



# The Third Australian Hotel Industry Sentiment Survey Impact of COVID-19

19 November 2020



Dear Hotel Industry Colleague

*In the five months since the Second Australian Hotel Sentiment Survey in mid-May 2020, the COVID-19 pandemic has continued to severely impact on the hospitality industry across the globe and at home.*

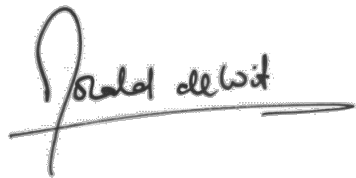
***The travel and tourism industry in Australia has effectively had to re-invent itself as domestic markets were forced to become intra-State markets, and international markets remain barred from entering the country.***

*The accommodation sector continues to suffer: many owners and operators remain ever- challenged as the effects of ongoing economic loss settle in, and the livelihoods of those many staff stood down or temporarily under-employed remain propped up through government relief measures.*

***The uncertainty for many persists.***

*This Third Australian Hotel Sentiment Survey reports the ongoing status of the accommodation sector now nearing the end of three-quarters of a year of dramatic downturn and economic hardship. In this report we again seek 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 how operational challenges are unfolding and what solutions owners and operators of accommodations properties are evolving.*

***It now is evident, our nation's emergence from the lockdowns and isolation measures means a longer and – unfortunately – harder road to recovery. This Survey reports on the gradual journey and deliberations to be considered by the accommodation sector in Australia.***



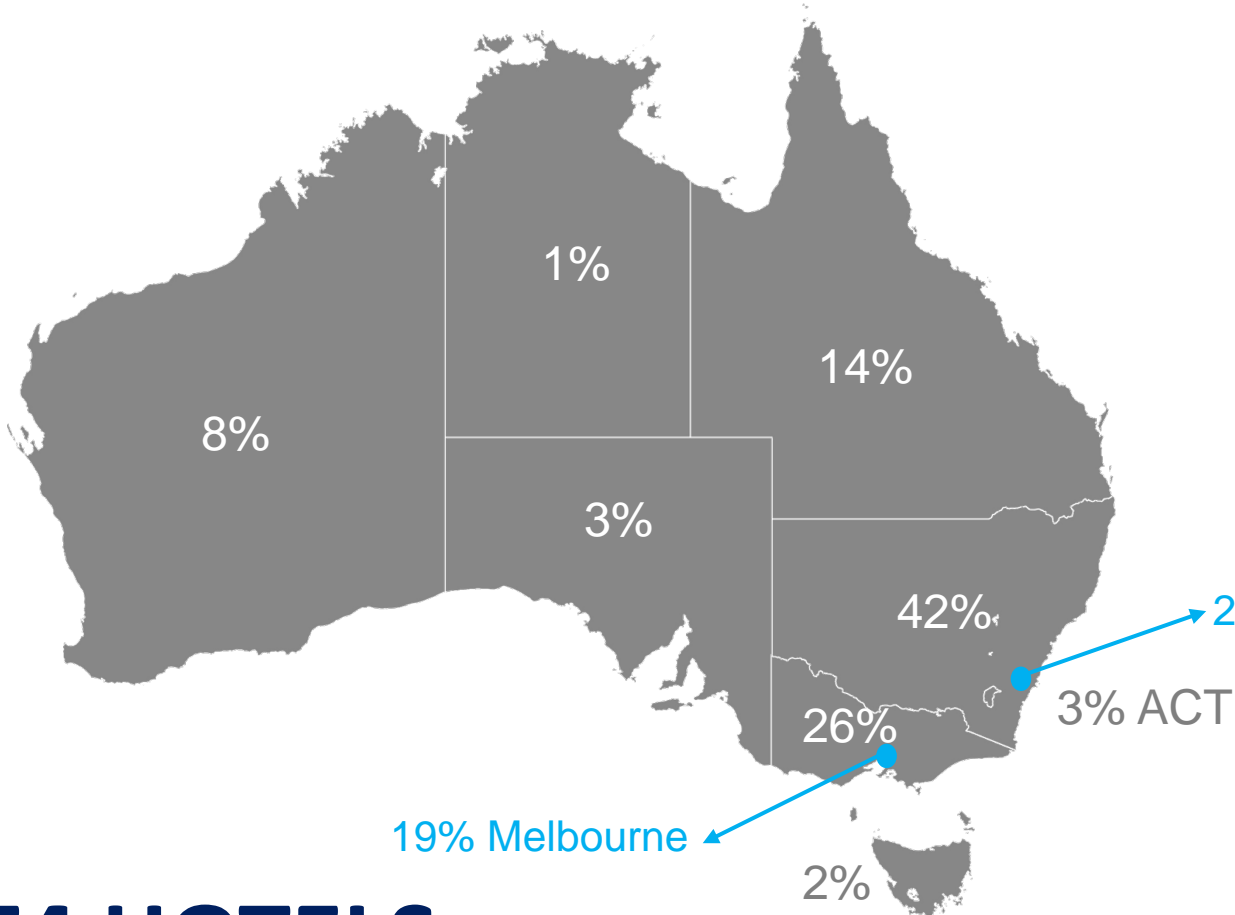
Ron de Wit  
Managing Director  
AHS Advisory



Damien Little  
Director, Victoria  
AHS Advisory



# THE DATA



## 174 HOTELS



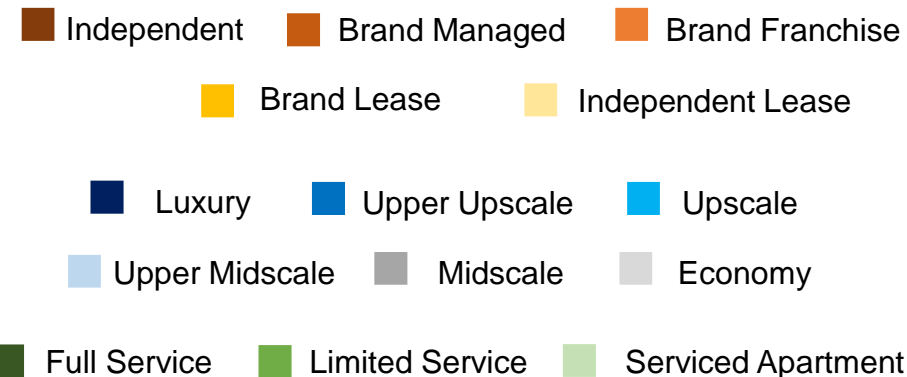
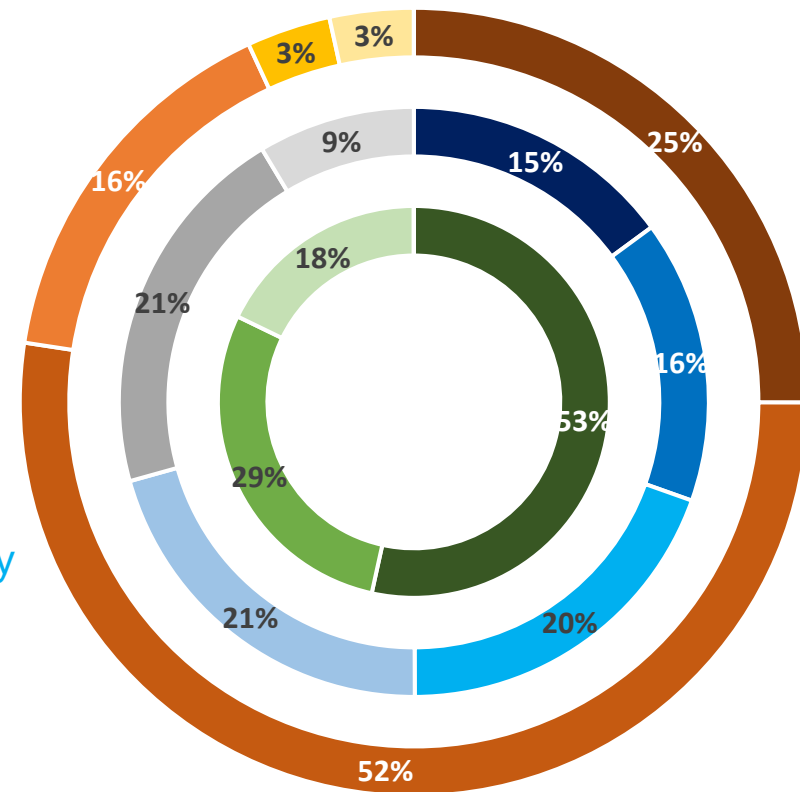
## 30,882 ROOMS



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.



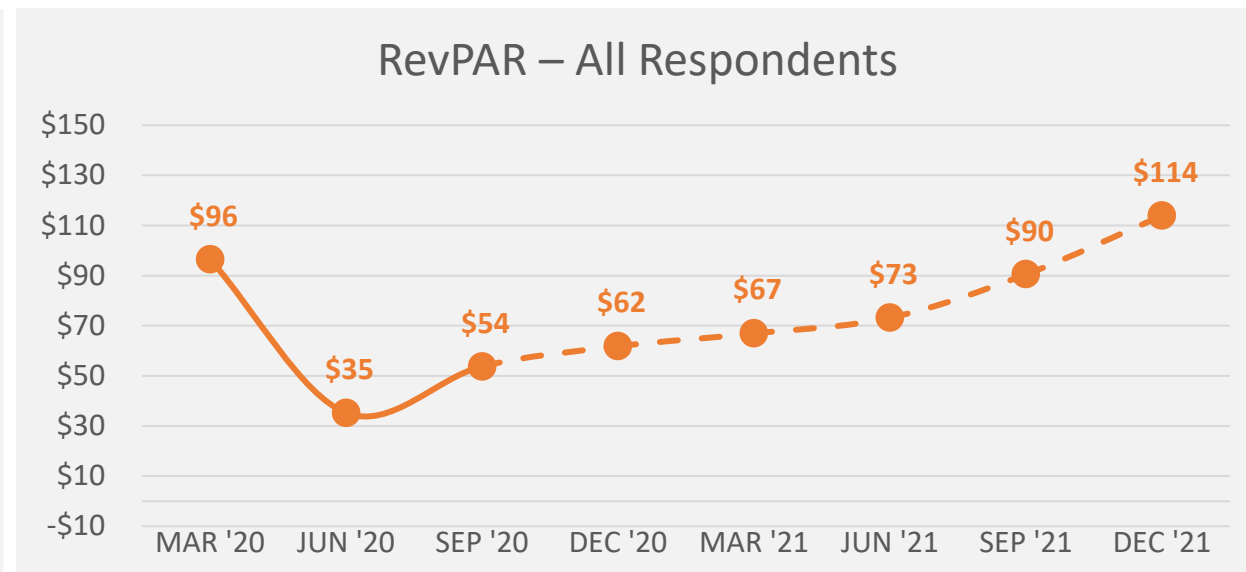
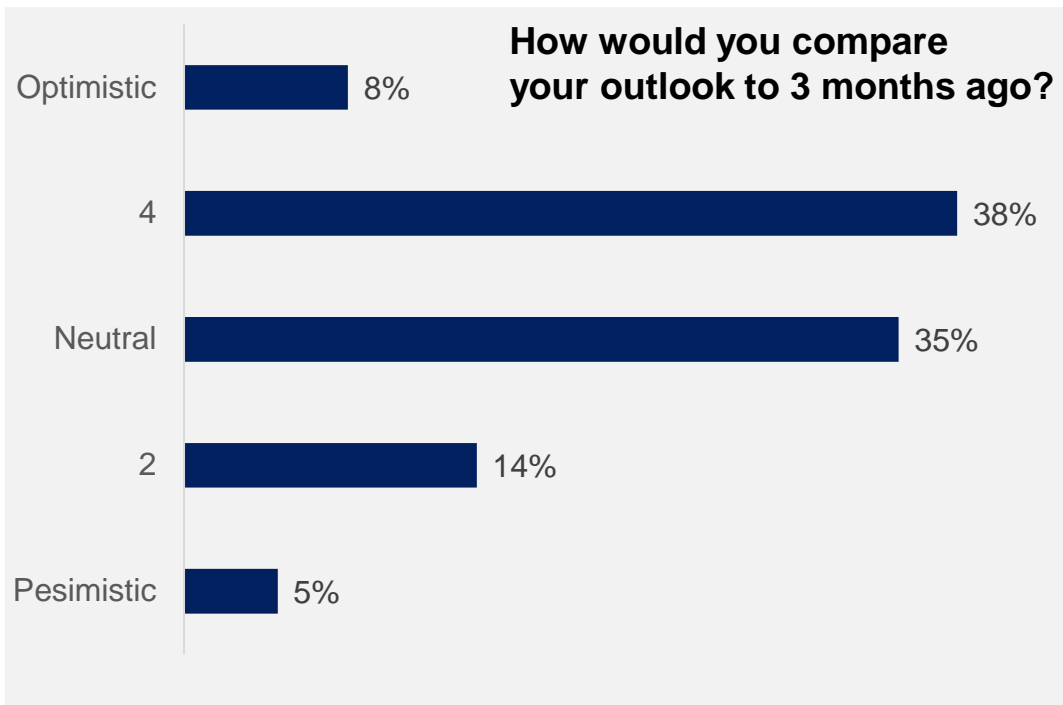


# Key Findings



- 1 In aggregate, respondents to the Third sentiment survey present a slightly positive outlook of the accommodation market's future relative to what they felt 3 months ago. 38% of respondents felt slightly optimistic and a further 8% were feeling optimistic about the market outlook. Respondents from Regional markets were most positive, while those from Capital City markets were less so.
- 2 Despite a more optimistic outlook compared to 3 months prior, respondents have extended their time horizon for when performance levels will return to pre-COVID-19 levels. 41% of respondents expect that business levels will take more than 18 months to return to the pre-COVID levels and a further 37% believe that it will take between 12 to 18 months.
- 3 The major threats to business moving forward according to the survey respondents are the prolonged closure of domestic borders (70%), the prolonged closure of international borders (59%) and the lack of major meetings and events (49%). These are all demand driven threats highlighting that the current lack of demand in the market remains the primary threat to the accommodation sector.
- 4 The removal of the JobKeeper program was assessed to be of the highest risk to the business viability of respondents with an average rating score of 3.6 (where 1 = No risk and 5 = High risk). This was highest in Capital City markets at an average score of 3.7. It is worth noting that all measures rated above 2.5 indicating there is a perception of business risk in the removal of any of the government support measures that have been put in place.
- 5 Between April and September 2020, 50% of respondents stated that their properties were operating cash flow negative. The outlook for the October through March 2021 is for an improved performance with this number dropping to 32% and the share of respondents expecting a cash flow positive operation increasing from 20% to 36%.
- 6 The majority of respondents expect that the cessation of the JobKeeper program will see staffing levels remain unchanged, however, it should be noted that between 15% and 30% do expect immediate redundancies to occur.

# KEY FINDINGS



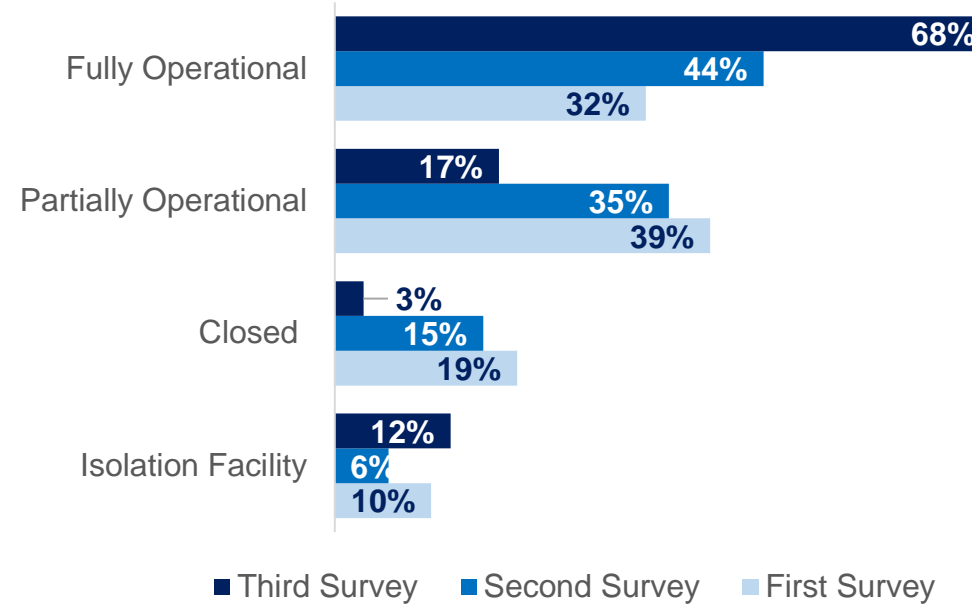
# Operating Status – Summary

- This Third Sentiment Survey presents a larger number of participating properties identifying as being fully operational (68% compared to 44% in the second survey). Only 3% of respondents remain fully closed. It is estimated that approximately that 87% of total room supply of the participating properties is currently available for sale. Capital city markets remain more heavily impacted (85% of supply available) compared to their Regional (88%) and Leisure destination (95%) counterparts.
- Of the properties that are currently closed or only partially operational, the majority currently plan to be fully operational in Q1 2021 (Jan - 16%, Feb – 20%, Mar – 13%). Overall 30% of closed or partially operational properties expect this to be delayed to Q2 2021.
- The majority of respondents that have F&B outlets (68%) are operating them under the social-distancing guidelines in place, while 17% continue to run a room service only option (compared to 36% in the Second Survey) and 15% of participants have continued to keep their F&B outlets completely closed (compared to 23% in the Second Survey).

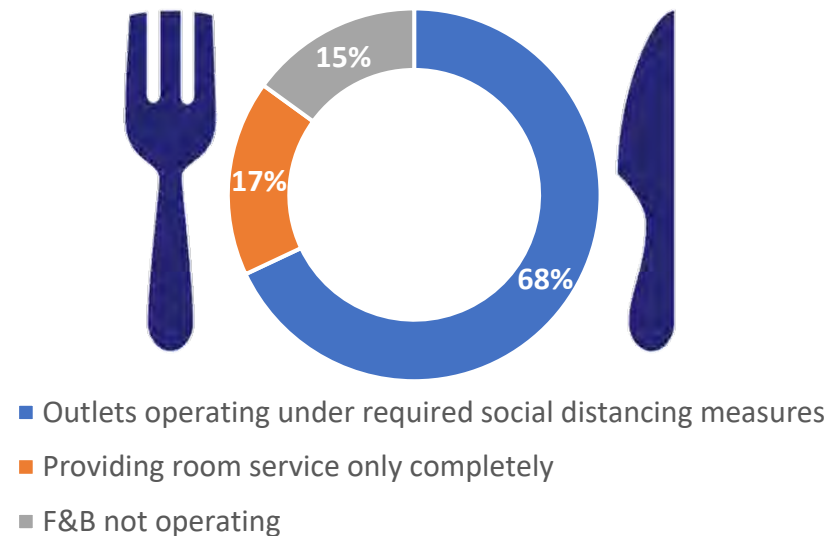


# Operating Status

## Current Status of Rooms



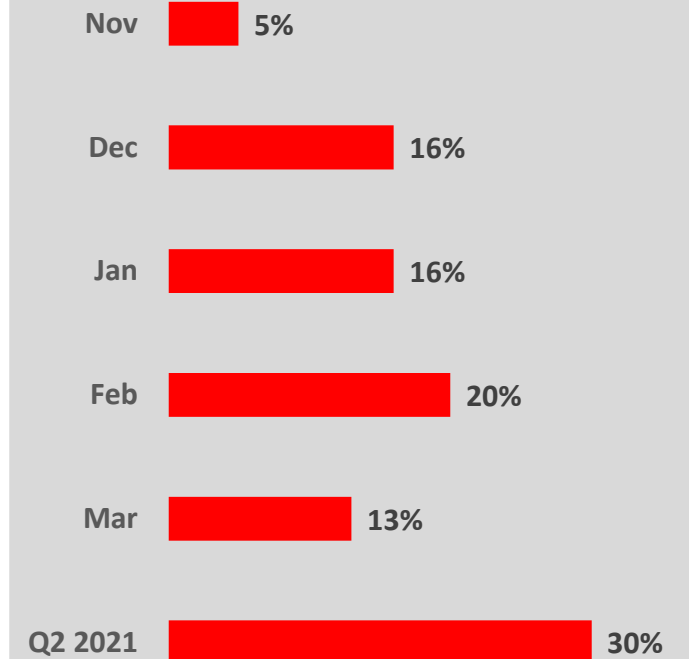
## Current Status of F&B Outlets



## Estimated Percentage of Room Supply Not Operational

**15%** **12%** **5%**  
Capital Regional Leisure

## When Are You Planning To Be Fully Operational





# Performance Outlook – Summary

- Current market sentiment favours an optimistic outlook with 46% of respondents being slightly optimistic or optimistic, 35% having a neutral outlook and only 19% with a slightly pessimistic or pessimistic outlook. Regional markets have the most optimistic outlook while Capital City markets have the least optimistic outlook. There is less variance in the outlook sentiment amongst the different class categories although it is interesting to note that the Luxury category is the most optimistic, while the Upper Midscale category is the least optimistic.
- The majority of respondents (41%) expect that business will not return to pre-COVID levels for the next 18 months, with a further 37% expecting it will take 12 to 18 months. This compares to 25% of respondents in the first survey and 40% of respondents in the second survey who felt the impact would be longer than 12 months. Again regional markets are the most optimistic with 59% expecting levels not to return to pre-COVID levels within the next 12 months, while 88% of Capital city respondents felt this way.
- The occupancy and ADR outlook remains subdued with average occupancy across all respondents not expected to record above 50% until the September 2021 quarter and ADR not expected to reach the March 2020 quarter level until December 2021.

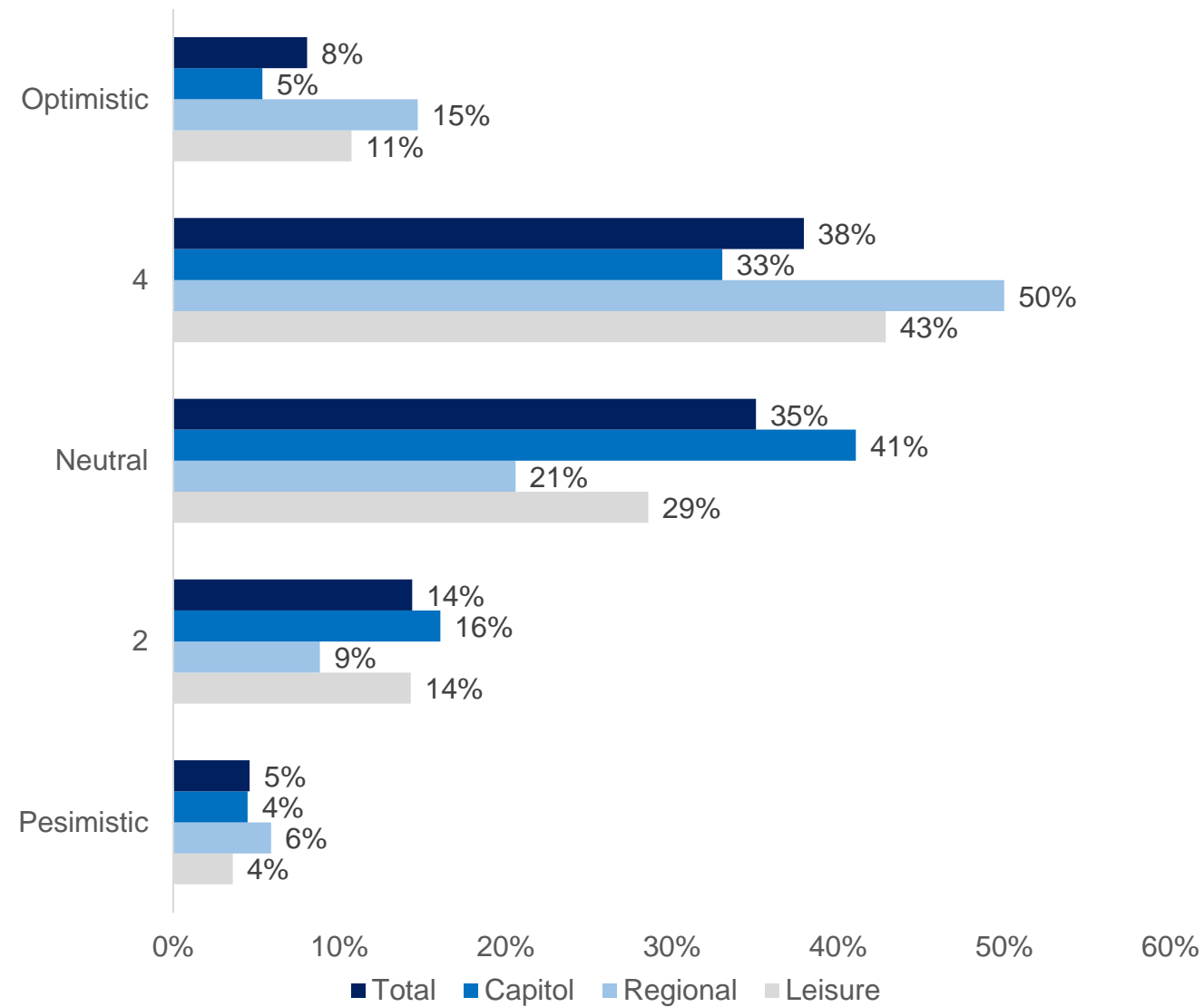




# Performance Outlook - Market Sentiment



How would you compare your outlook to 3 months ago?



# Performance Outlook - Expected Length of Impact of COVID-19

When will your business return to pre-COVID-19 levels (or expected length of impact)?

Third Survey – **41%** expect it to take **more than 18 months** to get back to Pre-COVID-19 levels



Second Survey – **40%** expect the impact from COVID-19 to be **more than 12 months**



First Survey – **29%** expect the impact from COVID-19 to be **6 to 9 months**



Jun 2020      Sep 2020      Dec 2020      Mar 2021      Jun 2021      Sep 2021      Dec 2021      Mar 2022      Jun 2022      Sep 2022

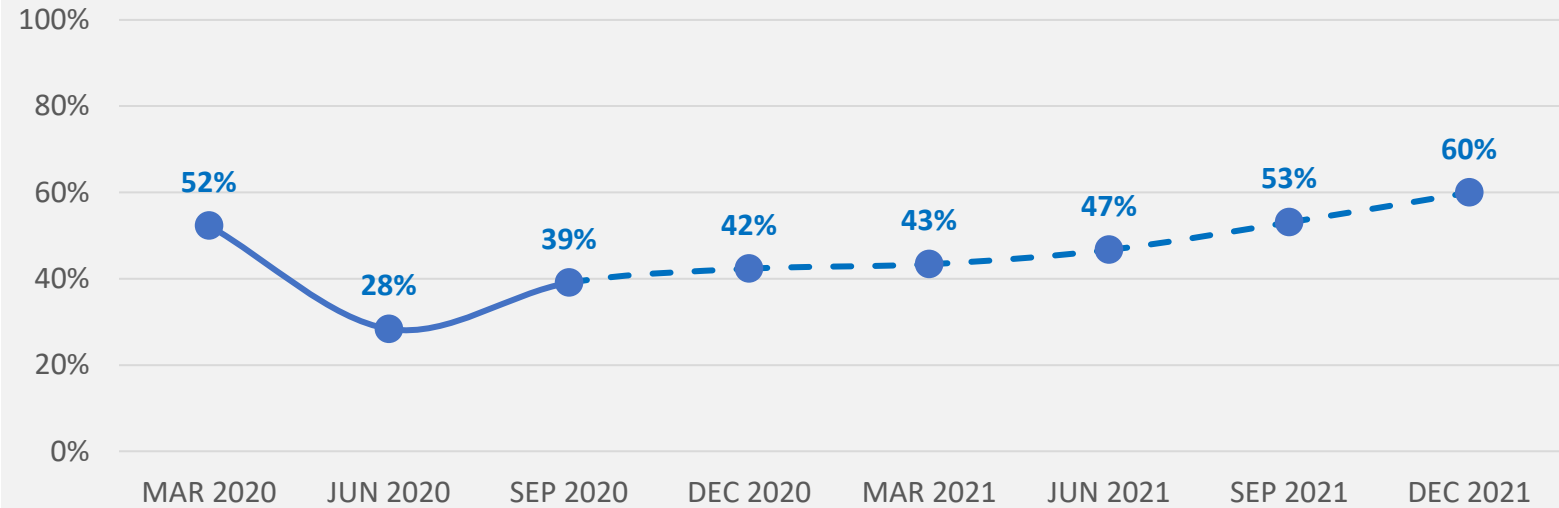
— Third Survey      — Second Survey      — First Survey

# Performance Expectations

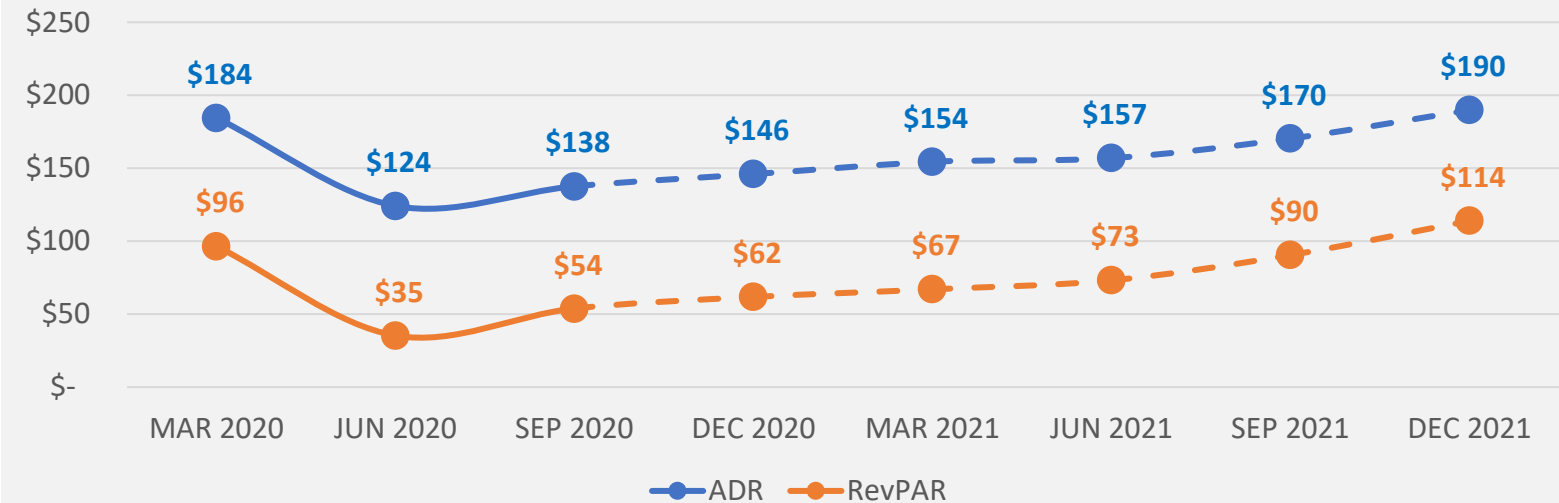
## All Participants



### Occupancy



### ADR & RevPAR



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.

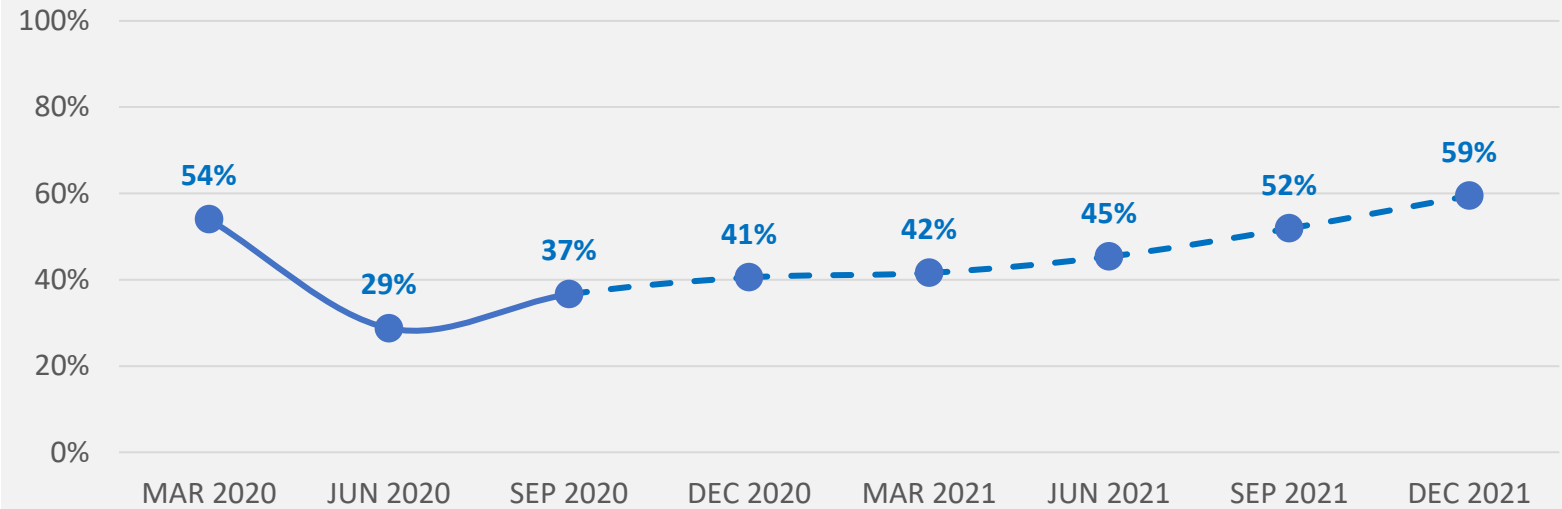


# Performance Expectations

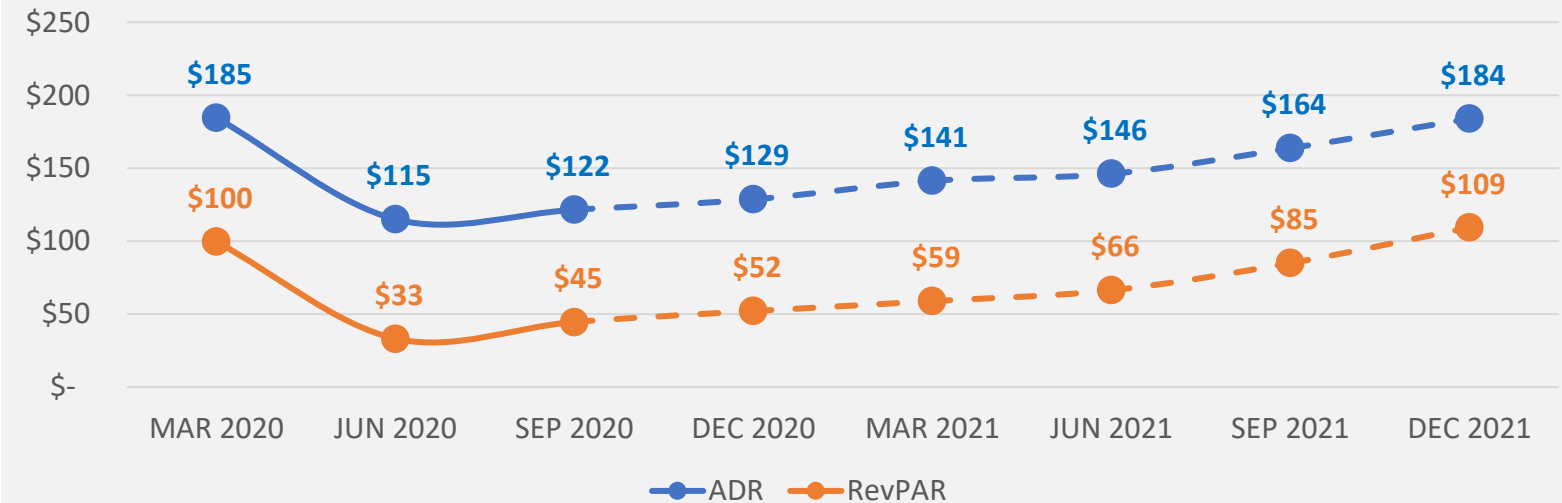
## Capital City



### Occupancy



### ADR & RevPAR



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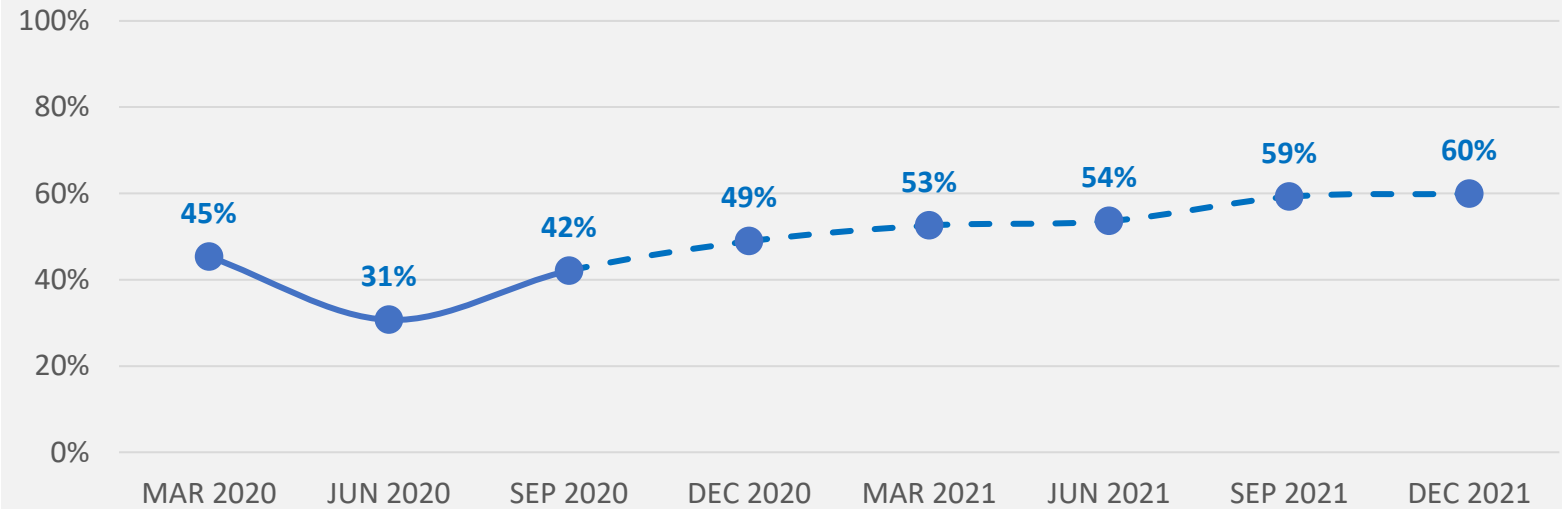
# Performance Expectations

## Regional

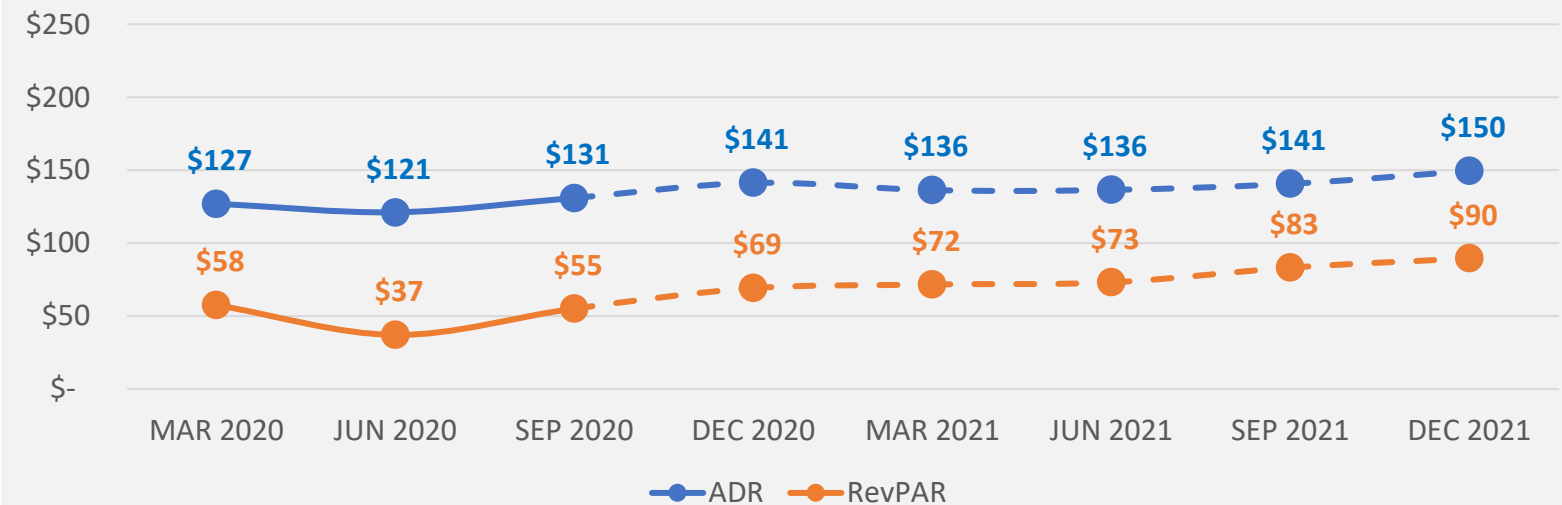


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### Occupancy

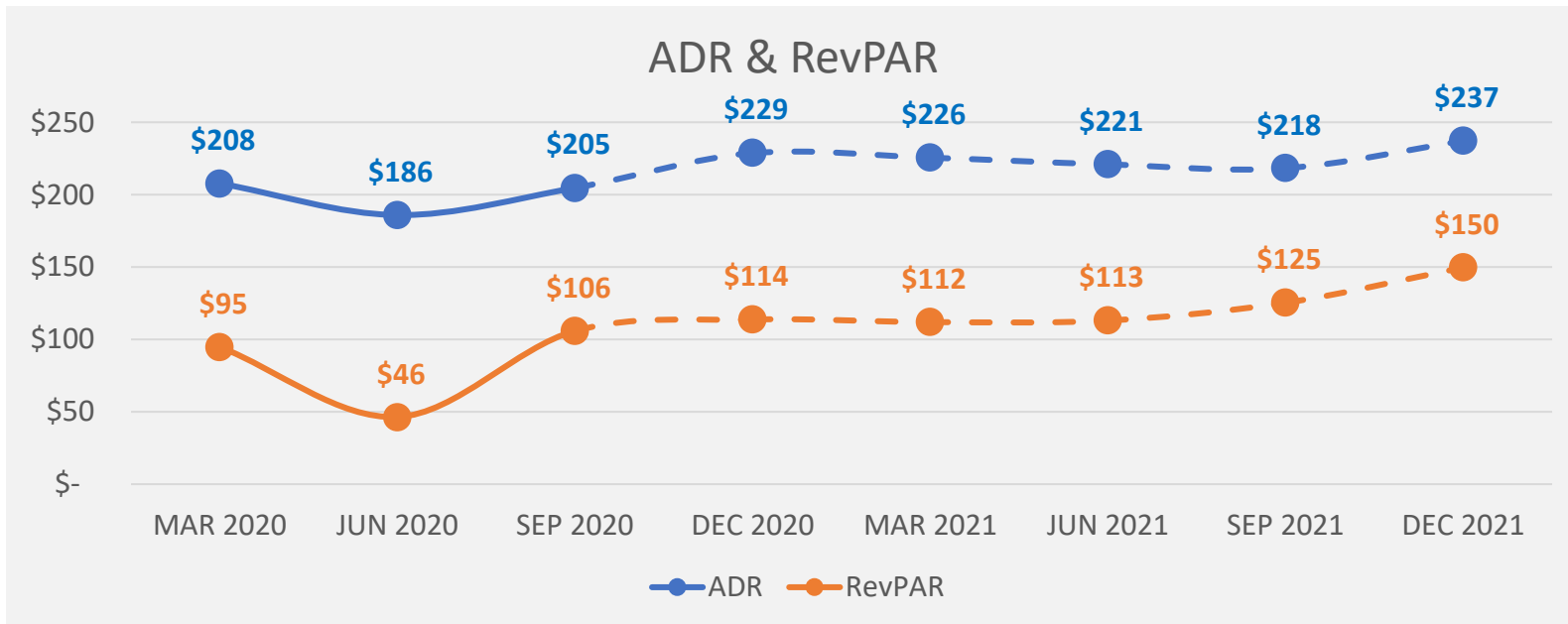
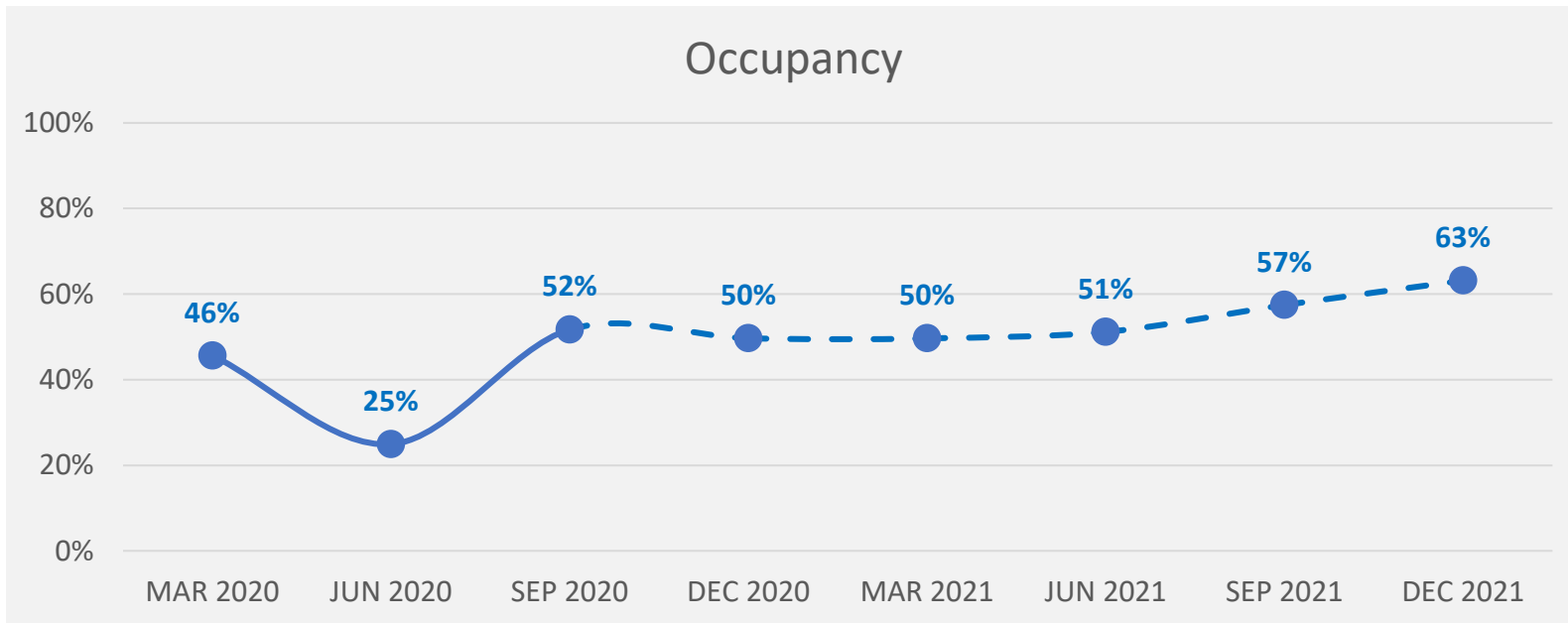


### ADR & RevPAR



# 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.

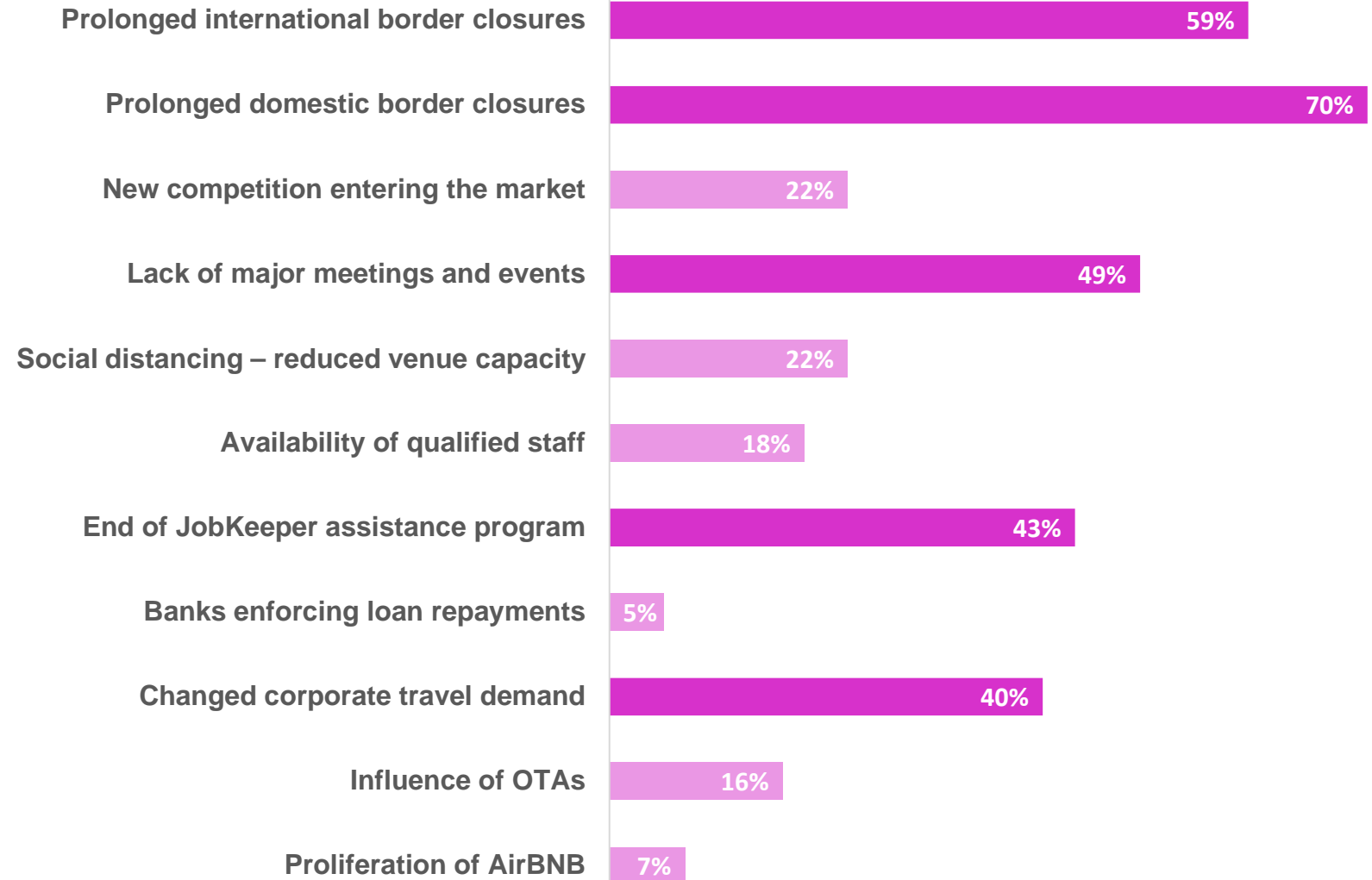


# Government Stimulus / Regulation – Summary

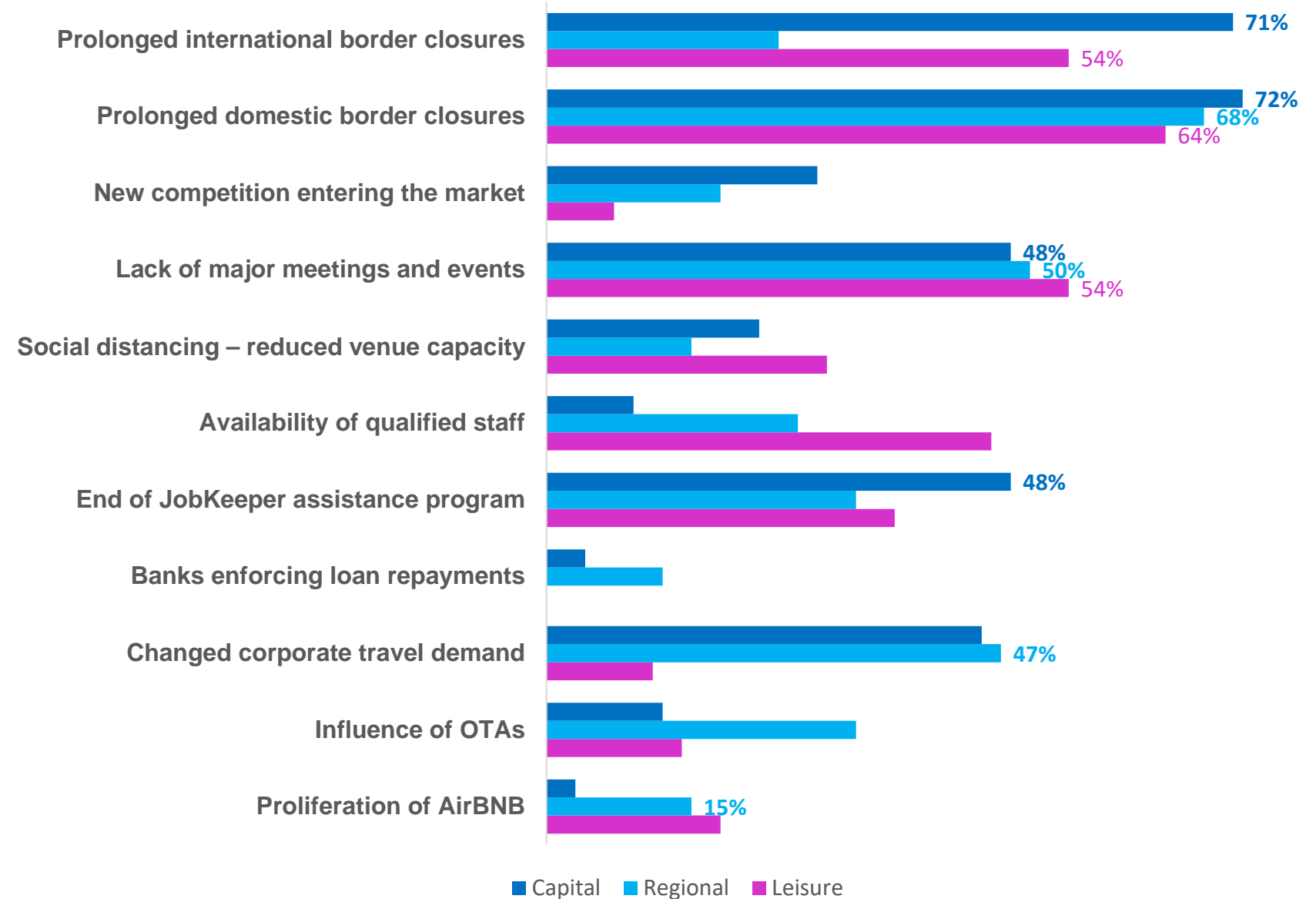
- Prolonged domestic border closures are perceived to be the greatest threat to survey participants with a total of 70% of respondents listing this as a top 3 threat. This is closely followed by prolonged international border closures and lack of major meetings and events with 59% and 49% of respondents respectively placing these in the top 3. Capital city markets had the same top 3 threats identified, although the percentages came in higher relative to border closures (domestic 72% and international 71%). For regional respondents the top 3 threats were considered to be prolonged domestic border closures at 68%, lack of meetings and event at 50% and changed corporate travel demand at 47%. While not in the top 3, Leisure markets also identified availability of qualified staff (46%) as a major threat to their future business performance.
- Participants were asked to assess the risk to their business on the removal of 5 government support measures, where 1 = No risk to business viability and 5 = a high risk to business viability. The removal of all measures scored at least 2.5 and above except for the removal of mandatory tenancy codes by participants in leisure destinations. The removal of the JobKeeper program was considered to have the highest risk with an average score ranging from 3.3 by regional respondents to 3.7 by capital city respondents.



# Top 3 Major Threats to Your Business



# Top 3 Major Threats to Your Business

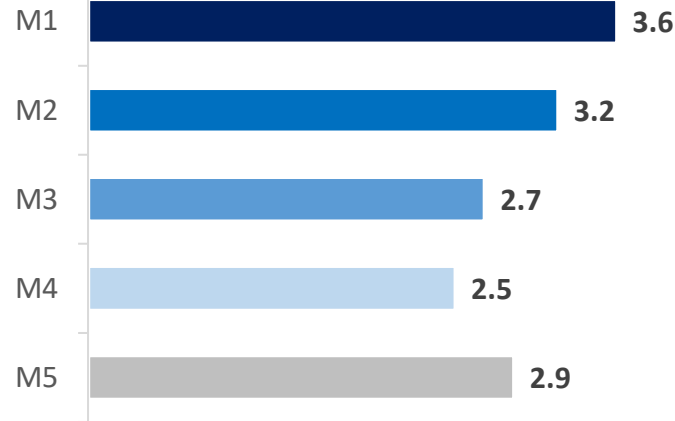




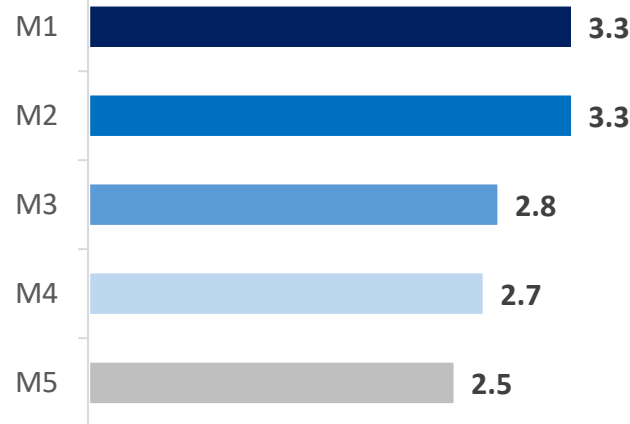
# Risk Assessment on Removal of Support Measures

(Where 1 = No Risk to Business and 5 = High Risk to Business)

## All Participants

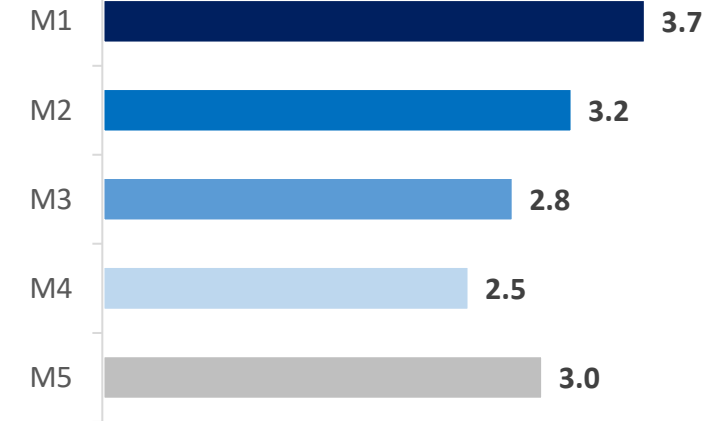


## Regional Markets

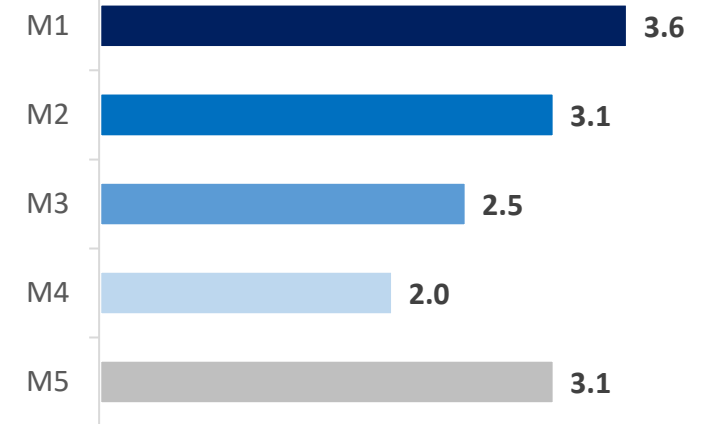


M1 – JobKeeper Program  
M3 – Bank Interest Waivers  
M5 – Payroll Tax Deductions

## Capital City Markets



## Leisure Destinations



M2 – Tax Relief Measures  
M4 – Mandatory Tenancy Code – Rental Relief Measures

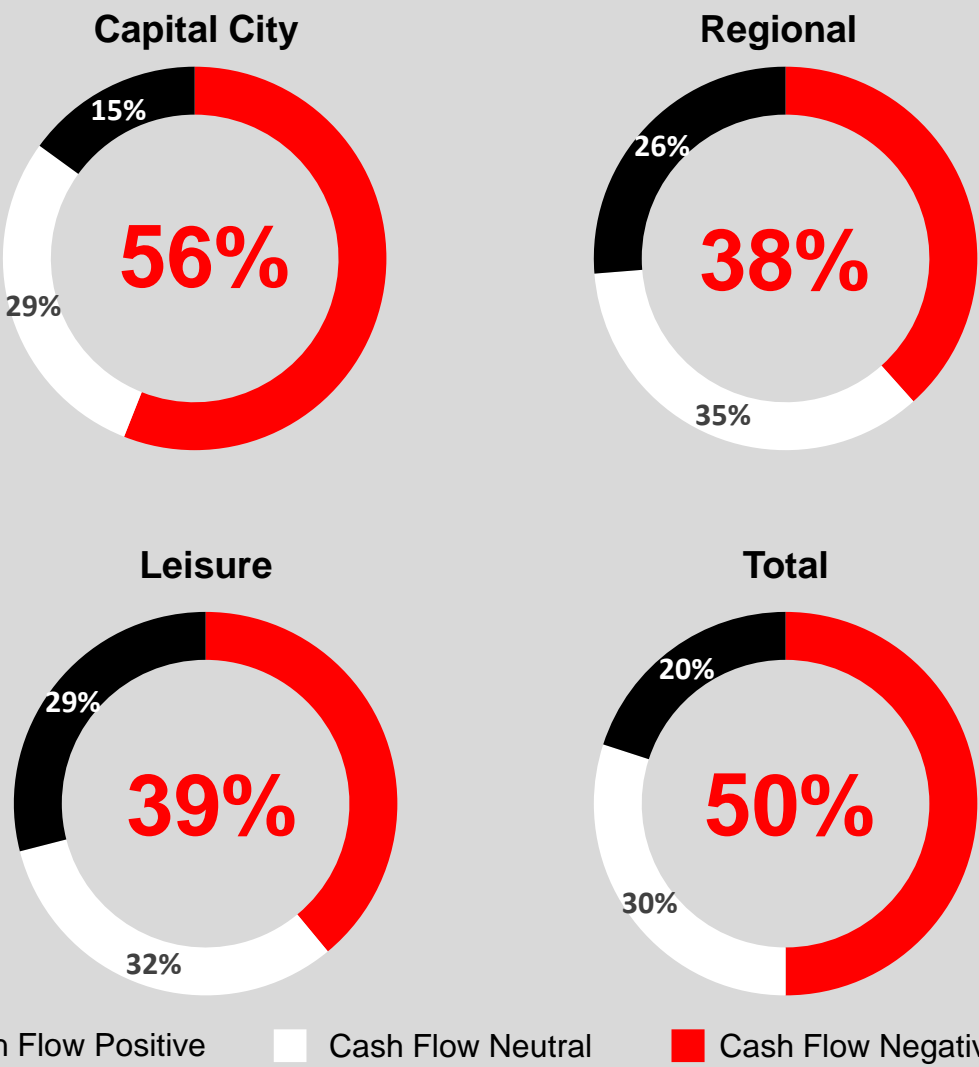
# Operational Outlook – Summary

- 50% of respondents, between April and September 2020 describe their financial position as being cash flow negative. This was highest amongst capital city respondents (56%) and lowest amongst Regional respondents. Regarding the outlook for October through March 2021, a greater number of respondents expected their cash flow to be positive, increasing from 20% to 32%. Regional properties are once again the most optimistic with 56% of respondents expecting cash flow positive operations for the next 6 months.
- Hotels operating as an isolation facility have recorded the lowest share of cash flow negative responses for the period of April to September 2020 (29%) followed by partially operational properties (38%), Fully operational properties (56%) and fully closed properties (67%).
- 53% of respondents identified that a top priority for them in the coming months is to restructure management roles, the highest response of all options provided. This was followed by 45% of respondents looking to increase digital marketing spend, while 43% of respondents are still looking to invest into new hygiene standards.
- While the majority of respondents expect that the cessation of the JobKeeper program will see staffing levels remain unchanged across all departments, it is worth noting that between 15% and 30% do expect immediate redundancies to occur.



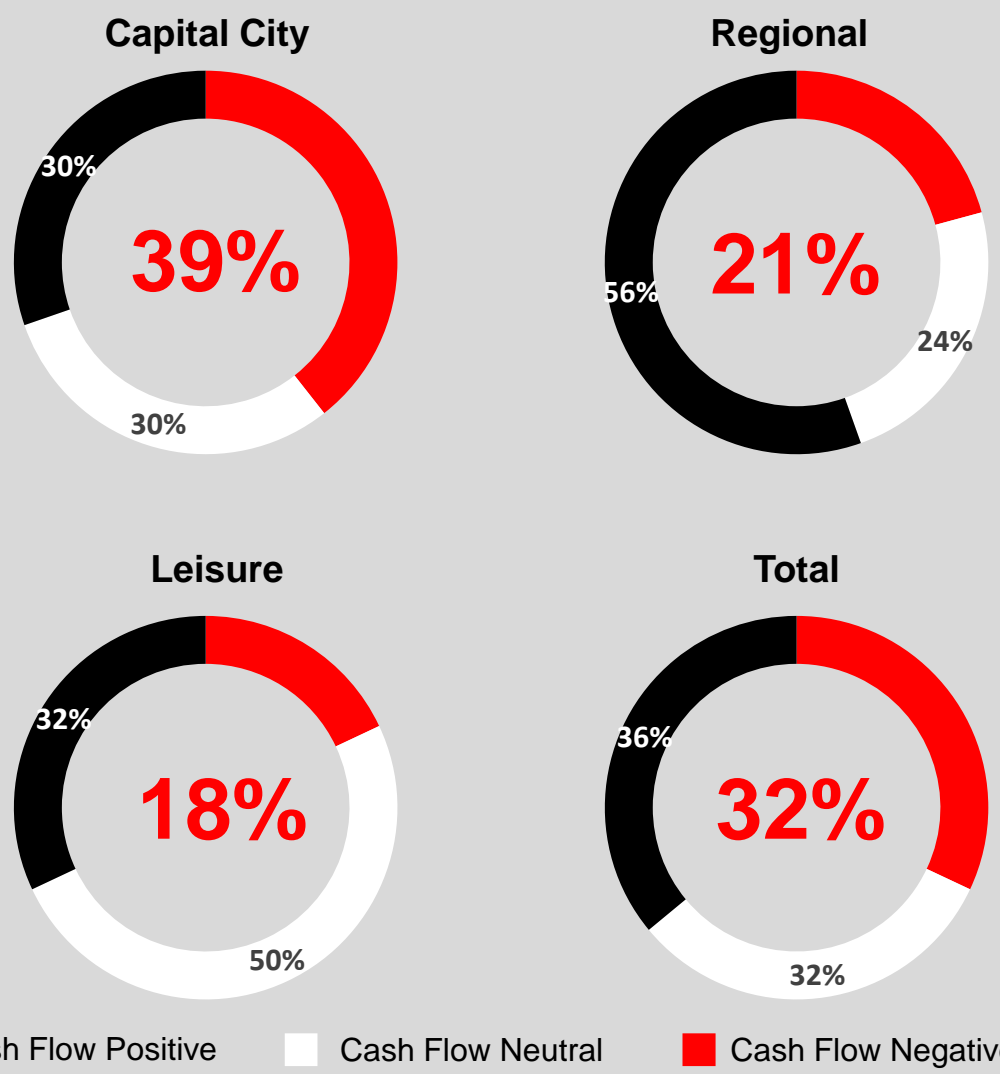


# Actual Financial Performance – April to September 2020



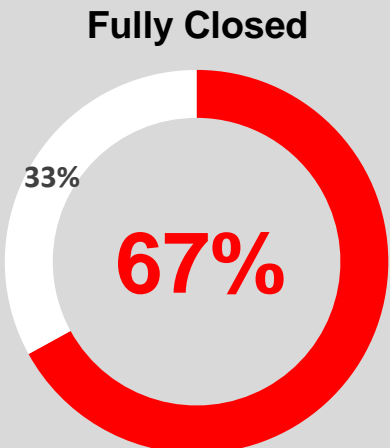
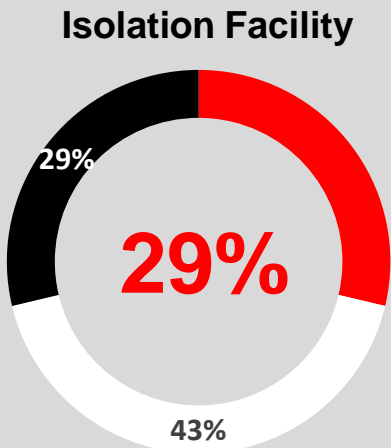
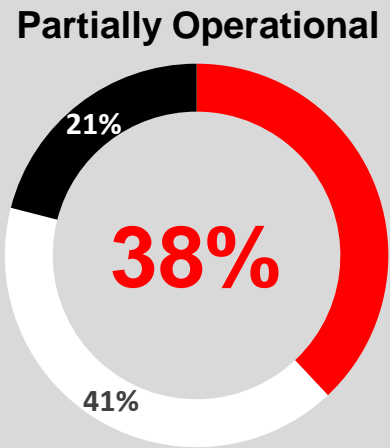
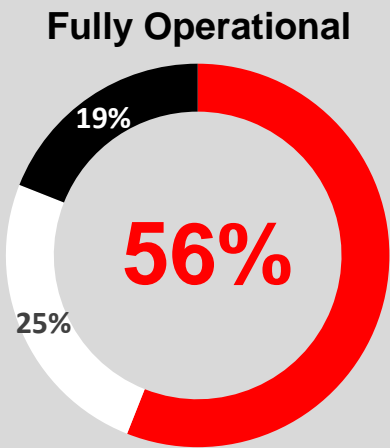


# Forecast Financial Performance – October 2020 to March 2021





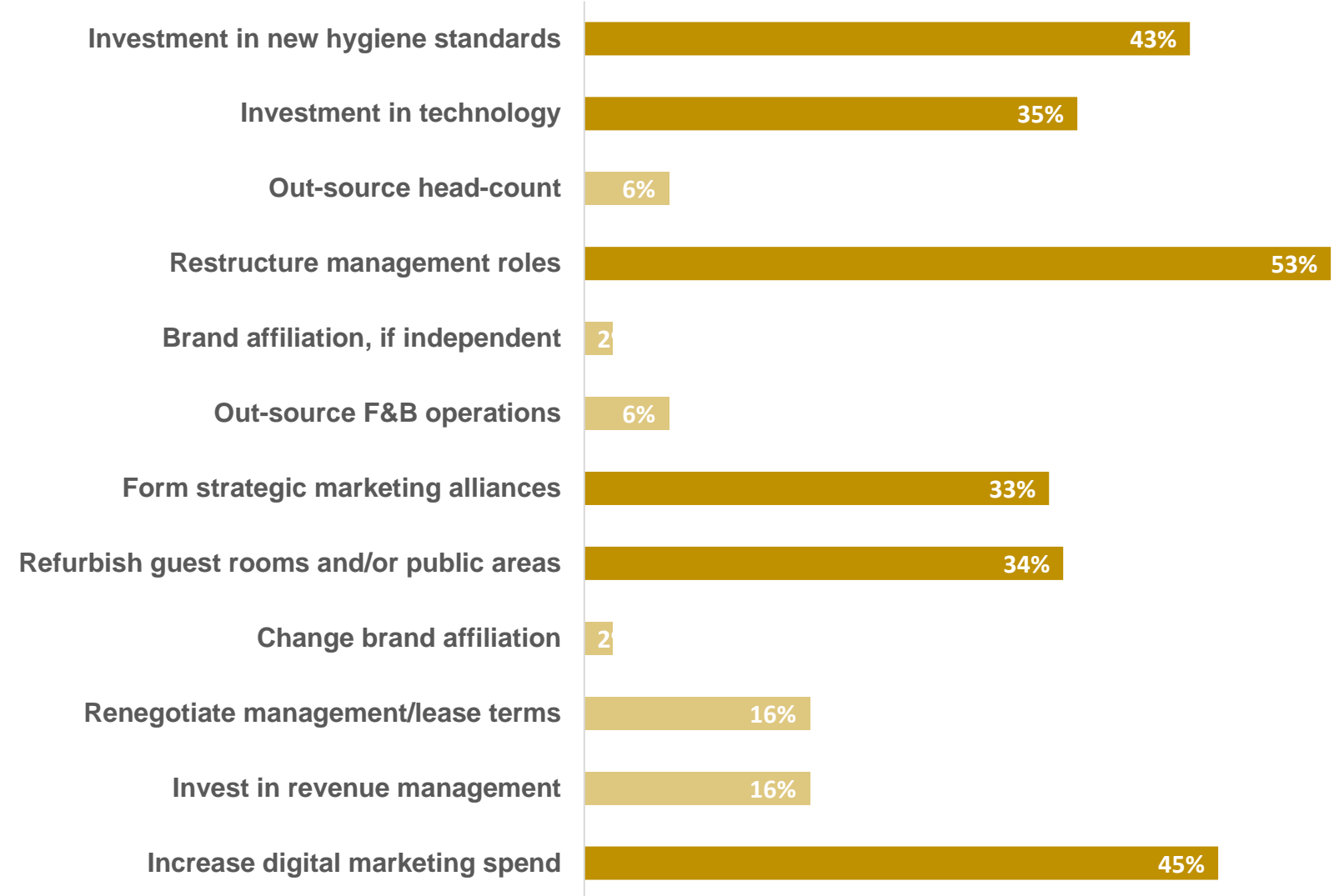
# Actual Financial Performance – April to September 2020



■ Cash Flow Positive    ■ Cash Flow Neutral    ■ Cash Flow Negative



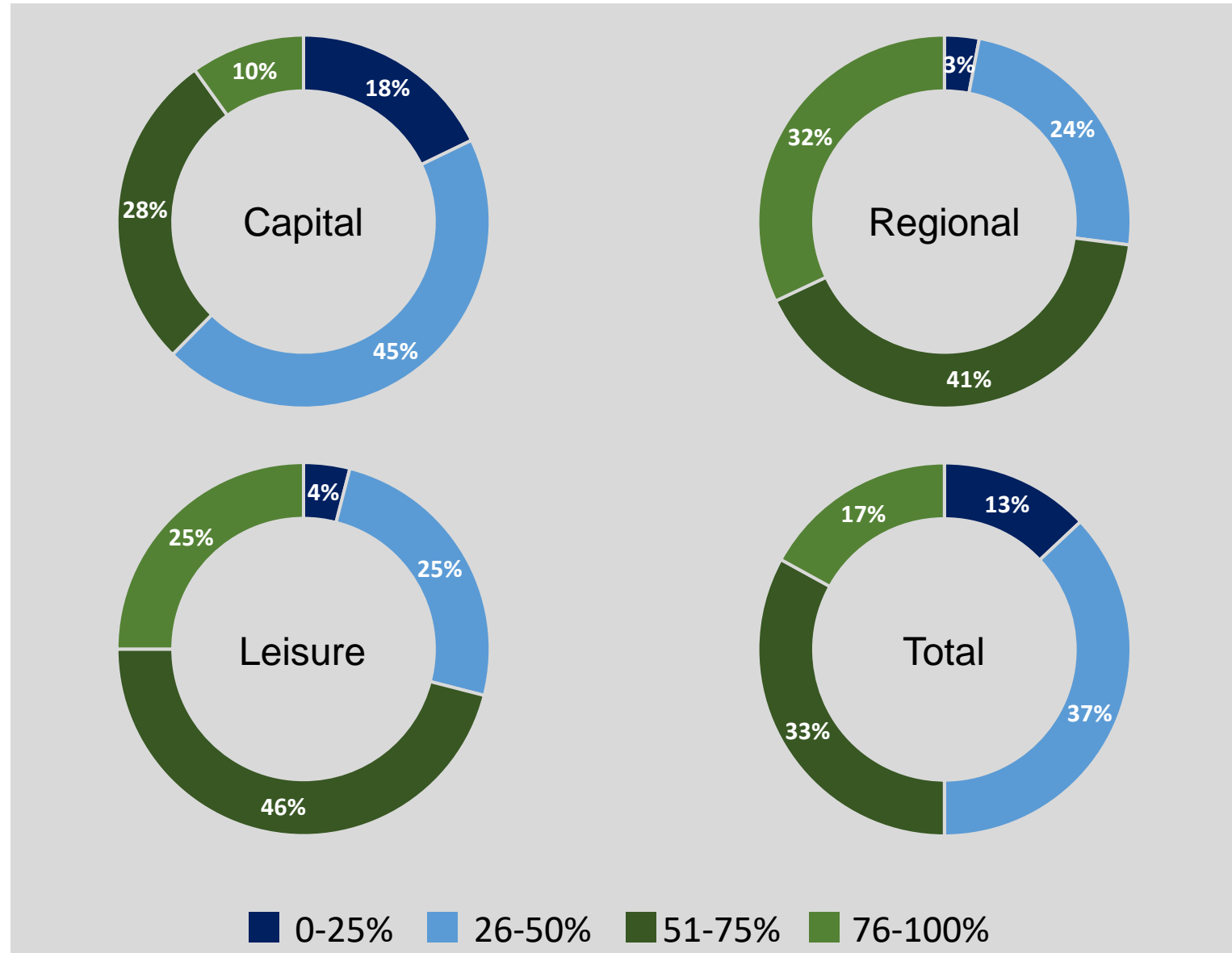
# Top 3 Business Priorities - for the coming 6 months





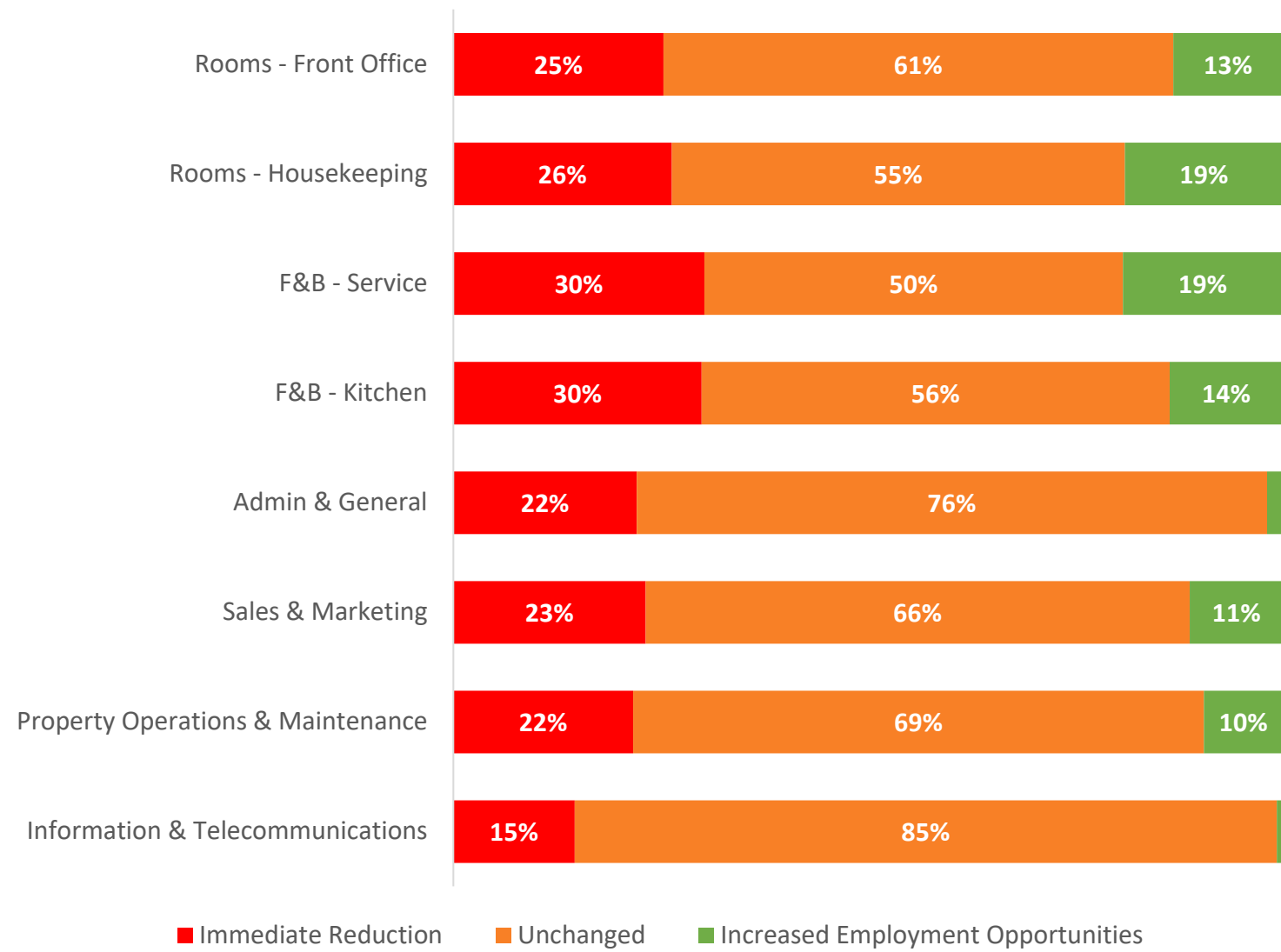


# Current Staffing Levels (compared to pre-COVID)





# Impact of Cessation of JobKeeper Program







Horwath HTL is the world's largest hospitality consulting brand with 50 offices across the world providing expert local knowledge. Established in Asia in 1987, Horwath HTL APAC has been involved with thousands of hotel and tourism related projects throughout the region for clients ranging from individually held businesses to the world's most prominent hotels, developers, lenders, investors and industrial corporations on issues pertaining to the development, financing, operations, asset management, and valuation of hotel and other hospitality related properties.

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.

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#### 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