



FIRST HALF 2012 BALI HOTEL MARKET OVERVIEW

Knight Frank

HIGHLIGHTS

- Despite the global financial crisis in Europe, both domestic and international passenger arrivals in Bali continued to hit record levels. With a growing middle class and sustained consumer spending, the number of domestic arrivals in the first half of 2012 continued to exceed international arrivals.
- As the main entry point for foreign arrivals in Indonesia, Bali continued to show a new record high totaling at 1.37 million in the first half of 2012 with strong regional tourists from ASEAN and the Asia-Pacific regions. In particular, Chinese tourists have been increasing significantly to a double-digit growth of 53.3% (yoy).
- On the back of a surge in demand from tourist arrivals visiting Bali, the growth in the overall occupancy and room rate resulted in a solid growth in RevPar. The average occupancy rate for star-rated hotels in Bali managed to perform above 70% level in the first half of 2012.
- Targeting to draw a new record high of three million foreign tourist arrivals in 2012, the Bali hotel market is expected to sustain positive growth. With strong demand in tourism and active domestic air traffic of low-cost carriers, the market optimism is expected to remain as evidenced by the hotel development craze in Bali.

First half 2012

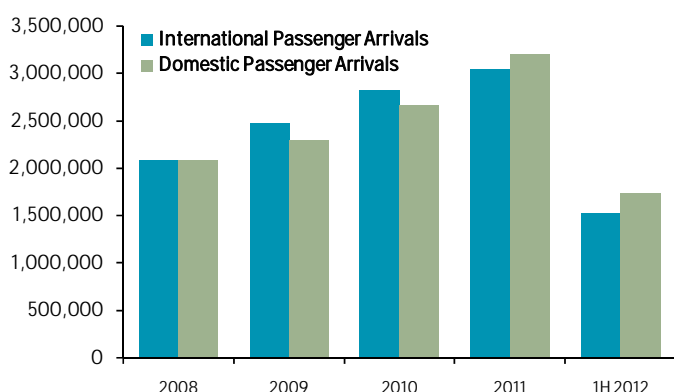
BALI HOTEL

Market overview

Growing Influx of Tourists

Despite the global financial crisis in Europe, both domestic and international passenger arrivals in Bali continued to hit record levels. International passenger arrivals in the first half of 2012 reached 1.52 million or an increase of 9.0% over the same period last year. With a growing middle class and sustained consumer spending, the number of domestic arrivals in the first half of 2012 continued to exceed international arrivals, rising considerably by 19.5% (yoy) in growth to 1.73 million.

Figure 1
Number of Arrivals through Ngurah Rai International Airport
(2008 – June 2012)



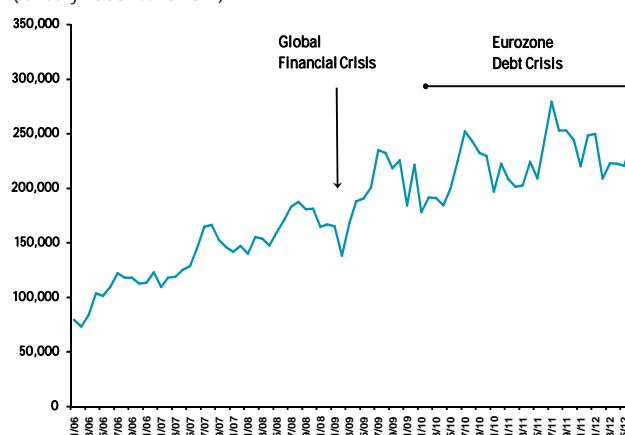
Source: Central Bureau of Statistics (BPS)

Asia Pacific Arrivals Dominate

Bali remained the main entry point for foreign arrivals in Indonesia. In the first half of 2012, the foreign arrivals in Bali continued to show a new record high totaling at 1,366,111 on a cumulative basis, increasing by 5.8% over the same period in 2011 of 1,290,836 passengers.

Despite the global economic slowdown in Europe and the United States, Bali is expected to reach the target of three million foreign tourist arrivals in 2012 as it still attracts and hosts major international conferences and incentives destinations. Regional tourists from ASEAN and the Asia-Pacific regions remained the most important support for Bali tourism, predominantly the top six Asia-Pacific countries.

Figure 2
Number of Foreign Arrivals through Ngurah Rai Int'l Airport
(January 2006 - June 2012)



Source: Central Bureau of Statistics (BPS)

Foreign arrivals from ASEAN and the Asia-Pacific had the largest market share of 72.0% of all Bali foreign arrivals while the remaining still came from Europe and the Americas.

As shown in Figure 3, the major part of foreign visitors to Bali in the first half of 2012 continued to come from the Asia-Pacific regional countries including Australia (28%), China (12%), Malaysia (6%), Japan (6%), South Korea (5%) and Taiwan (4%), followed by European countries such as France and United Kingdom – each taking share approximately 3%-4%.

In the first half of 2012, three nationalities comprising China, England and the United States experienced double-digit annual growth increases. Australian visitors continued to sustain the Bali tourism growth, increasing by 8.2% to 379,372 tourists over the same period in 2011.

Despite facing potential major economic crisis, Europe remained to record a positive growth in arrivals in the first half of 2012, particularly tourists from England, Germany and France.

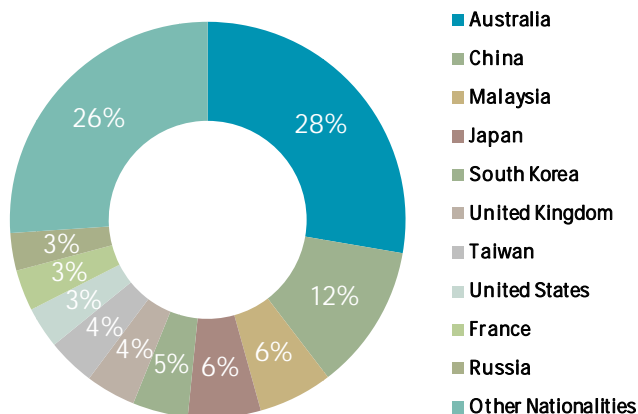
In addition, tourists from Russia and the United States also registered an improving growth in the first half of 2012, increasing by 10.8% and 7.8%, respectively.



Meanwhile, Japanese arrivals continued to decrease by 8.9% to 81,460 tourists, slipping into the fourth place. However, the rapid pace of declining was slowing down, suggesting a slow recovery underway with the Japanese market.

Given its strong early start of the year, the number of visitors from China continued to rise, up by 53.3% to 163,103 tourists over the same period in 2011. It placed them as the second largest foreign arrivals to Bali after Australian tourists and among the top ten sources.

Figure 3
Direct Foreign Tourist Arrivals to Bali by Nationality
(June 2012)

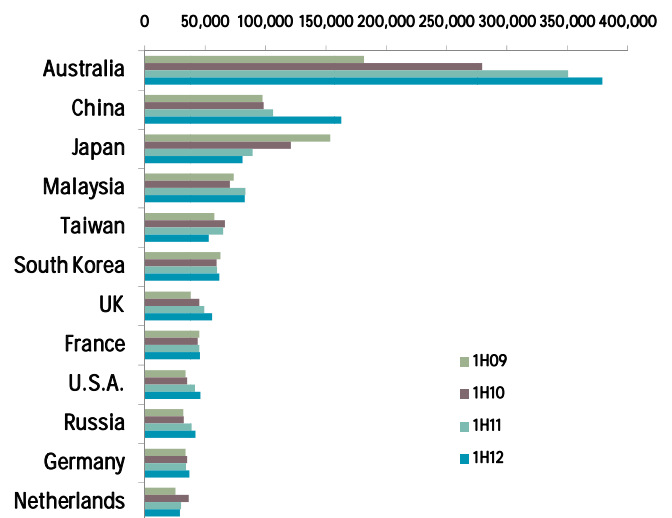


Source: Bali Tourism Board

Figure 4 below present the tourist arrivals figure in the first half of 2012 by nationality and specify the seasonality of demand. The peak season occurs in January, March and June, with the following major breakdown:

- Australia: January, March, June
- Japan: February, March, June
- South Korea: January, February, June
- China: January, February, March
- Taiwan: January, April, June
- ASEAN: March, May, June
- Europe: February, March, April

Figure 4
Direct Foreign Tourist Arrivals to Bali by Nationality
(1H 2009 – 1H 2012)



Source: Bali Tourism Board



HOTEL MARKET

Bullishness Continues as New Hotels Spring Up

The Bali hotel market continued its positive performance through the first six months of 2012. The island has benefitted from both the growing international arrivals and Indonesia's large base of domestic tourists. Given its continuing strong market performance, hotel development remains in high gear. Competition is not only coming from major international brands, but also from home-grown brands.

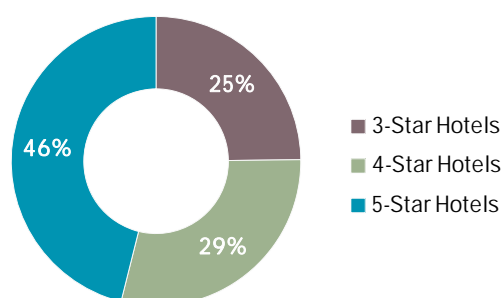
Flourishing New Supply

With a steady increase in tourist arrivals and resilient domestic demand, the star-rated hotel market in Bali grew by 8.0% (yoy) or 1,628 rooms in the first half of 2012, bringing the total supply to 21,903 rooms.

The largest supply share of 33.4% for hotel rooms remained in the Kuta area, while Nusa Dua and Sanur contributed about 24.0% and 12.2% respectively. The majority of 3 and 4-star rated hotels still took place in the Kuta area, while the Nusa Dua area had the highest concentration of 5-star rated hotels.

Approximately 7,970 rooms are currently in the pipeline projected to enter the market during 2H 2012-2013 of which 61.2% or 3,922 rooms will enter the market in the second half of 2012. Overall, the 4-star rated hotels still dominated the future supply market in 2H 2012-2013 with 44.1%, followed by 3 and 5-star rated hotels with 30.6% and 25.3% respectively.

Figure 5
Distribution of Existing Hotel Rooms by Star Rating
(1H 2012)

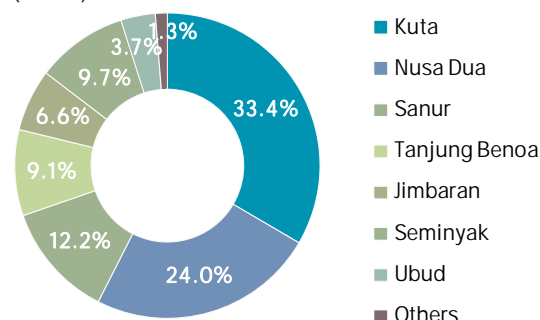


Source: Knight Frank / PT. Willson Properti Advisindo

Table 1 Bali Hotel Market Highlights (1H 2012)		
Distribution by Star Rating	# of Rooms	Occupancy Rate
3-Star Hotels	5,441	76.87%
4-Star Hotels	6,363	75.59%
5-Star Hotels	10,099	74.93%
Total Average	21,903	75.60%

Source: Knight Frank / PT. Willson Properti Advisindo

Figure 6
Distribution of Existing Hotel Rooms by Location
(1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

In a year-on-year comparison, the overall occupancy rate in the first half of 2012 recorded a decent growth of 4.0%. Despite a handful of new hotels entering the market, the overall occupancy rate still increased by 1.9% to 75.60% in the first half of 2012 compared to the previous period.

The majority of domestic and international travelers continued to travel to Bali for both holiday and business purposes.



Est. Completion	Project Name	Star Rating	Total Rooms
2H 2012	The Mulia Hotel, Resort & Villas	5	524
2H 2012	Jumeirah Resort	5	230
2H 2012	Sheraton Bali Kuta Resort	5	200
2H 2012	The Address Hotels & Resort	5	149
2H 2012	Le Meridien Bali – Jimbaran	5	118
2H 2012	The Regent Hotel	5	110
2H 2012	Best Western Sun Heritage**	4	277
2H 2012	Harris Hotel – Jimbaran View**	4	234
2H 2012	Swiss-Belhotel – Watu Jimbar**	4	225
2H 2012	The RainForest – Swiss-Belhotel**	4	161
2H 2012	Westin Ubud Resort & Spa	4	107
2H 2012	Citadines Kuta Terrace**	3	174
2H 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			7,970
* Selected new projects – Total is the sum of all new projects for 2H 2012-2013			
** Initially offered as Condotel units			

Source: Knight Frank / PT. Willson Properti Advisindo

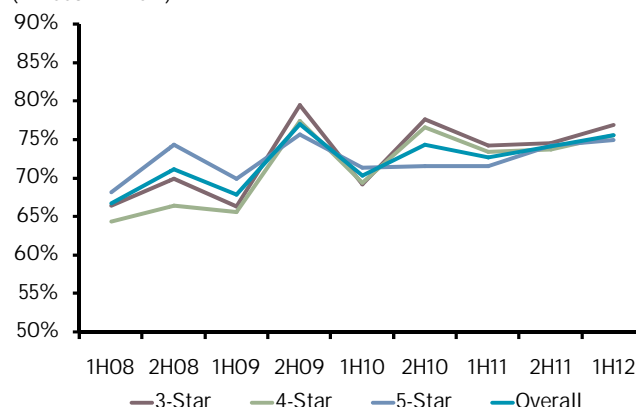
Based on the Bali Tourism Board's survey of tourists' purpose of visit to Bali, holiday travelers remained the major support, but the share was down from 68.20% in 2005 to 55.05% in the first half of 2012. On the contrary, the share of business travelers recorded an increase from 12.84% in 2005 to 34.97%.

With strong demand for tourism and active domestic air traffic of low-cost carriers, the market optimism is expected to continue as evidenced by the hotel development craze in Bali. Several major budget hotel brands included Amaris, Fave, Pop!, Tune and Whiz. Moreover, several high-end products included Anantara, Baccarat, InterContinental, Jumeirah, Ritz-Carlton, Sheraton, Sofitel, Westin and many others.

Growth in Revenues

On the back of a surge in demand from tourist arrivals visiting Bali, the growth in the overall occupancy and room rate resulted in a solid growth in RevPar.

Figure 7
Occupancy Rate by Star Rating
(1H 2008 – 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

The average room rate for 5-star rated hotels in U.S. dollar terms in the first half of 2012 recorded a marginal increase by 2.0% (yoy) to \$172.71 and the ARR for 5-star rated hotels in Rupiah terms indicated a reasonable increase by 12.5% (yoy) to Rp1,637,331.

With the increase in room night demand, the overall average RevPar for all star-rated hotels witnessed a sizeable growth in U.S. dollar terms by 19.0% (yoy) to \$83.11 and in Rupiah terms by 10.3% (yoy) to Rp771,212.



First half 2012

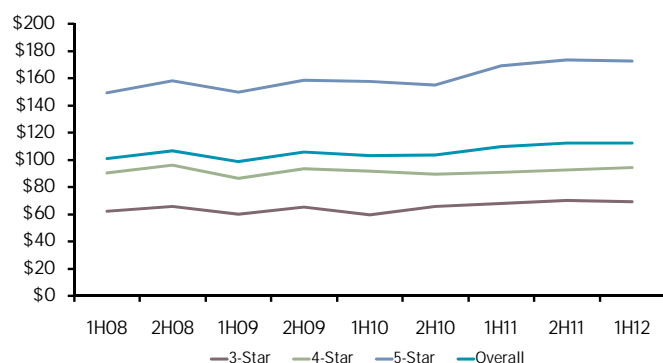
BALI HOTEL

Market overview

Figure 8

ARR by Star Rating in U.S. Dollar

(1H 2008 – 1H 2012)

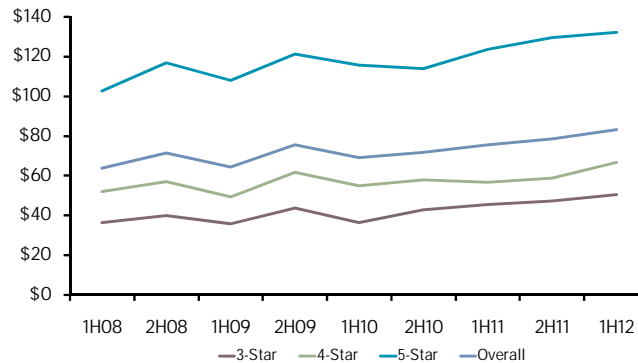


Source: Knight Frank / PT. Willson Properti Advisindo

Figure 9

RevPar by Star Rating in U.S. Dollar

(1H 2008 – 1H 2012)



Source: Knight Frank / PT. Willson Properti Advisindo

Table 3

ARR of Bali Hotel Market by Star Rating (1H 2012)

Market Segment	ARR		Price Changes from 2H 2011	
	Rupiah	US\$	Rupiah	US\$
3-Star Hotels	Rp656,947	\$69.30	3.16%	-1.33%
4-Star Hotels	Rp897,411	\$94.66	6.66%	2.02%
5-Star Hotels	Rp1,637,331	\$172.71	4.00%	-0.52%
Overall Hotels US\$1 = Rp9,480	Rp1,063,897	\$112.23	4.56%	0.01%

Source: Knight Frank / PT. Willson Properti Advisindo

Table 4

RevPar of Bali Hotel Market by Star Rating (1H 2012)

Market Segment	ARR		Price Changes from 2H 2011	
	Rupiah	US\$	Rupiah	US\$
3-Star Hotels	Rp479,844	\$50.62	11.98%	7.11%
4-Star Hotels	Rp631,849	\$66.65	18.67%	13.52%
5-Star Hotels	Rp1,201,942	\$132.07	2.34%	1.97%
Overall Hotels US\$1 = Rp9,480	Rp771,212	\$83.11	8.34%	5.88%

Source: Knight Frank / PT. Willson Properti Advisindo

Outlook

Targeting to draw a new record high of three million foreign tourist arrivals in 2012, the Bali hotel market is expected to sustain positive growth.

Performance metrics in the remainder of 2012 is expected to remain strong supported by anticipated high demand growth of tourists, particularly from the domestic tourists flocking for the seasonal year-end holidays.

Coupled with plenty of new supply becoming available in the next two years and the growth of Condotel expected to flourish, the hotel market in Bali is expected to remain in tight competition.

Government's commitment to accelerate infrastructure building in Bali is perceived positively and it is expected to help optimizing its tourism potential to a higher level.



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

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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 AYANA Villa living room, at AYANA Resort and Spa Bali