

trinity point

LAKE MACQUARIE

## FINANCIAL AND ECONOMIC ANALYSIS

OCTOBER 2014

Real Estate Advisory

# *Trinity Point Marina & Mixed Use Development* Financial / Economic Analysis

29 October 2014





29 October 2014

Johnson Property Group  
c/- Squillace Architects  
2 Liverpool Lane  
East Sydney NSW 2010  
Via email – Michael Cumming:  
Michael@squillace.com.au

Dear Michael,

In accordance with your instructions as confirmed in our engagement letter dated 22 May 2014, we report on Johnson Property Groups's (the "Company") Trinity Point Marina & Mixed Use Development at Lake Macquarie.

This report has been prepared for the purposes of providing financial / economic analysis services to assist in the preparation of a s75w Concept Plan amendment associated with the proposed Trinity Point development, Lake Macquarie, NSW.

Our principal findings and conclusions are set out in this report. Details of the scope and approach to our work are included in the report.

We point out that the scope of our work is set out in our Engagement Letter dated 22 May 2014. This report covers Phase I & Phase II scope of works as has been agreed with your instructions.

Accordingly, this report may not have identified all matters that might be of concern to you.

You may not make copies of this report available to other persons except as described in the Letter of Engagement and Terms of Business. Where provision has been made copies are subject to the conditions described therein. We will not accept any duty of care (whether in contract, tort (including negligence) or otherwise) to any person other than you, except under the arrangements described in the Letter of Engagement and Terms of Business.

If you require any clarification or further information, please do not hesitate to contact Adam Brown on +61 (2) 8266 1051.

Yours faithfully,

A handwritten signature in dark ink, appearing to read 'Adam Brown', with a stylized, flowing script.

Adam Brown

A handwritten signature in dark ink, appearing to read 'Peter Power', with a stylized, flowing script.

Peter Power

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# Section 1

## ***Executive Summary***

## Executive summary

### Key Findings

**Our quantitative analysis indicates that the Trinity Point Development could potentially support between 100 to 150 short stay accommodation rooms**

*Our analysis of function facilities also indicates that a range of 121 to 134 rooms of short stay accommodation is likely to be required to support a 300 seat function room. Capacity may increase to 400 people with the addition of the 200 sqm lawn during peak periods which potentially could support more rooms*

### Explanation

- **Occupancy** – The market research and economic analysis we have conducted indicates that the competitor set is achieving an average occupancy rate of around 60% (refer to Primary & Secondary Competitor Set – Key Metrics page). Based on our modelling of accommodation market supply and demand and assumptions on market penetration and forecast room rates, a development of 100 to 150 short stay accommodation rooms (with 120 – 130 rooms seemingly ideal) could achieve a similar occupancy rate of 60%.

**Note:** The modelling seeks to support and test demand based upon an identified market (i.e., based on the competitive set of properties). As such, increasing room count, unless offset by induced or displaced demand will decrease overall occupancy. This is the case in this instance, however we consider the movement relatively marginal and this, therefore, supports flexibility in the room count range while at the same time promoting an overall market acceptable occupancy.

- **Function Facilities** –

- Based on our analysis of 10 competitors who have similar composition of market segmentation as is expected at the Trinity Point Development (i.e., driven by Leisure and MICE) and having greater than 70 short stay accommodation rooms (refer later in the report for function facility analysis), we have identified that the median function facility capacity is 300 seats.
- Additionally, taking the average and median number of function delegate per available room of accommodation, yields between 2.2 to 2.5 delegates per room. Applying this rate to the proposed function facility of 300 seats suggests between 121 to 134 rooms being required to support the function room. Including the 200 sqm of lawn/pavilion (particularly during peak summer periods) would increase the capacity of the function facility to around 400 capacity which would increase the room requirement to over 150 rooms.

Trinity Point Function Facility Analysis	300 Seats	
Function Delegates/ Room	2.5	2.2
Main Function Facility Capacity	300	300
<b>Est. Rooms required to support the function facility</b>	<b>121</b>	<b>134</b>

## Executive summary

### Key Findings

*Our qualitative analysis indicates that the Trinity Point Development could potentially support and benefit from a 100 to 150 short stay accommodation room development*

### Explanation

- **Operators** – Larger facilities in excess of 100 rooms require extensive and experienced operator capability and are typically characterised by large brands that target particular segments, in this case leisure and MICE. As such, a development with over 100 rooms would provide the necessary scale to attract these operators. The greater number of rooms also creates greater capacity for marketing (see following comment). Note, operators typically structure their occupational arrangements on a standard form of management agreement, however this could be extended to a lease agreement in some circumstances.
- **Marketing** – The larger the number of rooms, the greater the requirement for extensive marketing. In turn, as noted above, this requires strong market operators to source the segment participants. This is probably more so in the leisure sector where MICE business requires a more targeted solution focusing on event management, promotion and longer lead times. Notwithstanding, a larger operator group will be better placed to source all market segments.
- **Marina** – The development is proposed as a destinational facility and therefore will want to showcase the key facilities including Marina access as a key competitive advantage and attraction to the site over its competitors which will ultimately increase occupancy and profitability. The marina facility could be used as a focus for a marketing campaign / sponsorship of a major yachting event which would also significantly improve the profile of the overall resort facility as a major destinational attraction. Sea plane access from Sydney or Newcastle is also possible with the marina facility – adding a sense of prestige to the overall development.
- **MICE Market** – There is strong and growing destination status associated with Newcastle and Hunter Valley region. This extends north of Newcastle to Nelson Bay. Air capacity into Newcastle and general accessibility from Sydney makes this region attractive to conference and function (private and public) related activity in particular. If the subject property is to successfully penetrate this market it can do so on the basis of general accessibility by road and an air networks as well as its destinational qualities. In particular road networks from Sydney are attractive and the physical location on Lake Macquarie makes for potentially a strong destination for this segment in particular.

# Executive summary

## Key Findings

**Maximising the permanent population in the development will be required to underpin the tourist facilities and other uses on the site -from both an economic and a community/social standpoint.**

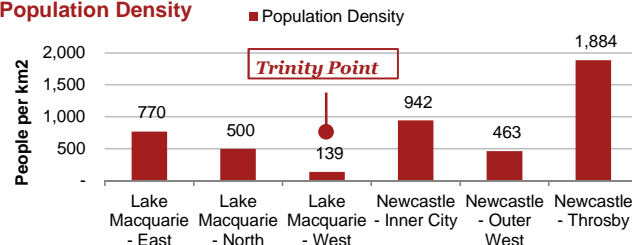
*This is necessitated by the significantly lower population density on the west side of Lake Macquarie (on which Trinity Point is located) compared to its competitors on the east and north side of Lake Macquarie and in Newcastle*

## Explanation

### Economic/Financial view –

- While the site is located close to the M1 Freeway and the Morriset township, it is still in a relatively isolated location (on the western shores of Lake Macquarie) when compared to competitor locations on the east sea side of the Lake and closer to Newcastle.
- Due to its location and lack of significant permanent population in nearby towns/centres, to be commercially viable and successful, the development needs to be destinational and a fully integrated resort style facility, where the various uses support and sustain one another. In order for this to be achieved, there needs to be contribution from both a permanent and short stay population.
- Being on the west side of Lake Macquarie, the proposed development has a vastly lower population density (138 people per km<sup>2</sup>) compared to its competitive set that lie on the east and north areas of Lake Macquarie (770 and 500 people per km<sup>2</sup>, respectively), and the inner city and Honeysuckle development area in Newcastle where the population densities are between 940 -1880 people per km<sup>2</sup> (Source: ABS).
- As a result, unlike competitors who are able to rely on and be supported by their surrounding density of permanent population (to sustain their commercial service offerings), the proposed facility at Trinity point will need to supplement the lack of population density with its own permanent population on the development site that can help support and sustain the viability of service offerings including the day-to-day use of the restaurant, cafe, function facilities, business centre, day spa and guest services particularly during low periods for leisure and MICE. To this end, we recommend that the permanent population on site be maximised where possible to underpin the viability of the tourist and hospitality facilities and other uses.
- Additionally, this will strengthen the local economy and community which is consistent with the local economic vision for the Lake Macquarie City.

### Population Density



(Source: ABS).

Note: Further analysis has been undertaken by ADWJ to inform the need for a permanent population. Please refer to the separate report for further support and analysis.

### Community/Social view –

- An on-site permanent population will also provide a sense of community and vitality to the facility as well as providing passive safety and security surveillance for the site and the facilities.
- Having a permanent population on site will also improve the visibility and profile of the site generating greater interest and awareness as well as creating an active and vibrant environment for visitors.



## Executive summary

### Key Findings

### Explanation

**Positive contribution to achieving local and State strategic planning objectives – ie promoting Morisset as an emerging regional centre**

- Based on the latest available ABS data, the Morisset township comprises approximately 3,000 people. Assuming 150 permanent residential dwellings are located on the Trinity Point site (at an average of 2 people per dwelling), the population of the Morisset township would be increased by 300 people (or 10%). We understand that Morisset has been identified as an emerging regional centre under the NSW Government's 2006 Lower Hunter Regional Strategy (LHRS) and City of Lake Macquarie - Lifestyle 2030 Review and the Hunter Regional Action Plan (which supports the NSW 2021 Plan), and this increase in permanent population will serve to support the prospect of Morisset becoming a regional hub.
- Additionally, whilst there will be some retail on site at Trinity Point, the retail will largely be in the form of specialty retail to support the onsite uses, hence we do not believe that this will be in direct competition with the retail and supermarket offerings available in the Morisset town centre.

**Trinity Point will provide diversity in the housing type currently available in the Morisset area**

- The Trinity Point Development will provide a new lifestyle and accommodation type which is currently unavailable to permanent residents, with a unique experience providing access to an integrated destination including water views, access to a marina, day spa, restaurants, café and function facilities. The proposed apartments will be a unique offering compared to what is available in the current Morisset housing market. This will likely attract new permanent residents rather than competing with the existing housing market ,and provide growth to Morisset.

**How the development incorporates the permanent population from both a site configuration and marketing strategy perspective will be an important consideration**

- From our discussions with market participants and interviews with competitors with a permanent population, we have noted that there are instances where the development is viewed and perceived by local residents as a “gated community”. From both a design of the development and marketing stand point, this will need to be carefully managed to encourage the highest level of participation and patronage from local residents to support the use of facilities on site including the restaurant, café, function facilities, business centre, day spa and guest/occupation facilities.

**Development cost and quality will ultimately determine the profitability of the development**

- We have assumed that the development will be delivered to a standard comparable to a 4 to 4.5 star accommodation facility. Occupancy, average daily rates achieved (RevPAR), patronage at the restaurants, cafes and function room and overall profitability will ultimately be determined by development costs incurred and the quality of the development delivered.

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## Section 2

# ***Proposed Development Overview***

## ***Proposed Trinity Point Marina & Mixed Use Development Overview***

Johnson Property Group's vision is to create a premier mixed use development, a successful, viable and vibrant place and a world class destination.

The site is located at Bardens Bay, Lake Macquarie, forming part of the Hunter region of NSW.

The development will comprise a range of facilities, including:

- **Marina:** The Marina will be a destination for users of the lake. It provides a place for interaction between the lake boating community and will meet increasing demand for boat storage.
- **Function Room:** The function room is proposed to provide seating for up to 300 with the ability to divide up the facility into multiple functions.
- **Restaurant:** The restaurant is proposed to cater for up to 200 as well as additional outdoor seating with a number of smaller spaces, including a café and a variety of external spaces.
- **Passive Green Square:** A generous, green tiered landscape zone encompassing the area west of the Function Centre/Restaurant.
- **Accommodation:** A mix of short-stay and permanent accommodation located at the Southern end of the site with a 65 room hotel located at the north of the site.

The development is expected to create a destination and provide social, economic and employment opportunities.



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## Section 3

# ***Economic Overview***

## Australian and NSW Economic Overview

### Australian economy

- The Australian economy experienced strong growth in the 12 months ended 31 March 2014. Australia's **real GDP growth** of 1.1% in the March 2014 quarter led to an annual growth figure of 3.8%, the highest annual growth rate since the June 2012 quarter.
- Key contributors to the strong growth were net exports, household final consumption expenditure, Government consumption expenditure and private residential investment.
- However, concerns remain that the growth is not representative of a broad-based, balanced economic growth following the end of the resources investment boom.
- The underlying fundamentals suggest that that economic growth may step down over the coming 12 months as the flow on effects from a downturn in mining investment are realised.
- Businesses continue to be focussed on cost cutting measures as they seek to remain competitive within a stubbornly high **Australian Dollar**. As a result, various investment and discretionary spending projects have been deferred.
- **Employment** is expected to remain weak for the remainder of 2014, with the labour force expected to outgrow employment growth. As a result, the unemployment rate is forecast to peak at approximately 6.2% towards the end of the year.
- The weak labour market will have a flow on effect to **inflation**, whereby modest growth in the wage price index will support the RBA in keeping inflation within the target range of 2% to 3%.

Source: BIS Economic Outlook – Jun-14

### NSW economy

- NSW has been regarded as a laggard over the past decade in terms of economic performance, as it has been stuck in the slow lane of the multi-paced Australian economy.
- However, the State has been the major beneficiary of the shifting growth drivers in the national economy. The **housing market** has benefited from recent **low interest rates**. Sydney has led the way in rising house prices nationally, encouraging a recovery in residential construction which is expected to continue for some time.
- As a result of the strong housing market, **annual growth in NSW** final demand lifted above its long-run average of 2.7% in the March 2014 quarter.
- Low interest rates combined with higher household wealth are expected to support consumer spending. **Household consumption** expenditure rose by 3.5% in the 12 months to March 2014, the strongest annual growth rate in three years.
- Additionally, **infrastructure spending** on large road and rail infrastructure projects (such as the WestConnex road project, the NorthConnex Road, the North West Rail Link project and South West Rail Link project) should also support growth.
- The NSW economy is expected to have grown by approximately 2.8% in FY14, with growth in FY15 and FY16 expected to reach 3.0%.
- In the Long Term, non-mining industries such as tourism, international education, wealth management, gas and agribusiness are expected to be areas to provide strong growth to the NSW economy.

Source: St George State Economic Report – Jun-14

## Local/ Regional Overview – Lake Macquarie

### Location

- Lake Macquarie City is located on the east coast of Australia, in the Hunter Region of NSW, with access to a range of products, services, and transport networks.
- 90 minutes north of Sydney, and 2 hours drive from Sydney's international airport
- 10 minutes from Newcastle, 30 minutes from the Port of Newcastle, and 40 minutes drive from Newcastle airport
- 40 minutes from Hunter Wine Country and the Central Coast

### Business and Industry

- Lake Macquarie has a diverse industry base which helps to shield the city from economic crisis (GFC), by reducing our exposure to negative external shocks, volatile growth, and economic cycles.
- Lake Macquarie has over 12,000 businesses, predominantly small to medium size.
- Approximately 2,000 businesses enter the market each year.
- Home business generates \$1.5 billion per year for the city.
- The town centres of Glendale and Cardiff generate as many jobs as Newcastle CBD, in excess of 15,000 people.
- Leading industries as a proportion of employment include health and community services, retail trade, and manufacturing. Together these industries employ over 30,000 people.
- A move to smart business in the city with growth in the knowledge and technology based sector

### Employment

- Lake Macquarie has a labour force of 104,483 people, the largest in the Lower Hunter
- Lake Macquarie's unemployment rate of 4% is the lowest in the Lower Hunter
- 71% of jobs in Lake Macquarie are filled by Lake Macquarie residents

### Snapshot of Lake Macquarie City

#### Snapshot of Lake Macquarie City

<b>City Area</b>	787.4km <sup>2</sup>
<b>Lake Circumference</b>	174 km
<b>Population</b>	202,347 people (as at March 2012)
<b>Projections (between 2006 - 2031)</b>	60,000 people, 36,000 new dwellings and 12,200 new jobs
<b>Labour Force</b>	104,483 people (as at March 2012)
<b>Unemployment Rate</b>	4% (as at March 2012)
<b>Businesses</b>	12,066
<b>Median Household Income</b>	\$922 per week
<b>Tourism</b>	900,000 visitors per year

### 2011 Census QuickStats

All people - usual residents

Australia | New South Wales | Local Government Areas  
**Lake Macquarie (C)**  
 Code LGA14950 (LGA)



<b>People</b>	<b>189,006</b>
Male	92,311
Female	96,695
Median age	41



<b>Families</b>	<b>53,261</b>
Average children per family	1.8



<b>All private dwellings</b>	<b>78,697</b>
Average people per household	2.5
Median weekly household income	\$1,117
Median monthly mortgage repayments	\$1,733
Median weekly rent	\$255
Average motor vehicles per dwelling	1.8

Industry of employment, top responses	Lake Macquarie (C)
Employed people aged 15 years and over	
School Education	4,051
Hospitals	3,479
Cafes, Restaurants and Takeaway Food Services	3,459
Supermarket and Grocery Stores	2,470
Residential Care Services	2,453

Of the employed people in Lake Macquarie (C) (Local Government Areas), 4.8% of employment included Hospitals 4.2%, Cafes, Restaurants and Takeaway Food Services 2.9%.

Median weekly incomes	Lake Macquarie (C)
People aged 15 years and over	
Personal	520
Family	1,396
Household	1,117

Source: Lake Macquarie City Council



## Regional/ Local Overview - Morriset

### Quick Stats

Total persons Morisset, Cooranbong and surrounding areas (postcode 2264 and 2265)		17,598
Total persons Morisset suburb (excluding overseas visitors)		3,108
Primary age group	65 years and over	34.8%
Total labour force (includes employed and unemployed persons)		823
Occupation – top three (employed persons aged 15 years and over)	Technicians and Trades	17.8%
	Professionals	16.5%
	Labourers	13.2%
Industry of employment – top three (employed persons aged 15 years and over)	Residential Care Services	5.1%
	Hospitals	4.9%
	Grain Mill and Cereal Product Manufacturing	4.3%
Income (population aged 15 years and over)	Median individual income (\$/weekly)	325
	Median household income (\$/weekly)	572
Family characteristics - top two	Couple families without children	54.5%
	Couple families with children	26.7%
Dwelling characteristics – occupied private dwelling	Median rent (\$/weekly)	155
	Average household size	2.1
Tenure type – occupied private dwelling – top three	Fully owned	48.3%
	Rented (includes rent-free)	20.0%
	Being purchased	17.5%

Source: ABS Census Data March 2010

### Morisset Commercial Centre

Morisset's retail floor space has doubled in two years with the completion of the Woolworths and Coles Supermarkets. Designated as an emerging regional centre, Morisset will grow significantly to provide a diverse range of Health, Government, and Professional Services as population projections indicate a doubling of population over the next 25 years. Conveniently located on the main north rail link, Morisset is only 60 minutes by Freeway to Sydney's northern suburbs.

Total number of businesses		118
Business mix – top three	Goods Related Service Industries	45
	Knowledge Based Service Industries	38
	Person Based Service Industries	19
Leasable Floor Area (m <sup>2</sup> )		17,493

Source: Lake Macquarie City Council Commercial Centre Study 2009

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## Section 4

# ***Tourism Overview***



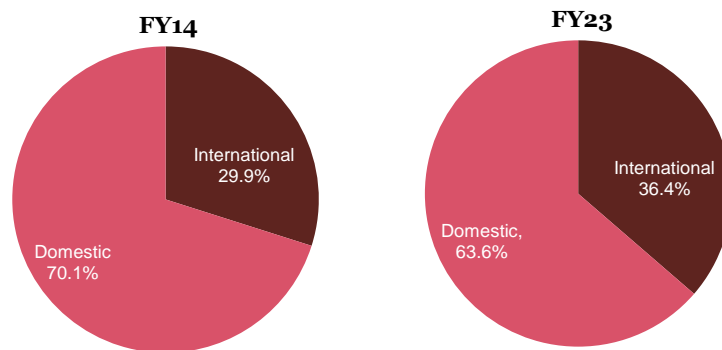
## Tourism Overview (1 of 4)

### Tourism in Australia

Tourism is a vital industry for Australia. Total visitor expenditure was approximately \$103 billion in FY14. This figure is expected to grow by approximately 2% to \$105 billion in FY15, then to \$119 billion by FY23.

Figure 5.1 shows that domestic tourism accounted for 70.1% of all overnight expenditure in Australia in FY14. This figure is expected to decline to 63.6% by FY23, with international tourism increasing its share to approximately 36.4%. It should be noted that the FY23 forecast is dependent on the accuracy of exchange rates forecast over the coming years.

Figure 5.1: Domestic versus international tourism expenditure split



Source: Tourism Research Australia

Figure 5.2: Visitor nights in Australia (millions)

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
International visitor arrivals in Australia	5.8	5.9	6.2	6.6	7.0	7.3	7.7	8.0	8.3	8.6	8.9	9.3	9.6
% change	3.8%	1.1%	4.9%	6.8%	5.7%	5.0%	4.8%	4.5%	4.0%	3.7%	3.7%	3.5%	3.5%
International visitor nights in Australia	205	214	232	233	255	272	289	307	324	340	358	375	393
% change	4.7%	4.4%	8.4%	0.6%	9.2%	6.6%	6.5%	6.1%	5.5%	5.1%	5.1%	4.9%	4.8%
Domestic visitor nights in Australia	266	278	286	288	291	293	296	298	300	302	304	306	308
% change	0.7%	4.6%	2.8%	0.7%	0.8%	0.9%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	0.6%

Source: Tourism Research Australia

A stronger Australian dollar is significant for the Australian tourism industry, as the decreased purchasing power is likely to impact on international tourist visitation to Australia and their spending potential, and simultaneously make outbound travel more attractive for locals, hence decreasing the probability of domestic travel. With this in mind, if the Australian dollar were to trade at levels even higher than forecast then this could result in even lower inbound volumes, lower exports, lower domestic volumes and value, increased outbound travel, and an increased tourism trade deficit.

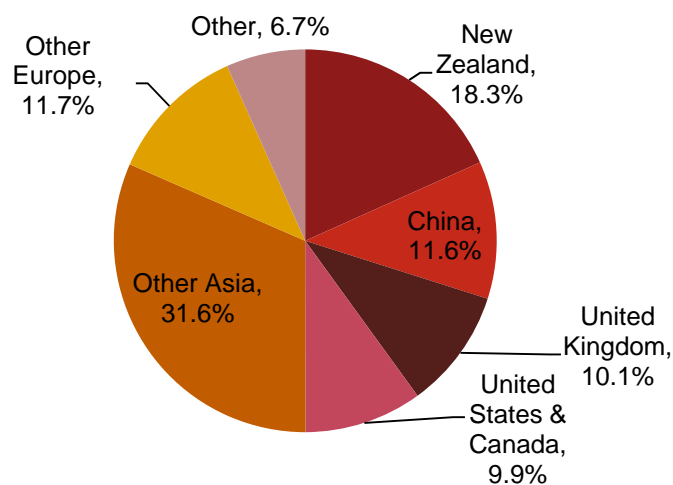
However, exchange rates are one of many drivers of both Australian and international tourism demand with the impact of exchange rates likely to change over time. Equally, tourism demand is driven by economic performance. Global uncertainties including financial market corrections and cost impacts of oil prices, especially on aviation, can heavily suppress travel activity. Changes in consumer and business confidence also affects discretionary spending on both inbound and outbound holidays, and has prominent flow-on effects on the tourism industry.

## Tourism Overview (2 of 4)

Income growth also has a very pronounced influence on demand for international travel, both for Australians and foreign nationals. Opportunities for the Australian Tourism industry (which are likely to offset the risk of a higher Australian dollar) include the increases in wealth of many of our South East Asian neighbours, notably China and India. As illustrated in Figure 5.2, China and other Asian countries currently account for approximately 43.2% of all inbound visitors. This number is forecast to grow substantially in the coming years.

Other factors including lower airfares (in real terms), accommodation costs, and experience and perceived quality will also influence future industry opportunities.

Figure 5.3: International visitor arrivals by geographic region, 2010



Source: Tourism Research Australia

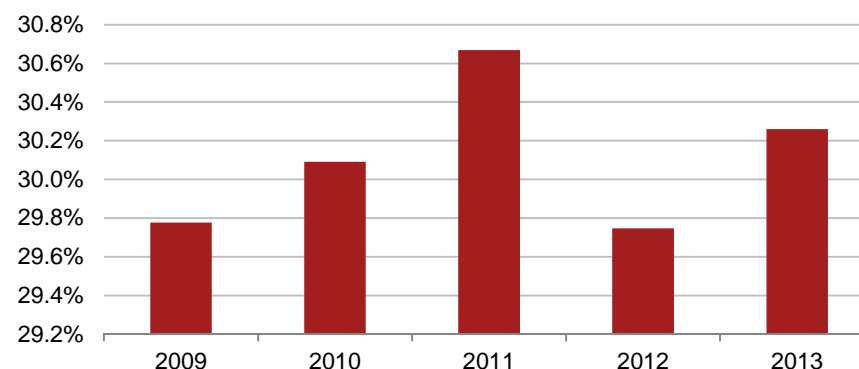
### Tourism in NSW & The Hunter

The tourism industry is a major contributor to the NSW economy, generating approximately \$27.7 billion of expenditure in the year ended December 2013. Within the same period, NSW received approximately 80.7 million visitors and 158.4 million visitor nights.

#### Visitor Nights

Overall demand (room nights occupied) rose 3.7% in NSW in the 12 months ended December 2013 compared with the 12 months ended December 2012.

Figure 5.4: NSW share of Australian visitors by nights



Source: Tourism Research Australia

As illustrated by Figure 5.4, NSW's tourism market share has remained reasonably steady for a number of years, capturing approximately 30% of Australia's tourist nights over the past 5 years.

As illustrated by Figure 5.2, National domestic visitor nights are forecast to increase at an average rate of 0.8% per annum over the next 10 years, whilst Inbound visitor arrivals are forecast to increase by an average of 4.3% per annum over the same period. It is expected that NSW will broadly maintain its share of visitors.

## Tourism Overview (3 of 4)

As illustrated by Figure 5.6, resident visitor nights fell throughout the GFC, for both the Hunter and more broadly, NSW. Since then however, they have risen steadily from a total of 78.1 million in 2009 to 85.5 million in 2013.

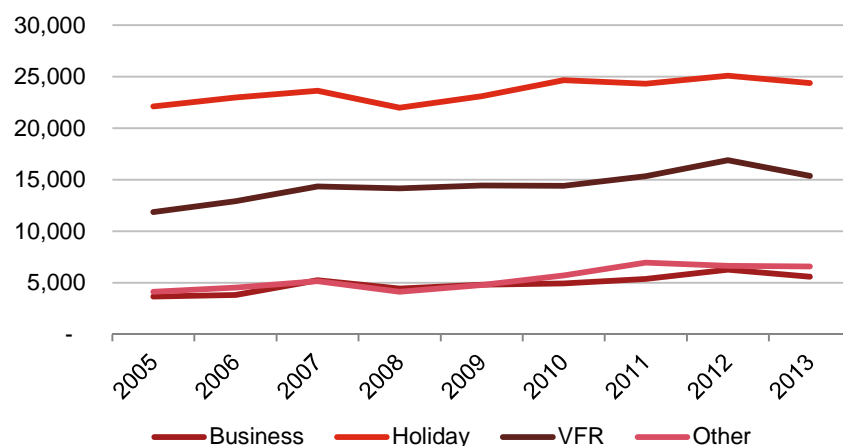
In 2013, approximately 27.6% of resident visitor nights on the Hunter were spent at a Hotel, Resort, Motel or Motor Inn. This compares with 24.4% across NSW.

This is far exceeded by visitor nights stayed at a Friend's or Relative's Property in the Hunter (48.5%). 5.6% stayed in a Rented House, Apartment, Flat or Unit, and 9.1% stayed in a Caravan or Camped.

### Day Trips

Figure 5.5 illustrates the historical purpose for day-trip visitors to NSW. Holidays are the most popular reason, with 24.4 million day trips in 2013 (46.9% of total). This was higher than Visiting Friends and Relatives (29.6%), Other (12.7%) and Business (10.8%).

Figure 5.5: Day Trips to NSW by Purpose (000's)



Source: Tourism Research Australia

Figure 5.6: Total nights in NSW and Hunter by residents (000's)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Hotel, resort, motel or motor Inn</b>									
Hunter	1,414	1,379	1,548	1,295	1,196	1,430	1,749	1,386	1,381
% Change	4.2%	-2.5%	12.3%	-16.3%	-7.6%	19.6%	22.3%	-20.8%	-0.4%
NSW	21,124	20,553	22,073	20,873	20,086	20,939	21,933	20,227	20,865
% Change	-4.1%	-2.7%	7.4%	-5.4%	-3.8%	4.2%	4.7%	-7.8%	3.2%
<b>Guest house or B&amp;B</b>									
Hunter	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
% Change	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
NSW	985	868	927	1,057	730	1,023	848	931	746
% Change	-2.5%	-11.9%	6.8%	14.0%	-30.9%	40.1%	-17.1%	9.8%	-19.9%
<b>Rented house, apartment, flat or unit</b>									
Hunter	n/a	284	n/a	437	362	364	341	994	279
% Change	n/a	n/a	n/a	n/a	-17.2%	0.6%	-6.3%	191.5%	-71.9%
NSW	6,933	7,720	7,341	7,569	8,048	8,075	8,096	7,826	9,067
% Change	0.7%	11.4%	-4.9%	3.1%	6.3%	0.3%	0.3%	-3.3%	15.9%
<b>Caravan and Camping</b>									
Hunter	558	720	544	394	687	599	629	749	457
% Change	n/a	n/a	-24.4%	-27.6%	74.4%	-12.8%	5.0%	19.1%	-39.0%
NSW	11,375	13,465	13,091	12,590	13,338	12,946	13,926	14,011	14,701
% Change	-12.2%	18.4%	-2.8%	-3.8%	5.9%	-2.9%	7.6%	0.6%	4.9%
<b>Friends or relatives property</b>									
Hunter	2,653	2,727	3,219	2,671	2,646	2,269	2,767	2,664	2,424
% Change	-9.1%	2.8%	18.0%	-17.0%	-0.9%	-14.2%	21.9%	-3.7%	-9.0%
NSW	35,277	35,394	33,840	33,471	30,570	30,801	31,317	33,954	33,238
% Change	-9.7%	0.3%	-4.4%	-1.1%	-8.7%	0.8%	1.7%	8.4%	-2.1%
<b>Own property (e.g. holiday house)</b>									
Hunter	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
% Change	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
NSW	3,203	3,887	2,659	3,517	2,638	2,811	3,298	3,190	2,941
% Change	1.4%	21.4%	-31.6%	32.3%	-25.0%	6.6%	17.3%	-3.3%	-7.8%
<b>Other</b>									
Hunter	n/a	n/a	n/a	543	349	292	n/a	n/a	n/a
% Change	n/a	n/a	n/a	n/a	-35.7%	-16.3%	n/a	n/a	n/a
NSW	2,790	4,083	3,559	3,335	2,169	2,820	3,119	3,183	3,735
% Change	-12.2%	46.3%	-12.8%	-6.3%	-35.0%	30.0%	10.6%	2.1%	17.3%
<b>Total</b>									
Hunter	5,198	5,521	5,945	5,583	5,476	5,207	6,050	6,237	5,000
% Change	-1.1%	6.2%	7.7%	-6.1%	-1.9%	-4.9%	16.2%	3.1%	-19.8%
NSW	82,464	86,294	83,857	82,871	78,084	79,860	82,981	83,809	85,540
% Change	-7.5%	4.6%	-2.8%	-1.2%	-5.8%	2.3%	3.9%	1.0%	2.1%

Source: Tourism Research Australia

## Tourism Overview (4 of 4)

Of all day trips, Sydney accounted for 37.4%, with the rest of the State accounting for 62.6%.

Figure 5.7: NSW day trips by purpose and destination

('000)	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Business</b>	3,665	3,843	5,261	4,459	4,822	4,933	5,379	6,294	5,593
<b>% change</b>	4.0%	4.9%	36.9%	-15.2%	8.1%	2.3%	9.0%	17.0%	-11.1%
<b>Holiday</b>	22,131	22,986	23,638	21,983	23,112	24,667	24,326	25,090	24,384
<b>% change</b>	5.9%	3.9%	2.8%	-7.0%	5.1%	6.7%	-1.4%	3.1%	-2.8%
<b>VFR</b>	11,857	12,932	14,345	14,173	14,456	14,422	15,337	16,900	15,380
<b>% change</b>	1.8%	9.1%	10.9%	-1.2%	2.0%	-0.2%	6.3%	10.2%	-9.0%
<b>Other</b>	4,151	4,538	5,174	4,142	4,803	5,721	6,963	6,644	6,599
<b>% change</b>	-6.1%	9.3%	14.0%	-19.9%	16.0%	19.1%	21.7%	-4.6%	-0.7%
<b>Sydney</b>	13,668	15,663	17,180	15,704	16,448	17,789	18,947	20,279	19,430
<b>% change</b>	-4.2%	14.6%	9.7%	-8.6%	4.7%	8.2%	6.5%	7.0%	-4.2%
<b>Rest of State</b>	28,136	28,636	31,238	29,053	30,745	31,955	33,058	34,648	32,526
<b>% change</b>	7.3%	1.8%	9.1%	-7.0%	5.8%	3.9%	3.5%	4.8%	-6.1%
<b>Total</b>	41,804	44,299	48,418	44,757	47,193	49,744	52,005	54,927	51,956
<b>% change</b>	3.2%	6.0%	9.3%	-7.6%	5.4%	5.4%	4.5%	5.6%	-5.4%

\*VFR – visiting friends and relatives

Source: Tourism Research Australia

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## Section 5

# ***Competitor Set***

## Competitor Analysis (1 of 2)

### Identified set of competitors

- Properties that the proposed accommodation will compete against have been identified from a geographical spread covering up to Port Stephens/ Nelson Bay in the North to the Entrance in the South, the Hunter Region in the West and the immediate Lake Macquarie area.
- Competitors have been assessed based on location, size, market positioning (or category of accommodation), branding, pricing structure and range of facilities.
- In order to adjust for the factors above, competitors have initially been divided into primary and secondary competitors. Weighting have then been assigned, with 100% weightings attributed to primary competitors (considered direct competitors), and secondary competitor weightings between 40% to 60% based primarily on the following core principles:
  - Newcastle & Charlestown Accommodation** – The accommodation market in Newcastle and Charlestown have a far greater “business” market segment than Lake Macquarie and are largely hotel style accommodation, hence a **40%** weighting has been applied
  - Hunter Valley Accommodation** – Whilst much of the style of accommodation in the Hunter Valley is comparable to the proposed development, given the Hunter Valley is inland and attracts a market largely based on the attraction of the vineyards in the area, a **50%** weighting on these properties has been assigned to reflect this difference in market capture
  - Port Stephens & Nelson Bay** – Whilst these properties are coastal and have similar products to what is proposed in the development, these properties are the furthest north in the competitor set and are likely to attract a portion of the same market as Lake Macquarie, hence **50%** weighting has been assigned
  - The Entrance** – These properties are coastal and have similar products to what is proposed, however, these properties are the furthest south in the competitor set and are likely to attract a portion of the same market as Lake Macquarie, hence **60%** weighting has been assigned
- Size of the competitive Set** – Based on this analysis, we see the weighted competitive market to be 1,370 rooms.

### Trinity Point Competitor Set

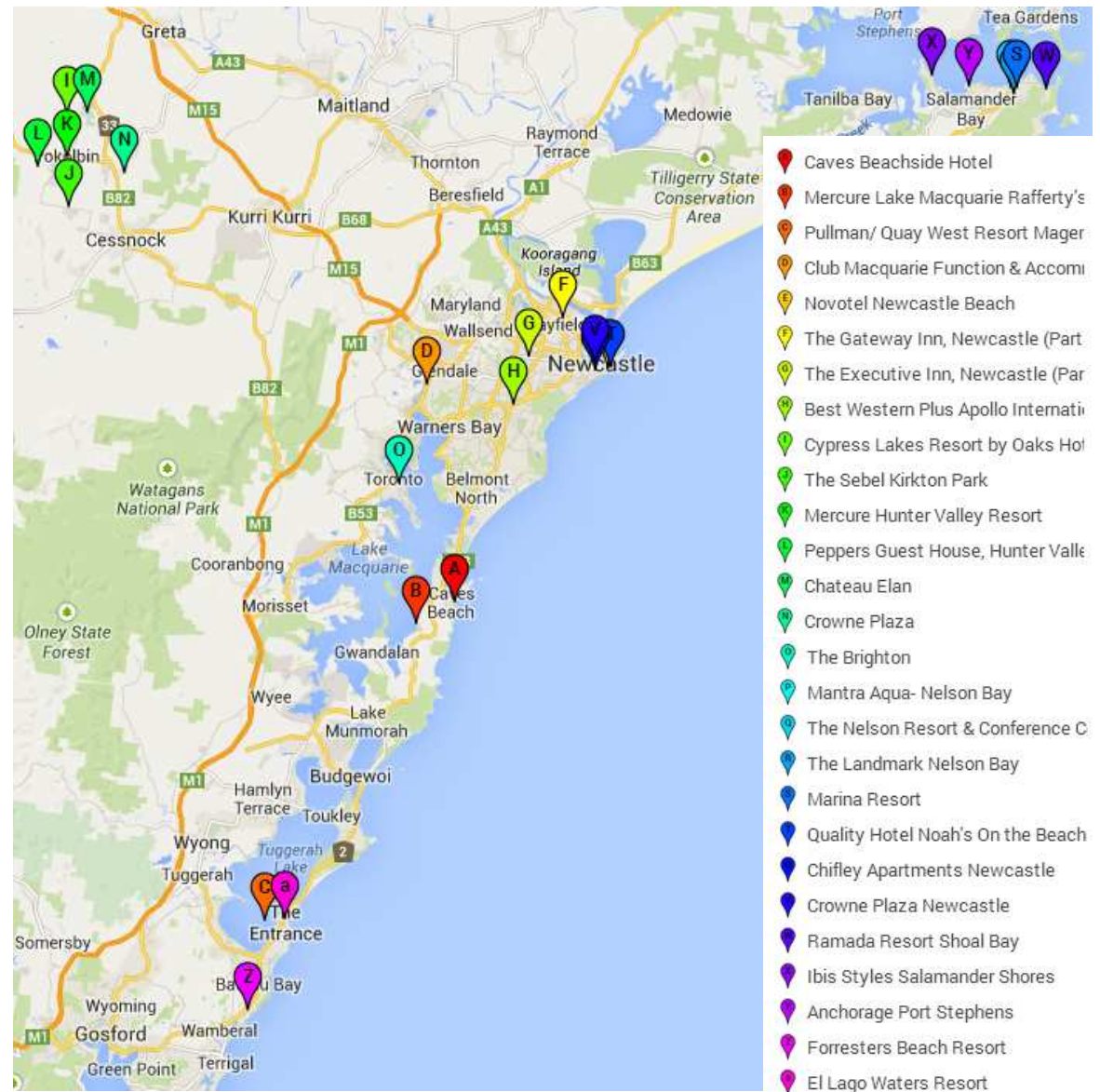
Competitor	Location	Star Rating	Room Count	Competitor Weighting	Weighted Rooms
<b>Primary competitors</b>					
Caves Beachside Hotel	Lake Macquarie	4.5	27	100%	27
Mercure Lake Macquarie Rafferty's Resort	Lake Macquarie	4.0	110	100%	110
Pullman/ Quay West Resort Magenta Shores	The Entrance	5.0	130	100%	130
Club Macquarie Function & Accommodation Centre	Lake Macquarie	4.0	36	100%	36
<b>Total Primary Competitors</b>			<b>303</b>		<b>303</b>
<b>Secondary Competitors</b>					
The Brighton	Lake Macquarie	4.5	31	50%	16
Best Western Plus Apollo International	Charlestown	4.0	94	40%	38
Novotel Newcastle Beach	Newcastle	4.5	88	40%	35
The Gateway Inn, Newcastle (Part of the West Group)	Newcastle	4.5	76	40%	30
The Executive Inn, Newcastle (Part of the West Group)	Newcastle	4.5	136	40%	54
Quality Hotel Noah's On the Beach	Newcastle	4.0	91	40%	36
Chifley Apartments Newcastle	Newcastle	4.5	70	40%	28
Crowne Plaza Newcastle	Newcastle	4.5	175	40%	70
Cypress Lakes Resort by Oaks Hotels & Resorts	Hunter Valley	4.0	200	50%	100
The Sebel Kirkton Park	Hunter Valley	4.0	71	50%	36
Mercure Hunter Valley Resort	Hunter Valley	4.5	72	50%	36
Peppers Guest House, Hunter Valley	Hunter Valley	4.5	48	50%	24
Chateau Elan	Hunter Valley	4.5	100	50%	50
Crowne Plaza Hunter Valley	Hunter Valley	4.5	316	50%	158
Mantra Aqua- Nelson Bay	Nelson Bay	4.5	110	50%	55
The Nelson Resort & Conference Centre	Nelson Bay	4.0	36	50%	18
The Landmark Nelson Bay	Nelson Bay	4.0	125	50%	63
Marina Resort	Nelson Bay	3.5	44	50%	22
Ramada Resort Shoal Bay	Port Stephens	4.5	141	50%	71
Ibis Styles Salamander Shores	Salamander Bay	3.5	89	50%	45
Anchorage Port Stephens	Port Stephens	4.0	80	50%	40
Forresters Beach Resort	The Entrance	3.5	34	60%	20
El Lago Waters Resort	The Entrance	3.5	39	60%	23
<b>Total Secondary Competitors</b>			<b>2,266</b>		<b>1,067</b>
<b>Total Competitors</b>			<b>2,569</b>		<b>1,370</b>

Source: PwC Analysis



## Competitor Analysis (2 of 2)

- For the purpose of this market demand and economic study, we conducted in person and telephone interviews with 16 general managers / operational managers out of the 27 competitors identified. The data compiled has informed us on the following key areas and metrics:
  - Market conditions
  - Quality of accommodation
  - Rooms and Room Styles
  - Market Segmentation
  - Occupancy
  - Average Length of Stay
  - Average Room Rates
  - Function Facilities and Usage
  - Restaurants on site and Capacity
  - Permanent versus Short Stay Accommodation
- This data along with an understanding of the market derived from research has then been used to inform market supply and demand, market penetration, market segmentation, occupancy, average room rates and an understanding of function facilities and permanent versus short stay accommodation capacity.



Source: Google maps

## Primary & Secondary Competitor Set – Key Metrics

### Overall Competitor Set - Key Metrics (2013/14)

KPI	
Number of competitors	27
Weighted Rooms	1,370
Market Segmentation - Leisure %	56%
Market Segmentation - Business/Other %	13%
Market Segmentation - MICE %	31%
Available Room Nights - Leisure	285,247
Available Room Nights - Business/Other	64,892
Available Room Nights - MICE	153,916
Total Available Room Nights	504,055
Occupied Room Nights - Leisure	169,919
Occupied Room Nights - Business / Other	38,000
Occupied Room Nights - MICE	93,612
Total Occupied Room Nights	301,530
Average Occupancy %	59.8%
Average ADR (\$)	197.29

### Primary Competitors - Key Metrics (2013/14)

KPI	
Number of competitors	4
Available Rooms	303
Weighted Rooms	303
Market Segmentation - Leisure %	43%
Market Segmentation - Business/Other %	2%
Market Segmentation - MICE %	55%
Available Room Nights - Leisure	47,613
Available Room Nights - Business/Other	2,562
Available Room Nights - MICE	60,421
Total Available Room Nights	110,595
Occupied Room Nights - Leisure	31,310
Occupied Room Nights - Business / Other	1,684
Occupied Room Nights - MICE	39,732
Total Occupied Room Nights	72,726
Average Occupancy %	65.8%
Average ADR (\$)	224.43

### Secondary Competitors - Key Metrics (2013/14)

KPI	
Number of competitors	23
Available Rooms	2,266
Weighted Available Rooms	1,067
Market Segmentation - Leisure %	61%
Market Segmentation - Business/Other %	16%
Market Segmentation - MICE %	24%
Weighted Available Room Nights - Leisure	237,634
Weighted Available Room Nights - Business/Other	62,330
Weighted Available Room Nights - MICE	93,495
Weighted Total Available Room Nights	389,565
Weighted Occupied Room Nights - Leisure	138,609
Weighted Occupied Room Nights - Business / Other	36,315
Weighted Occupied Room Nights - MICE	53,879
Weighted Total Occupied Room Nights	228,804
Average Occupancy %	58.7%
Average ADR (\$)	188.66



## Section 5 – Competitor Set

# Primary & Secondary Competitor Set – Details

### Trinity Point Competitor Set

Competitor	Location	Star Rating	Room Count	Competitor Weighting	Weighted Rooms	Occupancy vs Competitor		Avg. Length of Stay	Primary Market Segmentation			Restaurants
						Set Avg	Set Avg		Leisure	Business	MICE	
Primary competitors												
Caves Beachside Hotel	Lake Macquarie	4.5	27	100%	27	↑	↑	2.0	●	●	●	• Caves Eatery - 400 Seats
Mercure Lake Macquarie Rafferty's Resort	Lake Macquarie	4.0	110	100%	110	=	↑	2.0	●		●	• Al Lago Italian Restaurant - 180 seats
Pullman/ Quay West Resort Magenta Shores	The Entrance	5.0	130	100%	130	↓	↑	2.8	●		●	• Barretts Restaurant
Club Macquarie Function & Accommodation Centre	Lake Macquarie	4.0	36	100%	36	↑	↓	1.5	●		●	• Shallow s Bar
Total Primary Competitors			303		303							
Secondary Competitors												
The Brighton	Lake Macquarie	4.5	31	50%	16	↓	↓	3.0	●		●	• No Restaurant
Best Western Plus Apollo International	Charlestown	4.0	94	40%	38	↑	↓	1.4	●	●		• Babbingtons Bar & Grill - 70 seats
Novotel New castle Beach	New castle	4.5	88	40%	35	↑	↓	1.9	●	●		• Bistro Balby - 45 seats
The Gateway Inn, New castle (Part of the West Group)	New castle	4.5	76	40%	30	↑	↓	1.5	●	●		• Up to 12 Restaurants (West Club)
The Executive Inn, New castle (Part of the West Group)	New castle	4.5	136	40%	54	↑	↓	1.5	●	●		• Up to 12 Restaurants (West Club)
Quality Hotel Noah's On the Beach	New castle	4.0	91	40%	36	↑	↑	2.0	●		●	• Jonahs on the Beach Restaurant
Chifley Apartments New castle	New castle	4.5	70	40%	28	↑	↓	2.3	●	●		• The Lobby Lounge
Crown Plaza New castle	New castle	4.5	175	40%	70	↑	↑	1.5	●	●		• Seasalt Restaurant & Bar
Cypress Lakes Resort by Oaks Hotels & Resorts	Hunter Valley	4.0	200	50%	100	↓	↑	2.0	●		●	• Bodega
The Sebel Kirkton Park	Hunter Valley	4.0	71	50%	36	↓	↑	2.0	●		●	• Infuzion Restaurant and Bar, The Conservatory
Mercure Hunter Valley Resort	Hunter Valley	4.5	72	50%	36	↓	↑	2.0	●		●	• Hunter Valley Steakhouse
Peppers Guest House, Hunter Valley	Hunter Valley	4.5	48	50%	24	↓	↑	2.0	●		●	• Chez Pok
Chateau Elan	Hunter Valley	4.5	100	50%	50	=	↑	2.0	●		●	• Legends Grill - 100 seat capacity, Vintage Cafe
Crown Plaza Hunter Valley	Hunter Valley	4.5	316	50%	158	↓	↑	2.0	●		●	• Redsalt, The Lovedale bar, Villa dinning, Lovedale Brewery, Vista Lounge
Mantra Aqua- Nelson Bay	Nelson Bay	4.5	110	50%	55	↑	↓	2.5	●			• No Restaurant
The Nelson Resort & Conference Centre	Nelson Bay	4.0	36	50%	18	↓	↓	2.0	●		●	• The Little Nel café
The Landmark Nelson Bay	Nelson Bay	4.0	125	50%	63	=	↓	2.0	●		●	• AJ's Restaurant - up to 150 seats
Marina Resort	Nelson Bay	3.5	44	50%	22	↓	↓	2.0	●	●	●	• Marina Resort Restaurant - 80 seats
Ramada Resort Shoal Bay	Port Stephens	4.5	141	50%	71		↑	4.0	●		●	• 5 Restaurants
Ibis Styles Salamander Shores	Salamander Bay	3.5	89	50%	45	↓	↓	1.5	●		●	• Shoreline Steakhouse Restaurant - 180 seats
Anchorage Port Stephens	Port Stephens	4.0	80	50%	40	↓	↑	2.8	●		●	• Merretts Restaurant
Forresters Beach Resort	Terrigal	3.5	34	60%	20	=	↓	3.0	●		●	• Captains Bar
El Lago Waters Resort	The Entrance	3.5	39	60%	23	↓	↓	2.5	●		●	• No details
Total Secondary Competitors			2,266		1,067							
Total Competitors			2,569		1,370							

Source: Accommodation websites, General Manager/Operational Manager Interviews and market research

**Note:** Where competitors have not been interviewed, available market data and best estimates based on other comparable competitors have been used

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## Section 6

# ***Market Supply & Demand***

## Market Supply & Demand (1 of 3)

### Market Supply

		Forecast future competitive market supply						
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Scenario 1 – 100 Rooms	Total new rooms (weighted entry)							
	Trinity Point Development	0	0	100	100	100	100	100
	Existing & Forecast Room Supply	1,370	1,370	1,470	1,470	1,470	1,470	1,470
	Annual Room Nights Available	500,160	500,160	536,660	536,660	536,660	536,660	536,660
Scenario 2 – 150 Rooms	Total new rooms (weighted entry)							
	Trinity Point Development	0	0	150	150	150	150	150
	Existing & Forecast Room Supply	1,370	1,370	1,520	1,520	1,520	1,520	1,520
	Annual Room Nights Available	500,160	500,160	554,910	554,910	554,910	554,910	554,910

Source: PwC Analysis

- Based on the identified competitor set, the supply of available rooms in the market in 2014/15 is 1,370 rooms with 500,160 annual available room nights before the addition of rooms available provided by the Trinity Point Development, which for the purposes of our analysis, we have assumed to commence in 2016/17.
- We have run two scenarios, the first presenting the impact of a 100 room accommodation and the second showing a 150 room accommodation development.
- Our market research and discussions with council have not identified any material potential new developments located in the Lake Macquarie region that is likely to be a direct competitor of the Trinity Point Development in the next 7 years.

- In making an assumption for new room supply, it is difficult to be unequivocal regarding the status of the new projects, since funding and infrastructure issues both influence upon project feasibility and timing. There may be changing circumstances relating to planning and development, which may mean that other developments may become competitors. If any projects not included in our competitive future supply assumptions do proceed during the forecast period, this will have a material adverse impact on the forecasts contained in this report. Therefore, our results need to be considered in light of these developments

### Market Demand

Based on our primary and secondary market research and analysis, we estimate there will be three distinct segments of accommodation demand captured by the competitive set of properties.

### Leisure

- The leisure market is predominantly serviced on weekends, public holidays and during school holiday periods. This segment includes domestic and international holiday travellers as well as leisure travel groups.
- In beachside/waterside locations such as Trinity Point, Lake Macquarie, there is typically a high demand for accommodation during leisure periods, which allows the accommodation provider to charge a higher rate. The marina, restaurant, recreational facilities and coastal location of the proposed accommodation are expected to assist in attracting demand from the leisure market's independent travellers and groups.
- For the competitive properties located in Newcastle, however, leisure demand is often low compared to the midweek demand from business travellers. This can result in these properties lowering rates for the leisure market during these periods.
- Our research indicates that the source of leisure traveller to the proposed development is likely to be 90% domestic and 10% international.

## Market Supply & Demand (2 of 3)

### MICE

- The MICE market represents demand from corporate and group guests participating in predominantly meetings and conferences. The daily rate charged to the MICE market is often subject to competitive tendering from corporate event organisers, however the capacity to value add with food, beverage and other activities provides opportunity.
- The MICE market segmentation for the competitive set of properties ranges from nil to 70%, depending on each properties' conferencing capacity. The MICE market is expected to be an important segment for the proposed development, with its plans to include a flexible function/conferencing facility to cater for up to 300 people.
- Our research indicates that the source of MICE market to the proposed development is likely to be 90% domestic and 10% international.

### Business

- Demand from business travellers is likely to be small (<10 % of overall target market) as the location is somewhat destinational and not close to major business hubs.
- Our research indicates that the source of business traveller market to the proposed development is likely to be 95% domestic and 5% international.

### Summary of segment demand growth

Based on interviews with General Managers/ Operations Managers and best estimates the market segmentation for each property in the competitive set has been identified, which in turn is used to determine the total level of market demand in each segment.

Segment Demand - Room Nights							
Segment	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Leisure	171,002	172,649	174,158	175,533	176,682	177,710	178,734
Business/Other	39,091	40,235	41,365	42,448	43,476	44,524	45,592
MICE	96,276	99,120	101,913	104,602	107,159	109,752	112,385
<b>Total</b>	<b>306,369</b>	<b>312,004</b>	<b>317,436</b>	<b>322,583</b>	<b>327,317</b>	<b>331,986</b>	<b>336,711</b>

Source: PwC research, Tourism Forecasting Committee, Deloitte Access Economics

Our underlying demand growth estimates in the forecast period are based on the market segment growth assumptions which have been derived from Tourism Research Australia and Deloitte Access Economics

Segment Demand Forecast Growth Rates								
Segment	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	CAGR
Leisure	0.6%	1.0%	0.9%	0.8%	0.7%	0.6%	0.6%	0.7%
Business/Other	2.9%	2.9%	2.8%	2.6%	2.4%	2.4%	2.4%	2.6%
MICE	2.8%	3.0%	2.8%	2.6%	2.4%	2.4%	2.4%	2.6%

Source: PwC research, Tourism Forecasting Committee, Deloitte Access Economics

## ***Market Supply & Demand (3 of 3)***

### ***Displaced and induced demand***

In addition to our segment demand assumptions, we have considered the potential for displaced and induced demand arising due to the proposed development.

#### ***Displaced demand***

- Displaced demand is demand for accommodation that is turned away by the competitive set of properties in peak periods when there are no more rooms available. In these instances, accommodation demand exceeds supply. Our market demand model allows for displaced demand to be satisfied when new accommodation enters the market during the forecast period.
- Based on our market research, we have not assumed any level of displaced demand.

#### ***Induced demand***

- Induced demand is demand that enters the competitive market due to new supply entering the market. This could be caused by a new style of product entering the market or the use of new marketing strategies, which increase the capacity to attract new market segments to the region.
- Whilst we believe there will be a level of induced demand with the offering of serviced apartments as part of the Trinity Point Development which may differentiate the site from some competitor offerings, this is not expected to be material and is difficult to quantify. As a result we have not assumed an amount specifically for induced demand, however this has been factored in from an overall economic standpoint.

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## Section 7

# ***Trinity Point Development Market Penetration***

## Trinity Point Market Penetration (1 of 2)

Scenario 1- 100 Rooms	Market Penetration					
		2016/17	2017/18	2018/19	2019/20	2020/21
	Subject Property Fair Share					
	Market Room Supply	1,470	1,470	1,470	1,470	1,470
	Subject Property Room Count	100	100	100	100	100
	Fair Share	6.8%	6.8%	6.8%	6.8%	6.8%
	Room Nights Captured by Subject					
	Leisure Segment					
	Fair Share	6.8%	6.8%	6.8%	6.8%	6.8%
	Penetration Factor	90.0%	100.0%	100.0%	100.0%	100.0%
	Market Share	6.1%	6.8%	6.8%	6.8%	6.8%
	Demand	174,158	175,533	176,682	177,710	178,734
	Capture	10,700	11,900	12,000	12,100	12,200
	% of Market Segmentation Mix	69%	58%	54%	54%	53%
	Business/Other Segment					
	Fair Share	6.8%	6.8%	6.8%	6.8%	6.8%
	Penetration Factor	50.0%	50.0%	50.0%	50.0%	50.0%
	Market Share	3.4%	3.4%	3.4%	3.4%	3.4%
	Demand	41,365	42,448	43,476	44,524	45,592
	Capture	1,400	1,400	1,500	1,500	1,600
	% of Market Segmentation Mix	9%	7%	7%	7%	7%
	MICE Segment					
	Fair Share	6.8%	6.8%	6.8%	6.8%	6.8%
	Penetration Factor	50.0%	100.0%	120.0%	120.0%	120.0%
	Market Share	3.4%	6.8%	8.2%	8.2%	8.2%
	Demand	101,913	104,602	107,159	109,752	112,385
	Capture	3,500	7,100	8,700	9,000	9,200
	% of Market Segmentation Mix	22%	35%	39%	40%	40%
	Total Capture	15,600	20,400	22,200	22,600	23,000
	Total Penetration	72.3%	93.0%	99.7%	100.1%	100.4%

Source: PwC Analysis

Scenario 2 – 150 Rooms	Market Penetration					
		2016/17	2017/18	2018/19	2019/20	2020/21
	Subject Property Fair Share					
	Market Room Supply	1,520	1,520	1,520	1,520	1,520
	Subject Property Room Count	150	150	150	150	150
	Fair Share	9.9%	9.9%	9.9%	9.9%	9.9%
	Room Nights Captured by Subject					
	Leisure Segment					
	Fair Share	9.9%	9.9%	9.9%	9.9%	9.9%
	Penetration Factor	90.0%	100.0%	100.0%	100.0%	100.0%
	Market Share	8.9%	9.9%	9.9%	9.9%	9.9%
	Demand	174,158	175,533	176,682	177,710	178,734
	Capture	15,500	17,300	17,400	17,500	17,600
	% of Market Segmentation Mix	69%	58%	54%	54%	53%
	Business/Other Segment					
	Fair Share	9.9%	9.9%	9.9%	9.9%	9.9%
	Penetration Factor	50.0%	50.0%	50.0%	50.0%	50.0%
	Market Share	4.9%	4.9%	4.9%	4.9%	4.9%
	Demand	41,365	42,448	43,476	44,524	45,592
	Capture	2,000	2,100	2,100	2,200	2,200
	% of Market Segmentation Mix	9%	7%	7%	7%	7%
	MICE Segment					
	Fair Share	9.9%	9.9%	9.9%	9.9%	9.9%
	Penetration Factor	50.0%	100.0%	120.0%	120.0%	120.0%
	Market Share	4.9%	9.9%	11.8%	11.8%	11.8%
	Demand	101,913	104,602	107,159	109,752	112,385
	Capture	5,000	10,300	12,700	13,000	13,300
	% of Market Segmentation Mix	22%	35%	39%	40%	40%
	Total Capture	22,500	29,700	32,200	32,700	33,100
	Total Penetration	71.8%	93.3%	99.7%	99.8%	99.6%

Source: PwC Analysis

## Trinity Point Market Penetration (2 of 2)

**Fair Market Share & Penetration Definition:** Fair market share is the proportion of supply contributed to the market by each competitive property (relative to its competitive set), as a proportion of the relative market demand it can expect to capture, e.g. assuming a hotel market share of room supply is 10% its fair share of demand is 10% and any market share above 10% is an increase to that hotel's "penetration". As such, market penetration of 100% in each segment indicates a property is capturing its fair share of demand.

### Market Penetration

- **Scenario 1 (100 Rooms)** – Assuming a two year lead time to development (i.e., commencement in 2016/17), at 100 accommodation rooms, the Trinity Point market penetration is expected to be 72.3% of its fair share of 6.8% in 2016/17 increasing to 93.0% in 2017/18 and c.100% (just over 22,000 room nights captured) by 2018/19.
- **Scenario 2 (150 Rooms)** – Assuming a two year lead time to development (i.e., commencement in 2016/17), at 150 accommodation rooms, the Trinity Point market penetration is expected to be 71.8% of its fair share of 9.9% in 2016/17 increasing to 93.3% in 2017/18 and c.100% (just over 32,000 room nights captured) by 2018/19.
- Market penetration assumptions are built up for each segment identified. This refers to capacity for the development to achieve better than fair share of its market or segment. We have reviewed data gathered from other competitors and also noted the proposed standard and facilities for the subject development. Noting that the intention is to focus on primarily a combination of leisure and MICE we have assumed equal to or slightly above fair share in these segments and below fair share in the business segment.

### MICE

- We expect the first year for MICE business penetration to be low given the long lead periods necessary to achieve what will primarily be meetings and other functions. While some pre-planning can be undertaken, we expect the first year to be low in this regard, however for year two to achieve fair share and year three a market share in excess of the fair share.

### Leisure

- Leisure we expect a stronger initial penetration and assumed fair share equals market share from year two.

### Business/Other

- Due to the location of the Trinity Point Development being more destinational in nature with the closest large business market in Newcastle, we have assumed a market penetration of 50% for the Business/Other market segment.



## Forecast Occupancy

### Forecast Occupancy

- Trinity Point Development Occupancy** – Room occupancy forecasts for the proposed development are based on our assessment of ability to penetrate total demand in the competitive market. This refers to the proposed development's ability to capture market demand relative to its existing and future competitors, in each market segment. This is also known as a premium or discount to "fair market share" and has been assessed on the previous page.
  - Scenario 1 (100 Rooms)** – We forecast that the proposed development will have an occupancy of 42.7% in 2016/17, increasing to 63.0% in 2020/21 due largely to an increase in penetration into the MICE market.
  - Scenario 2 (150 Rooms)** – We forecast that the proposed development will have an occupancy of 41.1% in 2016/17, increasing to 60.5% in 2020/21 due largely to an increase in penetration into the MICE market.
- Whilst an increase in rooms from 100 to 150 decreases occupancy by a couple of percentage points, volume and cost economies of scale are likely to largely offset the small decline in vacancy.
- Total Competitive Market Occupancy** – Based on the analysis of market supply and demand, we forecast that the proposed development's competitive set will achieve room occupancy levels of between:
  - Scenario 1 (100 Rooms)** – 59.2% in 2016/17 to 62.7% in 2020/21.
  - Scenario 2 (150 Rooms)** – 57.2% in 2016/17 to 60.7% in 2020/21

Scenario 1 – 100 Rooms	Forecast Occupancy					
		2016/17	2017/18	2018/19	2019/20	2020/21
	<b>Trinity Point Development Occupancy</b>					
	Room Nights Captured	15,600	20,400	22,200	22,600	23,000
	Available Room Nights	36,500	36,500	36,500	36,500	36,500
	Occupancy	42.7%	55.9%	60.8%	61.7%	63.0%
	<b>Total Competitive Market Occupancy</b>					
	Rooms Nights Captured	317,436	322,583	327,317	331,986	336,711
	Available Room Nights	536,660	536,660	536,660	536,660	536,660
	Occupancy	59.2%	60.1%	61.0%	61.9%	62.7%
Scenario 2 – 150 Rooms	Trinity Point Room Night Captured % Total	4.9%	6.3%	6.8%	6.8%	6.8%
	Trinity Point Available Room Nights % Total	6.8%	6.8%	6.8%	6.8%	6.8%
	Trinity Point Occupancy % Variance to Total	-16.4%	-4.2%	-0.2%	-0.1%	0.3%
	Forecast Occupancy					
		2016/17	2017/18	2018/19	2019/20	2020/21
Scenario 2 – 150 Rooms	<b>Trinity Point Development Occupancy</b>					
	Room Nights Captured	22,500	29,700	32,200	32,700	33,100
	Available Room Nights	54,750	54,750	54,750	54,750	54,750
	Occupancy	41.1%	54.2%	58.8%	59.6%	60.5%
	<b>Total Competitive Market Occupancy</b>					
	Rooms Nights Captured	317,436	322,583	327,317	331,986	336,711
	Available Room Nights	554,910	554,910	554,910	554,910	554,910
	Occupancy	57.2%	58.1%	59.0%	59.8%	60.7%
	Trinity Point Room Night Captured % Total	7.1%	9.2%	9.8%	9.8%	9.8%
	Trinity Point Available Room Nights % Total	9.9%	9.9%	9.9%	9.9%	9.9%
	Trinity Point Occupancy % Variance to Total	-16.1%	-3.9%	-0.2%	-0.3%	-0.2%

Source: PwC Analysis

## Forecast Average Daily Room Rates

### Forecast Average Daily Room Rate (ADR)

- Average Daily Room Rate (ADR) forecasts have been calculated based on the proposed Trinity Point Development's assessed competitive attributes, the current achieved room rates of competing properties and the anticipated market segment mix. Based on our survey of the competitive properties and discussions with general managers/operations managers, we estimate the ADR of our competitive set to be approximately \$184. This is assuming a general assumption that the development will be developed to a quality of a 4 to 4.5 star quality. This ADR may vary also depending on the ultimate room mix available and standard of facilities at the development overall.
- The figure opposite presents our forecast room rate assumptions for the proposed development accommodation by business segment. This indicates that the predicted ADR will be approximately \$184 in the opening year 2016/17 and \$213 in the stabilised year 2018/19. The ADR for the proposed development accommodation is expected to increase at a CAGR of 2.5% over the forecast period.

Average daily rate analysis				
(Nominal \$)	Market segment	Base yr	Opening yr	Stabilised yr
	2016/17	2013/14	2016/17	2018/19
Leisure	69%	\$180	\$194	\$204
Business Travel	9%	\$180	\$194	\$204
MICE	22%	\$200	\$215	\$226
<b>Average daily rate</b>	<b>100%</b>	<b>\$184</b>	<b>\$199</b>	<b>\$213</b>

Forecast ADR					
	Year ending June				
	2016/17	2017/18	2018/19	2019/20	2020/21
ADR (\$)	\$198.50	\$206.50	\$212.50	\$218.00	\$223.50

Source: PwC Analysis

## Function Facility Analysis

### Function Facilities

Competitor	Star Rating	Room Count	Main Function Room Capacity	Function Room Capacity/ Room Count	Total Function Room Capacity	Function Facility Details
Mercure Lake Macquarie Rafferty's Resort	4.0	110	240	2.2	c.420	<ul style="list-style-type: none"> <li>• 2 conference centres (5 rooms)</li> <li>• Conference facility 1: 180 people</li> <li>• Conference facility 2: 240 people</li> <li>• Weddings up to 150 people</li> </ul>
Pullman/ Quay West Resort Magenta Shores	5.0	130	300	2.3	c.600	<ul style="list-style-type: none"> <li>• Magenta 1,2,3 (317sqm) - Theatre: 325, classroom: 180, cocktail: 300-400, wedding: 180</li> <li>• Boardroom 1: 20 - 40, Boardroom 2: 10-30</li> <li>• Pellos - 15 - 50</li> <li>• Swales - 20 - 70</li> <li>• Conference Villas - 15 - 30</li> <li>• Optimal number around 160 to 180</li> </ul>
Cypress Lakes Resort by Oaks Hotels & Resorts	4.0	200	500	2.5	>1000	<ul style="list-style-type: none"> <li>• Totalling more than 1,000 ppl</li> <li>• Cypress Centre - 5 board rooms catering for between 10 delegates and 150 delegates in different set-ups.</li> <li>• Convention Centre (364 sqm) - can be divided in 6 rooms</li> <li>• Event Centre (432 sqm) space</li> <li>• Lagoon Pool Marquee</li> </ul>
The Sebel Kirkton Park	4.0	71	300	4.2	c.500	<ul style="list-style-type: none"> <li>• 5 conference rooms and 4 syndicate breakout rooms</li> <li>• The James Busby Room (180m2): 40 (boardroom) -150 (cocktail)</li> <li>• The Hunter &amp; Rothbury Rooms (255m2) - 110 (classroom) to 350 (cocktail)</li> <li>• The Brokenback Room (59.5m2) - up to 30</li> <li>• The Valley View Room (85m2) - up to 50</li> <li>• Semillon Room - up to 250 ppl theatre &amp; banquet style (can be split into 4 smaller rooms)</li> <li>• Chardonnay Room - 130 - 150</li> <li>• Shiraz Room - 250</li> <li>• Reisling Room - 60</li> <li>• Lodge Room - 18</li> </ul>
Mercure Hunter Valley Resort	4.5	72	250	3.5	c.400	<ul style="list-style-type: none"> <li>• The founders room (300 sqm) - up to 330 people</li> <li>• Barrington room - up to 200 people</li> <li>• The carriage house - up to 120 people</li> <li>• Barrington boardroom I, II - accomodate 26 for boardroom</li> <li>• Conference and wedding market, optimum is 100 to 150 pax</li> <li>• Cellar room 1 (59sqm) - 48 people</li> <li>• Cellar room 2 (57 sqm) - 50</li> <li>• Exhibition Space (832 sqm)</li> <li>• Semillon Ballroom (491 sqm) - 560</li> <li>• Semillon 1,2,3 (163 sqm each) - 144 each</li> <li>• Chardonnay (50 sqm) - 40</li> <li>• Shiraz (35 sqm) - 20</li> <li>• Verdelho (86 sqm) - 70</li> <li>• Marquee (975 sqm) - 500+</li> </ul>
Chateau Eian	4.5	100	330	3.3	c.600	<ul style="list-style-type: none"> <li>• AJ's Restaurant &amp; Function Centre (up to 150 guests)</li> <li>• Function room 1 - 30 (boardroom) - 80 (cocktail)</li> <li>• Function room 2 - 45 (boardroom) - 140 (cocktail)</li> <li>• Up to 300 delegates (combining Whitesands rooms)</li> <li>• Whitesands Sun (112 sqm) - 30 to 90 ppl</li> <li>• Whitesands Sea (96 sqm) - 30 - 90 ppl</li> <li>• Whitesands Star (144 sqm) - 40 to 120 ppl</li> <li>• Boardroom (29 sqm) - up to 20 ppl</li> <li>• Marlin (60 sqm) - up to 90 ppl</li> <li>• Whitesands Lobby (175 sqm) - up to 150 ppl</li> <li>• Heritage Recreation Room (49 sqm) - up to 20</li> </ul>
Crown Plaza Hunter Valley	4.5	316	560	1.8	c.1,500	<ul style="list-style-type: none"> <li>• Chesworth Room (144 sqm) - 110 delegates in classroom style - 140 theatre</li> <li>• Thurlow Room (65 sqm) - 40 delegates classroom style - 60 theatre style</li> <li>• Tyson Guest Lounge (60 sqm) -40 delegates classroom style - 60 theatre style</li> <li>• Breakout rooms</li> </ul>
The Landmark Nelson Bay	4.0	125	150	1.2	c.200 - 250	
Ramada Resort Shoal Bay	4.5	141	300	2.1	c.600 - 700	
Anchorage, Port Stephens	4.0	80	140	1.8	c.250	
<b>Average</b>	<b>4.3</b>	<b>135</b>	<b>307</b>	<b>2.5</b>	<b>622</b>	
<b>Median</b>	<b>4.3</b>	<b>118</b>	<b>300</b>	<b>2.2</b>	<b>550</b>	

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### Function Facility Analysis

- The table opposite presents the competitive set of properties with the following key attributes which are likely to be of similar character to that proposed at the development at Trinity Point:
  - Room Count: 70 and above
  - Market Segmentation: Primarily Leisure and MICE
- These 10 comparable competitors have main function rooms/facilities that have capacities ranging between 150 to 500 +.
- **Room Count** – The average room count of these competitors is 135 rooms with a median of 118 rooms
- **Main Function Room Capacity** – The average main function room capacity of these competitors is 307 people, with a median of 300 people
- **Total Function Room Capacity** – The average total function room capacity for the competitors is 622 with a median of 550.
- **Main Function Room Capacity / Room Count** – Our analysis suggests that 2.2 – 2.5 function delegates can support each room of accommodation. Applying this rate to the proposed function facility at Trinity Point of 300 seats would suggest a room count of between 121 – 134 rooms.

Trinity Point Function Facility Analysis	300 Seats	
Function Delegates/ Room	2.5	2.2
Main Function Facility Capacity	300	300
<b>Est. Rooms required to support the function facility</b>	<b>121</b>	<b>134</b>

Source: PwC Analysis

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# Appendix 1

## ***Scope of Work***

## ***Scope of Work (1 of 2)***

### ***Understanding of Client's Requirements***

Johnson Property Group has obtained a Part 3A Concept Plan Approval for a proposed tourist, commercial, residential and marina development at Trinity Point in 2009. JPG are now seeking to amend primarily the land-based components of the Concept Plan through the lodgement of a proposal via Section 75W of the Environmental Planning and Assessment Act 1979 to the Department of Planning and Environment.

JPG will also be looking to lodging individual development applications for each of the site precincts to Lake Macquarie City Council at the same time as lodging the Concept Plan amendment.

### ***Scope of Services***

We understand that PwC will be required to undertake the financial / economic analysis of the proposal to inform the final design input into the Concept Plan amendment for inclusion in the Concept Plan amendment submission.

Squillace has advised that the deliverable for this service will be an economic analysis and advice in the form of a report for inclusion in the s75W application regarding:

- The optimum number of short stay accommodation rooms / serviced apartments needed to maximise the feasibility of the 300 seat function room and the 400 seat restaurant (200 indoor + 200 outdoor).
- The optimum number of permanent residential apartments needed to maximise the overall feasibility of the total project (noting that the marina is an input to the feasibility only)

### ***Our Approach***

Based on the preliminary information provided to us by Squillace, our approach will be to research the market through interview and investigation, review available published data, meet with potential stakeholders, business representatives and tourism (corporate, leisure and meetings) intermediaries; followed by appropriate computer-based modelling and report preparation.

### ***Phase 1: Market - Accommodation, Meeting and Leisure Sectors Needs Analysis, and Review of Permanent Residential Component***

In this initial phase of work we intend to identify the potential competitive market environment in which an accommodation product will operate in (target) environment. Included in this first Phase are:

- Project orientation meeting, concept options discussions, meetings as appropriate
- Competitive market identification and potential product market positioning (including competitive properties SWOT analysis)
- Site visit, location inspections, site SWOT analyses
- Potential competitive market(s) product and performance analyses and interviews
- Overview of historical market supply and demand data
- Competitive market demand assessments (including past, current and future trends)

## ***Scope of Work (2 of 2)***

- Review of additions to supply and mooted projects that may be competitive
- Review of general market demand drivers (economic and demographic factors)
- Review of (target) demand drivers (corporate, tourism, meetings, economic drivers)
- Fair share, market share and penetration analysis; induced and displaced demand analysis
- Review of permanent residential apartment numbers

The outcome of this phase of work will assist in preparing our accommodation market outlook of occupancy and average daily room rates for the subject location and surrounding area considering the likelihood of ancillary components such as meetings and leisure facilities. This work leads to our assessment of potential market support for the concept components.

In this phase we will also provide an initial view on the permanent residential component and mix and its impact on the overall project feasibility.

### ***Phase 2: Facilities - Project Concept Review***

Based on our Phase 1 Needs Analyses findings and conclusions, we will undertake a review of the project concept. This review will conclude in a summary description of accommodation facility and permanent residence numbers recommendations and include qualitative and quantitative requirements and product benchmarks, including:

- Rooms - configuration, product and service characteristics
- Mix of short-term accommodation and permanent residences
- Food and beverage facilities – areas, capacities, product and service characteristics
- Ancillary facilities – meetings and leisure products and services, retail, as appropriate