

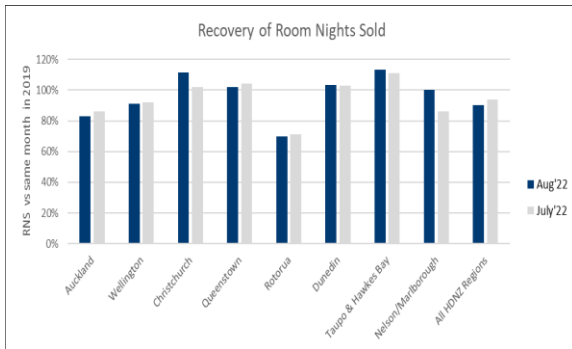


## **New Zealand Hotel Performance Focus** August 2022

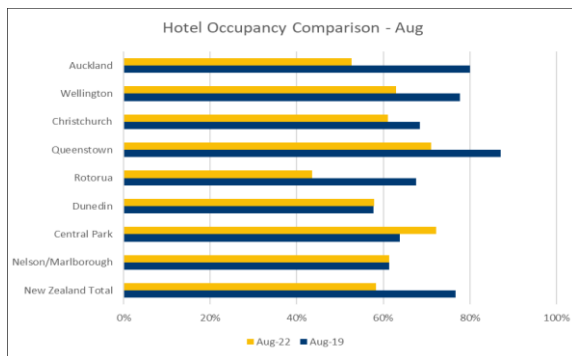
**Demand continues to grow as more workers are needed**



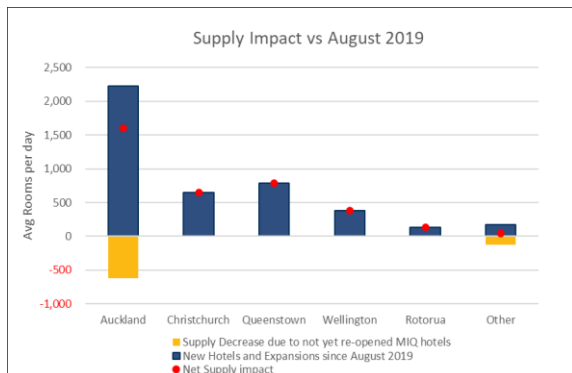
Room nights sold in five out of eight key markets have returned to pre-Covid levels in August, according to our latest analysis. Combining data reported by Hotel Data New Zealand (HDNZ) with the increases in major hotel supply across the country during the past three years, we estimate that the number of room nights sold in August across New Zealand hotels was approximately 90% of August 2019 pre-Covid levels, slightly down from 94% in July.



(Source: HDNZ)



(Source: HDNZ)



(Source: HDNZ & Horwath HTL)

Not surprisingly, markets that mostly rely on domestic and Australian travellers during the winter period outperformed those that traditionally see many other international visitors such as Auckland, and Rotorua.

Provisional arrivals and departure data based on border crossings released by Stats NZ show that arrivals of non-NZ citizens in August were 51% of those in August 2019. While arrivals from Australia and the USA were circa 62% of August 2019 levels, those from China and Hongkong were only at 9%.

As the historic share of international visitors increases (typically from November to March), they become more important for the demand recovery.

Hotel operators in the Christchurch CBD again reported strong demand generated by conferences and events held at Te Pae while they also benefited from two international rugby games.

The recovery of typical business travel demand still appears to be inconsistent between regions, with some reports suggesting domestic business travel has picked up pace, especially in regional areas, Christchurch and Wellington, while Auckland hotels have generally seen much lower business demand recovery. A major Global Distribution System (GDS) firm (typically used by larger companies and business travel agents to book accommodation) reported room nights booked in New Zealand in August were close to 95% of volumes booked in August 2019.

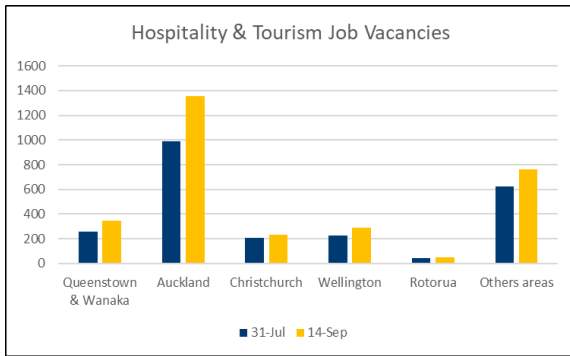
Yet, an internationally branded Auckland hotel, not previously part of the MIQ hotels, reported corporate demand at only 50% of pre-pandemic levels.

The increase in hotel supply will have caused many Auckland hotels to lose market share as corporate room nights are being diluted. Historically, Auckland also has a larger share of international business travellers from which demand is recovering slower than the domestic market. Staff shortages have also been reported by companies as reasons of reduced travel.

Auckland hotel supply was 18% higher than in August 2019, a number that will increase to 25% after three ex-MIQ hotels that are still closed return to the overnight accommodation market over the next few months.

Hotels still see a good recovery of small to medium sized meetings, many with very short lead times. Several Auckland hotels benefited from additional airline disruption business as a result of bad weather and other airport disruptions, both in New Zealand and overseas. Weekend leisure demand appears to have passed its peak with few events held over the winter months.

In addition to major conferences and events, hotels in Auckland and other key tourist destinations are awaiting the return of larger volumes of international wholesale, leisure group and aircrew guests.



(Source: Seek.co.nz)

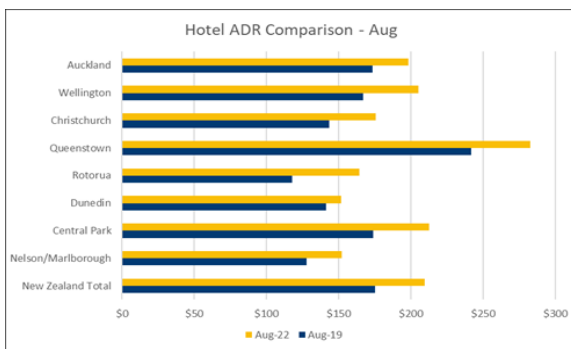
Queenstown hotels again benefited from excellent snow conditions with occupancies reaching 71%, just up from the 70% reported in July.

Queenstown hotel operators reportedly again missed significant revenue opportunities as they had to cap occupancy as a result of staff shortages.

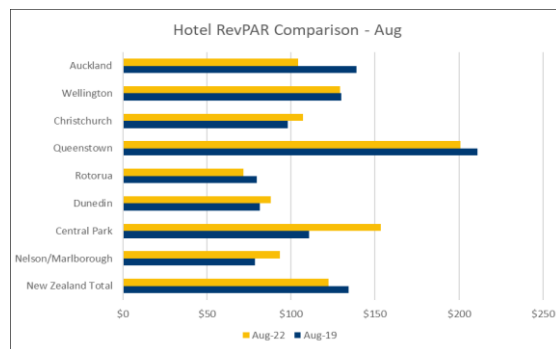
The ongoing workforce shortage can be illustrated by a 29% increase in job vacancies in the Hospitality and Tourism sector between 31 July and 14 September reported by Seek.co.nz. 56% of the

vacancies were for jobs in Auckland, Queenstown or Wanaka.

As visitor volumes have increased and most MIQ hotels have returned to the open market, ADR growth has come back slightly from its July peak in most markets. New Zealand hotels' ADR in August was,



(Source: HDNZ)



(Source: HDNZ)

on average 20% higher than the same month in 2019. As is being experienced throughout the world, ADR (rather than AOR) continues to be the key driver of RevPAR growth.

Nevertheless, more volume is needed to boost hotel occupancies and offset the impact of significantly increases in operational costs.

The return of international visitors over the next six months will provide an excellent opportunity. However, without sufficient domestic workers, hotels will need priority access to workers from overseas, many of whom are keen to move or return to New Zealand provided a clear and smooth immigration process is presented to them.

**Horwath HTL** (Hotels Tourism and Leisure) is the world's largest and most experienced Hotel, tourism and leisure consulting brand, with 52 offices in 38 countries. Our hotel asset management team has the skills, qualifications and experience required to add value at every stage of the hotel investment cycle.

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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](http://www.hotelcouncilaotearoa.com)

If you have any questions, please contact Wim Ruepert, Director, Horwath HTL Auckland at [wruPERT@horwathhtl.com](mailto:wruPERT@horwathhtl.com) or James Doolan, Strategic Director, Hotel Council Aotearoa at [james@hotelcouncilaotearoa.com](mailto:james@hotelcouncilaotearoa.com).

**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.