



Hotel E-Newsletter August 2006

6th ANNUAL AUSTRALIA, NEW ZEALAND AND PACIFIC HOTEL INVESTMENT CONFERENCE (ANZPHIC) 21-22 June 2006

The ANZPHIC was attended by 400 attendees including 40 from New Zealand, the highest for the conference for six years running. Key results from the Horwath 2006 Hotel Industry Survey of Operations were presented at the conference in relation to hotels, resorts and serviced apartments operating in the main cities and resorts in Australia and New Zealand. Some of the key findings included:-

- (i) Average achieved RevPAR for Australia and New Zealand increased significantly for hotels, resorts and serviced apartments at approximately \$20, \$12 and \$20 respectively, between the 2004 and 2005 financial years
- (ii) Net profit as a percentage of total revenue increased for hotels and serviced apartments but decreased for resorts between 2004 and 2005
- (iii) Survey participants were asked for feedback on their outlook for 2006. The results for Sydney, Melbourne and Auckland are shown below. Auckland participants in the survey are forecasting that Auckland occupancy in 2005 of 77% will remain constant, but room rate will decrease in 2006 by 4.8%. We tend to agree with this outlook, with occupancy also perhaps softening in 2006.

	2005 Actual		2006 Outlook	
	Occupancy	Average Daily Rate	Occupancy	Average Daily Rate
Sydney	78%	A\$176	80%	A\$173
Melbourne	79%	A\$143	80%	A\$153
Auckland	77%	A\$165	77%	A\$157

In the session on hotel investment opportunities in New Zealand, it was noted that NZ\$300 million had been spent by Australian investors in the last 18 months buying 7 hotels in Auckland, Rotorua, Wellington and Christchurch, with the Auckland

Carlton and Rotorua Novotel and Ibis hotels announced in June 2006. We believe this demonstrates confidence by Australian hotel investors in the New Zealand hotel industry who see opportunities to increase profitability and return on investment.

Several of the hotels sold could potentially be managed by hotel chains or hotel brands new to New Zealand, which would be positive for the hotels as there was the potential to increase their RevPAR.

NEW ZEALAND

1. PERFORMANCE OF THE HOTEL INDUSTRY AND SERVICED APARTMENTS

May 2006 RTO	Hotel and Motels / Self Catering: Average Occupancy Rates - Period Ended May 2006							
	Hotels				Motels and Self Catering			
	Month		12 Months Ended		Month		12 Months Ended	
AOR	Change Occ. pts	AOR	Change Occ. pts	AOR	Change Occ. pts	AOR	Change Occ. pts	
Auckland	56.4%	-1.9 ↓	62.3%	-6.5 ↓	50.1%	-0.5 ↓	57.8%	-1.7 ↓
Rotorua	51.5%	+2.3 ↑	59.7%	-3.1 ↓	39.2%	-4.4 ↓	53.9%	-3.3 ↓
Wellington	58.6%	-3.6 ↓	62.2%	-2.0 ↓	55.5%	+1.2 ↑	61.5%	-1.5 ↓
Christchurch	51.5%	-1.8 ↓	61.2%	-3.3 ↓	41.3%	+2.7 ↑	55.6%	-2.3 ↓
Queenstown - Lakes and Central Otago	47.5%	+8.3 ↑	60.7%	-0.2 ↓	31.7%	-1.5 ↓	58.1%	-5.5 ↓
Taupo	30.1%	-6.2 ↓	44.6%	-4.5 ↓	37.8%	-2.3 ↓	54.8%	-3.1 ↓
Northland	31.2%	-2.0 ↓	42.7%	-2.8 ↓	38.1%	+0.3 ↑	50.9%	+0.3 ↑
Hawke's Bay	38.7%	-0.5 ↓	50.8%	+3.1 ↑	46.7%	+1.3 ↑	58.8%	-0.7 ↓

Note: Serviced and self catering apartments included in 'Motels and Self Catering'
(Source: Commercial Accommodation Monitor)

The New Zealand tourism industry entered the low season with all regions except Queenstown Lakes / Central Otago (+8.3 pts) and Rotorua (+2.3 pts) decreasing in hotel occupancy in May 2006 compared to 2005. Motel and self catering occupancies decreased in half of the regions shown above for the month of May 2006, with the most significant decrease being in Rotorua (-4.4 pts).

Year on Year (YOY) May 2006, Auckland achieved the highest hotel occupancy at 62.3% and

Wellington achieved the highest motel and self catering occupancy at 61.5%. YOY all regions except Hawke's Bay (+3.1 pts) decreased in hotel occupancy. Northland was the only region to experience motel / self catering YOY growth.

The decreases in hotel and motel / self catering occupancies for YOY May 2006 were consistent with the decrease in overseas international visitor arrivals (-0.3%).

2. INTERNATIONAL VISITOR ARRIVALS - NZ

International visitor arrivals decreased -11.2% in June 2006. This decline was predominately driven by a decrease in visitor arrivals from UK / Europe (-50.3%) and Japan (-21.5%). The Lion's tour, which was held in June 2005 is the main reason for the significant drop in June 2006 arrivals from the European market. YOY arrivals decreased slightly at -1.1%, mainly due to visitors from Japan (-10.8%), with the largest increase in the American market of (2.5%). There is growth in the average intended length of stay across all markets (except America), with the most significant increase occurring in the Asian and Japanese markets at 5.6% and 4.3% respectively. The average intended length of stay increased 3.1% to 20.2 days in the year ended June 2006.



IMPORTANT EVENTS

7th Annual Australia, New Zealand and Pacific Hotel Investment Conference (ANZPHIC)

Date: June 2007

Venue: Hilton, Sydney

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17th Annual Hotel Investment Conference Asia Pacific (HICAP)

Date: 11-13 October 2006

Venue: InterContinental Hong

OUR CORE SERVICES:

- Market supply / demand analysis
- Financial feasibility studies
- Risk & investment analysis
- Operational & financial projections
- Due diligence reviews
- Development concept reviews
- Operator search & selection
- Hotel investor search / selection
- Management contract negotiations
- Expert opinion reports
- Valuation support (in conjunction with valuers)
- Litigation support & mediation
- Financial performance improvement reviews
- Asset management reviews
- Budget Review & Analysis
- Strategic and business planning
- Economic impact research & analysis

International Visitor Arrivals – June 2006

	Month of June 2006		Year Ended June 2005 / YOY			
	Visitors		Visitors		Avg. Intended Length of Stay	
	No.	% Change	No.	% Change	Days	% Change
Australia	59,778	-1.4%	880,774	+0.7%	12.1	+2.1%
Americas	19,350	+9.6%	287,625	+2.5%	20.3	-0.5%
Asia	23,508	+7.9%	366,282	0.0%	18.5	+5.6%
Japan	7,488	-21.5%	145,497	-10.8%	15.0	+4.3%
UK / Europe	16,884	-50.3%	501,252	-1.8%	32.8	+4.2%
Other	12,258	-2.4%	181,929	-1.1%	29.8	+3.8%
Total *	139,891	-11.2%	2,377,603	-1.1%	20.2	+3.1%

(Source: Statistics New Zealand – International Visitor Arrivals)

Note: * Total visitor counts are actual counts and may differ from the sum of the individual figures for different countries, which are derived from samples.

The TRCNZ International Arrivals forecast of 4.9% growth for the calendar year 2006 may be a challenge to achieve given that visitor arrivals for the 6 months ending June 2006 has decreased by -0.4% compared to June 2005.

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3. NEW SUPPLY - HOTEL / SELF CATERING / SERVICED APARTMENTS
Hotel / Self Catering / Serviced Apartment Supply Status by Main RTO (Rooms)

	AKL	ROT	WLG	CHCH	QTN	TPO	DUN	Other
Supply at 1/1/05	10,846	3,015	3,202	6,554	4,042	1,587	1,547	22,545
New Supply Jan – Dec 05	597	124	371	273	207	26	103	794
Total Supply as at 1/1/06	11,443	3,139	3,573	6,827	4,249	1,613	1,650	23,339
New Supply Jan – July 06	280	0	87	0	0	0	0	36
Potential New Supply – Under Construction	395	0	280	155	453	0	0	138
Potential New Supply – Publicly Announced	208	0	222	240	809	98	0	671
Total Supply 31/7/06	12,326	3,139	4,162	7,222	5,511	1,711	1,650	24,184
% Change on 1/1/05	13.6%	4.1%	29.9%	10.2%	36.3%	7.8%	6.7%	7.3%
% Change on 1/1/06	7.7%	0.0%	16.5%	5.8%	29.7%	6.1%	0.0%	3.6%

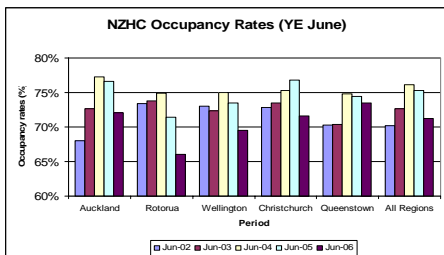
Note: Excludes proposed new supply not publicly announced

(Source: Statistics New Zealand, Horwath Asia Pacific Limited)

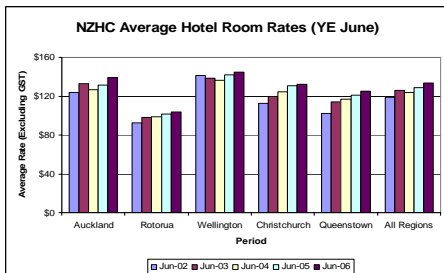
New hotels proposed for Christchurch and Queenstown were announced in July 2006 by Accor, Scenic Circle and Melview Holdings. The 250 room serviced apartment hotel, The Quadrant-Auckland opened in June 2006, the first of a new chain of hotels, including in Queenstown, to be developed and managed by Melview Holdings.

4. NEW ZEALAND HOTEL COUNCIL (“NZHC”) STATISTICS

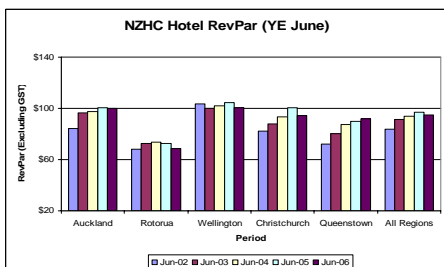
The NZHC reports monthly, quarterly and annual regional averages for key performance indicators including room occupancy, room rate and RevPAR (“Revenue per Available Room”) of its member hotels, which account for the majority of 3-5 star hotels in New Zealand. HAPL, which subscribes to the statistics, will periodically comment on these results in our hotel E-Newsletters. The following extracts relate to the year ended (YE) 30 June 2006.


(i) Hotel Room Occupancy Rates

Overall occupancy for all regions of 76.1% for the YE June 2004 was the highest in the 5 year period since 2002. Occupancy in June 2006 was 4.1 pts or 5.4% below 2005 for all regions due to lower overseas visitors and domestic tourism, partly due to the Lions tour in 2005.


(ii) Hotel Average Room Rates

The overall average room rate for all regions (\$133) for the YE June 2006 increased by 3.8% over 2005. The \$14 or 11.8% increase since 2002 represents a 2.8% average annual increase over the past 4 years. The most significant increases in 2006 over 2005 occurred in Auckland and Queenstown at 5.9% and 3.4% respectively (to \$139 and \$125).


(iii) NZHC RevPAR

The overall RevPAR for all regions (\$95) for the YE June 2006 decreased by 1.9% from 2005, mainly due to a drop in occupancy. The \$11 or 13.3% increase since 2002 represents a 3.2% average annual increase over the past 4 years. The most significant decreases in 2006 over 2005 occurred in Christchurch and Rotorua 5.9% and 5.6% respectively. Queenstown was the only region to record an increase (2.1%) in RevPAR.