

BRISBANE'S HOTEL INVESTMENT STRATEGY OVERVIEW

Local government opportunities for tourism investment and
development

brisbane
australia's new world city



BRISBANE MARKETING
ECONOMIC DEVELOPMENT BOARD



THE FOCUS

“Position Brisbane as a leading tourism destination of choice in the Asia Pacific region and on the global stage”

1. Seek to attract and facilitate investment in the right product
 - full service, full branded hotel supply
 - a product that aligns with the visitor the city is seeking to attract
2. Build a sustainable pipeline of projects
 - promote sustainable development pipeline through facilitation
 - seek to investigate opportunities for state/ local owned sites
3. Attract capital & expertise – source capital and operating/ development expertise to projects



BRISBANE IN 2012

4.3m

Visitor Nights Sold (+28%)

80%

Occupancy

\$179

Average Daily Rate

10%

5 Star

37%

Serviced Apartments

300 - 450

Rooms (10yrs)



LOST ECONOMIC OPPORTUNITY

470,000

Visitor Nights

\$136m

Lost Visitor Expenditure

\$106m

Lost Economic Activity

1,100

Jobs



DISCONNECT BETWEEN INDUSTRY PLAYERS

Core undertaking:

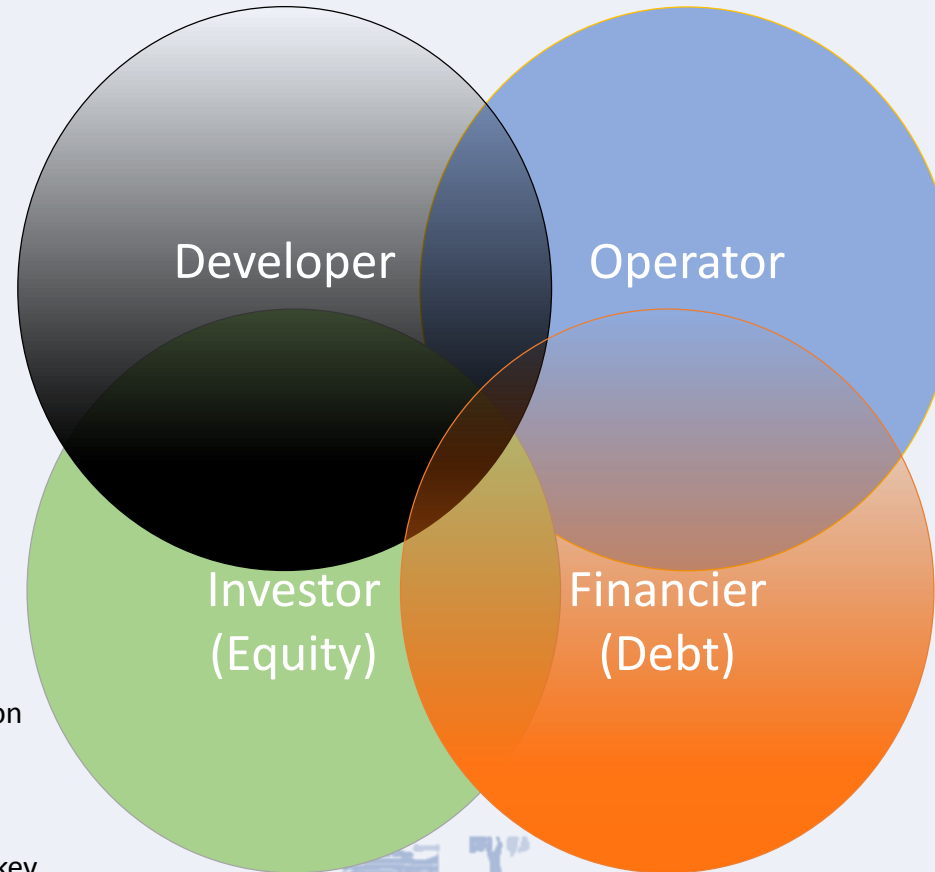
- Purchase/ hold land
- Obtain DA
- Secure pre-commitment
- Construction

Unwilling: To own asset

Core undertaking:

- Secure debt
- Asset management
- Hold staff, P&E and asset on balance sheet
- CapEx (4-5% FF&E fund)

Unwilling: To purchase turn-key asset- can buy existing trading assets at lower than replacement cost



Core undertaking:

- Sales/ Marketing
- Branding
- Budgeting
- Maintenance
- Mgmt contract or lease based on % of Turnover

Unwilling: To own asset or absorb operational risk onto balance sheet

Core undertaking:

- Construction finance

Unwilling: To finance management contract (variable income stream)

KEY INVESTMENT ISSUES

- Competing land use and costs
- Cost of construction - Building codes (class 2 vs. class 3)
 - 40-70% higher than residential, office or retail
- Access to capital – Finance
 - Investor appetite for turn key assets
- Serviced apartments - Surge in past 5-7 years
 - Transitioning in-out of market
- Operational structuring - management contracts versus leases



MULTI-PRONGED APPROACH

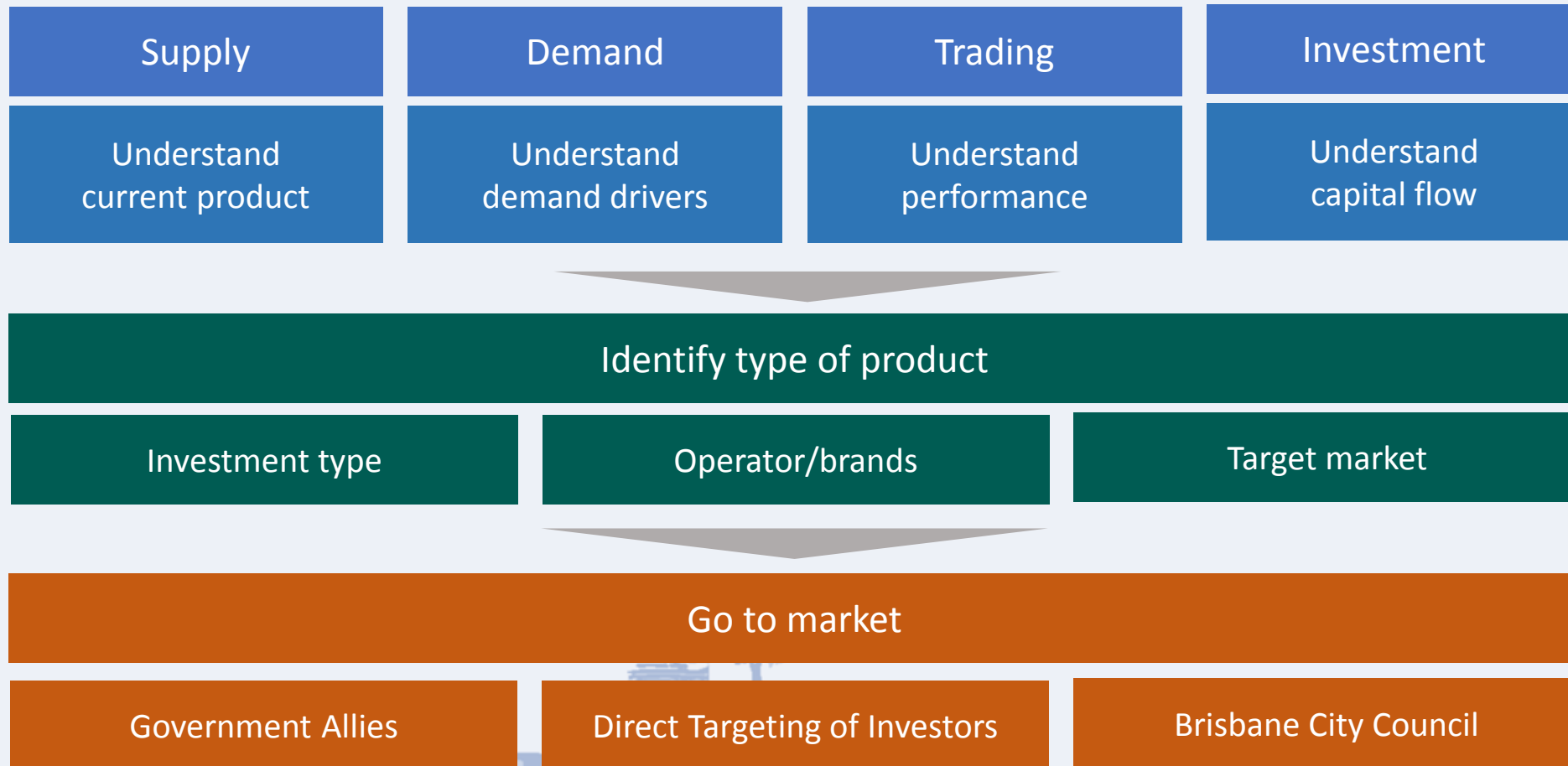
1. **Demand:** Investment in driving greater demand to the city, such as major events, leisure tourism, conventions
2. **Planning:** New City Plan and Brisbane City Centre Master Plan which provides clear vision and strategy
3. **Incentive:** Moratorium on hotel infrastructure charges
4. **Assets:** Unlocking state and local-owned land for the purpose of new precinct and hotel development, such as HSW and Queens Wharf
5. **Resources:** Dedicated resource(s) focussed on raising awareness about Brisbane's potential.



INFRASTRUCTURE CHARGES MORATORIUM

- For new 4 and 5-star hotel developments to encourage new development
- Infrastructure charges moratorium was valid for a period of 3 years (2011-2014)
- Moratorium applied to Council levied infrastructure charges only
- Must be 'Hotel Accommodation' (not valid for serviced apartment product)
- Construction had to commence within 2 years from receiving development approval – to avoid developers 'sitting' on applications
- Infrastructure Agreement signed with Council, and charges delayed until development completed
- Upon completion, developer had to demonstrate they have received AAA *Tourism* 4 or 5-star hotel rating

THE PROCESS



TARGET INVESTOR STRATEGIES

1. Build and Sell on Completion (typical of Developers, Property Companies or Funds)
2. Build, Operate and Sell (typical of REIT and Hospitality Funds)
3. Buy-Renovate/Repositioning – Sell (Hotel Investors/Funds)
4. Building Conversion (Typical of property developers or building owners)



FRASERS HOSPITALITY

- Frasers Hospitality, Singaporean hotel owner-operator acquired 80 Albert Street
- Sought to convert office to 240-key hotel
- At the time, the City Plan earmarked the building as a “significant office building”
- Brisbane Marketing helped build confidence and navigate BCC planning

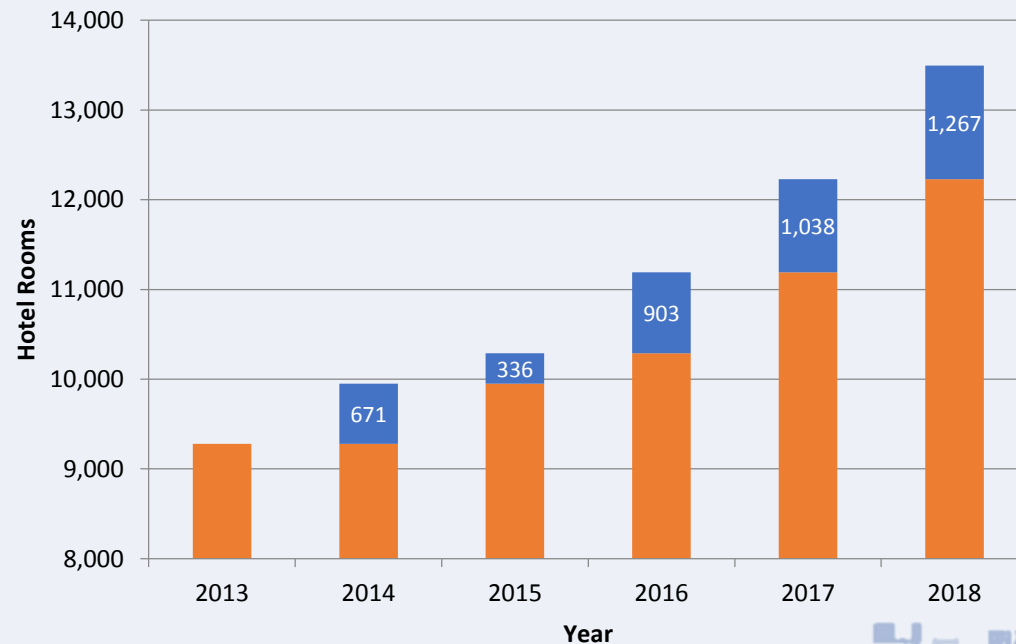
“Brisbane Marketing have been immensely helpful and collaborative every step of the way and we are very grateful for it. Amongst other factors, this unwavering support throughout the development planning process has further reinforced our view that Brisbane is a great place for us to invest in, and develop our first hotel residence property.”

Choe Peng Sum
CEO, Frasers Hospitality



IMPACTS OF HOTEL INVESTMENT STRATEGY

Brisbane Hotel Development Pipeline



Source: Brisbane Marketing

Existing Rooms New Rooms



2,100
new jobs



\$1.92b
investment *



\$4.55b
econ. impact



27
projects



4,215
rooms



45% supply
increase

THANK YOU

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