

# Hotel Investment in Emerging Markets:

Everything You Need to Know

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# Understanding the **Australian Hotel** Market



## Market Overview:

- **Resilient & Growing:** Evolved significantly over the past 20 years, fuelled by population growth and rising domestic & international tourism.
- **Diverse Geography:** Major cities (Sydney, Melbourne, Brisbane) dominate, while regional markets (Adelaide, Perth) are gaining traction.
- **Demand Drivers:** Tourism (domestic and international), business travel, and events contribute to steady occupancy and ADR growth.

## Types of Owners & Buyers:

- **Institutional Investors:** Superannuation funds, REITs, and private equity groups dominate high-value transactions.
- **Private Owners:** Independent investors and family offices focusing on boutique or regional properties.
- **International Buyers:** Increasing interest from Asia and Europe, targeting strategic assets.
- **Hotel Operators:** Brands like Accor, Marriott, and IHG are active, with rising adoption of franchise models.

## Emergence Over 10-20 Years:

- **Shift to Franchises:** Growth in franchise agreements as operators seek flexible arrangements.
- **Focus on Sustainability:** ESG compliance and energy efficiency have become key priorities.
- **Technology Adoption:** Emphasis on AI for revenue management and digital guest experiences.
- **Global Influence:** Steady alignment with international standards for management and operations.

# Australian Hotel Market Overview

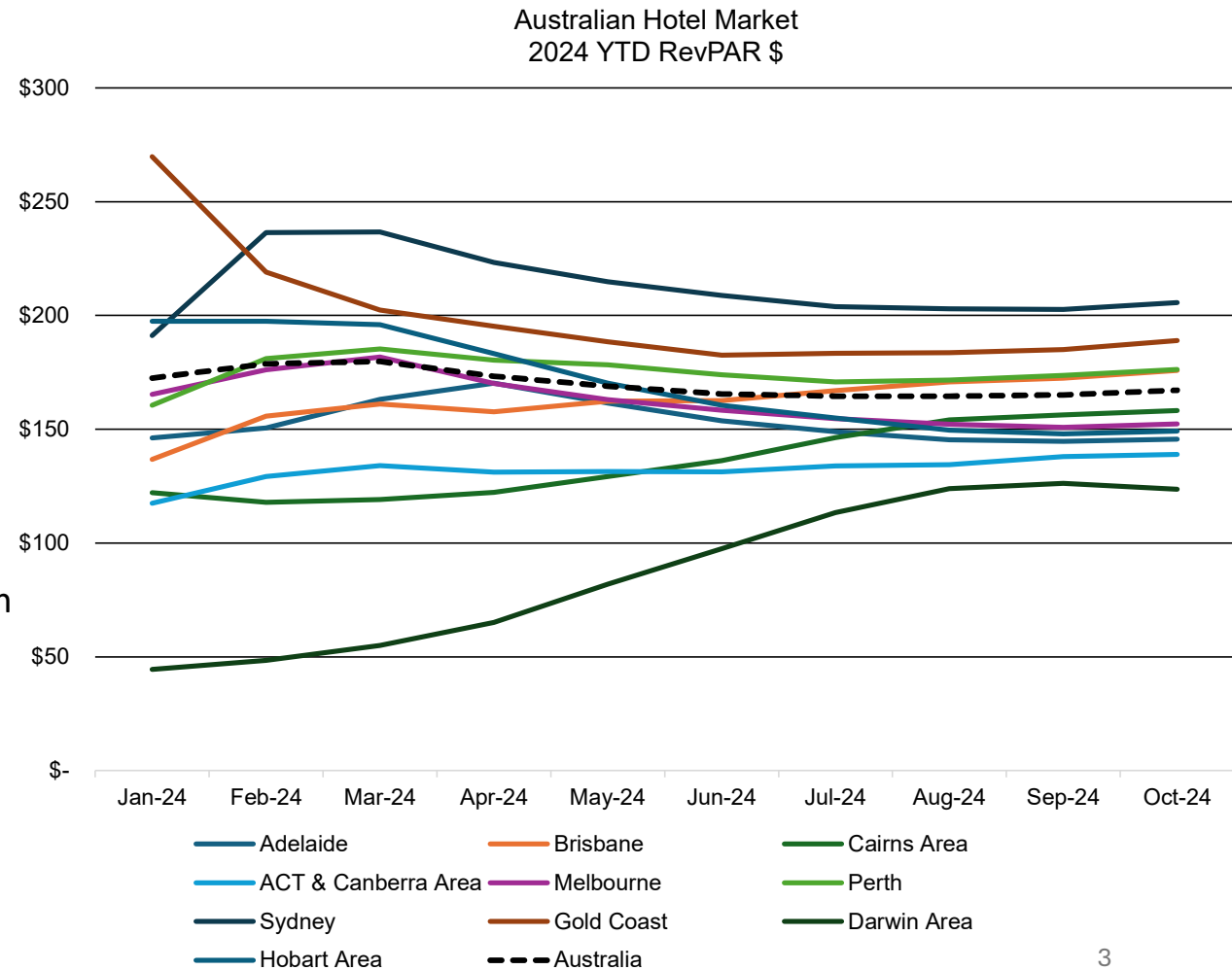


**Transaction volumes: \$1.25 billion YTD 2024 (vs. \$2.24 billion in 2023)**

- The Australian hotel market has shown resilience amid global economic pressures
- RevPAR and ADR have continued to improve across most markets.

## Occupancy Growth:

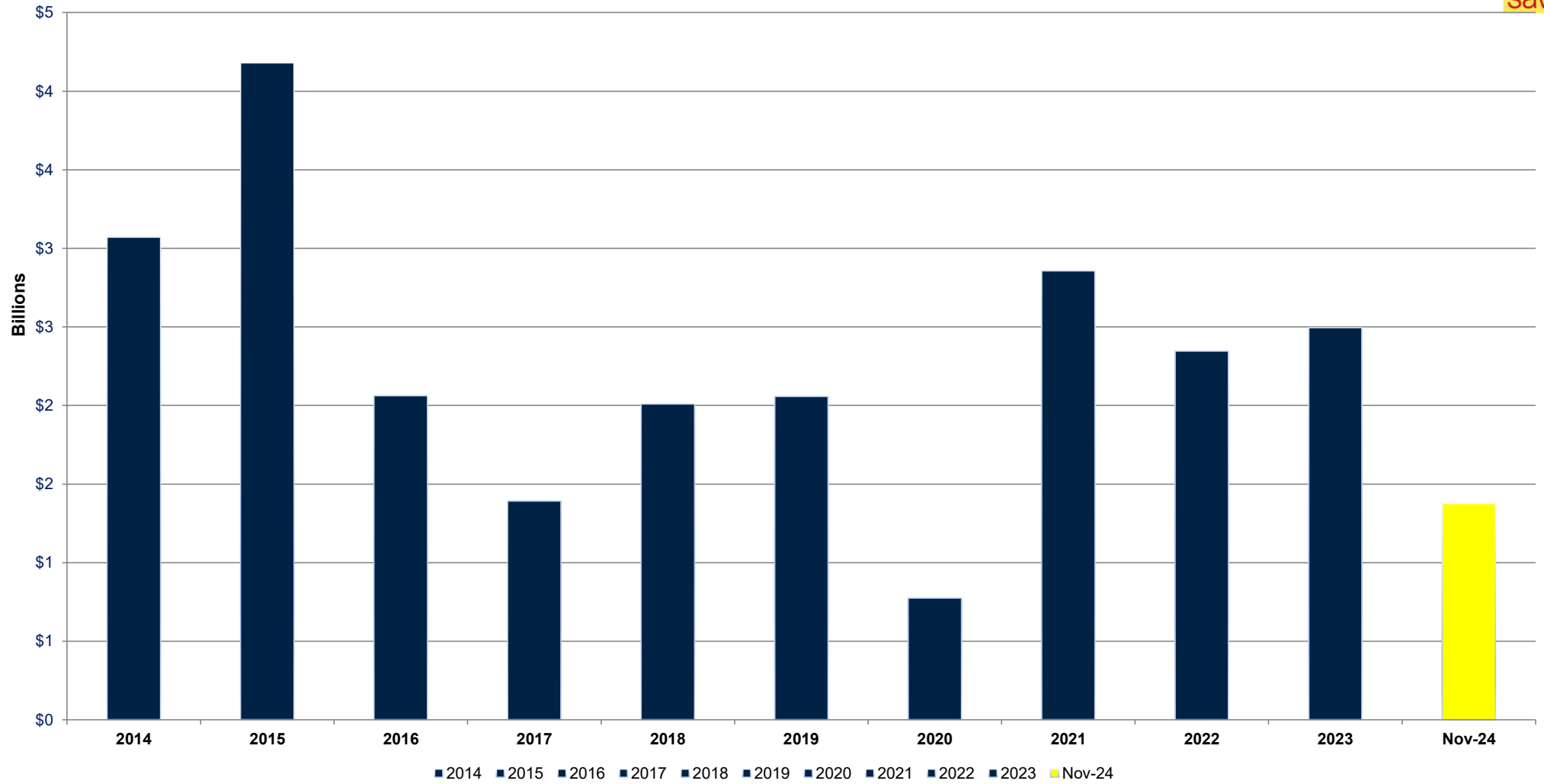
- Driven by strong domestic tourism and recovery in international visitors.
- Cities like Brisbane, Perth, and Adelaide exceeded pre-pandemic international visitor levels.



Source: Savills Research



## Hotel Transaction 2014-2024



# Investment Trends and **Buyer Sentiments**

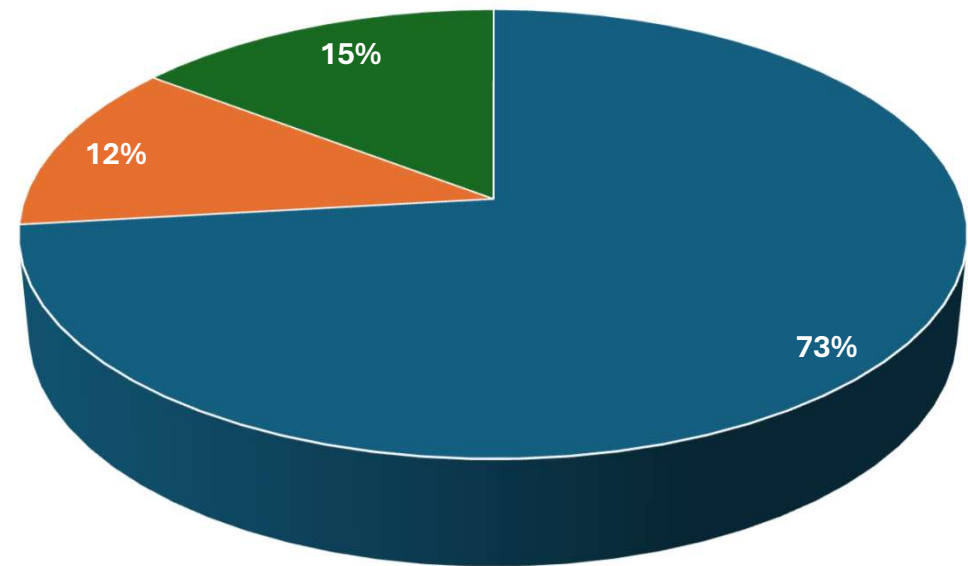


- Domestic investors dominated acquisitions in 2024 (80% of transactions).
- Hotels offering value-add opportunities or unencumbered assets are in high demand.

Only four (4) transactions completed over \$90m AUD in 2024 – **Savills** have completed 50% of those deals

- Bannisters Portfolio: **Over \$100 million.**
- Four Points by Sheraton Melbourne Docklands: **\$96 million.**

Buyer Origin %



■ Australian ■ Foreign ■ unknown

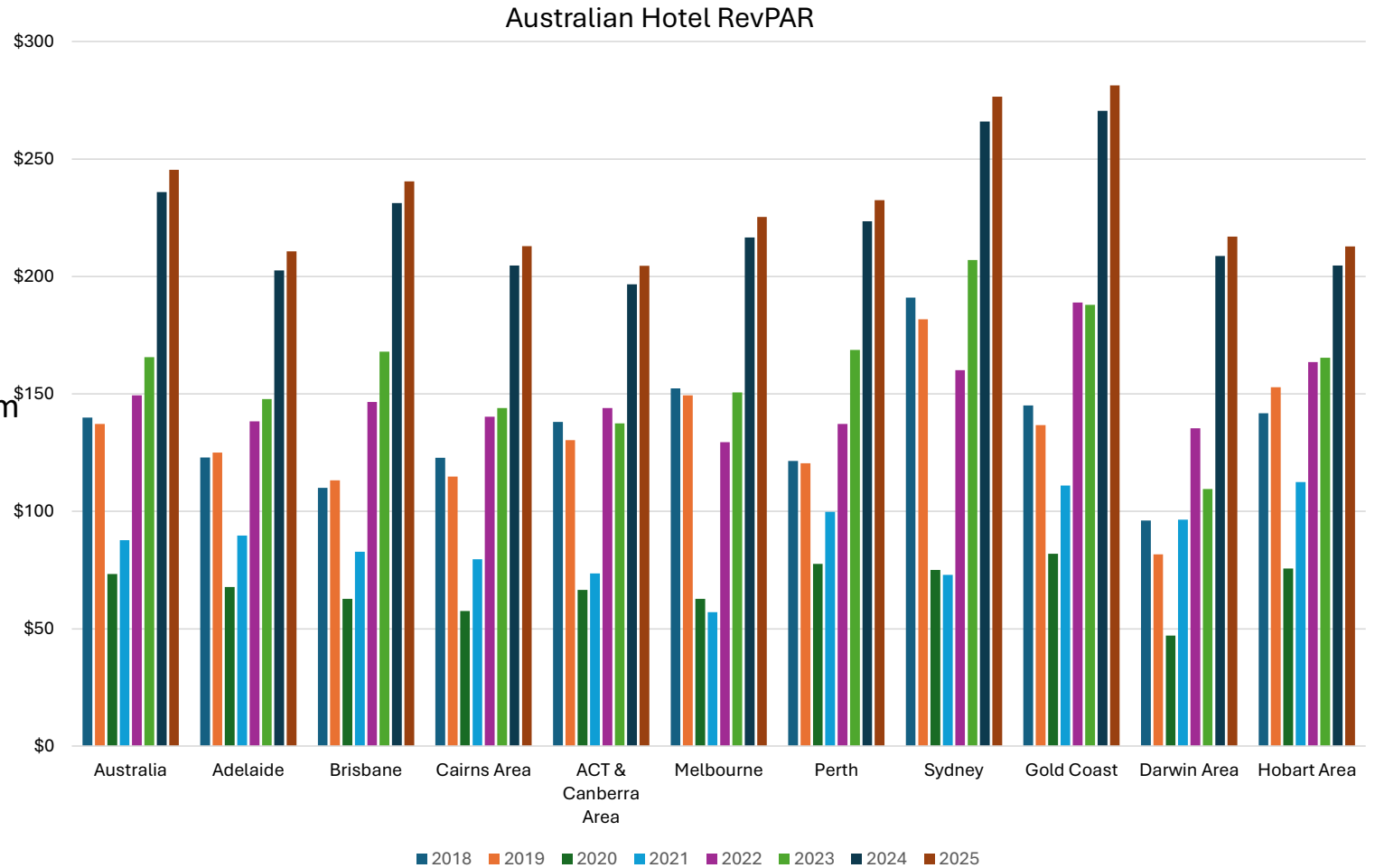
# Key Market Highlights



**Sydney:** RevPAR grew 3.6% YTD 2024, driven by ADR and occupancy growth.

**Brisbane:** RevPAR growth of 3.8%; Queens Wharf project drives long-term potential.

**Perth:** Leads in occupancy growth at 85.3% (September 2024).



# Challenges and **Opportunities**



## Challenges:

- **Interest Rates & Financing:** High borrowing costs have slowed transaction activity (\$1.25B YTD 2024 vs. \$2.24B in 2023).
- **Workforce Shortages:** Labor gaps in hospitality roles persist, affecting service quality.
- **Supply Constraints:** Limited new developments in high-demand cities like Sydney and Melbourne.
- **Operational Costs:** Rising energy and inflation pressures are impacting profitability.
- **Sustainability:** ESG compliance and retrofitting older assets remain cost-intensive.

## Opportunities:

- **Tourism Recovery:** International arrivals projected to surpass pre-pandemic levels by 2028.
- **Monetary Easing:** Anticipated RBA rate cuts in 2025 to boost investor sentiment.
- **Franchise Growth:** Mid-scale and upscale hotels increasingly adopting franchise models for flexibility.
- **Regional Markets:** Cities like Brisbane and Perth lead in occupancy and RevPAR growth.
- **Population Growth:** Expanding to over 30 million by 2030, driving increased demand.
- **Urban Development:** Mixed-use projects integrating hotels with residential and commercial spaces.
- **Adaptive Reuse:** Converting non-hotel assets to hotels addresses supply constraints and aligns with sustainability goals.

# Global Context and Australian Position

## Australia in a Global Context

- Seen as a **stable and high-growth market** amidst global economic volatility.
- **Interest rate easing** forecasted by mid-2025 to boost investment sentiment.

## Market Appeal:

- **Tourism Growth:** International arrivals to surpass pre-pandemic levels by 27% by 2028.
- **Population Growth:** Expected to exceed 30 million by 2030, driving demand for domestic travel and infrastructure.

## Opportunities:

- Increasing adoption of **franchise models**, aligning with global trends.
- Strategic location as a **gateway to Asia-Pacific**, attracting international capital.
- Focus on **value-add investments** and adaptive reuse of existing assets.



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Thank you

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