



Scott Venning

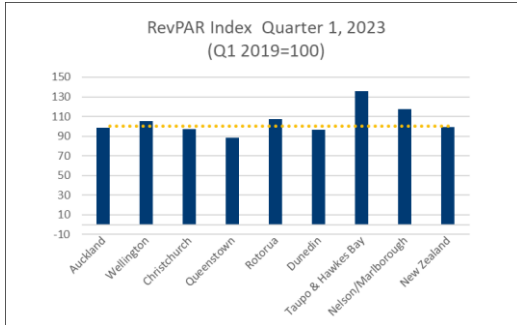
## New Zealand Hotel Performance Focus

March 2023

**Broad based recovery returns demand to pre-pandemic levels**

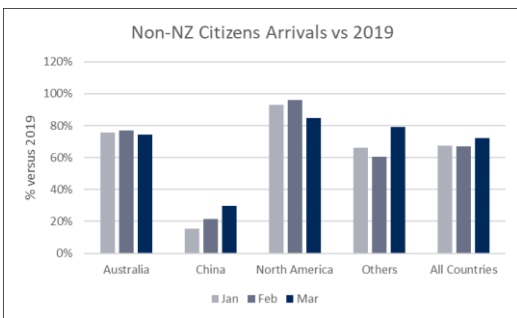


Hotels in New Zealand’s main markets reached 80% occupancy for the first time in three years in March, according to data reported by Hotel Data New Zealand (HDNZ). While occupancies were short of the average 89% achieved in March 2019, we estimate that total demand, measured by room nights sold exceeded demand in March 2019 by around 4%, with occupancy impacted by a supply increase of circa 15%.

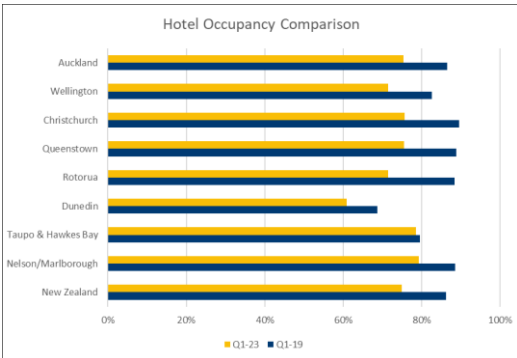


Revenue Per Available Room (RevPAR) was up by 4% because of a 15% increase in the Average Daily Rate (ADR) compared to March 2019.

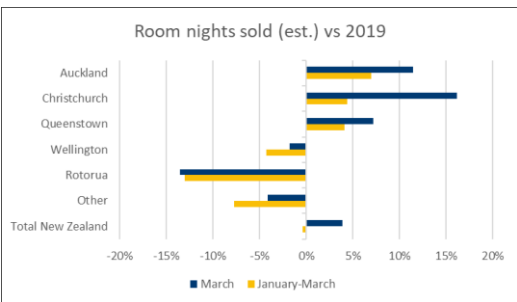
RevPAR for the first Quarter was just one point short of the first quarter in 2019 with four out of eight key markets exceeding 2019 levels.



There is still some way to go until we can say there has been a complete recovery for tourism. According to provisional data from Stats NZ, arrivals of non-New Zealand citizens during the first quarter reached 69% of levels reported for the same period in 2019. Arrivals from Australia and North America showed the strongest recovery. During March, arrivals from China and other countries showed a notable pickup. The latest available data re holiday visitor arrivals showed a 60% recovery in January compared to the same month in 2019.

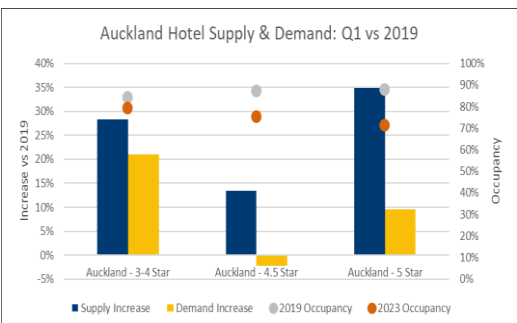


While occupancy levels in most centres are well below 2019, this is mainly the result of significant supply increases in key markets such as Auckland (+23%), Christchurch (+24%), Queenstown (+23%) and Wellington (+11%). Based on reported occupancy levels and supply increases since March 2019, we estimate that hotel demand, measured by room nights sold, during the first quarter has exceeded pre-pandemic demand in Auckland, Christchurch, and Queenstown.



Auckland hotel demand has been stimulated by a strong calendar of events including entertainment at Spark Arena, Eden Park and Mt Smart Stadium.

Ironically, Auckland Council has called for submissions on its proposed budget for the 2023/24 year, under which it is proposing to effectively end its event attraction and destination marketing activities – a decision that would be completely out of step with similar destinations overseas given where we are in the recovery.



Hotels have also reported good demand from business travellers, meetings, and the return of group tours. The severe weather events in February resulted in an increased use of commercial accommodation for emergency

housing, including hotels. Flight delays and displacement of visitors from impacted regions (Northland and Hawkes Bay) also generated increased demand for hotels and other commercial accommodation.

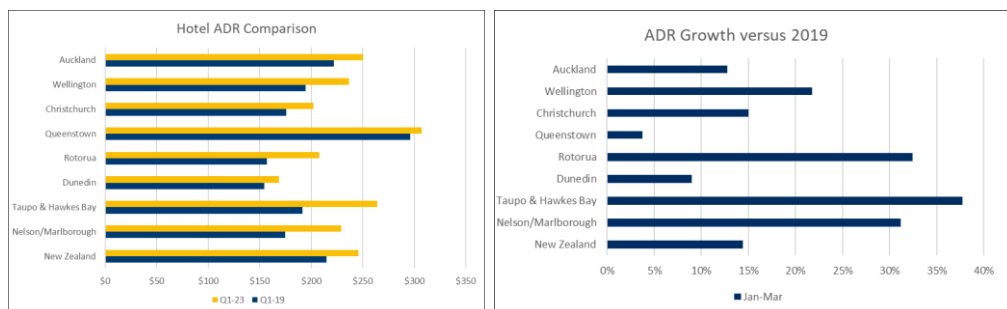
Approximately 19% of Auckland motel capacity in January and February was unavailable for overnight accommodation according to data from the Accommodation Data Program (ADP). This represents approximately 825 motel rooms, many of which are thought to be in use for emergency / social housing. Furthermore, the number of Airbnb listings in Auckland in March were 40% less than in March 2019, a reduction in capacity of more than 1,000 listings, 523 of which were classified as “entire place”, according to AllTheRooms, a global provider of short-term rentals and Airbnb analytics.

We expect that these alternative supply-side factors will have had a considerable positive impact on hotel demand, particularly in the 3-4 star segment which, based on our estimates, have seen an increase in room demand of circa 21% in the first quarter compared to the same period in 2019. Reported occupancy data and market feedback also suggests a shift of demand from older 4.5 star hotels to the newly opened 5 star and 4 star properties.

Christchurch hotels achieved an average occupancy of 86% in March, despite relatively low activity at *Te Pae* over the summer months, and a lower than expected demand boost from the Sail GP event. Hotels have reported a strong increase in leisure groups from Europe and North America, and high demand from business meetings and leisure FIT guests. Some CBD hotels reached occupancy levels in excess of 90%.

Demand for Queenstown hotels continued to be driven by further increases in air capacity from Australia, with Queenstown Airport reporting 10% more international arrivals during the first three months of 2023 compared to the same period in 2019. Occupancy levels varied between hotels, with many properties still not able to sell all their rooms due to staff shortages and rooms being used to accommodate staff.

Occupancy levels in Rotorua were mostly impacted by the lack of visitors from China, which before Covid-19 made up circa 20% of total occupancy, and the severe weather events in January and February. Several hotels continue to be impacted by staff shortages which prevents them from selling all available rooms on high demand days.



ADR growth compared to 2019 appears to have stabilized, with an average growth of 14.4% during the first quarter of 2023, although with considerable variance by market. In most markets, this rate growth is below the increase in wage rates which for typical front-line jobs have increased by between 30%-35% over the past three years.

As inbound air capacity continues to recover over the next six months, so will the recovery of hotel demand. Inbound leisure visitors in particular, along with continuing recovery of business event demand is expected to fill more of the available new hotel capacity, allowing growth in ADR outside the peak season as occupancies rise, especially in the main centres.

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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.