



**Horwath HTL**

*Hotel, Tourism and Leisure*

MARKET REPORT

# Maldives: *Market Overview*

MAY 2019



There is nothing quite like a getaway in the Maldives – picture the clear turquoise waters, lazing by the beach, exploring the mesmerising world underwater, and the feeling that you have the whole island to yourself.



Additionally, the Maldives is one of the most tourist-friendly locations in Asia, with well-trained resort staff anticipating your every need. With the notion of being spoilt on a holiday, arrivals have grown at an overall rate of about 8% between 2008 and 2018.

The Maldives also happens to be the highest rate-yielding market in Asia Pacific. With everyone vying for a slice of paradise, supply has been on the uptick. 17 new resorts are expected to open in 2019, raising concerns of oversupply in the market.

However, in the long-term, with the country’s unique geography and one-island-one-resort concept, market occupancy should correct itself assuming no significant political headwinds. With a winning formula, it is hard to beat such a timeless destination.

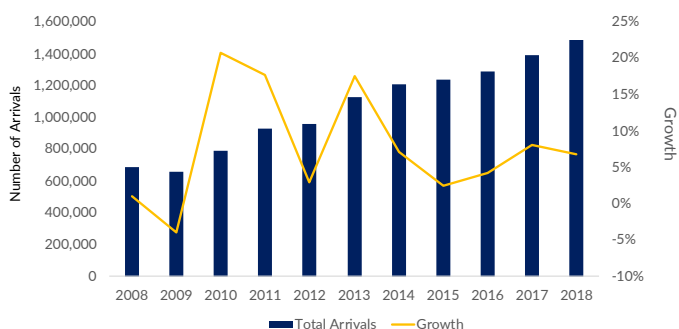


### Tourist Arrivals by Air

Year	Total Arrivals	Growth
2008	683,012	1.1%
2009	655,852	-4.0%
2010	791,917	20.7%
2011	931,333	17.6%
2012	958,027	2.9%
2013	1,125,202	17.4%
2014	1,204,857	7.1%
2015	1,234,248	2.4%
2016	1,286,135	4.2%
2017	1,389,542	8.0%
2018	1,484,274	6.8%
<b>CAAG '08 - '18</b>		<b>8.1%</b>

Source: Ministry of Tourism, Republic of Maldives

### Foreign Tourist Arrivals to the Maldives, 2008 to 2018



Source: Ministry of Tourism, Republic of Maldives

Overall, foreign tourist arrivals have grown at a ten-year compound average annual growth (CAAG) rate of 8.1% from 2008 to 2018. Year-on-Year (YoY) growth was the highest in 2010 (20.7%), following a strong rebound after the global financial crisis of 2008. Double-digit growth continued through 2011, albeit at a lower rate. In 2013, visitor arrivals crossed the one million mark for the first time.

In 2015, growth in tourist arrivals YoY was less robust at 2.4%. This was mostly on the back of a sluggish European economy, Russia’s currency crisis and China’s economic deceleration. Tourism has since recovered, with foreign arrivals growing by about 4% in 2016 and 8% in 2017.

Though 2018 recorded an increase in foreign arrivals to 1.48 million, YoY growth was at a slower pace of 6.8%. This was mostly on the back of a decrease in arrivals (-7.6% YoY) from China – one of the Maldives’ top feeder markets. Some factors contributing to slower arrival growth in 2018 potentially include the after-effects of travel advisories issued in several countries following the Maldives’ state of emergency declaration in early 2018, as well as increasing competition from alternative resort destinations in the region.

## Nationality

Between 1980 and 2012, Europe has been the dominating foreign feeder market for visitor arrivals to the Maldives. However, the gap between Asia and Europe has been significantly reduced in recent years, especially from 2013. By 2014, Asia overtook Europe to become the top contributing foreign feeder market. This was mostly contributed by the Chinese market, which saw double-digit growth in arrivals in 2013 and 2014 (11% and 10% YoY, respectively). By 2014, the Chinese market accounted for 30% of total foreign arrivals for that year.

However, demographics have shifted slightly in recent years following a decline in Chinese arrivals and an increase in key European arrivals. In 2018, Europe accounted for almost 49% of total foreign arrivals, while Asia accounted for about 40%. This was mostly due to a robust increase in arrivals YoY from Italy (18.5%), Germany (4.8%), and the United Kingdom (10.2%).

These key European markets accounted for 7%, 8%, and 8% of total foreign arrivals in 2018, respectively. Meanwhile, China arrivals fell by 7.6% YoY in 2018, resulting in a decline in its share of total arrivals from 22% in 2017 to 19% in 2018.

The top ten foreign feeder markets for the Maldives in 2018 included five European markets and three Asian markets. Together, the top 10 markets made up 64% of total foreign arrivals in 2018, dropping slightly from 66% in 2017. This highlights increasing diversification of source markets in the Maldives. Despite a decline in arrivals, China remained as the top single source foreign feeder market in 2018. Placement of countries in the top ten have mostly remained the same compared to 2017, except that the USA overtook Japan to claim eighth place on the back of a larger leap in YoY arrivals. Additionally, Australia replaced South Korea in the tenth place after significant growth in tourist arrivals by about 36% YoY.

### Share of Arrivals by Region, The Maldives, 2014 to 2018

	2012	2013	2014	2015	2016	2017	2018
Europe	54.0%	46.9%	43.9%	43.4%	44.7%	46.5%	48.9%
Asia	38.4%	44.9%	47.1%	46.8%	44.5%	42.2%	39.2%
Africa	0.7%	0.7%	0.7%	0.8%	3.9%	4.5%	1.0%
Americas	2.8%	2.9%	3.4%	3.8%	4.0%	3.5%	4.6%
Oceania	1.8%	1.7%	1.7%	1.8%	2.0%	2.2%	2.7%
Middle East	2.3%	2.8%	3.1%	3.4%	0.8%	1.1%	3.5%

Source: Ministry of Tourism, Republic of Maldives

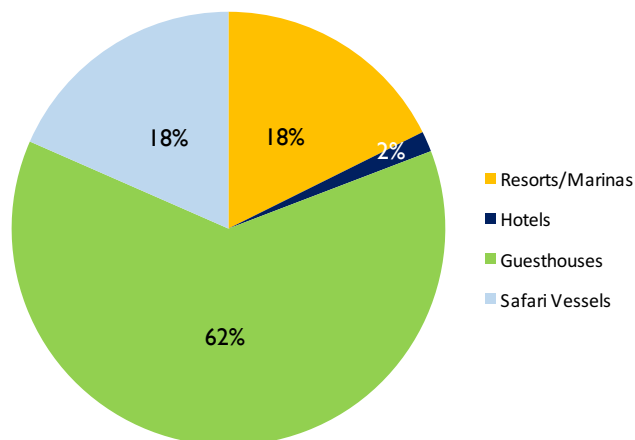
### Top 10 Source Countries, 2018

Rank	Country	2018 Arrivals	Market Share	YoY % Change
1	China	283,116	19.1%	-7.6%
2	Germany	117,532	7.9%	4.8%
3	UK	114,602	7.7%	10.2%
4	Italy	105,297	7.1%	18.5%
5	India	90,474	6.1%	9.0%
6	Russia	8,520	4.8%	14.5%
7	France	50,476	3.4%	19.1%
8	USA	42,901	2.9%	9.5%
9	Japan	42,304	2.9%	2.8%
10	Australia	37,254	2.5%	36.2%
<b>Total</b>		<b>892,476</b>	<b>64.4%</b>	

Source: Ministry of Tourism, Republic of Maldives

## Accommodation

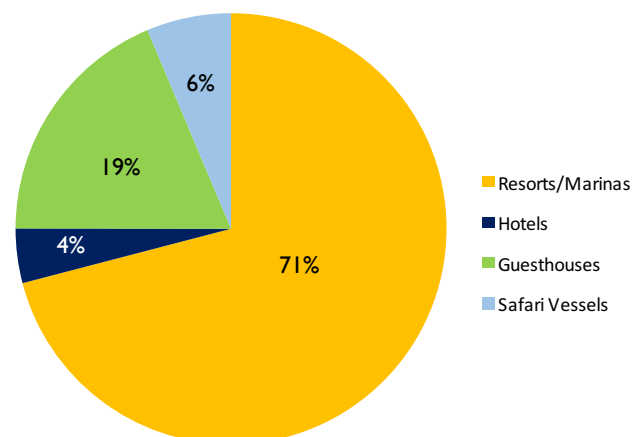
Share of Accommodation Establishments, Maldives, 2018



Source: Ministry of Tourism, Republic of Maldives

By the end of 2018, the Maldives had a total of 787 registered accommodation facilities. This included 139 resorts/marinas, 12 hotels, 491 guesthouses and 145 safari vessels.

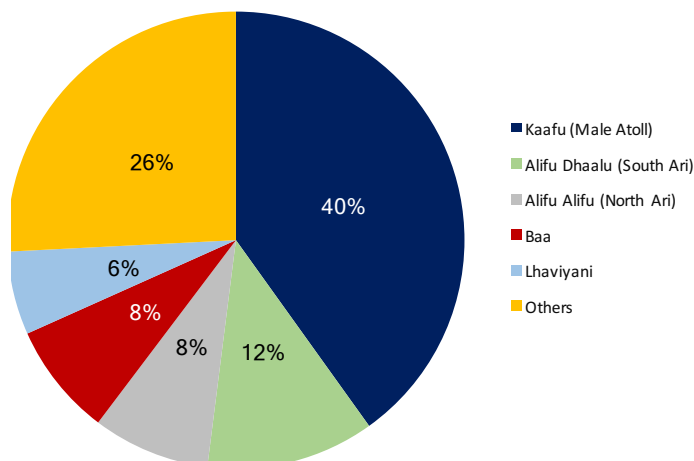
Share of Bed Capacity, Maldives, 2018



Source: Ministry of Tourism, Republic of Maldives

The number of registered beds for 2018 totalled to 43,025, with resorts/marinas accounting for 71% of total bed capacity despite comprising a lower share of total establishments. In 2018, hotel bed capacity saw the greatest increase YoY, growing by 21%. Kaafu Atoll, comprising both North and South Male Atolls, has consistently accounted for the largest share of beds in a single atoll in the Maldives (40% in 2017). A closer distance to the capital of Male and Velana International Airport has incentivised developers to build resorts within the atoll over the years.

Share of Beds, By Atoll, Maldives, 2017 (Latest Available)



Source: Maldives Tourism Yearbook 2018. Beds include all types of accommodation – resorts/marinas, hotels, guesthouses & safari vessels. Resort bed capacity accounted for 77 percent of total bed capacity in 2017.

As seaplanes do not typically fly after daylight hours, resorts within the Male Atoll (accessible via speedboat) tend to benefit from additional capture of transit room nights from guests on international flights landing later in the day. The second most concentrated single atoll by bed capacity in 2017 was Alifhu Atoll (Ari Atoll). Alifhu Dhaalu (South Ari) Atoll accounted for about 12% of beds while Alifhu Alifhu (North Ari) Atoll accounted for another 8%.

The proliferation of resorts in Ari Atoll can be explained by the atoll’s extensive and world renowned dive sites, a popular activity in the Maldives. The atoll is famed for having a relatively higher chance of spotting whale sharks throughout the year – the elusive and coveted mammal among diving and snorkelling enthusiasts.

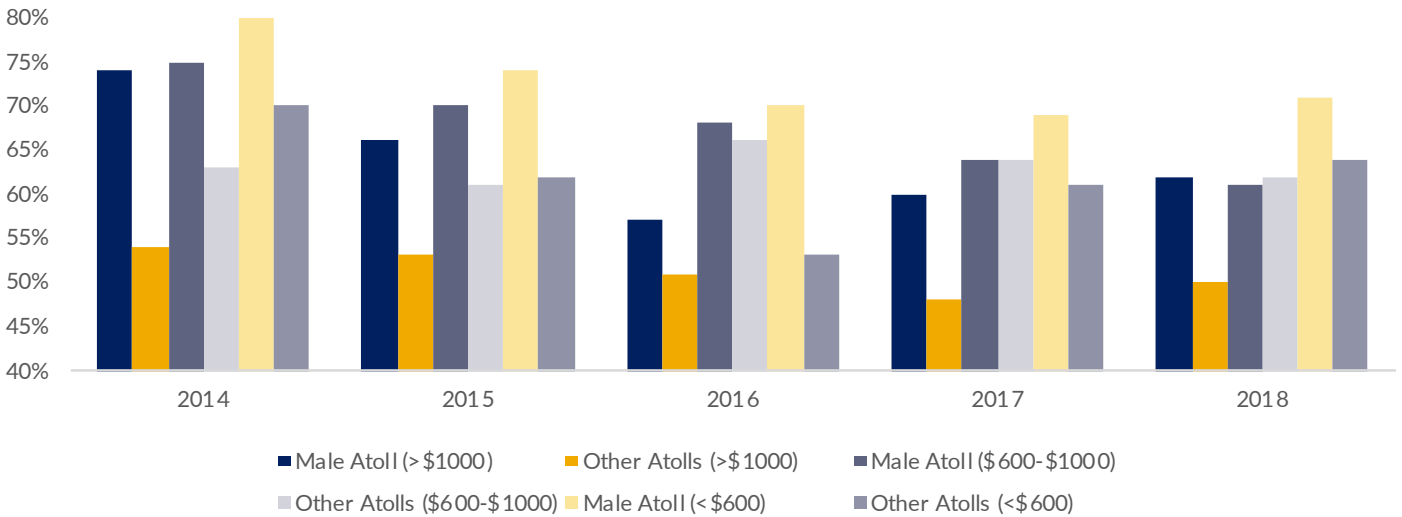
Meanwhile, Baa Atoll has been popular for resort development given its UNESCO Biosphere Reserve tag. The atoll is famed for its significant biodiversity of marine life. Hanifaru Bay, is one of the few places in the world where large schools of whale sharks and manta rays congregate during a certain time of the year.

Other atolls that are fast developing include Raa Atoll, Dhaalu Atoll, and Haa Alifhu Atoll. In 2017, bed capacity YoY increased by 99%, 52%, and 48%, respectively. With the abundance of resorts in Baa Atoll, developers are now looking at its neighbour to the north – Raa Atoll. Due to its relatively untouched marine life, developers are now flocking to the atoll for its interesting underwater topography and marine life.

## Resort Market

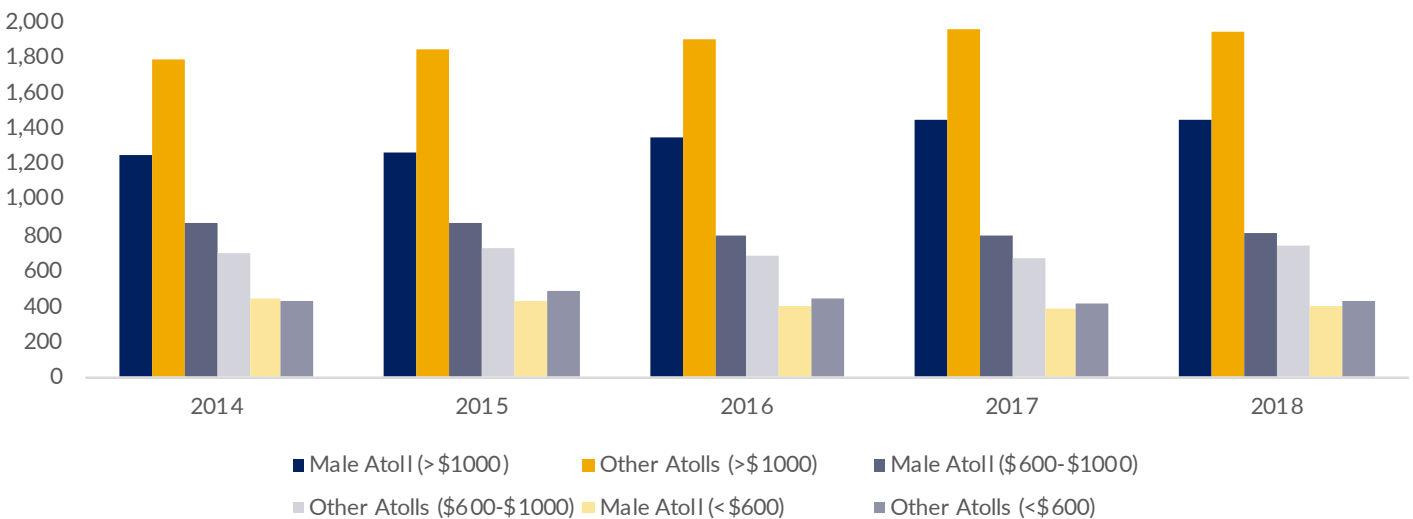
The following compares historical occupancy, rate, and RevPAR performance of resorts in the Male Atoll (speedboat access) against resorts in Other Atolls (seaplane/domestic flight access).

**Historical Occupancy, Male vs Other Atolls, 2014 - 2018**



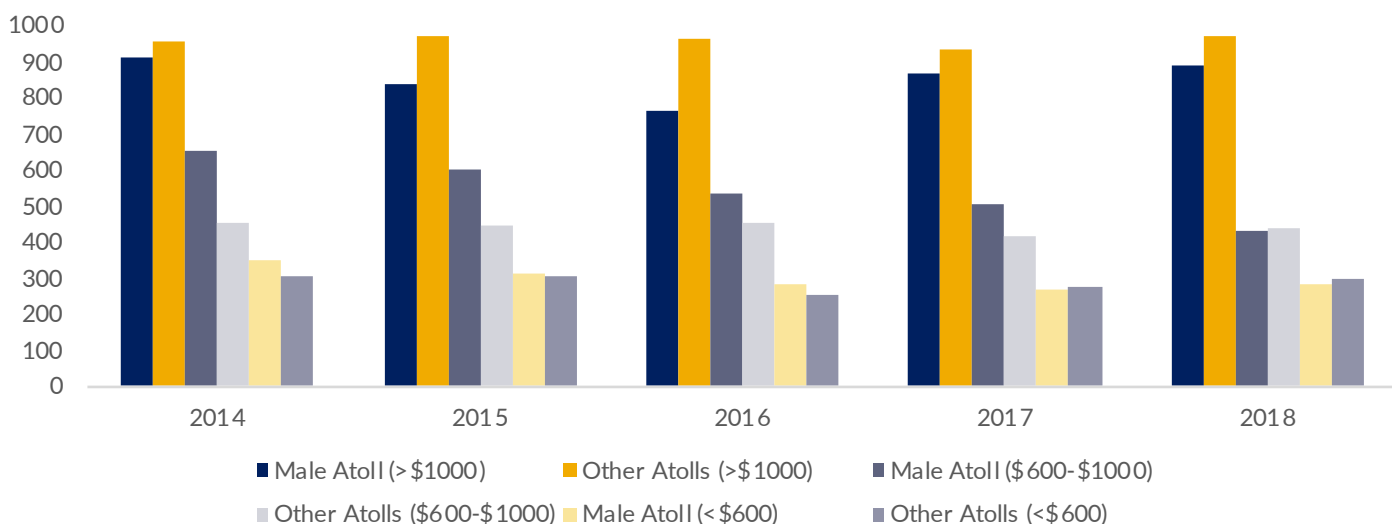
Source: Horwath HTL

**Historical ADR, Male vs Other Atolls, 2014 - 2018**



Source: Horwath HTL

**Historical RevPAR, Male vs Other Atolls, 2014 – 2018**



Source: Horwath HTL

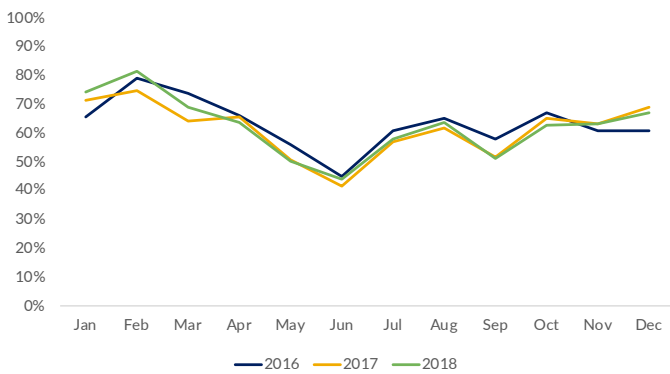
**Key Highlights**

- Above US\$1,000:** On average, ultra-luxury resorts (above US\$1,000) situated away from Male Atoll have historically achieved higher rates than those within Male Atoll, albeit at the expense of lower occupancy levels. Higher rate premiums are often justified by the more exclusive location of resorts further away from Male Atoll, as well as the less polluted waters when situated further away from the capital city of Male. However, higher ADRs also potentially deter some rate-conscious guests, resulting in lower occupancy levels.
- US\$600 – US\$1,000:** Historically, resorts in this ADR category have achieved higher occupancy levels within the Male Atoll. However, these Male Atoll resorts have experienced a large decline in occupancy levels over the last five years, while Other Atoll resort occupancy was more stable. Rate-wise, Male Atoll resorts have achieved a higher average ADR than Other Atoll resorts. However, overall ADR growth in the past five years for Male Atoll resorts has been negative (-1.7%) while ADR growth for Other Atoll resorts has been positive at 1.2%.
- Below US\$600:** The demographic of travellers in this rate segment is typically more budget conscious and wholesale-oriented. As seaplane-accessible resorts typically include extra high costs, Male Atoll resorts have historically performed better in terms of occupancy compared to Other Atoll resorts. Rate-wise, since 2015, Other Atoll resorts have achieved higher rate premiums over Male Atoll resorts. Given rising competition from cheaper guesthouses, which can compete with resorts in this segment, ADR has seen overall declines in both Male and Other Atoll resorts in the last five years (-2.4% and -0.4% YoY respectively).
- RevPAR Performance:** In 2018, Other Atoll resorts with an ADR of above US\$1,000 achieved the highest RevPAR among all categories. This was largely on the back of higher overall ADR. Meanwhile, Male Atoll resorts with an ADR of below US\$600 achieved the lowest RevPAR performance due to its low overall rate despite a higher average occupancy.



### Seasonality

Monthly Occupancy, Overall Maldives, 2016 to 2018

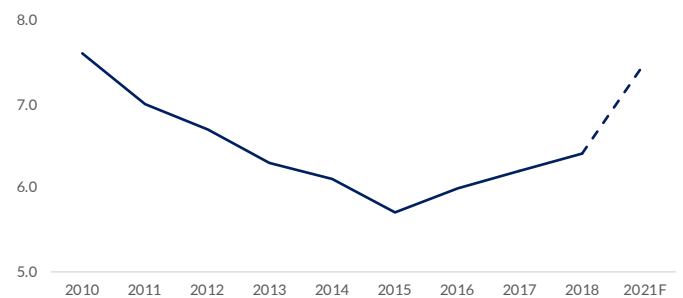


Source: Ministry of Tourism, Republic of Maldives

A relatively consistent monthly occupancy pattern can be observed from 2016 to 2018. The dry season occurs between November and April accounting for relatively higher occupancies in those months. The monsoon season typically runs from May thru October, peaking in June. With a wide demographic of visitors to the Maldives, one foreign market can usually fill resorts during times when another foreign market travels less. For example, Chinese travellers – the Maldives’ top foreign feeder market– tend to flock to the country during February over the Chinese New Year holiday. This in turn makes up for the relatively fewer German and UK travellers during the same period (second and third top foreign feeder markets in 2018 respectively). Similarly, fewer number of Chinese tourists in December is made up for by peak travel season for both the Germans and English.

### Average Length Of Stay

Average Length of Stay for Foreign Tourist Arrivals, No. of Days, 2010 to 2021F



Source: Ministry of Tourism, Republic of Maldives

The average length of stay (ALOS) recorded a decrease from 2010 to 2015 on the back of an increase in Asian travellers, who tend to stay for shorter periods due to shorter holiday seasons and closer proximity. In the past three years, as European arrivals increase again, ALOS has gradually picked up. 2018 saw ALOS reach 6.4 days compared to 6.2 days the previous year, mostly on the back of a 12.4% YoY increase in European arrivals. Meanwhile, the Asia and the Pacific region’s arrivals only increased by an overall 0.7% YoY.

The Maldivian government has targeted for a gradual increase in ALOS to about 7.5 days in 2021. They aim to do so by introducing more affordable and community-based accommodation such as guesthouses on inhabited islands and ocean-based accommodation. The increase in variety of options could potentially entice visitors to stay on longer to explore more of the country.



## Additions to supply

2019 will see a large influx of supply into the resort market, with 17 new openings (2,175 keys) overall. The luxury, upper upscale and upscale segments will see ten, six and one new additions, respectively. Male Atoll itself will contribute 581 more keys in 2019. Dhaalu Atoll trails behind for 2019, with an anticipated 536 keys.

Meanwhile, Gaafu Alifu Atoll is third (331 keys), followed by Raa Atoll (312 keys), then Baa Atoll (226 keys). The remaining 37 percent of new supply will be spread out over 2020 and 2021. However, it should be noted that project timelines can often be moved forward or delayed due to a variety of reasons. The above seeks to highlight opening dates at the time of writing.

### New Supply Additions

New Supply - Male Atoll	Keys	Opening	Atoll	Positioning
LUX* North Male	67	Feb 2019*	North Male	Luxury
Waldorf Astoria	138	Jul 2019	South Male	Luxury
Hard Rock Maldives	178	Aug 2019	South Male	Upper Upscale
Curio Collection by Hilton	198	Aug 2019	South Male	Upper Upscale
Capella Maldives (Rah Falhu)	64	2020	North Male	Luxury
Rah Falhu Luxury Resorts (2)	200	2020 - 2021	North Male	Luxury
<b>Total / Average</b>	<b>845 / 121</b>			

New Supply - Other Atoll	Keys	Opening	Atoll	Positioning
Raffles Meradhoo Maldives	38	Feb 2019*	Gaafu Alifu	Luxury
The Nautilus	26	Feb 2019*	Baa	Luxury
You & Me by Cocoon	109	Mar 2019*	Raa	Luxury
Hotel RIU Palace Maldives	176	May 2019	Dhaalu	Upper Upscale
Hotel RIU Atoll	264	May 2019	Dhaalu	Upscale
Baglioni	96	Jun 2019	Dhaalu	Luxury
The Residence Maldives at Dhigurah	173	Jun 2019	Gaafu Alifu	Luxury
Pullman Maamutaa	120	1H 2019	Gaafu Alifu	Upper Upscale
JW Marriott	61	Jul 2019	Shaviyani	Luxury
Emerald Maldives Resort & Spa	120	Aug 2019	Raa	Luxury
InterContinental Maamunagau	83	Sep 2019	Raa	Luxury
AVANI Fares	200	Q4 2019	Baa	Upper Upscale
Radisson Blu Maldives	128	Q4 2019	South Ari	Upper Upscale
DoubleTree by Hilton Maldives	95	Jun 2020	Gaafu Alifu	Upscale
OZO Maldives	200	3Q 2020	Raa	Upper Midscale
Le Meridien Maldives	150	Mar 2021	Lhaviyani	Upper Upscale
Chatwal Maaga Maldives	88	2021	North Ari	Luxury
Dream Gasveli	500	2021	Meemu	Upper Upscale
<b>Total / Average</b>	<b>2,627 / 146</b>			
<b>Overall Total / Average</b>	<b>3,472 / 139</b>			

Source: Ministry of Tourism, Republic of Maldives



## Market Outlook

Despite an overall decrease in Chinese arrivals to the Maldives in 2018, demand grew positively by about 5% across Male Atoll resorts and 3% across Other Atoll resorts. This was potentially on the back of an increase in overall European arrivals, which are a major feeder source for resorts in the Maldives.

In the short to mid-term, the large influx of new supply is expected to put pressure on the resort market. Additionally, increasing regional destination competitiveness has also put new pressure on the Maldives as a tourist destination. Countries like Indonesia, Thailand and Vietnam offer exotic beach destinations for much lower prices, albeit often at the expense of decreased direct accessibility.

We expect market occupancy to fall around 55% in the above US\$1,000 category in the short- to mid-term. In the US\$600 – US\$1,000 category, market occupancy should not exceed 65%, and in the below US\$600 category, occupancy should not exceed 70%. Rate-wise, the market should not expect large bouts of growth given the stiffer competition compared to five years ago.

However, the market should remain as one of the highest rate-yielding markets in Asia Pacific. As supply growth tapers and demand continues to grow because of the destination's unique geography, we should expect overall resort market occupancy to improve in the long run.

## Authors



**Georgienne Lee**

*Consultant*

Horwath HTL Singapore

[glee@horwathhtl.com](mailto:glee@horwathhtl.com)

Georgienne is a consultant at Horwath HTL Singapore, where she focuses on conducting development feasibility studies, market studies, renovation studies, operational review and cash flow projections for hotels and resorts across Southeast Asia, Korea and the Maldives.

Graduated from New York University with a concentration in hotel development, Georgienne started off in hotel operations at the Four Seasons Singapore before joining Horwath HTL, where she is a frequent contributor to regional market reports.

## Horwath HTL

At Horwath HTL, our focus is one hundred percent on hotel, tourism and leisure consulting. Our services cover every aspect of hotel real estate, tourism and leisure development.

Our clients choose us because we have earned a reputation for impartial advice that will often mean the difference between failure and success. Each project we help is different, so we need all of the experience we have gained over our 100-year history.

We are a global Brand with 45 offices, who have successfully carried out over 20,000 assignments for private and public clients. We are part of Crowe Global, a top 10 accounting and financial services network. We are the number one choice for companies and financial institutions looking to invest and develop in the industry.

We are Horwath HTL, the global leader in hotel, tourism and leisure consulting

### Our Expertise

- Hotel Planning & Development
- Tourism & Leisure
- Hotel Asset Management
- Hotel Valuation
- Health & Wellness
- Strategic Advice
- Expert Witness & Litigation

### Singapore

15 Scotts Road,  
#08-10/11 Thong Teck Building,  
228218, Singapore  
[www.horwathhtl.asia](http://www.horwathhtl.asia)



# Horwath HTL

*Hotel, Tourism and Leisure*

## **AFRICA**

Ivory Coast  
Rwanda  
South Africa

## **ASIA PACIFIC**

Australia  
China  
Hong Kong  
India  
Indonesia  
Japan  
Malaysia  
New Zealand  
Singapore  
Thailand

## **EUROPE**

Andorra  
Austria  
Croatia  
Cyprus  
France  
Germany  
Greece  
Hungary  
Ireland  
Italy  
Netherlands  
Norway  
Poland  
Portugal  
Serbia  
Spain  
Switzerland  
Turkey  
United Kingdom

## **LATIN AMERICA**

Argentina  
Dominican Republic

## **MIDDLE EAST**

UAE & Oman

## **NORTH AMERICA**

Atlanta  
Denver  
Los Angeles  
Miami  
Montreal  
New York  
Norfolk  
Orlando  
Toronto