

JAKARTA | HOTEL

Q2 2018

20 September 2018



Accelerating success.

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Jakarta's hotel market performed relatively slow in Q2 2018 both in terms of occupancy and project development. The month of Ramadan, including the traditional fast, triggered the overall slowdown. We expect the Asian Games, to be held in August this year, to serve as a catalyst to propel the sluggish hotel sector. This, coupled with the upcoming general elections in 2019, might create increased demand for room accommodations and convention space.

Forecast at a glance

**Demand**

The Asian Games should drive major demand in 2018, along with rooms that shall be used by political parties in preparation for the upcoming legislative and presidential elections.

**Supply**

Jakarta is expecting 2,064 additional rooms this year, consisting of 804 3-star hotel rooms, 375 4-star hotel rooms and 885 5-star hotel rooms. In 2019, Jakarta anticipates 1,824 more rooms and in 2020, another 537 new rooms.

**Occupancy**

We foresee overall occupancy by the end of 2018 reaching 62.2%, up moderately compared to the same period last year. Assuming a sound economy in 2019, hotel occupancy would likely increase by about 63-64%.

**Room Rate**

The ADR may go up marginally by 1.1% YOY at the end of 2018, reaching about USD80 or equivalent to IDR1.12 million. With the inclination that occupancy will likely only rise modestly, we project ADR for the next two years to reach USD81.

Supply

A large quantity of hotel supply in the pipeline as planned is dominated by 3-star hotels managed by independent hotel operators. Not all hotel owners are willing to be bound with brand name chains, particularly because of the restriction and fee-sharing to which the owners have to abide. Such arrangements for brand name operators is more likely for 4- and 5-star hotels. Owners commonly partner with brand name hotel operators to lift their own hotel brand, guarantee the market of loyal customers and make sure there are standardised operating procedures.

NEWLY OPERATING HOTEL DURING 2018

HOTEL NAME	STARRED RATING	STR CHAIN SCALE RATE	LOCATION	REGION	NO. OF ROOMS	OPENING TIME
Mercure PIK Avenue	4-star	Upscale	Pantai Indah Kapuk	North Jakarta	240	February 2018

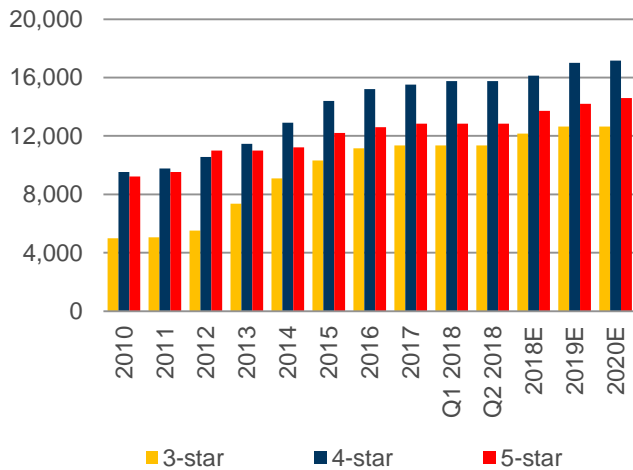
Source: Colliers International Indonesia - Research

NEW PIPELINE

HOTEL NAME	STARRED RATING	STR CHAIN SCALE RATE	LOCATION	REGION	NO OF ROOMS	PROJECT STATUS	PROJECTED COMPLETION TIME
Holiday Inn Express Matraman	3-star	Upper Midscale	Matraman	East Jakarta	190	Under Construction	2018
Ibis Styles TB Simatupang	3-star	Upper Midscale	TB Simatupang	South Jakarta	110	Under Construction	2018
Dalton Jakarta Hotel	3-star	Undefined	Otista	East Jakarta	147	Under Construction	2018
Hotel by Graha Gatsu Lestari	3-star	Undefined	Gatot Subroto	South Jakarta	100	Under Construction	2018
Midtown Point - Ibis Styles	3-star	Undefined	Jl. Fachrudin	Central Jakarta	225	Under Construction	2018
Asana Taman Mini	3-star	Undefined	Taman Mini Indonesia Indah	East Jakarta	160	Under Construction	2019
Des Indes Boutique Hotel by Preference Tauzia	3-star	Undefined	HOS Cokroaminoto	Central Jakarta	97	Under Construction	2019
Artama Hotel Kebon Kacang	3-star	Undefined	Jl. Kebon Kacang	Central Jakarta	100	Under Construction	2019
R1 Hotel	3-star	Undefined	Jl. H. Agus Salim	Central Jakarta	135	Under Construction	2019
Aston Titanium Cijantung	4-star	Upscale	Cijantung	East Jakarta	225	Under Construction	2018
Swiss-Belhotel Kirana Avenue - Kelapa Gading	4-star	Upscale	Kelapa Gading	North Jakarta	316	Under Construction	2018
Erian Hotel	4-star	Undefined	Jl. Wahid Hasyim	Central Jakarta	150	Under Construction	2018
Front One Boutique Hotel Arjuna	4-star	Undefined	Jl. Arjuna Raya	West Jakarta	100	Under Construction	2019
Novotel Cikini	4-star	Upscale	Cikini	Central Jakarta	274	Under Construction	2019
Aloft Jakarta Simatupang	4-star	Upscale	Jl. TB Simatupang	South Jakarta	180	Under Construction	2019
Batiqa Casablanca	4-star	Undefined	Jl. Casablanca	South Jakarta	156	Under Construction	2020
Alila - SCBD lot 11	5-star	Luxury	SCBD	CBD	250	Under Construction	2018
Park Hyatt Hotel	5-star	Luxury	Jl. Kebon Sirih	Central Jakarta	150	Under Construction	2018
InterContinental Jakarta Pondok Indah Hotel & Residences	5-star	Luxury	Pondok Indah	South Jakarta	300	Under Construction	2018
Regent	5-star	Luxury	Jl. Gatot Subroto	CBD	160	Under Construction	2018
St Regis	5-star	Luxury	Jl. HR Rasuna Said	CBD	280	Under Construction	2019
The Langham	5-star	Luxury	SCBD	CBD	200	Under Construction	2019
Waldorf Astoria	5-star	Luxury	Jl. MH Thamrin	CBD	181	Under Construction	2020
Rosewood Jakarta	5-star	Luxury	Jl. Prof. Dr. Satrio	CBD	200	Design	2020

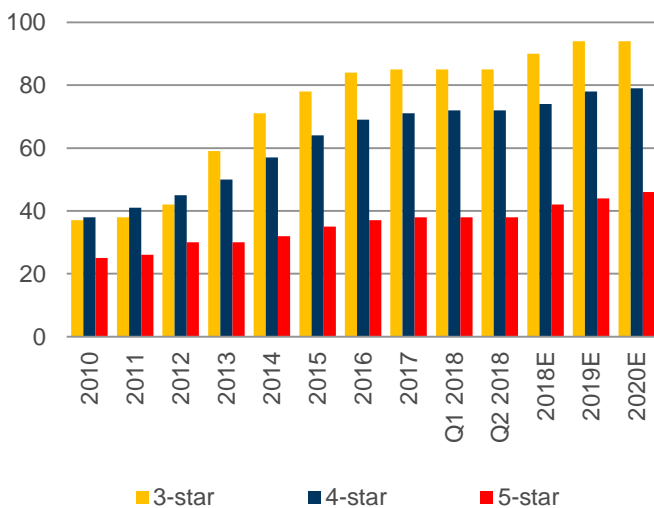
Source: Colliers International Indonesia - Research

Cumulative Hotel Rooms



Source: Colliers International Indonesia - Research

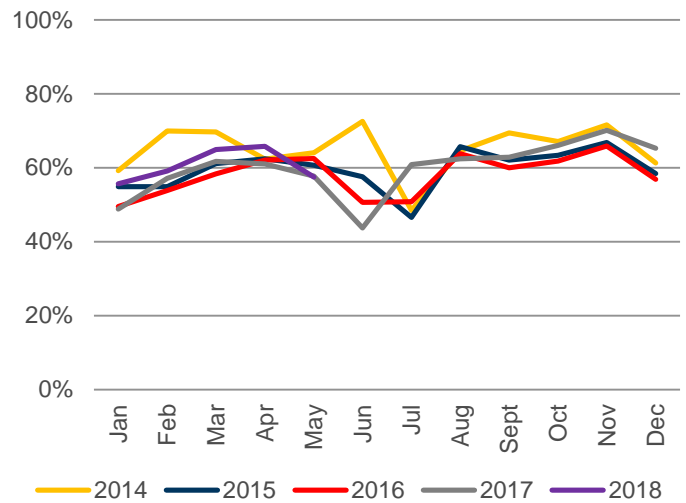
Cumulative Hotel Projects



Source: Colliers International Indonesia - Research

Performance

Monthly Average Occupancy Rate (AOR)

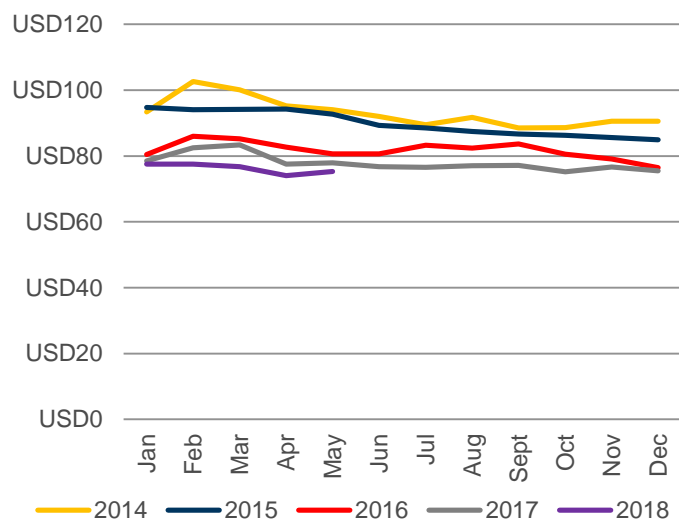


Source: STR

The trend in occupancy from January to May this year was still in line with the general trend in the last three years. It seems that government and corporate events were held prior to the sluggish month of Ramadan. The May occupancy data showed a downward trend in hotel room transactions simultaneously with the fasting month. At press time, we have not received the figure for June, but June tends to have the lowest occupancy for the entire year. The number of local business travellers was fairly lower than during Ramadan, because many Jakartans were out of town during this long holiday season.

Starting from July onward, there will probably be a potential for hotel occupancy to grow, as business activities should resume to a normal pace after the holiday. With the Asian Games 2018 approaching, the outlook for room absorption should be more brisk than in the previous years. Another supporting factor is the general elections next year, which could create demand for accommodations and conventions from political parties, in anticipation of that big event.

Monthly Average Daily Rate (ADR)



Source: STR

Despite being in line with the trends from 2014 to 2017, the monthly ADR figures in 2018 (January-May) were the lowest for the last four years. This explains a situation wherein there is equilibrium between the number of hotel rooms and potential guests. Recent supply has been growing more slowly. However, we think there are too many rooms already. To survive from this current situation, hoteliers have adjusted their price considering there are more rooms than guests. Hoteliers may emphasise maintaining, or if possible lifting occupancy level, rather than leaving the rooms unoccupied because the price is not competitive. In short, hoteliers are prioritising raising occupancy rather than increasing room rates.

Jakarta's hotel market is more focused on business than leisure, with corporations mainly contributing to the overall room demand. Given the current situation where there are many options for accommodations, corporate clients are becoming more price-sensitive. They will likely choose accommodations with comparable quality and specification, but with a more competitive price. At

the same time, brand new hotels almost always offer a special rate during their pre-opening.

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