

ATTACHMENT 10

TOURISM SURVEY AND RESULTS
UHL HOSPITALITY

7.0 Tourism Survey and Results

As an additional dynamic to our hotel research for the Sunshine Coast, we have distributed a 16 Question Tourism survey to hospitality and tourism bodies, tourism wholesalers and tour group operators.

In all, 16 response requests were sent out, with 5 replies. For confidentiality reasons, the identity of the respondents and their specific comments have been retained by this office.

A copy of the Information Preamble is available for reference.

In summary, the questions asked are as follows:

Question 1

In the 4 to 5 star Sunshine Coast market, with respect to Hotels and Branded Serviced Apartment products, what is your opinion as to the need for a new 4 to 5 star Hotel as proposed for the Coolum Site?

Question 2

If you have suggested a high (above 5) need in Question 1, what is your opinion of the importance of a new Hotel having a (this) beachfront location?

Question 3

If you have suggested a high (above 5) ranking in Question 1 or 2, what is your opinion of the importance of a new Hotel having a '5 star' rating?

Question 4

Conferencing areas in some of the larger competitors in the region total around 300 square metres with flexible subdivisions into up to 3 smaller rooms + smaller boardrooms and meeting rooms. Is this type of size/configuration within say this hotel deemed by you as adequate for the region- or is a larger facility indicated, say in a ballroom arrangement of up to 500 pax (or higher?)

Question 5

One part of our research has identified an issue with the size of the conferencing areas in some hotels compared to the available accommodation rooms (ie conference guests may need to be accommodated elsewhere). This imbalance can occur particularly in strata titled complexes where room stock can be withdrawn by owners over time. Hence it is important to match the size of the conference facilities to in-house accommodation stock to ensure that not only conference guests but non conference guests can be accommodated at any one time. Examples of how this dynamic can work in specific locations are: **Sheraton Noosa**: Ballroom with 300 theatre style guests but only 176 rooms. However there is a large stock of other rooms in Hastings Street. **Sheraton Mirage Gold Coast**: Ballroom with 1,000 theatre style guests and 295 rooms. However there is a large stock of other rooms in Main Beach and Surfers Paradise. The *Beachside* project however is somewhat isolated from other accommodation (with the exception of the Palmer Resort)- given your answer to Question 4, how much importance should be given to the balance between conference guest numbers and room stock within the Hotel and adjoining apartments?

Question 6

What events do you believe are most in demand for Conference areas on the Sunshine Coast? Please feel free to rank the following markets sectors, numerically. (Please feel free to add to the list). See also Question 13 which is posed to elicit a different response to this question.

Question 7

How important do you believe the quality and variety of recreational amenities for guests would be (eg pools + bars/ spa/ gym etc) given (say) the possibility of a Beach/ surf club with patrolled beach being established in front of the Hotel location?

Question 8

Our research shows there is little in the form of sophisticated meeting/ bar and restaurant facilities in the region. This may be as a result of the traditional 'family' typical guest and visitor profile in the region (and the popularity of surf clubs etc). Given the location of the site away from the more dense CBD areas such as Mooloolaba, how much demand do you envisage 'upper end' Bar and Restaurant areas would attract within a new Hotel on this site?

Question 9

Acknowledging that the Gold Coast market has different demand drivers, the Hotel on the Gold Coast with the most similarity of location and position to the beach, is the **Sheraton Mirage** at Main Beach. This hotel would be considered to be one of the highest if not highest ranked in terms of exclusivity, amenities and location. Equally, the room rate is one of the highest in that region. Would you hold the view that the location of the current Coolum property would attract a premium in (room) price in the Sunshine Coast region, if a hotel of similar stature existed thereon?

Question 10

The Coolum site has a dune line passing the hotel site, between the site and the beach. The dunes are some metres high. Various car parking and basement designs for the Hotel may be considered, including a car park basement or even the inclusion of 'back of house' facilities in lower levels. If the hotel reception is built directly on top of a car park basement, ocean and beach views may be limited. Again using **Sheraton Mirage** as an example, there may be an opportunity to raise the reception level to such a height as to allow unrestricted ocean views- this may require a ramp type driveway to the Porte Cochere. How important do you consider beach and ocean views (from the reception level) to be for this project?

Question 11

How important do you believe an increase in the frequency of international travel into South East Queensland from Asia and the Middle East is to this project? Can this project be well served in this market by direct transport from Brisbane Airport or is an eventual upgrade of the Maroochy Airport essential to the long term future of this hotel?

Question 12

Given the traditional 'family' typical guest and visitor profile in the region, with respect to package tours, should the Hotel design adopt a high priority to Coach or Bus drop off and pick up?

Question 13

Many local competitors focus heavily on conferencing and seminars to support their F & B business and room performance. In particular, the Wedding market appears to have a high degree of competition, mostly for 'beach weddings'. Is the MICE markets being catered for sufficiently in the Sunshine Coast region, or could a well located additional competitor (such as the Coolum Beachside Hotel) expect to attract market share? In relation to the wedding market, if a purpose built wedding venue was built on site (eg a Chapel), is the existing market of such size as to justify this additional investment?

Question 14

The Hotel room designs would not feature food preparation facilities. Room sizes could vary from 25 + square metre entry rooms, to 32-36 square metre deluxe rooms and a variety of suites. Given the traditional 'family' typical guest and visitor profile in the region, an alternative to the traditional room design could include 'dual key' hotel rooms, incorporating entry level and deluxe rooms into a 3-way format. (See example, attached). Given that there is a high level of competition in the market from serviced apartments including possibly other strata buildings adjoining the Hotel itself (with cooking facilities), do you believe this Hotel should attempt to cater for this specific sector of the local market, with this suggested room variation?

Question 15

The design team are passionate about creating a sense of authenticity to the design of this project. To achieve this significant effort needs be paid to external appearance (day and night) and the internal feel of the building such that a high level of 'Sunshine Coast' authenticity is created, without being seen as too ethnic. Together with a branded Operator, how important to the success of the hotel is this attention to design?

Question 16

Given all that we have informed you about the market positioning and design for this project and your comments made previously, in your opinion would this Hotel, if available today, command a higher Average Daily Rate (ADR) than its 4 to 5 Star competitors in the Sunshine Coast?

We have tabulated and provided our own Summary of the responses in a Response Table, **attached** to this report.

8.0 Recent Hotel and Site Sales

We provide commentary from Hotel Broking firms in Australia as well as a list of recent Hotel sales in Australia:

Colliers, in their 2013 Hotel reports, state:

While over the medium term the hotel sector has outperformed other commercial property assets, over the year to December 2012, total returns from the hotel sector fell behind those of the office and industrial sectors. During 2012, total returns from the hotel sector were 9.4% down from 16.7% in 2011, and compared with the three-year rolling average of 13%. While the income returns generated by the hotel sector remain solid at 8.2%, the capital returns for the year to December 2012 fell to just 1.1%, the lowest level since mid-2010. This softening reflects a stabilisation of conditions after the recent spike in hotel investment activity. For the first time in the history of the Index, returns from non-CBD hotels (9.7%) outperformed CBD assets, which returned 9.3%. Hotels in Western Australia outperformed the rest of the country returning 14.6% during 2012, compared with 9.3% from New South Wales assets, 7.6% from Victoria, and the 6.3% return achieved in Queensland.

Asian interest in the Australian hotel market continues to be strong. Similar to increasing transaction levels in the Australian office sector; Chinese investors are becoming more active in the hotel sector. Reportedly close to being finalised is the sale of the five-star Four Season Hotel in the Sydney CBD. The asset is being sold by the domestic institution Eureka Funds Management. Total hotel sales activity for 2012 was in excess of \$1.250 billion (excluding the successful float of the Ascendas Hospitality Trust), showing an increase of 30% on the total value for 2011. Transaction activity during 2012 was the strongest since 2007, reflecting interest from global institutional investors focusing on the Australian tourism and hospitality sector. Investors from Asia, who accounted for over 70% of all sales with investors from Malaysia, Hong Kong and Singapore the most prevalent, dominated purchasing activity. Vendors of hotels across 2012 were predominantly Australian institutions.