

The only WAY IS UP

THINGS CAN ONLY GET BETTER FOR NEW ZEALAND'S HOTEL, TOURISM AND LEISURE SECTOR AS THE COUNTRY TENTATIVELY NUDGES TOWARDS A NEW NORMAL.

IN A MARKET THAT HAS EFFECTIVELY been on hiatus for more than two years, New Zealand's commercial accommodation sector is rearing to go, with high hopes for the winter season and counting the days until international tourists and critical workers can enter the country without the weight of restrictions.

Bayleys' national director hotels, tourism & leisure (HTL) Wayne Keene says things can only get better for visitor accommodation providers up

and down the country with recent announcements that border restrictions will incrementally relax from April 12th.

"Operators have been treading water for too long and at last have some certainty – now we need to let the world know that New Zealand is open for business.

"I am exceptionally excited about the next financial year and, without minimising the pain that has been felt since the world as we know it changed in 2020, it's time to get cranking again.

"With the contracts of all but a handful of hotels that were seconded for managed isolation quarantine (MIQ) facilities coming to an end, and with plans to re-invigorate those hotels for a relaunch back onto the visitor market, there's plenty of positivity around."

Keene says there is tangible optimism with confirmed timelines around border reopenings, giving New Zealand's tourism sector a fighting chance to leverage the forthcoming ski season and get back on global travel itineraries.

"We'll be counting on getting the emotionally-invested traveller here – the ones with New Zealand on their bucket list so our tourism marketing will need to have exceptional cut-through on the international stage to capture hearts and minds.

"Hats off to the domestic market for the support it has given to accommodation operators around the country as, for those hotels not part of the MIQ pool, it's been a hard slog.

"Domestic tourism spending exceeded \$10 billion for the first time in 2021, with people desperate to use up some accumulated leave and hamstrung for travel options.

"Given its population base, data did show that Auckland's series of rolling

DOMESTIC TOURISM SPENDING OVER TIME



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lockdowns had a significant impact on national occupancy figures so when Auckland was open, the rest of the country saw an uptick in visitor activity."

Keene says he expects the domestic market will still have an appetite for internal travel around and between islands, even with the lure of international destinations back on the cards.

"I think Kiwis have spent up on cars, home improvements and other discretionary big-ticket items during the pandemic and there could be some reluctance to venture too far from home – particularly as Russia-Ukraine tensions cast a shadow on European travel, for example.

"Even with 120-plus overseas destinations now open to eligible New Zealand travellers without the barrier of isolation or quarantine upon return, I imagine it'll be the Pacific Islands and Australia that will lure the bulk of Kiwis looking to head offshore.

"Meanwhile, convenience and an element of certainty will underpin

domestic travel and the snow season will provide new impetus to get away for a break."

It is expected that Kiwis will opt for shorter trips over 2022, with recent surveys showing a preference for weekend trips or getaways of between two and five days.

Early indicators suggest only a quarter of Kiwis are intending to take an overseas trip within six months of MIQ being removed.

Noting that flagship visitor destinations like Queenstown have really struggled in the last two years, Keene says hopes are pinned on better days ahead.

"When the New Zealand market overall is tough, Queenstown bears the brunt of it and while the town was thrown a lifeline with the opening of the trans-Tasman bubble last year, hopes were dashed when it burst prematurely.

"Once direct route international flights and the long-haul market rallies, I am certain that Queenstown will be among the first destinations to recover quickly, confirming its jewel-in-the-crown status.

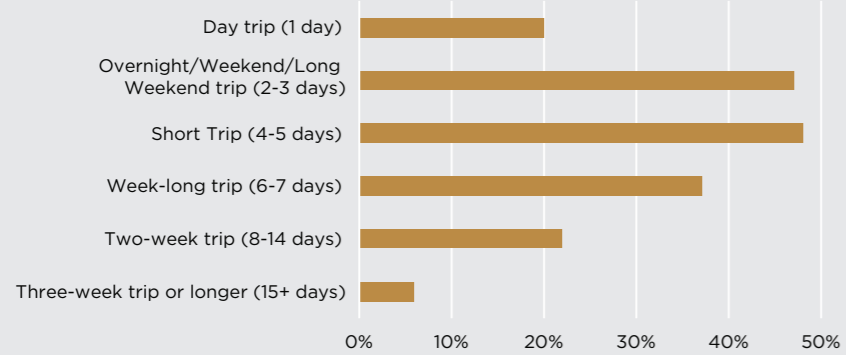
"As the town has long been reliant on young travellers to work behind the bar and on tables, the soon-to-open border to visa holders will largely underpin some return to normality in the hospo' sector in Queenstown.

"The perennial headache, however, will be securing accommodation for those workers – that's an enduring quandary that will take some time to work through."

Keene says "revenge travel" from offshore markets is the carrot that our accommodation sector is hanging on to right now – and he thinks operators are ready for an influx.

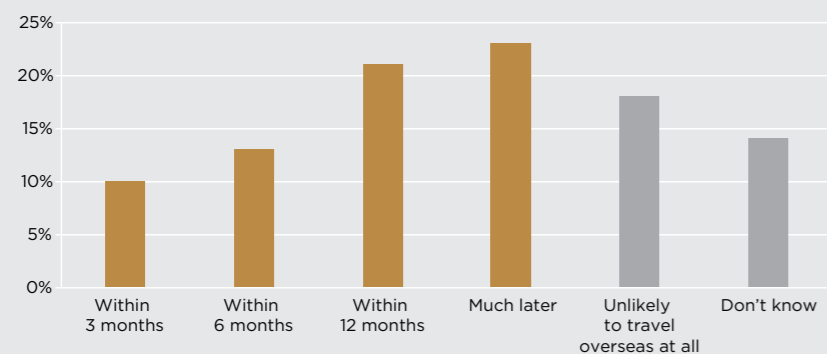
"That hospitality muscle is crying out to be exercised and most operators have utilised the down-time to really work on their businesses, fine-tuning their offerings and becoming more cost-conscious."

PROPORTION OF NEW ZEALAND EXPECTING TO TAKE A DOMESTIC HOLIDAY DURING 2022



NB: Respondents could select more than one option so sum of the bars adds to more than 100%.

PROPORTION OF NEW ZEALAND INTENDING TO TAKE AN OVERSEAS HOLIDAY WITHIN SIX MONTHS OF MIQ BEING REMOVED



Source: Activating Domestic Tourism Working Group – Domestic Growth Insight Tool (DGIT) survey

“I hold Christchurch up as an example of a city that is doing things very well, offering a point-of-difference and high levels of amenity, and positioning itself well to leverage a new resurgence of travellers.”

In mentioning Christchurch, Keene says the city’s \$475 million Te Pae convention centre is already booked to host 150 events this year and as New Zealand’s borders open, the conference and large event market is expected to be reenergised.

“On the back of COVID-19 fatigue and a desire for face-to-face interaction, people will be looking for connection, for fun, and for unique experiences across the corporate and institutional spectrum.

“Industry sources tell us that forward bookings in key centres are shaping up well for the year ahead with conventions, conferences and events coming back on to the table.”

PARTNERSHIP FOCUS

Capstone Hotel Management, a New Zealand-owned and operated company formed in 2014, offers a suite of services for the commercial accommodation sector including full management, sales representation, marketing, consultancy, refurbishment projects and “white label” solutions.

Its portfolio spans the country ranging from large-scale hotels to luxury lodges, many of which are in destinations requiring a specialised approach, with a management focus on the individual property’s brand.

Capstone Hotel Management managing director Clare Davies says now, more than ever, building sustainable partnerships centred on a hotel’s profitability, with transparent reporting and a straight-up approach, are crucial to remain relevant in the sector’s reset phase.

“Over the past two years, the entire accommodation industry has been forced to get back to basics and re-evaluate all aspects of hotel operations.

“At Capstone, we’ve always been assertive in our decision making, and we identified early in the pandemic crisis that our businesses needed to rapidly streamline and simplify.

“Like all operators, we have been head-down reviewing clients’ operating budgets and cashflows on a weekly basis as the financial constraints that our hotels have to operate under require a clear-headed approach.”

Davies says hotel operations have needed to be reshaped while still maintaining a strong base to rebuild from when times are better, with hotel teams prepared to work across several departments enabling cost-saving for the hotels.

“Although at times it has seemed drastic and not without emotional challenges, the ‘go hard and fast’ approach to cost-saving has been crucial to ensure survival,” says Davies.

“We have also looked at how we can continue to improve the product, the property’s reputation and the guest experience by working smarter and listening to what the market is telling us.”

When assessing an accommodation operation for a management solution, Davies says Capstone looks at the property’s potential for long-term growth with a focus on delivering a good yield.

“An owner’s willingness to take honest feedback onboard based on trust and transparency, and to invest in their asset to maintain it to a viable level is vital for a long-term sustainable relationship on both sides.”

The white labelling model, which enables hotels owners to maintain their own name or international brand, allows Capstone to tailor a management solution unique to that individual hotel’s needs, considering such things as geographical challenges.

“Having Capstone manage the asset while trading under the hotel brand gives the owner surety that their investment in marketing spend is going back into their own hotel’s identity and relieves them of costly rebranding should they ever decide to move on from a major brand.”

Davies says prior to the Omicron variant sweeping through the country, there was optimism that New Zealand’s accommodation industry and tourism sector would bounce back quickly from protracted disruptions.

“However, we now believe that it will take some time for the clouds to disperse, and it will be a slow recovery, particularly when we add the current Russian-Ukraine unrest into the mix as a potential new disruptor to long-haul international travel.



Delamore Lodge, Waiheke, a property in Capstone Hotel Management’s portfolio.



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CLARE DAVIES, MANAGING DIRECTOR, CAPSTONE HOTEL MANAGEMENT

“Having said that, confidence for a stronger recovery is much higher at the premium end of the accommodation market, and we also anticipate that corporate and business events will recover reasonably quickly.

“The re-opening of our borders will also bring high volumes of emotional travelers – largely visiting friends and relatives – back into the country, noting that prior to the pandemic, this subset accounted for 25 percent of all international arrivals.”

Davies says Capstone’s team engages almost daily with key industry bodies to stay abreast of current forecasting, economic modelling and intel such as airline scheduling and traveller trends in other markets.

“New Zealand will be viewed as a safe destination, and forward business from offshore for the September-October period is looking promising.

“However, we will require strong investment by local and central government to ensure a compelling events strategy is in place to assist with driving more business to our major cities.”



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