

# Hotel Sector

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**In the previous period, we anticipated that the challenging hotel market situation in Surabaya will continue up to the first half of 2017. The good story for this year's first semester is that supply was much controlled with no additional hotel room being operational. Nevertheless, the hotel market in Surabaya is yet to perform better at least compared to last year.**

## Forecast at a glance



### Supply

In the remaining months of 2017, Surabaya will see an additional hotel supply of 1,705 rooms from 10 hotel projects. It further anticipated another 1,825 rooms from 10 projects in the pipeline from 2018 to 2019.

In the remaining months of 2017, Surabaya still expects additional 1,705 new hotel rooms comprising 566 rooms in four 3-star hotels and 1,139 rooms in six 4-star hotels. Four-star hotels continue to dominate the overall number of hotel rooms with 5,505 rooms, most of which are located in Central Surabaya. The forthcoming 4-star hotels will be operated by well-known hotel companies such as Archipelago International, Accor and Swiss-Belhotel, whilst the 3-star hotels will be mainly run by local hotel chains.



### Performance

The overall hotel market performance in Surabaya is still below of that in the last three years, both in occupancy and hotel rate. Going ahead, the performance of hotel in Surabaya will be relatively stable, underpinned by several events that are planned to be held in Surabaya.

# Hotel Supply

## Star-rated Hotel

Similar to Jakarta, the hotel market in Surabaya greatly depends on the business climate, which impacts the commercial activities of the government and private corporations. The Surabaya hotel market has been underpinned by the industrial growth in its satellite cities, such as Pasuruan, Sidoarjo and Gresik, particularly for hotels located near the toll gate area. Along the first half of 2017, none of the hotel projects in the pipeline were ready for operation. Hotel stock in Surabaya reduced in number, as a result of the closure of Satelit Inn Hotel (3-star). The closure of this hotel brought down the total room supply by 1.3% from 11,682 to 11,528 rooms.

During the reviewed period, one hotel located in Jalan Basuki Rahmat changed management. Pullman pulled out of the hotel operation and the owner has appointed Wyndham to continue the management.

As of the first semester of 2017, the number of hotel rooms in Surabaya was unchanged for 4-star and 5-star hotels, 4,366 rooms and 2,419 rooms respectively. Meanwhile, as mentioned earlier, the number of 3-star hotel rooms dropped from 4,897 to 4,743.

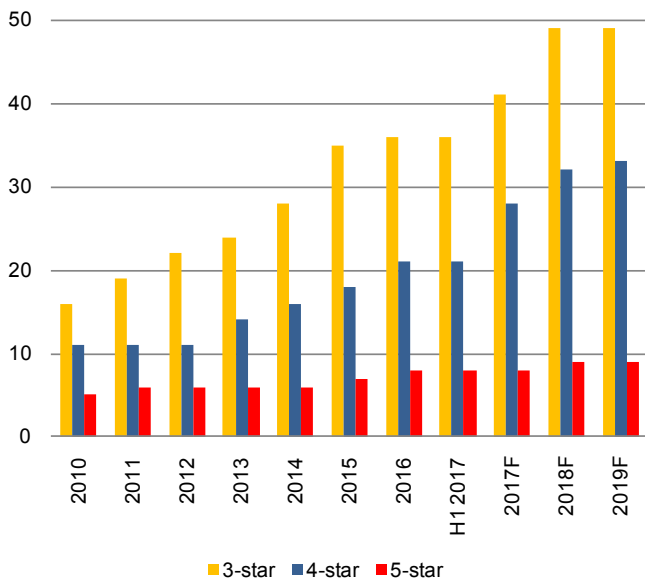
With all the buzz of hotel developments in Surabaya, there were several projects that stopped construction. Financing availability seems to be the main issue. Even as some projects had changed management, their completion dates remain unclear even now.

## Rebranded Hotels in Surabaya During 2017

HOTEL NAME	PREVIOUS NAME	STAR-RATED	YEAR OF OPERATION	LOCATION	REGION	NUMBER OF ROOMS
Wyndham Hotel Surabaya City Centre	Pullman Surabaya City Centre	5-star	2011	Jl Basuki Rahmat	Central Surabaya	292

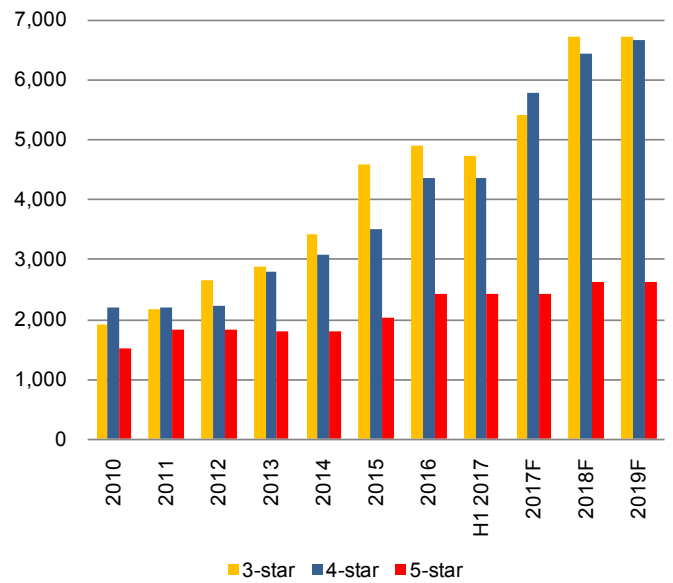
Source: Colliers International Indonesia - Research

## Cumulative Supply of Star-Rated Hotel Projects in Surabaya



Source: Colliers International Indonesia - Research

## Cumulative Supply of Star-rated Hotel Rooms in Surabaya



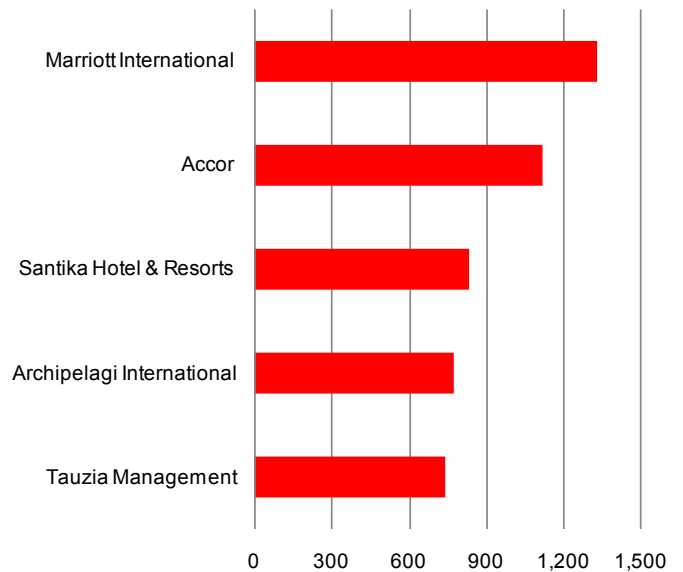
Source: Colliers International Indonesia - Research

## Top 5 Hotel Operator Based on Number of Projects



Source: Colliers International Indonesia - Research

## Top 5 Hotel Operator Based on Number of Rooms



Source: Colliers International Indonesia - Research

In terms of the number of projects, the Surabaya hotel market is dominated by Santika Hotel & Resorts with six hotel projects, yet Marriott International has the most hotel rooms in Surabaya with 1,329 rooms contributed by four hotels.

In the 3-star category, the market leaders in terms of hotel rooms are Santika Hotel & Resorts (229 rooms) and Accor Hotel (132 hotels), each from two hotels. Marriott International (563 rooms) and Accor Hotels (468 rooms) are leaders in the 4-star category, whilst Marriott International is operating the most 5-star hotels in Surabaya with 766 rooms.

New Pipeline							
HOTEL NAME	STAR-RATED	STR CHAIN SCALE RATE	LOCATION	REGION	ROOMS	PROJECT STATUS	PROJECTED COMPLETION TIME
I&M Hotel	3-star	Undefined	Argopuro, Sawahan	South Surabaya	142	Under construction	H2 2017
Goldvitel Hotel	3-star	Undefined	Basuki Rahmat	Central Surabaya	120	Under construction	2017
Prime Biz Hotel	3-star	Undefined	Gayung Kebonsari	South Surabaya	162	Under construction	2017
Namira Syariah	3-star	Undefined	Jl Wisam Pagesangan	South Surabaya	142	Under construction	2017
One Galaxy Hotel	3-star	Undefined	MERR II C	East Surabaya	110	Under construction	H2 2018
Grandika Injoko Hotel	3-star	Undefined	Gayung Kebonsari	South Surabaya	150	Under planning	2018
Puncak Dharmahusada	3-star	Undefined	MERR II C	East Surabaya	400	Under construction	2018
Continent My Tower - Rungkut	3-star	Undefined	Rungkut	East Surabaya	134	Under construction	2018
Premier Inn HR Muhammad	3-star	Undefined	Jl HR. Muhammad	West Surabaya	163	Under construction	2018
Dafam Pasifik Caesar Hotel	3-star	Undefined	Jl IR H Soekarno	East Surabaya	108	Under construction	2018
Life Hotel Surabaya	3-star	Undefined	Jl Sumatera	East Surabaya	100	Under Planning	2018
Leedon Hotel Surabaya	3-star	Undefined	Jl Jaksa Agung Suprpto	Central Surabaya	120	Under Planning	2019
Total rooms 3-star hotels					1,851		
Platinum Hotel	4-star	Undefined	Tunjungan	Central Surabaya	200	Under planning	2H 2017
Novotel Hotel	4-star	Upscale	The Samator Superblock	East Surabaya	172	Under construction	2017
			Jl Kedung Baruk				
Mercure @Praxis	4-star	Upscale	Embong Sonokembang	Central Surabaya	288	Under construction	2017
Grand Dafam Kayun	4-star	Midscale	Kayon	Central Surabaya	169	Under construction	2017
Swiss-Belhotel Darmo Surabaya	4-star	Upscale	Darmo	Central Surabaya	140	Under construction	2017
Grand Mercure	4-star	Upscale	Ahmad Yani	South Surabaya	170	Under construction	H2 2017
Great Hotel	4-star	Undefined	Diponegoro	South Surabaya	90	Under planning	2018
The Sukolilo - Hotel Tower	4-star	Undefined	Sukolilo Dian Regency	East Surabaya	250	Under planning	2019
Total rooms 4-star hotels					1,479		
Signature Gallery - Hilton Hotel	5-star	Undefined	Gubeng	East Surabaya	200	Under planning	2018
Total rooms 5-star hotels					200		
Total Rooms					4,282		

Source: Colliers International Indonesia - Research

## Budget Hotel

Whilst there were no additional rooms in star-rated hotels in Surabaya, the new budget hotel Amaris Bintoro began

operation, providing 120 rooms. This changed the total supply of budget hotel stock to 3,224 rooms.

## Newly Operating Budget Hotel in Surabaya During 2017

HOTEL NAME	STARRED RATING	LOCATION	REGION	# ROOM	OPENING TIME
Amaris Hotel Bintoro	Economy	Jl. Taman Bintoro No.3-5	Central Surabaya	120	H1 2017

Source: Colliers International Indonesia - Research

## Future Budget Hotel Development in Pipeline

HOTEL NAME	STR CHAIN SCALE RATE	LOCATION	REGION	NO. OF ROOMS	PROJECT STATUS	PROJECTED COMPLETION TIME
Moxy Hotel	Economy Class	Mayjend Sungkono	South Surabaya	110	Under construction	2017
Batiqa Hotel	Not Define Yet	Darmo Kali	South Surabaya	140	Under construction	2017
Surabaya River View (SRV)	Not Define Yet	Genteng	Central Surabaya	110	Under construction	2017
Ibis Budget Surabaya	Economy Class	Jl Raya Diponegoro	South Surabaya	153	Under construction	2018
Total budget hotel rooms				513		

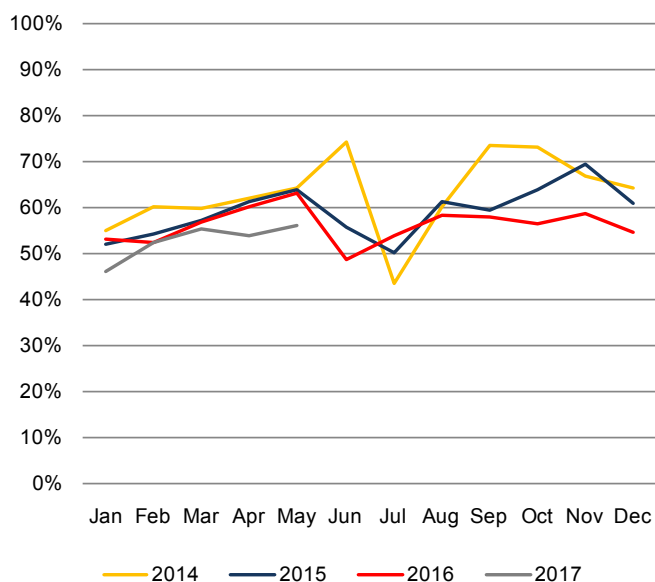
Source: Colliers International Indonesia - Research

## Hotel Demand

The oversupply situation continues to cause lacklustre hotel performance in Surabaya that is still evident today. The traditional demand for hotel accommodation in Surabaya remains unchanged and is still dominated by corporate markets both from the government and private sector. For the last couple of years, the competition landscape has expanded to the surrounding cities such as Jombang and Gresik, which are now taking over some of the markets in Surabaya.

Surabaya definitely needs a pull factor to further support and recover the hotel business. It might probably need to shift its paradigm from being a mere business destination to becoming a tourism destination. To become a transit city, the proximity to leading tourism spots such as Malang and Bali can be utilised. Besides, with the capacity of existing ports, Surabaya could attract cruises to bring more tourists into the city.

## Monthly Average Occupancy Rate in Surabaya



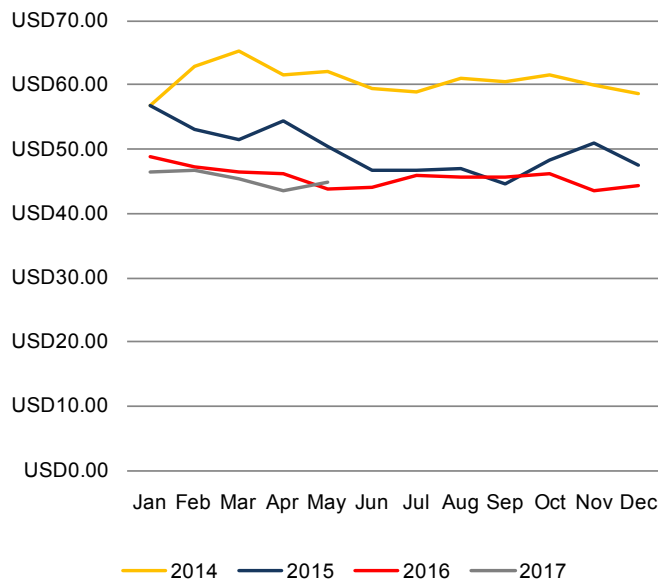
Source: STR Global

## Performance

Even without additional hotel rooms in the first semester of 2017, occupancy touched its lowest level since 2014. The oversupply situation in Surabaya may be one determining factor that contributes to the sluggish hotel market. However, it appears that external factors seemed to significantly impact the industry as well. The monthly occupancies until May were below the figures of last year. The average occupancy level until May in 2017 was 52.78%, lower than the average 54.1% recorded in the same period last year.

In February, occupancy picked up, almost close to the figure in the same month of last year. Several MICE events had helped move occupancy upward. This is because most of the events were held before Ramadan (February to third week of May), and after these fasting months, most business activities slowed down.

## Monthly Average Daily Rate in Surabaya



Source: STR Global

The hotel market in Surabaya tends to be price-sensitive. Overall, the ADR figures for the first five months of the year were generally lower than last year's figures. This suggests that hoteliers sold their rooms at lower prices.

The ADR was relatively stable during the first semester and still cannot exceed USD50.

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