

Australian hotel market update

HEAD OFFICE

Level 33, 360 Collins Street
Melbourne VIC 3000
Australia
w+61 3 9620 2220

MAXCAP LOCATIONS

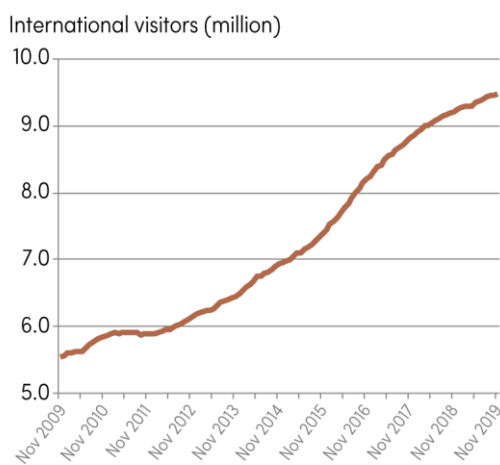
Melbourne
Sydney
Brisbane
Perth
Auckland
Singapore

While there is no doubt that the bushfire crises in NSW, Victoria and South Australia and more recently the coronavirus outbreak have impacted tourism and by association accommodation bookings, the outlook for the hotel market of Australia in the medium and long-term remain positive.

According to STR, Australian hotels are among the best performing assets globally, with the second-highest occupancy rates globally, just behind Northern Europe.

International visitor levels remain at record highs on the back of strong growth from education and business-related travel. The global appeal of Australia saw international visitors surpass 9.4 million for the first time according to the Australian Bureau of Statistics over the year to November 2019 with annual spend reaching an all-time high of \$45.2Bn over the year to September 2019 according to Tourism Research Australia.

Annual Australian international tourists



Source: ABS, MaxCap Research

Over 2019, the national occupancy rate remains healthy at 73.9% according to STR, led by Hobart at 83.1% and Sydney at 82.5% with occupancy rates in Melbourne and Adelaide both above 80%.

Australian hotel occupancy rates by region

	2019	2018
Adelaide	80.4%	78.9%
Brisbane	72.0%	71.0%
Cairns	77.4%	80.5%
Canberra	76.4%	78.6%
Melbourne	80.3%	81.9%
Perth	73.2%	73.1%
Sydney	82.5%	84.0%
Gold Coast	69.5%	71.8%
Darwin	55.9%	65.6%
Hobart	83.1%	79.3%
Australia	73.9%	74.6%

Source: STR, MaxCap Research

Short-term outlook

According to the Australian Tourism Export Council, forward bookings from American, British and European tourists are down 40%, with the fires to cost the industry at least \$4.5 billion by the end of the year.

Tourism contributed \$61 billion to the Australian economy in 2019, representing 3.1% of GDP, and the industry directly employs 5% of the workforce, according to government body Tourism Research Australia.

HEAD OFFICE

Level 33, 360 Collins
Street
Melbourne VIC 3000
Australia
w+61 3 9620 2220

MAXCAP LOCATIONS

Melbourne
Sydney
Brisbane
Perth
Auckland
Singapore

The Federal Government's \$76M Tourism Recovery Package announced just last weekend, is a welcome start in the short term with \$20M already being provided for a domestic tourism marketing campaign to encourage Australians to holiday in Australia and provide support to affected communities and regions.

Medium-term outlook

Looking ahead, the tourism sector is projected to strengthen with the unprecedented program of infrastructure projects providing an ongoing boost to the hotel sector. Major projects which will continue to increase Australia as a tourist destination include: the development of the Western Sydney Airport, the Queen's Wharf development in Brisbane and the expansion of the Melbourne Convention Centre.

According to Tourism Research Australia, international visitors are projected to increase from 8.6 million in 2019 to 11.7 million tourists by 2024 with domestic overnight and day trips increasing from 336 million trips to 356 million trips over the same period.

As a result of the increased tourism, over the next five years, international visitor nights are projected to increase by 29% with domestic visitor nights forecast to increase by 7%.

Long-term outlook

In tandem with its economic transition, Chinese society is also undergoing dramatic structural changes and transformation. With China having recently overtaken New Zealand as our biggest source of international tourists, the burgeoning middle-income class of China is a significant driver of future tourism in Australia.

According to the United Nations World Tourism Organization (UNWTO) Chinese tourists overseas spent USD\$277.3Bn in 2018, up from around \$10bn in the year 2000. Collectively, America's tourists spent USD\$144.2bn.

Consider this: just 9% of Chinese citizens – or 120 million people – possess a passport, compared to around 40% of Americans, and 76% of Britons. Clearly the potential for further growth – China's population is 1.42 billion – is staggering.

Chinese passport holders are projected to increase to 240 million this year, double 2019 levels!

By 2028/29, the five largest inbound markets in terms of visitor spend will be China, US, India, UK and Japan, which collectively will contribute over 55% of inbound visitor spend.

Total tourist spend in Australia is forecast to grow 59% from \$148.7Bn to \$236.5Bn between 2018/19 and 2028/29 with international tourists jumping to 14.6 million over the next 10 years.

DISCLAIMER: MaxCap Group Pty Ltd (MaxCap) 2020 – This report, information and material presented therein are for information purposes only and do not constitute and should not be interpreted as either a solicitation of an offer to sell or to buy or subscribe for any financial instruments, an investment recommendation or advice, including legal, tax or accounting advice. Use, reliance or reference to any of the information contained in this report will be at the user's own risk. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, MaxCap or its affiliates and subsidiaries do not guarantee their adequacy, accuracy and completeness and will not accept any responsibility or liability whatsoever for any loss or damage (whether direct, indirect, incidental or consequential) resultant from any use of, reliance on or reference to the contents of this report. In preparing this report, we have derived and relied upon, without independent verification, all information obtained from third party sources and MaxCap does not make any representation or warranty as to their adequacy, accuracy or completeness. As a general report, this material does not necessarily represent the view of MaxCap in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of MaxCap to the form and content within which it appears.