

Business trips help hotel sector hold up

PHILIP HOPKINS

THE outlook for the hotel sector is a mixed bag, with a strengthening business market offset by local tourism's struggle due to the high Australian dollar.

Nerida Conisbee, head of research at Colliers International, said the improving corporate market, evident last year, had continued this year.

Ms Conisbee said occupancy rates in the major hotel markets had grown except for Adelaide, Gold Coast and Canberra. All markets had growth in room rates except Adelaide and Canberra.

"Adelaide had to absorb the additional supply created from the opening of the Crown Plaza," she said in Colliers' latest report on hotel investment. Canberra also generated good business from the Masters exhibition in the first quarter.

Ms Conisbee said domestic tourism, a key force in the hotel sector, was under pressure because the high Australian dollar meant travelling overseas was cheaper for Australians.

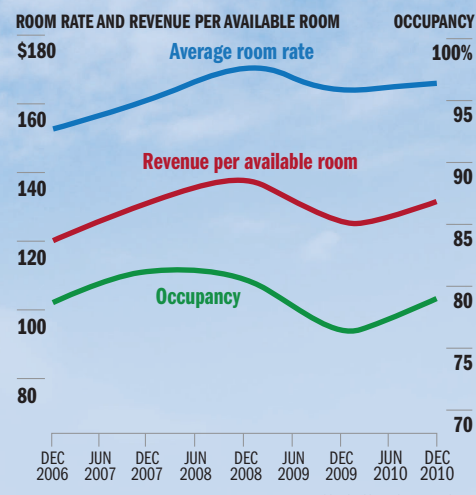
Rising inflation was also likely to push up interest rates, "decreasing disposable income and the affordability of domestic travel".

Internationally, Ms Conisbee said, the earthquakes in Japan had cut the number of Japanese tourists coming to Australia, although this was likely to be offset by new markets such as China.

However, Japan was Australian tourism's fifth-largest market, and there had been a big drop in



MELBOURNE CITY TOTAL OCCUPANCY FOUR AND FIVE STAR HOTELS



Melbourne's Grand Hyatt Hotel

business and leisure travellers from this market since the earthquake and nuclear accident.

Tourism to areas such as the Gold Coast and north Queensland would suffer, but traditional central city locations like Melbourne would benefit from the stronger corporate market, she said.

The latest data showed that the corporate market had held firm.

Figures for the year to December 2010 showed Canberra and Sydney recorded the strongest growth in

occupancy rates during the year, at 5.3 and 5.2 per cent respectively, followed by Brisbane and Perth, both close to 3 per cent.

Occupancy rates in Melbourne declined to 77.7 per cent for the year to December 2009, but had fought back by last December to 80.1 per cent.

Corporate markets again led the way in average room rates for the year to December 31, with Brisbane achieving the highest growth — jumping almost 5 per cent from

\$144.66 in December 2009 to \$151.76 a year later — followed by Sydney, Canberra and Perth.

In Melbourne, annualised average room rates rose by 0.9 per cent, increasing from \$178.57 in December 2009 to \$180.10 one year later.

The story was the same for the benchmark "revenue per available room" (RevPAR) figure, with Canberra topping the field with 11.1 per cent growth in the year, to climb to \$114.59 in December 2010,

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followed by Sydney with 10.8 per cent growth to \$150.67 by December 31.

In Melbourne, RevPAR returned to pre-global-financial-crisis levels, with a 4 per cent increase in RevPAR over the year to December 2010, and now sitting at \$144.24.

On the investment front, three hotels sold in the first quarter. In Melbourne, Singaporean investor Michael Kum bought the 291-room Travelodge in the Docklands for \$54 million from Metier3.

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