

Not a great year but vibrant outlook for 2018

Ferry Salanto Senior Associate Director | Jakarta

The hotel industry in Jakarta has yet to perform better in 2017 even with limited annual room supply. Notwithstanding a performance that was poorer than last year's ADR, several hotel operators are becoming more intense in exploiting the current mobile technology trend to maximise other revenues from F&B by providing more interesting spots or stamping grounds.

Forecast at a glance



Demand

Two main occasions in 2018 will lift the demand for hotels in Jakarta. These are the Asian Games 2018 and the approaching political activities in 2018, which will see intensive use of hotels and MICE facilities by political parties as they prepare for the general and presidential elections in 2019.



Supply

Jakarta is expecting another 3,471 rooms, which consist of 964 3-star hotel rooms, 1,647 4-star hotel rooms and 860 5-star hotel rooms.



Average Occupancy Rate (AOR)

The Asian Games 2018 and preparations for the general and presidential elections in 2019 are hoped to be able to boost hotel occupancy in Jakarta and maintain occupancy between 61% and 63%.



Average Daily Rate (ADR)

Along with occupancy, the two big events are hoped to be able to at least maintain the ADR between USD79 and USD81 in 2018.

Supply

The total number of new hotel rooms in 2017 reduced significantly compared to the annual room supply in 2016, but it is hoped to bounce back in 2018. The inventory of hotels in Jakarta is still dominated by 4-star hotels. This segment of accommodation stands in the middle, particularly because it offers comprehensive facilities that are almost like 5-star hotels with prices slightly above 3-star accommodation. Typical hotels in Jakarta generally aim businesses and MICE activities.

NEWLY OPERATING HOTEL DURING 2017

HOTEL NAME	STARRED RATING	STR CHAIN SCALE RATE	LOCATOIN	REGION	NO. OF ROOMS	OPENING TIME
Yello Hotel Manggarai	3-star	Undefined	Jl. Minangkabau	South Jakarta	102	Q1
NEO+ Kebayoran	3-star	Undefined	Jl. Ciledug Raya	South Jakarta	102	Q4
Verse Luxe Wahid Hasyim	4-star	Undefined	Jl. Wahid Hasyim	Central Jakarta	120	Q3
Aloft Wahid Hasyim	4-star	Upscale	Jl. Wahid Hasyim	Central Jakarta	180	Q4
Harris Vertu Hotel Harmoni	5-star	Upscale	Jl. Hayam Wuruk	Central Jakarta	240	Q1

Source: Colliers International Indonesia - Research

NEW PIPELINE OF STARRED RATING HOTELS

HOTEL NAME	STARRED RATING	STR CHAIN SCALE RATE	LOCATION	REGION	NO OF ROOMS	PROJECT STATUS	PROJECTED COMPLETION TIME
Harper TB Simatupang	3-star	Undefined	Jl. TB Simatupang	South Jakarta	180	Under Construction	2018
Ibis Styles TB Simatupang	3-star	Upper Midscale	Jl. TB Simatupang	South Jakarta	110	Under Construction	2018
Dalton Jakarta Hotel	3-star	Undefined	Jl. Otto Iskandar Dinata	East Jakarta	147	Under Construction	2018
Hotel Pasar Senen	3-star	Undefined	Pasar Senen	Central Jakarta	200	Under Construction	2018
Des Indes Boutique Hotel by Preference Tauzia	3-star	Undefined	Jl. HOS Cokroaminoto	Central Jakarta	97	Under Construction	2018
Whiz Prime Hayam Wuruk	3-star	Undefined	Jl. Hayam Wuruk	Central Jakarta	130	In Planning	2018
Hotel by Graha Gatsu Lestari	3-star	Undefined	Jl. Gatot Subroto	South Jakarta	100	Under Construction	2018
Front One Boutique Hotel Arjuna	3-star	Undefined	Jl. Arjuna Raya	West Jakarta	100	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
Holiday Inn Hotel & Resorts Jakarta Gajah Mada	4-star	Upper Midscale	Jl. Gajah Mada	Central Jakarta	442	Under Construction	2018
Mercure PIK Avenue	4-star	Upscale	Pantai Indah Kapuk	North Jakarta	240	Under Construction	2018
Erian Hotel	4-star	Undefined	Jl. Wahid Hasyim	Central Jakarta	150	Under Construction	2018
Novotel Cikini	4-star	Upscale	Cikini	Central Jakarta	274	Under Construction	2018
Aloft Jakarta Simatupang	4-star	Upscale	Jl. TB Simatupang	South Jakarta	180	Under Construction	2019
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

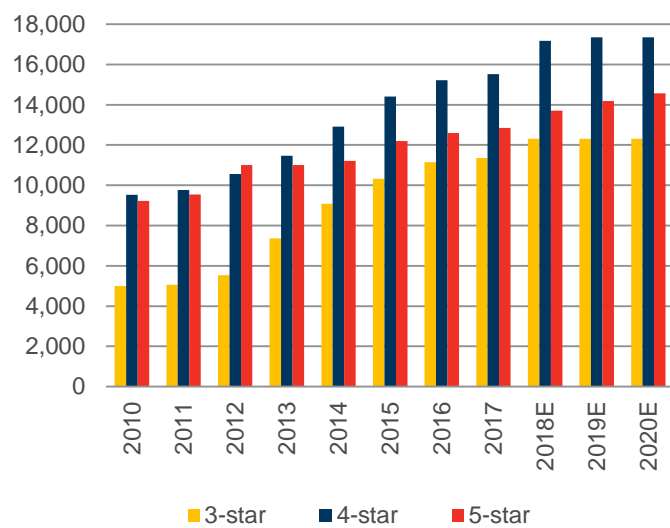
Source: Colliers International Indonesia - Research

NEW PIPELINE OF BUDGET HOTEL

HOTEL NAME	STR CHAIN SCALE RATE	LOCATION	REGION	NO OF ROOMS	PROJECT STATUS	PROJECTED COMPLETION TIME
Max One Hayam Wuruk	Undefined	Jl. Hayam Wuruk	Central Jakarta	120	Under Construction	2018
NEO Kalideres	Midscale	Jl. Peta Barat	West Jakarta	100	Under Construction	2018

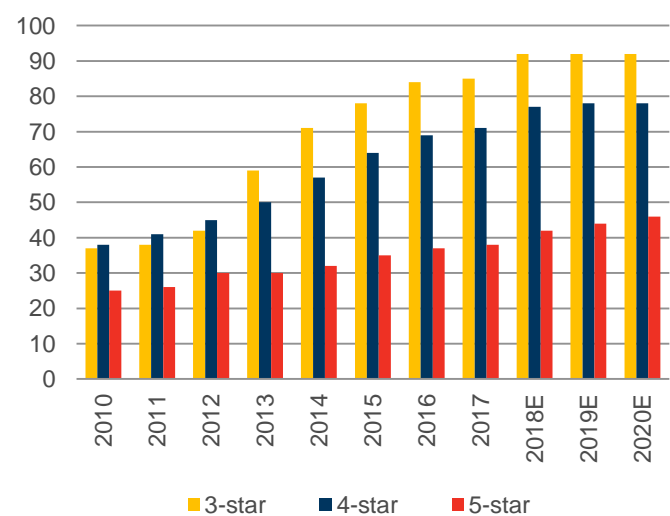
Source: Colliers International Indonesia - Research

Cumulative Hotel Rooms



Source: Colliers International Indonesia - Research

Cumulative Hotel Projects



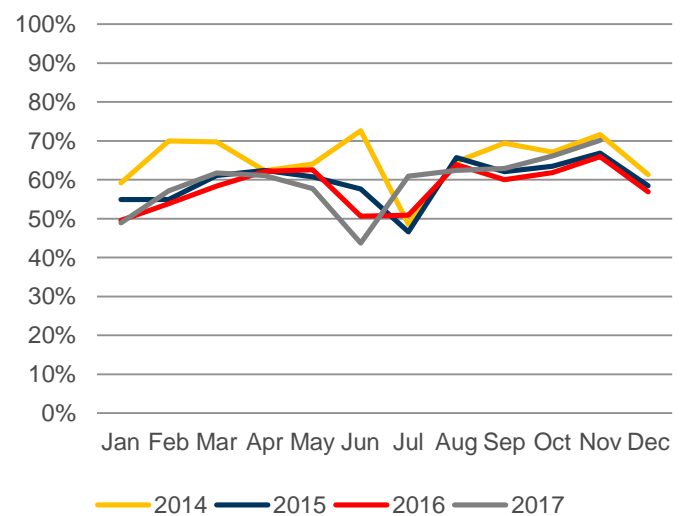
Source: Colliers International Indonesia - Research

Performance

The occupancy patterns of hotel in Jakarta have always been predictable, mainly approaching the end of the year. The last two weeks of December has generally been a downturn period for the hotel business in Jakarta.

In July 2017, occupancy did not perform in line with the figures in the previous years, particularly because there were several events that helped boost hotel performance.

Average Occupancy Rate (AOR)

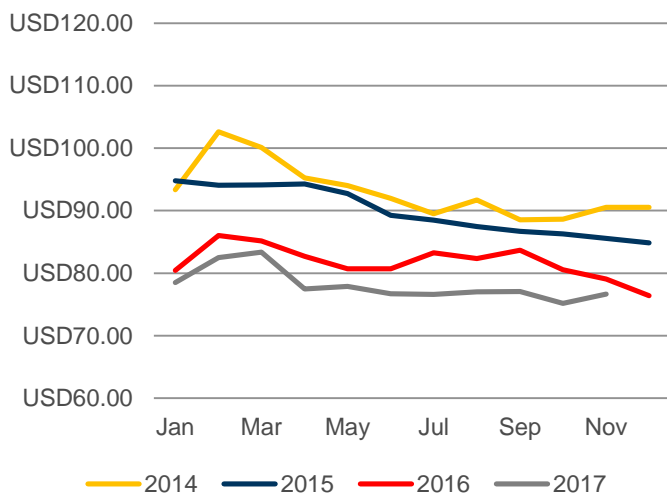


Source: STR

For the last four years, the yearly ADR figures have been in a similar trend. It is also true that since 2014 the annual ADR figure kept declining, whilst inflation rates were always up on the contrary. This reflects that competition amongst hotels has intensified.

During the last quarter, the MICE market helped fuel the use of hotels. Four-star hotels generally enjoyed and benefited from MICE activities by the government, whilst 5-star hotels were not as much and generally dominated by private corporations.

Average Daily Rate (ADR)



Source: STR

Hotels within dedicated MICE facilities and buildings or those located nearby generally enjoy from activities held in the exhibition venue. In Jakarta, there are two main convention centres, which are JIExpo Kemayoran and JCC Senayan.

There are several classes of hotels, from budget hotels to 5-star rating, particularly in JIExpo. Every time there is an event in these venues, people choose to stay in hotels within the surrounding area. Once these hotels have been fully occupied, guests will move a bit further away. We could, therefore, say that exhibitions are not only benefitting the surrounding hotels but also those that are a bit further.

Aside from MICE, some hotels also take part in facilitating wedding events. This activity may not have substantial impact on room absorption, as does MICE, but it is definitely another revenue generator for hotels. This seasonal activity generally reaches the peak during the second quarter up to early fourth quarter of the year.

Meanwhile, mobile technology that leads to intensive access to mobile phones or other gadgets has provided opportunities for hotel operators to maximise their F&B revenue. In this digital era, the exposure of any activity through social media is very common and this phenomenon is captured as several hotels create or revamp parts of their establishments to what is now popularly called “*instagrammable*” places, wherein people take pictures and post on social media. Hotels generally upgrade their restaurants or bars or create a scenic rooftop bar to facilitate this activity.

We believe that the hotel market’s outlook in 2018, particularly in Jakarta, should be brisk. There are two major events that may give notable impact on Jakarta’s hotel industry. First is the political exercise and preparation for the general and presidential elections in 2019, which requires political parties to consolidate internally or with other parties in the coalition. Such activity will escalate the use of hotel rooms and MICE facilities. Second is the Asian Games 2018, which is on a regional scale, to be held mainly in Jakarta and Palembang on 18 August to 2 September 2018.

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