

Australian Tourists Flock Overseas as Domestic Hotels Fight On

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Latest ABS Overseas Arrivals & Departures Data and Accommodation Trading Results for the December Quarter 2007

Australia is in danger of becoming a net exporter of tourists in 2008 as strong growth in outbound travel outpaces inbound visitor arrivals. The newly released Australian Bureau of Statistics (ABS) Overseas Arrivals and Departures data indicates that while arrivals have shown some recovery in the first two months of 2008 (up 1.7%), outbound travel has increased by a staggering 14.5%.

'The December quarter is typically one of Australian tourism's stronger performing periods - a period hoteliers have long enjoyed,' said Ms Karen Wales, Vice President Research, Jones Lang LaSalle Hotels.

The benign hotel supply outlook could prove to be the saving grace as tourism numbers point to a wind of change and the economic environment remains uncertain. 'As we navigate our way through 2008 particular attention should be paid to all lead indicators to ensure they remain in balance,' said Ms Wales.

The softening consumer sentiment across Australia since the December quarter 2007 may result in a swing back to domestic travel in 2008. 'As interest rates bite, retail spending has softened and Australians may consider an overseas holiday a luxury that they can no longer afford,' said Ms Wales.

The long term trend indicates that Australia could become a net exporter of tourists in 2008. 'Many industry leaders have already highlighted the need for strategic co-operation across all sectors and functions if the tourism / hotel industry is to be sustainable,' said Ms Wales.

In 2007 visitor arrivals totalled 5.6 million (+2.0%) whereas outbound tourism jumped to 5.4 million (+10.6%). 'Australians are favouring Asia - where tourism is being boosted by Government support, discounted flights and massive investment in tourism infrastructure,' said Ms Wales. She added, 'This is clearly delivering results.'

Asia accounts for almost 50% of all departures from Australia, up from 40% five years ago. 'Tourism infrastructure has gone from strength to strength in many Asian countries, Singapore is developing its massive Integrated Resorts, Hong Kong has Disneyland, casinos in Macau SAR now rival Las Vegas's and Japan's in favour as a ski destination,' said Ms Wales. She added, 'New quality hotels are being developed throughout the region to accommodate the influx of global visitors.'

Markets seeing the strongest growth include Japan (+40.0%), China (+22.0%), India (+15.1%) and South East Asia (+18.0%). 'We're witnessing a reorientation of the global economy towards Asia and it's only going to grow through 2008 as Asia is expected to remain relatively protected if a US recession eventuates,' said Ms Wales.

Higher growth in inbound arrivals compared to the lacklustre Australian average of 2.0% was recorded in Canberra, Hobart, Perth, Sunshine Coast and Gold Coast during 2007 While still positive, Brisbane, Melbourne and Sydney were all lower than the average.

'While tourism numbers point to a change, hotels are still trading well,' said Ms Wales. During the December quarter 2007 hotels around Australia recorded growth of 5.4% in RevPAR (Revenue per Available Room) relative to the same quarter in 2006 however many question how long this growth can be sustained. 'This growth is being driven exclusively by higher room rates (up 5.6%) as occupancy levels decreased slightly to 66.8% during the quarter,' said Ms Wales. She added, 'While these numbers cap off a strong year, it should not encourage the industry to rest on its laurels.'

Hotel Trading Performance Highlights - December quarter 2007

All major markets, except Cairns, recorded growth in RevPAR with four markets recording double digit growth - Melbourne (10.5%), Adelaide (12.4%), Perth (13.9%) and Darwin (20.3%).

Darwin recorded the highest occupancy for a December quarter at 71.7% and the highest occupancy growth of all ten markets (+10.1%). This is due to a slight contraction in supply and strong increase in demand (+9.1%). Combined with a considerable uplift in room rates, Darwin ranked highest in the quarter for RevPAR growth - up 20.3%.

Demand growth was soft in all major markets except for leisure markets - Gold Coast and Sunshine Coast. These markets still have capacity whereas many major cities are operating at high occupancy levels.

Highest occupancies in the quarter ever were recorded in Adelaide, Darwin and Sydney.

Hotel Trading Performance Highlights - Full Year December 2007

Perth has overtaken Brisbane as Australia's no.1 hotel market, having strengthened its market leader position during each quarter through 2007 to record the highest RevPAR growth, highest ADR growth and highest occupancy result (82.5%) for the full year.

All markets apart from Hobart and Cairns recorded RevPAR growth above 8.0% with double digit growth in Perth (19.0%), Darwin (13.9%) and Canberra (11.3%).

Sydney recorded the highest demand growth of any market in 2007 - increasing occupancy levels to 81.7% however rate growth still pales next to other markets operating at a similar occupancy level - Brisbane and Perth.

Cairns suffered the most significant decline in demand (-1.9%) with the region hit by a shortfall in both international and domestic tourism.

Hotel segment analysis in the three major markets of Sydney, Melbourne and Brisbane shows that 5-star hotels are driving the strong market performance. All three cities recorded double-digit RevPAR growth during 2007 - higher than the lower-tier segments.

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