

SECOND HALF 2011 BALI HOTEL MARKET OVERVIEW

Knight Frank

HIGHLIGHTS

- Both domestic and international passenger arrivals in Bali continued on their growth path, marking a record high for the fifth consecutive annual increase since 2006. Following the success in hosting the ASEAN Summit in November 2011 and government efforts to improve infrastructure, Bali is set to aim for three million foreign tourist arrivals in 2012.
- On a cumulative basis, foreign arrivals continued to demonstrate a new record high totaling at 2.79 million. Regional tourists from ASEAN and the Asia-Pacific regions remained the major sponsor for Bali tourism, accounting for 71% of the total international tourists. Notably, American tourists marked a positive comeback to a double-digit growth of 24.9%.
- Supported by the record high tourist arrivals, successes in hosting major international events and improving image as a safe tourist destination, the Bali hotel market finished 2011 with higher metrics performances.
- The average occupancy rate for star-rated hotels in Bali maintained to record above 70% level in the second half of 2011. The total average RevPar in U.S. dollar terms increased modestly by 9.4% (yoy) due to higher overall occupancy and average room rates.

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Tourism Growth Remains Intact

Despite the fear of economic stagnation in the wake of global crisis, both domestic and International passenger arrivals in Bali continued on their growth path. International passenger arrivals in 2011 reached 3.09 million or a reasonable increase of 9.1% over the same period last year. Amid a growing middle class and strong consumer spending, the number of domestic arrivals in 2011 ultimately outpaced international arrivals rising remarkably by 20.7% in growth or close to 557,000.

Figure 1
Number of Arrivals through Ngurah Rai International Airport
(2007 – 2011)



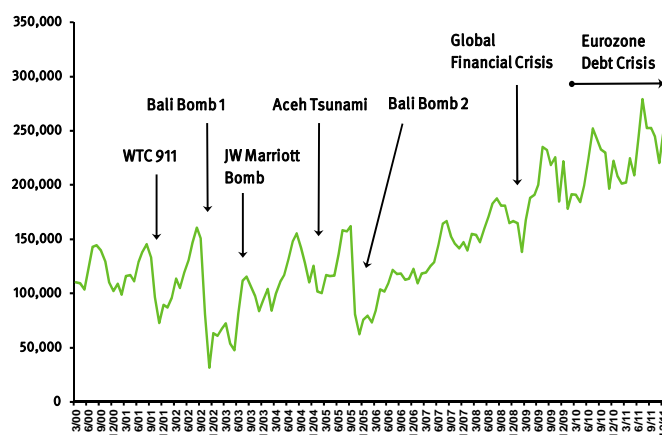
Source: Central Bureau of Statistics (BPS)

Americas Region Improves

Since 2008, Bali has experienced a consistent annual growth (CAGR) of 12% in foreign tourist arrivals. On a cumulative basis, the foreign arrivals in 2011 continued to show a new record high totaling at 2,788,706, posting slightly above the official's estimate of 2.7 million people or an increase of 9.6% over the same period in 2010 of 2,545,514 passengers. Following the success in hosting the ASEAN Summit in November 2011 and government efforts to improve infrastructure, Bali is set to aim for three million foreign tourist arrivals in 2012.

In terms of country of origin, regional tourists from ASEAN and the Asia-Pacific regions remained the major sponsor for Bali tourism, particularly the top six Asia-Pacific countries including Australia, China, Japan, Malaysia, Taiwan and South Korea.

Figure 2
Number of Foreign Arrivals through Ngurah Rai Int'l Airport
(March 2000 - December 2011)



Source: Central Bureau of Statistics (BPS)

As shown in Figure 3, the main part of foreign visitors to Bali in 2011 remained to come from the Asia-Pacific regional countries including Australia (28%), China (8%), Japan (7%), Malaysia (6%), Taiwan (5%), South Korea (5%) and Singapore (4%), followed by European countries such as France and United Kingdom – each taking share approximately 3%-4%.

In 2011, three nationalities comprising Australia, China and the United States experienced double-digit increases in growth. Benefited from a strong currency and its proximity to Bali, Australian visitors continued to dominate the Bali tourism market marking since 2009. Over the past three years, it has recorded an average annual growth rate of 35.3%, accounting for the largest market share by nationality in 2011 of 27.6% or 790,965 tourists.

Supported by higher economic growth and a direct flight from China to Bali, Chinese visitors continued to rank second among the top ten sources recording a considerable growth in foreign direct arrivals at 42.2% annual growth (CAGR) over the period 2006-2011.

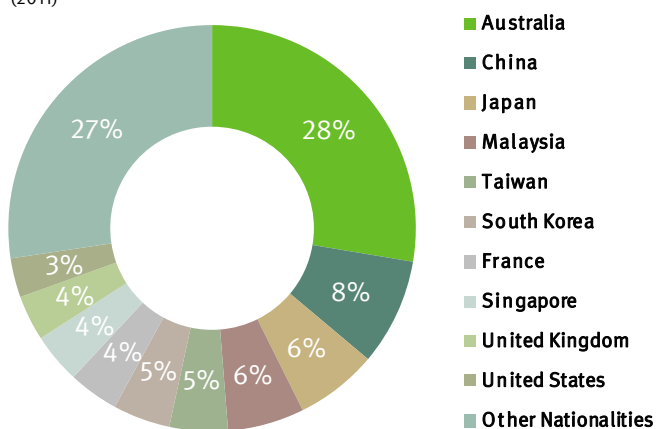
Japanese visitor arrivals continued to plummet at an average annual rate of 19.5% since 2008 due to mainly the prolonged economic recession and the aftermath of the tsunami incident in March 2011.



With the arrival of President Barack Obama in Bali for attending the 19th ASEAN Summit in November 2011, it certainly brought a positive improvement to the Bali's tourism image. As a result, American visitors to Bali increased noticeably in 2011 to a double-digit growth of 24.9% or a total of 90,154, outpacing the average annual growth rate of 12.9% since 2008.

The foreign arrivals by geographical primary continued to show an upward trend across the board for Bali in 2011. Foreign arrivals from ASEAN and the Asia-Pacific took the lead with a 70.8% market share of all Bali foreign arrivals while the remaining still came from Europe and the Americas.

Figure 3
Direct Foreign Tourist Arrivals to Bali by Nationality (2011)

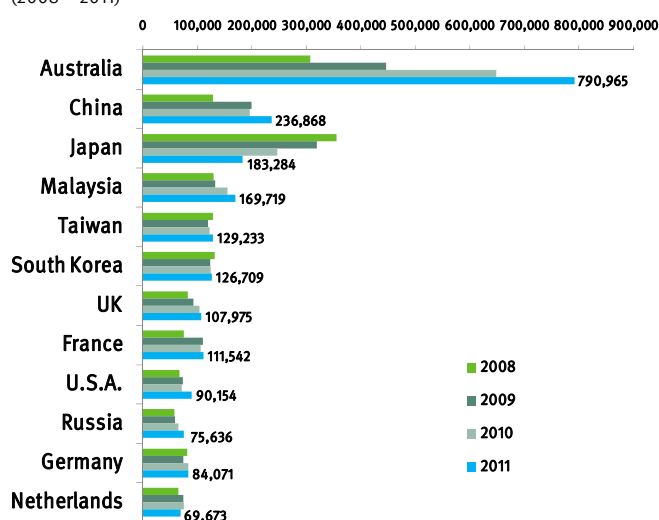


Source: Bali Tourism Board

Figure 4 below present the tourist arrivals figure in 2011 by nationality and specify the seasonality of demand. The peak season occurs in July, August and September, with the following breakdown:

- Australia: June, July, September, October
- Japan: February, March, August, September
- South Korea: May, July, August, November
- China: February, July, August, September
- Taiwan: May, June, July, September
- ASEAN: June, November, December
- Europe: July, August, September, October

Figure 4
Direct Foreign Tourist Arrivals to Bali by Nationality (2008 – 2011)



Source: Bali Tourism Board



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HOTEL MARKET

Continued Optimism Propels Momentum Higher

Supported by the record high tourist arrivals, successes in hosting major international events and improving image as a safe tourist destination, the Bali hotel market finished 2011 with higher metrics performances. Despite concerns of the Eurozone affecting global tourism, developers and investors still rush to join the hotel property boom, particularly gearing up for the coming 2013 APEC summit.

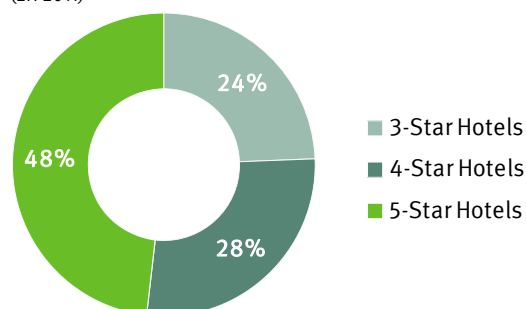
Flourishing New Supply

With a continued growth in tourist arrivals and improved safety and security aspects, the star-rated hotel market in Bali expanded by 9.7% or 1,850 rooms in 2011, bringing the total supply to 20,960 rooms.

The largest supply portion of 34.2% for hotel rooms remained in the Kuta area, while Nusa Dua and Sanur contributed about 23.9% and 12.8% respectively. The majority of 3 and 4-star rated hotels still took place in the Kuta area, while the Nusa Dua area remained the highest concentration of 5-star rated hotels.

Approximately 7,109 rooms are currently in the pipeline projected to enter the market during 2012-2013 of which 61.2% or 4,349 rooms will hit the market in 2012. Overall, the 4-star rated hotels still dominated the future supply market in 2012-2013 with 41.2%, followed by 3 and 5-star rated hotels with 31.0% and 27.8% respectively.

Figure 5
Distribution of Existing Hotel Rooms by Star Rating
(2H 2011)

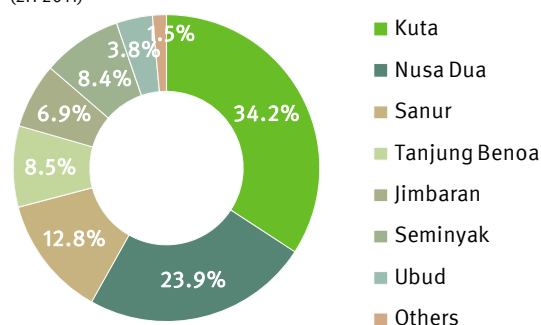


Source: Knight Frank / PT. Willson Properti Advisindo

Table 1 Bali Hotel Market Highlights (2H 2011)		
Distribution by Star Rating	# of Rooms	Occupancy Rate
3-Star Hotels	5,111	74.56%
4-Star Hotels	5,750	73.76%
5-Star Hotels	10,099	74.24%
Total Average	20,960	74.19%

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 6
Distribution of Existing Hotel Rooms by Location
(2H 2011)



Source: Knight Frank / PT. Willson Propertindo Advisindo

In a year-on-year comparison, the overall occupancy rate in the end of 2011 experienced a slight decrease due to an increase in supply. Yet, boosted by the led Mubarak and year-end holidays, the overall occupancy rate increased by 2.0% to 74.19% in the second half of 2011 compared to the previous period.

The average absorption of room demand over the last five years (2007-2011) has been at approximately 13,482 rooms or at an average occupancy level of 69.4%.



Table 2

Projection of Future Supply (2012 – 2013)*

Est. Completion	Project Name	Star Rating	Total Rooms
2012	The Mulia Hotel, Resort & Villas	5	524
2012	Jumeirah Resort	5	230
2012	Sheraton Bali Kuta Resort	5	200
2012	The Address Hotels & Resort	5	149
2012	Le Meridien Bali – Jimbaran	5	118
2012	The Regent Hotel	5	110
2012	Best Western Sun Heritage**	4	277
2012	Harris Hotel – Jimbaran View**	4	234
2012	Swiss-Belhotel – Watu Jimbar**	4	225
2012	The RainForest – Swiss-Belhotel**	4	161
2012	Westin Ubud Resort & Spa	4	107
2012	Citadines Kuta Terrace**	3	174
2012	Santika Hotel – Nusa Dua	3	150
2013	Renaissance – JW Marriott	5	159
2013	Ramada & Suites Sakala Hotel**	4	247
2013	Wuku Centara**	4	155
2013	Holiday Inn Express	3	160
2013	Horison Hotel – Seminyak**	3	156
Total			3,424
* Selected new projects – Total is the sum of all new projects for 2012-2013			
** Initially offered as Condotel units			

Source: Knight Frank / PT. Willson Properti Advisindo

According to the Bali Tourism Board's 2011 survey of tourists' purpose of visit to Bali, the majority of domestic and international travelers were traveling to Bali for holiday and business purposes.

Though, it was reported that the portion of holiday travelers started to shift down slightly from 68.2% in 2005 to 57.1% in 2011. Meanwhile, the portion of business travelers indicated an increase from 12.81% in 2005 to 32.65% in 2011.

Supported by the rising number of low cost flights, a high demand for budget accommodations has prompted several major developers to aggressively expanding by building more low-cost facilities.

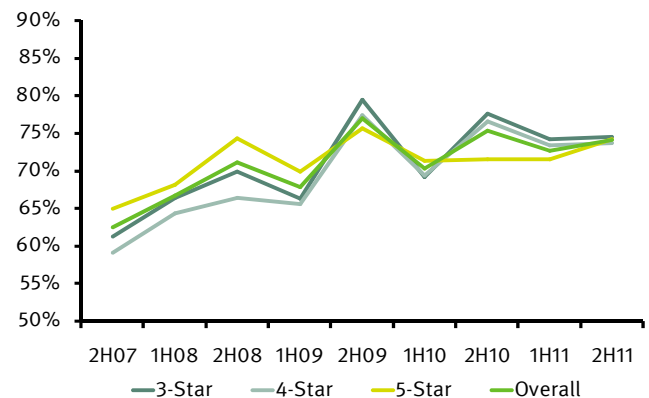
Rising Revenues

The continued upward trend in the overall occupancy rate was followed by the strengthening in ARR and RevPar.

Figure 7

Occupancy Rate by Star Rating

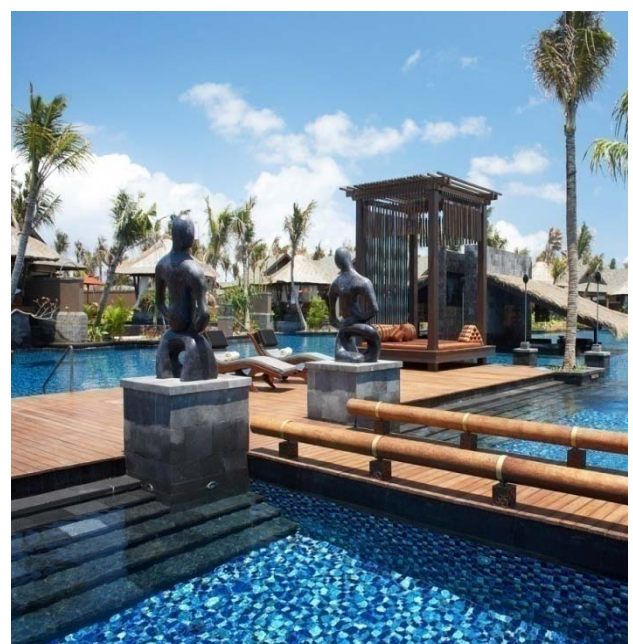
(2H 2007 – 2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

The average room rate for 5-star rated hotels in U.S. dollar terms recorded the largest increase by 11.9% (yoy) to \$173.61 and the ARR for 5-star rated hotels in Rupiah terms indicated the most increase by 12.9% (yoy) to Rp1,574,330.

With the increase in room night demand, the total average RevPar across all star-rated hotels posted a modest growth in U.S. dollar terms by 9.4% (yoy) to \$80.52 and in Rupiah terms by 10.3% (yoy) to Rp730,123.



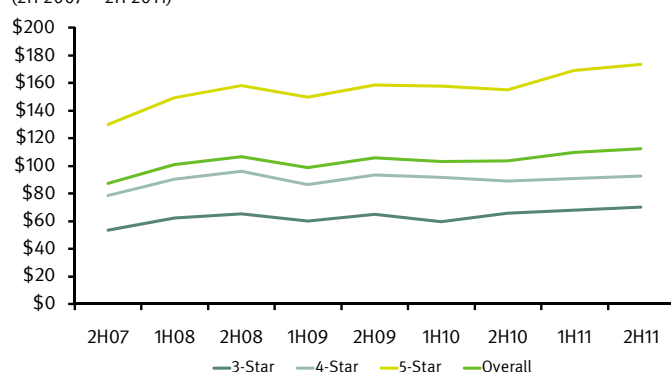
SECOND HALF 2011

BALI HOTEL

MARKET OVERVIEW

Figure 8

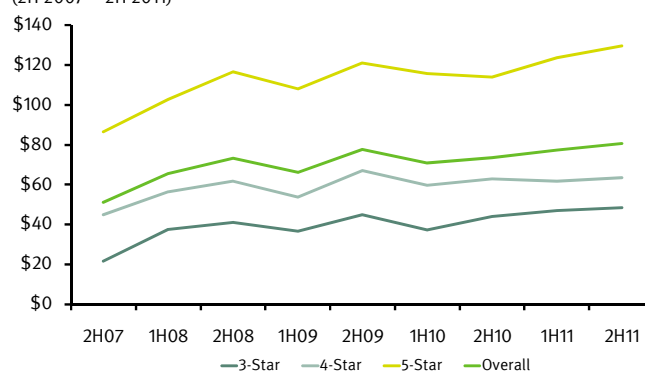
ARR by Star Rating in U.S. Dollar
(2H 2007 – 2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 9

RevPar by Star Rating in U.S. Dollar
(2H 2007 – 2H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 3

ARR of Bali Hotel Market by Star Rating (2H 2011)

Market Segment	ARR		Price Changes from 1H 2011	
	Rupiah	US\$	Rupiah	US\$
3-Star Hotels	Rp636,842	\$70.23	8.64%	3.00%
4-Star Hotels	Rp841,388	\$92.79	7.56%	1.97%
5-Star Hotels	Rp1,574,330	\$173.61	8.15%	2.53%
Overall Hotels US\$1 = Rp9,068	Rp1,017,520	\$112.21	8.09%	2.47%

Source: Knight Frank / PT. Willson Properti Advisindo

Table 4

RevPar of Bali Hotel Market by Star Rating (2H 2011)

Market Segment	ARR		Price Changes from 1H 2011	
	Rupiah	US\$	Rupiah	US\$
3-Star Hotels	Rp439,796	\$48.50	8.96%	3.30%
4-Star Hotels	Rp576,069	\$63.53	8.77%	3.12%
5-Star Hotels	Rp1,174,506	\$129.52	10.63%	4.88%
Overall Hotels US\$1 = Rp9,068	Rp730,124	\$80.52	9.80%	4.09%

Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

Set to achieve a new record high of three million foreign tourist arrivals in 2012, the Bali hotel market is expected to maintain positive growth. MICE sector will continue to be the key tourism driver in Bali.

Given ample new supply projected to deliver in the next two years along with mushrooming Condotel development, competition will become more intense.

Further, older hotel brands are expected to remain pressured to undertake refurbishments in order to keep pace with the quality of new supply.

With the construction of Nusa Dua-Ngurah Rai-Benoa toll road and Simpang Siur underpass and the expansion of Ngurah Rai International Airport being implemented, the efforts will play a crucial role in boosting Bali tourism.

Research



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Germany

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Ireland

Italy

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Technical Note

The figure in this report to the availability of built, up-and-ready star-rated hotels and boutique villas within Bali Market.

Photo Credit

Front Cover Courtesy of Semara Seminyak.