

1 December 2018

Bevan Paul
Chief Executive Officer
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1 Eels Place
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By email : Bevan.Paul@parraeels.com.au

Parramatta Leagues Club – Hotel Development

Bevan,

I refer to our discussions and your email which included the updated schematic plans for the proposed hotel development at Parramatta Leagues Club in Parramatta NSW ("the PLC Hotel"). The PLC Hotel as currently contemplated will be an Upscale (4 star) full service hotel with approximately 209 rooms, restaurant, bar, meeting, function and fitness facilities; we believe that this concept as included in "The Parramatta Leagues Club hotel Development, Reference SSD8800 O'Connell Street, Parramatta, NSW" submission is appropriate for the market.

According to statistics published by STR Global, the Parramatta market achieved a very strong 79% occupancy at an average rate of \$166 for the calendar year ended Dec 2016, despite a 5% increase in supply. While there is further new supply planned, including the PLC Hotel, we are confident that the longer-term market demand will support this new supply. According to the latest (Edition 2018) Deloitte Tourism Hotel Market Outlook, the Sydney CBD market is currently achieving, and will continue for the next few years to achieve, close to 90% occupancy which means that hotels there are full. Barriers to entry for new supply in the CBD are significant (mainly cost and availability of suitable land) and we are therefore seeing a push for development outside the CBD to accommodate growing demand. Parramatta is well located and well suited by infrastructure to capitalise on that opportunity in our view.

In addition to the planned Four Points by Sheraton hotel, the Competitor Set for the PLC Hotel will likely include the Novotel, Mercure, Park Royal and Rydges, all of which are recognised Upscale full-service hotels managed by operators with strong distribution systems and loyalty programs that drive significant competitive advantage. By securing the best possible brand and distribution for the PLC Hotel and by building a market leading facility that caters to the needs of the key market segments including corporate, leisure and MICE (Meetings, Incentives, Conferences and Exhibitions), the owner has the potential to maximise RevPAR penetration against the Competitive Set. After all, a new facility can be purposefully designed to combat any perceived weaknesses in the competitors' offering to gain market share.

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Furthermore, Deloitte Access Economics provided a report to PLC in March 2018. In that report Deloitte highlighted that they believed the demand for upper/upscale hotels will be strong for the foreseeable future. Albeit a short-term effect of the proposed new hotel supply in the market (2020/21) as mentioned above. Deloitte's forecast the market will grow RevPAR by approximately 4% compounded through 2026, with occupancy reaching 85% and average room rates exceeding \$220.00. Deloitte made these forecasts sighting the strong economic growth, and subsequent hotel accommodation demand, to Parramatta supported by the new sporting stadium, the continuing importance and growth as the secondary "Commercial Hub" of Sydney and other infrastructure developments underway or planned.

From what we understand, there will be significant demand from sporting groups and leisure customers to Parramatta, due to the completion of the new stadium. To provide a competitive advantage over other upper/upscale hotels and increase attractiveness to leisure guests, PLC have included in its planning, facilities such as an oversized pool, fitness and wellbeing such as gymnasium and possibly a Spa. Additionally, PLC have included significant function spaces in its design. These design elements combined with the existing Club facilities makes this a complete "Complex or Destination". As mentioned, this should provide a competitive advantage over other upper/upscale hotels in the PLC competitor set.

Potential clients will want the ability to book all of their requirements as part of their Hotel accommodation package. Locating said facilities in an area that also provides for sporting group meetings and events (e.g. meeting rooms adjacent outdoor, undercover pool deck with BBQ facilities) would build customer perception that the PLC Hotel owner understands and respects the needs of this important target market.

In terms of the guest rooms, and design, there should be a mix of twin and king rooms and there should be provision for interconnecting rooms to meet the needs of families. In addition, we would recommend approximately 10-15 suites that are often a buying decision, especially for groups. The idea of course is to ensure that the PLC Hotel can cater for all needs across the broadest possible market.

To the point above, **nem HTL** working with its Hotel Technical Design partner, Stephen Holiday of SHARA, have been actively involved in providing design advice to PLC and its architects. This advice has been incorporated in the current design elements and has assisted in streamlining the design, subsequent cost estimates and ensuring the appropriate guest facilities are provided.

Interior design will be critical to maximise the revenue potential for the PLC Hotel. Often, great design overcomes smaller spaces and the owner needs to be cognisant to keep the construction cost to a level that can be supported by potential profitability. Public areas should be interactive to encourage guests to mingle and interact in shared spaces in and around the hotel lobby. Guests will see this as an extension to their hotel room and value that accordingly.

Technology is very important, and the PLC Hotel should be leading edge in that regard. Hi Speed wireless internet throughout the Hotel is expected by guests and, before long, it will be widely offered free of charge. Check in via a hotel "App" will be the norm and guests will want to be able to navigate the hotel's services and book facilities using their own mobile devices.

The PLC Hotel has the potential to provide an outstanding option for guests staying in Parramatta and we expect that, as part of the Parramatta Leagues Club, there is potential to create a larger entertainment precinct that will provide maximum competitive advantage.

We look forward to working with you to help deliver this exciting project.

Regards,

A handwritten signature in black ink, appearing to read 'Bill Edwards', with a stylized flourish at the end.

Bill Edwards
Partner
Hotels, Tourism & Leisure
nem Australasia Pty Ltd

