



## SECOND HALF 2010 BALI HOTEL MARKET OVERVIEW

**Knight Frank**

### HIGHLIGHTS

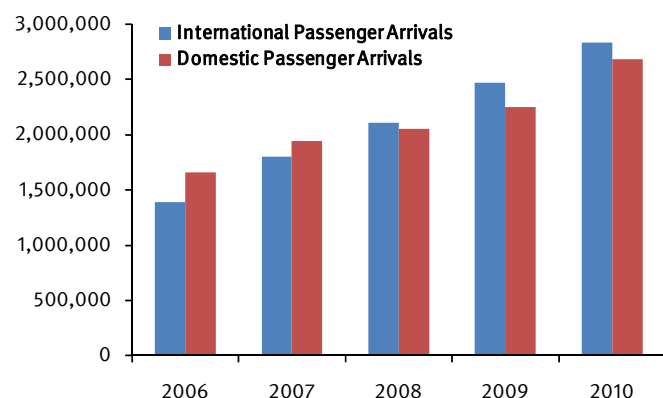
- The total numbers of passenger arrivals to Ngurah Rai International Airport during the period January to December 2010 have shown continued strong growth in line with the recovery in the global and domestic economies.
- Foreign arrivals by geographical primary were up across the board for Bali. On a combined basis in 2010, foreign arrivals from ASEAN and the Asia-Pacific continued to dominate the market share of all Bali foreign arrivals. In line with the improving economy, domestic arrivals posted a significant jump in growth compared to previous years.
- The Bali hotel market experienced a rebound in all stars hotel performances in 2010 due to a rising trend of the number of foreign tourists flooding back to Bali.
- Proven to be more resilient, the overall occupancy rate of star-rated hotels throughout Bali continued to pointing an upward trend last year. The marginal increase in the overall occupancy rate was followed by the strengthening in ARR and RevPar.

# SECOND HALF 2010 BALI HOTEL MARKET OVERVIEW

## Tourism Back into Gear

During 2010, both domestic and International passenger arrivals in Bali demonstrated steady growth. International passenger arrivals through the twelve months of 2010 reached 2.8 million or an increase of 14.6% over the same period last year. In line with the recovery in the global and domestic economies, domestic arrivals also demonstrated a significant jump, reaching 2.7 million or 19.3% in growth over the same comparison period in 2010.

Figure 1  
**Number of Arrivals through Ngurah Rai International Airport**  
(2006 - 2010)



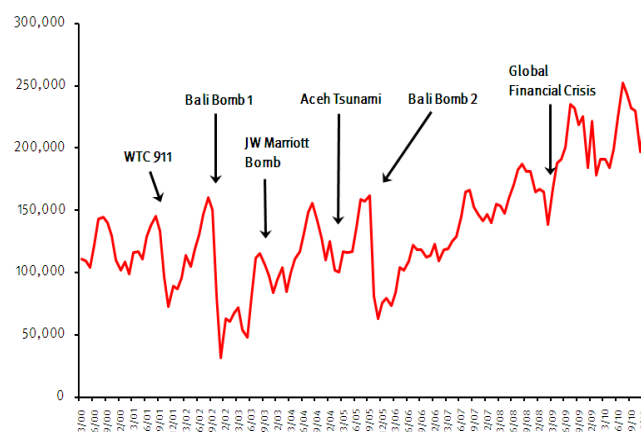
Source: Bali Government Tourism Office

## Australian Tourists Top the List

The activity of foreign arrivals during the period January 2000 to December 2010 has illustrated the buoyancy of Bali tourism market in a variety of demand surprises. Foreign arrivals at Bali's Ngurah Rai Airport have increased quite remarkable over the past three years, witnessing a steady growth. On a cumulative basis, the foreign arrivals during the year 2010 totaled at 2,576,142, an increase of 8.01% over the same period in 2009 of 2,385,122 passengers.

During the last three years, the Bali hotel market has been supported by regional tourists from ASEAN and the Asia-Pacific regions, particularly, the top six Asia-Pacific countries such as Australia, Japan, China, Malaysia, South Korea and Taiwan.

Figure 2  
**Number of Foreign Arrivals through Ngurah Rai Int'l Airport**  
(March 2000 - December 2010)



Source: Bali Tourism Board

As depicted in Figure 3, the majority of foreign visitors to Bali have come from the Asia-Pacific regional countries including Australia (24%), Japan (10%), China (8%), Malaysia (6%), Taiwan (5%), South Korea (5%) and Singapore (4%), followed by European countries such as France, United Kingdom and Germany contributed at approximately 3%-4% individually.

Notably, Chinese visitors to Bali have demonstrated a substantial growth in foreign direct arrivals at 48% annual growth (CAGR) over the past five years, from only 40,710 in 2006 to 196,921 in 2010. Given the upward trend and improving Chinese economy, the number of Chinese visitors is expected to continue to grow in the years to come.

The foreign arrivals by geographical primary were up across the board for Bali in 2010. On a combined basis in 2010, foreign arrivals from ASEAN and the Asia-Pacific continued to dominate with a 70.3% market share of all Bali foreign arrivals while the remaining were from Europe and the Americas.

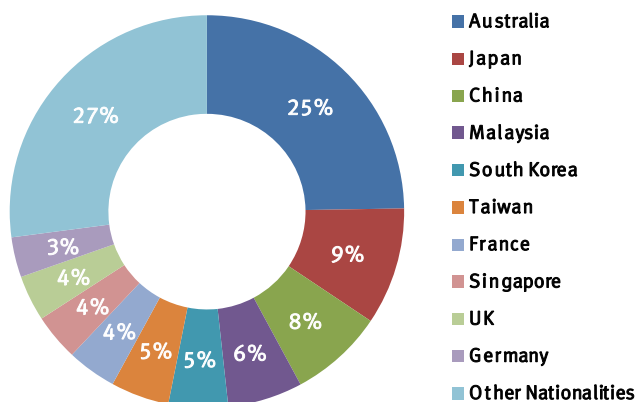
While formerly accounting for the largest market share of tourist arrivals in Bali, Japanese visitors have declined gradually due to Japan's economic downturn.



From its peak in 2006 at 40.6% of total foreign visitors the proportion of Japanese visitors dropped to 17.8% in 2008 and further declined to 14.0% in 2009 due to the global economic crisis. By the end of 2010, Japanese visitors accounted for 9% of the total foreign arrivals in Bali.

On the other hand, Australian visitors have made a comeback and led the Bali tourism market since the past year, accounting for the largest market share by nationality of 24.7% or 629,798 tourists in 2010 despite several prior incidents. The Australia arrivals have also increased by 41.4% over the past year comparison.

Figure 3  
**Direct Foreign Tourist Arrivals to Bali by Nationality**  
(January – December 2010)

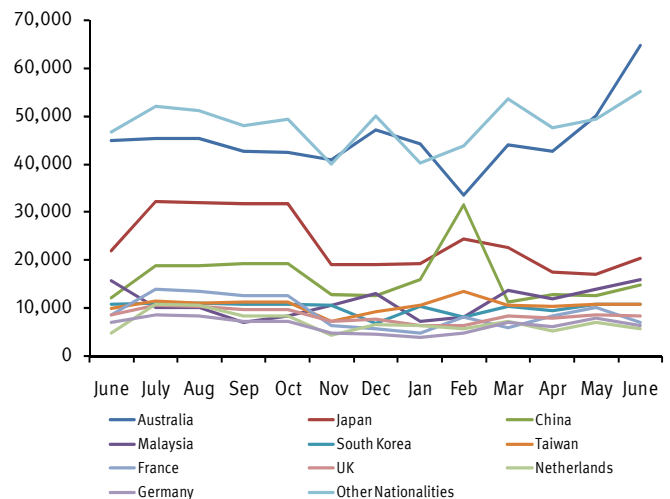


Source: Bali Tourism Board

Figure 4 below shows the tourist arrivals figure in 2009 by nationality and indicate the seasonality of demand. The peak season occurs in July, August and September, with the following breakdown:

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

Figure 4  
**Monthly Direct Foreign Tourist Arrivals to Bali by Nationality**  
(June 2009 - June 2010)



Source: Bali Tourism Board



# HOTEL MARKET

## Positive Outlook, Stable Performance

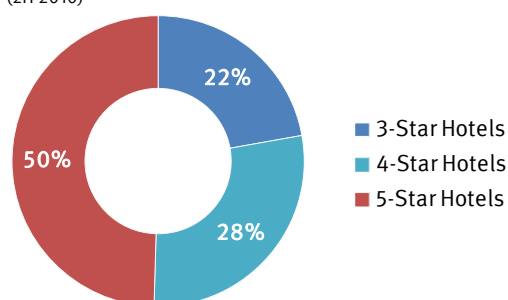
Following the global downturn last year, the Bali hotel market experienced a rebound in all stars hotel performances in 2010 due to a rising trend of the number of foreign tourists flooding back to Bali. The seasonal factor of the Christmas and New Year festivities helped boost Bali's hotel revenues and room occupancy higher by the end of the year.

## Rising Growth of Condotel

Condotel, a lodging that is a hybrid of a condominium and hotel operated as a commercial hotel, have gained tremendously in popularity in Bali over the last few years. The rooms in Condotel are sold individually to buyers and then handed over to well-respected hotel operators to manage and rent the sold units back to hotel guests.

Approximately 2,329 rooms are currently in the pipeline scheduled to be delivered during 2011-2012 of which the majority are targeting the higher segment of the market. The new supply also marks the increasing trend of Condotel units pouring into the hotel market, in fact, 50.1% of the estimated new supply are categorized as Condotel units. The largest supply share of 32.8% for hotel rooms was located in the Kuta area, while Nusa Dua and Sanur contributed about 26.3% and 13.3% respectively.

Figure 5  
Distribution of Existing Hotel Rooms by Star Rating  
(2H 2010)

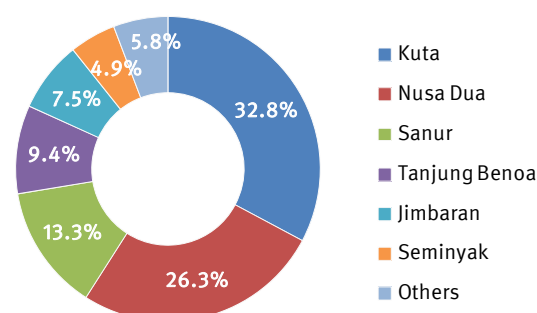


Source: Knight Frank / PT. Willson Properti Advisindo

Table 1 Bali Hotel Market Highlights (2H 2010)		
Distribution by Star Rating	# of Rooms	Occupancy Rate
3-Star Hotels	4,239	77.63%
4-Star Hotels	5,401	76.59%
5-Star Hotels	9,470	71.59%
<b>Total Average</b>	<b>19,110</b>	<b>74.35%</b>

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 6  
Distribution of Existing Hotel Rooms by Location  
(2H 2010)



Source: Knight Frank / PT. Willson Propertindo Advisindo

Kuta area remained the most concentrated area of 3 and 4-star rated hotels, while the Nusa Dua area had the largest concentration of 5-star rated hotels.

The occupancy rate has been increasing steadily with an overall rate of 74.35% at the end of 2010 compared to 56.26% in 2006. The 3-star rated hotels managed to perform well with occupancy rate of 77.63% in 2010, a higher occupancy rate than both 4 and 5-star rated hotels which were performing at 76.59% and 71.59% respectively.





Est. Completion	Project Name	Star Rating	Total Rooms
2011	Pullman Bali Legian Nirwana*	5	351
2011	W Retreat & Spa	5	273
2011	Quest Hotel*	4	223
2011	All Seasons Hotel*	3	140
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	Westin Ubud Resort & Spa	4	107
2012	Harris (Eden Tazulia)*	3	278
2012	Citadines*	3	174
2012	Whiz Hotel Kuta	3	135
<b>Total</b>			<b>2,329</b>
* Initially offered as Condotel units			

Source: Knight Frank / PT. Willson Properti Advisindo

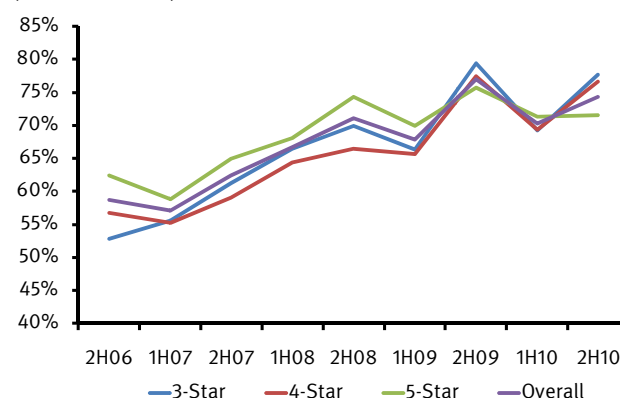
Based on several interviews with Hoteliers and some observations, Japanese visitors remain among the top group of occupants of star-rated hotels despite the recent decline in arrivals to Bali in 2010.

Given the growth of domestic middle class business travelers and traders and the impact of global economic downturn on cost-conscious foreign travelers, there have been a number of hotel groups starting to cater to the rising demand for budget hotels (2 and 3-star rated) such as Accor Hotel Group (Formule-1), Air Asia (Tune), Aston International (Aston City and Fave), Holiday Inn (Holiday Inn Express) and others.

## Improved Revenues

The upward trend in the overall occupancy rate was followed by the strengthening in ARR and RevPar indicating an improvement approaching back to the pre-crisis level. The average room rate for all star-rated hotels in Rupiah terms increased slightly by 2.56% to Rp899,969 compared to the prior period and the ARR in U.S. dollar terms also rose by 0.32% to \$103.39.

Figure 7  
**Occupancy Rate by Star Rating**  
(2H 2006 – 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

With the increase in room night demand, the total average RevPar across all star-rated hotels also experienced a small increase in U.S. dollar terms by 3.94% to \$76.04 and in Rupiah terms by 2.95% to Rp684.081.

Planned increases in basic electricity rates early next year will prove an increasing burden for Bali hotel operators, particularly low-cost or budget class hotels that will bear higher operating costs while finding it difficult to increase their room rates due to stiff competition.



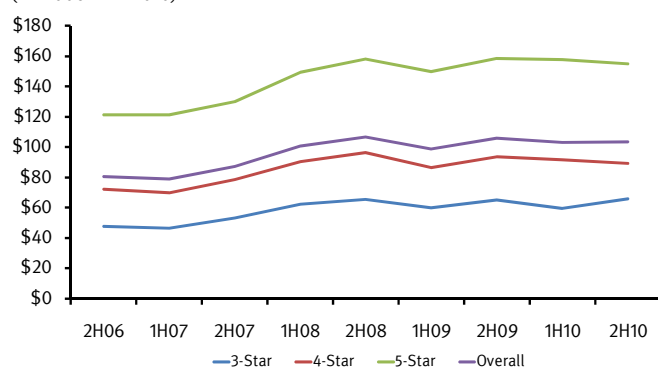
# SECOND HALF 2010

## BALI HOTEL

### MARKET OVERVIEW

Figure 8

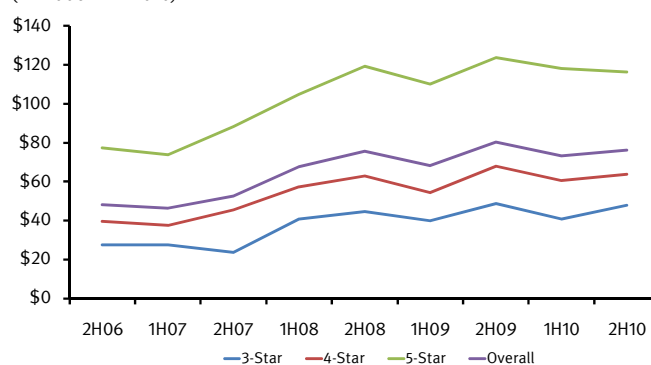
**ARR by Star Rating in U.S. Dollar**  
(2H 2006 – 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Figure 9

**RevPar by Star Rating in U.S. Dollar**  
(2H 2006 – 2H 2010)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 3

**ARR of Bali Hotel Market by Star Rating (2H 2010)**

Market Segment	ARR		Price Changes from 1H 2010	
	Rupiah	US\$	Rupiah	US\$
3-Star Hotels	Rp556,422	\$65.69	16.56%	10.51%
4-Star Hotels	Rp748,988	\$89.36	3.91%	-2.66%
5-Star Hotels	Rp1,394,497	\$155.10	-2.78%	-1.79%
Overall Hotels	Rp899,969	\$103.39	2.56%	0.32%

US\$1 = Rp8,991  
Source: Knight Frank / PT. Willson Properti Advisindo

Table 4

**RevPar of Bali Hotel Market by Star Rating (2H 2010)**

Market Segment	ARR		Price Changes from 1H 2010	
	Rupiah	US\$	Rupiah	US\$
3-Star Hotels	Rp432,716	\$47.99	17.04%	17.89%
4-Star Hotels	Rp573,488	\$63.78	4.11%	5.18%
5-Star Hotels	Rp1,046,040	\$116.34	-2.49%	-1.50%
Overall Hotels	Rp684,081	\$76.04	2.95%	3.94%

US\$1 = Rp8,991  
Source: Knight Frank / PT. Willson Properti Advisindo

## Outlook

Being the most popular international tourist destination in Indonesia, occupancy rates in most star-rated hotels are expected to continue to improve in 2011. However, with a new supply of 1,342 rooms becoming available in the market in 2012 and the growth of Condotel development expected to flourish, the hotel market in Bali will face tight competition.

The growing concerns on sparking an explosion in property development numbers has made the Bali governor considering a plan to impose a moratorium on new hotel developments in Denpasar, Gianyar and Badung regencies for economic and environmental reasons. However, the implementation remains to be seen as it has been difficult to coordinate and control such construction since many regencies are struggling to increase their regional revenues as one of the impacts of the regional autonomy implementation.

# Research



## Americas

USA

Bermuda

Brazil

Caribbean

## Australasia

Australia

New Zealand

## Europe

UK

Belgium

Czech Republik

France

Germany

Hungary

Ireland

Italy

Poland

Portugal

Russia

Spain

The Netherlands

Ukraine

## Africa

South Africa

Botswana

Kenya

Malawi

Nigeria

Tanzania

Uganda

Zambia

Zimbabwe

## Asia

China

Hong Kong

India

Indonesia

Macau

Malaysia

Singapore

Thailand

Vietnam

## Indonesia Contact

Willson Kalip  
willson.kalip@id.knightfrank.com

## Research & Consultancy

Fakky Ismail Hidayat  
fakky.hidayat@id.knightfrank.com

Hasan Pamudji  
hasan.pamudji@id.knightfrank.com

## Valuation (KJPP Willson & Rekan)

Bayu Wiseso  
bayu.wiseso@id.knightfrank.com

Willie L. Prasetyo  
willie.prasetyo@id.knightfrank.com

Mosalina Dewi  
mosalina.dewi@id.knightfrank.com

## Commercial Leasing

Sindiani Surya Adinata  
sindiani.adinata@id.knightfrank.com

Christianto Budiman  
christianto.budiman@id.knightfrank.com

## Property Management Services

Yudi Puji Wahyu  
yudi.puji@id.knightfrank.com

Lioni Sugiarto  
lioni.sugiarto@id.knightfrank.com

## Residential

Jeffrey Kam  
jeffrey.kam@id.knightfrank.com

© Knight Frank / PT. Willson Properti Advisindo 2011

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank / PT. Willson Properti Advisindo for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank / PT. Willson Properti Advisindo in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank Research.

## Technical Note

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