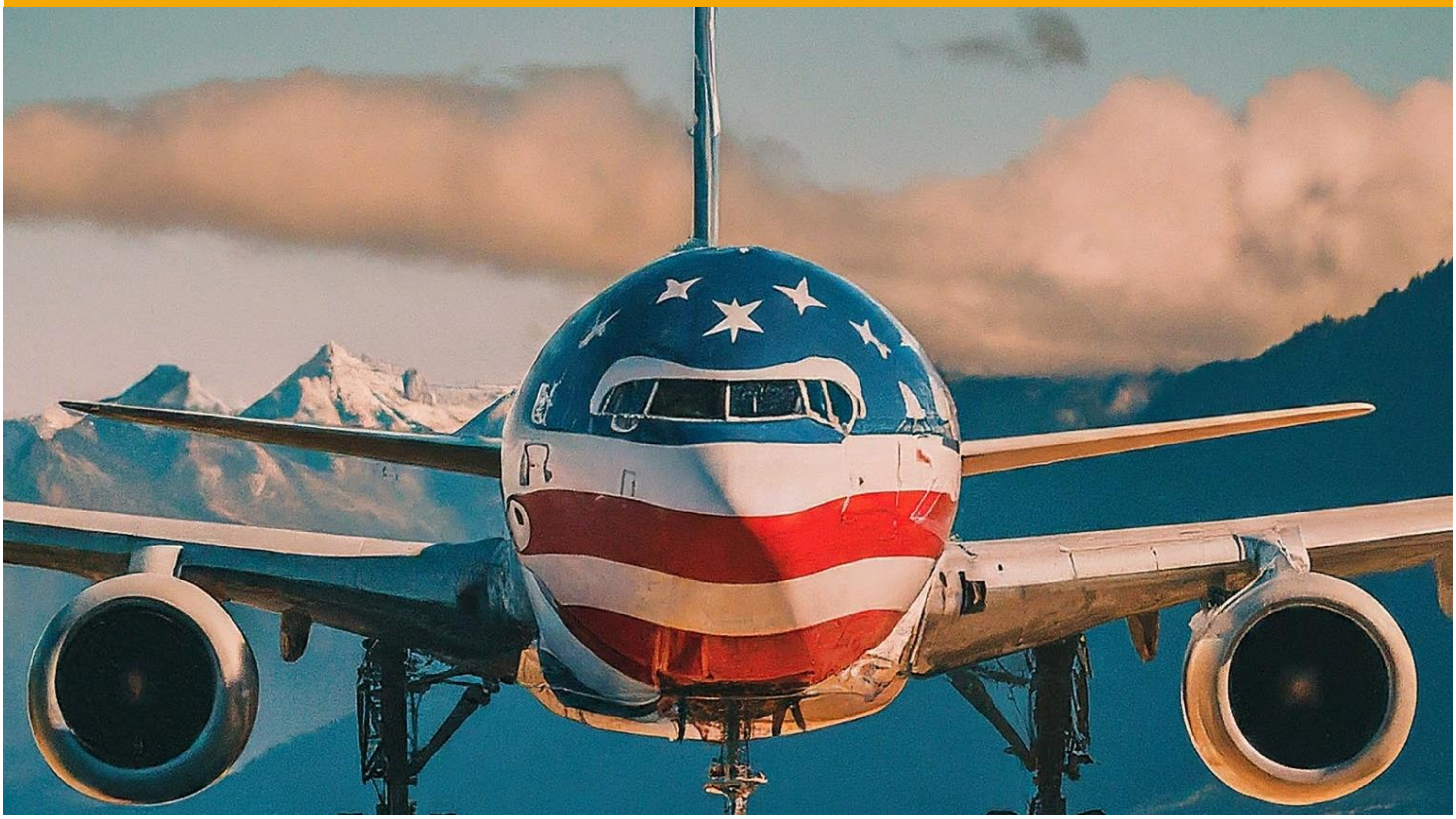
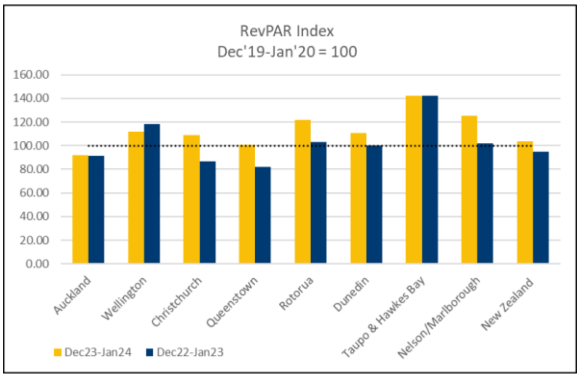
New Zealand Hotel Performance Focus

Americans drive summer recovery

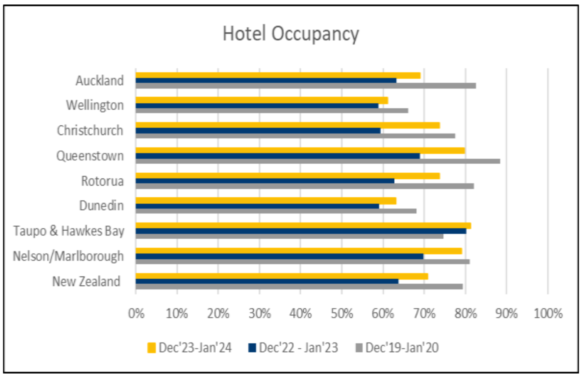
December 2023 – January 2024



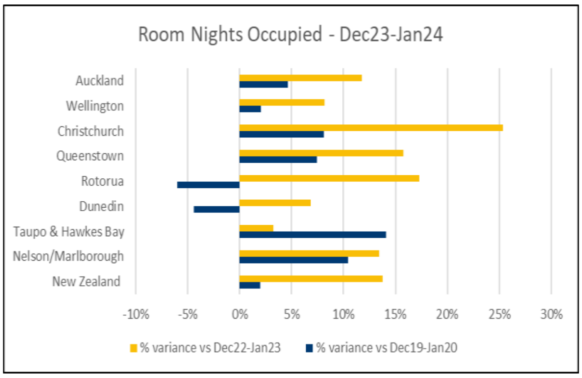
Revenue Per Available Room (RevPAR) for the main **New Zealand** hotels for the period December 2023 – January 2024 was 9% up on the prior year and 4% up on the same period pre-Covid-19, according to data reported by Hotel Data New Zealand (HDNZ).



(Source: HDNZ)



(Source: HDNZ)



(Source: HDNZ), Horwath HTL

(Source: HDNZ)

Hotels in **Queenstown**, **Christchurch** and **Nelson / Marlborough** reported growth in excess of 20% compared to the same period last year, while RevPAR at **Wellington** hotels declined by 6% after a supply increase of circa 200 rooms and a drop in ADR of $19 (9%).

Auckland is the only major market where RevPAR has not recovered to pre-pandemic levels, caused by a supply increase of circa 3000 rooms (25%). Despite this, we have observed a 5% increase in room nights sold at major hotels compared to the same period in 2019/2020.

Hotels in the **Taupo / Hawkes Bay** and **Nelson / Marlborough** regions are the only ones seeing RevPAR growth that matches or exceeds the 21% CPI growth and 25% wage growth reported by the RBNZ since before the pandemic, and really necessary to "getting back to Pre-Covid".

Total hotel occupancy reached 71%, short of the 79% pre-pandemic, but a good improvement on the 64% reported for the period last year.

According to HDNZ's reported share of room nights, the occupancy of rooms by international guests surged by 37% compared to the previous year, with significant rises seen among visitors from the **USA** and **China**.

Overall domestic demand appears to have held up reasonably well, despite an increase of **New Zealand** citizens spending their holidays overseas, and tougher domestic economic conditions. Based on the HDNZ data, we estimate that, compared to the prior year, domestic room nights decreased by circa 2%. The data also suggests that, compared to pre-pandemic levels, domestic room nights were still 19% higher and international room nights 15% lower.

Auckland saw the opening of the 311 rooms Te Arikinui Pullman Auckland Airport hotel on 12 December, after the 103 room La Quinta Hotel in Ellerslie which opened in October, the second major hotel opening in **Auckland** in 2023. It has since been followed by the opening of the 139 room Intercontinental Hotel on 30 January.

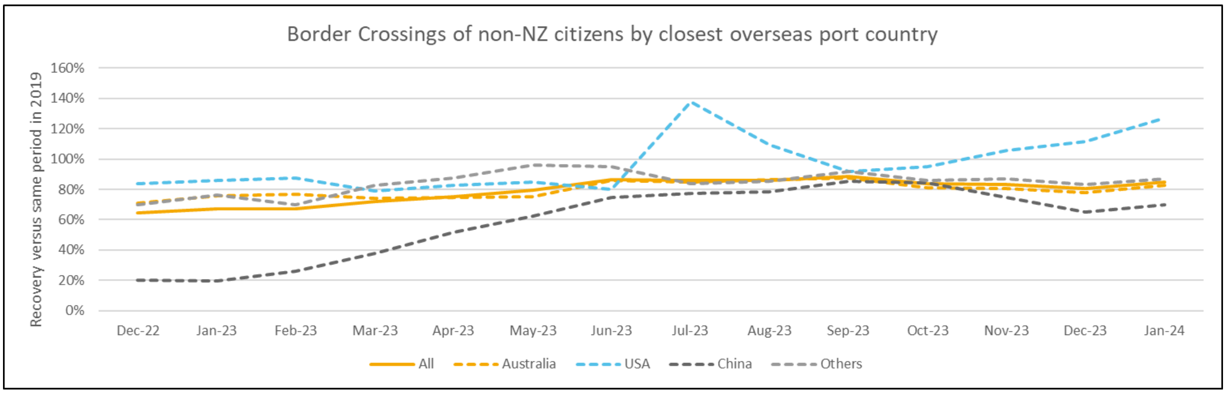
While international room nights sold for major **Auckland** hotels increased by 41% compared to prior year, they are still circa 14% below pre-pandemic levels. In the meantime, domestic room nights during the December-January period in **Auckland** hotels declined by 5% compared the previous year.

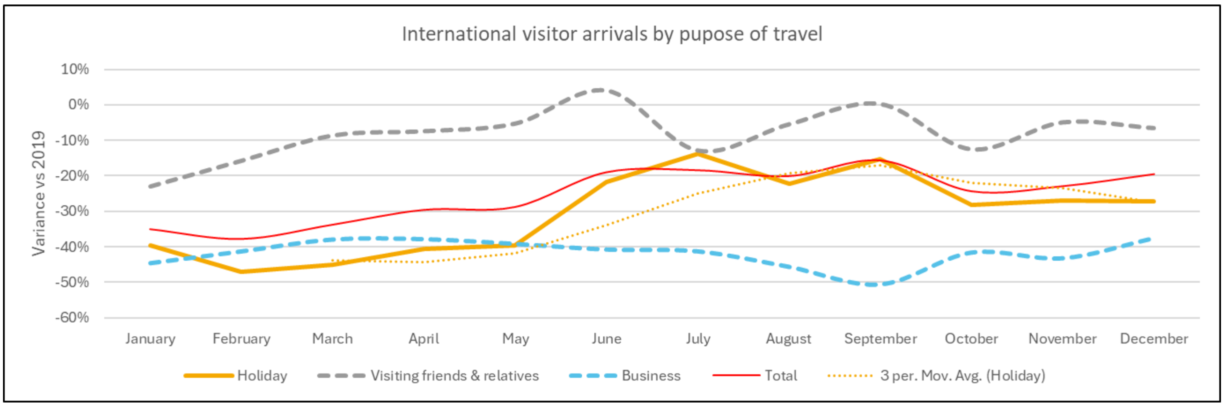
Christchurch hotels hugely benefited from increased air capacity into the city, being the key driver of a circa 25% increase in room nights sold. China Southern and Cathay Pacific resumed direct flights, while United Airlines started direct flights from the USA. In addition to accommodating passengers, a few CBD hotels gained lucrative new air-crew contracts.

The increase in air capacity into **Christchurch** also benefited hotel occupancies in **Queenstown** where there were no new major new hotel openings during the past 12 months. Arrivals from **Australia** into **Queenstown** airport also increased by circa 10% according to provisional data from Stats NZ. The shortage of worker accommodation remains the main challenge for Queenstown hotel operators.

The return of international visitors was good for **Rotorua** where occupancy increased by 11 points to 74%. A decline of domestic room nights of circa 10% was more than offset by strong increases from visitors from the **USA**, **China** and **South Korea**. Nevertheless, international room nights were still circa 28% below pre-Covid levels in the absence of more visitors from **China**.

Average Daily Rates (ADR) for **New Zealand** hotels declined by 1% year on year, with hotels in **Auckland** and **Wellington** experiencing a drop of 7% and 9% respectively. Both cities experienced notable supply increases and sub-70% occupancy levels, prompting many hotels to adopt a volume strategy over value pricing concerns.





(Source: Stats NZ)

According to provisional data from Stats NZ, the number of non-**New Zealand** citizen arrivals increased by 157,366 (25%) during December and January compared to the same period before. Additionally, the number of **New Zealand** citizens departing the country also increased by 97,041 (25%). The data indicates a slower-than-expected recovery of visitors from **China** and a confirmed influx of visitors from the **USA** after increases in air capacity. The overall recovery of international visitors has remained at around 80% of 2019 levels.

The latest available data also indicates the recovery of international visitors continues to be driven by those visiting friends & relatives while the number of visitors specifically arriving for holidays or business remains 30% below 2019 levels. Feedback from various operators across most major markets show a positive outlook for February and March, which indicates that we may see a further upwards trend in international visitors for holiday purposes over these months.

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About Hotel Council Aotearoa (HCA)

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

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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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