



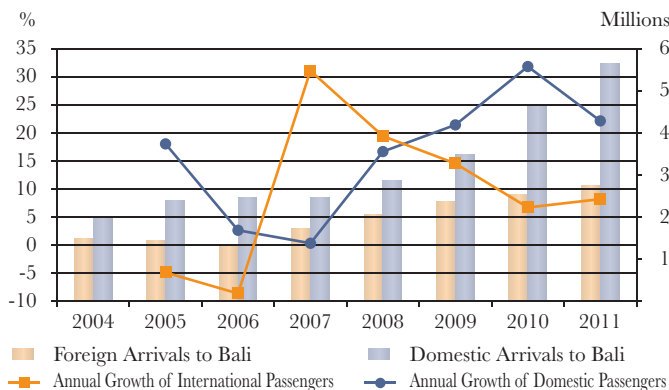
Can island infrastructure hold the continuing record arrivals?

Bali set a record high for tourist arrivals with more than 8 million visitors in 2011

Strong domestic market growth since 2008 continues to make Bali one of the leading tourism destinations in ASEAN. With approximately 13% average annual growth rate in arrivals from 2004 to 2011, the prospects for Bali's tourism and hotel industries are more positive than ever. The new airport expansion promises to support Bali's ability to bring in more tourists.

With more than 8% growth in international arrivals and 22% in domestic travelers between 2010 and 2011, Bali is showing resilience to the uncertainties in Europe and the US.

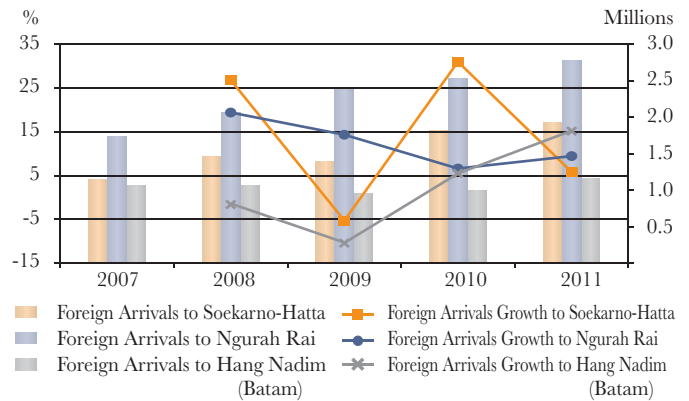
Direct Arrivals to Bali 2004 - 2011



Ngurah Rai Airport leads in foreign travelers amongst Indonesia's three largest international airports, with more than 2.7 million passengers. Bali accounted for 36% of direct foreign arrivals to Indonesia in 2011.

Despite negative effects of the GFC in 2008-2009 on arrivals to Soekarno Hatta and Batam, foreign direct visitor arrivals to Bali continued to grow.

International Arrival Comparison - Three Largest Airports in Indonesia

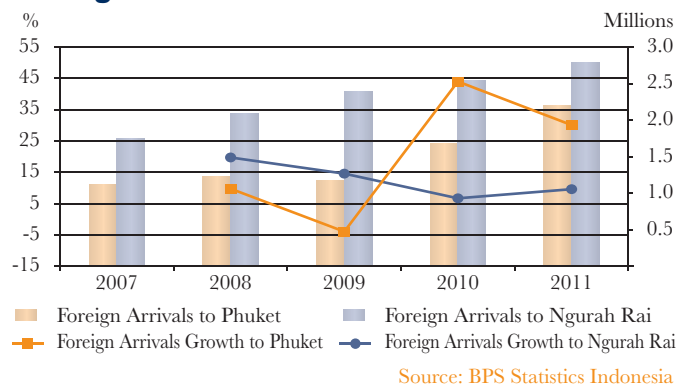


For much of the last 5 years Bali outgrew Phuket as an international destination in terms of foreign visitor arrivals.

Despite political issues, in 2010 Phuket rebounded recording a substantial 44% growth compared to 2009, which continued in 2011 with another strong growth of 30%. These increases eliminated the arrivals gap between the two destinations, putting them head to head again. Furthermore, Bali's infrastructure problems have slowed its growth rate.

The latest YTD May 2012 figures for Bali's foreign arrivals show a grow rate of 8% year-on-year.

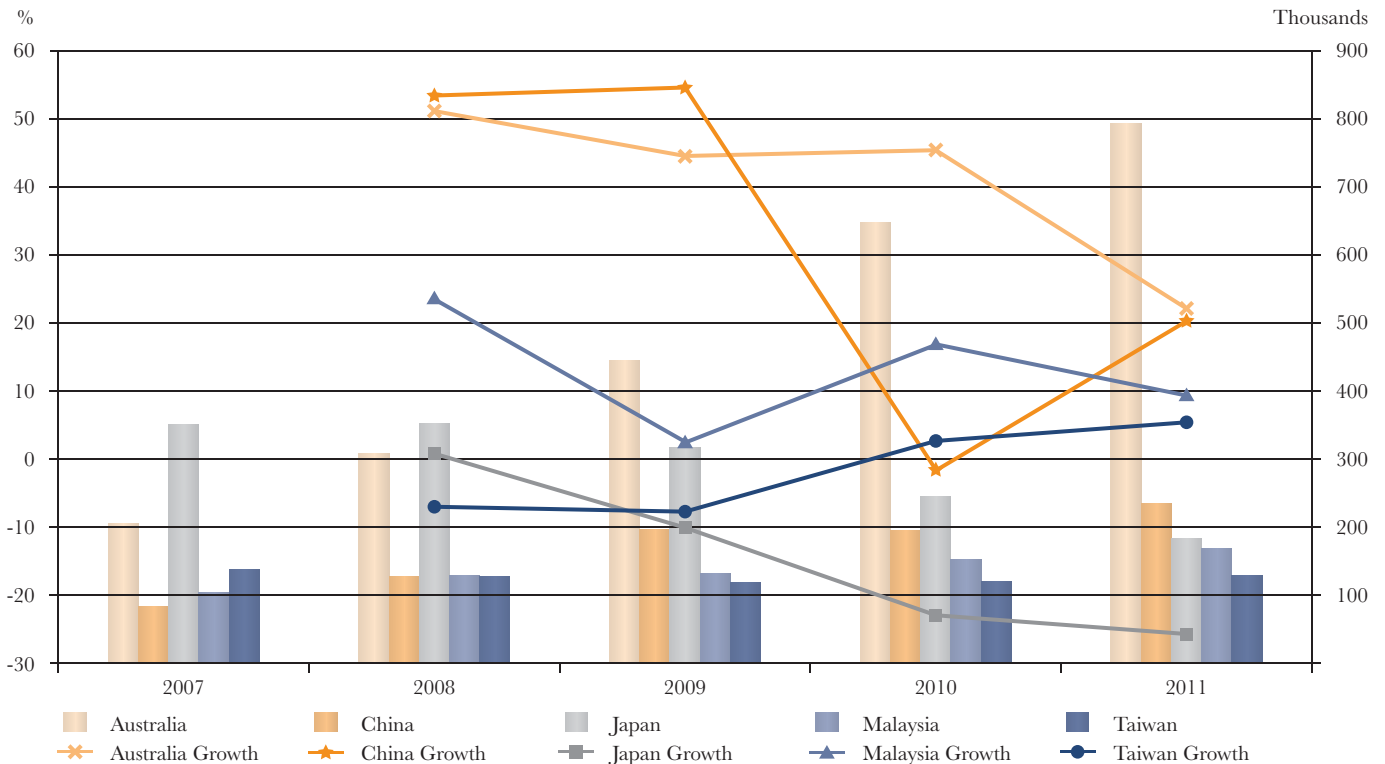
Foreign Arrivals Bali vs. Phuket 2007- 2011



Nationality Mix

Australia remains one of the largest contributors to foreign arrivals, while Japanese visitors continued to decline. The effects of the 2011 tsunami compounded somewhat by European financial woes, are believed responsible for the continued slow down. The average annual growth for Australian arrivals since 2007 was the highest at 40%, followed by Chinese with 29%, while Japanese arrivals declined by an average of 15% per year, albeit still forming the third largest source market. Without a strong rebound, Malaysian arrivals will likely outnumber the Japanese in 2012.

Top 5 Foreign Arrivals to Bali



Source: BPS Statistics Indonesia

Australian arrivals are dominating the Bali market mainly due to the following reasons: (1) relatively close distance, (2) strengthened Australian dollar, (3) increased airline promotions for Bali (often cheaper than domestic flights/holidays in Australia), and (4) the rise in low cost carriers flying between the two countries.

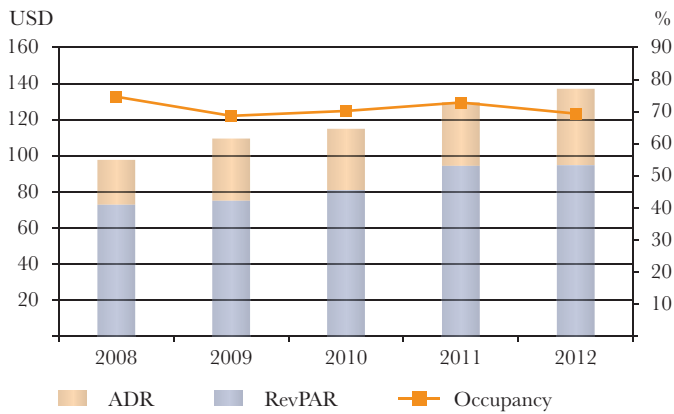
The US market led the top 5 growth markets with a 25% growth rate in 2011, despite the continuing economic uncertainties there. Australia and China remained in the top 5 and are likely to continue strong growth at least until 2014. As of May 2012, Australian arrivals recorded a further 10% growth YoY, while Chinese arrivals grew by 65%.

Top 5 Foreign Markets - 2011		Top 5 Growth Markets - 2011		Top 5 Regional Markets - 2011	
Australia	29%	USA	25%	Australia & New Zealand	30%
China	9%	Australia	22%	Asia without ASEAN	28%
Japan	7%	China	20%	Europe	23%
Malaysia	6%	Singapore	17%	ASEAN	12%
Taiwan	5%	Malaysia	9%	Americas	5%

Source: BPS Statistics Indonesia

Record High Room Rates While Occupancy Stabilizes

Hotel Performance YTD June 2008 - 2012

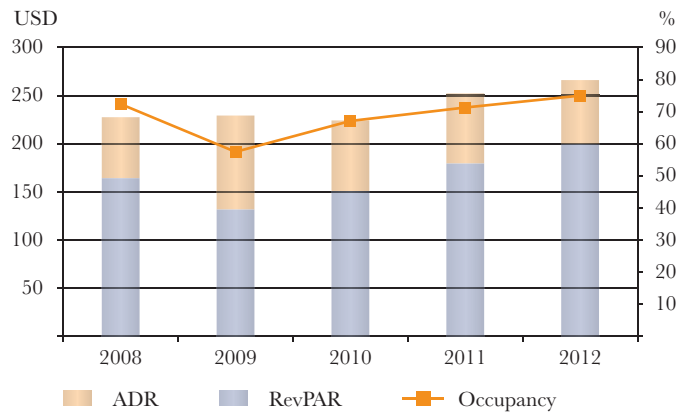


Source: Bali Hotels Association and Horwath HTL

The overall Bali hotel market occupancy as of June YTD 2012 was 69%, a 5% decrease YoY. While the ADR rose to \$137, or 5% increase YoY.

The average annualized ADR growth rate between 2008 and 2012 was approximately 9%, while average annual RevPar growth was 7%.

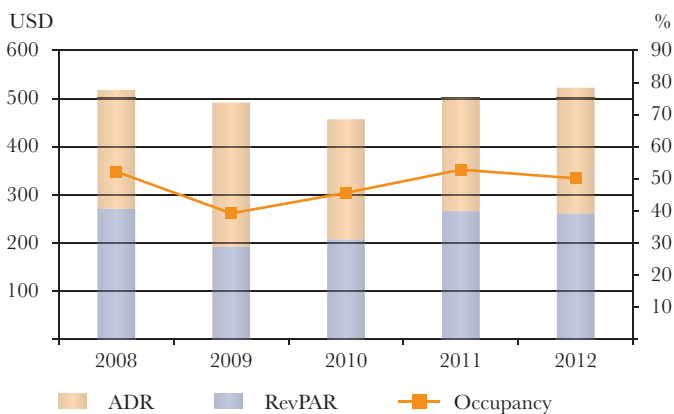
Rate A (USD 220 - 249) YTD June 2008 - 2012



Source: Bali Hotels Association and Horwath HTL

By comparison, the Rate A segment had a good first half of 2012 with both occupancy and ADR up. Occupancy was up by about 5% as of YTD June 2012, while ADR was up by about 6%.

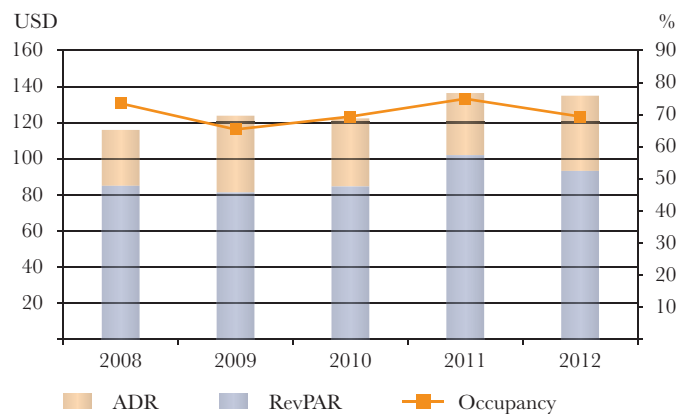
Rate A+ (>USD 350) YTD June 2008 - 2012



Source: Bali Hotels Association and Horwath HTL

The Rate A+ segment has been the most affected by the world's economic and financial uncertainties compared to the lower rate segments. The trend started in 2008 when both occupancy and ADR began to slide, although occupancy started improving in 2010. In 2011, however, the Rate A+ segment rebounded with both strong occupancy and ADR, although average occupancy performance as of YTD June 2012 was about 5% lower YoY, while the average ADR increased by about 4%.

Rate B (USD 100 - 219) YTD June 2008 - 2012

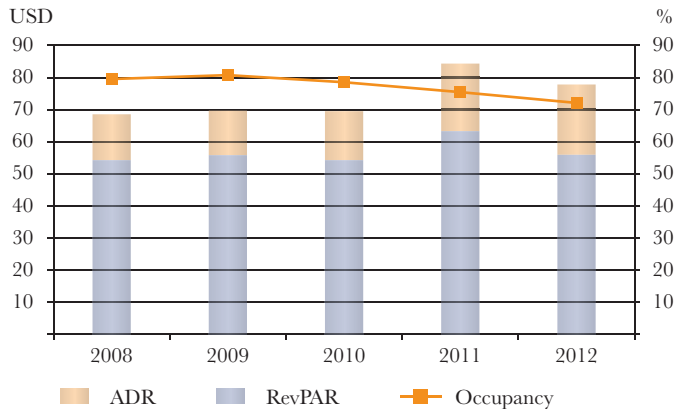


Source: Bali Hotels Association and Horwath HTL

For the Rate B segment, mid year 2012 proved to be challenging with a large amount of new supply coming into the market. Occupancy and ADR went down by 7% and 1%, respectively, YoY.

HOTEL MARKET

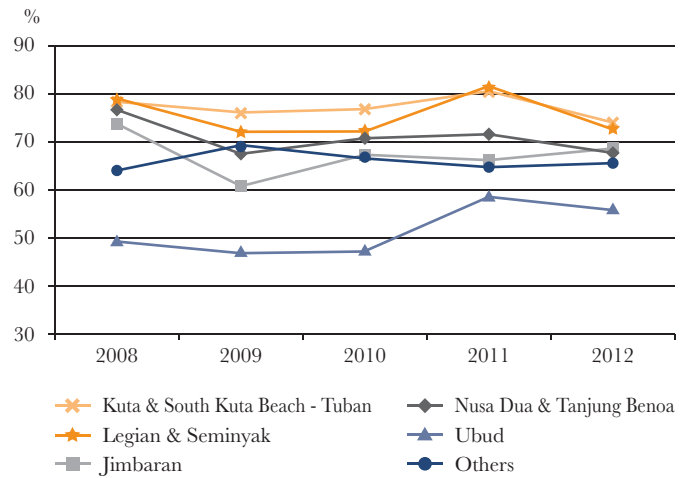
Rate C (USD 60 – 99) YTD June 2008 - 2012



Source: Bali Hotels Association and Horwath HTL

The year 2011 was the best for Bali's Rate C hotel segment, with YoY ADR increase of about 21%, even though occupancy continued to decline by about 4%. RevPAR hit the highest point in 5 years (YTD June 2008 – 2012). In 2012, however, as occupancy continued to decline rates came down as well.

Occupancy by Region YTD June 2008 - 2012

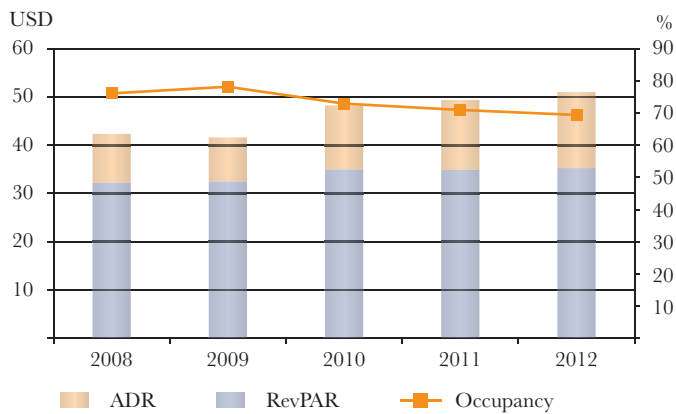


Source: Bali Hotels Association and Horwath HTL

For performance by region in Bali, occupancy was highest in the Kuta and South Kuta Beach – Tuban areas, followed by Legian and Seminyak in second rank and Nusa Dua and Tanjung Benoa in third place.

These three big resort areas are well known for their high density of hotels. Other regions, like Ubud, are still somewhat isolated, a bit less accessible and sparsely populated with hotels. As such, they tend to be viewed more as add on destinations.

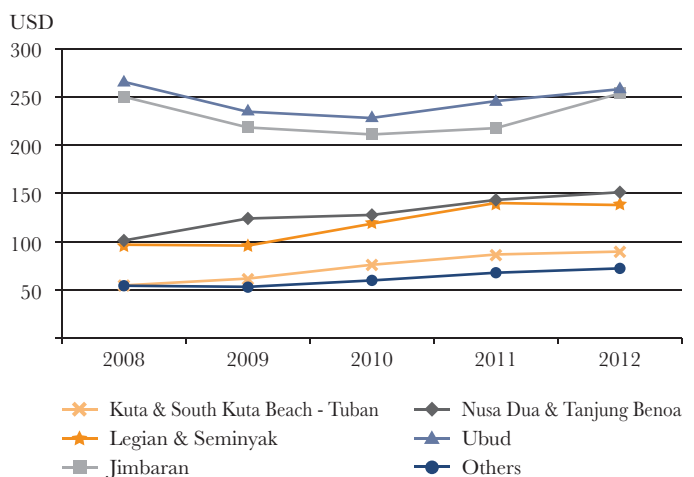
Rate D (<USD 59) YTD June 2008 - 2012



Source: Bali Hotels Association and Horwath HTL

Positive trend is shown by Bali's Rate D hotel segment although occupancy has been on a slow decline since 2009. However, ADR jumped by about 16% in 2010. The positive ADR trend has continued through June 2012 with annual growth averaging about 7%.

ADR by Region YTD June 2008 - 2012



Source: Bali Hotels Association and Horwath HTL

The ADR performance by region on the other hand is quite the opposite from occupancy performance, where the bottom ranked occupancy performers led in rates. Ubud is in the first position while Jimbaran closely followed. Both regions range between \$200 and \$300. Such trend is due to the smaller scale and less mass market orientation of resorts in the Ubud area.

Developing West and East Bali

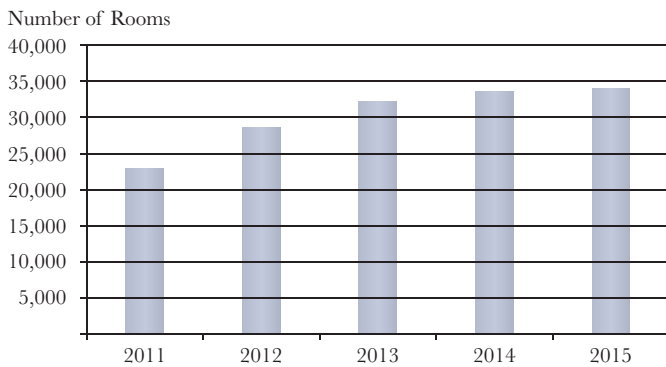
Based on Indonesia's Central Bureau of Statistics (BPS) figures, there were more than 22,000 hotel rooms available in Bali by the end of 2011. In 2012, more than 3,400 additional hotel rooms are expected to enter the market. Subsequently, another 4,700 rooms are slated for opening in 2013, and a further 4,100 rooms from 2014 to 2016. Accordingly, more than 12,000 new rooms are expected to enter the market by the end of 2016.

The enormous increase of hotel room supply between 2012 and 2013 is in anticipation of international events; the largest and most high profile of APEC Summit planned in 2013.

Existing hotels currently have the luxury to focus on selective markets by means of optimizing yields, as opposed to the shotgun approach in attempting to attract the general market that prevailed in the past.

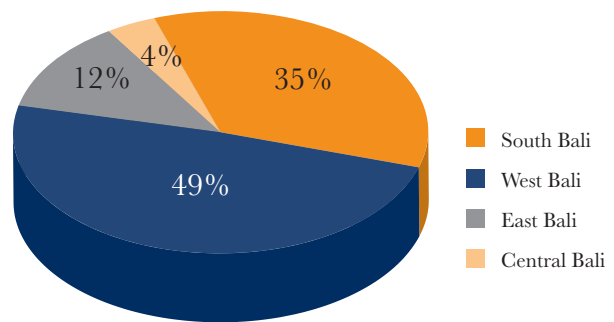
Hotel developers traditionally have the tendency to build in the Western and Southern parts of Bali, primarily due to the proximity to the airport. These investors learned early on that if they develop further away from the airport in more isolated areas, the hotels are more susceptible to downturns as the island experienced in 2002 - 2007.

Supply Growth 2011 – 2015



Source: BPS, Bali Hotels Association and Horwath HTL

New Supply by Area



Source: BPS, Bali Hotels Association and Horwath HTL

Nearly half of the new hotel supply is expected in West Bali. Even though a hotel development moratorium has been in effect in Badung, Denpasar and Gianyar Regencies since January 2010, development projects in these regencies continue. Most are associated with development permits issued prior to the moratorium.

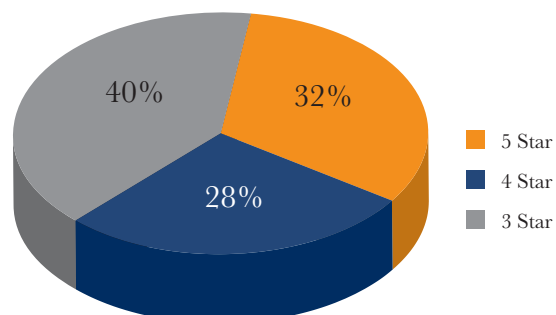
Hoteliers in Bali are asking the government to limit supply additions as they are concerned about an over-supply of hotel rooms on the island, as well as the drain on an already stressed infrastructure. As previously noted, hotel occupancy for rate B and C hotels is already declining due to the increased supply.

Bali hoteliers learned from the difficult times between 2002 and 2007 and most hotels are looking to build their rates, instead of occupancy, as can be seen in the graphs presented earlier where almost all segments of the market indicate increased ADR levels.

The 3 star hotel development segment is dominating the pipeline, comprising 40% of total new supply expected. Increasingly buoyant domestic and more price sensitive regional traffic is driving this trend. Such travelers tend to spend their whole day outside rather than spending their time at the hotel thus preferring to spend less on accommodations, while also requiring less of the facilities and services offered by traditional full service hotels.

The remainder of the new supply pipeline is almost equally distributed between 4 and 5 star hotels.

New Supply by Star Rating



Source: BPS, Bali Hotels Association and Horwath HTL

HOTEL OPENINGS

Hotel Name	Type	Class	Total Keys	Area	Opening
Alaia Echo Beach Hotel	Hotel	3	150	Canggu	2012
Quest San Hotel Denpasar	Hotel	3	167	Denpasar	2012
Le Meridien Bali	Hybrid	5	119	Jimbaran	2012
The Kuta Beach Heritage Resort And Spa (MGallery)	Hotel	4	148	Kuta	2012
Harris Hotel Kuta Galeria	Hotel	4	160	Kuta	2012
Swiss-Belhotel Rainforest	Hotel	4	161	Kuta	2012
Kuta Terrace	Condotel	3	200	Kuta	2012
POP! Hotel Kuta Beach	Hotel	3	184	Kuta	2012
favehotel ByPass Kuta	Hotel	3	162	Kuta	2012
POP! Hotel Nusa Dua	Hotel	3	150	Kuta	2012
Whiz Hotel Legian	Hotel	3	165	Legian	2012
Centara Wuku Resort & Spa Bali	Hybrid	4	177	Pecatu	2012
Swiss-Belresort Watu Jimbar	Condotel	3	260	Sanur	2012
Sun Heritage Condotel Sunset	Condotel	5	260	Kuta	2013
U Paasha Seminyak	Hotel	3	98	Seminyak	2012
favehotel Umalas	Hotel	2	121	Seminyak	2012
Ramada Hotel & Suites Sakala	Condotel	4	265	Tanjung Benoa	2013
Best Western Benoa	Hotel	4	200	Tanjung Benoa	2012
The Westin Ubud Resort & Spa	Hotel	5	107	Ubud	2013
Ubud Nirwana Villas	Villa	4	30	Ubud	2012
Anantara Bali Uluwatu Resort & Spa	Villa	5	74	Uluwatu	2012
HARRIS Bukit Jimbaran	Condotel	4	200	Uluwatu	2012
Samabe Bali Resort & Villas	Villa	4	80	Nusa Dua	2013
The Atanaya Hotel	Hotel	4	109	Kuta	2012
Holiday Inn Express Bali Legian	Hotel	3	160	Legian	2013
Holiday Inn Express Bali Kuta Central	Hotel	3	160	Kuta	2013
Formule1 Bali Kuta Sunset Road	Hotel	3	136	Kuta	2013
All Seasons Bali Kuta Dewi Sri	Hotel	3	120	Kuta	2013
ibis Styles Bali Kuta Circle	Hotel	3	191	Kuta	2012
ibis Styles Bali Benoa	Hotel	3	174	Benoa	2012
Citadines Kuta	Condotel	3	174	Legian	2013
The 101 Legian	Hotel	3	198	Legian	2013
Mulia Resort	Resort	5	524	Nusa Dua	2013
Mulia Villas	Villa	5	108	Nusa Dua	2013
The Mulia	Suites	5	111	Nusa Dua	2013
Centara Grand Nusa Dua Resort & Villas	Hybrid	5	82	Nusa Dua	2013
Regent Bali	Hybrid	5	95	Sanur	2013

Source: Horwath HTL

HOTEL OPENINGS

Hotel Name	Type	Class	Total Keys	Area	Opening
Maya Sanur	Hotel	5	108	Sanur	2013
Whiz Hotel Sanur	Hotel	3	95	Sanur	2013
Sea Sentosa	Hybrid	5	140	Canggu	2013
Klapa Breeze	Condotel	4	132	Pecatu	2013
The Rich Prada Bali	Hotel	5	910	Pecatu	2013
Holiday Inn Resort Benoa	Hotel	4	180	Benoa	2013
Courtyard by Marriott Bali Seminyak	Hotel	4	300	Seminyak	2013
Double-Six Seminyak	Hotel	5	146	Seminyak	2013
Sofitel Ubud	Hybrid	5	140	Ubud	2013
Movenpick Resort & Spa, Jimbaran	Hotel	5	270	Jimbaran	2014
Ritz Carlton	Hybrid	5	313	Nusa Dua	2014
All Seasons Nusa Dua	Hotel	3	200	Nusa Dua	2014
The Sarasvati, a Starwood Luxury Collection	Villa	5	64	Seminyak	2014
Alila Seminyak	Hotel	4	141	Seminyak	2014
Tabanan Resort & Villas	Villa	5	45	Tabanan	2014
Eaton Luxe, Nirwana Bali	Condotel	4	185	Tabanan	2014
The Panghegar	Condotel	4	480	Pecatu	2014
Mercure Bali Legian	Hotel	4	305	Legian	2014
ibis Bali Seminyak Sunset Road	Hotel	3	114	Seminyak	2014
Mercure Bali - Jimbaran	Hotel	4	242	Jimbaran	2014
JW Marriott	Hybrid	5	405	Nusa Dua	2014
Shangri-La	Hybrid	5	265	Nusa Dua	2014
InterContinental Bali Canggu	Hybrid	5	160	Canggu	2015
Renaissance Bali Uluwatu Resort & Spa	Hotel	5	210	Jimbaran	2015
Jumeirah Bali	Villa	5	130	Pecatu	2015
The Legian at Canggu	Hotel	5	100	Canggu	2015
Baccarat	Villa	5	70	Karang asem	2015
InterContinental Sanur Beach Resort	Hybrid	5	158	Sanur	2016
Aloft Bali Sanur	Hotel	4	100	Sanur	2016
Aloft Bali Ubud	Hotel	4	138	Ubud	2016
Total			12,226		

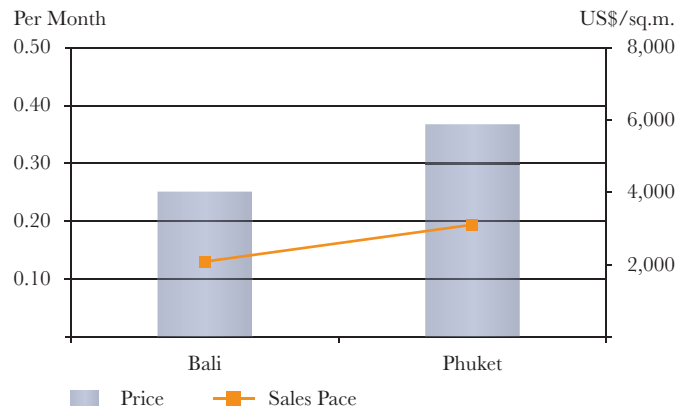
Source: Horwath HTL

Indonesia's strong economy drives Bali as a top residential destination in ASEAN

Bali's active tourism market coupled with an improvement in its fundamental facilities of airport, highway and underpass will support its fast-growing real estate market.

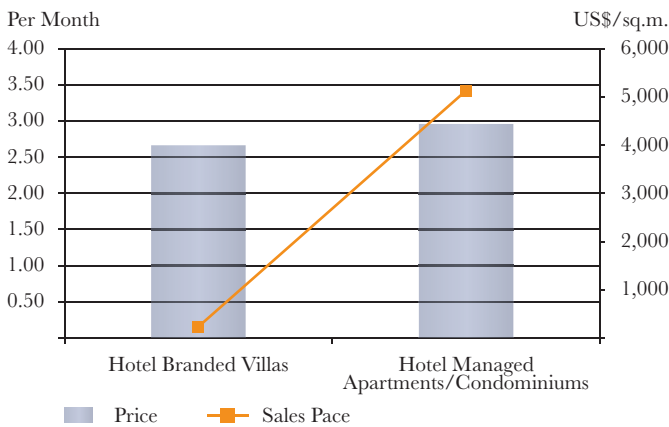
The strengthening domestic economy is a key demand contributor in its real estate market. Indonesian buyers have played a vital role for property sales over the past few years. While most of the international buyers are mainly from Europe, Australia and the US, it is anticipated this will gradually evolve over time due to a demographic shift, as currently being experienced in Phuket.

Bali vs. Phuket Branded Villas Pricing and Sales Pace Comparison



Source: C9 Hotelworks Market Research

Pricing and Sales Pace Comparison



Source: C9 Hotelworks Market Research

A shaky economic situation over the Euro zone will have a positive impact on the region as cross-border investment shifts from Europe to growing markets in Asia Pacific, especially ASEAN.

Looking forward, a continuous growth in the Indonesian economy itself which will be in part spurred by the implementation of the ASEAN Economic Community in 2015 will result in a steady growth of the residential sector over the next five years.

2012 Trends

- A continued boom of the condotel concept has spilled over to the upper end segment with a series of upscale and luxury hotel managed units entering the market over the past 12 months.
- Domestic buyers from Jakarta and Surabaya dominate the hotel branded residential sector with potential return on investment and annual usage as key magnets.
- Skyrocketing land prices in Kuta and Seminyak with limited supply of large pieces of land.

Forward Outlook

- Currently active infrastructure improvements across the island will substantially boost a residential demand over the next five years.
- Strong domestic economy makes the Indonesian real estate market attractive given the advent of ASEAN Economic Community (AEC) in 2015.
- Gradual expansion of a development landscape to such peripheral areas as Pererenan, Kerobokan and Umalas where land prices are still relatively lower than prime districts.

Hotel Branded Villa Projects

- There are six projects totaling 220 villas currently available for sale in the primary market.

Project Name	Location	Total Units	Launch Period
Alila Villas Uluwatu	Uluwatu	29	2007
Anantara Uluwatu Bali	Uluwatu	14	2010
Banyan Tree Residences Ungasan	Bukit	73	2006
Bvlgari Residences Bali	Bukit	5	2009
Karma Kandara Phase V	Bukit	20	2010
The Residences at W - Bali Seminyak	Seminyak	79	2009

The majority of hotel branded villas are clustered in southern Bali

Source: C9 Hotelworks Market Research

Hotel Managed Apartment/Condominium Projects

- A total of 1,290 units representing eight projects in the upscale and upper upscale segment are selected. These are apartments or condominiums for sale under a mandatory rental pool scheme, most of which are managed by international branded hotel operators.
- In this report, these projects are classified according to their locations into three areas: North covering Tanah Lot and Ubud, West including Legian, Canggu and Seminyak; and South referring to the projects in Pecatu and Tanjung Benoa.

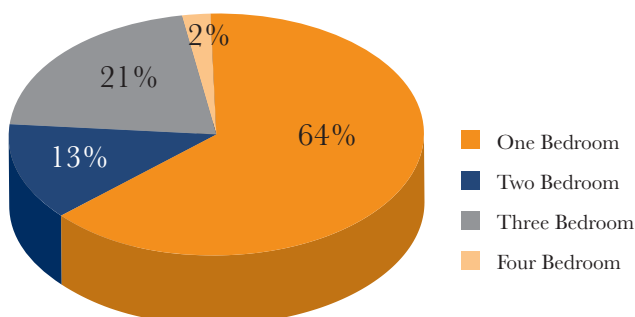
Project Name	Location	Total Units	Launch Period
Pullman Bali Legian Nirwana	Legian	353	2003
Sea Sentosa	Canggu	66	2010
Klapa Breeze	Pecatu	128	2011
WUKU	Pecatu	156	2011
Ramada Sakala	Tanjung Benoa	247	2011
The Residences at The Westin Ubud	Ubud	16	2011
Eaton Luxe Nirwana Bali	Tanah Lot	178	2011
Double-Six	Seminyak	146	2012

57% of identified projects were launched in 2011

Source: C9 Hotelworks Market Research

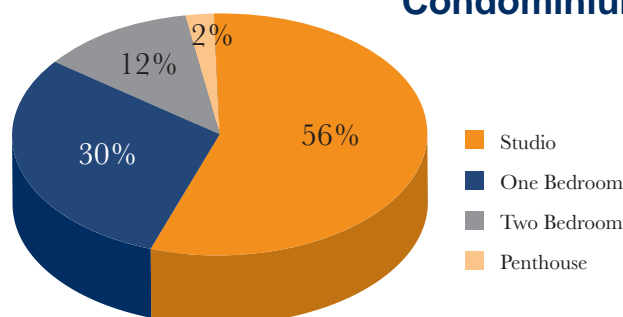
Unit Mix and Configuration

Hotel Branded Villas



Source: C9 Hotelworks Market Research

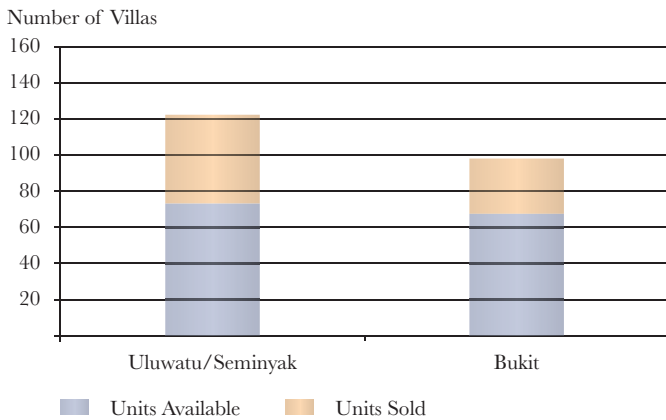
Hotel Managed Apartments/Condominiums



Source: C9 Hotelworks Market Research

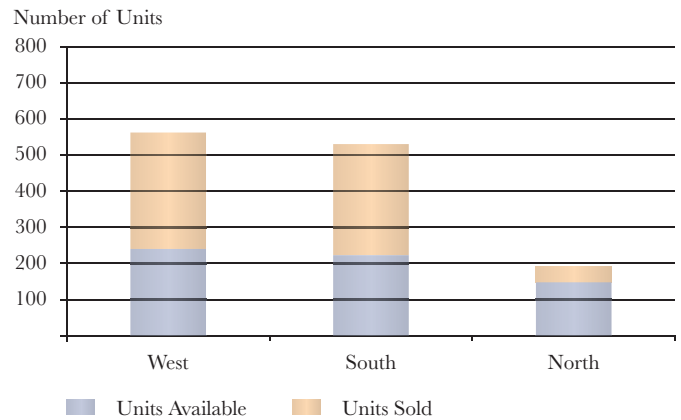
Current Inventory by Location

Hotel Branded Villas



Source: C9 Hotelworks Market Research

Hotel Managed Apartments/Condominiums



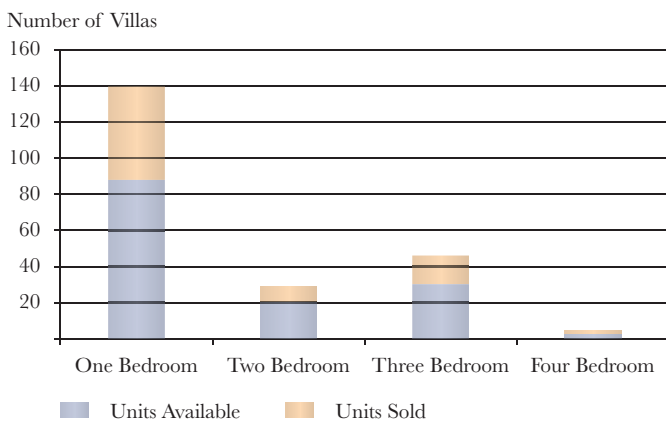
Source: C9 Hotelworks Market Research

Monthly sales pace recorded at 0.22 over the past 18 months

Projects in the South led the market with 58% sold units

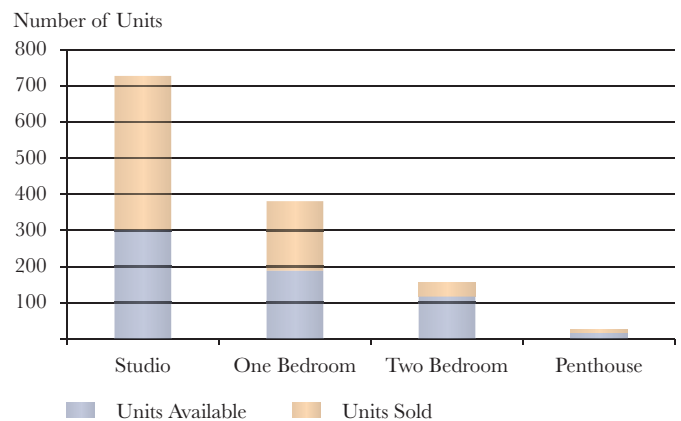
Current Inventory by Type

Hotel Branded Villas



Source: C9 Hotelworks Market Research

Hotel Managed Apartments/Condominiums



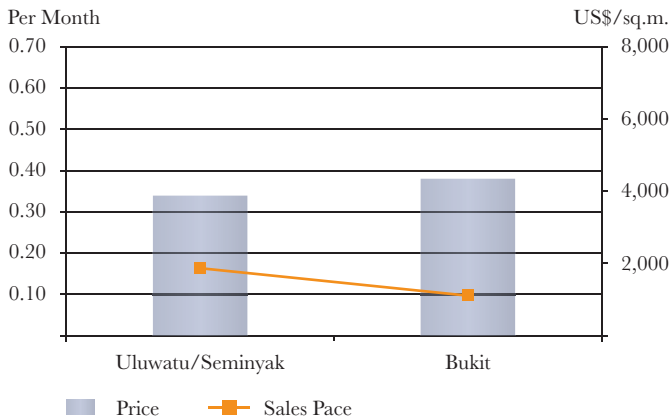
Source: C9 Hotelworks Market Research

Villas sold accounted for 37% led by one and three bedroom configurations

Studio and one bedroom units were more attractive with more than 60% of inventory sold

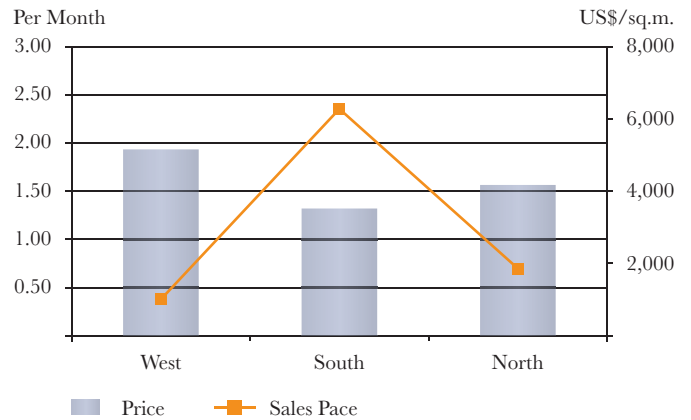
Unit Price and Absorption by Location

Hotel Branded Villas



Source: C9 Hotelworks Market Research

Hotel Managed Apartments/Condominiums



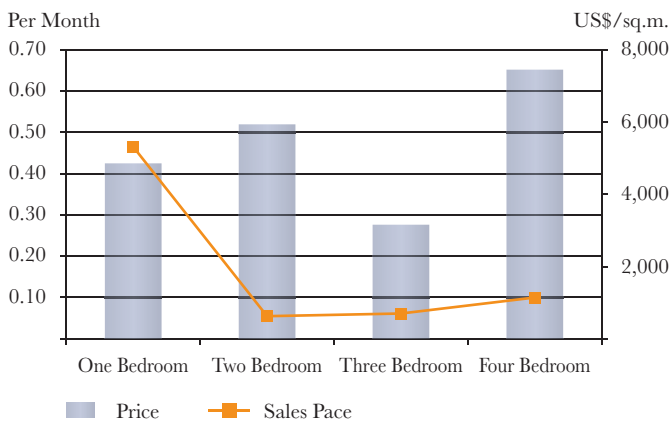
Source: C9 Hotelworks Market Research

Emerging area of Bukit Peninsula recorded a 12% premium price

Seminyak and Canggu led the market with built up price of US\$5,867 per square meter

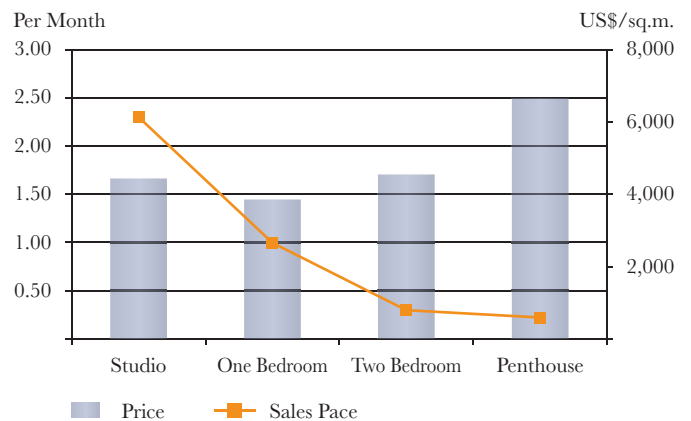
Unit Price and Absorption by Type

Hotel Branded Villas



Source: C9 Hotelworks Market Research

Hotel Managed Apartments/Condominiums



Source: C9 Hotelworks Market Research

One bedroom villas led the market with an approximate one unit sold every two months

Average sales pace of 3.5 units per month recorded across all types with average built up price of US\$4,449 per square meter



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