

Memorial Avenue Investments Limited Project

Tourism Market Information

Executive Summary

Key Findings

- Accommodation in Christchurch is in great demand due to the loss of capacity as a result of the earthquake. At present, occupancy levels and room rates are significantly above national averages and those achieved before the earthquake. We consider that this situation will continue for longer than expected, in excess of five years and possibly as long as ten years. This situation creates opportunities for additional accommodation supply to be established in Christchurch
- International visitor arrivals to New Zealand are expected to continue to grow at a 3% to 5% year on year rate for the foreseeable future, further adding to the accommodation pressures in Christchurch. The key visitor markets are expected to be China and Australia. A recovery of the traditional markets of USA, Japan and UK is also expected within the next 5 years. Traditional market growth will be of particular benefit to Christchurch
- While the Christchurch International Airport has suffered a reduction in visitors travelling through the airport as a result of the earthquake over the last 2 years, this decline has halted and substantial increases are expected in the coming years. Christchurch International Airport Limited is active in route development and we expect further routes from Australia and Asia to be developed over the next 5 years. This will significantly enhance Christchurch as a tourism gateway and contribute to international visitor demand for accommodation.
- Enhancement of the Western Corridor, the State Highway 1 bypass for Christchurch, will significantly increase traffic volumes along the boundary of the site. This increased traffic flow, combined with forecast increases in population and employment in the immediate vicinity and along this road corridor makes the site attractive as an accommodation location.
- Inbound tourism operators expect demand for tourism accommodation to grow significantly as Christchurch recovers and tourism attractions are restored. Operators considered that there was demand for additional accommodation at the airport vicinity, especially in the short to medium term. In the long term most operators considered that group tour visitors would have a preference for accommodation in the CBD for the majority of their stay. Independent holiday travellers will continue to have a demand for airport accommodation as the hub for

collecting and dropping off vehicles at the start and end of their trips.

- Business travel growth is expected to be consistently high for the next decade as the Christchurch rebuild increases in pace and will be largely proportional to GDP growth in the region. With an estimated \$40B to be spent on the rebuild and over 35,000 additional workers, even a small proportion requiring commercial accommodation will increase demand and further raise occupancy levels.
- While the details of the convention centre development are yet to be announced, the timetable has already slipped and we would not expect the convention centre to be fully operational in 2017.
- The convention centre is expected to create an additional visitor demand of approximately 60,000 delegate days. We consider that this additional visitor demand will largely be satisfied by new hotel construction in the CBD over the longer term. In the short term there could be some spill over demand for accommodation to hotels in the airport vicinity.
- Accommodation in the 4 star range is currently considered to deliver the best return to investors and owners. This quality standard presents the best level of revenue in relation to the cost of service. However overall capital costs and especially land costs and building costs which are escalating at the moment will determine the actual level of hotel and motel development in Christchurch. Uncertainty about CBD planning and resource consent requirements as well as delays in decisions around the convention centre are also hindering rapid redevelopment.
- We consider that a hotel of 150 – 200 rooms or and/or a motel, motor lodge of up to 50 units would meet market demands and provide the best return for potential operators.

Recommendations

We recommend that Memorial Avenue Investments continue to explore the opportunity of locating additional hotel infrastructure on the site at Memorial Avenue.

Demand in the short term will be driven by the rebuild and business traveller demand for accommodation as economic activity in the region ramps up.

As tourism activity returns to the city over the next five years, growth in visitor arrivals through expected increases in international visitation from key source countries will add to the city's accommodation demand. The airport location will attract a proportion of leisure travellers that are seeking convenience for their travel arrangements.

Business travellers are expected to be the primary customer base for airport accommodation. These guests are seeking to optimise their time and also to make use of a location convenient to the transport hub of the airport.

The proposed road improvements will make the site attractive as a highly visible site with convenient access to the City and the western areas that are expected to be the locations for additional business and employment growth in the coming decades.

Based on the experience of Auckland and other locations that have airport linked accommodation options, there is a trend to having four star level accommodation. The four star standard appears to provide the optimal profit point with the revenue from this quality standard being high, but also the service level (and associated costs) not being as high as that required for a five star property. All of the recent developments, apart from an office conversion have been developments at this standard.

Depending upon the area of land that the developers are considering allocating to an accommodation opportunity, the optimal size of developments that reflect a good balance of land cost (typically around 10% of total development cost) and construction costs are hotels of 150 – 250 rooms. Given the additional developments in the Airport area, probably a lower sized development is a less risky proposition, while maintaining the economies of scale that a hotel of this size can provide.

A motel or motorlodge style property is also another option for the site. Again the cost structure for five star properties is less attractive than that of a four star property. The level of service and amenities required to be provided to qualify for five star is not reflected in the room rates and so the returns are less attractive for high standard properties.

While the cost structure of smaller properties are different to larger motels, the fixed costs per room being higher, labour costs being lower, there is not a strong difference in profitability between different sized motels. Most motels deliver a net profit as a percentage of revenue of around 12% (2009 data). Consequently for the Memorial Avenue site, with its state highway position we would suggest that there is an opportunity for a 30 plus unit motel to be economic (Possibly up to 50 units depending upon land availability). Again based on the information that we have been able to access a 4 or 4.5 star property is likely to be more profitable than a 5 star property. More detailed analysis is required for specific options and much depends on the land requirement and associated cost of the individual options.

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1. Introduction

1.1. Method

Overview

This report responds to the request to review the current tourism situation in Christchurch and to assess the demand for a hotel on the Memorial Avenue site. In addition, advice has been sought as to the relationship of a hotel on this site and whether this would adversely impact on the central city development of hotels, particularly those associated with the proposed convention centre

We have approached this brief by first assessing the current tourism patterns for New Zealand as a whole, the Canterbury region and then Christchurch City specifically.

Second we have reviewed the demand drivers for accommodation for Christchurch and the Memorial Avenue site. These are:

- Christchurch post- earthquake rebuild
- Airport expansion plans
- Group travel expectations
- Road network changes

We have also looked at the Auckland Airport and its accommodation supply in comparison to the opportunity in Christchurch.

The second part of the report assesses the proposed Christchurch convention centre project and the likely impacts this would have on overall accommodation demand and supply at the airport. We have also reviewed the criteria used in site selection for the National Convention Centre in Auckland as a guide to expectations of delegates and the relationship between the convention centre and accommodation and parking requirements.

1.2. Assumptions

In preparing this report we have assumed that the general economic conditions for tourism will not change substantially over the next 3 to 5 years. Based on the general assumptions about global economic conditions we would expect that the forecasts of visitor arrivals to be close to actual visitor numbers over the forecast period.

We have assumed that there will not be substantial government investment or incentives to develop new hotels in Christchurch or the Canterbury region

Other assumptions are:

- That the Christchurch International Airport will not facilitate or directly develop hotels (other than possibly backpacker style accommodation within the Airport

boundary) and therefore not increase competition for existing and future potential operators.

- That the Western corridor roading project will proceed in such a way that traffic volumes will be as forecast and access to the Memorial Avenue site will not be compromised.
- That the improved access along Russley road and increased business and population growth both north and south of the site will increase business accommodation demand at the Memorial Avenue location.

In preparing this report we have not developed a detailed case for a specific hotel development. This requires a detailed consideration of the economics of hotel development beyond the scope of this report.

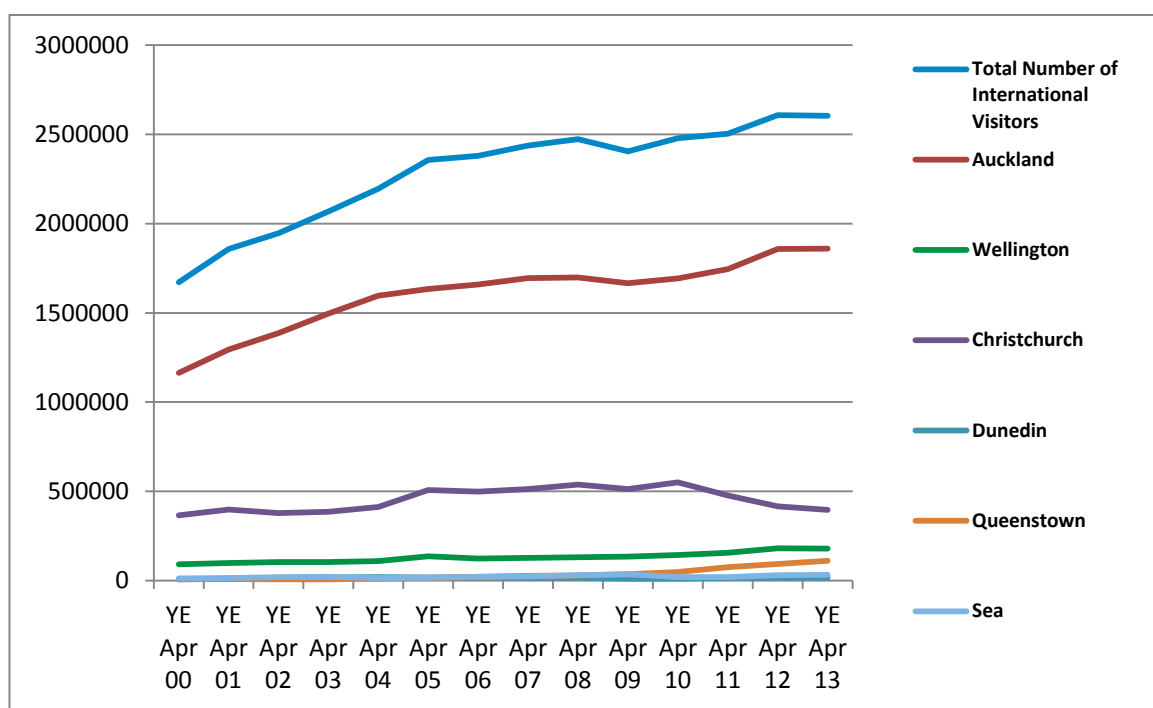
There is considerable uncertainty about the nature of future development and timing of Christchurch City as a tourism destination. However in our view the City will remain as an important tourism destination and also a business and conference centre once the relevant facilities and attractions are developed. The main uncertainty is the rate and which redevelopment occurs. In our opinion redevelopment will take some time to progress and there will be advantages to those that initiate development early.

2. Visitor Demand

2.1. National Trends and Forecasts

Visitor arrivals to New Zealand have risen significantly in recent years. After a decline as a result of the global financial crisis there has been a strong recovery in international visitor arrivals since 2010 going from 2.48M to 2.61M in the year to March 2013. As can be seen from Table 1 the main growth has been in arrivals to Auckland and more recently significant Australian arrivals into Queenstown.

Table 1: International Visitors: By Port of Entry



While visitor numbers have increased there has been rapid change in the source markets for our international visitors. China visitors have risen from 129,000 in 2011 to 210,000 in 2013. This represents a 31% increase over the two year period. Over the same time our major visitor market, Australia has largely remained flat with visitors growing from 1.112M to 1.170M. Visitors from Europe, including the UK have fallen over this period with a decline from 442,000 to 405,000, a reduction of over 11%.

The changing international visitor mix has significant consequences on the accommodation sector of the tourism industry as the different source markets have different travel patterns and significantly different lengths of stay.

Overall there has been a stable pattern of commercial accommodation use with the

number of bed nights being recorded between 33M and 31.7M¹ since 2008. The change in pattern of international visitors has not resulted in an increase in accommodation demand.

The changing visitor mix has resulted in a reduction in the spread of visitors around New Zealand. While the European visitors who stay for 25 days or more travel extensively, the China visitor with only a few days (and with 50% dual destination with Australia) often only visits Auckland, Rotorua and Queenstown.

The combination of limited accommodation and changing visitor mix has adversely affected the tourism accommodation market in Christchurch.

Over the longer term it is expected that there will be a rapid change in the type of China visitor to New Zealand. New Zealand is likely to see an increase in independent travel and longer stay visitors as the market matures. These visitors will want to visit the main sights but will also travel more widely and most likely be driving rather than on coach tours.

The China market will continue to grow in the foreseeable future as the wealth of the country increases and its citizens take the opportunity to travel more widely. Chinese government policy is to promote outbound travel and this will be important in determining aviation patterns and hence the number of visitors New Zealand receives.

We expect that the European and American markets to recover as the economies recover from the Global Financial Crisis. While we are unlikely to see a return to the visitor numbers of 10 years ago from UK markets, other parts of Europe, USA, Canada, India, Indonesia, and South America are expected to be growing markets for New Zealand over the rest of this decade.

International Forecasts

The Ministry of Business, Innovation and Employment released seven year forecasts of tourism visitation in November 2012². There has been considerable criticism of these forecasts as being unrealistic, particularly in forecasting significant Australian visitor arrivals growth. Auckland Airport and other tourism industry organisations have prepared another set of forecasts that have also been released. In our view the Auckland Airport forecasts represent a more likely national scenario and these are presented here to indicate future trends in visitor arrivals³.

¹ Commercial Accommodation Monitor Year ended March 2008 – Year ended March 2013

² <http://www.med.govt.nz/sectors-industries/tourism/pdf-docs-library/tourism-research-and-data/forecasts/Tourism-forecasts-2012-2018-Nov-2012.pdf>

³ <http://www.ambition2020.co.nz/ambition2020/Ambition2020.pdf>

Table 2: International Visitor Arrivals Forecasts

Country	Actual Arrivals 2012	2020 Organic Growth Scenario ⁴	2020 Accelerated Growth Scenario	Compound Annual Growth Rate (Scenario 2)
Australia	1,156	1,487	1,566	3.9%
China	197	452	483	11.9%
UK	190	206	213	1.5%
USA	178	230	243	4.0%
Japan	72	81	97	3.7%
Germany	64	76	76	2.3%
Korea	53	57	67	3.0%
Canada	46	56	56	2.4%
Singapore	36	39	45	2.6%
India	30	53	58	8.7%
Malaysia	29	35	42	4.5%
South America	21	40	50	11.5%
Indonesia	12	18	33	13.2%
Philippines	10	15	21	10.0%
Other Countries	461	574	625	4.1%
Total	2,555	3,418	3,674	4.6%

⁴ The organic growth scenario assumes a business as usual case without any specific actions targeted at growing visitor numbers and is reliant on economic conditions in the source countries as key drivers of increased visitation.

The forecasts from both sources support continued growth in tourism to New Zealand at a rate largely consistent with long run trends of around 3-5% growth year on year. The Auckland Airport forecasts rely on faster growth expectations based on air services growth and also market recovery in UK Europe USA and Japan. The recent announcements of \$158m for tourism investment in additional marketing in high growth source markets and to promote New Zealand to high value visitors supports an accelerated growth scenario.

The recovery in traditional markets is particularly important for destinations such as Christchurch where these visitors comprise a larger proportion of the bed nights. This is because these visitors stay longer and travel more widely around the country.

Domestic Travel

Domestic travel has continued to grow with the increase in wealth and reducing costs of travel within New Zealand. The domestic travel survey records travel patterns of domestic travel within New Zealand and for the year ending December 2012 New Zealanders spent \$9.8 billion, which was the same as the previous year⁵.

Accommodation types used by New Zealanders has largely remained stable with the Hotel sector comprising around 12 – 14% of total nights away from the usual residence. Because tourism is a discretionary activity it is sensitive to overall economic activity. This has resulted in a decline in overall travel in 2012 as the economy was seen as static or declining. As the economy improves, it is expected that domestic travel will increase. However domestic travel also competes with international outbound travel by New Zealanders and therefore over the long term domestic travel patterns have generally only grown between 1 and 1.5% per annum.

Table3: Domestic Travel Survey: Accommodation types

Accommodation Types Used - Overnight	Year ended Mar 11	Year ended Dec 11	Year ended Mar 12	Year ended Jun 12	Year ended Sep 12	Year ended Dec 12
Total Number of Trips	15746680	17680867	18209907	18612649	18216854	16559428
Hotels	2022531	2155154	2107659	2211719	2134559	1989158
Motels	2606321	2605120	2685548	2807916	2828242	2574576

⁵ <http://www.med.govt.nz/sectors-industries/tourism/tourism-research-data/domestic-tourism/domestic-travel-survey-commentary>

Accommodation Types Used - Overnight	Year ended Mar 11	Year ended Dec 11	Year ended Mar 12	Year ended Jun 12	Year ended Sep 12	Year ended Dec 12
Backpackers/Hostels	298327	325359	293924	328503	312049	280111
Holiday Parks/Campgrounds	1303381	1476474	1489967	1521718	1456436	1276306
Owned Dwellings - Private	8743134	10248086	10691175	10843298	10596578	9501207
Total Number of Trips	15746680	17680867	18209907	18612649	18216854	16559428

2.2. Canterbury Region Trends and Forecasts

In the past Canterbury has largely followed national trends in tourism growth. Being the second largest city in New Zealand and the gateway to the South Island it's visitor flows have been consistent with those of the country as a whole. Whereas Auckland has been obtaining a greater share of visitors and visitor nights and small centres proportionally less, Christchurch has been at or slightly below the national average.

Forecasts of regional visitor nights were previously prepared by the Ministry of Tourism. The last set of forecasts were produced in 2010 and covered the period 2010 – 2016.⁶ Since the disestablishment of the Ministry specific regional forecasts are no longer produced.

Table 4: 2010-2016 Canterbury Visitor Arrivals Forecasts

Forecast	2009	2016	Growth Rate
Total Visits	11.9 million	12.579 million	5.6% or 0.8%p.a
Total Visitor Nights	13.13 million	14.502 million	10.4% or 1.4%p.a
International Visitor Nights	6.540 million	7.995 million	22.2%

⁶ <http://www.med.govt.nz/sectors-industries/tourism/pdf-docs-library/tourism-research-and-data/forecasts/regional-forecasts/regional-rto-forecasts-pdfs/Canterbury%20RTO%20Forecast%20Report%202010-2016.pdf>

Forecast	2009	2016	Growth Rate
Domestic Visitor Nights	6.591 million	6.507 million	-1.3%
Total Visitor Expenditure	\$2.303 billion	2.745 billion	19.2% or 2.5%p.z

The purpose of visit was expected to remain largely unchanged with the following distribution experienced in 2009 (the base year for the forecast) continuing for the forecast period.

Table 5: Canterbury Purpose of Visit forecasts

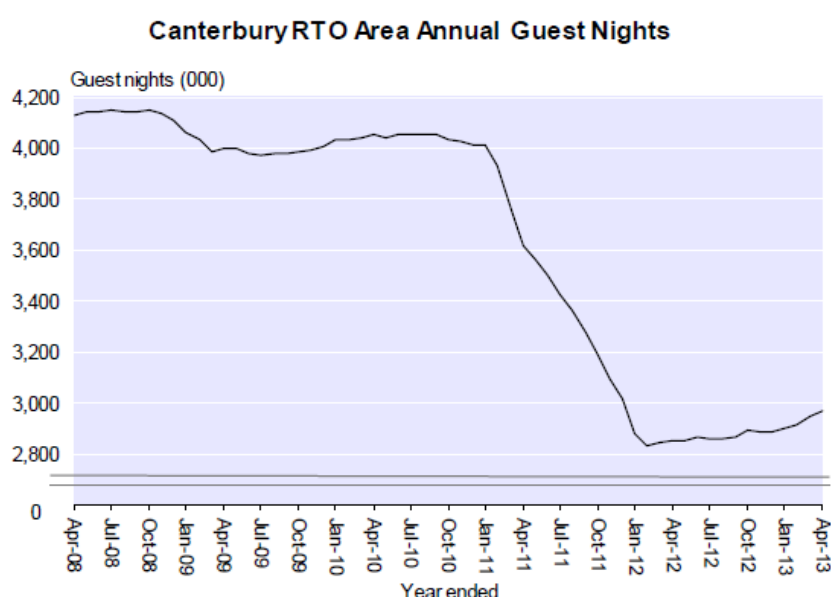
Purpose of Trip (overnights)	Holiday	Visiting Friends and Relatives	Business	Education	Other
International Visitors	76.3%	15.6%	3.3%	2.3%	2.4%
Domestic Visitors	46.6%	33.7%	16.4%	1.2%	2.1%

From these forecasts which predated the earthquake it can be seen that the key driver of demand was expected to be increased international visitation. Since these forecasts were prepared there has been a significant and rapid increase in the number of visitors from China. Had the City remained unaffected by the earthquakes we would expect that the forecasts would have been revised upwards to reflect the rapid changes in visitation trends. The overall pattern of purpose of visit was expected to remain largely the same as previously.

The table of annual guest nights shows the weakness in visitor arrivals being evident in 2009 and 2010 as a result of the extended effects of the global financial crisis (GFC) on leisure travel in particular. The GFC affected our traditional source markets and only the rapid growth of visitation from China and sustained visitation from Australia has maintained relatively stable visitor arrivals statistics for the country.

In September 2010 and February 2011 the major earthquakes affected Christchurch. The February event destroyed much of the CBD and this resulted in the dramatic decline in visitor arrivals to Christchurch as shown in the table of annual guest nights⁷.

Table 6:



Guest nights to the region have dropped by over 1 million nights for commercial accommodation. While this is dramatic, equally dramatic is the reduction in capacity which is even greater than the bed nights decline.

In August 2010 the region had 68 hotels being surveyed as part of the accommodation survey with a daily capacity of 4,726⁸. By May 2012 the survey reached a low point of 41 establishments with a capacity of 1706. This has subsequently recovered to 44 establishments with a capacity of 1943 as at April 2013.

In contrast there were 202 motels in the survey with 2953 capacity in August 2010, 194 motels with a capacity of 2,636 in May 2012. This has recovered slightly to 194 motels in April 2013 with a capacity of 2,726.

Backpackers have suffered a similar decline to hotels with the number of establishments going from a capacity of 3,784 in August 2010, declining to 38 establishments with a capacity of 1,966 and recovering to 2,485 in April 2013.

⁷ Statistics New Zealand (2013). *Commercial Accommodation Monitor: March 2013 Canterbury*. Wellington Statistics New Zealand

⁸ Statistics New Zealand Commercial Accommodation pivot tables

Overall Hotels and backpacker establishments have been the accommodation types most severely affected by the earthquake.

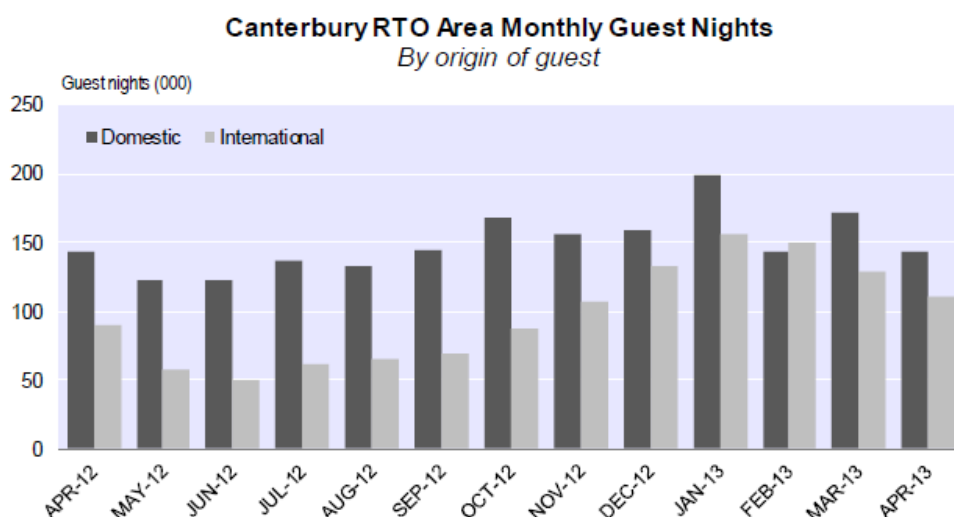
Origin of Guests

The effect of the declining number of Australian visitors and the generally suppressed state of the tourism industry in Christchurch can be seen in the origin of guest information for the region⁹.

As can be expected, domestic visitors involved in the rebuild activity are occupying more of the commercial accommodation in the region as there is no alternative accommodation and demand is high at the present time and for the foreseeable future. Prior to the earthquake international guest nights averaged 50% on an annual basis in the Canterbury region. In the peak tourism season international visitors comprised around 55% of all visitor nights and during the winter season this proportion fell to around 43% of all guest nights.

International visitors, deterred by the Christchurch situation, both in terms of tourism experience and, to a lesser extent availability and price are unlikely to return to being the majority of guest nights until there is increased supply of rooms in the City.

Table 7:



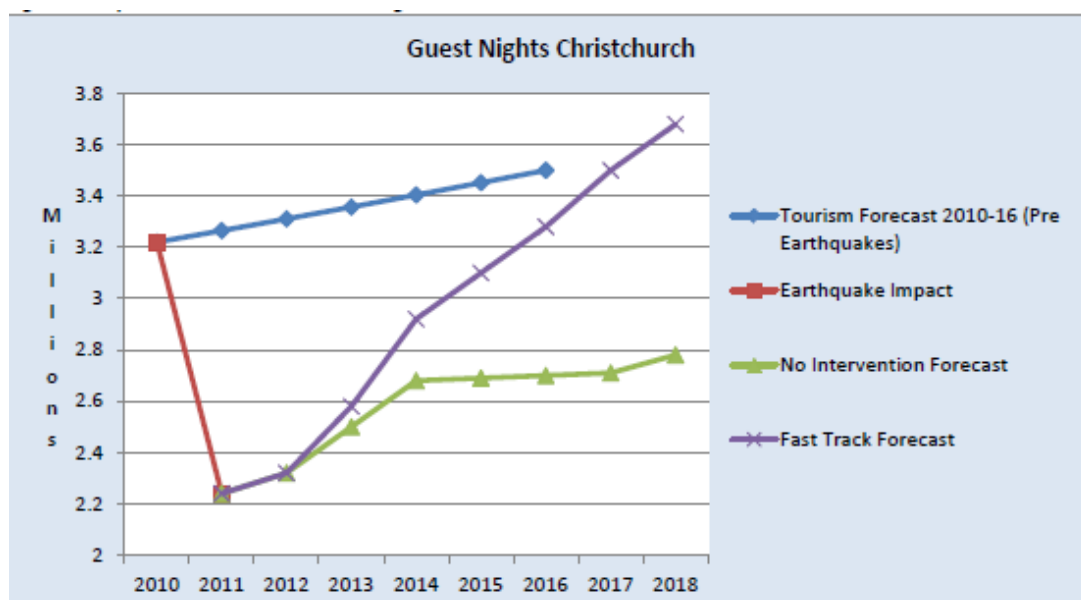
⁹ Statistics New Zealand (2013). *Commercial Accommodation Monitor: April 2013 Canterbury*. Wellington Statistics New Zealand

2.3. Christchurch City Information

Commercial accommodation in Christchurch is still severely affected by the lack of available rooms. Because the CBD is the worst affect part of the city the hotel and backpacker segments are the worst affected parts of the accommodation market.

Christchurch and Canterbury Tourism has produced its own forecasts of visitor arrivals for Christchurch City and this is copied below:

Table 8: Guest Nights: Christchurch



As shown in the March 2013 results from the Commercial Accommodation monitor¹⁰ information occupancy in the 21 Hotels that are currently open for business is at an all-time high at over 86%. New Zealand Hotel Council data for April 2013 for Christchurch reports an occupancy level of 87.70% for the month.

This occupancy significantly exceeds the national average of 59% for April 2013¹¹.

As at April 2013 there are 16 hotels open in Christchurch City against 38 prior to the earthquake. The number of rooms now stands at 1516 compared with the 4223 that were available previously. Hotels are the most severely affected accommodation category with a 64% reduction in capacity, followed by backpackers with a 48% reduction.

¹⁰ Statistics New Zealand (2013). *Commercial Accommodation Monitor: March 2013 Canterbury*. Wellington Statistics New Zealand

¹¹ Statistics New Zealand (2013). *Commercial Accommodation Monitor: April 2013 Canterbury*. Wellington Statistics New Zealand

This reduced capacity is reflected in the occupancy rates of the remaining hotels as well as the room rates and revenue per available room being achieved.

Table 9: Occupancy Rate: Christchurch Hotels for the quarter ending¹²:

Hotel Rating	3.0-3.5 Star	4.0 Star	4.5-5.0 Star	All Hotels
April 09	74.30%	80.30%	74.70%	76.50%
April 10	73.80%	80.60%	76.20%	76.20%
April 11				83.20%
April 12				85.40%
April 13				87.70%

The revenue being achieved has also risen with the increase in occupancy. At present revenue per available room in Christchurch is the highest in the country.

Table 10: Revenue per Available Room: Christchurch Hotels for the quarter ending:

Quarter Ending	3.0-3.5	4.0	4.5-5.0	All Hotels
April 09	\$73.69	\$91.48	\$117.07	\$95.32
April 10	\$68.34	\$90.52	\$107.86	\$92.46
April 11				\$111.14
April 12				\$129.49
April 13				\$142.00

The increased RevPAR supports the economics of hotel development in Christchurch with significantly increased rates since 2010. Detailed costings are required to assess whether the increased revenue covers the increased construction costs associated with the new foundation requirements in the CBD. This is an issue that will be particularly important as new build proposals are developed.

¹² New Zealand Hotel Council Statistics for April 2013. *Note that this only surveys members and is not a complete census of all hotels. Samples are suppressed where the sample size is small.*

3. Other Demand Drivers

3.1. Christchurch Rebuild

Canterbury has traditionally had a strong visitor market, hosting an estimated 13million visitor nights per annum¹³ before the magnitude 6.3 earthquake which struck the region on 22nd February 2011.

The earthquakes have resulted in very constricted accommodation capacity in the City since 2011. Residence in the city has decreased, with approximately one fifth (70,000 people) having left the city post- earthquake. While some of these people will not return (estimated by ANZ bank economists at 9,500)¹⁴, it is believed that others will come to live in the newly created city, with the population eventually building up to pre-earthquake levels.

While the Christchurch earthquakes have had a major effect in the short term on visitor arrivals and general economic activity in the City and region for the last two years, this period is rapidly coming to an end. It is estimated that in the year to September 2011 there was a decline in the working age population of 13,500. Nationally employment increased by 1.1% whereas in Canterbury employment fell by 8.8% over that period.

However by the end of 2012 the picture had changed dramatically. Since June 2012 there has been a net migration into the region and the population has increased with international, domestic and increased birth figures for the region. There are increasing labour shortages in the Canterbury region as the recovery process gets underway. Skilled job vacancies have doubled since 2010 and there is expected to be major long term growth in the region. The ANZ Bank's regional trends survey shows Canterbury's economic activity was 7.5 per cent higher in 2012 compared with the 2011 year.

The Department of Labour and CERA have carried out economic modelling of the future requirements of the rebuild process¹⁵. They estimate that there will be a requirement for around 24,000 additional construction related workers for the rebuild. There are a range of scenarios that have been used in the modelling which have resulted in a range of additional workers from 13,000 to 48,000 depending upon the speed of the recovery. In addition the commercial rebuild has not been factored into these estimates due to the uncertainty of the timing. The commercial rebuild is estimated to take over 15 years. As well as the direct construction workforce requirements, there is also the indirect labour requirement to support this population increase. The study estimates that an additional 13,000 other workers will be required to sustain this increase in population. This influx of workers and labour support represents a 12% increase in the workforce of Canterbury as at November 2011.

Overall the rebuild is estimated to require an estimated additional 37,000 additional workers in the region. These estimates were made before the full extent of the rebuild was known – our view is that these estimates were made when the rebuild costs was assumed

¹³ MED Revised tourism forecasts, 2011, using 2009 base data.

¹⁴ <http://www.in-business.co.nz/opportunity-knocks/>

¹⁵ <http://dol.govt.nz/publications/research/employment-opportunities-canterbury/eoc.pdf>

to be around \$20B. The latest estimate, as at April 2013 and announced by the Prime Minister, is for the rebuild to cost \$40B. This cost estimate may rise still as more detail is known about the rebuild costs and the degree of damage to some infrastructure becomes known. While the costs have risen there is not necessarily a proportional increase in employment, with the timeframes more likely to extend. In our view the rebuild will be a major driver of economic growth in the region for the next ten to fifteen years.

If even a small proportion of the additional labour occupies commercial accommodation it will be a significant additional driver of demand. Clearly many of the extra labour force will migrate to the region and occupy private accommodation. However a proportion will also travel to the region and utilise commercial accommodation. If this travelling population was 5% of the total additional workforce, (1850 people) then an additional demand for approximately 1500 rooms would be expected. Fulfilling this additional demand is going to be difficult under current estimates of growth in commercial accommodation.

With the rebuild starting to get underway the demand for accommodation is being reflected in many economic indicators such as the occupancy rates recorded for all types of accommodation.

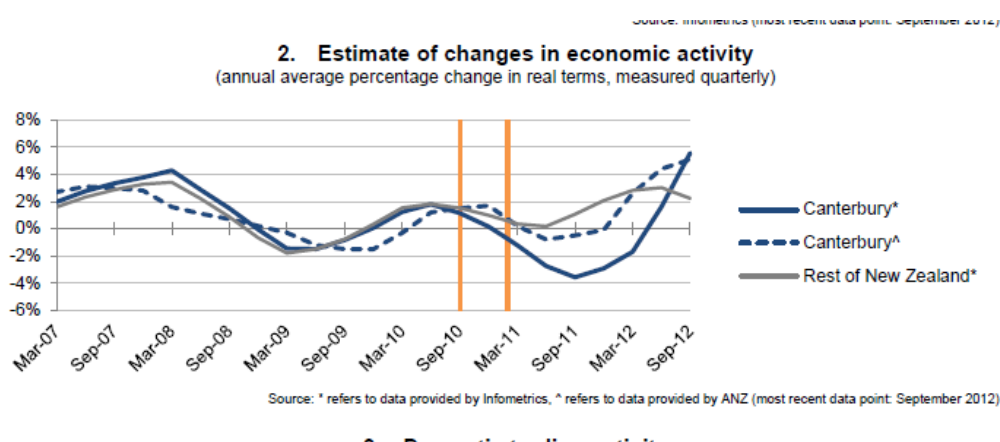
Table 11: Commercial Accommodation Performance

March 2013 Results ¹⁶					
Accommodation Type	Establishments	Capacity	Guest Nights	Average Length of Stay	Occupancy Rate
Number				Days	Per Cent
Hotels	21	45,663	59,689	1.79	77.83
Motels	130	60,698	98,634	2.05	86.04
Backpackers	24	39,029	27,615	1.77	65.84
Holiday Parks	15	61,659	27,673	2.02	24.86
Total	190	207,049	213,611	1.93	62.20

¹⁶ Statistics New Zealand. March 2013 Commercial Accommodation Monitor

Overall economic activity is accelerating rapidly and is expected to outpace the rest of New Zealand for some time into the future.¹⁷

Table 12



While different data sources provide different levels of recovery, the overall direction is one of strong economic growth driven by the rebuild. The economic activity will be a strong driver of business accommodation demand until the accommodation and housing supply matches the demand created by the additional labour force coming into the region.

3.2. Christchurch International Airport

Christchurch Airport as the second largest airport in New Zealand and the principal gateway for visitors to the south Island is a critical part of the tourism infrastructure. Its growth pattern will determine the growth in accommodation demand from visitors to the Canterbury region and Christchurch in particular.

The earthquake has severely affected travel demand into and out of Christchurch and this is reflected in the arrivals statistics for 2010 and onwards.

¹⁷ CERA Canterbury Economic Activity Indicators Report February 2013

Table 13: Christchurch International Airport Arrivals Data

Year	Total Passengers	International	Domestic
2015	6,006,298	1,683,220	4,323,078
2014	5,761,077	1,543,440	4,217,637
2013	5,517,426	1,381,763	4,135,663
2012	5,551,600		
2011	5,775,700		
2011	6,000,414		
2009	5,908,077		
2008	5,905,211		
2007	5,484,570		
2006	5,472,162	1,499,023	3,973,139
2005	5,556,325	1,489,660	4,066,665
2004	5,136,075	1,191,180	3,944,895
2003	4,593,219	1,021,384	3,571,835

However the airport has had a history of steady growth that is consistent with domestic and international arrivals data for the country. New routes stimulate new tourism and this was observed in 2010 with the arrival of Air Asia X from Malaysia. In the year that this route operated there was an increase of over 40,000 visitors from Malaysia through the Christchurch airport. There is a significant potential for growth with the right combination of new routes and price of airfares.

The forecast for growth by the Airport indicates an expectation of strong growth once the city starts to recover. A 10% increase in two years would bring the airport back up to pre earthquake levels of activity.

As can be seen from the forecast, a 30% increase in international arrivals is expected through the Airport. To achieve this there will need to be suitable accommodation and activities available to support the tourism traffic. The situation is a chicken and egg one, with significant growth unlikely to occur until the tourism infrastructure is in place. Once that occurs the more “normal” tourism travel patterns are likely to resume.

The current high level of Australian winter travel to Queenstown is expected to continue for some time. There will be strong competition between the destinations for this traffic in the future and once the tourism infrastructure is re-established in Christchurch. In addition new opportunities such as the Porters Ski development will drive new business to the region as well. This development will create new demand as a result of being the first ski in ski out resort in New Zealand. With a high standard of development this resort has the potential to create new and significant additional demand for the region.

In addition, the reported \$40B of rebuild will drive increased domestic travel to Christchurch. In particular, business travel levels are likely rise and are expected to be proportional to this level of economic activity over the rebuild period.

Auckland Airport Developments

While Auckland is not a perfect comparator for the Christchurch situation, some lessons and inference can be drawn from the hotel developments in the vicinity of the Auckland International Airport over the last 20 years.

Presently there are five hotels in the immediate vicinity of Auckland International airport. These have largely been established in the last two years as the airport has continued to develop the land within its boundaries.

Table 14: Hotel Developments: Auckland Airport Precinct

Hotel	Room	Quality	Date Opened
IBIS Hotel (formerly Formule 1 ACCOR)	125	unrated	August 2011
Sudima	153	Four star plus	May 2011
Novotel	263	Four star plus	April 2011
Bella Vista (formerly Ventura)	142	Three star plus	2008
Jet Park	167	Four star plus	1998

While much of the airport hotel development was opened in time for the Rugby World cup in 2011, the long term demand has justified this level of development at the airport precinct. Room rates at the airport hotels are stable and there is not deep discounting to attract business.

With 13.7 million passenger movements¹⁸, comprising 7.6M international passengers and 6.1M domestic, Auckland has a high volume of passenger traffic to create demand in the vicinity for accommodation.

In addition to the current hotel options there are a large number of motels dependent upon the airport and the travel that it generates for their guests.

Auckland also has a significant offering of hotels in the CBD that cater to a wide range of travellers and therefore the airport hotels largely cater to those travellers using the airport early in the morning and transiting to other flights.

While some hotels offer conferencing facilities, this does not appear to be a prime role for most hotels near the airport.

Wellington has only one hotel in the proximity of the Airport, the Brentwood hotel in Kilbirne, some 3.6km from the airport. It has 116 rooms and offers lower cost conferencing facilities and accommodation as its principal business. In addition it offers group accommodation and airport stopover accommodation as its other specialities.

By comparison, there are only two hotels in the vicinity of Christchurch airport with the Sudima having 208 rooms and the Commodore having 140 rooms. The Commodore has recently added 20 rooms in April 2013. In addition the Sudima has recently announced that it is proposing to proceed with a 40 room expansion and upgrade of its hotel on the airport site¹⁹. This brings the number of rooms within the airport area to 408 rooms.

Further down Memorial Avenue is the Airport Gateway Motorlodge with 40 apartment style units. This property also competes for airport business.

In the short to medium term, for the next 10 years, we would expect that occupancies will be higher than the pre earthquake situation and in particular driven by domestic business activity. Based on the Auckland situation, provided the offer is of high quality and connects well with the airport there is expected to be sufficient demand to enable additional capacity to be sited at the airport. After that period we expect that the airport hotel occupancy will be driven by the increased international visitors and domestic business travellers through the airport. The additional vehicle traffic on State Highway 1 should also make a substantial contribution to occupancy.

¹⁸

http://www.aucklandairport.co.nz/~media/Files/Corporate/Monthly_Traffic_Reports/2013/MTU_Month%2006_December%202012.pdf

¹⁹ <http://www.stuff.co.nz/the-press/business/8789553/Sudima-Hotel-plans-20m-upgrade>

3.3. Group Travel Tourism Demand

Group travel is still an important component of the tourism offering for New Zealand. While independent travel has grown significantly over the past 20 years, some argue that Coach travel may enjoy a renaissance as our international visitor markets and international visitors age.

Group travel relies heavily on suitable hotel accommodation and provides a strong base demand for hotels over the key summer season. Interviews with major inbound tourism operators resulted in a mixed view about the importance of a hotel located at the Airport.

Key points were:

For the next 5 plus years Christchurch CBD is unattractive from a visitor perspective and therefore groups will take advantage of any accommodation offer that can provide sufficient capacity. With that in mind, group operators would look favourably on new options outside the CBD.

A property that is four star is the most attractive to most tour operators and sits at the preferred quality/price point for visitors.

Airport locations are less preferable to CBD locations, provided there is plenty or nearby tourism amenities such as retail, restaurants and entertainment.

Some operators have adjusted their itineraries and are likely to retain the new approach with travel to Ashburton and Tekapo after pick up from the airport on the first day. This means that the tour bypasses Christchurch completely. However once there are activities and a more normal experience in the city the majority of this business will return. Christchurch is a tourism destination in its own right and therefore is an important part of the normal itinerary of visitors to the South Island.

Inbound operators considered that there is capacity over the longer term for an additional hotel near to the airport. Some were of the view that around 150 rooms was a suitable size for an additional property. The parameters were that the standard would need to be at the four star level and with a good level of service. The consensus was that there would be competition between the hotels in the vicinity for business in the longer term but that a good operator offering a quality product would succeed in the market.

Inbound operators also emphasised the timing of flights as an important ingredient in the success of airport vicinity hotels. With Christchurch a major pick up point for campervans and other vehicles, late night flights combined with next morning pick up of vehicles by independent international travellers is also an important opportunity.

Operators expressed considerable concern about long term prices, with additional build costs and new hotels being unaffordable for group business. They are looking for long term relationships with hotels that span many years. Tour operators generally brochure hotels two years in advance and so need certainty of price and a confirmed supply of rooms to work.

In our view there would be a ready market for some group tours business in the short to medium term. Retaining this business after the CBD has been redeveloped will depend upon price, facilities and the relationships established between the hotel and tour operators. Over the long term this business would be expected to migrate towards CBD hotels as a preferred option. However with a good hotel operator and a property that provided service at a four star level, there is a high likelihood of a successful business.

3.4. Western Corridor Improvements

The western corridor which connects northern and southern Canterbury has been identified as a road of national significance. As a result a major programme of work is proposed to upgrade the route so as to improve the traffic flow along this route. Most of the traffic on this corridor is heading to the central city, Hornby or to the airport. Less than 15% of the traffic is travelling further to the south. At 37,000 vehicles per day use this road which is among the highest traffic counts in Canterbury.

The Memorial Avenue site is perfectly located in the longer term to take advantage of this State Highway bypass along Russley Road and past the site. Provided access is readily achieved from both directions, the opportunity to attract passing traffic and to capture part of the travelling public will be significant. It is assumed that there will also be access from Memorial Avenue onto the site to any facilities that are established and any accommodation offering that is located on the site.

The recent NZTA consultation document for the proposed roading changes highlights the significant increases in traffic volume expected as a result of Russley Road being used as the main city bypass.

Russley Road is expected to carry 47,200 vehicles per day in 2026 which represents an increase of 14,200 vpd over the current traffic volumes. This is an increase of 43% over existing volumes.

Memorial Drive is expected to increase from 17,500vpd to 25,100 vpd, an increase of 43% over existing volumes.

Figure 1 — NZTA Traffic Impact Assessment Summary



The traffic volumes anticipated by the New Zealand transport Agency are consistent with the expected population growth projections of Statistics New Zealand. Two major population growth areas have been identified to the south at Wigram and Hornby, with additional growth centres to the North of Christchurch. The western Bypass therefore will be an important route that connects these population centres to the city and airport areas.

Employment growth has also been projected to rise significantly in the northern suburbs, around Hornby and to the south. In addition Harewood and the airport vicinity has been identified as an area of above average employment growth. These growth projections imply a significant increase in business activity in the Harewood area. Both population growth and employment/business growth are significant demand drivers for accommodation. In particular demand for business associated accommodation will be driven by significant business development activity in the vicinity.

The Memorial Avenue intersection will be an ideal site for accommodation as visitors use the new motorway connections and take advantage of the proximity of this area to existing and sporting facilities for events, the airport for early morning travel, and other purposes within the general area.

4. Christchurch Convention Centre Development

4.1. Christchurch Convention Centre Proposal

As part of the redevelopment of Christchurch following the earthquakes a suite of anchor projects have been identified for the Christchurch CBD. One of these projects is the Christchurch convention centre precinct. It is proposed that this precinct which is located adjacent to the Cathedral Square be developed as a coherent entity.

The key specifications that have been outlined in the expressions of interest for the development are:

- Site area: 20,000m² - 25,000m² (with hotel and retail)
- Building area: 27,000m² (with optional hotel and retail)
- Car parking: 14,000m² basement
- Ability to host 2000 plus delegates
- Flexibility to host concurrent events of 1000, and 2X 500 delegate events
- Building to be iconic and attractive to domestic and international conferences
- Must link to the other areas and enable public access to the Avon River, Victoria Square, and Cathedral Square

By way of comparison the previous Christchurch Convention Centre, located in Kilmore Street, had a floor area of 1850m² and with seven additional breakout rooms. It had a capacity of 2200 theatre style and could host dinners for around 1300 guests. The building could readily host three concurrent events. The convention centre had no dedicated parking and was not directly connected to any accommodation. There were three major hotels/ accommodation providers in the immediate vicinity. In addition, the convention centre was within 10 minutes walking distance from Cathedral Square. As a supplement to the Convention centre the Christchurch Town Hall also provided tiered seating options for up to 2500 delegates.

Essentially the registration of interest is seeking proposals to develop a similar sized convention facility to that which previously existed. The location is far superior and its connectivity to accommodation and parking opportunities makes the new facility very attractive from a conferencing point of view.

4.2. Development Process

The Christchurch City Development Unit (CCDU) called for expressions of interest to provide proposals and that closed on 7 November 2012. Twenty two expressions of interest were received and these have been narrowed down to five groups.

The process that was supposed to run was to have been resolved with decisions as to process and the results by February 2013. This timetable has not been followed with no public announcements as at mid June 2013. We understand that there are differences of view as to the scale and funding of the proposed development by the parties that are

responsible. As a result there could be considerable delays in progressing this development.

Although an opening date of 2017 was declared by CCDU for the convention centre, this looks highly unlikely. With the selection process already running some five months behind schedule at the second step it is unlikely that this time can be made up in the later stages of the development.

Given the experience of the National Convention Centre, with negotiations between Sky City and the Ministry of Business Innovation and Employment taking from 2009 to 2013 to resolve basic arrangements between the two parties, then progress in Christchurch could take even longer to conclude.

We understand that as at June 2013 there is no agreement as to what the sources of funding are, or the level of commitment by the Government or Council to support the development.

The implications for the CBD development and hotel development in the CBD in particular, is that further rebuild and new build will be delayed until there is certainty about the nature and scale of the convention centre.

While the convention centre is a major demand driver for accommodation, its importance should not be overstated. It is estimated that the convention centre once fully operation would generate additional visitation of between 49,000 and 72,000 delegates per annum. *This compares with a pre-earthquake visitation estimated at XX bed nights or delegate days per annum Get this data from Convention Stats..*

4.3. Other Convention Centre proposals: Siting criteria

Two significant convention centre evaluation exercises have been completed in recent years in New Zealand. A feasibility study for the National Convention centre was completed in 2009 as part of the process of exploring the viability of investing in a large convention centre for New Zealand

The study carried out in Auckland presented site selection criteria that are relevant to siting convention centres in urban situations. The report identified the following criteria:

The attributes listed in Table 15 were identified as the most important attributes for selecting a location for a proposed convention centre. These attributes were identified in consultation with industry representatives²⁰ and were consistent with feedback received from international convention centre operators consulted by the researchers.

²⁰ AIPC (International Association of Congress Centres) 2009, *Convention Centre Evaluation Criteria Checklist*,
<http://www.aipc.org/join/AIPC%20CC%20Evaluation%20Criteria%20checklist%202009.doc>.

Table 15: Selection Attributes for Convention Centres

Location selection attributes (in order of importance) Buyer attributes	Other attributes
Proximity to necessary number of hotel rooms (widest range preferable, predominantly four and five star)	Potential site size relative to proposed venue floor area requirements
Site access/egress	Profile/icon potential
Proximity to car parking	Potential economic return to the adjacent area(s)
Proximity to public transport facilities	Ability to future-proof for growth
Flexibility/synergy with existing/nearby meetings infrastructure	Private sector investment (precinct development likely to attract greater investment)
Proximity to entertainment/retail/food and beverage	

Other important factors included:

- transport available from the nearest airport
- tourist and leisure attractions within the immediate locale
- support services available within the region, including transport companies, conference organisers, exhibition stand contractors and other meeting related services

An evaluation was then carried out for five potential sites around the Auckland CBD. As noted in the report, all recent convention centres in Australia and New Zealand have been sited either in the CBD or on the CBD fringe. Sites such as the Wynyard quarter and the Rail yard (by Vector arena) were discounted because of their lack of facilities and distance to suitable hotel rooms. In carrying out the analysis a 15 minute walk by conference delegates was seen as the acceptability cut-off for parking and accommodation. Ideally the preferred situation for both conference attendees and conference organisers is to have contiguous facilities.

In many cases, large convention centres are constructed as part of more comprehensive precinct developments that include hotels, restaurants, bars, retail, and in some cases office and residential development as well. Apart from the planning advantages, adjacent attractions and amenities capture a greater share of the benefits from conference activity.

In addition other uses often have higher rental rates and therefore provide addition levels of income for the overall development.

There is currently under consideration by the Queenstown Lakes District Council a proposal for a new Conference Centre in Queenstown. This facility is recommended to be capable of hosting 800 delegates²¹ The proposed site in Main Street is within 500 metres of the centre of Queenstown and the major hotels in the town.

The proposal for Christchurch therefore fits the criteria used for site selection in Auckland for the National Convention Centre. It also adopts a precinct approach to ensure congruence with the surrounding public spaces and development. It is likely that this approach also will improve the economics of the convention centre, thus reducing the public costs of the facility.

Hotels within a radius of less than 15 minutes walking distance will be the preferred accommodation for delegates. In general conference organisers prefer to deal with a fewer number of hotels and to offer a range of room standards at a range of prices to delegates. The majority of delegates will take up the accommodation offer that is included with registration and booking processes offered for the conference.

4.4. Memorial Avenue Site and expected Convention Centre Demand

Given that the Memorial Avenue site is 10 km from the proposed convention centre location the likelihood of significant market demand being driven by conference delegates is low over the long term.

In the short term other factors may alter the long term outcome. These are:

- Convention centre build does not include hotel services and a shortage is created.
- Slow development of complementary hotel services as a result of delayed convention centre construction
- Economics of CBD hotel development a deterrent to sufficient development to meet demand and/or room rates are higher than the market will bear and cheaper alternatives are sought. (although conference delegates will generally pay higher prices for convenience)
- Low cost parking associated with the convention centre incentivising domestic delegates to drive and park

On balance we consider there may be a small pickup of conference business in the initial stages of redevelopment of the conference centre precinct. But over the longer term a

²¹

http://www.qldc.govt.nz/images/content/your_council/Conference%20Centre/Queenstown_Conference_Centre_Report_23_July_2012_-_Final_excluding_appendices.pdf

hotel at the Memorial Avenue site will be mainly dependant upon road and air travellers for the majority of its business.

International delegates are very unlikely to utilise accommodation at Memorial Avenue when attending a conference due to the distant location and the lack of complementary tourism and hospitality choices.

There may be limited use by delegates that choose to use the convenient airport location because of early morning flights, but we do not consider that this will be a material part of the customer base.

A high quality hotel near the airport may be a beneficiary of convention centre business when there are large conferences on by the “crowding out” effect of the conference. When the hotels are full and travel is last minute, visitors may choose to stay out of the CBD and link their accommodation to travel plans rather than pay premium prices in the CBD.

We therefore consider that there will be little long term impact of a hotel situated at Memorial Avenue on the long term convention centre and associated CBD hotel operations.

5. Future Scenario for Hotel Development in Christchurch

5.1. Christchurch Visitor Sector Recovery Plan

Christchurch and Canterbury Tourism have developed a recovery plan (*reference*) that reflects a range of initiatives that it has identified as being necessary to ensure the city recovers to its pre earthquake tourism levels of activity. Tourism has been identified as a key driver to achieving economic recovery and revitalising the City.

There are four key projects that have been identified as delivering on the recovery. These are:

- New “pop up” Transitional City
- Re-instatement of Hotel and Backpacker Accommodation
- New Christchurch Convention Centre
- Air Service Development

The development of commercial accommodation within the city is therefore seen as vital to the restoration of the tourism sector. The recovery plan advocates subsidies and Government support to accelerate the rebuild or new build of sufficient capacity to enable the return of a significant proportion of the international visitor population that used to visit Christchurch. Without the additional accommodation there is no opportunity for additional visitors, and even the existing flows of visitors are facing higher costs and limited options to stay in the city.

While to a certain extent this is a chicken and egg situation, current low international visitation and high domestic demand is already causing the situation of demand exceeding supply. Occupancy rates in Ashburton and other surrounding towns have risen significantly indicating that there has been spill from Christchurch due to the lack of available accommodation.

Group travel has re drawn its itineraries to cope with the lack of city accommodation and also the inability to obtain bulk rooms at a suitable rate.

Some redevelopment has already occurred since the earthquake. Key points to note are:

- Hotel Development
 - Copthorne Commodore 20 additional rooms April 2013
 - Rendezvous Hotel 171 rooms reopened May 2013
 - Novotel 144 rooms due to open August 2013
 - Latimer Hotel 125 rooms due to open October 2013
 - Sudima Hotel announced an additional 40 rooms June 2013
- Infrastructure Development
 - Christchurch Gondola reopened
 - New Regent Street Reopened
 - New Court Theatre reopened

- Convention Centre Expression of interest process started.

What is clear is that the rate of decision making and planning for redevelopment of the CBD is not proceeding at a pace that will ensure the city is restored within the next two years. Many of the key infrastructure components are likely to be behind the proposed schedule. This has the effect of creating uncertainty about the timing of additional visitor demand and consequently delaying decisions about the timing and certainty of further accommodation development in the CBD.

Other factors also have a bearing on why we think that redevelopment of the CBD to a pre earthquake experience will be slower than anticipated. These are:

- Delays in infrastructure redevelopment that requires additional capital to that provided through insurance payments²².
- Convention centre, Metro sports facilities, delays in decisionmaking that will delay construction resulting in a limited ability to host additional conferences and major sporting events in the near term
- Additional capital costs, while quoted at between 5 and 7%²³ for Christchurch post-earthquake, could be substantial if poor foundation substrates are identified on CBD sites
- Flight of capital to other ventures and/or other locations.
- Inability to obtain labour and other skills and resources to progress reconstruction to the desired timetable.
- Support from Government for core infrastructure does not match costs.

In our view the recovery roadmap for accommodation is optimistic and we would not be surprised if there are no additional hotels committed until the convention centre rebuild is underway.

5.2. Hotel Development Scenario

In addition with the degree of uncertainty we do not consider that there will be a rush by multiple parties to build hotels until there is further clarity about the economics of CBD hotels.

A number of hotel owners have already been paid out for the losses of previous buildings and are therefore in a cashed up position to proceed. But there is limited evidence as at June 2013 of any firm commitments from those organisations to rebuild the hotel inventory that was lost in the earthquake.

Until there is clarity about the commitments to build the convention centre, the new building standards and construction costs in the CBD, we think that new accommodation development will be later rather than sooner. In addition, demand for hotel

²² Insurance is estimated to cover 80% of the rebuild costs. This leaves 20% of the rebuild costs to be covered from other sources.

²³ <https://invest.ccd.govt.nz/documents/all?page=1> Holmes Consulting Christchurch Building Costs

accommodation is rising in Auckland and there may be a relocation of investment to this city and away from Christchurch.

We believe that the overall shortfall in accommodation supply will last for at least the next five years as decision are made and build of new facilities begins. In about five years' time the city should be more attractive as a tourism destination and international visitation will begin to rise substantially. With the Airport company being active and the trend of increasing China visitors and a recovery in our traditional markets we expect that visitation to Christchurch will recover rapidly in this timeframe. While this is occurring domestic demand for business accommodation will continue for at least another five years as the infrastructure rebuild continues. The combination of increased international demand for commercial accommodation, combined with domestic demand is likely to keep occupancy and room rates above the long run average for at least 10 years.

There is limited information available about the economics of hotel development in Christchurch, but current information²⁴ indicates that four star developments with around 150 rooms will deliver the required return on capital for investors (around 8-9%). The additional demand has led to increased room rates which have changed the economics of hotel development in Christchurch. However it is unclear whether the increased returns will fully offset additional construction costs in the CBD at this time. As a result developments outside the CBD having a lower cost structure, provided they can attract visitors, will have an advantage at the present time.

With such a strategic location and the high visibility the site offers, we would consider this option to be attractive to major hotel chains that are looking for additional presence in New Zealand and Christchurch.

5.3. Motel Options

While hotel developments are likely to maximise the revenue per square metre of land, there is also the option of having a motel/motor hotel type developments on the site. At present occupancy levels in Christchurch for this type of accommodation are extremely high as workers involved in the rebuild express a preference for self catering facilities and greater room size that motels offer.

The rebuild is expected to continue for some time as previously discussed. As a result the economics of this type of accommodation is attractive for the foreseeable future. Investigations of optimum size and profitability have been inconclusive about whether there is an optimal size of facility. In essence the larger the business the greater the labour costs which offsets a lower fixed cost per room. *Seeking further clarification on this*

²⁴ Horwath HTL, 2012 Christchurch Hotel Industry Development Feasibility Outlook prepared for *Christchurch and Canterbury Tourism* 5 April 2012

Based on anecdotal evidence it would appear that motels in the 13 – 17 unit size are the most profitable on a per room basis. For such a large site it is likely that a “double” operation, i.e 25 – 30 unit business may be more cost effective. In discussion with motel experts, the view was that a business of up to 50 units could be established if the passing traffic was sufficient to support that scale of operation. The scale of the potential motel will to a large extent depend on the land available and also the land cost. As an initial consideration we think a 25-30 unit motel offer should be tested in the market. Once motels get to large scale operations, there is the expectation of additional services such as restaurants and other eating options nearby. Depending on the considerations for the rest of the site, provision of food and beverage outlets in the immediate vicinity to accommodation would be a highly complementary offering for visitors.

6. Conclusions

6. Conclusions

The combination of domestic demand resulting from the Christchurch rebuild, combined with the recovery of international visitation is expected to ensure that there is excess demand for commercial accommodation in Christchurch for the next decade.

New developments such as the Convention Centre and Metro Sports Arena will lead to additional demand for accommodation as a result of revitalised conference activity and new events that utilise the new venues.

All of these tourism initiatives will increase demand for commercial accommodation.

Supply of commercial accommodation will rise to meet demand over the longer term, with CBD redevelopments being initiated once there is certainty about timing and the economics of new construction.

A new accommodation option at the Memorial Avenue site is therefore likely to be well supported in the medium term as the city rebuilds. It has the additional advantage of being able to meet site will meet some of the demand from passing traffic on state highway 1. Over the longer term increased population and employment growth in the western and northern parts of Christchurch will provide source catchments for accommodation in the airport area.

As the Airport increases its visitor arrivals there will also be increased demand for an airport hotel serving travellers that wish to stay close to the airport for early morning departure and late evening arrival flights.

This combination of source markets makes the site at Memorial Avenue a good location for new Accommodation to meet the needs of international and domestic visitors to Christchurch.

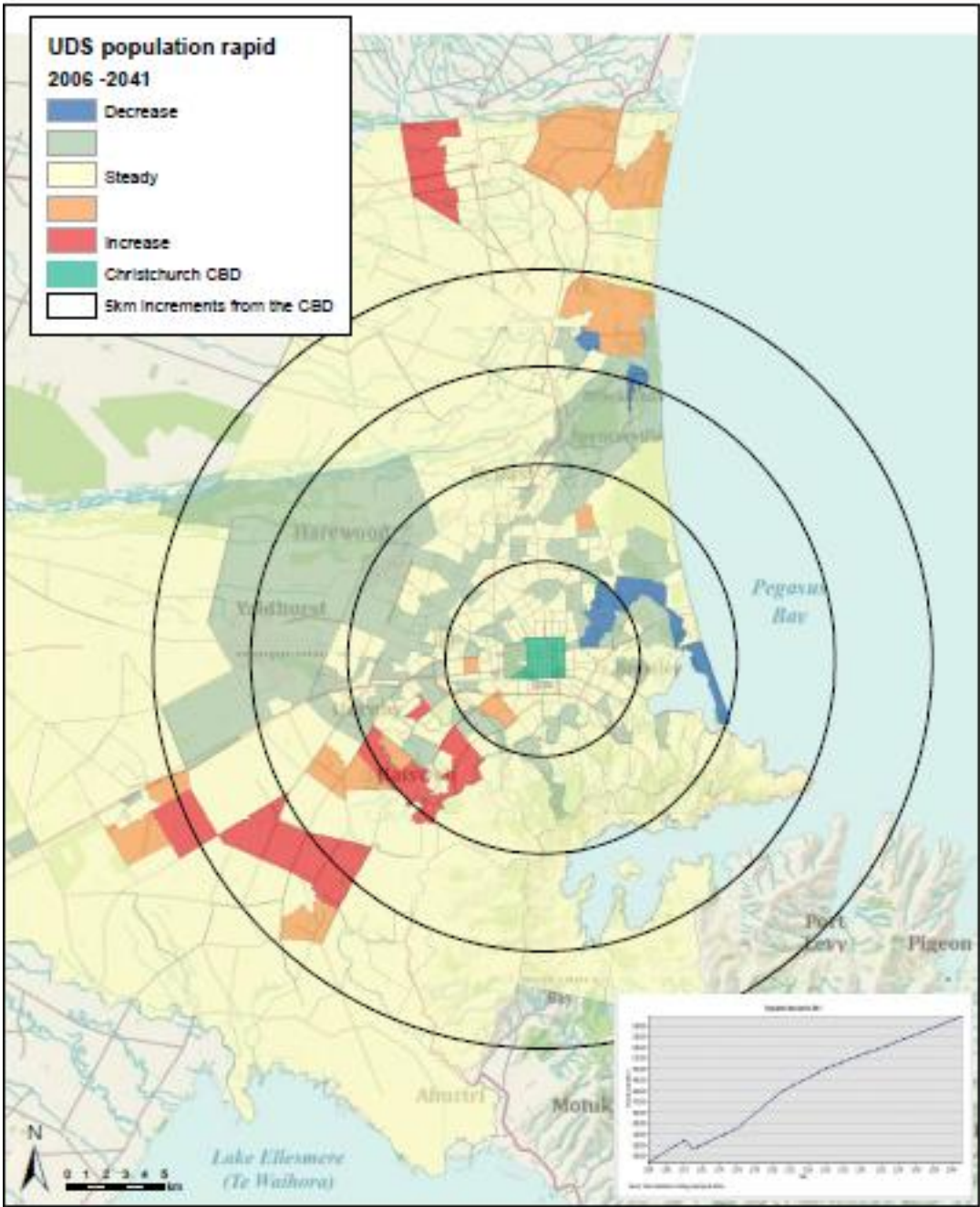
Four star standard accommodation for both hotels and motels at present offers the greatest profitability for owners and operators. This represents the best return for the capital and operating costs associated with different levels of service and facilities.

For the Memorial Avenue site we consider that a 150- 200 room Hotel of a four star standard would offer the best accommodation option for visitors, both international and domestic.

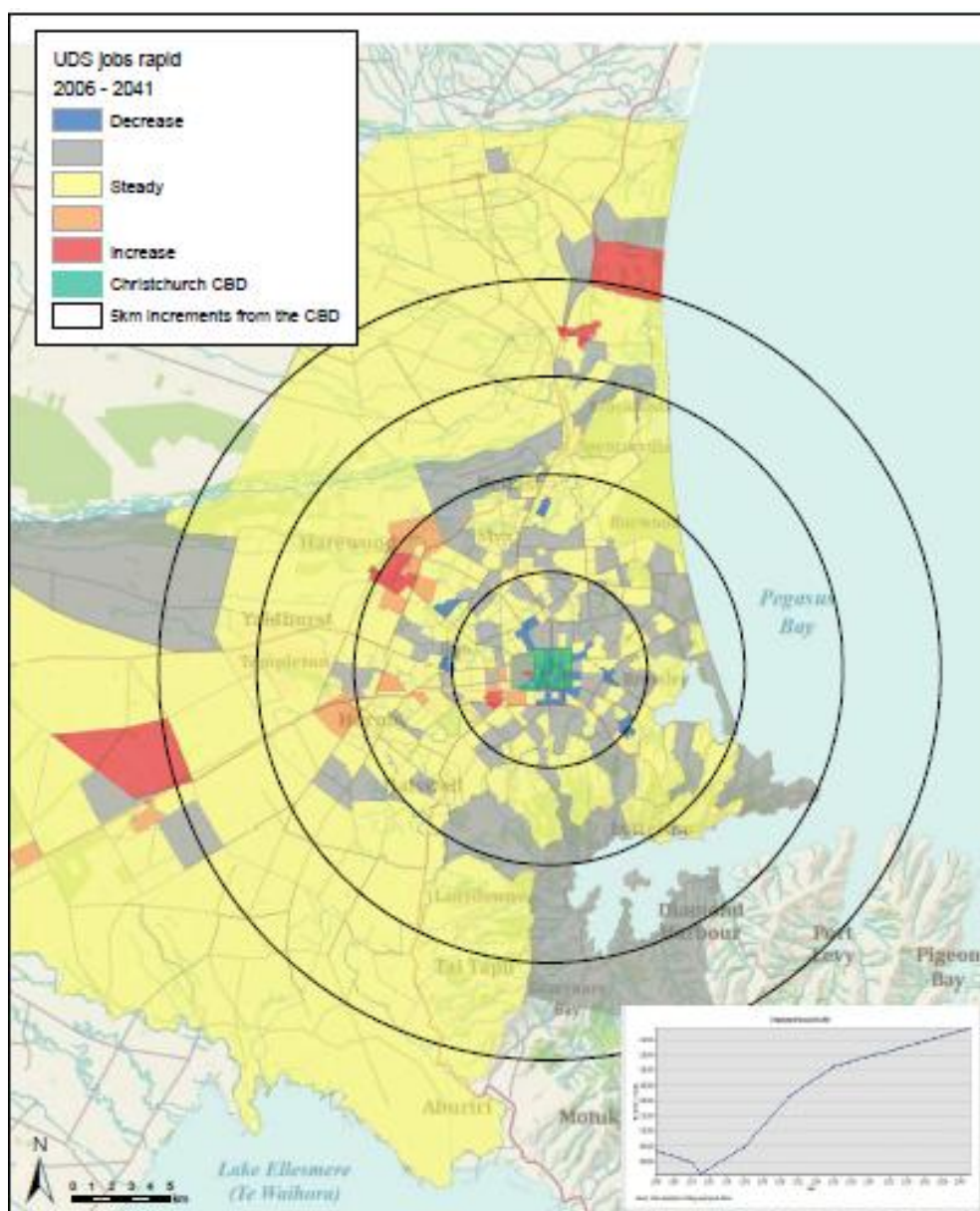
An additional option would be a motel or motorlodge of a four start standard of around 30 units and possibly up to 50 units depending upon land availability. This would be particularly attractive to the domestic market.

The site has considerable advantages with its proximity to the airport, strategic location on the State highway 1 bypass and high visibility to passing traffic. This combination of attributes makes the site a desirable location for new accommodation for Christchurch.

Appendix 1: Forecast Population Growth in the Canterbury Region



Appendix 2 Forecast Job Growth in the Canterbury Region



CHRISTCHURCH TOURISM RECOVERY ROADMAP

Current operating status as at June 2013

ACCOMMODATION		VISITOR ATTRACTIONS		CLASSIC CITY TOURS		CONFERENCE INFRASTRUCTURE	
City Centre Accommodation	10	City Centre Attractions	10	Classic City Tours	10	Conference Infrastructure	10
Hotels	118	City Centre Attractions	10	Classic City Tours	10	Conference Infrastructure	10
Backpackers	20	City Centre Attractions	10	Classic City Tours	10	Conference Infrastructure	10
Bed & Breakfast	10	City Centre Attractions	10	Classic City Tours	10	Conference Infrastructure	10
Self-Catering	10	City Centre Attractions	10	Classic City Tours	10	Conference Infrastructure	10
Apartment/Bed & Breakfast	20	City Centre Attractions	10	Classic City Tours	10	Conference Infrastructure	10
Total Property	188	City Centre Attractions	10	Classic City Tours	10	Conference Infrastructure	10
Total Rooms	6823	City Centre Attractions	10	Classic City Tours	10	Conference Infrastructure	10
Bed per 100 capacity	30%	City Centre Attractions	10	Classic City Tours	10	Conference Infrastructure	10

RECOVERY ROADMAP

2013

Accommodation:

- Copthorne Commodore Hotel** - 34 rooms, completion of new hotel wing
- Rembrandt Hotel** - 117 rooms, re-opens after 100 years
- Quest Christchurch Serviced Apartments** - 75 rooms, re-opens in city
- Chateau on the Park** - 100 rooms, completion of new hotel wing
- Airport Gateway Motor Lodge** - 16 additional rooms
- Hotel Euro** - 100 rooms, completion of new hotel wing
- Novotel Hotel** - 160 rooms, re-opens in city
- Thomas Hotel** - 60 bedrooms and budget hotel of rooms
- Latimer Hotel** - 120 rooms, completion of new hotel wing

Visitor Attractions & Infrastructure:

- Quake City Exhibition** - opened in the 100th Year
- New 900 person Conference space** - completed at Air Force Museum of Weapons
- Christchurch Gondola** - opened on the Port Hills
- New Regent Street** - re-opens with restaurants, bars, shops
- Avon River Precinct** - physical work begins
- Cathedral Square** - partial opening to public in winter
- New Cathedral Cathedral** - opens in Latimer Square
- New Convention Centre** - design opens completed and 100% confirmed
- New Carlton Hotel** - opens in winter only
- Market Square at Arts Centre** - re-opens for visitors
- The Tannery** - opens in winter with 70 bedrooms and 100% confirmed

2014

Accommodation:

- Sudima Hotel Upgrade** - due for completion
- 2 x Major Hotel Developments** - announced by mid 2014
- 2 x new Motel completions** - 100 rooms, 25 units each
- All Seasons Hotel** - 100 rooms, re-opens in Christchurch
- 2 x new Backpacker Lodges** - 100 rooms, open for 2014/15 summer

Visitor Attractions & Infrastructure:

- Christchurch Art Gallery** - re-opens after 100 years of work
- New Convention Centre** - building commences
- Cashel Mall Retail & Hospitality Development** - opens to public
- "The Strip" Bar & Restaurant precinct** - re-opens on Oxford Terrace

2015

Accommodation:

- 2 x new Motel completions** - 100 rooms, 25 units each
- 1 x new Backpacker** - 100 rooms, open for 2015/16 summer
- Rydges Hotel** - 200 rooms, re-opens after 100 years

Visitor Attractions & Infrastructure:

- Hagley Oval Upgrade** - completed for Cricket World Cup
- Arts Centre - Clock Tower, Grand Hall & Student Union** - relocation work completing up to 100 years
- New Ormeau Park Golf & Attractions** - opens

NUMBER OF ROOMS

	Dec '12	Dec '13	'15
Hotel	1,815	2,000	1,875
Backpackers	1,000	1,000	1,000
B & B	400	400	400
Bed & Breakfast	200	200	200
Apartment/Bed & Breakfast	200	200	200
Total	3,615	3,800	3,675

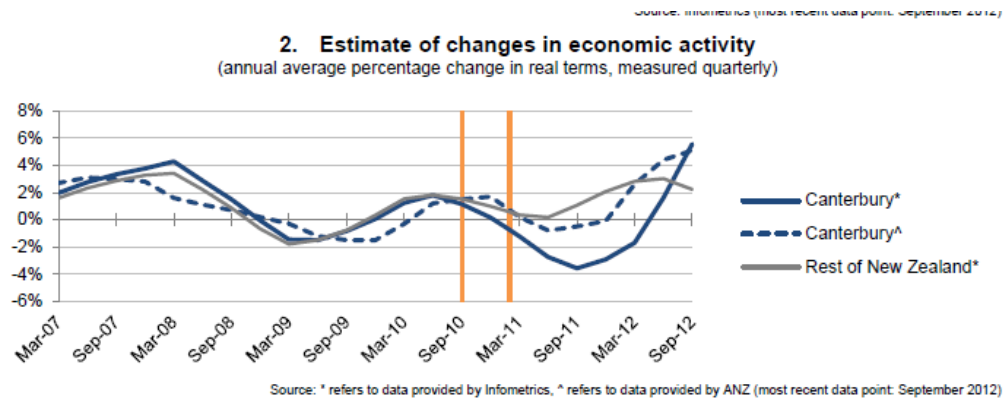
Christchurch
a Canterbury Tourism
initiative

Prepared by Christchurch & Canterbury Tourism 2013

www.christchurch2013.com

Initial work done in the 100th year of the city

accelerating rapidly and is expected to outpace the rest of New Zealand for some time into the future.



While different data sources provide different levels of recovery, the overall direction is one of strong economic growth driven by the rebuild.