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Aus Accommodation Performance Analysis Outlook '23

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It seems probable Australia hotel asset class will become favourable alternative assets in '23 with returning strong occupancy trend, record breaking ADR across all states and historic highs for RevPAR in most capital cities.

For some hotels, increasing operational performance will offset cost of capital and offer significant uplift when rates subside. Growing performance coupled with cap rate discovery due to rate hikes marks an interesting environment for the space in '23.

Coupled with room inventory data trends can be clearly spotted with certain locations offering investors strong uplift opportunities and greater margin of safety. (See our analysis on accommodation inventory and pipeline outlook for specifics).
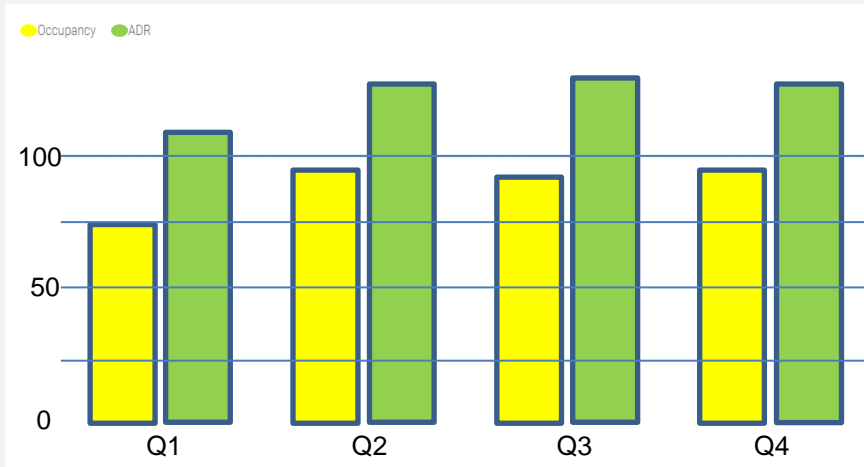
Australia's visitor economy is experiencing strong recovery. Domestic demand drove most of the growth previously, with healthy levels of occupancy returning and record ADRs. Closing the International tourism growth gap to'19 levels and of particular China's reopening, will be the source of 2023's growth potential.

In our opinion we see occupancies rising but to still be below '19 level with domestic travel flattening out, but increase in international short term visitors. We also see ADR flattening having gained from the sharp rise in 2022. As the macro economy stabilizers, we look to a more optimistic '24, '25.
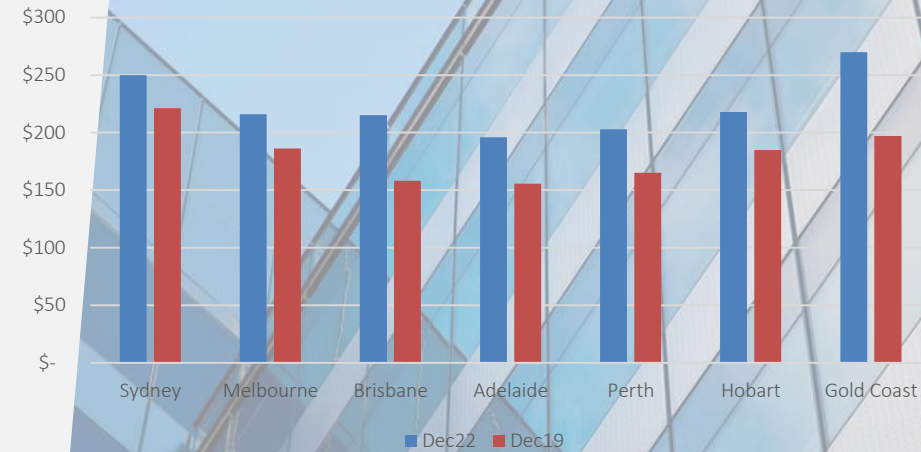
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Australian mean ADR is at $228(Dec22), compared with $184(Dec19), a greater than 20% increase from 2019 historic peak. On average Australia's room daily rates are at all-time highs since Q1 2022 compared to 2019, with following quarters surpassing 2019's quarters by 20%+ (chart 1). With the latest figures (chart 3) indexing Dec22 to Dec19, we see for capital city performance Brisbane with 35% above 2019's peak, all other cities follow suite with the lowest increases Melbourne and Sydney also performing well above 10% increase to 2019. Of note we have included the figure for Gold Coast region which is at 40% above 2019's peak. For Dec22, Gold Coast also scores the highest ADR above $270 with Sydney at $250 and Melbourne and Brisbane equal at slightly above $200 (chart 2). Aus as a whole(chart 4), we see increasing gradient for ADR trend from Jul21toJun22.
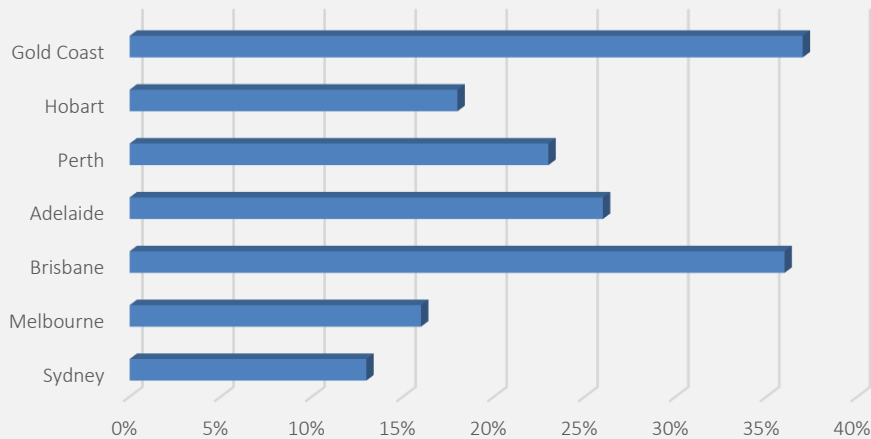
AUS Accommodation Performance Analysis ADR

1.ADR and Occupancy '22 Indexed to '19 (100)

Legend: Occupancy, ADR

Values: 100, 50, 0
Categories: Q1, Q2, Q3, Q4

2.Capital Cities ADR Comparison ($)
(Dec22 to Dec19)

$300, $250, $200, $150, $100, $50, $-

Sydney, Melbourne, Brisbane, Adelaide, Perth, Hobart, Gold Coast

Legend: Dec22, Dec19

3.Capital Cities ADR Comparison (%)
(Dec22 to Dec19)

Gold Coast, Hobart, Perth, Adelaide, Brisbane, Melbourne, Sydney

0%, 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%

4.Aus ADR Trend

$250, $200, $150, $100, $50, $0

Jul-21, Aug-21, Sep-21, Oct-21, Nov-21, Dec-21, Jan-22, Feb-22, Mar-22, Apr-22, May-22, Jun-22
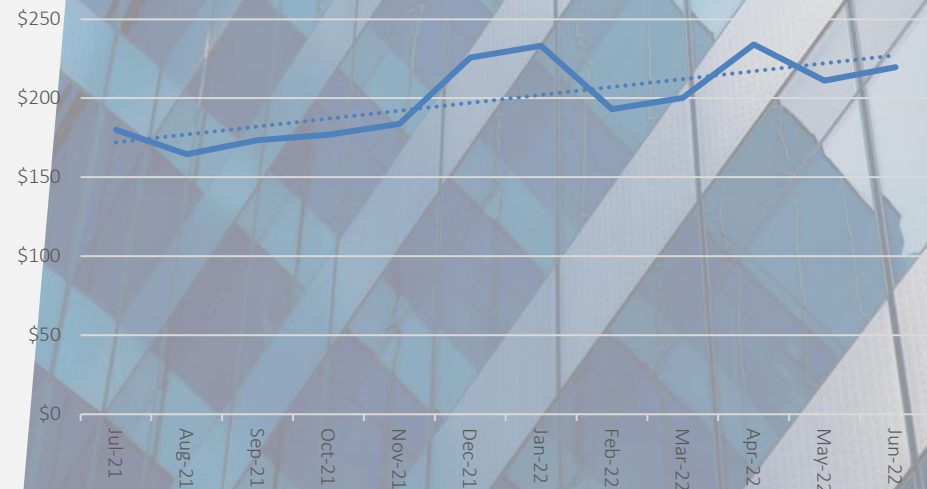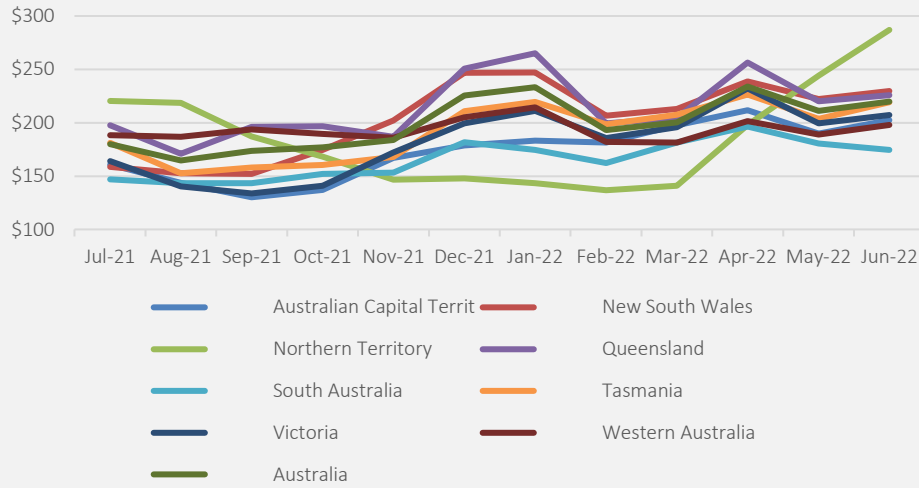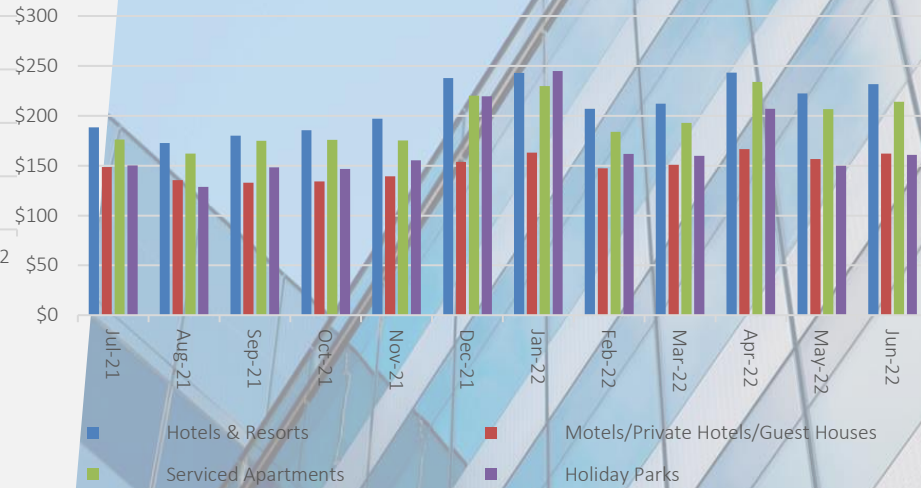
Across all accommodation types and class (chart 6, 7), we also see increasing ADR trend, with YoY increase Jun22 indexed to Jul21 the greatest increase in hotels and resorts, service apartments (above 20%) and upper mid to luxury classes also experiencing a 20% average increase compared to 2021 levels. Holiday parks and motels see the least increase at 7%-9% increases respectively when compared to Jul21.

AUS Accommodation Performance Analysis ADR

5.Aus, State ADR Trend Jul21:Jun22

Legend:
- Australian Capital Territ
- New South Wales
- Northern Territory
- Queensland
- South Australia
- Tasmania
- Victoria
- Western Australia
- Australia

6.Aus ADR Trend by Accomodation Type

Legend:
- Hotels & Resorts
- Motels/Private Hotels/Guest Houses
- Serviced Apartments
- Holiday Parks

7.Aus ADR Trend by Accomodation Class

Legend:
- Luxury & Upper Upscale Classes
- Upscale & Upper Mid Classes
- Midscale & Economy Classes

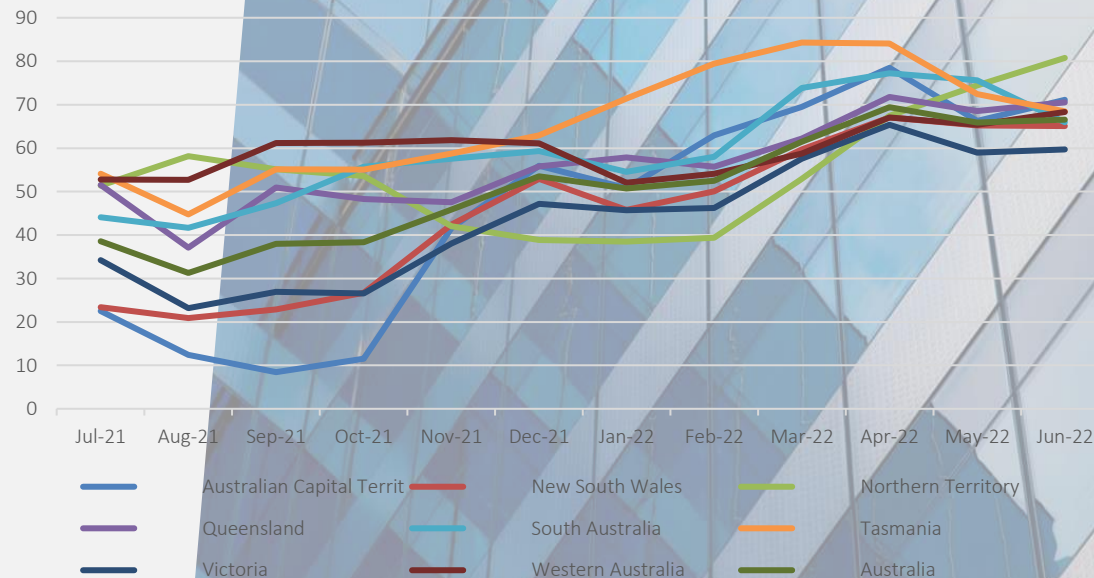|	8.ADR FY 22 Jun22 Indexed to Jul21
Type	
Hotels & Resorts	1.23
Motels/Private Hotels/Guest Houses	1.09
Serviced Apartments	1.22
Holiday Parks	1.07
Class	
Luxury & Upper Upscale Classes	1.21
Upscale & Upper Mid Classes	1.20
Midscale & Economy Classes	1.14

9.Capital Cities Occ Comparison (Dec22 to Dec19)
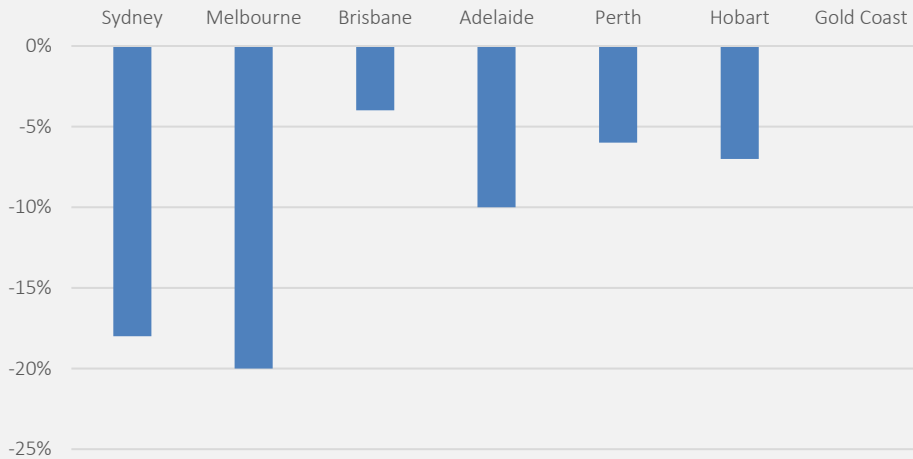
10.Capital Cities Occ Comparison (Dec22 to Dec19)

Legend: ■ Dec22 ■ Dec19
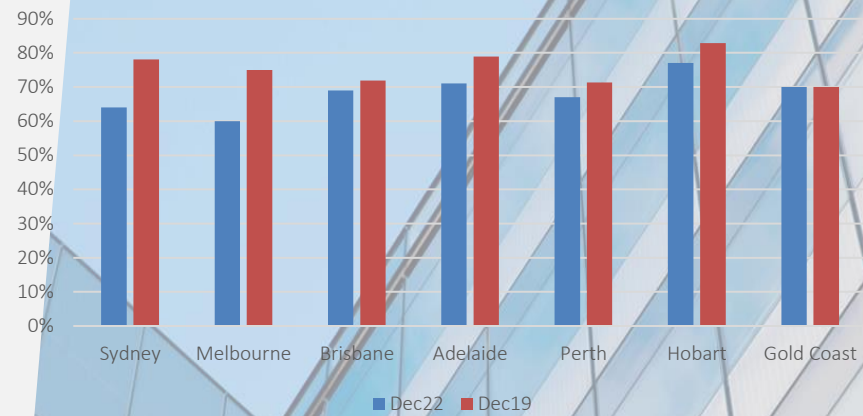
11.Aus Occupancy Rate Trend (%)
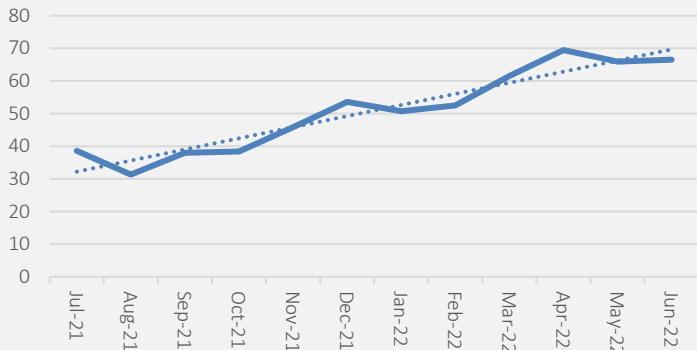
12.AUS, States, Occupancy Trend Jul21:Jun22 (%)

Legend:
— Australian Capital Territ — New South Wales — Northern Territory
— Queensland — South Australia — Tasmania
— Victoria — Western Australia — Australia

AUS Accommodation Performance Analysis Occupancy
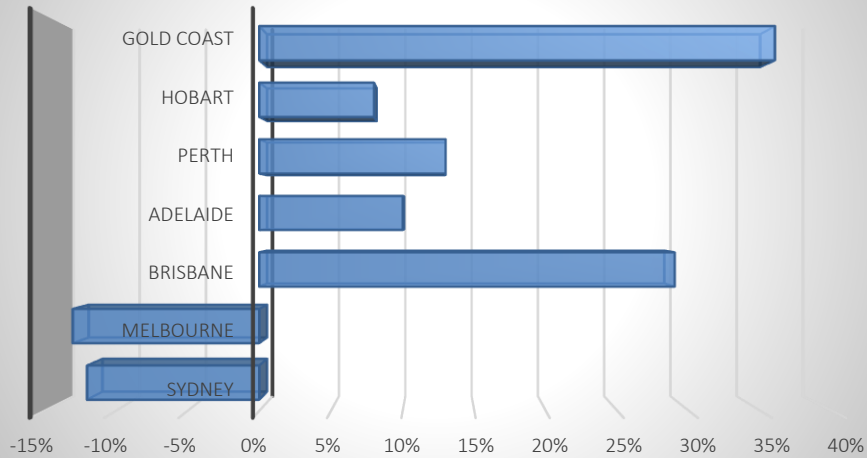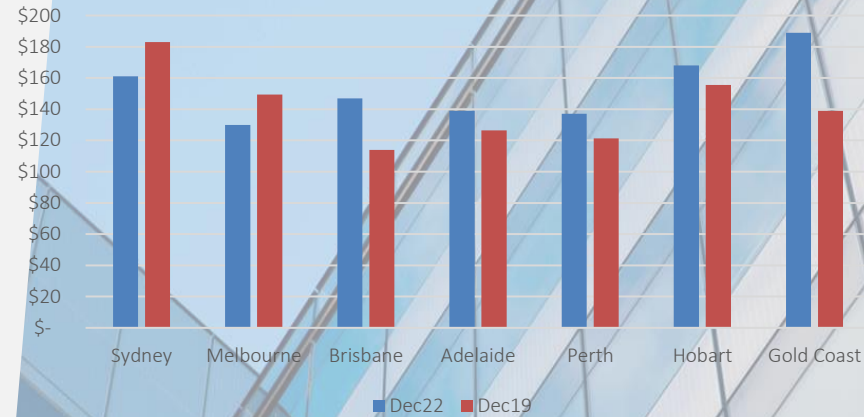
Occupancy rates are yet to match 2019's peak, but are increasing. Australia's accommodation average occupancy Dec22 currently at 65%, slightly below the average occupancy of 72% in Dec 2019. Chart 9 shows latest Dec22 benchmarked to Dec19 levels, with all capital cities still below 2019, and highlighted region Gold Coast flat. Chart 10 shows Dec22 actual occupancy vs Dec19 occupancy, with Hobart having the highest occupancy amongst the capital cities above 70%, Adelaide above 70% and Brisbane returning slightly lower than 70%. Chart 11 details the obvious increasing occupancy trend of FY22 from the lockdowns of '21 to the opening and mass domestic travel of '22.
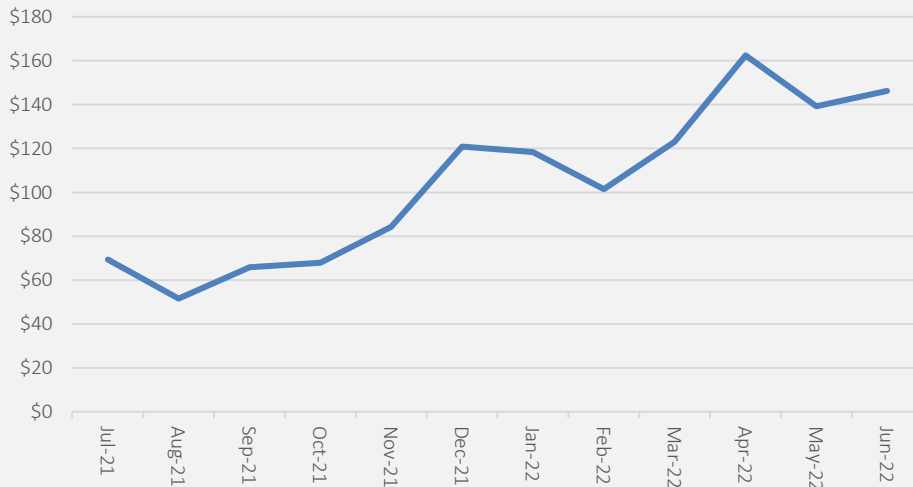
AUS Accommodation Performance Analysis RevPAR

13. Capital Cities RevPar Dec22 to Dec19 (%)

Categories (top to bottom): GOLD COAST, HOBART, PERTH, ADELAIDE, BRISBANE, MELBOURNE, SYDNEY. X-axis: -15% to 40%.

14. Capital Cities RevPar Comparison ($) (Dec22 to Dec19)

Legend: Dec22, Dec19. Cities: Sydney, Melbourne, Brisbane, Adelaide, Perth, Hobart, Gold Coast.

15. Aus RevPar Trend

X-axis: Jul-21, Aug-21, Sep-21, Oct-21, Nov-21, Dec-21, Jan-22, Feb-22, Mar-22, Apr-22, May-22, Jun-22.

16. Capital City RevPar Rate of Change Comparison (Jun22toJun19 and Dec22toDec19)

Change (Jun22 to Jun19) — Change (Dec22 to Dec 19). Legend: Sydney, Melbourne, Brisbane, Adelaide, Perth, Hobart, Gold Coast.
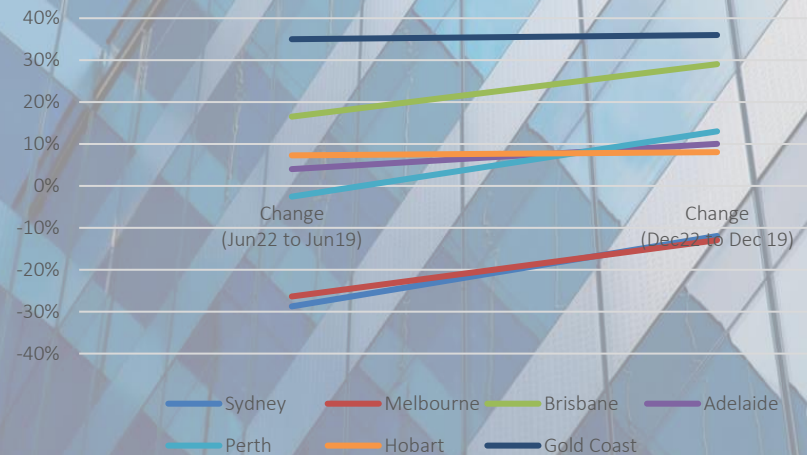
RevPar is on the road to recovery with occupancies on the rise and ADR outperforming 2019 across all capital cities. Chart 13 shows 4 capital cities revpar well above 2019 with Brisbane the most pronounced at 30%+ of 2019, and lagging behind is Melbourne and Sydney at around 10% below 2019 levels. We forecast 2023 Sydney revpar to surpass 2019 levels, with Melbourne slightly more at risk due to highest incoming supply of short term accommodation versus other capital cities. In terms of revpar dollar value (chart 14), Hobart and Sydney spot the highest room efficiencies with revpar around $160. Similar to ADR, for revpar trend FY22 (chart 20), we see the largest increase across the hotels and resorts class and serviced apartments class, as well as the biggest revpar growth within the upper mid to luxury classes.

AUS Accommodation Performance Analysis RevPAR

17.Aus, States, RevPar Trend Jul21:Jun22
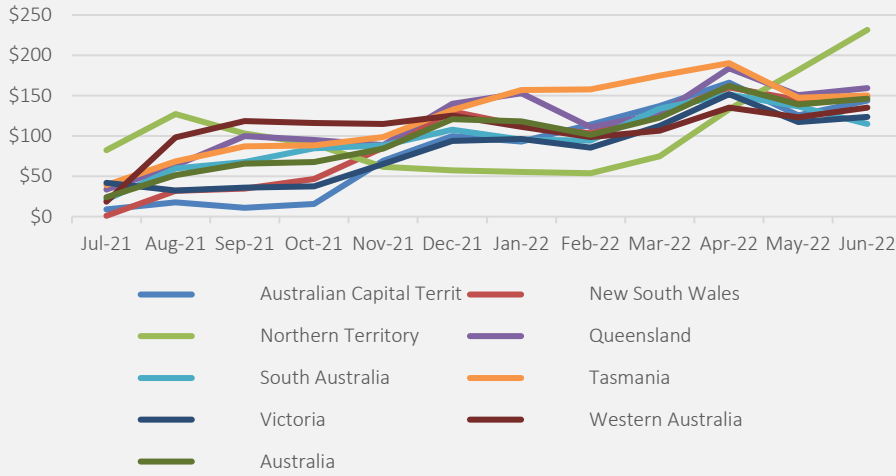
Legend:
- Australian Capital Territ
- New South Wales
- Northern Territory
- Queensland
- South Australia
- Tasmania
- Victoria
- Western Australia
- Australia

18.Aus RevPar Trend by Accomodation Type

Legend:
- Hotels & Resorts
- Motels/Private Hotels/Guest Houses
- Serviced Apartments
- Holiday Parks

19.Aus RevPar Trend by Accomodation Class

Legend:
- Luxury & Upper Upscale Classes
- Upscale & Upper Mid Classes
- Midscale & Economy Classes

Type	20.RevPar Jun22 Indexed to Jul21
Hotels & Resorts	2.26
Motels/Private Hotels/Guest Houses	1.83
Serviced Apartments	1.93
Holiday Parks	1.42
Class	
Luxury & Upper Upscale Classes	2.24
Upscale & Upper Mid Classes	2.07
Midscale & Economy Classes	1.77

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