

# Sydney

## 2018 Hotel Market Wrap Up

*“Australia’s global gateway city for tourism and investment”*



### At a glance

Current Room Supply

**c.21,200**

Passenger Arrivals at Sydney Airport 2018  
▲2.5%

**44m**

New Rooms Expected in 2019  
▲2.4%

**c.500**

Average Daily Rate 2018  
▲0.5%

**AUD 262**

Occupancy 2018  
▼1.6%

**87.1%**

RevPAR 2018  
▼1.2%

**AUD 228**

▲▼ % change compared to previous year sourced from STR

### Notable Deals

#### Sydney & Canberra Hotel Portfolio

December 2018, \$330m, \$398,000 per room (average)

#### Little Albion Guest House

October 2018, \$26m, \$743,000 per room

#### BreakFree on Clarence

March 2018, \$30m, \$600,000 per room

### Recent Openings

#### SKYE Suites Sydney

73 rooms, October 2018

#### Four Points by Sheraton Central Park

297 rooms, August 2018

#### Little Albion Guest House

35 rooms, June 2018

### Infrastructure Developments

#### Circular Quay Precinct Renewal

\$5 billion pipeline of private & public sector investment to revitalize the area with retail, restaurants, cafes and rooftop bars.

#### Sydney Light Rail

12km route and investment of \$2.1 billion connecting 19 stops throughout the city.

#### Barangaroo

Sydney’s largest urban renewal project - \$6 billion development across 7.7 hectares of mixed-use development.

### 2018 Overview

Throughout the year Sydney’s ADR remained at an all time high. Despite a small drop in occupancy, market RevPAR performance continues to be the strongest in the country.

Limited transaction activity reflects the strength of the current trading environment and outlook for the city, as most incumbent owners choose to continue to hold their assets.

Strong ADR levels have spurred several new hotel developments, particularly in the 5-star segment, however, these should strengthen Sydney’s guest offering. Notably, it is anticipated that constraints to development will see demand continue to outpace supply in 2019, particularly in proximity to the CBD.

The city saw some new additions to the room supply, lead by the 297-room Four Points by Sheraton Sydney Central Park in Chippendale at the southern end of the CBD. The remaining entrants to the market were on a smaller scale and consisted of boutique operations.

Investor interest in Sydney remains extremely high, and a lack of quality stock on the market has forced frustrated capital to look across the wider metropolitan and regional areas for suitable opportunities.

### 2018 Trading Performance

According to 2018 statistics from STR Global, occupancy levels in Sydney reported a small drop to 87.1% while ADR improved by 0.5% to \$262, resulting in a RevPAR of \$228 – the highest market-wide figure in Australia.

The city's 5-star market recorded an occupancy of 87.2% for the year, whilst ADR maintained its record level of \$333, resulting in a RevPAR of \$290.

The Sydney Airport hotel market has grown significantly in the past two years and hotels in the precinct have benefitted from this, together with a constrained CBD market. With a very strong occupancy of 89.5% this market recorded the highest in the country for 2018. However, a 1.7% decrease in ADR to \$165 has resulted in a slightly softer RevPAR of \$148.

The Parramatta & Sydney Olympic Park market had an exceptionally strong year of trading, recording a combined 2.2% increase in occupancy to reach 80.1% and a 2.8% increase in ADR to reach \$190. Consequently, RevPAR grew 5.1% to \$152. This was assisted by the closing of the 202-room Meriton on George Street Parramatta for redevelopment in October 2018.

### Transaction Activity

New South Wales has recorded the lion's share of the country's hotel investment interest during the past decade, with an average of \$675 million of transactions per annum. This represents 37.7% of the national average investment volume over the same period.

2018 reported the lowest transaction volume for the past five years, as a lack of institutional-quality stock in the city has left investors with few acquisition opportunities. The year was characterised by the sale of established regional assets, or those with development and refurbishment opportunities in CBD locations.

The largest deal in terms of price quantum was the Sydney & Canberra Hotel Portfolio, including the Pullman at Sydney Olympic Park, Novotel & ibis Olympic Park and the Novotel Canberra, bought by French investors AXA IM at a total price of \$330.4 million. The BreakFree on Clarence at \$600,000 per key represented the highest price paid per room in the city during the year. The property was sold to new entrants to the Australian market; Plantation Bay Hotels from the USA.

### New Supply

Sydney's active CBD supply pipeline is mostly occurring in and around the southern end and Darling Harbour precinct.

New projects are broad in market positioning and scale, as noted in the following table:

Project	Completion	Rooms
Sydney Hotel QVB	2019	90
Meriton Suites – Sussex Street	2019	202
Cititel Express Pyrmont	2019	62
Vibe Sydney Darling Harbour	2019	145
Crowne Plaza Sydney	2020	152
W Hotel - The Ribbon Hotel & Residences	2020	590
Adina Apartment Hotel George Street	2020	194
The Porter House Hotel, MGallery by Sofitel	2020	121
Gold Fields House – Sydney One	2021	168
Crown Sydney Hotel Resort	2021	352
Hotel Indigo Sydney Central	2021	165

Source: JLL

### 2019 Outlook

As Sydney continues to receive increased tourism visitation, strong levels of demand will underpin trading performance. Minimal additions to hotel room supply and re-investment in existing assets over the medium term will be supported by the city's strong year-round occupancy levels.

Investment conditions are expected to remain strong on the back of trading. However, with incumbent owners typically adopting a "hold" strategy and reluctant to divest assets, transactional activity will likely be focused around development projects.

## Contacts

For further information on the Sydney hotel market please do not hesitate to contact our dedicated Sydney team.



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