

HOTELS

RESEARCH REPORT

NEW ZEALAND
APRIL 2016

NEW ZEALAND HOTEL MARKET SNAPSHOT

Colliers
INTERNATIONAL

Accelerating success.

A note from the National Director

The New Zealand tourism industry has witnessed its strongest summer in history with over 3.26 million international visitors reaching our shores in the year ended March 2016, a 10.4% increase over the same period in 2015. New Zealand continues to be a favoured destination for offshore visitors due to an attractive dollar and our reputation as a safe place to travel.

This surge in visitors has translated into record occupancy levels across the New Zealand hotel sector, with many key centres at or near full capacity over the peak summer period. Queenstown recorded an occupancy of 92.6% in the year to date March 2016 with Auckland reaching 90.2%. Rotorua continues to show exceptional performance, with an occupancy of 88.7%, and Christchurch and Wellington recorded occupancy rates of 88.5% and 82.8% respectively.

With the 'no vacancy' sign out for many hotels in our key centres, we are now seeing a spill over effect to many of our tier two and three destinations which are also recording healthy trading conditions. With such high levels of occupancy, hotels operators are now taking advantage and aggressively managing room yield. This has translated to a substantial increase in room rates, with many regions witnessing double digit growth which is translating to large profit margins and significant increases in property values. The Queenstown hotel market recorded an Average Daily Rate (ADR) of \$209 in the year to date March 2016, with Auckland reaching an ADR of \$194, increases of 19.5% and 9.6% respectively from the same period in 2015.

Despite the buoyant trading conditions, new supply remains at alarmingly low levels in the main centres due to high construction costs, a shortage of suitable land, competition

from other property sectors for available land and the realisation that ADR's still need to increase further before new hotel development becomes feasible. Fortunately, the prognosis for further ADR growth is positive over the short to medium term, with an ADR of over \$200 a distinct possibility in two of our major markets within two to three years. This bodes well for new development moving forward.

The necessity for new hotel development to accommodate the wave of new tourists visiting our shores is now also reaching the ears of the Government, with New Zealand Trade and Enterprise, Tourism New Zealand and the Ministry of Business, Innovation and Employment commissioning a national report on the current and future outlook for the hotel sector. Colliers International, in conjunction with Fresh Information Limited, has been appointed to assist in the preparation of this report.

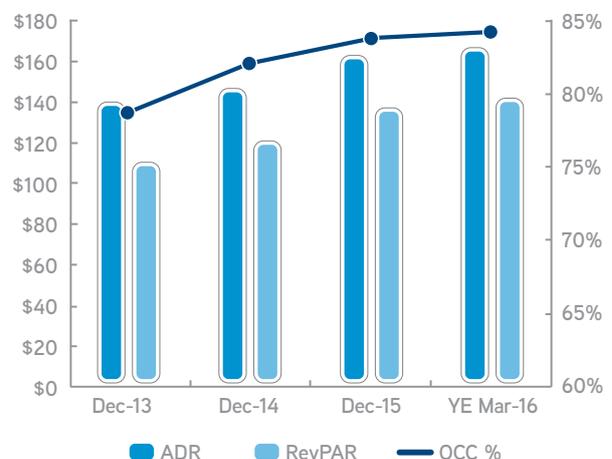
The level of investment sales also continues to break records with a total of 11 hotels with a combined value of over \$300 million sold in 2015 and a further five sales totalling \$114 million sold in the first three months of 2016. With a number of significant hotels currently being marketed for sale, it is looking likely that the total value of sales this year will surpass the last historical peak of \$378 million, recorded in 2006.

We hope you enjoy the report, and invite you to please contact us if you would like to discuss any aspects of the hotel sector in further detail.

DEAN HUMPHRIES
National Director | Hotels New Zealand & South Pacific

AUCKLAND

- Occupancy is now at a record level, surpassing the previous peak set in the wake of the 2011 Rugby World Cup, reaching 84.4% in the year ended March 2016, an increase of 1.8% compared to the previous year.
- Limited room inventory and soaring demand have led to ADR across all hotel grades (3 to 5 star) increasing significantly from \$153.79 in 2015 to reach \$168.7 in the year ended March 2016, an increase of 9.7%.
- Unprecedented performance in both occupancy and ADR has resulted in Revenue per Available Room (RevPAR) increasing to \$142.44 for the year ended March 2016, an increase of 11.7% from the same period in 2015.
- There has been limited new supply in the Auckland market, with only the Adina Apartment Hotel Auckland and the Ramada Suites Federal Street opening during 2015, an increase of 180 rooms.



Source: Tourism Industry Association/Colliers International

ROTORUA

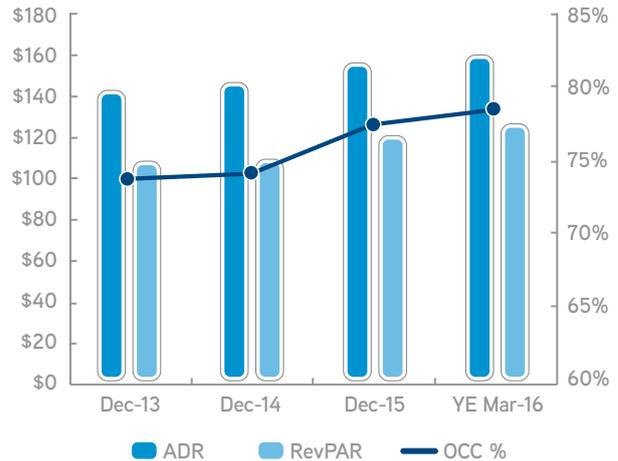
- The Rotorua hotel market continues to demonstrate exceptional performance, with occupancy for the year ended March 2016 recorded at 77.3%, a 6.3% increase from the same period in 2015.
- Increased demand has seen ADR across all hotel grades trending upwards to reach \$115.33 for the year ended March 2016, up 11.4% from \$103.51 achieved in 2015.
- Significant growth in occupancy, and in particular ADR in the Rotorua market, has culminated in RevPAR improving from \$75.24 in 2015 to \$89.14 for the year ended March 2016, an increase of 18.5%.
- Rotorua has seen no change to its room inventory during 2015, with no hotels developed since the Quest Rotorua opened in 2013.



Source: Tourism Industry Association/Colliers International

WELLINGTON

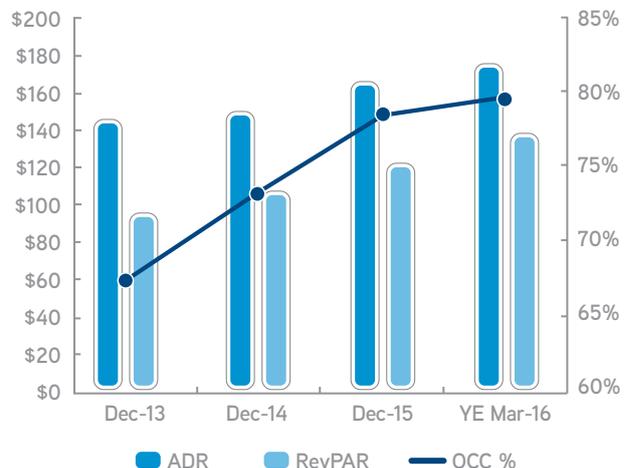
- Whilst Wellington is traditionally considered to be a stable Monday to Thursday market, the market has experienced a 5.2% increase in occupancy to reach 78.9% for the year ended March 2016 on the back of a booming tourism market and several major events, such as the Royal Edinburgh Military Tattoo in February 2016.
- Rapid demand growth and the continued refurbishment of a number of hotels has resulted in ADR across all hotel grades increasing 5.9% from \$151.25 in 2015 to \$160.15 for the year ended March 2016.
- As a result, RevPAR has shown strong growth in the Wellington market from \$113.50 in 2015 to \$126.38 for the year ended March 2016, reflecting an overall increase of 11.3%.
- Wellington has seen a dearth of hotel development in recent years, with no new hotels completed since 2009.



Source: Tourism Industry Association/Colliers International

QUEENSTOWN

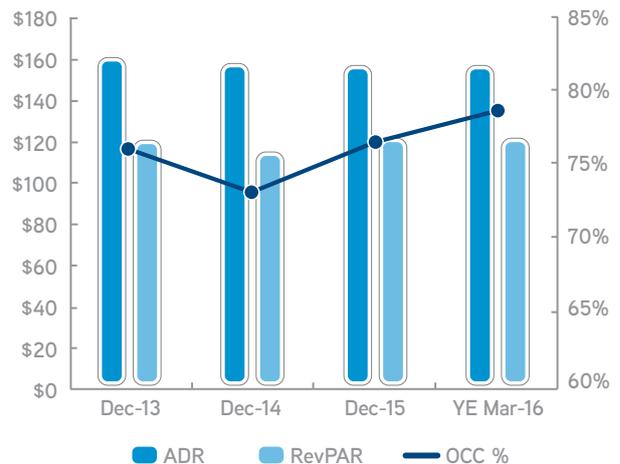
- Exceptional levels of international demand underpinned by record visitor arrivals to New Zealand and a dearth of new supply has seen occupancy in Queenstown reach 79.9% in the year ended March 2016, up from 74.9% in 2015.
- The highest out of the five major markets, reflecting a 14.4% increase from the same period in 2015.
- Record growth rates in occupancy and ADR has seen RevPAR surge to \$140.54 in the year ended March 2016, up 22.1% from \$115.13 in 2015.
- Supply within the Queenstown market remains constrained with no new hotel developments completed in 2015.



Source: Tourism Industry Association/Colliers International

CHRISTCHURCH

- Occupancy levels in Christchurch have increased to 78.1% in the year ended March 2016, an increase of 4.3% from the same period in 2015. Whilst this is lower than the 87.4% achieved in the year ended March 2012 in the wake of the 2011 Christchurch Earthquake, the market is efficiently absorbing new hotel supply, with over 300 rooms added to the market in 2015 alone.
- Room rates have decreased this year, with ADR across all hotel grades averaging \$155.09 for the year ended March 2016, compared to \$158.39 in 2015. This is primarily due to the introduction of lower star rated inventory to the market.
- Recent improvements in occupancy have underpinned an increase in RevPAR to \$121.11 for the year ended March 2016, up 2.1% compared to \$118.64 in 2015. We note however, that YTD figures show a slight decrease in RevPAR due to the opening of the 263 room limited service Breakfree on Cashel in 2015.
- During 2015, Christchurch saw the introduction of the Breakfree on Cashel, Ramada Suites Tuam Street and an extension to the Sudima Hotel Christchurch Airport.



Source: Tourism Industry Association/Colliers International

HOTEL TEAM

COLLIERS INTERNATIONAL HOTELS NEW ZEALAND & SOUTH PACIFIC

Colliers International New Zealand's Hotel division is the largest dedicated hotel practice in the country, with specialist experience covering hotels, resorts, serviced apartments and a range of other tourism and hospitality assets. We provide valuation, investment sales and consultancy services to the hotel and tourism sector throughout New Zealand and the South Pacific. The team is led by Dean Humphries who has over 25 years' experience in the New

Zealand, Australian and South Pacific hotel markets. The team comprises a number of experienced hotel valuers, hospitality brokers and research and marketing analysts.

Please do not hesitate to give any of our national team a call to discuss your hotel investment and advisory requirements.



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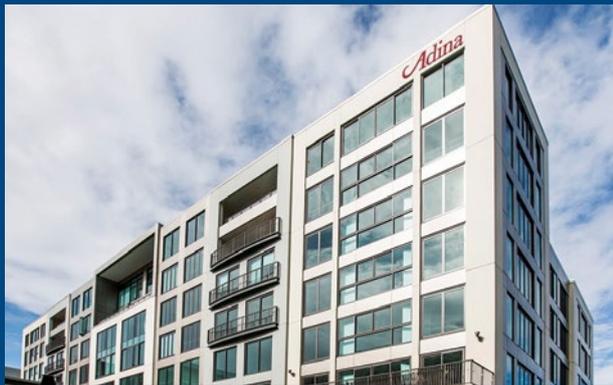
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HOTEL FEASIBILITY

OPERATOR SEARCH & SELECTION

With the hotel sector now entering a development phase, there are a myriad of hotel operators looking to manage new or existing hotel assets in New Zealand. Colliers International Hotels has extensive experience in operator search, selection, and contract negotiation gained over many years of running effective competitive tenders and negotiating the best terms for hotel owners.

ADINA APARTMENT HOTEL AUCKLAND



Having completed the sales process and feasibility study for the conversion of former Quba Apartments building in Auckland, Colliers International ran a competitive tender process to secure an operator for this high quality serviced apartment development, which comprises 138 rooms in the Auckland CBD. As a result of this process, TFE Hotels was selected as the operator for the Hotel which opened as an Adina Apartment Hotel in December 2015.

CROWNE PLAZA CHRISTCHURCH



Colliers International were appointed as exclusive advisor to undertake a feasibility study and subsequent operator selection process for the former Forsyth Barr office building in central Christchurch. InterContinental Hotels Group (IHG) was selected as the successful operator from a number of international hotel operators, and will be opening the 200 room Crowne Plaza Christchurch in 2017.

BREAKFREE ON CASHEL, CHRISTCHURCH



Subsequent to the Canterbury Earthquakes, Colliers International completed the sales process as well as running an operator search and selection process for the former All Seasons Hotel on Cashel Street, Christchurch. Mantra emerged as the preferred operator, and the hotel opened as the 263 room Breakfree on Cashel in 2015.

RYDGES LATIMER CHRISTCHURCH



Opened in November 2013, the 138 room, 4 star plus Rydges Latimer Christchurch was the first new build hotel to be constructed since the Canterbury Earthquakes. Colliers International ran a competitive tender process in which Rydges was selected as the successful operator.

THE MARKET AT A GLANCE

VISITOR ARRIVALS

Inbound Arrivals	YE Mar 2015	YE Mar 2016	% Change
New Zealand Total	2.94m	3.25m	10.5%
Auckland Airport	2.09m	2.31m	10.2%
Wellington Airport	187k	221k	18.3%
Christchurch Airport	440k	467k	6.3%
Queenstown Airport	175k	214k	22.6%

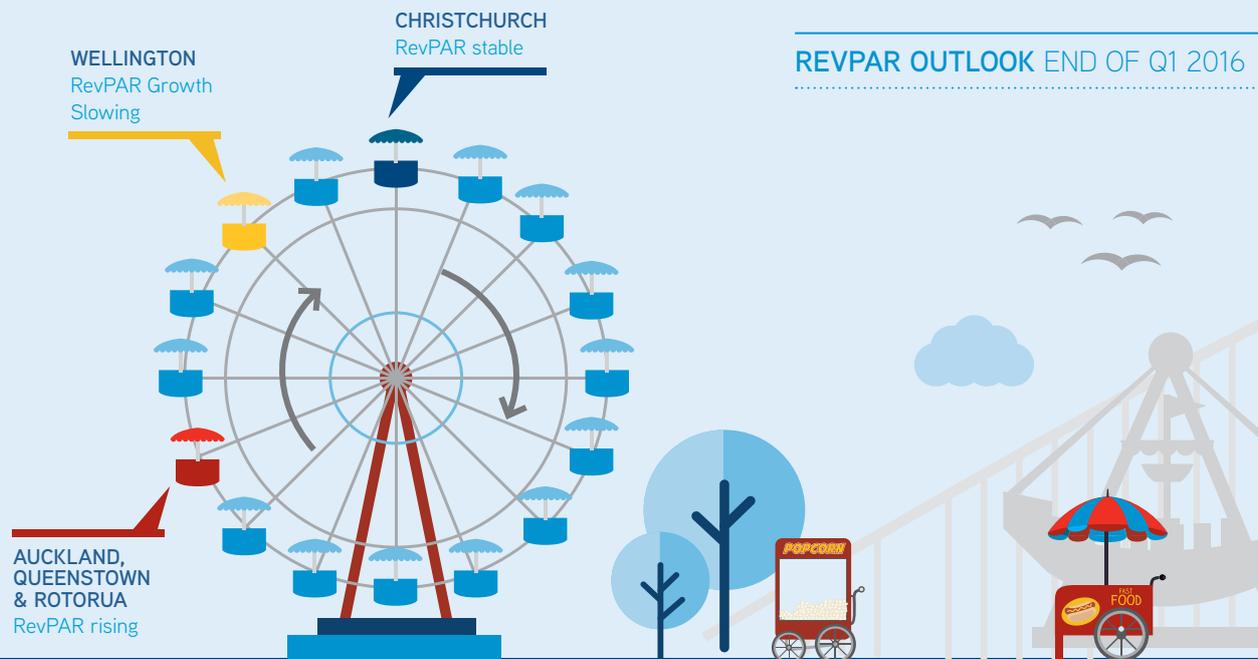
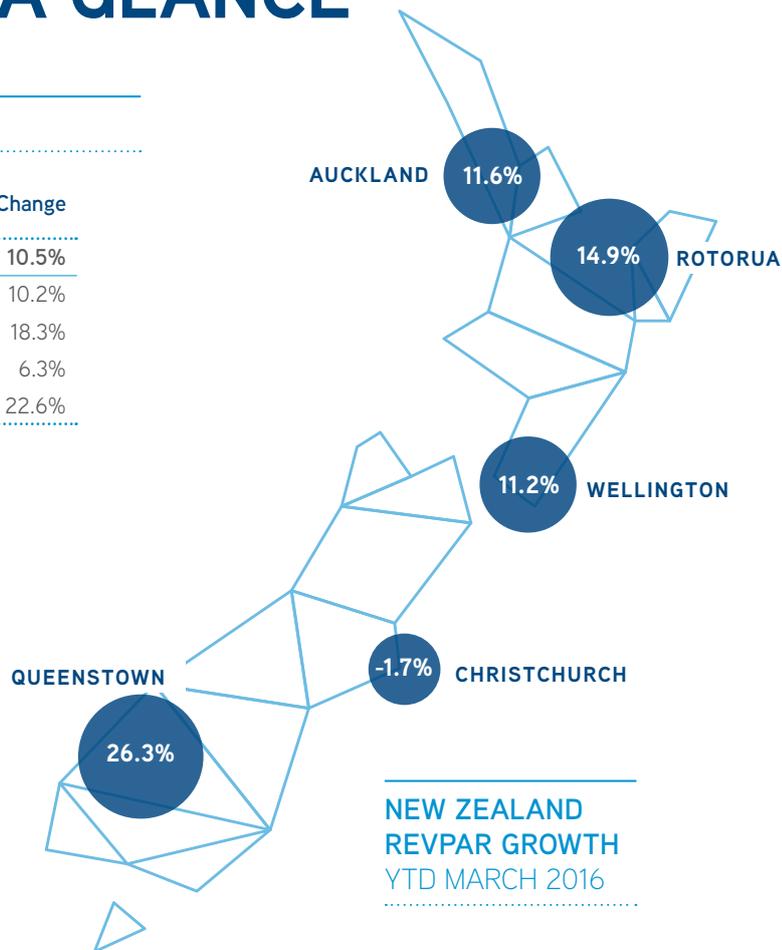
Source: Statistics New Zealand

KEY HOTEL MARKET INDICATORS

YTD MARCH 2016

	Average Daily Rate	Occupancy	RevPAR
Auckland	\$193.99	90.2%	\$175.01
Rotorua	\$128.92	88.7%	\$114.33
Wellington	\$172.60	82.8%	\$142.96
Christchurch	\$162.37	88.5%	\$143.64
Queenstown	\$208.88	92.6%	\$193.40

Source: TIA



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