Horwath HTL
Hotel, Tourism and Leisure

New Zealand Hotel Performance Focus

Mixed Results Ending Summer Season

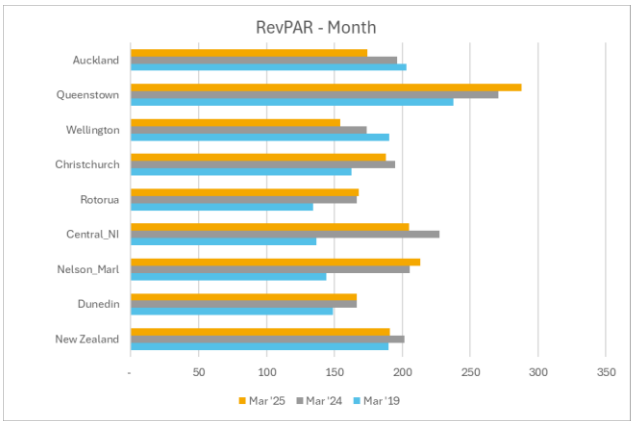
March 2025

HCA
HOTEL COUNCIL AOTEAROA

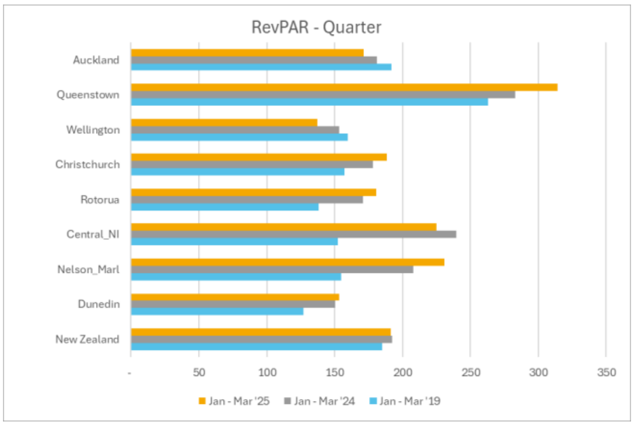
The latest data from Hotel Data New Zealand (HDNZ) for March 2025 presents a mixed picture of the country's hotel industry. Revenue per available room (RevPAR) across New Zealand hotels declined by 5.5% compared to the same period last year. This drop was mainly attributed to significant declines of 10% or more in **Auckland**, **Wellington**, and the **Central North Island**. These losses were partially offset by RevPAR growth in **Queenstown** and the **Nelson/Marlborough** region, which again demonstrated a strong performance.

Based on occupancy data reported by HDNZ and our supply database, total room nights sold in March decreased by 1.6% year-on-year, driven by a 3.9% drop in international room nights.

With the summer season concluded, Q1 results highlight the robust performance of South Island markets while underscoring the ongoing challenges faced by **Auckland** and **Wellington**. **Queenstown** and the **Nelson/Marlborough** region emerged as the top-performing markets during this period. Minimal supply increases, combined with sustained strong international appeal, enabled these regions to achieve double-digit RevPAR growth for the quarter.

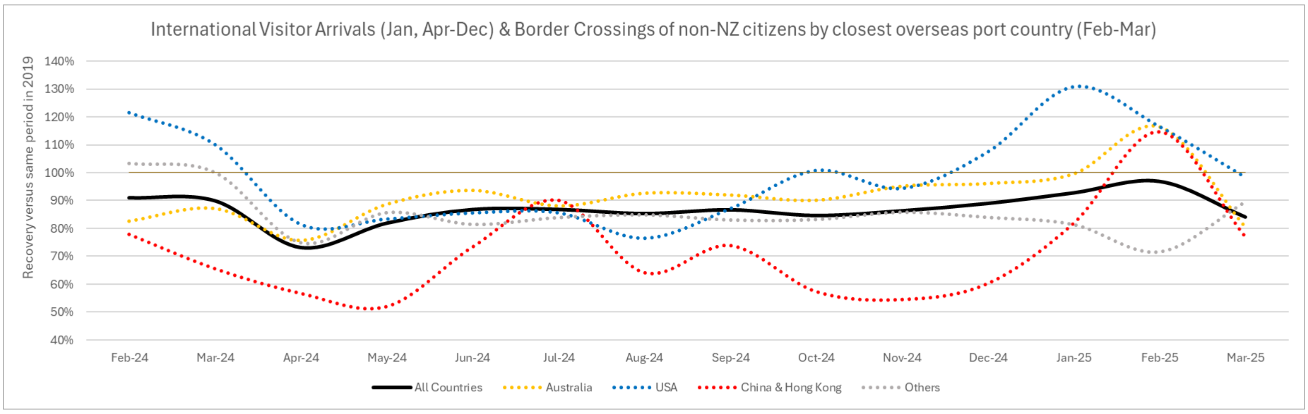


(Source: HDNZ)



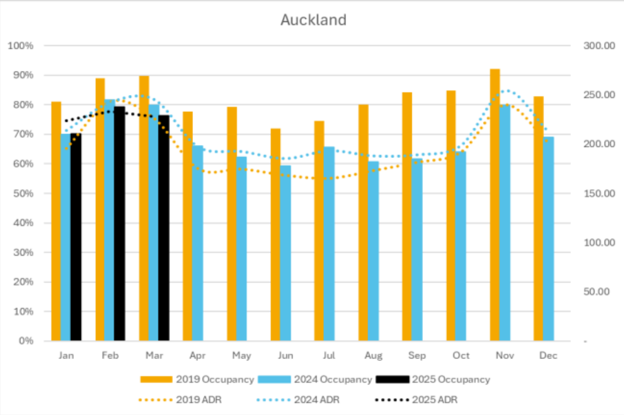
(Source: HDNZ)

Border crossings by non-New Zealand citizens in March declined by 6% compared to the same month in 2024, with a total of 326,340 arrivals. Those from Australia and the USA saw decreases of 8% and 11%, respectively, from March 2024. Arrivals from the PRC (China & Hong Kong) increased 17% year on year, reaching 77% of March 2019 levels. While international air capacity is reportedly at 90% of pre-pandemic levels, border crossings by non-NZ residents in March represented 84% of figures from March 2019, a notable slowdown of the recovery seen earlier this year.

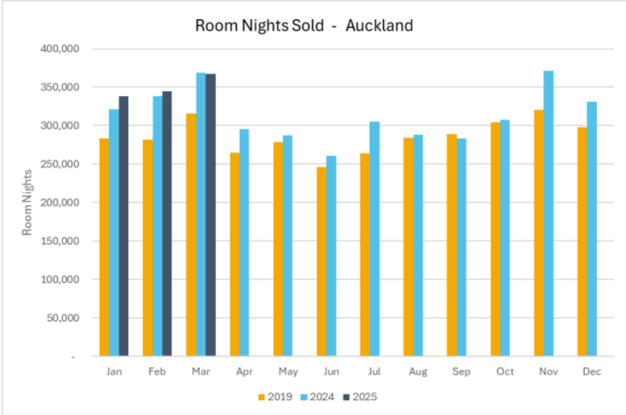


(Source: Stats NZ)

Monthly statistics for international visitor arrivals in February and March 2025 are yet to be released by Stats NZ. Combining visitor arrivals for January and non-NZ resident border crossings for the last two months indicates that international arrivals for the first quarter increased by circa 1.7% compared to 2024 and remained 10.9% below 2019 levels.



(Source: HDNZ)



(Source: Horwath HTL & HDNZ)

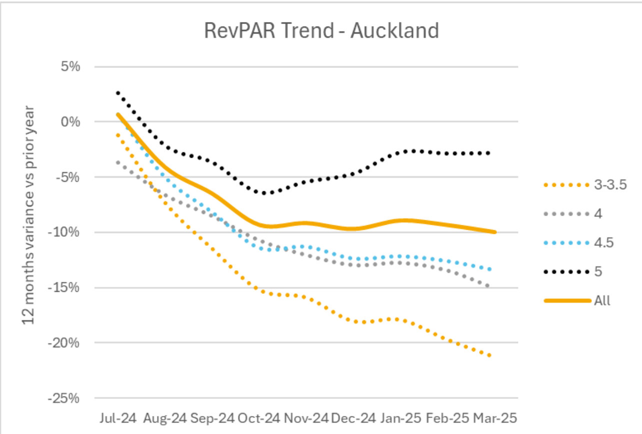
Auckland's hotel sector continues to face challenges due to increased competition, limited event-driven demand, and shifting consumer preferences across different star categories.

RevPAR Decline and Contributing Factors: Hotels reported an 11.2% decline in RevPAR for the month, attributed to a 4.2% increase in room supply following the opening of five new hotels over the past year and a 7.1% drop in Average Daily Rate (ADR). Increased competition has led to lower public pricing, with ADR in the Free Independent Traveler (FIT) segment down by 11.5%. Aside from the Auckland Arts Festival, there were no major events in the city to significantly boost hotel demand during the period.

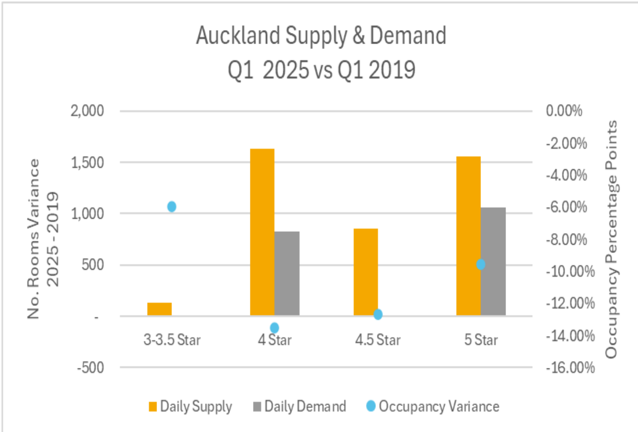
Border Crossings and Demand Trends: Non-resident border crossings at Auckland Airport were 6.8% below March 2024 levels according to Stats NZ. Despite this, hotel demand, as measured by room nights sold, remained stable.

RevPAR Trends Over Time: RevPAR for Auckland hotels has been declining for some time, with a reported drop of approximately 10% over the last 12 months compared to the previous year. Competition has been most intense in the 3 to 4.5-star categories, which experienced double-digit declines in RevPAR. By contrast, newly opened 5-star hotels have shown more strength, with annual RevPAR decline easing to around 3%, partly due to greater absorption of new supply.

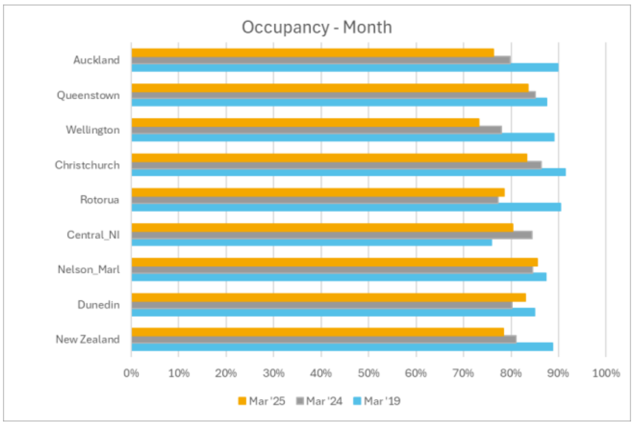
The majority of supply increases over the past six years have been concentrated in the 4 and 5-star hotel categories. As shown below, demand for 5-star hotels has absorbed a significantly larger share of this new supply compared to their 4 and 4.5-star counterparts. Traditional 4.5-star hotels appear to have lost market share to newer 4-star properties offering comparable or better value, as well as to newly opened 5-star hotels.



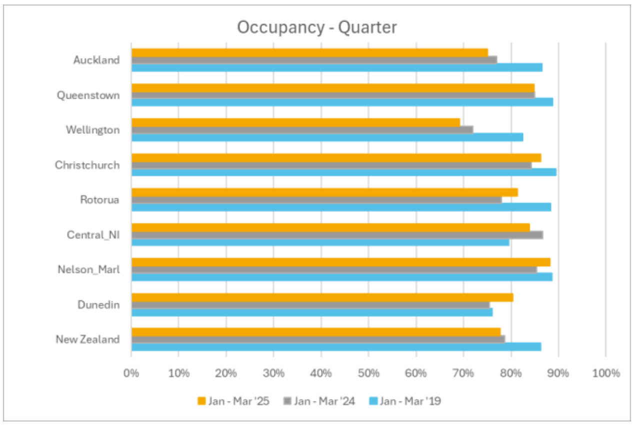
(Source: HDNZ)



(Source: Horwath HTL & HDNZ)



(Source: HDNZ)

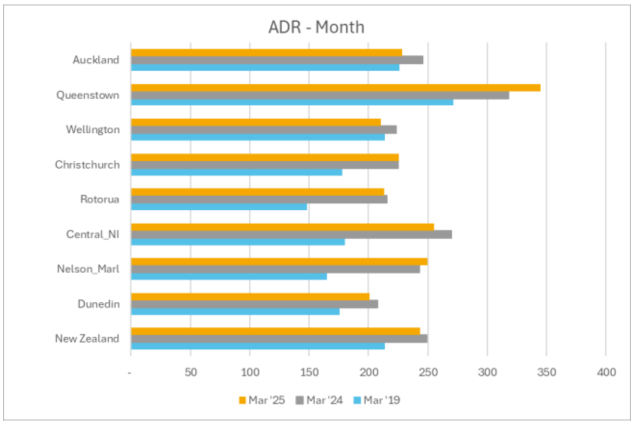


(Source: HDNZ)

Wellington's hotel sector continued to face challenges in March, marked by a 5-percentage-point drop in occupancy compared to March 2024. This decline occurred despite the city hosting several prominent events, including the Pride Festival, Food Week, and international cricket and football matches. The Tākina Conference Centre reported three major multi-day events for the month, totalling approximately 1,200 delegates.

However, these activities were insufficient to counteract broader market pressures. For the first quarter of 2025, Wellington recorded a 10% decline in Revenue Per Available Room (RevPAR), the steepest drop among New Zealand's major hotel markets. This performance underscores the significant challenges faced by the capital's hospitality sector, which continues to grapple with reduced demand amidst cuts to government related spending and travel.

Queenstown hotels continued to showcase strong performance, achieving an 8.4% year-on-year increase in Average Daily Rate (ADR) in March while maintaining consistent occupancy levels. The 4.5 and 5-star hotel categories excelled, with ADR growing by 9.1% during the month. This growth resulted in a quarterly ADR of $453.50, marking a 13% increase compared to the first quarter of the previous year.



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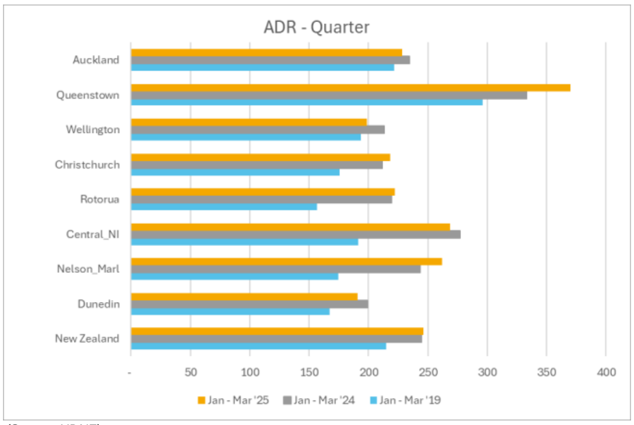

(Source: HDNZ)

As New Zealand's hotel sector transitions into the shoulder season, several factors are shaping the outlook for the months ahead. Air New Zealand's ongoing fleet challenges, with a reported 11 aircraft out of service, continue to impact domestic and trans-Tasman air capacity and pricing. Meanwhile, the Easter & ANZAC holidays present the first real test for Tourism New Zealand's "Everyone Must Go" campaign aimed at attracting Australian visitors during the off-peak. Amid global economic uncertainties impacting key source markets, concerns about hotel demand persist. However, opportunities lie in boosting air capacity, continued streamlining of visa processes for markets like India and China, and intensifying selective international promotions to strengthen New Zealand's appeal as a destination.

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About Hotel Council Aotearoa (HCA)

Hotel Council Aotearoa (HCA) is New Zealand's dedicated industry body for hotels and hoteliers. HCA currently represents 255 New Zealand hotels; comprising almost 27,350 guest rooms or 9.98 million available room-nights per annum. Alongside airlines, airports and transport infrastructure, hotels are key tourism infrastructure without which New Zealand would be unable to attract high value international travellers. www.hotelcouncilaotearoa.com

About Horwath HTL

At Horwath HTL, our focus is one hundred percent on hotel, tourism and leisure consulting. Our services cover every aspect of hotel real estate, tourism and leisure development.

Our clients choose us because we have earned a reputation for impartial advice that will often mean the difference between failure and success. Each project we help is different, so we need all of the experience we have gained over our 100-year history.

We are a global brand with 52 offices in 38 countries, who have successfully carried out over 30,000 assignments for private and public clients. We are part of the Crowe Global network, a top 10 accounting and financial services network. We are the number one choice for companies and financial institutions looking to invest and develop in the industry.

We are Horwath HTL, the global leader in hotel, tourism and leisure consulting.

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