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Market Assessment & Operating Projections for Proposed Development of SkyHotel, Hervey Bay

Dear Timothy and Bryce

Further to the submission of our Final Report dated 21 May 2021 titled '*Market Assessment and Operating Projections for Proposed Development of the SkyHotel Hervey Bay*' which is planned to open in early 2023, you have requested us to provide a Summary Letter to be used as part of your capital raising documentation including Product Disclosure Statement (PDS).

With respect to such we confirm that this Summary Letter must be read by any prospective investor in conjunction with the full report which you will also make available to prospective investors. We further confirm we consent to the use of this Summary Letter in the capital raising documentation and PDS and note although we are recognised hotel experts THSA is not authorised to provide investment advice.

Overview

Hervey Bay is located 240km to the North of Brisbane on the Fraser Coast and is sheltered by Fraser Island. The existing Ramada Hervey Bay was completed in 2009 by property developer Timothy Wright and since then operated by entities associated with him under a Ramada / Wyndham Hotel franchise. Timothy is also the key proponent for the development of Ramada SkyHotel. The land on which Ramada SkyHotel is to be built is currently owned by entities associated with Ramada Hervey Bay.

Property Collect proposes to develop an extension to the existing Ramada Hervey Bay to be called Ramada SkyHotel to comprise of 83 hotel rooms (78 standard rooms, four executive rooms and a presidential suite) as well as a rooftop multipurpose facility for conference, restaurant and bar in a seven-story building.

We are advised that Ramada Hervey Bay will be developed under the Property Collect syndication program of which Bryce Wedemeyer is CEO and Development Director.

Key Summary Findings

1. Hervey Bay and the Fraser Coast are experiencing a transformation from its agricultural past and relaxed seaside village to a modern economy.
2. There is an estimated 1,150 accommodation rooms in Harvey Bay across a range of hotels, serviced apartments, hostels and B&B. Ramada Harvey Bay is the only full-service establishment in Hervey Bay.
3. From our analysis of the market and discussions with various industry stakeholders there is a need for a new hotel accommodation (not serviced apartments) Ramada SkyHotel rather than serviced apartments and that the rooftop facility will be unique to the Fraser Coast.
4. Pre-COVID, the average occupancy was 64% and ADR \$140. This has increased to 69% and \$165 respectively post-COVID.

5. Located at the marina in Hervey Bay the new hotel will continue to benefit from the internationally known Wyndham Hotel and Ramada brands.
6. 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.
7. 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.
8. 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).
9. 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.
10. 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.
11. The development of the roof top 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.
12. Based on the market assessment and opportunity presented in our report by the proposed 83-room SkyHotel, we estimate 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.

As advised this letter must be read in conjunction with our comprehensive report dated May 2021, *'Market Assessment and Operating Projections for Proposed Development SkyHotel Hervey Bay'* and no statement in this Summary Letter should be taken out of context relative to that report or should be construed as THSA providing investment advice.

For optimal operations, international branded accommodation hotels often need to be above 150 rooms in scale. We conclude from our study that there appears to be a clear need, market opportunity and niche for the development of Ramada SkyHotel of 83 rooms in Hervey Bay with such adding to the 90 rooms of the existing Ramada Hervey Bay to total 173 rooms. This should provide sufficient rooms to allow the hotel to maximise operational efficiency with respect to marketing and services offered. Having two restaurants with one of these being a roof top (suitable for weddings and conferences) will be a drawcard for tourists, corporates, and locals.

Yours sincerely



Rodger Powell
Managing Director

