Surabaya Hotel Market Report

Accelerating success.
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“In 2H2013, three new hotels officially began operation in Surabaya, including the Swiss-Belinn (3-star), The Alana Surabaya (4-star) and Santika Premier (4-star). These hotels contributed 537 rooms to the market and bring the total of hotel rooms in Surabaya to 7,156. From 2012 to 2013, the average occupancy rate (AOR) of three-, four- and five-star hotels in Surabaya slightly decreased from 65.6% to 61.4%. Nevertheless, with lower occupancy performance compared to last year the average daily room rate (ADR) of star-rated hotels in Surabaya experienced an increase from IDR449,991 in 2012 to IDR481,415 in 2013.”

- Ferry Salanto

Supply

In the second semester of 2013 (2H 2013), three new hotels officially began operations in Surabaya, including one three-star hotel and two four-star hotels.

Saraswanti Group in collaboration with Aston International operates a four-star hotel called The Alana Surabaya. Located in Jalan Ketintang Baru, this hotel provides 162 rooms. The Alana Surabaya hotel is part of Saraswanti Tower and is expected to become alternative transit accommodation for those who come from outside Surabaya.

Another four-star hotel that entered the market in 2H 2013 is Santika Premiere Gubeng. This is the first four-star hotel in Surabaya done by Santika Group. Previously, the Santika Group hotel chain opened two three-star hotels (Santika Pandegiling and Santika Jemursari) as well as one Amaris brand hotel in the budget hotel class. The new hotel, which is located in Jalan Raya Gubeng, has 232 rooms and is equipped with swimming pool, fitness centre, ballroom, meeting room and business centre.

Swiss-Belinn, a hotel brand of Swiss-Belhotel, started operation in Jalan Manyar, Surabaya. This three-star hotel provides 143 rooms and is the first Swiss-Belhotel operating in Surabaya.

With the influx of the aforementioned new hotels, total star-rated hotel rooms in Surabaya increased by 8.11% in 2H 2013, delivering a total of 7,156 rooms at the end of 2013.
Cumulative Supply of 3-, 4- and 5-star Hotel Rooms in Surabaya

Source: Colliers International Indonesia - Research

Hotel Distribution
Based on Number of Rooms

Source: Colliers International Indonesia - Research

Based on Number of Hotels

Source: Colliers International Indonesia - Research
The number of foreign tourists going to Surabaya via Juanda Airport from January to October 2013 increased by 13% when compared to the same period in 2012. However, the hotel market in Surabaya is very much underpinned by domestic guests either from Surabaya City or the Province of East Java or other areas in Indonesia.

### Length of Stay (LOS) of Foreign and Domestic Hotel Guests in Surabaya

![Graph showing LOS of foreign and domestic hotel guests in Surabaya](source: Tourism and Creative Department)

### New Hotel Supply Pipeline

<table>
<thead>
<tr>
<th>YEAR</th>
<th>HOTEL NAME</th>
<th>LOCATION</th>
<th>CLASS</th>
<th>NO. OF ROOMS</th>
<th>STATUS</th>
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<tbody>
<tr>
<td>2014</td>
<td>Quest hotel Aston</td>
<td>Ronggolawe</td>
<td>3-star</td>
<td>135</td>
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<td></td>
<td>Crown Prince</td>
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<td>3-star</td>
<td>120</td>
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<tr>
<td></td>
<td>Harris</td>
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<tr>
<td></td>
<td>Ibis</td>
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<td>Rich Palace</td>
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<td>Casarita</td>
<td>Margorejo</td>
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<tr>
<td></td>
<td>Swiss-Belhotel</td>
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<td></td>
<td>Swiss-Belhotel</td>
<td>Mayjen Sungkono</td>
<td>5-star</td>
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<table>
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<tr>
<th>YEAR</th>
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<th>CLASS</th>
<th>NO. OF ROOMS</th>
<th>STATUS</th>
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<td>Ngagel</td>
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<td>In Planning</td>
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<tr>
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<td>Solaris</td>
<td>Bagong Ginayan</td>
<td>3-star</td>
<td>180</td>
<td>In Planning</td>
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<td>3-star</td>
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<td>In Planning</td>
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<td>Raya Juanda</td>
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<td>Aryaduta</td>
<td>Jend. A. Yani</td>
<td>5-star</td>
<td>245</td>
<td>Under Construction</td>
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</tbody>
</table>

Source: Colliers International Indonesia - Research

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### Demand

#### Number of Foreign Visitors Coming Through Juanda Airport

![Graph showing number of foreign visitors coming through Juanda Airport](source: Tourism and Creative Department)

Source: Tourism and Creative Department

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The number of foreign tourists going to Surabaya via Juanda Airport from January to October 2013 increased by 13% when compared to the same period in 2012. However, the hotel market in Surabaya is very much underpinned by domestic guests either from Surabaya City or the Province of East Java or other areas in Indonesia.
Foreigners stayed longer when they are in Surabaya compared to domestic guests. The average length of stay (LOS) of foreign guests in 2013 was higher 11.3% than in 2012 i.e. at 2.73 days. Meanwhile, the average LOS of domestic guests dampened from 2012 to 1.65 days in 2013.

The hotel guest ratio in Surabaya is still dominated by domestic guests (85% : 15%). Again, the hotel guest profile in Surabaya is dominated by corporate guests mainly from government institutions.

### Performance

#### Average Occupancy Rates (AOR)

During 2H 2013, the average occupancy rate (AOR) of three-, four- and five-star hotels in Surabaya slightly decreased by 5.67% when compared to 1H 2013. This was due to school holidays and the month of Ramadan continued with Eid holiday. The highest decline was experienced by three-star hotels (11.1%) followed by four-star hotels (5.62%). In contrast, five-star hotel occupancy underwent a slight increase by less than 1%.

The AOR during the second half of 2013 was low during the first period, ie, during October 2013 because of low season. During November until mid-December, occupancy was good, mainly because government activity was intense during that period. Entering the third week of December, corporate activity softened but was replaced by visitors from outside Surabaya, from other regencies of East Java Province or even from other areas outside of East Java Province. Guest profile during the year end is largely family for shopping purposes in Surabaya. Malls in Surabaya are the best in the eastern part of Indonesia. Further, during the year end, malls in Surabaya actively hold interesting events with good merchandise at the best prices. This has been the magnet for shoppers coming from other cities or even from Central Java. Besides shopping, these family type guests are also transit guests flying to their main destination, ie, spending the year end in Bali. Nevertheless, individual or family type guests in Surabaya cannot lift the overall occupancy performance as significantly as corporate guests because hotels in Surabaya are business hotels and not leisure hotels.

#### Average Daily Room Rates (ADR)

The average daily room rate (ADR) of star-rated hotels in Surabaya experienced an increase of less than 1% in the six month period of 2H 2013. ADR of five-star hotels moved upwards by 2.4%, the highest adjustment compared to any other category. At the end of the year, ADR reached its peak because hotels hold New Year celebrations that lure domestic guests from other cities and also charge higher rates during the Christmas and New Year period.
Conclusion

The coming years will be challenging for hotel developers because competition among hotels will be high not only due to confirmed projection of new hotels during 2014 to 2015 but also because currently there are more than 30 hotels on the waiting list for permit approval (according to Chairman of Surabaya Hotel Association).

While some are worrying about the political situation in 2014, the hotel market in Surabaya still predicts an optimistic year. The political parties’ activity is projected to become potential demand for hotel rooms in Surabaya, which is perceived as a safe city. On top of that, Meeting, Incentive, Convention and Exhibition (MICE) activity will continue in Surabaya. Hotels in Jakarta are better in terms of quality compared to hotels in Jogjakarta; but Surabaya has many options for international standard convention halls with lower rates compared to hotels in Jakarta.

Overall, the hotel market in Surabaya is anticipated to raise room rates due to mounting operational costs like increasing provincial minimum wages and the hike in the electricity tariff.
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Canada: 42
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EMEA: 85

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