



The Second Australian Hotel Industry Sentiment Survey Impact of COVID-19

18 May 2020



Horwath HTL™

Hotel, Tourism and Leisure

AHS
ADVISORY

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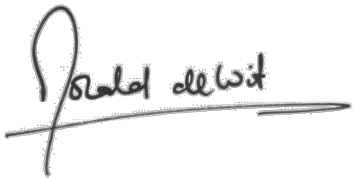
Dear Hotel Industry Colleague

In the month since the First Australian Hotel Sentiment Survey in mid-April 2020, the COVID-19 pandemic has continued to wreak havoc across the globe and at home. The travel and tourism industry in Australia has remained shuttered out of necessity to contain the spread of the virus, with domestic markets locked down, and international markets barred from entering the country.

As a consequence, the accommodation industry has suffered as never before. Not only have owners and operators suffered tremendous economic loss, but many staff stood down or temporarily under-employed have equally suffered, and continue to feel the anguish of joblessness, uncertainty and change as never before.

This Second Australian Hotel Sentiment Survey reports the ongoing status of the accommodation sector, and seeks to highlight those factors underpinning current operational challenges. We have again gauged what outlook operators hold for performance levels into the immediate future, and probed what operational challenges and likely solutions that owners and operators of accommodations properties face.

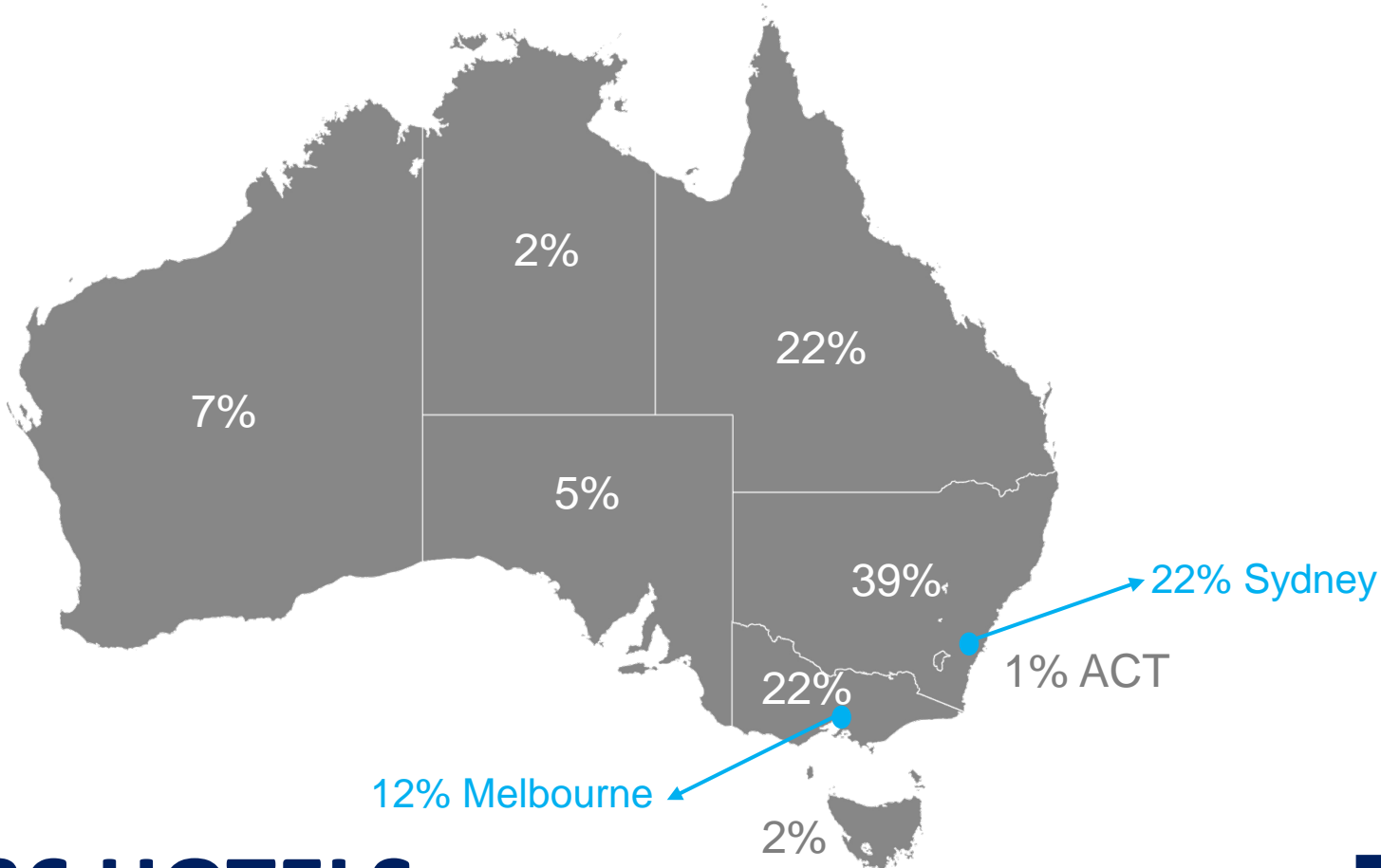
Importantly, as the nation is now slowly and tentatively emerging from the lockdowns and isolation measures, this Survey reports on the likely journey ahead for the accommodation sector in Australia.



Ron de Wit
Managing Director
AHS Advisory



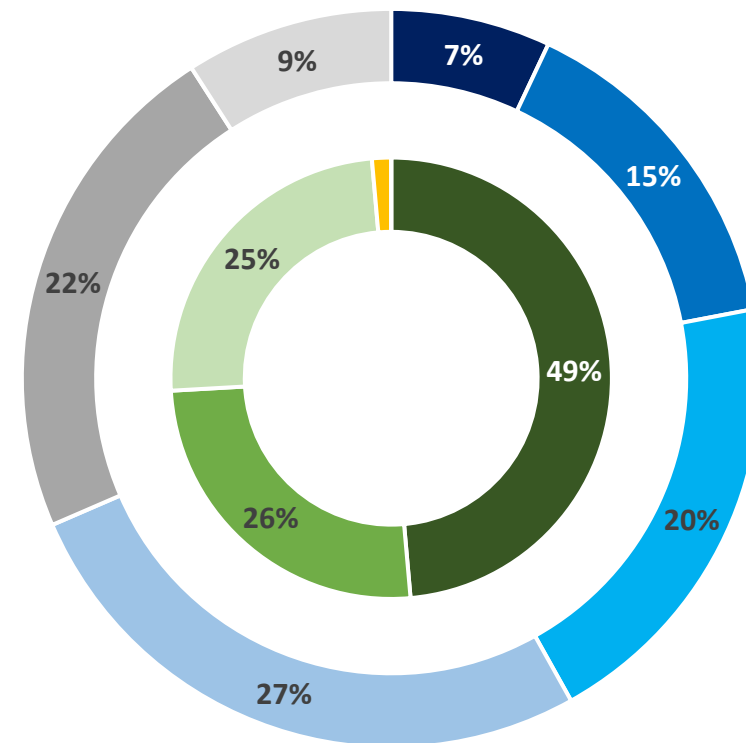
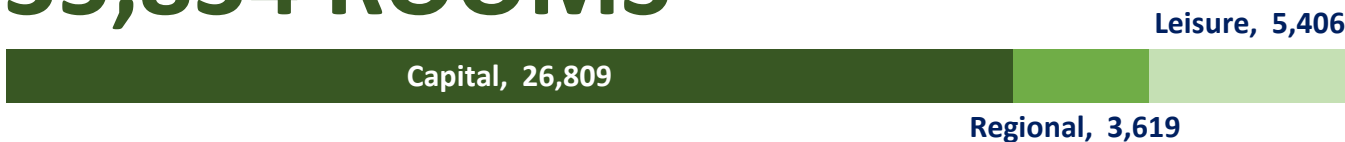
THE DATA



286 HOTELS



35,834 ROOMS



Note participants have been categorised as follows:

Capital = State Capital Cities only; **Leisure** = Predominantly leisure destinations such as Gold Coast, Cairns and Byron Bay;

Regional = all other markets.



Key Findings

1 *JobKeeper* was by far the most adopted Government Stimulus Measure with **91% of all participating properties** having utilised the scheme. 89% of accommodation properties in capital cities, 92% of regional properties and 94% of leisure market properties sought the JobKeeper package. The second most commonly embraced measure was taking advantage of Payroll Tax deductions with 43% of all participants utilising this measure. The third most popular measure was the cash boost for businesses with 33% of total participants utilising this stimulus solution.

2 **80% of survey participants** (that are currently operating) describe their operation as being “**Cash Flow Negative**”, making it clear the accommodation sector in Australia is currently in a dire situation.

3 Given the current financial situation described above, it is not surprising that **50% of participants state that their current staffing levels are only 0%-25% of pre-COVID levels**, with a further 20% at 26%-50% of pre-COVID levels. In addition to this, many participants feel that front-line staffing levels will not return to pre-COVID levels, particularly in the Food & Beverage department.

4 Of the participating properties that classified themselves as being partially operational, on average **only 27% of rooms are available for sale**. This percentage varies by location type with regional properties having on average 40% of inventory available for sale, capital city properties 26% and **leisure properties the lowest at only 18% rooms operational**. Based on these estimates and taking into account the rooms count of fully operational properties, and zero rooms for closed properties, **of the 35,834 rooms surveyed, approximately 14,580 rooms, or 41% are currently operational**.

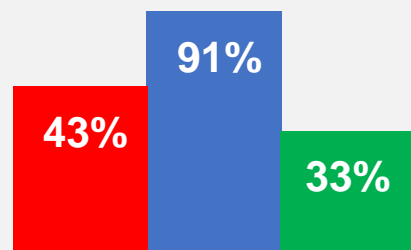
5 **June** is expected to be the poorest performing month, with low occupancy levels and at an approximately 30% decline in ADR compared to budget. The result is that **RevPAR could decline by up to 87%** compared to budget, based on the data taken from survey responses.

6 Investment into new **hygiene standards** is a clear focus of accommodation providers with **74% of properties identifying this as a top-3 initiative**.

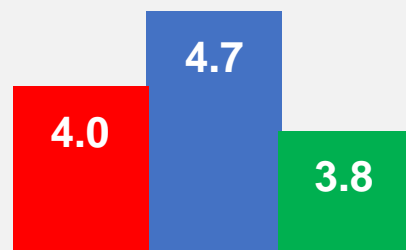
KEY FINDINGS

Government Stimulus Measures

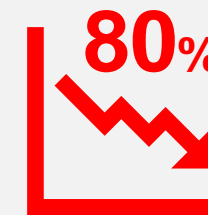
Most Utilised



Most Important Score 1-5



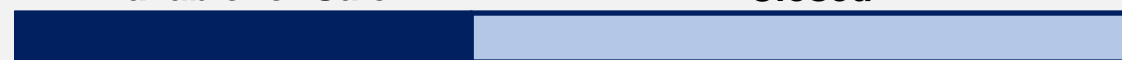
74% Investment in new hygiene standards
56% Re-negotiate supplier agreements
55% Rationalise organisational structure



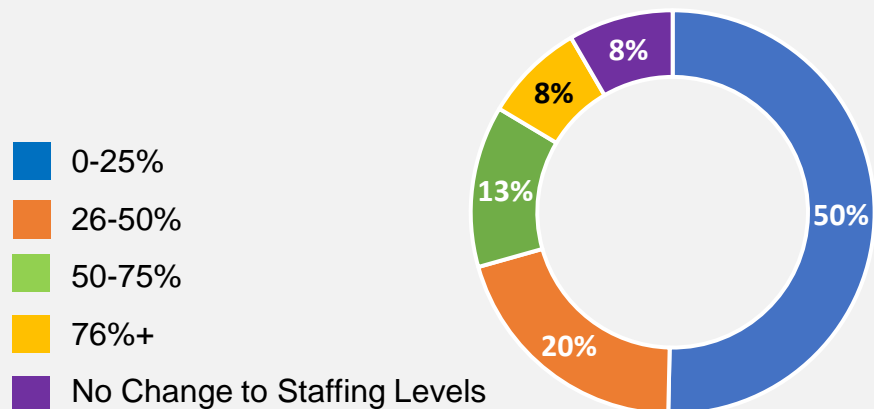
Operating hotels that are cashflow negative

41% of Rooms Available for Sale

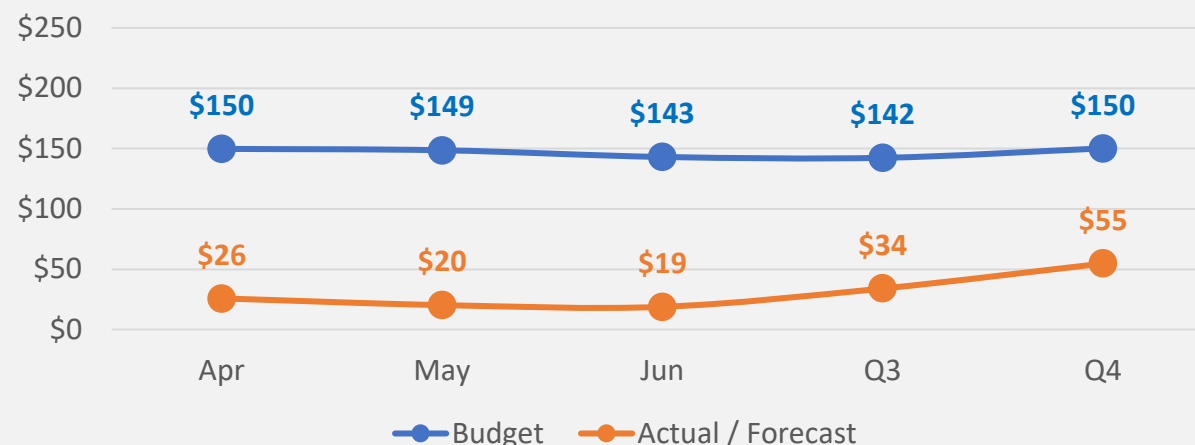
59% of Rooms Closed



Current Staffing Levels



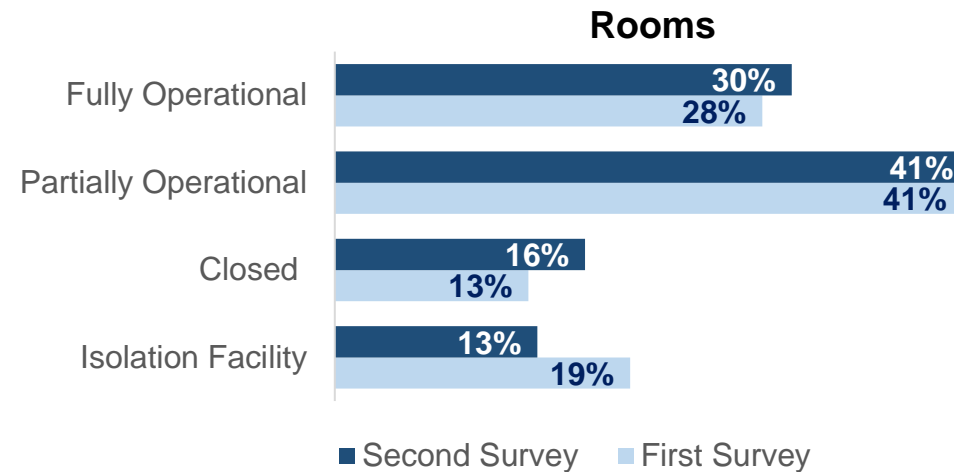
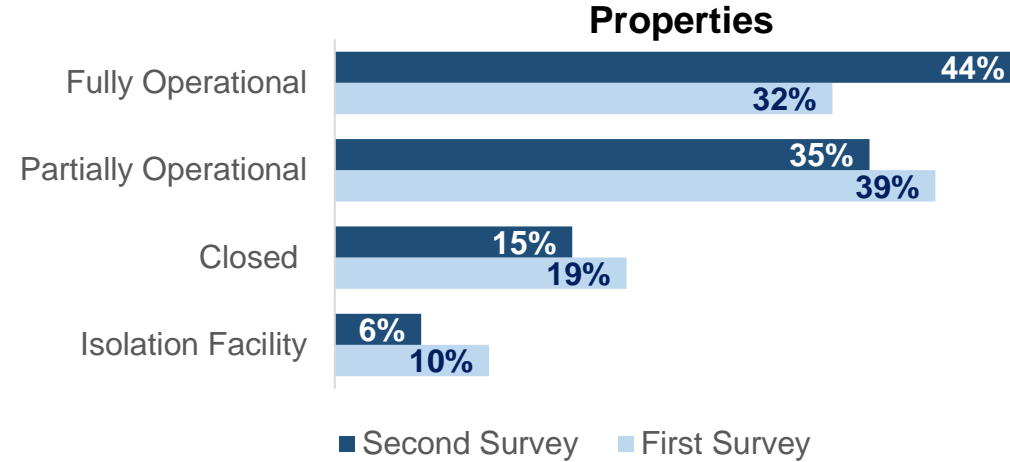
RevPAR Outlook – All Participants



Operating Status – Summary

- Compared to the First Sentiment Survey, this Second Sentiment Survey with a larger number of participants reports a smaller percentage of accommodation properties identified as being closed (35%), and conversely a larger number of participants have identified as being fully operational (44%).
- In addition, only a small percentage (3%) of properties not already closed are planning to close. It would seem that while the Australian accommodation sector has been severely impacted, far fewer properties than expected are closing. This is most likely due to the high take-up of the JobKeeper measure. Most properties that are closed are expecting to re-open by July.
- 36% of participants are operating a delivery service from F&B outlets, while 23% of participants have completely closed down their outlets. In terms of re-opening food outlets to accepting customers, a surprisingly high percentage of properties with F&B outlets (47%) indicated that they were not planning to re-open notwithstanding the recent easing of restrictions.

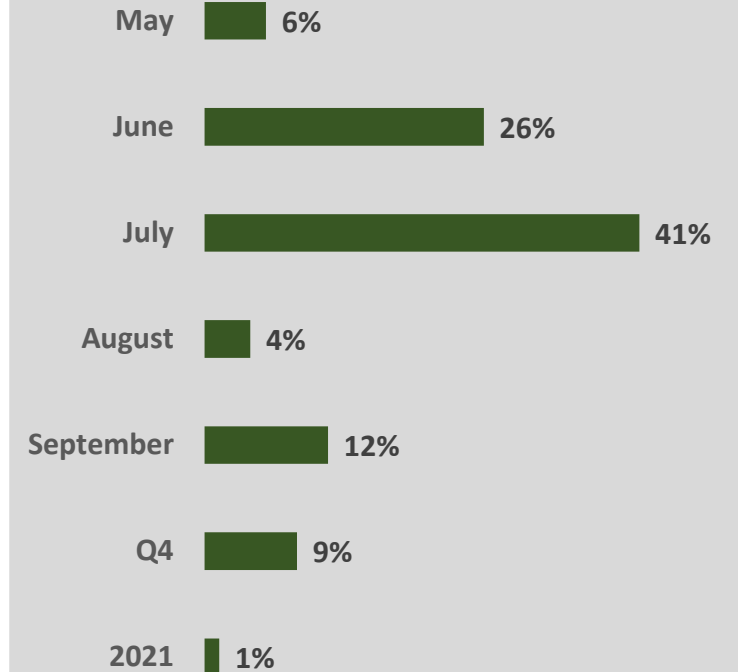
Operating Status - Rooms



If Not Closed Are You Planning To Close

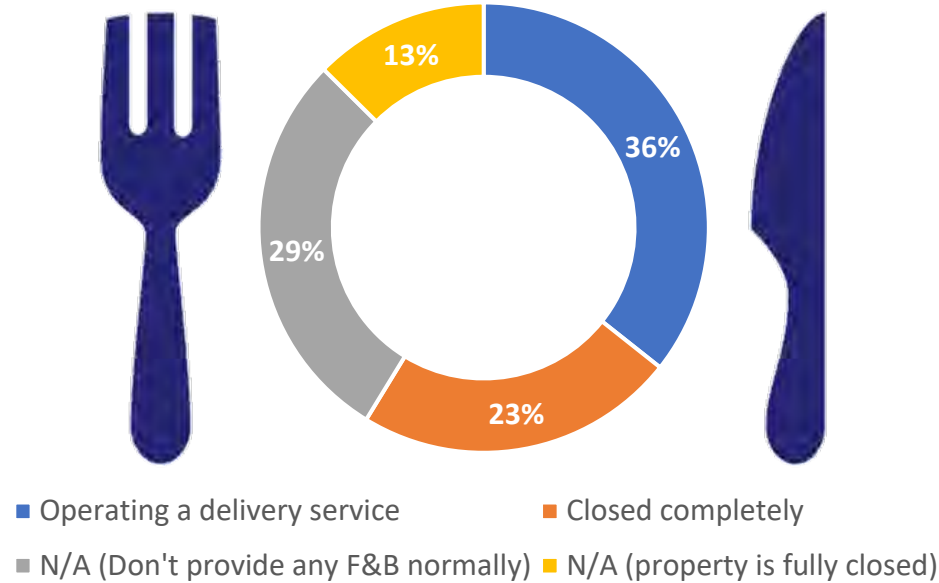
3% YES

If Closed When Are You Planning To Re-Open



Operating Status – F&B

Current Status of F&B Outlets



Given Easing of Restrictions Are You Planning To Re-Open Food Outlets?

Capital Cities



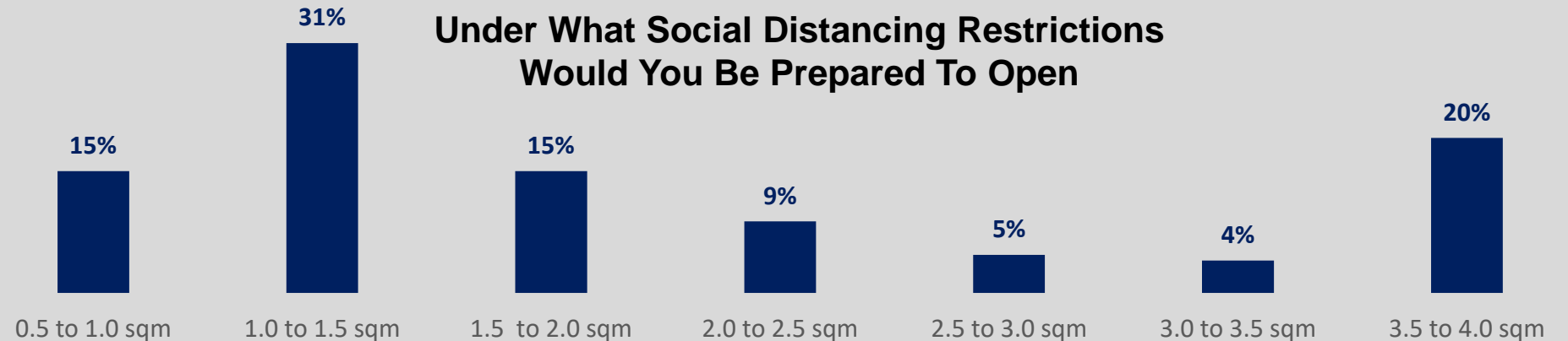
Regional Cities



Leisure Markets



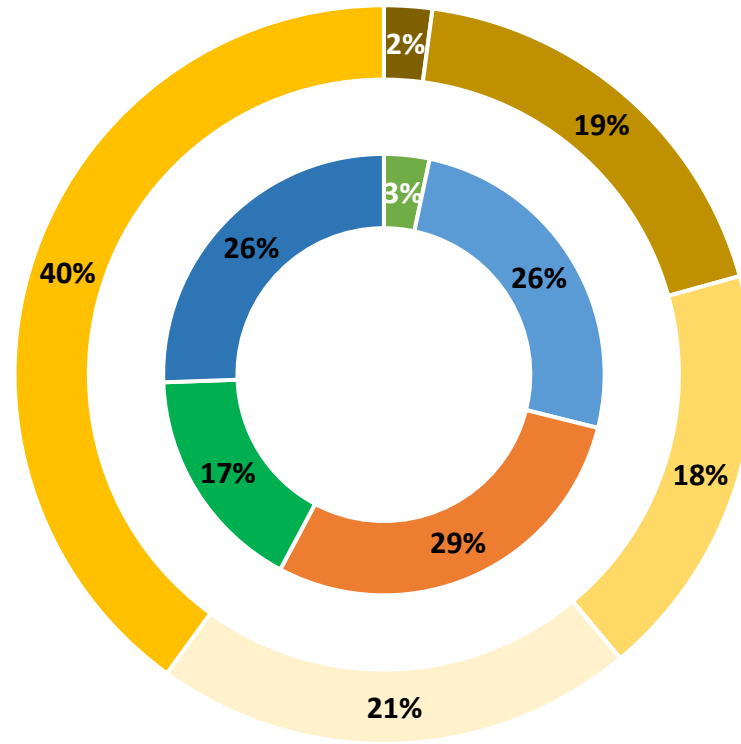
Under What Social Distancing Restrictions Would You Be Prepared To Open



Performance Outlook – Summary

- In this Second Sentiment Survey, more respondents (40%) are expecting the impact from COVID-19 to last more than 12 months, compared to the First Sentiment Survey (26%).
- Properties located in capital city markets have a more pessimistic outlook with 53% of participants expecting the impact on performance to last longer than 12 months. In regional city markets, this reduces to 31%, while for leisure destinations, it reduces further to 23%.
- In leisure destinations, the largest share of respondents (43%) expect the impact to last only 3-6 months. This does fit with the narrative that domestic leisure destinations may be the first to recover when restrictions on domestic movement ease in the coming months.
- The occupancy, ADR and RevPAR numbers presented do not represent a forecast as such, rather the aggregation and averaging of participants responses, weighted for room count. Rather than focus on the actual numbers, the variance between budget and forecast is more important.

Performance Outlook - Expected Length of Impact of COVID-19



First Survey



0-3 Months

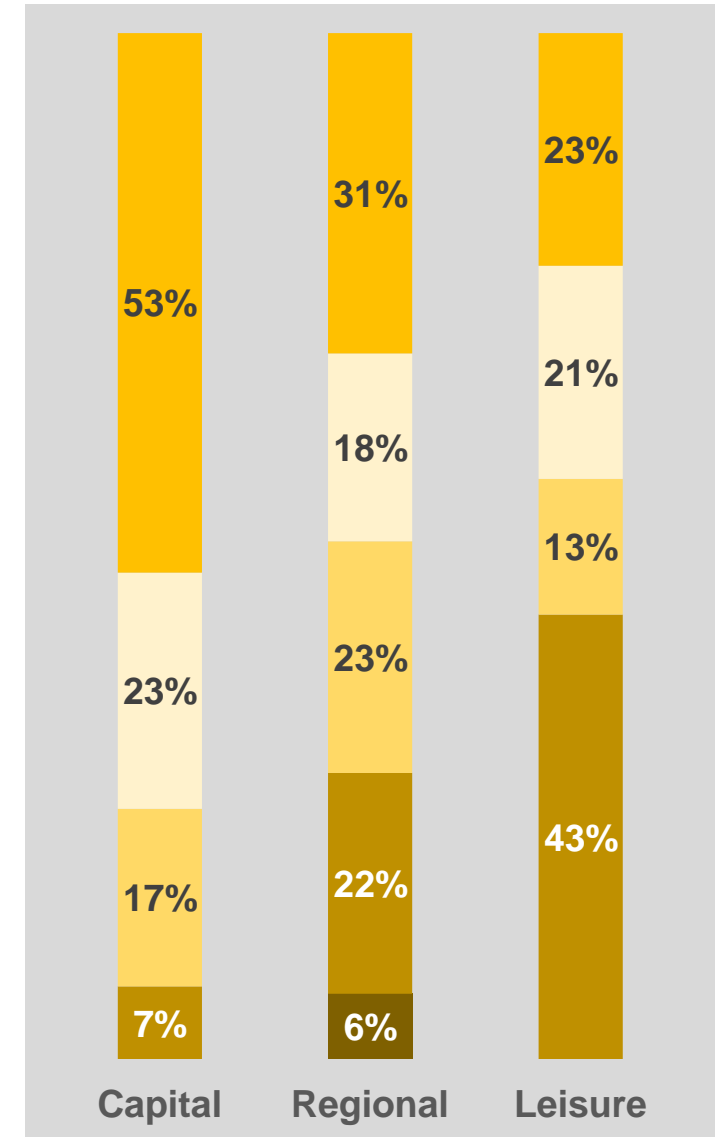
3-6 Months

6-9 Months

9-12 Months

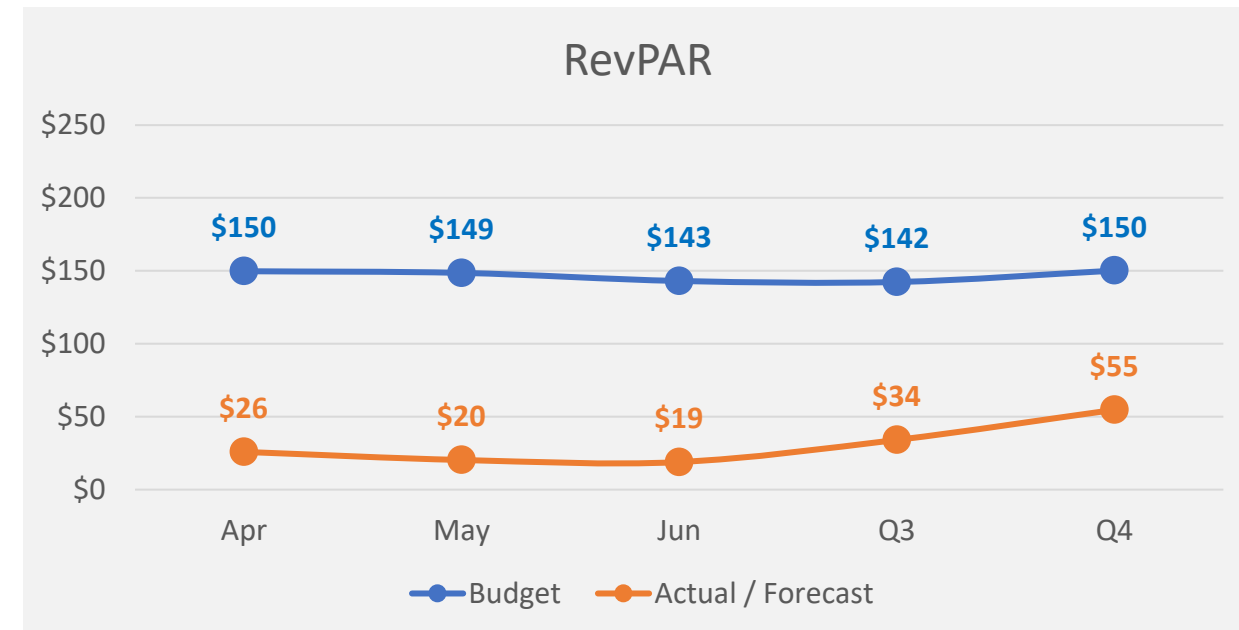
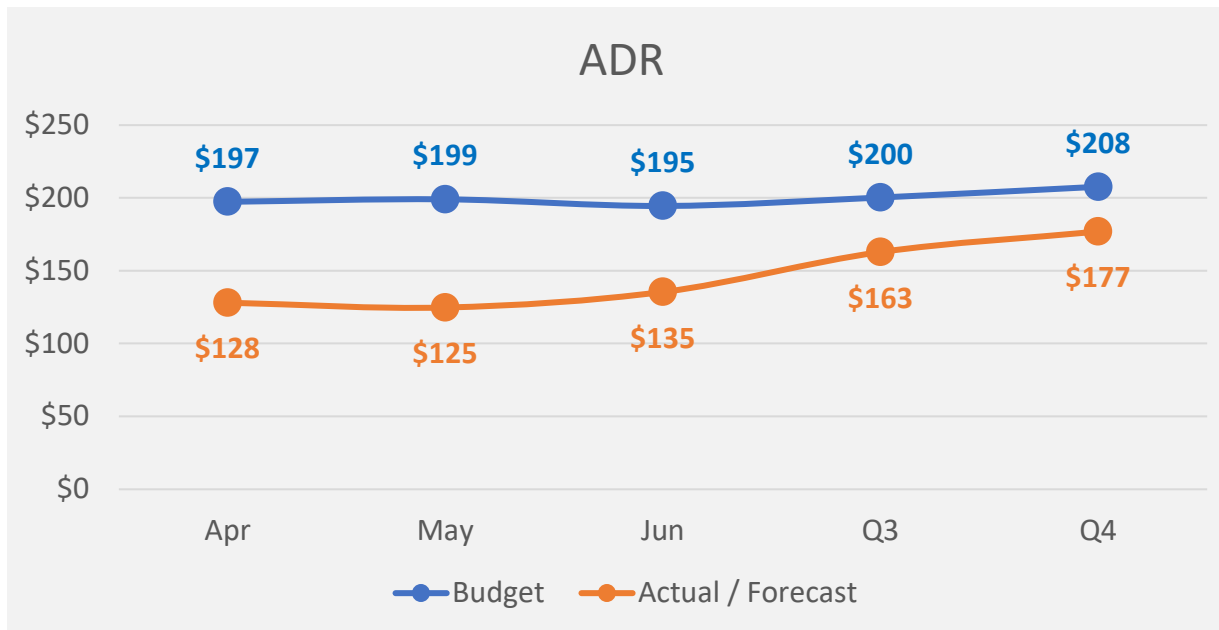
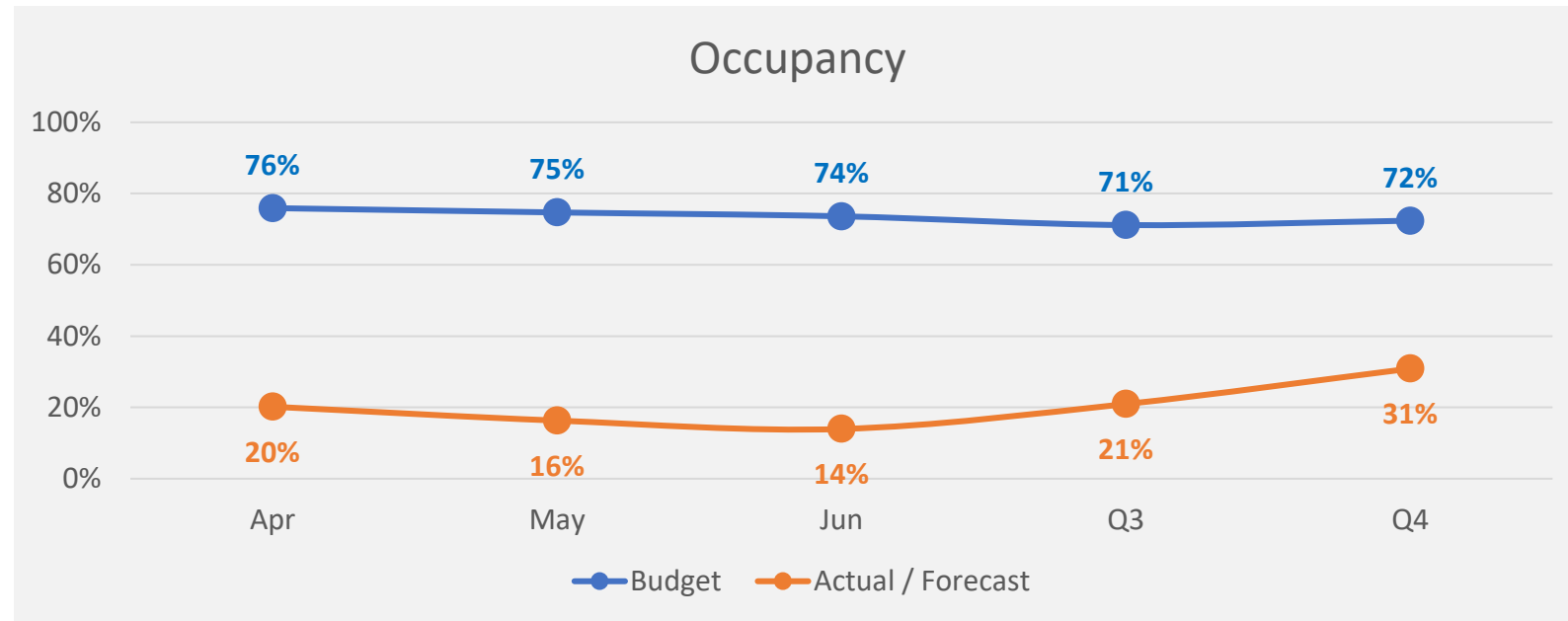
Longer than 12 Months

Second Survey



Performance Expectations

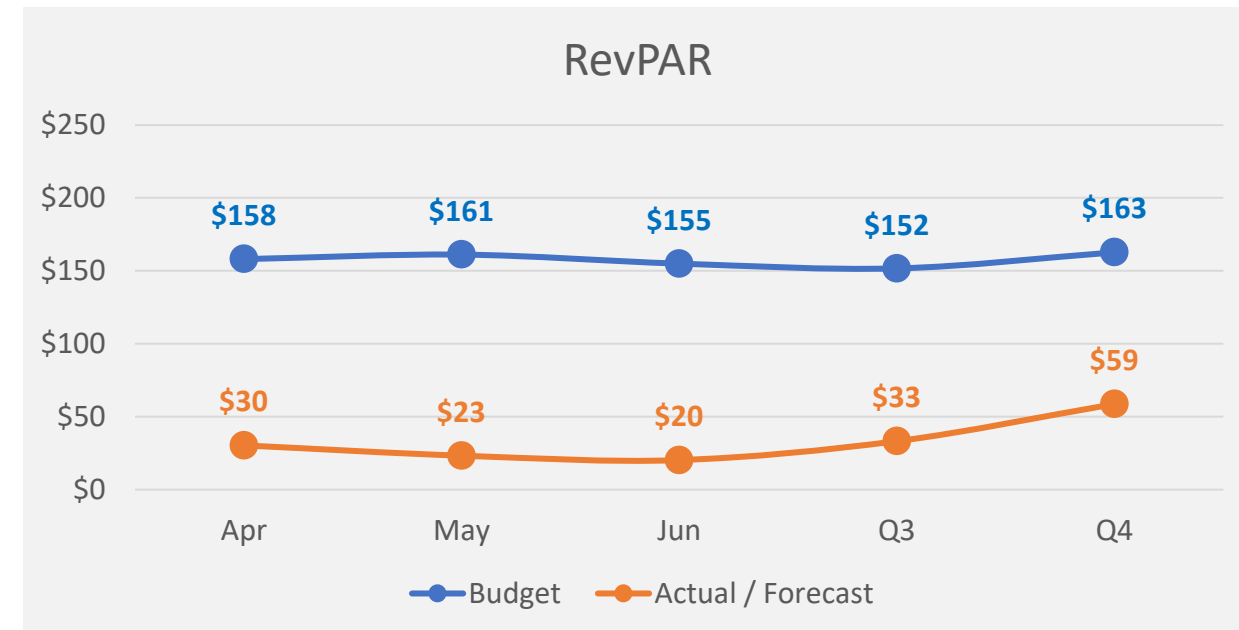
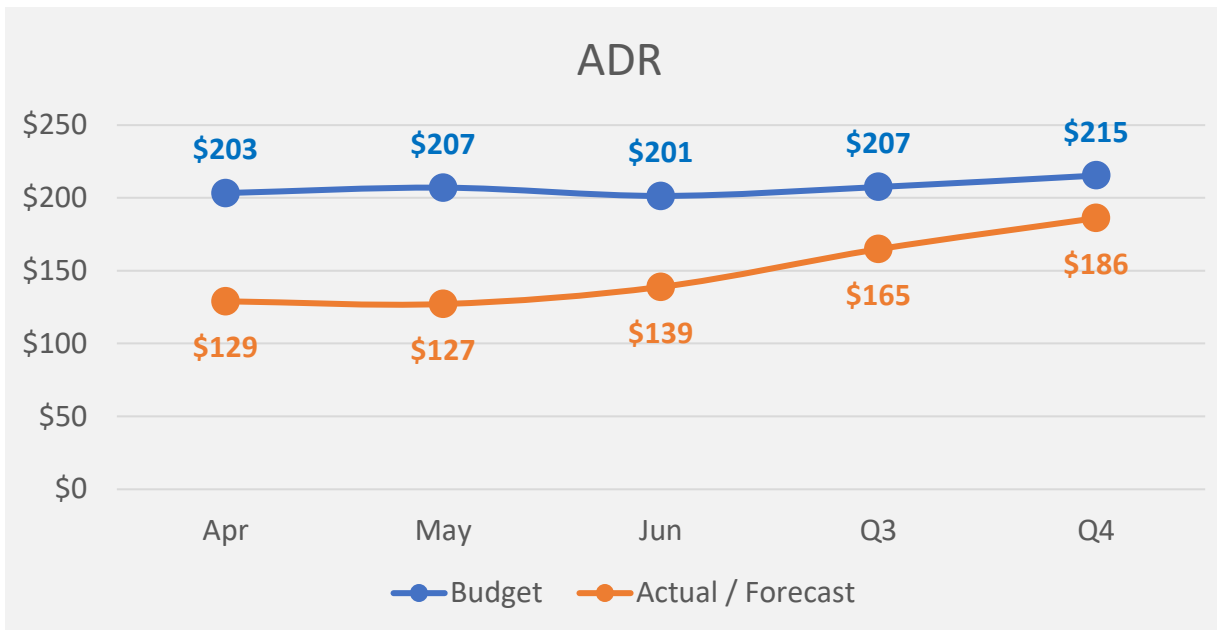
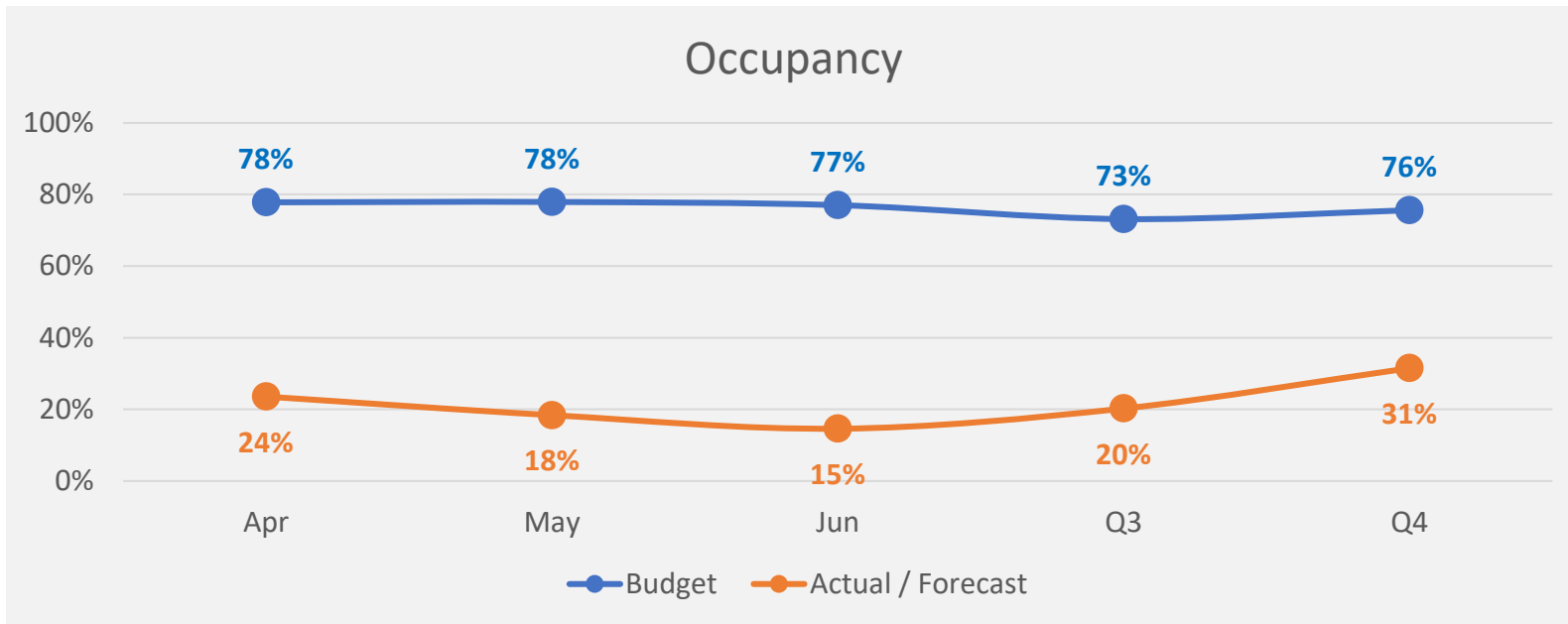
All Participants



The occupancy, ADR and RevPAR numbers presented do not represent a forecast as such, rather the aggregation and averaging of participants responses, weighted for room count. Rather than focus on the actual numbers, the variance between budget and forecast is more important.

Performance Expectations

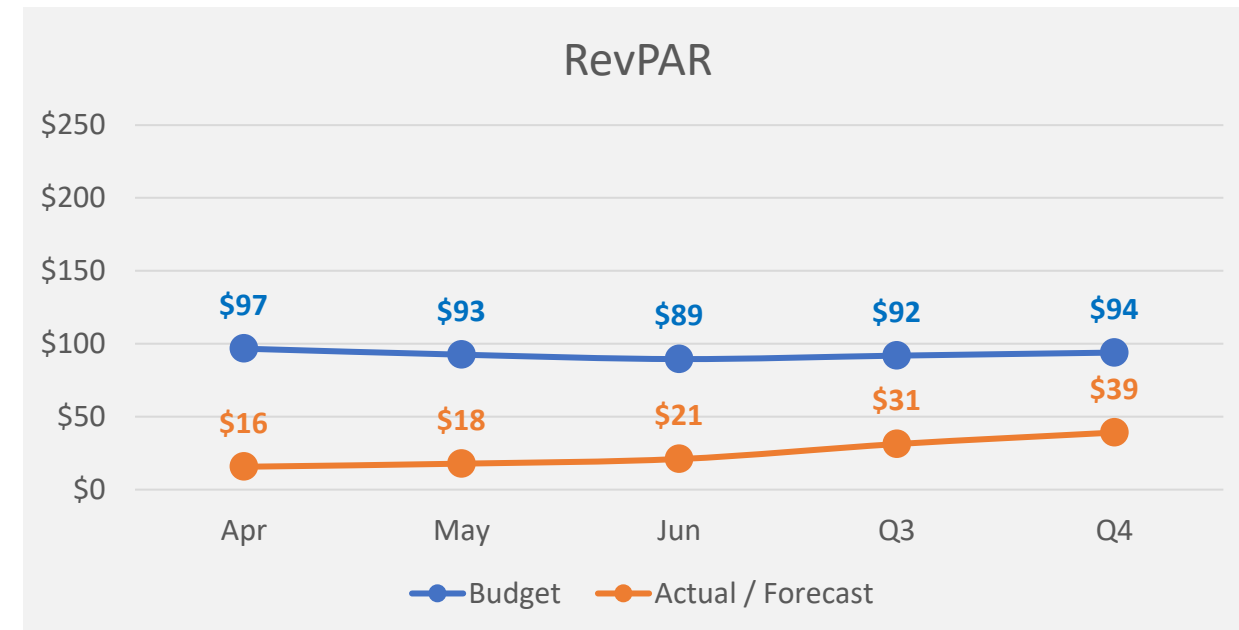
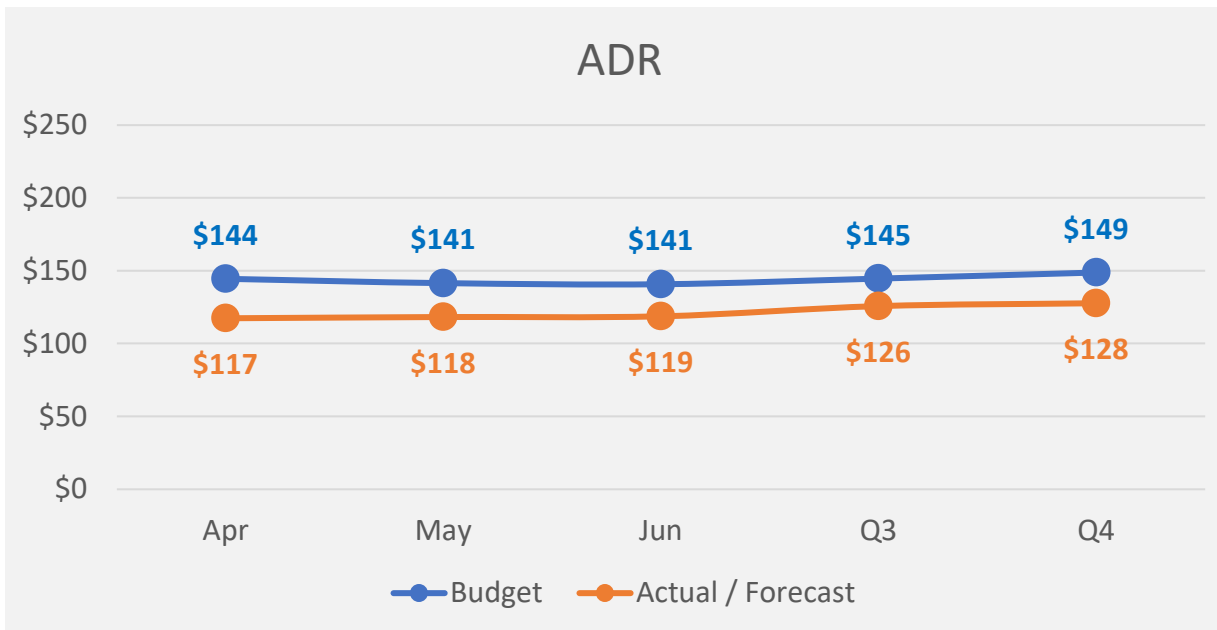
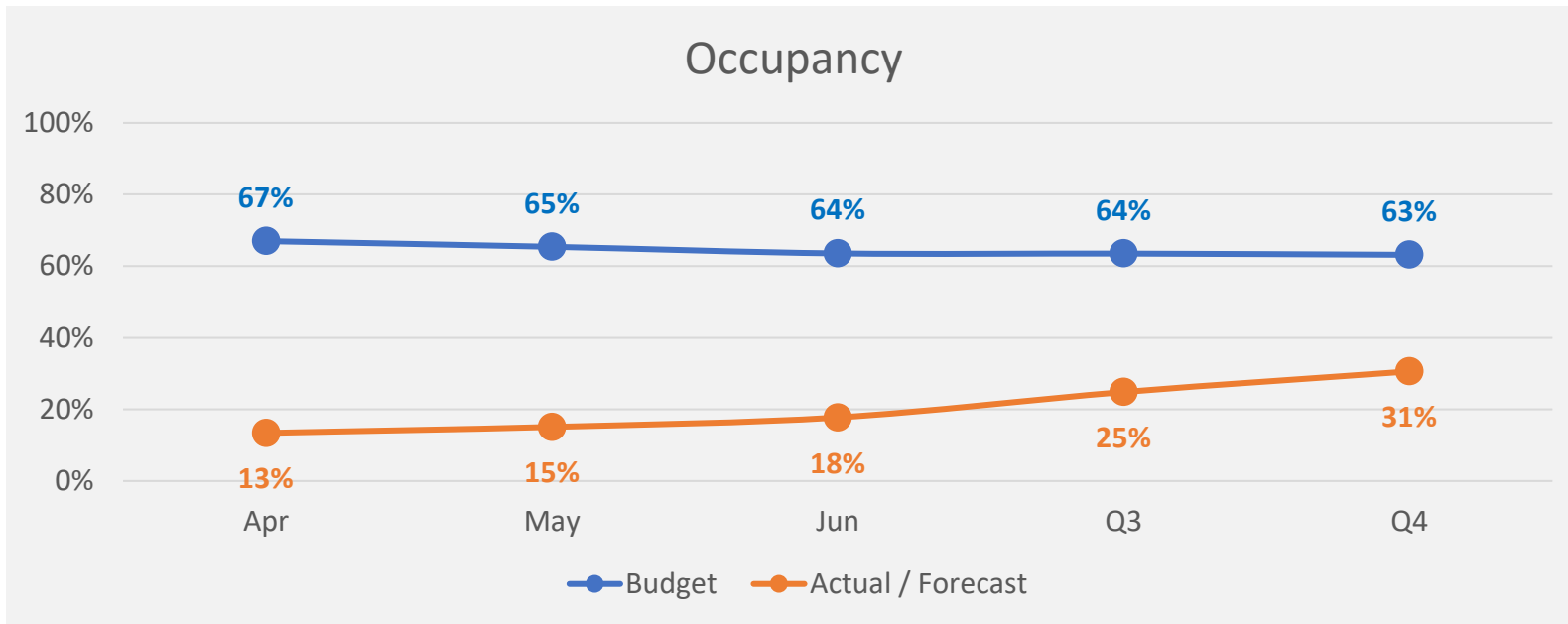
Capital Cities



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Performance Expectations

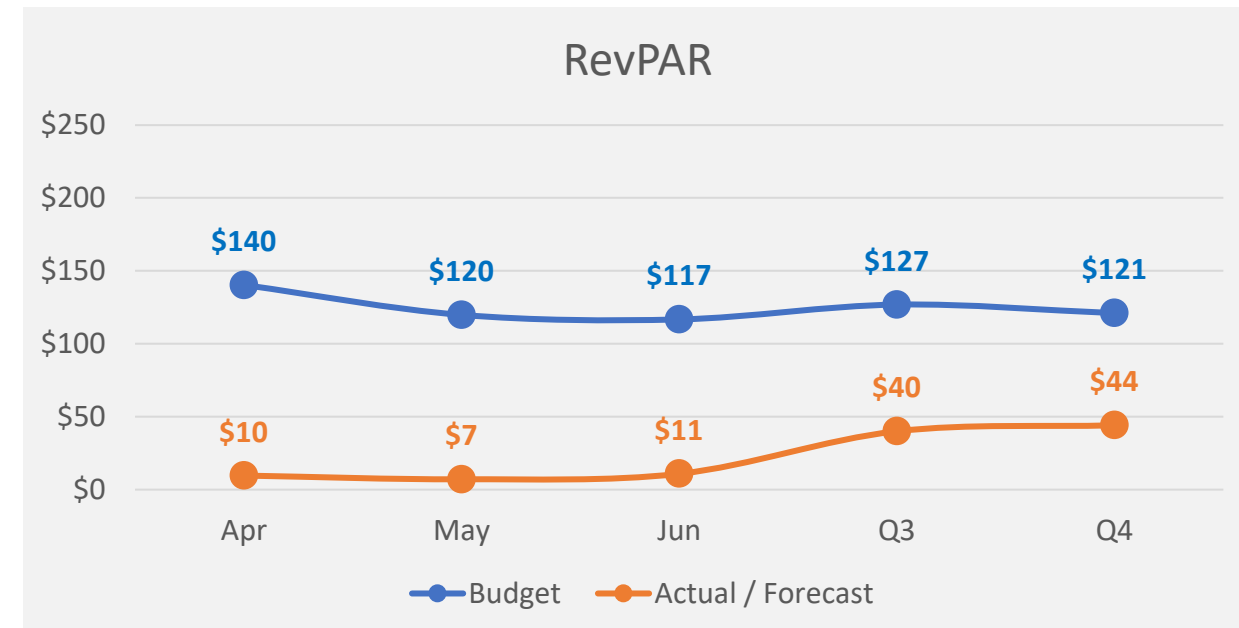
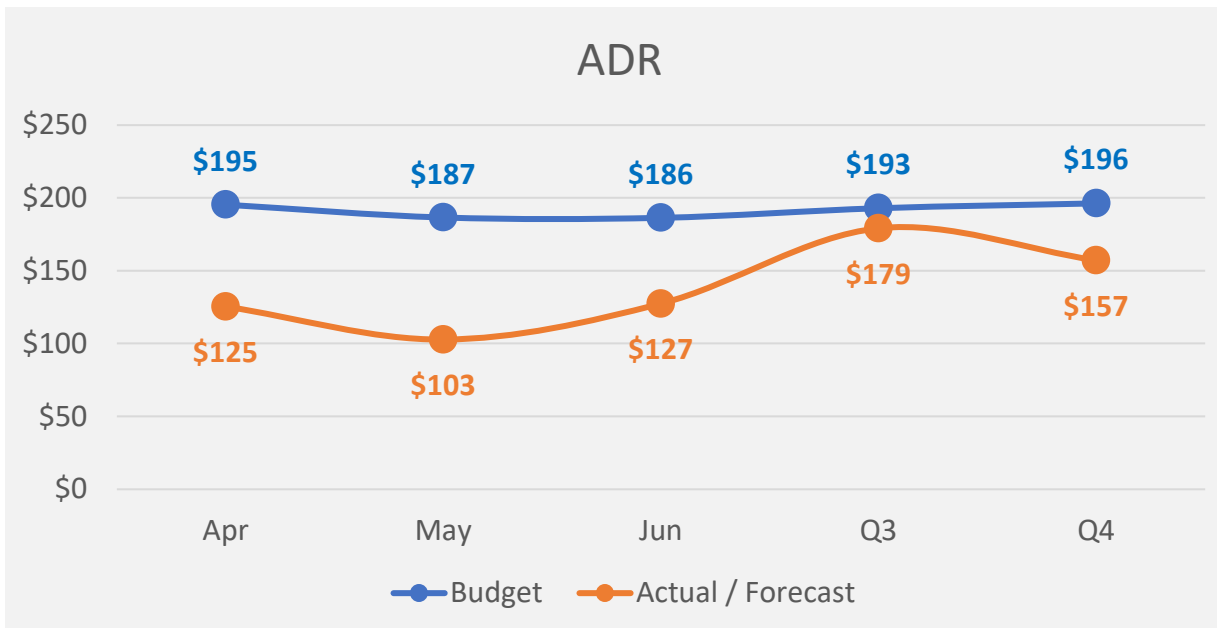
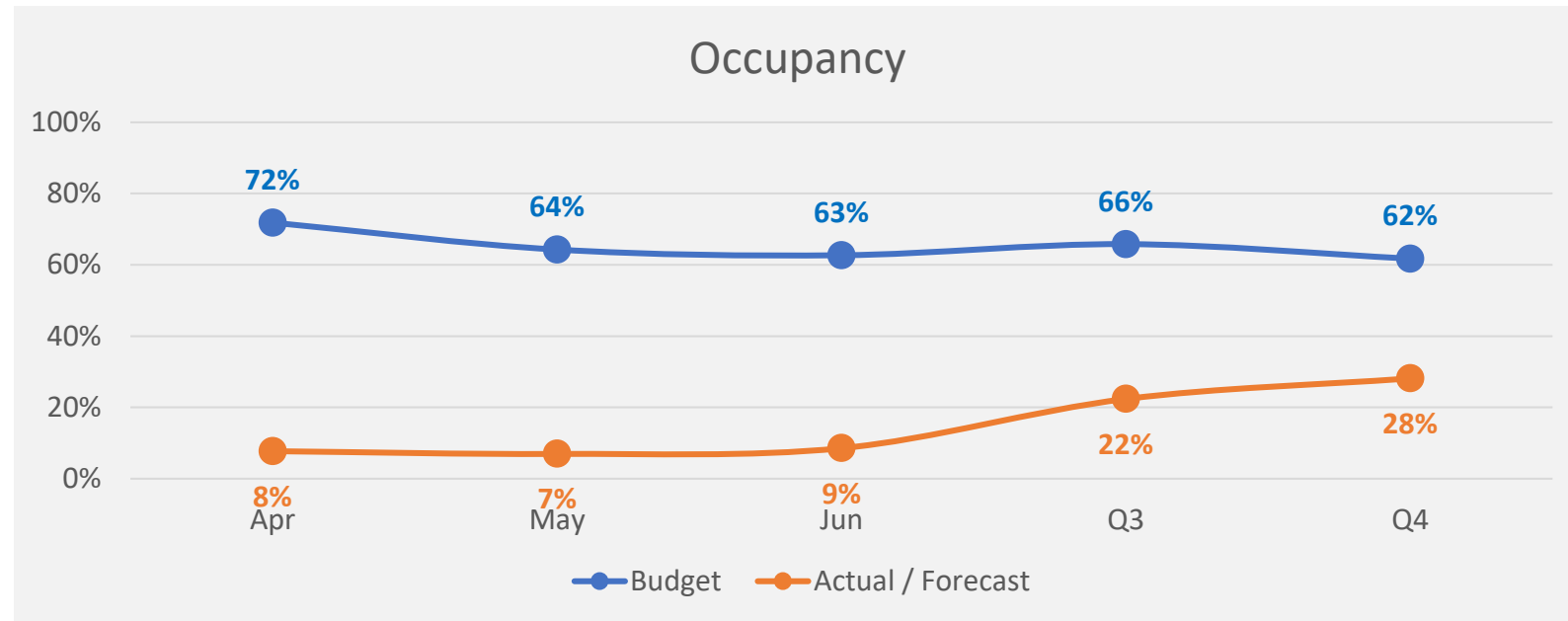
Regional



The occupancy, ADR and RevPAR numbers presented do not represent a forecast as such, rather the aggregation and averaging of participants responses, weighted for room count. Rather than focus on the actual numbers, the variance between budget and forecast is more important.

Performance Expectations

Leisure



The occupancy, ADR and RevPAR numbers presented do not represent a forecast as such, rather the aggregation and averaging of participants responses, weighted for room count. Rather than focus on the actual numbers, the variance between budget and forecast is more important.

Performance Expectations

By Class

The occupancy, ADR and RevPAR numbers presented do not represent a forecast as such, rather the aggregation and averaging of participants responses, weighted for room count. Rather than focus on the actual numbers, the variance between budget and forecast is more important.

Luxury	Occupancy		ADR		RevPAR	
	Budget	Actual/Forecast	Budget	Actual/Forecast	Budget	Actual/Forecast
Apr	78.6%	19.5%	\$277	\$174	\$218	\$34
May	76.5%	14.9%	\$271	\$156	\$208	\$23
Jun	74.6%	10.9%	\$265	\$221	\$197	\$24
Q3	77.5%	23.9%	\$268	\$250	\$208	\$60
Q4	80.1%	38.8%	\$280	\$262	\$225	\$102

Upper Upscale	Occupancy		ADR		RevPAR	
	Budget	Actual/Forecast	Budget	Actual/Forecast	Budget	Actual/Forecast
Apr	75.9%	27.4%	\$223	\$129	\$169	\$35
May	77.6%	18.4%	\$230	\$129	\$179	\$24
Jun	76.8%	13.6%	\$224	\$140	\$172	\$19
Q3	74.6%	17.8%	\$228	\$176	\$170	\$31
Q4	75.2%	28.0%	\$234	\$190	\$176	\$53

Upscale	Occupancy		ADR		RevPAR	
	Budget	Actual/Forecast	Budget	Actual/Forecast	Budget	Actual/Forecast
Apr	78.8%	23.1%	\$191	\$133	\$151	\$31
May	77.2%	21.6%	\$190	\$125	\$147	\$27
Jun	75.4%	18.5%	\$183	\$132	\$138	\$24
Q3	68.9%	23.2%	\$188	\$172	\$130	\$40
Q4	70.3%	34.7%	\$204	\$187	\$144	\$65

Performance Expectations

By Class

The occupancy, ADR and RevPAR numbers presented do not represent a forecast as such, rather the aggregation and averaging of participants responses, weighted for room count. Rather than focus on the actual numbers, the variance between budget and forecast is more important.

Upper Midscale	Occupancy		ADR		RevPAR	
	Budget	Actual/Forecast	Budget	Actual/Forecast	Budget	Actual/Forecast
Apr	75.7%	13.5%	\$169	\$115	\$128	\$15
May	71.7%	14.1%	\$168	\$116	\$121	\$16
Jun	71.6%	14.2%	\$166	\$119	\$119	\$17
Q3	67.5%	21.7%	\$174	\$129	\$117	\$28
Q4	69.1%	30.5%	\$177	\$138	\$123	\$42

Midscale	Occupancy		ADR		RevPAR	
	Budget	Actual/Forecast	Budget	Actual/Forecast	Budget	Actual/Forecast
Apr	71.4%	13.3%	\$152	\$96	\$109	\$13
May	70.5%	11.1%	\$153	\$104	\$108	\$12
Jun	68.8%	11.5%	\$151	\$112	\$104	\$13
Q3	71.6%	22.8%	\$156	\$122	\$112	\$28
Q4	72.0%	29.6%	\$158	\$126	\$114	\$37

Economy	Occupancy		ADR		RevPAR	
	Budget	Actual/Forecast	Budget	Actual/Forecast	Budget	Actual/Forecast
Apr	71.2%	17.1%	\$118	\$89	\$84	\$15
May	68.4%	11.1%	\$116	\$97	\$79	\$11
Jun	66.4%	11.0%	\$116	\$103	\$77	\$11
Q3	59.9%	17.9%	\$114	\$106	\$68	\$19
Q4	61.8%	22.8%	\$121	\$113	\$75	\$26

Government Stimulus – Summary

- JobKeeper was by far the most adopted Government Stimulus Measure with 91% of all participating properties having utilised the scheme. Broken into different location types, 89% of accommodation properties in capital cities, 92% of regional properties and 94% of leisure market properties sought the JobKeeper package.
- The second most commonly embraced measure was taking advantage of Payroll Tax deductions with 43% of all participants utilising this measure. The third most popular measure was the cash boost for businesses with 33% of total participants utilising this stimulus solution.
- These economic stimulus measures were also ranked as being the most important with JobKeeper receiving a score of 4.7 out of 5 in terms of importance. Payroll Tax deductions received a score of 4.0, while Cash Flow relief received a score of 3.8.
- The JobKeeper package allowed the vast majority of properties to bring back employees from stand down while providing an opportunity to multi-skill workers. However, a large percentage of properties also stated that it has resulted in a rationalisation of their workforce.

Government Stimulus Measures

% Take-Up
of Measure

Importance
(Score 1-5)

33%

Cashflow Boost for Business (up to \$100,000)

3.8

3%

SME loan guarantee scheme (50% of the eligible loan value)

2.3

3%

50% deduction on asset installations for businesses

1.9

0%

50% wage subsidy for apprentices and trainees

1.8

4%

5x increase to the instant asset write-off threshold

2.1

91%

JobKeeper program

4.7

23%

Rental relief measures introduced in states and territories

3.6

16%

Land Tax relief introduced in states and territories

3.2

43%

Payroll tax deductions

4.0

21%

Reductions in energy costs

3.4

31%

Liquor licencing reductions

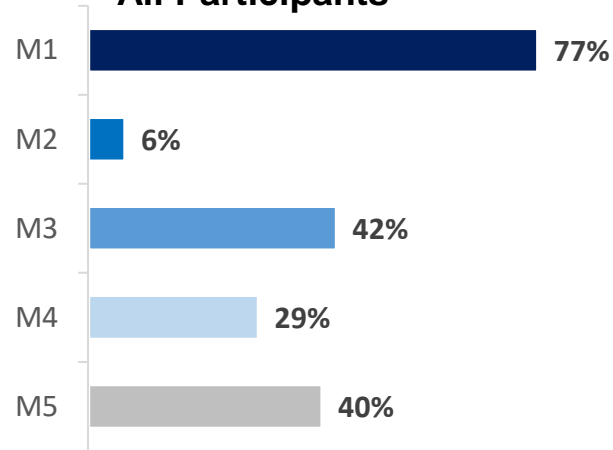
3.0

(Score of 5 most important)

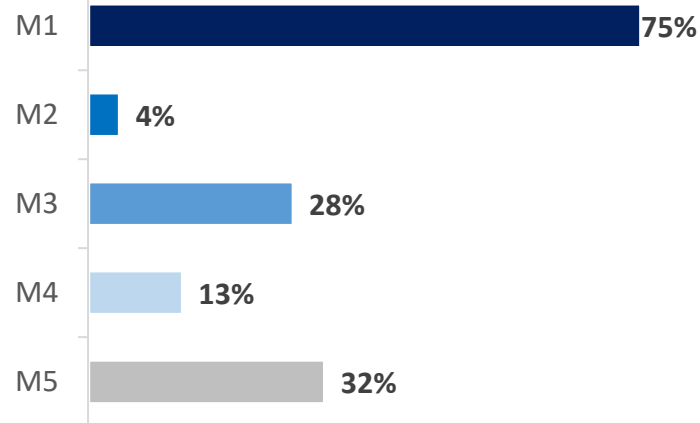
Government Stimulus Measures

The Impact of JobKeeper Has...

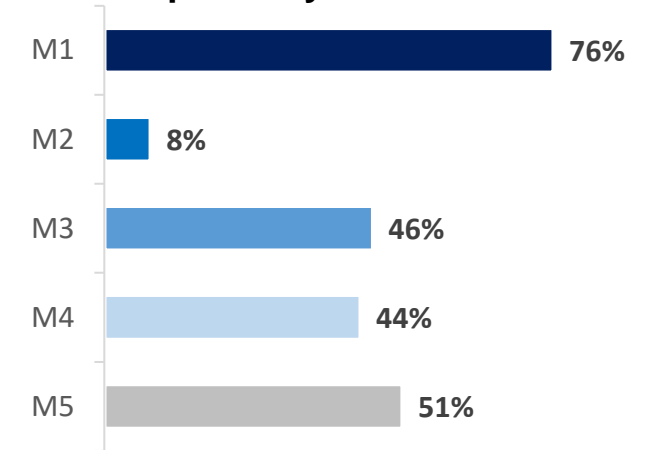
All Participants



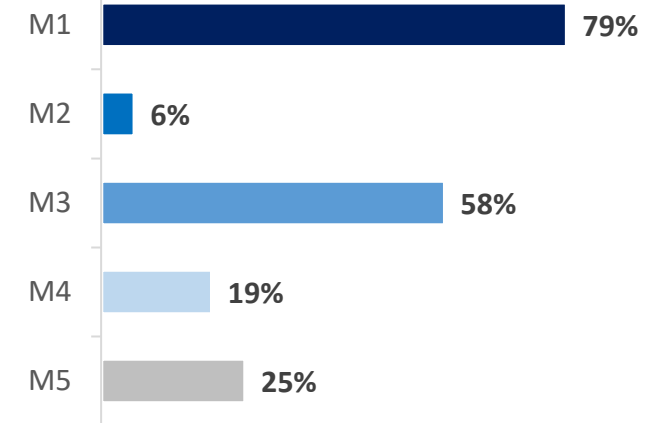
Regional Markets



Capital City Markets



Leisure Destinations



M1 - Enabled you to bring back workers from Stand Down

M3 - Provided an opportunity to multi-skill workers

M5 - Resulted in a rationalisation of your workforce

M2 - Enabled you to bring back workers from Redundancy

M4 - Resulted in visa workers no longer being employed

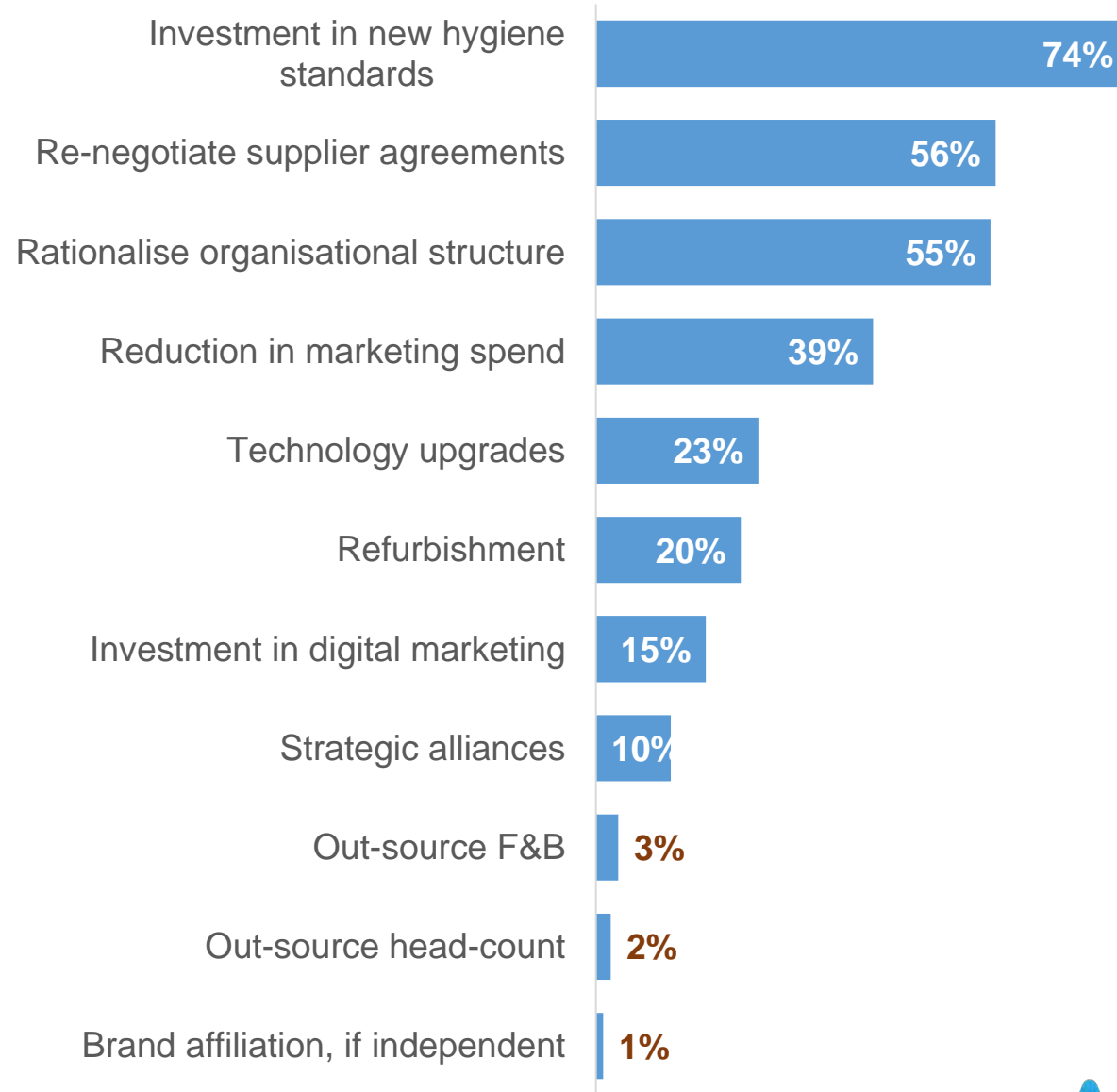
Operational Outlook – Summary

- In total, 80% of accommodation properties describe their current operations as “Cash Flow Negative”, with properties in leisure destinations feeling it the most with 96% of respondents in the red. 72% of Capital City properties are Cash Flow Negative and 82% of regional properties.
- There is a clear focus on improving hygiene standards within the industry with 74% of respondents listing this as a top-3 initiative that will be undertaken. Of the top 4 initiatives identified, this was the only one that involved incurring a greater cost to operations. The other top initiatives identified (re-negotiate supplier agreements 56%, rationalise organisational structure 55%, reduction in marketing spend 39%) all aim to reduce expenses.
- The majority of accommodation properties (50%) are currently operating at staffing levels between 0-25% of pre-COVID levels, further emphasising the significant reductions in business volumes. A further 20% of respondents are operating at between 26-50% of pre-COVID staffing levels.
- The majority of respondents expect future staffing levels to return to pre-COVID levels for most departments. However, there is quite a negative outlook for the future of food & beverage operations.



Operational Outlook

Top 3 Initiatives



% Properties Cash Flow Negative

Capital City

72%

Regional

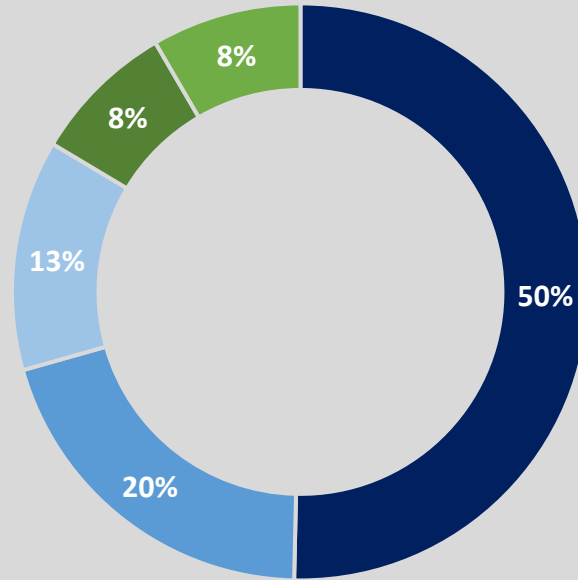
82%

Leisure

96%

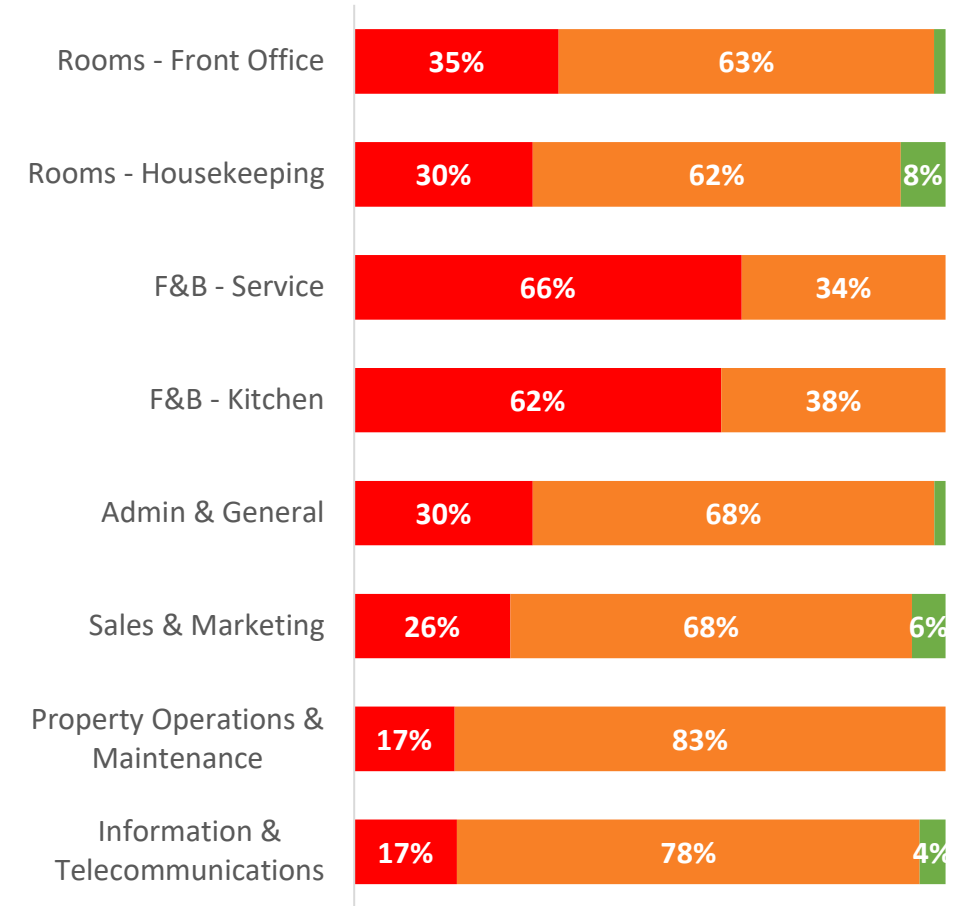
Operational Outlook

Current Staffing Levels Compared To Pre-COVID-19 Levels



- 0-25%
- 26-50%
- 51-75%
- 76%+
- No Change To Staffing Levels

Expectations of Future Staffing Levels



- Unlikely to Return to pre-COVID levels
- Same As Before
- Higher than pre-COVID levels



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We are the industry choice; a global brand providing quality solutions for hotel, tourism & leisure projects and recognized as the founders of the Uniform System of Accounts which subsequently has become the industry standard for hospitality accounting.

We are Horwath HTL, the global leader in hotel, tourism and leisure consulting.



RESEARCH

- Market & business analysis
- Performance benchmarking
- Feasibility & viability



DEVELOPMENT

- Master planning & concept
- Operator search & selection
- Technical services



OPERATIONS

- Property review
- Performance review
- Asset management



STRATEGY

- Branding & positioning
- Sales & marketing
- Acquisition & disposal