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# Hotel Destinations Indian Ocean

Hotels & Hospitality

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# Introduction

After three years of lockdowns and movement restrictions, people are eager to travel for leisure again, in search of more experiential travels. This is putting the spotlight on island destinations worldwide, and destinations in the Indian Ocean are one of the most desired locations to spend holidays in idyllic settings.

## **Diversified source markets supporting a strong recovery**

Destinations in the Indian Ocean appeared to be agile in supporting the tourism recovery as the pandemic has hit hard these heavily leisure-driven markets. Not only have they reopened earlier to international travellers than most of the other countries in the world during the pandemic, but they were also able to fill the gap in tourism visitation by increasing their efforts to promote the destinations elsewhere. Enhanced marketing efforts and visibility for the destinations in Indian Ocean have supported the emergence of new source markets, and should drive further tourism growth in the near-term. Destinations which historically relied more on Asian markets, especially Mainland China, such as the Maldives and Sri Lanka, have been able to record a shift in their source markets to more European-focused,

while those historically reliant on Europeans are opening up to Asian markets, as it is the case for Mauritius. Improved air connectivity with new regions strongly contributed to this shift in source markets. The recovery in tourism has also been supported by the proximity of these islands to the Middle East, a real global aviation hub.

The strong rebound in room rates in all Indian Ocean destinations has enabled hotels to fare better than during the pre-pandemic period, offsetting the generally lower occupancy levels in 2022 compared to 2019. As a result, RevPAR levels have far exceeded pre-COVID amounts, save for Sri Lanka which has been impacted by the economic crisis and political unrest that occurred in 2021.

## **Solid tourism demand minimising the impact of supply growth**

The pandemic has led to delays in new hotel openings in the world, including destinations in the Indian Ocean. With limited supply growth between 2020 and 2022, 2023 is set to count a high number of new rooms entering the markets. While international brands in the luxury and ultra-luxury segments are preparing to expand in the Maldivian market, such as Six Senses, Capella and Bvlgari, the supply in the midscale segment is expected to grow strongly in the year ahead. Meanwhile in Sri Lanka, and more specifically in the capital city of Colombo, more luxury hotels are slated to open between 2023 and 2024. With the lifting of the supply moratorium in 2019 in Seychelles, new hotel supply is planned to open in the next several years, while international brands are growing steadily in Mauritius. Zanzibar stands out amongst destinations in the Indian Ocean, as the existing hotel supply generally counts less than 50 rooms and remain unbranded.

## **Positive growth outlook, yet potential recessionary headwinds**

With major Asian markets like Japan, Mainland China and South Korea having reopened since the end of 2022, destinations in the Indian Ocean have few brakes left on inbound markets. In particular, the return of Chinese tourists is expected to boost international visitation in the Maldives and Sri Lanka after a long three-year absence. The continued improvement in global airlift coupled with destination promotion efforts in the Indian Ocean is expected to support a notable growth in inbound travellers in the year ahead, and some destinations in the Indian Ocean are expected to reach pre-pandemic levels in international tourist arrivals. However, the shadow of a possible global recession which would mostly impact America and Europe is anticipated to set bumps in the road to full recovery, especially in destinations more reliant on European markets such as Mauritius.





### Quick facts comparison

	 International visitor arrivals YTD 2022	 RevPAR YTD Dec 2022 in USD	 RevPAR recovery relative to 2019
Maldives	1,675,294	376	109%
Mauritius	997,290	188	110%
Seychelles	332,068	388	128%
Sri Lanka (Colombo)	719,978	28	93%
Zanzibar	222,449 (Jan-July 2022)	104	130%

Note: Hotel trading performance refers to the following segments: Maldives Upscale, Mauritius Marketwide, Seychelles Marketwide, Colombo Marketwide, Zanzibar Marketwide

Source: JLL, STR, Maldives Ministry of Tourism Arts & Culture, Mauritius Ministry of Tourism and External Communications, Seychelles Tourism Board, Sri Lankan Tourism Development Authority, Zanzibar Ministry of Tourism and Heritage



# Maldives

### Tourism

Prior to the pandemic, international visitor arrivals to the Maldives had consistently grown at a CAGR of 8.0% from 2010 to 2019. While it was strongly impacted by the pandemic, the popular destination was able to rebound strongly. In 2022, visitor arrivals reached 1,675,294, a 26.7% y-o-y growth and a mere 1.6% behind total international tourist arrivals in 2019.

### Demand

The Maldives has seen significant changes to the top source markets since the beginning of the pandemic. The top source market in 2019, Mainland China, was one of the earliest to impose travel bans and one of the last to resume international travel. As of December 2022, Chinese tourists only accounted for 0.7% of total international arrivals, as compared to 16.7% in 2019. India and Russia have risen to become top source markets in 2022, while traditional Western European source markets have largely recovered to pre-pandemic levels. By the end of the year, most countries have re-established international travel lanes and the pent-up demand for leisure travel has led to significant improvements in upper upscale and luxury hotel performances.

### Supply

The Ministry of Tourism has registered 164 resorts with 39,797 beds, and 12 hotels with 1,539 beds operating as of December 2022. Approximately 1,450 new rooms are expected to open between 2023 and 2025, mainly in the midscale segment. On the luxury segment, notable upcoming openings include the Six Senses Kanuhura, Capella Maldives and Bvlgari Resort Ranfushi.

### Outlook

The recent reopening of borders in Mainland China and the return of Chinese tourists is expected to provide a boost to Maldives' international visitation after a three-year absence. Driven by the expected recovery in Asian visitation and continued growth in western visitation, we expect tourism arrivals to exceed pre-pandemic levels in 2023. However, a new tax hike on Tourism Goods & Services Tax and on Goods and Services Tax, coupled with the possibility of an oncoming recession could negatively affect the volume of tourist arrivals to the Maldives in the near term.

### Notable hotel deals in 2022

- W Hotel Retreat & Spa Maldives, North Ari Atoll (a JLL deal)
- Sheraton Hotel Maldives Full Moon Resort & Spa (a JLL deal)
- Maafushivaru Maldives

### New notable hotels in 2022

- Oblu SELECT Logigili (68 rooms)
- Oblu Xperience Ailafushi (268 rooms)
- Alila Kothaifaru Maldives (80 rooms)
- Hilton Maldives Amingiri (109 rooms)

### Upcoming hotel openings in 2023

- Six Senses Kanuhura (80 rooms)
- Amari Kudu Kurathu Maldives (200 rooms)
- Avani Fares Maldives Resort (200 Rooms)

### Quick facts

<b>1,675,294</b>	<b>881</b>	<b>56.0%</b>
International visitor arrivals (2022)	Number of new rooms in 2022	Occupancy (YTD Dec 2022)
<b>USD 671</b>	<b>USD 376</b>	
Average Daily Rate – ADR (YTD Dec 2022)	Revenue per Available Room RevPAR (YTD Dec 2022)	

Note: Trading performance refers to the Maldives Upscale segment. Source: STR, Maldives Ministry of Tourism, Arts & Culture, JLL





# Mauritius

## Tourism

The momentum in tourist arrivals that started in Q3 2021 has continued through 2022 in Mauritius, with just under 1 million tourists recorded at the end of 2022. This represents approximately half of the 2019 level, reaching 62.0% for Q4 2022 of the same period in 2019. Mauritius has moved towards a more balanced source market mix over the past decade, with decreasing reliance on European source markets and a slow shift towards Asian markets, on the back of progressive open sky policies.

## Demand

Following the reopening of the country, hotel performance has improved, recording an occupancy at c. 63.0% in 2022. The recovery has been more pronounced in the key source markets of France (top source market), the United Kingdom and South Africa. The United Arab Emirates is the primary port of departure, highlighting the reliance on connectivity through the Gulf from both Asian and European markets. Additional routes from South Africa and Europe are expected to increase seat capacity in the future, which should eventually lead to a full recovery. Leisure demand continues to lead the market, with some corporate demand.

## Supply

The majority of resorts are owned and operated by large Mauritian hotel groups, while the presence of international brands has been growing steadily. The pipeline of new hotels on the island remains limited, with commercial banks focused on supporting their existing clients in the sector. A new Aparthotel Scheme now allows hotels to convert rooms to apartments and sell them to individuals. However, supply growth in the next two years should mainly come from resort expansion and the homeshare market, as new sites suited for hospitality are limited.

## Outlook

Whilst the impact of the pandemic has been significant, the combination of government support measures and the better-than-expected performance in the early stages of the recovery bodes well for the sector. The extent and pace of the recovery in Mauritius will depend on the key source markets, whilst insuring that sufficient airlift is available to accommodate this demand. The sector is likely to require fresh capital despite the support of government in the longer term, more transaction activity should happen in the next few years with rising interest in the destination.

## Notable hotel deals in 2022

- No transaction recorded in 2022

## New notable hotels in 2022

- No new hotels opened in 2022

## Upcoming hotel openings in 2023

- Avani Bel Ombre Resort & Spa (150 rooms)

## Quick facts

<b>997,290</b> International visitor arrivals (2022)	<b>0</b> Number of new rooms in 2022	<b>63.1%</b> Occupancy (YTD Dec 2022)
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<b>USD 297</b> Average Daily Rate – ADR (YTD Dec 2022)	<b>USD 188</b> Revenue per Available Room RevPAR (YTD Dec 2022)
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Note: Trading performance refers to Mauritius Marketwide  
Source: STR, Ministry of Tourism and External Communications, JLL



# Seychelles

## Tourism

Between 2017 and 2019, the number of tourists in Seychelles increased at an average annual growth of 5.9%. After registering an initial sharp decline in 2020 in light of the pandemic, the destination has been one of the most resilient in the world in 2020 and 2021, and registered one of the strongest recoveries in the world to date. Indeed, Seychelles recorded 332,000 tourist arrivals in 2022, 86.0% of 2019 levels. The market looks set to enjoy a full recovery in 2023, despite economic headwinds in key source markets.

## Demand

The recovery in Seychelles hotel demand is intimately linked to the tourism recovery, with almost all arrivals entering the Seychelles for leisure and staying at a resort. Much of the growth in recent years has been driven by the Middle East, with the close proximity to the Gulf and excellent connectivity, making it a popular destination. With a large portion of travellers from the Middle East entering with different passports, this trend is not always highlighted in the source market mix for the country, but we anticipate it to become even more pronounced with the strong growth in residents and in the economy for the Middle East.

## Supply

Seychelles has approximately 6,000 rooms available. The supply growth has been limited as a result of a supply moratorium that helped fuel performance growth up until 2019. With strong interest to resurrect projects that have been stalled for years, often from new promoters, an increase in new supply is expected. However, the demand fundamentals are anticipated to remain strong. Hotel projects should integrate a more holistic approach with a greater focus on integrated mixed use resorts. While a wider choice of leisure activities and facilities bodes well, the extent of residential supply that the market can absorb remains to be seen. On the longer term, newer resort destinations in the Red Sea could compete directly, but the extent should not seriously threaten the destination.

## Outlook

While a large number of new supply will enter the market in the next few years, we anticipate the recovery to continue. The destination is expected to elevate its positioning from a rate perspective, narrowing the gap with the Maldives. The airlift will remain key to this, combined with inter-island transfer costs, allowing for more of the total package cost to be passed onto resorts. We expect the majority of capital to still be development-focused, primarily out of the Middle East.

## Notable hotel deals in 2022

- No transaction recorded in 2022

## New notable hotels in 2022

- No new hotels opened in 2022

## Upcoming hotel openings in 2023

- Avani Barbarons Seychelles Resort (Redevelopment)

## Quick facts

<b>332,068</b> International visitor arrivals (2022)	<b>0</b> Number of new rooms in 2022	<b>70.7%</b> Occupancy (YTD Dec 2022)
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<b>USD 549</b> Average Daily Rate – ADR (YTD Dec 2022)	<b>USD 388</b> Revenue per Available Room RevPAR (YTD Dec 2022)
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Note: Trading performance refers to Seychelles Marketwide  
Source: STR, Seychelles Tourism Board, JLL





# Sri Lanka

## Tourism

Sri Lanka tourism has been impacted by various events including the April 2019 terrorist attacks, the COVID-19 pandemic followed by the Sri Lanka economic crisis and political unrest in 2021. However, the country has started to see a gradual revival with international arrivals recording a significant increase of 270.0% y-o-y, reaching 719,978 in 2022.

## Demand

In 2022, top source markets have remained largely the same to the pre-pandemic period, except for the notable absence of Mainland China. The European region has maintained its position as the largest source market to Sri Lanka, contributing to 40.0% of total travellers. Country-wise, India, UK, Russia, Germany and France formed the top five source markets in 2022, accounting for 50.0% of the total arrivals. India was the largest source market for Sri Lanka for the second consecutive year with arrivals growing significantly, driven by both leisure and business travellers. Enhanced marketing efforts and visibility for the country have also enabled the emergence of new source markets and should drive further tourism growth.

## Supply

According to Sri Lanka Tourism Development Authority (SLTDA), there are 480 tourist hotels and resorts comprising a total of 25,958 hotel rooms in Sri Lanka as at end-2021 (latest data available). In Colombo, the room inventory is expected to increase by almost 4,000 rooms between 2023 and 2024, with most of the upcoming supply in the luxury segment. The room inventory in South-West Coast is expected to increase by approximately 1,800 rooms in the next two years, with majority of the upcoming supply in the Upper Upscale segment.

## Outlook

As the country opens again for tourism on a large scale post the impact of the pandemic and subsequent political unrest and economic turmoil, increased connectivity and focused promotional campaigns will be critical to support the growth in arrivals. With large-scale infrastructure and capacity improvements underway, the expansion of the Bandaranaike International Airport will be the real game changer, together with a successful collaboration between the government, corporates, financial institutions, hotel operators and owners, aviation and all ancillaries of the travel and tourism industry.

## Notable hotel deals in 2022

- No transaction recorded in 2022

## New notable hotels in 2022

- Granbell Hotel Colombo (292 rooms)

## Upcoming hotel openings in 2023

- Sheraton Colombo (320 rooms)
- Intercontinental Colombo (307 rooms)
- Cinnamon Life Colombo (800 rooms)
- Dusit Balapitiya (200 rooms)

## Quick facts

<b>719,978</b> International visitor arrivals (2022)	<b>292</b> Number of new rooms in 2022	<b>33.1%</b> Occupancy (YTD Dec 2022)
<b>USD 86</b> Average Daily Rate – ADR (YTD Dec 2022)	<b>USD 28</b> Revenue per Available Room RevPAR (YTD Dec 2022)	

Note: Trading performance refers to Colombo hotels performance  
Source: STR, Sri Lankan Tourism Development Authority, JLL



# Zanzibar

## Tourism

Total tourist arrivals increased by 3.4% to hit a record high of 538,000 in 2019. However, arrivals declined by 51.6% in 2020 with the COVID-19 pandemic. Although the full year arrival statistics were not available at the writing of this report, we expect the number to reach, or even exceed pre-COVID level for 2022. The opening of a new airport terminal and improved airlift have largely contributed to this fast recovery.

## Demand

The market has continued to operate at very high occupancy levels, with most hotels achieving more than 75.0% across the island, while many have consistently achieved in the high eighty percent quartile.

The strong demand fundamentals and improved investment climate in Tanzania has seen an increase in investment appetite, with capital primarily coming from the Middle East, while being development focused.

## Supply

There are currently 116 existing hotels in Zanzibar offering more than 5,700 rooms spanning across all segments. Most of the hotels count less than 50 keys, are unbranded, and are primarily located to the Northern part of Zanzibar island. There are several unbranded properties under development in Zanzibar, most of which are small in size and will likely be absorbed by the market relatively quickly. Regional operators are well positioned to support these smaller properties.

Zanzibar's Government sold nine islets surrounding Unguja and Pemba islands. Luxury private resorts are expected to be developed on these islets, considering their exclusive nature and the high infrastructure costs of developing on an island.

## Outlook

Zanzibar's destination awareness has improved over the past five years, leading to new source markets, primarily through the Gulf hubs. The recovery in tourism does require Zanzibar's ability to balance the "open-for-travel" position in the heart of the pandemic, while still allaying fears that the destination is safe from a COVID-19 protocol perspective. The launch of Terminal III at Abeid Amani Karume International Airport is expected to further improve the airlift to the island, with the overall tourism sector outlook expected to be positive over the medium-term.

## Notable hotel deals in 2022

- No transaction recorded in 2022

## New notable hotels in 2022

- Nungwi Dreams By Mantis (Expansion of 24 rooms)
- Riu Jambo (461 rooms)
- Emerald Zanzibar Resort & Spa (250 rooms)

## Upcoming hotel openings in 2023

- Swiss-Belresort Zanzibar (125 rooms)
- Emerald Zanzibar Resort & Spa (250 rooms)

## Quick facts

<b>222,449</b> International visitor arrivals (Jan-Jul 2022)	<b>735</b> Number of new rooms in 2022	<b>65.0%</b> Occupancy (YTD Dec 2022)
<b>USD 160</b> Average Daily Rate – ADR (YTD Dec 2022)	<b>USD 104</b> Revenue per Available Room RevPAR (YTD Dec 2022)	

Note: Trading performance refers to Zanzibar Marketwide  
Source: STR, Zanzibar Ministry of Tourism and Heritage, JLL

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