Australia Int'l visitors up 2.5% • Australia Domestic visitors up 12.3% • NZL Int'l visitors up 2.5%
Hotel investment continues

Hotel investors typically take a long-term view beyond the immediate short-term issues which are inevitably resolved.

What the past has taught us
Over the past two decades, the tourism industry has proven to be both resilient and swift in rebounding to “business as usual”. Previous anomalous events have consistently displayed a “V” curve rebound:

- Technology Bubble (2001)
- SARS (2003)
- Gulf War II (commencing 2003)
- Indian Ocean Boxing Day Tsunami (2004)
- Swine Influenza Virus (2009)

News travels in a nanosecond
The profound impact of digital news which delivers an immediate and compelling 24/7 news service, provides many advantages and rapid global connections. However, there is a frequent tendency to over-sensationalise news before the facts are available or confirmed.

This is also compounded where internet based “quasi citizen journalists” can post an article without having to confirm the veracity of the information. These practices have introduced the frequently quoted “Fake News” into the common vernacular. The sensationalism of news has been highlighted in recent events with the following global messaging examples:

- Bush fires - “All of Australia is burning”
- COVID-19 - “Inaccurate digital communication surrounding the transmission and morbidity rates of the Coronavirus (COVID-19)”

Fortunately beyond the constant barrage of news, property investors are sanguine and their capital appetite remains high for investment grade hotel stock.

A dearth of Australian hotel real estate opportunities and an abundance of unsatisfied capital
The Australian hotel market experienced relatively higher levels of transaction volume and value during the 2014 and 2015 calendar years, peaking at a total transaction value of approximately A$3.5bn and 73 recorded transactions in 2015.

Since then, transaction volume and value has decreased considerably, despite an increasing domestic and global appetite for Australian hotels. In 2019 total hotel transaction value approximated A$2.1bn arising from 48 transactions (compared to A$3.5bn and 73 recorded transactions in CY2018), albeit that some transactions counted in the 2019 total are yet to be completed.

The waning transaction volumes and values have occurred due to a number of significant properties being sold to and held by long term, intergenerational Asian investors who typically do not trade their assets. In addition, slowing volumes exacerbate the problem further creating adverse perceptions of availability of hotel stock to acquire. Investors holding hotels who may otherwise consider a sale are reluctant to sell an asset, for fear that they will not be able to replace it in the market with an alternative property.

Awareness, perspective, relative calm is called for in times of turmoil

Australia & New Zealand Hotels - Q4 2019
Transaction volumes and values have not declined due to a lack of investor interest. Rather, the reduced volumes have resulted in a substantial amount of pent up capital seeking a smaller pool of available assets in a number of extremely tightly held markets around Australia, causing yield compression and “fear of missing out” among active investors.

Domestically, high net worth investors are actively investing in hotels due to the strength of the market and the favourable yields being achieved compared to other asset classes.

In addition domestic fund managers have raised both domestic and international capital to invest in Australian hotels. Similarly, international investors, including pension funds, fund managers and private equity, attracted to the stability and transparency of the Australian investment market, are seeking high yielding hotel assets.

There remain significant amounts of unsatisfied capital which are uninvested (other than being held in cash), which are not generating returns in a low-yield interest rate environment.

Domestic and international funds are mandated to chase yield, which in a low interest rate environment necessitates increased capital allocations to yield-generating assets, which includes real estate.

In terms of global asset allocations, the Blackrock 2019 Global Institutional Survey (which covered 230 institutional clients, representing over $7 trillion in investible assets) noted the following international trends which will continue the trend of investors seeking exposure to Australian hotels:

- Concern about the economic cycle is reflected in the fact that 51% of clients intend to decrease their allocation to equities.
- A significant portion of institutions intend to increase their exposure to private markets: real assets (+54%), private equity (+47%) and real estate (+40%).
- This continues a multi-year structural trend of clients reallocating risk in search of uncorrelated sources of return.
- Insurers continue to seek alternative sources of income by increasing allocations to illiquid assets and credit strategies; 66% intend to increase allocations to real assets.

More recently the Blackrock 2020 Global Investment Outlook reasserted that “Real estate looks compelling given the neutral outlook on interest rates and has historically offered resilience against inflation”.

In time the bush fires will be extinguished and an antivirus will be developed to combat the COVID-19 virus. Things will return to normal; investor appetite for investment grade hotel assets will continue unabated, and we anticipate a strong “V-shaped” recovery from any downturn caused by the adverse fire and virus impacts of 2019 and 2020.
Economic Update - Australia

The RBA eased Monetary Policy three times during 2019 to all-time lows of 0.25%. The reasoning behind the move was to stimulate the economy whilst keeping inflation within a 2-3% band. Whilst the Government has been slow to implement expansionary Fiscal Policy, the recent bushfire events will result in housing, infrastructure and natural habitat rehabilitation expenditure as the rebuilding begins.

There have been unintended consequences from the RBA’s aggressive easing’s, in that low rates have triggered a meaningful rebound in housing prices over the last four months. CoreLogic are predicting that if the price rises continue at the same rate, they will be back to their all-time highs by early to mid-2020.

The RBA stated in the February 2020 easing statement, that; “the forecasts imply progress towards the inflation target and full employment, but that progress is expected to be only gradual. To maintain this progress, monetary policy is very likely to remain accommodative for some time”; and it is prepared to ease further if needed to support sustainable growth in the economy, full employment and the achievement of the inflation target over time.

New Zealand’s RevPAR exceeds Australia’s by $7 (exchange rate adjusted) which is reflected in the strength of both occupancy (all key markets above 76%) and ADR. For the 12 months ended September 2019, International and particularly Domestic Visitors and Visitor Nights continued to grow.

Of the 10 Australian key markets reviewed, 5 markets achieved occupancy in excess of 77%, reflecting the continuing growth in international and domestic visitors. Growth in demand for rooms was achieved in 7 markets; however, 3 of those markets were impacted by increased new room supply, resulting in an overall decline in RevPAR for those markets, as compared to the previous corresponding period.

Overall it is expected that interest rates will remain low for longer over the next 2-3 years as the national and global economy continues to produce low economic growth and governments implement economic and taxation policy stimulus. The Australian Real Estate outlook remains positive for 2020 and beyond, supported by low for longer interest rates; under-leveraged property owners; a densifying population underpinned by a positive immigration policy and positive employment growth; and disciplined developers retaining a market of scarcity.

The World

2019 experienced global economic geopolitical events with the US/China Trade and technology dispute, potential impeachment of President Trump, Brexit, Hong Kong democracy protests and the potential for a European recession.

There has been some tempering of economic impacts with the de-escalation of the trade and technology disputes between China and the US with the Phase One accord which saw a rebound on the US stock exchange. The recent UK election results has enabled the current government to confirm a Brexit date of 31 January 2020 offsetting some of last year’s uncertainty and business confidence, although there are still issues to be resolved during the transition year.

The US economy continues its longest economic expansion ever recorded. The US Federal Reserve maintained interest rates in the Q4 19 at a range between 1.5% and 1.75% and it is not expected to increase rates until 2021. Holiday retail sales were up 3% as at November 2019 and unemployment is at a 50 year low at 3.5% and is expected to maintain a neutral rate in 2020.

Whilst there has been signs of improving global economies, the recent COVID-19 will impact global growth in the short term.
Australia and City Hotel Market Operating Performance

Year to Date December 2019

<table>
<thead>
<tr>
<th>City</th>
<th>Occupancy</th>
<th>OCC YTD Growth %</th>
<th>ADR</th>
<th>ADR YTD Growth %</th>
<th>RevPAR</th>
<th>RevPAR YTD Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>73.9%</td>
<td>-0.9%</td>
<td>$185.58</td>
<td>-1.0%</td>
<td>$137.18</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Sydney</td>
<td>82.5%</td>
<td>-1.9%</td>
<td>$220.50</td>
<td>-3.0%</td>
<td>$181.81</td>
<td>-4.8%</td>
</tr>
<tr>
<td>Hobart Area</td>
<td>83.1%</td>
<td>-4.7%</td>
<td>$184.10</td>
<td>3.0%</td>
<td>$152.90</td>
<td>7.9%</td>
</tr>
<tr>
<td>Melbourne</td>
<td>80.3%</td>
<td>-2.0%</td>
<td>$186.11</td>
<td>0.1%</td>
<td>$149.44</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Gold Coast</td>
<td>69.5%</td>
<td>-3.3%</td>
<td>$196.84</td>
<td>-2.6%</td>
<td>$136.71</td>
<td>-5.8%</td>
</tr>
<tr>
<td>ACT &amp; Canberra</td>
<td>76.4%</td>
<td>-2.9%</td>
<td>$170.54</td>
<td>-2.8%</td>
<td>$130.26</td>
<td>-5.6%</td>
</tr>
<tr>
<td>Adelaide</td>
<td>80.4%</td>
<td>1.9%</td>
<td>$155.55</td>
<td>-0.1%</td>
<td>$125.06</td>
<td>1.8%</td>
</tr>
<tr>
<td>Perth</td>
<td>73.2%</td>
<td>0.1%</td>
<td>$164.40</td>
<td>-1.0%</td>
<td>$120.42</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Cairns Area</td>
<td>77.4%</td>
<td>-3.8%</td>
<td>$148.32</td>
<td>-2.8%</td>
<td>$114.84</td>
<td>-6.5%</td>
</tr>
<tr>
<td>Brisbane</td>
<td>72.0%</td>
<td>1.4%</td>
<td>$157.18</td>
<td>1.4%</td>
<td>$131.17</td>
<td>2.8%</td>
</tr>
<tr>
<td>Darwin Area</td>
<td>55.9%</td>
<td>-14.7%</td>
<td>$146.20</td>
<td>-0.2%</td>
<td>$81.74</td>
<td>-14.9%</td>
</tr>
</tbody>
</table>

MARKET WRAP

Sydney was the top performer nationally (in terms of dollar value of RevPAR $182), outperforming the next best performing market (Hobart) by $29. Sydney however recorded declines across all KPI’s due to a 2.0% increase in rooms available (to sell) against flat growth in demand for room nights. An overall 4.8% decline in RevPAR resulted from a 1.9% decline in Occupancy and a 3.0% decline in ADR. The increase in supply in the Mascot airport precinct continued to influence the ability for Sydney CBD hotels to yield rates which was further compounded by the impacts from the NSW bush fires which commenced in Q4. Sydney is ranked Australia’s number one tourism region in terms of Visitors, Visitor Nights and Expenditure for both International and Domestic visitation.

Hobart area performed strongly due to a combination of a 2.1% reduction in rooms available (to sell) and increase of 2.5% in demand for room nights, which enabled this market to achieve the highest growth across all KPI’s nationally. Compared to other Australian capital cities, Hobart achieves the highest average regional spend per visitor night by International Visitors.

Melbourne reported a 4.5% increase in rooms available (to sell) which exceeded a 2.5% increase in demand for rooms, resulting in a 2.0% decline in occupancy. ADR recorded marginal growth of 0.1% resulting in a RevPAR decline of 1.9%. Melbourne continues to combat new rooms supply with its robust calendar of events.

Gold Coast: recorded declines across all KPI’s due to a 1.3% increase in rooms available (to sell) which was compounded by a 2.0% decrease in demand for room nights. An overall 5.8% decline in RevPAR, resulted from a 3.3% decline in Occupancy and a 2.6% decline in ADR. The reduction in year to date demand for room nights was anticipated following the staging of the Commonwealth games in Gold Coast in Q2 2018. For 2019, YTD Q4 reported strong RevPAR growth of 5.3% on YTD Q3.

ACT/Canberra reported a 5.7% increase in rooms available (to sell) which exceeded a 2.7% increase in demand for rooms. An overall 5.6% decline in RevPAR, resulted from a 2.9% decline in Occupancy and a 2.8% decline in ADR. The May 2019 Federal Election and subsequent deferment of parliamentary sitting days to Q3, have negatively impacted the results for ACT/Canberra.

Adelaide recorded a growth in occupancy of 1.9% due to a 3.7% increase in demand for room nights which exceeded a 1.8% increase in rooms available (to sell). ADR declined marginally by 0.1% resulting in an overall 1.8% increase in RevPAR.

Perth showed signs of equilibrium recording a 7.0% increase in rooms available (to sell) which was surpassed by a 7.2% increase in demand for room nights. An overall 0.8% decline in RevPAR, resulted from a 0.1% increase in Occupancy and a 1.0% decline in ADR. Perth will introduce additional new supply in the next six to twelve months.

Cairns area reported a 4.5% increase in rooms available (to sell) which exceeded a 0.5% increase in demand for room nights. An overall 6.5% decline in RevPAR, resulted from a 3.8% decline in Occupancy together with a 2.8% decline in ADR.

Brisbane RevPAR grew by 2.8% indicating that the market is absorbing the recent new supply. Significantly, a 4.0% increase in rooms available (to sell) was surpassed by a 4.4% increase in demand for room nights whilst ADR increased by 1.4%.

Darwin saw a significant decline of 18.7% in Visitor Nights (3.5 million more Visitor Nights YOY) which was further compounded by a 2.0% decrease in demand for room nights, representing the lowest RevPAR performing market for the period. Despite a 14.7% decline in Occupancy, the market managed to hold ADR relatively stable decreasing only 0.2%.

International Visitor Highlights (Y/E September 2019)

China which represents Australia’s number 1 international visitor accounting for 15% of the total share of visitors, achieved only marginal growth YOY. The key growth market was India which rose by 12.2% in terms of visitors and recorded a substantial growth of 18.7% in Visitor Nights (3.5 million more Visitor Nights YOY).

Australia wide
RevPAR decreased

Best RevPAR growth market: Hobart Area

Worst RevPAR performing markets: Darwin Area (down 14.9%) Cairns Area (down 6.5%)

International Visitor Highlights (Y/E September 2019)

International Visitors were up 2.5% to 8.66m & International Visitor Nights were up 2.1% to 275.79m

Domestic Visitor Highlights (Y/E September 2019)

Domestic Visitors were up 12.3% to 115.7m & Domestic Visitor Nights were up 12.0% to 410.1m

Visitor Nights varied with NT and ACT recording declines of 5.7% and 0.3% respectively, TAS and VIC rose 3.7% and 9.7% respectively with the remaining States recording double digit growth

NSW, VIC, SA and WA recorded double digit growth in domestic expenditure

Source STR

Growth % ADR ADR YTD

-1.9%
### Recent Sales Transactions

<table>
<thead>
<tr>
<th>Hotel</th>
<th>State</th>
<th>Number of Rooms</th>
<th>Price Per Room</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel Cairns</td>
<td>QLD</td>
<td>32</td>
<td>$199,565</td>
<td></td>
</tr>
<tr>
<td>Ovolo Nishi Canberra</td>
<td>ACT</td>
<td>85</td>
<td>$528,106</td>
<td></td>
</tr>
<tr>
<td>Paradise Resort GC</td>
<td>QLD</td>
<td>357</td>
<td>$120,448</td>
<td></td>
</tr>
<tr>
<td>Vibe North Sydney</td>
<td>NSW</td>
<td>185</td>
<td>$510,753</td>
<td></td>
</tr>
<tr>
<td>Best Western Lake Kawana</td>
<td>QLD</td>
<td>81</td>
<td>$185,185</td>
<td></td>
</tr>
<tr>
<td>Future Citadines Walker</td>
<td>NSW</td>
<td>252</td>
<td>$802,381</td>
<td></td>
</tr>
<tr>
<td>Box Hill Motel</td>
<td>VIC</td>
<td>23</td>
<td>$259,783</td>
<td></td>
</tr>
<tr>
<td>Base Backpackers, Magnetic Is</td>
<td>QLD</td>
<td>32</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

Source: RCA

### Top International Visitor Markets

**Year Ending September 2019**

<table>
<thead>
<tr>
<th>Country</th>
<th>TV '000</th>
<th>STV</th>
<th>VAG</th>
<th>TVN '000</th>
<th>STVN</th>
<th>VNAG</th>
<th>TV '000</th>
<th>STV</th>
<th>VAG</th>
<th>TVN '000</th>
<th>STVN</th>
<th>VNAG</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>01 - China</strong></td>
<td>1,331</td>
<td>15.4%</td>
<td>1.2%</td>
<td>58,395</td>
<td>21.2%</td>
<td>1.7%</td>
<td>1,276</td>
<td>14.7%</td>
<td>1.5%</td>
<td>12,977</td>
<td>4.7%</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>02 - New Zealand</strong></td>
<td>455</td>
<td>5.3%</td>
<td>8.8%</td>
<td>10,892</td>
<td>3.9%</td>
<td>4.0%</td>
<td>417</td>
<td>4.8%</td>
<td>9.4%</td>
<td>5,663</td>
<td>2.1%</td>
<td>-0.8%</td>
</tr>
<tr>
<td><strong>03 - USA</strong></td>
<td>771</td>
<td>8.9%</td>
<td>4.7%</td>
<td>13,168</td>
<td>4.8%</td>
<td>0.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>04 - UK</strong></td>
<td>670</td>
<td>7.7%</td>
<td>-4.3%</td>
<td>20,788</td>
<td>7.5%</td>
<td>-7.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>05 - Japan</strong></td>
<td>455</td>
<td>5.3%</td>
<td>8.8%</td>
<td>10,892</td>
<td>3.9%</td>
<td>4.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>06 - Singapore</strong></td>
<td>417</td>
<td>4.8%</td>
<td>9.4%</td>
<td>5,663</td>
<td>2.1%</td>
<td>-0.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### International & Domestic Visitors – Who Goes Where?

**Year Ending September 2019**

<table>
<thead>
<tr>
<th>Region</th>
<th>Int'l</th>
<th>Domestic</th>
<th>Int'l</th>
<th>Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NSW</strong></td>
<td>TV '000</td>
<td>4,387</td>
<td>38,333</td>
<td>3,131</td>
</tr>
<tr>
<td></td>
<td>STV</td>
<td>50.7%</td>
<td>33.1%</td>
<td>36.1%</td>
</tr>
<tr>
<td></td>
<td>VAG</td>
<td>11.1%</td>
<td>12.4%</td>
<td>4.4%</td>
</tr>
<tr>
<td></td>
<td>TVN '000</td>
<td>97,784</td>
<td>119,177</td>
<td>74,329</td>
</tr>
<tr>
<td></td>
<td>STVN</td>
<td>35.5%</td>
<td>29.1%</td>
<td>27.0%</td>
</tr>
<tr>
<td></td>
<td>VNAG</td>
<td>2.4%</td>
<td>12.4%</td>
<td>5.9%</td>
</tr>
<tr>
<td><strong>QLD</strong></td>
<td>TV '000</td>
<td>2,763</td>
<td>25,704</td>
<td>988</td>
</tr>
<tr>
<td></td>
<td>STV</td>
<td>31.9%</td>
<td>22.2%</td>
<td>36.1%</td>
</tr>
<tr>
<td></td>
<td>VAG</td>
<td>-0.5%</td>
<td>13.7%</td>
<td>4.5%</td>
</tr>
<tr>
<td></td>
<td>TVN '000</td>
<td>55,216</td>
<td>101,682</td>
<td>24,493</td>
</tr>
<tr>
<td></td>
<td>STVN</td>
<td>20.0%</td>
<td>24.8%</td>
<td>8.9%</td>
</tr>
<tr>
<td></td>
<td>VNAG</td>
<td>1.3%</td>
<td>11.5%</td>
<td>5.9%</td>
</tr>
<tr>
<td><strong>SA</strong></td>
<td>TV '000</td>
<td>470</td>
<td>7,883</td>
<td>293</td>
</tr>
<tr>
<td></td>
<td>STV</td>
<td>5.4%</td>
<td>6.8%</td>
<td>3.4%</td>
</tr>
<tr>
<td></td>
<td>VAG</td>
<td>2.2%</td>
<td>19.3%</td>
<td>4.5%</td>
</tr>
<tr>
<td></td>
<td>TVN '000</td>
<td>9,780</td>
<td>28,293</td>
<td>4,241</td>
</tr>
<tr>
<td></td>
<td>STVN</td>
<td>3.5%</td>
<td>6.9%</td>
<td>1.5%</td>
</tr>
<tr>
<td></td>
<td>VNAG</td>
<td>-3.2%</td>
<td>21.2%</td>
<td>-16.0%</td>
</tr>
<tr>
<td><strong>TAS</strong></td>
<td>TV '000</td>
<td>310</td>
<td>1,643</td>
<td>271</td>
</tr>
<tr>
<td></td>
<td>STV</td>
<td>3.6%</td>
<td>1.4%</td>
<td>3.1%</td>
</tr>
<tr>
<td></td>
<td>VAG</td>
<td>7.3%</td>
<td>6.6%</td>
<td>8.8%</td>
</tr>
<tr>
<td></td>
<td>TVN '000</td>
<td>3,331</td>
<td>9,017</td>
<td>6,117</td>
</tr>
<tr>
<td></td>
<td>STVN</td>
<td>1.2%</td>
<td>2.2%</td>
<td>2.2%</td>
</tr>
<tr>
<td></td>
<td>VNAG</td>
<td>-6.8%</td>
<td>-5.7%</td>
<td>18.4%</td>
</tr>
</tbody>
</table>

Key: Total Visitors (‘TV ’000’) | Share of Total Visitors (‘STV’) | Visitors Annual Growth YOY (‘VAG’) | Total Visitor Nights (‘TVN ’000’) | Share of Total Visitor Nights (‘STVN’) | Visitor Nights Annual Growth YOY (‘VNAG’) (Share of total visitors for both International and Domestic Visitors exceeds 100% due to multiple state visits)

Source: TRA
Australia Year Ending September 2019

- Total Visitors up 11.6%
- Visitation Nights up 7.8%
- Expenditure up 10.0%

Total Visitors (National + International) Visitor annual growth
12 Months Ending September 2019

Australia:
- Total Visitors up 10.8% TV yoy

New Zealand:
- Total Visitors up 6.7% TV yoy

Northern Territory:
- Total Visitors up 12.2% TV yoy

Queensland:
- Total Visitors up 18.2% TV yoy

South Australia:
- Total Visitors up 11.1% TV yoy

Victoria:
- Total Visitors up 12% TV yoy

Western Australia:
- Total Visitors up 8.1% TV yoy

Top International Visitor Markets
Year Ending September 2019

- Visitation Nights up 7.8%
- Total Visitors up 11.6%
- Expenditure up 10.0%
- TV yoy
Economic Update - New Zealand

The New Zealand economy is softening as other developed economies are, despite the low interest rate regime. As with Australia, the Official Cash Rate (OCR) is at historical lows of 1% (following easing’s from 1.75% in 2019) and is designed to lower mortgage rates and stimulate the household balance sheet by generating greater disposable incomes thereby promoting consumer spending.

The NZ Treasury recorded GDP growth of +1.4% YOY to June 2019 and are forecasting a marginal deterioration to 2.2% YOY to June 2020 before modest upicks from 2021 of circa 2.7%. Unemployment is forecast to be stable at a positive 4.3%, while inflation will remain low at 1.9% - 2% from 2020 up from 1.7% YOY to June 2019.

In comparison to other developed nations, New Zealand is performing reasonably well considering the global impacts of the US/China trade dispute in particular. The NZ consumer is beginning to spend, with Q4 credit card retail sales highlighting an increase in spending (+1% sa) driven by discretionary durables (furniture, hardware, appliances), hospitality and consumables (non-discretionary). Year to date however, the combination of strong income growth and weaker consumption spending suggests that households have decreased discretionary spending in response to uncertainty about future growth in incomes.

MARKET WRAP

Queenstown reported a 0.8% increase in rooms available (to sell) which was compounded by a 0.9% decrease in demand for room nights. RevPAR declined by 2.1, resulting from a 1.7% decline in Occupancy and a 0.4% fall in ADR. Queenstown was the top performer nationally (in terms of dollar value of RevPAR $198), outperforming the next best performing market (Auckland) by $37.

Auckland recorded declines across all KPI’s due to a 2.7% increase in rooms available (to sell) which exceeded a 1.6% increase in demand for room nights. An overall 4.0% decline in RevPAR, resulted from a 1.0% decline in Occupancy and a 3.0% decline in ADR.

Wellington Despite a 2.3% increase in rooms available (to sell) which exceeded a 0.2% increase in demand for room nights, RevPAR increased by 1.8%. This was achieved from a healthy 4.0% increase in ADR which was partially offset by a 2.1% decline in Occupancy.

Christchurch recorded a 2.8% increase in rooms available (to sell) which exceeded a 0.7% increase in demand for room nights. An overall 2.4% decline in RevPAR, resulted from a 2.0% decline in Occupancy and 0.4% decline in ADR.

International & Domestic Visitor Highlights (12 Months Ending September 2019)

International Visitors were up 2.5% to 3.9 million for the year ending September 2019. Of the top 10 international visitor markets, Australia made up 39.2% of the total share of Visitors, with China following at 10.6%.

Domestic Visitor Nights to the North Island were up 5%, and Domestic Visitor Nights to the South Island were up 2.1%.

New Zealand & City Hotel Market Operating Performance

Year to Date December 2019

<table>
<thead>
<tr>
<th>City</th>
<th>Occupancy</th>
<th>OCC YTD Growth %</th>
<th>ADR</th>
<th>ADR YTD Growth %</th>
<th>RevPAR</th>
<th>RevPAR YTD Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand</td>
<td>77.9%</td>
<td>-1.6%</td>
<td>$191.81</td>
<td>-1.0%</td>
<td>$149.33</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Queenstown</td>
<td>81.7%</td>
<td>-1.7%</td>
<td>$242.76</td>
<td>-0.4%</td>
<td>$198.45</td>
<td>-2.1%</td>
</tr>
<tr>
<td>Auckland</td>
<td>81.1%</td>
<td>-1.0%</td>
<td>$199.25</td>
<td>-3.0%</td>
<td>$161.53</td>
<td>-4.0%</td>
</tr>
<tr>
<td>Wellington</td>
<td>76.6%</td>
<td>-2.1%</td>
<td>$187.83</td>
<td>4.0%</td>
<td>$143.82</td>
<td>1.8%</td>
</tr>
<tr>
<td>Christchurch</td>
<td>76.6%</td>
<td>-2.0%</td>
<td>$157.09</td>
<td>-0.4%</td>
<td>$120.34</td>
<td>-2.4%</td>
</tr>
</tbody>
</table>

i) Amounts are NZD  
ii) Unless otherwise stated percentages are expressed as percentage movements  
iii) Unless otherwise stated all comparisons are to the same prior period

savills.com/research  
Australia & New Zealand Hotels - Q4 2019
Top International Visitor Markets 12 months ending September 2019

<table>
<thead>
<tr>
<th>Country</th>
<th>Int'l Domestic</th>
<th>TVN '000</th>
<th>STV</th>
<th>VNAG</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOUTH ISLAND</td>
<td>8,842</td>
<td>51.7%</td>
<td>3.8%</td>
<td></td>
</tr>
<tr>
<td>NORTH ISLAND</td>
<td>8,277</td>
<td>48.3%</td>
<td>-3.1%</td>
<td></td>
</tr>
</tbody>
</table>

Recent Sales Transactions

Novotel New Plymouth
Hobson Hotel - NPL
Number of Rooms: 85
Price Per Room: $249,579
SOLD | Nov-18

Comfort Hotel, Wellington - WEL
Number of Rooms: 115
Price Per Room: $211,831
SOLD | Nov-18

Huka Lodge - AKL
Number of Suites: 60
Price Per Room: $87,563
SOLD | May-19

Haka Hotel
Backpacker - AKL
Number of Rooms: 63
Price Per Room: $185,714
SOLD | May-19

Source: RCA
Note: Recent hotel transactions over 50 rooms

International & Domestic Visitors – Who Goes Where?
12 Months Ending September 2019

NORTH ISLAND

<table>
<thead>
<tr>
<th>Country</th>
<th>Int'l</th>
<th>Domestic</th>
<th>TVN '000</th>
<th>STV</th>
<th>VNAG</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTH ISLAND</td>
<td>8,277</td>
<td>48.3%</td>
<td>3.8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SOUTH ISLAND

<table>
<thead>
<tr>
<th>Country</th>
<th>Int'l</th>
<th>Domestic</th>
<th>TVN '000</th>
<th>STV</th>
<th>VNAG</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOUTH ISLAND</td>
<td>8,842</td>
<td>51.7%</td>
<td>3.8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

New Zealand 12 Months ending September 2019

International Total Visitors up 2.5%
Domestic Total Visitor Nights up 4.0%

Source: STATS NZ
Savills Hotels Research
Savills offers independent advice across hotel development & construction, hotel property investments and management of hotel real estate. With local and international clients including financial, investment and management entities, Savills has the experience to deliver on any project, no matter the size or scope.

Key Contacts

Michael Simpson  
Managing Director  
+61 (0) 431 649 724  
msimpson@savills.com.au

Vasso Zographou  
Director  
+61 (0) 449 979 039  
vzographou@savills.com.au

Max Cooper  
Director  
+61 (0) 431 776 167  
mcooper@savills.com.au

Rob Williamson  
Director  
+61 (0) 412 803 482  
rwilliamson@savills.com.au

Adrian Archer  
Director  
+61 (0) 481 037 429  
aarcher@savills.com.au

James Cassidy  
Director  
+61 (0) 478 333 858  
j Cassidy@savills.com.au

Joanne Morris  
Associate Director  
+61 (0) 438 887 088  
jmorris@savills.com.au

Lauren O’Neill  
Manager  
+61 (0) 481 879 876  
loneill@savills.com.au

Timmy Truong  
Assistant Valuer  
+61 (0) 435 138 818  
ttruong@savills.com.au

Matthew Schutze  
Graduate  
+61 (0) 451 407 906  /mschutze@savills.com.au

Savills plc: Savills plc is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 600 offices and associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. While every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.