

Hotel

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In the second semester, Surabaya experienced an increase in performance. MICE market became the biggest contributor during the semester, especially from the government sector.

Forecast at a glance



Demand

Surabaya will still be dominated by business coming from the manufacturing industry in the region and surrounding areas. The government sector will also be another market in Surabaya, especially during the mid-year up to November or early December. Meanwhile, the leisure market mostly involves only the transit to visit areas in East Java, including Banyuwangi, Jember, Malang and other cities.



Supply

Surabaya is expecting another 2,035 rooms in 2018, consisting of 1,008 3-star hotel rooms and 1,027 4-star hotel rooms. There are no upcoming 5-star hotels in 2018.



Occupancy

Although additional hotel rooms in Surabaya are limited, if there are no additions in business or other sectors, increasing occupancy rate will be a bit difficult. In 2018, occupancy rate ranged between 52% and 53%.



Room Rate

The ADR might still experience a decreasing trend in 2018, bringing it to a range between USD42 and USD44.

Supply

Subsequent to the closure of Satellite hotel (154 rooms) in H1 2017, the number of new hotel rooms only grew by 483 rooms during the last semester of 2017. This was the smallest amount of annual room supply since 2011. For some years, the hotel market in Surabaya has been in oversupply with a substantial addition of new hotel rooms every year. In 2015 and 2016 alone, the total annual hotel room supply reached its highest with 1,805 and 1,564 rooms respectively.

As a business city, Surabaya is the main hub for other cities in eastern Indonesia. The hotel market is typically for business and is therefore highly dependable on the economic condition of the city in particular and Indonesia in general. Many hoteliers consider the business condition in Surabaya as stable, but for hoteliers, this implies that the city needs more growth to lift its overall performance, as the market continues to become more competitive with continued influx of hotel supply.

2018 will be a more challenging year for Surabaya's hotel market with the number of on-going hotel projects reaching 2,035 rooms from 12 hotels; the highest number so far in the city.

NEW HOTEL PROJECTS DURING H2 2017

HOTEL NAME	STARRED RATING	STR CHAIN SCALE RATE	LOCATION	REGION	NO. OF ROOMS
I&M Hotel	3-star	Undefined	Argopuro	South Surabaya	142
Prime Biz Hotel	3-star	Undefined	Gayung Kebonsari	South Surabaya	162
Namira Syariah	3-star	Undefined	Jl. Wisam Pagesangan	South Surabaya	71
Dafam Psifik Caesar Hotel	3-star	Undefined	Jl. Ir. H. Soekarno	East Surabaya	108

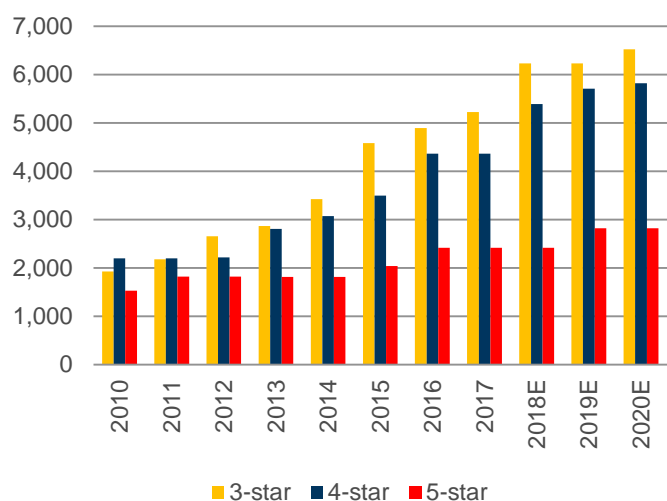
Source: Colliers International Indonesia - Research

NEW PIPELINE

HOTEL NAME	STARRED RATING	STR CHAIN SCALE RATE	LOCATION	REGION	NO OF ROOMS	PROJECT STATUS	PROJECTED COMPLETION TIME
One Galaxy Hotel	3-star	Undefined	MERR II C	East Surabaya	110	Under Construction	2018
Puncak Dharmahusada	3-star	Undefined	MERR II C	East Surabaya	400	Under Construction	2018
Continent My Tower	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
Life Hotel	3-star	Undefined	Jl. Sumatera	East Surabaya	100	Under Construction	2018
Palm Park Hotel Surabaya	3-star	Undefined	Jl. Kapas Krampung	Central Surabaya	101	Under Construction	2018
Yello Rungkut	3-star	Undefined	Rungkut	East Surabaya	168	In Planning	2020
Arum Hotel	3-star	Undefined	Jl. Gunung Anyar	East Surabaya	120	In Planning	2020
Novotel Hotel	4-star	Upscale	Jl. Kedung Baruk	East Surabaya	172	Under Construction	2018
Mercure @Praxis	4-star	Upscale	Embong Sonokembang	Central Surabaya	288	Under Construction	2018
Grand Dafam Kayun	4-star	Midscale	Kayon	Central Surabaya	169	Under Construction	2018
Swiss-Belhotel Darmo Surabaya	4-star	Upscale	Darmo	Central Surabaya	140	Under Construction	2018
Great Hotel	4-star	Undefined	Diponegoro	South Surabaya	90	In Planning	2018
Harris HR Muhammad	4-star	Upper Midscale	Jl. HR Muhammad	West Surabaya	168	Under Construction	2018
Four Points by Sheraton Surabaya	4-star	Upscale	Jl. Puncak Indah Lontar	West Surabaya	316	Under Construction	2019
Allium Hotel	4-star	Undefined	Jl. Gung Anyar	East Surabaya	110	In Planning	2020
Hilton Hotel	5-star	Upper Upscale	Jl. Gubeng	East Surabaya	200	Under Construction	2019
The Westin Surabaya	5-star	Upper Upscale	Jl. Puncak Indah Lontar	West Surabaya	204	In Planning	2019

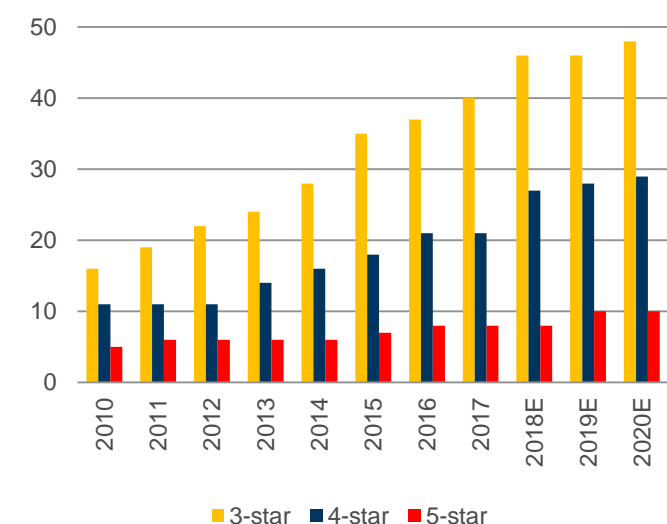
Source: Colliers International Indonesia - Research

Cumulative Hotel Rooms



Source: Colliers International Indonesia - Research

Cumulative Hotel Projects

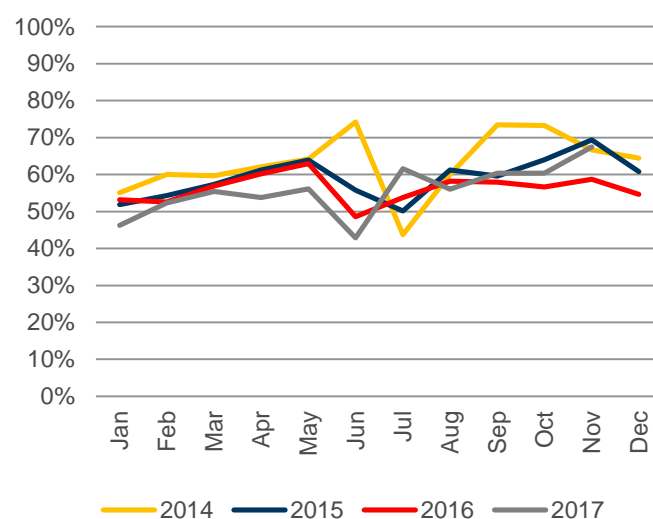


Source: Colliers International Indonesia - Research

Performance

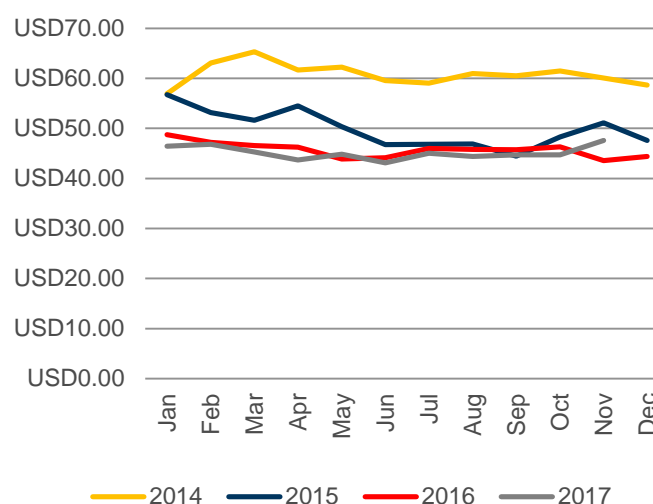
Entering the second semester of 2017, hotel performance was in an upward trend with occupancy starting to pick up, albeit moderately. As predicted, several MICE activities held by the government helped fuel demand for hotel accommodation in Surabaya. The monthly occupancy performance during the first six months started with 46.2% and ended the semester with 51.1%. Although this was far from being an impressive figure, monthly occupancies during the second semester ranged slightly higher from 52.2% to 54.0%. Competition amongst hoteliers is still tough, despite the fact that supply for 2017 was limited. However, market has already been saturated with a lot of options that the market itself cannot entirely absorb.

Average Occupancy Rate (AOR)



Source: STR

Average Daily Rate (ADR)



Source: STR

The monthly ADR figure in 2017 was relatively about the same level of what was achieved in 2016, which was still below the performance in the previous two years. For most hotel operators, there are not many options in this tight competition except to maintain their published room rates, because guests are becoming very price sensitive.

Nowadays, hoteliers contend with an additional competitor – the online travel agents (OTAs), which usually offer very interesting prices to prospective guests. This has brought a decrease in the number of people booking their stay through hotel websites. To anticipate this, several hotels have started offering interesting packages and prices that could compete against what OTAs are giving. Yet, OTAs have helped the hotels fill up their rooms.



Several hotels near the industrial area or a toll road access to the industrial area benefit from having long-stay guests, which guarantee occupancy and revenue.

As the biggest city in East Java, Surabaya serves as the hub for business and leisure in the area. There are so many interesting places nearby such as Madura, Banyuwangi, Bromo and others. It is not because there are no access points to those areas, it's just that the access is not as much as to Surabaya. The richness of the culture and natural resources of East Java has attracted people to come and explore the place.

Surabaya may develop this market by collaborating with the local government and other stakeholders. The city should also create interesting tours and packages for people to explore East Java.

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