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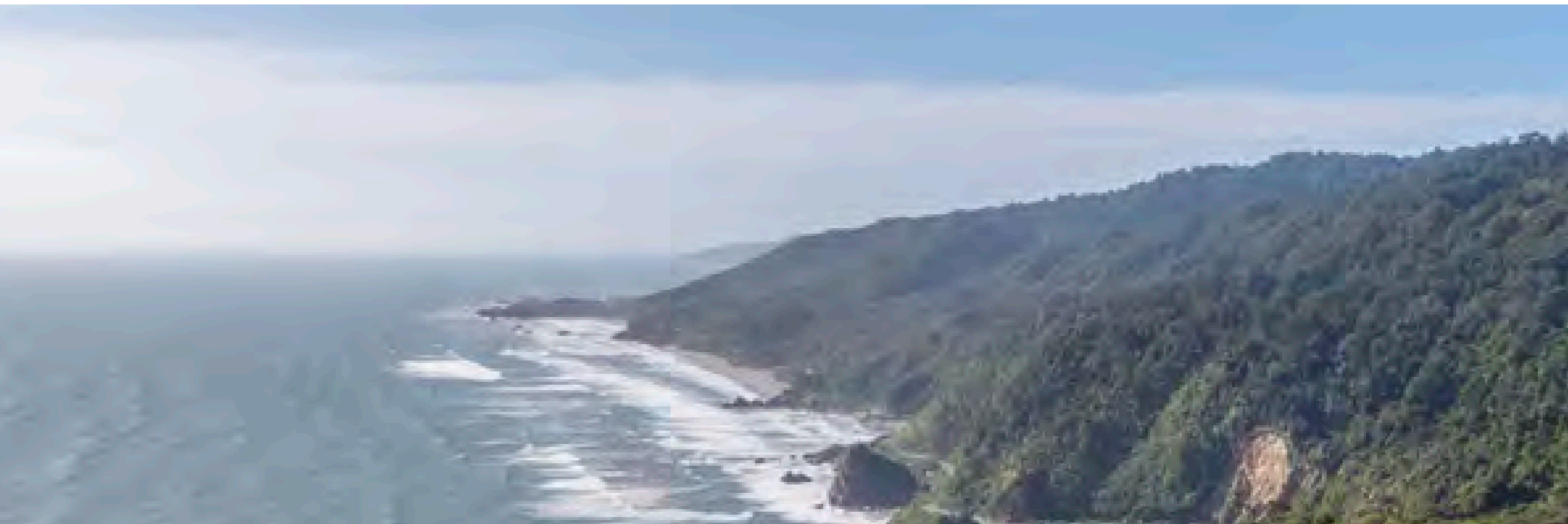

Market Overview

Assessing the demand for accommodation development on the West Coast, South Island.

December 2018

CHRIS BLACK

Hospitality & Tourism Consultant

Scope of Works

Development West Coast (DWC) commissioned this report to assess the market demand for further accommodation development in the three West Coast towns of Westport, Greymouth and Hokitika. This report's primary focus was to present the current and future projections of the accommodation market and visitors to these three towns, assessing competitor products and business potential for new accommodation.

As the West Coast is not represented in the statistical accommodation data provided by Tourism Industry Aotearoa (TIA), the dataset from the Commercial Accommodation Monitor provided by Statistics New Zealand has been used. We have examined this data to understand the supply and demand for the commercial accommodation market on the West Coast. We have also used anecdotal evidence from local leaders and businesses to understand potential demand drivers to the West Coast.

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A Macro Snapshot

New Zealand's Inbound Tourism Market

International visitor arrivals to New Zealand continue to break records.

Arrivals

Visitor numbers to New Zealand broke the 3.5 million mark for the first time in 2016 and continue to exceed official forecasts. Inbound arrivals reached 3.7 million in the June 2018 year, up 4 percent from the June 2017 year.

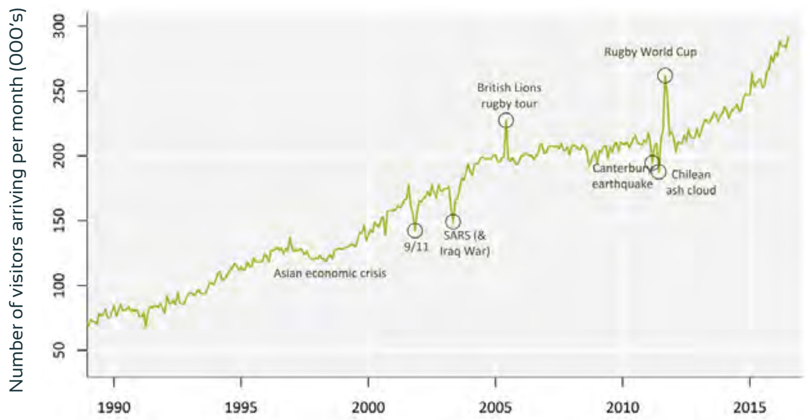
Visitor Spend

International visitor spend surpassed $10.8 billion for the first time in the June 2018 year (up 9 percent from last year).

Purpose of visit

52 percent of visitor arrivals to New Zealand in the June 2018 year were on holiday (1.99 million arrivals). 28 percent were visiting friends and relatives (1.09 million), and business travel accounted for eight percent (301,000) of visitor arrivals.

Seasonally adjusted visitor arrivals to New Zealand



Source: Statistics NZ

This continued growth is driven by increased air connectivity between key inbound markets, increased offshore marketing and lower fuel costs. Tourists are predominantly attracted to New Zealand's unspoilt natural environment, safe reputation, welcoming population, unique Māori heritage, and a world-class hub for adventure tourism.

2024 Forecasts - International Visitors

5.1 million
Total visitor arrivals set to grow at 4.6% pa

$14.8 billion
Total visitor expenditure set to grow at 4.9% pa

96.7 million
Total visitor nights set to grow at 5% pa

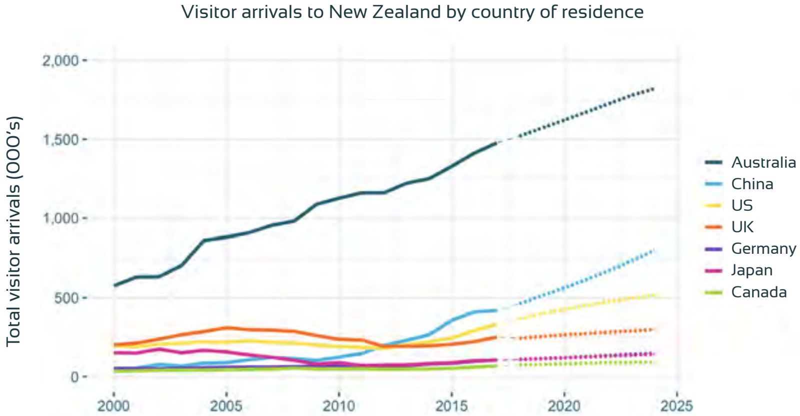
Key International Markets for New Zealand

The marketing focus for Tourism New Zealand (TNZ) remains on the top six core markets which made up 71.3% of total international arrivals for the year end June 2018:

Priority One - Australia, China, USA
Priority Two - UK, Germany and Japan

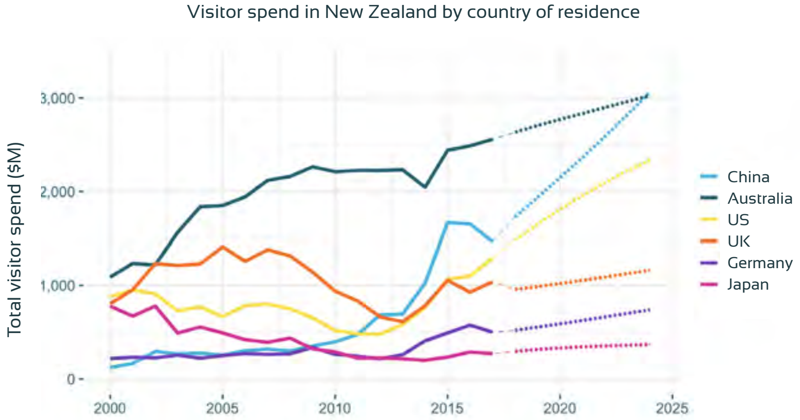
Arrivals by Country

China and Australia are set to remain key markets in the coming years, with combined arrivals from these two countries projected to account for 55 percent of visitors by 2024.



Spend by Country

Australia is currently the largest market by spend, but China is projected to overtake it by the end of 2024. Chinese visitors are staying longer and spending more with the majority staying one to two weeks in New Zealand.



Source: Statistics NZ & MBIE

Refer to Appendix One for full summary of key tourism statistics

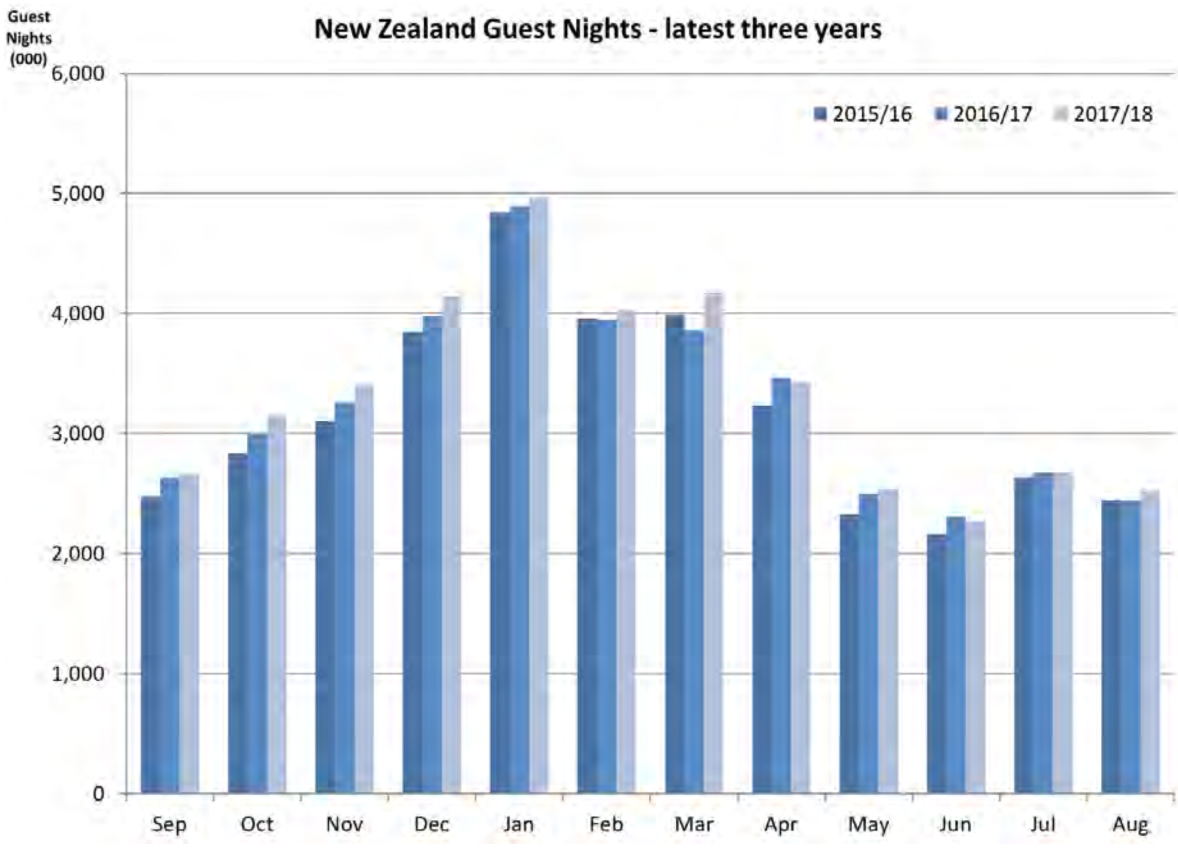
A Growing Industry

New Zealand's Commercial Accommodation Market

In line with the increase in visitor arrivals, commercial accommodation providers across the country are also experiencing growth.

Growing guest nights

Year on year total guests nights in New Zealand continue to reach record highs. For the year end June 2018, there were 39,893,000 guest nights, up two percent from the previous June year. The combination of strong growth in international visitor arrivals over the past five years and minimal additions to accommodation inventory has resulted in a critical shortage of rooms during peak periods in the main tourism areas of Auckland, Rotorua, Wellington, Christchurch and Queenstown.



Source: Statistics New Zealand

Occupancy Rates

The shortage of accommodation is reflected in record occupancy rates. For example, Auckland achieved overall occupancy of 70.2 percent in the July 2018 year-end, with hotels alone achieving 84 percent. Similarly, Queenstown achieved overall occupancy of 70.9 percent in the July 2018 year-end and 82 percent for hotels alone (the average occupancy rate ceiling is generally considered to be 90 percent).

This demand and supply imbalance means there is little scope for occupancy rates to increase during peak periods in the five main areas. As a result, occupancy is projected to remain elevated in these regions experiencing historically high occupancy and to increase in regions with scope for growth.

Rising Numbers

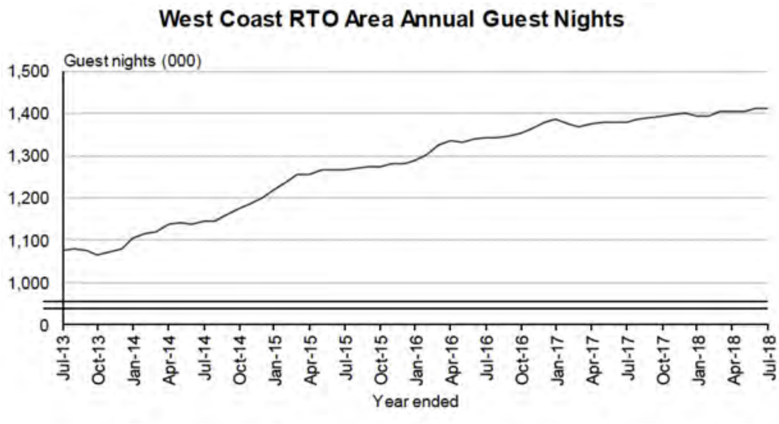
West Coast Guest Nights

Tourism on the West Coast has been steadily on the rise in recent years. This is reflected in the increase of guest nights as well as visitor expenditure rising and employment in the tourism sector growing by around 140 jobs. According to the MBIE regional summary for March 2018 year, the West Coast had the fastest growing tourism spend in the country which rose 14 percent to $557 million.

West Coast Guest Nights at a glance

For the July 2018 year compared to the previous year:

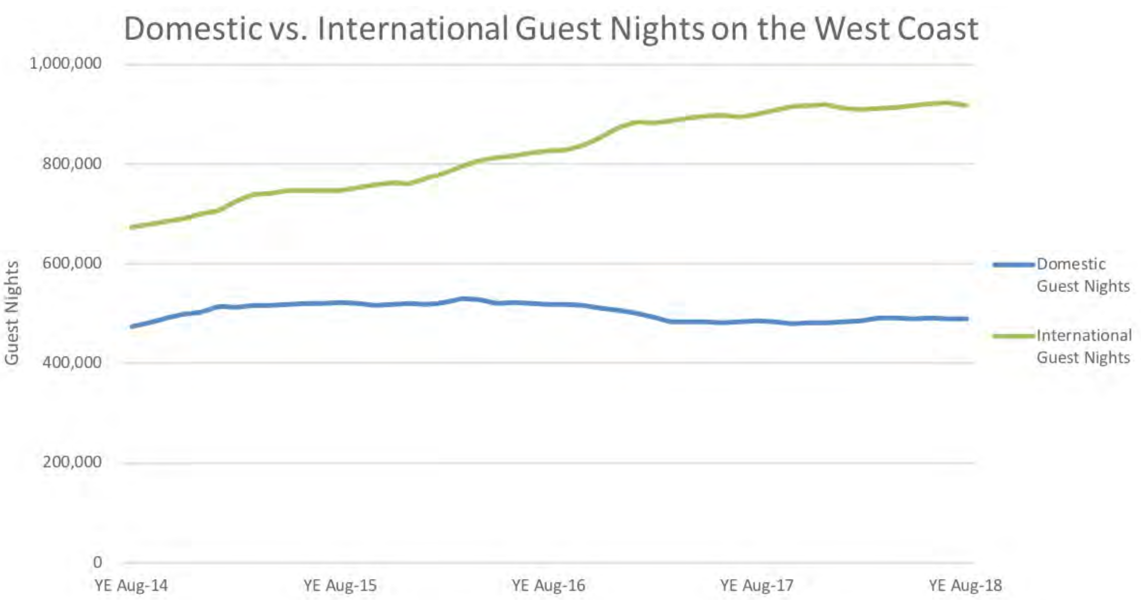
- International guest nights rose by 3.1% to 922,140
- Domestic guest nights rose by 1.4% to 489,341
- Average length of stay increased from 1.40 nights to 1.44 nights



Source: Statistics New Zealand

International vs. Domestic Guest Nights

Total guests nights in commercial accommodation on the West Coast have been steadily on the rise for the past five years. Guest nights increased by 2.5% in the July 2018 year to 1,411,481. This steady increase is mainly contributed to an increase in international arrivals to New Zealand. Domestic guest nights on the West Coast remain relatively flat. In terms of guest nights in commercial accommodation on the West Coast, international guest nights comprise of 65% of total guest nights, while domestic guest nights comprise of 45%. This is the 4th highest international to domestic ratio in the country behind Fiordland (74/26%), Queenstown (71/29%) and the Mackenzie District (70/30%).



Source: Statistics New Zealand

The West Coast's Seasonality

The West Coast accommodation market is, as expected, highly seasonal which is typical in markets that depend more heavily on overseas visitation.

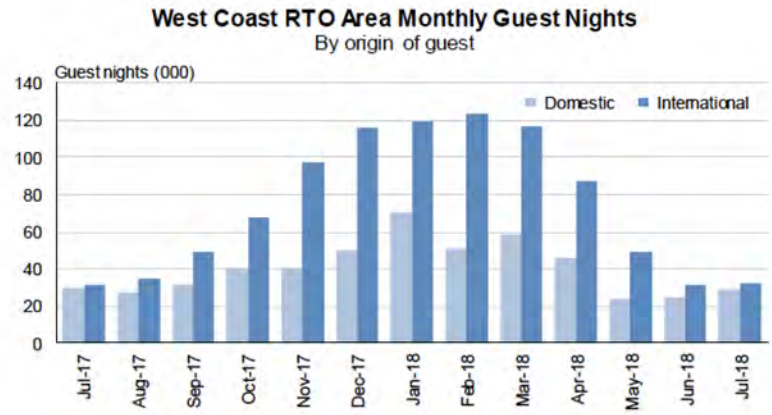
The peak tourism season runs from November through to April. The winter months notice a dramatic dip in guest nights particularly from June through to August.

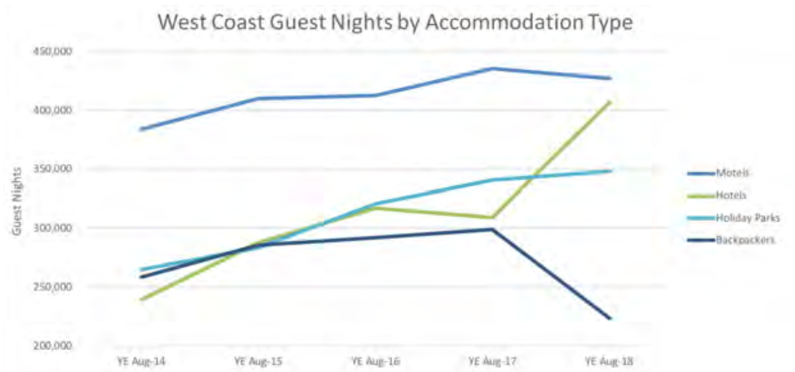
By Accommodation Type

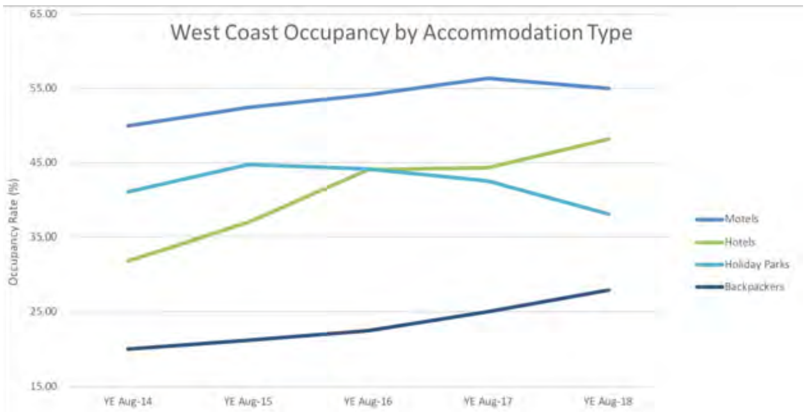
The hotel sector had the largest increase in guest nights of 35.3 percent for the July 2018 year. Backpackers had the largest decrease of 24.2 percent.

Hotel occupancy rates rose 12.2 percent to 49.3% occupancy for the July 2018 year. Motel occupancy rates dropped 2.25 percent to 55.1% occupancy.

From this data we can start to identify which accommodation types are considered low priority for future investment. With trends showing lower occupancy levels in the holiday park and backpacker markets, it is sensible to rule out these accommodation types and focus on assessing the demand in the motel and hotel market.





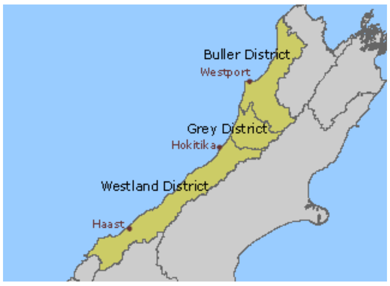


Source: Statistics New Zealand

A Closer Look

Accommodation in the Three Districts

Guest Nights and Occupancy by District

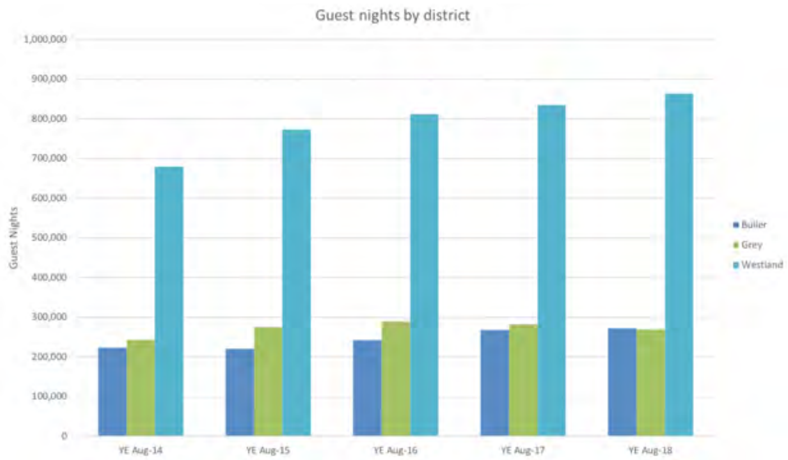


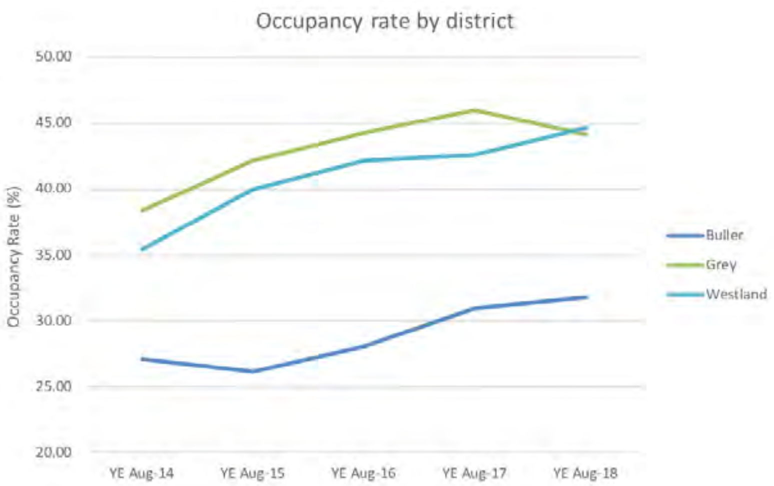
The West Coast consists of three districts; Buller, Grey and Westland. For the purpose of this report, we are specifically looking at whether there is a demand for additional accommodation supply in the towns of Westport (Buller), Greymouth (Grey) and /or Hokitika (Westland). Westland receives the highest number of guests nights at around 60 percent with the glaciers being the main drawcard.

While growth is evident across the three districts, and guest nights in the Buller and Grey Districts are very similar, occupancy levels are significantly lower in the Buller District. Coupled with the fact the tourism spend in the Buller District is significantly less than the other two districts, it is sensible to categorise Westport as low priority for new accommodation development in the short term. The focus is therefore on assessing the demand for further supply in the hotel and motel markets in Hokitika and Greymouth.

West Coast Establishments (as at July 2018)

	Buller	Grey	Westland	TOTAL
Hotels	12	5	14	**31**
Motels	20	16	33	**69**
Backpackers	7	4	8	**19**
Holiday Parks	5	3	9	**17**
TOTAL	**44**	**28**	**64**	**136**





Source: Statistics New Zealand

Refer to Appendix Two for more information on West Coast accommodation statistics

Visitor Spend

Comparisons by district for the year to March 2018

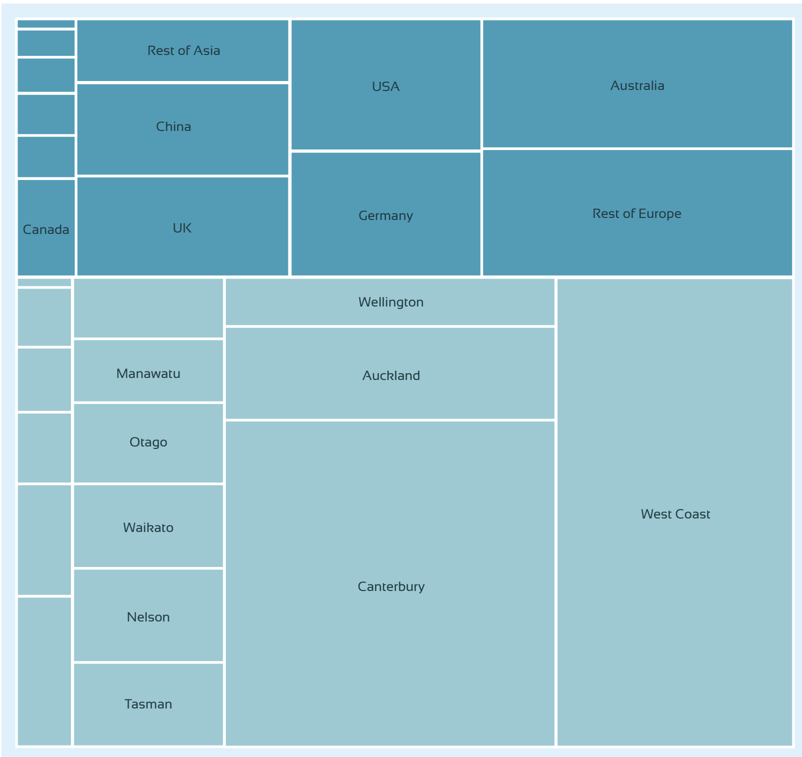
Tourism Spend by District (for the YE March 2018)						
	Buller		Grey		Westland	
	Spend	YTY Growth	Spend	YTY Growth	Spend	YTY Growth
Domestic	$45m	15.7%	$79m	8.9%	$125m	20.1%
International	$30m	28.1%	$42m	12.1%	$236m	10.7%
TOTAL	**$75m**	**20.3%**	**$121m**	**10%**	**$361m**	**13.8%**

Source: MBIE

Growth on the West Coast is also evident in the rise of tourism spend over the last financial period. While Buller saw the largest growth increase of 20.3%, it is still the smallest of the three districts in terms of visitor nights and visitor spend. Westland spend is dominated by the international visitor market while Grey has a stronger domestic market by spend.

Tourism Spend in the Grey District

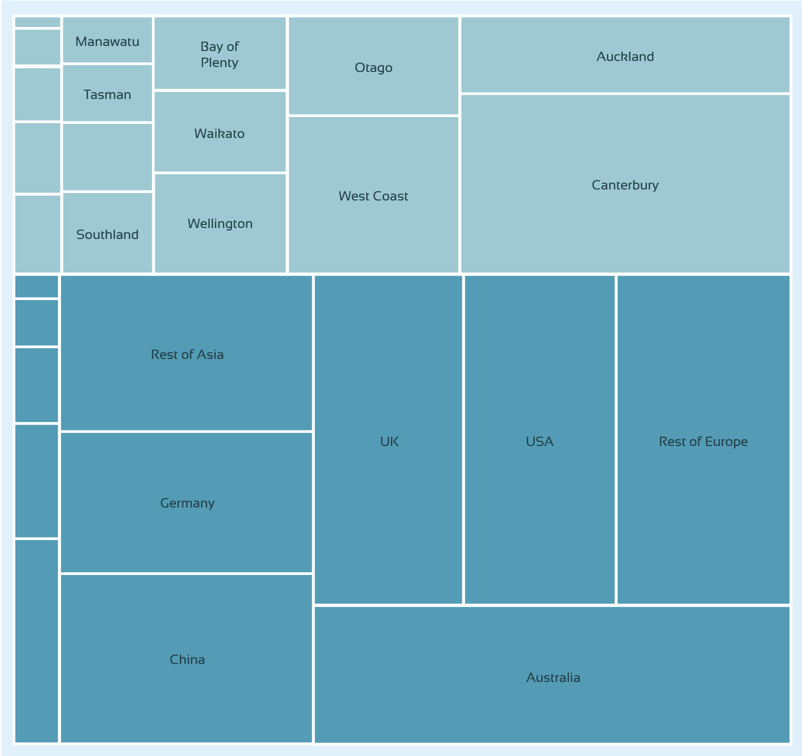
Domestic visitor spend accounted for 65.1% of all visitor spend for the Grey District in the year to March 2018.



Source: MBIE

Tourism Spend in the Westland District

International visitor spend accounted for 65.4% of all visitor spend for the Westland District in the year to March 2018.



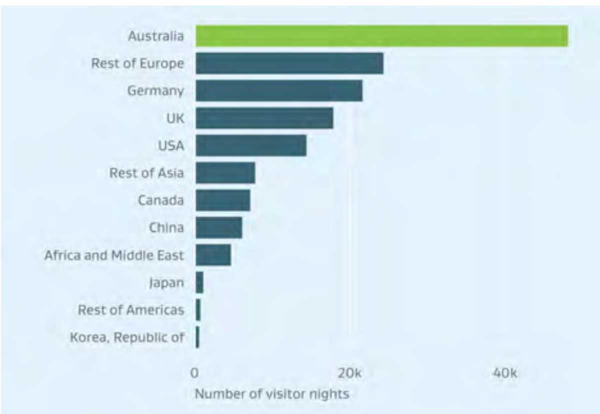
Source: MBIE

Guest Origin by District

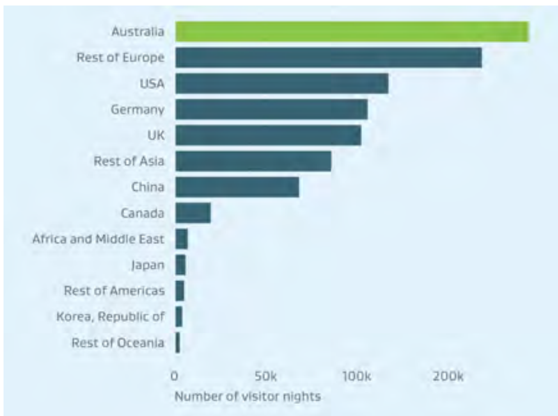
There are six key international markets for the West Coast; Australia, Europe (including Germany), USA, UK, China and the rest of Asia. According to TIA, over 80% of travellers from each of these origins (except Germany) prefer to stay in 4 star accommodation or above. On average 67% prefer 4 star and 16% prefer 5 star. These preferences also include domestic travellers that chose to stay in commercial accommodation.

The Australian tourist is of particular interest to the West Coast as they are often repeat visitors, returning to New Zealand on average four times in their lifetime. They have already experienced popular destinations such as Auckland and Queenstown and are therefore looking for less travelled regions. TNZ is specifically promoting the benefits of visiting these regions in spring and autumn to help improve seasonality. TNZ is also focused on marketing to the high value Australian visitor segments including premium, cycling, golf and business events.

Guest Nights by Origin - Grey



Guest Nights by Origin - Westland



Source: MBIE

Existing Supply

Accommodation providers in the region

With current supply outwaying demand in Westport, we now focus on analysing existing supply in Greymouth and Hokitika in the motel and hotel markets. Providers have been selected based on location, capacity, star-rating and amenities. We also looked at accommodation in Punakaiki given these accommodation providers would compete with those in Greymouth given the proximity.

Existing Establishments in Greymouth

Establishment	*Facilities*	*Rooms*	*Star Rating*	*BAR**
Greymouth Accommodation				
Alpine Rose Motel	Self contained units Breakfast available	12 Studios	4 Star Motel	$200
Ashley Hotel	Restaurant, bar, pool & gym facilities Banquet conference 90 pax	57 Rooms	3 Star Hotel	$150
Bella Vista	Self contained units Continental breakfast available	18 Studios	4 Star Motel	$182
Breeze Motel	Self contained units	10 Studios	3 Star Motel	$110
Greymouth Motel	Self contained units Continental breakfast available	9 Studios	3 Star Motel	$120
Kingsgate Hotel	Restaurant & bar facilities Conference 150 pax	98 Rooms	3 Star Hotel	$137
Greymouth Motels & Seaview Apartments	Self contained apartments	67 Units	4 Star Motel	$175
Paroa Hotel	Restaurant & bar facilities	11 Studios	3 Star Hotel	$170
Railway Hotel	Restaurant & bar facilities	5 Rooms	3 Star Hotel	$80
Scenicland	Self contained units	14 Studios	3 Star Motel	$215
Sundowner Motel	Self contained units Continental breakfast available	16 Studios	3 Star Motel	$152
Theatre Royal Hotel	Restaurant & bar facilities Small meeting facilities	10 Rooms	3 Star Hotel	$180

** Best Available Rate*

Kingsgate Hotel

The Kingsgate Hotel is the only full service hotel in the CBD of Greymouth with accommodation, restaurant, bar and conference facilities. Renovations are currently underway. There is a proposed extension for 42 new rooms which will be a net room increase of 30 (as some existing rooms will be removed from inventory as part of the proposed extension). The quality of the hotel was often referred to as 'tired' in the vast majority of research from all markets.

Existing Establishments in Hokitika

Establishment	Facilities	Rooms	Star Rating	BAR*
Hokitika Accommodation				
252 Beachfront Motel	Self contained units Continental breakfast available	14 Studios	3 Star Hotel	$150
Beachfront Hotel	Restaurant and bar facilities Conference facilities 100 pax	54 Rooms	4 Star Hotel	$175
Bella Vista Motel	Self contained units Continental breakfast available	18 Studios	4 Star Motel	$160
Fitzherbert Court Motel	Self contained units Continental breakfast available	12 Studios	4 Star Motel	$160
Heritage Highway Motel	Self contained units	14 Studios	4 Star Motel	$155
Jade Court Motor Lodge	Self contained units Breakfast available	18 Studios	4 Star Motel	$150
Rimu Lodge	Boutique eco lodge Breakfast available	4 Rooms	5 Star Lodge	$414
Shining Star	Self contained chalets and cabins	21 Studios	3 Star Motel	$132
Stations Inn	Restaurant and bar facilities	10 Studios	4 Star Lodge	$250
Stopforths	Self contained units and apartments	13 Studios	4 Star Motel	$179
Stumpers	Cafe & bar facilities	22 Rooms	3 Star Hotel	$150

Existing Establishments in Punakaiki

Establishment	Facilities	Rooms	Star Rating	BAR*
Punakaiki Accommodation				
Paparoa Park Motel	Self contained units and cottages	5+ Studios	3 Star Motel	$195
Punakaiki Beachfront Motels	Self contained units and houses	8 Studios	3 Star Motel	$170
Punakaiki Resort	Restaurant & bar facilities Small meeting facilities	63 Rooms	3 Star Hotel	$287
Tasman Sea Retreat	Restaurant & bar facilities Conference 150 pax	2 Units	3 Star Motel	$280

** Best Available Rate*

Pending Accommodation Developments in the Region

While we have no written evidence of pending resource consents currently in place with council, we understand there are no such consents in place for substantial new commercial accommodation developments.

We are however aware of:

- Refurbishment taking place at the Beachfront Hotel in Hokitika, the Ashley Hotel and the Kingsgate Hotel in Greymouth. Refurbishment is usually a fair indication that the market is buoyant.
- Recently announced funding (from the Provincial Growth Fund) for new facilities at the Punakaiki Resort Wellness Centre.
- Evan Jones Construction Hokitika has the land and draft plans for a 100-room hotel in Hokitika however is currently seeking an investor to purchase the completed property.
- A Chinese syndicate is scoping a new hotel near Hokitika Airport.

Drawing Conclusions: Supply vs. Demand

It is always difficult to assess the demand for additional accommodation supply in any destination that has such vast seasonality. We have reviewed the data available as well as speaking to industry leaders, political leaders, accommodation operators, tourism operators, Mawhera consultants, and local business owners. While there is no evidence of an extreme critical shortage of accommodation supply in these West Coast towns (like the five main tourist areas of New Zealand are experiencing), the time is right to start planning for investment in accommodation. If occupancy continues to grow at a conservative 2 percent over the next 5 years, we will start to see a significant shortage especially from November through to April.

Greymouth vs. Hokitika

We have assessed the demand for accommodation in both Greymouth and Hokitika and have concluded that adding to the existing supply in Greymouth is a priority. While both towns could service the demand for further accommodation through the high season, it is Greymouth, being the commercial hub of the West Coast, that offers more business potential and commercial stability during the off season. For this reason, it is our opinion the additional supply would need to be located in the CBD of Greymouth and should be a brand recognised, full-service hotel.

Such a development could include the following:

1. The addition of rooms to an existing hotel
2. The conversion of a suitable building into a hotel
3. The greenfield construction of a new hotel

It is difficult to see any real competition for a new hotel in central Greymouth based on the existing supply. The Kingsgate is likely to be the most significant competitor based predominately on location. The proposed addition of 30 new rooms at the Kingsgate is not going to meet the forecasted demand. The better quality motels are also likely to be a competitor however they do have a different product offering to a full service hotel.

A new hotel would be expected to erode market share of the current competitors given that it would be modern and new. It is also anticipated that it will create an element of new, currently unserviced demand. As mentioned previously, 80% of the concerned markets prefer a quality 4 Star hotel or above which current accommodation supply in Greymouth is not providing.

Visitor Attractions

Drivers for a new hotel in Greymouth

We can now assess the potential drivers for a new hotel in Greymouth. There are a large number of visitor attractions across the three West Coast districts and while they would not all be significant business drivers to a hotel development, they make up an added value component for:

- Leisure activities for the inbound and domestic market
- Package accommodation and activity opportunities
- Partner programmes for conference delegates
- Half and full day activities as team building exercises for conference delegates
- Special interest tourism (e.g. fishing, cultural heritage, farming etc.)

Existing Business Drivers

The below table highlights three existing attractions showing business potential for a new hotel development. Other activities in the wider West Coast region will have some impact on a new hotel development although not directly.

Attraction	*Season*	*Business Potential*
KiwiRail TranzAlpine Express	Year round with summer peaks	High
Punakaiki - Pancake Rocks and Blowholes	Year round with summer peaks	High
West Coast Wilderness Trail	Predominantly summer (with a small amount of shoulder season business)	Moderate

Further analysis of these attractions follows in the next Section of this report.

Complementary Attractions

Although not significant business drivers, some key local attractions in Greymouth and the wider surrounding region would complement a new hotel development including:

- Lake Brunner
- Hokitika Gorge
- Paparoa National Park
- Arthur's Pass
- Brunner Mine Site Walk
- Woods Creek Track
- Coal Creek Track
- Point Elizabeth Walkway
- Omotomotu Scenic Reserve
- History House Museum
- Left Bank Art Gallery
- Stewart Nimmo Gallery
- Monteiths Brewery
- Speights Ale House
- Westland Recreation Centre
- On Yer Bike! Offroad Adventures
- Coastwide Helicopter Rides
- Wild West Adventures
- Hokitika Wild Foods Festival
- The Coast to Coast
- Around Brunner Cycle Race
- Farmlands AgFest
- Kumara Races
- West Coast Treetop Walkway
- Walking, Hiking, Climbing adventures
- Cycling and Mountain Biking
- Rafting, Cave Tubing, Abseiling and Ziplines
- River and Lake adventures
- Glow Worms
- Whitebait Tourism
- Gold Panning and Jade Tourism
- Hunting and Fishing Tourism

Business Potential

Key demand drivers for a new hotel

Sport, Leisure and Special Interest Market Potential

TransAlpine

According to KiwiRail, 145,000 passengers depart out of Christchurch each year on the TransAlpine heading west. 82,000 get off at Greymouth with the balance getting off at either Arthur's Pass or Moana. This attraction would be a significant business driver for a new hotel in CBD Greymouth given the large amount of foot traffic getting off in the CBD each year. The $40m announcement (from the Provincial Growth Fund) for a new premium service and additional capacity for the TranzAlpine can only be favourable for a new hotel development in central Greymouth.

Government is also currently conducting a feasibility study to be completed by June 2019 for a daily passenger rail service between Hokitika and Westport. Encouraging visitors to travel further north from Hokitika is another positive for a potential hotel in Greymouth. If this rail service was to go ahead, there would certainly be credibility for the silo accommodation currently being scoped in Westport.

Punakaiki - Pancake Rocks and Blowholes

Punakaiki is arguably one of the most significant business drivers for a new hotel given the Pancake Rocks and Blowholes attraction receives over 500,000 visitors per year. The Provincial Growth Fund recently confirmed funding for a $25.6m redevelopment at Dolomite Point in Punakaiki, which includes an underpass and a new visitor centre to cope the huge surge of visitors.

West Coast Wilderness Trail

Cycling is a growing market in New Zealand with 10% of holiday makers participating in some form of cycling. According to TNZ, the cycling tourist tends to stay longer and spend more. They also tend to visit 5 regions in New Zealand as opposed to the average of 3.5 regions for all holiday visitors.

The West Coast Wilderness Trail attracts mainly the older age demographic with 76% of riders being 50 years or older. The introduction of electric bikes on the trail has broadened this market. Riders spend 3.2 days on average on the track and 4.3 days in total on the West Coast. With the majority of riders either starting or finishing the track at Greymouth, there is business potential for this market at a new hotel.

Corporate and Conference Market Potential

The corporate market on the West Coast is a relatively small market compared to other regions in New Zealand. However, a new, quality hotel would expect to attract some corporate clients. There are approximately 30,000 arrivals and departures into Hokitika Airport each year on business.

While the corporate market is not envisaged to be a significant business driver for the hotel, the conference market certainly holds potential. This market has the potential to attract year-round business and is a particularly useful tool to level out seasonality. TNZ is focusing on growing New Zealand's conference market nationwide, particularly in the shoulder season.

West Coast Events Centre - Shantytown Heritage Park

Shantytown has the largest conference facilities on the West Coast. The facility hosts approximately 12,000 delegates annually with group sizes ranging from 6 – 300 pax. Conference duration varies from ½ day up to 3 day national conferences. The operators are in favour of increasing accommodation supply in Greymouth as they currently lose out on business due to the quality and lack of available accommodation. They have groups that come south from Nelson by road on their way to the glaciers and it is too far for them to travel the distance in a day, therefore Greymouth would be a logical overnight stop.

Future Market Potential

Proposed Tourism Developments

There are three proposed tourism developments in the region that would positively impact on business for a new hotel including:

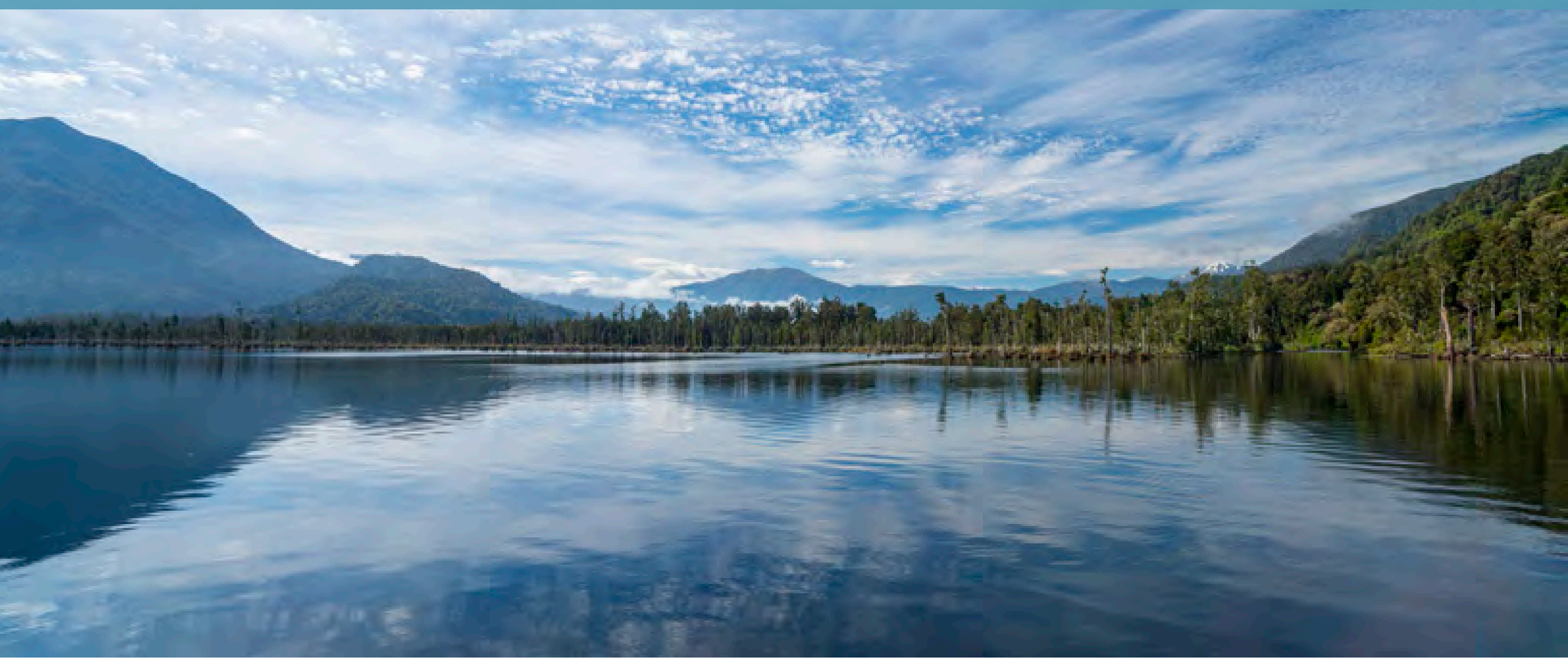
- The development of the Tai Poutini Maori Tourism Strategy (a trail that tells the story of Maori/iwi in the region).
- The 45 kilometre Pike 29 Memorial Track in Paparoa National Park, which will be one of New Zealand's great walks.
- The Southern Paparoa Coal Heritage Trail which is currently being scoped.

Forecasted Growth for Local Attractions

Growth forecasts in the below table are also favourable for a new hotel:

Visitor Attraction Forecasts	*2016*	*2021*
Punakaiki – Pancake Rocks & Blowholes	448,000	566,329
Hokitika Gorge	40,000	76,252
Lake Brunner	25,000	72,021
West Coast Wilderness Trail	8,000	20,736
Paparoa Track	-	7,813
Lake Brunner Cycle Track	-	1,574

Source: Tourism West Coast



SWOT Analysis

The below analysis considers a new hotel in CBD Greymouth:

Strengths

- A central location in Greymouth - a number of sites have been discussed.
- Support from local leaders and businesses is strong. Demand for a quality, full service hotel is high.

Opportunities

- Create a full service facility in the CBD for use by local, domestic and international customers, aiming to attract an internationally branded and recognised operator. There is a gap in Greymouth for a modern, full service hotel.
- Meet the demand for quality accommodation that the West Coast conference market requires to host both domestic and international delegates.
- Support the West Coast Events Centre and become a preferred supplier. Business from the conference market would help to address seasonality.
- Capitalise on the growing visitor movements to the West Coast. There is potential for package deals and joint promotions not only in Greymouth but also with the vast number of tourism operators on the West Coast.
- Support walking and cycling track initiatives to develop the off-peak market in order to create year-round demand from the sport and leisure market.
- Capitalise on the large number of annual visitors arriving by train into Greymouth CBD on the TransAlpine rail service. KiwiRail is supportive of developing the West Coast.
- Leverage off the large range of 'untamed' natural attractions, such as Hokitika Gorge, Lake Brunner, Paparoa National Park, Punakaiki and Arthur's Pass.
- Leverage off a large range of walking and cycle trails in the area, including the West Coast Wilderness Trail which attracts the high-value tourist.
- Capitalise on the high occupancy rates and shortage of hotel rooms in the Queenstown Lakes District as visitors seek uncrowded, off-the-beaten track experiences. Research from Haast iSite demonstrates patterns are changing – more and more visitors are coming from the south heading north. Efforts from Tourism West Coast aim to encourage visitors to travel across the region and stay longer – in particular the aim is to capture the large number of international guests in the Westland District.
- Work closely with Automobile Association and rental car companies to package promotions for both the domestic and international markets.
- Leverage off a proactive, forward thinking District Council working to grow tourism in the region, improve infrastructure and attract skilled labour.
- Create further hospitality job opportunities in Greymouth.
- Leverage off the intensive destination marketing of Tourism West Coast. Work with this RTO to promote the facility both nationally and internationally. A new hotel would be expected to gain support from council and Tourism West Coast as it is in line with their strategy to attract high quality visitors.
- Take advantage of the booming New Zealand tourism industry. Low jet fuel prices mean airlines are increasing capacity and lowering fares. The price drop in international airfares is likely to contribute to a continued increased spend per person as well as improved exchange rates. There is economic improvement in western market economies particularly in North America, the UK and Germany. The growth of new air capacity from the USA and China into New Zealand continue to enhance growth opportunities from both these major markets. The slowdown in the Australian economy continues to benefit our tourism sector as more Australians choose short haul holidays.
- Leverage off the ongoing and successful marketing efforts of TNZ. New Zealand is seen as a safe destination for the inbound market. The South Island is sought after as a premium tourism region especially by Australia and China.

Weaknesses

- Being distant from visitor markets with no major airport for direct inbound flights.
- The perception of Greymouth as a 'drive through' town for both international and domestic travellers is difficult to change.
- Proximity to Hokitika and Punakaiki means competition from close-by accommodation providers.
- Potential visitors are not aware of the full range of attractions beyond the icons of the Pancake Rocks and the Glaciers and tend not to stay long in the region.

Threats

- The towns of Hokitika and Punakaiki are the major competitors as they have arguably more appeal to visitors through reputation, amenities, attractions and overall marketing.
- An increase in supply of new accommodation stock in Greymouth, Hokitika and Punakaiki.
- One re-occurring statement in our research was the lack of aesthetic appeal in urban Greymouth in particular at the Railway Station. Another common statement was the Greymouth community have a reputation for having a negative attitude towards tourism.
- Many hazards can cause road closures (including ice and snow, falling trees, rockfalls, flooding and landslides) restricting access to Greymouth.
- The glaciers are retreating and, within the next two decades, it is likely that the only way of seeing them will be by air. This will constrain the types of visitors that will be attracted to this major draw card of the West Coast.
- Typical seasonality of both domestic and international tourism.
- Global terrorism issues.
- Global downturn in tourism.
- The risk of natural disasters such as earthquakes.

Conclusion

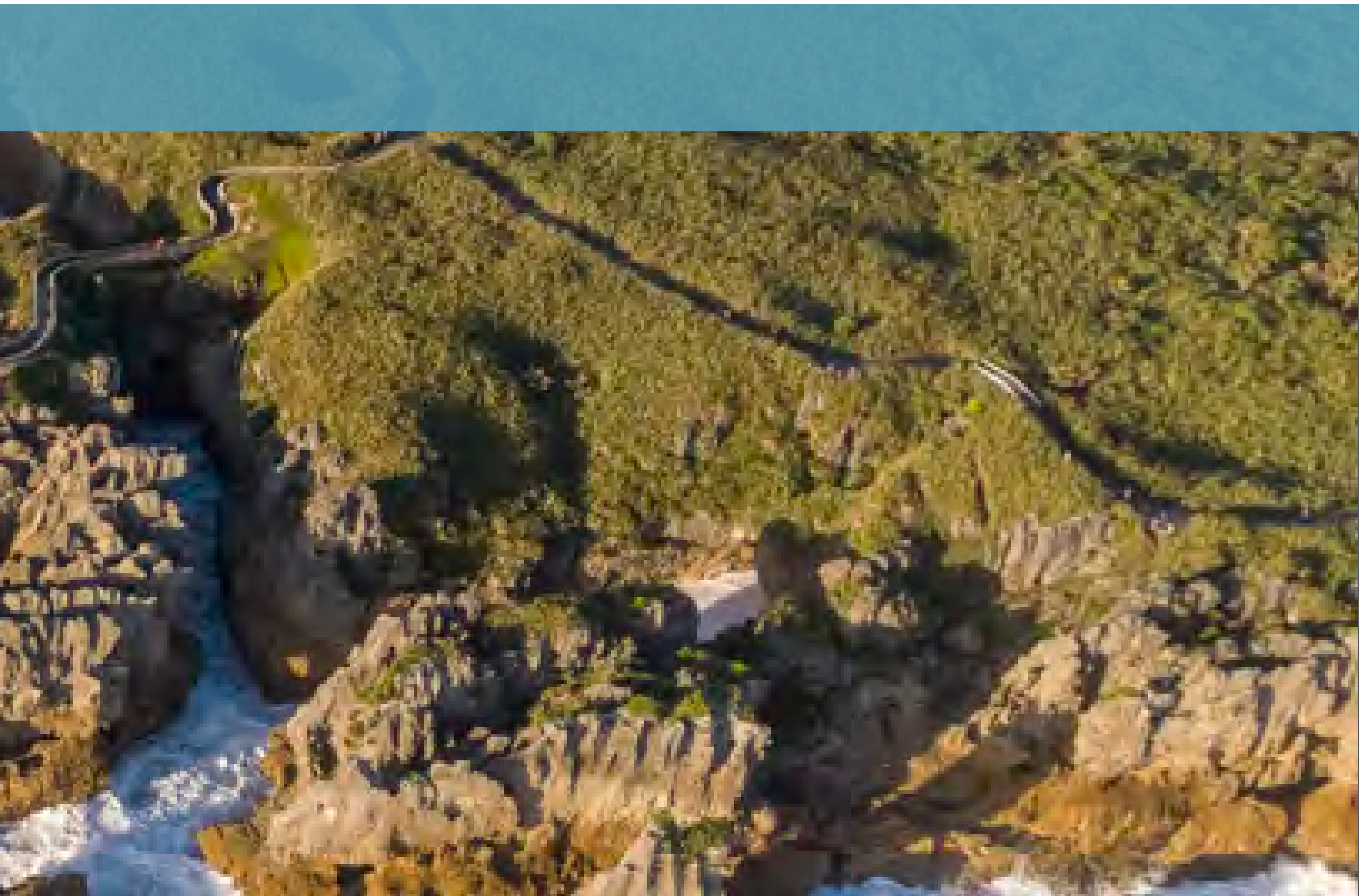
We have considered the demand for commercial accommodation on the West Coast and have established a new hotel in Greymouth CBD is the priority. There are a number of factors at play when considering expanding accommodation supply including the stability of the inbound market and the vast seasonality of visitation to the West Coast.

Ultimately, we do not see any reason for the current visitation numbers to subside in the short to mid term, instead we anticipate they will continue to grow in line with trends from the previous three years. It is somewhat difficult to estimate by how much visitation will increase in response to a new hotel.

In this regard, we have considered the current unmet demand for a quality new hotel asset including the continued growth of the inbound market, the continued marketing drive by Tourism West Coast, the large number of diverse and 'untamed' attractions on the West Coast, the relatively untapped conference market, the potential of the TransAlpine clientèle and the growing, high-value cycle market.

Conversely, we are also aware of the difficultly and time required for visitors to access the West Coast, the popularity and often preference of Westland and its attractions, the current visitor traffic flows bypassing Greymouth and the towns of Hokitika and Punakaiki being major competitors for overnight stay. These are likely to limit the extent of market demand for a new hotel.

Should this report verify sufficient market demand in the eyes of DWC and it's Trustees, Stage 2 of this report will provide recommendations for hotel specification and an overview of development cost estimates for the greenfield construction of a new hotel.



Additional Factors

Critical Success Factors

The success of a new hotel development in Greymouth is subject to the following critical success factors:

- An internationally recognised, branded operator.
- A well-developed marketing plan involving community and business partnership including package deals with local attractions to encourage longer stays.
- Skilled staff who fully embrace a culture of customer service.
- Support from Greymouth to improve the appeal of the CBD including the presentation of the rail station as a first impression for many tourists.

Community Benefits and Support

A new hotel development has strong support from the West Coast leaders sampled and they recognise the benefits that a new hotel could bring. Community benefits that have been identified include:

- Increased economic output for Greymouth and the wider district.
- Creation of additional jobs; a hotel would employ 40 – 50 full time and part time staff (depending on the size of the hotel).
- Growing businesses that provide complementary activities and supporting services.
- A facility the community is proud to bring visitors to.

Research Limitations

- The West Coast is not represented in the statistical accommodation data provided by TIA. Instead the dataset from the Commercial Accommodation Monitor provided by Statistics New Zealand has been used.
- Local leaders and businesses interviewed were only a sample of the population.
- No official pending resource consents were provided by council for commercial accommodation.

References

- Tourism New Zealand (TNZ)
- Statistics New Zealand
- Ministry of Business, Innovation and Employment (MBIE)
- Department of Conservation (DOC)
- Tourism West Coast (TWC)
- West Coast Regional Council (WCRC)
- Development West Coast (DWC)
- New Zealand Trade & Enterprise (NZTE)
- KiwiRail
- Tourism Industry Aotearoa (TIA)
- Fresh Information Limited
- stuff.co.nz

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Appendix 1

A full summary of key tourism statistics in New Zealand

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Key Tourism Statistics

August 10, 2018

International visitor arrivals[1] (year ending June 2018)

	% of arrivals	Visits	Growth (pa)
Annual international arrivals:		3,787,000	4%
Australia (incl. Norfolk Island)	39%	1,472,000	1%
China	12%	449,000	13%
USA	9%	337,000	4%
UK	6%	235,000	-4%
Germany	3%	102,000	-3%
Japan	3%	101,000	0%

Combined, these markets provided 71.3 % of international visits to New Zealand for the year ended June 2018.

Purpose of visit	Visits	Growth (pa)
Holiday/Vacation	1,991,000	5%
Visit Friends/Relatives	1,091,000	4%
Business	301,000	2%
Other	397,000	3%

	Days	Growth (pa)
Average intended length of stay:	18	-2%

International visitor expenditure*[2] (year ending March 2018)

		Growth (pa)
Total expenditure ($ millions)	$10,890	9%
Average expenditure per person per trip	$3,230	2%
Median expenditure per person per trip	$2,160	3%

Key international markets ($ millions)	Current year	Growth (pa)
Australia	$2,585	7%
China	$1,663	15%
USA	$1,319	19%
UK	$1,070	14%
Germany	$588	10%
Japan	$275	-4%

Total spend by purpose of visit ($ millions)	Current year	Growth (pa)
Holiday / vacation	$7,013	10%
Visiting friends / relatives	$2,132	3%
Business	$830	18%
Other	$915	3%

*Excludes international airfares and individuals whose purpose of visit to New Zealand was to attend a recognised educational institute, and are foreign-fee paying students.

Commercial accommodation[3] (year ending June 2018)

Accommodation Type	Nights	Growth (pa)
Hotels	14,218,000	3%
Motels	12,350,000	0%
Holiday parks	8,201,000	6%
Backpackers	5,124,000	-1%
Total	39,893,000	2%

Occupancy Rates	This month	Month last year
Hotels	57.8%	59.8%
Motels	48.2%	49%
Holiday parks	10.8%	11.1%
Backpackers	31.4%	32.9%
Total	34.2%	34.7%

Economic contribution[4] (year ending March 2017)

Tourism market	Expenditure ($b)	Growth (pa)
International+	14.5	-0.9%
Domestic	21.4	4.0%
Total	36.0	1.9%

+Includes international airfares paid to New Zealand carriers.

Tourism Exports
International tourist expenditure accounted for $14.5 billion or 20.7% of New Zealand total export earnings.

Tourism Contribution to GDP
Tourism directly contributes $14.7 billion (or 5.9%) to New Zealand total GDP. A further $11.3 billion (or 4.6%) is indirectly contributed. When comparing tourism to other industries, the direct contribution should be used.

Tourism Employment
Tourism directly employed 230,793 people (8.4% of the total employment in New Zealand).

Trips abroad by New Zealanders[5] (year ending June 2018)

	Trips	Growth (pa)
Annual Outbound Departures	2,933,000	7%
Countries visited by New Zealanders		
Australia (incl. Norfolk Island)	1,226,000	1%
USA	213,000	2%
Fiji	189,000	16%
China	128,000	18%
UK	124,000	7%

Regional Tourism Spend[6] (year ending June 2018)

Region ($ millions)	Domestic	International	Total	Market Share
Auckland	3,997	4,360	8,357	29 %
Canterbury	2,364	1,491	3,855	13 %
Otago	1,769	2,076	3,845	13 %
Waikato	1,943	683	2,626	9 %
Wellington	1,745	808	2,553	9 %
Bay of Plenty	1,281	594	1,875	7 %
Northland	852	269	1,121	4 %

International tourism forecasts[7] (forecast period 2018 to 2024)

	2024	Growth (pa)
Total visitor arrivals (millions)	5.1	4.6%
Total visitor days (millions)	96.7	5%
Total visitor expenditure ($ billions)	14.8	4.9%

Key international markets in 2024	Visits	Spend ($m)
Australia	1,820,000	3,025
China	800,000	3,064
USA	516,000	2,333
UK	298,000	1,164
Germany	148,000	740
Japan	141,000	368

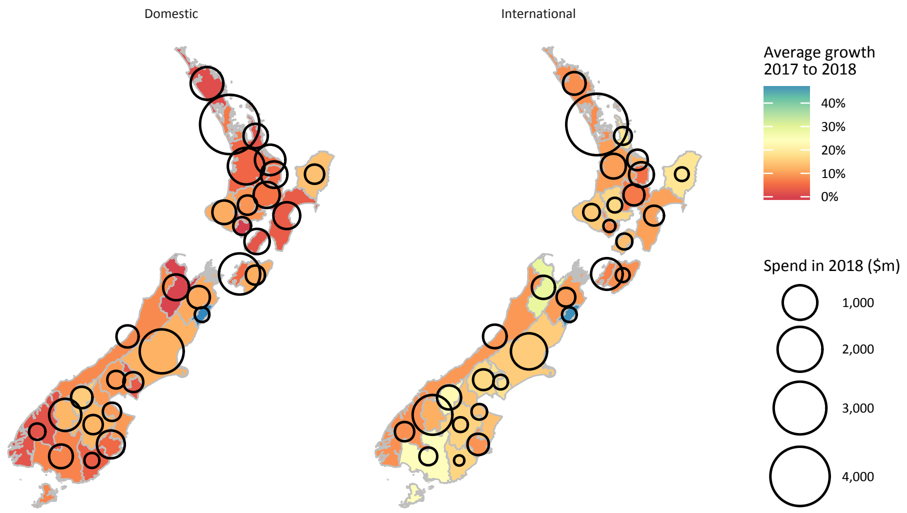
Data sources

1 Statistics New Zealand: International Travel and Migration. 'Business' excludes conferences.
2 MBIE: International Visitor Survey. 'Business' excludes conferences.
3 Statistics New Zealand: Accommodation Survey.
4 Statistics New Zealand: Tourism Satellite Account.
5 Statistics New Zealand: International Travel and Migration.
6 MBIE: Monthly Regional Tourism Estimates.
7 MBIE: New Zealand Tourism Forecasts 2018 to 2024. Expenditure forecasts based on International Visitor Survey data.

This paper was prepared by the Ministry of Business, Innovation and Employment (MBIE). For further information visit the tourism data section of the Ministry's website `http://www.mbie.govt.nz/info-services/sectors-industries/tourism/tourism-research-data`. Key Tourism Statistics are updated regularly throughout the month as data is released.

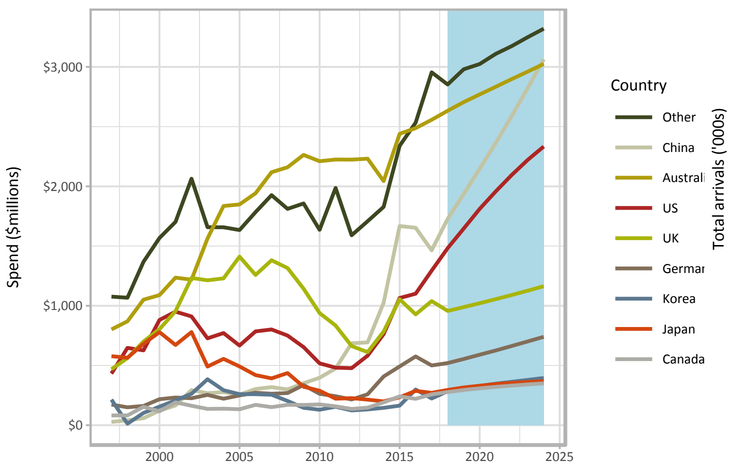
MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Distribution of international and domestic tourism spend for the year ending June 2018



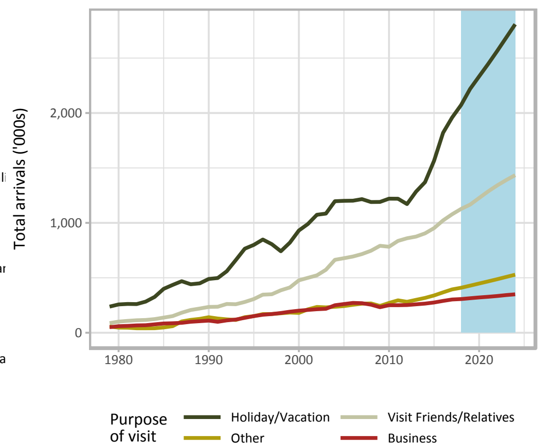
Source: MBIE - Monthly Regional Tourism Estimates

Total spend by country for the year ending December (blue shaded area is forecast)



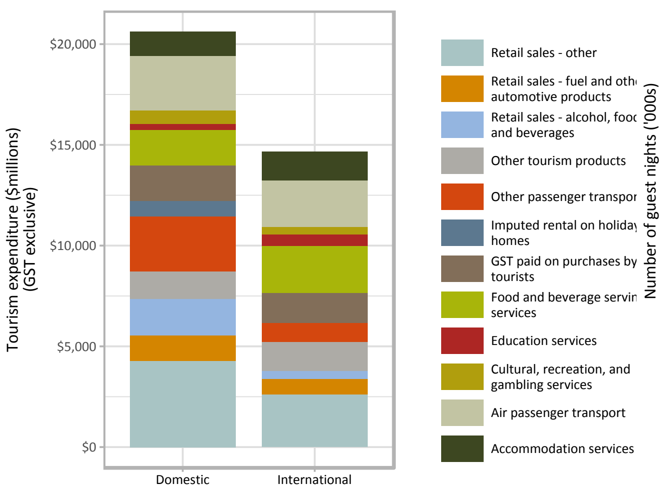
Source: MBIE - International Visitor Survey,
MBIE - New Zealand Tourism Forecasts 2018 to 2024

Total arrivals by purpose of visit for the year ending December (blue shaded area is forecast)



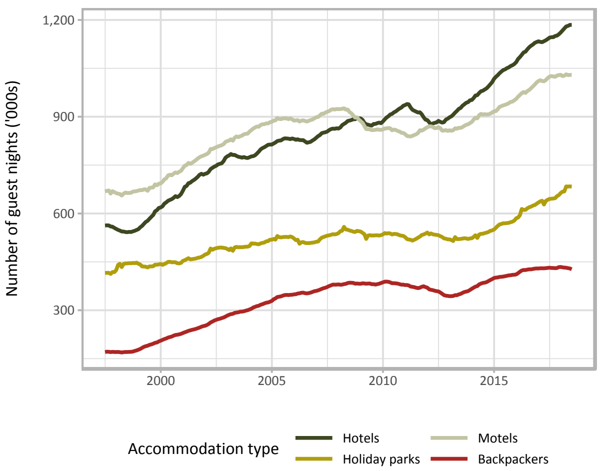
Source: Statistics New Zealand - International Travel and Migration,
MBIE - New Zealand Tourism Forecasts 2018 to 2024

Tourism expenditure by industry (year ending Mar 2016)



Source: Statistics New Zealand - Tourism Satellite Account

Guest nights by accommodation type (month ending Jun 2018)



Source: Statistics New Zealand - Accommodation Survey

Appendix 2

West Coast accommodation statistics

Table 2.1

West Coast Accommodation Variables

By accommodation type
Monthly and year ended(1)(2)

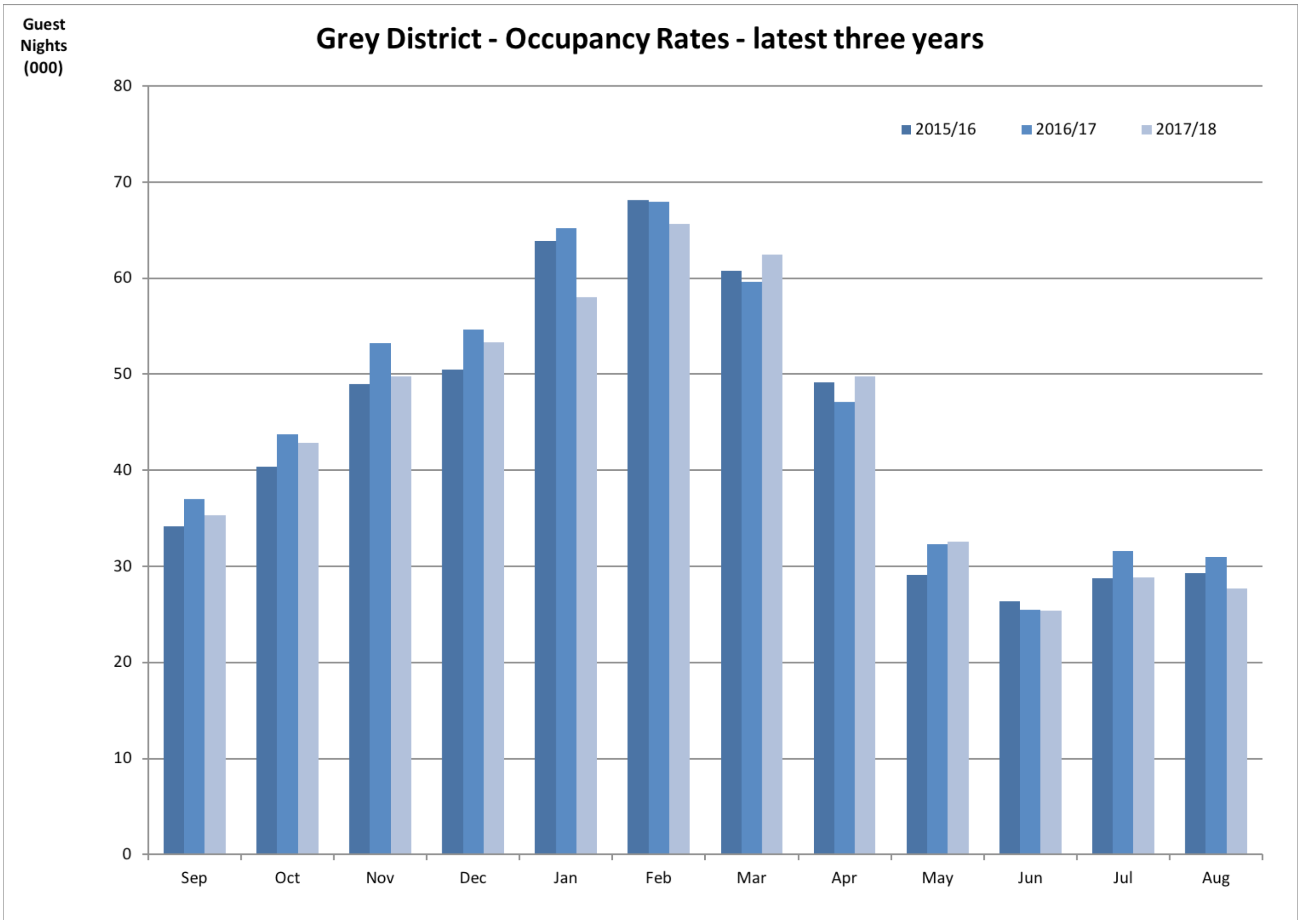
Accommodation type	Monthly			Annual		
	July		Percentage change	Year ended		Percentage change
	2017	2018		July 2017	July 2018	
Guest nights						
Total guest nights	60,733	60,748	0.0	1,377,310	1,411,481	2.5
International	30,992	32,290	4.2	894,504	922,140	3.1
Domestic	29,741	28,459	-4.3	482,807	489,341	1.4
Hotels	13,399	22,094	64.9	301,200	407,466	35.3
Motels/apartments	22,059	21,925	-0.6	436,361	426,877	-2.2
Backpackers	14,079	6,228	-55.8	300,837	228,009	-24.2
Holiday parks	11,195	10,501	-6.2	338,913	349,129	3.0
Occupancy rates (3) (%)						
Hotels	23.5	28.3	20.4	44.0	49.3	12.2
Motels/apartments	33.4	33.0	-1.3	56.3	55.1	-2.2
Backpackers	24.4	14.3	-41.4	42.8	37.8	-11.7
Holiday parks	10.3	9.4	-8.2	24.6	28.0	13.7
Total	21.9	21.0	-3.9	40.0	41.4	3.4
Total excluding holiday parks (4)	26.7	25.3	-5.3	46.9	46.7	-0.3
Average length of stay (5)						
Hotels	1.28	1.50	17.1	1.30	1.41	8.8
Motels/apartments	1.52	1.57	3.2	1.36	1.42	3.9
Backpackers	1.47	1.30	-11.6	1.42	1.36	-4.5
Holiday parks	1.65	1.71	3.3	1.53	1.56	1.7
Total	1.47	1.53	4.2	1.40	1.44	2.8
Guest arrivals						
Hotels	10,475	14,750	40.8	232,348	288,831	24.3
Motels/apartments	14,551	14,008	-3.7	320,016	301,309	-5.8
Backpackers	9,562	4,787	-49.9	211,686	167,918	-20.7
Holiday parks	6,766	6,145	-9.2	221,734	224,507	1.3
Total	41,353	39,689	-4.0	985,784	982,565	-0.3
Establishments						
Hotels	30	31	3.3	30	31	3.3
Motels/apartments	66	69	4.5	66	69	4.5
Backpackers	20	19	-5.0	20	19	-5.0
Holiday parks	17	17	0.0	17	17	0.0
Total	133	136	2.3	133	136	2.3
Capacity (6)						
Hotels	31,372	48,081	53.3	377,674	488,077	29.2
Motels/apartments	30,411	31,341	3.1	362,541	368,113	1.5
Backpackers	46,748	35,340	-24.4	577,512	489,125	-15.3
Holiday parks	44,888	42,098	-6.2	583,716	532,974	-8.7
Total	153,419	156,860	2.2	1,901,443	1,878,289	-1.2

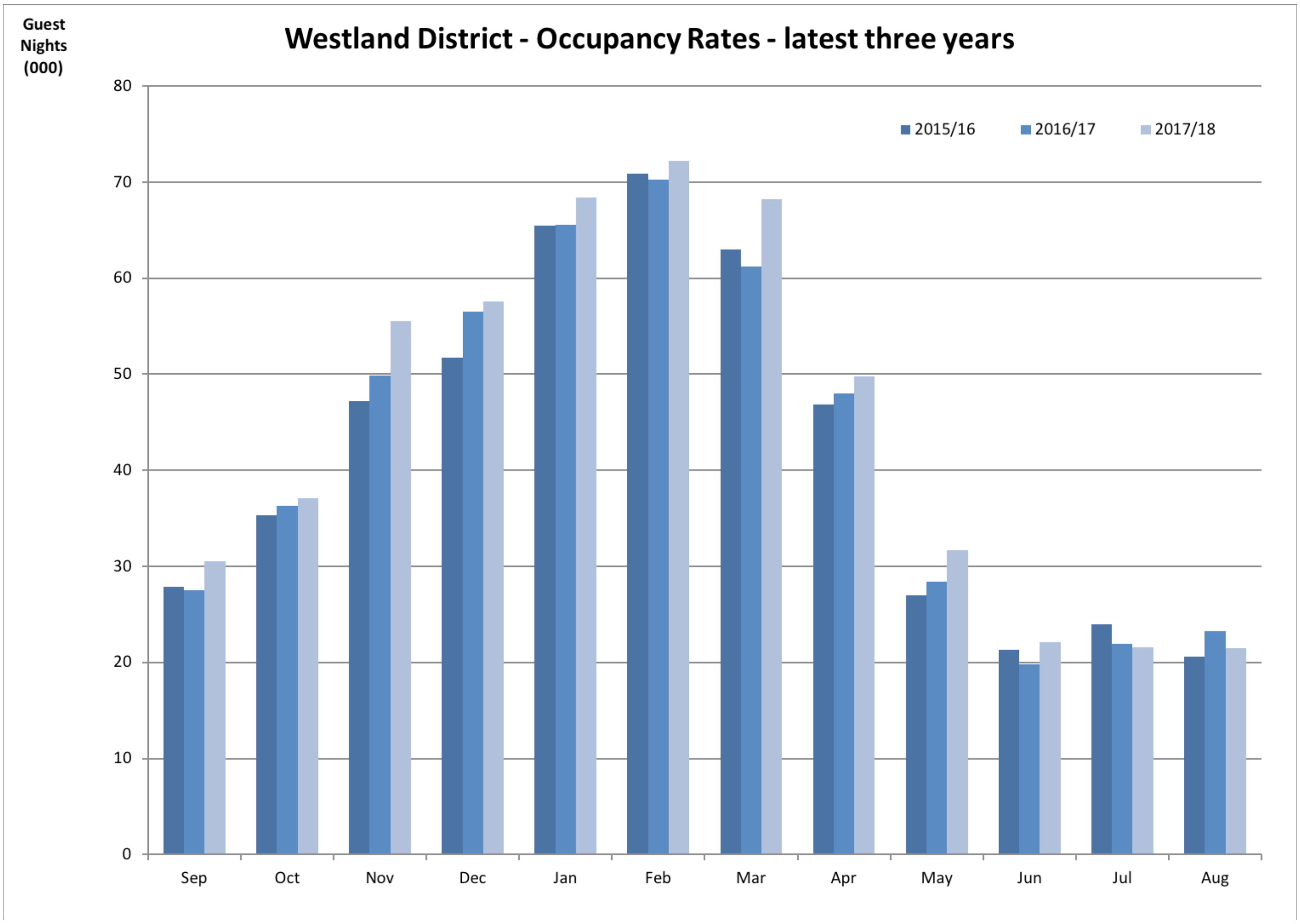
(1) Reclassifications, new businesses, ceased businesses, and temporary closures may affect figures.
(2) Irregular events, such as airshows and Easter, may affect percentage changes and other figures.
(3) Occupancy rates are calculated as the ratio of used stay-unit nights to available stay-unit nights.
(4) Holiday parks often have high capacity and can mislead when included in total occupancy rates.
(5) Average length of stay is calculated as the ratio of guest nights to guest arrivals.
(6) Capacity is calculated as the number of available stay-units multiplied by the number of days in the month.

Symbol:
C confidential

WEST COAST RTO - Accommodation Survey August 2018

	Number of establishments	Daily capacity (stay-units available)	Monthly capacity (stay-unit nights available)	Occupancy rate (%)	Guest nights	Guest arrivals	Stay-unit nights (occupancy)	Average length of stay (days)	Guests per stay-unit night	Stay-units per establishment
Total										
YE Aug-14	138	5,407	1,973,013	33.96	1,147,131	819,440	670,028	1.40	1.71	39.18
YE Aug-15	137	5,362	1,956,939	36.96	1,267,906	889,007	723,352	1.43	1.75	39.14
YE Aug-16	136	5,327	1,949,337	39.00	1,343,391	959,344	760,171	1.40	1.77	39.17
YE Aug-17	132	5,199	1,897,196	40.22	1,385,068	990,693	763,032	1.40	1.82	39.38
YE Aug-18	134	5,148	1,878,661	41.27	1,405,497	980,343	775,245	1.43	1.81	38.42
Hotels										
YE Aug-14	35	1,182	431,159	31.83	239,476	172,444	137,222	1.39	1.75	33.76
YE Aug-15	32	1,150	419,725	37.01	288,253	221,926	155,327	1.30	1.86	35.95
YE Aug-16	29	1,100	402,507	44.03	317,127	248,630	177,227	1.28	1.79	37.94
YE Aug-17	30	1,042	380,185	44.35	309,291	236,034	168,620	1.31	1.83	34.72
YE Aug-18	32	1,381	503,701	48.15	406,709	290,064	242,544	1.40	1.68	43.15
Motels										
YE Aug-14	68	1,018	371,365	49.92	383,941	269,524	185,395	1.42	2.07	14.96
YE Aug-15	65	1,010	368,387	52.44	409,985	289,710	193,168	1.42	2.12	15.53
YE Aug-16	67	994	363,666	54.13	412,679	296,752	196,843	1.39	2.10	14.83
YE Aug-17	65	992	362,107	56.38	435,756	319,667	204,139	1.36	2.13	15.26
YE Aug-18	66	1,011	369,012	55.03	427,146	301,945	203,076	1.41	2.10	15.32
Backpackers										
YE Aug-14	17	1,473	537,312	41.09	258,789	180,692	220,763	1.43	1.17	86.63
YE Aug-15	21	1,479	539,726	44.73	285,830	201,162	241,439	1.42	1.18	70.42
YE Aug-16	22	1,514	553,969	44.16	292,484	204,041	244,640	1.43	1.20	68.80
YE Aug-17	20	1,582	577,264	42.52	299,078	211,353	245,451	1.42	1.22	79.09
YE Aug-18	19	1,303	475,702	38.12	223,352	164,917	181,321	1.35	1.23	68.58
Holiday Parks										
YE Aug-14	18	1,735	633,177	20.00	264,928	196,783	126,652	1.35	2.09	96.39
YE Aug-15	19	1,724	629,101	21.21	283,841	176,212	133,419	1.61	2.13	90.71
YE Aug-16	18	1,720	629,195	22.48	321,101	209,923	141,458	1.53	2.27	95.53
YE Aug-17	17	1,583	577,640	25.07	340,947	223,636	144,824	1.52	2.35	93.12
YE Aug-18	17	1,453	530,246	27.97	348,287	223,415	148,305	1.56	2.35	85.48


Grey District - Occupancy Rates - latest three years
Guest Nights (000)
80
70
60
50
40
30
20
10
0
2015/16
2016/17
2017/18
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug


Westland District - Occupancy Rates - latest three years
Guest Nights (000)
80
70
60
50
40
30
20
10
0
2015/16
2016/17
2017/18
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug