AUSTRALIAN TOURISM OPEN FOR INVESTMENT

OCTOBER 2019

www.tourisminvestment.com.au
Australia’s economy ranks 14th largest in the world and is in its 28th year of consecutive annual economic growth.¹

Australia ranks 1st globally for visitor spend and 7th for tourism receipts.²

Australia has the 5th largest GDP in the Asia-Pacific region.

The Australian economy is forecast to have average annual real GDP growth of 2.7 per cent between 2019 and 2023.³

Australia has a transparent and stable operating environment with a strong, sophisticated and well-developed financial services industry.
Australia’s Economic Fundamentals

Tourism Industry Fundamentals

What is the tourism industry worth?

- AS122.1 billion in year ending June 2019 (inbound AS44.6 billion / domestic AS77.5 billion) generating AS55 billion in direct GDP
- 9.3 million international visitors in year ending June 2019, increasing by 3 per cent from the previous period
- Directly employs over 598,000 people

Globally, Australia is...

- 40th for visitor arrivals
- 7th for tourism receipts
- 1st for spend per visitor

Visitor Numbers

International arrivals to Australia increased 3 per cent in the 12 months to June 2019. Strong growth was seen from Singapore (up 24 per cent), India (up 18 per cent) and the USA (up 8 per cent).

- International visitor numbers to Australia are expected to increase from 9.4 million in 2018-19 to 9.8 million in 2019-20 and 10.3 million in 2020-21.
- Robust growth from Asia will continue with the volume of Asian visitors expected to increase, from 4.7 million in 2018-19 to 5.0 million in 2019-20 and 5.3 million in 2020-21.
- Good growth will be seen from the western markets as well; visitors from the USA are expected to grow 11.1 per cent from 800,000 in 2018-19 to 890,000 in 2020-21. Visitors from the UK are forecast to grow 5.3 per cent to 760,000 in 2020-21.
- Australia will continue to have a high proportion of its visitors from the top five inbound markets – China, New Zealand, the USA, the UK and Japan. Collectively, these five countries are forecast to provide nearly half (46 per cent) of the additional 5.3 million arrivals expected in 2028-29.

Continued Aviation Growth

International aviation capacity to Australia grew 2 per cent in the 12 months to May 2019, reaching a record high of 27 million seats. Markets which registered significant capacity growth included Canada (up 17 per cent), India (up 12 per cent) and Indonesia (up 9 per cent).

- Capacity from China remains healthy but growth has slowed to 4 per cent from peak double digit growth of over 20 per cent in 2016 following liberalisation of the aviation market.
- Thai AirAsia X commenced four weekly Bangkok Brisbane flights in June 2019.
- Qantas has announced three weekly Sapporo (Japan) Sydney flights from December 2019, to be launched on a seasonal basis until March 2020.
- Jetstar has announced plans to commence three weekly Seoul Gold Coast flights from December 2019.
- Qantas and American Airlines’ joint business partnership, announced in July 2019, will deliver new routes, access to more destinations, reduced travel time and lower fares for passengers travelling between the USA and Australia:
  - Qantas has announced plans to start three weekly San Francisco Brisbane services from February 2020.
  - Qantas has announced plans to commence four weekly Chicago Brisbane services from April 2020.

“Investors recognise that the southern hemisphere is where the hotel growth is and what better place to invest than in Australia, which has good corporate governance, good planning controls and is a well-regulated and mature market with good underlying economy?”

Ron Barrott, Chief Executive Officer, Pro-invest Group
OVERVIEW AND OUTLOOK

Strong core fundamentals continue to underpin record capital inflows to the Australian hotel sector.

Reflecting very strong fundamentals, Deloitte Access Economics forecasts international visitor trips to grow by 6.2 per cent p.a. and visitor nights by 5.9 per cent p.a. on average over the next three years. The realisation of this growth would see visitor arrivals reach the 10 million milestone in 2020 and would see international visitor nights overtake domestic visitor nights in 2023.13

Colliers reported Australia’s hotel sales activity for 2018 reached $1.8 billion on 37 sales tracked by the firm. Whilst easing, volumes remain well above the long term average of $1.25 billion.

Capital in Australian hotel transactions in 2018 was primarily sourced from offshore (66 per cent). The year was characterised by a notable broadening of the capital base with investors sourced from Singapore, Malaysia, Thailand, Middle East, Hong Kong, India and the UK.

Strong growth in Australian tourism is attracting more diverse investors to the sector.14

Increasing appeal of leisure destinations

Reduced opportunities in capital city markets and strong visitor growth in regional areas are seeing Australia’s leisure destinations feature prominently as a market entry option for investors.

Colliers reported that in 2018, of the 37 hotel sales that took place, 15 were in locations outside of the capital cities. This is a trend that is anticipated to continue over the short to medium term.

There has also been a visible shift in yields for hotels in regional locations as a result of increased investor demand. Owners are now able to receive a premium from potential buyers who wish to invest into these markets.15

It is a compelling value proposition, benign supply outlook and the strong tourist volumes, prompting both local and overseas players to secure assets in these iconic leisure destinations.
Future prospects remain positive

While recent supply growth has impacted hotel performance across most of Australia’s major markets, long-term projections are for all capital cities to return to growth. Dransfield’s Hotel Futures 2019 report forecasts high occupancies to underpin long-term growth of both demand (4.0 per cent per annum) and RevPAR (3.3 per cent per annum) annually to FY2027.

A positive supply and demand equation and sustained high occupancy levels will create rate growth opportunities, with growth expectations still well above recent history, which averaged 2.2 per cent per annum over the last five years.16

RevPAR to return to growth

Recent STR figures show growing supply in all major markets is having a dampening impact on occupancy and rates as the number of new rooms added is growing faster than additional rooms sold. Sydney and Hobart are achieving occupancy in excess of 80 per cent for YTD July 2019, with Melbourne’s falling just below this.17

Over 7,100 new hotel rooms were added to the market in 2018 with new supply now exceeding the strong growth in demand we have seen over recent years. Seven of Australia’s markets recorded net growth in rooms last year, led by Sydney, Brisbane, Perth and Melbourne.18

The strong underlying demand from both domestic and international visitors will enable average room rates to increase slightly on a national level even in the face of new supply entering the market. Average room rates across Australia are expected to increase 2.4 per cent per annum over the next three years, surpassing the $200 mark by 2021.19

Where the growth will come from

Demand from Asia will play a key role in achieving the growth in international visitation to Australia. Asia is the fastest growing tourism market in the world. It is driven by strong economic growth, a growing urban and affluent middle class and the fastest growing aviation sector in the world.

Asia will account for 61 per cent of all visitor growth between 2018-19 and 2020-21, with China alone making about one-fifth (19 per cent) contribution, followed by India (8.6 per cent) and Malaysia (4.9 per cent).
INVESTMENT OPPORTUNITIES IN REGIONAL AUSTRALIA

Australia’s vibrant tourism industry isn’t just about cosmopolitan cities. With 43 cents of every tourism dollar spent outside of capital cities, the importance of regional tourism cannot be underestimated. 20

Abundant with natural attractions, Australia boasts a significant domestic tourism market already, with international visitor numbers forecast to rise. With Asia’s thriving middle class seeking unique international travel experiences, Australia’s proximity to growing Asian markets will set it in good stead. Investors now have a real opportunity to take advantage of growth in regional Australia and be part of the Australian story.

Frequently cited motivators for visiting Australia include world-class nature and wildlife experiences, food and wine and aquatic and coastal experiences, many of which are best found in regional Australia.

These are the experiences that international visitors are seeking which, when overlaid with a strong domestic base, provides opportunities for investors to capitalise on the current and projected growth in tourism.21

<table>
<thead>
<tr>
<th>Demand Driver</th>
<th>Proportion of Visitors</th>
<th>5 Year Growth</th>
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<tbody>
<tr>
<td>Food &amp; Wine</td>
<td>48.6 per cent</td>
<td>8.6 per cent</td>
</tr>
<tr>
<td>Aquatic &amp; Coastal</td>
<td>22.3 per cent</td>
<td>7.0 per cent</td>
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<tr>
<td>Nature &amp; Wildlife</td>
<td>18.3 per cent</td>
<td>9.5 per cent</td>
</tr>
<tr>
<td>Culture &amp; Heritage</td>
<td>11.0 per cent</td>
<td>7.3 per cent</td>
</tr>
<tr>
<td>Wellness</td>
<td>0.4 per cent</td>
<td>7.1 per cent</td>
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5.6% growth in visitation per annum (over 5 years)
6.6% increase in international visitation per annum
296 million visitor nights spent in regional Australia in 2019
4.6% increase in overnight stays per annum

63% of all visitors are domestic day trippers
5.7% increase in domestic visitation per annum
48.5 million more visitor nights spent in regional Australia in 2019 than in 2015

1. Austrade, Benchmark Report 2019
2. Austrade, Benchmark Report 2019
3. Austrade, Benchmark Report 2019
6. Australian Bureau of Statistics, Tourism Arrivals and Departures June 2019
7. Tourism Research Australia, Tourism Satellite Account 2017-18
8. United National World Tourism Organisation, Tourism Highlights 2018
9. Tourism Australia, International Market Update, June 2019
10. Tourism Research Australia, Tourism Forecasts 2019
15. Bloomberg, Starwood Capital, Fosun said to consider offers for Ascendas, 29 January 2016
16. Dransfield Hotel Futures 2019
19. Tourism Research Australia, Tourism Forecasts 2019
20. Tourism Investment in Regional Australia, August 2019
21. Tourism Investment in Regional Australia, August 2019
22. Tourism Investment in Regional Australia, August 2019
Crystalbrook Collection’s $1 billion investment in Australia

Tourism and hospitality group, Crystalbrook Collection’s confidence in the Australian tourism industry was demonstrated again recently with their purchase of the Byron at Byron Hotel, a luxury beachfront resort nestled in a 45-acre subtropical rainforest.

The acquisition of Byron at Byron brings Crystalbrook Collection’s portfolio to over 1,100 rooms in operation or under development across seven properties in New South Wales and Queensland. To date, the group has invested over $1 billion into Australia’s resort market, developing three resort hotels in Cairns, in addition to tourism and hospitality enterprises across Sydney, Newcastle and Port Douglas.

A renaissance of the Whitsundays

Australia’s iconic Whitsundays region attracts more than one million visitors each year, with the recent re-openings of several island resorts adding further reasons to travel to the region. Nearly two years after Tropical Cyclone Debbie damaged Daydream Island, CCIG’s private island reopened in April 2019 following an extensive $100 million redevelopment. The resort offers 277 refurbished modern rooms and suites, three restaurants and three bars, and a revitalised pool landscape and free form coral lagoon.

And in what is one of the most anticipated hotel openings of the year, the 166-room luxury Hayman Island by InterContinental (formerly One&Only Hayman Island) opened its doors to guests on 1 July 2019. Set on a 400-hectare private island, the re-imagined resort boasts new restaurants, bar and a spa, as well as a wedding ceremony and reception locations. Mulpha Australia’s resort offers guests all the perks of private island life and is accessible via luxury vessel, helicopter or seaplane.

Louis Li continues his impressive foray into the Australian hotel industry

30-year-old entrepreneur, Louis Li’s luxury 46-room Mornington Peninsula hotel, Jackalope opened in April 2017. Since then, the hotel has won multiple awards including being named ‘Australia’s Hotel of the Year’ at the Gourmet Traveller Australian Hotel Guide Awards, in addition to being named ‘New Hotel of the Year’ and ‘Regional Hotel of the Year’. The $40 million five-star boutique hotel is set in the picturesque grounds of Willow Creek Vineyard and offers two restaurants, an infinity pool and cellar door.

Melbourne is soon to get a taste of the unique Jackalope style, with Li announcing plans for a 32-suite designer hotel to open on Flinders Lane in 2020. Jackalope’s CBD Hotel will share the same principles as its regional counterpart including a focus on art, design, dining and storytelling.

“There are three characteristics of Australia that make investing here attractive: being the stable economy, strong underlying fundamentals of the hotel industry and the low dollar, which attracts overseas visitors.”

Dillip Rajakarier, Chief Executive, Minor Hotel Group
A NATIONAL PRIORITY

Tourism Australia and the Australian Trade and Investment Commission (Austrade) have joined forces in a strategic partnership to attract foreign direct investment to the tourism industry in Australia.

The tourism investment attraction partnership is a commitment to making the process of investment easier - removing barriers and making information and insight on Australian tourism opportunities more readily available to interested investors.

The partnership was formed in response to the national long-term tourism strategy, Tourism 2020, whereby the Australian and state and territory governments are working with industry to double overnight visitor expenditure to over A$115 billion by 2020.

HOW WE CAN HELP

To find out more information about tourism investment opportunities in Australia and how the Australian Government can assist, contact your local representative:

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Cover Image: Cape to Cape Track, Western Australia