

Bali Hotel & Branded Residences

April 2023

Aloft Bali Kuta at Beachwalk



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1. Is that light at the end of the tunnel?

2022 was a year of reducing or entirely removing Covid-19 travel restrictions, with the world gearing up to travel again. Indonesia relaxed travel restrictions bit by bit throughout the year, with a significant announcement on 7th March 2022, when the government applied a quarantine-free trial period and a Visa on Arrival (VOA) program for 23 countries. The List of VOA countries was updated throughout the year to finally cover 86 countries by 23rd September 2022.



Foreign arrivals to Bali started picking up in May, when it recorded 115,611 foreign tourists, which was double April's foreign arrivals. By December 2022, foreign arrivals to Bali were only 32% less for the month compared to the pre-pandemic level of 2019.

On the other hand, domestic arrivals continued regardless of government traveling limitations, mandatory PCR swab tests, and vaccination certificates for departure and arrival permits. The nation's tourism recovery is inevitable, timeframe being the only unknown, with the government removing all COVID-19 restrictions on 30th December 2022.

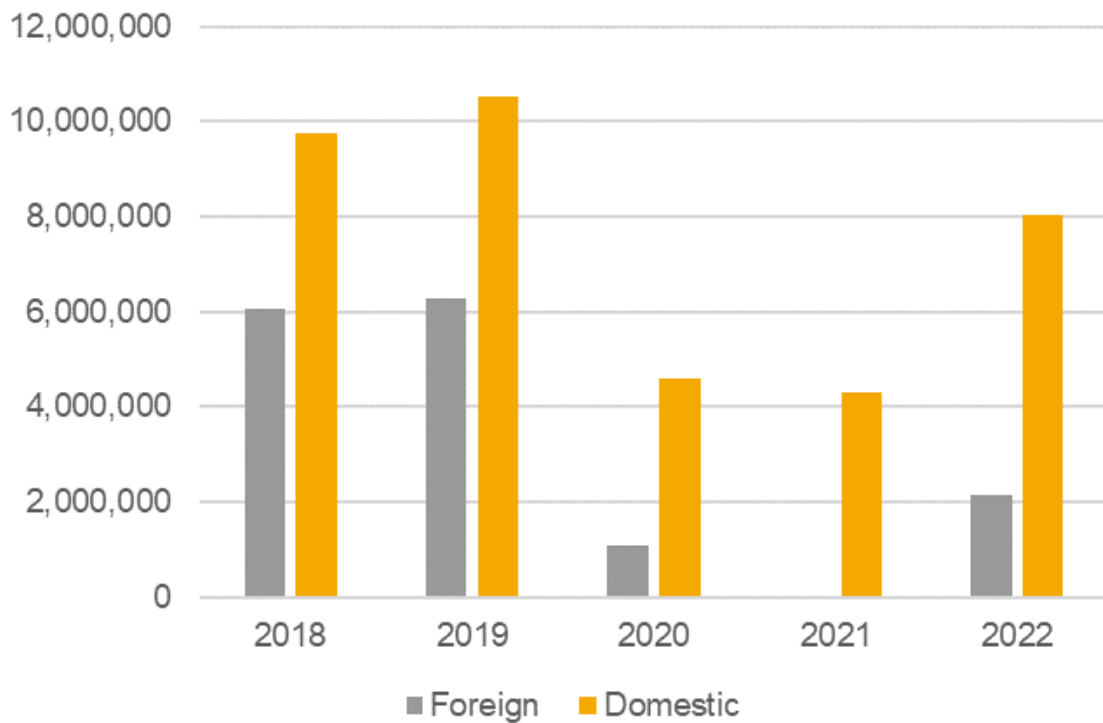


Homn Saranam Baturiti Hilltop

2. Bali Visitor Arrivals

International arrivals to Bali fell to around 1 million in 2020, with international travel on hold for 2021; Bali recorded only 51 foreign arrivals. In 2022 with the restrictions being eased throughout the year, Bali recorded 2,155,747 foreign arrivals, which is almost double that recorded in 2020 but still only one-third of pre-pandemic 2019 levels.

Despite restrictions, domestic travellers continued trickling onto the island and by early 2022 with restrictions easing domestic tourism rebounded strongly – helped in part by the inability to travel abroad.



Source: BPS and Horwath HTL.

Domestic tourism in 2022 provided the island its much-needed lifeline, with 8,052,874 domestic visitors recorded, which is only 24 percent less compared to 2019.

The central government issued nationwide, large-scale social restrictions in April 2020 after COVID cases began to ravage JABODETABEK. No MICE (meetings, incentives, conferences, and exhibitions) or crowded gatherings were allowed across the country into 2021.

The continued growth in domestic tourism is hampered by general cost of living increases, fuel price hikes and inflation which has led to higher transportation fares and hotel room rates. That said, enthusiasm for domestic tourism remains strong and Bali is a perennial favourite. In addition, the government targets 4.5 million foreign arrivals in 2023. The government plans to achieve this target with the help of cultural and sporting events as well as MICE events. In early January 2023, the provincial government released a schedule with 66 events, including 51 cultural events, 13 special interest or sports events, and two MICE events.

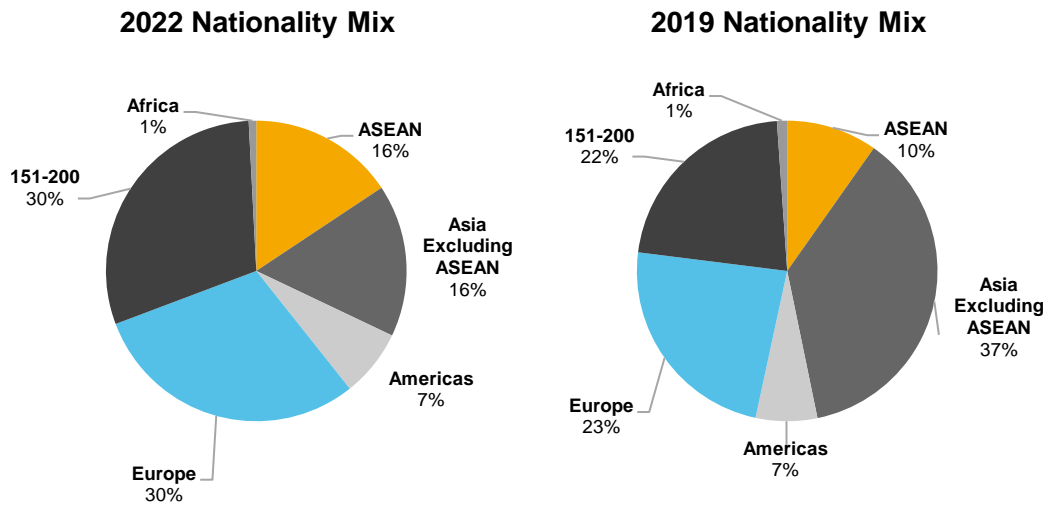
Mamaka by Ovolo



Tribe Bali Kuta Beach



3. Nationality Mix



Source: Bali Hotel Association and Horwath HTL.

The significant difference between the nationality mixes of pre-pandemic 2019 and 2022 is the reduction in the representation of Asia, excluding ASEAN. The decrease in the representation of Asia, excluding ASEAN, is mainly because of China and its zero-COVID policy. China completely shut off its borders until January 2023 and therefore recorded only around 33 thousand arrivals to Bali in 2022 compared to about 1.2 million arrivals in 2019. With China opening up for tourism again and flights to and from China gaining traction, the

representation of nationalities visiting Bali in 2023 is expected to inch closer to 2019 percentages, albeit not entirely, due to the current flight constraints.

In 2022, the top 3 foreign countries did not change significantly from 2019, with the exception of China. With Australia leading in visitors, comprising 28% of total visitors, followed by India, and Singapore, representing 8% and 6%, respectively. Comparatively, in 2019 Australia led with 20% arrivals, followed by China and India, representing 19% and 6%, respectively.

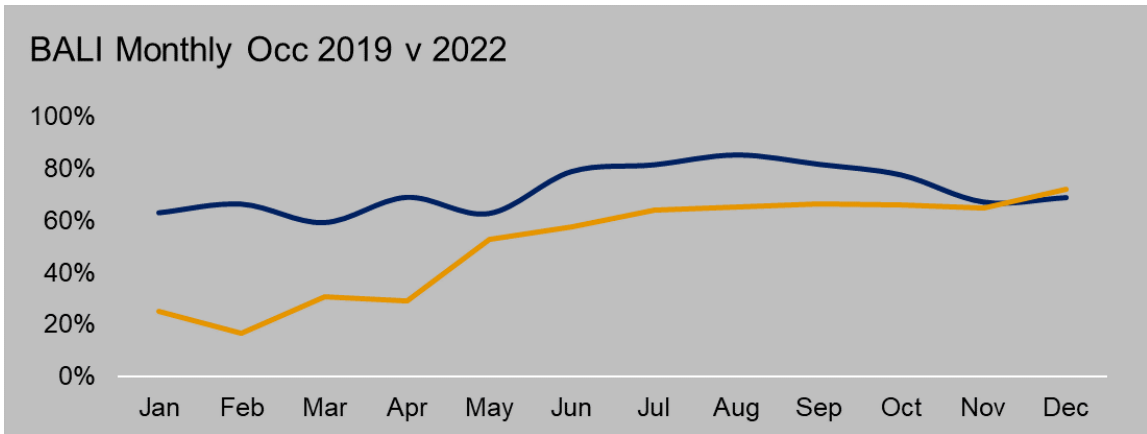
4. Overall Bali Hotel Performance

YE 2022, Bali hotels recorded an increase in all metrics over YE 2021, which is entirely due to the easing of restrictions throughout the year.

Remarkably, and admirably, recorded ADR FY 2022 was higher than that recorded in 2019 in both IDR and USD, despite the devaluation of the IDR. Occupancy could not, of course, reach the same levels as 2019 however with FY 2022 creeping over 50% the hotels are back on track. Q4 2022 outstripped Q4 2019 in almost all metrics riding the wave of increased accessibility, the G20 submit and year-end celebrations.

	Occupancy	ADR	RevPAR
FY 2022	51% ▲	IDR 1.8j ▲	IDR 0.9j ▲
		USD 122 ▲	USD 62 ▲
FY 2021	17% ▼	IDR 1.1j ▼	IDR 0.2j ▼
		USD 78 ▼	USD 13 ▼
FY 2019	72%	IDR 1.6j	IDR 1.2j
		USD 115	USD 83

Source: Bali Hotel Association and Horwath HTL



Source: Bali Hotel Association and Horwath HTL

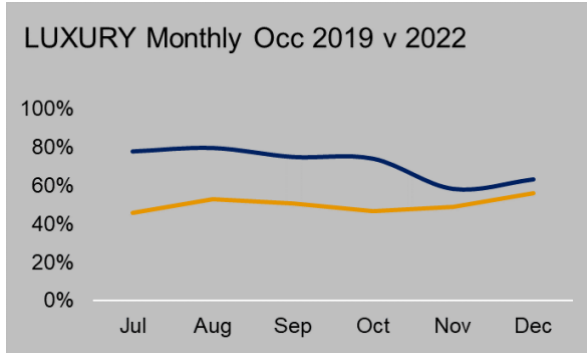
Jumeriah Bali Landscape view



5. Performance – By Rate Segment

Luxury (>USD 301):

	2021	2022	% Δ
Occupancy	8.7%	36%	316%
ADR (IDR)	5,490,000	7,033,000	28%
RevPAR (IDR)	479,000	2,554,000	433%
ADR (USD)	386	467	21%
RevPAR (USD)	34	170	403%

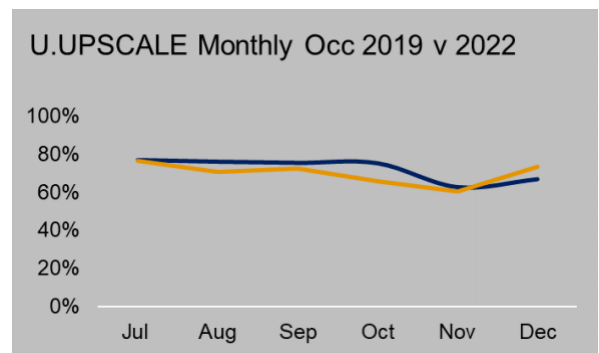


Source: Bali Hotel Association and Horwath HTL.

The Luxury segment comprises mainly all-villa resorts with international brand affiliation. About 50% of the hotels under this category, on average, were closed during different periods of the year, especially during the 1st quarter of 2022, before opening again with the ease of restrictions. Kudos to hotels for maintaining and even increasing ADR, particularly in the 2nd half of 2022, despite the lower occupancy. The rates were very strong and occupancy improved month on month. The luxury segment was the most affected by the slower return of full-service airlines as the rebound in low-cost carriers happened much faster than legacy carriers. That said, guests' propensity to spend was clear from the re-opening of borders, the desire to visit Bali ran high, despite much higher airlines costs which did little to slow the flow.

Upper Upscale (USD 201 – 300):

	2021	2022	% Δ
Occupancy	32%	61%	89%
ADR (IDR)	2,475,000	3,651,000	48%
RevPAR (IDR)	794,000	2,210,000	178%
ADR (USD)	173	243	40%
RevPAR (USD)	56	147	165%

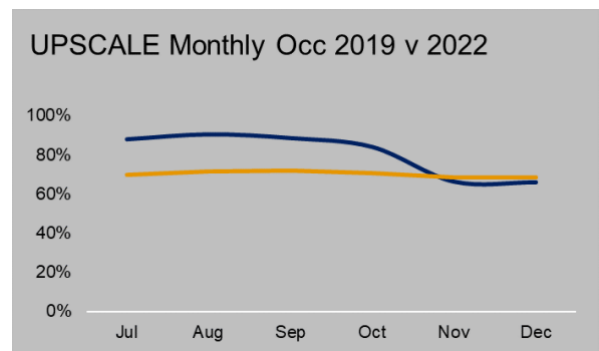


Source: Bali Hotel Association and Horwath HTL.

Hotels in the upper upscale category killed it! Occupancy was just shy of 2019 levels but similarly to the luxury market, ADR was pushed and guests paid. 2022 IDR ADR was higher than that recorded in 2019, the USD ADR slightly lower given the devaluation of the Rupiah. The resultant RevPAR was marginally lower in IDR in 2022 over 2019 but a remarkable performance by the hotels given the very slow Q1.

Upscale (USD 140 – 200):

	2021	2022	% Δ
Occupancy	15%	52%	245%
ADR (IDR)	1,004,000	2,146,000	114%
RevPAR (IDR)	153,000	1,125,000	637%
ADR (USD)	70	142	103%
RevPAR (USD)	11	74	600%

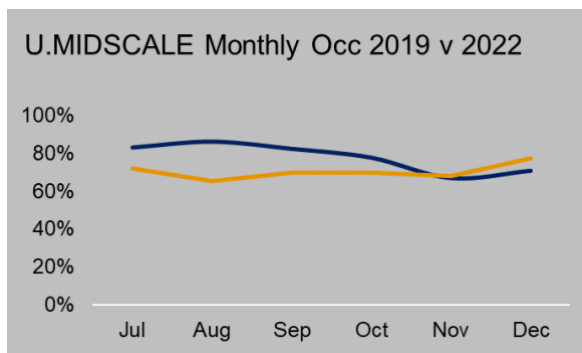


Source: Bali Hotel Association and Horwath HTL.

The Upscale segment was the tipping point for ADR, seemingly if the hotels' positioning was lower, the hotels came under more pressure to reduce rates. The Upscale segment still achieved a fabulous ADR for YE 2022 at IDR 2.15j a very slim reduction over 2019 levels of IDR 2.18j. Occupancy smashed 50% and the resultant RevPAR was still strong although with more gap to fill before the segment is back to 2019 levels. A larger proportion of hotels in this category vs others were operational throughout 2022.

Upper Midscale (USD 81 – 140):

	2021	2022	% Δ
Occupancy	19%	53%	177%
ADR (IDR)	770,000	1,418,000	84%
RevPAR (IDR)	148,000	755,000	410%
ADR (USD)	54	94	75%
RevPAR (USD)	10	50	386%

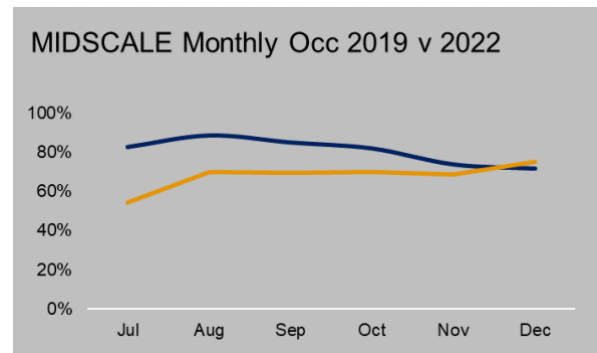


Source: Bali Hotel Association and Horwath HTL.

Another layer down the positioning ladder and the Upper Midscale segment had a very similar outcome to the Upscale hotels. ADR was strong, only down marginally YE 2022 over YE 2019 (around 8/9% in IDR ADR) and occupancy marched past 50%. RevPAR has some margin for improvement, but with the flight frequency improving week on week, the volume of travellers is increasing and demand is edging up. Again, similar to the Upscale segment, a higher proportion of Upper Midscale hotels remained open throughout 2022 many used as quarantine hotels.

Midscale (USD 51 – 80):

	2021	2022	% Δ
Occupancy	17%	55%	217%
ADR (IDR)	426,000	688,000	61%
RevPAR (IDR)	74,000	379,000	412%
ADR (USD)	30	46	54%
RevPAR (USD)	5	25	387%

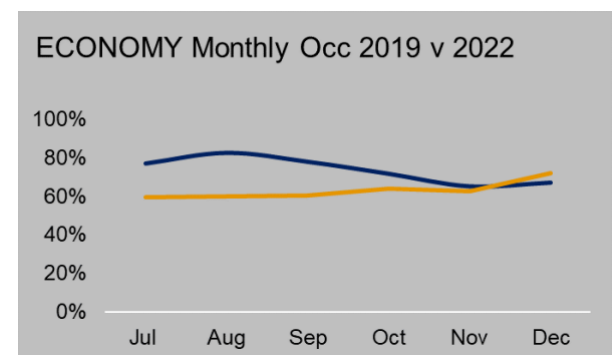


Source: Bali Hotel Association and Horwath HTL.

At their lower end positioning, the Midscale hotels took the biggest hit on their ADR coming out of the pandemic. Occupancy edged higher than the Upper Midscale / Upscale hotels reaching 55% but that was not enough to drive RevPAR within view of that earned YE 2019. Again, as flight frequency increases the Midscale category will benefit from higher volumes of lower yielding tourists. This is inevitable and with the announcement of the first A380 touching down in June and the slow increase in direct China flights, the throngs are knocking on the door.

Economy (<USD 50):

	2021	2022	% Δ
Occupancy	13%	48%	274%
ADR (IDR)	299,000	543,000	82%
RevPAR (IDR)	38,000	259,000	579%
ADR (USD)	21	35	67%
RevPAR (USD)	3	17	524%



Source: Bali Hotel Association and Horwath HTL.

Economy hotels slightly bucked the trend for lower positioned hotels, pushing FY ADR 2022 ahead of pre-pandemic 2019 levels. Occupancy improved massively over 2021 however just missed reaching 50% YE 2022. RevPAR, although down on 2019, showed amongst the most significant improvements after Upscale hotels. The positive growth of

the economic sector can be attributed to the fast rebound of low-cost carriers to Bali. With holiday plans to Bali postponed because of the pandemic, low-cost flight capacity is expected to rise even further in 2023, highlighting a positive outlook for Economy hotels.

YELLO Kuta Beachwalk



Grand Mercure Bali



6. Performance by Location

Occupancy:

Occupancy in hotels across Bali recovered in 2022, following the devastation of 2021. Aided by the G20 which filled up Nusa Dua & Tanjung Benoa, occupancy in all areas was excellent during the months of November and into December which is typically a slow month, igniting hopes of a speedy recovery for Bali's tourism in 2023.

Kuta/Tuban and Seminyak recorded the highest occupancy performance amongst the areas for YE 2022. The area is still one of the most popular locations for both domestic and foreign tourists to stay, given the extensive dining and entertainment offerings within walking distance of the hotels and the beach.



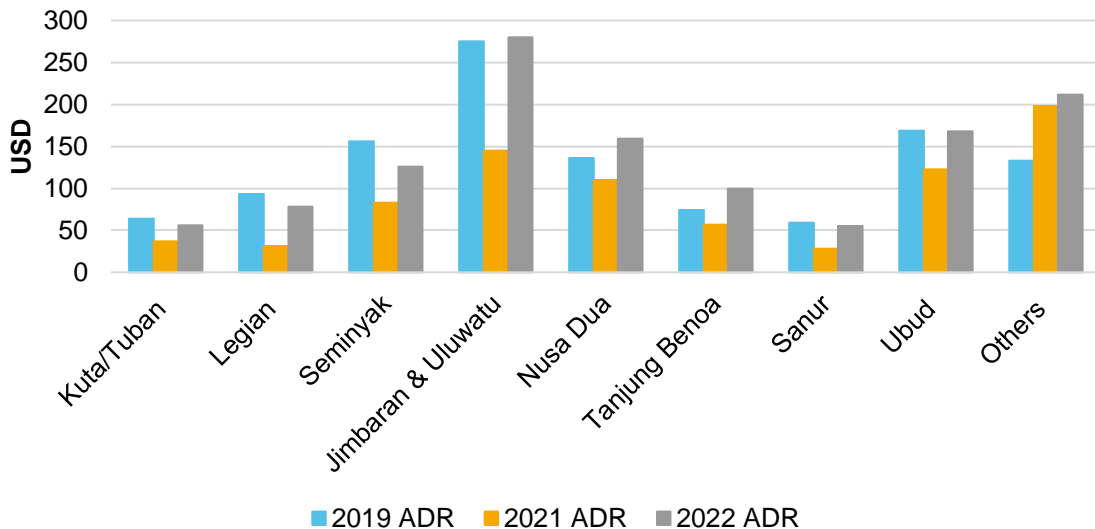
Source: Bali Hotel Association and Horwath HTL

ADR:

ADR for all areas improved massively from 2021 and either exceeded or got very close to the pre-pandemic 2019 level. However, we must also consider rising costs and inflation when evaluating the difference between the 2019

and 2022 ADR.

The most significant increase in ADR between 2021 and 2022 can be seen in the area of Jimbaran and Uluwatu.



Source: Bali Hotel Association and Horwath HTL

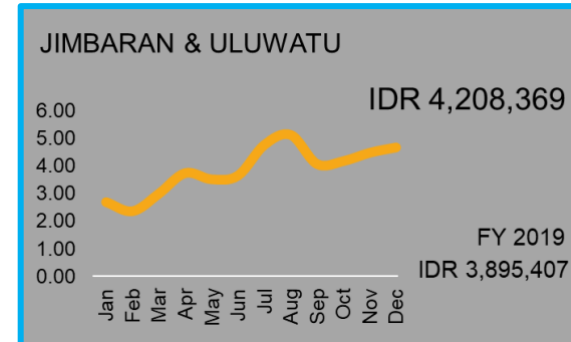
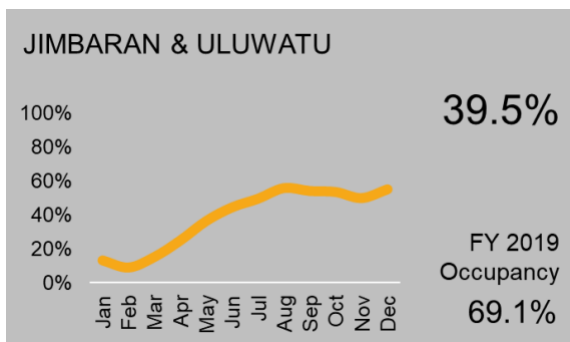
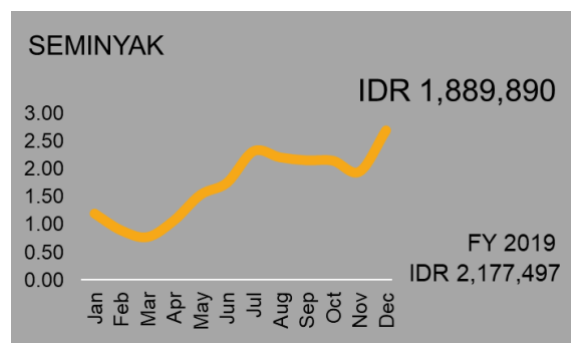
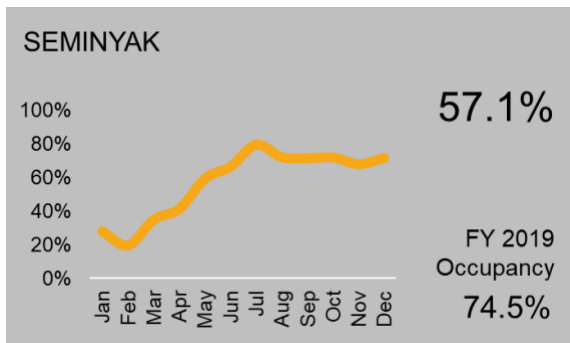
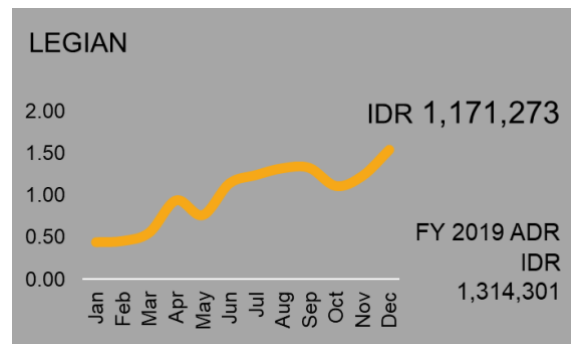
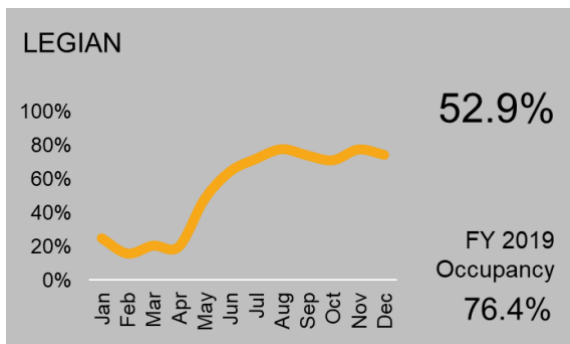
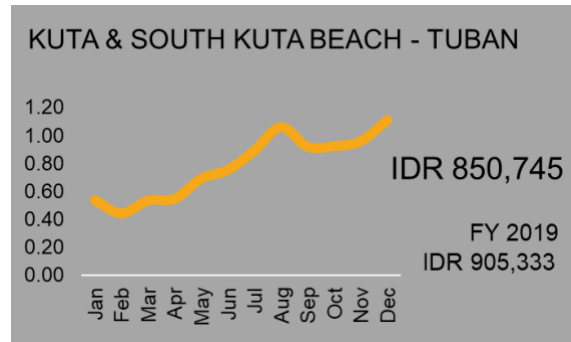
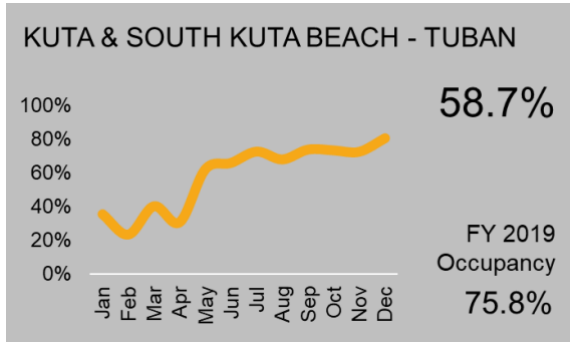
Andaz Bali – a concept by Hyatt

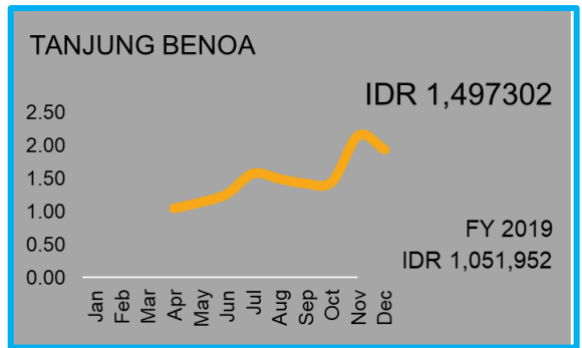
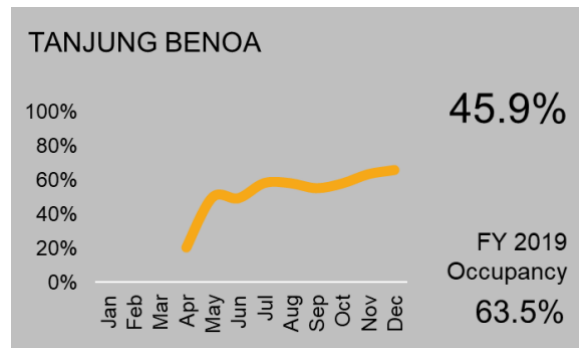
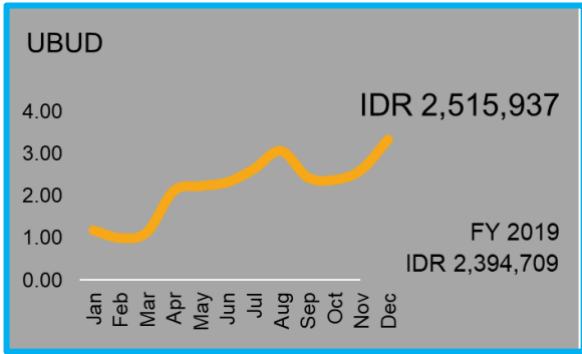
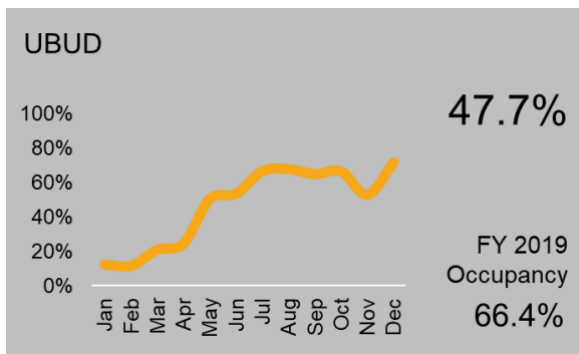
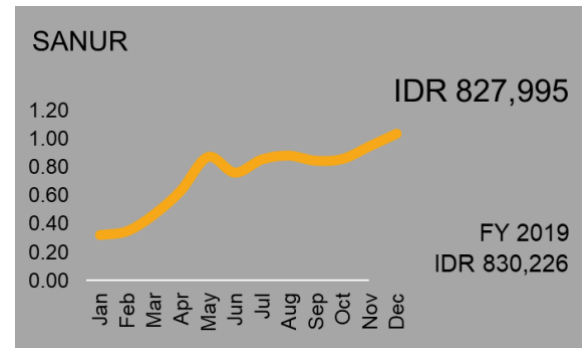
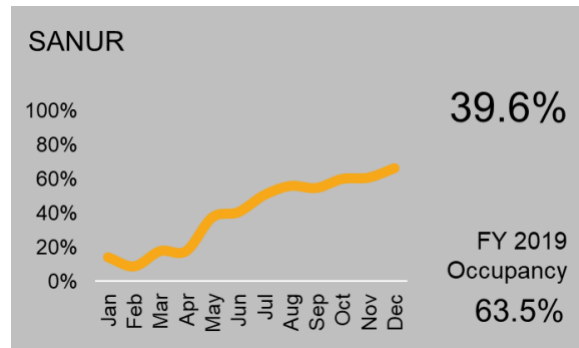
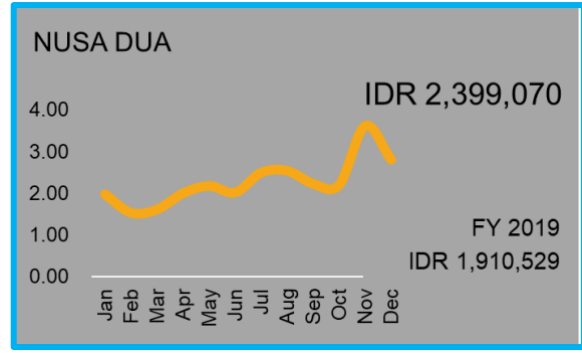
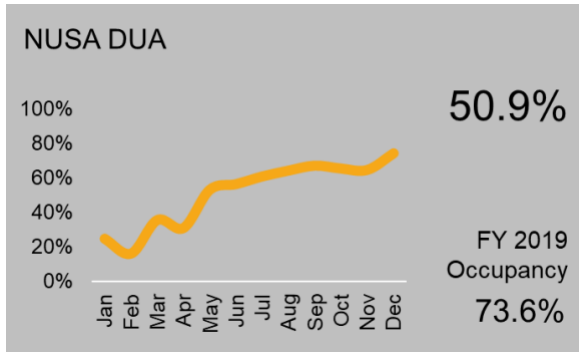


Renaissance Bali Nusa Dua Resort



Monthly Performance 2022: ADR (IDR million) & Occupancy:



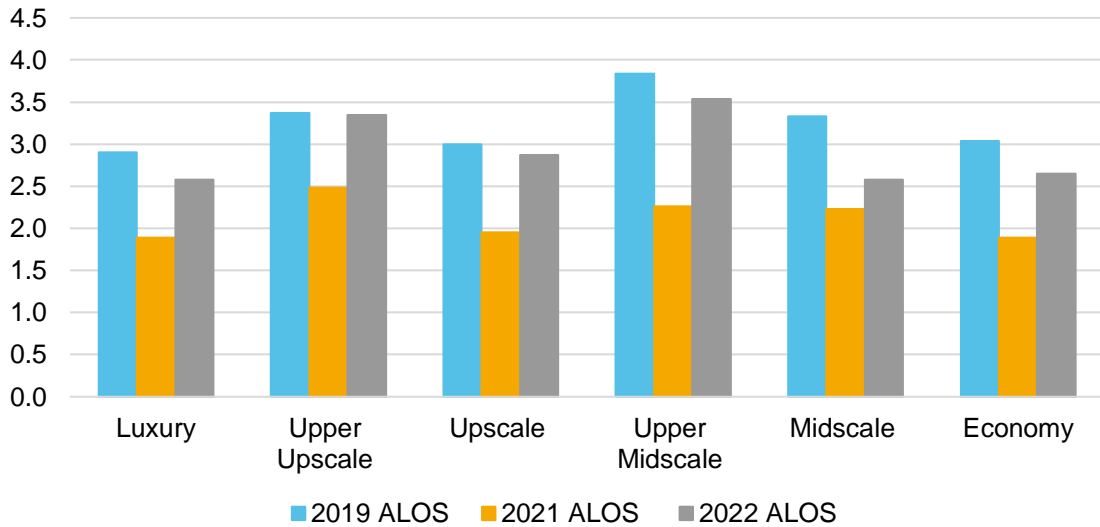
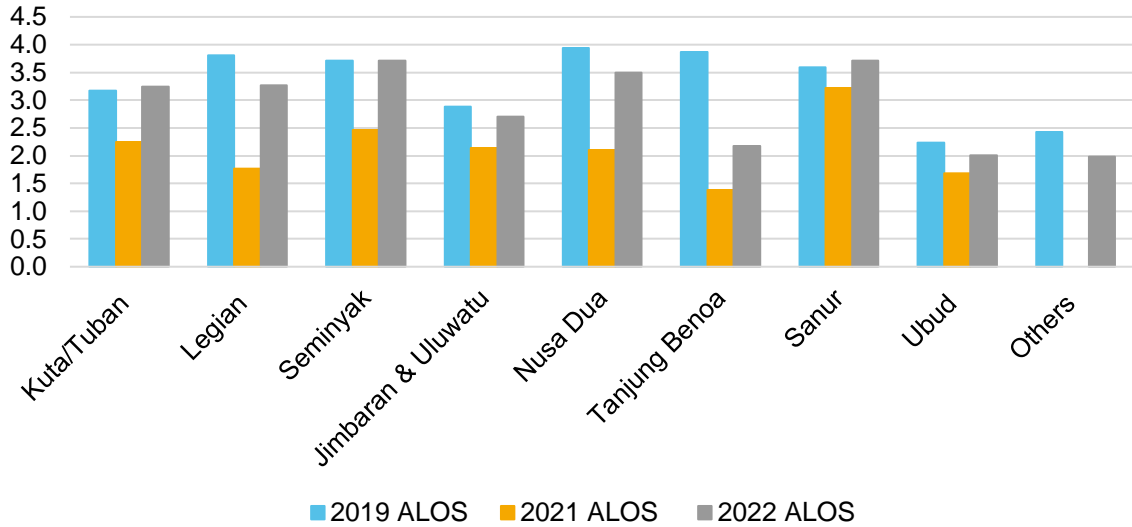


Source: Bali Hotel Association and Horwath HTL.
The markets with improved ADR performance YE 2022 v YE 2019 are bordered in blue.

7. Average Length of Stay (ALOS)

Given the lack of foreign travellers, ALOS in 2021 and 2022 declined heavily from 2019. Domestic tourists have generally visited Bali before and are looking for shorter trips and staycations rather than more extended vacations like international tourists. In 2022, with international tourists coming back, ALOS rose again.

However, given that international arrivals are still not at 2019 levels, ALOS is less than in 2019 for all types of hotels and most areas. ALOS for Kuta/ Tuban and Sanur increased in 2022 compared to 2019, given their increasing popularity as destinations for digital nomads.



Source: Bali Hotel Association and Horwath HTL

8. 2023 YTD Feb Outlook

As Bali continues to woo travellers with its picturesque landscapes and exotic culture, its hotel industry has been on a rollercoaster ride in the past couple of years. However, the first two months of 2023 have brought a glimmer of hope, signalling a spectacular revival for the hospitality sector.

Against all odds, Bali's hotels have not only surpassed 2022 figures but also shattered the pre-pandemic benchmarks of 2019. With no travel restrictions (other than PRC for a part of Q1), the island has welcomed a wave of visitors, and the latest metrics paint a promising picture for the industry. Occupancy rates for Bali overall reached 62.8% YTD Feb 2023, which is only 1.8% point lower than the 2019 YTD Feb figure.

ADR has seen a massive improvement, with an increase of 30% for the Rupiah and 20% for the USD when compared to pre-pandemic 2019 levels. The marginal decrease in occupancy coupled with the significant increase in ADR has led to a record high RevPAR of USD 84 surpassing 2019 and 2022 figures of USD 72 USD and USD 16, respectively.

Among the different hotel categories, Upper Upscale hotels have shown the most significant improvement, surpassing their 2019 metrics on all fronts. When it comes to hotel locations, Sanur has made remarkable progress, emerging as a standout performer.

Raffles Presidential Villa



9. New Supply

Post-Covid the determination of new supply has become more of a guessing game due to the significant number of delayed, stalled and cancelled projects in Bali.

We have culled our list and it has resulted in the following number of rooms / properties most likely to open by YE 2025:

By Location	Hotels	Rooms
Ubud	3	487
Tanjung Benoa	2	393
Nusa Dua	1	50
Jimbaran & Uluwatu	4	641
Kuta & South Kuta – Tuban	1	72
Seminyak	1	162
Sanur	1	159
Other	3	415
Total	16	2,379

By Positioning	Hotels	Rooms
Midscale	1	117
Upper Midscale	4	596
Upscale	3	738
Upper Upscale	2	291
Luxury	6	637
Total	16	2,379

10. Deep Dive into Bali Branded Residences

Reflecting on legacy, economic transmigration, and the Zoom Boom

The resort island of Bali continues to be one of the world’s most desired holiday destinations. Over the past three decades, its resort real estate market has continued to evolve and change. Though, for branded residences, both in the lead-up and period after the global pandemic it has lagged behind other key Southeast Asian leisure markets such as Thailand and Vietnam.

Turning back the page, the initial wave of branded legacy properties included Amanusa. Moving into the Millennium, a second wave of mixed-used developments included Alila Uluwatu, W Seminyak, Banyan Tree, Karma Jimbaran, and later Karma Kandara, Anantara Legian, and another in Uluwatu, Peppers Seminyak and a scattering of others.

In the lead-up to the global financial crisis (GFC), the booming Indonesian economy ignited a considerable number of condominium (condotel) projects aimed at domestic buyers. These often-featured guaranteed returns and

were concentrated in Kuta, Sunset Road, and peripheral areas.

In the same period with land prices skyrocketing, a series of master-planned, mixed-use projects were planned in Tabanan, New Kuta/Pecatu, and Pandawa featuring such luxury brands as Mandarin Oriental and Rosewood. The economic slowdown and impact of the global financial crisis brought these projects to a halt. At the same time, there was some movement in non-branded developments being sold and converted such like the COMO Uma Canggu.

Bali’s real estate market during the pandemic experienced an influx of domestic land and villa buyers, most notably from Jakarta. At the same time, the second most active buyers were Russians and Eastern Europeans both for retail transactions and investment. The attraction of investing in a fully foreign-owned Indonesian PMA company along with visas was, and is widely popular. Another rising sector has been primary and secondary medium-cost town homes and smaller villas for foreigners on leasehold ownership in areas such as Canggu, Umalas, Pererenan, Bukit and Jimbaran.

Viewing the state of development for branded residences in the Island of the Gods, land costs for larger projects that typically feature hotel and branded real estate has enormous barriers to entry. Smaller, more entrepreneurial developers, often foreigners have moved quickly into leased land and are selling projects with a great degree of success. There is movement though with larger Jakarta developers activating shelved projects or restructuring stalled developments. Typically, the size of these projects requires longer timelines, so they remain the elephant in the room for branded properties.

Taking a closer look into branded residences in competitive regional markets Thailand, Malaysia, and Vietnam it is important to look at pre-and-post COVID trends. Winding back the calendar to 2018-2019, in Thailand, Mainland Chinese buyers were mass large scale buyers. While for Vietnam, the momentum was domestic purchasers with widely available developer and bank financing.

Moving past the pandemic, Russian buyers have flocked to many Southeast Asian markets. In branded condominiums, previously lower price points for the mass market drove unit sizing down. After COVID-19, size matters and lifestyle changes have altered the demand to larger spaces. Another impact on the broader regional space has been a return to bricks and sticks as a preferred investment class.

The fallout from the crypto crash, volatility in tech stocks and low bank saving rates have lowered buyers return expectations who are now flocking to the assumed safe haven of real estate.

So why hasn't Bali seen the same penetration of branded residences as say Phuket in Thailand? You have to look back at the development cycle of luxury and upscale hotels in Bali and these for the most part are Indonesian owners, with the most notable exception being Singapore's HPL Group. The mindset of many Jakarta-based groups has been that tourism in Bali is a sustainable tourism market. Looking back at the end of the 1997 Asian contagion financial crisis, capital flight to land and hotels in Bali grew exponentially. This has re-occurred in the COVID-19 era. The outlook for many of these groups is recurring growth in land prices and they have been hesitant to go the mixed-use route. This thinking can be seen reflected in many of the branded residences in the early 2000s where developer buy-back clauses were standard in sale and purchase agreements.

Viewing Bali's biggest resort real estate competitor Thailand, the most notable advantage is favourable regulations for foreign ownership. The latter allows long-term leases of up to 90 years and freehold ownership of condominiums up to 49% of a building.

There are also simplified government programs such as Thailand Elite for long-term visas, a retirement visa regime, and dependent family visas for international schools. Tenure in real estate is longer term and more in common with international property markets, hence it has a well-established resale market.

Switching over to Bali, shorter leasehold terms, condominium ownership for foreigners limited to those holding residence and work permit and few other incentives have impacted take up. But looking at the sheer volume of foreign residents the destination continues to hold vast appeal. Three impacts that bode well for resort-grade real estate are the 'Zoom Boom' work from home culture, urban flight, and economic transmigration (Russian and Chinese moving abroad).

Looking at the remainder of 2023 and into 2024, C9 Hotelworks research points to a significant restart of the branded residences market in Bali. One banner project that will come up for sale is villas at the Raffles Bali in Jimbaran later this year. There are a number of larger shelved mixed-use projects currently in the planning and new greenfield ones in early-stage development. A notable attraction for Jakarta developers to bring branded properties to the island has been the success of a similar product in the capital city such as the luxury Langham residences. We expect more institutional investment into the sector and cyclical uplift in the months ahead. Stay tuned, real estate in Bali is on the move again.



Buahan, a Banyan Tree Escape

About C9 Hotelworks and Bali Hotels Association



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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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For years, Bali Hotels Association has been committed to promoting Bali as a beautiful and quality destination to the world, with its charm and the renowned hospitality of Balinese people.

Bali Hotels Association has a strong focus on supporting the community, the environment and the education of our fellow industry workers.

BHA has initiated many projects involving the association members as well as the people in the industry. Through its internationally acclaimed social media campaign "Bali Is My Life", BHA aims to promote the island as a quality destination for international travellers through a positive and uplifting message, that encourage visitors to embrace and immerse in the true essence of Balinese culture and hospitality for an enjoyable time filled with memorable experiences.

Stay updated with *Bali Is My Life* on:

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About 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 52 offices in 38 countries, who have successfully carried out over 30,000 assignments for private and public clients. We are part of the Crowe Global network, 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.

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