

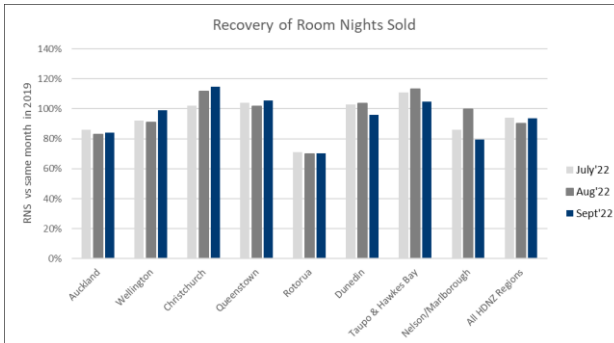


New Zealand Hotel Performance Focus September 2022

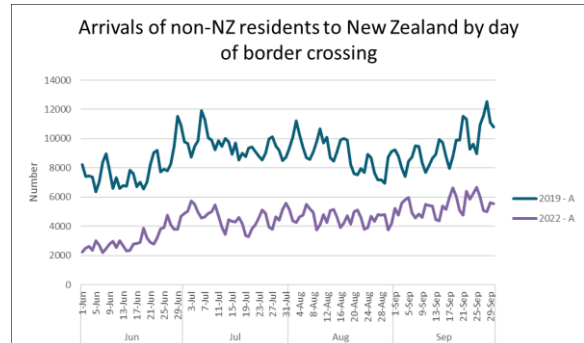
Demand growth and staff shortages putting service levels at risk



Room nights sold in New Zealand’s major hotels have returned to circa 94% of pre-Covid levels in September, according to our analysis of data reported by Hotel Data New Zealand (HDNZ). All but three markets have returned to pre-Covid demand levels. However, despite the demand recovery and a strong growth of room rates, Revenue per Available Room (RevPAR)¹ is well below levels needed to absorb increased costs for many hotels.

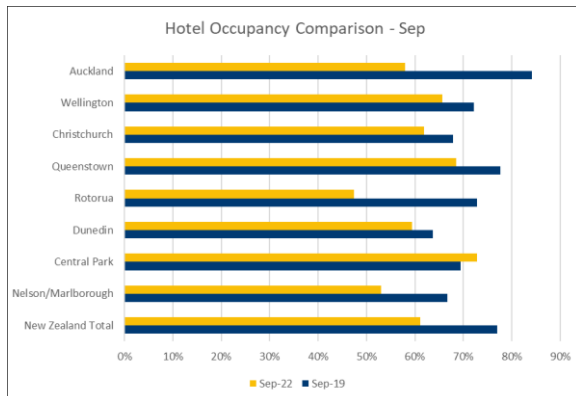


(Source: HDNZ & Horwath HTL)

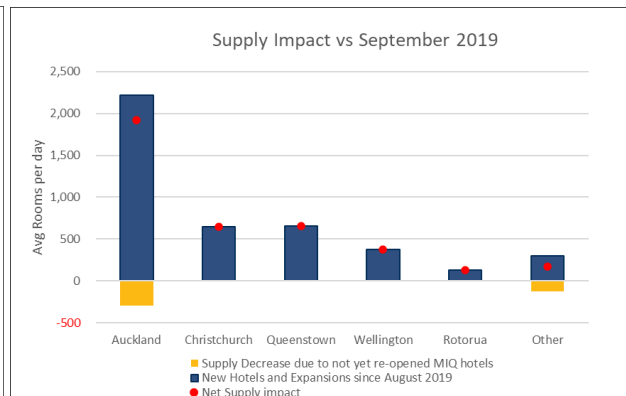


(Source: Stats NZ)

The demand recovery coincides with a period when international arrivals reached approximately 65% of the numbers reported for September 2019, according to provisional data reported by Stats NZ. This follows a recovery of 48% and 51% reported for July and August respectively and is a sign of a solid continuation of returning visitors. Air New Zealand reported its capacity is currently around 70% of 2019 levels with strong forward sales through to January 2023.



(Source: HDNZ)



(Source: Horwath HTL)

Hotel occupancy levels still have some way to go to return to 2019 levels. During the month of September, Auckland saw the re-opening of the last three hotels used for MIQ, adding 620 rooms back to the market. Hotels report favourable trends in terms of general weekday business travel into the city as well as small to medium sized meetings. Special events during the last weekend of the month caused some market compression with opportunities for several hotels to drive rate. The lack of large conference facilities in Auckland continues to put a drag on demand. Many more special events are needed to compensate for the lack of conference business until the NZICC opens.

Auckland and Rotorua were also most impacted by the absence of travellers from non-visa waiver countries such as most Asian nations who often travel in the shoulder seasons and now face long delays and uncertainties around visa processing, making New Zealand a less attractive travel destination.

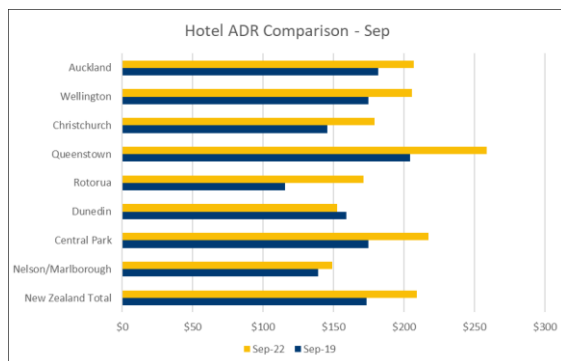
Hotel demand for Wellington and Christchurch is back to, or better than, pre-Covid levels. General business travellers and those attending meetings and conferences are even enabling some larger hotels to exceed 90% occupancy on one or two weekdays. Wellington’s

¹ Refer to RevPAR definition at the bottom of this article

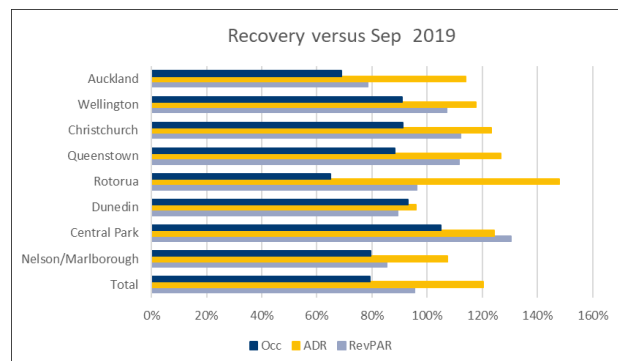
occupancy would be around 72% instead of the reported 66% if the 280 room Rydges Hotel which is closed for major building works was excluded from the supply.

Christchurch continues to benefit from good business demand and events held at Te Pae. The recently opened convention centre reported its 100th business event since opening and has seen more business than expected, according to its General Manager, Ross Steele.

Queenstown hotels again did well with good snow conditions that have extended the ski season to early October. Apart from snow sport enthusiasts, hotels also reported good demand for meetings and conferences and the return of some tour groups from visa waiver countries. The four-day Snow Machine music festival added some more icing on the cake. Yet, occupancies could be higher if hotels did not have to stop selling because of insufficient staff or a lack of suitable staff accommodation.



(Source: HDNZ)



(Source: HDNZ)

Average Daily Rates (ADR) across New Zealand hotels increased by 20% compared to September 2019 to \$209. Yet, for many hotels this still leaves them well short of pre-Covid RevPAR, let alone compensating for increases in wages and other costs.

As hotel demand continues to grow and guests need to pay more for their room, the shortage of staff becomes more urgent. Several hotels report their new minimum wage is around \$25 which is 18% above the minimum and 6% above the living wage. Yet a shortage of workers in New Zealand combined with complicated and slow immigration processes are slowing down recruitment and making it less attractive for overseas workers to apply for New Zealand jobs.

Apart from the direct impact on hotels, this runs the risk of seriously impacting service levels that visitors will receive during the summer season. That could cause lasting damage for an industry whose minister has set the objective of attracting high quality international visitors.

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

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