

# Room to Spare: Guests Have Left the Building Due to COVID-19

By Matthew Barry

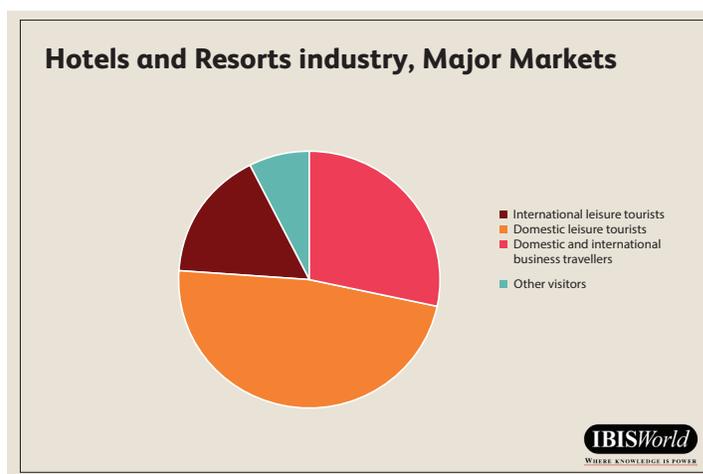
The COVID-19 outbreak is expected to significantly constrain the potential pool of guests for operators in the Hotels and Resorts industry and the Serviced Apartments industry.

The COVID-19 outbreak has caused international and domestic tourism to plummet in the current year

Operators in the [Hotels and Resorts industry](#) and [Serviced Apartments industry](#) have both come under significant pressure in 2019-20, due to the global outbreak of COVID-19. Tourism activity has plummeted as the Federal Government’s travel bans have significantly limited inbound international tourism in 2019-20. Furthermore, the state governments of South Australia, Western Australia and Queensland have all closed their interstate borders in an effort to stop the spread of COVID-19. This decision is expected to constrain demand from interstate domestic travellers in both [Hotels and Resorts](#) and [Serviced Apartments](#) industries.

The outbreak of COVID-19 is expected to affect both industries’ downstream markets. The major effects include:

- A decline in non-essential domestic travel, due to Australian states closing interstate borders.
- Domestic business travel is expected to be limited to essential travel only, as businesses do not want to risk their employees’ health and safety.
- The Federal Government’s travel bans are also expected to significantly constrain revenue from international tourists for both the [Hotels and Resorts industry](#) and [Serviced Apartments industry](#) in 2019-20.



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Domestic and international travellers are the major users of hotels, resorts and serviced apartments in Australia. These types of accommodation are usually used for leisure or business purposes. Domestic leisure travellers are key markets for both the [Hotels and Resorts](#) and [Serviced Apartments](#) industries, making up 47.8% and 54.0% of industry revenue respectively in the current year.

The [Hotels and Resorts industry](#) has grown at an annualised 0.1% over the five years through 2019-20, to \$11.6 billion. Although demand had grown strongly from domestic business travellers and international tourists over the four years through 2018-19, the outbreak of COVID-19 globally has eroded industry revenue in 2019-20. However, the [Hotels and Resorts industry](#) is projected to rebound over the next five years. Lifts on travel bans are forecast to boost demand from inbound international tourists over the period. Additionally, the Australian dollar is projected to remain weak over the next five years, which will make it cheaper for international tourists to visit the country.

Overall, industry revenue is forecast to increase at an annualised 3.5% over the five years through 2024-25, to \$13.8 billion.

Similarly, the global outbreak of COVID-19 is expected to constrain overall revenue growth for the [Serviced Apartments industry](#) in the current year. Overall, the industry is expected to grow weakly at an annualised 0.2% over the five years through 2019-20, to \$4.1 billion. However, the industry is forecast to rebound and overcome the short-term demand constraints, and expand at an annualised 3.4% over the five years through 2024-25, to \$4.8 billion.

Overall, both the [Hotels and Resorts industry](#) and [Serviced Apartments industry](#) are sharing similar challenges regarding the COVID-19 outbreak. Both domestic demand and international demand are expected to decrease due to COVID-19. However, both industries are projected to recover over the next five years, as inbound tourism recovers and domestic business travel resumes.

### Related industries:

[Hotels and Resorts industry](#)  
[Serviced Apartments industry](#)

