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Strong outlook for Brisbane hotel market

Brisbane, QLD (8 May 2008)

The Brisbane hotel market is poised for strong growth with room rates to rise by as much as 10% in 2008 and 2009, according to new forecasts from CB Richard Ellis.

Speaking at CBRE's annual Mortgage Industry Forum in Brisbane, CBRE Hotels Director Baden Mulcahy said the strong forecasts for the Brisbane accommodation sector made it a "bright light" given the uncertainty facing some sectors of the property investment market.

Even factoring in an easing in hotel investment yields as a result of the current credit squeeze, Mr Mulcahy predicted that hotel values would continue to rise.

Income growth would be the driver, fuelled by average daily room rate growth of 6-10% in 2008 and 2009.

"The hotel market should provide a good value hedge against any potential yield slide in the property industry," Mr Mulcahy said.

Lack of supply would be one of the major drivers of the hotel market – both in Brisbane and nationally.

"In the hotel sector we're in a severe supply squeeze in many CBD markets throughout Australia, and particularly in Brisbane," Mr Mulcahy said.

"Given this squeeze and the assumed maintenance of relatively strong demand fundamentals, we see occupancies continuing at their historically high levels in the high 70 to low 80% range. Under this scenario we see room rates continuing to show strong growth over the short term. "

8 May 2008

Mr Mulcahy said hotel financiers faced some potential risks – the main being an economic slow down that would affect demand.

However, the risk of this was relatively low, with demand in Brisbane having grown in each consecutive year since 1990.

The second potential risk was a supply surge.

“There is no doubt that we expect to see some new hotel development in the future, however, any significant new hotel supply is not anticipated to come on line until late 2009,” Mr Mulcahy said.

“The strong barriers to entry that have created the supply squeeze are also likely to remain and the current credit squeeze may actually reduce the risk of a supply surge as the hurdles for development funding tighten. ”

#### About CB Richard Ellis

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