



# The numbers game

*Industry and sector data shows a mixed bag for the hotels, tourism and leisure market – but it’s a dynamic and fluid picture with plenty to be excited about.*

A Ministry of Business, Innovation and Employment (MBIE) survey shows that for year-end June 2024 (July 2023 – June 2024), international tourism was New Zealand’s second highest export earner, with international visitors contributing \$11.6 billion to New Zealand’s economy, behind dairy (\$19 billion).

After inflation adjustments, the international tourism figure represents 85 percent of 2019 levels, but while it’s taking time to claw back our volume game to pre-pandemic levels, data showed the median length of stay for all visitors across geographical origin was 10 days, broadly in line with that seen in 2019.



Hotel Data New Zealand (HDNZ) figures showed a slower winter on the domestic tourism front this year, mirroring more subdued consumer spending across the retail and hospitality sectors which has been dulled by our high interest rate environment and widespread cost-of-living challenges.

Wayne Keene, Bayleys national director hotels, tourism and leisure (HTL) says growing our visitor economy remains a challenge in a world where internationally, uncertainty and geopolitical tension remain, and where domestically, we still have friction in the economy – albeit with some relief in sight.

“Boosting off-season visitor numbers is going to be the focus for Tourism New Zealand, which has lofty goals of growing tourism by \$5 billion over the next four years through a targeted international marketing campaign.

“This promotional push will highlight our off-peak strengths from stargazing, to recreational and cultural experiences, to our cosmopolitan dining and hospitality offerings.

“The plan is to build a resilient year-round tourism sector, and grow New Zealand’s destination credentials further in international eyes.”

New Zealand has compelling tourism-related assets and our reputation as a safe haven that bats above its weight in terms of natural beauty and amenity, should keep international visitor market wheels turning. The Australian, US and Chinese markets remain loyal to New Zealand, albeit with seasonal fluctuation.

“Kiwis returning from holidays or extended stints overseas, wax lyrical about the thrill of flying back over New Zealand and observing the impressive landscapes that we have. That feeling



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is multiplied for those visiting for the first time so actually getting tourists here remains the focus.

“Year-around adventure tourism is a point of difference for us, and industry stalwart Contiki recently launched its new ‘Real New Zealand’ 15-day trip billed as showing travellers the authentic aspects of this country including conservation and iwi-driven projects and experiences.”

#### BIG EVENTS A DRAWCARD

The International Visitor Conservation and Tourism Levy (IVL) for inbound tourists effectively tripled to \$100 from October 1st, and this could be seen as a barrier to the international visitor market at a time when it is resetting and rebuilding, says Keene.

“The IVL is a fee charged to most international tourists, excluding Australian citizens and permanent residents, and people from many Pacific nations, with funds going towards maintaining public services and tourism sites.

“Tourism Minister Matt Doocoy said the \$100 levy would generally make up less than three percent of the total

spend for an international visitor while in New Zealand, and did not think this would have a significant impact on visitor numbers.

“I think tourism operators here will want to see transparency around where that extra levy is being spent, and how it is tangibly contributing to improved infrastructural assets and conservation efforts.”

Improving New Zealand’s cultural, business and sports events calendar would go some way to boosting hotel occupancy, hospitality revenue and local economies in general, with Keene citing the significant economic benefits seen when New Zealand co-hosted the 2023 FIFA Women’s World Cup.

“MBIE reporting showed the event delivered a net benefit to New Zealand of \$109.5 million and for every dollar spent on the tournament, the return to New Zealand was \$1.34.

“Clearly, getting these huge events to our shores is a vital component of a flourishing and profitable tourism industry, but we need resilient venue infrastructure with high capacity to allow this.

“There are very few high-profile events scheduled ahead, although having the SailGP regatta in Auckland in January will be a shot in the arm and is something hotel and hospo operators are looking forward to.”

According to the industry, when international superstar Pink performed in Auckland earlier this year, hotel occupancy ran at 97 percent. New Zealand missed out on Taylor Swift’s Eras tour and other tours by the likes of performers Olivia Rodrigo, Madonna and Billie Eilish largely because promoters want to secure multiple-night concerts to make these events viable and New Zealand can’t accommodate that.

Eden Park is New Zealand's largest stadium and more than 2,000 people made submissions on the Park's resource consent application to increase its current concert threshold from six to up to 12 concerts a year, with 94 percent in support.

Moves are afoot for a national world-class, future-proofed, multi-purpose main stadium that will deliver economic benefits to Auckland and hopefully, beyond. Two options have progressed to the feasibility stage: a revamp and extension of Eden Park, and the proposed Te Tōangaroa development at Quay Park which would be sited on the old Auckland Railways near the existing Spark Arena.

Meanwhile, the under-construction multi-use arena One New Zealand Stadium in Christchurch is on track for completion in April 2026 and is expected to attract more than 200 events annually, drawing about 100,000 visitors to Christchurch with an estimated annual return to the local economy of \$28 million from visitation alone.

#### THE PIPELINE

Latest RevPar and ADR figures confirm that the commercial accommodation market is soft in many areas, and comparing September 2023 with September 2024, occupancy is down for Auckland, Wellington and Dunedin, but up for Christchurch and Queenstown.

Keene says that arguably, Auckland has an oversupply of rooms, and Christchurch an undersupply.

Newly-opened establishments in Auckland include Horizon by SkyCity with 300 rooms, making SkyCity Hotels New Zealand's largest single-site accommodation provider with a total 938 rooms in three interconnected hotels on three street blocks.

Other hotels recently launched to the market are the Grand Chancellor with 191 rooms, the 135-room InterContinental Auckland, and 225-room Hotel Indigo.

"Across the city, conversions and new-builds are progressing" says Keene.

"Eleven floors of a 15-level former bank building/office block are being converted to a 322-room Radisson Red hotel in Queen Street, while the 16-level 190-room Moxy Hotel by Marriott International is rising on Wakefield St in central Auckland.

"The city will need to grow into the increased supply. After getting back on track following the devastating 2019 fire and subsequent pandemic-related interruptions that delayed progress, it is hoped that the New Zealand International Convention Centre will be delivered soon and attract large-scale conference events."

One interesting trend to come out of industry data is that hotels in the airport precinct and city fringe area are



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performing above CBD counterparts on occupancy metrics.

"One newcomer is the seven-level SOHO Hotel Auckland which recently opened in a residential area in Mount Roskill, says Keene. "Just 15 minutes from the airport, and the closest large hotel to Eden Park, the suburban hotel is finding traction in a crowded market."

Elsewhere around New Zealand, various hotel projects are in the pipeline, with good progress being made on some, others expected to be delayed, and one notable project up in the air. Tauranga City Council has paused looking at developing a convention centre and hotel as part of its broader Te Manawataki o Te Papa



civic precinct, which is a setback for the city which is trying to reignite its CBD.

On the other hand, New Zealand's fastest-growing city, Hamilton will inevitably need to increase its hotel room supply. The city's tallest building, the Mistry Centre in Ward Street is being retrofitted and transformed into a \$100 million, 191-room premium Pullman Hotel for multinational Accor, above two levels of underground parking and three levels of office and retail.

In the heart of Taupō, a contemporary modular-build 26-room hotel is proposed for a fully consented development site. Taupō is an enduringly popular visitor

destination, and boasts an impressive sporting events calendar, so this will be a welcome addition to the accommodation pool.

The Christchurch market has rebounded well, with more hotel investment planned to further ramp up capacity.

"The Te Pae convention centre has boosted the conference and event market for the Christchurch, while the One New Zealand Stadium and Parakiore Recreation and Sports Centre, will give further impetus," says Keene.

Recent openings include The Quest on Kilmore, and Drifter, a hotel-hostel hybrid, while the Rydges in Cathedral Square is in the early stages of a \$100 million redevelopment. Meanwhile local developer Citadel Property Limited is seeking resource consent to demolish the quake-damaged Harley Chambers building on the corner of Worcester Boulevard and Cambridge Terrace to build an 11-storey, 200-room, art deco-style hotel.

Further south in Invercargill, the Menzies Building in Lower Esk Street is being transformed into a 4.5 star, 150-room Distinction Hotel, expected to open in 2025.

In the refurbishment space nationally, TFE Hotels is partnering with Heritage Hotels to refurbish five hotels - said to be the Rendezvous Heritage Queenstown, Adina Citylife Auckland, Rendezvous Heritage Auckland, Adina CityLife Wellington and the Rendezvous Heritage Hotel in Christchurch.

#### MOTEL MARKET

Keene says the motel sector is in a transitional phase as the government reviews its long-term contracted emergency housing initiatives.

"Following contractual reviews, some motel stock will remain in the long-term housing pool, while others will return to the short-term visitor market - following refurbishment and relaunches," says Keene.

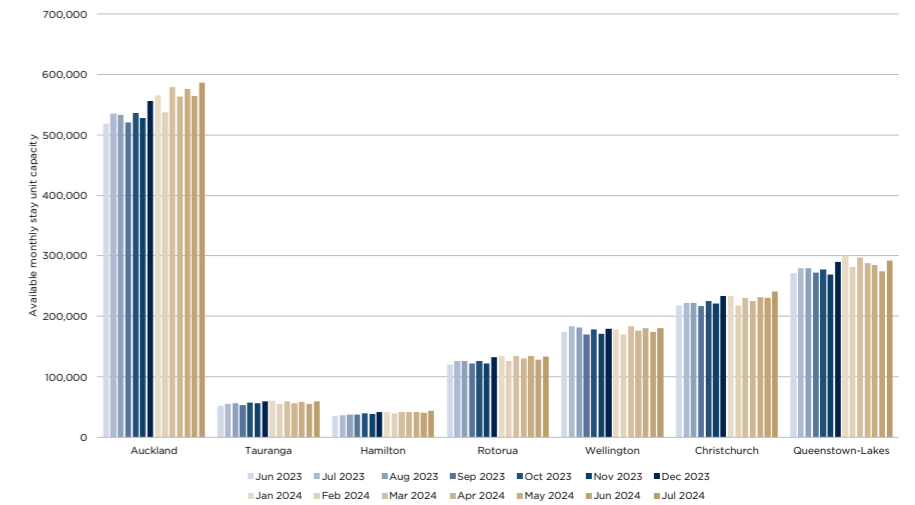
"Motel accommodation remains a popular and cost-effective accommodation choice for domestic tourists and for international visitors looking for affordable options.

Markets like Taupō and Rotorua have traditionally had high levels of motel stock which has been compromised for the visitor market in recent years because of social housing requirements.

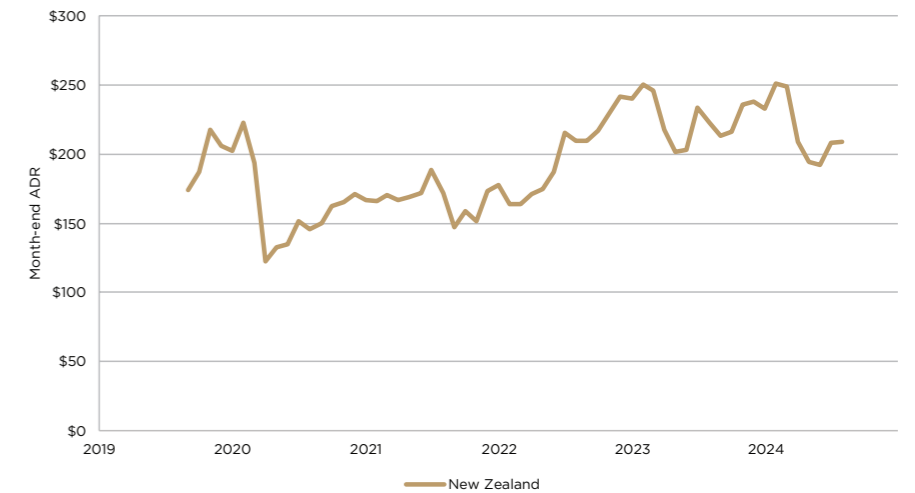
"With land prices and cost of construction so high, new-build motel stock is unlikely so visitors will be hoping that refurbished motel inventory will soon be released back to the commercial accommodation market."

On the deal side of the HTL sector, Keene says the Bayleys' team is noting an uptick in enquiry and activity on available stock and management-right opportunities for sale.

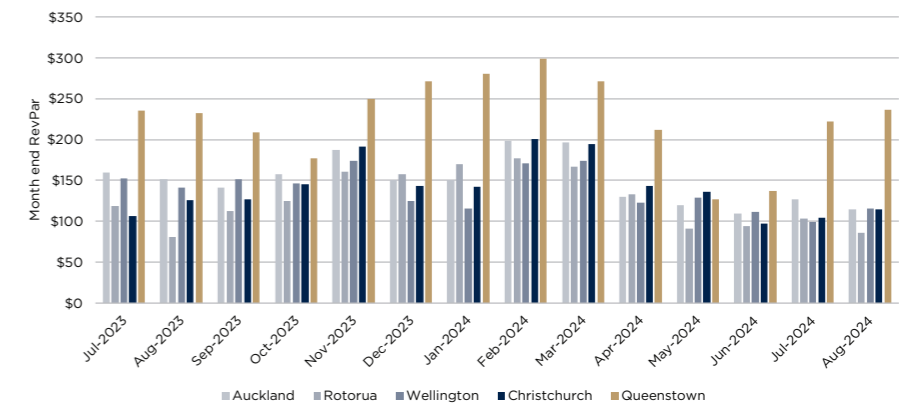
#### AVAILABLE STAY UNIT CAPACITY BY REGION



#### NEW ZEALAND AVERAGE DAILY RATE (ADR)



#### REVENUE PER AVAILABLE ROOM (REVPAR) BY REGION



"There's a lot of interest out of Singapore and Hong Kong, while European buyers are eyeing up wilderness lodge offerings, recognising New Zealand's away-from-it-all eco-credentials.

"Funding challenges remain, with banks somewhat cautious to lend on accommodation assets so creative funding solutions are often needed." Keene expects the HTL market to turn a corner in 2025, as economic fundamentals improve and the business sector is hopefully rejuvenated off the back of more consumer confidence.

"We know New Zealand is an aspirational country for travellers and we do have world-class tourism assets and offerings. Just how long it will take to reclaim the top spot on the country's export earnings table remains to be seen, but we're encouraged by some of the optimism we're seeing in the market.

"Improved inbound flight schedules from some core markets and greater capacity on some routes, will help get people here - and that's a vital step to having a more connected and accessible visitor economy."