



## Dear Investors, Industry Colleagues & Friends,

Pro-invest is pleased to present this quarterly market update to provide insights into the current state of Australia's hotel market and highlight the strength of this sector as an investment opportunity.

The highlights of this market update include:

- **Annual nights spent in hotels have now surpassed** those achieved **pre-GFC** (previous peak) and are growing at close to 10 percent annually.
- **Domestic corporate travel is growing** and now responsible for close to 50 percent of the annual growth in nights spent in hotels.
- **2015 was the sixth consecutive year of growth for the Australian hotel industry and the highest year on record since STR Global** began tracking the country's hotel performance.
- Strong appetite from both domestic and international investors is resulting in **record hotel transaction levels & compressing yields**.

The Australian travel & tourism industry continues to grow from strength to strength supported by a low dollar and a strong local economy. This is resulting in a very strong performance of the country's hotel sector. Latest results from STR Global indicate the nation-wide average annual occupancy in 2015 sat at 75.6 percent, with four out of eight capital cities experiencing occupancies over 80 percent. In addition, following six consecutive years of growth, RevPAR is at historic levels.

Visitor numbers show that domestic corporate travel is well and truly driving the sector's growth, accounting for over 48 percent of the annual increase in total number of rooms sold in the year-ending September 2015. Looking forward, Tourism Research Australia forecasts business travel to continue to drive growth and remain the fastest growing segment for hotel accommodation in the near future.

From an investment perspective, demand for hotel assets in Australia continues to be robust and yields continue to compress. Major real estate companies are forecasting these trends to persist in the coming 12 months.

*"Another year of major deal activity totalling \$3.7 billion for the 12 months ended September 2015, confirms Australian hotels are keenly sought after by both domestic and international visitors."* Michael Simpson, Managing Director, Savills Hotels - Australia & New Zealand.


Pro-invest is particularly well-positioned to capitalise on the attractive investment opportunity the Australian hotel market currently provides. With a vertically integrated business model, an entrepreneurial approach to value-creation and proven active management capabilities, Pro-invest is able to achieve above average returns.

Pro-invest's Australian Hospitality Opportunity Fund, referred to later in this report, recently achieved a second close at over A\$250m in equity commitments. It is currently developing Australia's first portfolio of Holiday Inn Express hotels and is forecast to deliver an IRR in excess of 20% to investors.

The Fund holds an Australian Financial Services License (AFSL), is a Managed Investment Scheme and is able to reduce withholding tax by half to qualified offshore investors.

We hope you enjoy the read and as always, look forward to your comments and feedback.

With kind regards,



**Ronald Stephen Barrott FRICS**

Chief Executive Officer, Pro-invest Group

For more information about Pro-invest Group and the Australian Hospitality Opportunity Fund, please visit:

[www.proinvestgroup.com](http://www.proinvestgroup.com)

## Politico-economic Developments & Implications for the Australian Hotel Industry

### China's Growth Hits Quarter-century Low but Foreign Real Estate Investment and Outbound Travel to Australia Unaffected

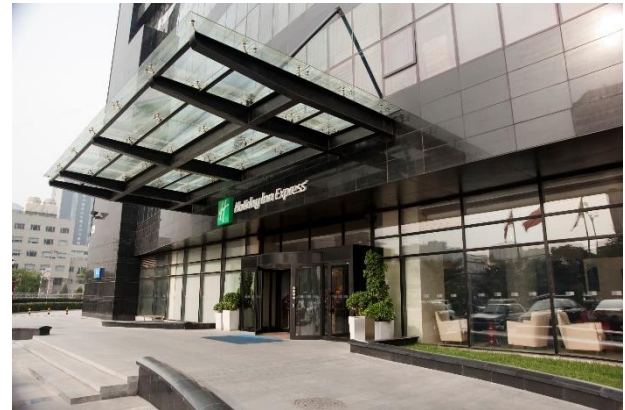
As the restructure of China's economy continues, so does its slowdown. Latest statistics indicate that in 2015, China grew at its weakest pace in a quarter of a century. Growth in the past year reached 6.9 percent after Q4 slowed to 6.8 percent, putting an end to a tumultuous year that witnessed a huge outflow of capital, a slide in currency and a crash in stocks. The slowdown in China, along with the drop in commodity prices, prompted the International Monetary Fund to cut its global growth forecasts and announce that growth expectations for China have been reduced to 6.3 percent in 2016.

The uncertainty revolving around China's economy and the capacity of Chinese policy makers to address the country's economic woes has put markets around the world under pressure and is affecting currencies, commodities and financial market volatility. *"China has been at the epicentre of the turbulence in financial markets since the start of this calendar year as investors worry about its slowdown as it transitions from a credit-fuelled investment-led economy to one that's driven by consumption and services."* Vasu Menon, Vice President of wealth management at OCBC Bank.

Recent reports on China's economic slowdown and on the volatility of the Chinese stock market however suggest that investment in Australia's real estate sector is unlikely to be impacted. It is in fact expected that the nervousness around the performance of the Chinese economy and its stock market will lead to further capital inflows into nations such as Australia as Chinese investors increasingly seek opportunities in economically stable and transparent markets.

From a tourism perspective, while China's economic slowdown is creating turbulence and taking a toll on various sectors, its growing outbound travel industry seems largely unaffected. A recent report from Credit Lyonnais Securities Asia (CLSA) forecasts Chinese tourist visitors to Australasia to increase by

an average of 22 percent a year between 2014 and 2020. *"Even if there is a slight slowdown in GDP growth, we don't see outbound tourism slowing at all."* Aaron Fischer, Regional Head of Consumer & Gaming Research, CLSA.



Holiday Inn Express® Beijing Huacai, China

## Australian Travel Industry Performance

The combination of a low Australian dollar and Australia's safe haven travel status is resulting in increased inbound tourism and a reduction in outbound travel activity with more Australians electing to travel domestically.

### Domestic Visitation

As illustrated below, the latest National Visitor Survey conducted by Tourism Research Australia (TRA) reveals all indicators are positive for domestic tourism.

Figure 1: Year Ending September 2015 National Visitor Survey Overview

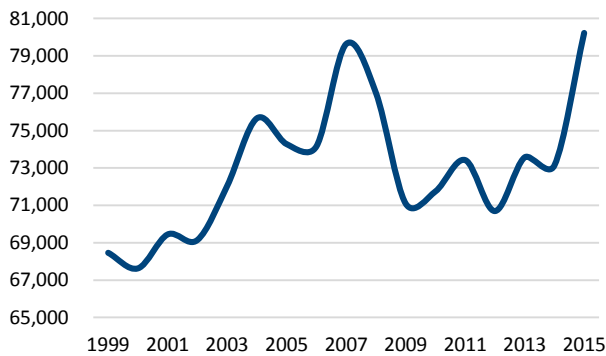
TRIP SPEND ▲6% \$56.9 BILLION	OVERNIGHT TRIPS ▲7% 85.3 MILLION	NIGHTS ▲5% 318 MILLION
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Source: TRA, 2016

In the year ending September 2015, trip spend is up 6 percent to A\$56.9 billion, overnight trips are up 7 percent to 85.3 million and nights are up 5 percent to 318 million. Year-on-year, there were in excess of 29 million domestic trips taken throughout Australia, the highest ever recorded by TRA and over 2.7 million more trips year-on-year (a 10.4 percent annual increase).

**Domestic nights spent in hotels & similar accommodation (hotels, motels, resorts and motor inns) have now surpassed those achieved pre-global financial crisis and at over 80.2 million nights, represent an annual increase of 9.7 percent.** With domestic travel accounting for an astounding 76 percent of all nights spent in hotels & similar accommodation, these results are extremely positive for the hotel industry.

Figure 2: Year Ending September 2015 Domestic Nights in Hotels & Similar Accommodation (000s)



Source: TRA, 2016

In the year ending September 2015, **domestic corporate travel was responsible for 57.7 percent of the annual growth in domestic nights spent in hotels & similar accommodation. With a reported 17.5 percent increase in number of business nights, corporate travel now generates over 34 percent of all domestic room nights sold and is growing at nearly twice the speed of holiday travel.**

Domestic visitation within Australia is increasing in every state throughout the country. In the year ending September 2015, Tasmania experienced the largest growth in nights spent in hotels & similar accommodation at over 32 percent, followed by the Northern Territory (+19 percent) and the Australian Capital Territory (+15 percent). In absolute terms, New South Wales was the star performer, recording nearly an additional 2.2 million nights, a 10 percent increase year-on-year representing 31 percent of the Australia-wide growth.

Over 10 million nights in hotels & similar accommodation are now being spent in both Sydney and Melbourne. Combined, this represents 25 percent of all domestic room nights in Australia.



Holiday Inn Express® Beijing Temple of Heaven

### International Visitation

According to TRA, as is the case for the domestic market, all indicators are positive for inbound travel. In the year ending September 2015, international visitor numbers are up 7 percent to 6.7 million, international visitor nights are up 10 percent to 242 million, and international trip expenditure is up 13 percent to A\$34.8 billion.

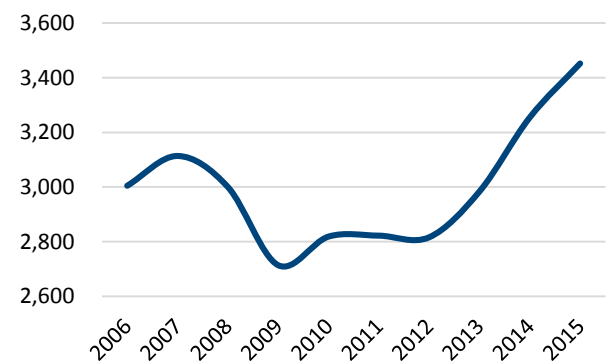
Figure 3: Year Ending September 2015 International Visitor Survey Overview

<b>VISITORS</b> ▲7%	<b>NIGHTS</b> ▲10%	<b>EXPENDITURE<sup>a</sup></b> ▲13%
6.7 MILLION	242 MILLION	\$34.8 BILLION

Source: TRA, 2016

The number of international visitors staying in hotels or similar accommodation grew by 197,000 in year ending September 2015. Most of this increase was driven by growth of inbound travel from the China.

Figure 4: Year Ending September 2015 Inbound Visitors to Australia (000s)



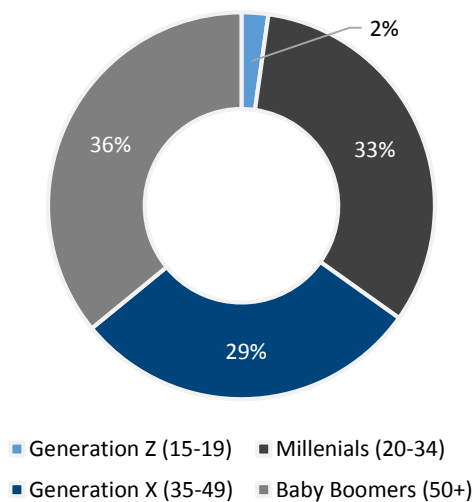
Source: TRA, 2016

Accounting for 15 percent of international nights spent in hotels & similar accommodation, China was Australia's largest international source market in the year ending September 2015. The predominance of Chinese travellers has increased more than two-fold since 2010 when Chinese travellers only generated 6.6% of international visitor nights spent in hotels & similar accommodation. The next largest source markets were the US (+20.5 percent year-on-year), New Zealand (-1.7 percent year-on-year), the UK (-2.8 percent year-on-year) and Singapore (+6.5 percent year-on-year). Together, these top five markets generate 57.7 percent of international nights and 13.2 percent of all nights spent in hotels & similar accommodation.

Holiday travel remains the main purpose of visit for inbound visitors, accounting for over 53.4 percent of international nights spent in hotels & similar accommodation. This is followed by nights generated by business travellers (21.1 percent) and night generated by visitors visiting friends & relatives (11.4 percent).

As illustrated below, Millennials now form an integral part of the Australian inbound hotel customer base, accounting for one third of nights and highlighting how important it is for hotel stock to be designed to cater to this segment. Visitors falling within the Generation X (35 to 49 years old) and Baby Boomer generations, generate approximately the same amount of nights.

Figure 5: International Nights Spent in Hotels & Similar Accommodation by Age Group (year ending September 2015)



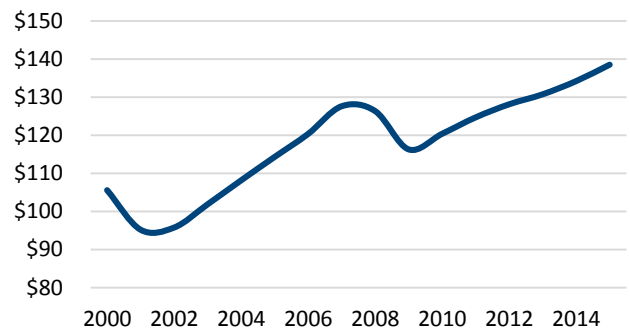
Source: TRA, 2016

## Hotel Fundamentals Update

While hotels in the Asia Pacific region reported mostly flat year-end 2015 results in both occupancy (+0.1 percent) and Average Daily Rate (ADR) (-0.5 percent), resulting in a Revenue Per Available Room (RevPAR) drop of 0.4 percent, Australian hotels fared well in the past year. According to data from STR Global (STR), in 2015, Australian hotels traded on average at 75.6 percent occupancy (+1.3 percent) and experienced a slight increase in ADR to A\$183.31 (+1.9 percent), resulting in a RevPAR of A\$138.51 (+3.2 percent).

As illustrated in the following graph, 2015 was the sixth consecutive year of growth for the Australian hotel industry, a compound annual growth rate of 3.0 percent. It was also the highest RevPAR in history to be recorded for Australian hotels.

Figure 6: Annual RevPAR of Australian Hotels 2000-2015



Source: STR Global, 2016

The country experienced an especially strong month of December with ADR at A\$195.61 - the highest ADR value in 2015 - and RevPAR up 7.6 percent year-on-year. Overall, performance grew steadily during the year, as indicated by the below statistics.



Holiday Inn Express® Singapore Orchard Road, Singapore

## Australian Hospitality Opportunity (AHO) Fund I

### Fund Overview

In early 2000, Pro-invest's CEO, Ronald Barrott FRICS brought the Holiday Inn Express (HIE) brand to the European market. At the time, he developed a portfolio of HIE hotels throughout the UK which he grew to become one of the biggest franchised portfolio's outside of the USA. **Over a period of 6 years 15 HIE assets were developed and the portfolio was exited as a trade sale achieving an IRR in excess of 25 percent.**

In 2013, given his successful relationship with InterContinental Hotels Group (IHG), Ronald launched the AHO Fund I ('Fund') to develop, own and operate a portfolio of 10 to 15 Holiday Inn Express® hotels across Australia and New Zealand. The portfolio is being rolled out under a Master Development Agreement with IHG. The Fund's pipeline currently comprises the development of four hotels (Sydney, Brisbane, Melbourne and Adelaide), which total 1,002 rooms. A number of other sites in key markets are under analysis and Pro-invest is currently in negotiations with various owners and agents on further acquisition opportunities.

The Fund is a Managed Investment Scheme with an MIT-compliant structure. This allows it to reduce withholding tax by half to qualified offshore investors. **The Fund is forecast to achieve an IRR in excess of 20 percent.**



Holiday Inn Express® Sydney Macquarie Park as at 16<sup>th</sup> January 2015

### Progress Made over the Past Quarter

In the fourth quarter of 2015, **a significant milestone was achieved with the number of rooms under development increasing to over 1,000**, including assets located in Sydney, Melbourne, Brisbane and Adelaide.

Pro-invest also achieved a successful outcome with respect to its fundraising activity and expects **the Fund will close in the second quarter of 2016 with an equity commitment of over A\$250m.**

The secured funding will allow Pro-invest to focus on acquisition efforts, allowing for the clustering of properties in both Sydney and Melbourne in addition to continuing the brand's expansion in key markets of Australia and New Zealand.

Looking forward, 2016 will mark the entry of Holiday Inn Express® in the Australian market with the opening of the Fund's first two hotels.

### Appointment of Independent Director of the AHO Fund

Pro-invest is pleased to announce the appointment of Paul Logan as Non-Executive Director of the AHO Fund's key management entities and member of the Fund's Advisory Board.



Paul Logan has over 40 years of hotel operations and development experience across Asia, Middle East, Africa and Australia. Prior to his recent retirement from full time employment Paul was Chief Development Officer, IHG for Asia Middle East and Africa (AMEA), leading the group's growth strategy and activities across one of the most diverse and dynamic regions of the world. Paul headed the Development, Design & Engineering functions of IHG AMEA, leading teams located in 8 cities across AMEA. His team serviced more than 40 countries and territories from Nigeria to French Polynesia and New Zealand to Japan at a time of unprecedented growth and opportunity.

Figure 7: Australian Capital Cities Hotel Fundamentals

Location	Occupancy	ADR (A\$)	RevPAR (A\$)	RevPAR Change* (percent)
Australia	75.6	183.31	138.51	+3.2
Adelaide	76.8	150.14	115.26	-2.3
Brisbane	76.3	179.48	136.87	-10.9
Canberra	73.6	164.19	120.77	5.8
Melbourne	82.8	186.99	154.91	3.6
Perth	81.6	196.86	160.64	-1.7
Darwin	67.4	170.70	114.97	-15.2
Sydney	85.3	211.95	180.80	8.4
Hobart	81.7	163.63	133.65	9.6

\* Year ending December 2015 figures vs year ending figures prior year  
 Source: STR Global, CBRE Hotels & JLLH, 2016

As has been the case over the past quarters, mining reliant markets such as Darwin, Perth and Brisbane continued to experience a correction in the last quarter of 2015 as these markets are absorbing new supply while experiencing slower demand growth.

In 2015, the best performing markets in terms of annual RevPAR movement were Hobart (+9.6 percent), Sydney (+8.4 percent), Canberra (+5.8 percent) and Melbourne (+3.6 percent) which all recorded increases in both ADR and occupancy. In absolute terms however, the star performer remains Sydney which at A\$180.80 annual RevPAR, is 12.5 percent ahead of Perth (A\$160.64) and 16.7 percent ahead of Melbourne (A\$154.91).



Façade of Holiday Inn Express® Bangkok Siam, Thailand

## Forecasts for Australia’s Tourism

The outlook for Australia’s tourism industry is positive with forecasts for Australia’s key tourism

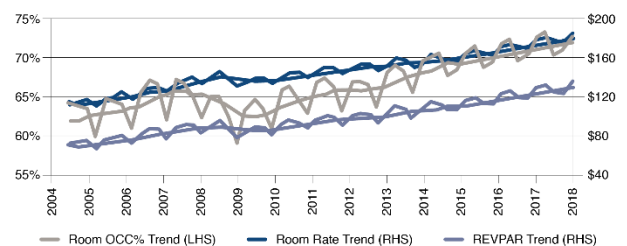
markets expected to grow above the global growth trend in the coming two years, according to TRA.

While the domestic tourism market is forecast to continue to strengthen, inbound travel is expected to lead future growth. Inbound visitor arrivals are expected to grow by 5.9 percent in the financial year (FY) 2015-16 and by a further 5.6 percent in FY 2016-17. The 10-year average growth rate is forecasted at 4.1 percent, with Australia’s top five inbound markets (New Zealand, China, the UK, the US and Singapore) expected to provide 59 percent of these additional arrivals.

These forecasts are in line with results from TRA’s recent *Industry Sentiment Survey* which indicates industry expectations are that inbound tourism will grow above 5 percent (77 percent of respondents) and domestic tourism will grow above 3 percent (70 percent of respondents) in the FY 2015-16. In terms of purpose of travel, business will continue to lead the charge with growth expectations of 5.8 percent over the period, faster than any other segment.

From an accommodation perspective, Deloitte Access Economics (DAE) expect room nights sold to grow at 2.5 percent per annum to December 2017. These positive forecasts should result in upward pressure on ADR and RevPAR of 3.5 percent per annum and 4.7 percent per annum, respectively, over the same period.

Figure 8: Australian Hotel Fundamentals Outlook



Source: TRA, 2016

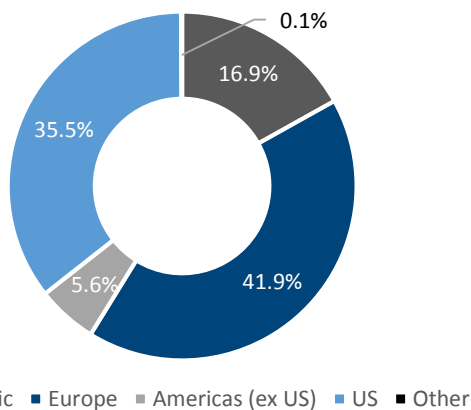
On the supply side, DAE forecasts a modest growth of 1.2 percent per annum over the forecast period.

## Global Real Estate Investment Environment

According to the Association for Investors in Non-listed Real Estate Vehicles (ANREV), the benefits of investing into real estate continue to attract investors

globally. This is reinforced by times of global uncertainty, reflected in highly volatile equity markets. The association's recent *Investment Intentions Survey* indicates that investor allocation to the sector will continue to grow and suggests the sector may see an influx of capital amounting to circa USD 57.9 billion in 2016.

Figure 9: Investors' Expected Destination for Real Estate Investment in 2016



Source: ANREV, 2016

The survey results show that non-listed real estate funds remain the most popular investment route for investors and that two Australian cities are among the top three key investment destinations: Sydney and Melbourne, whose attractiveness as investment locations rank closely behind Tokyo's.

On the hotel front, 2015 marked the second-highest year on record for global hotel transactions, posting a staggering 50 percent increase on 2014, by value. This growth far exceeds that experienced by other real estate sectors and illustrates the ever-growing dynamism of the sector. According to Jones Lang LaSalle Hotels & Hospitality (JLLH), global hotel transactions amounted to over US\$85 billion last year with the volume of single asset transactions reaching US\$47 billion, the highest it has ever been.

Although it is expected investment appetite will be more measured in 2016, JLLH sees continued positive momentum and forecasts transaction volumes of US\$70 billion - a 17 percent drop year-on-year but higher than original forecasts for 2015.

## Australian Hotel Investment Market & Recent Transactions

In the year ending September 2015, Savills recorded investment activity amounting to A\$3.7 billion, making 2015 another great year for the Australian hotel sector and confirming the attractiveness of the sector to both domestic and international investors.

As indicated in recent transactions, Australian hotels are attracting an increasing amounts of offshore capital, led by investors from China. The capital flow is strengthening the competitive tension between investors and keeping downwards pressure on yields. This is further supported by strong trading metrics in the country's key markets and positive trading forecasts by various research houses.

Given the large number of prime single assets having traded to long term holders in the past year, the amount of assets available going forward will be lower. Nevertheless, JLLH expects Australia to remain an active market within the Asia Pacific region, in particular with regard to hotel portfolios.

### Transaction Highlights

Over the quarter, eight hotels transacted for a total of A\$696 million. Five of these hotels, located in Sydney, Melbourne and Canberra and all managed by IHG, were sold as a portfolio by Eureka Funds Management to the newly formed SB&G Hotel Group. The investment group is looking to acquire or develop hotel assets across Australia in the next few years, growing the company's portfolio to A\$1 billion worth of assets in order to give it the scale to attract institutional interest if it pursues a listing on the ASX. The hotels transacted on yields between 5.8 and 7.7 percent.

The 5-star Pullman Sydney Airport, currently under construction and due to open towards the end of 2016, was sold as a 'take-out' on completion. The 229-room property was acquired by Chinese conglomerate Nanshan Group for a price of A\$84 million (A\$357,000 per key) at an initial yield of 5.6 percent. This 'off the plan' sale and low initial yield achieved highlights the eagerness of offshore investors to get a foothold in Australia's hotel market and attractiveness of new stock.

The last hotels to transact were two 5-star boutique Art Series Hotels located in suburban Melbourne.

Both hotels were sold as a portfolio in a sale-and-leaseback transaction to a Singapore-based fund, a subsidiary of British giant M&G Investments for a combined A\$146 million (A\$427,000 per key), reportedly at initial yields in the low sevens.

The following table illustrates Australian hotel transactions (over A\$20 million) having occurred in 2015. It excludes development sites, leisure and resort assets, regional assets as well as suburban assets requiring significant capital expenditure.

Figure 10: Recent Australian Hotel Transactions

Hotel	Location	Date	Keys	Price [A\$m]	Price / Key [A\$000]	Initial Yield [percent]	Comments
Melbourne Art Series Hotels	Melbourne, VIC	DEC 2015	342	146	427	c. 7%	Combined sale-and-leaseback of two 5-star boutique properties located in the outskirts of Melbourne.
InterContinental Rialto*	Melbourne, VIC	DEC 2015	253	133	526	5.8	Centrally located and recently refurbished hotel in Melbourne's CBD.
Crowne Plaza Melbourne*	Melbourne, VIC	DEC 2015	385	141	366	6.6	4-star property well located but in need of a refurbishment.
Crowne Plaza Coogee Beach*	Coogee, NSW	DEC 2015	209	80	385	7.4	4.5-star property located on Sydney's coast, c. 10 kilometres from the city centre.
Crowne Plaza Canberra*	Canberra, ACT	DEC 2015	296	54	183	7.7	Well-located 4-star property in proximity to offices, F&B outlets and the casino.
Holiday Inn Potts Point*	Potts Point, NSW	DEC 2015	288	58	200	5.9	4-star property well located and well maintained.
Pullman Sydney Airport	Mascot, NSW	DEC 2015	229	84	367	5.6	New build hotel sold on completion, located near the airport's domestic terminal.
Pensione Hotel	Melbourne, VIC	SEP 2015	114	26	228	6.5	Well located CBD hotel. Purchased by Third Fan
Quest Rockingham	Perth, WA	SEP 2015	48	22	458	unknown	Purchased by Aligned Funds Management from the Diploma Group.
RendezVous Hotel Sydney	Sydney CBD	AUG 2015	116	38	327	unknown	Purchased by Naumi Hospitality
Four Points by Sheraton	Perth, WA	AUG 2015	278	92	329	7.1	4.5-star property recently rebranded to Four Points after extensive A\$22m refurbishment
Elan Soho Suites	Darwin, NT	JUL 2015	301	57	190	unknown	4.5-star apartment hotel, recently built and purchased by Thai Minor Group. It will be rebranded under the group's Oaks brand.
Adina Mascot	Mascot, NSW	MAY 2015	123	37	301	6.2	4-star apartment hotel located near Sydney Domestic Terminal.
The Westin Sydney	Sydney, NSW	MAY 2015	416	445	1,070	4.2	Premium 5-star hotel in central Sydney CBD. Sold with management contract ending
Hilton Sydney	Sydney, NSW	APR 2015	577	442	766	6.3	5-star hotel located in the heart of Sydney's CBD. Sold with a 50-year management agreement.
Next Hotel	Brisbane, QLD	MAR 2015	304	100	329	7.9	Newly refurbished and part of a mixed-use investment on Brisbane's high profile Queen Street Mall.
RendezVous Hotel on George	Brisbane, QLD	FEB 2015	99	29	293	6.3	4-star hotel located near the area earmarked for the development of the A\$2bn Echo Casino Precinct. Refurbished in 2008, the hotel is on a short lease.
Adina Apartment Hotel	Brisbane, QLD	FEB 2015	162	50.0	308	unknown	Apartment hotel located north west of Brisbane's Golden Triangle.
Diamant Hotel	Sydney, NSW	JAN 2015	76	23	305	unknown	4-star boutique hotel in close proximity to the Sydney CBD.

Source: CBRE Hotels and Savills Research, 2015

\*assets were purchased as a portfolio from Eureka Funds Management

## Holiday Inn Express® to open in Macquarie Park

Sydney Morning Herald, 12<sup>th</sup> February 2016



*IHG Director of Development Matt Tripolone, left, with Managing Director of Pro-invest Hotels Group Phil Kasselis at the front of the new Holiday Inn Express®. Photo: Christopher Pearce*

InterContinental Hotels Group is set to increase its exposure in the country's hotel sector with a new Holiday Inn Express® in the ever-expanding Macquarie Park precinct in Sydney's north.

It is being developed by international investment company, Pro-invest Group, which has established a \$300 million fund to develop a portfolio of up to 15 Holiday Inn Express® hotels across Australia.

This follows IHG's move into Melbourne with Pro-invest, under a franchise agreement for a 339-room Holiday Inn Express® hotel in Melbourne's Southbank area.

The first hotels will open this year, with the launch of the brand at Sydney's Macquarie Park, North Ryde in April, followed by Brisbane's Spring Hill in the fourth quarter of 2016, Adelaide Hindley Street in 2017 and Melbourne Southbank in 2018.

*Phil Kasselis, the Managing Director of Pro-invest Hotels Group and Matt Tripolone IHG's Director of Development, said the hotel sector was one of the hottest, but the limited development in the past decade meant offerings were "tired".*

As part of the Sydney building boom, there is a new Sofitel being developed by Dr. Jerry Schwartz at Darling Harbour and a planned Crown Resort at Barangaroo, but that is all in the city.

*"We have joined with IHG to offer a high-quality product in the fast-growing Macquarie Park precinct that will offer a full service to a range of guests," Mr Kasselis said.*

Mr Tripolone said Sydney was the first Holiday Inn Express® to launch in Australia and that Holiday Inn Express® is the fastest-growing hotel brand in the world.

*"Select service does not mean 'cheap'. The rooms have been designed by the international designer Joseph Pang who designed the InterContinental rooms for Sydney and Melbourne. They offer smart design and effective use of space."*

Mr Tripolone said the new brand offering came at a time when the Australian hotel sector was riding high.

"We are seeing more domestic travel, leisure and work, so there is a high demand for a hotel that offers a range of amenities," he said.

Drenka Andjelic, Managing Director, Construction Assignments Chairwoman, NSW Hotel Property Committee, Property Council of Australia, said overseas investor confidence with hotel ownership changing hands is at an all-time high in Australia. Asian investors are snapping up Australian hotels.

"New owners have voiced mandates to re-set 5 star hotel standards in Australia with respect to global 5 star benchmarks. Some of these new players in Sydney include Pontiac, Wanda and Greenland," Ms Andjelic said.

*The new Holiday Inn Express opens at a time when Sydney's CBD and metropolitan hotel markets are on a high with full-year STR data reporting exceptional occupancies and average daily rate (ADR) levels across the board.*

In Sydney city, hotel occupancy increased marginally on existing highs to 88.2 per cent for the full year, while the average daily rate increased by 6.6 per cent to \$243. The five-star market followed similar growth trends with occupancy at 88.6 per cent and ADR now nearing \$300.

*Craig Collins, chief executive Australasia, JLL Hotels & Hospitality Group, said Sydney hotels were having a golden run and this should "absolutely continue".*

"A function of reduced supply, Ryde had the largest average daily rate gain out of the three markets at 13.5 per cent to finish the year at \$171 with an occupancy of 78.5 per cent," Mr Collins said.

Peter Harper, Senior Vice President, JLL Hotels & Hospitality Group, said the substantial growth seen over 2015 in Sydney's metropolitan markets, whilst contributed to by CBD overflow, was a product of increasing demand for quality hotel accommodation in these areas.

*"Investor demand remains at an all-time high yet the level of available stock is probably at a decade low at the moment. There's no doubt that investment market conditions remain in favour of hotel owners," Mr Collins said.*

