CLOSE TO HOME

THE "DO SOMETHING NEW, NEW ZEALAND" MOTTO HAS MOBILISED THE DOMESTIC TOURISM SECTOR – BUT HAS IT BEEN ENOUGH TO BUFFER OPERATORS FROM THE INTERNATIONAL TOURISM HIATUS?

HOLIDAY DESTINATIONS AROUND New Zealand have been enjoying the advantages of Kiwis having their international travel wings clipped due to the global pandemic, with many regions reporting solid occupancy and turnover in the accommodation sector.

While the America's Cup undoubtedly gave Auckland a much-needed boost and an injection of hospitality dollars, it was too short and lacked the international spend that would normally be associated with such a landmark event.

Statistics New Zealand data showed that domestic tourism accounted for $24 million dollars' worth of spending in the financial year to March 2020 – the highest it has been in the last 20 years.

The spend figure has risen 61 percent since 2010, and accounts for annual growth of five percent.

However, there are big tourist boots to fill given that in the last 20 years, there has been a steady rise in tourism to New Zealand – a cyclical pattern with an annual peak each December. When lockdown hit, the previous peak of December 2019 – with over 500,000 international arrivals – was slashed to just 1,721 people in April 2020.

Wayne Keene, Bayleys' national director hotels, tourism and leisure said domestic tourism in New Zealand has had highs, lows and everything in between over the past 12 months as Kiwis tried to holiday and visit friends and family in a safe, compliant and convenient way.

"It's fair to say that destinations within a few hours' drive from Auckland have seen the bulk of domestic dollars since the borders were closed to overseas tourists and visitors.

"Commercial accommodation providers in Northland, Bay of Plenty, Taupo, and Coromandel have largely seen good turnover and occupancy since the country came out of lockdown.

"Naturally, these areas also noted a constriction in business when the Auckland region yo-yoed in and out of alert levels – as did South Island destinations like Queenstown as traveller confidence was dented by the prescribed health response and associated uncertainties."

While Kiwis have got out and supported places that they've been meaning to go to for years – like Stewart Island and Great Barrier Island, it's been a tough slog for regions like Western Southland, the West Coast, Queenstown, and Kaikōura.

"Iconic tourist destinations like Franz and Fox Glaciers simply do not have the benefit of 1.6 million Aucklanders within an easy drive of them – and with air travel compromised due to revised schedules and safety protocols, it's been in the too-hard basket for many to consider as a getaway option," said Keene.

Pre-COVID-19, Tourism New Zealand said New Zealanders contributed 60 percent ($23.7 billion) of the country's tourism expenditure. They also spent $9 billion on overseas travel every year.

Data from DGIT/Colmar Brunton surveys commissioned at the end of 2020 said nationally, there will potentially be around 19 million overnight trips; 14 million of these are in the North Island, and five million are in the South Island. Further, 5.9 million of these potential overnight trips will comprise people leaving from Auckland.

Survey respondents said they would utilise a range of accommodation providers and when asked to select from a list of options (and able to make multiple choices), data showed that:

- 45 percent would stay with friends and family
- 40 percent would stay in a motel
- 32 percent would stay in a hotel
- 21 percent would stay in an Airbnb (or similar)
- Six percent would look to stay in a luxury lodge.

DGIT found that of the surveyed group:

- 24 percent of domestic travelers want to go for a short walk in a wilderness area
- 20 percent want to eat at local restaurants
- 20 percent want to shop at local farmers' markets

The luxury lodge market is a compelling accommodation sub-sector and, given that New Zealanders have – until recently – been unable to treat themselves to an overseas getaway, it seems some of their travel budget has been redirected into high-end staycations.

Guest arrivals at lodges were strong in the second half of 2020 with guest arrivals increasing from 18,000 in June that year to over 40,000 in December 2020.

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WAYNE KEENE, BAYLEYS' NATIONAL DIRECTOR HOTELS, TOURISM AND LEISURE

A Colmar Brunton intentions survey showed that of a potential 1,017,510 trips to luxury lodges, 48.4 percent of this business would originate from Auckland, 85 percent of the Auckland trips would be adults-only with no children in tow, and the majority would be for short stays of one to three nights.

As the vaccine programme rolls out, when social distancing restrictions are finally relaxed and when New Zealand's borders are safely opened to more international travellers, it is hoped that tourism-related business operators will see a steady uplift in activity and a light at the end of the COVID tunnel.

FUN AND GAMES

Bayleys' national director business sales, Jayson Hayde, said he takes his hat off to New Zealand tourism operators who have battled to weather the COVID storm.

"It's been a tough call expecting domestic travellers to prop up business models that were geared towards international visitors," he said.

"THERE COULD BE A UNIQUE REBIRTHING OPPORTUNITY TO INVEST IN THE SECTOR IN WAYS WE HADN'T CONSIDERED BEFORE."

JAYSON HAYDE, BAYLEYS NATIONAL DIRECTOR BUSINESS SALES

"We all know how much more freely we spend when we go on overseas holidays ourselves – we factor in bucket list activities, dining out, extra treats and shopping sprees, so it is disingenuous for people to be disparaging about the New Zealand tourism industry and saying they should 'suck it up'.

"So many tourist-related businesses in New Zealand have been built on the back of robust marketing strategies and strong relationships with in-bound tourism operators, they've provided thousands of jobs and our communities have benefitted from the money these international guests put back into the economy."

Hayde said some businesses simply couldn't pivot to remain viable in an unprecedented environment.

"Some received stimulus packages, others were left to their own devices, and some have opted to mothball parts of their operation until they have a fighting chance to rebuild their businesses.

"Business models can be changed, and there could be a unique rebirthing opportunity to invest in the sector in ways we hadn't considered before.

"There are expats returning with global experience and new ways of looking at things and some businesses with good balance sheets will be on the acquisition trail to strengthen their offering when tourism resumes."

Hayde said we can't just play the ball that is in front of us.

"COVID is here for now – not forever.

"The tourism sector needs to be brave, look to the future and identify opportunities that will be relevant, marketable and profitable."

LONG-TERM HORIZONS

Sudesh Jhunjhnuwala is the founder, owner and chief executive officer of Sudima Hotels with its portfolio comprising Auckland City, Auckland Airport, Rotorua, Christchurch City, Christchurch Airport and the under-construction Kaikōura and Queenstown Sudima hotels.

Jhunjhnuwala said Sudima currently has around 500 rooms across its Auckland Airport, Rotorua and Christchurch Airport facilities under managed isolation and quarantine (MIQ) contract arrangements and while he's

Artist's impression: Sudima Auckland City

Artist's impression: Sudima Queenstown

largely happy with how this has helped to underpin Sudima's wider business, there are downsides.

"We have been very mindful of managing staff wellbeing and safety at all times and that has been extremely important," he said.

"But also, once our MIQ contractual arrangements end, we will be facing massive reinvestment across those properties as I estimate they have incurred about 10 years of wear-and-tear in just 12 months of constant occupation."

Jhunjhnuwala said business at its Auckland City and Christchurch City hotels, which have been operating independently during the pandemic, has, understandably, been patchy due to closed borders and other uncertainties.

"When reliant on domestic and corporate guests, and with the threat of lockdowns making people less likely to book very far in advance, it has been quiet.

"WE MUST ALWAYS BE LOOKING TO THE LONG-TERM HORIZON AND THAT'S AT LEAST 10 YEARS AHEAD."

SUDESH JHUNJHNUWALA, CHIEF EXECUTIVE OFFICER, SUDIMA HOTELS

"Short-term lead-in times for bookings makes it difficult for us to plan ahead, however, we are hopeful that the corporate market will continue to return to the sector and others will look to travel more within the country.

"In particular, our recently-opened Auckland City Sudima in Nelson Street is well-positioned to cater to corporate travellers given its price point, level of amenity and convenient location."

Jhunjhnuwala said its under-construction waterfront Sudima Kaikōura and Sudima Queenstown in Frankton are both well-advanced and expected to open by December this year.

"At no stage did we consider shelving these new projects given the pandemic climate, because hotel investment is never a short-term proposition," said Jhunjhnuwala.

"In this industry, we must always be looking to the long-term horizon and that's at least 10 years ahead."

The confirmation of a travel bubble with Australia is very encouraging, said Jhunjhnuwala, who adds that it is important that New Zealand does not get left behind as the world starts to open up.

"Both countries have managed community outbreaks and quarantine processes effectively and once confidence returns trans-Tasman, then hopefully New Zealand can open to the likes of Singapore – which has also controlled its health response well.

"We need to get going again and with a well-managed plan, I have every confidence that New Zealand's tourism and hospitality industry can bounce back."

INTENSE TIMES

Chief executive officer for Sarin Hotel Group, Udai Sarin, said it's been a mixed bag in the last 12 months for its hotels in Auckland, Wellington, Christchurch, Queenstown and Invercargill as they've worked to keep doors open in pandemic times.

"Queenstown's been a particularly hard market for us, and occupancy levels elsewhere have been somewhat hit and miss," he said.

"Hotels are expensive to run – there is a huge amount of investment and effort involved in maintaining the land and buildings, in staffing responsibilities, compliance and regulatory factors and marketing.

"Most of what we make goes back into the business and it is fair to say that the last year has been intense – and very demanding for hoteliers."

EVENTFUL IMPACTS

The structural fundamentals of some domestic tourism markets, where motel accommodation has traditionally been a mainstay of the sector, have changed quite significantly as a result of a number of trends, including social/health responses – not all directly related to COVID-19.

There's been very little new-build development within the motel sector in recent years and, when coupled with the government's initiative to commission hundreds of motels nationwide as emergency housing, there are dwindling numbers of motel beds for guests in certain regions.

"BIG EVENTS ARE THE CHERRY ON THE TOP FOR MOTELIERS."

SEAN CAMPBELL, MOTEL BUSINESS OWNER, TAUPO

In Taupo, motel business owner Sean Campbell said while his operations have been resilient in the face of lockdown disruptions, he has some concerns about the wider sector generally.

He said Taupo remains an accessible and popular holiday destination and hosts many sporting events which boost the economy, but with the 2021 New Zealand Ironman postponed and the World Ironman and Great Lake Cycle Challenge events cancelled due to the pandemic, Campbell is concerned that accommodation capacity constraints may catch up with the town in the future.

"These big events are the cherry on the top for moteliers as competitors tend to bring a big support crew with them – arriving ahead of the event to train and staying afterwards to relax," Campbell said.

"They have a significant retail spend and unless Taupo can accommodate large numbers of people during these key sporting events, organisers may look elsewhere.

"Weighing up the social and economic cost-benefits is tricky, and I can understand why a government-guaranteed income for motel operators is appealing, but moteliers don't generally go into business to be landlords – they're essentially in the business of providing short-term hospitality to leisure travellers."

Campbell also mentions the unregulated peer-to-peer economy accommodation model with the likes of Airbnb disrupting the sector, creating an uneven playing field and taking the cream out of the market for commercial operators.

Artist's impression: Sarin Group, Hilton Double Tree, Wellington