



LUXURY ACCOMMODATION 2018 // ROTORUA MARKET OPPORTUNITY

KEY MESSAGE

Rotorua is already a desirable destination for key luxury markets with increasing demand....

BUT

.... investment in luxury accommodation has not kept pace resulting in a significant shortfall in supply

As an example:
US visitors to Rotorua account for 12% of international visitor expenditure but only 6% of international visitor nights

Key NZ luxury markets

US 50%
AUSTRALIA 14%
UK 7%

With China these are Rotorua's top 4 international markets

These visitors are seeking authentic, cultural experiences and bespoke tours

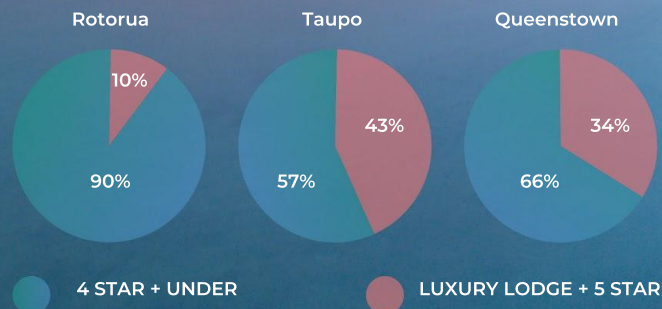
Rotorua is renowned for unique experiences centred around:

- Maori culture
- Geothermal
- Spa & Wellbeing
- Forest & Lakes
- Adventure

Rotorua occupancy rates increase with quality



Qualmark rated lodges & hotels by key NZ destinations





LUXURY TRAVEL MARKET

Tourism New Zealand has been working hard on New Zealand's luxury travel market for the past 4 years, with real success in the increase of high wealth travellers.

Once in New Zealand the experiences that we offer rank highly. More than 300 agencies that cater solely for the world's high net worth individuals have voted New Zealand their "Most Preferred Destination".

The average High Wealth traveller will spend \$50,000 - \$1 million on a 14 day holiday to New Zealand

Globally the luxury travel market is expected to be worth \$1,154 billion by 2020. *(Allied Market Research)*

// THE LUXURY TRAVEL MARKET IS PROJECTED TO BE THE FASTEST GROWING
SEGMENT OF THE TRAVEL INDUSTRY WORLDWIDE *(Allied Market Research)*

NEW ZEALAND'S KEY MARKETS



In the last year the largest tourist growth by country of origin was from the United States with 26% increase in visitor numbers, They are also the largest group of High Wealth travellers, both by number and spend, accounting for 50% of New Zealand's luxury market. Other key markets include Australia at 14% and the UK at 7% of the market.

(Luxury Lodges of New Zealand)

// HOLIDAY ARRIVALS FROM THE US ARE UP 31.4% ON THE PREVIOUS YEAR



// THERE ARE 27.9 MILLION ACTIVE CONSIDERS OF NEW ZEALAND AS A TRAVEL DESTINATION IN THE US.

HIGH WEALTH TRAVELLERS



Despite New Zealand's distance, it ranks as a desirable location for wealthy travellers. It is attractive for its natural setting, authentic cultural opportunities and adventure tourism.

High wealth travellers to New Zealand are generally made up of multi-generation family groups and those seeking something different or adventure. A certain level of luxury and exclusivity is expected, but a growing desire for unique Instagram-worthy experiences means opportunities for distinctive tourism providers.

KEY FINDINGS FROM THE 2018 VIRTUOSO LUXE REPORT

Top Travel Trends

1. Multigenerational travel
2. Active or adventure trips

Top Travel Motivations

1. Exploring new destinations
2. Crossing off bucket list items
3. Seeking authentic experiences
4. Rest and relaxation
5. Personal enrichment

Travellers are seeking adventures in less explored areas and craving customized local experiences wherever they roam.

A growth in mindfulness and wellbeing as high wealth travellers turn to nature to replenish body and soul.

ROTORUA ANNUAL VISITOR SPEND

**\$812M
CURRENT**

AT LEAST 10%
GROWTH PA FOR
LAST 3 YRS

**710,000
INTERNATIONAL
VISITORS TO
ROTORUA
IN 2017**

// ROTORUA IS THE
NORTH ISLAND'S
TOURIST MECCA

\$1.5B



**TARGET
2030**

5.2% GROWTH PA
REQUIRED

**187% GROWTH
IN SPENDING
BY US VISITORS
IN LAST 5
YEARS**

WHY ROTORUA?

Rotorua is the North Island's Tourist Mecca. It is a hub of Maori culture and world renowned for its geothermal activity. It is a growing, thriving city - benefiting from regional investment by central government.

Rotorua is led by a council that is committed to growth, development and lifting the tourism experience for all visitors.

Rotorua is centrally located within the North Island, 50% of New Zealand's population is within a 3 hour drive. It is part of a key tourist area extending from Tauranga to Taupo.

The four key international visitor markets for Rotorua are Australia (\$67.8 million), China (\$53.6 million), the United States (\$44.1 million) and United Kingdom (\$36.7 million). *(MBIE - figures to YE Feb 2018)*

TOURIST PREFERENCES

Luxury travellers are seeking cultural, adventure, family and natural experiences in New Zealand.

Rotorua has cemented itself as the Maori cultural hub of New Zealand, with 86% of international visitors seeking a Maori cultural experience doing this in Rotorua. Rotorua is the go to location for luxury Maori experiences.

Existing offerings such as Skyline, Te Puia and Rainbow Springs and other providers are all currently upgrading their experiences, with a collective spend in excess of \$35 million. This is in addition to an ambitious council-led initiative to improve the entire lakefront experience in Rotorua.

New experiences are constantly in development such as Rotorua Tree Walk and the award-winning Canopy Tours.

Rotorua delivers on immersive and uniquely New Zealand experiences - but without the accompanying accommodation.



// LUXURY TRAVELLERS ARE SEEKING UNIQUE EXPERIENCES - ROTORUA HAS THIS BUT WITHOUT THE ACCOMPANYING ACCOMMODATION

LUXURY LODGES IN NEW ZEALAND

Growth in spend at Luxury Lodges of New Zealand has increased 141% in the 5 years to March 2017.

There was a 44% increase in the year to September 2017.

70% of these travellers will spend up to 3 weeks in New Zealand, exploring every corner.

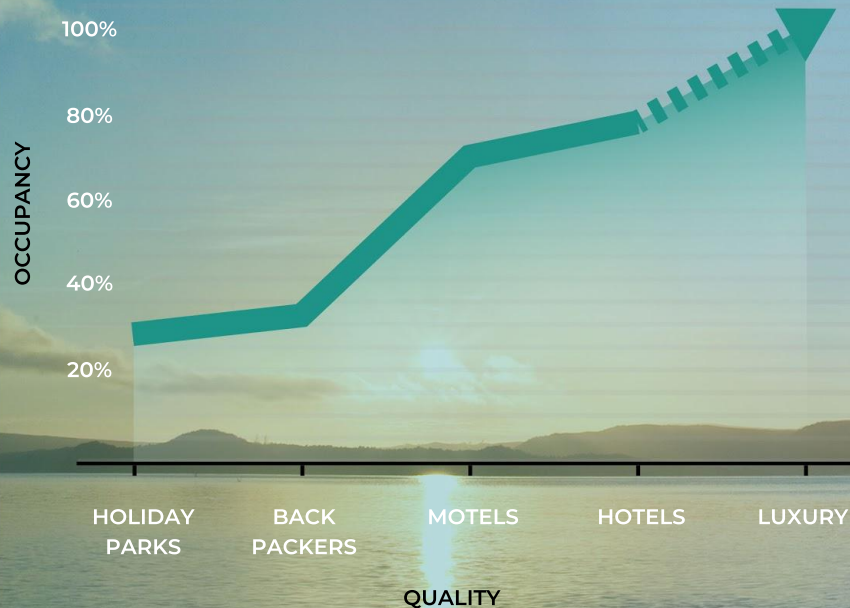
Auckland, Waikato and Otago are the three most visited regions by luxury travellers, with Waikato and Otago accounting for nearly 50% of the spend by visitors of luxury lodges. (Luxury Lodges of New Zealand)

These travellers are coming to Rotorua for the experiences, but with nowhere to stay are overnighing in Taupo (Waikato), evidenced by the high spend in that region.



// 50% OF SPENDING ON LUXURY LODGES IN NEW ZEALAND IS IN OTAGO AND WAIKATO.
ROTORUA IS LEAKING LUXURY OVERNIGHT MARKET SHARE TO WAIKATO LODGES

ROTORUA OCCUPANCY RATES INCREASE WITH QUALITY



3.8M VISITOR NIGHTS IN 2017

ROTORUA OCCUPANCY RATES BY SEGMENT

Rotorua suffers from a shortage of accommodation - an expected shortfall of 350 rooms to meet demand in 2025. This shortfall mainly occurs in the hotel segment of the market, with feedback from international booking agents that Rotorua has insufficient rooms at the high quality hotel and luxury accommodation end.

According to visitor statistics, international visitors prefer to stay in hotels over all other accommodation types. However, Rotorua has a high proportion of holiday parks and motels that although popular with the domestic market, are highly seasonal and do not satisfy international visitor requirements.

Hotels are operating at full occupancy during the summer quarter. At over 87%, there is no room for growth within the current offerings during this period. Continued annual occupancy rate increases are only being driven by visitor numbers increasing in typical off-seasons.

Feedback from international booking agents is clear - demand for suitable accommodation for high wealth travellers in Rotorua significantly exceeds supply.

Unsurprisingly, Rotorua has the lowest ADR out of the major tourist destinations in New Zealand.

HIGH END LODGE STATISTICS

Lodges in New Zealand are incredibly affordable for the High Wealth market in comparison to other countries.

There are 35 qualmark luxury lodges in New Zealand, with 3 in the Rotorua region. With only 29 rooms between the three locations, the capacity is limited compared to the larger luxury lodges with 25 rooms each.

At the top end there are 7 Relais & Châteaux lodges in New Zealand, none of them in Rotorua. The closest is Huka Lodge, the most popular with luxury travellers in the region.

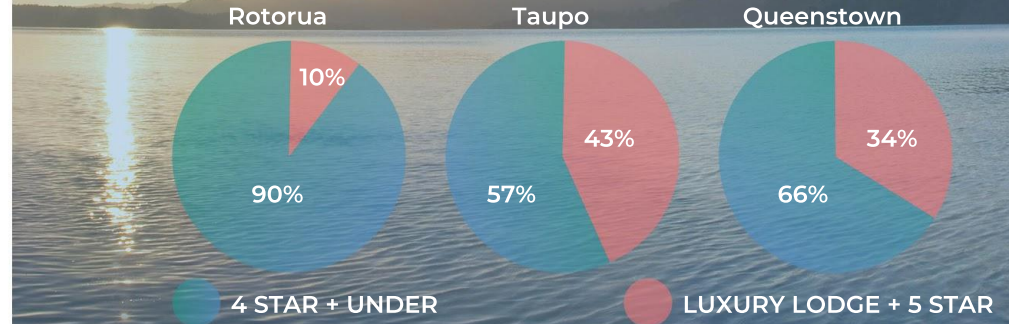
Including both the 3 qualmark and 2 non-qualmark luxury lodges, there are only 35 suites / villas available in the Rotorua region. With known peak occupancy rates hovering at 93%, many of these are already at capacity.


The wider Bay of Plenty region also lacks any similar accommodation.

QUALMARK LUXURY LODGES



QUALMARK LUXURY LODGES & HOTELS





DUE TO CAPACITY CONSTRAINTS THE MAJORITY OF LUXURY TRAVELLERS WANTING TO VISIT ROTORUA WILL REQUEST HUKA LODGE AS A BASE AND USE A HELICOPTER OR LUXURY GROUND TRANSFER FOR DAILY VISITS. HUKA LODGE IS NOW BOOKED TO CAPACITY DURING PEAK SEASONS.

“ROTORUA HAS ALL OF THE ACTIVITIES AND EXPERIENCES THAT MY CLIENTS ENJOY WITH NATURAL RESOURCES BEING A KEY ATTRACTION BUT THERE IS NOWHERE FOR THEM TO STAY SO WE WILL ARRANGE A DAY TRIP FROM TAUPO” - TOUR OPERATOR



OPPORTUNITY

Currently, the growth in visitation has resulted in attractive hotel operating performance with high occupancy, and strong ADR & RevPAR growth. These exceptional operating conditions provide for strong returns and drive future yield. Research from the United Kingdom suggests it takes 3 - 5 years to start to realise returns for boutique or unique lodgings, faster than the 10+ years it takes for typical high-end accommodation.

Returns in the motel and hotel segments in New Zealand average 4-8%, but wide variance exists, with top performers far exceeding this.

The most sought after lodges provide excellence, privacy and something unique - via location, experiences or accommodation type. Rotorua has the opportunity to offer this distinctive experience, leveraging on locations by lakesides, amongst a forest canopy, or close to a natural geothermal area. These locations can further be linked with cultural experiences via arts, bush crafts, or historical immersion to provide something unique not only in New Zealand but in the world.

**“LUXURY IS NOW ABOUT
THINGS THAT MAY BE
DISTINCT, IMMERSIVE AND
DIFFICULT TO ATTAIN.”
EMMA CHIU, JWT
WORLDWIDE CREATIVE
INNOVATION DIRECTOR**

There is a wealth of experiences for high wealth tourists in Rotorua already, but adding the right accommodation will enable this to be leveraged. With growing demand from America, high occupancy rates, and limited options currently on offer, now is the best time to invest in luxury lodge accommodation in Rotorua.

FOR MORE INFORMATION

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