



FIRST HALF 2011 BALI HOTEL MARKET OVERVIEW

Knight Frank

HIGHLIGHTS

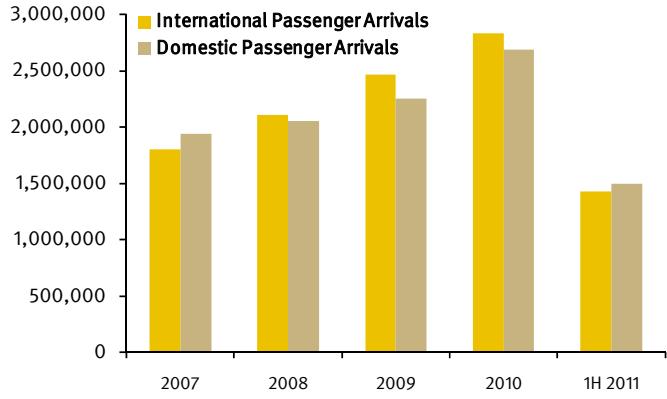
- With both domestic and International passenger arrivals in Bali marking a record high for the fourth consecutive annual increase since 2006, tourism sector in Bali is on track for another record year in 2011.
- Foreign arrivals by main geographical areas grew positively across the board for Bali. On a cumulative six month basis comparison, the entire Asia-Pacific region (excluding ASEAN) continued to set new records generating a sizeable 58.4% of all Bali arrivals representing 742,735 foreign visitors. Given a growing economy and a rising middle income class, domestic tourist arrivals remained to support Bali tourism.
- The Bali hotel market experienced increases in all three basic performance measurements for the first half of 2011 when reported in U.S. dollar terms.
- Maintaining a sustained flow of tourist visits in Bali, the occupancy rate for star-rated hotels throughout Bali continued to show an upward trend recording above 70% level on a year-on-year comparison. The overall RevPar increased modestly in the first six month of 2011 by 5.13% on the back of a higher overall occupancy rate and average room rate.

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Positive Sentiment

Both domestic and International passenger arrivals in Bali have shown its resiliency and managed to enjoy positive growth weathering setbacks from negative instances since 2005. International passenger arrivals through the first six months of 2011 reached 1.4 million or a modest increase of 8.0% over the same period last year. Given a stronger domestic economy and a growing middle class, domestic arrivals slightly outpaced international arrivals climbing considerably by 22.2% in growth or close to 1.5 million over the same comparison period in 2010.

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



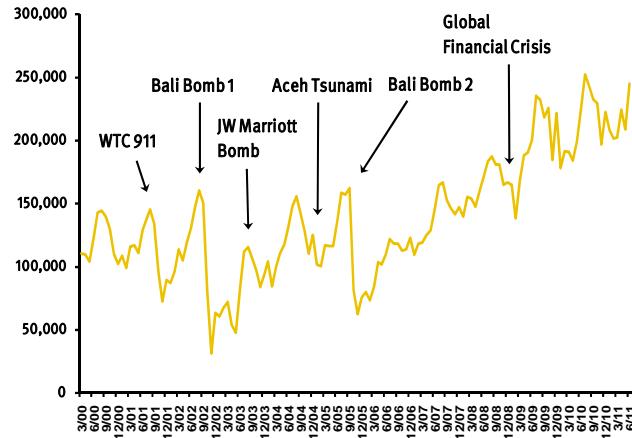
Source: Bali Government Tourism Office

Asia Pacific Region Dominates

The movement of foreign arrivals during the period January 2000 to December 2010 has revealed the resiliency of Bali tourism market despite a multiple of demand shocks. On a cumulative basis, the foreign arrivals during the first half of 2011 continued to show an upward trend totaling at 1,290,836, an increase of 10.4% over the same period in 2010 of 1,169,171 passengers. If the current growth trend continues, Bali will end 2011 with 2.58 million visitors on schedule.

In terms of country of origin, Bali tourism market has been primarily supported by regional tourists from ASEAN and the Asia-Pacific regions, particularly, the top six Asia-Pacific countries including Australia, China, Japan, Malaysia, South Korea and Taiwan.

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



Source: Bali Tourism Board

As shown in Figure 3, the market saw the majority of foreign visitors to Bali in the first semester 2011 coming from the Asia-Pacific regional countries including Australia (27%), China (8%), Japan (7%), Malaysia (6%), Taiwan (5%), South Korea (5%) and Singapore (4%), followed by European countries such as United Kingdom and France – each taking part approximately 3%-4%.

Considered as a second home, Australian visitors have led the Bali tourism market since 2009. For the first half of 2011, it experienced the biggest gain by 25.3% (yoY) accounting for the largest market share by nationality of 26.7% or 344,837 tourists compared to the same period in the prior year.

Notably, after showing a considerable growth in foreign direct arrivals at 48% annual growth (CAGR) over the past five years, Chinese visitors have come out ahead as the second largest source at 106,395 at the end of review period. The increasing trend is expected to continue to occur in the years to come.

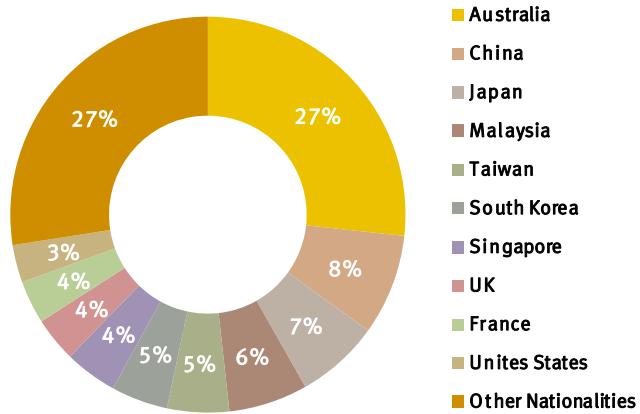
The foreign arrivals by geographical primary continued to show an upward trend across the board for Bali in the first half of 2011. Foreign arrivals from ASEAN and the Asia-Pacific took the lead with a 71.5% market share of all Bali foreign arrivals while the remaining still came from Europe and the Americas.



While formerly accounting for the largest market share of tourist arrivals in Bali, Japanese visitors slipped into the third rank reflecting the severe economic downturn and the aftermath of the earthquake-tsunami-reactor nuclear incident in March 2011. On a cumulative basis for the first six months of 2011, Japanese visitors have decreased by 26.0% (yoY) to 89,490.

Despite contributing only a small 4.3% of the market share of tourist arrivals, Singapore has consistently posted a steady growth over the years. In the first semester of 2011, it recorded the largest gain among the top ten countries of 34.2% (yoY) to 55,668 compared to only 41,483 in last year's same period.

Figure 3
Direct Foreign Tourist Arrivals to Bali by Nationality
(1H 2011)

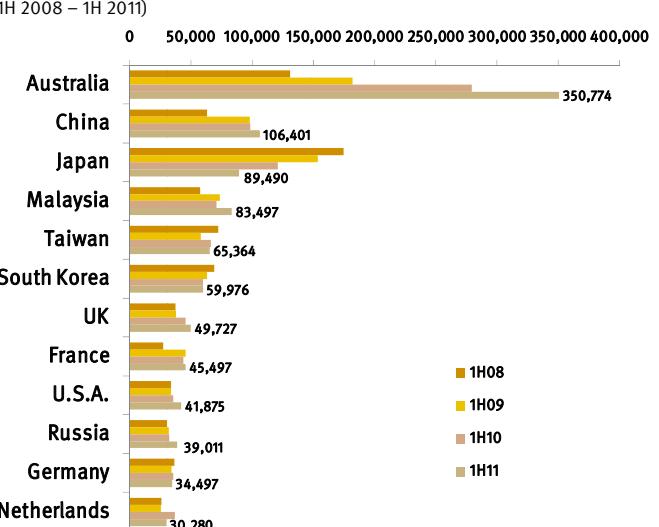


Source: Bali Tourism Board

Figure 4 below present the tourist arrivals figure in 2010 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, October
- China: February, July, August, October
- Taiwan: February, June, July, September
- ASEAN: April, June, December
- Europe: July, August, September, October

Figure 4
Direct Foreign Tourist Arrivals to Bali by Nationality
(1H 2008 – 1H 2011)



Source: Bali Tourism Board



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HOTEL MARKET

Stable Growth Velocity, Optimism Arises

Driven by strong domestic economy and numerous major international conferences held this year resulting in greater tourist visits both for business and leisure, the Bali hotel market ended the first half of 2011 with positive results. The peak seasonal factors such as the led Mubarak and year-end holidays are expected to provide a boost for higher hotel proceeds and occupancy until end of 2011.

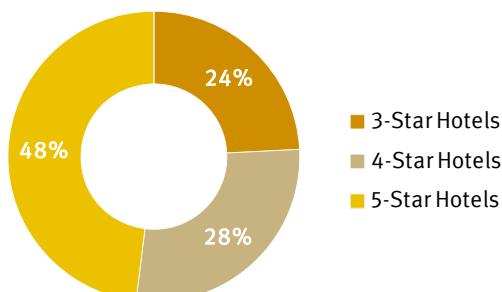
Abundant New Supply

In line with the positive impact of rising number of tourist arrivals in Bali, the Bali star-rated hotel supply grew by 6% or receiving new 1,165 rooms from eight hotels – 3-star rated hotels dominating the extra share – bringing the total supply to 20,275 rooms.

The largest supply share of 32.4% for hotel rooms was located in the Kuta area, while Nusa Dua and Sanur contributed about 24.7% and 12.6% respectively. The majority of 3 and 4-star rated hotels were located in the Kuta area, while the Nusa Dua area had the largest concentration of 5-star rated hotels.

Approximately 3,242 rooms are currently in the pipeline scheduled to be delivered during 2H 2011-2012 of which the majority are targeting the higher rating of the market. With Condotel units flowing into the hotel market, 43.6% of the estimated new supply are categorized as Condotel units.

Figure 5
Distribution of Existing Hotel Rooms by Star Rating
(1H 2011)



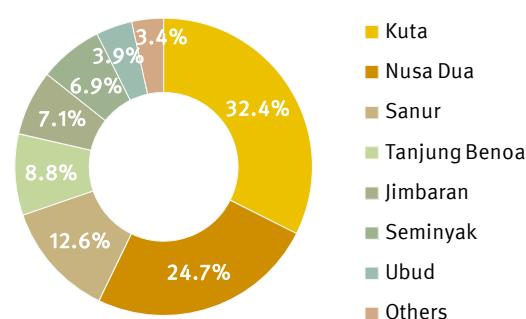
Source: Knight Frank / PT. Willson Properti Advisindo

Table 1
Bali Hotel Market Highlights (1H 2011)

Distribution by Star Rating	# of Rooms	Occupancy Rate
3-Star Hotels	4,908	74.25%
4-Star Hotels	5,624	73.37%
5-Star Hotels	9,743	71.56%
Total Average	20,275	72.72%

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 6
Distribution of Existing Hotel Rooms by Location
(1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

Continuing to attract tourists, the overall occupancy rate rose by 2.3% (yoY) to 72.72% in the first half of 2011 compared to the same period last year. The 3-star rated hotels managed to perform well with occupancy rate increasing by 7.3% (yoY) to 73.37% compared to both 4 and 5-star rated hotels performing at 5.8% (yoY) and 0.3% (yoY) respectively.

The average absorption of room demand over the last five years has been at approximately 12,858 rooms or at an average occupancy level around 66.9%.



Projection of Future Supply (2H 2011 – 2012)				
Est. Completion	Project Name	Star Rating	Total Rooms	
2011	Pullman Bali Legian Nirwana*	5	351	
2011	Oasis Lagoon	4	156	
2011	All Seasons Hotel - Kuta*	3	153	
2011	The RainForest - Swissbel	4	161	
2012	Jumeirah Resort	5	230	
2012	Renaissance Bali Resort & Spa	5	159	
2012	The Address (Terrace Bali)	5	149	
2012	The Regent Hotel	5	110	
2012	Best Western Sun Heritage*	4	277	
2012	Harris Jimbaran*	4	234	
2012	Swissbel Watu Jimbar*	4	225	
2012	Santika Hotel - Nusa Dua	4	170	
2012	Akmani Hotel	4	150	
2012	Westin Ubud Resort & Spa	4	107	
2012	Citadines*	3	174	
2012	The Kuta Beach Heritage	3	151	
2012	Ibis Hotel - Seminyak	3	150	
2012	Whiz Hotel - Kuta	3	135	
Total			3,242	
* Initially offered as Condotel units				
Source: Knight Frank / PT. Willson Properti Advisindo				

Despite sliding to third rank from the top ten largest arrivals list, Japanese visitors were still among the top group of occupants of star-rated hotels in the first half of 2011.

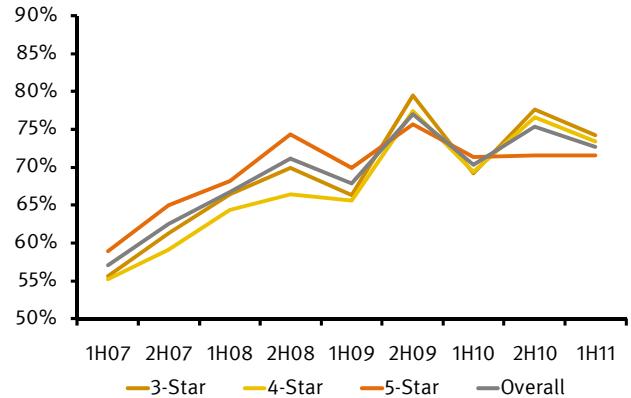
With the increasing number of low cost flights, a shift in traveler's preference for convenience and more versatile cost-conscious travelers, budget hotels will be expected to flourish by offering inexpensive prices equipped with similar star-rated services.

Increased Revenues

The positive trend in the overall occupancy rate was followed by the strengthening in ARR and RevPar. The average room rate for 5-star rated hotels in U.S. dollar terms recorded the largest increase by 9.2% to \$169.33 compared to the last period and the ARR for 3-star rated hotels in Rupiah terms had the most increase by 8.4% to Rp554,911 due to Rupiah appreciation.

Figure 7
Occupancy Rate by Star Rating

(1H 2007 – 1H 2011)



Source: Knight Frank / PT. Willson Properti Advisindo

With the increase in room night demand, the total average RevPar across all star-rated hotels posted a modest escalation in U.S. dollar terms by 5.1% to \$77.35 and in Rupiah terms by 4.9% to Rp664,987.

With new hotel brands are opening up, the quality of hotels in Bali is expected to increase gradually over time. Existing hotels have to do redevelopment or refurbishing by matching the quality of newly built international branded hotels in order to stay competitive.





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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.