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Maldives Market Overview

Over time, the Maldives has proven itself to be a resilient market and rebounded quickly from downturn. Benefiting from its pristine natural islands, crystal-clear water and idyllic sandy beaches, resorts are able to achieve high room rates compared to other resort destinations, making Maldives one of the most expensive leisure destinations worldwide. After a period of political turmoil and the newly appointed political leadership, Maldives has been stable and is anticipated to continue to retain its appeal in the coming years. The hotel industry is expected to continue growing with several resorts are expected to open within the next few years.

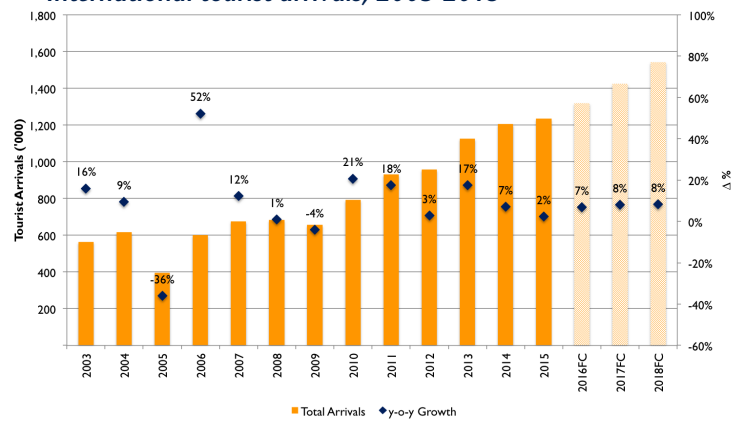
Located southwest of Sri Lanka and India in the Indian Ocean, the Maldives is an archipelago of 1,190 pristine coral islands, stretching over 820 kilometres north to south. The Maldives has established itself a leading leisure destination, with the unique “one island, one resort” concept and its white sand beaches, blue lagoons and tropical marine life. Tourism is the single largest contributor to the economy; with the total contribution representing 78.1 percent of total GDP in 2014, and is expected to rise by 3.4 percent per annum from 2015 to 2025.

TOURIST ARRIVALS

From 2003 to 2015, visitor arrivals to the Maldives grew at a compound average annual growth (CAAG) rate of 6.8 percent, exceeding the growth rate and numbers of other remote island destinations such as Seychelles and Mauritius. This was attributable to tourist promotion campaigns, increasing flight connectivity to key source markets and the growing popularity of the destination amongst the Chinese market. In 2013, the Maldives broke the one million mark with a record 1.13 million visitor arrivals.

In 2015, growth in tourist arrivals at 2.4 percent was less robust than the 7.1 percent seen in the previous year due to a series of negative factors, including: sluggish European economy, Russia’s currency crisis, and unfavourable economic landscape in China. The country recorded 1.2 million tourist arrivals, falling short of the government’s target of 1.5 million visitors.

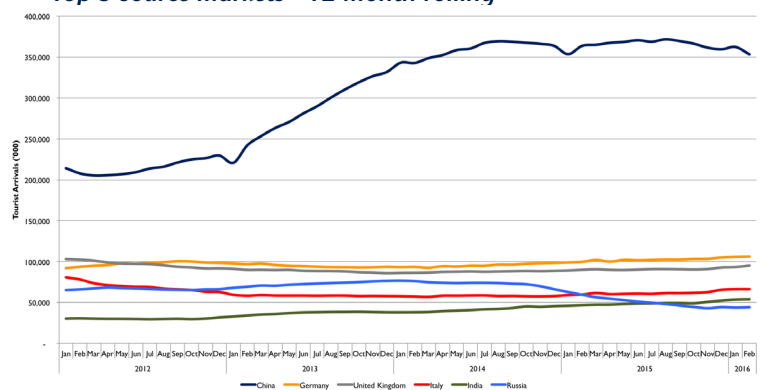
International tourist arrivals, 2003-2015



Source: Ministry of Tourism, Maldives.

Historically, Europe has been the major source market of visitor arrivals to the Maldives. However, European market share dropped to 43.4 percent at the end of 2015, from an average of 70 percent between 1980 and 2011. The Maldives has witnessed increasing demand from the Asian market, with a 22 percent CAAG rate in visitor arrivals from 2008 to 2015, taking over the European region to become the leading market generator for the Maldives. Representing the powerhouse of demand for the Maldives, the Chinese market accounted for nearly one-third of total arrivals in 2015. However, the Chinese market has experienced a downward trend since August 2015, with arrivals falling sharply by 19.7 percent and 10.8 percent y-o-y in November and December 2015, respectively. The decline in arrivals was mainly attributed to the slowdown in Chinese economy and the Chinese Yuan’s devaluation.

Top 5 source markets - 12 month rolling



Source: Ministry of Tourism, Maldives.

HOTEL MARKET OVERVIEW

As of December 2015, the Maldives has total 568-registered accommodation establishments, including 112 resorts, 18 hotels, 269 guesthouses and 169 safari vessels. This is an increase of 11.2 percent y-o-y. Guesthouse accommodation experienced the biggest increase in supply with 49 new properties.

Accommodation establishments and bed capacity, Maldives, 2009-2015

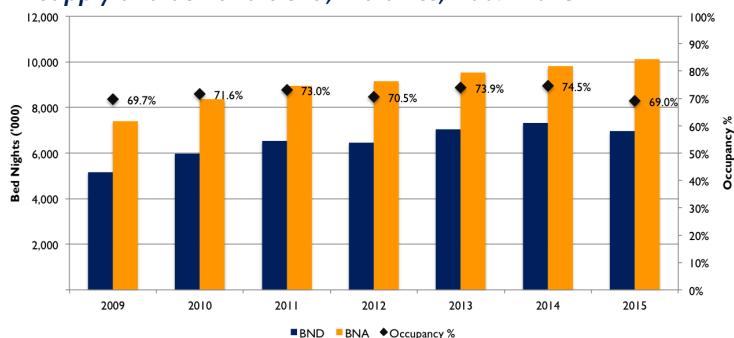
	2009		2010		2011		2012		2013		2014		2015	
	No.	Beds	No.	Beds	No.	Beds	No.	Beds	No.	Beds	No.	Beds	No.	Beds
Resorts	97	20,942	98	21,322	101	22,128	105	22,901	110	23,677	111	23,917	112	24,277
Hotels	15	1,368	17	1,449	19	1,603	19	1,627	19	1,626	19	1,704	18	1,682
Guesthouses	22	462	25	476	38	659	75	1,101	135	1,930	220	3,209	269	3,973
Safari Vessels	145	2,206	156	2,434	157	2,514	154	2,503	163	2,716	161	2,739	169	2,905
TOTAL	279	24,978	296	25,681	315	26,904	353	28,132	427	29,949	511	31,569	568	32,837
Y-o-Y (%)	2%	6%	6%	3%	6%	5%	12%	5%	21%	6%	20%	5%	11%	4%

Source: Ministry of Tourism, Maldives.

From 2010 to 2014, the average occupancy rate fluctuated between 70 percent and 74 percent, averaging at 72.7 percent for the period. Following the negative growth of 1.2 percent in 2012 due to the uncertain economic conditions in the Eurozone, the bed nights demand (BND) recovered during 2013 with an impressive 9.2 percent increase. In 2014, BND growth rate was maintained positive at 3.6 percent, despite the considerable decline in the tourist arrivals during the last quarter.

The general sentiment of the hotel market in 2015 recorded a negative trend with a decline of 4.3 percent y-o-y in BND. The occupancy rate dropped below 70 percent for the first time since 2009, which was attributed to the slowdown in tourist arrivals from major source markets.

Supply and demand trend, Maldives, 2009-2015



BND: Bed Nights Demand. BNA: Bed Nights Available.

OUTLOOK

After a period of political turmoil centred the arrest of the former President and the newly appointed political leadership, the Maldives has been stable and is expected to remain in the near to medium-term, and the hotel industry is expected to continue growing. Several factors suggest the trend is likely to continue:

- The naturally beautiful setting and high-end image of the Maldives is expected to remain, particularly with its “one island, one resort” concept, thus maintaining the sense of exclusivity.

- The ‘Visit Maldives Year 2016’ will be a yearlong campaign to boost the tourism in the country, which is designed to coincide with the golden jubilee marking the 50th anniversary of Independent of the Maldives with a number of international and national events.
- Ibrahim Nasir Airport’s expansion and future development of more domestic airports in the Maldives will facilitate accessibility throughout the country, making outlying resort islands more accessible.
- The entrance of new airlines will further increase awareness of the Maldives and improve access to the destination from key markets including: China, Europe and the Middle East.

However, while the Maldives continues to grow as a destination and individual resorts perform well, there are challenges ahead that may have a constraining effect on growth:

- Aggressive marketing by other premier resort destinations such as Mauritius, Seychelles, and the Caribbean may entice demand away from the Maldives.
- Although domestic air carriers are adding new planes, there will still be logistical issues, as seaplane operational hours remain limited to the day.
- Due to its geographical location, the Maldives is exceptionally vulnerable to adverse effects of climate change and global warming including: reef degradation, coastal erosion and inundation, alteration of climate and weather patterns.
- Rising costs is a concern as Maldives commands some

of the highest ADRs globally, and it continues to witness increasing room rates and taxes. The Maldives may reach a rate ceiling in the medium-term due to the continually escalating cost of travel and increasing room rates.

In general, the market sentiment is slightly pessimistic towards the hotel industry performance in 2016. However, over time, the Maldives has proven itself to be a resilient market and rebounded quickly from downturn. Given its pristine natural islands, crystal-clear water and idyllic sandy beaches with limited human intervention, resorts are able to achieve high room rates compared to other resort destinations, making Maldives one of the most expensive leisure destinations worldwide. Benefiting from its strong destination branding, the Maldives is anticipated to continue to retain its appeal in the coming years.

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