



Horwath HTL

Hotel, Tourism and Leisure



C9 HOTELWORKS

MARKET REPORT

Bali: Hotels & Hotel Residences

MARCH 2021

Getting through it together

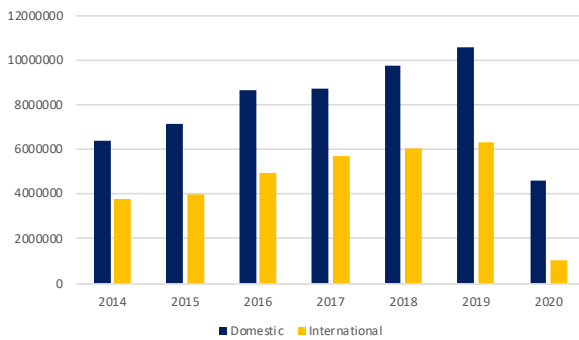
2020 was a year everybody prefers to forget. Despite a promising start with January foreign arrivals up 17%, arrival numbers crumbled thereafter. In the 2nd half of 2020, foreign arrivals amassed a total of less than 300 visitors.

On the other hand, domestic arrivals continued regardless of government travelling limitations and mandatory PCR swab tests for departure and arrival permits. The nation's hope for recovery is improving with vaccinations that started in February 2021.

Bali Visitor Arrivals

The international arrivals to Bali fell to around 1 million in 2020 but thankfully, the domestic market provided the island the lifeline it sorely needed. Despite going down 56% YOY it still contributed about 4.5 million arrivals in 2020.

Bali Visitor Arrivals



Source: BPS

The central government issued nationwide large-scale social restrictions in April 2020 after a significant surge of COVID cases in JABODETABEK. No MICE or crowd gatherings were allowed. However domestic travellers continued trickling onto the island despite strict flight and travel restrictions that were applied nationwide.

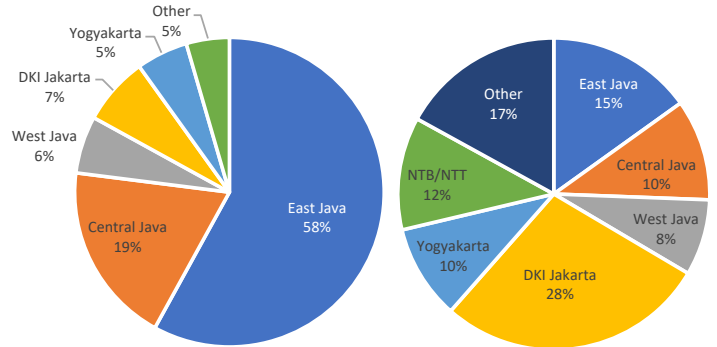
Due to the complications of air transport, there is an upward trend in sea / land-based arrivals. In 2019, around 47% of domestic visitors arrived at Ngurah Rai airport, while the rest arrived at Gilimanuk port.

Visitor Origin Seaport Vs Airport 2019

The origin of airport arrivals is more equally spread across Java's provinces compared to seaport arrivals. Coupled with complicated flight processes, the seaport gateway has become more popular since the Trans Java Toll Road was completed, connecting Java end to end (Banten

to East Java). It has shortened travel time significantly and encouraged people from major cities like Surabaya, Semarang and even Jakarta to road trip to Bali.

Visitor Origin Seaport Vs Airport 2019



Source: BPS

As the situation remains unclear in 2021, the domestic market will be the backbone of the island's tourism and the seaport is likely to become the main gateway for visitors.

Based on the latest domestic market survey done by DISPARDA Bali in 2019, only 52% of people who arrive via seaports stay at star-rated hotels vis a vis 69% of airport arrivals.

Another statistic that illustrates where the greatest damage is likely to be done on Bali's hotels relates to daily spend of the 2 different groups. Domestic airport visitors spend between Rp 600-800,000 per day, whereas the majority of seaport visitor spend only Rp 200-400,000 per day. A very small 20% spend between Rp 400-600,000 and only 11% more than Rp 1,000,000 per day.

Quarantine hotels

To support government efforts to control the COVID pandemic and to take some pressure off hospitals and emergency care units the government setup 14 hotels as quarantine hotels for mild case COVID patients and arrivals to the island.

There are 2,539 hotel rooms available for the public and 810 hotel rooms for medical workers. The hotels are spread out from Denpasar, Badung, Gianyar, Tabanan, Jembrana, Buleleng, Karangasem to Klungkung.

The overall occupancy for those hotels was still a low 28% but it did provide steady demand during 2020.

Hotel Performance - By Rate Segment

Performance hit rock bottom during the first 4 months of the nationwide social restrictions – quarter 2 before improving slightly in quarters 3 and 4 following the relaxation of social and outdoor activity restrictions. Occupancy levels stagnated throughout 2020 but ADR improved towards year-end.

Overall	2018	2019	2020*	%Δ
Occ%	72%	73%	22%	51 pt.
ADR (IDR'000)	1,946	1,917	1,730	-10%
RevPAR (IDR'000)	1,407	1,397	379	-73%
ADR (USD)	136	136	119	-13%
RevPAR (USD)	99	99	26	-74%

* significantly reduced sample size due to closures

Luxury (>USD 350):

The Luxury segment comprises mostly all-villa resorts with international brand affiliation. About 50% of the hotels under this category closed during the 2nd quarter of 2020, with those remaining open running at extremely low occupancy levels. Rate was held in 2020.

Luxury	2018	2019	2020*	%Δ
Occ%	58%	67%	18%	-49pt.
ADR (IDR'000)	7,465	6,437	6,823	6%
RevPAR (IDR'000)	4,308	4,293	1,219	-72%
ADR (USD)	526	454	469	3%
RevPAR (USD)	304	302	84	-72%

Upper Upscale (USD 151 - 349):

Similarly, about 50% of the hotels in this group suspended operations to minimize losses. Coming out of government travel restrictions hotels in the Upper Upscale reduced rates to boost occupancy.

Upper Upscale	2018	2019	2020*	%Δ
Occ%	69%	71%	21%	-50pt.
ADR (IDR'000)	2,981	2,609	2,175	-17%
RevPAR (IDR'000)	2,509	1,841	453	-75%
ADR (USD)	209	187	151	-19%
RevPAR (USD)	144	132	31	-77%

Upscale (USD 101 – 150):

The Upscale segment was more resilient compared to the Luxury and Upper Upscale segments with about 70% of hotels remaining open throughout 2020. In addition, more hotels reopened during Q4 2020. Both ADR and occupancy were still punished.

Upscale	2018	2019	2020*	%Δ
Occ%	72%	72%	19%	-53pt.
ADR (IDR'000)	1,781	1,747	1,532	-12%
RevPAR (IDR'000)	1,290	1,263	299	-76%
ADR (USD)	125	123	105	-15%
RevPAR (USD)	91	89	20	-78%

Midscale (USD 50 – 100):

Based on our BHA monthly database, more than 75% of Midscale hotels remained open throughout 2020. This segment registered the highest occupancy levels with the government using some of the hotels in this group as quarantine hotels.

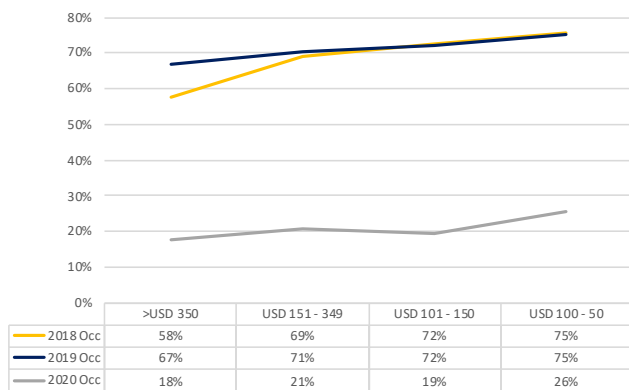
Midscale	2018	2019	2020*	%Δ
Occ%	75%	75%	26%	-49pt.
ADR (IDR'000)	1,077	1,007	832	-17%
RevPAR (IDR'000)	813	758	214	-72%
ADR (USD)	75	71	57	-20%
RevPAR (USD)	57	54	15	-72%

Performance By Location

Occupancy

Hotels across all locations in Bali suffer a severe blow to their occupancy. Kuta/Tuban and Ubud recorded the highest performance in terms of occupancy. Kuta/Tuban areas are still the most popular locations for domestic tourists to stay, given the extensive dining and entertainment offerings in the areas, that are within walking distance from/to the hotels. Ubud's performance is high due to a lack of rooms, with more than 50% of hotels suspending operations during 2020. Some reopened in Q4, but the rest remain closed.

Occupancy by location

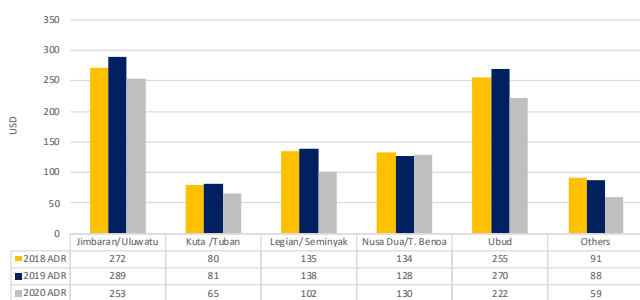


Source: BHA & Horwath HTL

ADR

Well versed in hardship driven by external factors, the hotels' ADR performance across all areas was well maintained. In fact, the ADR had a 5% increment in Nusa Dua/Tanjung Benoa area. However, it is noted that more than 50% of the hotels in this area were closed temporarily in 2020.

ADR by location

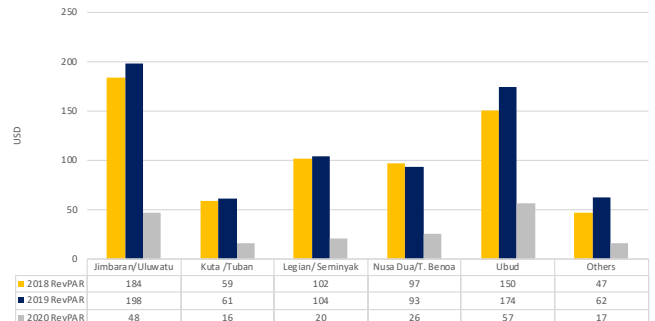


Source: BHA & Horwath HTL

RevPAR

As noted above, the weak RevPAR is attributed to poor occupancy across properties in all areas.

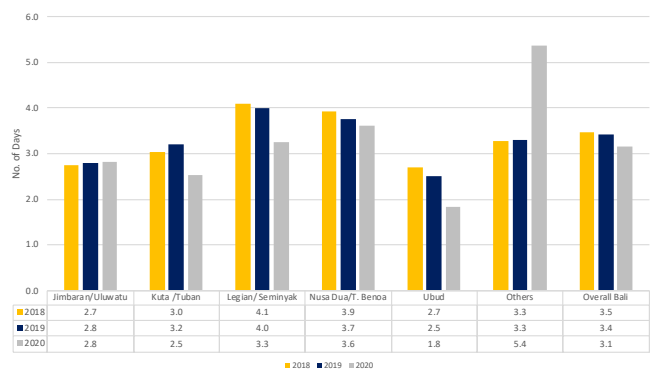
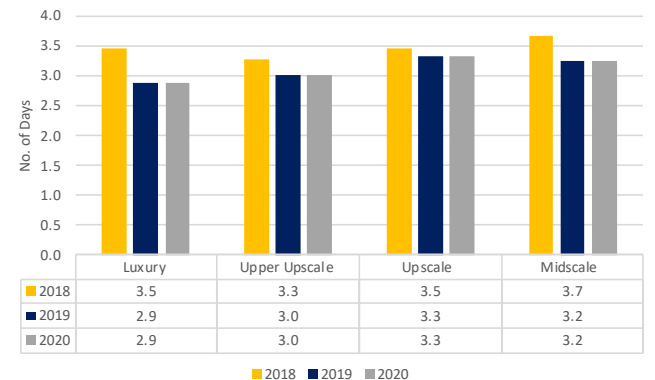
RevPAR by location



Source: BHA & Horwath HTL

Average Length of Stay (ALOS)

ALOS mirrored that of 2019. Hotels in the Upscale segment are still maintaining the longest ALOS, while hotels in Sanur (Others) recorded the longest ALOS. This may be attributed to the demand from quarantine hotels for medical workers in the area.



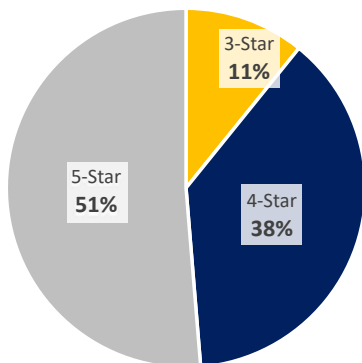
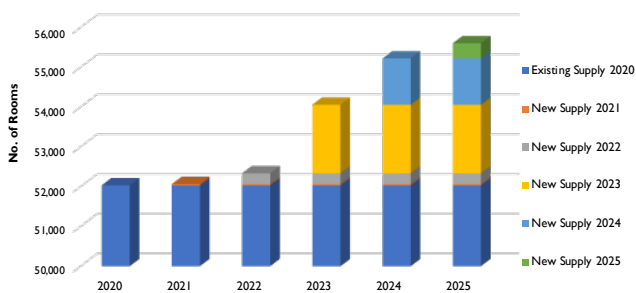
Source: BHA & Horwath HTL



North Bali: Singaraja, Pemuteran **South Bali:** Nusa Dua, Bukit (Uluwatu) - Pecatu, Tanjung Benoa, Jimbaran
West Bali: South Kuta Beach (Tuban), Kuta, Legian, Seminyak, Canggu, Tanah Lot, Tabanan
East Bali: Gianyar + Karang Asem, Denpasar, Sanur, Candidasa

Coming Soon...

Within the next 5 years, Bali hotel market is expected to add at least twelve 5-star, six 4-star and only three 3-star hotel, adding a total of approximately 3,569 rooms, a 7 percent increase from its current inventory.



Source: Horwath HTL

Most of these upcoming rooms are in 5-star and 4-star properties, which has been delayed from the projects of the previous year or part of delayed master plan.

Upcoming hotels in South Bali are mostly the luxury complex development in Pandawa and Nusa Dua area, which is currently on hold due to financial difficulties and/or still waiting for market recovery momentum from the pandemic.

West and Central Bali are the next 'hot spots' for new hotels. In the West, new developments are moving towards North - Canggu and Tabanan areas, as Kuta/Tuban and Legian/Seminyak areas are already crowded. While in Central, the development remains concentrated in Ubud.

In East Bali, Sanur is developing a vibe with 2 additional hotels in the pipeline while Nusa Penida is optimistically rumoured to house its first international upper upscale brand.

Hotel Residences Update

Changing Faces. Changing Places. Bali's Property Market Shifts Course

While Bali's tourism industry has been battered from the ongoing impact of the global pandemic, the island's real estate sector has experienced a rapid shift in demand. Indonesia's barrier to overseas travel has, in an unlikely turn of events, stimulated a new wave of luxury property sales, mostly in the villa segment.

A substantial trend in luxury villa sales has been revealed in our research in the secondary market, which has been driven by domestic buyers from Jakarta and Surabaya. Transactions have been mixed mostly between prime properties in Greater Canggu and South Bali at premium prices and the other end of the spectrum stress-driven discounts across a broader area.

Real Estate Development by Area



46% are Nusa Dua
28% are Canggu
9% are Berawa

Real Estate Development by Area



59% are Condominiums



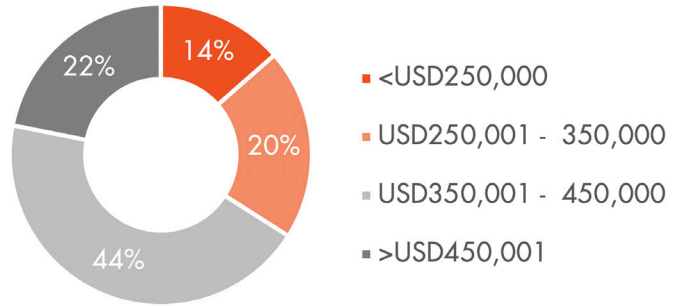
41% are Villas

Source: C9 Hotelworks Market Research

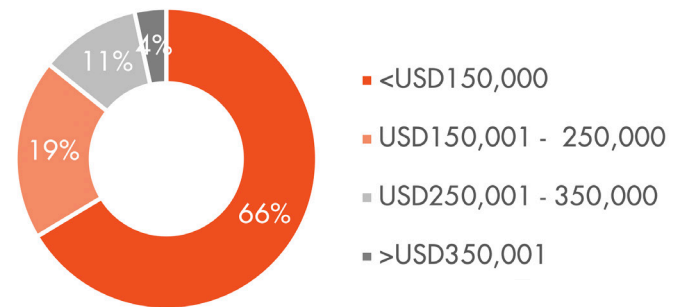
Another key impact of Covid-19 has seen foreign buyers already in Indonesia adopting a work-from-home lifestyle and purchasing homes. This is especially prevalent in Canggu and the rapidly expanding West Bali push up the coastline. We expect this to continue to trend, with a younger, digitally-enabled demographic profile emerging.

Increasing interest from Singapore, Hong Kong, and other city-based buyers from Europe and North America looking at resort locations across Asia to live and work from home is a new constant in our Asia-wide market research. Despite the vibrancy in overseas investment into Bali, there remain no new significant changes in Indonesia's foreign ownership laws nor pandemic-driven incentives to date.

Villas - Sales Price Strata



Condominiums - Sales Price Strata



Source: C9 Hotelworks Market Research

Meanwhile, land sales and property prices have remained extremely active, especially for residential project development and individual luxury-oriented villas. Domestic buyers are the key players in this sector, with competition high for prime sites and maturing locations.

One market that has seen sharp declines is hotel-branded or hotel-managed investment-type developments. Given stress in the tourism market and saturation of condominium hotels, we expect this class of real estate to remain sidelined for the remainder of 2021. Given many of these projects are focused on foreign buyers who are presently unable to visit Bali, there is little reason to expect a rebound in transactions until the broad international tourism market returns.

Villas - Sales Price & Sales Pace

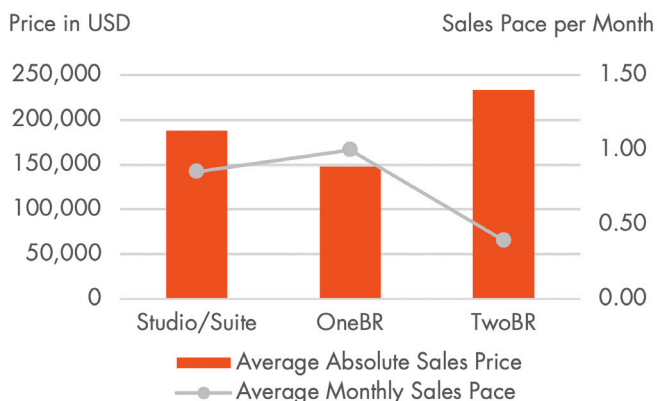


Villas - Sales Price & Sales Pace

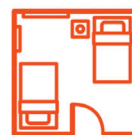


Configuration	Average Built-up Size (in Sq.m.)
One-Bedroom	142
Two-Bedroom	247
Three-Bedroom	266
Four-Bedroom	357
Five-Bedroom	431

Condominiums - Sales Price & Sales Pace



Condominiums - Sales Price & Sales Pace



Configuration	Average Built-up Size (in Sq.m.)
Studio/Suite	52
One-Bedroom	79
Two-Bedroom	113

Source: C9 Hotelworks Market Research

Source: C9 Hotelworks Market Research

Looking at projects currently for sale in Bali, our research shows that condominiums still exceed a 60% share, though the villa segment is poised to grow. Primary sales volume over the past year totaled USD272 million, which is approximately a third of pre-COVID transaction levels.

Moving through 2021, we expect a continued domestic push from Java, primarily Jakarta and Surabaya, being Bali’s real estate buyers who are motivated to purchase a second or holiday home after numerous lockdowns. Looking further ahead, Bali’s appeal to international buyers will attract more demand as bedroom communities like Greater Canggu develop more critical mass and infrastructure.



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C9 HOTELWORKS

C9 Hotelworks is a globally awarded hospitality consultancy recognized as Asia's leading advisor on residential and mixed-use developments, with projects and clients across all markets within Asia Pacific.

With a history spanning over a decade, C9 has worked throughout Asia and in many other locations around the globe from its base in Thailand, delivering independent, strategic advisory services to owners and developer for market studies, feasibility reports, management operator negotiations and asset management.

C9 has a high level of expertise in both hospitality and property sectors, with deep experience producing and analysing research that delivers insight to identify key issues, evaluate complex ones and support clients in achieving solid success.

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