

## Still a challenging market but with a sign of recovery

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In Bali, hotel developers have a propensity to focus on building either 4-star or 5-star hotels, with a limited number of new 3-star hotels at least until 2020. Meanwhile, the hotel AOR monthly performance in 2017 has been relatively above the figures of the past three years, and this suggests a sign of recovery. However, in anticipation to a more challenging situation in 2018, hoteliers have to make an effort to lift the ADR figures.

### Forecast at a glance



#### Demand

Bali will continue its routine cycle of welcoming local and international visitors, keeping in mind the government's target to attract 7 million visitors in 2018. Other big events will be held primarily in Nusa Dua and other areas in Bali, but since this is a seasonal event, the impact might be seen in the monthly occupancy performance.



#### Supply

Bali is expecting another 2,216 new rooms in 2018 consisting of 1,141 5-star hotel rooms, 1,319 4-star hotel rooms and 100 3-star hotel rooms. Going ahead, the number of 3-star hotels will be limited, with no 3-star hotel projects so far in 2019 and 2020.



#### Occupancy

Bali closed the year with 66.1% occupancy in 2016 and will probably end 2017 with 68%. Given a number of events that will be held in Bali in 2018, we expect a modest recovery in 2018 with AOR reaching 70-72%.



#### Average Daily Rate (ADR)

The ADR for 2017 slightly dropped by 1.5% to USD109. Meanwhile in 2018, the ADR might stabilise between USD109 and USD111.

### Supply

The total number of additional hotel rooms dropped in 2017 as compared to the previous years, and this was the lowest recorded since 2011. None of the newly operating hotels in 2017 was categorised as 3-star hotel. Going forward, there will be very limited number of 3-star hotels up to 2020. In term of room rate, 3-star hotels go through intense competition against budget hotels, whilst from an investment perspective, land prices are becoming more expensive.

Room supply composition in 2017 is dominated by 4-star development. It is interesting to note that the number of new hotel projects in 2017 was still comparable to that in 2015 or 2016. However, the number of rooms has lowered quite substantially. From the table presented below, it is clear that new hotel projects provide a limited number of rooms. Most of these newly operating hotels are designed exclusively with spacious rooms and offering a new experience through the ambiance and facilities they offer. Thus, most of these newly operating hotels are offered at premium rates.

## NEW HOTEL PROJECTS DURING 2017

HOTEL NAME	STARRED RATING	STR CHAIN SCALE RATE	LOCATION	REGION	NO. OF ROOMS	OPENING TIME
Alaya Jembawan	4-star	Undefined	Jl. Jembawan	Ubud	37	Q1
Paramapada Hotel Jimbaran	4-star	Undefined	Jl. Yoga Perkanthi	Jimbaran	125	Q1
Aston Canggu Beach Resort	4-star	Midscale	Jl. Pantai Batu Bolong	Canggu	93	Q1
Swiss-Belresort Pecatu	4-star	Upper Midscale	Jl. Pecatu Indah Raya	Uluwatu	199	Q2
Indigo Hotel Seminyak	4-star	Upscale	Jl. Camplung Tanduk	Seminyak	289	Q2
Sol House Bali Legian	4-star	Midscale	Jl. Sriwijaya	Legian	136	Q2
Best Western Premier Agung Resort Ubud	4-star	Upscale	Jl. Sriwedari	Ubud	75	Q2
Royal Tulip Springhill Resort Jimbaran	4-star	Upscale	Jl. Jepun	Jimbaran	132	Q3
The Alantara Sanur	4-star	Undefined	Jl. Tirta Ening	Sanur	42	Q4
Mövenpick Resort & Spa Jimbaran Bay	5-star	Upscale	Jl. Wanagiri	Jimbaran	297	Q1
Rimba Jimbaran (extention)	5-star	Undefined	Jl. Karang Mas Sejahtera	Jimbaran	121	Q1
Hoshinoya Bali	5-star	Undefined	Pengembangan	Ubud	30	Q1

Source: Colliers International Indonesia - Research

## HOTEL REBRANDING

CURRENT NAME	PREVIOUS NAME	STARRED RATING	LOCATION	REGION	YEAR OF OPERATION	NO. OF ROOMS
Liberta Seminyak Bali	NEO Seminyak	Budget	Jl. Petitenget	Seminyak	2014	101
Amnaya Resort Kuta	Alaya Kuta	4-star	Jl. Kartika Plaza	Kuta	2016	116
Fox Harris Jimbaran	Pramapada Hotel	4-star	Jl. Yoga Perkanthi	Jimbaran	2017	125

Source: Colliers International Indonesia - Research

## HOTEL CLOSURE/RENOVATION

HOTEL NAME	STARRED RATING	STR CHAIN SCALE RATE	LOCATION	REGION	STARTED OF CLOSURE/RENOVATION	NO. OF ROOMS
Harris Resort Kuta Beach	4-star	Upper Midscale	Jl. Pantai Kuta	Kuta	Q2 2017	191
Pan Pacific Nirwana	5-star	Luxury	Jl. Raya Tanah Lot	Tabanan	Q3 2017	278

Source: Colliers International Indonesia - Research

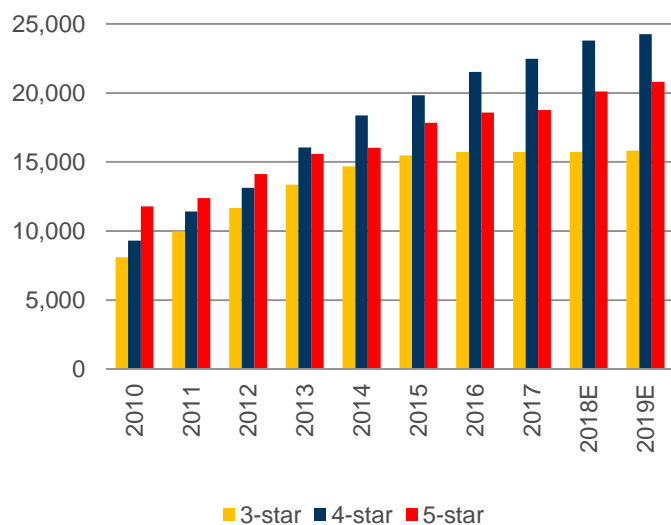
Despite concerns over hotel oversupply, the development of hotels is still appealing in one of the world's most favourite destinations. Of the future projects in the pipeline, some are hotels with a limited number of units. The concept also varies from conventional hotel and boutique hotel, to resort and villa.

Kuta is a highly dense hotel area in Bali, and this has prompted developers to construct more hotels in other areas such as Jimbaran, Uluwatu, Sanur and Seminyak. As depicted in the table above, more hotels will be built in those areas rather than Kuta, although it remains as one of Bali's main destination spots.

NEW PIPELINE							
HOTEL NAME	STARRED RATING	STR CHAIN SCALE RATE	LOCATION	REGION	NO OF ROOMS	PROJECT STATUS	PROJECTED COMPLETION TIME
Hotel @By-pass Ngurah Rai	3-star	Undefined	Jl By-pass Ngurah Rai	Nusa Dua	100	Under Construction	2018
The Himana - Mercure Bali Jimbaran	4-star	Upper Midscale	Jl Raya Uluwatu	Jimbaran	209	Under Construction	2018
The Element Ubud	4-star	Upscale	Jl Raya Andong	Ubud	150	Under Construction	2018
Fairfield Hotel	4-star	Upper Midscale	Jl. Sri Rama	Legian	163	Under Construction	2018
Aloft Seminyak	4-star	Upscale	Jl. Batu Belig	Seminyak	80	Under Construction	2018
Hotel X2 Bali Breakers	4-star	Undefined	Jl. Pantai Balangan	Jimbaran	112	Under Construction	2018
Swiss-Belresort Jimbaran	4-star	Undefined	Jl. Patih Jelantik	Jimbaran	273	Under Construction	2018
Radisson BLU Bali Uluwatu	4-star	Upper Upscale	Jl. Pemutih	Uluwatu	240	Under Construction	2018
Swiss-Belresort Arjuna (condotel)	4-star	Undefined	Jl. Arjuna	Legian	100	Under Construction	2018
Eastin Hotel Residence	4-star	Upscale	Jl. Munduk Catu	Seminyak	102	Under Construction	2018
Aloft Bali Kuta	4-star	Upscale	Jl. Pantai Kuta	Kuta	189	In Planning	2019
DusitD2 Sunset Road	4-star	Upscale	Jl. Raya Kuta	Kuta	278	In Planning	2019
Artotel Ubud	5-star	Undefined	Jl. Jatayu	Ubud	20	Under Construction	2018
Jumeirah	5-star	Luxury	Pecatu Indah Resort	Jimbaran	104	Under Construction	2018
Waldorf Astoria Bali Uluwatu	5-star	Luxury	Bukit Pandawa	Jimbaran	96	Under Construction	2018
New World Grand Bali Resort	5-star	Upper Upscale	Pecatu Indah Resort	Pecatu	328	Under Construction	2018
Marriott's Bali Nusa Dua Gardens	5-star	Upper Upscale	Kawasan Pariwisata Lot SW1	Nusa Dua	73	Under Construction	2018
Renaissance Bali Resort & Spa Uluwatu	5-star	Upper Upscale	Jl. Pantai Balangan	Uluwatu	208	Under Construction	2018
Samana Condotel	5-star	Undefined	Jl. Telaga Waja	Tanjung Benoa	250	Under Construction	2018
Swissotel Bali	5-star	Upper Upscale	Jl. Pantai Pandawa	Jimbaran	170	Under Construction	2018
Solis Capella Resort Hotel	5-star	Luxury	Ubud	Ubud	108	Under Construction	2018
Hyatt Regency Bali	5-star	Luxury	Danau Tamblingan	Sanur	375	Under Construction	2019
Shangri-La's Nusa Dua Resort & Spa	5-star	Luxury	Kompleks BTDC	Nusa Dua	246	Under Construction	2019

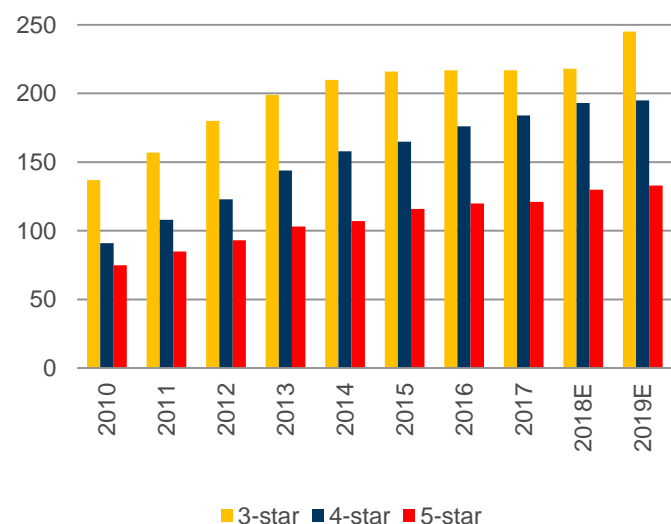
Source: Colliers International Indonesia - Research

## Cumulative Hotel Rooms



Source: Colliers International Indonesia - Research

## Cumulative Hotel Projects



Source: Colliers International Indonesia - Research

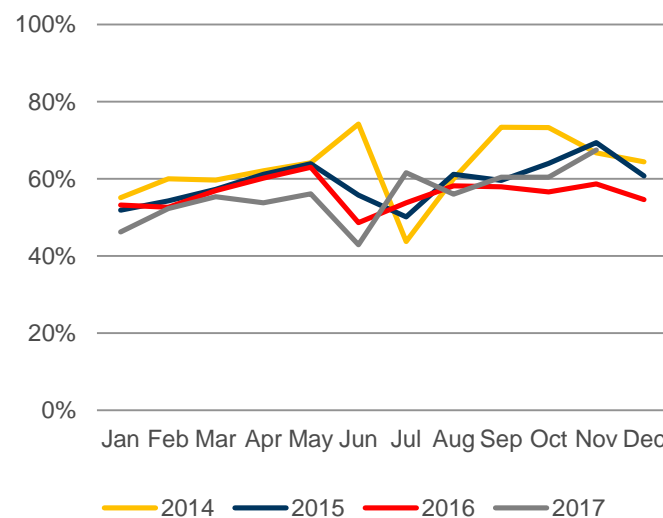
## Performance

The eruption of Mount Agung had a negative impact on Bali's tourism industry. The Tourism Board indicated that the number of visitors to Bali pummelled since Mount Agung's volcanic tremors that began to increase in September. Several groups of tourists, mostly from overseas, had decided to cancel their trip to Bali.

On 27 November, Mount Agung finally erupted and caused the closure of Ngurah Rai International Airport. Bali became reachable only by road access, and Ngurah Rai remains as the main entrance to the island, so the closure significantly impacted tourism. About 445 flights (196 international and 249 domestic flights) were delayed due to force majeure.

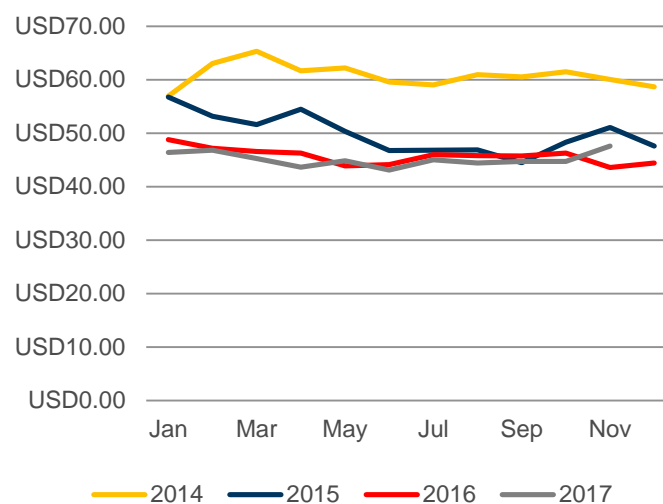
Hotel occupancy in Bali dropped from 63.8% in October to 56.2% in November, whilst ADR fell in the same period by 10.7% from USD109.19 to USD97.47. This was the lowest monthly performance in 2017. This condition was compounded as according to a statistical data from Immigration, on 1 December 5,424 domestic passengers departed Bali whilst 5,256 domestic passengers arrived on the same day, and at the same time, 14,436 international passengers left the island through the airport, whilst only 4,206 international guests arrived.

## Average Occupancy Rate (AOR)



Source: STR

## Average Daily Rate (ADR)



Source: STR

Based on the data from the Ministry of Tourism, the number of tourists landing in Ngurah Rai International Airport had been decreasing since September-October 2017, although this was still in line with the common

hotel occupancy trend. There were 602,078 tourists landing in Bali in August, 552,526 in September (down by 8.2%) and 464,831 in October (down by 15.9%). Cumulatively as of October, 5,014,713 arrived at Ngurah Rai International Airport, still behind the 6 million target. Judging from the recent condition in Bali, the Ministry of Tourism itself doubts that the target could be achieved.

A few days after the re-opening of Ngurah Rai Airport, the Ministry of Tourism and the local government declared that Bali is safe. The government thought that the condition in Bali has been exaggerated, which triggered fear amongst international tourists. The travel warning was also issued by several countries including Russia, Australia and China, which resulted in the drop in hotel performance. China and Australia are the biggest contributors to the tourist market in Bali.

Bali nowadays is still considered quiet, away from the usual traffic elsewhere in the country. Flight fare to Bali is considered cheap. Although things have begun to recover, such condition has made the tourism industry suffer quite a bit. Christmas and New Year should be pick-up occasions for Bali's hotel market, but it seems tough to convince the market in terms of safety, especially to international clientele. Keith Loveard, an analyst from Concord Consulting mentioned that Bali may lose US\$18 million or IDR243 billion a day due to the airport closure, which has caused trip cancellations during the Christmas and New Year holidays.

It may take quite some time for the tourism industry to fully recover subsequent to the volcanic eruption. However, as a matter of fact, the domestic market plays a very important role for Bali's tourism industry. Historically, when foreign tourists were reluctant to come to Bali following the Bali bombing catastrophe in 2002, the domestic market helped propel the hotel industry.

This year, 2018 should start with more sanguine expectations. The annual meetings of the International Monetary Fund and World Bank Group (IMF-WBG) will be conducted in October this year. Around 12,000 up to

15,000 participants will attend this annual meeting, including 3,500 delegates from 189 member countries, media representatives and participants representing the private sector, the banking community, academic institutions, civil society organisations, and also observers and parliamentarians. This event will help accelerate hotel occupancy primarily in Nusa Dua as the main venue.

The Ministry of Tourism announced 100 wonderful events in Indonesia and six will take place in Bali including the Bali Spirit Festival (April), Ubud Writer Festival (October), Nusa Dua Fiesta (October), Festival Buleleng (August), Festival Nusa Penida (December) and Festival Tenganan (June).

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