HOTELIVATE
ELEVATION THROUGH INNOVATION

INDIAN HOSPITALITY
THE STATS & PULSE (S&P) REPORT

FY 2021

Achin Khanna, MRICS
Managing Partner, Strategic Advisory

Kush Anand
Analyst, Strategic Advisory

BATTLES...

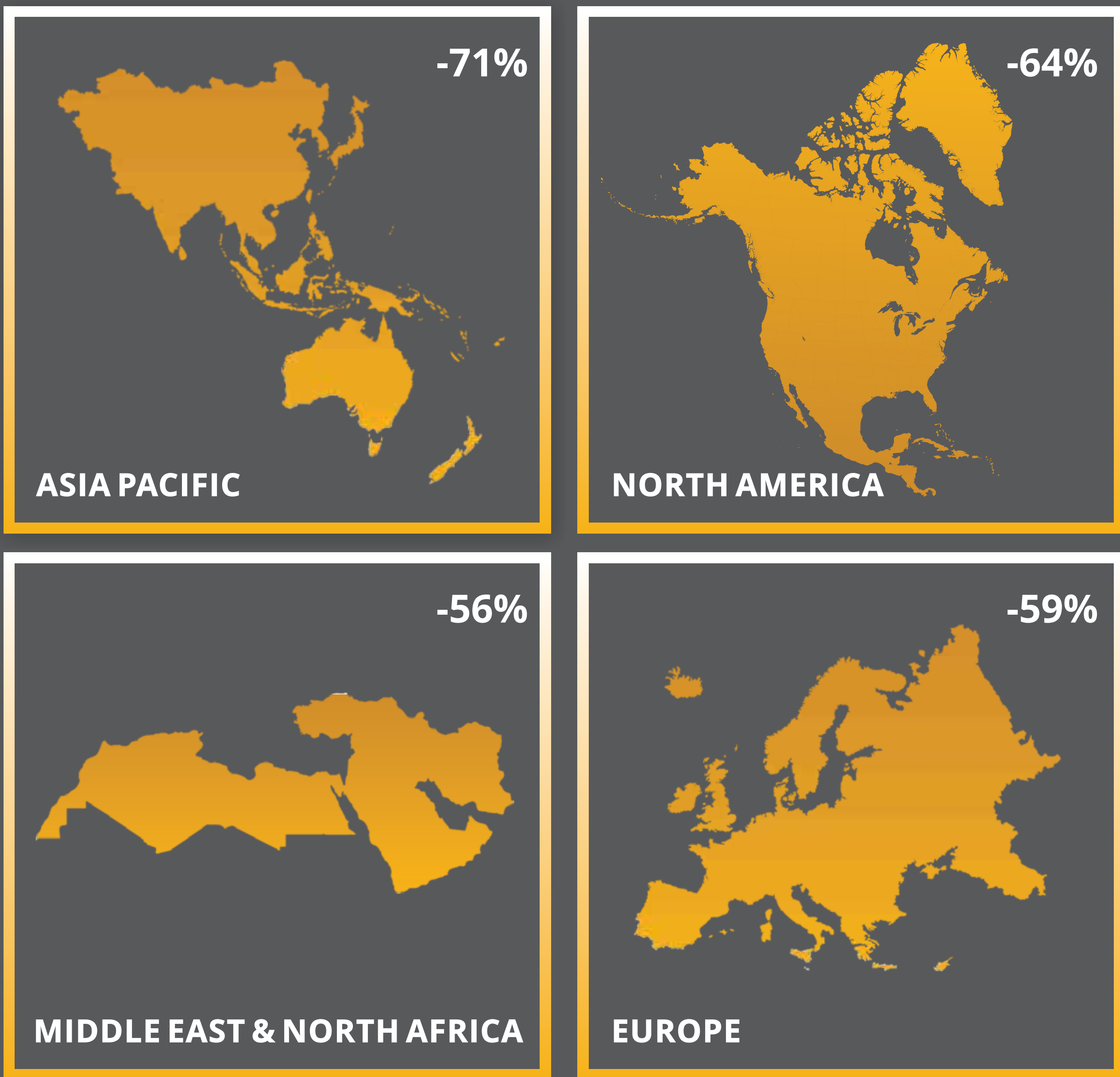
The most memorable battles in history have been won not by the strongest, not by the largest, not even by the smartest. The victors of epic wars have been those who fell down and then got back up. Those who were bruised, but not broken. The might it takes in rising after one has been brought to their knees is herculean, and not everyone has the mettle to bounce back. Those who do possess this strength, those rare few, they write history!

The past fifteen months have witnessed a roller coaster of events, with circumstances never imagined and a plethora of unthinkable situations. The pandemic has very likely left no human being on the planet untouched. From global lockdowns (many of which continue to this day), to multiple waves of mutated virus strains that have already taken almost three million lives, COVID-19 has definitively altered our societies and economies. As a species, we have all experienced shock, awe, despair, helplessness, exasperation, even resignation to the fact that this state of affairs may well last indefinitely. The loss of life has been heartbreaking. The loss of livelihood has been immense. Tens of thousands of enterprises, big & small alike, have folded. Supply chains have been disrupted, currencies impacted, all industries, sectors, professions, and crafts brought to varying degrees of ruin. Among those that plummeted the most are the travel, trade, and tourism industries. Aviation and Hospitality have borne a kick to the shin that was extremely painful and debilitating.

While many businesses in the Indian hotel sector have been pushed to their knees and some have indeed suffered far too much to expect a recoup, efforts by others have not only displayed the true meaning of perseverance, but also reinforced the belief that the battle, no matter how impossible it may seem, is not lost until you choose to give up. Malleability, or the presence of mind to acknowledge a change in circumstances and to then alter the game plan swiftly, and decisively, has almost always been key to survival. India's hospitality sector has, with little to no help from external bodies, worked towards adapting. It was punched in the gut, it got back up and it is continuing the bout.

Through both primary and secondary research, Hotelivate has gathered performance trends for more than 1,40,000 existing, organized rooms as well as a confirmed supply pipeline for almost 35,000 rooms across the country. This comprehensive publication, a first of its kind, sheds light on the facts that have defined the last four quarters during the pandemic; it compares various trendlines against pre-COVID years and it tables our estimation and objective view on the recovery path ahead. This report provides perspective on how performances varied by positioning as well as by markets. Data driven analytics form the basis of this publication and we hope to aid the industry's recovery process by sharing insights that may prove useful in defining the path forward.

FIGURE 1. 2020 vs 2021 RevPAR Decline (%)



Global COVID deaths

Deaths per 1,00,000 population

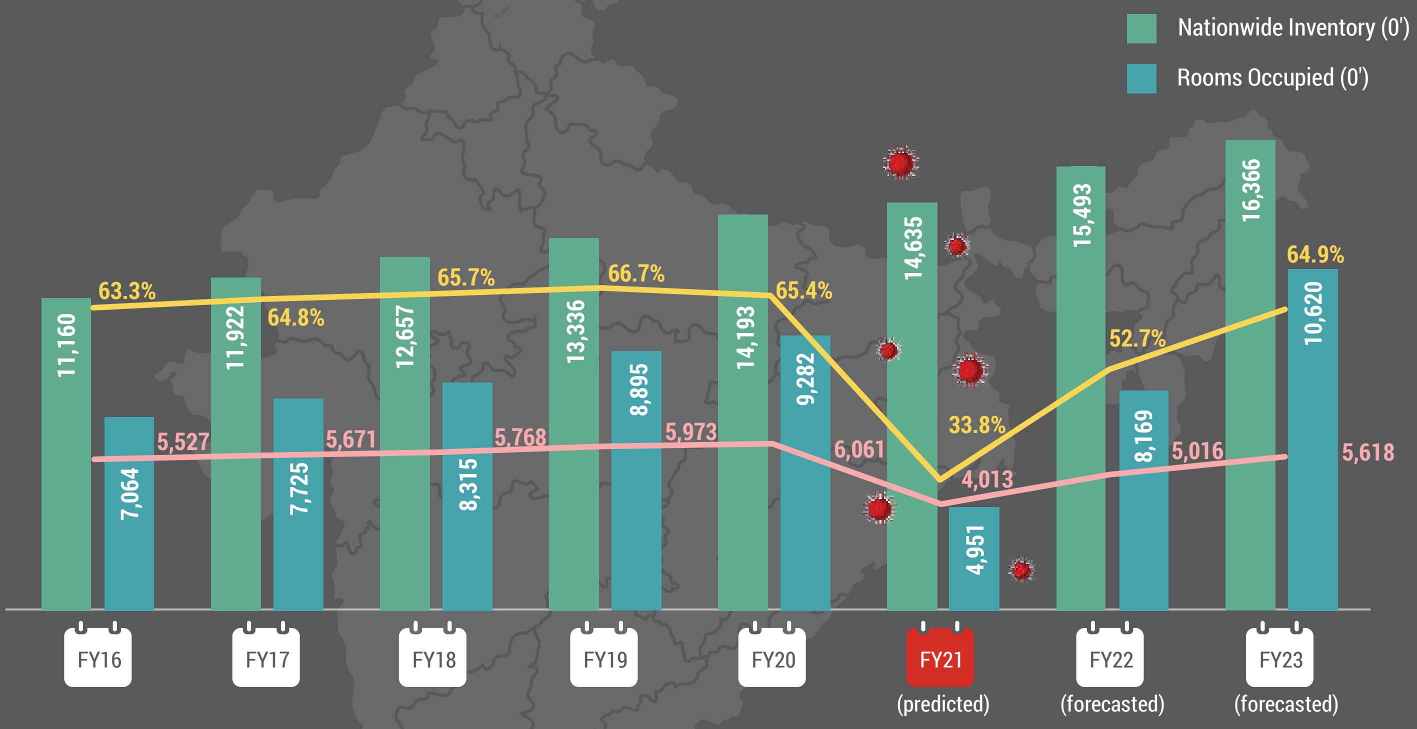
Global COVID cases

Cases per 1,00,000 population

Source: WHO COVID-19 Dashboard. Geneva: World Health Organization, 2020-Dated 14th April 2021, Hotelivate Research & Estimates

THE BIG PICTURE

FIGURE 2. NATIONWIDE OCCUPANCY % AND AVERAGE DAILY RATE



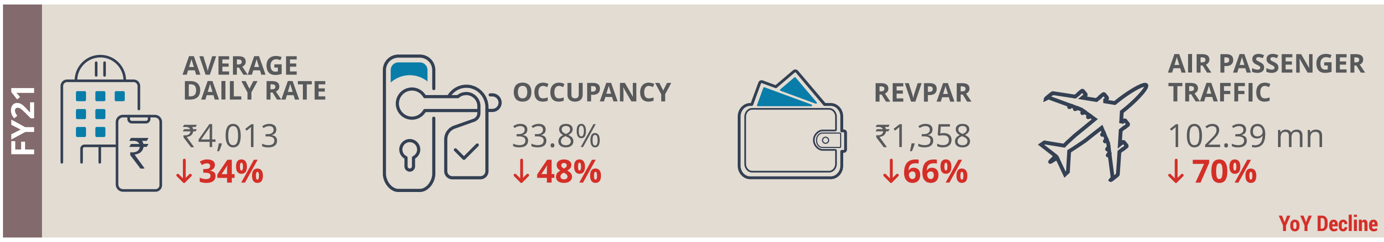
This macro chart provides the broad metrics of nationwide total rooms available, total rooms occupied, average rate and the occupancy percentage across several years. The up cycle of FY16 through FY20 displays a linear growth across all parameters, typical of maturing markets where supply and demand grow in tandem. A marginal dip was witnessed in FY20, owing to the early impact of COVID in February 2020, followed by the sudden and abrupt drop in occupancy through March, culminating eventually in the nationwide lockdown of March 23rd, 2020.

The story of FY21 will remain one for the books, of course. It is our estimate that the year would have closed with a nationwide occupancy of 33.8% and an average rate of ₹4,013, representing a close to 50% decline in occupancy and a 33% decline in ADR over FY20. All organized rooms available (even if they were closed during the lockdown) have been accounted for in the arrival of this estimate. It is noteworthy that over 5,000 new rooms opened across the nation in this fiscal. A more detailed scrutiny of the four quarters of FY21 is presented later in this report.

Hotelivate has also performed a logic driven forecast of the next two years, with an aim to approximate the likely nationwide occupancy and average rate. Both demand re-growth as well as new supply (much of it being pushed out due to the pandemic) have been assessed. Nuances and peculiarities of the various markets across the country have been appraised. Inbound as well as domestic travel ramp-up has been weighed. It is our opinion that FY22 shall clock about 52.7% occupancy at an ADR of ₹5,016, while these numbers for FY23 are likely to be 64.9% occupancy at ₹5,618. These estimates, especially for FY22, may need a downward correction if the recent surge in COVID cases witnessed over the past 10 days continues through Q1 of this new fiscal. Pertinent to note here is also the fact that while the FY23 occupancy may appear to be lower than the pre-COVID occupancy of 65.4% (FY20), the absolute amount of room nights sold will be higher, given the new supply that is probable to open between now and the end of FY23. Overall, we are expecting the occupancy to breach the 65% threshold only by FY24, while we are of the view that pre-COVID ADRs may be achieved by FY25.

Source: Hotelivate Research & Estimates

FIGURE 3

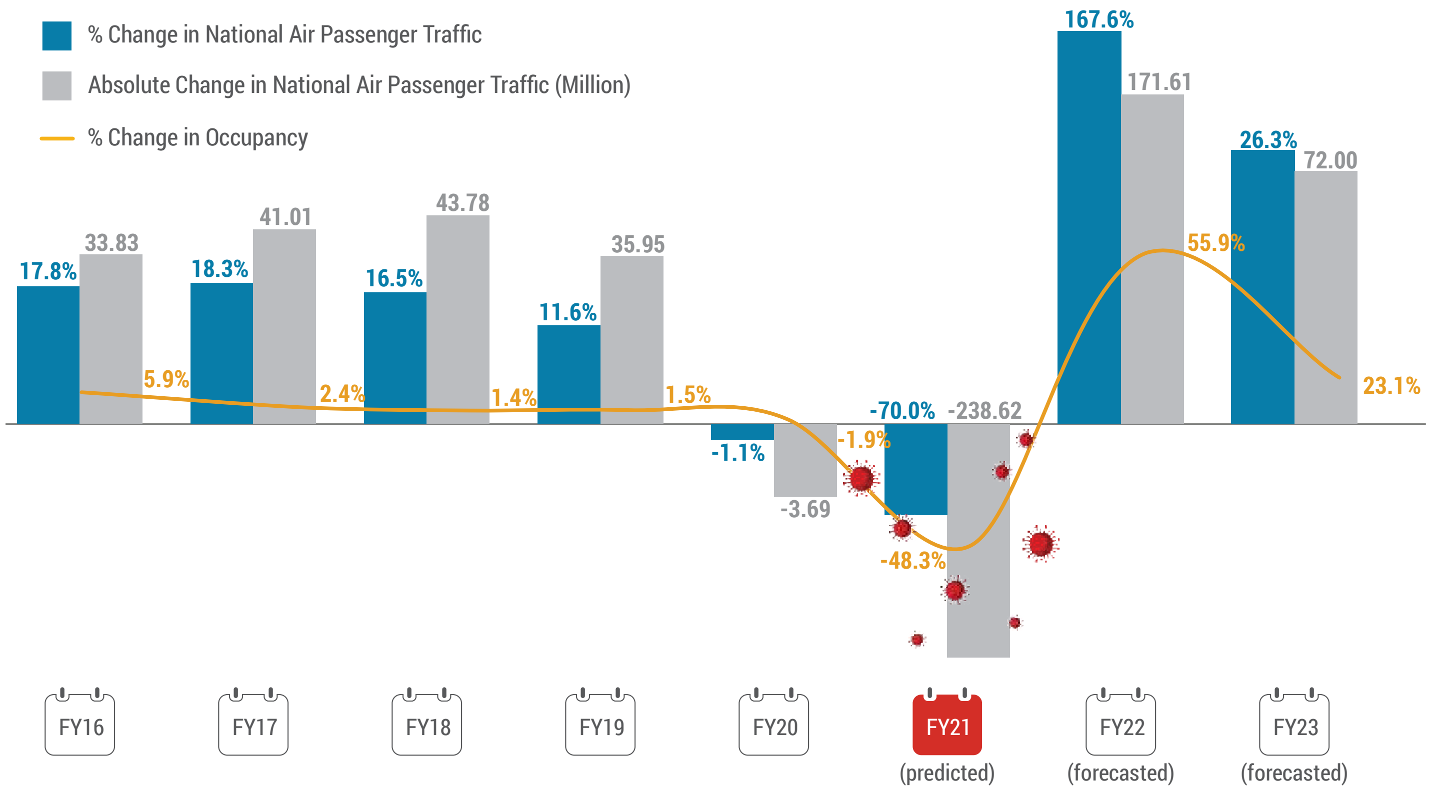


We looked at two data points, closely related to each other in terms of their patterns of performance. Air traffic across the country (both in absolute & percentage growth terms) and occupancy growth (in percentage terms) in the organized hotel sector have been plotted in Figure 4. While air passenger traffic grew between 11% to 18% (or between 33 million to 44 million passengers annually) from FY16 to FY19, it decreased by 1.1% in FY20. Lockdowns across the globe through the first half of FY21, followed by a slow-paced revival of air traffic during the second half of the fiscal year have led to a decline of 70% in air passenger traffic (almost 240 million fewer passengers) during the COVID year. While over two thirds of this decline is expected to be reversed in FY22, we expect the number of passengers to reach pre-COVID levels only by the close of FY23 or mid FY24.

This data, when plotted against the year-on-year change in nationwide occupancy, throws out two observations. While air traffic was growing faster (in percentage terms) because of the fast-growing aviation sector, the hotel industry was in a relatively stable state of performance and new supply kept a large percentage occupancy growth at bay. Conversely, the aviation sector saw a bigger plummet than room night demand during FY21, with the hotels being somewhat aided by quarantine guests and frontline workers related business as well as Vande Bharat related demand during the first half of the fiscal, followed by drive-to destination leisure travel that witnessed a surge during the third and fourth quarters of the fiscal.

Going forth, in our view, both aviation demand as well as room night demand are likely to revert to normalcy in a similar time period of two to three years from now.

FIGURE 4



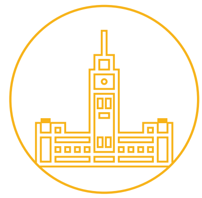
Source: Airports Authority of India, Hotelivate Research & Estimates

TOP 10 AIRPORTS


NEW DELHI


MUMBAI


BENGALURU


CHENNAI


KOLKATA


HYDERABAD


KOCHI

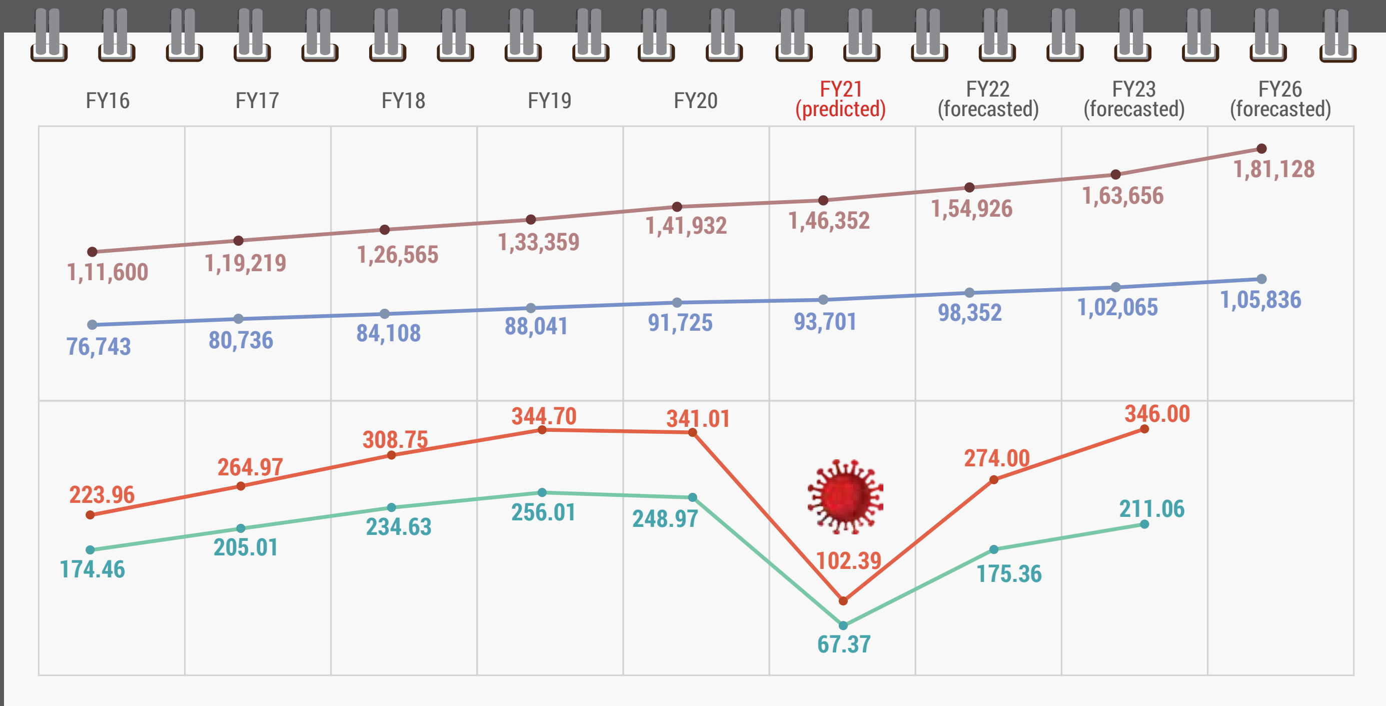

AHMEDABAD


PUNE


GOA

As is evident from Figure 5, while India's Top-10 hotel markets represented almost 70% of the nation's organized inventory just five years ago, the trendline shows a steady year-on-year decline in this percentage, with a 10 percentage point drop expected over a 10-year period, by FY26. Again, to be clear, the absolute number of rooms will have certainly increased (from 76,743 to 1,05,836) in this period. However, the fact that they would represent a lower percentage of total rooms highlights the continued growth of organized supply in the nation's secondary and tertiary markets. In fact, if one were to calculate the percentage of new, confirmed supply opening doors for business in the top-10 cities over the next five years, it would be just 40.1% of the total new supply coming up.

FIGURE 5. NATIONWIDE HOTEL INVENTORY AND AIR PASSENGER TRAFFIC

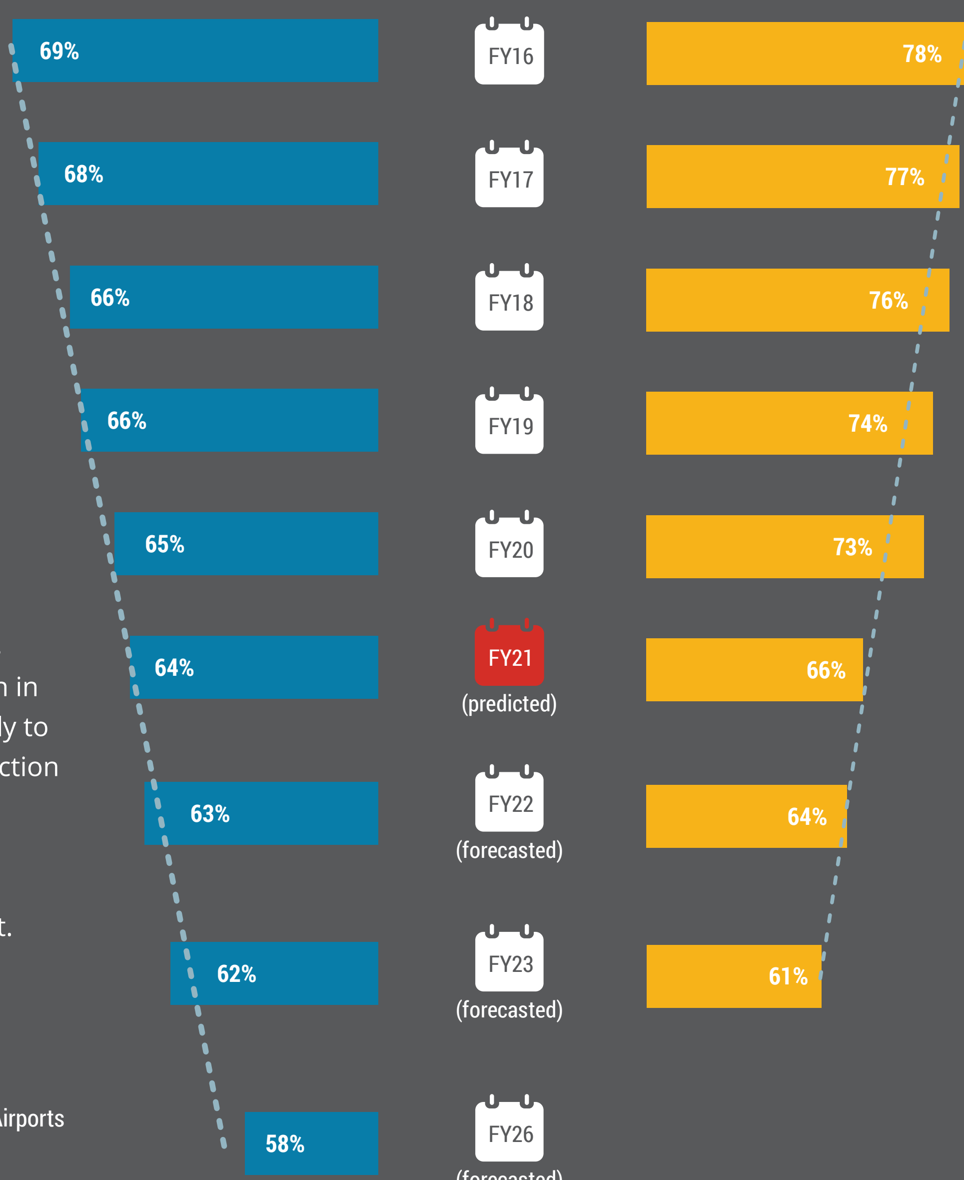


Nationwide Inventory

Inventory in Top 10 Markets

Nationwide Air Passenger Traffic (Million)

Top 10 Airports - Air Cities Passenger Traffic (Million)



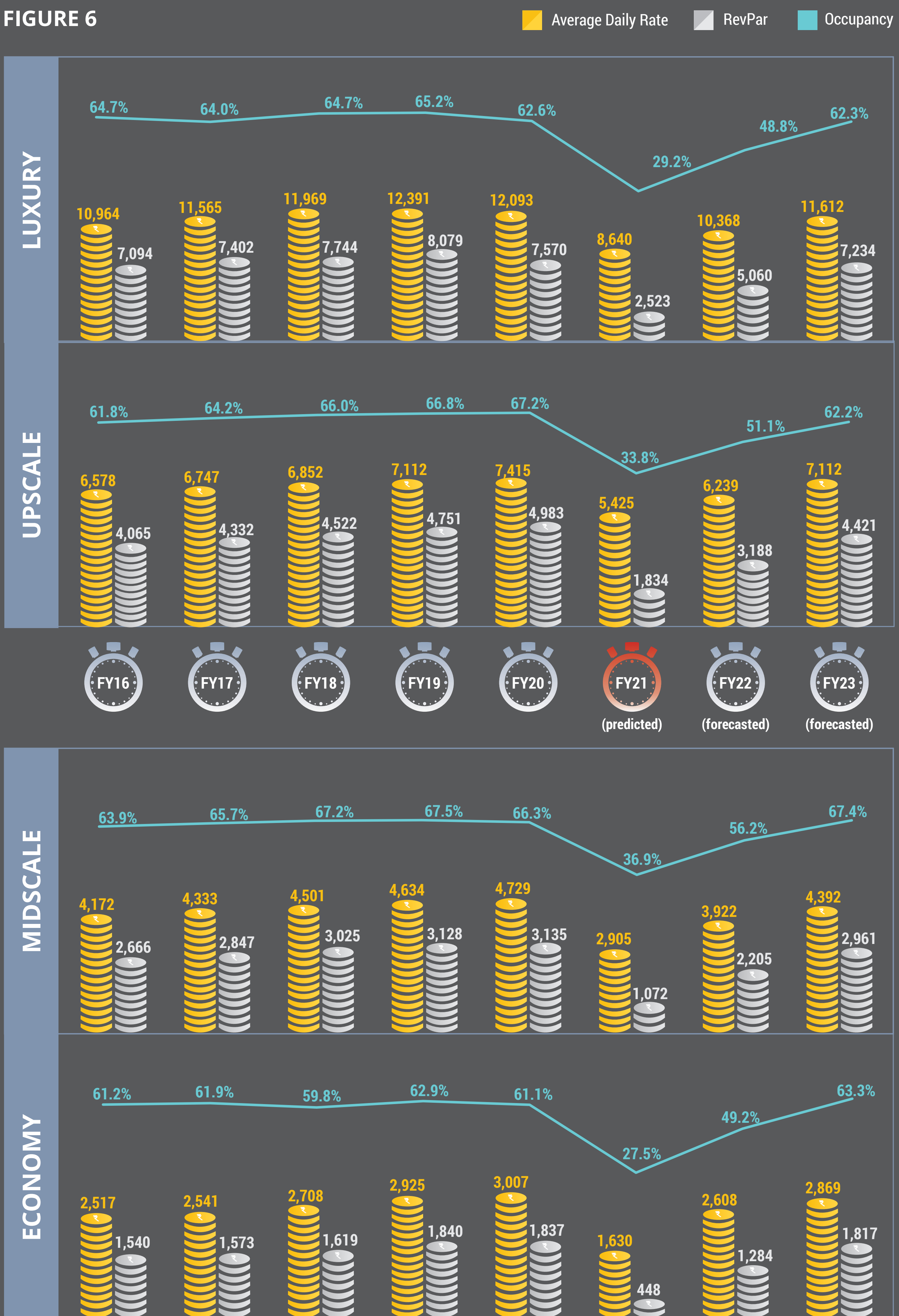
Appetite for quality supply across India's towns and cities has grown in recent years and this trend is likely to continue. When viewed in conjunction with the air passenger traffic increasing in smaller cities, the proliferation of broader India becomes that much more evident.

% of Inventory in Top 10 Markets

% of Air Passenger Traffic in Top 10 Airports

Source: Airports Authority of India, Hotelivate Research & Estimates

FIGURE 6



Source: Hotelivate Research & Estimates

PERFORMANCE BY POSITIONING

Figure 6 presents the nationwide performance of organized supply, by positioning. Luxury hotels have their own graph. Upscale and Upper Upscale hotels have been displayed together, as is the case with Midscale & Upper Midscale as well as Budget & Economy hotels. While the Economy segment is likely to have closed the COVID year with the lowest occupancy, Midscale hotels witnessed the least erosion, relatively speaking. Confirmed proposed supply across positioning, coupled with the likely resurgence of demand over FY22 and FY23, is intrinsic to our forecast of performance. When viewed in these four graphs, recovery is likely to take a little over two years and the pace, across positioning, may appear to be largely similar. However, a more relevant scrutiny of how occupancy and ADR shall change is presented in Figure 8, on the next page.

It is interesting to observe that hotels on both ends of the spectrum (Economy & Luxury) bore witness to not just the steepest declines but are also likely to attain the sharpest improvements. Early signs of this already became visible in Q4 FY21, as business travel related demand resumed first in the Budget/Economy hotels on the one end and discretionary transient leisure picked up pace across Luxury hotels and resorts. Most Upscale and Midscale hotels in India are present in urban environments, many of them dependent on corporate transient as well as business MICE travel to resurge. The absence of meaningful inbound travel (which is largely corporate again) adds to their woes. A majority of the nation's organized inventory sits in the Mid and Upscale space (as displayed in Figures 9 and 10, on the next page) and shall witness a recovery that is marginally slower than the hotels at the top and bottom of the pyramid.

FIGURE 7

YoY Decline

FY21	LUXURY	UPSCALE	MIDSCALE	ECONOMY
AVERAGE DAILY RATE	₹8,640 ↓29%	₹5,425 ↓27%	₹2,905 ↓39%	₹1,630 ↓46%
OCCUPANCY	29.2 % ↓53%	33.8 % ↓50%	36.9 % ↓44%	27.5 % ↓55%
RevPAR	₹2,523 ↓67%	₹1,834 ↓63%	₹1,072 ↓66%	₹448 ↓76%

MAYFAIR LAKE RESORT
RAIPUR

FIGURE 8

Source: Hotelivate Research & Estimates

While on the topic of organized inventory, Figures 9 to 12 throw out some noteworthy pointers. The first two graphs show a relatively minor alteration in the split of supply across a 10-year period, both when viewed by number of rooms as well as number of hotels. However, the next two graphs paint a different picture. When viewed as percentage growth in supply over 5-year periods, the fact that while growth in supply when viewed in total rooms opened appears to have a similar quantum across positioning, the growth when viewed as number of hotels opened is clearly more in the Economy and Midscale space. Smaller inventory assets in these positioning (largely in secondary and tertiary towns) is what has been (and will be) fueling new supply growth.

FIGURE 9. INVENTORY (KEYS) BY POSITIONING

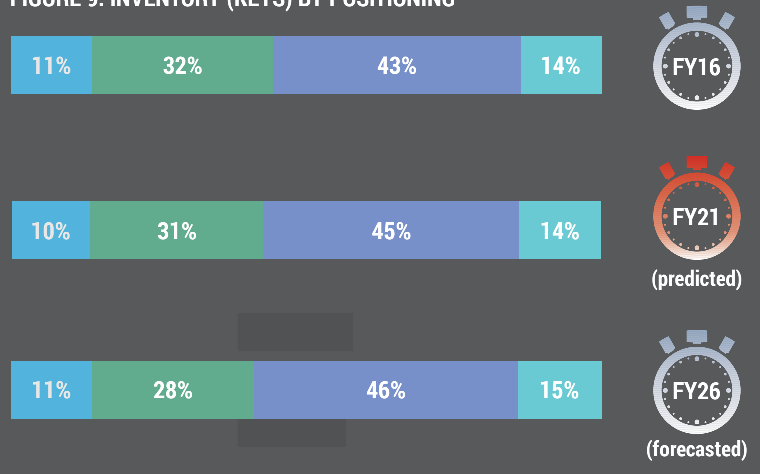


FIGURE 10. INVENTORY (HOTELS) BY POSITIONING

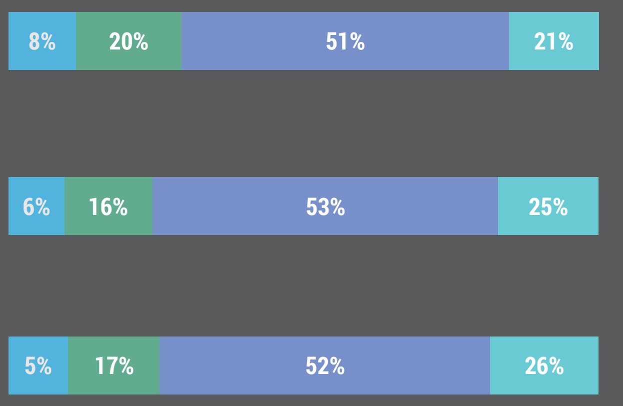


FIGURE 11. FIVE-YEAR CHANGE IN INVENTORY (KEYS) BY POSITIONING

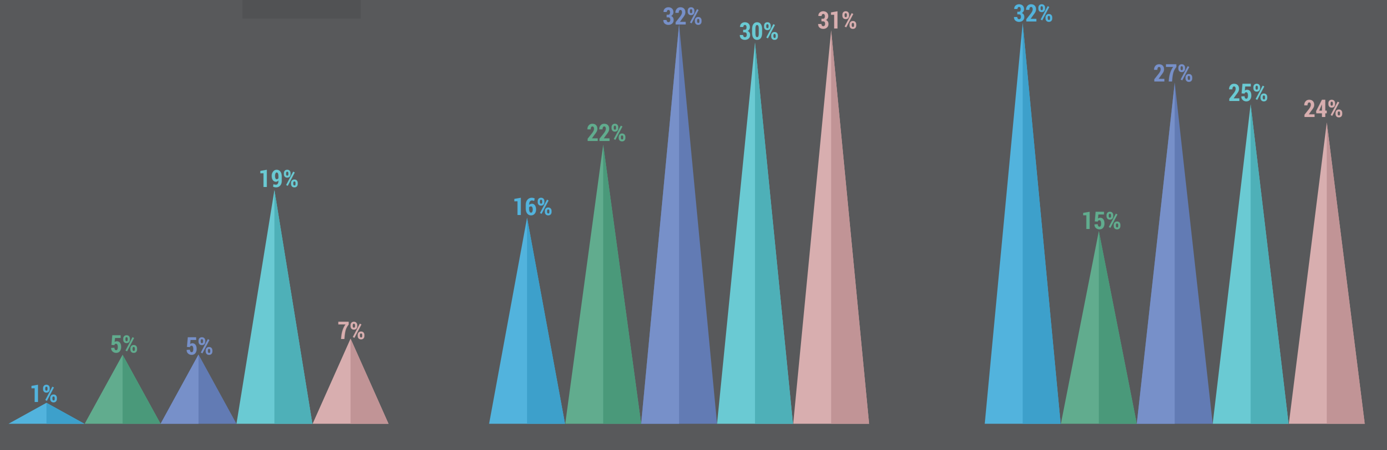
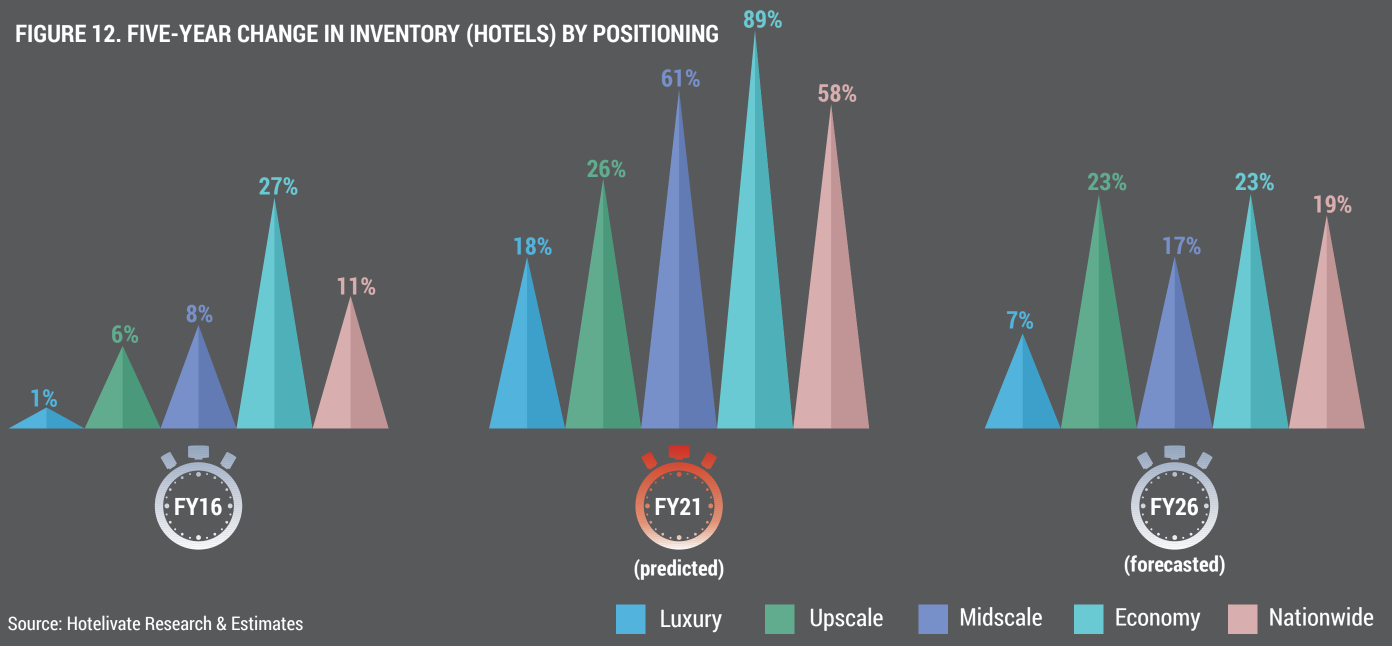


FIGURE 12. FIVE-YEAR CHANGE IN INVENTORY (HOTELS) BY POSITIONING



Source: Hotelivate Research & Estimates

PERFORMANCE OF THE TOP 10 CITIES

Figures 13 and 14 below provide the organized supply story of the top 10 markets in India. Viewed as of five years ago, now and five years hence, these graphs capture only the confirmed supply in the forecasted year. Bengaluru is highly probable to be the largest hotel market in India by FY26 by a comfortable margin, while Kolkata shall remain the smallest major market in the nation. Given the recent COVID induced challenge of a near complete absence of IT and ITeS related room night demand in Bengaluru, the added pressure of new supply does not paint a very promising picture for the existing players there, unfortunately.

FIGURE 13. INVENTORY - INDIA'S TOP FIVE MARKETS

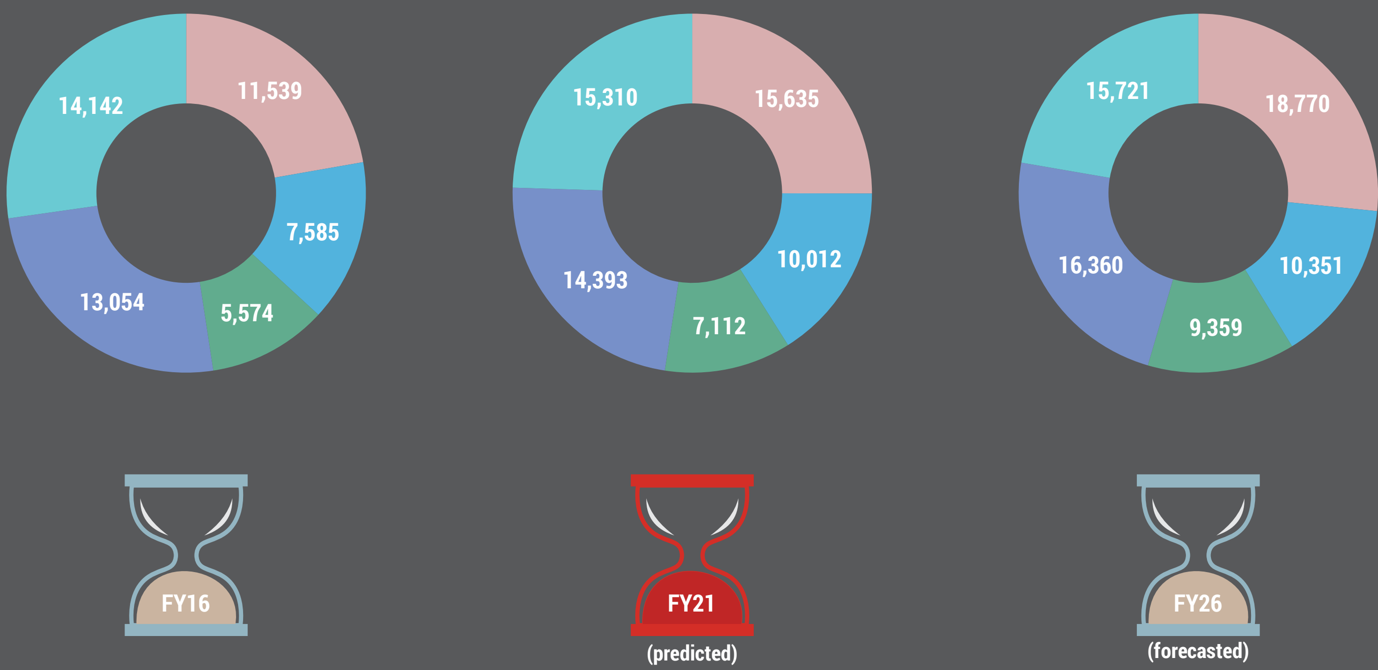
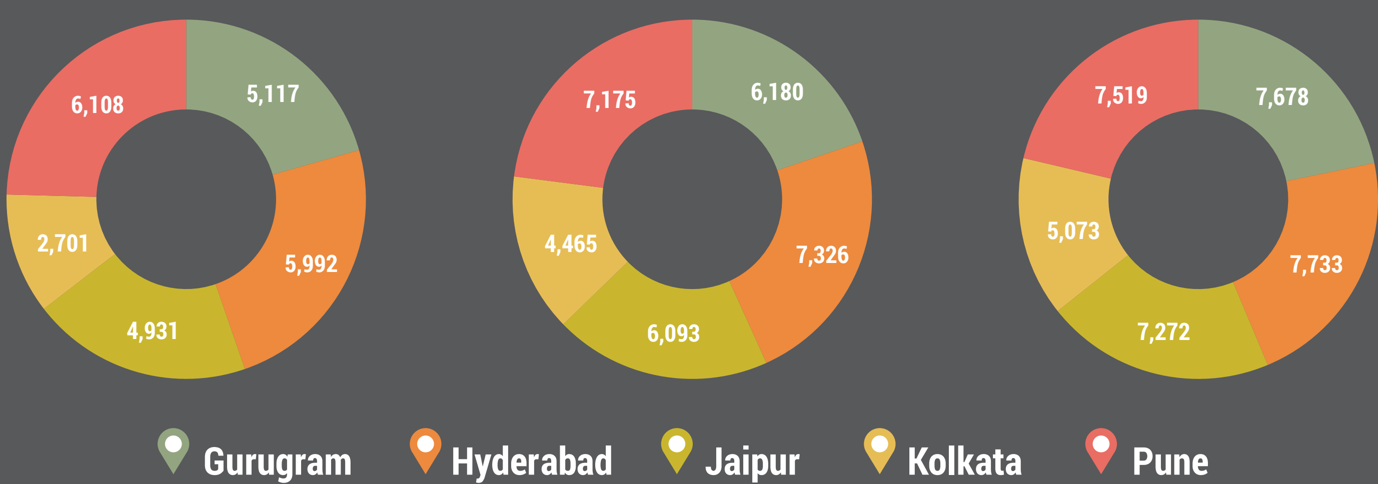


FIGURE 14. INVENTORY - INDIA'S OTHER TOP MARKETS



Source: Hotelivate Research & Estimates

Figures 15, 16 and 17 on the next page provide the five-year historical, COVID year as well as the two-year forward-looking performance of India's top five largest hotel markets. The gateway cities of Mumbai and New Delhi are most likely to rebound faster than the highly IT business dependent Bengaluru. That being said, Mumbai (and Maharashtra at large) is dealing with a sudden and rather massive surge of COVID cases in recent weeks, thereby dampening the chances of a recovery in the immediate months ahead. Goa benefited from a promising winter in 2020/21; however, fear of a prolonged second wave may impact the performance in the first half of the fiscal year. Overall, the major markets have a two-to-three-year recovery cycle ahead, which is in line with our view on the larger nationwide forecast.

ITC ROYAL BENGAL KOLKATA

Figures 18, 19 and 20 provide similar data points for the next five biggest markets in India. Kolkata has long been a relatively stable market with minimal crests and troughs. As it heads back towards recovery, we expect it to reach pre-COVID performance numbers faster than its peers in Figures 15, 16 and 17. Pune and Hyderabad, much like Bengaluru, would have to contend with a slower and more prolonged recovery period. Gurugram is also expected to have a lower paced bounce back, especially when compared to New Delhi, attributable partially to new supply pressure over the next two to three years. Lastly, Jaipur's loss of inbound travel is being somewhat compensated by the expected rise in social MICE demand, which may be its saving grace till such time it is able to welcome guests from other countries again.

TAJ RISHIKESH

FIGURE 15. OCCUPANCY - INDIA'S TOP FIVE MARKETS

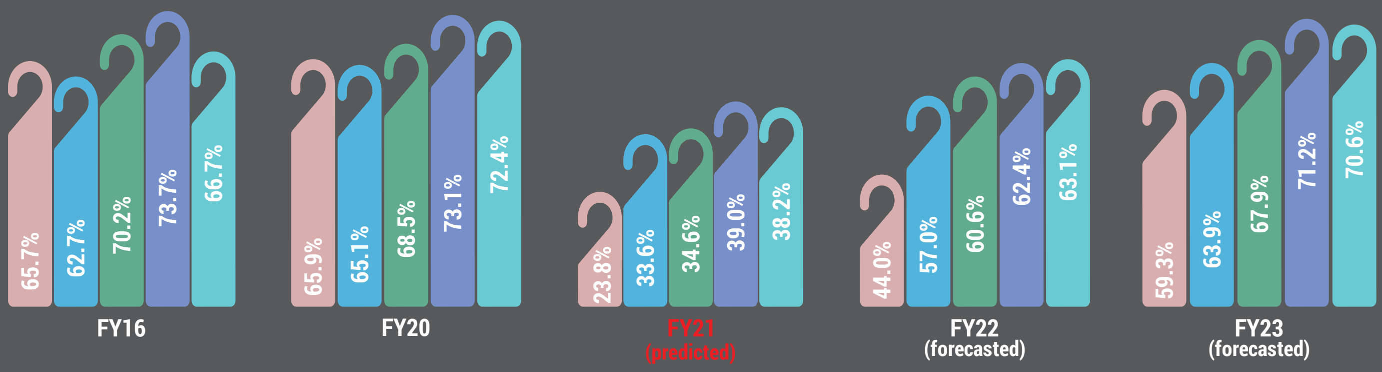
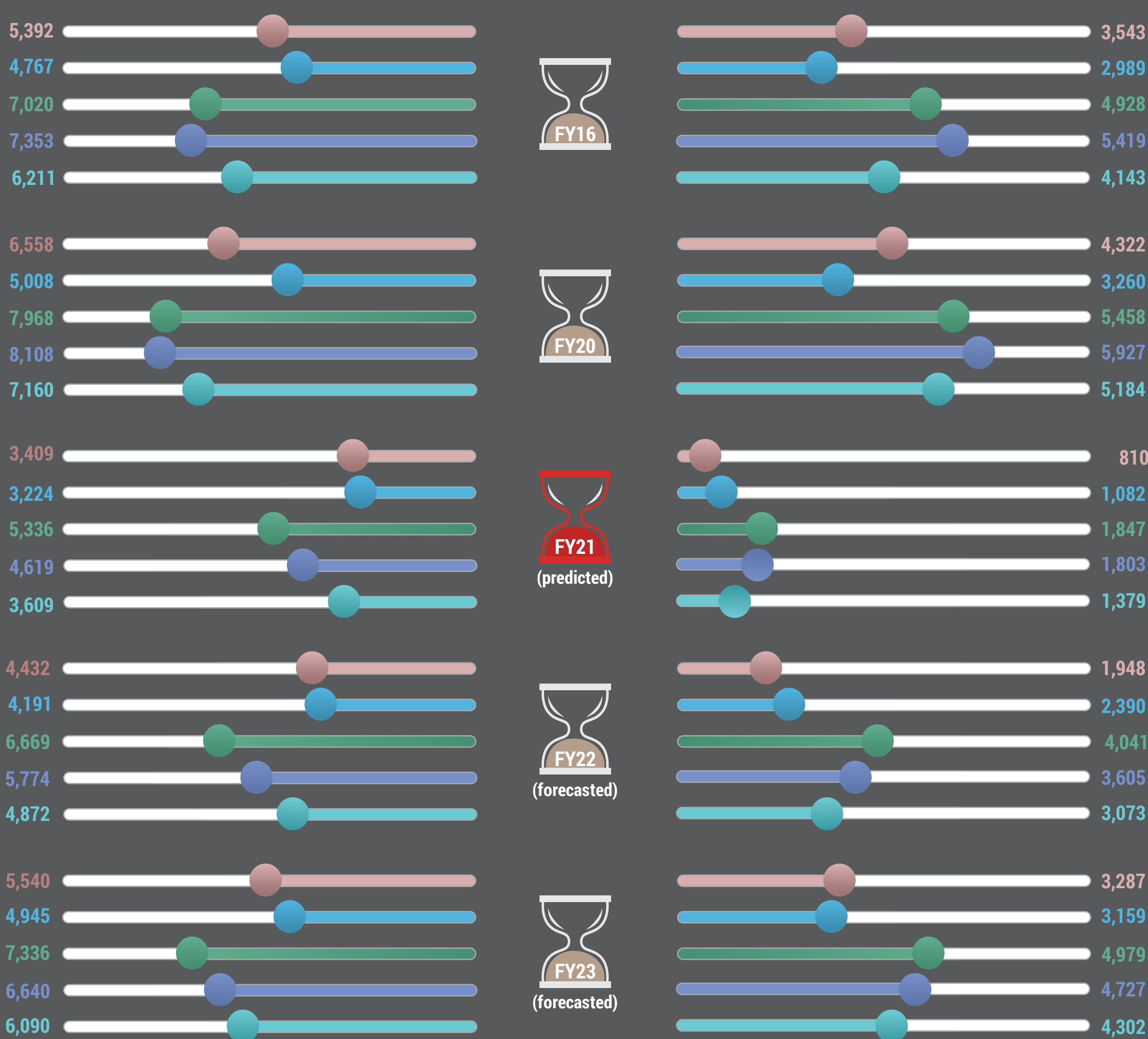


FIGURE 16. AVERAGE DAILY RATE - INDIA'S TOP FIVE MARKETS

FIGURE 17. REVPAR - INDIA'S TOP FIVE MARKETS



Source: Hotelivate Research & Estimates

Gurugram Hyderabad Jaipur Kolkata Pune

FIGURE 18. OCCUPANCY - INDIA'S OTHER TOP MARKETS

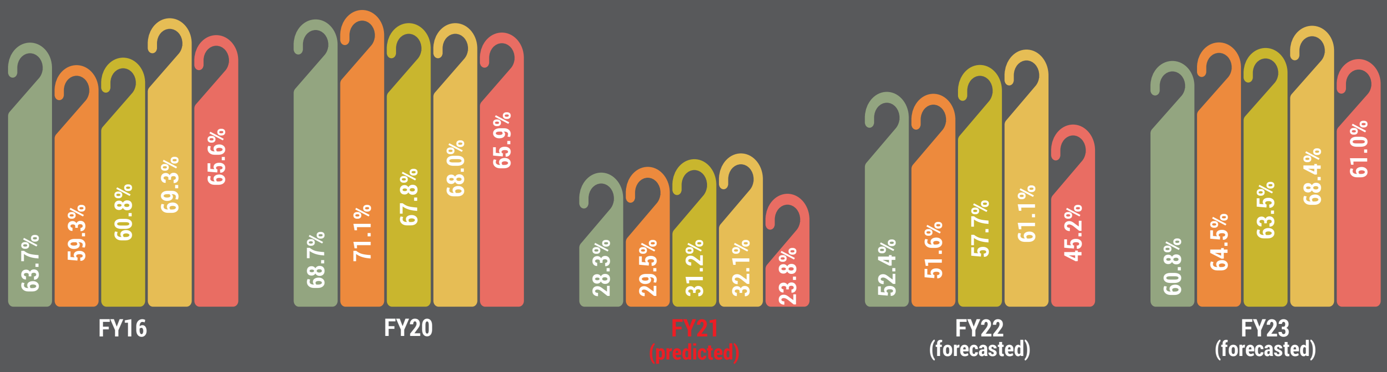
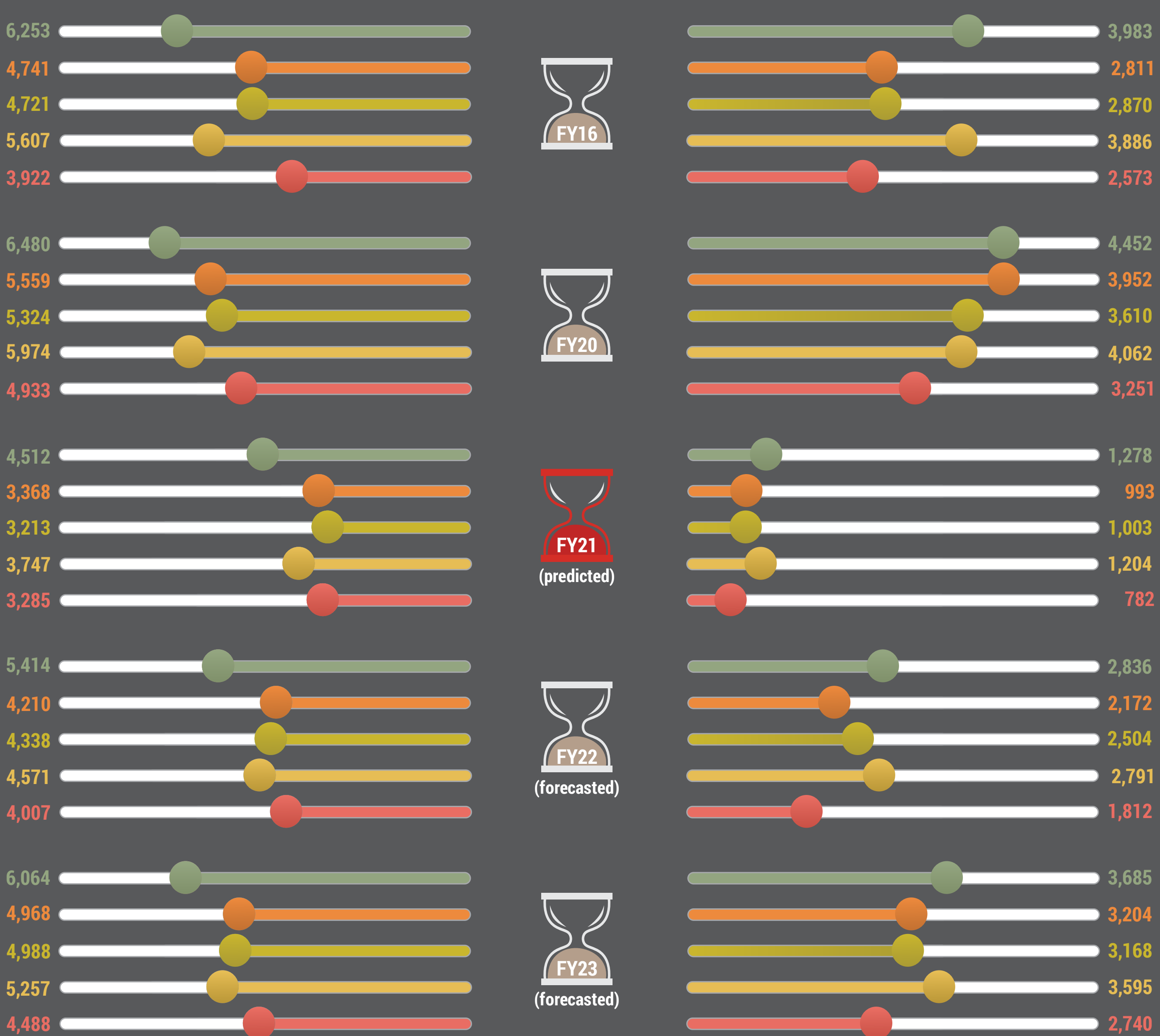


FIGURE 19. AVERAGE DAILY RATE - INDIA'S OTHER TOP MARKETS

FIGURE 20. REVPAR - INDIA'S OTHER TOP MARKETS

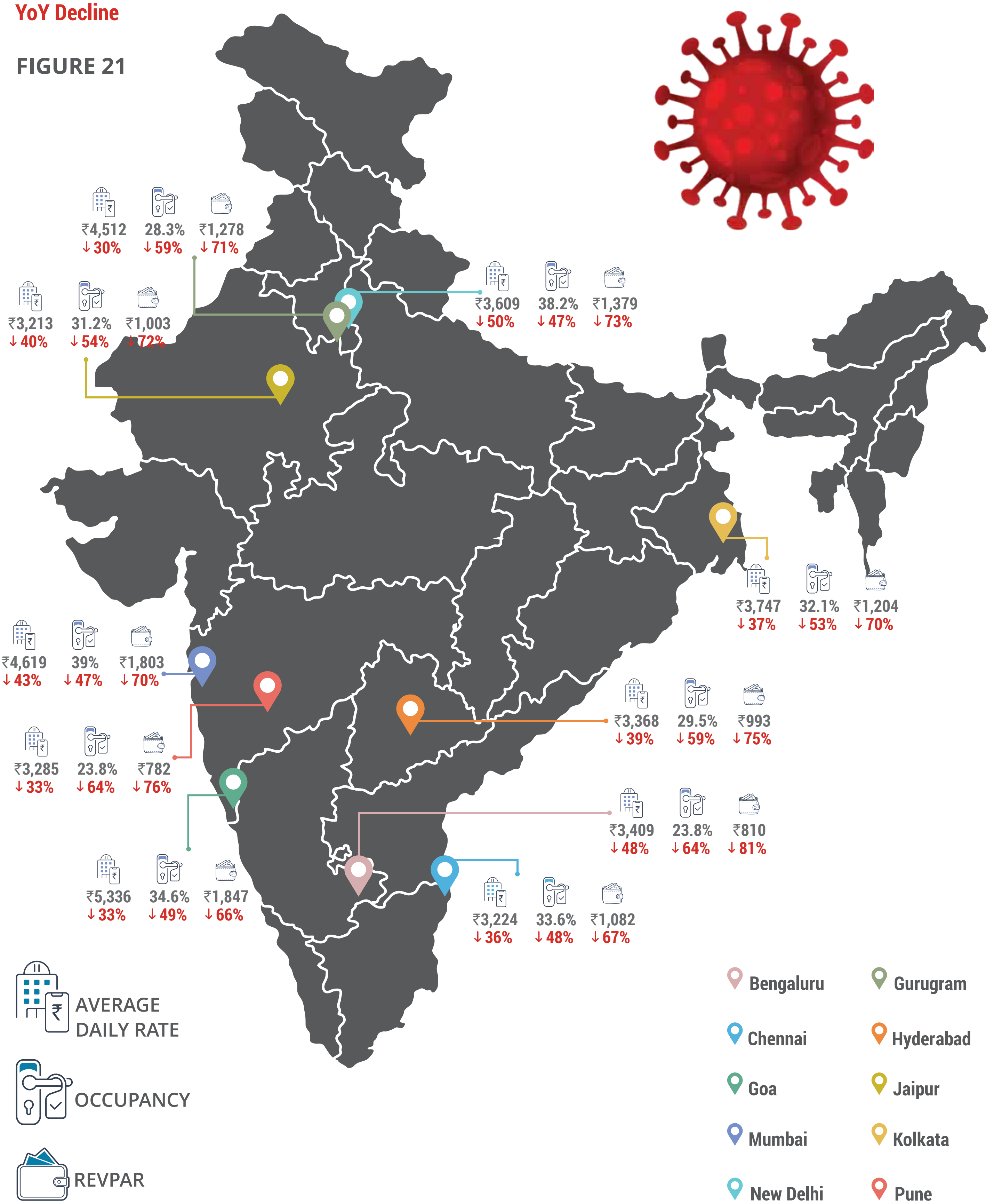


Source: Hotelivate Research & Estimates

THE COVID YEAR
PERFORMANCE SUMMARY - FY21

YoY Decline

FIGURE 21



Source: Hotelivate Research & Estimates

The following Figures 22 to 24 provide the opportunity to study the COVID year's nationwide performance as well as the top ten markets, from a quarter-on-quarter point of view. They shed light on how each market managed the roller coaster ride and also compare that to their FY20 full year performance. It comes as no surprise that Bengaluru, Chennai, Gurugram, Hyderabad and Pune achieved lower occupancies when compared to the nationwide number, while Mumbai, New Delhi, Kolkata, Jaipur and Goa were higher. Interestingly, only Goa, Mumbai and Gurugram managed (by a sliver) to clock a higher average room rate than the nationwide ADR, by Q4 FY21. As stated before, we do expect the ADR recovery to take longer than the occupancy bounce-back and the overall erosion in room rates across urban markets shall remain a challenge for the next 24 to 36 months.

FIGURE 22 AVERAGE DAILY RATE (₹)

MARKET	FY20	Q1 FY21 (estimated)	Q2 FY21 (estimated)	Q3 FY21 (estimated)	Q4 FY21 (estimated)
Bengaluru	6,558	3,255	3,391	3,481	3,510
Chennai	5,008	3,065	2,643	3,539	3,648
Goa	7,968	3,235	4,452	6,835	6,819
Gurugram	6,480	4,229	4,771	4,630	4,417
Hyderabad	5,559	3,351	3,177	3,588	3,357
Jaipur	5,324	1,625	3,135	4,321	3,772
Kolkata	5,974	3,872	3,576	4,005	3,535
Mumbai	8,108	5,131	4,273	4,546	4,527
New Delhi	7,160	3,523	3,552	3,718	3,642
Pune	4,933	3,293	3,142	3,309	3,393
Nationwide	6,061	3,408	3,473	4,257	4,173

FIGURE 23 OCCUPANCY %

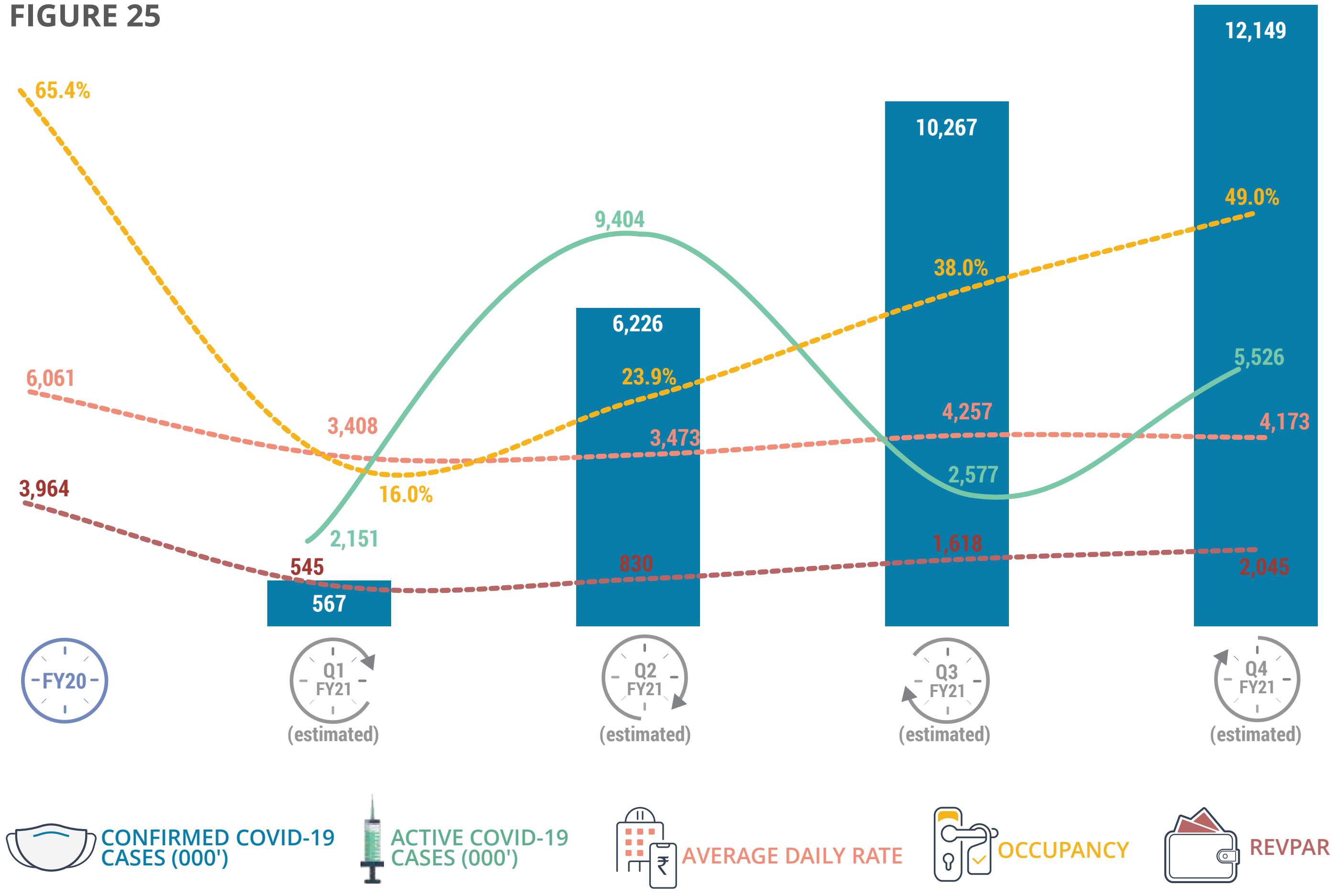
MARKET	FY20	Q1 FY21 (estimated)	Q2 FY21 (estimated)	Q3 FY21 (estimated)	Q4 FY21 (estimated)
Bengaluru	65.9%	14.9%	14.4%	27.1%	38.7%
Chennai	65.1%	20.4%	29.1%	36.9%	47.7%
Goa	68.5%	8.5%	13.6%	54.0%	62.4%
Gurugram	68.7%	14.5%	21.5%	33.3%	43.9%
Hyderabad	71.1%	17.0%	23.9%	36.4%	40.6%
Jaipur	67.8%	14.6%	21.1%	39.8%	49.3%
Kolkata	68.0%	10.5%	24.4%	37.3%	56.3%
Mumbai	73.1%	22.8%	35.7%	42.8%	54.7%
New Delhi	72.4%	19.4%	36.4%	42.4%	54.8%
Pune	65.9%	14.4%	13.3%	28.1%	39.5%
Nationwide	65.4%	16.0%	23.9%	38.0%	49.0%

FIGURE 24 REVPAR (₹)

MARKET	FY20	Q1 FY21 (estimated)	Q2 FY21 (estimated)	Q3 FY21 (estimated)	Q4 FY21 (estimated)
Bengaluru	4,322	484	488	943	1,357
Chennai	3,260	626	770	1,307	1,740
Goa	5,458	276	606	3,691	4,253
Gurugram	4,452	615	1,024	1,543	1,941
Hyderabad	3,952	571	759	1,305	1,364
Jaipur	3,610	237	663	1,720	1,861
Kolkata	4,062	405	872	1,495	1,992
Mumbai	5,927	1,172	1,527	1,946	2,478
New Delhi	5,184	683	1,292	1,575	1,995
Pune	3,251	473	418	929	1,339
Nationwide	3,964	545	830	1,618	2,045

Finally, we close this publication by providing Figure 25 below, presenting the quarter-on-quarter nationwide occupancy, ADR and RevPAR for FY21 and plotting them against the country's total confirmed as well as active COVID cases, as of the end of each quarter. The Q4 RevPAR of ₹2,045 was almost half of FY20's ₹3,964 full year performance. Nationwide occupancy has shown a Q-on-Q improvement, however, it remained sub-50% as of the last quarter closed. ADR too, was about 33% lower than the pre-COVID year in the last quarter of FY21. The recovery, while slow, has been visible.

FIGURE 25



Source: Aarogya Setu Application, Hotelivate Research & Estimates

IN CONCLUSION

With COVID cases rising in large numbers yet again, the first (and possibly second) quarter of FY22 are likely to remain under severe pressure. Forecasting in these uncertain times remains extremely challenging. However, one thing is certain. Recover we shall. A slew of measures taken by hotel owners, operators and lenders are all aimed at making survival possible. Keeping our heads down, focusing on the task ahead and finding ways and means to ride these unwelcome waves is the need of the hour. FY22 may be tough, again! It will most certainly be a better year than FY21 though. As we all work towards a future beyond COVID, maintaining a razor focus on managing the short-term challenges is all that we can (and should) be doing. We conclude with a note of hope and optimism, looking eagerly forward to better days ahead.

Asset Management
Unlocking the true potential of a hotel asset

Executive Search
A holistic approach to talent acquisition

Energy Asset Management
A holistic approach to talent acquisition

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

Transaction Advisory
Innovative solutions for deal identification and structuring

HOTELIVATE
ELEVATION THROUGH INNOVATION

Hotelivate is a new-age hospitality consulting firm offering specialized services to clients across the Asia Pacific region. Founded by the erstwhile team of HVS India, Hotelivate, offers a comprehensive consulting environment through a diverse team of consultants that have a combined professional experience of 250 years across varied hospitality verticals. The firm presently has offices in Delhi, Mumbai, Singapore, Jakarta and Dubai.

INDIAN HOSPITALITY
THE STATS & PULSE (S&P) REPORT

FY 2021

Our Presence

Delhi • Mumbai • Singapore • Jakarta • Dubai
New York • Atlanta • Seattle • San Diego • London

HOTELIVATE
ELEVATION THROUGH INNOVATION

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