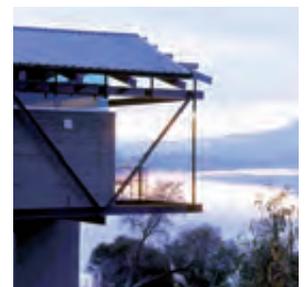
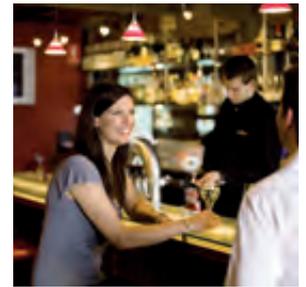


Research Snapshot Accommodation Supply and Demand in Greater Hobart

2010-2017





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Visitor growth

Tasmania

The Tasmanian Visitor Survey (TVS) shows that since 2001, the number of people visiting Tasmania has increased by 72% to 912,100 per year. This growth was underpinned by a massive 294% increase in air capacity¹ into the State and a 33% drop in the price interstate visitors reported spending on their airfares². These two factors have contributed greatly to the accessibility and attractiveness of Tasmania as a travel destination.

Significantly, despite the Global Financial Crisis impacting upon domestic interstate visitation across the rest of Australia, Tasmania has continued to record year on year growth. During 2009, Tasmania experienced a 2% increase in the number of visitors to the island, compared to the national decline of 6% (National Visitor Survey).

Hobart City and Greater Hobart³

Hobart is an iconic place. Tourism Tasmania's Perceptions Study research showed Hobart was the most recognised place in Tasmania and has the highest visitation, with 75% of all visitors to Tasmania travelling to the State's capital during 2009. Since 2001, both Hobart and the Greater Hobart area have experienced a massive 66% growth in visitors from out of the state⁴. Many visitors consider an overnight stay in Hobart as an essential part of their trip to Tasmania. If they are unable to book this they may choose to holiday elsewhere.

Growth in demand for accommodation

Importantly, Hobart city has experienced 70% growth in the number of nights stayed by visitors in the city since 2001, with some 2.5 million visitor nights recorded during 2009. This equates to 32% of all visitor nights stayed in the state by national and international visitors. Greater Hobart also experienced growth (72% since 2001) in visitor nights with 39% (3.1 million) of all visitor nights in the state being spent in the Greater Hobart area.

Growth in accommodation supply

Accommodation supply in the Greater Hobart area since 2001 has shown that it has not kept pace with the growth in demand. In 2001, approximately 3,175 rooms/units were available in Greater Hobart⁵. Since that time the accommodation stock in Hobart has increased by just 20% to approximately 3,600 rooms/units.

Current supply and demand

Analysis by BDA Marketing Planning (Figure 1) has shown, in practical terms, given the seasonal nature of the industry, that Greater Hobart is approaching capacity with an annual average occupancy of 76%. Only June to September experienced occupancy levels below 74%. When a destination is operating at this level, it can be difficult for visitors to find their preferred type and standard of room at a time that meets their requirements. It can also be very difficult to locate the last available rooms.

¹ 1.78 million seats, Nov 2009, Bureau of Infrastructure, Transport and Regional Economics

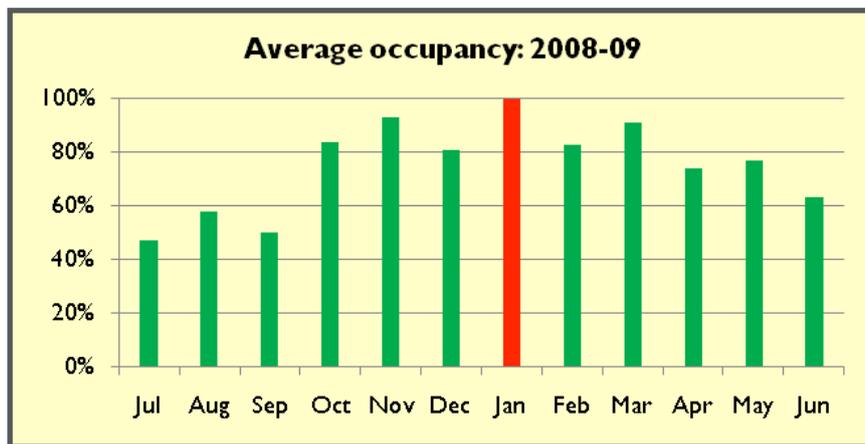
² September 2009, National Visitor Survey, Tourism Research Australia

³ Greater Hobart includes Hobart, Clarence and Glenorchy Municipalities and townships of Richmond, Sorell, New Norfolk and Kingston

⁴ December 2009, TVS

⁵ TigerTour, Tourism Tasmania

Figure 1. Greater Hobart accommodation occupancy and capacity by month: 2008-09



Revenue

The average revenue generated per available room (RevPAR) is a common and convenient measure for hoteliers to judge financial performance across the accommodation industry. Hobart's average RevPAR is higher than the national average with \$99 per available room in Hobart, compared to the national average of \$91. Significantly, during a time of economic uncertainty, Hobart was the only capital city to show growth in RevPAR during the year to June 2009, recording 3.4% growth compared to the national average of -8.2%

Table 1. RevPAR Growth: Year ending June 2009

City	RevPAR Growth Year Ending June 2009
Hobart	+3.4%
Adelaide	-0.9%
Perth	-1.7%
Canberra	-1.8%
Gold Coast	-4.6%
Darwin	-6.8%
Brisbane	-9.4%
Melbourne	-9.5%
Sydney	-12.6%
Cairns	-13.4%

Source: ABS Cat. 8635 and Dransfield Hotels & Resorts

Future demand growth and implications

To determine likely future accommodation supply requirements BDA Marketing Planning examined four demand growth scenarios. Figures 2 and 3 (see next page) show estimated visitation and room demand projected to 2017 if all assumptions on growth are correct.

Trend Scenario (green)

Maintenance of current share of national tourism and expected growth of tourism at the national level. BDA report that the number of rooms required to accommodate this scenario is approximately 3,900 rooms representing a current shortfall of 300 rooms.

The Arts Scenario (yellow)

Estimate of new visitors to result from current and upcoming arts developments including the Museum of Old and New Art (MONA), the Tasmanian Museum and Art Gallery, and Salamanca Arts Precinct. BDA reports 4,400 rooms required in this scenario, a shortfall of approximately 800 rooms.

Share Gain (blue)

Continuation of share gains made by Tasmania in interstate and international markets over the last 5 years, projected to 2017. BDA reports 5,200 rooms are required, a shortfall of approximately 1,600 rooms.

T21 Targets (red)

The targets outlined in the joint strategic plan of Tourism Tasmania and the Tourism Industry Council for 2007-2010. BDA report that the number of rooms required to accommodate this scenario is approximately 6,100 rooms, a shortfall of approximately 2,500 rooms.

Figure 2.
Forecast visitation growth Tasmania

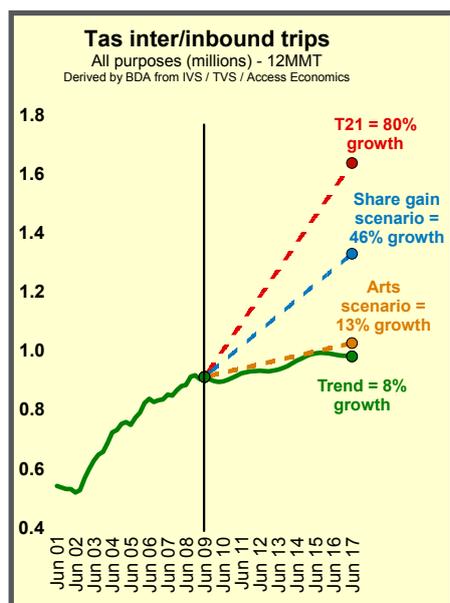
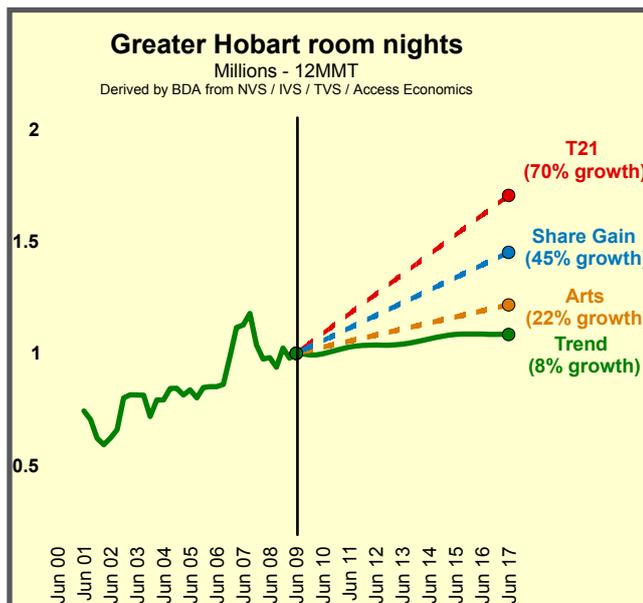


Figure 3.
Forecast growth in room demand in Greater Hobart



Air Supply

Hobart Airport, in their 2009 Draft Master Plan, is predicting slightly higher growth in passenger numbers than the share gain scenario. The predicted growth in air supply exceeds the demand required to achieve a continuation of the tourism growth experienced by Tasmania over the past five years as illustrated by the share gain scenario. Accommodation supply appears to be the key limiting growth factor; provided capacity, frequency and cost continues to provide easy air access to Tasmania for visitors.

Conclusions

According to BDA's report, accommodation in the Greater Hobart area is approaching its practical capacity and it's likely that the industry is missing out on further new visitors during peak periods.

A reasonable assumption based on this research would be that tourism growth in Hobart is likely to lie somewhere between the arts scenario and the share gain scenario depending on Tasmania's ability to continue to make competitive gains. The Arts scenario predicts a requirement of approximately 800 new rooms, and the Share Gain scenario suggests approximately 1,600 new rooms will be required by 2017 to meet the expected demand, and keep occupancy levels at their current rates. This means building between 111 and 230 rooms per year for the next seven years.

Developments that are currently under construction and those that have been proposed with planning applications will provide approximately 10% growth, only meeting requirements for the trend scenario.

Historically, Hobart has grown at an average of 70 rooms per year for the last seven years. A combination of a substantial increase in the rate of construction, a range of development sites and the redevelopment of existing sites will be required to achieve either the arts or share gain scenarios.

Further work needs to be undertaken to understand the investment barriers in order to ensure the private sector is able to realise the potential for future tourism growth in Hobart

Further information

For further information on specific investment opportunities contact Tourism Tasmania's Infrastructure and Investment team on (03) 6230 8127 or visit tourismtasmania.com.au.