



# MELBOURNE HOTELS INSIGHT

MAY 2025

## ***Melbourne Hotels Set for Future Growth***

*The Melbourne Hotel sector is set to meet future tourism demand off the back of a significant increase in the supply of new hotels completed since 2019, with more on the way in the next two years.*

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OCCUPANCY RATES AND REVENUE-PER-ROOM  
IN MELBOURNE’S HOTEL SECTOR INCREASES

With international tourist numbers to Australia returning to pre-Covid levels and the Melbourne market attracting the highest number of domestic tourists of any city in Australia, the hotel market in Melbourne has proved adept at absorbing the increase in the number of new rooms on the market. Occupancy per room is lower than the other major Australian gateway cities Sydney and Brisbane, but this is in the context of in the context of significant and prolonged increase in new room supply being absorbed.

The occupancy rate per room for the Melbourne market in January 2025 was 74.63%, which is actually a 3% year-on-year increase. Revenue per room (RevPAR) has also gone up, with a 9% year-on-year increase. While on face value the Melbourne market may not be performing as well as the other major Eastern seaboard capital city markets, Melbourne is well placed to meet the demands of international and domestic tourists over the medium to long term. Melbourne has a higher level of new hotel room supply completed and in the pipeline over the next few years compared with the other major capital city gateways. In particular Sydney has seen fewer rooms supplied to the market in recent years and has a smaller number of rooms in the pipeline for the next few years.

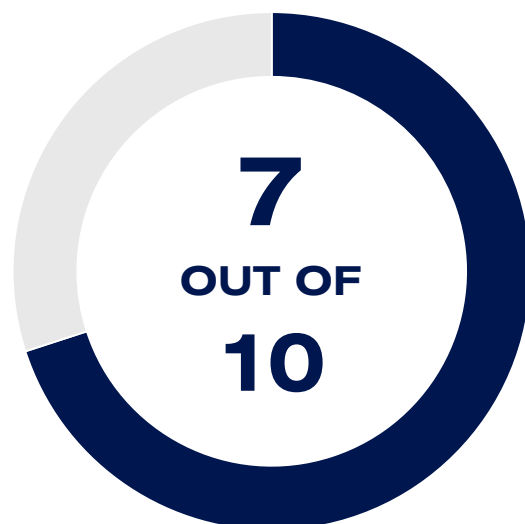
A total of 5,000 rooms have opened across 22 hotels in Melbourne, which represents a 21% increase in hotel rooms between January 2019 and January 2025. This compares with the Sydney market which saw 2,270 rooms completed over the same period, representing a 10.4% increase.

The new hotels opened in the Melbourne market over the last 24 months include Hyde Melbourne Place – the first Ennismore lifestyle brand to debut in Australia, Lanson Place Parliament Gardens and Standard X Hotel. Despite the increase in the number of rooms, research from the City of Melbourne indicates that hotel bookings have increased by around 9% over the same period.

A further 2,117 rooms are currently under construction or proposed across 10 hotels and due to open in 2025 or 2026. In comparison, there are a projected 1,173 rooms due to be supplied to the Sydney market in the next two years.

After this, the current hotel supply cycle for Melbourne is expected to level off, with high construction costs expected to make any further proposed new projects more difficult to stack up from a feasibility standpoint. Following the end of the current supply cycle, the Melbourne market will have the opportunity to consolidate over the medium and longer terms.

new hotels will  
be fitted out to  
upper upscale  
standard



new rooms completed so  
far are upper upscale

**61%**

upper upscale rooms expected in  
upcoming developments

**1,627**

midscale rooms to be delivered  
— a small portion of supply

**195**

## DRIVERS - DEMAND FOR LUXURY ACCOMMODATION DRIVES HOTEL PIPELINE

Many of the new rooms are developed to meet the demands of cashed up tourists looking for luxury accommodation, with premium supply dominating the hotel pipeline. Around 61% of new rooms completed so far are classed as upper upscale or luxury accommodation. Most of the new hotels due to open over the next 2 years will be built to high spec upper upscale hotel standards. Of the 10 hotels in the pipeline a total of 7 hotels and 1,627 rooms will be fitted out to upper upscale standard, while two further hotels with 295 rooms will be fitted out to upscale or luxury levels. Only 195 rooms of a midscale standard will be provided to the market.

Of the hotels due to open in the next two years, the largest in the pipeline is the Shangri-La Melbourne, which was completed in 2022, but has yet to be fitted out. The hotel's developer S P Setia has indicated that it plans to have the hotel fitted out and operational by 2026. The 61-storey hotel is part of a twin-tower development which is connected to the adjoining Sapphire by the Gardens residential tower by an arching sky bridge. The fitting out and opening of the Shangri-La was delayed due to the economic downturn and reduction of tourism following the Covid-19 pandemic. However, with tourist numbers returning to pre-Covid levels and the economy performing much better than a few years ago, the developer has indicated that it is investigating options to proceed with the fit-out and opening of the hotel. If the fit-out proceeds, the Shangri-La will comprise a total of 496 rooms fitted out to an upper upscale standard. There are also plans for a grand ballroom with a 2,500-person capacity, function rooms, spa, skybridge restaurants and bars and retail facilities. However, while the Shangri-La is the largest hotel in the pipeline, there remains some uncertainty around the completion date and final make-up of the fit-out.

The next biggest hotel in the pipeline is the dual-branded Holiday Inn Bourke Street Mall and Indigo Hotel Little Collins, which will feature a total of 452 rooms across levels two to ten of the Melbourne Walk development. The Holiday Inn Melbourne Bourke Street Mall will include 273 rooms fitted out to an upper midscale standard, while the Indigo Hotel Little Collins will include 179 rooms fitted out to an upper upscale standard. There will also be a bar and restaurant within the complex. The dual-branded hotel will be managed by IHG Hotels and Resorts and is due to open in the first half of 2025. The hotels will be part of the Melbourne Walk development, which is the first new project to be constructed in Bourke Street Mall since the mid-1970s. The complex will retain the facades of four historic buildings and will include the two hotels, plus retail space on the lower three levels and a rooftop hotel and bar.

## OUTLOOK - DESPITE GREATER SUPPLY, HOTEL TRANSACTIONS REMAIN SUBDUED BUT ARE LIKELY TO INCREASE IN 2025

While the Melbourne market has greater supply of new hotel rooms in the pipeline than any other capital city in Australia, the transactions market has been quiet. There were \$237 million of hotel transactions in 2024 compared to \$457.8 million in 2023. This is due to several factors including reduced investor demand related to economic uncertainty and interest rates, Victorian State government policy and taxation, and an unrealistic bid-ask spread between buyer and seller expectations. A key factor is that hotel owners have set high expectations around transaction prices on the basis that if the property doesn't sell that they will continue to trade instead. With international and domestic tourism returning to pre-Covid levels, hotel owners are currently happy to trade and recoup lost revenue from the border closures.

However, there is some evidence that the bid-ask spread is narrowing and with a reduction in the cash rate in February and further reductions expected through the year, there is likely to be more interest from investors in purchasing hotel assets during 2025. Economic headwinds on the international scene following the American administration's implementation of tariff barriers on global trade and fears of a recession in many markets may affect tourism numbers in the medium term, which means that owners may be more motivated to sell.

Despite relatively low transactions over the past few years and lower occupancy rates and revenue per room results than Sydney and Brisbane, the Melbourne market is well-positioned to meet the demands of international and domestic tourists over the coming decade due to the large volume of hotel room supply since 2019 and the extensive pipeline of hotel rooms to be delivered over the next two years. This supply cycle has completed rejuvenated the Melbourne hotel market with fresh, modern and mostly upmarket hotel rooms that are attractive to tourists and business travellers. The fact that Melbourne's hotel room occupancy rates and revenue are increasing year-on-year shows that the market is absorbing the supply and nicely positions Melbourne's hotel stock as more attractive than Sydney's aging stock to tourists, business travellers and investors alike.



RECENTLY COMPLETED OR REFURBISHED HOTELS



**Ibis Styles and Novotel Melbourne Airport, Tullamarine**

Rooms: 464  
Scale: Midscale  
Completed: 2024



**Meriton Suites, Melbourne CBD**

Rooms: 298  
Scale: Upper Upscale  
Completed: 2023



**Melbourne Place Hotel, Melbourne CBD**

Rooms: 189  
Scale: Upper Upscale  
Completed: 2024



**Lanson Place Parliament Gardens, East Melbourne**

Rooms: 137  
Scale: Luxury  
Completed: 2024



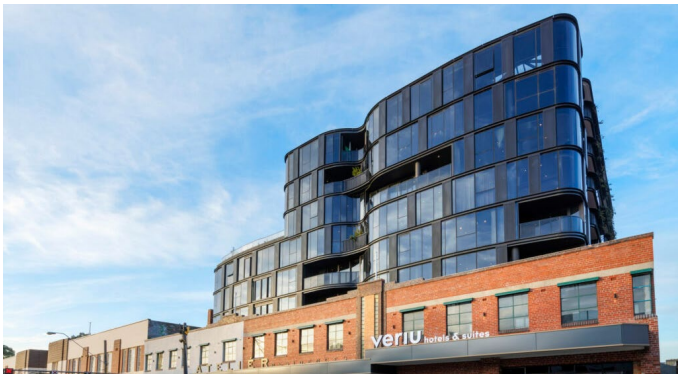
**Lyall Hotel, South Yarra**

Rooms: 51  
Scale: Luxury  
Completed: 2024



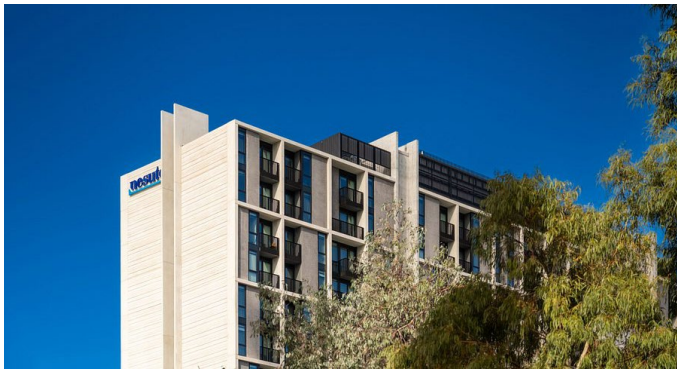
**StandardX, Fitzroy**

Rooms: 125  
Scale: Upper Upscale  
Completed: 2024



**Veriu Collingwood**

Rooms: 95  
Scale: Upscale  
Completed: 2023



**Nesuto Hotel, Docklands**

Rooms: 211  
Scale: Upscale  
Completed: 2023



**The Motley Hotel, Richmond**

Rooms: 80  
Scale: Upper Upscale  
Completed: 2023



**Le Meridien Hotel, Melbourne CBD**

Rooms: 235  
Scale: Upper Upscale  
Completed: 2023



**The Royce Hotel, St Kilda**

Rooms: 98  
Scale: Luxury  
Completed: 2023



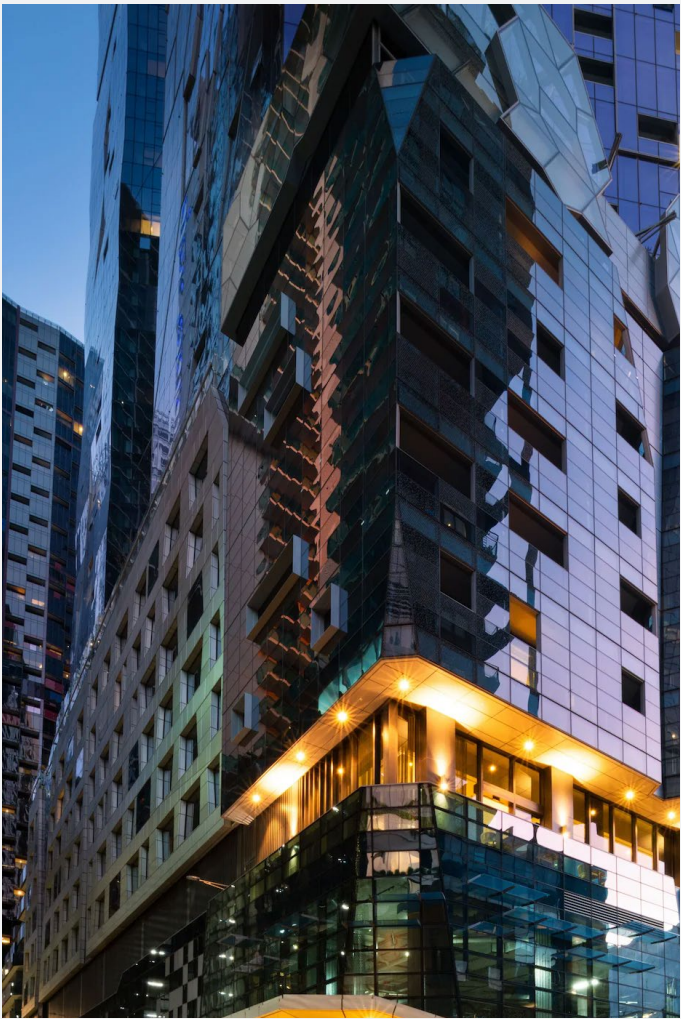
**Quest, Collingwood**

Rooms: 82  
Scale: Upscale  
Completed: 2023



RECENTLY COMPLETED OR REFURBISHED HOTELS

CONTINUED



Dorsett Hotel, Melbourne CBD

Rooms: 316  
Scale: Upper Midscale  
Completed: 2023



Ritz Carlton, Melbourne CBD

Rooms: 263  
Scale: Luxury  
Completed: 2023

PIPELINE - HOTELS DUE TO BE COMPLETED 2025 OR 2026

Hotel Name	Rooms	Scale	Completion Date
Seafarers1 Hotel Melbourne, Docklands	277	Upper Upscale	May 2025
Shangri-La, Melbourne CBD	496	Upper Upscale	Completed (fit-out by early 2026)
A by Adina & Collection by TFE, Docklands – developed in twin linked towers	105 + 200	Upper Upscale	2026
Mercure Hotel La Trobe Street, Melbourne CBD	195	Midscale	TBC
Hannah St. Hotel, Southbank	188	Luxury	September 2025
Hyatt House, South Melbourne	97	Upper Upscale	2025
Crowne Plaza Hotel, Carlton	107	Upscale	2025
Holiday Inn Bourke Street Mall, Melbourne CBD	273	Upper Midscale	2025
Indigo Hotel Little Collins, Melbourne CBD	179	Upper Upscale	2025

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## KEY CONTACTS



### ANTONY SCHOBER

Director - Specialised Assets, Hotels & Leisure | VIC  
antony.schober@m3property.com.au  
+61 497 949 843



### BRENDON WOOD

Property Analyst | National  
brendon.wood@m3property.com.au  
+61 421 187 634



[m3property.com.au](https://m3property.com.au)

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