

# **MAHANA'S VILLAS**

**Cook Islands**



**Investment  
Case Study**

By Jaimee Raymond

# MAHANA'S VILLAS



## Country



## Sector



## Type



## Background

Stan Hunt is a Cook Island entrepreneur who is a builder by trade in Rarotonga. At the time of writing, he owned a clothing business with his wife (who makes and sells clothes at the local market), had invested in renewable energy by setting up a solar power system (see 'Solar Power in Rarotonga' case study) and built and manages his own tourism accommodation on his land, as a result of being a landowner. His accommodation comprises a one-bedroom villa aimed at couples, a four-bedroom villa targeted at families and he is currently in the process of finishing another two-bedroom villa that will feature a plunge pool, directed at the senior traveller market and wedding parties.

The investment is a family run business and the head office is located at his residence, situated next door to the accommodation in Rarotonga. Stan and his wife are actively involved in all aspects of setting up and running the accommodation whilst Stan's daughter manages the online bookings, his son

maintains the property and gardens and his sons' wife cleans the villas. Stan cites that 70 percent of his guests come from New Zealand, with the remainder from Australia, South America, Europe, Asia and local and returning Pasifika. Stan says he has had "a range of people staying" at his villas such as doctors, lawyers and café workers for example. He also mentions that some local Cook Islanders stay in the accommodation to "get away from life" and diaspora Cook Islanders tend to stay for national sporting and festive events (like Vaka Eiva, the International Rugby Sevens and Christmas).

The reason why Stan chooses to rent his accommodation out to tourists instead of local Cook Islanders is that he gets more return from tourism as opposed to the local rental market. He states "If I rent to tourists for a week, I can cover the mortgage and expenses, whereas if I rent it on the local market, they'll just pay the mortgage but the maintenance will be four times as great in comparison to

renting to tourists". Stan believes that by building to New Zealand standards whilst featuring subtle island touches, the New Zealand market are targeted effectively and his accommodation gains a competitive advantage over other local accommodation providers. To provide a point of difference, the villas include every day essentials such as snacks and toiletries to cater to guests' needs for situations like Sundays or early morning flights, when shops in Rarotonga are closed.

## Investment

Looking back on the decision-making process for Stan's multiple investments in the Cook Islands, Stan says, "We made one investment and it held its own, which opened the door for another investment.... Everything that was done was a stepping stone for the next". The sequence of his investments was as follows; after starting the clothing business, Stan built a one-bedroom villa to earn extra income and once this paid itself off, the solar power investment was undertaken and it started paying for itself (as highlighted in 'Solar Power in Rarotonga' case study). Unfortunately, Stan's mother passed away in 2015, so Stan and his wife moved next door into his mother's vacant home and the option to rent out their four-bedroom family home became available. Soon after, the decision to build another two-bedroom villa on the same section of land was made. When comparing these investments, Stan says the clothing company was only a short-term business that was more of a hobby and income earner for his wife whereas the accommodation and solar power system were long-term investments. He further states, "The equity from building accommodation is better than with solar power". Stan invested in a clothing company in New Zealand before moving to Rarotonga and his experience with starting up a business in the Cook Islands compared to New Zealand "was a piece of pie". However, Stan also believes that if investors are not experienced in the industry they are investing in they will not do well.

He emphasised the importance of people needing to be professional and have good customer service and social skills if involved in the tourism industry.

Stan gained most of his building experience in Rarotonga, building for Mike Rennie builders and a few New Zealand companies in the commercial sector. Given Stan's profession, he did not need any building advice for his accommodation. Despite this, talking to other local tourism operators helped finalise his decision to invest in tourism. Stan states that the accommodation business was not initially built for tourism purposes but built for his children and says, "We just fell into it". By being a local landowner, Stan believes this assisted with his investment process for the accommodation as he explains "land is the first step in any investment" in the Cook Islands. Prior to building, Stan advised that a number of steps needed to be taken. In order to

**"We made one investment and it held its own, which opened the door for another investment.... Everything that was done was a stepping stone for the next"**

build in the Cook Islands, investors are required to complete the following actions: 1) Have their land surveyed by the Cook Islands Ministry of Environment. 2) Obtain building consent from the Cook Islands Ministry of Infrastructure and 3) Organise an assessment with the Cook Islands Ministry of Public Health to evaluate various factors of the land (such as water usage and whether the building will affect neighbours, etc.). To do business in the Cook Islands, a VAT number is required once a certain amount of income is generated. Stan did not have to register as company for his accommodation, as the income generated was below the amount required to reg-

ister. Although registering a company is something he is considering doing as the business expands. As an accommodation provider in the Cook Islands, investors in tourism can also choose to be accredited by the Cook Islands Tourism Corporation. Stan was not interested in this option because he was always confident that digital marketing would benefit his accommodation business and in particular, online reviews. He states that so far, the villas have received "fantastic reviews".

## Benefits of Investment

Myriad benefits exist for local investors in the Cook Islands. The main gain of local investment in the Cook Islands is that if you are a Cook Island landowner, there is the opportunity to build tourist accommodation on your property. This provides a source of income to the local landowner. Stan states that it has been convenient living on the property that his rental accommodation is based on as he can easily monitor the patronage of his tourism investment without having to worry about

any damage to his property and he is easily able to tend to any maintenance requirements as well. Stan further believes that tourism accommodation in the Cook Islands is a valuable long-term investment as he mentions, "The houses climb in value". In comparison to his solar power investment, Stan believes the equity with tourist accommodation is better. Stan has also been able to provide employment for family members through the Mahana's Villas investment. In Rarotonga, Stan says that local supply chains are "good" because he did not experience many problems with acquiring adequate local building materials. Any additional items (such as specific kitchen and bathroom parts or furniture) are easily ordered and shipped to Rarotonga from New Zealand.

## Barriers to Investment

The barriers to a tourism investment in the Cook Islands entail the low season in tourism, local supply chains and maintenance issues. Stan states that the Cook Islands tourism low season can be challeng-



**One bedroom Villa ~ Mahana's Villas, Rarotonga**

Source: Image provided by Owner

ing for accommodation providers as some struggle to occupy their accommodation all year round. He also states that local supply chains are “somewhat limited” as at times, he must order and ship specific items like furniture and finishing touches (e.g. appliances and kitchenware) from New Zealand but would prefer being able to access these items locally. Continuous maintenance is also required for tourism accommodation that can be tiresome. Stan says, “It’s an ongoing process of getting this place up to speed. When you’ve finished building, it’s landscaping, when you’ve finished landscaping, it’s maintenance”.

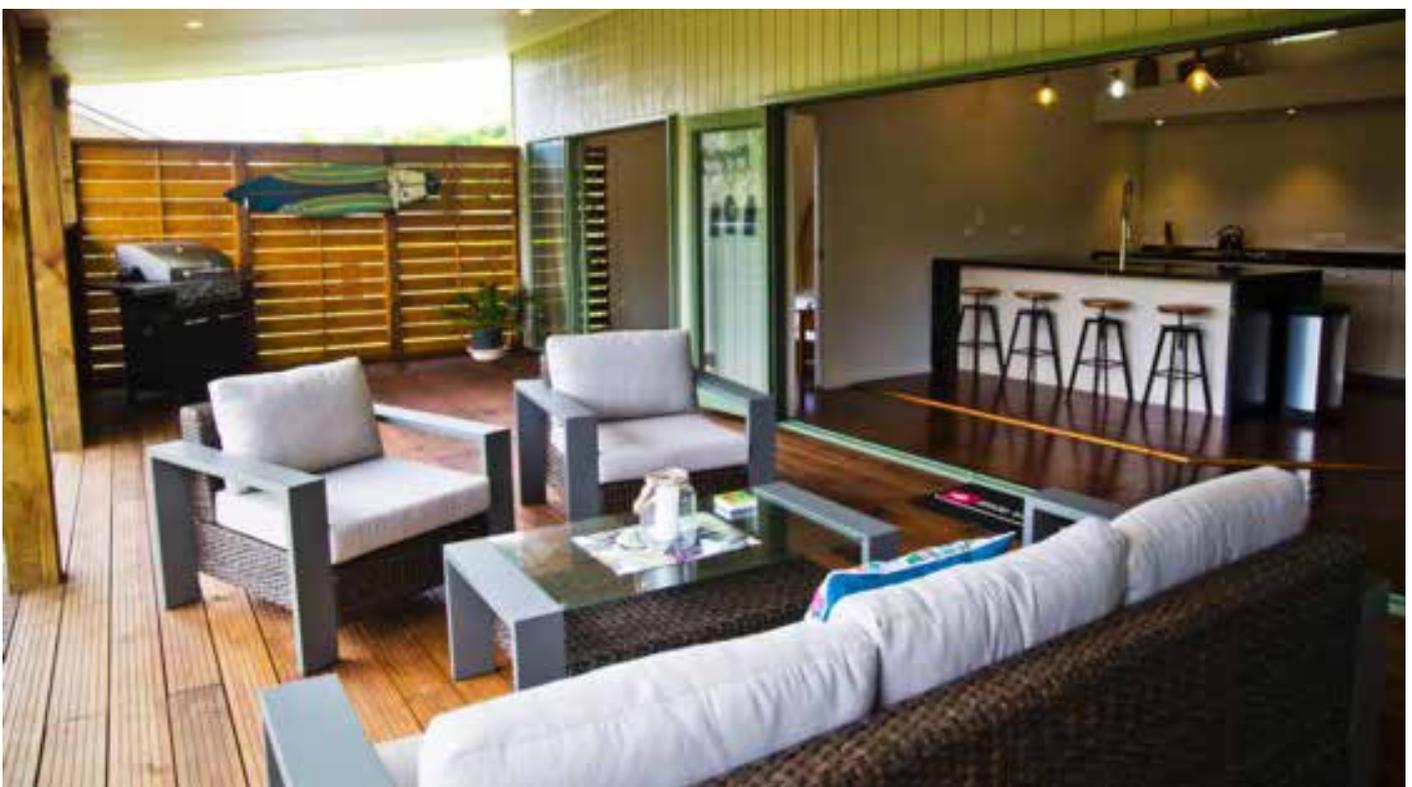
### **Costs and Risks of Investment**

Stan’s main concern with tourism in the Cook Islands is that rising tourism demand will create competition and subsequently increase accommodation prices. He believes that in five years’ time, “the Cook Islands will exceed tourism demand and the competitiveness in the market will get great-

er and greater”. He says this “will affect those with big mortgages” and that accommodation providers will need to “squeeze prices”. Another risk to Cook Island investors in the tourism sector is the volatility of the global tourism industry. Stan’s investment is “70 percent reliant on the New Zealand traveller”. He believes that if the New Zealand economy stays

**“It’s an ongoing process of getting this place up to speed. When you’ve finished building, it’s landscaping, when you’ve finished landscaping, its maintenance”**

in a good position over the next five years, this will have a positive effect on his tourism business, as tourists from New Zealand will continue to visit the Cook Islands and occupy his villas. On the other hand, he thinks that if the New Zealand economy does change and business is lost through tourism,



**Two bedroom Villa ~ Mahana’s Villas, Rarotonga**

Source: Image provided by Owner

he will have to “adjust” which will involve renting his accommodation locally. An additional cost of investment in Cook Islands tourism is outward migration because of the difficulty to recruit and retain local workers. Migration is an issue with the Cook Island population due to the low wages in the tourism industry. Stan states, “The tourism industry is not filtering out the benefits. The local people are getting peanuts so no wonder they’re leaving and losing their smile”. Employing family members means there is less risk of migrating employees affecting his investment.

## Growth and Development

To date, Stan is “feeling good” about his tourism investments and he is happy with his return on investment, hence why he has been able to expand and build a third villa. He is very optimistic about the future of his accommodation and believes the demand is there crediting Cook Islands Tourism as they appear to be “doing a really good job”. He

foresees opportunities in the tourism industry and believes investment will be successful as long as investors have considered changing consumer preferences. For example, although many accommodation providers in the Cook Islands do not currently have swimming pools, he thinks that by installing a swimming pool at this point in time, it will keep his tourism investment in line with what travellers want for the future. Stan would “definitely” recommend the Cook Islands to investors because he believes the tourism industry will grow substantially in future. He says, “The need for people to take a holiday will triple”. He also thinks that the Cook Islands is easily accessible to the New Zealand market and it is convenient that New Zealand currency is used in the Cooks. Looking forward, Stan could invest further in the Cook Islands but he is not sure of what any further investment might be at this point. A factor for not investing further pertain to Stan’s age as he mentions “sometimes enough is enough”. Stan advises that he will need to look at trends in the market and identify investment opportunities to make this decision.



**Four bedroom Villa ~ Mahana’s Villas, Rarotonga**

Source: Image provided by Owner