



Preston
Rowe
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International Property Consultants

Sydney Impact Report

Hotel & Leisure Market

ABOUT THIS REPORT

Preston Rowe Paterson prepare research reports covering the main markets within which we operate in each of our capital cities and major regional locations. This Hotels & Leisure Market research report provides analysis and detail of economic factors which impact the New South Wales tourism regions.

Within this report we have analysed sales over the second half of the year 2015 in the various New South Wales tourism regions of; Sydney, Hunter, Snowy Mountains and Blue Mountains.

To compile the research report we have considered the most recently available statistics from known sources. Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them. Where possible we consider short term movement in the statistics by looking at daily published data in the financial press. Where this shows notable fluctuation, when compared to the formal published numbers we have commented accordingly.

Second Half 2015 Update

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Phone: +61 2 9292 7400

Fax: +61 2 9292 7404

Address: Level 14, 347 Kent Street Sydney NSW 2000

Email: research@prpsydne.com.au

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MARKET OBSERVATIONS

The Sydney tourism region has recorded the highest accommodation hotel and licensed pub transactions activity in the second half of 2015. The majority of sales recorded were licensed pub sales to local investors.

According to *Destination NSW* in the year ending to September 2015, the NSW hotels and leisure industry had experienced an annual increase of 5.2% in domestic overnight visitors and 5.8% growth in international overnight visitors. The NSW tourism industry is forecasted to remain positive in 2016.

In comparison to other tourism regions, the Sydney hotels and leisure market performance remained strong. One of the factors contributing to the growth in the hotels sector was the lower Australian dollar against the US dollar. The purchasing power of foreign investors and tourists had risen in 2015. As a result, domestic travel and spending had also increased.

According to STR Global, an analysis of the 'occupancy rate' and 'revenue per available room' revealed that the Sydney tourism environment had improved. In comparison to December 2014, the 2015 results showed an overall growth in Sydney hotels indicating a 7.25% increase in occupancy rates, -2.67% fall on average daily rate and 4.43% increase in revenue per available room.

Due to the strong occupancy results for accommodation hotels and positive tourism statistics, property investors' interest in hotel and leisure properties increased in 2015. Other factors that led to the high demand were the low cash rate environment, scarcity of quality hotel and leisure stocks in the market and the tightening of supply.

Both local and foreign investors were active in 2015. Asian investors were particularly interested in metropolitan properties close to the CBD.

New accommodation hotel developments were focussed in the Sydney metropolitan areas. The hotels under construction in 2016 include **Barangaroo by Crown**, **Sofitel Darling Harbour** and the **Sheraton Hotel** in Darling Harbour. Hotel group Accor is developing a **Pullman Sydney Airport** hotel next to the Sydney Airport with 229 rooms that is expected to open in June 2016.

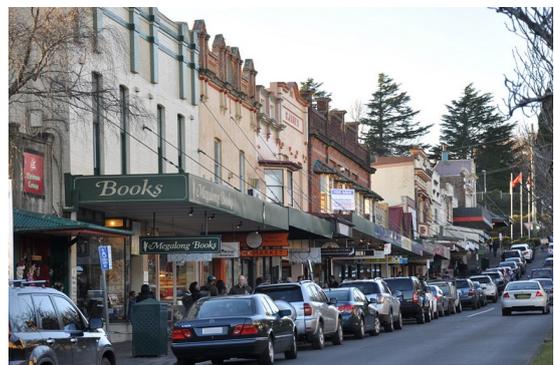


The majority of metropolitan sales in six months to December 2015 were licensed pub investments within the Sydney tourism region. The market's appetite for pubs was strong with many buyers securing iconic pubs located within 10km of the Sydney CBD.

The regional NSW hotel and leisure market remained relatively stable in the second half of 2015. The regional hotel and leisure market is often limited by its smaller populations and pedestrian traffic, lower socio-economic backgrounds, increases in operating costs and reliance on regional tourism.

The Blue Mountains and Snowy Mountains tourism regions remained reasonably slow compared to the Sydney tourism region. There were no observable market movement in the Blue Mountains region in the six months to December. The Hunter Valley tourism region was relatively active in the second of 2015 with a few motel sales following the landmark sale of the **Charbonnier Hallmark** hotel.

Taking into account of the observation on the sales and hotels occupancy rates ending at December 2015, the hotels and leisure property outlook is forecasted to be in demand for 2016. The Sydney tourism region is expected to remain attractive to both local and foreign investors, and the supply for quality hotel will be limited. The regional NSW market is likely to remain steady throughout 2016.



HOTEL & LEISURE MARKET—KEY INDICATORS

Australian Tourism Industry

According to the *Tourism Research Australia*, the Australian tourism industry potential grew by 6% to worth about \$88.8 billion at the financial year end 2014-15. The latest figures from the *Australian Bureau of Statistics* revealed that the overall room occupancy rate in hotels, motels and serviced apartments with 15 or more rooms across Australia was 65.1% as at June quarter 2015.

In the year to June 2015, VIC was the strongest state in Australian tourism with a seasonally adjusted quarterly average occupancy rate of 68.1%. ACT and NSW followed closely with a average quarterly occupancy rate of 68.1% and 66.9% respectively. TAS recorded the lowest occupancy rate at 60.2%.

The state with the highest earnings from accommodations in the year to June 2015 was NSW which recorded a quarterly average of \$810.7 million. QLD and VIC followed with a quarterly takings averaging of \$607 million and \$533.8 million respectively. The lowest quarterly accommodation takings occurred in ACT and TAS averaging at \$80.3 million and \$58.5 million respectively.

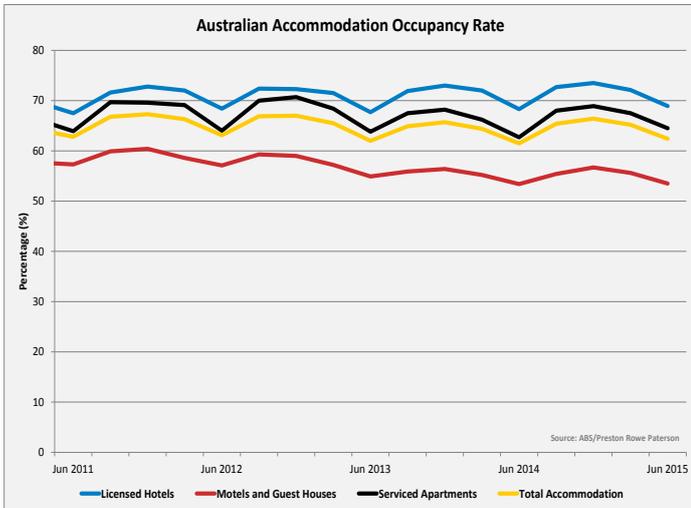


Chart 1 – Australian accommodation occupancy rate
Source - ABS/Preston Rowe Paterson

The Australian room occupancy rate breakdown shows that room occupancy increased across all accommodation categories over the year to June quarter 2015. The 'Licensed hotels with 15 or more rooms' remain with the highest occupancy rate with a quarterly average of 71.8%. The lowest quarterly average occupancy rate occurred in the 'Motels and guesthouses with 15 or more rooms' at 55.3%.



Sydney Hotel Performance

According to *STR Global* monthly statistical report, the all Sydney hotels supply and demand has increased in the six months to December 2015. Over the year, the demand for hotel rooms has outweighed the supply.

The December quarter recorded a slight decline of -0.35% in occupancy rates to 85.8%. Despite the lower occupancy rate, the average daily rate (ADR) grew by 11.4% in the quarter to \$217.20 and the revenue per available room (RevPAR) increased by 11% to \$186.36.

The October and November months outperformed in occupancy rate and RevPAR due to a host of festivals and concert events in Sydney; occupancy rate rose to 91% and RevPAR amounted to \$199.30 and \$214.45 respectively.

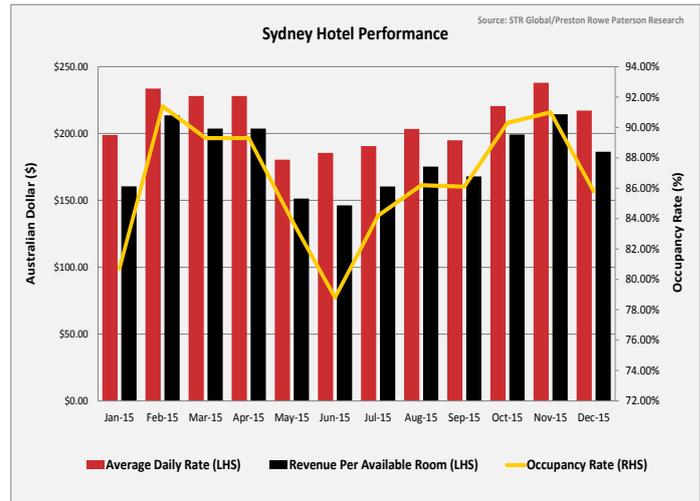


Chart 2 – Sydney hotel performance - Source - STR Global/Preston Rowe Paterson

HOTEL & LEISURE PROPERTY MARKET

Data and information from the *Property Council of Australia/ ANZ: Property Industry Confidence Survey March Quarter 2016* has been analysed to derive at the following findings; Hotel capital values is expected to grow strongly in TAS, NSW, VIC and QLD whilst other states and territory were forecasted with modest and negative growth in the March quarter.

The NSW hotel capital 12-month capital values expectations index showed that there had been slight increase in expectations between the December quarter 2015 and forecasted March quarter 2016 of +2 index points to an approximate index value of 20.7.

Hotels construction activity in NSW is expected to grow through the March quarter. The survey revealed that the 12-month sentiment to hotel construction activity expectations increased by +17.9 index points to 46.9.

According to the *Property Council of Australia/IPD Australia index*, the Australian hotel annualised returns was 17% over the December quarter 2015. In the year to December, non-CBD hotels capital growth outperformed CBD hotels by 143 basis points. NSW recorded strong total returns of 24%.



Sydney Tourism Region

The Sydney tourism region is bounded by the suburbs of Campbelltown, Palm Beach, Penrith, Picton, Richmond, Waterfall and Wiseman Ferry. However, for the purpose of this research report, Preston Rowe Paterson Research will focus on hotels and leisure properties in the Sydney metropolitan areas.

According to *Destination NSW (DNSW)*, the Sydney tourism region had received 31.7 million visitors and accounted for 37% of NSW tourism market share in the year ending to September 2015. Domestic and international visitors had spent approximately \$15,77 million on day trips and overnight stays in the Sydney region.

Tourist Accommodation

The Sydney CBD tourism region recorded the highest volume of tourists and longest stay than the regional NSW tourism regions.

In the year ending to September 2015, the Sydney tourism region had received nearly 9.2 million domestic overnight visitors with an average length of stay of 2.7 days and over 3.1 million international overnight visitors with 22.1 days of average length of stay.

Domestic visitors spent nearly 25 million nights in the Sydney region and international visitors spent nearly 69.1 million nights, increasing by 5.2% and 9% respectively in comparison to year ending September 2014.

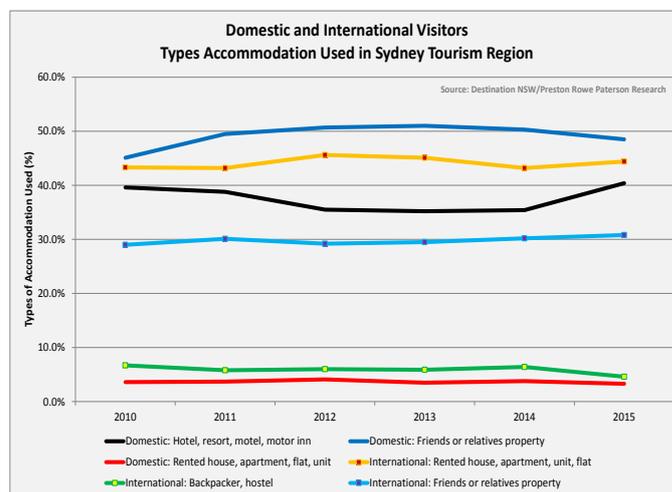


Chart 3—Sydney tourism region types of accommodation used - Source DNSW

Domestic visitors' favoured overnight accommodation in the Sydney tourism region was 'friends or relatives properties' which amounted to 48.5% share of accommodation, followed by 19.4% for 'luxury hotel or resort 4 or 5 star' overnight stay and 15.6% prefer a 'hotel or motor inn below 4 stars'. Only 3.3% of domestic visitors prefer to rent a 'house, apartment, flat or unit' for their overnight stay.

Approximately 44.4% of international visitors stayed at a rented 'house, apartment, flat or unit', 30.8% stayed at a 'friends or relatives property' and 4.6% chose to stay overnight in Sydney at a 'backpacker or hostel' during their short term visit.

Data collected from the DNSW accommodation breakdown in year end to September 2015 is based on the length of overnight stays visitors spend in the particular type of accommodation. The figures are not based on the number of visitors staying at the particular type of accommodation.

Hotel Sales

The following table displays reported major hotel sales transactions which occurred over six months to December 2015. Preston Rowe Paterson Research includes hotels that are classified as CBD business hotels, metropolitan hotel and resort hotels.

NAME	ADDRESS	STARS	SALE PRICE	SALE DATE	VENDOR	PURCHASER	NO. ROOMS	REVENUE PER AVAILABLE ROOM
Holiday Inn Sydney Airport	17 Bourke Road, Mascot NSW 2020	4	\$ 37,000,000	Jul-15	Mascot Properties	JZO	250	\$ 148,000.00
Addison Hotel	147-151 Anzac Parade, Kensington NSW 2033	3	\$ 17,100,000	Aug-15	private investor	Asian developer	42	\$ 407,142.86
Rendezvous Sydney Central Hotel	Cnr George Street & Quay Street, Haymarket NSW 2000	4	\$ 38,000,000	Aug-15	Bruce Mathieson	The Naumi Hospitality	116	\$ 327,586.21
Quest Macquarie Park	71 Epping Road, Macquarie Park NSW 2113	4	\$ 34,500,000	Oct-15	Goodman Group	Viking Group	111	\$ 310,810.81
Pullman Sydney Airport	O'Riordan Street, Mascot NSW 2020	5	\$ 84,000,000	Dec-15	Goodman Group	Nanshan Group	229	\$ 366,812.23

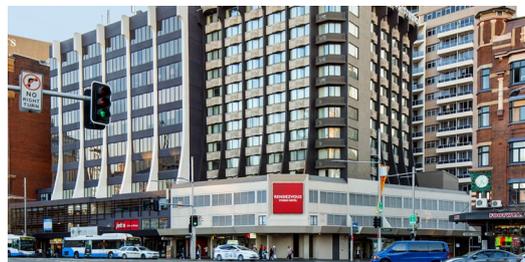
Table 1 - Sydney Tourism Region Hotel Sales Transactions - Source Preston Rowe Paterson Research/CPM

The most significant transaction in NSW and Sydney tourism region hotels market over six months to December 2015 was the sale of the **Pullman Sydney Airport** at **O'Riordan Street, Mascot**.

The Goodman Group sold hotel development for **\$84 million** in December 2015 to the Chinese group **Nanshan Group**. Goodman will continue to develop the hotel and the new hotel will be operated by **Accor Australia** under a management agreement. The 5-star hotel was sold at a **revenue per available room of \$366,812.23 million**. The Pullman will feature 229 rooms, gym, restaurants, bars, conference facilities, retail spaces. Construction is due for completion towards the end of 2016. The hotel is located about 600m from the Sydney domestic airport.



Another major sale was the sale of the **Rendezvous Sydney Central Hotel** located on the corner of **George Street & Quay Street** at Haymarket. The Singaporean investor **Naumi Hospitality**, part of Hong Kong's **Hind Group**, purchased the 4-star hotel for **\$38 million**, reflecting a **revenue per available room of \$327,586.21**. Hotel operations will continue to be under **Toga Far East's TFE Hotels** brand. The hotel features 116 guest rooms, 6 conference rooms, rooftop pool, leased retail space, 28 bay car parking and a restaurant and bar. The hotel is located opposite Central Station.



Other Accommodation Sales

Preston Rowe Paterson Research includes accommodations that are classified as bed & breakfast, caravan parks, guesthouses and motels.

The only recorded transaction in the Sydney tourism region 'other accommodation' market over six months to December 2015 was the **Bounce Backpackers** located on **28 Chalmers Street, Surry Hills**. **Landmark Pacific Holdings** sold the premises for **\$18.3 million** to foreign investor **Fuqiang Investments** in September 2015 at a **revenue per available room rate of \$522,857**.

The 5-star backpackers accommodation comprise of 35 rooms over 3 levels with 190 beds, ground floor bar area and top floor kitchen facilities, common areas and rooftop entertaining area.



Pub Sales

The following table displays reported major pub sales transactions which occurred over six months to December 2015.

NAME	ADDRESS	SALE PRICE	SALE DATE	VENDOR	PURCHASER	SITE AREA (SQM)
Nag's Head Hotel	162 St Johns Road, Glebe NSW 2037	\$ 6,000,000	Jul-15	O'Hara Group	Dixon family	360
The Royal Hotel	237 Glenmore Road, Paddington NSW 2021	\$15,000,000	Jul-15	Kelly family	Public House Group	342
The Warren View Hotel	2 Stanmore Road, Enmore NSW 2042	\$ 3,100,000	Jul-15	Anthony Lee Carpet Distributors	Damicorp Property Fund	797
Tennyson Hotel	952 Botany Road, Mascot NSW 2020	\$28,000,000	Aug-15	Sant PI	JDA Hotel	1,423
Imperial Hotel	35 Erskineville Road, Erskineville NSW 2043	\$ 6,500,000	Aug-15	Shadd Danesi	Scott Leach and Fraser Short	643
Woollahra Hotel	116 Queen Street, Woollahra NSW 2025	\$30,000,000	Oct-15	J M Ryan's Hotels	Public House Group	639
Belmore Hotel	383 Burwood Road, Belmore NSW 2192	\$32,000,000	Oct-15	Waugh Hotel Group	foreign investor	N/A
Oxford Hotel	195 Victoria Road, Drummoyne NSW 2047	\$34,000,000	Nov-15	Iris Capital	Michael Wiggins and Joanne Cassar	974
Salisbury Hotel	118 Percival Road, Stanmore NSW 2048	\$ 8,500,000	Nov-15	Imbla and Chembank	L90 Capital	800
The Four in Hand Hotel	105 Sutherland Street, Paddington NSW 2021	\$ 8,000,000	Dec-15	undisclosed	Public House Group	375
Dolphin Hotel	412 Crown Street, Surry Hills NSW 2010	\$11,500,000	Dec-15	Lantern Hotel Group	group of private investors	670
888 Hotel	Cnr Dixon & Goulburn Street, Haymarket NSW 2000	\$ 7,500,000	Dec-15	Iris Capital	Gallagher Hotel Group	N/A
Banksia Hotel	288 Princes Highway, Banksia NSW 2216	\$13,500,000	Dec-15	Public House Management	foreign investor	1,050

Table 2 - Sydney Tourism Region Hotel Sales Transactions - Source Preston Rowe Paterson Research/CPM

The most significant transactions in Sydney tourism region pub market over six months to December 2015 was the iconic **Oxford Hotel** at **295 Victoria Road, Drummoyne**.

Iris Capital sold the gaming hotel to private operators Michael Wiggins and Joan Cassar for **\$34 million**. The corner block hotel recently underwent a \$4 million refurbishment and was sold with an adjacent retail property. The hotel has 30 gaming machines, ground floor bar and bistro, TAB, beer garden, first floor bistro, restaurant and function area. The hotel has future height development potential for a rooftop bar. Drummoyne is located about 6 km north-west of the Sydney CBD.



Hunter Tourism Region

The Hunter tourism region includes Barrington Tops, Hunter Valley, Lake Macquarie, Newcastle and Singleton.

According to DNSW, the Hunter tourist region had received over 8.9 million visitors and accounted for 10.4% of the NSW market share in the year ending to September 2015. Domestic and international visitors had spent approximately \$2,234 million on day trips and overnight stays in the Hunter region.

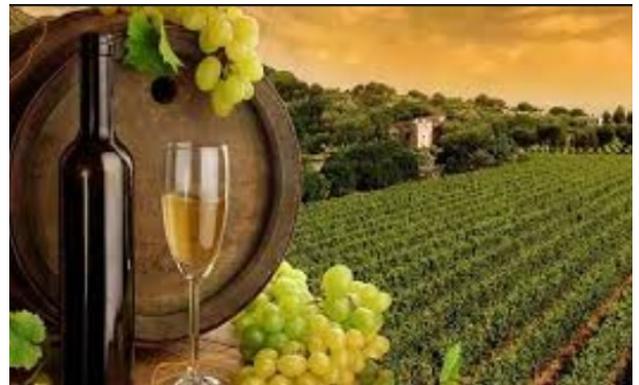
Tourist Accommodation

In the year ending to September 2015, the Hunter tourism region had received over 3.1 million domestic overnight visitors with an average length of stay of 2.8 days and 166,600 international overnight visitors with 16.5 days of average length of stay.

The Hunter tourism region's attractiveness has increased in the year ending September 2015 as the number of visitors increased in comparison to the previous year. Domestic visitors spent 8.5 million nights over the year to September growing by 4.4%. International visitors had increased the number of nights in the region by 12.4% to almost 2.8 million nights.

International visitors preferred to stay at a rented 'house, apartment, unit or flat' and at 'friends and relatives properties' at 40.9% and 29.7% of accommodation share respectively. 7.8% of international visitors stayed at an 'educational institution' during their short term visit.

Data collected from the DNSW accommodation breakdown in year end to September 2015 is based on the length of overnight stays visitors spend in the particular type of accommodation. The figures are not based on the number of visitors staying at the particular type of accommodation.



Landmark Sale

The most significant hotel and leisure property sale in the Hunter tourism region during the second half of 2015 was the sale of the **Charbonnier Hallmark**. The property located on **44 Maitland Road, Singleton** is about 80 km north-west of the city of Newcastle, 197 km north-north-west of Sydney.

Hallmark Inns sold the 4-star hotel to for almost **\$3.5 million** in their divestment of *The Hallmark Inns* portfolio. The hotel was purchased with intention to renovate, refurbish and rebrand. The hotel has 70 rooms across two levels, function area for up to 120 seats, restaurant with 40 seats and 2 meeting rooms. The hotel was sold on a **rate of \$49,829 per room**.

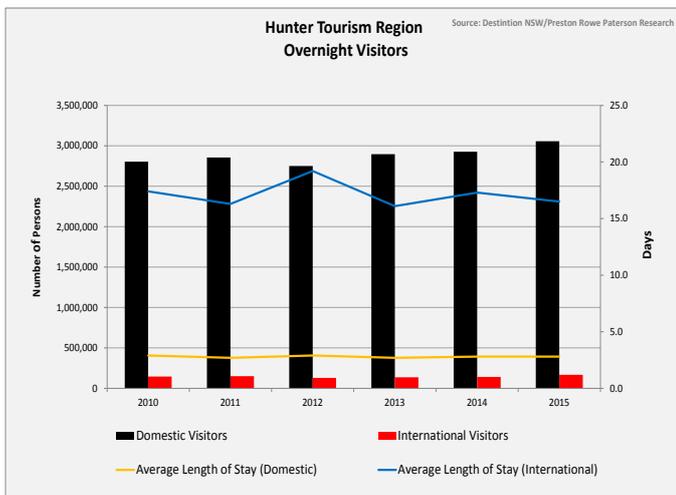


Chart 4 —Hunter tourism region overnight visitors - Source - DNSW

The most popular choice of stay for domestic visitors in the Hunter region was staying at 'friends or relatives properties' (42.1%), followed by 'luxury hotel or resort 4 or 5 star' (26.2%) and 'standard hotel or motor inn below 4 star' (13.9%). 12% of domestic visitors rented 'house, apartment, unit or flat' in the region.

Other Accommodation Sales

The following table displays reported major 'other accommodation' sales transactions which occurred over six months to December 2015. Preston Rowe Paterson Research includes accommodations that are classified as bed & breakfast, caravan parks, guesthouses and motels.

NAME	ADDRESS	SALE PRICE	SALE DATE	VENDOR	PURCHASER	NO. ROOMS	REVENUE PER
Citigate Motel	418 Maitland Road, Mayfield West NSW 2304	\$ 2,775,000	Jul-15	Giroux	M&V Group 2	28	\$ 99,107
Tomago Village Van Park	819 Tomago Road, Tomago NSW 2322	\$ 10,500,000	Aug-15	private investor	Aspen Group	160	\$ 65,625
Charbonnier Hallmark	44 Maitland Road, Singleton NSW 2330	\$ 3,488,000	Aug-15	Hallmark Inns	Yang and Ruan	70	\$ 49,829
Big 4 Soldiers Point Holiday Park	122 Soldiers Point Road, Soldiers Point NSW 2317	\$ 10,500,000	Sep-15	undisclosed	Ingenia Communities	136	\$ 77,206
Woolshed Hill Estate	342 Deaseys Road, Pokolbin NSW 2320	\$ 1,755,000	Nov-15	Woolshed Hill	VHW	12	\$ 146,250

Table 3 - Hunter Tourism Region Other Accommodation Sales Transactions - Source Preston Rowe Paterson Research/CPM



A significant other accommodation sale in the Hunter tourism region during the second half of 2015 was the sale of the **Tomago Village Van Park**, located on **819 Tomago Road, Tomago**. The caravan park is located about 20 km north-west of the city of Newcastle, 164 km north of Sydney.

Aspen Group purchased the caravan park for **\$10 million** in August 2015. The park has a total of 136 sites which are licensed for long term leases and has approval for another 24 sites. The park was sold on an initial yield of 9.3% and reflects a **potential sales rate of \$65,625 per site**. The park has an onsite convenience store, boom gate security, barbeque area, pool, tennis court and laundry facilities.

Pub Sales

The following table displays reported major pub sales transactions which occurred over six months to December 2015.

NAME	ADDRESS	SALE PRICE	SALE DATE	VENDOR	PURCHASER	SITE AREA (SQM)
Hamilton Hotel	71 Tudor Street, Hamilton NSW 2303	\$3,600,000	Jul-15	Woodward family	local investor	1,170
Criterion Hotel	148 John Street, Singleton NSW 2330	\$1,020,000	Sep-15	Nutters Hotels	Zac O'Sullivan	1,540

Table 4 - Hunter Tourism Region Pub Sales Transactions - Source Preston Rowe Paterson Research/CPM

The most significant pub sale in the Hunter tourism region during the second half of 2015 was the sale of the **Hamilton Hotel**, located on **71 Tudor Street, Hamilton**. The pub, also known as the **Greenroof Hotel**, is located about 4 km west of the Newcastle CBD, 160 km north-east of Sydney.

The Woodward family sold the pub for **\$3.6 million** in July 2015. The pub has 15 gaming machines, 12 accommodation rooms, late hotel license and was sold with an adjacent house on 95 Lawson Street.



Snowy Mountains Tourism Region

The Snowy Mountains tourism region includes Cooma, Jindabyne, Mount Kosciuszko, Perisher, Thredbo, Tumbarumba and Tumut.

According to DNSW, the Snowy Mountains tourist region had received 1.2 million visitors and accounted for 1.4% of the NSW market share in the year ending to September 2015. Domestic and international visitors had spent approximately \$468 million on day trips and overnight stays in the Snowy Mountains region. Total visitor spending has fallen by -19.2% in comparison to year end September 2014.

Tourist Accommodation

In the year ending to September 2015, the Snowy Mountains tourism region had received about 678,000 domestic overnight visitors with an average length of stay of 3.4 days and 19,000 international overnight visitors with 14.3 days of average length of stay.

Domestic visitors had spent approximately 2.3 million nights in the Snowy Mountains region in year end to September 2015. The overall number of nights stayed in the Snowy Mountains region has decreased by -5.1%.

The number of international visitors has decreased by -1.5%. In the year end to September 2015, international visitors spent around 271,800 nights in the region.

Approximately 27.1% of domestic visitors to the Snowy Mountains region prefer to stay at a 'friends or relatives properties'. 15.3% of visitors stayed at 'hotel or motor inn below 4 star' and 16.2% 'rented house, apartment, unit or flat'.

The most popular accommodation for international visitors was 'hotel or motor inn below 4 star' (30.5%), followed by staying at 'friends or relatives properties' (14.3%) and 'rented house, apartment, unit or flat' (10.2%) in the Snowy Mountains region.

Data collected from the DNSW accommodation breakdown in year end to September 2015 is based on the length of overnight stays visitors spend in the particular type of accommodation. The figures are not based on the number of visitors staying at the particular type of accommodation. International visitors usage of types of accommodation are statistically unreliable for year ending September 2015.



Sale

The only significant hotel and leisure property sale in the Snowy tourism region during the second half of 2015 was the sale of the **Southern Cross Motor In & Tourist Park**. The property located on **1 Middlingbank Road, Berridale** is about 135 km south of Canberra, 435 km south-west of Sydney.

Listed private company *Jacqueba Holdings* purchased the 3-star hotel to for **\$1.9 million**. The hotel has 35 accommodation rooms, 100 seating dining area, bar and lounge and games room. The sale reflected a yield of 11.8% and a **rate of \$54,285.71 per room**.

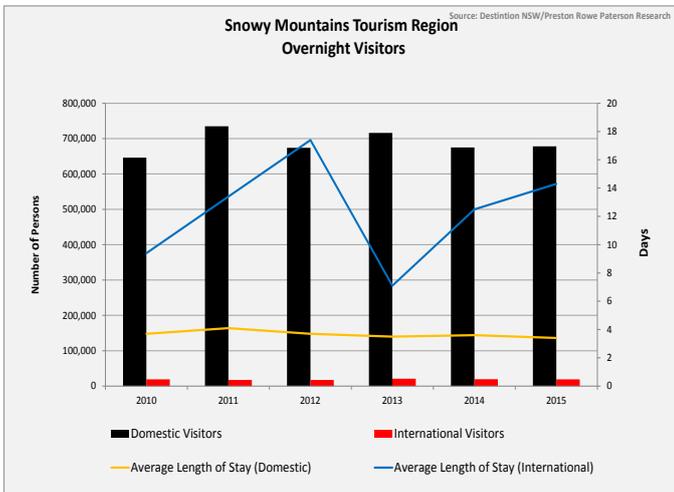


Chart 5— Snowy Mountains tourism region overnight visitors - Source DNSW

Blue Mountains Tourism Region

The Blue Mountains tourism region includes Katoomba, Leura, Lithgow, Megalong Valley and Springwood.

According to DNSW, the Blue Mountains tourist region had received approximately 3.6 million visitors and accounted for 4.2% of the NSW market share in the year ending to September 2015. Domestic and international visitors had spent approximately \$556 million on day trips and overnight stays in the Blue Mountains region. Total visitor spending has increased by 15.3% in comparison to year end September 2014.

Tourist Accommodation

In the year ending to September 2015, the Blue Mountains tourism region had received 835,000 domestic overnight visitors with an average length of stay of 2.4 days and 95,300 international overnight visitors with 4.9 days of average length of stay.

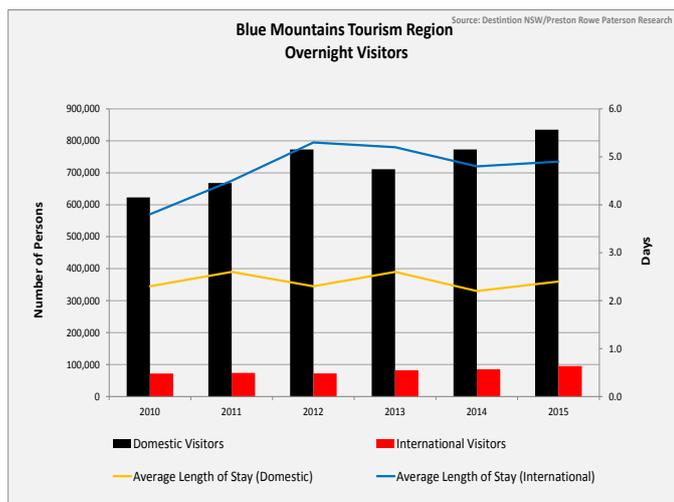


Chart 6— Blue Mountains tourism region overnight visitors - Source DNSW

Domestic visitors spent almost 2 million nights in the Sydney region, a 17.9% growth in comparison to year ending to September 2015. International visitors spent nearly 464,900 nights, reflecting an increase of 13.4%.

31.7% of domestic visitors to the Blue Mountains stayed at 'friends or relatives properties', 16.5% in 'hotel or motor inn below 4 star' and 10.4% in 'Luxury hotel or resort 4 or 5 star'. 14.3% of visitors rented a 'house, apartment, unit or flat' during their stay.

The most popular type of accommodation for international visitors to the Blue Mountains region was staying at 'friends or relatives properties' amounting to 19.6% of accommodation share. 12.6% stayed at a 'rented house, apartment, unit or flat' and 12.9% resided at 'backpacker or hostel'.

Data collected from the DNSW accommodation breakdown in year end to September 2015 is based on the length of overnight stays visitors spend in the particular type of accommodation. The figures below are not based on the number of visitors staying at the particular type of accommodation.



Preston Rowe Paterson Research had not recorded any hotel and leisure property sales in the Blue Mountains tourism region in the second half of 2015.

ECONOMIC FUNDAMENTALS

GDP

GDP figures for the December quarter 2015 are not available until the 2nd March 2016, however, over the September 2015 quarter revealed that the Australian economy recorded growth of 0.9% seasonally adjusted which reflected growth of 2.5% seasonally adjusted over the twelve months to September 2015.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Financial and insurance services (+0.5%), Healthcare (+0.3%) and Mining (+0.3%). In trend terms, the largest detractor was Manufacturing (-0.1%).

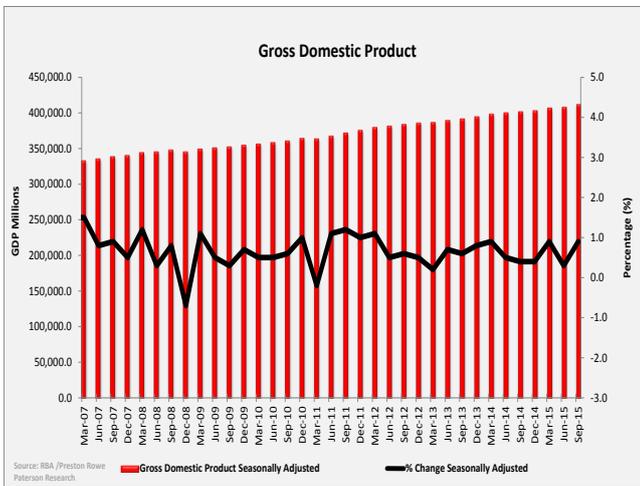


Chart 7 – Gross Domestic Product (GDP) – Source ABS

Interest Rates

As at the date of publishing, the official Cash Rate over the December quarter 2015 has remain steady at 2%. The Reserve Bank of Australia's Media Release for December 2015, released 1st December 2015 explained that;

"The global economy is expanding in a moderate pace, with some further softening in conditions in Asia region, continuing growth in US and a recovery in Europe. Key commodity prices are much lower than a year ago, reflecting increased supply, including Australia, as well as weaker demand. Australia's terms of trade are falling...In Australia the available information suggests moderate expansion in the economy continues in the face of a large decline in capital spending in the mining sector. While GDP growth has been somewhat below long-term averages for some time, business surveys suggests a gradual improvement in conditions in non-mining sectors over the part year. This has been accompanied by stronger growth in employment and a steady rate of unemployment... Inflation is forecast to be consistent with the target over the next one or two years."

The media release also stated that inflation is as expected to be consistent.

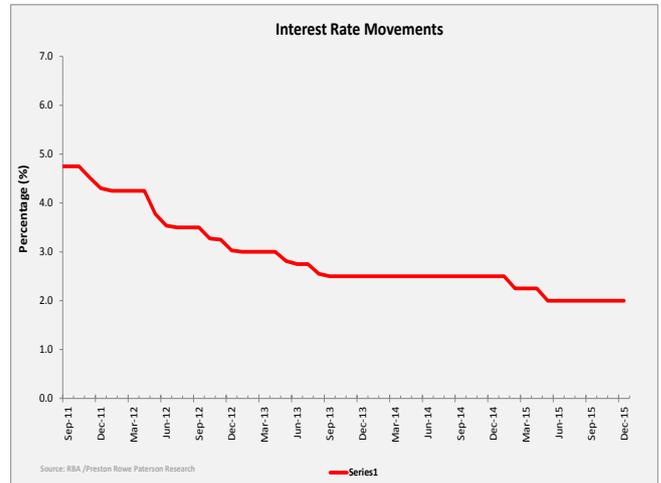


Chart 8 – Cash Rate – Source RBA

CPI

According to the Australian Bureau of Statistics (December 2015), the Australia's All Groups CPI increased by 0.4% over the December quarter from 108 to 108.4. The annual CPI change to December 2015 recorded a growth of 1.7%.

The most significant price rises over the December quarter were Tobacco (+7.4), Domestic holiday travel and accommodation (+5.9%) and International holiday travel and accommodation (+2.4%). The greatest price fall over the quarter was attributed to are Automotive fuel (-5.7%), Telecommunication equipment and services (-2.4%) and Fruit (-2.6%).

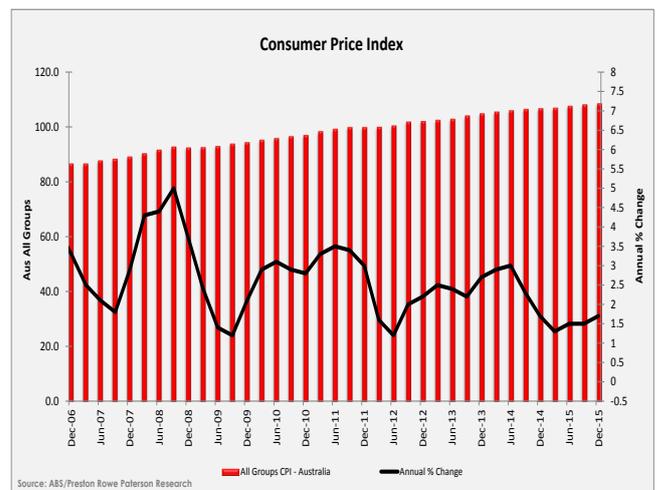


Chart 9 – Consumer Price Index—Source—ABS

10 Year Bond & 90 Day Bill Rate

Analysis of the daily 10 Year Government Bonds has revealed no changes to the rate over the month of December at 2.85%. The 90 day bill rates had increased by 12 basis points to the month end of 2.34%. The changes in both 10 year bonds and the 90 day bill rate reflect a yield spread of 17 basis points.

Over the December 2015 quarter, the 10 Year Government Bonds recorded an increase of 16 basis points from 2.7%. The 90 Day Bill Rate recorded a 17 basis points growth over the quarter from 2.34%.

In the twelve months to December 2015, the monthly 10 Year Bond Rate has decreased by 11 basis points from 2.96%. Similarly, the monthly 90 Day Bill Rate fell by 41 basis points from 2.75%.

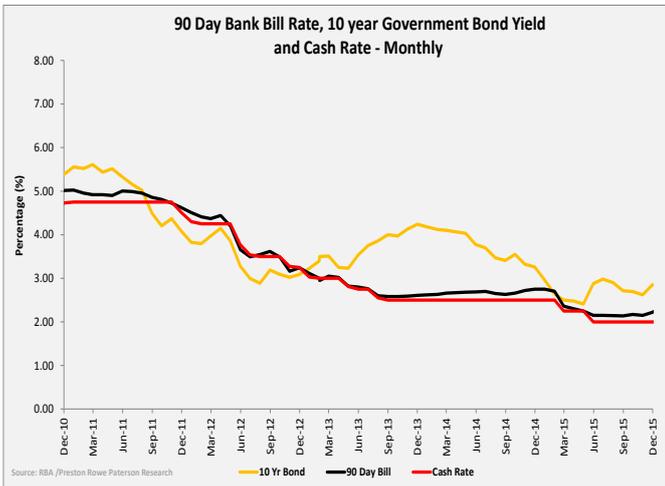


Chart 10 – 90 Day Bill, 10 year bond and cash rate - MONTHLY – Source RBA

Labour force

Over the month to December 2015, the number of unemployed people has declined by 10,900 from 738,400 in November to 727,500 in December, reflecting a -0.1% decrease. In comparison to December 2014, the number of unemployed people had decreased by 27,300 reflecting an annual decline of -3.6%. The unemployment rate was 5.8% as at December 2015.

The number of unemployed seeking full time employment recorded a decrease in December by 2,600 to 515,000 persons. The number of unemployed seeking part time employment also decreased over the month by 8,400 to 212,500 persons.

New South Wales experienced a large absolute decrease in seasonally adjusted employment by -5,330 persons to 3.801 million persons over the month of December. The unemployment status in New South Wales over the quarter decrease by 0.6% to 5.2%.

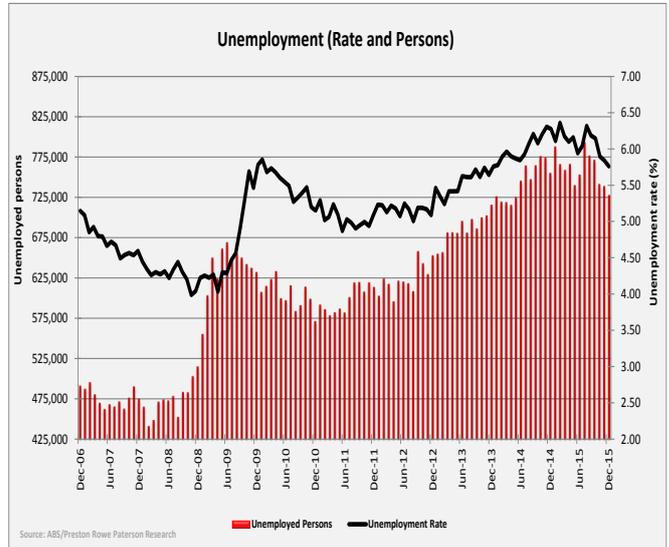


Chart 11 – Unemployment – Source ABS

Australian Exchange Rates

Over December quarter 2015, the Australian Dollar increased against the US Dollar, inflating from \$0.7010 in September to \$0.7306 in December. Over the twelve months to December, the Australian dollar has fallen by -10.92% from \$0.8202 USD.

The Australian Dollar also recorded quarterly growth against the British Pound, Euro and the Japanese Yen. The Australian Dollar exchange rates against the Pound, Euro and Yen increased by 6.6%, 7.2% and 4.7% respectively.

Year on year analysis saw the Australian Dollar decline against the British Pound by -6.49% to £0.4929 , -0.95% in the Euro to €0.6682 and -10.26% in the Yen to ¥87.98.

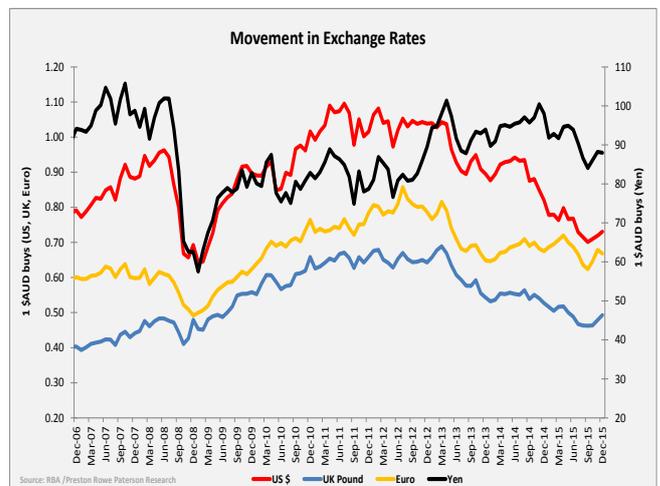


Chart 12 – Movement in Exchange Rates – Source RBA

Our Research

At Preston Rowe Paterson, we pride ourselves on the research which we prepare in the market sectors within which we operate. These include Commercial, Retail, Industrial, Hotel & Leisure and Residential property markets as well as infrastructure, capital and plant and machinery markets

We have property covered

- . Investment
- . Development
- . Asset
- . Corporate Real Estate
- . Mortgage
- . Government
- . Insurance
- . Occupancy
- . Sustainability
- . Research
- . Real Estate Investment Valuation
- . Real Estate Development Valuation
- . Property Consultancy and Advisory
- . Transaction Advisory
- . Property and Asset Management
- . Listed Fund, Property Trust, Super Fund and Syndicate Advisors
- . Plant & Machinery Valuation
- . General and Insurance Valuation
- . Economic and Property Market Research

We have all real estate types covered

We regularly provide valuation, property and asset management, consultancy and leasing services for all types of Real Estate including:

- . CBD and Metropolitan commercial office buildings
- . Retail shopping centres and shops
- . Industrial, office/warehouses and factories
- . Business parks
- . Hotels (accommodation) and resorts
- . Hotels (pubs), motels and caravan parks
- . Residential development projects
- . Residential dwellings (individual houses and apartments/units)
- . Rural properties
- . Special purpose properties such as: nursing homes; private hospitals, service stations, oil terminals and refineries, theatre complexes; etc.
- . Infrastructure

We have all types of plant & machinery covered

We regularly undertake valuations of all forms of plant, machinery, furniture, fittings and equipment including:

- . Mining & earth moving equipment/road plant
- . Office fit outs, equipment & furniture
- . Agricultural machinery & equipment
- . Heavy, light commercial & passenger vehicles
- . Industrial manufacturing equipment
- . Wineries and processing plants
- . Special purpose plant, machinery & equipment
- . Extractive industries, land fills and resource based enterprises
- . Hotel furniture, fittings & equipment

We have all client profiles covered

Preston Rowe Paterson acts for an array of clients with all types of real estate, plant, machinery and equipment interests such as:

- . Accountants
- . Banks, finance companies and lending institutions
- . Commercial and Residential non bank lenders
- . Co-operatives
- . Developers
- . Finance and mortgage brokers
- . Hotel owners and operators
- . Institutional investors
- . Insurance brokers and companies
- . Investment advisors
- . Lessors and lessees
- . Listed and private companies corporations
- . Listed Property Trusts
- . Local, State and Federal Government Departments and Agencies
- . Mining companies
- . Mortgage trusts
- . Overseas clients
- . Private investors
- . Property Syndication Managers
- . Rural landholders
- . Self managed super funds
- . Solicitors and barristers
- . Sovereign wealth funds
- . Stock brokers
- . Trustee and Custodial companies



We have all *locations* covered

From our capital city and regional office locations we serve our client's needs throughout Australia. Globally, we operate directly or via our relationship offices for special purpose real estate asset classes, infrastructure and plant & machinery.

We have your *needs* covered

Our clients seek our property (real estate, infrastructure, plant and machinery) services for a multitude of reasons including:

- . Acquisitions & Disposals
- . Alternative use & highest and best use analysis
- . Asset Management
- . Asset Valuations for financial reporting to meet ASIC, AASB, IFRS & IVSC guidelines
- . Compulsory acquisition and resumption
- . Corporate merger & acquisition real estate due diligence
- . Due Diligence management for acquisitions and sales
- . Facilities management
- . Feasibility studies
- . Funds management advice & portfolio analysis
- . Income and outgoings projections and analysis
- . Insurance valuations (replacement & reinstatement costs)
- . Leasing vacant space within managed properties
- . Listed property trust & investment fund valuations & revaluations
- . Litigation support
- . Marketing & development strategies
- . Mortgage valuations
- . Property Management
- . Property syndicate valuations and re-valuations
- . Rating and taxing objections
- . Receivership, Insolvency and liquidation valuations and support/advice
- . Relocation advice, strategies and consultancy
- . Rental assessments and determinations
- . Sensitivity analysis
- . Strategic property planning



Sydney (Head Office)

Level 14, 347 Kent Street
Sydney NSW 2000

PO BOX 4120, Sydney NSW 2001

P: 02 9292 7400

F: 02 9292 7404

E: research@prpsydney.com.au

W: www.prpsydney.com.au

Follow us:



Directors

Gregory Preston

M: 0408 622 400

E: greg.preston@prpsydney.com.au

Gregory Rowe

M: 0411 191 179

E: greg.rowe@prpsydney.com.au

Associate Directors

Keiran Fleming

M: 0448 656 103

E: keiran.fleming@prpsydney.com.au

Michael Goran

M: 0448 757 134

E: michael.goran@prpsydney.com.au

Erika Minnaard

M: 0448 886 335

E: erika.minnaard@prpsydney.com.au

Neal Smith

M: 0448 656 647

E: neal.smith@prpsydney.com.au

Capital City Offices

Adelaide

Brisbane

Hobart

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Regional Offices

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Preston Rowe Paterson NSW Pty Ltd
ABN: 61 003 139 188

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