HOTELIVATE
ELEVATION THROUGH INNOVATION

2018 INDIAN HOSPITALITY TRENDS & OPPORTUNITIES

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The 'FOMO' Syndrome

Breathe....

Everything will be just fine. Don't panic, do not hyperventilate and just take long, deep breaths. You are missing out on nothing! Trust me, that RFP account is going nowhere. Your competitor's sneaky attempt to further drop locally negotiated rates will not lead to your hotel shutting down. The sun will indeed rise tomorrow, and you will live to fight another day. You are doing a great job, your hotel deserves to charge more, and apocalypse hasn't struck yet.

Before you dismiss my statements as an attempt to chide or disparage the hard work that every hotelier puts in every day, please indulge me with a patient read ahead. The truth of the matter is that scores of hotels are operated under the perennial belief that they have no option but to offer lower room rates (if they want higher occupancies). It appears to have become the draconian truth that average room rate must be inversely proportional to occupancy. There is this 'fear of missing out' (FOMO, as the millennials would call it) on the opportunity to fill guestrooms that looms constantly on the minds of most hotel operators in India.

Yes, room nights are a highly perishable commodity. I agree that inventory left unsold today is an opportunity lost forever and the need to put heads in beds is palpable. However, little to no heed is paid to the long-term damage we are doing to our businesses in a bid to win the short-term battles.

This year's **Trends & Opportunities report** comes to you on the heels of a brawny performance by the sector across positioning, geographies and price points. The demand-supply equation continues to unveil opportunity for higher occupancies across most hotel markets in India. Yet, 2017/18's nationwide ARR inched ahead by a mere 1.5% over 2016/17. Research reveals that more hotels than ever before are consistently mitigating the effects of seasonality by multifarious segmentation. If anything, this should empower them to augment their ARR strategy, not curtail it.

Hotelivate, a comprehensive hospitality consulting firm offering specialised services to clients across the Asia Pacific region, is proud to present the results of the 2018 Indian Hospitality - Trends & Opportunities report. The current participation base of 1,020 hotels is nearly a ten-fold increase over the first such industry report conducted a little over two decades ago. This wider base with 1,28,163 rooms is justifiably more representational of the organised segment of the Indian hotel industry, 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 the Trends & Opportunities report have been presented at an All-India level, by star category and by 13 major hotel markets, indicating the best and worst performers and identifying reasons for the same. Furthermore, a detailed review of existing and future supply has been conducted at macro and micro levels to facilitate a better understanding of the remarkable 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, which have a direct bearing on the health of the Indian hotel industry.

1,020 Hotels
1,28,163 Rooms
represented in this report

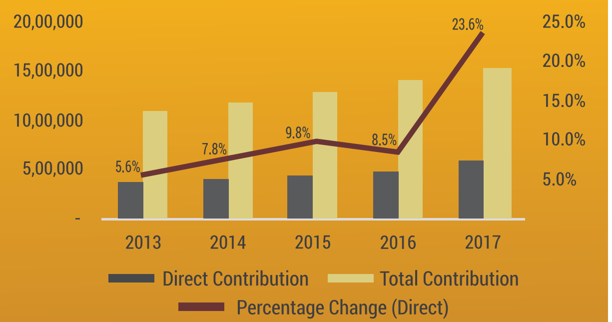
The Oberoi, New Delhi

The Indian Economy
An Overview

India is the world's only trillion-dollar economy to rank among the top five fastest growing economies in the world[1]. As per the current Economic Survey, the country's GDP growth was estimated to be 6.5% in 2017/18 vis-à-vis a 7.1% growth recorded in 2016/17. The relative slowdown in GDP growth was expected due to structural reforms such as demonetisation, introduction of GST and inadequate performance of the Agriculture and Manufacturing sectors during the last fiscal. Nonetheless, recent reports at the time of going to print hint towards a strong recovery, with Q1 GDP growth for FY19 estimated at 8.2%[2]. The Modi-led government's focus is now on improving purchasing power, enhancing exports and leveraging the domestic demand for goods and services to set the country's growth trajectory.

In 2017/18, the average exchange rate of the Indian rupee vis-à-vis the US dollar was ₹64.45, displaying a slight appreciation from the previous year based on stabilisation of the economy post reforms and rising exports. However, with a surge in imports, rise in crude oil prices and the hiking of interest rates by the Federal Reserve, the rupee depreciated in the first quarter of 2018/19 to ₹71.10:1US$, reaching an all-time low. The current government is encouraging more foreign investors to create a robust business environment in the country by easing FDI norms across various sectors such as telecom, oil refineries, defence, power exchanges and stock exchanges. In 2017/18, the total Foreign Direct Investment (FDI) in India was US$44.86 billion, of which the highest contribution was from the Services sector with an inflow of US$6.71 billion[3]. Additionally, Mauritius was the largest source of FDI in the past fiscal, followed by Singapore, Netherlands, the USA and Japan.

FIGURE 1: TRAVEL & TOURISM CONTRIBUTION TO INDIA'S GDP (2013 – 2017, ₹ CRORE)

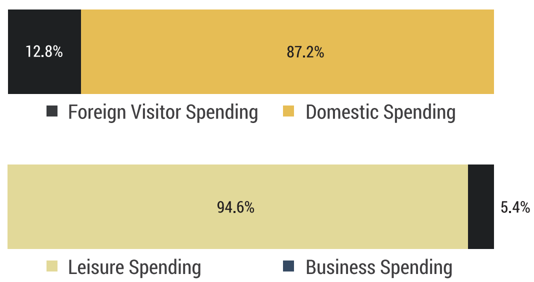


Source: World Travel & Tourism Council's Economic Impact 2018 – India Report

Travel & Tourism
Facts & Figures

Travel & Tourism, one of the fastest growing industries, has been a major contributor to the economic growth of India. As per the Ministry of Tourism, 2017 witnessed the highest ever foreign tourist arrivals (FTAs) at 10.0 million, a growth of 14.0% over last year[4]. Moreover, for the first time in five years, the direct contribution of travel and tourism to the country's GDP depicted a surging growth of 23.6% (Figure 1), raising the industry's total share (direct and indirect) to 9.4% of GDP.

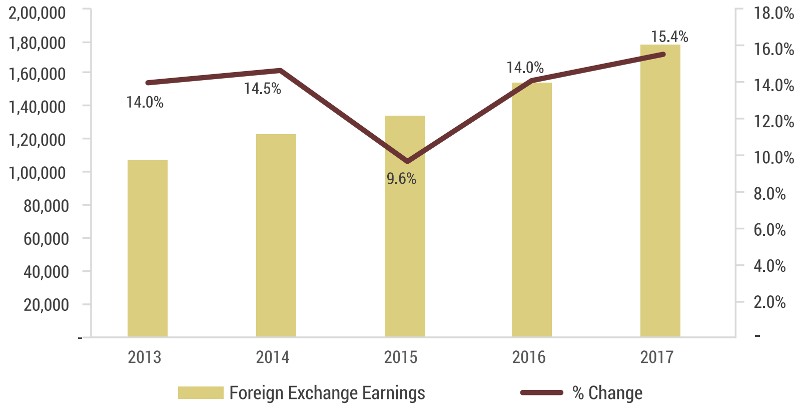
FIGURE 2: SPENDING PATTERNS - CONTRIBUTION TO INDIA'S DIRECT TRAVEL & TOURISM GDP (2017)



Source: World Travel & Tourism Council's Economic Impact 2018 – India Report

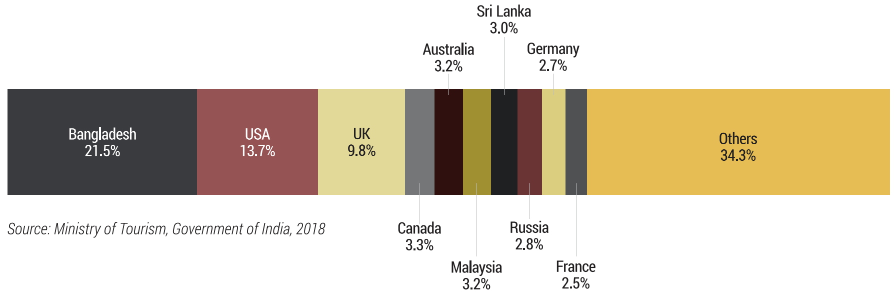
[1] *Five Fastest Growing Economies: NASDAQ, 2017*
[2] *Ministry of Statistics and Programme Implementation (MOSPI), 2018*
[3] *Economic Survey of India 2017-18*
[4] *Ministry of Tourism, Government of India, 2018*

FIGURE 3: INDIAN TRAVEL & TOURISM SECTOR – FOREIGN EXCHANGE EARNINGS (2013 – 2017, ₹ CRORE)



Source: Ministry of Tourism, Government of India, 2018

FIGURE 4: FOREIGN TOURIST ARRIVALS BY SOURCE COUNTRY (2017)



Source: Ministry of Tourism, Government of India, 2018

FIGURE 5: FOREIGN TOURIST ARRIVALS AND DOMESTIC VISITATION TRENDS (2008 – 2017, LAKH)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Foreign Tourist Arrivals	**52.8**	**51.7**	**57.8**	**63.1**	**65.8**	**69.7**	**76.8**	**80.3**	**88.0**	**100.4**
% Change	*4.0%*	*-2.2%*	*11.8%*	*9.2%*	*4.3%*	*5.9%*	*10.2%*	*4.5%*	*9.7%*	*14.0%*
Domestic Tourist Visits	**5,630.3**	**6,688.0**	**7,477.0**	**8,645.3**	**10,450.5**	**11,425.3**	**12,828.0**	**14,319.7**	**16,135.5**	**16,525.0**
% Change	*6.9%*	*18.8%*	*11.8%*	*15.6%*	*20.9%*	*9.3%*	*12.3%*	*11.6%*	*12.7%*	*2.4%*

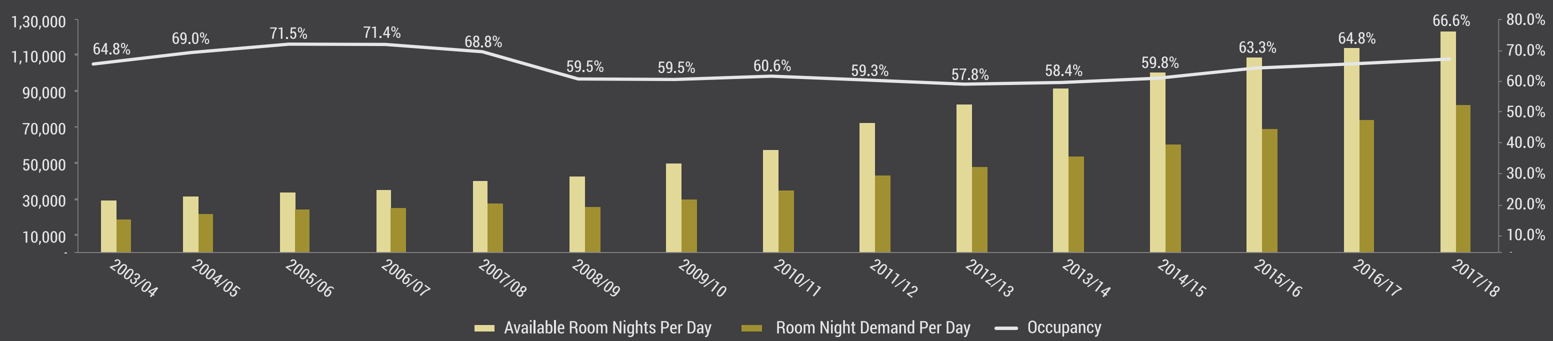
Source: Ministry of Tourism, Government of India, 2018

FIGURE 6: TOP 10 BUSIEST AIRPORTS IN INDIA BY PASSENGER TRAFFIC (2016/17 – 2017/18, LAKH)

Airport	2016/17	2017/18	% Change
Delhi (DIAL)	577.0	656.9	13.8%
Mumbai (MIAL)	451.5	485.0	7.4%
Bengaluru (BIAL)	228.8	269.1	17.6%
Chennai	183.6	203.6	10.9%
Kolkata	158.2	198.9	25.7%
Hyderabad (GHIAL)	151.0	181.6	20.2%
Cochin (CIAL)	89.6	101.7	13.6%
Ahmedabad	74.1	91.7	23.9%
Pune	67.7	81.6	20.6%
Goa	68.6	76.1	11.0%

Source: Airports Authority of India

FIGURE 7: ROOM NIGHT DEMAND VS AVAILABLE ROOM NIGHTS (2003/04 – 2017/18)



Source: Industry Sources and Hotelivate Research

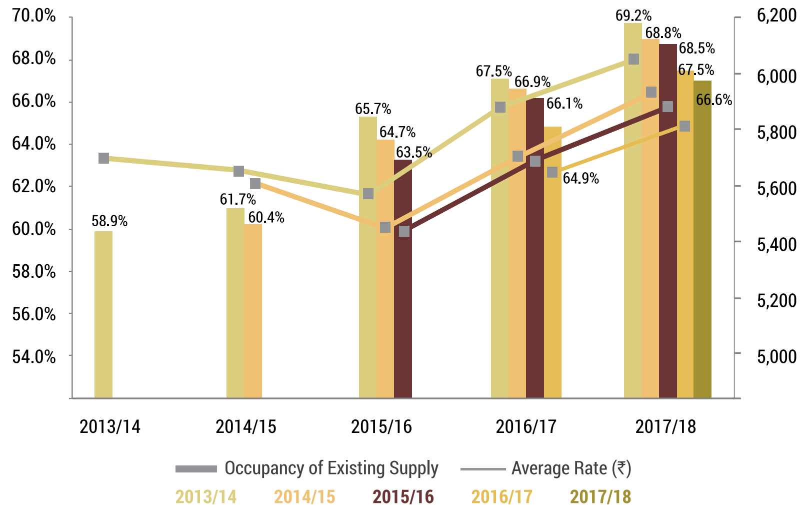
That 70's Show

The Indian hotel sector's occupancies are **inching closer to the 70% mark**. In fact, if one were to exclude recently opened supply, the sector clocked 69.2% occupancy in 2017/18, indicating a healthy state of affairs from a demand standpoint. Supply grew modestly during the same period and is expected to continue that trend over the next three to five years. Thus, I have no good reason to assume that demand will not continue to outpace supply in the short-to-medium horizon. The upcycle is very squarely presenting an opportunity to nab profits and forge new thresholds, should the industry choose to do so. Though average rate appreciation remains elusive and tenuous, I shall refrain from discussing this issue any more and am making a deliberate effort to maintain stoic silence on the ARR saga. So, while the sector makes up its mind (or not) on how and when hotels will adequately raise their room rates to exploit the opportunity that stares us all in the face, **at least in terms of occupancy, let's enjoy that 70's show.**

The following commentary provides perspective on the performance of existing supply vis-à-vis that of recently opened inventory in the past 60 months. Figure 8 compares the nationwide occupancy and ARR in 2017/18 to the performance of existing hotels over the past five years. Evidently, while India's occupancy in the most recently concluded fiscal was 66.6%, **hotels that have existed from 2013/14 or earlier averaged 69.2% occupancy last year.** Similarly, while nationwide ARR was ₹5,759 for all hotels in 2017/18, average rate of hotels that have been operating since 2013/14 was **₹6,069**. We provide a more in-depth and relevant analysis of this comparison in our 'Hotel Volatility Index' excerpt later in this report.

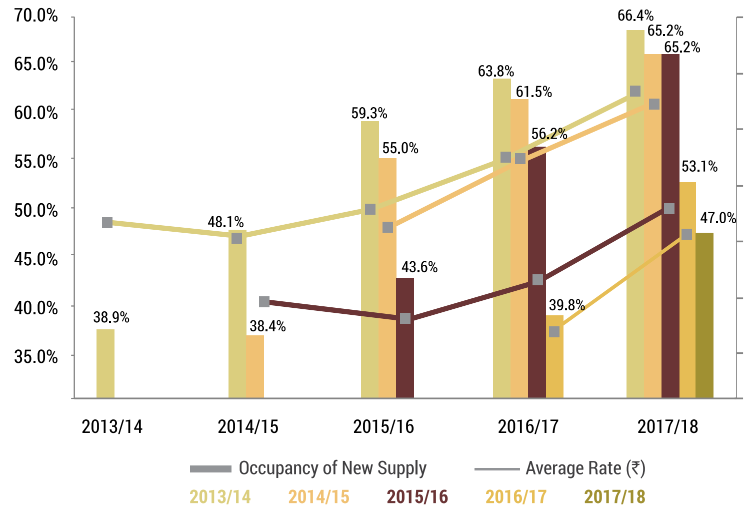
Looked differently, Figure 9 studies the performance of only new hotels that have commenced operations over the past five years. While hotels that opened in 2013/14 through 2015/16 consistently displayed stronger occupancies, it dipped slightly in 2016/17, only to show a burly rebound last fiscal. First year ARRs, on the other hand, were more a function of the positioning mix of the new supply across the five-year period. As more budget, economy and midscale hotels open their doors for business across the nation, it is only natural that their blended ARRs would be lower than the nationwide average. Overall, absorption of new supply has been robust in recent years and the sector displays signs of being in the pink of health.

FIGURE 8: PERFORMANCE OF EXISTING HOTELS (2013/14 – 2017/18)



Source: Industry Sources and Hotelivate Research

FIGURE 9: PERFORMANCE OF NEW HOTELS (2013/14 – 2017/18)



Source: Industry Sources and Hotelivate Research

The Survey
Results

This section presents the results of the 2018 Trends & Opportunities report, analysing the industry performance by star category and 13 major hotel markets. The existing and future supply has also been reviewed in depth to estimate changes in these markets over the next five years.

It must be noted that while the number of rooms represented in this survey is **1,28,163**, 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 of the survey base for 2017/18 is thus **1,23,320**.

The **nationwide occupancy of 66.6%** in 2017/18 was the highest the industry has witnessed in a decade and a key driver of the **RevPAR clocking its best performance since 2010/11** to reach ₹3,837. Despite the addition of close to 9,000 rooms last year, the sustained growth in occupancy was expected to encourage hotels to push up room rates significantly, but instead at ₹5,759, the **weighted average rate appreciated by just 1.5% over the previous fiscal.**

Industry Performance by Star Category

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

Individually, each star category registered a year-on-year growth in RevPAR, with the Three-Star category displaying the highest increase of 8.2% over 2016/17; Two-Star hotels followed, improving this metric by 7.0% in comparison to the previous year. The overall enhancement of RevPAR can be chiefly attributed to the increase in average rates witnessed by the hotels in these two categories that clearly seized the opportunity presented by a favourable demand situation unlike their higher-positioned counterparts. The trend further points towards the rise in travel to Tier-II and Tier-III cities in the country, the growing acceptance of branded budget and economy hotels by travellers, and the success of the franchise model in this tier of the industry.

Another interesting observation is that even though close to 40% of the new supply in 2017/18 was in the Four-Star category, hotels in this segment displayed a continued upswing in performance, with a 5.9% increase in RevPAR over 2016/17. This explains the sustained interest by developers and investors in mid-market and upper mid-market hotels, with around 54% of the future supply in India planned in this segment.

Lastly, it is remarkable that at ₹6,874, the RevPAR of the Five-Star Deluxe category was the highest since 2008/09, despite the base of rooms operating in this segment doubling during this period. Here, one must note that the growth in this segment has been mostly led by dominant existing players, with only a few new entrants. Also, going forward, this category has a weak pipeline, with hotel chains turning to the faster-to-develop and lower-costing midscale segment to increase their footprints in the country.

Figure 10 illustrates the hotel occupancy across star categories in India between 1998/99 and 2017/18. Figures 11 and 12 show average rates and RevPAR for each of the star categories 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

	1998/99	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	12-Month Change	Compounded Growth
Overall Average	55.4%	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%**	**66.6%**	**2.7%**	**1.0%**
Five-star Deluxe	60.2%	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%**	**66.1%**	**1.8%**	**0.5%**
Five-star	56.4%	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%**	**66.5%**	**3.8%**	**0.9%**
Four-star	55.9%	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%**	**67.8%**	**2.8%**	**1.0%**
Three-star	48.2%	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%**	**67.2%**	**3.1%**	**1.8%**
Two-star														64.8%	59.0%	**61.0%**	**57.7%**	**60.4%**	**62.7%**	**61.8%**	**-1.4%**	**-0.8%**

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

	1998/99	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	12-Month Change	Compounded Growth
Overall Average	3,903	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**	**5,759**	**1.5%**	**2.1%**
Five-star Deluxe	5,572	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**	**10,399**	**3.0%**	**3.3%**
Five-star	3,516	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**	**6,160**	**1.8%**	**3.0%**
Four-star	2,296	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**	**4,641**	**3.0%**	**3.8%**
Three-star	1,457	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**	**3,166**	**5.0%**	**4.2%**
Two-star														1,714	1,849	**2,063**	**2,063**	**2,122**	**2,049**	**2,223**	**8.5%**	**4.4%**

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

	1998/99	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	12-Month Change	Compounded Growth
Overall Average	2,162	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**	**4.3%**	**3.1%**
Five-star Deluxe	3,354	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**	**4.8%**	**3.8%**
Five-star	1,983	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**	**5.7%**	**3.9%**
Four-star	1,283	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**	**5.9%**	**4.8%**
Three-star	702	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**	**8.2%**	**6.0%**
Two-star														1,110	1,091	**1,258**	**1,190**	**1,281**	**1,285**	**1,374**	**7.0%**	**3.6%**

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

	1998/99	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	12-Month Change	Compounded Growth
Overall Average	90	81	83	73	68	78	96	122	162	199	168	136	143	126	106	**92**	**90**	**85**	**85**	**89**	**5.7%**	**-0.1%**
Five-star Deluxe	128	113	114	99	90	102	125	161	224	278	242	194	205	192	165	**144**	**144**	**137**	**151**	**161**	**7.2%**	**1.2%**
Five-star	79	77	77	69	65	73	87	112	149	190	158	134	140	128	108	**94**	**91**	**84**	**90**	**96**	**6.0%**	**1.0%**
Four-star	61	50	53	50	47	56	69	86	117	142	125	97	108	102	86	**74**	**71**	**68**	**67**	**72**	**7.2%**	**0.9%**
Three-star	37	35	37	36	35	36	41	50	69	87	77	68	73	70	60	**51**	**50**	**49**	**45**	**49**	**9.3%**	**1.5%**
Two-star														36	34	**34**	**34**	**33**	**31**	**34**	**13.0%**	**-0.6%**
Exchange Rate	**42.2**	**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**		

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

	1998/99	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	12-Month Change	Compounded Growth
Overall Average	50	43	48	38	39	50	66	87	116	137	100	81	87	75	61	**54**	**54**	**54**	**55**	**60**	**8.6%**	**0.9%**
Five-star Deluxe	77	66	69	52	53	66	89	119	164	200	151	120	125	114	99	**87**	**89**	**88**	**98**	**107**	**9.1%**	**1.7%**
Five-star	44	43	43	36	37	49	62	79	105	128	93	79	87	76	60	**53**	**52**	**52**	**58**	**64**	**10.0%**	**1.9%**
Four-star	34	27	31	26	26	39	49	63	84	98	73	59	65	61	50	**43**	**44**	**44**	**44**	**49**	**10.2%**	**1.9%**
Three-star	18	16	18	18	19	22	23	33	48	56	43	38	43	40	34	**29**	**30**	**31**	**29**	**33**	**12.6%**	**3.3%**
Two-star														23	20	**21**	**19**	**20**	**19**	**21**	**11.3%**	**-1.4%**
Exchange Rate	42.2	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**		

Source: Industry Sources and Hotelivate Research

FIGURE 15: EXISTING SUPPLY ACROSS MAJOR CITIES (2008/09 – 2017/18)

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	12-Month Change	Compounded Growth
Agra	1,419	1,439	1,439	1,739	1,299	1,293	1,755	2,036	2,092	2,260	8.0%	5.3%
Ahmedabad	800	1,521	1,785	1,975	2,477	2,777	2,944	3,054	3,117	3,393	8.9%	17.4%
Bengaluru	3,889	5,597	5,947	7,713	8,536	10,162	11,117	11,539	11,995	12,659	5.5%	14.0%
Chennai	3,307	3,806	4,066	4,904	6,330	7,105	7,444	7,585	8,332	9,211	10.5%	12.1%
New Delhi*	8,625	8,129	9,111	10,697	11,338	12,370	13,193	14,142	14,296	14,724	3.0%	6.1%
Gurugram		1,980	3,246	3,782	4,559	5,190	5,323	5,117	5,263	5,920	12.5%	14.7%
NOIDA		300	351	527	841	1,239	1,322	1,322	1,422	1,515	6.5%	22.4%
Goa	2,795	3,288	3,375	3,885	4,406	4,703	5,298	5,574	6,400	6,741	5.3%	10.3%
Hyderabad	2,761	3,782	4,036	4,797	5,411	5,734	5,954	5,992	6,254	6,772	8.3%	10.5%
Jaipur	1,683	2,472	2,554	3,054	4,129	4,523	4,822	4,931	5,058	5,426	7.3%	13.9%
Kolkata	1,373	1,520	1,588	1,787	2,163	2,243	2,701	2,701	3,199	3,860	20.7%	12.2%
Mumbai	7,948	9,877	11,303	12,052	12,807	13,022	12,865	13,054	13,494	13,726	1.7%	6.3%
Pune	1,518	2,672	4,691	5,672	5,317	6,159	6,137	6,108	6,445	6,330	-1.8%	17.2%
Other Cities**	12,357	15,412	18,039	21,729	24,642	24,657	26,820	28,445	31,852	35,626	11.8%	12.5%
Total	**48,475**	**61,795**	**71,531**	**84,313**	**94,255**	**1,07,177**	**1,07,695**	**1,11,600**	**1,19,219**	**1,28,163**	7.5%	11.4%

** Delhi NCR data (Shaded Portion), rest 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 – 2017/18

The existing supply of branded rooms in India, totalling 1,28,163 rooms in 2017/18, grew by 7.5% over the previous fiscal. **This considers 8,944 new rooms that opened during the year, including expansions of the sample set being tracked by Hotelivate.**

We note that in 2017/18, **New Delhi continued to have the largest base of branded rooms (14,724 rooms) in India**, followed by Mumbai (including Navi Mumbai) and Bengaluru. However, these rankings are likely to change in the next five years, when Bengaluru is anticipated to topple New Delhi to become the largest hotel market in the country, followed by Mumbai (including Navi Mumbai) in the third place, as shown in the following section.

Kolkata recorded the highest growth in supply (20.7%) last year, adding 661 rooms to a relatively smaller base of hotels. The city's economic progress, coupled with the infrastructure development that is underway and a strong historical operating performance, have seemingly bolstered investor confidence in Kolkata's ability to sustain additional hotels.

Furthermore, NOIDA (including Greater NOIDA) maintained its position as the smallest major hotel market in India with 1,515 rooms despite an increase of 6.5% in supply in 2017/18, and it is forecasted to remain so in the medium term.

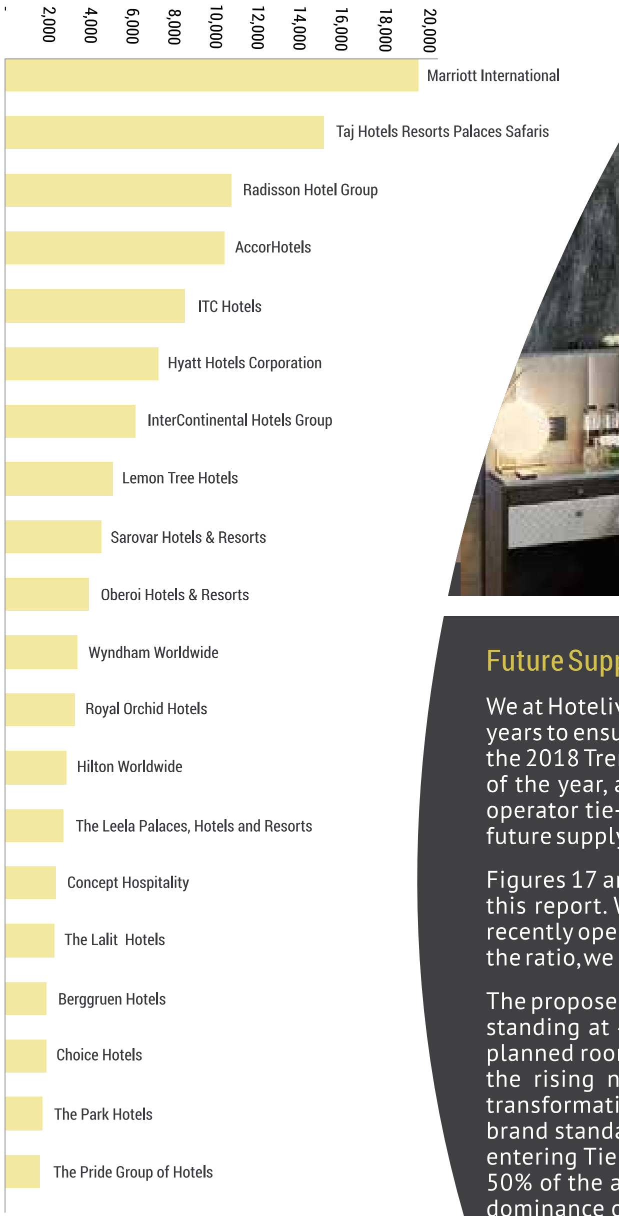
Figure 15 shows the existing supply for the 13 major cities from 2008/09 to 2017/18. It may be noted that the decline in Pune's existing supply in 2017/18 from the previous year is due to the removal of irrelevant supply.

Figure 16 presents the total operating inventory of the 20 largest hotel chains in the country as of August 2018.

Having opened its 100th hotel in India earlier this year, it is not surprising to see Marriott International top the charts with the largest inventory in the country. Despite having a higher number of properties, Taj Hotels Resorts Palaces Safaris ("Taj", including Ginger) ranked second owing to a lower rooms per hotel ratio. Meanwhile, Radisson Hotel Group added around 1,500 rooms to its operational portfolio in the past year to rank third on the list, closely followed by AccorHotels, with the Ibis, Mercure and Novotel brands leading its growth in the country in 2017/18. The other hotel chains in the top 20 list are yet to cross the 10,000 rooms-mark. That said, both Lemon Tree Hotels and Sarovar Hotels & Resorts are progressing aggressively, adding close to 10% of their existing inventory in 2017/18; they currently occupy the eighth and ninth positions, respectively. It is also noteworthy that Hilton Worldwide (ranked 13th) grew its base of existing rooms by 18% last year and is looking to expand at a much faster pace than ever before, introducing more brands from its global portfolio in the country.

Overall, this list has a near equal mix of home-grown hotel chains and international brands, with both parties adopting an asset-light strategy and seemingly open to considering inorganic growth vehicles for expansion. Whether this ratio changes, going forward, is yet to be seen, and one must wait a little longer to figure the David and Goliath of the Indian hotel industry!

FIGURE 16: TOP 20 HOTEL BRANDS BY EXISTING INVENTORY (AUGUST 2018)



Source: Hotelivate Research

Roseate House New Delhi

Future Supply

We at Hotelivate have diligently tracked new hotel developments that are likely to enter various markets over the next five years to ensure that the industry gets an accurate assessment of future supply as far as possible. Based on the responses to the 2018 Trends & Opportunities survey, supplemented by 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 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 recently opened, are currently under construction or likely to enter the market within the next five years. Thereafter, using the ratio, we have estimated the supply of branded hotel rooms in 2022/23 as depicted in Figure 19.

The proposed supply pipeline was shrinking consecutively for the past five years. It has now seen an increase over 2016/17, standing at 49,380 rooms as of 2017/18. Apart from the increase in existing supply, which was a result of previously planned rooms becoming operational, this downswing in the future supply in recent years may be partially attributed to the rising number of conversions. Hotel chains with flexible mainstream brands (that enable a relatively easier transformation), in addition to those with soft-brands (that appeal to independent hotel owners owing to less stringent brand standards) are leading the way in this direction. We further observe that many international hotel chains are now entering Tier-II and Tier-III cities, recognising the unaccommodated demand prevalent in these markets. Consequently, 50% of the actively developing hotels being tracked by Hotelivate are in these cities. When viewed in conjunction, the dominance of the mid-market and upper mid-market segments in the proposed supply (that together account for about 54% of the proposed rooms in the country) can be better understood.

FIGURE 17: PROPOSED BRANDED HOTEL ROOMS ACROSS MAJOR CITIES (2017/18 – 2022/23)

	Existing Supply 2017/18	Proposed Supply*	Increase in Future Supply	Active Development of Supply	Luxury	Upscale	Upper Mid-Market	Mid-Market	Budget
Agra	2,260	428	19%	72%	0.0%	0.0%	7.5%	65.0%	27.5%
Ahmedabad	3,393	1,343	40%	71%	22.9%	27.4%	37.7%	4.3%	7.7%
Bengaluru	12,659	5,698	45%	78%	17.3%	28.0%	22.8%	13.3%	18.6%
Chennai	9,211	978	11%	89%	11.2%	12.0%	50.0%	26.8%	0.0%
New Delhi	14,724	1,492	10%	87%	14.3%	26.3%	28.6%	5.6%	25.2%
Gurugram	5,920	1,727	29%	84%	0.0%	34.9%	9.7%	19.3%	36.1%
NOIDA	1,515	1,174	77%	41%	0.0%	0.0%	51.6%	26.6%	21.8%
Goa	6,741	3,028	45%	57%	0.0%	24.4%	28.1%	30.0%	17.5%
Hyderabad	6,772	1,149	17%	77%	25.2%	0.0%	41.7%	10.4%	22.7%
Jaipur	5,426	1,086	20%	82%	4.3%	23.0%	38.6%	30.5%	3.6%
Kolkata	3,860	1,768	46%	77%	27.7%	8.9%	35.4%	10.3%	17.7%
Mumbai	13,726	4,039	29%	54%	16.4%	13.4%	39.7%	11.4%	19.1%
Pune	6,330	894	14%	89%	28.0%	15.5%	30.1%	11.2%	15.2%
Other Cities	35,626	24,576	69%	73%	4.7%	16.1%	31.3%	28.8%	19.1%
Total	1,28,163	49,380	39%	72%	9.1%	17.9%	31.3%	22.8%	18.9%

** Proposed Supply includes 7,210 rooms which have been open for less than six months, and therefore, not included in the existing supply*
Source: Industry Sources and Hotelivate Research

FIGURE 18: DISTRIBUTION OF EXISTING AND PROPOSED BRANDED HOTEL ROOMS ACROSS MAJOR CITIES (2008/09 – 2017/18)

Existing Supply

	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18
Agra	1,419	1,439	1,439	1,739	1,299	1,293	1,755	2,036	2,092	2,260
Ahmedabad	800	1,521	1,785	1,975	2,477	2,777	2,944	3,054	3,117	3,393
Bengaluru	3,889	5,597	5,947	7,713	8,536	10,162	11,117	11,539	11,995	12,659
Chennai	3,307	3,806	4,066	4,904	6,330	7,105	7,444	7,585	8,332	9,211
New Delhi	8,625	8,129	9,111	10,697	11,338	12,370	13,193	14,142	14,296	14,724
Gurugram		1,980	3,246	3,782	4,559	5,190	5,323	5,117	5,263	5,920
NOIDA		300	351	527	841	1,239	1,322	1,322	1,422	1,515
Goa	2,795	3,288	3,375	3,885	4,406	4,703	5,298	5,574	6,400	6,741
Hyderabad	2,761	3,782	4,036	4,797	5,411	5,734	5,954	5,992	6,254	6,772
Jaipur	1,683	2,472	2,554	3,054	4,129	4,523	4,822	4,931	5,058	5,426
Kolkata	1,373	1,520	1,588	1,787	2,163	2,243	2,701	2,701	3,199	3,860
Mumbai	7,948	9,877	11,303	12,052	12,807	13,022	12,865	13,054	13,494	13,726
Pune	1,518	2,672	4,691	5,672	5,317	6,159	6,137	6,108	6,445	6,330
Other Cities	12,357	15,412	18,039	21,729	24,642	24,657	26,820	28,445	31,852	35,626
Total	48,475	61,795	71,531	84,313	94,255	1,01,177	1,07,695	1,11,600	1,19,219	1,28,163

Proposed Supply

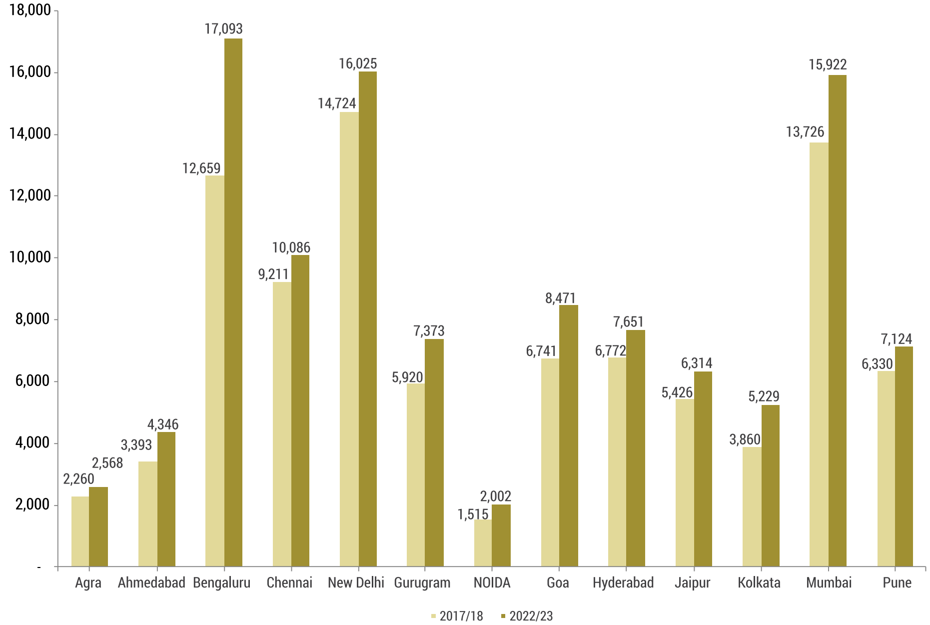
	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18
Agra	400	510	667	650	866	990	503	622	754	428
Ahmedabad	3,058	2,339	2,319	2,550	1,857	1,372	1,026	1,238	1,345	1,343
Bengaluru	10,784	9,819	12,509	9,716	10,731	6,911	5,317	5,209	4,418	5,698
Chennai	4,945	5,995	7,819	7,547	5,331	3,885	3,311	2,312	1,767	978
New Delhi	16,560	20,021	18,608	5,626	6,144	5,355	2,502	2,792	1,715	1,492
Gurugram				5,818	5,033	3,268	2,084	1,959	1,743	1,727
NOIDA				5,522	5,615	2,406	1,873	2,561	1,043	1,174
Goa	2,178	1,736	2,154	2,422	2,622	2,291	1,743	2,062	2,870	3,028
Hyderabad	5,884	5,302	5,713	5,265	3,433	2,893	2,474	2,464	1,475	1,149
Jaipur	3,357	2,664	4,867	3,356	2,859	1,706	1,119	960	1,713	1,086
Kolkata	4,025	3,481	3,612	3,118	3,511	2,584	2,870	3,209	2,194	1,768
Mumbai	13,386	7,477	12,121	10,896	9,802	7,896	5,561	4,166	3,680	4,039
Pune	8,054	5,196	5,545	4,645	3,705	2,620	2,005	1,965	1,308	894
Other Cities	21,484	24,909	26,504	26,224	23,141	23,873	23,882	25,393	21,042	24,576
Total	94,115	89,449	1,02,438	93,355	84,650	68,050	56,270	56,912	47,067	49,380

Active Development of Supply

	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18
Agra	75%	41%	22%	80%	76%	82%	43%	28%	34%	72%
Ahmedabad	71%	69%	73%	69%	66%	86%	64%	71%	47%	71%
Bengaluru	58%	65%	67%	71%	75%	66%	52%	67%	72%	78%
Chennai	67%	72%	57%	58%	65%	80%	83%	100%	94%	89%
New Delhi	53%	75%	75%	87%	84%	71%	87%	92%	62%	87%
Gurugram				55%	53%	54%	10%	70%	23%	84%
NOIDA				37%	28%	70%	13%	9%	18%	41%
Goa	31%	41%	53%	53%	62%	68%	50%	90%	48%	57%
Hyderabad	73%	63%	77%	74%	87%	78%	61%	32%	89%	77%
Jaipur	53%	77%	45%	52%	56%	82%	92%	89%	51%	82%
Kolkata	62%	51%	58%	74%	64%	72%	70%	64%	64%	77%
Mumbai	73%	60%	35%	47%	42%	49%	33%	39%	37%	54%
Pune	52%	67%	56%	69%	67%	72%	64%	73%	47%	89%
Other Cities	60%	65%	56%	48%	55%	71%	70%	71%	75%	73%
Total	60%	67%	60%	58%	60%	69%	61%	66%	64%	72%

Source: Industry Sources and Hotelivate Research

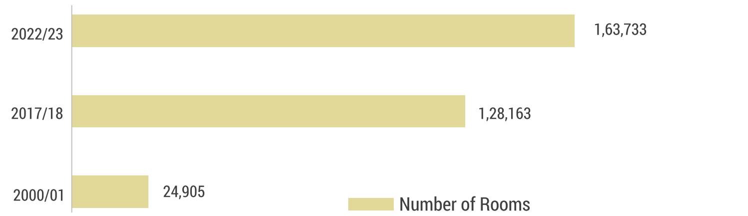
FIGURE 19: PROPOSED BRANDED HOTEL ROOMS ACROSS MAJOR CITIES (2017/18 - 2022/23*)



** The supply for 2022/23 has been computed by adding the active future supply to the existing base of rooms in 2017/18*

Holiday Inn Express Gurugram

FIGURE 20: GROWTH OF ROOM SUPPLY – INDIA (2000/01 – 2022/23)



Source: Industry Sources and Hotelivate Research

Moreover, it is notable that the overall Active Development ratio has increased from 64% in 2016/17 to 72% in 2017/18. A healthy uptick in the development ratio relates to the recently opened hotels (about 15%) as well as the revival of inactive and delayed projects, pointing towards the optimism brought along by the present upcycle. We anticipate a little over 35,000 branded hotel rooms to be developed over the following five years, growing the existing base by 28% and taking the total anticipated supply to 1,63,733 rooms by 2022/23 (Figure 20).

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 tracked in this report witnessed an increase in RevPAR in 2017/18 except **NOIDA** and **Gurugram**. We admit that although the decline in NOIDA's performance was somewhat expected, we were disappointed to see Gurugram's average rate decline despite a 2.7% increase in occupancy. One may argue that a 12.5% increase in existing supply last year, mainly positioned in the budget-mid-market space, played a major role in pulling down the average rate of this market. However, **we firmly believe that upscale-luxury hotels entering into a price war to retain or grow market share can be a detrimental long-term strategy,** which will be difficult to reverse.

On the positive front, Mumbai outperformed its peers in terms of both RevPAR (₹5,867) as well as occupancy (75.8%) chiefly due to the city's strong corporate demand base and a growing MICE segment. Also, Pune saw the highest year-on-year growth in RevPAR (13.5%) on the back of a substantial increase in both occupancy and average rate. The rise in demand generators in the city, coupled with many hotels attaining stabilisation in terms of market penetration, bodes well for a further improvement in the performance of Pune hotels in the years to come.

Another interesting development is Goa outranking Mumbai to secure the position of rate leader in the country. Since the beginning of this decade, Goa has witnessed an increase in average rate every year, touching ₹7,844 in 2017/18. Meanwhile, Agra and Jaipur also delivered record performances last fiscal, further strengthening our belief in the leisure segment. We have discussed this in greater detail under the Hotel Volatility Index sub-section of the report.

Figure 21 illustrates the marketwide occupancy of the 13 major Indian cities between 1998/99 and 2017/18. Figures 22 and 23 highlight average rates and RevPAR for each of these hotel markets expressed in Indian rupees, followed by Figures 24 and 25, illustrating corresponding data in US dollars. Our detailed take on the performance of these markets has been provided on the following pages.

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

FIGURE 21: KEY OPERATING STATISTICS BY MAJOR CITY - OCCUPANCY

	1998/99	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	12-Month Change	Compounded Growth
Agra	46.4%	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%	65.8%	10.5%	1.9%
Ahmedabad	58.0%	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%	64.5%	5.6%	0.6%
Bengaluru	59.0%	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%	69.5%	5.5%	0.9%
Chennai	64.7%	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%	64.1%	-1.1%	-0.1%
New Delhi[a]	54.1%	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%	71.2%	2.6%	1.5%
Gurugram												66.0%	66.5%	62.0%	58.0%	58.8%	61.1%	63.7%	66.3%	68.1%	2.7%	0.4%
NOIDA[b]												74.0%	80.7%	56.2%	44.4%	53.5%	48.0%	51.0%	56.2%	54.4%	-3.2%	-3.8%
Goa	58.6%	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%	72.1%	1.0%	1.1%
Hyderabad	66.0%	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%	66.4%	4.3%	0.0%
Jaipur	45.6%	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%	67.3%	4.6%	2.1%
Kolkata	57.8%	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%	71.9%	1.5%	1.2%
Mumbai[c]	67.6%	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%	75.8%	1.9%	0.6%
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%	69.2%	7.9%	-0.2%

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

	1998/99	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	12-Month Change	Compounded Growth
Agra	1,906	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	5,339	-3.1%	5.6%
Ahmedabad	2,220	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	4,136	6.1%	3.3%
Bengaluru	3,254	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	5,807	3.7%	3.1%
Chennai	3,600	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	4,866	2.2%	1.6%
New Delhi[a]	4,626	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	6,586	4.7%	1.9%
Gurugram												8,247	7,554	7,639	6,831	6,569	6,241	6,253	6,382	6,132	-3.9%	-3.6%
NOIDA[b]												7,496	7,752	7,416	6,724	5,964	5,429	5,281	5,652	5,285	-6.5%	-4.3%
Goa	2,863	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	7,844	4.1%	5.4%
Hyderabad	1,579	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	4,929	1.0%	6.2%
Jaipur	2,533	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	5,072	5.9%	3.7%
Kolkata	3,888	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	6,048	4.0%	2.4%
Mumbai[c]	6,297	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	7,740	1.7%	1.1%
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	4,411	5.1%	3.6%

a Delhi NCR data (Shaded Portion) from 1998/99 to 2008/09, New Delhi (without Gurugram, NOIDA and Greater NOIDA) data from 2009/10 to 2017/18
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 (₹)

	1998/99	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	12-Month Change	Compounded Growth
Agra	884	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**	**3,514**	7.1%	7.5%
Ahmedabad	1,288	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**	**2,667**	12.1%	3.9%
Bengaluru	1,920	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**	**4,035**	9.4%	4.0%
Chennai	2,329	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**	**3,118**	1.1%	1.5%
New Delhi[a]	2,503	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**	**4,689**	7.4%	3.4%
Gurugram												5,443	5,023	4,736	3,958	**3,861**	**3,815**	**3,986**	**4,230**	**4,175**	-1.3%	-3.3%
NOIDA[b]												5,547	6,256	4,164	2,985	**3,193**	**2,604**	**2,692**	**3,175**	**2,873**	-9.5%	-7.9%
Goa	1,678	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**	**5,652**	5.1%	6.6%
Hyderabad	1,042	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**	**3,274**	5.4%	6.2%
Jaipur	1,155	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**	**3,415**	10.8%	5.9%
Kolkata	2,247	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**	**4,350**	5.6%	3.5%
Mumbai[c]	4,257	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**	**5,867**	3.7%	1.7%
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**	**3,053**	13.5%	3.4%

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

	1998/99	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	12-Month Change	Compounded Growth
Agra	50	38	35	39	41	53	67	81	108	131	116	121	137	124	112	**104**	**106**	**94**	**82**	**83**	0.9%	2.7%
Ahmedabad	53	62	61	50	45	52	62	70	81	108	104	95	94	82	72	**62**	**61**	**60**	**58**	**64**	10.5%	1.0%
Bengaluru	81	70	80	79	78	105	166	197	239	244	207	138	149	131	109	**89**	**88**	**83**	**83**	**90**	8.0%	0.6%
Chennai	89	79	85	75	67	72	83	98	123	158	145	120	124	115	100	**83**	**79**	**73**	**71**	**76**	6.4%	-0.9%
New Delhi[a]	111	95	101	92	85	93	114	155	211	259	214	185	189	170	136	**114**	**107**	**96**	**94**	**102**	9.0%	-0.4%
Gurugram												173	166	159	125	**108**	**102**	**96**	**95**	**95**	0.0%	-7.2%
NOIDA[b]												157	170	155	123	**98**	**89**	**81**	**84**	**82**	-2.7%	-7.8%
Goa	73	63	65	57	57	67	89	108	133	155	137	118	133	128	120	**110**	**112**	**108**	**112**	**122**	8.3%	2.7%
Hyderabad	39	43	52	51	53	60	84	109	137	156	137	108	114	105	89	**75**	**74**	**73**	**73**	**76**	5.1%	3.6%
Jaipur	62	45	65	62	57	65	77	99	121	141	130	95	104	99	89	**78**	**78**	**73**	**71**	**79**	10.3%	1.3%
Kolkata	88	82	82	72	61	66	72	87	121	163	146	128	141	126	112	**95**	**94**	**86**	**87**	**94**	8.3%	0.3%
Mumbai[c]	138	130	124	104	87	95	107	136	200	272	233	177	180	165	139	**118**	**118**	**113**	**113**	**120**	5.9%	-0.7%
Pune					54	61	78	110	150	197	163	122	109	87	71	**64**	**63**	**60**	**63**	**68**	9.5%	1.6%
Exchange Rate	42.2	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**		

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

	1998/99	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	12-Month Change	Compounded Growth
Agra	23	15	15	13	13	27	38	45	64	76	61	68	82	71	66	**62**	**65**	**54**	**49**	**55**	11.5%	4.6%
Ahmedabad	31	31	34	27	24	33	42	48	55	79	64	55	51	49	39	**33**	**33**	**33**	**35**	**41**	16.7%	1.6%
Bengaluru	48	45	56	51	56	82	135	151	173	159	113	74	87	74	61	**51**	**51**	**54**	**55**	**63**	13.9%	1.4%
Chennai	58	52	55	42	39	48	61	77	92	115	91	74	83	76	60	**46**	**47**	**46**	**46**	**48**	5.2%	-0.9%
New Delhi[a]	60	50	59	49	51	68	90	125	162	192	144	126	130	109	84	**70**	**66**	**64**	**65**	**73**	11.8%	1.0%
Gurugram												114	110	99	73	**64**	**62**	**61**	**63**	**65**	2.7%	-6.8%
NOIDA[b]												116	137	87	55	**53**	**43**	**41**	**47**	**45**	-5.8%	-11.3%
Goa	43	34	39	31	34	40	56	73	97	112	84	77	90	88	82	**76**	**78**	**76**	**80**	**88**	9.4%	3.9%
Hyderabad	26	26	36	35	37	46	66	89	99	102	76	58	65	57	44	**39**	**42**	**43**	**46**	**51**	9.7%	3.6%
Jaipur	28	21	36	30	26	38	52	65	79	91	70	55	60	54	49	**42**	**42**	**44**	**46**	**53**	15.3%	3.4%
Kolkata	51	45	52	48	40	41	50	66	91	121	101	86	96	88	80	**66**	**64**	**60**	**61**	**67**	9.9%	1.5%
Mumbai[c]	93	84	80	54	55	66	77	104	156	203	141	110	112	105	89	**79**	**85**	**83**	**84**	**91**	7.9%	-0.1%
Pune					38	42	67	91	125	137	101	62	51	45	41	**37**	**39**	**40**	**40**	**47**	18.1%	1.4%
Exchange Rate	42.2	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**		

a Delhi NCR data (Shaded Portion) from 1998/99 to 2008/09, New Delhi (without Gurugram, NOIDA and Greater NOIDA) data from 2009/10 to 2017/18
b NOIDA data includes Greater NOIDA
c Mumbai data includes Navi Mumbai

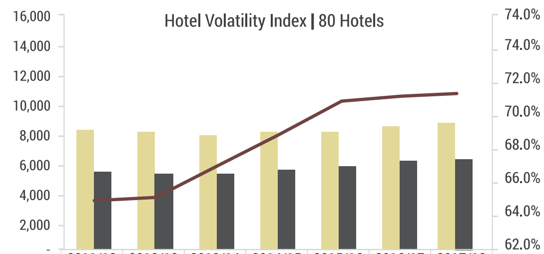
Source: Industry Sources and Hotelivate Research

The Hotel Volatility Index 2018

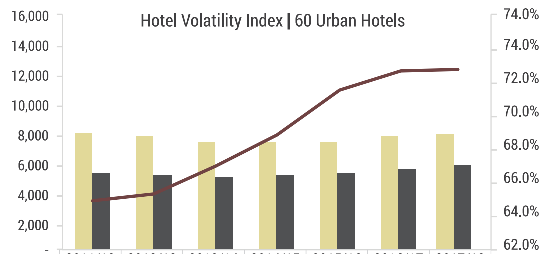
Last year, we launched **The Hotel Volatility Index** **(HVI)** that tracks the performance of 80 well-established, stabilised hotels – 60 urban and 20 leisure properties – across positioning that have been operational since 2011 or earlier in the country. Together, these 80 hotels represent nearly 17,000 rooms in 21 different cities in India. The **HVI provides a reliable performance benchmark**, as it enables a like-to-like comparison of the same base of stabilised hotels year-on-year, irrespective of the new supply coming in. An improvement or a decline in the performance of the HVI can thus, serve as an important indicator of whether demand is robust or flattening out.

Figure 26, below, illustrates the occupancy, average rate and RevPAR performance of the 80 hotels between 2011/12 and 2017/18, further categorised by location.

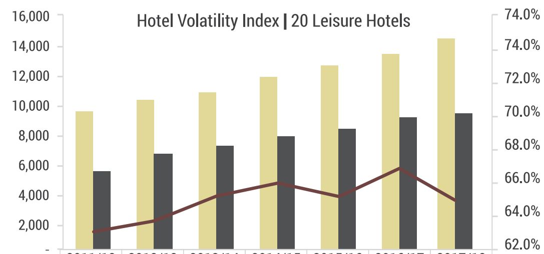
FIGURE 26: HOTEL VOLATILITY INDEX | URBAN AND LEISURE LOCATIONS



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



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



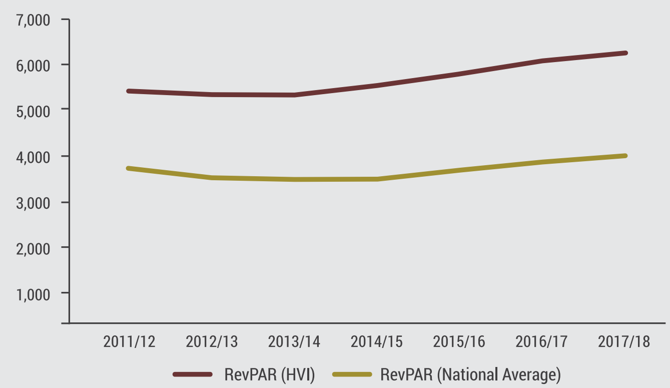
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
ADR	9,432	10,143	10,743	11,728	12,555	13,364	14,292
RevPAR	5,990	6,486	6,991	7,754	8,231	8,867	9,235
Occupancy	63.5%	63.9%	65.1%	66.1%	65.6%	66.4%	64.6%

Source: Industry Sources and Hotelivate Research

The past year marked the third consecutive fiscal of the current upcycle, and we were hoping to see a significant rate enhancement after having consistently nudged the industry to recognise the favourable ongoing demand-supply equation. Unfortunately, the needle still hasn't moved on that front, and the index registered only a 3.2% increase in average rate over 2016/17 while occupancy remained stable. That said, if we look at the last five years, average rate improved by 10.8% and occupancy rose by 4.8 percentage points over that recorded in 2013/14. This points towards a **healthy demand situation** that is enabling existing hotels to retain or increase occupancy (and even rate) despite the influx of new rooms. However, one must do more to capitalise on the current upcycle and improve performance. More sophisticated revenue management strategies need to be adopted that look beyond just historical hotel data and competitor rates. Accurate demand assessment is critical, and technology can play a very important role here.

Comparing the performance of the index to the national average in Figure 27, we note that the RevPAR of these 80 stabilised hotels (₹6,212) was 62% higher than that of the All-India sample set (₹3,837) in 2017/18, further validating our argument for using this index as a performance benchmark. When new hotels open, they temporarily skew the market metrics by pulling down the occupancy and/or average rate. So, comparing your stabilised hotel's performance to a competitive set that includes a mix of similar-positioned new as well as older hotels can be very misleading and result in false optimism. We, therefore, recommend **any hotel that has been operational for five years or more to use this index as an additional point of reference**, apart from the customised local competitive set, to assess its performance; this dual standard of evaluation will offer a hotel owner a more rounded perspective of the operator's managing abilities.

FIGURE 27: REVPAR PERFORMANCE | HVI VS NATIONAL AVERAGE (₹)



Source: Industry Sources and Hotelivate Research

Also, it is interesting that **leisure hotels continue to outperform their urban counterparts**, recording a RevPAR premium of 61.8% in 2017/18, mainly on the back of higher average rates. At ₹14,292, the average rate of leisure hotels in the index was nearly twice that of the urban hotels (₹7,831), growing by 7% over the previous year. Moreover, this base of 20 stabilised properties consistently recorded an occupancy of around 65% or more in the last five years, offering strong evidence of steady demand for such hotels in India. The increasing purchasing power of the domestic traveller and the rising inbound leisure travel bodes well for hotels operating in this segment. Add to this low development costs (for instance, the cost of developing a low-rise, villa-style resort in a get-away leisure location is lower than the development cost of a high-rise hotel of the same brand with basements in an urban location) and a larger variety of destinations to choose from, with relatively low barriers to entry in comparison to major cities, leisure hotels undoubtedly present a viable business opportunity. We have been trying to draw the attention of the industry towards this sector and are happy to report that we are seeing a lot more interest in it recently. The number of feasibilities we perform in leisure locations has gone up significantly, and the notion that such properties are rarely profitable finally seems to be changing.

In closing, we believe that the HVI provides an accurate gauge of the country's hotel industry performance over time. When viewed alongside the nationwide statistics, it is apparent that the established hotels have grown or sustained their occupancies even during the last down cycle (that ended in 2015/16), a testament to the inherent strength of the sector and its continuing potential to grow. Thus, there is no reason why the pace of growth cannot be faster and average rates cannot be commensurate to the product and service offered. After all, the hotel industry is cyclical in nature, and the present upcycle will not last indefinitely.

Taj Exotica Resort & Spa, Andamans

Manav Thadani, MRICS
Founder Chairman, Hotelivate

Juie Mobar
Director, Special Projects, Hotelivate

City Trends

AGRA

Highly dependent on the 'Taj Mahal aura', Agra hotels have since long found it difficult to broaden their base of demand segmentation. Inability to breach an occupancy threshold of the late fifties or early sixties has thus, been a challenge for this market. In 2017/18, finally, Agra's marketwide occupancy closed at 65.8% - the highest in 20 plus years. The city also recorded the highest growth (10.5%) in occupancy amongst the 13 markets tracked in this survey, albeit with a correction in average rates. On closer inspection, it is apparent that the existing upscale and luxury hotels in the city continued to exhibit a steady growth in room rates, and the overall ARR drop was a function of almost doubling of branded hotel inventory (much of it in the midscale positioning) over the past five years. The significant increase in occupancy resulted in Agra clocking its first positive growth in RevPAR (7.1%) in three years.

Interestingly, the city has witnessed a change in its demand segmentation lately. The slower growth of the Foreign Leisure segment (both Group and Individual) has been mitigated by the rise in Individual Domestic Leisure travel and the MICE segment, partly due to the introduction of the Gatimaan Expressway, Yamuna Expressway and the recently opened Agra-Lucknow Expressway. It's also pertinent to note that while this has helped hotels attract more guests on one end, it has also resulted in making Agra a popular day-destination, thus, displacing some of the demand from the lower paying leisure segment.

We are tracking a proposed supply of approximately 400 rooms that may open over the next five years in the city. Leaving the Aaina and the Leela hotels, most of the proposed supply is expected in the mid-market and budget positioning. Resultantly, in the near-to-medium term, we expect both overall occupancies and average rates to remain stable at best.

AHMEDABAD

The Ahmedabad hotel market witnessed an 8.9% increase in room night supply and a 15% growth in room night demand in 2017/18. Consequently, marketwide occupancy inched closer to 65%, coupled with a 6.1% increase in ARR. These healthy performance metrics can be attributed to a slew of developments, both within and on the outskirts of the city, including the SEZs of Sanand and Becharaji – which have attracted major automobile, pharmaceutical and engineering companies from around the world, the proposed logistics park in Godhavi, the Smart City project in Dholera, and the finalisation of the third terminal of the Ahmedabad Airport. Moreover, airline passenger movement increased by 23.9% over last year, clocking over 9.1 million passengers in 2017/18[5]. Looking ahead, about half of the proposed supply (of 1,343 rooms) is actively under development on the outskirts of the city, mostly on the western periphery. Overall, we expect the Ahmedabad market's performance to further improve, as the benefits of the current upcycle will continue to enable demand outpacing supply in the short-to-medium term.

Conrad Bengaluru

BENGALURU

Crowned as the 'Silicon Valley of India', Bengaluru's hotel market has persistently grown in RevPAR performance over the past four years. With an occupancy of 69.5% and an average rate of ₹5,807 in 2017/18, the city's hotels grew their RevPAR by 9.4% despite a near 6% growth in supply. This trend is primarily powered by the rise of self-sustaining hotel micro-markets in the city such as North Bengaluru, Outer Ring Road, Sarjapur, Electronic City and Whitefield. Moreover, with 10.4 million ft^2 of additional Grade-A office space commissioning last year, Bengaluru witnessed an increase in demand from the IT/ITeS and manufacturing industries. Over the past few years, the Extended Stay segment has also picked up steam, with the weighted average length of stay for most hotels now being close to four nights.

In terms of new supply, there are approximately 4,400 rooms being actively developed in the five-year horizon, with most of them in the mid-market and upscale positioning. Also, a large majority of the new commercial projects are coming up in the peripheral CBD areas of the city, and poor road infrastructure is further strengthening the need for micro-markets, with new hotel supply being easily absorbed in these locations. So, while the city has grown larger and busier than it was ever intended to be, it continues to offer strong business reasons for further growth of its hotel market; we, thus, remain optimistic about Bengaluru's future.

[5] *Airport Authority of India (AAI), 2018*

CHENNAI

Often labelled as a price sensitive market that lacks depth in room night-demand, Chennai is beginning to prove the naysayers wrong. Despite a 10.5% growth in supply, this market's RevPAR improved by 1.1% in 2017/18. The weighted inventory almost held the previous year's occupancy (mid-sixties) while clocking a modest 2.2% increase in ARR. The rationale for the small decline in occupancy is two-fold. Firstly, the OMR stretch witnessed an influx of approximately 800 new rooms, which resulted in the distribution of existing demand over a larger base, making the micro-market's occupancy seem lower even as overall RPDs in fact grew (new supply growth in other micro-markets such as Guindy and the Central Business District (CBD) was minimal). Secondly, hotels collectively chose to opt out of their long-adopted strategy of giving precedence to occupancy over ARR, with some hotels successfully managing to increase their rates by as much as 15% while allowing occupancies to fall by 5-10% at the same time. Going forth, a relatively limited supply of rooms is slated to enter the Chennai market, with over 60% of these having already commenced operations in the first quarter of 2018/19 and a little less than 200 rooms guaranteed to open in the next two years.

The previous fiscal is testament to Chennai's resilience and points to the hotel market benefiting from the industry upcycle. Moreover, micro-markets are becoming more distinct, supply in the city is slowing down, and demand is growing at a continuous pace by virtue of addition or expansion of several IT Parks. Thus, looking ahead, our outlook for the Chennai hotel market remains positive in the short-to-medium term.


Aloft New Delhi Aerocity

NEW DELHI

New Delhi continued to be the largest branded hotel market in India, with over 14,700 rooms available in 2017/18. Positive performances in both ARR and occupancy were recorded despite an approximate addition of 500 new rooms to the city's supply. Aerocity and CBD hotels continued to witness a healthy growth in room night demand last year from the Commercial, Transient and MICE segments. Additional demand coming from the national defence sector contributed to the Extended Stay segment of the Aerocity hotels, owing to their headquarters and training grounds situated in the vicinity. Going forth, the New Delhi hotel market is likely to see an addition of a little less than 1,500 rooms, most of which are likely to commence operations over the next three-to-four years. Hotelivate is of the view that the national capital's hotel market will continue to experience a healthy mix of demand and moderate supply growth, resulting in the rise in ARR outpacing occupancy appreciation in the short-to-medium term.

GURUGRAM

In 2017/18, Gurugram's hotel market exhibited a positive occupancy growth (2.7%) while the average rate levels (shockingly) declined. One could attribute this partially to the high dependence of the city's hotels on RFP and locally negotiated corporate rates, but the fact is that RPD growth outpaced supply growth in Gurugram last year, and an improvement in ARRs would have made business sense. Being one of the prime commercial hubs in North India, the city continues to house global giants across the IT/ITeS, pharmaceuticals, automobile and financial industries, generating room night demand from majorly the Commercial and MICE segments. This is further likely to escalate with the proposed entry of around 1.2 million ft^2 of Grade-A office space, mainly on Golf Course Extension Road, in the next few years. While it is true that the addition of new supply in the mid-market and budget segments has resulted in the weighted average rate of the market to decline as compared to 2016/17, it was rather disheartening to see established and relatively mature upscale players also drop their rates this past year.

Going forward, as Gurugram continues to be one of the strongest hotel markets in the country and a prime destination for business conglomerates, one finds little reason to doubt a further growth in marketwide occupancy in the short-to-medium term; however, hotel brands/management companies would really need to seriously re-look at their ARR strategies.

NOIDA

The NOIDA (including Greater NOIDA) hotel market, which showed a modest recovery last year, was unable to hold its ground and slipped to become the poorest performing major market in 2017/18. With a drop of 3.2% in occupancy, a de-growth of 6.5% in average rate, and resultantly, a fall of 9.5% in RevPAR, NOIDA hotels sacrificed ARR so that RPDs may be salvaged. While these numbers may appear to be alarming at first, one must acknowledge the 6.5% increase in supply in addition to the ongoing displacement of demand to the neighbouring pockets of Ghaziabad and East Delhi. Also, events such as the Auto Expo and Indian Grand Prix - Formula 1 that contributed significantly to the overall MICE demand in recent years, were not hosted in 2017/18.

Hotelivate is tracking 1,174 rooms that are announced to be built in this market over the next five years; however, only 41% of the proposed supply is actively under construction.

Our outlook for the NOIDA hotel market continues to pale, owing to the lack of any meaningful growth in Commercial demand and quality office supply. The hotels have little choice but to try and tap the MICE segment, going forward. Thus, Hotelivate expects the marketwide occupancy and average rate to remain under pressure in the short term.

GOA

India is holidaying like never before! The Goa hotel market (with much gratitude to the domestic traveller) achieved the highest average rate in the country, clocking a marketwide ARR of ₹7,844 in 2017/18 that is not only 4.1% higher than the previous fiscal, but also higher than Mumbai, India's rate leader for the preceding five years. Overall occupancy was also marginally higher than 2016/17, with South and Central Goa hotels taking the lead on this front. The minimal decline in North Goa's occupancy can be attributed to the continuing downward trend of charter business, which has historically been a major demand source for the micro-market. The silver lining was an improvement in North Goa's ARR (8% more than 2016/17), enabling a higher RevPAR as a result. However, charter business is once again on the rise, with the gradual addition of flights from the Scandinavian countries and Iran.

The South Goa micro-market continued its uptick in occupancy last year on the back of growing domestic travel and a booming MICE and wedding business. Central Goa hotels, on the other hand, had the added advantage of catering to demand generated by large-scale annual events such as the International Film Festival of India (IFFI) and the Serendipity Arts Festival. Average rate grew by less than half a percent in Central Goa and a little under 5% in the South Goa micro-market in 2017/18.

Going forward, we expect the overall market performance to remain stable on account of improved demand, which is likely to offset any adverse impacts of additional supply. Specifically, with the proposed MOPA Airport likely to be ready by 2020, the domestic segment making a significant demand contribution, and room rates on a growth trajectory in the state, we remain optimistic that Goa will continue to serve as one of the most popular and vibrant hotel markets in the country.

HYDERABAD

Home to India's first IKEA, the Hyderabad hotel market witnessed growth across all parameters (occupancy by 4.3%, average rate by 1.0% and RevPAR by 5.4%) over the preceding year. The market clocked an upward trajectory in occupancy chiefly due to the opening of new Grade-A commercial spaces and major global conglomerates setting up their offices in HITEC City (such as Amazon.com). Furthermore, high absorption rate of the commercial spaces and a significant increase in the pre-commitment activity led to an improved overall business sentiment. The city also hosted various international conferences accommodating approximately 29,000 delegates at HICC last year. Going forward, the augmented corporate travel to Hyderabad, together with the conferences at HICC and HITEC, are expected to result in higher room night demand. Also, due to the political stability, the market sentiments are expected to remain positive, with focus on further drumming up the ARRs. The city is slated to see the advent of a mere 1,200 rooms over the next five years and demand is expected to outpace supply.

ITC Kohenur, Hyderabad

JAIPUR

One of India's key leisure destinations and an integral part of the Golden Triangle itinerary, Jaipur witnessed an increase of 7.3% in supply over the previous fiscal. Despite the significant addition to rooms available, marketwide occupancy and ARR levels recorded a moderate growth of 4.6% and 5.9%, respectively, resulting in a healthy RevPAR growth of 10.8% in 2017/18. This amounts to almost 500 more RPDs being accommodated daily over the preceding year. An emerging commercial hub and one of the most popular wedding destinations in India, Jaipur is now also attracting a significant number of large-scale corporate events. It is further encouraging to note that hotels in the city now lay emphasis on value growth rather than demand capture alone. Moreover, the emergence of branded supply across all positioning points to the rising demand as well as the upswing in domestic leisure travel to the city. This can be directly linked to Jaipur maturing as a hotel market, with properties now catering to wider segments than those served in the past. Going forward, we remain positive about the Jaipur market and expect the uptick in domestic travel to continue. This steady growth in demand will permit the market to absorb new hotels without having a major impact on marketwide performance.

KOLKATA

Kolkata witnessed the highest increase (20.7%) in supply versus the previous fiscal amongst the major hotel markets in the country. Notwithstanding this, and surprising many, the City of Joy recorded an upward performance in 2017/18, with occupancy growing to 71.9%, average rate rising to ₹6,048, and consequently, RevPAR increasing by 5.6%. The city's occupancy was aided by the Under-17 FIFA World Cup, which was a major room night contributor to the market last year, coupled with events such as the IPL, Global Bengal Business Summit and some large national medical conferences. Kolkata also recorded the highest increase in passenger traffic (25.7% YOY) amongst the top airports of India in 2017/18[6].

Going forward, the market is set to witness an addition of approximately 1,800 rooms, of which 77% is under active construction. As the city progresses economically and with infrastructure development underway, demand in the market is likely to continue improving, thereby retaining strong occupancies. Additionally, the formation of micro-markets is aiding the supply-demand equilibrium in Kolkata and is quite likely a reason behind the city's renewed ability to sustain additional hotels.


JW Marriott Jaipur Resort & Spa

[6]Airports Authority of India (AAI), 2018

Radisson Blu Pune Hinjawadi

MUMBAI

The only city to average an occupancy of more than 75% in 2017/18, Mumbai continued to rule the roost amongst India's major hotel markets. With an average rate of ₹7,740, the city achieved a RevPAR growth of 3.7% over last year. North Mumbai plugged along its growth trajectory as a major commercial hub, with branded hotels in Andheri Kurla Road, BKC, Powai and Goregaon, all witnessing occupancy levels in the mid-70s to early 80s. With 90% of the new Grade-A office inventory in the city being added in these areas, hoteliers are optimistic about further improving their performance and driving average rates up. Moreover, the opening of the new Convention Centre in BKC will help Mumbai to position itself as a premier venue for national and international conclaves.

Navi Mumbai is also maturing into a tech and commercial hub with the addition of new tech-parks and commercial spaces in CBD Belapur, Airoli, Rabale and Mahape. These new projects have also fuelled the Extended Stay demand in the city.

In terms of new supply, Mumbai is expecting about 4,000 rooms in the five-year horizon, of which 2,196 rooms are actively under construction. With enhanced connectivity and world class meeting facilities planned, the financial capital of the country is poised to become a global player in more ways than one. Hotelivate is of the view that Mumbai will reign the crown of being India's RevPAR leader for the foreseeable future.

PUNE

Displaying signs of a mature and stable hotel market, Pune continued the surge in performance with the marketwide occupancy inching closer to the 70% mark in 2017/18. A 7.9% growth in occupancy, coupled with a healthy 5.1% increase in ARR, resulted in an impressive RevPAR growth of 13.5% over the previous fiscal – the strongest amongst all major markets presented in this report. This continued upward trend in performance is testament to the city's resilience, which has been fuelled by increased corporate travel and enduring Extended Stay and MICE segments. With the Banking and Finance sector (BFS) expanding and new projects in the IT industry increasing, corporate demand across Pune is expected to grow further. Additionally, the increase in medical and government conferences, defence movement, and upgradation of the telecom sector are all expected to drive occupancies in the CBD, albeit moderately. Also, with new projects underway and research teams activated, hotels located towards Pimpri-Chinchwad, Chakan and Talegaon will benefit from the revival of the automobile sector.

On the whole, while demand has grown consistently over the last two years, the city continues to remain a price-sensitive market. Nonetheless, with a diminishing supply pipeline, we expect all micro-markets to sustain performance in the short-to-medium term, hoping that the ARRs will grow.

Future Trends & Opportunities

01 Senior Living

Much is said about the Indian demographic being one of the youngest in the world. It is just as pertinent to note that an estimated 150 million Indians (more than the total population of most nations) will be over 60 years old by 2030. A fair number of India's senior citizens are travelling the world, asserting their financial independence and seeking a discerning lifestyle post retirement. The traditional adage of letting your children 'care' for you in your old age is being replaced by this populace choosing to live on their own terms in communities of likeminded individuals. Senior living homes are quite certainly a future trend. Hospitality companies in the United States (both, independent and assisted living) such as Brookdale, Holiday Retirement, Life Care Services and Five-Star Senior Living are increasingly offering the rental or lease model of senior living to their patrons. In contrast, recently launched projects by the pioneers of senior living in India (such as Antara Senior Living, Ashiana Housing and Oasis Senior Living, among others) are more of a real-estate acquisition-led proposition. As demand for serviced residences for senior citizens gains pace, one can expect to witness the growth of this trend in India's hospitality industry.

02 Growth of the Leasing Model

Leasing of hotels is fast emerging as the preferred mode of growth for budget and midscale brands active in India. At a fundamental level, leasing of hotels requires the lessor (or the developer) to undertake the development risk while shifting the operating risks to the lessee (or the operator). Both parties may also partake in the capital expenditure and agree on a revenue share arrangement. The asset on offer can be at varied stages of development – from land lease to a completed hotel. Proponents of this structure are of the view that the true 'skin in the game' factor by leasing of hotel assets, offers a huge confidence boost to developers in a sector that is sometimes criticised for its uneven risk-reward ratio. The leasing model is essentially an inverted management contract in some ways. The operator/brand takes the P&L risk, whereas the owner/landlord is offered returns off the top-line of the asset. At Hotelivate Investment Advisory, while working on several lease transactions ranging from greenfield to conversions, we find that operators conduct a deeper level of commercial due-diligence before committing to a balance sheet exposure that comes with leasing. Interestingly, more than 20 hotel brands are active in this space. Over the next few years, it is likely that non-optimised FSI in high-quality locations will move into the branded hotel space based on the assured income potential that is offered by the leasing format.

03 Total Revenue Management

No, we are not claiming that revenue management is a future trend. We are also not asserting that it is metamorphosing into something novel and path-breaking. The fact is that while the past few decades have indeed witnessed the growth of revenue management into a strong and necessary discipline for many industries dealing with finite inventory and varying demand patterns (such as the hotel sector), its true applicability to the growth and success of hotels is yet to achieve its potential. In recent years, we have begun to see a shift in the application of traditional revenue management towards Total Revenue Management (TRM). TRM is not to be confused with solely applying revenue management concepts to all income streams of a hotel. While that is an essential component, TRM is also about designing pricing strategies that optimise the total performance of the hotel (enabling the sum of the parts to be greater than the whole). Globally, gaming and casino hotels have been ahead of the curve in adopting TRM. They repeatedly choose to optimise the total guest spend rather than focus on rooms profit, and regularly award free room nights in lieu of gaming revenues. Simplistic as that might sound, the pursuit of TRM for a hotel asset is far more complex than this example, as it involves analysing multiple revenue streams simultaneously while crafting pricing strategies that allow the overall pie to grow in a complementary fashion. Correspondingly, TRM needs advanced data science and mining algorithms, along with mathematical programming to be successfully executed. Professional consulting firms with the ability to employ such research and analysis led advisory, are being actively solicited. This renewed focus on approaching total revenue management for hotels in a holistic fashion is a near-future trend.

04 Experiential Hospitality

With an eye to meet the rapidly changing guest expectations from their 'experience providers', hotels today are pushing boundaries, broadening horizons, augmenting services and aiming to provide guest care that is truly discerning. Hotel brands have begun to recognise the fact that their patrons don't just want a good product or great service, they yearn for a unique experience. Although this is certainly more relevant for the leisure guest, it would be an error of judgement to assume that the corporate traveller doesn't have the same lookout. With a keen ear to the ground, tomorrow's hotel chains will not aim to standardise their offering. In fact, the paradigm shift is that they will endeavour to embrace the culture and character of fraternity that exists in its neighbourhood. Creating a vibe of sharing and spontaneity for the next-gen travellers, these hotels will aspire to attract an audience that seeks a social, welcoming and communicative lifestyle. The very idea of embracing the quaint, unique and specific elements of the market where a hotel is built will be amply visible in the hotels of the future. Every neighbourhood has its own quintessential story. When this sense of community truly oozes out of the ethos of a building that would have otherwise been brick, mortar and furniture, the result is likely to be phenomenal. Offering experiential hospitality is both a trend and an opportunity for stakeholders of the Indian hospitality industry.

05 Brand Valuations

Businesses are frequently valued using one or more established approaches across industries and sectors. Their replacement cost, income generation ability and/or comparable sales of similar businesses usually form the basis of such valuations. However, in most cases, a business value using the approaches mentioned above, is largely determined for tangible assets, as they have been regarded as the main source of value creation. In recent times, several companies have increasingly and justifiably so, embraced the idea that a business' value is not made up of its tangible assets alone. The importance of not just the brand, but also patents and trademarks, technology and intellectual property as well as human capital is now being ascribed value, which in many cases, has caused a measurable shift in the market value of companies when compared to their book value. A rather simple way of defining brand value is that it is the net present value of the estimated future cash flows attributable either primarily or solely to the brand. Consequently, brand valuation is the process used to calculate the value of a brand. Unlike traditional methods utilised for the valuation of assets or companies, the approaches to perform a brand valuation are several and varied. There is more art than science in the methodologies employed and no one valuation method is the most relevant. Getting the value of a hotel, restaurant, club, bar or café's brand assessed by professional valuation firms is becoming increasingly prevalent.

06 Modular Construction Techniques

Modular construction is a process of building prefabricated portions of a structure in an offsite location, transporting it to the site and then assembling these 'modules' to complete a home, hospital, office building or hotel. These blocks may be assembled beside, upon, or around each other to create a variety of building structures. While it may appear to be a 'Lego-blocks' kind of development to the newly initiated, the precision and quality required in the completion of such structures often enables them to be comparable (if not superior in quality) to the conventionally constructed buildings. Touted to be less expensive, time saving and decreased wastage focused, this 'plug & play' style of construction has seen strong adoption by developers across the globe. Such construction techniques may also enable more control over the end-product and avoid inconsistencies found in traditional construction methods. A typical, large and full-service hotels may not find this method of construction as user-friendly as the limited service brands, who may often have a 'build, stack, repeat' style of design and development. We find modular construction of hotels to be a likely trend that shall pick up pace in the near future across India.

In Closing

We commenced this year's Trends & Opportunities report with a light-hearted note on the sector's fear of missing out on business opportunities and not raising average room rates as deftly as it should. The markets continue to bestow the requisite latitude for a congruous performance across all metrics; hence, benefiting from the state of affairs and the macro-dynamics at hand would be well advised. Taking a cue from how the youth of today communicates – Ladies and Gentlemen, let's not worry too much about the FOMO. After all, YOLO (Google it, Oldies)!

15th

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