

HOSPITALITY SERVICES FORECAST REPORT

Post-Eid recovery in Jakarta's hotel sector driven by increased business activities and events

Quarterly | Jakarta | July 2024

Insights & recommendations

The second quarter of 2024 commenced with the celebration of Eid al-Fitr. For the hotel industry in cities like Jakarta, which thrives on business clientele, this event led to a decline in hotel performance for up to two weeks following the Eid holiday.

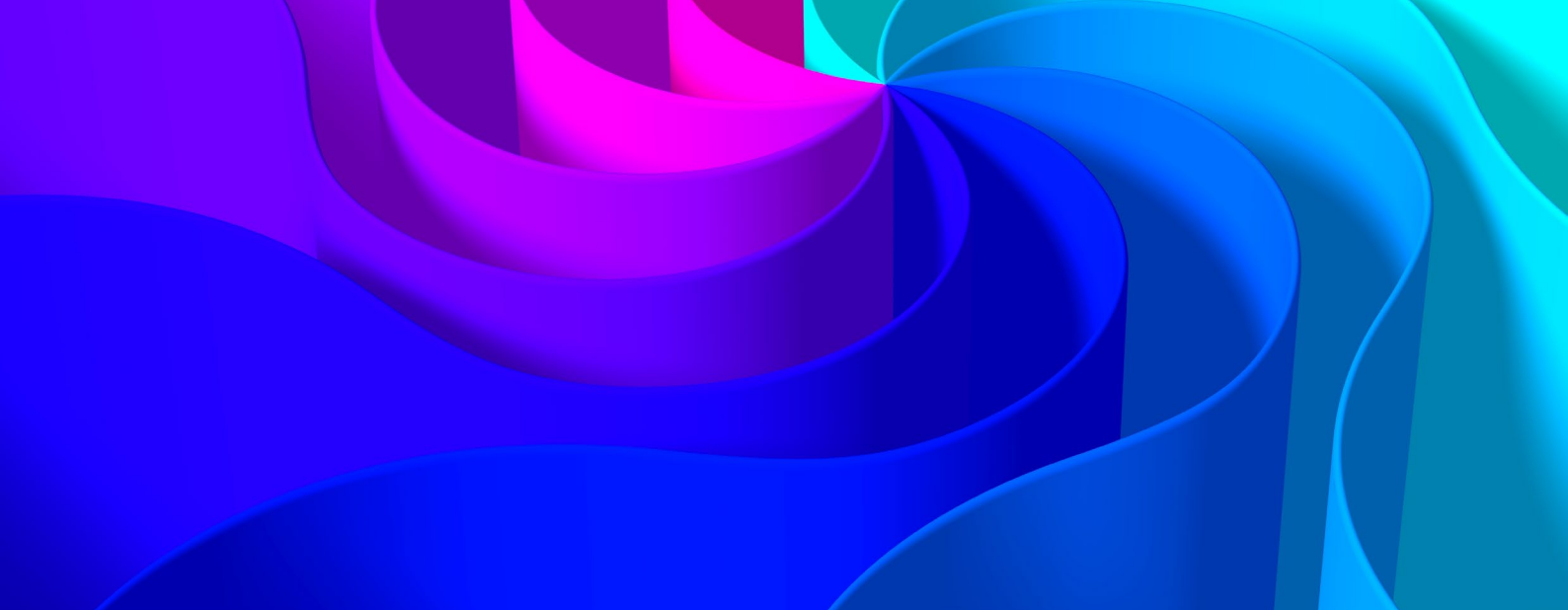
Before the pandemic, during the fasting month of Ramadan, hotel occupancy rates in Jakarta typically decreased by 5-10%. This trend was attributable to the majority of hotel guests coming from business sectors, particularly the governmental sector. Following the Eid al-Fitr holiday, business activities resumed vigorously, with occupancy rates increasing by 15-20%. The month following Eid al-Fitr served as a pivotal period for hotels to recover their occupancy rates, although monthly increases subsequently tapered off towards the end of the year, especially in December.

Post-Eid al-Fitr, both government and corporate entities began hosting various events, including MICE (Meetings, Incentives, Conferences, and Exhibitions), and undertaking business travel. Demand for MICE events at hotels began to rise, as did weddings at hotels equipped with large ballrooms. Offline activities such as music concerts, sports events and other gatherings also contributed significantly to enhancing hotel performance, particularly in locations near event venues or those with convenient access to event venues.

Although local elections (Pilkada) are scheduled for November, their impact on MICE events is expected to be minimal, yet they may influence offline activities. Meanwhile, business activities are likely to slow down towards the Christmas and New Year holidays, highlighting July to November as a critical period for hoteliers to enhance their operational performance.

		Q2 2024	Full Year 2024	2024-26 Annual Avg
	There will be an increase in new hotel supply continuing through the end of 2024.	↑ 765 rooms	↑ 1,327 rooms	563 rooms
	Occupancy rates are predicted to continue rising in tandem with the growing number of offline events and business activities.	↑ 3.21% 62.4%	↑ 0.1% 65.6%	Annual Avg Growth 2024-26/ End 2026 2.2%
	Room rates are expected to increase, following the upward trend in occupancy.	↑ 2.4% USD67.6	↑ 1.1% USD68.3	1.8%

Source: Colliers. Note: IDR16,174 = 1 USD. 1 square m = 10.76 square ft.



Supply

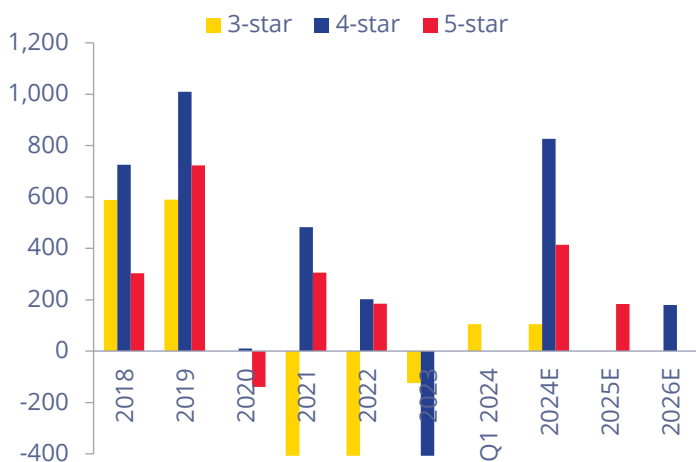
Significant growth in Jakarta's hotel supply amidst CBD construction delays

In Q2 2024, there was a significant increase in hotel supply in Jakarta. Several new hotels commenced operations, including one 3-star hotel, two 4-star hotels, and two 5-star hotels with a supply of 138 rooms, 213 rooms and 414 rooms respectively. This increases collectively add to the total hotel room count in Jakarta to 43,250 rooms. This expansion primarily occurred in Central Jakarta (three hotels) and the CBD (two hotels), both remaining prime areas for new hotels developments due to their proximity to business and governmental centers.

While there is potential for hotel growth outside the CBD, projects in the CBD often experience construction delays, leading to operational postponements.

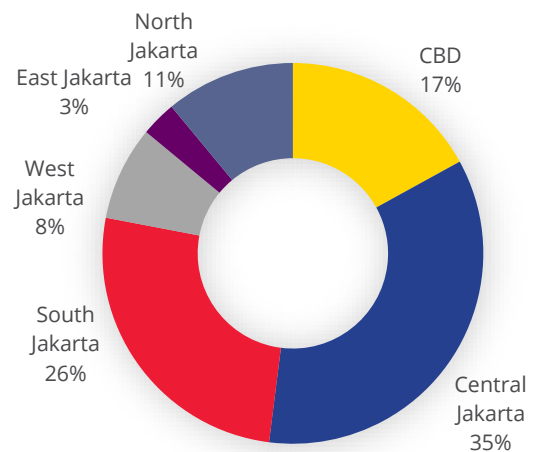
At present, the growth in new hotel supply in Jakarta is not as pronounced as it was previously; however, we still see a continuing increase. This addition in supply will naturally affect hotel performance, yet Jakarta is still regarded as a prime location for new hotel development, particularly because the current hotel market performance has returned to a relatively stable condition

Annual supply



Source: Colliers

Percentage of hotel room supply



Source: Colliers



Performance

Hotel performance in Jakarta soars by 18% following Eid, driven by vibrant business and event activities

Hotel performance at the beginning of Q2 2024 was subdued but gradually improved as business activities recovered following the Eid holiday. As predicted, business activities resumed their upward trend one to two weeks after Eid al-Fitr. In May, despite concerns about holiday disruptions, hotel occupancy rates saw a significant increase of 18%, compared to the previous month. This increase was attributed to the continuation of MICE events and other offline activities. Post-Eid al-Fitr, both government and corporate sectors actively organized meetings, training sessions and business trips, while events like music festivals and sports exhibitions further bolstered hotel performance.

Large-scale events such as concerts or music festivals can enhance hotel performance despite their relatively short stay durations. There is a high demand for hotel rooms from event crews and organizers near the venues. For sports events, athletes and organizers typically lodge in hotels close to the venue, such as the GBK complex. However, the number of spectators staying overnight is generally lower compared to event participants.

Major events are usually planned well in advance, with hotels offering competitive special rates to attract participants. This practice extends to group events, whether organized by government or corporate entities, where hotels provide competitive pricing based on participant numbers. Besides room revenue, hotels also generate additional income from sectors like F&B and housekeeping.

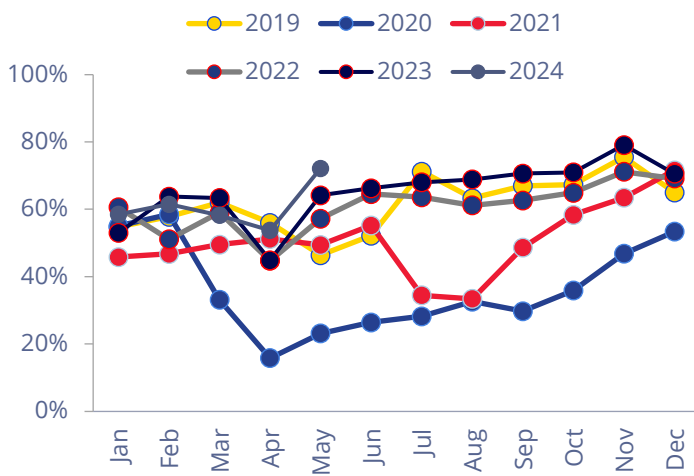
Despite the rise in occupancy rates, the Average Daily Rate (ADR) fell slightly, indicating a prevalence of group activities receiving special rates. Nonetheless, monthly changes in ADR were not significantly pronounced, reflecting overall ADR stability. Setting appropriate room rates remains a challenge for hoteliers, particularly in price-sensitive markets. However, collective pricing strategies can mitigate this challenge, though independently operated hotels may have more flexibility in adjusting prices.

Despite initial setbacks, hotel performance in Jakarta began to improve in the second quarter of 2024. It is anticipated that hotel performance will continue to strengthen in the latter half of 2024, especially with increased business activities. However, a slowdown in performance is expected towards the Christmas and New Year holidays in the second week of December 2024.

Hotel performance is projected to continue improving until mid-Q4 2024, especially in terms of occupancy rates, notably in the third quarter. While Jakarta remains a hub for business, large-scale events such as music concerts and sports are likely to continue to be held in the city, expanding the market for the entertainment and sports sectors.

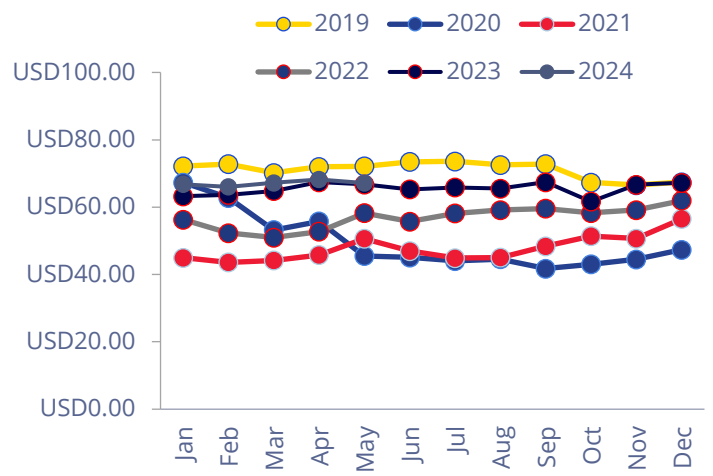


Monthly average occupancy rate (AOR)



Source: Colliers

Monthly average daily rate (ADR)



Source: Colliers

Appendix

New supply

Hotel Name	STR Equivalent Rate	Location	Region	#Rooms	Opening Time
3-star					
Ibis Raden Saleh	Midscale	Raden Saleh	Central Jakarta	180	Q1 2024
BW Express Tanah Abang	Undefined Yet	Tanah Abang	Central Jakarta	138	Q2 2024
4-star					
Ashley Tugu Tani	Undefined Yet	Tugu Tani	Central Jakarta	80	Q2 2024
Astha Residence 25hours Hotel The Oddbird Jakarta	Upscale	SCBD	CBD	135	Q2 2024

continued



Hotel Name	STR Equivalent Rate	Location	Region	#Rooms	Opening Time
<i>continuation</i>					
5-star					
Movenpick Jakarta Pecenongan	Upscale	Pecenongan	Central Jakarta	256	Q2 2024
Pan Pacific Jakarta	Upper Upscale	Thamrin	CBD	158	Q2 2024

Source: Colliers

New pipeline

Hotel Name	STR Equivalent Rate	Location	Region	#Rooms	Project Status	Opening Time
3-star						
Fairfield Slipi	Upper midscale	Slipi	West Jakarta	250	Documentation	2027
4-star						
Park Royal Hotel	Upscale	Thamrin	CBD	162	Under construction	2025
5-star						
Waldorf Astoria	Luxury	MH Thamrin	CBD	183	Under construction	2025

Source: Colliers



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