

Sydney the leader in occupancy rates

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Sydney is leading the recovery in hotel occupancy rates as room supply remains tight. Figures from the Australian Bureau of Statistics show a strong rebound in the December quarter.

Industry advisers Dransfield Hotels & Resorts said results were well above expectations and confirmed "the [economic] tide has turned". The key figure, revenue per available room or revPAR, fell 2.3 per cent nationally but this was much less than Dransfield and other analysts had expected.

In Canberra, revPAR actually increased, by 5.1 per cent, and also in Sydney, (2.6 per cent) and on the Gold Coast (0.8 per cent.) Generally, demand increased more than expected and new supply was less than expected.

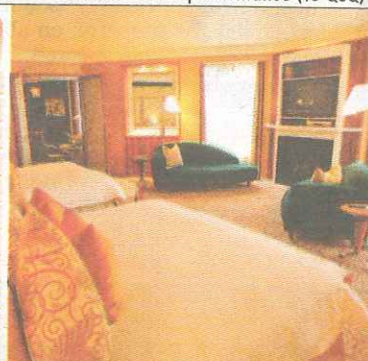
Sydney was the industry's best performer with hotel occupancy for the quarter reaching 86.8 per cent. Colliers International national director

Room revenue

Change in revenue per available room by major hotel market 2009 performance (% QoQ)

	Dec 2009 qtr (%)	2009 full year (%)
Adelaide	-5.7	-2.2
Brisbane	-6.2	-8.6
Cairns	-8.9	-12.3
Canberra	5.1	-0.1
Darwin	-6.5	-6.3
Gold Coast	0.8	-3.2
Hobart	-3.2	1.5
Melbourne	-4.8	-8.3
Perth	-10.6	-4.1
Sydney	2.6	-8.7
Total market	-2.3	-6.7

SOURCE: AUSTRALIAN BUREAU OF STATISTICS, DRANSFIELD HOTELS & RESORTS



of hotels and leisure, Michael Thomson, said solid demand in Australia's major gateway city was driving optimism that the hotel market was beginning a sustained recovery.

"Corporate bookings have been improving and international visitor ar-

rival data has been above expectations," Mr Thomson said.

Despite this, growth in room rates in Sydney remained weak with the city's average hotel rate equating to \$168.94, down 8.5 per cent on the year before.

"Anecdotal evidence suggests rate growth in 2010 will likely be a product of changing the market mix in hotels," Mr Thomson said. "This involves replacing high volume, in-bound business with higher-yielding corporate business, rather than organic growth in rates."

In Sydney's central business district, there are no signs of there being any new supply in the near term, which is a favourable position for Sydney hoteliers as it indicates the potential for improvement in trading performance for this year and the next.

"Sydney has weathered the storm of 2009 better than most and had the most rapid turnaround in the December quarter with high demand returning to the city," reported Dransfield. The improvement was partly due to a near-complete recovery in international arrivals to Australia.

While demand for Melbourne hotel rooms was resilient, with occupancy rates averaging 76.4 per cent, several

hotel projects coming online this year was a concern, Mr Thomson said.

According to the Tourism & Transport Forum Australia, Melbourne's room supply increased by 3.1 per cent in 2009 compared with the previous year. While total room nights grew, there was a decline, however, in both occupancy and average room rate in the December quarter, resulting in a 4.8 per cent decline in RevPAR compared with the 2008 quarter. By comparison, the Gold Coast had surprising growth in revenue per room because supply fell 4 per cent, more than outweighing the slower demand.

Another surprise was the relatively poor performance of Perth where revenue per available room was down 10.6 per cent. The sector failed to benefit from the mining boom with both demand and room rates falling. Dransfield reported Perth would experience positive revenue growth this year, helped along by the mining economy and supply constraints.