



HOSPITALITY CONSULTING

Gili Islands

Hotel Market Update

October 2016

Boutique island destination shifting gears as tourism market set for growth cycle

Independent hotel owners adding new properties and expanding as upscale potential grows

"Indonesia's Gili Islands' hotels achieved a remarkable compound annual growth of 14% in total guests from 2011 to 2015, bolstered by broader access from Bali and Lombok. The destination is benefiting from travelers who are increasingly looking to get beyond Bali.

Traditionally the Gilis were highly seasonal with July to August and December through January being the peak periods, and the remainder of the year experiencing low demand. With growing diversity in geographic sources of business from February to May, there has been a lessening of seasonal trading issues. Existing hotel owners are extending their presence across the islands to capitalize on the favorable supply and demand conditions.



Source: North Lombok Regency and C9 Hotelworks Market Research

Currently, there are 1,078 registered lodging accommodation properties. We see the future inflow of pipeline projects featuring hotels of larger scale and high standards of designs, will attract a broader market and propel the islands into the next stage of development."

Bill Barnett, Managing Director, C9 Hotelworks

Trends

- Occupancy levels at registered accommodation establishments were pushed up during period of February to May, with 34% CAGR from 2011 to 2015.
- The average length of stay (ALOS) has remained consistent at three days, though more visitors are shortening their stays in Bali and spending more time in Lombok and the Gilis.
- Domestic hotel guests were more than doubled from 24,826 in 2011 to 60,124 in 2015, indicating the destination's increasing popularity amongst Indonesian travelers.

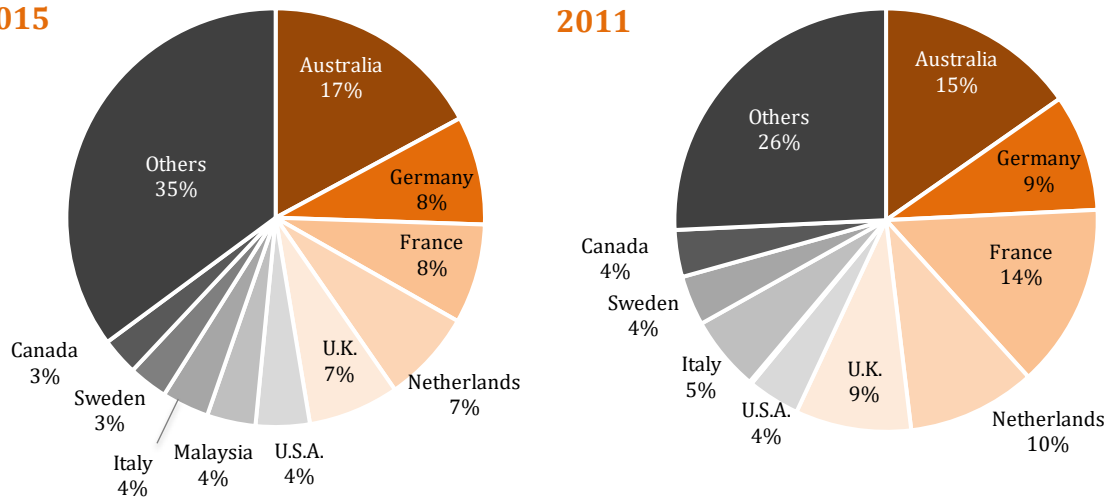
Forward Outlook

- Two new larger 'fast boats' with capacities of 180 and 120 passengers are currently being built, which when brought into service will significantly increase transportation capacity.
- Gili Meno's Government Island Office is undertaking planning for a bridge that would start in 2017 which will enhance the access from other parts of the island to the harbor.
- Discussions are underway by the Government and Garuda on direct flights connecting Australia and Lombok which potentially would have a direct impact on the Gili tourism market.

TOURISM

- Overseas hotel guests increased to 394,049 in 2015 vs. 243,831 in 2014, a rise of 62%. While Australian and European hotel guests represented over 73% of the total international guests in registered accommodations during 2015, Malaysia emerged as a fast growing market feeder with a strong annual compound growth of 131%. This is due to the introduction of direct flights from Kuala Lumpur. With more Asian travelers venturing into the islands throughout the year, we see the tourist demographics evolving in geographic diversity.

Key International Source Markets for Hotels - 2015 vs. 2011

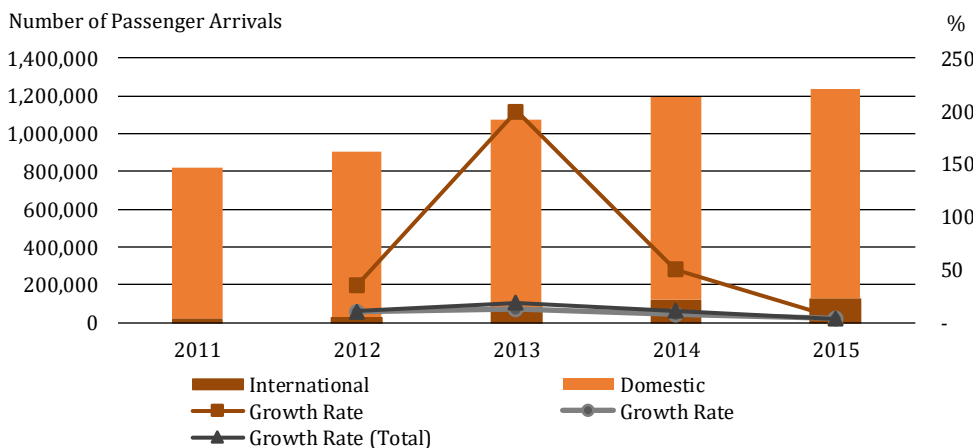


Source: North Lombok Regency and C9 Hotelworks Market Research

Airline Indicators

- Lombok International Airport's proximity to the Gili Islands makes it a more practical transit point compared to Bali, though currently close to 80% of Gilis' inbound travelers use the Bali gateway. Foreign passenger arrivals to Lombok registered a six-fold increment from 2011 to 2015, while domestic passenger arrivals soared by 138%. Growing airlift to Lombok International Airport is a key metric for the Gilis' sustainable growth.

Lombok Airport International & Domestic Arrivals



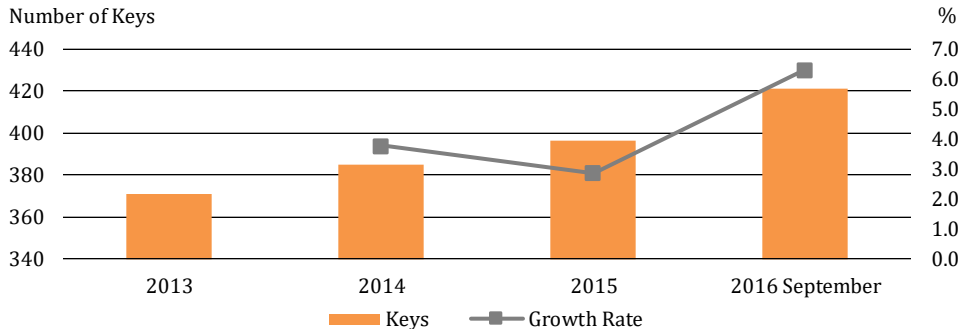
International passenger arrivals to Lombok grew by 59% CAGR between 2011 to 2015

Source: Directorate of Civil Aviation and C9 Hotelworks Market Research

HOTEL MARKET

- There are 675 registered accommodation establishments in Gili Trawangan, 321 in Gili Air and 82 in Gili Meno. The recent development trend has shifted from Gili Trawangan to Gili Meno and Gili Air. Being the smallest island with quality beaches and a quieter atmosphere, Gili Meno is emerging into an upscale destination accommodating larger-scale international standard hotels.

Accommodation Establishments on Gili Meno



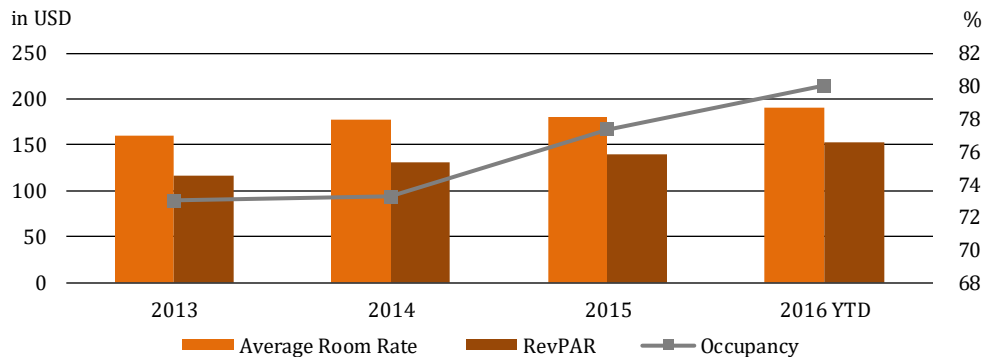
Total number of keys grew by 13% between the beginning of 2013 through September of this year

Source: Gili Meno Government Island Office and C9 Hotelworks Market Research

- With the opening of a wider range of upscale hotels in the Gili islands, average room rates were pushed up by 6% compound annual growth over the past three years. Average occupancy achieved a 3% CAGR, which is notable given the influx of new properties during the same period.

Historical Upscale Hotel Performance

Positive demand has been driver of 9% CAGR RevPAR growth from 2013 to 2015



Source: C9 Hotelworks Market Research

Hotel Supply

- There are nine confirmed projects in the supply pipeline totaling 278 keys. A substantial portion of these are located in Gili Meno and Gili Air. Viewing the new supply there is a growing number of new keys in existing properties, and also local operators expanding with new hotels.

| Project Name | Location | Keys | Opening Date |
|-------------------------------|----------------|------|--------------|
| Pandawa Beach Villa & Resort* | Gili Trawangan | 19 | 2017 |
| Auttalia | Gili Meno | 58 | 2017 |
| BASK Gili Meno | Gili Meno | 87 | 2018 |
| Desa Seri | Gili Meno | 10 | Nov 2016 |
| Sunset House Gili Meno* | Gili Meno | 45 | 2017 |
| Meno Mojo Beach Resort* | Gili Meno | 15 | 2017 |
| PinkCoco Gili Air | Gili Air | 32 | 2017 |
| Love Villas @ Tamarind | Gili Air | 12 | 2017 |
| Hotel Mirah Paradise | Gili Air | TBA | TBA |

*Additional keys for existing hotels

Source: C9 Hotelworks Market Research

About C9 Hotelworks



Bill Barnett
Managing Director

C9 Hotelworks is an internationally recognized consulting firm with extensive experience in the Asia Pacific region. Its core business focus includes:

- **Hotel and Resort Development**
- **Asset Management / Ownership Representation**
- **Project Feasibility and Analysis**

Key competencies include international hotel operator search, selection and contract negotiation, mixed use hotel and residential planning and operation reviews.

A wide range of both institutional and private developers and a comprehensive portfolio of completed projects give C9 the skill set and background to focus on key issues, evaluate complex ones and assist clients in achieving solid results. Based in Phuket, Thailand and led by Managing Director Bill Barnett, who has 30 years of experience in Asia Pacific, the firm is well positioned to serve an increasing demanding marketplace.



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