Horwath HTL

Hotel, Tourism and Leisure Celebrated 100 years in 2015

Asia Pacific Market Reports

JAKARTA HOTEL MARKET UPDATE

Q3 2016

Jakarta Hotel Market Update

Indonesia Snapshot

BPS reported a small 1.97% inflation for YTD September 2016. Despite the small rise of MOM inflation in September, it remains at a comfortably low level.

BPS reported 8.36 million foreign tourist arrivals in Indonesia January through September, up 8.5% compared to the same period last year. In July alone, Indonesia attracted 931,694 foreign tourists, a 20.1% increase YOY while September saw a 9.4% increase YOY.

The World Economic Forum's Global Competitiveness Report 2016-17 indicates that Indonesia has slipped for a second time in so many years to number 41 in 2016. In comparison to other East Asia and Pacific Countries, Indonesia is placed 11th from 15 in front of the Philippines, Vietnam and Cambodia but behind Thailand and Malaysia.

The Ministry of Transportation has signed off on a regulation that will allow foreign-owned jets to fly to two or more international airports in Indonesia. Previously, private jets or other foreign non-commercial aircrafts could only serve international flights into one airport at one time. According to Dassault Falcon Asia Pacific, a more relaxed flight permit regime could turn Indonesia into the largest business jet market in South East Asia by 2019.

Air Asia plans to add five additional routes that cover parts of eastern and western Indonesia and bring six million additional tourists into the country annually. These new destinations have not been disclosed.

Singapore Airlines reports it will be increasing the frequency of their Singapore to Jakarta route and adding a new route connecting Jakarta to Sydney in an effort to tap into Indonesia's growing tourism market. The Singapore-Jakarta-Sydney route will be available 3 times a week.

Jakarta Snapshot

The Tourism Ministry and Indonesian Tourism Promotion Agency organized a 5km race along the East Flood Canal in East Jakarta to promote the area as a new tourist attraction. This man-made tourist spot is the city's pilot project for better treatment of rivers in the city. The race, officially known as BKT 5k Festival included bazaar and entertainment.

Soekarno-Hatta International Airport's Terminal 3 Ultimate officially opened in early August. The terminal currently serves Garuda Indonesia's 128 domestic flights, while international flights will commence starting March next year (although this seems optimistic). The government intends to make this new terminal a major gateway for tourism, catering to international flights and enticing travelers to transit in Jakarta.

Jakarta Q3 2016 New Hotels

Horwath recorded the opening of 3 hotels in Jakarta during Q3 2016, few keys than in both Q1 and Q2:

Q1

Hotel	Service	Keys	Location
Pop! Hotel Pasar Baru	Limited	112	South
Amaris Satrio Kuningan	Limited	54	South
HIE Wahid Hasyim	Limited	215	Central
Mercure Cikini	Full	212	West
Swiss-Nelhotel Pondok Indah	Full	159	West
Grand Dhika Iskandarsyah	Full	239	West
Q1 subtotal		**991**	

Q2

Hotel	Service	Keys	Location
Harper MT Haryono	Limited	131	South
F Hotel Jakarta	Limited	53	South
Grand Whiz Poins Square	Limited	159	South
Ayaka Suites	Limited	208	Central
A One Hotel	Limited	150	Central
Fraser Place Setiabudi	Full	151	South
Q2 subtotal		**852**	

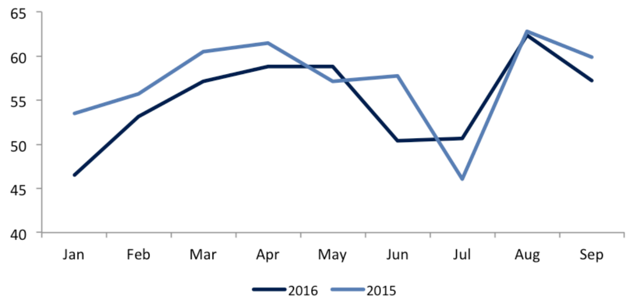
Q3

Hotel	Service	Keys	Location
Four Seasons Hotel Jakarta	Full	153	South
The Westin Jakarta	Full	256	South
Four Points by Sheraton Thamrin	Full	162	Central
Q3 subtotal		**571**	
Total Q3 2016		**2,414**	

Jakarta: Luxury & Upper Upscale

Occupancy

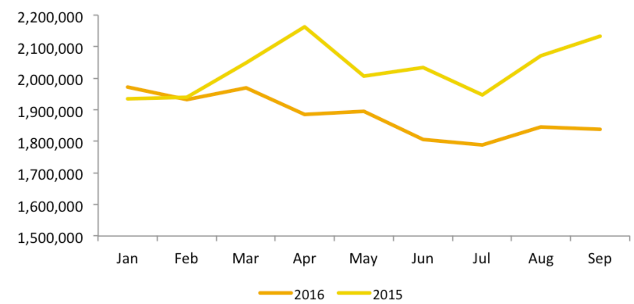
Occupancy: Luxury / Upper Upscale



The fluctuation of occupancy performance in Luxury & Upper Upscale segment in Q3 mirrored that for the same period in 2015. July performance YOY saw a growth of over 10% as the end of Ramadhan shifted earlier in the month and business was back as usual by month end. However, the following months failed to surpass last year's performance and the YTD growth was -3.7% in this segment.

ADR

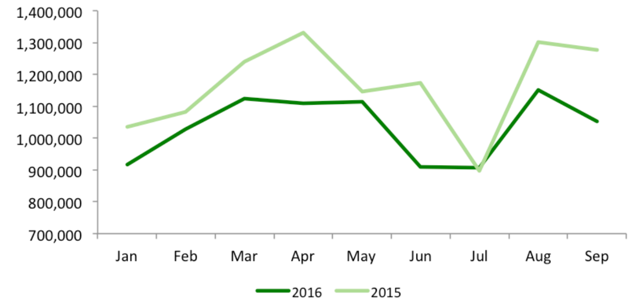
ADR: Upscale / Upper Midscale



The ADR in Luxury & Upper Upscale segment has underperformed throughout the year. Jakarta is experiencing negative growth month after month. June was the worst performing month due to Ramadhan, but it slowly picked up in the following months. YTD performance is down 7.7% YOY. It is predicted that year end ADR performance will be lower than 2015 at least by 8 to 9%.

RevPAR

RevPAR: Luxury / Upper Upscale

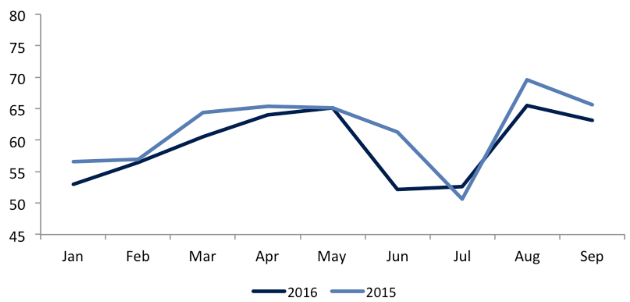


Overall YTD performance for RevPAR in this segment showed negative growth of 11%, a significant drop. The 3% growth in July closed the gap, but just like occupancy the RevPAR performance did not exceed last year. The Luxury/Upper Upscale segment recorded the worst performing RevPAR in the Jakarta hotel market.

Jakarta: Upscale & Upper Midscale

Occupancy

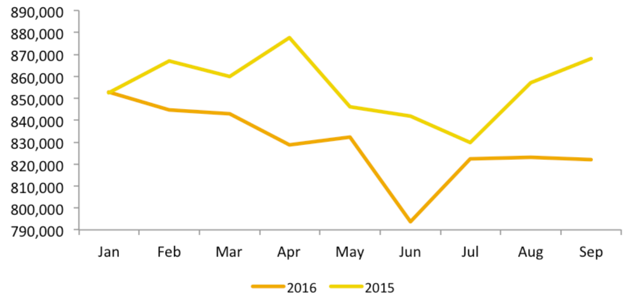
Occupancy: Upscale / Upper Midscale



The occupancy trend in Upscale/Upper Midscale segment was similar to Luxury/Upper Upscale in Q3. The YTD occupancy rate was down 4.2% compared to 2015. The slow growth during Q1 lulled us into a false sense of security, but similarly to other segments it hit a low during Ramadhan. The market ended down slightly in September and it will be difficult to match year end 2015 occupancy performance.

ADR

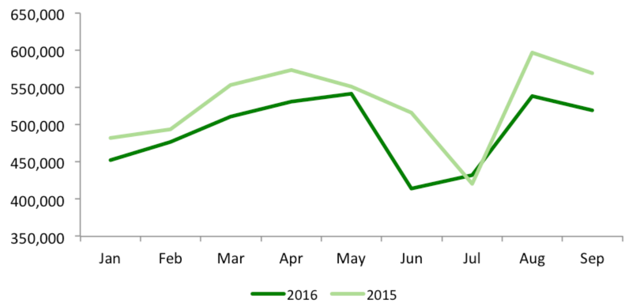
ADR: Upscale / Upper Midscale



The Upper/Upper Midscale ADR was consistently down in 2015 with the gap fluctuating between 1% and 5%. YTD performance for ADR in this segment is 829,215, which is down 3.1% YOY. Based on the fact that government demand remains doubtful, while the economy is not moving as strong as it's expected (GDP is predicted only grow slightly from 2016), it is doubtful that ADR performance will pick up in the next quarter.

RevPAR

RevPAR: Upscale / Upper Midscale

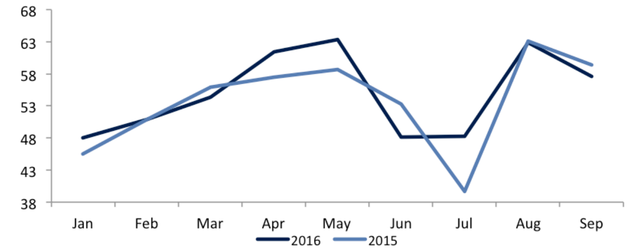


Occupancy is down, rate strategy has turned to filling rooms and RevPAR in the Upscale/Upper Midscale segment suffered a 7.2% negative growth YOY.

Jakarta: Midscale and Economy

Occupancy

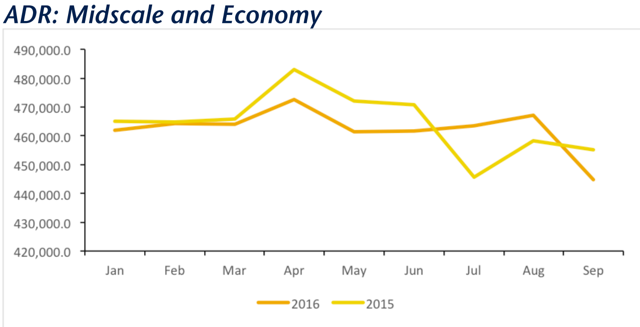
Occupancy: Midscale and Economy



The occupancy trend in the Midscale and Economy segment is similar to Luxury/Upper Upscale in Q3 2016. The occupancy rate enjoyed YTD performance growth of 2.3%, peaking in July with 21.7% growth YOY (caused by a calendar shift in Ramadan). Occupancy in September dropped below 2015 for the first time in Q3. The government budget cuts on MICE having yet another immediate effect on occupancy.

ADR

ADR: Midscale and Economy



Growth of ADR in the Midscale and Economy segments was sluggish until July and August which enjoyed growth of 2% and 4% respectively YOY. The small gains were lost in September when ADR fell to its lowest point in 14 months to levels not seen since July (Lebaran) 2015.

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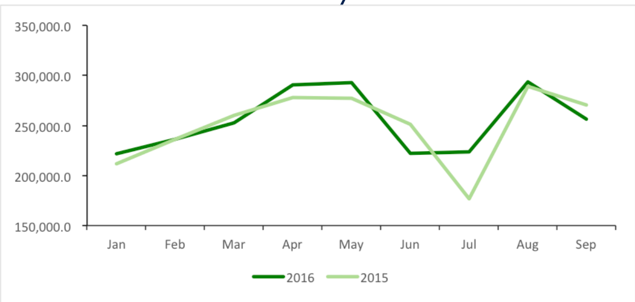
RevPAR

RevPAR: Midscale and Economy



RevPAR in the Midscale and Economy segments trended up until June when performance fell a large 19% YOY (Lebaran effect) before bouncing back in August. September again fell below levels recorded in 2015 however in general, this segment is doing slightly better than other segments. Average YTD performance is up 1.8% year on year.

Occupancy	%	% Δ
Luxury / Upper Upscale Classes	55.1	-3.7
Upscale / Upper Mid Classes	59.2	-4.2
Miscale / Economy Classes	55.0	2.3

IDR ADR	IDR	% Δ
Luxury / Upper Upscale Classes	1,880,170	-7.7
Upscale / Upper Mid Classes	829,215	-3.1
Miscale / Economy Classes	462,449	-0.5

IDR RevPAR	IDR	% Δ
Luxury / Upper Upscale Classes	1,035,364	-11.1
Upscale / Upper Mid Classes	491,089	-7.2
Miscale / Economy Classes	254,506	1.8

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