HOTEL FUTURES

2025

A REVIEW OF THE REVENUE PERFORMANCE OF MAJOR AUSTRALIAN HOTEL MARKETS WITH FORECASTS TO FY2033

DRANSFIELD

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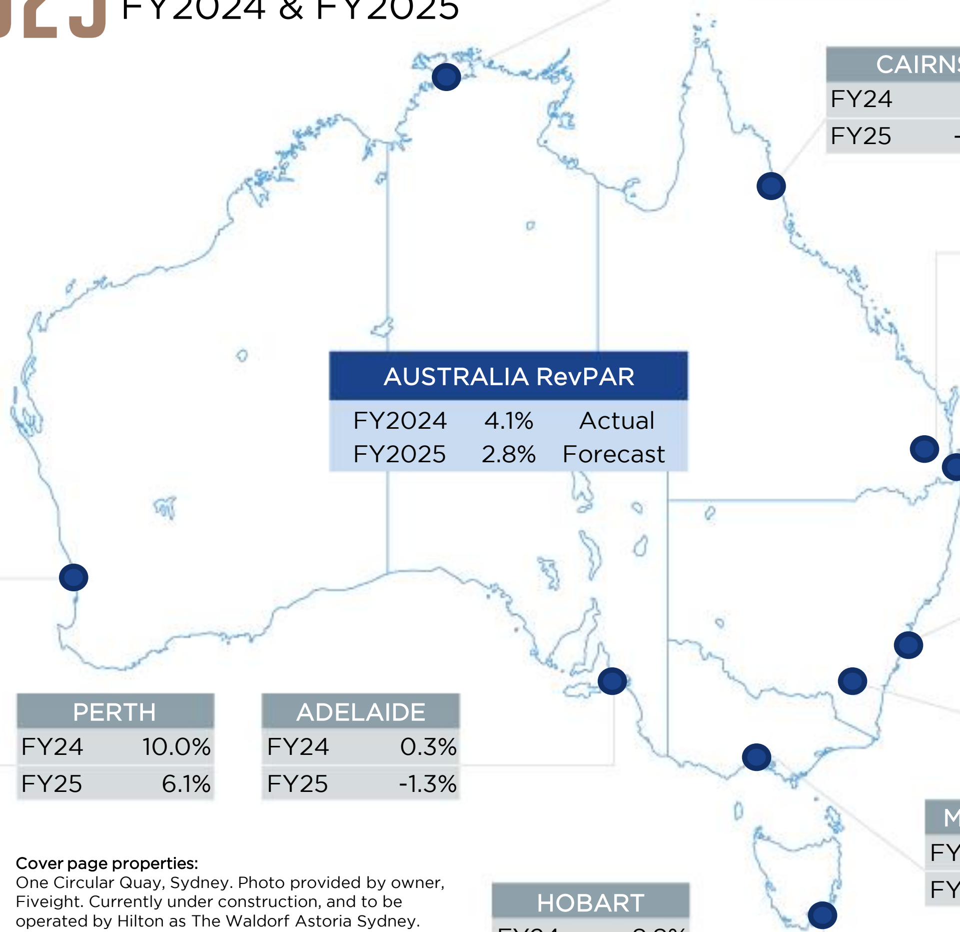
HOTEL FUTURES 2025

RevPAR Growth FY2024 & FY2025



DARWIN	
FY24	-12.3%
FY25	3.0%

CAIRNS	
FY24	4.1%
FY25	-0.5%

BRISBANE	
FY24	3.4%
FY25	1.0%

GOLD COAST	
FY24	-1.6%
FY25	1.0%

AUSTRALIA RevPAR		
FY2024	4.1%	Actual
FY2025	2.8%	Forecast

SYDNEY	
FY24	14.1%
FY25	5.1%

CANBERRA	
FY24	-7.3%
FY25	2.8%

PERTH	
FY24	10.0%
FY25	6.1%

ADELAIDE	
FY24	0.3%
FY25	-1.3%

MELBOURNE	
FY24	2.5%
FY25	4.0%

HOBART	
FY24	-8.8%
FY25	-1.8%

Cover page properties:
One Circular Quay, Sydney. Photo provided by owner, Fiveight. Currently under construction, and to be operated by Hilton as The Waldorf Astoria Sydney. Moxy Hotel Sydney. RF Corval. Photo credit: Justin Nicholas. Moxy was awarded HICAP ANZ 2024 - Hotel Development of the Year, presented by Dean Dransfield.

Source: FY2024 Actuals - STR
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DRANSFIELD HOTELS & RESORTS

ABOUT DRANSFIELD

DRANSFIELD is a specialist professional services organisation advising the tourism, finance and property industries.

Our experience includes a wide range of property and business related projects involving over 85,000 hotel rooms and numerous food and beverage outlets in more than 700 hospitality enterprises throughout Australia and Asia.

For further information on the range of services we provide, and the ways in which we can assist you, please visit our website:

www.dransfield.com.au

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DRANSFIELD

Our core offering is the ability to integrate our service lines and skill sets into a cohesive solution for development, operations and overarching advice. Service streams include:

TRANSACTIONS

- Agency
- Operator Selection
- Due Diligence
- Vendor Representation
- Bid Advisory
- Transaction Management
- Leasing

DEVELOPMENT

- Development Management
- Commercialisation of Design
- Integration of Development & Operations
- Feasibility Assessment
- Planning
- Design

SHARED OWNERSHIP

- Scheme Concept
- Responsible Entity
- Marketing & Sales
- Feasibility
- Advisory

STRATA/COMMUNITY TITLE

- Scheme Concepts
- PDS & Prospectus (AFS Licensed)
- Offer Structure
- Project Design and Commercialisation
- Operator Selection
- Project Marketing

EXPERT'S REPORTS

- Independent Expert Reports
  - Prospectus
  - PDS
- Expert Witness
  - Independent Court Reports
  - Litigation Support & Management

ASSET MANAGEMENT

- Total Asset Management
- Strategy Development & Implementation
- Operations Implementation
- Financial & Operational Reporting
- Stakeholder Management
- Refurbishment

ADVISORY AND FINANCE

- Operations
- Feasibility & Best Use Studies
- Strategic Consulting
- Restructuring Services
- Investment Risk Analysis
- Portfolio Assessment
- Debt & Equity Sourcing
- Refinancing
- Valuation Management
- Joint Venture/Equity Participation
- Independent Advisory
- Debt Restructuring

Hotel Futures 2025 was compiled by Dean Dransfield, Raq Pustetto, Scot McLaughlin, Grace Lam, and Hayden Longmuir © September 2024.

DRANSFIELD

Our core offering is the ability to integrate our service lines and skill sets into a cohesive solution for development, operations and overarching advice. Some of our past projects include:

TRANSACTIONS (BUY & SELL SIDE)

- W Hotel, Sydney ($700m+ fund through sale): Grocon
- Accor's acquisitions of Mantra Group ($1.2b) & Mirvac Hotels & Resorts ($250m+)
- Waldorf Astoria, Sydney ($500m+ fund through acquisition): Fiveight
- Next Hotel Brisbane (Sale & Leaseback): Silverneedle Hospitality
- GAIA Retreat and Lizard Island (acquisition): Tattarang
- Moss Capital: Cradle Mountain Lodge, Bell City, Featherdale Wildlife Park
- RACT TAS Portfolio (Freycinet Lodge, Strahan Village, Cradle Mountain Hotel acquisition): NRMA Expeditions
- Holiday Inn Townsville (sale): Indigenous Business Australia
- Murray Street Perth (sale): Sirona Capital
- Cullen & Olsen: M&G Real Estate
- Eco Point Group: Dransfield Principal Position (buy, build, run, sell)

DEVELOPMENT, ADVISORY & OPERATOR SELECTION

- 499 Kent Steet, Sydney: ICON Oceania & Kajima Corporation
- Wildlife Retreat at Taronga Zoo
- William Inglis Hotel, by M Gallery
- Coombes Property Group *
- Salta Properties *
- Melbourne Airport: Australian Pacific Airports Melbourne *
- Sydney Airport: SYD *
- Skyring Terrace, Teneriffe: Kokoda Property
- Australian Unity *
- Fortis *
- Royal Randwick Racecourse: Australian Turf Club (ATC)
- Vibe Sussex Street: ICON Oceania
- Aurora Melbourne Central: UEM Sunrise
- Mayfield Garden
- Sydney Business Park
- Hines Property *
- Winim: Newcastle and Kirribilli Portfolio

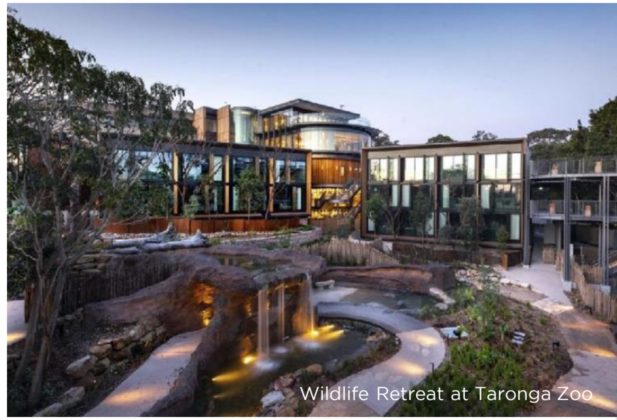
STRATEGIC CONSULTING

- Accor Hotels
- Mantra Group
- TOGA – TFE
- Tattarang Portfolio
- Hamilton Island Enterprises
- NRMA Parks
- Hancock Prospecting
- Indigenous Business Australia
- Discovery Parks
- BOQ – Bank of Queensland
- City of Sydney
- ISPT
- Kumul Hotels Ltd (PNG)
- Cockatoo Island (SHFT)

ASSET MANAGEMENT

- Art Series Hotels: APG
- Peppers King Square: Mode Modular Developments
- Novotel Gold Coast: Challenger Group Limited
- Sebel Harbourside Kiama
- Noosa North Shore: Petrac Pty & Valad Property Group
- Vibe North Sydney: Cromwell Property Group

* Multiple Development Opportunities



Wildlife Retreat at Taronga Zoo

W Sydney

Freycinet Lodge, TAS

AUSTRALIA AT A GLANCE FY2024

This is the 23rd edition of Hotel Futures. We report on major Australian hotel markets during FY2024 with long term forecasts to FY2033

- The Australian Major City Hotel market, as captured by STR, recorded **4.1% revenue growth (RevPAR) in FY2024. Performance was highly varied by city**
- Demand recovery drove growth, increasing by 6%. The majority of cities built on significant gains in the prior year and now sit above pre-Covid levels
- Supply growth, by contrast, was modest at 1.0%. This enabled major city occupancy levels to push up 3.3 percentage points to 72.6%
- Even with modest supply growth, total available room nights has grown faster than absolute demand over the last 5 years. This sees national occupancy sit 5 points below pre-Covid levels
- Rates experienced a reset from the strong premiums coming out of Covid, as lower yield customer segments rebuilt total demand. Rates contracted 0.6% across the major cities with only Sydney and Perth recording growth
- The smaller markets displayed higher volatility, with many declining. Leisure orientated domestic travel patterns have now reverted to include transfer to pent up outbound travel
- Six of the ten major cities experienced year on year RevPAR growth:
  - Sydney led the pack with over 14% RevPAR growth. This was demand driven, with occupancy topping 80%. Limited additional supply in the medium term should see occupancy continue to climb
  - Perth was strong, also achieving double digit RevPAR growth. This was fuelled by a mix of rate and demand growth
  - Leisure-centric cities contracted as Australians chose to head overseas or back to major cities, and rate pressure softened. The Gold Coast, however, performed well largely maintaining its post-Covid rate premium with the second highest ARR in the country
  - Whilst Melbourne's occupancy trailed other gateway cities, this is in the context of absorbing significant and prolonged supply additions. Melbourne achieved the second highest level of absolute demand growth across all cities in FY2024. As Melbourne's current supply wave reaches an end in the coming 24 months, occupancy will have an opportunity to grow over the medium and longer terms.

AUSTRALIAN MAJOR CITY HOTEL PERFORMANCE (STR)

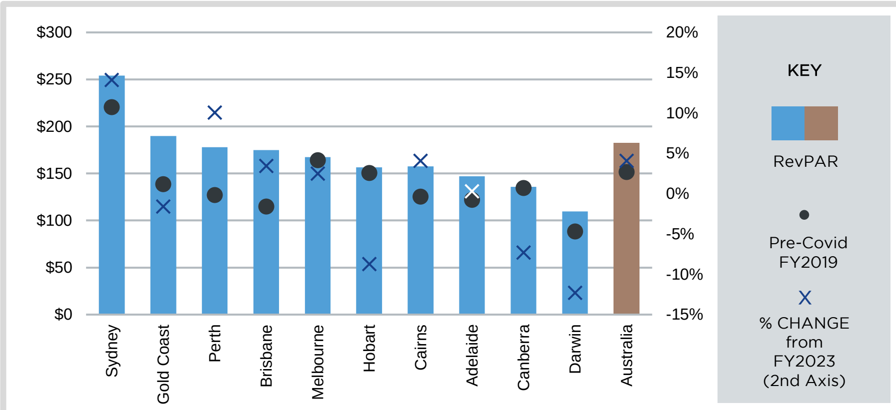
FY2024			
Location	**Rate Growth**	**Occupancy Growth**	**RevPAR Growth**
Adelaide	-1.6%	1.3 Points	0.3%
Brisbane	-0.7%	3 Points	3.4%
Cairns & P.D	-6.3%	7 Points	4.1%
Canberra	-4.9%	-1.8 Points	-7.3%
Darwin	-7.6%	-2.9 Points	-12.3%
Gold Coast	-1.6%	No Change	-1.6%
Hobart	-6.7%	-1.7 Points	-8.8%
Melbourne	-3.3%	4.0 Points	2.5%
Perth	3.2%	4.7 Points	10.0%
Sydney	3.8%	7.2 Points	14.1%
Total Market	**-0.6%**	**3.3 Points**	**4.1%**

Source: STR

AUSTRALIA AT A GLANCE FY2024

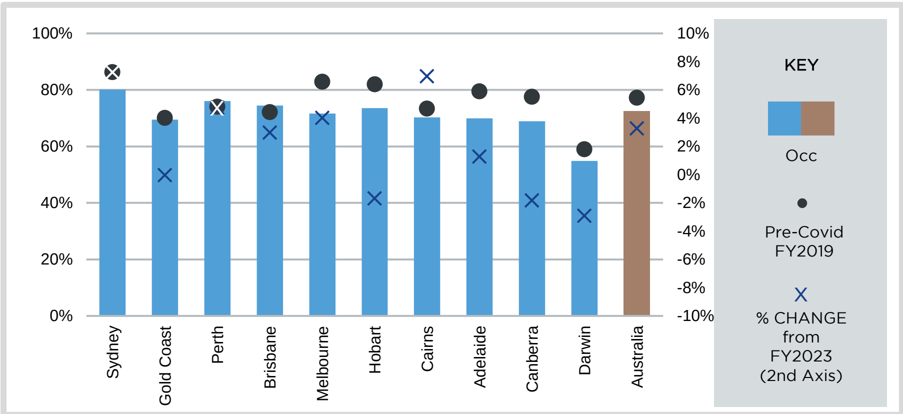
There was significantly varied performance across the country. Individual cities are at various stages of their demand recovery, and supply cycle. RevPAR movement ranged from 14.1% growth in Sydney to -12.3% in Darwin. Occupancy levels increased in 6 of 10 markets, whilst Room Rates overwhelmingly reset from premiums experienced through Covid, with 8 cities declining in FY2024

REVPAR – FY2024 ACTUAL & % CHANGE



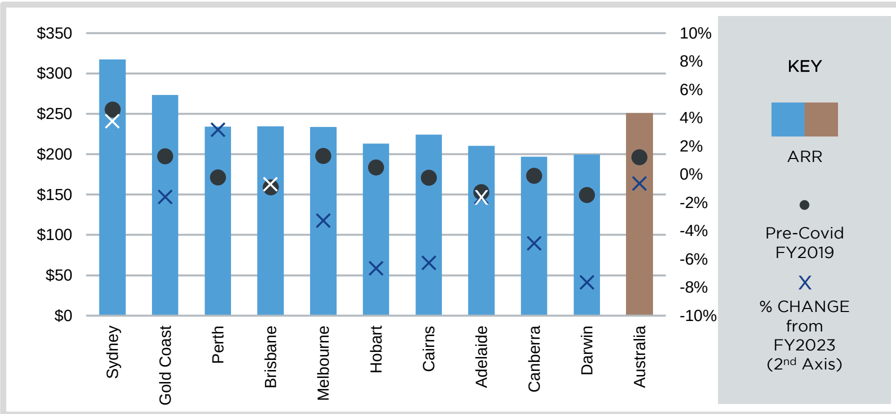
Source: STR

OCCUPANCY – FY2024 ACTUAL & % CHANGE



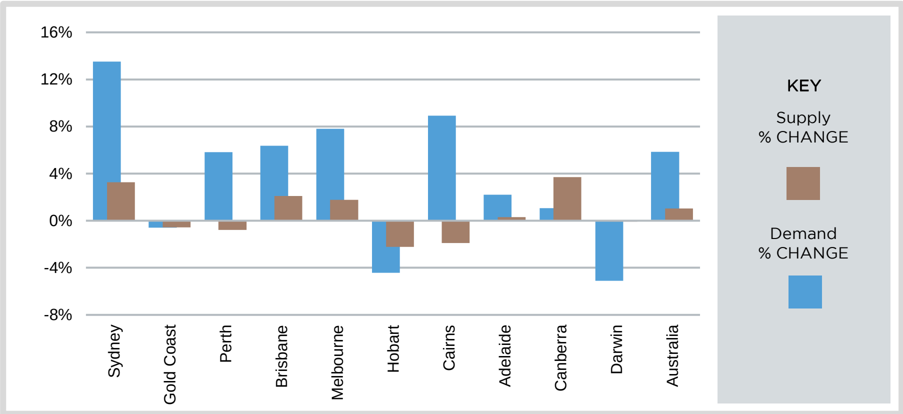
Source: STR

ARR – FY2024 ACTUAL & % CHANGE



Source: STR

SUPPLY AND DEMAND – % CHANGE FY2024



Source: STR

DRANSFIELD HOTELS & RESORTS

ARR AND REVPAR PERFORMANCE VS INFLATION

Seven out of ten cities achieved annual average rate growth above the cumulative rate of inflation, for the period FY2019 to FY2024

- High inflation has been a topic on high rotation for the past 18 months, however, growth leading up to Covid was actually quite low, averaging just 1.6% p.a. for the 5 years to FY2019
- The majority of major Australian hotel markets experienced rate growth well above inflation for the period FY2019 to FY2024
  - Only 3 of the 10 cities measured rate growth below average inflation, being Melbourne, Hobart and Canberra
  - Brisbane, Perth, Adelaide and the Gold Coast all achieved annual growth some 300+ basis points above inflation. Brisbane topped the list at 9.5% average annual growth
- Factoring in the volume recovery (occupancy), six of the ten cities still achieved RevPAR growth at or above inflation with Sydney's growth blocked by high occupancy
- ARR outperformance has not been limited to the Australian market. Global hotel performance has sparked the interest of many institutional investors who have classified the hotel market as an anti-inflationary asset class
- The ability for hotels to modify nightly rates in real-time, versus office and industrial sectors that are generally locked into long-term leases with limited market review opportunities, has seen them fare well in this high inflation environment, aiding their recovery from depressed earnings through Covid.

Inflation FY2019-2024	20.8%
Annual Avg Inflation	3.9%

Source: ABS

ARR GROWTH ACTUAL VS INFLATION: FY2019-FY2024

	FY2019 ARR	FY2024 Inflation Adj ARR*	Actual FY2024 ARR	Actual Cumulative Growth	Annual Avg Growth	Status: Actual Mvmt vs Inflation
Adelaide	$153	$185	$210	37.5%	7.5%	ABOVE
Brisbane	$159	$192	$235	47.6%	9.5%	ABOVE
Cairns	$171	$206	$224	31.2%	6.2%	ABOVE
Canberra	$173	$209	$197	13.8%	2.8%	BELOW
Darwin	$149	$180	$200	33.9%	6.8%	ABOVE
Gold Coast	$197	$239	$274	38.6%	7.7%	ABOVE
Hobart	$184	$222	$213	16.0%	3.2%	BELOW
Melbourne	$198	$239	$234	18.3%	3.7%	BELOW
Perth	$171	$207	$234	36.7%	7.3%	ABOVE
Sydney	$255	$308	$317	24.4%	4.9%	ABOVE

Source: STR, ABS

REVPAR GROWTH ACTUAL VS INFLATION: FY2019-FY2024

	FY2019 RevPAR	FY2024 Inflation Adj RevPAR*	Actual FY2024 RevPAR	Actual Cumulative Growth	Annual Avg Growth	Status: Actual Mvmt vs Inflation
Adelaide	$122	$147	$147	20.9%	4.2%	ABOVE
Brisbane	$115	$139	$175	52.4%	10.5%	ABOVE
Cairns & P.D.	$125	$152	$158	25.6%	5.1%	ABOVE
Canberra	$134	$162	$136	1.0%	0.2%	BELOW
Darwin	$88	$107	$110	24.4%	4.9%	ABOVE
Gold Coast	$139	$167	$190	37.1%	7.4%	ABOVE
Hobart	$151	$182	$157	4.1%	0.8%	BELOW
Melbourne	$164	$198	$168	2.3%	0.5%	BELOW
Perth	$127	$153	$178	40.2%	8.0%	ABOVE
Sydney	$220	$266	$254	15.3%	3.1%	BELOW

**using FY2019 as the base*

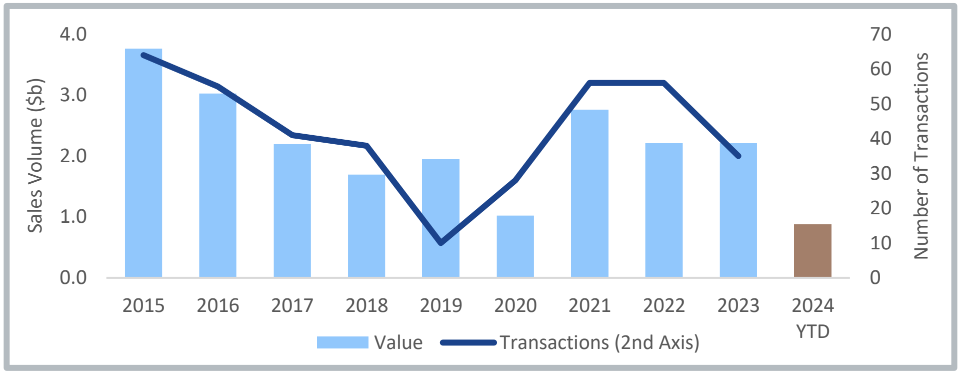
Source: STR, ABS

CAPITAL MARKETS & TRANSACTION TRENDS

Transaction volumes are down in 2024 YTD August after exceeding $2B p.a over the three prior years. Outside of absolute A-Grade assets, there is a price gap between buyers and sellers. Only a small number of larger CBD assets are currently on the market

- Transactional volume continues to be constrained by stock availability. Active purchasers are looking for a good deal, whilst existing owners are riding the high room rate environment, looking to recoup their losses from Covid
- Through the first 8 months of 2024, transaction volume has reached $900M with only two transactions above $100m. Several active CBD transactions could boost that number in the short term, however, expectations are that full-year activity will be well below historical averages
- Recent transactions have been dominated by local purchasers, with four of the top five transactions being completed by Australian-domiciled companies since 2022
- Deals are taking longer than normal in this new environment. This is due to a mix of higher due diligence concerns and stricter financing requirements
- International capital is available but still somewhat patient, influenced in part by interest rate trepidation and exchange rate volatility
- Whilst institutional capital does like the Australian hotel sector, their chief concern remains achieving scale
- Expectations are for interest rate cuts to commence in 2025, which should see investment activity rise in the near term, however, other international markets are expected to lead the downward cycle
- Value gaps are emerging between assets with a proven income stream and those development and new assets relying on a forecast
- Vacant possession is still highly desirable, particularly when investors are looking for outperformance opportunities to justify initial low yields
- Structured deals are also becoming increasingly important to investors (underwrites/guaranteed earnings etc.)
- The focus for financiers with existing clients is interest coverage rather than LVRs. This is partially impacted by how alternate asset class borrowers are performing at present
- Warnings are also being issued about greenfield construction, in particular delays and extra costs surrounding subcontractor reliability
- The growth of Build-to-Rent and Purpose Built Student Accommodation (PBSA) sectors, along with the continued strength of industrial assets, has seen a redirection of desired capital flows. The relatively soft office market has conversely seen capital consider a redirect to the hotel sector.

HOTEL TRANSACTION HISTORY: 2015 – 2024 YTD AUGUST



MAJOR TRANSACTIONS BY VALUE: 2022 TO 2024 YTD AUGUST

Source: Dransfield

Property	Year	Rooms	Purchaser	Origin	Approx. Price	Approx. Price Per Key
Hilton Hotel Sydney	2022	587	Baring Private Equity Asia	Hong Kong	$530M	$903k
Waldorf Astoria (Fund Through)	2023	220	Fiveight	Australia	$520M	$2.4M
Intercontinental Double Bay	2024	140	Consortium	Australia	$215M	$15M
Sir Stamford Circular Quay	2022	105	JDH Group	Australia	$210M	$2.0M
Sheraton Grand Mirage	2023	295	Arkadia	Australia	$192M	$650K
Sofitel Brisbane	2023	416	CDL	Singapore	$178M	$427k
Novotel & Ibis Melbourne Central	2023	472	Legend Land Melbourne	Singapore	$170M	$360k
Sofitel Adelaide	2023	251	Salter Brothers	Australia	$154M	$613k
Escarpment Group Portfolio	2023	237	Salter Brothers	Australia	$119M	$502k
Esplanade Hotel Fremantle	2024	300	Cosgrove Group	Australia	$116M	$388k
The Tasman, Parliament Square, Hobart	2022	152	Spirt Super	Australia	$112M	$737k
Novotel Parramatta & Courtyard Marriott Nth Ryde	2023	390	SilverSea Investments	Hong Kong	$109M	$279k
Rydges Sydney Harbour	2022	176	GA Group Australia	UAE/Dubai	$100M	$568k

DEVELOPMENT TRENDS - SOME OBSERVATIONS

The physical elements of hotel development are constantly evolving. Some changes are out of development necessity, some are driven by changing traveller behaviours. A balance between two sometimes competing forces needs to be considered to ensure the longevity of an individual hotel

Allocation of space between rooms and public areas	Advancements in areas such as in-room design, room efficiency and furniture choices have created the feeling of space and in association with the financial contest to achieve feasibility, we expect the average room size across all classes of hotels will reduce. This doesn't mean completely rationalising total GFA to maximise key count and can involve transferring a portion of the saved in-room sqm to improve the amenity. This trade off is appealing to the contemporary guest. From a development perspective, this also opens up the opportunity to generate additional revenue streams.
General shift to quality	With the cost of land and construction on the rise, the ability for entry-level products to be feasible in core CBD locations has diminished, making way for higher-positioned products. Even in suburban and regional locations, there has been a shift to a higher-quality of lodging. With a customer focus now more on service as a distinguisher of quality, hotel developers can deliver a higher quality product without the historical GFA baggage that came with it. This trend has been advanced through the proliferation of lifestyle and unbranded hotels.
Creation of multiuse public areas	Responding to development costs and how guests use public space, hotel design and development moves away from dedicated public spaces that service a single purpose (i.e. breakfast buffet). Looking forward, interior design and architecture should focus on how a single space can evolve through the day and through the week.
Rationalisation of total key count	As guests look for a more tailored and authentic experience, and the availability of land reduces, so will the size of hotels. Hotel developments in excess of 250 rooms is reducing.
Blurring of lines with other asset classes	Across all asset classes, we are seeing a blurring of the lines between historically siloed offerings. Moving forward, we think having a single-use building may be an outlier to secure design efficiency and feasibility.
Enhancement of existing site uses	Existing land/asset owners have increased exploration of overnight accommodation as a way to focus enhance their existing offering. This is expected to continue in the next cycle. This can be beneficial by increasing site utilisation through the 24 hr activation that a hotel provides or through the unlocking of a great service offering in the existing asset. Development cost benefits are achieved, thanks to reduced land input and existing infrastructure.
Remote work and co-working spaces	The rise of remote work is influencing hotel design and services. Hotels are creating dedicated co-working spaces equipped with high-speed internet, private meeting rooms, and other office amenities to better cater to business oriented individual travellers.

OPERATING TRENDS - SOME OBSERVATIONS

As we approach 2025, the operating landscape is evolving, driven by technological advancements, shifts in consumer preference, and the increasing importance of sustainability. We highlight some key current trends observed below

Heightened focus on F&B	F&B in Australian Hotels was historically paid lip service, consisting of buffets and basic dinner offerings. This offer was more as a brand promise rather than any real appeal generator or profit centre. Discerning guests rarely ate in the hotel. Hotel operators are now increasing their focus on F&B. A destination restaurant or bar is now considered a way to help position the whole hotel and drive both room and F&B revenue advantages. Enhancing inhouse experience as well as working with strategic partners are now entry level for upscale and luxury hotels and resorts.
Employee wellness and training programs	Recognizing the value of attracting and retaining human capital, businesses are investing in comprehensive wellness and training programs. These initiatives focus on enhancing employee well-being, skill development, and engagement, leading to a more motivated and productive workforce.
Increased use of AI and data driven decision making	AI and machine learning are revolutionizing hotel operations by enabling predictive maintenance, optimizing supply chains, and enhancing customer service. These technologies allow for real-time data analysis, leading to more informed decision-making and improved operational efficiency. The ability to harness and analyse large volumes of data is critical for optimising hotel operations. Data-driven decision-making, powered by advanced analytics and business intelligence tools can provide actionable insights that enhance operational efficiency and strategic planning.
Enhanced cybersecurity measures	Protection of customer data has never been more of an issue. As operations become more embedded in the online world, the risk of cyber attacks has increased. Paramount to Hotel operations and the reputation of their brands is enhanced cybersecurity measures. This includes advanced encryption, AI-driven threat detection, and comprehensive data protection protocols.
Hyperlocal offering	Customers gravitate to a brand which provides reassurance of a minimum standard. Guests, however, also want that brand to be special and increasingly entrenched in the community. This goes from artwork to F&B supplies to local community partnership programs. Travellers want to be able to connect with where they are staying and know the hotel is making a positive impact on the local community.
Resilience of supply chains	The importance of a resilient and agile supply chain has never been more evident than in the last few years. To maintain brand standards that are front and centre of a hotel's offering, hotel operators, in partnership with their owners, now need to invest in supply chain protection measures. Diversification of suppliers, real time tracking and a new approach to management of FF&E inventory are now more front of mind in key operational decisions.
Sustainability and green technologies	Sustainability is no longer a nice to have but rather a necessity. Owners and operators are increasingly incorporating green technologies and sustainable practices, such as energy-efficient machinery, waste reduction programs, and sustainable sourcing, to minimise environmental impact. Whilst not yet a formal measure, hotels will increasingly be appraised by their green credentials, particularly with corporate contracts and events. Sustainability is not always a cost of doing business, as if managed correctly these practices can save money and drive revenue.

BRAND TRENDS - SOME OBSERVATIONS

The rising customer need for personalisation, individuality and choice has seen the continued proliferation of newer brands. Soft branding, boutique feel, and brand partnerships will likely continue to rise through the next development and operations cycle

The expansion of soft brands	Guests are looking for a more authentic experience when travelling. The ability to use building or neighbourhood branding to create impact whilst retaining the power of a major operator's distribution network is somewhat front of mind for many developers. The soft brand also does not put as hard a cap on room rates during premium nights. Guests don't associate the new brand with a specific rate range. Traditional brands will, however, will continue to remain relevant and represent the majority of the market.
Dual branded developments	To maximise guest appeal whilst at the same time creating a more efficient operation, some developers are looking to dual-branded offerings in large-scale developments. Commonplace in the airline industry, these multi segment offerings deliver several benefits: • Easily allows the mix of room stock to align with the depth of the relevant markets • Broader ranging appeal • Enhanced operating efficiencies • Improved yield management capabilities
Health and wellness offerings	This trend goes beyond providing a gym or a traditional spa. Guests are now looking for a holistic wellness offering. From the availability of a healthy meal option, to the fabrics and lighting and soundtrack used in the room and public areas. Wellness has become a more complex and integral consideration in hotel development and interior fitout.
Mainstream operators establishing boutique skills	For a growing number of guests, the traditional brand promises of quality are no longer enough. Big chains need to undertake property-by-property opportunity assessments to ensure that the property offering is suited to the location, as a boutique hotel operator would historically do. This shift can be championed by active asset managers.
Strategic partnerships to position the brand	From a signature chef to a range of in-room products or a partnership with a social cause, hotels are looking to enhance their marketing power through strategic alliances. The right strategic partnership can expose a hotel brand to a new guest typology. These strategic partnerships can range from long-term sponsorship agreements through to individual pop-ups.
Branded residences	Whilst prolific around the world, the branded residence concept has struggled to gain a foot hold in the Australian market. With the strength of the underlying real estate market and the strength of the developers brands, the branded residence has struggled to make financial sense. As the Australian market starts to experience BTR, and the older generation soon look to downsize having generated significant wealth out of their houses, the opportunity for branded residences has increased.

NATIONAL LONG TERM FORECAST

REVPAR

- **Hotel Futures 2025 anticipates long term RevPAR growth averaging 4.1% per annum across major Australian cities**
- Performance is underpinned by a favourable supply and demand equation. This sees occupancy build towards 80% in a normalising inflation environment
- We expect long term growth above 3.0% p.a. for all 10 cities. Periods of volatility will be more prominent in the smaller markets where a minor change to a single lever can have a pronounced effect on the overall environment

SUPPLY

- **The forecast anticipates modest annual supply growth of 2.2% p.a. to FY2033. We expect this will be fully absorbed**
- This will deliver 30,000 additional rooms across the major markets
- Supply growth represents a reduction to our prior HF2019 expectations over the comparable period. This follows delays and the abandonment of hotel projects through Covid and subsequently when retested
- Market Response becomes the dominant component of the pipeline, representing more than half. This is a marked difference from our HF2019 pipeline, which was construction-dominant. The current mix reduces the likelihood of oversupply in any particular market
- Brisbane, Perth and Sydney have the largest pipelines by annual growth, although all remain relatively moderate at between 2.6-3.0% p.a.
- Cairns and Darwin have the smallest pipelines by annual growth at 1% p.a.

DEMAND

- **The forecast anticipates average annual demand growth of 3.3% to FY2033. This exceeds supply expectations over the same period**
- This assumption is generally in line with key published indicators, although also considers a range of additional inputs
- Tourism Research Australia's domestic visitor night forecast for Australia expects 3.0% p.a growth between 2025 and 2028. Higher international visitor arrival growth of 6.9% p.a. is expected over the same period, from a lower base. International forecasts growth is front ended
- BITRE airport passenger movement forecasts for Australian Airports expect growth of 2.5% p.a. from 2025 to 2033 (excluding 2024 which is a Covid recovery step)

ARR

- **Long term rate growth expectations are averaging 3.0% p.a. and are largely in line with inflation targets**
- Rate growth through the short and medium term is below the long-term forecast, impacted by a significant reset from premiums built through Covid. This is unlikely to be sustained in some markets
- Outperformance opportunity is available over the back end of the forecast as occupancy levels strengthen. This is particularly the case if the large anticipated supply additions from market response are lower or later than expected.

TOTAL AUSTRALIAN MAJOR CITIES (WEIGHTED)

Source: Actuals: STR
Forecast: Dransfield

Year	Rooms	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2024 Real RevPAR	Occ
HISTORICAL – STR									
FY2019	127,257			$195.98		$151.42		$182.93	77.3%
FY2024	139,034	1.0%	5.9%	$251.36	-0.6%	$182.41	4.1%	$182.41	72.6%
FORECAST - DRANSFIELD									
FY2025	142,001	2.1%	4.7%	$252.24	0.4%	$187.59	2.8%	$182.48	74.4%
FY2026	144,593	1.8%	3.9%	$258.98	2.7%	$196.50	4.7%	$185.58	75.9%
FY2027	146,901	1.6%	3.2%	$267.25	3.2%	$205.96	4.8%	$188.85	77.1%
Avg FY2025-2027		**1.9%**	**3.9%**		**2.1%**		**4.1%**	**$185.64**	**75.8%**
FY2028	151,032	2.8%	3.6%	$277.89	4.0%	$215.75	4.8%	$192.06	77.6%
FY2029	154,819	2.5%	2.7%	$285.81	2.9%	$222.24	3.0%	$192.08	77.8%
FY2030	158,688	2.5%	3.0%	$294.46	3.0%	$230.16	3.6%	$193.13	78.2%
FY2031	162,259	2.3%	2.8%	$303.38	3.0%	$238.48	3.6%	$194.29	78.6%
FY2032	165,836	2.2%	2.6%	$314.49	3.7%	$248.29	4.1%	$196.38	78.9%
FY2033	168,998	1.9%	3.2%	$327.99	4.3%	$262.13	5.6%	$201.29	79.9%
Avg FY2028-2033		**2.4%**	**3.0%**		**3.5%**		**4.1%**	**$194.87**	**78.5%**
Total Forecast Avg FY2025-2033		**2.2%**	**3.3%**		**3.0%**		**4.1%**	**$191.79**	**77.6%**

DRANSFIELD HOTELS & RESORTS

CITY SUMMARIES

ACTUAL & OUTLOOK			
Location	RevPAR Mvmt FY2024	Medium Term Growth p.a. (3 yrs)	Long Term Growth p.a. (9 yrs)
Adelaide	0.3%	2.6%	3.7%
Brisbane	3.4%	3.5%	4.2%
Cairns & P.D	4.1%	2.0%	3.1%
Canberra	-7.3%	2.8%	3.7%
Darwin	-12.3%	4.4%	5.0%
Gold Coast	-1.6%	2.0%	3.1%
Hobart	-8.8%	2.8%	3.4%
Melbourne	2.5%	5.1%	5.1%
Perth	10.0%	5.3%	3.5%
Sydney	14.1%	5.6%	4.2%
Total Market	**4.1%**	**4.1%**	**4.1%**

Source: *Actual: STR. Forecast: Dransfield*

ADELAIDE

In FY2024, Adelaide hotels maintained Covid revenue gains through a slight occupancy increase to 70%. This was despite a small reduction to Covid premium room rates.

Following significant supply through Covid, and some more near term supply, there is a risk of short term market contraction before a return to growth as supply moderates and rate growth opportunity re-emerges. The market is unlikely to hit pre-Covid occupancy levels of 80% this cycle as compounding high demand growth may be challenged. This will limit longer term supply development activity.

BRISBANE

In FY2024, Brisbane hotels recorded moderate demand-led growth. As only modest supply additions continued, occupancy levels improved to 74.5%. This saw Brisbane as the first major market to surpass pre-Covid Occupancy levels. Despite increasing occupancy pressure, room rates reduced slightly, albeit from very strong Covid premiums.

The outlook for Brisbane hotels is positive with major event led peaks and troughs across a fundamentally favourable supply and demand environment. Occupancy will likely maintain in the mid to high 70%'s going forward.

CAIRNS AND PORT DOUGLAS

In FY2024, Cairns and Port Douglas hotels performed well despite poor weather and access/airline pricing impacting the market. Occupancy made very strong gains, up 7 percentage points to 70%. Rates were unable to hold onto all of the premium garnered though Covid.

A benign supply environment is the basis for stable growth going forward, although as typical, weather outcomes will dictate annual peaks and troughs. Average occupancy of 74% is expected over the forecast period. This is slightly below recent historical highs which were achieved prior to new supply. Cairns relative performance as a higher occupancy and lower rate market compared to Port Douglas will persist.

CANBERRA

In FY2024, Canberra Hotels recorded a moderate RevPAR decline as occupancy fell almost 2 points to 70%, and room rates which had garnered less of a Covid premium than most major cities, also contracted.

The outlook for Canberra is for moderate revenue growth, off a relatively low base, underpinned by benign supply and demand drivers. New supply, which was introduced to market over the past 5-6 years, has not been able to be immediately absorbed in the Covid outrun. Additional new rooms are expected over the medium term and will impact performance. We expect the natural market occupancy level will re-emerge at or around 70%, slightly below recent historic highs.

DARWIN

In FY2024, Darwin hotels recorded the largest RevPAR decline of all major Australian city markets. The contraction was predominately rate based, although was compounded by falling demand. Whilst RevPAR is above pre-Covid levels, occupancy of just 55% indicates a seasonal, non-corporately backed market.

Poor underlying market metrics, headlined by 60% occupancy, means there is very limited scope for any feasible new supply. Demand growth rates remains the primary question. We expect a slow burn back to moderate occupancy, with above inflation rate growth opportunities perhaps only available over the longer term.

CITY SUMMARIES

ACTUAL & OUTLOOK			
Location	RevPAR Mvmt FY2024	Medium Term Growth p.a. (3 yrs)	Long Term Growth p.a. (9 yrs)
Adelaide	0.3%	2.6%	3.7%
Brisbane	3.4%	3.5%	4.2%
Cairns & P.D	4.1%	2.0%	3.1%
Canberra	-7.3%	2.8%	3.7%
Darwin	-12.3%	4.4%	5.0%
Gold Coast	-1.6%	2.0%	3.1%
Hobart	-8.8%	2.8%	3.4%
Melbourne	2.5%	5.1%	5.1%
Perth	10.0%	5.3%	3.5%
Sydney	14.1%	5.6%	4.2%
Total Market	**4.1%**	**4.1%**	**4.1%**

Source: Actual: STR. Forecast: Dransfield

GOLD COAST

In FY2024, Gold Coast hotel RevPAR contracted slightly, as rates softened from very high post pandemic levels. Occupancy was stable at 70% and is just shy of pre-Covid levels.

The outlook is favourable with occupancy expected to improve slightly to the markets natural position in the low 70% over the medium and longer term. Modest supply arrivals include a number of mooted projects which are yet to start construction and are considered at risk. Short term rate growth could feel some reversionary effects from the high current levels, however, this is not expected to continue in the long term.

HOBART

In FY2024, Hobart hotels contracted substantially with reductions in both occupancy and room rate. This reset was impacted by significant supply relative to market size throughout the Covid period. Occupancy of 74% is well bellow pre-Covid highs which were above 80%.

Additional new supply is expected in the short term. This will further drag performance, before stronger medium and long term growth opportunities arise as supply additions slow and several structural changes to demand occur, led by strong sporting leisure in the typical off peak. Occupancy should push to the high 70% in the next few years.

MELBOURNE

In FY2024, Melbourne hotel RevPAR grew slightly below inflation. Modest supply arrivals compounded on the material additions over the last few years restraining Occupancy to the early 70%. Absolute occupancy position continues to be the main drag on revenue performance. This is despite demand building well out of Covid.

Over the longer term we expect a softening supply pipeline will be easily absorbed, driving revenue opportunities. There are still several years in Melbourne's recovery arc before occupancy levels reach 80% and rates can start climbing.

PERTH

In FY2024, Perth hotels continued to power ahead, recording double digit RevPAR growth. This was on the back of robust increases in both demand and room rate. Modest recent supply additions have helped occupancy recovery, and Perth is one of the few markets with occupancy sitting higher than FY2019.

The medium and long term outlook is favourable with front loaded growth until supply arrives through the middle of the forecast. High Occupancy, at or around 80% for the life of the forecast, can foster rate growth at least in line with inflation.

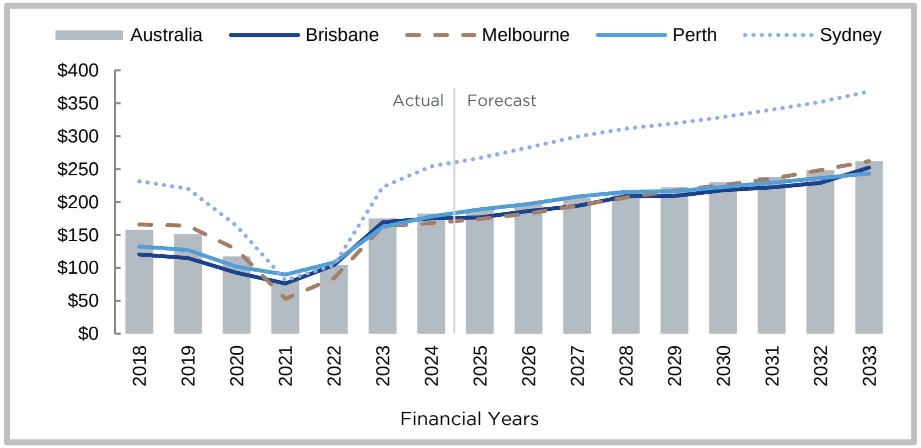
SYDNEY

In FY2024, Sydney Hotel performance led the country with double digit RevPAR growth. Growth was predominantly demand driven, with Sydney the first major market in the country to top 80% occupancy. This provided an environment for rate growth despite an already elevated pre-Covid position.

Over the medium and long term, supply constraints should facilitate very high occupancy levels and generate room rate opportunities. A return to the past is the narrative, with Sydney expected to again be effectively "full" within the next 2-3 years. Sydney will likely extend it's RevPAR gap between the next best performers over the longer term.

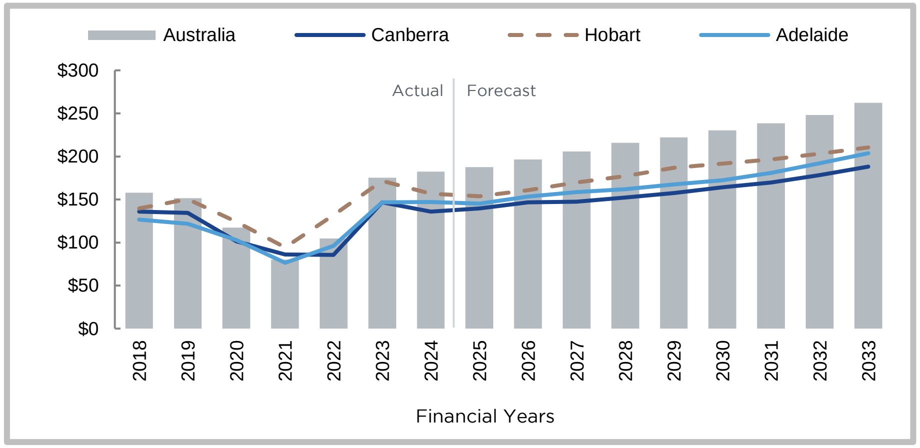
CITY OUTLOOK COMPARISON

MAJOR CAPITAL CITY REVPAR COMPARISON



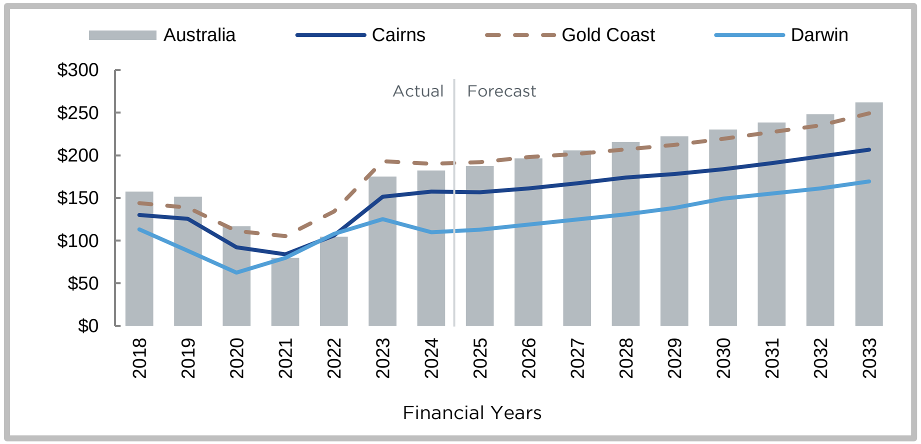
Source: Actual: STR. Forecast: Dransfield

SECONDARY CAPITAL CITY REVPAR COMPARISON



Source: Actual: STR. Forecast: Dransfield

LEISURE BASED CITY REVPAR COMPARISON



Source: Actual: STR. Forecast: Dransfield

RELATIVE REVPAR

To FY2033, individual city RevPAR growth ranges from 3.1% p.a. to 5.1% p.a. The cumulative national average is 4.1% p.a.

- Sydney is the standout performer, with its absolute position more than $100 higher than any other city at the end of the forecast period. The continued lack of material supply in this gateway city drives very high occupancy
- Despite a low starting position following sustained and significant supply absorption, Melbourne is expected to return to its historical place as the second-highest RevPAR market as supply additions slow
- We expect Gold Coast will maintain the RevPAR premium it's established over the past 5 years relative to alternate leisure-based markets. This is a market which is less prone to swings in performance due to its large size
- The secondary capital cities each present their own localised complexities and pose the highest risk of deviating from our base case assumptions.

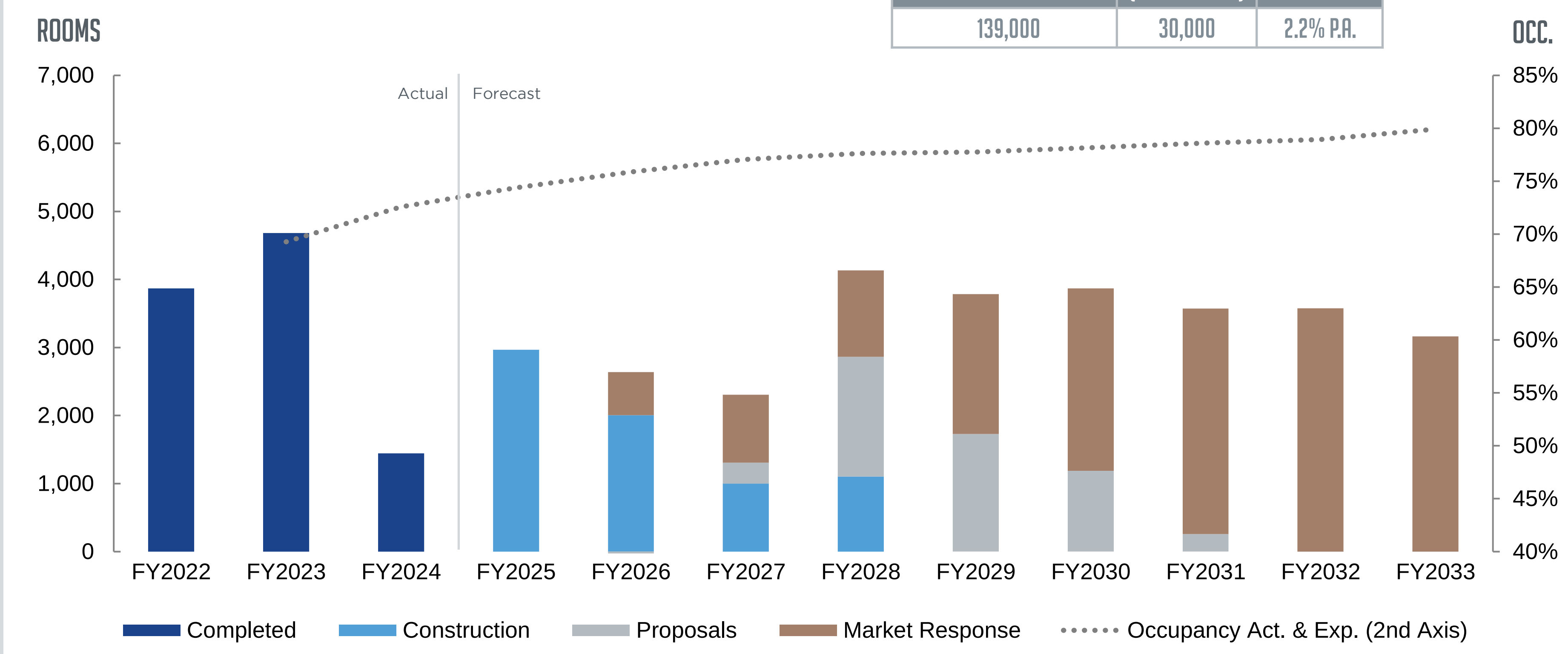
SUPPLY FORECAST NATIONAL

Hotel Futures 2025 anticipates modest supply growth of 2.2% p.a. long-term to FY2033. This could deliver 30,000 additional rooms across major city markets, which should be fully absorbed. The supply growth represents a moderate reduction to our prior expectations. This is due to the delay and abandonment of hotel projects through Covid and subsequently on re-assessment. Growth expectations are back-loaded, including a majority proportion of "Market Response" rather than specific projects

MAJOR CITY SUPPLY GROWTH PERFORMANCE AND FORECASTS TO FY2033 – ROOMS

MAJOR CITY SUPPLY BASE – FY2024	PIPELINE (9YR OUTLOOK)	ANNUAL GROWTH
139,000	30,000	2.2% P.A.

Source:
Actual: STR
Forecast: Dransfield



DRANSFIELD HOTELS & RESORTS

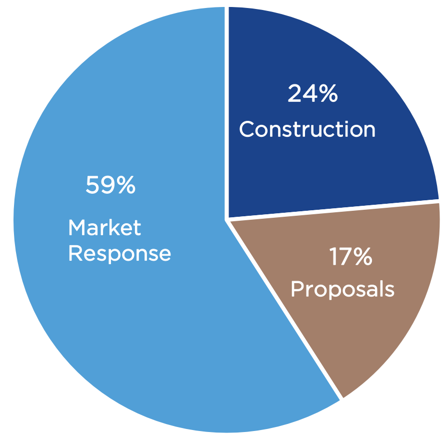
SUPPLY FORECAST BY CITY

- The Australian major city supply cycle is nearing a reset point. This follows Covid impacts, which delayed and reduced projects as feasibility and financing became increasingly difficult
- Market response becomes the dominant supply typology, accounting for almost 60% of all anticipated rooms over the longer term. These are rooms which are not yet attributed to a live site, but are anticipated to be conceived in the future based on then market fundamentals
- The higher proportion of market response means that in many cities, oversupply risk is reduced if performance is less than currently anticipated
- Well-advanced construction projects have either recently opened or are likely to arrive in the medium term, and are not likely to be immediately replaced at the same volume
- Proposals numbers remain high, although our assumed probability of these projects materialising is quite low at circa 20-40% of volume depending on the individual market. Site location, market fundamentals and proponent & scheme quality impact our individual project probability. Site acquisition and approvals, are a poor indication of probability as they represent only a small fraction of the total capital stack requirement
- Development costs and the availability of well-located sites remain the biggest impediments to new supply.

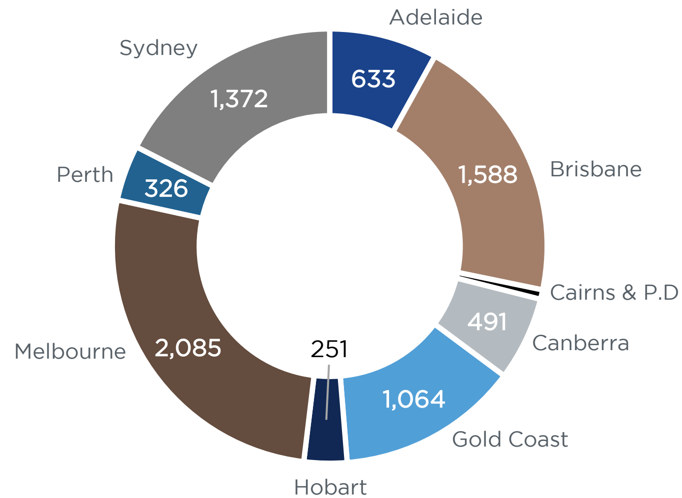
	Supply Base in FY2019	Supply Change FY2019-FY2024 (Total/p.a)	Supply Base in FY2024	Anticipated Medium Term Growth p.a 3 Years	Anticipated Long Term Growth p.a 9 Years	Supply Cycle Position
Adelaide	6,024	23% / 4% p.a	7,391	**2.8%**	**2.3%**	Backend
Brisbane	14,495	3% / 1% p.a	14,927	**3.4%**	**3.0%**	Middle
Cairns	10,484	6% / 1% p.a	11,118	**0.2%**	**1.0%**	Holding
Canberra	7,040	11% / 2% p.a	7,792	**2.1%**	**2.0%**	Holding
Darwin	5,540	0% / 0% p.a	5,514	**0.0%**	**1.0%**	Holding
Gold Coast	21,467	-2% / 0% p.a	21,057	**1.7%**	**2.0%**	Holding
Hobart	3,353	28% / 6% p.a	4,287	**1.9%**	**2.5%**	Backend
Melbourne	25,874	18% / 4% p.a	30,608	**2.2%**	**1.9%**	Backend
Perth	9,268	12% / 2% p.a	10,357	**1.0%**	**2.6%**	Holding
Sydney	23,712	10% / 2% p.a	25,983	**1.7%**	**2.7%**	Middle

Source: Actual: STR. Forecast: Dransfield

AUSTRALIAN MAJOR CITIES – LONG TERM SUPPLY PIPELINE BY TYPE FY2025-FY2033



3-YEAR SUPPLY OUTLOOK BY CITY – NEW ROOMS

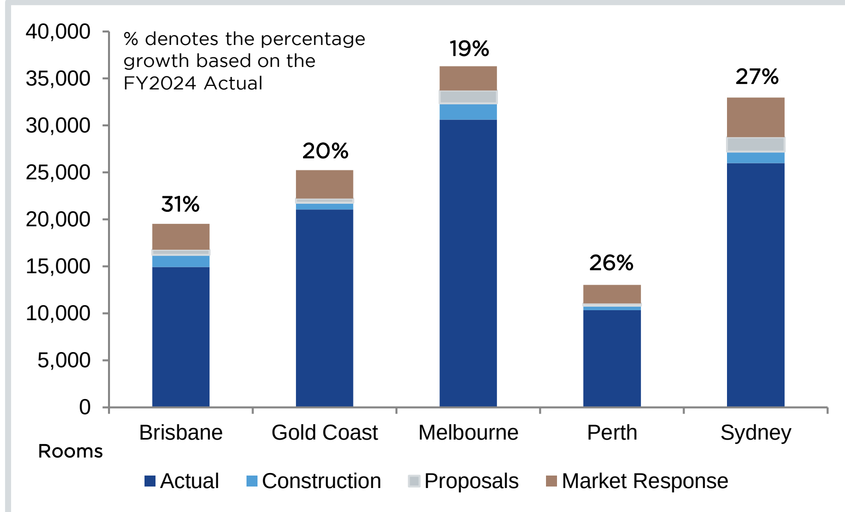


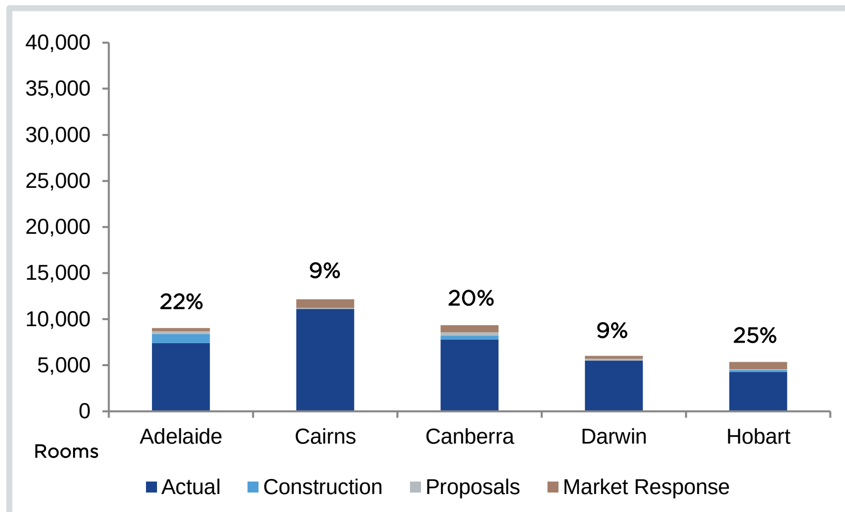
SUPPLY FORECAST BY CITY

Across the country, hotel markets are in various stages of the supply cycle:

- Melbourne is nearing the backend of a prolonged supply cycle, although still has the largest committed pipeline by volume (impacted by large market size), with circa 1,750 rooms under construction
- Sydney's pipeline is back-ended and skewed to market response. Modest additions have occurred over the last 6-7 years, although this has been well below what could be absorbed. Site availability and highest and best-use contests continue to be the primary impediments to growth. In Sydney, there is a real risk that supply will under deliver to modest expectations, impacting demand growth opportunity
- At the other end of the spectrum, Darwin has the lowest % growth relative to market size with only 1% p.a growth anticipated long term. Hotel feasibility in Darwin remains extremely challenging and unlikely. Except for infrastructure led development, we cannot see a hotel being developed for pure financial reasons over the medium term
- Cairns & Port Douglas is in a similar position with a very low pipeline, although this follows material additions in Cairns just prior and through Covid. Development fundamentals are unlikely to foster many additional proposals, however, quality new product could likely perform well in Port Douglas
- Hobart is near the end of its supply cycle, with one more year of moderate supply following a 40% increase since FY2017 (albeit only about 1,200 rooms). A pause is expected for several years before new projects begin to be considered again
- Perth is similarly at the bottom of its cycle, with development activity quite low following significant additions conceived through the mining boom and delivered over the last 6-7 years
- Brisbane is towards the back of it's supply cycle with significant and quality additions through FY2017-2019 and the imminent Queens Wharf hotels. The Olympic outlook will likely restart the next cycle, perhaps quicker than typical
- In Adelaide, the market is more than half way through their supply cycle, with significant recent additions which mostly occurred through Covid and some still to come
- Canberra is less prone to big swings in supply. We see no indication that this will change in the foreseeable future
- Gold Coast continues to hover around 20,000 rooms, with a level of self regulation afforded by the movement of apartments between MLR and residential use.

MAJOR CITY SUPPLY GROWTH BY TYPE – LONG TERM OUTLOOK FY2025-2033





Source: Actual STR, Forecast Dransfield

DEMAND TRA & BITRE FORECASTS

Tourism Research Australia's visitor & visitor night forecasts, and BITRE passenger movement forecasts, anticipate recovery to pre-Covid levels by 2025. Moderate medium and long term growth forecasts are expected across each of these outlook providers. These broad forecasts have been considered in Dransfield's long term demand assumptions of hotel rooms

TOURISM RESEARCH AUSTRALIA FORECASTS

- It is important to note that visitors and visitor nights are not directly correlated to nights in hotels, as hotels typically only capture between 20-40% of an area's total visitor nights
- Domestic nights in hotels are the dominant segment across all major Australian markets. These account for 65-75% of all nights in most markets, although Sydney is lower at circa 55%, while Hobart, Darwin and Canberra are higher at circa 85% plus.

Domestic visitor night forecasts for Australia from 2025 to 2028 are for 3.0% growth p.a.

- The forecast anticipates that total volume reaches pre-Covid levels in 2025
- 6 out of 8 states are above pre-Covid levels at this point, with only SA (98%) and NT (87%) lagging
- By state, growth is generally around 3% p.a. although NT is much higher as their recovery is longer and they are further below pre-Covid levels than the other cities.

International visitor forecasts for Australia from 2025 to 2028 are for 6.9% growth p.a.

- The international forecast covers only visitor numbers rather than visitor nights, and does not provide a breakdown at the state level
- The forecast expects visitation to reach pre-Covid levels in 2025
- Growth is front ended with average growth of 9.0% anticipated over the first 2 years (2025-26), and 4.9% over the following 2 years (2027-28) as volumes begin to normalise.

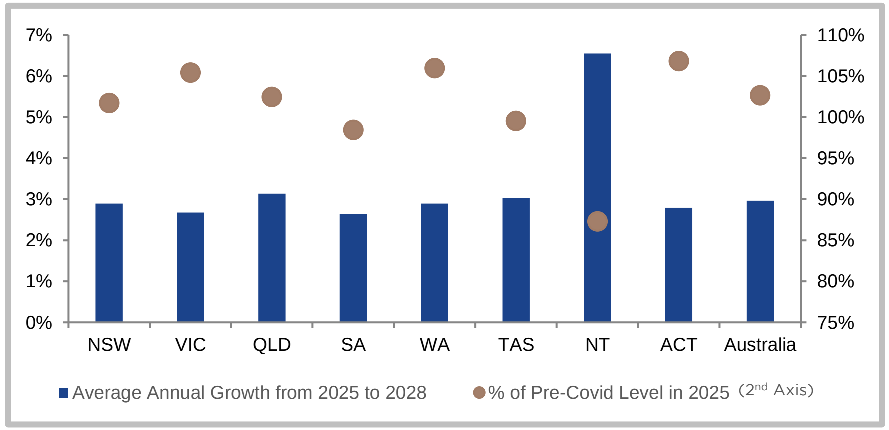
BITRE AIRPORT PASSENGER MOVEMENT FORECASTS

BITRE's passenger movement* forecasts for Australian airports anticipates a stepped recovery that reaches pre-Covid levels in 2024. Growth rates normalise from 2025 onwards

- Average annual growth of 5.6% is expected from 2024 to 2031, although this reduces to 2.5% p.a when excluding the step in 2024
- Domestic travel makes up the vast majority of total movements
- Excluding the step in 2024, long term domestic movement growth to 2031 of 2.4% p.a is lower than international inbound growth of 3.2%.

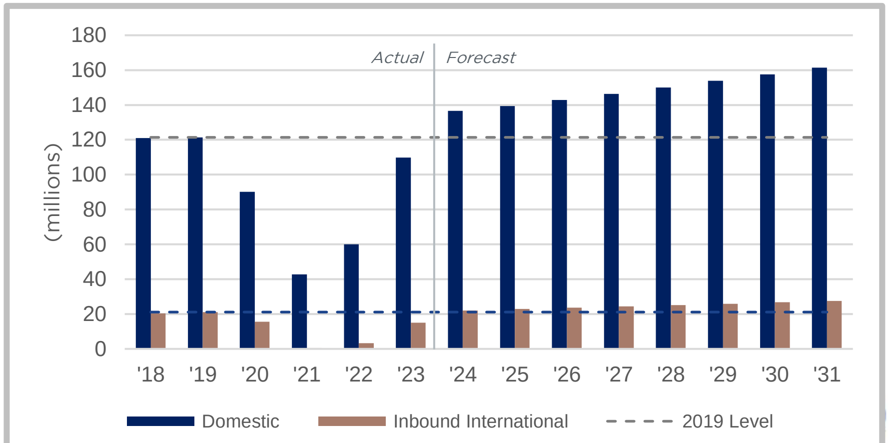
* = Domestic passenger movements, and international inbound only

TRA FORECAST: DOMESTIC VISITOR NIGHT GROWTH BY STATE – 2025 TO 2028



Source *TRA's Domestic Tourism Forecasts for Australia 2023 to 2028*

BITRE PASSENGER MVMT FORECASTS: DOMESTIC AND INTERNATIONAL – 2024 TO 2031



Source: *BITRE's Australian Aviation Forecast – 2024 to 2050*

ADELAIDE

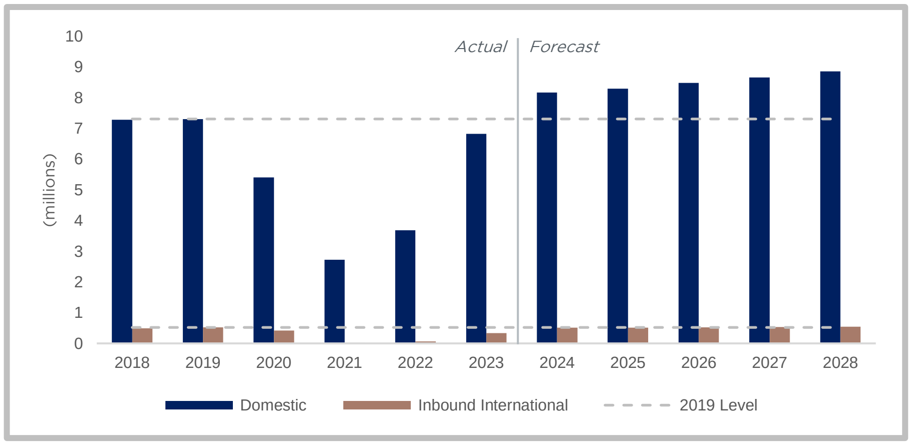
In FY2024 Adelaide hotels maintained Covid revenue gains through a slight occupancy increase, and despite a small reduction in room rates. Following significant supply through Covid, with more near term supply due, there is a risk of short term market contraction. A return to growth over the medium term is expected as supply moderates. The market is unlikely to hit pre-Covid occupancy levels of 80% this cycle, as compounding high demand growth may be challenged. Full forecast expectations to FY2033 are for 3.7% RevPAR growth p.a.

FY2024 IN REVIEW

	FY2024	Y-o-y % Chng	Pre-Covid FY2019	Relative to Pre-Covid
Establishments	65			
Rooms	7,391	0.3%	6,024	123%
Occupancy	70.0%	1.3 points	79.6%	88%
Rate	$210	-1.6%	$153	137%
RevPAR	$147	0.3%	$122	121%

Source: STR

BITRE AIRPORT PASSENGER MOVEMENTS – ACTUAL & FORECAST



Source: BITRE Australian Aviation Forecasts – 2024 to 2050

- In FY2024 Adelaide hotels maintained prior year RevPAR levels with occupancy growth offsetting rate decline
- A hiatus from supply additions (0.3%) helped occupancy improve 1.3 points. The sustained volume of new supply over the prior three years (avg. 6.9% p.a.) impacted the city's ability to reach pre-Covid occupancy levels despite materially higher absolute demand (108% of pre-Covid)
- Adelaide experienced a positive rate reset through Covid, of similar scale to other secondary capital cities (Brisbane and Perth). Rates remain very high compared with the past (137% of pre-Covid levels), although the city is starting to give some back with a slight 1.6% reduction in FY2024
- RevPAR performance was significantly stronger in the second half of FY2024 (3% vs. -3% on their respective p.c.p's). This was primarily impacted by stronger occupancy performance.

DEMAND DRIVER ANALYSIS

The quality and volume of new supply, in conjunction with an increase in major events, has created excitement in the Adelaide tourism market in recent years. The city's ability to consolidate on this burgeoning events capability will be a key pillar in the next cycle, although material growth may be difficult from the current high watermark.

Tourism and airport forecasts are not particularly high compared to some other cities, at least in the medium term. There are no indicators which suggest Adelaide should expect the demand growth outperformance which would push occupancy back to the high 70's in the next few years.

Our hotel demand forecast expects long term growth of 2.9% p.a. This is slightly higher than our supply expectations over the same period. Key indicators include:

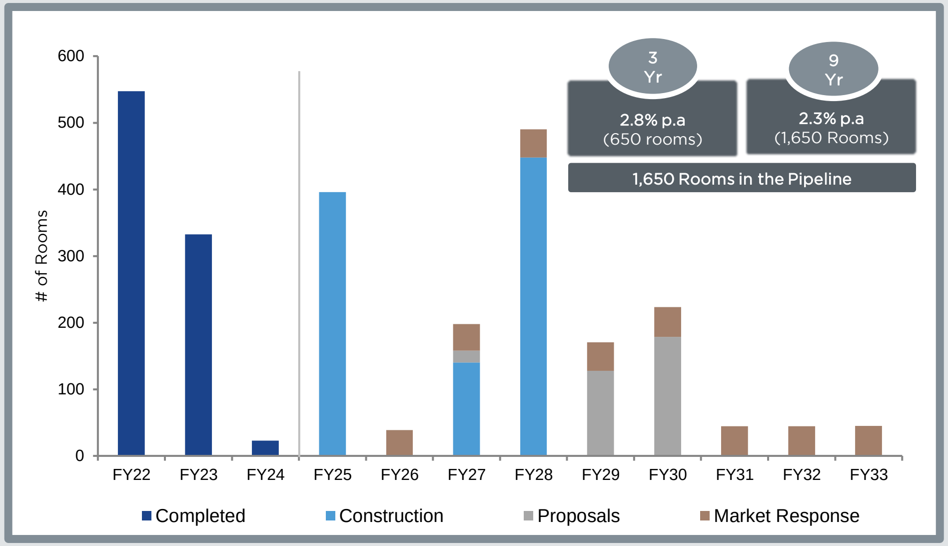
- Tourism Research Australia's Domestic Visitor Night Forecasts for South Australia for 2025-2028 are for 2.7% growth p.a. International forecasts are not available at the state level, however, across Australia International growth of nearly 7% p.a is expected over the same period
- The domestic vs international split for nights spent in Adelaide hotels was 76% domestic in the most recent data (CY2023). This is consistent with the pre-Covid split (77%)
- BITRE passenger movements are nearing pre-Covid levels for the YTD FY2024 (10 months to April)
  - Domestic movements are at 100%
  - International movements are at 90%
- BITRE forecasts for Domestic movement & International inbound for Adelaide for the period 2025-2033 are for 2.1% growth p.a. This is one of the lowest growth profiles across the reviewed markets.

ADELAIDE

DRANSFIELD SUPPLY OUTLOOK

- **Dransfield's supply forecast is for 1,650 new rooms over the next 9 years to FY2033 (22% of current stock). This is an average annual growth rate of 2.3%.**
- We expect rooms will be slowly absorbed over the long term
- The supply pipeline is front-ended with a high 60% of the pipeline under construction. Several of the projects are in the very early stages of construction and not due for 3-4 years. These supply additions will compound significant increases (relative to market size) that occurred through Covid, and this will frustrate medium term performance. By comparison, Adelaide introduced 1,350 rooms since FY2019, compared to the much larger Sydney market which only added 2,300
- We suspect market conditions through this absorption period will make additional project feasibility and financing difficult to achieve. This will likely generate a pause in additional hotel delivery
- Based on scheme, site and proponent particulars, our expectation is that only a small 20% of proposed rooms that have yet to break ground will be delivered as anticipated. We have assumed an embedded level of timing delay in our pipeline, relative to announcements, as there is a real likelihood that development fundamentals will be marginal and extensive value management processes are likely required if market conditions do not improve
- In the longer term, a small market response allowance has been assumed (350 rooms or 21% of the pipeline), which recognises the development environment over the next few years
- The HF2025 forecast sees FY2027 supply largely inline with our HF2019 (pre-Covid) expectations. Most projects delivered through Covid were well advanced at the start of the pandemic.

SUPPLY ACTUAL & FORECAST BY TYPE FY2022-FY2033



SUPPLY PIPELINE BY TYPE & PROPOSAL PROBABILITY

60% (975 rooms) | **19%** (325 rooms) | **21%** (350 rooms)

Proposals – 1,650 rooms mooted with our assessment of 20% probability to complete

NOTABLE HOTELS UNDER CONSTRUCTION

Property	Address	Scale	Rooms	Opening
Marriott (GPO)	King William St	Luxury	285	FY2024
Veriu	King William St	Upper Upscale	111	FY2024
Treehouse by SH	Grote St	Upper Upscale	248	FY2027

MARKET OUTLOOK

- **RevPAR growth of 3.7% p.a is anticipated to FY2033. A relatively neutral occupancy and rate outlook underpins the forecast. The market continues to absorb significant recent supply which sees starting occupancy well below pre-Covid levels**
  - Modest demand growth should slightly exceed modest supply arrivals over the life of the forecast. Occupancy levels in the low to mid 70% region are expected as the new normal, compared to high 70%'s previously
  - RevPAR growth is likely to be stronger in the second half of the forecast, as supply additions slow, after FY2028
- **Average occupancy of 71% is expected over the forecast period**
  - The 3-4 year occupancy outlook anticipates minor vacillation between 69-72% subject to new supply timing. The city already has its fair share of major events (AHICE, Liv Golf, Gather Round, Cycle Down Under), meaning leisure outperformance through this period may be difficult
  - Late term occupancy should push towards the mid 70's, compounding on lower supply expectations. The market is unlikely to hit pre-Covid occupancy levels of 80% this cycle as compounding high demand growth may be challenged without any major new demand driver emerging
- **Long-term rate growth expectations are moderate at 3.0% p.a. The relatively low occupancy provides no real impetus for growth above inflation**
  - In FY2025, hotels are unlikely to see any market-wide rate gains. We could see greater extension of a two-tier market, with new products in A-grade locations outperforming the wider market
  - Moderate supply additions between FY2028-30 temper ARR growth despite another step up in the quality of new supply through this period
  - The opportunity for stronger rate growth may present towards the rear of the forecast period, as occupancy pushes towards 75%.

ALTERNATIVE SCENARIOS

- We consider forecast risk in Adelaide as moderate due to market size. The reasonable RevPAR growth range is between 2.8% and 4.6% p.a against a most likely 3.7% p.a
- In Adelaide, supply is the primary risk lever, and demand is the primary opportunity lever this cycle
  - The downside scenario forecasts long-term RevPAR growth of 2.8% p.a and is impacted by slightly lower demand growth from FY2027, inhibiting rates. Occupancy averages 70% in this scenario, with rate growth of 2.5% p.a
  - The upside scenario forecasts long-term RevPAR growth of 4.6% p.a and is impacted by slightly stronger demand and rates from FY2027. Occupancy averages 72% in this scenario, with rate growth of 3.3% p.a.

DRANSFIELD FORECAST *(Annual to FY2027 and summary to FY2033)*

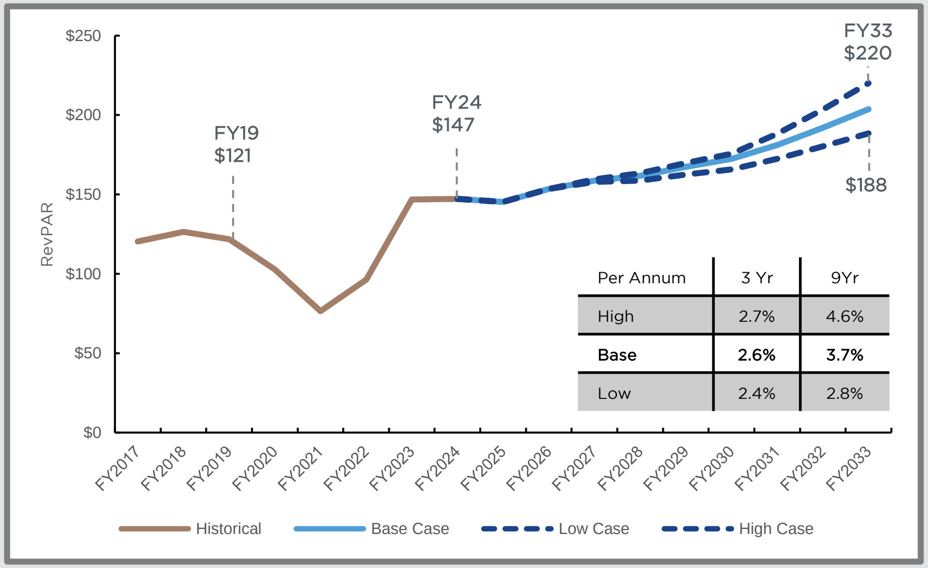
Source: Historical - STR

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2024 Real RevPAR	Occ
ACTUAL									
FY2019	6,024			$152.99		$121.75		$147.09	79.6%
FY2024	7,391	0.3%	2.2%	$210.36	-1.6%	$147.20	0.3%	$147.20	70.0%
FORECAST									
FY2025	7,787	5.4%	4.0%	$210.36	0.0%	$145.30	-1.3%	$141.34	69.1%
FY2026	7,826	0.5%	3.0%	$216.67	3.0%	$153.38	5.6%	$144.86	70.8%
FY2027	8,024	2.5%	3.0%	$223.17	3.0%	$158.71	3.5%	$145.53	71.1%
Avg FY2025-2027		**2.8%**	**3.3%**		**2.0%**		**2.6%**	**$143.91**	**70.3%**
FY2033	9,042			$274.31		$203.69		$156.42	74.3%
Avg FY2028-2033		**2.0%**	**2.8%**		**3.5%**		**4.3%**	**$148.19**	**71.4%**
Total Forecast Avg FY2025-2033		2.3%	2.9%		3.0%		3.7%	$146.77	71.0%

***Change in FY2024 compares with FY2023*

DRANSFIELD FORECAST SCENARIOS - REVPAR

Source: Historical - STR



Per Annum	3 Yr	9Yr
High	2.7%	4.6%
Base	**2.6%**	**3.7%**
Low	2.4%	2.8%

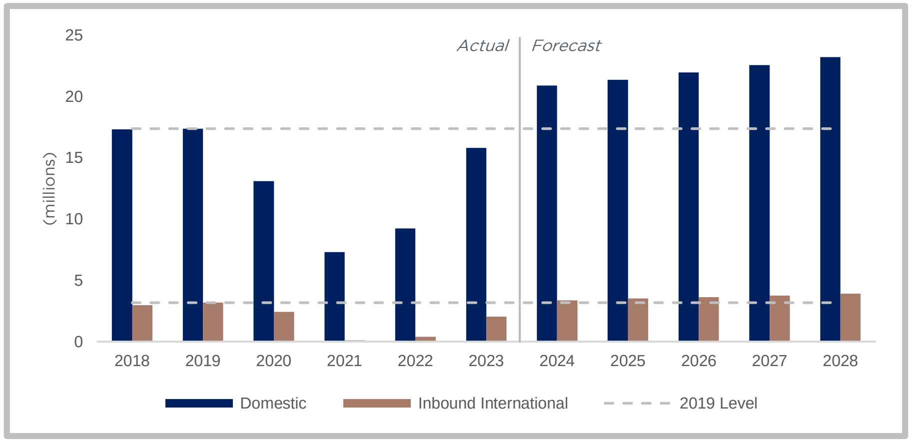
In FY2024, Brisbane hotels recorded moderate demand-led growth. Modest supply additions continued the recent trend, enabling occupancy to improve to 74.5%. This saw Brisbane as the first major market to surpass pre-Covid Occupancy levels. Despite this, room rates reduced slightly, albeit from very strong Covid related premiums. The outlook for Brisbane hotels is positive, with major event led peaks and troughs across a fundamentally favourable supply and demand environment. Full forecast expectations are for RevPAR growth of 4.2% p.a to FY2033

FY2024 IN REVIEW

	FY2024	Y-o-y % Chng	Pre-Covid FY2019	Relative to Pre-Covid
Establishments	142			
Rooms	14,927	2.1%	14,495	103%
Occupancy	74.5%	3.0 points	72.2%	103%
Rate	$235	-0.7%	$159	148%
RevPAR	$175	3.4%	$115	152%

Source: STR

BITRE AIRPORT PASSENGER MOVEMENTS – ACTUAL & FORECAST



Source: BITRE Australian Aviation Forecasts - 2024 to 2050

- In FY2024 Brisbane hotels recorded 3.4% RevPAR growth. Occupancy improvement of 3.0 percentage points offset a minor rate decline of 0.7%
- Demand was the primary driver, improving 6.4%. Absolute demand has recovered well and now exceeds pre-Covid levels (106%)
- By contrast, annual supply additions were modest at 2.1%. This continued a recent downcycle, which has delivered less than 1% growth p.a. since FY2019. The low level of cumulative additions in recent years helped occupancy levels recover to above pre-Covid levels this year
- RevPAR growth was lower in the second half of FY2024 (5.7% vs. 2.3% on their respective p.c.p's). Occupancy and room rate were both contributory.

DEMAND DRIVER ANALYSIS

New and exciting hotel supply repositioned Brisbane as a destination just prior to Covid. This appeal is sure to increase as once in a generation improvements to leisure drivers, and major events, occur this cycle. This is headlined by Queens Wharf in FY2024, the Rugby World Cup in FY2028 and the Olympics and Paralympics in FY2033.

At present, Brisbane also has one of the lowest office vacancy rates in the country, which bodes well for corporate travel and eventing, especially as the return to work movement continues to gain traction.

Our hotel demand forecast expects long term growth of 4.1% p.a. This is materially higher than our supply expectations over the same period. Key indicators include:

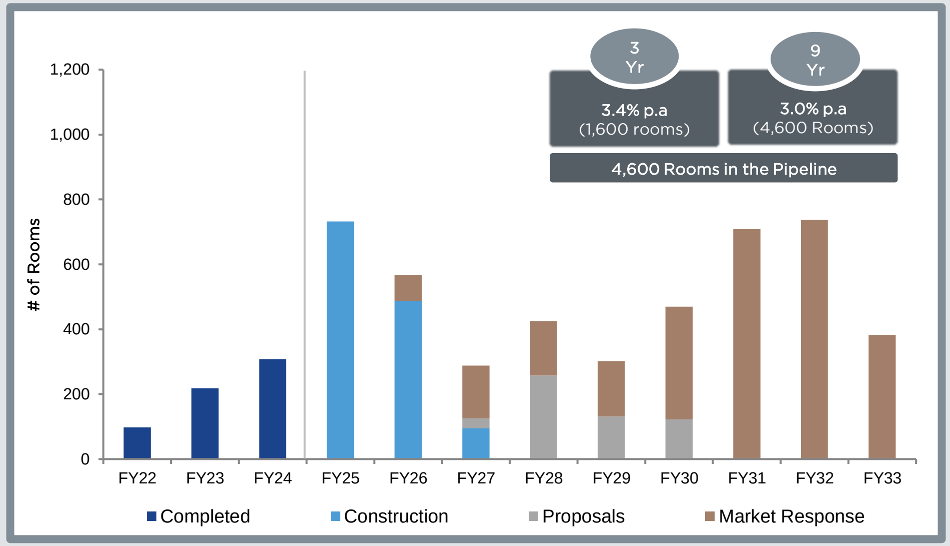
- Tourism Research Australia's Domestic Visitor Night Forecasts for Queensland for 2025-2028 are for 3.5% growth p.a. International forecasts are not available at the state level, however, across Australia International growth of nearly 7% p.a is expected over the same period
- The domestic vs international split for nights spent in Brisbane hotels was 72% domestic in the most recent data (CY2023). This is largely consistent with the pre-Covid split (74%)
- BITRE passenger movements are nearing pre-Covid levels for the YTD FY2024 (10 months to April)
  - Domestic movements are at 95%
  - International movements are at 88%
- BITRE forecasts for Domestic movement & International inbound for Brisbane for the period 2025-2033 are for 2.8% growth p.a.

BRISBANE

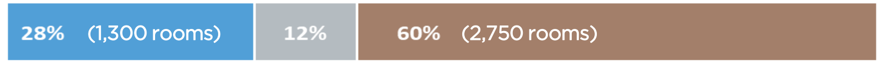
DRANSFIELD SUPPLY OUTLOOK

- **Dransfield's supply forecast is for 4,600 new rooms over the next 9 years to FY2033 (31% of current stock). This is an average annual growth rate of 3.0%**
- A moderate 28% of the pipeline is under construction and due in the next 12-24 months. This is mostly related to the Queens Wharf precinct, which is ably supported by co-located demand drivers
- Proposed rooms not yet in construction are very low. This is likely due to developers waiting to see how the Queens Wharf supply is absorbed before committing to projects
- A significant proportion of the pipeline is future 'market response', which is not yet associated with any particular live project. We expect developers will start commercialising schemes through FY2025-27 as favourable trading conditions persist, and with an Olympic Games on the horizon
- We expect any supply additions will be fully absorbed over the long term, with absorption risk considered relatively low. This is due to the self-regulation safety blanket afforded by the volume of late-term market response underpinning the forecast (i.e. if trading conditions don't permit additional supply, it is unlikely to arrive)
- Major mixed-use projects, as well as fringe locations such as Woolloongabba, are the flavour of this supply cycle. Some reversion of apartment stock back to residential use could occur post Olympics
- The HF2025 forecast sees FY2027 supply slightly below pre-Covid expectations (500 rooms excluding a minor base change) as market response didn't eventuate through Covid.

SUPPLY ACTUAL & FORECAST BY TYPE FY2022-FY2033



SUPPLY PIPELINE BY TYPE & PROPOSAL PROBABILITY



Proposals – 1,275 rooms mooted with our assessment of 43% probability to complete (550)

NOTABLE HOTELS UNDER CONSTRUCTION

Property	Address	Scale	Rooms	Opening
Ritz Carlton	Queens Wharf	Luxury	200	FY2024
The Star Grand	Queens Wharf	Luxury	340	FY2024
Hilton Garden Inn	Hartley Street	Upscale	129	FY2024
Dorsett	Queens Wharf	Upper Upscale	387	FY2025
Rosewood	Queens Wharf	Upper Upscale	100	FY2025

Several properties of circa 500+ rooms in total are also expected to open in fringe locations, namely Woolloongabba, which is not part of our Hotel Futures geography.

BRISBANE

MARKET OUTLOOK

- **RevPAR growth of 4.2% p.a is anticipated to FY2033, with event led peaks and troughs across a fundamentally favourable supply and demand environment**
  - The city is well positioned to take advantage of its strong recovery position over the next few years with robust demand expected to more than offset the material supply at Queens Wharf
  - There is inherently more risk and opportunity in the Brisbane forecast compared to some other major cities on the basis of major drivers (Olympics and Paralympics, Rugby World Cup, Queens Wharf). This variable could lead to larger under or overperformance
- **Strong average occupancy of 79% is expected over the forecast period. The progression of supply in the back end of the forecast period will dictate if occupancy breaches 80% this cycle**
  - Just prior to Covid, Brisbane was slowly absorbing recent supply additions. Occupancy levels were resetting from the mid to high 70%'s towards the low 70%'s. At present Brisbane is one of the select few cities that has a higher occupancy in FY2024 than FY2019
  - Looking forward, new supply will limit occupancy growth over the next two or three years. An opportunity to reach 80% emerges towards the back end of the forecast, as major events occur
- **Long-term rate growth expectations are moderate at 3.1% p.a.** Growth and reversion waves are expected from major events around a moderate inflation outlook
  - ARR is generally anticipated to remain elevated as business segments and leisure markets return in an environment where the supply pipeline has been dominated by luxury assets which command higher rates
  - Limited improvement is, however, anticipated in the short term as rates recalibrate following Brisbane's nation leading ADR growth pre to post Covid (48% premium to FY2019). The return of lower yielding market segments (crew, group etc.) will also impact the short term.

ALTERNATIVE SCENARIOS

- We consider forecast risk in this market as moderate. A reasonable RevPAR growth range is between 3.3% and 4.6% p.a, against a most likely 4.2% p.a.
- In Brisbane, demand is the primary risk and opportunity lever this cycle. This mostly relates to the take up of Queens Wharf as a demand driver, and the performance and reversion of major sporting events (Rugby World Cup, Olympics)
  - The downside scenario forecasts long-term RevPAR growth of 3.3% p.a and is impacted by lower demand through peak events. Occupancy averages 76% in this scenario, with rate growth of 2.8% p.a.
  - The upside scenario forecasts long-term RevPAR growth of 4.6% p.a with stronger event demand leading to higher rate growth. Occupancy averages 79% in this scenario, with rate growth of 3.6% p.a.

DRANSFIELD FORECAST *(Annual to FY2027 and summary to FY2033)*

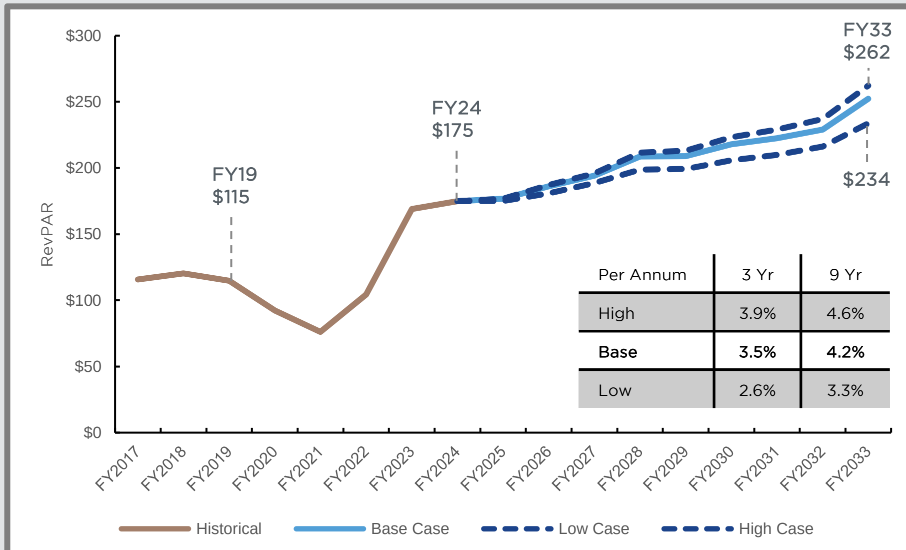
Source: Historical - STR

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2024 Real RevPAR	Occ
ACTUAL									
FY2019	14,495			$159.03		$114.74		$138.62	72.2%
FY2024	14,927	2.1%	6.4%	$234.76	-0.7%	$174.92	3.4%	$174.92	74.5%
FORECAST									
FY2025	15,659	4.9%	6.0%	$234.70	0.0%	$176.70	1.0%	$171.89	75.3%
FY2026	16,227	3.6%	5.0%	$244.08	4.0%	$186.21	5.4%	$175.86	76.3%
FY2027	16,515	1.8%	3.0%	$251.41	3.0%	$194.10	4.2%	$177.97	77.2%
Avg FY2025-2027		3.4%	4.7%		2.3%		3.5%	$175.24	76.3%
FY2033	19,540			$308.73		$252.33		$193.77	81.7%
Avg FY2028-2033		2.8%	3.8%		3.5%		4.5%	$184.25	79.7%
Total Forecast Avg FY2025-2033		3.0%	4.1%		3.1%		4.2%	$181.24	78.6%

***Change in FY2024 compares with FY2023*

DRANSFIELD FORECAST SCENARIOS - REVPAR

Source: Historical - STR



CAIRNS & PORT DOUGLAS

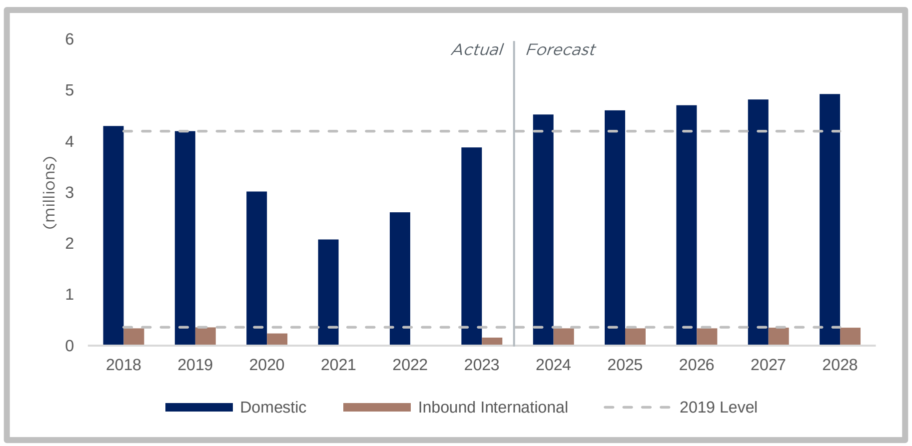
In FY2024 Cairns and Port Douglas hotels performed well despite poor weather and access/airline pricing impacting the market. Occupancy made strong gains although rates were unable to build on premiums garnered though Covid. A benign supply environment is the basis for stable growth going forward, although, weather outcomes will dictate annual peaks and troughs. Full forecast expectations to FY2033 are for 3.1% RevPAR growth p.a.

FY2024 IN REVIEW

	FY2024	Y-o-y % Chng	Pre-Covid FY2019	Relative to Pre-Covid
Establishments	169			
Rooms	11,118	-1.9%	10,484	106%
Occupancy	70.3%	7.0 points	73.4%	96%
Rate	$224	-6.3%	$171	131%
RevPAR	$158	4.1%	$125	126%

Source: STR

BITRE AIRPORT PASSENGER MOVEMENTS – ACTUAL & FORECAST



Source: BITRE Australian Aviation Forecasts – 2024 to 2050

- In FY2024 Cairns and Port Douglas hotels achieved 4.1% RevPAR growth
- Growth was demand driven, increasing 9%. This pushed occupancy levels up 7 percentage points to 70%, helped by a small reduction in supply (1.9%)
- Occupancy improvement was not enough to maintain room rates, which reduced 6.3%, although remain more than 30% above pre-Covid levels
- RevPAR performance was much stronger in the second half of FY2024 (-1.5% decline vs. 6.1% growth on their respective p.c.p's) as inclement weather subsided and governmental tourism initiatives provided a return to travel.

DEMAND DRIVER ANALYSIS

The competition between generating visitor appeal and managing airline access is a key watch over the next few years, with the recovery of international visitation vital for this market. The impact of the low season and continued extreme weather also makes it difficult for demand to grow outside of peak times.

With hotel feasibility proving very difficult, the market will also need to see some major hotel refurbishments to generate market appeal. This is particularly so in Port Douglas, which has not received any material new stock for some time.

Our hotel demand forecast expects long-term growth of 1.9% p.a. Despite the relatively low anticipated growth, this remains materially higher than our supply expectations over the same period. Key indicators include:

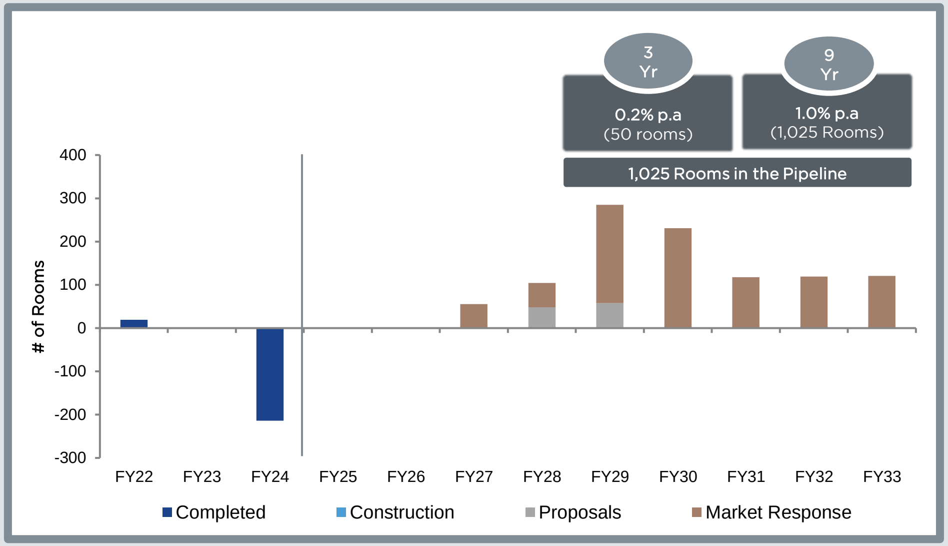
- Tourism Research Australia's Domestic Visitor Night Forecasts for Queensland for 2025-2028 are for 3.5% growth p.a,. International forecasts are not available at the state level; however, across Australia, International growth of nearly 7% p.a is expected over the same period
- The domestic vs international split for nights spent in Cairns and Port Douglas hotels was 73% domestic in the most recent data (CY2023). This is higher than the pre– Covid split (64%)
- BITRE passenger movements are nearing pre-Covid levels for the YTD FY2024 (10 months to April)
- BITRE forecasts for Domestic movement & International inbound for Cairns for the period 2025-2033 are for 2.1% growth p.a.

CAIRNS & PORT DOUGLAS

DRANSFIELD SUPPLY OUTLOOK

- **Dransfield's supply forecast is for 1,025 new rooms over the next 9 years to FY2033 (9% of current stock). This is a very low average annual growth rate of 1.0%.**
- Market response makes up the vast majority of the pipeline. We expect it will be slowly but fully absorbed over the long term when it does arrive
- New supply is highly prospective and back-loaded with no notable projects currently under construction. This means its unlikely any new hotels of scale will arrive for 2-3 years at a minimum
- Several high-profile developments are proposed for arrival through the middle of the forecast, however, we assess prospects at high risk of meeting this timeline, through a combination of feasibility concerns and progress to date. Based on scheme, site and proponent particulars, our expectation is that only 17% of proposed rooms will be delivered as anticipated
- Current proposals are skewed to Port Douglas rather than Cairns following Cairns' influx of new rooms through FY2019-2021. Investment in Port Douglas hotels could rejuvenate the destination's appeal, following a marked improvement in regional leisure assets across Australia, which compete for the same customer base
- The HF2025 forecast sees FY2027 supply below pre-Covid expectations by more than 1,000 rooms with progressed projects (mostly Crystalbrook) completing, however, market response is not eventuating as would be expected given the Covid headwinds.

SUPPLY ACTUAL & FORECAST BY TYPE FY2022-FY2033



SUPPLY PIPELINE BY TYPE & PROPOSAL PROBABILITY

10%	90% (925 rooms)

Proposals – 600 rooms mooted with our assessment of 17% probability to complete (100)

NOTABLE HOTELS - PROPOSED

Property	Address	Scale	Rooms	Opening
Fairmont	Port Douglas Rd, Port Douglas	Luxury	253	N/A
Port Douglas Marina	Wharf St, Cairns City	Upper Upscale	100	N/A
The Davidson	Davidson St, Port Douglas	Upscale	113	N/A

CAIRNS & PORT DOUGLAS

MARKET OUTLOOK

- **RevPAR growth of 3.1% is anticipated to FY2033. This is underpinned by Occupancy improvement in a benign supply environment**
  - Short term underperformance could emerge with hoteliers continuing to recalibrate room rates from Covid premiums. They may chase occupancy, and the inflation rate may also soften
  - Seasonality caps the occupancy position in the mid 70%, therefore the ability to grow room rates will be key to market revenue growth
  - Cairns relative performance, as a higher occupancy but lower rate market, compared to Port Douglas will likely persist
- **Average occupancy of 74% is expected over the forecast period.** This is slightly below recent historical highs of 78% achieved through FY2017-18, just prior to material new supply in Cairns
  - Over the next 3 years, our base case anticipates 3-4 percentage point occupancy growth to 74%, as modest demand growth easily outperforms very limited new supply
  - Performance will continue to be at the whim of mother nature, and seasonality can somewhat cap upside potential. If low season extreme weather events can be avoided there may be a case for upside potential
  - Occupancy should continue to trend upwards over the longer term as no specific impetus for substantial supply or unusual demand growth is anticipated
- **Long-term rate growth expectations are below inflation levels at 2.1% p.a.** This is dragged by a soft medium term whilst occupancy pressures rebuild
  - Over the longer term, we expect more normalised inflationary linked rate growth to emerge
  - Investment into quality (new supply or refurbishment), or a stronger build-up in demand could see a higher rate growth environment emerge.

ALTERNATIVE SCENARIOS

- We consider forecast risk in this market as relatively low, with more upside opportunity than downside risk. A reasonable RevPAR growth range of between 2.8% and 3.6% p.a is expected against a most likely 3.1% p.a.
- Demand is the primary risk lever and rate is the primary opportunity lever in Cairns and Port Douglas
  - The downside scenario forecasts long-term RevPAR growth of 2.8% p.a and is impacted by lower demand through the early term. Occupancy averages 73% in this scenario, with rate growth of 2.0% p.a.
  - The upside scenario forecasts long-term RevPAR growth of 3.6% p.a with stronger demand leading to higher rate growth. Occupancy averages 76% in this scenario, with rate growth of 2.4% p.a.

DRANSFIELD FORECAST *(Annual to FY2027 and summary to FY2033)*

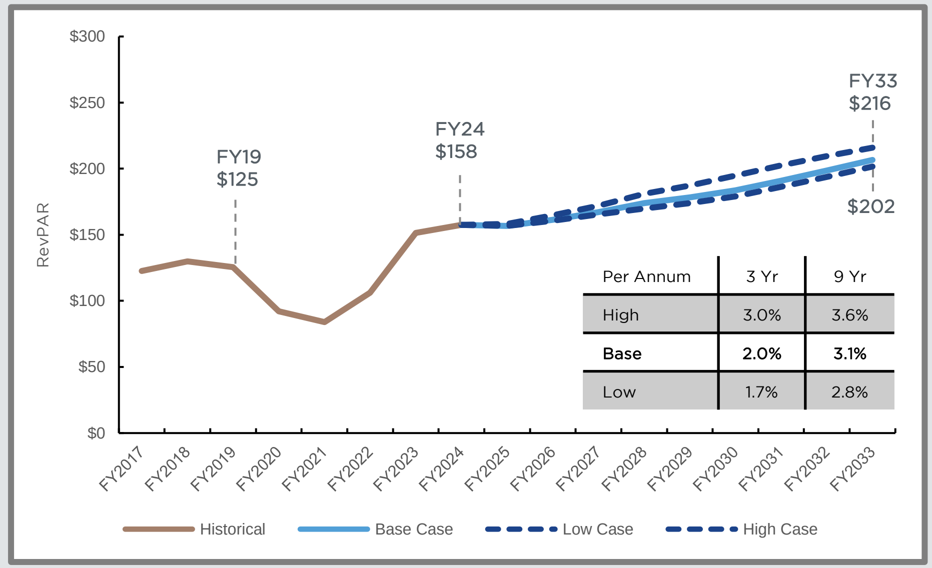
Source: Historical - STR

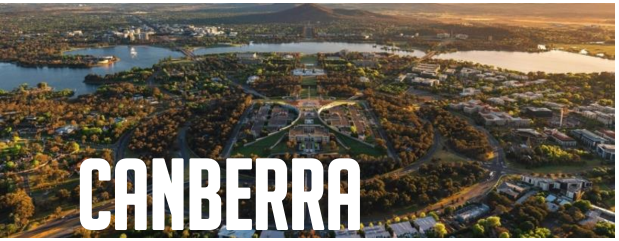
Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2024 Real RevPAR	Occ
ACTUAL									
FY2019	10,484			$170.82		$125.46		$151.57	73.4%
FY2024	11,118	-1.9%	8.9%	$224.17	-6.3%	$157.52	4.1%	$157.52	70.3%
FORECAST									
FY2025	11,118	0.0%	1.5%	$219.69	-2.0%	$156.68	-0.5%	$152.42	71.3%
FY2026	11,118	0.0%	2.0%	$221.89	1.0%	$161.42	3.0%	$152.45	72.7%
FY2027	11,174	0.5%	2.0%	$226.32	2.0%	$167.10	3.5%	$153.22	73.8%
Avg FY2025-2027		0.2%	1.8%		0.3%		2.0%	$152.69	72.6%
FY2033	12,151			$270.24		$206.63		$158.67	76.5%
Avg FY2028-2033		1.4%	2.0%		3.0%		3.6%	$155.72	75.0%
Total Forecast Avg FY2025-2033		1.0%	1.9%		2.1%		3.1%	$154.71	74.2%

***Change in FY2024 compares with FY2023*

DRANSFIELD FORECAST SCENARIOS - REVPAR

Source: Historical - STR





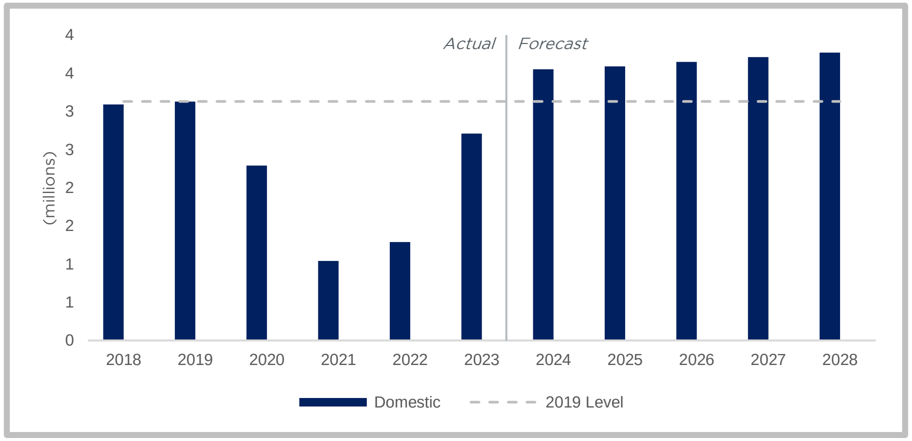
In FY2024 Canberra Hotels recorded a moderate RevPAR decline as occupancy and room rate both contracted. New supply, which was introduced over the past 5-6 years, has not been able to be immediately absorbed in the Covid outrun. A benign supply and demand environment will likely restrain occupancy in the low 70% region, a step below historical levels. Full forecast expectations are for 3.7% growth p.a. to FY2033, from a reasonably low base

FY2024 IN REVIEW

	FY2024	Y-o-y % Chng	Pre-Covid FY2019	Relative to Pre-Covid
Establishments	75			
Rooms	7,792	3.7%	7,040	111%
Occupancy	68.9%	-1.8 points	77.7%	89%
Rate	$197	-4.9%	$173	114%
RevPAR	$136	-7.3%	$134	101%

Source: STR

BITRE AIRPORT PASSENGER MOVEMENTS – ACTUAL & FORECAST



Source: BITRE Australian Aviation Forecasts - 2024 to 2050

- In FY2024, Canberra hotels recorded 7.3% RevPAR decline. It was one of the four major Australian markets to experience an annual decline
- Occupancy contracted 1.8 points to drop below 70%, as a 3.7% increase in supply was unable to be immediately absorbed with a very small increase in demand. At present, demand has not yet returned to pre-Covid levels (98%)
- Room rates fell 4.9% in this environment. Despite being 14% above pre-Covid levels, rates now reside as the lowest absolute position across major Australian city markets.
- RevPAR performance strengthened in the second half of FY2024 (-3% vs. -10% on their respective p.c.p's), albeit remained in the red.

DEMAND DRIVER ANALYSIS

A renewed focus on major events, and investment in existing infrastructure is required for the region to entice new and repeat domestic leisure visitors. There is some upside potential in corporate demand, with office vacancy one of the lowest in the county and material office developments being considered/delivered over the medium term.

Canberra's ability to secure international air routes going forward may also open the region to new markets.

Our hotel demand forecast expects long term growth of 2.8% p.a. This is higher than our supply expectations over the same period. Key indicators include:

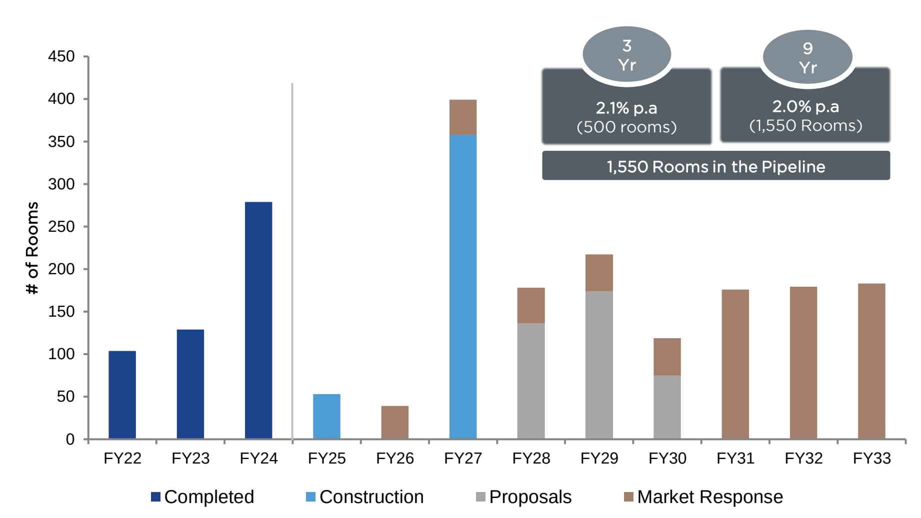
- Tourism Research Australia's Domestic Visitor Night Forecasts for the ACT for 2025-2028 are for 2.7% growth p.a. International forecasts are not available at the state level, however, across Australia International growth of nearly 7% p.a is expected over the same period
- The domestic vs international split for nights spent in Canberra hotels was 88% domestic in the most recent data (CY2023). This is consistent with the pre-Covid split (89%)
- Passenger movements are still well off pre-Covid levels for the YTD FY2024 (10 months to April). Domestic passenger movements are at 89% of pre-Covid levels, and International passenger movements are at a very low 28% of pre-Covid levels
- BITRE forecasts for Domestic travel for Canberra for the period 2025-2033 are for 1.6% growth p.a. This is less relevant then most other cities given Canberra's high drive component. International travel which is anticipated through the forecast period has not been estimated by BITRE.

CANBERRA

DRANSFIELD SUPPLY OUTLOOK

- **Dransfield's supply forecast is for 1,550 new rooms over the next 9 years to FY2033 (18% of current stock). This is a modest average annual growth rate of 2.0%**
- Volume is condensed in the three years between FY2027 and FY2029, following low levels of additions in the next two years. This includes some rooms yet to start construction
- Proposal activity (announcements) has been relatively high compared to market size. It is thinning as several projects are either stalled or have been shelved through the Covid period and have not returned
- Looking at current market fundamentals (occupancy position and absolute room rate), there is a real risk that many of the remaining proposed projects are deferred unless there is an underlying improvement in trading conditions. Based on scheme, proponent and market particulars, our expectation is that 34% of proposed rooms that have yet to break ground will be delivered as anticipated
- Moderate late-term market response has been assumed. This captures some of the assumed proposal delays
- The HF2025 forecast sees FY2027 supply approximately 500 rooms below pre-Covid expectations (-5%%) as Covid headwinds stifled development.

SUPPLY ACTUAL & FORECAST BY TYPE FY2022-FY2033



SUPPLY PIPELINE BY TYPE & PROPOSAL PROBABILITY

27% (425 rooms)	**25%** (375 rooms)	**48%** (750 rooms)

Proposals – 1,150 rooms mooted with our assessment of 34% probability to complete

NOTABLE HOTELS UNDER CONSTRUCTION

Property	Address	Scale	Rooms	Opening
Manuka Hotel	Franklin St	Upper Upscale	120	FY2027
Crystalbrook Garema	Bunda St	Luxury	238	FY2027

CANBERRA

MARKET OUTLOOK

- **RevPAR growth of 3.7% p.a is anticipated to FY2033 from a relatively low base and following contraction in FY2024**
  - Growth is driven by modest demand against a backdrop of subdued supply. This fosters rate growth largely in line with inflation targets
  - The market will likely persist as a low to moderate rate and occupancy market for the life of this forecast
- **Average occupancy of 72% is anticipated over the forecast period. We expect the natural market occupancy level will re-emerge at or around 70%, slightly below recent historic highs, as recent supply has not immediately absorbed**
  - A pause on supply additions over the next two years will provide an opportunity to grow market occupancy, before material new supply is added through the middle of the forecast
  - Occupancy levels are likely to temper as these new rooms are absorbed, unless demand initiatives can take hold
  - With most of the supply pipeline not yet commenced, there is completion risk, which would enable further occupancy upside
- **Long-term rate growth expectations are moderate at 2.9% p.a. This is impacted by short term underperformance as hoteliers jostle for immediate occupancy**
  - Despite a lower ARR premium coming out of Covid, compared to other cities, rate reversion was still experienced in FY2024, and this could continue in the short term
  - Medium term rate growth is relatively flat, averaging 2.0% p.a over the next 3 years. Stronger growth emerges at the back end of the forecast responding to increased occupancy pressures and the low absolute position
  - Rate growth is dependent on the local market investing in a strong recurring events calendar, creating some urgency for travellers, and establishing demand outside of strong school holiday periods.

ALTERNATIVE SCENARIOS

- We consider forecast risk in this market as moderate due to market size and leisure centric demand. The reasonable RevPAR growth range is between 3.0% and 4.7% p.a. against a most likely 3.7% p.a.
- Demand is the primary risk and opportunity lever in Canberra. The ability to appeal to new and repeat visitors, outside of typical parliamentary sitting periods and school holidays, is a key question mark
  - The downside scenario forecasts long-term RevPAR growth of 3.0% p.a and is impacted by lower late term demand. Occupancy averages 71% in this scenario, with rate growth of 2.5% p.a.
  - The upside scenario forecasts long-term RevPAR growth of 4.7% p.a with stronger demand and rate growth. Occupancy averages 74% in this scenario, with rate growth of 3.4% p.a.

DRANSFIELD FORECAST *(Annual to FY2027 and summary to FY2033)*

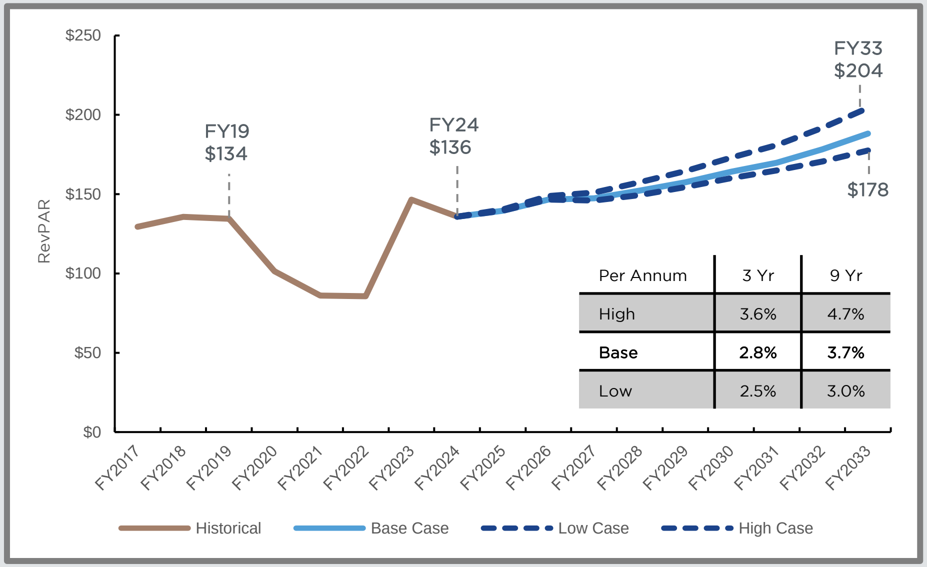
Source: Historical - STR

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2024 Real RevPAR	Occ
ACTUAL									
FY2019	7,040			$173.12		$134.44		$162.42	77.7%
FY2024	7,792	3.7%	1.1%	$197.06	-4.9%	$135.78	-7.3%	$135.78	68.9%
FORECAST									
FY2025	7,845	0.7%	3.5%	$197.06	0.0%	$139.58	2.8%	$135.78	70.8%
FY2026	7,884	0.5%	2.5%	$202.97	3.0%	$146.63	5.0%	$138.48	72.2%
FY2027	8,283	5.1%	2.5%	$209.06	3.0%	$147.34	0.5%	$135.10	70.5%
Avg FY2025-2027		**2.1%**	**2.8%**		**2.0%**		**2.8%**	**$136.45**	**71.2%**
FY2033	9,336			$255.73		$188.16		$144.49	73.6%
Avg FY2028-2033		**2.0%**	**2.8%**		**3.4%**		**4.2%**	**$138.86**	**72.0%**
Total Forecast Avg FY2025-2033		2.0%	2.8%		2.9%		3.7%	$138.06	71.7%

***Change in FY2024 compares with FY2023*

DRANSFIELD FORECAST SCENARIOS - REVPAR

Source: Historical - STR



In FY2024 Darwin hotels recorded the largest RevPAR decline of all major Australian city markets. RevPAR is above pre-Covid levels, but well below the resources led highs of FY2014-15. Poor underlying market metrics, headlined by 60% occupancy, mean there is very limited scope for any feasible new supply or significant rate growth. Demand growth, however, remains the primary question, with a slow burn back to moderate occupancy expected. Full forecast expectations to FY2033 are for 5.0% growth p.a., off a very low base

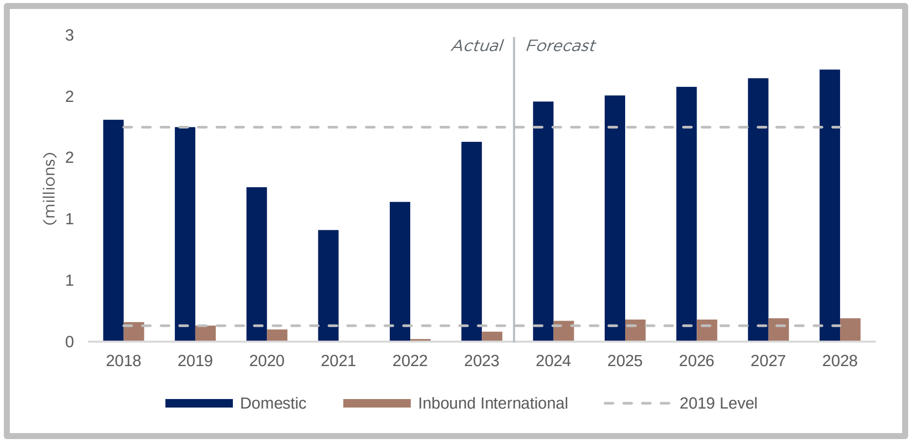
FY2024 IN REVIEW

	FY2024	Y-o-y % Chng	Pre-Covid FY2019	Relative to Pre-Covid
Establishments	52			
Rooms	5,514	-0.1%	5,540	100%
Occupancy	54.9%	-2.9 points	59.1%	93%
Rate	$200	-7.6%	$149	134%
RevPAR	$110	-12.3%	$88	124%

Source: STR

- In FY2024 Darwin hotels recorded a significant 12.3% RevPAR decline
- The market contraction was both demand and rate led, with Occupancy falling 2.9 percentage points to 55% which is the lowest since 1989 (excluding Covid affected years)
- Room rates fell 7.6% from post-Covid highs, albeit remain 34% above pre-Covid
- There was no new supply in FY2024, continuing the trend since FY2017
- RevPAR decline slowed significantly in the second half of FY2024. Perhaps a sign the bottom has passed.

BITRE AIRPORT PASSENGER MOVEMENTS – ACTUAL & FORECAST



Source: BITRE Australian Aviation Forecasts - 2024 to 2050

DEMAND DRIVER ANALYSIS

In association with building off-peak visitation and improving airline access and flight schedules, Darwin needs to invest in regional promotion following poor PR associated with anti-social behaviour in the broader district.

Major infrastructure projects have historically provided valuable but short term demand boosts during development phases. They are not the solution to long term sustainability for hotel operations in Darwin.

Our hotel demand forecast expects long term growth of 3.2% p.a. This is below TRA expectations and follows prior year underperformance. Demand expectations remain materially higher than our supply expectations over the same period. Key indicators include:

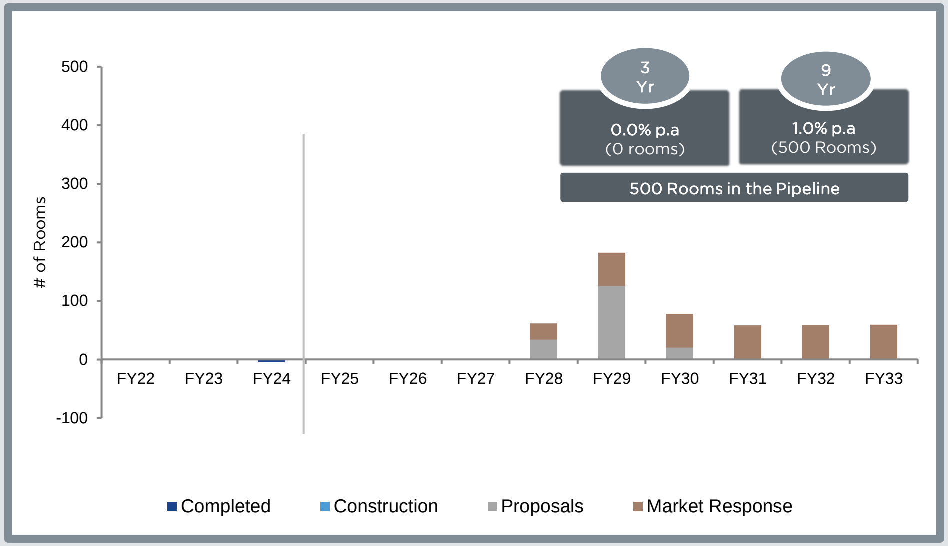
- Tourism Research Australia's Domestic Visitor Night Forecasts for the Northern Territory for 2025-2028 are for 7.3% growth p.a. International forecasts are not available at the state level, however, across Australia International growth of nearly 7% p.a is expected over the same period
- The domestic vs international split for nights spent in Darwin hotels was 88% domestic in the most recent data (CY2023). This is higher than the pre-Covid split (80%)
- BITRE forecasts for Domestic movement & International inbound for Darwin for the period 2025-2033 are for 3.2% growth p.a.

DRANSFIELD SUPPLY OUTLOOK

Dransfield's supply forecast is for 500 new rooms over the next 9 years to FY2033 (9% of current stock). This is a very low average annual growth rate of 1.0%

- Low expectations follow recent supply trends, with the market averaging just 0.1% annual growth over the past 7 years. No material supply has been added since FY2016. The market did not fully absorb those supply additions prior to Covid, and the pandemic compounded the issue
- Hotel feasibility will remain extremely challenging and unlikely over the longer term. With the exception of infrastructure led or government backed development, we cannot see a hotel being developed for pure financial reasons for some time
- At present there are no hotels under construction, with the portside Westin project now appearing to be abandoned
- Proposal activity is limited to a couple of projects, all of which have significant risk to complete. The Convention Centre hotel is perhaps the best placed. If this asset can help drive conferencing and events in Darwin, this could be a boon for the wider market
- Market response over the life of the forecast is below 350 rooms, at an average of 0.6% per annum. There is real risk that these do not eventuate if trading metrics do not improve over the medium term. There is also potential that some older or poorly located properties may close over the longer term.

SUPPLY ACTUAL & FORECAST BY TYPE FY2022-FY2033



SUPPLY PIPELINE BY TYPE & PROPOSAL PROBABILITY

36% (175 rooms)	64% (325 rooms)

Proposals – 900 rooms mooted with our assessment of 20% probability to complete

NOTABLE HOTELS - PROPOSED

Property	Address	Scale	Rooms	Opening
Westin	Kitchener Dr	Luxury	200	N/A
Convention Hotel	Stokes Hill Road Rd	Upper Upscale	236	N/A

DARWIN

MARKET OUTLOOK

- **RevPAR growth of 5.0% is anticipated to FY2033. Despite the relatively high growth rate, this is off a very low starting point in a market with almost no new supply expected**
  - The region is expected to remain a low occupancy market throughout the forecast period. This will not provide any upward pressure on room rates
  - Even with above inflation growth, the resulting absolute RevPAR over the long term is still lower than all other markets
  - Due to the small market scale, and seasonal demand, minor changes in specific levers can have a pronounced effect on performance. For this reason, Darwin has the highest level of forecast risk of any of the markets covered
- **Average occupancy of 62% is expected over the forecast period. This compares to the five-year average of 68% prior to Covid**
  - Modest demand growth is likely to see occupancy build slowly, reaching just 60% by FY2027
  - Seasonality will continue to impact leisure tourists. This makes it difficult to see occupancy rise above the mid 60% mark long term
  - Identifiable prospects which drive demand growth appear limited, although the slated 25% expansion to the convention centre capacity, and its related infrastructure, could open up previously closed out event opportunities
- **Long-term rate growth expectations of 2.7% p.a are below long term inflation targets. Inflation should underpin rate growth, however, the response from hoteliers will play a major role as the competition for occupancy increases**
  - We expect no rate growth in FY2025 as the market stems recent losses
  - The 3 year outlook is for minor rate growth averaging 1.3% per annum. In a sub 60% environment, it is difficult to see any outperformance
  - Rate growth above inflation is perhaps only available over the longer term as occupancy levels reach seasonal friction points.

ALTERNATIVE SCENARIOS

- We consider forecast risk in this market as high, with a reasonable RevPAR growth range of between 4.0% and 5.8% p.a off a very low base, against a most likely 5.0% p.a
- Demand is the primary risk and opportunity lever in Darwin, as both corporate and leisure travel outlook remains clouded
  - The downside scenario forecasts long-term RevPAR growth of 4.0% p.a and is impacted by lower demand. Occupancy averages 61% in this scenario, with rate growth of 2.2% p.a.
  - The upside scenario forecasts long-term RevPAR growth of 5.8% p.a with stronger demand and rate growth. Occupancy averages 64% in this scenario, with rate growth of 2.9% p.a.

DRANSFIELD FORECAST *(Annual to FY2027 and summary to FY2033)*

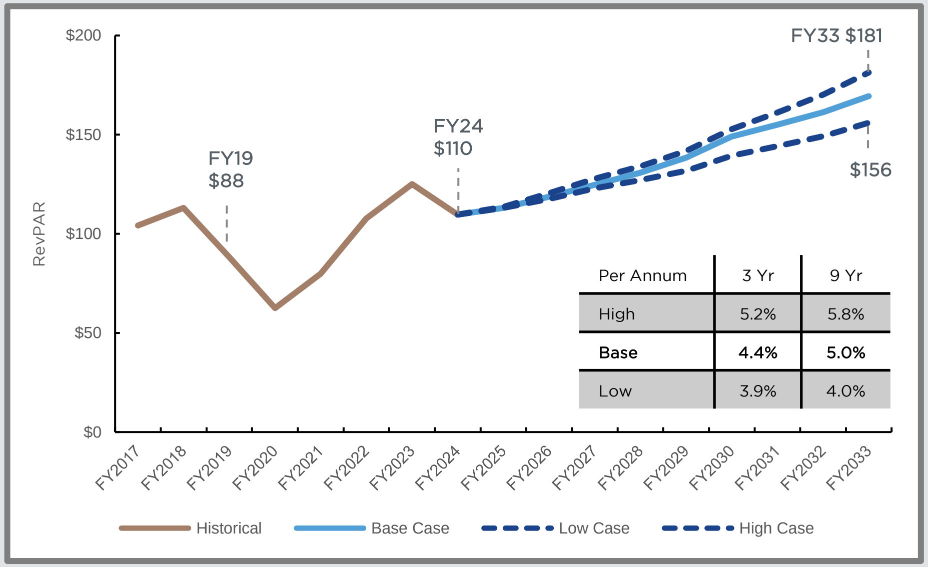
Source: Historical - STR

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2024 Real RevPAR	Occ
ACTUAL									
FY2019	5,540			$149.23		$88.16		$106.51	59.1%
FY2024	5,514	-0.1%	-5.1%	$199.83	-7.6%	$109.69	-12.3%	$109.69	54.9%
FORECAST									
FY2025	5,514	0.0%	3.0%	$199.83	0.0%	$112.98	3.0%	$109.90	56.5%
FY2026	5,514	0.0%	3.0%	$203.82	2.0%	$118.69	5.1%	$112.10	58.2%
FY2027	5,514	0.0%	3.0%	$207.90	2.0%	$124.70	5.1%	$114.34	60.0%
Avg FY2025-2027		**0.0%**	**3.0%**		**1.3%**		**4.4%**	**$112.11**	**58.3%**
FY2033	6,013			$253.09		$169.41		$130.09	66.9%
Avg FY2028-2033		**1.5%**	**3.3%**		**3.3%**		**5.2%**	**$124.18**	**64.2%**
Total Forecast Avg FY2025-2033		1.0%	3.2%		2.7%		5.0%	$120.16	62.2%

***Change in FY2024 compares with FY2023*

DRANSFIELD FORECAST SCENARIOS - REVPAR

Source: Historical - STR



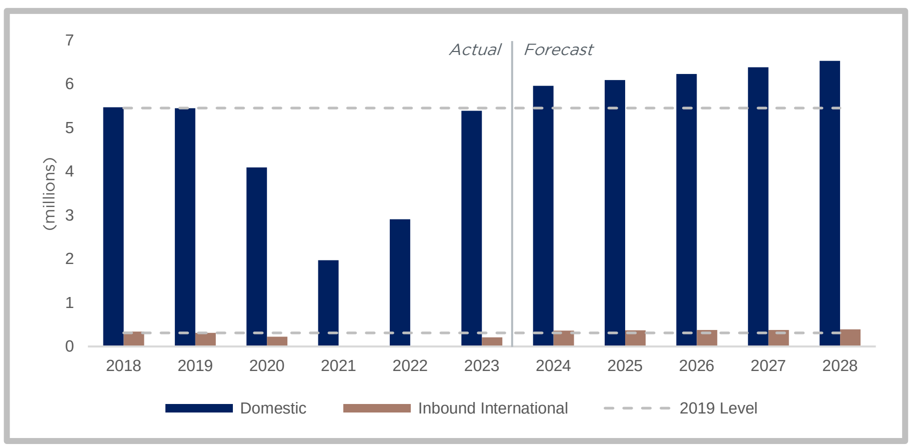
In FY2024 Gold Coast hotel RevPAR contracted slightly as rates softened from very high post pandemic levels. Occupancy was stable at 70%, and is just shy of pre-Covid levels. The outlook is favourable with occupancy expected to improve slightly over the medium and longer term. Modest supply arrivals include a number of mooted projects which are yet to start construction and are considered at risk. Full forecast expectations to FY2033 are for 3.1% RevPAR growth p.a.

FY2024 IN REVIEW

	FY2024	Y-o-y % Chng	Pre-Covid FY2019	Relative to Pre-Covid
Establishments	355			
Rooms	21,057	-0.6%	21,467	98%
Occupancy	69.5%	0.0 points	70.2%	99%
Rate	$274	-1.6%	$197	139%
RevPAR	$190	-1.6%	$139	137%

Source: STR

BITRE AIRPORT PASSENGER MOVEMENTS – ACTUAL & FORECAST



Source: BITRE Australian Aviation Forecasts - 2024 to 2050

- In FY2024 Gold Coast hotel RevPAR contracted by 1.6% following a very strong FY2023
- Occupancy levels maintained at 70%, only slightly behind pre-Covid levels following strong returning demand in the prior year. Room rates reduced 1.6%, although remain well above historical highs
- RevPAR performance improved in the second half of FY2024 recording minor growth on the p.c.p compared with decline in the first half. The uptick encompassed both occupancy and rate
- The market continues to be one of the most diverse in terms of the number and types of offerings, how they are managed (traditional resorts vs formal and informal strata), and their relative performance. This is somewhat driven by the blanket dual zone usage on the Gold Coast. This can lead to significant variation in performance across market segments, particularly for informal apartment letting.

DEMAND DRIVER ANALYSIS

Re-igniting repeat visitation through investment in new and existing accommodation, infrastructure, and key attractions will be important to demand growth this cycle. This is particularly relevant around Surfers Paradise which has recently been somewhat under invested compared to other nearby areas.

Extending shoulder and off-peak needs to be a focus. Building a consistent conference and events calendar, outside existing peak school holiday periods, is an opportunity which could reap material rewards.

Visitation for some core, price-sensitive, market segments may currently be negatively impacted by price relatively to alternate leisure destinations. The high watermark rates have undermined the historic value proposition.

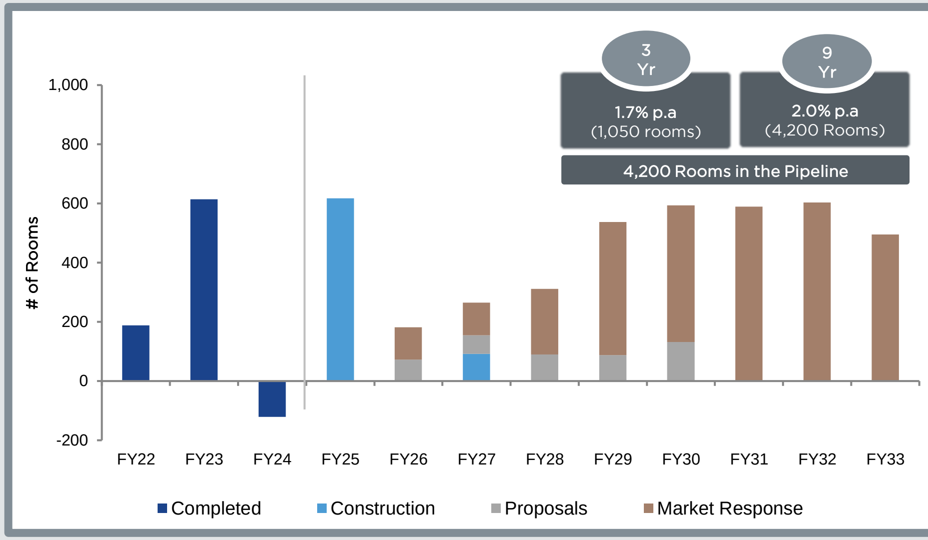
Our hotel demand forecast expects long term growth of 2.9% p.a. This is higher than our supply expectations over the same period. Key indicators include:

- Tourism Research Australia's Domestic Visitor Night Forecasts for Queensland for 2025-2028 are for 3.5% growth p.a.
- The domestic vs international split for nights spent in Gold Coast hotels was 78% domestic in the most recent data (CY2023). This is higher than the pre-Covid split (71%)
- BITRE passenger movements have fully recovered and are now at 103% of pre-Covid levels for the YTD FY2024 (10 months to April)
- BITRE forecasts for Domestic movement & International inbound for the Gold Coast for the period 2025-2033 are for 2.3% growth p.a.

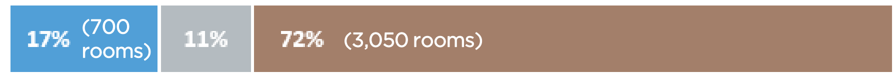
DRANSFIELD SUPPLY OUTLOOK

- **Dransfield's supply forecast is for 4,200 new rooms over the next 9 years to FY2033 (20% of current stock). This is a modest average annual growth rate of 2.0%. The forecast recognises a significant proportion of 'market response' which are future projects that have not yet been conceived**
- We expect new supply will be fully absorbed over the long term
- Our supply outlook is higher than historical averages, which has been more like 1% p.a. This is being driven by the volume of apartment development activity. The nature of the dual zoning on the Gold Coast means that these apartments can be used for short-term accommodation. Whilst some of this additional supply may not be formally identified in the statistics, it is important to recognise it as they can affect traditional hotel offerings/trading
- Several projects are currently under construction and due to open in the next 12 months. These are skewed to the upper upscale and luxury positioning
- Live proposals total approximately 2,000 rooms over 12 projects. Many appear at reasonable risk of not progressing. We anticipate just 23% of these rooms will eventuate as proposed (volume and timing). We also downgraded a further 20+ projects, which we have been tracking over the last 5 years, which now appear to be abandoned, have changed use, or will likely need significant modification to re-ignite
- Stand-alone hotel feasibility on the Gold Coast has always been challenging. Hotel components are usually part of a larger mixed-use residential project. These rely on the successful pre-sale of residential apartments to secure funding and trigger construction. This factor makes hotel delivery timelines difficult to predict
- The high quality/positioning of the new and proposed supply, in both the hotel and apartment markets will elevate the Gold Coast and enhance its appeal to visitors who may not have previously considered the area as a holiday destination.

SUPPLY ACTUAL & FORECAST BY TYPE FY2022-FY2033



SUPPLY PIPELINE BY TYPE & PROPOSAL PROBABILITY



Proposals – 1,950 rooms mooted with our assessment of 23% probability to complete (450)

NOTABLE HOTELS UNDER CONSTRUCTION

Property	Address	Scale	Rooms	Opening
Mondrian Burleigh	The Esplanade and First Ave	Luxury	208	FY2025
The Star 4th Tower	Star Casino	Upper Upscale	210	FY2025
Kirra Beach Hotel	Miles St and Marine Parade	Upper Upscale	92	FY2027

GOLD COAST

MARKET OUTLOOK

- **RevPAR growth of 3.1% p.a is anticipated to FY2033. Stronger growth is expected over the back half of the forecast following a room rate reset in the medium term**
  - The Gold Coast hotel market is mature and of sufficient scale that limits the wild annual movements in RevPAR that are often experienced in smaller cities
  - As a seasonal leisure market it is very difficult for the Gold Coast to achieve occupancies above the low 70's, meaning that growth is more reliant on ARR gains, which is difficult when the market is fully priced
  - Growth expectations are in line with long term inflation targets
- **Average occupancy of 73% is expected over the forecast period, finalising recovery to its natural market occupancy of the low to mid 70's**
  - Medium term occupancy growth is likely subdued as the Covid funnelled visitor flows which helped drive the recovery now compete with short haul international destinations and cost of living pressures
  - The longer term outlook remains stable, with modest growth towards the back end, tempered by the seasonality ceiling
- **Long-term rate growth expectations are moderate at 2.2% p.a. This is impacted by short and medium-term recalibration from very high levels**
  - We expect low ARR growth of around 1% p.a. over the next 3 years as the reversion from high rates driven by pent up domestic leisure demand plays out in an environment of only moderate occupancy pressure. This reset will also realign rates which were becoming somewhat uncompetitive to alternate leisure destinations around the country
  - The longer term outlook has a more favourable tone, with growth expected largely in line with inflation
  - In the lead up to the 2032 Olympics the Gold Coast market will benefit, from the nearby Brisbane Olympics visitation.

ALTERNATIVE SCENARIOS

- We consider forecast risk in this market as low, with a reasonable RevPAR growth range of between 2.2% and 3.3% p.a., against a most likely 3.1% p.a.
- Demand is the primary risk lever due to the value appeal of the market relative to alternate leisure destinations. Rate is the primary opportunity lever
  - The downside scenario forecasts long-term RevPAR growth of 2.2% p.a and is impacted by lower demand and rate growth. Occupancy averages 71% in this scenario, with rate growth of 1.7% p.a.
  - The upside scenario is somewhat capped by market size. It forecasts long-term RevPAR growth of 3.3% p.a with stronger rate growth in the middle of the forecast. Occupancy averages 73% in this scenario, with rate growth of 2.4% p.a.

DRANSFIELD FORECAST *(Annual to FY2027 and summary to FY2033)*

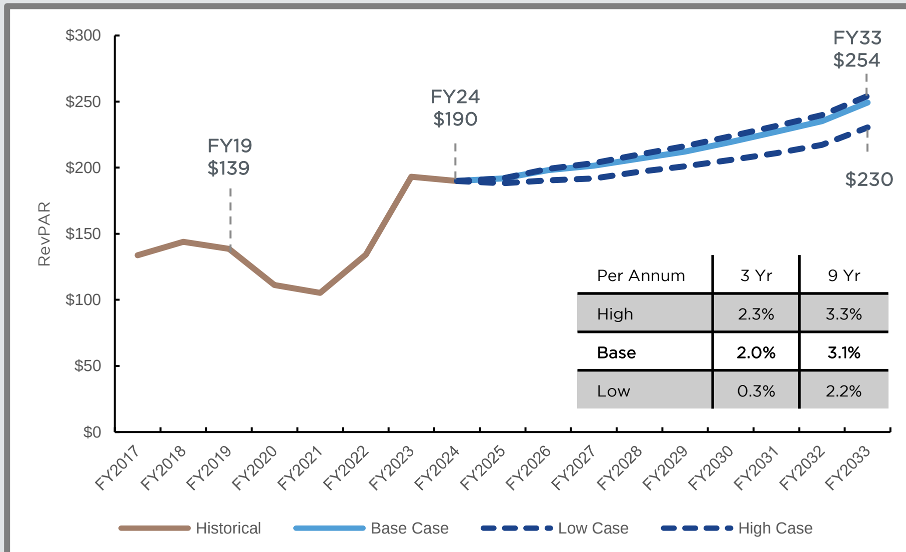
Source: Historical - STR

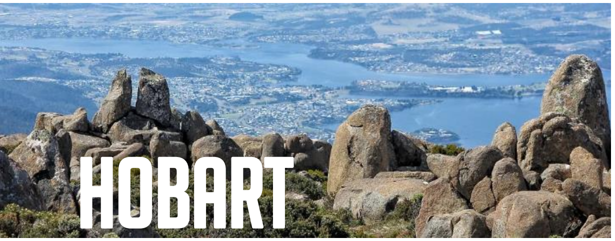
Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2024 Real RevPAR	Occ
ACTUAL									
FY2019	21,467			$197.44		$138.60		$167.44	70.2%
FY2024	21,057	-0.6%	-0.6%	$273.58	-1.6%	$190.00	-1.6%	$190.00	69.5%
FORECAST									
FY2025	21,675	2.9%	4.0%	$273.58	0.0%	$191.97	1.0%	$186.74	70.2%
FY2026	21,856	0.8%	3.0%	$276.31	1.0%	$198.05	3.2%	$187.04	71.7%
FY2027	22,121	1.2%	2.0%	$279.08	1.0%	$201.59	1.8%	$184.84	72.2%
Avg FY2025-2027		**1.7%**	**3.0%**		**0.7%**		**2.0%**	**$186.21**	**71.4%**
FY2033	25,252			$333.20		$249.28		$191.43	74.8%
Avg FY2028-2033		**2.2%**	**2.8%**		**3.0%**		**3.6%**	**$185.67**	**73.2%**
Total Forecast Avg FY2025-2033		2.0%	2.9%		2.2%		3.1%	$185.85	72.6%

Note: Letting pool inflows and outflows are substantial in this market. This means base supply numbers between various sets can be materially different ***Change in FY2024 compares with FY2023*

DRANSFIELD FORECAST SCENARIOS - REVPAR

Source: Historical - STR





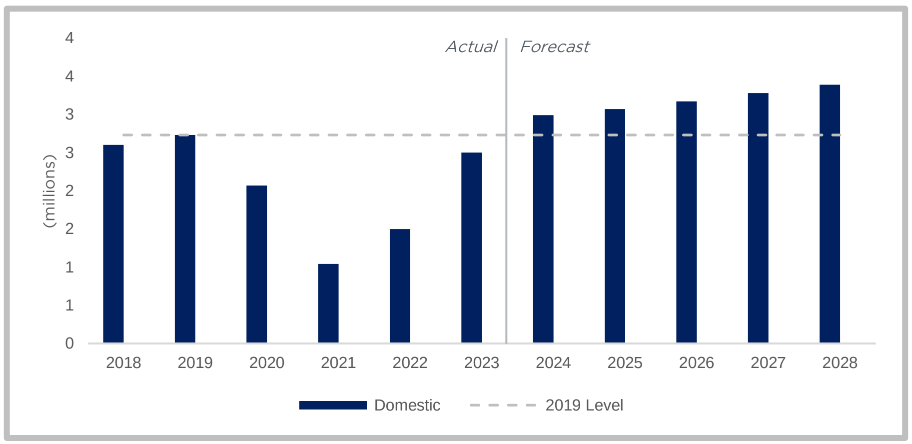
In FY2024 Hobart hotels revenue contracted substantially with reductions in both occupancy and room rate. This reset was impacted by material supply through Covid. Additional new supply is expected in the short term which will drag performance, before stronger long term growth opportunities arise as supply additions slow and several structural changes to demand occur. This is led by sporting leisure demand occurring in the low season. Occupancy should push to the high 70% in the next few years. Full forecast expectations to FY2033 are for 3.4% RevPAR growth p.a.

FY2024 IN REVIEW

	FY2024	Y-o-y % Chng	Pre-Covid FY2019	Relative to Pre-Covid
Establishments	73			
Rooms	4,287	-2.2%	3,353	128%
Occupancy	73.6%	-1.7 points	82.0%	90%
Rate	$213	-6.7%	$184	116%
RevPAR	$157	-8.8%	$151	104%

Source: STR

BITRE AIRPORT PASSENGER MOVEMENTS – ACTUAL & FORECAST



Source: BITRE Australian Aviation Forecasts - 2024 to 2050

- In FY2024 Hobart hotels recorded a substantial 8.8% RevPAR decline
- Occupancy levels fell 1.7 percentage points as demand reduced from historic highs, although remain above pre-Covid levels (115%). The absorption of material supply through FY2020-FY2022 has affected baseline occupancy and room rates in the run out of Covid. This is extending the recovery timeline
- Market contraction was more pronounced in the winter period, with hoteliers linking holes in the events calendar, such as Dark Mofo's hiatus, to performance, which started to revert to more normalised patterns after a Covid induced surge
- Rates responded poorly, falling 6.7%, and now sit at the lower end of major Australian cities despite being one of the stronger markets prior to the pandemic. Rate contraction in the second half of the year was almost double the rate of the first half.

DEMAND DRIVER ANALYSIS

The long term demand outlook is favourable with Hobart's entry into the AFL in 2028 in association with a 23,000 person stadium providing the impetus for new and repeat visitation, especially in the low winter period. New/increased international visitation is also expected, paved by the expansion of the airport in 2027.

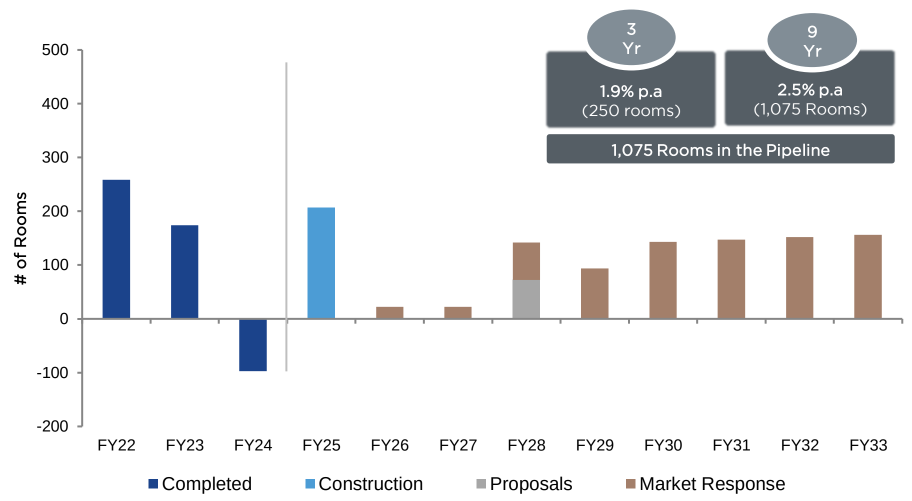
Our hotel demand forecast expects long term growth of 3.3% p.a. This is higher than our supply expectations over the same period. Key indicators include:

- Tourism Research Australia's Domestic Visitor Night Forecasts for Tasmania for 2025-2028 are for 3.4% growth p.a,. International forecasts are not available at the state level, however, across Australia International growth of nearly 7% p.a is expected over the same period
- The domestic vs international split for nights spent in Hobart hotels was 85% domestic in the most recent data (CY2023). This is higher than the pre-Covid split (77%)
- BITRE domestic passenger movements are nearing pre-Covid levels (98%) for the YTD FY2024 (10 months to April)
- BITRE forecasts for Domestic movement for Hobart for the period 2025-2033 are for 3.2% growth p.a. International travel has not been estimated by BITRE on a state basis.

DRANSFIELD SUPPLY OUTLOOK

- **Dransfield's supply forecast is for 1,075 new rooms over the next 9 years to FY2033 (25% of current stock). This is an average annual growth rate of 2.5%.**
- We expect rooms will be fully absorbed over the long term
- The opening of the Hilton in FY2025 will mark the end of a significant supply boom, which increased rooms available by over 1,000 or 34% since FY2019
- Going forward, proposal activity is very low following abandonment of several potential projects more recently. Proposals make up just 7% of our current pipeline expectations
- The vast majority of the pipeline is made up of future market response allowance. These are projects that are not attributable to any live site at present, but are likely based on market conditions. As occupancy pushes towards the high 70's over the medium term, we expect developers to again consider Hobart on financial merit. Considerable growth is, however, likely to be moderated by the relatively neutral rate position
- The HF2025 forecast sees FY2027 supply in line with pre-Covid expectations, as most projects were well progressed at the time of the pandemic, and were not materially affected.

SUPPLY ACTUAL & FORECAST BY TYPE FY2022-FY2033



SUPPLY PIPELINE BY TYPE & PROPOSAL PROBABILITY

19% (200 rooms)	7%	74% (800 rooms)

Proposals – 150 rooms mooted with our assessment of 50% probability to complete (75)

NOTABLE HOTELS UNDER CONSTRUCTION

Property	Address	Scale	Rooms	Opening
Hilton Macquarie St	Macquarie St	Upscale	206	FY2025

HOBART

MARKET OUTLOOK

- **RevPAR growth of 3.4% is anticipated to FY2033. This is driven by consistent demand growth in a relatively modest new supply environment**
  - Growth is somewhat capped by the substantial supply additions through the last six to seven years. These have impacted base occupancy and created rate pressures over the medium term, however, the forecast is overarchingly positive
  - The ability to foster events like Dark Mofo in the short term and the AFL in the longer term are key drivers for low season visitation. Individual events are quite important for this small hotel market
- **A relatively high average occupancy of 78% is expected over the forecast period. There are several years required to build to this level**
  - Limited growth is anticipated in FY2025 as the last portion of supply under construction arrives
  - Moderate growth should eventuate over the following 2-3 years as a favourable supply and demand equation takes hold, although seasonality will likely limit performance below 80%
  - Late term occupancy is forecast to remain in the high 70% range, subject to the arrival of additional supply (market response)
- **Long-term rate growth expectations are modest at 2.6% p.a**. This is dragged by a soft FY2025, before trending in line with inflation targets
  - Short term rate performance may be challenged as the rate reversion which impacted the back end of FY2024 is likely continue through 1H FY2025
  - Medium term rate growth may continue slightly below inflation whilst occupancy rebuilds
  - New quality supply, and the higher base occupancy from new event demand and increased air capacity, should promote greater opportunity for hoteliers to move on room rates
  - Rate growth outperformance could eventuate if the market response supply does not progress.

ALTERNATIVE SCENARIOS

- We consider forecast risk in this market as moderate, with a reasonable RevPAR growth range of between 3.0% and 4.7% p.a. against a most likely 3.4% p.a.
- Demand is the primary risk and opportunity lever in Hobart, with event volume likely to be at the forefront of performance and growth
  - The downside scenario forecasts long-term RevPAR growth of 3.0% p.a and is impacted by lower demand through the early term. Occupancy averages 77% in this scenario, with rate growth of 2.3% p.a.
  - The upside scenario forecasts long-term RevPAR growth of 4.7% p.a with stronger demand leading to higher rate growth. Occupancy averages 80% in this scenario, with rate growth of 3.3% p.a.

DRANSFIELD FORECAST *(Annual to FY2027 and summary to FY2033)*

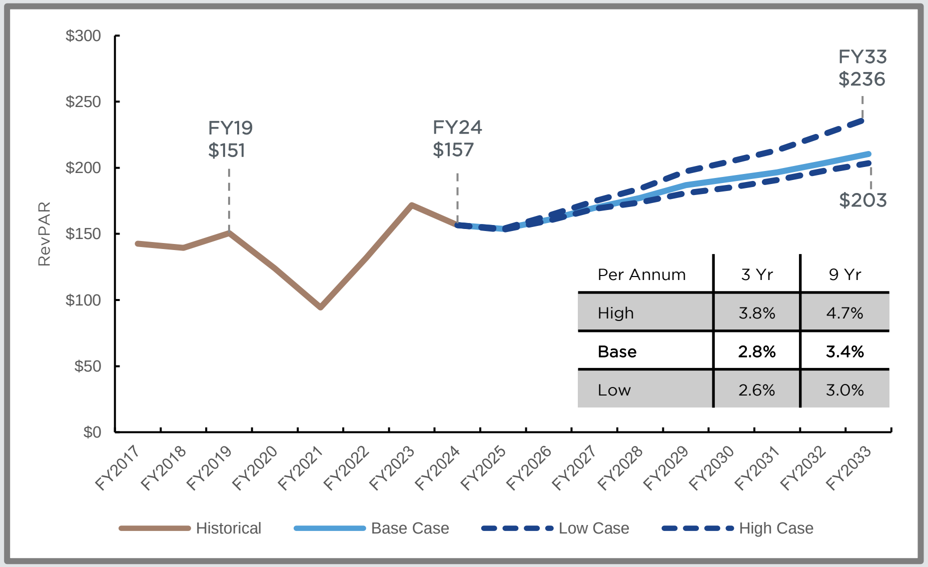
Source: Historical - STR

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2024 Real RevPAR	Occ
ACTUAL									
FY2019	3,353			$183.53		$150.50		$181.83	82.0%
FY2024	4,287	-2.2%	-4.4%	$212.98	-6.7%	$156.69	-8.8%	$156.69	73.6%
FORECAST									
FY2025	4,493	4.8%	5.0%	$208.72	-2.0%	$153.84	-1.8%	$149.65	73.7%
FY2026	4,515	0.5%	3.0%	$212.90	2.0%	$160.82	4.5%	$151.88	75.5%
FY2027	4,538	0.5%	3.0%	$219.28	3.0%	$169.76	5.6%	$155.66	77.4%
Avg FY2025-2027		1.9%	3.7%		1.0%		2.8%	$152.40	75.6%
FY2033	5,372			$266.96		$210.46		$161.62	78.8%
Avg FY2028-2033		2.9%	3.2%		3.3%		3.7%	$160.45	78.9%
Total Forecast Avg FY2025-2033		2.5%	3.3%		2.6%		3.4%	$157.77	77.8%

***Change in FY2024 compares with FY2023*

DRANSFIELD FORECAST SCENARIOS - REVPAR

Source: Historical - STR



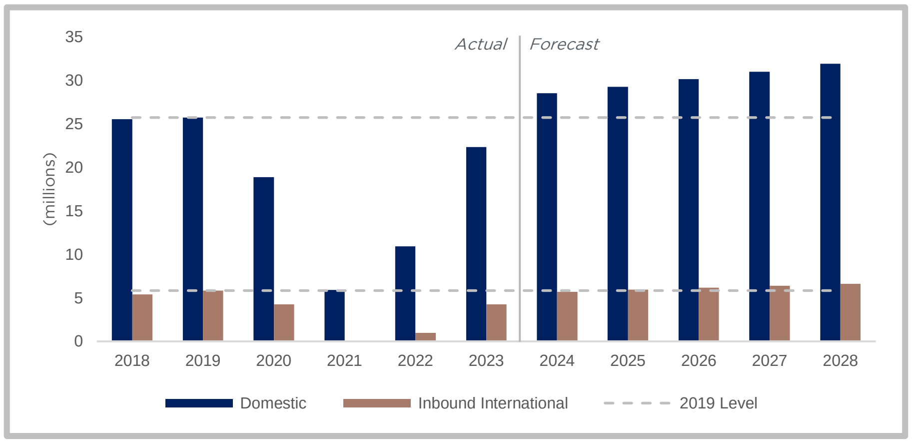
In FY2024 Melbourne hotel RevPAR grew slightly below inflation. Modest new supply compounded the material additions over the last few years restraining Occupancy to early 70%. The occupancy position continues to be the main drag on revenue performance despite demand building well out of Covid. Over the longer term we expect a more neutral supply pipeline which will be easily absorbed, driving revenue opportunities. There is, however, still several years in Melbourne's recovery arc. Full forecast expectations are for 5.1% growth p.a. to FY2033, albeit from a low base

FY2024 IN REVIEW

	FY2024	Y-o-y % Chng vs FY 2023	Pre-Covid FY2019	Relative to Pre-Covid
Establishments	237			
Rooms	30,608	1.8%	25,874	118%
Occupancy	71.7%	4.0 points	82.9%	86%
Rate	$234	-3.3%	$198	118%
RevPAR	$168	2.5%	$164	102%

Source: STR

MELBOURNE AIRPORTS PASSENGER MOVEMENTS – ACTUAL & FORECAST



Source: BITRE Australian Aviation Forecasts – 2024 to 2050

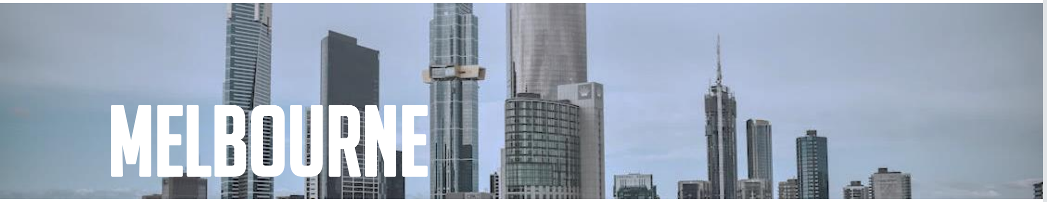
- In FY2024 Melbourne hotels achieved 2.5% RevPAR growth. Occupancy growth of 4.0 percentage points offset 3.3% rate decline as lower-yielding customers re-entered the market and price competition intensified. Rates remain 18% higher than pre-Covid levels
- The city added a relatively modest 600 rooms (1.8% growth). Whilst not significant alone compared to market size, this compounded material and consistent supply additions of circa 5,000 rooms over the five years from FY2019 (18.5% increase in absolute market size). The supply arrivals over this time were the largest in the country by some margin
- Absolute demand has recovered well and exceeds pre-Covid levels (102%), however, occupancy dragged compared to some other cities which didn't have the same level of new supply over this period
- RevPAR performance was stronger in the second half of FY2024 (1.4% vs. 3.9% on their respective p.c.p's). Room rate decline slowed in the second half despite the rate of occupancy growth being consistent.

DEMAND DRIVER ANALYSIS

Consolidation in domestic business visitation, large format conferencing and the continued rise/return of international visitors is anticipated to drive Melbourne demand growth above organic levels in the short and medium term. The significant recent supply, whilst somewhat of a handbrake to revenue performance, provides opportunity for demand growth, which is not available in Sydney.

Our hotel demand forecast expects long term growth of 3.7% p.a. This is materially higher than our supply expectations over the same period. Key indicators include:

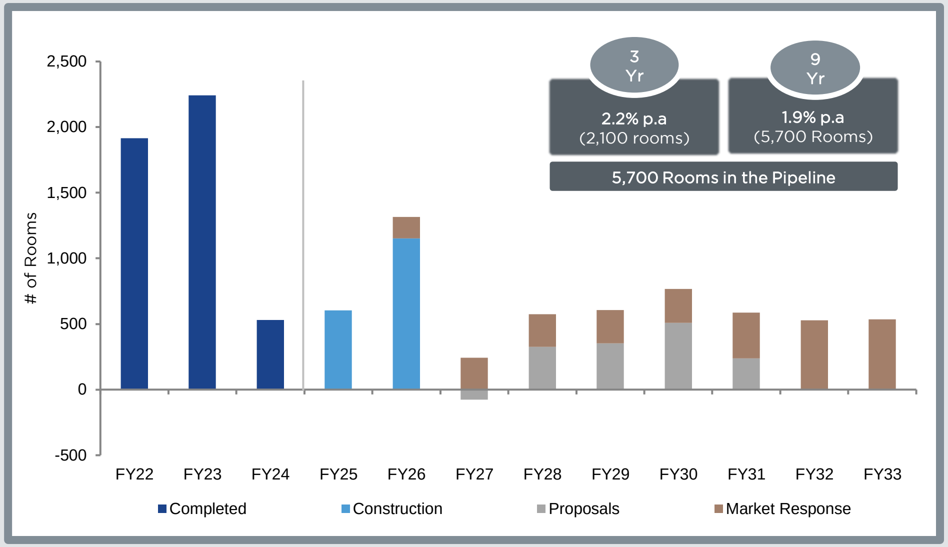
- Tourism Research Australia's domestic visitor night forecasts for Victoria for 2025-2028 are for 2.6% growth p.a,. International forecasts are not available at the state level, however, across Australia International growth of nearly 7% p.a is expected over the same period
- The domestic vs international split for nights spent in Melbourne hotels was 65% domestic in the most recent available data (CY2023). This is consistent with the pre-Covid split (65%)
- BITRE recorded passenger movements are nearing pre-Covid levels for the YTD FY2024 (10 months to April)
  - Domestic passenger movements are at 93% of pre-Covid levels
  - International passenger movements are at 96% of pre-Covid levels
- BITRE forecasts for the period 2025-2033 for domestic movement & international inbound for Melbourne are for 3% growth p.a.



DRANSFIELD SUPPLY OUTLOOK

- **Dransfield's supply forecast is for a quite neutral 5,700 new rooms over the next 9 years to FY2033 (19% of current stock). This is an average annual growth rate of 1.9%.**
- The relatively low supply is the impetus for market growth this cycle. We expect the rooms will be fully absorbed over the long term
- The supply forecast is front-loaded recognising two years of material supply currently under construction (31% of the total pipeline). A pause is anticipated over the longer term as new and pending projects are impacted by reduced feasibility based on current market performance and construction trends. This is despite many proponents having already acquired the land and obtained development approvals
- The balance of the pipeline is made up of proposal activity and future 'market response' which has materialisation risk. Under-delivery has been an ongoing trend in Melbourne, with more than 30 announced projects either being abandoned, changed use or significantly delayed over the last five years
- Based on scheme, site and proponent particulars, our expectation is that only 34% of the proposed rooms that have yet to break ground will be delivered as announced. This rate of delivery is in line with historical results
- Medium to large luxury and upscale hotels are the dominant segments this cycle. Despite the high positioning, many are in secondary CBD fringe and nearby suburbs. This may heighten discounting behaviour as hotels jostle for fair market share
- The HF2025 forecast sees FY2027 supply approximately 3,000 total rooms below our HF2019 (pre-Covid) expectations as projects stalled or were abandoned through the intervening period.

SUPPLY ACTUAL & FORECAST BY TYPE FY2022-FY2033



SUPPLY PIPELINE BY TYPE & PROPOSAL PROBABILITY

31% (1,750 rooms)	24% (1,350 rooms)	45% (2,600 rooms)

Proposals – 4,000 rooms mooted with our assessment of 34% probability to complete

NOTABLE HOTELS UNDER CONSTRUCTION

Property	Address	Scale	Rooms	Opening
Lanson Place	Albert St	Luxury	137	FY2025
Melbourne Place	Russell St	Upscale	189	FY2025
1 Hotel	Maritime Place	Luxury	277	FY2025
Shangri-La	Exhibition St	Luxury	500	FY2026
A by Adina	Queensbridge St	Upper Upscale	200	FY2026

MELBOURNE

MARKET OUTLOOK

- **RevPAR growth of 5.1% is anticipated to FY2033. This is the strongest growth outlook across major markets, from a low base. At the absolute level, there are still several years in Melbourne's recovery arc as occupancy in the low 70%'s take time to push back towards 80%**
  - Consistent slow occupancy improvement is expected for the life of the forecast, enabled by a neutral supply pipeline and the low starting position
  - Rate opportunities should generally persist in this environment, although material new supply in secondary locations could take some heat out of the market through price competition. The evolution of a two-tier market is something to watch for over the medium term
- **Average occupancy of 80% is expected over the forecast period, returning to near pre-Covid levels of 80%+ towards the back end**
  - Occupancy in this cycle is expected to reset slightly below the historically high mid 80%'s just prior to Covid. This is primarily due to supply arrivals in the immediately preceding period rather than any fundamental demand issue
  - Faster occupancy growth is anticipated in the first three years of the forecast as normalised demand patterns continue to evolve and supply is modest
- **Long-term rate growth expectations are moderate at 3.3% p.a. This is underpinned by a favourable supply and demand equation and continuing inflationary pressures offset by lower initial occupancy**
  - Despite being well above pre-Covid levels, rates are growing slightly behind actual inflation adjusted levels using FY2019 as the base (refer to page 6 for details)
  - The occupancy position somewhat caps rate growth through the first several forecast years. The market continues to absorb the back end of a substantial supply cycle, which also impacts the compression night outperformance opportunity
  - In the medium term, returning high-yield segments (business and international leisure markets) and continued inflationary pressure are anticipated to offset the return of some lower yielding segments (crew, group travel) and higher interest rates which may curb spending.

ALTERNATIVE SCENARIOS

- We consider forecast risk in this market as moderate, with a reasonable RevPAR growth range of between 3.8% and 5.8% p.a. against a most likely 5.1% p.a.
- In Melbourne, supply and demand are both primary risk levers and demand and rate are the primary opportunity levers
  - The downside scenario forecasts long-term RevPAR growth of 3.8% p.a and is impacted by lower demand in the early years, which affects rate growth. Additional supply could also present despite unfavourable development conditions. Occupancy averages 76% in this scenario, with rate growth of 2.7% p.a.
  - The upside scenario forecasts long-term RevPAR growth of 5.8% p.a with higher early term demand and rate growth. Occupancy averages 82% in this scenario, with rate growth improved to 3.7% p.a.

DRANSFIELD FORECAST *(Annual to FY2027 and summary to FY2033)*

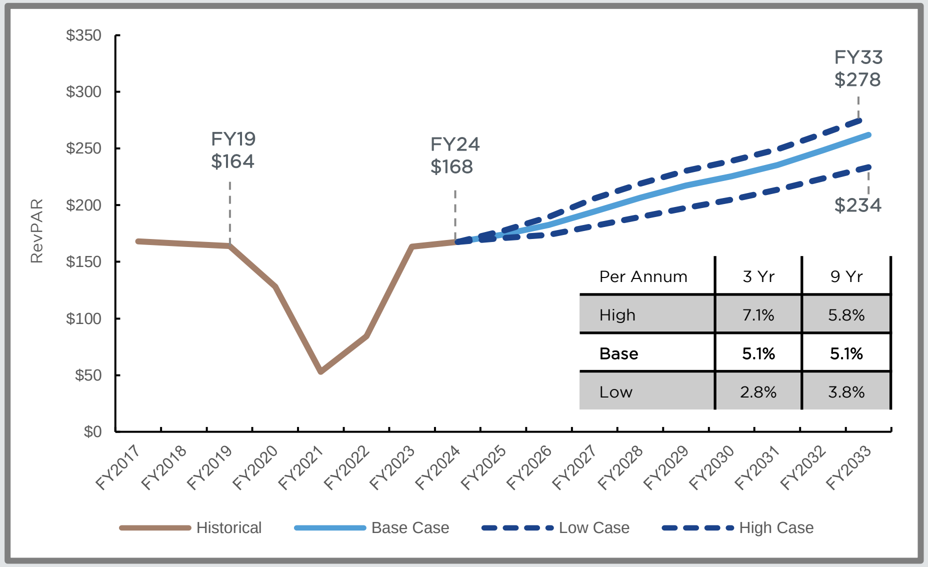
Source: Historical - STR

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2024 Real RevPAR	Occ
ACTUAL									
FY2019	25,874			$197.61		$163.87		$197.98	82.9%
FY2024	30,608	1.8%	7.8%	$233.77	-3.3%	$167.57	2.5%	$167.57	71.7%
FORECAST									
FY2025	31,211	2.0%	6.0%	$233.77	0.0%	$174.19	4.0%	$169.45	74.5%
FY2026	32,526	4.2%	6.0%	$240.79	3.0%	$182.50	4.8%	$172.35	75.8%
FY2027	32,693	0.5%	4.0%	$248.01	3.0%	$194.49	6.6%	$178.33	78.4%
Avg FY2025-2027		2.2%	5.3%		2.0%		5.1%	$173.38	76.2%
FY2033	36,291			$313.75		$262.07		$201.24	83.5%
Avg FY2028-2033		1.8%	2.8%		4.0%		5.1%	$191.80	82.0%
Total Forecast Avg FY2025-2033		1.9%	3.7%		3.3%		5.1%	$185.66	80.1%

***Change in FY2024 compares with FY2023*

DRANSFIELD FORECAST SCENARIOS - REVPAR

Source: Historical - STR



PERTH

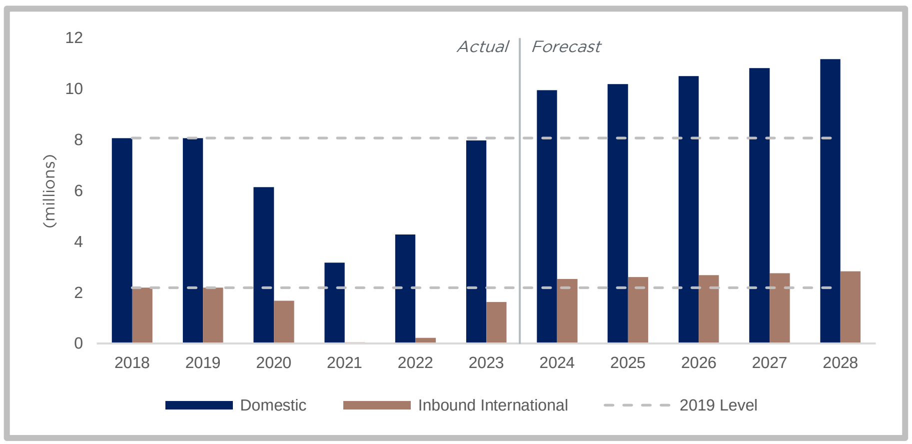
In FY2024, Perth hotels continued to make strides, recording double digit RevPAR growth on the back of robust increases in both demand and room rate. Modest supply additions over the preceding few years have helped occupancy recovery. Perth is one of the few markets with occupancy sitting higher than FY2019. The medium and long term outlook is favourable with front loaded growth until responding supply arrives. Occupancy is expected to maintain at or around 80% for the life of the forecast. Full forecast expectations are for 3.5% growth p.a. to FY2033

FY2024 IN REVIEW

	FY2024	Y-o-y % Chng	Pre-Covid FY2019	Relative to Pre-Covid
Establishments	74			
Rooms	10,357	-0.8%	9,268	112%
Occupancy	76.0%	4.7 points	74.1%	103%
Rate	$234	3.2%	$171	137%
RevPAR	$178	10.0%	$127	140%

Source: STR

BITRE AIRPORT PASSENGER MOVEMENTS – ACTUAL & FORECAST



Source: BITRE Australian Aviation Forecasts – 2024 to 2050

- In FY2024 Perth hotels achieved double digit RevPAR growth of 10%
- Growth was demand led, now sitting at 115% of pre-Covid levels. Coupled with a negligible movement in supply, this enabled Occupancy to improve by 4.7 percentage points to 76%. Occupancy now exceeds FY2019 levels, although remains several points behind the historical highs in the mid 80% over the last decade, and prior to the arrival of substantial supply prior to Covid
- Room rates compounded by 3.2% on their already elevated position. Rates now sit more than 35% above pre-Covid levels
- RevPAR growth softened slightly in the second half of FY2024 (11% vs. 9% on their respective p.c.p's). This was evident in both occupancy and room rate, and could be a sign of a normalising future environment.

DEMAND DRIVER ANALYSIS

Perth's progression towards a more well-balanced leisure mix will be important to longer term demand. A key opportunity is enhancing the volume of activities or POI's in or near the CBD. This would assist in extending the ALOS which has been identified as a target by government.

From a corporate perspective, Perth suffers from the migration to video conferences more than other CBD's. This highlights the importance of the leisure guest in Perth.

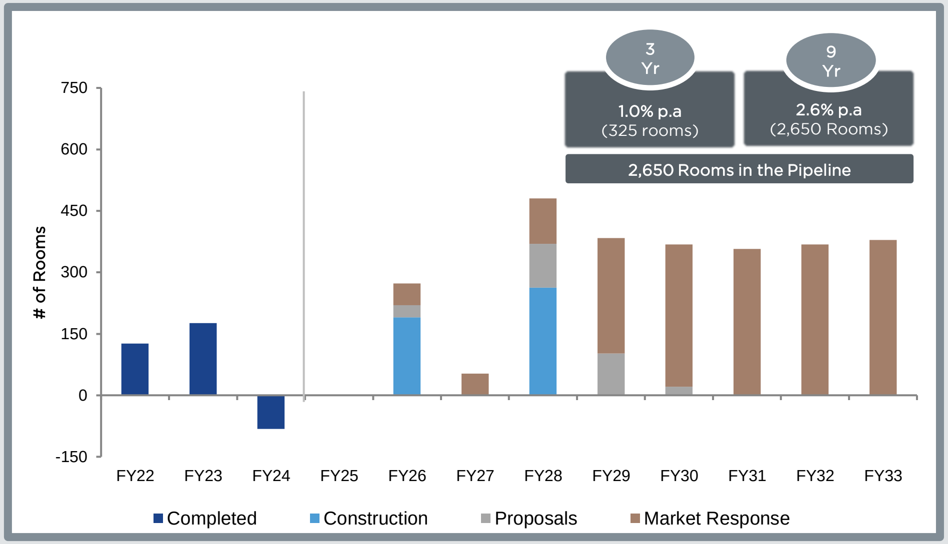
Our hotel demand forecast expects long term growth of 3.0% p.a. This is higher than our supply expectations over the same period. Key indicators include:

- Tourism Research Australia's Domestic Visitor Night Forecasts for Western Australia for 2025-2028 are for 2.5% growth p.a. International forecasts are not available at the state level, however, across Australia International growth of nearly 7% p.a is expected over the same period
- The domestic vs international split for nights spent in Perth hotels was 66% domestic in the most recent data (CY2023). This is unusually lower than the pre-Covid split (71%)
- BITRE passenger movements are nearing pre-Covid levels for the YTD FY2024 (10 months to April). Due to the high level of FIFO movements through Perth Airports, this passenger movement stat can be somewhat misleading relative to hotel demand
- BITRE forecasts for Domestic movement & International inbound for Perth for the period 2025-2033 are for 3.0% growth p.a.

DRANSFIELD SUPPLY OUTLOOK

- **Dransfield's supply forecast is for 2,650 new rooms over the next 9 years to FY2033 (26% of current stock). This is a modest average annual growth rate of 2.6%.**
- We expect rooms will be fully absorbed over the long term
- The supply cycle is back ended, and has now bottomed out following material and consistent additions just prior and through Covid. This sees current construction and proposal activity at very low levels. Over the next 3 years, supply growth averaging just 1.0% p.a is expected
- The vast majority of future rooms are a market response allowance. These will need to be conceived from about FY2026 for delivery from FY2029. Whilst there could be a case for more market response over the back half of the forecast, given the strong anticipated occupancy, we expect the high construction cost environment, and lower recent hotel sale values compared to development cost, may stifle project commencement
- The majority of live projects are part of larger mixed-use projects or local area rejuvenation/redevelopment. Positioning is in the upscale rather than luxury or budget segments which were more prominent in the prior cycle
- As expected, the HF2025 forecast sees FY2027 supply largely in line with our pre-Covid expectations as the major delivery window was just prior to Covid.

SUPPLY ACTUAL & FORECAST BY TYPE FY2022-FY2033



SUPPLY PIPELINE BY TYPE & PROPOSAL PROBABILITY

Proposals – 900 rooms mooted with our assessment of 27% probability to complete (250)

NOTABLE HOTELS UNDER CONSTRUCTION

Property	Address	Scale	Rooms	Opening
EQ West	Lots 2 & 3 Elizabeth Quay	Luxury	190	FY2026
Dorsett	Wellington Street	Luxury	263	TBA

PERTH

MARKET OUTLOOK

- **RevPAR growth of 3.5% p.a is anticipated to FY2033, off a reasonably high base. Anticipated high occupancy at or around 80% for the life of the forecast will foster rate growth at least in line with inflation**
  - Growth is front loaded, averaging over 5% p.a in the medium term as supply additions are low
  - Perth remains a relatively small accommodation market with predominantly resource related corporates. The size and segmentation carries high inherent volatility around relatively minor supply and or demand shocks. This means there is higher forecast risk and larger sensitivity spread
- **Average occupancy of 79% is expected over the forecast period. Only minor vacillation is expected throughout the forecast**
  - Moderate occupancy growth is anticipated in the next 2-3 years, from current levels of 76%, as modest supply is easily absorbed
  - We think a position at or near 80% is likely to be the sustainable natural position going forward rather than the high 80's of years past. This is given the larger size of the contemporary market and expansion of leisure visitor segments who can be more variable than corporate segments
- **Long-term rate growth expectations are moderate at 3.1% p.a**. ARR is anticipated to remain in an elevated post-Covid position. This is underpinned by stable occupancy and normalised inflation levels. The high starting point is likely to reduce some outperformance opportunity
  - We do not anticipate any major vacillation from inflation levels unless there is a considerable movement to either supply or demand which is not currently visible in any of the indicators
  - Medium term rate growth of 3.3% p.a is largely in line with longer term expectations.

ALTERNATIVE SCENARIOS

- We consider forecast risk in this market as medium to high, with a reasonable RevPAR growth range of between 2.7% and 3.9% p.a. against a most likely 3.5% p.a.
- Supply is the primary risk lever, and rate is the primary opportunity lever in Perth
  - The downside scenario forecasts long-term RevPAR growth of 2.7% p.a and is impacted by lower occupancy in the back half of the forecast. Occupancy averages 78% in this scenario, with rate growth of 2.9% p.a.
  - The upside scenario forecasts long-term RevPAR growth of 3.9% p.a with stronger rate growth in the back end. Occupancy averages 80% in this scenario, with rate growth of 3.3% p.a.

DRANSFIELD FORECAST *(Annual to FY2027 and summary to FY2033)*

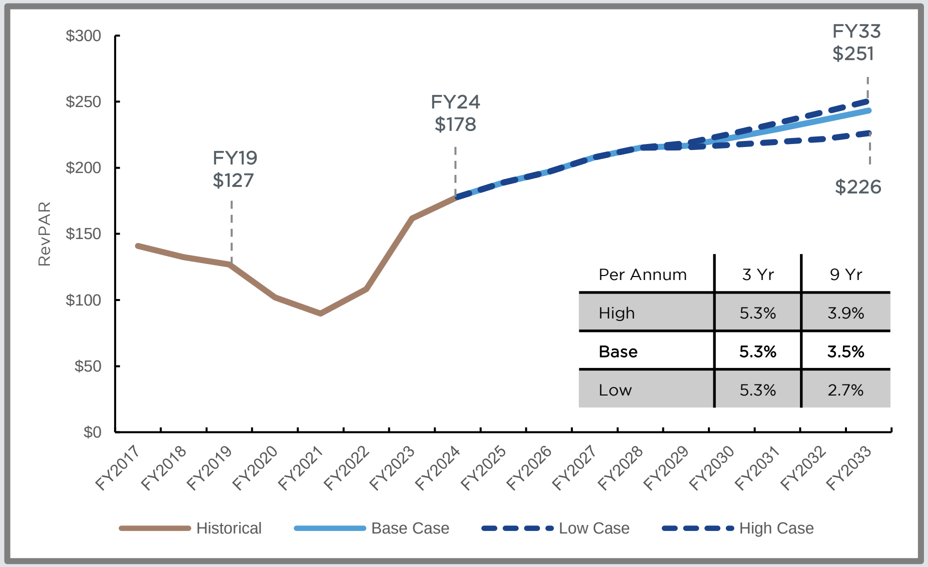
Source: Historical - STR

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2024 Real RevPAR	Occ
ACTUAL									
FY2019	9,268			$171.26		$126.92		$153.34	74.1%
FY2024	10,357	-0.8%	5.8%	$234.14	3.2%	$177.97	10.0%	$177.97	76.0%
FORECAST									
FY2025	10,357	0.0%	3.0%	$241.17	3.0%	$188.81	6.1%	$183.67	78.3%
FY2026	10,630	2.6%	3.0%	$250.81	4.0%	$197.06	4.4%	$186.11	78.6%
FY2027	10,683	0.5%	3.0%	$258.34	3.0%	$208.02	5.6%	$190.74	80.5%
Avg FY2025-2027		**1.0%**	**3.0%**		**3.3%**		**5.3%**	**$186.84**	**79.1%**
FY2033	13,020			$308.44		$243.32		$186.84	78.9%
Avg FY2028-2033		**3.4%**	**3.0%**		**3.0%**		**2.7%**	**$187.71**	**79.1%**
Total Forecast Avg FY2025-2033		2.6%	3.0%		3.1%		3.5%	$187.42	79.1%

***Change in FY2024 compares with FY2023*

DRANSFIELD FORECAST SCENARIOS - REVPAR

Source: Historical - STR



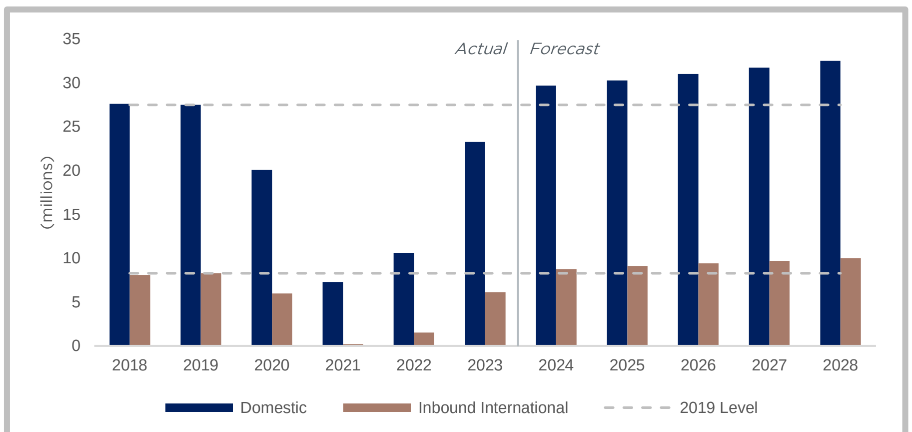
In FY2024 Sydney Hotel performance led the country with double digit RevPAR growth. Growth was predominantly demand driven, with Sydney the first major market in the country to top 80% occupancy. This provided an environment for rate growth despite an already elevated post-Covid position. Over the medium and long term, supply constraints should facilitate very high occupancy levels and generate room rate opportunities. Full forecast expectations to FY2033 are for 4.2% growth p.a.

FY2024 IN REVIEW

	FY2024	Y-o-y % Chng	Pre-Covid FY2019	Relative to Pre-Covid
Establishments	171			
Rooms	25,983	3.3%	23,712	110%
Occupancy	80.1%	7.2 points	86.4%	93%
Rate	$317	3.8%	$225	124%
RevPAR	$254	14.1%	$220	115%

Source: STR

SYDNEY AIRPORTS PASSENGER MOVEMENTS – ACTUAL & FORECAST



Source: *BITRE Australian Aviation Forecasts – 2024 to 2050*

- In FY2024 Sydney hotels achieved 14.1% RevPAR growth. Demand was the prime driver, improving 13.5%, and reaching 102% of pre-Covid levels. This pushed occupancy up 7.2 percentage points to 80%, despite moderate supply growth of 3.3%
- Rate growth was able to compound in this environment, growing 3.8%. This was opposite to most other major markets which experienced a slight reset following the Covid elevation. A range of major events in Sydney also spiked rates throughout the year. It will be interesting to see if there is any reversionary effect next year
- Overall, Sydney's performance extended its position as the strongest market in the country with absolute RevPAR $70+ higher than the next market
- RevPAR performance slowed in the second half of FY2024 (20% vs. 10% on their respective p.c.p's). This was mostly the effect of the more recovered position by the same time in the prior year. This should see more normalised growth patterns going forward.

DEMAND DRIVER ANALYSIS

Over the short and medium term, increased work from office sentiment, a strong event and conference calendar and the continued return and growth of Chinese and Indian inbound travellers is expected to drive the next wave of demand.

In the long term, Sydney is in an enviable position where any significant demand growth will need to be facilitated by supply growth in the next cycle. If the supply doesn't arrive, demand will soon be restrained and this may refer demand to fringe suburbs and even other major cities.

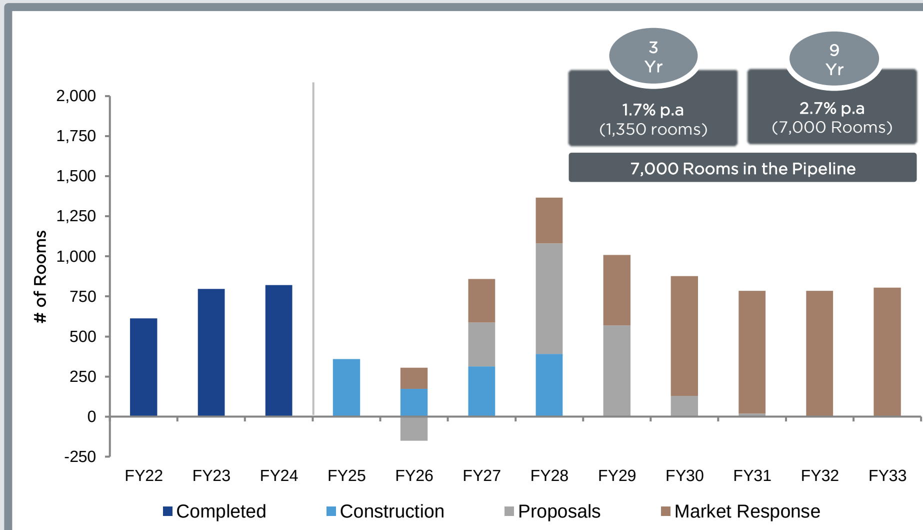
Our hotel demand forecast expects long term growth of 3.6% p.a. This is materially higher than our supply expectations over the same period. Key indicators include:

- Tourism Research Australia's Domestic Visitor Night Forecasts for NSW for 2025-2028 are for 2.9% growth p.a. International forecasts are not available at the state level, however, across Australia International growth of nearly 7% p.a is expected over the same period
- The Domestic vs International split for nights spent in Sydney hotels was 54% in the most recent data (CY2023). This is consistent with the pre–Covid split (54%)
- BITRE passenger movements are nearing pre-Covid levels for the YTD FY2024 (10 months to April)
  - Domestic passenger movements are at 90% of pre-Covid levels
  - International passenger movements are at 93% of pre-Covid levels
- BITRE forecasts for Domestic movement & International inbound for Sydney for the period 2025-2033 are for 2.5% growth p.a. The emergence of access through the Western Sydney Airport will be vital in opening up capacity.

DRANSFIELD SUPPLY OUTLOOK

- **Dransfield's supply forecast is for 7,000 new rooms over the next 9 years to FY2033 (26% of current stock). This is a relatively modest average annual growth rate of 2.7%.**
- We expect conservative demand expectations will fully absorb the additional supply, as has been the case in the past. Sydney is expected to remain supply-constrained over the long term
  - Site availability and highest and best-use contests continue to be the primary impediments to supply growth. At the simplest level, well-located residential is still selling for up to 3 times the sqm rate of hotels
  - Softer sentiment in the commercial sector could improve hotel development prospects if office headwinds persist and capital flows shift
- Only 18% of the supply forecast relates to projects that are in construction
- Proposal numbers are moderate, although many have material progression risk. Based on scheme, site and proponent particulars, our expectation is that only 34% of proposed rooms, that have yet to break ground, will be delivered as anticipated. Many of these proposals are part of larger mixed-use developments which have alternate triggers, or have not progressed through Covid and may need to pass an updated business case
- The supply forecast recognises a significant 59% proportion as future 'market response'. These are projects that have not yet been conceived, but respond to market conditions at various decision points
  - The large market response allowance is cognisant of the mix of strong trading conditions and the current lack of available sites
  - Market response supply decisions will need to be made by FY2026-27 for delivery from about FY2030, recognising the typical commercialisation timeline of a minimum of 3-4 years, but often longer
- The average hotel size is smaller this development cycle, with very few projects over 250 rooms. Going forward, we are unlikely to see many big boxes, with these larger blocks generally leaning towards alternate use or mixed use
- Pipeline geography is skewed to the Southern end of town between Town Hall and Haymarket, although the vast majority of these are still in the proposal stage. Construction activity is more evenly dispersed across the city
- The HF2025 forecast sees FY2027 supply approximately 5,500 rooms below our HF2019 (pre-Covid) expectations as projects stalled, changed use or were abandoned.

SUPPLY ACTUAL & FORECAST BY TYPE FY2022-FY2033



SUPPLY PIPELINE BY TYPE & PROPOSAL PROBABILITY

18% (1,250 rooms) | **22%** (1,500 rooms) | **59%** (4.250 rooms)

Proposals – 4,500 rooms mooted with our assessment of 34% probability to complete

NOTABLE HOTELS UNDER CONSTRUCTION

Property	Address	Scale	Rooms	Opening
25 Hours	Oxford St	Upper Upscale	105	FY2025
NH Collection	Wentworth Ave	Upper Upscale	254	FY2025
Caption by Hyatt	Parker St	Upscale	174	FY2026
City Tattersalls	Pitt Street	Upper Upscale	101	FY2027
Waldorf Astoria	Circular Quay	Luxury	225	FY2027

SYDNEY

MARKET OUTLOOK

- **RevPAR growth of 4.2% is anticipated to FY2033. This is underpinned by supply constrained demand which drives high occupancy and creates room rate pressure**
  - Growth is front-loaded through to FY2027 as demand continues to recover above organic levels and supply additions remain low. We expect the elevated post-Covid room rates will persist in these conditions, with the market coming to accept that you will need to pay up to stay in Sydney
  - Sydney will likely extend it's RevPAR gap between the next best performers over the longer term. A return to the past is the narrative, with Sydney expected to again be effectively "full" within the next 2-3 years
- **Average occupancy of 86% is expected over the forecast period. Nominal short term supply additions will finalise occupancy recovery, returning to pre-Covid levels of 85%+ in the next 24 months**
  - It is difficult to envisage a scenario where supply additions exceed demand growth, unless there is a fundamental improvement in market delivery conditions. This has not occurred in Sydney for over 25 years, despite ultra high occupancies. Accordingly, high occupancy appears inevitable for the foreseeable future
  - Forecast risk is considered low due to the high level of self-regulation possible through the supply being a market response allowance
  - Any lack of supply will benefit fringe suburbs and other gateway cities (Melbourne/Brisbane etc.) as meetings, events and discretionary travel is redirected
- **Long-term rate growth expectations are moderate at 3.3% p.a**. Growth is somewhat limited by the extremely high base levels at present
  - A slight readjustment could occur in the near term given the impacts of cost of living, conservative past hotelier behaviour, and a reversion from premiums achieved during major events (Taylor Swift etc.)
  - We do not expect any rate reset would leave rate growth below inflation over the medium or long term.

ALTERNATIVE SCENARIOS

- We consider forecast risk in this market as low, with a reasonable RevPAR growth range of between 3.8% and 4.7% p.a, against a most likely 4.2% p.a.
- Supply is the primary risk lever in Sydney this cycle, subject to site availability, whilst room rate is the primary opportunity lever, currently tempered by the very high absolute position
  - The downside scenario forecasts long-term RevPAR growth of 3.8% p.a. It is impacted by slightly lower demand and rate growth through FY2027-28. Occupancy averages 84% in this scenario, with rate growth of 3.1% p.a.
  - The upside scenario forecasts long-term RevPAR growth of 4.7% p.a with higher rate growth through the middle of the forecast. Occupancy averages 86% in this scenario, with rate growth of 3.8% p.a.

DRANSFIELD FORECAST *(Annual to FY2027 and summary to FY2033)*

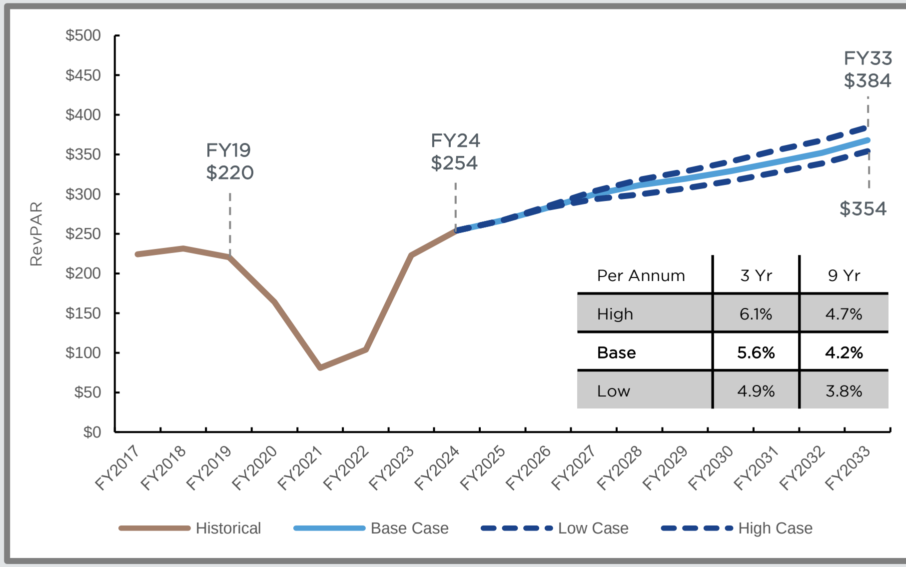
Source: Historical - STR

Year	Rooms*	Supply % Chng	Demand % Chng	ARR	% Chng	RevPAR	% Chng	$2024 Real RevPAR	Occ
ACTUAL									
FY2019	23,712			$255.08		$220.39		$266.26	86.4%
FY2024	25,983	3.3%	13.5%	$317.39	3.8%	$254.12	14.1%	$254.12	80.1%
FORECAST									
FY2025	26,342	1.4%	5.5%	$320.56	1.0%	$267.09	5.1%	$259.81	83.3%
FY2026	26,496	0.6%	3.5%	$330.18	3.0%	$283.07	6.0%	$267.34	85.7%
FY2027	27,355	3.2%	4.0%	$346.69	5.0%	$299.41	5.8%	$274.53	86.4%
Avg FY2025-2027		1.7%	4.3%		3.0%		5.6%	$267.23	85.1%
FY2033	32,980			$426.10		$368.00		$282.59	86.4%
Avg FY2028-2033		3.2%	3.2%		3.5%		3.5%	$277.89	85.6%
Total Forecast Avg FY2025-2033		2.7%	3.6%		3.3%		4.2%	$274.33	85.5%

***Change in FY2024 compares with FY2023*

DRANSFIELD FORECAST SCENARIOS - REVPAR

Source: Historical - STR



METHODOLOGY & BACKGROUND

In producing Hotel Futures, Dransfield have committed to making available to investors, long term historical information and one view of what the future might look like. Investors now have available to them forecasts of key demand drivers, published by Tourism Research Australia (TRA), and a number of other government and private sources. Supply information is identified through local and state government portals, as well as private research and discussions with organisations. Hotel Futures seeks to interpret the impact of these expectations on hotel revenues, when combined together in a supply/demand equation.

In presenting a market forecast it is important for readers to accept that individual hotels will be influenced by the market, but will not behave in an identical manner. The market forecast is therefore a guide against which the past and future performance expectations for any particular hotel may be reviewed.

Sources of Historic Forecast Data

Where it is noted that STR data has been used in our analysis, this refers only to historic data. Forecasts are solely the product of Dransfield, though the construction of the forecast may rely on information published by Tourism Research Australia, and other government sources.

STR Global

STR is the source for premium global data benchmarking, analytics and marketplace insights. They provide data that is confidential, reliable, accurate and actionable, and their comprehensive reports empower our clients to strategize and compete within their respective markets.

More information on STR can be found on their website www.str.com.

Supply Base

Our supply base is derived from the STR census database as of year end June for each relevant financial year. It relates to Dransfield's nominated geographies as outlined on page 49.

Minor inconsistencies can occur in the calculation of supply at various points in time due to the timing of new property arrival, the inclusion or exclusion of properties based on quality or size, and the in and outflows of rooms in letting pools.

STR Sample vs Performance

Hotel performance data (Occupancy and ARR) is presented using information from participating STR properties, rather than the census. Across most major cities, there is varying degrees of sample coverage ranging from 59-94%. The properties which are not included in the sample are likely to be small scale and low positioned properties, or those operated independently. The sample is generally considered to be of higher performance than the non-reporting properties. Sample coverage for FY2024 by city is displayed on the data geography page.

Annual growth figures may vary slightly to those published by STR due to Dransfield's data methodology which records annual data as published for each year as of 30 June of that year. STR, by contrast, updates the prior year to match the dataset properties in current year.

STR Standard Methodology

Dransfield adopts STR's Standard methodology throughout the historical period. This includes the Covid period (FY2020-FY2022), where there were material closures.

More information on the STR methodology is available at: www.str.com/data-insights-blog/understanding-your-str-reports-hotel-supply-demand-and-development-pipeline

METHODOLOGY & BACKGROUND

Supply Expectations

In calculating supply expectations, Dransfield considers three stages of development:-

1) Under construction or recently completed
2) Proposals
3) Market Response

Our forecast recognises that not all project proposals will proceed as anticipated, and probability estimates have been applied to sites where construction has not yet started and may not start or could be delayed. Following consideration of mooted and under construction supply, and likely market performance, Dransfield allows a "Market Response" provision which seeks to estimate the volume of additional rooms that may be delivered during the forecast period that do not relate to current known projects E.g. the Market Response to forward supply and demand conditions. This is informed by past market behavior and identified trigger points in key revenue metrics.

When a pipeline property opens, or if forecast to open, the entirety of the room count is included in that year. This differs to historical Hotel Futures publications which recorded timing. The change has been made to align with STR's supply census method.

Demand

Our demand forecasts incorporate international and domestic visitor forecasts published by Tourism Research Australia (TRA) and BITRE, customer market mix data (including nights spent in paid accommodation), known demand driver development or major events, and the impact of anticipated additional supply. The data requires a significant subjective assessment of how each of these interact. The timing of some of the input data is in calendar years compared to our financial year forecasts.

The latest domestic visitor forecasts are on a state by state basis. The latest international visitor forecasts are only on a national basis. This has differed to historical data where both were available on a state by state and/or capital city basis.

We have undertaken correlation testing on the demand indicators and found varying degrees of correlation to actual results in different years.

Room Rate Methodology

Real room rate change is mostly impacted by occupancy levels. Changes upward generally lag occupancy movements by approximately twelve months, whilst hoteliers respond to new market circumstances and contract prices move.

Through Covid, there was a significant step up in room rates across most Australian hotel markets. This was likely impacted by operator behaviour and the inflationary environment.

Room rates are presented net of GST.

Room Yield/RevPAR Methodology

The most reliable indicator of hotel profitability is the RevPAR (revenue per available room or yield). This indicates the revenue available from which profit is derived. Given the change in inflation over the last decade, we have calculated a 'real RevPAR' curve in each market so that a more realistic comparison of future expectations and past performance can be made. The real RevPAR is also a good guide as to when new projects might be considered viable, and therefore likely to proceed.

Nominal growth rates depend on the starting base, (e.g. growth rates calculated from a peak will be lower and often negative compared to growth rates calculated from a trough). Comparing the average real RevPAR of a whole forecast to prior forecasts is therefore the most objective and complete way to determine if it has been upgraded or downgraded. For the purposes of comparing current forecast real RevPAR with our previous forecasts, CPI data has been used.

Table Methodology

Dransfield forecast tables display actuals for the most recent complete financial year, being FY2024. It also displays FY2019 as the pre-Covid benchmark.

Forecast years are displayed annually for the three years, FY2025 to FY2027. A summary of the longer term by average growth is provided from FY2028 to FY2033. The last year of the forecast, being FY2033, is displayed in full.

DATA GEOGRAPHY

Our historical and forecast data is based on the geographic regions listed below. Our typical approach is based on core CBD and high concentration fringe areas which are considered to be strongly competitive to the core location. Geographic areas are reviewed periodically, generally as development activity expands outwards. Sample coverage refers to the performance data relative to the city supply census. Sample coverage is at June 2024.

Adelaide	Adelaide, North Adelaide. (Sample coverage: 94%)
Brisbane	Brisbane City, Fortitude Valley, Kangaroo Point, South Brisbane, Spring Hill. (Sample coverage: 83%)
Cairns	Cairns City, Port Douglas. (Sample coverage: 59%)
Canberra	Belconnen, Hawker, ACT – East, Majura, Gaungahlin, Nicholls, Acton, Ainslie, Braddon, Civic, Dickson, Lyneham, O'Connor (ACT), Watson, Forrest, Griffith (ACT), Kingston, Barton, Narrabundah, Yarralumla, Greenway, Curtin, Phillip. (Sample coverage: 84%)
Darwin	Darwin City, Fannie Bay, The Gardens, Larrakeyah, Parap, Woolner, Winnellie, Bayview, Berrimah, Jingili, Lyons (NT), Malak – Marrara, Humpty Doo, Palmerston – North. (Sample coverage: 80%)
Gold Coast	Burleigh Heads, Mermaid Beach – Broadbeach, Mermaid Waters, Miami, Coolangatta, Currumbin – Tugun, Palm Beach, Biggera Waters, Labrador, Paradise Point – Hollywell, Runaway Bay, Tamborine – Canungra, Currumbin Valley, Tallebudgera, Carrara, Nerang - Mount Nathan, Coomera, Hope Island, Ormeau – Yatala, Varsity Lakes, Southport, Benowa, Main Beach, Surfers Paradise, Beaudesert. (Sample coverage: 67%)
Hobart	Brighton – Pontville, Cambridge, Lindisfarne - Rose Bay, Claremont (Tas.), Derwent Park – Lutana, Montrose – Rosetta, New Norfolk, Hobart, New Town, Sandy Bay, West Hobart, Forestier – Tasman, Central Highlands. (Sample coverage: 77%)
Melbourne	Albert Park, Carlton, Docklands, East Melbourne, Flemington, Melbourne, Moonee Ponds, North Melbourne, Parkville, South Melbourne, South Yarra – East, South Yarra – West, Southbank. (Sample coverage: 86%)
Perth	Burswood, Lathlain, Perth City, Victoria Park. (Sample coverage: 89%)
Sydney	Darlinghurst, Potts Point – Woolloomooloo, Pyrmont – Ultimo, Redfern – Chippendale, Surry Hills, Sydney – Haymarket – The Rocks. (Sample coverage: 93%)

GLOSSARY OF TERMS

Average Room Rate (ARR)	The Average Room Rate is the average daily revenue per occupied room. This rate is calculated net of GST. ARR is used interchangeably with Average Daily Rate (ADR).
BITRE	Bureau of Infrastructure and Transport Research Economics
BTR	Build to Rent
Covid and Pre-Covid (timeframe)	Covid period refers generally to the FY2020-FY2022 years. These were highly influenced by travel restrictions and lockdowns. Pre-Covid generally refers to FY2019, which was the last full financial year prior to the travel impediments
FF&E	Furniture, Fixtures and Equipment
FY / CY	Financial Year (period July to June) / Calendar Year (period January to December)
GFA	Gross Floor Area
HF	Hotel Futures - Dransfield's annual publication
Live Pipeline	Refers to specific supply projects which have been conceptualised, and are either in construction or mooted
Major Cities	Refers to the cumulative 10 major cities forecast in this document, being Adelaide, Brisbane, Cairns & Port Douglas, Canberra, Darwin, Gold Coast, Hobart, Melbourne, Perth and Sydney
Market Response	Supply allowance over and above the Live Pipeline which have not yet been conceptualised, but are expected given market conditions
Mvmt (Movement)	Generally refers to annual change or annual % change
P.A.	Per Annum
PBSA	Purpose Built Student Accommodation
P.C.P	Prior corresponding period

GLOSSARY OF TERMS

Rating / Class / Scale	The class system closely aligns with the traditional star system. i.e. Luxury (5 star), Upper Upscale (4.5 Star), Upscale (4 star), Upper Midscale (3.5 star), Midscale (3 star), Economy (2 star and below)
RevPAR	The RevPAR is the revenue per available room night, calculated as occupancy multiplied by Average Room Rate or total room revenue divided by available room nights. Also known as, and previously defined in Hotel Futures, as Yield
Short, Medium and Long Term	1 year outlook / 3 year outlook / 9 year outlook
Supply Cycle	A typical hotel supply cycle lasts 6-8 years, characterised by initial high market occupancy that encourages new hotel development. The market progresses through an absorption period where there is typically lower levels of supply development as it adjusts to the increased supply, eventually building back to high occupancy and stronger revenue performance, which incites new development activity
Tourism Research Australia (TRA)	TRA is a branch within the Tourism Division of Austrade. It is charged with providing tourism intelligence including official long-term forecasts for Australia's international, domestic, and outbound tourism sectors
Yield/Room Yield	The Room Yield is the revenue per available room night calculated as occupancy multiplied by Average Room Rate. Also known as RevPAR

TABLE REFERENCES

Demand % Change	This is the annual percentage change in the sum of the number of rooms occupied for each night of the year (demand). Demand information is calculated by multiplying supply by the reported occupancy
Real RevPAR	The RevPAR calculated in 2024 dollars to remove the effect of inflation
Supply % Change	This is the annual percentage change the number of rooms available each year.
Yoy	Year on year change

SOURCES OF DATA

STR www.str.com	Data from STR as published in a custom monthly destination report for Dransfield Hotels and Resorts.
Tourism Research Australia (TRA) tra.gov.au	Data relating to historical and forecast demand as published by TRA: • Tourism Forecasts for Australia 2023 to 2028 (Domestic and International tables) Data relating to the latest publications and forecasts • IVS – International Visitors in Australia: Quarterly results of the International Visitor Survey • NVS – Travel by Australians: Quarterly results from of National Visitor Survey • TRA Special Request: NVS and IVS overnight visitors in Hotels and Motels, as at June 2024
Australian Bureau of Statistics (ABS) abs.gov.au	Data relating to historical Consumer Price Index (CPI) Australia, as published by ABS
Reserve Bank of Australia (RBA) rba.gov.au	Data relating to forecast Consumer Price Index (CPI) Australia, as published by RBA
Bureau of Infrastructure and Transport Research Economics (BITRE) bitre.gov.au	Data relating to historical and forecast Airport data as published by BITRE: • Bureau of Infrastructure and Transport Research Economics (BITRE) 2024, Australian aviation forecasts – 2024 to 2050, Research Report 157, Canberra, ACT., published May 2024 • BITRE's Monthly Airport Traffic Statistics from January 2009 to April 2024
Public and Private Sources	Dransfield utilise many public and private information and research sources: • Council sources and development application systems • Industry journalists • Company websites and discussions with key people • Dransfield project work