



AIRPORT HOTEL STUDY

Australia and New Zealand Edition
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The
MERCURIUS
Group 

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SECTION 1
INTRODUCTION

1 INTRODUCTION

1.1 About the Australian New Zealand Airport Hotel Study

Welcome to the inaugural edition of the Airport Hotel Study – Australia and New Zealand (the AHS).

The AHS was conceived by The Mercurius Group (Mercurius) to shed some much-needed light on the airport hotel sector in Australia and New Zealand, including:

- Overall size of the industry in terms of number of hotels;
- The category of hotels currently operating;
- Benchmarks of hotels in terms of number of beds, Average Daily Room Rate (ADRR), Occupancy and Revenue per Available Room (REVPAR);
- Key hotel operators; and
- Services offered within hotels.

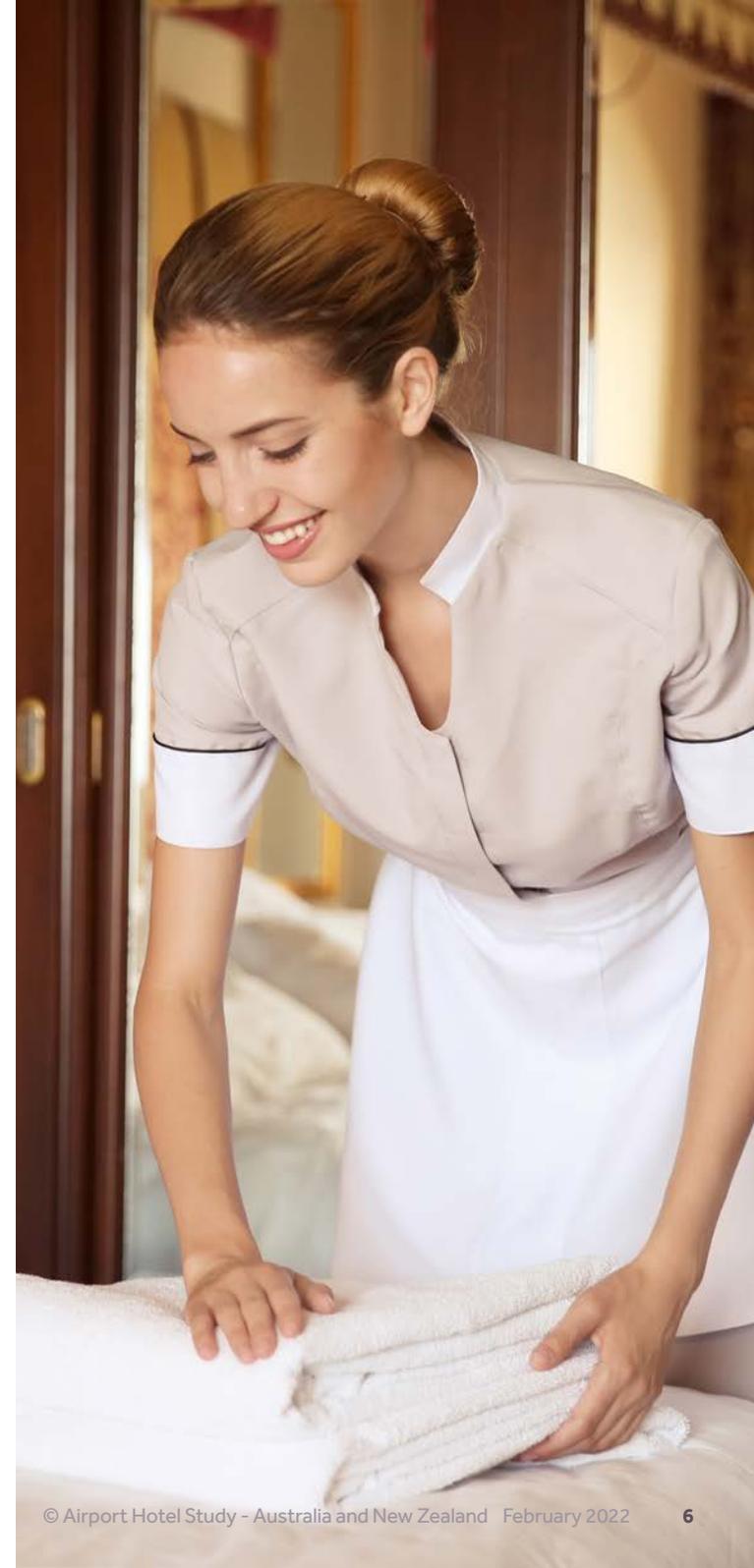
As hotels increasingly become a key feature of an airport's services both in terms of customer satisfaction and revenue to airports, the demand for a definitive study on the sectors from airports, hotel

operators, planners, architects, and investors has grown – demand now fulfilled by the AHS.

Mercurius provides strategy, space planning, performance, financial performance evaluation, concept development and feasibility, tenancy planning and leasing services to the travel retail sector. Our clients include airports, retailers, brands, governments, planners, architects, financiers, and investors, while our sector coverage includes F&B, duty free, specialty retail, advertising, hotels, car parking, car rental and ground transport.

Our consultants all have the combination of both strategic and operational travel retail experience and have worked for either airports, retailers, or brands (and in some cases all three). The Mercurius team – working together with the team from The Moodie Davitt Report - have also completed multiple industry studies including:

- the 2018/19 Airport Commercial Revenues Study which benchmarks the commercial revenue performance of more than 100 airports around the world;
- the 2016/17 Airport Car Parking Study which benchmark car park products and pricing from 336 airports around the world; and



- the 2020/21 Airport Food & Beverage Study which benchmarks the F&B programs of the top 26 airports from across Australia and New Zealand.

As a result of our experience in developing industry studies, we understand what is required of an industry study, how the data is gathered, validated analysed and presented and what is important to the various participants in the industry. We also know how to identify trends that add value to our clients and how best to improve the financial returns from airport commercial activity.

We anticipate the AHS will provide valuable insight to:

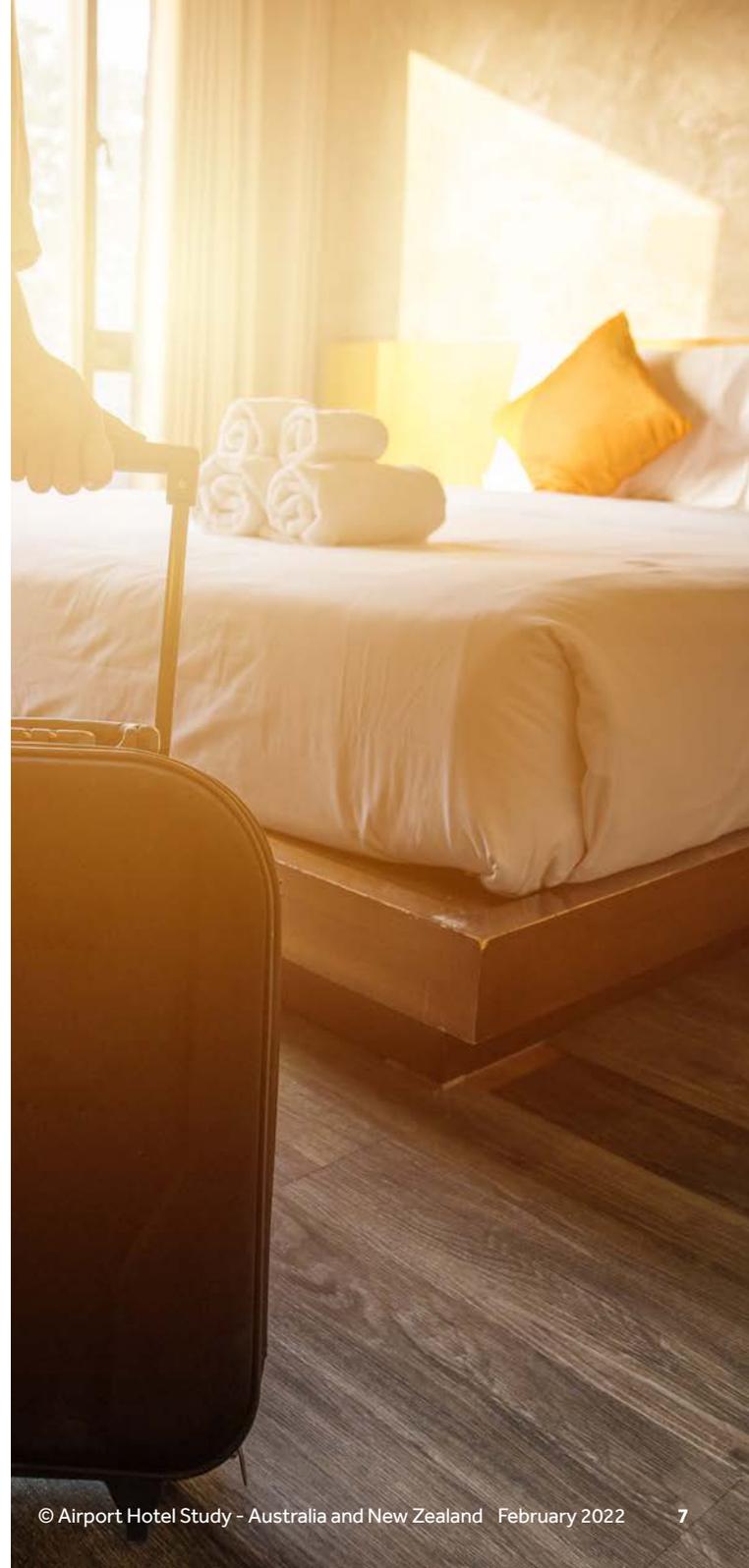
- Airport and hotel Boards, financiers and investors seeking to understand the value that can be brought by airport hotels;
- Airport executives seeking to build and benchmark their hotel programs;
- Hotel operators wanting to understand the depth and range of the airport hotel market in Australia and New Zealand; and
- Airport planners, architects, designers and builders involved in airport terminal development.

The AHS draws on in-house databases, industry expertise and relationships built up by our team over the past 30 years, as well as publicly available resources.

For this project, we are also grateful for the assistance of Ron de Wit, Managing Director Australia of Horwath HTL. The Horwath team provided Mercurius with anonymised and aggregated data from their hotel performance database so that we could compare and contrast airport hotel performance with other hotels.

We are happy to receive your feedback, comments, or suggestions on the AHS and ways to improve it – we look forward to hearing from you.

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SECTION 2

METHODOLOGY

2 METHODOLOGY

2.1 About Airport Hotels

An airport hotel is typically defined as a hotel where demand is driven by the convenience of proximity to an airport.

Typically, demand for airport hotels comes from three sources:

- airport passengers;
- the airport business community (including airline staff and crew); and
- nearby business parks.

Hotels have become an increasingly common feature of airports around Australia and New Zealand and an important addition to airport commercial revenues. While early airport hotels were typically on land leases and built by third-party developers, increasingly airports are taking up development and ownership of airport hotels as the market matures, and as airports have developed more understanding and experience about the commercial opportunities afforded by hotels.



2.2 Airport Hotel Categories

Mercurius has developed a system of categorisation of airport hotels driven by their proximity and convenience to terminals. The five categories of airport hotels are:

Terminal adjacent hotels – these hotels are typically connected to an airport terminal or by a direct walkable link;

Walkable on-airport hotels – these hotels are located on the airport campus and within 1km of a terminal (making them convenient and easily reached by foot);

Walkable off-airport hotels – these hotels are located “over-the-fence” on land not owned by the airport, but within 1 km of the airport boundary (and therefore still walkable, albeit with less ease and convenience than an on-airport hotel);

On-campus airport hotels – these hotels are located on-airport, however not terminal adjacent and/or easily reached by foot. This category of hotel typically serves the needs of business parks or wider regional markets. It is common for these hotels to provide shuttle bus services to and from terminals.

Catchment airport hotels - these hotels are located more than 1km but less than 5km from an airport, and are marketed as airport hotels. Catchment airport hotels are not typically reachable on foot, instead accessed by vehicle (e.g. car, taxi, rideshare) and sometimes provide shuttle bus services to terminals.



2.3 Airport Hotel Positioning

Hotel ratings are often used to classify hotels according to their quality. From the initial purpose of informing travellers on basic facilities that can be expected, the objectives of hotel rating have expanded to encompass the hotel experience as a whole. There is a wide variety of rating schemes used by different organizations around the world.

Food services, entertainment, view, room variations (such as size and additional amenities), spas and fitness centres, ease of access and location may be considered in establishing a standard. Traditionally, hotels undergo independent assessment to be awarded a rating. But rating a hotel is a tricky and complicated business, and one which has been the subject of much debate over the years. The advent of online reviews and hotel booking websites has further complicated the matter.

For the purposes of this study—and to aid in our analysis—Mercurius has categorised airport hotels into five different positionings or ratings:

Premium

These hotels typically provide high quality, extensive facilities, sophisticated amenities, and multiple services. Key examples within the airport hotel market include:



Economy

These hotels typically provide basic quality accommodation with limited number of services. Key examples within the airport hotel market include:



Midscale

These hotels typically provide a comprehensive selection of services and amenities of a high quality. Key examples within the airport hotel market include:



Apartment

These hotels typically provide self-catering cooking and laundry facilities. Key examples within the airport hotel market include:



Budget

Typically provide basic accommodation with minimum amenities and services



2.4 Airports included in the AHS

The AHS covers all 27 airports across Australia and New Zealand with annual passenger movements greater than 0.5m – with just over half (52%) having at least one hotel falling within the five categories of airport hotel analysed within the study. The incidence of airport hotels is materially higher in Australia (58%) than in New Zealand (38%).

Consequently, the 14 airports that do have airport hotels are the focus of this study.

Figure 1 - Airports Included in the AHS

Australia	Pax Volume 2019	Hotel Y/N
Sydney (SYD)	44.4m	
Melbourne (MEL)	37.3m	
Brisbane (BNE)	24.1m	
Perth (PER)	14.4m	
Adelaide (ADL)	8.5m	
Gold Coast (OOL)	6.5m	
Cairns (CNS)	4.9m	
Canberra (CBR)	3.3m	
Hobart (HBA)	2.8m	
Darwin (DRW)	1.9m	
Townsville (TSV)	1.6m	
Launceston (LST)	1.4m	
Avalon (AVV)	1.4m	
Sunshine Coast (MCY)	1.3m	
Newcastle (NTL)	1.3m	
Mackay (MKY)	0.8m	
Rockhampton (ROK)	0.6m	
Alice Springs (ASP)	0.6m	
Karratha (KTA)	0.5m	

 * includes an airport hotel

New Zealand	Pax Volume 2019	Hotel Y/N
Auckland (AKL)	20.0m	
Christchurch (CHC)	7.0m	
Wellington	6.6m	
Queenstown (ZQN)	2.5m	
Dunedin (DUD)	1.0m	
Nelson (NSN)	1.0m	
Hawkes Bay (NPE)	0.8m	
Palmerston Nth (PMR)	0.7m	

2.5 Definitions and Abbreviations

2.5.1 Definitions

In gathering data for the AHS across multiple airports, care has been taken to ensure comparisons and categorisations are as like-for-like as possible. As such, a number of definitions have been utilised to bring the AHS together, as set out below:

ADR

ADR is the average daily room rate. It is calculated by dividing total hotel revenue by the number of occupied rooms.

Aircrew

Aircrew is a term referring to the people directly involved in flying aircraft – typically pilots and flight attendants.

Correlation Co-efficient

A correlation coefficient measures the magnitude and direction of a relationship between two or more data sets, irrespective of the units of measurement and origin. In other words, whether the relationship between data sets is statistically significant. The correlation coefficient is derived by dividing the covariance between two variables by the product

of their standard deviation, and will always return a value of between -1 and +1. A result of -1 indicates a negative linear relationship (e.g. for every one unit increase in A, there is a corresponding one unit decrease in B). A result of +1 indicates a positive linear relationship. A result of zero or close to it does not mean that there is no relationship between the variables but that the relationship is not linear. To determine the strength of a relationship, the absolute value of the correlation coefficient needs to be analysed. As a rule of thumb, if the correlation coefficient is greater than 0.3, then there is a strong linear relationship between the two variables.

Free-Independent-Travellers (FIT)

A FIT is a free-independent traveller. This traveller is not part of a coordinated group of travellers but usually travelling alone or in small numbers.

Global Distribution Systems (GDS)

A global distribution system (GDS) is a network which allows travel agents to access hotel inventories and sell rooms to their clients.

Occupancy Rate

The occupancy rate is the percentage of available rooms that are occupied.



Passengers

Unless specifically indicated, use of 'passengers' applies to the total number of passenger movements. For example, a person passing through an airport once on departure and once on arrival is counted as two passenger movements.

REVPAR

REVPAR is total revenue per available room. It is calculated by multiplying the ADR by the occupancy percentage.

Small Airports

Airports with less than 5m passengers per annum.

Medium Airports

Airports with between 5m and 15m passengers per annum.

Large Airports

Airports with more than 15m passengers per annum.

2.5.2 Abbreviations

The AHS	Airport Hotel Study – Australia and New Zealand
ADR	Average Daily Room Rate
AU	Australia
COVID19	Coronavirus Disease that emerged in 2019
CY	Calendar Year
FIT	Free-independent-traveller
FY	Financial Year
NZ	New Zealand
REVPAR	Revenue per available room
PAX	Passengers
Mercurius	The Mercurius Group



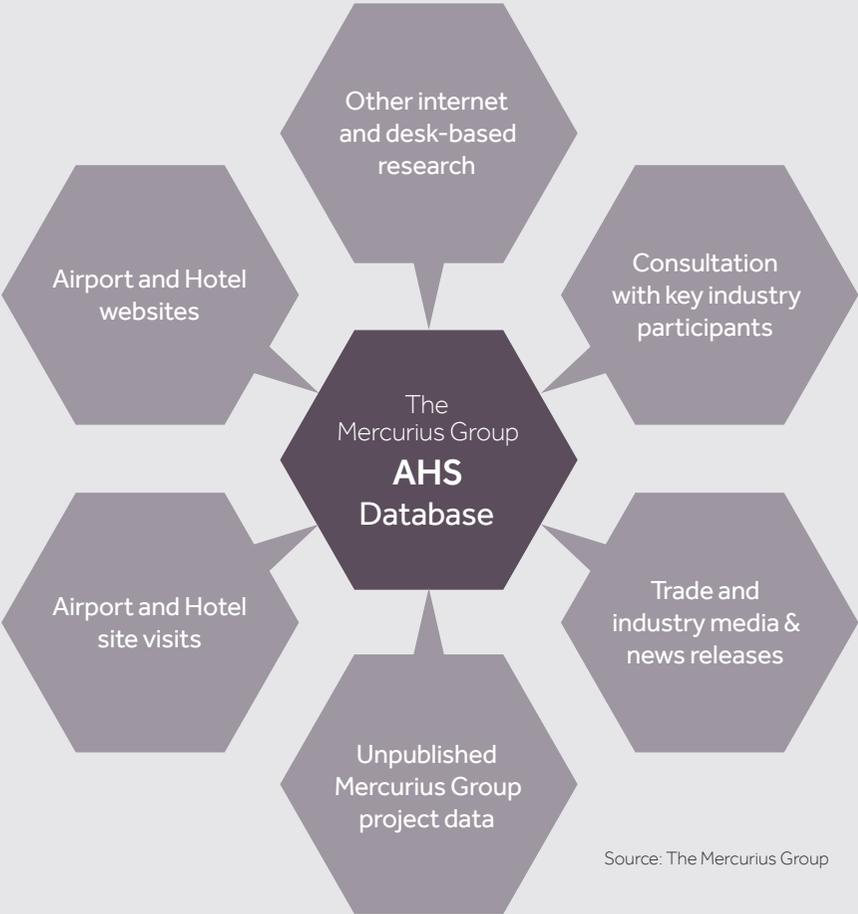
2.6 Data Sources

Mercurius has developed a comprehensive database of hotels at every airport in Australia and New Zealand with more than 0.5m passengers, The AHS. This database was built from six key sources as indicated in Figure 2. The multiple sources of data used allows for verification and cross checking and provides a degree of confidence in analysing outcomes.

Our airport hotel database identifies 14 out of 27 airports with airport hotels. Airports where there are no hotels with proximity to the airport, or the airport is close to centres with accommodation options that are not focussed on the airport’s passengers’ needs, are excluded from the study.

Care has been taken to consider the proximity of an airport to a city centre and the impact this has on whether hotels can be classified as airport hotels. A key example is Cairns Airport which is only 7km from the Cairns city centre. The Cairns city centre has multiple hotels that might fit our airport hotel category definitions, however, this would be misleading and hence they have been excluded from the study. A similar situation exists at Queenstown Airport in New Zealand.

Figure 2 - The AHS Data Sources & Methodology



Source: The Mercurius Group

2.7 Horwath HTL

To assist in providing in-depth analysis of the airport hotels market, Mercurius has linked with Horwath HTL, a specialist hotel, tourism and leisure consultancy with operations in over 38 countries.

In Australia, Horwath HTL undertakes an annual Hotel Industry Survey of Operations, the last of which was undertaken in October 2021. Based on the Uniform System of Accounts for the Lodging Industry, the Horwath HTL survey tracks the operating and financial characteristics of hotel markets and is widely utilised for benchmarking as a management tool for measuring and improving individual property performances.

Mercurius has worked with Horwath to segment their data for the airport hotel sub-segment, allowing for the performance of airport hotels to be compared with non-airport hotels.

