

## Auckland's CBD Hotel Market ...attractive fundamentals

A booming tourism sector, coupled with an extended period of hotel undersupply have resulted in some of the tightest market conditions experienced in Auckland's CBD hotel sector.

Performance metrics are exceptionally strong and look set to stay this way especially as the central city plays host to a growing list of major international events over the next few years including the America's Cup and the APEC summit, both in 2021.

Developers are responding with six CBD projects currently under construction and a lot more planned or mooted. While there is a risk of oversupply should most of these proposed projects proceed over the next few years, the reality is that any additional stock is likely to be staggered over a much longer timeframe. Cost escalations combined with capacity constraints within the construction sector and a more challenging funding environment are likely to limit large scale additions over the short term.

Longer term, the projected growth in international visitor arrivals and an ever growing array of events in the central city, especially when the NZ International Convention Centre is opened, will warrant continued growth in the CBD's total hotel stock

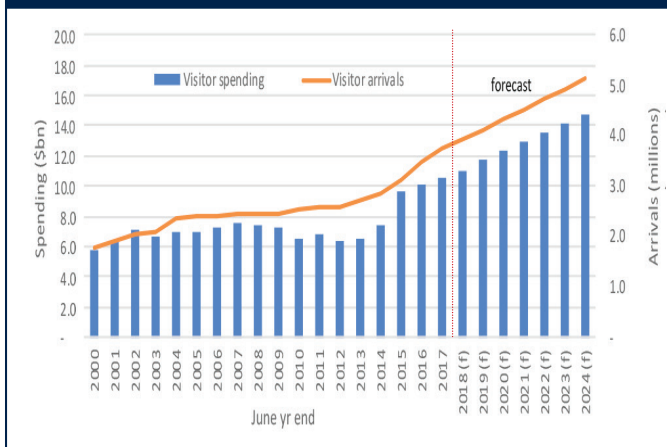
### Visitor growth tipped to continue

It seems the world cannot get enough of NZ and tourism is on a roll. International visitor arrivals and spending are currently at all-time highs with forecasts pointing to further strong growth out to 2024.

The country's global reputation as a beautiful, friendly and safe destination coupled with an increase in air capacity is proving a winning combination. Add a softer kiwi \$ to the mix, down around 7% against most major currencies over the past year, and the prospects are further enhanced.

Australian's, as a visitor group, are forecast to continue to remain the largest by number over the next 7 years, however

INTERNATIONAL VISITOR ARRIVALS AND SPENDING  
MBIE 2018 - 2024 NZ FORECASTS

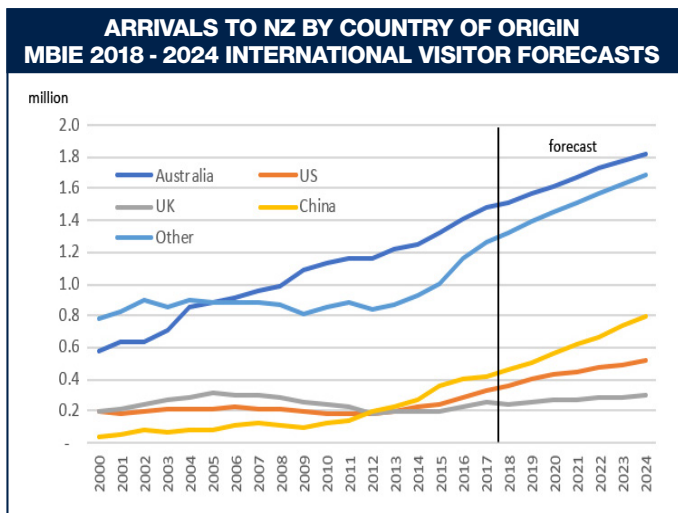


Source: MBIE

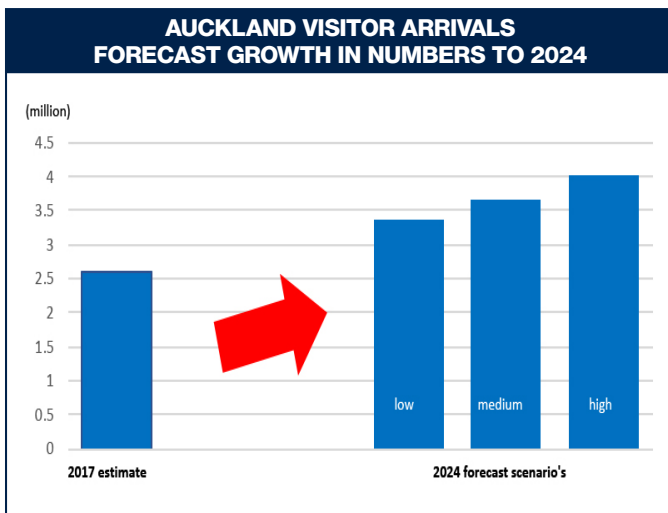
INTERNATIONAL TOURISM FORECASTS - NZ

Year	2017	2018 (f)	2019 (f)	2020 (f)	2021 (f)	2022 (f)	2023 (f)	2024 (f)
<b>Total spend \$m</b>	\$10,563	\$11,303	\$11,729	\$12,334	\$12,956	\$13,559	\$14,164	\$14,761
<b>Total visitors (000s)</b>	3,734	3,916	4,128	4,329	4,527	4,726	4,926	5,120
<b>Total days (million)</b>	68.9	73.0	77.2	81.1	84.8	88.8	92.7	96.7
<b>Spend per day \$</b>	\$190	\$198	\$199	\$201	\$202	\$205	\$207	\$208
<b>Avg length of stay (days)</b>	18.5	18.6	18.7	18.7	18.7	18.8	18.8	18.9

Source: MBIE NZ Tourism Forecasts 2018-2024



Source: MBIE



Source: ATEED Destination AKL Strategy 2025 - supporting documentation

the strongest growth is expected in Chinese visitors who are likely to double in number to 800,000. By 2024 the Chinese are also expected to spend just as much as the Australians even though they will represent less than half the actual number of visitors.

Auckland, as the major port of entry (and exit) for most international visitors, will continue to be a major beneficiary of further visitor growth. International visitor arrivals to the city are expected to grow from circa 2.6 million currently to anywhere between 3.4 to 4.0 million by 2024.

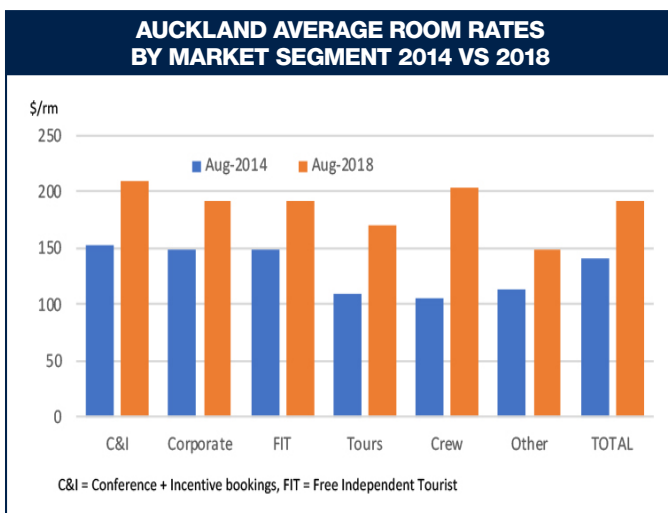
Booming visitation numbers combined with improved international connectivity will see Auckland Airport add a second, longer runway to the north of the current international terminal. Based on current estimates this second runway will be operational by 2028 and is part of a plan to cope with an expected doubling of visitors over the next 22 years. Passenger numbers (both international and domestic) are forecast to reach 40 million/year by 2040 compared to 20 million currently. Aircraft movements over the same period are expected to grow from 175,000 to 260,000.

## Existing hotel stock under pressure

The challenge will be where to accommodate this growing wave of visitors as they arrive in Auckland. Annualised occupancy rates are already at exceptionally high levels across all quality grades within the city, especially the central city (CBD).

Equally, average rooms rates across all star grades and market segments have continued to show solid growth over the past 4 years. The tight metrics reflect the chronic shortage of adequate stock to meet demand.

Based on *Bayleys Research* analysis the existing hotel stock in the Auckland CBD totals circa 5,300 rooms spread over 31 locations. Serviced apartments also provide a further 2,750 rooms over 22 locations.



Source: TIA

### AUCKLAND REGION - HOTEL METRICS 2014 VS 2018

	All Hotels			3-4 Star			4.5 Star			5 Star		
	2014	2018	% change	2014	2018	% change	2014	2018	% change	2014	2018	% change
RevPar \$	117.52	175.92	50%	80.99	129.5	60%	118.72	179.62	51%	155.96	216.67	39%
ADR \$	144.88	209.57	45%	109.12	155.1	42%	140.17	214.36	53%	189.97	255.75	35%
Occupancy Rate %	81.1	83.9	3%	74.2	83.5	13%	84.7	83.8	-1%	82.1	84.7	3%

RevPAR = revenue per available room, ADR = avg daily rate

Source: TIA

## SUMMARY - AUCKLAND CBD VISITOR ACCOMMODATION <sup>(1)</sup>

	Locations (est)	No. of rooms (est)
Existing Hotel stock	31	5,300
Existing Serviced Apartment stock	22	2,750
Currently under construction	6	963
Planned / Mooted	> 30	> 4,900

(1) excludes private accommodation providers such as Airbnb

Source: Bayleys Research

## Supply to get welcome boost

There are currently 6 accommodation projects underway in the CBD which will deliver a further 963 rooms over the 2018-2020 period and alleviate some of the current demand pressures. Two thirds will be 5 star rated and the remaining one third 4 star. The largest of these projects is the Horizon Hotel being built alongside the Convention Centre with 300 rooms.

### AUCKLAND CBD ACCOMMODATION PROJECTS

Currently under construction	Type	Rooms	Star rating	Due
Park Hyatt	Hotel	195	5	2019
Horizon Hotel	Hotel	300	5	2019/20
Sofitel So	Hotel	130	5	2019
Four points by Sheraton	Hotel	255	4	2018
Pacifica	Hotel	35	5	2020
Ramada Victoria St	Serviced Apts	48	4	2019
		<b>963</b>		
Projects likely to commence next 6-12 months	Type	Rooms	Star rating	
One Queen Street	Hotel	244	5	
Mills Lane - EVEN + Holiday Inn	Hotel	490	4 - 5	
Indigo Hotel	Hotel	225	4.5	
Sudima	Hotel	190	4.5	
		<b>1149</b>		

Source: Bayleys Research

A further 4 projects are tipped to proceed over the next 12 months, adding another 1,149 rooms to overall stock levels. An additional 25+ projects are also mooted, but unlikely to proceed anytime soon due to current capacity constraints within the construction sector and a tighter funding environment.

Developers are clearly playing catch-up following an extended period of limited new hotel supply in the CBD. The increase in room numbers over the next couple of years will certainly ease pressure within the sector. However should visitor numbers continue to grow at the rates forecast we expect the operating performance of hotels to remain strong, especially during peak seasons. Hardly surprising that a growing number of international hotel developers and operators are searching for opportunities in the Auckland CBD.

#### ■ Bayleys Realty Group

Ph: 09 375 6868  
Fax: 09 358 3548

#### ■ Bayleys Offices

Free Phone: 0800 Bayleys  
(0800 229539)

#### ■ Bayleys Internet Site

www.bayleys.co.nz

This publication is prepared by Bayleys Research. All opinions, statements, analyses expressed are based on information from sources which Bayleys Research believes to be authentic and reliable. Bayleys issues no invitation to anyone to rely solely on the information contained herein and intends by this statement to exclude liability for any such opinions, statements and analyses.

All content is copyright Bayleys Realty Group 2018 and may not be reproduced without expressed permission.

#### ■ Bayleys Research

**Ian Little** B.Sc (Hons), MRICS  
Email: ian.little@bayleys.co.nz

**Goran Ujdur** B.Com  
Email: goran.ujdur@bayleys.co.nz

**Sophie Dunn** BLPM  
Email: sophie.dunn@bayleys.co.nz

For more information contact:

**Nick Thompson**  
Director Hotels and Tourism  
M: +64 27 600 4712  
nick.thompson@bayleys.co.nz

**David Bayley**  
M: +64 21 920 440  
david.bayley@bayleys.co.nz

- PROPERTY INVESTMENT & MARKET ANALYSIS
- PROPERTY RESEARCH
- PROPERTY CONSULTANCY
- PROPERTY ECONOMICS



All content is copyright Bayleys Realty Group 2018 and may not be reproduced without expressed permission.