

ACCOMMODATION | HOTEL SECTOR

NEW ZEALAND | SERIES A1 | MAY 2007



INTRODUCING THE HOTEL SECTOR

The hotel sector in New Zealand comprises a variety of establishments from major international chains and large independent hotels to medium and small hotels. It is a vital part of the tourism infrastructure network. The importance of the hotel sector is highlighted by the fact that hotels host 31.5% of all guest nights and provide employment for over 17,000 people each year in mainstream commercial accommodation.

Hotels are defined as establishments that provide the public with lodging, meals and refreshments, and in particular have liquor licenses to serve alcohol to people on the premises. Such accommodation is on a room or suite rental basis for a short-term stay. They also include resorts but exclude motor inns and apartments. The accommodation establishments referred to in this report include only those that are GST registered, with a turnover of at least \$30,000 per annum*¹.

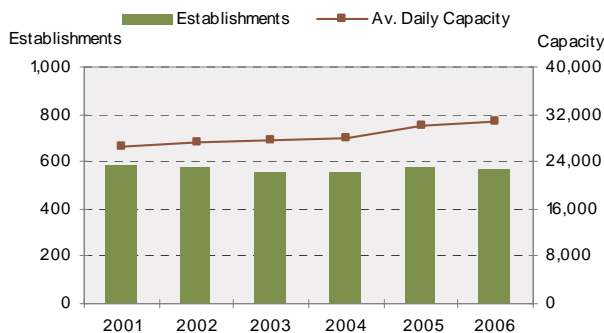
This report provides an overview of the hotel sector covering various supply, demand and user characteristics.

SUPPLY OF HOTEL ACCOMMODATION

How big is the hotel sector?

In 2006, there were 570 hotels in New Zealand, a decrease of 15 hotels or 2.6% from 585 in 2001 (Figure 1).

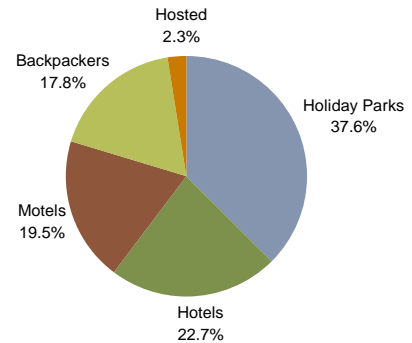
Figure 1: Hotel Establishments and Capacity*¹



However, the total capacity (available rooms or stay units) of hotels increased steadily from 26,700 in 2001 to 30,800 in 2006, an increase of 4,100 rooms or 15%. Approximately half of this increase occurred in 2005. While new hotels are being built, some existing hotels are investing in expanding their capacity. Hotels supplied 22.7% of the mainstream commercial accommodation capacity in 2006 (Figure 2).



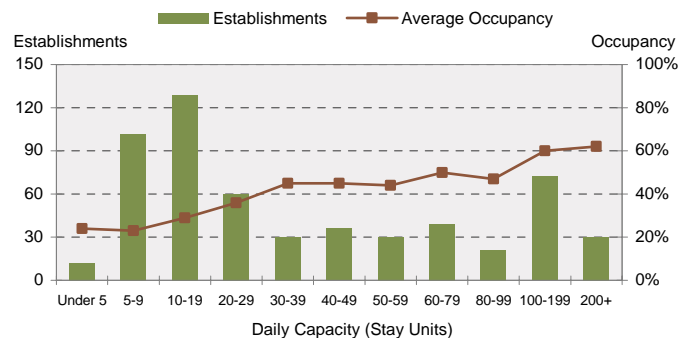
Figure 2: Share of Accommodation Capacity, 2006*¹



What is the distribution of hotels by capacity size?

Hotels vary widely in their capacity, from small hotels with a handful of rooms to large hotels with over 100 rooms. However, larger hotels are more popular and enjoy higher occupancy rates - generally the larger the hotel the higher the occupancy rate. In 2006, 41% or 231 hotels had 5-19 rooms, and 18% or 102 hotels had 100 or more rooms (Figure 3).

Figure 3: Hotels and Occupancy Rates by Capacity, December 2006*¹



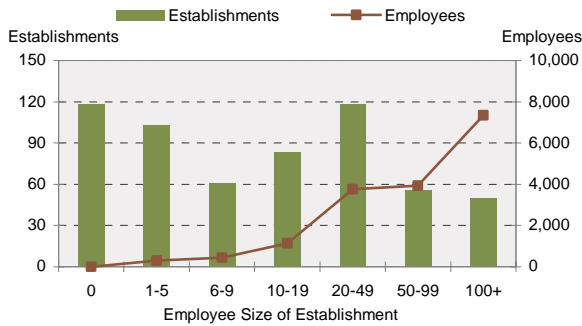
How many people are employed in the hotel sector?

The hotel sector employed 16,920 people in February 2006. A large number of hotels (221 or 37%) employed 5 or fewer people and over half of these were run by self-employed operators without employees. Another 24% (144) had 6-19 employees, and 38% (224) were larger hotels with 20 or more employees. There were 50 major hotels that employed 100 or more people (Figure 4).

The average number of people employed by a hotel remains stable at around 29. Larger hotels (with 50+ employees each) employed the majority of hotel staff (66%) although they accounted for only 18% of hotel establishments.

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Figure 4: Hotel Establishments and Employees by Employment Size, February 2006*5



What proportion of hotels has foreign ownership?

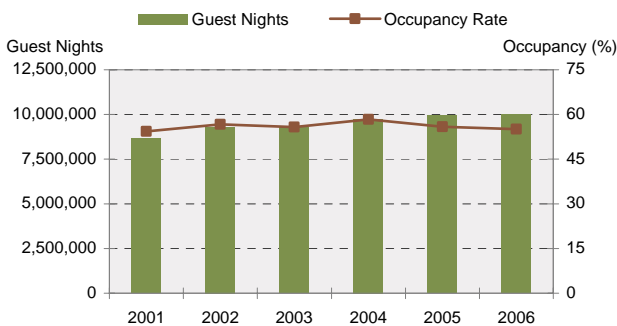
In 2006, 15% of hotels had half or more overseas equity. However, for large hotels that employed 50 or more people, 41% of these had half or more overseas equity.

DEMAND FOR HOTEL ACCOMMODATION

How many guest nights are spent in hotels each year?

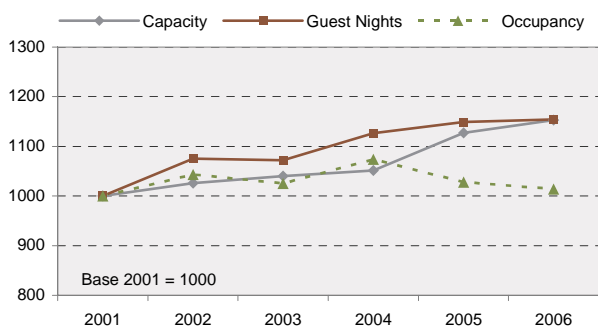
Hotels hosted 9.98 million guest nights in 2006, up from 8.65 million in 2001 (Figure 5). This is an increase of 15.4% or 1.3 million guest nights over this period, with an average annual growth rate of 2.9% compared with 3.2% for total guest nights.

Figure 5: Hotel Guest Nights and Occupancy*1



Hotels enjoy the highest occupancy rate in the accommodation sector. In 2006, the average hotel occupancy was 55.1%, compared with motels (54.6%), backpackers (43.7%), hosted (26.2%) and holiday parks (14.5%). Hotel occupancy increased by 7.4% between 2001 and 2004 but then dropped by 5.6% to the 2006 level owing to a greater increase in capacity than in guest nights, as shown by the indices in Figure 6.

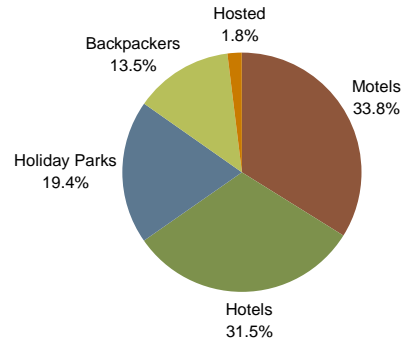
Figure 6: Hotel Indices: Relative Growth in Capacity, Guest Nights and Occupancy *1



What is the market share of hotel guest nights?

In 2006, hotels hosted 31.5% of mainstream commercial accommodation guest nights. This share is slightly less than for motels (33.8%) but significantly more than other accommodation types (Figure 7).

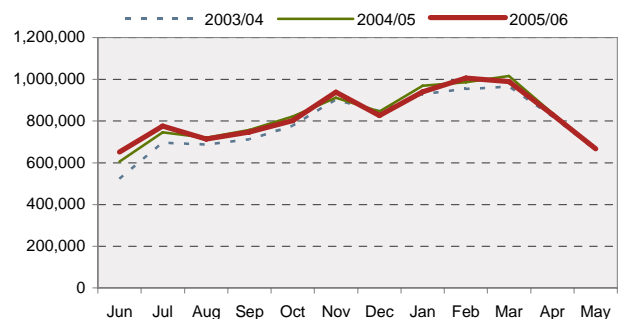
Figure 7: Share of Guest Nights by Accommodation Type, 2006*1



What seasonality does the hotel sector experience?

The period of higher demand for hotel accommodation is from October to April and lower demand from May to September. The dip in December is due to fewer business guests during the holiday period. Figure 8 shows how this pattern of seasonality has been consistent over the last three years.

Figure 8: Hotel Guest Nights by Month*1



How long do hotel guests stay?

Hotel guests stay an average of 1.80 nights in a hotel. This length of stay has been relatively constant in recent years. It is similar to motels and hosted accommodation but slightly lower than backpackers (1.91 nights) and holiday parks (2.04 nights).

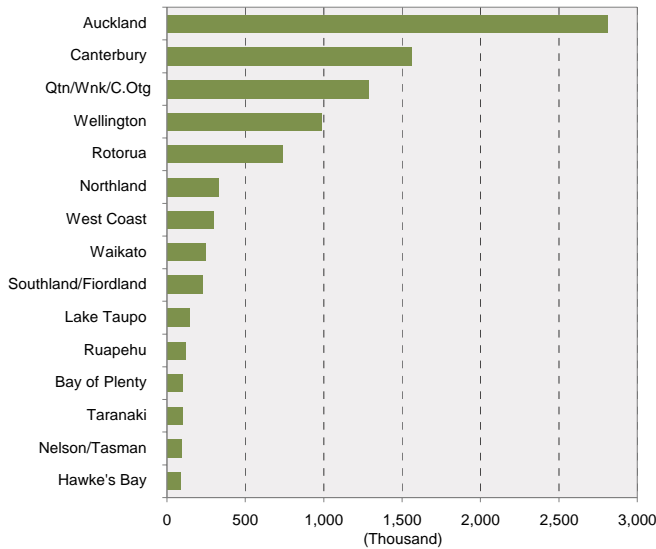
Length of stay varies in different regions. Hotel guests stayed slightly longer than average in the Queenstown/Wanaka/Central Otago (2.19 nights), Northland (2.12) and Ruapehu (2.09) regions (Table 2).

How is demand for hotel guest nights spread among the regions?

The Auckland and Canterbury Regional Tourism Organisation (RTO) regions attract the highest number of hotel guest nights reflecting their large business base and key international gateways. In 2006, Auckland hosted 28% (2.81 million) of hotel guest nights and Canterbury 16% (1.56 million nights). The Queenstown/Wanaka/Central Otago, Wellington and Rotorua RTOs recorded 13%, 10% and 7% respectively. These five regions accounted for 74% of total hotel guest nights in 2006. The top 15 RTOs hosted 92% of hotel guest nights (Figure 9 & Table 2).

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Figure 9: Hotel Guest Nights by top 15 RTOs, 2006¹

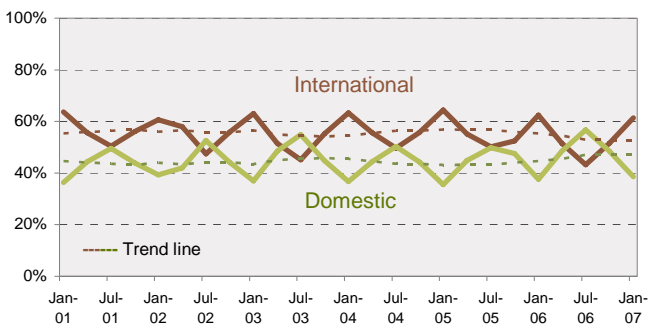


CHARACTERISTICS OF TRAVELLERS STAYING IN HOTELS

Where do hotel guests come from?

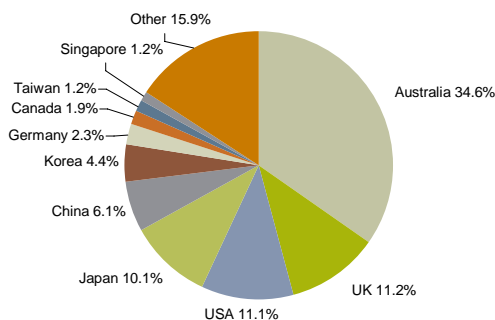
In recent years international visitors represented 55% of hotel guests while the other 45% were New Zealanders. The proportions vary seasonally. The international share is highest in January (62%) and lowest in July (43%). Conversely, the domestic share is lowest in January (38%) and highest in July (57%) (Figure 10).

Figure 10: Proportion of Hotel Guest Nights by Origin and Month¹



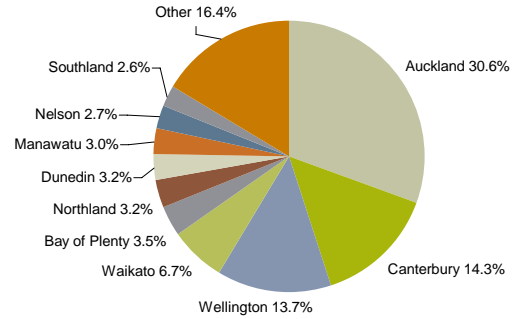
Of the international visitors staying in hotels, Australians are by far the largest group representing 34.6% in 2005, followed by visitors from the United Kingdom (11.2%), the United States (11.1%) and Japan (10.1%) (Figure 11).

Figure 11: Origin of International Visitors Staying in Hotels, 2005²



Fifty nine percent of New Zealanders staying in hotels come from the main population regions of Auckland, Canterbury and Wellington (Figure 12).

Figure 12: Origin of Domestic Visitors Staying in Hotels, 2005³

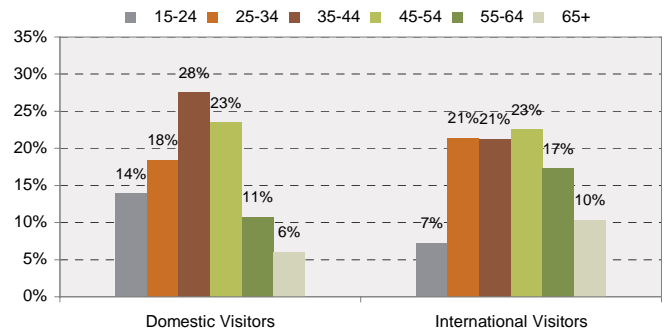


What is the age-sex profile of hotel guests?

International hotel guests in 2005 comprised 53% males and 47% females, while domestic guests comprised significantly more males (62%) than females (38%) owing to more male business travellers.

Sixty five percent of all international hotel visitors are in the 25-54 age group, with no particular age group within this range being more dominant. Domestic travellers are more concentrated in the 35-54 age group with 51% in this category. This also reflects the high proportion of domestic business travellers (Figure 13).

Figure 13: Hotel Visitors by Age, 2005^{2*3}

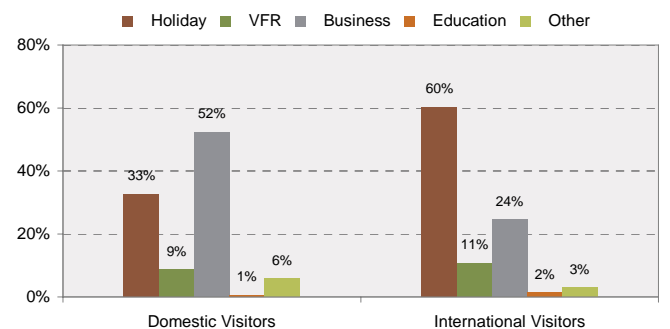


What are the main purposes of travel of hotel guests?

Sixty percent of international visitors staying in hotels are on holiday. Business travellers make up the next largest group at 24%, followed by 11% visiting friends and relatives (Figure 14).

Domestic travellers have very different reasons for staying in hotels with 52% being on business and only 33% on holiday. Another 9% are visiting friends and relatives.

Figure 14: Hotel Visitors by Purpose of Travel, 2005^{2*3}

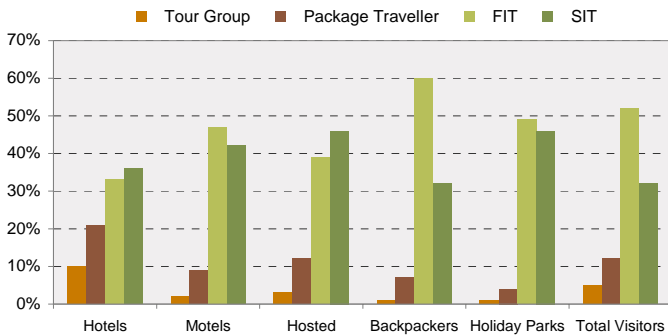


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What are the travel styles of international hotel guests?

The majority of international visitors are either semi-independent or fully independent travellers. Accordingly, these two groups make up 69% of hotel visitors. Package travellers and tour groups represent 21% and 10% of hotel guests respectively. These groups are more likely to stay in hotels than in other forms of accommodation with the majority (80-90%) doing so (Figure 15).

Figure 15: Travel Styles of International Visitors within each Accommodation Type, 2005²



FIT: made all NZ travel purchases after arrival (e.g. dom. airfares, lodging, activities etc.)
SIT: made at least one travel associated purchase before arrival in NZ

How much do international hotel guests spend?

In 2005, international visitors staying in hotels spent significantly more per night than visitors staying in other forms of accommodation. They spent an average of \$220 per night on all trip expenses including accommodation, transportation, meals etc. This compares with \$155 for motel guests and \$84 for backpacker guests (Fig. 16).

Figure 16: Average Spend per Night in NZ by International Guests, 2005²



How satisfied are visitors with their hotel stay?

The majority of international and domestic visitors are highly satisfied with their hotel experience. International guests are more satisfied (rating their satisfaction as 8.0 out of 10) than domestic guests (rating 7.7). In comparison, satisfaction levels are slightly higher for serviced apartments and B&Bs or hosted accommodation but lower for camping grounds, motels and backpackers (Figure 17).

Figure 17: Visitor Satisfaction - Accommodation, Nov05-Sep06⁴

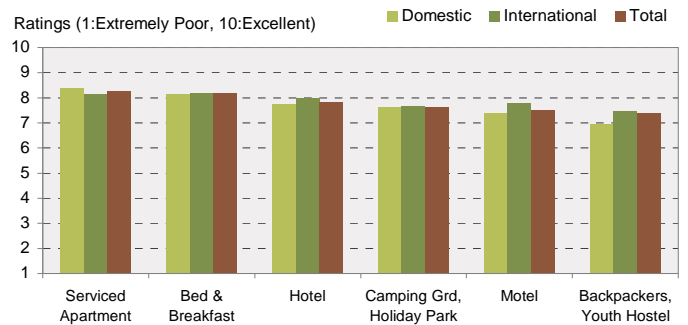


Table 1: Hotel Trends¹

KEY INDICATORS	2001	2002	2003	2004	2005	2006
Supply (December month)						
Establishments	585	575	560	554	576	570
Ave. Daily Capacity ⁽¹⁾	26,679	27,366	27,755	28,045	30,078	30,759
Ave. Capacity/Est. ⁽²⁾	46	48	50	51	52	54
Employees (in February)	14,960	14,500	16,230	15,510	17,470	16,920
Demand (annual)						
Guest Nights (000)	8,645	9,296	9,267	9,736	9,932	9,978
Occupancy (%) ⁽³⁾	54.3	56.7	55.7	58.3	55.8	55.1
Ave. nights stayed	1.76	1.83	1.83	1.81	1.80	1.80

(1) Total stay units or rooms available for booking (2) Average stay units or rooms per est.
 (3) Proportion of available capacity used

Table 2: Hotel Statistics by Regional Tourism Organisation, 2006¹

Top 15 RTOs (by guest nights)	Establishments ⁽³⁾	Average Stay Units Per Est.	Average Daily Capacity	Guest Nights (000)	Occupancy Rate %	Average Nights Stayed
Total NZ	570	54	30,759	9,978	55	1.80
Auckland	70	119	8,328	2,811	63	1.86
Canterbury	69	61	4,199	1,559	60	1.71
Qtn/Wnk/C.Otg ⁽¹⁾	52	62	3,241	1,287	60	2.19
Wellington	27	107	2,882	987	65	1.85
Rotorua	19	95	1,800	736	62	1.76
Northland	36	33	1,187	332	43	2.12
West Coast	44	30	1,314	299	36	1.27
Waikato	27	35	942	245	41	1.71
Southland/Fld ⁽²⁾	25	37	936	230	41	1.52
Lake Taupo	9	52	469	143	43	1.92
Ruapehu	10	38	383	118	42	2.09
Bay of Plenty	11	32	354	103	42	1.78
Taranaki	15	27	407	102	49	1.76
Nelson/Tasman	16	24	383	93	40	1.82
Hawke's Bay	9	36	327	89	48	1.62

(1) Queenstown/Wanaka/Central Otago

(2) Southland/Fiordland

(3) Establishments that are GST registered with turnover \$30,000+

DATA SOURCES

¹ CAM: Commercial Accommodation Monitor (Statistics NZ)

² IVS: International Visitor Survey (Ministry of Tourism)

³ DTS: Domestic Travel Survey (Ministry of Tourism)

⁴ RVM: Regional Visitor Monitor (Ministry of Tourism)

⁵ BD: Business Demography (Statistics NZ)

IMAGE CREDITS

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Cardrona Ski Field – www.cardrona.com

Southern Traverse – Michael Jacques, www.karapoti.co.nz

Wai-O-Tapu Champagne Pool – Destination Rotorua, www.rotoruaNZ.com

Lake Taupo Lodge – www.laketaupolodge.co.nz

Hilton Auckland – www.hilton.co.nz