

16.0 TRADING COMPETITION

As detailed previously, the subject property is located in a prominent position a short distance to the south of the Bunbury central business district. A significant number of competing motel developments are located within the surrounding precinct; the majority of which have focussed their operations around the corporate sector. Primary competition includes the following:

- The Bunbury Motel. A slightly older, yet partially refurbished motel development, situated a short distance east from the subject fronting the major traffic route of Forrest Road.
- The Clifton Motel. This property is a comparably sized two level hotel situated immediately west from the Bunbury central business district.
- The Welcome Inn. A partially refurbished motel development situated north west from the subject fronting Ocean Drive. This property commands quality ocean views and is well located.
- *Note* The Admiral Motel is a smaller, inferior motel development that caters to the corporate market. The property is located on the primary traffic route of Spencer Street, a short distance south from the Central Business District.
- Fawly Towers. A smaller motel development, located a short distance south west from the subject, also fronting Ocean Drive and commanding a quality ocean aspect. This development specialises in the corporate accommodation sector.

In addition to the above we note the existence of a significant number of hotel style accommodation developments located within the Bunbury central retail precinct. Accommodation within these developments is generally of an inferior standard and not the primary focus of the operations. Additional competition could be forthcoming from the Lord Forrest, which is a substantial, multi level hotel development located in a prominent position in the centre of Bunbury. Additional, high end competition could be seen from the recently completed "Mantra Silos" development on the Marlston foreshore or the Quest Apartments located adjacent to Koombana Bay. Accommodation is also provided at The Sanctuary Golf Course Resort, located between the Bunbury, Eaton and Australind town sites.

17.0 GENERAL COMMENTS

The subject property is located in a prominent position, fronting the significant traffic route of Ocean Drive/Marlston Drive, a short distance west from the Bunbury Central Business District. In addition, Ocean Drive comprises a significant traffic route to the Bunbury urban precinct and as such, the property commands prominent exposure to high volumes of traffic. The property is improved with a substantial accommodation development that is presently operated as the Lighthouse Beach Resort. The property is well located, directly opposite the coastal reserve and commanding a quality ocean aspect over the Bunbury Back Beach. The natural elevation of the landholding also facilitates expansive views to the north and east, incorporating the Bunbury Harbour facility, Central Business District and adjoining playing fields. The site is readily accessible from Ocean Drive, however additional access is provided to the main entrance that fronts Carey Street in the south and via Fraser Street in the north.

*At same rate as Admiral (inferior) motel
Lighthouse has 70 rooms @ \$145,814/room = \$10,206,000
+ Nightclub, ballroom, function rooms
+ excess land - engh for another 100 rooms !!*

VALUATION REPORT FOR BANKWEST

LIGHTHOUSE BEACH RESORT - LOT 366 CAREY STREET, 2 CAREY STREET & 1 FRASER STREET,
BUNBURY WA 6230

In addition to the sales evidence detailed above however, we are aware of the recent sale of the Albert Facey Motel in Narrogin for \$1,400,000 in February 2009. This property comprises a significantly smaller motel development, situated on a 6,414 square metre land holding and located within the small inland town of Narrogin. This development is not considered comparable to the subject by virtue of its size, location and underlying land value, however does provide evidence that some demand still exists for motel property in regional Western Australia.

Furthermore, we are also aware of the sale of Drakesbrook Motel and Restaurant in the small south western town site of Waroona. This property transacted in late November 2008 for \$3,400,000 and comprises a significantly smaller motel development of 16 rooms, plus a 100 seat licensed restaurant and drive-through bottle shop. The development is located on a substantial land holding of 2.19 hectares and as such, incorporates a considerable excess land component. As above, this property is not considered directly comparable to the subject, however provides additional evidence of a recent motel sale.

The most recent transaction of a motel development within the surrounding precinct is the sale of the Admiral Motel development, situated a short distance south east from the subject, fronting the primary feeder road of Spencer Street. This is a significantly smaller development, incorporating 43 accommodation suites, plus a 2 level amenities building including a restaurant, function centre, conference rooms, bar, reception and administration. The accommodation is considered superior to that provided at the subject, however the amenities and location are considered significantly inferior in comparison. The property was trading profitably at the time of sale, however there was considered some potential for improved trading performance. The transaction reflects a rate of \$145,814 per room overall and a lower rate per room is considered appropriate for the subject development.

Admiral \$145,814/room

Also of relevance is the sale of the Collie Ridge Motel for \$7,300,000 Walk In Walk Out in July 2009. We reiterate that this transaction is yet to settle, however is reportedly under contract. Built in 2007, this is a modern development, comprising 53 motel rooms, a licensed restaurant and function rooms, fronting a primary traffic route. The motel is located in close proximity to a number of major infrastructure projects and as such, is heavily reliant on corporate trade. The sale price reflects a rate of \$137,736 per room overall, inclusive of restaurant and function trade. Whilst these units are newer and superior to the subject, the subject development commands a higher underlying land value and incorporates superior amenities. This development was also considered highly profitable at the time of sale. On this basis, a marginally lower rate per room could be considered applicable the subject property.

The recent sale of the Bentley Motor Inn comprises a metropolitan development of 46 rooms, situated in a prominent, corner position, fronting a major route into the Perth CBD. The development is of a comparable era of construction to the subject and has been acquired for continued operation as a functioning motel operation. The sale price of \$5,300,000 in March 2010, reflects a rate of \$115,217 per room for a property that is in a clearly inferior position, with inferior ancillary improvements. A higher rate per room is considered appropriate for the subject.

Considered to provide some degree of comparison to the subject is the sale of the Bridgetown Motel and Nelson's Restaurant. This property comprises 6,402 square metres of land, improved with a 41 room motel development, plus a licensed restaurant. In comparison to the subject, this property is smaller and was reportedly trading profitably at the time of sale. This transaction reflects a rate of approximately \$81,707 per room. We note however that the Bridgetown location commands a significantly lower land value and as such, a higher rate per room is likely to be applicable to the subject development.