AUS Accommodation Inventory / Pipeline Analysis, Outlook ‘23

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AUS Accommodation Inventory and Supply Pipeline Analysis

In our opinion, the combined trend of lower short term rental accommodation stock (e.g. Airbnb) due to rising residential yields, and low incoming supply of new economy, midscale and upper midscale hotel projects in ’23-’26 pose relatively low risk across all major cities (except Melbourne) for hotel owners / investors in these respective classes. This also takes into consideration a possible flattening of ADR, RevPAR and occupancy growth due to unstable economic conditions as favourable towards the economy to upper midscale classes as “revenge travel / excessive spending” may subside. Moreover traditionally, hotels in this class range also offer the highest cap.

In regards to upscale to luxury class, a moderate risk environment ensues from the majority of confirmed upcoming developments catering towards these higher tiers, but there is a possible slight mitigation effect contributed by considerable drops in STRA stock ’21-’22.

Comparatively, Melbourne is the city with considerable risks with the highest upcoming supply and highest % by far of STRA relative to hotel inventory of the capital cities. Brisbane / Gold Coast poses highest margin of safety with the cumulative effect of dropping STRA, moderate capped incoming supply, Queens Wharf Development and Olympics 2032 effect, with North QLD also attractive due to significantly higher cap rates. The most tangible risk in Brisbane being the upper upscale and luxury tier concentrated in CBD region, as all the new supply is in that small radius of development. Sydney, Darwin, Perth, Canberra will experience only a low to moderate increase in hotel room supply throughout ’23-’26 and have all low STRA stock as % of hotel room supply. In our opinion, Adelaide would pose slightly higher risk with a 10%+ supply increase upcoming ’23 - ’26.

In totality the effect of return of China travellers is yet to be seen with current data but is forecasted to have significant positive effect.

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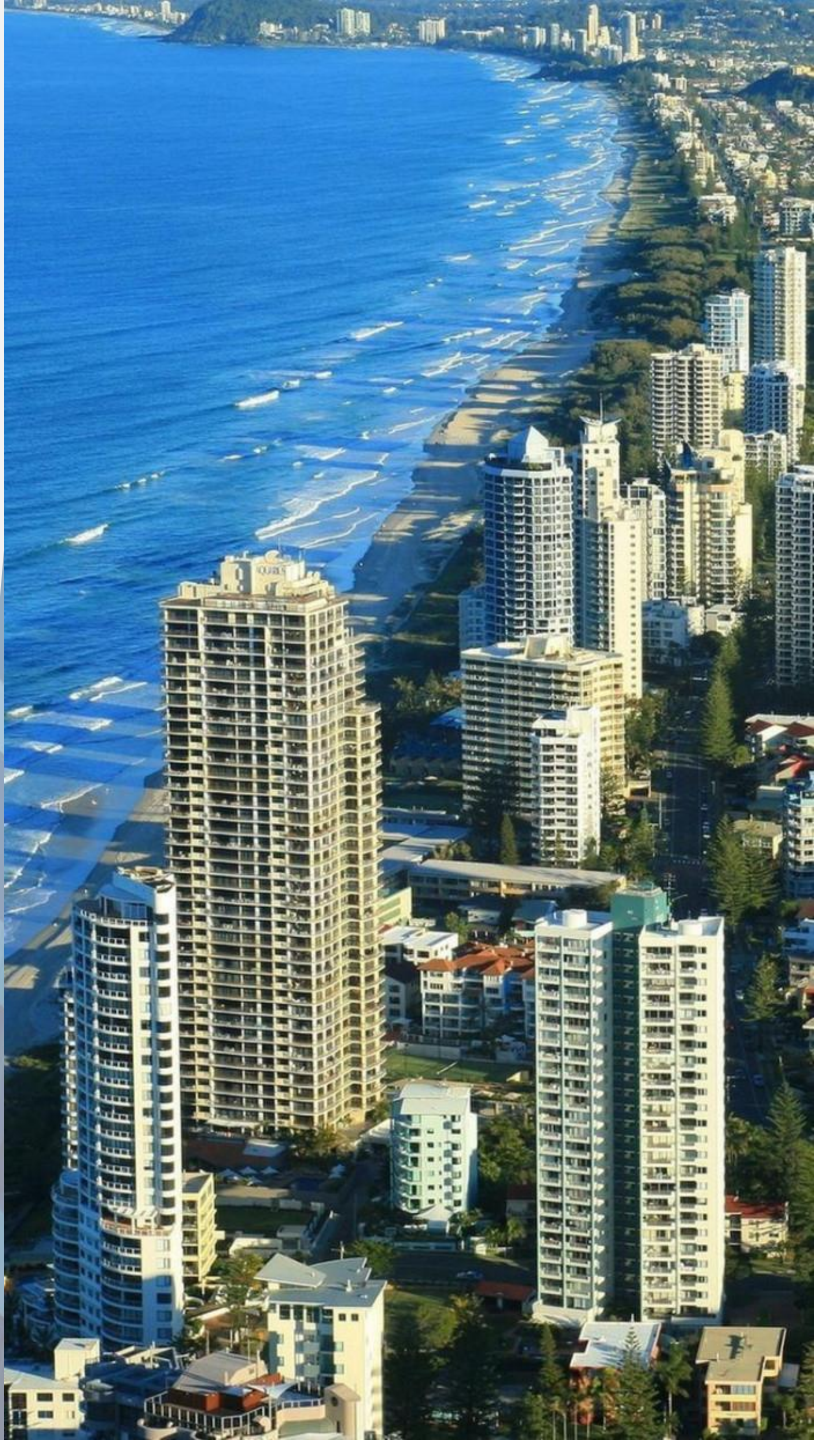
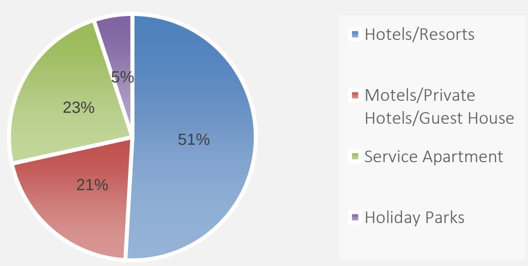


AUS Accommodation Inventory, Type, Class, Revenue

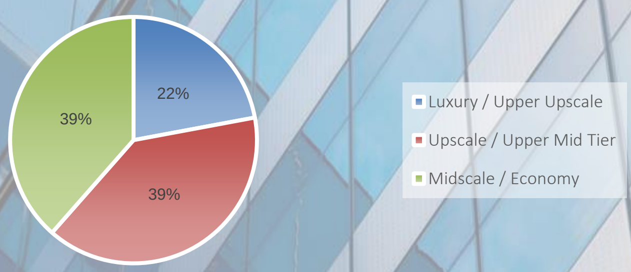
1.Aus Accommodation Inventory by Total, Type, Class FY22				
Accommodation Type	Room Count	Share of Total	Property Count	Share of Total
Hotels/Resorts	159,102	50.91%	1,822	30.89%
Motels/Private Hotels/Guest House	64,499	20.64%	2,354	39.91%
Service Apartment	73,070	23.38%	1,294	21.94%
Holiday Parks	15,829	5.07%	429	7.27%
Total	312,500		5,899	
Class				
Luxury / Upper Upscale	68,945	22.06%	643	10.90%
Upscale / Upper Mid Tier	123,166	39.41%	1,714	29.06%
Midscale / Economy	120,389	38.52%	3,542	60.04%
Total	312,500		5,899	

On data (raw source courtesy of STA). As of FY22, there are 5,899 properties providing 312,500 short term accommodations in inventory, equating to 112,558,583 room nights supply in FY22 (chart 1). 51% (chart 2) of the inventory is hotel/resort accommodation which translates to 159,102 rooms over 1,822 properties, averaging 87.3 rooms per property. Hotel/Resorts also takes the largest share of accommodation revenues (chart 5) contribution. Regarding accommodation class, there are 68,945 (22.06%) of rooms in the luxury / upper upscale category supplied over 643 properties (107.2 rooms per property). Upscale / Upper Mid-tier supplies 39.41% of accommodation rooms with 123,166 rooms supplied across 1,714 properties (72 rooms per property). In terms of revenue contribution, upscale / upper mid-tier also has the highest contribution (chart 4). Both by all classes and types throughout FY22, the sector experienced considerable growth / recovery.

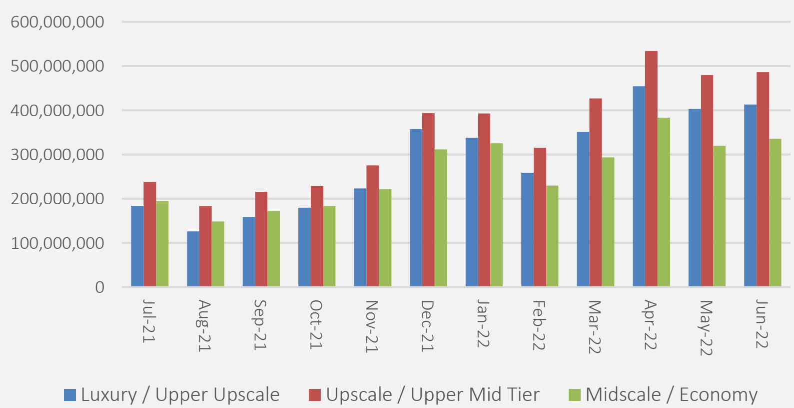
2.Aus Room Inventory by Type FY22



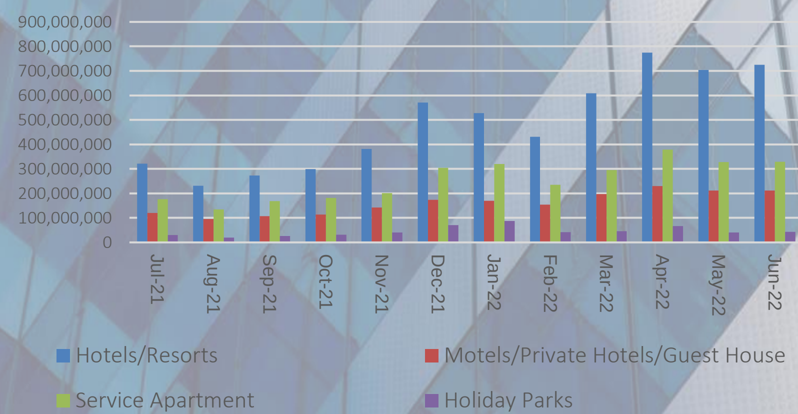
3.Aus Room Inventory by Class FY22



4.Rev Trend by Accommodation Class FY22



5.Rev Trend by Accommodation Type FY22



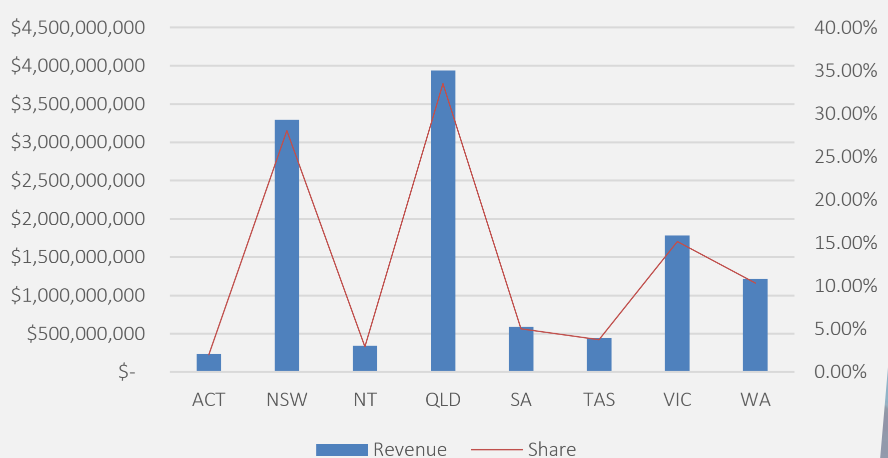
AUS Accommodation Inventory, by State

Charts 5-7 refers to accommodation inventory and revenue by state. NSW has the largest share of inventory with 93,926 (30.06%) of the rooms across 1,893 properties (32.09% of properties) and QLD at a close second with 88,416 rooms (28.29%) across 1,807 properties (30.63% of properties). VIC follows with 59,256 rooms (18.98%) across 1,066 properties (18.07% of properties). Interestingly, QLD exceeds significantly in room revenue, taking the largest share at approximately 4B (33.5%) of the total of AUS room revenues with NSW at 3.3B (28%) and following with VIC at 1.8B (15%).

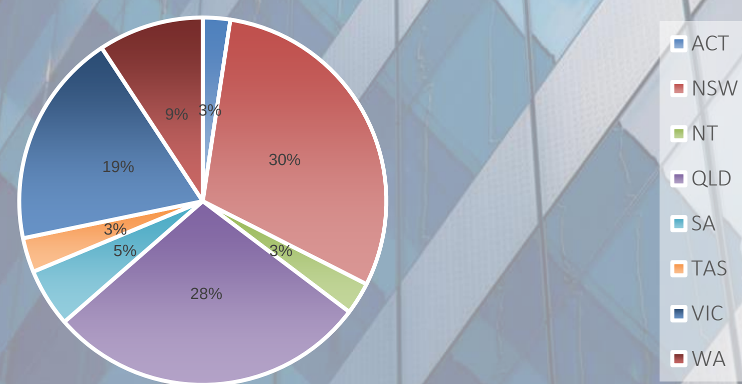
5.Aus Accommodation Inventory by State FY22

States	Room Count	Share of Total	Property Count	Share of Total
ACT	7,522	2.41%	71	1.20%
NSW	93,926	30.06%	1,893	32.09%
NT	8,863	2.84%	102	1.73%
QLD	88,416	28.29%	1,807	30.63%
SA	16,056	5.14%	321	5.44%
TAS	9,476	3.03%	222	3.76%
VIC	59,236	18.96%	1,066	18.07%
WA	29,005	9.28%	417	7.07%
Total	312,500		5,899	

6.FY22 Room Revenue by State, with Share (%)



7.Aus Accommodation Inventory Share by State FY22

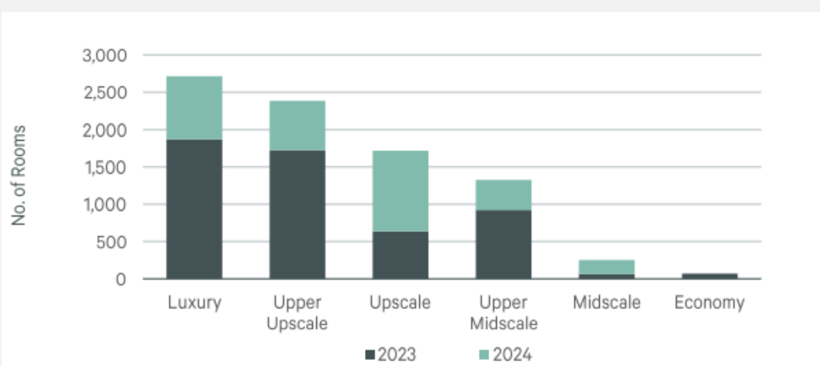


AUS Hotel Accommodation Upcoming Supply '23-'26

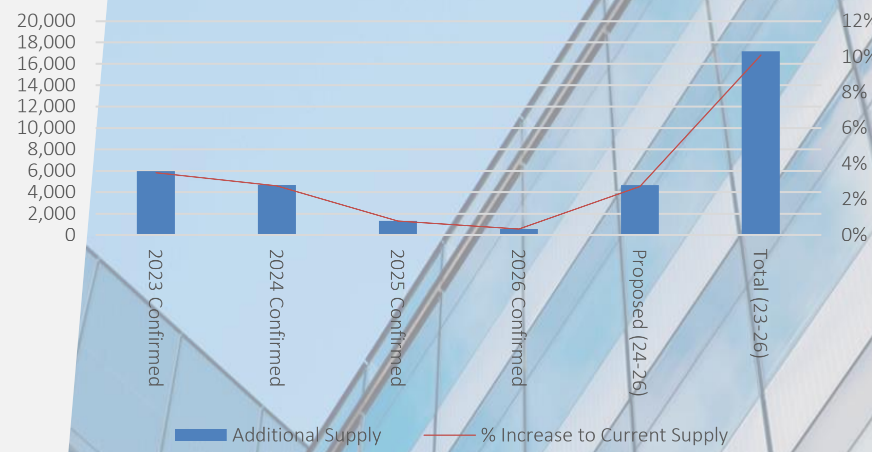
Due to escalating construction costs, rising cost of capital and investor appetite due to current macroeconomic environment, a total of 17,710 rooms (chart 9) is expected to be delivered equating to a 10.1% increase in supply. This takes into account those built in '22 (3,420 rooms) and proposed but not confirmed projects (4,638 rooms). 2022 (chart 11) saw the opening of 3,400 rooms with Melbourne opening 11 new hotels, Sydney 4 hotels, Gold Coast 2 Brisbane 1 and Canberra 1 new hotel. Diving into the effect (chart 8) of supply increase by year, 2023 sees the biggest increase in supply with 5,949 rooms to be delivered equating to 3.49% increase in supply and 2024 with 4,681 rooms expected equating to 2.75% of supply. It is to be noted (chart 10) that the majority of supply is luxury and upper upscale projects with only 3 projects to be expected in the midscale and economy range – Tribe Hotel in Melbourne in 2024, 187 rooms, a private branded hotel coming to Perth in 2024 with 66 rooms and just one economy project expected throughout Australia, the Ausoted by Argyle with 71 rooms in Perth. The upcoming supply also matches the current trend of increasing RevPar and ADR.

9.Australia Wide New Hotel Room Supply ('22-'26)		
Year	Additional Supply	% Increase to Current Supply
2022 Built	3,420	
2023 Confirmed	5,949	3.49%
2024 Confirmed	4,681	2.75%
2025 Confirmed	1,337	0.79%
2026 Confirmed	566	0.33%
Proposed (24-26)	4,638	2.72%
Total (23-26)	17,171.0	10.1%

10.Aus New Hotel Room Supply Pipeline by Class



8.Aus New Hotel Room Supply Pipeline by Year



11. 2022 Newly Opened Hotels List		
Location	Hotel Name	Rooms
Melbourne	Oakwook Premier Hotel and Apartments	392.00
Melbourne	Holiday Inn Express Melbourne Little Collins	312.00
Melbourne	Voco Melboune	252.00
Melbourne	AC Hotel by Marriot Southbank	205.00
Melbourne	Hyatt Place Carribbean Park	170.00
Melbourne	Courtyard by Marriot Flagstaff Gardens	150.00
Melbourne	Veriu Queen Victoria Market	110.00
Melbourne	Lyf Collingwood	105.00
Melbourne	Quest Collingwood	83.00
Melbourne	Mercure Pakenham	64.00
Melbourne	Punthill Essendon North	40.00
Sydney	Meriton Suites Parramata	315.00
Sydney	Ace Hotel	264.00
Sydney	The Porter House Mgallery	122.00
Sydney	The Clancy	38.00
Gold Coast	Meriton Suites Surfers Paradise	363.00
Gold Coast	The Langham Gold Coast	339.00
Brisbane	Executive Residency Woollongabba	51.00
Canberra	The Sebel Canberra Campbell	45.00

Capital City Hotel Accommodation Upcoming Supply ’23-’26

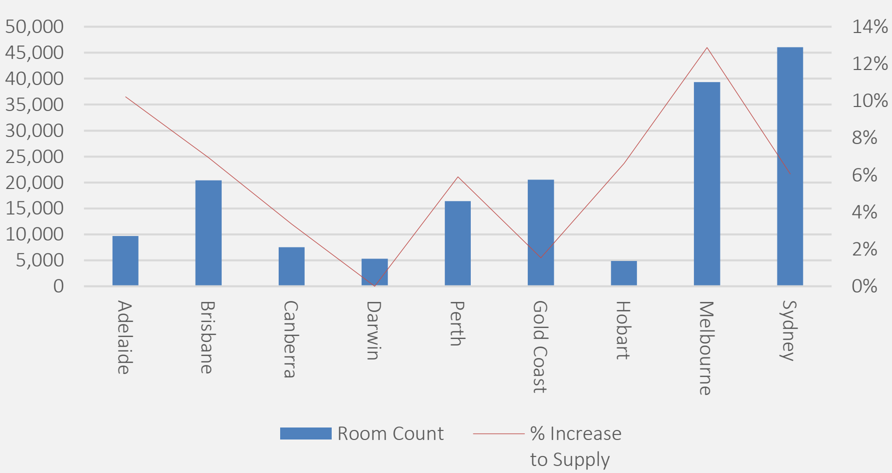
Region by region, Melbourne is the most at risk of oversupply. Accounting for ’22-’26 including proposed projects, 51% of the overall of upcoming new supply of Australian hotel rooms are from Melbourne. Looking forward from ’23-’26, Melbourne has 12 new confirmed projects to be delivered translating to 2,836 more new hotel rooms which is 33.88% of the total of upcoming confirmed new hotel rooms across Australia ’23-’26. Including proposed projects, that is 5,069 new rooms coming to Melbourne ’23-’26 which is a 12.9% increase in rooms supply across Melbourne. This is alarming as Melbourne also has the largest (as % of hotel inventory) STR accommodation with 18,629 STR accommodations which is actually 47.34% of hotel room supply. All other capital cities, STR accommodation accounts for less than 25% of hotel room supply.

Sydney however, sees 9 new projects (upper midscale to luxury class) confirmed to be delivered in ’23-’26 adding 2,791 new rooms which translates to an increase in hotel room supply by 6.1%. Brisbane sees 5 projects (upscale to luxury class) all delivered across the luxury Queens Wharf developments with 1,420 expected to be delivered ’23-’26 which is approximately 7% increase in room supply. Gold Coast only sees a 1.5% increase in supply with coming 3 projects confirmed in ’23-’26. Also to be noted is Adelaide which although it only has 4 confirmed projects coming ’23-’26 (+993 rooms), that is already a 10.2% increase to the current supply. For Canberra, Darwin, Perth and Hobart, we do not see the upcoming supply as disrupting the current status of hotel performance.

12. Capital City Hotel Property and Room Inventory (FY22), Upcoming Supply Pipeline(’23-’26)

Location	Property Count	Room Count	Rooms Added '22	Hotels Added '22	Rooms Pipeline 23-26	% Increase to Supply	Hotels Pipeline 23-26	% Increase to Supply
Adelaide	126	9,711	0	0	993	10.2%	4	3.17%
Brisbane	293	20,429	51	1	1,420	7.0%	5	1.71%
Canberra	71	7,522	45	1	252	3.4%	1	1.41%
Darwin	49	5,336	0	0	0	0.0%	2	4.08%
Perth	171	16,429	0	0	970	5.9%	4	2.34%
Gold Coast	339	20,532	702	2	318	1.5%	3	0.88%
Hobart	96	4,890	0	0	324	6.6%	1	1.04%
Melbourne	418	39,350	1,883	11	5,069	12.9%	12	2.87%
Sydney	429	46,051	739	4	2,791	6.1%	9	2.10%

13. Current Rooms Count, ’23-’26 Supply % Increase



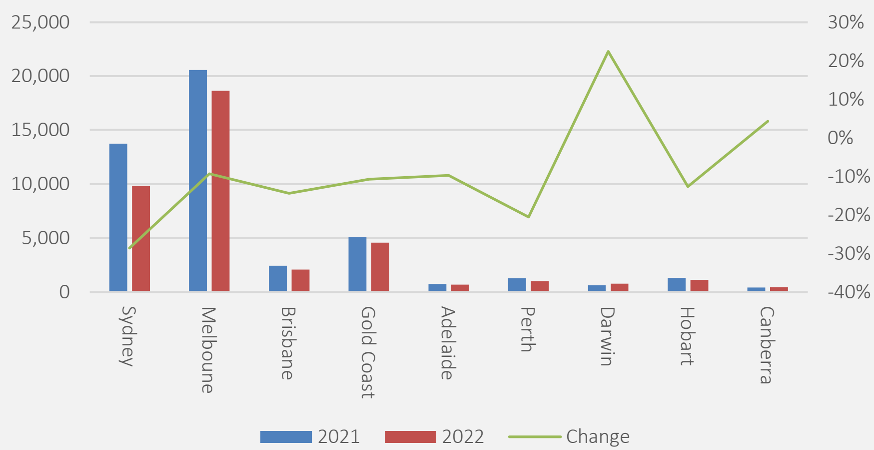
14. Current Hotel Property Count, ’23-’26 Supply % Increase

STRA Supply Dynamics and Affect on Hotel Inventory

15.STRA Supply Dynamics '21, '22					
STRA Listings	2,021	2,022	Change	2021 % of Location's Hotel Inventory	2022 % of Hotel's Inventory
Sydney	13,743	9,814	-28.59%	29.84%	21.31%
Melboune	20,554	18,629	-9.37%	52.23%	47.34%
Brisbane	2,439	2,088	-14.39%	11.94%	10.23%
Gold Coast	5,115	4,563	-10.79%	24.91%	22.22%
Adelaide	738	666	-9.76%	7.60%	6.86%
Perth	1,273	1,011	-20.58%	7.75%	6.15%
Darwin	629	770	22.42%	11.79%	14.43%
Hobart	1,291	1,127	-12.70%	26.40%	23.05%
Canberra	421	439	4.28%	5.60%	5.84%

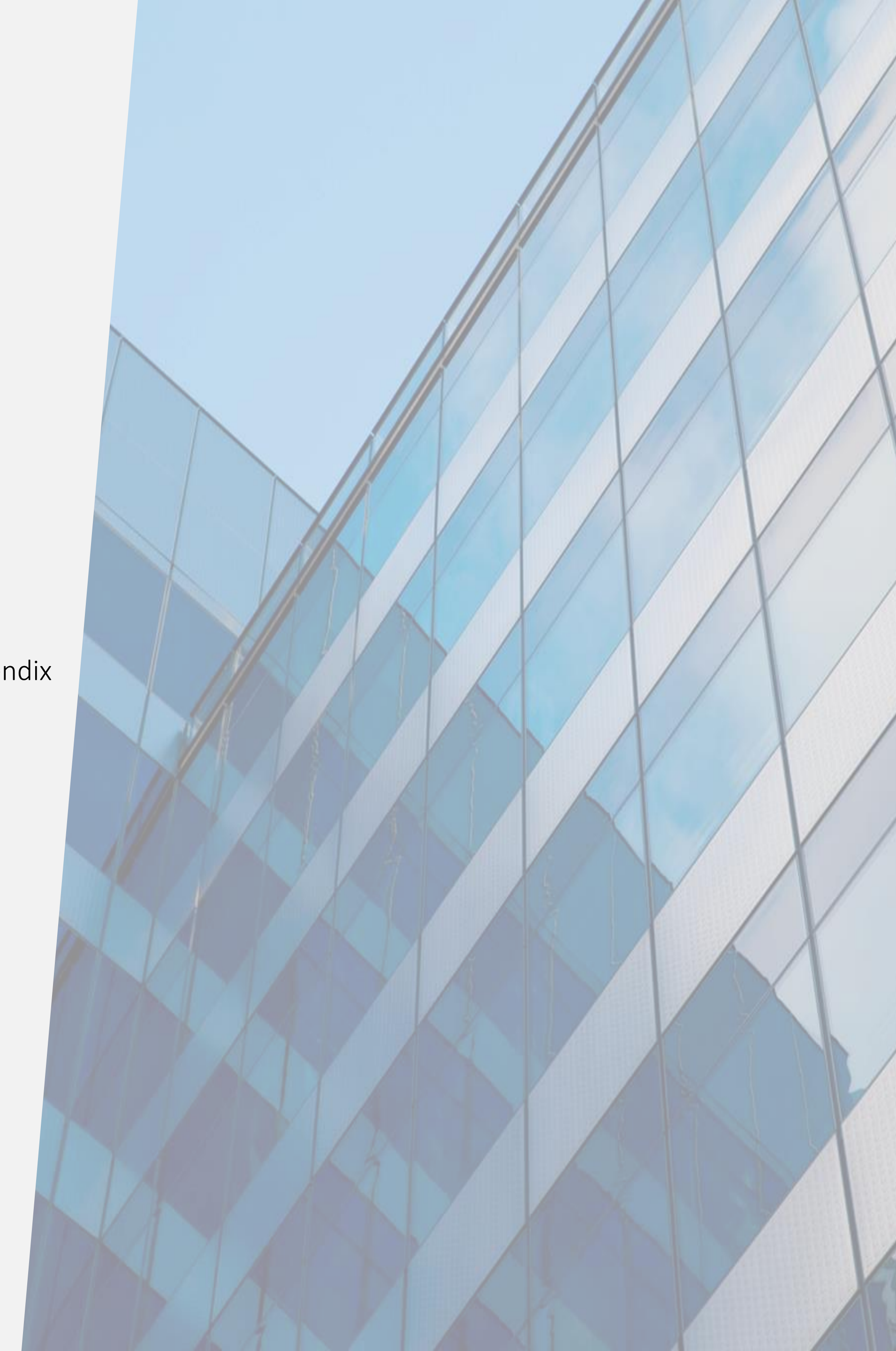
To measure the upcoming potential oversupply risks, the short-term rental accommodation market (STRA), ie. Airbnb etc, needs to be taken into account. Surprisingly, the STRA market is shrinking during FY22 with all capital cities shrinking in supply. This is due to the skyrocketing long term rental yields and explosion in residential demand, with owners opting to flip their short term rentals and locking in with stable long term rentals with increasing yield. As an example, Sydney saw a 28.59% drop in STRA supply, Perth saw a 20.58% drop, Brisbane saw a 14.39% drop. Respectively, as % of hotel room supply this saw Sydney's STRA supply as % of Hotel inventory drop from 29.84% to 21.31%, Perth from 7.75% to 6.86%, Brisbane from 11.94% to 10.23%. Darwin is the only city that saw an increase of 22.42% in STRA supply, however, that only accounts for 14.43% of hotel room inventory. The risk in oversupply is in the city of Melbourne, where STRA is 47.34% of hotel inventory, even with a 9.37% drop in supply from 21-22. To conclude, the heavy decline in STRA supply is positive for the hotels sector and mitigates any potential oversupply risks of upcoming hotel developments in '23-'26.

16.AUS STRA Supply and % Change '21-'22



17.AUS STRA as % share of Hotel Inventory '21, '22

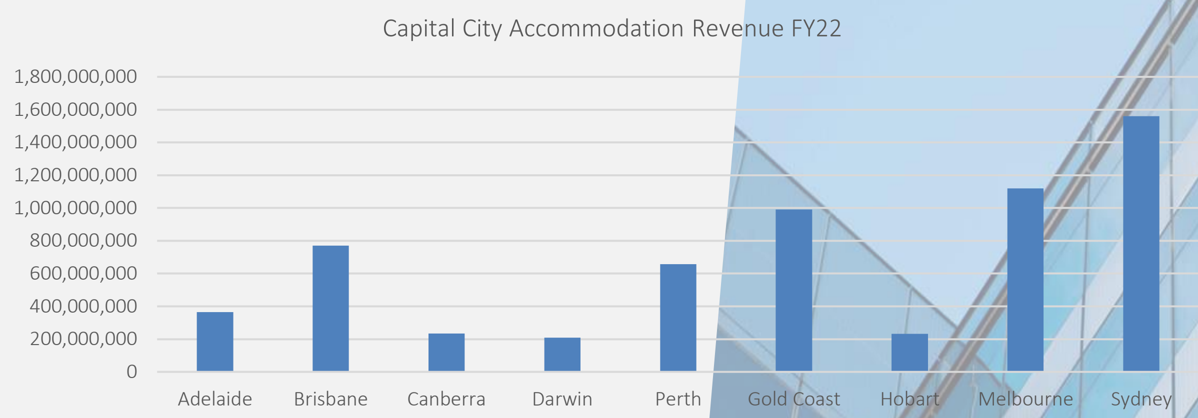
Appendix



2023-2026 Confirmed Hotel New Development

Confirmed Upcoming Hotel Inventory Delivery '23-'26						
Location	Name	Rooms	Class	Date	Total	Share
Sydney	Citadines North Sydney	252	Upscale	2023		
Sydney	Capella Sydney	192	Luxury	2023		
Sydney	W Hotel	593	Luxury	2023		
Sydney	Moxy Hotel Sydney Airport	301	Upper Midscale	2023		
Sydney	Hilton Garden Inn Hotel	105	Upscale	2024		
Sydney	CE Boston 25hour Hotel	107	Upper Upscale	2024		
Sydney	Hotel Indigo (Tattersails Club)	110	Upscale	2025		
Sydney	Walldorf Astoria	220	Luxury	2026		
Sydney	Collection by TFE Surry Hills	102	Luxury	2026	1,982	23.68%
Melbourne	Le Meridien Hotel	235	Upper Upscale	2023		
Melbourne	Dorsett Hotel	316	Upper Midscale	2023		
Melbourne	Ritz Carlton Hotel	263	Luxury	2023		
Melbourne	The Standard Hotel	126	Upper Upscale	2023		
Melbourne	Shangri-La Hotel	496	Luxury	2023		
Melbourne	Lanson Place Parliament Gardens	137	Luxury	2023		
Melbourne	Tribe Hotel	187	Midscale	2024		
Melbourne	Seafarers 1 Hotel	277	Luxury	2024		
Melbourne	Holiday Inn Richmond	160	Upscale	2024		
Melbourne	Holiday Inn Walk Arcade	273	Upper Midscale	2024		
Melbourne	Indigo Hotel Walk Arcade	177	Upper Midscale	2024		
Melbourne	CBD Place Hotel	189	Upper Midscale	2025	2,836	33.88%
Brisbane	Swiss-Belhotel	109	Upper Upscale	2023		
Brisbane	The Star, Queens Wharf	340	Upper Upscale	2023		
Brisbane	Dorsett, Queens Wharf	359	Upscale	2023		
Brisbane	Rosewood Brisbane, Queens Wharf	150	Luxury	2024		
Brisbane	Mooted Ritz Carlton, Queens Wharf	100	Luxury	2025	1,058	12.64%
Gold Coast	Mondrian Hotel	208	Luxury	2024		
Gold Coast	Kirra Beach Hotel	92	Upper Upscale	2024		
Gold Coast	Mooted W Hotel Gold Coast	210	Luxury	2024	510	6.09%
Perth	Ausoted by Argyle	71	Economy	2023		
Perth	Private	66	Midscale	2024		
Perth	Elizabeth Quay	190	Luxury	2025		
Perth	Dorsett Hotel	250	Upscale	2025	577	6.89%
Adelaide	Tryp by Wydnham	124	Upper Upscale	2023		
Adelaide	Vibe Hotel Adelaide	123	Upper Upscale	2023		
Adelaide	Marriot GPO Adelaide	285	Upper Upscale	2024		
Adelaide	Holiday Inn and Suites	130	Upper Upscale	2024	662	7.91%
Hobart	Fragrance Hotel Hobart	206	Upscale	-	206	2.46%
Darwin	North One Hotel and Apartmenets Little Mindi	221	Luxury	2025		
Darwin	Quest Darwin	48	Upper Midscale	2025	269	3.21%
Canberra	Meriton Suites Canberra	270	Upper Upscale	2023	270	3.23%
Total					8,370	

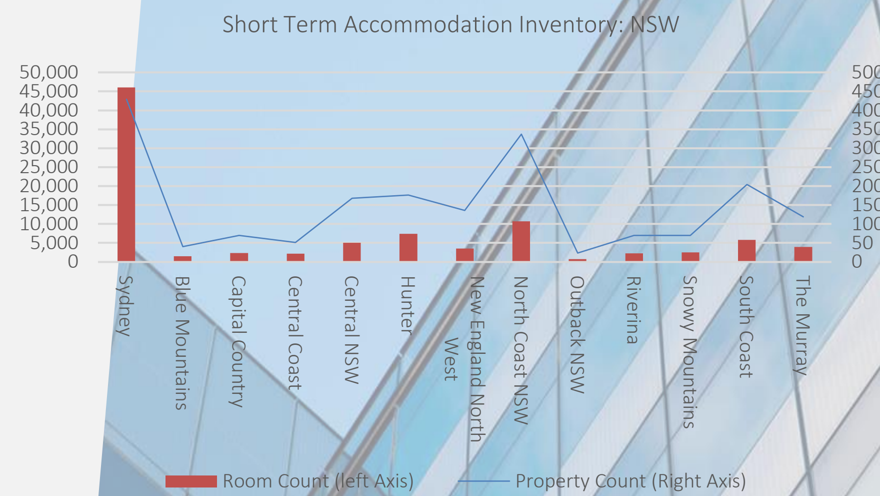
Capital City Accommodation Revenue

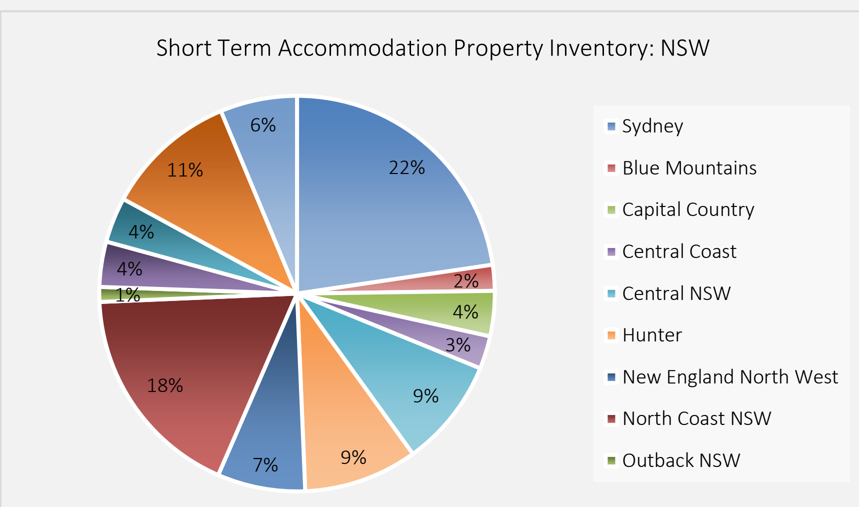


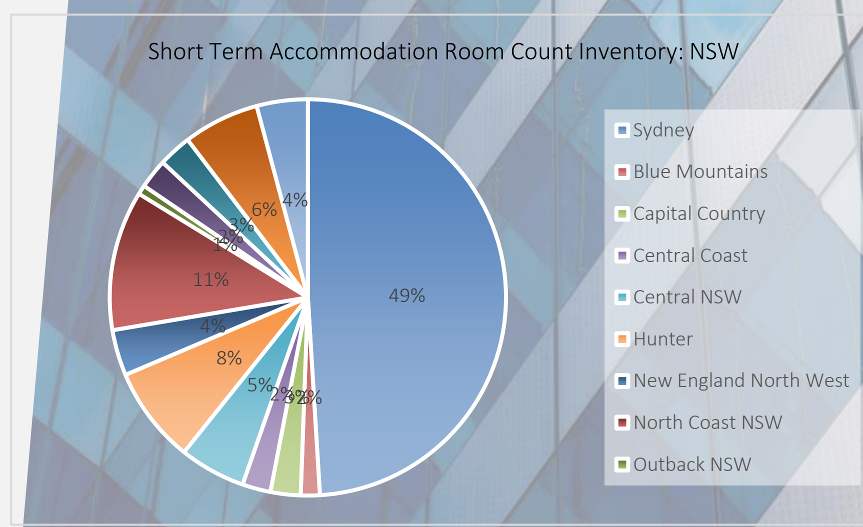
Capital City Accommodation Revenue FY22	
Capital City Regions	Revenue
Sydney	1,559,255,511
Melbourne	1,120,369,228
Gold Coast	991,360,729
Brisbane	771,249,004
Perth	656,488,333
Adelaide	364,054,401
Canberra	234,683,364
Hobart	233,109,095
Darwin	208,373,002
Total	6,138,942,667

NSW Room Supply

Location	Inventory	
New South Wales	Properties	Rooms
Sydney	429	46,051
Blue Mountains	40	1,456
Capital Country	70	2,304
Central Coast	51	2,172
Central NSW	168	5,069
Hunter	176	7,391
New England North West	136	3,514
North Coast NSW	337	10,713
Outback NSW	23	713
Riverina	70	2,259
Snowy Mountains	70	2,545
South Coast	204	5,833
The Murray	119	3,906
Total for New South Wales	1,893	93,926

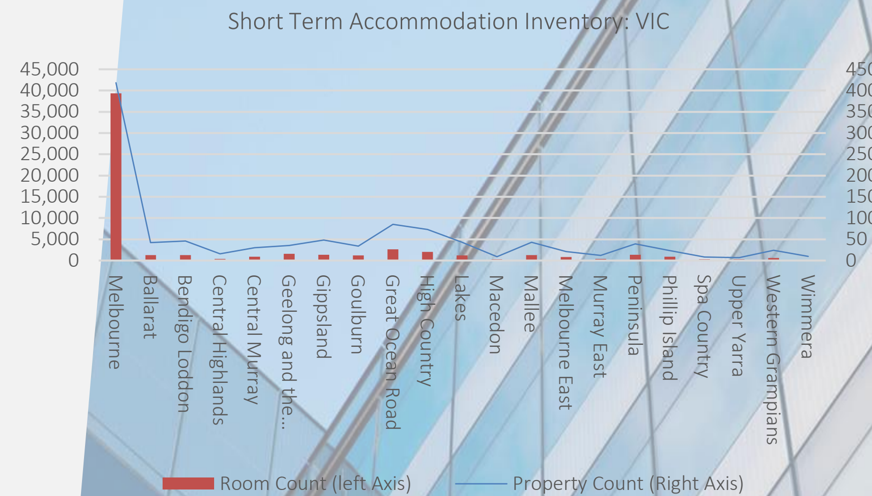


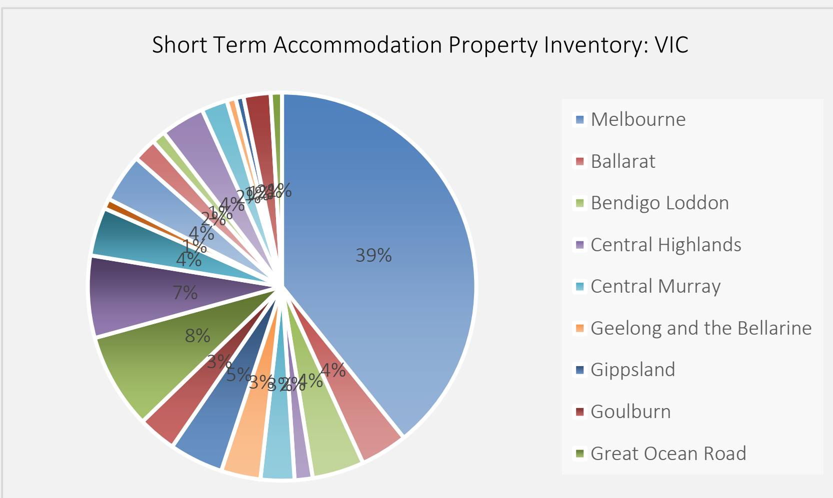


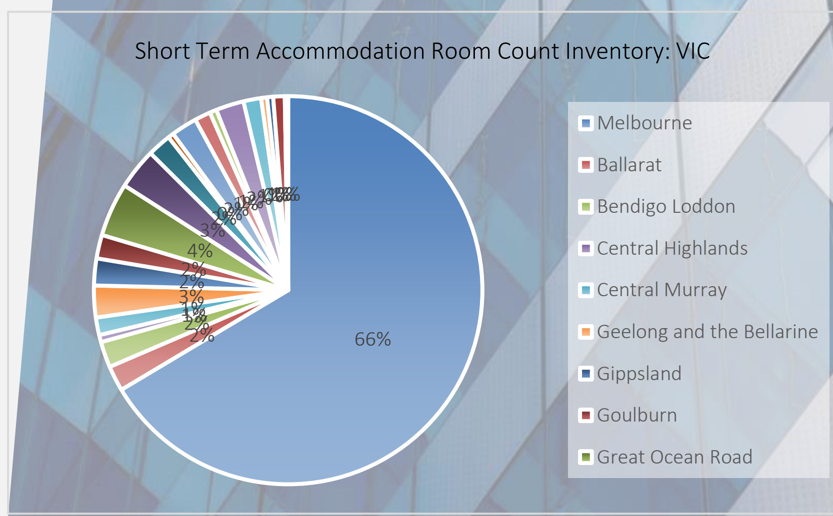


VIC Room Supply

Location	Inventory	
Victoria	Properties	Rooms
Melbourne	418	39,350
Ballarat	42	1,250
Bendigo Loddon	46	1,273
Central Highlands	16	354
Central Murray	30	863
Geelong and the Bellarine	35	1,567
Gippsland	48	1,328
Goulburn	34	1,164
Great Ocean Road	85	2,651
High Country	73	2,015
Lakes	43	1,167
Macedon	9	280
Mallee	43	1,279
Melbourne East	21	784
Murray East	12	343
Peninsula	39	1,379
Phillip Island	23	869
Spa Country	8	291
Upper Yarra	7	300
Western Grampians	24	565
Wimmera	10	164
Total for Victoria	1,066	59,236

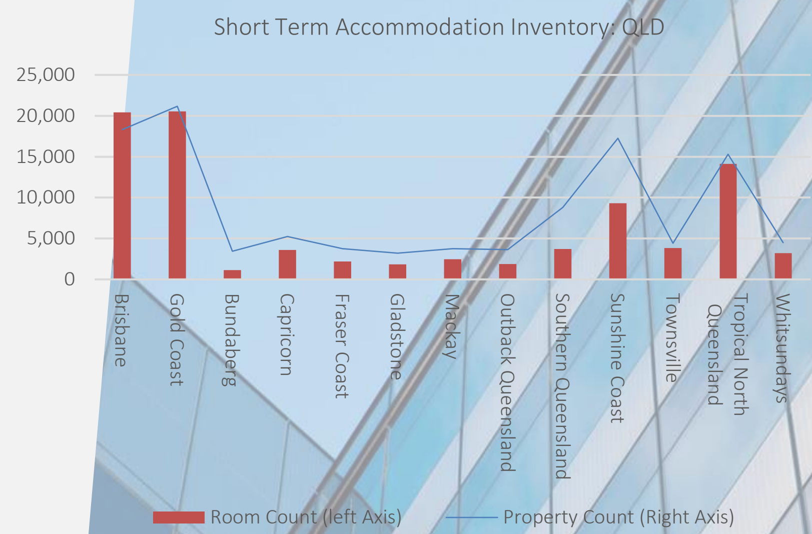


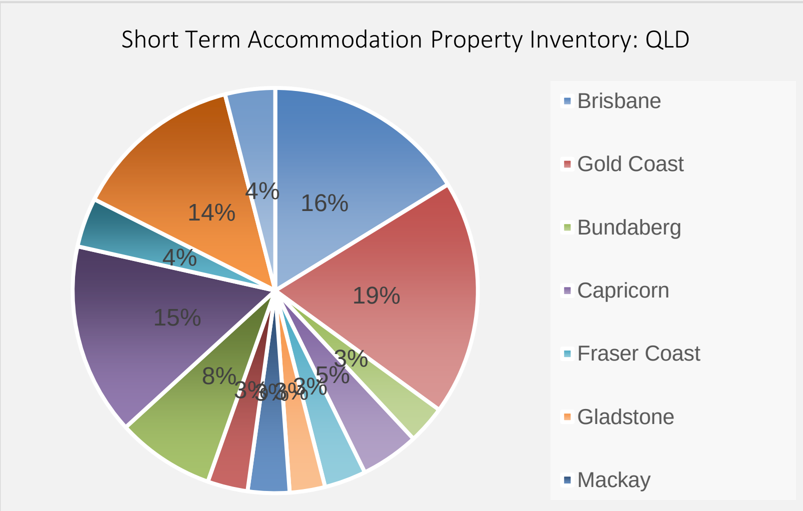


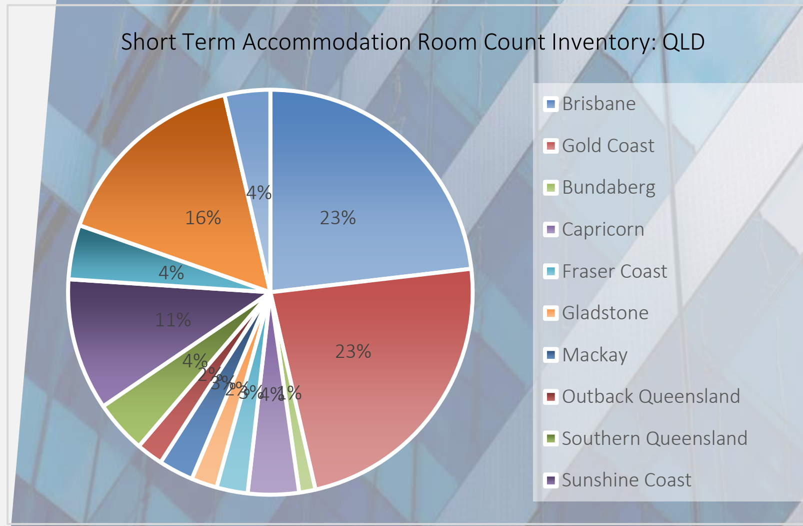


QLD Room Supply

Location	Inventory	
Queensland	Properties	Rooms
Brisbane	293	20,429
Gold Coast	339	20,532
Bundaberg	55	1,148
Capricorn	84	3,600
Fraser Coast	60	2,195
Gladstone	51	1,821
Mackay	60	2,450
Outback Queensland	58	1,880
Southern Queensland	141	3,729
Sunshine Coast	276	9,302
Townsville	71	3,831
Tropical North Queensland	245	14,111
Whitsundays	72	3,216
Total	1,807	88,416

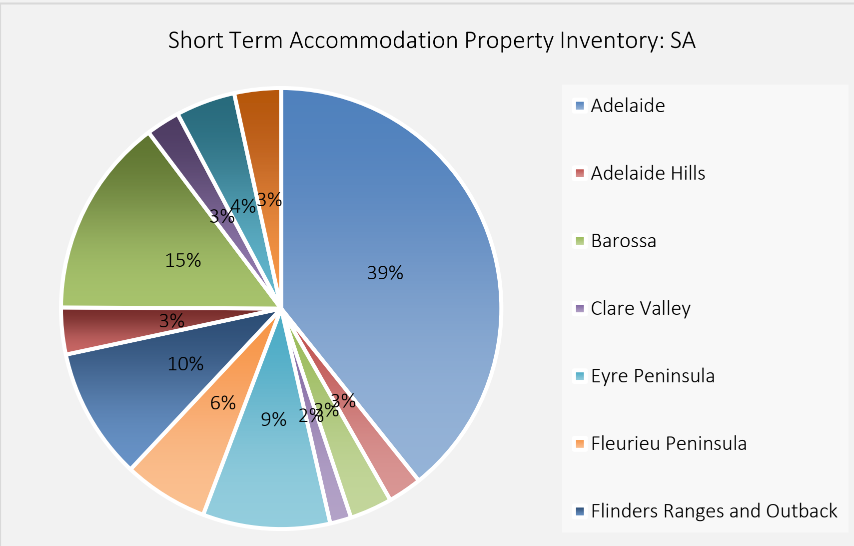


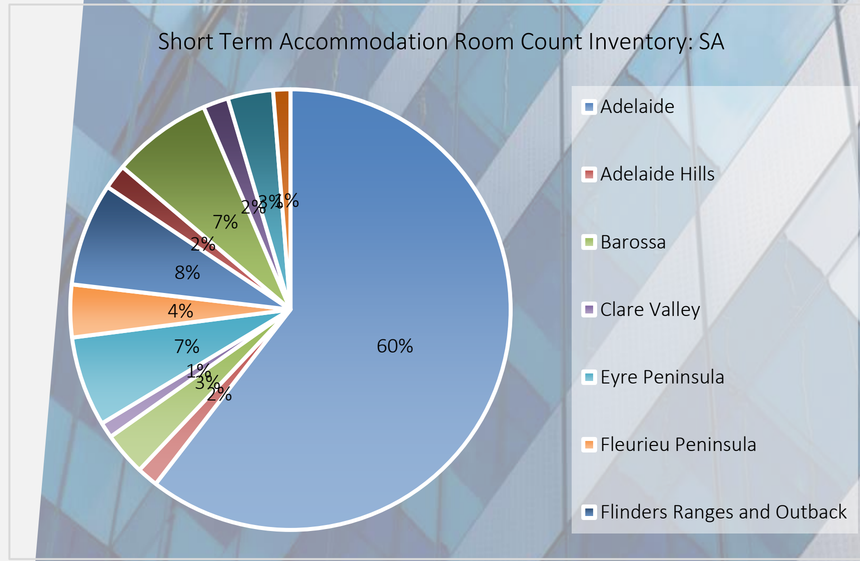




SA Room Supply

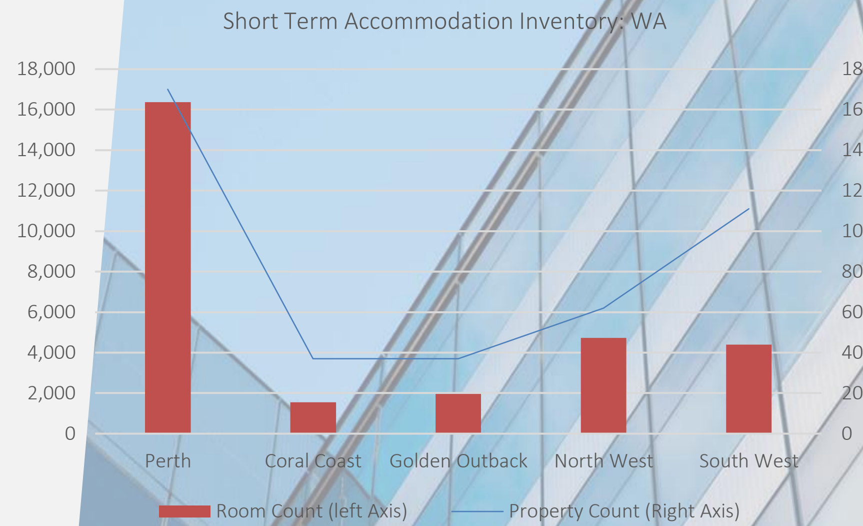
Location	Inventory	
South Australia	Properties	Rooms
Adelaide	126	9,711
Adelaide Hills	8	249
Barossa	10	510
Clare Valley	5	185
Eyre Peninsula	30	1,061
Fleurieu Peninsula	20	620
Flinders Ranges and Outback	31	1,215
Kangaroo Island	11	289
Limestone Coast	47	1,181
Murray River, Lakes and Coorong	8	298
Riverland	14	534
Yorke Peninsula	11	203
Total for South Australia	321	16,056

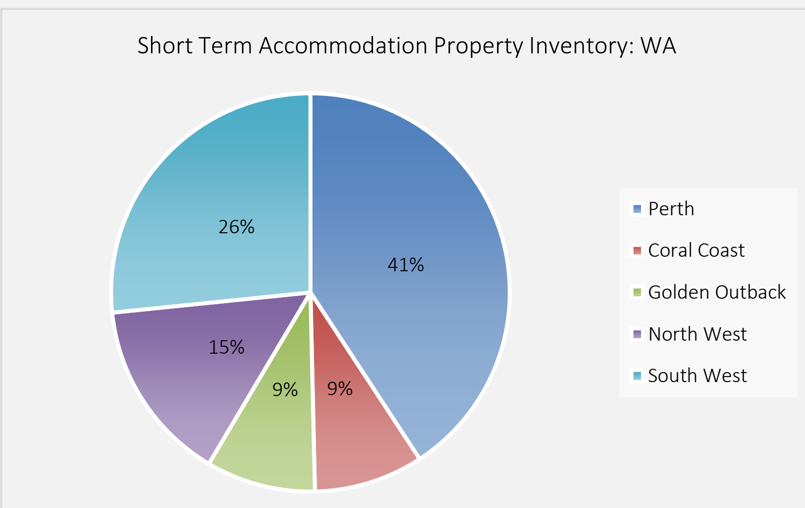


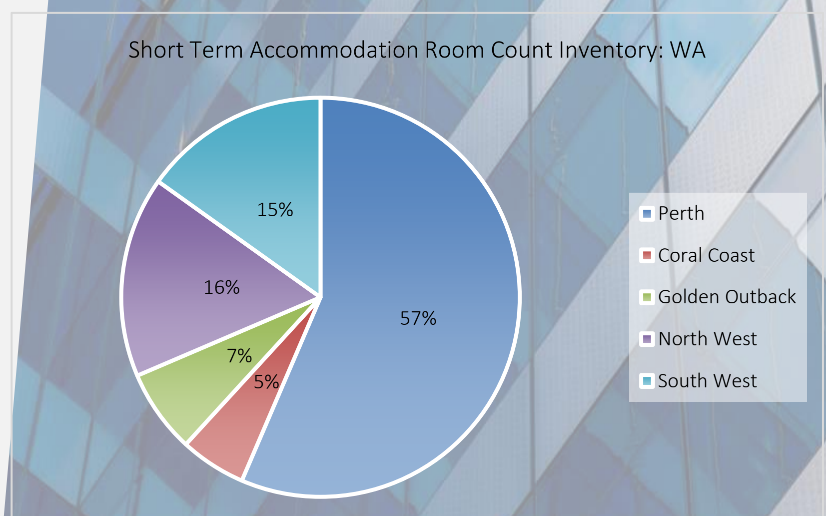


WA Room Supply

Location	Inventory	
Western Australia	Properties	Rooms
Perth	170	16,377
Coral Coast	37	1,551
Golden Outback	37	1,963
North West	62	4,721
South West	111	4,393
Total for Western Australia	417	29,005

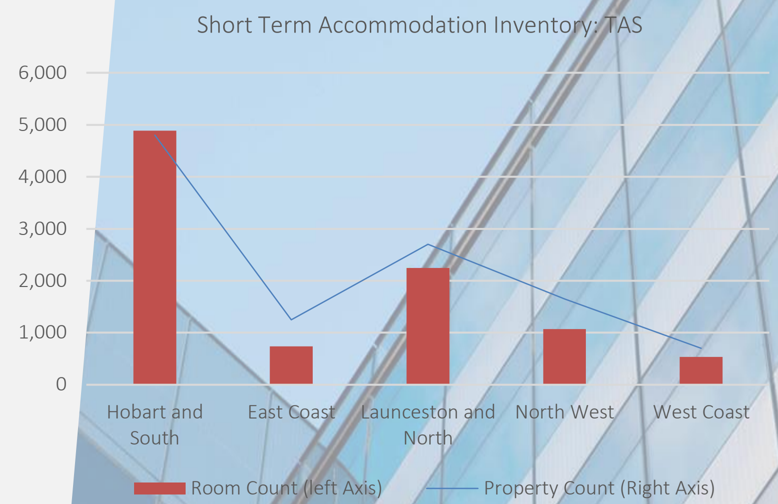


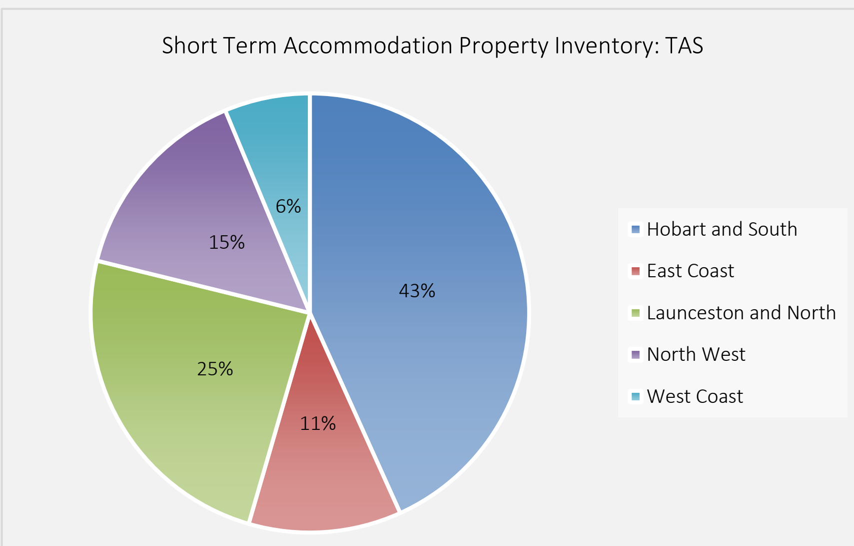


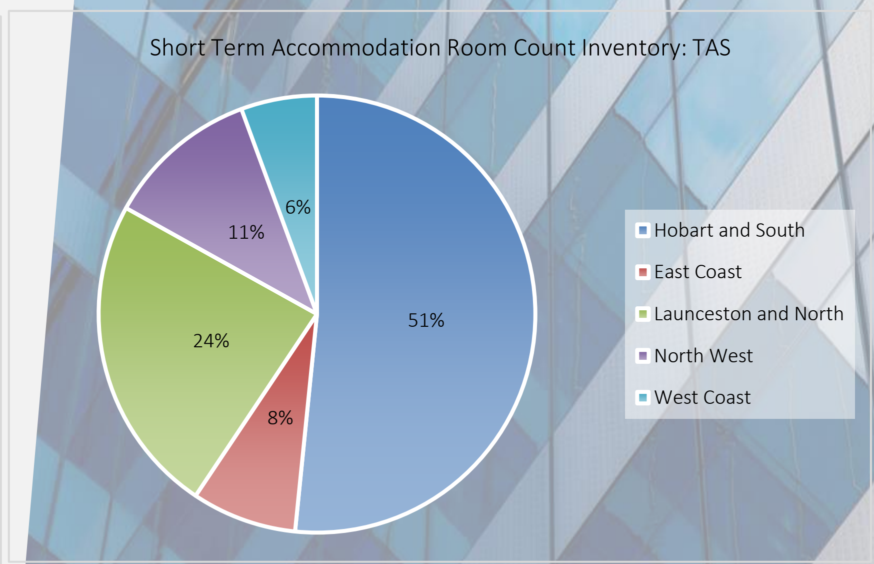


TAS Room Supply

Location	Inventory	
Tasmania	Properties	Rooms
Hobart and South	96	4,890
East Coast	25	737
Launceston and North	54	2,244
North West	33	1,072
West Coast	14	533
Total for Tasmania	222	9,476

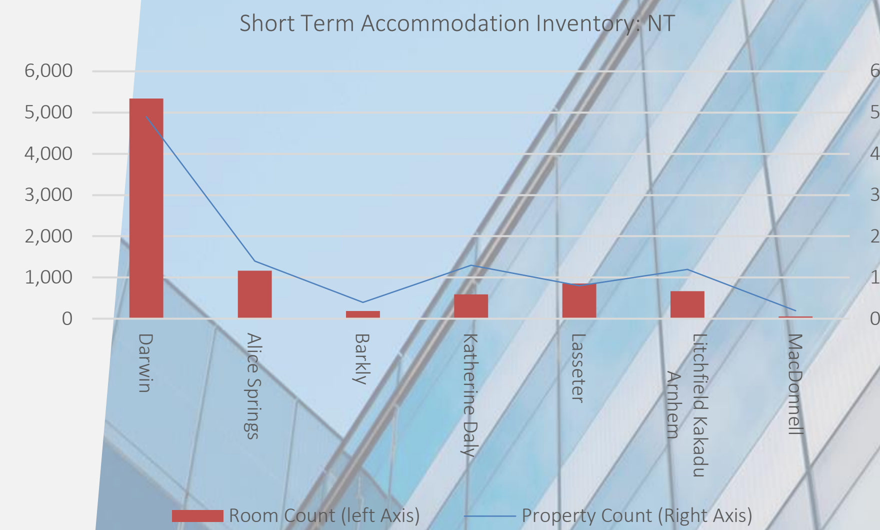


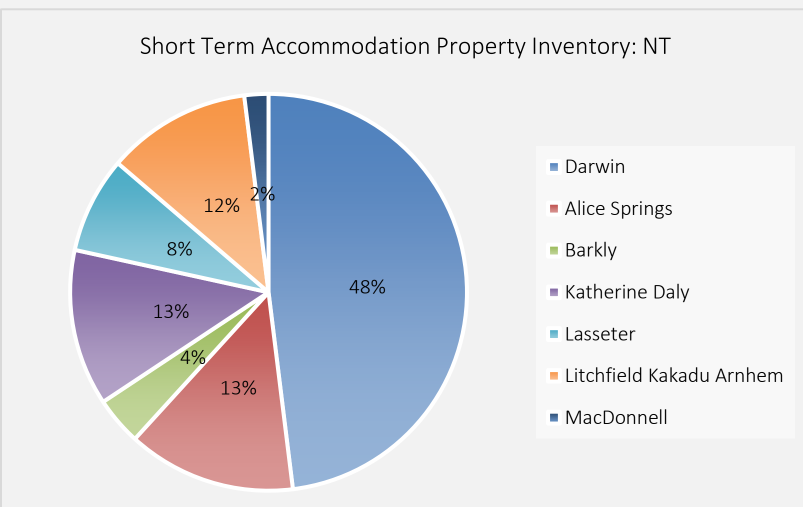


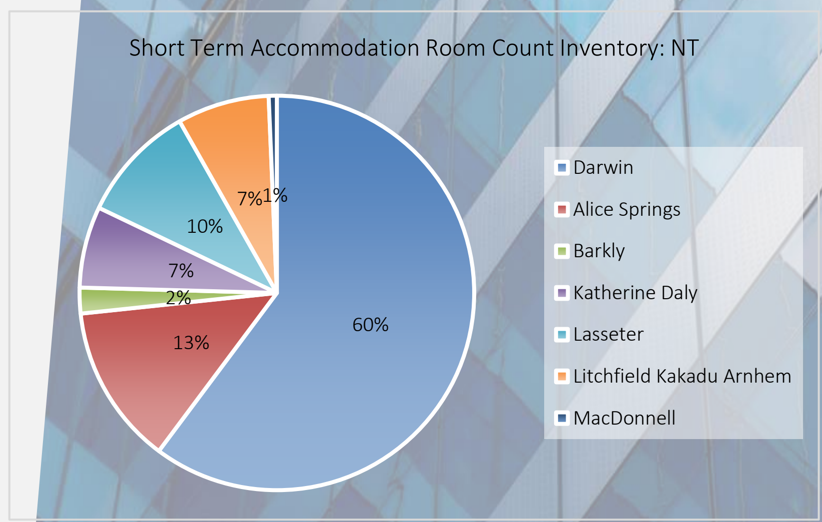


NT Room Supply

Location	Inventory	
Northern Territory	Properties	Rooms
Darwin	49	5,336
Alice Springs	14	1,163
Barkly	4	187
Katherine Daly	13	591
Lasseter	8	859
Litchfield Kakadu Arnhem	12	668
MacDonnell	2	59
Total for Northern Territory	102	8,863







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