

NEW ZEALAND HOTEL MARKET SNAPSHOT | OCT 2022



Dean Humphries
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Market Commentary and Insights – October 2022

The New Zealand Hotel market continues to move forward on a strong recovery path with borders now fully open and international airline capacity ramping up as we move closer to our busy summer period.

In line with the many other offshore markets, the recovery has been led by particularly strong room rates which is culminating in a faster recovery profile than anticipated. In the three months ending 30 September, ADR in all regions are now above the corresponding period in 2019. Leading the pack is Rotorua at \$168 some 43% above pre-Covid levels. This is followed by Christchurch, Wellington and Queenstown with the latter recording the highest quarterly ADR at \$283.

Occupancy is also recovering at encouraging levels and over the past 3 months now sits on average between 10-15% below pre-pandemic levels for Wellington, Christchurch and Queenstown and 30-35% below 2019 for Auckland and Rotorua. We are witnessing a strong pivot toward hotels being the primary choice for short stay accommodation opposed to other options such as motels, Airbnb and hostels which is having a material impact on the speed of recovery of the hotel sector.

Due to a combination of the above factors, quarterly RevPAR is now above the corresponding period in 2019 for 3 of the 5 main regions, with all indications suggesting we will see an earlier than anticipated recovery to pre-pandemic levels.

Conversely, the investment market remains uncharacteristically subdued with very few sales recorded this year. Despite a number of hotels being offered to the market, buyer sentiment has retracted on the back of a number of headwinds including an aggressive increase in the Official Cash Rate (OCR) which has moved from 0.25% to 3.5% since July 2021 and resulted in many buyers reviewing required investment returns. There is no doubt investment yields have started to increase, albeit we have very little transactional evidence to support exactly where they currently sit. The last time the OCR was at 3.5% was in early 2015, so many of use are now looking at the yield profile at this point in time for some direction.

We are encouraging hotel owners to continue to actively review all tangible variables they have control of to ensure any yield movement is counter balanced by a robust cashflow and profitability profile.



Speak to one of our Hotel experts today or scan the QR code to find out how our team can assist you:

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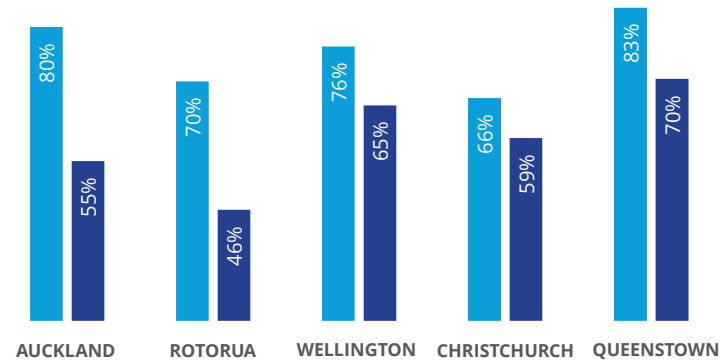
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NEW ZEALAND HOTEL MARKET PERFORMANCE SNAPSHOT | Q3 2022



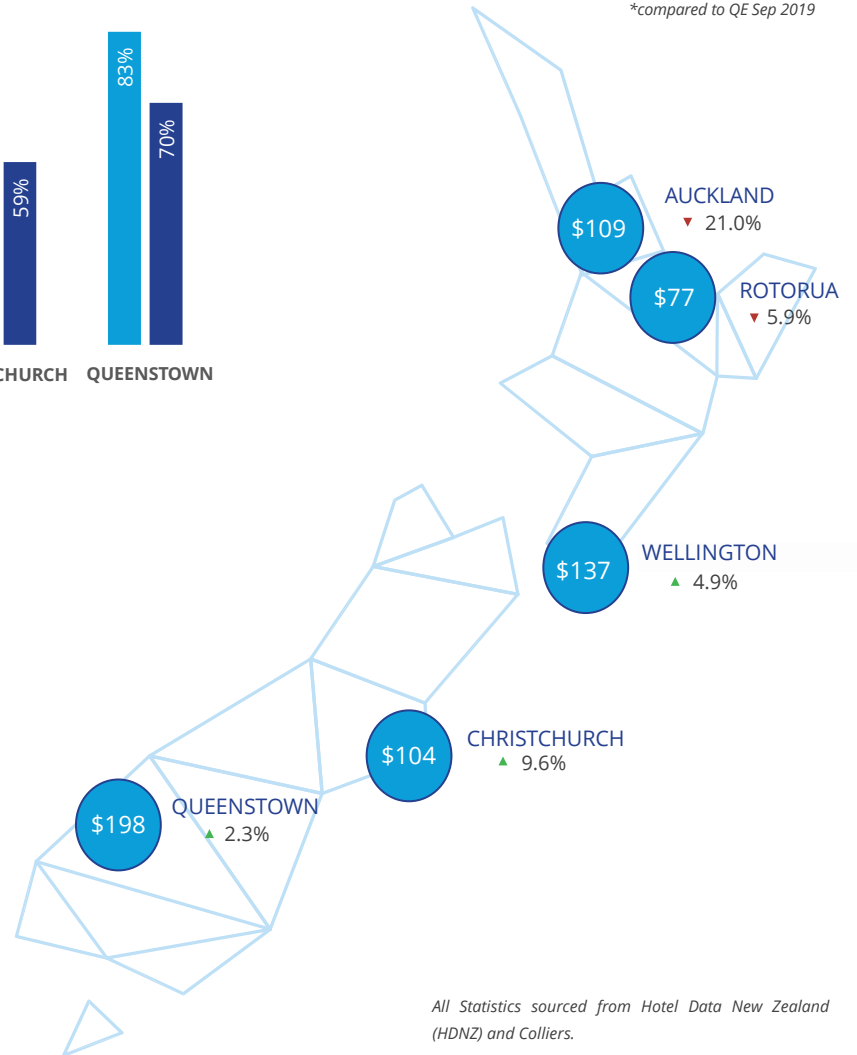
OCCUPANCY | QE SEP

■ 2019 ■ 2022



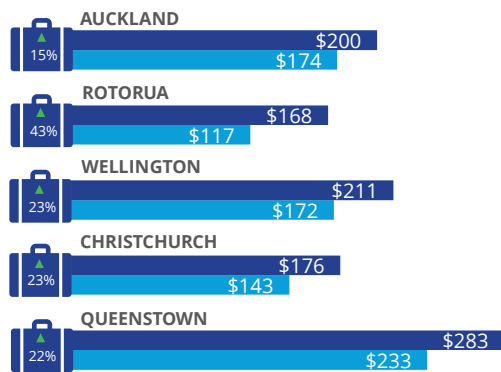
REVPAR* QE SEP 2022

*compared to QE Sep 2019



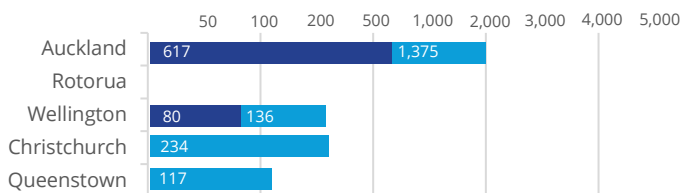
ADR | QE SEP

■ 2019 ■ 2022



SUPPLY | AS AT SEP 2022

■ Rooms completed YTD Sep 2022
■ Rooms currently under construction



*Rooms only include 3-5 star hotels above 50 rooms

All Statistics sourced from Hotel Data New Zealand (HDNZ) and Colliers.

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