



HOSPITALITY
ADVISORS

July 2024

Isles of the Dragon – Labuan Bajo Market Update



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Overview



Located in East Nusa Tenggara Regency in western Flores, Labuan Bajo is the gateway to Komodo National Park, best known for the fearsome Komodo dragons. Offering unique wildlife and a pristine marine environment, Labuan Bajo has been popular among natural enthusiasts and divers. The short flight time from key cities, namely Bali and Jakarta, makes the island a great stopover beyond Bali or Lombok.

Once a sleepy fishing village, Labuan Bajo is nowadays associated with Komodo National Park, which became a UNESCO

World Heritage Site as far back as 1991. As the area is getting more developed, the unspoiled natural landscape attracts travellers from all over the world. Under the initiatives of developing regional tourism, Labuan Bajo was selected as one of the five top priority destinations in Indonesia, known as the 'new Balis'. To boost the awareness of Labuan Bajo, the Indonesian government chose Labuan Bajo as one of venues for the ASEAN Summit in May 2023.

Attractions

Established in 1980, Komodo National Park includes three major islands, namely, Komodo, Rinca, and Padar, as well as numerous smaller islands, totalling an impressive surface area of 1,817 square kilometres. While their population has been recovering, there are currently less than 3,500 Komodo dragons in the National Park and are listed as an endangered species. The national park also provides habitat for many other notable terrestrial species such as the orange-footed scrub fowl, an endemic rat, and the Timor deer. In addition, it features rich marine environments including coral reefs, mangroves, seagrass beds, seamounts, and semi-enclosed bays.

On top of the wildlife, the landscape and scenery provide additional, popular sightseeing spots. The peak of Padar Island features a panoramic view of three bays. Each of the three bays has different coloured sand: white, black and pink. Pink beach at Komodo Island is one of the seven pink beaches in the world and a snorkelling spot where tourists are able to see colourful corals and a plenitude of marine life. Manta Point, a dive site in Komodo, is known as the habitat of manta rays, a colossal marine creature that can grow up to 4 meters wide.

Located between the islands of Komodo and Rinca Island, Manta Point also features other marine life such as turtles, sharks, various kind of sponges and cuttlefish.



As the attractions of Komodo National Park are scattered across different islands, water transportation, such as via ferry, speed boats, and phinisi (a local style of boat, often used as live-aboards), is common in the local area. The market of phinisi is growing with the increasing demand from both divers, backpackers, and luxury travellers. Luxury hospitality operators, including Aman and Allia, offer phinisi tours around Komodo National Park. For example, the vessel 'Alila Purnama' accommodates 10 guests, a crew of 16, and rents at US\$15,000 per night, excluding alcoholic drinks and scuba dive courses. It is reflective of the destination's appeal to the ultra-high-end market.

Additionally, there are a number of inland attractions at a distance from the centre of Labuan Bajo, including Sano Nggoang Crater Lake, Cunca Wulang Waterfall, Wae Rebo Village and Goa Rangko Cave. However, due to the limited infrastructure in the mountains, these attractions are less developed, yet have great potential. That being said, all of them are at peril from overtourism if not managed carefully.



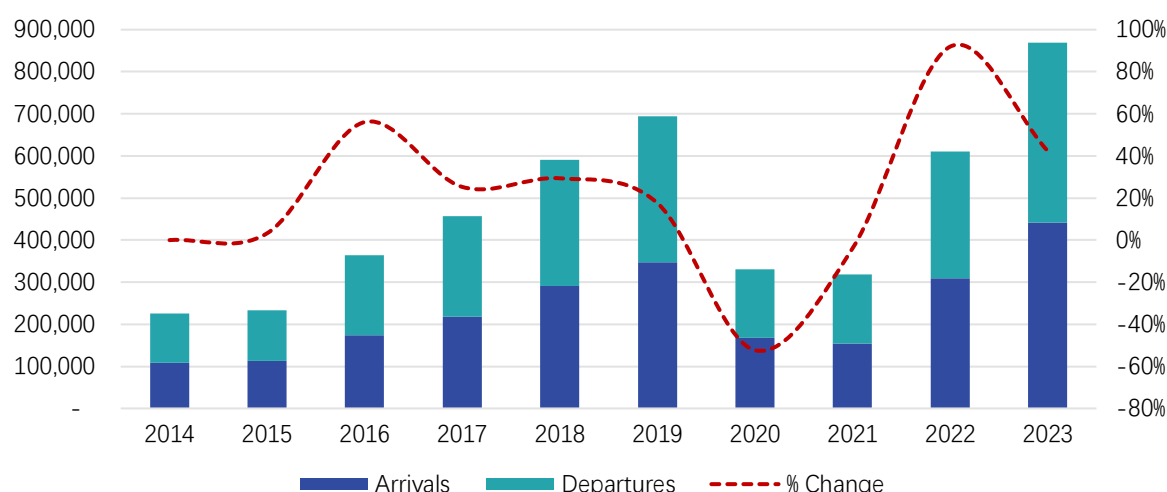
Accessibility

Air travel is currently the most efficient transportation mode to access Labuan Bajo. Bali and Jakarta are about one-hour and three-hour flight away from Labuan Bajo, respectively.

While there is ferry service between Bali and Labuan Bajo, the one-way journey takes up to three days and is subject to weather condition.

Situated in the city centre, Komodo Airport, formerly known as Mutiara II Airport, is the main gateway to Flores and Komodo National Park. The airport is located within Labuan Bajo and easily accessible via local roadways. Upgraded and expanded with a new terminal in 2022, and rated as an international airport on April 2, 2024, Komodo Airport is served by six domestic airlines, including Garuda Indonesia, Wings Air, Batik Air, Citilink, AirAsia, and Super Air. Aside from major cities, including Jakarta, Surabaya, and Bali, regular flights to other cities on Flores Island, including Bajawa, Ende, and Maumere, are also available.

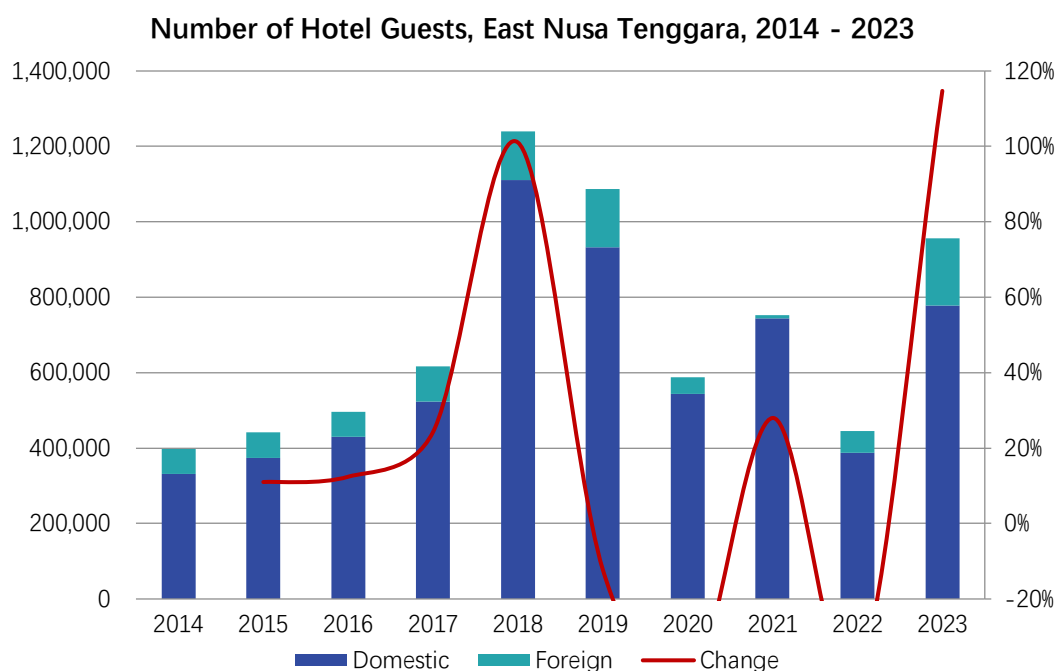
In 2023, Komodo Airport registered over 868,000 passengers from/to six cities in Indonesia, showing an impressive 42% year-on-year growth, or 25% increase over the figures in 2019.



After Komodo Airport was upgraded to an International Airport, the government plans to bring in international flights, initially targeting Singapore, Malaysia and Australia. Thus, starting from September, Air Asia will operate flights between Kuala Lumpur and Labuan Bajo three times a week. The entry of international flights is expected to boost international visitor arrivals to Labuan Bajo, aiming for one million by the end of this year.

Visitor Arrivals/ Hotel Guest

The Labuan Bajo Flores Authority Implementing Agency (BPOLBF) estimated that visitor arrivals to Labuan Bajo were around 800,000 in 2023. According to the data from the statistic office, the total number of hotel guest at East Nusa Tenggara reached 956,000 in 2023, of which 18.5% were foreign visitors.



Historically, visitor arrivals to Labuan Bajo had been dominated by non-leisure travellers. Local residents were on their way to and from the capital and other major cities for trade, visiting families and other purposes. More recently, Labuan Bajo became more known as a holiday getaway for domestic travellers from Jakarta, Bali and Surabaya. In particular, as Bali is far more developed and faced with congestion problems, many domestic travellers turn to Labuan Bajo for the island getaway vibe. International travellers typically visit Labuan Bajo as part of their trip in Indonesia or around Southeast Asia and combine live-aboard backpackers and divers, as well as high-end phinisi 'adventurers'. Land-based tourism constitutes a relatively smaller but growing share of the market, mainly limited by the modest quality of hotel supply.

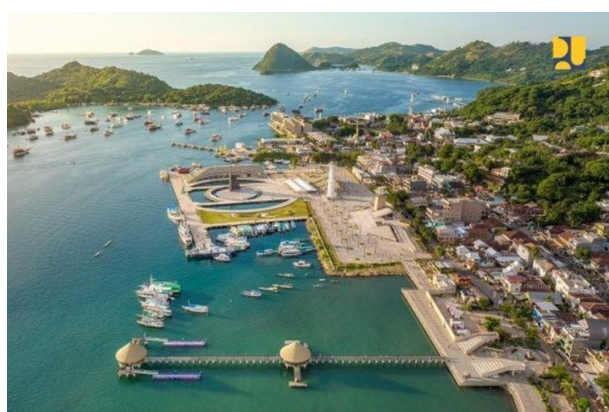
With the continuous development of infrastructure and facilities, demand from regional MICE travellers also increased in the past years. For example, in 2018 Labuan Bajo hosted a major IMF event, which put the destination firmly on the map for the domestic market. The total number of hotel guests in East Nusa Tenggara reached over 1.2 million in 2018, approximately 10% were foreign visitors. While the number fluctuated between 2020 and 2022, both domestic and international visitors returned in 2023, nearly one million hotel guests were recorded in 2023, 19% among which were foreign visitors.

Tourism Development

As a top priority destination in Indonesia, Labuan Bajo received great support from the government to attract international travellers. Established in 2018, BPOLBF works closely with the government agency to promote the destination of Labuan Bajo and attract

investment on tourism and hospitality development. On top of boosting the number of visitors, the government aims to improve the overall quality of tourism as well as sustainability of the destination's development in the long term.

During the pandemic, infrastructure improvements benefited from a US\$90 million investment to upgrade roads in and around the town as well as public spaces. Prior to the ASEAN Summit in 2023, a number of tourism development projects were completed, including the airport expansion, Labuan Bajo Waterfront as well as the Golo Mori Convention Centre (GMCC).



Completed in 2023, Labuan Bajo Waterfront is developed by state-owned PT ASDP Indonesia Ferry and features a commercial area, an upscale hotel, and a spacious public area. The hotel, Meruorah Komodo, was one of the designated venues for ASEAN Summit in 2023, and a popular meeting venue for government and the public sector in the area. The upgraded Marina Harbor provides a better experience for travellers to take ferries and phinisi to the surrounding island for excursions and diving trips.



Located a 45-minute drive south of Labuan Bajo, the Golo Mori Convention Centre (GMCC) is part of a 20-hectare tourism master plan featuring the convention centre with a total of indoor meeting space of 800 square metres and a beach club with other commercial components under planning.

With the success of ASEAN Summit, GMCC gradually builds up the destination for MICE business domestically and regionally. The owner, Indonesia Tourism Development Corporation (ITDC) has further plans for tourism development in the surrounding area, which is part of the 260-hectare Tana Mori Special Economic Zone. At this time, given the distance to Labuan Bajo, there are virtually no supporting infrastructure or amenities in the area.



In response to the growing visitors to Labuan Bajo and Komodo, the Airport was upgraded in 2022, and the latest renovation of Komodo Airport included the extension of runway from 2,450m to 2,650m and renovation of the 1,500m² terminal that can handle about 1.1 million passengers per year. To accommodate wide-body aircraft servicing

regional destinations in the future, the government has further runway extensions planned.

Hotel Supply

In 2023, a total of 106 hotels with 2,527 rooms were available in the West Manggarai Regency, 85% of which is concentrated around Labuan Bajo. The majority of the existing supply is in small-sized accommodation, except several hotels and resorts in Labuan Bajo, notably the 145-key Meruorah Komodo, 204-key Ayana Komodo and the newly opened 70-key TA'AKTANA, under Marriott's Luxury Collection. Villa resorts managed by Indonesian boutique operators, including Plataran, Sudamala, and Seraya, are also known for the authentic hospitality and exclusivity. More exotic accommodation includes 'Le Pirate Island', a 10-room, no-frills, digital detox getaway.

Operator	Property	Year Open	# of Keys
Plataran	Plataran Komodo	2013	19
Sudamala	Sudamala Resort Seraya	2015	24
N/A	Seraya Resort Komodo	2017	15
Ayana	Ayana Komodo	2018	204
N/A	Local Collection	2021	98
N/A	Meruorah Komodo	2021	145
Sudamala	Sudamala Resort Komodo	2021	84
N/A	Menjaga Bay	2023	17
Marriott	TA'AKTANA, Luxury Collection	2024	70
			676

Source: AP Research

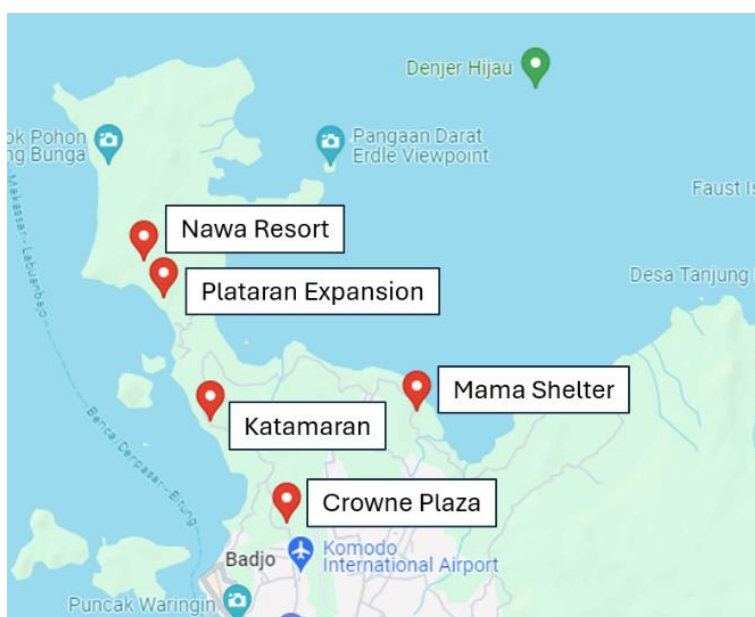
The hotel supply in Labuan Bajo are predominately small-scale B&Bs catering to backpackers and divers or luxury villas catering to high-end leisure travellers. However, the hotel market is evolving with the entry of

branded resorts and hotels, namely the Ayana Komodo in 2018 and the TA'AKTANA, Luxury Collection in 2024. At the same time, the high-end phinisi market complements the hotel market, reflecting the potential of luxury segment in Labuan Bajo.

Following the entry of the first internationally branded hotel in 2024, a list of branded supply totalling about 1,300 keys ranging from luxury hotels to midscale, is expected to open over the next three years. Considering the market dynamic, the number of B&Bs and villas are likely to increase at the same time.

Operator	Brand	Proposed Name	# of Keys	Development Phase	Estimated Open Year
Vasanta Group	Nawa	Nawa Resort	126	Exterior	2024
Katamaran	Katamaran	Katamaran Labuan Bajo	137	Under construction	2024/25
IHG	Crowne Plaza	Crowne Plaza Labuan Bajo	203	Under construction	
Plataran	Plataran	Plataran Expansion	~30	Under construction	
N/A	Walidia	Walidia Villas	9	Under construction	
Accor	Mama Shelter	Mama Shelter Labuan Bajo	134	Contract Signed	
Accor	Mercure	Mercure Komodo Labuan Bajo	200	Contract Signed	
Artotel	Artotel	ARTOTEL Labuan Bajo	64	Contract Signed	2025
Artotel	Artotel Curated	Tanah Naga Labuan Bajo, ARTOTEL Curated	20	Contract Signed	2025
Marriott	Courtyard	Courtyard Labuan Bajo Komodo Resort	158	Contract Signed	
Marriott	Westin Hotels	The Westin Komodo Resort & Spa	168	Contract Signed	2027
Swiss-Belhotel	Māua	Māua Labuan Bajo	30	Contract Signed	
			1,279		

Source: AP Research



Two upscale resorts under Indonesia-based developers, Vasanta Group and Katamaran resorts, will open their doors in late 2024 proximate to both Ayana Komodo and TA'AKTANA. The villa resort, Plataran, also has plans for expansion, adding approximately 30 keys to its inventory. MMS Land's partnership will debut IHG's Crowne Plaza brand in Labuan Bajo with a 203-key hotel featuring sizable meeting space next to the airport. Additionally, international brands, including Accor's Mama Shelter and Mercure, Marriott's Courtyard and Westin, and Swiss-Belhotel's Maua, are all reported to have projects in the pipeline for Labuan Bajo.

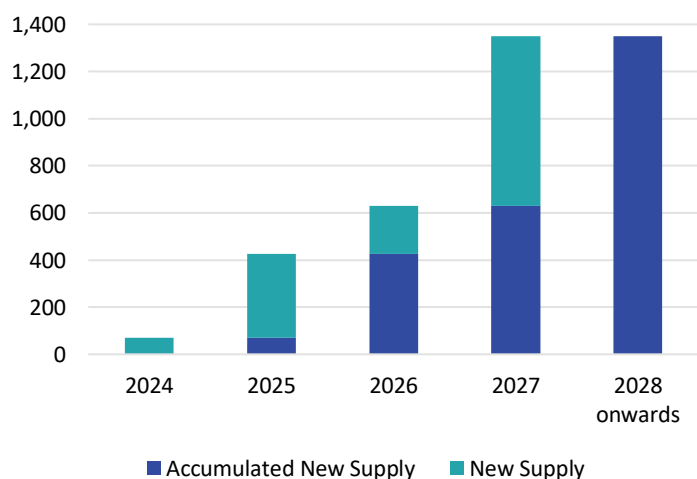
Overall, Labuan Bajo has gained investors' and developers' attention with its unique attractions and promising, government-sponsored, future as the next Bali. The booming hotel market, particularly the luxury segment, is likely to attract more international visitors, for both leisure and MICE, to Labuan Bajo, as flight capacity scales up.

Visitor Projections

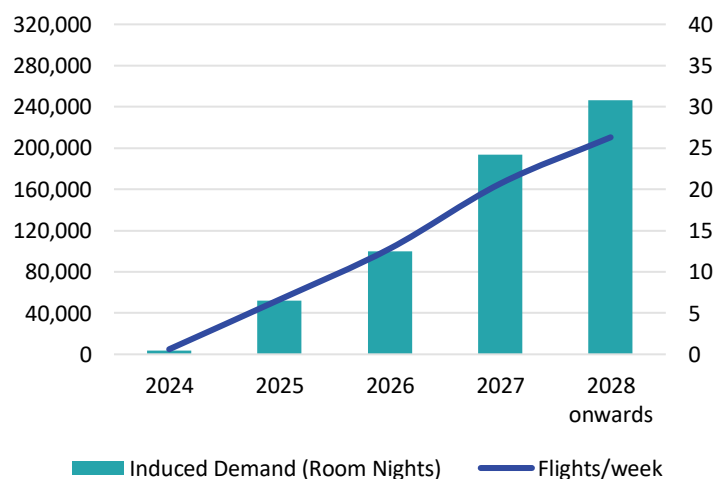
To absorb the new hotel supply, the number of visitor arrivals would have to grow at the same time. According to BPOLBF's report in 2022, there are about 113 accommodations with 2,150 rooms in Labuan Bajo. With the 1,350 keys of branded supply and other construction projects, about 493,000 available room nights would be injected to Labuan Bajo's hotel market. This calls for induced demand of 246,000 room nights by 2028 assuming all supply comes online and 30% occupancy at the first year of opening and 50% at the second year and onwards. Meanwhile, As the tourism market develops over time, the average length of stay is expected to increase slightly from 2 nights to 3 on average by 2027. As a result, it is projected that an increase of at least 164,000 visitors to Labuan Bajo would sustain a healthy occupancy rate for the branded supply in 2028.

The flight capacity thus needs to expand to cater to the increase of overnight visitors. The Airport currently serves about 13.5 domestic flights to Labuan Bajo per day or 94.5 per week. With only narrow-body aircrafts at 80% load factor, the number of monthly flights to Labuan Bajo would need to increase by 26 flights per week come 2028 to sustain the growth of visitors filling the new hotels. This excludes any organic growth from local residents traveling or increase in the live-aboard and diving business.

New Supply, 2024 - 2028



Flight Capacity Projection, 2024 - 2028



New Development

As a developing destination, the central government aims to increase the number of visitors to Labuan Bajo. Aside from the Golo Mori area with ongoing development, Parapuar is another tourism development project in the area. Additionally, the government has been working on improvements of infrastructure during the pandemic, aiming to boost local economy by creating more jobs through tourism development.

Located between Golo Bilas village and Gorontalo village, Parapuar is a 400-hectare mixed-use development featuring cultural attractions with preserved natural scenery. The development of Parapuar aims to diversify the tourism offerings in Labuan Bajo and to build up the destination beyond Komodo National Park in the long term.

Indonesia-based Vasanta Group currently has a mixed-used development project named Mawatu at Labuan Bajo, approximately a 10-minute drive from the airport. The project features an upscale retail area, a beach club, and an internationally branded hotel which is likely to be Accor's Mama Shelter. Spanning 20 hectares, Mawatu is set to open in phases by the end of 2024, starting from the retail area. As the very first mixed-use development in Labuan Bajo, it aims to elevate the retail and entertainment offering in the local area.



Opportunities

With the success of IMF and ASEAN Summit, the destination of Labuan Bajo is exposed to a wider audience. Owing to the outstanding natural resources, improved infrastructure, and ongoing development, Labuan Bajo has great potential for future tourism development. Attractions that are further away from Labuan Bajo, for example, have potential for further development, once accessibility is enhanced.

The designation as a top priority destination also helps Labuan Bajo secure government funding for infrastructure development and tourism promotions, boosting investor confidence. The entry of branded hotels across various segment also signals the beginning of the booming tourism in Labuan Bajo. Additionally, international flights from Asia are expected to bring in more tourists which will benefit the local tourism scene as well as wider economy.

Bali's overtourism could be Labuan Bajo's opportunity as well. With similar distance to feeder markets and affordability, Labuan Bajo could be the next best secret among both domestic and international travellers.

Challenges

Despite the positive outlook of Labuan Bajo, several challenges remain, including the low capture of repeat visitors, infrastructure development, and debate over sustainable development.

Demand generators in Labuan Bajo currently are not as diverse as Bali. As a result, most travellers would be less likely to return after seeing Komodo dragons during their first (and probably only) visit. The little commercial development, including retail and restaurants, becomes a disadvantage of Labuan Bajo, compared to Bali, or even Lombok.

The accessibility of Labuan Bajo remains limited for international travellers, as the airport currently operates solely domestic flights. Before the runway is extended, the capacity of flights would stay limited as well. Additionally, the development of infrastructure at the outskirts of Labuan Bajo requires further upgrades, particularly the supporting facilities to access inland attractions. Despite the potential for these attractions, the connecting roads are yet to be developed for regular cars.

Lastly, sustainability might pose a challenge for Labuan Bajo's tourism development. With the increasing popularity of Komodo National Park, the preservation of wildlife and its habitat comes to the light. In the past years, there is debate about increasing entry fee of Komodo National Park to help the authorities better manage the tourists. However, the price hike was rejected by the industry and the price adjustment remains on hold. Nevertheless, the sustainable development of Labuan Bajo remains a challenge for future tourism development as gate fees alone do not ensure a preservation of the destination's character. Unfortunately, the local government seems focused on other priorities at this critical stage of development.

Conclusion

As the tourism market continues to grow and infrastructure continues to improve, Komodo is expected to draw more attention from international travellers, particularly the high-end segment, due to its captivating environment, pristine setting and natural resources. In the long term, Komodo's opportunity is to become a top 'boutique' leisure destination in Indonesia supported by the ongoing developments.

About AP Hospitality Advisors

AP Hospitality Advisors is an advisory firm founded by Dan Voellm, *MRICS* in 2011 in Hong Kong has seen the opening of additional offices in Bangkok and Shenzhen. AP Hospitality Advisors serves owners, investors, developers, operators, and lenders of hospitality assets across Asia-Pacific. The team blends expertise in operations, real estate, and finance to support any critical step in the asset lifecycle.

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About the Authors



Anchi Liu is the Representative - Hong Kong, Taiwan & Macao in Hong Kong. She graduated from The Hong Kong Polytechnic University with degree in Hotel Management. Prior to joining AP, Anchi gained experience in hotel operations with Six Senses Hotels and project management with real estate developer in Hong Kong.



Dan Voellm, *MRICS* is the CEO & Founder of AP Hospitality Advisors, responsible for all aspects of the firm. Based in Hong Kong he covers the entire APAC region.

Dan works closely with key institutional and private owners of hotel properties, financiers, developers, and investors, and has gained a strong understanding of their investment requirement and approaches to assessing market values of investment properties. Dan further advises on property and concept development and strategy as well as expert witness testimony. Dan is vice-chair of the Urban Land Institute's (ULI) Hospitality Development Council in Asia Pacific and became a Professional Member of the Royal Institute of Chartered Surveyors in 2016.

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