

Pope's Visit An Unexpected Blessing for Sydney Hotels

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Despite widespread concern in the hotel industry that World Youth Day would prove to be a debacle for the Sydney CBD accommodation market, data released today by leading hotel consultants Horwath HTL and STR Global demonstrates that the event did deliver improved revenue for the industry.

Market concern was based on the fact that most pilgrims chose to stay in very low-cost or no-cost accommodation provided by organisers and supporters of WYD, rather than by the accommodation industry. However despite expectations of occupancy slippage, in the five night period from Tuesday to Sunday during WYD activities, occupancy across the whole Sydney CBD market reached 77%, being almost 2% higher than for the previous week. Furthermore, room rates were over 5% higher than for the prior week, thus enabling an overall improvement in revenue per available room (the industry benchmark) of almost 7%.

Individual day performance assisted these results. For example Sunday night occupancy and room rate during WYD was the best for any Sunday in the past two months, whilst room rates for Saturday of WYD were the best for July.

'It's a pleasant surprise given fears that corporate demand would suffer during the week as a result of government warnings about disruption to the CBD' Horwath HTL Managing Director Mr John Smith said. He added that whilst the positive results were not achieved by all hotels in the Sydney CBD, four-star and mid market hotels in particular benefited from the improved demand.

The positive results will be a fillip for Sydney hoteliers following a poor June during which a 6% occupancy fall resulted compared with the prior year. Fortunately the still relatively high occupancy levels (despite recent falls) continue to support room rate growth, with both June and July recording solid rate growth of 3.7% and 6.5% respectively. Overall in the seven months to date in 2008, the Sydney hotel market has slipped only 2% in occupancy whilst achieving almost 7% in rate growth.

'Bottom line is that despite the predictions of doomsayers, to date hotel operating results are holding up remarkably well' said Mr Smith. He added that the latest results support the findings from Horwath HTL's recently released Survey of Hotel Operations (the industry standard for hotel operating performance analysis) which found that for the latest year of trading, hotels in Australia achieved nearly a 6% growth in revenue and over 8% growth in operating profit - the highest level of industry profits reported in the 24 years that the Survey has been undertaken. The positive outcome resulted from sound industry fundamentals, including continuing strength in demand and limited new room supply in recent years.

About Horwath HTL

Horwath HTL is the world's leading hotel consultancy and a member of Horwath International, an accounting and management consulting firm that is one the top ten international professional service groups, with offices in close to 400 cities in 88 countries. Within Asia Pacific, Horwath HTL operates from twelve offices and is the largest and most experienced professional team in the region, covering services ranging from transactions and asset management, through to operational advice and management related roles.

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