



Horwath HTL

Australia

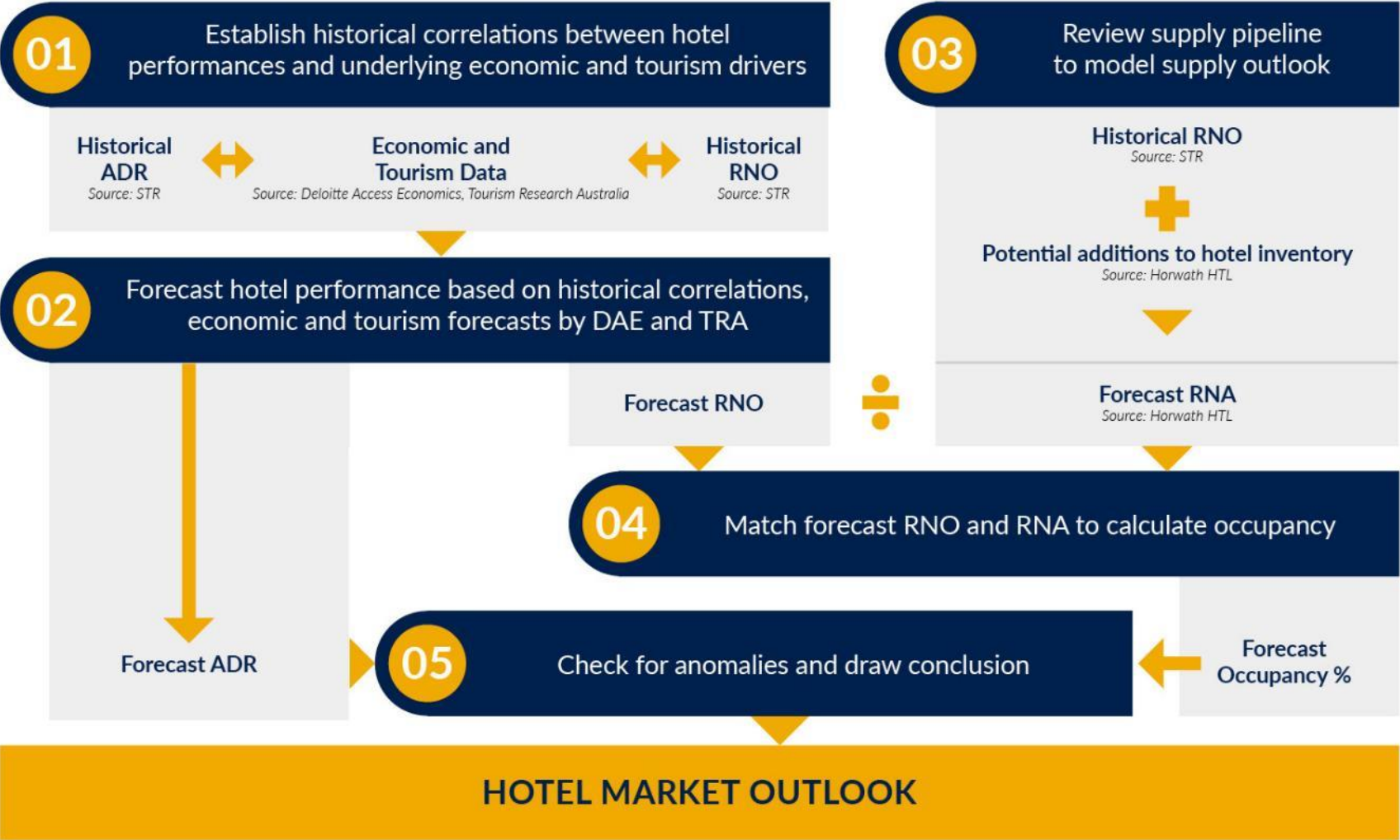
Capital City & Key Markets

Hotel Market Outlook & Insights

December QTR 2024 Edition

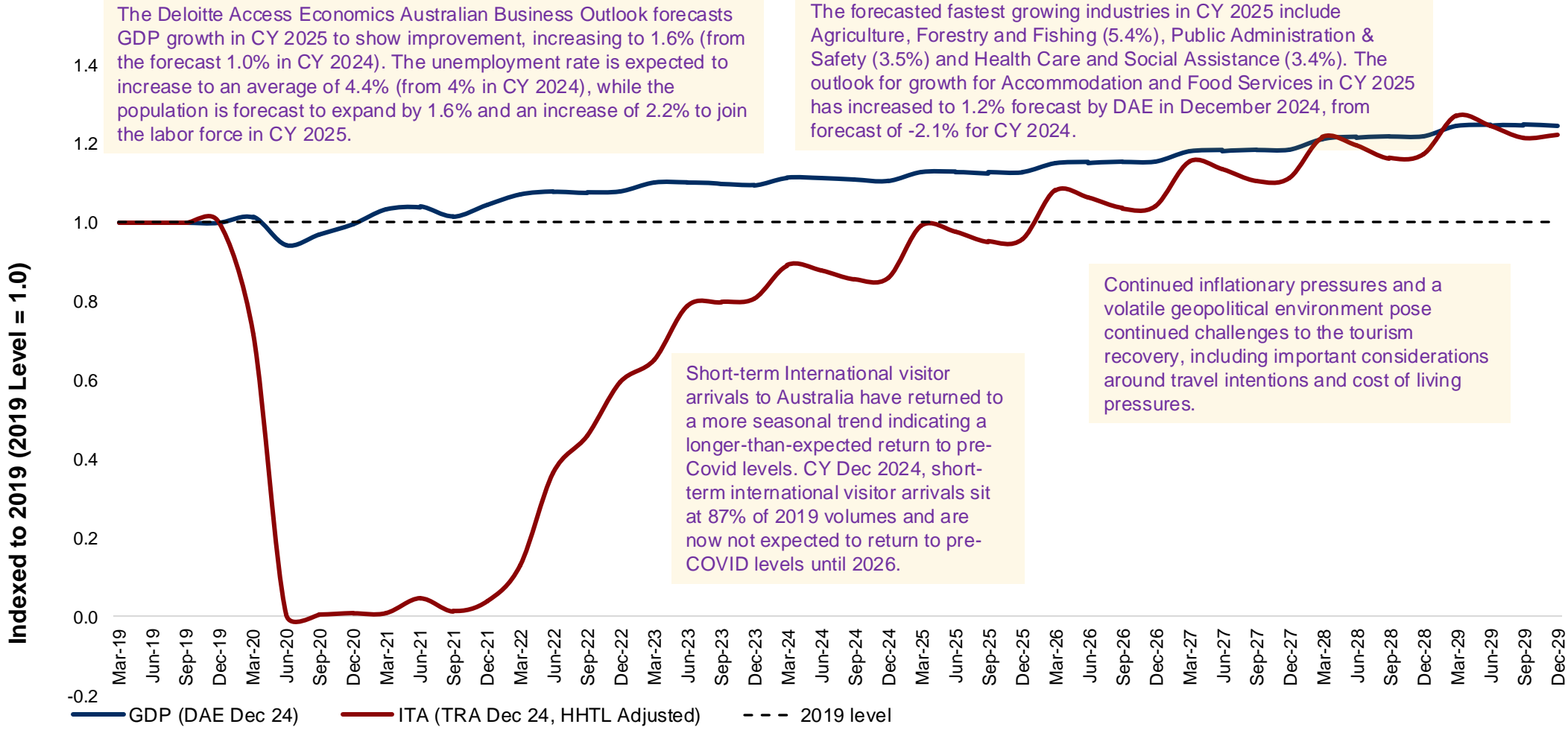
Hotel Market Outlook

Horwath HTL Methodology



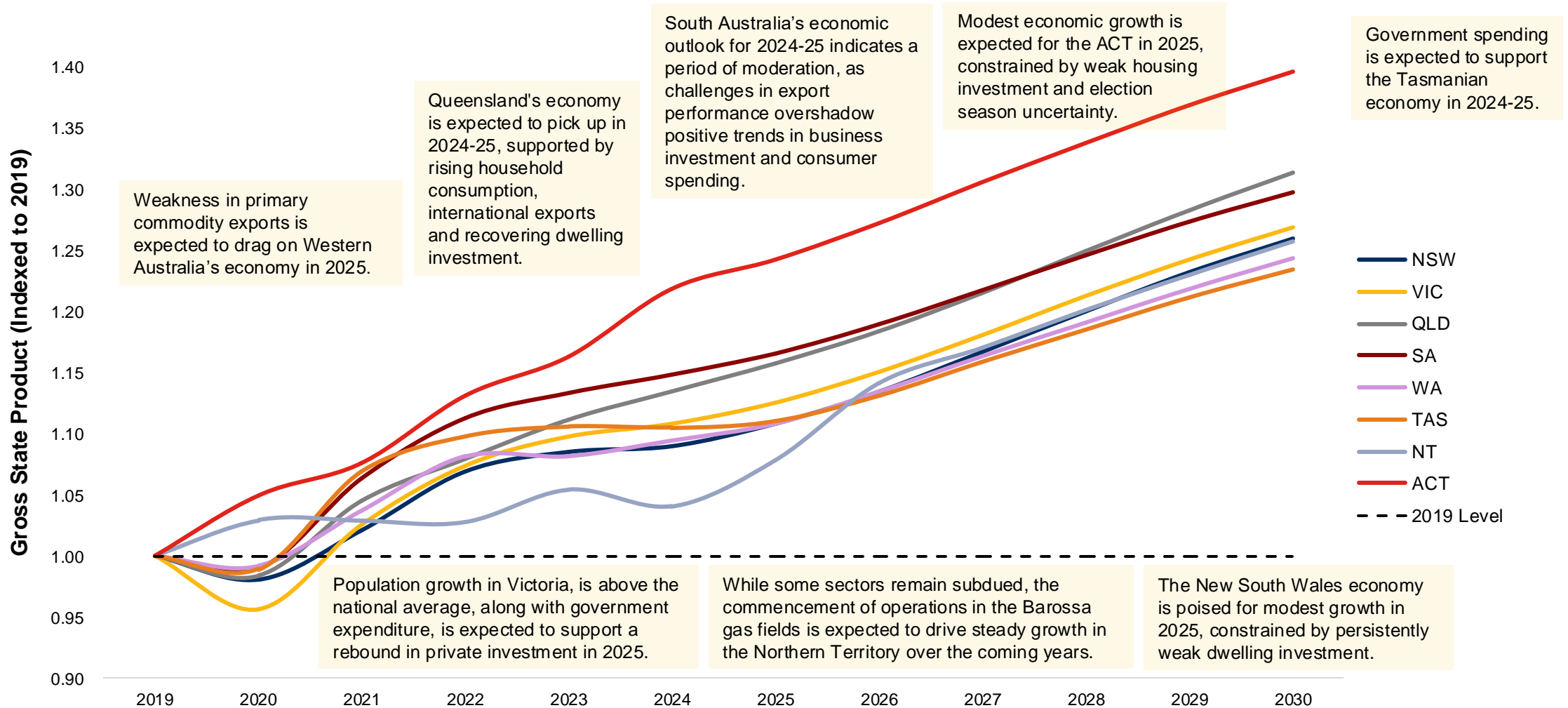
Macroeconomic and Tourism Context

GDP and International Tourist Arrivals, Australia – December 2024



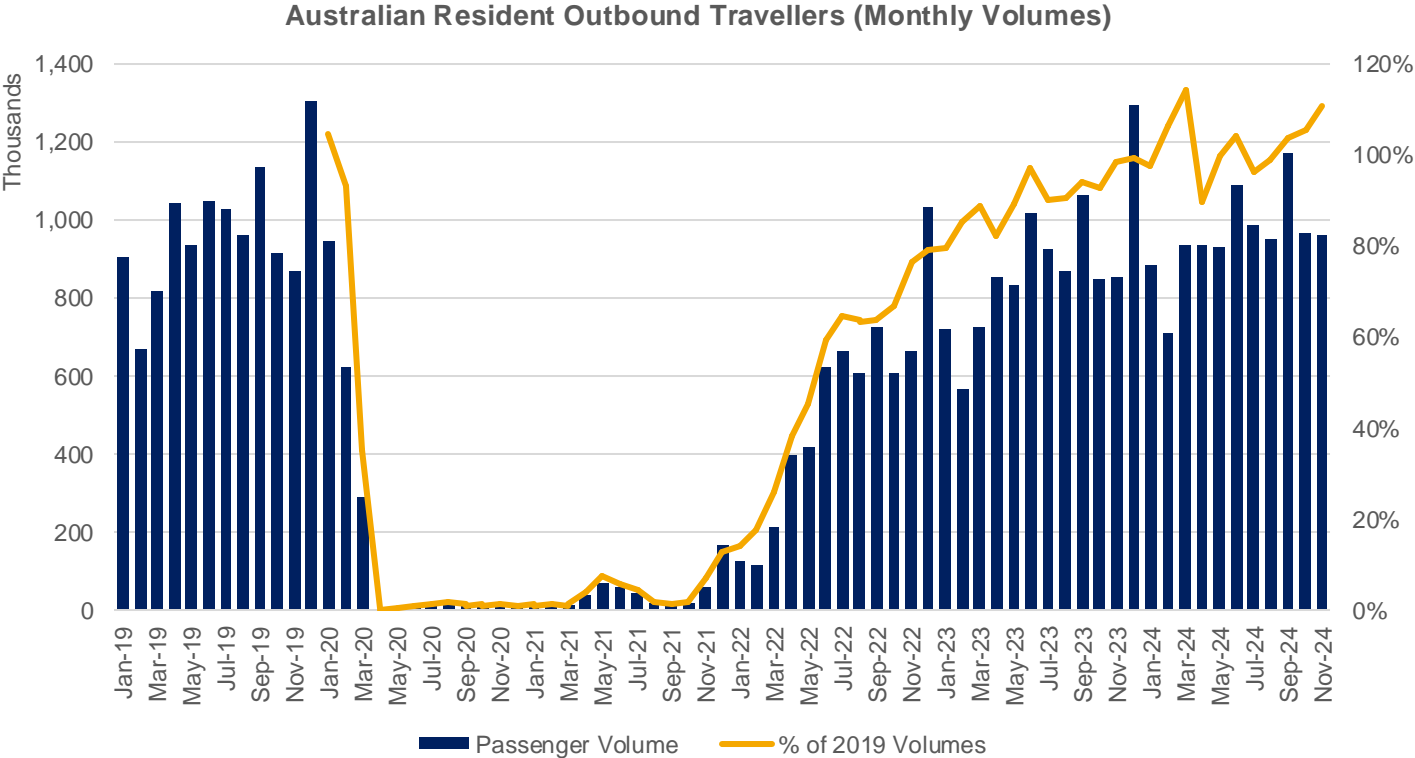
Macroeconomic and Tourism Context

Economic Outlook by State – Real 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 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.

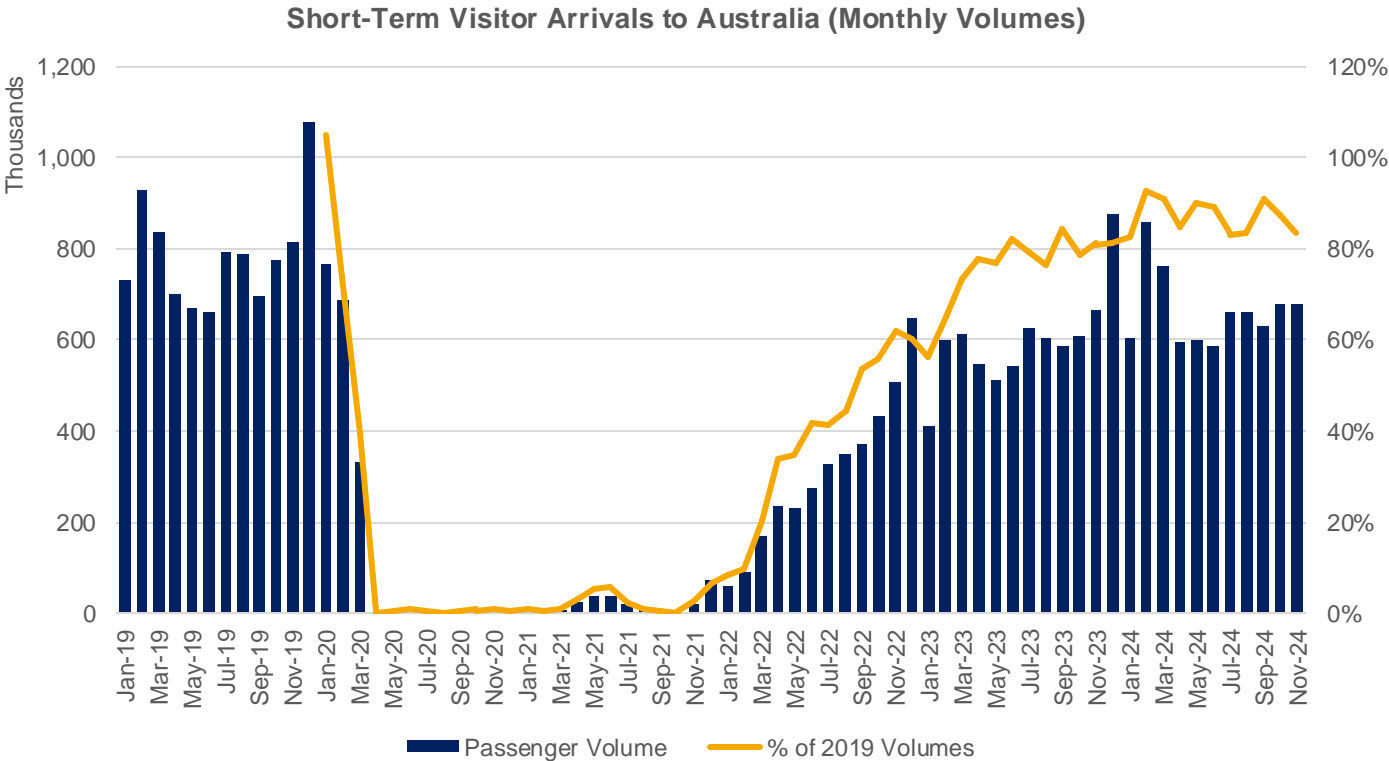
In 2022, Australian Resident departures increased to 53.3% of 2019 volumes and further rebounded in 2023 to reach 91% of 2019 volumes.

This improved further for YTD November 2024 with Australian Resident outbound departures exceeding the volumes for the same period in 2019 (102%).

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.

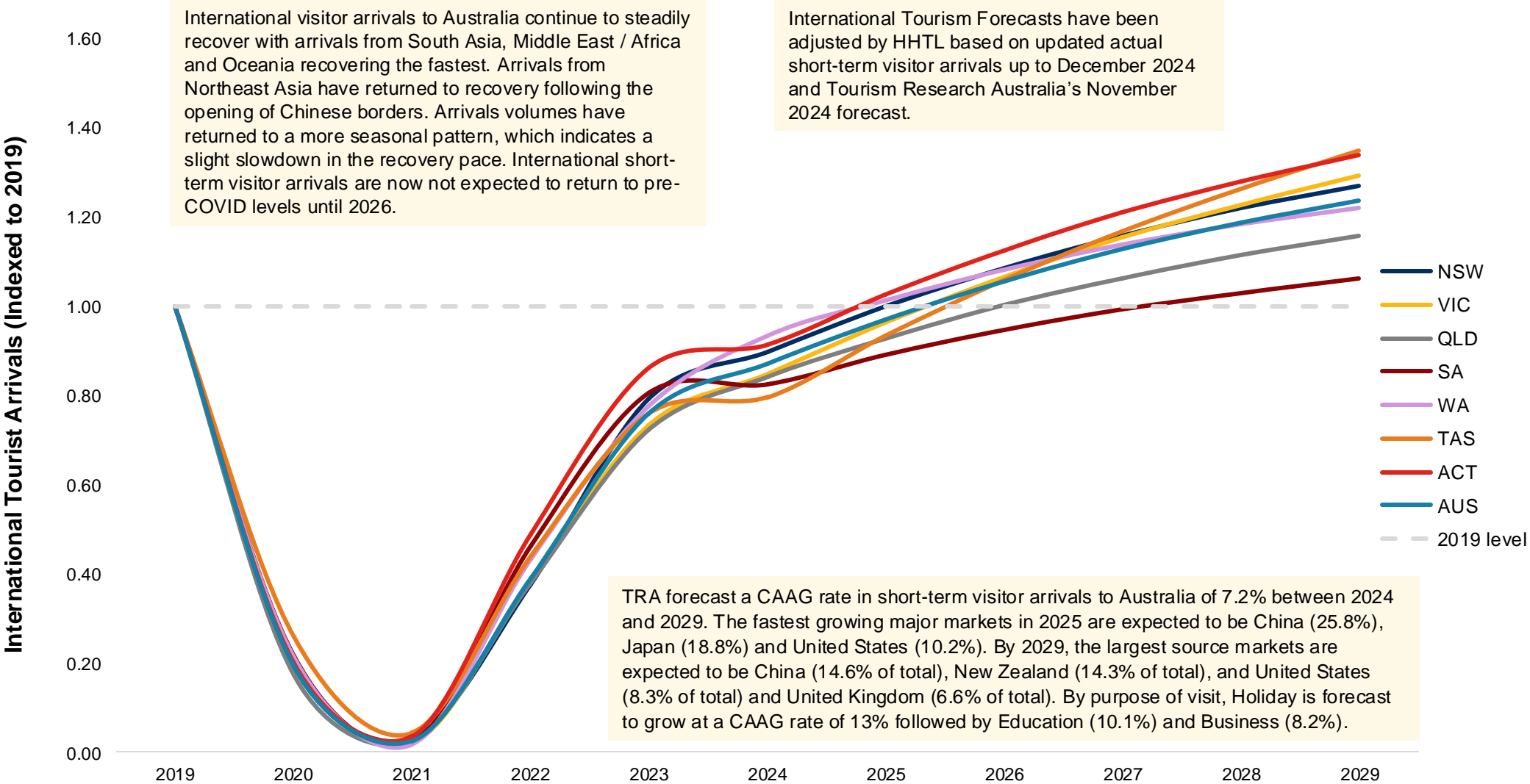
In 2022, short-term arrivals reached 3.69 million, representing 39% of 2019 volumes. Short-term visitor arrival volumes continued to improve in 2023 reaching 7.19 million and representing 75.9% of that recorded in 2019.

Further improvement YTD November 2024 has been recorded with short-term visitor arrivals reaching 87.1% of 2019 volumes. February 2024 recorded the strongest performance reaching the highest recorded to date, reaching 92.5% of February 2019 volumes. We note that for June through November (with only September as an exception) short-term visitor arrivals have dropped to below 90% of 2019 volumes.

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

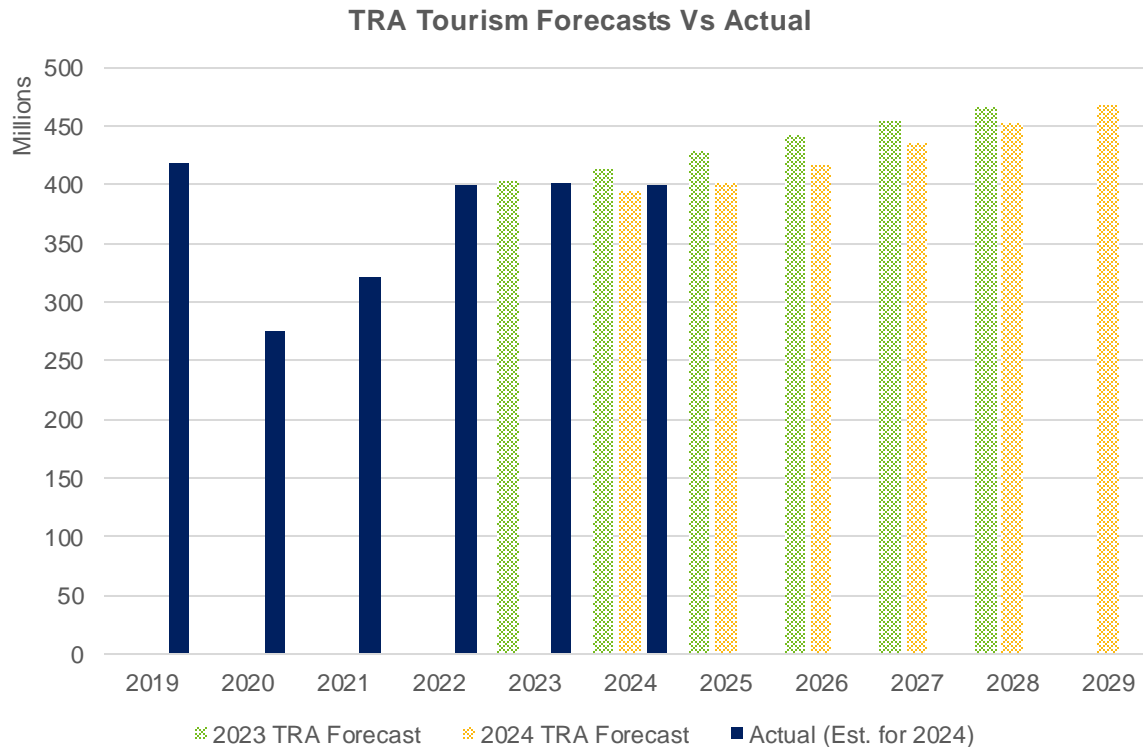
Macroeconomic and Tourism Context

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 YTD ending September 2024, domestic visitor nights reached 95.3% of the 2019 level nationwide. For the September 2024 quarter, nationwide domestic visitor nights increased to 95.3% of domestic visitor nights in the same quarter 2019, showing a trend in season, where demand is more important during winter and indicating a slowdown of the tourism recovery in 2024. For the same quarter, total domestic visitor nights in Australia reached 98.7 million, a decline of -2.5% over the September 2023 quarter.

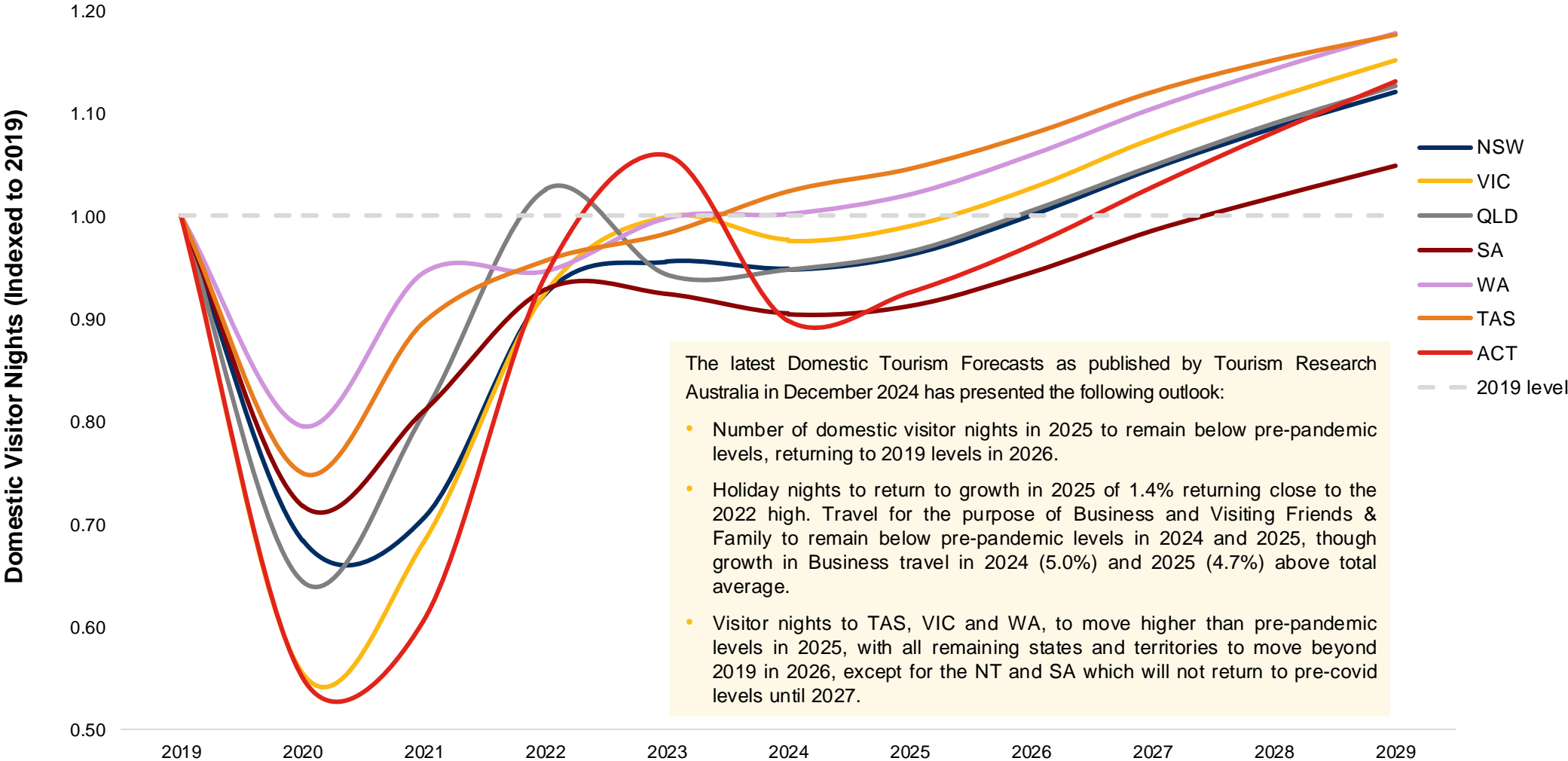
Capital city market recovery remains ahead regional areas with domestic demand volumes for the YTD 2024 at 97.3% of 2019 volumes. The Regional Australian recovery remains under with domestic visitor nights for YTD 2024 representing 94.7% of that recorded in 2019. For the September 2024 quarter, capital city markets have declined in the middle quarter of the year and recovering to a total domestic visitor nights of 36.2 million, representing 96.7% of September 2019 quarter volumes and a slight increase of 1.9% over the September 2023 quarter.

The latest TRA forecast has reduced the outlook for growth with total domestic visitor nights out to 2028 reduced to 452.5 million in the latest forecast. This is a 3% decline from that forecast by TRA in 2023 (466.9 million). Domestic visitor nights have been forecast to grow at a CAAG rate of 3.4% from 2024 through 2029. Total domestic visitor nights across Australia for 2025 has been forecast at 1.6%.

Domestic visitor expenditure has recorded strong growth since 2021 reaching a total of \$82.1 billion for YTD September 2024, which is 36% higher than the level recorded YTD September 2019. This YTD September 2024 represents \$274.0 per visitor night, which compares to \$191.6 recorded YTD September 2019, an increase of 43%. Based on TRA forecasts, overnight domestic visitor expenditure is forecast to grow at a CAAG rate of 3.8% between 2024 and 2029. 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 0.3% between 2024 and 2029.

Macroeconomic and Tourism Context

Tourism Outlook by State – Domestic Visitor Nights



The latest Domestic Tourism Forecasts as published by Tourism Research Australia in December 2024 has presented the following outlook:

- Number of domestic visitor nights in 2025 to remain below pre-pandemic levels, returning to 2019 levels in 2026.
- Holiday nights to return to growth in 2025 of 1.4% returning close to the 2022 high. Travel for the purpose of Business and Visiting Friends & Family to remain below pre-pandemic levels in 2024 and 2025, though growth in Business travel in 2024 (5.0%) and 2025 (4.7%) above total average.
- Visitor nights to TAS, VIC and WA, to move higher than pre-pandemic levels in 2025, with all remaining states and territories to move beyond 2019 in 2026, except for the NT and SA which will not return to pre-covid levels until 2027.

Trends In Australian Hotel Markets

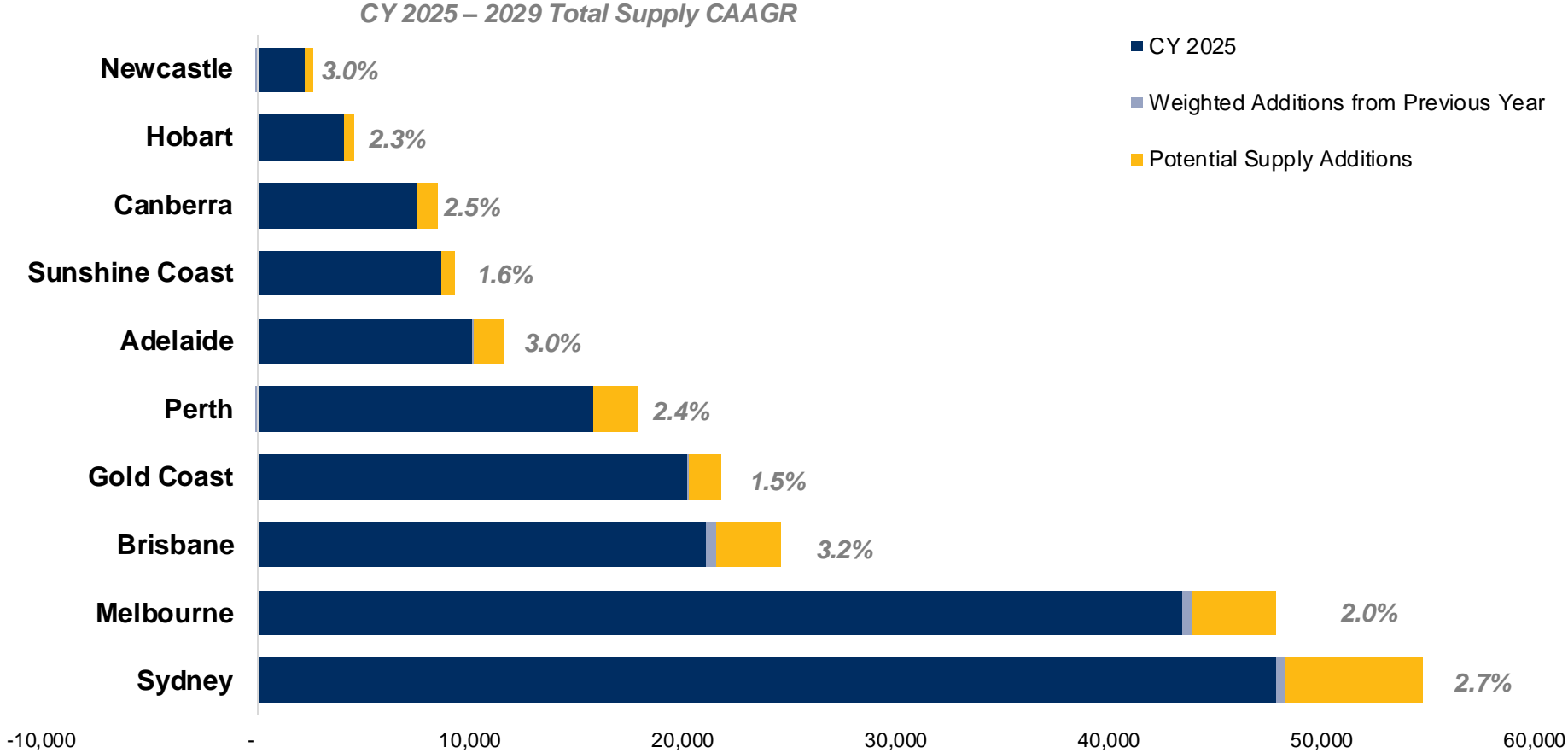
RevPAR Performance Snapshot – YTD December 2024



RevPAR YE December 2024	
	VS YE December 2023
Adelaide	0.9% ▲
Brisbane	6.2% ▲
Canberra	1.0% ▲
Gold Coast	2.5% ▲
Hobart	-4.9% ▼
Melbourne	2.8% ▲
Newcastle	-3.6% ▼
Perth	7.6% ▲
Sunshine Coast	0.8% ▲
Sydney	4.6% ▲

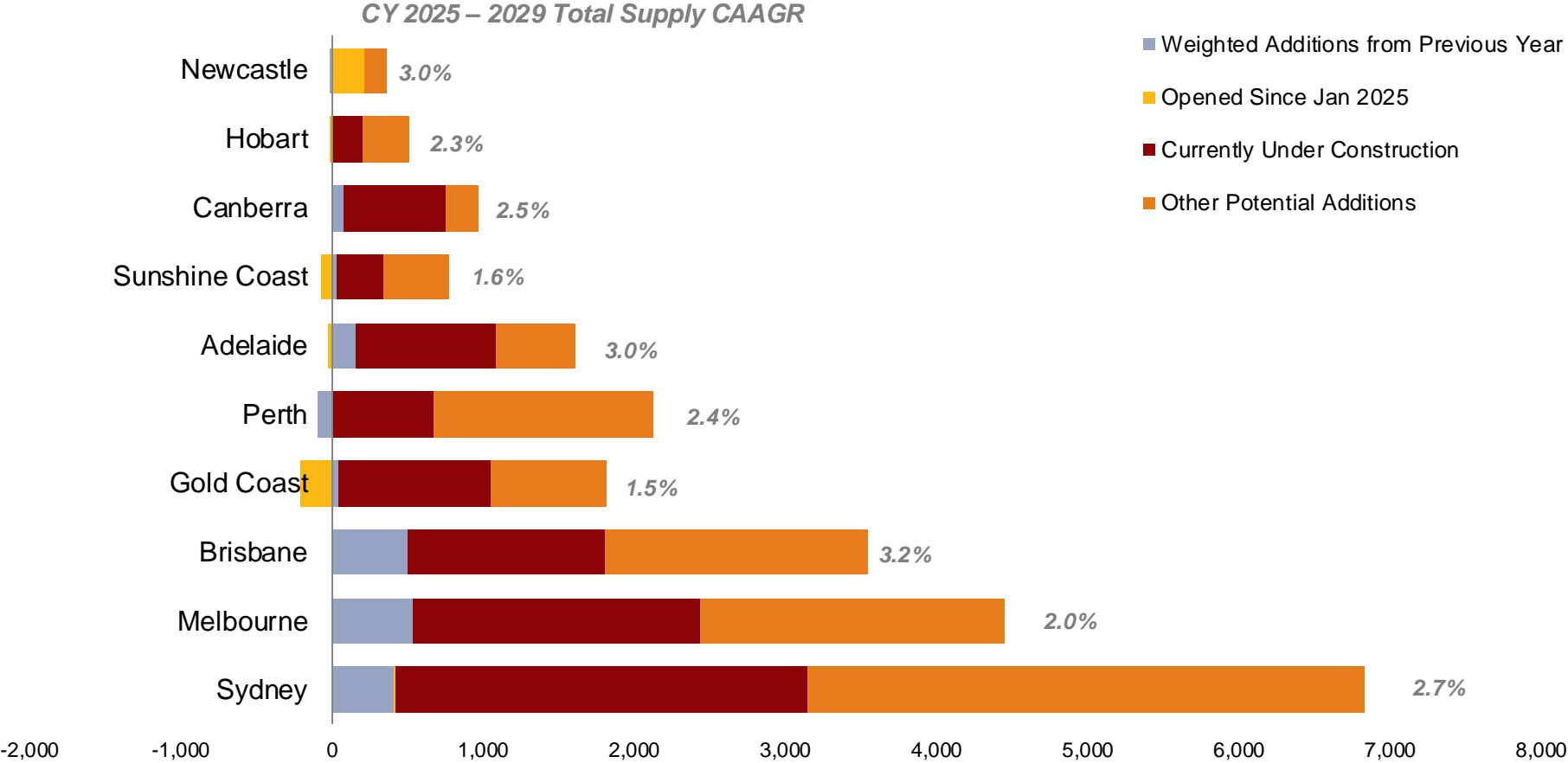
Australian Hotel Market Supply Pipeline

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)



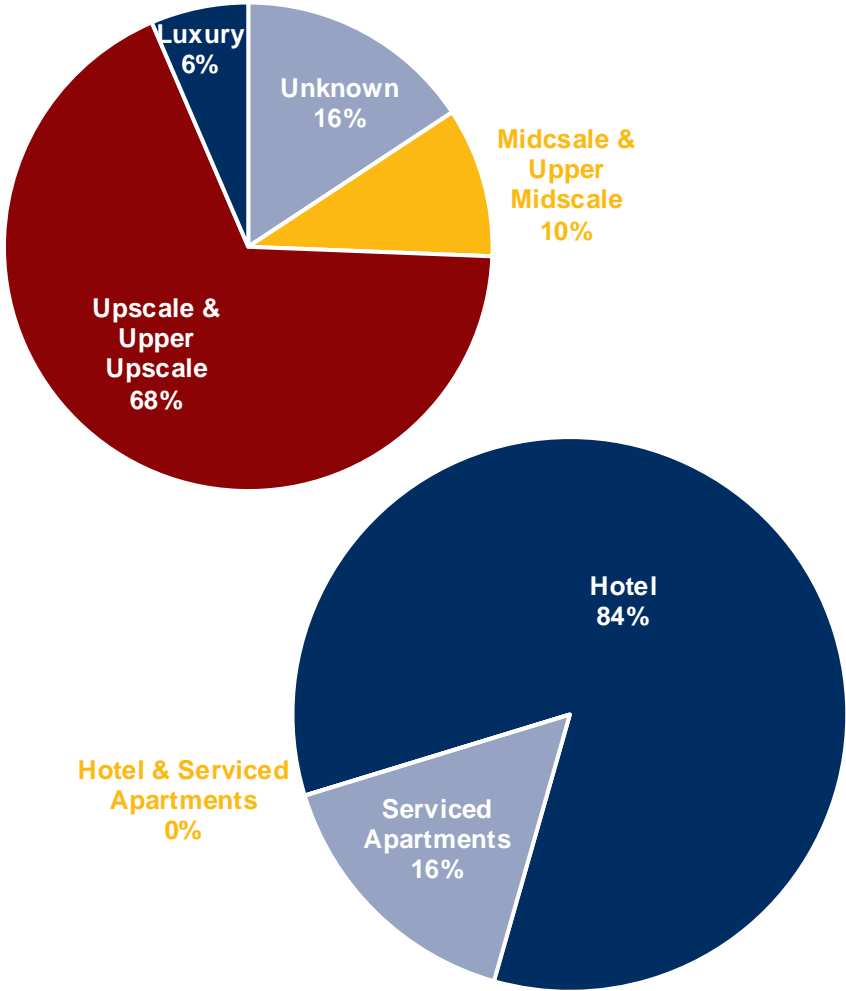
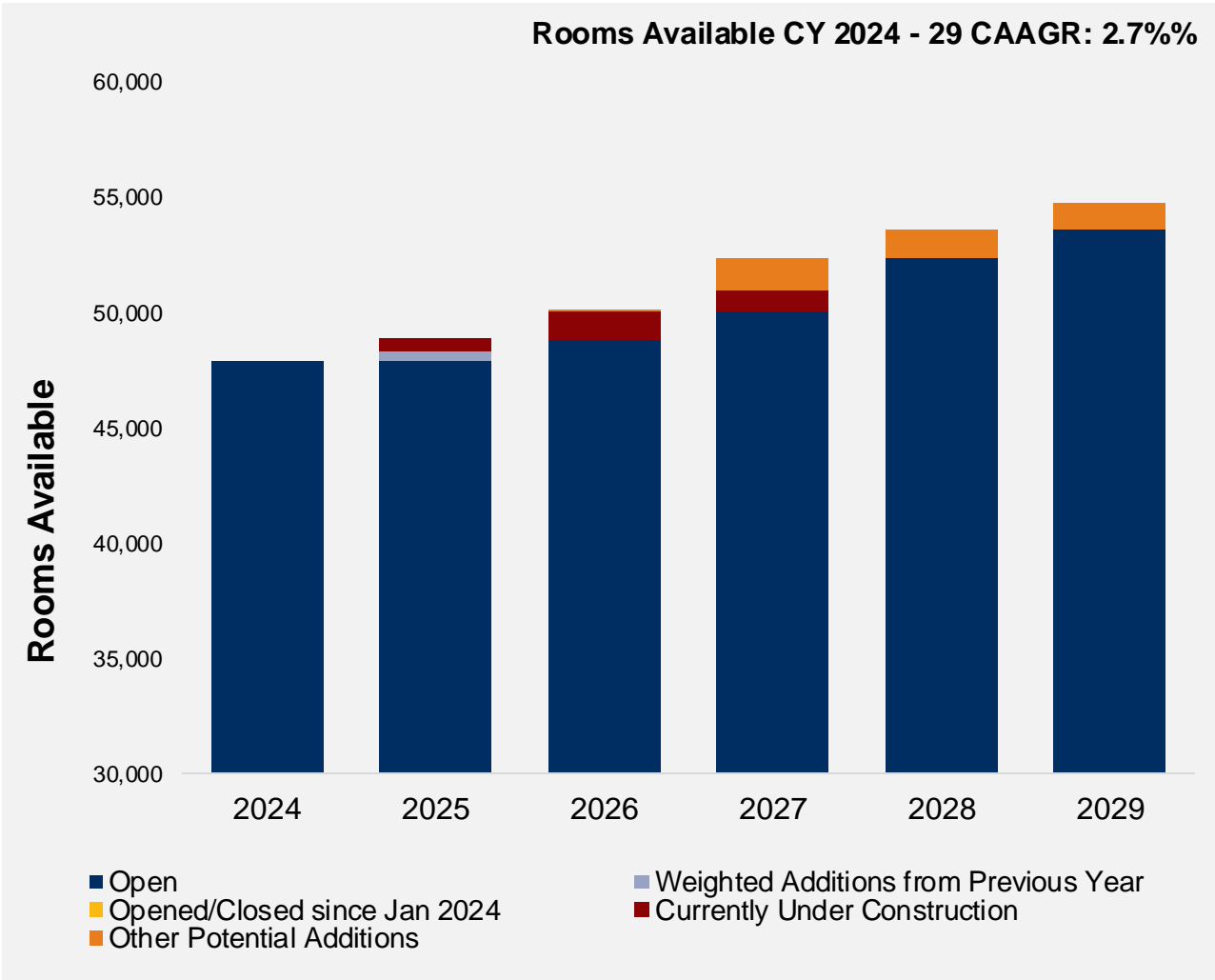


Sydney

Sydney Tourism Region Hotel Market Outlook

Sydney Tourism Region Hotel Market Outlook

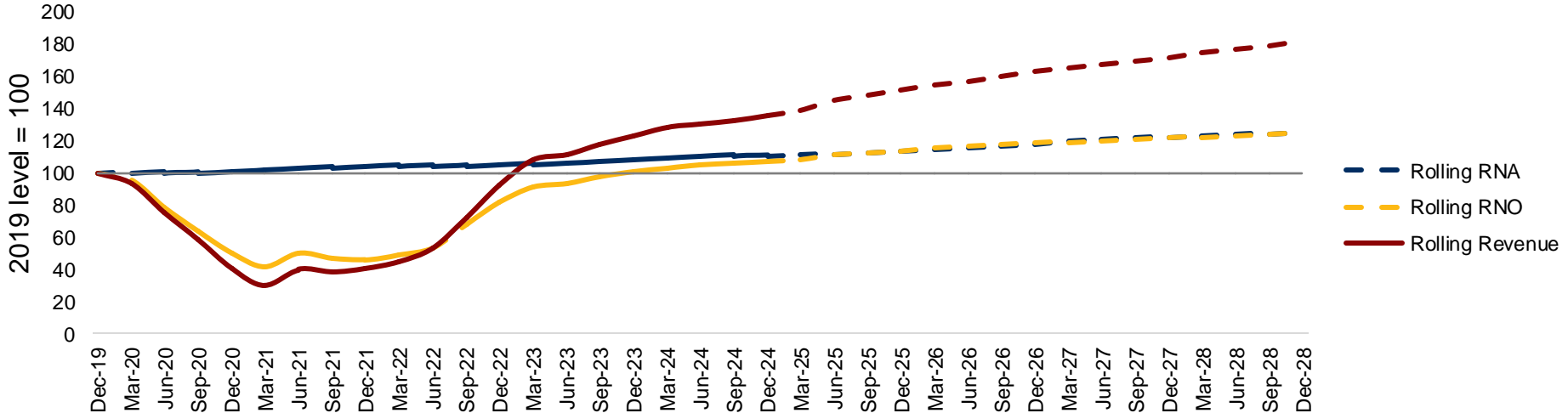
Forecast Additions to Supply – CY 2024 to 2029



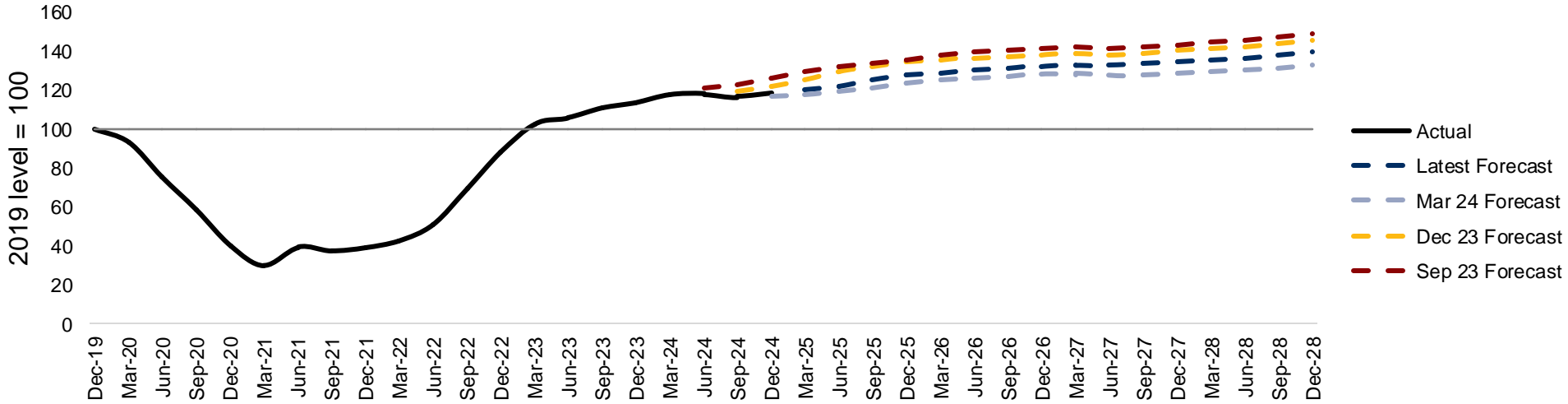
Sydney Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

Indexed Rolling 12-Month Hotel Performance Outlook



Indexed Rolling 12-Month RevPAR Outlook



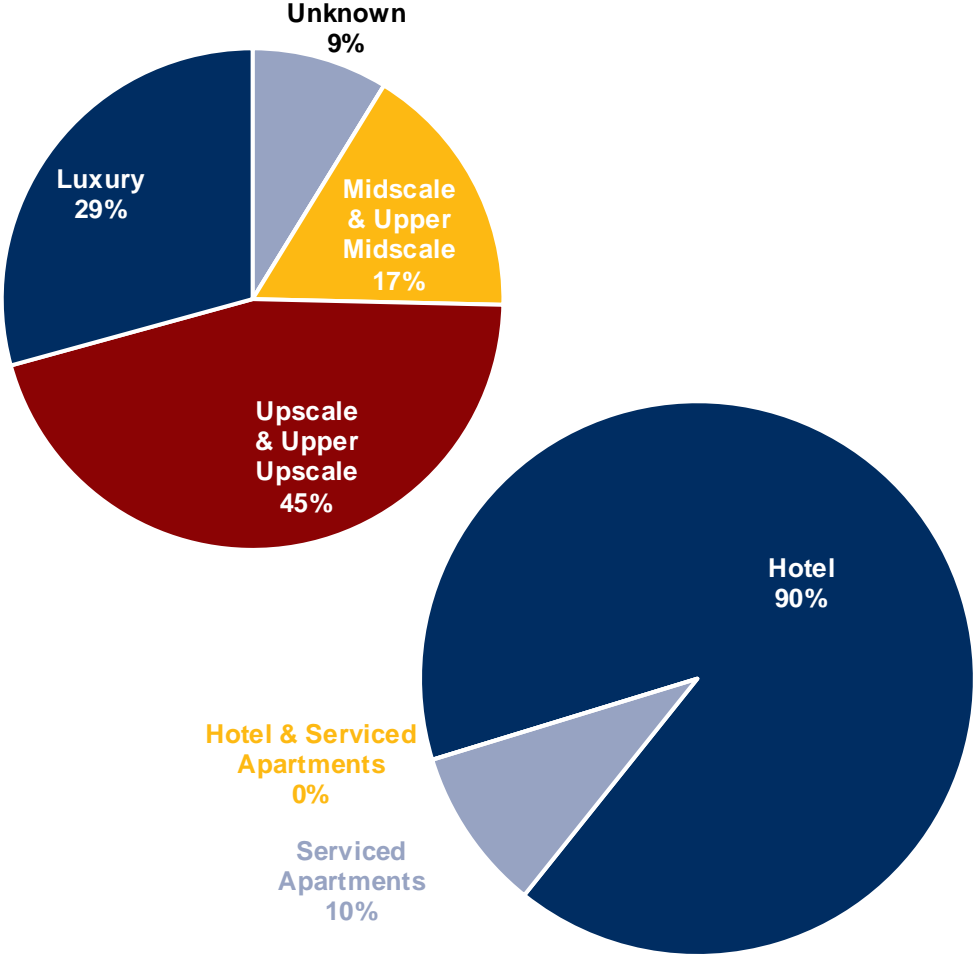
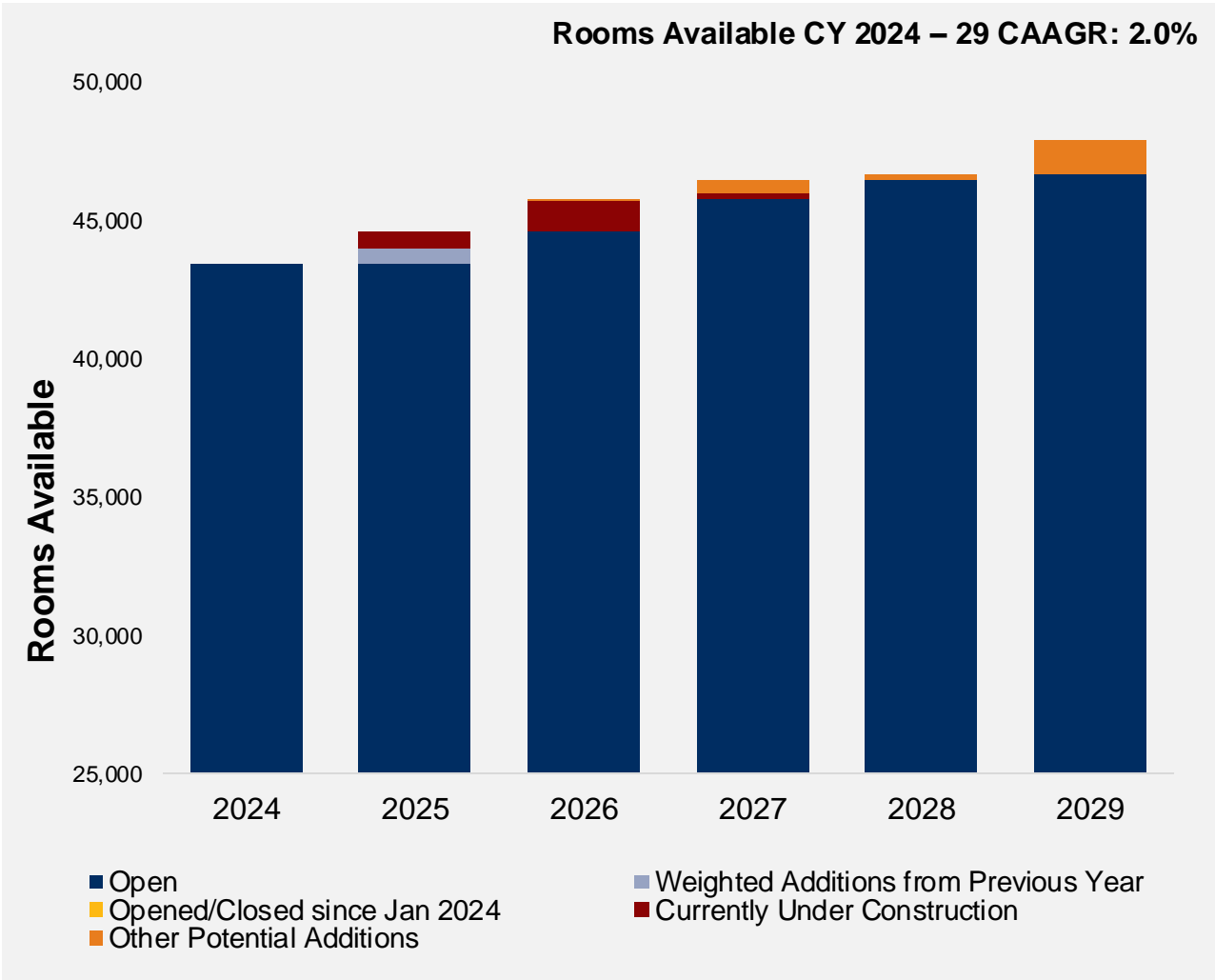


Melbourne

Melbourne Tourism Region Hotel Market Outlook

Melbourne Tourism Region Hotel Market Outlook

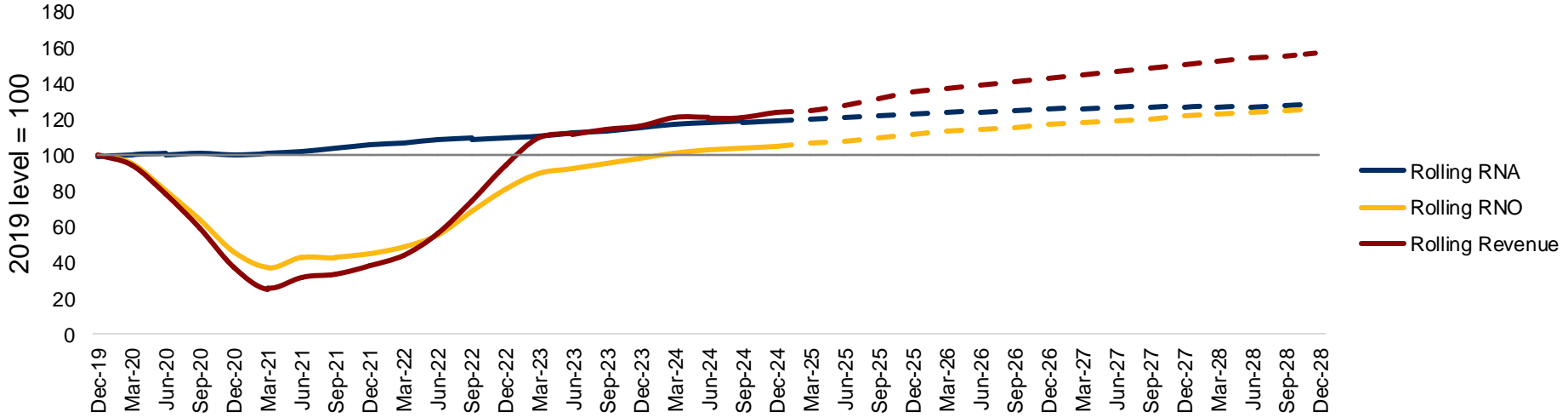
Forecast Additions to Supply – CY 2024 to 2029



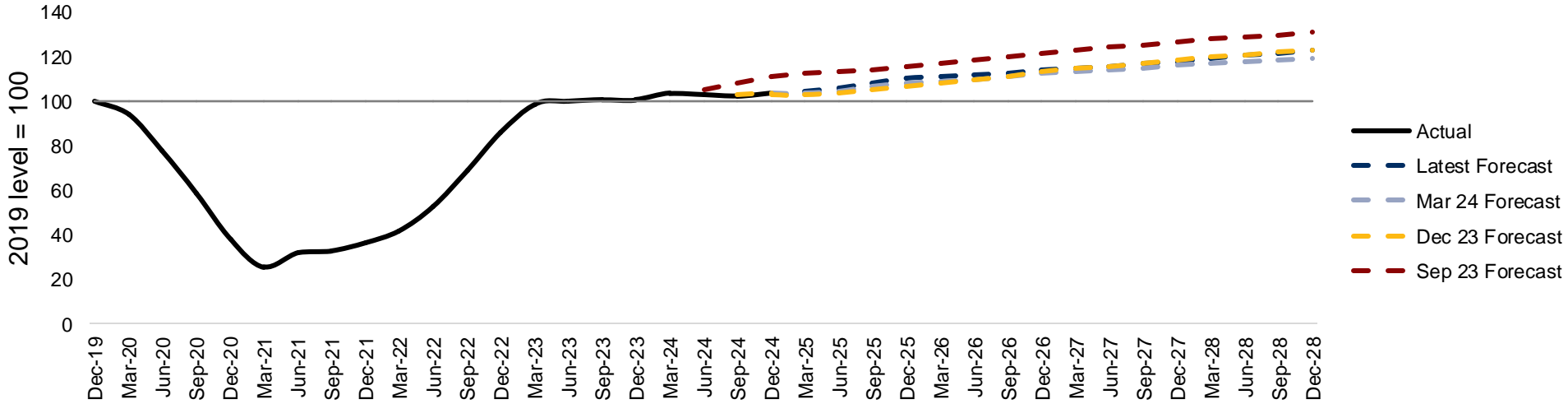
Melbourne Tourism Region Hotel Market Outlook

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Indexed Rolling 12-Month RevPAR Outlook



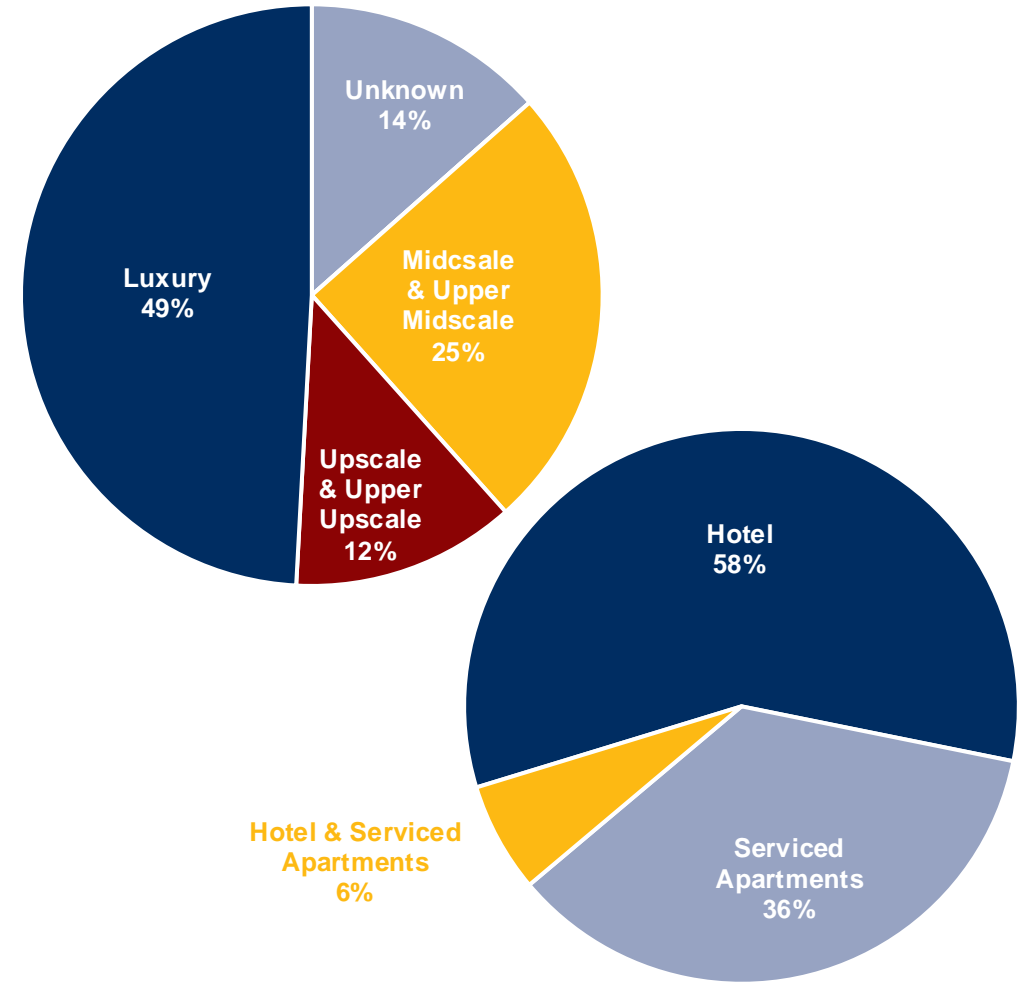
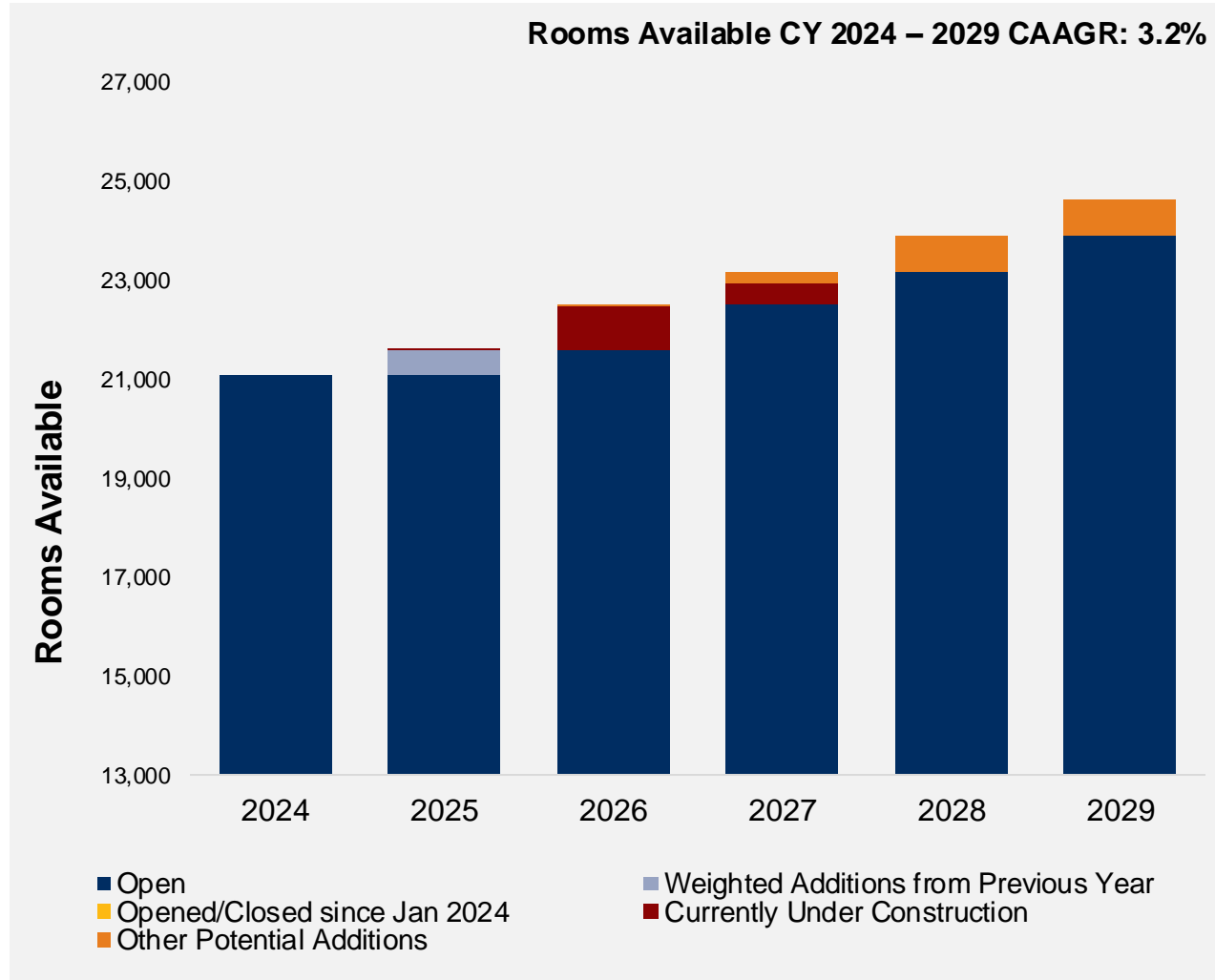
A nighttime photograph of a modern urban building complex in Brisbane. The image features several tall, curved skyscrapers with illuminated windows, creating a vibrant blue and white glow against the dark sky. In the foreground, a wide, curved walkway with a glass railing and a set of wide stone stairs lead up to the building. The walkway is illuminated by warm, yellow lights, and the stairs are also lit from below. The overall scene conveys a sense of modern architecture and urban development.

Brisbane

Brisbane Tourism Region Hotel Market Outlook

Brisbane Tourism Region Hotel Market Outlook

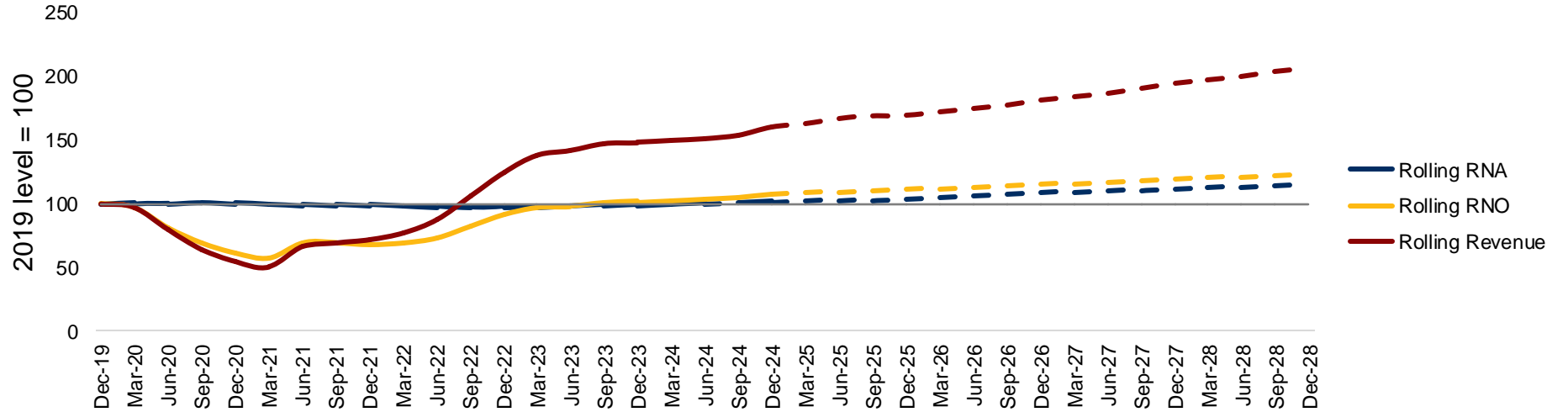
Forecast Additions to Supply – CY 2024 to 2029



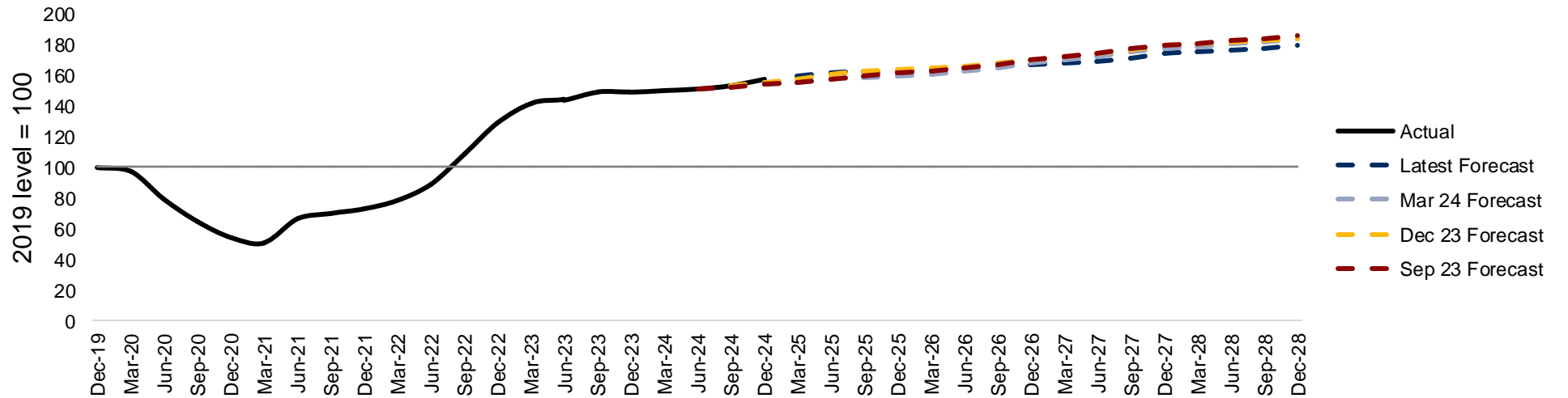
Brisbane Tourism Region Hotel Market Outlook

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Indexed Rolling 12-Month RevPAR Outlook



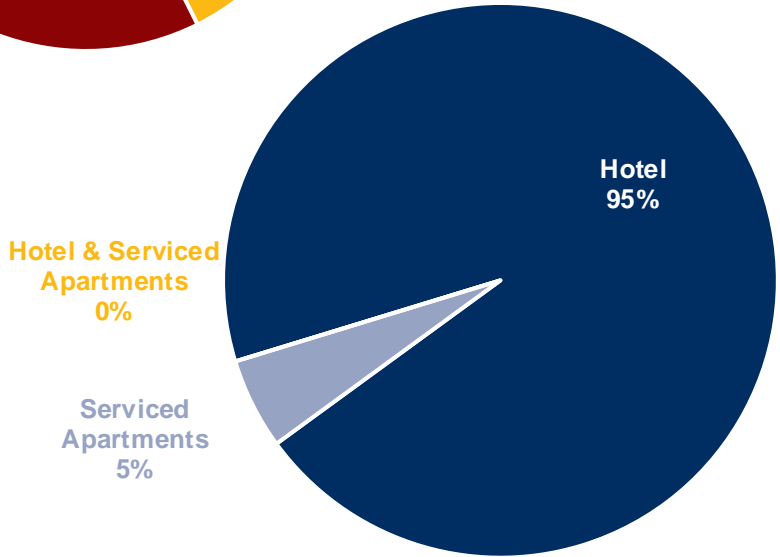
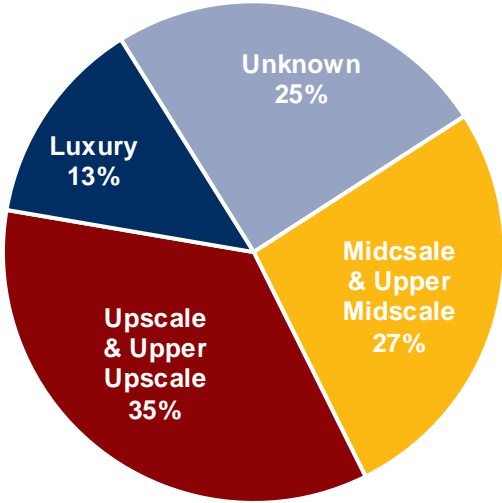
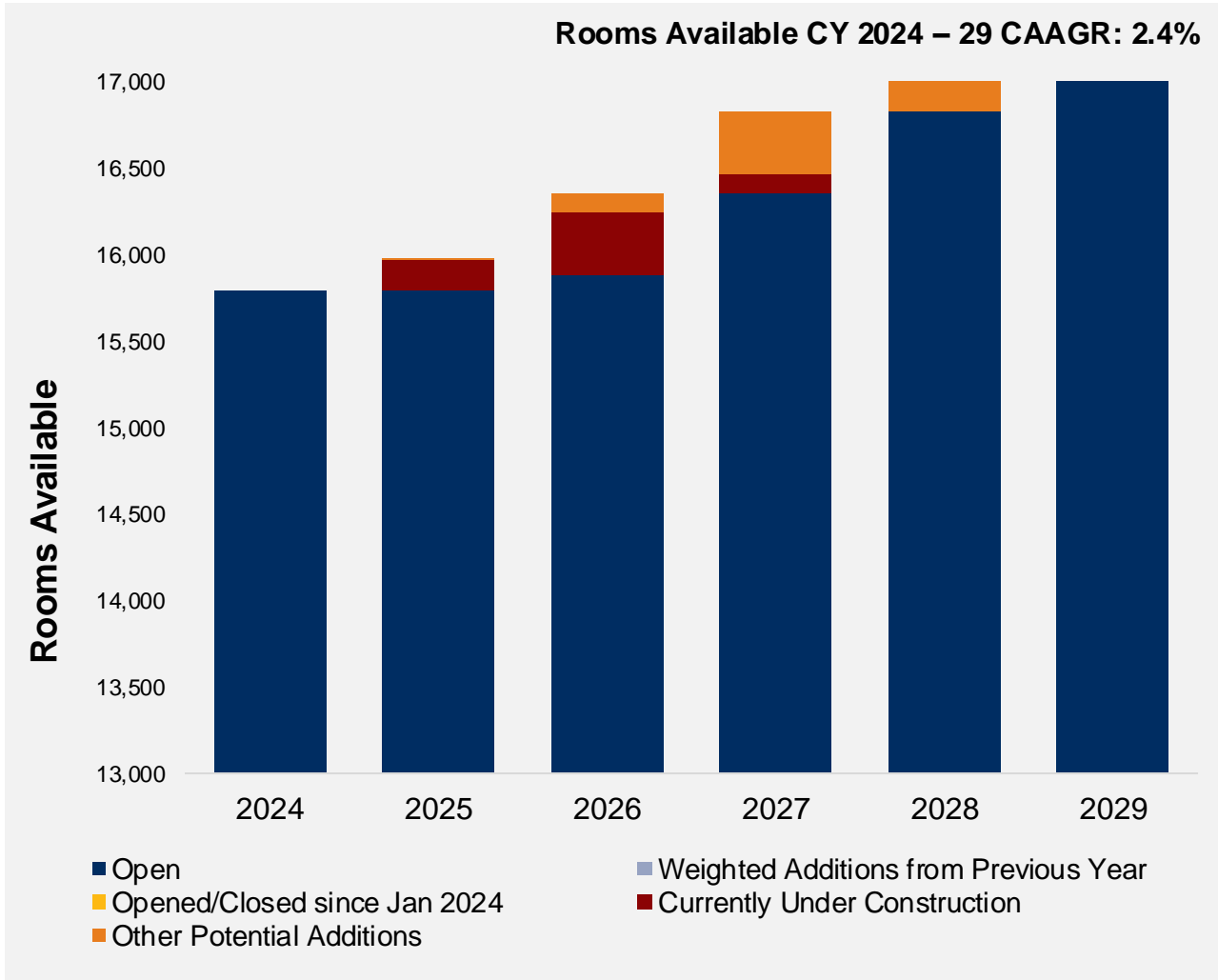


Perth

Perth Tourism Region Hotel Market Outlook

Perth Tourism Region Hotel Market Outlook

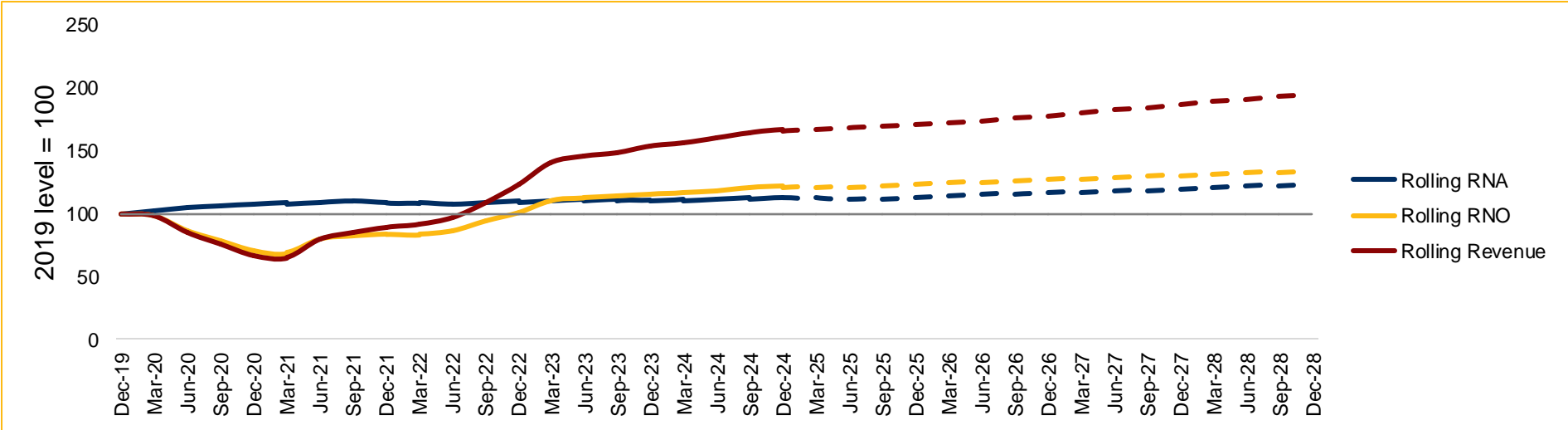
Forecast Additions to Supply – CY 2024 to 2029



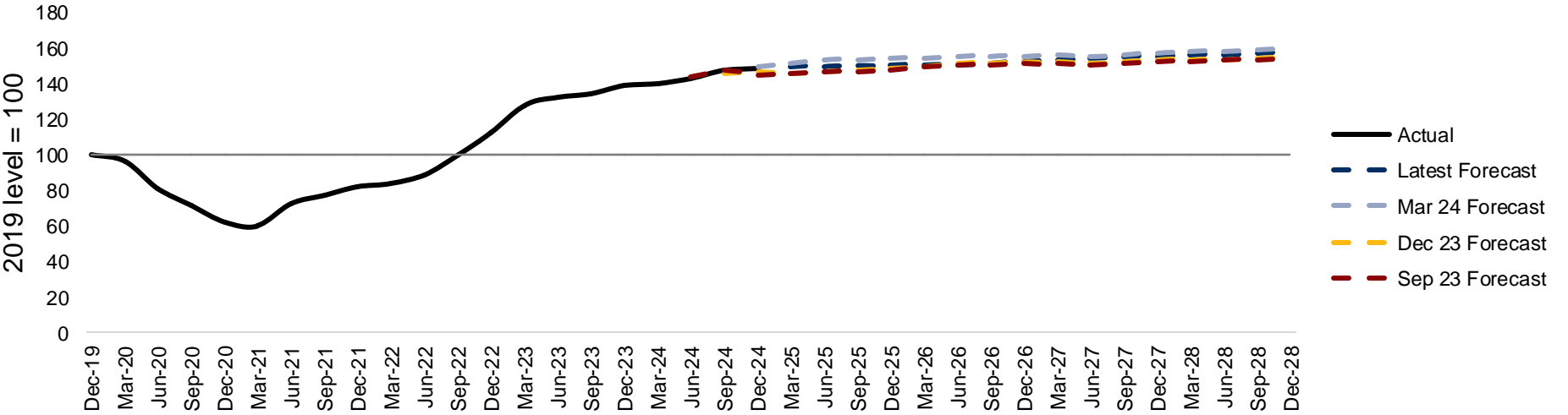
Perth Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

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Indexed Rolling 12-Month RevPAR Outlook



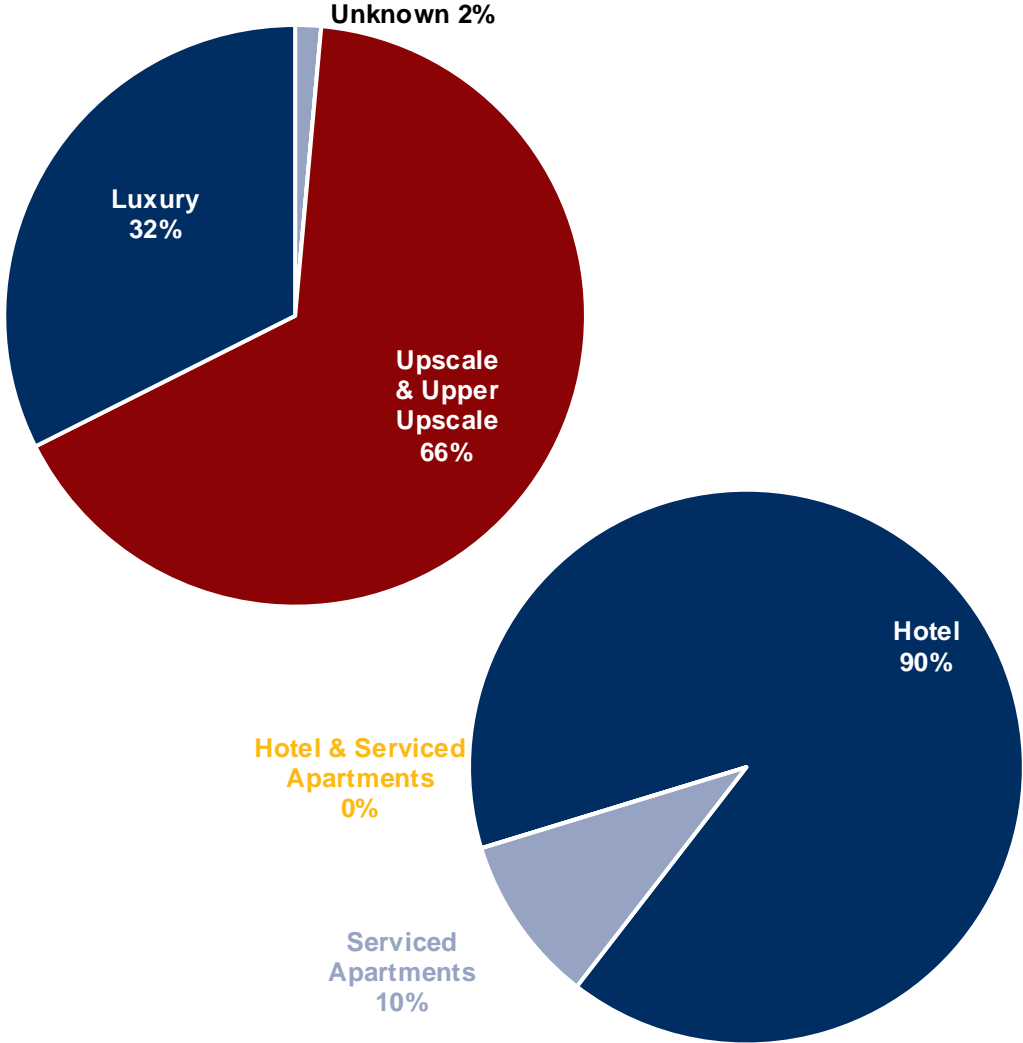
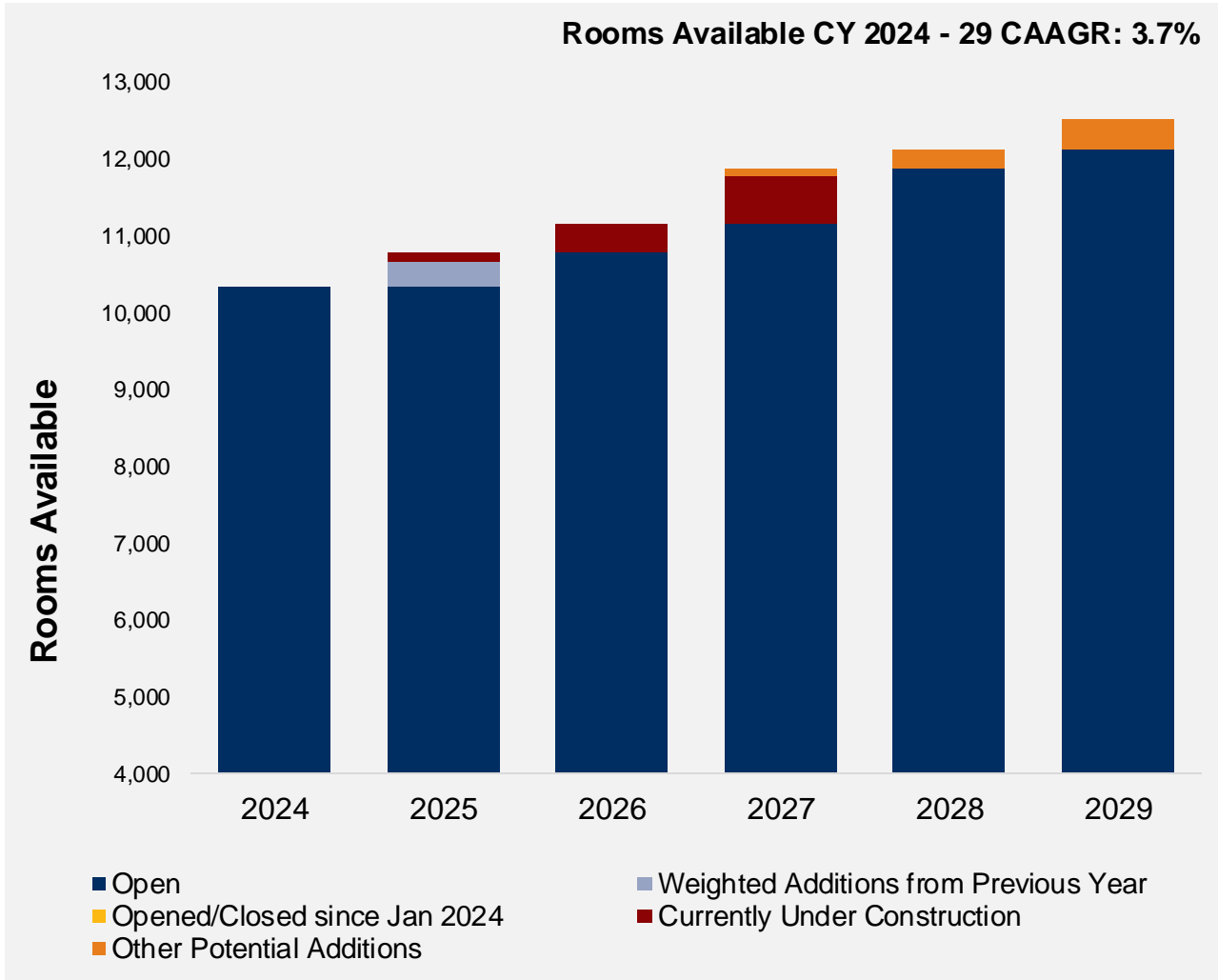


Adelaide

Adelaide Tourism Region Hotel Market Outlook

Adelaide Tourism Region Hotel Market Outlook

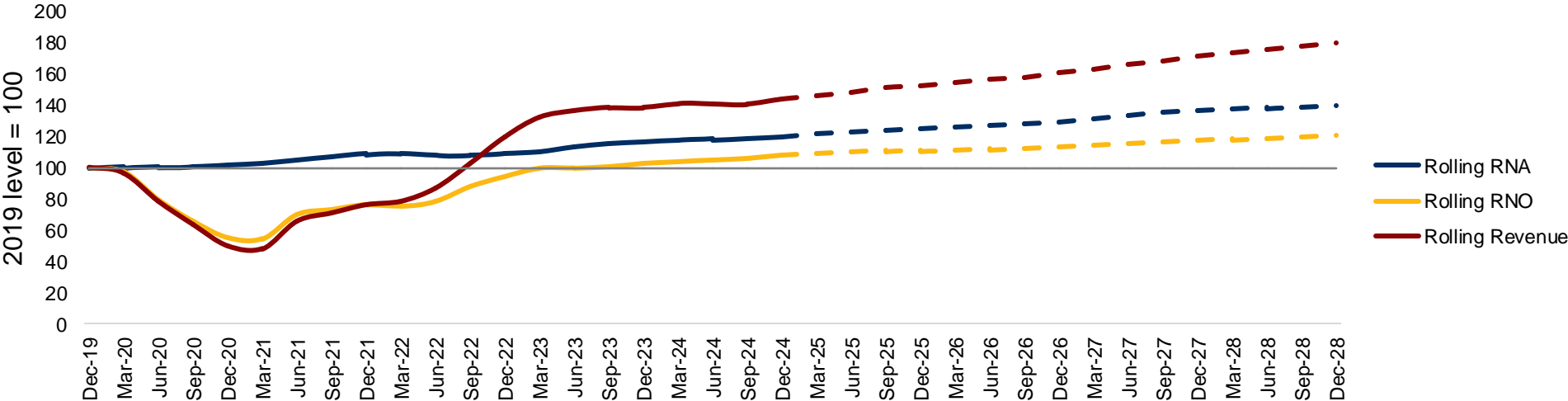
Forecast Additions to Supply – CY 2024 to 2029



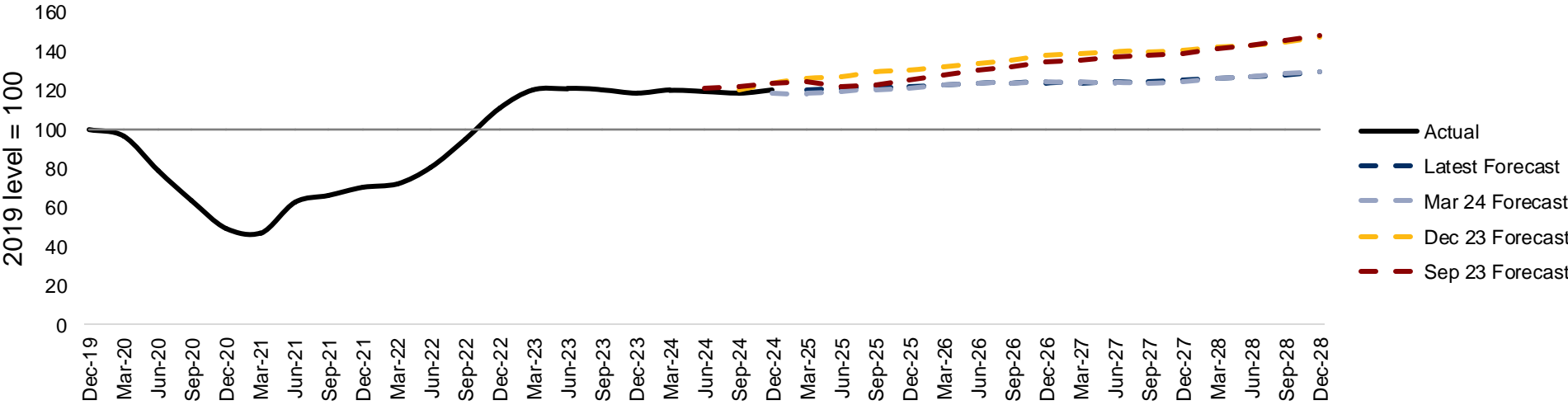
Adelaide Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

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Indexed Rolling 12-Month RevPAR Outlook



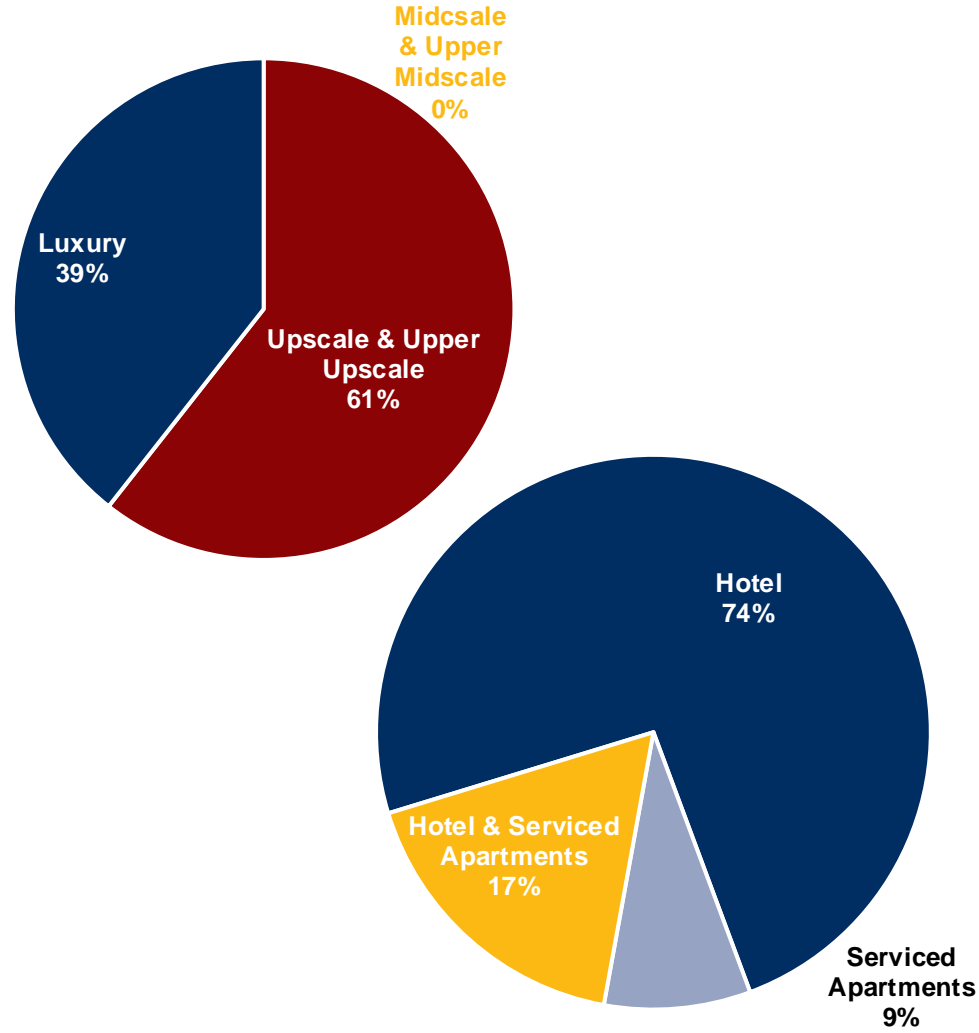
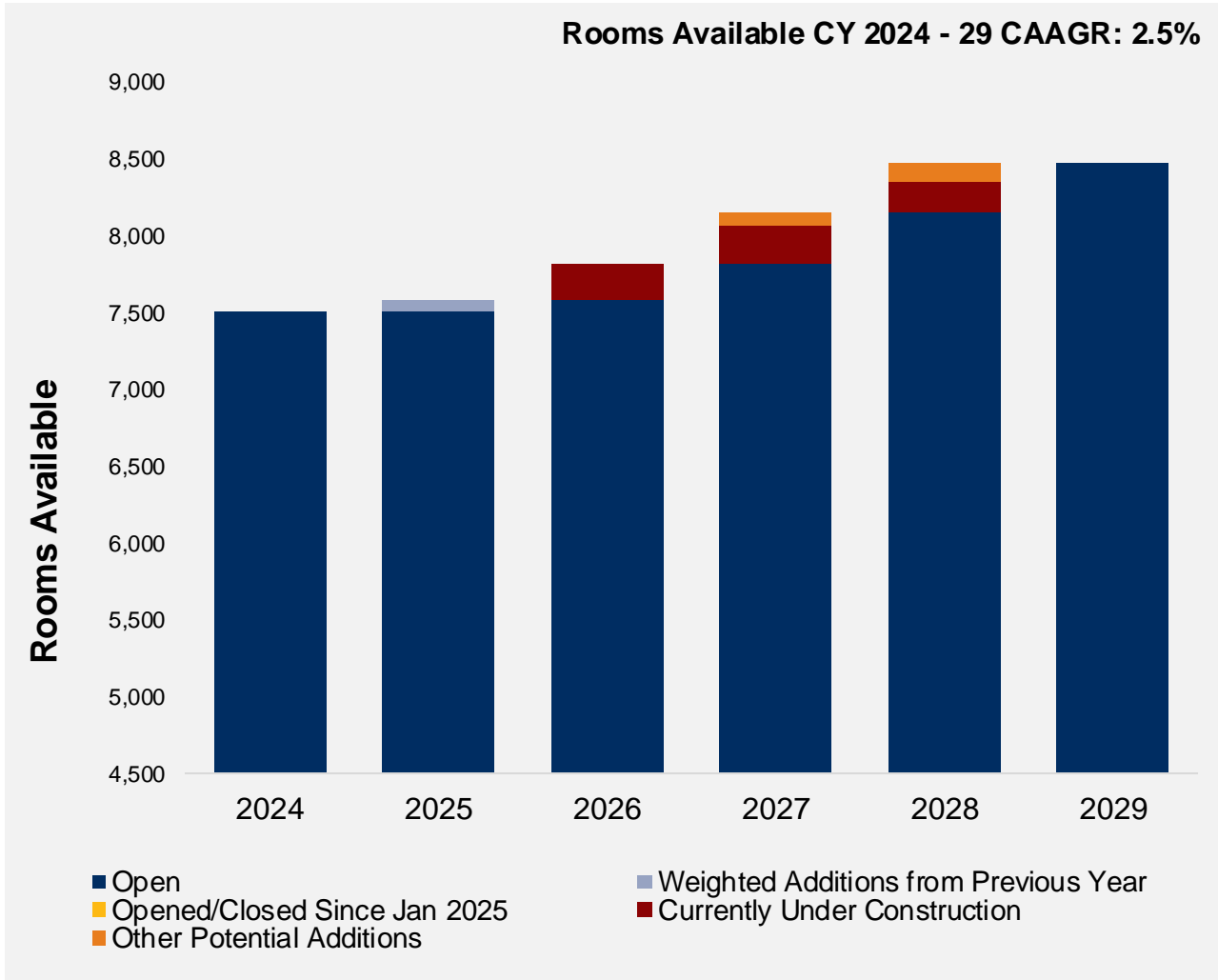


Canberra

Canberra Tourism Region Hotel Market Outlook

Canberra Tourism Region Hotel Market Outlook

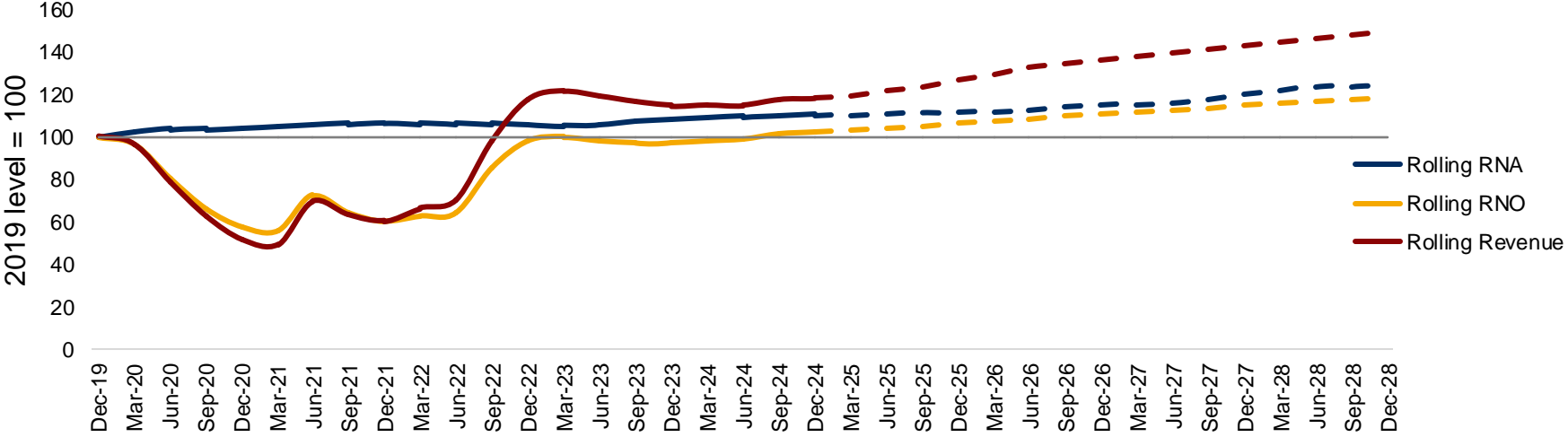
Forecast Additions to Supply – CY 2024 to 2029



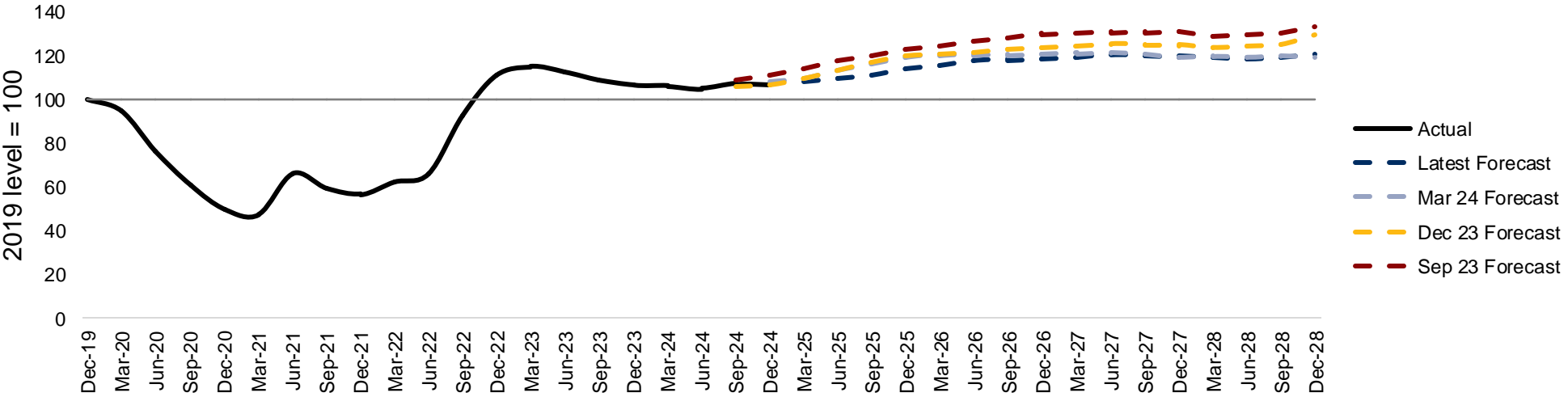
Canberra Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

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Indexed Rolling 12-Month RevPAR Outlook



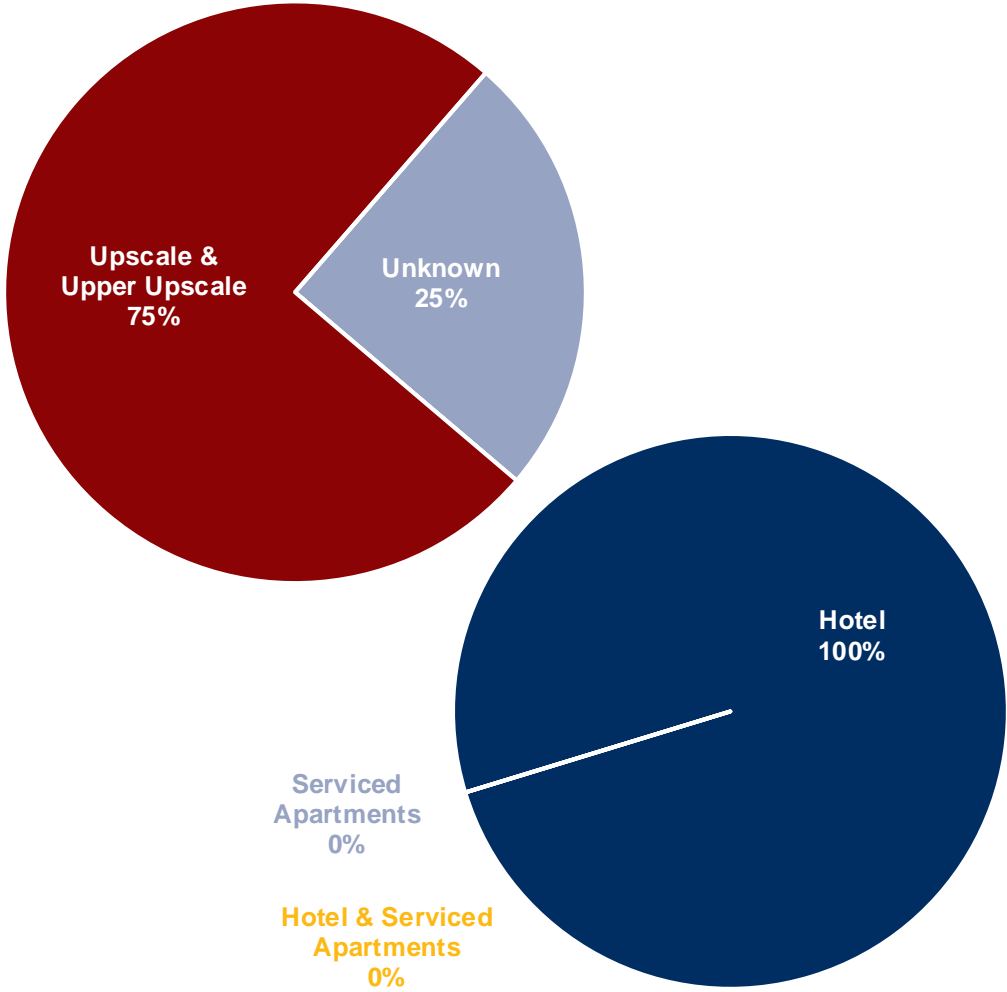
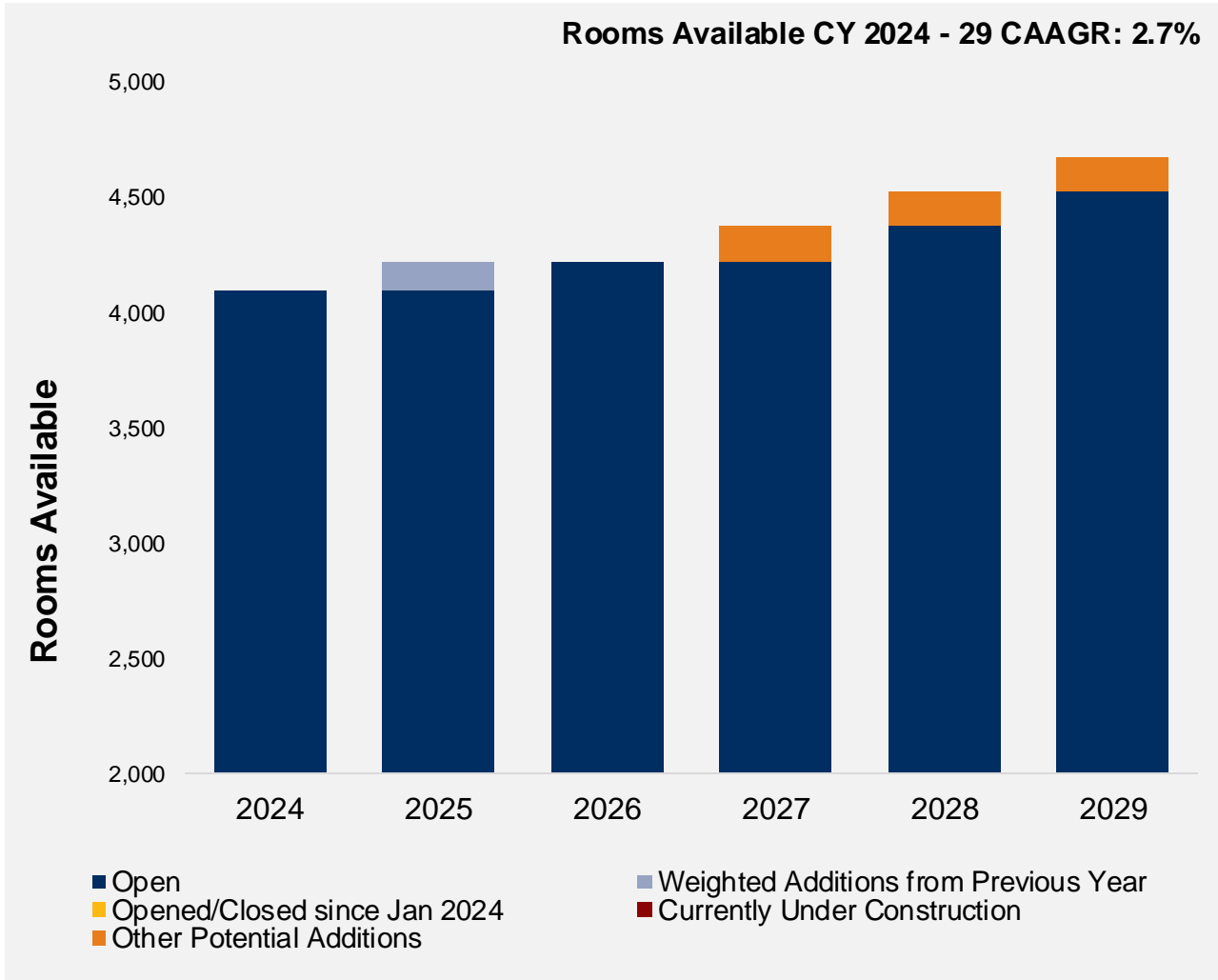
A long bridge illuminated at night over a body of water, with a rocky shore in the foreground. The bridge's lights are reflected in the water, and the sky is a deep blue. The foreground is filled with dark, rounded rocks.

Hobart

Hobart Tourism Region Hotel Market Outlook

Hobart Tourism Region Hotel Market Outlook

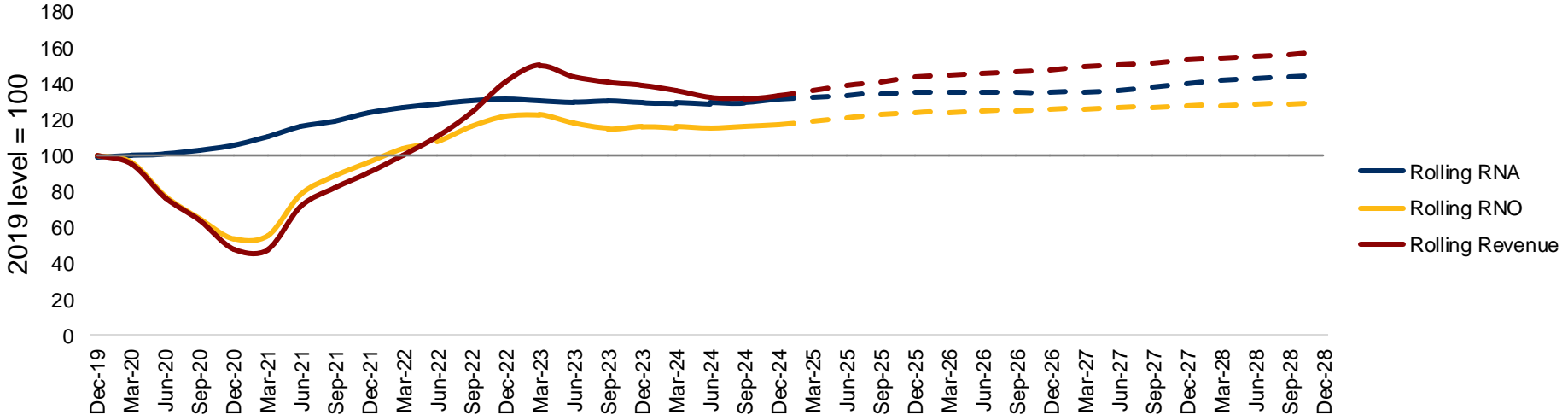
Forecast Additions to Supply – CY 2024 to 2029



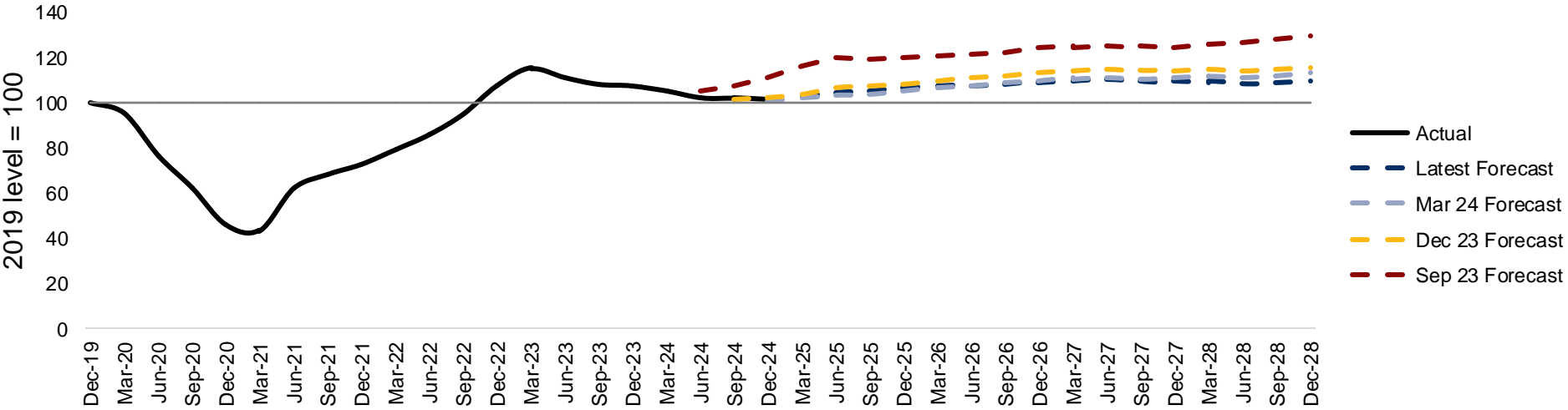
Hobart Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

Indexed Rolling 12-Month Hotel Performance Outlook



Indexed Rolling 12-Month RevPAR Outlook



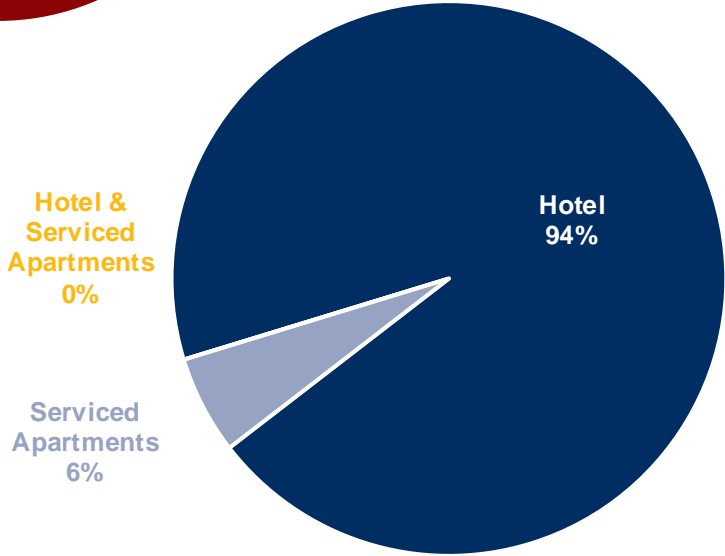
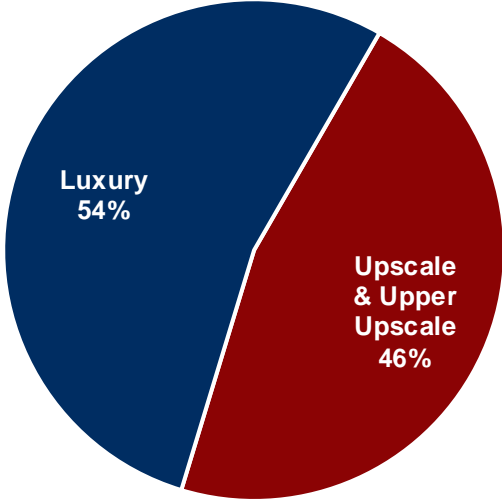
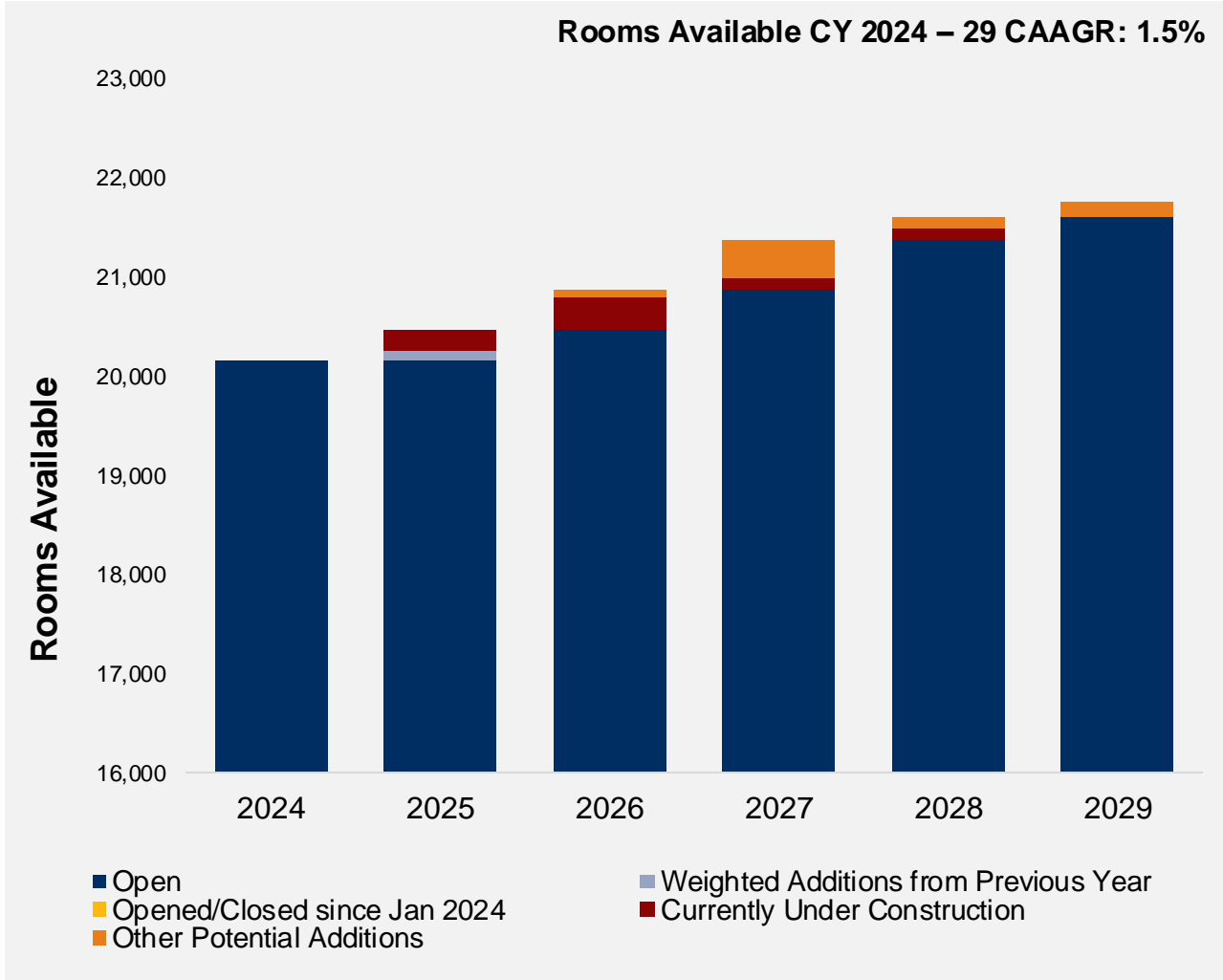


Gold Coast

Gold Coast Tourism Region Hotel Market Outlook

Gold Coast Tourism Region Hotel Market Outlook

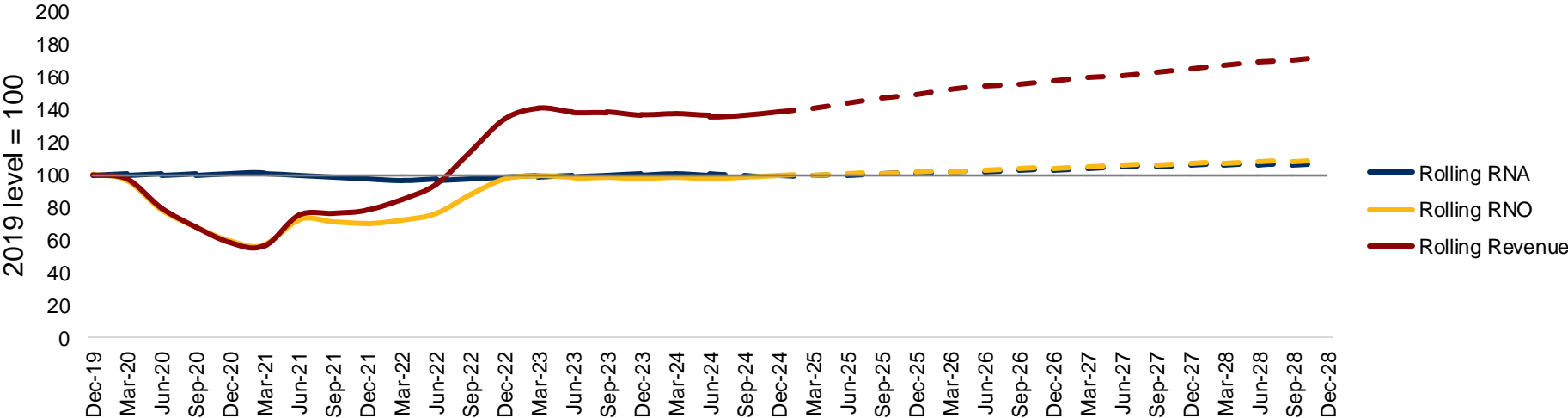
Forecast Additions to Supply – CY 2024 to 2029



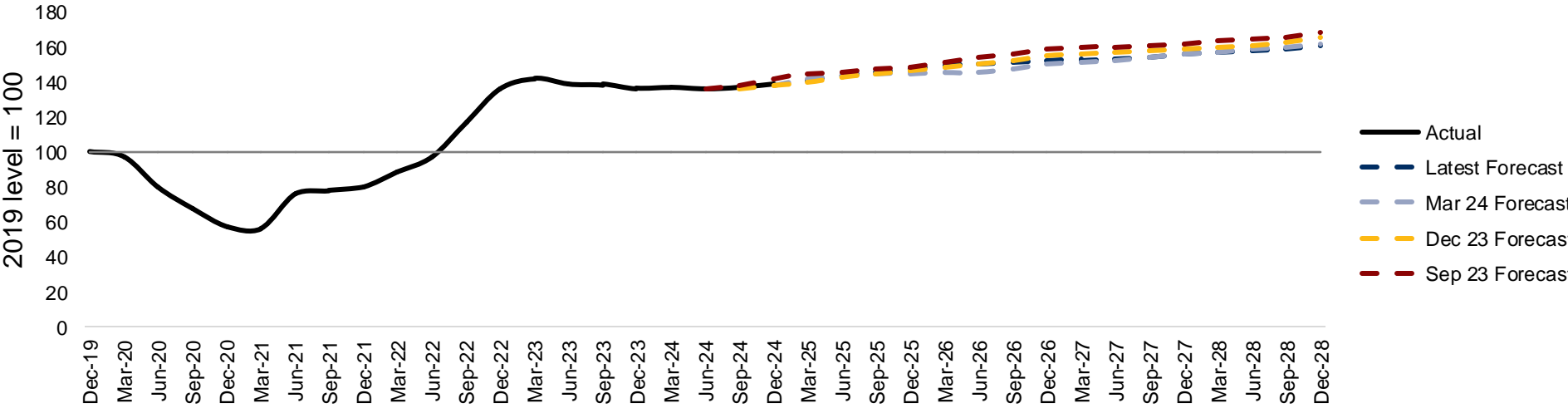
Gold Coast Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

Indexed Rolling 12-Month Hotel Performance Outlook



Indexed Rolling 12-Month RevPAR Outlook



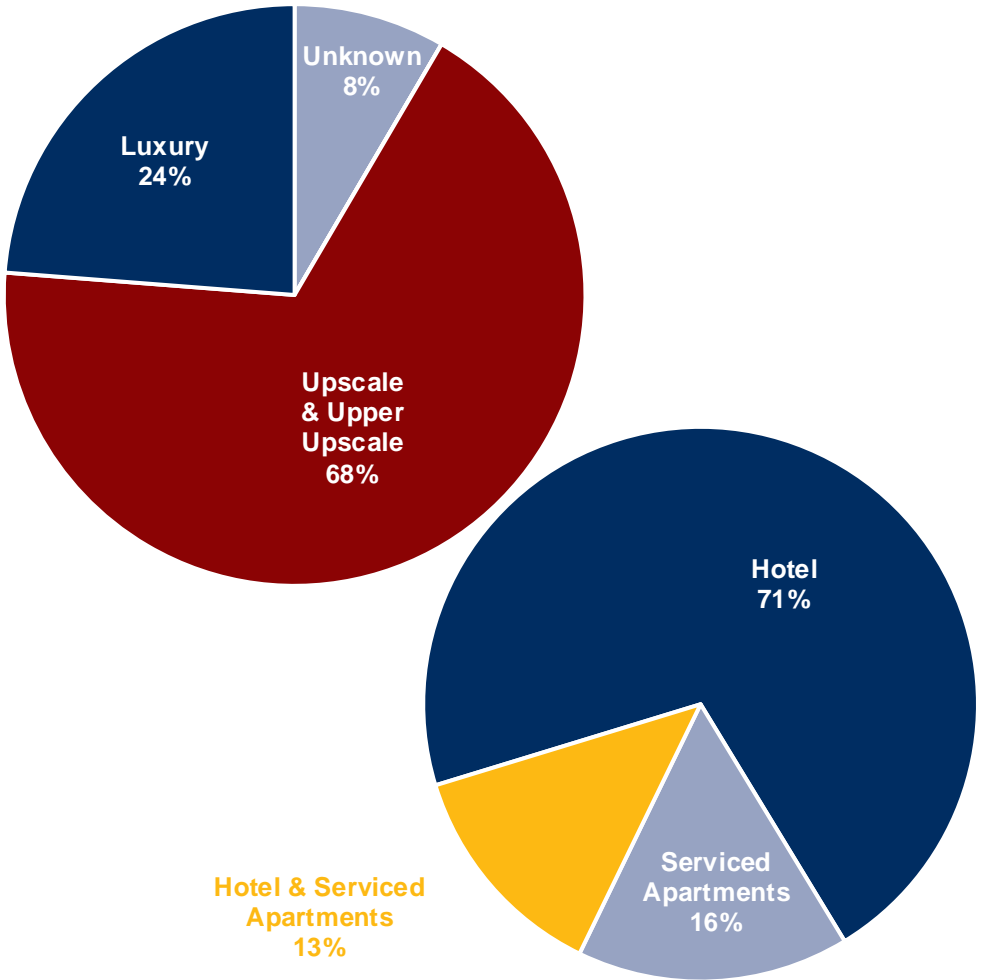
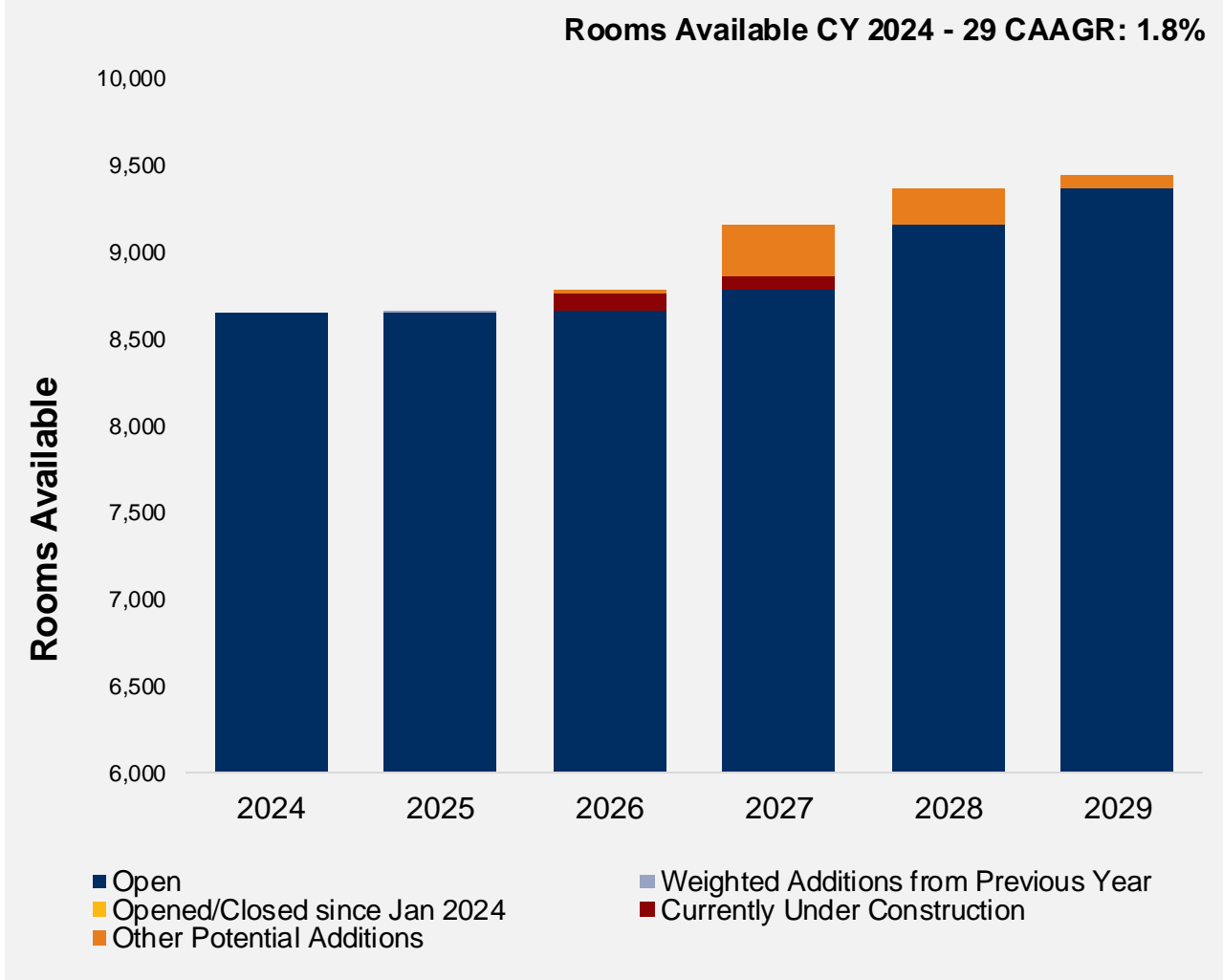


Sunshine Coast

Sunshine Coast Tourism Region Hotel Market Outlook

Sunshine Coast Tourism Region Hotel Market Outlook

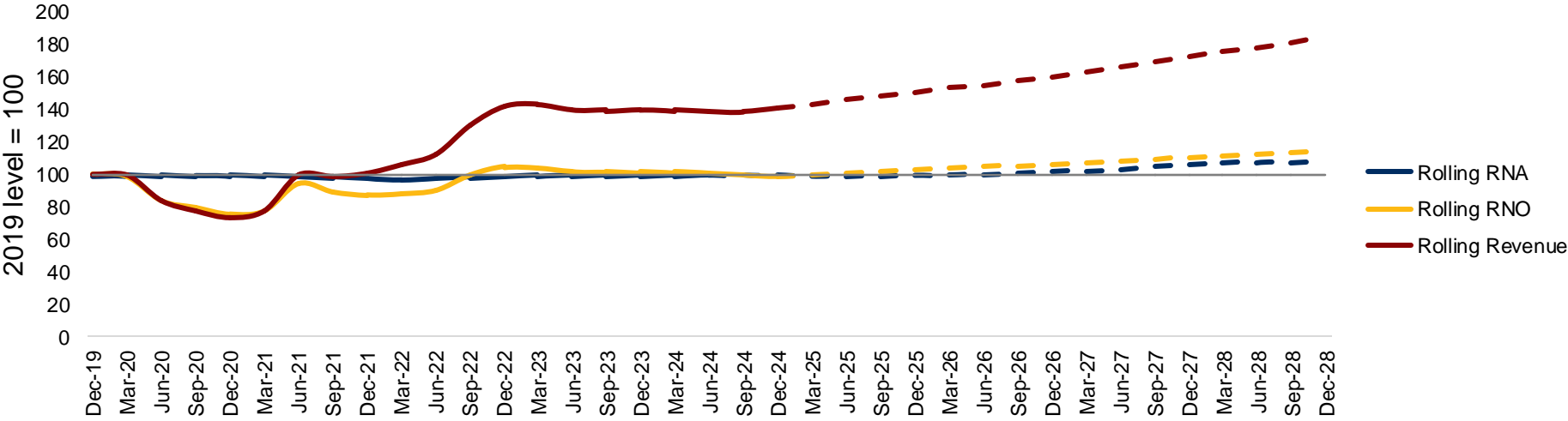
Forecast Additions to Supply – CY 2024 to 2029



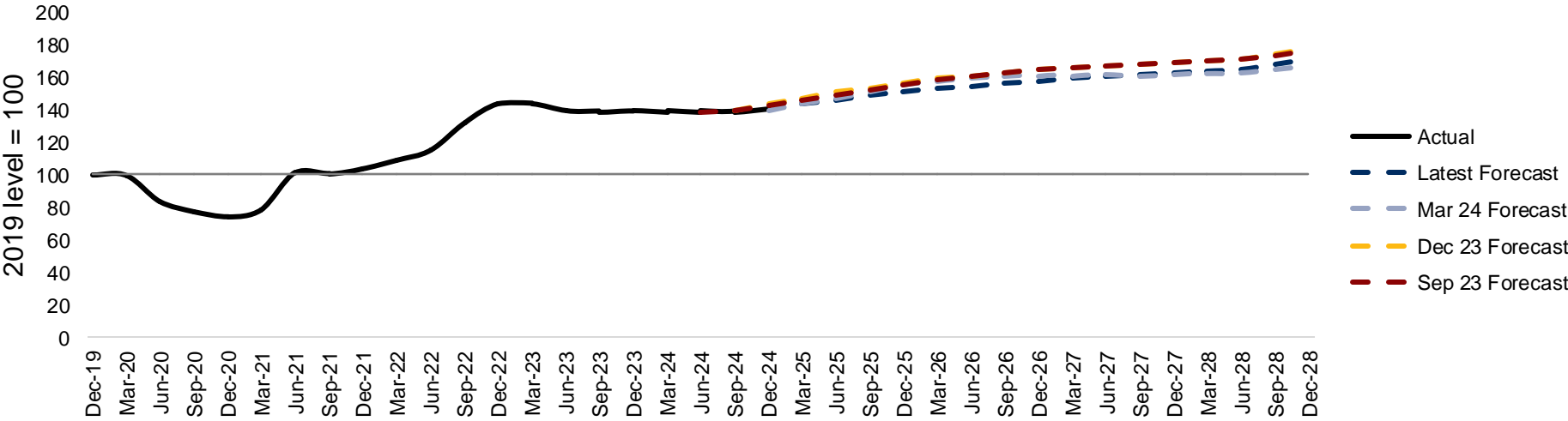
Sunshine Coast Tourism Region Hotel Market Outlook

Quarter to Quarter Shifts in Growth Trends

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Indexed Rolling 12-Month RevPAR Outlook





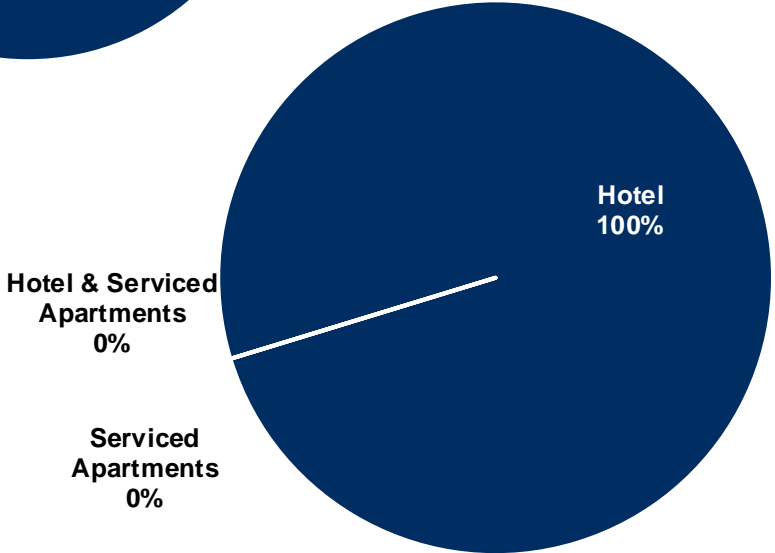
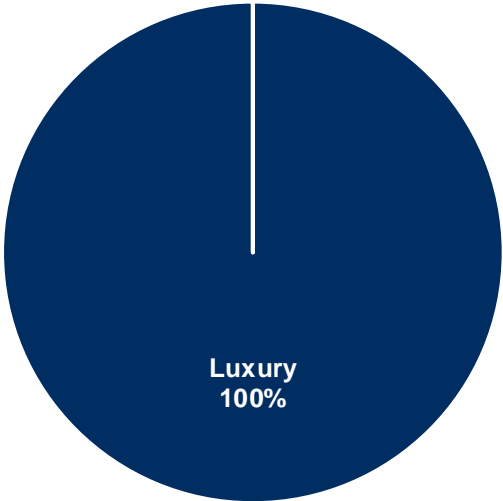
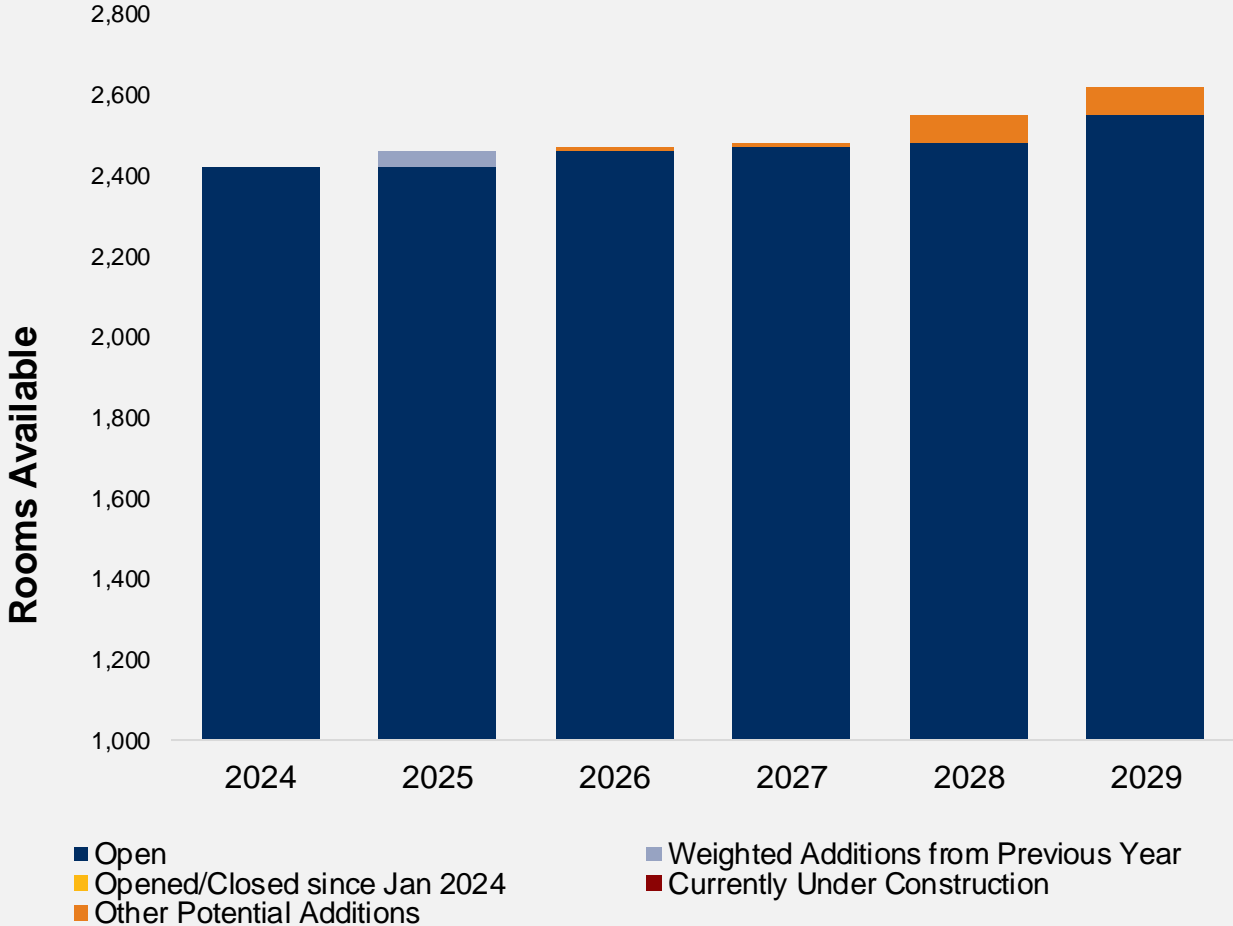
Newcastle

Newcastle Hotel Market Outlook

Newcastle Hotel Market Outlook

Forecast Additions to Supply – CY 2024 to 2029

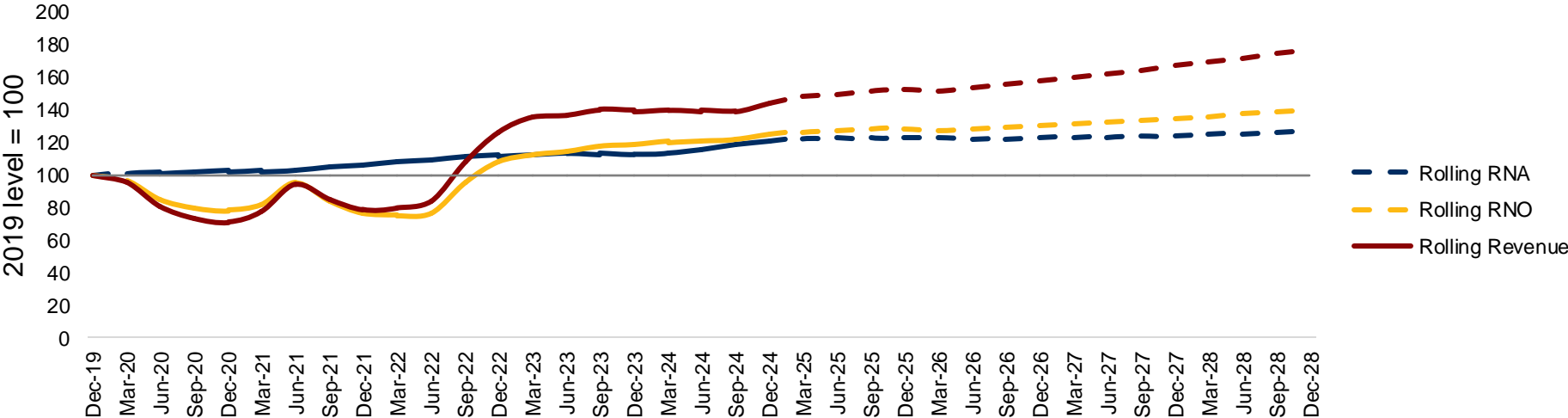
Rooms Available CY 2024 - 29 CAAGR: 1.6%



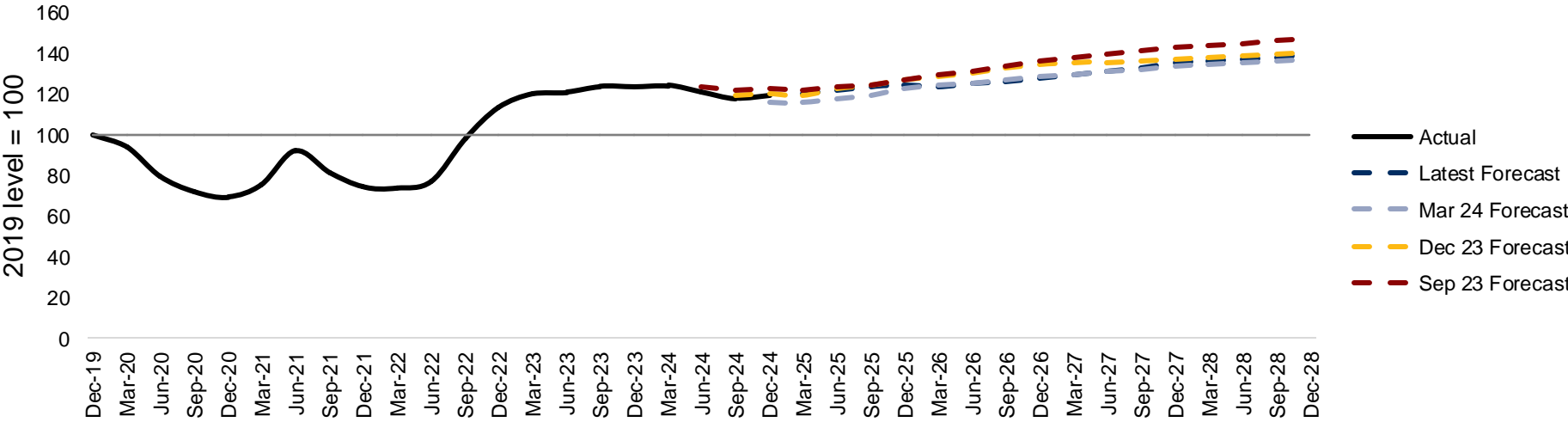
Newcastle Tourism Region Hotel Market Outlook

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 – Actual 5-Year RevPAR CAAG Rate 2019 to 2024

Market	RevPAR CAAG	Comments
Brisbane	9.6%	RevPAR well below historical highs in 2019 so coming off a low base. Occupancy improvement and strong ADR growth.
Perth	8.2%	RevPAR well below historical highs in 2019 so coming off a low base. Good occupancy growth and strong ADR growth.
Sunshine Coast	7.1%	Entirely driven by strong ADR growth.
Gold Coast	6.8%	Entirely driven by strong ADR growth.
Adelaide	3.6%	New supply has impacted occupancy. Strong ADR growth has allowed for RevPAR growth.
Sydney	3.5%	Occupancy close to pre-Covid, ADR growth has been solid.
Newcastle	3.5%	Occupancy higher than pre-Covid, despite some decline forecast for 2024. Good ADR growth, though declines in 2024 forecast.
Canberra	1.4%	Early recovery market has slumped post domestic demand boom. Supply impact on occupancy and ADR weakness in 2023 and 2024.
Melbourne	0.7%	Supply impact keeping occupancy from recovering. ADR growth has been good but has more recently been restrained and impacted by weak occupancy.
Hobart	0.3%	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 2024 to 2029

Market	RevPAR CAAG	Comments
Sunshine Coast	5.0%	Will require both growth in occupancy and ADR to achieve. Occupancy growth may be challenging with seasonal demand impact on year-round performance.
Sydney	3.9%	Occupancy forecast to return to pre-Covid levels with continued consistent growth in ADR forecast.
Brisbane	3.1%	Continued improvement in occupancy forecast close to historical peak with ADR growth forecast slightly above inflation.
Adelaide	2.0%	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	3.7%	Occupancy forecast to steadily improve and reach 2019 levels. ADR growth outlook is for below inflationary levels.
Gold Coast	3.7%	Seasonal demand forecast to limit year-round occupancy with ADR growth primarily driving RevPAR.
Canberra	3.3%	Occupancy forecast to remain below pre-Covid levels with ADR forecast to return to above-inflationary levels.
Newcastle	3.7%	Occupancy forecast to steadily improve reaching historical highs, though ADR growth forecast is subdued below inflation.
Perth	1.6%	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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