HOSPITALITY SERVICES FORECAST REPORT

Holiday surge and Q4 decline before year-end resurgence

Quarterly | Bali | October 2024

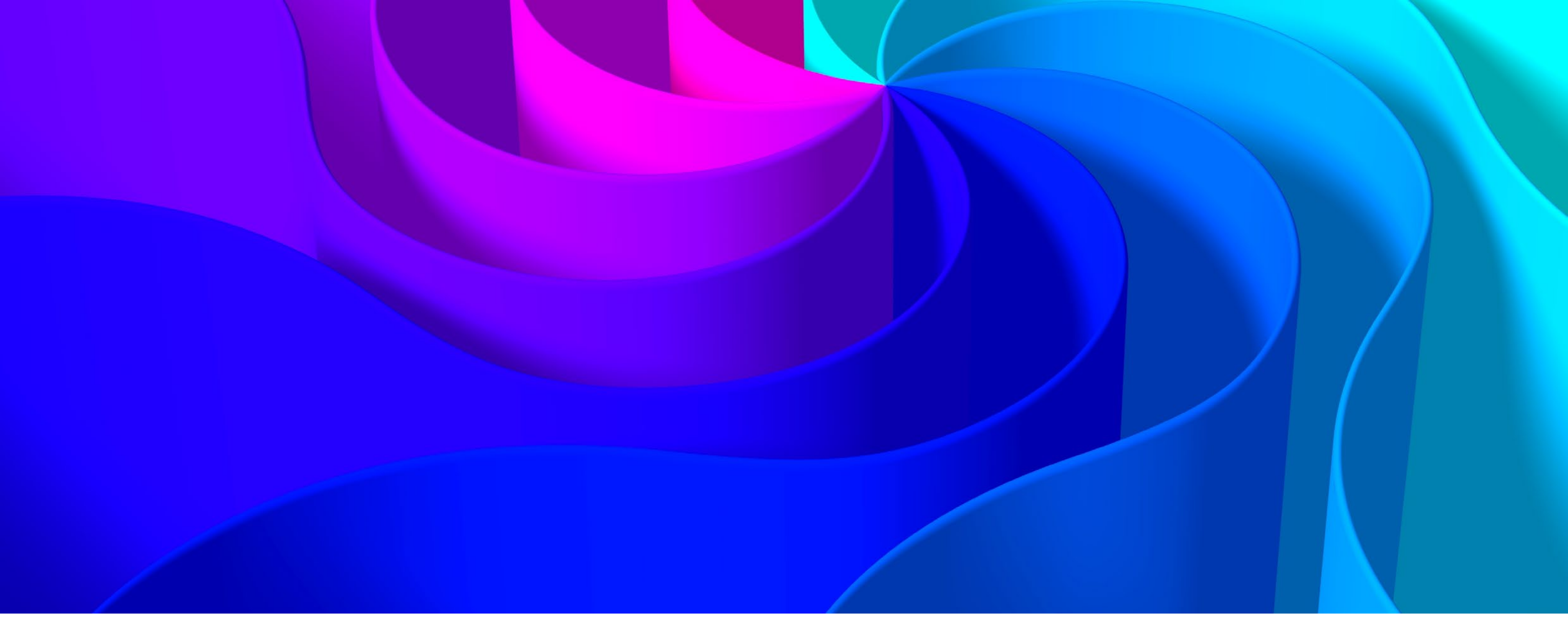
Insights & recommendations

Hotel performance in Bali has surged due to the holiday season, both domestically and internationally, as well as numerous offline events taking place on the island. Several major international conferences, political party congresses (such as PKB), and sporting events (e.g., the Maybank Marathon Bali 2024 and Mandalika MotoGP 2024) have brought added vibrancy to Bali, significantly boosting hotel occupancy.

Looking ahead to the fourth quarter, a slight decline in performance is anticipated, particularly in the first two months. However, as the last two weeks of December approach, occupancy is expected to bounce back as the holiday season winds down for both domestic and international tourists. The MICE market is expected to remain active. A resurgence in hotel performance is predicted towards the end of the year, driven by the Christmas and New Year holidays, likely extending into the first week of January 2025. The upcoming presidential inauguration, meanwhile, is not expected to have a notable impact on Bali's hospitality sector.

		Q3 2024	Full Year 2024	2024–26 Annual Avg.
Supply	The supply of hotels in Bali will continue to increase.	↓ -911 rooms	↓ -57 rooms	341 rooms
		QOQ/ End Q3	YOY/ End 2024	Annual Avg Growth 2024–26/ End 2026
Occupancy	Occupancy rates are anticipated to increase as the number of tourist arrivals and various activities continue to increase.	5% ↑ 80.1	9.5% ↑ 79.9%	-0.3%
Room rate	Room rates are also expected to increase in tandem with the occupancy rates.	22.5% ↑ USD172.2	29.8% ↑ USD175.7	0.2%

Source: Colliers. Note: IDR15,820 = 1 USD. 1 square m = 10.76 square ft.



Supply

Continued increase in hotel room supply amid government discussion on moratorium

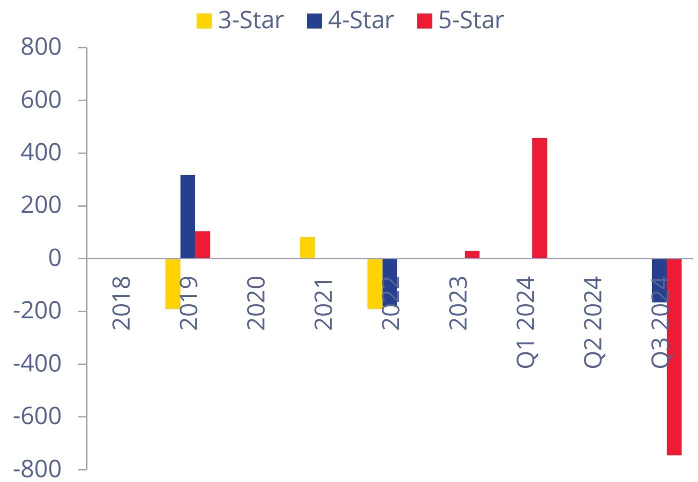
It has been reported that Sandiaga Uno, Minister of Tourism and Creative Economy, is working on a moratorium policy aimed at halting the construction of new hotels and preventing the conversion of agricultural land into commercial properties, particularly in key tourist destinations such as South Bali. This initiative seeks to preserve the quality of tourism in these areas.

The push to stop agricultural land conversion aligns with the findings of Nana Usami's thesis from the Department of Physical Geography and Ecosystem Science at Lund University, titled "Changing Lands." The study highlights how urban expansion continues to encroach upon vegetated lands, as demand for built-up areas intensifies over time. Despite the critical role agricultural lands play in local food production and overall food security, the pressure for urban development remains high, leading to the ongoing conversion of cropland into built-up areas. Change detection analysis in the study further illustrates the increasing loss of agricultural land, with clear evidence of non-urban areas being transformed into urban spaces.

However, no specific timeline for the implementation of the moratorium has been provided. Should the policy be enacted, it could significantly impact the competitive landscape of Bali's hotel industry. By capping the number of hotel developments, this measure may serve not only to protect local agriculture but also to maintain healthy competition among existing hotels. Moreover, it could encourage investment and tourism development in other regions of Bali that have yet to experience the same level of saturation.

Up to Q3 2024, based on Colliers database, the total supply of hotel rooms in Bali reached 58,139 rooms, comprising 13,861 3-star hotel rooms; 24,746 4-star hotel rooms; and 19,532 5-star hotel rooms. Despite the moratorium discussions, the supply is projected to continue growing, with at least 1,178 new hotel rooms expected to be added by 2027 in Bali.

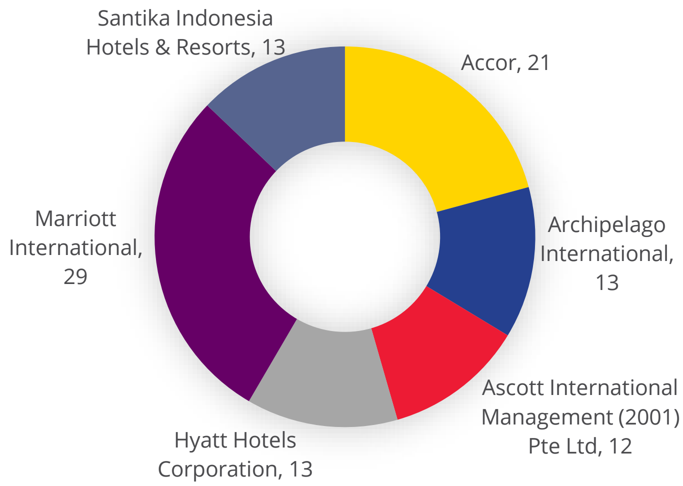
Annual supply



Source: Colliers

The hotel development pipeline in Bali continues to be dominated by 5-star properties. Renowned brands like Kempinski and Anantara are set to expand their portfolios in the region. However, as of Q3 2024, Marriott International leads the market with 29 properties, followed closely by Accor, which operates 21 properties. Interestingly, the total supply of hotel rooms in Q3 2024 has slightly decreased, primarily due to the ongoing renovation of Hotel Mulia Bali and the rebranding of Mercure Harvestland.

Hotel supply in Bali based on top 6 hotel chains



Source: Colliers

Tourism

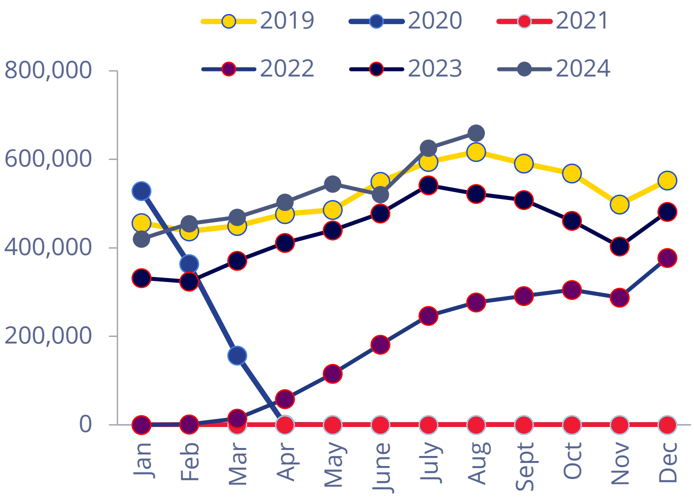
Beyond leisure: International Conferences, Party Congresses, Music Events, and Sporting activities boost hotel performance in Bali

As of August 2024, the total number of foreign tourist arrivals in Bali reached 4,197,814, marking a 22.8% increase compared to the same period in 2023. Domestic tourists, as of July 2024, were recorded at 5,916,379, representing a 4.9% growth from the previous year. Notably, the peak in domestic visits occurred in April during the Eid holiday, with a total of 1,124,781 visitors, largely due to Bali's popularity as a holiday destination.

The summer holiday season spans from April to July for many Asian countries, while in European countries, it falls between July and August. For Americans, the summer holiday runs from June to September, whereas in Australia, the summer holiday period aligns with December and January, coinciding with Christmas and New Year holidays. Regarding winter holidays, the season for Asian countries typically lasts from November to March, while in Europe and America, it spans from December to March. Australians experience their winter holidays from June to August. Consequently, it is unsurprising that July and August consistently see the highest number of foreign tourist arrivals in Bali over the past few years. Domestic tourist peaks vary but generally occur during the July school holidays, the Eid holiday, and at the year-end, coinciding with Christmas and New Year.

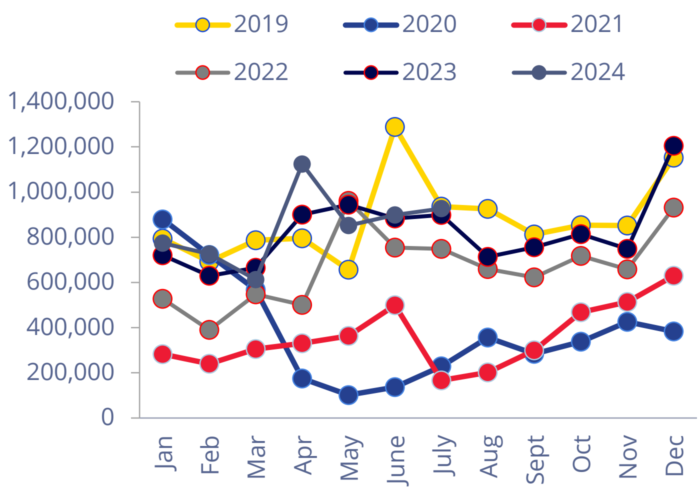
Furthermore, while Australian, Chinese, and Indian tourists have traditionally dominated foreign arrivals in Bali, there has been a notable rise in visitors from South Korea. Similarly, among European tourists, the number of Russian visitors continues to grow steadily.

Foreign tourist monthly arrival



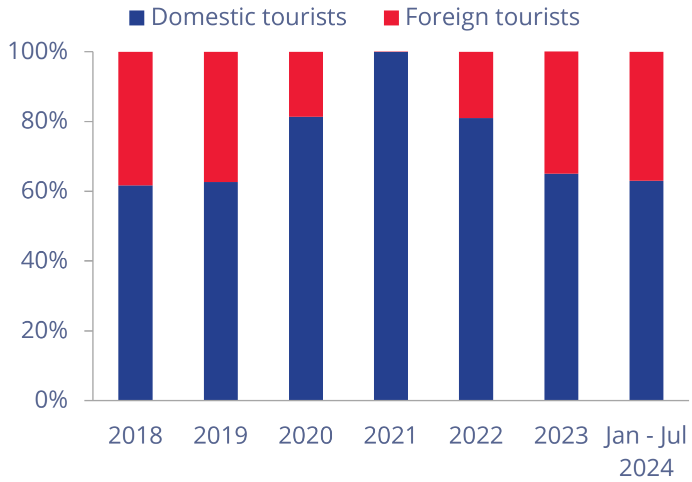
Source: Data January - July 2024 are Final Figures from Bali Provincial Tourism Office, Data August 2024 are Temporary Figures from Ngurah Rai Immigration

Domestic tourist monthly arrival



Source: Bali Provincial Tourism Office

Domestic vs foreign tourists



Source: Bali Government Tourism

In addition to being a popular tourist destination, Bali remains a key location for MICE events, both domestically and internationally. One of the primary hubs for MICE activities in Bali is the BTDC area in Nusa Dua. This area is favored due to its well-established facilities, as well as its status as a self-contained, high-security zone, making it ideal for hosting large-scale international events. As a result, international events with significant participation are almost always held in the Nusa Dua area.

While Nusa Dua is the main center for MICE activities in Bali, accommodation for attendees is often spread out to surrounding areas. Hotels located near the BTDC area frequently benefit from these events, as they accommodate a portion of the guests involved in MICE activities.

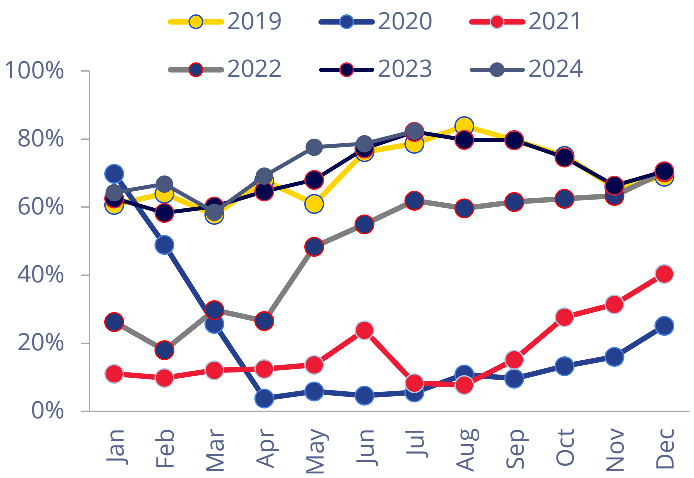
Performance

The increase in tourist visits has also contributed to the improvement in hotel performance

The third quarter is often associated with peak performance throughout the year, and Bali is no exception. During this period, Bali hosts a significant number of activities, including conferences, meetings, national conferences, and sporting events. Additionally, Bali remains a top destination for domestic travelers during school holidays and international visitors during the summer holiday season.

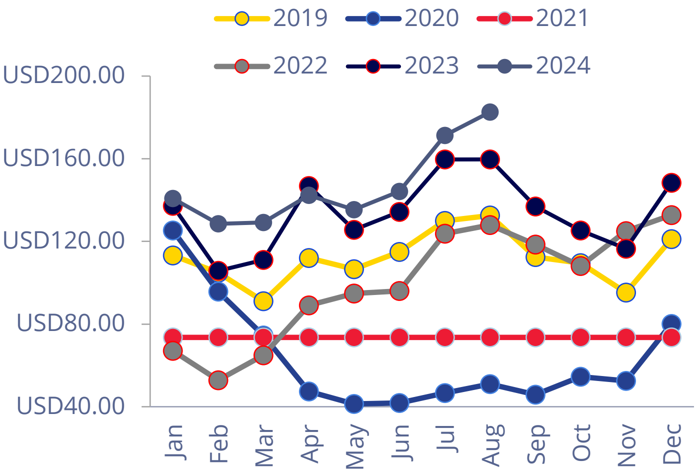
This influx of tourists is reflected in the rising number of domestic and international arrivals, which in turn drives up hotel performance, particularly in terms of occupancy and Average Daily Rates (ADR). In fact, the ADR in August 2024 reached its highest level, recorded at USD182.57.

Monthly average occupancy rate (AOR)



Source: STR

Monthly average daily rate (ADR)



Source: STR

Based on trends from previous years, performance in Q4 is expected to decline, primarily due to the conclusion of the holiday season for both domestic and international tourists. Any increase during this period typically occurs around the Christmas and New Year holidays. As for MICE activities, they are projected to continue at least until the second week of December.

Appendix

New pipeline

Hotel Name	STR Equivalent Rate	Location	Region	#Rooms	Project Status	Opening Time
3-star						
Holiday Inn Express Hotel Sunset Bali	Upper Midscale	Jl. Sunset Road	Seminyak	72	Under construction	2025
4-star						
Voco Hotel Seminyak	Undefined yet	Jl. Raya Kerobokan	Seminyak	162	Under construction	2024
5-star						
Regent Hotel Canggu	Luxury	Jl. Pantai Batu Bolong	Canggu	150	Under construction	2024
Anantara Ubud Bali Resort	Luxury	Jl. Raya Puhu, Payangan	Ubud	85	Under construction	2024
Vasa Hotel Canggu	Undefined yet	Jl. Pantai Batu Mejan	Canggu	200	Under construction	2026
KARV Hotel Bali Jimbaran	Luxury	Jimbaran	Jimbaran	64	Under construction	2026
Vasa Hotel Ubud	Not Defined Yet	Payangan	Ubud	175	Under construction	2027
The Apurva Kempinski Ubud	Luxury	Payangan	Ubud	160	Under construction	2027
Mandarin Oriental	Luxury	Bukit Pendawa	Uluwatu	110	Under construction	2027

Source: Colliers

For further information, please contact:

Ferry Salanto
Senior Associate Director
Research | Jakarta
62(21) 3043 6888
Ferry.Salanto@colliers.com

Nurul Yonasari
Senior Research Executive
Research | Jakarta
62(21) 3043 6888
Nurul.Yonasari@colliers.com

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