

The text "Market Insights" is written in a white, sans-serif font and is contained within a white rectangular box that overlaps the bottom left of the building image.The main title "What are the most valuable assets of Hospitality Companies?" is displayed in a white, sans-serif font on a dark blue rectangular background. This background is positioned in the lower half of the page, overlapping the building and pool images.

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## Introduction

As the hospitality sector is coping with challenges as a result of the weak performance of the tourism industry over the past few years, it is also facing an adjustment or recalibration of business in general. The pandemic has had an impact on employees, owners, suppliers/vendors and also customers.

Uncertainty in business sustainability has been experienced by all stakeholders, given that the hospitality business is especially vulnerable to changes in the surrounding environment. The pandemic proved that a crisis which occurs on a local, national, regional or global scale will have a major impact on the tourism sector.

The goal for the hospitality sector is to regain its performance back to pre-pandemic levels and this means that there must be a change or shift. Surviving and sustaining in a period of crisis and getting out of these difficult times is the main focus at present, then hoping that the sector can eventually come back stronger than before. In order to achieve such goal, the sector requires creativity and reliability from both the leaders and everyone else involved.

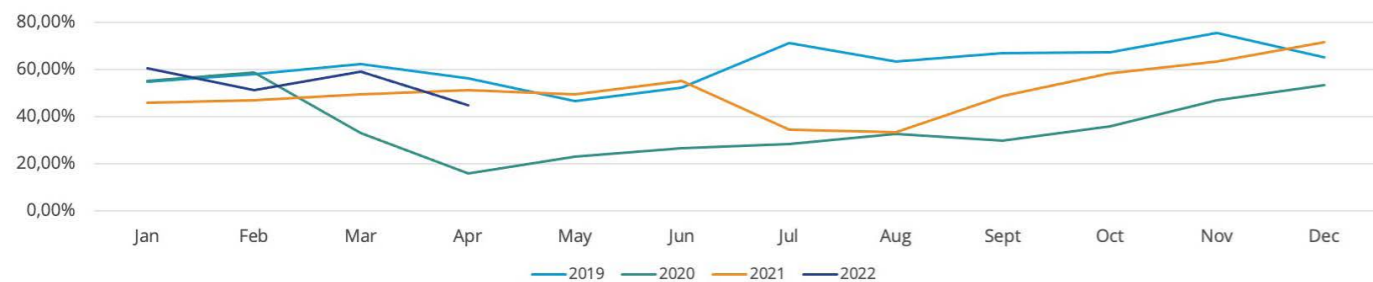


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# Hotel Room Occupancy in Jakarta, Surabaya, and Bali

## Jakarta



Source: Colliers Indonesia Research Services

Based on the above data, the hotel occupancy rate may reach pre-covid 19 levels faster than projected; in Jakarta, the volume of business is almost the same as in 2019.

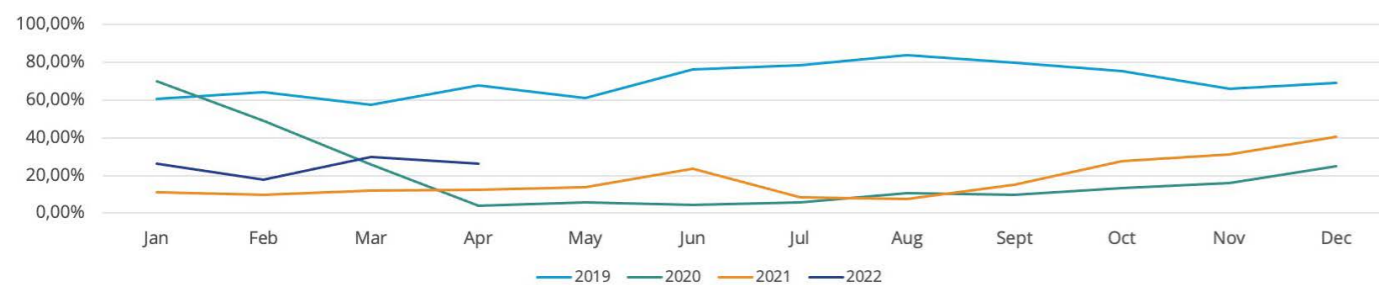
## Surabaya



Source: Colliers Indonesia Research Services

The Surabaya hotel sector is experiencing the same situation as Jakarta, mainly as domestic travellers still dominate the market. From the above chart, we can see that the 2022 occupancy rate is almost at the same level as in 2019.

## Bali



Source: Colliers Indonesia Research Services

The occupancy rate in Bali is still far behind when compared to the pre-covid 19 situation. Most travellers going to Bali prefer higher star rated hotels or luxury villa accommodation.



Colliers believes that the occupancy rate in Jakarta and Surabaya is higher because there are additional activities such as weddings, MICE and other offline events. However, Bali relies more on leisure travellers with fewer MICE activities. Its occupancy growth is determined by seasonality but even when Bali's occupancy rate is being viewed as a whole, the increase is actually still very moderate.

Even though the hotel sector has not yet fully recovered, there is potential for improvement and growth. However, both hoteliers and other hospitality industry players will also need to understand and determine what assets are the most important so that the business cycle can be optimised.

# The Impact



## On owners

In the coming years, owners will have to choose what will be a good investment. It is no longer 'nice to have' an investment but focus should be on an investment that has a real target or which can be called a 'must have' investment. An example of a real investment is an investment which involves a financial calculation such as ROI, IRR (Internal Rate of Return), Cap Rates, and which does not prioritise non-financial targets.

Apart from that, due to the pandemic, owners/investors have also re-evaluated investments made, by investing in only basic things such as:

- Initial investment or development,
- Investment for business development,
- Investment to increase the value of the business.

When re-evaluating an investment, it is important for hotel owners to create a solution regarding the lack of personnel numbers, because this will leave them unable to meet post-pandemic travel demand. ***The World Travel & Tourism Council (WTTC)*** expects that the travel and tourism sector in Indonesia will create more than 500,000 new jobs every year for the next decade, reaching more than 16 million employed in the sector by 2032.



## On professionals

One of the biggest impacts experienced on the professional side is the number of personnel available. Currently, the trust of prospective personnel in the tourism sector is low, and many see it as a very sensitive/fragile sector in the event of crisis, seeing more stable opportunities in other sectors. By choosing not return to the hospitality industry, this may cause hoteliers to face a major staff shortage.

The choice of senior professionals, therefore, becomes limited which, in turn, affects the quality of other personnel due to a decline in the quality of skills and knowledge of available and current personnel. The lack of personnel will also have an impact on the operational cycle as it will have an impact on the quality of service and, with that, an impact on the sales numbers and revenue generated.

For this reason, the availability of good quality personnel will become a major consideration.



## On suppliers/vendors

One of the most important aspects of the relationship the industry has with suppliers/vendors lies in the quality and prices offered. Due to decreased purchasing power and higher production costs, there is also an indirect decrease in the quality of goods or services offered or provided by suppliers to industry players.



## On customers

The pandemic has created new habits which are oriented towards health and safety. This is a special concern for customers because it is very closely related to the implementation of the "New Normal" and applicable protocols.

The existence of new protocols which must be applied by the industry will have an impact on costs and such increase in costs means higher prices which must be paid by consumers.



## Most valuable assets and what investors/owners need to do

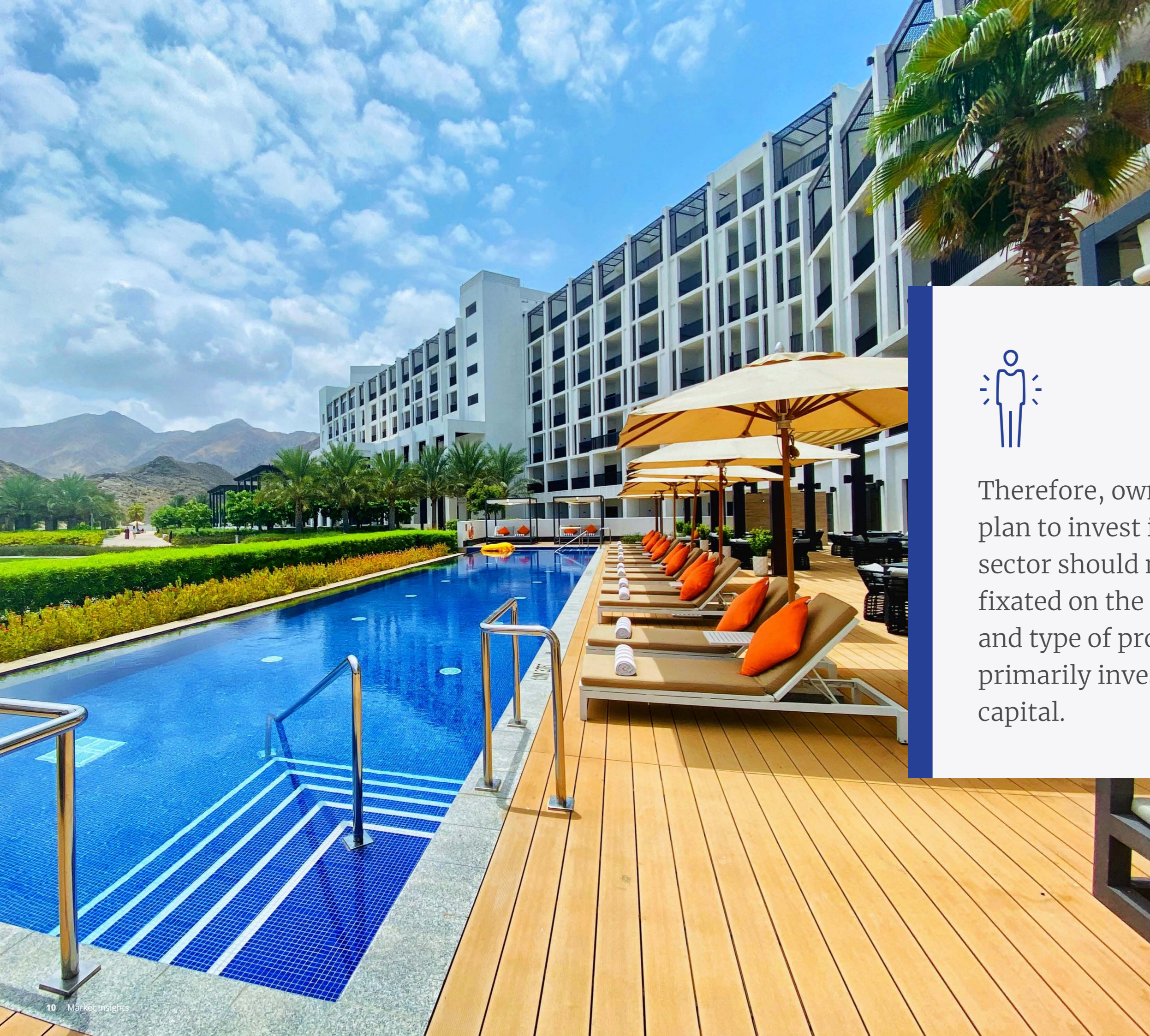
In the end, the answer about what is the most valuable asset today for industry players is human capital.

Even though initial investment in personnel may be relatively small, it has a large impact on the industry. Some 22% - 26% of operational costs will be for manpower but, without spending such amount, there will be a domino effect on the quality of the products offered, which will affect customer

satisfaction and, in the end, be evident in revenue figures.

The main consideration prior to making a hospitality investment is to think about aspects of efficiency and effectiveness of service operations. Only prioritising the concept of a project without thinking in more detail about the operation will also result in high operational costs, especially in manpower costs and related expenses.

Investment in personnel selection is also an important part considering that mistakes will result in higher costs and possible loss of potential income. Several strategies need to be in place in order to lure personnel back into the industry.



Therefore, owners/investors who plan to invest in the hospitality sector should no longer just be fixated on the concept, location and type of property, but primarily investing in human capital.

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