Gap Analysis supporting an Economic Feasibility Assessment for larger scale accommodation developments in Cessnock

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DIAGNOSIS & PLANNING · PRODUCT DEVELOPMENT · FEASIBILITY STUDIES

Authorship

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SMA is an international tourism consulting firm, specialising in innovative product development for cultural tourism, ecotourism, adventure tourism and culinary (food and wine) tourism.

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Disclaimer

Specific investment decisions addressing recommendations in this report require further planning, engineering, environmental and heritage advice, and costing by an estimator. Costings should not be used for construction.

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Table of Contents

Definitions

Average Daily Rate: a metric widely used in the hospitality industry to indicate the average revenue earned for an occupied room on a given day. The average daily rate (ADR) measures the average rental revenue earned for an occupied room per day.

Brand: source of a distinctive promise for customers from a product, service or place. Everything the lead organisation does in collaboration with its partners and community should be orientated around delivering and constantly enhancing the promise. Not just a logo.

Council: Organisation responsible for managing a local government area

Experience: The emotions, feelings and sensations generated by the people met, places visited, activities participated in and memories created by travel, through watching, testing, smelling, touching, listening and being part of a culture or lifestyle that is distinctly different from everyday life and that reaches an individual's deep needs and desires. An experience is not a product (which is the simpler / stripped back / commercialisation of an experience).

Local Government Area: An LGA included in the ASGC LGA Structure is a spatial unit which represents the whole geographical area of responsibility of an incorporated Local Government Council or an Aboriginal Council in Queensland. An LGA consists of one or more statistical local areas (SLAs). LGAs defined.

Marketing: the management process through which goods and services move from concept to the customer. It includes the coordination of four elements called the 4 P's of marketing: identification, selection and development of a product ; determination of its price; selection of a distribution channel to reach the customer's place, and development and implementation of a promotional strategy.

Major Event (tourism): designed to attract and satisfy the needs of visitors, reflecting the area's brand essence, driving increased visitor awareness of the brand, and increasing visitation and associated economic impact to the area during and after the event.

Occupancy rate: measures the ratio of occupied to total usable space. This rate helps analyse changes in realised demand for evaluating hotel and resort properties.

Operator: an individual or organisation that conducts a tourism activity which results in some degree of commercial return.

Product: a good or service (tangible or intangible) than an organisation offers to customers.

Revenue Per Available Room (REVPAR): a metric used in the hospitality industry to measure hotel performance. The measurement is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate. The average daily rate (ADR) shows how much revenue is made per room on average. The higher the ADR, the better. A rising ADR suggests that a hotel is increasing the money it's making from renting out rooms. To increase the ADR, hotels should look into ways to boost price per room.

Soft refurbishment: replacement of short stay accommodation furniture, accessories, curtains and linen.

Target market: the portion of actual and potential visitors that an organisation most wants to attract to their destination or product. The target market is chosen because the needs of the market segments chosen most naturally fit what the destination or product can offer and offer the best return on any marketing investment to attract them

Visitor (local): a person who comes from within village / township within the local government area

Visitor (day tripper): a person who comes to a destination from outside the immediate local area (such as a local government area) and leaves in the same day.

Visitor (overnight): a person who comes to a destination from outside the immediate local area and stays overnight within the same immediate local area.

Yield - The expenditure injections of tourists (sales revenues) or the profitability of catering to different visitor markets. Yield can be defined purely from an accounting perspective (sales revenues per visitor) or the financial rate of return to operators, or gross operating surplus of different industry sectors. Alternatively, the profitability to the tourism industry of different market segments can be assessed.

1. Introduction

1.1 Background

The Vineyards District contains a diverse range of supporting tourist development, including cellar door premises, tourist and visitor accommodation, restaurants and a variety of cultural and recreational facilities and events. We understand that the district has been a difficult area to plan for given the wide range of permitted development, the extensive history of viticulture on the land, and the potential for incompatible developments and land use conflict. Various studies recognise the need to maintain the primacy of viticulture, while preserving the scenic rural character and amenity of the Vineyards District. These studies have identified the need for controlling non-agricultural development, including tourist development, to protect and enhance landscape values in the Cessnock Vineyard's District.

Council seeks to protect the rural and environmental character of the Vineyard's District, so that it continues to be a destination of choice for tourists. However, the existing planning framework is not equipped to deal with what Council refers to as "high risk" development which includes residential and lifestyle 'rural residential' development.

Council has prepared a new planning framework to encourage 'larger scale' tourist and non-agricultural development away from the predominantly primary production areas of the Vineyards District to a proposed 'Tourist Centre' at the intersection of Broke Road and McDonalds Road in Pokolbin. Such a centre would have potential to provide a range of tourist related uses such as hotels, conferences, spa/wellness, museum, retail, food services and the like.

1.2 About this Report

This Report has a focus on two drivers of investment in the region – large-short stay accommodation and major attractions / tourism events, in recognition that these form the 'anchor tenant' from which supporting visitor services are built alongside – such as restaurants, cafes, specialist retail, recreational facilities.

For the purposes of this report, large scale short stay accommodation has been defined as accommodation offering more than 30 rooms on the one property. This accommodation might come in the form of a resort, hotel, motel, guesthouse, self-contained apartments or cluster of tiny houses or glamping units.

This report provides a detailed Gap and Constraints Analysis for large scale accommodation that features the following components:

1. Supply analysis
2. Demand analysis
3. Gap analysis
4. Constraints analysis

The Report then provides a lighter touch review of major attractions and events, focussing on some businesses that are reinvesting in reinvigoration and expansion.

This Report precedes a follow-on by Hill PDA that uses the analysis to conduct an economic feasibility assessment that features the following components:

1. Recommended spatial area needs
2. Recommended density controls
3. Justifications and conclusions
4. Economic Feasibility Assessment

The two Reports should be considered together.

2. Demand analysis

2.1 Current target markets

The psychographic target markets for the Hunter Valley are:

- an indulger sector called Pampadours, who seek the following experiences proposed in the DMP – food and wine diversification of activities and services, wellness programs, golf and sports; and
- and an immersive and physical activity sector called True Travellers, who seek the following experiences proposed in the Hunter Valley Visitor Economy Destination Management Plan – agritourism, Heritage (industrial history, convict trail, village life), nature, soft adventure (eg mountain biking), culture, arts and entertainment, and Indigenous tourism.

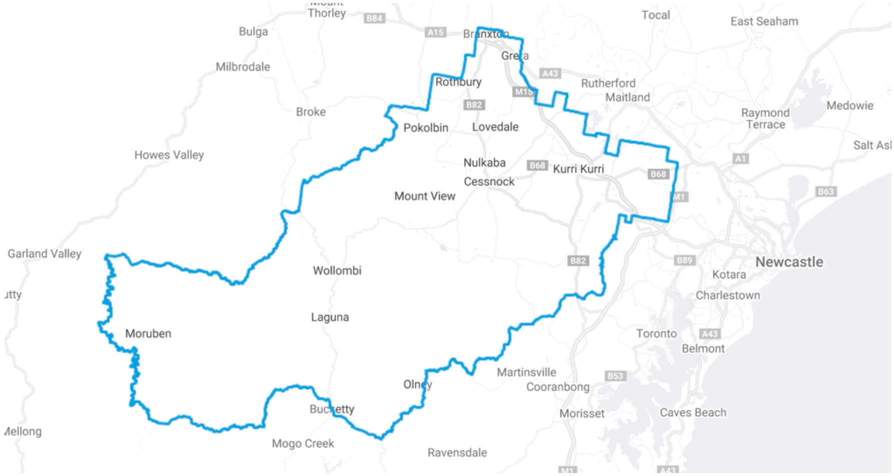
Previous stakeholder consultation conducted by SMA Tourism suggested that Peer Group travellers (particularly women and family reunions) are also strong markets, due to their preparedness to stay overnight and spend freely, though some stakeholders may be over-estimating their presence due to their higher profile when in region than the other two segments (groups stand out and are more memorable).

2.2 Visitation analysis

Overnight visitation

The visitor data for Cessnock also captures Kurri Kurri and west to Moruben, as shown in **Figure 2.2.1**.

Figure 2.2.1 Geographic area of REMPLAN visitor data[1]



Pre COVID, the Cessnock LGA has attracted around 1.1M visitors and 1.1M visitor nights per annum. The vast majority of visitor nights comes from the domestic market (92%), and 90% of these are from NSW.

1 https://app.remplan.com.au/cessnock/economy/tourism/visitor-expenditure?state=3o8ESD!Mz4PCnv48cAjD3YTr5Mnpf4szhkqzIXhOhPzfQhdU9TnZ1

Table 2.2.1 indicates Domestic overnight visitors to Cessnock between 2016 and 2019[2] stay just two nights are estimated to spend an average of $256 per night, of which $343 is spent on accommodation. International visitors (predominantly from New Zealand, USA and UK) stayed longer but spent much less per night. These figures are averages of 2016 to 2019, but the trend over this time has only been a subtle increase equivalent to inflation. The average length of stay for NSW in this period was three nights and for Australia four nights, commensurate with longer distances from the major city source markets. Cessnock has the advantage of being a weekend escape for the huge Sydney market, but the disadvantage of a shorter length of stay than destinations further afield. The shorter stay holds back the viability of major short stay accommodation (the profitability increases with increasing length of stay).

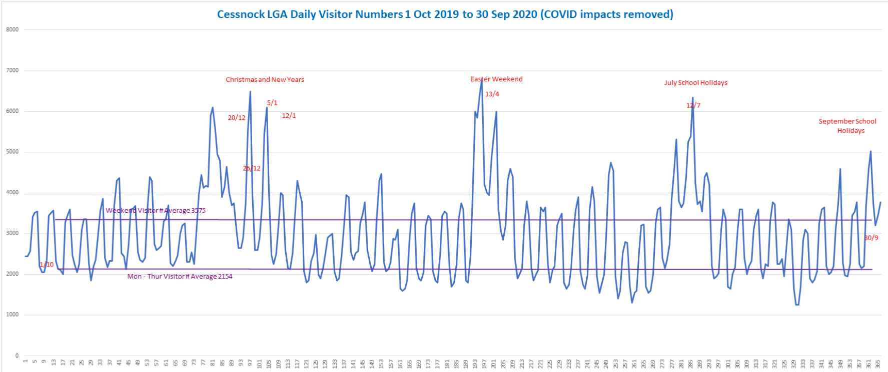
Table 2.2.1 Key tourism statistics for Cessnock (averaged 2016-19)

Overnight measure	Domestic Day	Domestic overnight	International	Total
Visitors ('000)	602	440	12	1.053
Nights ('000)	-	973	84	1,057
Average stay (nights)	-	2	7	2
Expenditure (M)	$74	$249	$5	$328
Average spend per trip	$124	$567	$393	$312
Average spend per night	-	$256	$54	$240
Average spend per night on accomm	-	$343	$82	$330

Since COVID (2021/22) there has been a 2% increase in overnight stays and 2% decrease in day trippers.

There is not a lot of peak visitation – approximately six to eight days per annum, spread across public holidays in the Christmas summer break, Easter weekend and July school holidays (see **Figure 2.2.2**).

Figure 2.2.2 Peak visitation periods



Overnight visitor profile

Table 2.2.2 indicates that the dominant reason for travel to Cessnock is holiday, followed by Visiting Friends and Relatives. These figures are averages of 2016 to 2019. The low amount of overnight business (31,000) is a key limitation to accommodation investment. The business market is critical to supporting mid-week business, which is critical to supporting a viable accommodation business. The 2016 data suggests stronger Domestic overnight business market of 42,000. So if

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[2] We avoided adding 2020-21 data to avoid contaminating it with COVID distortions

the four year average is lower than the 2016 data, and the business market has deteriorated, then this is a secondary dampener of the investment in expansion and new large short stay accommodation developments.

Table 2.2.2 Purpose of travel to Cessnock (averaged 2016-19)

Overnight measure	Domestic Day	Domestic overnight	International	Total
Holiday	328K	263K	8K	599K
Visiting Friends and Relatives	198K	136K	3K	337K
Business	-	31K	-	76K
Other	-	-	-	-

The Cessnock LGA does not attract many singles to stay overnight. Adult couples and friends / relatives groups are the most common travel parties for overnight visitors to the region. The age group is relatively evenly spread though the groups with lower representation are aged 40-49and over 70 years.

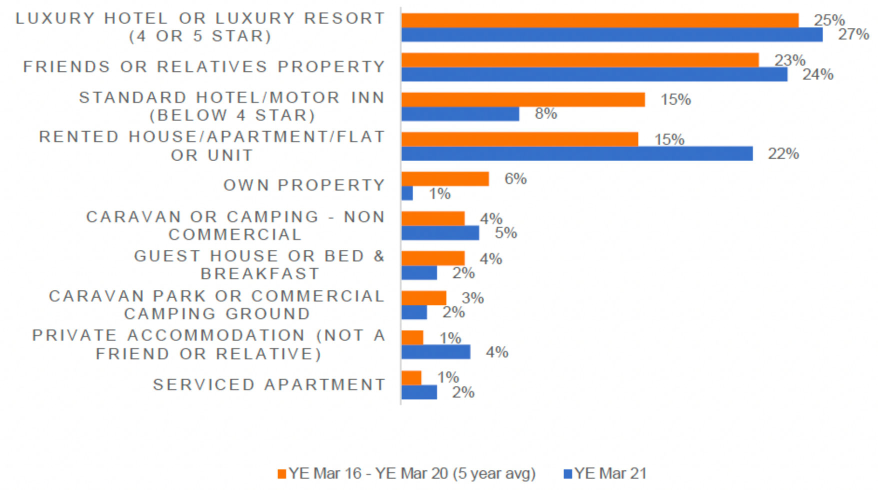
Eating out and visiting wineries are the most common activities undertaken by overnight visitors.

Approximately 57% of visitors come from Sydney, followed by the North Coast of NSW (10%). Since COVID (2021/22) visitors have been more likely to come from intrastate (10% increase).

Type of accommodation used

Figure 2.2.3 shows that the 4 to 5 star accommodation and a friend or relative's home are the most common accommodation types for overnight stay in the Cessnock LGA. Post COVID there has been an increase in other types – particularly rented accommodation.

Figure 2.2.3 Accommodation use in the Cessnock LGA



The overall split of accommodation use for 2016 suggests 457,000 nights in hotels, 168,000 in the home of a friend or relative, and a substantial 233,000 in Other (typically Air B'nB houses). Unfortunately, this data is no longer collected through Tourism Research Australia.

Visitor expectations

Unfortunately, further detail on visitor profile is not regularly monitored and the freshest data we could find was 2007. A visitor survey of 198 people in 2007[3] identified that Visitors to the Hunter Valley Wine Country are expecting the region to cater more to an adult market in terms of food, wine and relaxation. There was also a degree of luxury expected, which was higher for overnight visitors (79%) than those on a day trip (57%). Visitors did not expect to experience 'Nightlife and entertainment'. What visitors did expect was:

- Food and wine experiences (95%);
- Relaxation and rejuvenation (92%);
- Quality time with partner/family/friends (91%);
- Tour around and explore (86%);
- Luxury and indulgence (72%); and
- Discover or learn something new (68%)

In terms of actual experiences, the same research identified that 86% visited a winery, 77% ate out and 76% just walked or drove around / took in the sights.

Recent research (DNSW Regional Drivers Report 2020) identified that the Hunter Valley was perceived as a place to seek luxury and indulgence.

Visitor satisfaction

Overall, the majority of visitors (89%) were satisfied with their visit, with 54% very satisfied and 35% fairly satisfied. There were no significant differences across different types of visitors in terms of satisfaction, indicating that Hunter Valley Wine Country manages to deliver to all. Among those visitors anticipating particular experiences, expectations were somewhat better or much better than expected in the case of:

- Food and wine experiences;
- Relaxation and rejuvenation;
- Quality time with partner/family/friends; and
- Touring around and exploring.

Although many visitors did not expect to experience 'Nightlife and entertainment', those that did felt their expectations were exceeded. In contrast, a large proportion of visitors expected 'Luxury and indulgence', but for many these expectations were not met.

Further visitor profile insights from consultation

Our consultation specifically for this project suggested a very diverse opinion on which markets represent the best yield and growth opportunities (see **Section 8.1** for a list of stakeholders consulted). Key points from this were:

[3] https://www.destinationnsw.com.au/wp-content/uploads/2014/05/Hunter-Valley-Wine-Country.pdf

- Groups are a key market, coming for weddings, family get togethers or as friends (especially women aged 25 – 55 years);
- most visitors have limited knowledge of what to do beyond the wineries and restaurants, and operators believe this reduces length of stay and spend;
- some romantic weekends away for couples aged 28 – 45 years; and
- there was minimal interest from stakeholders consulted in pursuing family markets or Millennials for overnight stay because the accommodation and much of the eating offer do not match their needs.

Unmet visitor needs

Our consultation suggested that the three most reported unmet needs of current visitors were:

1. Marketing and visitor information that makes it easier to integrate a set of complimentary experiences throughout the stay – need to present matched products and product packaging
2. Comprehensive, user-friendly visitor information addressing how and where to exercise outdoors (particularly bushwalking and cycling) – need a comprehensive trails publication, website and / or App that presents and contrasts information equally (this issue is compounded by poor directional signage to and along the trails)
3. Need opportunities to learn more about the local area's history, people and character, to feel more connected throughout the stay – need interpretive experiences that are more immersive than an interpretation sign or panel.

3. Major accommodation supply analysis

3.1 Australian hotel investment

Prior to looking at the local Cessnock area, it is useful to understand some broader trends in hotel investment and development across Australia and NSW.

Overall hotel investment across Australia

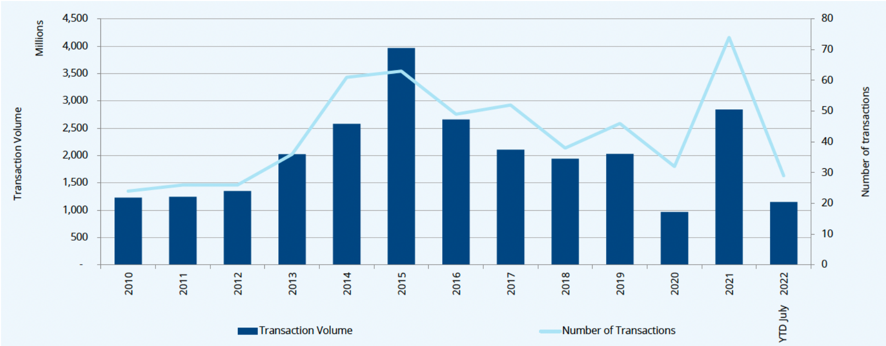
Australia's hotel investment market took pause towards the end of H1 2022 as the market adjusted and strategic decision making recalibrated against a changed economic backdrop.

Rising inflation, higher interest rates, energy supply concerns and the reopening of state and international borders, has resulted in some purchaser groups waiting on the sidelines.

Deal flow totalled $1.15 billion worth of assets which is comparable to the $1 billion of transactions in H1 2021. Investment activity remained buoyant in Q1 but slowed through Q2 with many deals that were concluded having been commenced in late 2021. The timeframe for other deals has become extended or assets have been withdrawn from the market whilst investment metrics are recalibrated and a notable bid-ask-spread remains.

The average deal size increased 13% to $46 million, up from $38 million in H1 2021 but with results heavily skewed by the sale of Hilton Sydney ($530 million). This resulted in a strong increase in the average price per key to $536K when compared to $403K in H1 2021, albeit with considerably fewer high value transactions occurring in the first half of this year.

Figure 31.1 Australian hotel investment trends 2010 to YTD 2022



A Changed Investment Market

As the first half of the year closed, the overwhelming sense was that a sentiment shift was underway, whereby inflation and interest rates will be higher for longer. For the strategic long-term hotel investor, this is manageable but for investors who have short term positions, a quantum change has occurred. We have already started to see a fundamental shift in the most active purchasers in the market with bidding dominated by investment funds early in the year and the re-emergence and likely dominance of traditional hotel investors, notably offshore groups through Q2 2022. This is expected to remain as the year unfolds.

Notwithstanding, investors are focussed on assets where the earnings are "here and now", rather than those which are yet to reach stabilisation post-development. Newly constructed assets have not fared well when offered for sale and have been withdrawn from the market.

Over the next decade, as we adjust to higher interest rates, investors will need to avoid paying too much for growth, particularly those who have never experienced bear market investing.

Luxury or upper upscale hotels or those with a high proportion of Food & Beverage (F&B) are likely to fair worse in this inflationary environment where a higher proportion of the cost base is wages. These are clearly set to rise with the new Labor Australian Government implementing a 4.6% increase to the minimum wage effective from 1st July 2022. For all hoteliers, the labour crunch continues to be the biggest obstacle to overcome. Tight labour markets are anticipated for the foreseeable future, suggesting labour cost rises are likely to continue.

3.2 About our local supply analysis

This local supply analysis presents the results of a desktop audit of the seven existing larger scale tourism accommodation properties operating in the Cessnock LGA and supplying demand analysis data that we can contrast to supply:

1. Oaks Cypress Lakes Resort, Pokolbin
2. voco Kirkton Park Hunter Valley, Pokolbin
3. Crowne Plaza Hunter Valley, Lovedale
4. Hunter Valley Resort, Pokolbin
5. Mercure Resort Hunter Valley Gardens, Pokolbin
6. Leisure Inn Pokolbin Hill, Pokolbin
7. Chateau Elan @ The Vintage, Rothbury

This audit profiles each property's:

- property category;
- star rating;
- number of rooms;
- facilities provided;

- Trip Advisor and Google customer rating;
- key strengths and limitations from an analysis of Trip Advisor and Google customer feedback;

The second part of this supply analysis identifies:

- qualitative issues and opportunities with the current supply;
- pipeline projects; and
- mooted but stalled projects.

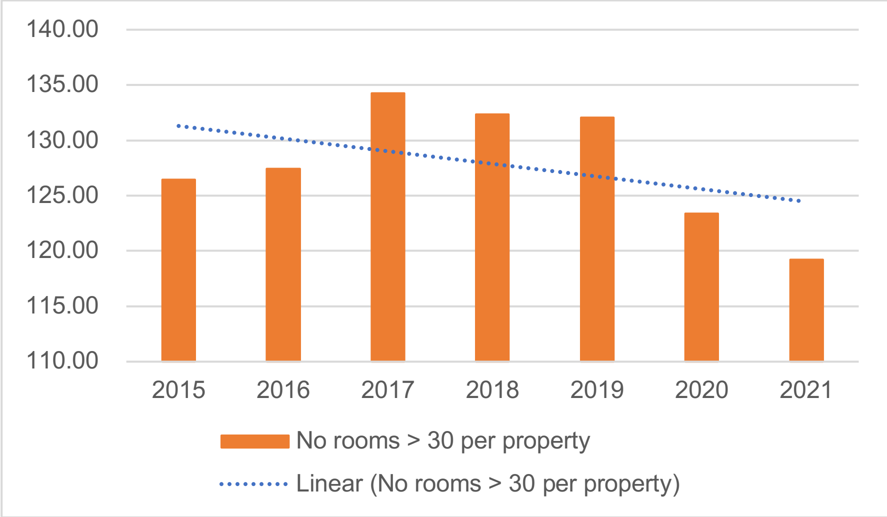
This second part has been compiled through targeted confidential stakeholder consultation among some key leaders in the local visitor economy.

3.3 Existing properties

Total rooms

We have profiled seven properties within the Cessnock LGA that have more than 30 rooms, and combined, these properties represent a total room stock of 900 rooms. Since 2014, this room stock has slightly lifted and then fallen, creating a slight trend downwards, as shown in **Figure 3.3.1**.

Figure 3.3.1 Total number of rooms per annum from properties with > 30 rooms



We now profile the existing larger scale properties in terms of:

- property category and star rating;
- total built area and size of overall property;
- number of rooms and facilities provided;
- Trip Advisor and Google customer rating; and
- key strengths and limitations from Trip Advisor and Google customer feedback (and currently published on these sites).

Attachment A provides aerial measurements used to determine property and building footprint sizes.

Oaks Cypress Lakes Resort, Pokolbin

Property category

Resort

Star rating

4-star hotel

Total built area and overall property

300-acre resort, approx. 82 acres of land used

Number of rooms

251 resort villas and rooms

Facilities provided

- 18-hole public golf course and country club (Australia's Best Golf Hotel 2017 and 2018 and Top 100 Golf Couse as voted by Australian Golf Digest 2018)
- Five indoor function, conference, meetings and exhibition rooms (including weddings), total of 22 indoor spaces with outdoor function space available. Capacity by room style: theatre 672, cocktail 800, classroom 297, u-shape 30, boardroom 44, banquet 530. Number of meeting rooms three 21-50, three 51-100, five 101-200, four 201-300, three 301-500, two 501-750. Number of banquet rooms one 1-20, four 21-50, six 51-100, eight 101-200, one 201-300, one 301-500, one 501-750. Exhibition space 435m^2 AV and Wifi available.
- Two restaurants, two bars
- Three swimming pools and jacuzzi
- Gym
- Two tennis courts

Trip Advisor and Google customer rating

Google rating 4.1 from 1,330 reviews (51% 5 stars, 30% 4 stars)

TripAdvisor #10 of 14 hotels in Pokolbin, 3.5 from 2,287 reviews (32% excellent, 30% very good)

Key strengths and limitations from an analysis of Trip Advisor and Google customer feedback

The following views come customer feedback and are not the views of the consultant or Cessnock City Council).

Strengths:

- Well positioned to visit Hunter Valley attractions
- Excellent pools
- Spacious accommodation
- Space and privacy between accommodation

Limitations

- Current state of rooms, unclean, appliances not working
- Lack of maintenance
- Tired and outdated, lack of refurbishments

Figure 3.3.2 Arial images of Oaks Cypress Lakes Resort

voco Kirkton Park Hunter Valley, Pokolbin

Property category

Resort (manor estate)

Star rating

4-star rating

Total built area and overall property

70-acre property with mountain views, building footprint approximately four acres

Number of rooms

70 since 2019

Facilities provided

Six indoor meeting, conference and function spaces, total of eight indoor spaces with outdoor function space available. Capacity by room style: theatre 300, cocktail 320, classroom 110, u-shape 30, boardroom 40, banquet 200. Number of meeting rooms one 1-20, three 21-50, one 51-100, one 101-200, one 201-300. Number of banquet rooms one 1-20, one 21-50, two 51-100, one 101-200. AV and Wifi available.

Manicured gardens, fitness centre, heated indoor pool, spa and sauna, tennis and basketball courts.

Bar/lounge, restaurant and cafe, pool, gardens, spa, sauna, gym and tennis court

Trip Advisor and Google customer rating

Google rating 4.3 from 694 reviews (64% 5 stars, 23% 4 stars)

TripAdvisor #7 of 14 hotels in Pokolbin, 4.0 from 1,184 reviews (42% excellent, 33% very good)

Key strengths and limitations from an analysis of Trip Advisor and Google customer feedback

The following views come customer feedback and are not the views of the consultant or Cessnock City Council).

Strengths:

- Beautiful grounds
- Spacious accommodation

Limitations

- Current state of rooms, unclean

Figure 3.3.3 Arial image of Voco Kirkton Park

Crowne Plaza Hunter Valley, Lovedale

Property category

Resort (golf)

Star rating

4-star rating

Total built area and overall property

100-acre resort, with approximately half as resort footprint

Number of rooms

414 in 2019, now 417

Facilities provided

18 indoor meeting, conference and function spaces, with outdoor function space available. Capacity by room style: theatre 1675, cocktail 1750, u-shape 123, boardroom 90, banquet 830. Number of meeting rooms one 1-20, three 21-50, one 51-100, one 101-200. Number of banquet rooms one 1-20, five 21-50, two 51-100, one 201-300, one 301-500, one 750+. AV and Wifi available.

18-hole golf course, fitness centre, day spa, two tennis courts, two swimming pools, kids club.

Two restaurants, two bars

Trip Advisor and Google customer rating

Goggle rating of 4.3 stars from 2,417 reviews (57% 5 stars, 29% 4 stars)

TripAdvisor #1 of 1 hotels in Lovedale, 4.0 from 2,149 reviews (36% excellent, 41% very good)

Key strengths and limitations from an analysis of Trip Advisor and Google customer feedback

The following views come customer feedback and are not the views of the consultant or Cessnock City Council).

Strengths:

- Spacious accommodation
- Well positioned to visit Hunter Valley attractions

Figure 3.3.4 Arial images of Crowne Plaza Hunter Valley

Hunter Valley Resort, Pokolbin

Property category

Resort

Star rating

4-star rating

Total built area and overall property

100 acres, resort footprint covers approximately two acre

Number of rooms

35 since 2019

Facilities provided

Outdoor swimming pool, tennis court, restaurant, bistro, 4 Pines taproom.

Onsite vineyard tours, Hunter Valley wine theatre, Hunter Farm and Adventure Centre, horse and carriage tours, horse riding, segways and electric bikes.

Trip Advisor and Google customer rating

Goggle rating of 4.1 stars from 929 reviews (46% 5 stars, 35% 4 stars)

TripAdvisor #1 of 4 resorts in Pokolbin, 4.0 from 1,044 reviews (45% excellent, 28% very good)

Key strengths and limitations from an analysis of Trip Advisor and Google customer feedback

The following views come customer feedback and are not the views of the consultant or Cessnock City Council).

Strengths:

- Good location

Limitations

- Tired and unclean rooms

Figure 3.3.5 Arial images of Hunter Valley Resort

Mercure Resort Hunter Valley Gardens, Pokolbin

Property category

Resort

Star rating

4.5 star rating

Total built area and overall property

Overall property area approximately two and a half acres

Number of rooms

72 since 2019

Facilities provided

Bar and restaurant, pool, sauna spa, tennis courts

Six indoor meeting, conference and function rooms, total of ten indoor spaces. Capacity by room style: theatre 300, cocktail 350, classroom 160, boardroom 60, banquet 170. Number of meeting rooms: five 21-50, three 101-200, two 201-300. Number of banquet rooms: five 21-50, three 51-100, two 101-200. AV and Wifi available.

Trip Advisor and Google customer rating

Goggle rating of 4 stars from 464 reviews (45% 5 stars, 29% 4 stars)

TripAdvisor #11 of 14 hotels in Pokolbin, 4.0 from 1,210 reviews (31% excellent, 41% very good)

Key strengths and limitations from an analysis of Trip Advisor and Google customer feedback

The following views come customer feedback and are not the views of the consultant or Cessnock City Council).

Strengths:

- Good proximity to other restaurants and shopping village
- Beautiful grounds and views from property

Limitations

- Tired and unclean rooms

Figure 3.3.6 Arial images of Mecure Resort Hunter Valley Gardens

Leisure Inn Pokolbin Hill, Pokolbin

Property category

Retreat

Star rating

3.5 star rating

Total built area and overall property

10 hectares

Number of rooms

66 since 2019

Facilities provided

Tennis court, outdoor swimming pool, playground, undercover BBQ facilities.

Trip Advisor and Google customer rating

Goggle rating of 4 stars from 643 reviews (41% 5 stars, 37% 4 stars)

TripAdvisor #3 of 6 apartments in Pokolbin, 4.0 from 1,705 reviews (31% excellent, 40% very good)

Key strengths and limitations from an analysis of Trip Advisor and Google customer feedback

The following views come customer feedback and are not the views of the consultant or Cessnock City Council).

Strengths:

- Good location

Figure 3.3.7 Leisure Inn Pokolbin

Chateau Elan @ The Vintage, Rothbury

Property category

Resort (golf spa and conference)

Star rating

5-star rating

Total built area and overall property

Overall property 100 hectares, building footprint 1.6 hectares (including residential)

Number of rooms

100 since 2019

Facilities provided

18 hole golf course, spa, restaurant

Four indoor meeting, conference and function rooms, total of six indoor spaces. Capacity by room style: theatre 350, cocktail 330, boardroom 68, banquet 172. Number of meeting rooms: four 101-200, one 301-500. Number of banquet rooms: three 51-100, two 101-200. AV available.

Trip Advisor and Google customer rating

Goggle rating of 4.3 stars from 846 reviews (61% 5 stars, 22% 4 stars)

TripAdvisor #2 of 2 hotels in Rothbury, 4.0 from 2,442 reviews (54% excellent, 25% very good)

Key strengths and limitations from an analysis of Trip Advisor and Google customer feedback

The following views come customer feedback and are not the views of the consultant or Cessnock City Council).

Strengths:

- Large rooms

Figure 3.3.8 Aerial photo of Chateau Elan at The Vintage Hunter Valley

3.3 Large scale short stay accommodation analysis

Occupancy

Ignoring the COVID years of 2020-21, annual occupancy of large (30+ rooms) short stay accommodation in the Cessnock LGA has averaged around 55-60% for more than six years (see **Figure 3.3.1**). Considering the lack of additional room stock added to supply during this time, this is a very modest result.

Occupancy over the first six months of 2022 is showing a recovery, achieving an average of 61%, though the low season is about to occur.

Occupancy is much higher on Friday and Saturday nights (65-75%), but lower on the other nights of the week (55 – 60%).

There is seasonality in the market for large (30+ rooms) short stay accommodation in the Cessnock LGA – it varies by around 17% across the year. Occupancy in the last typical year pre COVID year (2019) typically peaked in school holiday months of April (67%) and October (66%) and experiences troughs in the winter months of May – June (50%) and August (57%) (see **Figure 3.3.2**).

Figure 3.3.1 Annual occupancy of monitored large (30 rooms +) short stay accommodation 2015 – 2022 in Cessnock

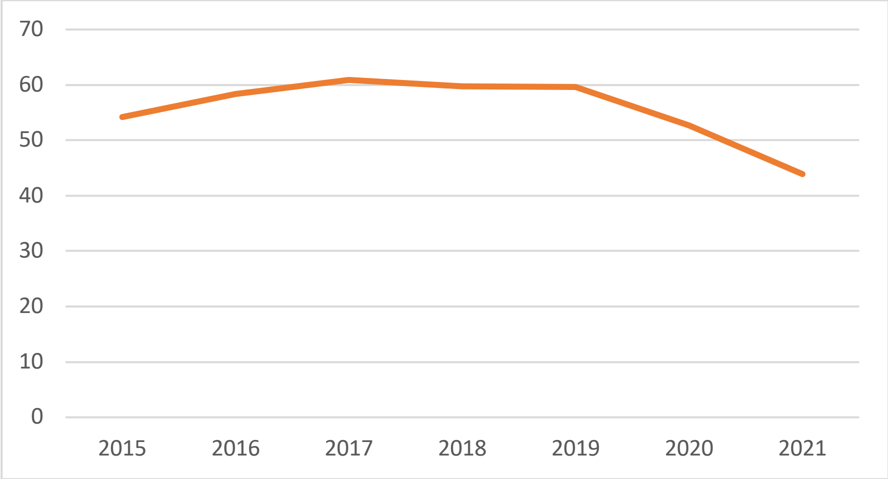
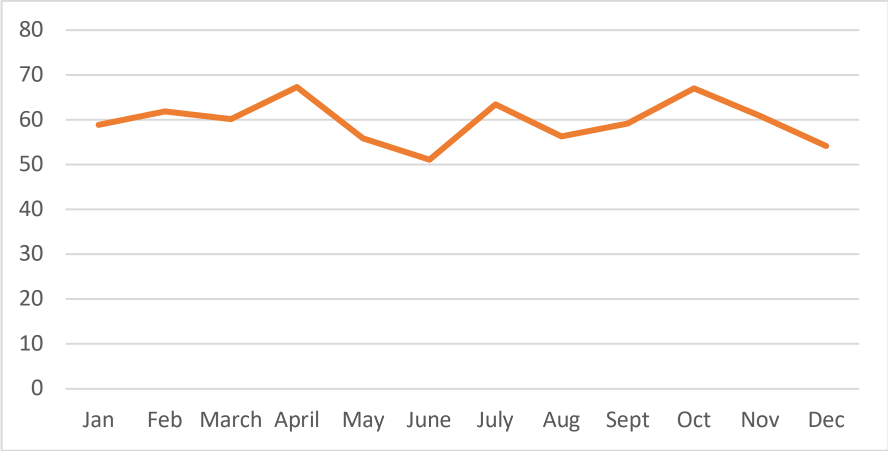


Figure 3.3.2 Monthly occupancy of monitored large (30 rooms +) short stay accommodation in Cessnock (2019)



Average Daily Room Rate (ARR)

The average daily rate (ADR) shows how much revenue is made per room on average. The higher the ADR, the better. A rising ADR suggests that a hotel is increasing the money it's making from renting out rooms. To increase the ADR, hotels should look into ways to boost price per room.

Ignoring the COVID years of 2020-21, the ADR of large (30+ rooms) short stay accommodation in the Cessnock LGA has averaged around $220 to $240 for six years (see **Figure 3.3.3**). Again, considering the lack of additional room stock added to supply during this time, this is a very modest result.

The ADR over the first six months of 2022 is showing a recovery, achieving an average of $302.94, though the low season is about to occur.

Previously it was identified that seasonality varied room occupancy by around 17%. To keep this occupancy variation under 20%, operators adjust their room rate by approximately $40 between the high and low season. This degree of variation is twice that of occupancy, and the low season of winter not only requires a four-month period of significantly lower ADR, but an extra month in January that is just as low (see **Figure 3.3.4**). It can also be seen that the peak ADR is only about three months (February, March and October), which is shorter than the low season.

The five months of low ADR outweigh the three months of peak season, and operators are subsequently left with a significant constraint to generating enough profit for major refurbishment, let alone new developments funded by the profits of existing operations.

Figure 3.3.3 Annual Average Room Rate (ARR) of monitored large (30 rooms +) short stay accommodation 2015 – 2021 in Cessnock

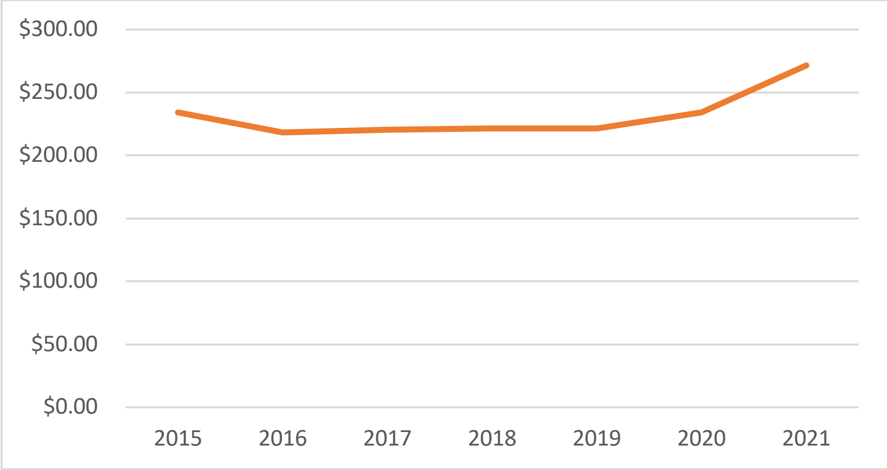
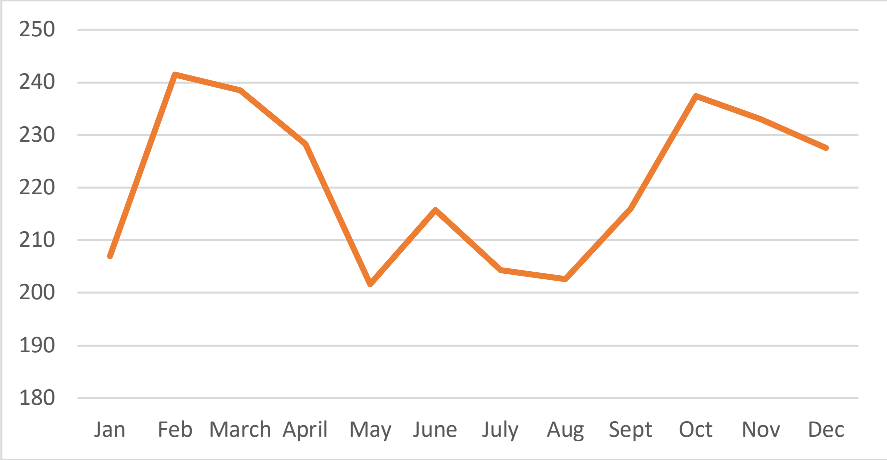


Figure 3.3.4 Monthly Average Daily Rate of monitored large (30 rooms +) short stay accommodation in Cessnock (2019)



Revenue per available room (REVPAR)

Revenue per Available Room (REVPAR) is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate. Pre COVID the REVPAR for large (30+ rooms) short stay accommodation in the Cessnock LGA lifted from around $126 to $134 and dropped during the COVID period (see **Figure 3.3.5**). This is a modest improvement, brought about by sacrificing a little of the ADR growth to minimise variation in occupancy.

REVPAR over the first six months of 2022 is showing a recovery, achieving an average of $186.54, though the low season is about to occur.

The monthly REVPAR reveals the seasonality impact once more (see **Figure 3.3.6**). The REVPAR low season has a five month winter and a two month summer period, making it the most seasonally impacted of the three key measures of property performance.

While the 2015 – 2019 annual growth in REVPAR is a reasonable outcome, it should be higher given the minimal growth in supply, and within any year it is highly constrained by seasonality. Our previous return on investment for similar property developments suggest it is not high enough to fund major investment in other properties.

Figure 3.3.5 Annual Revenue Per Available Room (REVPAR) of monitored large (30 rooms +) short stay accommodation 2015 – 2021 in Cessnock

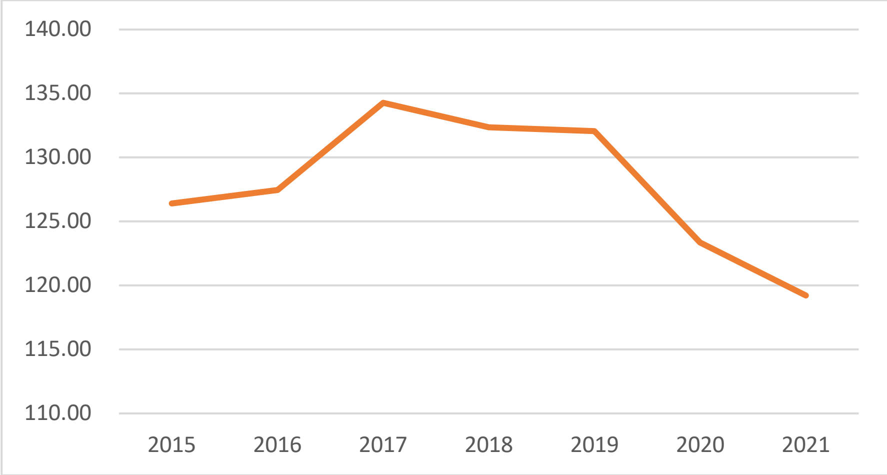
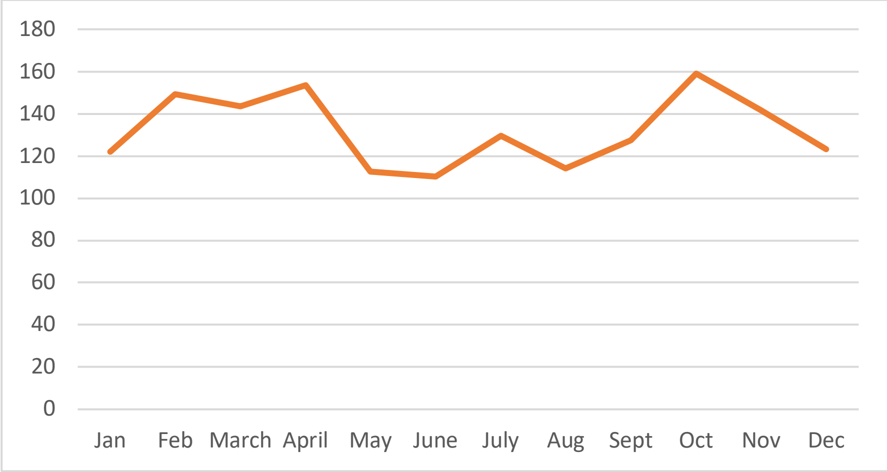


Figure 3.3.6 Monthly Revenue Per Available Room (REVPAR) of monitored large (30 rooms +) short stay accommodation in Cessnock (2019)



3.4 Benchmark comparison

For context, it is useful to compare the most recent results in the Cessnock LGA with other parts of Australia.

Across Australia, room rates over the six months to June 2022 have increased to surpass 2019 in all ten major accommodation markets. This is in spite of the adverse impacts of COVID and the floods in early 2022. **Table 3.4.1** presents a contrasting set of hotel performance for the first six months of 2022. It would appear that the larger short stay accommodation properties in the Cessnock LGA are pursuing rate at the expense of occupancy – the opposite strategy to their 2015 – 2019 strategy of occupancy over rate. This is likely to be a capitalisation of the 'honeymoon period associated with regional tourism leading the domestic recovery post over COVID. This honeymoon period will soon be hotly competed by city hotels, and eventually by Australian's choosing to travel internationally over domestically.

Table 3.4.1 Occupancy, ARR and REVPAR for (30 rooms +) short stay accommodation in Cessnock versus Newcastle, Sydney, Gold Coast

Location	Occ	ARR	REVPAR
Cessnock LGA	61.6%	$302.94	$186.54
Newcastle	68.8%	$190.40	$130.90
Sydney Centre	53.4%	$270.43	$144.31
Gold Coast	66.7%	$257.86	$171.81

4.0 Event and attraction supply analysis

4.1 Major events

Major events can serve a valuable role in attracting new markets and simulating occupancy in low periods. Major events also present challenges in managing crowding and more intensive use of areas and facilities shared with other visitors and residents.

Venues that seamlessly integrate their regional and wine growing setting into the experience have performed well and become respected venues. The centrepieces of these events have been music, coving many sectors and scale – from an intimate jazz quartet to an international act. Many of the larger sized concerts have harnessed the baby boomer market with acts from the 1980s. We are not seeing as much adoption of this product concept among Gen X for the 1990s music, and this return of favourites may have peaked pretty soon.

In addition, COVID lockdowns has disrupted international tours and these cannot be rebuilt in the same format as before, because international travel remains curtained and older artists are not keen to take risks just yet.

We found that the availability of supply and demand data for consultants to analyse major events was extremely limited. Research can be undertaken to attract existing international and national events as well as develop signature events that will complement the existing visitor offerings across the area.

There is a strong capacity for the Hunter Valley to continue growing as a key destination with large entertainment venues, excellent transportation logistics and a reputation for high quality events. This is particularly relevant for the development of growth of large significant events as well as the development of a strong second tier of smaller events that could be held in non-peak times.

Some of the leaders in the music event sector are:

- Hope Estate (hosting National and International high-profile performers and attracting between 7,500 to 35,000 per event);
- Bimbadgen Estate (attracting National and International high-profile performers and attracting 28,000 visitors for the annual A Day on The Green);
- Tempus Two (attracting National and International high-profile performers
- Wyndham Estate (attracting differentiated acts like Opera in the Vineyards, with smaller visitation);
- Tyrell's Wines (attracting differentiated acts like Jazz in the Vines with smaller visitation).

We provide a brief profile of some of these event providers.

Hope Estate

Hope Estate is family owned and operated offering award winning craft beer, Estate-grown wine, premium Australian grain spirits.
Hope Estate is dedicated to making sensational wines and are firm believers in estate-grown varietal wines. Following this philosophy, Hope Brewery opened in 2014, and kicked off their range with a whole lot of hoppy ales, distinctively recognisable by their black cans and amp design - a homage to Hope's love of music. Since then they've been satisfying a desire for new beers and new styles including NEIPAs, sours, trophy-winning stouts and even Australia's strongest IPA. Established in 2020, Hope Distillery is a small batch distiller producing premium Australian grain spirits.

Hope Estate also offers unique spaces for corporate functions, personal functions, and weddings. With a number of function spaces, including the iconic Great Cask Hall, events size can range from 2 up to 20,000. The driver for trying to profile this property is that Hope Estate also offers Australia's largest purpose-built outdoor winery concert amphitheatre. This facility hosts an array of legendary performers each concert season (Nov – April). With each season, a range of pop-up food and beverage service cabins and portable toilets are activated. Value added services include provision of higher value (closer view and more personal space) and pre-set high end four course meals.

Figure 4.1.1 View of the symmetrical layout and access to neighbouring views

Bimbagon Estate

Bimbadgen Esate is located high on a hill in Pokolbin. The visionary architecture of the winery, including the striking bell tower make up the iconic image of the Bimbadgen brand, and reportedly seeks to complement the natural landscape by capturing the views from every possible vantage point.

The Cellar door, is situated in a commanding position with magnificent views to the Barrington ranges, the vineyards and winery production area. The contemporary cellar door is an immersive experience sampling Bimbadgen wines.

There are three accommodation venues at Bimbadgen Estate. The homestead and guest house sleeps eight and the cottage sleeps four.

The Esca Bimbadgen Restaurant showcases Bimbadgen wines by matching them with simple, elegant food in a jaw-dropping setting. A pioneer of fine dining in the Hunter Valley, Esca Bimbadgen exemplifies the unique nature of a winery restaurant. The spectacular entrance suspended above the winery is second only to the view from your table.

Bimbadgen's Executive Chef and his team have created a menu showcasing passion for the Hunter Valley and the abundance of local produce at our doorstep

Bimbadgen Wood Fired Pizzas are served in a Tuscan inspired courtyard, with spectacular view from under the shade of a vine-covered pergola.

The are several different sized events offered by Bimbadgen:

- Weekly live music Friday nights are held at the Pizzeria;
- Events from private events, corporate dinners & activities, to a special day to for wedding proposals; and
- Much larger concerts.

Supporting the larger concerts is an amphitheatre that holds up to 10,000 people. Concerts are given a stunning backdrops. In 2002 – 2003 was the first season of A Day on the Green concert events at Bimbadgen season. Concerts featured local and international artists appealing to all generations. A Day on The Green (4 concerts) attracts approximately 28,000 visitors.,

The concert season runs from November to April each year.

Figure 4.1.2 View of the symmetrical layout and access to neighbouring views

Roche Estate

Roche Estate (formerly known as Tempus Two) is an open air live concert venue located in the heart of Hunter Valley wine country. Roche Estate offers experiences of fine dining, award-winning wines, signature cocktails and local gourmet produce - all located in one exclusive venue at Roche Estate. Experiences include Tempus Two Cellar Door, Oishii, Japanese and Thai dining, Hunter Valley Smelly Cheese Shop, Goldfish Hunter Valley, an award winning small bar and social hub, Meerea Park Wines, M&J Becker Wines.

Roche Estate also hosts events in The Barrell Room and in an outdoor amphitheatre. The venue attracts a diverse array of international and national artists with flexible production options can modify stage position and capacities to suit event sizes ranging from 1,000 up to 20,000.

Figure 4.1.3 View of the shel layout and access to neighbouring views

4.2 Major attractions

The last experiences audit believed that attractions represented about 15% of the regional visitor economy (2014 DMP). The main gaps in this sector believed to be constraining growth were:

- additional attractions, potentially leveraging regional foods and providoring;
- nature (mainly soft adventure type) experiences, an example, utilising the Blue Mountains and Barrington Tops World Heritage National Parks;
- unique range of heritage sites (convict, indigenous and mining) and trails in the region; and
- other more passive leisure activities such as visiting art galleries, cultural sites, etc.

Work is being done by Cessnock City Council to introduce new and reinvigorated / value added products across the LGA (SMA Tourism 2020).

Hunter Valley Gardens

The Hunter Valley Gardens is located in Pokolbin, the centre of the Hunter Valley wine Country. The Gardens were opened in 2003 and are open every day of the year except Christmas Day. The property comprises of over 14 hectares of display gardens, containing ten different themed gardens, a shopping village, accommodation, rides/ events and dining experiences. Special events are held throughout the year with Christmas Light Spectacular, Mega Creatures, Rose Week, Wedding Fair, Easter Celebrations and Snow Time in the Garden. Carnival rides add to events held throughout the year.

The shopping village is a unique collection of bespoke shops offering meals, coffee, wine, glassware, jewellery and clothing. The village is set adjacent to the playground, bbq and picnic area.

The gardens are a popular venue for weddings and events and welcome over 300,000 visitors every year.

There are two accommodation venues that Hunter Valley Gardens is linked to and cross sell (including packages), Harrigan's Irish Pub & accommodation and Mercure Resort Hunter Valley Gardens.

Section 5.3 addresses expansion plans.

5.0 Recent developments for accommodation, attraction and event driven investment

5.1 Accommodation focus

Table 5.1 shows that over the past 15 years, there have been approximately 104 DA approvals for short stay accommodation, but less than 30% of these have then proceeded to be built and gained an Occupancy Certificate. A high-level analysis of the data suggests the majority of the DA applications were for small developments or additional small works to existing properties. We easily identified four Development Approval proposals for larger short stay accommodation, of which three were recently approved:

- 60 units, restaurant and function centre (DA approved 2017, 97 Palmers Lane Pokolbin);
- resort hotel and villas, destination spa, amphitheatre (965 Wine Country Drive Rothbury, approved 2021);
- 50 one bedroom serviced apartments, function centre, restaurant, day spa (119 McDonalds Road Pokolbin, DA approved 2021);
- 96 tourist & visitor accommodation units, multipurpose entertainment facility, fitness centre including day spa, swimming pools, tennis courts (DA approved 2021, 20 Broke Road Pokolbin).

Table 5.1.1 Total approved Development Applications versus Occupancy Certificates for various types of short stay accommodation in the Cessnock LGA 2007 to 2022

Accommodation type	Total approved Development Applications	Total approved Occupancy Certificates
Bed and breakfast	3	1
Farm stay	7	3
Hotel and Motel	6	5
Serviced apartments	3	0
Cabins	1	1
Backpackers	1	0
Tourism /accommodation	104	32

We found minimal evidence of any significant or regular new larger scale tourism accommodation properties actually developed in the Cessnock LGA in the past 10 to 15 years. The key development elements appear to be mixed-use venues containing:

- around 100 rooms (typically a luxury retreat, as opposed to larger hotel / resort);
- restaurant and small to modest sized conference facilities;
- leisure facilities; and
- golf course (18 holes set around vineyards).

Many larger scale tourism accommodation developments in regional areas seek residential development to help leverage the development funds up front and reduce the cost of debt. The larger footprint of the accommodation developments can generate a bigger visual impact on rural landscapes than the short stay accommodation. Two refurbishments and one new property are profiled in the rest of this sub-section.

Refurbishment – Crown Plaza

In 2014, owners of the Crown Plaza Hunter Valley the Schwartz Family Company added to the property a 1,000 seat two room conference and events centre and undertook a soft refurbishment.

Refurbishment – Hunter Valley Spicers Tower

Tower Estate and the luxury lodge accommodation was launched in 1999 and it won a global luxury award in 2010. Spicers Tower Lodge is the third Spicers Retreat in the Pokolbin area, joining Spicers Vineyards Estate and Spicers Guesthouse. Tower Estate is a blend of Spanish and natural styling and provides 14 luxury rooms, high end restaurant, lounge, , library and small conference facility, leisure facilities (croquet and frisbee golf and archery), pool, hot tub and short walk on the property.

Approximately $6M was spent in 2021 / 2022.

New – Chateau Elan @ The Vintage

The most relevant accommodation development has been the Chateau Elan @ The Vintage Hunter Valley, Pokolbin, built by the Stevens Group, in stages. The 100 room luxury retreat, financially leveraged from residential development due for completion in 2023. The retreat includes a spa, a golf course, small to medium sized conference and event facility and leisure facilities for visitors and residents, requiring a significant footprint.

Crown Plaza Hunter Valley upgrade / extension

Owners of the Crown Plaza Hunter Valley the Schwartz Family Company have proposed to invest $5.5M to:

- upgrade the existing conference centre exhibition space and install a new commercial kitchen and permanent marquee
- develop a 300m^2 brewery and distillery on the site;
- develop a larger, purpose-built craft brewery and distillery on 41 hectares of recently acquired adjacent land;
- soft refurbishment of Crowne Plaza Hunter Valley's 150 hotel rooms and 169 two and three bedroom villas;
- improvements to the hotel's 18-hole golf course;
- expansion of the kid's club;
- extension of the hotel's Grapevine Bar and Restaurant; and
- new energy and water consumption infrastructure.

Hotel development at former Lindemans Ben Ean Winery

Brian McGuigan in partnership with Colin Peterson (Peterson Wines) has lodged a DA for a $30M hotel development on a spur at the top of the Lindemans Ben Ean Winery property.

Figure 2.5.2 Artists impression of proposed development

The proposal includes:

- 50 one-bedroom apartments grouped along the ridge to capture views;
- 120 seat restaurant;
- 120 seat conference room
- leisure facilities (day spa, gym, pool and events pavilion)
- bar and wine tasting

The development has Council approval and is forecast to be completed in late 2023.

5.2 Event focus

Cedar Mill Hunter Valley

This development is being funded by Winarch Capital and driven by its Cedar Mill Group and is valued at $107M (Cedar Mill Hunter Valley Scoping Report prepared by Monteath and Powys 2022). The 42-hectare site is located on the corner of Broke and McDonalds Roads. The mixed-use proposal includes:

- waterpark / splash park and adventure playground (Stage 1);
- wine museum (Stage 1);
- outdoor concert venue for 22,000 (Stage 2);
- 100 bed hotel (Stage 3);
- hatted restaurant (Stage 3); and
- working winery (Stage 3).

The sixth development approval application for the concert venue have been delayed due to concerns with traffic impacts.

Figure 2.5.1 Artists impression of proposed development

Art entertainment & sporting facility

This development is being driven by the Jacobsen Group (entertainment rather than accommodation developers) and is valued at $500M. The 90-hectare property is located on McDonalds Road Pokolbin. The mixed-use proposal includes:

- A 200,000 seat amphitheatre;
- 120 room hotel;
- 200 villas; and
- Olympic standard equestrian centre.

The proponents claim to have the support of the Department of Premier and Cabinet (Hunter & Central Coast Region) and Regional Development Australia.

The completed proposal is forecast to attract 68,000 visitors per annum.

5.3 Attractions-driven development

There are not a lot of private sector driven attraction developments on the pipeline and showing up on DA records. Beyond cellar door upgrades, we identified:

- $719k Hunter Valley Cheese;
- $123k Hunter Valley Helicopters;
- $1.2M Two Fat Blokes Tourist Facility
- $250k McDonalds Road Art Gallery
- $6M Madoo Museum and performance space

A few case studies follow.

Hunter Valley Gardens expansion – conference centre & nursury

The Hunter Valley Gardens (HVG) currently features The Gardens but also comprises the Grand Mercure Resort, the HVG Retail Village, Chapel, Conference Centre, Restaurants, Picnic Grounds, Playground, Aqua Golf and Harrigan's Irish Pub and Accommodation (which is set to expand by a further 96 tourist accommodation units and supporting facilities)

The proposed development is for construction and operation of a new Conference & Function Centre. This facility will include a raised terrace overlooking Broke Road and the existing vineyards on the holding (and separately proposed vineyard sculpture walk and wedding lawn) and is nestled into and connected to the HVG. It is supported by operational areas in a sunken lower level contained within the building footprint, with patron pedestrian (and buggy) arrival and departure from parking sited at the west of the HVG. It has flexible space and operations to cater to varying sizes and types of conferences and functions with meetings rooms, break out spaces, pre- function, and function spaces for small, medium and large groups, up to 600 patrons. Consolidation of existing ancillary HVG nursery, maintenance, and storage activities to a new area of the precinct, screened from Broke Road. It includes new open-air nursery, landscape materials stores, greenhouse, vehicle turning, and offices and buildings.

Figure 5.3 Proposed HVG Conference and Function Centre

1184 Wine Country Drive, Lovedale

This is the former proposed Jack Nicklaus Golden Bear resort. We understand that the current proposal is a hotel resort integrated with an 18 hole PGA golf course and residential housing. The site is 241 hectares across Wine Country Drive from Chateau Elan. A planning proposal was submitted to allow an increase in the number of residential homes from 300 to 640. The proposal is under assessment and is yet to reach gateway. If developed it could add a further 300 tourist rooms in Cessnock.

Tennis Academy

Jerry Schwartz is preparing plans for a $30M tennis academy and equestrian centre at Cessnock. The proposal would be built on 40 hectares of land adjacent to the Crowne Plaza Hunter Valley.

The tennis academy would feature 50 courts and a 6000-seat stadium capable of hosting small tournaments.

The equestrian centre would have stables for 120 horses, indoor and outdoor riding arenas and a cross-country course.

Work on the project is due to commence this year and will create about 40 construction jobs and 55 permanent new jobs by 2027.

6. Gap analysis

6.1 Supply analysis

Macro Australian trends towards a contraction in hotel development

Overall hotel investment across Australia is currently contracting, in response to rising inflation, higher interest rates, energy supply concerns and the reopening of state and international borders. More than ever, investors are focussed on assets where the earnings are “here and now”, rather than those which are yet to reach stabilisation post-development. Newly constructed assets have not fared well when offered for sale and have been withdrawn from the market. Luxury or upper upscale hotels or those with a high proportion of Food & Beverage (F&B) are likely to fair worse in this inflationary environment where a higher proportion of the cost base is wages.

Minimal development of new properties in the LGA in past 15 years

Since 2014, large scale accommodation room stock has slightly lifted and then fallen, creating a slight trend downwards in supply. This stagnant growth is a critical frame of reference from which to later consider demand and property performance because any increase in demand without an increase in supply should drive rates and occupancy up.

Over the past 10 – 15 years, we were able to identify just two properties in the LGA that had had refurbishments. This is a profoundly low investment in the region, and consumer website feedback suggests that this lack of refurbishment is being noticed and openly criticised by visitors. We found only one new larger scale accommodation property had been developed in the past 10 – 15 years – Chateau Elan at The Vintage. The key to this development was a combination of mixed-use and luxury represented by:

- around 100 rooms (typically a luxury retreat, as opposed to larger hotel / resort);
- restaurant and small to modest sized conference facilities;
- leisure facilities; and
- an 18-hole golf course set around vineyards).

The current supply

To try and scope what a typical large scale accommodation development in the future needs, we first provided detailed profiles of seven key larger scale tourist development in the Vineyards District – the same properties that we were able to profile demand analysis on. Combined, these properties represent 900 rooms. A summary of the metrics is presented in **Table 6.1.1**.

There is no standard size to the property and no relationship between the number of rooms and the property size. However, surrounding landscape is a promoted feature, so we would suggest a typical property size of 100 acres (40 hectares), a likely desire for sufficient space and landscape to build an 18-hole golf course, and assumed space for tennis courts, pool and other leisure facilities, and a medium sized conference and functions centre.

Table 6.1.1 Summary metrics of larger scale short stay accommodation in the Cessnock LGA

Property	Property size (hectares)	Building size acres	Rooms	Larger facilities
Oaks Cypress Lakes Resort	120	82	251	Conference centre 18-hole golf course Tennis courts, swimming pools
Voco Kirkton Park	28	4	70	Conference centre, tennis courts, basketball courts pool
Crowne Plaza	40	50	414	18-hole golf course, tennis courts, swimming pools, conference centre
Hunter Valley Resort	40	2	35	Tennis courts, pool, Farm & Adventure Centre
Mercure Resort	1	1.5	72	Tennis courts, pool, conference centre

Leisure Inn	10	15	66	Tennis courts, pool, playground
Chateau Elan at The Vintage	40+	4	100	18-hole golf course, spa, conference centre

From an analysis of the key strengths of the properties reviewed, we would suggest that a future proposal would:

- be centrally located to make it quick and easy for guests to explore the area;
- utilise space (40 hectares) to create spacious rooms and facilities, separate accommodation units and create privacy; and
- invest in landscaping to create character and enhance privacy.

Trip Advisor and Google ratings were highest with properties that fully addressed these attributes, notwithstanding that some properties are reportedly looking tired and inadequately maintained, which is dragging some ratings down.

Potential pipeline projects

There are no larger scale accommodation properties currently under construction in the Cessnock LGA. We identified three new larger scale tourism accommodation development proposals and one refurbishment.

Two of the three proposed new developments are mixed use featuring very large leisure facilities (outdoor concert and equestrian centre), and the third is a more conventional accommodation development on a ridge top. The refurbishment proposal is largely orientated around enhanced conferencing and food and beverage.

If the three new developments proceeded, they would add 270 rooms to the LGA, the largest addition in 15 years by threefold. If these three new developments proceeded, we could expect to see some softening of occupancy among the properties that have not been refurbished for over 10 – 15 years, as the new properties steal market share.

6.2 Demand analysis

General visitation

The vast majority of visitor nights comes from the domestic market (92%), and 90% of these are from NSW. This means that accommodation, attraction and event demand is extremely aligned to the NSW economy and competitors within NSW, such as the South Coast and Far North Coast.

The dominant reason for travel to Cessnock is holiday, followed by Visiting Friends and Relatives. This dominance over business and conference markets is a major constraint to hotel performance, because it softens mid-week performance, as further explained below. Compounding this is an overall decline in the overnight business market in the region.

Performance of larger short stay accommodation

We analysed 956 rooms provided as larger short stay accommodation located in the Cessnock LGA.

Cessnock has the advantage of being a weekend escape for the huge Sydney market, but the disadvantage of a shorter length of stay than destinations further afield. The shorter stay holds back the viability of major short stay accommodation (the profitability increases with increasing length of stay).

Two other constraints to accommodation performance are seasonality and insufficient guests mid-week. The low season of winter and part of summer is longer than the high season, and the peak weekends don't pay for the longer mid-week. Conferencing helps with mid-week but is not enough to strengthen the mid-week softer revenue. These combined factors are major constraints to investing in new large short stay accommodation.

Since COVID (2021/22) operators appear to have shifted from protecting occupancy at the expense of rate, to the opposite. There has been a 2% increase in overnight stays and 2% decrease in day trippers. ADR and REVPAR are looking really good for the first six months of 2022, particularly against Newcastle, Sydney and the Gold Coast. However, we are about to move into low season, and more broadly, this honeymoon period will soon be hotly competed by city hotels, and eventually by Australian's choosing to travel internationally over domestically – so it will decline.

Performance of larger attractions and events

It is a great shame that we cannot get an idea if trading figures for the attractions and events sectors in the local area, nor reliable visitor data about the customer's needs, wants and satisfaction with the offer. This leaves us to speculate on the performance of DA proposals, including the scale and differentiation of their proposals, and their conversion of approvals and acquirement of suitable capital to proceed. We conclude that the still very dismantled and increasingly expensive international flight network, global economic and political stability will limit the supply of profitable acts for events and leave Australia with a net deficit of more Australian's leaving for international travel than internationals visiting here.

Overall gap analysis conclusion

We have found market demand in the Cessnock LGA for larger short stay accommodation is too soft mid-week, highly seasonal to drive investment in larger scale accommodation refurbishment, let alone new development. There is not enough mid-week conference market or desire for mid-week functions to support the softer mid-week periods, and not enough in the short peak months to offset the longer low months. The historic lack of developments over the past 10 to 15 years reinforces this as a relatively entrenched position. Currently there is a preference for smaller scale additions to existing properties, in the form of cabins and tiny houses, as these can be funded from existing profits. There are two or three larger developments in the pipeline, and if these proceeded would saturate supply, take market share from some of the existing properties, and reduce the feasibility of building additional large scale accommodation developments.

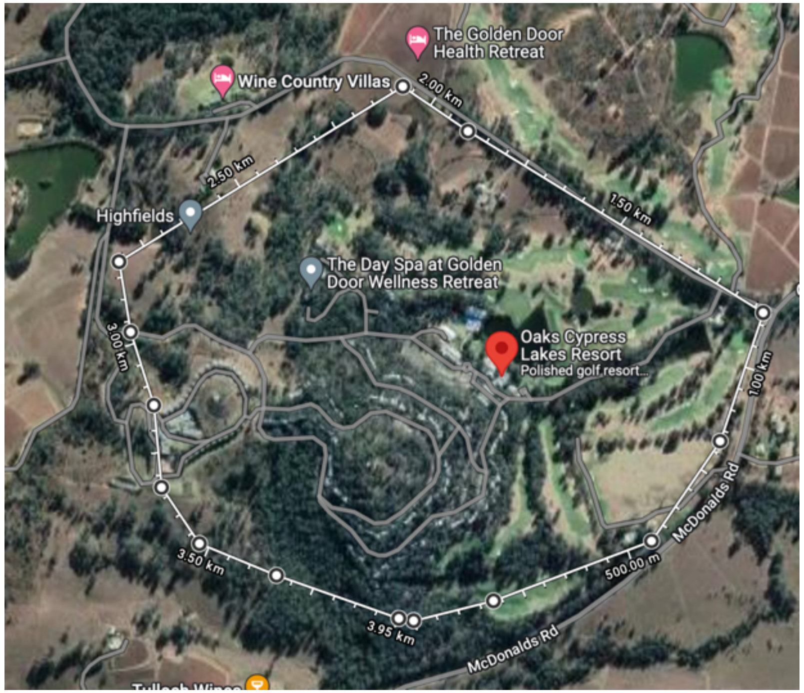
What demand there is to contemplate investment in the visitor economy is based around a 100-acre property featuring mixed development requiring large footprints for an integrated retreat and major leisure attraction, surrounded by vineyards and rural landscape.

We have found that attractions are adding safe value adds, but that investing in another major event venue is going to be difficult to prove its feasibility using standard capex development costing and operating assumptions. Like accommodation, development in this area may take market share from other properties.

Attachment A Aerial photos of accommodation property sizes

Oaks Cypress Lakes Resort, Pokolbin

Oaks Cypress Lakes Resort covers an area of approx. 300 acres

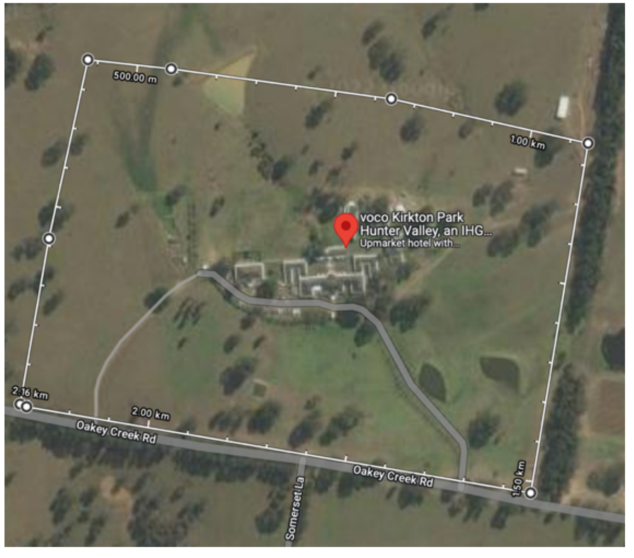


Estimate of land used for accommodation and landscaping at Oaks Cypress Lakes Resort, covering an area of approx. 82 acres

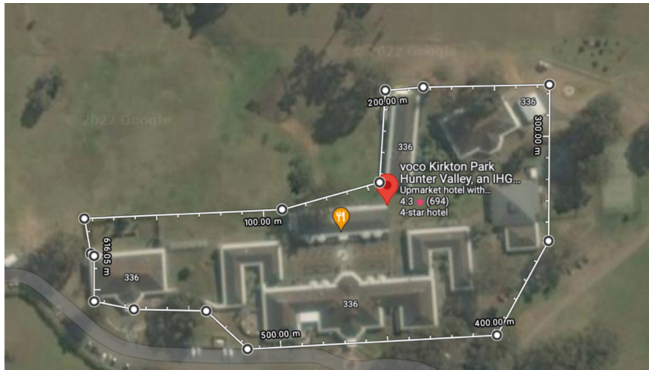
voco Kirkton Park Hunter Valley, Pokolbin

70-acre property with mountain views, building footprint approximately four acres

Voco Kirkton Park is set on 70 acres (map below indicative of space only, not actual)



Approximately four acres of building footprint, as measured with Goggle maps.



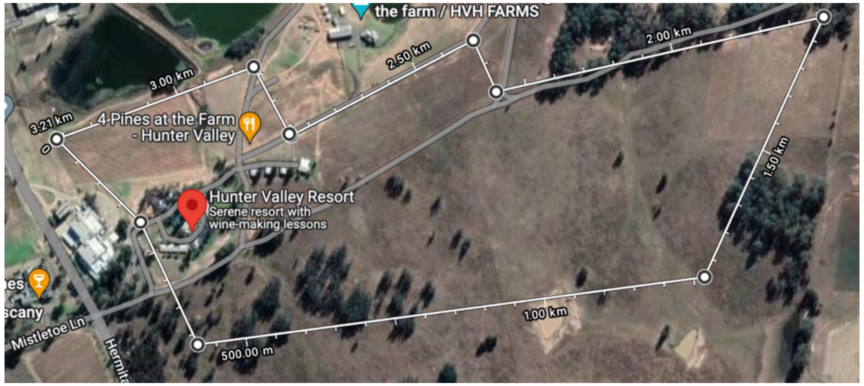
Crowne Plaza Hunter Valley, Lovedale

Crowne Plaza Hunter Valley is set on 100 acres (map below indicative of space only, not actual)

Approximately four acres of building footprint, as measured with Goggle maps.

Hunter Valley Resort, Pokolbin

Hunter Valley Resort is set on 100 acres (map below indicative of space only, not actual)



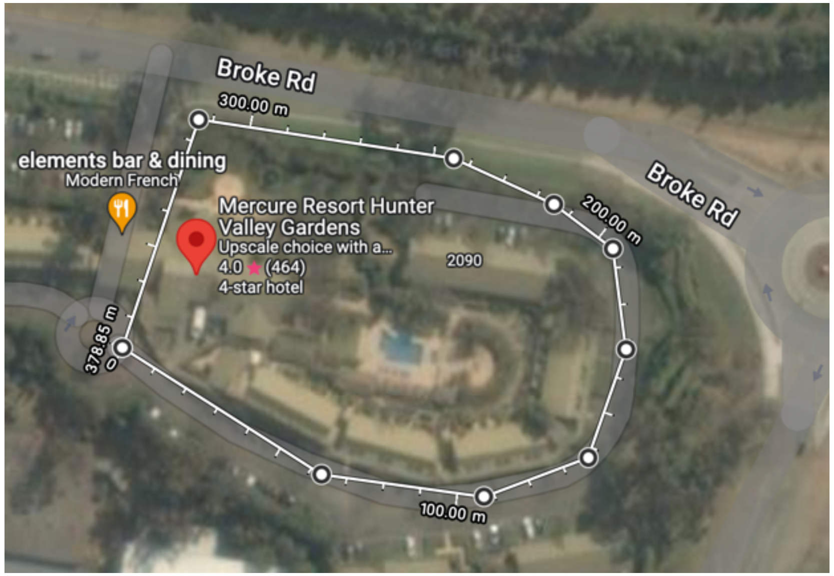
Approximately two acres of building footprint, as measured with Goggle maps.

Mercure Resort Hunter Valley Gardens, Pokolbin

Total built area and overall property

Overall property area approximately two and a half acres

Approximately two acres of building footprint, as measured with Goggle maps.

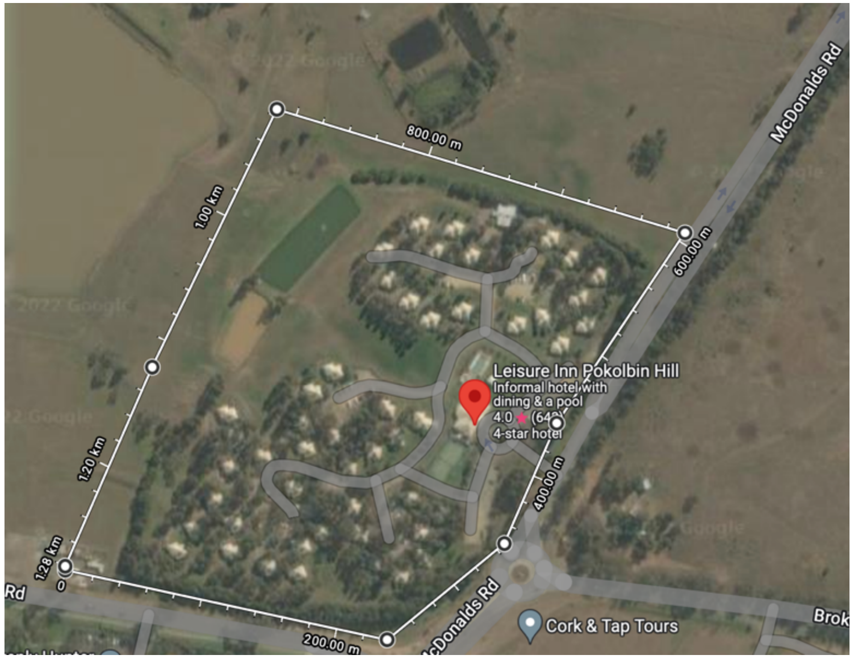


Leisure Inn Pokolbin Hill, Pokolbin

Total built area and overall property

25 acres

Leisure inn Pokolbin is set on 25 acres (as measured with Google maps)



Chateau Elan @ The Vintage, Rothbury

Total built area and overall property

Overall property nine acres, building four acres

Chateau Elan at The Vintage Hunter Valley is set on approximately nine acres (as measured with Google maps)