

# MOYYAN HOUSE BY THE SEA

Vanuatu



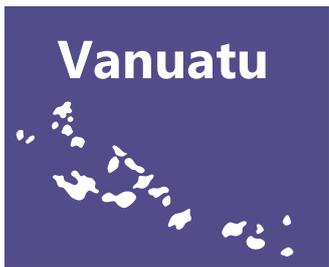
**Investment  
Case Study**

By Michael Pusinelli

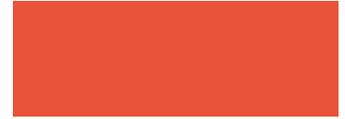
# MOYYAN HOUSE BY THE SEA



## Country



## Sector



## Type



## Background

David and Sandra Cockroft, the owners of Moyyan House by the Sea, are Australian nationals from Melbourne, who currently live in a rural area north of the city. They are now retired and in their mid-60s. David is a former builder, having been involved in the construction industry all his life (domestic and commercial), and Sandra is a former schoolteacher, who also worked in David's company in administration. Both could be described as hands-on, pragmatic people.

Their investment in Moyyan came about almost by chance. Having never previously been to Vanuatu, they acquired a new neighbour several years ago, who in conversation mentioned that he had a cousin living in Vanuatu who was selling up his assets there in order to move back to Australia. Included in his assets was some beachfront land on Espiritu Santo, which had been sub-divided and zoned for commercial development, and was now being offered for sale. David was looking for a new

challenge for his construction skills at the time, and was sufficiently interested that he flew up to Santo to investigate the site for himself. He was encouraged by what he found that he and Sandra decided to buy the land (in Sandra's case, sight unseen) and build a small resort on it, even though neither of them had any previous training or experience in the hospitality industry.

Aside from their interests in Vanuatu, they have had no other investments in the Pacific Islands. They do still have business interests and investment property in Victoria, Australia. While they consider doing business in Vanuatu is subject to less regulation and compliance than in Australia, getting things done takes a lot longer, and there is a higher degree of inefficiency or incompetence in the service delivery of some of the Vanuatu government agencies. They manage their Vanuatu interests from home, which is therefore essentially their head office.

## The Site

Like all foreign-controlled land in Vanuatu, the Moyyan site is actually held under a registered ground-lease from the local land-owning community, with an initial term of 75 years. However, as the Cockrofts' investment is entirely self-funded with no external borrowing, the leasehold structure posed no financial or other concerns for them, as they were not accountable to any third parties. They engaged the services of a Vila-based solicitor for the acquisition, and went through the normal overseas investment consent process with the Vanuatu Investment Promotion Authority (VIPA). They found that provided they filled in the forms correctly and supplied all the required information, there were no difficulties. The vendor also gave them a lot of assistance with the legal paperwork and processes, so aside from the usual elements of bureaucratic delay, they did not encounter any major issues, and the necessary approvals for their development project came through without any problem. The vendor had already entered into the ground-lease with the custom owners, so the Cockrofts acquired ownership by way of purchase and assignment of the Lessee's interest under the lease, and therefore did not have to go through any protracted negotiations with the custom owners themselves in order to get possession.

They have not had any major problems with the landowners since then either, other than some small

issues arising out of the death last year of the custom chief, but most of the issues have been dealt with and sorted out by the custom owners themselves.

## The Development

All the land in the subdivision was already consented for commercial use, subject to the usual terms and conditions for development and construction, the most curious of which they found was the restriction of the maximum building height to that of a mature coconut tree. The main services were already in place, and as an experienced builder, David was able to deal with most of the logistical aspects of the development himself. The construction industry in Vanuatu is a restricted one, so they used the services of a local construction company, with most of the major building materials sourced from suppliers within Vanuatu. It also helped that there was a certain amount of construction going on around them at the same time. All the other materials, furniture, fixtures and equipment, including the initial inventories of towels, linen etc., which they estimate represented about 70-75% of the development cost, were imported.

There were no investment incentives offered to them by the government of Vanuatu, nor were they aware of the availability of any, other than duty relief on the importation of construction and other start-up materials. They unfortunately missed



### **Moyyan House by the sea beach front and resort boat**

Source: Image provided by Michael Pusinelli

the opportunity to obtain import duty relief on the materials that they initially brought in, as their application appeared to get lost in the system, and they could not afford any delay with the construction programme.

## The Motivation

At the time that the Cockrofts made their initial investment, the world was still coming to terms with the global financial crisis, and they regarded this project as a form of self-funded retirement investment opportunity that seemed an attractive alternative to some of the other options then available to them, without at the same time over-exposing them to risk. Given that they had no previous experience of doing business in Vanuatu, or any other Pacific Island, and were both still working in Melbourne at the time, they accepted that it was going to be a challenging project for both of them. However, they were confident they had the necessary skills to undertake it and had additional support from their adult children as well.

In addition to David's construction experience, they also looked upon Moyyan as an opportunity to express their design, fit-out and creative talents, although, now that the development is complete and there is no further building to do, David is of a mind to sell. Their intention from the outset was that they would employ a manager to run the resort on their behalf, and that they themselves would oversee the operation from Melbourne. The first managers were their daughter, Amy, who has a degree in marketing, and her husband.

## The Resort

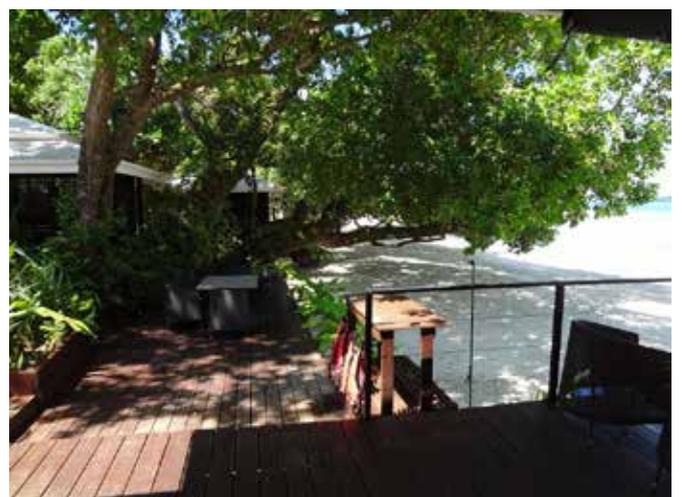
Moyyan House by the Sea is a boutique 6-unit resort located on a sandy beach-front some 15 kms north-east of the township of Luganville on Espiritu Santo, the largest island in the Vanuatu archipelago.



### The reception area, bar and lounge

Source: Image provided by Michael Pusinelli

The Cockrofts designed and built Moyyan, which opened in 2007. The architectural concept behind it is contemporary in nature, planned to cope with the practicalities of the tropical weather conditions and the environment it inhabits. Moyyan can accommodate a maximum of twelve adult guests in-house, and the resort facilities include a large restaurant faré and the Moyyan Day Spa. The restaurant, which has a large covered deck stretching out over the beach, can seat up to 25 diners and has a focus on fresh, local ingredients.



### The terrace from the restaurant down to the beach

Source: Image provided by Michael Pusinelli

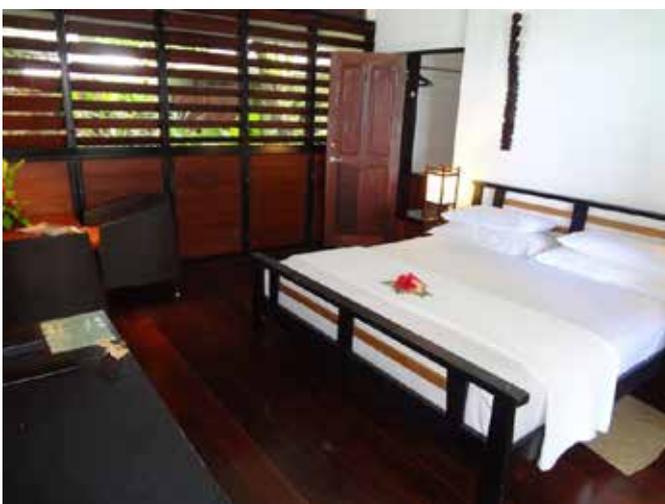
Moyyan Day Spa has two treatment rooms and a private bathroom. It provides treatments using pure, active, botanical products and employing a number of traditional massage techniques.



### **Moyyan Spa treatment room**

Source: Image provided by Michael Pusinelli

Moyyan's farés all are all equipped with king beds, private verandas, private bathrooms, walk-through showers, large hammocks and beach access. Four farés are absolute beachfront and the other two farés, one of which can convert to twin accommodation, have sea views.



### **Moyyan faré and en-suite bathroom**

Source: Image provided by Michael Pusinelli



### **Moyyan faré and en-suite bathroom**

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## **The Financial Investment**

Sandra could not give a figure for their total investment, but says that the latest valuation of the business is A\$1.65 million. From a financial perspective, they do not regard their investment as a total success, as they could probably have achieved a better return on investment elsewhere. However, given the timing and the global financial crisis, they felt comfortable about it at the time, especially as they were also regarding it as an opportunity to challenge David's construction skills, and put their creative interests and design talents to good use.

They are very happy with the quality of the end product, the reputation and the accolades that Moyyan has acquired in its 10 years of operation. However, with only 6 units its ability to be a big money earner was always going to be limited, especially with the disproportionate cost of expatriate management and remote control from Melbourne.

## **Operational Challenges**

Their biggest problem has always been the ability to recruit and retain the right management. They have

had some bad experiences along the way with their managers. Aside from the expatriate managers, all other staff positions are filled by ni-Vanuatu. They currently have 10 local employees, with 7 ladies in the restaurant, housekeeping and spa operations, plus two groundsmen and one maintenance handyman. The current managers, who have only been in place for a few weeks, have 9 years' previous experience in hospitality in Vanuatu.

Their ni-Vanuatu workforce has been relatively stable and they have been able to recruit from among their landowner community, but they have recently lost one of their top girls, who was a finalist in the 2016 Tourism Awards. They have been able to obtain training support from the Maritime Training School in Luganville, and have recently been able to recruit one of the experienced therapists from Ratua Island Resort's spa facility.

They are members of the local Espiritu Santo Tourism Association and the Vanuatu Hotels & Resorts Association, and are active participants in the major regional and international marketing programmes. However, they also have major issues with the national marketing organisation, where they have been frustrated by poor communication, its poor funding and the sub-standard quality of the international road-shows. Consequently, they handle most of their marketing requirements themselves.

The resort is designed primarily for adults-only couples, and their main target market is Australia, particularly Brisbane and the Gold Coast, given the direct service between Brisbane and Santo on Air Vanuatu. They find that guests coming from Australia or New Zealand tend to regard having to transit through Port Vila as an inconvenience, as one way or another; it entails an extra stopover. An obvious option, is to offer a combined itinerary with a comparable accommodation operation on Efate, e.g. Tamanu at Whitesand. Nevertheless, e they have made tentative enquires about the feasibility

of doing this, at this stage, they feel that most guests would consider that it would make their trip longer than they could afford or want, and that it would add significantly to the cost of their holiday.

From a management supervisory perspective, it costs them each on average over A\$1,000 every time they come up to Luganville from Melbourne via Brisbane, with inconvenient flight schedules and the need for an overnight stop-over in one direction or the other every time. As a result, they consciously have to restrict the number of trips they make each year, which has exacerbated the issues they have had with their managers in the past.

While they have good internet and email access at the resort, they have big communication issues with their bank in Luganville, which is slow to respond and often requires several follow-ups before the desired outcome is achieved. However, they have no issues with credit card or EFTPOS transactions, and even pay the staff by electronic banking.

The international passenger-handling procedures at Pekoa Airport are a big let-down for their international visitors, and need a serious overhaul, as they are giving the destination a bad reputation.

They are able to source all their food and beverage requirements through the supermarkets in Luganville and seasonally through local suppliers of produce. They are currently contemplating the development of their own vegetable garden to the rear of the resort, as they have sufficient land available to do so. They appear happy with their links with their local supply chains, as the two supermarkets are reasonably responsive to special requests and are usually able to import their requirements without problem, subject to the availability of timely shipping.

A few years ago, they became involved in an initiative with their local landowners to develop a fresh-water prawn farm in the local river. They have invested in the necessary plant and equipment, but the project has been hampered by patchy levels of commitment from managers and unseasonal drought.

## Looking Forward

As already mentioned, now that the Resort has gone from its development phase into its ongoing operational phase, it has lost some of its appeal to David, who would like to sell out now. A key challenge for them going forward is that the age of the resort means that maintenance is becoming more of an issue, especially if they need to keep it in top condition pending any sale.

The Cockrofts do however remain positive about the future of the Resort, but feel it would be much better in the hands of experienced owner-operators. They have no plans for any further investment in Vanuatu or in any of the other Pacific Islands.

Would they recommend Vanuatu as a place to invest? – Sandra found it hard to answer this ques-

tion. As is so often the case, there is enormous potential, but implementation and realisation can be very slow and frustrating.

Their top three tips for any potential new investors:

- Don't over-capitalise
- Manage it yourselves
- Be prepared for anything, and be open to deal with the so many unexpected things that you will be confronted with

If they were to contemplate a similar venture again, they would be a bit smarter about what they undertook. For example, although all the subdivision sections were zoned commercial, they have noted that a number of developments by their neighbours have actually been as private residences, and there has been no effort by the Government to enforce the zoning. They felt a bit naïve about this, as they could easily have built Moyyan as a private residence too. They also feel they should have been more aware of the workings of the hospitality and travel industries before they undertook Moyyan, but they were able to overcome their lack of experience here through sheer hard work and determination.



Source: Image sourced from <http://www.moyyan.com/>