



Broome Accommodation Study Future Needs Analysis

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Prepared by

Kadar Pearson & Partners
For Tourism Western Australia

Contents

1	Executive Summary	3
2	Background	5
3	Methodology	6
4	Broome Accommodation Market	8
	Luxury Hotels	12
	Standard Hotels	14
	Self Contained Apartments	16
	Bed & Breakfasts	18
	Caravan, Camping & Cabins	20
	Backpacker Accommodation	22
5	Land and Building Costs	24
6	Short, Medium and Long Term Accommodation Demand	26
	Short Term Demand	28
	Luxury Hotels	28
	Standard Hotels	31
	Self Contained Apartments	32
	Caravan, Camping & Cabins	33
	Backpacker Accommodation	36
7	Land Use	38
	Tourism Accommodation Requirements 2006-2012	38
	Tourism Accommodation Requirements 2012-2025	40
	Tourism Accommodation Requirements 2025-2045	44
	Summary of Short Term Accommodation Requirement	37
8	Broome International Airport	47
9	External Accommodation Demands	49
10	Conclusion	50

Appendices

Appendix I	Econometric Modelling Definition	i
Appendix II	Supply and Demand Models	ii
Appendix III	Stakeholder Interviews & Key Findings	iii
Appendix IV	Developments under construction or with development approvals	xi
Appendix V	Accommodation Demand Calculations	xii
Appendix VI	Model Descriptions	xiii

Kadar Pearson and Partners Pty Ltd. The company's key focus is business development in the private and public sectors, specialising in scenario and econometric modelling, feasibility plans, business and process auditing, strategic planning and business planning across a range of industry sectors.

P/address: P.O. Box 3407, Broome WA 6725

Email: info@kpp.net.au

Phone: 08 9192 8766

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1 Executive Summary

In recent years Broome has become a high profile tourism destination. As an outcome of this trend, a number of challenges and opportunities have become apparent in relation to tourism accommodation. As a tourism destination Broome is in a position where it must make some clear decisions about the type and level of future tourism accommodation developments.

Over the past four years the Broome tourism accommodation providers have enjoyed considerable growth in terms of visitor numbers, occupancy and yield. This trend has emerged on the back of improved and expanded air access, increased room availability and a proactive marketing strategy targeting the high yield – low impact market. Buoyed by the success of recent years the industry has also seen a marked increase in new developments with two (2) properties due for completion late in 2006 and a number of other properties due to be completed by 2008. The majority of these properties will be strata titled self contained developments.

Econometric modelling was used to analyse current and historical data to quantify the future tourism accommodation needs for Broome. Variables included visitor profiles, occupancy levels, yield and forecast economic cycles. These models produced results with robust statistical significance and therefore the forecast accommodation demands detailed in this report should be viewed with a high level of confidence. More detail of the methodology used is outlined in Section 3 and in the attached Appendices. Section 4 and 6 outline historic trends and forecasts future demand in the luxury hotel, standard hotel, self contained apartment, bed and breakfast (B&B), caravan park and backpacker accommodation categories.

The Broome Accommodation Study has identified a number of strategically important areas of land that are critical to meeting the estimated future visitor demand for tourism accommodation. These sites are varied in terms of geographic location and proposed land use. A number of the sites identified are located on land that has already been 'marked' for tourism development and it is strongly suggested that these are retained for this purpose under the Landbank initiative.

Additional sites have also been identified in order to meet long term accommodation development requirements. The Landbank initiative holds increasing significance over this period in terms of securing appropriate sites that are not currently vested for a specific purpose. With the overall demand forecasts established over the short, medium and long term, it is evident that the future development of tourism accommodation in Broome will provide significant opportunities for indigenous communities. These opportunities relate to employment prospects, tourism businesses and other commercial enterprises.

Short term investment requirements

In the short term (2006-2012) these estimations have taken into account current known developments. As a result, the short term need for tourism accommodation in Broome will be limited and the immediate need for new developments will be in the Luxury Hotels and Standard Hotels categories. Whilst there is speculation about the potential redevelopment of some existing sites in the Cable Beach precinct, based on current land availability it is proposed that the unallocated Crown Land known as Cable Beach West is the most appropriate location for these developments. This is an important consideration under the Landbank initiative and ongoing Native Title negotiations.

In addition, the tourism accommodation market in Broome is anticipated to undergo a relatively stable period in terms of occupancy and yield due to an extensive number of new developments that are likely to create an oversupply of accommodation in the self-contained category. As a result it is anticipated that room rates will be sacrificed for occupancy as strata managers seek to provide acceptable returns for owners and this will potentially impact other accommodation categories in the short term. For detailed analysis of short term investment requirements refer to Section 7.

Medium term land use requirements

The medium term (2012-2025) needs for tourism accommodation are somewhat different based on econometric modelling and assumptions made in relation to future economic influences and conditions. As a result, the medium term needs are expected to see new developments meeting a changing visitor profile and demand. It is anticipated that new developments over this period will be predominantly in the categories of Luxury Hotels, Apartment Hotels, Standard Hotels and the emergence of reconfigured Caravan Parks that provide higher yielding accommodation types such as cabins and chalets in addition to tents and powered sites.

It is anticipated that new developments in the Luxury Hotel category could occur on existing land within Broome, namely the area of land currently being investigated by the Port of Broome for this purpose, and the potential to redevelop the site on which Roebuck Bay Caravan Park is currently located. In addition, Apartment Hotels with full resort facilities will also be required during this period to meet forecast demand. It is anticipated that some of these developments could occur on existing sites and Lots 3128, 3129 or 3130 in the

Cable Beach precinct. These developments are clearly dependent upon other factors but are highly suited to these locations. It has been forecast that the Broome International Airport is likely to relocate during this period to an area outside the town centre. With that in mind it is expected that a Standard Hotel development would be required to support this relocation and be situated in close proximity.

The development of reconfigured Caravan Parks is expected to result from a diminishing availability of traditional caravan and camping sites, a developing trend in consumer demand for this reconfigured type of accommodation and a need by operators to increase yield to maintain viability of such operations. This reconfiguration is expected to see cabins, chalets and permanent tents becoming more prevalent in these parks. Due to the limited available land for these developments in Broome it is forecast that land will need to be secured in areas such as Quondong, Barred Creek, Willie Creek, Coconut Well, Crab Creek and Port Smith in order to meet forecast demand in this category.

For detailed analysis of medium term land use requirements refer to Section 7.

Long term land use requirements

The long term (2025-2045) needs for tourism accommodation are anticipated to follow a similar pattern to the medium term in that visitor profiles and demand are forecast to change in line with future lifestyles, technological advances, economic cycles and emerging trends. The anticipated changing profile of visitors is expected to result in an increase for high quality hotel accommodation albeit shorter but more frequent stays. The long term tourism accommodation needs will focus on three (3) categories (luxury hotels, apartment hotels and caravan parks) and primarily involve development of land away from the main centre of Broome.

The Willie Creek area is expected to continue being developed through this period with an additional Luxury Hotel development required to meet forecast demand. In the category of Apartment Hotels accommodation it is expected that any remaining sites within close proximity to the town centre would be redeveloped in addition to the Coconut Well area being developed to meet forecast demand in this category. The long term forecast also signifies further development of reconfigured Caravan Parks in areas located further North on the Dampier Peninsula. Although these locations are outside the scope of this brief they are viewed as an important consideration in the context of meeting long term forecast demand in this category and the opportunities they could provide for Indigenous communities.

For detailed analysis of long term land use requirements refer to Section 7.

Other issues to consider

Land availability and land prices for tourism accommodation developments are expected to have a significant influence on future developments in Broome. In recent years, upward pressure has been placed on land prices by increased competition to secure land by local residents and external investors. The importance of this aspect is not limited to the development of future tourism accommodation, with a number of key stakeholders interviewed in relation to this study highlighting the importance of residential housing requirements for staff in order to service any new developments. A more detailed discussion of these issues is outlined in Section 5.

Land availability is a key component and driver of this study and future land use decisions will be dependent upon market trends. It has been forecast that visitor profiles and demand will change in the medium to long term, and therefore it is reasonable to expect that a number of existing tourism accommodation properties will be redeveloped to meet this demand. However, redevelopment of existing properties will not satisfy the accommodation requirements alone. The report also takes into consideration the planned introduction of international air services between Singapore and Broome. This initiative is also aimed at increasing level of visitation through the targeted high yield / low impact visitor. This highlights the importance of the State Government's Landbank initiative and the need to work with the Shire of Broome and relevant government agencies to ensure that adequate land is made available so that the Broome Tourism market can continue to develop in line with forecasted projections.

The tourism industry in Broome is conservatively estimated in excess of \$255m which demonstrates the significance of the industry. Future forecast demand highlights the opportunities available in tourism accommodation for potential investors provided that adequate and appropriate land is released to maintain investment momentum.

2 Background

In mid May 2006, Tourism Western Australia (Tourism WA) released its Request for Quote for the Provision of Consultancy Services for Broome Accommodation Study. Kadar Pearson & Partners (KPP) was advised of its successful tender and attended a briefing session in Perth on 20 July 2006.

The scope of the study was agreed as follows:

Study Purpose

In order to understand the future tourism accommodation development requirements for Broome and prioritise the release of tourism development land, there is a need to analyse the accommodation requirements and investment outlook for Broome based on a range of growth scenarios.

Study Area

The study area for the purposes of this analysis includes the current Broome townsite, tourism nodes identified in the Waterbank Structure Plan including Coconut Well, Willie Creek and Nimalarragun, and regions such as Barred Creek, Quondong and Eighty Mile Beach which may offer additional accommodation options for visitors to Broome.

Accommodation

For the purposes of this study, accommodation is defined as all types of short stay accommodation including Luxury Hotels, Standard Hotels, Self Contained Apartments, Caravan Parks, Backpackers and Bed and Breakfasts.

Required Outcomes

To produce a report which can be used by the Government, developers and investors to identify the investment opportunities available in the Broome accommodation market, and assist with the identification, planning and prioritisation of the types of tourism accommodation sites required in the study area.

Information and Data Sources

The study has relied on a number of previously commissioned reports for background information, and as a baseline to compare data from forecasting models. Some of the key documents reviewed were:

- Broome International Gateway Scoping Study
- Broome International Gateway Consumer Research
- Tourism Research Australia and Tourism WA Kimberley Research Profiles
- Tourism WA Tourism Accommodation Development Register
- Australian Bureau of Statistics (ABS) Small Town Area Accommodation data
- Broome Planning Steering Committee Report – December 2005.
- Waterbank Structure Plan
- The judgement from the Federal Court on the Rubibi Native Title Claim WC 99/23 (W6006/98)

Occupancy and yield data was provided directly by accommodation providers. All data has been analysed on financial rather than calendar year basis. For a full list of industry stakeholders consulted refer to Appendix III.

3 Methodology

The methodology adopted to deliver the required outcomes was based on a four (4) phase process as follows:

3.1 Desk Research and Interviews with the intention of quantifying:

Occupancy	
Yield	
Profitability	
Land Use	by accommodation type
Investment Cycle	
Seasonality	
Proposed developments	

Land price trends	
House price trends	
Labour market trends	To understand implications for future land and land costs on current & future investment use
Planning Strategies	
Native Title Claim	

Marketing Strategies	
Tourism Strategies	
Carrier access	
Grey Nomad Trends	To quantify the variables that may/will impact & proposed visitor numbers in the future
Fuel price projections	
"Other"	

The results of this phase quantified accommodation, land and the key drivers of visitor numbers which in combination provided the basis for accurate gap analysis; supply and demand analysis; and forecasting the short, medium and long term based on relevant and realistic assumptions.

In order to ensure that results were statistically valid, the number of stakeholder interviews required in each category of accommodation was determined in advance. Between 66% and 75% of all accommodation providers in each category were interviewed with the exception of B & B's where only 4 of the 20 were included. However, as this category accounts for less than 3% of available accommodation, we do not believe it will impact on the overall estimates.

3.2 Gap Analysis

Econometric modelling (Refer Appendix 1) was used to identify gaps and market opportunities. Models were built for each accommodation type in order to determine gaps and forecast potential.

The dependent variable was based on profitability for each accommodation type. For the purpose of this study, profitability was based on gross income, calculated on the basis of capacity x occupancy x average room rate.

Explanatory variables (ie the drivers of the dependent variable "profitability") included occupancy, yield, land prices, seasonality, inbound air carriers and marketing support.

The development of these models helped to:

- Identify trends for the short, medium and long terms, thereby providing statistically sound forecasting outcomes with greater reliability, than simply forecasting from trend lines or using existing data sources such as ABS data.
- Identify market gaps based on accommodation type, while determining key drivers for each category of accommodation
- Provide potential investors quantifiable scenarios of market opportunities, rather than simply market trends

3.3 Supply and Demand Analysis

Supply and demand models were developed based on the results of Gap Analysis. Supply and Demand Analysis was used to determine the price equilibrium at various levels of supply. (Refer Appendix II)

3.4 Profiling Analysis

Profiling Analysis was used to “match” the characteristics of identified opportunities with available land. Specifically:

- Profile the “characteristics” of gaps identified in 3.2. “Characteristics” profiled included accommodation type, rating, siting, land requirements, facilities requirements etc
- Isolate potential land that “matches” profiles determined in 3.4 (i)
- Prioritize land (sites) based on potential profitability

3.5 Process

A summary of the process and process mechanisms adopted for this study are as follows:

Study Phase	Process Mechanism
Agreement of parameters and variables	Tourism WA & KPP agreement on project parameters and variables to be included in the study
Data Collection, data analysis & interviews	Desk research and face to face meetings
Gap Analysis	Econometric Modelling
Supply & Demand Analysis	Microeconomic theory; equilibrium supply/demand modelling
Profiling Analysis	Econometric Modelling; profiling
Report Findings	Documentation and presentation

4 Broome Accommodation Market

Broome has an extensive range of tourist accommodation which includes Luxury Hotels, Standard Hotels, Self Contained Apartments, Bed and Breakfasts, Backpacker Hostels and Caravan Parks.

In August 2006, there were 42 accommodation establishments with a total of 1,133 rooms available for business and leisure travellers. There were also 9 caravan parks with a total of 1,551 caravan, camping and cabin sites. For the purpose of this study, the actual percentage of permanent resident park sites (9.61%) has been excluded from available inventory.

In addition there are seven (7) new properties under development with a total of 486 rooms. In addition to these new developments, four (4) current properties will add 256 rooms by 2008. (Refer Appendix IV)

Broome is highly seasonal and the accommodation market operates on three seasons:

- Peak Season – 1st June to 30th September
- Shoulder Season – 1st April to 31st May and 1st to 31st October
- Low Season 1st November to 31st March

Throughout the peak season all accommodation outlets experience occupancies of 95% plus, during the shoulder season between 55% and 75%, and 15% to 45% over the low season.

The peak season (June to September) has reached maximum capacity.

For the purpose of the Broome Accommodation Study the following accommodation categories have been taken into account:

- | | |
|-----------------------------------|-------------------|
| • Luxury Hotels | 4/5 star rating |
| • Standard Hotels | 3/3.5 star rating |
| • Self Contained Apartments | 4/4.5 star rating |
| • Bed and Breakfasts | No star rating |
| • Camping, Caravans & Cabins(CCC) | No star rating |
| • Backpackers | No star rating |

Consideration was given to the current and proposed properties that might fall into more than one (1) category. For example Rendezvous Sanctuary Resort has been classified in the Luxury Hotel category although it will become part of an emerging category known as Apartment Hotels. The characteristics of this emerging category are similar to the Luxury Hotel category in terms of services and facilities available. However, all apartments are self-contained and the property is managed by a Resort Management Group.

Total Inventory & Occupancy by Accommodation Category

Over the 12 months to July 2006, there were 640,170 room nights occupied in Broome tourist accommodation. These numbers are not a calculation of averages but actual room nights sold. Rooms per category can be summarized as follows:

Category	Luxury ¹ Hotels	Standard Hotels	Self Contained Apartments	B & B	CCC*	Backpacker ²	TOTAL
No. of establishments	4	4	11	19	9	4	51
No. of rooms	457	231	293	49	1551	103	2684
No of room nights available	160,822	84,315	104,388	17,885	566,115	167,535	1,101,060
No of room nights Occupied/sold	104,427	55,674	75,170	11,300	280,738	112,861	640,170
% Occupancy	64.9%	66.03%	72.01%	63.2%	49.59%	67.3%	58.14%

Source: KPP (2006)

* Note that Caravan, Camping & Cabin room numbers refer to site numbers

Yield by Accommodation Category

Yield over the past twelve (12) months was calculated by multiplying the average room rate by average occupancy in each accommodation category. These estimates are based on extrapolation of data from the accommodation providers who were interviewed (see Appendix III). As these providers represent between 66% and 85% of all accommodation within each category, confidence levels of results are high.

Category	Luxury Hotels	Standard Hotels	Self Contained Apartments	B & B	CCC	Backpacker
\$	140.65	77.46	127.10	96.69	13.56	14.48

Source: KPP (2006)

Growth of Available Inventory

Growth in room nights available has come from new B & B's and Self Contained Apartments. These percentages represent actual not estimated changes as follows:

Growth	Luxury Hotels	Standard Hotels	Self Contained Apartments	B&B	CCC	Backpacker
2004 (%)	0.27	0.27	-1.35	23.06	0.27	0.00
2005 (%)	-0.27	-0.27	1.35	40.36	-0.27	0.00
2006 (%)	17.18	0.00	0.77	28.95	0.00	0.00

Source: KPP (2006)

Market Share by Accommodation Category

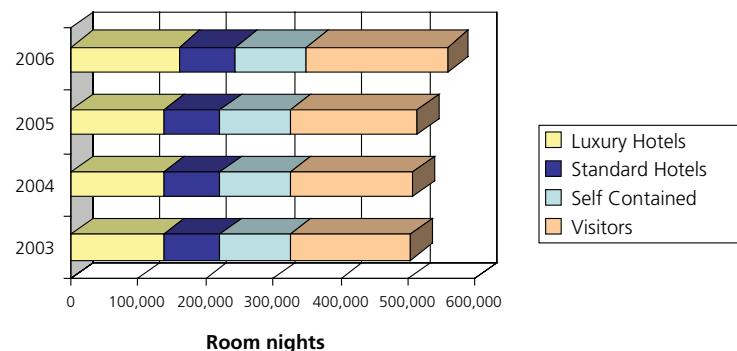
Occupancy by accommodation category and estimated percentage of total revenue has been calculated to determine the relationship between inventory and revenue. Estimates are based on extrapolation of data by accommodation providers who were interviewed. As these providers represent between 66% and 85% of all accommodation within each category, confidence levels of results are high.

Category	Luxury Hotels	Standard Hotels	Self Contained Apartments	B & B	CCC	Backpacker	Total
% of total rooms available	24.53	12.86	15.93	2.73	37.55	6.39	100
% of total rooms sold	16.39	8.80	11.80	1.80	44.09	17.12	100
% of estimated total revenue	41.66	12.05	24.47	3.19	14.17	4.46	100

Source: KPP (2006)

Changes in Accommodation Inventory & Visitor Numbers

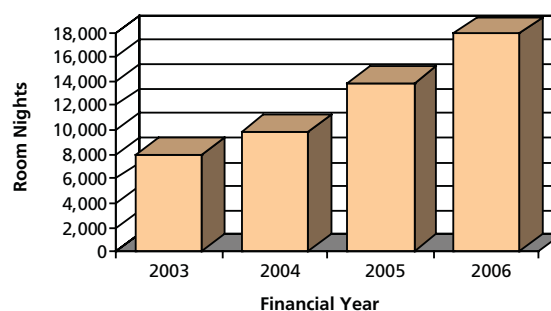
There has been no change in the number of Standard Hotel or Self Contained Apartment rooms available over the past 4 years. Major growth has come from the emerging Apartment Hotel sub category of Luxury Hotels where there has been a 17.18% increase in available inventory (137,240 annual room night availability in 2003 to 160,822 in 2006)



Source: KPP (2006)

B & B Inventory Growth

The most significant growth in room availability has come from B & B rooms' with growth of 122.73% albeit from a very small base (8,030 annual room availability in 2003 to 17,885 in 2006).



Source: KPP (2006)

Visitor Numbers

Significant time was dedicated to verifying data received from accommodation providers in terms of available rooms, occupancy and yield. Data was rigorously checked against other data sources such as Broome International Airport passenger numbers, Broome Visitor Centre visitor statistics, International Visitor Survey and National Visitor Survey data, and Australian Bureau of Statistics data to ensure that the basis on which models were developed could be verified. These additional data sources were used to confirm model assumptions from which forecasts have been calculated. As demonstrated in the Model Descriptions (Appendix VI), verification of data has resulted in highly accurate forecast models with confidence levels of over 97.5%.

The following chart summarizes key findings in terms of visitor numbers for 2005-06. Chart definitions are as follows:

- Rooms occupied/sold is based on number of available rooms per category, multiplied by occupancy rate for Nov-March and April-October periods
- Average Stay and Average Number of People is based on analysis provided by accommodation providers in each category
- Caravans, Camping & Cabins have been reduced by 10% to allow for estimated permanent residents

Category	Rooms Occupied/Sold	Average Stay	Ave No of People	Estimated Visitor Numbers
Luxury Hotel	104,427	3.30	1.74 -2.5	58,211
Standard Hotel	55,674	3.14	1.97	34,929
Self Contained	75,170	3.36	2.50	55,930
B&B	11,300	4.00	1.70	4,803
CCC (sites)	280,738	16.00	2.30	40,356
Backpacker (beds)	112,861	8.00	1.00	14,108
Total	640,170	5.74	1.87	208,336
VFR*				29,167
Overflow**				8,041
TOTAL VISITORS				245,544

Source: KPP (2006)

* VFR Visiting Friends and Relatives. Estimate based on Tourism Research Australia (2006) International and National Visitor Surveys 2005.

** Overflow – Based on estimates provided by “overflow” facilities at PCYC, the Pistol Club and Manager, Health at the Shire of Broome

Estimated Revenue

Revenue generated from the accommodation market (room only) in 2006 is \$54.2m based on occupied rooms and average room rate. These estimates are based on extrapolation of data from the accommodation providers who were interviewed. As these providers represent between 66% and 85% of all accommodation within each category, confidence levels of results are high.

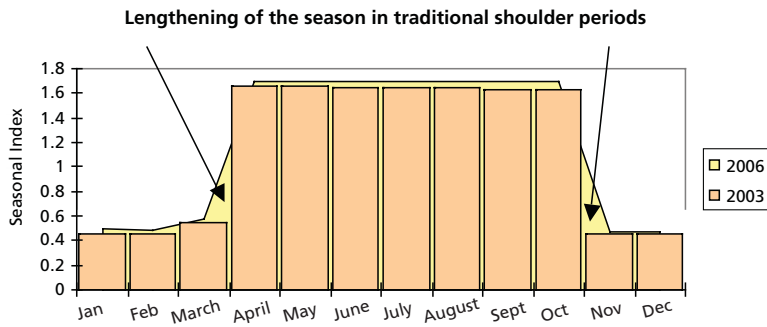
Luxury Hotels	Standard Hotels	Self Contained Apartments	B & B	CCC	Backpackers	Total
\$22.5m	\$6.6m	\$13.3m	\$1.7m	\$7.7m	\$2.4m	\$54.2m

Source: KPP (2006)

Although we are unaware of multiplier effects data available for regional Australia, estimates based on models developed in regional USA suggest that each accommodation dollar generates around \$3 in direct effects (restaurants, retail, tours etc) and around 0.98c in indirect effects. If these multipliers hold true in regional WA, the Broome tourism market is estimated at around \$270m.

Seasonality

Seasonality is the component of variation in a time series which is dependent on the time of year and occurs at predictable intervals. Traditionally there has been little change in seasonality, however in the past 3 years the traditional shoulder periods of March/April and October/November have changed markedly.



Source: KPP (2006)

Luxury Hotels

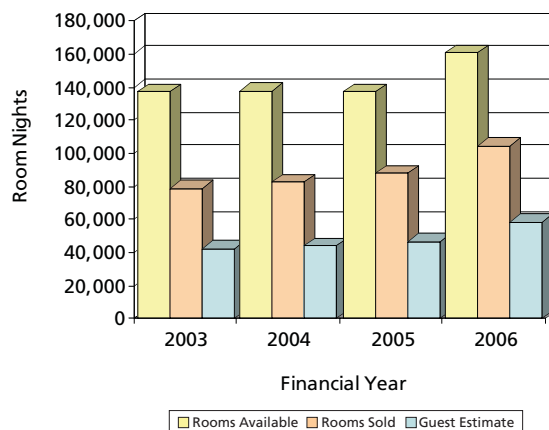
This category is currently comprised of 3 properties: Cable Beach Club, The Mangrove Hotel and Mercure Inn. These Luxury Hotels have a total of 376 rooms with facilities that include a selection of restaurants and bars, meeting and conference facilities, swimming pools, tour and recreational facilities and limited room service.

Within this category Broome has also seen the emergence of Apartment style hotel accommodation where guests are offered a complete self contained unit, however the complex also offers meals and beverage facilities. Currently there are 81 rooms available in this category. For the purpose of this study data from this emerging category has been included in the overall Luxury Hotel inventory.

In 2006, Luxury Hotels accounted for 160,822 annual available room nights representing 24.53% of total inventory and 41.6% of total revenue.

Room nights available have increased by 17% over the 4 year period, however there has been a 32% increase in rooms sold. This compares to around 41% increase in passengers through Broome International Airport over the same period.

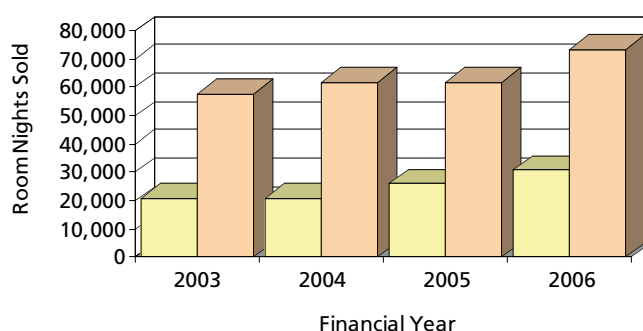
	Rooms Avail	Rooms Sold	Room Occupancy	Est Guests
2003	137,240	78,859	57.46%	42,027
2004	137,616	82,539	59.98%	43,899
2005	137,240	88,013	64.13%	46,232
2006	160,822	104,427	64.90%	58,211



Source: KPP (2006)

Although visitor numbers of Luxury Hotels do not appear to have increased in line with overall visitor numbers, there has been substantial growth in occupancy over the low season of 27.95% over the 4 year period. The relatively modest growth of 10.32% in occupancy levels over the high season is a function of availability of rooms and therefore significant growth opportunities are apparent in line with higher inventory, albeit seasonal.

	Low Season	High Season
2003	20964	57895
2004	20769	61770
2005	26076	61937
2006	30920	73408



Source: KPP (2006)

Over the last 4 years market occupancies, average rates and yield have performed as follows:

Luxury Hotels	2002/2003	2003/2004	2004/2005	2005/2006
Available Rooms	137,240	137,616	137,240	160,822
Rooms Sold	78,859	82,539	88,013	104,427
Occupancy %	57.46%	59.98%	64.13%	64.90%
Average Room Rate	\$155.74	\$178.50	\$195.21	\$217.06
Yield \$	\$89.49	\$107.06	\$125.19	\$140.87

Source: KPP (2006)

Over the past four (4) years, occupancy has increased from 57.46% to 64.9% whereas the average rate and yield have increased by 39.37% and 57.41% respectively. This represents an increase in rate tariff of approximately 15% per year which has been created by the demand for accommodation during the high season.

It should however be kept in mind that during the peak season (June to September) the demand for accommodation far outweighs the supply resulting in the increase in room rates. There is also an unmet demand of around 26 enquiries/bookings/room nights per day between June and September.

When comparing rooms occupied/sold during the low season versus the shoulder and high seasons, seasonality is evident. For example in 2005/2006 the occupancy during low season was 46.1% compared to 78.25% over the shoulder and high seasons (April to October).

The Luxury Hotel category is still heavily reliant on intrastate visitors. Based on interviews conducted with accommodation providers in this category, it is estimated that around 47% of guests are sourced within the state. This is followed by visitors from the east coast which can be attributed to the direct flights from Sydney, Melbourne and Adelaide to Broome. (Qantas and Virgin Blue).

Year	WA	NSW	VIC	NT	SA	QLD	Other	INT'L
2005/06	47%	16%	20%	3%	4%	3%	2%	5%

Source: KPP (2006)

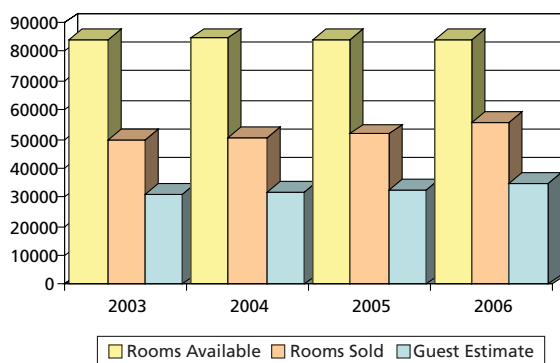
Standard Hotels

The Standard Hotel accommodation category currently consists of 4 properties: Broome Motel, Tropicana Inn, Ocean Lodge and Roebuck Bay Hotel. These primarily offer 3-3.5 star accommodation and account for a total of 231 rooms with limited facilities and services such as reception (limited hours), swimming pool and barbecue facilities. The Tropicana Inn also provides a restaurant and bar and restricted meeting facilities.

In 2006, these properties accounted for 84,315 annual available room nights representing 12.86% of total inventory and 12.05% of total revenue.

There has been no change in number of rooms available over the past four (4) year period however, there has been an 11.92% increase in rooms nights sold. The strongest growth occurred in 2006 compared to 2005, when guest numbers increased by 7.29% to an estimated 34,929 guests during 2006.

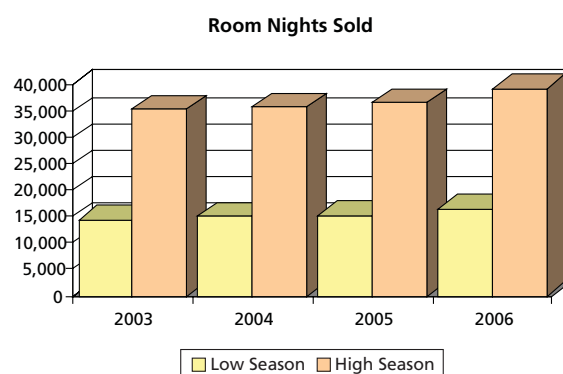
	Rooms Avail	Rooms Sold	Room Occupancy	Est Guests
2003	84315	49745	59.00%	31209
2004	84546	50727	60.00%	31826
2005	84315	51890	61.54%	32555
2006	84315	55674	66.03%	34929



Source: KPP (2006)

Although Standard Hotel visitor numbers have not increased in line with overall visitor numbers, there has been a 12.99% growth in occupied rooms during the high season over the past four (4) year period. There has also been strong growth of 18.92% in occupied rooms during the low season over the four (4) years.

	Low Season	High Season
2003	14320	35425
2004	14920	35807
2005	15257	36633
2006	16436	39240



Source: KPP (2006)

Over the last 4 years market occupancies, average rates and yield in the Standard Hotel accommodation category have performed as follows:

Standard Hotel	2002/2003	2003/2004	2004/2005	2005/2006
Available Rooms	84,315	84,546	84,315	84,315
Rooms Sold	49,745	50,727	51,890	55,676
Occupancy %	59.00%	60.00%	61.54%	66.03%
Average Room Rate	\$87.00	\$94.59	\$104.44	\$117.31
Yield \$	\$51.33	\$56.75	\$64.30	\$77.46

Source: KPP (2006)

Over the last four (4) years the occupancy rate has increased from 59.0% to 66.03% whereas the average rate has increased from \$87 to \$117.31 and yield from \$51.33 to \$77.46 which reflects a growth of 34.84% and 50.09% respectively.

In addition there is an estimated unmet demand of 25 enquiries/bookings per day over the peak season.

The intrastate market represents the highest source of business in this category at 56% followed by NSW and VIC at 13% and 12% respectively. Compared to the Luxury Hotel category, Standard Hotels have a greater share of the WA market and lower share from NSW and VIC. The International market is about the same for both accommodation categories.

Year	WA	NSW	VIC	NT	SA	QLD	Other	INT'L
2005/06	56%	13%	12%	3%	4%	3%	4%	5%

Source: KPP (2006)

Self Contained Apartments

The Self Contained Apartments category currently consists of 11 properties with a total of 293 rooms as follows:

- Bali Hai Resort*
- Bayside Apartments*
- Blue Seas Resort*
- Broome Beach Resort
- Cable Beachside
- Cocos Beach Bungalows*
- Froghollow Bungalow
- Habitat Resort*
- Moonlight Bay Apartments*
- Seashells Resort*
- Shiba Lane Apartments*

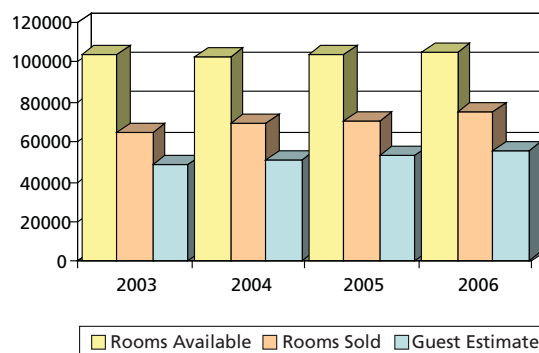
* Interviews were conducted with the indicated properties

These properties offer fully self contained accommodation in a range of 1, 2 and 3 bedroom apartments with very limited facilities such as a swimming pool, tour desk and limited operating hours at the reception.

In 2006, these properties accounted for 104,388 available room nights representing 15.92% of total inventory and 24.47% of total revenue.

	Rooms Avail	Rooms Sold	Room Occupancy	Est Guests
2003	103,591	65,066	62.81%	48,412
2004	102,210	68,380	66.9%	51,212
2005	103,591	70,807	68.35%	52,683
2006	104,388	75,170	72.01%	55,930

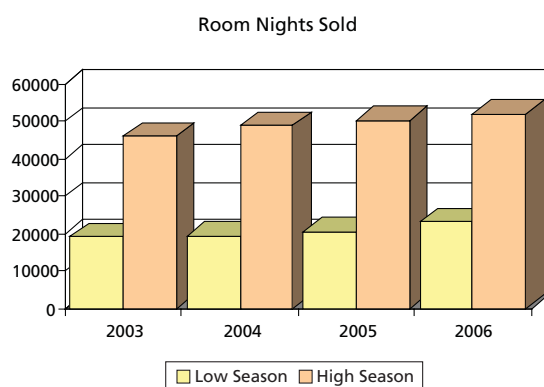
Room Nights Sold



Source: KPP (2006)

There has been moderate growth in occupied rooms in both low and high season over the four year period with low season growth of 21.4% and high season growth of 13.08%

	Low Season	High Season
2003	19036	46030
2004	19412	48968
2005	20536	50271
2006	23117	52053



Source: KPP (2006)

Over the past four (4) years market occupancies, average rates and yield in the Self Contained Apartment category have performed as follows:

Self Contained Apartments	2002/2003	2003/2004	2004/2005	2005/2006
Available Rooms	103,591	102,210	103,591	104,388
Rooms Sold	65,066	68,380	70,807	75,170
Occupancy %	62.81%	66.90%	68.35%	72.01%
Average Room Rate	\$135.93	\$154.25	\$172.20	\$176.50
Yield \$	\$85.38	\$103.20	\$117.70	\$127.10

Source: KPP (2006)

Average rate has increased from \$135.93 to \$176.50 and yield has increased from \$85.38 to \$127.10 reflecting growth of 29.84% and 48.86% respectively.

During the peak season (June to September) these properties operate at 96% occupancy and unmet demand is estimated at 15 enquiries/bookings per day per property.

WA remains the strongest source market in this category at 53% followed by NSW and VIC at 14% and 15% respectively.

Year	WA	NSW	VIC	NT	SA	QLD	Other	INT'L
2005/06	53%	14%	15%	3%	4%	4%	2%	5%

Source: KPP (2006)

Bed & Breakfasts

There are currently 19 properties that comprise the bed and breakfast category accounting for 49 rooms and 60 beds as follows:

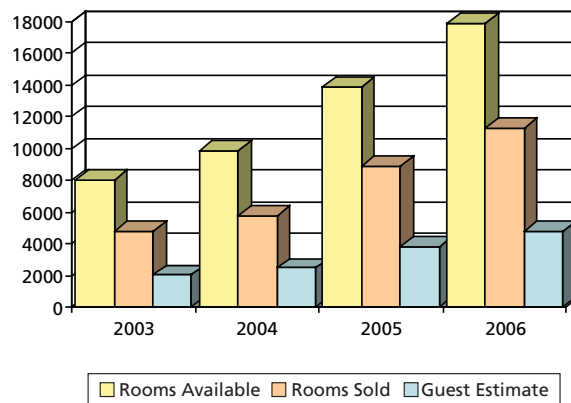
- Bamboo Garden
- Baxters
- Broometown*
- Broome Time
- Coco Eco
- Old Broome Guesthouse*
- Courthouse*
- Demco
- Divers Bell
- McAlpine House
- Reflections
- The Bungalow*
- Lounging Lizard
- Ryanins Retreat
- White House
- Little Pearler
- Waterfront
- Temple Tree*

* Interviews were conducted with the indicated properties

It is expected that Bed and Breakfasts will continue to open throughout Broome although the impact on room inventory will be limited. The facilities vary between properties with all guests receiving a continental or cooked breakfast and in some cases properties include a swimming pool, barbeque facilities and tour recommendations.

There has been substantial change in number of rooms available over the 4 year period with a growth of 122.7% albeit from a very small base. Additional rooms have met a clear demand with rooms sold increasing by 138.14% over the same period.

	Rooms Avail	Rooms Sold	Est Guests
2003	8030	4745	2017
2004	9882	5783	2458
2005	13870	8864	3767
2006	17885	11300	4803



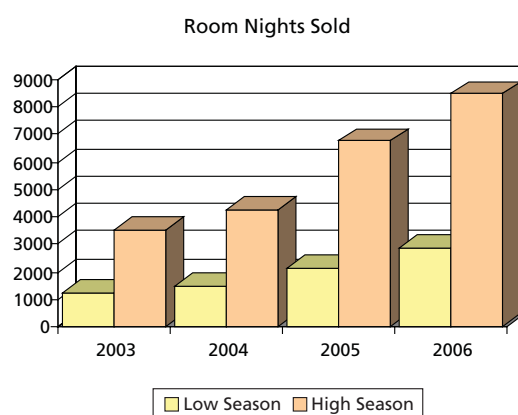
Source: KPP (2006)

To a large extent, occupancy levels in the low season are somewhat misleading as many of the operators close for 2 – 3 months over this period. However, occupied rooms have increased substantially over the high season (from a small base) from 4,745 rooms sold in 2003 to 11,300 in 2006.

In 2005/2006 the gap between low and high season remains consistent with other accommodation categories with occupancies in the low season (November to March) achieving 25% and over the high season (April to October) 74.9%.

The occupancy during the peak season (June to September) is 100%.

Year	Low Season	High Season
2003	1233	3512
2004	1495	4288
2005	2144	6750
2006	2836	8464



Source: KPP (2006)

Over the past (4) years market occupancies, average rates and yields in the bed and breakfast category have performed as follows:

Bed and Breakfasts	2002/2003	2003/2004	2004/2005	2005/2006
Available Rooms	9,125	10,980	14,600	17,885
Rooms Sold	4,745	5,783	8,864	11,300
Occupancy %	52%	52.7%	60.7%	63.2%
Average Room Rate	\$112	\$123	\$132	\$153
Yield \$	\$58.20	\$64.82	\$80.12	\$96.69

Source: KPP (2006)

The intrastate market remains the strongest market in the bed and breakfast category at 47% with NSW and VIC representing 14% and 15% respectively. The remaining markets are consistent with all other accommodation categories

Year	WA	NSW	VIC	NT	SA	QLD	OTHER	INT'L
2005/06	47%	14%	15%	3%	5%	4%	7%	5%

Source: KPP (2006)

Camping, Caravans & Cabins

The Caravan Park category currently consists of 9 parks with 1,551 sites including cabins, camp sites and caravan powered sites.

In addition there are three (3) overflow sites which historically open in mid to late June until mid September depending on demand. These sites are located at PCYC, the Pistol Club and 7th Day Adventists and increase the number of sites by 152 over this period. The nine (9) parks are as follows:

- Broome Caravan Park*
- Broome Vacation Village*
- Cable Beach Caravan Park*
- Palm Grove Holiday Park*.
- Roebuck Bay Caravan Park*
- Tarangau Caravan Park*
- Bird Observatory
- Barn Hill
- Port Smith

* Interviews were conducted with the indicated properties

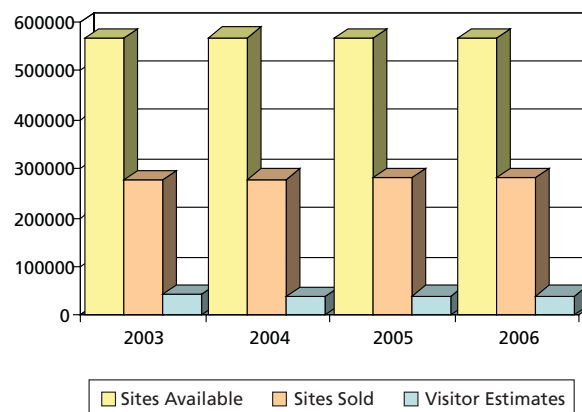
For the purposes of this study, a number of assumptions have been developed based on interviews with property managers and owners. These assumptions have been included in calculations as follows:

- In order to compare “like with like” each caravan and camping site has been classified as a “room” in addition to cabins in this category
- Due to the known pressures on residential housing, we have taken actual permanent residents out of available inventory

In 2006, these properties accounted for 246,136 (a hypothetical room configuration based on 2.3 visitors per site, of the total 566,115 annual available rooms). This category represents 37.55% of total inventory and 14.15% of total revenue.

There has been no change in available inventory over the 4 year period with a marginal increase of 1.14% in rooms sold

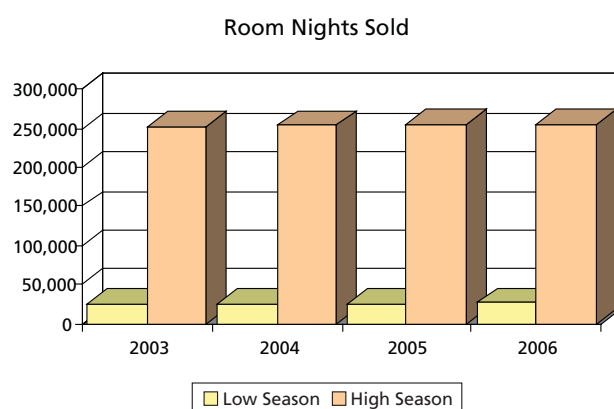
Year	Sites Avail	Sites Sold	Est Visitors
2003	566115	277549	43367
2004	567666	278310	40007
2005	566115	281924	40526
2006	566115	280738	40356



Source: KPP (2006)

There has been a 7.7% growth in occupied rooms during the low season over the past four (4) years.

Year	Low Season	High Season
2003	24398	253151
2004	24465	253845
2005	25773	256151
2006	26274	254464



Source: KPP (2006)

Over the last four (4) years occupancies have only experienced slight growth from 49.03% to 49.59%.

Caravan Parks	2002/2003	2003/2004	2004/2005	2005/2006
Available Rooms	616,120	617,808	616,120	616,120
Less Permanents	566,155	567,666	566,115	566,115
Rooms Sold	277,549	278,310	281,924	280,738
Occupancy %	49.03%	49.02%	49.79%	49.59%
Average Room Rate	\$21.91	\$23.65	\$25.56	\$27.36
Yield \$	\$10.74	\$11.60	\$12.72	\$13.57

Source: KPP (2006)

In 2005/2006 the caravan parks reflected the greatest variation in market occupancy between low season (November to March) at 11.14% and high season (April to October) at 77.06%. The data presented shows a clear flattening trend in this category compared to the growth experienced in other accommodation categories. Anecdotally the caravan park owners have noticed that the long term customers are staying 2 weeks less than the previous year due to fuel costs.

The geographical source of business follows the same trends as all other accommodation categories with WA being the key source market at 50%. However, in the case of caravan parks, Victoria is a strong 2nd with 17% of the market.

Year	WA	NSW	VIC	NT	SA	QLD	OTHER	INT'L
2005/06	50%	13%	17%	5%	6%	5%	3%	1%

Source: KPP (2006)

Backpacker Accommodation

The Backpacker category currently consists of 4 properties with a total of 459 beds as follows:

- Cable Beach Packer*
- The Last Resort*
- Kimberley Klub*
- Roebuck Bay Packers*

* Interviews were conducted with the indicated properties

These properties offer backpacker accommodation in a range of room configurations.

In 2005/06, these properties accounted for 167,535 available bed nights representing 6.38% of total room inventory and 4.46% of total revenue.

Year	Beds Avail	Beds Sold	Occupancy	Est Guests
2003	167535	108847	64.97%	13605
2004	167535	108897	65.00%	13612
2005	167535	110052	65.69%	13756
2006	167353	112861	67.37%	14107

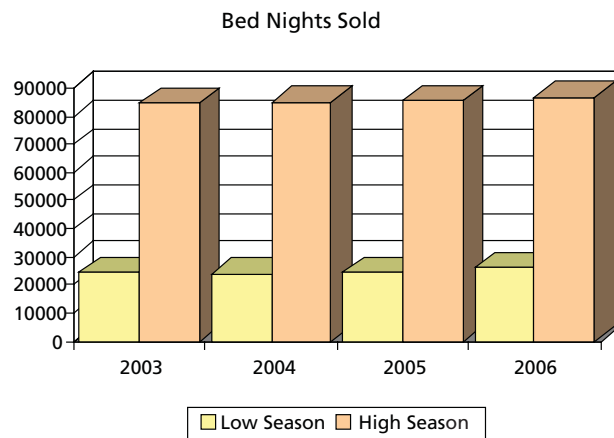
Bed Nights Sold



Source: KPP (2006)

There has been little growth in occupied beds in both low and high season over the four year period with low season growth of 8.2% and high season growth of 2.39%

Year	Low Season	High Season
2003	24129	84718
2004	24055	84842
2005	24586	85466
2006	26110	86751



Source: KPP (2006)

Over the past four (4) years market occupancies, average rates and yield in the Backpacker category have performed as follows:

Backpackers	2002/2003	2003/2004	2004/2005	2005/2006
Available Beds	167,535	167,535	167,535	167,535
Beds Sold	108,847	108,897	110,052	112,861
Occupancy %	64.97	65.00	65.69	67.37
Average Bed Rate	\$19.35	\$20.31	\$21.33	\$22.20
Yield \$	\$12.57	\$13.20	\$14.01	\$14.95

Source: KPP (2006)

Average rate has increased from \$19.35 to \$22.20 and yield has increased from \$12.57 to \$14.95 reflecting growth of 14.73% and 18.93% respectively.

During the peak season (June to September) these properties operate at 98% occupancy and unmet demand is estimated at 28 enquiries/bookings per day per property.

International visitors dominate this market segment followed by the intrastate market.

Year	Intrastate	Interstate	International
2005/06	21%	12%	67%

Source: KPP (2006)

5 Land & Building Costs

Over the last five (5) years there have been substantial increases in the median land and house prices in the 3 main residential areas of Broome.

Median Land Prices:

	2001/2002	2005/2006	% Increase
Broome	\$55,000	\$150,000	+ 172.7%
Cable Beach	\$58,000	\$180,000	+ 210.3%
Roebuck	\$52,000	\$150,000	+ 188.5%

Source: KPP 2006

Median House Prices:

	2001/2002	2005/2006	% Increase
Broome	\$175,000	\$415,000	+ 137.1%
Cable Beach	\$215,000	\$420,000	+ 95.5%
Roebuck	\$220,000	\$425,000	+ 93.2%

Source: KPP 2006

In 2005/2006 residential land prices have increased by 30% and are expected to increase by a further 15% to 20% in 2006/2007 due to the demand created by:

- Skilled labour developing the Broome Power Station
- Demand from 4 Gas exploration companies – Woodside, Inpex, Apache and Shell
- Skilled labour for \$45 million upgrade to Broome Hospital.

Local real estate agents and property developers are estimating prices' growth of 6% to 8% per annum over 2007 and 2010. It is estimated that price equilibrium will be achieved around 2012-2018 on the basis that Broome International Airport is re-located to 12 Mile and that current airport land is released for residential and commercial development.

The cost of skilled workers has escalated over the past few years. For example, a roofer was being paid \$8 per metre in 2003 and is now being paid \$14 per metre, representing an increase of 75% over 3 years. Similarly carpenters who were being paid \$35 per hour in 2003/04 are now being paid \$50 per hour representing an increase of 43% over 3 years. There is no evidence that this trend will reverse as demand for labour continues to outstrip supply. The August 2006 Labour Market Summary produced by the West Australian Department of Employment and Workplace Relations (DEWR) does not suggest that the demand for skilled labour will reduce in the foreseeable future



Source: DEWR 2006

Building prices have also increased from \$1,000 per square metre in 2001 to \$1,800 per square metre in 2006 representing an increase of 80%.

The increase in Land and Building costs over the past five years has put increasing pressure on the viability of new tourism developments across all categories. Although the rate of growth is expected to slow somewhat over the next five years, the ongoing development of tourism accommodation will continue to prove financially challenging as investors seek to gain adequate returns on investment. This aspect is more critical for the lower yielding markets, namely Caravan Parks, where the high land and building costs are expected to be prohibitive to the development of new properties in their current configuration in order to meet demand in this category.

The outlook for new tourism developments in areas located some distance from the main centre of Broome is also expected to be challenging in terms of land and building costs. These challenges stem from the expectation that although land in these areas (Willie Creek, Quondong, Barred Creek) is likely to be reasonably affordable, the building costs may prove higher again due to the distance from the main centre, lack of established facilities and infrastructure and limited access to the areas.

Overall, land and building costs will clearly continue to be a major influence on the timing and viability of future tourism accommodation developments in Broome. Whilst the degree of influence will be somewhat dependent upon economic conditions of the day, it is expected that the increases in land and building costs will necessitate the development of future properties at the medium - high end of the market in order for investors to gain acceptable return on investment. Increasing land and building costs are not confined to Broome as the Western Australian economy continues to boom.

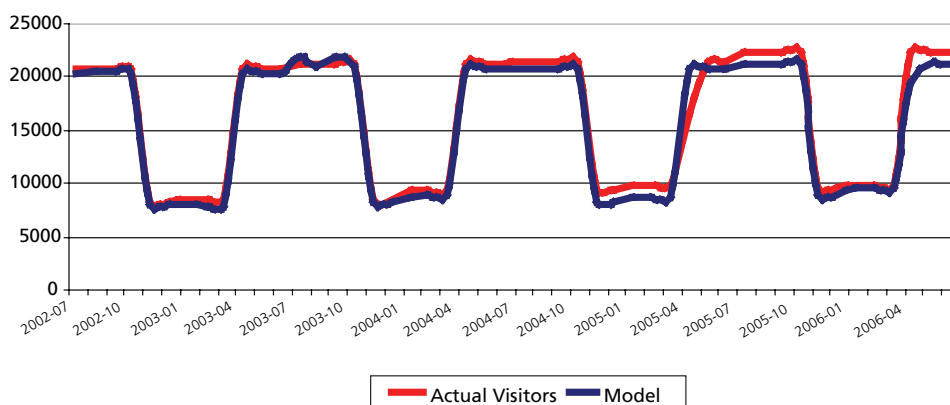
Despite moderate increases forecast the investment climate is expected to remain attractive on the back of the growing tourism industry and high level of confidence held by key industry stakeholders in terms of future potential and opportunities.

6 Short, Medium and Long Term Accommodation Demand

The development of forecasts for the medium to long term demands that a number of assumptions are made in terms of future trends.

Forecast assumptions have been based on the following:

- A tourism planning strategy is developed and implemented by the Shire of Broome and lead tourism bodies in Australia's North West focus on targeting high yield, low impact visitors
- Over the next 20 – 35 years, average annual leave taken will reduce from 4 weeks to 3 weeks. This assumption is based on a number of factors including an aging population where demands on 'able' workers will increase; the continued forecast growth of small business and sole owner/operator businesses, a category which is notorious for taking less than the average leave; new industrial relations trends where workers will 'trade off' leave for salary increases and so on.
- People will generally take more frequent and shorter stay holidays
- Shorter stay holidays will create a demand for higher service levels. (ie Full service Luxury Hotels)
- As a consequence of shorter breaks, there will be an exponential growth in fly in visitors
- Consideration has been given to the introduction of international air services between Singapore and Broome. It is assumed this will increase the level of high-yield / low impact visitors.
- As a consequence of Australia's changing demographics, there will be a higher number of singles and couples viz a viz families visiting the region
- There will be another "world crisis" within the next decade that will impact on travel
- The growing affluence of developing countries within the Asia region will impact on the national versus international visitor ratio to the region over the next 20 – 30 years
- Skilled labour will be "imported" to the region and reduce overall relative building and construction costs
- Demand for land will continue to increase and will compete not only with residential and tourism needs but pastoral and agricultural development demands
- There will be growing pressure for better and more ecologically sensitive land utilization
- Oil prices will continue to rise as the demand from China and India increases pressure on world oil prices.
- The traditional nature of Caravan Parks are expected to change to meet the changes in travel patterns, impact of increasing fuel costs, increasing focus on social and environmental responsibilities and operating limitations.
- In order to estimate accommodation demand in the short, medium and long term, an econometric model of visitor numbers was modelled against number of rooms available by category type by average stay and average number of people. The model replicates actual to 98.58% and therefore provides high confidence for future forecasting. Future demand forecasts were based on the abovementioned assumptions.



Source: KPP (2006)

Based on forecast assumptions as detailed in this section, visitor numbers by category of accommodation was extrapolated to 2045. Specifically, it is estimated that:

- 35% of the total visitor market (excluding VFR) will be looking for 5 star accommodation
- 30% of visitors (excluding VFR) will be staying in 4 – 5 star full service Luxury Hotels that also have self contained facilities
- Self Contained Apartments without full service will not exist
- Caravan Parks in their current configuration will be replaced by a greater mix of higher yielding accommodation types such as cabins, chalets, tented villages etc.
- Broome will have a permanent resident population of 56,000

	2006	2012	2025	2045
Luxury Hotels	52,468	72,690	142,860	262,500
Apartment Hotels		60,450	105,822	225,000
Standard Hotels	34,929	47,503	79,330	75,000
Self Contained Apartments	55,860	60,211	58,188	0
B&B	4,803	7,074	26,456	37,500
CCC – current configuration	40,356	33,414	0	0
CCC – future configuration			114,122	147,059
Backpackers	13,612	15,395	19,977	22,180
Total	202,028	296,737	546,755	769,238
VFR	28,283	41,543	76,545	107,693
Overflow	8,041	4,625	0	0
TOTAL	238,352	342,905	623,300	876,931

Source: KPP (2006)

Based on these visitor numbers, it is estimated that the number of annual room nights required is as follows. These projections have been based on the assumptions that occupancy will stabilize at around 68% per annum which equates to 1,477,524 room nights sold and therefore a demand of 2,482,241 available room nights.

	2006	2012	2025	2045
Luxury Hotels	160,822	219,627	407,443	737,812
Apartment Hotels		145,080	311,242	661,765
Standard Hotels	84,315	133,175	231,733	229,308
Self Contained	104,388	132,156	164,372	0
B&B	17,885	27,740	77,810	110,294
CCC – current configuration	566,115	507,046	0	0
CCC – Future configuration	0	0	371,935	470,120
Backpacker	167,535	202,965	245,849	272,942
TOTAL	1,101,060	1,367,789	1,810,384	2,482,241

Source: KPP (2006)

Short Term Demand 2006-2012

The number of visitors is forecast to achieve around 342,905 by the end of 2012 representing a 43.86% increase over the six (6) year period.

Luxury Hotels

There is currently one (1) confirmed new development in the Apartment Hotel category with Tropicana converting the current Motel to the Ramada Hotel over the next four (4) years. There is also a suggestion that Cable Beach Club Resort may be planning a 3 to 4 star property on Millington Road behind the existing Hotel.

The Mercure is adding 70 new rooms to the existing property. Building will start in early in 2007 and the project is due for completion in early 2008. In addition there will be 20 new staff rooms to overcome the housing shortage in Broome and encourage skilled hospitality workers to the region. The additional 70 rooms will increase the Hotel to 136 rooms.

The Port of Broome have drawn up concept plans for a 4 to 4.5 star 300 bed Luxury Hotel at Entrance Point in conjunction with the Safe Boat Harbour. The concept plan includes a range of restaurants and bars, meeting facilities, lagoon beach pool and boating club. The initial concept is similar to the Hyatt Regency Sanctuary Cove in Queensland. This proposed development is at concept stage only. Heritage and vegetation issues are still to be determined.

Based on approved developments, available Luxury Hotel and Apartment Hotel rooms will increase from the current 160,822 to 271,560 by 2012 representing a 68.85% increase in inventory. It should be noted that the Mangrove Hotel has been reclassified into the Backpacker category based on official notification provided by the Gilligan's Group and inventory reduced accordingly.

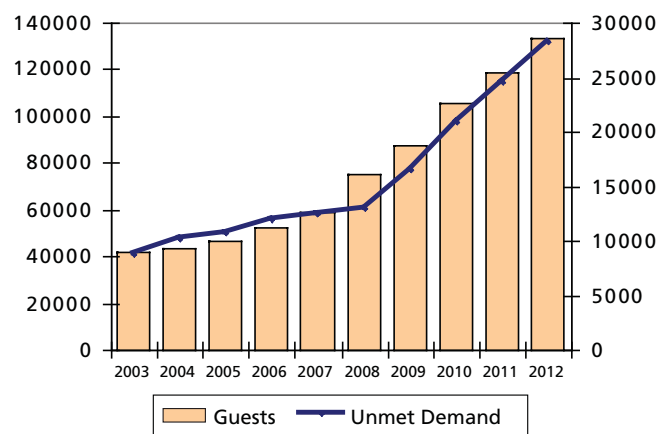
Year	Guests	Unmet Demand	Unmet Room Night Estimates
2003	41580	8825	29122
2004	43521	10096	33317
2005	46407	10633	35088
2006	52468	11970	39501
2007	58862	12400	40920
2008	74930	12951	42738
2009	87465	16430	47619
2010	105700	20883	55714
2011	118384	24576	81100
2012	133140	28204	93075

This increase is made up as follows:

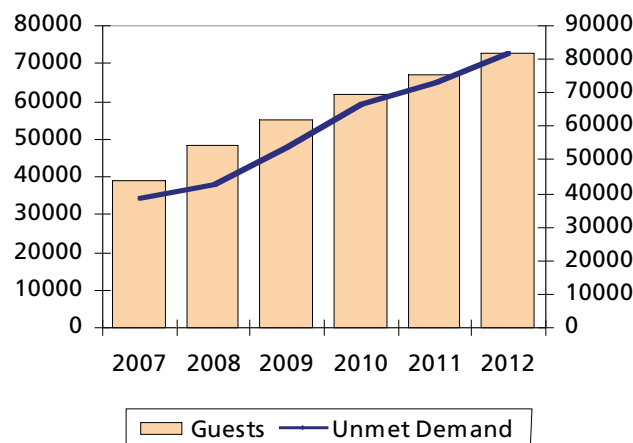
- Ramada – 205 rooms
- Mercure – 70 rooms
- Rendezvous Sanctuary Resort – 80 rooms

Econometric models were developed for each accommodation category and included variables such as unmet demand, yield, average stay, average number of guests, estimated marketing expenditure, in addition to external variables such as macro economic forecasts. Based on model outputs, yield is forecast to grow by around 38% over the next 4 years with a slowing of growth from around 2009 onwards. It is estimated that there will be a stabilizing of unmet demand over 2008 and 2009 however this will rise in 2010 onwards.

Unmet demand is a conservative estimate of number of enquiries received over June, July, August and September. On the basis of historic estimates, visitors stay 3.3 days on average. Unmet room night estimates are therefore calculated on the basis of unmet demand by 3.3. Based on unmet demand, an additional 255 rooms will be required by 2012. Refer Appendix VIII - Accommodation Demand.



However, the demand is clearly in the fully serviced Luxury Hotel category rather than the Apartment Hotel sub category. When the Apartment Hotel sub category is withdrawn from the model, Luxury Hotel demand shows that 224 rooms are required versus the 31 required in the Apartment Hotel sub category. It should be remembered that an additional 74,825 room nights will be available with the completion of Ramada Broome by around 2010. The withdrawal of 24,820 room nights in 2007 (Mangrove) will have major impact on demand. As the chart below indicates, unmet demand will be at around the same level as visitor numbers over the next 5 – 6 years.



Source: KPP (2006)

Although there may be 224 additional rooms estimated in unmet demand by 2012, these rooms are only required in the peak season. Based on a return requirement of around 60% - 65% yield on average forecasted room rate of \$331.32 (\$198.79 - \$215.36 yield) around 100 - 120 additional rooms can be added to inventory and achieve return objectives. Average room rates for 2012 have been estimated from model forecasts. There are currently 376 rooms in Luxury Hotel inventory (not including Rendezvous).

Year	Guests	Unmet Demand	Unmet Room Nights
2007	39122	11724	38690
2008	48145	14794	42822
2009	55183	16324	53871
2010	61827	20246	66812
2011	66901	22064	72813
2012	72690	24785	81760

Rooms	Yield
376	\$143.62
400	\$228.61
410	\$225.30
420	\$221.98
430	\$218.67
440	\$215.36
450	\$212.04
460	\$208.73
470	\$205.42
480	\$198.79
490	\$195.48
500	\$192.17

Source: KPP (2006)

Standard Hotels

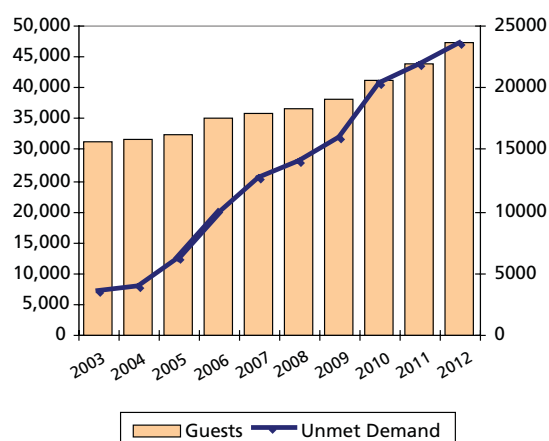
Currently there is one (1) development under construction and 1 property under redevelopment.

- The owners of Eco Beach have drafted plans to redevelop the property to a more upmarket style of accommodation (80 rooms in total). The new style of accommodation will feature permanent tents with boardwalks between all facilities. The guest facilities will have a health focus with full dining, day spa and treatment rooms available. The property is located 128 kilometres from Broome and is situated on 18 acres of land. Construction is anticipated to commence toward the end of 2006/7 and will be staged in development. Although this development fits the characteristics of a Standard Hotel, for the purposes of this study and forecast demand it has been included as a reconfigured caravan park.
- The Tropicana Inn is undergoing a major redevelopment into self contained apartments which will remove inventory from the standard hotel category. Development is due to start in January 2007 and consist of a two (2) stage development. Stage 1 will consist of 85 – 1 and 2 bedroom strata apartments with a new reception area, restaurant and bar, tour desk and 2 swimming pools. Construction is due to be completed in May 2008. Stage 2 will consist of 100 to 120 studio rooms which will form part of the Hotel and will commence construction in May 2008. The name of the property will change to Ramada Hotel on Roebuck Bay and the franchise will only cover the name and marketing support.

Available Standard Hotel rooms will decrease from the current 84,315 to 66,065 by 2010 based on these known developments representing a 27.62% decrease in available inventory principally due to the loss of 90 rooms from the Tropicana.

Based on historic trends and increasing demand, yield is forecast to grow by around 24.6% over the next four (4) years and will continue to steadily grow beyond 2010. It is estimated that there will a substantial increase in unmet demand from 2007 onwards based on current data. It should be noted that charts and forecasts below are based on guest number forecasts had Tropicana not been withdrawn from inventory. Although this is not an accurate reflection, it has been calculated in this manner so that potential could be readily demonstrated. It is estimated that an additional 292 rooms will be required in 2012 to meet July – September demand. (Refer Appendix VIII for calculations of unmet demand)

Year	Guests	Unmet Demand	Unmet Room Nights
2003	31209	1188	3730
2004	31825	1221	3833
2005	32555	1970	6186
2006	34929	3086	9690
2007	35742	4013	12601
2008	36814	4465	14020
2009	38244	5015	15747
2010	41112	5449	20161
2011	43990	5885	21775
2012	47503	6355	23513



Source: KPP (2006)

Although there may be 292 rooms estimated in unmet demand by 2012, these rooms are only required in the peak season. Based on a return requirement of around 60% - 65% yield on average room rate of \$167.61 (\$100.56 - \$108.94 yield) around -100 - 220 additional rooms can be added to inventory and achieve return objectives. Average room rates for 2012 have been estimated from model forecasts. Based on current knowledge, there will be 181 rooms in inventory in 2012, however a new development "Taiji" on Oryx Drive that includes 200 standard hotel rooms is understood to be under consideration. Neither Taiji nor proposed Hawaiian Group developments have been included at this stage.

Rooms	181	220	250	300	320	350	400	350
Yield	\$78.13	\$108.95	\$107.27	\$105.59	\$103.92	\$102.24	\$100.57	\$98.89

Source: KPP (2006)

Self Contained Apartments

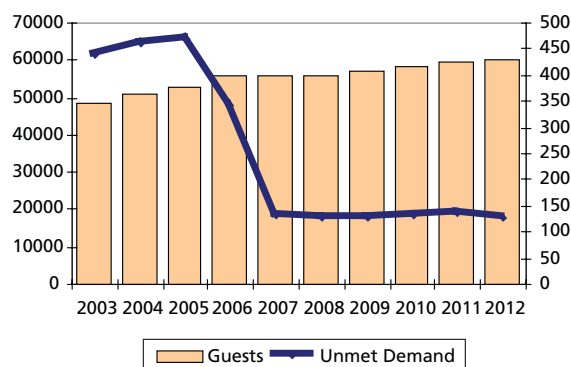
The Self Contained Apartments market is experiencing the greatest number of new developments with three (3) properties (Shiba Lane Apartments, The Perle and The Frangipani Resort) opening in F2006/07, adding 14, 35 and 62 rooms respectively.

In 2008 three (3) additional properties will be opened with 128 rooms. These are Pinctada (72 rooms), Lot 2230 (48 rooms), and Shiba Lane (8 rooms). The Seashells Resort will also commence stage 2 in early 2007 which will consist of 26 - 1 and 2 bedroom apartments and is due for completion in early 2008.

Available Self Contained Apartments will increase from the current 104,388 to 188,642 by 2012 based on current known developments representing an 80.71% increase in inventory.

Yield is forecast to decline in 2007 as rates will be compromised for occupancy. It is forecast that yields will be back at 2006 levels by around 2009. It is estimated that unmet demand was fundamentally met in 2006 with category occupancy falling from 69% in 2005 to 66.4% in 2006. Some pressures will remain in July and August but there will be an oversupply over the rest of the year.

Year	Guests
2003	48412
2004	50878
2005	52683
2006	55860
2007	55990
2008	56109
2009	57232
2010	58109
2011	59288
2012	60211



Source: KPP (2006)

Available room nights will increase by 33.6% between F06 and F07 and it is estimated that there will be significant pressure on room rates over the coming years. Additional inventory will only increase pressure on yield and therefore any future development will need to position itself clearly outside this category to ensure profit. Based on currently available room rates, there is already evidence of a 39.2% average rate decrease between October and November 2006 and it is estimated that this will decline further over the low season. (This estimate is based on advertised internet prices).

	F02/04	F04/05	F05/06	F06/07	F07/08	F08/09	F09/10	F10/11
Yield	\$85.38	\$103.20	\$117.70	\$127.10	\$116.03	\$112.20	\$105.60	\$107.25

Source: KPP (2006)

Caravan, Camping & Cabins

There will be major changes in this category over the next decade as pressure on available land will continue to impact on land utilization. Palm Grove Caravan Park is currently under offer and when sold, will reduce the number of sites by 196 sites. Tarangau Caravan Park was also placed on the market in 2005, however it did not sell. The Vacation Village is also experiencing an increase in the number of caravan sites being developed into permanent chalet sites which will again reduce the number of available sites.

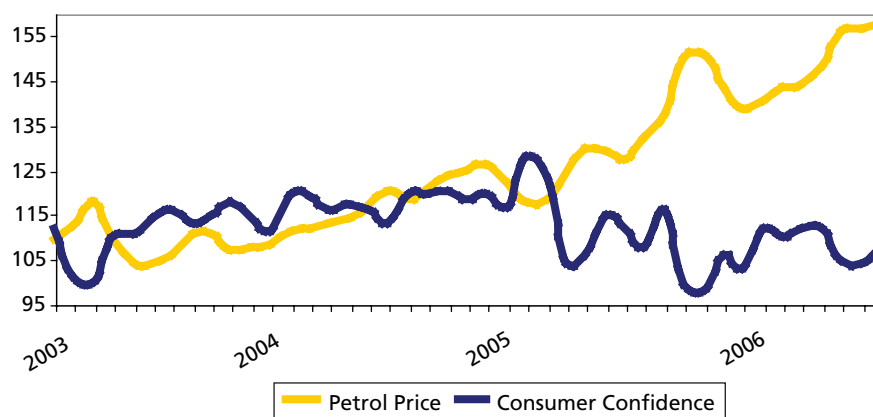
Available CCC sites will decrease from the current 560,109 to 496,429 in 2010 based on current known sales representing a 12.83% decrease in inventory. Should Tarangau be sold in the near future, inventory will reduce by a further 92 sites.

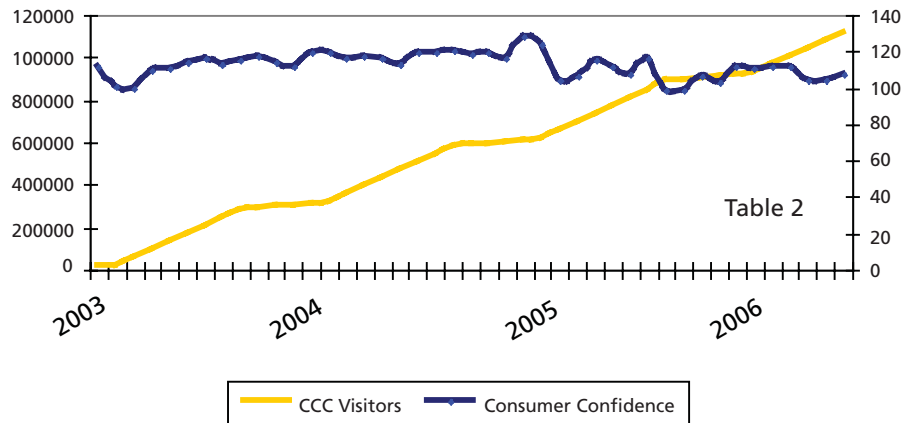
In terms of the medium and long term forecasting requirements, it has been assumed that one other major property will be sold for redevelopment in the medium term and 2 in the long term.

In order to forecast future trends and requirements with confidence, the key drivers of this market needed to be quantified, as unlike other accommodation categories little can be done to increase low season occupancy. A model has been developed that proves:

- Positive consumer confidence does not drive the market but a decline in consumer confidence impacts negatively on this market (-3.378 t stat: 0.9946 confidence)
- The point at which the indexed price of petrol and indexed consumer confidence intersect has a strong negative impact on this market (-10.836 t stat: 1.00 confidence)
- There is a 7 – 9 month lag between the impact of key drivers and CCC outcomes (12.86 t stat 1.00 confidence)

The model for key category drivers shows a clear relationship between increasing petrol prices and decreasing consumer confidence. (Table 1). More specifically, the growth trend for CCC's slowed markedly from around August 05 in relation to Consumer Confidence and this lag impact has been proved in 2006 visitor numbers (Table 2)

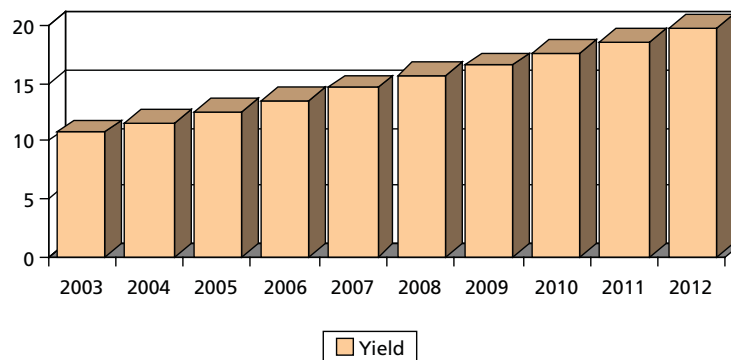




Source: KPP (2006)

Yield is forecast to grow by around 36.04% over the next four (4) years. Although it is not forecast that demand will increase from 2005 levels, lower inventory will increase yield. The caravan park consumer is however extremely price sensitive which restricts the ability of caravan park owners to pass on rising operational costs or truly reflect supply-demand conditions.

Year	Yield
2003	\$10.74
2004	\$11.60
2005	\$12.55
2006	\$13.57
2007	\$14.65
2008	\$15.66
2009	\$16.60
2010	\$17.60
2011	\$18.65
2012	\$19.78



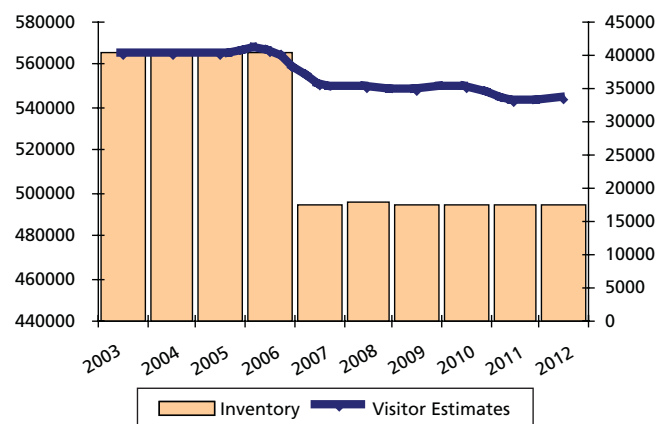
Source: KPP (2006)

Unmet demand is currently estimated at 12,768 “room nights” per annum and is forecast to increase in the near future. A significant portion of this unmet demand is met by overflow facilities and there are growing anecdotal suggestions that many caravans now by-pass Broome. However, unmet demand is short term and confined to the peak season and as such, required sites to meet demand have no commercial viability unless viable revenue options can be found which support any new facilities during the off season.

Although inventory will decline, it is estimated that total visitor numbers will also decline over the next decade and the pressures on unmet demand will therefore be limited to 2 – 4 months a year.

Year	Available	Visitors
2003	566115	39897
2004	567666	40007
2005	566115	39951
2006	566115	40356
2007	494575	35256
2008	495930	35104
2009	494575	34587
2010	494575	34891
2011	494575	33081
2012	494575	33141

Inventory vs Visitor Estimates



Source: KPP (2006)

It is also assumed that there will be a change in visitor profile over the next decade and this will lead to a greater demand for reconfigured caravan park facilities which are only in their infancy in the Broome region.

Coupled with the increasing demand for maximizing usage of available land, it is concluded that Caravan Parks in their current configuration are at a watershed and substantial changes will occur over the next decade.

Evidence of changing trends is already apparent with the development of an upmarket Eco Park at Eco Beach which will offer 80 safari style chalets by 2010 (NB This development has been included in Standard Hotel category for the purpose of this study). There are also substantial changes starting to take place in traditional caravan parks. For example, some parks are now building ensuite facilities next to caravan sites with a view to converting the site to chalets over time.

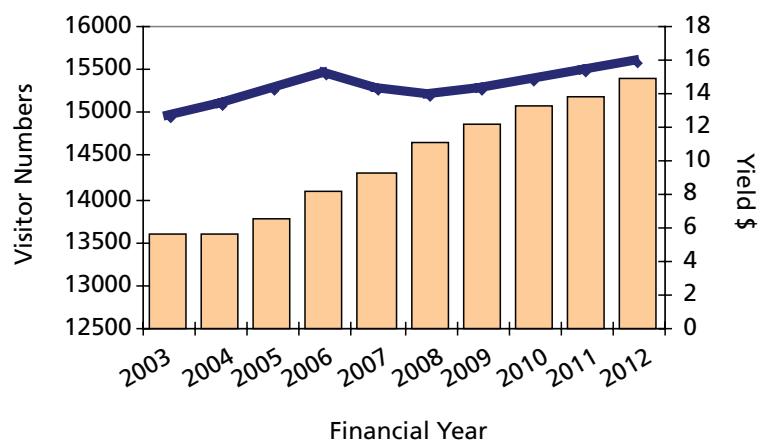
Backpacker Accommodation

The Backpacker Accommodation market is experiencing a significant increase in interest with one (1) new development (Beaches) and one (1) redevelopment. (Mangrove). Both will be opening in F2006/07, adding 132 and 344 beds respectively.

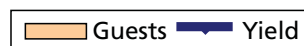
Available beds in this category will increase from the current 459 to 935 over the next year based on current known developments representing a 103.7% increase in inventory.

Yield is forecast to decline in F2007/08 as rates will be compromised for occupancy. It is forecast that yields will be back at 2006 levels by around 2011.

Year	Guests	Yield
2003	13605	12.57
2004	13612	13.20
2005	13756	14.01
2006	14107	15.09
2007	14308	14.19
2008	14669	13.89
2009	14857	14.24
2010	15086	14.65
2011	15198	15.23
2012	15395	15.85



Source: KPP (2006)



Available bed nights will increase substantially between F06 and F07 and it is estimated that there will be significant pressure on room rates over the coming years. Additional inventory will only increase pressure on yield and therefore any future development will need to position itself clearly outside this category to ensure profit.

Summary of Short Term Accommodation Requirement

Category	Current Rooms Available	Current Room nights sold	Estimated Inventory 2012	Estimated Rooms Demand 2012*	Additional rooms to meet Est Need**
Luxury Hotel	457	104,427	744	999	100-120
Standard Hotel	231	55,674	181	365	100-220
Self Contained	293	75,170	516	331	0
B & B***	49	11,300	76	76	0
CCC – current configuration	1,551	280,738	1355	1272	****
CCC – future configuration			80	80	0
Backpackers	103	112,861	211	116	0
TOTAL	2,684	640,170	3,163	3,322	200-340

Source: KPP (2006)

* Estimated rooms based on developments in construction or with development approval

** Additional rooms to meet demand is based on achieving acceptable yields

*** The Bed and Breakfast category will continue to add available rooms each year however, this has not been calculated for the purposes of this project. Totals are therefore based on 2006 availability

**** CCC visitor numbers in 2012 is estimated at 33,414 representing a 20.77% decrease in visitor numbers. On the basis that current average stay and average number of people remains constant it is estimated that 232,267 room nights will be required. Based on 50% occupancy a total inventory of 464,534 available room nights will be required. Therefore a total of 1272 sites are required to meet forecast demand. Seasonality and yield issues make the development of these additional sites unviable based on current caravan park configurations.

7 Land Use Requirements

Profiling Analysis

As a result of the gap analysis undertaken, it is evident that a number of tourism accommodation developments are required across a range of accommodation categories throughout each period of this study. These development requirements have been profiled by characteristics and prioritized across the respective periods. The rationale applied in terms of prioritization and type of development accompanies each development project.

Tourism Accommodation Development Requirements 2006-2012

The gap analysis process has identified that there is limited accommodation development required in the short-term due to a large number of self-contained properties that have commenced construction or received planning approval.

As a result the immediate needs are confined to the Luxury Hotel and Standard Hotel category as outlined below. In identifying locations and land size requirements by category the development guidelines provided by Shire of Broome have been taken into account. These guidelines require any new developments to be low rise and spread out due to building height restrictions (max. wall height of 10 metres). Drainage, parking, landscaping, recreation facilities and common areas generally represent 60% of land area with the remaining 40% of land area used for buildings.

Luxury Hotel - A total of 224 rooms are required, with 100-120 recommended

Standard Hotel - A total of 292 rooms are required, with 100-220 recommended

1. Luxury Hotel Development

Type of Hotel: 4.5 - 5 star full service Hotel.

No. of Rooms: 100-120 rooms and suites.

Location: Cable Beach West is located in the Cable Beach area between Murray Road, Cable Beach Road West and Gubinge Road. The total site covers an area of 16 hectares and is unallocated Crown Land that has been identified for tourism accommodation.

Rationale: The gap analysis has identified the need for additional tourism accommodation at the 'high end' with a focus on developing a fully serviced property. More specifically an additional 100-120 rooms is required in the period 2006-2012.

The site location is deemed most appropriate due to its close proximity to Cable Beach and it fits well within the parameters of the Cable Beach commercial strategy, despite the fact that it is highly unlikely to ever have ocean views.

Site area req'd	No. of rooms	Rating	F&B	Room service	Full facilities
Min 3-4 hectares	100-120	4 ½ - 5	Yes	Yes	Yes

Source: KPP (2006)

2. Standard Hotel Developments

<i>Type of Hotel:</i>	3 – 3.5 Star Standard Hotel
<i>No of Rooms:</i>	100-220 rooms.
<i>Location:</i>	Located on the corner of Murray Road and Gubinge Road behind the Palm Grove Caravan Park. A second potential site is Lot 2246 on Millington Rd. This site is owned by Hawaiian Group and has a total area of 2.55 hectares.
<i>Site:</i>	Cable Beach West is unallocated Crown Land and has been identified for tourism development. The proposed development will require an estimated total area of up to 4 hectares.
<i>Rationale:</i>	It has been identified that an additional 100-220 rooms are required in the Standard Hotel category in the period 2006-2012. The positioning of this development has been determined by the fact that being 3-3.5 star it does not justify closer proximity to Cable Beach but will still have good access and will fit well within the Cable Beach commercial strategy. The second site listed (Lot 2246) is privately owned by the Hawaiian Group and is another option for a development of this size.

Site area req'd	No. of rooms	Rating	F&B	Room service	Full facilities
Min 1.6 – 2.3 hectares	100-220	3 – 3 ½	Yes	Limited	Limited

Source: KPP (2006)

Priorities

In terms of priority Standard and Luxury Hotels are both viewed to be of equal significance.

The recommended site for both developments is Cable Beach West.

Under consideration by Hawaiian Group

Hotel / Self Contained Development

<i>Type of Property:</i>	4 star self contained Hotel
<i>No of Rooms:</i>	160 one and two bedroom apartments/studios. Total 240 rooms
<i>Location:</i>	Lot 6 at Cable Beach located on the corner of Millington Rd and Sanctuary Dr behind the Cable Beach Club.
<i>Site:</i>	The site covers 3.42 hectares and is part of the Cable Beach Tourism Precinct

Based on the above developments under construction or in planning stage no additional Self Contained Apartments are required.

The development of Lot 6 (Hawaiian Group) must be closely considered in light of the known current developments under construction in the self-contained category. It is clear that this development is not required in terms of meeting consumer demand and for this reason it has not been allocated any priority status. Due to its ownership it will have little impact on Landbank requirements for the future but remains a prime site for tourism accommodation development.

The required developments for this period are proposed to utilize Cable Beach West, which is viewed as a prime tourism accommodation site. It is also understood that a cultural centre is also proposed for this site. However should all these developments proceed approximately 4 hectares of land will remain. It is strongly suggested that the remaining 4 hectares is retained under Landbank. This recommendation is premised upon the expectation that existing tourism developments are likely to be redeveloped over the next 10-15 years. However should this not occur or the timing of redevelopments not suit the industry needs, the remaining area can be utilized for this purpose.

Tourism Accommodation Development Requirements 2012-2025

The period 2012-2025 is forecast to see a substantial increase in tourism accommodation requirements and subsequent developments. The respective prioritization of these proposed developments has been determined to reflect the timing within that period at which they are likely to occur in order to meet growing demand.

Estimates of additional room requirements have been based on known inventory in 2012 plus recommended range of room numbers that fall within an acceptable yield range as identified in the previous section.

The specific development requirements in each accommodation category throughout this period are:

Luxury Hotels - A total of 629 rooms are required.

Apartment Hotels - A total of 487 rooms are required

Caravan Park – future configuration - A total of 1019 sites will be required

Standard Hotel - A total of 214 rooms are required

1. *Luxury Hotel Development*

Type of Hotel: 4 to 4.5 star full service Luxury Hotel

No of Rooms: 260 to 300 rooms and suites located around the Safe Boat Harbour and overlooking Roebuck Bay.

Location: Located in the Port of Broome area North of Entrance Point with access from Port Drive

Site: The proposed site is part of a multi-use development with a Safe Boat Harbour for commercial and recreational boating and 260 to 300 room Hotel. The site covers an area of 22 hectares and has uninterrupted ocean views.

Rationale: The site has been chosen on the basis of the considerable amount of work already undertaken and the expected timeframe involved to gain approval for construction. It is feasible to anticipate that construction may commence prior to 2012 however the aim should be to have the Hotel fully operational in readiness for 2012 and beyond.

A clear advantage of the proposed location is the ocean views across Roebuck Bay and its proximity to a proposed Safe Boat Harbour to be established in the Port precinct. Aspects that will require further consideration include potential future Port developments and the fuel tanks/storage area. These points are raised in relation to the aesthetics of the property and its close proximity to what is expected to become an increasingly busy Port.

In terms of Landbank, it is understood that this site is located on land already vested to the Broome Port Authority.

2. Apartment Hotels

<i>Type of Property:</i>	4 star self contained Hotel
<i>No. of Rooms:</i>	40 one bedroom apartments 20 two bedroom apartments Total 80 rooms
<i>Location:</i>	Tarangau Caravan Park located on the corner of Millington Road and Lullfitz
<i>Site:</i>	The site sits within the Cable Beach Tourism Precinct and will be redeveloped as a self contained Hotel. The site covers 2.47 hectares
<i>Rationale:</i>	On the basis that this site has previously been placed on the open market, it is expected that it will be sold in the short term and developed in the medium term. The site is located within the identified Cable Beach Tourism Precinct and sits within the boundaries within the Commercial Strategy. Therefore, it is expected to be redeveloped to suit high yield markets and given its proximity to Cable Beach, it is a prime site for this type of property.

3. Caravan Park - Future Configuration Development

<i>Type of Property:</i>	3 Star Parks
<i>Locations:</i>	Quondong Point (1) Barred Creek (1)
<i>No of Rooms:</i>	80 to 100 mix of tents, chalets, cabins, camping and powered sites
<i>Availability:</i>	April - October
<i>Site:</i>	Each site will require around 3.2 - 4 hectares, ideally with ocean views and access, although this is not deemed essential for a 3-star property.
<i>Rationale:</i>	It is expected that developments of this nature will be required to meet the growing consumer demand for this type of accommodation. The number of rooms and accommodation mix is designed to optimize economies of scale and yield in addition to meeting the shortfall created through the sale of traditional caravan parks. Due to the location of these parks and distance from Broome it is anticipated that an extended range of services will be required.

4. Apartment Hotels

<i>Type of Property:</i>	4 star self contained Hotel
<i>No of Rooms:</i>	200 one bedroom apartments/studios 75 two bedroom apartments Total 350 rooms
<i>Location:</i>	Cable Beach Caravan Park located between Millington Road and Lullfitz behind the Cable Beach Club.
<i>Site:</i>	The site covers 8.4 hectares and is part of the Cable Beach Tourism Precinct
<i>Rationale:</i>	This site is expected to potentially become available for purchase over the next 3-5 years. Given its proximity to Cable Beach it is not expected to be retained as a traditional Caravan Park. The site has already attracted substantial interest from private developers and therefore it is expected to be developed to suit other markets. Based on the gap analysis and forecast future demand it is recommended that this site is developed as a full service self contained Hotel. As with many of the other developments in this area it is expected to become a key element of the Cable Beach tourism precinct and accompanying commercial strategy.

5. Caravan Park - Future Configuration Development

<i>Type of Property:</i>	3.5 – 4 Star Parks
<i>Locations:</i>	Willie Creek (2) Coconut Well (1)
<i>No of Rooms:</i>	80 to 100 mix of tents, chalets, cabins, camping and powered sites
<i>Availability:</i>	April - October
<i>Site:</i>	Each site will require around 3.2 - 4 hectares and positioned with ocean views.
<i>Rationale:</i>	<p>The Park developments are viewed as an absolute necessity in light of the expected sale and subsequent redevelopment of existing Caravan Parks, more specifically in this instance Cable Beach Caravan Park.</p> <p>The Willie Creek area has been identified as a future tourism precinct and the surrounding landscape naturally lends itself to a development of this type. It is suggested that the Willie Creek and Coconut Well developments be designed as 3 ½ - 4 star properties. This suggestion is based on the high quality of the location and good potential to develop other tour products to complement the experience.</p>

6. Luxury Hotel Development

<i>Type of Hotel:</i>	5 star full service Luxury Hotel
<i>No. of Rooms:</i>	350 rooms and suites
<i>Location:</i>	Roebuck Bay Caravan Site located at Town Beach
<i>Site:</i>	The site has beach front access with views over Roebuck Bay and therefore is ideal for a 5 star Hotel.
<i>Rationale:</i>	This site is viewed as a prime location for this type of development. The low yields generated by the Caravan & Camping market in its current configuration do not justify the ongoing use of this site for this market. The site has also been identified in consideration of the fact that the Caravan & Camping accommodation is forecast to decline from 2012 onwards. It is also expected that other current Caravan Parks will be sold over this period and redeveloped to suit other higher-yielding markets.

7. Caravan Park - Future Configuration Development

<i>Type of Property:</i>	3.5 – 4 Star Parks
<i>Locations:</i>	Crab Creek (1) Port Smith (1)
<i>Type of Property:</i>	3 Star Parks
<i>Locations:</i>	Bird Sanctuary (1) Barn Hill (1) 80 Mile Beach (2)
<i>No of Rooms:</i>	80 to 100 mix of tents, chalets, cabins, camping and powered sites
<i>Availability:</i>	April - October
<i>Site:</i>	Each site will require around 3.2 -4 hectares and positioned with ocean views.
<i>Rationale:</i>	<p>The anticipated loss of the Roebuck Bay Caravan Park as an accommodation property for the C & C market is expected to result in an increased demand for more reconfigured Parks to be developed. It is suggested that these reconfigured Parks will need to be developed to varying standards. On that basis it is suggested that locations such as Crab Creek and Port Smith would be developed to 3 ½ - 4 star level. This is taking into consideration that as a society we are likely to be more affluent, have smaller traveling parties and time available for recreational purposes is also anticipated to reduce.</p> <p>The sites of Barn Hill, Bird Sanctuary and 80 Mile Beach would be developed to the 3-star level due to their distance from a major centre and supporting infrastructure / facilities.</p>

8. Standard Hotel Developments

Type of Standard Hotel: 3 Star Standard Hotel

No of Rooms: 220 rooms and suites

Location: 12 Mile area located on the Broome Road

Site: The proposed Standard Hotel development will require an area of 2.8 - 3 hectares.

Rationale: The exact location of this site is dependent on the anticipated relocation of Broome International Airport during this period. The relocation of the airport is not anticipated to occur within the next 10-15 years and therefore it is expected that this development would be required in the latter part of this period. From a Landbank perspective it will be important to identify and secure an appropriate site for this future development and ensure close proximity to the airport site.

Accommodation Category	Total Required	Site	Room No
Luxury Hotel	629	Boat Harbour	260-300
		Roebuck Bay Caravan Park Site	350
Apartment Hotels	487	Cable Beach Caravan Park Site	350
		Tarangau Site	80
Standard HotelStandard Hotels	214	12 Mile (Near relocated airport)	220
Caravan Parks – future configuration	1019	Quondong, Crab Creek, Port Smith, Willie Creek Coconut Well, Barn Hill, Bird Sanctuary, 80 Mile Beach (80-100 each)	1000-1100

Source: KPP (2006)

Tourism Accommodation Development Requirements 2025-2045

The proposed tourism accommodation development needs for the period 2025-2045 have been based on the forecast demand identified through economic modeling. The prioritization of developments has been largely based on the anticipated changing demographics and travel patterns compared to what currently exist. There is expected to be an increased demand for high quality Hotel accommodation.

The traditional caravan park is likely to no longer exist. This assumption has been based on the prediction that caravans will become too expensive for travel due to rising fuel costs. There is also anticipated to be less 'free camping' sites, air travel will be very competitive and technology will be further advanced. The specific accommodation requirements in each category over this period are:

Luxury Hotels - A total of 884 rooms are required

Apartment Hotels - A total of 1017 rooms are required

Caravan Park Future Configuration - A total of 270 rooms will be required

1. Hotel Development

<i>Type of Hotel:</i>	2 fully integrated 5 star Luxury Hotels; 1 Golf Hotel with 480 rooms and suites and 1 Spa Hotel with 400 rooms and suites
<i>No of Rooms:</i>	1 Golf Hotel with 480 rooms and suites 1 Spa Hotel with 400 rooms, suites and villas
<i>Location:</i>	Located in the Willie Creek Tourism Node North of Willie Creek Pearl Farm with access via Cape Leveque and Manari Roads.
<i>Site:</i>	The site has direct beach front access with uninterrupted ocean views. The site covers an area of 100 hectares and is ideal for future international Hotel developments. Power, sewage and road access is required.
<i>Rationale:</i>	The site at Willie Creek is viewed as a prime location for the introduction of a major international brand Hotel into the Broome market. The exact location could possibly be somewhat dependent on the relocation of the airport to a new location out of town. It is expected that these properties will want to distance themselves from the main Broome market and create an exclusive 5-Star enclave.

2. Apartment Hotels

<i>Type of Property:</i>	4 Star Apartment Hotel
<i>No of Rooms:</i>	125 Studio apartments 125 One bedroom apartments 50 Two bedroom apartments
<i>Total rooms;</i>	350
<i>Location:</i>	Broome Caravan Park located 4kms from Chinatown on Wattle Drive
<i>Site:</i>	The site currently operates 184 caravan, camping and cabin sites with additional land available for expansion. The Apartment Hotel property will require 8 hectares.
<i>Rationale:</i>	The suggested site for this development has been determined based on the assumption that caravan parks in their current configuration could very well cease to exist in 30-40 years time. With that in mind, it is suggested that this site would be suitable for this type of development as it will still have good proximity to the town centre, airport (even when relocated) and is likely to have ocean views across Roebuck Bay.

3. Caravan Park Future Configuration Development

<i>Type of Property:</i>	3.5 – 4 Star Parks
<i>Locations:</i>	Prices Point Middle Lagoon Lombadina Cape Leveque
<i>No of Rooms:</i>	60 – 80 mix of tents, chalets, cabins, camping, powered sites
<i>Availability:</i>	April – October
<i>Site:</i>	Each site will require 3.2 – 4 hectares and positioned with ocean views
<i>Rationale:</i>	The suggested sites for these developments are outside the area identified by TWA in relation to this brief. It is speculative to suggest where these developments would be located but reasonable to assume that increased development is likely to occur further North on the Dampier Peninsula. For this reason, four (4) sites have been identified that represent unique and quality locations that could support the development of 3 ½ - 4 star Parks. The need for these developments will also be driven by the changing consumer demand for accommodation types.

4. Apartment Hotel

<i>Type of Property:</i>	4 star Hotel/self contained accommodation
<i>No. of Rooms:</i>	125 Studio apartments 125 one bedroom apartments 100 two bedroom apartments
<i>Total:</i>	450 rooms
<i>Location:</i>	Lot 833 is located in the Cable Beach area East of Lullfitz Drive. Fairway Drive passes through the property and the 3 blocks of land West of Fairway Drive, renamed Lots 3128, 3129 or 3130 have been designated tourism/mix development and are part of the Cable Beach Tourism Precinct.
<i>Site:</i>	The sites are located between Lullfitz, Sanctuary Road and Fairway Drive and are ideal for self contained Hotels. The 2 sites cover an area of approximately 18 hectares.
<i>Rationale:</i>	This site is viewed as strategically important for the future development of the Cable Beach Tourism precinct. It is proposed that this will be one development across the 18 hectares available on Lots 3128, 3129 or 3130 (formerly Lot 833 West). The North end (approx. 1 hectare) of this land is not deemed appropriate for development due to its size and shape, and could be used as a negotiating tool in Landbank discussions (perhaps suited to development as park land for nearby residential areas). The development of this site will need to be assessed in accordance with consumer demand but is anticipated to require development in the latter half of this period.

5. Apartment Hotels

Type of Property: 5 Star Apartment Hotel

No of Rooms: 300 rooms

Location: Coconut Well located north of the residential area and 17kms from Broome. Road access via Broome Road, Cape Leveque Road, McGuigan Road and Lawrence Road.

Site: The site is an extension of the Coconut Well residential area covering an area of 20 hectares with ocean views. A minimum of 3-4 hectares is suggested for this development.

Rationale: This site is not currently marked for tourism use, however it is highly appealing for a tourism accommodation development. The site suggested is more specifically located north of the current Coconut Well residential area and runs up to the South side of Willie Creek. There are currently no services available and this site would need to be included as part of Landbank discussions in order to secure the land. The site has good proximity to the beach and could encompass boating and other facilities. It is anticipated that access to this area will have improved markedly by this time and the location is also attractive in terms of developing other tourism product (tours) around this development.

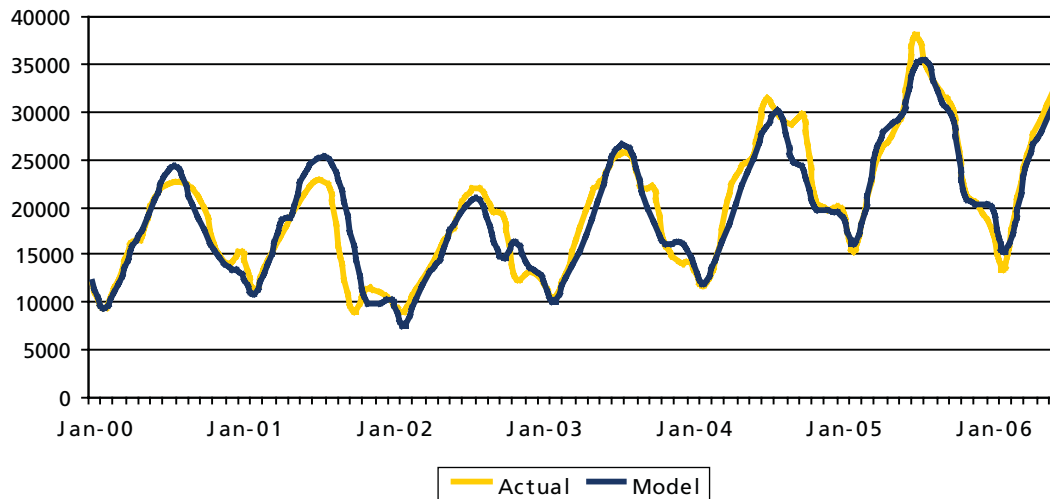
Whilst the land area required for this development is a small portion of the Coconut Well area, it is recommended that the remaining site area be Landbanked for development post 2045.

Accommodation Category	Total Required	Site	Room No
Luxury Hotel	884	Willie Creek	880
Caravan Park – future configuration	271	Prices Point, Lombadina, Middle Lagoon, Cape Leveque (60-80 per site)	320
Hotel/Self Contained	1020	Broome Caravan Park Site Coconut Well Lots 3128, 3129 or 3130	350 300 450

Source: KPP (2006)

8 Broome International Airport

Passenger data from Broome International Airport is an important variable in this study in that the estimated growth of visitor numbers is dependent to some extent upon carriers meeting the demand. In the first instance, BIA passenger data was modelled to determine the level to which passenger numbers can be used as a forecasting variable in the future. As shown on the following chart, the model replicates actual passenger numbers to 93.17%. Although passenger numbers through BIA is only one (1) measure of trend it provides a valuable source in that there is consistent, historic data. The close fit between actual and model data provides high confidence levels of trend, seasonality and future projections.



Source: KPP (2006) and Broome International Airport (2006)

In the first instance, models were developed to determine the relationship between visitor numbers and BIA passenger numbers by accommodation category. (NB As econometrics does not simply look for correlation but causation, results may be lower than expected: however, our interest is on relationships that can be proved).

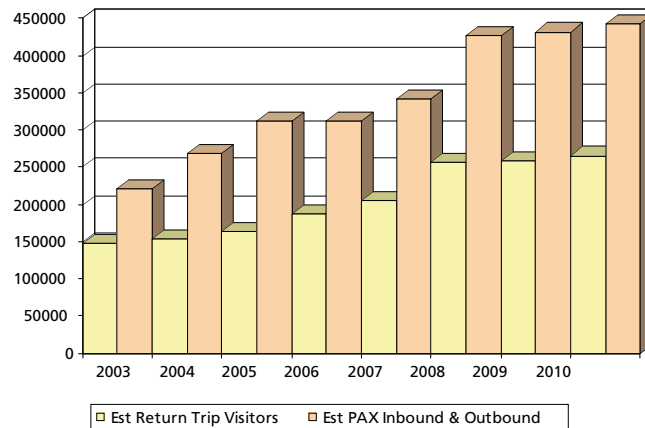
Category	% of visitors	t stat	Probability
Luxury Hotels	66.58%	9.2017	1.000
Standard Hotels	43.94%	5.8240	0.999
Self Contained Apartments	63.00%	8.6230	1.000
B&B	65.21%	8.9289	1.000

Source: KPP (2006)

The chart shows the percentage of visitors by accommodation category that can be proved to have arrived through Broome International Airport (BIA). For example, econometric models can prove that at least 66.58% of Luxury Hotel visitors travelled through BIA, with 100% certainty.

For the purpose of forecasting, it has been assumed that Singapore/Broome flights will commence during F07/08 and will attract around 500 additional international visitors to Broome each week. Based on estimated visitor numbers including additional international visitors and only that percentage of visitors by category that can be proved to travel through BIA, the number of passengers for 2010 are estimated at 442,690.

Year	Est. Return Trip Tourists	Est PAX Inbound & Outbound
f02/03	138400	202994
F03/04	135865	234250
F04/05	173991	294901
F05/06	187311	311909
F06/07	204922	341538
F07/08	255825	426375
F08/09	259141	431902
F09/10	265614	442690



Source: KPP (2006)

9 External Accommodation Demands

This project focuses on the demand for tourist accommodation. No consideration has been given to the already severe pressures on the availability of residential housing. It is likely that the Shire of Broome will come under increasing pressure to convert land currently identified for tourism to residential release.

Coupled with the growth of a permanent residential population, pressure for short to medium stay accommodation from the mining and exploration sectors, will further increase demand for non-tourism specific accommodation.

Although these issues fall outside the scope of this study, analysis to determine the residential demands on land will need to be undertaken relatively quickly, to ensure that the service sector population will be available to meet tourism needs. Broome is already witnessing these dynamics and the move by Cable Beach Club to purchase a tourism facility to accommodate staff is evidence of the trend. It may fall upon the Shire of Broome to introduce requirements for staff accommodation with new developments and/or to undertake feasibility studies to determine how and where additional housing can be secured.

10 Conclusion

As a result of the work undertaken in this Broome Tourism Accommodation Study a number of sites / locations have been identified which will need to be secured under the State Government's Landbank initiative.

The respective sites outlined for each development in the short to medium term are viewed to be accurate and appropriate to meet visitor demand and demographics. It is noted however that some of these sites will precipitate a snowball effect in terms of the subsequent needs of other accommodation categories.

Over the long term, the type of development indicated for each site is somewhat speculative however the actual location of each site is viewed to be significant for the future growth of tourism in the region. Therefore these sites should be secured under the Landbank initiative thereby creating greater certainty about the potential for future tourism accommodation developments.

The specific sites highlighted for the Landbank initiative are:

- Cable Beach West (Murray Rd)

This site has a total area of 16 hectares. A minimum of 7 hectares in this area will be required to meet the accommodation developments forecast for the period 2006-2012. The remaining area of this site could be used for further accommodation or retail premises and it is also acknowledged that this site has been touted for an interpretive centre. It is recommended that the remainder of this site is retained for other tourism accommodation developments. This is proposed on the assumption that existing sites / properties will be redeveloped over time however should this not occur, it would be wise to have land available for potential investors.

- Quondong & Barred Creek

These areas have been identified for development of Caravan Parks (Future Configuration) which are estimated to require up to 3.2 - 4 hectares each. It is recommended that a minimum of 7 hectares is secured under Landbank in each area.

- Willie Creek

It is understood that an area of 100 hectares has been designated for future tourism development in this area. This area is anticipated to become increasingly significant for tourism development as Broome continues to grow over the next 40+ years and should be retained under the Landbank initiative for future development of two major international Luxury Hotels and a Caravan Park (Future Configuration).

- Coconut Well

At present there is no land zoned for tourism development in this area which is viewed as having significant potential for meeting future needs. More specifically a minimum total area of 30-35 hectares is anticipated to be required for a future Hotel / Apartment Hotel property and a Caravan Park (Future Configuration). This land requirement will need to be secured under the Landbank initiative. Whilst the land area required for this development is a small portion of the Coconut Well area, it is recommended that the remaining site area be Landbanked for tourism accommodation development post 2045.

- 80 Mile Beach

It has been identified that this location is well suited to the future development of 2-3 Caravan Parks (Future Configuration) and will require a minimum of 10-15 hectares to be secured under Landbank.

- Crab Creek & Bird Sanctuary

These sites have both been identified for future development as Caravan Parks (Future Configuration) and would require a minimum total of 10-15 hectares to be secured under Landbank in this area

- Port Smith & Barn Hill

Both these neighbouring properties have been identified as sites for the future development of Parks. Each location would require a minimum of 3.2 - 4 hectares and due to ownership circumstances neither is expected to have any significance to Landbank requirements.

- 12 Mile area – located on Broome Road

This is an area that is anticipated to become increasingly important for Broome as it expands. It is planned that the airport is likely to be relocated to this area sometime in the future and therefore appropriate accommodation will be required as indicated. This area is currently unallocated Crown Land subject to Native Title determination. It is forecast that a minimum of 3 hectares will need to be secured under the Landbank initiative and Native Title negotiations.

- Lots 3128, 3129 or 3130 (formerly Lot 833 West). – Cable Beach East of Lullfitz Drive

This site will require securing under Landbank for future Hotel / self contained developments. It is estimated that up to 18 hectares will be required, more specifically on the Western edge of this site. It is understood that the remaining land will be used for residential purposes.

- Dampier Peninsula
 - Prices Point
 - Middle Lagoon
 - Lombadina
 - Cape Leveque

These areas have all been identified as potential locations for Caravan Parks (Future Configuration) which are anticipated to require a minimum of 3.2 - 4 hectares. The areas of Middle Lagoon, Lombadina and Cape Leveque are all on Aboriginal owned land and therefore have no significance in terms of Landbank. However the Prices Point area (north of Quondong) is understood to be unallocated Crown Land and it is suggested that a minimum total area of 7 hectares should be secured under Landbank

Existing Site Considerations

A number of sites have been identified through this study that will require action from the State Government to secure land under the Landbank initiative. The need for these sites is anticipated to be driven by an expectant change in the nature of tourism, visitor demand and other external influences such as fuel prices, population increases and a more affluent society.

In addition to the locations / sites identified, a number of other sites for potential tourism accommodation development are outlined below, however they are not all expected to bear any significance for Landbank.

- Camp School at Cable Beach

This is a prime beachfront site ideally suited to a top end Luxury Hotel development, however the use of this site is likely to result in another Camp School being required at a different location. This may be considered in the Landbank discussions to ensure this prime location is best utilized in the future.

- Turf Club at Gantheaume Point

This land is currently vested in the Broome Turf Club and by virtue of its location is ideally suited for tourism development in the long-term. Adjacent to this site is an aborted land subdivision which is Aboriginal land under the Rubibi Claim but could also be considered for negotiation for future development.

Appendix I – Econometric Modelling Definition

Econometrics deals with the analysis of data to describe economic incidents. For example, much attention focuses on understanding the relationship of monetary policy on macroeconomics. If the Reserve Bank could experiment with monetary policy over repeated trials under identical conditions, economists and econometricians might be able to isolate the effects of policy more accurately and thus remove much of the controversies that surround various approaches and outcomes. However, it is unable to control various policies and maintain the same conditions. Each time the Reserve Bank contemplates an action, it faces an entirely new set of conditions. The economic, social, technological, and political impacts are different.

To apply past experience effectively, one must take into account the similarities and the differences between the past and the present. In the simplest experimental setting, an econometrician can repeat an experiment under two predetermined settings of a single stimulus to measure the effect of the change. By holding everything else constant, one isolates a particular effect of interest. The method of ordinary least-squares linear regression is the primary way we try to isolate such variations.

In its commercial applications the same techniques are used as for broader economic models: however, econometricians look to produce a model that mathematically expresses sales (or profit, or margin) in terms of the variables that cause it to change. Having expressed this relationship mathematically, forecasts of future values can be readily developed. The development of this mathematical expression of the relationships also allows us to test the impact on future values when certain variables are increased or decreased.

KPP does not use proprietary software to develop models – there are no “black box solutions” offered. Statistical and mathematical software such as E Views are used for their ability to calculate large amounts of data quickly but models are built interactively, not as an output from any piece of software.

Limitations of Strict Econometric Principles

One pervasive difficulty with classical econometric approaches is that, while they can demonstrate correlations between variables, they cannot generally show causative impacts by one variable upon another, that is, the correlation between variables may be due to a mutual dependence upon a third, unidentified, variable, or a combination of other variables. Hence, the crucial importance of theory in developing a prospective model.

Another difficulty is that, as each pertinent variable is identified and added to a regressive model, the estimated relationships between all the variables already in the model will change. The estimates also change with each new data point added. The changes will be subtle in a well-crafted model, but they will be present, nevertheless.

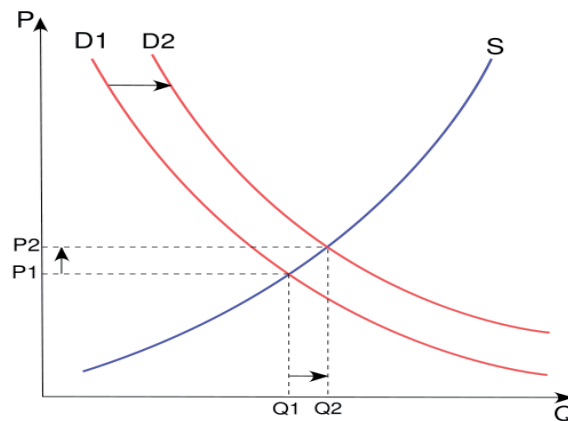
KPP draws upon its wide-ranging and lengthy economics, econometrics, tourism, hospitality, consumer goods marketing and aviation industry experience to quickly eliminate theoretical possibilities that fail the test of common sense.

It also uses that experience uniquely to reduce the ambit of the econometric enquiry.

It is often simple to obtain a workable estimate of the percentage outcome that can be controlled. Once that estimate is obtained, it is possible to focus on the specific impacts of a specific variable on prospective outcomes. The technique is to apply informed reasoning to the mathematics involved.

Appendix II – Supply and Demand Models

How much land can be released before demand declines? The following graph shows the classic result of the impacts of an increase in demand. However, if supply is “fast tracked” investors will require an understanding of the market-clearing equilibrium point at which demand falls and with that prices decline.



The theory of supply and demand describes how prices vary as a result of a balance between product availability at each price (supply) and the desires of those with purchasing power at each price (demand). The graph depicts an increase in demand from D1 to D2 along with the consequent increase in price and quantity required to reach a new market-clearing equilibrium point on the supply curve (S). However, if there is an oversupply (or sudden supply) demand may reverse and a lower market-clearing equilibrium reached

Appendix III – Stakeholder Interviews & Key Findings

Interviews were held with the following industry stakeholders during August 2006.

Cable Beach Club Resort	Kimberley Klub
Mercure Inn	Last Resort
Broome Motel	Cable Beach Backpackers
Ocean Lodge	Roebuck Bay Backpackers
Bayside Apartments	Broome Real Estate
Roebuck Bay Hotel	Hutchinson Real Estate
Tropicana Inn	PRD Nationwide
Bali Hai Resort	Colin Wilkinson Developments
Moonlight Bay Apartments	H&M Construction
Blue Seas Resort	Eco Constructions
Seashells Resort	Qantas
Frangipani Resort	Skywest Airlines
Shiba Lane Apartments	Broome International Airport
Courthouse B&B	Broome & the Kimberley Holidays
Old Broome Guest House	Great Aussie / Skywest Holidays
The Bungalow	Best of the Kimberley
Temple Tree B&B	Broome Visitor Centre
Broometown B&B	Shire of Broome
Coco Eco	Port of Broome
Cable Beach Caravan Park	Kimberley Development Commission
Roebuck Bay Caravan Park	Australia's North West Tourism
Broome Caravan Park	Eagle & Partners
Tarangau Caravan Park	Dept for Planning & Infrastructure
Habitat Resort	Tourism WA, Kimberley Regional Manager
Vacation Village	

The key findings from these interviews have been summarised as follows.

Accommodation Category: Luxury Hotels

The purpose of the interviews were to establish the following

- The occupancies and average rates over the last 5 years of operation.
- The rate increases over the last 5 years.
- The number of enquiries turned away during high season.
- Key marketing activities.
- Geographic source of business.
- Type of accommodation Broome requires for the future and
- Plans for growth.

Occupancy levels over the last 5 years have increased from 20% to 42% over the low season (November – March) and from 53% to 80% over the high season April – October. During the period June to September these Luxury Hotels are operating at 93% to 98% occupancy.

Over the same period the room rates have increased by 3% to 5% over the low season and 10% to 12% over the high season.

The number of bookings and enquires turned away due to the unavailability of accommodation between June and September ranges from 10 to 45 per day and reflects the demand for accommodation over this period.

Marketing covers a wide range of activities including advertising, sales coverage, e-marketing promotions, websites, trade/road show attendance, wholesaler brochure participation and membership of tourism organisations. Direct business generates between 50% to 55% and online reservations account for 5% to 7% of all bookings.

Geographically the business originates from WA 45 to 50%, NSW 16 to 20%, VIC 22 to 28%, SA/NT/QLD 3 to 5% and International around 5%.

Interviews suggested that the following types of accommodation are required in Broome:

1 X 3 Star budget Hotel with 100 rooms

1 X 5 Star International Hotel with Room Service, Conference facilities, Food & Beverage with 260 to 280 rooms

1 X Staff Budget Standard Hotel with 85 rooms

2 X Eco Hotels to accommodate visitors to the north and South of Broome. Each Hotel should have approximately 30 tents which can be removed over the low season.

The Hawaiian Group is planning a 3 to 4 star property off Millington Road.

Mercure plan to add 70 rooms to the existing property. Building starts in October 2006 and is due for completion in early 2008. The development will also include 20 staff rooms. This will increase the number of rooms to 136.

Accommodation Category: Standard Hotels

The purpose of the interviews was to establish the following

- The occupancies and average rates over the last 5 years of operation.
- The rate increases over the last 5 years.
- The number of enquiries turned away during high season.
- Key marketing activities.
- Geographic source of business.
- Type of accommodation Broome requires for the future and
- Plans for growth.

Occupancy levels over the last 5 years range between 40% to 55% during the low season (November – March) and 75% to 98% over the high season (April – October). Tropicana has been undergoing a number of changes and overall occupancy levels have been poor, with the exception of June through September.

Room rates have increased by between 5% and 9% per year. In 2005/2006 room rates increased by between 12% and 18%.

On average these Hotels are turning away between 20 to 25 enquiries/bookings per day from June to September.

Marketing activities are very limited and are primarily targeted at wholesaler programs, websites and Broome Visitor Centre. The majority of business is direct or via repeat customers which account for 75% to 80% of the business.

Geographically the business originates from WA 46% to 65%, NSW 12% to 15%, VIC 9% to 15%, SA/QLD/NT 3% to 7% and international 4% to 10%. WA is the predominant market.

The type of accommodation required is as follows:

1 X 4.5 to 5 star fully integrated Hotel with 300 rooms

1 x 3 Star budget Standard Hotel with 125 rooms

2 x Eco/safari camps with 25 tents maximum.

A major development is planned at the Tropicana and is due to start in January which consists of:

Stage 1

85 - 1 and 2 Bedroom apartments Strata (Self Contained) Restaurant Bar, Reception area, Tour desk and 2 pools. Stage 1 is due to be completed by May 2008.

Stage 2

This stage will consist of 100 to 120 studio rooms. Building will commence in May 2008.

The new name of the property will be Ramada Broome Hotel under franchise (Name and marketing only).

Accommodation Category: Self Contained Apartments

The purpose of the interviews was to establish the following

- The occupancies and average rates over the last 5 years of operation.
- The rate increases over the last 5 years.
- The number of enquiries turned away during high season.
- Key marketing activities.
- Geographic source of business.
- Type of accommodation Broome requires for the future and
- Plans for growth.

Occupancies over the low season (November to March) range from 40% to 52% and during the high season (April to October) are between 70% to 99%. During June to September occupancies are 95% to 99%.

Average rates fluctuate over the low season between \$115 to \$130 and from \$185 to \$240 in the high season.

Competition in this category is strong and therefore rates have increased by between 3% to 5% over the low season and 5% to 8% during the high season.

The number of enquiries/bookings turned away over the high season ranges from 8 to 30 per day.

The marketing activity is limited and these Apartments rely on direct business, repeat customers, website bookings, BVC and wholesale programs.

Geographically the business originates from WA 45% to 64%, VIC 14% to 16%, NSW 12% to 18%, SA/QLD/NT 3% to 5% and international 4% to 5%.

Interview respondents believe the type of accommodation required is as follows:

1 X 4 Star Hotel with full facilities and services, particularly conference and meeting facilities and a Kids Club

1 X Caravan Park

1 X 3.5 Budget Standard Hotel with 120 rooms

2 X Eco/Safari Camps on the north and south coasts.

Accommodation Category: Bed and Breakfasts

The purpose of the interviews was to establish the following:

- The occupancies and average rates over the last 5 years of operation.
- The rate increases over the last 5 years.
- The number of enquiries turned away during high season.
- Key marketing activities.
- Geographic source of business.
- Type of accommodation Broome requires for the future and
- Plans for growth.

Overall there are 19 registered Bed and Breakfasts in Broome with 9 opening in the last year.

Occupancies range from 25% to 36% during the low season (November to March) and 72% to 99% over the high season (April to October). During the June to September period bed and breakfast operate at 97% to 99%. Average rates during the year only vary slightly between low and high season. In low season average room rates are \$125 to \$140 and during high season between \$180 and \$220.

Rates have increased by between 10% and 14% for the high season over the last 4 years. In low season Bed and Breakfasts normally reduce rate by \$20 to \$25 per night.

The Bed and Breakfasts turn away between 5 to 8 bookings per day between June and September.

The bed and breakfast rely heavily on repeat guests, website/direct bookings and BVC bookings.

Geographically the business originates from WA 40 to 50%, NSW 11 to 13%, VIC 12 to 15% and International 4 to 5%. Temple Tree has a 40% international market.

From the perspective of interview respondents, the type of accommodation required is as follows:

1 X 3 Star Standard Hotel with 120 rooms

1 X 5 Star deluxe fully integrated Hotel with 160 rooms

2 X Eco/Safari camps north and south of Broome with 15 to 20 tents.

Accommodation Category: Caravan Parks

The purpose of the interviews was to establish the following

- The occupancies and average rates over the last 5 years of operation.
- The rate increases over the last 5 years.
- The number of enquiries turned away during high season.
- Key marketing activities.
- Geographic source of business.
- Type of accommodation Broome requires for the future and
- Plans for growth.

Over the last 5 years the occupancy has remained static and is heavily influenced by the weather conditions in Perth and on the East coast.

Over the low season (November to March) the occupancy ranges between 10 to 12%, In April and May occupancy increases from 30% to 80%. The caravan parks start to fill by the 3rd week of May. In June to September all the parks are full with occupancies between 95% and 100%. The caravan parks in town always fill first followed by Vacation Village, Palm Grove and Broome Caravan Park. In October the parks start to empty and occupancies drop to between 60% and 65%.

Average rates have increased by 8% to 10% per year or \$2 per day per year. The average rate currently is \$180 to \$213.50 per week.

Whilst there are a few drive-ins the majority of visitors looking for a caravan site know that the sites are full between June and September and book space before arriving in Broome. Therefore the parks only turn away 3 to 5 bookings per day.

The majority of business is booked direct and over 50% are repeat customers. Very little business is generated through the BVC. The parks advertise in RAC and camping magazines but this is limited due to the demand for sites. Sites are booked up to a year in advance.

Geographically the business originates from WA 45% to 55%, NSW 12% 14%, VIC 15% to 18%, NT 4% to 6%, SA 5% to 7%.

The type of accommodation required is as follows:

1 X 4.5 to 5 Star Hotel with full facilities and services, 160 to 180 rooms in conjunction with the Safe Boat Harbour.

1 X 4 to 4.5 Star Hotel at Murray Road site with 250 rooms

1 X 3 Star budget Standard Hotel with 150 rooms.

Caravan Park is a priority with 200 sites.

The current situation with caravan parks is deteriorating as Palm Grove is under offer and there is the possibility that Tarangau will also be sold. If both caravan parks are sold the developers are likely to build self contained strata developments. This will reduce the number of sites in Broome by 150 sites.

Accommodation Category: Backpackers

The purpose of the interviews was to establish the following:

- The occupancy and average rates over the last 5 years of operation.
- The rate increases over the last 5 years.
- The number of enquiries turned away during high season.
- Key marketing activities.
- Geographical source of business.
- Type of accommodation Broome requires for the future
- Plans for growth.

Occupancy levels over the last 2 years have achieved 25% to 55% over the low season (November - March) 65% to 80% over the shoulder season (April, May and October) and 90% to 100% over the high season (June to September)

Over the same period the average rates have increased by 5% to 7% or \$1-1.5 per year over the low (November to March) and high (April to October)

The number of bookings and enquiries turned away between June and September range from 3 to 18 per day and reflects the demand over this period.

The marketing activities are limited to websites, Broome Visitor Centre, Backpacker associations and brochure distribution. Word of mouth and repeat customers represents 60 to 70% of total business.

Geographically the largest market is International (Germany, UK and Japan) which ranges from a low of 28% to a high of 92%. This is followed by WA at 35% to 40% and the East Coast at 23% to 28%.

With the conversion of The Mangrove Resort to a backpackers and the opening of Beaches in May 2007, no further backpacker accommodation is required.

There are no development plans at any of the existing Backpackers.

Real Estate Agents

The purpose of the interviews was to establish the following:

- Identify land prices and residential prices over the last 5 year and next 5 years.
- Determine what has influenced the demand on residential and rental properties.
- What type of accommodation is required in Broome.

Over the last 5 years land prices have increased from \$55,000 to 150,000 per block in Broome; Cable Beach has increased from \$58,000 to \$180,000; and Roebuck from \$52,000 to \$150,000.

Residential house prices have increased from \$175,000 to \$415,000 (median price) in Broome. Cable Beach from \$215,000 to \$420,000 and Roebuck from \$220,000 to \$425,000. In 2005/2006 house prices have increased by 30%.

Housing and land prices are expected to increase by 20% over the next 12 months followed by a 6% to 8% increase per year over the next 5 years.

Currently there are only 5 rental properties available in Broome and this is due to the demand from gas exploration companies, the hospital development and the Broome Power Station. The demand for rentals and residential properties is expected to continue for the next 18 months.

Agents suggest that the type of accommodation required is as follows:

1 X 5 Star fully integrated Hotel with 450 to 500 rooms, conference facilities, Food and Beverage and beach lagoon pool

1 X 3 Star budget Hotel with 120 rooms

2 to 3 Eco/Safari camps with 30 tents each on the north and south coast.

1 X Staff Village with 100 rooms/1 bedroom apartments for skilled workers moving to Broome. This is strongly supported by the Hotels.

With Frangipani Hotel, Pinctada and The Perle there is no need for additional self contained/Strata accommodation.

Plans are being discussed for a staff village in the Blue Haze area.

Builders

The purpose of the interviews was to establish the following:

- Determine current developments in Broome.
- The cost of skilled building workers.
- The cost of building a residential or accommodation development

The current accommodation developments currently under development or out for tender are Beaches, The Frangipani Hotel and The Perle. The Beaches is a Standard Hotel/up market backpacker, Frangipani and The Perle are both strata developments. Pinctada, Peter Taylor development and Oryx Drive Development are all in the planning stage, but due to start construction in the next 6 months.

The cost of skilled building workers has escalated. For example: a roofer was being paid \$8 per metre in 2003 and is now being paid \$14 per metre. Carpenters were being paid \$35 per hour in 2003/04 and are now being paid \$50 per hour.

Building prices per sq metre have increase from \$1,000 per sq metre in 2001 to \$1,800 to \$2,000 per sq metre today. The cost is reduced by 10% to 15% subject to the size of the development.

Skilled workers are extremely difficult to find and therefore there is movement between the builders. Staff movement is driven by dollars.

Eco Construction is planning to start construction on Eco Beach which is an Eco Hotel in late 2006 early 2007. The initial development is 20 tents with 20 additional tents added each year depending upon demand. The Hotel total development is 80 tents.

The advantage of these Eco Tents is their minimal footprint and ability to be packed away and stored or moved to another location in low season.

Appendix IV – Developments under construction or with development approvals

Tourism Developments that are currently under construction or have received planning approval are as follows:

Property Name	Accommodation Type	No. of rooms	Year on stream
Beaches Hotel is located on Sanctuary Drive in Cable Beach – Colin Wilkinson Developments.	Backpackers	42	2007
The Frangipani Hotel is located on the corner of Millington Road and Lullfitz in Cable Beach – Rapley Wilkinson Developments	Self contained	62	2006
The Perle is located on Millington Road in Cable Beach – H&M Construction.	Self contained	35	2006
Pinctada Hotel is located on Murray Road in Cable Beach – H&M Construction	Self contained	72	2008
Lot 2230 (No Name) in located on Cable Beach Road next to Divers Tavern.	Self contained	48	2008
Peter Taylor development located adjacent to Shiba apartments.	Self contained	22	2006-08
Rendezvous Sanctuary stages 2 and 3	Apartment Hotel	80	2008
Seashells Hotel	Self contained	26	2008
Ramada	Apartment Hotel	205	2007-10
Mercure	Luxury Hotel	70	2008
Eco Beach	Standard Hotels	80	2010

Appendix V – Accommodation Demand Calculations

Luxury Hotels

Demand has been calculated as follows:

Estimated visitors Luxury Hotel 2012 = 72690 = 205,762 room nights

Estimated Visitors Apartment Hotels 2012 = 60450 = 145,080 room nights

Add unmet demand = 310,729 room nights required

Total inventory required Luxury Hotels = 602 rooms; Apartment Hotels = 397 = 999 rooms

Known inventory 2012 = 271,560 = 744 rooms

Required inventory = 999 – 744 = 255 rooms required

Standard Hotels

Demand has been calculated based on forecast guest numbers had inventory not been withdrawn.

Estimated Room Night Requirements are based on an average stay of 3.14 nights with average of 1.95 per room.
(47,503 visitors = 149,159 room nights)

Unmet demand is based on historical trends and is estimated at 23,513 room nights in 2012.

Therefore, 149,159+23513 =172,672 room night demand (473 rooms)

Known inventory in 2012 is 181 rooms therefore there is forecast demand of 292 additional rooms.

Total Inventory is based on known developments until 2012 as detailed in the body of the report (66,065 room nights)

Inventory required to meet demand is based on average annual occupancy 62% - 63%

Appendix VI – Model Descriptions

Broome International Airport Passenger Numbers

Length 79
Minimum 8754.000
Maximum 37964.000
Mean 19569.987
Standard deviation 7001.463

Classical decomposition (multiplicative)
Trend: 35.55% Seasonal: 58.12% Irregular: 6.33%³

Exponential smoothing outperformed Box-Jenkins by 1211.810 to 3279.882 out-of-sample Mean Absolute Deviation. 78 forecasts were tested up to a maximum horizon 12.

Model: Exponential Smoothing
Exponential smoothing: No trend, Multiplicative seasonality
Confidence limits proportional to indexes.

Component	Smoothing Weight	Final Value
Level	0.38975	25367
Seasonal	0.63031	

Seasonal Indexes

January - March	0.73265	0.58118	0.78944
April - June	1.04070	1.16512	1.26229
July - September	1.49022	1.38330	1.25679
October - December	1.16554	0.82862	0.77679

Within-Sample Statistics

Sample size 79
Mean 19569.987
Standard deviation 7001
R-square 0.9128
Adjusted R-square 0.9117
Durbin-Watson 2.058
Ljung-Box(18)=24.17 P=0.8506
Forecast error 2080
BIC 2171
MAPE 0.0805
RMSE 2054
MAD 1419

Visitor Numbers

Length 48
Minimum 5984.250
Maximum 17461.438
Mean 11755.194
Standard deviation 3950.695

Classical decomposition (multiplicative)
Trend: 3.91% Seasonal: 93.75% Irregular: 2.34%

Exponential smoothing outperformed Box-Jenkins by 407.868 to 895.755 out-of-sample Mean Absolute Deviation. 21 forecasts were tested up to a maximum horizon 6.

Model: Multiplicative Winters: Linear trend, Multiplicative seasonality.
Confidence limits proportional to indexes.

Component	Smoothing Weight	Final Value
Level	0.07176	13419
Trend	0.41915	140.66
Seasonal	0.88298	

Seasonal Indexes

January - March	0.66957	0.66325	0.85705
April - June	1.38966	1.37138	1.35313
July - September	1.33517	1.31064	1.29421
October - December	1.32045	0.58630	0.58110

Within-Sample Statistics

Sample size 48
Mean 11755.194
Standard deviation 3951
R-square 0.979
Adjusted R-square 0.978
Durbin-Watson 1.926
Ljung-Box(18)=6.804 P=0.008322
Forecast error 585.4
BIC 639.7
MAPE 0.03508
RMSE 566.8
MAD 308.3

Room Numbers/Demand

Length 48

Minimum 79052.914

Maximum 83207.586

Mean 80453.166

Standard deviation 1654.022

Classical decomposition (multiplicative)

Trend: 91.22% Seasonal: 3.38% Irregular: 5.40%

Box-Jenkins outperformed exponential smoothing by 0.000 to 157.696 out-of-sample Mean Absolute Deviation. 21 forecasts were tested up to a maximum horizon 6.

Model: Box-Jenkins

Forecast Model ARIMA(0,1,0)*(0,1,0)

Within-Sample Statistics

Sample size 48

Mean 80453.166

Standard deviation 1654

R-square 0.9554

Adjusted R-square 0.9564

Durbin-Watson 2

Ljung-Box(18)=1.311 P=3.424e-008

Forecast error 345.5

BIC 345.5

MAPE 0.0006814

RMSE 345.5

MAD 56.42

Luxury Hotel Visitor Estimate Model

Length 48
Minimum 2032.317
Maximum 4865.200
Mean 3727.593
Standard deviation 1223.293

Classical decomposition (multiplicative)
Trend: 1.34% Seasonal: 96.49% Irregular: 2.17%

Box-Jenkins outperformed exponential smoothing by 53.559 to 90.227 out-of-sample Mean Absolute Deviation. 21 forecasts were tested up to a maximum horizon 6.

Data is nonstationary and seasonal.

Model: Box-Jenkins
Forecast Model: ARIMA(1,0,0)*(1,1,0)

Term	Coefficient	Std	Error	t-Statistic
a[1]	0.9869	0.0327	30.2148	1.0000
A[12]	-0.9612	0.0376	-25.5950	1.0000

Within-Sample Statistics

Sample size 48
Mean 3728
Standard deviation 1223
R-square 0.9931
Adjusted R-square 0.9929
Durbin-Watson 1.99
Ljung-Box(18)=28.34 P=0.943
Forecast error 102.9
BIC 109.1
MAPE 0.01058
RMSE 100.7
MAD 34.17

Standard Hotel Visitor Estimate Model

Length 48
Minimum 1354.196
Maximum 3903.010
Mean 2815.537
Standard deviation 1021.274

Classical decomposition (multiplicative)
Trend: 1.46% Seasonal: 98.40% Irregular: 0.14%

Exponential smoothing outperformed Box-Jenkins by 97.978 to 181.995 out-of-sample Mean Absolute Deviation. 21 forecasts were tested up to a maximum horizon 6.

Data is trended and seasonal.

Model: Exponential Smoothing
Forecast Model: Multiplicative Winters: Linear trend, Multiplicative seasonality
Confidence limits proportional to indexes

Component	Smoothing Weight	Final Value
Level	0.13440	2980.6
Trend	0.36271	10.907
Seasonal	0.74128	

Seasonal Indexes

January - March	0.56503	0.56230	1.43879
April - June	1.41688	1.39475	1.37351
July - September	1.35397	1.33666	1.32193
October - December	1.30999	0.50611	0.50810

Within-Sample Statistics

Sample size 48
Mean 2816
Standard deviation 1021
R-square 0.9916
Adjusted R-square 0.9912
Forecast error 95.86
BIC 104.7
MAPE 0.02016
RMSE 92.81
MAD 49.05

Self-Contained Apartment Visitor Estimate Model

Length 48
Minimum 2319.196
Maximum 8178.787
Mean 4835.254
Standard deviation 1810.429

Classical decomposition (multiplicative)
Trend: 7.03% Seasonal: 85.52% Irregular: 7.45%

Exponential smoothing outperformed Box-Jenkins by 263.676 to 921.809 out-of-sample Mean Absolute Deviation. 21 forecasts were tested up to a maximum horizon 6.

Data is trended and seasonal.

Model: Exponential Smoothing
Forecast Model: Exponential smoothing: No trend, Multiplicative seasonality
Confidence limits proportional to indexes

Component	Smoothing Weight	Final Value
Level	0.33308	5598.6
Seasonal	0.97365	

Seasonal Indexes

January - March	0.73460	0.69053	0.65727
April - June	1.36666	1.33992	1.32610
July - September	1.32071	1.32039	1.32186
October - December	1.39517	0.61516	0.62430

Within-Sample Statistics

Sample size 48
Mean 4835
Standard deviation 1810
R-square 0.921
Adjusted R-square 0.9193
Durbin-Watson 1.935
Ljung-Box(18)=3.588 P=0.0001071
Forecast error 514.4
BIC 545.9
MAPE 0.08114
RMSE 503.6
MAD 301.2

Camping, Caravan & Cabin Visitor Estimate Model

Length 48
Minimum 1177.309
Maximum 6328.616
Mean 4149.582
Standard deviation 2439.442

Classical decomposition (multiplicative)

Trend: 0.03% Seasonal: 99.76% Irregular: 0.21%

Box-Jenkins outperformed exponential smoothing by 44.524 to 126.714 out-of-sample Mean Absolute Deviation. 21 forecasts were tested up to a maximum horizon 6.

Model: Box-Jenkins

Forecast Model: ARIMA(0,1,0)*(1,1,0)

Term	Coefficient	Std. Error	t-Statistic	Significance
A[12]	-1.0000	0.0238	-42.0898	1.0000

Within-Sample Statistics

Sample size 48
Mean 4150
Standard deviation 2439
Adjusted R-square 0.9999
Durbin-Watson 2
Ljung-Box(18)=17.66 P=0.5217
Forecast error 19.87
BIC 20.48
MAPE 0.00237
RMSE 19.67
MAD 5.029



Landbank
Building WA's Tourism Future

Landbank aims to get the right developer
with the right development philosophy
to invest in tourism accommodation in WA

Tourism Western Australia
Level 9
2 Mill Street
PERTH WA 6000
GPO Box X2261
PERTH WA 6847
info@westernaustralia.com

Tel: 08 9262 1700
Fax: 08 9262 1702

westernaustralia.com

