

Hotel Overcapacity in Yogyakarta: Challenges and Strategies for Sustainable Tourism Planning

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KEYWORDS	ABSTRACT
Hotel overcapacity, spatial planning, sustainable tourism, sustainability strategies, yogyakarta	This study aims to formulate sustainable tourism planning strategies in response to the challenge of hotel overcapacity in Yogyakarta. Using a qualitative approach, data were collected through in-depth interviews with the Head of the Tourism Office, the Head of the Spatial Planning Office, the chairpersons of IHGMA and PHRI, several tourism industry stakeholders/associations, as well as secondary data analysis from spatial planning documents, references, and tourism policies. The findings indicate that stricter spatial planning regulations, innovation in hotel management, and the involvement of local communities in tourism planning are the key factors in maintaining the balance between tourism growth and environmental carrying capacity. Additionally, diversifying tourist destinations to alternative areas such as Kulon Progo and Gunung Kidul is considered essential to reduce pressure on Yogyakarta's city center. This study provides both practical and theoretical contributions to the development of sustainability strategies for other destinations facing similar challenges.

INTRODUCTION

Yogyakarta is renowned as a leading tourist destination in Indonesia, offering cultural, historical, and educational attractions. With its growing popularity, the hotel sector has also expanded significantly. According to data from the Yogyakarta Tourism Office, the number of tourists increased by 12% annually between 2015 and 2019, reaching a total of 4.5 million visitors in 2019 (BPS DIY, 2023). However, this growth was temporarily halted by the COVID-19 pandemic and only began to recover in 2022 (DIY Tourism Office, 2021).

The surge in hotel construction, which has outpaced tourist growth, has led to overcapacity. In 2023, the hotel occupancy rate in Yogyakarta reached only 52%, far below the ideal level of 70–75% (DPMPTSP DIY, 2023). This situation has intensified competition among hotels, reduced profitability, and lowered service quality (Ghozali & Aulia, 2021). Overcapacity also threatens the sustainability of tourism in Yogyakarta, particularly if it is not addressed through careful planning (Wicaksono, 2022).

This study aims to explore how tourism planning in Yogyakarta can address the challenge of hotel overcapacity while ensuring the long-term sustainability of the hotel industry. It also examines the role of spatial regulation, management innovation, and local community involvement in developing effective sustainability strategies. The findings are expected to provide strategic recommendations for stakeholders to manage hotel sector growth more sustainably, considering environmental carrying capacity and market demand.

Research on hotel overcapacity and its impact on tourism sustainability has been conducted in various global and national tourist destinations. Dredge and Jenkins (2007) emphasized that overcapacity in the hotel industry disrupts market balance, leading to lower prices and service quality, ultimately harming the

destination as a whole. Similarly, Sudibyo and Hartati (2023) highlighted that sustainability efforts in Yogyakarta's hotel industry face significant challenges due to the uncontrolled surge in hotel development.

Bramwell and Lane (2011) stressed the importance of sustainable and inclusive tourism governance to mitigate the negative effects of overcapacity. In Indonesia, Setiawan (2021) underscored the need for effective cultural tourism governance in Yogyakarta, particularly in maintaining a balance between tourism growth and local cultural preservation.

Hall (2008) identified weaknesses in spatial planning policies as a key driver of hotel overcapacity. This aligns with Saputra's (2020) findings, which emphasized the need for Yogyakarta's spatial planning policies to be integrated with sustainable tourism strategies to prevent environmental degradation. Pratama et al. (2023) also highlighted the impact of large-scale infrastructure projects, such as toll roads, which could worsen overcapacity issues if not accompanied by the development of alternative tourist destinations.

Wicaksono (2022) and Wijaya (2022) further noted that hotel expansion in Yogyakarta has exacerbated waste management problems, posing an environmental challenge to sustainable tourism efforts.

This study integrates these findings to develop relevant strategies for Yogyakarta, addressing hotel overcapacity through sustainable tourism approaches, spatial regulation, and local community involvement.

METHOD

This study uses a qualitative approach with a case study method to understand the challenges of hotel overcapacity in Yogyakarta. Primary data were obtained through in-depth interviews with stakeholders, including hotel managers, city planners, and local government representatives. A total of 5 interviews were conducted with informants who have roles in the management and planning of the tourism sector. These interviews were designed to explore their perspectives on the impacts of hotel overcapacity, mitigation strategies, and sustainable tourism planning (Ghozali & Aulia, 2021).

Secondary data were collected through the analysis of related planning documents, such as the 2025 DIY Regional Tourism Development Master Plan (RIPPPDA) and Regional Regulations governing spatial planning (DIY Tourism Office, 2021). Academic literature related to sustainability in the hospitality industry was also taken from relevant national and international journals. This secondary data was used to complement and validate the findings from the interviews.

Data analysis was carried out using thematic analysis techniques to identify key patterns related to sustainability challenges and strategies in the context of hotel overcapacity in Yogyakarta (Setiawan, 2021). Quantitative data, such as occupancy rates and room rate declines, are also analyzed to provide a comprehensive picture of the state of the hospitality industry. This combination of qualitative and quantitative analysis provides a strong basis for developing relevant, evidence-based policy recommendations.

RESULTS AND DISCUSSION

Hotel Growth and Overcapacity

Yogyakarta has experienced a significant increase in the development of the hotel sector in the last decade. In 2010, there were around 800 hotels with a total of 25,000 rooms. In 2023, the number increased to 1,234 hotels with 45,600 rooms. However, the growth rate of tourists is not comparable to the increase in the

number of rooms. The average hotel occupancy rate in Yogyakarta only reached 52% in 2023, far from the ideal occupancy of 70-75%, as shown in the following table:

Table 1 Hotel Occupancy Data in Yogyakarta in 2023

No	Hotel Category	Occupancy Rate
1	5-star Hotel	60%
2	4-star Hotel	55%
3	3-star Hotel	48%
4	2-star and Non-star Hotel	45%

This overcapacity is caused by loose regulations regarding the granting of permits for new hotel construction. Data from the DIY Investment and One-Stop Integrated Service Agency (DPMPTSP) shows that between 2016 and 2023, around 250 new hotel permits were issued, including in areas that have been declared saturated. This indicates weak supervision of spatial planning and increasing pressure from investors.

Economic Impact of Overcapacity

The decline in occupancy rates has forced many hotels in Yogyakarta to lower their room rates to remain competitive. Data shows that the average room rate for a three-star hotel fell from IDR 600,000 per night in 2018 to IDR 450,000 per night in 2023. In a five-star hotel, the average rate fell from IDR 1,200,000 to IDR 950,000 per night in the same period.

This rate reduction has a direct impact on hotel revenue, as indicated by a decline in Gross Operating Profit (GOP). In 2023, the average GOP of hotels in Yogyakarta fell by 15% compared to 2018. Some hotels even reported a GOP decline of up to 25%, especially hotels in the three- and four-star segments.

In addition, the decline in revenue also caused hotels to reduce operational expenses, including property maintenance and staff training. This negatively impacts the quality of services offered, which in turn affects guest satisfaction and loyalty levels.

Declining profitability caused by overcapacity can trigger a domino effect that is detrimental to the hospitality industry as a whole. With decreasing room rates and profitability, hotels are forced to reduce operating costs which can impact the quality of services and facilities. This not only reduces the attractiveness of the hotel to tourists, but also reduces Yogyakarta's reputation as a quality tourist destination.

Furthermore, the environmental impact of decreasing profitability also needs to be considered. Many hotels may reduce their sustainability initiatives, such as good waste management or energy efficiency, in an effort to save costs. This is especially concerning considering that Yogyakarta is currently facing a waste emergency, where the volume of waste produced continues to increase while the waste management system is unable to keep up.

RIPPPDA DIY 2025 also emphasizes the importance of improving the quality of tourism through the development of environmentally friendly and sustainable service and facility standards. This plan is in line with the need to maintain the profitability of hotels in Yogyakarta by promoting tourism that focuses on the quality and experience of tourists, rather than just quantity. This means that efforts to overcome overcapacity must be accompanied by improving service standards and sustainability that can attract a higher quality and high-purchasing tourist segment.

Infrastructure development, such as the Yogyakarta-Bawen toll road, is also anticipated to increase the flow of tourists. However, without careful planning of alternative destinations, this condition can worsen overcapacity in the city center.

The 2025 DIY Regional Tourism Development Master Plan (RIPPDA) emphasizes the importance of sustainable tourism with a more even distribution. The development of alternative destinations such as Kulon Progo and Gunung Kidul is an important strategy to reduce pressure on the city center.

Hotel Evaluation of the Implementation of Regional Regulations Related to Hotel Overcapacity

The regulations governing hotel development in Yogyakarta are stated in Regional Regulation (Perda) No. 1 of 2015 concerning the DIY Regional Spatial Plan (RTRW) 2015-2035. This regulation should regulate hotel development zoning and land use control to prevent uncontrolled development. However, based on data from the DIY DPMPSTP, between 2016 and 2023, 30% of hotel development permits were issued in zones that should be restricted from new development. This shows that the implementation of this regulation is not optimal.

Weaknesses in the implementation of these regulations are largely due to the lack of coordination between local governments and related agencies in supervising and enforcing established policies. In addition, pressure from investors and industry players to relax regulations for short-term economic growth is also a significant factor.

Non-compliance with these regulations has resulted in uncontrolled hotel growth, which in turn has led to overcapacity problems. The increase in the number of hotels without being balanced by an adequate increase in the number of tourists has resulted in a decrease in occupancy rates and revenue per hotel, as well as increased pressure on city infrastructure.

In the context of climate anomalies, it is important to consider the long-term impacts of hotel development on the environment. For example, with increasing frequency and intensity of extreme rainfall, areas experiencing overcapacity may face a higher risk of flooding, especially if urban spatial planning and drainage are not well planned. Therefore, spatial regulations must be updated to anticipate climate change and ensure that hotel development does not exacerbate environmental vulnerabilities.

One of the main strategies in the 2025 DIY RIPPDA is stricter enforcement of spatial regulations to ensure that tourism development, including hotels, is in accordance with the carrying capacity of the environment and infrastructure. This plan emphasizes the importance of revising the DIY RTRW to adjust to the latest conditions, including the challenges of climate anomalies and the increase in tourist volumes that are expected to occur with the construction of new infrastructure such as toll roads.

Case Studies of Overcapacity

In an effort to overcome the challenge of hotel overcapacity that can threaten the sustainability of tourism, it is important to understand the strategies that have been successfully implemented in various global tourism destinations. Case studies from tourism destinations such as Barcelona, Bali, and Amsterdam offer valuable insights into how these cities manage the growth of the hotel sector, improve sustainability, and balance the needs of tourists with the carrying capacity of the environment. The strategies implemented in these places are relevant to be adopted and adapted to the context of Yogyakarta.

1. Case Study of Barcelona, Spain

Barcelona faces an overcapacity problem that has caused dissatisfaction among local residents, mainly due to the increase in property prices and the decline in quality of life due to mass tourism. The Barcelona city government has implemented restrictions on the construction of new hotels in the city center through stricter spatial regulations and encouraged the development of hotels in the suburbs. These measures aim to reduce pressure on the city center and distribute tourist flows to a wider area. Although it took time to implement, this strategy has succeeded in reducing the impact of overcapacity in the city center area (Russo and Scarnato, 2018).

Relevance for Yogyakarta: Yogyakarta can apply a similar approach by limiting the construction of new hotels in the city center and developing alternative destinations in the suburbs such as Kulon Progo and Gunung Kidul, as suggested in the RIPPDA DIY 2025 (Dinas Pariwisata DIY, 2021).

2. Case Study of Bali, Indonesia

Bali, as a global tourist destination, faces similar issues related to overcapacity, especially in the southern areas such as Kuta and Seminyak. To address this issue, the Balinese government introduced a sustainability strategy through an ecotourism initiative in the northern and eastern areas of Bali. In addition, Bali introduced green certification standards for hotels that implement environmentally friendly practices, such as waste management and energy efficiency. This program aims to attract a segment of tourists who care about sustainability (Cole, 2012).

Relevance for Yogyakarta: Green certification and the development of eco-based tourism can also be applied in Yogyakarta, especially in the ecotourism areas around Merapi. This strategy can support efforts to reduce the impact of overcapacity and attract tourists who seek sustainable tourism experiences (Pratama et.al., 2023).

3. Studi Kasus Amsterdam, Belanda

Amsterdam restricted the use of online accommodation services such as Airbnb to reduce the pressure on city infrastructure caused by mass tourism. This policy includes imposing high taxes and limiting the number of rental days per year to control the use of properties as short-term accommodation. This policy is effective in reducing pressure on the city center and improving the balance between the needs of tourists and local residents (Postma & Schmuecker, 2017).

Relevance for Yogyakarta: The increasing use of online accommodation platforms in Yogyakarta can also be controlled through similar policies, with restrictions or additional taxes for online accommodation in the city center. This step can reduce the pressure on urban infrastructure (Saputra, 2020).

Strategy to Overcome Hotel Overcapacity

1. Government Strategy

a. Tightening Regulations and Law Enforcement

Local governments must immediately review and tighten regulations related to hotel construction, especially in areas that have reached maximum capacity. A review of Regional Regulation No. 1 of 2015 is needed to adjust to current conditions and environmental challenges, such as climate anomalies. An independent monitoring team must also be formed to monitor the implementation of this regulation more effectively and reduce the possibility of violations.

b. Developing Alternative Tourism Destinations

The development of tourism destinations in areas such as Kulon Progo, Gunung Kidul, and Sleman must be prioritized to distribute the flow of tourists more evenly. With the construction of the Yogyakarta-Bawen toll road, the government must encourage the development of tourism infrastructure along this toll road route and direct tourists to destinations around Yogyakarta that are less crowded.

c. Improving Tourism Quality and Visitor Experience

The government should focus on improving the quality of tourism services by encouraging hotel certification that emphasizes sustainability, service quality, and compliance with environmental regulations. This certification can be a tool to improve hotel industry standards and attract a segment of tourists who are more concerned about quality and sustainability.

d. Collaborating with the Private Sector and Local Communities

The government needs to strengthen collaboration with the private sector and local communities in tourism planning and management. This includes involving them in decision-making processes related to tourism development and encouraging active participation in environmental sustainability programs, such as waste management and carbon emission reduction.

2. Strategies of Hospitality Business Operators

a. Innovation in Management and Marketing

Hotels should start adopting digital technology to improve operational efficiency and personalization of services. For example, using data analytics to understand guest preferences and optimize service offerings can increase occupancy rates. Effective online marketing platforms should also be utilized to reach a wider market, including segments of travelers seeking unique and sustainable experiences.

b. Implementation of Sustainable Practices

Hotel operators must adopt more holistic sustainability practices, such as reducing energy use through energy-saving technologies, more efficient water management, and better waste management. In the context of the waste emergency in Yogyakarta, hotels must be at the forefront of waste reduction efforts, for example by implementing a zero waste policy or supporting recycling initiatives.

c. Diversification of Products and Services

To remain competitive, hotels need to diversify their products and services by offering experiences that are different from others. This can include local experience-based tour packages, such as visits to tourist villages, cultural activities, or ecotourism. In addition, with climate anomalies becoming more frequent, hotels must be able to adapt by providing indoor tour options or activities that are not dependent on weather conditions.

d. Collaboration within Hotel Networks

Hotel operators should consider forming alliances or networks that allow them to share resources, such as joint marketing platforms or integrated loyalty programs. This cooperation can also include joint risk management, helping them navigate challenges like climate anomalies and economic fluctuations that impact the tourism industry.

3. Local Community Involvement

Local community involvement is a key element in sustainable tourism management in Yogyakarta, especially to overcome the challenge of hotel overcapacity. Active community participation in the planning and management of tourist destinations can help create a more inclusive and sustainable tourism model. Local communities can play a role in preserving the environment, promoting local culture, and developing alternative tourist destinations based on local wisdom.

Through collaboration with hotel business actors and the government, communities can support programs aimed at reducing the negative impacts of overcapacity, such as tourist education programs on sustainability, community-based waste management, and the provision of community-based tourism services. In addition, initiatives to develop homestays managed by local communities can also distribute tourist flows more evenly and improve the local economy without having to rely on large-scale accommodation that is vulnerable to overcapacity.

DIY RIPPPDA 2025 emphasizes the importance of innovation and the implementation of sustainable practices in the tourism industry as part of a long-term strategy to maintain Yogyakarta's competitiveness as a major tourist destination. Improving service quality, product diversification, and collaboration between the public and private sectors are considered key pillars in the future tourism development strategy. By integrating these strategies into daily operations, hotels in Yogyakarta can be better prepared to face challenges such as overcapacity and climate anomalies, while supporting regional tourism sustainability goals.

CONCLUSION

This study concludes that hotel overcapacity in Yogyakarta is a significant challenge that could threaten the sustainability of tourism if not properly managed. While spatial planning regulations have been implemented, their enforcement remains suboptimal. Addressing this issue requires integrating sustainable spatial planning, fostering innovation in hotel management, and actively involving local communities. To achieve this, the government and hotel industry stakeholders must collaborate on strategic initiatives, such as developing alternative tourist destinations and enhancing service quality. These efforts should also account for pressing environmental concerns, including waste management and climate anomalies, to ensure Yogyakarta remains a competitive and sustainable tourist destination.

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