NEW ZEALAND

OPEN
for Investment in New Hotels

WHY INVEST IN NEW ZEALAND'S HOTEL SECTOR?

1. **DEMAND** First-rate demand drivers combined with superb international connectivity have fuelled a boom in high-value international visitation.
2. **INFRASTRUCTURE** New Zealand's world-class transport infrastructure and regional diversity provide clear tourism routes and a captive market for hotel investment.
3. **GROWTH** Hotels in New Zealand are experiencing record operating performance and strong growth in ADR, RevPAR and occupancy rates.
4. **DEVELOPMENT** Additional hotel development is required to maintain a sustainable balance between demand and supply – and delivery of projects is critical in Auckland.

IMAGE – Aoraki / Mount Cook, Southern Alps

Why invest in New Zealand's hotel sector?

1 DEMAND

First-rate demand drivers combined with superb international connectivity have fuelled a boom in high-value international visitation.

The New Zealand tourism sector is in its strongest-ever growth cycle, driven by an extraordinary boost in international visitors. Visitor arrivals to New Zealand achieved a record 3.7 million in 2017, representing a 52 percent increase from 2009 and continuing to exceed official forecasts.

The Ministry of Business, Innovation, and Employment (MBIE) predicts this exceptional growth in international visitors to continue. MBIE's most recent forecasts suggest international visitor arrivals will total 5.1 million annually by 2024, representing seven-year growth of 38 percent and 1.4 million visitors.

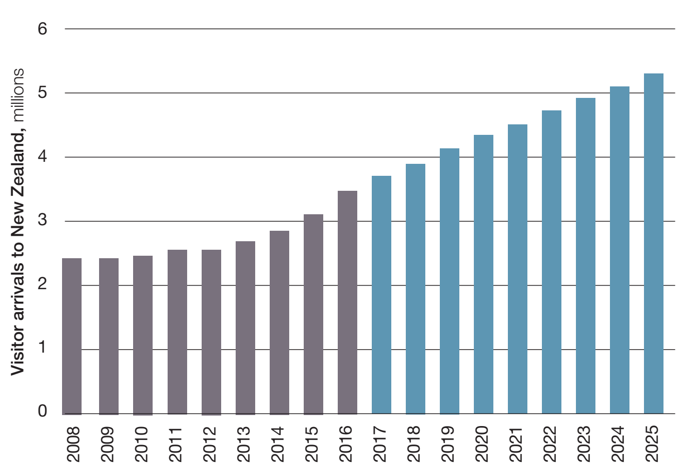
In 2018, New Zealand topped the World Bank's list of best countries to start and run a business, and was ranked the fifth best country to visit in the Lonely Planet Best In Travel list.

Australian and Chinese holidaymakers are leading the influx of international visitors

Australia and China are New Zealand's largest international visitor markets, contributing half of all international visitors in 2017. Visitor arrival growth projections to 2025 place China's growth firmly ahead of all other markets. Annual Chinese visitor arrivals are expected to increase 107 percent from 418,000 in 2017 to 866,000 by 2025.

FIGURE 1

International visitor arrivals to New Zealand



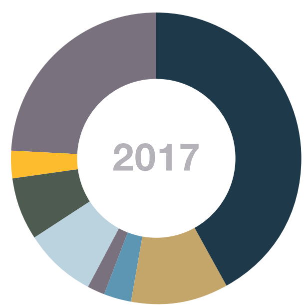
Source: Statistics New Zealand, MBIE visitor arrival forecasts, Fresh Info

China is also set to surpass Australia by 2024 as New Zealand's largest visitor market by spend. A key factor driving this shift is a strong trend towards the Free and Independent Traveller (FIT) segment, and away from tours and groups.

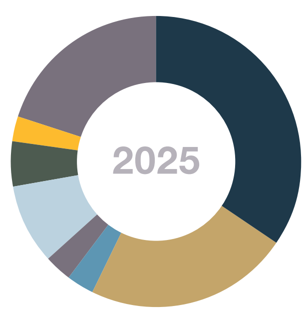
In August 2017, FIT visitors accounted for approximately 75 percent of all visitor visas issued to Chinese visitors to New Zealand, a significant increase from 40 percent in August 2013. The Chinese FIT segment is highly lucrative, as these visitors typically stay longer and spend more money relative to other visitor types.

FIGURE 2

Share of international visitor arrivals in New Zealand by market



Australia	39%
China	11%
Japan	3%
Korea	2%
US	9%
UK	7%
Germany	3%
Other	26%



Australia	35%
China	16%
Japan	3%
Korea	2%
US	10%
UK	6%
Germany	3%
Other	25%

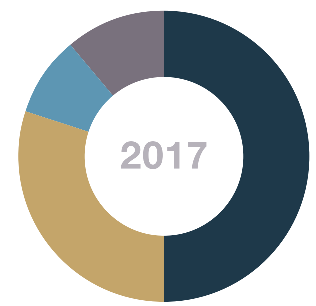
Source: Statistics New Zealand, MBIE visitor arrival forecasts, Fresh Info

Holidays and 'Visiting Friends and Relatives' are the prime purposes for visiting New Zealand

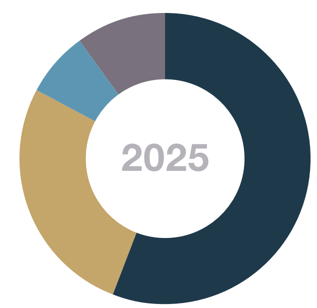
FIT travellers represent a strong and growing New Zealand visitor segment, which is boosted by the increasing adoption of a more independent travel style by Chinese and other international visitors. FIT visitors typically spend more money than other visitor types, leading to higher hotel room rates.

FIGURE 3

Share of international visitor arrivals in New Zealand by purpose of visit



Holiday	52%
VFR	29%
Business	8%
Other	11%



Holiday	55%
VFR	28%
Business	7%
Other	10%

Source: Statistics New Zealand, MBIE visitor arrival forecasts, Fresh Info

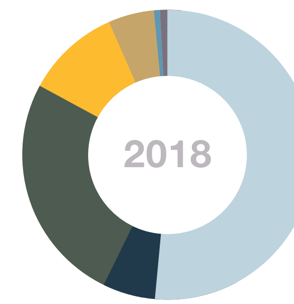
Low hotel transaction activity makes new build and construction a more likely path to market entry

There have been few major hotel transactions in the last two years – a testament to strong KPIs across the industry which are encouraging owners to hold onto their assets. As such, development in the form of new build and construction projects is likely to be the preferred option for future market entry.

At present, 48 percent of all capital invested in New Zealand hotels is of international origin. The majority is from Singapore (28%), followed by Hong Kong (12%) and Australia (4%).

FIGURE 4

Share of ownership in New Zealand hotels by room count as at June 2018



New Zealand	52%
Australia	4%
Singapore	28%
Hong Kong	12%
China	3%
Japan	0%
Other	1%

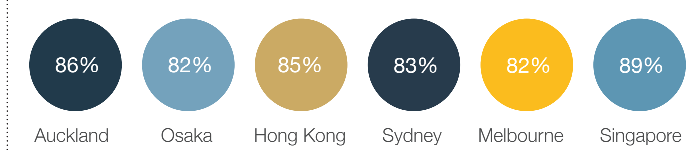
Source: Colliers

Occupancy rates in Auckland rank with the best in the Asia Pacific

A surge in international visitors to New Zealand has helped make Auckland one of the strongest-performing markets in the Asia Pacific region. Hotel occupancy rates in Auckland and Queenstown are on par with the likes of Sydney and Melbourne, which are experiencing similar patterns of tourism growth to New Zealand.

FIGURE 5

Hotel occupancy in major Asia Pacific markets as at July 2018



Source: CBRE, TIA

2 INFRASTRUCTURE

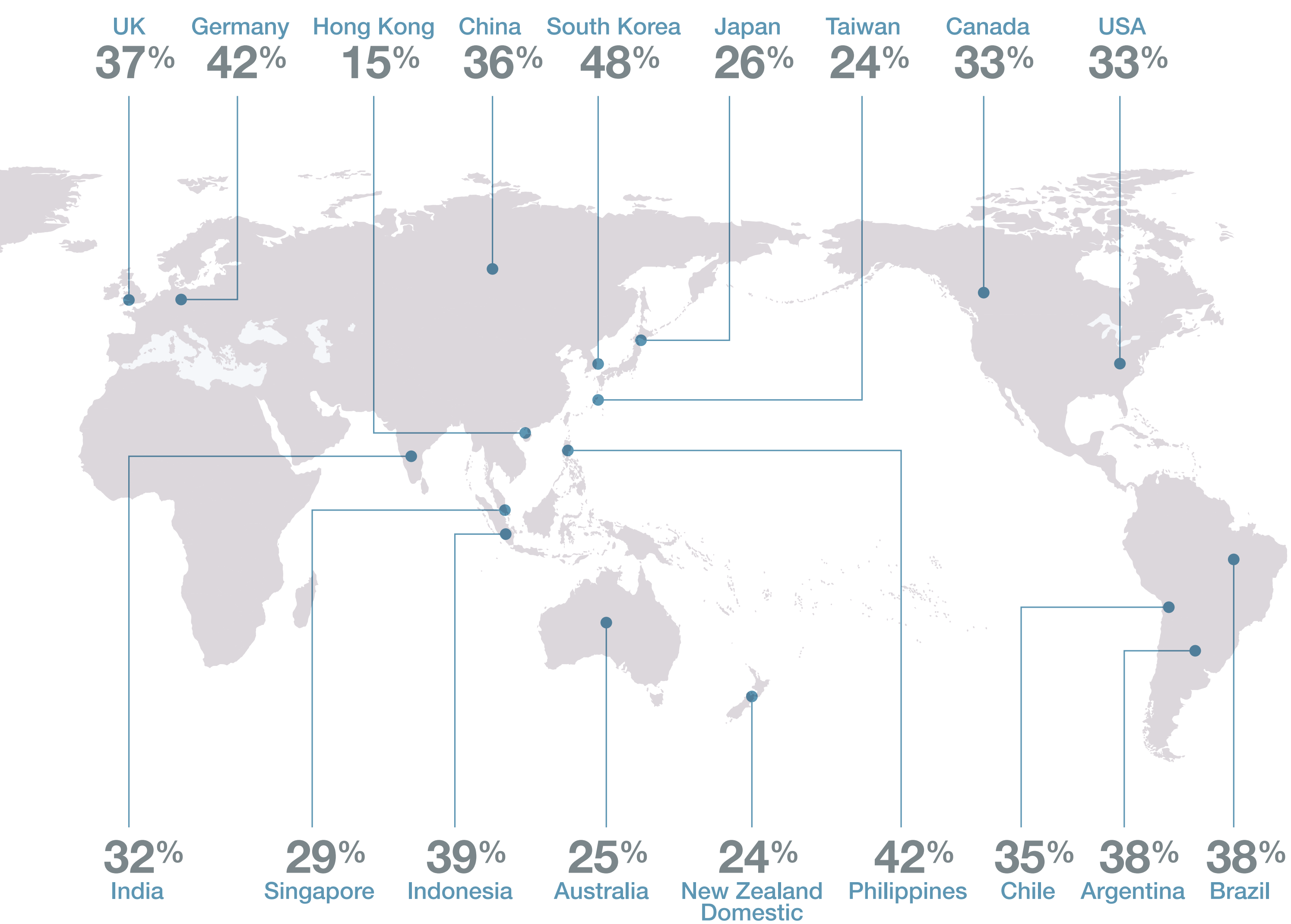
New Zealand's world-class transport infrastructure and regional diversity provide clear tourism routes and a captive market for hotel investment.

Underserved demand

Underserved demand percentages reflect the percentage of total market demand potential that is unmet, as travellers who want to fly between these international cities and New Zealand cannot secure an airline seat.

Reasons for this include acceptable price, acceptable routing, convenient travel time, and airline preference. Auckland International Airport Limited (AIAL) uses sophisticated network modelling capabilities to determine these figures.

Underserved demand for travel to New Zealand



World-class transport infrastructure

New Zealand's transport infrastructure offers excellent connectivity between all of the country's major visitor hubs, and to the rest of the world. Key infrastructure includes:

- **5 international airports,** with 33 international carriers and 46 direct flight routes, serving major overseas markets
- **30 regional airports,** offering direct and efficient access around the country
- **The highest ratio of road per capita in the world,** with 11,000 kilometres of state highways and 80,000 kilometres of local roads
- **17 seaports,** allowing for significant growth in the cruise line sector
- **4,000 kilometres of rail track**

Tourism is supported by New Zealand's regional diversity and interlinked routes

New Zealand's impressive regional diversity and compact size with clear infrastructure routes make tourism flows more predictable. This presents an opportunity to invest in established tourism routes such as Auckland, Rotorua, Taupō, Wellington, Christchurch, Queenstown, and Dunedin.
All international visitor arrivals by plane enter New Zealand through airports servicing these destinations.

AUCKLAND

New Zealand's largest and most multi-cultural gateway city in a magnificent seaside setting

ROTORUA

Geothermal natural hot springs town and centre of indigenous Māori culture

TAUPŌ

Nature's ultimate playground and ski resort destination

WELLINGTON

Capital of New Zealand and celebrated art, cultural and creative hub

CHRISTCHURCH

Rapidly re-emerging gateway to the South Island

QUEENSTOWN

The Southern Hemisphere's premier four-season resort destination

DUNEDIN

A region of unique landscapes and fascinating cultural history