

HOTEL INVESTMENT OPPORTUNITIES IN SYDNEY, AUSTRALIA



sydneyaustralia.com



The NSW
Government is
determined to
make the State
number one.

DEPUTY PREMIER'S MESSAGE

We have set ourselves ambitious targets to restore economic growth, return quality services, and build better infrastructure for the people of this State.

We aim to position key sectors of the State's economy for strong growth over the next decade. The visitor economy is one of these priority sectors. International and domestic visitors to NSW spend billions each year. The visitor economy supports one in every 21 jobs in NSW, and delivers economic and social benefits across the State.

In NSW 2021 – the NSW Government's 10 year strategic plan – we have set ourselves an ambitious target of doubling NSW's visitor economy. Already, the NSW Government has taken positive steps to provide Sydney with greater convention and exhibition space by 2016, and we have established an industry-led taskforce to develop a tourism and events strategy that will put NSW on a trajectory to achieve our visitation target.

The NSW Government is committed to working alongside industry to increase the competitiveness of the tourism and events sector and to build the infrastructure that supports the industry.

The coming decade presents significant opportunities for the private sector to be part of the growth in our visitor economy, including the provision of new accommodation to service the growth in visitors coming to NSW for business and for pleasure. This document highlights Sydney's strengths as a location for investment in tourism, particularly new visitor accommodation.

I encourage you to contact NSW Trade & Investment, the NSW Government's business development agency, to discuss how you can participate in Sydney's future.

The Hon. Andrew Stoner, MP

Deputy Premier, Minister for Trade and Investment,
and Minister for Regional Infrastructure and Services





More people choose to visit Sydney, stay in Sydney, and spend money in Sydney than anywhere else in Australia.

BUSINESS COMES TO LIFE HERE

They do so for all sorts of reasons – our warm climate, natural wonders, vibrant arts and entertainment culture, cosmopolitan dining and shopping, friendly locals, and for business.

Sydney is Australia's number one destination for visitors – it is the business hub, the biggest city, and the international gateway to Australia.

This all adds up to Sydney offering a solid proposition for business investment in tourism.

A GLOBAL CITY FOR THE WORLD OF BUSINESS

Sydney is Australia's largest city with a population of 4.8 million in 2010, which is projected to grow to more than 6 million over the next two decades.

It is a highly cosmopolitan and ethnically diverse city, with around 25 per cent of its residents born overseas.

Sydney is the indisputable business capital of Australia. It is Australia's only global city and enjoys a reputation as one of the leading commercial centres in the Asia Pacific.

The city is the centre of Australia's finance and insurance, property and business services, and communications industries. Its international connections, stable political environment, resilient economy and relaxed lifestyle make Sydney an ideal location for global companies. More than 65 per cent of all multinational corporations operating in Australia have chosen Sydney as their regional headquarters.

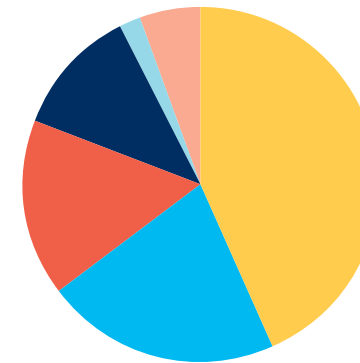
GET ON BOARD NOW

Sydney is home to the nation's busiest airport. Sydney is the first, or only, port of call for almost half of all international visitors to this country.

Each year, more than 35 million international and domestic passengers pass through Sydney Airport, which is serviced by 38 international airlines flying to and from 48 destinations around the world.

Sydney is the single most popular destination in Australia for holiday makers, business travellers, and students.

SYDNEY AIRPORT DOMINATES INTERNATIONAL ARRIVALS



YOU'RE GUARANTEED A GREAT RECEPTION

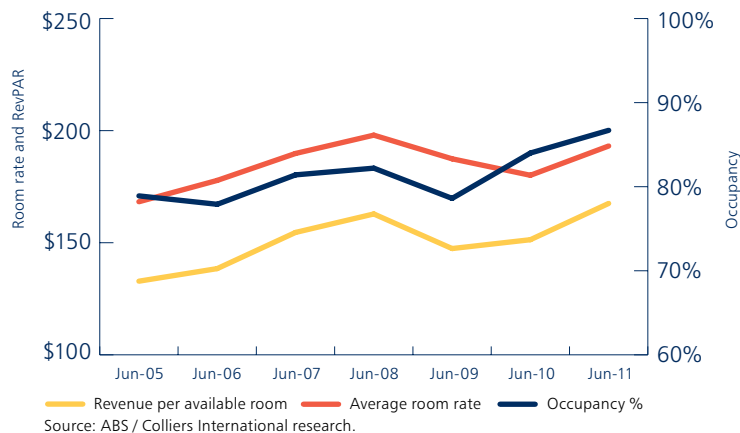
The business outlook for hotels in Sydney is strong.

With limited supply, high occupancy levels and increasing room rates, hotel accommodation assets in Sydney currently provide strong revenue and capital returns to investors.

The Sydney hotel market has been the strongest performer of all Australian city markets over the past 12 months. Hotels are achieving high occupancy levels and increasing room rates, resulting in strong RevPAR (revenue per available room) levels.

Within this market, the upscale segment (4 and 5 Star) has realised even stronger results and growth.

SYDNEY 4&5 STAR HOTEL MARKET



Direct property total returns

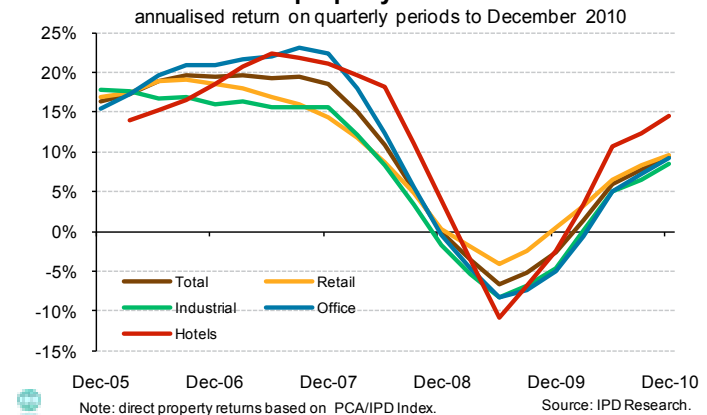



Image right: Courtesy of The Star



WISH YOU WERE
HERE





**A study undertaken by
Jones Lang Lasalle Hotels
in 2010 concluded that
around 9,000 new rooms
will be required in Sydney
to meet growth in demand
over the next 10 years.**

The NSW Government is now pursuing new initiatives to further build demand and ensure Sydney maintains its pre-eminent position as Australia's single most important tourist destination.

This means there is a very strong business case for investment in additional visitor accommodation in Sydney.

ROOM WITH A VIEW

OPTIONS FOR HOTEL INVESTMENT IN SYDNEY

The NSW Government has embarked on two major urban renewal projects around the Central Business District (CBD) of Sydney that offer opportunities for the construction of new visitor accommodation.

BARANGAROO

Barangaroo will reinvigorate Sydney's position as a global city and a financial hub in the Asia Pacific by generating jobs, boosting the economy and creating a vibrant new place to live, work and play.

Set on the shores of one of the world's most famous harbours, Barangaroo is set to become a thriving public, residential and commercial CBD precinct with a major new waterfront park and a public promenade running the length of the site.

The \$6 billion transformation of Barangaroo, including three commercial office towers for the financial services sector, residential apartments, shops, cafes, restaurants and cultural facilities, will attract new investment and is supported by government and the private sector.

The new precinct will include an international hotel to service both the Sydney and wider NSW corporate and recreational markets.

www.barangaroo.com

SYDNEY INTERNATIONAL CONVENTION, EXHIBITION AND ENTERTAINMENT PRECINCT

The NSW Government is committed to delivering a new International Convention, Exhibition and Entertainment precinct at Darling Harbour by 2016.

Covering 12 hectares, the precinct will offer world-class facilities for a diverse range of convention, exhibition and entertainment events. It will increase available exhibition space to at least 40,000 square metres and be capable of offering flexible plenary space for conventions of more than 10,000 delegates, as well as at least 12,000 patrons at sporting, musical and theatrical events.

Expressions of Interest have been sought from the private sector to build and operate the facilities, and it is expected that proponents will include visitor accommodation and public retail and food and beverage facilities in their plans for the precinct. Detailed proposals from short-listed proponents will be requested in early 2012.

www.newsydneycanventioncentre.com

Image right: Concept drawing of how the Barangaroo Precinct will look. Barangaroo in foreground. Image courtesy of Barangaroo Delivery Authority.





PURCHASE OF EXISTING HOTEL

Australia experienced its fourth biggest year for hotel transactions in 2010, the majority of which were NSW properties. Major hotel sales in the Sydney market during the year included the Sofitel Wentworth Sydney (AUD130 million) and the Metro Hotel Sydney Central (AUD39.5 million).

Hotel sales in Australia are increasingly occurring off market. NSW Trade & Investment can provide introductions to real estate and property agents specialising in hotel transactions.

REDEVELOPMENT OR CONVERSION/ADAPTIVE REUSE

At any one time, there are privately owned buildings available (on or off-market) in or close to the CBD that could potentially be suitable for future conversion to visitor accommodation, subject to planning approval. For example, a B-grade 12-level office building in a prime CBD location (Hunter Street, Sydney) was bought by a hotel developer for AUD36 million in 2011.

There are also Government-owned prestige properties that could become available for adaptive reuse, subject to planning approval. These include some of Sydney's finest heritage assets in key locations around Sydney Harbour.

These sites potentially offer investors a diverse range of opportunities for accommodation and tourism development.

Many opportunities in Sydney also exist for developers to purchase and demolish an existing building to facilitate construction of a new hotel building to an investor's own specification.

Properties that offer the greatest opportunity are likely to be found at the southern end of the Sydney CBD in suburbs such as Surry Hills, Haymarket and Chippendale, where older buildings have not yet been redeveloped. Developers and investors should also consider properties in the Sydney Airport precinct and along the CBD-Airport traffic corridor, as well as suburban growth centres around the metropolitan area.

As a guide, construction costs for a hotel in Sydney (excluding taxes, land costs, parking areas, interest costs, legal/professional fees and developer's profit) are shown in the following table (all prices in AUD):

CATEGORY	COST PER ROOM*
Midscale–30sqm GFA/room	\$146,200–\$157,600
Upscale–45sqm GFA/room	\$197,600–\$212,600
International–67.5sqm GFA/room	\$382,000–\$419,000
International–77.5sqm GFA/room	\$438,500–\$480,000

Source Rawlinsons 2011, Jones Lang LaSalle Hotels



The NSW Government is investing in the growth of Sydney's visitor economy so that its full potential as Australia's number one tourism and event destination can be realised.

WE'RE
INVESTING
IN THE

FUTURE

The private sector too has confidence in the strength and resilience of Sydney as a tourism destination.

Major companies like Westfield (Westfield Sydney), Echo Entertainment (The Star complex), Village Roadshow (Sydney Wet'n'Wild) and Merlin Entertainments (Madame Tussauds) are among those that have recently committed to and are undertaking significant investment projects in Sydney.

THE DARLING HOTEL

The recent opening of a new 5 star hotel, The Darling, as part of a AUD860 million refurbishment of The Star entertainment precinct, demonstrates renewed confidence in the top end of Sydney's accommodation market. With 171 rooms, The Darling adds another world class piece of accommodation infrastructure to enhance Sydney's reputation as a world renowned tourism destination.




AT YOUR SERVICE

Contact NSW Trade & Investment to discuss how you can be part of the growth of the NSW visitor economy.

NSW Trade & Investment is the Government's business development agency and works with business and industry to create a more diversified State economy and attract new investment and jobs to the State. We work with companies contemplating new business investment projects in NSW to help bring their projects to fruition, in such areas as:

- Sourcing business information for your feasibility studies and business plans
- Providing advice on strategic issues (including government policies, trends in markets and technology, industry deregulation) relevant to your business
- Finding the best site for your business in Sydney and NSW
- Streamlining Government regulatory processes for your project; and
- Identifying and introducing you to key industry stakeholders and service providers, including property, legal, management and financial services.

A specialist team of project managers is responsible for projects in the State's tourism, aviation, recreation and hospitality industry sectors.



NSW TRADE & INVESTMENT

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FOR FURTHER INFORMATION AND
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