



Hotel Demand Forecasting 101

NZ Hotel Industry Conference 2019

Property Forum

Key Variables

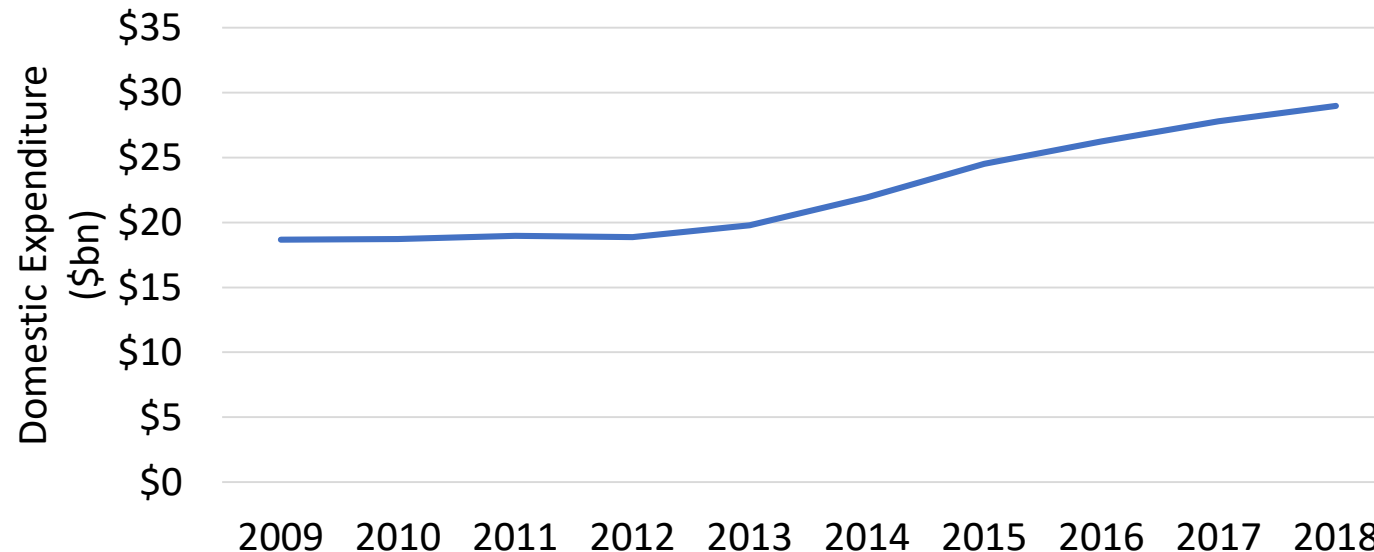
- Growth in International Visitor Arrivals to NZ
- Growth in Domestic Overnight visits in NZ
- Average Length of Stay – International and Domestic
- Change in Regional Market Share of Visitor Nights
- Change in Market Share of Commercial Accommodation
- Change in Market Share of Hotels
- Major Hotels vs All Hotels

Growth in International Visitor Arrivals to NZ

- Visitor growth outlook (7 years) is lower than previously forecast:
 - 2019 forecast CAGR (4.0%) is **13% lower** than 2018 forecast (4.6%)
- Variable track record of forecasting arrival growth:
 - 2008 and earlier forecasts high – final year visitors not achieved
 - 2009–2012 forecasts low (CAGR 2.5% – 3.6%) – final year exceeded
 - 2013–2016 forecasts **increased** the CAGR from 2.9% to 5.4%
 - 2017–2019 forecasts have **reduced** the CAGR from 4.8% to 4.0%
- How well can NZ handle more than 5 million visitors per annum?

Growth in Domestic Overnight Visits in NZ

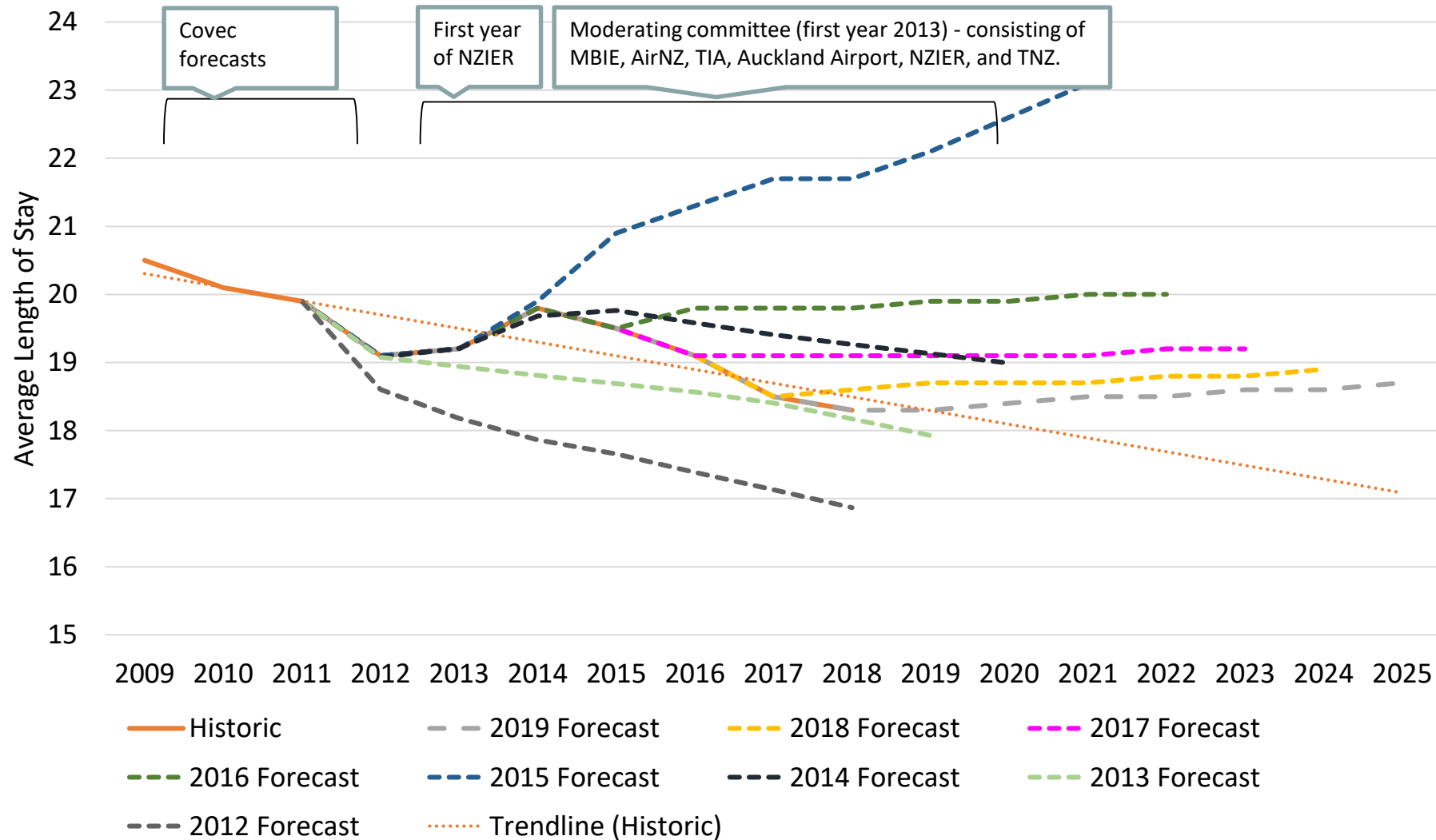
- No change in HHTL modest growth outlook (1.9% CAGR to 2025)
- Last government forecast was in 2010: -0.2% CAGR to 2016
- Indication of stronger growth from MRTE domestic expenditure data
- But does not show day visit vs overnight visit breakdown



Average Length of Stay: International / Domestic

- International ALS :
 - 18.3 days (2018)
 - MBIE forecast increase to 18.7 days by 2025 (+0.3 days)
 - Horwath HTL forecast decrease to 17.0 days by 2025 (−1.3 days)
 - ALS in 2011 was 19.9 days (−1.6 days over 7 years)
- Domestic ALS :
 - Horwath HTL forecast is 2.55 nights and stable
 - Min. of Tourism forecast (2010) was 2.9 nights with CAGR −0.1%

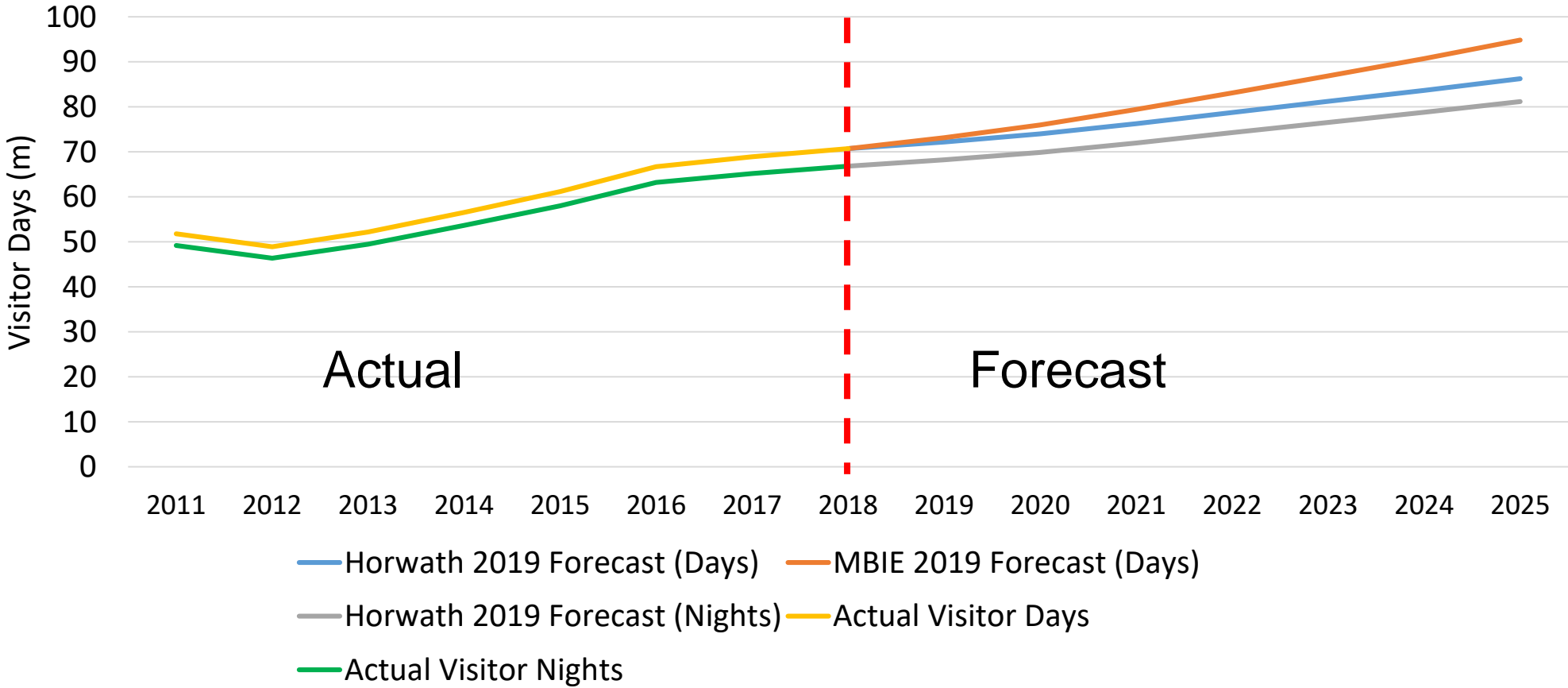
Average length of stay is reducing



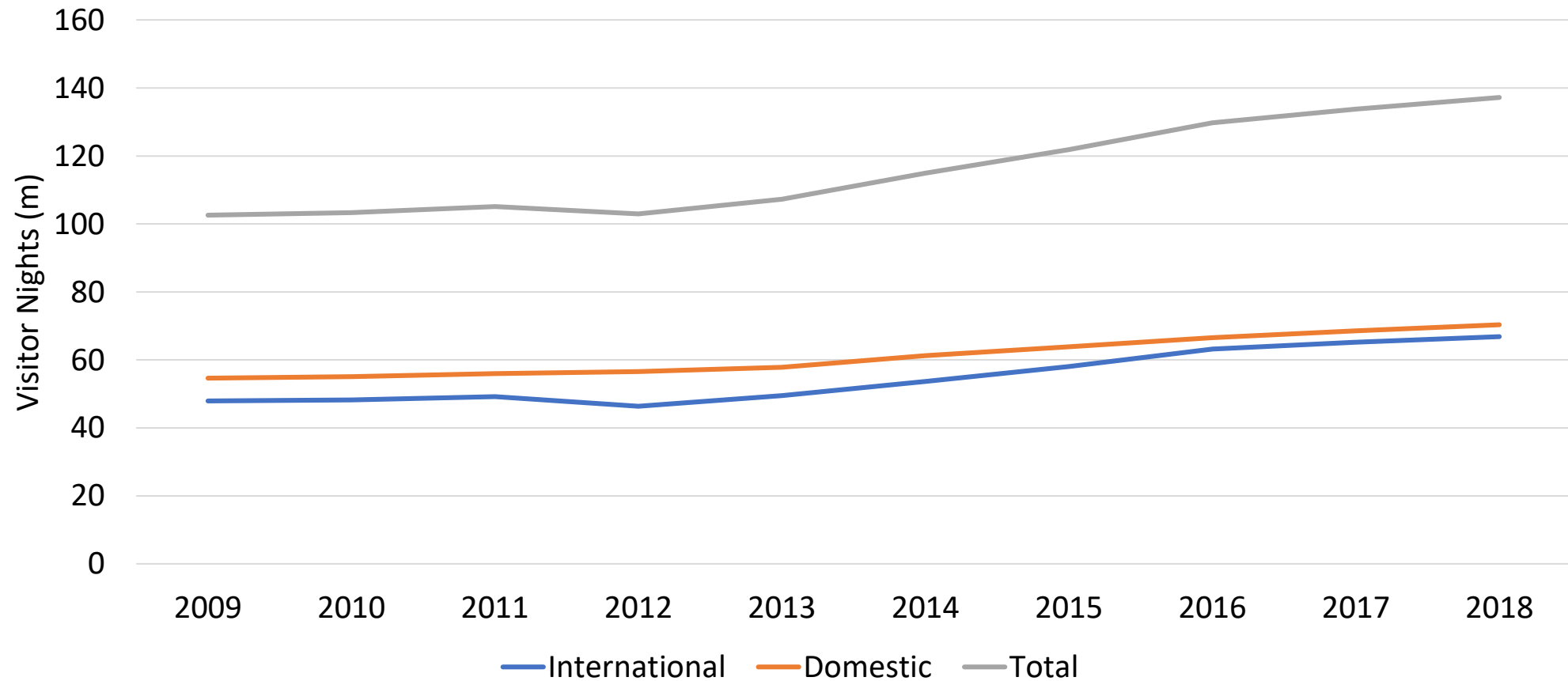
Average length of stay of is reducing over time

- MBIE forecasts do not show this – they show ALS forecast is stable
- NZTE forecasts (appear to) assume the same
- MBIE forecasts show number of visitor days (previously nights)
- 5% difference between visitor days and nights (@ ALS = 18 days)
- Combined effect is significant in future forecast:
 - reducing length of stay
 - ights rather than days

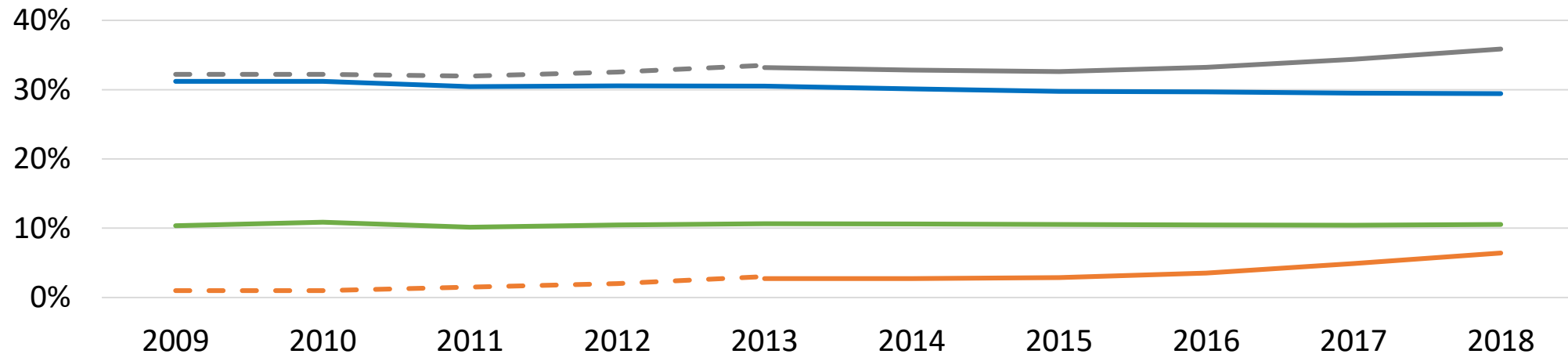
International Visitor Days / Nights in New Zealand



Visitor Nights in New Zealand – Horwath HTL Est.



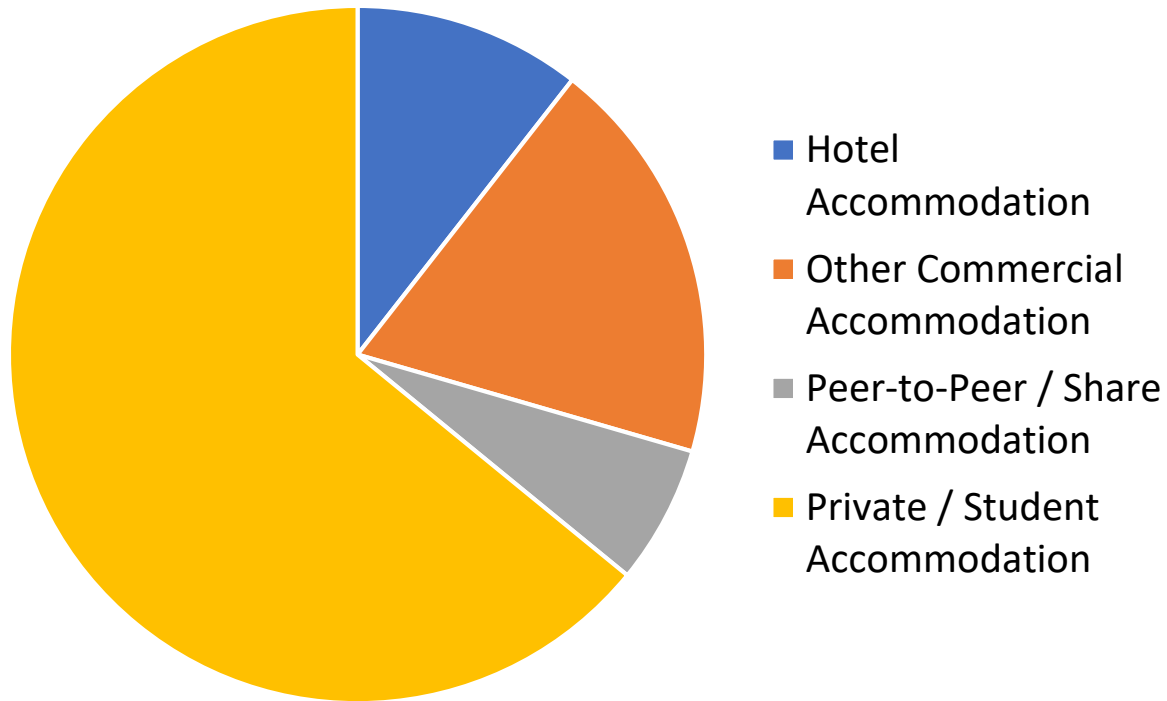
Change in Market Share – Commercial and Peer-to-Peer Accommodation



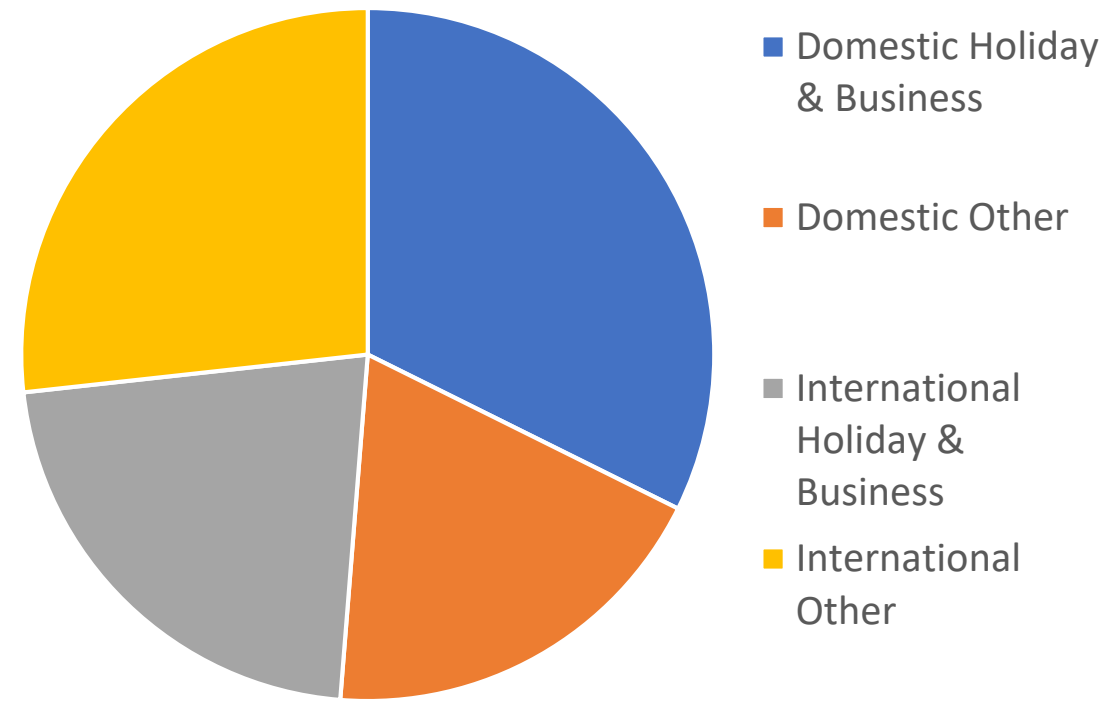
- - Accommodation-Sharing Guest Nights (Horwath estimate)
- - Total (Horwath estimate)
- Commercial Accommodation Guest Nights
- Accommodation-Sharing Guest Nights
- Total
- Hotel Guest Nights

Commercial vs Private Accommodation – 2018

140 million visitor nights in New Zealand



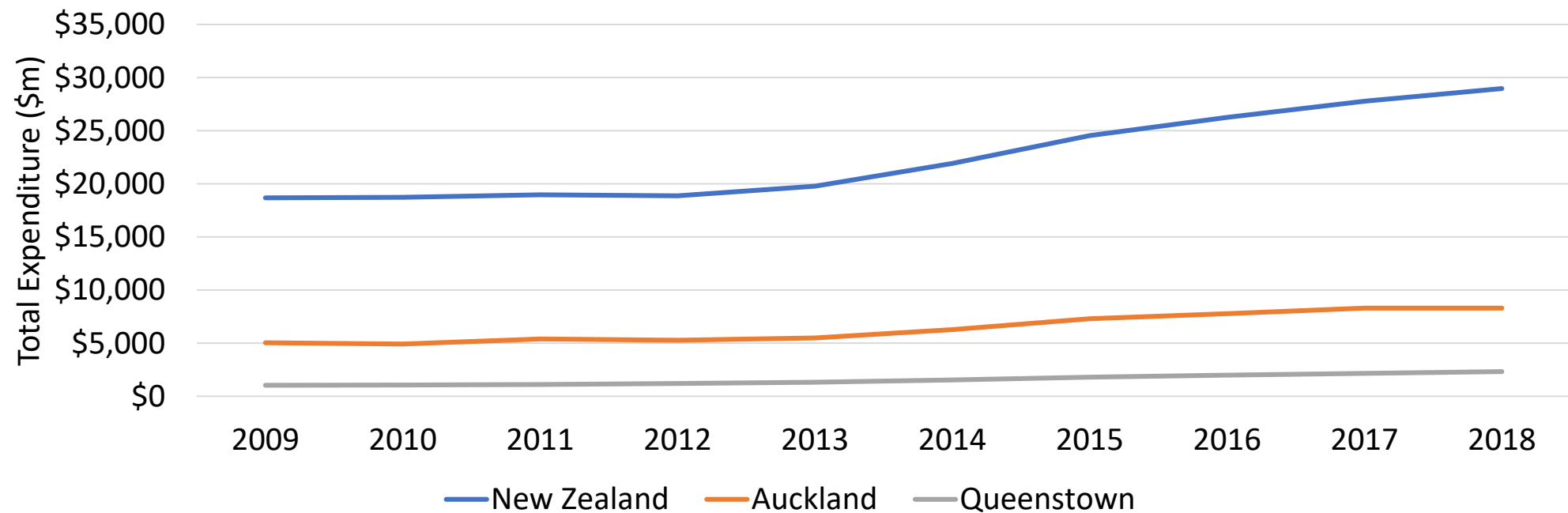
Where accommodated



Who accommodated

Change in Regional Market Share of Visitors

- No published data over past 10 years
- Auckland has lost share of CAM nights and plateaued in share of visitor expenditure over past 4 years

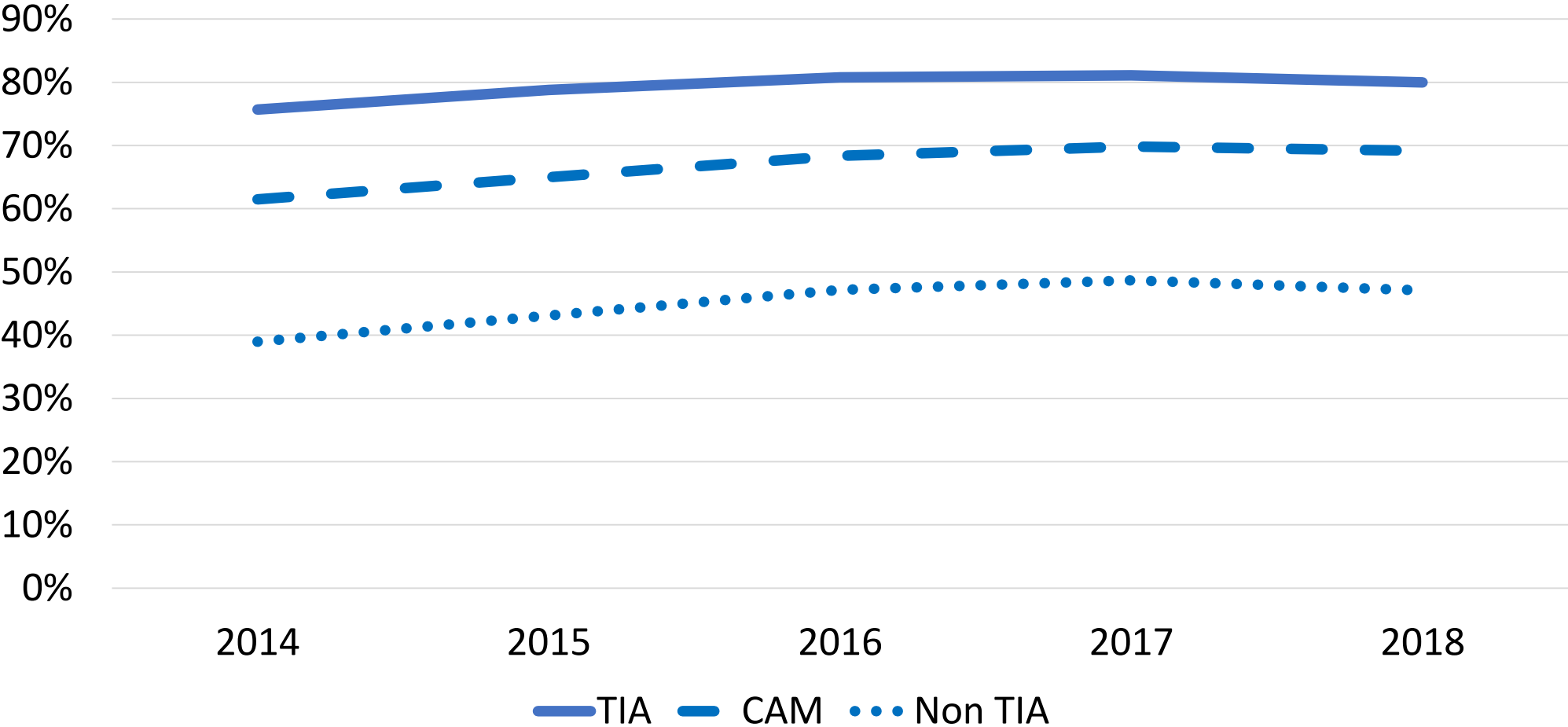


Major Hotels vs All Hotels

- TIA hotel room supply in New Zealand for December 2018: 21,273
- CAM hotel room supply in New Zealand for December 2018: 33,972
- TIA hotel room supply was **63%** of total CAM for New Zealand

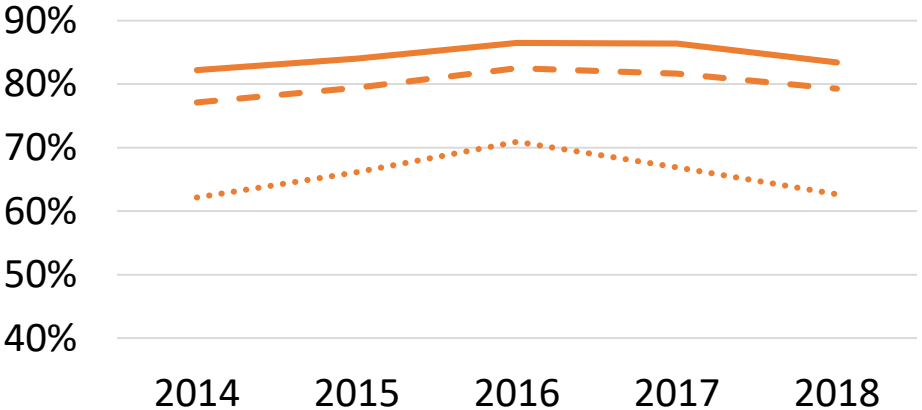
Major Hotels vs Other Hotels – AOR

New Zealand

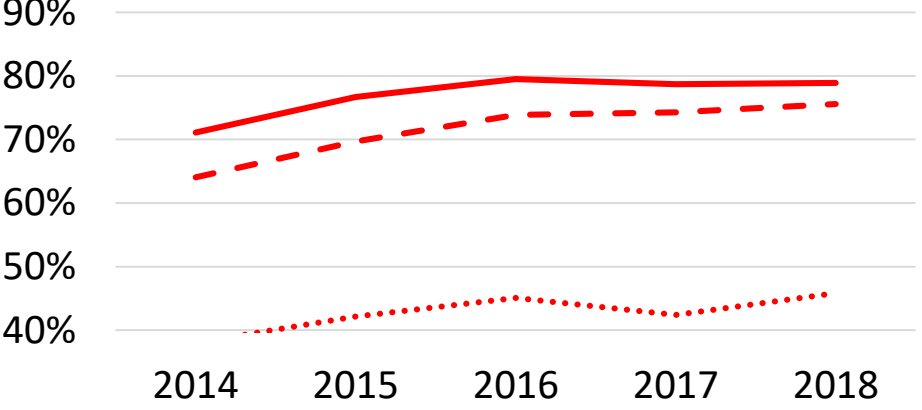


Major Hotels vs Other Hotels – AOR

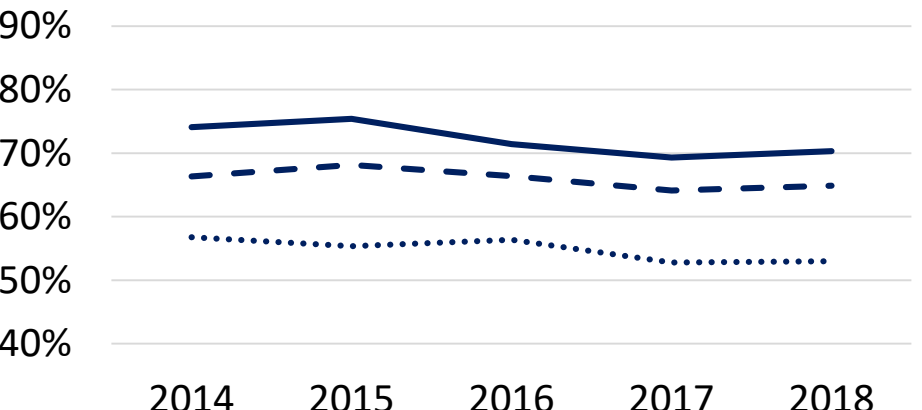
Auckland



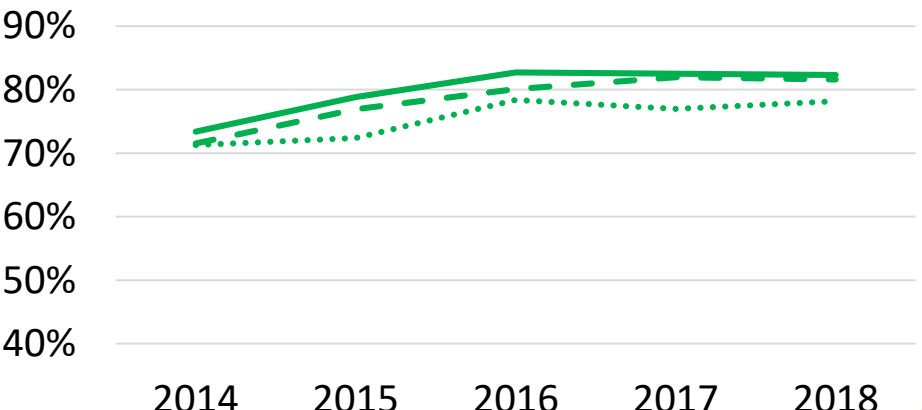
Rotorua



Dunedin



Wellington



Conclusion

- Visitor growth outlook has ranged from 2.9% – 5.4% CAGR over past decade
- Reducing length of stay means visitor nights grow at slower CAGR
- Supply additions are always lumpy
- Hotel performance outlook is also lumpy
- Hotels take at least 5 years from conception to trading
- Hotel investment is a long-term proposition
- Clear industry insight is essential to informed investment



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Horwath HTL™

Hotel, Tourism and Leisure