

Indonesia Hospitality Real Estate Market | Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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Report description:

The Indonesian hospitality real estate market is expected to register a CAGR of more than 7.3% during the forecast period. The economic crisis caused by the COVID-19 pandemic in 2020 had an influence on the hospitality real estate market, causing some projects to be postponed. Hotels and other lodging establishments account for a sizable portion of the hospitality real estate market. This is due to the fact that accommodations, such as hotels, are essential to the ever-increasing influx of foreign visitors to the country, as well as to the growing number of locals who like to take weekend or seasonal vacations.

Key Highlights

Tourism is the main driver of this industry. Some tax and real estate rules have also been loosened, which has made it possible for both locals and foreigners to invest in and buy buildings for the lucrative hospitality business in the country.

Tourism brought in significant foreign exchange inflows to Indonesia in the form of international tourism receipts, as well as investments and capital in tourism-related businesses. Tourism has typically resulted in infrastructure improvements for the local economy of a country.

Although the number of domestic trips taken in Indonesia greatly outnumbers the number of foreign visitors, domestic tourists spend less than half of what international visitors do. In 2020, the government came up with a plan to protect the tourism industry from the effects of the COVID-19 outbreak. The plan was to pay influencers up to IDR 72 billion (USD 5.2 million) to promote the country.

The government also waived hotel and restaurant taxes in 10 tourist destinations, including Toba Lake Regency in North Sumatra, Yogyakarta, Malang in East Java, Manado in North Sulawesi, Bali, Mandalika in West Nusa Tenggara, Labuan Bajo in East Nusa Tenggara, Bangka Belitung, and Batam and Bintan in the Riau Islands.

PT Indonesia Tourism Development (Persero) or Indonesia Tourism Development Corporation (ITDC) revealed in March 2021 that a luxury hotel being built worth IDR 709 billion is being worked on in Mandalika, West Nusa Tenggara (NTB).

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Pullman Mandalika Hotel was targeted to operate in the fourth quarter of 2021 and add tourism facilities at the Super Priority Tourism Destinations (DPSP). The national-scale hotel management company, Liberta Hotels International, has again collaborated to develop and manage a new hotel as one of the first 3-star hotels in Nganjuk, the capital of East Java Regency, with PT.

Build Griya Samawa as a developer. This hotel has 100 guest rooms, a ballroom, a meeting room, a restaurant, and a sky lounge bar, which began construction in the second quarter of 2021. The groundbreaking plan is to be carried out by the end of 2022.

Indonesia Hospitality Real Estate Market Trends

Tourism in Indonesia is the Major Growth Driver for the Rise of the Hospitality Industry

Despite the global and domestic economic slump, Indonesia, Southeast Asia's largest country, continues to draw an increasing number of tourists. At the same time, Indonesians are traveling around the country in unprecedented numbers.

As more tourists and businesspeople visit the country, hotel demand is expected to expand dramatically in the next few years and decades. Intensifying ASEAN economic integration and increasingly affordable airfares are boons for Indonesian hotels and related businesses and should help the industry overcome the present oversupply difficulties in some locations.

As a number of community activity regulations are lifted, tourism businesses in Bali are still focused on maximizing revenue from local tourists. From January to September 2021, 1.18 million foreign tourists visited the country. The figure is a long way off from the 3.59 million individuals estimated for the same time period in 2020. In September 2021, foreign tourist visits to Indonesia totaled 126.51 thousand, down by 15.08% from the same month in the previous year. In September 2021, the number of foreign tourist visits increased by 1.41% compared to August 2021.

In September 2021, the room occupancy rate (TPK) for star-class hotels in Indonesia was 36.64%, up 4.52 percentage points from September 2020. When compared to the previous month's TPK, the TPK in September 2021 experienced a quite high gain of 11.57 points. Beyond the current glut in some areas, hundreds of new hotels are likely to be needed over the next decade, presenting the potential for domestic and foreign investors in the budget, standard, and luxury segments.

The Hotels and Accommodation Segment is Dominating the Market

The hotel business in Indonesia is well developed, with everything from five-star hotels to simple guesthouses. The majority of the opulent resorts are on the island of Bali, which is Indonesia's most popular leisure destination.

The majority of hotels in Jakarta and other cities cater to business travelers. Due to the considerable increase in hotel supply, there has been much discussion about the anticipated impact on hotel asset prices over the next few years, which may be influenced by an increase in the number of domestic and foreign tourists, particularly in secondary cities across the country.

In 2021, there were 29 openings with 4,913 rooms, and in 2022, there were 16 launches with 3,097 keys. However, half of Indonesia's active hotel pipeline will not open for several years, with 64 hotels and 12,118 on the books for 2023 and beyond. Two-thirds of the 127 new hotels will be four-star hotels, with the remaining third being five-star hotels.

Bali leads the way, with 23 planned openings and 3,876 new rooms under construction, but Jakarta is not far behind, with 21 hotels and 3,569 keys in the works. Surabaya and Bandung will each get seven new hotels with a total of 1,734 and 1,257 rooms, respectively. Bintan will round out the top five with four new hotels with a total of 810 rooms.

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The Indonesian hospitality real estate market is highly fragmented, with businesses such as Plaza Indonesia Realty, Sinar Mas Land, Agung Podomoro Land, and Ciputra Group developing some of the country's most important hotel projects. International players, such as Tokyo Land Corporation, a Japanese property development corporation, are also increasing their presence in Indonesia.

Indonesia, being one of the emerging real estate investment markets, has attracted international players, primarily from Asian countries. The hospitality real estate market in Indonesia is predicted to become more competitive in the coming years as a result of the government's favorable FDI policy.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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