



March 2008

Market Update

2007 was a growth year for Bali, and 2008 has started on a very strong note.. Tourist arrival numbers and media interest, both traditional indicators of the health of the tourism sector, are strong. At the same time, the island is seeing a great deal of development interest and improvements to infrastructure. The standardization of the regulatory environment is also playing a role and as the island moves to a more accountable bureaucracy, business risk and uncertainty drops.

According to data from the Central Bureau of Statistics, the number of tourists arriving in Bali rose 21% (to 1.6 million out of a total of 3.36 million) from a total of 1.26 million arrivals to Bali in 2006.

For 2008, the Tourism Ministry is taking a more aggressive marketing position and increasing visibility and spending as well as launching "Visit Indonesia Year 2008". The official goal for visitors to Bali in 2008 is 1.9 million foreign tourist arrivals. The year has certainly started with a roar – preliminary numbers for January 2008 – show record breaking numbers with arrival figures 17.38% above the arrivals for 2007 and the best January in Bali's history.

BHM's value of bookings for January 2008 was twice that of January 2007. Looking forward in the year for bookings already confirmed, we see the bulk of the months for 2008 already showing monthly values equaling last year or in excess.

Villas

Historical bookings figures from BHM & Elite Havens (BHM's parent company) paint a similar positive picture about market trends. We are seeing enormous growth in rentals across all fronts. The BHM family of websites (over 35 and growing and a network that LIV will be part of) has seen its traffic in terms of unique visitors grow to over 25,000 visitors a month, from roughly 20,000 in 2006. In the course of this year we are confidently expecting at least another 25% in growth.

One of the key factors underpinning the growth rates, which are in excess of market averages, is the BHM agent network. BHM works with more than 300 agents who have signed contracts to represent BHM inventory. This distribution channel is unique in the Bali market and essentially places BHM in the roll of a wholesaler of villa accommodation inventory – no other management company has anywhere near this many distribution agents and it is a testimony to BHM's efforts since it was established in 2001. Agents who have worked with BHM for years, happy with the service we provide, continue to bring more business and are clamoring for more products.

As the popularity of luxury villa accommodations continues to grow, the value of this distribution channel will also grow. Among many others, last year we saw the American Express Centurion agents in 7 countries sign with BHM as they recognized the quality and excitement factor that villas bring to their luxury travel inventory.



Jimbaran Bay

The Jimbaran Bay area is a unique proposition. With easy access to good beaches, safe swimming, good restaurants and easy access to the airport, Jimbaran Bay has become a mainstay of the Bali commercial tourism industry.

Most tourists coming to Bali already know the name Jimbaran Bay and many have visited to dine at the beachside restaurants. The presence of the restaurants and a number of five star hotels assures a good flow of potential customers and high visibility. Security in Jimbaran Bay has also improved markedly and now ranks among the best on the island. The re-development of Jimbaran Bay has had a positive effect on sales, and going forward will similarly affect tourism in a affirmative fashion. The re-positioning of the seafood restaurants, the renovation of the seafood market, the planned boardwalk, and other scheduled improvements combine to create an atmosphere that is not only more conducive to tourism in general, but also a significant inducement to repeat guests and long stay clients. These factors give visitors a reason to select Jimbaran Bay above competing areas, despite the presence of similar accommodations or attractions elsewhere.

Jimbaran Bay is currently focused almost entirely on Hotel accommodations. LIV Bali brings a distinct accommodation – a luxury villa resort. The LIV approach has several advantages. First, the current accommodations monoculture is ripe for diversification. There will be pent up demand and repeat guests to Jimbaran Bay will be responsive to hotel alternatives which provide access to similar facilities and attractions. Second, while other similar accommodations are under development, the first mover advantage will go to LIV Bali. Ironically, the hotels themselves are seeding this market by producing villa-type rooms in their mix of room types; guests who make the soft transition from regular room to villa-type room at a hotel are already showing an inclination to move away from the traditional hotel model.

LIV is perfectly positioned in this area to capture that changing accommodation market. Third, as other villa developments open in Jimbaran Bay, LIV is positioned to retain its advantage due to the existence of the Beach Club, the Spa and other facilities; LIV simply has superior facilities in comparison to the current competitors.

The Villa Industry and Pricing

Bali's villa industry is very much grown up these days. What was once a cottage industry has now become one of the fixed, and well known options for accommodation on the island. Over the last year and a half more resorts have been adding villa-like accommodation, such as the Ritz-Carlton and the famous Bulgari Resort. The major hotel chains, notable among them The Peninsula Group, the Banyan Tree, and the Alilia have all announced hotels featuring many villa-like accommodations.

However the luxury villa chains are a bit confined in the per room or per villa rates they can charge. They must price their villas in relation to the prices they charge for existing hotel rooms and that is determined by their world-wide pricing policies irregardless of what their operational costs are in Bali. A one-bedroom villa at the Ritz Carleton in Jimbaran starts at a list price of over 700USD per night, the Bulgari at over 1200USD. The independent villa industry (for standalone villas without facilities) prices bedrooms between 100-250USD per night depending on its location, quality of build and decoration, and other factors.

LIV, which has an outstanding location, extensive common facilities, top quality build and furnishings and possesses one of the only beach clubs outside of the Nusa Dua area, will be

