



Horwath HTL

Hotel, Tourism and Leisure

New Zealand Hotels & Chains Report

July 2023



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1. Introduction

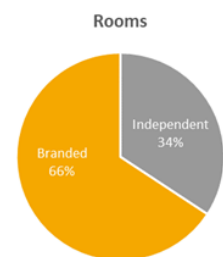
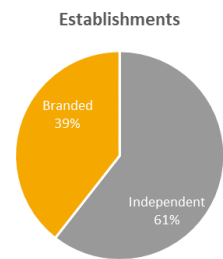
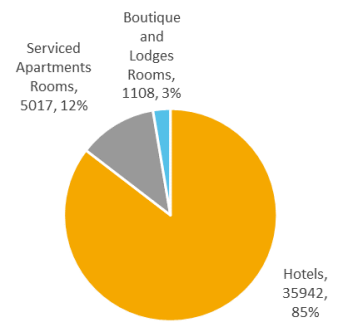
With a population of just over 5 million people and a geographic size similar to the United Kingdom, New Zealand’s hotel industry highly depends on international visitors. Following many years of strong international visitor growth, reaching 3.9 million in 2019, the accommodation industry has been hit hard during the past 3 years, but is experiencing a better than expected recovery in 2023.

Looking forward to the ever-evolving needs of hotel consumers, we thought it would be appropriate to consider where the New Zealand commercial accommodation industry is at with regard to independent and branded properties as the industry comes out of the pandemic and heads into the future.

Drawing on data from New Zealand’s accommodation programmes (ADP and HDNZ), as well as from STR and our own database, Horwath HTL presents this overview of 662 New Zealand accommodation properties including hotels, serviced apartments, lodges and other boutique accommodation comprising almost 42,000 guest rooms.

While lodges and boutique accommodation properties represent only a small proportion of the total rooms, they are an integral part of New Zealand’s growing reputation as a unique tourism destination for the most selective global travellers. This category also provides opportunities for investors in the lucrative luxury accommodation segment. To present the data in a clear and structured manner, we have grouped hotels according to ‘chain scales’ assigned by STR. In the absence of an STR-assigned chain scale, or where local market characteristics justify, we have assigned one based on comparable hotels and relevant star or other quality ratings.

We are committed to supporting the commercial accommodation industry across various consulting and data needs.



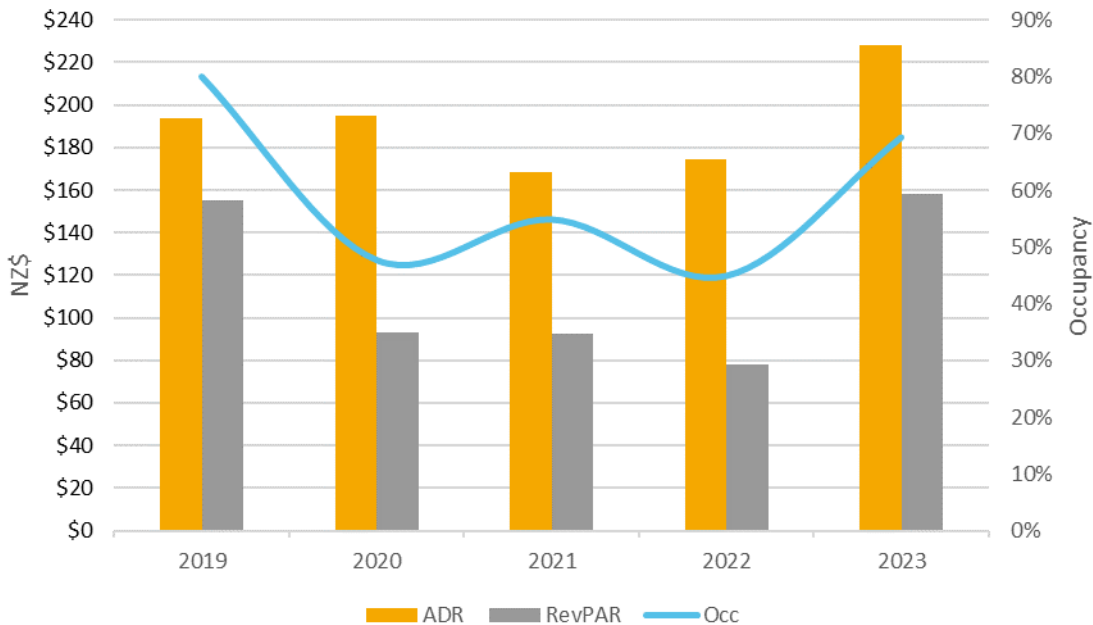
Source: HDNZ, STR, Horwath HTL

Key Statistics		2023
Total number of Chain properties		261
Total number of Independent properties		401
Total Chain rooms		27323
Total Independent rooms		14354
Chain penetration % by number of properties		39%
Chain penetration % by rooms		66%
Average Size per chain property in rooms		105
Average size per independent property in rooms		36
Total number of Lodge & Boutique accommodation		138
Average Size per Lodge & Boutique property in rooms		8
Average size per independent property in rooms (excl. Boutique and Lodge)		50
Total number of brands		70
Total number of chains		34
Total number of hotel management companies		39
Pipeline projects		36

2. Key Performance Indicators – New Zealand

The most comprehensive data set reporting on the country’s occupancies and Average Daily Rates (ADR) is from Hotel Data New Zealand (HDNZ) which includes circa 24,874 rooms across 214 of the country’s major hotels and serviced apartments, or 61% of the room supply within its category.

As illustrated in the chart below, hotel Revenue Per Available Room (RevPAR) during the first six months of the year has returned to pre-pandemic levels, driven by a strong increase in ADR.



Source: Hotel Data New Zealand (HDNZ).

Historically, international travellers contributed circa 50% of New Zealand's total hotel room nights.

The most recent tourism statistics show that international visitor arrivals have recovered to circa 72% of pre-Covid levels, driven by a 93% recovery of those visiting friends and family.

Recovery of those visiting for holiday and business purposes so far has been slower at circa 59% and 62% respectively.

Moreover, total national hotel room supply has seen an increase of around 15% since June 2019. This indicates continuing strong domestic hotel demand.

Circa 82% of the new room supply since 2019 is branded, with IHG, Wyndham Hotels and Resorts and Sudima Hotels being the top three chains in terms of room additions.

Despite the increase in room supply, workforce shortages have resulted in many hotels having to cap occupancies during the recovery period.

Combined with a buoyant pricing strategy of the new hotels, this has resulted in an ADR growth never before seen in New Zealand.

Occupancy levels for Lodge and Boutique accommodation, reported by the Accommodation Data Programme (ADP) for the period January–May 2023, was 57%, reflecting the partial recovery of international visitor arrivals, which traditionally contribute the vast majority of the occupancy of this accommodation category.

3. Distribution of Establishments by Size

A significant proportion of New Zealand’s hotel inventory is comprised of hotels with less than 50 rooms (56% of all hotels).

This is particularly relevant as it relates directly to the fact that many international hotel companies tend to seek out affiliation, franchise or management opportunities with hotels that meet a certain size requirement. Depending on the brand and positioning, this can vary from a minimum of 50 to 100 rooms or more, with some exceptions for brands that cater for smaller properties.

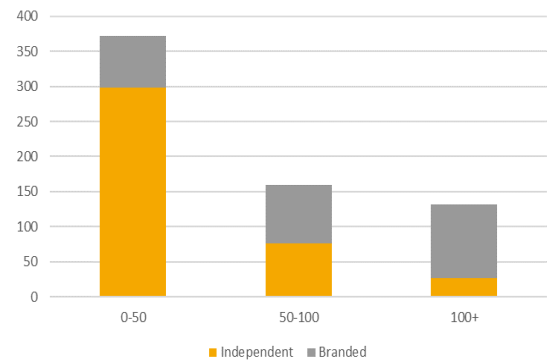
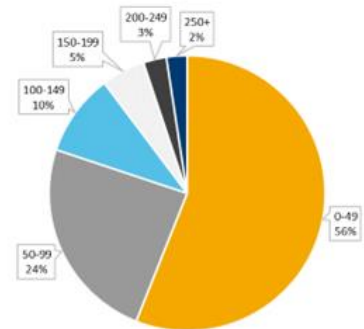
Given the large number of New Zealand hotels that have fewer than 100 rooms, the greatest potential for hotel companies to expand their brands is by franchising smaller properties.

From the owner's perspective, this highlights the significance of carefully considering potential brands that coincide with the size of their property when making decisions about affiliation or branding deals. From the brand's perspective, it identifies the need for a strong franchise offering, suitable for conversions and new builds.

The majority of new properties opened since 2019 have had less than 100 rooms. Of these properties, 58% are branded. Nevertheless, 80% of hotels with fewer than 50 rooms are independent operations, leaving significant opportunities for existing franchise brands typically operating in this category or for new brands.

Of all hotels and serviced apartments in New Zealand that have 100 rooms or more, just 26 are currently independent.

Establishments by room count



Source: HDNZ, STR Horwath HTL



4. Distribution of Establishments by Scale

Considering the large number of smaller properties, it is perhaps unsurprising that only 39% of properties are branded. However, these branded properties represent 66% of the available room supply, with an average size of 105 rooms per property.

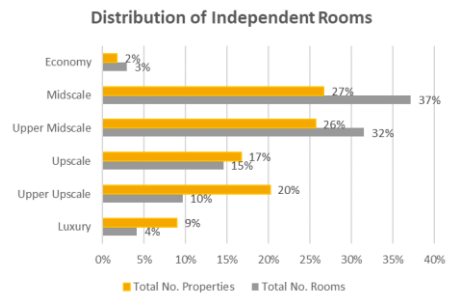
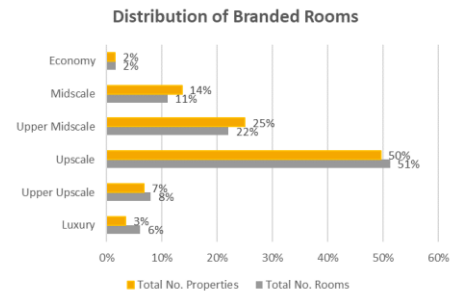
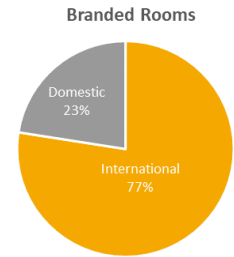
There are 70 brands owned by 34 chains that are currently represented in the country. 16 of the brands (23%) are domestic brands which represent 25% of all properties and a fair share of 23% of the total branded rooms. This indicates the strength and importance of the New Zealand hotel industry and highlights the potential for further growth and development of both domestic and international accommodation brands.

While there has been an increase in the number of boutique and lifestyle branded hotels in recent decades, the upscale brands still dominate the branded hotel inventory in New Zealand, representing 51% of the properties and branded rooms.

Our assessment of independent properties, using a variety of reported star or other quality ratings, indicates that the majority fall into the midscale and upper midscale categories (53% of properties and 69% of rooms).

Independent properties in the upper-upscale and luxury categories mostly consist of boutique hotels and lodges.

The upper midscale and upscale segments have also dominated the new hotel supply since 2019 with 69% of the assessed properties and rooms positioned in either of these scales.



Source: STR & Horwath HTL



5. Distribution by Destination

Unsurprisingly, 71% of the branded properties are in the country's main cities and tourism destinations (Auckland, Christchurch, Wellington, Queenstown and Rotorua). Auckland, which has 34% of the country's room supply, has 31% of the branded properties.

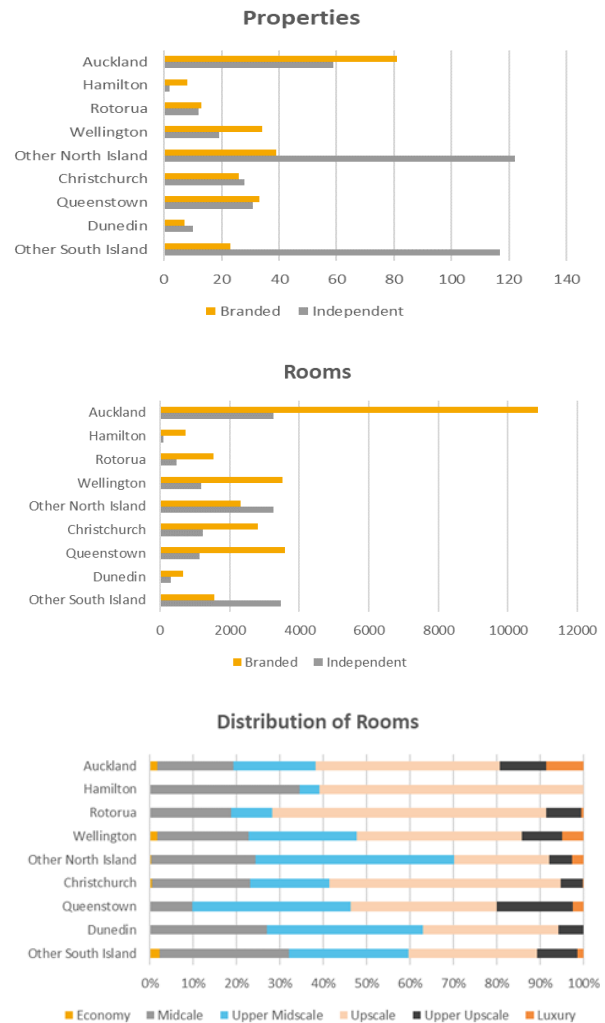
Branding opportunities still exist in these locations, particularly for those brands that cater for smaller properties. Many owners of independent properties in these areas have seen competition intensify over the past few years, following a strong increase in branded supply.

The strengths that brands can bring in terms of recognition, distribution, systems and processes could improve the competitiveness of several independent operators. Conversely, the proliferation of the number of brands, having reached 70 in a comparatively small market, has also strengthened the case for many operators to stay unique and independent.

Over the last few years, consumer interest in unique regional leisure destinations has increased throughout the world, including in Australia and New Zealand.

Sophisticated investors and hotel companies have also recognised the opportunities that regional destinations can offer. With a large number of independent properties in the regions of both the North and South Island, and no shortage of spectacular scenery across the country, the regional areas also offer considerable branding opportunities with or without the potential of consolidation.

Considering the global trend of growth in the luxury segments, there is still relatively little luxury room supply in New Zealand, particularly in major tourism destinations in the South Island such as Queenstown and the Southern Lakes area.



6. Rankings & Pipeline

Accor continues to lead the New Zealand market in terms of the number of hotels and guest rooms.

However, with regard to new rooms supply since 2019, IHG tops the list with an additional 904 rooms across 4 new properties, followed by Wyndham with 616 rooms across 7 new hotels and Sudima Hotels with 3 new properties, comprising 426 rooms. The latter two reflect the significance of domestic brands and smaller sized properties.

The Quest apartment brand tops the brand ranking in New Zealand, both in terms of room count and number of properties. Quest Apartment Hotels (NZ) holds the master franchise for the brand which is owned by Ascott International Management. Together with the Ramada brand, the Quest brand illustrates the distribution benefits of brands that cater for smaller properties and extend from the main tourism centres to suburban and regional locations.

Rank	Chain Groups	Hotels	Rooms	Rank	Brand	Hotels	Rooms
1	Accor	43	5641	1	Quest	40	1845
2	MCK Millennium & Copthorne	18	2396	2	Novotel	9	1677
3	IHG Hotels & Resorts	10	2161	3	Distinction	13	1345
4	Ascott International Management	40	1845	4	Rydges	7	1181
5	EVT Hospitality & Entertainment	14	1879	5	Sudima	7	1153
6	Scenic Hotel Group	15	1422	6	Ibis	6	773
7	Distinction Hotels	13	1345	7	Copthorne	9	978
8	Wyndham Hotels & Resorts	16	1359	8	Scenic	9	930
9	Sudima Hotels	7	1153	9	Ramada	11	943
10	Hilton Worldwide	7	1039	10	Crowne Plaza	3	695
11	Dynasty Hotel Group	9	888	11	Cordis	1	640
12	Great Eagle Hospitality	1	640	12	SkyCity	2	635
13	SKYCITY Entertainment Group	2	635	13	Heritage	5	605
14	Minor Hotel Group Limited	5	604	14	Millennium	4	539
15	Choice Hotels International, Inc.	16	591	15	Holiday Inn Express	2	521
16	Marriott International	2	541	16	Hilton	3	520
17	Daiwa House Group	4	456	17	DoubleTree by Hilton	4	517
18	TFE Hotels	3	450	18	Holiday Inn	3	508
19	Hind Development	5	399	19	The Sebel	4	352
20	Jet Park Hotels	3	346	20	Oaks Hotels & Resorts	4	498
21	Grand Hotels International	2	334	21	Nesuto	4	456
22	CPG Hotels	3	231	22	Grand Millennium	1	452
23	VR Group	4	227	23	Pullman	2	452
24	Swiss-Belhotel International	4	210	24	Mercure	4	374
25	Best Western Hotels & Resorts	6	198	25	Naumi	5	399
26	Hyatt Hotels Corporation	1	195	26	QT	3	398
27	Marsden Hotel Group	3	195	27	Heartland	5	392
28	Carmore Plus Limited	3	145	28	Quality	7	363
29	Price & Dykes Group Limited	2	118	29	Jet Park	3	346
30	Village Accommodation Group	2	37	30	Grand Chancellor	2	334

Source: Horwath HTL

Rank	Management Company	Hotels	Rooms
1	Accor	35	5004
2	MCK Millennium & Copthorne Hotels	16	2244
3	EVT Hospitality & Entertainment	15	2014
4	Distinction Hotels	17	1653
5	Scenic Hotel Group	16	1522
6	IHG Hotels & Resorts	6	1364
7	Sudima Hotels	8	1353
8	Marsden Hotel Group	15	1187
9	Hilton Worldwide	6	930
10	CPG Hotels	13	816
11	Pro-Invest	3	722
12	Great Eagle Hospitality	1	640
13	SKYCITY Entertainment Group	2	635
14	Dynasty Hotel Group	5	617
15	VR Group	11	554
16	Sarin Hotels	8	524
17	Minor Hotel Group Limited	5	604
18	Marriott International	2	541
19	Daiwa House Group	4	456
20	TFE Hotels	3	450

In terms of the number of rooms under management, Accor tops the list in New Zealand with circa 5,004 rooms across 35 properties, more than double the second ranked operator - Millennium and Copthorne.

While the majority of branded hotels in New Zealand are operated under a management agreement with the respective chain group, the number of properties that operate under a franchise agreement by the owner or a 3rd party operator has increased over the past years, illustrated by companies such as Marsden Hotel Group, Pro-Invest and Sarin Hotels.

The current New Zealand Hotel pipeline for new hotels consist of circa 3,912 rooms. Pipeline hotels include those properties currently under construction and those planned with agreements in place between the owner and chain groups. 13 properties with 1,638 rooms are currently under construction.

Rank	Chain Groups - Pipeline	Rooms
1	Accor	1058
2	Wyndham Hotels & Resorts	496
3	Radisson Hotels	409
4	IHG Hotels & Resorts	364
5	Marriott International	361
6	Grand Hotels International	336
7	SKYCITY Entertainment Group	303
8	Hilton Worldwide	231
9	Ascott International Management	204
10	Distinction Hotels	150
11	Independent or to be selected	762

In addition to projects under construction, there are hotels under development which plan to be independent or for which no brand has been confirmed. This group includes 4 projects with a total of 762 rooms of which we have assessed a probability of 80% or more.

Source: Horwath HTL



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About Horwath HTL

At Horwath HTL, our focus is one hundred percent on hotel, tourism and leisure consulting. Our services cover every aspect of hotel real estate, tourism and leisure development.

Our clients choose us because we have earned a reputation for impartial advice that will often mean the difference between failure and success. Each project we help is different, so we need all of the experience we have gained over our 100-year history.

We are a global brand with 52 offices in 38 countries, who have successfully carried out over 30,000 assignments for private and public clients. We are part of the Crowe Global network, a top 10 accounting and financial services network. We are the number one choice for companies and financial institutions looking to invest and develop in the industry.

We are Horwath HTL, the global leader in hotel, tourism and leisure consulting.

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