



**Horwath HTL**

*Hotel, Tourism and Leisure*

MARKET REPORT

# Bohol Resort Market, Philippines

JANUARY 2020



## Introduction

Perennially popular for its Chocolate Hills and tarsier sanctuary, today Bohol has raised its profile internationally as an inimitable ecotourism destination. Recent tourism boom is propelled by the opening of new Bohol International Airport, infrastructure developments, and government's continuous tourism promotion.

Unique from other destinations, Bohol offers a myriad of attractions from landscape to seascape. Advantageous to Boracay, it boasts more than white sand beaches and is home to one of the world's best diving sites. Every year Bohol Marine Triangle attracts avid divers with rich marine biodiversity.

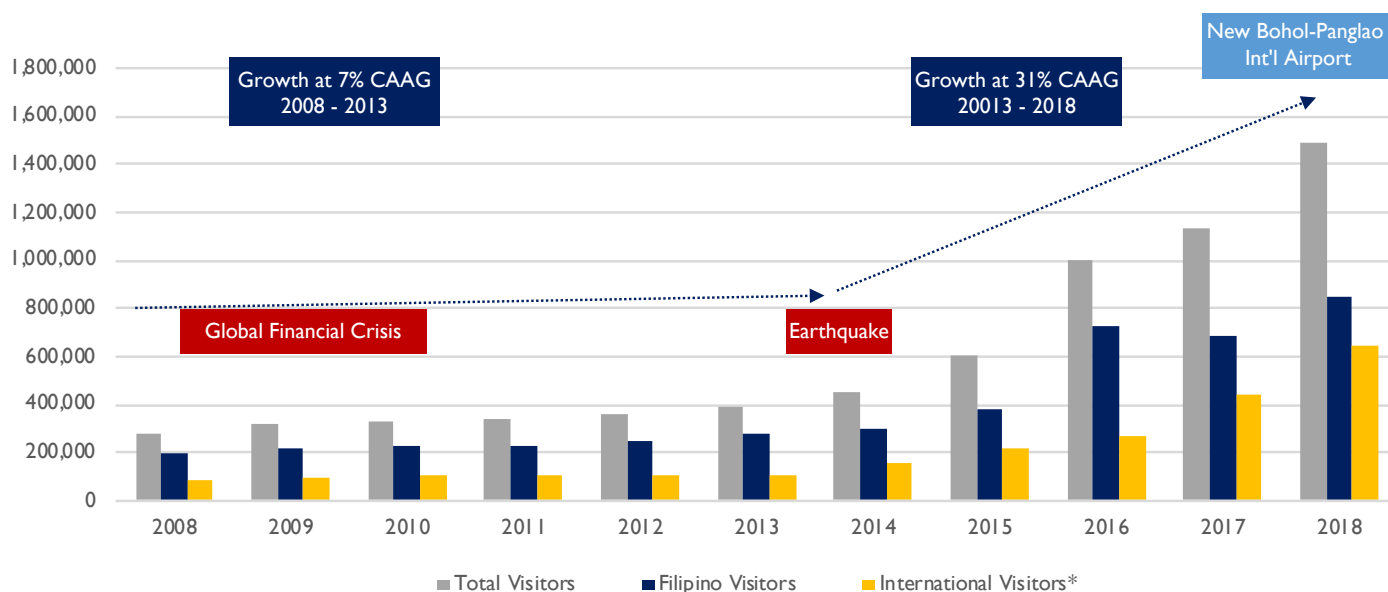
In addition to biodiversity, it is blessed with geological, cultural and heritage assets. Bohol envisions to be the Philippines' first UNESCO Global Geopark with a list of ten proposed geosites ranging from caves to churches and from marine to wildlife sanctuary.

Unsurprisingly, Bohol has also caught the attention of investors for hotel and leisure developments. Unlike other commercialized resort destinations, Panglao exudes an idyllic charm and authentic hospitality from the local communities appealing to travellers who prefer tranquillity and quietness.

Untouched natural beauties and ecotourism are Bohol's competitive advantage that differentiates it from other destinations. With immense tourism growth and developments over the last five years, there is risk of over-tourism (as was the case in Boracay).

As tourism accounts for 90 percent of Bohol's industry, the critical question on the outlook of Bohol tourism lies, "Amidst of rapid tourism growth, will Bohol be able to manage the dichotomy of sustainable tourism to maintain its positioning as a première ecotourism destination while be cautious of the environment degradation resulting from construction and tourist influx?"

Visitor Arrivals To Bohol, 2008- 2018



Source: Philippine Department of Tourism Note\*: International Visitors include Philippine passport holders permanently residing abroad

Visitor Arrivals

Bohol has experienced a tourism boom with an exponential growth in visitor arrivals. Visitor arrivals leaped five folds from 280,000 in 2008 to nearly 1.5 million in 2018, at a Compound Average Annual Growth (CAAG) rate of 18 percent. The growth in international visitor arrivals rose at a higher rate than domestic visitors at 23 percent compared to 16 percent.

Looking at the historical ten-year trend, the province has yet to see a decline in tourism demand, withstanding global financial crises during 2008-2010 and earthquake calamities in 2013. Between 2008 and 2013, guest arrivals at accommodation establishments in Bohol increased at a CAAG rate of 7 percent. The growth in visitor arrivals accelerated at an astounding rate of 31 percent in the past five years between 2013 to 2018.

The silver lining from the 2013 earthquake was that it phenomenally widened Bohol’s international media exposure. BBC, CNN and Lonely Planet visited to feature the aftermath recovery and showcased a plethora of tourism assets and potentials the island has to offer. The attraction was reinforced in 2017 the year Miss Philippines won with a video footage aired at the pageant’s coronation event worldwide.

2018 was an exceptional year for Bohol. The 6-month closure of Boracay rehabilitation from April to October fuelled burgeoning growth in 2018. In the same year, the inauguration of Bohol-Panglao International Airport in November marked the next tourism upswing.

The surge is not bestowed by chance but instrumentally driven by the public and private pro-tourism investment efforts. Concerted efforts came into fruition and translated to double-digit growth in the number of guest arrivals year-on-year for five consecutive years from 2014 to 2018 by 17 percent, 32 percent, 66 percent, 13 percent, and 32 percent, respectively.

The rising popularity resulted from better air accessibility, connectivity to the Mactan-Cebu International Airport and seaports as well as mega tourism infrastructure development projects.

## Infrastructure Developments



### Airport

In November 2018, the Bohol Panglao International Airport replaced Tagbilaran Airport with an increased passenger capacity of 2 million from about 800,000. It is served as the gateway to Bohol and Central Visayas with 200 weekly flights from Manila, Cebu, Davao, Clark, and Cagayan de Oro. Direct flight from the second busiest airport, Mactan-Cebu International Airport is less than an hour and direct flights from other regional cities are under two hours.

Although equipped with upgraded facilities to handle international flights, it is currently operating below capacity due to the lack of international flights and inefficient airport management. There are plans to add international flights from South Korea (Jeju Air) and Taiwan (Far Eastern Air). The route expansion would be incumbent upon the airport privatization.

The privatization of the airport's operations and maintenance is being reviewed by the National Economic and Development Authority (NEDA) with Aboitiz InfraCapital as the sole bidding contender. The approval (targeted to be endorsed next year) is projected to improve services and increase air traffic to Bohol.

### Roadworks

Another upcoming major development under planning is the connecting bridge from Bohol island to Panglao. The government has secured PHP 500 million initial funding to build the third bridge connecting Tagbilaran City Port to Bohol-Panglao International Airport, with targeted completion date in December 2021. The bridge will ease the anticipated traffic volume of travellers arriving in Bohol by ferry and wish to go directly to Panglao Island.

### Seaports

Due to the lack of international flights and relative proximity to Cebu, most travellers still arrive in Bohol from Cebu by ferry. To put into perspective, the total number of sea passenger arrivals to Bohol in 2018 was 3.23 million, six times compared to air passenger arrivals to Bohol. To accommodate tourism and economic growth, the Philippine Ports Authority (PPA) is adding the second passenger terminal building at the Tagbilaran Tourist Port, the largest and busiest port in Bohol. The completion of terminal 2 will see passenger handling capacity tripled. The enhancement of the transport connectivity of seaports and airports between Cebu and other Visayas will elevate Bohol into a more attractive destination for leisure and meetings.

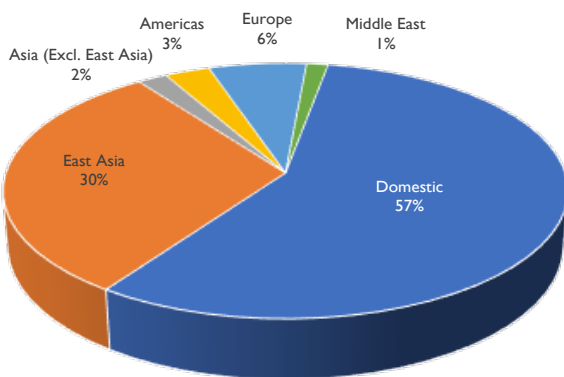
### Flagship Tourism Economic Zone (FTEZ) and Sports Complex

FTEZ is the government's joint initiative between the Department of Tourism (DOT) and Tourism Infrastructure Economic Zone Authority (TIEZA) to develop areas with viable tourism potential in the Philippines. The Panglao FTEZ, with approximately 14 billion pesos worth of investment, is envisioned to be an integrated resort consisting of luxury hotels, hotel residences, beach club, convention center, village market, shophouses and a habitat spanning on more than 100 hectares situated about 3 kilometers from the airport.

The integrated sports complex and convention center under planning will be of a world-class standard that includes a stadium, a convention center, and an entertainment center. The entertainment center will provide event space for concerts, entertainment and other recreational events.



### Nationality Mix



Source: Horwath HTL

By geographical source, Bohol is still dominated by the domestic market which accounted for 57 percent of total visitor arrivals in 2018 although less than the 72 percent mix compared to five years ago due to rising global recognition.

Major international arrivals came within the region. East Asia forms a significant demand source with 30 percent share. Mainland China is the largest single international feeder market. It contributed 17 percent of the total demand, followed by South Korea in second place with 10 percent market share and Taiwan in third with 2 percent.

Top three source markets (Philippines, China and South Korea) combined to 84 percent of the total demand for Bohol resort market.

On the other hand, long-haul markets from Europe, Americas, and Middle East collectively contributed to 10 percent share with Europe leading at 6 percent mainly from France, Germany and United Kingdom. Key growth markets in addition to China are South Korea, Taiwan and United States.

### Top Source Markets, 2018 vs. 2017

Source Market	2018		
	Volume	Share	YoY Change
Domestic	850,047	57%	24%
International	646,082	43%	45%
Mainland China	258,318	17%	65%
South Korea	146,305	10%	67%
Taiwan	33,806	2%	42%
USA	33,713	2%	43%
France	16,166	1%	3%
Germany	13,932	1%	-1%
Japan	13,496	1%	-0.2%
Australia	11,879	1%	23%
United Kingdom	11,039	1%	29%
Canada	8,122	1%	19%
Others	99,306	7%	17%
<b>Total</b>	<b>1,496,129</b>	<b>100%</b>	<b>32%</b>

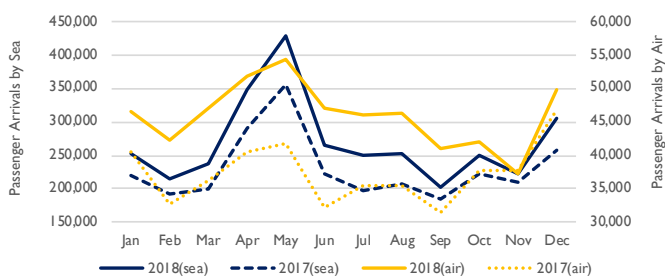
Source: Department of Tourism.

Note: Includes Philippine passport holders permanently residing abroad



## Seasonality

Monthly Passenger Arrivals To Bohol, 2017 - 2018



Source: CAA of the Philippines & Philippine Ports Authority

As Bohol is a beach destination, peak travel season tends to coincide with good weather months and school holidays. High season typically runs from December to May. December is a peak season for the international travellers during winter escape, Christmas holidays, and school break.

Late January/February has a robust travel demand during the long Chinese New Year and Korean New Year.

April is the second busiest month given Easter holiday and school holidays in the Philippines.

May is the peak month of the year for Bohol since it is the Fiesta Month. It is a time when Boholanos from all parts return home to celebrate festivals and feasts with their families. Colourful parade, decorations, and fairs are put up to honour the saints in respective towns of the province for natives and visitors to cherish culture and tradition.

Low season covers June through October and coincides with the monsoon season, with September as the quietest month without public holiday in the Philippines and plenty of rain.

June to August are shoulder months as international visitors still come to Bohol during the summer holidays in Europe, Middle East and Asian school break.

One of the most significant annual historical celebration in Bohol, Sandugo Festival is held in July every year.

Booming Chinese tourists continue to arrive during the October Golden Week to compensate for the shortfall during the low season.



### Hotel Occupancy and ADR

The Bohol resort market included in this report are leading resorts located on the Panglao Island. It consists mainly of 4-star/ upscale properties with at least 50 keys and an ADR positioning above PHP 3,800 in 2018.

#### Occupancy

From 2015-2018, Bohol resort market experienced a strong demand growth and robust occupancy trajectory. Demand grew at a remarkable CAAG at 49 percent, significantly higher than the supply growth rate at an 18 percent. Following the setback of the earthquake in October 2013, there was no new hotel opening until 2015. Without new supply, the market enjoyed a healthy occupancy pickup and stabilization period.

It was not until the third quarter in 2015 that the market saw new openings of what became the two largest beach resorts on the island – the 400-key Henann and the 208-key BE Grand on Alona Beach.

Induced demand brought from the new hotel openings led to the occupancy leap year on year. Occupancy jumped by 23 percentage points from 43 percent to 66 percent in 2016 and 78 percent in 2017.

Market occupancy hit a historical high at 88 percent in 2018 due to the closure of Boracay, together with the new international airport opening. Occupancy reached a new peak of 89 percent at year-to-date August 2019. Good pickup persisted through to year-to-date after the opening of Boracay.

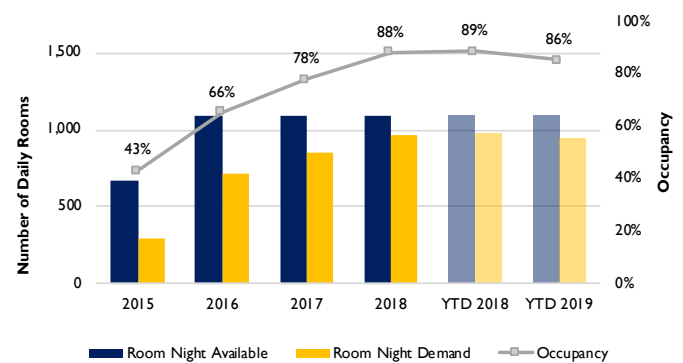
### ADR and RevPAR

Supported by rising popularity and strong occupancy levels, the market saw a healthy ADR growth trend. Market ADR grew at an 8 percent CAAG rate and surpassed the inflation rate between 2015-2018. Tourism boom and relatively low competition from mellow supply additions were conducive for hotels to focus on driving rates during busy times.

This enabled hotels to grow ADR at about 9 percent year-on-year, except for the year 2016 at 6 percent when the two new large resorts were ramping up their rate performances.

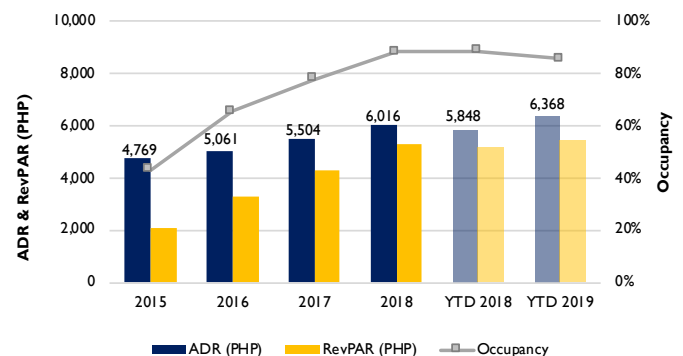
Overall, RevPAR recorded at an astounding 37 percent growth from 2015 to 2018. Accompanied by a slight occupancy drop for YTD 2019 and higher ADR at 9 percent due to the re-opening of Boracay, RevPAR recorded a net gain of 5 percent over the same period in the previous year.

#### Room Night Supply & Demand



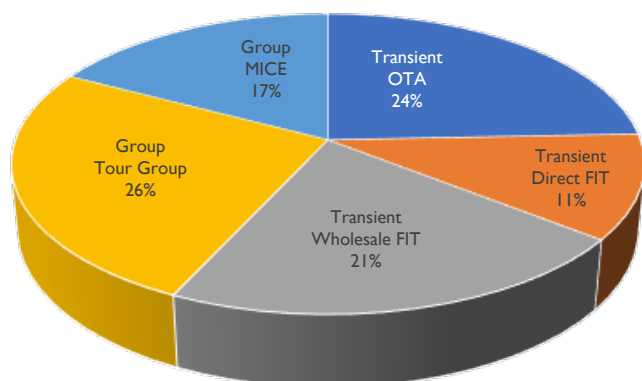
Source: Horwath HTL

#### Hotel Occupancy, ADR and RevPAR



Source: Horwath HTL

## Demand Segmentation



Source: Horwath HTL

The Bohol resort market captures a balanced mix of Transient and Group business at the ratio of 57 to 43 of the total demand in 2018. Transient business consisted of Online Travel Agent (OTA), Direct FIT, and Wholesale FIT demand. Whereas, Group business came from Tour Group and MICE demand portion.

As most hotels in Panglao are local chain or independent hotels, OTA and Direct FIT are the main source of bookings for leisure visitors. This segment accounted for one-third of the total demand in 2018. Although, OTAs provide wide distribution platform to market and sell the rooms, hotels with established brand awareness and repeat guests strive to shift more bookings from OTA to direct channels to lower commission costs.

Wholesale FIT is traditionally sourced from long-haul markets. For the Bohol resort market, the 21 percent wholesale market share represented FIT travellers from America, Europe, and Middle East who purchased packages through traditional travel agents or destination management companies that bundle flight, transportation, activity together with the accommodation arrangements. Tour Group is another significant demand portion. Large hotels hinge on tour groups, mainly from China and South Korea, to provide an occupancy base during low and shoulder seasons.

The MICE segment contributed to 17 percent of the total RND. Due to the limited large-scale convention centers, MICE segment within the Bohol resort market comprised mostly social leisure wedding groups, corporates holding incentive and meetings, and government/association attending seminars and trainings.

MICE demand segment is expected to grow, supported by the provincial tourism authority’s efforts to actively promote Bohol in trade travel fairs and expand the current MICE facilities in the hope of attracting more regional and international conferences. Several competitive hotels incorporate the meeting facilities upgrade into their expansion plans. BE Grand Resort’s construction of its new 1,000-square-meter convention center is scheduled to complete in end of 2019. The upcoming JPark Waterpark slated to open in 2022 will include a convention center that can accommodate at least 1,600 guests. In addition, the Panglao Bay Premier FTEZ is designated to have a convention center within the tourism zone.

## New Hotel Supply

Total room inventory for the Panglao resort market will rise by 3,354 rooms from confirmed developments by 2027. Supply growth is expected to accelerate at 17 percent per year from 2019 to 2027 compared to the rate of 18 percent during the previous three years through 2018.

The following table shows a list of supply additions, containing a balanced mix of expansion and new projects as well as medium to large developments. It should be noted that the new supply list below excludes generic supply of new hotel projects not publicly announced or at a preliminary stage.

Hotel New Supply	Keys	Opening	Expansion/New
South Palms (188 to replace 90 keys)	98	2020-22	Redevelopment
Best Western Ivywall Alona	144	2020	New
Bluewater Panglao (54-200 keys)	146	2020-25	Expansion
Henann Alona (400-1,000 keys)	600	2020-24	Expansion
Bellevue (158-328 keys)	170	2021	Expansion
Modala Leisure Village	126	2021	New
Crown Regency Panglao	550	2021-22	New
JPark Waterpark	1,200	2021-22	New
BE Grand (208-528 keys)	320	2022	Expansion
<b>Total New Supply</b>	<b>3,354</b>		

Source: Horwath HTL





## Performance Outlook

Amidst the tourism boom, will the market demand growth be able to keep up with supply influx?

Opening of new high profile regional branded hotels are expected to uplift the quality of upscale accommodation facilities in Panglao and help induce new demand with strong brand affiliations.

In the mid-term through 2022, a large supply influx is expected to put pressure on demand growth, resulting in occupancy drop. In the long-term, occupancy is expected to recover gradually as supply growth slows down and demand continues to grow.

On the other hand, ADR will be affected by supply growth in a relatively price conscious market among locally branded properties. Taking into account the expansion plans consisting of block room products of existing competitive hotels and the entry of the 1,200-key JPark and the 550-room Crown Regency Grand Paradise to accommodate volume business, ADR growth is forecasted to remain suppressed in the short to medium term given stiffened competition.

With a winning formula of white sandy beaches, rich marine biodiversity and idyllic atmosphere, Bohol's future as a leisure destination in the Philippines is brightly lit. The upcoming privatization of the new Bohol international airport is expected to improve the overall efficiency and handling of passengers. Flight accessibility will continue to increase with more direct international flights. Furthermore, a relatively close flying distance to higher-income countries e.g. South Korea and China could potentially benefit Bohol's tourism receipts. Infrastructure developments promote investors' confidence of Bohol's resilient tourism growth and promising hotel investment prospect.

Albeit immense growth, Bohol Provincial Tourism foresees the risk of over-tourism associated with rapid development. Bohol could be losing its appeal if not properly managed. The tourism surge calls for a plan to address potential challenges such as tourist overcapacity and damage to the environment. Proper initiatives, through collaborative efforts by both private and public entities, should be in place to maintain long-term sustainability of the destination. Examples of such initiatives include enforcement of building regulations, zoning restrictions, regulating local food supply and improving local transportation. All these would result in healthy tourism growth and long-term attractiveness of the destination.

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