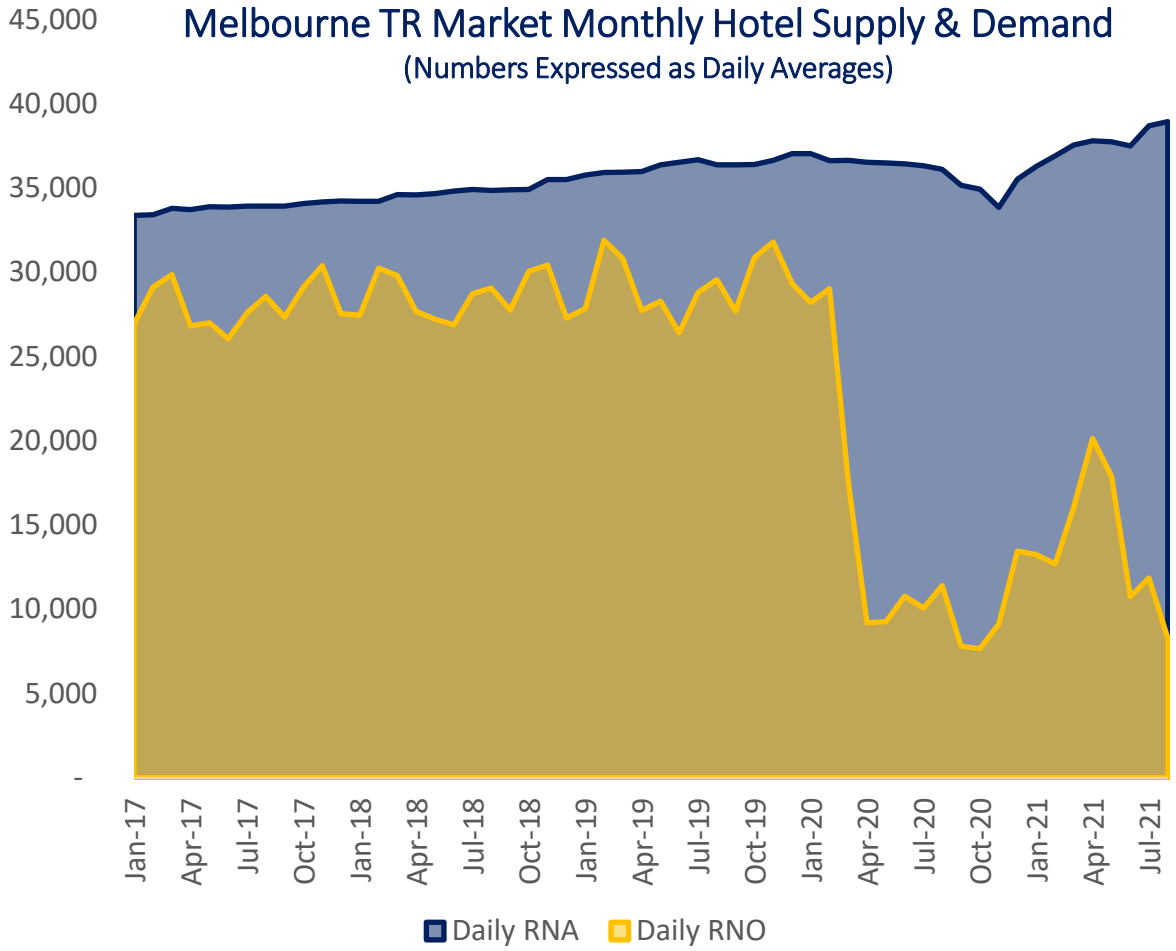
Melbourne Hotel Market Outlook

September 2021

accommodation association

Horwath HTL
Hotel, Tourism and Leisure

Historical Supply & Demand Trends



Source: STR

- The impact on demand from the pandemic can be clearly seen in the chart to the left with a sudden and significant drop experienced in April 2020 in the Melbourne Tourism Region (TR) hotel market.
- Demand levels dropped further with the second wave of the virus spreading in Melbourne and a stage-4 lockdown implemented between August and October 2020.
- Demand levels began to show a strong return to growth in the first half of 2021, however, a resurgence with the Delta strain of the virus has seen demand levels fall back to match the lows recorded in 2020 as of August 2021.
- Hotel supply in 2020 contracted due to a number of hotel and serviced apartment closures as well as the delayed opening of a number of new hotels to very late in 2020 or early 2021.
- Supply has shown consistent growth in 2021, increasing from an average weighted supply of about 36,300 rooms in January 2021 to about 39,000 as of August 2021.

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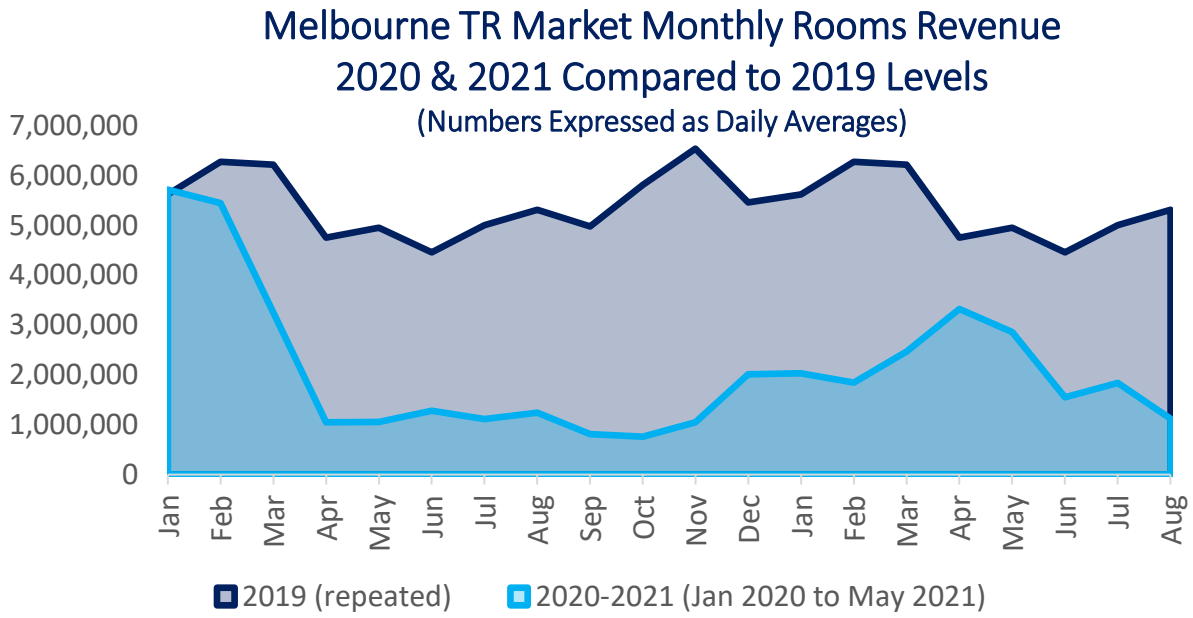
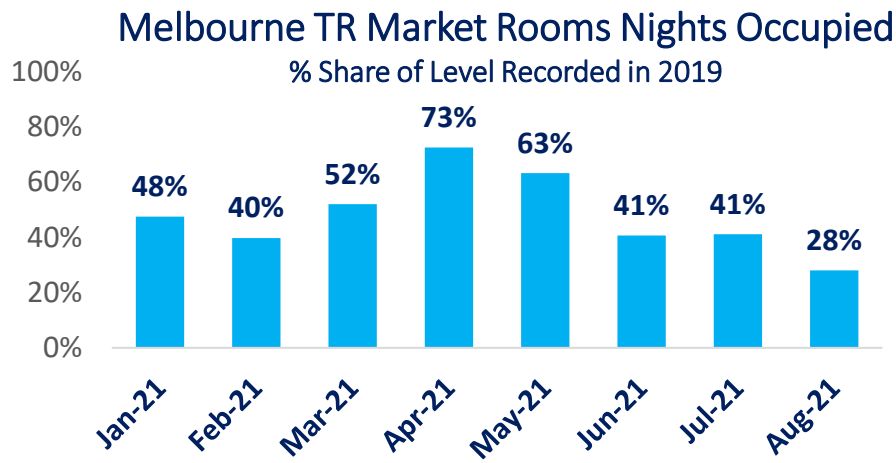
Melbourne TR Performance Recovery



- With significant declines in demand levels, hotel rooms revenue has dropped significantly. Revenue remained largely flat from April 2020 through November 2020 before a recovery began.
- However, revenue levels peaked in April 2021 before declining again to similar lows recorded in 2020.



- When compared against room night occupied levels in 2019, it can be seen that the Melbourne TR market was showing positive signs of returning to pre-pandemic levels in 2021, having reached a high of 73% in April 2021 relative to demand captured in April 2019.
- Subsequent impact of the pandemic has seen this decline to the lowest levels recorded in 2021 with current expectations that there will not be any significant improvements until Q1 2022.

Source: STR

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Melbourne TR Supply Pipeline

FORECAST ADDITIONS TO SUPPLY - CY 2021 to 2025			
STATUS	Reported Number of Rooms	Likelihood of Opening (Weighting)	Weighted Number of Rooms
Opened/Closed in 2021	2,270	100%	2,270
Under Construction	5,686	97%	5,541
Progressing	10,334	29%	3,011
Total	18,290	59%	10,822

ANNUAL SUPPLY OUTLOOK - CALENDAR YEARS				
YEAR	RNA	Daily RNA	Current Supply	New Additions
2015	11,752,109	32,198	31,835	363
2016	11,996,571	32,867	32,198	670
2017	12,361,479	33,867	32,867	1,000
2018	12,708,677	34,818	33,867	951
2019	13,266,207	36,346	34,818	1,527
2020	13,143,570	36,010	36,346	-336
2021	13,993,375	38,338	36,010	2,328
2022	15,413,580	42,229	38,338	3,891
2023	16,157,777	44,268	42,229	2,039
2024	17,084,891	46,808	44,268	2,540
2025	17,334,580	47,492	46,808	684
CAAGR				
2015 - 19	*3.1%*			
2015 - 20	*2.3%*			
2019 - 25	*4.6%*			
2020 - 25	*5.7%*			

Source: Horwath HTL

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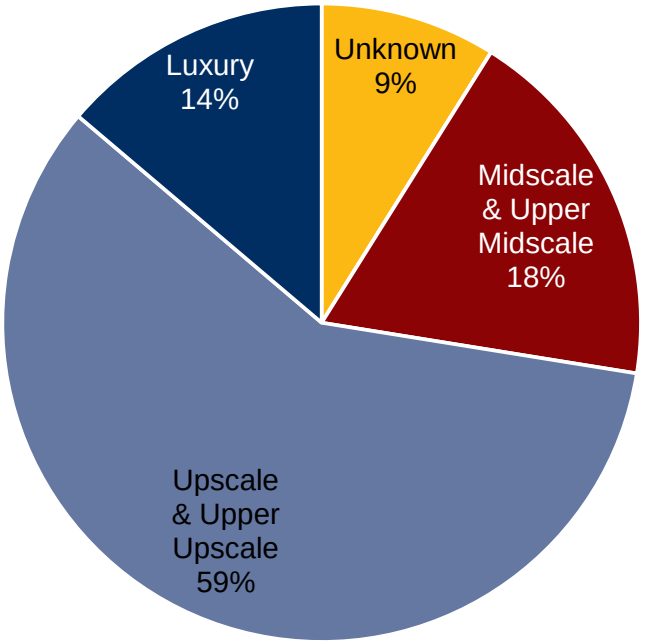
Melbourne TR Supply Pipeline

Melbourne TR Market Estimated New Supply By Market Positioning



Source: Horwath HTL

- Melbourne TR has a significant supply pipeline that was already largely in place prior to the onset of the pandemic.
- The impact on demand levels from the pandemic has delayed a number of hotel openings and continues to place uncertainty on the viability of a number of hotel projects moving forward.
- However, Horwath HTL continues to track close to 100 hotel projects across Greater Melbourne representing a total possible increase to room supply of about 18,300 rooms.
- In 2021, a total of 2,270 rooms have already opened in the market and there are a further 5,868 rooms under construction.
- Of the additional 10,300 rooms identified, Horwath HTL have applied an estimated likelihood to proceed based on the current status of each project. We estimate that approximately 3,000 of these rooms will enter the market by the end of 2025.
- Room supply in the Melbourne TR market is estimated to grow at a compound annual average growth rate of 5.7% between 2020 and 2025.
- The majority of new supply is expected to sit within the Upscale and Upper Upscale market (59%), followed by Midscale and Upper Midscale properties (18%).

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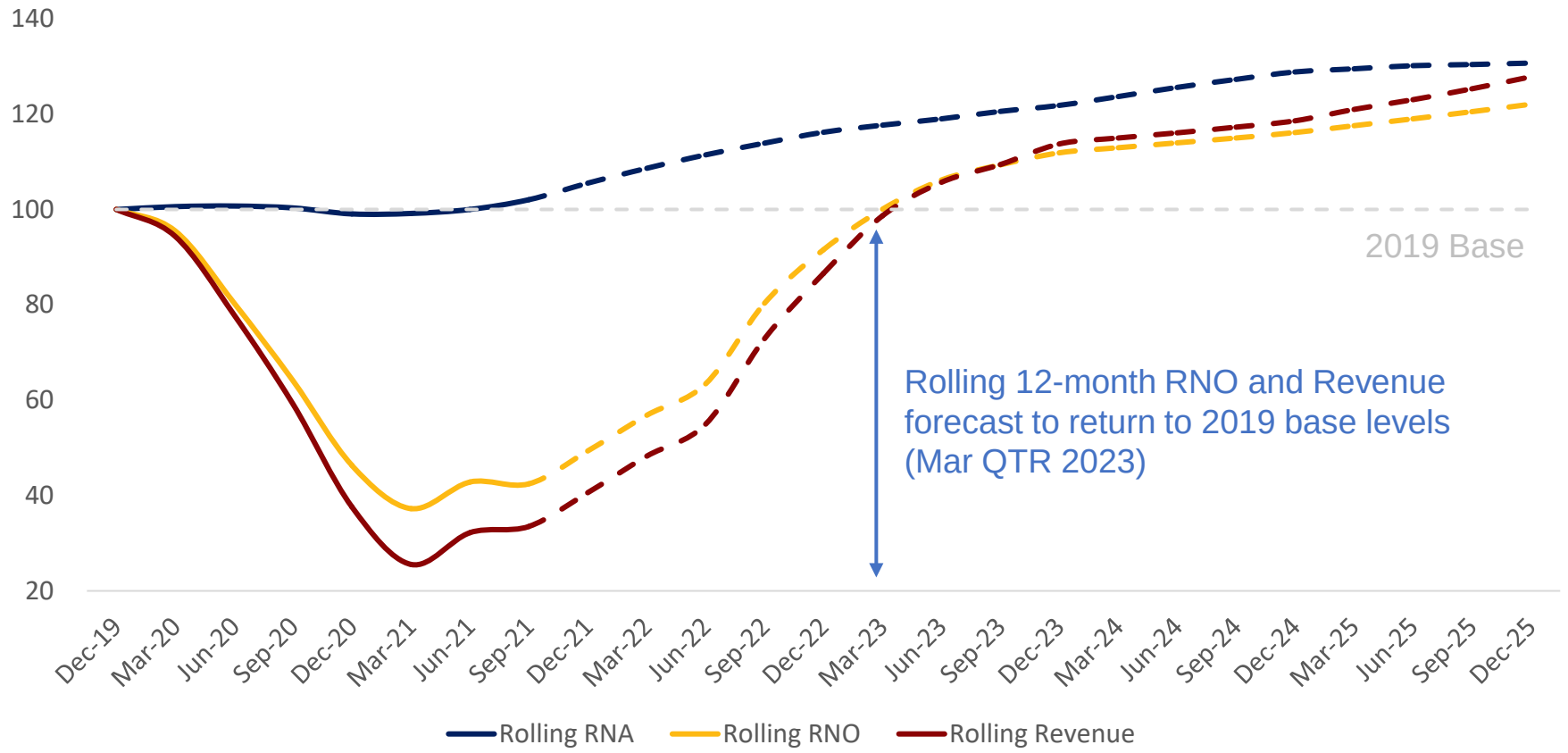
Melbourne TR Recovery Path



Source: Horwath HTL

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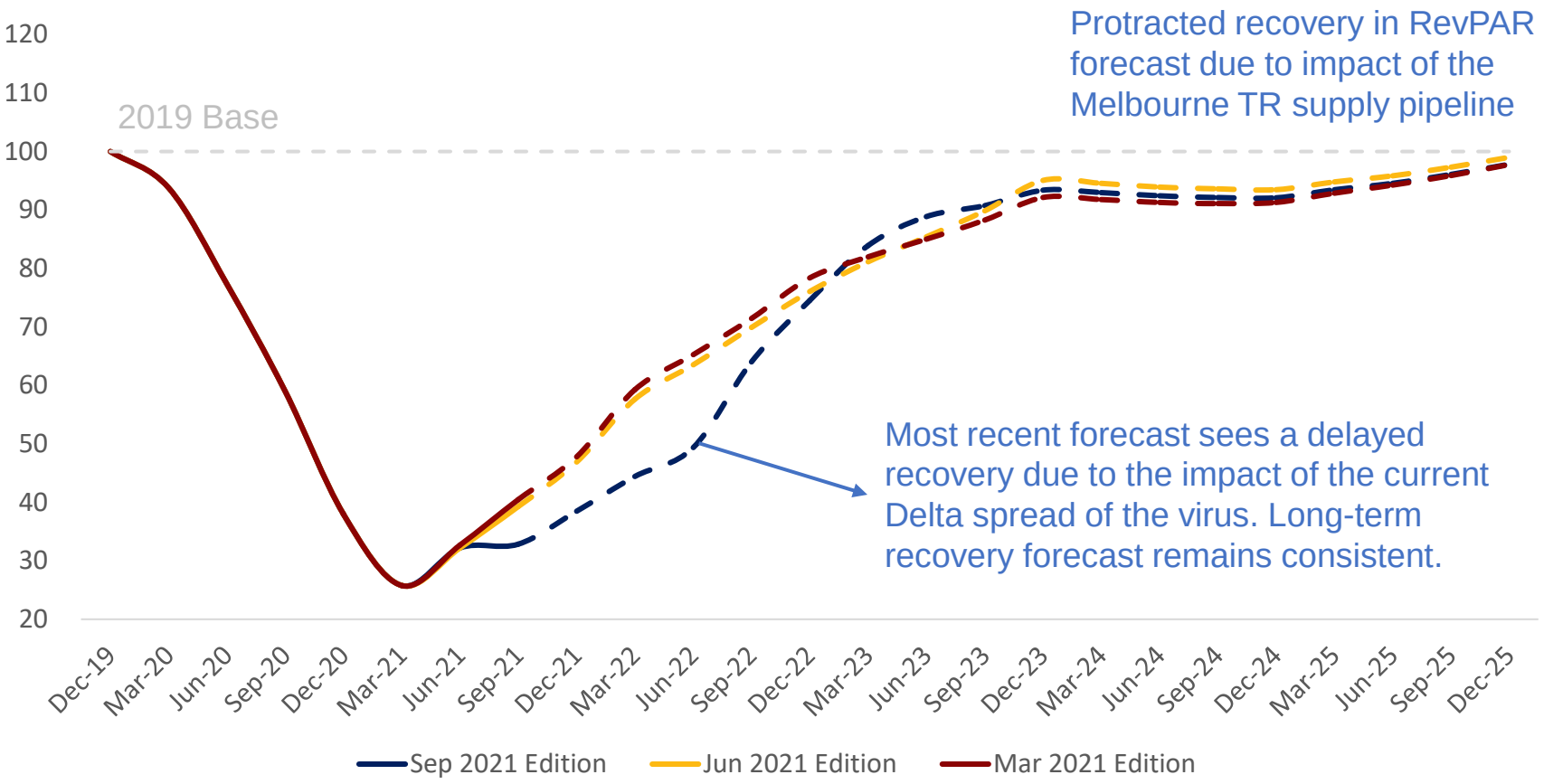
Melbourne TR RevPAR Recovery Path



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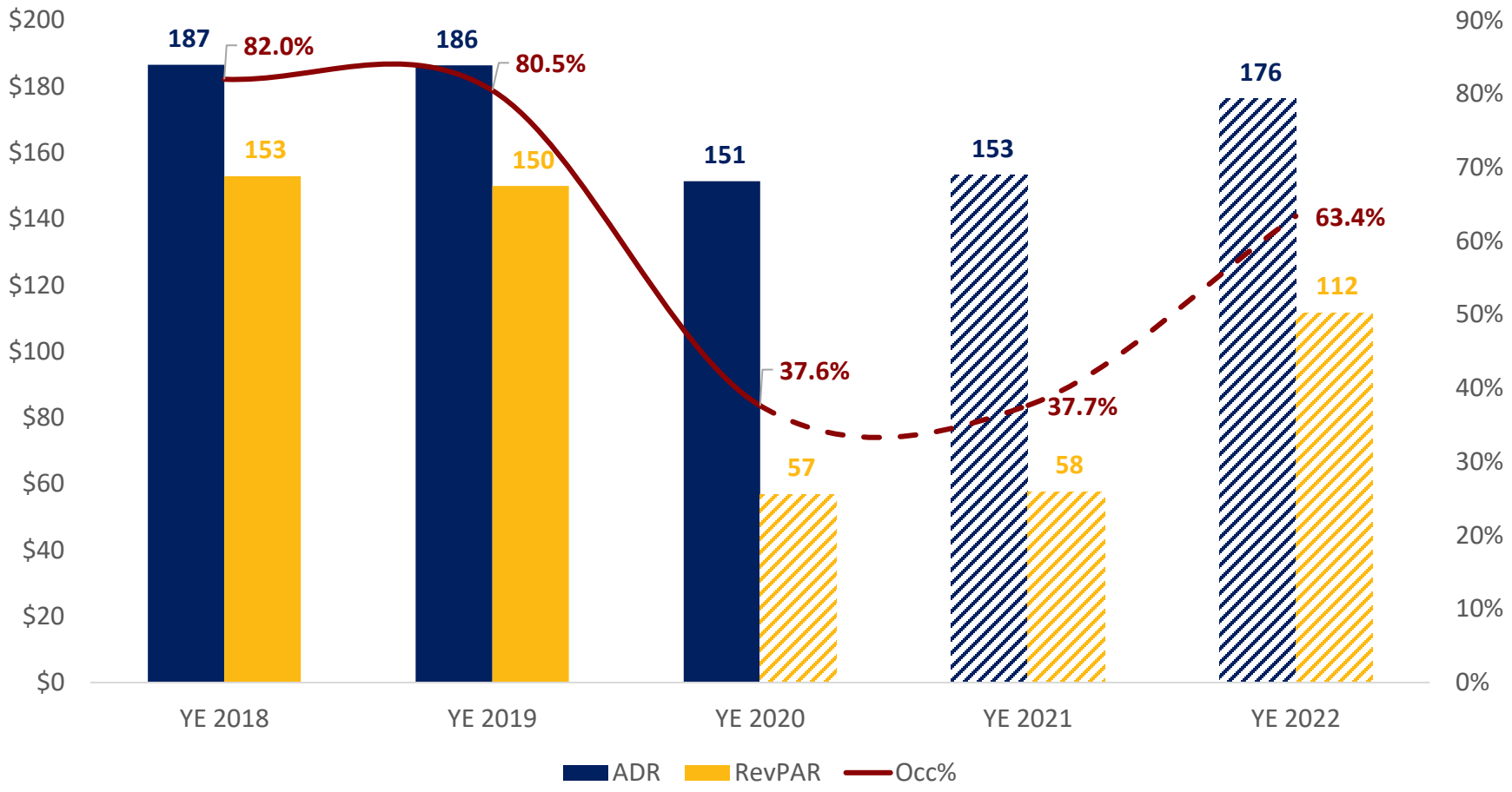
Melbourne TR Performance Forecast



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