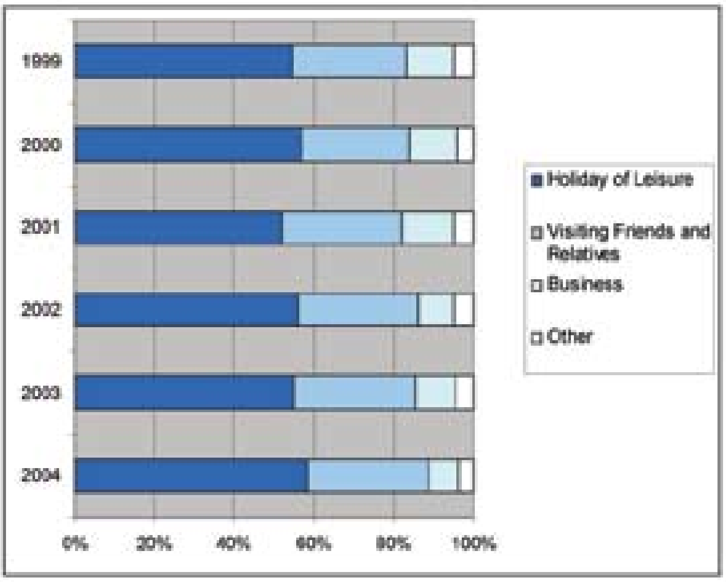
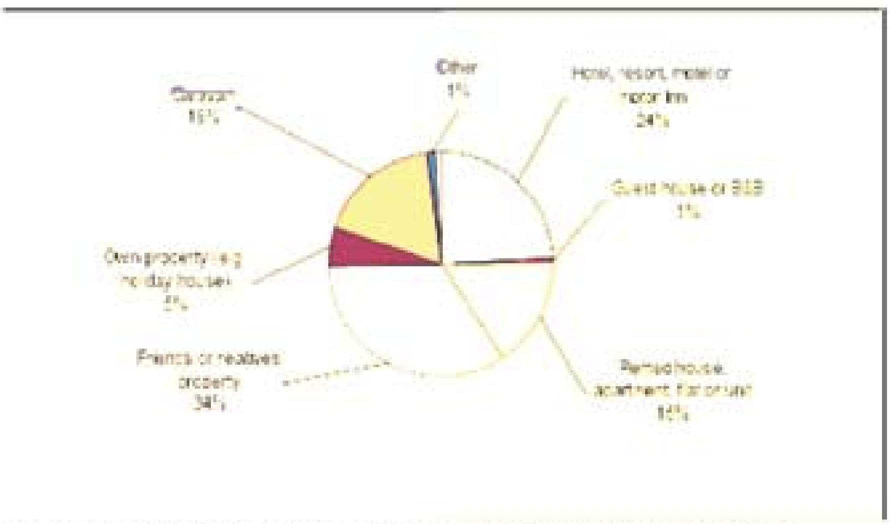
Figure 7. Domestic visitors to North Coast NSW Region by purpose of visit



Source: Tourism New South Wales, North Coast Region NSW Tourism Profiles 2000, 2002, 2003, Tourism New South Wales, North Coast Travel 2005.

Overall the level of visitation to Coffs Harbour is relatively flat. Any growth is associated with increases in visiting friends and relatives. The proportion of people staying with friends and relatives is the largest group by type of accommodation, followed by hotels, motels and resorts. In the chart below caravans are represented as being the third most significant accommodation type followed by rented houses, apartments, flats or units.

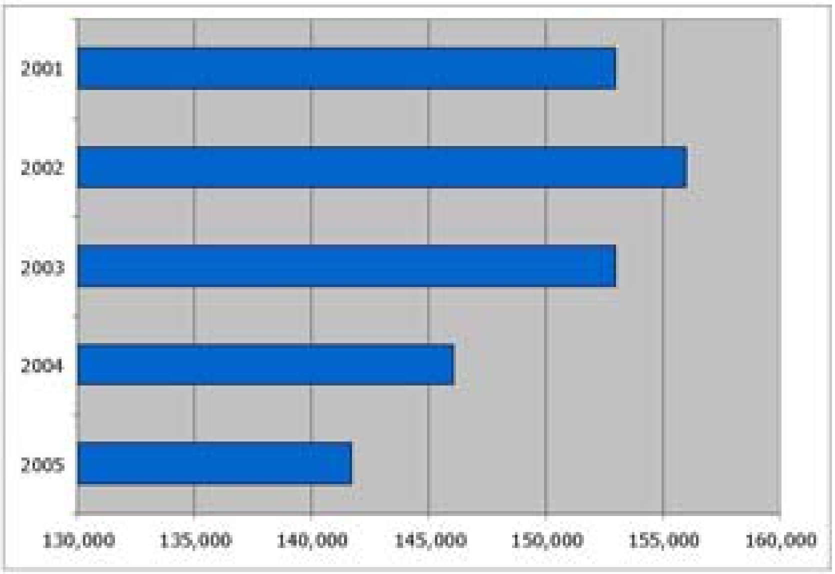
Figure 8. Domestic visitor nights in type of accommodation used on a visit to the North Coast NSW region year ending June 2003.



Source: Tourism New South Wales, North Coast Region NSW Tourism Profile 2003

International tourist visitation to the North Coast NSW region has fallen consecutively over the last four years, with an average decline of 2% per year. Conversely international visitation to NSW as a whole has risen slightly at an average rate of 0.22% over the same period. This may be explained by the growing number tourists spending their vacations in the major metropolitan areas. International tourism in Coffs Harbour however, accounts for only a modest market share of 2.5% of Coffs total market.

Figure 9. International overnight visitors to the North Coast Region 2001-2005



Source: Tourism New South Wales, North Coast Region NSW Tourism Profiles 2000, 2002, 2003, Tourism New South Wales, North Coast Travel 2005.

4.1.2 Day visitors

The region received nearly three million domestic daytrip visitors in 2005. Whereas the amount of overnight visitors is decreasing in North Coast area, the region seems to be growing as a destination for day trippers. Although, precise data are lacking, it is plausible to state that Coffs Harbour attracts an important share of visitors, probably more than 24% (which is Coffs Harbours total tourist share).

On average a domestic daytrip visitor spends approximately $107 per day (2004 data, TRA, 2004). Most popular activities by day visitors are eating out (45%), visiting friends and family (31%), go shopping (29%) and going to the beach (20%).

4.1.3 Conferences and Events

Nationally the Business Events Sector has been growing strongly. The National Business Events Study (NBES) estimated national expenditure in the sector to be $17 billion in 2003-04. A study by Tourism Queensland estimated strong growth in the sector from 1997-98 to 2000-01 of 17% per annum.

Business events are considered high yielding, with average spends higher than for regular tourists. Whereas business events dominate the convention and events market nationally, within Coffs harbour government events play a larger role.

Coffs Harbour is popular for business travellers. The area has large modern facilities available for conferences.

4.2 Supply

Attractions, accommodation infrastructure and convention facilities constitute the primary supply factors for tourism in the Coffs Harbour LGA.

4.2.1 Attractions

Its extensive surf beaches and subtropical climate have seen tourist attraction in Coffs Harbour traditionally centre on beach activities. Traditionally the role as a banana producer has been an iconic focus for the area, but this agricultural role is in decline.

More recently the subtropical forests on the rising Great Dividing Range and varied farm-scapes of the hinterland and smaller in land communities are attracting growing recognition for their cultural and natural assets. The village atmosphere of communities like Sawtell, adventure activities and the Solitary Islands Marine Park are among the increasingly recognised 'added value' attractions to the natural setting and beaches

4.2.2 Accommodation

Accommodation in the area is primarily located along the Pacific Highway, with a concentration of larger hotels and resorts grouped along the coastal foreshore north of Coffs Harbour town centre. Other accommodation is located in residential communities in accordance with the settlement patterns and historic demand for family holidays by the beach.

However the steady decline in demand for the traditional 'location specific' beach holidays has seen few new resort or hotel developments in this area decline in recent years. As a result the overall stock of accommodation in the area could be described as aging.

The main share (nearly 40%) of holiday visitors to the region finds accommodation with friends and relatives or owns their own holiday residence. They are accommodated in the residential housing stock and thus do not require access to the holiday accommodation market directly. The remaining visitors are primarily accommodated in the one of the following 4 types of accommodation.

1) Hotels, motels and serviced apartments
2) Self-contained holiday homes and apartments
3) Caravan parks and campgrounds
4) Hostels

Hotels, motels and services apartments

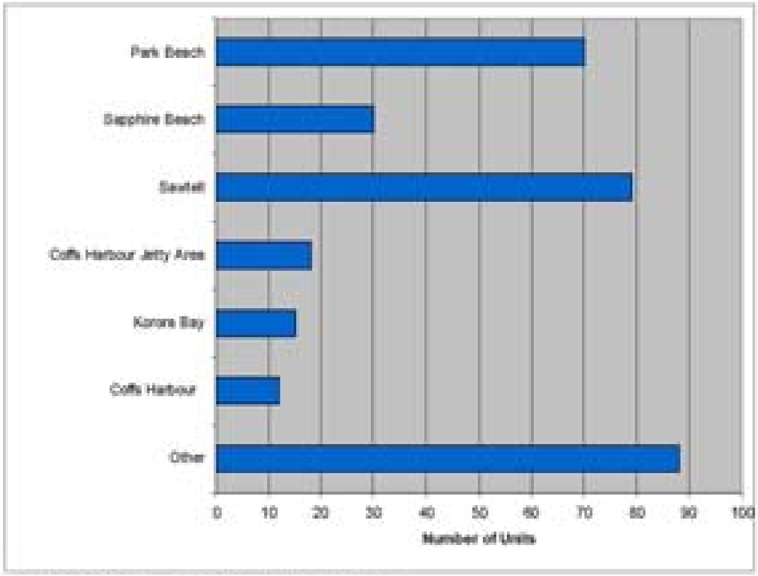
As of Dec 2005 there were 61 hotel, motel and serviced apartment establishments with 5 rooms or more providing 1829 rooms in the Coffs Harbour LGA. The number of hotels, motels and serviced apartments and available rooms has remained nearly constant for some years. In December 2005 the average takings per night from these rooms was $93.3. Average annual room occupancy rates have hovered around 60% and bed occupancy rates between 35% and 40%. Revenue per available room/night has been about $60 and static or slightly falling.

Self contained holiday homes and apartments

Research by SGS has identified a self contained holiday home/apartment stock of approximately 300 units or 750 bedrooms in smaller establishments in the Coffs Harbour LGA as of June 2006. Under local government zoning these are meant to be located within 2E zones. However, it is evident that in some beachside residential areas not zoned 2E, such accommodation was easily identified.

The numbers of units identified in each suburb is shown in Figure 10. The suburbs with the highest concentration of self-contained accommodation were Sawtell, Park Beach, Sapphire Beach and the Coffs Harbour Jetty area.

Figure 10. Number of Self contained holiday houses and units by suburb

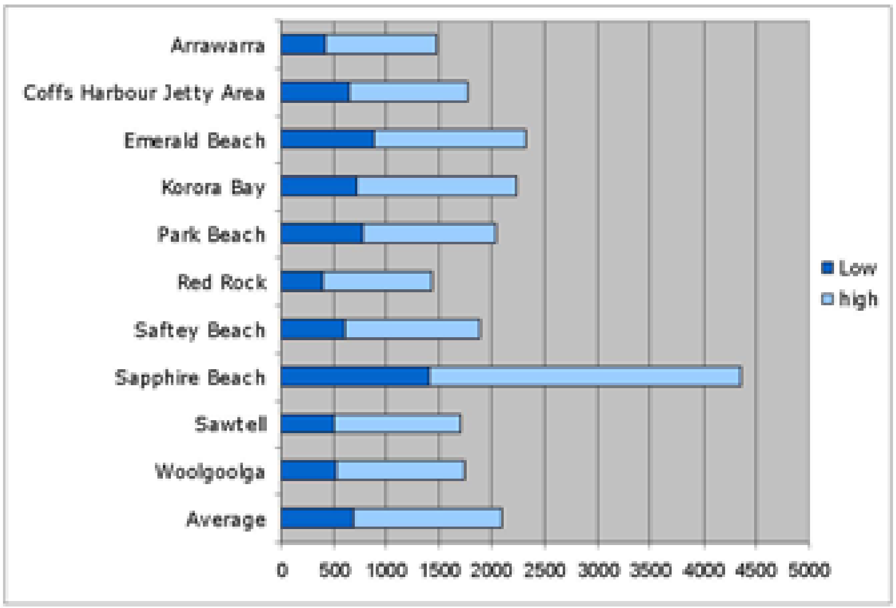


Source: SGS review of holiday unit offerings

Rental rates vary seasonally with high season rates about twice low season rates. The lowest cost of rental for a 5-day week was $200 for a two-bedroom house in Redrock in July, while the highest was $5500 for a 3-bedroom beach house at Sapphire beach over Christmas. The average advertised cost of rental for all properties for a 5 day week is $730 in the low season and $1460 in the high season. A comparison of rates by suburb is shown in Figure 11.

If these rates are taken to provide an average of 2.5 rooms, they provide a revenue per let room comparable to hotels and motels. This is in spite of lower levels of servicing provided. In part this can be accounted for by the ability of visitors to cater for their own meals reducing food costs compared to restaurants. However, overall it suggests a relatively strong appeal for this form of accommodation especially for longer stays.

Figure 11. Average 5 day rental ($) for high and low season by suburb



Source: SGS review of holiday unit offerings

Sapphire beach clearly has the premium rental properties in this sector. While it does not have the volume of units on offer, the higher rates mean that this area attracts about the same takings as the more numerous units in either Sawtell or Park Beach, assuming occupancy rates are similar.

A survey by ABS in 2003 of 5 real estate agents or letting agencies found 200 units available. That survey showed an average annual occupancy rate of 44%, significantly lower than for hotels in the same year. Average takings per occupied unit per night were also lower at $93 compare to $103 per occupied room per night for hotels in the same year. The more recent and more complete survey by SGS suggests strong increases in rates as well as growth in units in this sector. The SGS survey did not determine occupancy rates.

Discussions with agents made it clear that the holiday property rental market may be quite fluid. At the present time demand has weakened. It was reported by agents interviewed that a number of units have recently been withdrawn for rental from one of the larger complexes (Aqualuna) as returns to investors have been poor. At the same time, other establishments are releasing additional units to the market, some previously constructed with the intention to sell to owner occupiers or investors for long term rental.

Product is made available to the market or withdrawn according to the relative demand for accommodation for holiday use or for permanent occupation. In some cases owners withdraw the property from the rental market altogether for their own use or that of a family member or associate. Some agents expressed little concern about the appropriateness of zoning for holiday rental properties. There is no registration or licensing required for holiday rentals in Coffs Harbour.

Caravan Parks

There are 21 caravan and campground establishments with a combined total of 2972 sites. Sites include onsite vans, powered sites, un-powered sites and cabins.

Caravan parks have a higher nominal capacity than the hotels, and booked a greater number of site nights than hotels did room nights. However, takings per site are only about 20% of takings per room, so the sector contributes less to the accommodation sector turnover than hotels. However, spending in the local economy may not be so greatly different for these visitors.

Hostels

As of December 2005 the ABS had identified 4 hostel establishments in the Coffs harbour area offer a combined total of 301 bed spaces.

As caravan parks and hostels have limited relevance to the project site and proposed development, they are not considered in more detail.

4.2.3 Convention Facilities

Coffs Harbour has a significant regional profile as a conference destination:

> *For many years Coffs harbour has represented the most significant supply of conference facilities between Brisbane and Sydney, making it one of the largest conference markets in non-metropolitan NSW. It is estimated that there are around 153,300 delegate days at meeting and conferences in Coffs Harbour.*
>
> Preliminary Feasibility Study for a Convention Centre in Coffs Harbour, AEG group, Jan 2006

The Coffs Coast Conferencing web site indicates that there are 12 conference venues available in the Coffs Coast region. A report by the AEG Group, *Preliminary Feasibility Study for a Convention Centre in Coffs Harbour* lists details of nine venues in Coffs Harbour.

The destination is regarded as an experienced convention host, with a conference support bureau assisting organisations seeking to host a conference in the region.

Meetings and conference facilities in Coffs harbour are concentrated in the region's major hotels and resorts, particularly in the northern suburbs of Coffs Harbour. They range in maximum capacity from 100 to 1000 persons, but banquet capacity is limited to about 750 for the largest venue. The Coffs Harbour Ex-Services Club has the largest venue in Coffs Harbour. It is reported to be planning a refurbishment of it existing auditorium, and an expansion to incorporate more, smaller meeting rooms.

There is no large, purpose built, dedicated conference centre in Coffs harbour capable of larger conferences with a main hall seating up to 1200. A preliminary feasibility study indicated that it would take five years for such a large dedicated convention centre to become cash flow positive, and that it would not make a return on the initial capital investment on a discounted cash flow basis. However, performance would be comparable to or better than other regional conference centres.

The Pelican Beach Resort is in the smaller end of the range, with a maximum capacity of about 250. However, over 90% of Coffs Harbour events would be under this number. According to the feasibility study, the Pelican Beach Resort captures about 9% of the events and 3% of the total delegates. This partly reflects the smaller venue size it offers but also the nature of events it can attract given the limited accommodation on site (112 rooms available if fully booked).

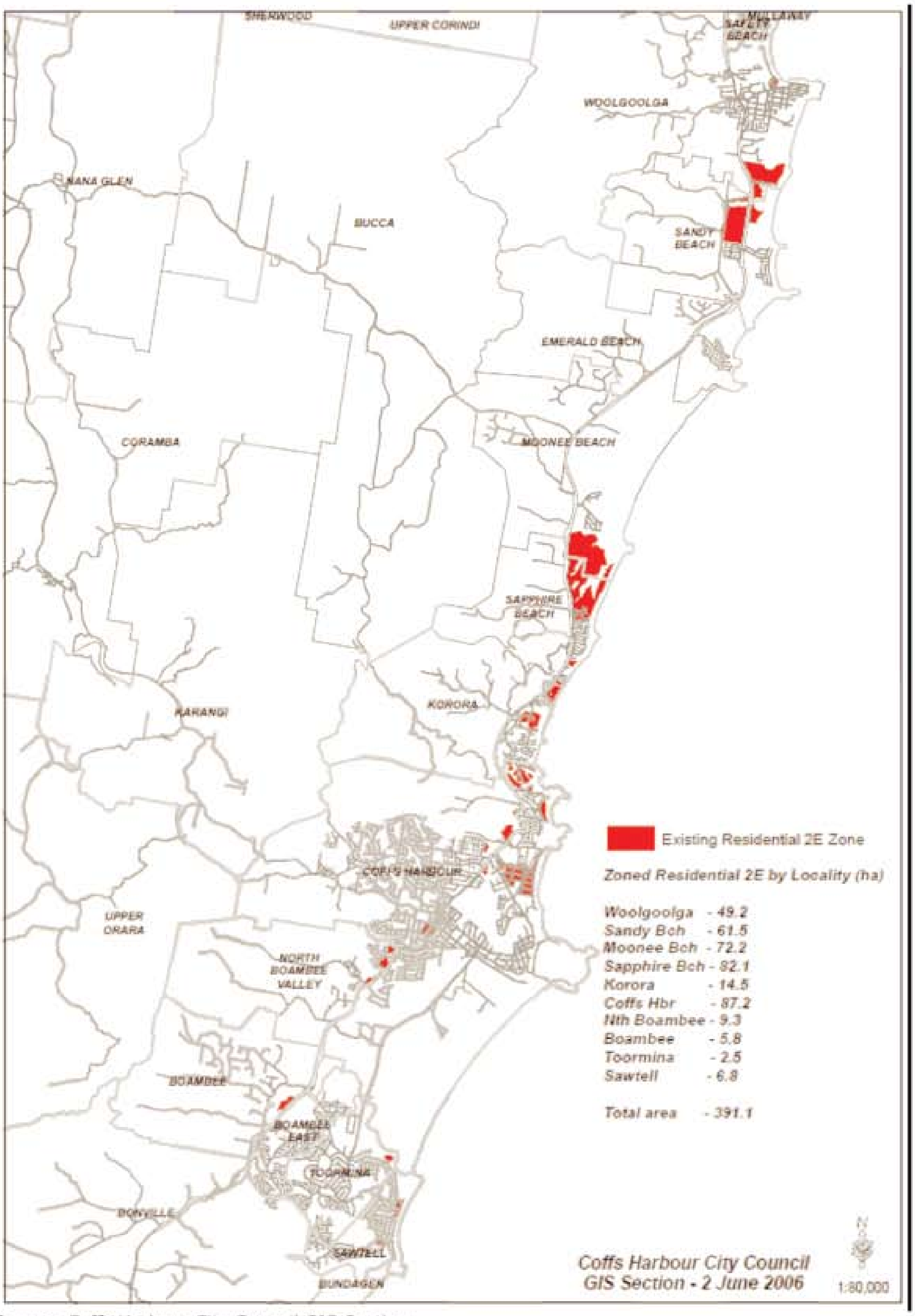
4.2.4 Available land area for tourist use

Land zoned 2E is provided to enable and encourage tourism development in a residential zone setting. It is essentially a residential zone that is designed to permit tourist accommodation and ancillary activities, generally in areas recognised as having either historic use in this way or access to beachfront or parks and reserves that have identified tourist appeal.

The total land area zoned 2E is 391.1 hectares. This land is located primarily along the Pacific Highway, with relatively more between the highway and the coast. Notably large concentrations occur at Park Beach, Sapphire Beach (north of the subject site), and Sandy Beach in the north of the LGA. The land zoned 2E is shown in Figure 12.

At 4 hectares, the subject site represent about 1% of the total 2E zone land. However, it represents a more significant part of the 2E land with close waterfront access, about 5% of the length of 2E zone that directly addresses the coast.

Figure 12. Land zoned 2E in Coffs Harbour LGA



Source: Coffs Harbour City Council GIS Section

Tourism activity is not restricted to the 2E with many other areas permitting tourist development to some extent. These are summarised in Table 4 below. In particular some form of tourism activity can occur in most Rural, Residential or Business zones, with Business zones permitting essentially the same range of tourism development as the 2E zone.

Table 5. Tourism activity permitted by zone

Zone	Bed & Breakfast	Caravan park	Eco-tourism	Holiday Cabins	Hotel	Motel	Tourist Facilities	Restaurant
1A Agriculture	P	D	D				D	
1B Rural living	P	D	D				D	
2A Residential	P	D						
2B Residential	P	D						
2C Residential	P	D						
2D Residential	P							
2E Residential	P	D	D		D	D	D	D
3A Business	D		D		D	D	D	D
3B Business	D		D		D	D	D	D
3C Business	D		D		D	D	D	D
3D Business	D	D	D			D	D	D
3E Business	D		D		D	D	D	D
3F Business	D		D		D	D	D	D
3G Business	D		D		D	D	D	D
4A Industrial								D
6C Open space	D	D	D	D	D	D	D	D
7A Env Protect	D		D				D	

P – permitted without development consent
D – permitted with development consent
Source: Coffs Harbour Local Environmental Plan 2000

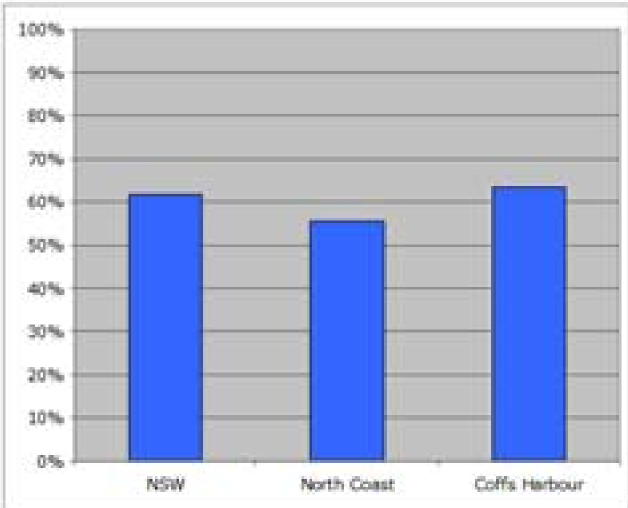
Given the scope permitted for tourist development, the loss of 1% of the 2E zone is unlikely to be consequential to the future potential development of the tourism industry in the LGA.

4.3 Performance

The room occupancy rate in Coffs Harbour for hotels, motels and serviced apartments with five rooms or more was 63.6% for the December quarter 2005 (see figure below). This compares with an occupancy rate of 55.5% in North Coast NSW tourist region and 61.8% for NSW in total (ABS[2], 2006).

[2] 8635.0 - Tourist Accommodation, Australia, Dec 2005

Figure 13. Occupancy rates in motels, hotels and serviced apartments (in %), December quarter 2005.



Source: ABS (2006), 8635.0 - Tourist Accommodation, Australia, Dec 2005

The occupancy rate for self contained holiday houses and units for December quarter period was 62.1% in Coffs Harbour and 46.6% in the entire North Coast NSW tourism region[3].

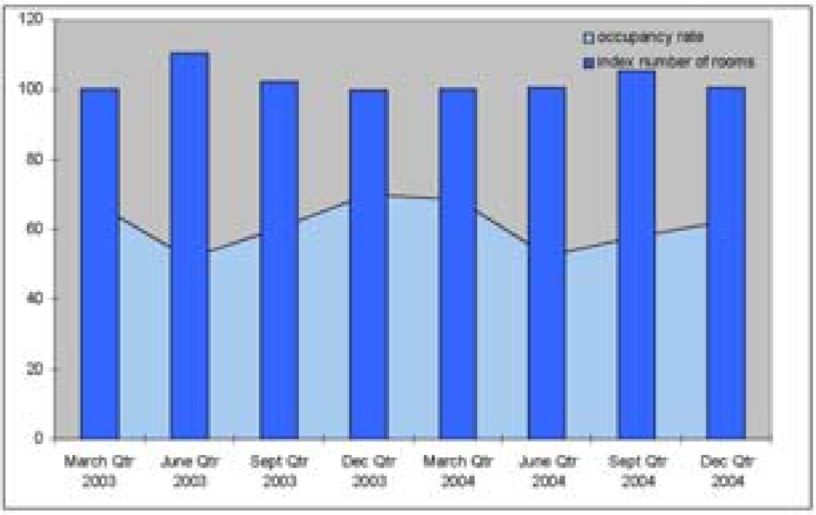
The occupancy rate for hotels, motels and services apartments varies widely in Coffs Harbour between high and low season. The June quarter, Coffs' low season, showed an occupancy rate of 49.9%, while during the annual high season, the March quarter, occupancy rate equalled 64.3%

Over the last few years, from 2003 to 2004, occupancy rates showed an orderly and stable pattern in Coffs Harbour. Also, the number of rooms in hotels, motels and apartments shows a stable development; the number of rooms is and stays around approximately 1,540 rooms[4]. The figure below shows the occupancy rates for Coffs Harbour from 2003 to 2004 compared to the total supply of rooms. The number of rooms is an index for which March quarter 2003 is ranked as 100.

[3] Source: ABS, 8635155001 Dec 2005 Tourist Accommodation, Small Area Data, NSW

[4] This figure includes all suppliers that offer 15 or more rooms. Data from 2005 and onwards show data for suppliers with 5 rooms or more, a total of 1,830 rooms. Because of this inconsistency in measurement, data of 2005 are not comparable to previous years.

Figure 14. Occupancy rates (in %) and index of rooms in hotels, motels and serviced apartments (March 2003 = 100) in Coffs Harbour, 2003-2004



Source: ABS (2006), 8635.0 - Tourist Accommodation, Australia, Dec 2005, edited by SGS (2006)

In all, compared to its surrounding region and NSW as a whole, occupancy rates are relatively strong in Coffs Harbour. While tourism demand has stabilised, the supply of accommodation responded accordingly.

4.3.1 Coffs Coast Tourism Strategy

Currently many of the dated hotels and motels with too much capacity are struggling for market share through large signs with discounted room rates. This approach does not generate more traffic to the region and is not a firm foundation for a reinvigorated and prosperous tourism industry. Broadly there has been no growth in the sectors served by traditional hotels and motels, and modest growth in more boutique accommodation. It is harder to track performance in the holiday rental market as it is fragmented, fluid and less consistently documented. However it appears to have experienced some growth.

Discussions with the Council Tourism and Economic Development officers indicated that the preferred approach for tourism in the region is to encourage a greater emphasis on yield rather than just visitor numbers. Promotion has focussed more prominently on niche, high value offerings, both accommodation and attractions in an attempt to shift the perception of the region from mass market to up market. It also seeks to broaden the scope of activity and attractions that the market expects in Coffs Harbour. In doing this, the strategy is seeking to add new market segments not previously attracted.

The success of this strategy is more likely to depend on new and different product types than traditional resorts such as Pelican Beach. While there is likely to be a continued role for establishments of this type, they are likely to play a declining part in the overall tourist mix. Higher quality options may provide little added volume but substantial gains in yield to the sector.