

CHECK IN

CBRE HOTELS | AUSTRALIA



CBRE



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FOREWORD

Welcome to the third edition of Check-IN, a paper focused not on the detailed numbers but interpreting and commenting on some of the topical hotel trends. This edition looks at a number of subjects, in particular, the digital experience and what customers want. We also look at the emergence of co-working and space utilisation becoming part of a hotel's business.

We are living in a world that is connected 24/7. We demand fast and reliable connectivity to service our social media platforms, to check our emails or to download our work presentations. Automation, integration and the development of new technologies will continue to improve the guest experience but hotel owners and operators must evolve to retain their competitive advantage.

Operators will need to be at the forefront of innovative changes, providing feedback to owners on what is happening on a global scale. It is only a matter of time before we are picked up in a driverless car, check into a hotel on our smart phone which doubles as a room key, enter the room and ask the operating system to check our email, turn on our favourite music and to make a dinner reservation.

The reluctance of an owner to change and adapt could result in obsolescence – remember, it was only a few years ago that we had to plug our laptops in and then pay for internet access.

We do however, need to be mindful that a superior guest experience is the ultimate outcome to ensure repeat business, increased profitability and the all-important positive feedback on social media channels. We must ensure that any significant investment in technology meets the needs of the target corporate or leisure guest, and that typically a guest will still enjoy a human touch.

Another potential revenue source for hotel owners is the optimisation of underutilised areas, with the opportunity to create co-working space. The ever-increasing transient workforce that has no fixed office could provide revenue sources from membership or an increase spend in food, beverage or leisure outlets. Whilst in its infancy, there are significant opportunities to ensure hotels become the place to work, rest and play.

We hope you enjoy this edition and that it adds to your insight into where the market is moving and why.



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DIGITAL EXPERIENCE FOR THE MODERN TRAVELLER: HOW HOTELS ARE TRANSFORMING

The digital age is rapidly shaping customer behaviour and forcing hotels to change their business models. Millennials and Generation Z account for around 45% of the population and are the driving force for more digital services. Millennials are well into their careers with the oldest reaching 40 years of age and are taking up senior management positions. Generation Z is entering the workforce and well acquainted with using digital technologies. These cohorts are highly engaged on social media, and more importantly, form their opinions of businesses from reviews and blogs.

Having been somewhat slow in digitising, hotels have stepped up efforts in recent years. The transformation is taking place through smartphone-enabled check-ins and check-outs, door entry and even robotic services. Ultimately, the shift toward digitising is to mitigate the impact of disrupters and potentially be a disruptor, with the aim of providing convenience to customers, better hotel efficiency and superior customer service. The future for hotels and guests is exciting but hoteliers who are complacent risk being left behind.





THE 'NEW' CUSTOMER

Technology has influenced the way people live and interact with the world, such as the shift from cash to cashless payments, from queuing at the airport to online check-ins and from physical mail to social media. It has brought a change in peoples' expectation for more convenience and digital services, none more so than millennials and Generation Z, who are replacing baby boomers regarding spending power and their influence on businesses. Therefore, it is imperative that hoteliers know what the 'new' customer wants in order to attract and engage them. Below are the key behavioural trends of the new customer:

- ▶ **They want constant connectedness.** Social media platforms have birthed the need for connectedness as travellers rely heavily on mobile devices. A recent survey by Adobe revealed that the average device usage per day is 7.8 hours and higher still for younger demographics¹ (figure 1).
- ▶ **Smartphones are the preferred choice** for search and online purchases as mobile penetration rates increase globally (above 80% for the U.S. and Australia). Hotels remain the sector where smartphone bookings are most common, generating one in five online bookings².
- ▶ **Faster services and self-service.** Similar to airlines, hotels now offer self-service check-ins. The Global Business Travel Association found that 78% of corporate travellers in the U.S. prefer using self-service technology to manage their travel, followed by 77% in Italy and 74% in Canada³.
- ▶ **More inclined to book a hotel that offers free Wi-Fi.** According to The Research+Data Insight Survey 2016, free Wi-Fi has become an essential part in the hotel booking decision and came in second only to cost.

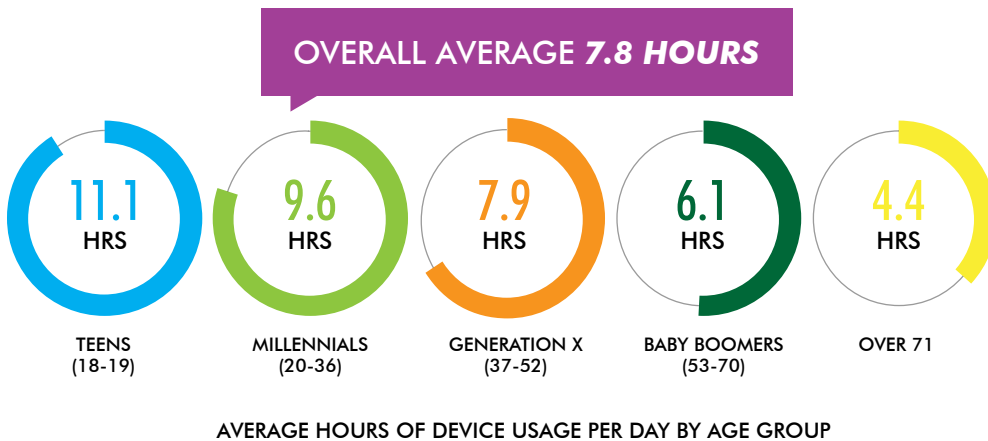
¹ 2018 Adobe Consumer Content Survey, CMO Article: Consumer Demand For Personalized Content Reaches All-Time High

² Skift Article: Growth of mobile travel bookings in 6-charts

³ www.gbta.org/news-and-advocacy/commentary/postid/3810/business-travelers-and-technology-embracing-self-service-and-personalized-travel-options-1

- ▶ **Has a preference for personalised services.** 87% of U.S. marketers reported that personalisation on their websites or apps increased revenue, with over 50% of respondents citing an increase of more than 10% in revenue⁴.
- ▶ **Demand user-friendly websites and access to information.** The ease of use and navigation on a travel app is nearly twice as important as anything else an app can offer⁵. Furthermore, a staggering 88% of travellers will switch to another site or app if it does not meet their needs – such as pricing and information⁶.

Figure 1 - Average hours of device usage per day by age group



Source: 2018 Adobe Consumer Content Survey

⁴ www.evergage.com/wp-content/uploads/2018/04/Evergage-2018-Trends-in-Personalization-Survey.pdf

⁵ How people discover, use, and stay engaged with apps, Think with Google, Oct 2016

⁶ Travel booking trends revealed in let's-book-it moments, Think with Google, Jul 2016

BOOKING

Search hotels

Where would you like to go?

Location, region, district or hotel

Check-in

dd/mm/yyyy

Check-out

dd/mm/yyyy

Guests

1

Search



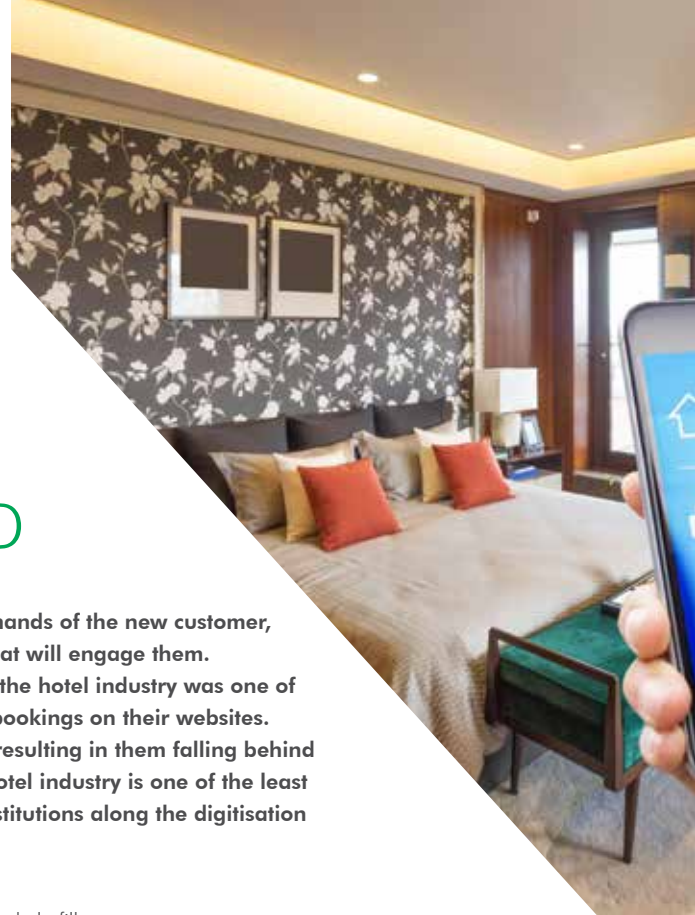
HOTELIERS HAVE BEEN SOMEWHAT SLOW TO RESPOND

For hotels, the value of digitisation is to meet the demands of the new customer, specifically providing convenience and experiences that will engage them. Interestingly, when the internet came to prominence, the hotel industry was one of the earliest adopters and was quick to enable direct bookings on their websites. However, this was the extent to which they digitised, resulting in them falling behind other industries. According to McKinsey, Australia’s hotel industry is one of the least digitised, ranking well behind banks and financial institutions along the digitisation index⁷ (figure 2).

Hoteliers relied on online travel agents (OTA) during the GFC to help fill occupancy that otherwise would have remained empty. OTA’s price comparisons and access to information made them popular. However, they are now viewed as a threat by hoteliers, as it affects hotel operator profitability and reduces their direct relationship with guests.

Many industries were caught off guard when social media became the primary source of information and thus influence. The reach of social media content is far and travels faster than any other technological platform. According to McKinsey, social media can reach an audience 50 times faster than the radio⁸.

Importantly, 85% of consumers trust online reviews as much as personal recommendations⁹, and 81% of people read reviews and check ratings before they make a purchase¹⁰. This means that a hotel’s reputation is primarily gleaned from social media posts and reviews; in fact, over 50% of TripAdvisor global users will not book a hotel that has no reviews¹¹.



⁷ McKinsey’s Digital Australia: Seizing the opportunity from the Fourth Industrial Revolution report

⁸ www.mckinsey.com/featured-insights/asia-pacific/digital-australia-seizing-opportunity-from-the-fourth-industrial-revolution

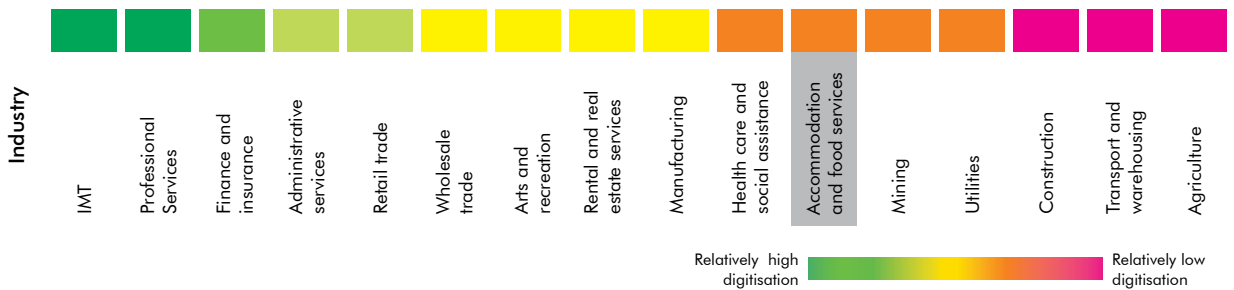
⁹ www.brightlocal.com/learn/local-consumer-review-survey/?SSAID=314743&SSCID=91k2_lz1rw

¹⁰ The Deloitte Consumer Review – The growing power of consumers

¹¹ www.tripadvisor.com/TripAdvisorInsights/w661



Figure 2 - Australia industry digitisation Index



Source: McKinsey's Digital Australia: Seizing the opportunity from the Fourth Industrial Revolution

Note: IMT stands for Information Media and Telecommunications

...BUT THIS IS CHANGING

The realisation of how technology and social media are impacting brand image has led to large hotel chains finding new ways to attract and retain customers. Access to free Wi-Fi has been the most significant change. In 2004 only half of U.S. hotel rooms had high-speed access, but by 2017, this had increased to 98%¹². Australian hotels have moved in the same direction but lagged their counterparts elsewhere in the world.

A recent survey by Tourism Accommodation Australia revealed that only 42% of Australian hotels offered free Wi-Fi in all areas¹³. A global survey in 2017 ranked Australia last out of 28 countries for the satisfaction of high-speed broadband¹⁴.



On the other hand (in the pursuit of change), some hotels are offering full automation services in a bid to attract tech-savvy customers. Over the past five years, the increased pace of digital transformation in hotels has been remarkable. Examples of recent innovations are listed over the page:

¹² www.economist.com/gulliver/2017/11/15/hotels-are-finding-out-what-amenities-guests-really-want

¹³ <https://nsw.tourismaccommodation.com.au/blog/2016/02/18/18-02-16-australian-hotels-embrace-connectivity/>

¹⁴ www.ipsos.com/sites/default/files/ct/news/documents/2017-10/InfrastructureIndex_Aus2017.pdf

Smartphone

In response to rising smartphone penetration rates, Marriott developed a strategy called “win-the-stay”. The strategy aims to deliver a whole chain of service experience via a smartphone app. Marriott Rewards members are offered customised content from the planning stage to post stay. Marriott was one of the first operators to roll out mobile check-in and check-out and room ready alerts. They also have a Mobile Requests service which enables guests to contact hotel staff for special requests and Netflix and YouTube accounts can be accessed (at select hotels) via personal mobile devices.

Last year, Sheraton Grand Mirage Resort Port Douglas became the first Sheraton in Australia to offer room access via a smartphone to its Starwood Preferred Guest members.

Social Media

AccorHotels developed an integrated social media listening platform to sift through relevant public conversations on social media and online platforms, to help it become more customer-centric in every stage of the customer journey.

Personalised Experience

InterContinental Hotels Group was recently granted a patent for its ‘WorkLife Room’ at its Crowne Plaza Hotels & Resorts brand. The patent was awarded based on the delivery of ‘the guestroom of the future’ which is tech-enabled and focuses on the sleep experience.

Full Automation and minimal human interaction

Hotel Buddy in Munich is a staff-less hotel, where guests can manage everything through a smartphone, from booking to door entry, car parking, check-in and check-out and automatic floor selection by smart elevators.

In Japan, the majority of staff at Henn-na Hotel are robots. The robots check-in guests and carry luggage to rooms, while guest door entry works by facial recognition. The check-in robots are dressed as humanoid women, velociraptors or a talking toy. While guests must pay extra to have their beds made, towels and bath mats are changed daily by robots. It should be noted that the use of robotics in Japan is more prevalent across all facets of life than other countries.



SHOULD HOTELS TAILOR SERVICES TO BOTH CORPORATE AND LEISURE TRAVELLERS?

Corporate guests have different purposes for travel than leisure guests. Therefore, hotels need to distinguish the individual digital needs of the two groups in order to engage and win their loyalty.

One of the primary needs of many corporate travellers is to be productive during their stay. U.S. corporate travellers spend at least an hour a day at the hotel for work purposes¹⁵, therefore, having access to the internet with a fast and secure connection is paramount. On top of this, they want more technology amenities, such as multiple USB outlets.

Opportunities for hotels to target corporate travellers, include building a profile of each guest, as they tend to travel often and profiling allows the hotel to provide a more personalised experience.

Hotels need to work on creating user-friendly travel apps, as corporate travellers check their reservation status, manage their reward points and book stays through them. Providing a seamless experience for the busy corporate traveller creates goodwill for the hotel.

In order to help retain corporate patronage, Marriott launched its successful Mobile Request app which allows guests to make requests for anything from dry cleaning to dinner reservations.

Leisure travellers have a different set of priorities to corporates as they are on holiday, generally are less time constrained, and want the full experience of holidaying – enjoying the hotel stay, exploring destinations and sightseeing. Leisure guests have more time to explore functionalities in their room. As such, The Darling at The Star in Sydney, allows guests to mirror their devices to in-room TVs, while some other hotels allow guests to log-in to their home Netflix accounts, which is convenient as their content is already set up.

Finding places to eat can be a challenge for any traveller, especially if it's a place they are visiting for the first time. Personalised recommendations for restaurants via a mobile app will earn hotels brownie points.

For health-conscious travellers, some hotels are operating wellness zones. Hilton has taken this a step further by offering in-room workouts services. Hilton's Five Feet of Fitness at selected U.S. locations allows guests to work out in the privacy of their room. The touchscreen display will enable guests to receive equipment tutorials and follow guided workout routines¹⁶.

¹⁵ Global Business Travel Association's- Hotel Technology Study: How Do North America-Based Business Travelers Use and Feel about Hotel Technology?

¹⁶ <https://fivefeetofitness.hilton.com/>

THE ROAD AHEAD IS STILL CHALLENGING FOR HOTELS

The race to engage the 'new' customer is endless. New technology implemented today may be obsolete in a few years. Competition to win customers is expected to intensify as more disruptors enter the market. With many companies expanding into other industries, one of the threats to hotels is a major online retailer, data analytics or social media company expanding into hospitality. These large online companies already have extensive data collection and their knowledge of consumers may give them an advantage over other companies.

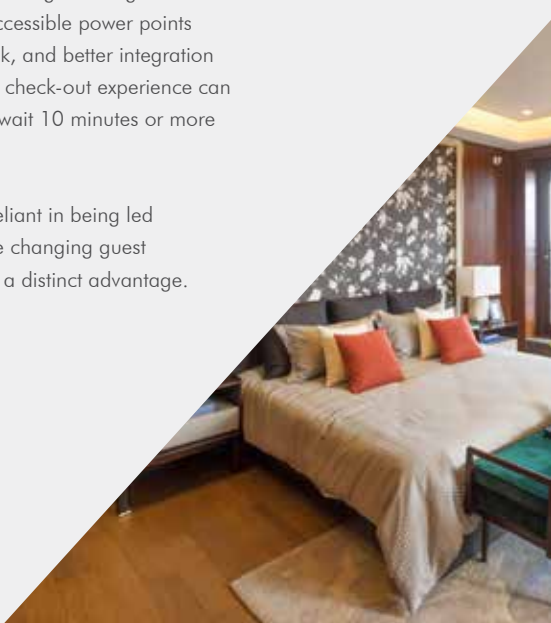
Hotels need to work on mitigating the impact of disruption and potentially be a disruptor themselves. Hotels may need to consider collaborating with other partners to create a hospitality ecosystem. Following the airline and retail industries, loyalty points could be redeemed across industries, such as paying a hotel bill with loyalty points. For example, La Quinta Hotel in the U.S. has recently revamped its loyalty program and allowed members to redeem points for everyday purchases at restaurants, grocery stores and online bookstores, as well as earn points for sharing social posts linked to La Quinta.

Digital transformation shouldn't be limited to front-end services. Back-end operations can benefit from robots performing housekeeping functions – which can generate cost savings in an industry that is labour-intensive. In Australia, fixed labour costs account for 30-40% of a hotel's operating cost, but increased automation can save on administration, recruitment and training costs.

Besides cost savings, automating back-end operations can free up hotels to focus on providing excellent customer service. The combination of being at the forefront of technology yet providing excellent customer service will help hotels mitigate the risk of losing market share.

There are some really simple things hotels can do in the short term including ensuring the Wi-Fi is fast, reliable and easy to access; that there are USB and/or easily accessible power points near bedheads; having international power sockets at the in-room desk, and better integration of TV and IT services including casting from devices. The check-in and check-out experience can be improved by better use of technology. Why should a guest have to wait 10 minutes or more after a long trip to obtain a key to a room booked in advance?

Owners will need to invest in these new technologies but are heavily reliant in being led by operators who generally have better scale and understanding of the changing guest requirements and systems. Those operators who keep ahead will have a distinct advantage.





WHAT'S NEXT?

As hotels pick up the pace of digitising, the question they will continually need to answer is where to next? The value of digitisation lies in remaining relevant and delivering convenience and experience to engage the 'new' customer. Satisfied customers drive loyalty, loyalty drives recommendations and repeat business and, ultimately revenue.

The wow factor for hotels is providing a unique and memorable experience that travellers can't wait to share on social media. Some hotels have begun to explore artificial intelligence, virtual reality, and augmented reality, but hotels may even become more futuristic to woo the customer. The realms of possibility are vast:



Artificial Intelligence (AI)

Hotels are likely to adopt more artificial intelligence in their operations, such as self-learning robotic concierges. The value of AI lies in its ability to predict the services and activities that interest guests, like recommending a restaurant. In Munich, the budget chain Motel One uses a humanoid concierge named Sepp to greet guests and answer questions, like when and where breakfast is served.

AI enhances the guest experience through the ability to provide personalised services and at the very least improve hotel efficiency. Even in its basic form, AI allows guests to vary room temperature, light settings or select a TV channel by voice command, giving the guests a feeling of control over their stay. More hotels are expected to implement AI in the next decade, harnessing the value of personalisation.

Virtual Reality (VR)

Marriott Hotels launched its 'Travel Brilliantly' campaign across the U.S. that allowed guests to teleport to London or Hawaii, with the intent of inspiring them into booking a trip.

Hotels of the future may incorporate the ability for guests to change the look and feel of their room, such as creating the reality of being in a rainforest or at the beach or even at home. There is even the possibility of adding sounds, scents and a climate to match the desired surrounding.

Additionally, staff training can be carried out through VR simulations, including diffusing dangerous situations. This gives staff the required standard of safety training and confidence in real life situations.

Driverless cars

A survey by Oracle revealed that 64% of hotel operators believe driverless neighbourhood shuttles would be mainstream or in mass production by 2025¹⁷. The technology is already available, with Tesla trialling its autonomous vehicles (AV) earlier this year, and a number of other car manufacturers are racing to deliver driverless cars as well. Hotels could consider teaming up with car manufacturers to explore driverless shuttles.

Biometrics and facial recognition

Already operating at airports, biometrics and facial recognition can enhance a traveller's experience. For example, with consent, hotels could be notified when their guests have cleared customs after being identified by biometrics or facial recognition. The guest then receives a message when their room is ready for check-in. When guests arrive at the hotel, they could access their rooms, lifts or facilities simply with a look, bypassing the need for a mobile app or self-service check-in.

Other uses for this technology include staff recognition and movements – enhancing security for staff and guests. The value of digitisation lies in offering convenience for guests and freeing up time for hotels to provide superior and differentiating experiences. After all, the core purpose and function of hotels is the business of people.

¹⁷ Oracle - Hotel 2025 emerging technologies destined to reshape business

SPACE UTILISATION: SHOULD HOTELS ENTER THE CO-WORKING MARKET?

Co-working space is an environment in which people can come to work collaboratively rather than in a cubicle or static environment.

While working to grow individual businesses, the environment allows people to interact and exchange creative ideas to increase productivity and performance.

The popularity of co-working space has seen it grow from 160 spaces worldwide in 2008 to over 11,000 in 2016 and estimated to reach 19,000 by the end of 2018, according to Deskmag's Global Co-working Survey 2018.

ARE HOTELS AND CO-WORKING SPACE A GOOD FIT?

The rise in co-working space offers opportunities for hotels to utilise vacant space and increase revenue. However, operators have been slow to recognise the potential benefits of transforming underused space into co-working hubs with only a handful of major brands venturing into the market.

Is co-working space a good fit for hotels though? The value proposition of co-working space appears to support this union. Co-working space aligns closely with the hospitality industry, in that it endeavours to provide a level of service and stimulating environment via short-term space options.

Hotels are well placed to venture into co-working space, making use of existing facilities (business centres restaurants, media rooms); and offering concierge services, event managers, and connectivity.

In some hotels currently offering co-working space members are given a discount in the restaurants and hotel rooms enticing them to stay. For corporate travellers, the convenience of walking from their room to the co-working space means that they don't have to commute to the office.

Capturing a transient cross-section of society is where hotels stand to benefit. Even though a hotels main business is the provision of accommodation, there is also money to be made from offering the local community a place to meet and collaborate.





CORPORATE TRAVELLERS ARE A GOOD TARGET FOR HOTELS

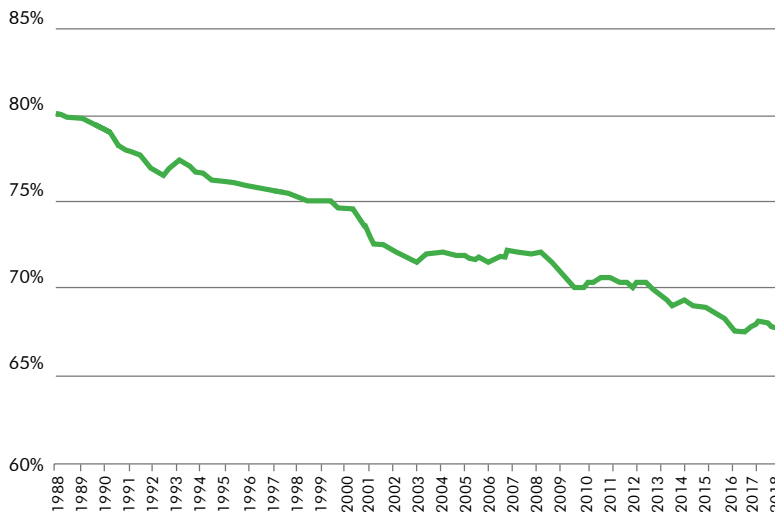
Corporate travellers on the road might prefer a hotel chain's co-working space to heading to the local office each day, enticing them to book their accommodation at hotels offering this service over others who do not. Around 20% of domestic and 12% of international arrivals in Australia are for business purposes. This is a sizable market for hotels to capture. Furthermore, there is the upside of the growing number of freelance professionals and small business operators, who may find co-working spaces more attractive on a cost and convenience basis.

Upwork estimates that freelance workers in the U.S. are around 35% of the workforce (in 2017) but are forecast to exceed 50% over the next decade¹⁸. According to Upwork, up to 32% of Australia's workforce are freelance workers, and they expect this to increase in the coming years¹⁹.

This trend is supported by the declining share (of the total labour force) of full-time work in Australia over the past two decades, as more people explore freelance work (figure 3). Deloitte Millennial Survey 2017, estimates that this will continue to grow as one-third of millennials have a strong preference for freelance work because of the perception of greater work satisfaction and opportunities.

Then we have Generation Z who will be entering the workforce over the next decade. This cohort grew up in the sharing economy and are likely to be less inclined to work within the current workplace model and more likely to embrace the advent of co-working spaces.

Figure 3 - Share of permanent full-time employment in Australia



Source: ABS, CBRE Research

¹⁸ Freelancing in America: 2017

¹⁹ www.upwork.com/hiring/trends/trends-in-australias-workforce/

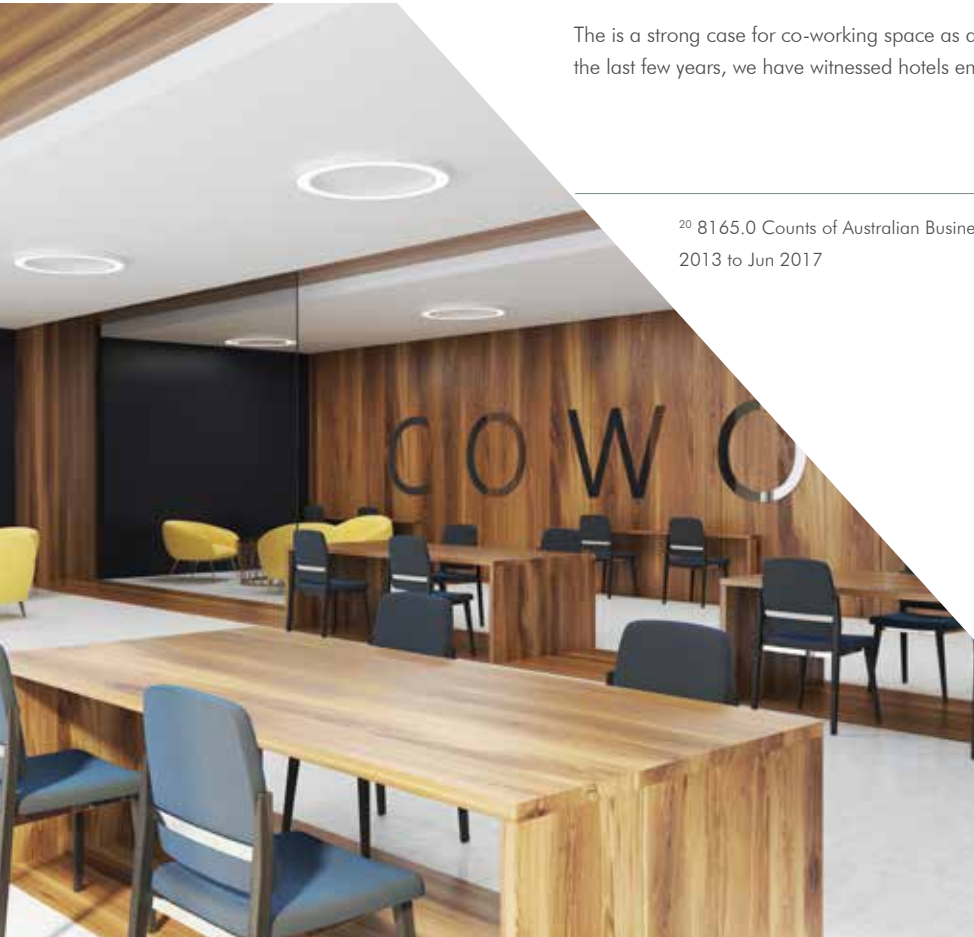
According to the CBRE Co-Working Space Survey 2018, co-working space in Australia has grown in the past three years to more than 20 operators across 450 locations. While there has been strong growth in recent years, the industry is still very much in its infancy with a less than 1% share of the office market.

Melbourne and Sydney account for more than 85% of the co-working space. However, growth is not confined to the CBD, with inner-city and suburban locations accounting for more than 30% share.

With the rise of freelance professionals, and small and medium businesses making up the bulk of Australia's employers, co-working space can be an attractive alternative to traditional offices. Currently, 94% of Australian companies have less than 19 employees, which means co-working space may be more cost effective - without long-term lease contracts and the security bond²⁰.

There is a strong case for co-working space as an add-on service in hotels. Over the last few years, we have witnessed hotels embrace this new trend.

²⁰ 81 65.0 Counts of Australian Businesses, including Entries and Exits, Jun 2013 to Jun 2017



HOTELS OFFERING CO-WORKING SPACE

- ▶ The New Esplanade Hotel in Perth aims to engage the community with its co-working spaces. The hotel's entire ninth floor will be Perth's first dedicated 24/7 collective workspace, designed to act as a central point for the local community and travellers to get together, offering a 24-hour lobby, comfortable communal areas, a rooftop bar and a coffee shop for all guests and non-guests.
- ▶ The Next Story Group is launching its first co-working space in Australia under its hotel brand Kafnu, towards the end of this year. Located in Alexandria, Sydney, the hotel will have 16 rooms, co-working space, meeting rooms and other member facilities across ~3,500 sqm. Kafnu aims to provide a network of co-working spaces across Asia Pacific, whereby members can access any co-working location in any city.
- ▶ In 2017 Virgin Chicago Hotel opened a co-working space for local professionals, based on a monthly membership for freelancers to use the hotel's common club lounge as a workspace.
- ▶ Spacious, a U.S. co-working operator specialises in transforming unused space into productive workspaces. They also work with restaurants to lease out spaces that would otherwise sit empty during the daytime.
- ▶ Hotel Tryp by Wyndham at Dubai's Barsha Heights offers a fully-fledged co-working space called the 'NEST'. This space offers couches, tables, desks, and network areas. Membership can be hourly, daily, weekly or monthly. Members enjoy access to the hotel's facilities - from the pool to the gym and discounts in the hotel's restaurant. In the first six months of its opening, the hotel saw an increase in revenue in its restaurants, bars and rooms.
- ▶ Yotel in New York City grants its members an abundance of common areas with fast Wi-Fi; an open-plan cafe that doubles as a co-working space; a dedicated floor for meetings, project launches and conferences, and an outdoor hotel terrace in the city for after-work drinks.





CONCLUSION

Digitisation has penetrated every aspect of people's lives. Digitally native millennials and Generation Z demand a high level of digital offering from hotels. Their appetite for digital experience is insatiable having been born and raised in a highly digital environment. To accommodate them, hotels of the future will look and feel very different from present-day models; futuristic and experiential based.

Hoteliers need to understand the value of digitisation and speed up their efforts to digitise or risk becoming less relevant in the minds of travellers and ultimately replaced by new disruptors.

While it requires significant capital expenditure to invest in technology, it's a forward-facing decision in order to remain relevant. Investing in innovation needs to be ongoing to keep up with the evolving customer. However, digitisation alone will not suffice, the customer still needs the human touch.

Recently, co-working spaces have been incorporated into hotel offerings. The shift in demographics and increase of freelance professionals have altered the way people want to work. The changing landscape from a service economy to an experience economy means that traditional office space is becoming less appealing. The rise of co-working space coincides with these trends. The value proposition of co-working space aligns closely with the hospitality industry in that they both seek to provide a place of human interaction and short-term rental options.

Hotels that have launched co-working spaces have experienced positive outcomes and this should entice others to follow suit. Co-working spaces can open up hotels to new audiences and generate additional revenue by activating existing spaces. Hotels and co-working spaces seem to be a natural fit; hotels are well placed to capture this market that is in its infancy but proliferating.

OBSERVATIONS ON THE HOTEL MARKET



WAYNE BUNZ

National Director
CBRE Hotels – Hotel Brokerage

Last year my prediction that investors willing to take a leap of faith into the counter-cyclical markets of Brisbane and Perth would be ahead of the curve seems to be accurate as evidenced by the circa \$200m worth of hotels that have transacted in Brisbane. The smart money will continue to actively seek opportunities in Brisbane where hotels are being acquired below replacement value. Perth may follow a similar trend as the resource market is (finally) starting to gain momentum. With continued new supply into Melbourne, buying opportunities at the right price will start to emerge in the short-term.



ROB CROSS

National Director
CBRE Hotels – Hotel Brokerage

The first major hotel development cycle since the 2000 Olympics is well underway in Australia. This is somewhat compounded with the slowing of the residential apartment market and developers seeking alternate uses for their projects. There is no doubt that much of the 'silly money' the investment market experienced in recent years is abating (with the exception of Sydney CBD – for now) and we anticipate the more traditional buyers (SE Asian and locals) to be more active over the next 12-24 months: a fascinating period for the hotel sector.



WESLEY MILSON

National Director
CBRE Hotels – Valuations & Advisory

We are entering into a new phase for the Australian hotel market with a number of new hotel developments either opening or under construction across the country. Due to a strong investment market and existing stock being tightly held, the number of hotel developments across the country is unprecedented. We are seeing the re-emergence of luxury brands coupled with lifestyle, leisure and boutique properties that would not be out of place in New York or London. There is a real focus on F&B with celebrity chef restaurants and rooftop bars becoming the place to be seen.



AARON DESANGE

Head of Capital Markets | WA
CBRE – Capital Markets,
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We have seen a significant number of hotels enter the Australian market over the last 12 months both in capital cities as well as leisure locations. Consumer trends in the hotel sector are changing quickly and the majority of new assets are adopting increased technology and providing unique experiences to cater to more sophisticated guest needs. Lifestyle and boutique brands are likely to continue their rapid expansion particularly within new mixed-use developments. The more traditional hotels will need to reposition, improve technology and adapt certain spaces to remain competitive.

CLOSING REMARKS

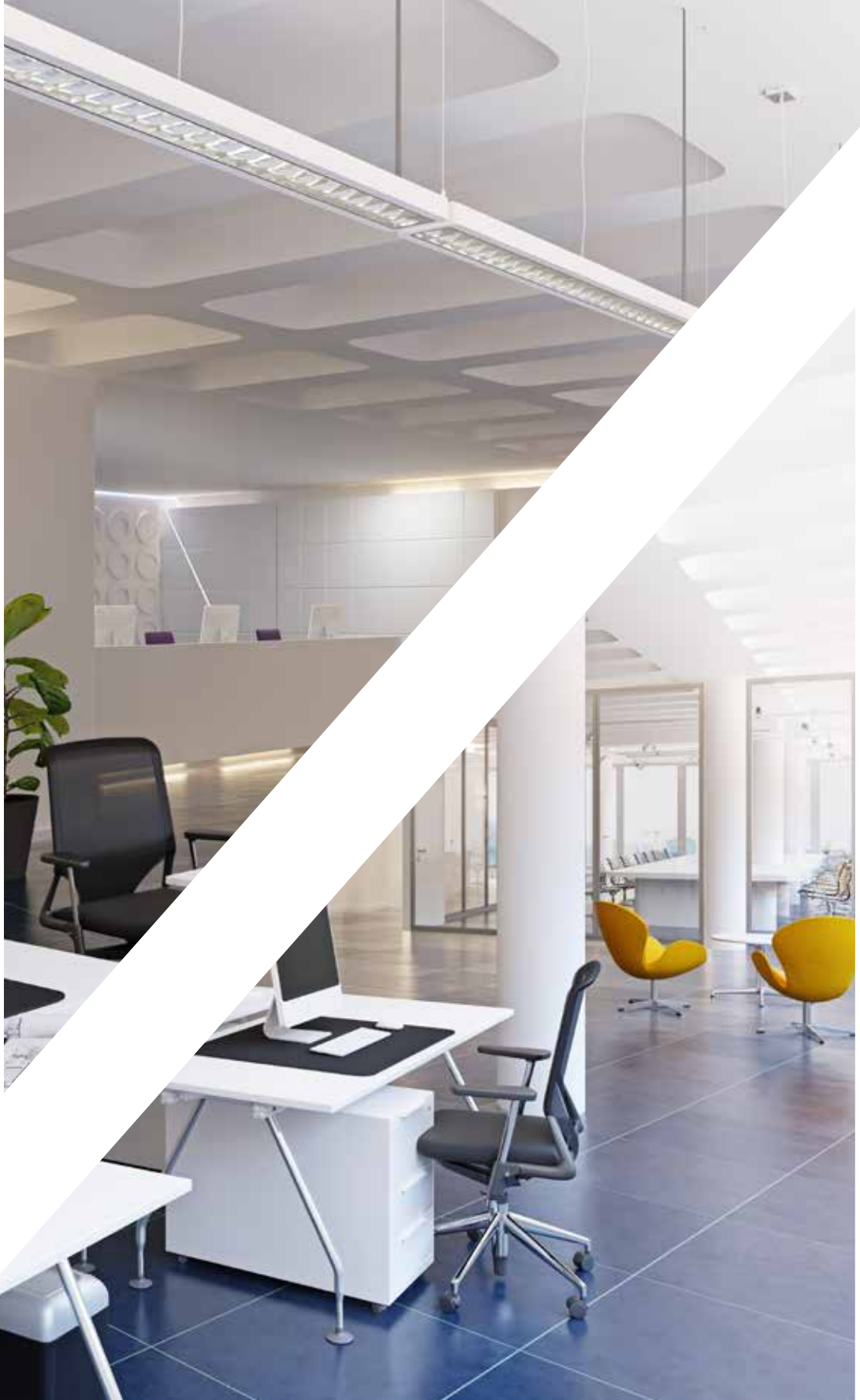
The wave of digitally engaged customers will only get bigger. The appetite for digital experience of Millennials, Generation Z and those after is insatiable, having been born and raised in a highly digital environment. To accommodate them, hotels of the future will look and feel very different.

Investors and hotel operators need to consider the value of digitisation, the capital required and potential impacts on business by not meeting the needs and demands of the future traveller.

The transient work population presents new opportunities to turn underutilised space into co-working space offering a synergic opportunity and diversified income base for hotels.

We feel there are opportunities to improve both revenue and profitability levels for hotels that are highly engaged with customers and digitally prepared.

Robert W. Finkbeiner





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