



## RESEARCH

# JULY 2012 HOTEL MARKET UPDATE

## National Accommodation Market

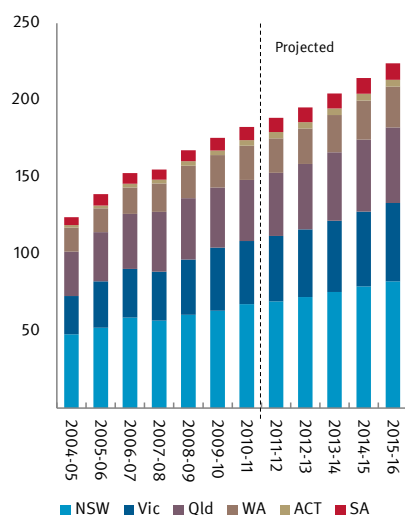
### Knight Frank

Australia's tourism market has seen good improvement over the last year. Limited new supply and increases to visitor nights both internationally and domestically have aided growth in both occupancy and room yields across major cities; bringing some markets back to pre-GFC levels.

#### Visitor Nights

Despite the economic instability across much of Europe, international visitor nights continued to increase across Australia during the 2010-11 financial year albeit at a slow rate. Growth during 2010-11 was recorded at 3.9% representing total visitor nights of 189.15 million which is down from the strong 8.0% growth recorded in 2008-09.

Figure 1  
International Visitor Nights  
No. nights (millions)



Source: Tourism Research Australia

Looking forward the Tourism Forecasting Committee is expecting some rebound in visitor numbers after an anticipated poor 2011-12 result of just 3.1%. Over the next five

years, growth is expected to average 4.1% per annum; while still behind the highs of pre GFC, forecasts are up on the current rate as uncertainty surrounding the broader global economy and strength of \$AUD is expected to dissipate.

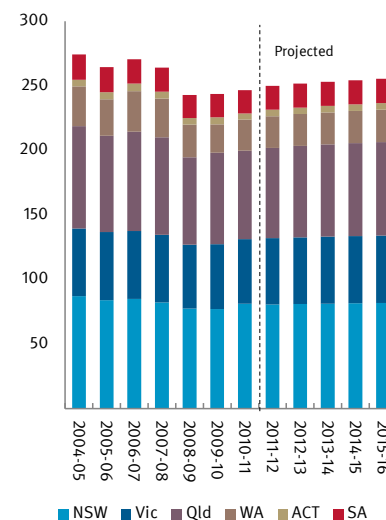
International visitors are looking beyond traditional tourist destinations according to the 2011-12 results, with increases in visitor nights greatest in ACT, growing at 11.7% followed by SA up 8.4%, while interest in NT has dampened with nights falling -4.0%. Despite this NSW and Queensland remain the locations of choice with the highest volume and grew by 2.8% and 3.5% respectively.

Domestic visitor nights are expected to increase during the 2011-12 financial year, up 1.5% to 263.80 million. This projected increase represents the greatest growth for the last five years, with the overall visitor nights still below pre-GFC levels. This reduction is due to a combination of factors including reduced discretionary spending for holiday purposes as employment sentiment is down, job security continues to be a concern. More prevalent is the increased competition from overseas locations due to strong \$AUD, with cheap airfares and accommodation options being well publicised via varied new outlets including coupon based offers such as groupon, while high petrol prices continue to deter driving holidays.

## CHEAP HOLIDAY OPTIONS ARE BEING WELL PUBLICISED VIA NEW... COUPON BASED OFFERS.

Domestic nights have the greatest growth in the ACT for the 2011-12 year, forecast to be up by 8.5%; however this market contributes to the least number of nights across Australia. NSW represents the largest market, which is anticipated to show a slight reduction to 2011-12 period by -0.8% however is projected to improve by just 0.4% per annum over the next five years. Victoria and Queensland are anticipated to show good growth during this (2011-12) period up 2.8% and 2.1%, however over the next five years average annual increases are more subdued at 0.3% and 0.9% respectively. WA represented the largest growth in domestic visitors last year (2009-10) growing more than 10%, this periods growth is expected to reduce to 1.4% representing 24.57 million visitors. Growth for WA is expected to wane like other states projecting an increase of just 0.4% per annum over the next five years.

Figure 2  
Domestic Visitor Nights  
No. nights (millions)



Source: Tourism Research Australia



## Market Performance

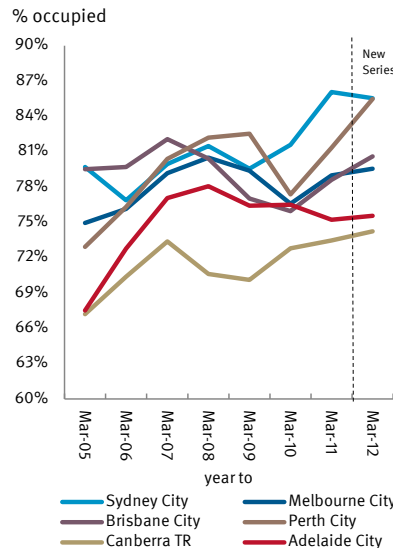
With limited new accommodation supply entering most of the major cities, occupancy levels have had an opportunity to improve from post-GFC results. This has aided in average room rates showing signs of growth and resulting in RevPAR (Revenue per Available Room) rates also increasing.

**Sydney City** continues to boast (with Perth City) the highest occupancy rate of 85.5% (average year to March 2012), down slightly annually after a strong March 2011 quarter result of 89.2% compared with 88.5% for the current March quarter 2012. This market has seen room nights available remain consistent over the last four years, averaging 7.245 million per annum. Sydney continues to demand the highest room rate this year (March 2012) at \$190.23, with annual RevPAR increasing 5.0% over the year to \$162.74.

**Melbourne City** is one of the only Australian major cities to show a substantial increase in guest rooms. There have been three consecutive years of growth in room nights supplied, with the number of establishments up from 117 to 123 during this time; including Crown Metropal (658 rooms) and Convention Centre – Hilton Hotel (396 rooms). Despite this large increase in supply, annual occupancy has remained steady for the past two years at 79.0% in the year to March 2011 and 79.6% for the year to March 2012, Melbourne recorded growth (in RevPAR) of only 2.6% in the last year resulting in an annual March 2012 result of \$137.26.

**Brisbane City** has had an outstanding year to March 2012 recording occupancy of 80.6% up 2 percentage points over 12 months. This market has also yielded significant growth of over 10% to the current annual RevPAR rate of

Figure 3  
Annual Occupancy by Market



Source: Australian Bureau of Statistics & Knight Frank Research

\$138.98. Increases in average room rates during this last year have seen Brisbane now overtake Melbourne in terms of RevPAR and average room rate.

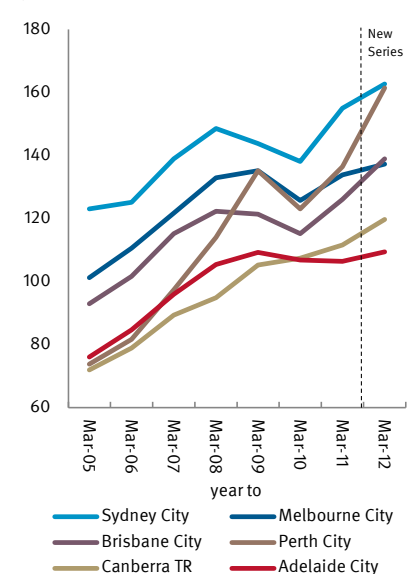
The stand out performer in terms of growth has been **Perth City**, with annual occupancy recorded at 85.5% (the same rate as Sydney City), this has improved from the March 2010 low of 77.4%, and has now bypassed the high of 82.5% achieved in the year to March 2009. On a quarterly basis the current rate of 87.5% is the highest rate on record for Perth City. RevPAR has recorded an increase of 31.2% over the past two years to \$161.46 which is now only just under the Sydney City result. This large growth was assisted by strong occupancy and improvement in the average room rate, currently recorded at \$188.92 for the March 2012 quarter.

Of all Australian markets, occupancy has been hardest hit in **Adelaide City** which has

been in decline since the year to March 2008. The current annual occupancy rate is recorded at 75.6%, still behind the high achieved in the year to March 2008 of 78.1%. RevPAR for this market was recorded at \$109.45 for the year to March 2012 which represents a 2.8% increase over the last year.

Over the longer term, **Canberra Tourism Region** has shown the most steady growth profile. This market did not see a strong GFC fuelled correction in average room rates, rather a reduction in occupancy during the year to March 2008 and 2009 periods, this improved the following year largely due to the “Masterpieces from Paris” Exhibition at the National Gallery of Australia. RevPAR recorded average growth of 8.3% per annum over the past eight years and currently averages \$119.69 for the year to March 2012, exceeding the Adelaide result.

Figure 4  
Annual Revenue per Available Room  
\$ RevPAR



Source: Australian Bureau of Statistics & Knight Frank Research

NB. ABS has amended geographies during the March 2012 quarter which may slightly differ from the historical series. \*All rates quoted exclude GST.

## Research

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