



Horwath HTL

Hotel, Tourism and Leisure

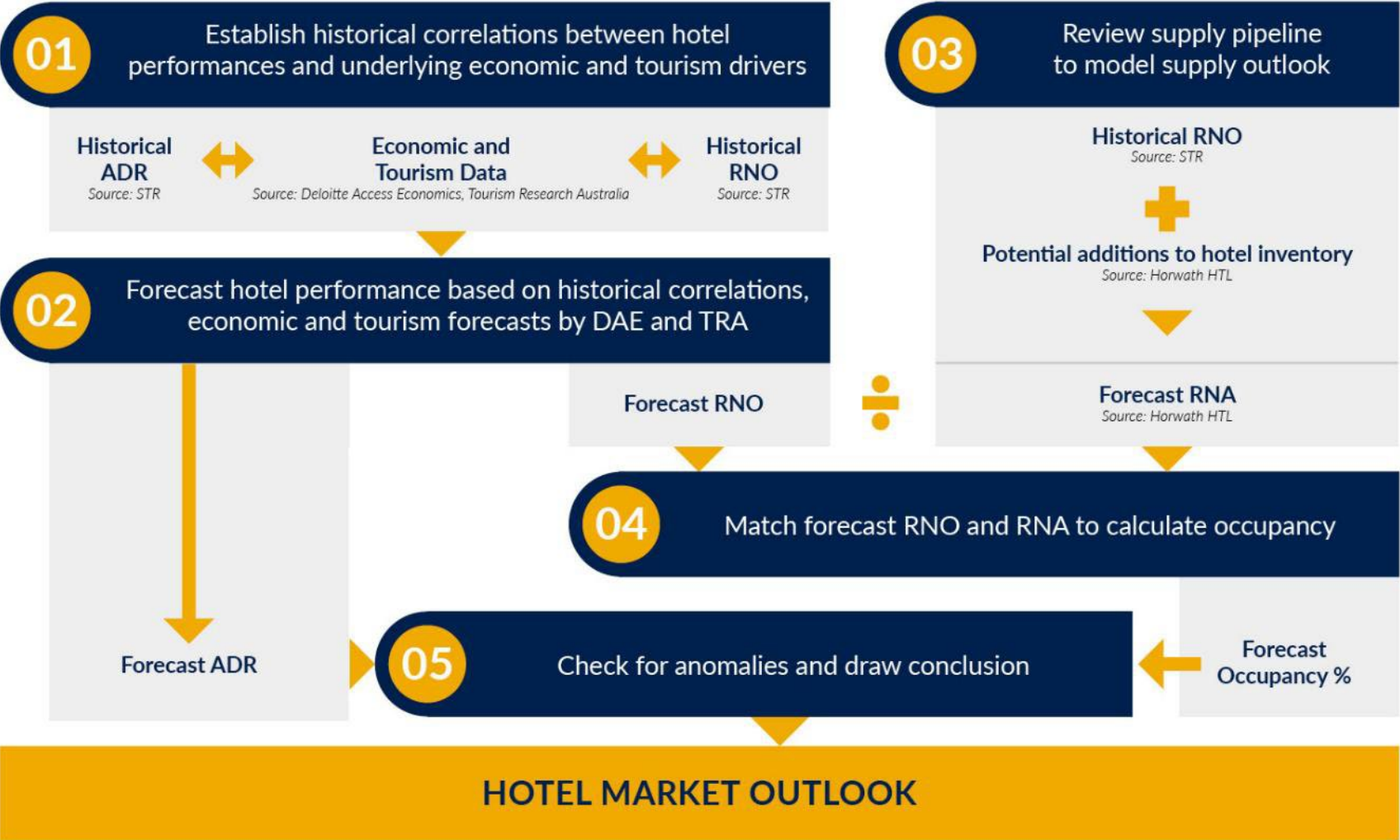
Australia

Capital City & Key Markets
Hotel Market Outlook & Insights

June QTR 2024 Edition

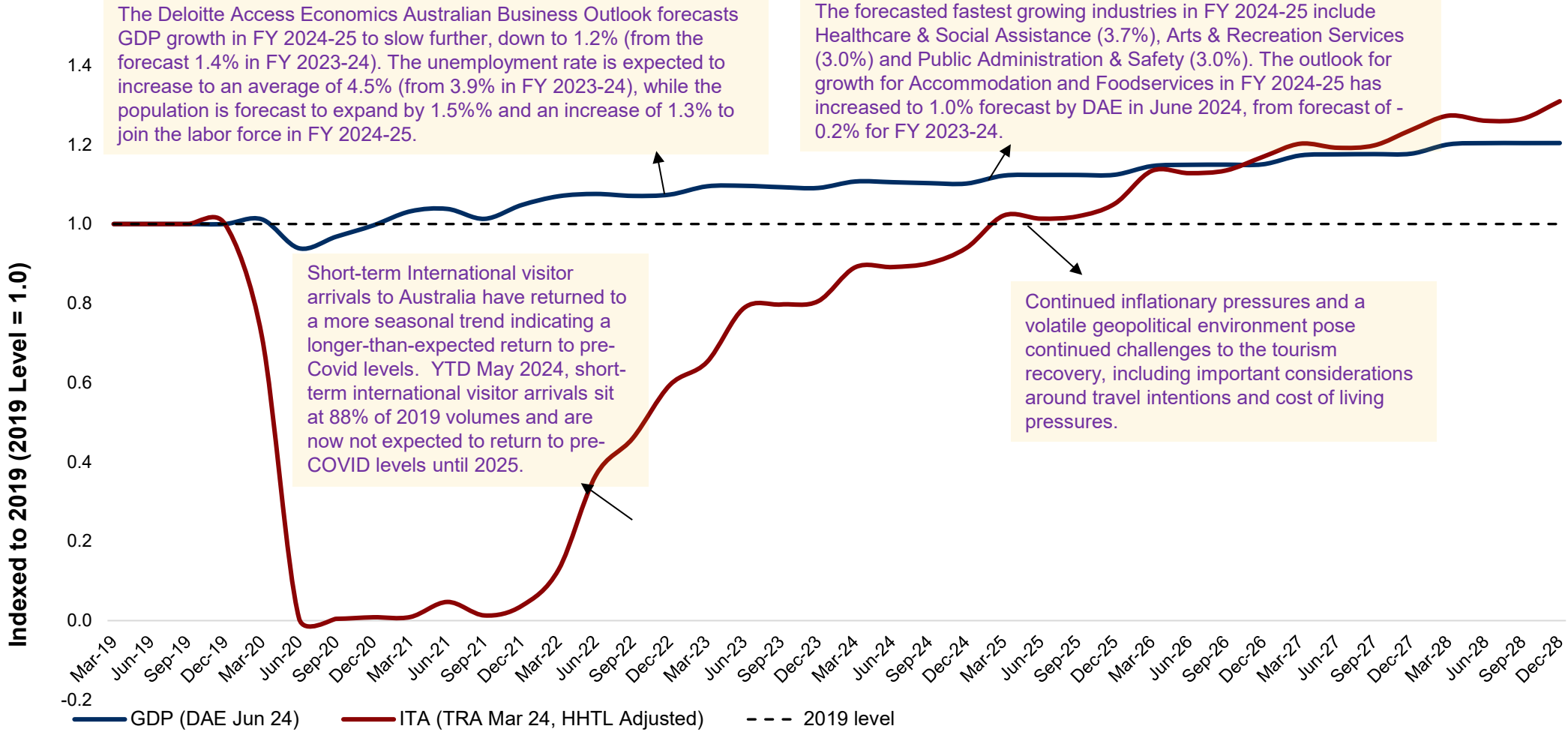
Hotel Market Outlook

Horwath HTL Methodology



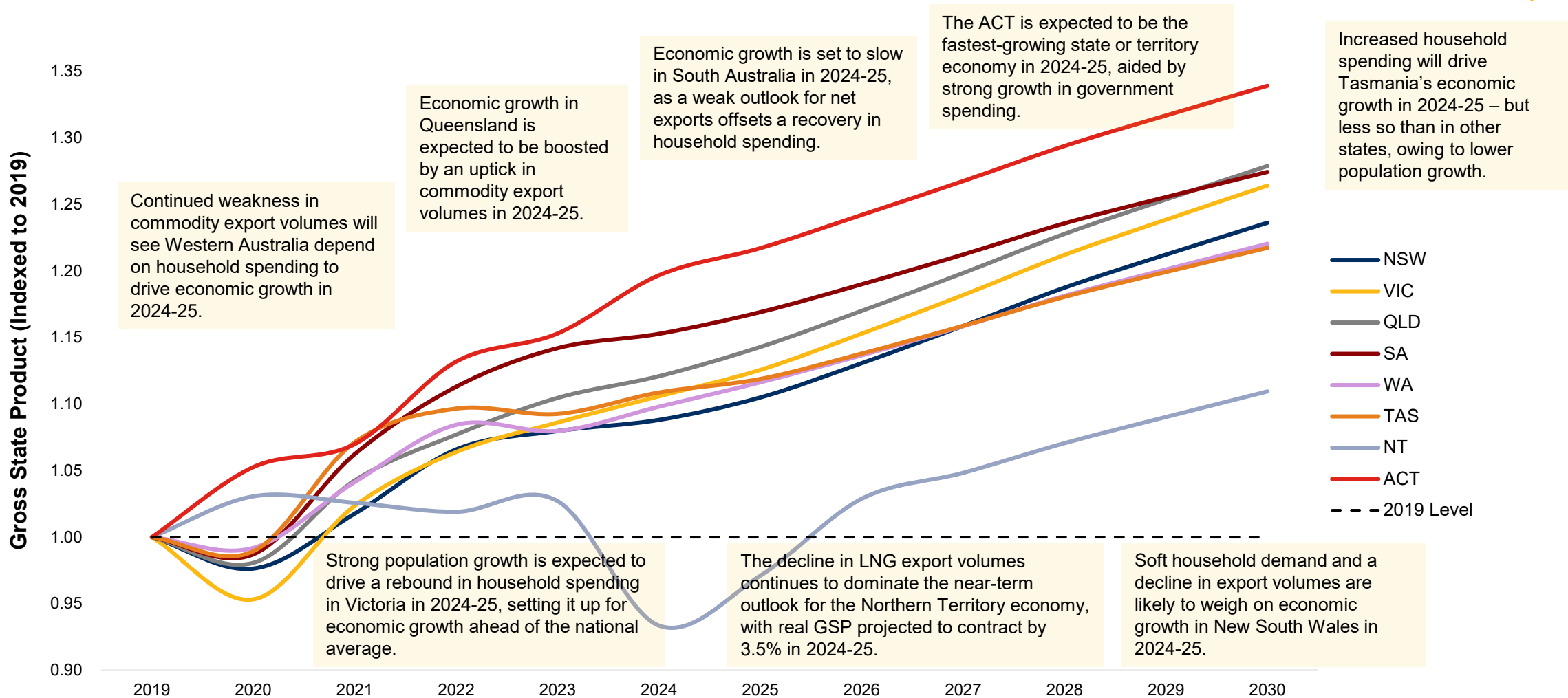
Macroeconomic and Tourism Context

GDP and International Tourist Arrivals, Australia – June 2024



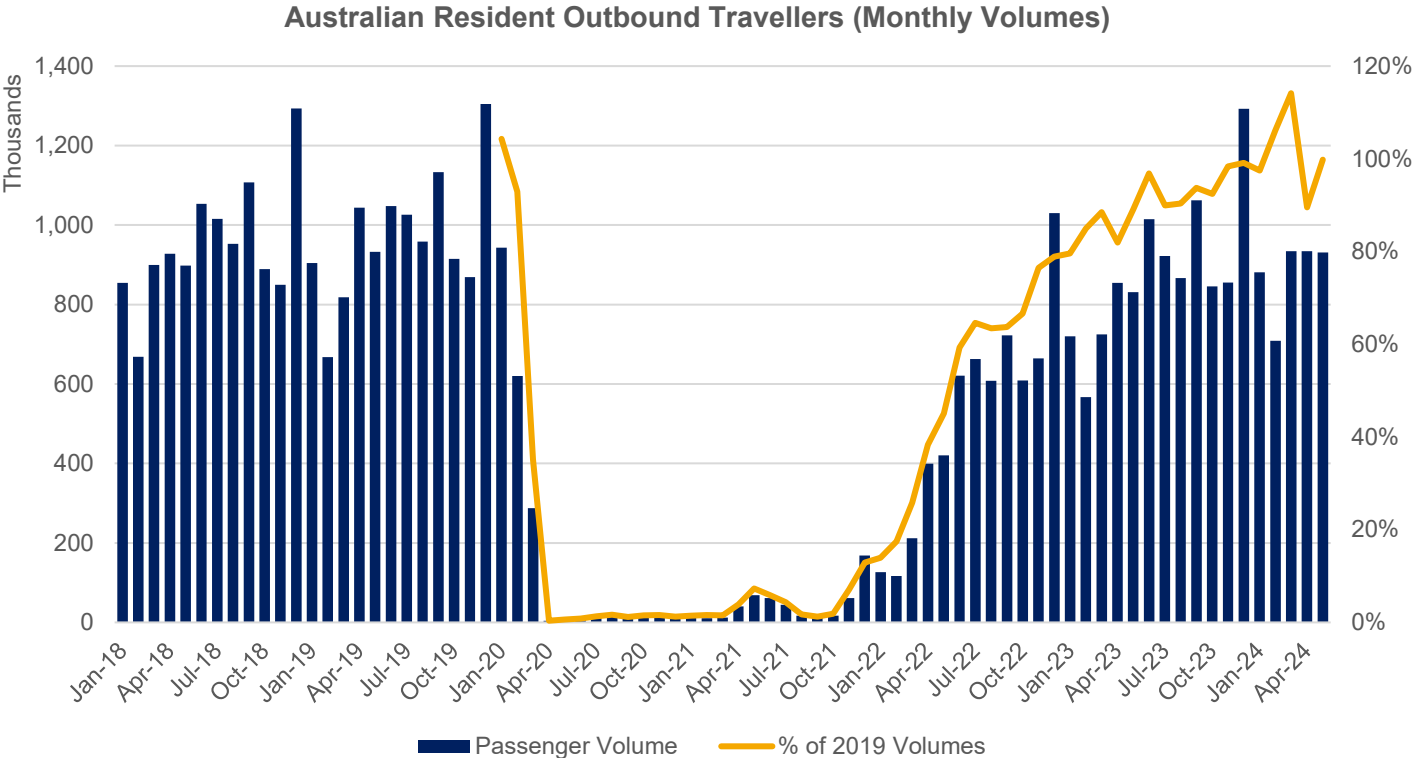
Macroeconomic and Tourism Context

Economic Outlook by State – Gross State Product



Macroeconomic and Tourism Context

Tourism Outlook – Outbound Resident Travellers



Australian Resident Outbound Travellers

Australian Resident Outbound travel volumes have historically been higher than short-term visitor arrivals volumes, recording a total of 11.62 million resident departures in 2019 compared to 9.47 million short-term arrivals.

Australian Resident departures fell to 4.6% of 2019 volumes in 2021 as international borders were closed. Recovery of outbound volumes kicked off in December 2021 following the opening of international borders.

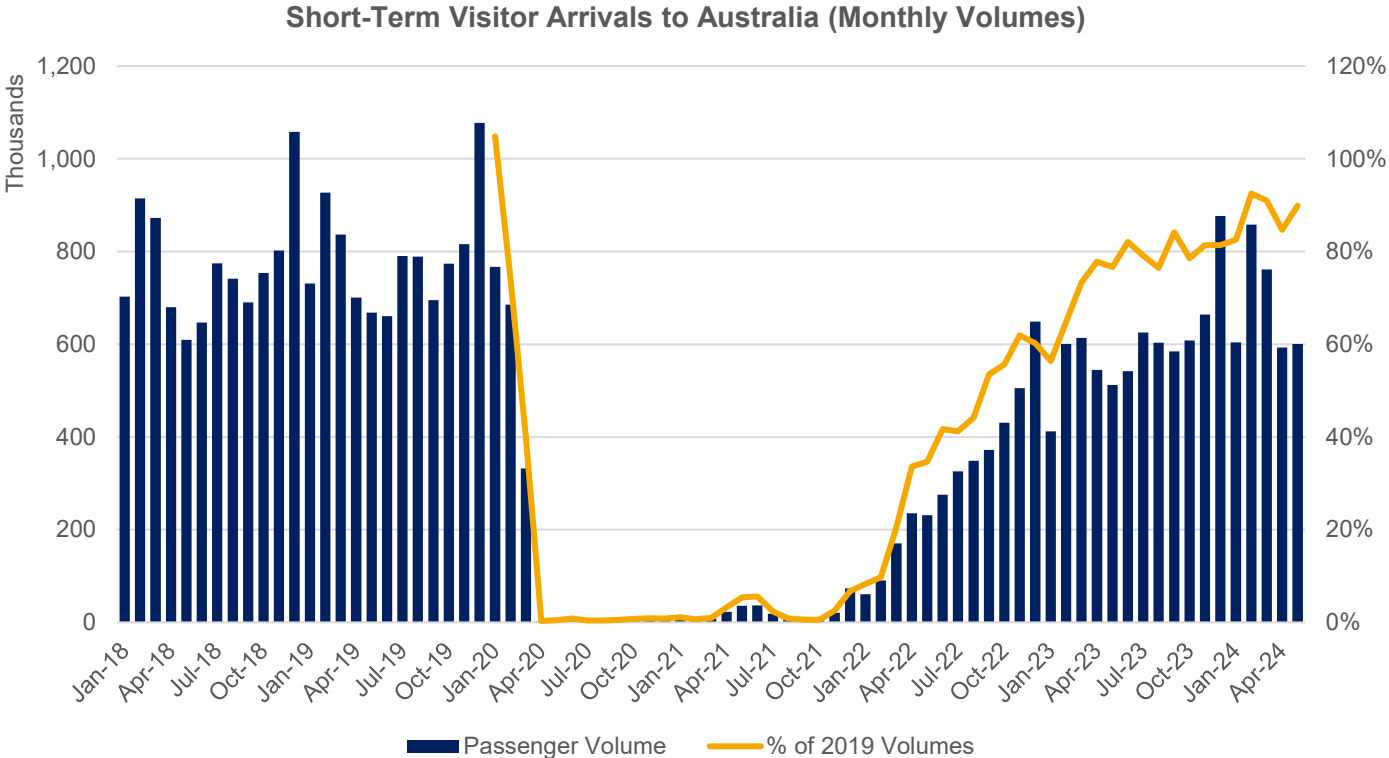
In 2022, Australian Resident departures increased to 53.3% of 2019 volumes and further rebounded in 2023 to reach 91% of 2019 volumes.

This has improved further for YTD May 2024 with Australian Resident outbound departures exceeding the volumes for the same period in 2019 (101%). This has been driven by strong outbound volumes in February and March 2024.

The recovery of Australian Resident outbound departures represents increased competition for domestic tourism.

Macroeconomic and Tourism Context

Tourism Outlook – International Short-Term Visitor Arrivals



Australian Short-Term Visitor Arrivals

Short-term visitor arrivals to Australia dropped to 19.3% of 2019 volumes in 2020 and further to 2.6% in 2021. Recovery of inbound short-term arrivals began in December 2021.

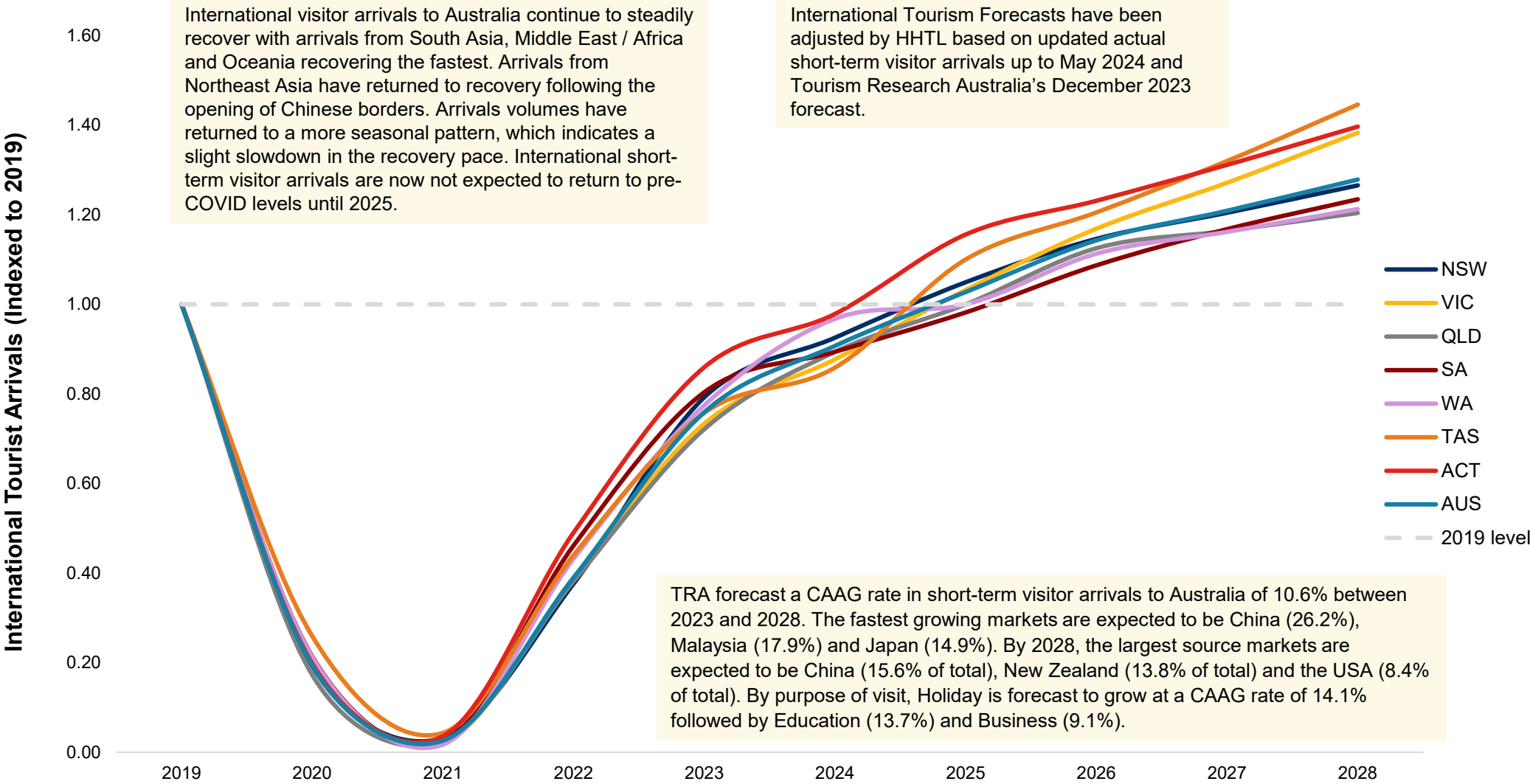
In 2022, short-term arrivals reached 3.69 million, representing 39% of 2019 volumes. Short-term visitor arrival volumes continued to improve in 2023 reaching 7.19 million and representing 75.9% of that recorded in 2019.

Further improvement YTD May 2024 has been recorded with short-term visitor arrivals reaching 88.4% of 2019 volumes. February 2024 recorded the strongest performance reaching the highest recorded to date, reaching 92.5% of February 2019 volumes.

Short-term visitor arrivals to Australia continue to recover at a slower pace than Australian Resident outbound departures.

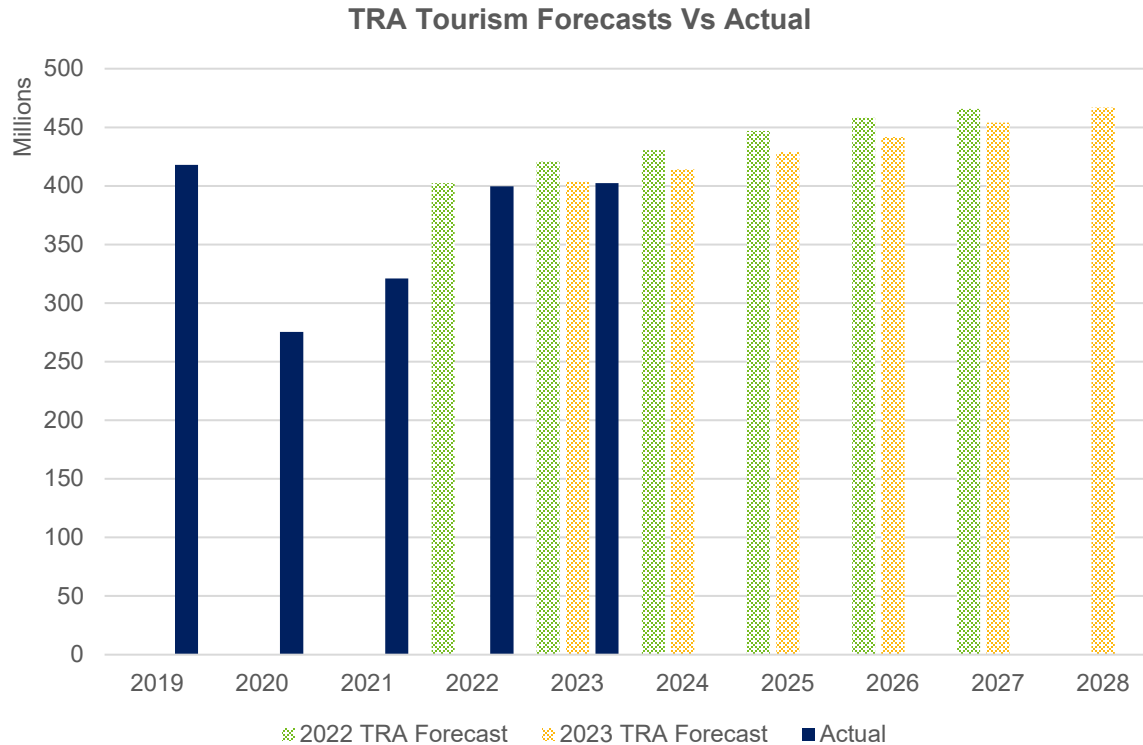
Macroeconomic and Tourism Context

Tourism Outlook by State – International Short-Term Visitor Arrivals



Macroeconomic and Tourism Context

Tourism Outlook by State – Domestic Visitor Nights



Domestic Tourism Demand - Australia

For the 12 months ending December 2023, domestic visitor nights reached 96.3% of the 2019 level nationwide. For the most recent quarter, December 2023, nationwide domestic visitor nights accounted for 94.3% of domestic visitor nights in the same quarter 2019, indicating a slowdown of the tourism recovery in 2023. For the March 2024 quarter, total domestic visitor nights in Australia reached 107.5 million, a decline of -1.2% over the March 2023 quarter.

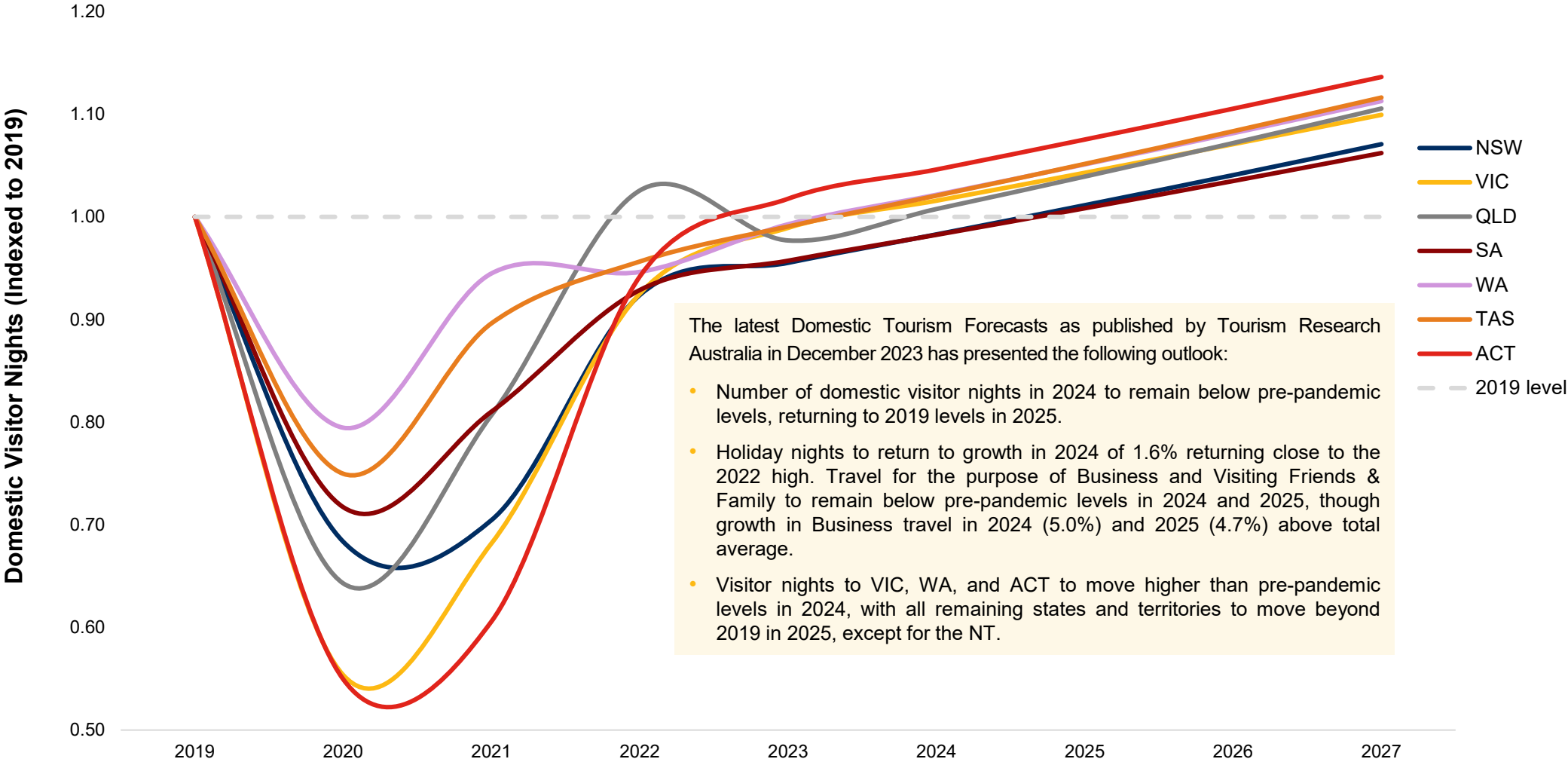
Capital city market recovery remains behind regional areas with domestic demand volumes for 2023 at 93.9% of 2019 volumes. The Capital City markets have also recorded a slowdown during the year with the December 2023 quarter representing 91.4% of the same quarter in 2019. The Regional Australian recovery remains ahead with domestic visitor nights for 2023 representing 97.4% of that recorded in 2019. For the March 2024 quarter, capital city markets have performed well, with total domestic visitor nights reaching 38.6 million, representing 102% of March 2019 quarter volumes and a growth of 5.5% over the March 2023 quarter.

The latest TRA forecast has reduced the outlook for growth with total domestic visitor nights out to 2027 reduced to 454.0 million in the latest forecast. This is a 2.5% decline from that forecast by TRA in 2022 (465.8 million). Domestic visitor nights have been forecast to grow at a CAAG rate of 3.0% from 2023 through 2028. Growth for 2024 was forecast at 2.7% for total Australia, though we note that the March 2024 quarter has recorded a decline of -1.2% as noted above.

Domestic visitor expenditure has recorded strong growth since 2021 reaching a total of \$109.3 billion in 2023, which is 35.5% higher than the level recorded in 2019. This represents \$271.7 per visitor night, which compares to \$193.1 recorded in 2019, an increase of 40.7% or a CAAG rate of 8.9%. Based on TRA forecasts, overnight domestic visitor expenditure is forecast to grow at a CAAG rate of 3.9%. However, given a stronger growth outlook for overnight visitors, expenditure on a per night basis is forecast to grow at a CAAG rate of only 0.9% between 2023 and 2028. For the March 2024 quarter, total visitor expenditure sat at \$27.4 million, a marginal growth of 0.2%. On a per visitor night basis for total Australia, the average spend was recorded at \$255, which is 1.4% higher than recorded in the March 2023 quarter.

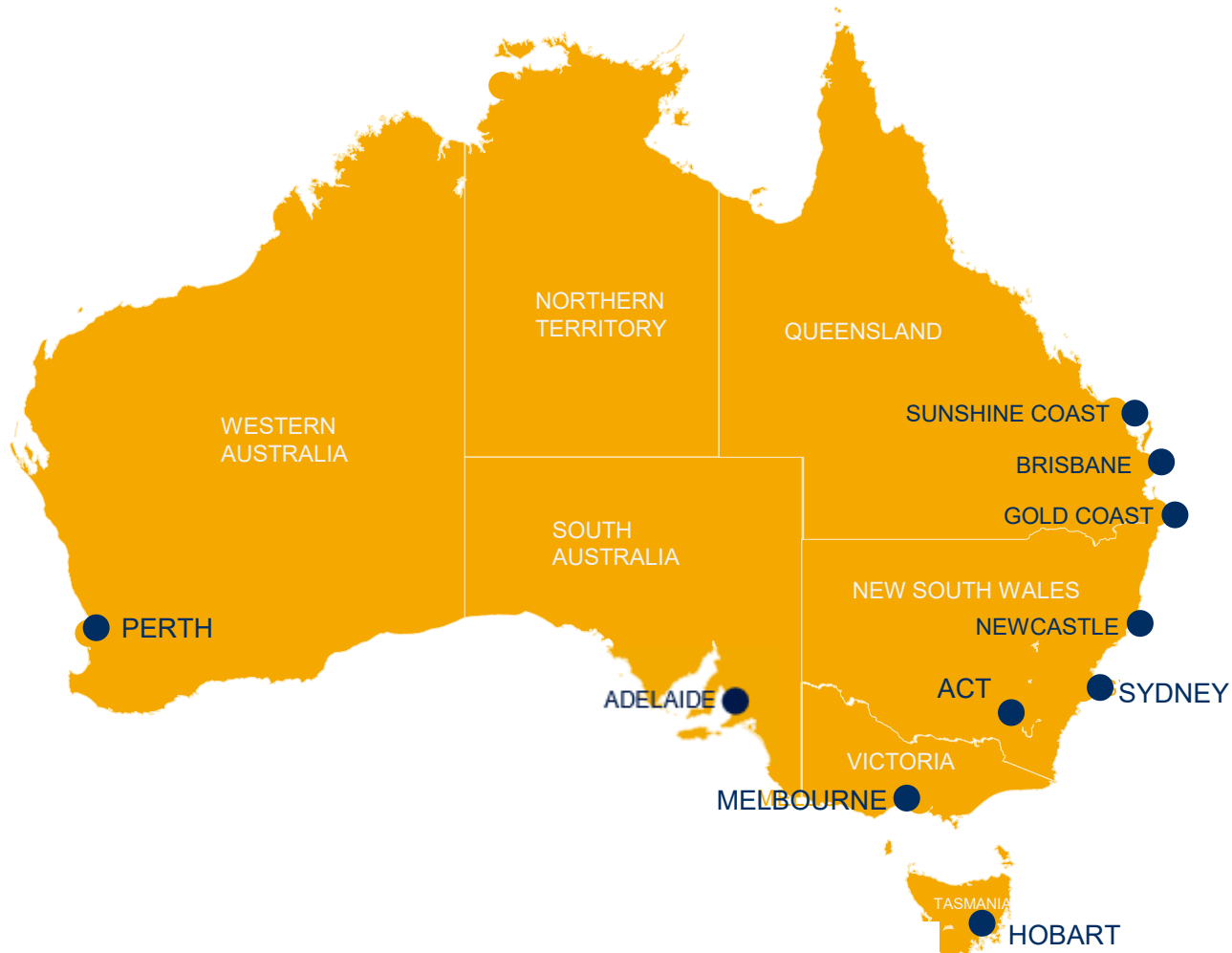
Macroeconomic and Tourism Context

Tourism Outlook by State – Domestic Visitor Nights



Trends In Australian Hotel Markets

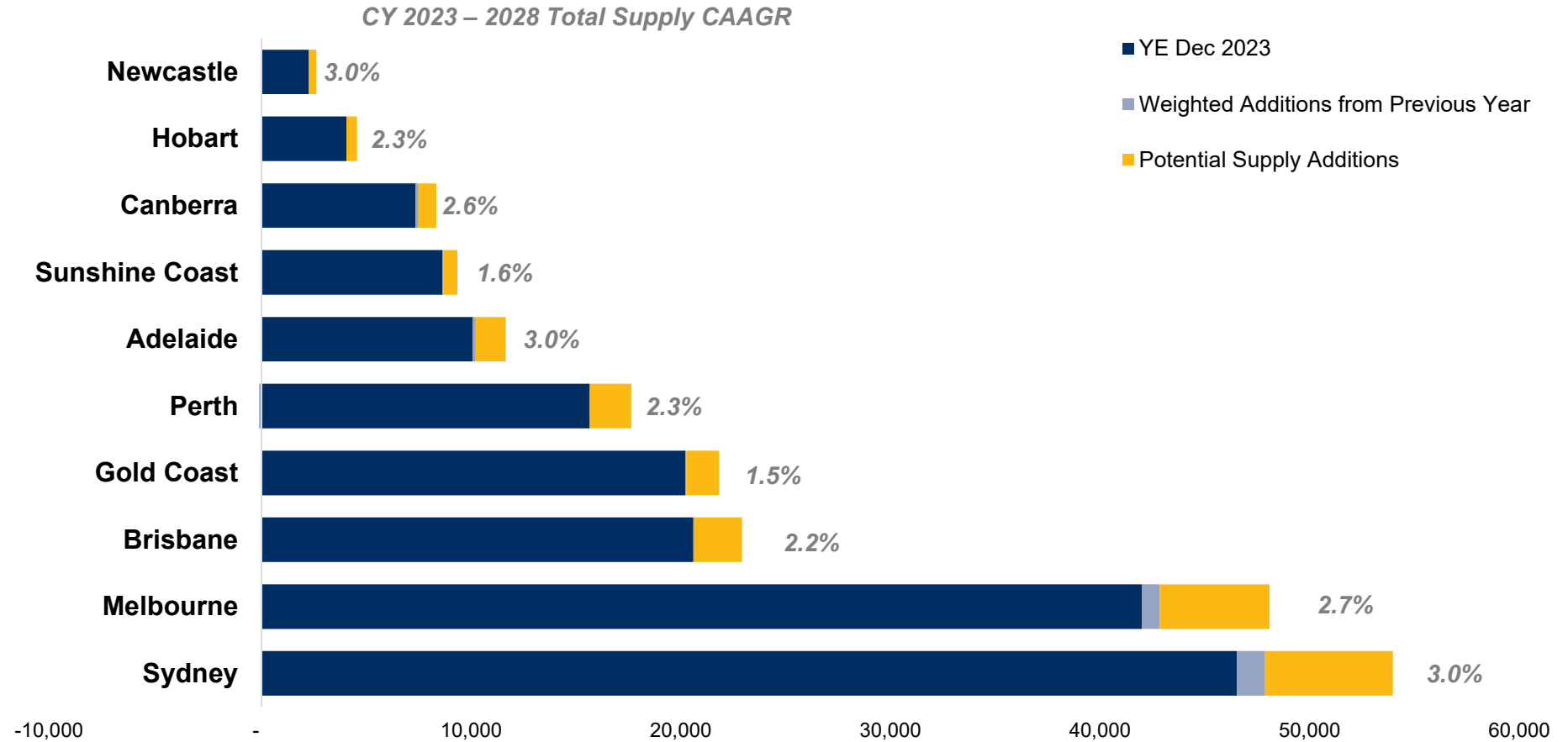
RevPAR Performance Snapshot – YTD June 2024



RevPAR YTD June 2024	
	VS YTD June 2023
Adelaide	1.8% ▲
Brisbane	2.8% ▲
Canberra	-2.1% ▼
Gold Coast	1.0% ▲
Hobart	-8.4% ▼
Melbourne	3.9% ▲
Newcastle	-3.6% ▼
Perth	7.4% ▲
Sunshine Coast	-2.4% ▼
Sydney	8.6% ▲

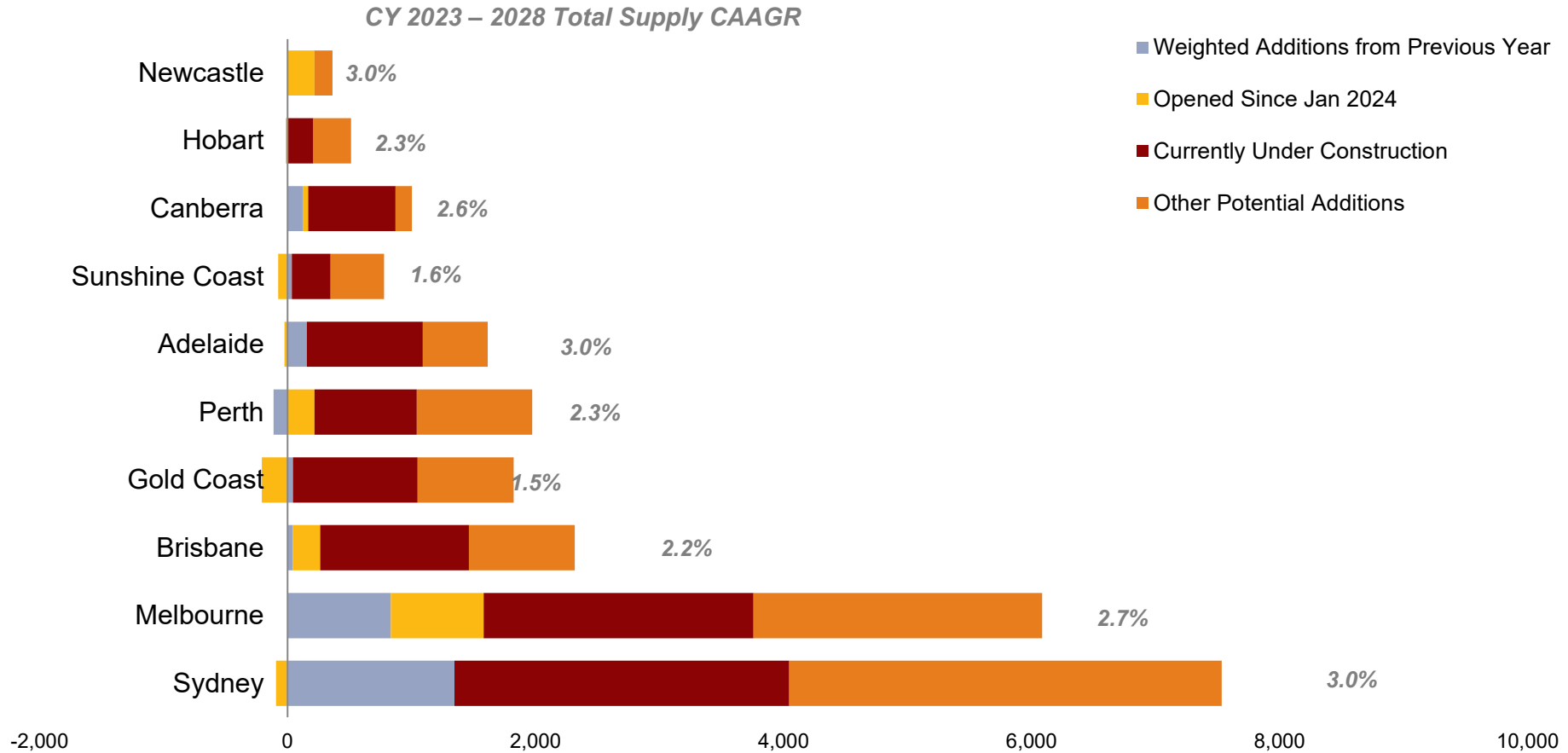
Australian Hotel Market Supply Pipeline

Existing Hotel and Hotel Supply Pipeline (by Number of Rooms)



Australian Hotel Market Supply Pipeline

Hotel Supply Pipeline by Stages of Development (by Number of Rooms)



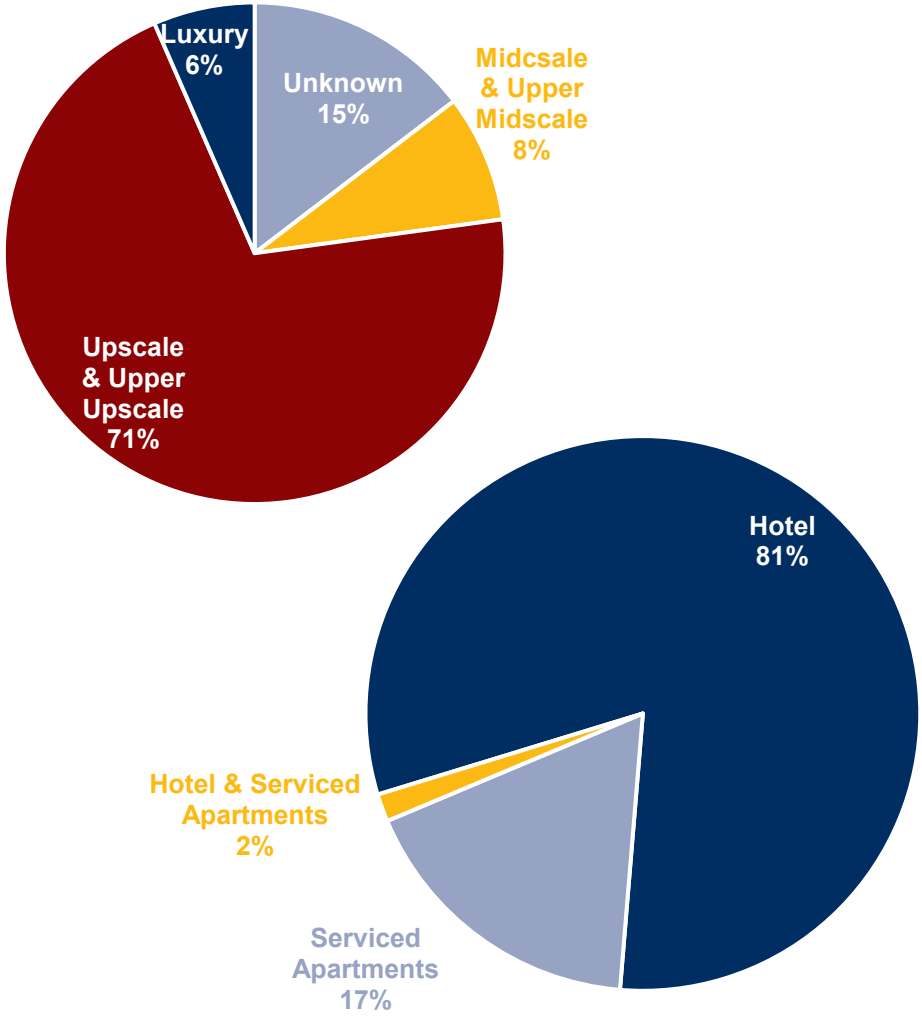
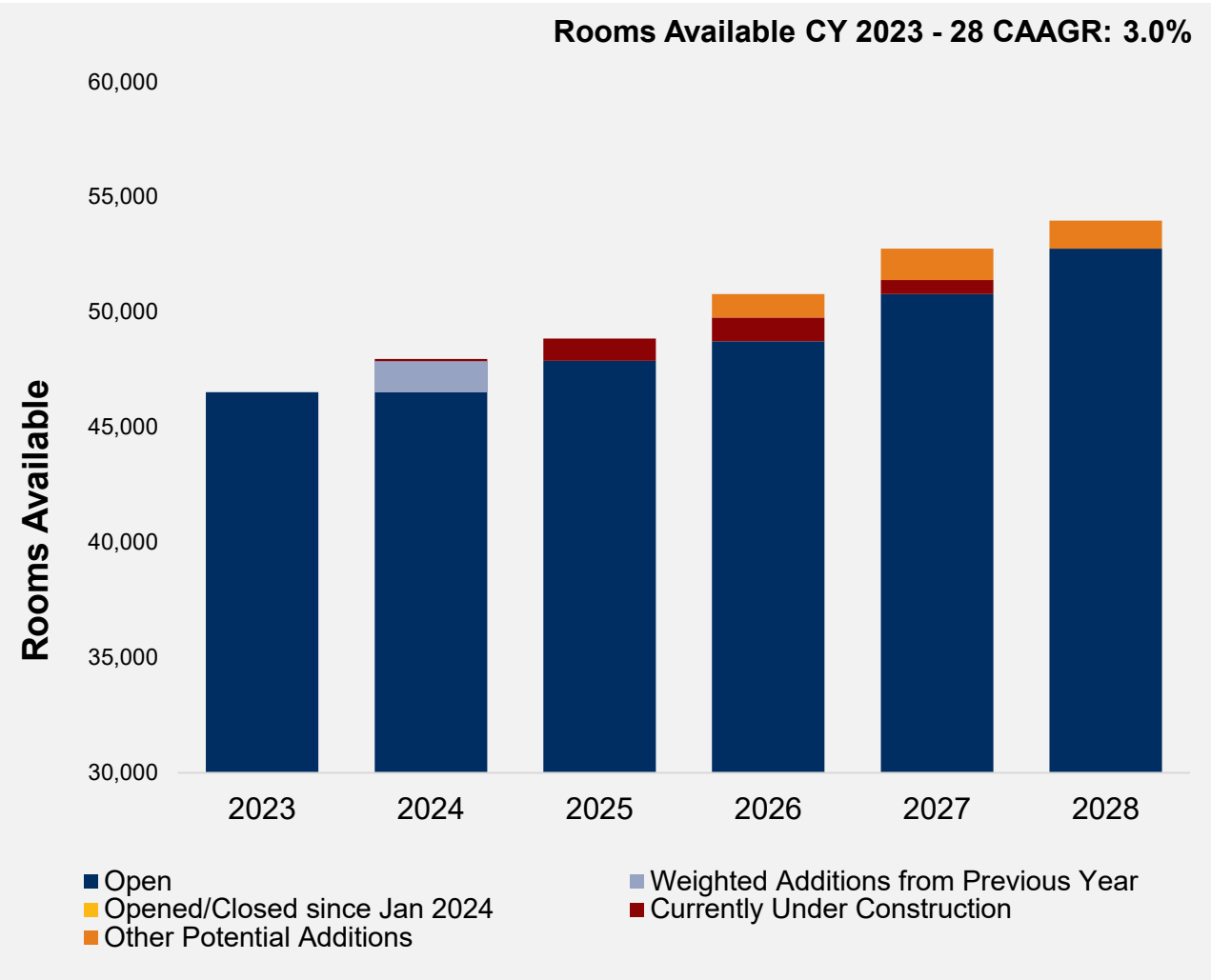


Sydney

Sydney Tourism Region Hotel Market Outlook

Sydney Tourism Region Hotel Market Outlook

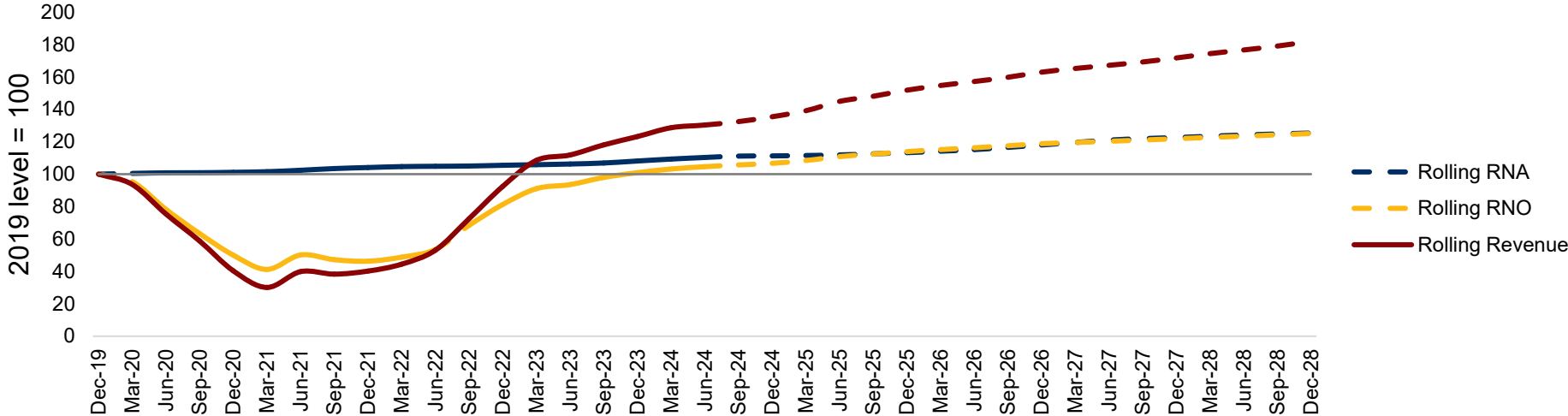
Forecast Additions to Supply – CY 2023 to 2028



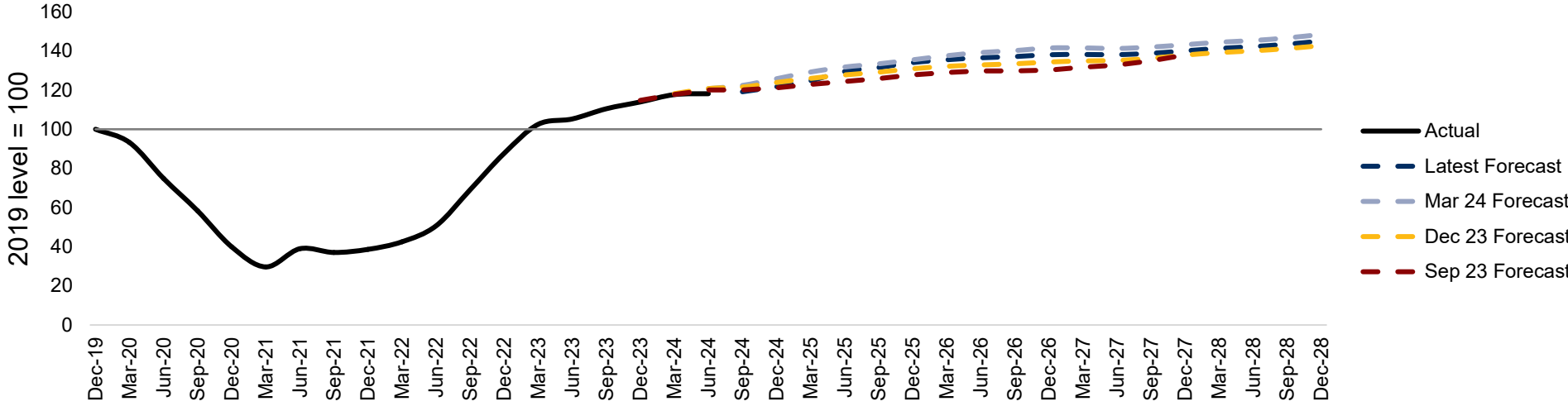
Sydney Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

Indexed Rolling 12-Month Hotel Performance Outlook



Indexed Rolling 12-Month RevPAR Outlook



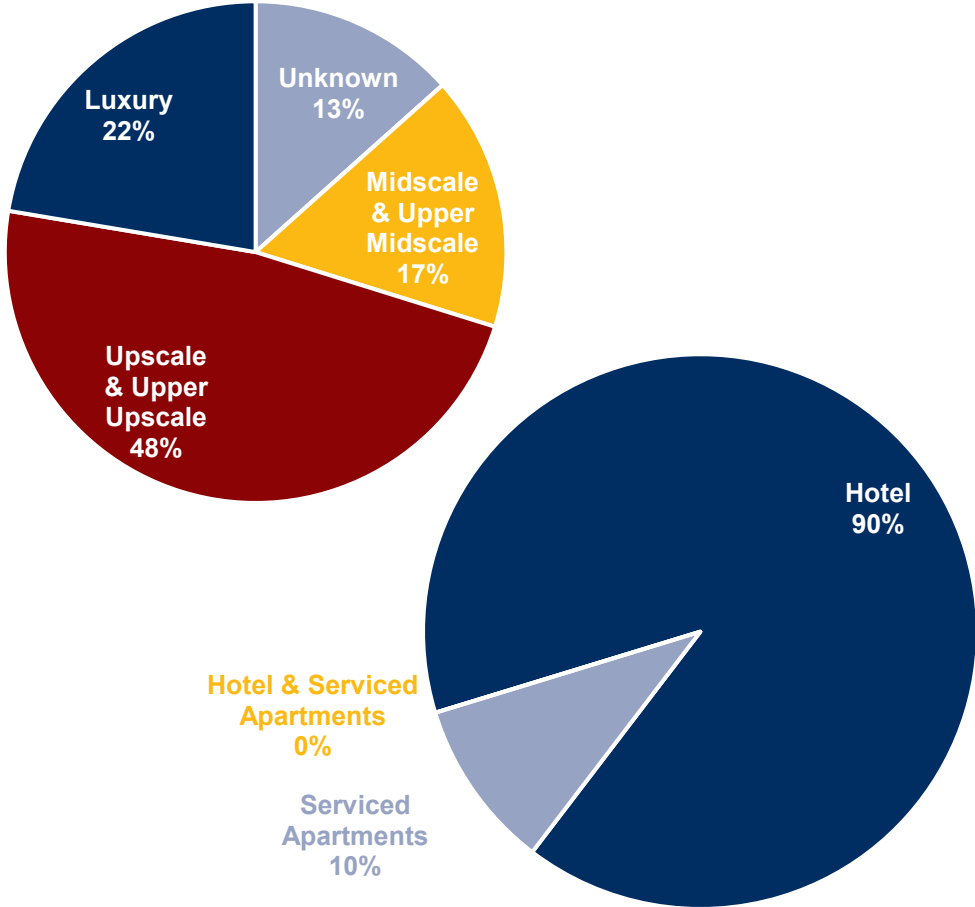
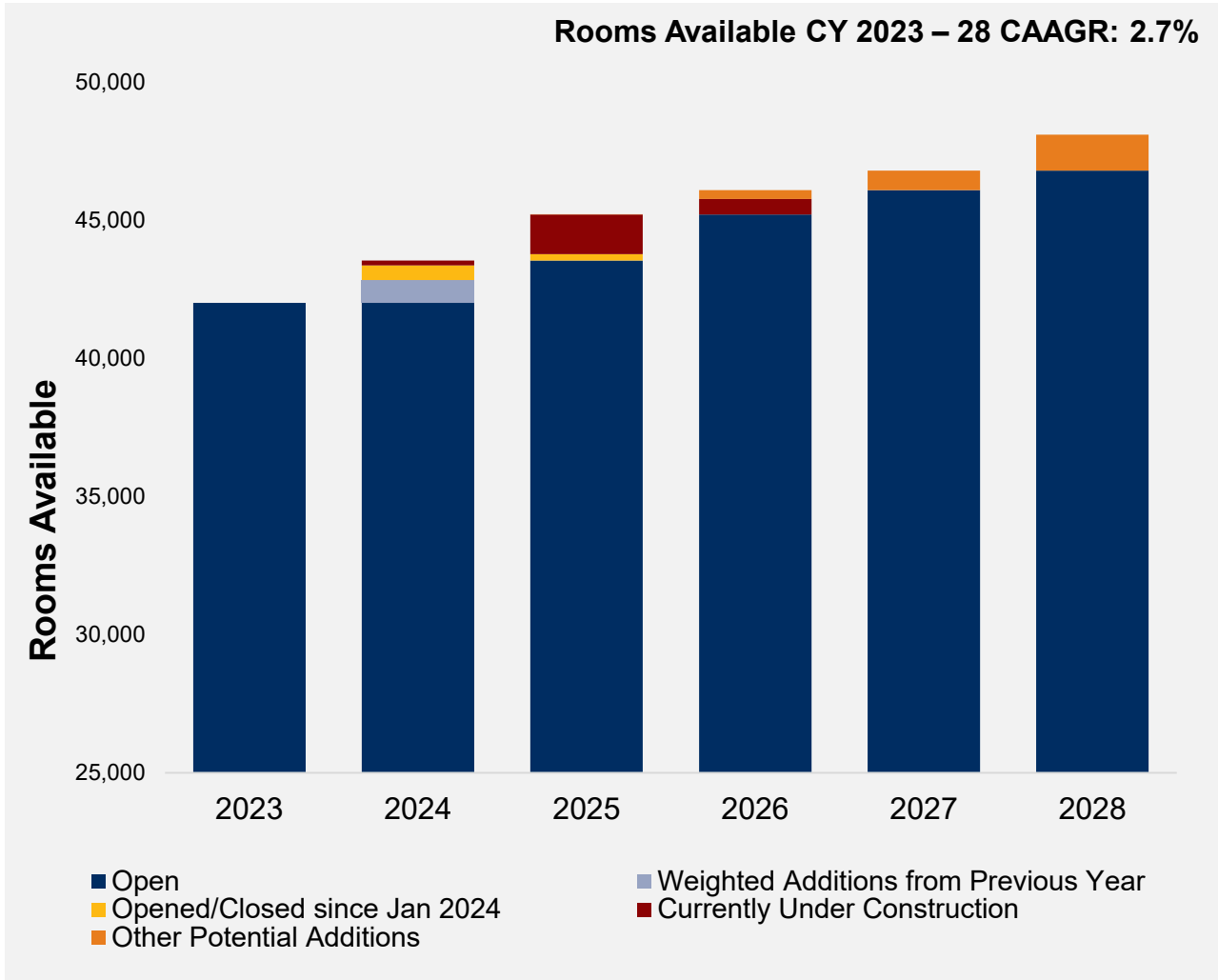


Melbourne

Melbourne Tourism Region Hotel Market Outlook

Melbourne Tourism Region Hotel Market Outlook

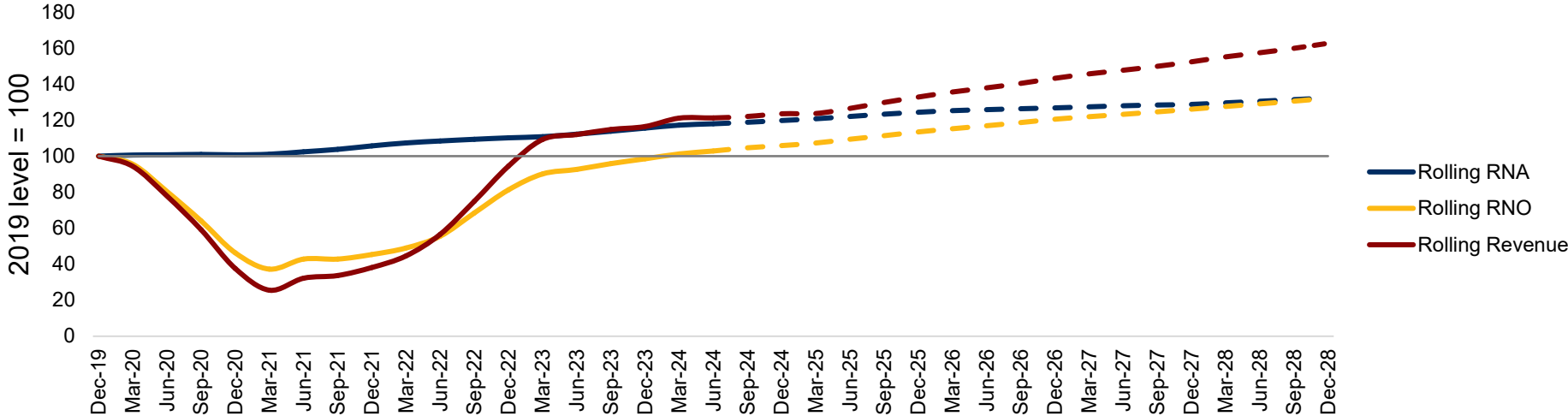
Forecast Additions to Supply – CY 2023 to 2028



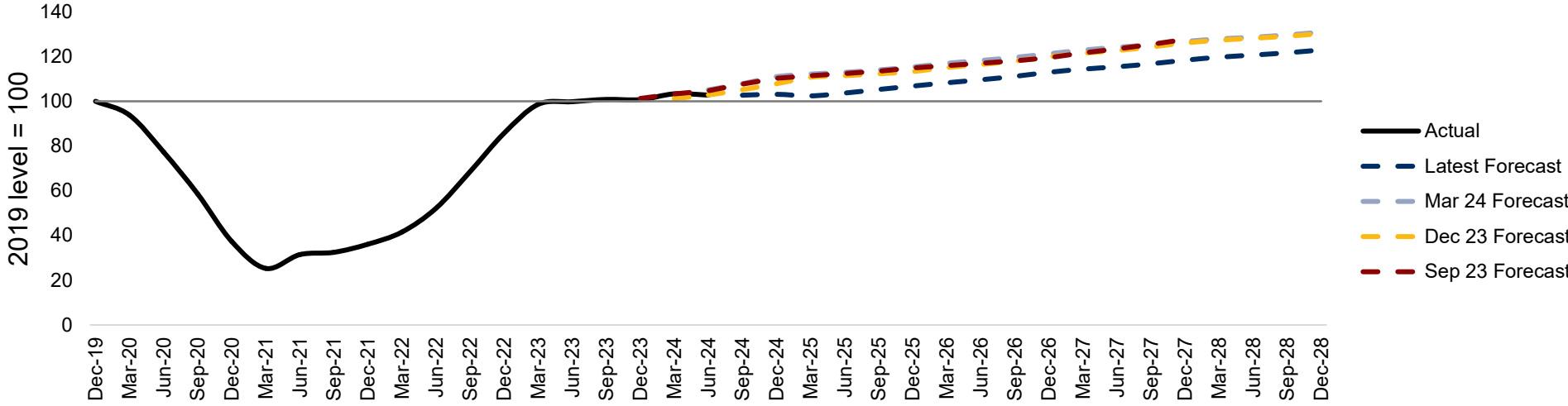
Melbourne Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

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Indexed Rolling 12-Month RevPAR Outlook



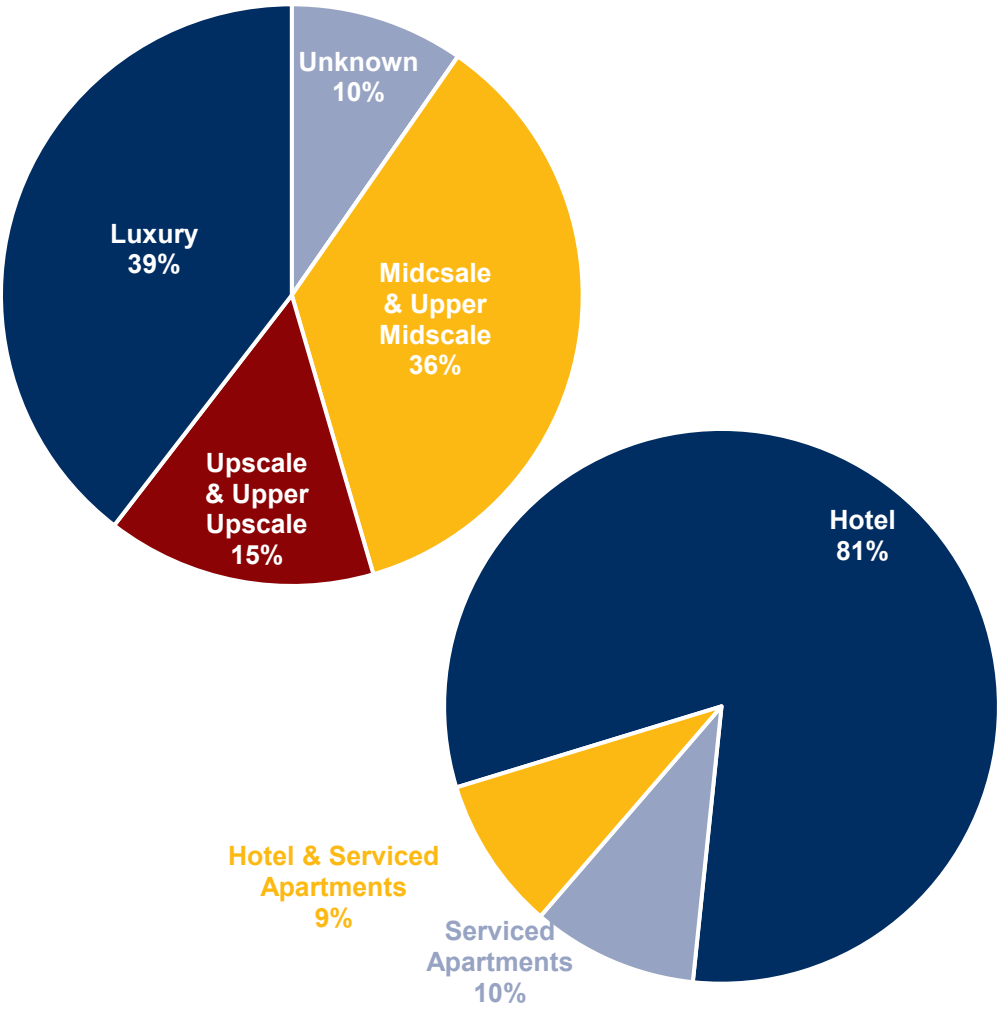
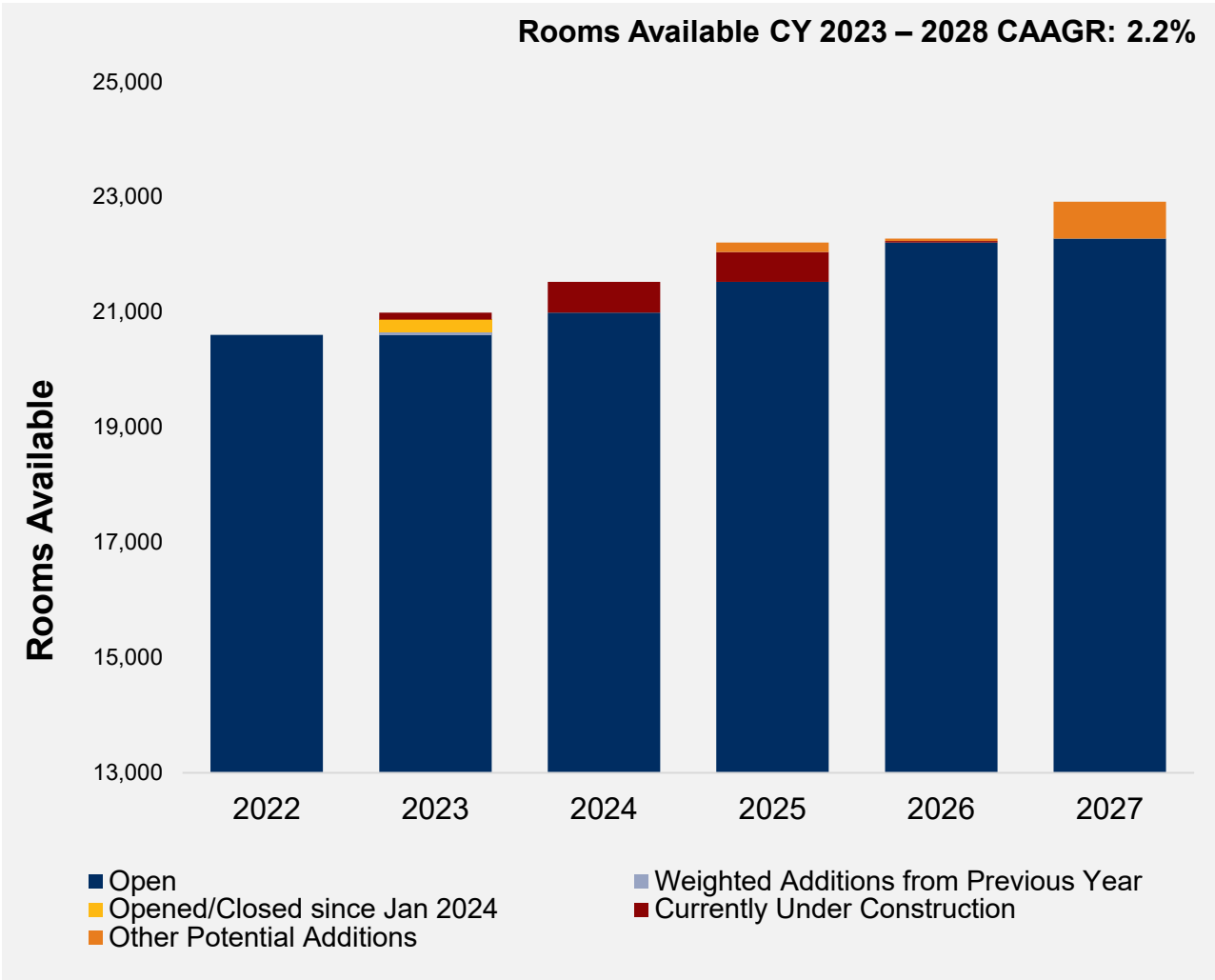
A nighttime photograph of a modern urban building complex in Brisbane. The image features several tall, curved skyscrapers with illuminated windows, set against a dark sky. In the foreground, a wide, curved walkway with a glass railing and a set of stairs lead up to the building. The scene is lit with warm yellow lights from the building's interior and exterior, contrasting with the cool blue tones of the skyscrapers.

Brisbane

Brisbane Tourism Region Hotel Market Outlook

Brisbane Tourism Region Hotel Market Outlook

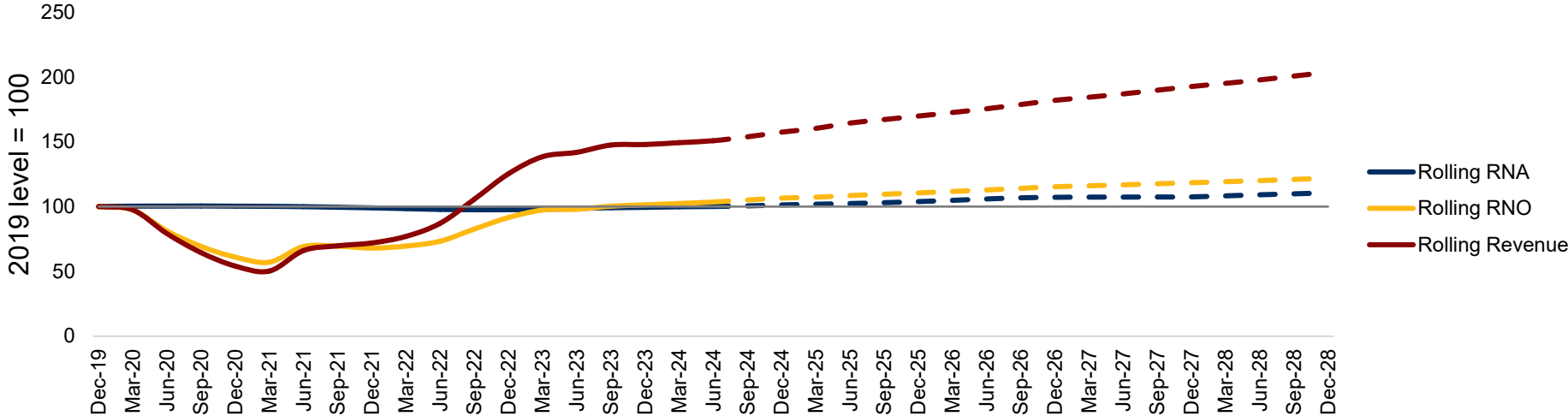
Forecast Additions to Supply – CY 2023 to 2028



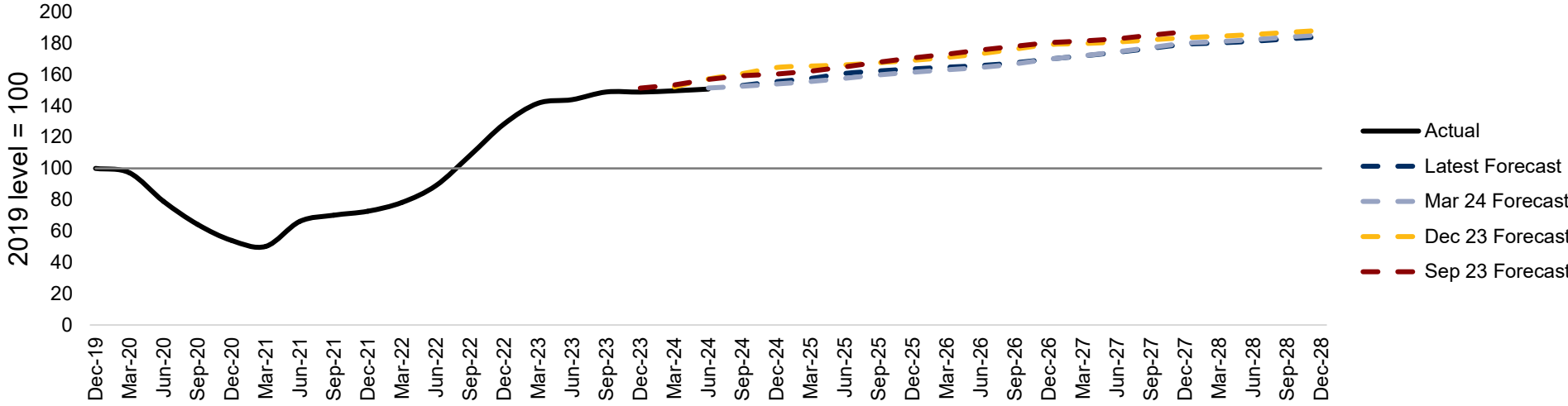
Brisbane Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

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Indexed Rolling 12-Month RevPAR Outlook



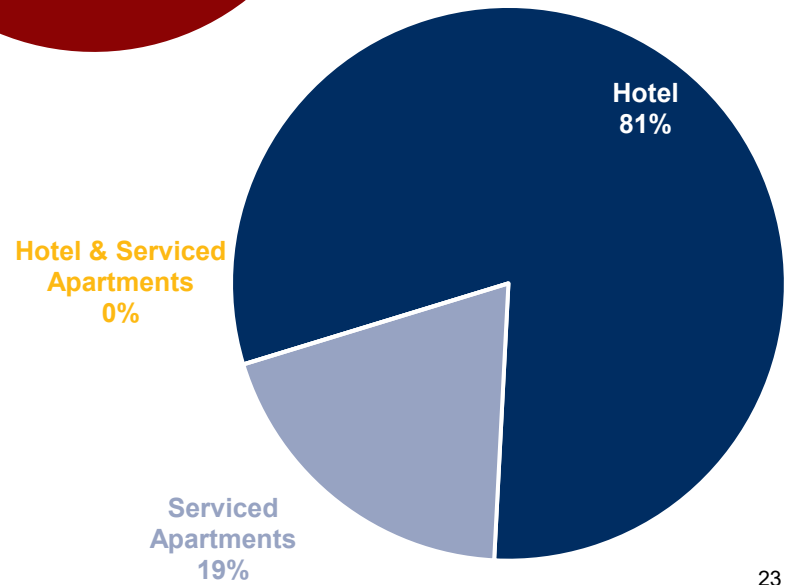
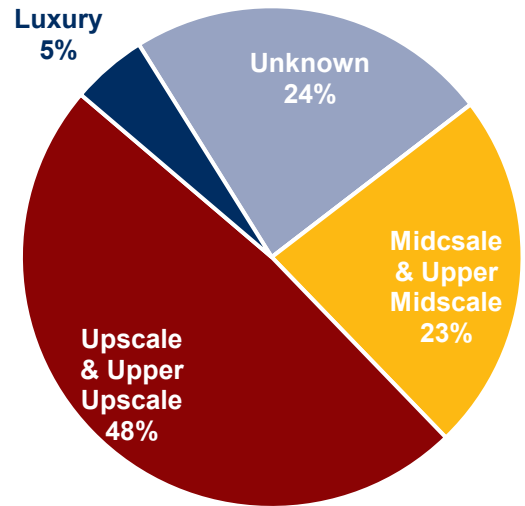
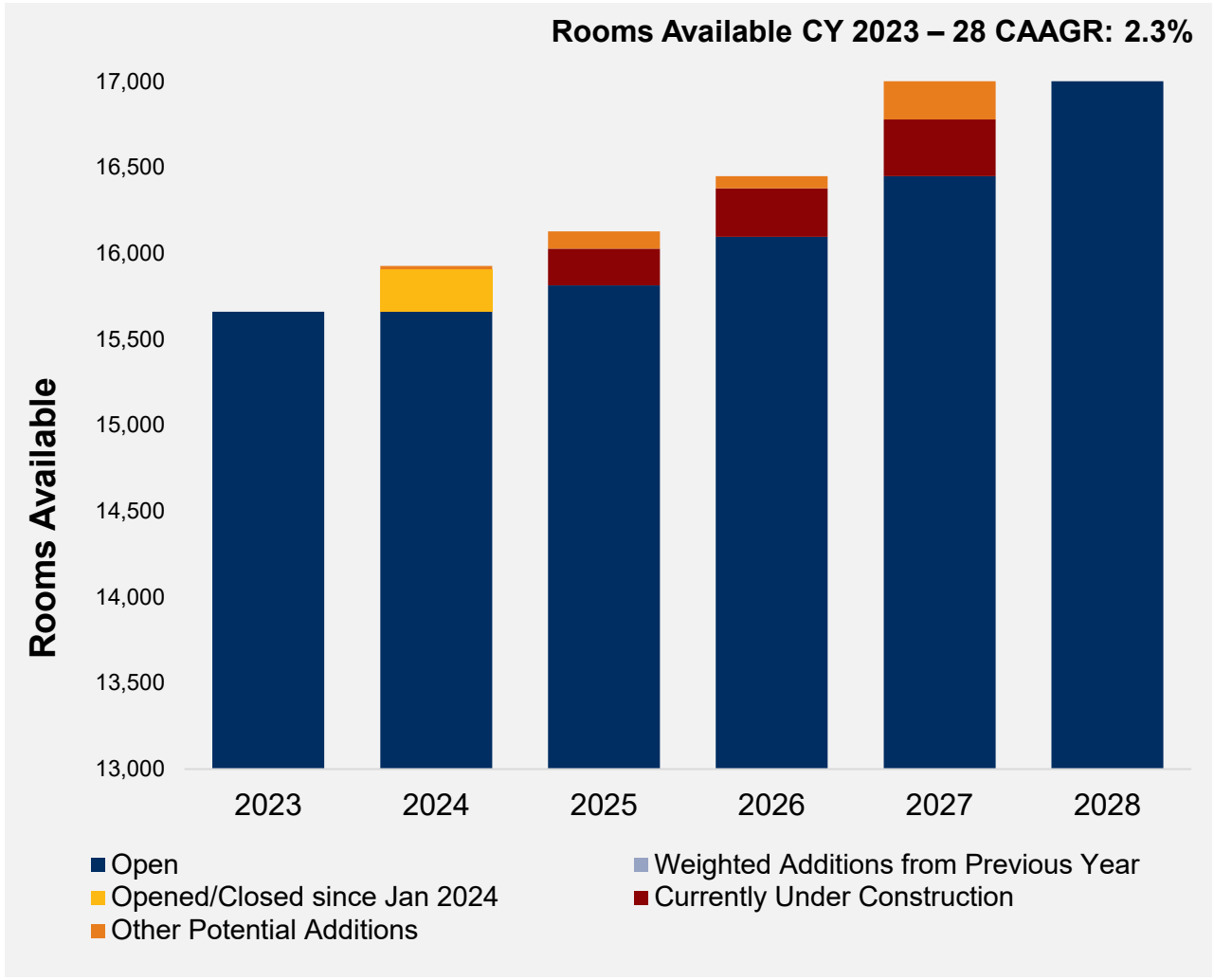


Perth

Perth Tourism Region Hotel Market Outlook

Perth Tourism Region Hotel Market Outlook

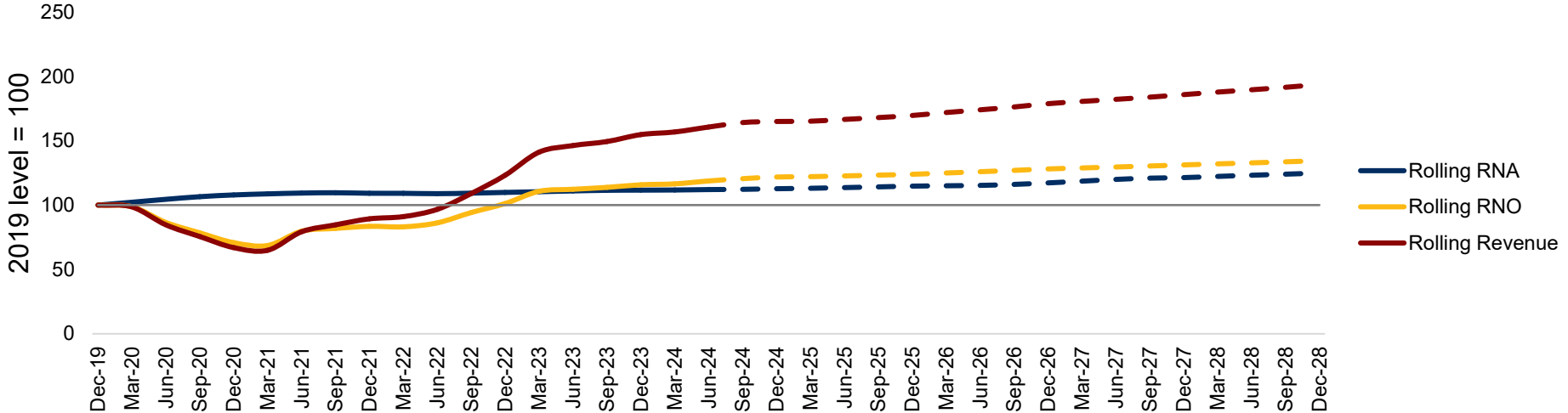
Forecast Additions to Supply – CY 2023 to 2028



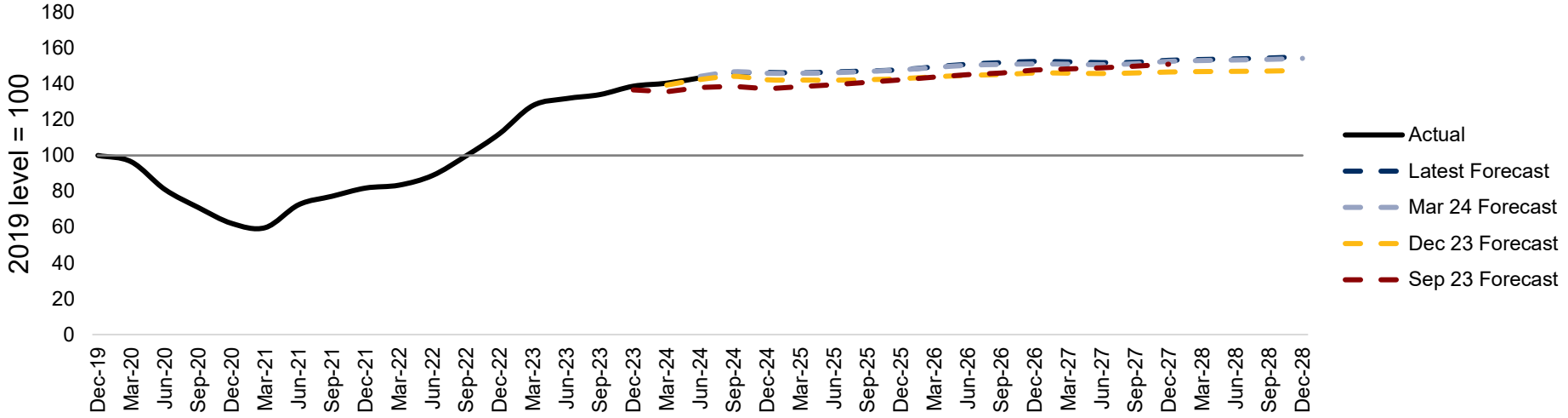
Perth Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

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Indexed Rolling 12-Month RevPAR Outlook



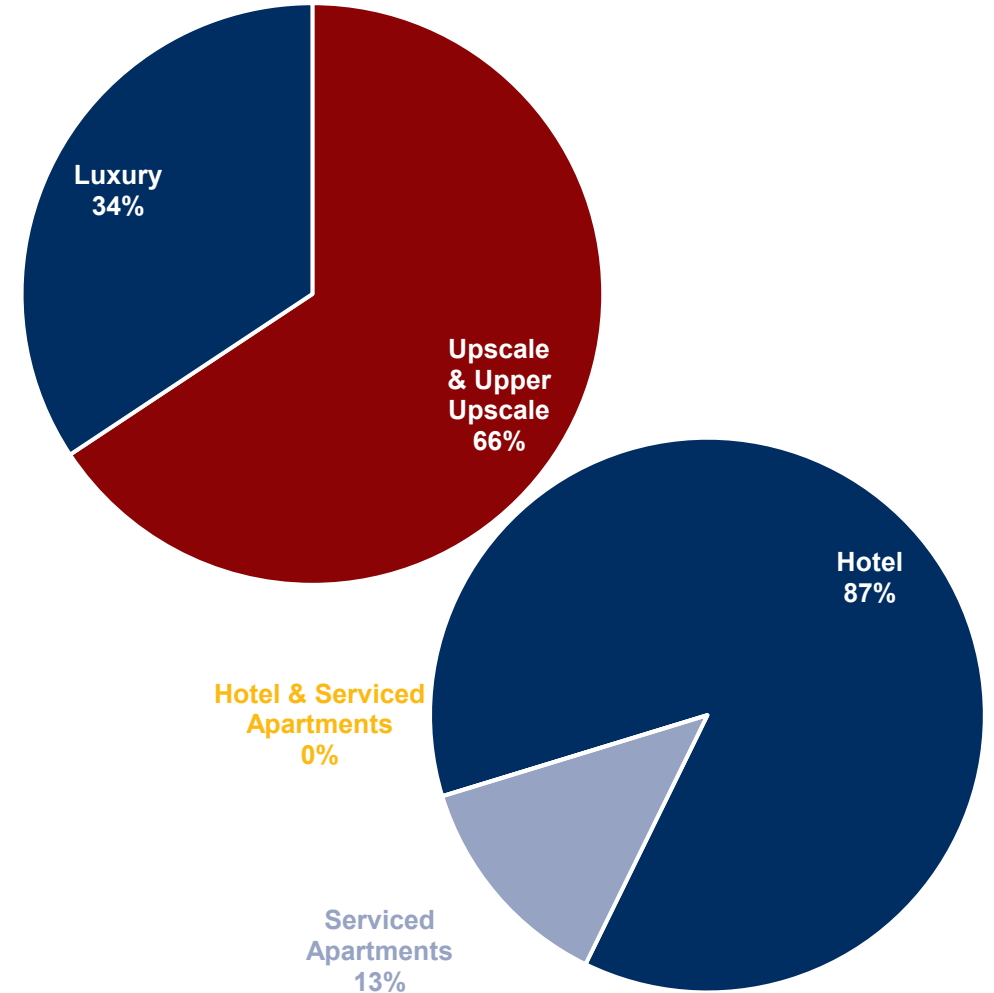
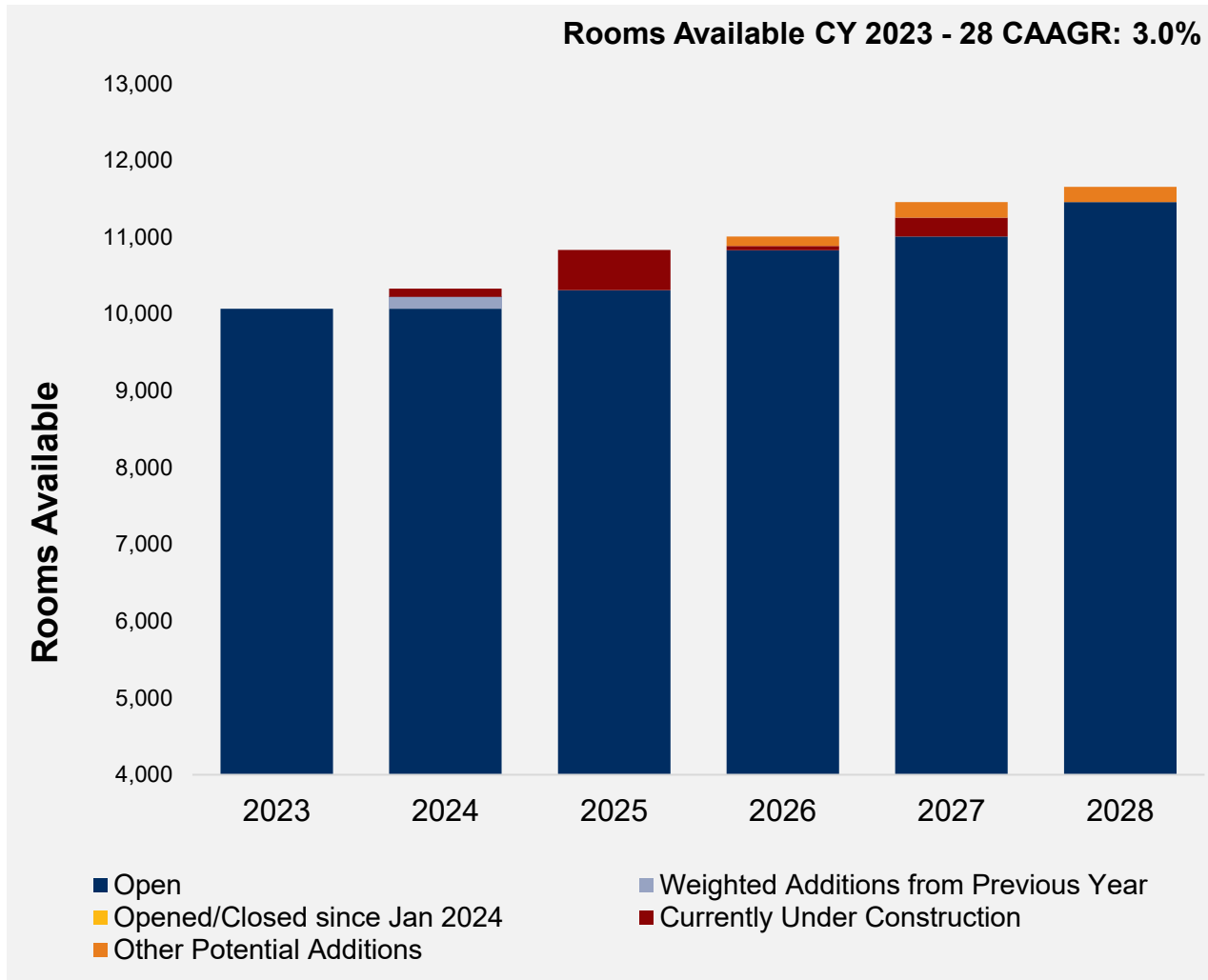


Adelaide

Adelaide Tourism Region Hotel Market Outlook

Adelaide Tourism Region Hotel Market Outlook

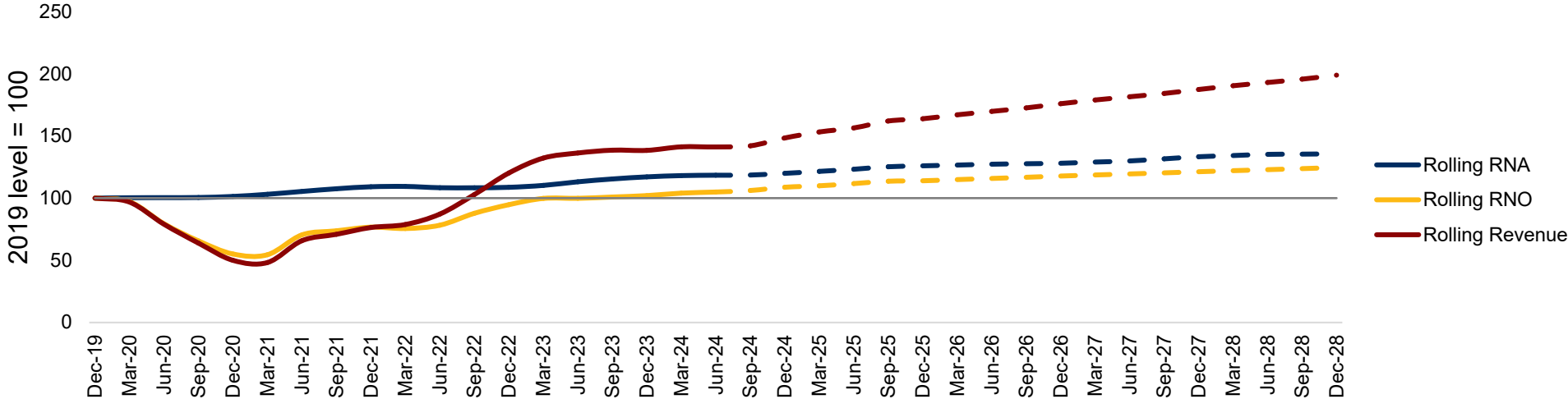
Forecast Additions to Supply – CY 2023 to 2028



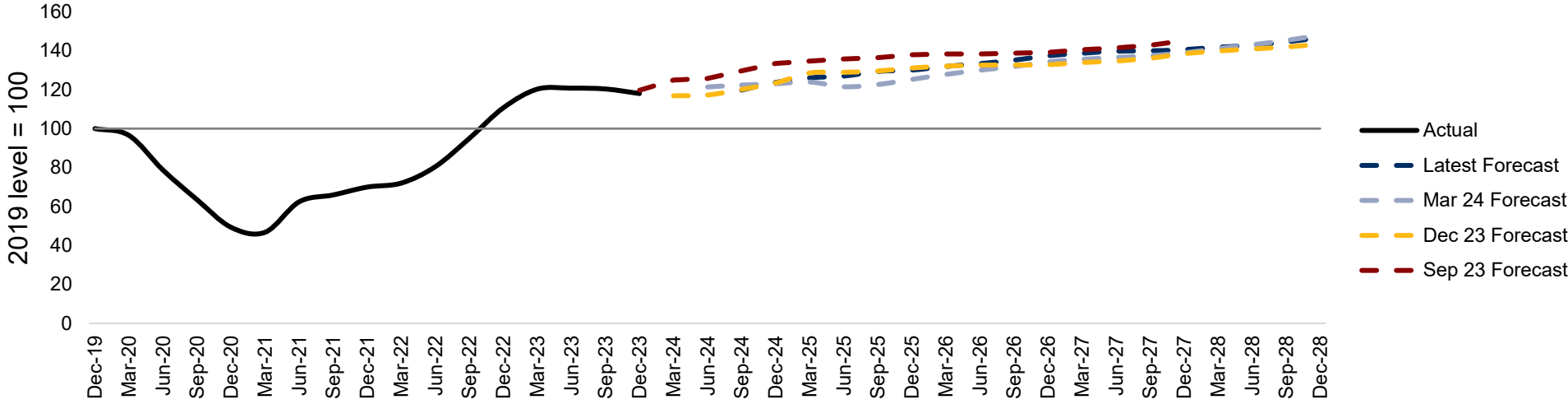
Adelaide Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

Indexed Rolling 12-Month Hotel Performance Outlook



Indexed Rolling 12-Month RevPAR Outlook



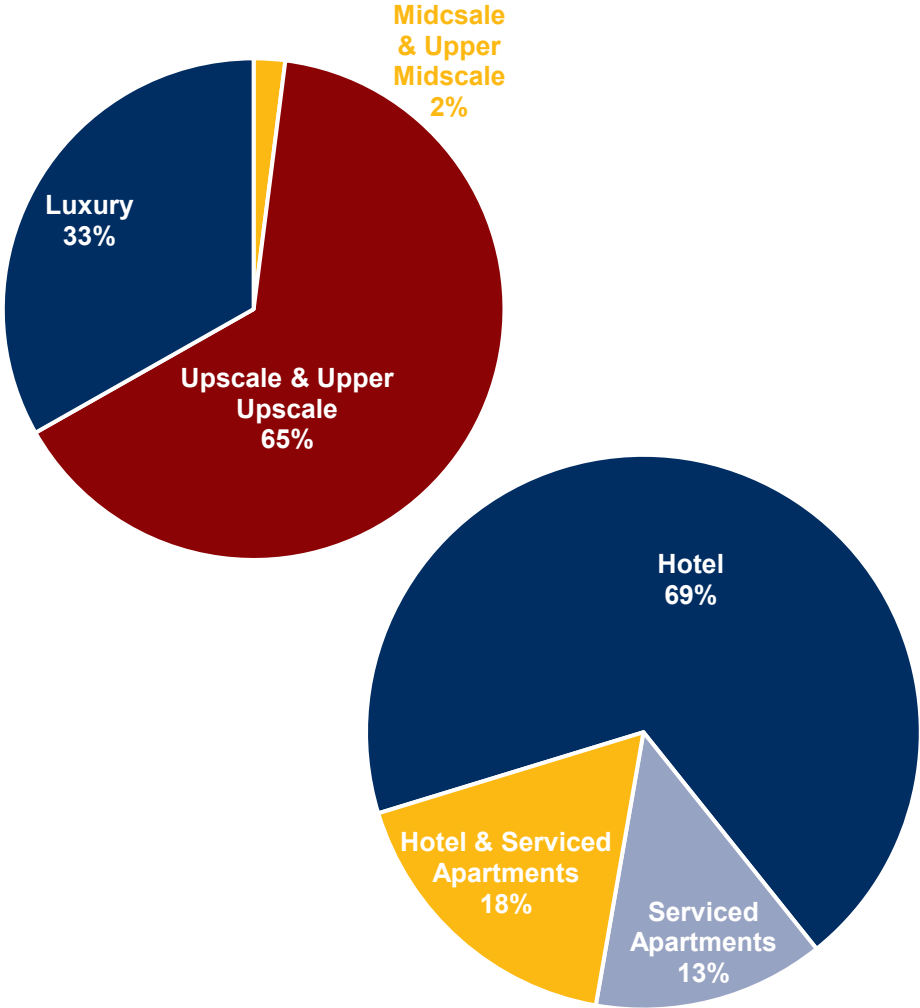
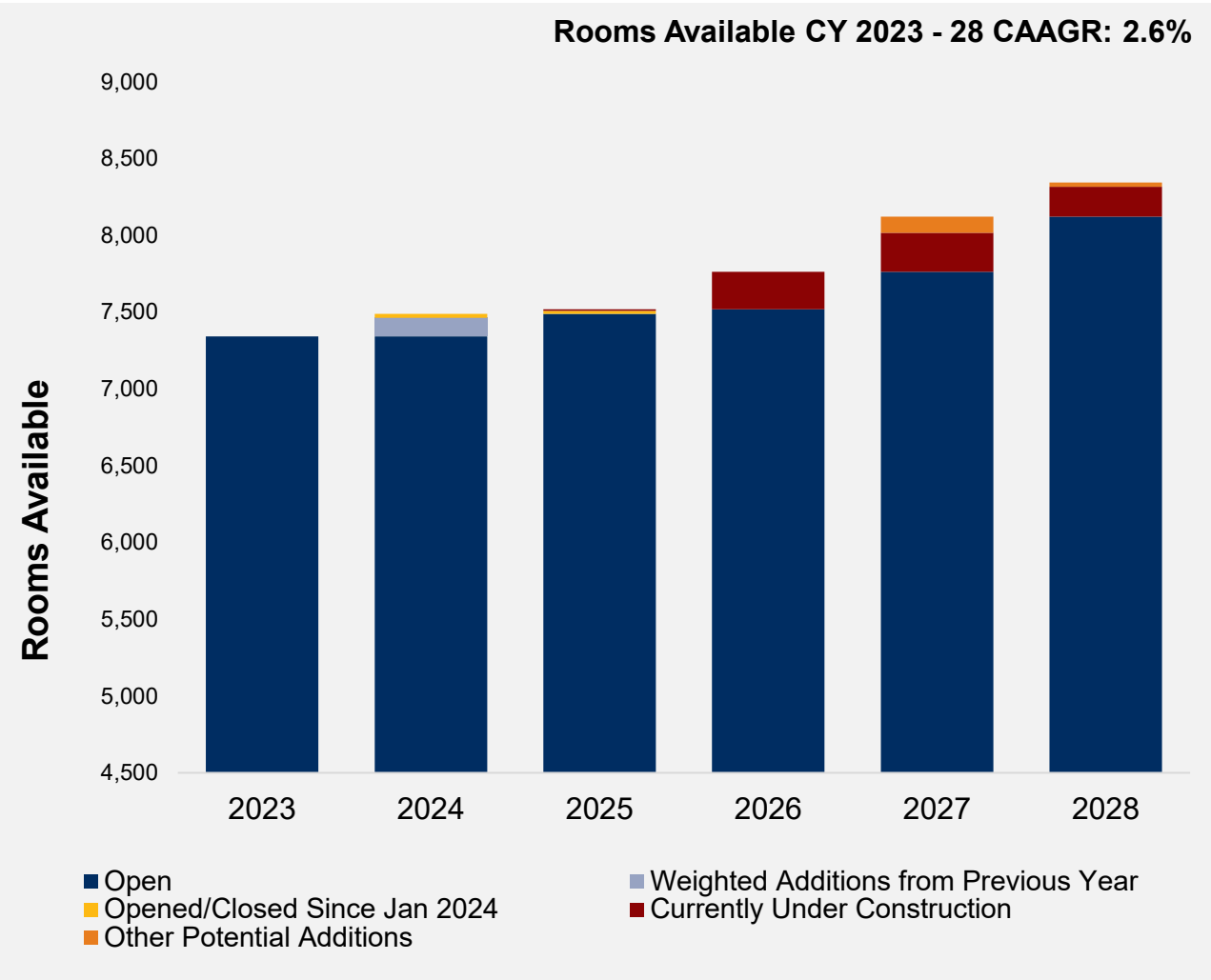


Canberra

Canberra Tourism Region Hotel Market Outlook

Canberra Tourism Region Hotel Market Outlook

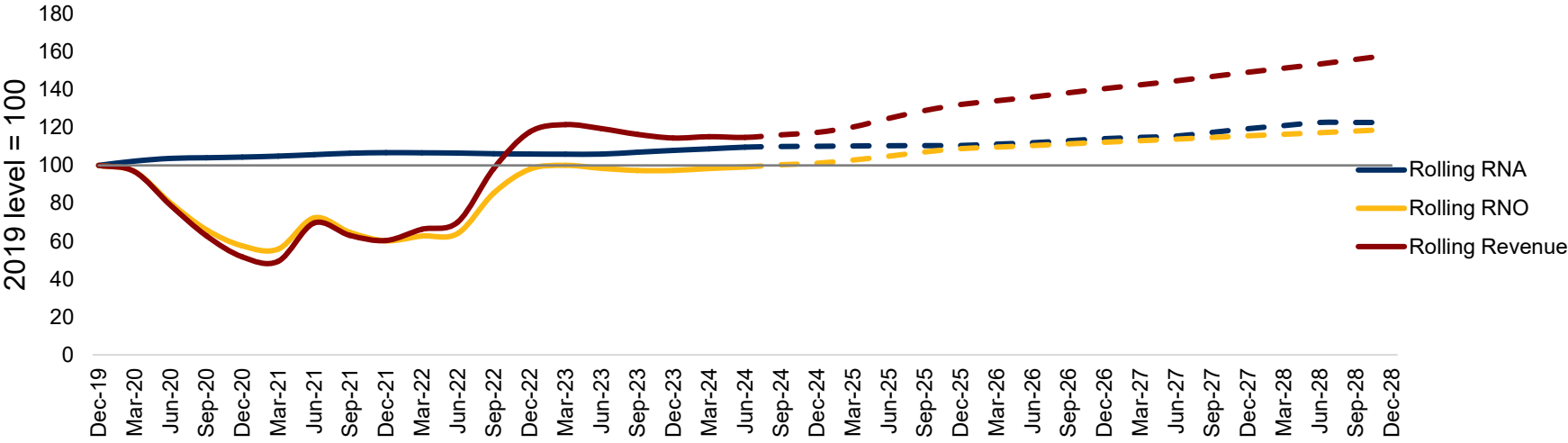
Forecast Additions to Supply – CY 2023 to 2028



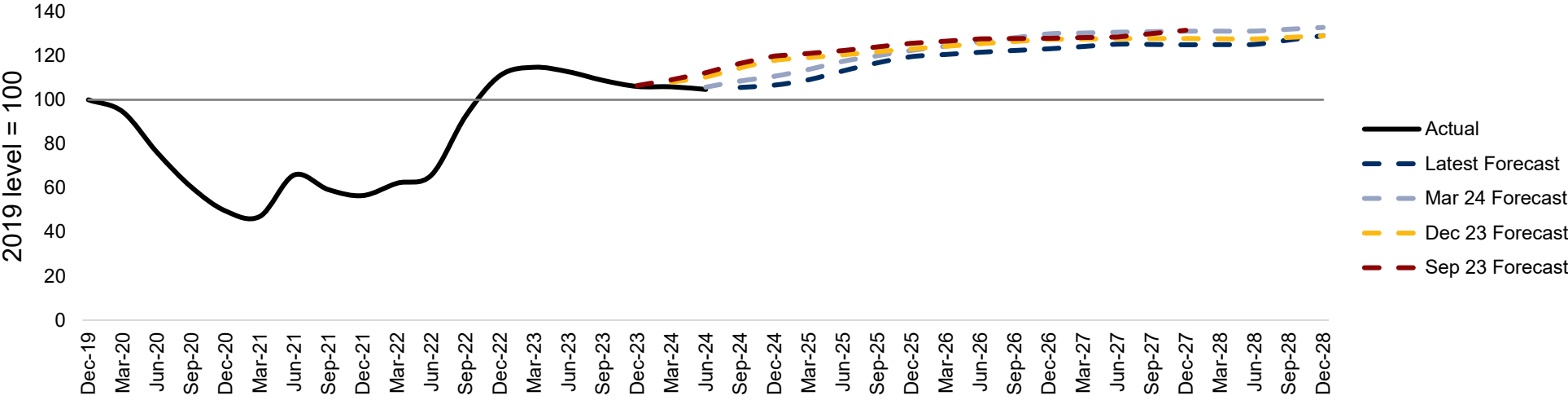
Canberra Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

Indexed Rolling 12-Month Hotel Performance Outlook



Indexed Rolling 12-Month RevPAR Outlook



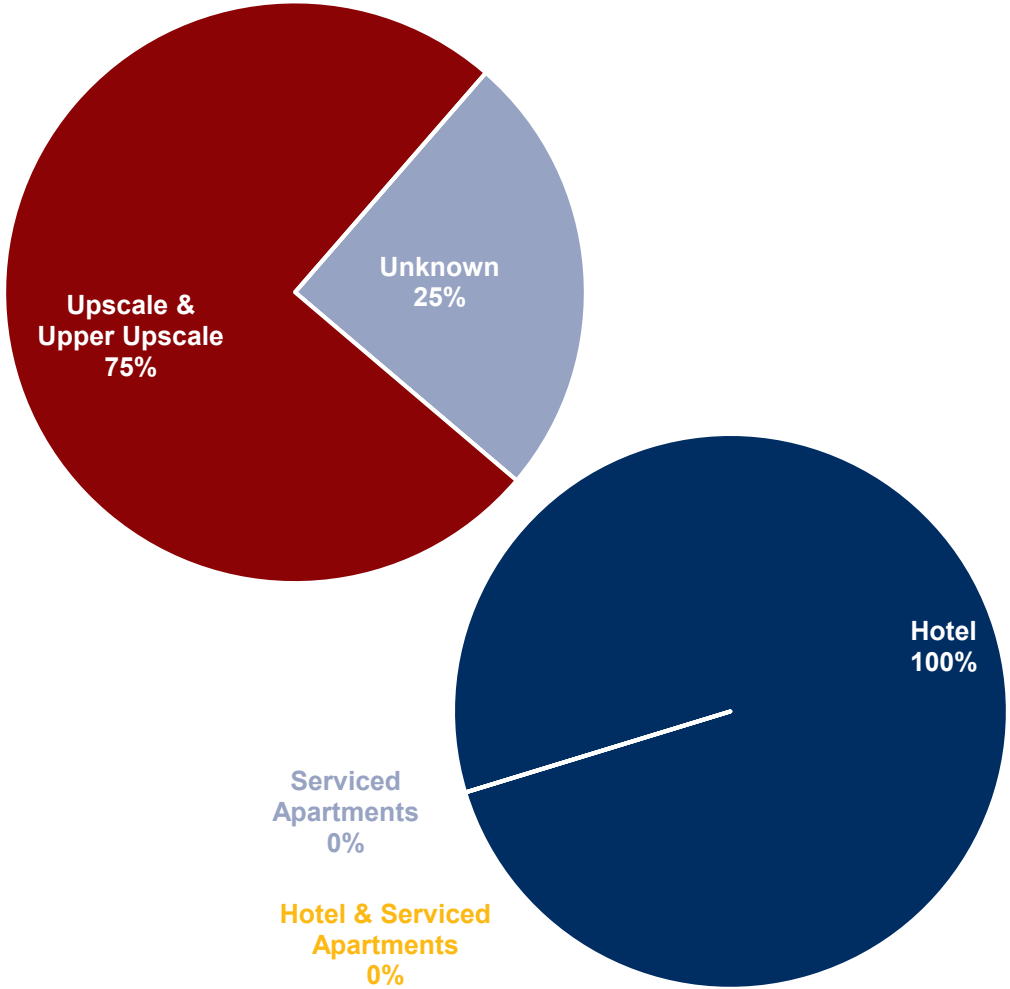
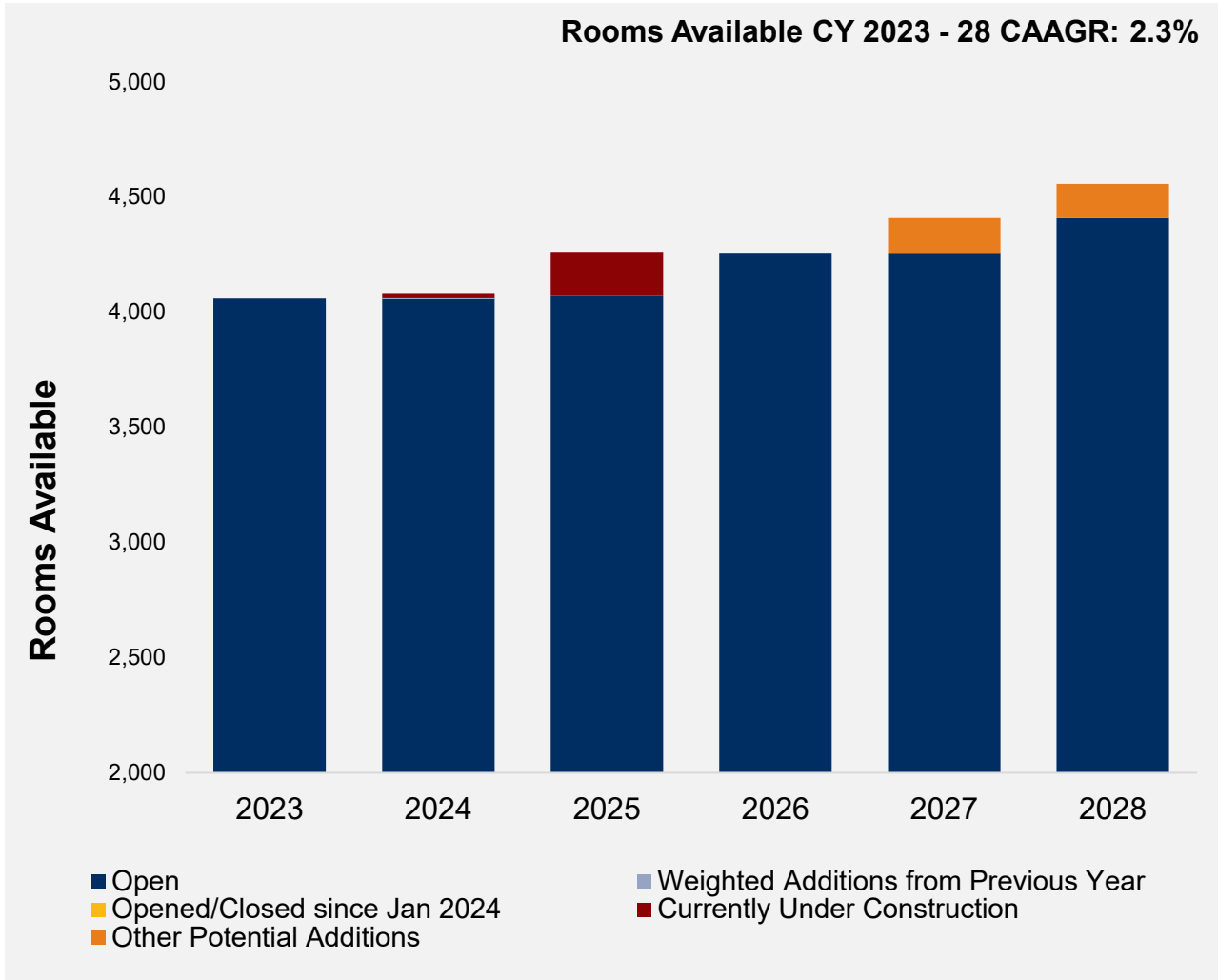
A long bridge illuminated at night over a body of water, with a rocky shore in the foreground. The bridge's lights are reflected in the water, and the sky is a deep blue. The foreground is filled with dark, rounded rocks.

Hobart

Hobart Tourism Region Hotel Market Outlook

Hobart Tourism Region Hotel Market Outlook

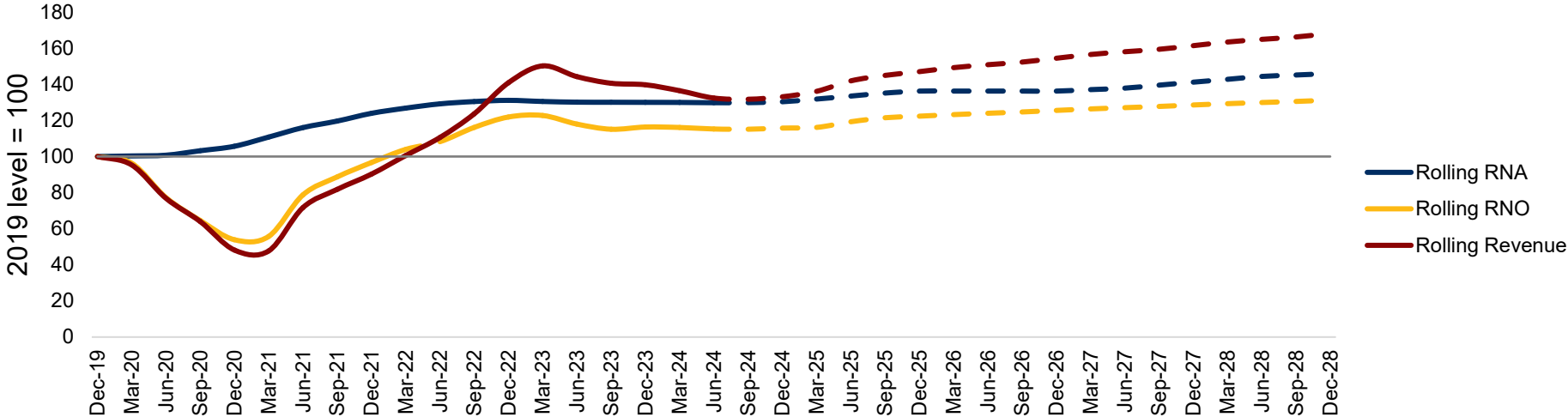
Forecast Additions to Supply – CY 2023 to 2028



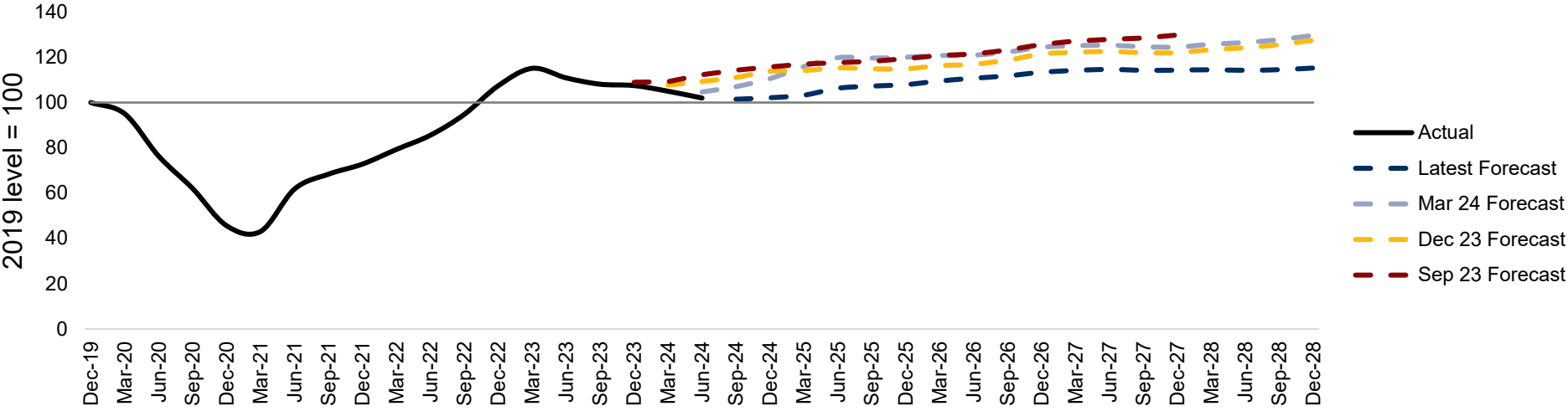
Hobart Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

Indexed Rolling 12-Month Hotel Performance Outlook



Indexed Rolling 12-Month RevPAR Outlook



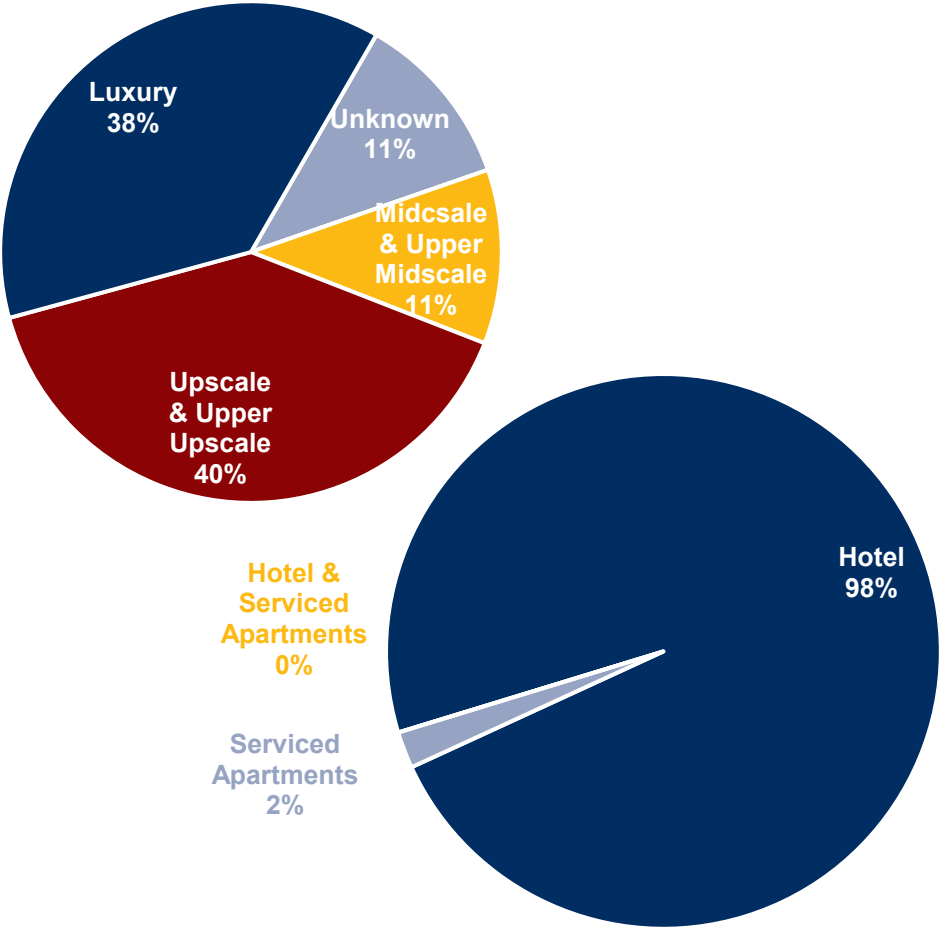
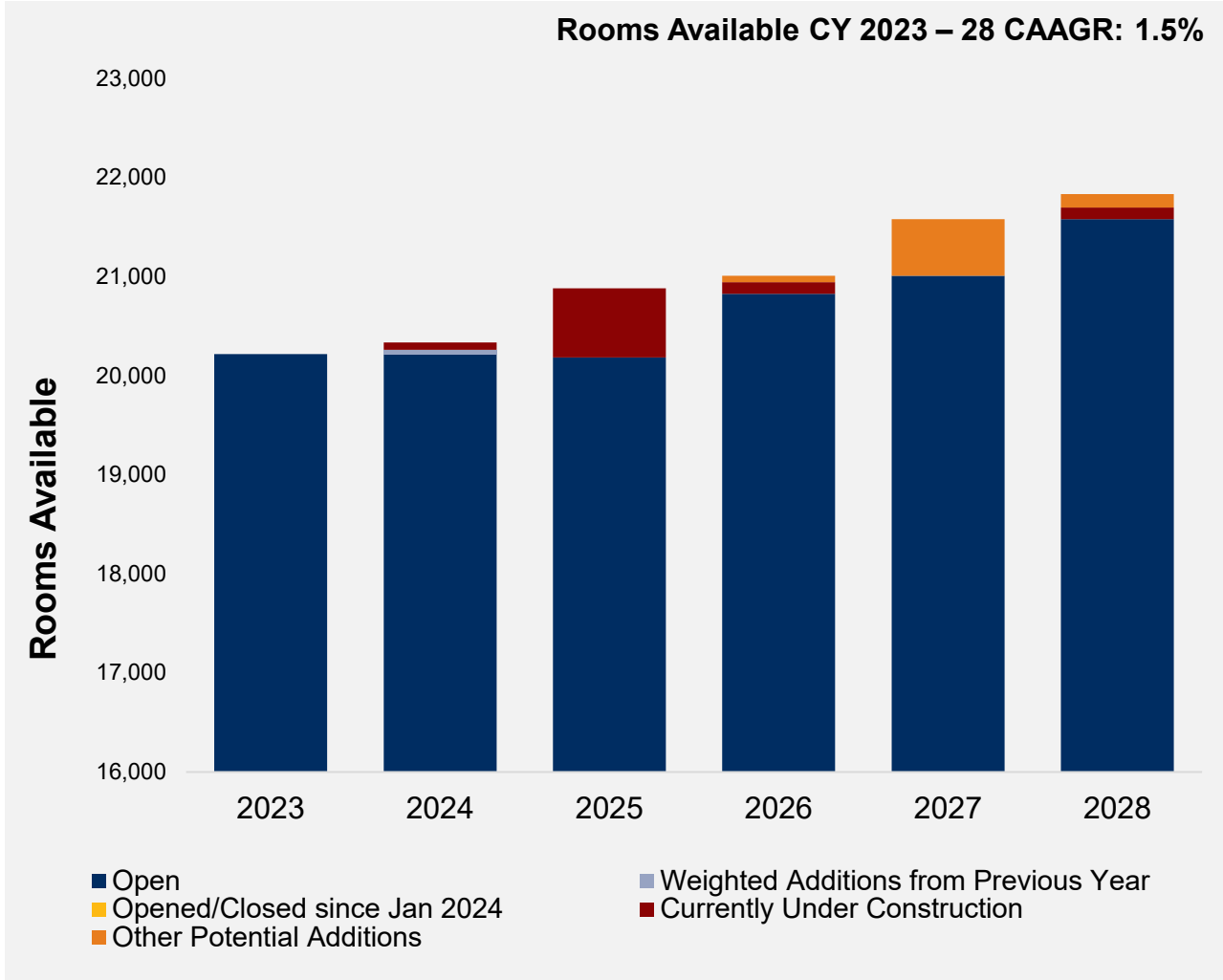


Gold Coast

Gold Coast Tourism Region Hotel Market Outlook

Gold Coast Tourism Region Hotel Market Outlook

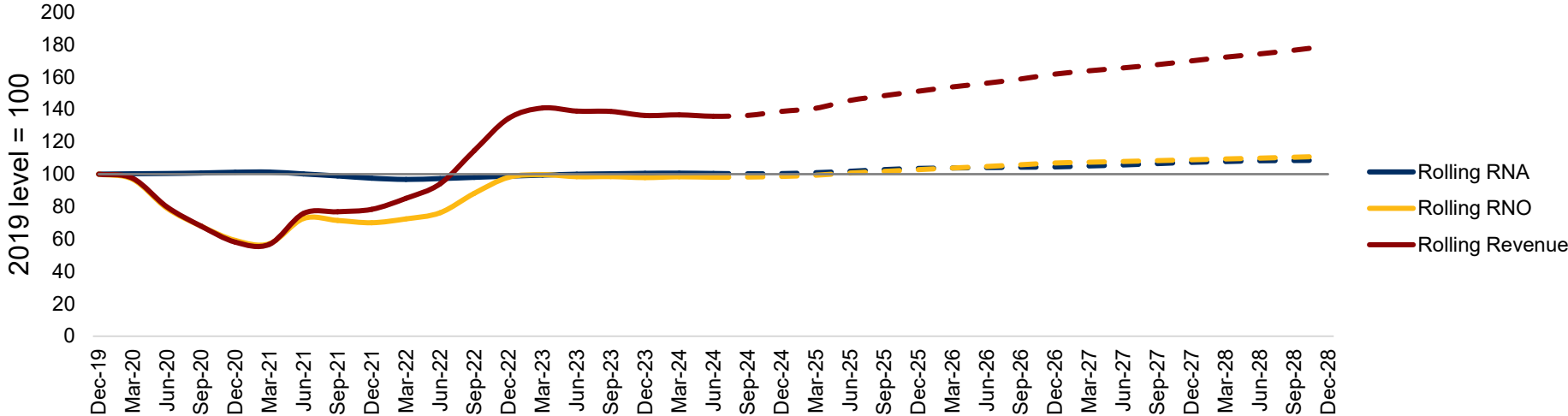
Forecast Additions to Supply – CY 2023 to 2028



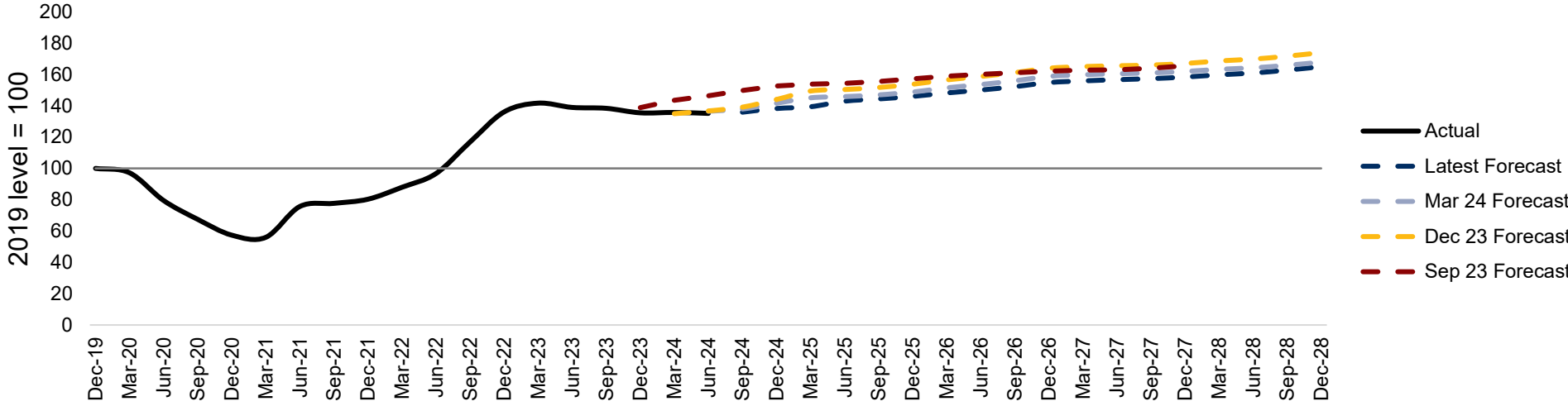
Gold Coast Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

Indexed Rolling 12-Month Hotel Performance Outlook



Indexed Rolling 12-Month RevPAR Outlook



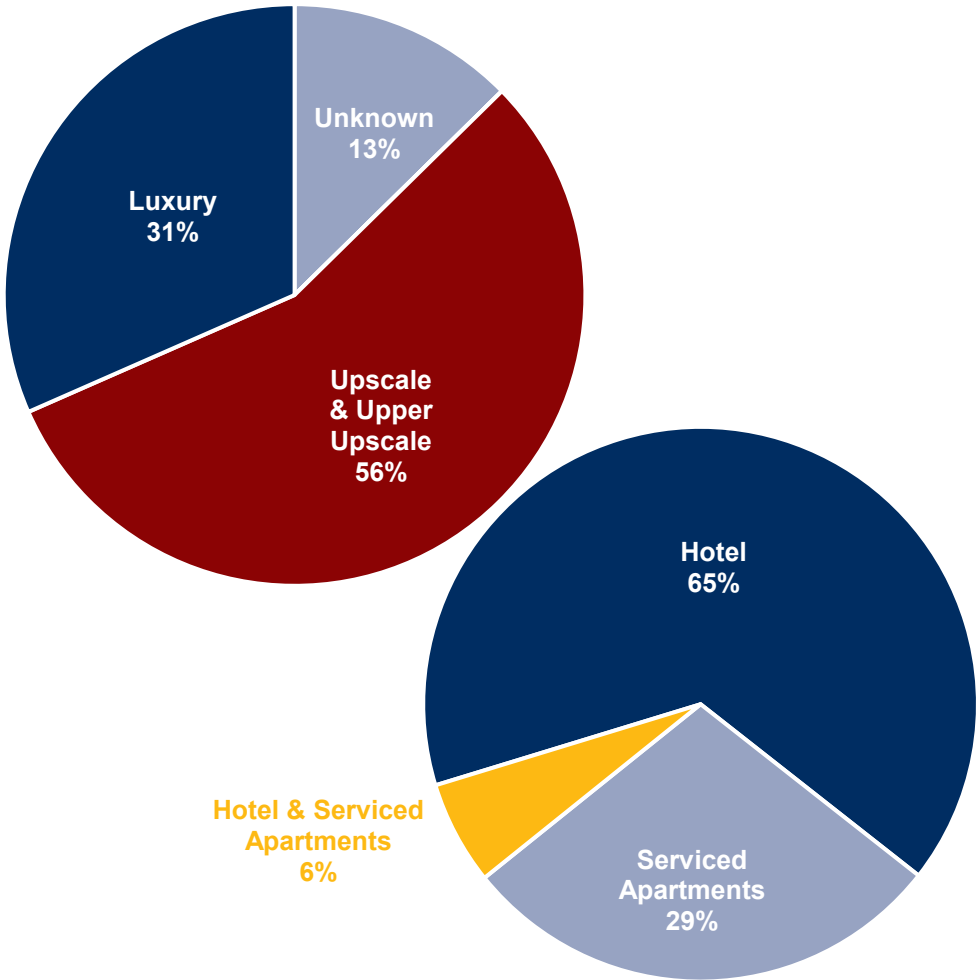
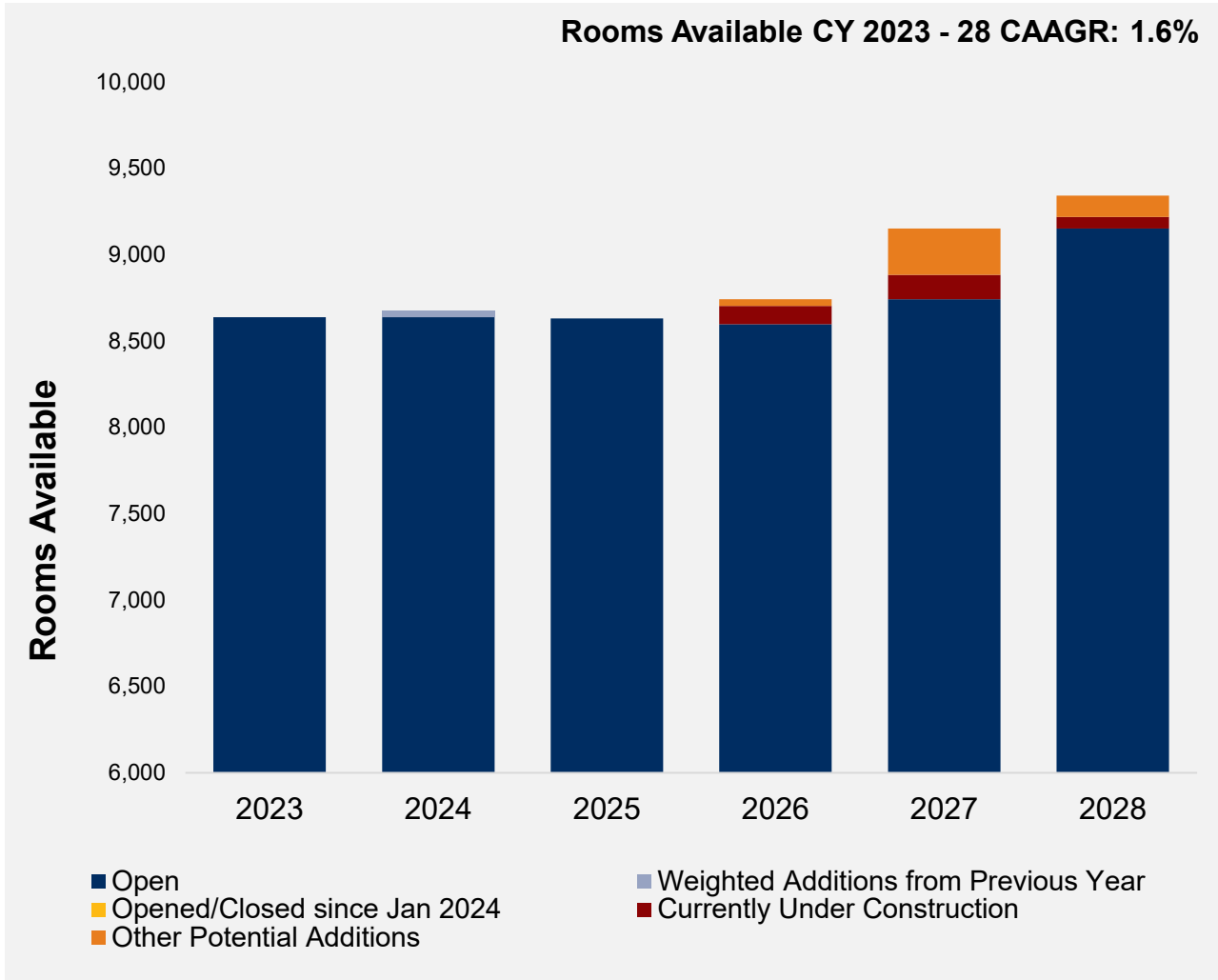


Sunshine Coast

Sunshine Coast Tourism Region Hotel Market Outlook

Sunshine Coast Tourism Region Hotel Market Outlook

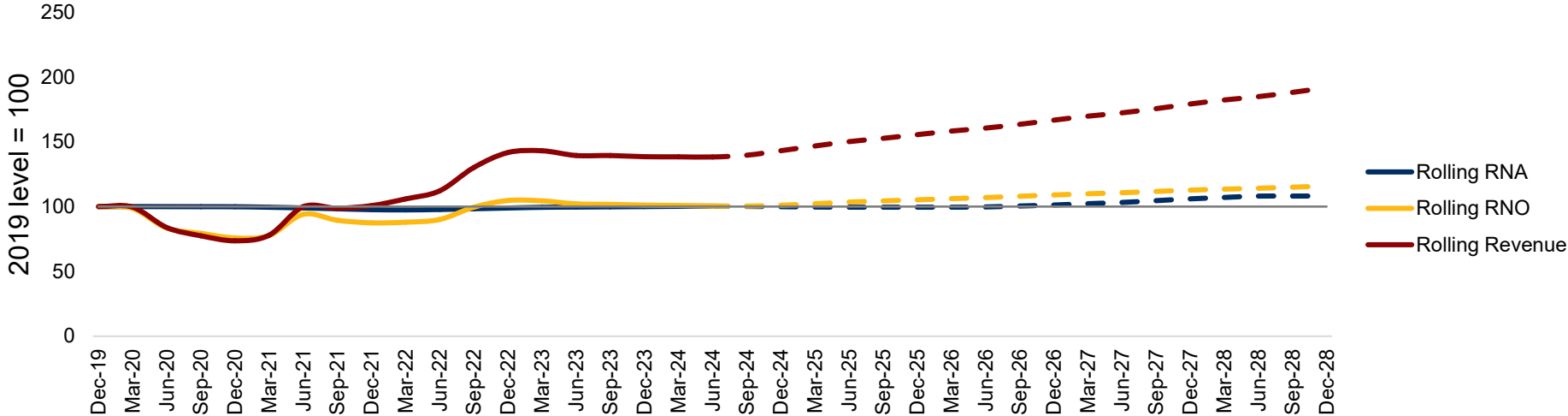
Forecast Additions to Supply – CY 2023 to 2028



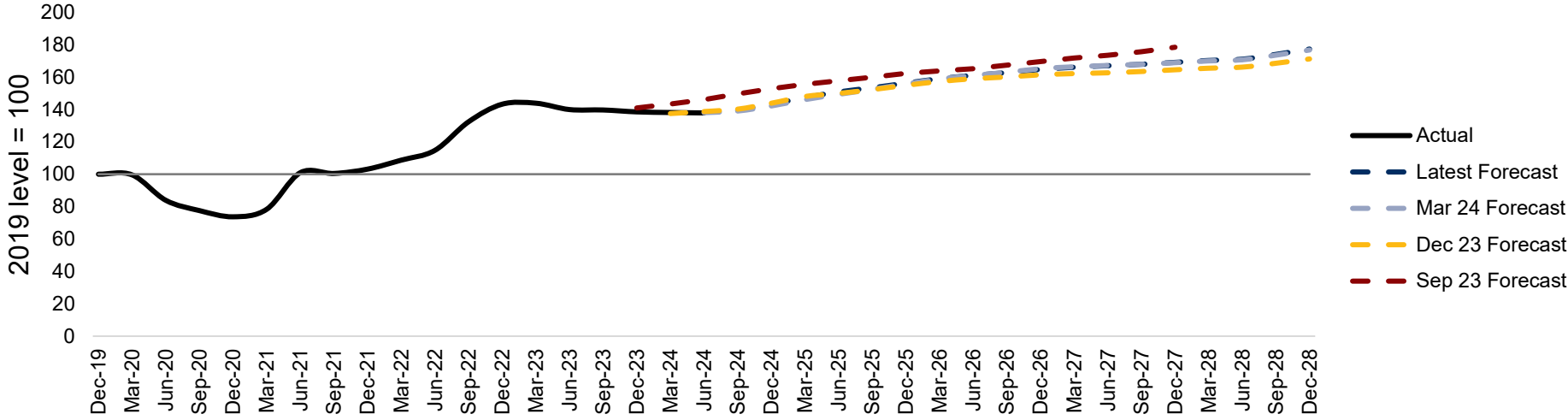
Sunshine Coast Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

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Indexed Rolling 12-Month RevPAR Outlook





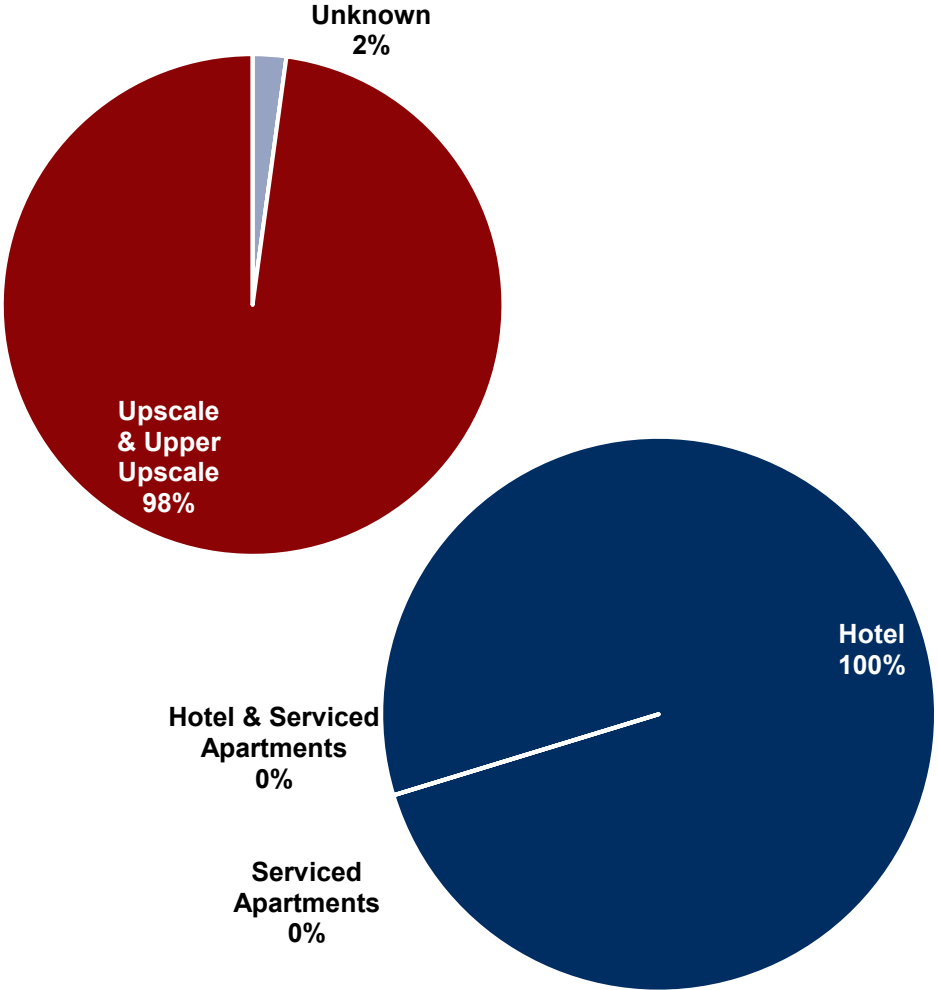
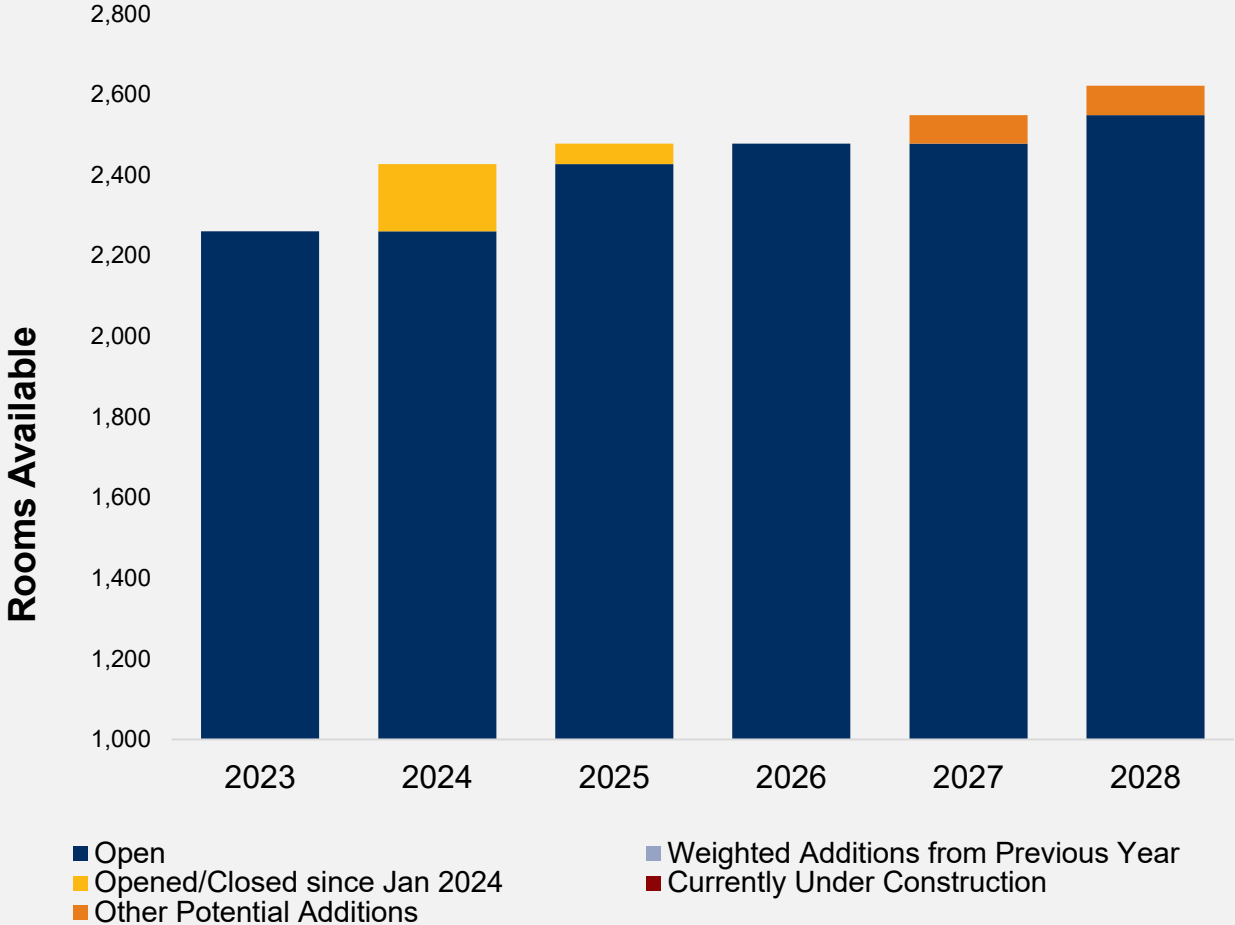
Newcastle

Newcastle Hotel Market Outlook

Newcastle Hotel Market Outlook

Forecast Additions to Supply – CY 2023 to 2028

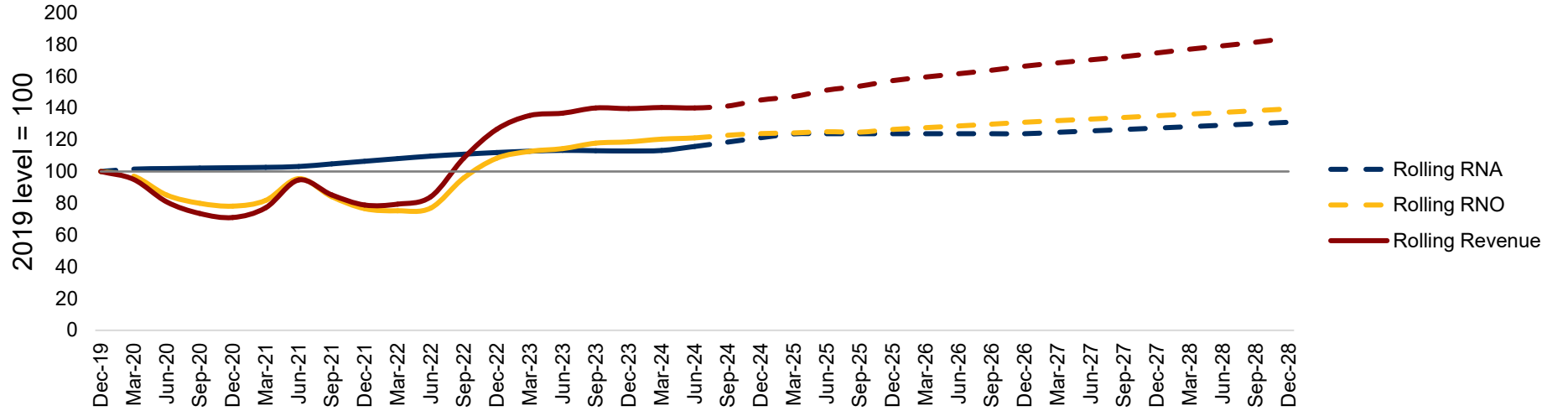
Rooms Available CY 2023 - 28 CAAGR: 3.0%



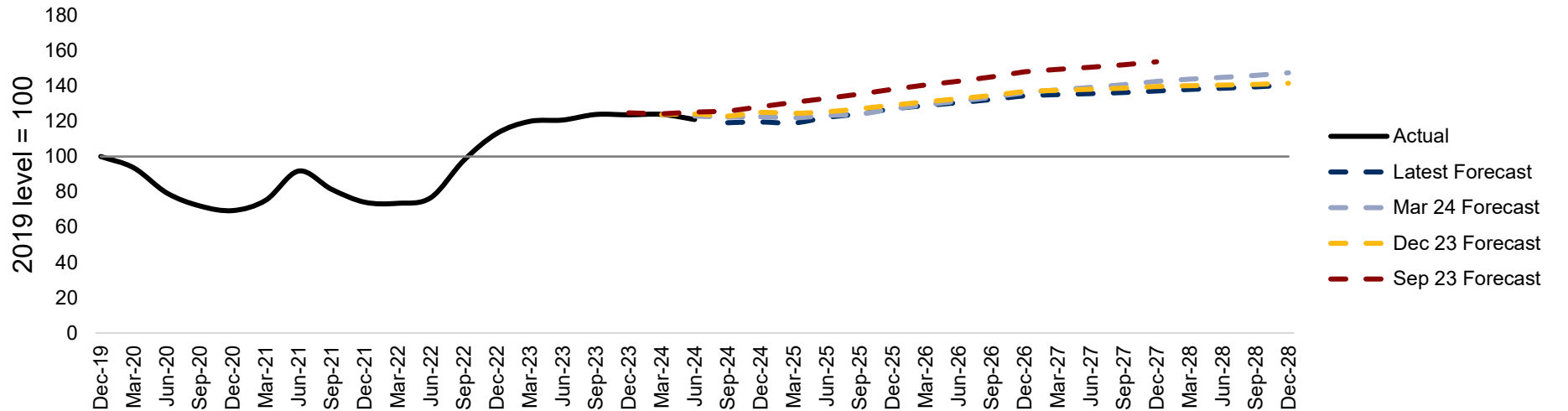
Newcastle Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

Indexed Rolling 12-Month Hotel Performance Outlook



Indexed Rolling 12-Month RevPAR Outlook



Summary of Hotel Market Outlooks

Top Performing Markets Post Covid – Forecast 5-Year RevPAR CAAG Rate 2019 to 2024

Market	RevPAR CAAG	Comments
Brisbane	9.2%	RevPAR well below historical highs in 2019 so coming off a low base. Occupancy improvement and strong ADR growth.
Perth	7.9%	RevPAR well below historical highs in 2019 so coming off a low base. Good occupancy growth and strong ADR growth.
Sunshine Coast	7.4%	Entirely driven by strong ADR growth.
Gold Coast	6.7%	Entirely driven by strong ADR growth.
Adelaide	4.3%	New supply has impacted occupancy. Strong ADR growth has allowed for RevPAR growth.
Sydney	4.0%	Occupancy close to pre-Covid, ADR growth has been solid.
Newcastle	3.6%	Occupancy higher than pre-Covid, despite some decline forecast for 2024. Good ADR growth, though declines in 2024 forecast.
Canberra	1.3%	Early recovery market has slumped post domestic demand boom. Supply impact on occupancy and ADR weakness in 2023 and 2024.
Melbourne	0.6%	Supply impact keeping occupancy from recovering. ADR growth has been good but has more recently been restrained and impacted by weak occupancy.
Hobart	0.4%	Early recovery market has slumped post domestic demand boom with decline in demand levels in 2023 and forecast for 2024. Large supply impact on occupancy and ADR weakness in 2024.

Summary of Hotel Market Outlooks

Top Performing Markets – Forecast 5-Year RevPAR CAAG Rate 2023 to 2028

Market	RevPAR CAAG	Comments
Sunshine Coast	5.1%	Will require both growth in occupancy and ADR to achieve. Occupancy growth may be challenging with seasonal demand impact on year-round performance.
Sydney	4.9%	Occupancy forecast to return to pre-Covid levels with continued consistent growth in ADR forecast.
Brisbane	4.4%	Continued improvement in occupancy forecast close to historical peak with ADR growth forecast slightly above inflation.
Adelaide	4.4%	Occupancy forecast to improve but remain below pre-Covid levels with continued new supply impacts. ADR growth forecast to return to healthy levels, but this may be currently overstated.
Melbourne	4.1%	Occupancy forecast to steadily improve and reach 2019 levels. ADR growth outlook is for below inflationary levels.
Gold Coast	4.0%	Seasonal demand forecast to limit year-round occupancy with ADR growth primarily driving RevPAR.
Canberra	4.0%	Occupancy forecast to remain below pre-Covid levels with ADR forecast to return to above-inflationary levels.
Newcastle	2.6%	Occupancy forecast to steadily improve reaching historical highs, though ADR growth forecast is subdued below inflation.
Perth	2.3%	With occupancy already close to 80% there is less upside with demand growth forecast similar to supply. ADR levels forecast to be below inflation. Good potential for upside in the forecast.
Hobart	1.4%	Supply and demand growth forecast in line limiting occupancy growth outlook. Increased seasonality having an impact. ADR growth forecast roughly in line with inflation.

Risks and Limitations

DATA SOURCES

In order to produce the hotel market outlooks in this report, Horwath HTL has collected and collated historical data and forecasts from the following sources:

- Historical hotel market performance data from STR as at June 2024;
- Historical economic data and forecasts from the DAE Business Outlook June 2024 Edition;
- International Tourism Forecasts have been adjusted by HHTL based on updated actual short term visitor arrivals up to May 2024 and Tourism Research Australia's December 2023 forecast.
- Historical domestic tourism data as up to March 2024;
- The latest Domestic Tourism Forecasts as published by Tourism Research Australia in December 2023;
 - Regarding domestic visitation, Horwath HTL has adopted the recovery timeline as published by TRA in its December 2023 domestic tourism forecast, with adjustments to the outlook for CY 2024 through CY 2025 based on actual results to March 2024 and used growth relative to the long-term average, following such adjustments we have reverted to the ABS outlook for CY 2026 onwards.
- Supply pipeline information as collected in the Horwath HTL databases.

Adjustments made to our econometric model as described above, together with updated DAE economic projections, result in longer-term impacts for the market. We believe that the current modelling presents a reasonable picture of the outlook for hotel market performance, however, any such outlook should not be relied upon.



Risks and Limitations

Our assessments and projections are predicated upon a number of assumptions and expectations. In particular, it should be recognised that hotel performance is particularly vulnerable to exceptional events. Unforeseen events that could severely disrupt hotel performance include, and are not limited to:

- Economic disruptions, such as the Asian or Global Financial Crises;
- Acts of terrorism, such as 9/11 or the Bali bombings;
- Natural events, such as a flood, tsunami or earthquake;
- Health scares, such as SARS, MERS, Avian Flu, Covid-19 Flu;
- Political unrest and instability such as recently occurred in Thailand and Hong Kong;
- Failure of local infrastructure, such as air-traffic disruptions, strikes, inadequate transport systems etc.; or
- Significant and/or concentrated additions to accommodation supply.

Whilst most of the above have played out to varying degrees over the last decade in various countries, including in Australia, these events remain difficult if not impossible to predict and can often not be anticipated.

Furthermore, unforeseen changes to the supply and demand of transient accommodation, including events that result in a material change to the business environment generally, could severely disrupt hotel performance in Australia's key transient accommodation markets, and as a result the future trading environment may be significantly different to that envisaged as at the time of preparation of this report.

Our conclusions as presented in this report are a reflection of the market conditions which we believe may eventuate during the forecast period. That said, it must be recognised that all estimates are based on our best judgement at this time.



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Damien Little is a Director with Horwath HTL in Melbourne and has 25 years of consulting experience with significant experience in financial modelling.

During this time, he has undertaken hotel-related projects in 20 countries across the Asia Pacific region, being involved in more than 500 projects. Damien has been involved in projects across all industry segments including 5-star city hotels, luxury island resorts, golf resort properties, mid-scale regional hotels, budget hotels, backpacker accommodation, restaurants and clubs.

Damien previously worked for Horwath HTL (Asia Pacific practice) for 17 years and spent time in the Singapore, Hong Kong and Beijing offices. Upon his return to Australia, Damien joined Horwath HTL in Australia taking up the role as a Director and expanding the company's presence to Melbourne.

He is also a frequent speaker at industry-related conferences around the region and has published numerous research articles in regional industry publications.

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