



Horwath HTL™

Hotel, Tourism and Leisure Celebrating 100 years

Hotel & Branded Residences

BINTAN

December 2015

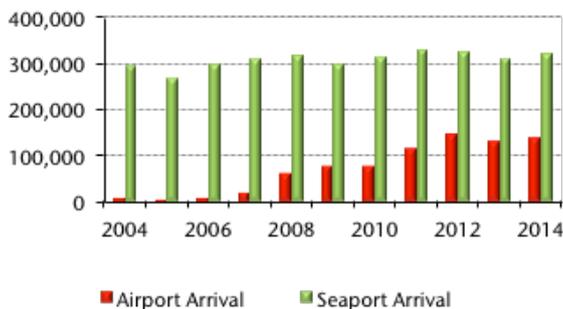
INTRODUCING THE NEW BINTAN

Bintan's competitive advantages are clear: location, great beaches, location, excellent infrastructure and location. It has traditionally been seen as a weekend and long weekend holiday getaway destination for Singapore residents. A little tired but nice beaches and great if you like golf. That is until 2015 when the new phase of development really kicked in. Now, it's all about to change.

CONNECTING BINTAN

The vast majority of the arrivals via the Raja Haji Fisabilillah Airport are domestic visitors, given the airport only carries domestic flights. Up till now, Garuda, Lion Air and Sriwijaya Air are flying directly from Jakarta to Bintan once a day while Susi air and Nusantara are taking the pioneer routes to Dabo, Matana, Natuna and Pekan Baru.

Bintan Tourist Arrivals via Seaport and Airport, 2004 - 2014



Note: Total seaport arrivals do not include arrivals via Sri Bintan Pura Ferry Terminal in Tanjung Pinang.

Source: Bintan BPS; Dept of Transport

The number of flights and domestic arrivals has increased from essentially nothing in 2004 to around 140,000 people in 2014 with a peak reached in 2012.

The majority of foreign visitors enter Bintan via the seaports due to the high frequency of ferries, the short travelling time from Singapore (only 55 minutes to Bandar Bentan Telani Ferry Terminal), and cost effectiveness.

Since 2004, foreign guest numbers have fluctuated at around 300,000. The stagnation is attributed to competition from other ASEAN destinations that benefit from regional budget carriers and the lack of new

attractions and accommodations in Bintan to spark tourism interest.

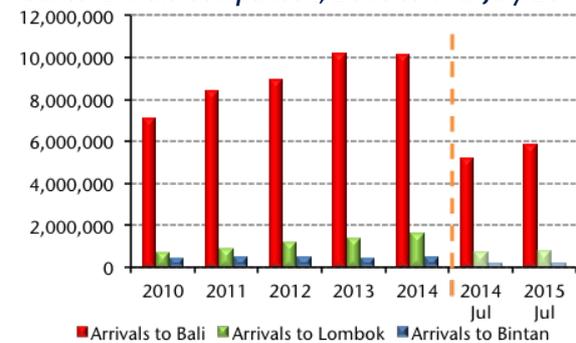
Indonesia's visa-free regime has been a work in progress in 2015, however as of November Bintan's three main seaports – Bandar Bentan Telani lagoi, Bandar Seri Udana Lobam and Sri Bintan Pura – are all visa-free gates. These gates can be enjoyed by citizens from 72 countries, increasing to 90 by year end 2015. It is widely anticipated to have a positive effect on arrivals numbers.

As for the domestic market, it will take more than improved connectivity to attract greater demand. As the majority of domestic demand originates in Jakarta (and to a lesser extent Surabaya), Bintan competes with several West Java weekend getaway destinations such as Puncak, Bogor and Bandung, and also family holiday destinations like Jogjakarta and Bali.

BINTAN VS. BALI VS. LOMBOK

As shown in the chart below, Bali as the country's main tourism destination is by far the most popular destination amongst the three island destinations, with great supporting infrastructure and skilled human resource availability. See the 2015 Bali Hotel & Branded Residences Report by C9 Hotelworks and Horwath HTL for more information on Bali.

Tourist Arrivals Comparison, 2010 to YTD July 2015



Source: BPS Indonesia

Despite the long awaited Lombok International Airport opening in 2011 upgrading the island's connectivity, it has failed to meet expectations with airlines starting and closing operations due to financial issues and low load factors. Arrivals have however continued to increase and new rooms have been added to the market. Just not in



the volumes that were expected. See the 2015 Lombok Hotel & Branded Residences Report by C9 Hotelworks and Horwath HTL for more information on Lombok.

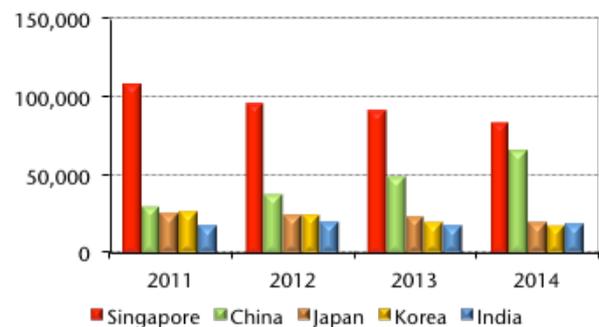
Bintan has upgraded its existing airport with a new terminal in the last couple of years and work has started on a second airport in Busung, Lobam district. The airport funded by Gallant Ventures the organisation behind Bintan Resorts will feature a 3 kilometre runway, which will enable the airport to serve Boeing 747-400 aircraft and handle a capacity of 3.5 million passengers annually. The airport terminal will be connected to a ferry terminal, which will service Singapore and Batam from and to the airport. It is understood that Garuda Indonesia, Indonesia’s flag carrier has committed to develop Bintan Island into an aviation hub.

NATIONALITY MIX

Singapore contributes 30% of total foreign arrivals and is Bintan’s top source market, not surprising given its close proximity and ease of access via ferry. From 2013 to 2014, China was the only source market to register strong growth at 33%. Chinese visitors tend to come to Bintan in tour groups and spend one or two nights at the beach resorts as part of their Singapore tour itinerary. It is noted that the 5 top markets have remained identical since 2011. After experiencing a negative 13% growth in

2013 Y-o-Y, the Indian market has bounced back in 2014, recording a 6% growth YOY.

Top 5 Foreign Source Markets to Bintan, 2011 - 2014



Source: BPS Indonesia

Top 5 Foreign Markets 2014

- Singapore 30%
- China 16%
- Japan 8%
- Korea 7%
- India 6%

Largest Growth Markets 2014 (pax)

- China 16,344
- Hong Kong 1,165
- India 1,001
- Malaysia 338

Regional Market Share 2014 (% total)

- Asia Others 40%
- ASEAN 38%
- Europe 14%
- Australia + NZ 5%
- Americas 3%

Source: Bintan BPS

BINTAN GENERAL HOTEL MARKET

Based on location and market characteristics, Bintan hotel market is divided into three areas - Bintan Resorts, Trikora Beach and Tanjung Pinang.

Bintan Resorts

This area is dominated by leisure demand, and more than 95% of the demand is foreign. The majority of tourists come from or via Singapore and the area has about 49% of the total room inventory in Bintan. Most of the hotels in this area are luxury and upscale resorts with international (e.g. Banyan Tree, Angsana, and Club Med) or regional brandings (e.g. Bintan Lagoon – Mozaic Hotels & Resorts).



Trikora Beach

Similar to Bintan Resorts, leisure demand is the majority of demand in this area, accounting for about 80% of total. Due to its location near the regency government offices and some local companies, this area attracts a mix of both foreign and domestic demand. Trikora Beach area houses about 20% of the Bintan Island’s hotel room supply with a mixture of independent resorts and guest houses. The ADR in this area is much lower than Bintan Resorts’.

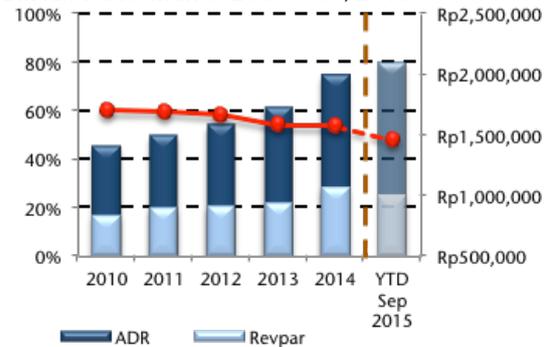
Tanjung Pinang

Different than the other two markets, the Tanjung Pinang hotel market is predominantly government demand due to its proximity to the regional and city government offices. Therefore, more than 90% demand here is domestic demand with a small proportion of low-yielding tourist groups. Tanjung Pinang area has a larger room inventory to Trikora with an estimated 31% of the total Bintan hotel rooms. This area offers city hotel products within the economy segment and due to its reliance on government business, Tanjung Pinang records the lowest ADR amongst the three markets.

BINTAN’S TOP TIER HOTELS

All top tier properties are located in the Bintan Resorts area.

Bintan Performance 2010 – 09/2015



Source: Horwath HTL & Bintan Resorts

Occupancy: It is understood that market occupancy has been dropping slowly since 2010 to a low of < 50% YTD September 2015. The reduction in occupancy of the competitive set hotels is attributed to competition from other ASEAN destinations that benefit from regional budget carriers and the lack of new attractions and accommodations in Bintan to spark tourism interest.

ADR: Despite the weak occupancy performance, estimated market ADR has grown at a CAAG rate of 9% in Rupiah – mostly attributed to the depreciation of the Rupiah against the USD, in which most rooms are sold.

As of YTD September 2015, the majority of properties have maintained their average room rates YOY. The opening of the luxury Sanchaya has helped boost the market average.



RevPAR: The market Rupiah RevPAR has grown from 2010 to 2014 recording a CAAG rate of 6%, driven by the growth of average room rate. The YTD September 2015 RevPAR is slightly below 2014's due to the slump in occupancy.

NEW SUPPLY & OUTLOOK

- In 2014, Bintan's central bureau of statistics (BPS) recorded 35 official star rated hotels representing approximately 1,900 rooms.
- The market's room inventory had changed very little over many years until 2015 when the Canopi, Sanchaya and Swiss-Belhotel opened.
- Going forward, Bintan's hotel room supply is expected to boom.
- Between 2015 and 2019, 15 new hotels are scheduled to open adding approximately 2,200 rooms.
- By 2019, the market will have doubled in size

The table overleaf shows projected inventory to 2019 based on confirmed and rumoured developments.

New Additions to Supply, 2015 - 2019



Source: Horwath HTL

In addition, further hotel projects within Lagoi Bay (approximately 2,500 rooms) and Treasure Bay (approximately 1,700 rooms), are mooted but as of yet unconfirmed with names and brands but expected to happen in the next 4 to 8 years.

Most of the developments are within the Bintan Resorts area, due its readiness in terms of supporting infrastructure and investment assurance from the area management PT. BRC.

The upcoming hotels range from budget hotel to luxury resort and are sized between 40 and 300 rooms, including independent hotels such as the Ship Hotel, and branded hotels such as Swiss-belhotel, Alila Villas, Ibis and Four Points by Sheraton.



With the addition of an estimated 6,400 hotel rooms to the Bintan hotel market within the next eight years, the room count is set to increase more than fourfold from the current level. To get to today's room count has taken 20 years and on average half of these rooms are full (annual market occupancy has hovered around 50%). In other words, Bintan will need a significant boost in tourism arrivals to support such massive growth.

Bintan has been preparing itself to welcome the increase in visitor arrivals. The Bandar Bentan Telani Ferry Terminal will be expanded and capacity increased as demand requires. Moreover, the new international airport in Lobam will open in 2017 with a large capacity to accommodate international and domestic airlines reducing the reliance on the ferry via Singapore or Batam.

The development of Lagoi and Treasure Bay will provide more alternatives/attractions for guests across Bintan which in turn increases the attractiveness of Bintan which has suffered from destination inertia for many years.

The BRC's commitment to improving infrastructure in the north will have a knock-on effect across the island. In addition, their aggressiveness in promoting the destination and working with the local government as well as local villages will improve tourism awareness, initiatives and prospects across the island.

BINTAN HOTEL RESIDENCES

More projects are coming in the Bintan residential pipeline which have an influence by the booming tourism market.

Bintan’s residential market has been substantially supported by the growth of tourism. In recent years, the range of residential products has expanded to meet the evolving demand of this market.

The trend moves to high-standard residential products affiliated with an international hotel operator. The key success of the leading projects on the Island is to provide a combination of good architecture and interior design as well as a strong value-for-money proposition.

Pool villas or condominium/apartment units are sold on a residential basis as a lifestyle product particularly suitable for weekend getaways. However, the market tends toward to an investment product by offering guaranteed returns in the initial years as well as complimentary stays.

For the incoming supply, Tasweek Real Estate Development and Marketing has a plan for a massive mixed-use development which is composed of a 250-key hotel, six condominium towers with a total of 840 units and 34 villas on a 26-hectare land plot.

For the demand perspective, Singapore primarily remains the top target market for the residential market. Looking ahead, more regional buyers from Malaysia, mainland China and Hong Kong become attracted to Bintan. Due to proximity to Singapore and the value proposition of residential projects, the island’s residential market is growing. We expect that more niche residential products are also emerging elsewhere beside the integrated development on Treasure Bay and Lagoi Bay.

PROPERTY OVERVIEW

Bintan’s residential market is in a nascent stage with a limited product varieties.

Villa Projects

Project Name	Location	Total Units	Launch Year
Funtasy Island	Pulau Funtasy	90	2010
Pantai Indah	Lagoi Bay	46	2013
Banyan Tree	Laguna	18	2014

Source: C9 Hotelworks Market Research

Condominium Projects

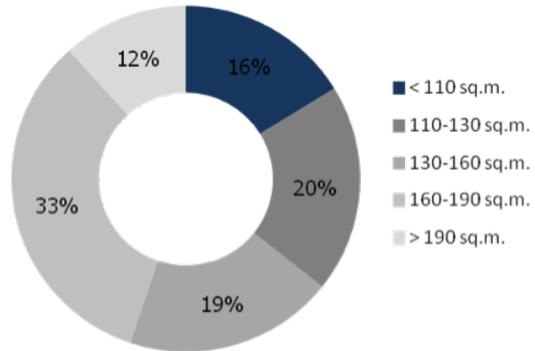
Project Name	Location	Total Units	Launch Year
Swiss-Belhotel Lagoi Bay	Lagoi Bay	196	2011
The Heritage Bintan	Lagoi Bay	103	2013
Funtasy Island - The Cove	Pulau Funtasy	183	2013
Cassia Bintan	Laguna	36	2014

Source: C9 Hotelworks Market Research

VILLA AND CONDOMINIUM/APARTMENTS COMPARISON

Size and Inventory Mix

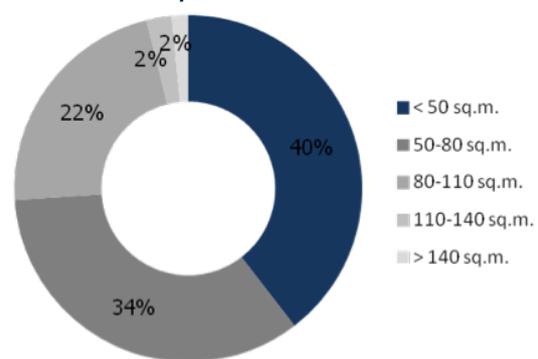
Villa Size Mix



Source: C9 Hotelworks Market Research

Bigger-size villas have lower builtup price per square meter, and vice versa.

Condominium/Apartment Unit Size Mix

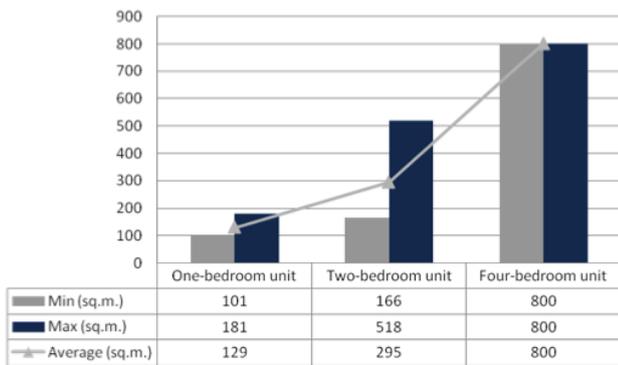


Source: C9 Hotelworks Market Research

Condominium/Apartment units with less than 50 square meters are predominant.

Sizing Comparison

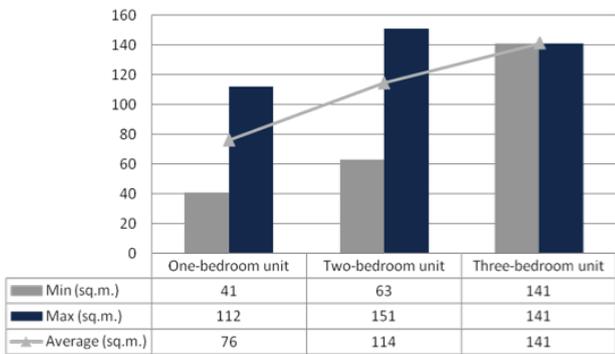
Villa Inventory Mix



Source: C9 Hotelworks Market Research

More expansive size as commonly found in residential villa market.

Condominium/Apartment Unit Inventory Mix



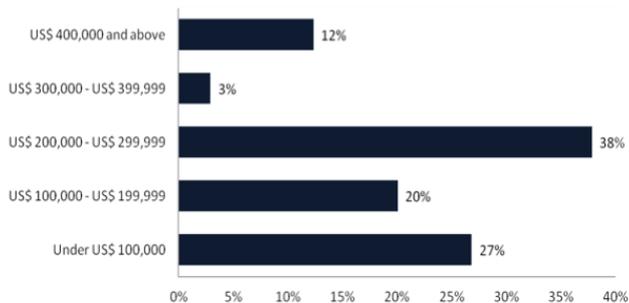
Source: C9 Hotelworks Market Research

One-bedroom units' builtup size of 40 to 50 square meters have the fastest absorption rate.

CONDOMINIUM/APARTMENTS PROJECTS

Unit Pricing

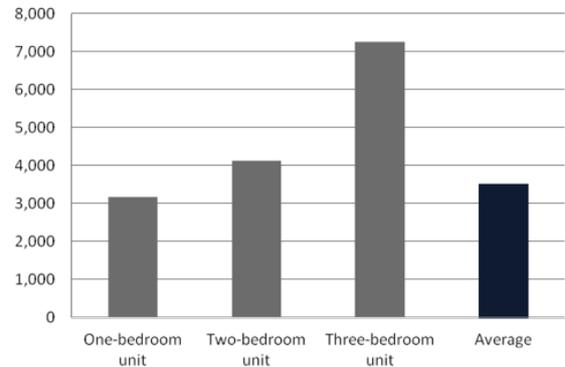
Pricing Per Condominium Unit



Source: C9 Hotelworks Market Research

Units' absolute pricing ranged from a low of US\$96,000 to a high of US\$1.1 million.

Inventory Mix



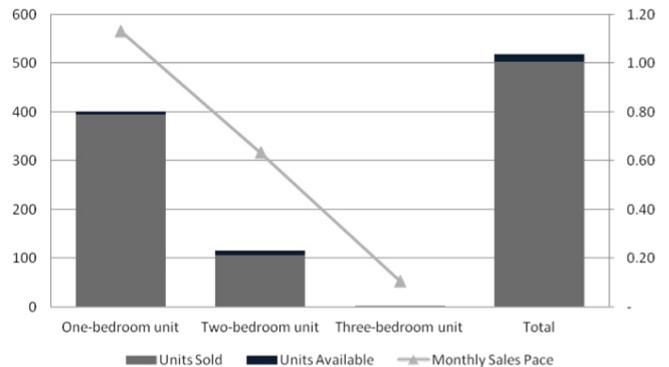
Note: US\$ per sq.m.

Source: C9 Hotelworks Market Research

Average builtup pricing per square meter registered at US\$3,509.

Market Absorption Rate

Absorption Rate by Type



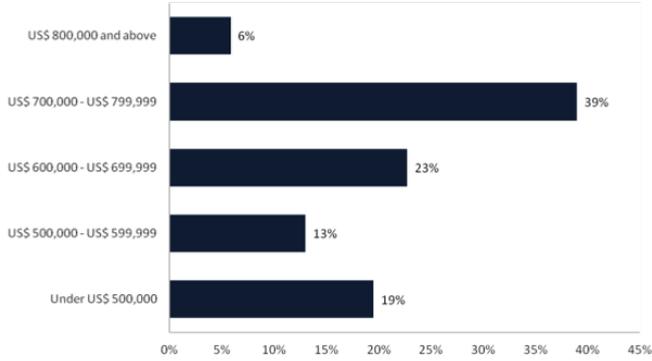
Source: C9 Hotelworks Market Research

Absorption Rate is averaged at 5.81 units per month.

VILLA PROJECTS

Unit Pricing

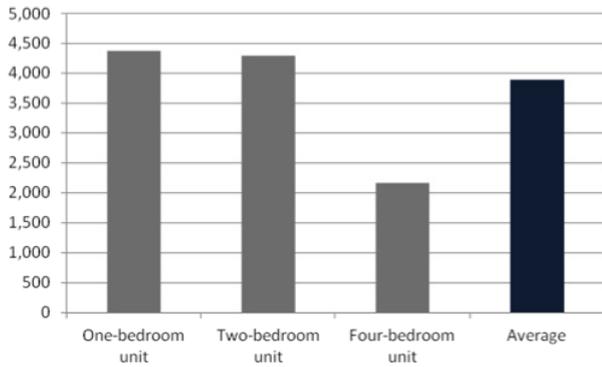
Pricing Per Unit



Source: C9 Hotelworks Market Research

Approximately 39% of total units have a price tag between 700,000 and 799,999.

Inventory Mix



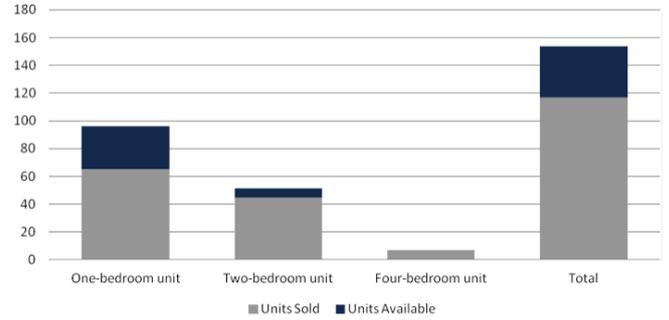
Note: US\$ per sq.m.

Source: C9 Hotelworks Market Research

Smaller configurations have a higher builtup price per square meter.

Market Absorption Rate

Absorption Rate by Type



Source: C9 Hotelworks Market Research

Available units is merely composed of 24% of the inventory.

WRITTEN BY:

Horwath HTL Indonesia
Citylofts Sudirman, Unit 2203
Jl. K.H Mas Mansyur 121
Jakarta 10220, Indonesia
+62 21 2555 8584
Jakarta@horwathhtl.com
www.horwathhtl.asia

C9 Hotelworks Company Ltd
9 Lagoon Road, Cherngtalay,
Thalang, Phuket 83110, Thailand
+66-76 271 535
info@c9hotelworks.com
www.c9hotelworks.com

PICTURES BY:

The Sanchaya
Canopi Bintan
Cassia Bintan
Swiss-Belhotel Lagoi Bay



Hotel, Tourism and Leisure

ASIA PACIFIC

AUCKLAND, NEW ZEALAND
auckland@horwathhtl.com

BANGKOK, THAILAND
ischweder@horwathhtl.com

BEIJING, CHINA
beijing@horwathhtl.com

HONG KONG, SAR
hongkong@horwathhtl.com

JAKARTA, INDONESIA
jakarta@horwathhtl.com

KUALA LUMPUR, MALAYSIA
kl@horwathhtl.com

MUMBAI, INDIA
vthacker@horwathhtl.com

SHANGHAI, CHINA
shanghai@horwathhtl.com

SINGAPORE, SINGAPORE
singapore@horwathhtl.com

SYDNEY, AUSTRALIA
rdewit@horwathhtl.com

TOKYO, JAPAN
tokyo@horwathhtl.com

AFRICA

CAPE TOWN, SOUTH AFRICA
capetown@horwathhtl.com

DAKAR, SENEGAL
bmontagnier@horwathhtl.com

EUROPE

AMSTERDAM, NETHERLANDS
amsterdam@horwathhtl.com

ANDORRA LA VELLA, ANDORRA
vmarti@horwathhtl.com

BARCELONA, SPAIN
vmarti@horwathhtl.com

BUDAPEST, HUNGARY
mgomola@horwathhtl.com

DUBLIN, IRELAND
ireland@horwathhtl.com

FRANKFURT, GERMANY
frankfurt@horwathhtl.com

ISTANBUL, TURKEY
merdogdu@horwathhtl.com

LISBON, PORTUGAL
vmarti@horwathhtl.com

LIMASSOL, CYPRUS
cmichaelides@horwathhtl.com

LONDON, UK
ehenberg@horwathhtl.com

MADRID, SPAIN
vmarti@horwathhtl.com

MOSCOW, RUSSIA
mohare@horwathhtl.com

OSLO, NORWAY
oslo@horwathhtl.com

PARIS, FRANCE
pdoizelet@horwathhtl.com

ROME, ITALY
zbacic@horwathhtl.com

SALZBURG, AUSTRIA
austria@horwathhtl.com

WARSAW, POLAND
dfutoma@horwathhtl.com

ZAGREB, CROATIA
scizmar@horwathhtl.com

ZUG, SWITZERLAND
hwehrl@horwathhtl.com

LATIN AMERICA

BUENOS AIRES, ARGENTINA
cspinelli@horwathhtl.com

SÃO PAULO, BRAZIL
mcarrizo@horwathhtl.com

MEXICO CITY, MEXICO
mjgutierrez@horwathhtl.com

DOMINICAN REPUBLIC
speralta@horwathhtl.com

SANTIAGO, CHILE
cspinelli@horwathhtl.com

BOGOTA, COLOMBIA
mjgutierrez@horwathhtl.com

NORTH AMERICA

ATLANTA, USA
pbreslin@horwathhtl.com

CHICAGO, USA
tmandigo@horwathhtl.com

DENVER, USA
jmontgomery@horwathhtl.com

MIAMI, USA
acohan@horwathhtl.com

MONTREAL, CANADA
pgaudet@horwathhtl.com

NEW YORK, USA
pbreslin@horwathhtl.com

TORONTO, CANADA
pgaudet@horwathhtl.com