

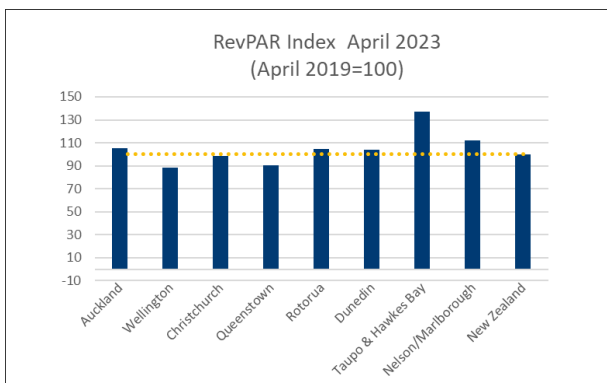


New Zealand Hotel Performance Focus
April 2023

All eyes on China to continue recovery



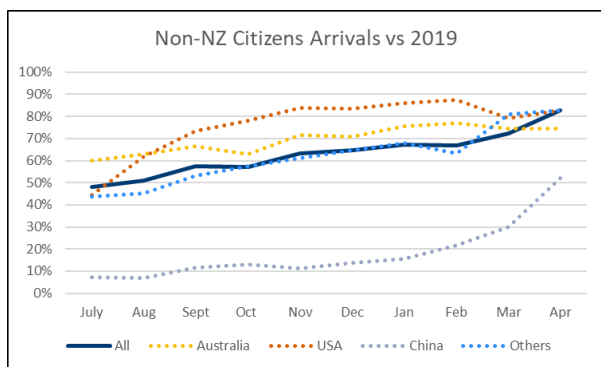
Following the end of the summer season, average hotel occupancy across New Zealand’s main markets dropped to 66% in April, down from 80% the previous month and 80% in April 2019, according to data reported by Hotel Data New Zealand (HDNZ).



Source: HDNZ

Revenue Per Available Room (RevPAR) was unchanged from April 2019 at \$143 as a result of a 24% increase in the Average Daily Rate (ADR) to \$217. This compares to an increase in the consumer price index of 18.7% between Q1 2023 and Q1 2019.

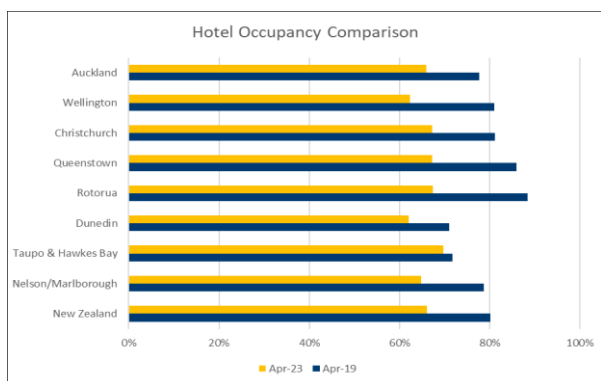
The pace of the overall international recovery has continued in April with an increase in the number of non-citizens arriving from China while recovery of arrivals from Australia, the USA and other countries appear to have flattened after the summer season.



Source: Stats NZ

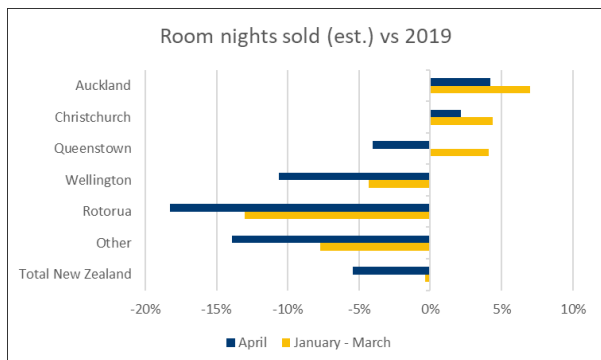
The available data for April does not include purpose of travel and reported numbers from China are likely to include a large proportion of arrivals visiting friends and relatives as well as New Zealand residents returning from visiting relatives in China.

Based on reported occupancy levels and supply increases since April 2019, we estimate that hotel demand in April, measured by room nights sold, declined by circa 5%.



Source: Stats HDNZ

In addition to the continuing shortfall of international visitors, domestic demand has been strongly influenced by the different timing of Easter and Anzac holidays. In 2019 these holidays were close to each other and only required people to take three annual leave days to have a 10-day break, benefitting leisure destinations such as Rotorua and Queenstown while causing a slow-down in commercial centres such as Auckland and Christchurch. Wellington also had fewer parliament sitting days and leisure demand drivers last month than in April 2019.

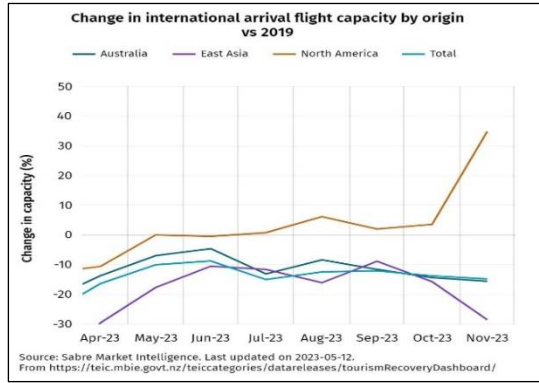


Source: Stats NZ & Horwath HTL

The absence of most of the Chinese market continues to have a significant impact on leisure destinations such as Queenstown and Rotorua, where visitors from China contributed 14% and 19% of occupied rooms respectively in April 2019.



Source: HDNZ



Source: Sabre Market Intelligence, Last updated on 2023-05-12. From <https://teic.mbie.govt.nz/teiccategories/databreleases/tourismRecoveryDashboard/>

Nevertheless, most hotel operators are confident of a continuing recovery over the next few months.

Wellington will start benefiting from the opening of the Tākina Conference Centre at the end of the month while operators in Auckland and Christchurch also expect good meeting and conference business.

According to Air New Zealand, Auckland Airport and Sabre Market Intelligence, flight capacity from China and other key markets is expected to increase over the next few months while the FIFA Women’s World Cup tournament will drive additional demand during the winter months, particularly in the host cities of Auckland, Dunedin, Hamilton and Wellington.

We also expect that several markets will continue to benefit from lower available motel capacity. According to numbers reported under the government’s Accommodation Data Programme, 14.5% of New Zealand’s motel capacity was not available for overnight bookings in March, representing circa 3,800 units per night, with many of these understood to be in use for emergency / social housing. This appears to be causing an increased proportion of domestic and international visitors to be choosing hotels in preference to motels.

As staffing constraints gradually ease with more foreign workers entering the country, hotel owners need occupancy rates and RevPAR to increase to offset increased pay rates and other costs.

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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.