

Hotel Investment in Emerging Markets - Indonesia

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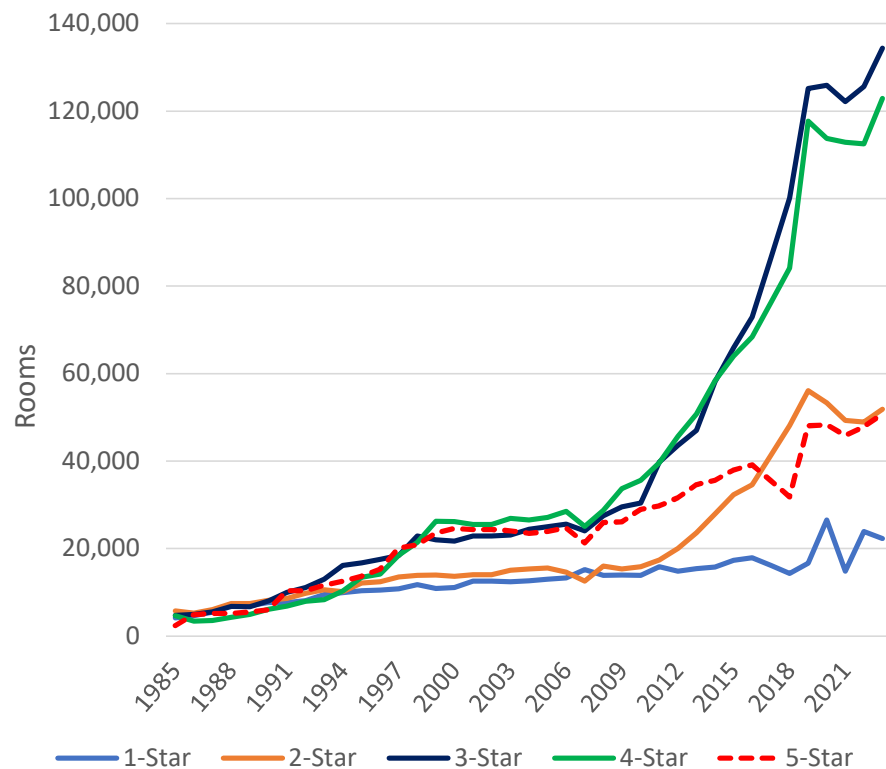
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Growth in Star-Rated Hotel Rooms 1985-2023

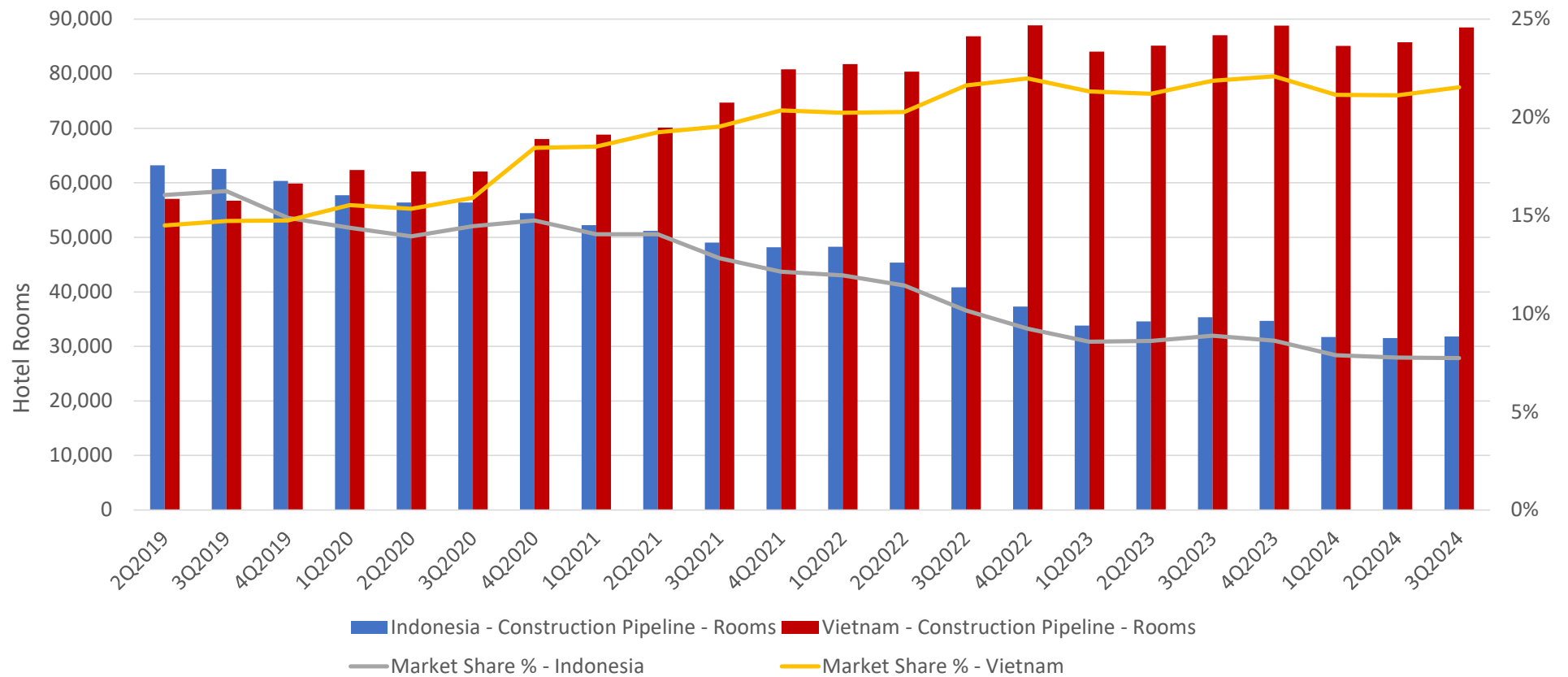


Decade	1-Star	2-Star	3-Star	4-Star	5-Star	Total
1985-1995	9.7%	7.7%	13.4%	11.2%	18.9%	11.8%
1995-2005	2.3%	2.5%	4.1%	7.3%	5.8%	4.7%
2005-2015	2.9%	7.6%	10.2%	9.0%	4.7%	7.6%
2015-2023	3.2%	6.1%	9.3%	8.5%	3.7%	7.3%

Star-rated hotels: 4,129 hotels with 382,160 rooms

Other Accommodation Establishments
24,876 establishments with 364,906 rooms

Market Trends: Hotel Construction Pipelines in Indonesia & Vietnam



Hotel Investing:

- Present sacrifice for expected future benefits
- Certain sacrifice for **uncertain benefits**
- A choice between present & future consumption

The Exit



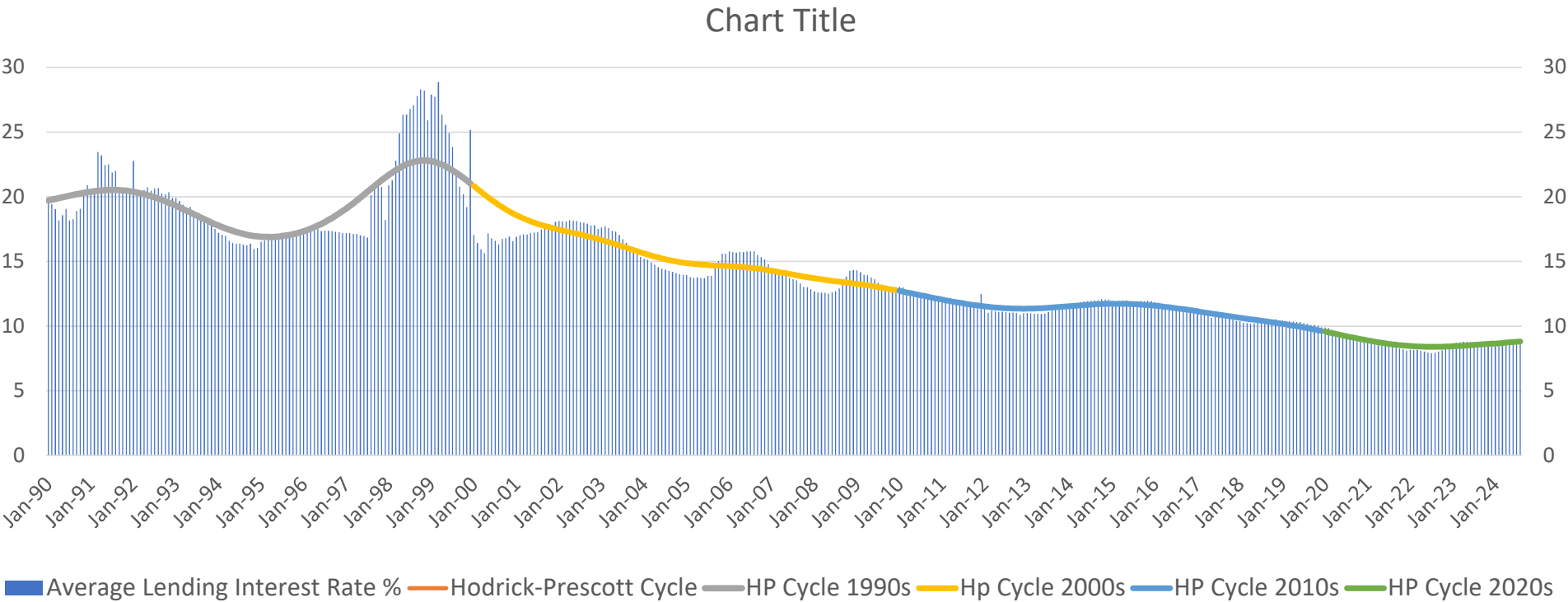
Ownership & Market Dynamics in Indonesia's Hotel Sector

- Hotels are vehicles for **capital preservation** rather than capital appreciation
- Tightly held ownership structures – patient long term strategies – inter-generational ownership
- High borrowing costs
- Long-term asset “parking”
- Liquidity & capital appreciation – not primary concerns

Ownership & Market Dynamics in Indonesia's Hotel Sector

- Focus on stable income generation
- Ownership – HNWI & corporates
- Greenfield preferred over brownfield
- Global real estate transparency index 2024 – ranked 40/89 (JLL)
- Ranked 6/6 of Southeast Asia countries for listed (JLL) vehicles, e.g. public companies & REITS, etc

Trend in Lending Interest Rates (%) – Indonesia Banks (1990-2024)



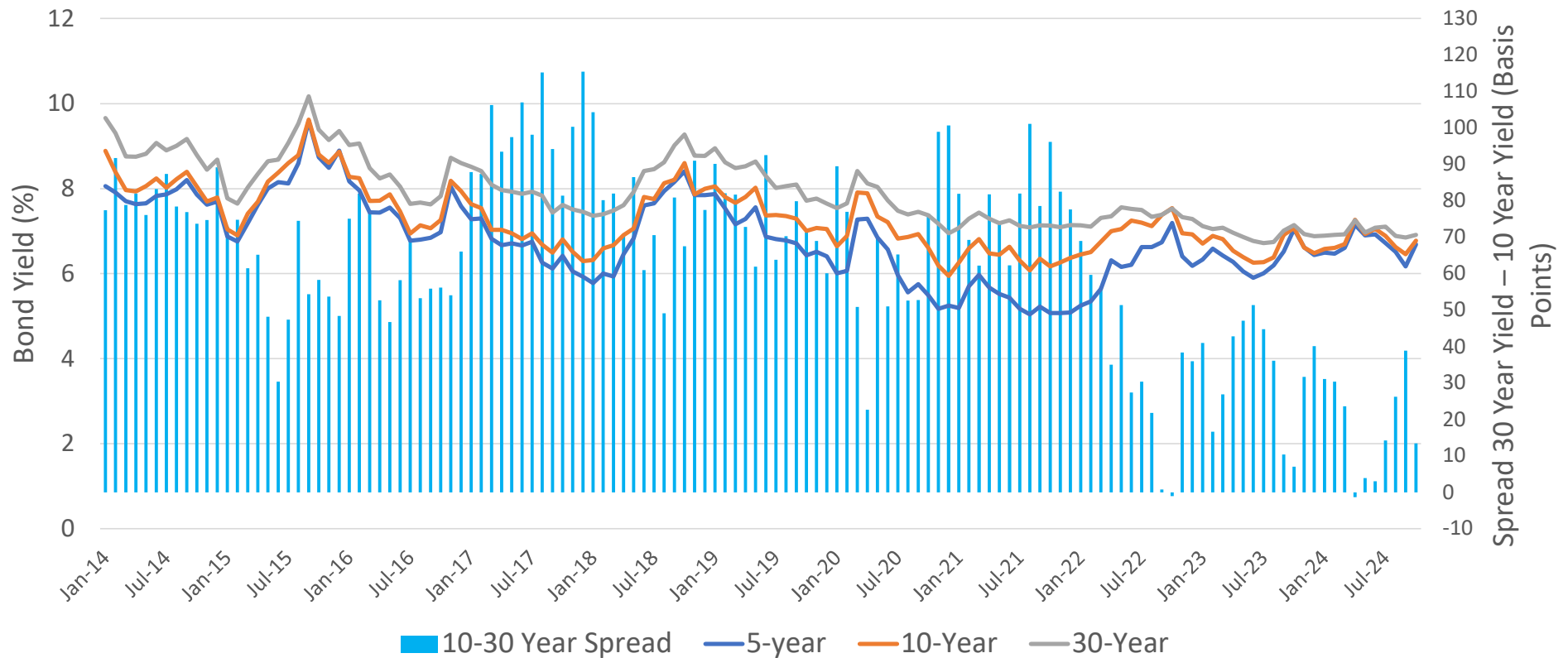
Current Lending rates

- Bank Indonesia Lending Facility Rate 6.75%
- General Lending Rate 8.93%
- Bank Indonesia Rate (BI Rate) 6%
- High lending rate & income yields = negative yield spreads
- Difficult for debt-reliant investors to meet their IRR targets through cash flows alone, emphasizing the need for alternative financing structures or equity-driven investments.

Understand Your Audience: Who is investing & why

- Reputational investors – trophy asset
- Cash investor – safe assets, capital preservation, HNWI
- Lifestyle investor – career or lifestyle change, HNWI
- Financial investor – Core, Core+, Value-Added, Opportunistic, managed risk, predictable returns

Historical Trends in Indonesia Bond Yields (Jan-2014-Oct 2024) and Spread Between 10-Year and 30 - Year Yields



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