SUMMARY

The economic boom in the Asia Pacific region has resulted in increasing inflow of business travellers and expatriates into developing and emerging economies such as Malaysia, Indonesia, Philippines, China and the Indochina countries like Vietnam and Cambodia.

The abovementioned trend has, in turn, created pent-up demand for good quality short to medium-term accommodation in the major gateway cities in the Asia Pacific countries. Singapore’s property developers have been quick to exploit opportunities in the serviced apartment sector in these cities. Keppel Land, Scotts Holdings, Liang Court Holdings and DBS Land are some of the big property firms who have moved aggressively into the lucrative serviced apartment business in the region.

While reliable market data on the serviced apartment industry in Singapore is relatively accessible and available, there is often a paucity of such essential industry information in developing and emerging markets. This dissertation attempts to fill part of the information gap and strives to provide a comprehensive analysis of the forces that shape the serviced apartment industry in Jakarta, the gateway city to Indonesia. It also attempts to provide an insight into the supply and demand conditions and prospects for the industry in Jakarta over the next three years from 1997 to 1999.

Using Michael Porter’s model for the analysis of industries and competitors to provide a structured framework for the analysis, the author reached the conclusion that there is presently low degree of rivalry within the industry as all existing serviced apartments have a fair share of the market. Buyers generally have weak bargaining power due to the limited supply and suppliers pose little threat to the industry as the key cost elements, namely land prices, construction and labour costs are still relatively cheap.
However, all the above are likely to change within the next three years as the industry has low barriers of entry and many investors are moving into this lucrative business. To compound matters, Jakarta is facing an impending oversupply of apartments, condominiums and hotels over the next three years. Apart from increased internal competition, the most serious threat to the industry over the next three years is likely to come from potential substitutes in the form of hotels and converted rental apartments.

Notwithstanding the above, the author still feels that the serviced apartment industry in Jakarta is still a good business with long-term profit potential as the fundamental factors supporting profitability in the industry, viz demand from a growing expatriate population, continued inflow of foreign investments spurred by the deregulation policies of the Indonesian government, presence of low land and construction costs and an abundance of cheap labour, are all present.