



Horwath HTL

Hotel, Tourism and Leisure

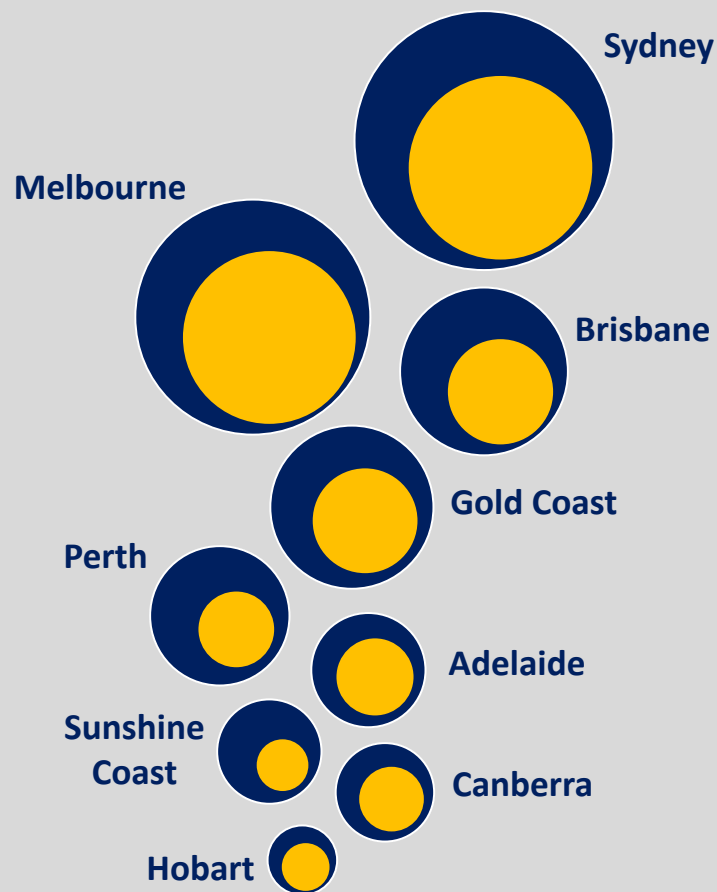
MARKET REPORT

Australia: Hotel Market Recovery from Covid-19

23 JUNE 2021

Impact of COVID-19 on Key Australian Markets

Lost Daily Room Nights Occupied (RNO) 2020 compared to 2019



Market	2019 Daily RNO	2020 Lost Daily RNO	% Decline
Sydney	35,474	17,726	50%
Melbourne	29,244	15,699	54%
Brisbane	14,946	5,826	39%
Gold Coast	14,131	5,776	41%
Perth	10,326	3,014	29%
Adelaide	6,952	3,123	45%
Sunshine Coast	5,811	1,406	24%
Canberra	5,177	2,199	42%
Hobart	2,600	1,198	46%

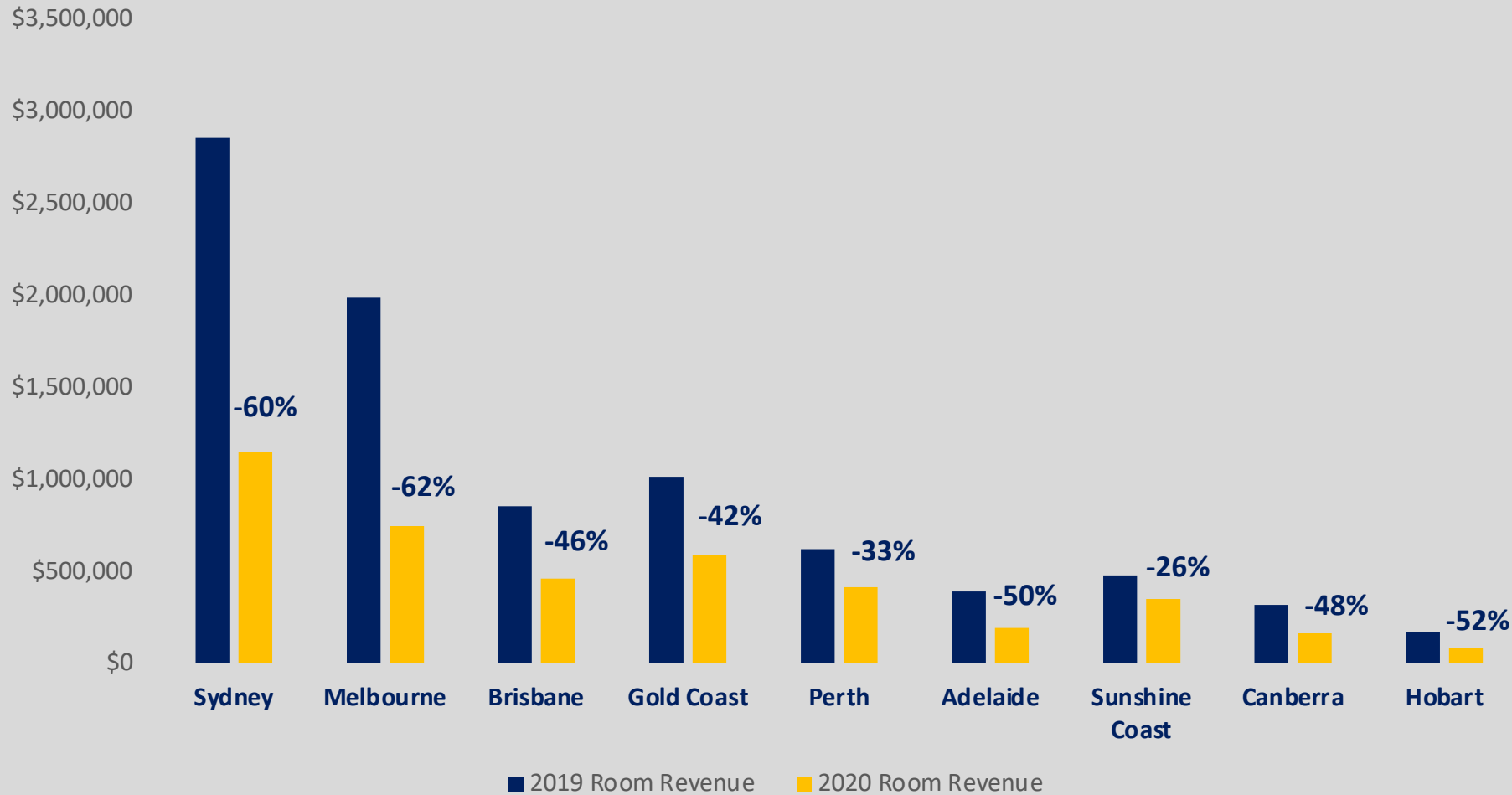
- 2019 Daily RNO Average
- 2020 Lost Daily RNO compared to 2019

- Sydney and Melbourne are clearly the largest two markets in Australia capturing more than double the daily RNO of the next largest market. As such, they experienced by far the largest declines in RNO during 2020, accounting for 50% and 52% respectively of 2019 levels.
- Most capital city markets recorded a decline in RNO in excess of 40% during 2020, with Brisbane just below this number. Perth was a standout performer in this regard with a decline of only 29% in RNO in 2020.
- The Sunshine Coast was easily the least worst performing market recording a 24% decline in RNO with a strong rebound in demand levels in H2 2020.
- The largest leisure market, the Gold Coast, took a longer time to begin to recover.

Source: STR, Horwath HTL

Impact of COVID-19 on Key Australian Markets

Lost Room Revenue (AUD 000s) 2020 compared to 2019

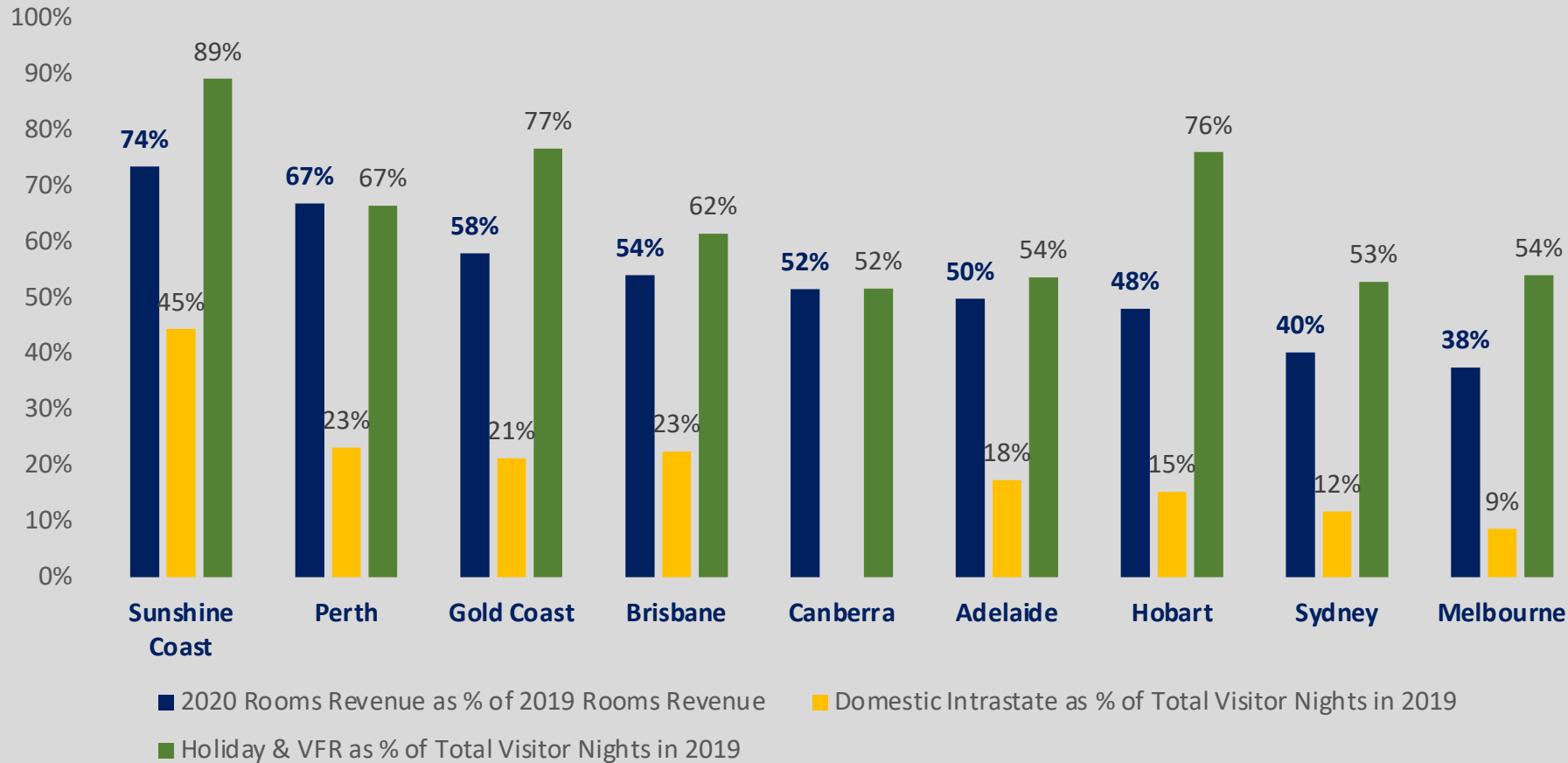


Source: STR

- With ADR levels much higher in Sydney, and to a lesser extent Melbourne, than most other key Australian markets, Sydney recorded a considerable decline in the volume of room revenue in 2020 of approximately \$1.7 billion. Melbourne recorded a decline of approximately \$1.2 billion. These declines represented 60% and 62% of 2019 rooms revenue respectively.
- The market with the smallest decline was the Sunshine Coast (-26%), while Perth performed better than other capital city markets with a decline in rooms revenue of 33% in 2020 compared to 2019.

Nature of Visitation in Key Australian Markets

2020 Rooms Revenue compared to 2019 vs. Domestic Intrastate and Leisure Travellers as % of the Total Visitor Nights in 2019



Source: STR, TRA

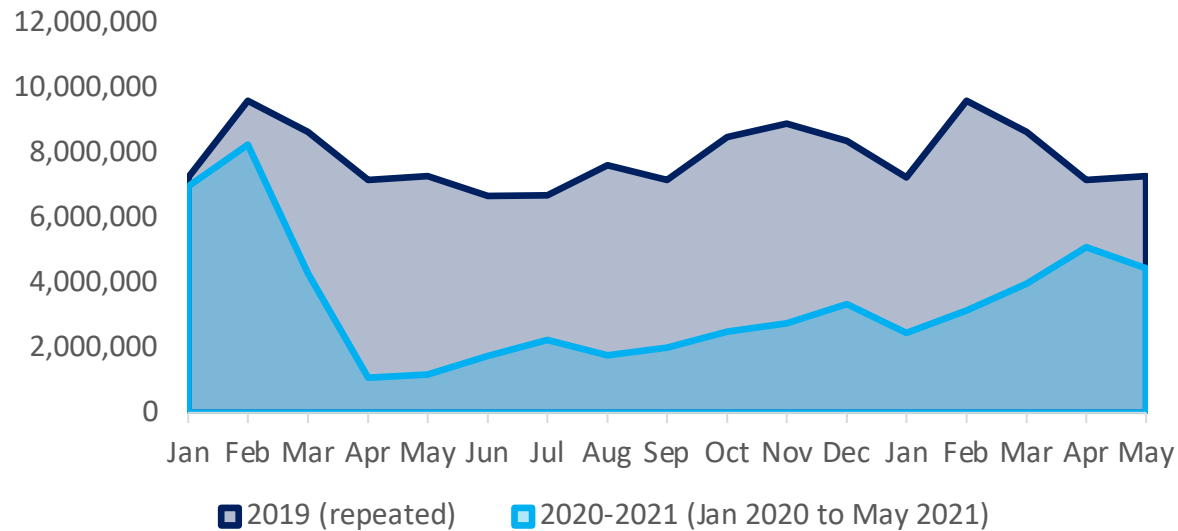
Note: Number of domestic intrastate travellers for Canberra have not been provided by TRA

- While the extent to which each State has managed the Covid-19 situation plays a key part in how each hotel market has been impacted, comparison on the left shows that markets that have seen the least impact are generally leisure-orientated markets that have historically attracted a large proportion of domestic intrastate visitation.
- From this basis, it can be reasonably expected that markets such as Sunshine Coast and Gold Coast (as well as other smaller regional markets not included in this analysis) will continue to lead in performance due to their ability to attract leisure intrastate travellers in the short term, before significant changes to border restrictions.
- Performance in Hobart quickly improved following the opening of State borders.

Hotel Market Recovery – Sydney

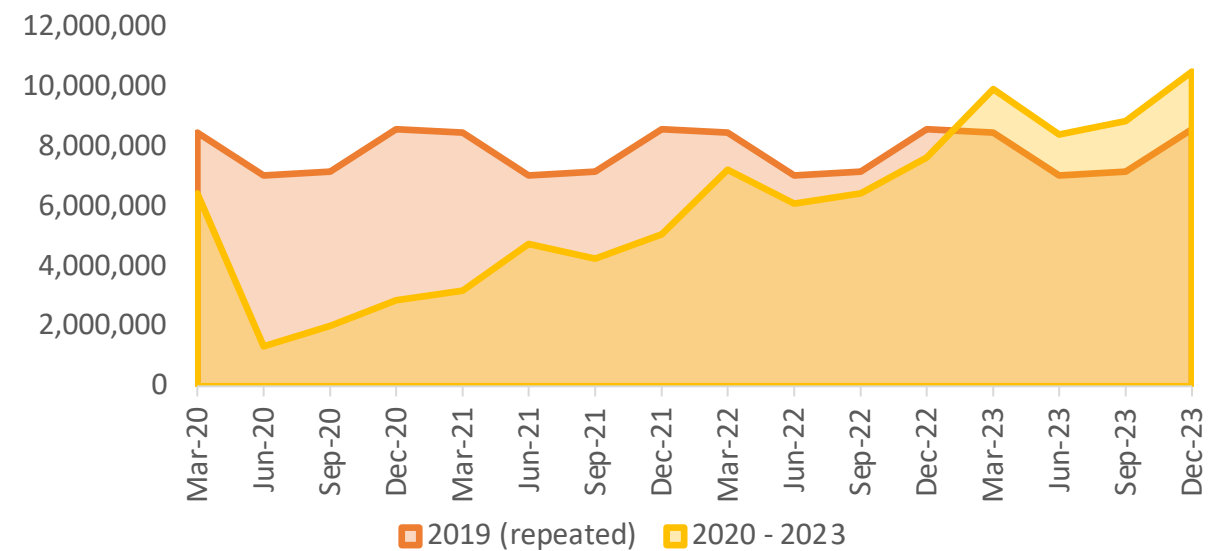
Historical

Monthly Rooms Revenue Relative to 2019 Levels

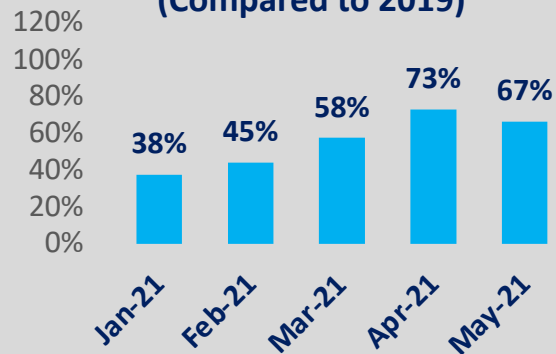


Forecast

Quarterly Rooms Revenue Relative to 2019 Levels



YTD May 2021 RNO Recovery (Compared to 2019)



YTD May 2021 v YTD May 2019

RNA
3.6%

RNO
-43.8%

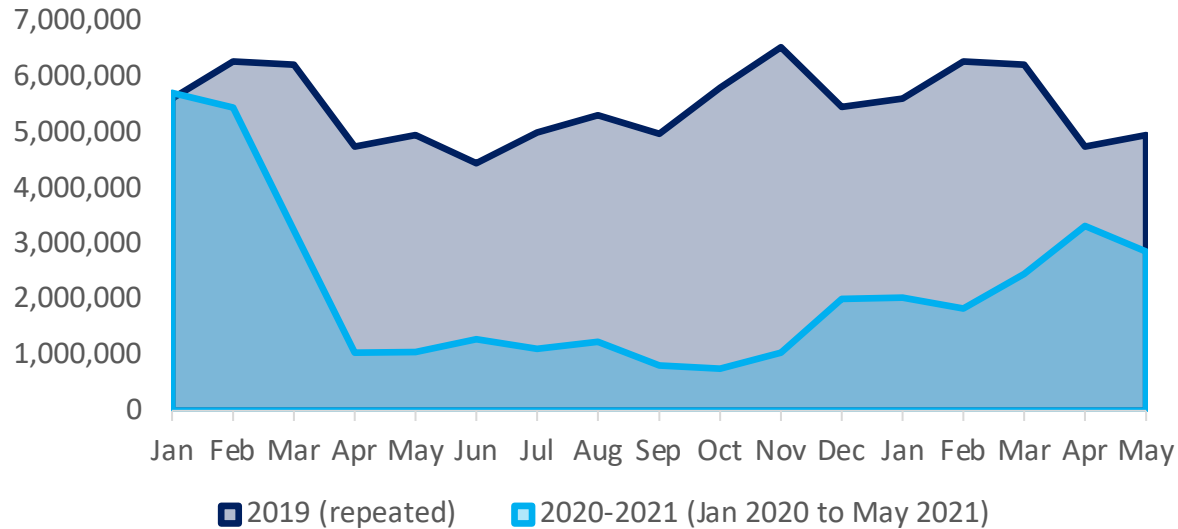
RevPAR
-53.5%

- Sydney is Australia's largest hotel market and as such has recorded the largest business impacts (in volume terms) from the COVID-19 pandemic. Business recovery has been slow due to the prolonged impact on business-related travel and the lack of international arrivals (Sydney recorded the largest share of international arrivals in its room night demand mix).
- Unlike the other capital cities, the sharp RevPAR decline was also led by a drop in ADR by around -\$40 as a result of low-yielding quarantine business, reduced premium international and corporate travellers, and hoteliers' inability to yield with the loss of peak demand nights.
- Current forecasts suggest that total revenue captured in the Sydney hotel market will recover to the 2019 level around the March 2023 quarter.

Hotel Market Recovery – Melbourne

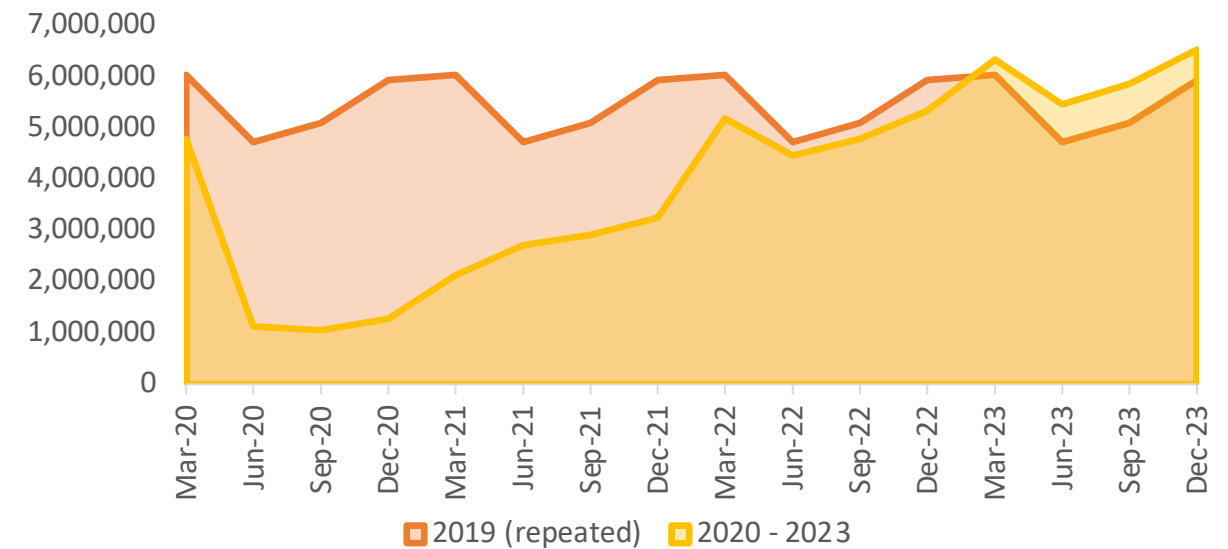
Historical

Monthly Rooms Revenue Relative to 2019 Levels

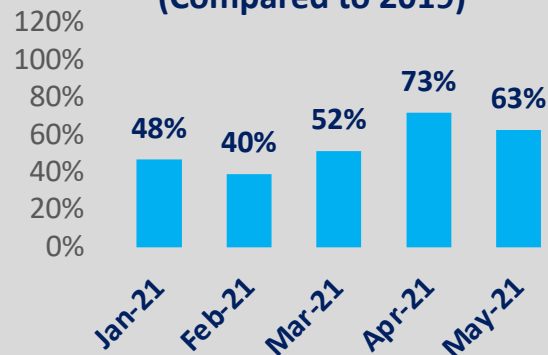


Forecast

Quarterly Rooms Revenue Relative to 2019 Levels



YTD May 2021 RNO Recovery (Compared to 2019)



YTD May 2021 v YTD May 2019

RNA
3.8%

RNO
-45.2%

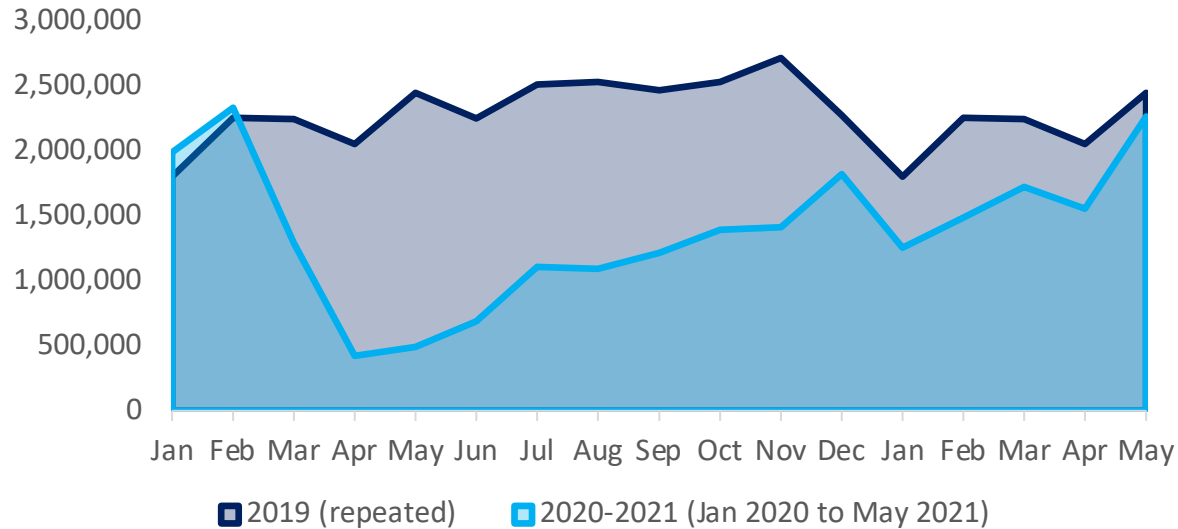
RevPAR
-56.4%

- Given the length and scale of Victoria's second lockdown, Melbourne's economy and hotel market has seen the most detrimental impact from COVID-19. Additionally and similar to Sydney, Melbourne also has a large proportion of business-related travel and international arrivals.
- Current forecasts suggest that total revenue captured in the Melbourne hotel market will recover by to the 2019 level by 2023.
- However, RevPAR is not expected to recover until after 2025 as a result of a large hotel pipeline. As of May 2021, AHS supply database recorded a total of 97 hotel projects that are expected to open between 2021 and 2025, including a total 30 projects that are already under construction.

Hotel Market Recovery – Brisbane

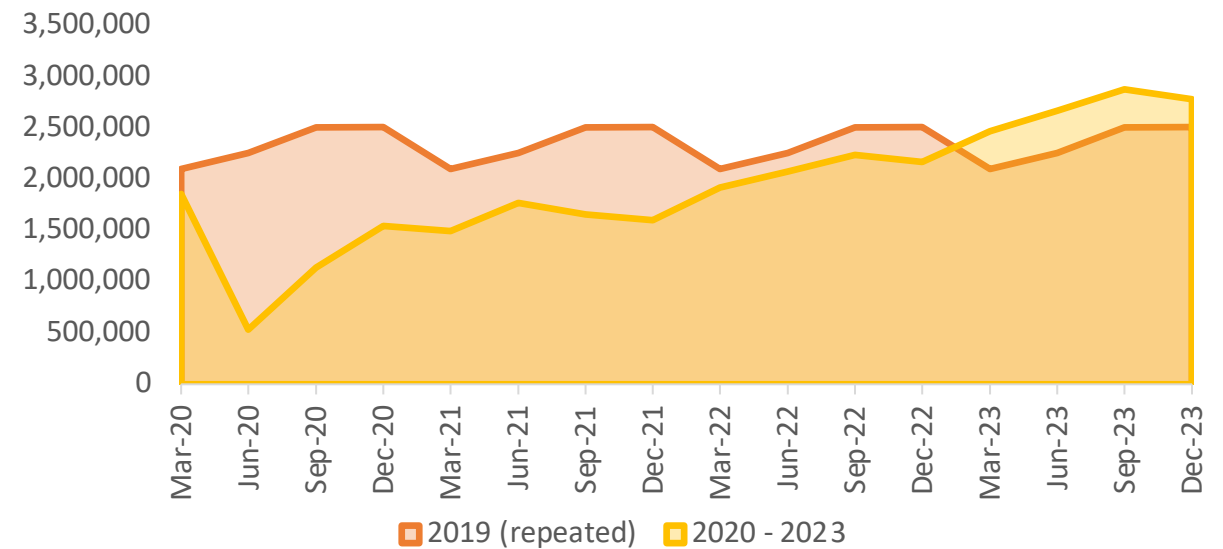
Historical

Monthly Rooms Revenue Relative to 2019 Levels

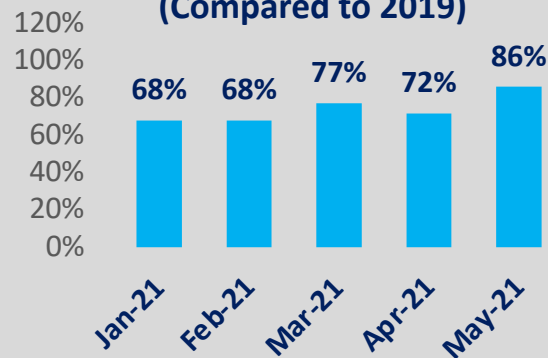


Forecast

Quarterly Rooms Revenue Relative to 2019 Levels



YTD May 2021 RNO Recovery (Compared to 2019)



YTD May 2021 v YTD May 2019

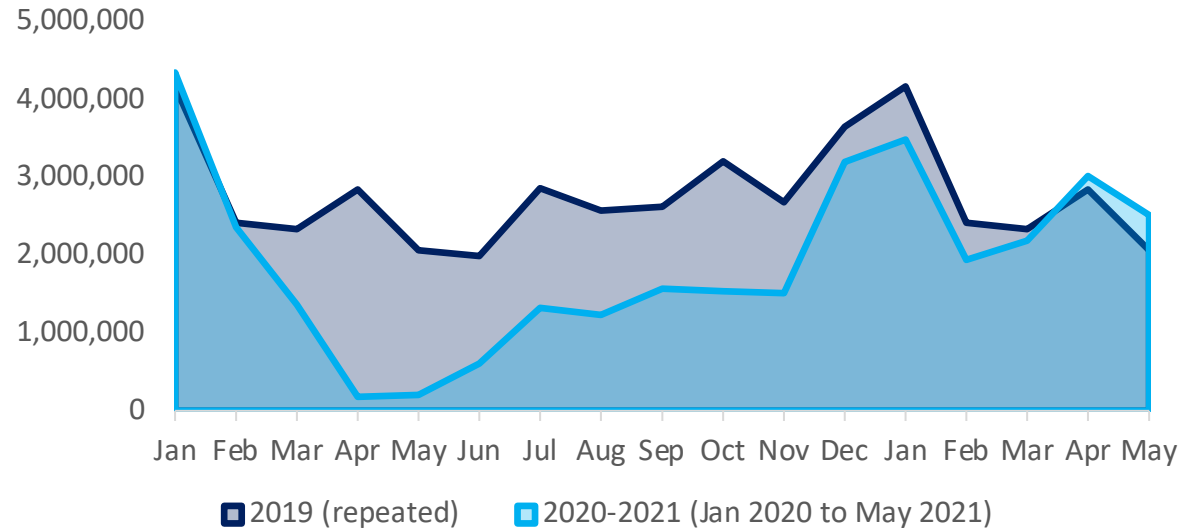
RNA **RNO**
-0.5% **-25.1%**
RevPAR
-22.6%

- Of the capital city markets, Brisbane recorded the second highest percentage of intrastate and leisure travellers in 2019 (behind Perth). This is likely a strong factor that the Brisbane hotel market has achieved the smallest drop in RNO and total revenue of the capital city markets in 2020, second only to Perth.
- The Brisbane lockdown at the start of April put a dent in the recovery, though continued improvement has been recorded in May 2021.
- After years of strong supply growth, the supply pipeline for Brisbane is the smallest of the capital city markets over the next five years. For this reason, Brisbane is expected to see the fastest return in occupancy level by the December 2023 quarter. Total revenue is expected to recover by the June 2023 quarter.

Hotel Market Recovery – Gold Coast

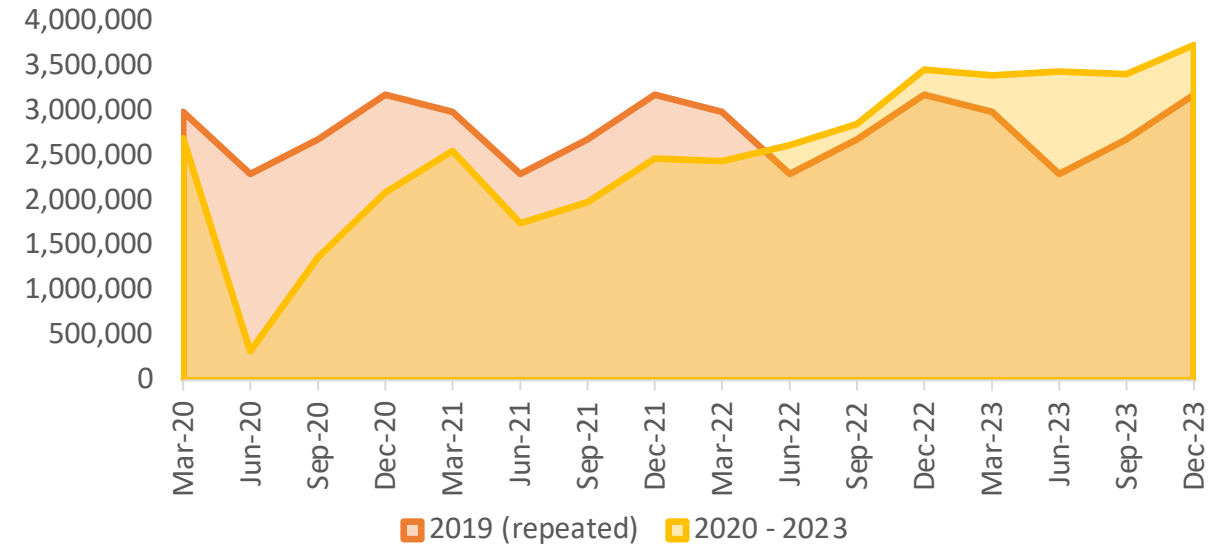
Historical

Monthly Rooms Revenue Relative to 2019 Levels



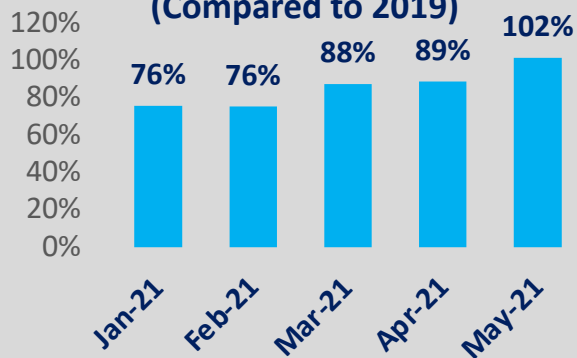
Forecast

Quarterly Rooms Revenue Relative to 2019 Levels



YTD May 2021 RNO Recovery

(Compared to 2019)



YTD May 2021 v YTD May 2019

RNA
1.5%

RNO
-14.4%

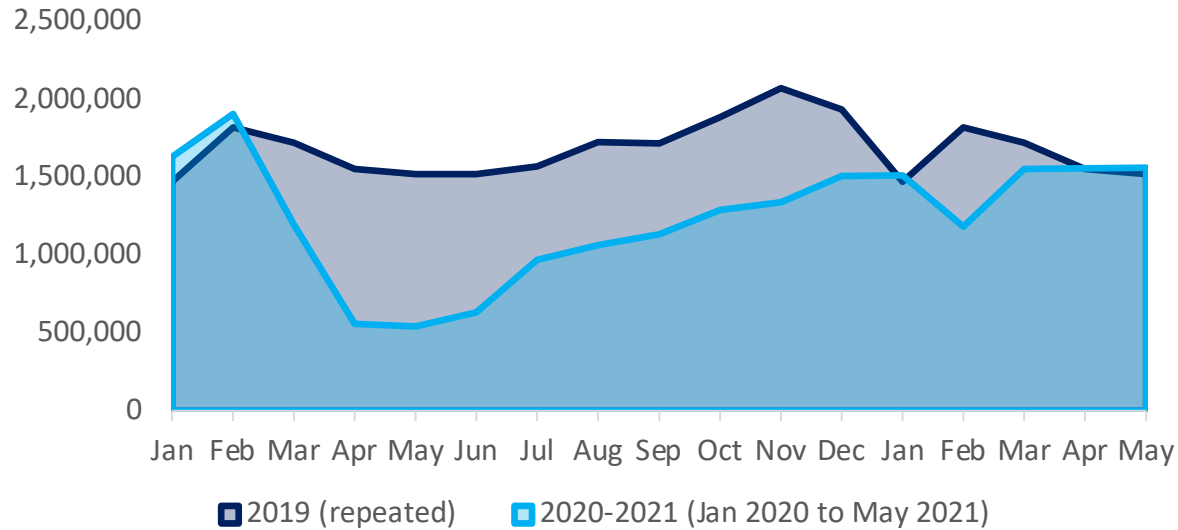
RevPAR
-6.2%

- As a popular domestic leisure destination, the Gold Coast hotel market has weathered the impact of COVID-19 better than most other markets.
- During the initial months of the pandemic, Gold Coast was amongst one of the most affected hotel markets having recorded single-digit average occupancy levels in April and May 2020. A gradual recovery has been recorded since and data as of May 2021 shows a recovery in demand level to beyond the same level as recorded in May 2019.
- Overall, the RevPAR decline in 2020 was predominately driven by a drop in demand. YTD May 2021 data shows that despite the 14.4% drop in demand compared to the same period in 2019, ADR achieved a robust growth of 11.3%.

Hotel Market Recovery – Perth

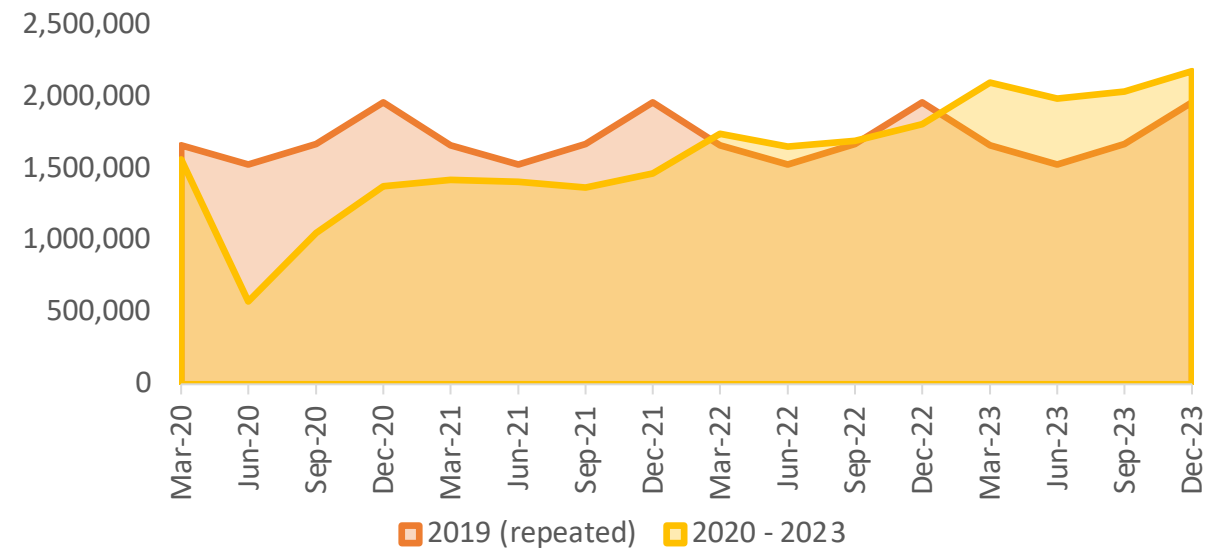
Historical

Monthly Rooms Revenue Relative to 2019 Levels

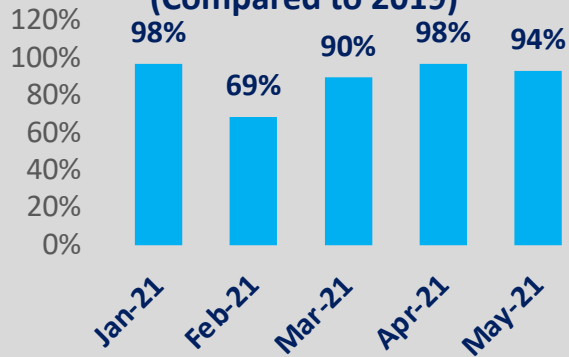


Forecast

Quarterly Rooms Revenue Relative to 2019 Levels



YTD May 2021 RNO Recovery (Compared to 2019)



YTD May 2021 v YTD May 2019

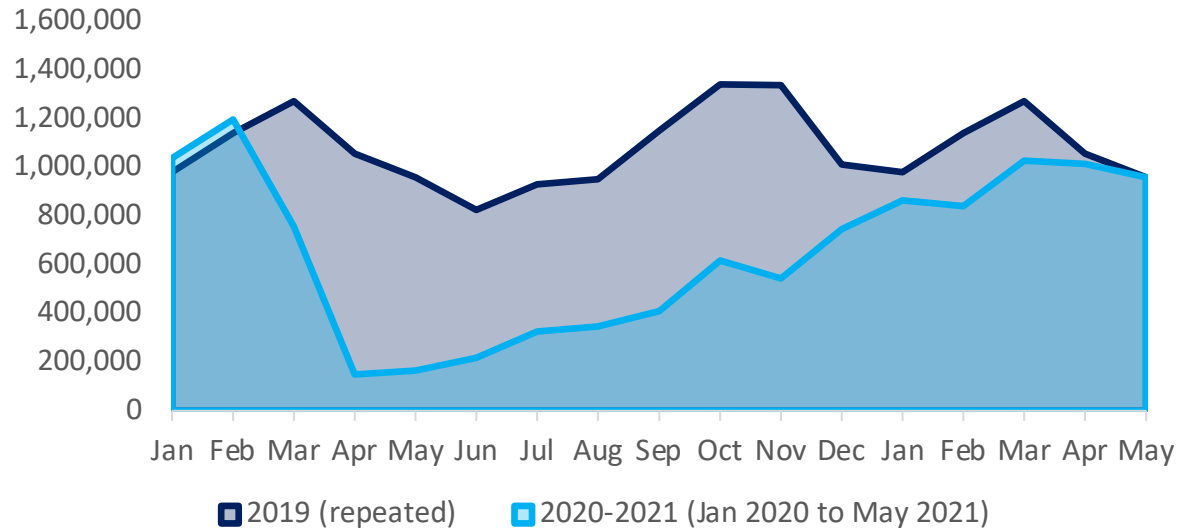
RNA 12.4% **RNO** -10.6%
RevPAR -18.4%

- Perth historically captures the largest proportion of intrastate domestic travellers and additionally, Perth has benefited from the number of fly-in, fly-out workers in the mining industry. As a result, Perth was the only capital city to have seen an annual RNO decline of less than -30% in 2020.
- STR data as of April 2021 show that RNO has recovered strongly to 98% by April 2021 while May performance was somewhat impacted by the Perth and Peel lockdown in late April.
- Results of the AHS Advisory econometric model suggest that total revenue captured by the Perth Tourism Region hotel market will recover to the 2019 level by the December 2022 quarter and RevPAR by the September 2023 quarter.

Hotel Market Recovery – Adelaide

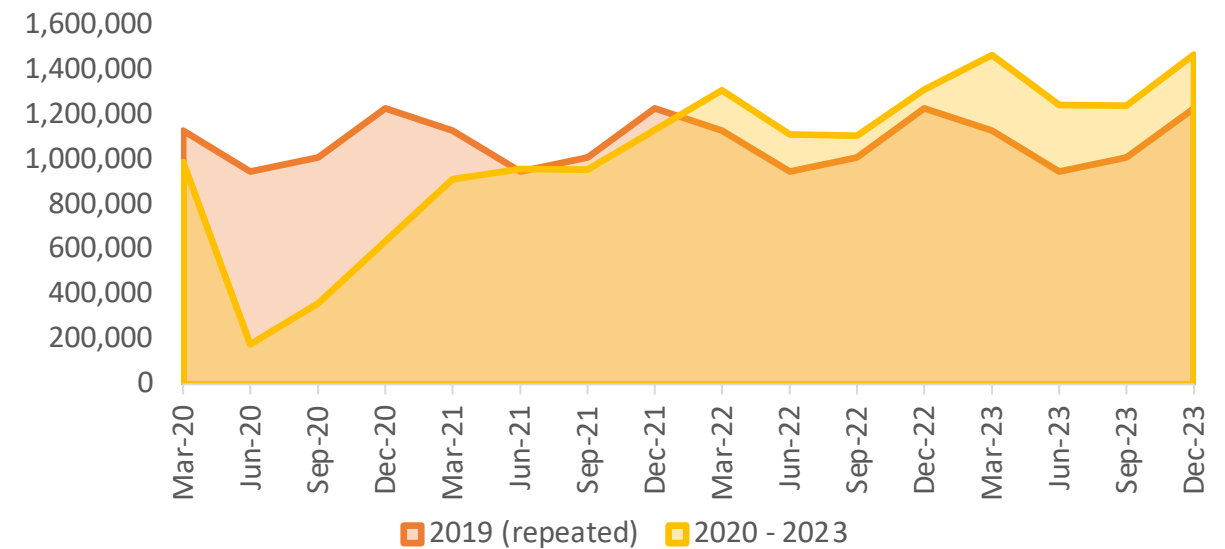
Historical

Monthly Rooms Revenue Relative to 2019 Levels

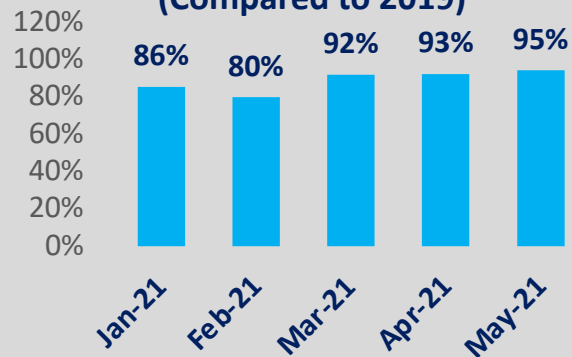


Forecast

Quarterly Rooms Revenue Relative to 2019 Levels



YTD May 2021 RNO Recovery (Compared to 2019)



YTD May 2021 v YTD May 2019

RNA
8.8%

RNO
-10.8%

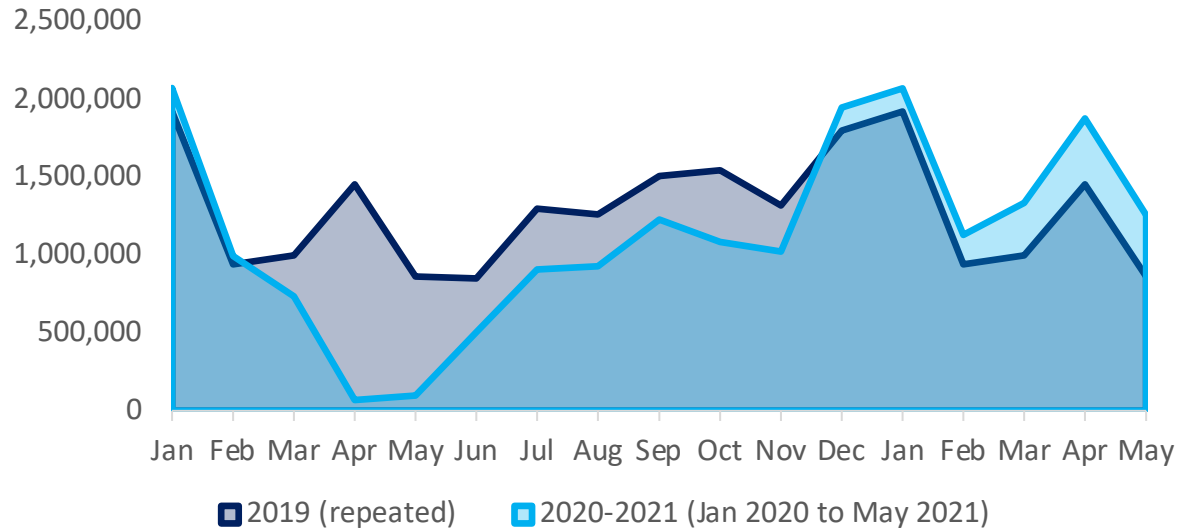
RevPAR
-19.9%

- Since the beginning of the COVID-19 pandemic, the Adelaide hotel market has seen the opening of six new hotel properties. In the context of the market recovery and compared to the other key markets, these new supply additions appear to have been welcomed by the market with occupancy performance in Adelaide being one of the highest for YTD May 2021.
- The success of the Adelaide market may have been attributed to the opening of new hotels as a more attractive leisure market and historically being a more popular leisure market compared to the other capital cities.
- Over the next five years, Adelaide is expected to record the second highest supply growth after Melbourne, at around 4.9% between 2020 and 2025.
- Overall, both total demand and revenue captured are expected to rebound to pre-COVID-19 levels in the March 2022 quarter.

Hotel Market Recovery – Sunshine Coast

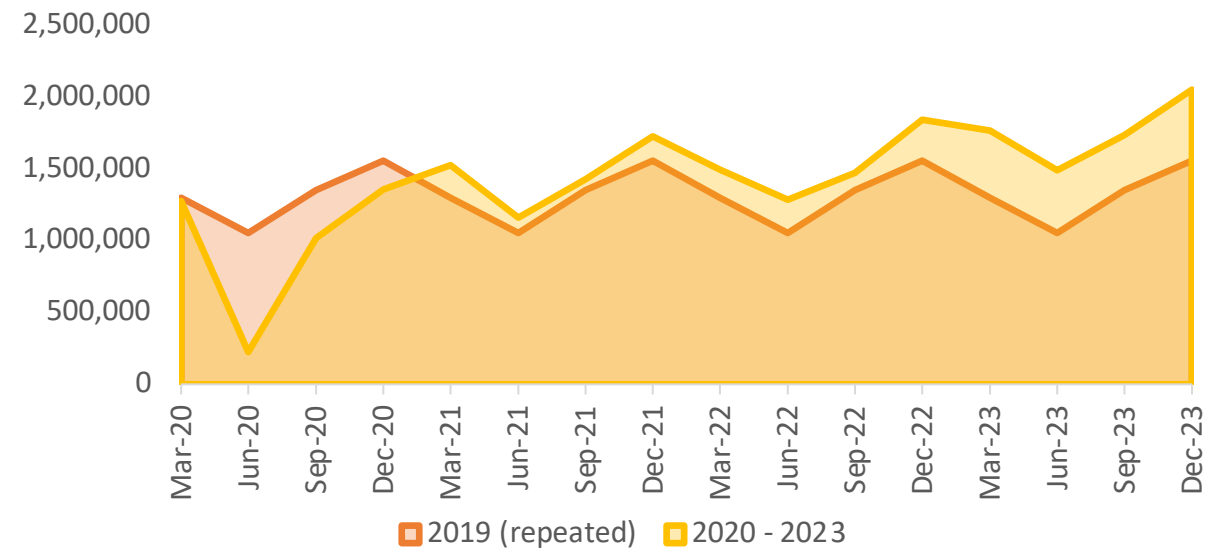
Historical

Monthly Rooms Revenue Relative to 2019 Levels

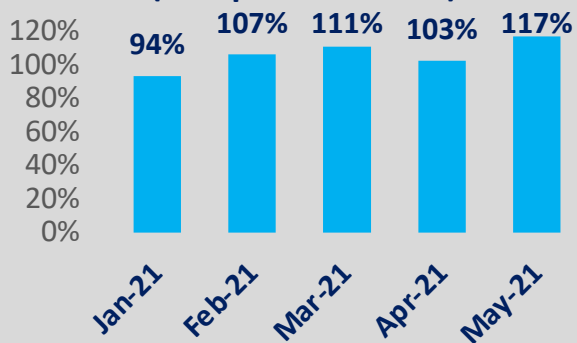


Forecast

Quarterly Rooms Revenue Relative to 2019 Levels



YTD May 2021 RNO Recovery (Compared to 2019)



YTD May 2021 v YTD May 2019

RNA
-0.5%

RNO
5.5%

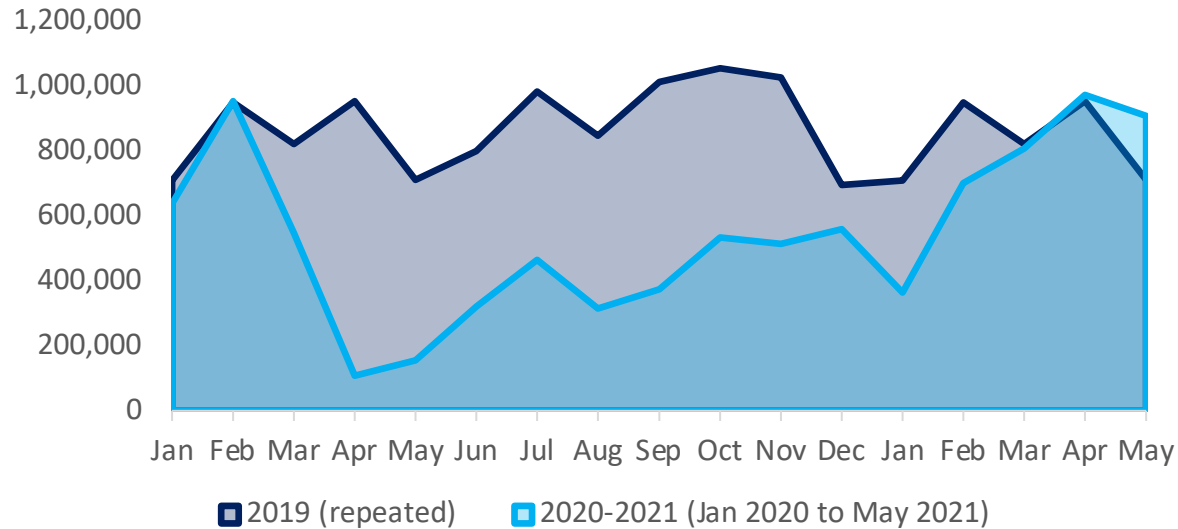
RevPAR
24.8%

- Similar to other leisure destinations, the Sunshine Coast hotel market was particularly hard hit at the beginning of the COVID-19 pandemic with a single-digit RevPAR of \$8 for the month of April 2021.
- A sharp recovery followed during peak holiday periods and data from as early as December 2020 shows that Sunshine Coast has already recovered and exceeded the RevPAR level that was recorded during the same periods of 2019.
- In contrast to the Gold Coast, the sharp spike in RevPAR has been driven by both demand and ADR growth. From anecdotal discussion in the market, it appears that the Noosa area in particular has benefited as a premium leisure destination, attracting leisure travellers who typically travel overseas during holiday seasons.

Hotel Market Recovery – Canberra

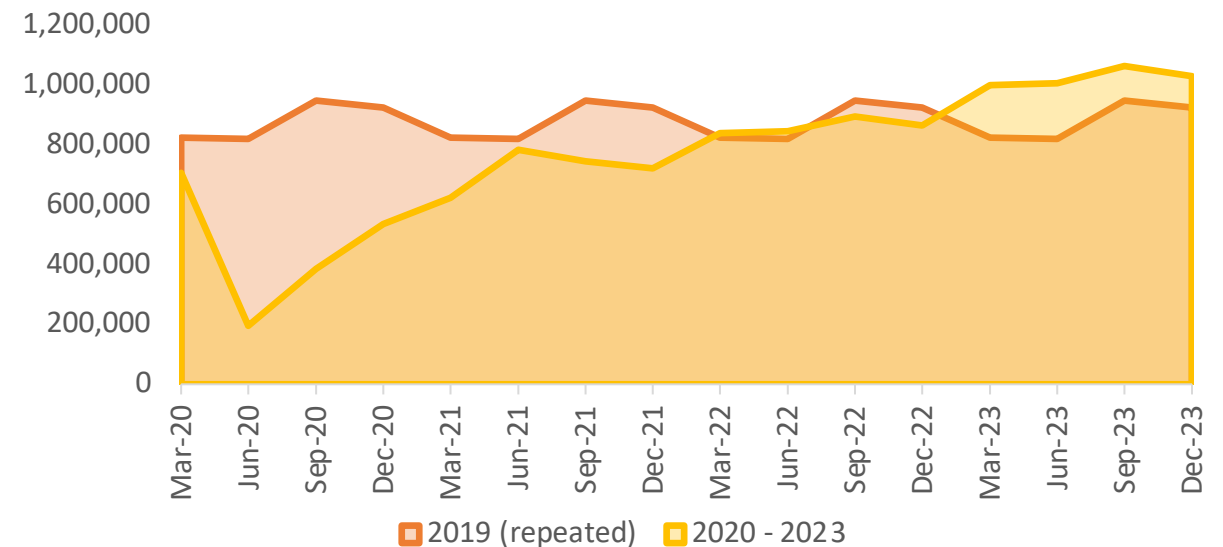
Historical

Monthly Rooms Revenue Relative to 2019 Levels

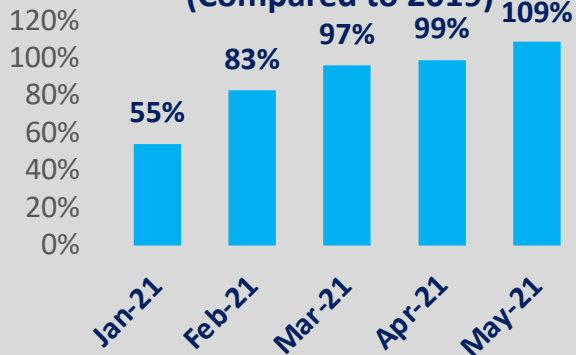


Forecast

Quarterly Rooms Revenue Relative to 2019 Levels



YTD May 2021 RNO Recovery (Compared to 2019)



YTD May 2021 v YTD May 2019

RNA
11.4%

RNO
-10.8%

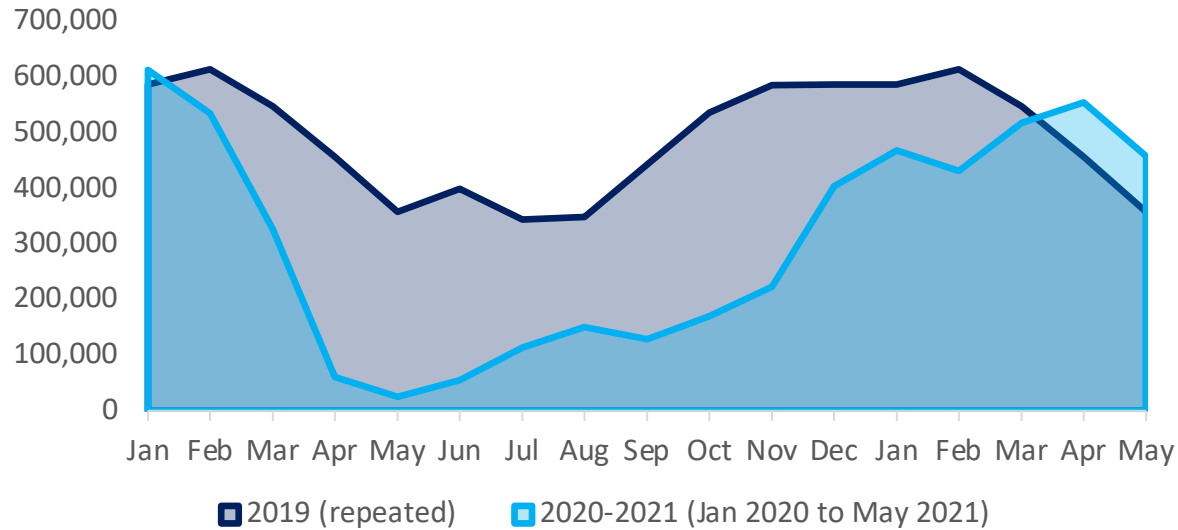
RevPAR
-18.4%

- The ACT is reliant on interstate travel and government-related visitation. For this reason, the recovery path for Canberra is heavily affected by the border restrictions of NSW and VIC, which is most evident in January as a result of the three-week Northern Beaches lockdown in Sydney from late December.
- The frequent interstate border closures and reduced government-related travel has resulted in relatively large impact in the Canberra hotel market in 2020.
- Since the start of 2021, Canberra has recorded a sharp recovery as interstate border restrictions ease. Market discussion also suggests that in addition to the gradual return of government-related travel, Canberra benefits from being a drive leisure destination that can be easily accessed by both NSW and VIC.

Hotel Market Recovery – Hobart

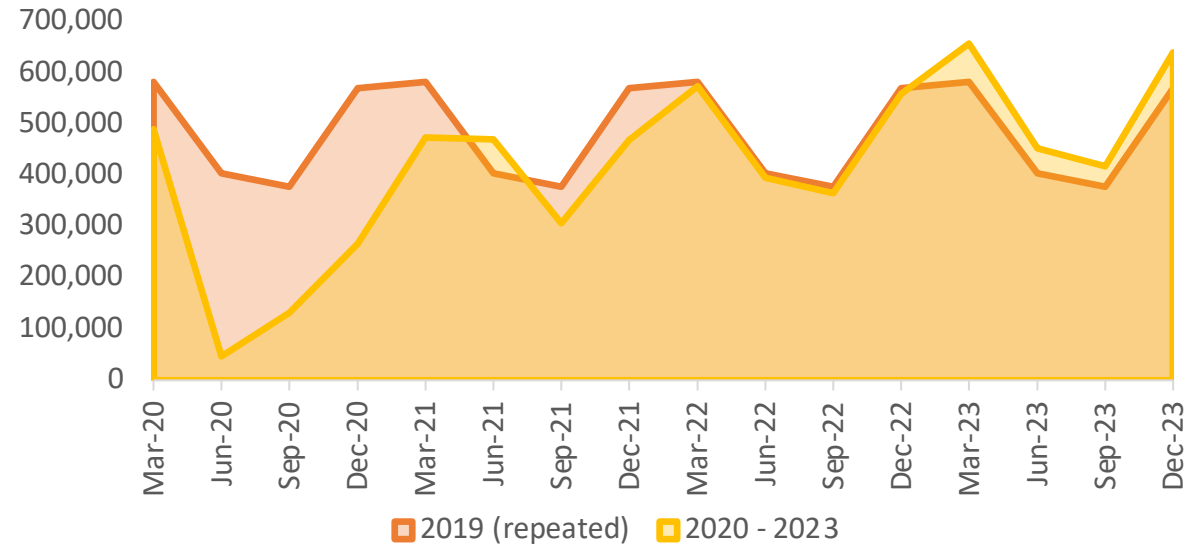
Historical

Monthly Rooms Revenue Relative to 2019 Levels

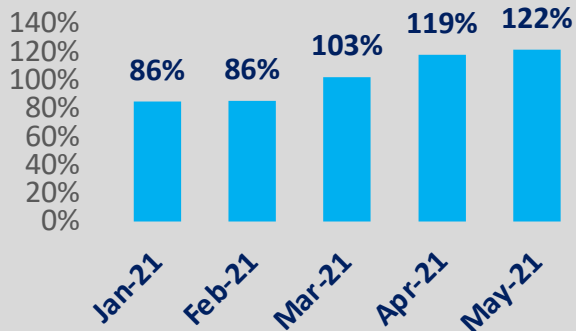


Forecast

Quarterly Rooms Revenue Relative to 2019 Levels



YTD May 2021 RNO Recovery (Compared to 2019)



YTD May 2021 v YTD May 2019

RNA
22.0%

RNO
2.2%

RevPAR
-4.7%

- Despite being the third hardest hit capital city hotel market in 2020 after Sydney and Melbourne, Hobart demonstrated the strongest recovery in demand level since January 2021. As the state capital city with the largest share of leisure travellers, Hobart saw a sharp recovery from November 2020 when interstate restrictions started to ease and as travellers became more willing to accept the risks of intermittent border closures.
- Since 2020, the market recorded the opening of four new hotels with The Tasman being under construction and expected to open in 2021. Overall, total room nights available is expected to grow year-on-year by 15.7% in 2021.
- Latest available data shows that these new supply additions have been absorbed by the market with monthly occupancy in May 2020 returning to the 2019 level and RNO 122% higher than that recorded in 2019 for the month.

Hotel Market Outlook Methodology

1. Collect **historical data**
 - Sources: STR, ABS, TRA, AHS databases
 - Hotel Market Data: STR Trend Report (RNA, RNO, REV = Occ% & ADR\$)
 - Economic + Tourism Data: DAE business Outlook, TRA, and AHS database
2. Apply AHS Advisory **econometric model**
 - Establish correlations: Economic + Tourism Data << -- >> Hotel Market Performance
 - Use a mathematical model to find correlation + forecast of RNO & ADR growth factors (Excel *f* to calculate and predict values along a linear trend using existing values)
3. Collect information from AHS Advisory **supply database**
 - Summarise information on potential additions to hotel inventory
(projects announced, approval applied, application approved, under construction)
4. Apply AHS Advisory **hotel market outlook model**
 - RNA growth – apply predictions of inventory growth +
 - RNO + ADR growth – apply estimates of CAAG from econometric model =
 - Calculated Occ% & ADR\$
5. Check for anomalies and draw **conclusions**

The Horwath HTL Team in Australia



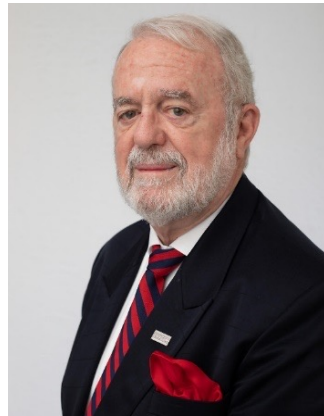
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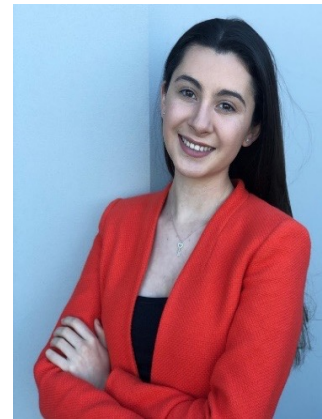
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