ROOM FOR *growth*

DESPITE THE OBVIOUS BLOWS TO NEW ZEALAND'S COMMERCIAL ACCOMMODATION SECTOR AS THE PANDEMIC CONTINUES TO LEAVE ITS MARK, ACTIVITY BEHIND THE SCENES IS ENCOURAGING.

ANTICIPATING A SURGE IN DEMAND once the roadmap to a post-pandemic travel world is firmly and safely in place, the wheels of the New Zealand accommodation sector continue to turn with optimism.

Many accommodation providers have taken the opportunity to refurbish properties, refresh operating systems, retrain staff and establish processes and protocols to enhance their offering once guests return in numbers.

Larger players in the market have been on the acquisition trail, and a number of high-profile new hotels have opened regardless of closed borders and disrupted domestic travel.

Wayne Keene, Bayleys' national director hotels, tourism and leisure (HTL) says the nationwide Bayleys HTL team has been heartened by the level of activity being seen in the market and the positivity being displayed in the wider sector.

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>
> WAYNE KEENE, BAYLEYS' NATIONAL DIRECTOR HOTELS, TOURISM & LEISURE

"While acknowledging that some operators are finding it tough out there in the accommodation and wider tourism-related market, we are not seeing fire sales or knee-jerk responses," he says.

"Decisions to sell and buy are being made rationally, strategically and pragmatically.

"Day-to-day business and transactions continue based on what is happening today along with best-guess thoughts around the future."

Even under pre-pandemic conditions, only a few hotels typically sell in New Zealand each year.

Bayleys has been instrumental in getting several sizeable deals across the line in the past six months, including the Cosa Hotel in Christchurch, a modular-designed hotel that will be rebranded under the Carnmore banner.

"This sale was to an offshore buyer with existing New Zealand interests, with the management rights awarded to Kiwi company, Carnmore."

Around the country, new hotel activity continues at pace.

Wyndham Hotels and Resorts has opened two newly-constructed hotels in Newmarket, Auckland, and in Wellington's CBD, developed by New Zealand-based Safari Group, and operating under the Ramada brand.

Cordis Auckland has opened its new Pinnacle Tower, becoming the largest hotel in New Zealand by room count – now offering 640 rooms.

Marriott International has committed to opening a new hotel under its Moxy Hotels brand, Marriott's fastest-growing brand in the Australia Pacific region.

Down south, nationwide chain Distinction Hotels, has bought an existing building in Invercargill for conversion to a 150-room 4.5-star hotel, while the Invercargill Licensing Trust will open its new 80-room hotel, The Langlands, next year.

"This is the tip of the hotel development iceberg and it is exciting to see what is still to come for New Zealand's hotel market," says Keene.

SECTOR DYNAMICS

Stephen Hamilton, managing director of tourism and leisure consultants Horwath HTL, says there's still strong international investor interest in New Zealand's hotel industry.

> "WE'VE SEEN THE MAJOR HOTEL COMPANIES INTRODUCING NEW BRANDS, AND CREATING DIFFERENT TYPES OF HOTEL PRODUCTS TO ATTRACT NEW GUESTS."
>
> STEPHEN HAMILTON, MANAGING DIRECTOR, HORWATH HTL

"This interest lies mainly in purchasing existing hotels, rather than in developing further new stock," he explains.

"We've seen the major hotel companies introducing new brands, and creating different types of hotel products to attract new guests.

"We can expect to see more 'lifestyle' and select-service brands enter the market over the coming years, with the likes of IHG and Marriott International currently diversifying their brand presence here."

In line with international trends, Hamilton expects we will see more domestic and international guest focus and concern around personal safety in our hotels.

"This will include systems, protocols and processes and may lead to an increase in contactless staff/guest interactions, with an increased use of technology to achieve this outcome.

"We are likely to see an increase in select-service rather than full-service hotels for the same reason, including potentially some repositioning of existing hotels and this could be matched with some existing hotels realigning as lifestyle brand offerings.

"There will also likely be a move up the value chain at the top-end towards luxury brands and service levels in our main centres, however, this will necessitate much higher prices than the New Zealand market has been accustomed to paying."

Horwath HTL has a global presence across all major commercial accommodation markets, with Hamilton having a ringside seat to the hotel industry via his international colleagues as the pandemic has played out.

"The Delta outbreak in this country was not unexpected given precedents around the world," he says.

"While our travel bubble with Australia earlier this year started off well with reasonable prospects that our hotel industry could be on a pathway towards a more sustained recovery over the next few years, frustratingly, it burst.

"There is still some way to go as we grapple with the virus's long tail and we'll be in a much better position to know what is involved in re-opening the border in six months' time."

Based on Horwath HTL data and insights, Hamilton calculates that approximately 2,500 new hotel rooms should open in Auckland between 2021-24.

"This will bring the total increase since 2019 to approximately 4,000 new rooms, or a 40-percent rise over that five-year period.

"We calculate around 2,000 new rooms will have opened in Wellington, Christchurch and Queenstown over the same period."

In the three months to July, prior to New Zealand's latest Level 4 lockdown, Hamilton says revenue per available room (RevPAR) in most of the main centres was back to similar levels for the same period in 2019, with the expectation of a strong winter ski season to come which would have benefitted Queenstown in particular.

"However, summer and shoulder season RevPAR still had some way to go to replace lost international visitor guest nights, with the domestic market only able to do so much," he says.

He notes that the RevPAR recovery mentioned earlier was in hotels not involved in the government-funded managed isolation and quarantine hotel business (MIQ), which has provided much-needed cashflow for those operations.

"MIQ hotels account for approximately 32 percent of room supply in the five centres involved in providing that service.

"We expect to see widespread refurbishment, upgrading of air circulation systems and relaunching of those MIQ hotels once the requirement for their use diminishes – especially in Auckland where the market will be far more competitive following the opening of new hotels.