



JONES LANG  
LASALLE HOTELS®

## Advisory Report

**Proposed Hotel**  
**33 Cross Street, Double Bay, NSW**

May 2008

***Prepared for:***

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## **1.0 Executive Summary**

### **1.1. Preamble**

This initial advisory report has been prepared pursuant to our instructions dated 7 May 2008 from Mr Matthew Bailey, Senior Development Manager of Ashington ("The Client") to provide advice in respect of likely fulltime employment that may anticipated as part of a planned redevelopment that includes a new accommodation facility at 33 Cross Street, Double Bay, NSW.

We have inspected the site and surrounding area/uses and collected data on hotel employment in order to assist the client ascertain the future likely fulltime employment that a hotel may generate at the site.

### **1.2. Findings & Conclusions**

Based on a proposed mixed-use development of 60-80 room contemporary luxury hotel and 25-35 branded residences that will be also serviced by the hotel operator, we estimate the full-time employment by the project would be in the order of 101.25 FTE.



## 2.0 Introduction

### 2.1. Background

This report has been prepared in response to our instructions dated 7 May 2008 from Mr Matthew Bailey, Senior Development Manager of Ashington to provide advice in respect of likely employment that may be anticipated as part of a planned redevelopment that includes a new accommodation facility at 33 Cross Street, Double Bay, NSW.

As background to this analysis, Ashington ("The Client") intends to develop Sydney's pre-eminent luxury residential apartments and contemporary boutique Hotel on a recently acquired site in Cross Street, Double Bay currently the location of an existing 5 star hotel. The project will consist of approximately 25-35 branded residences, premium retail (1,800 square metres), and a luxury, boutique hotel of between 60-80 rooms. We are advised the Hotel will offer premium services to guests of the hotel and residents of the residential component such as concierge, valet parking, room service, housekeeping and the like.

### 2.2. Experience & Personnel

**Jones Lang LaSalle Hotels** is the leading transaction and advisory group serving the hotel and tourism investment community world-wide. Jones Lang LaSalle Hotels offers the only truly global service to investors and owners seeking opportunities based on a foundation of strong regional knowledge and experience.

In 2007, Jones Lang LaSalle Hotels provided sale and purchase advice on 259 hotel transactions globally; representing a combined value of US\$13.9 billion, a total of 54,763 hotel rooms in 84 cities. In addition advisory and valuation services were provided on 660 assignments globally for 182,048 rooms across more than 300 cities. The global team comprises 236 hotel specialists, operating from 27 offices in 16 countries.

Jones Lang LaSalle Hotels has an extensive team of professionals who have vast experience in conducting advisory and investment services for hotels and serviced apartments throughout Australia. It is for this reason we believe we are adequately experienced to provide this advice to the client (see appendix for writer's curriculum vitae).



### 3.0 Analysis

#### 3.1. Introduction

A brief analysis follows of actual or budgeted Fulltime Equivalent headcounts (FTE) for a benchmark sample of 5 star hotels within the last 2 years. A total of six hotels were used in the sample with average room count of 200 each having some food and beverage, meeting/conference and leisure facilities.

#### 3.2. Summary Analysis

	Low	Medium	High
FTE	0.84	1.03	1.23

Despite the relatively small sample size, we consider that the data selected is appropriate given it includes only relatively smaller sized hotels with operating cost structures and level of service that are considered more useful for comparison purposes to the proposed hotel development. The range of FTE derived from analysis of this sample is also considered to be within our expectations of historic industry benchmark FTE obtained through our experience.

#### 3.3. Break-up

Our analysis indicates the following average break-up of FTE by major department for the sample in accordance with the Uniform System of Accounts for Hotels:

Department	%
Rooms	29
Food & Beverage*	45
Minor Operating Dept	10
Administration & General	8
Sales & Marketing	4
Repairs & Maintenance	4

\*Note: The percentage of FTE for Food & Beverage relates to 'in-house' food and beverage operations only and therefore does not include and third party leased or externally managed food and beverage outlets which may exist in a mixed-use development.

#### 3.4. Comparison to Proposed Hotel & Conclusions

We note that while the proposed hotel is to be between 60 and 80 rooms, we have conservatively adopted a room count of 66 rooms for our calculations based on the current floor plans. A contemporary luxury hotel of 66 rooms as proposed would have less economies of scale and higher burden of fixed costs compared to the benchmark sample (average 200 rooms) and thereby would be expected have a relatively higher FTE of up to approximately 1.25 FTE per room.



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Applying this ratio, an FTE of 82.5 is derived however it is worth noting that an FTE of up to 100 would apply if it were assumed that the full compliment of 80 rooms were built (i.e.  $80 \times 1.25$ ).

Given that the development will include branded residences that may opt for servicing by the hotel operator, there is likely to be further labour requirement above the 82.5 FTE range above. Based on experience of other developments overseas, if we make the conservative assumption that half of the residences (say 15) on average pay for these services, then an FTE in the order 101.25 would apply (i.e.  $(66+15) \times 1.25$ ).



## 4.0 Disclaimer

This report has been prepared by Jones Lang LaSalle Hotels and is solely for the information of Ashington and their project architects to assist with their application to Planning. It is not intended that any other person will rely upon it or use it for any alternate purpose.

Our estimates of likely future employment at the Double Bay site are based upon current as well as expected future conditions as perceived by the market. We do stress that the estimation of future market conditions is a very problematic exercise which at best should be regarded as an indicative assessment of possibilities rather than absolute certainties.

The process of making forward projections involves assumptions regarding a considerable number of variables which are acutely sensitive to changing conditions. To rely upon our opinions therefore, the reader must be satisfied as to the reasoning behind these future estimates.

We have also been provided with information by the Owner and other various third parties that we have relied upon. Whilst due care has been undertaken in the application of that information, its accuracy cannot be verified by Jones Lang LaSalle Hotels. Should it be revealed that any of this information is inaccurate or misleading so that its use would affect our assessment, then Jones Lang LaSalle Hotels reserves the right to amend its opinion without liability.

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The information contained in the report has been prepared in good faith and with due care by Jones Lang LaSalle Hotels. The nominated parties should take note however that calculations contained in the report are based on figures provided to Jones Lang LaSalle Hotels by outside sources that have not been independently verified by Jones Lang LaSalle Hotels. The projections contained in the report therefore represent best estimates only and may be based on assumptions which, while reasonable, may not be correct. Such projections represent only one possible result, depending on the assumptions adopted.

We have estimates on the basis of the information supplied and the methodology which has been described in this report. It is possible that information was not supplied to us during our investigations and, that as the implementation of management strategies is outside of our control, desired results may not materialise. Nevertheless, we have applied professional judgement in making these recommendations.

Ashington should not rely on any material contained in this report as a statement or representation of fact, but should satisfy themselves as to its correctness by such independent investigation as they or their legal/business advisers see fit.



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## Anthony Corbett

SENIOR VICE PRESIDENT  
CORPORATE ADVISORY

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### QUALIFICATIONS

- Bachelor of Applied Science (Land Economics) degree, University of Technology, Sydney
- Fellow of the Australian Property Institute.
- Affiliate of Securities Institute of Australia.
- Registered Valuer without limitation & Licensed Real Estate & Business Agent.
- Diploma of Financial Markets from the Securities Institute of Australia (SIA).

### CURRENT POSITION

- Senior Vice President of Corporate Advisory and is based in Sydney.

### RELEVANT COMPETENCIES

- Wide range of hotel and tourism advisory and consulting assignments in the Asia Pacific.
- Consulted by major hotel owners, operators, institutions and financial intermediaries.
- Management agreement negotiations and feasibility studies.
- Licensed premises (pubs) valuations and consultancy.

### RELEVANT EXPERIENCE

- A selection of the properties he has recently reviewed are:
  - Hotels – Westin Melbourne, Sofitel Melbourne, Sheraton on the Park Sydney, Crowne Plaza and Sofitel Sydney Hotels, Sheraton Perth, Rialto Hotel Melbourne, Holiday Inn Sydney Airport, Ibis Glen Waverly, Carlton Crest Brisbane and Gold Coast International.
  - Lanesborough London, Crowne Plaza Manchester, Hilton & Westin Hotels Berlin, First Hotel Vesterbro Copenhagen.
  - Serviced Apartments – Medina Grand Sydney, Melbourne, Somerset Gordon Heights Melbourne and Saville Canberra.

- Resorts - Ayers Rock Resort, Peppers Anchorage Port Stephens, Novotel Phan Thiet & Country Club, Vietnam, Sofitel Dalat Palace Hotel and Golf Club, Vietnam.
- Convention Hotels – Marriott Convention Hotel, San Jose, California
- Pubs – Dog and Parrot, Robina, Coogee Bay Hotel, Mona Vale Hotel, North Cronulla Hotel, Pritchard's Pub, Kawana Waters, The Establishment and Pier 26.
- Budget Accommodation – Youth Hostels Association of NSW portfolio.

### KEY SKILLS AND EXPERIENCE

Anthony Corbett has eighteen years experience in the property industry across all asset classes. During his career he has predominantly been based in Sydney responsible for conducting diverse assignments in both the private and public sector throughout Australia. He has also carried out advisory assignments across the United Kingdom and Germany with selection to transfer to Jones Lang LaSalle Hotels' London Office during 2003. Other experience includes advisory assignments on tourism and hotel assets in Vietnam, Papua New Guinea and in the United States.

Previous to transferring to Hotels in May 1997, Anthony was a senior valuer with JLW Advisory Sydney Office for two years covering a wide range of assignments however with particular focus on industrial, commercial and residential development feasibility, consulting and valuation assignments.

Prior to joining Jones Lang LaSalle in 1995, Anthony was with the Valuer General's Office for two years and previously had over two years experience in sales and leasing with a national property group.