



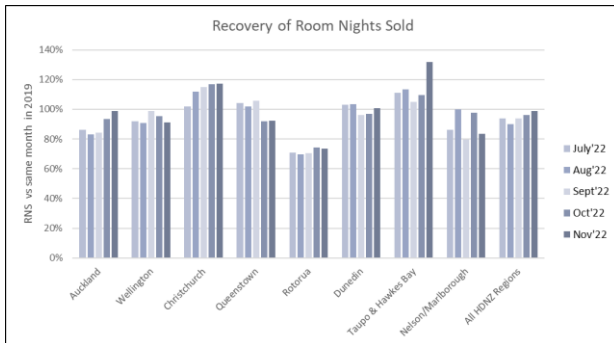
New Zealand Hotel Performance Focus
November 2022

Buffets are back

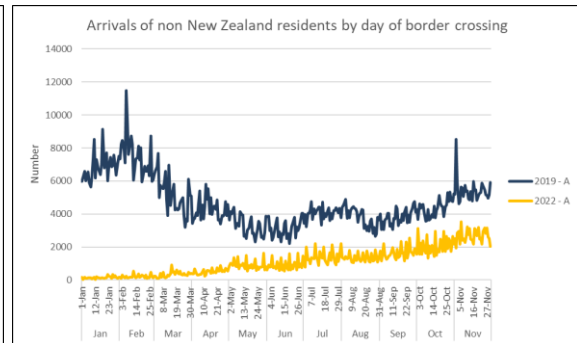


During the first months of the Covid pandemic, many were predicting it would be the start of a slow death of the hotel buffet. Concerns about the infection risks would stay with customers for many years and industry experts welcomed the return to better quality, a la carte breakfasts. One leading New Zealand operator was quoted saying that buffets were a “lazy way of serving food”. Today, this lazy way of serving food is just what many operators need, as staff shortages continue to constrain higher levels of service. Customers in the meantime demonstrate they have short memories and once again are happy to treat themselves to more food than they really need.

Room nights sold by New Zealand’s major hotels returned to circa 99% of pre-Covid levels in the month of November, according to our analysis of data reported by Hotel Data New Zealand (HDNZ).

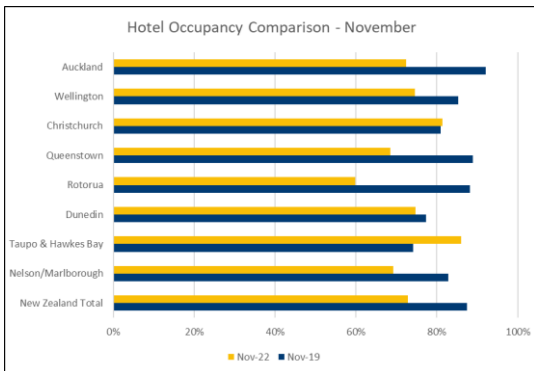


(Source: HDNZ & Horwath HTL)

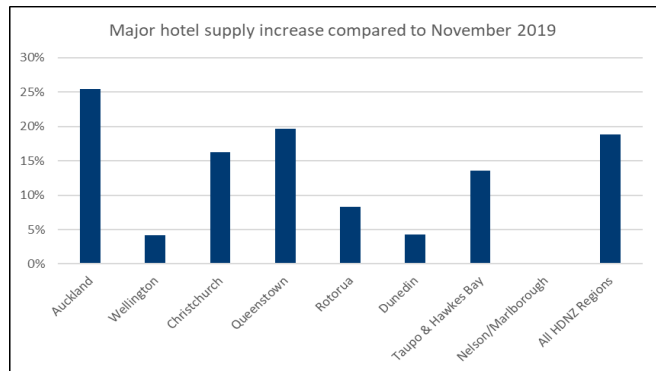


(Source: Stats NZ)

Provisional data from Stats NZ reported a 63% recovery of non-New Zealand residents arriving in New Zealand during November, up from 56% in October. Visitors arriving from the USA and Australia recovered to 84% and 71% of pre-Covid levels respectively, with recovery of other nationalities just reaching 50%. The data also shows that for the first time this year total arrivals of non-New Zealand residents (243,630) exceeded departures of New Zealand residents (170,568).

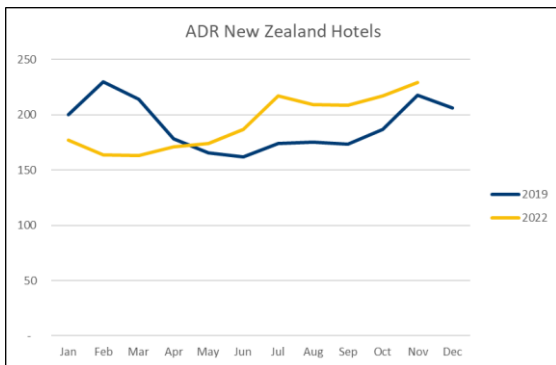


(Source: HDNZ)

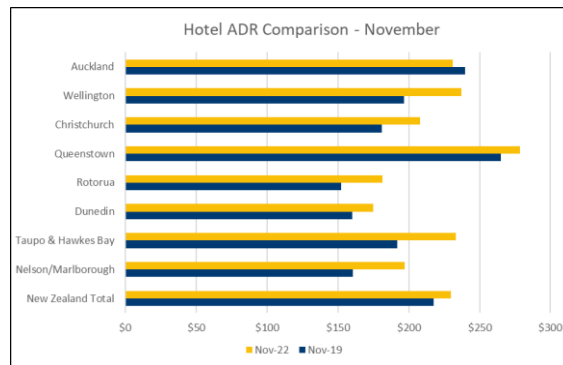


(Source: Horwath HTL)

Hotel occupancies, however, remain well below 2019 levels in most key locations, following the addition of circa 4,200 rooms, most of which had been planned pre-Covid in anticipation of continuing growth of international visitors. Hotels reported a 15 percentage points drop in occupancy with declines in all regions except for Taupo / Hawkes Bay. The latter region has been in high demand from meeting organisers, business and leisure visitors from across New Zealand and Australia and has reported occupancy rates higher than 2019 for each month since April this year.



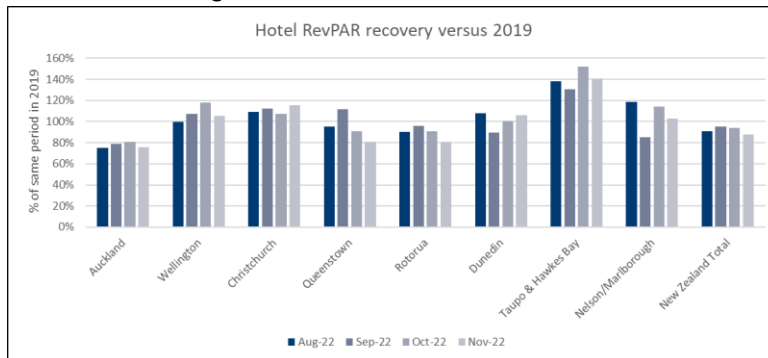
(Source: HDNZ)



(Source: HDNZ)

The growth in Average Daily Rate (ADR) slowed to just 5% compared to the same month in 2019, mainly due to an ADR decline of 4% in Auckland hotels which comprise circa 35% of the country’s major hotels. By contrast with November 2019 when Auckland hotels reported an average occupancy of 92%, this year’s occupancy was 72%, following a 25% room supply increase. This was reflected in lower rates being reported in all hotel categories.

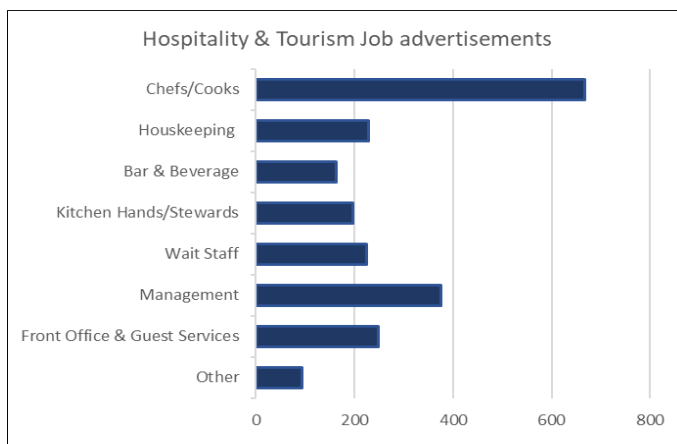
Yet, many hotels do not have sufficient staff to fill to capacity during high demand days which effectively reduces supply and competitive pressures, keeping upward pressure on room rates and adding to inflation.



(Source: HDNZ)

The net result is that Revenue Per Available Room (RevPAR) across New Zealand hotels is still below 2019 levels and many hotel owners continue to face lower revenues and increased costs, particularly those with hotels in Auckland, Queenstown, Rotorua and some regional areas.

In a recent survey of tourism operators (including accommodation providers) released by Tourism Industry Aotearoa, around half of the operators who responded said they would need to limit the number of bookings they could take or reduce the services they offer, in order to manage staff wellbeing and to ensure that holidaymakers can continue to enjoy high quality experiences.



(Source: Seek.co.nz)

As at 3 December, Seek.co.nz listed 2,198 hospitality and tourism¹ jobs. 41% of these jobs were in Auckland and 40% were for chefs / cooks and wait staff.

Unless more people are available to work in hospitality, many hotels will continue to limit the number of bookings and reduce services. This may only be good news for those who like buffets.

¹ excluding categories: airlines, gaming, reservations, tour guides, travel agents / consultants

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.