Strong ADRs result in all markets ahead of 2019 in RevPAR

▼ 68.0%
Occupancy Rate

▲ $229
ADR

▲ $156
RevPAR

▼ 2.96m
International Visitors

Note: Arrows indicate change from CY2019.

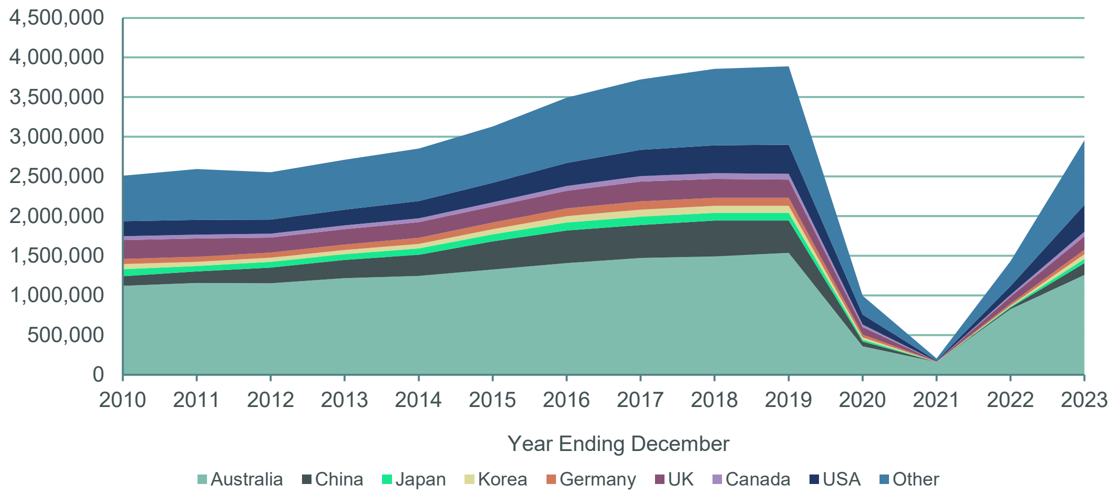
Key Points

- International arrivals in 2023 were 24% below 2019.
- USA arrivals experienced the strongest recovery to be 92% of pre-pandemic levels.
- Hotel supply is 7.3% above 2019 and demand is 6.0% below resulting in occupancy rates some 12.4% below 2019.
- Strong rate growth has resulted in nationwide ADR's being 19.7% above 2019 and RevPAR 4.8% above.

Demand levels recovered through 2023 to near 2019 levels with strong domestic demand supported by growth in Australian and US visitation. The recovery in Chinese travel continues to be slow and is not expected to fully recover until the 2024/25 NZ summer period. Occupancy levels are trending upward as new supply is absorbed and with ADR's well above pre-COVID levels, RevPAR's across all major markets have surpassed previous peak levels.

International flight capacity is estimated to be 10% below 2019 with capacity from North America 26% above 2019.

FIGURE 1: International Visitor Arrivals



Source: StatsNZ

Auckland

New supply continues to enter the Auckland hotel market which has increased by 16.1% since 2019 and 19% since 2018. A strong second half of the year driven by returning international visitors and large events resulted in demand recovering to be in line with pre-COVID levels resulting in an occupancy rate of 69.6% for the year compared with 80.8% in 2019. International flight capacity continues to improve to New Zealand, and this is likely to result in continued occupancy improvements however will be offset by continued supply increases. New openings in 2023 include:
- Manha Hotel (43 rooms, September)
- LQ Ellerslie (149 rooms, October)
- Te Arikinui Pullman Auckland Airport (311 rooms, December)

We are forecasting a further increase of supply of 11% across the next three years including 1,104 rooms in 2024.

ADRs have held stable at strong levels through 2023 at an average of $236 for the year being 18.8% above 2019 however this was partly driven by the FIFA Women's World Cup with lower monthly ADRs relative to 2019 in the last four months of the year. It is important that ADRs remain high to counter the effects of inflation and strong wage growth on hotel profitability. Market wide RevPAR levels exceeded 2019 levels by 2.2% improving by 44.1% compared to 2022 through the year. With increased supply in the market however, total room revenue is 18.6% above 2019 levels illustrating the strength of the recovery which has been diluted across more properties.

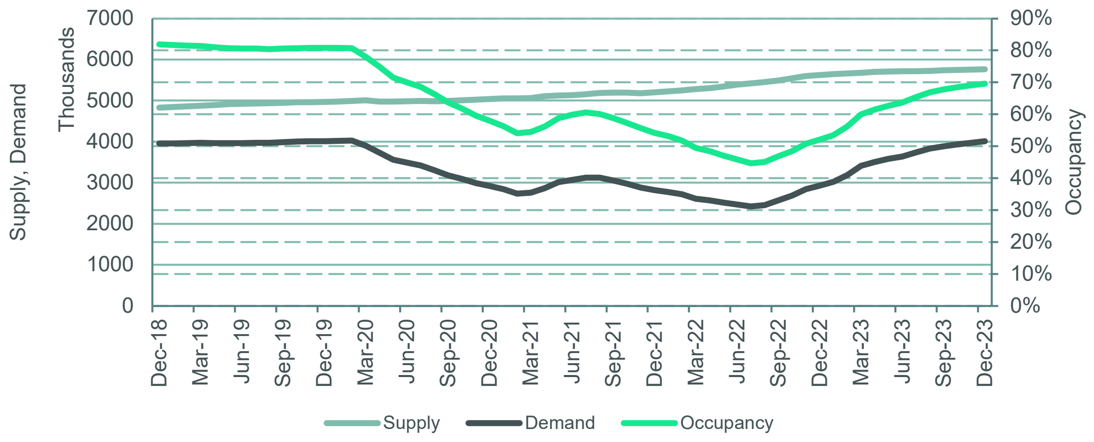
The only notable transaction in 2023 was the Econo Lodge Auckland, 106 rooms, which sold for $21.526m in March. The hotel has been closed for a number of years and will be upgraded and reopened.

FIGURE 2: Auckland Hotel KPI's vs 2019

	RNA	% Chg	RNO	% Chg	Occupancy	% Chg	ADR	% Chg	RevPAR	% Chg
YE-Dec 19	4,964,977		4,013,312		80.8%		199		161	
YE-Dec 23	5,763,511	16.1%	4,007,222	-0.2%	69.5%	-14.0%	236	18.8%	164	2.2%

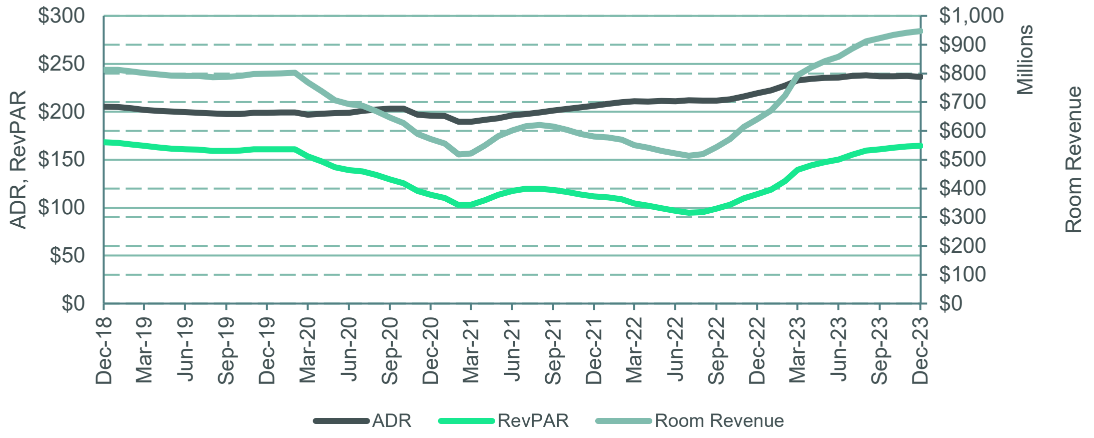
Source: STR

FIGURE 3: Auckland Hotel Supply & Demand



Source: STR

FIGURE 4: Auckland Hotel Room Revenue



Source: STR

Rotorua

The low point for demand in the Rotorua hotel market was experienced in July 2022 when rolling 12 month room nights sold decreased to 57% below 2019 levels. From this point, demand has improved significantly to be 21% behind 2019 by the end of 2023 with a recovery in international demand. In 2023, 32% of room demand was from international guests compared with 51% in 2019 (Hotel Data NZ). With limited supply changes through this period, occupancy was 64.0% in 2023 compared with 78.9% in 2019. Of this international demand Chinese guests made up 17% in 2019, the slow recovery of Chinese visitors has been more material in Rotorua than any other major market.

The only new hotel supply in Rotorua in 2023 was the Urban Lounge Sleepery Rotorua (32 rooms October 2023). In 2024, the AWA Hotel will open in February with 78 guest rooms. The limited new hotel supply will assist the occupancy recovery as demand continues to recover through 2024. The motel sector has seen a significant decrease in available rooms since 2019 with a number of motels being used for emergency housing. This trend is expected to reverse in the coming years and may result in an increase in motel supply which competes with hotels.

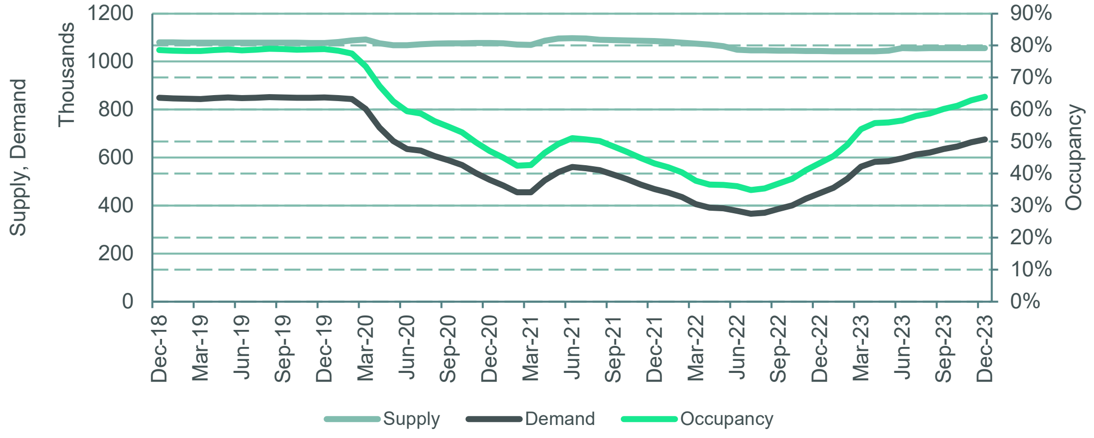
ADRs increased by 32% between December 2019 and April 2022 to $190 and have remained stable at this level through to the end of 2023 despite the low occupancy rates prevailing. Total room revenue in 2023 was 4.7% higher than in 2019 with RevPAR's 6.9% higher.

FIGURE 5: Rotorua Hotel KPI's vs 2019

	RNA	% Chg	RNO	% Chg	Occupancy	% Chg	ADR	% Chg	RevPAR	% Chg
YE-Dec 19	1,077,356		849,826		78.9%		144		114	
YE-Dec 23	1,055,248	-2.1%	675,304	-20.5%	64.0%	-18.9%	190	31.8%	122	6.9%

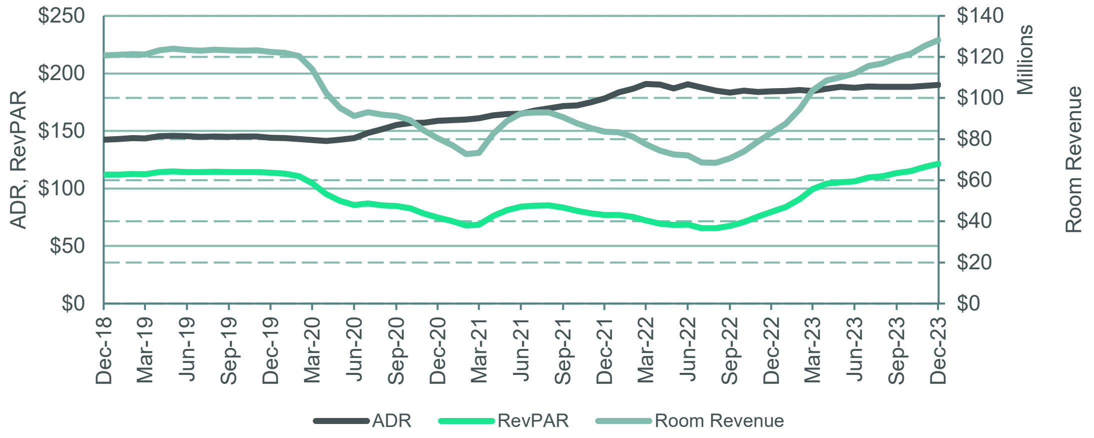
Source: STR

FIGURE 6: Rotorua Hotel Supply & Demand



Source: STR

FIGURE 7: Rotorua Hotel Room Revenue



Source: STR

Wellington

Room demand in Wellington improved by 44% between the low point of July 2022 to March 2023 with growth slowing through the remainder of 2023 and remains 7.8% below 2019 levels with lower international influence than other markets in New Zealand. Pre-COVID data suggest domestic demand comprised 76% of rooms sold and the domestic contribution in 2023 was 79%. The market mix of demand in Wellington is broadly the same as pre-COVID-19 with 51% of demand from the FIT segment, 30% corporate and 9% from tour groups (Hotel Data NZ).

In 2023, the Tryp by Wyndham Wellington (76 rooms) opened in February and the Sebel Wellington Lower Hutt (72 rooms) opened in June. Additionally, the Rydges Wellington reopened following a period of closure as seismic strengthening and refurbishment works were undertaken. As a result of the new supply and slow demand growth, occupancy rates declined through 2023 from a peak of 69.6% in April to 67.7% by the end of the year. Tākina Wellington Convention & Exhibition Centre opened in June 2023 and with no new hotel supply expected in 2024, we expect to see occupancy rates recover further as demand is expected to continue to improve through further recovery and the impact of the convention centre.

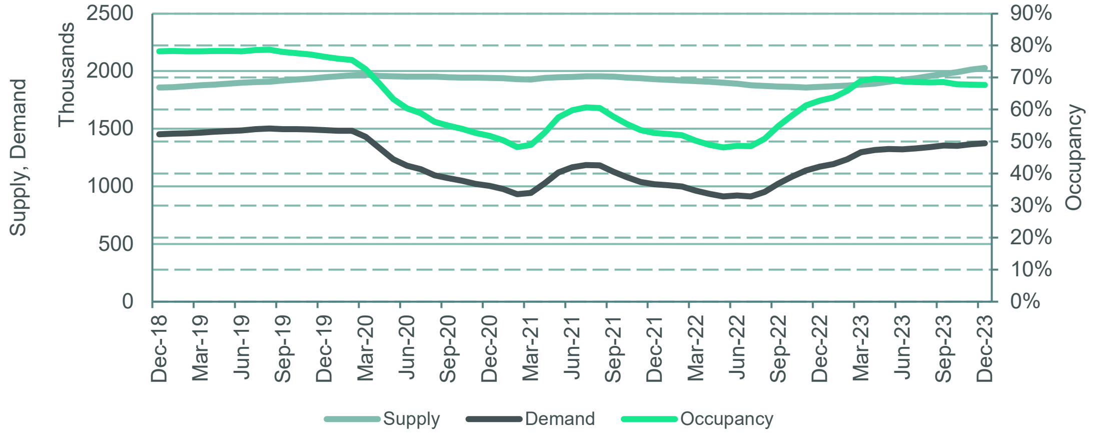
ADR levels peaked $228 in May 2023 and remained flat until October, declining to $220 by the end of 2023 some 17.2% ahead of 2019 levels. The most recent data suggests this downward trend is reversing and ADRs should start to improve through the early part of 2024 however growth is likely to be limited until occupancy levels reach the mid-70% range. Total room revenue in 2023 was 8% ahead of 2019 with RevPAR improving to $149, 3.7% ahead of 2019.

FIGURE 8: Wellington Hotel KPI's vs 2019

	RNA	% Chg	RNO	% Chg	Occupancy	% Chg	ADR	% Chg	RevPAR	% Chg
YE-Dec 19	1,945,242		1,488,787		76.5%		188		144	
YE-Dec 23	2,026,459	4.2%	1,372,103	-7.8%	67.7%	-11.5%	220	17.2%	149	3.7%

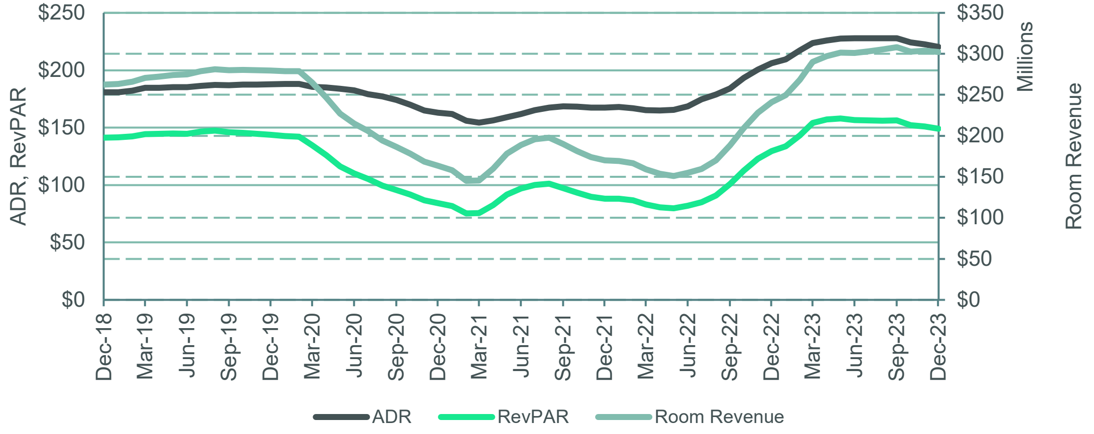
Source: STR

FIGURE 9: Wellington Hotel Supply & Demand



Source: STR

FIGURE 10: Wellington Hotel Room Revenue



Source: STR

Christchurch

Hotel room supply in Christchurch has increased by 22.3% since 2019 and 26% compared with 2018 however the market has experienced the strongest growth in demand of all major NZ markets over this period with room nights occupied being 10.3% higher than 2019. The strong demand is partly attributable to the success of Te Pae Christchurch Convention Centre which has seen a steady calendar of events. In 2023, the Conference and Incentives segment contributed 10% of demand compared with 5% in 2019. The opening of Tākina Wellington Convention & Exhibition Centre has increased competition in the convention centre sector however we are yet to see any significant impact on the Christchurch market.

Occupancy rates continued to improve through 2023 to 69.1% compared with 76.6% in 2019. The only new hotel opening in Christchurch through 2023 was the Quest on Cambridge Terrace (85 rooms) which opened in November. In 2024, the only new supply comprises the Drifter Christchurch (95 rooms) which is expected to open in the middle of the year.

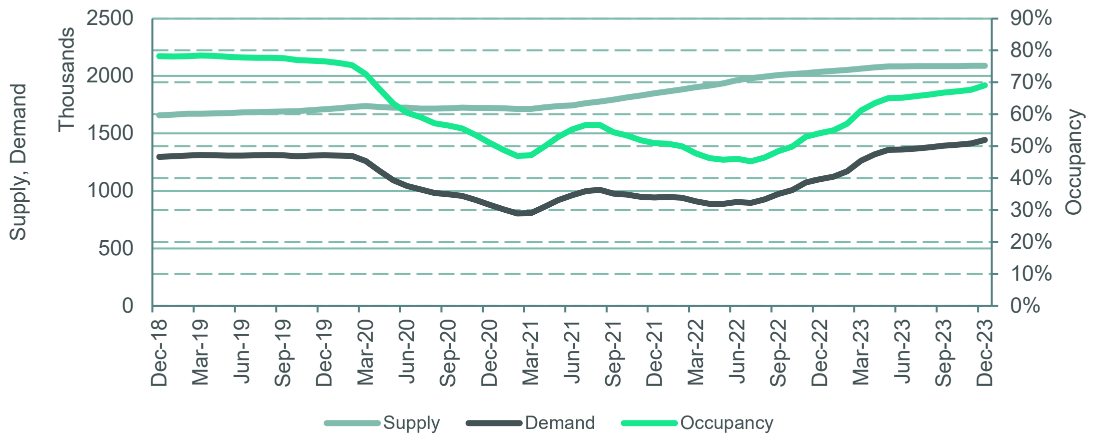
The market ADR has continued to improve through 2023 to $193, some 23.1% higher than 2019. The strongest growth was achieved between May and September when monthly rates were 29% higher than the same month in 2019 showing the benefit of the convention centre through the traditionally weaker winter period of the year. As a result of the strong demand and ADR levels, total room revenue is 36% higher than in 2019, the highest growth rate of all major NZ markets and RevPAR is 11.1% above 2019.

FIGURE 11: Christchurch Hotel KPI's vs 2019

	RNA	% Chg	RNO	% Chg	Occupancy	% Chg	ADR	% Chg	RevPAR	% Chg
YE-Dec 19	1,709,084		1,308,711		76.6%		157		120	
YE-Dec 23	2,089,688	22.3%	1,444,150	10.3%	69.1%	-9.7%	193	23.1%	134	11.1%

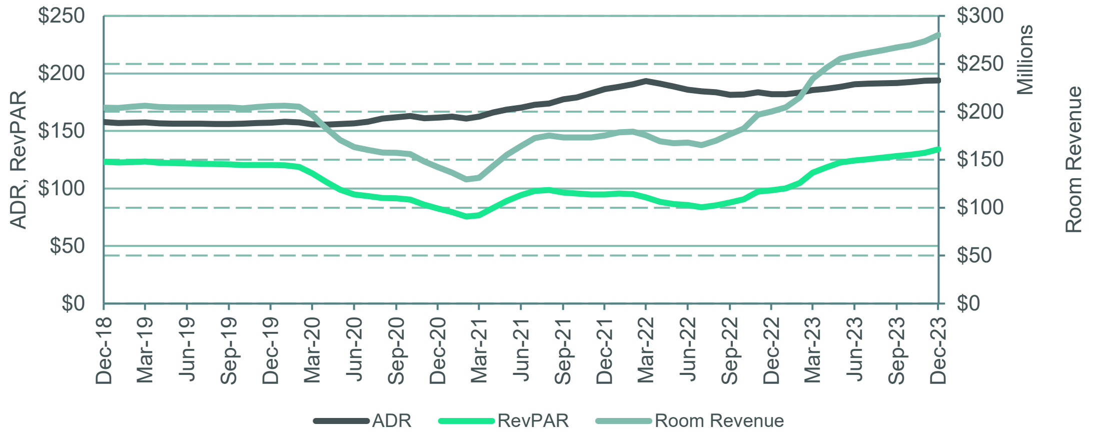
Source: STR

FIGURE 12: Christchurch Hotel Supply & Demand



Source: STR

FIGURE 13: Christchurch Hotel Room Revenue



Source: STR

Queenstown

2023 was a strong year for the Queenstown hotel market with room demand increasing by 31.2% through the year to be 3.1% higher than 2019 levels. Room supply has increased by 17.5% since 2019 and occupancy rates recovered to 71.9% in 2023 compared with 81.9% in 2019. In 2023, domestic demand contributed 45% of total demand compared with 34% in 2019 with a lack of Chinese demand through 2023. International demand is recovering strongly however with domestic demand contributing 74% in 2022. Queenstown Airport recorded 13% more international arrivals in 2023 than in 2019 with domestic arrivals 7% below 2019.

We expect occupancy rates to continue to improve as international demand, particularly from Chinese groups recovers through 2024. There remains a number of new hotel projects planned in Queenstown however there is uncertainty as the timing of most of these developments currently.

Growth in ADR moderated through 2023 following strong growth in 2022, increasing by 18.8% through the year compared with 32.7% in 2022. As a result, ADR reached $277 in 2023, 14.4% higher than in 2019 and with growth rates slowing toward the end of the year. Total room revenue was 19% above 2019 due to the strong ADR growth and recovery of demand.

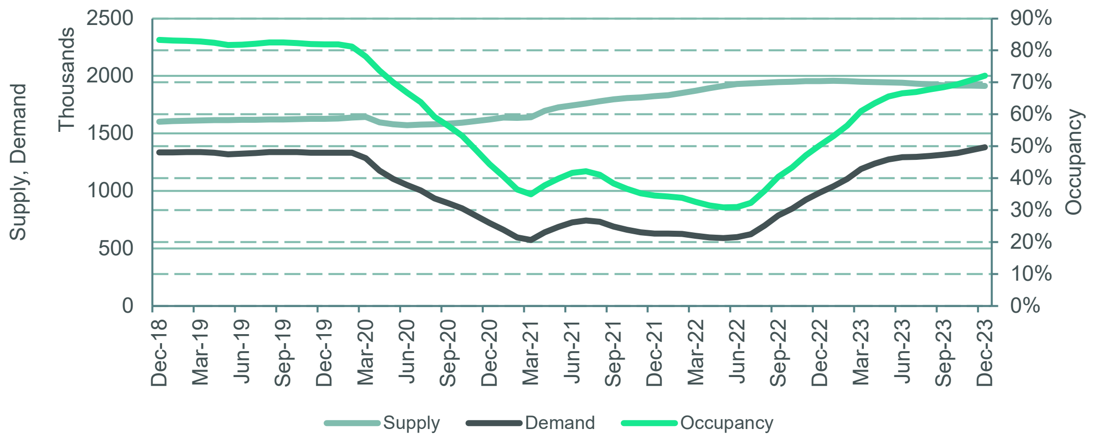
The only notable transaction in 2023 in Queenstown was Nugget Point Resort comprising 40 rooms which sold in August for $20.125m.

FIGURE 14: Queenstown Hotel KPI's vs 2019

	RNA	% Chg	RNO	% Chg	Occupancy	% Chg	ADR	% Chg	RevPAR	% Chg
YE-Dec 19	1,627,260		1,332,876		81.9%		242		198	
YE-Dec 23	1,912,533	17.5%	1,374,659	3.1%	71.9%	-12.2%	277	14.4%	199	0.4%

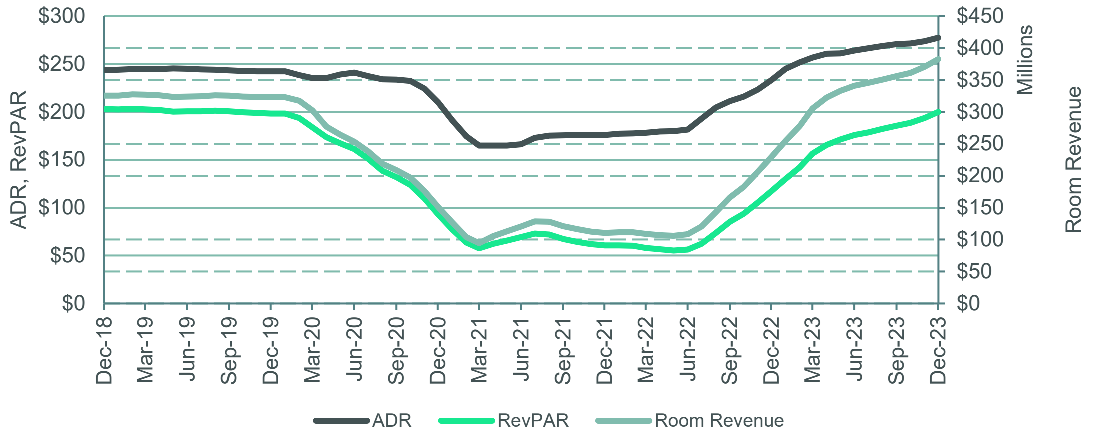
Source: STR

FIGURE 15: Queenstown Hotel Supply & Demand



Source: STR

FIGURE 16: Queenstown Hotel Room Revenue



Source: STR

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