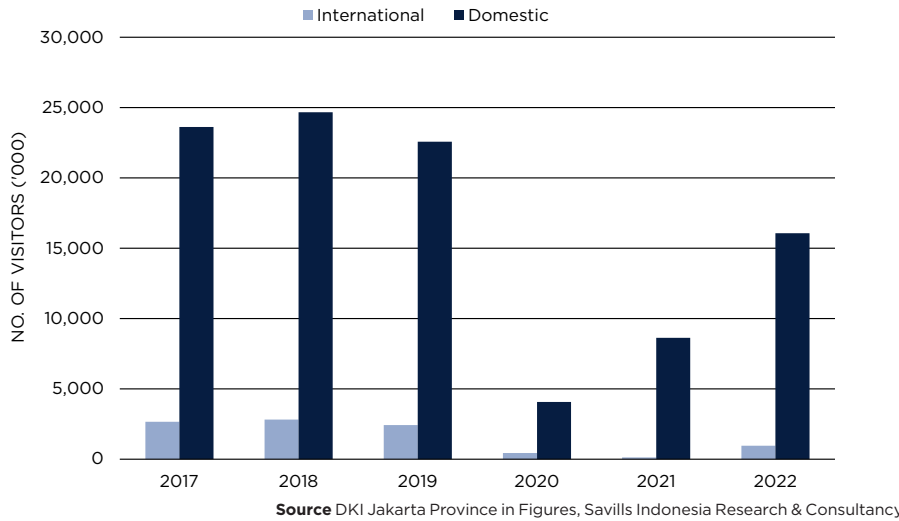


Indonesia Hospitality

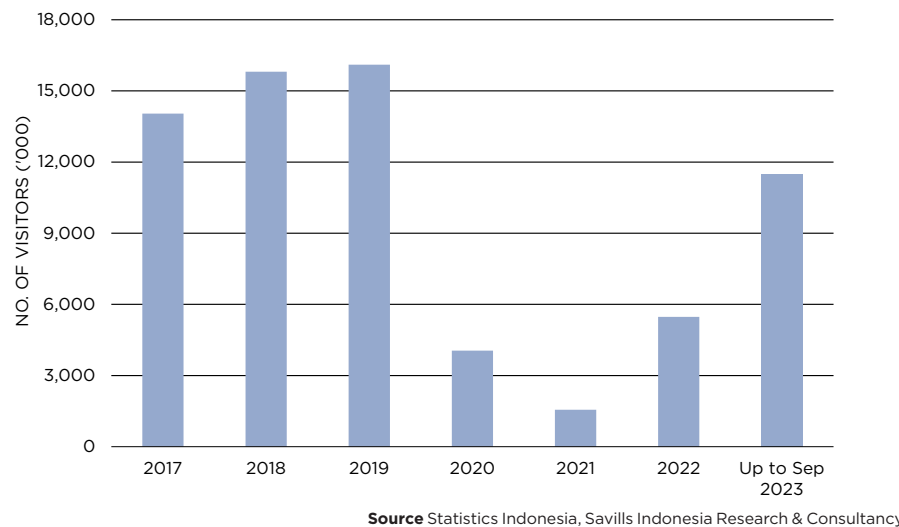


The hotel market continues to recover following the increase in tourism and MICE activity

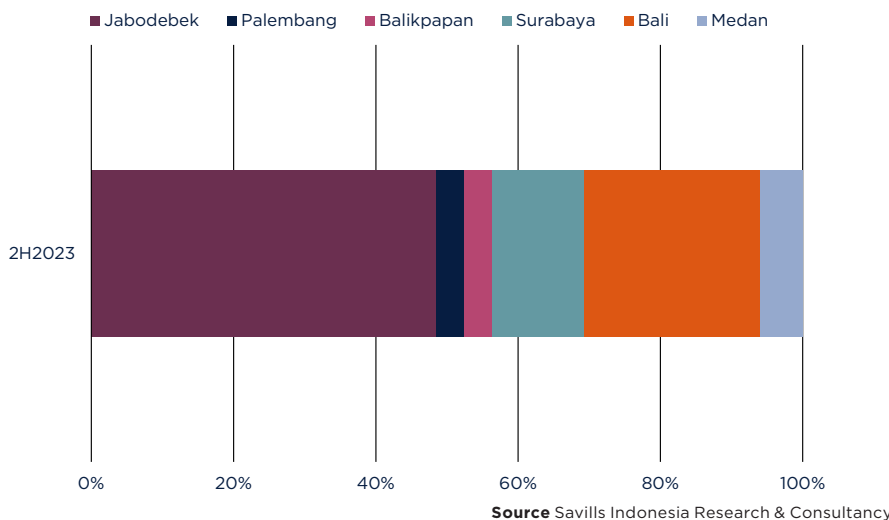
GRAPH 1: Number of Visitor Arrivals in Jakarta, 2017 to 2022



GRAPH 2: Number of International Visitor Arrivals in Indonesia, 2017 to September 2023



GRAPH 3: Hotel Supply Distribution in Indonesia, 2H/2023



TOURISM PROGRESS

Jakarta as the nation's capital is one of the main destinations in Indonesia for MICE and tourism activity. In 2020 and 2021, the number of visitor arrivals from both domestic provinces and foreign countries fell significantly due to the pandemic. However, in 2022, domestic visitor arrivals have increased amidst limited foreign arrivals.

Indonesia's tourism market has grown rapidly in recent years, encouraging growth across a range of travel-related industries, especially the hotel sector. The tourism market has achieved healthy growth with a Compound Annual Growth Rate (CAGR) of 16%. Specifically in 2022, growth was recorded at around 19.8%, exceeding the peak performance in 2019 which reached 1.8%. Bank Indonesia has recorded that tourism contributed more than US\$7 billion (Rp. 109.5 trillion) to the local economy in 2022 and by October 2023 this figure had already reached double digits.

The Minister of Tourism and Creative Economy announced encouraging achievements in Indonesia's tourism and creative economy development in 2023, which has led to a high number of foreign arrivals. The increase in foreign arrivals has been significant, and in 2023 the number is estimated to reach double digits for the first time at around 11 million to 11.5 million.

SUPPORTING FACTORS FOR HOTEL BUSINESS PROSPECTS

Hotel investment in the Asia-Pacific region in 2023 is predicted to slow down. In the midst of this regional slowing trend, hotel investment in Indonesia continues to grow, supported by an increase in the number of visitors as well as new hotel developments in cities with tourist attractions and MICE activity. Other factors are providing the sector with support.

First, Indonesia is one of the most popular tourist destinations in the world, with a diverse natural environment, culture, and culinary offerings. The more tourists visit Indonesia, the greater the demand for accommodation, including hotels. The government continues to encourage foreign tourist visits through various inter-country collaborations. Second, the Indonesian government continues to improve infrastructure in various regions, including road access, airports, and public transportation. This makes it easier for tourists to visit various more remote destinations in the country and further increases demand for hotels.

Third, technological developments have enabled hotel management to become more

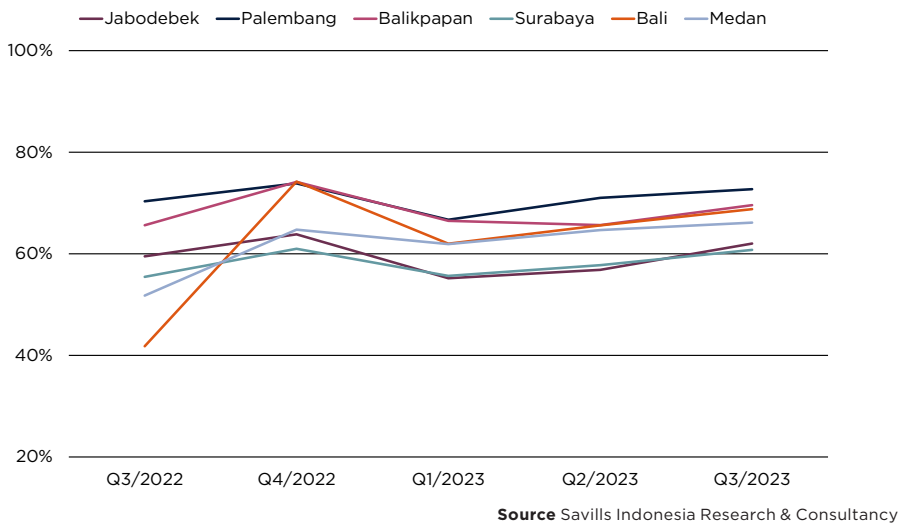
efficient and automated. New technologies also make it easier for travelers to book hotel rooms and monitor their reservation status. Fourth, the improving local economy has also had a positive impact on the hotel industry. The more people have higher purchasing power, the greater the demand for quality accommodation. Lastly, although competition in the hotel industry is quite fierce, this can be a positive factor in improving the quality of hotel services and facilities.

HOTEL MARKETS

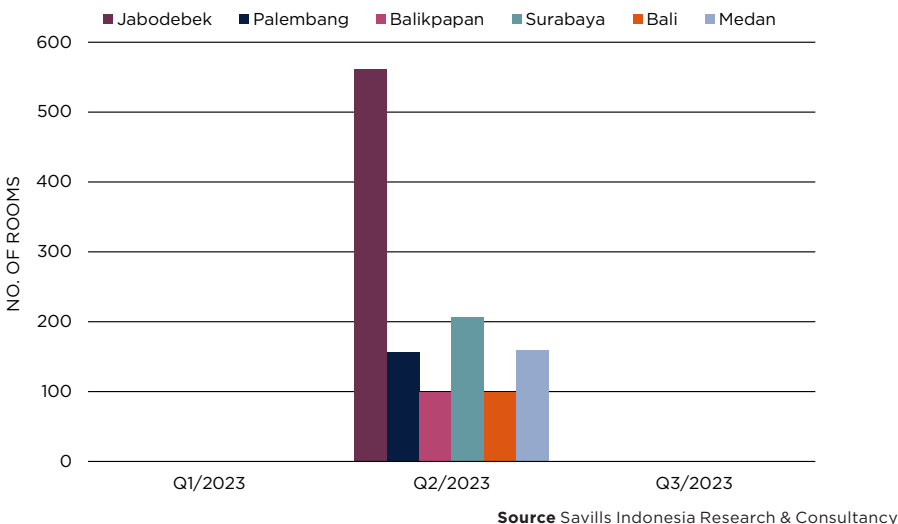
The hotel markets in several big cities have seen improvements in 2023 even though the Indonesia hotel market overall is still in a recovery phase, as can be seen from the large number of room vacancies in 2023. Cities which provide a national or international

An increase in the number of visitors to Jakarta has been driven by the growing MICE activity, which has led to an improvement in occupancy rates in the hotel market. Even though the hotel market performance is still in a recovery phase, nightly room rates have returned to pre-pandemic levels.

GRAPH 4: Hotel Occupancy Rates, Q3/2022 to Q3/2023



GRAPH 5: New Hotel Supply, Q1/2023 to Q3/2023



scale of tourist destination, as well as cities which are centers of regional-scale MICE activity, have reported a better performance compared to last year.

Even though business activity was relatively slow at the beginning of 2023 because most private and government institutions were preparing their budgets, there has been a significant increase towards the end of the year, especially during the third quarter of 2023. Increasing MICE activity held by state-owned/ministerial/corporate and institutional entities has led to an increase in occupancy rates of hotels in major cities in Indonesia. Long weekends have also led to an increase in family staycations and an increase in occupancy rates.

Specifically for business hotels in Jakarta during 1H/2023, a wide range of attractions such as international music concerts, sport events and exhibitions have generated significant demand for hotel rooms.

Indonesia’s domestic tourism market has grown rapidly in recent years, encouraging progress in the travel industry, especially the hotel sector. Thus, domestic tourism has become the backbone of the Indonesian hotel market, particularly in major tourist cities, such as Bali and Bandung.

The performance of the hotel market in Bali has enjoyed a significant improvement during 2023, represented by 27.0% YoY growth compared to the same period last year. Demand from abroad continues to grow and is gradually returning to normal. A new trend currently is the high demand from Indian tourists, complimenting those from Europe, Japan, Korea and China. Domestic demand has contributed greatly to the hotel market in Bali, both for leisure and MICE activities. Several hotels have begun to improve meeting facilities to attract more MICE visitors.

Palembang enjoyed the highest occupancy rate among other cities in Indonesia, recorded at 72.7%. Various national scale events have been held in Palembang, including government events, associations, and party activities. MICE activity has also come from state-owned companies, mining, and agriculture.

Balikpapan is a fast-growing city with high levels of economic growth compared to other major cities in Indonesia. Balikpapan has benefitted from the oil boom and is the base for many major oil companies and related industries. Currently, the Pertamina Refinery Unit is one of the largest manufacturing industries in

Balikpapan. The development of Indonesia's new capital city, Nusantara, has led to significant demand for hotels in Balikpapan and several new hotels started operations in 2023.

OUTLOOK

The government has targeted a stable economic growth rate in 2024 of 5.2%. To achieve this level of growth, Indonesia is facing heavy pressure from the global economy, however, in the midst of these conditions, the local economy remains relatively attractive, marked by an inflation rate at 2.3% to 2.4% and secure economic growth during seven consecutive quarters at above 5%.

Growth in nightly room rates is expected to continue with the continued increase in hotel demand and overall nightly rates are projected to grow about 5% to 15% in 2024. It is expected that event organizers will continue to hold international MICE events, not only in tourist destinations such as Bali, but also in other major cities, which will ultimately have a positive impact on demand for hotels. Domestic tourism will remain popular.



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