



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 first 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 Given the manner in which statistics are compiled and published they are usually 3-6 months out of date at the time we analyse them.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.

First Half 2015 Update

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MARKET OBSERVATIONS

There were many significant hotel sales sold for over \$20 million in six months to June 2015. Of the NSW tourism regions, the Sydney tourism region has recorded the most accommodation hotel and licensed pub transactions activity in the first half of 2015.

According to *Destination NSW*, the NSW hotels and leisure industry had experienced a yearly increase of 3.1% in domestic overnight visitors and a 6.7% growth in international overnight visitors, year ending to March 2015. The NSW tourism industry is expected to remain positive for the rest of the year as the *NSW Government* had allocated \$176 million to tourism and major events in the *NSW 2015-16 Budget*. The new budget will target domestic overnight stays in Sydney and international overnight stays in Regional NSW.

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 have risen in the first half of 2015. As a result, domestic travel has also increased.

According to STR Global, the Sydney tourism environment has improved based on a yearly analysis of occupancy rate and revenue per available room. In comparison to June 2014, the June 2015 results showed an overall growth in Sydney hotels indicating a 0.9% increase in occupancy rates, -1.04% fall on average daily rate and 0.05% increase in revenue per available room.

Due to the strong tourism results for accommodation hotels, property investors interest in hotel and leisure properties had increased in the first half of 2015. Other factors that led to the high demand where there was low cash rate, scarcity of quality hotel and leisure stocks in the market and the tightening of supply.

Local and foreign investors were active in the first half of 2015. Asian investors were particularly interested in metropolitan properties close to the CBD.

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



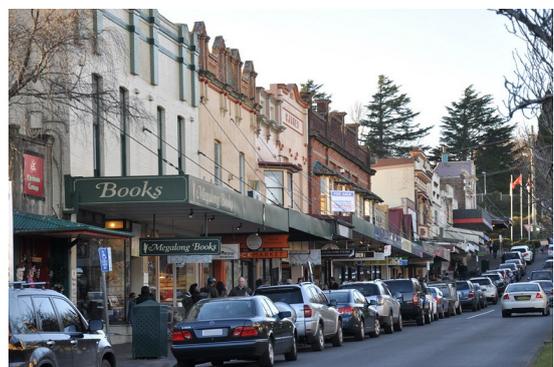
Artist impression: Pullman Sydney Airport

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

The regional NSW hotel and leisure market had remained relatively stable in the first 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 Hunter Valley and Blue 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 June. The Snowy Mountains tourism region was relatively active in the first half of 2015 with a few chalet sales, following the landmark sale of the *Perisher Ski Resort*.

Taking into account of the observation on current sales and hotels occupancy rates as at June 2015, the hotels and leisure property outlook is forecasted to be in demand. The Sydney tourism region is expected to grow in attractiveness to investors, tighten supply for quality hotel and subsequently increase revenue per available room. Regional NSW is likely to remain steady throughout 2015.



HOTEL & LEISURE MARKET—KEY INDICATORS

Australian Tourism Industry

According to the Australian Bureau of Statistics, New South Wales received 38% of all short term overseas visitors (staying less than a year) in the 2014-15 financial year. Around 46% of overseas short-term visitors travel to Australia for a holiday and stayed for 11 days.

The total number of visitors arriving in Australia has steadily increased in the past four years to June 2015. The ABS revealed that there was about 1.8 million overseas arrivals in the June quarter. This was an increase of 1.2% from the March quarter and a growth of 5.7% compared to the June quarter 2014.

Analysis of previous financial year results have revealed that the total short-term overseas visitors results has risen by 6.57% to 7.1 million.

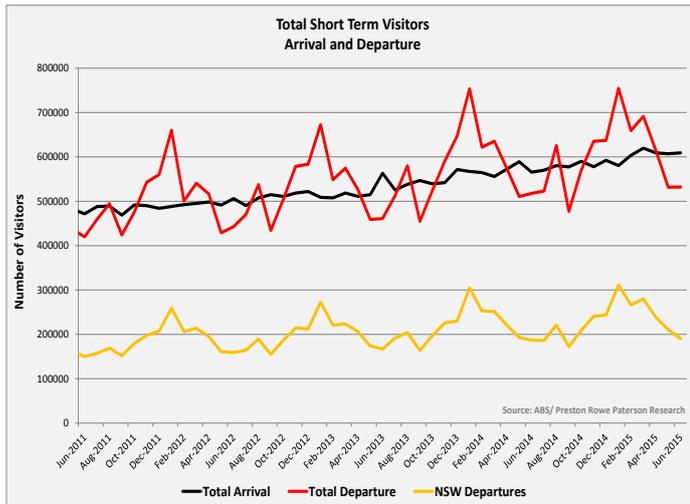


Chart 1 – Total short-term visitors arrival and departures in Australia - Source - ABS/Preston Rowe Paterson

The main reason for short-term overseas visitors to arrive in Australia in 2014-15 was 'holiday' (59%), followed by 'visiting friends and relatives' (24%) and 'business' (9%).

Compared to the 2013/14 results, the highest growth in reason for visits to Australia was attributed to 'employment' which increased by 36%. 'Business' visits has declined in 2014-15 by -1.75%.



Sydney Hotel Performance

According to STR Global monthly statistical report, the all Sydney hotels demand in June has increased by 0.8%. Hotel demand has remained relatively stable over the June quarter. This coincides with the 30% decline in overall hotel supply over the quarter to -0.7%.

The June quarter recorded a -11.76% decline in occupancy rates to 78.8%, a -18.64% fall in average daily rate (ADR) to \$185.55 and a -28.18% decrease in revenue per available room (RevPAR) to \$146.28.

Although the June occupancy rate is the lowest rate recorded in the first half of 2015, the Sydney hotel market has seen growth across its occupancy rates, ADR and RevPAR over the year to June 2015.

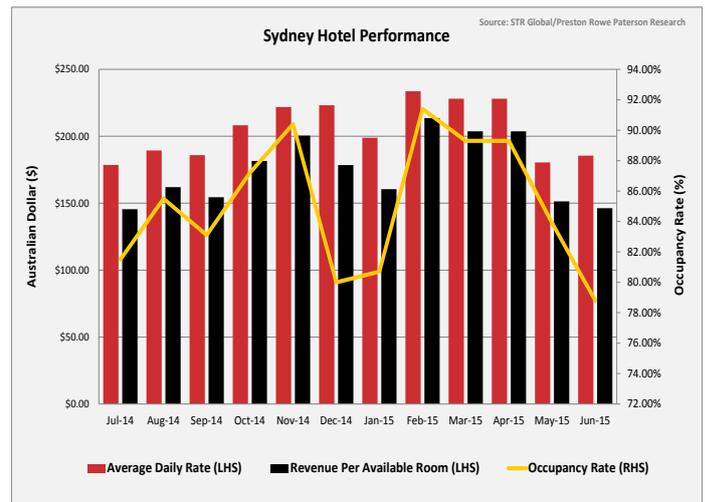


Chart 2 – Sydney hotel performance - Source - STR Global/Preston Rowe Paterson

HOTEL & LEISURE PROPERTY MARKET

Data and information from the Property Council of Australia/ ANZ: Property Industry Confidence Survey September Quarter 2015 has been analysed to derive at the following findings; Hotel capital values is expected to grow strongly in NSW, VIC and NT whilst other states and territory are forecasted modest growth in the September quarter.

The NSW hotel capital 12-month growth expectations index showed that there had been slight decline in expectations between the June quarter and forecasted September quarter of -4 index points to an approximate index value of 18.

Hotels construction activity in Australia is expected to grow through the September quarter. The confidence survey revealed that the 12-month sentiment to hotel construction activity expectations increased by 2.1 index points between September 2014 and 2015.

According to the Property Council of Australia/IPD Australia index, the Australian hotel annualised returns was 14.9%, which was an increase of 340.7 basis points over the June quarter 2015. The capital returns showed that there is an improved investor demand over the year to June 2015.



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 31.1 million visitors and accounted for 37% of NSW tourism market share in the year ending to March 2015. Domestic and international visitors had spent approximately \$14,940 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 March 2015, the Sydney tourism region had received nearly 8.7 million domestic overnight visitors with an average length of stay of 2.7 days and over 3 million international overnight visitors with 21.6 days of average length of stay.

Domestic visitors spent nearly 23.9 million nights in the Sydney region and international visitors spent nearly 66.4 million nights, increasing by 3.2% and 6.3% respectively in comparison to year ending March 2014.

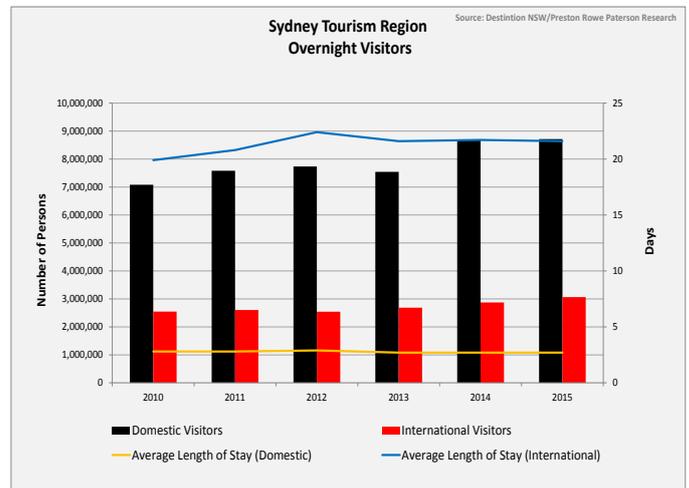


Chart 3—Sydney tourism region overnight visitors - Source DNSW

Domestic visitors' favoured overnight accommodation in the Sydney tourism region was 'friends or relatives properties' which amounted to 48.7% share of accommodation, followed by 19.6% for 'hotel or motor inn below 4 stars' overnight stay and 14.4% prefer a 'luxury hotel or resort 4 or 5 star'. Only 3.5% of domestic visitors prefer to rent a 'house, apartment, flat or unit' for their overnight stay.

Approximately 44.2% of international visitors stayed at a rented 'house, apartment, flat or unit', 29.9% stayed at a 'friends or relatives property' and 5.4% 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 March 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 June 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	YIELD	VENDOR	PURCHASER	NO. ROOMS	REVENUE PER AVAILABLE ROOM
Sydney Hilton Hotel,	488 George Street, Sydney NSW 2000	5	\$ 442,000,000	Apr-15	6.00%	Hilton Worldwide	Bright Ruby	579	\$ 763,385.15
Sofitel Wentworth Hotel	61-101 Phillip Street, Sydney NSW 2000	5	\$ 224,000,000	May-15	6.75%	Frasers Sydney Wentworth Trust	Frasers Hospitality Trust Sydney Trust 3	436	\$ 513,761.47
Westin Sydney	1 Martin Place, Sydney NSW 2000	5	\$ 445,300,000	May-15	4.50%	GIC Private	Far East Land and Housing Development Co. and Sino Land Co.	416	\$ 1,070,432.69
Adina Apartment Hotel Sydney Airport	27 Bourke Road, Mascot NSW 2020	4	\$ 40,000,000	May-15	5%*	Capital Corporation	foreign investor	123	\$ 325,203.25
Central Hotel Sydney	75 Wentworth Avenue, Sydney NSW 2000	3	\$ 10,000,000	Jun-15	N/A	Ben May Hotels	Thomas Hotel Group	112	\$ 89,285.71

Table 1 - Sydney Tourism Region Hotel Sales Transactions - Source Preston Rowe Paterson Research/CPM
N/A = not currently available *approx. yield

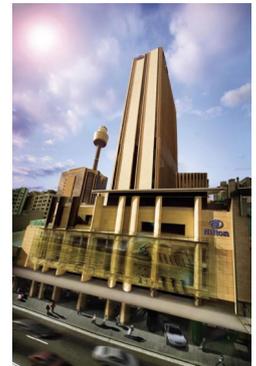
The most significant transaction in NSW and Sydney tourism region hotels market over six months to June 2015 was the sale of the **Westin Sydney** on **1 Martin Place** in the Sydney CBD.

The Westin Sydney was sold for **\$445.3 million** in May 2015 to a joint venture group comprising of Singapore's *Far East Land and Housing Development Company* and the Hong King listed *Sino Land Company*. It was sold at a **revenue per available room of \$1.07 million**. The sale also includes the adjoining **Heritage Retail** podium. *Starwood Hotels & Resorts* will continue to operate the hotel under an existing management agreement. The 5 star hotel comprise of 416 guest rooms and suites, club lounge, 14 restaurants and bars in the retail podium, 8 meeting rooms and 2 ballrooms seating up to 1400 guests, business centre, day spa, health club and pool.



Another major sale was the sale of the **Sydney Hilton Hotel** located on **488 George Street** near Hyde Park. *Hilton Worldwide* sold the hotel to *Bright Ruby* for **\$442 million** in April 2015, reflecting a **revenue per available room of \$763,385**. Hilton will continue to manage the hotel subject to a 50 year management agreement

The refurbished 5 star hotel features 579 guest rooms and suites, 2 restaurants, 3 bars, café, 13 meeting rooms, 11 event rooms and a ballroom seating up to 1,200 guests, day spa, health club and pool.



Other Accommodation Sales

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

Name	ADDRESS	SALE PRICE	SALE DATE	YIELD	VENDOR	PURCHASER	NO. ROOMS	REVENUE PER AVAILABLE ROOM
Sydney Hills Holiday Park	269 New line Road, Dural NSW 2158	\$12,000,000	Jan-15	8.00%	undisclosed	Ingenia Communities	128	\$ 93,750.00
Sydney Conference and Training Centre	30 Ingleside Road, Ingleside NSW2101	\$11,550,000	Feb-15	9.80%	Simmonds Holdings	Qisun Property	56	\$ 214,285.71
City Crown Motel	287-289 Crown Street, Surry Hills NSW 2010	\$ 8,800,000	May-15	N/A	undisclosed	private investor	28	\$ 314,285.71
Westend Backpackers' Hotel	412 Pitt Street, Sydney NSW 2000	\$19,000,000	May-15	N/A	Kharista	private investor	86	\$ 220,930.23

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



The largest sales transaction in the 'other accommodation' category was the sale of the **Westend Backpackers' Hotel** located in **412 Pitt Street**. A local private investment group purchased the vacant premises for **\$19 million** in May 2015 at a **revenue per available room rate of \$220,930**.

The backpackers accommodation comprise of 86 rooms over 13 levels with 359 beds, shared facilities and recreation lounges. The accommodation runs under the *Nomads* brand. The private group intends to refurbish and reposition the property as a limited service hotel.

Leisure Property Sales

The following table displays reported major 'leisure property' sales transactions which occurred over six months to June 2015. Preston Rowe Paterson Research includes properties that are classified as clubs, nightclubs, golf courses and marinas.

The only recorded transaction in the Sydney tourism region 'leisure property' market over six months to June 2015 was the **Indoor Sports Centre** located on **40 Third Avenue, Blacktown**.

The property was sold to Chung Blacktown Property for **\$5.7 million**. Tenants include an indoor climbing centre, fitness centre, medical centre, wholesale grocery retailer and restaurant. It is located adjacent to the Blacktown RSL, down the road from McDonalds, Officeworks and the Blacktown train station.



Pub Sales

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

Name	ADDRESS	SALE PRICE	SALE DATE	YIELD	VENDOR	PURCHASER	AREA (SQM)
Le Pub Balmain	255 Darling Street, Balmain NSW 2041	\$ 6,000,000	Feb-15	N/A	Pat Gallagher	Tim Condon	474
Crown Hotel Revesby	4 The River Road, Revesby NSW 2212	\$33,000,000	Feb-15	9.60%	Mahsana Holdings	Redcape Hotel Group	2,890
Napoleons Hotel	26 Josephine Street, Riverwood NSW 2210	\$14,000,000	Feb-15	10.50%	Stanford family	Iris Capital	7,698
The Landmark Hotel	20 West Parade, Eastwood NSW 2122	\$25,000,000	Feb-15	N/A	undisclosed	Redscape Hotel Group	575
Eastern Creek Tavern	64 Huntingwood Drive, Eastern Creek NSW 2766	\$10,500,000	Feb-15	N/A	undisclosed	Redscape Hotel Group	3,880
Newport Arms Hotel	2 Kalinya Street, Newport NSW 2106	\$50,000,000	Mar-15	N/A	Bayfield family	Merivale Group	11,500
Queen Victoria Hotel	167 Enmore Road, Enmore NSW 2042	\$11,000,000	Mar-15	10.80%	Anthony George Browne & Carolyn Dorothy	Hemmes Property	375
The Bourbon Hotel	22-28 Darlinghurst Road, Potts Point NSW 2011	\$25,000,000	Apr-15	VP	C.inc Hotels	Iris Capital	1,385
Bull n Bush Hotel	378 Windsor Road, Baulkham Hills NSW 2153	\$50,000,000	Apr-15	Site	Paul Irvin Hotel Group	Dyldam	9,559
Grand National Hotel	161 Underwood Street, Paddington NSW 2021	\$ 7,250,000	May-15	N/A	Alexander Avramides	private investor	437
Buena Vista Hotel	76 Middle Head Road, Mosman NSW 2088	\$16,000,000	May-15	N/A	Medich family	Public House Group	900
Woolloomooloo Bay Hotel	2 Bourke Street, Woolloomooloo NSW 2011	\$20,000,000	Jun-15	N/A	Halcyon Hotels	Laundys family	689
Woolwich Pier Hotel	2 Gale Street, Woolwich NSW 2110	\$15,000,000	Jun-15	N/A	Halcyon Hotels	Laundys family	958
Jannali Inn	34-38 Railway Crescent, Jannali NSW 2226	\$10,000,000	Jun-15	7.07%	undisclosed	private investor	4,249
Macquarie Hotel	269 Macquarie Street, Liverpool NSW 2170	\$25,000,000	Jun-15	10.50%	undisclosed	Eastern Hotels Group	1,055
Light Brigade Hotel	2A Oxford Street, Paddington NSW 2025	\$ 9,000,000	Jun-15	N/A	Haritos Hotels	Bayfield Hotels	354
The Exchange Hotel	34-44 Oxford Street, Darlinghurst NSW 2010	\$11,450,000	Jun-15	VP	undisclosed	private investor	285

Table 3 - Sydney Tourism Region Hotel Sales Transactions - Source Preston Rowe Paterson Research/CPM
VP = vacant possession N/A = not currently available

The most significant transactions in Sydney tourism region pub market over six months to June 2015 was the iconic **Newport Arms Hotel** at **2 Kalinya Street, Newport**.

The Bayfield family sold the A-grade pub to Justin Hemme's hospitality group *Merivale* for **\$50 million**. The waterfront pub features Australia's largest beer garden, 2 playgrounds, 5 bars, restaurant, bistro, café, TAB facilities, a drive-through bottleshop and 9 motel accommodation rooms. The hotel is currently under refurbishment and is partially open to the public. Newport is located about 35 km north-east of the Sydney CBD, in the area of Sydney's northern beaches.



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 9 million visitors and accounted for 10.8% of the NSW market share in the year ending to March 2015. Domestic and international visitors had spent approximately \$2,193 million on day trips and overnight stays in the Hunter region.

Tourist Accommodation

In the year ending to March 2015, the Hunter tourism region had received over 3 million domestic overnight visitors with an average length of stay of 2.8 days and 159,000 international overnight visitors with 15.9 days of average length of stay.

The Hunter tourism region's attractiveness has increased in the year ending March 2015 as the number of visitors and overnight stay increased in comparison to the previous year. Domestic visitors spent 8.6 million nights over the year to March growing by 12.5%. International visitors had increased the number of nights in the region by 3.4% to 2.5 million nights.



Landmark Sale

The most significant hotel and leisure property sale in the Hunter tourism region during the first half of 2015 was the sale of the **Chateau Elan Hotel and The Vintage Golf Club**. The property located on **Vintage Drive, Rothbury** is about 64 km north-west of the city of Newcastle, 165 km north of Sydney.

Sunshine Insurance Group purchased the luxury spa resort and golf club from Don Panoz for **\$40 million**. The 5-star Chateau Elan Hotel features 100 luxury suites, 17 room day spa facilities, 5 function rooms to seat up to 190 guests, 2 business boardrooms, restaurant, café and bar lounge.

The Vintage Golf Club is a Greg Norman– designed 18-hole championship golf course across 6,310 sqm with a par of 71. The putting green includes a golf shop.

The property also has several hectares of undeveloped land. *Sunshine* plans to develop a \$100 million 6-star resort featuring 300 rooms and a second championship golf course.



Data collected from the DNSW accommodation breakdown in year end to March 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.

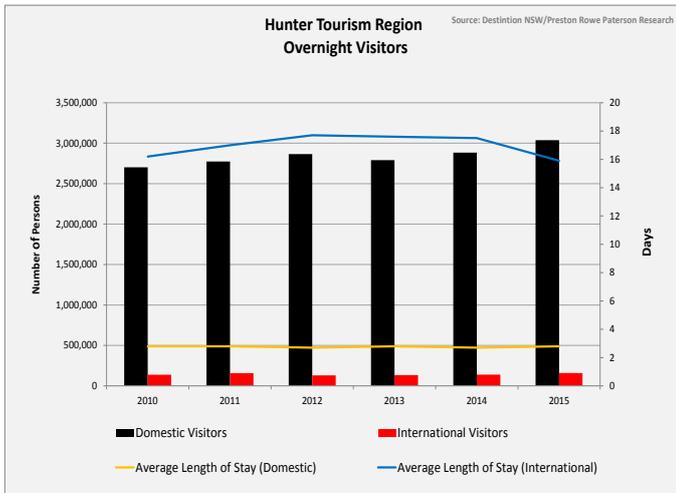


Chart 4 —Hunter tourism region overnight visitors - Source - DNSW

The most popular choice of stay for domestic visitors in the Hunter region was staying at 'friends or relatives properties' (41.2%), followed by a 'hotel or motor inn below 4 star' (10.6%) and 'luxury hotel or resort 4 or 5 star' (13%). 13.3% stayed at a rented 'house, apartment, unit or flat'.

International visitors preferred to stay at a rented 'house, apartment, unit or flat' and at 'friends and relatives properties' at 45.3% and 30.4% of accommodation share respectively. 4.6% of international visitors stayed at an 'educational institution' during their short term visit.

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 1.1 million visitors and accounted for 1.3% of the NSW market share in the year ending to March 2015. Domestic and international visitors had spent approximately \$532 million on day trips and overnight stays in the Snowy Mountains region. Total visitor spending has fallen by -16.3% in comparison to year end March 2014.

Tourist Accommodation

In the year ending to March 2015, the Snowy Mountains tourism region had received about 663,000 domestic overnight visitors with an average length of stay of 3.4 days and 17,600 international overnight visitors with 10.2 days of average length of stay.

Domestic visitors had spent approximately 2.2 million nights in the Snowy Mountains region in year end to March 2015. The overall number of nights stayed in the Snowy Mountains region has decreased by -9.4%. However, there was a 0.2% increase in the number of domestic visitors in the period.

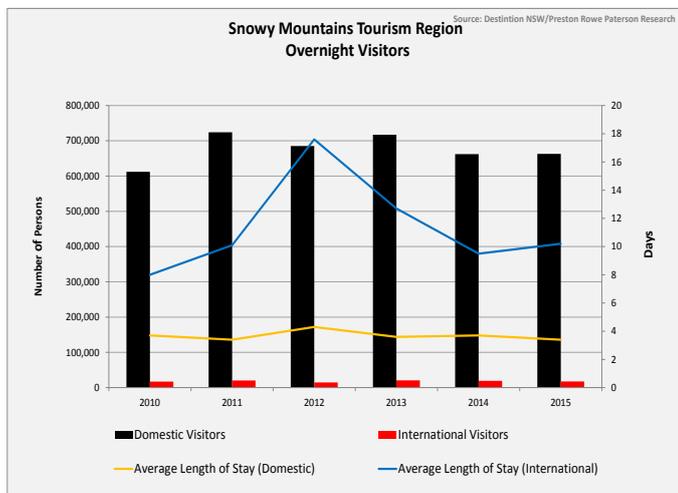


Chart 5— Snowy Mountains tourism region overnight visitors - Source DNSW

The number of international visitors has decreased by -9.2%. This also reflected in the -2.1% fall in the number of nights spent in the region compared to March 2014 results. In the year end to March 2015, international visitors spent around 179,600 nights in the region.

Approximately 24.4% of domestic visitors to the Snowy Mountains region prefer to stay at a 'friends or relatives properties'. 15.5% of visitors stayed at 'hotel or motor inn below 4 star' and 13.7% 'rented house, apartment, unit or flat'.

The most popular accommodation for international visitors was 'hotel or motor inn below 4 star' (34.4%), followed by staying at 'friends or relatives properties' (17.7%) and 'serviced apartments' (8.6%) in the Snowy Mountains region.

Data collected from the DNSW accommodation breakdown in year end to March 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 March 2015.

Landmark Sale

The most significant hotel and leisure property sale in the Snowy Mountains tourism region during the first half of 2015 was the sale of the **Perisher Ski Resort** in March.

James Packer and joint venture partners, *Transfield Corporate* and *Murray Publishers*, have sold Australia's largest ski resort for **\$176.6 million** to US-based *Vail Resorts*. Perisher is currently on lease to the NSW



government until 2048 with a 20-year option to review. The purchase include 4 resort areas of **Perisher Valley**, **Smiggin Holes**, **Blue Cow** and **Guthega**, 1200 ha ski terrain with 47 lifts, ski school, lodging, food and beverage, retail, rental and transportation operations. Perisher Valley is located about 489 km south-west of the Sydney CBD.

Name	ADDRESS	SALE PRICE	SALE DATE	YIELD	VENDOR	PURCHASER	AREA (SQM)	TYPE	NO. ROOMS	REVENUE PER AVAILABLE ROOM
The Stables Apartments	Candle Heath Road, Perisher Valley NSW 2624	\$ 5,000,000	Apr-15	N/A	undisclosed	consortium of individual owners	N/A	Chalet	21	\$ 238,095.24
Barrakee Ski Lodge	158 Perisher Creek Road, Perisher Valley NSW 2624	\$ 1,550,000	Apr-15	N/A	undisclosed	undisclosed	1,000	Chalet	25	\$ 60,000.00
The Matterhorn Lodge	11 Wheatley Road, Perisher Valley NSW 2624	\$ 2,450,000	Apr-15	14%	undisclosed	undisclosed	1,820	Chalet	28	\$ 87,500.00

Table 4 - Snowy Mountains Tourism Region Accommodation Sales Transactions - Source Preston Rowe Paterson Research/CPM
N/A = not currently available

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 3.5 million visitors and accounted for 4.15% of the NSW market share in the year ending to March 2015. Domestic and international visitors had spent approximately \$516 million on day trips and overnight stays in the Blue Mountains region. Total visitor spending has increased by 0.5% in comparison to year end March 2014.

Tourist Accommodation

In the year ending to March 2015, the Blue Mountains tourism region had received 822,000 domestic overnight visitors with an average length of stay of 2.4 days and 94,600 international overnight visitors with 4.1 days of average length of stay.

The most popular type of accommodation for international visitors to the Blue Mountains region was staying at 'friends or relatives properties' amounting to 28.1% of accommodation share. 14.7% stayed at a 'rented house, apartment, unit or flat' and 12.8% resided at 'hotel or motor inn below 4 star'.

Data collected from the DNSW accommodation breakdown in year end to March 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 first half of 2015.

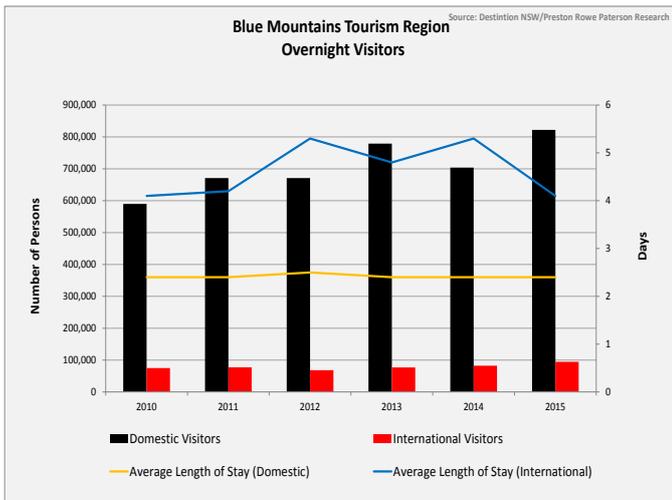


Chart 6— Blue Mountains tourism region overnight visitors - Source DNSW

Domestic visitors spent almost 2 million nights in the Sydney region, a 20.3% growth in comparison to year ending to March 2015. International visitors spent nearly 388,100 nights, down – 12%.

31.7% of domestic visitors to the Blue Mountains stayed at 'friends or relatives properties', 17.5% in 'hotel or motor inn below 4 star' and 8.8% in 'Luxury hotel or resort 4 or 5 star'. 11.4% of visitors rented a 'house, apartment, unit or flat' during their stay.

ECONOMIC FUNDAMENTALS

GDP

GDP figures for the June quarter 2015 are not available until the 2nd September 2015, however, over the March 2015 quarter revealed that the Australian economy recorded growth of 0.93% seasonally adjusted which reflected growth of 2.31% seasonally adjusted over the twelve months to March 2014.

In seasonally adjusted terms, the main industry gross value added contributors to GDP were Mining (+0.5%), Financial and insurance services (+0.5%), Information media and telecommunications (+0.3%) and Healthcare and social assistance (+0.3%). In trend terms, the largest detractor were the Professional, scientific and technical services (-0.4%) and Construction (-0.2%).

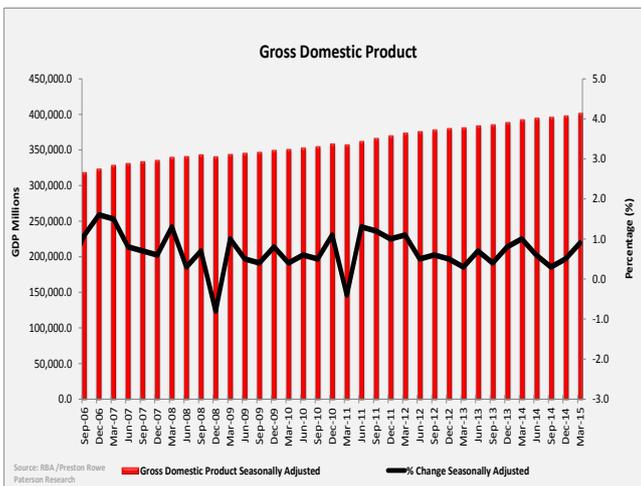


Chart 7 – Gross Domestic Product (GDP) – Source ABS

Interest Rates

As at the date of publishing, the official Cash Rate over the June quarter 2015 has decreased by 25 basis points to 2%. The Reserve Bank of Australia's Media Release for June 2015, released 2nd June 2015 explained that;

"In Australia the available information suggests the economy has continued to grow, but at a rate somewhat below its long-term average. Household spending has improved, including a large rise in dwelling constructions, and exports are rising. But the key drag on private demand is weakness in business capital expenditure in both mining and non-mining sectors and this is likely to persist over the coming year...Low interest rates are acting to support borrowing and spending...Dwelling prices continue to rise strongly in Sydney, though trends have been more varied in a number of other cities...In other asset markets, prices for equities and commercial property have been supported by lower long-term interest rates."

The media release also stated that inflation is as expected to be consistent with its 2%-3% target over the next two years, even with a lower interest rate.

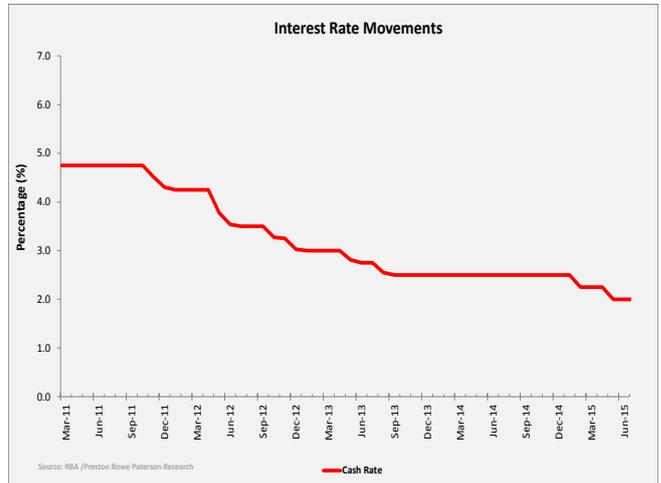


Chart 8 – Cash Rate – Source RBA

CPI

According to the Australian Bureau of Statistics (June 2015), the Australia's All Groups CPI increased by 0.7% over the June quarter from 106.8 to 107.5. The annual CPI change to June 2015 recorded a growth of 1.5%.

The most significant price rises over the June quarter were automotive fuel (+12.2%), medical and hospital services (+4.5%) and new dwelling purchases by owner-occupiers (+1.5%). The greatest price fall over the quarter was attributed to are domestic holiday travel and accommodation (-5.4%) and pharmaceutical products (-1.8%).

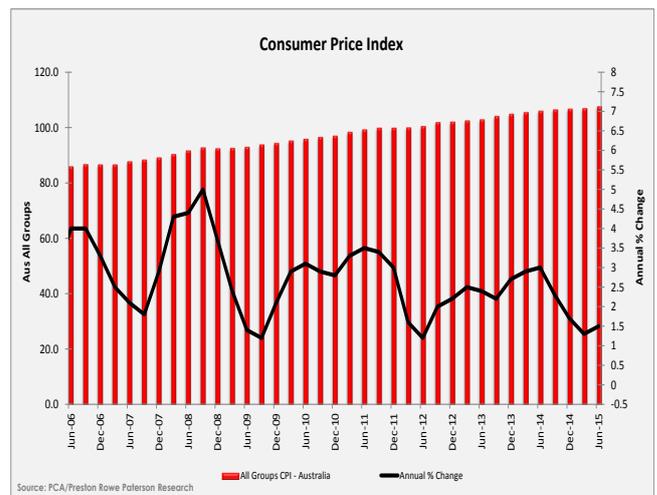


Chart 9– Consumer Price Index—Source—ABS

10 Year Bond & 90 Day Bill Rate

In the twelve months to June 2015, the monthly 10 Year Bond Rate has decreased by 72 basis points to 2.98%. Similarly, the monthly 90 Day Bill Rate fell by 55 basis points to 2.15%.

Over the June 2015 quarter, the 10 Year Government Bonds recorded a growth of 50 basis points from 2.48%. The 90 Day Bill Rate recorded a 15 basis points decrease over the quarter from 2.30%.

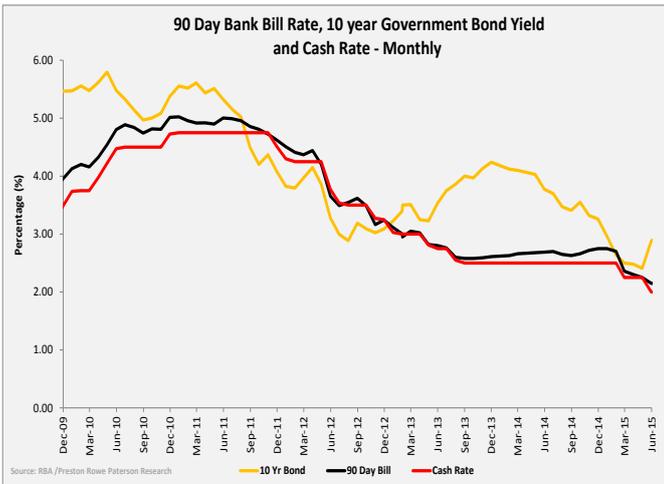


Chart 10 – 90 Day Bill, 10 year bond and cash rate - MONTHLY – Source RBA

Labour force

Over the month to June 2015, the number of unemployed people increased by 12,791 from 743,358 in May to 756,149 in June which is a 1.72% increase. In comparison to June 2014, the number of unemployed people has increased by 10,451 which reflected an annual increase of 1.40%. The unemployment rate as at June 2015 is 6%.

The number of unemployed seeking full time employment recorded an increase over the month of June by 27,200 to 541,200 persons. The number of unemployed seeking part time employment recorded a decrease over the month by 14,500 to 214,900 persons.

New South Wales experienced a large absolute increase in seasonally adjusted employment by 11,300 persons to 3.704 million persons. The unemployment status in New South Wales over the June Quarter 2015 decrease by 0.1% to 5.8%.

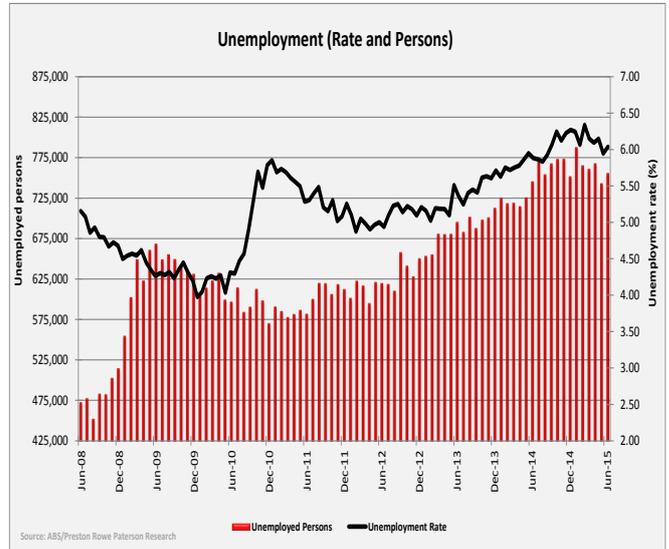


Chart 11 – Unemployment – Source ABS

Australian Exchange Rates

Over June quarter 2015, the Australian Dollar increased slightly against the US Dollar, increasing from \$0.7634 in March to \$0.7680 in June. Over the twelve months to June, the Australian dollar has decreased by -18.47% from \$0.9420 USD.

The Australian Dollar also recorded a quarterly decline against the British Pound, Euro and the Japanese Yen. The Australian Dollar exchange rates against the Pound, Euro and Yen fell by -2.30%, -1.90% and -1.10% respectively.

Year on year analysis saw the Australian Dollar decline against the British Pound by -5.40% to £0.4885 and -2.90% in the Euro to €0.6866. The Australian Dollar experienced an annual increase against the Yen of 2.40% to ¥93.92.

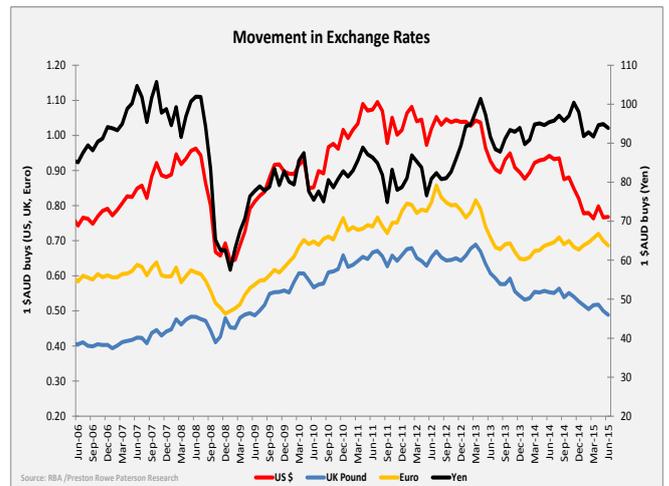


Chart 12 – Movement in Exchange Rates – Source RBA

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



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