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The Bali hotel market showed a moderate recovery after Mount Agung's eruption in November 2017. The number of visiting tourists gradually increased after several countries rescinded their travel warnings. Hotel occupancy started to trend upwards in January and February 2018, raising optimism for the sector. The increasing number of tourists from the Middle East, as well as Muslim travellers, is considered as the emerging market for Indonesia, including Bali. Furthermore, the rating awarded by the MasterCard Global Muslim Travel Index 2017 has proven that Indonesia is worth considering as an important Moslem tourism destination, which could propel the tourism industry going forward.

## Forecast at a glance



### Demand

The Bali authority set a sanguine 2018 target of 6.5 million visitors, up 18% from the early projection last year. Several large events that will be concentrated in Nusa Dua and other areas in Bali may lift overall occupancy this year.



### Supply

Bali is expecting another 2,530 new rooms in 2018, consisting of 1,368 5-star hotel rooms and 1,162 4-star hotel rooms. The development of 3-star hotels will be quite limited in Bali, with no new properties expected up to end-2018.



### Occupancy

By end-2018, Colliers thinks occupancy will reach 73%, an increase over last year's occupancy of 68%.



### Room Rate

We project ARR to reach USD115, up moderately from USD113.50 in 2017.

## Supply

Given all the attractions in Bali, developers continue to be keen to develop more hotels. This is highlighted with the completion of five new hotels in Q1 2018, as presented in the table below. Furthermore, the supply pipeline demonstrates that the hotel sector in Bali is still appealing for hotel developers, despite the fact that the number of operating rooms is already quite huge. Nonetheless, Bali remains the main tourist destination in Indonesia.

### NEWLY OPERATING HOTEL DURING 2018

| HOTEL NAME                            | STARRED RATING | STR CHAIN SCALE RATE | LOCATOIN        | REGION   | NO. OF ROOMS | OPENING TIME |
|---------------------------------------|----------------|----------------------|-----------------|----------|--------------|--------------|
| The Element Ubud                      | 4-star         | Upscale              | Jl. Andong      | Ubud     | 152          | Q1           |
| Marriott's Bali Nusa Dua Gardens      | 5-star         | Upper Upscale        | Nusa Dua        | Nusa Dua | 79           | Q1           |
| Como UMA Canggu                       | 5-star         | Luxury               | Mejan           | Canggu   | 119          | Q1           |
| Renaissance Bali Resort & Spa Uluwatu | 5-star         | Upper Upscale        | Pantai Balangan | Uluwatu  | 207          | Q1           |
| Radisson BLU Bali Uluwatu             | 5-star         | Upper Upscale        | Jl. Pemutih     | Uluwatu  | 125          | Q1           |

Source: Colliers International Indonesia - Research

## REBRANDING

| HOTEL NAME                   | PREVIOUS NAME                       | STARRED RATING | YOP  | LOCATION    | REGION        | NO OF ROOMS |
|------------------------------|-------------------------------------|----------------|------|-------------|---------------|-------------|
| Hotel Nikko Bali Benoa Beach | Grand Aston Bali Beach Resort & Spa | 5-star         | 1997 | Jl. Pratama | Tanjung Benoa | 188         |

Source: Colliers International Indonesia - Research

## NEW PIPELINE

| HOTEL NAME | STARRED RATING | STR CHAIN SCALE RATE | LOCATION | REGION | NO OF ROOMS | PROJECT STATUS | PROJECTED COMPLETION TIME |
|------------|----------------|----------------------|----------|--------|-------------|----------------|---------------------------|
|------------|----------------|----------------------|----------|--------|-------------|----------------|---------------------------|

## STARRED RATING HOTELS

|                                    |        |                |                     |               |     |                    |      |
|------------------------------------|--------|----------------|---------------------|---------------|-----|--------------------|------|
| YELLO Hotel Kuta Beach             | 3-star | Undefined      | Pantai Kuta         | Kuta          | 138 | Under Construction | 2020 |
| The Himana - Mercure Bali Jimbaran | 4-star | Upper Midscale | Jimbaran            | Jimbaran      | 209 | Under Construction | 2018 |
| Fairfield Hotel                    |        | Upper Midscale | Jl. Sri Rama        | Legian        | 163 | Under Construction | 2018 |
| Swiss-BelResort Jimbaran           |        | Undefined      | Jimbaran            | Jimbaran      | 273 | Under Construction | 2018 |
| Swiss-Belresort Arjuna (condotel)  |        | Undefined      | Legian              | Legian        | 100 | Under Construction | 2018 |
| Eastin Hotel Residence             |        | Upscale        | Jl Munduk Catu      | Canggu        | 102 | Under Construction | 2018 |
| Aloft Seminyak                     |        | Upscale        | Jl. Batu Belig      | Seminyak      | 80  | Under Construction | 2018 |
| DusitD2 Sunset Road                |        | Upscale        | Jl. Raya Kuta       | Kuta          | 278 | Under Construction | 2019 |
| Aloft Bali Kuta                    |        | Upscale        | Jl. Pantai Kuta     | Kuta          | 189 | Under Construction | 2019 |
| Jumeirah                           |        | Luxury         | Pecstu Indah Resort | Jimbaran      | 104 | Under Construction | 2018 |
| Solis Capella Resort Hotel         |        | Luxury         | Ubud                | Ubud          | 108 | Under Construction | 2018 |
| Samana Condotel                    |        | Undefined      | Jl. Telaga Waja     | Tanjung Benoa | 250 | Under Construction | 2018 |
| Hyatt Regency Bali                 |        | Luxury         | Danau Tamblingan    | Sanur         | 375 | Under Construction | 2018 |
| Artotel Ubud                       |        | Undefined      | Jl. Jatayu          | Ubud          | 20  | Under Construction | 2019 |
| Waldorf Astoria Bali Uluwatu       |        | Luxury         | Bukit Pandawa       | Jimbaran      | 96  | Under Construction | 2019 |
| Swissotel Bali                     |        | Upper Upscale  | Jl. Pantai Pandawa  | Jimbaran      | 170 | Under Construction | 2019 |
| Shangri-La's Nusa Dua Resort & Spa |        | Luxury         | Kompleks BTDC       | Nusa Dua      | 246 | Under Construction | 2019 |

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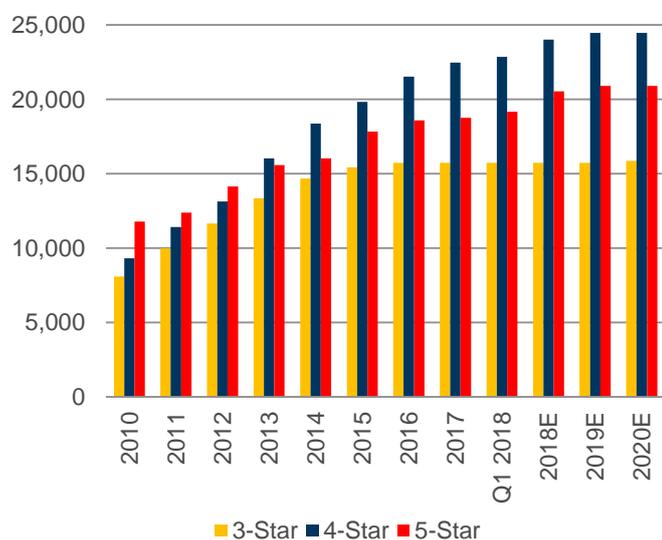
| HOTEL NAME | STR CHAIN SCALE RATE | LOCATION | REGION | NO OF ROOMS | PROJECT STATUS | PROJECTED COMPLETION TIME |
|------------|----------------------|----------|--------|-------------|----------------|---------------------------|
|------------|----------------------|----------|--------|-------------|----------------|---------------------------|

continuation

| BUDGET HOTEL              |         |                |               |     |                    |      |
|---------------------------|---------|----------------|---------------|-----|--------------------|------|
| POP! Hotel Benoa          | Economy | Tanjung Benoa  | Tanjung Benoa | 151 | Under Construction | 2019 |
| Zest Kuta Square          | Economy | Kuta           | Kuta          | 80  | Under Construction | 2019 |
| POP! Hotel Riverview Kuta | Economy | Kuta Riverview | Kuta          | 74  | In Planning        | 2020 |

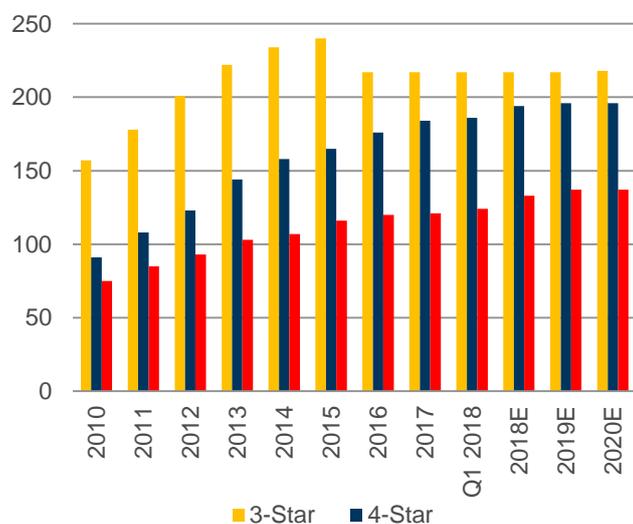
Source: Colliers International Indonesia - Research

### Cumulative Hotel Rooms



Source: Colliers International Indonesia - Research

### Cumulative Hotel Projects

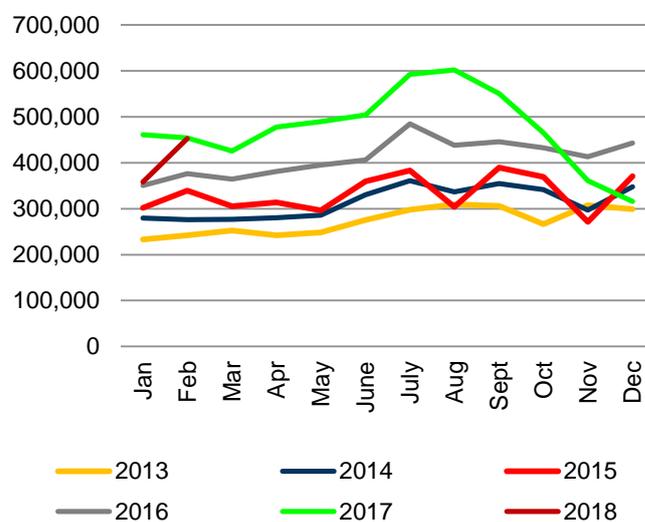


Source: Colliers International Indonesia - Research

Considering the supply forecast, the number of hotel projects in Bali is not as massive as before. Factors include the recent market conditions as well as the local government regulations tending to limit new hotel development permits. Several hoteliers also point out that it is not as easy to draw a bank loan for hotel development as previously.

### Tourism

#### Number of Foreign Tourist Arrivals at Ngurah Rai International Airport



Source: Bali Tourism Office

In the last quarter of 2017, tourism in Bali was somewhat disrupted by the eruption of Mount Agung. Despite that, the situation on the ground was under control and tourists still continued to spend the New Year in Bali.



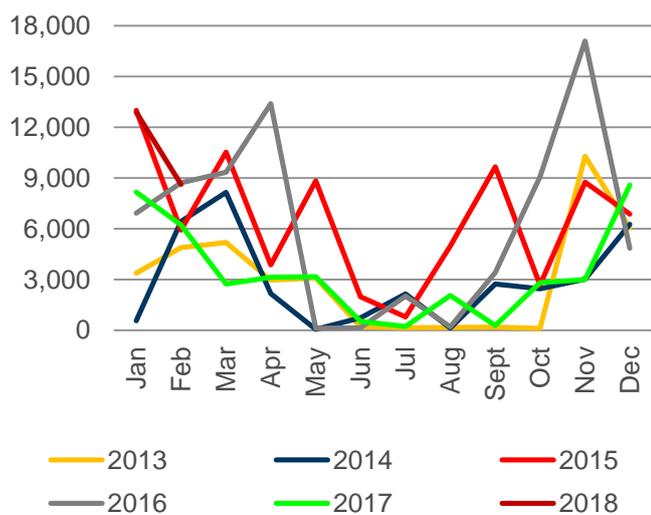
The impact of the Mount Agung eruption was still being felt in January 2018, which can be seen from the YOY drop of incoming foreign visitors by 22.3% to 358,065. In February, the figure rose substantially, marking a hope that the trend is already on the right track.

Bali failed to reach its target of 6 million tourists in 2017, with the number being revised to 5.5 million instead. This year, the target is 6.5 million inbound tourists, and both the Bali government and Tourism Ministry are confident in achieving the target particularly on the back of planned international events to be held in Bali.

Since 2017, Chinese visitors have been the biggest market for Bali, taking over the top spot from Australians. The number of visitors from China dropped in November 2017 following the travel warning after the eruption of Mount Agung. However, the revocation of the travel warning by several countries especially China has promoted confidence over the safety in Bali. This led to the cooperation between the Tourism Ministry and Commissioner General of China to conduct a Lunar New Year Festival, Wonderful Indonesia 2018. This festival was held for two days with a big group of tourists from China coming to Bali to celebrate the Lunar New Year.

In the meantime, the debate between the central and local governments on whether to build a second airport in North Bali continues. But there is an indication that the plan will likely continue. The new airport will create balance amongst other regions in Bali, reducing the concentration in the southern part of Bali.

### Number of Visitor Entering Bali Through Benoa Port



Source: Bali Tourism Office

The cruise market in Bali is also growing. The Bali Provincial Tourism Office reported that 68 cruise ships

have visited the ports of Benoa and Celukan Bawang in 2017. Based on the information from Benoa Port Authority, there were 38 cruise ships arriving at their port in H1 2017.

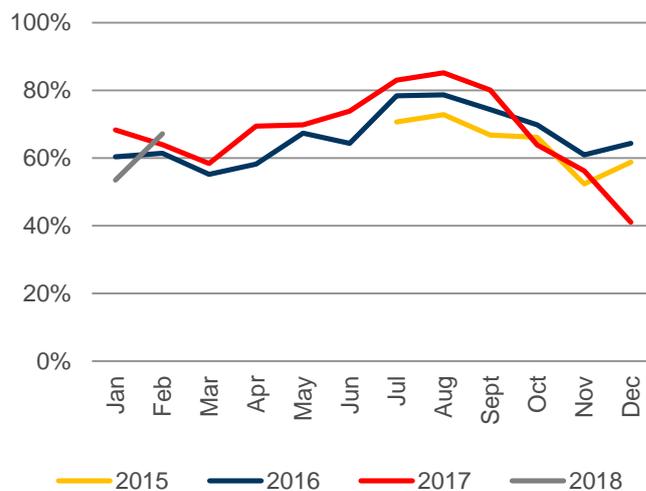
The data excerpted from the Bali Provincial Statistics Centre showed that the number of visitors entering Bali through Benoa Port has been fluctuating with the number of tourists entering through Benoa Port declining over the last two years.

### Performance

The impact from the eruption of Mount Agung continued in January 2018, with the overall occupancy hitting only 53.5%. This reflects a 14.8% drop compared to that in January 2017. This situation applies to the whole of Bali, changing the occupancy patterns on the island.

The increase in occupancy in February was most likely due to several events held by the government or corporations that were rescheduled after the eruption of Mount Agung last year.

### Average Occupancy Rate (AOR)



Source: STR

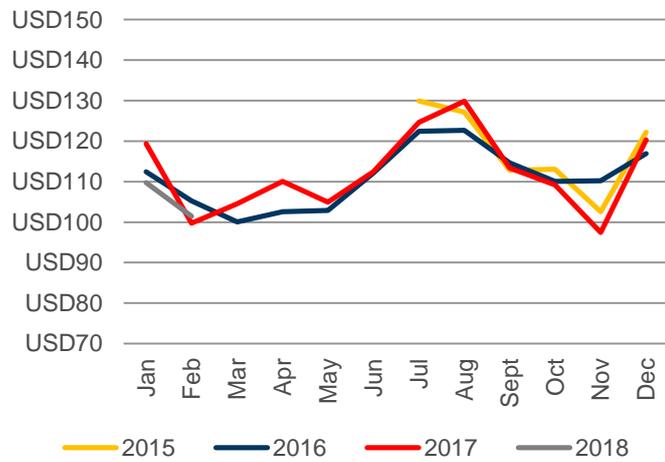
Mount Agung's rumblings in Bali inevitably struck the tourism industry as shown by the declining AOR figure. This has put hoteliers in a difficult situation because with the declining number of guests, they were forced to offer discounts. This caused the ADR to drop slightly during the period.

Indonesia is becoming increasingly interesting for Muslim travellers. Based on MasterCard Global Muslim Travel Index 2017, Indonesia was ranked in the third position below Malaysia and United Arab Emirates, with a score of 72.6. Thus far, number of Middle East tourists



coming to Bali continues to increase for the last three years.

### Average Daily Rate (ADR)



Source: STR

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