HOTELIVATE
ELEVATION THROUGH INNOVATION

2019 INDIAN HOSPITALITY TRENDS & OPPORTUNITIES

Achin Khanna, MRICS
Managing Partner

Gautam Tyagi
Senior Associate

Delhi • Mumbai • Singapore • Jakarta

New York • Atlanta • Seattle • San Diego • Austin • Cleveland

hotelivate.com

"I'll make him an offer he can't refuse"
-Don Vito Corleone, Mario Puzo's 'The Godfather'

We wonder if Don Corleone had the right idea! The unforgiving world of the 1950s Italian Mafia in the boroughs of New York was about not questioning the means as long they justified the ends. Was there honor in play? Why yes, there was most certainly a moral code of conduct that the gangsters subscribed to. But if a job had to be done, it was done with meticulous precision in a way that almost commanded both fear and awe. Convincing the 'not-so-easily-convinced' was an art mastered by the Mafiosi; they wouldn't bully you into acceptance, simply make you an offer that you couldn't refuse.

Before you begin to wonder what on earth this has to do with this year's Trends & Opportunities (T&O) report for the Indian Hospitality landscape, allow us to draw a strange, yet possibly pertinent parallel.

As we reviewed the 2018/19 performance of hotels across the length and breadth of our country, we were pushed to wonder what was causing them to be 'stuck in orbit'. Why was it that despite the demand-supply equation favoring growth across most markets, the nationwide numbers (both occupancy and average room rate) barely moved, yet again? Yes, growth was recorded across all performance metrics; however, it wasn't reflective of an up-cycle the way one would expect. So, we decided to get to some old-fashioned slicing and dicing. As we dug deeper, **our hypothesis that 'we are just not making offers that can't be refused' became firmer**. We are not alluding to simply dishing out great deals or attractive packages. We refer to the crux of how we approach the very principles of revenue management.

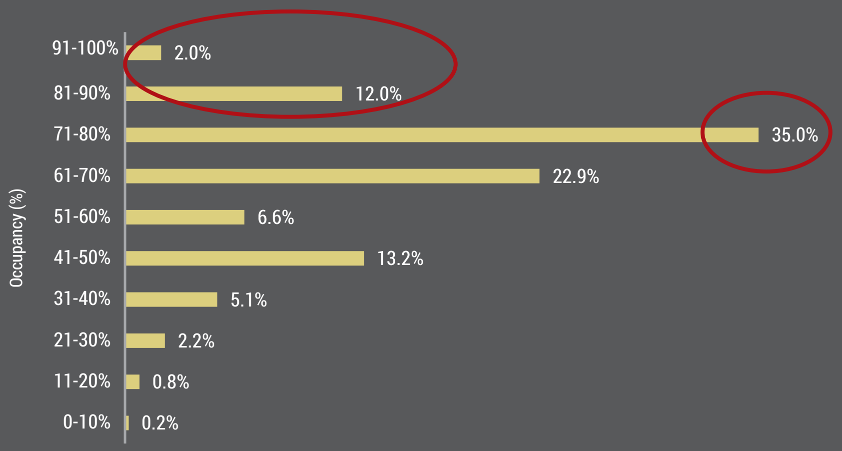
Simple as it may seem, may we urge you to ask yourself these questions: Are we far too focused on selling rooms at the highest possible rate on the busiest days, while paying scant attention to how that may interplay with demand during the shoulder and valley periods? Is stark weekday-weekend seasonality real, or just a convenient excuse? Must we assume that hotel occupancies always peak in the early- to mid-70s or is there merit in the argument that some hotels across India are actually doing something different and breaching 85% to 90% occupancies?

Evidently, close to 15% of the 1,068 branded hotels tracked in this survey averaged more than 80% occupancy in 2018/19 (Figure 1). The easiest conclusion one may draw is that these hotels are in very strong markets, with negligible weekday-weekend seasonality. However, the fact is that all of them are based in urban corporate markets, where the industry's claim has traditionally been that weekends are lean. Yet, these hotels ducked the trend and performed well on weekends, without which achieving an occupancy in the high 80s or 90s as a year-round average is not mathematically probable.

Other arguments that one may present are that these hotels either sell rooms at 'rock-bottom' rates or that they have a low room count, making them easier to fill. Well, neither is true; in fact, more than two-thirds of the hotels that averaged more than 80% occupancy have over 150 rooms.

It is also noteworthy that more than one-third of the hotels presented in the chart below achieved an occupancy between 70% and 80% last year. That's a promising statistic, and an opportunity in waiting. The last time our industry saw a meaningful growth in the nationwide average daily rate (ADR), almost three-fourths of the hotels were clocking 70% plus occupancies. The industry will truly reap the benefits

FIGURE 1: NATIONWIDE OCCUPANCY BREAKDOWN BY HOTELS (2018/19)



Source: Hotelivate Research

of this up-cycle only when a large majority of existing hotels consistently push their rates, and subsequently, revenues northward.

So, what can one do to make this happen? The Mafia's approach clearly won't work for us. As a sample, we present just three broad thoughts for you to toy with, from a revenue optimization standpoint:

1. Many commercially oriented hotels in urban locations work on a 'daily ADR maximization' strategy. The focus is entirely on somehow 'bagging in' the highest possible rate of the day because an opportunity presents itself. While there is nothing wrong with this on the face of it, may we recommend that a broader view on how that singular strategy could be impacting long-stay or weekend demand be taken? Rather than making just the daily ADR the threshold, why not make the daily target revenue the deciding factor? Once that target is met, for say a Tuesday, perhaps consider lowering the ADR for a certain segment of guests who would likely be willing to stay through the weekend. This will entice such guests to keep the room for an extended period, as their overall spend now is an acceptable figure (vs continuing to occupy the room at the high weekday rate only). The hotel's weekday-weekend business gap will also shrink this way. In other words, set the daily revenue as the primary target, which when achieved should shift the focus to the weekly revenue figure, eventually resulting in higher year-round occupancy.

2. Let us also address the perineal fear of overselling rooms. We draw your attention to three steps: First, clinically assess the historical pattern of cancellations, bifurcated by each day of the week. Second, compare the sales pace of base category rooms for these days with that of the higher category rooms. Third, based on the ratio that is now available to you, overbook base category rooms with an intent to either replace last minute cancellations, or upgrade the highest paying guests to superior category rooms (this will not only please the guests immensely, but also help you earn revenue for the premium rooms, which may have otherwise gone vacant, clocking nothing but fixed costs).

3. The fact that booking lead times are shrinking by the quarter is not news to you. However, one too many hotels are still in the old habit of offering close to RACK rate tariffs a month out only to drop to their lowest acceptable price just three to five days before the target date. The majority of bookings are now happening 24 to 48 hours before travel, and the fear of rooms being left unsold at the last minute is leading to a lower revenue realization for hotels. Simply holding on to what is a fair and acceptable room rate till T minus 48 hours can make a stupendous difference between what was hoped and what is achieved. We have it on good measure from many industry colleagues that last minute rooms don't sell just because you dropped your rates. They would have sold anyways; it's just that lead times have shrunk and the decision to book is being made at the 11^{th} hour.

We admit that these ideas are not pathbreaking or novel. Many in the industry are already employing similar (or significantly superior) revenue optimization strategies. However, the truth remains that there is a pressing need for our leadership teams to begin looking at ways and means that further improve hotel performance – consistently. The opportunities exist, cashing them in is up to us. Importantly, our means to achieve success need not be nearly as devious as Don Corleone, but focus on the ends we must!


Grand Hyatt Kochi, Bolgatty

Winter is Coming? Not!

Drawing another analogy, this time from Game of Thrones, we note that while the T&O report focuses on 2018/19 performance, at the time of going to print (September 2019), the current fiscal's Q1 numbers were not as peachy as expected. The global and regional geo-political environment as well as the macro-economic sentiments have been somewhat tumultuous in the present fiscal. Moreover, the unfortunate and abrupt expulsion of the Jet Airways network has caused domestic travel to become less convenient and more expensive. That being said, the 'gloom & doom' picture being painted by some in the industry does need to be put to question. That while the strong mandate awarded to the government had raised expectations of roaring success, the growth (& there has been growth) in the hospitality sector in recent months has been rather mellow. **Slower than anticipated growth, however, must not be confused with a decline**. One must pay heed to the fact that the central government seems to be making proactive attempts to mitigate challenges (like relaxing FDI rules for single brand retail, rollback of enhanced surcharge on foreign portfolio investors, transfer of repo rate cuts by RBI to borrowers, etc.) Overall, this year has a legitimate possibility of ending with stronger numbers than the previous, albeit not as robustly as was surmised. **Given the broad fundamentals of the sector, we would urge the industry to pay close attention to strategies that can help retain and/or grow your market share and optimize revenues, while being clear that this is still very much an up-cycle.**

Hotelivate, a comprehensive hospitality consulting firm offering specialized services to clients across the Asia Pacific region, is proud to present the 2019 Indian Hospitality – Trends & Opportunities Report. The current participation base of 1,068 hotels, with a total inventory of 1,33,359 rooms, offers a comprehensive coverage of the country's branded hospitality landscape, enabling better incisive analyses of national trends, performance of major hotel markets, and demand and supply forecasts than any other survey of a similar nature.

The results of our survey and analyses have been presented at an All-India level, by star category and 13 major hotel markets, indicating the best and the worst performers and identifying reasons for the same. Furthermore, a detailed review of the existing and future supply has been conducted at macro and micro levels to facilitate a better understanding of the growth in the number of branded rooms in the country across positioning. We have also offered additional perspective and insights within various sub-sections of this report for those seeking a deeper analysis of the demand-supply dynamics as well as future trends and opportunities in a rapidly evolving marketplace.

Preceding the discussion of survey results is a brief review of the performance of the Indian economy in the past fiscal and that of the tourism sector, in particular, that have a direct bearing on the health of the Indian Hotel Industry.

1,068 Hotels
1,33,359 Rooms
represented in this report

The Indian Economy
An Overview[1]

In the 2019 General Elections, the Modi-led government stunned the country with a historic landslide victory by winning 303 of the 545 seats in Lok Sabha.[2] This consecutive success of the Bharatiya Janata Party (BJP) has been partially attributed to its manifesto released in April 2019 – Sankalpit Bharat, Sashakt Bharat (Resolute India, Empowered India) – and the inability of the opposition parties to provide a strong and acceptable alternative. Also, having understood the need for policy reforms and fiscal stability in its first innings, the government has now set a goal to grow India into a US$5 trillion economy by 2025, making it the third-largest, globally.

Currently, the Indian economy is the seventh-largest in the world in terms of Gross Domestic Product (GDP). While it has witnessed steady expansion in recent years, India's GDP growth moderated to 6.8% in 2018/19, lower than the 7.2% growth recorded in 2017/18. This has been attributed to a slowing global economy (with the world output growth falling from 3.8% in 2017 to 3.6% in 2018), coupled with a contraction of the Agriculture & Allied sector, decline in the growth rate of select Service sub-sectors, and the lower expansion of government consumption.

The last fiscal also saw the Indian Rupee being more volatile than the previous year largely due to the instability in crude oil prices, erratic trade balance (current account deficit rose from 1.9% in 2017/18 to 2.6% in April-December 2018) and continuous FPI (Foreign Portfolio Investment) outflows; in fact, in October 2018, it touched a historical low of 74.4 per US$, before recovering to 69.2 per US$ in March 2019. Additional factors impacting the Indian Rupee were the trade war between US and China, an increase in rates by the US Federal Reserve, and US sanctions on Iran (which is India's third largest supplier of crude oil). Yet, as a silver lining, the nation's currency performed better than some of the other emerging market currencies and India's exports became potentially more competitive.

Moreover, in 2018/19, FDI (Foreign Direct Investment) equity inflows to the country were to the tune of US$44.36 billion, just a tad lower than the previous fiscal. Among the top sectors attracting FDI, services, automobiles and chemicals were the major categories. Also, more than 70% of the FDI equity inflows to India came from Singapore, Mauritius, Netherlands, Japan and the UK.

Another important aspect to note is that in the last five years, there has been a gradual transition from high and variable inflation to more stable and low inflation in the Indian economy. In both 2017/18 (3.6%) and 2018/19 (3.4%), the country was able to maintain a CPI inflation under 4% (the median rate for inflation targeting) mostly on the back of low food inflation.


Sairafort, Sarovar Portico, Jaisalmer

[1]*Economic Survey of India 2018-19*
[2]*Election Commission of India 2019*

Travel & Tourism
Facts & Figures

Travel & Tourism continues to be one of the fastest growing sectors in India, contributing nearly a tenth of the country's GDP (US$247.3 billion) and accounting for roughly 42 million jobs (direct as well as indirect). India presently ranks 3rd in WTTC's Travel & Tourism Power Ranking, after China and the USA . The ranking is based on the absolute growth (2011-17) of four key indicators: total Travel & Tourism GDP, foreign visitor spending (visitor exports), domestic spending, and Travel & Tourism capital investment.

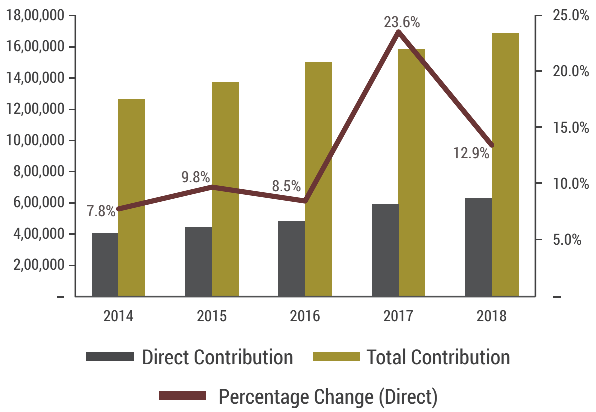
Domestic travel spending generated 87% of the direct Travel & Tourism GDP in 2018. The leisure wallet also continued to dominate, accounting for 95% of the direct Travel & Tourism GDP of the country, much higher than the world average (78.5%).

India received 10.56 million international tourists in 2018 (excl. NRIs), recording a growth of 5.2% over the previous year. The e-visa scheme was availed by 2.4 million tourists, registering a growth of 39.6% over 2017.[3] Recent modifications made by the home ministry to further liberalize and ease the process are a welcome step.

Furthermore, worth mentioning is the shift in the promotional focus of the Incredible India 2.0 campaign from generic to market specific. Campaigns are now being designed with the source market in mind, in addition to promoting niche tourism products, such as adventure tourism, spiritual tourism, eco-tourism and medical tourism, among others. The new Incredible India website, with superior navigation and visual appeal, as well as a mobile App were launched in 2018, assisting domestic and international tourists to access information more easily than in the past.

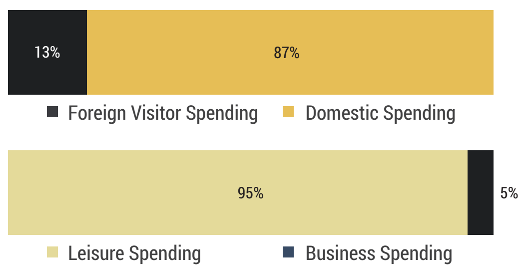
Going forward, a weaker currency, coupled with an expanding middle-income population and the rising purchasing power of the domestic traveler, will provide an opportunity for a greater number of Indians to travel domestically.

FIGURE 2: TRAVEL & TOURISM CONTRIBUTION TO INDIA'S GDP (2014 – 2018, ₹ CRORE)



Source: Tourism and Hospitality, India Brand Equity Foundation, July 2019

FIGURE 3: SPENDING PATTERNS – CONTRIBUTION TO INDIA'S DIRECT TRAVEL & TOURISM GDP (2018)

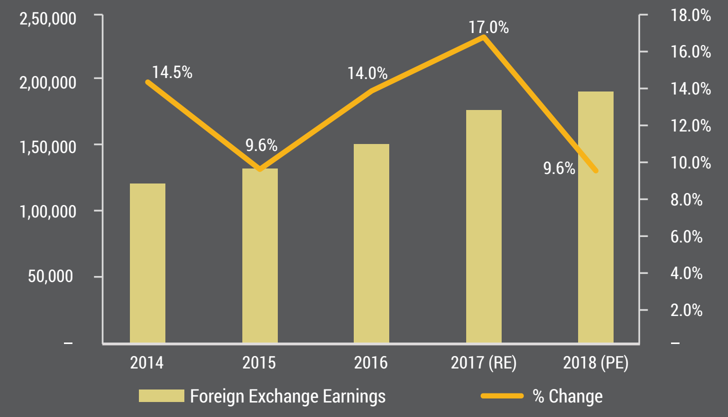


Source: WTTC India Annual Research, 2019

Four Seasons Hotel Bengaluru

[3] *Ministry of Tourism, Government of India, Annual Report 2018/19*

FIGURE 4: INDIAN TRAVEL & TOURISM SECTOR – FOREIGN EXCHANGE EARNINGS (2014 – 2018, ₹ CRORE)



RE: Revised Estimates
PE: Provisional Estimates

Source: Ministry of Tourism, Government of India, Annual Report 2018/19

FIGURE 5: FOREIGN TOURIST ARRIVALS AND DOMESTIC VISITATION TRENDS (2009 – 2018, LAKH)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018*
Foreign Tourist Arrivals	51.7	57.8	63.1	65.8	69.7	76.8	80.3	88.0	100.4	105.6
% Change	*-2.2%*	*11.8%*	*9.2%*	*4.3%*	*5.9%*	*10.2%*	*4.5%*	*9.7%*	*14.0%*	*5.2%*
Domestic Tourist Visits	6,688	7,477	8,645	10,450	11,425	12,828	14,320	16,136	16,525	18,000
% Change	*18.8%*	*11.8%*	*15.6%*	*20.9%*	*9.3%*	*12.3%*	*11.6%*	*12.7%*	*2.4%*	*8.9%*

**Estimated*

Source: Ministry of Tourism, Government of India and Hotelivate Estimates

FIGURE 6: TOP 10 BUSIEST AIRPORTS IN INDIA BY PASSENGER TRAFFIC (2017/18 – 2018/19)

Airport	2017/18	2018/19	% Change
New Delhi (DIAL)	6,56,91,662	6,92,33,864	5.4%
Mumbai (MIAL)	4,84,96,430	4,88,15,063	0.7%
Bengaluru (BIAL)	2,69,10,431	3,33,07,702	23.8%
Chennai	2,03,61,482	2,25,43,822	10.7%
Kolkata	1,98,92,524	2,18,77,350	10.0%
Hyderabad (GHIAL)	1,81,56,789	2,14,03,972	17.9%
Cochin (CIAL)	91,74,425	1,11,72,468	21.8%
Ahmedabad	1,01,72,839	1,01,19,825	- 0.5%
Pune	81,64,840	90,70,927	11.1%
Goa	76,07,249	84,67,326	11.3%

Source: Airports Authority of India

Taj Aravali Resort & Spa, Udaipur

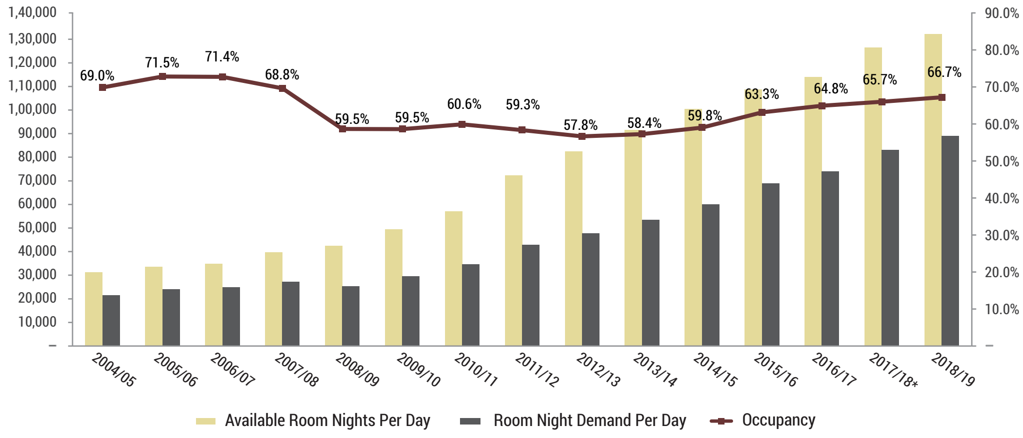
Performance of Existing & New Hotels
(2014/15 - 2018/19)

Looking at the nationwide occupancy and ADR numbers as a blended outcome does not always provide a picture of the true nature of the market. Therefore, over the past few years we have been additionally studying the trailing five-year performance of hotels in a more granular fashion.

Figure 8 shows how hotels that have existed since, say 2014/15, fared when compared to the nationwide averages in 2018/19. **The chart provides proof that while the blended numbers may make the overall market growth look relatively minimal, when one excludes recent hotel openings, the expansion was larger.**

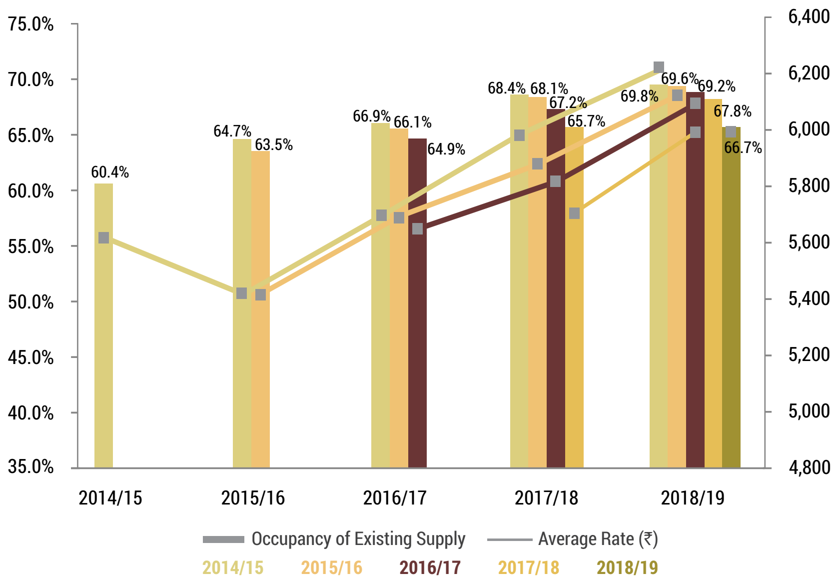
Figure 9 highlights the performance of only new hotels in their first year of operations and the subsequent ramp-up over a two-, three- or four-year period, depending on the data set of interest. For instance, hotels that opened in 2014/15 averaged 38.4% occupancy in Year 1 of operations, while those that opened in 2015/16 registered 43.6% in their launch year. The first-year occupancy dipped to almost 40% for hotels that opened in 2016/17 only to grow to over 42% for new openings in the last two years. Healthy first-year performances are often crucial in ensuring the long-term success of hotel ventures.

FIGURE 7: ROOM NIGHT DEMAND VS AVAILABLE ROOM NIGHTS (2004/05 – 2018/19)



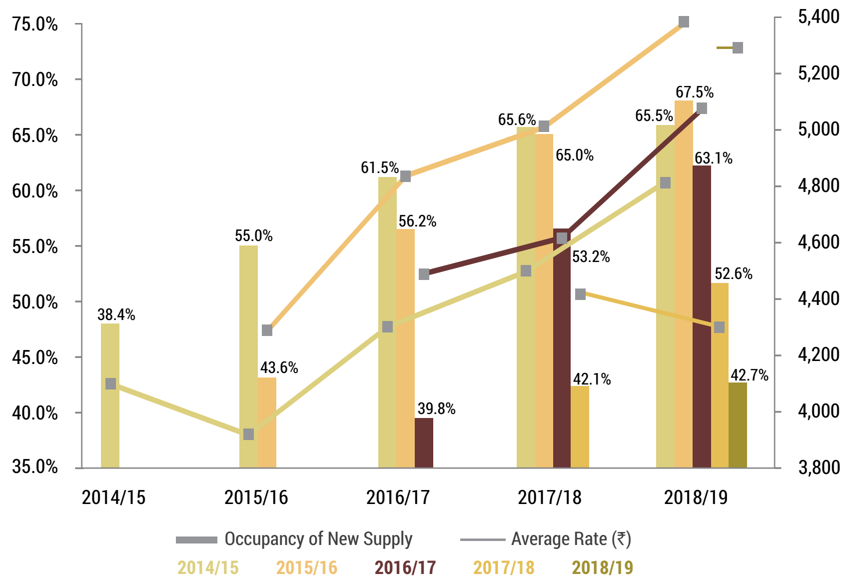
The 2017/18 performance has been modified based on the updated data collated for this survey
Source: Industry Sources and Hotelivate Research

FIGURE 8: PERFORMANCE OF EXISTING HOTELS (2014/15 – 2018/19)



Source: Industry Sources and Hotelivate Research

FIGURE 9: PERFORMANCE OF NEW HOTELS (2014/15 – 2018/19)



Source: Industry Sources and Hotelivate Research

The Survey Results

This section presents the results of the 2019 Trends & Opportunities survey, analyzing the industry performance by star category and 13 major hotel markets. The existing and future supply has also been reviewed in depth to estimate the changes in these markets in the short to medium term.

The increase in survey participation over the last two years reflects a growth in both Hotelivate's penetration in the market as well as the market size. Furthermore, a larger sample set, re-look at fresh data gathered for two historical years and the deliberate removal of some irrelevant supply by us, have led to the 2017/18 figures undergoing a minor change across all parameters.

While the number of rooms represented in this survey is **1,33,359**, we have weighted the number of room nights to account for the new supply that was operational only for a partial fiscal to compute the overall occupancy and average rate. The weighted room count for the survey base for 2018/19 is, thus, **1,31,980**.

Industry Performance by Star Category

A decade since the last global recession (2008/09), the Indian hospitality industry achieved its highest RevPAR of ₹3,981 in 2018/19, representing a growth of 5% over last year. This positive performance was aided by a 1.4% increase in occupancy (66.7%) and a 3.6% increase in average rate (₹5,973).

Independently, all-star categories witnessed a year-on-year RevPAR appreciation, with the two-star hotels recording the highest growth (18.1%). Two-star hotels achieved their highest average rate (₹2,497) in 2018/19, which partially attributed to the increase in RevPAR along with the 6.2% growth in occupancy as compared to last year. Also, specifically in this edition, we have made a thoughtful attempt to remove some hotels that are not truly operating in the two-star space (either as a result of being de-flagged or being closed for conversion) resulting in a smaller base of rooms that makes the growth in performance appear stronger than actually was the case.

Additionally, setting records of sorts last year, five-star deluxe hotels achieved an ADR of ₹10,656, the highest since 2008/09, and an occupancy of 67.4%, the highest since 2007/08. More importantly, the proposed supply pipeline does not have significant developments planned in the luxury/upper upscale space over the next five years, which could enable these hotels to further enhance their performance, going forward.

Figure 10 illustrates the hotel occupancy across star categories in India between 1999/2000 and 2018/19. Figures 11 and 12 show the average rate and RevPAR for each star category expressed in Indian rupees, respectively, followed by Figures 13 and 14 that present the corresponding data in US Dollars.

FIGURE 10: KEY OPERATING STATISTICS BY HOTEL CLASSIFICATION - OCCUPANCY

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*	2018/19	12-Month Change	Compounded Growth
Overall Average	53.9%	57.2%	51.6%	57.2%	64.8%	69.0%	71.5%	71.4%	68.8%	59.5%	59.5%	60.6%	59.3%	57.8%	58.4%	**59.8%**	**63.3%**	**64.8%**	**65.7%**	**66.7%**	**1.4%**	**1.1%**
Five-star Deluxe	58.3%	60.9%	52.2%	59.3%	65.0%	71.4%	73.8%	73.0%	71.7%	62.5%	61.6%	60.9%	59.8%	60.1%	59.9%	**61.7%**	**64.3%**	**65.0%**	**65.5%**	**67.4%**	1.3%	0.8%
Five-star	55.7%	56.1%	51.4%	57.0%	66.8%	71.1%	70.4%	70.2%	67.2%	58.5%	58.6%	61.9%	59.1%	55.4%	55.7%	**57.2%**	**61.2%**	**64.1%**	**65.9%**	**66.0%**	0.1%	0.9%
Four-star	53.2%	58.7%	52.7%	56.4%	68.7%	71.8%	72.7%	71.7%	68.9%	58.5%	60.3%	60.7%	60.0%	57.9%	59.1%	**61.2%**	**64.2%**	**66.0%**	**66.9%**	**67.5%**	1.0%	1.3%
Three-star	47.7%	48.8%	49.7%	53.6%	59.6%	56.7%	65.9%	68.9%	64.7%	56.2%	55.5%	58.5%	56.9%	56.8%	57.9%	**59.8%**	**64.8%**	**65.2%**	**65.1%**	**67.4%**	3.6%	1.8%
Two-star													64.8%	59.0%	61.0%	**57.7%**	**60.4%**	**62.7%**	**59.1%**	**62.8%**	6.2%	-0.4%

FIGURE 11: KEY OPERATING STATISTICS BY HOTEL CLASSIFICATION - AVERAGE RATE (₹)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*	2018/19	12-Month Change	Compounded Growth
Overall Average	3,505	3,731	3,467	3,269	3,569	4,299	5,444	7,071	7,989	7,722	6,489	6,513	6,032	5,779	5,611	**5,532**	**5,527**	**5,671**	**5,768**	**5,973**	**3.6%**	**2.8%**
Five-star Deluxe	4,910	5,102	4,668	4,335	4,686	5,606	7,168	9,778	11,200	11,096	9,277	9,350	9,189	8,982	8,727	**8,815**	**8,881**	**10,099**	**10,260**	**10,656**	3.9%	4.2%
Five-star	3,368	3,447	3,277	3,114	3,372	3,897	4,985	6,506	7,652	7,268	6,410	6,380	6,135	5,881	5,720	**5,559**	**5,484**	**6,051**	**6,088**	**6,271**	3.0%	3.3%
Four-star	2,168	2,392	2,368	2,246	2,580	3,088	3,847	5,111	5,722	5,745	4,638	4,905	4,905	4,691	4,474	**4,361**	**4,424**	**4,505**	**4,635**	**4,743**	2.3%	4.2%
Three-star	1,505	1,673	1,696	1,669	1,670	1,830	2,212	3,012	3,488	3,530	3,255	3,348	3,354	3,252	3,083	**3,039**	**3,155**	**3,016**	**3,200**	**3,362**	5.0%	4.3%
Two-star													1,714	1,849	2,063	**2,063**	**2,122**	**2,049**	**2,245**	**2,497**	11.2%	5.5%

FIGURE 12: KEY OPERATING STATISTICS BY HOTEL CLASSIFICATION - REVPAR (₹)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*	2018/19	12-Month Change	Compounded Growth
Overall Average	1,889	2,134	1,789	1,870	2,313	2,966	3,892	5,049	5,496	4,598	3,861	3,947	3,575	3,343	3,275	**3,310**	**3,499**	**3,677**	**3,837**	**3,981**	**5.0%**	**4.0%**
Five-star Deluxe	2,863	3,107	2,437	2,571	3,046	4,003	5,290	7,138	8,030	6,933	5,715	5,694	5,491	5,398	5,231	**5,438**	**5,715**	**6,560**	**6,874**	**7,180**	5.2%	5.0%
Five-star	1,876	1,934	1,684	1,775	2,252	2,771	3,509	4,567	5,142	4,250	3,756	3,949	3,626	3,257	3,185	**3,178**	**3,355**	**3,876**	**4,097**	**4,140**	3.1%	4.3%
Four-star	1,153	1,404	1,248	1,267	1,772	2,217	2,797	3,665	3,942	3,362	2,797	2,977	2,942	2,718	2,643	**2,669**	**2,840**	**2,975**	**3,149**	**3,203**	3.3%	5.5%
Three-star	718	816	843	895	995	1,038	1,458	2,075	2,257	1,985	1,806	1,959	1,909	1,848	1,786	**1,817**	**2,044**	**1,965**	**2,126**	**2,267**	8.8%	6.2%
Two-star													1,110	1,091	1,258	**1,190**	**1,281**	**1,285**	**1,374**	**1,567**	18.1%	5.1%

FIGURE 13: KEY OPERATING STATISTICS BY HOTEL CLASSIFICATION - AVERAGE RATE (US$)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*	2018/19	12-Month Change	Compounded Growth
Overall Average	81	83	73	68	78	96	122	162	199	168	136	143	126	106	92	**90**	**85**	**85**	**89**	**89**	**-0.7%**	**0.5%**
Five-star Deluxe	113	114	99	90	102	125	161	224	278	242	194	205	192	165	144	**144**	**137**	**151**	**161**	**159**	-0.4%	1.8%
Five-star	77	77	69	65	73	87	112	149	190	158	134	140	128	108	94	**91**	**84**	**90**	**96**	**93**	-1.2%	1.0%
Four-star	50	53	50	47	56	69	86	117	142	125	97	108	102	86	74	**71**	**68**	**67**	**72**	**71**	-1.9%	1.8%
Three-star	35	37	36	35	36	41	50	69	87	77	68	73	70	60	51	**50**	**49**	**45**	**49**	**50**	0.7%	2.0%
Two-star													36	34	34	**34**	**33**	**31**	**34**	**37**	6.7%	0.6%
Exchange Rate	43.5	44.9	47.2	48.2	46.0	44.9	44.5	43.6	40.2	45.9	47.7	45.6	48.0	54.5	60.7	**61.2**	**65.0**	**67.1**	**64.5**	**67.2**		

FIGURE 14: KEY OPERATING STATISTICS BY HOTEL CLASSIFICATION - REVPAR (US$)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*	2018/19	12-Month Change	Compounded Growth
Overall Average	43	48	38	39	50	66	87	116	137	100	81	87	75	61	54	**54**	**54**	**55**	**60**	**59**	**0.7%**	**1.6%**
Five-star Deluxe	66	69	52	53	66	89	119	164	200	151	120	125	114	99	87	**89**	**88**	**98**	**107**	**107**	0.9%	2.6%
Five-star	43	43	36	37	49	62	79	105	128	93	79	87	76	60	53	**52**	**52**	**58**	**64**	**62**	-1.1%	1.9%
Four-star	27	31	26	26	39	49	63	84	98	73	59	65	61	50	43	**44**	**44**	**44**	**49**	**48**	-0.9%	3.1%
Three-star	16	18	18	19	22	23	33	48	56	43	38	43	40	34	29	**30**	**31**	**29**	**33**	**34**	4.3%	3.8%
Two-star													23	20	21	**19**	**20**	**19**	**21**	**23**	13.3%	0.1%
Exchange Rate	43.5	44.9	47.2	48.2	46.0	44.9	44.5	43.6	40.2	45.9	47.7	45.6	48.0	54.5	60.7	**61.2**	**65.0**	**67.1**	**64.5**	**67.2**		

**The 2017/18 performance has been modified based on the updated data collated for this survey*

Source: Industry Sources and Hotelivate Research

FIGURE 15: EXISTING SUPPLY ACROSS MAJOR CITIES (2009/10 – 2018/19)

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*	2018/19	12-Month Change	Compounded Growth
Agra**	1,439	1,439	1,739	1,299	1,293	1,755	2,036	2,092	2,256	2,125	-5.8%	4.4%
Ahmedabad**	1,521	1,785	1,975	2,477	2,777	2,944	3,054	3,117	3,393	3,000	-11.6%	7.8%
Bengaluru	5,597	5,947	7,713	8,536	10,162	11,117	11,539	11,995	12,594	14,287	13.4%	11.0%
Chennai	3,806	4,066	4,904	6,330	7,105	7,444	7,585	8,332	9,061	9,863	8.9%	11.2%
New Delhi***	8,129	9,111	10,697	11,338	12,370	13,193	14,142	14,296	14,450	14,730	1.9%	6.8%
Gurugram**	1,980	3,246	3,782	4,559	5,190	5,323	5,117	5,263	5,890	5,866	-0.4%	12.8%
NOIDA**	300	351	527	841	1,239	1,322	1,322	1,422	1,515	1,378	-9.0%	18.5%
Goa	3,288	3,375	3,885	4,406	4,703	5,298	5,574	6,400	6,386	6,828	6.9%	8.5%
Hyderabad	3,782	4,036	4,797	5,411	5,734	5,954	5,992	6,254	6,846	6,965	1.7%	7.0%
Jaipur	2,472	2,554	3,054	4,129	4,523	4,822	4,931	5,058	5,352	5,613	4.9%	9.5%
Kolkata	1,520	1,588	1,787	2,163	2,243	2,701	2,701	3,199	3,652	3,742	2.5%	10.5%
Mumbai	9,877	11,303	12,052	12,807	13,022	12,865	13,054	13,494	13,524	13,687	1.2%	3.7%
Pune	2,672	4,691	5,672	5,317	6,159	6,137	6,108	6,445	6,353	6,460	1.7%	10.3%
Other Cities****	15,412	18,039	21,729	24,642	24,657	26,820	28,445	31,852	35,293	38,815	10.0%	10.8%
Total	**61,795**	**71,531**	**84,313**	**94,255**	**1,07,177**	**1,07,695**	**1,11,600**	**1,19,219**	**1,26,565**	**1,33,359**	**5.4%**	**10.6%**

**The 2017/18 supply has been modified based on the updated data collated for this survey*
***Agra, Ahmedabad, Gurugram and NOIDA witnessed a decline in reported inventory, primarily because of shutting down and/or de-flagging of some hotels*
****New Delhi (excluding Gurugram, NOIDA and Greater NOIDA) data*
*****Other Cities includes all other hotel markets across India*
Source: Industry Sources and Hotelivate Research

Existing Supply

The existing rooms supply grew by 5.4% in 2018/19 over the previous fiscal, increasing the total number of branded hotel rooms in the country to 1,33,359. This considers the new inventory that was added in 2018/19 as well as any expansions in the sample set being tracked by Hotelivate. Furthermore, the change in the total existing supply for 2017/18 is attributed to a deliberate filtration by us to display only relevant branded supply.

New Delhi, with the largest branded room inventory in the country, grew its existing supply by 1.9% over last year to touch 14,730 rooms. However, **Bengaluru** witnessed the highest year-on-year supply change (13.4%) and surpassed Mumbai to become the second-largest branded hotel market in India; it is expected to overtake New Delhi by next year.

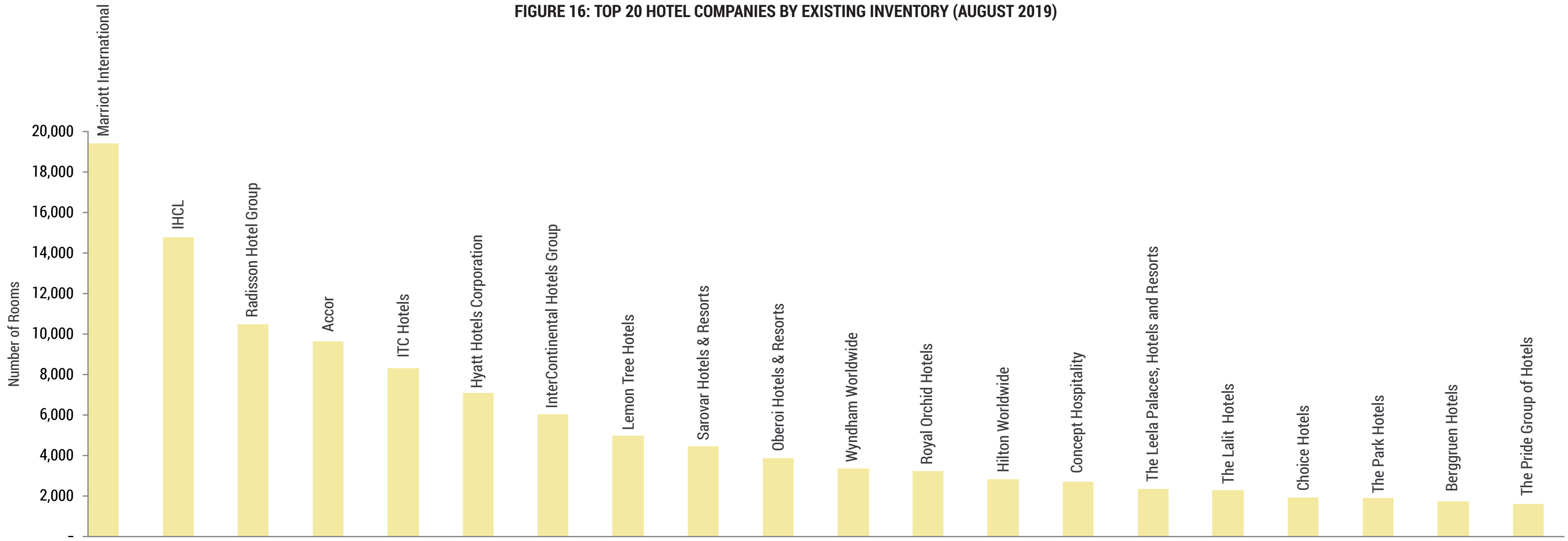
Mumbai has been witnessing a more paced growth recently. Due to the change in real estate policies and exorbitant costs of land and capital, some hotel projects in the city are either postponed or stalled. That being said, the market continued to hold the pole position in terms of performance, achieving the highest occupancy (77.1%) and average rate (₹8,096) last fiscal, out of the 13 major markets tracked in this report.

NOIDA continues to be the smallest branded hotel market in India due to the lull in the real-estate sector at large. This, however, reaped benefits for the existing players last year, with the city's hotels recording the highest growth in RevPAR (25.4% to reach ₹3,662) amongst all the major markets covered herein. Moreover, Agra, Ahmedabad, Gurugram and NOIDA witnessed a decline in the reported inventory in 2018/19, primarily because of shutting down and/or de-flagging of some hotels.

Figure 15 shows the existing supply for the 13 major cities from 2009/10 to 2018/19. Figure 16 presents the total operating inventory of the 20 largest hotel companies in the country as of August 2019.

With approximately 20,000 rooms, Marriott International currently manages 17% of the total room inventory of the top 20 hotel companies in India. Also, like last year, IHCL (Taj Hotels) ranked second on the list with close to 15,000 rooms, opening hotels mainly in leisure locations in 2018/19. It was followed by the Radisson Hotel Group (acquired by Jing Jiang International in late 2018), which primarily targeted business locations, taking its total room count in the country to 10,800. Accor maintained its fourth position, despite opening multiple hotels under the Mercure, Ibis and Novotel brands since the last survey. Moreover, expanding rapidly in the past 12 months, Concept Hospitality overtook The Leela Palaces, Hotels and Resorts to become the 14th largest hotel company in India, while Choice Hotels and The Park Hotels moved up the list displacing Berggruen Hotels to occupy the 17th and 18th positions, respectively. A large portion of the room inventory of these hotel chains is currently being represented by the upscale/upper upscale segment (approximately 35%). Going forward, however, most hotel companies are expected to witness growth via select service brands, especially in the Tier-II and Tier-III Indian cities.

FIGURE 16: TOP 20 HOTEL COMPANIES BY EXISTING INVENTORY (AUGUST 2019)



Source: Hotelivate Research

Future Supply

Like every year, we present a detailed review and analysis of the proposed supply across the nation. Based on the responses to our survey, supplemented with the information gathered by our consultants through the course of the year, a master list of new supply was prepared. Thereafter, each project was unbiasedly reviewed for confirmed operator tie-ups, status of development, planned number of rooms and the anticipated date of opening to arrive at the future supply data presented herein.

Figures 17 and 18 highlight the existing and proposed supply in each of the 13 major hotel markets and 'Other Cities' tracked in this report. We have also indicated an Active Development Ratio for each market based on the number of rooms that have recently opened, are currently under construction or likely to enter the market within the next five years. Thereafter, using this ratio, we have estimated the supply of branded hotel rooms in 2023/24 as depicted in Figure 19.

The pipeline for proposed supply totaled 1,02,438 rooms back in 2010/11. With 86% growth in existing supply since then, the proposed number of rooms was down to 50,170 at the close of 2018/19 (Figure 17). Inactive supply, even if announced or signed, has been removed from the five-year horizon if it is known to be delayed or abandoned. Consequently, the overall **Active Development Ratio in 2018/19 was 74%** (as compared to 72% in 2017/18). Notably, this ratio also includes recently opened hotels that constitute about 10% of the proposed pipeline. Markets with the highest Active Development Ratio in 2018/19 were New Delhi (93%) and Kolkata (81%).

The proposed inventory has been further divided by potential positioning mix, comprising luxury, upscale, upper mid-market, mid-market and budget segments. The mid-market and upper mid-market segments continued to attract the interest of hotel investors and developers, with almost 50% of the new supply expected to enter this space over the next five years. In addition, the share of the upscale-luxury segment in the future pipeline of rooms increased from 27% in 2017/18 to around 32% last year.

By 2023/24, we anticipate an addition of approximately 36,992 branded hotel rooms (under active development), taking the total supply to 1,70,351 and growing the existing base by 28%. (Figure 20).

FIGURE 17: PROPOSED BRANDED HOTEL ROOMS ACROSS MAJOR CITIES (2018/19 – 2023/24)

	Existing Supply 2018/19	Proposed Supply*	Increase in Future Supply	Active Development of Supply	Luxury	Upscale	Upper Mid-Market	Mid-Market	Budget
Agra	2,125	582	27%	46%	0.0%	34.4%	0.0%	45.4%	20.3%
Ahmedabad	3,000	2,006	67%	76%	31.0%	19.9%	25.3%	5.3%	18.4%
Bengaluru	14,287	4,620	32%	65%	15.2%	26.1%	20.0%	23.2%	15.5%
Chennai	9,863	393	4%	43%	28.0%	0.0%	26.2%	30.5%	15.3%
New Delhi	14,730	805	5%	93%	0.0%	30.6%	10.6%	25.1%	33.8%
Gurugram	5,866	1,808	31%	80%	0.0%	33.3%	19.7%	20.7%	26.2%
NOIDA	1,378	981	71%	43%	0.0%	26.5%	54.0%	7.3%	12.1%
Goa	6,828	2,068	30%	80%	0.0%	28.2%	23.5%	25.5%	22.8%
Hyderabad	6,965	728	10%	68%	0.0%	31.9%	13.7%	22.8%	31.6%
Jaipur	5,613	2,601	46%	63%	8.3%	55.7%	26.6%	9.4%	0.0%
Kolkata	3,742	1,724	46%	81%	28.4%	9.5%	25.4%	18.6%	18.2%
Mumbai	13,687	4,816	35%	69%	32.9%	9.3%	35.4%	5.0%	17.5%
Pune	6,460	796	12%	80%	24.9%	19.6%	25.0%	26.9%	3.6%
Other Cities	38,815	26,242	68%	77%	5.2%	19.1%	26.7%	29.6%	19.4%
Total	1,33,359	50,170	38%	74%	10.5%	21.9%	26.2%	23.3%	18.1%

**Proposed Supply includes 5,132 rooms that have been open for less than six months, and therefore, not included in the existing supply*
Source: Hotelivate Research

FIGURE 18: DISTRIBUTION OF EXISTING AND PROPOSED BRANDED HOTEL ROOMS ACROSS MAJOR CITIES (2009/10 – 2018/19)

Existing Supply	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18*	18/19
Agra	1,439	1,439	1,739	1,299	1,293	1,755	2,036	2,092	2,256	2,125
Ahmedabad	1,521	1,785	1,975	2,477	2,777	2,944	3,054	3,117	3,393	3,000
Bengaluru	5,597	5,947	7,713	8,536	10,162	11,117	11,539	11,995	12,594	14,287
Chennai	3,806	4,066	4,904	6,330	7,105	7,444	7,585	8,332	9,061	9,863
New Delhi[a]	8,129	9,111	10,697	11,338	12,370	13,193	14,142	14,296	14,450	14,730
Gurugram	1,980	3,246	3,782	4,559	5,190	5,323	5,117	5,263	5,890	5,866
NOIDA[b]	300	351	527	841	1,239	1,322	1,322	1,422	1,515	1,378
Goa	3,288	3,375	3,885	4,406	4,703	5,298	5,574	6,400	6,386	6,828
Hyderabad	3,782	4,036	4,797	5,411	5,734	5,954	5,992	6,254	6,846	6,965
Jaipur	2,472	2,554	3,054	4,129	4,523	4,822	4,931	5,058	5,352	5,613
Kolkata	1,520	1,588	1,787	2,163	2,243	2,701	2,701	3,199	3,652	3,742
Mumbai[c]	9,877	11,303	12,052	12,807	13,022	12,865	13,054	13,494	13,524	13,687
Pune	2,672	4,691	5,672	5,317	6,159	6,137	6,108	6,445	6,353	6,460
Other Cities	15,412	18,039	21,729	24,642	24,657	26,820	28,445	31,852	35,293	38,815
Total	61,795	71,531	84,313	94,255	1,01,177	1,07,695	1,11,600	1,19,219	1,26,565	1,33,359

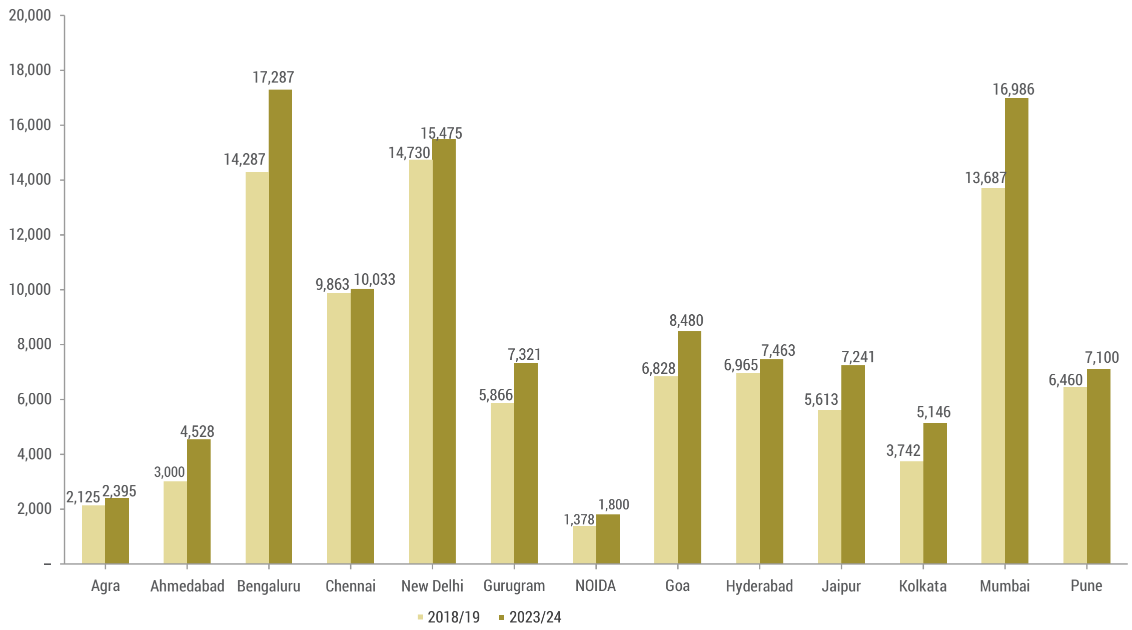
Proposed Supply	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18*	18/19
Agra	510	667	650	866	990	503	622	754	428	582
Ahmedabad	2,339	2,319	2,550	1,857	1,372	1,026	1,238	1,345	1,343	2,006
Bengaluru	9,819	12,509	9,716	10,731	6,911	5,317	5,209	4,418	5,698	4,620
Chennai	5,995	7,819	7,547	5,331	3,885	3,311	2,312	1,767	978	393
New Delhi[a]	20,021	18,608	5,626	6,144	5,355	2,502	2,792	1,715	1,492	805
Gurugram			5,818	5,033	3,268	2,084	1,959	1,743	1,727	1,808
NOIDA[b]			5,522	5,615	2,406	1,873	2,561	1,043	1,174	981
Goa	1,736	2,154	2,422	2,622	2,291	1,743	2,062	2,870	3,028	2,068
Hyderabad	5,302	5,713	5,265	3,433	2,893	2,474	2,464	1,475	1,149	728
Jaipur	2,664	4,867	3,356	2,859	1,706	1,119	960	1,713	1,086	2,601
Kolkata	3,481	3,612	3,118	3,511	2,584	2,870	3,209	2,194	1,768	1,724
Mumbai[c]	7,477	12,121	10,896	9,802	7,896	5,561	4,166	3,680	4,039	4,816
Pune	5,196	5,545	4,645	3,705	2,620	2,005	1,965	1,308	894	796
Other Cities	24,909	26,504	26,224	23,141	23,873	23,882	25,393	21,042	24,576	26,242
Total	89,449	1,02,438	93,355	84,650	68,050	56,270	56,912	47,067	49,380	50,170

Active Development of Supply	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18*	18/19
Agra	41%	22%	80%	76%	82%	43%	28%	34%	72%	46%
Ahmedabad	69%	73%	69%	66%	86%	64%	71%	47%	71%	76%
Bengaluru	65%	67%	71%	75%	66%	52%	67%	72%	78%	65%
Chennai	72%	57%	58%	65%	80%	83%	100%	94%	89%	43%
New Delhi[a]	75%	75%	87%	84%	71%	87%	92%	62%	87%	93%
Gurugram			55%	53%	54%	10%	70%	23%	84%	80%
NOIDA[b]			37%	28%	70%	13%	9%	18%	41%	43%
Goa	41%	53%	53%	62%	68%	50%	90%	48%	57%	80%
Hyderabad	63%	77%	74%	87%	78%	61%	32%	89%	77%	68%
Jaipur	77%	45%	52%	56%	82%	92%	89%	51%	82%	63%
Kolkata	51%	58%	74%	64%	72%	70%	64%	64%	77%	81%
Mumbai[c]	60%	35%	47%	42%	49%	33%	39%	37%	54%	69%
Pune	67%	56%	69%	67%	72%	64%	73%	47%	89%	80%
Other Cities	65%	56%	48%	55%	71%	70%	71%	75%	73%	77%
Total	67%	60%	58%	60%	69%	61%	66%	64%	72%	74%

**The 2017/18 supply has been modified based on the updated data collated for this survey*
[a]*Proposed & Active Development of Supply: Delhi NCR data (shaded portion) for 2009/10 and 2010/11; New Delhi (without Gurugram, NOIDA and Greater NOIDA) data from 2011/12 to 2018/19*
[b]*NOIDA data includes Greater NOIDA*
[c]*Mumbai data includes Navi Mumbai*

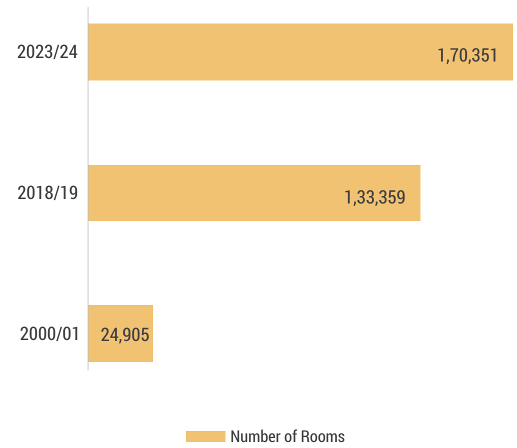
Source: Industry Sources and Hotelivate Research

FIGURE 19: PROPOSED BRANDED HOTEL ROOMS ACROSS MAJOR CITIES (2018/19 - 2023/24*)



*The supply for 2023/24 has been computed by adding the active future supply to the existing base of rooms in 2018/19
Source: Industry Sources and Hotelivate Research

FIGURE 20: GROWTH OF ROOMS SUPPLY – INDIA (2000/01 – 2023/24)



Industry Performance by Major City

Our key takeaways from the survey results pertaining to the industry performance by major cities and subsequent analyses are as follows:

All major markets witnessed an increase in RevPAR in 2018/19, with NOIDA (including Greater NOIDA) recording the highest year-on-year growth (25.4%) due to improved business sentiment and limited supply entering the market. Mumbai, once again, topped the charts in terms of occupancy (77.1%), and also surpassed Goa to clock in the highest average rate (₹8,096) this past fiscal. In contrast, Ahmedabad registered the lowest average rate (₹4,578) of the 13 major markets tracked in this report, despite witnessing the second-highest year-on-year growth in ADR (10.1%) after NOIDA (14.6%).

Furthermore, all hotel markets witnessed an increase in **occupancy** with the exception of Bengaluru (66.0%) that observed a degrowth of 3.4%. This decline was due to a surge in the rooms supply in the city, with nearly 1,700 rooms being added last year.

As for **average rate**, unlike the previous year, both Agra (7.7%) and Gurugram (3.8%) displayed a healthy growth in their respective ADRs in 2018/19. On the other hand, Goa (-0.1%) and Kolkata (-0.9%) witnessed a marginal decline; this is the first for Goa in a decade, chiefly attributed to South Goa hotels decreasing their rates last year.

In terms of **RevPAR**, after NOIDA, Hyderabad recorded the second-highest growth (12.4%) in 2018/19; the increase can be attributed to Grade A commercial setups commencing operations in the city and providing a steady flow of room night demand. Chennai also saw a substantial growth in RevPAR (7%) mainly due to improved business sentiment in the city and new hotels ramping up their performance. Kolkata, on the other hand, displayed no change in RevPAR in 2018/19 compared to last year.

Figure 21 illustrates the marketwide occupancy of the 13 major cities between 1999/2000 and 2018/19. Figures 22 and 23 highlight the average rate and RevPAR for each of these hotel markets expressed in Indian Rupees, followed by Figures 24 and 25, illustrating the corresponding data in US Dollars. Our detailed review of these markets has been provided on subsequent pages.

Another interesting development is **Mumbai outranking Goa** to secure the position of rate leader in the country.

FIGURE 21: KEY OPERATING STATISTICS BY MAJOR CITY – OCCUPANCY

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*	2018/19	12-Month Change	Compounded Growth
Agra	40.1%	42.5%	33.7%	30.7%	50.0%	57.1%	56.0%	58.9%	58.3%	52.4%	55.9%	60.2%	57.1%	58.9%	60.4%	61.5%	57.7%	59.6%	66.2%	67.0%	1.2%	2.7%
Ahmedabad	50.8%	55.8%	53.2%	53.8%	63.2%	68.3%	69.1%	67.9%	73.3%	61.2%	58.2%	54.3%	59.9%	53.7%	52.7%	53.9%	55.6%	61.1%	63.8%	63.9%	0.2%	1.2%
Bengaluru	64.4%	69.8%	64.3%	72.0%	78.5%	81.4%	76.7%	72.5%	65.3%	54.6%	53.2%	58.4%	56.6%	55.6%	57.7%	58.1%	65.7%	65.9%	68.3%	66.0%	-3.4%	0.1%
Chennai	65.3%	64.6%	56.5%	58.3%	66.6%	72.9%	78.2%	74.7%	72.8%	63.1%	62.1%	67.2%	65.7%	60.0%	55.4%	58.9%	62.7%	64.8%	63.0%	65.0%	3.1%	0.0%
New Delhi[a]	52.9%	58.9%	53.3%	60.4%	73.1%	79.1%	80.8%	76.9%	73.9%	67.3%	68.3%	68.7%	63.8%	61.7%	60.9%	61.7%	66.7%	69.4%	70.5%	72.5%	2.7%	1.7%
Gurugram											66.0%	66.5%	62.0%	58.0%	58.8%	61.1%	63.7%	66.3%	67.9%	68.8%	1.2%	0.5%
NOIDA[b]											74.0%	80.7%	56.2%	44.4%	53.5%	48.0%	51.0%	56.2%	54.9%	60.0%	9.4%	-2.3%
Goa	53.3%	60.6%	53.6%	60.5%	59.3%	62.5%	67.8%	72.8%	72.2%	61.1%	65.1%	67.7%	68.5%	68.9%	68.7%	69.7%	70.2%	71.3%	70.0%	71.8%	2.5%	1.6%
Hyderabad	61.3%	69.1%	68.0%	68.9%	75.9%	78.7%	82.0%	72.1%	65.7%	55.8%	53.3%	57.1%	54.0%	49.3%	51.7%	57.1%	59.3%	63.7%	66.3%	70.3%	6.0%	0.7%
Jaipur	47.0%	55.0%	48.3%	44.9%	58.8%	67.2%	65.7%	65.5%	64.7%	54.1%	57.3%	57.7%	55.2%	54.7%	54.3%	54.5%	60.8%	64.4%	67.6%	67.9%	0.5%	2.0%
Kolkata	54.8%	62.9%	66.4%	65.4%	62.8%	69.0%	76.4%	75.5%	73.9%	69.5%	67.5%	68.3%	70.0%	71.5%	70.2%	67.8%	69.3%	70.9%	70.2%	70.8%	0.9%	1.4%
Mumbai[c]	64.5%	64.6%	52.0%	63.4%	69.7%	72.0%	76.2%	77.9%	74.6%	60.6%	62.5%	62.4%	63.7%	64.3%	67.0%	71.8%	73.7%	74.4%	75.5%	77.1%	2.1%	0.9%
Pune				71.0%	68.9%	86.4%	83.1%	83.4%	69.5%	62.2%	50.9%	46.7%	51.3%	58.2%	57.4%	61.3%	65.6%	64.1%	68.2%	69.9%	2.5%	-0.1%

FIGURE 22: KEY OPERATING STATISTICS BY MAJOR CITY – AVERAGE RATE (₹)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*	2017/18	12-Month Change	Compounded Growth
Agra	1,638	1,586	1,840	1,954	2,431	3,012	3,622	4,715	5,262	5,322	5,773	6,243	5,958	6,126	6,338	6,488	6,083	5,508	5,316	5,726	7.7%	6.8%
Ahmedabad	2,705	2,736	2,354	2,164	2,410	2,787	3,111	3,526	4,351	4,754	4,540	4,285	3,917	3,904	3,734	3,753	3,884	3,897	4,158	4,578	10.1%	2.8%
Bengaluru	3,025	3,602	3,735	3,752	4,832	7,470	8,762	10,406	9,827	9,495	6,597	6,776	6,293	5,960	5,379	5,368	5,392	5,598	5,823	6,339	8.8%	4.0%
Chennai	3,424	3,796	3,535	3,224	3,323	3,714	4,357	5,378	6,340	6,677	5,710	5,632	5,524	5,440	5,050	4,825	4,767	4,761	4,863	5,045	3.7%	2.1%
New Delhi[a]	4,115	4,526	4,338	4,089	4,269	5,103	6,909	9,192	10,429	9,811	8,834	8,634	8,174	7,387	6,941	6,568	6,211	6,292	6,649	7,026	5.7%	2.9%
Gurugram											8,247	7,554	7,639	6,831	6,569	6,241	6,253	6,382	6,113	6,346	3.8%	-2.9%
NOIDA[b]											7,496	7,752	7,416	6,724	5,964	5,429	5,281	5,652	5,323	6,100	14.6%	-2.3%
Goa	2,727	2,914	2,676	2,754	3,086	3,985	4,804	5,801	6,255	6,271	5,613	6,056	6,162	6,513	6,692	6,819	7,020	7,538	7,920	7,912	-0.1%	5.8%
Hyderabad	1,867	2,316	2,414	2,541	2,774	3,772	4,870	5,962	6,271	6,297	5,146	5,173	5,026	4,854	4,556	4,535	4,741	4,880	4,924	5,217	6.0%	5.6%
Jaipur	2,514	2,902	2,949	2,728	2,980	3,461	4,407	5,285	5,664	5,982	4,539	4,718	4,727	4,843	4,743	4,743	4,721	4,787	5,051	5,296	4.9%	4.0%
Kolkata	3,557	3,698	3,409	2,917	3,021	3,240	3,887	5,288	6,575	6,686	6,087	6,408	6,049	6,093	5,739	5,734	5,607	5,814	5,904	5,853	-0.9%	2.7%
Mumbai[c]	5,661	5,555	4,932	4,184	4,356	4,822	6,041	8,738	10,932	10,679	8,428	8,194	7,923	7,550	7,158	7,230	7,353	7,612	7,760	8,096	4.3%	1.9%
Pune				2,603	2,805	3,521	4,915	6,523	7,946	7,493	5,810	4,949	4,163	3,861	3,908	3,846	3,922	4,195	4,484	4,807	7.2%	3.9%

The 2017/18 performance has been modified based on the updated data collated for this survey

[a] *Delhi NCR data (Shaded Portion) from 1999/00 to 2008/09; New Delhi (without Gurugram, NOIDA and Greater NOIDA) data from 2009/10 to 2018/19*

[b] *NOIDA data includes Greater NOIDA*

[c] *Mumbai data includes Navi Mumbai*

Source: Industry Sources and Hotelivate Research

FIGURE 23: KEY OPERATING STATISTICS BY MAJOR CITY – REVPAR (₹)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*	2018/19	12-Month Change	Compounded Growth
Agra	657	674	620	600	1,216	1,720	2,028	2,777	3,068	2,790	3,227	3,758	3,400	3,605	3,827	**3,988**	**3,510**	**3,281**	**3,517**	**3,835**	9.1%	9.2%
Ahmedabad	1,374	1,527	1,252	1,164	1,523	1,904	2,150	2,394	3,189	2,908	2,642	2,327	2,347	2,098	1,967	**2,024**	**2,159**	**2,379**	**2,652**	**2,926**	10.3%	3.9%
Bengaluru	1,948	2,514	2,402	2,701	3,793	6,081	6,720	7,544	6,417	5,181	3,509	3,957	3,562	3,314	3,104	**3,117**	**3,540**	**3,688**	**3,979**	**4,185**	5.2%	3.9%
Chennai	2,236	2,452	1,997	1,880	2,213	2,708	3,407	4,017	4,616	4,210	3,546	3,785	3,629	3,263	2,795	**2,844**	**2,990**	**3,085**	**3,066**	**3,280**	7.0%	1.9%
New Delhi[a]	2,177	2,666	2,312	2,470	3,121	4,036	5,582	7,069	7,707	6,600	6,034	5,932	5,212	4,561	4,225	**4,052**	**4,140**	**4,367**	**4,691**	**5,091**	8.5%	4.3%
Gurugram											5,443	5,023	4,736	3,958	3,861	**3,815**	**3,986**	**4,230**	**4,152**	**4,364**	5.1%	-2.4%
NOIDA[b]											5,547	6,256	4,164	2,985	3,193	**2,604**	**2,692**	**3,175**	**2,921**	**3,662**	25.4%	-4.5%
Goa	1,453	1,766	1,434	1,666	1,830	2,491	3,257	4,223	4,516	3,829	3,654	4,100	4,220	4,488	4,601	**4,752**	**4,928**	**5,378**	**5,544**	**5,679**	2.4%	7.1%
Hyderabad	1,144	1,600	1,642	1,751	2,105	2,969	3,993	4,299	4,120	3,515	2,743	2,954	2,714	2,394	2,354	**2,589**	**2,812**	**3,107**	**3,264**	**3,668**	12.4%	6.0%
Jaipur	1,182	1,596	1,424	1,225	1,752	2,326	2,895	3,462	3,665	3,234	2,601	2,722	2,609	2,649	2,575	**2,586**	**2,872**	**3,082**	**3,414**	**3,597**	5.4%	5.7%
Kolkata	1,949	2,326	2,264	1,908	1,897	2,236	2,970	3,992	4,859	4,648	4,108	4,377	4,232	4,356	4,031	**3,889**	**3,885**	**4,121**	**4,143**	**4,143**	0.0%	3.8%
Mumbai[c]	3,651	3,589	2,565	2,653	3,036	3,472	4,603	6,807	8,155	6,473	5,268	5,113	5,050	4,856	4,795	**5,194**	**5,420**	**5,660**	**5,857**	**6,241**	6.5%	2.7%
Pune				1,848	1,933	3,042	4,084	5,440	5,522	4,661	2,957	2,311	2,135	2,248	2,243	**2,359**	**2,573**	**2,690**	**3,057**	**3,359**	9.9%	3.8%

FIGURE 24: KEY OPERATING STATISTICS BY MAJOR CITY – AVERAGE RATE (US$)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*	2018/19	12-Month Change	Compounded Growth
Agra	38	35	39	41	53	67	81	108	131	116	121	137	124	112	104	**106**	**94**	**82**	**82**	**85**	3.3%	4.3%
Ahmedabad	62	61	50	45	52	62	70	81	108	104	95	94	82	72	62	**61**	**60**	**58**	**65**	**68**	5.6%	0.5%
Bengaluru	70	80	79	78	105	166	197	239	244	207	138	149	131	109	89	**88**	**83**	**83**	**90**	**94**	4.4%	1.6%
Chennai	79	85	75	67	72	83	98	123	158	145	120	124	115	100	83	**79**	**73**	**71**	**75**	**75**	-0.5%	-0.3%
New Delhi[a]	95	101	92	85	93	114	155	211	259	214	185	189	170	136	114	**107**	**96**	**94**	**103**	**105**	1.3%	0.5%
Gurugram											173	166	159	125	108	**102**	**96**	**95**	**95**	**94**	-0.4%	-6.5%
NOIDA[b]											157	170	155	123	98	**89**	**81**	**84**	**83**	**91**	9.9%	-5.9%
Goa	63	65	57	57	67	89	108	133	155	137	118	133	128	120	110	**112**	**108**	**112**	**123**	**118**	-4.2%	3.3%
Hyderabad	43	52	51	53	60	84	109	137	156	137	108	114	105	89	75	**74**	**73**	**73**	**76**	**78**	1.6%	3.2%
Jaipur	45	65	62	57	65	77	99	121	141	130	95	104	99	89	78	**78**	**73**	**71**	**78**	**79**	0.5%	3.0%
Kolkata	82	82	72	61	66	72	87	121	163	146	128	141	126	112	95	**94**	**86**	**87**	**92**	**87**	-4.9%	0.3%
Mumbai[c]	130	124	104	87	95	107	136	200	272	233	177	180	165	139	118	**118**	**113**	**113**	**120**	**120**	0.1%	-0.4%
Pune				54	61	78	110	150	197	163	122	109	87	71	64	**63**	**60**	**63**	**70**	**72**	2.8%	1.8%
Exchange Rate	43.5	44.9	47.2	48.2	46.0	44.9	44.5	43.6	40.2	45.9	47.7	45.6	48.0	54.5	60.7	**61.2**	**65.0**	**67.1**	**64.5**	**67.2**		

FIGURE 25: KEY OPERATING STATISTICS BY MAJOR CITY – REVPAR (US$)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*	2018/19	12-Month Change	Compounded Growth
Agra	15	15	13	13	27	38	45	64	76	61	68	82	71	66	62	**65**	**54**	**49**	**55**	**57**	4.6%	7.2%
Ahmedabad	31	34	27	24	33	42	48	55	79	64	55	51	49	39	33	**33**	**33**	**35**	**41**	**44**	5.8%	1.7%
Bengaluru	45	56	51	56	82	135	151	173	159	113	74	87	74	61	51	**51**	**54**	**55**	**62**	**62**	0.9%	1.7%
Chennai	52	55	42	39	48	61	77	92	115	91	74	83	76	60	46	**47**	**46**	**46**	**48**	**49**	2.6%	-0.3%
New Delhi[a]	50	59	49	51	68	90	125	162	192	144	126	130	109	84	70	**66**	**64**	**65**	**73**	**76**	4.1%	2.2%
Gurugram											114	110	99	73	64	**62**	**61**	**63**	**64**	**65**	0.8%	-6.1%
NOIDA[b]											116	137	87	55	53	**43**	**41**	**47**	**45**	**54**	20.2%	-8.1%
Goa	34	39	31	34	40	56	73	97	112	84	77	90	88	82	76	**78**	**76**	**80**	**86**	**84**	-1.8%	5.0%
Hyderabad	26	36	35	37	46	66	89	99	102	76	58	65	57	44	39	**42**	**43**	**46**	**51**	**55**	7.7%	3.9%
Jaipur	21	36	30	26	38	52	65	79	91	70	55	60	54	49	42	**42**	**44**	**46**	**53**	**54**	1.1%	5.0%
Kolkata	45	52	48	40	41	50	66	91	121	101	86	96	88	80	66	**64**	**60**	**61**	**64**	**62**	-4.1%	1.7%
Mumbai[c]	84	80	54	55	66	77	104	156	203	141	110	112	105	89	79	**85**	**83**	**84**	**91**	**93**	2.2%	0.5%
Pune				38	42	67	91	125	137	101	62	51	45	41	37	**39**	**40**	**40**	**47**	**50**	5.4%	1.7%
Exchange Rate	43.5	44.9	47.2	48.2	46.0	44.9	44.5	43.6	40.2	45.9	47.7	45.6	48.0	54.5	60.7	**61.2**	**65.0**	**67.1**	**64.5**	**67.2**		

**The 2017/18 performance has been modified based on the updated data collated for this survey*
[a]Delhi NCR data (Shaded Portion) from 1999/00 to 2008/09; New Delhi (without Gurugram, NOIDA and Greater NOIDA) data from 2009/10 to 2018/19
[b]NOIDA data includes Greater NOIDA
[c]Mumbai data includes Navi Mumbai

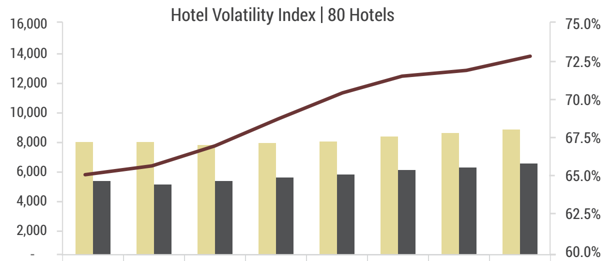
Source: Industry Sources and Hotelivate Research

The Hotel Volatility Index 2019

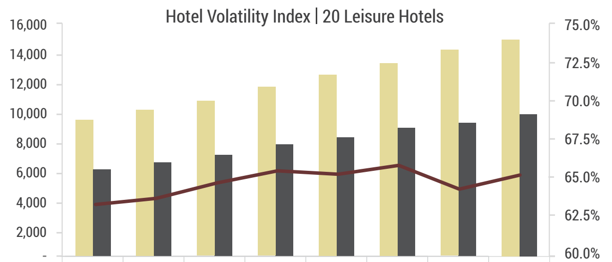
The Hotel Volatility Index (HVI), now in its third year, tracks the performance of 80 well-established, stabilized hotels – 60 urban and 20 leisure properties – across positioning that have been operational since 2011 or earlier in the country. Together, these 80 hotels represent nearly 17,000 rooms in 21 different cities in India. **Unlike the nationwide average that considers the new supply coming in, the HVI consists of the same base of stabilized hotels each year, enabling an identical comparison over time.** This serves two main objectives – first, at a macro level, it helps determine whether demand is robust or flattening out; second, it offers a stabilized hotel (any property that is operational for over five years) an additional point of reference for benchmarking that is beyond the local competitive set (usually, a mixed bag of new and old hotels).

Figure 26, below, illustrates the occupancy, average rate and RevPAR performance of the index between 2011/12 and 2018/19, further categorized by location.

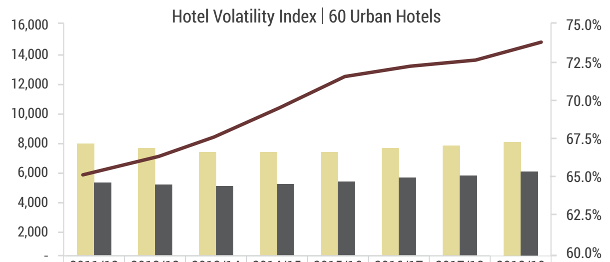
FIGURE 26: HOTEL VOLATILITY INDEX | URBAN AND LEISURE LOCATIONS



2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
8,180	8,014	7,822	7,949	8,054	8,398	8,666	8,892
5,314	5,255	5,236	5,478	5,702	6,009	6,212	6,495
65.0%	65.6%	66.9%	68.9%	70.8%	71.6%	71.7%	73.0%



2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
9,432	10,143	10,743	11,728	12,555	13,364	14,292	15,041
5,990	6,486	6,991	7,754	8,231	8,867	9,235	9,874
63.5%	63.9%	65.1%	66.1%	65.6%	66.4%	64.6%	65.6%



2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
7,970	7,659	7,347	7,345	7,369	7,637	7,831	8,058
5,197	5,044	4,941	5,096	5,282	5,531	5,706	5,997
65.2%	65.9%	67.3%	69.4%	71.7%	72.4%	72.9%	74.2%

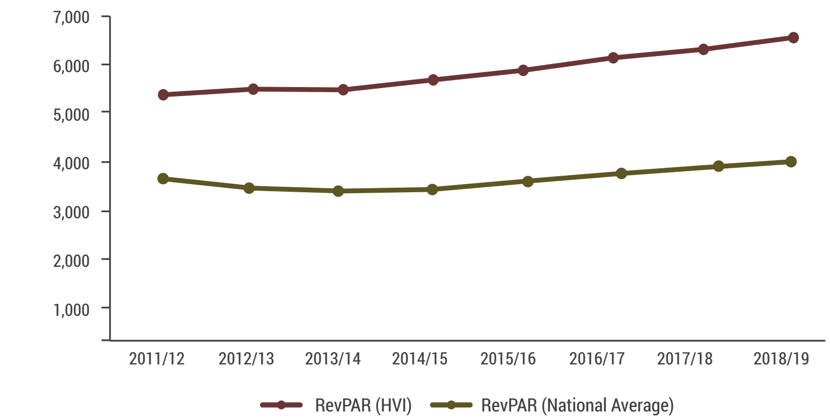
Source: Industry Sources and Hotelivate Research

ADR RevPAR Occupancy

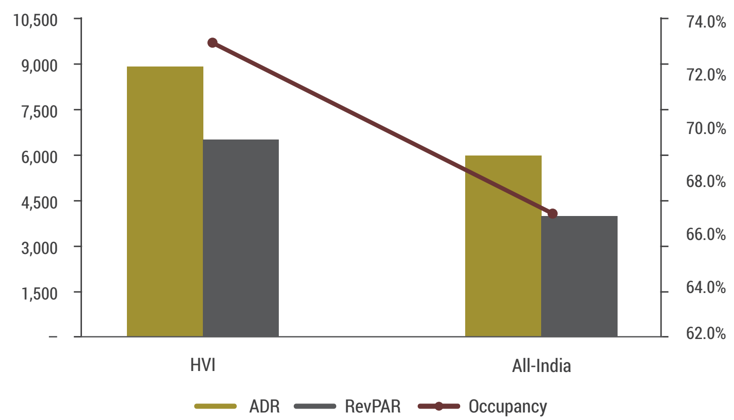
The HVI recorded an occupancy of 73% at an average rate of ₹8,892 in 2018/19, resulting in a RevPAR of ₹6,495. In line with the nationwide trends, all three metrics grew over the previous year, as hotels continued to reap the benefits of the current industry up-cycle, albeit moderately. This also indicates a favorable demand situation that is enabling existing hotels to improve their performance despite the influx of new rooms. Notably, leisure hotels in the index consistently adopted a rate strategy, with the ADR witnessing a year-on-year increase since 2011/12, with some fluctuation in occupancy. A reverse trend can be observed for urban hotels that adopted a volume strategy and grew occupancies steadily over the last eight years, compromising on the average rate to adjust to market dynamics.

Specifically, leisure hotels in the HVI witnessed an increase of near 7% in RevPAR in 2018/19, driven by a 5.2% increase in average rate over last year. Occupancy of these hotels also recorded a growth of one percentage point during this period. **Comparing the performance to that of the urban hotels in the HVI, the RevPAR of leisure properties was 65% higher in 2018/19**. Moreover, in the last five years, this sample set of 20 leisure hotels grew their RevPAR at a CAGR of 6.2%. Largely resilient to global uncertainties and maintaining a stable momentum overall, domestic tourism has been a key contributor towards the healthy performance of this segment. According to WTTC's most recent India Annual Research Report,

FIGURE 27: HVI vs NATIONAL AVERAGE | 2018/19



Source: Industry Sources and Hotelivate Research



domestic travel spending accounted for 87% of the direct Travel & Tourism GDP in the country in 2018. In terms of leisure vs business travel expenditure, the former (inbound and domestic) generated 95% of the direct Travel & Tourism GDP. Also, the government's keen focus on improving India's tourism bodes well for leisure markets, especially with the Prime Minister urging the people to visit at least 15 domestic tourist destinations by 2022. Inbound tourism is also on a growth trajectory, aided by favorable policies and developments, such as e-visa, expansion of the visa-on-arrival facility, the Incredible India 2.0 campaign and better regional connectivity. All these trends are significant, as they merit the opportunity to invest in leisure destinations in India.

However, it is disappointing to note that approximately only 31% of the new supply is anticipated to enter leisure hotel markets in the country over the next five years. In the past, operating hotels in leisure destinations was challenging owing to issues of seasonality, inaccessibility, and lack of skilled manpower. These have now been overcome to a large extent, as some domestic and international hotel chains took the leap and established a presence in these markets, contributing to their overall development. Furthermore, better air connectivity to Tier-II and Tier-III cities, increasing M.I.C.E tourism, spiritual tourism, heritage tourism and wildlife tourism, as well as weekend travel and staycations are creating a more enabling environment for leisure hotels in India. Even so, many diverse locations remain untapped, and Hotelivate recommends developers and operators to begin looking at this segment more actively, going forward.

Comparing the performance of the index to the national average in Figure 27, we observe that the RevPAR of these 80 stabilized hotels (₹6,495) was 63% higher than that of the All-India sample set (₹3,981) in 2018/19. Moreover, it is interesting that the gap between the RevPAR of the HVI and the national average has been widening each year since 2011/12. This validates our argument for using the index as an additional performance benchmark for stabilized hotels. An increase or a decrease in the HVI's performance points directly towards the organic growth/decline in demand. In contrast, the nationwide average, and that of individual hotel markets, is impacted by the new supply coming in each year. When new hotels open, they temporarily skew the market metrics by pulling down the occupancy and/or average rate, and thus, relying solely on the All-India performance or that of a local competitive set can be misleading for a hotel.

To conclude, the HVI serves a similar purpose for the hotel industry as the same-store performance tracked by retail companies, and even some international hotel chains. Investors prefer to see an increase in same-store performance, as it is a more accurate gauge of the current and likely future performance of a company/industry. The HVI recorded an annual growth in occupancy since 2011/12, including the last downcycle that ended in 2015/16. This shows that demand is robust and future increases can be expected. Also, with the current up-cycle having a few years left, we forecast an upward trend in the industry performance in the short to medium term.

Manav Thadani, MRICS
Founder Chairman, Hotelivate

Juie Mobar
Director, Special Projects, Hotelivate

City Trends

AGRA

Agra has, for the second consecutive year, not only maintained its occupancy in the late 60s, but also set a record at 67% in 2018/19 – the highest in 20 years of tracked data. This was accompanied by a notable increase of 7.7% in the marketwide ADR, resulting in the city's greatest growth in RevPAR (9.1%) in many years.

While one may attribute Agra's upward performance to the de-flagging of two hotels in the branded space, thus displacing demand to other existing branded hotels, it is also a testament to the city's renewed focus on tourism. In 2018/19, Agra continued to witness a shrinking foreign leisure segment, which was cushioned by the rise of individual domestic leisure and M.I.C.E segments, owing to the improved road and rail connectivity to Delhi-NCR, Lucknow and other neighboring cities.

Going forth, Hotelivate is tracking a proposed supply of 582 rooms in the branded space, of which 46% are under active development. Also, close to 66% of the proposed supply is expected to be positioned in the mid-market and budget space over the next five years. Infrastructure developments, such as the upgradation and transformation of the Tajganj area, along with the completion of the inner ring road and the city being brought under the central government's 'Smart City' mission, are expected to further enhance connectivity to and within Agra, improving the destination's appeal. Resultantly, we expect tourism in Agra to witness sustained growth, enabling the hotel market to remain stable in the coming years.

AHMEDABAD

A bustling cosmopolitan, Ahmedabad has attracted significant new investments and industries in recent years. This commercial and financial capital of Gujarat is supported by tech-savvy infrastructure and a trade-friendly government. With a marketwide occupancy of 63.9% and an ADR of ₹4,578 in 2018/19, the city's hotel market exhibited a positive RevPAR growth (10.3%) despite the discontinuation of some branded supply in the mid-market segment and the addition of new supply in the upscale segment. This is primarily a result of the assemblage of new commercial and industrial developments of multinational companies in and around the city, generating room night demand mainly in the commercial, extended-stay and M.I.C.E segments. The city also hosts multiple mega events and festivals that attract a

Sheraton Grand Chennai Resort & Spa

Radisson Andheri Mumbai MIDC

large amount of leisure demand.

Future-focused infrastructure projects, such as the Gujarat International Finance Tec-City (GIFT City), Sabarmati Riverfront, the new Gandhinagar Railway Station, Mahatma Mandir Convention and Exhibition Centre, the Ahmedabad Metro and the Delhi-Mumbai Industrial Corridor Project (DMIC) are anticipated to further fuel demand in the city in the medium to long term. Along with the above-mentioned developments, Ahmedabad's hotel market is also expected to witness an addition of approximately 2,000 rooms in the coming five years, with 51% of these having a luxury-upscale positioning. Overall, supply is anticipated to outpace demand over the next few years, and resultantly, marketwide occupancy will likely decline in the short to medium term.

BENGALURU

Being the country's fastest growing commercial city, Bengaluru witnessed a RevPAR growth of 5.2% in 2018/19 over the last fiscal. This advancement was primarily driven by an aggressive ADR growth of 8.8%, even as marketwide occupancy declined by 3.4%. Whilst the city's office supply expanded by 9.2 million ft^2 last year, generating new room night demand, the lower average occupancy was due to augmentation of new hotel supply at approximately 13% in 2018/19. Most of the recently opened hotels are in the luxury and upscale segments, pushing the city's average rate to touch ₹6,339, the highest in the last eight years. It is further interesting to note that with the opening of The Four Seasons Hotel, Bengaluru's CBD micro-market has become the largest luxury hospitality market in the country, housing brands like ITC, The Ritz-Carlton, Taj, Oberoi, Conrad, Shangri-La and a few others.

On the other hand, the city's growing traffic has further strengthened the notion of independent micro-markets. The ORR-Sarjapur belt is dominated by IT Parks and competes with the CBD hotels in occupancy and ADR. Additionally, the Outer Ring Road and North Bengaluru micro-markets are major hubs of Grade A office inventory, adding approximately 70% of the new office supply in the city last year. With minor improvements in Bengaluru's road infrastructure, hotel and office supply growth will continue to occur in the peripheral areas, primarily towards the north-end due to airport connectivity.

Looking ahead, with an addition of 4,620 hotel rooms by 2023/24, Bengaluru is forecast to become the largest branded hotel market in the country. The current expansion is majorly scheduled in the upscale to mid-market segment, with most hotels being located in North Bengaluru, proximate to the upcoming business and IT Parks.


DoubleTree by Hilton Ahmedabad

CHENNAI

Often overshadowed by other metropolitan cities due to the relative price-sensitive nature of demand, the Chennai hotel market displayed healthy growth across all performance parameters during the last fiscal year. Despite a 9% increase in supply, Chennai recorded its highest RevPAR growth in 12 years (7%), with marketwide occupancy reaching the 65% mark for the first time since 2011/12. With the exceptions of Sriperumbudur and Oragadam, all micro-markets witnessed a boost in occupancy in 2018/19. Even so, it is interesting to note that on a marketwide level, the growth in ADR (3.7%) was marginally greater than the growth in occupancy (3.1%), driven by the average rate increase recorded by hotels in Guindy and GST Road (both near the airport and towards Mahindra World City). The OMR stretch, which has been under pressure over the last few years due to limited demand and significant increase in supply, witnessed a 3.5% improvement in occupancy and a 2.4% increase in ADR. This enhanced performance may be primarily attributed to newer hotels ramping up in performance. Furthermore, the 1.7 million ft^2 of new office space absorbed over the course of 2018/19, provided a fillip to the overall market that relies heavily on corporate and extended-stay demand.

While 2018/19 has been a good year for the market, the fresh water shortage in the coastal city during this summer may adversely impact hotel performance in the current fiscal. Additionally, the proposed rooms pipeline in Chennai is a meager 393 rooms, of which only 43% are likely to open in the coming few years. Hence, from a supply and demand standpoint, our outlook for the Chennai hotel market continues to remain positive in the short to medium term.

NEW DELHI

New Delhi, the largest branded hotel market in the country, witnessed a 2.7% growth in occupancy, complemented by a 5.7% growth in ADR in 2018/19. It is important to appreciate the increase in occupancy that occurred despite the opening of two large hotels last year, namely the 250-key Aloft New Delhi Aerocity and the 220-key The Oberoi, New Delhi. Within micro-markets, Aerocity hotels witnessed the highest growth in occupancy (5.3%) and ADR (9.7%), which may be partially attributed to a greater absorption of office spaces in the vicinity as well as their proximity to the Indira Gandhi International Airport.

Looking ahead, Hotelivate expects the ADR and occupancy in New Delhi to grow further owing to the incremental M.I.C.E demand that will be generated by the introduction of large-scale convention spaces, such as Pragati Maidan and the Dwarka Convention Centre, a few years from now. Ancillary demand from PSUs and other government agencies will continue to contribute to the occupancy, especially in Central Delhi hotels. Moreover, in the next three to five years, the capital city is expected to see an addition of approximately 805 rooms, with the majority spread between the mid-market and budget categories. In light of the moderate supply growth alongside a robust growth in demand, Hotelivate is of the opinion that hotels in New Delhi should continue to focus on increasing their ADR in the short to medium term.

GURUGRAM

One of North India's main commercial and financial hubs, Gurugram continues to be a preferred destination for global firms that generate significant room night demand in the commercial and M.I.C.E segments of the city. Currently, Gurugram offers over 50 million ft^2 of office space, with an expanding pipeline. After hotels (including mature upscale and midscale hotels) dropped their rates in 2017/18, the market exhibited a positive growth in ADR (3.8%) last year; however, it still missed meeting the 2016/17 average rate level by a small margin. With a nominal growth in marketwide occupancy and a recovery in ADR, Gurugram managed a positive RevPAR growth of 5.1% in 2018/19. On the supply front, while the Lemon Tree Sohna commenced operations last year, the Galaxy Hotel closed its doors, resulting in a little net impact on the market's rooms supply.

Conversely, there are more than 1,400 rooms being actively developed in Gurugram in the five-year horizon, with most of them coming up in the upscale to mid-market space. Demand, too, is likely to escalate with the entry of new commercial and industrial developments that are actively under construction towards the Southern Peripheral Road and Dwarka Expressway. As Gurugram maintains its position as one of the strongest hotel markets and commercial hubs in the country, considering the potential for further growth in marketwide occupancy, one hopes that the city's hotels will continue to enhance their ADR in the short to medium term.

NOIDA

NOIDA (including Greater NOIDA) displayed a significant growth, both in occupancy (9.4%) and average rate (14.6%), in 2018/19 over the previous fiscal. For the first time in eight years, occupancy touched 60%, while ADR crossed the ₹6,000 mark after five years.

Contrary to popular belief, Greater NOIDA is no longer an ad hoc market, dependent on exhibitions and expositions. The marketwide demand growth in 2018/19 in fact was organic in nature, emanating largely from the recently displaced publication houses and IT companies that moved from Gurugram to Greater NOIDA. Hotelivate is of the opinion that the relative low cost of land and labor, coupled with the growing demand in the market, presents an opportunity for hotels across budget-upscale positioning to tap its potential.

We are tracking 981 rooms that are planned to open over the next three to five years in NOIDA; however, only 43% of this pipeline is actively under development. Also, unlike previous years, our outlook for NOIDA this year is positive. Hotelivate believes that the hotels in the market will continue to display growth in performance on the back of expanding M.I.C.E and commercial segments.

GOA

Goa, India's most preferred leisure destination, fared well on the occupancy front (71.8%) during 2018/19, even as the marketwide ADR took a slight hit of -0.1%. Looking at individual micro-

The Den Hotel Bengaluru

markets, North Goa recorded a growth in both occupancy (3%) and ADR (3.7%), which may be attributed to the ever-growing domestic leisure segment in the market. Central Goa, too, displayed an increase in both metrics, albeit lower than the northern micro-market, growing by a mere 0.1% in occupancy and 2.2% in ADR. Conversely, South Goa registered a healthy increase in occupancy (3.5%), but witnessed a decline in ADR by 4.5%, which in turn translated to a drop in RevPAR by 1.2%. While South Goa continues to command the highest ADR out of the three micro-markets, it is noteworthy that the difference in ADRs of South and Central Goa hotels was just ₹115 in 2018/19. On the demand front, domestic leisure has witnessed marked year-on-year improvements, and today, contributes a higher share of room nights in the city than the foreign segment. M.I.C.E (including weddings) too has been a consistently growing demand generating segment for Goa, with potential for expansion.

As a side note, we would like to highlight that Goa's positioning as India's preferred getaway spot has been taking a hit recently, no thanks to the slew of adverse measures by the government. From banning consumption of alcohol on the beaches to imposing a long list of 'dry days', the party capital of India does seem to be reeling under the pressure of somewhat unwarranted interference. While ensuring safety, security and hygiene are all 'must dos', surely enabling a good time for holiday seekers and also keeping the state safe and clean could be achieved in parallel. The fact that travelers always have alternatives and can just as easily go to Sri Lanka, Istanbul or Phuket (for not too different a cost) should not be ignored.

Lastly, Hotelivate is tracking 2,068 rooms in Goa, of which a little over 1,650 rooms are actively under development and likely to open within the five-year horizon. Though infrastructure continues to pose a challenge, particularly in South Goa - with the government building bridges (quite literally) to tackle the problem and the much-awaited MOPA Airport being nowhere near completion - we remain optimistic of the Goa hotel market, maintaining that improvement in infrastructure will be critical to the state, going forward.

HYDERABAD

The land of the erstwhile Nizams has been on a path to recovery in recent years. Breaching the 70% occupancy mark for the first time since 2006/07, Hyderabad saw an upward trend in ADR, growing by 6% over the previous fiscal in 2018/19. This performance was primarily supported by demand from the commercial and M.I.C.E segments generated from office spaces developed in recent years towards HITEC city. Consequently, the HITEC city micro-market outperformed the hotels in the CBD area, both in terms of occupancy and ADR in 2018/19. Moreover, the 271-key ITC Kohenur in HITEC City that recently completed a year of operations, is strategically located to absorb demand from the vicinity that would previously spill over to the CBD hotels; this has further affected occupancy growth of the latter. Having said that, it is interesting to note that CBD hotels still managed an increase in occupancy, albeit a small one, attributed to the medical tourism and leisure segments they cater to. On the other hand, the Shamshabad micro-market, with one operating hotel, saw substantial growth in both occupancy and ADR in 2018/19.

Moreover, the recently opened 9.5-acre Amazon-owned campus in Gachibowli is expected to further promote hotel performance in that micro-market. The development of 2.4 million ft^2 of Grade A office space, the majority of which is under construction in Gachibowli and Madhapur, is also expected to boost hotel performance in Gachibowli, HITEC City and surrounding areas in the coming years. With 728 rooms in the pipeline, of which 68% are under active development, and the continued influx of multinational organizations setting up shop in the city, Hotelivate believes that the short to medium term outlook for Hyderabad is positive.


Azaya Beach Resort Goa

JAIPUR

The capital city of Rajasthan has evolved over the years, from being a primarily leisure-oriented destination to becoming one of the most sought-after wedding markets in India. In recent years, the hotel market in the city has also experienced demand from Corporate M.I.C.E, which is expected to grow and become one of the major segments in the near future.

The change in market dynamics may be attributed to two factors – connectivity of the Jaipur International Airport to a greater number of destinations, and the addition of approximately 1,100 rooms between 2013/14 and 2018/19. Going forward, the Jaipur hotel market is expected to grow manifold adding approximately 2,600 rooms over the next five years (an increase of 46% over existing supply), of which 63% are under active development. Most of this proposed supply is positioned in the upscale segment, with only 8% entering the luxury space; surprisingly, no hotel is planned to enter the budget space in the near horizon. These new hotels will shape the market profile, with supply at the top and bottom of the pyramid remaining scant.

In the past five years, despite an increase in existing supply, the Jaipur hotel market witnessed a year-on-year growth in RevPAR. In 2018/19, the marketwide RevPAR was ₹3,597 – a 5.4% increase over last year and growing at a CAGR of 6% over the last 20 years. Overall, the steady growth in demand is likely to complement the supply growth and thus, our outlook for the Jaipur market remains positive.

Mercure Chennai Sriperumbudur

KOLKATA

India's 'Gateway to the East', Kolkata, is currently in the process of reinventing itself. After a slow start in commercial and infrastructure development due to political instability, the city is finally beginning to witness gradual progress on both fronts.

In 2018/19, Kolkata experienced negligible change in the marketwide ADR (-0.9%) and occupancy (0.9%). After successive additions to supply over the last five years, the lack of new entrants (and minimal impact from the 90-key expansion of the JW Marriott) in 2018/19 led to the consistent performance of the market. Recording an occupancy northward of 70% over the last three years despite an 8.2% CAGR of supply during this period, is not only a testament to the city's strong growth in new room night demand but also a consequence of the displacement of demand from hotels in the unorganized space to branded hotels.

Moreover, Kolkata's recent eastward expansion has allowed for the creation of well-defined micro-markets, leading to redistribution of demand within the city. Having said that, the overall demand being catered to in the city has also witnessed a steady growth over the last few years. Supported by Kolkata's connectivity to domestic and international destinations, improved infrastructure (such as the Biswa Bangla Convention Centre) and the inauguration of JW Marriott, The Westin and the Novotel (all M.I.C.E-focused hotels), the M.I.C.E segment has been the major contributor of this incremental demand.

Going forward, the market is expected to witness an addition of approximately 1,700 rooms over the next five years, of which close to 81% are under active development. Historically, supply in the city has remained concentrated in the luxury and upscale space; however, going forward, proposed supply is spread across all segments. With continued economic and infrastructural progress, Hotelivate believes that Kolkata can offer its visitors value over its counterparts, thereby, boosting the generation of room nights. We, thus, remain positive that the city will embrace its newfound direction in the ongoing story of its evolution.

ITC Royal Bengal, Kolkata

MUMBAI

Mumbai's performance last year, yet again outpaced all other major markets in the country. With an occupancy of 77.1% at an ADR of ₹8,096, the city's RevPAR of ₹6,241 was the highest of all cities in 2018/19. Increase in commercial demand has been the key factor for this buoyant growth. A rise in office space occupancy in North Mumbai, coupled with the growth in the FinTech and IT/ITeS industries, has led Mumbai to become the largest commercial transient market of the nation, registering a 2.1% growth in room night demand over the last fiscal. Also, a paced growth in supply in recent years has given the opportunity to existing hotels to yield higher average rates (4.3% increase over 2017/18). With the inauguration of the Jio World Centre in Bandra-Kurla Complex (BKC), Mumbai will be positioned as the preferred business and M.I.C.E destination in the country, having the capacity to host numerous international and national conclaves.

Navi Mumbai hotels also witnessed a stellar growth of 7.3% in ADR at similar volumes as last year. This trend stems from the growth in commercial and corporate transient demand in the city. Additionally, the rise in infrastructure-related project business has generated higher weekend demand for this micro-market, thereby, yielding 79.6% occupancy in 2018/19.

Looking ahead, with 4,816 rooms forecast to enter the city by 2023/24, the existing supply base is expected to grow by 35%, making it the second-largest branded hotel market in the country. Also, it is pertinent to note that nearly 33% of the rooms being developed are in the luxury space – the highest compared to all other cities. The remaining additions are mostly in the upper mid-market and budget space. With the plans for the airport hospitality district being finalized and the fast-paced development of peripheral areas, Mumbai alone is adding approximately 10% of the proposed rooms supply in India, which is the highest contribution compared to all other metros.

PUNE

Pune continues to display promising performance. Falling just short of the 70% mark, marketwide occupancy grew by 2.5% in 2018/19, complemented by a healthy 7.2% growth in ADR. Overall, Pune displayed the fourth-highest growth (9.9%) in RevPAR of the 13 major markets tracked in this report. While the improvement in performance can be largely attributed to the limited increase in supply, the market also displayed robust growth in demand across the commercial and extended-stay segments, fueled by demand from the IT and automobile sectors.

Interestingly, despite the increase in performance, the Pune hotel market commanded the second-lowest average rate – just a little higher than Ahmedabad's ADR – primarily due to the low-paying IT sector and a large chunk of extended-stay business.

Over the next few years, we expect the slowdown in supply to continue, with only 640 rooms currently under active development. This muted supply growth, coupled with the strong expansion in demand, is likely to translate into increasing marketwide occupancies; Pune, after all, is a market that breached the 60% occupancy threshold just five years ago after a very long time. On the ADR front, we remain optimistic that rates will grow, although slowly.

Future Trends & Opportunities

01 BLEISURE

Ever thought of mixing business with leisure? If yes, then you are a bleisure traveler. Millennials now prefer to extend their corporate stay by a day or two to enjoy the city and local culture. The longer the flight, the higher the chances of a corporate trip converting into a bleisure trip. The growth in this segment can be attributed to the affordability of the air fares and improved connectivity. Even though recent months have seen a reversal of this trend (with Jet Airways shutting shop), the continued growth of the nation's aviation sector in the medium to long term is likely. As tickets are cheaper during the weekends, business travelers now prefer reaching the destination on a Saturday or a Sunday and work the following week or vice-versa. This 'Work Hard and Play Harder' attitude is changing the landscape of the hospitality industry; more and more travel and tour operators are now bundling their leisure and corporate offers to cater to this segment. New Delhi, Mumbai, Kolkata and Bengaluru are amongst the favorite destinations for a bleisure traveler.

02 THE RISE OF VIRTUAL ASSISTANT

Artificial Intelligence is taking over the hospitality landscape and shifting the paradigm from high touch to high tech. Voice and Chat bots are gaining momentum in the Travel & Tourism industry amid the digital revolution. The voice revolution started in 1961, when the speech tool could only recognize 16 words and digits; now, it understands our whole world better than us sometimes. In the last five years, the booking pattern has shifted from desktops to mobile/tablets. If we slice and dice the mobile booking pattern, approximately 20% of the bookings are made through a voice-enabled service in some shape or form. Voice search is enabling users to directly get the search result they desire rather than scrolling up and down. Hence, contents on the websites now need a re-look so that they can appear in voice searches. Also, enabling hotel reservations to be made via a voice operating system would be a good idea. Google has already started allowing users to book hotels through Google Assistant.

Chat bots, on the other end, have customized the whole virtual experience by being fast, available 24/7, reducing human error, delivering superior result and being cost efficient in the long run. They also help the hotel gauge customer behavior and preferences that are often lost during human interaction. Zomato and Swiggy have already started to capitalize on this opportunity.

03 CUSTOMER ACQUISITION & BIG DATA

It is said that data may soon replace oil as one of the most valuable commodities. In this race for acquiring, maintaining and using Big Data, hotel brands are spending tens of thousands of dollars to get ahead. Amazon and Google are big data giants, who have the deep wallets and access to paid search and AdWords in a way like no other hospitality brand can. Due to their brand recall and huge database of customer preferences and details, these companies are going to milk this opportunity in times to come and could possibly alter consumer trends in the not-so-distant future. Hotel companies that acknowledge the wealth of data that sits with them and use it to infer trends and preferences on an ongoing basis shall gain a true understanding of the consumer's pulse. While respecting the need for consumer privacy and abiding by GDPR/similar guidelines will become a growing necessity globally, it is equally true that there are scores of learnings to be had just from what you already know about your guests, but are not looking at it with a keen eye just yet.

04 SUSTAINABLE HOSPITALITY

The tourism industry accounts for 8% of the global greenhouse gas emissions according to a WTTO report. As millennials become more conscious about their carbon footprint in the world, the hospitality industry has also started adopting practices that will make the industry eco-friendlier. Earlier these practices were more driven by policies and regulations, but now the catalyst often is customer preferences. The ban of plastic straws and replacing them with environment-friendly straws is one such small example. IHG has plans to remove travel-size plastic toiletry bottles and replace them with bulk shampoos, gels and conditioners by 2021. Hilton has promised to reduce its carbon emissions by 61% across its portfolio by 2030. Many hotels are also ditching the plastic card for check-ins and replacing them with mobile phone-enabled technology for a keyless check-in. The Oberoi Group has set up a 25-acre solar farm to support the properties located in Haryana. ITC Hotels & Resorts is using renewable energy sources through self owned wind farms for five of its luxury hotels. Thus, caring for the environment will become a way of life in times to come. The hotel industry has begun to take meaningful steps in this direction.

05 THE UNCHARTERED NORTHEAST

'The Seven Sisters', as they are affectionately called, comprise of India's northeastern states. It is both a matter of surprise and remorse that this pristine section of our country's landscape has received very little attention from the organized hospitality industry in the past. While recent years have played witness to some growth of branded supply, there is a vast opportunity in waiting that is yet to be explored. The proliferation of tourism in Northeast India must be complemented by the development of nature-friendly and sustainable hotels and resorts. Though connectivity and seasonality pose some challenges, it is our view that these predicaments are not unique or unmanageable. The right intent and focus by both the public and private sectors can help surmount whatever hurdles one may perceive. After all, remote and distant destinations around the world have time and again proven that they can become tourism havens when the will to develop them such exists.

In Closing

At the time of going to print for this year's T&O report, two significant announcements were made by the Union Government of India. The Centre slashed effective corporate tax to 25.17% from 30%, inclusive of all cess and surcharges, for domestic companies. Additionally, the GST Council announced the reduction of slabs for Hotels. The panel decided to tax hotels with room tariff of ₹7,500 and above at 18% instead of the earlier 28%. While, hotels with tariffs in the range of ₹1,000 to ₹7,499 will have to pay GST at a rate of 12% now. The lower GST will have a positive impact on the topline and the Corporate Tax cut will help improve profitability. This, now puts India on a level playing field with the other Southeast Asian countries.

At Hotelivate, we too recently announced the formal opening of our offices in Singapore and Jakarta. As we begin to study industry trends throughout Southeast Asia, one of the first things that strike us in the pronounced dependence of several hotel markets on outbound Chinese travellers, and how 2019 has seen a material decline in their arrivals. In the leisure space, several markets such as Bali, Lombok, Phuket, Song Sea, Chiang Mai, etc. have been scrounging for guests as a result. India, on the other hand, does not have this challenge. While growth in inbound travel is always welcome, our markets are primarily driven by domestic demand. The past fiscal marked the sixth consecutive year of occupancy growth and third on for ADR appreciation. The branded hotel sector's performance across most markets was promising and reflective of stability. New supply in the years ahead is expected to be amiably absorbed. Even though 2019/20 did not kick things off as was forecast, moderate growth is being reported across most markets and hotel brands. Jet Airways was a significant enabler of foreign travel from India; its absence is causing outbound travel to become more expensive resultantly. There is a real possibility that several Indian vacation seekers may choose to plan a domestic holiday as 'season' time comes up in a couple of months, now also at a lower GST slab. While FY20 may therefore end up being a year of relatively paced growth, the pragmatic view on the three-to-five year outlook is squarely one of optimism.

HICSA 2020
SOUTH ASIA HOTEL INVESTMENT CONFERENCE

16th HOTEL INVESTMENT CONFERENCE - SOUTH ASIA

1-2 April, 2020

Grand Hyatt Mumbai

SAVE THE DATES

Hosted By

HOTELIVATE
ELEVATION THROUGH INNOVATION

Patrons

HYATT™

IHCL
THE INDIAN HOTELS COMPANY LIMITED

Platinum Partners

ACCOR

CHALET HOTELS

Hilton

hotelier india

make my trip
Dil toh roaming hai

OYO

SAMHI

The Oberoi Group

WYNDHAM HOTELS & RESORTS

Gold Partners

ARCHIPELAGO INTERNATIONAL
HOTELS, RESORTS & RESIDENCES

Ascentis

BIRDGROUP
Imagine. Innovate. Inspire!

ELP
ECONOMIC LAWS PRACTICE
ADVOCATES & SOLICITORS

IHG®

ISH
INDIAN SCHOOL OF HOSPITALITY

Marriott INTERNATIONAL

THE LEELA
PALACES HOTELS RESORTS

RHG RADISSON HOTEL GROUP™

RateGain

TAUZIA HOTELS

TEMPLATOLIO
strategize.visualize.digitalize.optimize.succeed

OUR SERVICES

Asset Management
Unlocking the true potential of a hotel asset

Executive Search
A holistic approach to talent acquisition

Investment Advisory
Innovative solutions for deal identification and structuring

Project Execution & Planning
Strategic guidance and leadership throughout the initial development stages of a hotel project

Revenue Management
Strategic and operational revenue management support

Strategic Advisory
Trusted hospitality advisors for achieving optimal economic returns for your hospitality ventures

HOTELIVATE
ELEVATION THROUGH INNOVATION

2nd Floor, Paras Downtown Centre, Golf Course Road, Sector-53, Gurugram 122002, India