LUCID ECONOMICS

10 May 2017

Tim Mumford
Senior Development Planner
Sunshine Coast Council
Locked Bag 72 Sunshine Coast Mail Centre Qld 4560

Sent via email: tim.mumford@sunshinecoast.qld.gov.au

RE: Peer Review of 'Badderam' Luxury Resort Economic Impact Assessment

Dear Tim,

Please accept this letter as part of our peer review of the Economic Impact Assessment provided as part of the development application for the 'Badderam' Luxury Resort proposal. This letter is provided in addition to our detailed report and is in response to the specific questions that Council has raised regarding the economic impact assessment. Please refer to our detailed report for supporting evidence.

Question 1

Would the proposal satisfy an overriding community need in terms of tourism/branding for the Sunshine Coast, or economic benefits to the region, or any other type of community benefit? What degree of significance do you place on any identified community need or economic benefit (eg. weak, mild, strong, very strong), and why?

Response

Yes, the proposed development would **provide value to the local tourism product offering** for the Sunshine Coast in a number of ways:

- The Sunshine Coast is generally lacking in luxury accommodation, so the provision of new luxury accommodation would be beneficial to the destination from a tourism perspective.
- The Sunshine Coast's accommodation offer could be characterised as generally lacking in terms of large, modern, full-service, branded hotels. The Coast has a considerable number of older, smaller, residential developments that offer apartments into the short-term accommodation market and that are often managed by owner/operator, onsite property managers who often lack the sophistication of many modern hotel general managers. While the Sunshine Coast certainly does have large, branded hotel product, an increase of this type of product would augment the tourism offering and be seen as beneficial to the local tourism industry (albeit would increase competition and likely take market share from many of these smaller properties). It should be noted that the EIA highlights only one operator (Spicers) as expressing interest to operate the resort, so it remains unbranded at this stage.

- The provision of additional, purpose built function areas (for meetings/conferences) in tandem with luxury hotel rooms would be a welcomed addition to the local tourism product mix and would fulfil a perceived market gap that has been often highlighted in numerous tourism strategies. Typically, the development of a large convention centre has been mentioned in these strategies but the development of other meeting venues was mentioned in the most recent Destination Tourism Plan.
- The proposed development has numerous environmentally sustainable principles and features, which would align well with the overall branding of the Sunshine Coast as 'Australia's most sustainable region'.
- The location of Buderim for this development would also provide some value to the local tourism product mix as new product in the Hinterland, providing some additional diversity from the traditional coastal focus of tourism developments.
- It should be noted that if the development proceeds and enters the market as envisioned, it will provide competition for other accommodation outlets and likely take market share from existing operators. As the market continues to grow, this impact on market share erodes to a degree.

If the proposed development did proceed, it would also **provide a variety of economic benefits**, including:

- The construction of the resort (at the $60 million or $150 million level) would provide an economic boost to the region and Buderim specifically during the construction phase.
- During operations, the proposed development would also provide positive economic benefits, however, many of these would impact existing hotels and restaurants. If the visitor market continued to grow, the impacts on other hotels would largely be mitigated. However, the proposed three restaurants would likely provide competition for local restaurants in Buderim, as it is highly unlikely that 125 rooms alone can sustain three restaurants totalling 255 seats.
- The EIA likely overstates the net positive impacts from the proposed development in terms of increased visitor numbers and the conference/meetings market.
  - Many visitors would still come to the Sunshine Coast, with or without this development, hence all patronage to the resort cannot be seen as a net gain and indeed some visitors coming to the Sunshine Coast may choose to stay at this resort over others, causing existing operators to lose demand.
  - The EIA overstates the opportunity for the venue to host major conferences and meetings. The 125 rooms would likely effectively limit the size of any event beyond a level that could comfortably be accommodated onsite with minor spill over to the local area. Large conferences of between 200-500 would seek out a venue that could more easily handle the associated accommodation within great proximity to the conference venue. Beyond this level of attendance, the Sunshine Coast would struggle to host the event due to a lack of large convention centre, similar to convention centres in Townsville, Cairns and the Gold Coast. Finally, conferences with 50-200 delegates would usually be associations, which are generally very cost sensitive and would demand the venue free of charge in exchange for the room nights associated with the conference delegates. Attracting business events outside of capital cities without a convention centre is very difficult, particularly at the 50-200 delegate level (as there are numerous facilities in many regional areas that could accommodate a conference of this size.
- Overall, the proposed development would likely provide a net economic benefit to the region.

From a **tourism perspective, the proposed development would strongly fulfil a local need** in the market given current tourism product and infrastructure, however, in an **economic sense the need would be mild or weak** as there are numerous existing hotels in the region that are not trading at optimal occupancy levels as well as venues that can host business events. From an economic utility perspective, these hotels and event venues could accommodate additional demand, largely negating the need for the proposed development. Naturally, the current condition of hotels and venues would be considered by consumers but there would appear to be sufficient capacity at an appropriately comparable standard to accommodate most of the demand.

Question 2

Are there any other compelling grounds in support of the proposal, other than described above, that should be weighed up by Council in making a decision about this application?

Response

There are not any additional tourism or economic grounds to support the proposal beyond what is described above.

Question 3

If there are community or economic grounds for the proposal, how reliant are these grounds on, or sensitive to, the particular site at 24 & 26 Box St? That is, could any identified economic or community need be easily satisfied on another site? 3D rendered images submitted with the application (attached) appear to depict the site as offering elevated panoramic views of the coastline as potentially offering a point of difference for a luxury resort.

Response

The proposed site does offer unique views of the coastline that are not offered in many parts of the region. However, these views and this site would not exclude a luxury hotel development on another site in the region providing all of the tourism and economic benefits of the proposed development. It should be noted that the site has some access issues and would not have the prominence of a typical luxury resort development (i.e. there is no entry statement from the main road, the access road – Box Street – is a residential road and the entrance to the site is somewhat 'hidden' at the bottom of Box Street).

Question 4

If there are community or economic grounds for the proposal, how reliant are these grounds on, or sensitive to, the specific product being proposed (ie. luxury 6+ stars and conference facilities)? That is, would the grounds still exist should a more typical, lower end or affordable hotel option end up getting built on the site instead?

Response

No, most of the tourism benefits of the project are tied to many of the project's features (i.e. luxury status, size/scale, function areas, sustainability elements and the fact that its positioned in Buderim and the Sunshine Coast hinterland). A traditional, 4-star, serviced apartment development would not offer any tourism benefits in terms of product and infrastructure to the region as the region has a significant amount of this type of product. Alternative developments on the site that provided any of the unique features of the proposed development would still fulfil the 'tourism' needs of the region in terms of product and infrastructure.

Question 5

Having regard to Question 4 above, how likely do you think it is that the proponent could actually deliver on the vision of a high-end luxury resort and conference facility in this location, and are there any reasonable and practical conditions of approval you would recommend to improve that likelihood or to compel the vision to be achieved?

Response

I would consider the expected room rate highlighted in the EIA (i.e. $600-$650 per night) as highly unlikely, the average annual occupancy rate of 75% as very bullish and the estimated 125 FTE as very conservative based on the extent of facilities and services identified in the proposal. Based on more conservative and potentially more realistic average daily rate and occupancy assumptions combined with the capital investment of $150 million, I do not believe that the proposed development will offer a suitable return on investment for the amount of capital employed and risk of the project. I believe that if the proponents are seeking traditional finance that they may struggle to find lenders willing to take on the project. If the proponents wish to finance the development with cash, then they could very well proceed with the project, however, I would not expect it would deliver much of a return on investment. There are no conditions of approval that Council could provide to improve the financial feasibility of the project. Naturally, granting of the MCU and development approval would increase the value of the land, however, I don't believe the increase in value would be sufficient to secure finance for development.

A smaller development that was less capital intensive would provide many of the tourism benefits and have a better chance of proceeding and gaining finance from either traditional lenders or private equity.

If you have any questions or wish to discuss any of the comments above, please don't hesitate to contact me directly.

With best regards,

Michael Campbell

Michael G. Campbell
Director
Michael.Campbell@LucidEconomics.com.au
Tel: 0409-349-256

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Review of Badderam Economic Impact Assessment

Prepared for

Sunshine Coast Council

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LUCID ECONOMICS

lucid

/'lu:sid/

adjective

1. expressed clearly; easy to understand

2. bright or luminous

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Executive Summary

Introduction

Lucid Economics has been engaged by the Sunshine Coast Council to undertake a review of an Economic Impact Assessment (EIA) that has been submitted to support a development application. The proposed development is at 24&26 Box Street, Buderim. The report, *Economic Analysis – Integrated Tourist Facility Including Function Facility, Restaurants & Short Term Accommodation*, was completed in November 2015 with an update provided in January 2017. The Update featured revised analysis regarding the construction activity associated with the development, which was required after the initial capital expenditure was revised from $60 million to $150 million.

This document provides an overview of general comments regarding the EIA as well as a detailed review of the document, which provides individual comments on every section of the EIA.

Review & Comments

The following represents the main comments regarding the EIA, which should be considered when considering it as justification for the development approval:

- **Tourism Product on the Sunshine Coast**: the report accurately describes the situation and requirement for additional tourism product on the Sunshine Coast. Relative to other destinations, the Sunshine Coast is lacking in terms of luxury accommodation product. At the same time, the development of additional tourism product in the hinterland, away from the key coastal attractions would assist in the diversification of tourism product and aid in encouraging greater visitation for the hinterland. As a tourism destination, the proposed development aligns well to current and future needs in terms of tourism product and infrastructure.

- **The identified site is not typical for a relatively large resort property**: The site is located at the end of Box Street, which is a small residential street off of King Street (the 'main street' in Buderim) and lacks the prominence of most larger luxury resorts. The site does offer outstanding views of the ocean as well as seclusion and privacy, however, the less prominent location and lack of an entry statement on the main road would provide some challenges for the property. These challenges have been overcome by other resorts, but this type of site is not the norm for such a large development. The site would seem to favour a smaller, more intimate resort.

- **In terms of the Sunshine Coast, the proposed development is relatively large**: The average size of accommodation establishments on the Sunshine Coast is 43 rooms (ABS, 2016), which is a testament to the history of the Coast and how the tourism sector has evolved over time (from small, motel and apartment style accommodation). While large in the context of the Sunshine Coast, 125 rooms is relatively small in terms of major luxury hotels. The size of the establishment becomes important in terms of the profitability and sustainability of the property, as luxury properties with 250-300 rooms (or more), which are typically found in Capital City areas, create a critical mass and economies of scale.

- **6-Star ratings do not exist in the official accreditation system**: in the official Australian star-rating system, 6-star rankings do not exist, the highest is 5-star. Very high luxury standards and accommodation properties do exist and many of these have features and services that would be seen premium compared to some officially rated 5-star properties.

- **Many of the case studies would not be directly comparable to the proposed development**: Many of the case studies provided do provide some insights into luxury accommodation, but many have key differences that affect the relevance of the information being compared. Many of the highlighted proposed luxury developments in Australia have not progressed, likely due to the relative high cost of the investment, based on some of the evidence found regarding some of the developments. Additionally, many of the properties compared in terms of demand/pricing are much smaller than the proposed development (i.e. 20-40 rooms) and are focused on luxury, romantic, all-inclusive stays charging a premium (i.e. $2,000+/night). In terms of benchmark prices, two of the properties compared (i.e. Elements of Byron and the MGallery Fairmont Resort, 103 and 222 rooms, respectively) are advertised between $300-$330/night and $250-$400/night, which is much less than the $600-$650/night identified for the proposed development. These benchmarked properties would appear to have very different pricing and positioning within the market.

- **Misunderstanding of the meetings and conference market**: Throughout the report, emphasis is provided on the function space at the proposed development and the targeting of the 'lucrative' meetings and conference market. While business event delegates do tend to have a higher per night expenditure profile than the average visitor (hence the market is 'lucrative' for the local tourism industry), the meetings and conference market is very competitive, which puts pressure on margins. Specifically, in regional areas, the conference market is particularly competitive as it is difficult to attract many events out of capital cities. Often, hotels will provide the venue free of charge in exchange for the room nights generated by an event. At the same time, with only 125 rooms, the proposed development would likely cap the size of event that could be hosted at around 125-150 visiting delegates, so 'large' events of 200-500 people would not be possible at the venue. In order for the Sunshine Coast to really leverage the conference sector, a large convention centre would be required (similar to Gold Coast, Townsville and Cairns), which is why a convention centre has often been featured in numerous tourism strategies for the region. With these restrictions, the effectiveness of the proposed venue to really leverage this market and the benefits that this proposed venue would provide for the region would be limited.

- **There are major issues regarding the future demand analysis**: The methodology for the assessment is not ideal for the project for a number of reasons:
    - The use of a market share benchmark for the Blue Mountains would provide an interesting perspective compared to the proposed development, however, it is not a sufficient indicator of future demand as the Blue Mountains is a different market compared to the Sunshine Coast. While the two regions neighbour a capital city and both are used for weekend trips from the capital city region, the reach and make-up of visitors to the Sunshine Coast is different.
    - The methodology to calculate the benchmark of market share is not explained nor referenced, providing uncertainty around its robustness, and it could mistakenly link visitors to visitor nights, confusing visitor nights with room nights.

- The visitor nights data in the original table is not referenced and it cannot be established where the data is sourced from. According to the TRA, visitor nights on the Sunshine Coast as of the year ending December 2016 totalled 14.74 million, which is well above the 2020 projection of 13.75 million.
- The methodology assumes 9.7% of visitor nights are spent in commercial accommodation.
  - This data point is not referenced nor supported by any evidence
  - According to TRA data, 56% of all visitor nights on the Sunshine Coast are spent in commercial accommodation.
- The methodology confuses visitor nights (to a destination) with room nights (spent in a hotel, or expressed as room nights sold, which is demand for hotel rooms).
  - The core difference is that hotel rooms often house more than one visitor.
  - Analysis of ABS information shows that the average persons per room for the Sunshine Coast across all accommodation types was 2.3 in 2015-16 (2.2 for just hotels and resorts).
- Using the ABS persons per room figure with the TRA percentage of visitor nights in commercial accommodation yields occupancy rates well in excess of 100%, which is not possible.

- **The EIA's claim that the development is feasible is not justified and unsubstantiated**: The EIA states that based on the demand analysis, the proposed development would be feasible. This statement has a number of issues:
  - As highlighted above, there are major issues with the demand analysis which would throw the statement into question.
  - The EIA likely means that from the demand assessment, the market would have sufficient demand to support the proposed development, which is different from the development being feasible in traditional financial terms.
  - The core operations assumptions identified in the EIA, particularly the average nightly rate, are likely not possible in the market. Evidence from the ABS and STR Global prove that achieving an average annual occupancy rate of 75% (every year) is likely not possible. Equally, the same data shows that achieving an average nightly rate of $600-$650 is almost twice what the current luxury market on the Sunshine Coast achieves. Also, the 125 staff (i.e. 1 staff per room) would seem low given the luxury status and numerous facilities (i.e. three restaurants, spa, lounges, etc.), particularly compared to the average of 1.9 staff per room for five star properties in the Brisbane region (ABS, 2013). Increases in staff would increase costs, which would negatively impact the profitability of the proposed development.
  - Very indicative and high level modelling by Lucid Economics has shown that at $60 capital investment and the original core operational assumptions (i.e. $625/night, 75% occupancy), the proposed development is likely viable. However, with the revised $150 million and more realistic operating assumptions, the development would appear to struggle to achieve a return on investment commensurate with the capital expenditure and risk.

- **There are numerous irregularities with the economic impact analysis**: There are a variety of aspects of the economic impact analysis that would appear irregular, including:
    - No explanation nor reference to the modelling methodology or approach.
    - There are a variety of irregular terms used or terms used in an irregular manner such as 'FTE years' and 'Value Added' Component. The EIA reports economic benefits as 'direct and value added impacts', which would appear to target direct and indirect impacts in gross value added terms, gross value added being one of the metrics identified in economic impact analysis.
    - Many findings of the economic impact assessment have no reference nor explanation. Such as the allocation of part of the benefits to the local region, which is commonplace, however, no explanation is provided as to why the identified proportion of the benefit is provided.
    - The EIA mentioned 'value added multipliers' as well as a reference to the Queensland Regional Input-Output Tables (1996/97) for Brisbane-Moreton, however, the analysis does not explain how these are used. If the 1996/97 table was used as the basis for the analysis, it should be noted that the economy has changed dramatically since 1996/97 and any reference to inter-industry transactions from this period may not hold true today.
    - There are a variety of identified benefits (i.e. $50 million in operational impact, 55,000 visitors to Buderim, $30 million in visitor expenditure) that have no references nor explanation of key assumptions that justify these figures.

Conclusion

While this review has identified a number of concerns and issues with specific analysis contained in the EIA, the proposed development would certainly provide numerous economic and tourism benefits that should be considered:

- In terms of tourism product, the proposed development has numerous attractive and advantageous features for the Sunshine Coast as a destination, including its luxury status, size/scale, function areas, sustainability elements and the fact that its positioned in Buderim and the Sunshine Coast hinterland.
- The construction activity of $60 million or $150 million would certainly provide very positive economic impacts and benefits to the local Sunshine Coast economy.
- If the development proceeded and was delivered, the operational phase of the project would likely also provide positive net economic benefits to the region.
- Locally for the village of Buderim, the proposed development would provide positive economic benefits during construction and during operations the net impact could be mixed between the positive impact of visitors staying at the resort and shopping locally and the potential negative impact of creating more competition amongst local restaurants.

The EIA does not provide any guidance as to how the development would be funded. If the proposed development requires traditional financing, it may struggle in its current form to gain finance. A smaller scale luxury resort may have a better chance of being funded, developed and enter the market.

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1. Introduction

Lucid Economics has been engaged by the Sunshine Coast Council to provide a review of an economic impact assessment (EIA) report provided to Council as part of a development application for a tourism development in Buderim, Queensland.

The proposed development would be a significant tourism development on the Sunshine Coast, including:

- 125 room luxury resort
- Function centre
- Multiple restaurants
- Environmentally sustainable theme
- Wellness Spa
- $150 million in development and construction

As the proposed economic benefits for the project are central to the development application, Council has requested that Lucid Economics provide a comprehensive review of the EIA specifically.

This report provides a detailed review of the EIA.

2. Detailed Review

The following comments, research and analysis provide a detailed review of the economic impact assessment provided to Council by chapter of the report.

2.1 The Proposed Development

This section provides comments regarding the proposed development, the site and other features reported in the EIA.

- The subject site is of a suitable size for a large resort, however, the topography of the site would be challenging for a large resort. The dispersed nature of the proposed development is the only way to development the site.
- The site does offer attractive views of the ocean that are likely difficult to find on the Sunshine Coast (Figure 2.1).
- Based on a site inspection and review of the proposed development concept, there would appear to be a significant grade from the lower units up to the main facility that would translate to a steep hike for many guests, which may not be in the keeping with a luxury resort.
- Box Street is accessible from King Street (the 'main' street in Buderim), which lacks the typical features of an entrance to a major resort. The intersection features a small shopping complex and residential units and Box Street winds down past residential units to the site. There is a distinct lack of grandeur that would normally be associated with a luxury resort (refer images below, Figure 2.2 and Figure 2.3).
- It should be noted that there is no official '6-star' rating for hotels. The official rating system provides for 1-5 stars. The idea of a '6-star' hotel is meant to demonstrate the top end luxury experience, which naturally goes beyond a traditional 5-star hotel.
- The EIA states that the proponents have had "discussions with a range of luxury hotel operators and developers, who have expressed strong interest in the vision…(pg. 5)". In the current market hotel management companies (i.e. hotel operators) operate properties under a management contract with the owner which typically provides the operator with a fee to operate the property, which is made up of a portion of the gross (and/or net) revenue (and/or profit) or some derivative of this structure. As such, it is highly likely that every hotel operator would express interest in the project since they have no risk in terms of the investment and will have a guaranteed revenue stream from operations. Equally, developers make money from building a property and selling it to an investor and as such, they carry no risk nor interest in the operating business and by contrast simply collect a profit for the construction of the property. As such, it is highly likely that every developer would show interest in the project, so long as there was finance to support the development and pay the developer.
- The proposed development includes a variety of features including "heated resort style pools, luxury day spa, gymnasium, sauna, multiple relaxation/revitalisation zones, landscaped gardens, whiskey lounge, 24 hour room service, concierge, sunset bar, library, fire pits, stargazing/wine tasting decks and a wine cellar (pg. 5)" as well as three restaurants and a function centre/conference centre. While much of this infrastructure and service would be suitable for a luxury resort, it would be very expensive to maintain and service in terms human resources.

Figure 2.1 Easterly View from Box Street (similar from proposed site)

Source: Lucid Economics

Figure 2.2 Box Street and Entry to Proposed Site

Source: Lucid Economics

Figure 2.3 Box Street and King Street Intersection

Source: Lucid Economics

2.2 The Eco Luxe Tourism Market

This section provides comments regarding the background analysis and context provided in the report, including:

- Many of the key trends highlighted in the section reflect the current market and trends that have been observed over the recent past.
- The EIA states that the "relative maturity of the Australian tourism market, the age of accommodation stock and lack of significant investment post 2000 Olympic Games, the upcoming Commonwealth Games on the Gold Coast, coupled with concessions offered by councils such as Brisbane City Council, has stimulated interest from international operators (pg. 8)". This statement is somewhat misleading, because:
  - In fact, there was isolated significant investment in accommodation in Sydney related to the 2000 Olympic Games, which was followed by a downturn in trading conditions and a lull of investment (largely due to the size of supply increase).
  - The concession offered by Brisbane City Council (i.e. infrastructure charges moratorium) made a very small impact on the return on investment and would have been a minor factor in hotel investment decisions.
  - The Commonwealth Games on the Gold Coast has not sparked considerable investment in hotels.
  - International operator interest in Australia has more likely been triggered by the relatively high levels of hotel trading conditions relative to the Asia-Pacific, which have waned in Brisbane (and continued in Sydney and Melbourne, which is why these markets continue to attract considerable interest from operators and investors).
  - International operators would have very limited risk in investment and would be motivated by operating hotels and collecting fees (as opposed to taking the investment risk in a property).
  - Beyond some regional destinations such as the Gold Coast and Cairns, the international interest in Australia from operators has been isolated in capital cities, which has been dominated by Sydney and Melbourne.

- The EIA states the "significant new development of upmarket hotels and resorts in Brisbane is expected to have a flow-on effect to other destinations such as the Gold and Sunshine Coasts, attracting new high net worth travellers to Brisbane, who will then seek to extend their stay in other destinations (pg. 10)". This statement is unfounded and may not to prove to be the case. Visitors are attracted to a destination, not alternative destinations around the destination. While repeat visitors may seek new and alternative experiences, they will not immediately be drawn to surrounding destinations. In the case of Brisbane, there is no guarantee that these repeat visitors would be drawn to the Gold Coast or Sunshine Coast. They could just as easily be drawn to Cairns, other Far North Queensland destinations or other iconic destinations within Australia (i.e. Sydney, Uluru, etc.).
- The EIA's use of the term 'high net worth traveller' is interesting and not common amongst industry terminology. Typically, the industry would refer to 'high-yield visitors' as those with above average expenditure profiles or a 'luxury traveller' to describe a visitor seeking luxury experiences.
- Similarly, the term 'Eco Luxe resort', which is used throughout the EIA, is a non-standard tourism industry term.
- The EIA presents a variety of examples of 'international Eco Luxe resorts'. It is interesting to note that many are very small in nature (i.e. less than 20 rooms). Equally, the EIA also states that "Operators are evolving their models, and are now identifying a preference for around 100 rooms to create a critical mass of visitors to support the depth of services and experiences…(pg. 13)". The requirement for a 'critical mass' of 'around 100 rooms' is more closely related to the hotel operator business model than any demand for a luxury resort. 100-120 rooms presents a general minimum critical mass and level of revenue required in order for the hotel operator business model to generate a profit commensurate with engaging in the activity. Below this threshold, many operators would still engage with a property but under a franchise agreement as opposed to a management contract. Again, the threshold is more closely related to the hotel operator business model and profit than most other factors.
- The EIA points to numerous projects either recently delivered or currently proposed. Many of these projects do not necessarily have much bearing or relevance to the subject development:
    - **Elements of Byron**: this development was delivered in 2016 and represents 103 luxury villas. The development features absolute beach front access and accommodation and also leverages the brand 'Byron Bay'. Buderim does not have the same profile and the proposed development does not have direct beach access.
    - **Rosny Hill and Anna Bay**: both of these projects appear similar to the proposed development and have many similar features. It would appear that neigher of these projects have progressed to construction phase yet. A June 2015 ABC news story (ABC, 2015) reported the cost of the Anna Bay development to be $230 million for a total of 350 units, which equates to $657,000 per unit. This cost would be considered very high and difficult to provide a return on investment, particularly given the regional location.
    - **Peppers Noosa**: this development is geared largely towards families and weddings and lacks many of the luxury features in the proposed development. This property also leverages its location and the 'Noosa' brand. Buderim lacks a similar profile.

  - **Emirates One & Only Wolgan Valley**: this development is relatively small (40 rooms). It is also interesting that the key driver behind this development could be to provide existing airline customers with access to premium accommodation (i.e. the core driver of the development was not a return on investment, per se, but catering to existing customers, similar to current RACV/RACWA strategies).
  - **Bay of Fires Lodge**: This property has many similar features to the proposed development, given its mountainous and natural location. It is relatively small and is connected to the Bay of Fires walk (i.e. the accommodation is included as part of the fee for the 4 day walk).
- The EIA again mentions that “the proposed development of major luxury resorts and hotels associated with the Queen’s Wharf and W developments in Brisbane will have a flow-on demand in attracting high net worth individuals and luxury travellers to other destinations in Queensland as they extend their stay, creating demand for luxury resort developments such as the proposed resort in Buderim to cater for their accommodation needs (pg. 16)”. There is no evidence to support this claim and it would be unlikely that a visitor travelling to Brisbane to experience the Queen’s Wharf product would then seek out a luxury resort in Buderim. The visitor is travelling to Brisbane for a specific experience and not to Buderim for an alternative experience. While the opportunity exists for repeat visitors to Queen’s Wharf to seek out new experiences, there is no guarantee that these visitors would choose the Sunshine Coast in general and Buderim specifically. In fact, it would be in the interest of Echo Entertainment (Queen’s Wharf proponent) to try and get these visitors to sister properties, such as Jupiter’s on the Gold Coast.
- The EIA discusses the MICE market and provides numerous statistics regarding the Australian business events market, however, there is little relevance provided for the proposed development. While the MICE market certainly remains an opportunity for Queensland, the regional opportunities for business events is considerably less. The majority of MICE visitors would be associated with large exhibition centres (i.e. Brisbane, Gold Coast, Townsville, Cairns, etc.). These venues provide the capability of hosting hundreds or thousands of visitors. Without this critical infrastructure (i.e. a convention centre), it will be difficult for the Sunshine Coast to attract this market. In terms of smaller events (i.e. 200-500 pax), the opportunity for the Sunshine Coast would increase, but this market is very competitive and there are numerous other locations and destinations within Queensland (and Australia) competing for this market.
- The EIA highlights that the Destination Q 2014 Report highlights that the Sunshine Coast requires a major convention centre in order to drive future growth in business events.
- The EIA states there is a need for additional 5-star accommodation on the Sunshine Coast. This requirement has been mentioned in many tourism strategies over the last decade. The reason there has not been any 5-star resort development during this time relates to high construction and operating costs and the revenue stemming from the operation are likely insufficient to provide a return on investment, creating a disincentive to build 5-star luxury accommodation on the Sunshine Coast (and in most locations in Australia).

- The EIA described the meetings and conferences market as 'lucrative'. While business event visitors tend to have a high-yield, therefore be 'lucrative' to the local economy, the actual industry of business events is not so 'lucrative'. Many hotels that are set up for large events (i.e. large ball rooms, facilities, etc.), often provide the venue at reduced rates in order to capture the overnight hotel rooms. So, the venue is used to drive occupancy of the hotel rooms as opposed to being a 'lucrative' business venture. The association conference business in particular is price sensitive, often being provided venues free of charge (in exchange for the room nights sold at the event). This association conference business is also very competitive across the country.
- Finally, the proposed property is only 125 rooms, which would often mean that their capacity for business events would be capped at around 125 participants. It is unlikely that the proposed facility would host a vast number of major conferences that would bring a significant number of visitors from outside the region. More likely is that the facility would cater for weddings, corporate retreats/planning meetings and some business events.

2.3 Tourism in SEQ

2.3.1 Supply

The EIA makes numerous comments regarding the current supply of short-stay accommodation on the Sunshine Coast. Many of these comments are accurate however there are some important considerations required.

The more recent 2015-16 ABS Survey of Tourist Accommodation shows a total of 6,120 rooms across 151 properties compared to the 5,585 rooms in 129 establishments highlighted in the EIA. As the EIA mentions, the ABS survey does not capture the entire market. Typically, based on the experience of Lucid Economics conducting supply audits in various markets, the ABS survey would likely under represent the total supply by 20%-30%.

Table 2.1 Short-stay Accommodation Supply, Sunshine Coast Tourism Region

	Establishments	Rooms
Hotels and resorts	11	1,111
Motels, private hotels and guest houses	31	899
Serviced apartments	109	4,110
Total	**151**	**6,120**

Source: ABS (2016)

Furthermore, a review of TripAdvisor found only seven properties on the Sunshine Coast classed as 5-star, compared to the nine identified in the EIA. It would be common for some of these properties to change over the time since the development of the EIA. Also, it should be noted that the properties are likely self-rated. Additionally, the EIA highlights a 'Typical Rate' for many properties. This information is not referenced but it is assumed that it was sourced from either a web-based booking system or a travel website such as TripAdvisor. **It is very important to note that these advertised rates do not translate into average daily rates achieved by the individual properties**. The achieved rates would be lower than those advertised, which is based on discounts that are provided for bookings that take place well into the future.

Table 2.2 5-Star Accommodation Properties, Sunshine Coast Tourism Region

Property	Rooms	Advertised Rate
RACV Noosa Resort	167	$218-$455
Peppers Noosa Resort and Villas	198	$184-$507
Sofitel Noosa Pacific Resort	176	$276-$600
Rumba Beach Resort	60	$196-$373
Narrows Escape Rainforest Retreat	6	$334-$465
Oceans Mooloolaba	46	$478-$780
Samara Rainforest Retreat and Day Spa	3	$316-$585
Total (Average Advertised Rates)	**656**	**$286-$538**

Source: TripAdvisor (2017)

The identified 656 5-star rooms on the Sunshine Coast make up 10.7% of all rooms on the Sunshine Coast (as based on the ABS Survey of Tourist Accommodation), which compares favourably to the Brisbane region, where 9.0% of all accommodation stock is 5-star (or luxury), according to the ABS Tourist Accommodation Survey (ABS, 2016). It is commonly known that similar to Sunshine Coast, Brisbane is under represented in terms of 5-star accommodation, relative to Sydney and Melbourne.

It should also be noted that in addition to the luxury accommodation highlighted above, there are numerous smaller scale luxury accommodation establishments on the Sunshine Coast including Spicers Tamarind Retreat in Maleny, Spicers Clovelly Estate in Montville, Makepeace Island (Sir Richard Branson's Australian residence) and numerous luxury houses and B&Bs.

It is interesting to note that the EIA highlights two potential development projects (i.e. Novotel Twin Waters and Aria Property's Mooloolaba Esplanade) which both had DA approval at the time of writing the EIA (i.e. November 2015) and both of which have not progressed to construction phase. As highlighted previously, the financial feasibility of luxury accommodation development is very challenging and it could be that the reason these developments have not progressed is due to a lack of a sufficient return on investment.

2.3.2 Demand Drivers

This section of the EIA provides considerable statistical information, but much of it fails to connect directly to the proposed development and becomes more contextual information rather than specific evidence supporting the proposed development. Examples of this type of information include:

- **Sunshine Coast visitor numbers**: while the visitor information does accurately reflect the Sunshine Coast market and its reliance on domestic visitation, visitor numbers do not directly translate into demand for accommodation, as not all visitors stay in commercial accommodation. Additionally, further analysis of these figures would show that the Sunshine Coast is very reliant on the Brisbane market for accommodation demand as well as to a lesser extent Melbourne and Sydney. It is also noted that the Figure 4.2 is mis-labelled as 'visitor nights' while the information is for 'visitors'.

- **Occupancy rates**: while this information correctly depicts the volatility throughout the year and the premium occupancy rates achieved in Noosa Heads and Mooloolaba, it fails to establish the annual occupancy rates and trends in the region, which would be central to the market and viability of the development as these factors would determine eventual cash flow from the building that would be used to provide a return on investment. Table 2.3 and Figure 2.4 below highlight the last three years of accommodation trading statistics for the Sunshine Coast Tourism Region.
- **Airport Passenger Numbers**: the most recent figures show a stagnation of passenger numbers through the airport, however, with the expansion of the airport and the realigned runway, a significant increase in passenger movements is anticipated. The EIA suggests that with the realignment of the runway, international passenger numbers will increase as a proportion of total and more closely reflect the Gold Coast and Cairns. The Gold Coast and Cairns are well established international visitor destinations that share a relatively high profile amongst international visitors. The same profile does not currently exist for the Sunshine Coast, particularly amongst Asian visitors. While the expansion at the airport will certainly help to provide a boost in visitor numbers because it increases the accessibility of the area, it will require time for international visitor numbers to increase to be in line with the Gold Coast or Cairns.
- **Major Projects**: the EIA highlights many of the current major projects on the Sunshine Coast, however, there is limited connection with the proposed resort or any relationship with the future demand for the resort.
- **International visitation**: the EIA highlights future opportunities for international visitation and identifies the lack of 5-star accommodation and accessibility issues for international visitors to fly directly to the Sunshine Coast as the reasons why the Sunshine Coast has a lower proportion of international visitors. An alternative reason could be that historically, there has been little demand from international visitors, particularly Asian visitors, for the Sunshine Coast. The Sunshine Coast's traditional international market has been a strong VFR led New Zealand market as well as traditional inbound markets such as United States, United Kingdom, etc. Providing greater opportunities for air access as well as new accommodation will not alone automatically attract international visitors. Equally, the EIA highlights Hawaiian Airlines and leads the reader to believe that it could operate a direct Sunshine Coast – Honolulu route based on the growth of its Brisbane route. This is highly unlikely to take place as the two airports (Brisbane and Sunshine Coast) are too close together and the two routes would likely cannibalise each other.
- **Accommodation brands**: the EIA simply lists a series of various hotel operators (i.e. brands). It is interesting to note that there is only one operator listed that has apparently expressed interest in the project, Spicers. The proposed project would be a very large property for the Spicers Group, who typically operate small, very high end, all-inclusive resorts.
- **Integration opportunities**: the EIA lists a variety of integration opportunities for the property. Some of these statements seem to perhaps embellish the actual opportunity. For example:
    - the statement that the "proposed development's facilities would enhance the Region's potential to attract significant conferences and events linked to the hospital and health sector (pg. 33)" would seem a bit exaggerated as the proposed facility would only accommodate 125 rooms, which would almost cap any conference or event at around 125 visiting delegates. Additionally, 'significant conferences and events' would likely have a minimum of 500 delegates and potential maximum of thousands. The proposed development could not accommodate an event of this scale.

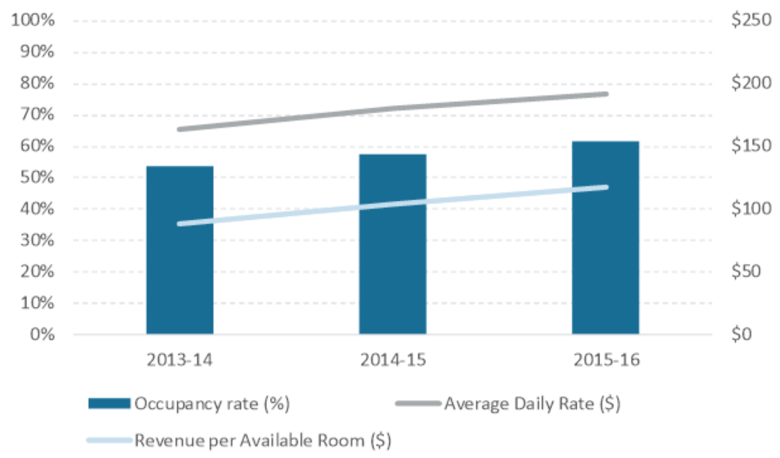
- The connection with the PO cruise ship visits is also very tenuous. As stated in the EIA, cruise ships often seek out a variety of experiences to offer passengers. However, outside of the restaurants and spa, there would appear to be a lack of unique experiences to offer cruise ship passengers.
- The EIA also states that the restaurants would augment the existing restaurant and food offer in Buderim delivering more future diners. The proposed development only has 125 rooms, which would seem to be insufficient to support three restaurants each with seating for 85, so the restaurants would have to receive patronage from people outside of the resort in order to remain viable. In this case, the restaurants may actually compete against the existing restaurants and food offer in Buderim.

Table 2.3 Short-stay Accommodation Trading Statistics, Sunshine Coast Tourism Region

	Occupancy rate (%)	Average Daily Rate ($)	Revenue per Available Room ($)
2013-14	53.8%	$164	$88
2014-15	57.4%	$181	$104
2015-16	61.7%	$191	$118

Source: ABS (2016)

Figure 2.4 Short-stay Accommodation Trading Statistics, Sunshine Coast Tourism Region



Source: ABS (2016)

2.4 Demand for the Proposed Development

2.4.1 Background Information

The EIA draws comparisons between the proposed development and several other luxury properties, some currently yet to be developed. These comparisons are often relatively fair given the luxury status of the proposed development. However, many of the comparison properties are much smaller in scale and many are located in iconic destinations that don't necessarily compare well to Buderim, such as Kangaroo Island and Byron Bay. Demand for accommodation and the rate that is achievable is not only linked to the property but also the destination.

The following table (Table 2.4) provides some benchmarks in regards to room rates, highlighting the original information in the EIA. This information was not referenced so it has been assumed that these rates would be advertised rates, which are often much higher than the rates actually achieved. Lucid Economics queried a variety of web sources for actual pricing for rooms, which would also not be considered achieved rates, and found numerous instances where the rates would appear much lower than what was highlighted in the EIA. At the same time, some luxury resorts have relatively fixed prices that are often all inclusive. Many of these resorts (i.e. Southern Ocean Lodge, Saffire Freycinet, etc.) cater to couples for romantic getaways. As such, these benchmarks may not be that relevant to the proposed development, which is more in line with Elements of Byron, MGallery Fairmont or Hydro Majestic in terms of offer and scale. At the same time, it should be noted that Buderim is not quite as developed as a destination as the Blue Mountains (location of MGallery Fairmont and Hydro Majestic), albeit the two areas hold similar positions, located outside of major urban centres.

Table 2.4 Benchmarked Properties and Rates

Property	Room Rates $ (from EIA)	Rooms Rates $ (from Lucid Economics)	Lucid Economics Source
Bardessono Napa Valley	$675 US	NA	NA
Elements of Byron	$630	$300-$330	Sofitel website and other hotel booking sites
Mgallery Fairmont Resort	Standard Room $239 Deluxe suite $689 Grand Luxury $989	$250-$400	Sofitel website and other hotel booking sites
Emirates One & Only Wolgan Valley	$2,050 per night	$2,500	Emirates Wolgan Valley website and other booking sites
Southern Ocean Lodge	$1,100 per person	$1,200-$2,200	Southern Ocean Lodge website
Saffire Freycinet	$1,950 per night $39,000 entire resort	$2,400	Saffire Freycinet website
Hydro Majestic	From $169	$200-$359	Hydro Majestic website and other bookings sites

Source: Lucid Economics; Urban Economics (2015)

The EIA provides the following table (Table 2.5), which highlights market shares of visitor numbers across various properties within the Blue Mountains region. There are a variety of issues/questions regarding this information, including:

- The table is not referenced but it is assumed that the visitor numbers would have come from Tourism Research Australia.
- Without further explanation, it is impossible to determine the basis for these figures or their meaning.
- The table highlights that the numbers represent visitors, which is very different from visitor nights or even room nights in a hotel.
- Additionally, the occupancy information included in the EIA is also not directly referenced but it is assumed that the occupancy rates provided for the properties are one driver of the market share figures presented.

Table 2.5 Market Share Data from EIA

TABLE 5.2: Blue Mountains Market Shares

Accommodation	Share of Blue Mountains Visitor Numbers
Mgallery Fairmont	11%
Wolgan Valley	3%
Hydro Majestic	3%

Source: Urban Economics (2015)

Text in the EIA would seem to correctly highlight that total visitor nights in a destination differs from total visitor nights spent in commercial accommodation. While this is true, there is no analysis of visitor nights spent in commercial accommodation in the Blue Mountains (or anywhere). Analysis of data from Tourism Research Australia indicates that visitor nights spend in commercial accommodation made up an average of 56% of all visitor nights spent on the Sunshine Coast over the last decade YE December 2005-YE December 2016 (TRA, 2017).

2.4.2 Demand for the Proposed Development

This section has major issues and flaws in its methodology. Table 2.7 uses historical data from the Sunshine Coast market to convert visitor nights into room nights and translates these figures using the market shares provided in the original EIA. As highlighted, the projected occupancy for the proposed development would be well over 100%, which is not possible.

Table 2.6 provides the data from the original EIA and the dot points below highlight the issues with the analysis.

- The use of a market share benchmark for the Blue Mountains would provide an interesting perspective compared to the proposed development, however, it is not a sufficient indicator of future demand.
- The methodology to calculate the benchmark of market share is not explained and could mistakenly link visitors to visitor nights, confusing visitor nights with room nights.
- The caption highlights that the projections are for visitors, but doesn't mention any figures for visitation
- The visitor nights data in the original table is not referenced and it cannot be established where the data is sourced from. According to the TRA, visitor nights on the Sunshine Coast as of the year ending December 2016 totalled 14.74 million.
- The methodology assumes 9.7% of visitor nights are spent in commercial accommodation.
    - This data point is not referenced nor supported by any evidence
    - According to TRA data, 56% of all visitor nights on the Sunshine Coast are spent in commercial accommodation.
- The methodology confuses visitor nights (to a destination) with room nights (spent in a hotel, or expressed as room nights sold, which is demand for hotel rooms).
    - The core difference is that hotel rooms often house more than one visitor.
    - Analysis of ABS information shows that the average persons per room for the Sunshine Coast across all accommodation types was 2.3 in 2015-16 (2.2 for just hotels and resorts).

Table 2.7 uses historical data from the Sunshine Coast market to convert visitor nights into room nights and translates these figures using the market shares provided in the original EIA. As highlighted, the projected occupancy for the proposed development would be well over 100%, which is not possible.

Table 2.6 Overnight Visitor Projections Table from EIA

TABLE 5.3: Overnight Visitor Projections

	Scenario 1 2020	Scenario 2 2020	Scenario 1 2020	Scenario 2 2020
Visitor Nights	17,600,000	13,750,000	17,600,000	13,750,000
Commercial Demand per night	4,690	3,670	4,690	3,670
Market Share	1.9	1.9	2.0	2.0
Room Nights	89	70	94	73
Occupancy Rate	71%	56%	75%	58%

Source: Urban Economics (2015)

Table 2.7 Market Share Data from EIA

	Scenario 1 2020	Scenario 2 2020	Scenario 1 2020	Scenario 2 2020
Visitor Nights	17,600,000	13,750,000	17,600,000	13,750,000
Commercial visitor nights demand per night	27,242	21,283	27,242	21,283
Persons per Room	2.3	2.3	2.3	2.3
Commercial room nights demand per night	11,784	9,207	11,784	9,207
Market Share	1.9%	1.9%	2.0%	2.0%
Room Nights	223.9	174.9	235.7	184.1
Occupancy Rate	179.1%	139.9%	188.5%	147.3%

Note: Persons per room data is average for Sunshine Coast 2015-16 as per ABS. Commercial visitor nights represent 56% of all visitor nights as per average on the Sunshine Coast over last decade as per TRA.
Source: Lucid Economics; Urban Economics (2015); TRA (2017); ABS (2016)

Finally, the EIA states "Therefore under the Sunshine Coast Tourism Growth Scenario, the proposed 125 suites would be feasible and would command a clear presence within the Sunshine Coast luxury accommodation market (pg. 40)". **This statement is unfounded** as the EIA holds no evidence or financial analysis regarding the development viability of the proposed development. Simply because a property maintains a certain occupancy rate is no measure of its overall development viability. Alternatively, if the EIA is stating that from a market demand perspective, there is sufficient demand in the market to support the development, then the statement requires this further clarification.

The EIA provides the following assumptions regarding the hotel (Table 2.8). Specific comments have been provided for each assumption.

Table 2.8 Assumed Fundamentals for Property from EIA

Assumption from EIA	Lucid Economics Comments	Source/Reference
125 suites	Relatively large for the Sunshine Coast, average of 43 rooms per establishment	ABS 2016
Occupancy rate of 75%	Achievable, but high relative to the region and likely not sustainable over many years	ABS 2016; STR 2017
Nightly room rate of $600-$650	Very high and likely not achievable	ABS 2016; STR 2017
125 staff	Appears low relative to luxury service standards	ABS 2016
3*85 seat restaurant	Large relative to room numbers	255 seats compared to 125 rooms

Source: Lucid Economics; Urban Economics (2015); ABS (2016); STR (2017)

Table 2.9 Luxury and Upper Upscale Accommodation Trading Statistics, Sunshine Coast

	Occupancy rate (%)	Average Daily Rate ($)	Revenue per Available Room ($)
2011	59%	$213	$126
2012	62%	$215	$132
2013	60%	$237	$142
2014	70%	$263	$185
2015	70%	$266	$185
2016	75%	$288	$216

Note: Calendar year. Data represents average of six luxury and upper upscale properties on the Sunshine Coast.
Source: STR (2017)

Additionally, it should be noted that from the plans for the project, all suites will be between 80-84 sqm in size, which is relatively large compared to most hotels. At a luxury or 5-star level, most hotel rooms would be between 40-70 sqm in size, with large premium suites ranging from 50-250 sqm. The current plans show only one room type, based on size. This large size of room may unintentionally increase construction costs.

In the initial EIA, the total investment cited was $60 million, which was revised through an updated EIA (January 2017) to $150 million.

Using these assumptions, it is possible to conduct a very high level financial feasibility of the development using the following industry benchmarks (Table 2.10) and a discounted cash flow approach that assumes the developer, investor and operator are the same entity. It should be noted that many of these factors change on a frequent basis.

Table 2.10 Indicative Feasibility Assumptions

Elements	Assumption
Net Profit Margin	30.0%
Inflation	3.0%
Cap Rate	8.0%
F&B (% of total revenue)	30.0%
Other (% of total revenue)	5.0%
Rooms (% of total revenue)	65.0%

Source: Lucid Economics

Table 2.11 below shows the results of this very indicative level feasibility analysis. The table shows that if the original metrics hold true, then there would be a healthy return on investment (IRR) from the project. The increase in capital expenditure reduces the return on investment to a level that is likely not commensurate with the risk of the development. Using the updated capital expenditure and more realistic market indicators (i.e. $300 ADR and 70% average annual occupancy), the project would appear challenging in terms of a return on investment.

It should be noted that this analysis is very high level but does show that the project may be challenging in terms of generating a return on investment sufficient to merit the capital expenditure. Additionally, there have been numerous recent reports of banks restricting lending for hotel development and commanding very strict conditions for these loans, particularly in terms of loan to value ratios.

Table 2.11 Indicative Feasibility Assumptions

	10 year IRR	20 year IRR
Original Scenario ($60m)	32%	28%
Updated Capital Expenditure ($150m)	11%	11%
Updated Capital Expenditure ($150m) & adjusted ADR and Occ.	-1%	3%

Note: Updated ADR and Occupancy based on STR data over time and deemed to be achievable.
Source: Lucid Economics

Based on this analysis and some of the identified case studies, a smaller scale development, requiring less capital but still achieving similar rates to the rest of the luxury market may be less challenging financially.

Interestingly, the property directly next door to the proposed development is a seven-bedroom former luxury resort that is currently for sale for $2.49 million (Realestate.com, 2017).

2.5 Impacts and Benefits Analysis

2.5.1 Economic Impacts and Benefits

This section of the EIA provides an overview of the expected economic impacts and benefits stemming from the proposed development. The section has a number of notworthy elements and the following comments are provided:

- Typically, an economic impact assessment would clearly outline the methodology and key assumptions used to drive the analysis. There is no discussion of methodology and it is assumed that the key assumptions would have been provided in other sections of the report.
- Table 6.1 has a range of non-standard terms, including 'FTE years', which would be assumed to equate to total FTE times the number of years they would be employed, so 180 FTE years would equate to 180 jobs over the course of 1 year, however, this is not explained. Additionally, the 'Value Added' component of the construction would usually highlight the gross value added component of the construction expenditure (i.e. total output for the sector minus its input costs, or $60 million capital expenditure, minus input costs). In this instance, it would appear to highlight the indirect or flow-on component of economic activity stemming from the $60 million in capital expenditure.
- The Update provided similar analysis for the revised $150 million capital expenditure.
- The EIA states that "Applying value-added multipliers, it is estimated…(pg. 41)", however, there is no description as to where the multipliers are sourced from or what they are. Under a subsequent header, the EIA does mention the Queensland Regional Input-Output Tables (1996/97) for Brisbane-Moreton, however, it is unclear if this table was used to generate the multipliers. If it was, it should be noted that the economy has changed considerably over the

last 20 years and the inter-industry relationships described in this table may not reflect the current relationships, which would impact the analysis. A more recent IO table is available from the ABS, albeit not at the regional level.

- The EIA highlights that the project will inject $109 million into the economy during the construction period and identifies $50 million of which would be directed to the Sunshine Coast. While it would stand to reason that not all of the expenditure would benefit the Sunshine Coast, there is no explanation nor justification for the split used.
- In the 'Operational Turnover' Section, the turnover assumptions in Table 6.2 are not references or sourced.
- During operations, the EIA highlights an injection of "$50 million in direct and value added impacts…(pg 43)". Typically, an EIA would consider the direct and indirect impacts in terms of gross value added or gross regional product terms. The statement in the EIA is not clear and is likely referencing direct and indirect impacts (in gross value added terms). As with the construction impacts, there is no description of the methodology used to determine these figures, so it remains unclear.
- The EIA identifies that the "proposed development would directly increase overnight tourism to Buderim by some 55,000 visitors each year, including international overnight visitors (pg. 43)". It is unclear how the 55,000 visitor figure was derived. There are numerous methods that could be employed with different assumptions to identify 55,000 visitors. However, it would be very difficult to identify the number of visitors that would not have otherwise come to Buderim. It would be feasible for a visitor staying elsewhere on the Sunshine Coast to still travel to Buderim. The nexus between the proposed development and these visitors is not described and cannot be confirmed. Equally, there is no analysis or discussion of the transfer effect or loss of these visitors from other parts of the Sunshine Coast.
- Similarly, the EIA highlights some $30 million per year in expenditure that is contributed by these visitors. As mentioned above, the nexus between the proposed development and this expenditure is not identified and portions of this expenditure could likely be spent in Buderim without the proposed development. Equally, there is no analysis of the transfer of this expenditure (or loss) from other parts of the Sunshine Coast.
- The EIA states that the three restaurants will have a net economic benefit for Buderim, but there is no quantitative modelling to support this statement. Ideally, there would be retail expenditure analysis conducted to support such a statement. As highlighted earlier, three restaurants (85 seats each) would seem difficult to justify and remain viable with a resort of only 125 rooms, meaning that patrons from outside the resort would be needed in order to ensure the on-going viability of all three restaurants, which would mean an actual increase in competition for existing restaurants in Buderim.
- Operational employment of 125 FTE would seem relatively low for the identified luxury standard and facilities (i.e. three restaurants, lounges, spa, etc.). Based on ABS information (ABS, 2013) for the Brisbane region, employment at 5-star hotels was 1.9:1 (staff:rooms).
- Similar to the other impacts identified, there is no explanation regarding how the indirect employment was identified for the operational phase of the proposed development.

2.5.2 Other Economic & Community Impacts and Benefits

The EIA makes several comments in this section that may have require further clarification and/or justification, including:

- The EIA states another key economic benefit is "Providing a key accommodation venue for tourists that surrounding tourism operators could target...(pg. 45)". It is highly unlikely that other tourism operators would chose to promote a single individual accommodation provider without a commercial arrangement with that operator. Additionally, there are other existing accommodation operators on the Sunshine Coast that these tourism operators could target. As such, there is no guarantee that this benefit would be realised.
- The EIA again highlights the benefits of adding a function venue for the 'significant and lucrative' meetings and conference sector. As highlighted previously, through only providing 125 rooms, there is limited scope for large conferences or events. Additionally, much of this sector (particularly the association conferences) is price sensitive and often require the function space for free in return for the associated room nights. While this market is 'lucrative' in the sense that delegates often have a higher than average expenditure profile, it would be difficult to identify this sector as 'lucrative' from an operator perspective in a regional area such as the Sunshine Coast due to the competitiveness of this market for the size and scale of facilities provided at the proposed development.
- The EIA states that the proposed development will improve the region's appeal to 'high net worth, international visitors' and that this will in turn create new tourism markets and growth in real visitor numbers. While some accommodation product can drive demand in its own right, this level of demand is generally a small portion of the overall demand experienced at the property. The Sunshine Coast already has luxury properties (as identified in the EIA and by Lucid Economics), and as such already receives luxury visitors/high yield visitors. For many reasons, it would difficult for all future visitors to the proposed development to be considered net new visitors (i.e. real growth in visitor numbers).
- The EIA states that the proposed development would 'showcase and enhance' Queensland's ecotourism experiences. Most ecotourism experiences relate to nature and experiences within nature (as opposed to staying at a resort that is eco-certified). While the proposed development would appear to be very environmentally friendly and sensitive, it may not have such a dramatic effect on the State's ecotourism experiences.

2.6 Need

This section provides a review of the overall need for the project. Relevant comments in regard to this section are similar to others and include:

- The EIA states that there has not been any new 5-star luxury hotel development on the Sunshine Coast for more than 25 years. At a State and national level, there has not been a lot of 5-star luxury hotel development compared to other nations. A core reason why there has been limited 5-star luxury hotel development (until recently) is that from a development perspective, it is very challenging to generate a sufficient return on investment from a luxury hotel development.
- As in other sections of the report, comparisons with the Gold Coast are made in terms of the number of luxury resorts and branded properties. While comparisons between the Sunshine Coast and the Gold Coast are important and valid, comparisons between the Gold Coast and Buderim are less convincing.

- The EIA states that increasing levels of international visitors to Queensland will flow through to demand for accommodation and experiences in regions including the Sunshine Coast. Specifically, it states "The proposed development will contribute to the Sunshine Coast economy's capacity to enjoy the economic and community benefits that may otherwise be lost to other Queensland regions through greater choice in quality hotel accommodation (pg. 48)". There is no guarantee that increasing levels of international visitation to Queensland will automatically flow through to the regions and equally, 'quality' hotel accommodation does exist on the Sunshine Coast, so choice remains without the proposed development.
- The EIA reports a need for conveniently located accommodation and function facilities to cater for the needs of the Sunshine Coast University and Sunshine Coast University Public and Private Hospitals. According to Google Maps, Buderim is almost the same distance and driving time from the University Hospitals and the University as Mooloolaba. Equally, there are accommodation and facilities for meetings within the Precinct (i.e. Stadium, restaurants, etc.) as well as in Mooloolaba. While many of these facilities would not be directly comparable to what is proposed in the development, these facilities could be utilised for the same purpose.
- The EIA states that the "Demand Analysis concluded that occupancy rates of the 5-Star short term accommodation options on the Sunshine Coast are considerably higher than the average for all Sunshine Coast accommodation…(pg. 50)". The Demand Analysis did not provide any evidence specific to the Sunshine Coast for this statement. While the data (i.e. ABS and STR Data) supplied by Lucid Economics demonstrates that higher rated properties do trade at above market occupancy, there is no evidence within the EIA to substantiate this claim.

3. Summary

While this review has identified a number of concerns and issues with specific analysis contained in the EIA, the proposed development would certainly provide numerous economic and tourism benefits that should be considered:

- In terms of tourism product, the proposed development has numerous attractive and advantageous features for the Sunshine Coast as a destination, including its luxury status, size/scale, function areas, sustainability elements and the fact that its positioned in Buderim and the Sunshine Coast hinterland.
- The construction activity of $60 million or $150 million would certainly provide very positive economic impacts and benefits to the local Sunshine Coast economy.
- If the development proceeded and was delivered, the operational phase of the project would likely also provide positive net economic benefits to the region.
- Locally for the village of Buderim, the proposed development would provide positive economic benefits during construction and during operations the net impact could be mixed between the positive impact of visitors staying at the resort and shopping locally and the potential negative impact of creating more competition amongst local restaurants.

The EIA does not provide any guidance as to how the development would be funded. If the proposed development requires traditional financing, it may struggle in its current form to gain finance. A smaller scale luxury resort may have a better chance of being funded, developed and enter the market.

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LUCID ECONOMICS

Lucid Economics Pty Ltd

www.lucideconomics.com.au

info@lucideconomics.com.au