Horwath HTL
Hotel, Tourism and Leisure

In Collaboration With:

accommodation association

TAA Tourism Accommodation Australia
A division of the AHA

2022 Australia Hotel Industry Survey of Operations

2021 Calendar Year

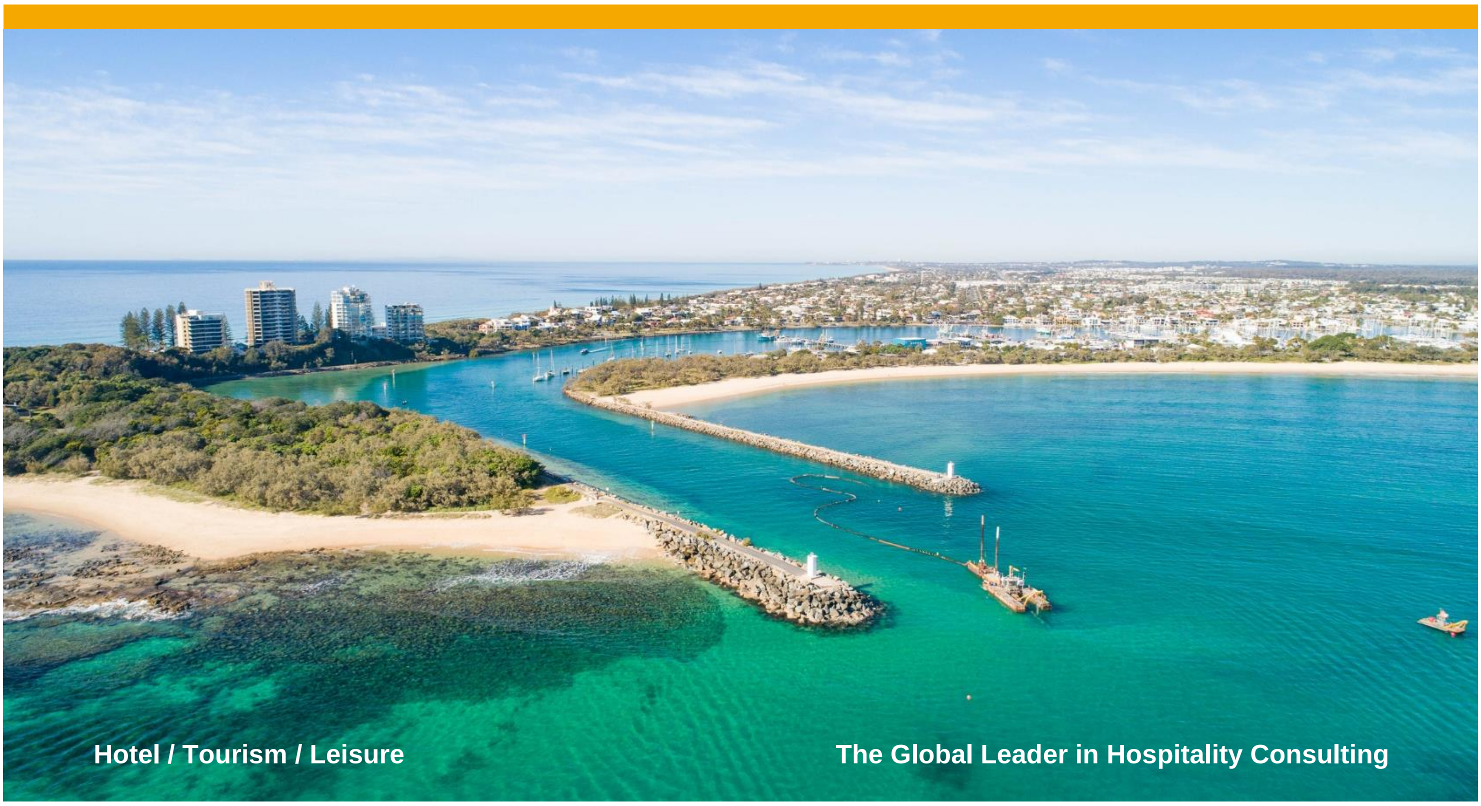

Table of Contents

Published: October 2022. All data represents calendar year 2021 performance.

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Foreword by Tourism Accommodation Australia & the Accommodation Association of Australia

Tourism Accommodation Australia (TAA) and the Accommodation Association of Australia (AA) is pleased to present the Australia Hotel Industry Survey of Operations 2022 (Calendar Year 2021). This is our first year of collaboration with Horwath HTL in the publication of this important report profiling the financial performance of the Australian hotel industry.

With another COVID-19 disruptive financial trading year, the findings from the survey recorded a slight continued decline in room occupancy, though an increase in ADR allowed for a 4% increase in RevPAR in 2021. Gross Operating Profit PAR levels improved by 39% thanks to growth in Total Revenues and a continued focus on keeping expense levels low.

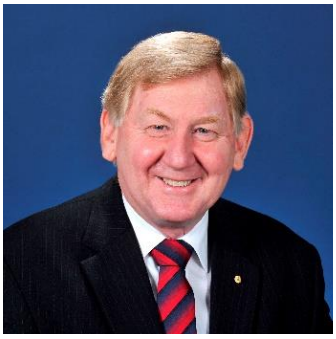
The full report also gives an overview of the key developments and trends of the hospitality industry in Australia. It provides an in-depth analysis of the operational costs and sources of revenue, including both departmental revenues and expenses, operating statistics by departments, as well as statistics relating to human capital. Hoteliers and financial analysts find this comprehensive report very helpful in their planning and decision-making process due to its strong relevance to the hospitality industry.

For this year, we are indeed happy to share that we achieved submissions from 143 participating hotels for this annual survey, comprising 33,531 available rooms daily. From these, data from 135 properties has made it into the report analysis.

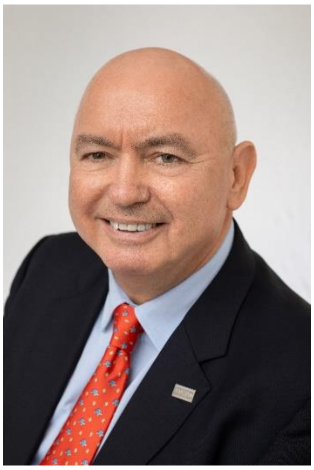
We would therefore like to take this opportunity to thank the 143 participating hotels for their support. We hope to see even more hotels signing up for this very useful survey next year.

Finally, we would also like to voice our sincere gratitude to Horwath HTL for their professional services in conducting this all-important survey for the hotel industry.

Leanne Harwood
President
Accommodation Association of Australia



Martin Ferguson AM
Chair
Tourism Accommodation Australia



Foreword by Horwath HTL in Australia

Horwath HTL is pleased to present the 2022 Australia Hotel Industry Survey of Operations (Calendar Year 2021). This year's study attracted submissions from a total of 143 participating hotels, which accounted for 33,531 rooms. This represents a growth in participating rooms of 5 percent year-on-year (Y-o-Y). Of which, data from 135 hotels was sufficiently completed and able to be utilised within this report for meaningful comparison. We are excited to continue growing the reach of this study.

In this second year of the COVID-19 pandemic, the impact on the Australian hotel industry remains apparent. Our assessment of 86 hotel properties with 21,893 rooms (those that participated in each of the 2022, 2021 and 2020 surveys) indicates that Total Hotel Revenues PAR improved by close to 5% from 2020 to 2021 but remain at almost half the level recorded in 2019. Conversely, Departmental Expenses, having halved in 2020 from 2019 levels, recorded a small, continued decline in 2021. Similarly Undistributed Operating Expenses recorded a similar trend in contained cost levels. Overall, an encouraging recovery in GOP is evident in the 2021 survey results with GOP PAR increasing by almost 31% Y-o-Y.

Horwath HTL maintains an attitude of cautious optimism in relation to future potential performance of the Australian hotel sector. Hoteliers in Australian city and regional markets have reported impressive rises in rooms revenue even at subdued demand levels, and existing hotel businesses will benefit in the short to medium term from a reduction in supply growth. Notwithstanding, the impacts on the Australian hotel industry from a slowly recovering international travel market, and lingering uncertainty over the domestic and global economic outlook, could pose as headwinds to the sector's performance recovery for several years yet.

We would like to offer our heartfelt appreciation to all survey participants and our Honorary Advisory Board members for their continued long-term support of this publication. We would also like to thank Tourism Accommodation Australia and the Accommodation Association of Australia for their support of this important study reporting on the wellbeing of the transient tourist accommodation sector in Australia. We are grateful for any feedback or comments you may have to offer that will assist us in continuing to improve the utility of this survey.

Ron de Wit, ISHC
Managing Director
Horwath HTL - Australia

Annual Study Honorary Advisory Board

(in alphabetical order)

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Market and Survey Introduction

Tourism Market

According to Tourism Research Australia (TRA), the tourism market in Australia in the calendar year (CY) 2021 recorded a total of 337.9 million overnight visitor nights, a decrease of 1.9% and 51.2% over CY 2020 and CY 2019 respectively. In most of 2021, there was constant alternation between re-impositions and easing of COVID-19 restrictions in all states. The majority of state borders only opened to fully vaccinated travellers in the December quarter 2021. Domestic visitors continued to be the dominant source of travel, accounting for 95% of total visitor nights and growing by 16.6% Y-o-Y. However, the domestic market alone was unable to make up the steep decline in international travel that dropped by 75.7% Y-o-Y.

New Zealand remained the largest international source market in terms of total visitors, despite decreasing by 59.8% to 88,638 visitors. This was due to the establishment of the trans-Tasman travel bubble between Australia and New Zealand before international borders opened in end December 2021. The second highest single source market was the United Kingdom, down by 89.9% to 19,681 visitors. This was followed by visitors from the United States of America, which decreased by 92.0% to 14,655 visitors for CY 2021. The reopening of borders allowed for families and friends to finally reunite; thus the main purpose of visit was “Visiting Friends and Relatives”, accounting for 58.8% of all international visitors. This was followed by the purpose of visit of “Business” and “Employment” at 10.2% and 10.1%. respectively.

In terms of domestic visitor nights, travel trends varied according to the COVID-19 situation that pertained to each state. New South Wales (NSW) captured the highest number of visitor nights, a growth of 3.1% Y-o-Y to 86.4 million visitor nights. Northern Territory (NT) registered the highest growth in domestic visitor nights, increasing by 61.6% Y-o-Y, to 7.9 million visitor nights, whereas, the volume of visitor nights grew the most in Queensland, by an increment of 16.9 million visitors to reach a total of 83.1 million visitor nights for CY 2021. Unlike international visitors, the main purpose of visit for domestic visitor nights was “Holiday” (45.9%), followed by “Visiting Friends and Relatives” (28.9%), “Business” (18.8%), and “Other” at 6.3%.

Explanation of Terms & Bases Used

Item	Description
Rooms Revenue	Revenues obtained from guests' accommodation rented on a part-day, full-day or longer period basis.
Food Revenue	Revenue derived from the sale of food and non-alcoholic beverages in restaurants, in-room dining, mini bar, banquets and/or catering.
Beverage Revenue	Revenue derived from the sale of alcoholic beverages.
Other Operated Departments Revenue	Revenues generated from laundry, health centre, swimming pool, valet and other operated department revenues not mentioned.
Miscellaneous Income	Revenues related to a third party or revenues that do not incur any direct operating expenses, including foreign currency transaction gains (losses), income from rental of stores and showcases, commissions, cancelation penalties, etc.
Cost of Food Sales	Includes cost of food and non-alcoholic beverages served to guests, together with transportation and delivery charges, at gross invoices price less trade discounts. The cost of employees' meals is charged to the appropriate department and does not constitute a part of the cost of goods sold.
Cost of Beverage Sales	Represents the cost of alcoholic beverages served to guests or used in the preparation of mixed drinks, at gross invoice price less trade discounts, plus import duties, transportation and delivery charges. The cost of employees' beverages is charged to the appropriate department and does not constitute a part of the cost of goods sold.
Cost of Other Operated Departments Sales	Represents the cost from laundry, health centre, swimming pool, valet and other operated department revenues not mentioned.
Payroll & Related Expenses	Comprises of expenses associated with salaries, wages and bonuses and payroll-related expenses for employees. Also included are the employee benefits such as social insurances, medical allowance, vacation and holiday pay, goods and services to employees free of charge or at markedly reduced price, employee' meals.
Rooms Other Expenses	Represents non-payroll expenses for the room department, including the expenses of cable/satellite, television, cleaning supplies, commissions, complementary services and gifts, guest supplies, linen, printing and stationery, royalty fees, equipment rentals, corporate office reimbursable, etc.
Food and Beverage Other Expenses	Represents non-payroll expenses for food and beverage department, including china and glassware, cleaning supplies, decorations, guest supplies, laundry, linen, music and entertainment, menus and beverage lists, silver and uniforms.
Other Operated Departments Other Expenses	Represents non-payroll expenses for all other operated. departments, including laundry supplies, health centre and swimming pool supplies, etc.

<table>
<tr><td>Undistributed Expenses</td><td>This classification is used for (1) administrative and general expenses, (2) sales and marketing expenses, (3) information and telecommunications systems expenses, (4) utilities costs, and (5) property operation and maintenance expenses. Each of these can be considered as an individual entity. The explanations of each category expense are as follows:

Administrative and general expenses include cash overages or shortages, commissions on credit cards, collection charges, executive office expenses, general insurance, postal charges, legal expenses, trade association dues, travelling expenses, accounts and consultants’ fees.
Sales and marketing expenses include advertising, sales, promotion, merchandising, public relations and research, plus applicable travel and entertainment expenses and supplies.
Information and telecommunications systems expenses include cost of phone calls, internet services, software licenses and maintenance, software as a service fee, hosting storage fees and technical support fees.
Utilities expenses which include the cost of electrical power, fuel, steam and water.
Property operation and maintenance expenses include the cost of repairing buildings, electrical and mechanical equipment and fixtures, floor coverings, furniture, grounds and landscaping plus the cost of electric bulbs, mechanical supplies and removal of waste matter.
</td></tr>
<tr><td>Three levels of profit in this study</td><td>
First level is the Departmental Profit/Loss.
Second level is the Gross Operating Profit (sum of department profits less Undistributed Operating Expenses).
Third level is the Earnings before Interest, Taxes, Depreciation and Amortization (Gross Operating Profit less Management Fees and Non-Operating Income and Expenses).
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Hotel, Tourism and Leisure

About Horwath HTL Asia Pacific

At Horwath HTL – Asia Pacific (HHTL) is the regional arm of Crowe Global's Hotel, Tourism and Leisure Consulting Group. Since its establishment in 1987, HHTL has been involved with thousands of projects throughout the region in all phases of the property lifecycle for clients ranging from individually held businesses to the world's most prominent hotel companies, developers, lenders, investors and industrial corporations. HHTL currently operates out of offices in Singapore, Hong Kong, Beijing, Shanghai, Jakarta, Kuala Lumpur, Sydney, Melbourne, Mumbai, Tokyo, Auckland and Bangkok.

By combining resources from our offices in key cities throughout the Asia Pacific region, we ensure that clients receive a multi-skilled international perspective for their projects and benefit from our wide-reaching industry contacts. We are also supported by the Horwath HTL database, the largest and most complete hotel and tourism related database in the world. HHTL offers a wide range of services at all stages of the property lifecycle. Grouped under three broad areas, our services include the following:

Planning & Development Services

- Strategic Planning
- Market Entry Strategy
- Market Research
- Macro Tourism Analysis
- Tourism, Project and Destination Master-planning
- Site Analysis
- Highest and Best Use
- Product Conceptualization
- Facilities Recommendation
- Market and Financial Feasibility
- Residual Land Valuation
- Hotel Management Company Selection
- Management Contract Negotiation

Asset Management Services

- Owner Representation
- Accountability Review
- Operational Review
- Benchmarking
- Best Practice Analysis
- Capital Expenditure Cost/Benefit Analysis
- Reposition Strategy and Analysis
- Property Tax Appeals
- Litigation Support

Transaction/Lender Services

- Investment/Divestment Strategy
- Bid Advisory
- Pre-lending Review
- Valuation/Appraisal
- Vendor Due Diligence
- Insolvency/Receivership
- Loan Work-out

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