



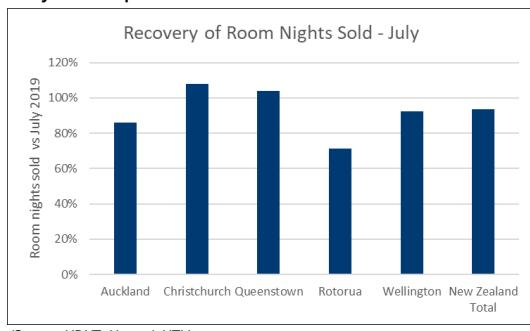
New Zealand Hotel Performance Focus
July 2022

Demand in Queenstown and Christchurch exceeds 2019 levels



New Zealand Hotel Performance Focus – July 2022: Demand in Queenstown and Christchurch exceeds 2019 levels

According to our latest analysis, room nights sold in Queenstown and Christchurch have exceeded pre-pandemic levels in July for the first time since February 2020. Combining data reported by Hotel Data New Zealand (HDNZ) with the increases in major hotel supply across the country during the past 3 years, we estimate that the number of room nights sold in July across New Zealand hotels was approximately 94% of July 2019 pre-Covid levels.



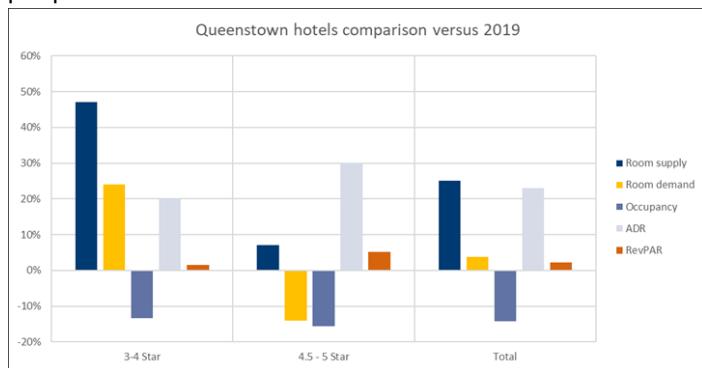
(Source: HDNZ, Horwath HTL)

Excellent snow conditions and a return of Australian visitors resulted in Queenstown hotels reaching an average occupancy of 70%. This follows a 25% supply increase since July 2019, when occupancies reached 85%.

On several days, demand for rooms exceeded availability and several hotels had to cap occupancy due to workforce shortages or rooms being used to accommodate temporary staff. Particularly those hotels in the 4.5-5 star category did not reach their full occupancy potential as several properties deliberately left rooms unsold to maintain service

standards, avoid reputational damage and prevent employees from over-working. Those that did either stopped taking bookings or increased rates to slow down demand. The latter was often more difficult than expected with guests prepared to pay more than double the normal rate to secure a room. The Average Daily Rate (ADR) of \$376 reported by 4.5-5 star hotels exceeded last year's rate by 22.5% and the July 2019 ADR by 30%.

Visitors from Australia contributed 32% of room nights sold, according to HDNZ data, still slightly below the pre-pandemic share of 36-37%.



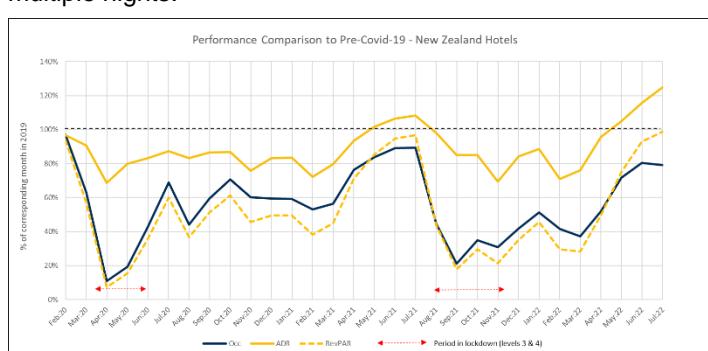
(Source: HDNZ, Horwath HTL)

Workforce shortages impacted the town everywhere, from restaurants being closed and a shortage of bus drivers to long queues at ski-rental businesses and hotel management covering shifts.

The GM of Hotel St Moritz reported that 10% of the hotel's already limited workforce was unavailable to work during the month due to illness with management having to cover shifts. Mark Rose, the CEO of The Rees Hotel and Apartments mentioned he covered 10 shifts washing dishes.

Hotels in Christchurch located around Te Pae reported strong demand from conference and events delegates as well as solid demand from business travellers. Following occupancies of 63% in July 2019 and a 25% supply increase since then, hotels reported a 54% occupancy for July 2022 with ADR growing from \$138 to \$171.

According to Ross Steele, Te Pae's General Manager, Te Pae has continued to ramp up month on month since operations commenced in May, hosting approximately 60 events, including 17 multi-day conferences, to date. So far there have been over 30,000 delegates and visitors to Te Pae, many staying in hotels for multiple nights.



(Source: HDNZ)

RevPAR¹ across all New Zealand's main hotels recovered to 99% of its July 2019 level, driven by a 25% increase in the Average Daily Rate (ADR). Average hotel occupancy was 58% which is 7 percentage points lower than July last year and 15 percentage points below pre-pandemic levels.

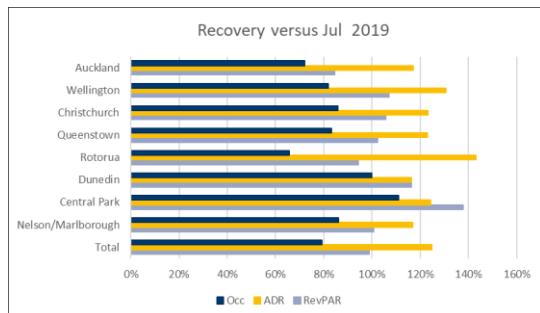
Another eight hotels with a total of 1608 rooms re-entered the market from MIQ in July and the last week of June.

¹ Refer to RevPAR definition on next page

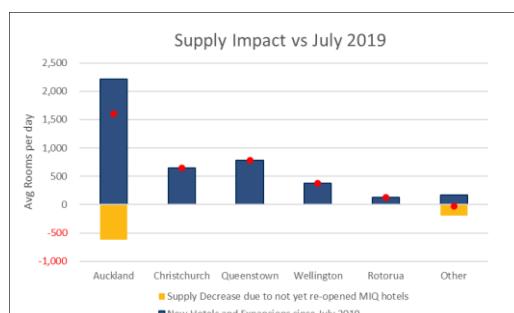
Auckland² was the most challenging market with a RevPar decline of 16% compared to July 2021 and 2019. The return of MIQ hotels and new hotel openings/extensions has added 4,700 rooms to the Auckland market since last year.

With reported occupancy of 54%, demand has been impacted by the decline in the city's conference & events venues and the absence of overseas visitors, including those from non-visa waiving countries such as India and Southeast Asia, which were a significant share of the international market in Auckland during pre-Covid winters.

Furthermore, health related absences from firms already struggling with understaffing may have influenced the level of business travel, impacting demand in both Auckland and Wellington.



(Source: HDNZ)



(Source: Horwath HTL)

Nevertheless, ADR growth has continued in all major markets with the exception of Rotorua which saw the re-opening of three hotels from MIQ combined with lacklustre conference and leisure demand.



(Source: HDNZ)

It seems that the level of outbound travel in July has recovered stronger than total inbound travel. According to Stats NZ, there were 17,073 more departures than arrivals crossing the borders during the month of July. This compares to 30,849 more arrivals than departures during the same month in 2019.

Not surprisingly many Kiwis who did not go on a domestic ski-holiday, have travelled to warmer destination such as Australia, the Pacific Islands, Asia and Europe. Total departures to Australia exceeded arrivals by 14,991 compared to only 2,514 in 2019. Combined departures to

the Cook Islands, Fiji, Malaysia and Singapore was at similar levels as in July 2019 at approximately 80,000.

Workforce shortages are likely to continue for some time. With the start of the summer season within sight, five more hotels to re-open from MIQ plus another five new hotels expected to open before the end of the year, demand for hospitality workers will only increase. For hotels to reach their full potential and New Zealand to maintain its reputation with overseas visitors, developing the right workforce has never been more critical than now.

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Hotel Council Aotearoa (HCA) is New Zealand's dedicated industry body for hotels and hoteliers. HCA currently represents more than 140 New Zealand hotels; comprising over 15,600 guest rooms or 5.6 million available room-nights per annum. Alongside airlines, airports and transport infrastructure, hotels are key tourism infrastructure without which New Zealand would be unable to attract high value international travelers. www.hotelcouncilaotearoa.com

If you have any questions, please contact Wim Ruepert, Director, Horwath HTL Auckland at wruerpert@horwathhtl.com or James Doolan, Strategic Director, Hotel Council Aotearoa at james@hotelcouncilaotearoa.com.

² Reported results for Auckland exclude the Park Hyatt

Definition of RevPAR

RevPAR (revenue per available room) is the primary performance measure for hotels. RevPAR combines (a) average room rate (**rate**), and (b) average occupancy expressed as a percentage (**occupancy** or **occ**). RevPAR allows for comparison between different hotels, regions or (with currency adjustment) countries. RevPAR is not a complete measure of hotel performance. It does not account for ancillary hotel revenues such as revenue generated from food and beverage (**F&B**), spa and other sources. RevPAR is not a measure of profitability – it does not account for costs of any kind, whether variable or fixed.