New Zealand hotel demand and supply outlook

New Zealand Hotel Industry Conference
Auckland, 31st May 2012
New Zealand hotel demand and supply outlook

Topics

• Past NZ tourism forecasts – accuracy and implications
• Hotel performance trends – past 5 years
• NZ tourism demand outlook – next 5 years
• Hotel performance outlook in key centres – next 5 years
• SWOT – hotel industry in key centres
• Hotel investment outlook in key centres
Past New Zealand tourism forecasts

Accuracy and implications
Past New Zealand tourism forecasts
Accuracy and implications
Past New Zealand tourism forecasts
Accuracy and implications

• Subsequent events:
  – domestic recession (2008)
  – Global Financial Crisis (2008-09)
  – Christchurch earthquakes (2010, 2011)
  – Japan earthquake and tsunami (2011)

• What effects did these events have?
Past New Zealand tourism forecasts
Accuracy and implications

International visitor arrivals forecast 2006 – 2012 (000’s)

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<td>2,736</td>
<td>2,857</td>
<td>3,021</td>
<td>3,114</td>
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</table>

Source: NZ Tourism Forecasts 2006-12, August 2006

Actual total arrivals (2011)

2,601

Variance (2011)

-420
-14%
### Past New Zealand tourism forecasts

#### Accuracy and implications

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<td><strong>44,822</strong></td>
<td><strong>46,149</strong></td>
<td><strong>48,281</strong></td>
<td><strong>50,381</strong></td>
<td><strong>52,651</strong></td>
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<td><strong>58,122</strong></td>
<td><strong>59,766</strong></td>
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</tr>
</tbody>
</table>

*Source: NZ Tourism Forecasts 2006-12, August 2006*

**Actual total visitor nights (2011)**

51,626

**Variance (2011)**

-6,496

-11%
# Past New Zealand Tourism Forecasts

## Accuracy and Implications

### International Visitor ALS Forecast 2006 - 2012

<table>
<thead>
<tr>
<th></th>
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<tbody>
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<td>15.8</td>
<td>15.6</td>
<td>15.4</td>
<td>15.2</td>
<td>15.0</td>
<td>14.9</td>
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<td>25.4</td>
<td>25.2</td>
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<td>24.9</td>
<td>24.7</td>
<td>24.5</td>
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<tr>
<td>UK/Nordic/Ireland</td>
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<td>28.8</td>
<td>29.1</td>
<td>29.5</td>
<td>29.4</td>
<td>29.3</td>
<td>29.3</td>
<td>29.3</td>
<td>29.3</td>
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<tr>
<td>Rest of Europe</td>
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<td>37.1</td>
<td>37.2</td>
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<td>37.1</td>
<td>37.1</td>
<td>37.1</td>
<td>37.1</td>
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<tr>
<td>Rest of the World</td>
<td>28.1</td>
<td>27.9</td>
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<td>28.8</td>
<td>29.0</td>
<td>29.1</td>
<td>29.3</td>
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<td><strong>18.9</strong></td>
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<td><strong>19.2</strong></td>
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<td><strong>19.2</strong></td>
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*Source: NZ Tourism Forecasts 2006-12, August 2006*

**Actual International Visitor ALS (2011)**

**Variance (2011)**

- **19.8**
- **0.6**
- **+3%**
## Past New Zealand tourism forecasts
### Accuracy and implications

### Domestic visitor forecast 2006 – 2012 (000’s)

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<tr>
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<tbody>
<tr>
<td>Trips (‘000s)</td>
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<td>17,421</td>
<td>17,368</td>
<td>17,639</td>
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<td>18,141</td>
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<td>Nights (‘000s)</td>
<td>58,270</td>
<td>51,799</td>
<td>51,629</td>
<td>52,418</td>
<td>53,499</td>
<td>53,885</td>
<td>54,271</td>
<td>54,658</td>
<td>55,019</td>
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<td>Average Stay (nights)</td>
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<td>4,174</td>
<td>4,244</td>
<td>4,395</td>
<td>4,574</td>
<td>4,695</td>
<td>4,818</td>
<td>4,942</td>
<td>5,064</td>
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**Day**

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<td>Trips (‘000s)</td>
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<td>40,285</td>
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<td>Spend ($NZm)</td>
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<td>2,927</td>
<td>3,001</td>
<td>3,076</td>
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**Total**

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<td>Trips (‘000s)</td>
<td>54,458</td>
<td>56,362</td>
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<td>59,561</td>
<td>58,972</td>
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<td>51,629</td>
<td>52,418</td>
<td>53,499</td>
<td>53,885</td>
<td>54,271</td>
<td>54,658</td>
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<td>Spend ($NZm)</td>
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**Source:** NZ Tourism Forecasts 2006-12, August 2006

### Actual domestic overnight visitor nights (2011)

- **51.2m**

### Variance (2011)

- **-3.5m**
- **-6%**
### International visitor forecast 2006 – 2012: by reason for visit

<table>
<thead>
<tr>
<th>Year</th>
<th>Visitor Arrivals ('000s)</th>
<th>Visitor Nights ('000s)</th>
<th>Average Stay (nights)</th>
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<td>Holiday</td>
<td>VFR</td>
<td>Business</td>
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<td>2006f</td>
<td>1,190</td>
<td>695</td>
<td>269</td>
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<td>2007f</td>
<td>1,248</td>
<td>724</td>
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<td>2008f</td>
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<td>2009f</td>
<td>1,375</td>
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<td>2010f</td>
<td>1,442</td>
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<td>2011f</td>
<td>1,547</td>
<td>843</td>
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<tr>
<td>2012f</td>
<td>1,586</td>
<td>875</td>
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#### Source: NZ Tourism Forecasts 2006-12, August 2006

**Actual (2011)**

- Visitor Arrivals: 2,601 ('000s)
- Visitor Nights: 51,626 ('000s)
- Average Stay (nights): 19.8

**Variance**

- Variance from highest users of hotels: +3%
- 97% of variance from highest users of hotels

**Variance Breakdown**

- Holiday: -21%
- VFR: -1%
- Business: -24%
- Education: -11%
- Rest: -21%
- Visitor Nights: -14%
- Average Stay: -11%
Past New Zealand tourism forecasts
Accuracy and implications

International visitor arrivals forecast 2006 – 2012 (000’s)

Source: NZ Tourism Forecasts 2006-12, August 2006
Past New Zealand tourism forecasts
Accuracy and implications

International visitor arrivals – change in Average Length of Stay (ALS) – total visitors

Source: NZ Tourism Forecasts 2006-12, August 2006

+11.5% change in visitors in 2004
but -9.5% change in ALS
Past New Zealand tourism forecasts
Accuracy and implications

International visitor arrivals – change in annual forecasts – 2000 to 2006

Source: NZ Tourism Forecasts 2006-12, August 2006
Past New Zealand tourism forecasts
Accuracy and implications

International visitor nights: 2001 - 2011

Source: International Visitor Arrivals, 2001 – 2011 (Statistics NZ)
Past New Zealand tourism forecasts
Accuracy and implications

International + domestic visitor nights: 2001 - 2011

Source: IVA 2001 – 2011 (Statistics NZ), DTS / NZ Tourism Forecasts / Covec
Past New Zealand tourism forecasts
Accuracy and implications

Domestic NZ outbound visitor forecast 2006 - 2012

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<td>949</td>
<td>961</td>
<td>975</td>
<td>989</td>
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<td>850</td>
<td>927</td>
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<td>946</td>
<td>957</td>
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<td>979</td>
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<td>TOTAL WORLD</td>
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<td>1,942</td>
<td>1,968</td>
<td>1,997</td>
<td>2,027</td>
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</table>

Source: NZ Tourism Forecasts 2006-12, August 2006

Actual domestic outbound visits (2011)
- Australia: 974
- Rest of world: 1,119
- Total: 2,093

Variance (2011)
- Australia: -31 (-3%)
- Rest of world: 127 (13%)
- Total: 96 (5%)
Past New Zealand tourism forecasts
Accuracy and implications

Domestic visitor nights – NZ + overseas 2001 - 2011

Source: DTS / NZ Tourism Forecasts / International Travel & Migration (Statistics NZ)
Past New Zealand tourism forecasts vs actual

Issues for the hotel industry
Past New Zealand tourism forecasts vs actual
Issues for the hotel industry

• Effectively no growth in key demand segments over past decade:
  – international leisure visitor nights
  – international business visitor nights
  – domestic visitor nights

• Most room supply increases have been in serviced apartments
  – almost no market demand / financial feasibility studies done

• Several projects for which studies were done did not proceed

• Very few new hotels were developed and owned “in one line”

• Therefore overall supply increased but almost no demand increase

• Most new hotel / apartment product has been at top end of market
  – therefore pressure on room rates in all segments of the market
  – low return on investment on new product / guarantees failed
Horwath HTL visitor demand outlook

2012 – 2017
HHTL visitor demand outlook: 2012 – 2016

International visitors & nights

- Actual
- Forecast

Year

International visitors (m)

Int. visitor nights (m)


Visitor Nights

Horwath HTL
HHTL visitor demand outlook: 2012 – 2016

Overnight domestic visitors & nights

Domestic visitors (m)


Dom. visitor nights (m)

Actual
Forecast
Year

Visitors
Nights

Horwath HTL
HHTL visitor demand outlook: 2012 – 2016

Total international and domestic visitor nights

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<tr>
<th>Year</th>
<th>Domestic</th>
<th>International</th>
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<tr>
<td>2011</td>
<td>100</td>
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<tr>
<td>2012</td>
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<td>2014</td>
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<tr>
<td>2015</td>
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<td>100</td>
</tr>
<tr>
<td>2016</td>
<td>100</td>
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</tbody>
</table>
HHTL visitor demand: 2001 – 2016

Total international and domestic visitor nights – 10yr A + 5yr F

Year

Actual

Forecast

Total visitor nights (m)

Domestic

Domestic (old)

International

Horwath HTL
Horwath HTL hotel supply & demand outlook

2012 – 2016
Horwath HTL hotel outlook – Auckland

2012 – 2016
All Auckland hotels
Supply and demand outlook: 2012 – 2016
Horwath HTL hotel outlook – Auckland

SWOT analysis / key assumptions

• Strengths:
  – main commercial centre
  – main gateway to New Zealand
  – major events

• Weaknesses:
  – tourism industry and benefits less visible

• Opportunities:
  – ATEED marketing and destination management strategies
  – development of major new international convention centre
  – development of additional future major events

• Threats:
  – loss of market share to other key centres in future years
All Rotorua hotels
Supply and demand outlook: 2012 – 2016

[Graph showing room nights and occupancy from 2009 to 2016, with actual and forecast data indicated.]
Horwath HTL hotel outlook – Rotorua

SWOT analysis / key assumptions

- **Strengths:**
  - proximity to Auckland
  - direct air connections with Australia
  - conference industry support infrastructure (eg: events centre)

- **Weaknesses:**
  - tourism product not well aligned to emerging market demand

- **Opportunities:**
  - developing Australian leisure gateway and conferences
  - refreshing product offerings
  - higher-yield China market

- **Threats:**
  - loss of market share to AKL / CHC / QTN in future years
Horwath HTL hotel outlook – Wellington CBD

2012 – 2016
All Wellington CBD hotels
Supply and demand outlook: 2012 – 2016

![Graph showing room nights and occupancy from 2009 to 2016.
- Room nights (000's) range from 750 to 1,500.
- Occupancy percentage ranges from 0% to 100%.
- The graph compares actual (2009-2011) and forecasted (2012-2016) data.
- RNA, RNS, and AOR are represented in the graph.
- The forecast projects an increase in room nights and occupancy.
- The actual data shows a downward trend in occupancy from 2010 to 2011.
- The forecast predicts a steady increase in room nights and occupancy from 2012 onwards.
]
Horwath HTL hotel outlook – Wellington CBD
SWOT analysis / key assumptions

• Strengths:
  – capital city status – centre of government
  – central location for conference industry
  – strong marketing of destination domestically
  – ferry terminal

• Weaknesses:
  – main tourism routes now “over-fly” Wellington

• Opportunities:
  – developing Australian gateway and conference industry

• Threats:
  – loss of market share to AKL / CHC in future years
Horwath HTL hotel outlook – Christchurch

2012 – 2016
Horwath HTL hotel outlook – Christchurch
SWOT analysis / key assumptions

• Strengths:
  – second gateway to NZ / main gateway to South Island
  – main commercial / government centre for South Island

• Weaknesses:
  – destruction of hotel infrastructure in Feb 2011 earthquake
  – loss of CBD heritage appeal

• Opportunities:
  – establishing a new 21st century city centre – leading edge
  – developing the Australian gateway and conference industry

• Threats:
  – Loss of momentum in re-establishing destination status
  – loss of leisure market share to AKL / QTN in future years
Horwath HTL hotel outlook – Queenstown

2012 – 2016
All Queenstown hotels
Supply and demand outlook: 2012 – 2016

Room Nights (000's)

Occupancy

RNA
RNS
AOR

Forecast
Actual


0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

0 250 500 750 1,000 1,250
Horwath HTL hotel outlook – Queenstown

SWOT analysis / key assumptions

• Strengths:
  – ‘jewell in the crown’ of New Zealand tourism offering
  – excellent tourism infrastructure

• Weaknesses:
  – negative impact of Feb 2011 earthquake on SI tourism flows
  – current over-supply of upper-market hotel capacity

• Opportunities:
  – conference centre to attract multi-day conferences / incentives
  – developing Australian gateway and ski / conference industry

• Threats:
  – reduced number of longer-stay long-haul leisure visitors
  – high competition for conference activity from CHC and AKL