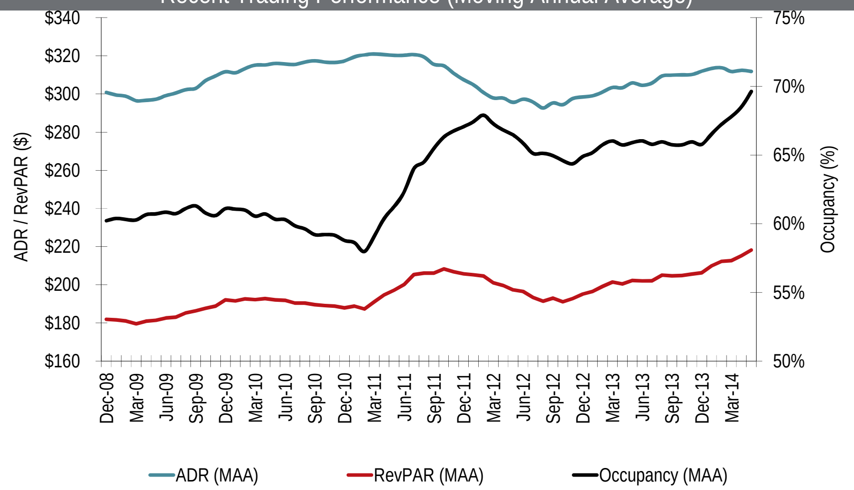
Source: Australian Bureau of Statistics / JLL

9.3 Great Barrier Reef Near Term Performance

JLL subscribes to monthly performance statistics for a basket of 9 properties in Cairns. Data is available from January 2007 to May 2014.

Nominal RevPAR (moving annual average) in Great Barrier Reef is currently trending upwards having bottomed in August 2012 at $191. RevPAR over the year to May 2014 averaged $218 and is at the highest level ever recorded over the period. Occupancy levels averaged 69.6% over the year to May 2014 to be at the highest level recorded over the eight year period whereas room rates are currently 2.9% below the March 2011 high.

Great Barrier Reef Branded Supply
Recent Trading Performance (Moving Annual Average)



Source: JLL

9.4 Outlook 2014 to 2018F

The outlook for the Great Barrier Reef accommodation market has improved as demand has strengthened considerably over the past eighteen months and whilst a number of resorts remain closed. Market occupancies are expected to record modest growth over the next three years, in the absence of any major supply additions and adverse weather conditions notably cyclones.

Growth will be underpinned by the recent reduction in the Australian dollar and improvements in the State, national and global economies. Room rate growth is expected to get a boost from refurbished and rebranded product opening in 2014 (for example One and Only at Hayman Island) and will continue to build gradually over the medium term as occupancies increase

9.4.1 Future Supply

In terms of future island resort development, we are aware that there are plans for a major redevelopment on Great Keppel Island although this project is currently being marketed for sale. We note that interest in this project was set back by the announcement that it had not secured the regional casino licence which was being offered by the Queensland Government.

We do not anticipate any major island projects to commence construction in the short term although our forecasts do assume that one resort will either re-open or be constructed towards the end of the forecast period. We note that ambitious projects of scale tend to progress at a slower rate with the likelihood of delivery ultimately being more challenged. Such projects can also fundamentally change the characteristics of a region and would need to be considered with greater regard.

9.4.2 Likelihood for Reinvestment

RevPAR (for a basket of island resorts) in Great Barrier Reef has averaged $218 over the year to May 2014 to be a record high (data only available back to 2007). Occupancy levels have recorded strong growth since bottoming in February 2011, increasing 11.6 percentage points to be at a high. Against this backdrop, ADR growth has been achieved with rates trending upwards but still slightly below the peak level (-2.9%). Market timing would therefore indicate that we could see more re-investment in the Great Barrier Reef island resorts but we expect it to be largely dependent on individual property performance and investment strategies as performance will likely be quite varied.

Great Barrier Reef Accommodation Market, Actual and Forecast Performance 1994 to 2018F

	RNA (000's)	% Change	RNO (000's)	% Change	Occ %	% Change	ADR A$	% Change	RevPAR A$	% Change
Actual										
1994	1,000,226		618,921		61.9%		$164		$101	
1995	974,719	(2.6%)	583,864	(5.7%)	59.9%	(3.2%)	$167	1.8%	$100	(1.5%)
1996	1,001,907	2.8%	552,367	(5.4%)	55.1%	(8.0%)	$182	9.2%	$100	0.5%
1997	1,015,239	1.3%	561,821	1.7%	55.3%	0.4%	$178	(2.3%)	$98	(1.9%)
1998	1,008,211	(0.7%)	581,890	3.6%	57.7%	4.3%	$162	(8.9%)	$94	(5.0%)
1999	1,003,947	(0.4%)	594,455	2.2%	59.2%	2.6%	$163	0.8%	$97	3.4%
2000	839,122	(16.4%)	475,470	(20.0%)	56.7%	(4.3%)	$162	(0.7%)	$92	(5.0%)
2001	940,174	12.0%	506,077	6.4%	53.8%	(5.0%)	$205	26.4%	$110	20.0%
2002	988,856	5.2%	550,412	8.8%	55.7%	3.4%	$200	(2.2%)	$111	1.1%
2003	1,000,586	1.2%	601,746	9.3%	60.1%	8.0%	$208	3.9%	$125	12.2%
2004	990,836	(1.0%)	572,602	(4.8%)	57.8%	(3.9%)	$215	3.6%	$125	(0.5%)
2005	1,008,837	1.8%	592,731	3.5%	58.8%	1.7%	$216	0.4%	$127	2.0%
2006	994,191	(1.5%)	605,495	2.2%	60.9%	3.7%	$222	2.5%	$135	6.2%
2007	1,010,189	1.6%	599,960	(0.9%)	59.4%	(2.5%)	$236	6.7%	$140	4.0%
2008	962,427	(4.7%)	531,252	(11.5%)	55.2%	(7.1%)	$254	7.5%	$140	(0.1%)
2009	942,142	(2.1%)	508,873	(4.2%)	54.0%	(2.2%)	$249	(2.0%)	$135	(4.1%)
2010	933,247	(0.9%)	458,596	(9.9%)	49.1%	(9.0%)	$265	6.4%	$130	(3.2%)
2011	766,371	(17.9%)	396,603	(13.5%)	51.8%	5.3%	$271	2.4%	$140	7.8%
2012	716,370	(6.5%)	382,849	(3.5%)	53.4%	3.3%	$273	0.7%	$146	4.0%
2013	700,000	(2.3%)	395,000	3.2%	56.4%	5.6%	$275	0.6%	$155	6.3%
CAAG 1994 - 2013		2.9%		3.6%		0.6%		2.3%		3.0%
	RNA (000's)	% Change	RNO (000's)	% Change	Occ %	% Change	ADR A$	% Change	RevPAR A$	% Change
Forecast										
2014	655,343	(6.4%)	408,010	3.3%	62.3%	10.3%	$283	3.0%	$176	13.6%
2015	655,343	0.0%	412,091	1.0%	62.9%	1.0%	$297	5.0%	$187	6.0%
2016	655,343	0.0%	416,211	1.0%	63.5%	1.0%	$306	3.0%	$195	4.0%
2017	655,343	0.0%	422,455	1.5%	64.5%	1.5%	$316	3.0%	$203	4.5%
2018	675,003	3.0%	426,679	1.0%	63.2%	(1.9%)	$325	3.0%	$205	1.0%
CAAG 2014 - 2018		0.9%		2.4%		1.5%		4.7%		6.3%

Source Australian Bureau of Statistics, JLL

9.5 SWOT Analysis of the Great Barrier Reef Accommodation Market

<table>
<tr><th>Strengths</th><th>Weaknesses</th></tr>
<tr><td>

Widely regarded as an international ‘must-see’ tourist destination being the world’s largest coral reef system.
World heritage listed and protected by the Great Barrier Reef Marine Park which manages the reef in partnership with the Queensland Government.
Various points of entry via the Queensland Coast, some of which are serviced by airports.
The area comprises over 900 islands and stretching over 2,600 kilometres although development opportunities are limited.

</td><td>

Visitation dominated by the domestic and international tourism segment with very limited appeal to corporate and conference guests.
Marketing efforts can lack cohesion as the area is so vast.
Highly seasonal visitation.
Maintenance, insurance and staffing costs are higher for island resorts.
The region is prone to damage from adverse weather notably cyclones.
Lower appeal to date to growth inbound Asian segments.
Land is predominantly leasehold which can have lower appeal to investors.

</td></tr>
<tr><th>Opportunities</th><th>Threats</th></tr>
<tr><td>

Accommodation supply has contracted over the past ten years.
Accommodation product is predominantly owner operated with few internationally recognised brands.
Increase market share from growth inbound source markets notably China, India and Middle East.
Recovery in visitation from traditional source markets once the GFC abates, notably Japan and United Kingdom.

</td><td>

Environmental damage to the Reef from over-use and/or pollution.
Large-scale development projects have the potential to skew the region’s tourism dynamics.
Changes to flight routes and/or capacities as the region is solely reliant of the provision of adequate air services.
Continued adverse weather events affecting visitation and consumer perception.
Increased competition from offshore destinations (Fiji, Bali & Thailand) for domestic long-stay leisure travel.
Australian dollar stays high for an extended period of time, resulting in a further reduction in domestic and international leisure travel.
Protraction of global financial crises and/or further deterioration in global economic sentiment. Further declines in discretionary spending.

</td></tr>
</table>

10 Regional Queensland Hotel Market Cycles

10.1 Introduction

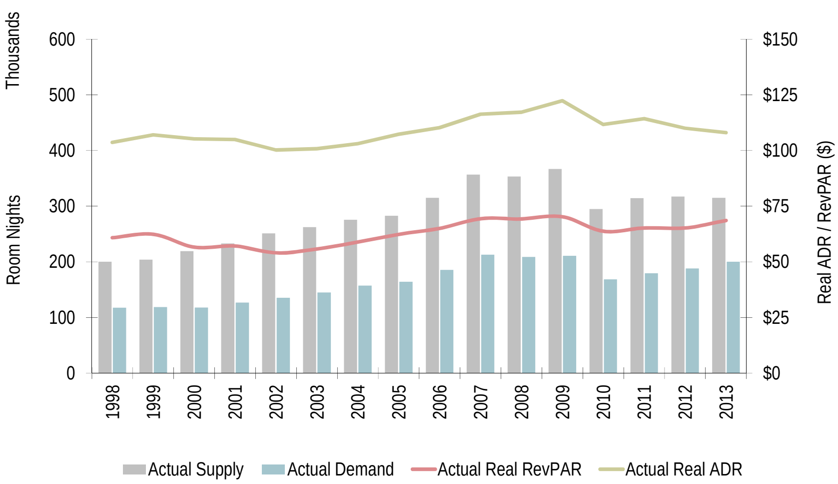
Statistics pertaining to the supply and performance of Regional Queensland's accommodation markets have been sourced from the Australian Bureau of Statistics' (ABS) and Survey of Tourist Accommodation (STA) which was conducted on a quarterly basis to June 2013 and is now undertaken annually.

Near term performance statistics have been sourced from STR Global (where available) for properties which participate in the dataset. This is predominantly branded accommodation supply and statistics are therefore typically higher than for the general market which includes all property types and grades. A summary for each follows.

10.2 Bundaberg

According to the ABS, there were 33 properties with 844 rooms located in Bundaberg Tourism Region at the end of June 2013 with an average property size of 26 rooms. This represents 1.4% of the total accommodation supply in Queensland.

Bundaberg Tourism Region
Historical Trading Performance 1998 to June 2013



Source: ABS, JLL

Bundaberg – FY 2013 Accommodation Performance Summary

Grade	Rooms	PPN of Stock	2013 Occ %	2013 ADR $	RevPAR 2003-2013	RevPAR Trend
Tourism Region	844	100.0%	66.1%	$109	5.7%	Increasing

Source: Australian Bureau of Statistics / JLL

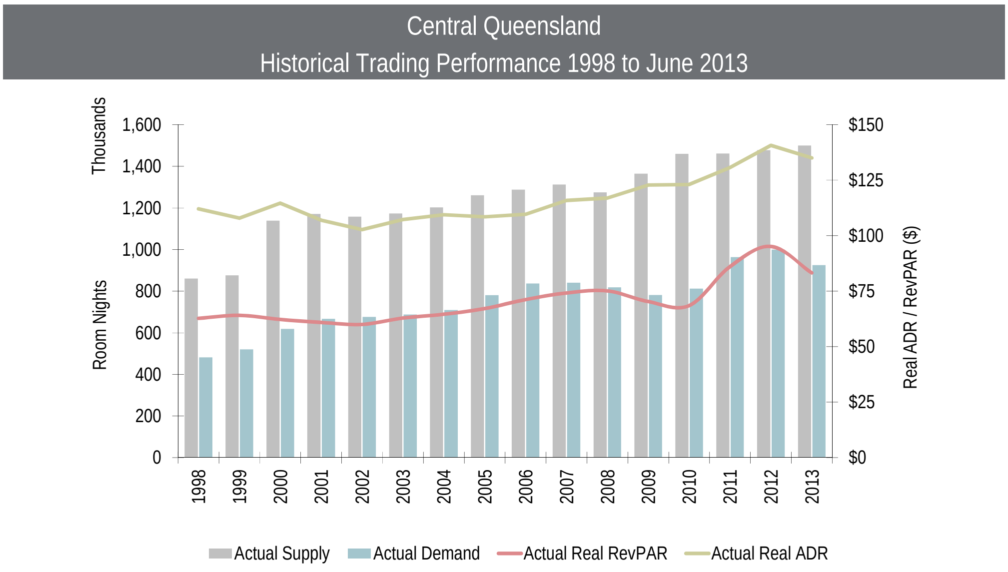
Bundaberg's accommodation market has recorded slight growth over the past fifteen years with real RevPAR increasing on average by 0.8% per annum between 1998 and 2013. Supply has been the major influence on the level of volatility having increased at an average rate of 3.1% per annum with the addition of around 295 rooms. The small size of the accommodation market makes it more susceptible to volatility from new supply opening in the market. Supply peaked in 2009 at 1,005 rooms but has declined over the past few years. Demand growth has been stronger by comparison increasing at an average rate of 3.6% per annum and with only three years of decline. Occupancy levels in 2013 were at the highest level ever recorded at an estimated 63.5%. Despite this, room rates have recorded little growth in real terms over the fifteen year period, up from $104 in 1998 to $108 in 2013 and are yet to revert to the 2009-high.

There are only three data providers who submit data to STR Global in the Bundaberg Tourism Region and therefore we have been unable to purchase a trend report for this market.

Given the current trading environment we believe there is low to medium probability of new accommodation supply in Bundaberg Tourism Region. Existing properties are also likely to advance refurbishment plans to take advantage of the trading upswing.

10.3 Central QLD

According to the ABS, there were 108 properties with 4,180 rooms located in the Central Queensland Tourism Region at the end of June 2013 with an average property size of 39 rooms. This represents 6.8% of the total accommodation supply in Queensland.



Source: ABS, JLL

Central Queensland's accommodation market has recorded growth over the past fifteen years with real RevPAR increasing on average by 1.9% per annum between 1998 and 2013. Supply has been the major influence on the level of volatility having increased at an average rate of 3.8% per annum with the addition of around 1,814 rooms with significant increases evident in 2000, 2005, 2009 and 2010. The small size of the accommodation market makes it more susceptible to volatility from new supply opening in the market. Demand growth has increased at a higher rate with growth averaging 4.4% per annum and with four years of decline. As a result room rates have recorded slight growth in real terms over the fifteen year period, up from $112 in 1998 to $135 in 2013.

Central Queensland – FY 2013 Accommodation Performance Summary

Grade	Rooms	PPN of Stock	2013 Occ %	2013 ADR $	RevPAR 2003-2013	RevPAR Trend
Tourism Region	4,180	100.0%	62.1%	$135	6.1%	Declining

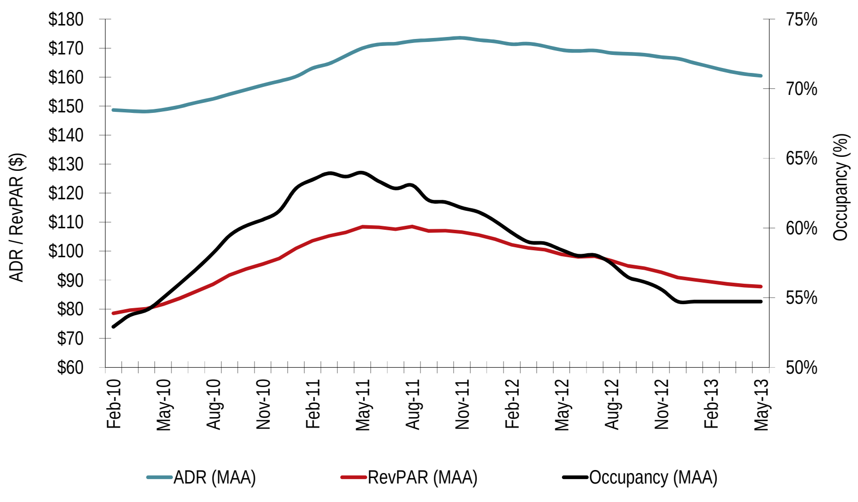
Source: Australian Bureau of Statistics / JLL

10.3.1 Central Queensland Near Term Performance

Data for a basket of 17 properties comprising 1,274 rooms has been bought from STR Global providing monthly performance statistics for and is available from February 2010 to May 2014. The majority of properties are located in Rockhampton and Gladstone.

Nominal RevPAR (moving annual average) in the Central Queensland Region is currently trending down having peaked in August 2012 at $109. RevPAR over the year to May 2014 averaged $88 which represents a shortfall of around 19.1% compared to the recent peak. Occupancy levels averaged 54.7% over the year to May 2014, 14.5% below the May 2012 peak whereas room rates averaged $160, 7.2% below the November 2012 peak.

Central Queensland Branded Supply
Recent Trading Performance (Moving Annual Average)



Source: JLL

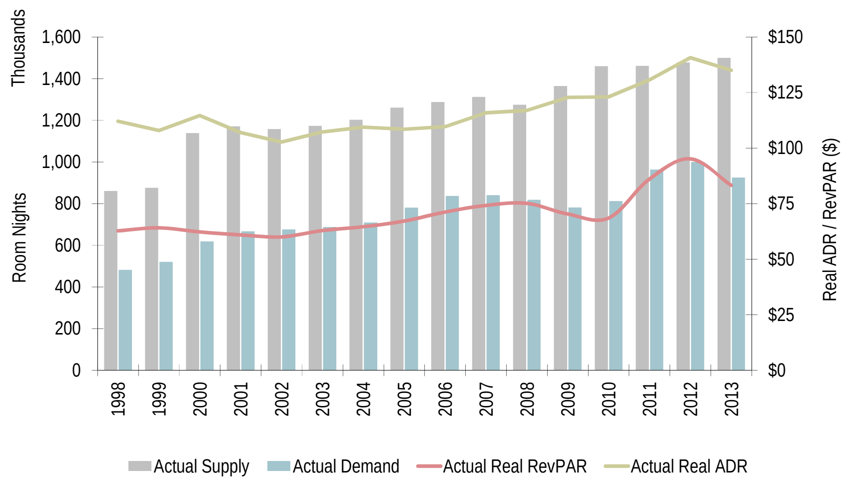
Occupancy levels are showing signs of stabilisation with little change recorded over the past six months. Notwithstanding they are yet to start to increase. Rates are continuing to decline and are expected to do so for the remainder of the year with rates typically lagging the occupancy cycle by up to two years.

Given the current trading environment we believe there is low probability of new accommodation supply in Central Queensland. Existing properties may advance defensive refurbishment plans to protect market position in a generally declining market.

10.4 Darling Downs

According to the ABS, there were 112 properties with 3,001 rooms located in Darling Downs Tourism Region at the end of June 2013 with an average property size of 27 rooms. This represents 4.9% of the total accommodation supply in Queensland.

Darling Downs
Historical Trading Performance 1998 to June 2013



Source: ABS, JLL

Darling Downs – FY 2013 Accommodation Performance Summary

Grade	Rooms	PPN of Stock	2013 Occ %	2013 ADR $	RevPAR 2003-2013	RevPAR Trend
Tourism Region	3,001	100.0%	66.0%	$116	7.7%	Increasing

Source: Australian Bureau of Statistics / JLL

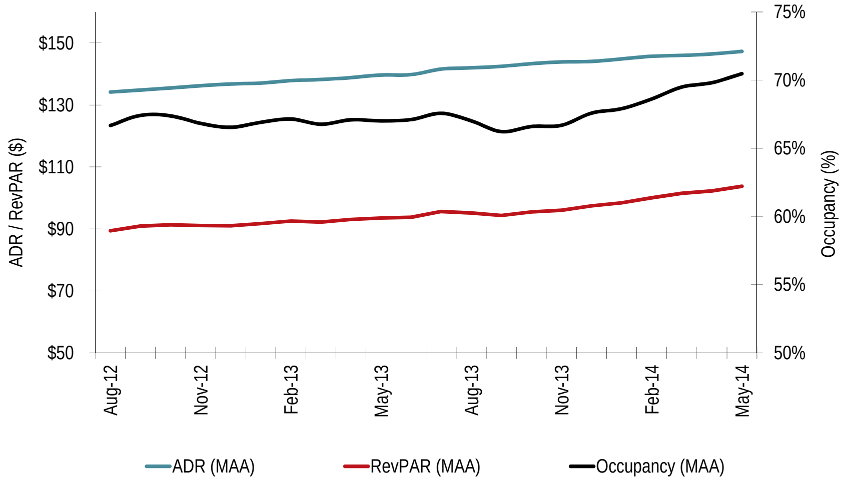
Darling Downs' accommodation market has recorded growth over the past fifteen years with real RevPAR increasing on average by 3.4% per annum between 1998 and 2013. Supply has been the major influence on the level of volatility having increased at an average rate of 4.5% per annum with the addition of around 1,483 rooms. Demand growth has increased at a higher rate averaging 6.0% per annum and with only year of decline in 2000. Occupancy levels in 2013 were at the highest level ever recorded. Room rates have also recorded growth in real terms over the fifteen year period, up from $88 in 1998 to $116 in 2013.

10.4.1 Darling Downs Near Term Performance

Data for a basket of eight properties comprising 310 rooms has been bought from STR Global providing monthly performance statistics for and is available from August 2011 to May 2014. The majority of properties are located in Toowoomba.

Nominal RevPAR (moving annual average) in the Darling Downs Region is currently trending upwards with real RevPAR averaging $104 over the year to May 2014 to be at the highest level recorded. Occupancy levels and room rates are also at a near term high with occupancy levels averaging 70.5% over the year to May 2014 and room rates averaged $147. The market is expected to continue to grow over the coming year. Occupancy levels have recorded eight consecutive monthly gains whereas room have increased each month during the period.

Darling Downs Branded Supply
Recent Trading Performance (Moving Annual Average)



Source: JLL

Given the current trading environment we believe there is medium to high probability of new accommodation supply in the Darling Downs Tourism Region. Existing properties may also advance refurbishment plans to take advantage of the current strength of the accommodation market.

10.5 Fraser Coast

According to the ABS, there were 45 properties with 1,725 rooms located in Fraser Coast Tourism Region at the end of June 2013 with an average property size of 38 rooms. This represents 2.8% of the total accommodation supply in Queensland.

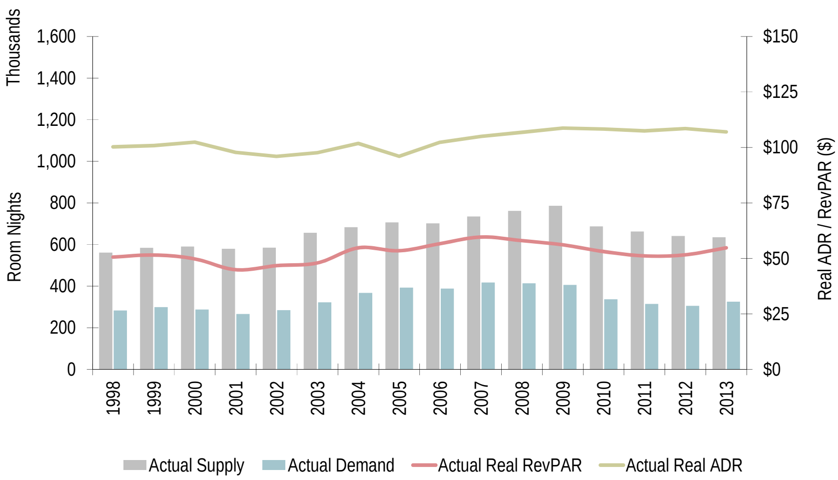
Fraser Coast's accommodation market has recorded growth over the past fifteen years with real RevPAR increasing on average by 0.5% per annum between 1998 and 2013. Supply has been the major influence on the level of volatility having increased at an average rate of 0.8% per annum with the addition of around 137 rooms. Demand growth has increased at a slightly higher rate averaging 0.9% per annum but with eight years of decline. Room rates have also recorded growth in real terms over the fifteen year period, up from $100 in 1998 to $107 in 2013.

Fraser Coast – FY 2013 Accommodation Performance Summary

Grade	Rooms	PPN of Stock	2013 Occ %	2013 ADR $	RevPAR 2003-2013	RevPAR Trend
Tourism Region	3,001	100.0%	50.7%	$106	4.4%	Increasing

Source: Australian Bureau of Statistics / JLL

Fraser Coast
Historical Trading Performance 1998 to June 2013



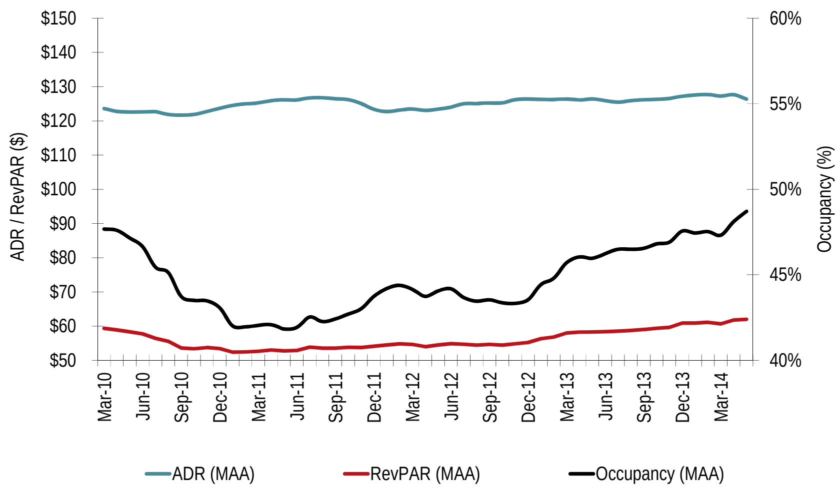
Source: ABS, JLL

10.5.1 Fraser Coast Near Term Performance

Data for a basket of seven properties comprising 604 rooms has been bought from STR Global providing monthly performance statistics for and is available from March 2009 to May 2014. The majority of properties are located in Hervey Bay.

Nominal RevPAR (moving annual average) in the Fraser Coast Region is currently trending upwards with real RevPAR averaging $62 over the year to May 2014 to be at the highest level recorded. Occupancy levels averaged 48.7% over the year to May 2014 and have recorded monthly gains since bottoming in November 2012 at 43.3%. Notwithstanding they are still 6.1% below the October 2009 peak of 51.9%. Room rates have averaged $126 over the year to May 2014 but are trending down since peaking in February 2014 at $127. The market is expected to show modest improvement over the coming year albeit coming from a low base.

Fraser Coast Branded Supply
Recent Trading Performance (Moving Annual Average)



Source: JLL

Given the current trading environment we believe there is low probability of new accommodation supply in the Fraser Coast Tourism Region. Existing properties are also unlikely to advance refurbishment plans whilst the trading outlook remains uncertain.

10.6 Mackay

According to the ABS, there were 53 properties with 1,903 rooms located in Mackay Tourism Region at the end of June 2013 with an average property size of 36 rooms. This represents 3.0% of the total accommodation supply in Queensland.

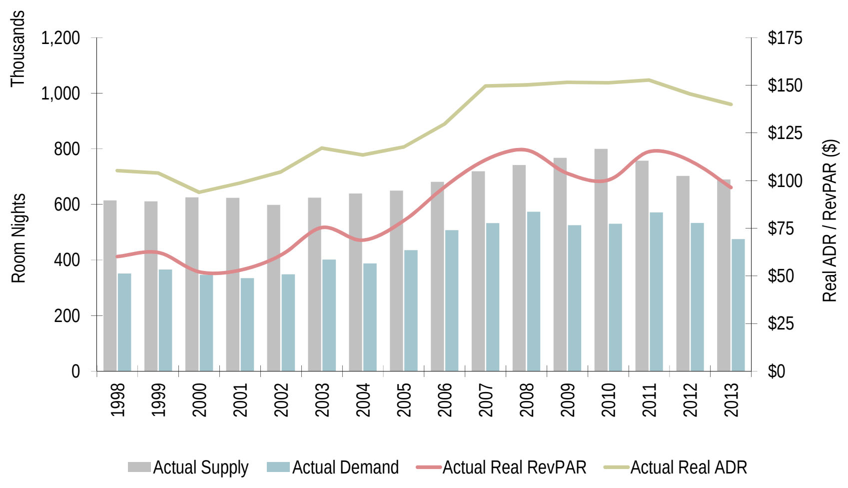
Mackay's accommodation market has recorded growth over the past fifteen years with real RevPAR increasing on average by 3.2% per annum between 1998 and 2013. Demand has been the major influence on the level of volatility having increased at an average rate of 2.0% per annum and with six years of decline. Demand has declined considerably over the past two years. Supply growth has been softer by comparison increasing on average by 0.8% per annum. Accommodation room supply peaked in 2010 at 2,192 rooms but has declined over the three years to June 2013 with the closure of around 300 rooms. However, we note that in 2014 a new hotel operation has opened in the market (Quest) and a further hotel development remains mooted. Room rates have recorded growth in real terms over the fifteen year period, up from $105 in 1998 to $140 in 2013.

Mackay – FY 2013 Accommodation Performance Summary

Grade	Rooms	PPN of Stock	2013 Occ %	2013 ADR $	RevPAR 2003-2013	RevPAR Trend
Tourism Region	,903	100.0%	68.4%	$142	6.6%	Declining

Source: Australian Bureau of Statistics / JLL

Mackay
Historical Trading Performance 1998 to June 2013

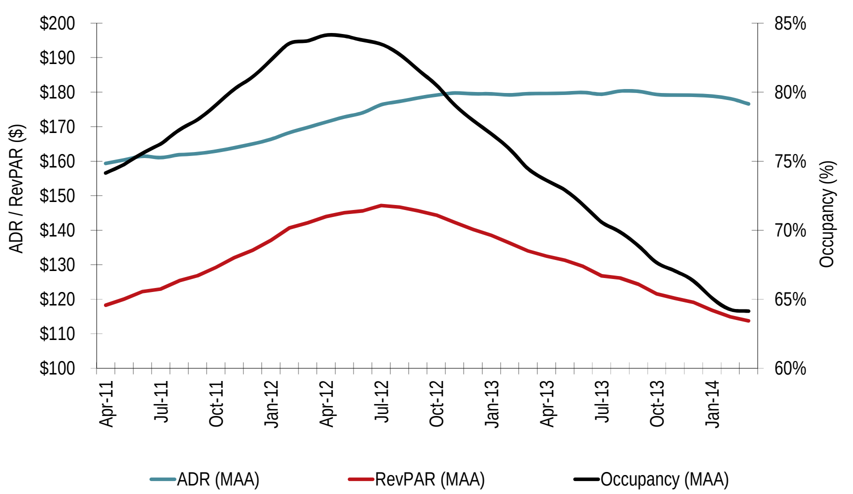


Source: ABS, JLL

10.6.1 Mackay Near Term Performance

Data for a basket of five properties comprising 272 rooms has been bought from STR Global providing monthly performance statistics for and is available from April 2010 to March 2014. The majority of properties are located in Mackay.

Mackay Branded Supply
Recent Trading Performance (Moving Annual Average)



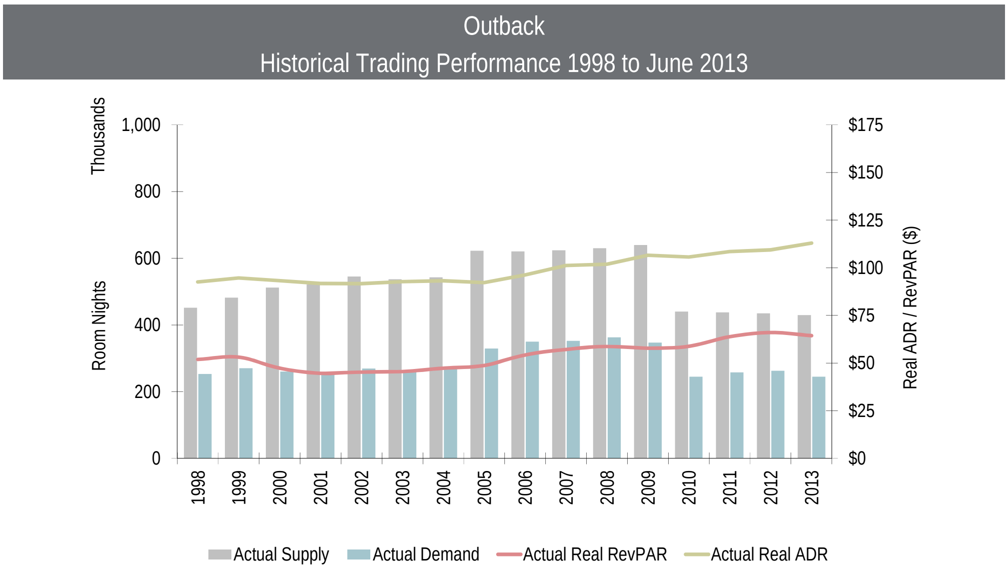
Source: JLL

Nominal RevPAR (moving annual average) in the Mackay Region is currently trending down with real RevPAR averaging $114 over the year to March 2014, 22.7% below the July 2012 peak of $147. Occupancy levels averaged 64.1% over the year to May 2014 which is 23.8% below the May 2012 high of 84.1% and are still trending down. Room rates have not declined to the same extent. Rates have averaged $176 over the year to March 2014 which is 2.1% below the August 2013 peak of $180. The market is therefore expected to continue to trend down as rates typically lag the occupancy cycle by up to two years.

Notwithstanding known new or mooted projects commented on earlier, given the current trading environment we believe there is low probability of new accommodation supply in the Mackay Tourism Region. Existing properties may advance defensive refurbishment plans to protect market position in a generally declining market.

10.7 Outback

According to the ABS, there were 40 properties with 1,171 rooms located in the Outback Tourism Region at the end of June 2013 with an average property size of 29 rooms. This represents 1.9% of the total accommodation supply in Queensland.



Source: ABS, JLL

Outback – FY 2013 Accommodation Performance Summary

Grade	Rooms	PPN of Stock	2013 Occ %	2013 ADR $	RevPAR 2003-2013	RevPAR Trend
Tourism Region	1,171	100.0%	57.7%	$113	6.7%	Increasing

Source: Australian Bureau of Statistics / JLL

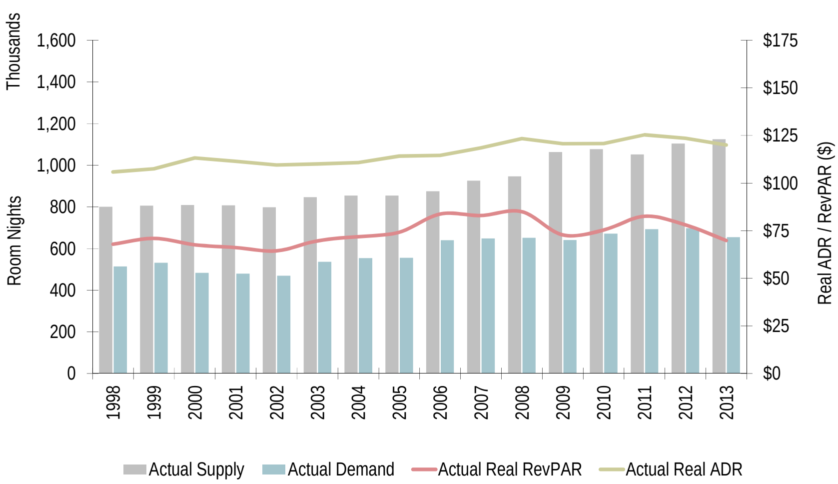
The Outback's accommodation market has recorded growth over the past fifteen years with real RevPAR increasing on average by 1.4% per annum between 1998 and 2013. Supply has been the major influence on the level of volatility having declined at an average rate of 0.3% per annum. Supply peaked in 2009 at 1,752 rooms but has declined over the past four years. Demand has also declined albeit at a slightly lower rate of 0.2% per annum and with six years of decline. Room rates have also recorded growth in real terms over the fifteen year period, up from $93 in 1998 to $113 in 2013.

There is only one data provider which submits data to STR Global in the Outback Tourism Region and therefore we have been unable to purchase a trend report for this market. Anecdotally we are aware that trading has softened over the past year in line with the softening in the resources segment but is now showing signs of stabilisation albeit with income levels still below the 2012 peak. As a result we believe that there is a low probability of new accommodation supply in the Outback Tourism Region. Existing properties may advance defensive refurbishment plans to protect market position in a generally declining market.

10.8 Northern

According to the ABS, there were 60 properties with 3,173 rooms located in the Northern Tourism Region at the end of June 2013 with an average property size of 53 rooms. This represents 5.1% of the total accommodation supply in Queensland.

Northern Region
Historical Trading Performance 1998 to June 2013



Source: ABS, JLL

Northern Region – FY 2013 Accommodation Performance Summary

Grade	Rooms	PPN of Stock	2013 Occ %	2013 ADR $	RevPAR 2003-2013	RevPAR Trend
Tourism Region	3,173	100.0%	59.3%	$121	3.8%	Declining

Source: Australian Bureau of Statistics / JLL

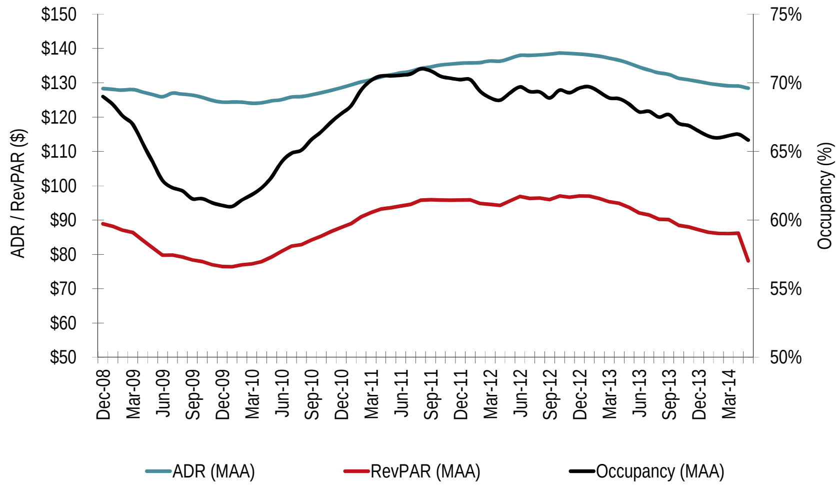
The Northern Region's accommodation market has recorded slight growth over the past fifteen years with real RevPAR increasing on average by 0.2% per annum between 1998 and 2013. Supply has been the major influence on the level of volatility having increased at an average rate of 2.3% per annum with the addition of around 935 rooms and with significant increases evident in 2003, 2007, 2009 and 2012. The small size of the accommodation market makes it more susceptible to volatility from new supply opening in the market. Demand growth has been softer by comparison increasing at an average rate of 1.6% per annum and with five years of decline. Room night demand declined for three consecutive years between 2000 and 2002 and has also recorded falls in 2009 (GFC) and 2013 when the market was adversely impacted by cuts to the Government segment and slowdown in resources demand. Room rates have recorded little growth in real terms over the fifteen year period, up from $106 in 1998 to $120 in 2013.

10.8.1 Northern Region Near Term Performance

Data for a basket of 12 properties comprising 1,403 rooms has been bought from STR Global providing monthly performance statistics for and is available from January 2008 to April 2014. The majority of properties are located in Townsville.

Nominal RevPAR (moving annual average) in the Northern Region is currently trending down having peaked in December 2012 at $97. RevPAR over the year to April 2014 averaged $78 which represents a shortfall of around 11.2% compared to the peak. Occupancy levels averaged 66.2% over the year to April 2014, 6.7% below the August 2011 peak whereas room rates averaged $129, 6.9% below the October 2012 peak.

Northern Region Branded Supply
Recent Trading Performance (Moving Annual Average)



Source: JLL

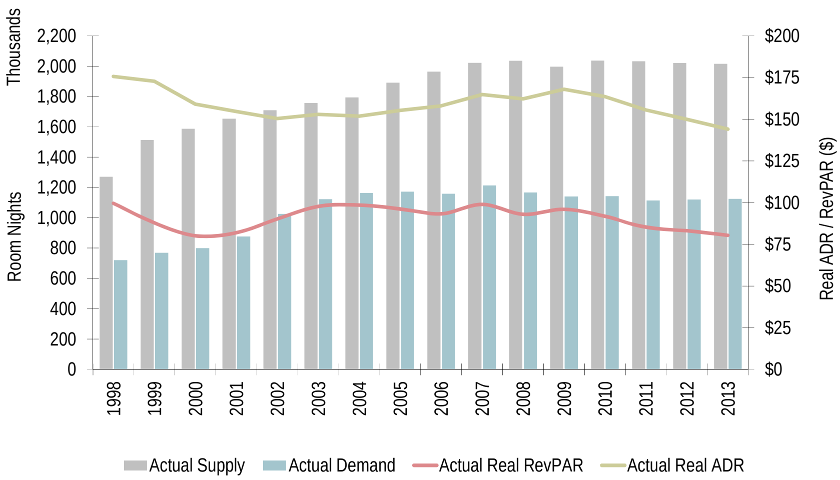
Occupancy levels are showing signs of stabilisation with slight growth recorded since bottoming in February 2014 at 66.0%. Rates however are continuing to decline and are expected to do so for the remainder of the year with rates typically lagging the occupancy cycle by up to two years.

Given the current trading environment we believe there is low probability of new accommodation supply in the Northern Tourism Region although we are aware of two properties which are currently under construction in Townsville and one property which is mooted. Existing properties may advance defensive refurbishment plans to protect market position in a generally declining market and with competition increasing.

10.9 Sunshine Coast

According to the ABS, there were 132 properties with 5,570 rooms located in the Sunshine Coast Tourism Region at the end of June 2013 with an average property size of 42 rooms. This represents 9.0% of the total accommodation supply in Queensland.

Sunshine Coast
Historical Trading Performance 1998 to June 2013



Source: ABS, JLL

Sunshine Coast – FY 2013 Accommodation Performance Summary

Grade	Rooms	PPN of Stock	2013 Occ %	2013 ADR $	RevPAR 2003-2013	RevPAR Trend
Tourism Region	5,570	100.0%	55.7%	$145	1.4%	Neutral

Source: Australian Bureau of Statistics / JLL

The Sunshine Coast's accommodation market has declined over the past fifteen years with real RevPAR reducing on average by 1.4% per annum between 1998 and 2013. Supply has been the major influence on the level of volatility having increased at an average rate of 3.1% per annum with the addition of around 1,612 rooms. Demand growth has been softer by comparison increasing at an average rate of 3.0% per annum and with four years of decline. Occupancy levels remain well below the 2003/2004 high of 64.9%. Room rates have also declined in real terms over the fifteen year period, down from $176 in 1998 to $144 in 2013.

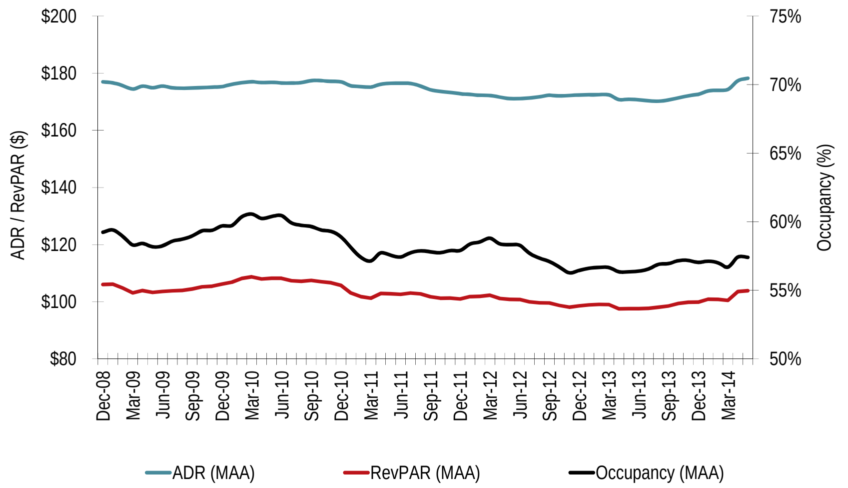
10.9.1 Sunshine Coast Near Term Performance

Data for a basket of 20 properties comprising 2,455 rooms has been bought from STR Global providing monthly performance statistics for and is available from January 2008 to April 2014. The majority of properties are located in Noosa, Caloundra and Mooloolaba.

Nominal RevPAR (moving annual average) in the Sunshine Coast is currently trending upwards with RevPAR having averaged $104 over the year to May 2014. Consecutive monthly RevPAR gains have been recorded over the past year since bottoming in April 2013 at $98. Notwithstanding, current RevPAR is still 4.7% below the March 2010 high of $109.

Occupancy levels averaged 57.4% over the year to May 2014 which is 5.2% below the May 2010 high of 60.4%. Monthly gains have been recorded over the past year. Room rates are also showing considerable improvement having averaged $178 over the year to May 2014 to be at the highest level recorded over the past five years. Demand is expected to continue to improve with greater visitation from Brisbane in particular. Accordingly occupancy and rates are expected to remain on the current upward trend.

Sunshine Coast Branded Supply
Recent Trading Performance (Moving Annual Average)



Source: JLL

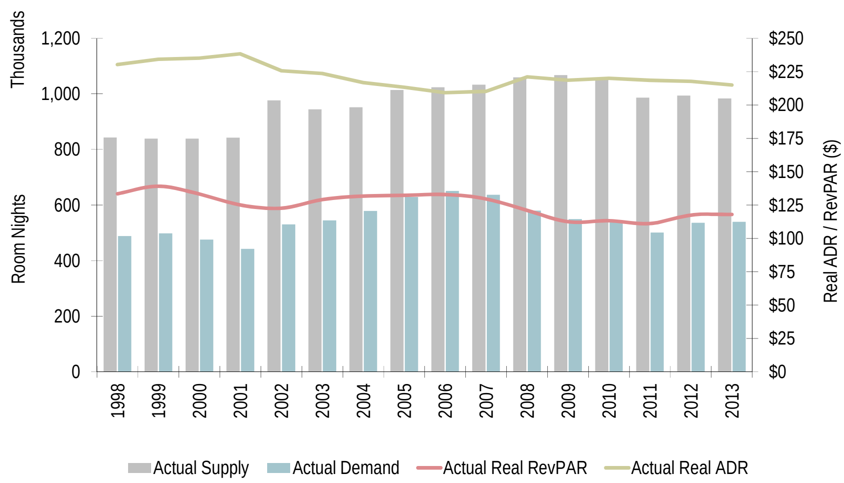
Given the current trading environment we believe there is low to medium probability of new accommodation supply in the Sunshine Coast Tourism Region with a few mooted projects currently under consideration. Existing properties may also advance refurbishment plans to take advantage of the current strength of the accommodation market. For example the Sheraton Noosa has recently been upgraded.

10.10 Whitsundays

According to the ABS, there were 35 properties with 2,677 rooms located in the Whitsundays Tourism Region at the end of June 2013 with an average property size of 76 rooms. This represents 4.3% of the total accommodation supply in Queensland.

The Whitsunday's accommodation market has declined over the past fifteen years with real RevPAR reducing on average by 0.8% per annum between 1998 and 2013. Demand has been the major influence on the level of volatility having increased at an average rate of 0.7% per annum and with seven years of decline. Room night demand declined for five consecutive years between 2007 and 2011 and whilst it has grown over the past two years it has yet to revert to the levels evident in 2005/2006. Supply has increased at a higher rate with growth averaging 1.0% per annum. Accommodation room supply peaked in 2009 at 2,924 rooms but has declined over the past four years. Reflecting the softer demand environment, room rates have also declined in real terms over the fifteen year period, down from $230 in 1998 to $215 in 2013.

Whitsundays
Historical Trading Performance 1998 to June 2013



Source: ABS, JLL

Whitsundays – FY 2013 Accommodation Performance Summary

Grade	Rooms	PPN of Stock	2013 Occ %	2013 ADR $	RevPAR 2003-2013	RevPAR Trend
Tourism Region	2,677	100.0%	54.9%	$215	2.8%	Increasing

Source: Australian Bureau of Statistics / JLL

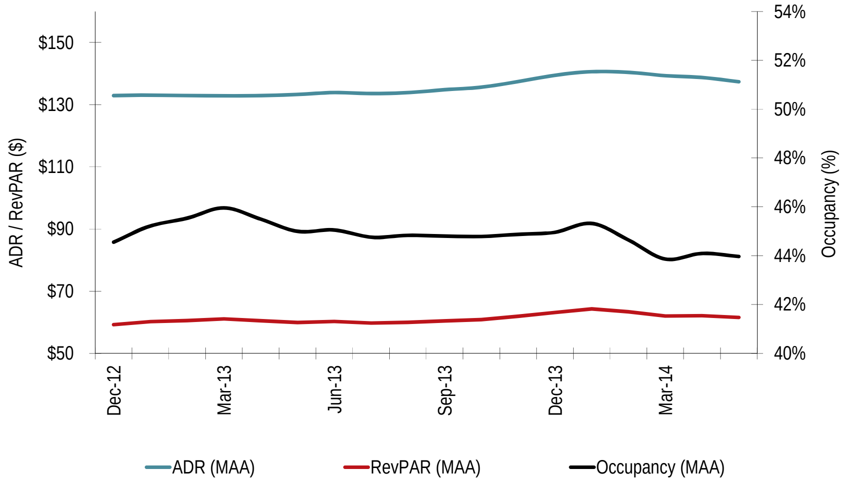
10.10.1 Whitsundays Near Term Performance

Data for a basket of seven properties comprising 543 rooms has been bought from STR Global providing monthly performance statistics from January 2012 to May 2014. The majority of properties are located in in Airlie Beach.

Nominal RevPAR (moving annual average) in the Whitsundays is currently trending down having peaked in January 2014 at $64. RevPAR over the year to May 2014 averaged $62 which represents a shortfall of around 4.3% compared to the near term peak. Occupancy levels averaged 44.0% over the year to May 2014, 4.3% below the March 2013 peak whereas room rates averaged $141, 1.3% below the January 2014 high.

With occupancy levels remaining fairly flat over the past six months and room rates trending down, the Whitsunday's accommodation market is expected to remain fairly subdued in the balance of the year with little impetus for growth. We believe that there is low probability of new accommodation supply in the Whitsundays Region although note that a few projects are currently mooted. Existing properties may advance defensive refurbishment plans to protect market position in a generally declining market.

Whitsundays Branded Supply
Recent Trading Performance (Moving Annual Average)



Source: JLL

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APPENDICES

Appendix One – Glossary of Terms

- ABS – Australian Bureau of Statistics
- ADR – Average Daily Rate
- BPI – Building Price Index
- CAAG – Compound Annual Average Growth
- DA – Development Approval
- FF&E – Furniture, Fixtures & Equipment
- GFA – Gross Floor Area
- GFC – Global Financial Crises
- GOI – Gross Operating Income
- GOP – Gross Operating Profit
- GST – Goods & Services Tax
- HMGSA – Hotels, motels, guesthouses and serviced apartments
- HNWI – High Net Worth Individual
- HVI – Hotel Valuation Index
- ICCA – International Congress and Convention Association
- IRR – Internal Rate of Return
- IVS – International Visitor Survey
- JLL – Jones Lang LaSalle
- LCC – Low Cost Carrier
- LPT / REIT – Listed Property Trust or Real Estate Investment Trust
- LVR – Loan to Value Ratio
- NVS – National Visitor Survey
- OS&E – Operating Supplies & Equipment
- PAR – Per Available Room
- POR – Per Occupied Room
- RNA – Room Nights Available
- RNO – Room Nights Occupied
- RevPAR – Revenue per Available Room
- TFC – Tourism Forecasting Council
- Trophy Assets - a particularly valuable, important or rare hotel asset e.g. Park Hyatt Sydney
- TRA – Tourism Research Australia

- SWF – Sovereign Wealth Fund
- VFR – Visiting Friends and Relatives
- Yield – Income return on an investment

AUSTRALIA

SYDNEY
Level 26, 420 George Street
Sydney NSW 2000
T: +61 2 9220 8777
F: +61 2 9220 8765

BRISBANE
Level 33, Central Plaza One
345 Queen Street
Brisbane QLD 4000
tel +61 7 3231 1311

MELBOURNE
Level 21, Bourke Place
600 Bourke Street
Melbourne VIC 3000
tel +61 3 9672 6666

PERTH
Level 29, Central Park
152-158 St George's Terrace
Perth WA 6000
tel +61 8 9322 5111

NEW ZEALAND

AUCKLAND
Level 16,
PricewaterhouseCoopers Tower
188 Quay Street
Auckland 1010
T: +64 9 366 1666
F: +64 9 358 5088

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