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FOR IMMEDIATE RELEASE — 20 February 2008

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Strong outlook for Melbourne accommodation sector

Sydney, NSW (20 February 2008)

The Melbourne accommodation sector is poised for some of its best years for close on two decades.

Speaking at the annual CB Richard Ellis Market Outlook function in Melbourne today, the firm's Executive Director of Research for the Pacific Region, Kevin Stanley, said the accommodation sector was well positioned, despite a spike in new construction.

Melbourne's occupancy rates were high - often exceeding 80 per cent - and average room rates were growing at six to nine per cent per annum

At the same time, demand for hotel rooms was continuing to grow strongly and a further boost should be provided by new airlines such as budget carrier Tiger Airways, which now had Tullamarine as its national base, and by the introduction of a regular Qantas Airbus 380 service to Melbourne later this year.

The Victorian Government was also doing a good job at stimulating the demand-side of the tourist accommodation sector, Mr Stanley said. Initiatives included the development of the new Convention Centre, which already had bookings for over \$300 million worth of conventions.

While Melbourne is leading the country in new hotel building, Mr Stanley said the quality and location of the city's new hotels should see them easily absorbed into the market.

"All the key hotel performance indicators are looking good," Mr Stanley said.

"Overall, we think the accommodation sector is set for some of its best years for close on two decades."

On the investment front, CBRE Hotels Director Scott Callow said purchaser demand was consistently strong, with few opportunities.

"Yield remains the key factor with buyers seeking 7% to 8% returns," Mr Callow said.

Buyers were also continuing to chase opportunities in the Melbourne pubs market.

Stand out sales last year included The Prince Alfred in Richmond for \$8.1 million, The Gunn Island Hotel, Middle Park at \$8.55 million, The Palace Hotel, South Melbourne at \$3.7 million and The Yarra Glen Grand Hotel at \$3.65 million.

While smoking was banned from licensed premises in 2007, Mr Callow said early results suggested that venues which had prepared for the ban through the creation of designated smoking areas had performed far better than those which did not.

“In terms of market segments, quality food and beverage hotels have not suffered, neither have gaming venues, with the old style public bars being the only potential casualty.

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