

**4D VISION**

**4TH DIMENSION**  
BUSINESS TRAVEL CONSULTING

# AUSTRALIAN HOTEL OUTLOOK **IMPLICATIONS FOR CORPORATE ROOM BOOKINGS IN 2017**

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HOTEL PERFORMANCE THIS YEAR IS POINTING TO OVERALL MODERATE GROWTH IN HOTEL REVENUE IN 2017, WITH OPPORTUNITIES FOR RATE NEGOTIATION TO VARY BETWEEN CITIES. THE FOLLOWING SNAPSHOT HIGHLIGHTS THE CITIES WHERE CORPORATE TRAVELLERS ARE LIKELY TO ENJOY RATE STABILITY IN THE YEAR AHEAD, AND THOSE WHERE BENCHMARKING AND VOLUME-BASED NEGOTIATION WITH HOTELS MAY HELP KEEP INCREASES TO A MINIMUM.

**Australian Bureau of Statistics data for the 2015 financial year reveals major city Revenue per Available Room (RevPAR) across the country grew 1.6%, corresponding with Average Room Rate growth of 1.4%. The strongest performing markets were the Gold Coast (11.3% RevPAR growth), Melbourne (4.6%), Cairns (4.0%) and Hobart (3.5%), while other cities including Sydney, Perth and Brisbane experienced little or negative growth due to subdued economic performance and demand, and/or oversupply of hotel product.**

Research by industry specialist, Dransfield Hotels & Resorts, has underpinned a forecast for Australia's hotel sector with key highlights including the following:

- × RevPAR across Australia is expected to average a low 1.3% growth in the 2016 financial year, increasing to 4.2% p.a. to the 2018 financial year as demand growth starts to exceed supply growth
- × Average Room Rates (ARR) across Australia will increase only 1% in FY2016, but will grow steadily by an average of 3.7% p.a. to FY2018
- × Supply and demand Australia-wide are anticipated to respectively grow 2.7% p.a. and 3.3% p.a. from 2016 to 2018, representing an increase on the averages of 2.4% and 3.0% from 2011 to 2015
- × Occupancy levels for the next few years are expected to remain above 75% overall.

While the forecast RevPAR for FY2016 is slightly lower than the 1.6% average growth recorded in FY2015, some individual markets will experience more significant growth and corresponding increases in room rates, which will impact corporate travel budgets. To follow is a summary of the anticipated conditions in each key city.

# FORECASTS FOR FY2016 & FY2017

CITY	FORECAST OVERVIEW	RevPAR		ARR	
		2016	2017	2016	2017
<b>SYDNEY</b>	Buoyant market. Very high occupancy (mid 80% levels) to push room rate growth above inflation.	+7.5%	+7.4%	+6.0%	+7.0%
<b>MELBOURNE</b>	Buoyant market. Occupancy levels to stay above 80%, and supply to be constrained despite a substantial pipeline of new developments.	+1.9%	+7.1%	+0.5%	+6.0%
<b>BRISBANE</b>	Flat market due to weak local economy. Lack of demand to meet new property supply.	-14%	+2.4%	-10%	+3.0%
<b>GOLD COAST</b>	Strong market. Commonwealth Games to underpin ongoing demand with limited new supply.	+6.6%	+7.1%	+4.0%	+4.5%
<b>CAIRNS</b>	Strong occupancy and rate growth. Healthy demand set to push occupancy above decade-long averages.	+9.2%	+8.1%	+4.0%	+4.5%
<b>ADELAIDE</b>	Relatively flat market in which low supply growth will allow demand to catch up. New properties to include several luxury/5 star hotels.	-1.2%	+7.1%	+0.5%	+3.5%
<b>PERTH</b>	Mirroring trends in Adelaide and Brisbane, the Perth market is flat with a gradual increase in new room supply that will continue to outpace demand.	-4.2%	0.3%	-3.0%	+1.0%
<b>DARWIN</b>	Declining market and rates due to over-supply issues. Mooted developments may be deferred.	-18.9%	-4.1%	-8.5%	-1.0%
<b>CANBERRA</b>	Solid market, particularly when Parliament is sitting. Recently-opened properties to be absorbed by growing demand.	+3.6%	+1.9%	+2.0%	+2.0%
<b>HOBART</b>	Growing market with rising occupancy over next 2 years. New supply coming online in 2018/19 will push rates upwards in the medium term.	+6.1%	+7.0%	+3.0%	+5.0%

# IMPLICATIONS AND BOOKING STRATEGIES

“4TH DIMENSION BUSINESS TRAVEL CONSULTING PROVIDES INNOVATIVE PROCUREMENT AND COST-REDUCTION STRATEGIES TO HELP CORPORATE CLIENTS SAVE MORE ON THEIR TRAVEL. OUR RECOMMENDATIONS FOR CHANGE ARE BASED ON ANALYTICS THAT DRAWS ON ‘BIG DATA’. THIS METHOD DELIVERS DEEPER INSIGHTS INTO A COMPANY’S TRAVEL SPEND AND BEHAVIOUR – AND ULTIMATELY NEW WAYS OF MINIMISING COSTS.”

Dean Easton – Team Leader, Hotel Sourcing, 4th Dimension Business Travel Consulting

## THE ABOVE INFORMATION GIVES COMPANIES A VALUABLE INSIGHT INTO WHETHER THEY ARE LIKELY TO BE PAYING LESS, THE SAME OR MORE FOR THEIR CORPORATE ROOM NIGHTS IN EACH CITY IN 2017.

In flat markets such as Brisbane, Adelaide, Perth and Darwin, companies should benefit from little to no change in their room rates in the year ahead.

In stronger markets including Sydney, Melbourne, Hobart, Gold Coast and Cairns – the latter two being key markets for conferences, incentives and events – companies should account for rate increases in their 2017 travel budgets, but can help manage these using the following strategies.

### REVIEW YOUR EXISTING SUPPLIER ARRANGEMENTS

The end of each year is the right time to assess the effectiveness of your current supplier agreements, benchmark your rates against those achieved by other companies in your industry or with similar

travel needs, and determine your anticipated booking volumes for the year ahead. This type of analysis gives you the information you need to determine whether it's time to renegotiate with your existing hotel suppliers, or to consider negotiating with new suppliers to achieve more competitive rates – even in city markets where rates are increasing.

### BOOK IN ADVANCE

Booking as early as possible will not only give you more certainty of securing your room nights, but will also deliver cost savings. The difference between booking hotel rooms one week in advance or 3 months in advance can range from \$50 to \$200 per room night.

### BOOK THROUGH ONE SOURCE

Your corporate travel manager or consultant should be your first point of contact and will be able to ensure you're booking within your organisation's travel policy and that you're securing the lowest possible rates by tapping into various accommodation booking platforms.

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