



INDONESIA HOTEL MARKET SENTIMENT SURVEY

February 2009

INTRODUCTION

The Horwath HTL Indonesia Hotel Market Sentiment Survey has been designed to provide the Indonesian hotel industry a quick assessment of the market outlook for 2009. The survey focuses on the outlook for occupancy, average room rates and total revenue.

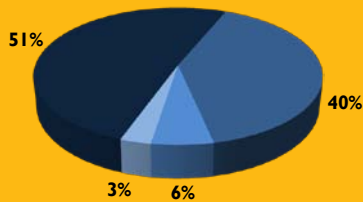
Hoteliers have been asked to make comments on the impact of key factors that drive room night demand growth as well as the room rate outlook for each major demand segment.

As a part of the global survey, this report focuses the outcome of the survey for the hotel market in Indonesia. Of the 67 respondents, 51 percent of them were a 5 star hotels, 40 percent from 4 star hotels, 6 percent from 3 star and 3 percent from the budget hotel segment.

At this point in time, with the financial crisis affecting most, if not all, corners of the globe, it is not surprising to find most hotel markets across the world having the same negative sentiment of the outlook for 2009. However, we hope that the following analysis provides some useful insight as to the expectations for the different hotel markets in Indonesia.

SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



- 5 Star
- 4 Star
- 3 Star
- Budget



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**SENTIMENT RANKINGS
OVERVIEW**

Top 5 Countries	Score
1.Indonesia	-4.3
2. South Korea	-7.2
3.Norway	-20.3
4. South Africa	-20.9
5. Mexico	-24.5

"A sentiment score of negative 4.3 indicate that Indonesian hoteliers are expecting a slight performance decline in 2009."

RANKING SCORE KEY

Much Worse	-150.0
Worse	-75.0
Same	0
Better	75.0
Much Better	150.0

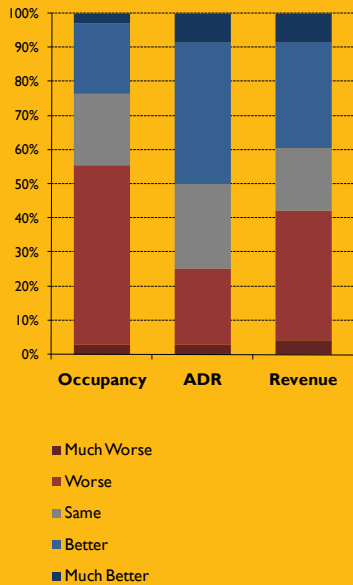
SENTIMENT POINT

As a way to measure and compare the results across regions and countries, we have created an index to formulate an overall average sentiment score from all survey questions. Points were assigned to each corresponding response and compounded accordingly. The index utilized 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 purpose of creating a sentiment index or score is also to better track changes in market sentiment in future surveys to be conducted by Horwath HTL.

The sentiments of hoteliers in Indonesia, which recorded a negative 4.3, indicate a slight performance decline in 2009. As evident from the table presented, Indonesia ranked the highest in sentiment score amongst the countries surveyed around the world.

RATIO OF RESPONSES



“Hoteliers believed that although occupancy will suffer a decline, ADR will experience an increase, keeping the revenue in a somewhat parallel to the previous year.”

MARKET-WIDE PERFORMANCE SCORE

Occupancy	-24.0
ADR	22.9
Revenue	1.1

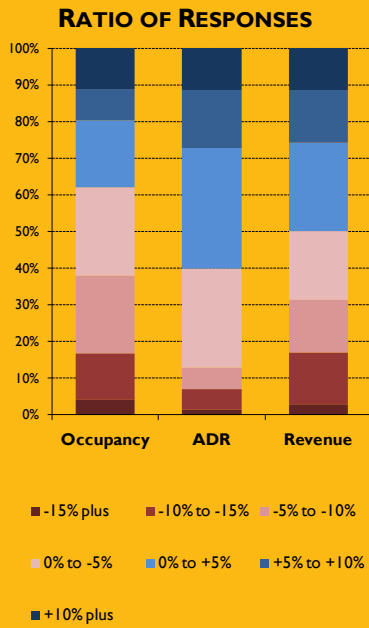
MARKET PERFORMANCE

The first survey question dealt with the contributors’ outlook on their markets’ performance in 2009 as opposed to 2008.

In terms of market-wide occupancy, only 3 percent of the respondents believe that performance will get much worse, 53 percent replied worse, 21 percent replied that performance will remain the same, another 21 percent believe that performance will get better while the remaining 3 percent responded that it would be much better. It is clear that the global financial crisis is expected to impact the room night demand in Indonesia, albeit somewhat less so compared to the rest of the world.

Surprisingly, in general, the majority of respondents believe that ADR would perform better in 2009. 8 percent of the respondents believe that ADR performance would be much better, 42 percent believe in a better ADR performance, 25 percent replied that it would remain the same and 22 percent mentioned that it would be worse while only 3 percent replied that the ADR performance would be much worse.

In terms of revenue trend, 4 percent of the respondents answered that revenue will be much worse, 38 percent replied it will be worse, 18 percent considered it would remain the same, while 31 and 8 percent believed that it would be better and much better.



“Based on the averages, all three performance indicators measured are showing positive scores, indicating optimism in terms of their respected properties.”

HOTEL PERFORMANCE SCORE	
Occupancy	4.9
ADR	38.6
Revenue	17.9

HOTEL PERFORMANCE

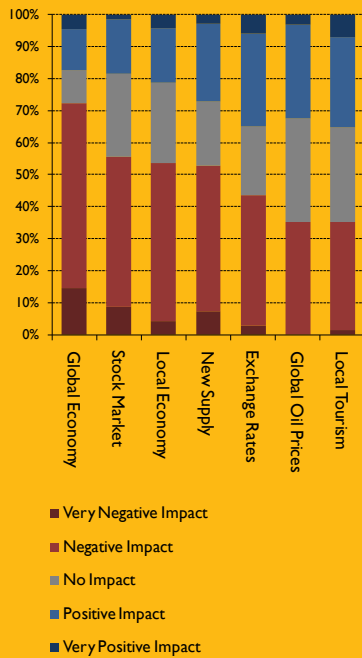
The second question asked each respondent to estimate the growth or decline in hotel performance for 2009 compared with 2008.

In facing the upcoming election year, the majority of the Indonesian hoteliers appear to believe that it would not generate an extraordinary room night demand where only 38 percent expect an increase while the rest 62 percent clearly expect a decline where a majority of 24 percent replied a 0% to -5% decline followed by 21 percent respondents who replied that there will be a -5% to -10% decline.

However, in terms of ADR performance, sharing the similar trend as the market-wide trend, 60 percent of the respondents believed that their hotels would experience ADR increase in 2009. 33% of the respondents believe that it would increase in a range of 0% to 5% while 27 percent believes it would experience a decline between 0% and -5%.

In terms of the revenue performance, Indonesian hoteliers responded with an equal 50 percent answer between increase and decline on how their hotels will perform. A majority of 24 percent respondents actually believe revenue will increase as much as 0% to 5% while 19 percent believe it would decline in between 0% to 5%.

RATIO OF RESPONSES



“Economic related issues are clearly the primary concern for hoteliers in 2009.”

FACTORS AFFECTING PERFORMANCE RANKING

1. Local Tourism Trends	4.2
2. Global Oil Prices	0.0
3. Currency Exchange Rates	-4.3
4. New Competitive Supply	-22.5
5. Local Economic Trends	-24.3
6. Local/Global Stock Market	-33.2
7. Global Economic Growth Trends	-48.9

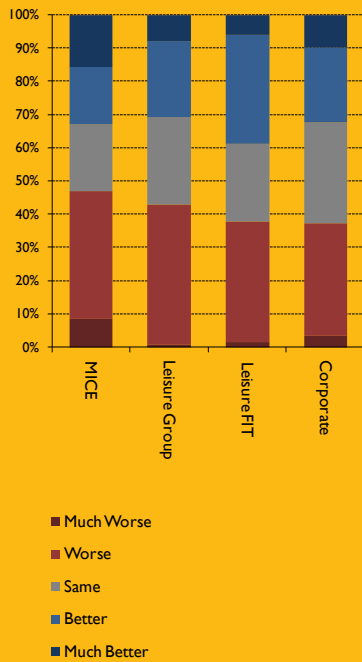
FACTORS AFFECTING PERFORMANCE

Each hotelier was also asked to gauge their attitude towards seven factors namely (1) local/global stock market, (2) local economic growth trends, (3) global economic growth trends, (4) local tourism trends, (5) new competitive supply additions, (6) global oil prices and (7) currency exchange rates and how these will impact their hotels’ performance in 2009.

The worsening global economic growth trends, which recorded the highest negative response rate of 72 percent, signifies that the majority of the participants still believe that this factor would intensely impact their hotel performance. In contrast, the global oil prices and local tourism trend has the slightest negative responses, sharing a 35 percent response. The response on the global oil prices could be due to the recent government policy to lower the fuel price and attempt to lower them in again 2009 due to the effect of the decreasing global oil prices while less concern on the local tourism trend is suspected to be due to the extension of the Visit Indonesia Year program.

Utilizing the index, five of the seven choices registered negative results, indicating that most factors were believed to have negative impact for hotels performance. The local tourism trends recorded the highest score with 4.2 points, followed by global oil prices (0.0), currency exchange rates (negative 4.3), new competitive supply (negative 22.5), local economic growth trends (negative 24.3), local/ global stock market (negative 33.2) and global oil prices (negative 48.9).

RATIO OF RESPONSES



“Over 40 percent respondents believed that performance across all segments will get worse”

MARKET SEGMENT PERFORMANCE

1. Leisure FIT	3.9
2. Corporate	0.7
3. Leisure Group	-3.9
4. MICE	-5.4

MARKET SEGMENT PERFORMANCE

The last question dealt with each participant’s opinion with regard to primary market demand segments which were Corporate, Leisure FIT, Leisure Group and MICE (Meetings, Incentive, Conference, and Exhibition) and how they are expected to perform in 2009.

In the MICE segment, 47 percent of the respondent replied that it will get worse while 33 percent believe it will be better and 20 percent believe it will remain the same. In the Leisure Group segment, 43 percent believe that it will be worse, 31 percent believed that it will be better and 26 percent believed it will remain the same as the previous year.

Hoteliers seem to be more optimistic for the Leisure FIT segment where 39 percent of the respondent trusts that it will be better, 38 percent believe it will be worse and 23 percent replied that it will remain the same. However, in the Corporate market segment, 37 percent replied that this segment will get worse, 32 percent expect it to be better and the rest 30 percent believe it will be the same as 2008.

Employing the scoring system to obtain an average score, MICE and Leisure Group segment recorded negative results, indicating that respondents generally think performance across all segments will suffer this year. The participants believe that the MICE segment will be the worst affected this year as it scored the lowest point total with negative 5.4 while the price-sensitive Leisure Group scored a negative 3.9.

The Leisure FIT score the highest point with a positive 3.9 followed by the Corporate segment; which is expected to have a negative score but turned out with a slightly more optimistic score of positive 0.7.

CONCLUSIONS

Although Indonesian hoteliers who participated in the survey anticipated a somewhat harsh year, indicated by room night demand decline in the market, which in general is affected by the global economic downturn, they are still showing some optimism in terms ADR. In particular with their respected properties, expectations for the 2009 performance confirm the optimism, still, for the upcoming year.

Although five of the seven factors have been estimated to have negative effects on performance, in which the economic related factors seem to be of the primary concerns, hoteliers still showing some confidence in their demand market segments and believe that they would perform at somewhat similar levels to the previous year.

Despite the fact about the still unfolding global economic slowdown and that it is the election year; there still seems to be some optimism in the Indonesian hotel market that 2009 would perform at least the same as the previous year.

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