

Anderson St Market Opportunity Analysis

May 2023



Purpose

- To test the demand for 3.5-star to 4.0-star hotel rooms in the West end of Port Hedland
- To test the viability of various room styles for port and rail shut-down crews, executive visitors and tourists based on market depth, price expectation and room occupancy

Approach

- Supply analysis - desktop analysis of short-stay accommodation options in the Shire of Port Hedland and create spreadsheet model of beds and map of provider locations
- Demand analysis - desktop analysis of demand by user segment (published sources) and telephone interviews with Port Hedland Visitors Centre, Tourism WA and selected industry representatives in Port Hedland
- Combine supply and demand data into model and project forward based on population, visitation and workforce estimates

This summary document contains the results of the demand analysis, describing the primary demand sources for short stay accommodation in Port Hedland, and additional demand drivers that were uncovered.

Demand – Shut Down Crews



- Very deep market - shut down crews are a consistent and reliable source of accommodation demand. Five resource companies in Hedland, each with their own shutdown crews. Crew sizes 50 – 300 people on average one-week swings with 12-hour shifts.
- Room rate discount - Negotiated accommodation deals that involve set frequencies, long term bulk bookings at a discounted rate
- High occupancy – predictable, consistent and high occupancy
- No virtually seasonality
- Shutdown crews mostly accommodated in camps, but demand exists at beginning and end of swings across all companies. BHP port and rail crews have high likelihood of direct usage due to proximity of proposed site to operations

Shut Down Crews	Monthly Nights	Annual Nights
BHP	3,500	182,000
FMG	3,500	182,000
MinRes	2,800	145,600
Roy Hill	9,100	473,200
Dampier Salt	1,400	72,800
Total	20,300	1,055,600

Roy Hill assumptions based on meeting notes provided by DMG, BHP provided from internal contacts, others are estimated based on industry benchmarks

Demand – Executives



- Medium depth market – Port Hedland has business visitation by Tier 1 contractors, managers, consultants, etc everyday. In 2022, Port Hedland replaced Canberra as the fifth most visited domestic business destination in Australia. Perth was third behind Sydney and Melbourne.
- Many executives are unable to get accommodation and so limited their visits to day trips, flying up in the morning and returning at night.
- According to Port Hedland Tourist Bureau, mining camps will accept executives for overnight stays , which reflects both the scale of unmet demand and the lack of suitable supply of 4-star accommodation
- Near full rack rate – Executives will pay the highest rate for rooms of any market segment
- Medium - high occupancy – executive rooms should experience above average occupancy across the year with some small seasonal variations

Transfer demand

Given the nature of mining-related accommodation demand, it is likely that additional room supply in the West End will be highly appealing for executives and related fly in business demand. These will transfer from their current locations, which are either air bnb, mining camps or are not able to stay overnight at all.

Demand – Tourists



- Low-medium market depth – Port Hedland is drive-through tourist destination, frequented by ‘grey nomads’ and younger adventure travellers. It is not known for its own attractions, but is a way-point for visitors to Broome (600km north), Karijini (340km east), and Ningaloo Reef (700km south)
- Tourists have limited expectations of high-standard accommodation and inbound tourist-specific flights are rare.
- Lowest price expectation– Tourists will pay the lowest rate for rooms of any market segment
- Medium occupancy – tourist rooms should experience average occupancy across the year with some significant seasonal variations

Latent demand

Based on 2017 TRA data, there was a total of 1.1 million nights spent in Hedland that year.

- Only 155,000 of this was fulfilled by “hotel or similar”
- 913,000 of this was fulfilled by ‘other’ which could be fulfilled by staying with friends and relatives, caravan parks or rough sleeping

Demand – Other Drivers



- There is a large amount of construction work scheduled for Port Hedland and surrounding region. As referenced in DMG meeting notes, and by the schedule of Renewable Energy (green hydrogen and lithium) projects with downstream processing facilities to be built in Boodarie Strategic Industrial Area
- Assumed will be primarily housed by camps, but management, visiting investors, etc will expect 4-star accommodation
- Backpackers
 - PHTB mentioned the need for backpacker accommodation
 - These backpackers are needed to fill local hospitality and other amenity providing jobs – which is a huge need for the entire region
- Growing Population
 - Currently at 19,987 Hedland is expected to reach 27,085 by 2041 – a 35% increase
 - A larger population will relate to higher visitation of friends, family and related business visits

'The Boodarie SIA is located about 4 kilometres west of South Hedland and 12 kilometres south of Port Hedland. Five projects have been allocated land in the Boodarie SIA supporting production of green iron ore, ammonia, hydrogen, and lithium sulphate monohydrate.

Proponents allocated land in the Boodarie SIA are:

- *POSCO*
- *Fortescue Metals Group Ltd*
- *Alinta Energy*
- *Tees Valley Lithium*
- *BP'*

Source: WA Government Media Statements, 6th January 2023