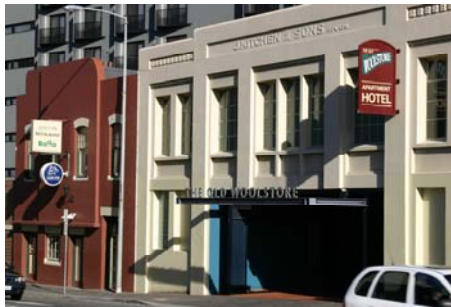


## CASE STUDY

### THE OLD WOOLSTORE APARTMENT HOTEL, HOBART

Upon completion in 2001, The Old Woolstore Apartment Hotel was Australia's largest serviced apartment hotel. Comprising 242 hotel rooms, studio, one & two bedroom apartments, it was completed in 2 stages with Stage 1 in 1997 and the addition of 124 apartments completing Stage 2 in 2001. This is a multi award winning hotel, most recently taking out the prestigious Qantas Australian Tourism Awards in 2008 for best deluxe accommodation in the 4-4.5 star category.



This large apartment hotel has four distinguishing characteristics:

- It is in a small market (Hobart).
- It is run independently rather than by a chain.
- It is outstandingly profitable.
- It was until recently held by a single owner (the apartments remain strata title).

The Old Woolstore hotel is the conversion of an old wool store in a good but not great location in Hobart behind the historical market leader, The Sheraton with its waterfront address.

This thinly capitalised development has gone on to achieve a capital profit, enabling the original investor and developer (Mr Don Neil) to fully repay the major equity partner (CBus) and take over 100% ownership with substantial equity. Occupancy, profit per room and return on investment substantially exceed industry standards.

Dransfield's primary role was to assess the investment from the position of the debt providers and equity partner, CBus. CBus decided to get actively involved in asset management and introduced Dransfield to the project in 2001 on completion of Stage 2. Over 3 years, Dransfield provided to an independent operator many of the tools that would have been available had they joined a multi national chain. This included creating a business planning process with measurable and identifiable objectives across all of the business disciplines including marketing, administration, finance and asset maintenance.

Dransfield restructured the management agreement with the General Manager from one which would have frustrated the asset sale to a market friendly arrangement where both parties' interests were taken into account.

Through a combination of working with the joint venture owners and the general manager, net profit increased from 24% of revenue in 2001 to 35% in 2004/2005. This enabled an increase in asset value of over 70% and the retirement of the debt and equity introduced by the

financing party despite the project originally being 95% geared.

Dransfield provided a range of services for The Old Woolstore including:

- **Asset Management.**
- **Advisory** on the refurbishment of Stages 1 and 2.
- Developing the first formal **Operations** and marketing plans for the hotel.
- Preparation of detailed budgets and long term forecasts.
- Detailed analysis and interpretation of monthly operations.
- Considered the **sale** of the building under strata title scheme.
- **Restructured** the management agreement into a lease.

Since refinancing the original Developer has retained Dransfield to consider alternative asset strategies.



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