

Ramada SkyHotel – Hervey Bay

Independent Research Report

Prepared for :: **Collective Wealth Pty Ltd** :: Investment Manager
Property Collect Growth Trust – SkyHotel Investment Fund

By Broad Property Research & Advisory Pty Ltd
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PROSPECTIVE INVESTORS MUST READ THE
PRODUCT DISCLOSURE STATEMENT (PDS) IN
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Executive summary

Broad Property Research & Advisory Pty Ltd (BPR) has prepared this report for the purpose of providing an overview to Collective Wealth Pty Ltd of various parameters concerning the Ramada SkyHotel development. This report is not to be construed or used as financial or investment advice by any party. BPR is an independent property research firm that offers a wide range of research services for the residential, commercial, and industrial property sectors. This report should be read in full.

The key conclusions arising from investigations, research and calculations are as follows:

1. That substantial independent reports by known specialists, including Nexia Australia and their Independent Accountants Report, and THSA for revenue analysis, were commissioned for the verification of the financial and physical information contained in the Property Collect Growth Trust I SkyHotel Investment Fund, Product Disclosure Statement dated November 2021.
2. Broad Property Research and Advisory has concluded that the reports are professional and extensive and represent a balanced 'picture' of the prospective future performance of Ramada SkyHotel. Ramada SkyHotel will comprise 83 rooms owned by the SkyHotel Investment Fund with a top floor conference centre, restaurant and bar owned by Marina Land Pty Ltd. **Artists impression and model Appendix 1.**
3. With respect to the Fraser Coast regional economy all indicators are that the region will continue to grow strongly with infrastructure growth and tourism, with reports such as the Ryder Report indicating a \$4.4 billion economy and forecasting strong economic growth.
4. With respect to tourism and development, and key analysis of Ramada SkyHotel, the forecast is positive and strong. THSA advise the underlying strength of the accommodation market with 3.7 million visitor nights to the region. The following are key extracts from the THSA summary letter in the PDS:
 - a. The current Ramada Hervey Bay still presents as modern and appealing and for this reason along with its on-site restaurant and other hotel services offered has enjoyed a higher than average occupancy. Ramada SkyHotel and the current Ramada will complement each other operationally and for product offering.
 - b. Ramada Hervey Bay has a very strong corporate guest business due to it having hotel rooms as well as other hotel services offered, which can assist greatly in underpinning revenue and occupancy consistency.
 - c. Council and other organisations are proactively and highly supportive of tourism and development of the region in a number of sectors (including tourism, health, energy, education) and this is reflected in the modern airport capable of large jets and serviced with a number of flights daily from both Brisbane (30 mins) and 3 times a week from Sydney (90 mins).
 - d. In 2019 the region and Fraser Island welcomed 1.8 million tourists generating 3.7 million visitor nights which reflects the underlying strength of the market and the need for quality accommodation and services such as the proposed Ramada SkyHotel.
 - e. The region has a very strong drive market (3.5 hours from Brisbane) being next to the populous South East Queensland and is one of Australia's premier whale watching destinations and only one of four Whale Heritage Sites in the world.
 - f. The development of the top floor multipurpose facility which will have excellent views over the marina out to Fraser Island, for conference (including a focus on weddings, meetings and social events) restaurant and bar will complement and be very beneficial for the hotel accommodation.
 - g. Based on the market assessment and opportunity presented in our report by the proposed 83-room SkyHotel, it is reasonable to expect that the property could achieve a stabilised annual room occupancy of 83.0% and ADR of \$177.52 by the third year of operation (2025) and generate a total estimated rooms revenue of \$4.46 million increasing to an ADR of \$187.18 by the fifth year and generate a total estimated rooms revenue of \$4.7 million.

5. A comprehensive 'on completion' valuation was undertaken by Property and Hospitality Valuers Pty Ltd (PHV Valuers) which assessed the value of the 83 rooms upon completion to be \$25.5 million or \$307,000 per room. It is considered that such value per room is reasonable for a new hotel when reviewing other hotel sales and particularly that the expected cost of constructing each hotel room is an average \$250,000.
6. A significant prospective 'upside' for SkyHotel Investment Fund is that Ramada SkyHotel is obtained 'at cost' with no 'development margin' being applied.
7. The \$25.5 million 'on completion' valuation by PHV Valuers appears reasonable to Broad Property Research and Advisory and the relevant calculation framework is contained in this report:
 - a. Development Value Analysis - \$25.5 million
 - b. Room Value Analysis - \$25 million
 - c. Capitalisation Value Analysis - between \$25 million and \$26 million
 - d. DCF Value Analysis - enclosed range between \$24.7 million to \$28.3 million
8. The RevPAR and Gross Rooms Revenue in analysing the historical performance of Ramada Hervey Bay aligns well with Ramada SkyHotel, being \$128 for Ramada Hervey Bay in CY2021 and \$133 for Ramada SkyHotel in 2023.
9. Ramada Hervey Bay has shown a 44% increase in Gross Rooms Revenue over the last 5 years making the 29% increase forecast over the 5 operational years for Ramada SkyHotel conservative.
10. The decision to construct Ramada SkyHotel as solely hotel rooms, with a lower capital cost per room, based on revenue per sqm, is sound. The historical Ramada Hervey Bay financial figures indicate a \$4.20 per sqm gross rooms revenue in CY2021 compared to the suites at \$2.46. The \$4.20 per sqm for a hotel room aligns with the \$4.44 calculated for Ramada SkyHotel in Year 1 of operation following construction.
11. The rental payable by SkyHotel Resort Management to SkyHotel Investment fund comprises Fixed Rent (based on Total Development Cost) and Additional Rent (based on Gross Rooms Revenue). As stated in the PDS Fixed Rent comprises over 80% of the Total Rent in the first year of operation. This provides security of income to SkyHotel Investment Fund and is calculated to provide 5% per annum of the total forecast 8%+ per annum Distribution to investors in SkyHotel Investment Fund.
12. The compound rate of return per annum (IRR), with respect to forecast quarterly cash Distributions to investors, as detailed in the PDS, for Median Subscription and Expected Total Development Cost is 9.8% per annum for the proposed 6-year period of the fund, which we consider is an attractive return.
13. Taking into account the forecast quarterly cash Distributions, and a capital growth range of 0% to 4%, for the hotel over a 5 year period following construction, based on the PVH 'on completion' valuation of \$25.5 million, and the Median subscription level of \$10 million, the IRR range is 12% to 17% per annum rate of return on a compound basis respectively, which again we consider an attractive return.
14. The PDS details that there will be substantial taxation deferrals which will adds to the attractiveness of the investment. The indicator is a likely 100% tax deferral for the first 3 years.
15. With respect to bank borrowing by SkyHotel Investment Fund, and repayment of subscriptions in SkyHotel Investment Fund upon sale of the 83 hotel rooms and related facilities, the Product Disclosure Statement and related documents disclosure favorable security and financial arrangements where Marina Land Pty Ltd will assist the SkyHotel Investment Fund. It should be noted that Marina Land Pty Ltd is providing the land for Ramada SkyHotel as well as other considerations and benefits such as promoters personal guarantees.
16. With respect to final sale of Ramada SkyHotel at the end of the trust term, research shows that the Australian hotel market is extensive with \$2 billion of sales in 2021. Our investigations show that the market demand for sound income producing hotels is strong.

Section 1 - Background

Commission

Broad Property Research and Advisory has been commissioned by Collective Wealth Pty Ltd as Investment Manager for the Property Collect Growth Trust and SkyHotel Investment Fund Product to undertake an independent research analysis of various investment factors concerning the development and operation of Ramada SkyHotel. This research analysis has been undertaken using data from the Property Collect Growth Trust Product Disclosure Statement and external data provided to Broad Property Research and Advisory.

BPR is an independent property research firm that offers a wide range of research services for the residential, commercial and industrial property sectors including population and demographic analysis, competitor analysis, pricing guidance and rental appraisals. Clients of BPR include private landholders, developers, project marketers, Councils, State Government agencies, not-for-profit and charitable organizations, mining companies, financial institutions, and Receivers/Managers of distressed assets.

Introduction

Huntley Management Limited has issued a Product Disclosure Statement (PDS) to raise an expected \$10 million from investors for the development and construction of Ramada SkyHotel Stage 2. Ramada SkyHotel will comprise 83 hotel rooms proposed to be held as one title (which includes a presidential suite and four executive rooms) within the ground floor and Levels 1 to 6 with a 7th Level conference centre, restaurant and bar. Development Approval has been obtained from the Fraser Coast Regional Council. The 83 rooms and associated facilities will be owned by the SkyHotel Investment Fund. The 7th level conference centre, restaurant and bar will be owned by Marina Land Pty Ltd.

Ramada SkyHotel is the second stage of Ramada Hervey Bay (which comprises 44 dual key apartments and a triple key apartment comprising 91 one bedroom and hotel rooms as well as restaurant, managers apartment and other facilities) which completed construction in 2009 and has been operating under a Ramada/Wyndham Hotel Group franchise since then.

It is proposed that Ramada SkyHotel will also be operated as a Ramada by SkyHotel Resort Management Pty Ltd which is wholly owned by Angel Hotel Management Pty Ltd, the current operator of Ramada Hervey Bay. Comprehensive details on Ramada SkyHotel and the investment and investment structure are contained in the PDS and related documents and will not be elaborated here.

This Independent Research Report will review the following key aspects.

- 1) Research undertaken for the development of Ramada SkyHotel and the PDS and collateral to the PDS
- 2) Fraser Coast and Hervey Bay location and the future
- 3) Development Analysis of Ramada SkyHotel pertaining to Value
- 4) Comparative Sales Values nationally pertaining to Value
- 5) Revenue analyses for Ramada SkyHotel
- 6) Ramada Hervey Bay revenue analysis compared to Ramada SkyHotel
- 7) Capitalization Rates for Value
- 8) DCF Analysis for Value
- 9) Fixed Rent and Additional Rent Analysis - Payment and Security
- 10) Internal Rate of Return Analyses incorporating Forecast Distributions and Sale Outcomes
- 11) Current activity of the hotel market with respect to sale of Ramada SkyHotel in circa 6 years
- 12) Asset Security Analysis for borrowing and investor capital

Site details

Ramada Hervey Bay is located at 627 The Esplanade, Urangan and Ramada SkyHotel will be positioned immediately to the rear of Ramada Hervey Bay. Vehicular access is from Miller Street. Located 300 kilometres north of Brisbane and 30 kilometres from Maryborough, Urangan is one of the towns that comprise the city of Hervey Bay, renowned for its 20-kilometre coastline of pristine beaches with safe swimming and good fishing. Located in the Fraser Coast Regional Local Government Area and part of the Fraser Coast Tourism Region, Hervey Bay is one of the main access points to the world heritage-listed Fraser Island and has a current population of 62,000 people.

Structured around a network of parks and shared walk/cycle paths connecting a range of recreational facilities, Hervey Bay is characterised by a relaxed lifestyle and enjoyable sub-tropical climate. Hervey Bay is well-serviced by infrastructure, amenities, and services including an airport, hospital, a campus of the University of Southern Queensland specialising in nursing, education, marine studies, business, and information technology, and a TAFE college. Hervey Bay Airport offers regular scheduled services direct to Brisbane and (pre-Covid) also to Sydney. Fast-train services to Brisbane can be accessed from nearby Maryborough.

Hervey Bay offers an attractive lifestyle for residents of all ages and is acknowledged as a retirement destination of choice. Hervey Bay attracted more than 900 new residents in the year ending 30th June 2020 (the latest official figures available) and anecdotal evidence suggesting that because of Covid-induced lockdowns and border closures in many capital cities, Hervey Bay's population has grown even faster over the last 12 months.

Ramada Hervey Bay is located immediately opposite Urangan Boat Harbour and Hervey Bay Boat Club, and is 350 metres from Boat Harbour Drive, the main transport route through Hervey Bay. Ramada Hervey Bay is 6.25km by road from Hervey Bay Airport, 7km from Stockland Hervey Bay Shopping Centre (the largest shopping centre in Hervey Bay), and 8.5km from the Hervey Bay Hospital.

Residential sales

Mainly due to the Covid-induced flight from capital cities and southern states, the number of detached house sales in Hervey Bay increased by 46% during the 2020/21 financial year compared to the year before. See table 1.

Table 1: Detached house sales by suburb – Hervey Bay – last five years

Suburb	2017	2018	2019	2020	2021
Craignish	52	46	50	55	84
Dundowran	24	22	23	23	32
Dundowran Beach	68	73	71	69	90
Eli Waters	104	83	99	83	112
Kawungan	130	125	108	102	151
Nikenbah	8	17	15	20	34
Pialba	58	75	58	68	111
Pt Vernon	138	149	145	133	197
Scarness	91	70	56	64	112
Torquay	110	98	107	96	136
Urangan	222	245	239	246	304
Urraween	202	208	159	142	218
Wondunna	65	73	62	57	111
Hervey Bay	1,272	1,284	1,192	1,158	1,692

Broad Property Research & Advisory Pty Ltd, January 2022. Source: Price Finder. Settled sales for financial years.

Although a much smaller market, the number of attached dwelling sales increased by an even larger 80% during the 2020/21 financial year compared to the year before. See table 2.

Table 2: Attached dwelling sales by suburb – Hervey Bay – last five years

Suburb	2017	2018	2019	2020	2021
Dundowran	2	0	0	3	2
Eli Waters	5	11	2	6	9
Kawungan	7	5	2	1	11
Pialba	66	46	57	50	94
Pt Vernon	9	6	6	6	9
Scarness	37	37	38	40	73
Torquay	56	80	87	58	124
Urangan	92	124	120	107	172
Urraween	7	7	10	15	30
Wondunna	0	1	0	6	3
Hervey Bay	281	317	322	292	527

Broad Property Research & Advisory Pty Ltd, January 2022. Source: Price Finder. Settled sales for financial years. Attached dwellings include apartments, duplexes, townhouses, and villas

And the number of vacant land sales increased by 70% during this period. See table 3.

Table 3: Vacant land sales by suburb – Hervey Bay – last five years

Suburb	2017	2018	2019	2020	2021
Craignish	33	29	20	14	42
Dundowran	3	3	2	2	10
Dundowran Beach	23	20	18	18	16
Eli Waters	10	13	30	17	34
Kawungan	24	21	16	16	70
Nikenbah	17	40	52	49	76
Pialba	41	36	34	42	32
Pt Vernon	11	13	9	9	26
Scarness	0	4	2	1	12
Torquay	8	5	4	10	14
Urangan	76	50	43	38	50
Urraween	29	26	16	40	79
Wondunna	52	25	14	22	12
Hervey Bay	327	285	260	278	473

Broad Property Research & Advisory Pty Ltd, January 2022. Source: Price Finder. Settled sales for financial years.

Over the past year, the median sale price of houses in Hervey Bay increased by 19% and the median sale price of attached dwellings increased by 10%. See table 4.

Table 4: Median sale prices by product type – Hervey Bay – last five years

Product type	2017	2018	2019	2020	2021
Detached houses	\$345,000	\$350,000	\$355,000	\$361,750	\$429,000
Attached dwellings	\$250,000	\$263,000	\$270,000	\$270,000	\$298,000

Broad Property Research & Advisory Pty Ltd, January 2022. Source: Price Finder. Settled sales for financial years. Attached dwellings include apartments, duplexes, townhouses, and villas

Section 2 – Research overview

Research and Research Reports - Letters

Our investigations conclude that substantial research and analysis has been undertaken to validate the development and construction of Ramada SkyHotel in Hervey Bay as the second stage of the current Ramada Hervey Bay. We are advised all reports and material are available to investors and prospective investors.

There are two principal components with respect to research and research reports and summary letters:

1. Reports and letters for the PDS
2. Other reports and analyses including those reviewed by Broad Property Research and Advisory

Reports and Letters for the PDS

There has been extensive independent third-party comprehensive reports and summary letters undertaken for the Product Disclosure Statement to validate the development costs, forecasts and projections of Ramada SkyHotel. These include:

1. **Nexia Australia – Nexia Corporate Finance Brisbane Pty Ltd** – undertook the Independent Accountants Report on the forecasts and projections contained in the PDS.
2. **THSA – Tourism and Hospitality Services AustralAsia** – undertook detailed analysis of the Fraser Coast and Hervey Bay along with occupancy and rate forecasts for Ramada SkyHotel.
3. **Nova Advantage** - undertook detailed analysis of the Fraser Coast and Hervey Bay along with occupancy and rate forecasts for Ramada SkyHotel.
4. **PHV – Property and Hospitality Valuations Pty Ltd** – undertook a comprehensive valuation on an 'as if complete' basis for the 83 rooms in Ramada SkyHotel.
5. **Janivco – Quantity Surveyor Construction Cost Consultants** – undertook extensive analysis of the development and construction cost of Ramada SkyHotel
6. **Urban Planet – Town Planners** – undertook the development approval process for Ramada SkyHotel being Stage 2 of the current Ramada Hervey Bay.
7. **Mullarch – Architects** – undertook the architecture of Ramada SkyHotel and we are advised that Mullarch were requested to provide as cost effective structure as possible.
8. **Adentro Design – Interior Designers** – undertook interior design concepts for Ramada SkyHotel

Other Reports and Research Reports Reviewed and/or Noted

The following includes reports – papers – documents – which have been reviewed and/or on file with respect to the validation of the development of Ramada SkyHotel in Hervey Bay.

1. Ryder – Why Invest in Fraser Coast Region
2. Colliers – Year in Review and Outlook 2020 – Hotels
3. Deloitte – Tourism and Hotel Market Outlook – Edition 2 2021
4. CBRE – Hotel Market Outlook
5. Fraser Coast Tourism

Fraser Coast and Hervey Bay – The Future

All indicators are that the Fraser Coast and Hervey Bay is a substantial growth area from the perspective of infrastructure, tourism and retirement and accordingly the following has been extracted from the Ryder Report – September 2021.

The Fraser Coast sits at the hub of the Wide Bay - Burnett, one of Australia's fastest growing regions.

Fraser Coast Region has a Gross Regional Product of \$4.4 billion.

Key industries include:

• Health & Aged Care • Agriculture • Tourism • Manufacturing • Construction • Education • Mining.

The Fraser Coast Region is on the doorstep of the rapidly growing South-East Queensland region and is a gateway to both resource-rich Central Queensland and the southern tip of the Great Barrier Reef, which includes heritage-listed Fraser Island.

Tourism has long played an important role in the local economy as visitors from all over the world come to see the rare sight of the annual migration of whales. The whale watching season is enhanced by food, wine and boat festivals, all enriching the visitor experience.

The resources sector in the Fraser Coast Region contributed \$166 million to Gross Regional Product in FY2020 and supported 1,040 full-time jobs, according to the Queensland Minerals Council.

Located only 250km north of Brisbane, the Fraser Coast is easily accessible from the Bruce Highway, with convenient rail and port connections. And for those travelling interstate, it's just 90 minutes by air from Sydney.

The region is well serviced by education and medical facilities. There are numerous public and private schools, two TAFE colleges and a campus of the University of the Sunshine Coast.

The Hervey Bay Public Hospital and the private St Stephens Hospital are part of an emerging medical precinct in Urraween which is creating hundreds of jobs as the precinct expands.

Hervey Bay's booming population is set to fuel new housing developments, retailers, restaurants and other services. Population estimates suggest around 5,000 people have moved to the Fraser Coast Region in the past five years. Between 2021 and 2041, around 30,000 new residents are expected to call the region home. That means an extra 14,000 homes will need to be built, confirming ongoing work for the construction industry.

Development Cost Analysis as to Value

The purpose of this section is to evaluate the 'traditional' property development model compared to the expected cost of development of Ramada SkyHotel (as extracted from the PDS) to ascertain 'value'. It is noted that in the PDS there is also Optimistic (\$21 million) and Pessimistic (\$24 million) Total Development Cost analyses. For this analysis the Expected Total Development Cost (\$22.5million) has been adopted and analysed. Costs in the PDS such as capital raising costs and costs generally extraneous to development have not been included.

A summary of the SkyHotel development costs provided to us is as follows and we make the following key explanations, assumptions and qualifications.

Explanations, Assumptions and Qualifications

1. That the value of the land with Development Approval is based on the PHV Valuation of \$800,000.
2. That the 'value add' under the body corporate of the pool and other facilities at \$250,000.
3. That the 'value add' of the dispensation by council of \$800,000 of headworks as per Urban Planet.
4. That the land and other value adds will be exchanged for ownership of the roof top facility as per the PDS.
5. That a Development Margin of 25% of costs for the 'traditional' development model has been adopted with such Development Margin including the developers profit, risk and reward for the likes of construction cost, and a required 'financier margin' for a development of this nature.
6. That extraneous costs not generally associated with 'traditional' development have been excluded.

Results Analysis from the Forecast Budget Analysis

1. Based on a development margin of 25% the 'value' of SkyHotel in its entirety is \$28 million.
2. Deducting an estimated \$2.5 million 'value' for the 7th Level means a 'value' for the 83 hotel rooms of \$25.5 million.
3. This is consistent with the PHV valuation in the PDS.
4. As detailed in the table below, there is approximately \$2 million less direct cash outflow for the SkyHotel development compared to 'traditional' development indicating opportunity for sound value.

TOTAL DEVELOPMENT COST ANALYSIS	Excluding GST Analysis	
	Project Feasibility	Expected Project Budget
Development Item		
Land as per PHV Valuation	\$800,000	\$0
Value Add from Stage 1 Estimate	\$250,000	\$0
Council infrastructure cost (FCRC Dispensation)	\$800,000	\$0
Marketing	\$100,000	\$100,000
Stamp duty land transfer	\$20,000	\$20,000
Legal Costs, transfers and documentation	\$10,000	\$10,000
Other settlement costs	\$10,000	\$10,000
Finance and broker establishment fees	\$180,000	\$180,000
Insurance, rates and taxes and contingency	\$12,000	\$12,000
Construction consultant fees	\$450,000	\$450,000
Project Administration Fees	\$200,000	\$150,000
FFE (Furniture, Fixtures and Equipment)	\$850,000	\$850,000
Council and statutory costs construction	\$100,000	\$100,000
Project QS bank and QS owner	\$40,000	\$40,000
Q Leave	\$100,000	\$100,000
Construction costs	\$17,600,000	\$17,600,000
Project Contingency	\$750,000	\$750,000
Debt Construction Interest Estimate	\$300,000	\$300,000
Company costs	\$50,000	\$50,000
Total Development Cost	\$22,622,000	\$20,722,000
Development Margin on Cost at 25%	\$5,655,500	
Total Excluding GST	\$28,277,500	
Forecast Development Value of SkyHotel	\$28,277,500	
Less Forecast Value 7th Level Conference	\$2,500,000	
Forecast Development Value 83 hotel rooms	\$25,777,500	
Rounded Forecast Value 83 hotel room	\$25,500,000	
Forecast per room	\$307,229	\$249,663
Less FFE per room	\$10,241	\$10,241
Forecast per room less FFE	\$296,988	\$239,422

5. The forecast cost per room on a 'traditional' development basis is \$307,000 and \$250,000 for the SkyHotel development model which clarifies the opportunity for excellent value. Refer again to table on the previous page (table supplied by Collective Wealth Pty Ltd).

Development Cost Analysis: on completion forecast value based on development costs and 25% Margin: 83 Rooms - \$25.5 million

Comparative Sales Value Analysis Nationally as to Value

Based on the hotel data provided in the Colliers International Capital Markets 2020 Outlook Report and the Savills Hotel Market Report 2018 which analyses hotel sales and sale rate per room, while there are variations from \$100,000 to \$1,000,000 depending on factors such as location, age and type of facility, it would be considered a room value of \$300,000 to \$320,000 as being comparable for a new hotel with the top floor facility proposed by the SkyHotel, in a sought after destination such as Hervey Bay in Queensland. The resort pool and other facilities of Ramada Stage 1 along with the Ramada and Wyndham branding bring additional value to the property.

Extract from Colliers Report – Year in Review and Outlook 2020 – *“Australia remains a favoured hotel investment market due to its sustained economic performance, political stability, transparency and governance. Continued population growth, large infrastructure projects and strong state economies generally are supporting of hotel cash flows and investment opportunities”.*

The Covid pandemic is not expected to vary the view of the opportunity for hotels in Australia, particularly in regional areas.

The Colliers Report indicates an average price per key nationwide of \$311,655 across 7,149 rooms sold. Based on a room cost excluding FFE of \$240,000 for SkyHotel the \$311,655 equates to value of 30% above cost. Obtaining at \$240,000 is very favourable. Being a regional hotel versus a city hotel has historically incurred a discount. For analysis purposes applying a discount we have used a room value of \$300,000.

Comparative Sales Analysis: forecast value based 83 Rooms at \$300,000 per room - \$25 million

Revenue Analyses for Ramada SkyHotel - Competitive advantages – Capitalisation Rate as to Value

From reviewing the independent reports, a conclusion can be reached that Ramada SkyHotel has some strategic competitive advantages, as follows:

- The provision of hotel rooms compared to apartments which is the predominate accommodation type in Hervey Bay;
- The Ramada branding and sales power of the Wyndham Hotel Group;
- A full-service hotel with restaurant and room service;
- A consequent strong corporate following; and
- Once built the provision of the top floor conference, restaurant and bar which will be a draw card for room occupancy.

Extensive revenue and yield calculations have been undertaken by independent hotel experts as follows and we are in receipt of the detailed reports. The independent reports are available to be read in full. All source data has been supplied to, and not calculated by, Broad Property Research and Advisory.

1. THSA – Tourism and Hospitality Services AustralAsia
2. Nova Advantage – Chris Novak Hotel Specialist – also referred to as Nova House

A summary financial analysis table (supplied by Collective Wealth Pty Ltd) of their reports with respect to net revenue of the 83 rooms is as follows, along with the Ramada SkyHotel forecasts which are essentially at the median level.

Operating Year	Forecast	Year 1	Year 2	Year 3	Year 4	Year 5
Occupancy	THSA	78%	81%	83%	83%	83%
Occupancy	Nova House	81%	88%	89%	89%	89%
Occupancy	SkyHotel	79%	84%	86%	86%	86%
ADR	THSA	\$163.13	\$170.24	\$177.52	\$182.62	\$187.18
ADR	Nova House	\$169.96	\$180.80	\$190.20	\$200.09	\$210.49
ADR	SkyHotel	\$167.50	\$175.52	\$183.86	\$191.36	\$198.84
Gross Rooms Revenue	THSA	\$3,842,840	\$4,182,710	\$4,463,714	\$4,591,866	\$4,706,662
Gross Rooms Revenue	Nova House	\$4,176,257	\$4,823,202	\$5,145,861	\$5,413,435	\$5,694,807
Gross Rooms Revenue	SkyHotel	\$4,031,791	\$4,492,062	\$4,798,744	\$4,994,369	\$5,189,658

Note: ADR and Gross Rooms Revenue is inclusive of GST as GST is applied to hotel accommodation.

For capitalisation purposes to calculate value, an analysis based on return to a hotel owner operating the hotel under a management agreement has been undertaken. Hence, forecast operating costs of housekeeping, reception, administration and general overhead costs has been adopted. As indicated, with respect to management of the hotel it has been assumed that a management agreement would be in place with an operator such as Ramada/Wyndham. Their standard rates of management and incentive have therefore also been deducted as a cost item.

The Ramada SkyHotel 5-year forecast based on the above (with GST deducted) is as follows:

Capitalisation Value Forecasts	Year 1	Year 2	Year 3	Year 4	Year 5
Rooms Revenue	\$3,665,264	\$4,083,693	\$4,362,495	\$4,540,335	\$4,717,871
Less Room Expenses	\$813,529	\$859,786	\$888,075	\$901,396	\$914,917
Less Operating Expenses	\$587,482	\$616,768	\$639,687	\$655,876	\$672,122
Net Revenue	\$2,264,254	\$2,607,139	\$2,834,733	\$2,983,063	\$3,130,832
Less Management Fees	\$252,581	\$283,545	\$307,512	\$321,696	\$335,826
Less Overhead Costs	\$304,610	\$338,344	\$375,378	\$391,086	\$408,509
EBITDA	\$1,707,062	\$1,985,250	\$2,151,843	\$2,270,281	\$2,386,497

Table supplied by Collective Wealth Pty Ltd

Although occupancy and rate are not stabilised until Year 3 for the purposes of calculating the appropriate earnings base, to be conservative, the capitalisation rate applied is the average of Year 1 to 5 being \$2,100,186 net revenue after cost. Based on a capitalisation rate from 6% to 9% being inclusive of any risk associated with Hervey Bay being regional, the Capitalisation values would be as follows:

Capitalisation Rate	6.0%	6.5%	7.0%	7.5%	8.0%	8.50%	9%
Capitalised Value	\$35,003,108	\$32,310,561	\$30,002,664	\$28,002,486	\$26,252,331	\$24,708,076	\$23,335,405

Table supplied by Collective Wealth Pty Ltd

Based on a capitalization rate of between 8% and 8.5% the forecast value of the 83 rooms in Ramada SkyHotel is between \$25 million and \$26 million

Comparative Historical Ramada Hervey Bay Analysis and Ramada SkyHotel

Historical gross room revenue, occupancy and revenue data has been provided by the management of Ramada Hervey Bay for 2018 to 2021 calendar years as follows, with such divided into Hotel Rooms and Hotel Suites (1 bedroom apartments with a living / dining area and a kitchenette).

Total Rooms Dual Keys	CY2017	CY2018	CY2019	CY2020	CY2021
Total Room Nights Occupied	24601	26282	25502	23050	25785
Total Room Nights OCC %	76%	81%	79%	71%	79%
Total Room Nights ADR	\$117.83	\$126.38	\$133.20	\$136.68	\$162.36
Total Room Nights RevPAR	\$89.23	\$102.25	\$104.57	\$96.98	\$128.87
RevPAR Sqm Dual Key 85sqm	\$1.05	\$1.20	\$1.23	\$1.14	\$1.52
Gross Rooms Revenue	\$2,898,644	\$3,321,565	\$3,396,877	\$3,150,512	\$4,186,371
Total Dual Key Sqm Available	1,375,320	1,375,320	1,375,320	1,375,320	1,375,320
\$ Gross Rooms Rev per Sqm	\$2.11	\$2.42	\$2.47	\$2.29	\$3.04
Hotel Rooms	CY2017	CY2018	CY2019	CY2020	CY2021
Total Hotel Nights Occupied	12439	13950	13234	11235	13229
Total Hotel Nights OCC %	76%	85%	81%	68%	81%
Total Hotel Nights ADR	\$115.22	\$118.81	\$124.91	\$129.50	\$145.92
Total Hotel Nights RevPAR	\$87.26	\$100.90	\$100.64	\$88.58	\$117.53
RevPar Sqm Hotel Room 28sqm	\$3.12	\$3.60	\$3.59	\$3.16	\$4.20
Gross Rooms Revenue	\$1,433,228	\$1,657,347	\$1,653,093	\$1,454,970	\$1,930,414
Total Hotel Rooms Sqm Available	459,900	459,900	459,900	459,900	459,900
\$ Gross Rooms Rev per Sqm	\$3.12	\$3.60	\$3.59	\$3.16	\$4.20
Hotel Suites / 1 bed apartment	CY2017	CY2018	CY2019	CY2020	CY2021
Total Suites Occupied	12162	12332	12268	11815	12556
Total Suites OCC %	76%	77%	76%	74%	78%
Total Suites ADR	\$120.49	\$134.95	\$142.14	\$143.51	\$179.67
Total Suites RevPAR	\$91.25	\$103.63	\$108.58	\$105.58	\$140.47
RevPAR Sqm Suite 57sqm	\$1.60	\$1.82	\$1.90	\$1.85	\$2.46
Gross Rooms Revenue	\$1,465,415	\$1,664,218	\$1,743,784	\$1,695,542	\$2,255,956
Total Suites Sqm Available	915,420	915,420	915,420	915,420	915,420
\$ Gross Rooms Revenue per Sqm	\$1.60	\$1.82	\$1.90	\$1.85	\$2.46

Table supplied by Collective Wealth Pty Ltd

The following analysis has been based on the Gross Rooms Revenue for Ramada SkyHotel for each year of operation following construction:

SkyHotel RevPAR Analysis	Year 1	Year 2	Year 3	Year 4	Year 5
Forecast Gross Rooms Revenue	\$4,031,791	\$4,492,062	\$4,798,744	\$4,994,369	\$5,189,658
Total Annual Room Nights SkyHotel	30295	30295	30295	30295	30295
RevPAR Forecast SkyHotel	\$133.08	\$148.28	\$158.40	\$164.86	\$171.30
\$ per sqm based on 30 sqm average	\$4.44	\$4.94	\$5.28	\$5.50	\$5.71

Table supplied by Collective Wealth Pty Ltd

Summary Results

1. The objective is to compare key historical parameters of Ramada Hervey Bay with Ramada SkyHotel to ensure that the figures generally align. There has been no adjustment to the Ramada Hervey Bay figures to account for the Covid Pandemic which impacted the CY2020 figures.
2. The increase in Historical Gross Room Revenue, ADR (Average Daily Rate) and RevPAR (Revenue Per Available Room) from 2017 to 2021 is clearly visible being 38% in ADR and 44% for RevPAR and Gross Rooms Revenue.
3. By comparison the forecast increase for the 5-year period for Ramada SkyHotel is 29% in ADR, RevPAR and Gross Rooms Revenue making the increases in Ramada SkyHotel comparatively conservative.
4. The CY2021 RevPAR for Ramada Hervey Bay was \$128 with a forecast 2023 RevPAR for Ramada SkyHotel being \$133, with such being 2 years ago. This therefore generally aligns.
5. It is evident the \$ return per sqm is considerably better for hotel rooms compared to the suites. The CY 2021 \$ per sqm for Hotel Rooms was \$4.20 per sqm compared to suites at \$2.46. The forecast Year 1 \$ per sqm for Ramada SkyHotel is \$4.44 per sqm which aligns with Hotel Rooms in Ramada Hervey Bay for CY 2021.

DCF Analysis as to Value

A Discounted Cash Flow (DCF) of the SkyHotel 5-year Forecast has been supplied to, but not calculated by, Broad Property Research and Advisory utilising the EBITDA as stated above during this period. Below is a summary table of the Net Present Value (NPV) of the 83 rooms in 2022. SkyHotel will be constructed for a proposed mid 2023 opening. For the purpose of calculating the NPV of the hotel we understand the following rates have been applied.

- A Discount Rate range of 6% to 8% for a hotel of similar quality in a regional location.
- A Terminal Value in 2027 at a Capitalisation Rate of 7% to 11.5%.

Discount Rate	Terminal Capitalisation Rate								
	7.0%	7.5%	8.0%	8.5%	9.0%	10.0%	10.5%	11.0%	11.5%
6.00%	\$ 33,570,359	\$ 31,905,252	\$ 30,448,284	\$ 29,162,723	\$ 28,020,003	\$ 26,077,379	\$ 25,244,825	\$ 24,487,959	\$ 23,796,907
6.25%	\$ 33,216,558	\$ 31,570,949	\$ 30,131,041	\$ 28,860,534	\$ 27,731,194	\$ 25,811,317	\$ 24,988,512	\$ 24,240,508	\$ 23,557,548
6.50%	\$ 32,867,529	\$ 31,241,144	\$ 29,818,057	\$ 28,562,392	\$ 27,446,246	\$ 25,548,797	\$ 24,735,604	\$ 23,996,338	\$ 23,321,357
6.75%	\$ 32,523,196	\$ 30,915,766	\$ 29,509,265	\$ 28,268,235	\$ 27,165,097	\$ 25,289,762	\$ 24,486,048	\$ 23,755,398	\$ 23,088,283
7.00%	\$ 32,183,483	\$ 30,594,744	\$ 29,204,598	\$ 27,977,998	\$ 26,887,687	\$ 25,034,158	\$ 24,239,789	\$ 23,517,635	\$ 22,858,277
7.25%	\$ 31,848,317	\$ 30,278,009	\$ 28,903,989	\$ 27,691,619	\$ 26,613,957	\$ 24,781,931	\$ 23,996,777	\$ 23,283,000	\$ 22,631,291
7.50%	\$ 31,517,626	\$ 29,965,493	\$ 28,607,376	\$ 27,409,038	\$ 26,343,848	\$ 24,533,026	\$ 23,756,959	\$ 23,051,444	\$ 22,407,278
7.75%	\$ 31,191,340	\$ 29,657,129	\$ 28,314,695	\$ 27,130,194	\$ 26,077,304	\$ 24,287,392	\$ 23,520,286	\$ 22,822,918	\$ 22,186,190
8.00%	\$ 30,869,387	\$ 29,352,852	\$ 28,025,883	\$ 26,855,028	\$ 25,814,269	\$ 24,044,977	\$ 23,286,709	\$ 22,597,375	\$ 21,967,983

Table supplied by Collective Wealth Pty Ltd

Discounted Cash Flow Analysis of the 83 rooms to a NPV in 2022; being the commence of construction is: \$24.7 million to \$28.3 million

Fixed Rent and Additional Rent - Payment and Security

As described in the PDS, during the Construction Phase there is a Distribution to Unitholders (investors) of 7% per annum paid quarterly, based on a maximum 16-month construction period, with an expected 12 month construction period. The money for the payment of this forms part of the subscription funds.

Once construction is completed and the Operational Phase commences, SkyHotel Investment Fund will lease SkyHotel to the operator SkyHotel Resort Management. The Lease has a Fixed Rent and Additional Rent component. The purpose of this arrangement was to provide the security of a 'base rental income' to SkyHotel Investment Fund which is not governed by the revenue generated by SkyHotel, plus an opportunity for SkyHotel Investment Fund, and hence the investors, to participate in the upside of the hotel revenue with a formula based on Gross Rooms Revenue.

Explanation of Fixed Rent and Additional Rent, and how calculated, is detailed in the Product Disclosure Statement where the Fixed Rent is calculated as a percentage of actual Total Development Cost of Ramada SkyHotel and such amount then applies for the term of the Lease. Additional Rent is not guaranteed. Additional Rent is calculated using a formula applied to Gross Rooms Revenue of Ramada SkyHotel and generally in accordance with the formula used in calculation of payment to owners in the current Ramada Hervey Bay.

Importantly, the Fixed Rent component is forecast to provide a Distribution to unit holders (investors in the Property Collect Growth Trust) of circa 5% per annum. Due to Fixed Rent being calculated as a percentage of Total Development Cost and final PDS subscription level to be determined at Drawdown, there is a relatively small variance in this 5%.

Internal Rate of Return Analysis using Forecast Unitholder Distributions and SkyHotel Sale Outcomes

Internal Rate of Return is the annual compound rate of return per annum that is expected to be earned on an investment.

For full definition: <https://corporatefinanceinstitute.com/resources/knowledge/finance/internal-rate-return-irr/>

The Ramada SkyHotel 'investment package' comprises 3 key elements being:

1. Cash distributions to Unitholders (investors) in the Property Collect Growth Trust from Lease / rental income;
2. Distribution of prospective capital growth to investors when Ramada SkyHotel is sold; and
3. Tax deferral benefits to investors due to investment structure such as depreciation.

An Internal Rate of Return analysis has been undertaken based on the following key explanations, assumptions and qualifications taking into account both Distributions during the investment and the sale of SkyHotel in 6 years after construction commencement.

1. The three level of subscriptions as detailed in the PDS being \$8.5 million, \$10 million and \$12 million;
2. The Distributions amount paid quarterly as stated in the PDS;
3. The 'on completion' valuation of \$25.5 million for the 83 hotel rooms as per the PHV valuation in the PDS;
4. Cost of sale with respect to commission and settlement costs of final sale at 5%;
5. Capital Growth escalation of 0%, 1%, 2%, 3% and 4% of the PHV valuation of \$25.5 million;
6. Debt level of \$12.5 million for \$8.5 million and \$10 million subscription levels as detailed in the PDS;
7. Debt level of \$12 million for the \$12 million subscription level as detailed in the PDS;
8. Construction Phase of 1 year to build SkyHotel;
9. Operational Phase of 5 years by SkyHotel Resort Management of Ramada SkyHotel;
10. Sale of SkyHotel at the end of 6 years and repayment and distribution to Unitholders (investors);
11. No taxation deferral benefits included or taken into account; and
12. No taxation on Distributions paid or Capital Gains Tax (CGT) to investors taken into account.

Distributions from Operational Phase

The Distributions during the investment as detailed in the PDS have been extracted as follows. This IRR Analysis has been done on a Gross Rooms Revenue (GRR) sensitivity basis of +5% GRR, Anticipated GRR, -5% GRR and -10% GRR.

Construction and Operating Phase	Optimistic	Anticipated	Conservative	Pessimistic
GRR Sensitivity	+5% GRR	GRR	-5% GRR	-10% GRR
Median Subscription IRR	10.7%	9.8%	8.9%	8.0%
Minimum Subscription IRR	12.3%	11.3%	10.3%	9.2%
Maximum Subscription IRR	9.3%	8.5%	7.8%	7.0%

Distributions from Operational Phase plus Sale of Hotel in Six Years

Based on the above explanations, assumptions and qualifications the following Internal Rate of Return (compound return on investment per annum as per definition stated above) has been calculated in the PDS for the 3 levels of subscriptions.

Capital Growth Rate	0%	1%	2%	3%	4%
Median Subscription IRR	12.0%	13.4%	14.7%	16.1%	17.4%
Minimum Subscription IRR	15.6%	17.0%	18.4%	19.8%	21.1%
Maximum Subscription IRR	8.8%	10.1%	11.4%	12.7%	13.9%
Start Value at Valuation (million)	\$25.5	\$25.5	\$25.5	\$25.5	\$25.5
End Value before Cost of Sale (million)	\$25.5	\$26.8	\$28.2	\$29.6	\$31.0
\$ per room	\$307,229	\$322,892	\$339,759	\$356,627	\$373,494

Summary Results

1. At Median Subscription and anticipated Gross Rooms Revenue (GRR), the compound rate of return on investment (IRR) is 9.8% cash return over the proposed 6-year period of the fund.
2. Taking into account prospective capital growth of Ramada SkyHotel, at Median Subscription and Expected Total Development Cost (TDC), the compound rate of return on investment (IRR) is 12% per annum based on zero capital growth of the PHV valuation of \$25.5 million, and sale at \$25.5 million in 6 years after construction commencement.
3. At Median Subscription and Expected TDC the IRR increases to 17.4% at a 4% per annum capital growth of the \$25.5 million.
4. At Maximum Subscription and Pessimistic TDC the IRR is 8.8% per annum at zero capital growth increasing to 13.9% at 4% per annum capital growth of the \$25.5 million.
5. At \$12 million Maximum Subscription and \$12 million borrowing, which meets a Total Development Cost (TDC) of \$24 million, a scenario as detailed in the PDS, the differential between TDC and 'on completion' valuation is \$1.5 million. This compares to a \$3 million differential with a \$22.5 million TDC (Median Subscription of \$10 million plus borrowing of \$12.5 million) and a \$25.5 million 'on completion' valuation of the 83 hotel rooms. This differential amount impacts the IRR result.
6. The \$ per room capital value at \$25.5 million is \$307,229. A 4% capital growth for a 5 year period (as 'on completion value at the end of Year 1) would mean a \$ per room capital value of \$373,494. This equates to a 20% increase in value over a 5-year period.

The Hotel Market Place and Activity

Research outlined in the PDS shows that the global hotel market is in 'the billions'. There are a number of key parties involved in the Australian hotel market including divisions focused on hotels such as CBRE, Savills, and Colliers. Parties interested in purchasing hotels as a key asset class include national and international hotel groups, fund managers, syndicates, superannuation funds, and high net worth families and individuals.

Extract Financial Review Oct 2021 – for full report ...

<https://www.afr.com/property/commercial/hotel-sales-nudge-2b-hit-six-year-annual-high-20211028-p59431>

The value of Australian hotel sales is just shy of \$2 billion so far in 2021, hitting a six-year-high and underpinned in the main by an appetite for residential and build-to-rent conversions as owners sell out of the sector, according to figures compiled by CBRE Hotels. This year's tally was given another significant boost last Friday, with the \$315 million sale of Sydney landmark, the Sofitel Wentworth, to a consortium of buyers, including private equity powerhouse KKR.

There have been 39 significant hotel sales so far this year, compared with 28 in all of 2020 when transaction values reached \$681 million, at a much higher average price of \$51 million per property. It's the biggest hotel sales total in terms of value since 2015, with a number of potential sales still under way, while transaction numbers are the most since 2013 when 50 properties were sold.

Most of the 2021 sales have been concentrated in the first six months of the year with the subsequent COVID-19 lockdowns in Sydney and Melbourne inhibiting investor impetus through the back half, while larger regional properties were unusually prominent.

Asset Security Analysis for Borrowing and Investor Capital

The PDS states that while the top floor conference centre, restaurant and bar and related facilities will be owned by Marina Land Pty Ltd and the 83 rooms and related facilities by the SkyHotel Investment Fund, Marina Land Pty Ltd have agreed to allow the conference centre, restaurant and bar to be utilized as security for the SkyHotel Investment Fund loan under agreed terms. It is considered that this will substantially increase the borrowing capacity of the SkyHotel Investment Fund to the benefit of investors.

Importantly, also stated in the PDS, under agreed terms and conditions, Marina Land Pty Ltd have agreed that the top floor conference centre, restaurant and bar will act as collateral for the ultimate repayment of investor capital. Amongst other terms and conditions, Broad Property Research and Advisory have been advised by Collective Wealth that the formula agreement by Marina Land is on the basis that all Distributions made by SkyHotel Investment Fund form part of the capital.

IMPORTANT NOTICE

This report is not a valuation or advice for investment but a Property Value Appraisal for information purposes only and does not purport to be a valuation or investment advice and is not to be relied upon as a valuation. The analyses provided are of a preliminary and simplistic nature only as a guide and interested parties should undertake their own detailed analyses and reach their own conclusions.

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Appendix 1 - Artists Impressions and Model of Ramada SkyHotel



Existing Ramada Hervey Bay at the front and Ramada SkyHotel at rear

