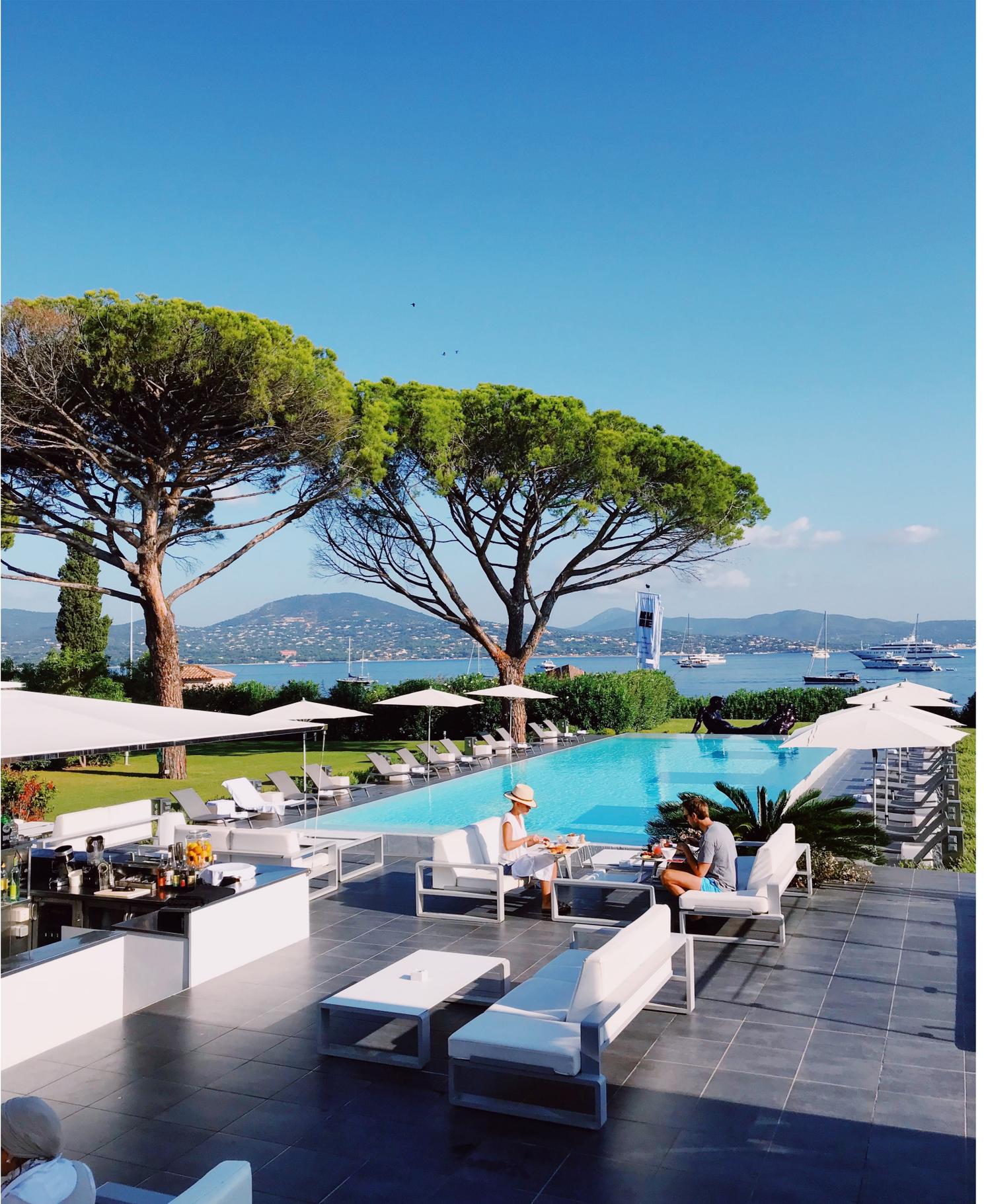


Hotel Market Overview Q4



Introduction



“Whilst Sydney dominated investment activity in 2022 we anticipate hotel investment broadening into other key cities and destinations in the year ahead. Despite the continuing macro economic headwinds Savills Hotels are seeing renewed investor interest from cashed up private investors, family offices, HNWI from both offshore and domestically seeking prime hospitality assets.”

Savills Hotels are delighted to present the final quarter hotels report for 2022. The report highlights the quarters recent transaction and sales information, with some motivating signs of accommodation heading in the direction of normality. Key performance indicators outline an interesting positive change this year despite inflationary pressure and interest rate rises. Visitation results show a rapid response from both national and international visitors post the COVID19 pandemic. In closing, the report presents the specialised Savills Pubs & Accommodation Team of market leading agents respected in the industry.

Savills is a leading global real estate provider listed on the London Stock Exchange with a rich history dating to 1855.

With the help of our skilled and innovative professionals, Savills clients tap into an extensive network of investors, gaining access to the strongest capital in the world.

We provide a strong network of connections with over



40,000

— staff —

operating out of more than 70 countries

With more than

700 offices

Savills is a company that

leads

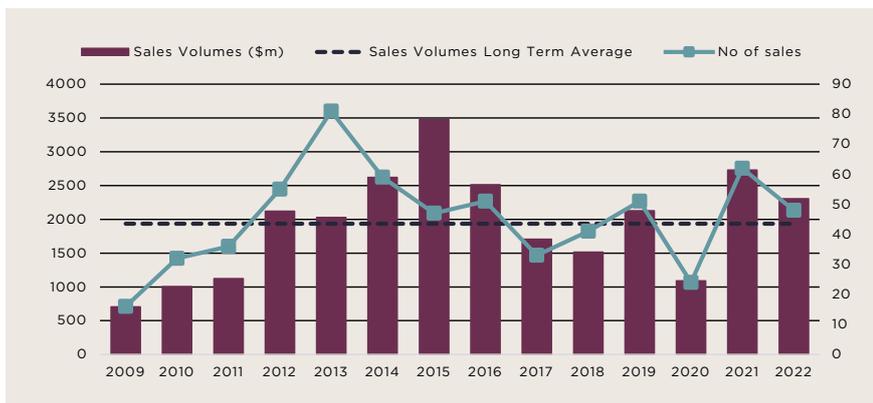
rather than follows.

Hotel Transaction Update

Hotel Sales Volumes (\$m) and Total Sales (no.) - Australia

During CY2022 transaction volumes slowed with some investors pausing until there is clarity on the future movement in the cost of debt. We are aware of a number of transactions that have been delayed in 2023. Sales volumes reached \$2.15m for the year, down 26% on \$2.9bn in 2021, but just above the long-term average of \$1.9bn.

Whilst the handbrake has not fully been applied, there are several speed bumps that have led to deals taking longer. We expect CY2023 to show a number of significant deals, but not likely to significantly exceed CY2021 or CY2022 levels.

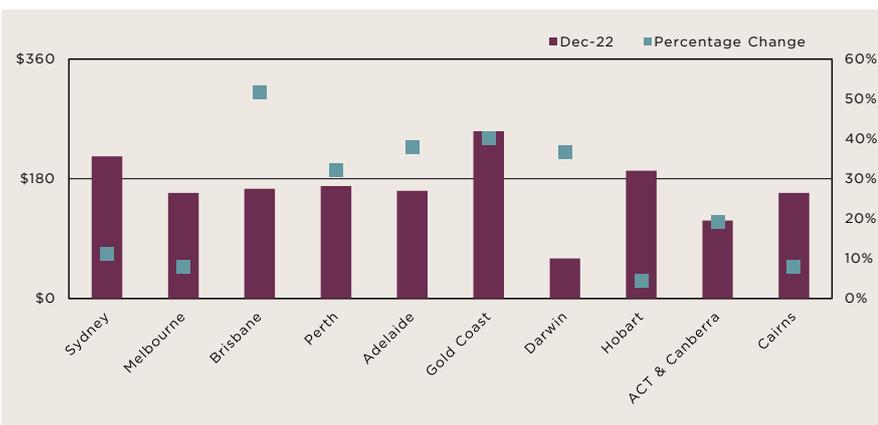


Source Savills Research/RCA

Recent Sales

Date	Hotel	Sale Price	Price Per Room	Initial Yield	10 Yr IRR
Dec-22	Crowne Plaza Surfers Paradise QLD	\$95.5m	\$355,018	0.15%	7.79%
Dec-22	Sebel Mandurah WA	\$18m	\$214,286	7.83%	8.55%
Dec-22	Larmont Sydney by Lancemore NSW	\$46.25m	\$449,029	2.91%	7.12%
Dec-22	Mercure Pakenham VIC	\$15.8m	\$246,875	5.92%	-
Oct-22	Wildes Boutique Hotel, Kangaroo Valley NSW	\$12.05m	\$463,462	5.97%	9.10%
Oct-22	Harbour Rocks Hotel, Sydney NSW	\$39.4m	\$668,100	3.8%	-

Australian Hotels Average RevPAR by City - December 2019 vs December 2022



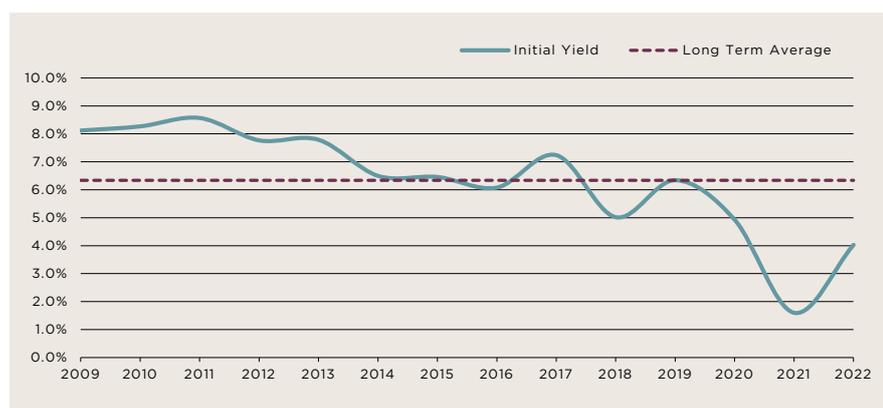
Source Savills Research/STR

- The strong recovery of hotel room rates and occupancy, especially in CBD locations, has resulted in recovering EBITDA levels sooner than anticipated. Traditional hotel investors remain active, looking for value add opportunities and financiers are supportive for the right property and sponsor.
- Uncertainty is on the horizon. High inflation and rising debt may reduce discretionary spend. An increase in mortgagee in possession sales remains a possibility in 2023.
- Hotels continue to be acquired for redevelopment to alternate use as reflected in the sale of Sir Stamford Circular Quay, Sydney to JDH Capital.
- Recent boutique hotel deals include Larmont Sydney by Lancemore for \$46.25m acquired by Pro-invest and Wildes Boutique Hotel acquired by Elanor Investors for just over \$12m and The Harbour Rocks MGallery acquired by Invictus Development. Both sales represent confidence in the return of room demand in Sydney and the continued positive story of domestic tourism in popular regional locations.
- All major cities exceeded Dec-19 REVPAR Levels in Dec-22. Brisbane's REVPAR was up over 50% pre-COVID levels and Adelaide up nearly 40%. The growth was rate driven with Australian hotels charging on average 33% more than 2019.
- September 2022 saw Sydney experience its highest ADR since February 2018 at \$253.79. Perth has to go back to February 2013 to beat ADR of \$238.93 achieved in December 2022.

Australian Hotel Sales - Median Initial Yields

Initial yields starting to rise.

The return of positive EBITDA levels has resulted in hotel initial yields softening to 4.03% in CY2022 from 1.81% the prior year. This remains well below the long-term average of 6.22%. This is a positive indicator that hotels are performing ahead of expectations.



Source Savills Research

Key Performance Indicators

The table below is an overview of each state's hotel key performance indicators for the calendar year 2022. We have seen some significant positive changes of hotel trading levels over the last 12 months with Melbourne and Sydney recording the strongest growth, albeit coming from a low base. The Gold Coast is the best performing market with RevPAR at \$189.86 across the year, with a record RevPAR of \$251.29 in the month of December.

City	Occupancy	ADR	RevPAR	RevPAR Change
Australia	65.5%	\$228.48	\$149.79	70.4%
Adelaide	71.0%	\$195.44	\$138.74	55.1%
Brisbane	68.8%	\$214.53	\$147.70	78.5%
Cairns	63.7%	\$214.59	\$136.65	69.9%
Canberra & ACT	70.3%	\$205.44	\$144.34	95.6%
Melbourne	60.2%	\$215.82	\$129.86	128.0%
Perth	67.7%	\$202.56	\$137.16	37.2%
Sydney	64.3%	\$249.52	\$160.38	120.7%
Gold Coast	70.2%	\$270.27	\$189.86	69.9%
Darwin	62.7%	\$217.36	\$136.38	41.6%
Hobart Area	77.2%	\$216.09	\$166.73	49.0%

Source STR

- As EBITDA recovers, especially in CBD locations, we expect initial yields to continue to trend upwards over the next 12 months.
- This upward trend is not expected to translate to softening capitalisation rates at this stage. We are seeing discount rates soften to reflect higher debt costs, but strong EBITDA levels continue to push hotel values higher.
- Occupancy has been slowly ramping up over the last 6 months at mid to high 60% levels in Melbourne and low 70% levels in Sydney. Brisbane and Perth are currently forging ahead at mid to high 70% occupancy levels.
- Whilst the month of December 2022 shows all major locations are above pre-COVID RevPAR levels, the slow start to the year means not all locations are above CY2019 levels across the year.
- Brisbane, Perth and The Gold Coast are at annual pre-COVID RevPAR levels. We now forecast Melbourne and Sydney to achieve annual pre-COVID RevPAR levels by CY2024, sooner than originally anticipated.

In Focus - Sydney

National & International Visitation Results

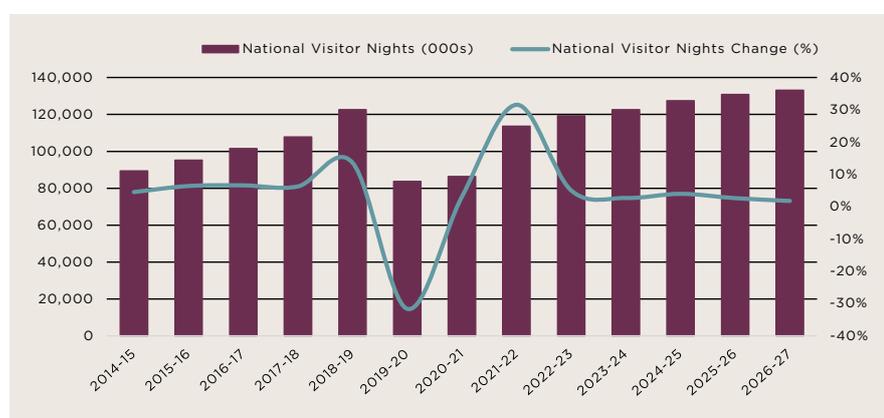
The table below outlines visitation into NSW and Sydney from FY June 2015 – FY June 2022. Throughout this period visitation has been affected by the COVID 19 pandemic with FY2022 not yet reflecting the recovery of visitation after borders opened at the beginning of CY2022. International visitation statistics are not yet available.

Source Tourism Research Australia

NSW	NVS	FYE Jun 2018	FYE Jun 2019	FYE Jun 2020	FYE Jun 2021	FYE Jun 2022
	Visitor Numbers (000s)	33,667	37,237	30,312	30,155	24,887
	Change		10.60%	-18.60%	-0.52%	-17.47%
	Visitor Nights (000s)	104,848	116,060	98,839	103,511	85,357
	change		10.69%	-14.84%	4.73%	-17.54%
	Spend (\$m)	20,085	22,601	18,092	19,402	17,601
change		12.53%	-19.95%	7.24%	-9.28%	
SYDNEY	NVS	FYE Jun 2018	FYE Jun 2019	FYE Jun 2020	FYE Jun 2021	FYE Jun 2022
	Visitor Numbers (000s)	10,532	11,968	9,618	6,518	6,417
	Change		13.63%	-19.64%	-32.24%	-1.54%
	Visitor Nights (000s)	28,128	32,469	27,606	19,910	18,820
	Change		15.43%	-14.98%	-27.88%	-5.48%
	Spend (\$m)	7,927	9,334	6,840	4,448	5,139
Change		17.75%	-26.72%	-34.96%	15.53%	

Source TRA

TRA Domestic Forecasts (CY2022 - CY2027)



Source Tourism Research Australia

- New hotel supply in Sydney and metropolitan areas is forecast at 6,000 rooms over the next 4 years, only a 3% per annum increase on existing supply. We believe this can be absorbed as the recovery in demand is expected to exceed new supply. Over this period, a selection of existing hotels will come out of supply for alternative use.
- Our market forecasts for Sydney and metropolitan areas shows an average annual REVPAR growth of 8.5% over the next 4 years, the majority of the growth experienced over the next 2 years. By comparison we have forecast average annual REVPAR growth at 2.5% for Adelaide, 2.0% for Brisbane, 11.0% for Melbourne and 3.7% for Perth over the same 4 year period.
- Since March 2022, Sydney RevPAR has been growing an average of 9% a month. Occupancy exceeded 80% in November 2022 for the first time since February 2020.
- In the current high inflation environment hotels have fared better than other asset classes given dynamic pricing. COVID was a reset button for many businesses. ADR is above historic levels, with December 2022 ADR close to \$300, the highest on record.
- Recent Tourism Research Australia forecasts prepared on a calendar year basis (see adjacent chart) were released in December 2022 showing NSW domestic visitor nights were forecast to increase 31.58% in CY2022, with an average of 3.23% per annum between CY2023 and CY2027.
- Pre-COVID domestic visitor nights to NSW are expected to be reached by CY2024.
- Whilst forecasts for Sydney are not available, we would expect Sydney to lead the recovery.

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