

ATTACHMENT 11

**IMPLICATIONS OF RESEARCH STUDY
UHL HOSPITALITY**



Mr. Evan Aldridge
Senior Development Manager
SEKISUI HOUSE AUSTRALIA PTY LIMITED
Level 8, 39 Sherwood Road
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19th June 2014

Dear Evan

Re: Implications of our Research Study for 'Beachside Hotel', Coolum

Further to the completion of our research study for Sekisui House in February, you have asked us to comment regarding the significance of the concept design (specifically relating to the height of all floors), to the future success and viability of the project.

Firstly it is important to recall that the research undertaken by UHL over a period of 3 months was strictly empirical in nature- which the following specific actions and enquiries undertaken:

- All existing hospitality assets on the Sunshine Coast which were deemed to be within the Competitive Set of the Beachside Hotel, were personally inspected and, where available, staff interviewed
- The results of these inspections and local commentary were tabulated within our Research Report
- Statistical information regarding the Sunshine Coast Hotel and Serviced Apartment market were sourced and analysed
- Initial contact was made with UHL's contacts at international Hotel Operators (project development and assessment) divisions. Feedback from international operators was deemed essential to the Research phase of this project.
- A 'Tourism Questionnaire' containing no less than 17 pertinent questions regarding the *Beachside Hotel* were distributed to sources connected to the tourism industry on the Sunshine Coast. This process was coordinated through Sunshine Coast Destination Limited (Julie Cullen). [Responders also included State Government Tourism bodies].
- The results of the responses to the Questionnaire were tabulated within our Report

All findings, comments, opinions and facts as referred to above have been quantitatively and qualitatively analysed in our Research report.

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With respect to your specific enquiry, some of the relevant key findings of our Research are:

- The Sunshine Coast hospitality market performs very poorly in terms of Revenue and Occupancy with respect to other tourism regions and especially CBD hotel markets
- Some reasons for this poor performance is the dominance of Serviced Apartments, the age and (in some respects) poor condition of hospitality assets on the Sunshine Coast, the poor design of resort hotel complexes that have inefficient low density designs which increase staff and maintenance costs and the lack of quality beachfront or 'close to' beachfront 5 star hotel facilities. [Note: the only 5 star Hotel on the Sunshine Coast is the Sheraton at Noosa, which is not beachfront and offers ocean views to only a small proportion of rooms]
- With the departure of the 'Hyatt Regency' as a well recognised international 'icon' brand from the Sunshine Coast market, responders were unanimous in commenting that this has created a void in the market dynamics for the region
- It is essential to understand that even under the most favourable of design scenarios and assuming a well performing Sunshine Coast tourism market, the viability of the *Beachside Hotel* as a hotel operation is expected, in the short to medium term at least, to be highly challenged

When we apply these findings to the matter of the design for the *Beachside Hotel*, the certain implications we reach from the research are:

1. The design of the hotel building must maximise any opportunity to maximise room revenue and reduce operational cost. The design of the hotel building must not follow the traditional low density 'resort' style, but needs to be within a higher density tower. This is essential in maximising payroll productivity (payroll costs in Australia in Hospitality are some of the highest in the world)
2. One of the key strengths of the site is its proximity to the beach/ ocean and the water views which may be afforded to guests of the hotel. The site is one of the few remaining sites which such a competitive advantage on the Sunshine Coast (if not in Queensland)
3. The experience shown in other Resort Hotels in other regions is the importance of ocean views to the maximisation of room revenue and occupancy. Higher occupancies also lead to more viable food, beverage, conferencing and other operations including amenities (spa, health club ect).
4. For all guest categories, we have concluded, with the agreement of all international operators contacted, that the arrival experience at the hotel is one (if not the key) initial attraction for this project. This experience is referred to in the industry as the 'hero view'. This implies that a guest arriving to check in to the resort must be in no doubt of its beachfront location and ocean vista. [A good example of this arrival experience is the 'Sheraton Mirage Hotel' at Main Beach on the Gold Coast, where arriving guests to reception are greeted with the ultimate beach and ocean view, through the building itself.]
5. **To carry this analysis to its ultimate conclusion, it follows that all hotel rooms should be afforded an ocean view.**

6. With respect to design efficiencies on a floor by floor basis, high towers with low numbers of rooms per floor are expensive to build and low towers with a high number of rooms per floor are not conducive to a 5 star operation. Our experience, together with comments made by international operators, would suggest an ideal room density per floor would be 35- 40 rooms.
7. Overall all investigations and conclusions show that the Beachside Hotel must occupy a '5 star' category of Hotel design, operation and amenities. Not only is this Branding in sympathy with the quality of the site, but our research has identified a regional market void for an 'Icon' brand International 5 Star Hotel.
8. Modern hospitality market trends would indicate that Operators and guests are highly accepting of 'twin tower' branded hospitality models where an Operator of the Hotel Tower provides Hotel services to an adjoining Strata Tower or towers (as is proposed for the Beachside Hotel). [An example of this is the new Hilton Hotel and Residences in Surfers Paradise].
9. It follows that the general design principles for the Hotel tower (as explained above), is mirrored in the residential Tower.

We trust the advices contained herein greatly assist you in developing the Concept design for the Beachside project in accordance with the findings of our Research.

Regards



Andreas Pilz
Managing Director

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