Jakarta hotel sector continues to be highly leveraged on domestic demand

Hotel supply growth influx flattens after four year development surge

“Jakarta hotels hosted more than 13 million guests last year, representing an increase of 9.4% from the previous year with the 2018 Asian and Para Asian Games being the key drivers for demand. Consequently, hotel performance has experienced a strong uplift with a market-wide ADR up by 2.6% and occupancy grew by 4.9% y-o-y for FY2018, which resulted in a remarkable RevPAR growth of 7.7% for the same period.

However, prior to the sport events (Q2 2017 to Q1 2018) the hotel market was highly competitive with over 4,000 keys added to Jakarta’s hotel inventory during the previous three-year period. The strong competition resulted in a drop of both ADR and occupancy, especially for properties in North Jakarta and the Golden Triangle area. A decline in RevPAR of -5.9% and -3.5% was posted respectively, compared to the same period from Q2 2016 to Q1 2017.

Trends

- Majority (40%) of foreign hotel guests choose to stay at five-star hotels, followed by four-star (25%), three-star (22%), two-star (8%) and one-star (5%).

- Domestic market are mainly concentrated on three-star hotels (32%), followed by two-star (25%), four-star (20%), five-star (14%) and one-star (9%).

- Hotels generate higher occupancy and room rates between Tuesday and Thursday, with the peak months being July and August.

Forward Outlook

- Soekarno-Hatta International Airport is expected to increase passenger capacity to 70 million upon the upgrading of terminal 1 and 2, as well as construction of a fourth terminal.

- The government is planning a new greenfield airport with a total area of 2,600 hectares which worth approximately USD 7 billion in total.

- MRT Phase 3 is scheduled to start construction in 2020, which will connect Cikarang and Balaraja to Jakarta’s city center.

Bill Barnett, Managing Director, C9 Hotelworks
VISITOR OVERVIEW

Demand Indicators

Foreign visitor arrivals to Jakarta totaled 2,761,053 in 2018, with a 10-year CAGR of 7.4%. Soekarno-Hatta International Airport is the main gateway for international visitors.

Foreign Visitor Arrivals Trend

Number of Visitors

Source: BPS and C9 Hotelworks Market Research

Y-o-y growth of foreign visitors averaged 3.9% last year, with market being sensitive to political and economic outlook

Guest Arrivals Trend - Star-Rated Accommodation

Number of Guests

Source: BPS and C9 Hotelworks Market Research

The domestic market accounts for 86% of total guests at star-rated hotels

Top 5 Key Geographic Source Market Trend

Number of Visitors

Source: BPS and C9 Hotelworks Market Research

Mainland China surpassed Malaysia in 2015 as the top international source market, with 9% CAGR from 2013 to 2018
Hotel Performance Indicators

Upscale hotels outperformed other tiers during the period of Q2 2018 to Q1 2019 compared with same period of previous years with RevPAR up by 9.2%. This is followed by upper-upscale with 7.7% increase and upper-midscale of 7.4%. Luxury hotels experienced a more subtle growth of 5.4%, while the economy segment increased 2.7% and midscale increased by 2.5%.

Market-wide Hotel Performance Y-O-Y Change

RevPAR in 2019 reflected positive growth for all hotel tiers as both occupancy and ADR increased due to Asian and Para Asian Games

Hotel Supply & Pipeline

As of 2018, star-rated accommodations in Jakarta totaled 339 establishments with 53,795 keys. Presently, there are approximately 11,000 keys in the pipeline, with 40% of upcoming hotels concentrated in the Golden Triangle area. This is followed by Greater Jakarta (26%), North Jakarta (19%) and South Jakarta (15%). Luxury hotels represent 16% of the share which is listed below:

Key Luxury International Standard Hotel Pipeline

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th>Brand Affiliation</th>
<th>Integrated Development</th>
<th>Location</th>
<th>Keys</th>
<th>Opening Year</th>
</tr>
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<tbody>
<tr>
<td>Alila SCBD*</td>
<td>Hyatt</td>
<td>None</td>
<td>SCBD</td>
<td>142</td>
<td>Q4 2019</td>
</tr>
<tr>
<td>Park Hyatt</td>
<td>Hyatt</td>
<td>MNC Media Tower</td>
<td>Central Jakarta</td>
<td>220</td>
<td>Q4 2019</td>
</tr>
<tr>
<td>The Langham</td>
<td>Langham</td>
<td>District 8</td>
<td>SCBD</td>
<td>225</td>
<td>Q1 2020</td>
</tr>
<tr>
<td>St. Regis</td>
<td>Marriott</td>
<td>St. Regis Residences &amp;</td>
<td>South Jakarta</td>
<td>268</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rajawali Property Group HQ</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Waldorf Astoria</td>
<td>Hilton</td>
<td>Thamrin Nine Complex</td>
<td>Central Jakarta</td>
<td>183</td>
<td>Q4 2021</td>
</tr>
<tr>
<td>W Hotel Jakarta</td>
<td>Marriott</td>
<td>Ciputra World 2</td>
<td>South Jakarta</td>
<td>125</td>
<td>2021</td>
</tr>
<tr>
<td>Sofitel So</td>
<td>Accor</td>
<td>The Hundred</td>
<td>South Jakarta</td>
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<tr>
<td>Regent</td>
<td>IHG</td>
<td>Mangkukuluhur City</td>
<td>South Jakarta</td>
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<tr>
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<td>Rosewood</td>
<td>N/A</td>
<td>South Jakarta</td>
<td>200</td>
<td>On Hold</td>
</tr>
</tbody>
</table>

*Additional keys for existing hotel

Source: STR

Data based on rolling 12 months start from March each year
About C9 Hotelworks

C9 Hotelworks is an internationally recognized consulting firm with extensive experience in the Asia Pacific region. Its core business focus includes:

- Hotel and Resort Development
- Asset Management / Ownership Representation
- Project Feasibility and Analysis

Key competencies include international hotel operator search, selection and contract negotiation, mixed use hotel and residential planning and operation reviews.

A wide range of both institutional and private developers and a comprehensive portfolio of completed projects give C9 the skill set and background to focus on key issues, evaluate complex ones and assist clients in achieving solid results. Based in Phuket, Thailand and led by Managing Director Bill Barnett, who has 30 years of experience in Asia Pacific, the firm is well positioned to serve an increasing demanding marketplace.

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