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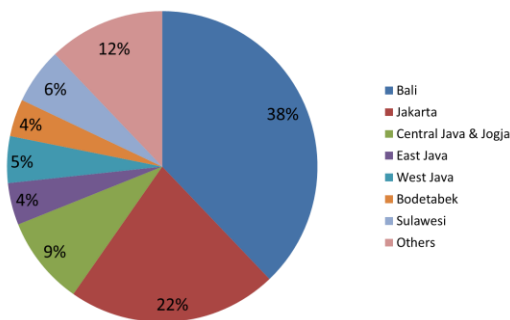
Hotel, Tourism and Leisure

The global leader in
hospitality consulting

Indonesia Hotel Market
Sentiment Survey
March 2015



SHARE OF RESPONDENTS BY LOCATION, MARCH 2014



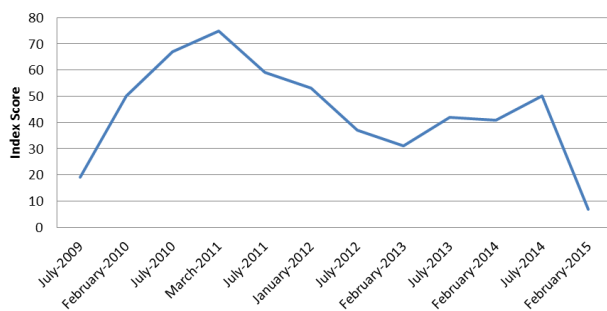
INTRODUCTION

The Horwath HTL Indonesia Hotel Market Sentiment Survey has been designed to provide the hotel industry with a quick assessment of the future market outlook. The four-question survey focuses on the outlook for occupancy, average daily rate and total revenue. Hoteliers have also been asked to make comments on their expectations for the coming year in comparison to 2014, as well as identify key factors of growth/decline, assessing the outlook for key demand segments.

This report focuses on the outcome in Indonesia with some benchmarking against ASEAN results. Of the 273 respondents, 75% of them came from Indonesia followed by Malaysia (12%), Thailand (7%), while the rest from Singapore (7%).

Within Indonesia, 38% of the respondents were from Bali, 22% from Jakarta, 4% from BODETABEK and about 18% were from elsewhere in Java including Jogja, Central, West, and East Java. The final 18% were widely spread across Sulawesi, Sumatra, Kalimantan, Lombok, Bangka Belitung, Batam and Papua.

ASEAN OVERALL INDEX TREND JULY 2009 – FEBRUARY 2015



Across ASEAN the market sentiment is positive although down sharply from July 2014. As in previous years, new competitive supply additions, currency exchange and global oil prices still cause the most uncertainty amongst ASEAN countries.

ASEAN SENTIMENT RANKINGS

COUNTRY	SCORE			
	Jul 2013	Mar 2014	Jul 2014	Feb 2015
Indonesia	42	41	50	7
* Jakarta		55	50	26
* Bali		26	46	-8
* Central Java			60	12
* East Java				15
* West Java			66	-8
* BODETABEK				24
* Sulawesi				-8
* Others		51	41	21
Thailand	40	0	-6	61
Malaysia	46	65	1	-34
Singapore	-12	24	-41	-29

The overall outlook for Indonesia is the lowest since July 2013, dropping significantly in the last half year. Sumatra is the most optimistic for the year ahead.

SENTIMENT RANKINGS

As a way to measure and compare the results across countries, we have created an index to formulate an overall average sentiment score from the first two questions. Points are assigned to each corresponding response and compounded accordingly. The index utilizes a scale of negative 150 to positive 150 in which a score of negative 150 denotes a sentiment of absolute pessimism; a zero score indicates unchanged expectations from the previous year whereas a positive 150 signifies a very optimistic outlook. The sentiment index or scores allow trends to be observed over time.

Jakarta recorded an index score of 26, not even half of March 2014's overall score of 55. Incoming new supply and the government's controversial decision to limit their use of hotel facilities has lowered respondents' expectations in 2015. That said, it is still the most optimistic area in the country.

Several areas considered congested by many, like Bali and Bandung, are feeling the pinch and are pessimistic about 2015. A big change in just 6/7 months.

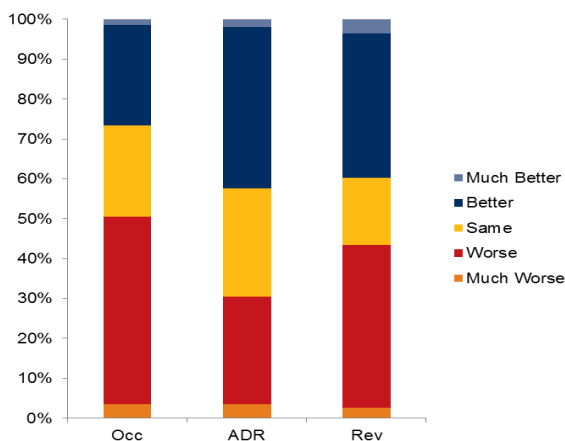
Singapore and Malaysia are doom and gloom and Thailand, thanks to a terrible year in 2014 have picked themselves up with some reasonable optimism for 2015.

RANKING SCORE KEY

Much Worse	-150
Worse	-75
Same	0
Better	75
Much Better	150

2015 HOTEL MARKET OUTLOOK

Question 1: What is your assessment of the hotel market outlook for 2015 versus 2014?



Indonesia-wide results

“Across Indonesia, outlook for total revenue performance in 2015 was heavily affected by the negative sentiment towards occupancy.”

MARKET PERFORMANCE RANKING

	Occ	ADR	Rev	Avg
Indonesia	-19	8	-2	-4
* Jakarta	-8	44	18	18
* Bali	-23	-14	-8	-15
* Central Java	-28	-12	-16	-18
* East Java	-25	25	-8	-3
* West Java	-68	8	-15	-25
* BODETABEK	-9	9	11	4
* Sulawesi	-25	-6	-31	-21
* Others	0	28	13	14

Occupancy

The vast majority, almost 50% of participants, believe that occupancy will get worse in 2015. It's been a tough year end for all Indonesian hoteliers with the government suddenly restricting MICE related activities at hotels.

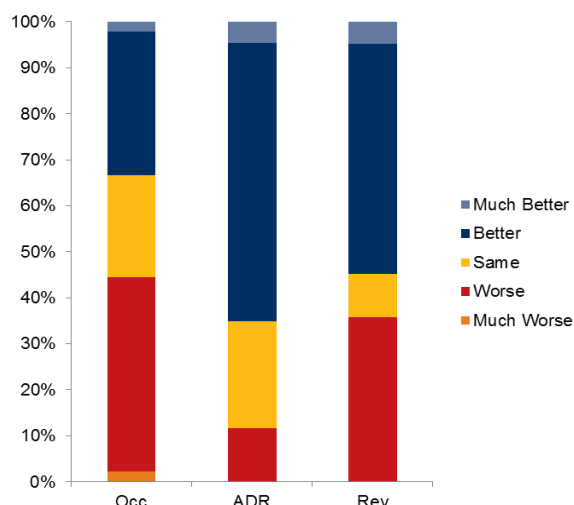
The only area that remained neutral was Others where the sentiment for occupancy was 20% 'same', 40% 'better' and 40% 'worse'. On the contrary in West Java more than 90% of respondents believe market occupancy will deteriorate in 2015. This is due to a combination of incoming new supply and the government's MICE policy, especially in Bandung.

Average Daily Rate

More than 40 percent of Indonesian respondents were optimistic about market ADR performance in 2015, with about 2% thinking ADR would be 'much better' in 2015. Jakarta respondents remain the most bullish for market ADR performance with more than 60% predicting 'better' results for 2015. Central Java respondents with more than 36% and Sulawesi respondents with more than 58% are expecting a flat performance on market ADR for 2015. Bali respondents are the most pessimistic group with more than 40% predicting lower market ADR in 2015.

Total Revenue

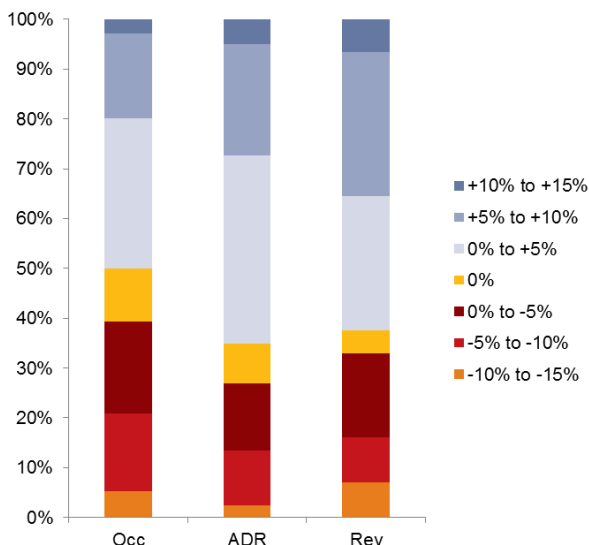
Across Indonesia, outlook for total revenue performance in 2015 was heavily affected by the negative sentiment towards occupancy. Over 40% of respondents believe that total market revenue will be 'worse' in 2015. East Java & Sulawesi respondents were the most pessimistic markets with more than 55% believing revenue will be "worse". Jakarta & BODETABEK are the most positive markets with more than 50% of hoteliers thinking that market revenue will increase in 2015.



Jakarta results

2015 HOTEL PERFORMANCE EXPECTATION

Question 2: For **your hotel**, what is your expectation for growth/decline in 2015 versus 2014?



Indonesia-wide results

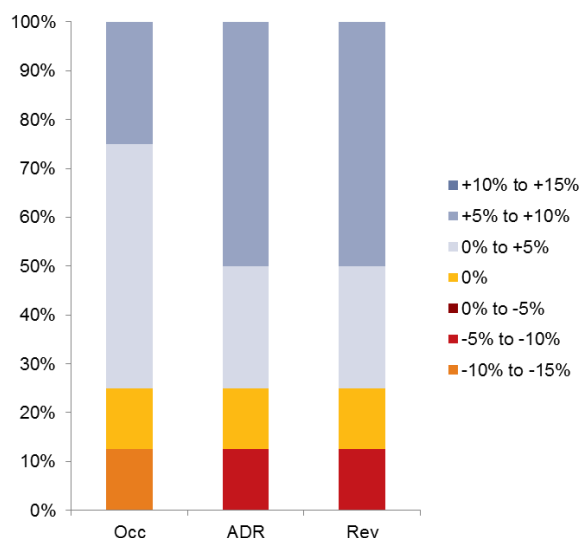
Interestingly, most respondents are far more optimistic about their property than of the market. Typically, sentiments move in parallel.

Occupancy

Approximately 50% of Indonesian hoteliers expect occupancies to grow at their hotels in 2015. With 20% of respondents expecting occupancy to jump by 5+%. The strongest was the Sulawesi group with more than 58% predicting growth in occupancy. Bali hoteliers were the most pessimistic group with more than 45% respondent believing occupancy would fall.

Average Daily Rate

The majority of respondents (65%) expect positive ADR growth at their hotels in 2015. Over 37% of hoteliers are projecting ADR growth of 0 to 5%, 22% between 5 and 10% growth and 5% over 10% growth. BODETABEK respondents are the most optimistic with 75% projecting ADR growth at their respective hotels. Strong foreign corporate demand, supported by improving infrastructure and supporting facilities is boosting confidence among the greater Jakarta hoteliers.



BODETABEK results

Total Revenue

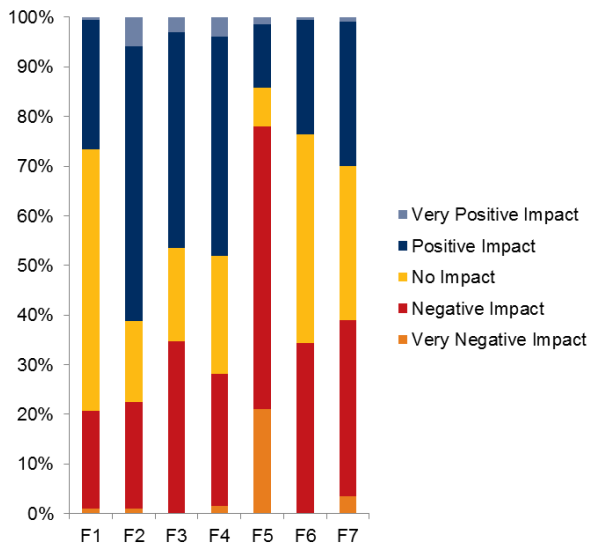
With occupancy and ADR forecast to grow, it stands to reason that revenue will follow suit. Over 60% of respondents expect revenue upside in 2015 with over 30% expecting that upside to be 10+%. About 33% of hoteliers expect their hotel's revenues to decline in 2015, and over half of those expect a reduction of less than five percent. As expected BODETABEK hoteliers were the most optimistic in total revenue growth with 75% predicting higher revenues at their hotels in 2015.

FACTORS AFFECTING PERFORMANCE

Question 3: How are each of the factors below expected to influence **hotel market** performance in 2015?

Each hotelier was asked to gauge their attitude towards seven factors and their impact.

- F1. Local/global stock market
- F2. Local economic growth trends
- F3. Global economic growth trends
- F4. Local tourism trends
- F5. New competitive supply additions
- F6. Global oil prices
- F7. Currency exchange rates



Indonesia-wide Results

“the majority of respondents are most threatened by new competitive supply except BODETABEK where respondents see it having a positive impact”

Both local and global economic growth together with local tourism trends are seen as having the greatest positive impact on hotel market performance across Indonesia.

The strongest concern in the country is the entry of new competitive supply followed well behind by currency exchange rates. Strong USD performance is expected in 2015 putting more pressure on the weakening IDR. The flipside being that Indonesia is becoming a more affordable destination attracting more business and leisure travellers over competing Asian destinations.

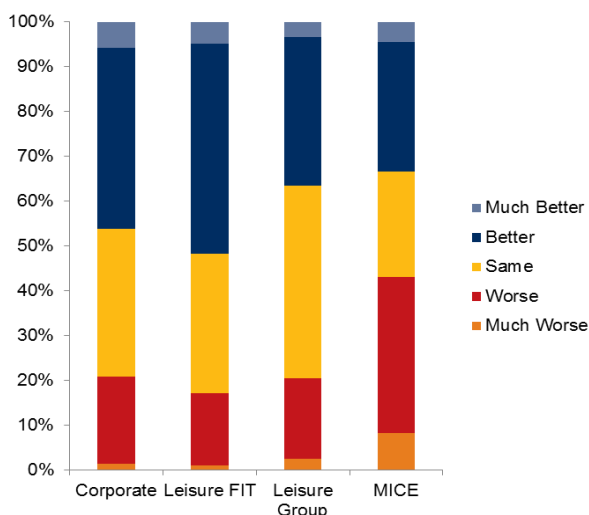
As stated, the majority of respondents are most threatened by new competitive supply except BODETABEK where respondents see it having a positive impact. In Bali, Jakarta, Central Java and BODETABEK local economics plays the greatest positive role in stimulating performance; interestingly in East Java it is local tourism trends; in West Java a combination of stock market and global economics; and in Sulawesi global economics has the largest positive influence.

DEMAND DRIVER RANKING

	Indo	Bali	Jakarta	Central Java	East Java	West Java	BODETABEK	Sulawesi	Others
F1	4	4	-2	8	-8	15	19	6	6
F2	33	32	30	51	17	0	56	25	41
F3	11	-5	12	28	25	15	19	38	25
F4	17	18	-2	51	33	-15	47	25	13
F5	-63	-85	-70	-20	-58	-60	11	-38	-47
F6	-8	-15	-13	-4	-25	0	28	6	6
F7	-8	-3	-18	-20	-8	-15	-9	19	-9

MARKET SEGMENT PERFORMANCE

Question 4: How are each of the major demand segments expected to perform in 2015 versus 2014?



Indonesia-wide Results

“Indonesian hoteliers are expecting less MICE business in 2015 due to the government’s decision to limit MICE activities at hotels.”

DEMAND SEGMENT RANKING

	Indo.	Bali	JKT	C. Java
Corporate	22	10	30	43
Leisure FIT	29	20	17	59
Leisure Group	13	9	-2	36
MICE	-10	-13	-7	0

	E. Java	W.Java	BDTB	Sulawesi
Corporate	0	8	47	44
Leisure FIT	33	45	47	50
Leisure Group	33	23	19	25
MICE	-8	-30	9	-19

	Others
Corporate	27
Leisure FIT	31
Leisure Group	16
MICE	-9

As can be seen from the chart, Indonesian hoteliers are most optimistic about the Leisure FIT segment with over 51% of respondents expecting ‘better’ or ‘much better’ numbers in 2015 over 2014. On the flipside, they are least optimistic about MICE business with nearly 59% forecasting the same or less demand. As expected, the government’s decision to reduce MICE activities at hotels is affecting hoteliers’ expectations for the segment in 2015.

Regional comparisons are as follows:

- Jakarta hoteliers expect the largest growth from corporate demand sources in 2015 with some increases in Leisure FIT. Leisure group expectations are effectively neutral and there were mixed expectations for the MICE segment. Around 38% of respondents think MICE will get “better” or “much better” and a slightly larger 40% think it will be the exact opposite;
- Bali & East Java respondents are sending similar signals about their segmentation expectations in 2015. They both have positive sentiment towards Leisure FIT and Group particularly East Java. Bali respondents are more optimistic on the corporate segment and they concur that MICE demand will fall.
- Sulawesi is expecting better numbers in 2015 with increases in all segments except MICE.
- Both West Java and Others respondent groups are pretty similar; each are quite optimistic about Corporate & Leisure (FIT & Group) but pessimistic about MICE especially West Java where 70% of the respondent believe that MICE will get “worse”.
- Central Java and BODETABEK are very optimistic about 2015 with more than 50% of their respondent believing that everything will get better or at least stay the same.

CONCLUSION

Indonesian hoteliers believe that ADR growth will outstrip falls in occupancy in 2015. New supply remains hoteliers' major concern for performance to year end.

Uniformly hoteliers across Indonesia are more optimistic about their hotel's performance than their respective hotel markets' performance.

From the survey, it would seem that total revenue growth will be driven by rate increases with improvements in ADR and total revenue expected by most of the respondent groups.

New competitive supply additions and currency exchange rates are seen as the biggest threats to success across Indonesia. New supply is by far the most worrying factor to Bali, Jakarta & West Javan hoteliers.

Going forward, local economic growth trends are more important than global economic trends in BODETABEK & Sulawesi. Whilst local tourism trends are expected to have the greatest positive impact on Sulawesi hotels in 2015.

Finally, the greatest potential for increased demand in Jakarta, Central Java, West Java, BODETABEK, Sulawesi and Others in 2015 comes from the Corporate segment. In Bali and East Java, hoteliers expect the demand to be balanced between corporate and Leisure (FIT & Group). Hoteliers are uniformly pessimistic about the MICE segment.

OTHER MARKET SENTIMENT REPORTS

BY REGION

ASEAN
Benelux
Europe

BY COUNTRY

Austria
Brazil
China
Hungary
Indonesia
Ireland
Italy
Japan
Norway
Poland
Switzerland

BY CITY / DESTINATION

Beijing
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