HOTELIVATE
ELEVATION THROUGH INNOVATION

2021

INDIAN HOSPITALITY TRENDS & OPPORTUNITIES

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Here's an email that would have looked like something out of a science fiction, apocalypse scenario novel just two years ago:

Good Morning,

*I've commissioned this **quaran-team** with a specific aim to prepare a **post-pandemic forecast**. The need for **zero-based budgeting** is imminent and the **new normal** requires us to do our best in this **WFH situation**. While the recent graphs seem to indicate a **flattening of curve** across various geographies, there remain several **containment zones** across the nation and **contact tracing** is the only solution at hand. Our organisation has also played witness to a surge in **positive cases**, and we remain unable to identify **patient-zero**. The need to **self-isolate** as soon as symptoms are first witnessed cannot be overstated as the **Delta plus variant** seems to have **mutated** at a pace that might render the **vaccines** relatively ineffective. The upcoming festive season and the ongoing spate of revenge travel may end up creating more **super-spreader situations**. Till **herd immunity** is achieved, **social distancing** and **masking up (N95 preferably)** shall remain imperative. **Furloughs** are in the offing and **clustering** of roles within the organisation too needs discussion. I look forward to connecting with all of you at **the 5.30pm Zoom** to discuss this further.*

Stay Safe,
Team Leader

Yet, this e-mail appears perfectly normal, acceptable, and understandable to all of us today. The language of our e-mails isn't the only thing that has metamorphosised. Hotel lobbies, railway stations & airports, malls and grocery stores, movie theatres and restaurants – all places of public gathering have had to amend, adapt, and accept a paradigm shift in reality. What was yesterday's perpetual white noise in the crowded, shoulder to shoulder packed streets of India is today's relatively silent, socially distanced, mask laden truth. De-sensitised to being repeatedly shot by temperature guns and sprayed by disinfectants, we have all adapted to this new world order.

Sir Winston Churchill once said, "In the course of my life, I have often had to eat my words, and I must confess that I have always found it a wholesome diet". The first few weeks and months of the pandemic were filled with a flurry of white papers, scenario analyses, TV interviews and crystal-ball gazed predictions by experts of every industry. Multiple frameworks were examined, sensitivities run and what-ifs analysed. Much like Mr. Churchill, words spoken had to be repeatedly taken back. It took a little while for the world to come to terms with the fact that we knew almost nothing about how bad this situation really was and worse, how long it may last. The hospitality business too was served a dish that it hadn't tasted in a while – Humble Pie. This lesson in humility, the need to pause & reflect, the fact that circumstances were well and truly out of control, took some time to digest. However, calendar 2021 brought with it the new year resolution to focus on change. The sector shifted focus from attempting to manage what was perceived to be a temporary setback, to concentrating on the need to make decisions that were geared

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towards rebooting and reimagining the business in its entirety. Several strides have been taken in recent months. India's hospitality sector has moved from despair to development. While the roadmap isn't entirely clear just yet, it is certainly better defined.

The past several months have supercharged the digital transformation of companies across industries. The disastrous effect on an industry famous for its high fixed costs necessitated a noticeable shift in attitude. When simplistic measures of shutting departments or furloughing staff proved to be inadequate, we, as an industry, had to concede that the established rules of the game were, perhaps, not so much a law of nature but the result of a resistance to change coupled with a lack of creativity. The hotel industry is often blamed for being slow to adopt new technologies, usually cowering behind an argument that a high-tech approach will compromise the high-touch experience. We are not suggesting that a hotel experience be completely automated or that a hotel would be the same without its crucial human touch, but the need to be tech-savvy and add self-service and contactless-service options to the offering is now non-negotiable. In the same vein, energy costs which were once accepted as 'fixed' or a necessary evil, are being reduced through adoption of Internet of Things (IoT) and other tech solutions, all the while reducing the carbon footprint of the industry. The human element too has been reimagined to enable clustering of roles, cross and multi-functional training. The list of innovative, yet sensible measures taken by a slew of hotel companies is growing by the day. This offers promise of a better tomorrow.

At Hotelivate, we chose to hold off on publishing our Trends & Opportunities report in 2020. With the trends of the previous fiscal quickly losing steam in the final quarter of the FY20 fiscal, it appeared prudent to first fully comprehend the effect of this pandemic on and, perhaps, the way forward for our industry. Instead, we prepared a report that was focused entirely on the monthly and quarterly behaviour of the market through COVID year FY21 – The Stats & Pulse Report 2021. A forecast for how FY21 may close and what the FY22 and FY23 fiscals may witness was presented.

Overall, while the landscape is still in a state of rapid change, it is important to understand the journey so far and the trendlines which have appeared in this unprecedented period. With the hope of capturing the state of our industry and aiding all stakeholders in driving its recovery, we now present the 2021 Indian Hospitality Trends & Opportunities Report.

Figure 1 presents FY21 occupancies achieved by the sample set of 1,200 plus branded and organised hotels across the nation. Less than 5% of these hotels breached the 60% occupancy threshold, with another 28% clocking between 40% and 60% occupancy. More than half the overall inventory of India managed between 20% to 40% occupancy through the COVID crises, while almost 15% of the hotels did only single digit or early to mid-teen occupancies. Figure 2 from the FY19 T&O report offers comparison and context on the havoc created by the pandemic.

FIGURE 1: NATIONWIDE OCCUPANCY BREAKDOWN BY HOTELS (2020/21)

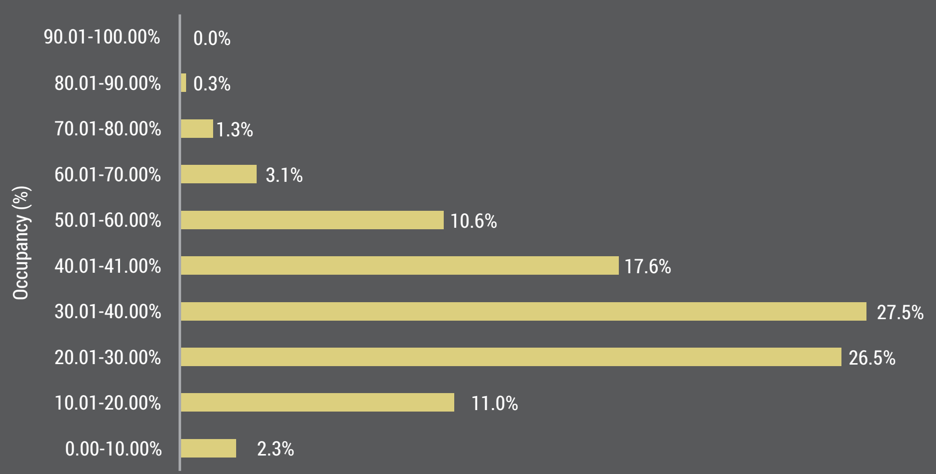
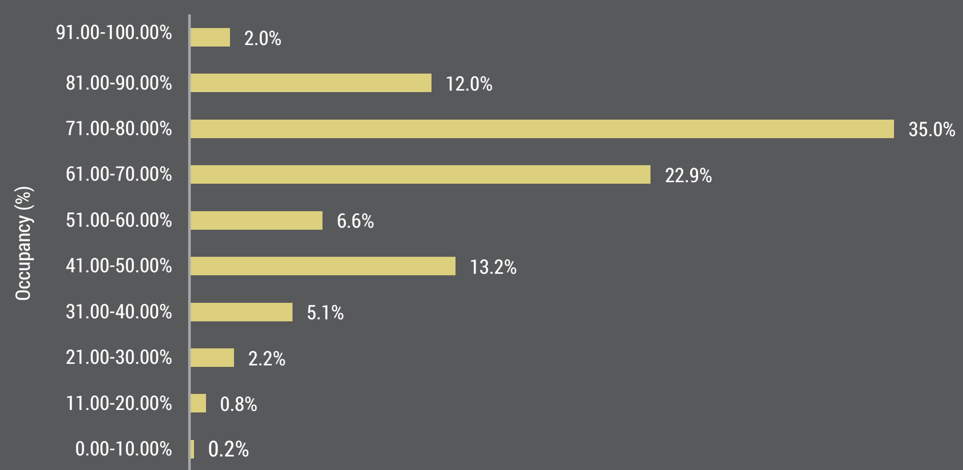


FIGURE 2: NATIONWIDE OCCUPANCY BREAKDOWN BY HOTELS (2018/19)



Source: Hotelivate Research

Hotelivate, a comprehensive hospitality consulting firm offering specialised services to clients across the Asia Pacific region, is proud to present the 2021 Indian Hospitality Trends & Opportunities report. The current participation base of 1,201 hotels with a total inventory of 1,44,047 rooms offers a comprehensive coverage of the country's branded hospitality landscape enabling better incisive analyses of national trends, performance of major hotel markets, and demand and supply forecasts than any other survey of a similar nature.

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

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

1,201 Hotels

1,44,047 Rooms
Represented in the Survey

THE INDIAN ECONOMY: AN OVERVIEW

Few events can cause a rapidly developing nation's year-on-year GDP growth to suddenly turn tide towards a contraction. Last year, India went through a prolonged national lockdown, thus bringing consumer expenditure as well as the national manufacturing output to an aggravating halt. Post-independence, and before 2020, India's national income had declined only four times, with the largest drop in 1980 (5.2%). India's GDP declined by 24.4% in Q1 FY21.

India is currently the sixth largest economy in terms of GDP. While the country witnessed a marginally diminishing GDP growth in the years prior to 2020, the national income contracted by ~7.5% in 2020, as compared to an expansion of ~5% in 2019. This is attributed directly to the global pandemic and its impact on economic growth; most major economies lost at least 3% of output. Amidst the national pandemonium, Agriculture was one of the few major industries that did not see an absolute drop in output. India's agriculture economy grew by 3.4%, attributed to the relaxed adherence of lockdown rules in the rural areas. Even with the decreased consumer demand, the Consumer Price Index (CPI) stood at 4.6% in 2020 (as compared to 4.7% in 2019). This is mainly driven by the rise in food price index from 6.7% in 2019/20 to 9.1% in April-December 2020, owing to build up in vegetable prices.

The last fiscal, however, saw the Indian Rupee being more stable as compared to 2019 as the instability of crude oil and trade balance was negated by the global economic halt due to the pandemic; by the end of 2020, India's forex reserves were at an all-time high of US$586.1 billion. This is largely due to the Reserve Bank's intervention in the forex market to control volatility and one-sided appreciation of the Indian Rupee. When compared to other major economies, India remained a preferred foreign investment destination in FY21 with Foreign Direct Investment (FDI) pouring in amidst global asset shifts towards equities and prospects of quicker recovery in emerging economies: as risk appetite started to recover, net FPI (Foreign Portfolio Investments) inflows recorded an all-time monthly high of US$9.8 billion in November 2020. Additionally, India was the only major country to receive equity Foreign Institutional Investments (FII) in 2020. The liquidity situation in the economy remains strong and the stock market has been scaling rather unimaginable peaks in recent months. While there remains a view that the market is overheated, not many are able to put a finger at when this pace may temper.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TRAVEL & TOURISM: **FACTS AND FIGURES**

Travel & Tourism, India's fastest growing sector historically, has been undergoing its biggest existentialist crisis since the pandemic hit India resulting in a nationwide lockdown in March 2020. Spinning under the pandemic's colossal blow, the travel and tourism sector accounted for 4.7% of the country's GDP (US$121.9 billion) as opposed to accounting for 6.9% (US$191.3 billion) of the country's GDP in 2019. The sector generated roughly 31.7 million jobs (direct as well as indirect) which translates to 7.3% of the total employment of the Indian economy. In 2019, according to WTTC, India ranked tenth among 185 countries in the world in terms of the travel and tourism sector's total contribution to the GDP. Additionally, India's travel and tourism sector's contribution to generating employment ranked second after China.

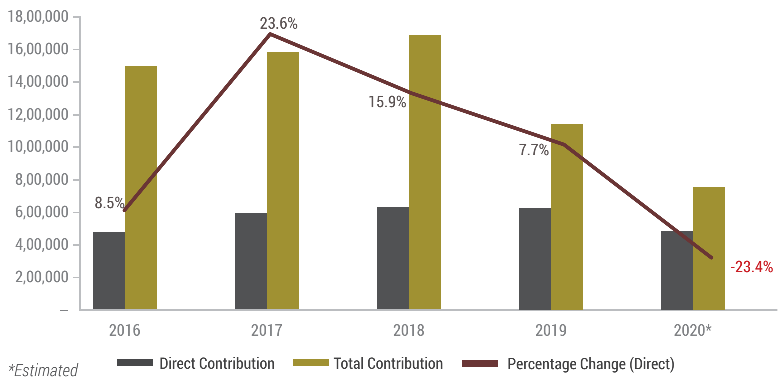
Domestic travel spending generated 89% of the direct Travel & Tourism GDP in 2020. With corporate travel coming to a standstill due to the 'work from home' culture setting in for majority of the pandemic year, business spending accounted for a mere 3% of the direct Travel & Tourism GDP of the country. The leisure wallet on the other hand continued to dominate, accounting for 97% of the direct Travel & Tourism GDP of the country.

India witnessed a 75.5% drop (2.68 million arrivals) in foreign tourists in 2020, owing to international travel coming to a halt for majority part of the year.

Job loss estimates in the hospitality sector have varied wildly; however, what is generally agreed is that hundreds of thousands of people have suffered in one form or another.

Going forward, the tourism ministry will soon unveil a new tourism policy focusing on developing medical and religious tourism and adding more destinations to the prevailing ones. Initiatives are also taken to introduce Chinese and Korean languages in tourist destinations that have more than one lakh visitors. The government has also estimated that India would emerge with a market size of 1.2 million cruise visitors by 2030/31.

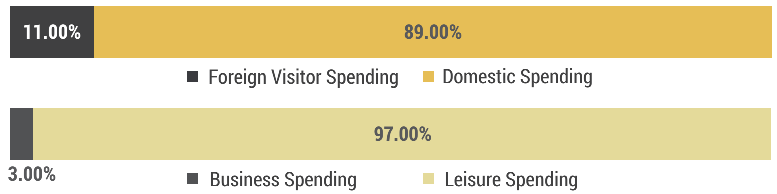
FIGURE 3: TRAVEL & TOURISM CONTRIBUTION TO INDIA'S GDP (2016 – 2020, ₹CRORE)



*Estimated

Source: WTTC Annual Research 2021 and India Brand Equity Foundation, May 2021

FIGURE 4: SPENDING PATTERNS – CONTRIBUTION TO INDIA'S DIRECT TRAVEL & TOURISM GDP (2020)



Source: WTTC Annual Research 2021


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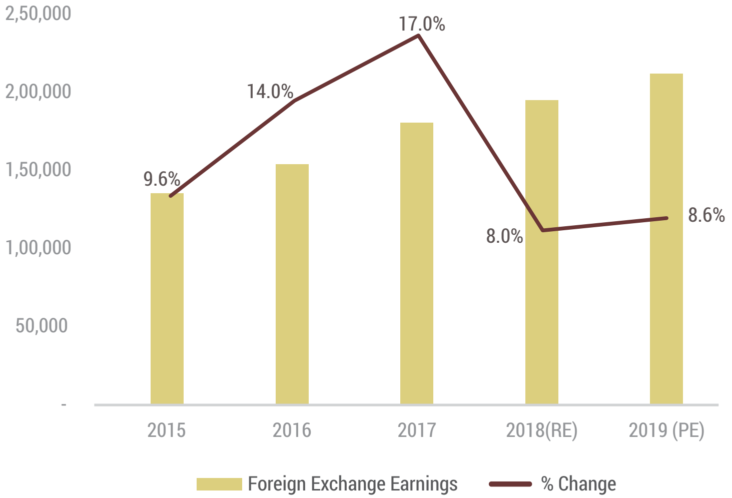
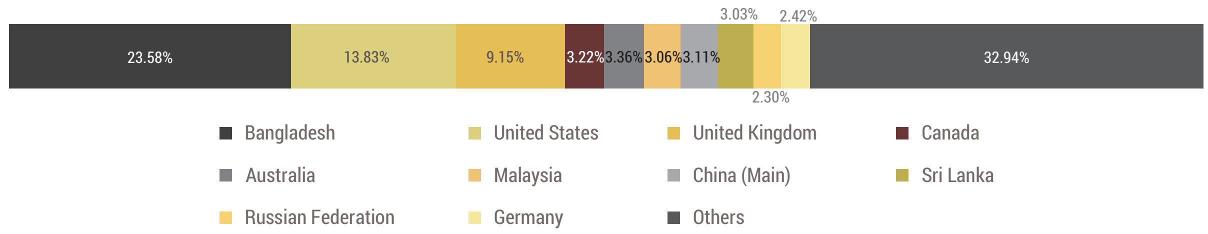
FIGURE 5: INDIAN TRAVEL & TOURISM SECTOR – FOREIGN EXCHANGE EARNINGS (2015 – 2019, ₹ CRORE)



RE: Revised Estimates
PE: Provisional Estimates
Source: Ministry of Tourism, Government of India, Annual Report 2019/20

FIGURE 6: FOREIGN TOURIST ARRIVALS BY SOURCE COUNTRY (2019)



Source: Ministry of Tourism, Indian Tourism Statistics at a Glance – 2020

FIGURE 7: FOREIGN TOURIST ARRIVALS AND DOMESTIC VISITATION TRENDS (2010 – 2020, LAKH)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Foreign Tourist Arrivals	57.8	63.1	65.8	69.7	76.8	80.3	88.0	101.8	105.6	109.3	26.8
% Change	11.8%	9.2%	4.3%	5.9%	10.2%	4.5%	9.7%	15.6%	3.7%	3.5%	-75.5%
Domestic Tourist Visits	7,477	8,645	10,450	11,425	12,828	14,320	16,136	16,525	18,000	23,220	N/A
% Change	11.8%	15.6%	20.9%	9.3%	12.3%	11.6%	12.7%	2.4%	8.9%	29.0%	N/A

**Estimates*
Source: Ministry of Tourism, Government of India, Annual Report 2019/20

FIGURE 8: TOP 10 BUSIEST AIRPORTS IN INDIA BY PASSENGER TRAFFIC (2019/20 – 2020/21)

Airport	2019/20	2020/21	% Change
New Delhi (DIAL)	6,73,01,016	2,25,83,736	-66.4%
Mumbai (MIAL)	4,58,73,329	1,10,54,811	-75.9%
Bengaluru (BIAL)	3,23,61,666	1,09,14,194	-66.3%
Chennai	2,22,66,722	54,95,707	-75.3%
Kolkata	2,20,15,392	77,28,906	-64.9%
Hyderabad (GHIAL)	2,16,51,878	80,48,248	-62.8%
Ahmedabad	1,14,32,996	36,42,413	-68.1%
Cochin (CIAL)	96,24,334	24,58,458	-74.5%
Pune	80,85,605	21,37,859	-73.6%
Goa	83,56,240	28,90,545	-65.4%

Source: Airports Authority of India

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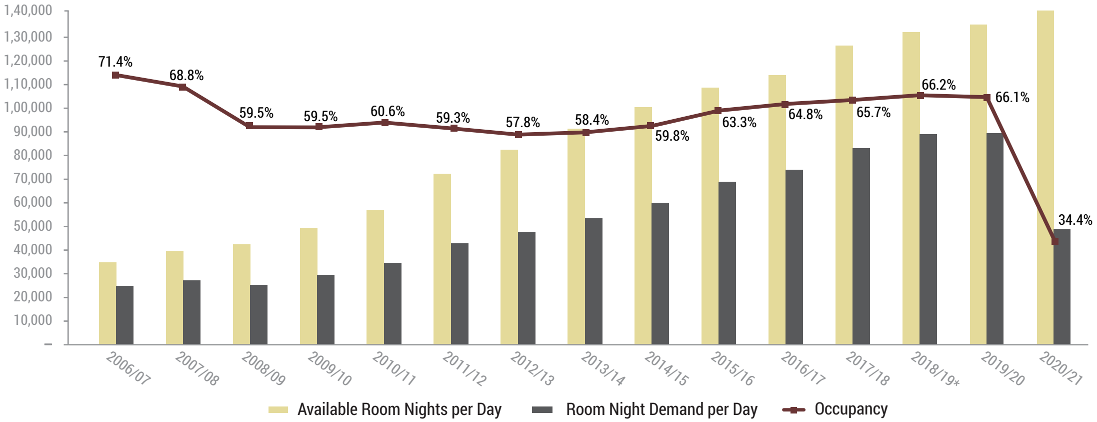
PERFORMANCE OF EXISTING & NEW HOTELS (2016/17 – 2020/21)

Figure 9 provides a quick overview of the room nights available and occupied across the nation over the past 15 years. While this enables a macro view of nationwide occupancy, looking at these numbers as a blended outcome does not always provide a picture of the true nature of the market. Therefore, over the past few years we have been additionally studying the trailing five-year performance of hotels in a more granular fashion.

Figure 10 provides a view on how hotels that have existed since, say 2016/17, fared when compared to the nationwide averages in 2020/21. While India's occupancy in the most recently concluded fiscal was 34.4%, hotels that have existed from 2016/17 or earlier also followed a similar trend and averaged a 35.1% occupancy owing to the nationwide lockdown imposed in March 2020. Similarly, while the nationwide average rate was ₹4,598 for all hotels in 2020/21, average rate of hotels that have been operating since 2016/17 was ₹4,739.

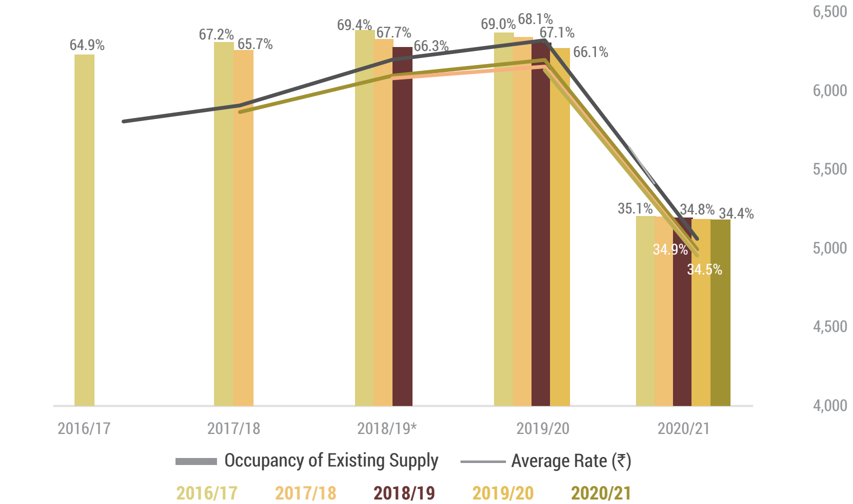
Figure 11 highlights the performance of only new hotels in their first year of operations and their subsequent ramp-up over a two-, three- or four-year period, depending on the data set of interest. For instance, hotels that opened in 2016/17 averaged 38.9% occupancy in Year 1 of operations, while those that opened in 2017/18 registered 45.5% in their launch year. The first-year occupancy dipped to almost 40% for hotels that opened in 2018/19, only to come back to 45.5% for new openings in 2019/20. The hotels that commenced operation during the pandemic (FY21) clocked an occupancy of 27.8% which is commendable considering that the nationwide occupancy for 2020/21 was 34.4%.

FIGURE 9: ROOM NIGHT DEMAND VS AVAILABLE ROOM NIGHTS (2006/07 – 2020/21)



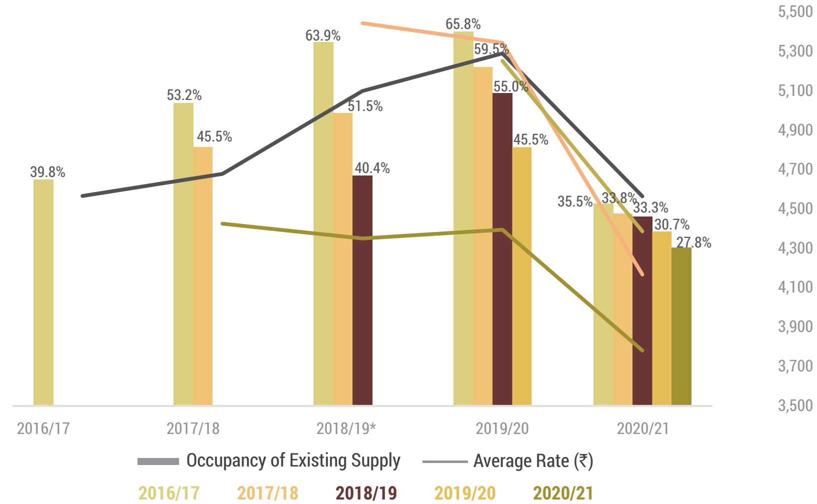
*2018/19 performance has been modified based upon the data collated for this survey
Source: Industry Sources and Hotelivate Research

FIGURE 10: PERFORMANCE OF EXISTING HOTELS (2016/17 – 2020/21)



*2018/19 performance has been modified based upon the data collated for this survey
Source: Industry Sources and Hotelivate Research

FIGURE 11: PERFORMANCE OF NEW HOTELS (2016/17 – 2020/21)



*2018/19 performance has been modified based upon the data collated for this survey
Source: Industry Sources and Hotelivate Research

REALITY CHECK

In the midst of the pandemic year, we had crafted a report (The Stats & Pulse Report FY21) with a specific aim to scrutinise the quarter-on-quarter impact on India's hotel industry. While we had actual performances for the first three quarters of FY21 at hand, we had attempted to forecast the closing quarter numbers. Moreover, we had also published our estimates of the recovery that the sector would witness through FY22 and FY23.

Our estimate was that FY21 would close with a nationwide occupancy of 33.8% at an average room rate of ₹4,013. Now that actual closing data for the fiscal has been accumulated, we can confirm that the nationwide occupancy was in fact 34.4% with an ADR of ₹4,598.

Additionally, when we had collated data for the S&P 21 report in February this year, our estimate of FY22 forecasted performance did not have the benefit of knowing that a devastating second wave was round the corner. We had projected FY22 occupancy of 52.7% at an ADR of ₹5,016. With almost half the year now behind us, we are marginally modifying our view to state that the nationwide occupancy will likely be between 49% to 51%. Our ADR projections remain the same.

THE SURVEY RESULTS

This section presents the results of the 2021 Indian Hospitality Trends & Opportunities survey, 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 the changes in these markets over the next five years.

The increase in survey participation over the last two years reflects a growth in both Hotelivate's penetration in the market as well as the market size. Furthermore, a larger sample set, re-look at fresh data gathered for three historical years and the deliberate removal of some relatively irrelevant supply by us, have led to the 2018/19 figures undergoing a minor change across all parameters.

While the number of rooms represented in this survey is 1,44,047, we have weighted the number of room nights to account for the new supply that was operational only for a partial fiscal to compute the overall occupancy and average rate. The weighted room count for the survey base for 2020/21 is, thus, 1,41,147.

INDUSTRY PERFORMANCE BY STAR CATEGORY

Reeling from the aftermath of COVID-19, the Indian hospitality industry in 2020/21 recorded its lowest RevPAR of ₹1,582 in the last 22 years, representing a 60.8% decline over the last year. This performance was bought about by the hotels represented in this survey clocking an overall weighted occupancy of 34.4% and a weighted average rate of ₹4,598.

Each star category has mimicked the nationwide trend of a decrease in occupancy, average rate and RevPAR. The two-star hotels recorded the lowest decline in RevPAR (-54.6%), while the five-star deluxe hotels witnessed a 63.7% decline in RevPAR. Although, the five-star deluxe hotels witnessed the highest decline in RevPAR in terms of percentage points, it is important to note that historically, the star category in question was the market leader achieving a RevPAR of over ₹7,000. Additionally, it is noteworthy that when compared to the five-star deluxe category, the other categories recorded a marginally lower decline in RevPAR owing to domestic travellers leveraging on the bundled rates provided by the two, three and four-star hotels to attract customers. The lower star category hotels were able to provide attractive bundled rates due their relatively lower cost of operations as compared to the five-star deluxe hotels. It is therefore important to not only pay attention to the year-on-year decline shown in this survey but also give weightage to the overall performances that the hotels in the various categories have attained. Also, specifically in this edition, we have made a thoughtful attempt to remove some hotels, majority of which are in the two-star and three-star space (either as a result of being de-flagged or being permanently closed for operations due to the pandemic), resulting in a smaller base of rooms that makes performances in some cases appear stronger.

Hotelivate is of the opinion that the Indian hospitality industry will bounce back in two phases – the first, on the back of leisure travel in the short to medium term, owing to the sentiment of being "locked-up" in a confined space for a majority period of the past fiscal for the domestic travellers; the second, once corporates resume business related travel, thus generating room nights for hotels in the medium to long term. Historically majority of room nights generated via corporate travel has been catered to by the two-star, three-star and four-star hotels and going forward, we expect these categories to bounce back at a relatively faster pace than the other two categories.

Figure 12 illustrates the hotel occupancy across star categories in India between 2001/02 and 2021/20. Figures 13 and 14 show the average rate and RevPAR for each star category expressed in Indian rupees, respectively, followed by Figures 15 and 16 that present the corresponding data in US Dollars.

FIGURE 12: KEY OPERATING STATISTICS BY HOTEL CLASSIFICATION – OCCUPANCY

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19*	2019/20	2020/21	12-Month Change
Overall Average	51.6%	57.2%	64.8%	69.0%	71.5%	71.4%	68.8%	59.5%	59.5%	60.6%	59.3%	57.8%	58.4%	59.8%	63.3%	**64.8%**	**65.7%**	**66.2%**	**66.1%**	**34.4%**	-47.9%
Five-star Deluxe	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%**	**66.5%**	**66.8%**	**66.5%**	**31.7%**	-52.4%
Five-star	51.4%	57.0%	66.8%	71.1%	70.4%	70.2%	67.2%	58.5%	58.6%	61.9%	59.1%	55.4%	55.7%	57.2%	61.2%	**64.1%**	**65.9%**	**65.8%**	**67.2%**	**32.7%**	-51.4%
Four-star	52.7%	56.4%	68.7%	71.8%	72.7%	71.7%	68.9%	58.5%	60.3%	60.7%	60.0%	57.9%	59.1%	61.2%	64.2%	**66.0%**	**66.9%**	**66.9%**	**66.8%**	**37.8%**	-43.3%
Three-star	49.7%	53.6%	59.6%	56.7%	65.9%	68.9%	64.7%	56.2%	55.5%	58.5%	56.9%	56.8%	57.9%	59.8%	64.8%	**65.2%**	**65.1%**	**67.3%**	**64.6%**	**35.0%**	-45.9%
Two-star											64.8%	59.0%	61.0%	57.7%	60.4%	**62.7%**	**59.1%**	**61.5%**	**60.4%**	**36.0%**	-40.4%

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

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19*	2019/20	2020/21	12-Month Change
Overall Average	3,467	3,269	3,569	4,299	5,444	7,071	7,989	7,722	6,489	6,513	6,032	5,779	5,611	5,532	5,527	**5,671**	**5,768**	**6,038**	**6,104**	**4,598**	-24.7%
Five-star Deluxe	4,668	4,335	4,686	5,606	7,168	9,778	11,200	11,096	9,277	9,350	9,189	8,982	8,727	8,815	8,881	**10,099**	**10,260**	**10,660**	**10,679**	**8,142**	-23.8%
Five-star	3,277	3,114	3,372	3,897	4,985	6,506	7,652	7,268	6,410	6,380	6,135	5,881	5,720	5,559	5,484	**6,051**	**6,088**	**6,280**	**6,451**	**5,119**	-20.7%
Four-star	2,368	2,246	2,580	3,088	3,847	5,111	5,722	5,745	4,638	4,905	4,905	4,691	4,474	4,361	4,424	**4,505**	**4,635**	**4,713**	**4,827**	**3,639**	-24.6%
Three-star	1,696	1,669	1,670	1,830	2,212	3,012	3,488	3,530	3,255	3,348	3,354	3,252	3,083	3,039	3,155	**3,016**	**3,200**	**3,371**	**3,474**	**2,771**	-20.2%
Two-star											1,714	1,849	2,063	2,063	2,122	**2,049**	**2,245**	**2,524**	**2,589**	**1,972**	-23.8%

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

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19*	2019/20	2020/21	12-Month Change
Overall Average	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**	**3,791**	**4,000**	**4,033**	**1,582**	-60.8%
Five-star Deluxe	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**	**6,825**	**7,125**	**7,103**	**2,580**	-63.7%
Five-star	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**	**4,015**	**4,132**	**4,334**	**1,673**	-61.4%
Four-star	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**	**3,099**	**3,151**	**3,223**	**1,376**	-57.3%
Three-star	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**	**2,083**	**2,268**	**2,245**	**969**	-56.8%
Two-star											1,110	1,091	1,258	1,190	1,281	**1,285**	**1,327**	**1,553**	**1,563**	**709**	-54.6%

FIGURE 15: KEY OPERATING STATISTICS BY HOTEL CLASSIFICATION - AVERAGE RATE (US$)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19*	2019/20	2020/21	12-Month Change
Overall Average	73	68	78	96	122	162	199	168	136	143	126	106	92	90	85	**85**	**89**	**90**	**87**	**63**	-27.5%
Five-star Deluxe	99	90	102	125	161	224	278	242	194	205	192	165	144	144	137	**151**	**159**	**159**	**151**	**111**	-26.6%
Five-star	69	65	73	87	112	149	190	158	134	140	128	108	94	91	84	**90**	**94**	**93**	**92**	**70**	-23.6%
Four-star	50	47	56	69	86	117	142	125	97	108	102	86	74	71	68	**67**	**72**	**70**	**68**	**50**	-27.4%
Three-star	36	35	36	41	50	69	87	77	68	73	70	60	51	50	49	**45**	**50**	**50**	**49**	**38**	-23.2%
Two-star											36	34	34	34	33	**31**	**35**	**38**	**37**	**27**	-26.6%
Exchange Rate	47.2	48.2	46.0	44.9	44.5	43.6	40.2	45.9	47.7	45.6	48.0	54.5	60.7	61.2	65.0	**67.1**	**64.5**	**67.2**	**70.5**	**73.2**	

FIGURE 16: KEY OPERATING STATISTICS BY HOTEL CLASSIFICATION - REVPAR (US$)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19*	2019/20	2020/21	12-Month Change
Overall Average	38	39	50	66	87	116	137	100	81	87	75	61	54	54	54	**55**	**59**	**60**	**57**	**22**	-62.2%
Five-star Deluxe	52	53	66	89	119	164	200	151	120	125	114	99	87	89	88	**98**	**106**	**106**	**101**	**35**	-65.0%
Five-star	36	37	49	62	79	105	128	93	79	87	76	60	53	52	52	**58**	**62**	**61**	**61**	**23**	-62.8%
Four-star	26	26	39	49	63	84	98	73	59	65	61	50	43	44	44	**44**	**48**	**47**	**46**	**19**	-58.9%
Three-star	18	19	22	23	33	48	56	43	38	43	40	34	29	30	31	**29**	**32**	**34**	**32**	**13**	-58.4%
Two-star											23	20	21	19	20	**19**	**21**	**23**	**22**	**10**	-56.3%
Exchange Rate	47.2	48.2	46.0	44.9	44.5	43.6	40.2	45.9	47.7	45.6	48.0	54.5	60.7	61.2	65.0	**67.1**	**64.5**	**67.2**	**70.5**	**73.2**	

**2018/19 performance has been modified based upon the data collated for this survey*
Source: Industry Sources and Hotelivate Research

FIGURE 17: EXISTING SUPPLY ACROSS MAJOR CITIES (2011/12 – 2020/21)

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19*	2019/20	2020/21	12-Month Change
Agra**	1,739	1,299	1,293	1,755	2,036	2,092	2,256	1,864	2,289	2,045	-10.7%
Ahmedabad	1,975	2,477	2,777	2,944	3,054	3,117	3,393	3,004	3,326	3,878	16.6%
Bengaluru	7,713	8,536	10,162	11,117	11,539	11,995	12,594	13,366	13,691	13,901	1.5%
Chennai	4,904	6,330	7,105	7,444	7,585	8,332	9,061	9,099	9,657	9,655	0.0%
New Delhi***	10,697	11,338	12,370	13,193	14,142	14,296	14,450	14,952	15,027	15,181	1.0%
Gurugram	3,782	4,559	5,190	5,323	5,117	5,263	5,890	5,538	5,589	5,643	1.0%
NOIDA	527	841	1,239	1,322	1,322	1,422	1,515	1,378	1,378	1,423	3.3%
Goa	3,885	4,406	4,703	5,298	5,574	6,400	6,386	5,979	6,772	7,039	3.9%
Hyderabad	4,797	5,411	5,734	5,954	5,992	6,254	6,846	6,672	7,393	7,420	0.4%
Jaipur	3,054	4,129	4,523	4,822	4,931	5,058	5,352	5,285	5,553	5,714	2.9%
Kolkata	1,787	2,163	2,243	2,701	2,701	3,199	3,652	3,712	4,579	4,933	7.7%
Mumbai	12,052	12,807	13,022	12,865	13,054	13,494	13,524	13,568	14,070	14,330	1.8%
Pune	5,672	5,317	6,159	6,137	6,108	6,445	6,353	6,212	6,712	6,915	3.0%
Other Cities****	21,729	24,642	24,657	26,820	28,445	31,852	35,293	8,772	43,370	45,970	6.0%
Total	**84,313**	**94,255**	**1,01,177**	**1,07,695**	**1,11,600**	**1,19,219**	**1,26,565**	**1,29,401**	**1,39,406**	**1,44,047**	**3.3%**

The 2018/19 performance has been modified based on the updated data collated for this survey.
***Agra witnessed a decline in reported inventory, primarily because of a few rooms not being operational.*
Source: Industry Sources and Hotelivate Research

****New Delhi (excluding Gurugram, NOIDA and Greater NOIDA) data*
*****Other Cities includes all other hotel markets across India*

EXISTING SUPPLY

In the fiscal year 2020/21, the existing rooms supply in India grew by 3.3% over the previous fiscal year, increasing the total number of branded rooms in the country to 1,44,047. This takes into account the 4,093 new rooms that opened during the year, including any expansions in the sample set being tracked by Hotelivate. Furthermore, the change in the total existing inventory for 2018/19 is attributed to a deliberate filtration by us to display only relevant branded supply.

While New Delhi continues to have the largest branded room inventory base in India (15,181 rooms), it grew by a mere 1.0% over the last fiscal. Mumbai (including Navi Mumbai) and Bengaluru rank second and third with 14,330 rooms and 13,901 rooms, respectively. These rankings are however likely to change in the short to medium term, with Mumbai (including Navi Mumbai) becoming the largest hotel market (in terms of inventory) in India followed closely by Bengaluru. That being said, 46% of Mumbai's (including Navi Mumbai) proposed supply is under active development as opposed to 64% of Bengaluru's proposed supply which is under active development; in absolute terms, Bengaluru is expected to have a marginally higher definite proposed room count. Mumbai's paced growth over the next five years can be attributed to the increasing costs of land and capital combined with the city's and state's real estate policies making it difficult for developers to complete hotel projects. This has therefore resulted in the postponement or stalling of some hotel projects in the city.

Ahmedabad, in 2020/21, recorded the highest growth in supply (16.6%) by adding 552 rooms to a relatively smaller base of hotels, followed by Kolkata that recorded the second highest growth in supply at 7.7%. Ahmedabad and its neighbouring areas' future focused infrastructure projects such as the Gujarat International Finance Tec-City (GIFT City), Mahatma Mandir Convention and Exhibition Centre, the Ahmedabad Metro development and the Delhi-Mumbai Industrial Corridor Project (DMIC), have strengthened investor assurance in the city's ability to sustain additional hotels. However, Hotelivate finds the market a bit overheated.

NOIDA (including Greater NOIDA) continues to maintain its position as the smallest major hotel market in India with 1,423 rooms despite the market recording the third highest growth (3.3%) in existing supply. Moreover, Agra witnessed a minimal decline in the reported inventory in 2020/21, primarily due to a few rooms being out of order.

Lastly, it is important to note that while the nationwide growth of 3.3% in existing supply in 2020/21 may seem low when compared to the historical years, a fair portion of hotels that were scheduled to open for operations in the said fiscal were pushed out due to the pandemic. While a couple of these postponements were strategic decisions taken by brands and owners to not commence operations amidst the pandemic, a few hotel projects also witnessed a delay in its completion due to the nation coming to a standstill owing to the imposed lockdown in the first few months of FY21.

Figure 17 shows the existing supply for the 13 major cities from 2011/12 to 2020/21.

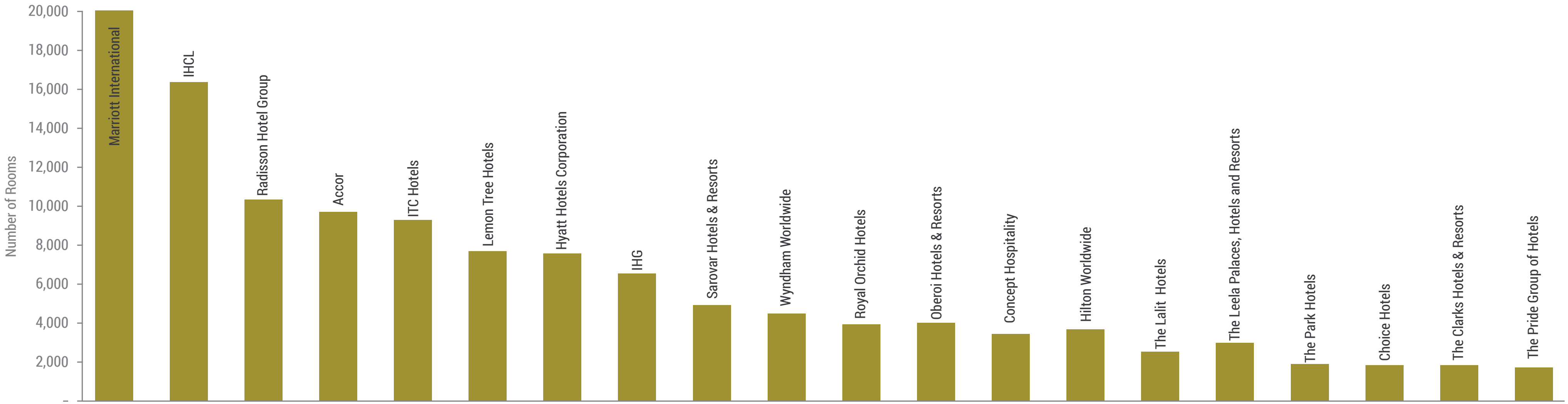
Figure 18 presents the total operating inventory of the 20 largest hotel companies in the country as of August 2021.

With approximately 21,000 rooms, Marriott International has maintained its position as the number one rank of the largest inventory in the country. IHCL (Taj Hotels Resorts Palaces Safaris and Ginger) despite having a larger number of properties than Marriott International, ranked second owing to a lower rooms per hotel ratio.

Radisson Hotel Group, Accor and ITC Hotels have held their third, fourth and fifth positions, respectively. The acquisition of Berggruen Hotels, coupled with rapid expansion over the last 12 months, has allowed Lemon Tree Hotels to claim the sixth position ahead of Hyatt Hotels and IHG. The other hotel chains in the top 20 list are yet to cross the 5,000 rooms-mark. That being said, Sarovar Hotels & Resorts, Wyndham Worldwide, Hilton Worldwide and Concept Hospitality are adding close to 30% of their total inventory in the next two years.

Overall, this year's list records a higher mix of home-grown hotel chains but what's interesting to observe is that that the domestic brands over the past five years have accounted for nearly 50% of the total inventory of the top 20 hotel brands, thus maintaining the pace at which the supply has grown.

FIGURE 18: TOP 20 HOTEL BRANDS BY EXISTING INVENTORY (AUGUST 2021)



FUTURE SUPPLY

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

Figures 19 and 20 highlight the existing and proposed supply in each of the 13 major hotel markets and 'Other Cities' tracked in this report. We have also indicated an Active Development Ratio for each market based on the number of rooms that have recently opened, are currently under construction or likely to enter the market within the next five years. Inactive supply, even if announced or signed, has been removed from the five-year horizon if it is known to be delayed or abandoned. Thereafter, using this ratio, we have estimated the supply of branded hotel rooms in 2025/26 as depicted in Figure 22.

The last ten years witnessed a year-on-year reduction in proposed supply with it shrinking significantly since 2010/11 where the total number of proposed rooms totalled to 1,02,438. The increase in existing supply, coupled with the decline in proposed supply is indicative of a substantial number of previously planned rooms becoming operational between 2019/20-2020/21. Apart from the increase in existing supply as a result of planned rooms having entered the market, the downswing in future supply in the recent years may partially be attributed to the rising number of hotel conversions. That being said, 2019/20-2020/21 witnessed a 20.1% increase over 2018/19, totalling to 60,273 rooms (Figure 19) of which only 3.0% rooms are conversions.

While the proposed supply for the last two fiscal years totalled 60,273 rooms, the overall Active Development Ratio was 61% (as compared to 74% in 2018/19). Notably, this decline in the active development ratio can be attributed to the opening of the previously announced hotels in the last two years. Additionally, this survey also accounts for hotels that may have been recently signed and are in the planning stage, thus not making them a part of the hotels under active development. Markets with the highest Active Development Ratio in 2019/20-2020/21 were Ahmedabad (94%) ranking first followed by New Delhi (85%) and Gurugram (85%).

The proposed inventory has been further divided by potential positioning mix, comprising Luxury, Upscale, Upper Mid-Market, Mid-Market and Budget segments. The Upscale segment continues to remain the most popular with hotel investors and developers. This is closely followed by the Upper Mid-Market and the Mid-Market segments. Together these three segments contribute to almost 75% of the new supply that is expected to enter the market over the next five years. Furthermore, in this year's survey, we have also observed that majority of the hotel brands, both international and domestic, are now entering the Tier II, Tier III and Tier IV markets, identifying the unaccommodated demand prevalent in these cities. Consequently, 40% of the hotels under active development are in these cities.

By 2025/26, we anticipate an addition of approximately 36,599 branded rooms (under active development), taking the total supply to 1,80,646 and growing the existing supply base by 25%. (Figure 22)

HYATT REGENCY RESORT, DHARAMSHALA

FIGURE 19: PROPOSED BRANDED HOTEL ROOMS ACROSS MAJOR CITIES (2020/21 – 2025/26)

	Existing Supply 2020/21	Proposed Supply*	Increase in Future Supply	Active Development of Supply	Luxury	Upscale	Upper Mid-Market	Mid-Market	Budget
Agra	2,045	734	36%	31%	0.0%	23.2%	53.1%	23.7%	0.0%
Ahmedabad	3,878	997	26%	94%	30.8%	35.6%	23.8%	9.8%	0.0%
Bengaluru	13,901	6,266	45%	64%	8.7%	38.4%	21.7%	11.7%	19.5%
Chennai	9,655	547	6%	57%	0.0%	43.3%	18.8%	0.0%	37.8%
New Delhi	15,181	836	6%	85%	20.9%	15.0%	0.0%	35.9%	28.2%
Gurugram	5,643	2,343	42%	85%	33.2%	0.0%	22.2%	28.7%	16.0%
NOIDA	1,423	1,889	133%	60%	0.0%	13.8%	35.5%	23.3%	27.4%
Goa	7,039	3,223	46%	63%	6.8%	21.4%	20.5%	34.9%	16.4%
Hyderabad	7,420	827	11%	49%	19.0%	30.2%	50.8%	0.0%	0.0%
Jaipur	5,714	3,047	53%	52%	11.4%	62.9%	20.4%	3.8%	1.4%
Kolkata	4,933	929	19%	55%	0.0%	38.9%	1.2%	24.5%	35.4%
Mumbai	14,330	6,771	47%	46%	25.3%	21.4%	20.3%	12.9%	20.1%
Pune	6,915	875	13%	30%	0.0%	75.1%	0.0%	24.9%	0.0%
Other Cities	45,970	30,989	67%	62%	2.9%	20.2%	27.6%	32.0%	17.4%
Total	**1,44,047**	**60,273**	**42%**	**61%**	**8.5%**	**25.1%**	**24.8%**	**24.7%**	**16.9%**

**Proposed Supply includes 1,560 rooms that have been open for less than six months, and therefore, not included in the existing supply*
Source: Hotelivate Research

FIGURE 20: PROPOSED BRANDED HOTEL ROOMS ACROSS MAJOR CITIES (2020/21 – 2025/26*)

Existing Supply

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19*	19/20	20/21
Agra	1,739	1,299	1,293	1,755	2,036	2,092	2,256	1,864	2,289	2,045
Ahmedabad	1,975	2,477	2,777	2,944	3,054	3,117	3,393	3,004	3,326	3,878
Bengaluru	7,713	8,536	10,162	11,117	11,539	11,995	12,594	13,366	13,691	13,901
Chennai	4,904	6,330	7,105	7,444	7,585	8,332	9,061	9,099	9,657	9,655
New Delhi	10,697	11,338	12,370	13,193	14,142	14,296	14,450	14,952	15,027	15,181
Gurugram	3,782	4,559	5,190	5,323	5,117	5,263	5,890	5,538	5,589	5,643
NOIDA[a]	527	841	1,239	1,322	1,322	1,422	1,515	1,378	1,378	1,423
Goa	3,885	4,406	4,703	5,298	5,574	6,400	6,386	5,979	6,772	7,039
Hyderabad	4,797	5,411	5,734	5,954	5,992	6,254	6,846	6,672	7,393	7,420
Jaipur	3,054	4,129	4,523	4,822	4,931	5,058	5,352	5,285	5,553	5,714
Kolkata	1,787	2,163	2,243	2,701	2,701	3,199	3,652	3,712	4,579	4,933
Mumbai[b]	12,052	12,807	13,022	12,865	13,054	13,494	13,524	13,568	14,070	14,330
Pune	5,672	5,317	6,159	6,137	6,108	6,445	6,353	6,212	6,712	6,915
Other Cities	21,729	24,642	24,657	26,820	28,445	31,852	35,293	38,772	43,370	45,970
Total	**84,313**	**94,255**	**1,01,177**	**1,07,695**	**1,11,600**	**1,19,219**	**1,26,565**	**1,29,401**	**1,39,406**	**1,44,047**

Proposed Supply

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19*	19/20-20/21
Agra	650	866	990	503	622	754	428	582	734
Ahmedabad	2,550	1,857	1,372	1,026	1,238	1,345	1,343	2,006	997
Bengaluru	9,716	10,731	6,911	5,317	5,209	4,418	5,698	4,620	6,266
Chennai	7,547	5,331	3,885	3,311	2,312	1,767	978	393	547
New Delhi	5,626	6,144	5,355	2,502	2,792	1,715	1,492	805	836
Gurugram	5,818	5,033	3,268	2,084	1,959	1,743	1,727	1,808	2,343
NOIDA[a]	5,522	5,615	2,406	1,873	2,561	1,043	1,174	981	1,889
Goa	2,422	2,622	2,291	1,743	2,062	2,870	3,028	2,068	3,223
Hyderabad	5,265	3,433	2,893	2,474	2,464	1,475	1,149	728	827
Jaipur	3,356	2,859	1,706	1,119	960	1,713	1,086	2,601	3,047
Kolkata	3,118	3,511	2,584	2,870	3,209	2,194	1,768	1,724	929
Mumbai[b]	10,896	9,802	7,896	5,561	4,166	3,680	4,039	4,816	6,771
Pune	4,645	3,705	2,620	2,005	1,965	1,308	894	796	875
Other Cities	26,224	23,141	23,873	23,882	25,393	21,042	24,576	26,242	30,989
Total	**93,355**	**84,650**	**68,050**	**56,270**	**56,912**	**47,067**	**49,380**	**50,170**	**60,273**

Active Development of Supply

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19*	19/20-20/21
Agra	80%	76%	82%	43%	28%	34%	72%	46%	31%
Ahmedabad	69%	66%	86%	64%	71%	47%	71%	76%	94%
Bengaluru	71%	75%	66%	52%	67%	72%	78%	65%	64%
Chennai	58%	65%	80%	83%	100%	94%	89%	43%	57%
New Delhi	87%	84%	71%	87%	92%	62%	87%	93%	85%
Gurugram	55%	53%	54%	10%	70%	23%	84%	80%	85%
NOIDA[a]	37%	28%	70%	13%	9%	18%	41%	43%	60%
Goa	53%	62%	68%	50%	90%	48%	57%	80%	63%
Hyderabad	74%	87%	78%	61%	32%	89%	77%	68%	49%
Jaipur	52%	56%	82%	92%	89%	51%	82%	63%	52%
Kolkata	74%	64%	72%	70%	64%	64%	77%	81%	55%
Mumbai[b]	47%	42%	49%	33%	39%	37%	54%	69%	46%
Pune	69%	67%	72%	64%	73%	47%	89%	80%	30%
Other Cities	48%	55%	71%	70%	71%	75%	73%	77%	62%
Total	**58%**	**60%**	**69%**	**61%**	**66%**	**64%**	**72%**	**74%**	**61%**

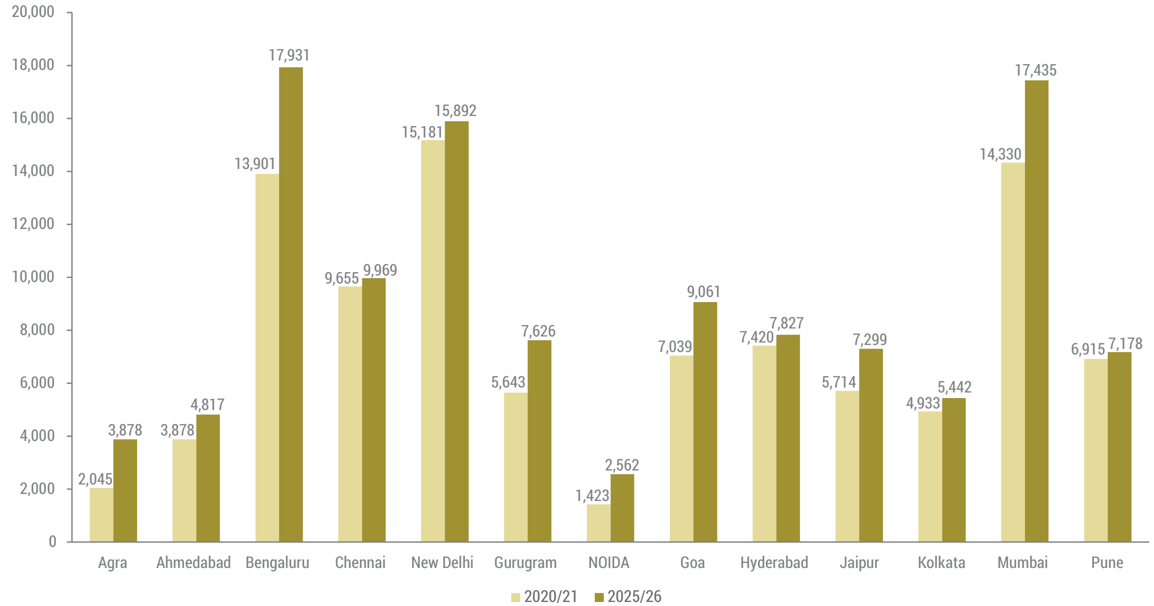
**The 2018/19 performances have been modified based on the updated data collated for this survey*

[a]NOIDA data includes Greater NOIDA

[b]Mumbai data includes Navi Mumbai

Source: Industry Sources and Hotelivate Research

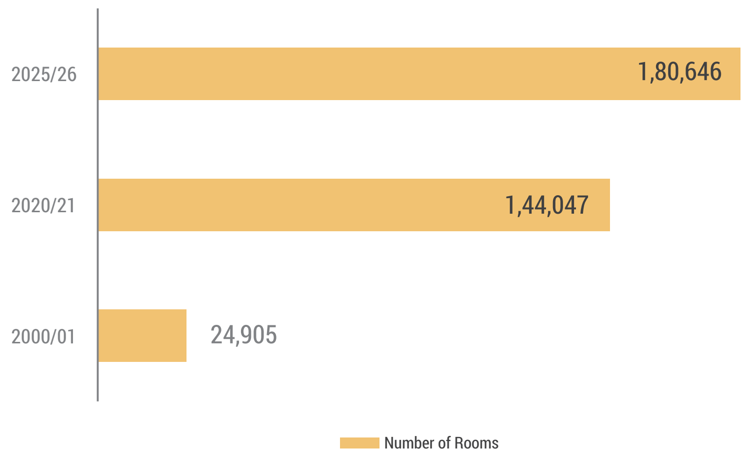
FIGURE 21: PROPOSED BRANDED HOTEL ROOMS ACROSS MAJOR CITIES (2020/21 – 2025/26*)



**The supply for 2025/26 has been computed by adding active future supply to the existing base of rooms in 2020/21*

Source: Industry Sources and Hotelivate Research

FIGURE 22: GROWTH OF ROOM SUPPLY – INDIA (2000/01 – 2025/26)



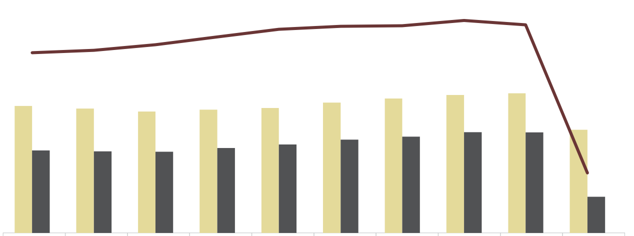
Source: Industry Sources and Hotelivate Research

THE HOTEL VOLATILITY INDEX 2021

The Hotel Volatility Index (HVI) 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 consists of the same base of stabilised hotels each year, enabling an identical comparison over time. In this year of uncertainties, the HVI is one of the most important indicators for the hotel industry. The metrics of nationwide performance have been affected not only by restricted travel and an absence of meaningful demand, but also by new supply entering the market. In contrast, the HVI can help owners/operators develop a clear idea of the performance of stable state assets during this unprecedented period.

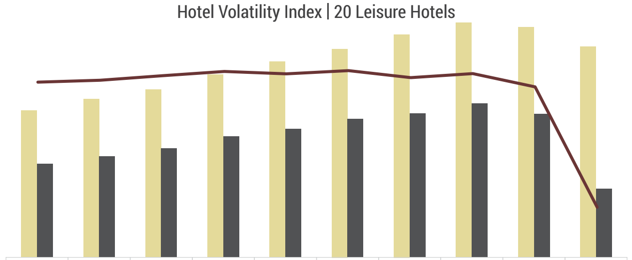
FIGURE 23: HOTEL VOLATILITY INDEX | URBAN AND LEISURE LOCATIONS

Hotel Volatility Index | 80 Hotels



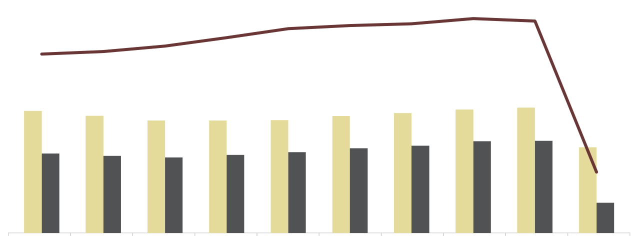
2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
8,180	8,014	7,822	7,949	8,054	8,398	8,666	8,892	9,006	6,654
5,314	5,255	5,236	5,478	5,702	6,009	6,212	6,495	6,479	2,328
65.0%	65.6%	66.9%	68.9%	70.8%	71.6%	71.7%	73.0%	71.9%	35.0%

Hotel Volatility Index | 20 Leisure Hotels



2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
9,432	10,143	10,743	11,728	12,555	13,360	14,292	15,041	14,749	13,523
5,990	6,486	6,991	7,754	8,231	8,864	9,235	9,874	9,192	4,392
63.5%	63.9%	65.1%	66.1%	65.6%	66.4%	64.6%	65.6%	62.3%	32.5%

Hotel Volatility Index | 60 Urban Hotels



2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
7,970	7,659	7,347	7,345	7,369	7,637	7,831	8,058	8,188	5,600
5,197	5,044	4,941	5,096	5,282	5,531	5,706	5,997	6,023	1,982
65.2%	65.9%	67.3%	69.4%	71.7%	72.4%	72.9%	74.2%	73.6%	35.4%

Source: Industry Sources and Hotelivate Research

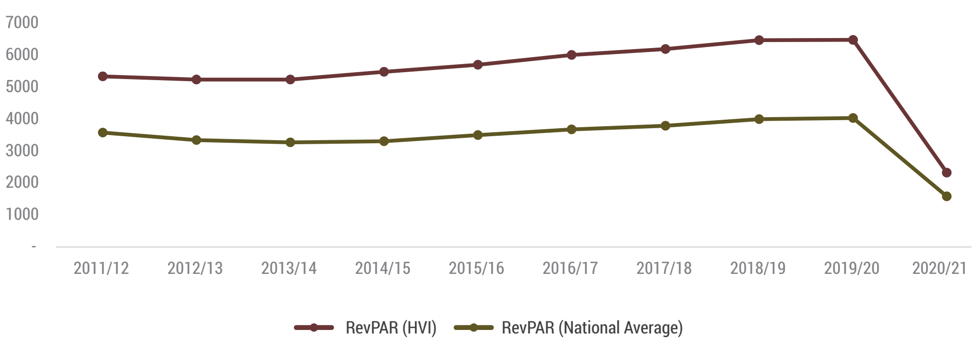
ADR RevPAR Occupancy

The HVI recorded an occupancy of 71.9% at an ADR of ₹9,006 resulting in a RevPAR of ₹6,479 in FY20. While India's first nationwide lockdown only came into effect in March 2020, hotels across the country began to feel the effects of the pandemic from the beginning of the final quarter of FY20, owing to the global pause in business travel and foreign tourism. While FY20's figures represented a slight decline in performance, the true impact of the pandemic would be revealed in FY21's performance. At the end of the fiscal, on the cusp of the second COVID-19 wave no less, the HVI reported an occupancy of 35.0%, an ADR of ₹6,654 and a RevPAR of ₹2,328 or a decline of 51.4%, 26.1% and 64.1%, respectively.

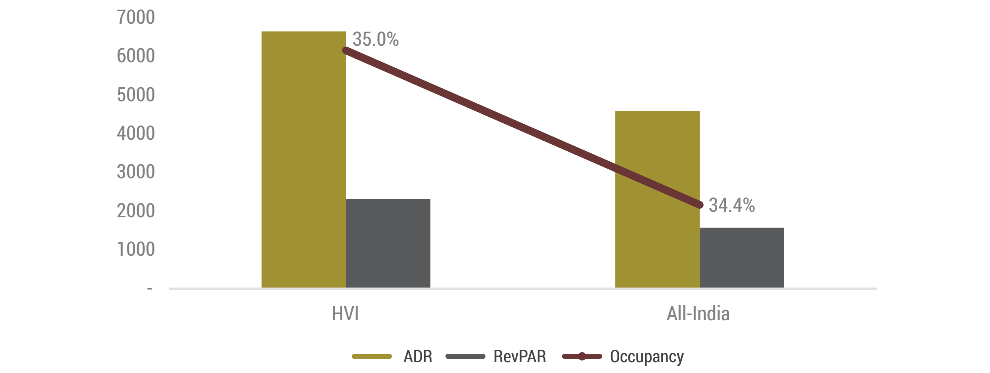
The performance of leisure hotels vis-à-vis the performance of urban hotels presented in Figure 23 must be carefully studied. At first glance, it seems that the urban hotels outperformed the leisure hotels in terms of occupancy, albeit at the characteristic lower ADR. However, FY21 was a year of unavoidable damage, and the true kings of the hill were those hotels that were able to maximise damage mitigation. When viewed in terms of decline, the true power of the so-called 'Revenge Tourism' is revealed across all three metrics (occupancy, ADR, RevPAR), with the decline in leisure hotels' performance being lower than that of urban hotels. As far back as FY12, the 20 leisure hotels have enjoyed a RevPAR premium over their 60 urban location counterparts. However, this premium, which had previously peaked at 65% in FY19, stands at 122% in FY21, as an indisputable indicator that leisure markets have had the better of this bad period.

Undoubtedly, this magnitude of difference in performance is temporary. The restart of corporate travel and foreign tourism will cause a downward correction in this RevPAR premium while simultaneously acting as a catalyst to the ADR recovery for both urban and leisure destinations. This unique period has demanded that Indian travellers seeking a vacation or workcation, explore domestic destinations. The room nights provided by the domestic leisure segment are at an unprecedented high. When the worst of this pandemic is behind us (hopefully soon), the return of foreign tourism, coupled with the opening of offices and colleges and an increase in ADRs will undoubtedly correct this data point as well.

FIGURE 24: HVI vs NATIONAL AVERAGE | 2020/21



Source: Industry Sources and Hotelivate Research



We are nevertheless of the opinion that there has been a paradigm shift in the mind of the Indian traveller. The tremendous boost that leisure hotels have received because of this domestic demand leads us to believe that the extent of the decrease will be controlled. The Indian traveller has hopefully discovered that not only are drive-to destinations and road-trips not such a bad ordeal but also that spending your vacation dollars around India can bring you experiences which you may not find in the most favoured international destinations. We expect the room night contribution from domestic travellers to stabilise at a much higher number than the pre-pandemic level.

Drawing a comparison with nationwide performance highlights the value of the HVI as an additional performance benchmark for industry stakeholders. In FY21, the decline in the HVI's performance was greater than that of the nationwide performance across all metrics with nationwide declines in occupancy, ADR and RevPAR being 47.9%, 24.7% and 60.8% respectively. Nevertheless, this collection of 80 stable-state assets has historically enjoyed a consistently better performance than the nation at large and, even in FY21, recorded a RevPAR premium of 47.2% over the nationwide RevPAR.

In conclusion, it is safe to say that most industries have relatively less confidence in estimates and forecasts, at least for the short to medium term. It is crucial for all stakeholders to refer to as many data points as are available and also utilise the right indices and performance benchmarks. Cost structures, sources of revenue and the overall meta regarding technology in hospitality might look startlingly different on the other side of this ordeal. Moving forward, all stakeholders, especially owners and operators of assets which are five years or older, should consider the recovery trajectory of the HVI alongside the nationwide curve to gain additional perspective on their own performance. This will enable critical thinking and clinical budgeting and forecasting exercises which might otherwise fall victim to an overly conservative or borderline pessimistic outlook.

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Kush Anand
Analyst, Strategic Advisory, Hotelivate

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:

The last fiscal saw the Indian hospitality industry coming to a standstill for a majority part of the year. While the lockdown was partially lifted in June 2020 and the government gave the go ahead to resume domestic travel, hotels across India, under the directives of the central and state governments, were not allowed to operate to full capacity. This, coupled with the apprehension in the minds of the Indian traveller, resulted in a relatively slower recovery until November 2020. In Q4 FY21, the leisure markets saw their performances bouncing back as people became tired and weary of the home routine and the 'work from home' culture allowed them to work from anywhere. Markets driven by corporate business, however, continued to remain under pressure.

The 13 major markets of India witnessed a decline across all performance parameters in 2020/21, with Bengaluru recording the highest year-on-year change (-72.3%). Historically, the fastest growing commercial city, Bengaluru, which depends hugely on the IT/ITeS segment, was the worst hit. The city not only recorded an occupancy of 27.7% in 2020/21 (a 58.9% drop over the previous fiscal year), but also a 32.6% drop in its marketwide average rate, thus resulting in a RevPAR of ₹1,254.

Goa, on the other hand, outperformed its peers (with much gratitude to the domestic traveller) in terms of both average rate (₹7,511) and RevPAR (₹2,883). This comes as no surprise, thanks to the city's strong leisure base and the growing wedding segment, despite the pandemic. The year 2020/21 witnessed the highest number of weddings in Goa hotels despite there being a restriction in terms of the capacity per event. While Goa fared well in terms of its average rate and RevPAR, the city recorded an occupancy of 38.4%. This can be ascribed to the fact that Goa's foreign travellers' market, which pre-pandemic accounted for 30-40% of the overall leisure demand, disappeared in 2020/21, owing to the shutting of international borders.

Figure 25 illustrates the marketwide occupancy of the 13 major cities between 2001/02 and 2020/21. Figures 26 and 27 highlight the average rate and RevPAR for each of these hotel markets expressed in Indian Rupees, followed by Figures 28 and 29, illustrating the corresponding data in US Dollars. Our detailed review of these markets has been provided on subsequent pages.

FIGURE 25: KEY OPERATING STATISTICS BY MAJOR CITY – OCCUPANCY

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19*	2019/20	2020/21	12-Month Change
Agra	33.7%	30.7%	50.0%	57.1%	56.0%	58.9%	58.3%	52.4%	55.9%	60.2%	57.1%	58.9%	60.4%	61.5%	57.7%	**59.6%**	**66.2%**	**68.3%**	**66.7%**	**33.7%**	-2.3%
Ahmedabad	53.2%	53.8%	63.2%	68.3%	69.1%	67.9%	73.3%	61.2%	58.2%	54.3%	59.9%	53.7%	52.7%	53.9%	55.6%	**61.1%**	**63.8%**	**63.3%**	**64.8%**	**33.6%**	-48.0%
Bengaluru	64.3%	72.0%	78.5%	81.4%	76.7%	72.5%	65.3%	54.6%	53.2%	58.4%	56.6%	55.6%	57.7%	58.1%	65.7%	**65.9%**	**68.3%**	**65.1%**	**67.5%**	**27.7%**	-58.9%
Chennai	56.5%	58.3%	66.6%	72.9%	78.2%	74.7%	72.8%	63.1%	62.1%	67.2%	65.7%	60.0%	55.4%	58.9%	62.7%	**64.8%**	**63.0%**	**64.6%**	**64.5%**	**35.7%**	-44.7%
New Delhi[a]	53.3%	60.4%	73.1%	79.1%	80.8%	76.9%	73.9%	67.3%	68.3%	68.7%	63.8%	61.7%	60.9%	61.7%	66.7%	**69.4%**	**70.5%**	**72.0%**	**73.2%**	**40.9%**	-44.2%
Gurugram									66.0%	66.5%	62.0%	58.0%	58.8%	61.1%	63.7%	**66.3%**	**67.9%**	**68.4%**	**70.2%**	**31.3%**	-55.4%
NOIDA[b]									74.0%	80.7%	56.2%	44.4%	53.5%	48.0%	51.0%	**56.2%**	**54.9%**	**60.0%**	**64.5%**	**33.1%**	-48.7%
Goa	53.6%	60.5%	59.3%	62.5%	67.8%	72.8%	72.2%	61.1%	65.1%	67.7%	68.5%	68.9%	68.7%	69.7%	70.2%	**71.3%**	**70.0%**	**71.0%**	**67.7%**	**38.4%**	-43.3%
Hyderabad	68.0%	68.9%	75.9%	78.7%	82.0%	72.1%	65.7%	55.8%	53.3%	57.1%	54.0%	49.3%	51.7%	57.1%	59.3%	**63.7%**	**66.3%**	**69.9%**	**70.3%**	**34.1%**	-51.5%
Jaipur	48.3%	44.9%	58.8%	67.2%	65.7%	65.5%	64.7%	54.1%	57.3%	57.7%	55.2%	54.7%	54.3%	54.5%	60.8%	**64.4%**	**67.6%**	**68.3%**	**66.2%**	**34.3%**	-48.1%
Kolkata	66.4%	65.4%	62.8%	69.0%	76.4%	75.5%	73.9%	69.5%	67.5%	68.3%	70.0%	71.5%	70.2%	67.8%	69.3%	**70.9%**	**70.2%**	**69.8%**	**66.7%**	**30.6%**	-54.1%
Mumbai[c]	52.0%	63.4%	69.7%	72.0%	76.2%	77.9%	74.6%	60.6%	62.5%	62.4%	63.7%	64.3%	67.0%	71.8%	73.7%	**74.4%**	**75.5%**	**77.1%**	**76.3%**	**42.4%**	-44.4%
Pune		71.0%	68.9%	86.4%	83.1%	83.4%	69.5%	62.2%	50.9%	46.7%	51.3%	58.2%	57.4%	61.3%	65.6%	**64.1%**	**68.2%**	**69.3%**	**66.7%**	**27.8%**	-58.4%

FIGURE 26: KEY OPERATING STATISTICS BY MAJOR CITY – AVERAGE RATE (₹)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19*	2019/20	2020/21	12-Month Change
Agra	1,840	1,954	2,431	3,012	3,622	4,715	5,262	5,322	5,773	6,243	5,958	6,126	6,338	6,488	6,083	**5,508**	**5,316**	**5,800**	**6,204**	**4,170**	-32.8%
Ahmedabad	2,354	2,164	2,410	2,787	3,111	3,526	4,351	4,754	4,540	4,285	3,917	3,904	3,734	3,753	3,884	**3,897**	**4,158**	**4,625**	**4,273**	**3,399**	-20.4%
Bengaluru	3,735	3,752	4,832	7,470	8,762	10,406	9,827	9,495	6,597	6,776	6,293	5,960	5,379	5,368	5,392	**5,598**	**5,823**	**6,434**	**6,707**	**4,521**	-32.6%
Chennai	3,535	3,224	3,323	3,714	4,357	5,378	6,340	6,677	5,710	5,632	5,524	5,440	5,050	4,825	4,767	**4,761**	**4,863**	**5,174**	**5,148**	**3,577**	-30.5%
New Delhi[a]	4,338	4,089	4,269	5,103	6,909	9,192	10,429	9,811	8,834	8,634	8,174	7,387	6,941	6,568	6,211	**6,292**	**6,649**	**7,063**	**7,186**	**4,625**	-35.6%
Gurugram									8,247	7,554	7,639	6,831	6,569	6,241	6,253	**6,382**	**6,113**	**6,455**	**6,592**	**5,179**	-21.4%
NOIDA[b]									7,496	7,752	7,416	6,724	5,964	5,429	5,281	**5,652**	**5,323**	**6,109**	**6,375**	**4,458**	-30.1%
Goa	2,676	2,754	3,086	3,985	4,804	5,801	6,255	6,271	5,613	6,056	6,162	6,513	6,692	6,819	7,020	**7,538**	**7,920**	**8,207**	**8,260**	**7,511**	-9.1%
Hyderabad	2,414	2,541	2,774	3,772	4,870	5,962	6,271	6,297	5,146	5,173	5,026	4,854	4,556	4,535	4,741	**4,880**	**4,924**	**5,377**	**5,654**	**3,995**	-29.3%
Jaipur	2,949	2,728	2,980	3,461	4,407	5,285	5,664	5,982	4,539	4,718	4,727	4,843	4,743	4,743	4,721	**4,787**	**5,051**	**5,347**	**5,500**	**4,405**	-19.9%
Kolkata	3,409	2,917	3,021	3,240	3,887	5,288	6,575	6,686	6,087	6,408	6,049	6,093	5,739	5,734	5,607	**5,814**	**5,904**	**5,830**	**5,934**	**4,199**	-29.2%
Mumbai[c]	4,932	4,184	4,356	4,822	6,041	8,738	10,932	10,679	8,428	8,194	7,923	7,550	7,158	7,230	7,353	**7,612**	**7,760**	**8,084**	**8,199**	**5,159**	-37.1%
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**	**4,484**	**4,943**	**5,070**	**4,105**	-19.0%

FIGURE 27: KEY OPERATING STATISTICS BY MAJOR CITY – RevPAR (₹)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19*	2019/20	2020/21	12-Month Change
Agra	620	600	1,216	1,720	2,028	2,777	3,068	2,790	3,227	3,758	3,400	3,605	3,827	3,988	3,510	**3,281**	**3,517**	**3,960**	**4,139**	**1,404**	-66.1%
Ahmedabad	1,252	1,164	1,523	1,904	2,150	2,394	3,189	2,908	2,642	2,327	2,347	2,098	1,967	2,024	2,159	**2,379**	**2,652**	**2,926**	**2,767**	**1,144**	-58.7%
Bengaluru	2,402	2,701	3,793	6,081	6,720	7,544	6,417	5,181	3,509	3,957	3,562	3,314	3,104	3,117	3,540	**3,688**	**3,979**	**4,190**	**4,527**	**1,254**	-72.3%
Chennai	1,997	1,880	2,213	2,708	3,407	4,017	4,616	4,210	3,546	3,785	3,629	3,263	2,795	2,844	2,990	**3,085**	**3,066**	**3,343**	**3,318**	**1,276**	-61.6%
New Delhi[a]	2,312	2,470	3,121	4,036	5,582	7,069	7,707	6,600	6,034	5,932	5,212	4,561	4,225	4,052	4,140	**4,367**	**4,691**	**5,089**	**5,259**	**1,890**	-64.1%
Gurugram									5,443	5,023	4,736	3,958	3,861	3,815	3,986	**4,230**	**4,152**	**4,414**	**4,627**	**1,622**	-64.9%
NOIDA[b]									5,547	6,256	4,164	2,985	3,193	2,604	2,692	**3,175**	**2,921**	**3,668**	**4,114**	**1,477**	-64.1%
Goa	1,434	1,666	1,830	2,491	3,257	4,223	4,516	3,829	3,654	4,100	4,220	4,488	4,601	4,752	4,928	**5,378**	**5,544**	**5,823**	**5,588**	**2,883**	-48.4%
Hyderabad	1,642	1,751	2,105	2,969	3,993	4,299	4,120	3,515	2,743	2,954	2,714	2,394	2,354	2,589	2,812	**3,107**	**3,264**	**3,760**	**3,972**	**1,361**	-65.7%
Jaipur	1,424	1,225	1,752	2,326	2,895	3,462	3,665	3,234	2,601	2,722	2,609	2,649	2,575	2,586	2,872	**3,082**	**3,414**	**3,650**	**3,641**	**1,512**	-58.5%
Kolkata	2,264	1,908	1,897	2,236	2,970	3,992	4,859	4,648	4,108	4,377	4,232	4,356	4,031	3,889	3,885	**4,121**	**4,143**	**4,067**	**3,957**	**1,286**	-67.5%
Mumbai[c]	2,565	2,653	3,036	3,472	4,603	6,807	8,155	6,473	5,268	5,113	5,050	4,856	4,795	5,194	5,420	**5,660**	**5,857**	**6,234**	**6,255**	**2,189**	-65.0%
Pune		1,848	1,933	3,042	4,084	5,440	5,522	4,661	2,957	2,311	2,135	2,248	2,243	2,359	2,573	**2,690**	**3,057**	**3,426**	**3,381**	**1,139**	-66.3%

FIGURE 28: KEY OPERATING STATISTICS BY MAJOR CITY – AVERAGE RATE (US$)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19*	2019/20	2020/21	12-Month Change
Agra	39	41	53	67	81	108	131	116	121	137	124	112	104	106	94	**82**	**82**	**86**	**88**	**57**	-35.3%
Ahmedabad	50	45	52	62	70	81	108	104	95	94	82	72	62	61	60	**58**	**65**	**69**	**61**	**46**	-23.4%
Bengaluru	79	78	105	166	197	239	244	207	138	149	131	109	89	88	83	**83**	**90**	**96**	**95**	**62**	-35.1%
Chennai	75	67	72	83	98	123	158	145	120	124	115	100	83	79	73	**71**	**75**	**77**	**73**	**49**	-33.1%
New Delhi[a]	92	85	93	114	155	211	259	214	185	189	170	136	114	107	96	**94**	**103**	**105**	**102**	**63**	-38.0%
Gurugram									173	166	159	125	108	102	96	**95**	**95**	**96**	**94**	**71**	-24.3%
NOIDA[b]									157	170	155	123	98	89	81	**84**	**83**	**91**	**90**	**61**	-32.6%
Goa	57	57	67	89	108	133	155	137	118	133	128	120	110	112	108	**112**	**123**	**122**	**117**	**103**	-12.4%
Hyderabad	51	53	60	84	109	137	156	137	108	114	105	89	75	74	73	**73**	**76**	**80**	**80**	**55**	-31.9%
Jaipur	62	57	65	77	99	121	141	130	95	104	99	89	78	78	73	**71**	**78**	**80**	**78**	**60**	-22.9%
Kolkata	72	61	66	72	87	121	163	146	128	141	126	112	95	94	86	**87**	**92**	**87**	**84**	**57**	-31.9%
Mumbai[c]	104	87	95	107	136	200	272	233	177	180	165	139	118	118	113	**113**	**120**	**120**	**116**	**70**	-39.4%
Pune		54	61	78	110	150	197	163	122	109	87	71	64	63	60	**63**	**70**	**74**	**72**	**56**	-22.0%
Exchange Rate	47.2	48.2	46.0	44.9	44.5	43.6	40.2	45.9	47.7	45.6	48.0	54.5	60.7	61.2	65.0	**67.1**	**64.5**	**67.2**	**70.5**	**73.2**	

FIGURE 29: KEY OPERATING STATISTICS BY MAJOR CITY – RevPAR (US$)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19*	2019/20	2020/21	12-Month Change
Agra	13	13	27	38	45	64	76	61	68	82	71	66	62	65	54	**49**	**55**	**59**	**59**	**19**	-67.3%
Ahmedabad	27	24	33	42	48	55	79	64	55	51	49	39	33	33	33	**35**	**41**	**44**	**39**	**16**	-60.2%
Bengaluru	51	56	82	135	151	173	159	113	74	87	74	61	51	51	54	**55**	**62**	**62**	**64**	**17**	-73.3%
Chennai	42	39	48	61	77	92	115	91	74	83	76	60	46	47	46	**46**	**48**	**50**	**47**	**17**	-63.0%
New Delhi[a]	49	51	68	90	125	162	192	144	126	130	109	84	70	66	64	**65**	**73**	**76**	**75**	**26**	-65.4%
Gurugram									114	110	99	73	64	62	61	**63**	**64**	**66**	**66**	**22**	-66.2%
NOIDA[b]									116	137	87	55	53	43	41	**47**	**45**	**55**	**58**	**20**	-65.4%
Goa	31	34	40	56	73	97	112	84	77	90	88	82	76	78	76	**80**	**86**	**87**	**79**	**39**	-50.3%
Hyderabad	35	37	46	66	89	99	102	76	58	65	57	44	39	42	43	**46**	**51**	**56**	**56**	**19**	-67.0%
Jaipur	30	26	38	52	65	79	91	70	55	60	54	49	42	42	44	**46**	**53**	**54**	**52**	**21**	-60.0%
Kolkata	48	40	41	50	66	91	121	101	86	96	88	80	66	64	60	**61**	**64**	**61**	**56**	**18**	-68.7%
Mumbai[c]	54	55	66	77	104	156	203	141	110	112	105	89	79	85	83	**84**	**91**	**93**	**89**	**30**	-66.3%
Pune		38	42	67	91	125	137	101	62	51	45	41	37	39	40	**40**	**47**	**51**	**48**	**16**	-67.6%
Exchange Rate	47.2	48.2	46.0	44.9	44.5	43.6	40.2	45.9	47.7	45.6	48.0	54.5	60.7	61.2	65.0	**67.1**	**64.5**	**67.2**	**70.5**	**73.2**	

**The 2018/19 performance has been modified based on the updated data collated for this survey*
[a]Delhi NCR data (Shaded Portion) from 2001/02 to 2008/09; New Delhi (without Gurugram, NOIDA and Greater NOIDA) data from 2009/10 to 2020/21
[b]NOIDA data includes Greater NOIDA
[c]Mumbai data includes Navi Mumbai

Source: Industry Sources and Hotelivate Research

CITY TRENDS

AGRA

A part of the India's famous Golden Triangle, Agra and its hotels have long depended on the Taj Mahal. Historically a two-night destination, Agra more recently converted to a one-day stopover destination, because of better road access from major cities and the increasing realisation that, other than the Taj Mahal and the Agra Fort, the city had not much more to offer, for travellers to spend an additional night. This shift in the average length of stay caused hotel owners and operators to get creative and broaden their demand segmentation. Holding on to the "Taj Mahal Aura", hotels now began to market themselves as a getaway destination for weddings and corporate retreats, allowing Agra to breach the occupancy threshold of the late fifties and early sixties.

In FY20, Agra's marketwide occupancy closed at 66.7% and average rate at ₹6,204, its highest in the last five years. Agra's 2.3% dip in occupancy over FY19 can be attributed to the slowdown in international travel between January 2020 to March 2020, as well as the cancellations in corporate events and offsites during the same period due to the early effects of COVID-19.

Despite facing the brunt of the COVID-19 pandemic, hotels in Agra stayed afloat on the back of the city's status as a leisure destination. The one thing that worked in the city's favour was the short driving distance from Delhi NCR and Lucknow, allowing for staycations and brief getaways. Its proximity to the bigger cities of Delhi, Lucknow, Prayagraj, etc., also permitted the market to host intimate destination weddings. While these events may not have generated a large number of room nights for the hotels due to the capping on the number of persons per event, it allowed for some revenues which were lost during the initial months of FY21 due to the lockdown. Despite the embargo on international travel and domestic travel (for a large part of the year), the Agra hotel market was able to achieve an occupancy of 33.7% at an average rate ₹4,170.

In the short to medium term, Agra is expected to witness an influx of 734 rooms of which 31% are under active development. Given the city's already small base of existing rooms, the addition of these new rooms is expected to put Agra's marketwide occupancy under pressure.

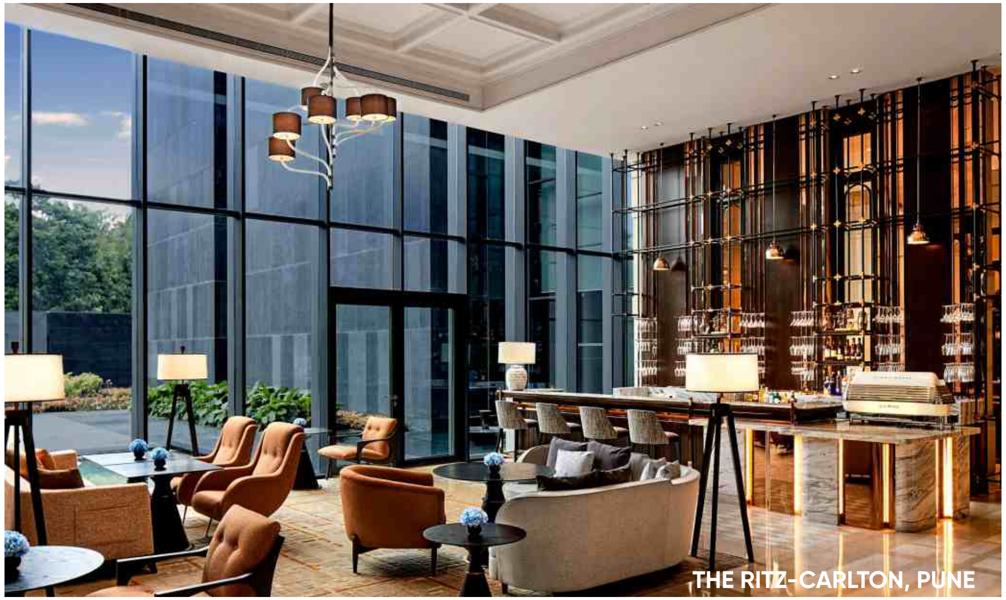
AHMEDABAD

Ahmedabad's hotel market, which has primarily depended on Commercial business and M.I.C.E., has seen a significant decline in marketwide occupancy (-48.0%), ARR (-20.4%) and RevPAR (-58.7%). Having said that, as the regulations ease and businesses return to normal, these key metrics will slowly revive.

HOLIDAY INN, AGRA


GRAND MERCURE, GANDHINAGAR GIFT CITY

RAMADA, NEW DELHI



THE RITZ-CARLTON, PUNE

The reeling industry is set for a much-needed boost through government initiatives and corporate developments. Having been declared India's first heritage city by UNESCO, Ahmedabad has identified and developed multiple destinations and sites to attract tourists. These efforts had boosted its room night demand over the past many years. There continue to be planned and ongoing developments in the city including the Metro Rail project, Ahmedabad-Mumbai Bullet Train and Delhi-Mumbai-Industrial-Corridor; three million square feet of proposed office space; and new mega exhibitions and expos (Defense Expo 2022, ENIGMACH 2021 and Travel & Tourism Fair 2021). These developments and large-scale events are expected to act as catalysts aiding the recovery of business travel and corporate M.I.C.E events. That being said, supply pressure of almost 1,000 rooms on a market with a base of less than 4,000 rooms shall not allow for a runaway success. The market has remained rate sensitive, and the addition of big box supply will further add strain to its future growth potential.

BENGALURU

Bengaluru – India's Silicon Valley, is considered to be the second largest start-up capital in the world. It is also one of India's most complex hotel markets, a feature deriving from the multiple micro-markets created within the city, each operating with a negligible demand overlap with the other. That being said, the city's near-binary reliance on IT & ITeS related demand for room nights has not boded well for Bengaluru. Having displayed persistent growth in RevPAR over the past seven years on the back of growing commercial demand, Bengaluru suffered a drastic drop in room night demand as a result of the pandemic; moreover, annual net absorptions recorded a 63% decline with occupier exits as part of rationalising, causing a spike in office vacancy levels.

It is interesting, but not surprising, to note that amongst the top 13 cities tracked by Hotelivate, Bengaluru recorded the highest decline in occupancy (58.9%) and RevPAR (72.3%). The nationwide lockdown, flights ceasing operations, and the pressure caused by new hotel openings played a key role in this decline.

As for new supply, there are approximately 4,000 rooms being actively developed in the two to five-year horizon, with most of them in the Mid-Market, Upper Mid-Market and Upscale positioning. While office space absorption has begun to display some growth, we believe that it may take a few months until the IT sector resumes full operation. Therefore, we expect a slow and gradual recovery for Bengaluru spread over a period of two to three years.

CHENNAI

While Chennai is considered a metropolitan city, it is yet to mature as a hotel market owing to its particularly price-sensitive nature. The automobile and manufacturing sectors have played a pivotal role in building Chennai's economy and have added impetus to the growth of its hospitality industry. Chennai can be bifurcated into the following micro-markets, defined by their distance from the city centre: Chennai City, Sriperumbudur & Oragadam, Old Mahabalipuram Road and East Coast Road. While every other micro-market bore the brunt of the pandemic, Sriperumbudur and Oragadam cushioned their occupancy with

BCP (Business Contingency Plan) business. This business was generated by blue-collared workers required to keep plant and machinery running in manufacturing plants. While the entire city witnessed a 61.6% decline in RevPAR and 44.7% decline in occupancy, Sriperumbudur recorded a ~7% and a ~16% dip in occupancy and average rate, correspondingly.

While markets dependent on IT & ITeS demand have suffered considerably, others like Chennai have been able to reap the benefits of sustained demand from the manufacturing sector. The 'Make in India' initiative, coupled with several companies eyeing the Indian manufacturing belts as a worthy alternative to China have boded well for micro-markets like Sriperumbudur.

There are a meagre 550-odd rooms proposed, of which 57% are under active development over the next two to four years. Further, we do expect the corporate demand to gradually revive in the short term. Therefore, limited supply entering the market coupled with gradual recovery in demand pose a positive outlook for this market in the medium to long term.

NEW DELHI

New Delhi's hotel market had steadily grown over the recent past to reach an occupancy of 73.2% in 2019/20 with an ADR of ₹7,186. Catering mainly to corporate FIT demand stemming from government enterprises and PSUs, embassies, small businesses and multinational firms, Delhi's hotels across positioning and micro-markets function somewhat in silos with respect to each other. The city has also seen a significant contribution from Corporate and social M.I.C.E. segments, followed by Extended-Stay and Leisure demand.

As an outcome of the pandemic, the Central and South Delhi micro-markets saw their occupancy drop drastically due to embassies and government offices being shut, and corporate travel being negligible. These hotels have had to seriously reinvent themselves to pull in staycation leisure demand, something they had never catered to before. Most hotels added games rooms and reworked the way they receive and host guests to accommodate families and children. The Aerocity hotels, however, were able to initially capitalise on their location and proximity to the airport to capture repatriation and Vande Bharat Mission demand as well as quarantine business created by travellers arriving at the Indira Gandhi International Airport. In the longer run, of course, these hotels too have begun catering to leisure demand and now benefit from relatively higher occupancies on weekends.

Another customer segment that contributed to demand was M.I.C.E. While corporate M.I.C.E. almost disappeared, social M.I.C.E. at hotels became more popular owing to availability of space as well as the perception of hotels as being safer and more hygienic venues. Hotels that had traditionally shied away from accommodating events now went out all out to embrace this new demand segment. Overall, New Delhi was able to record the nation's second highest occupancy at 40.9% with an average rate of ₹4,625.

WELCOMHOTEL PINE-N-PEAK, PAHALGAM

New Delhi currently has highest inventory in the country; however, as per Hotelivate, a mere 836 rooms are in the supply pipeline over the coming five years. Of these, 85% are under active development, and across all market segments. Going forward, New Delhi being the National Capital, recovery in terms of both occupancy and average rate is certain and only a matter of time. With the green shoots of corporate travel as well M.I.C.E. already visible at hotels, we continue to maintain a positive outlook for the market.

GURUGRAM

One of the strongest commercial markets in India in recent years, Gurugram has witnessed negligible inventory growth over the last two years, increasing only by a little over a hundred rooms. The city's hotel market displayed positive growth across all performance parameters in 2019/20, reaching the 70% occupancy mark for the first time. Home to several global giants, Gurugram has over 70 million square feet of office space and is highly dependent on corporate travel, as is evident from the steep decline in

HAWTHORN SUITES BY WYNDHAM, DWARKA

performance during 2020/21 which was the peak of the COVID-19 pandemic. The city witnessed the third highest decline (55.4%) in occupancy of the 13 major markets tracked by Hotelivate, after Bengaluru and Pune. Coupled with the 21% drop in marketwide ADR, RevPAR for the market stood at only ₹1,622, a 65% decline over the ₹4,627 recorded in 2019/20. Some hotels did cater to Extended-Stay business, generated from the Vande Bharat Mission which commenced in early May. However, the hotel market struggled during the initial few months post the lockdown, with companies continuing to work from home. That being said, as was the norm across India, hotels picked up some staycation business, but this was still not enough to fill the void left behind by the disappearance of corporate travel and M.I.C.E.

Towards the last quarter of 2020 and Q1 2021, hotels did house smaller weddings, allowing the overall market to clock an occupancy of 31% in 2020/21. Going forward, we expect Gurugram's recovery to be gradual and spread over three to four years. The city also has a little over 2,300 rooms in the pipeline of which 85% are actively under construction and likely to open within the next five years.

NOIDA

NOIDA (including Greater NOIDA) has grown steadily over the past decade to become a hub of industrial activity. The city has delineated commercial and residential zones, including the 100% export-oriented NOIDA Special Economic Zone. Civic authorities in the recent past have created the NOIDA Software Technology Park and the InfoTech Park that currently houses offices of approximately 150 major companies. The state government has also been making concentrated efforts towards developing the city's infrastructure and making the area more conducive for investments. The impact of NOIDA's infrastructural development and economic growth can be felt on the city's hotel market. Over the last decade, for NOIDA, hotel development has been fairly robust. Between 2011/12-2019/20, the market's overall inventory increased by approximately 13%, with the opening of several new properties in the area across multiple positioning. The growth trajectory of NOIDA was visible through its performance in FY20. The market witnessed growth across all parameters with the marketwide occupancy almost at 65% and the marketwide average rate nearly touching the ₹6,400 mark, thus translating into a RevPAR of ₹4,114, the highest ever since 2012/13.

However, much like India's other corporate markets, in FY21, NOIDA was adversely impacted due to its reliance on the Corporate, M.I.C.E and Extended-Stay segments as well as its dependence on the annual exhibitions and expositions which came to a halt. Post the announcement of a nationwide lockdown during the last week of March 2020, the hotel market of NOIDA came to a standstill as domestic corporate travellers stopped coming into the city. Even after the lockdown was partially lifted and government had allowed travel, companies chose to continue to 'work from home' and limit travel to office unless it was an absolutely necessity. Additionally, NOIDA's corporate M.I.C.E segment also witnessed a further reduction in demand due to the limitations on the number of guests allowed at an event. With the city coming to a halt, thus causing many hotels to completely cease operations for four to six months, coupled with the slow pickup across the various demand segments, NOIDA in 2020/21 witnessed a 48.7% decline in occupancy and a 30.1% drop in average rate, leading to the city recording its lowest RevPAR of ₹1,477 in over 12 years.

Going forward, NOIDA is expected to add 1,889 rooms over the next five years. While this is a 133% increase in supply, it's important to note that only 60% of the proposed rooms are actively under construction. The market will continue to remain under pressure due to the addition of supply, and we believe the market will recover in the medium to long term, albeit at a slower pace when compared to its peers.

GOA

Well on its way to crossing the 73% occupancy threshold after nearly 15 years of stable performance, Goa's hotels and resorts saw their occupancies decline for the first time in

the last quarter of 2019/20. As international travel ceased, Goa's 2019/20 occupancy closed at 67.7%, the lowest in 10 years. Despite this, the market witnessed its highest ADR ever at ₹8,260.

Hotel markets in India's leisure destinations were like a breath of fresh air amidst the gloom of the pandemic. While travellers welcomed the opportunity to get away from the confines of their homes, hotels and resorts in Goa welcomed them with open arms from September 2020 post the nationwide lockdown. Intimate destination weddings suddenly became more affordable, and Goa became an obvious choice. Some corporate employees who were working from home also chose to travel to Goa for extended periods thereby contributing to the long-stay segment. Goa's peak season (October-March) was able to help the market cover-up for lost occupancy during the lockdown months better than most other markets leading to the state witnessing the lowest drop in occupancy (-43.3%) and average rate (-9.1%) across the major 13 markets tracked in this report. Goa recorded a marketwide occupancy of 38.4% with an average rate of ₹7,511 in 2020/21.

Over the last 10 years, Goa has witnessed a shift from being a foreign leisure driven market to becoming one driven predominantly by domestic holiday-goers instead. This comes with the upside of volume of demand; however, this customer segment is typically more price- and value-conscious. With over 7,000 existing rooms, Goa is set to add its largest pipeline ever, with nearly 3,200 rooms expected in the next five years. Of this inventory, 63% is under active development with over 72% in the Budget-Upper Mid-Market positioning and expected to cater to a domestic audience. A mere 7% of supply is being developed in the Luxury space.

While Goa has reaped the benefit of foreign travel not being an option for most domestic travellers, with competitive markets such as Sri Lanka and Bali planning to reopen in the coming months, hotels and resorts in this market may need to continue reinventing, to attract and retain this new-found incremental domestic demand. Goa also looks forward to the return of foreign leisure clientele that were adding useful revenue dollars to the state. Overall, the road to recovery for Goa appears to be a shorter and less rocky one as compared to most urban markets in the country.

HYDERABAD

The hotel footprint in the city of Nizams has increased significantly in the last 15 years. From operating with ~1,800 rooms in 2006/07, the city's supply grew to 7,420 rooms in 2020/21. Despite this, occupancy across Hyderabad's hotels had been on an upward trend, reaching a 13-year high of 70.3% in 2019/20. Notably, marketwide ADR breached the ₹5,600 mark after 11 years. This strong performance is owed to the city's emergence as a corporate hub for pharmaceutical, chemicals, manufacturing, aviation and other industries, with large international and domestic brands setting up regional headquarters here and a constant increase in inbound travel. Sadly, these new records were not meant to be broken.

The COVID-19 pandemic brought with it significant decline in both occupancy and ADR for 2020/21 as Hyderabad's base demand of international corporate travellers reduced owing to the blanket travel ban in the country. As domestic corporate travellers also stopped coming to the city post the nationwide lockdown put into place on the 24th of March 2020, the occupancy and ADR for the city dropped further, causing many hotels to completely cease operations for four to six months. The hotels that did remain open catered to repatriation and Vande Bharat business along with offering an abode to medical professionals and patients requiring quarantine facilities. With limitations on the number of guests allowed at social M.I.C.E. events leading to further reduction in demand and with some amount of locally generated staycation business keeping hotels afloat, albeit at a relatively lower ADR, the city of Hyderabad witnessed an overall decline of 51.5% in occupancy and 29.3% in ADR in 2020/21, leading to the city's lowest RevPAR in over 20 years.

With ~800 rooms in the pipeline, of which ~49% are actively under construction, the city is expecting to add almost equal number of rooms in the Luxury and Upscale positioning as well as Upper Mid-Market space in the coming five years. With proposed supply being at an all-time low, there is significant developer interest, especially towards the blossoming Gachibowli and Financial District areas, as the State Government continues to support infrastructural development in these areas and companies, particularly in the

pharmaceutical, paints and chemical industries looking to move their headquarters to the city.

Going forward, market performance is expected to revive and then remain stable with a focus on increasing the average rates. As the city progresses economically, along with ongoing infrastructure developments such as the airport expansion project and the Metro project, marketwide occupancy is likely to see an increase. Additionally, the formation of micro-markets is aiding the supply-demand equilibrium in Hyderabad. The city continues to grow towards the Gachibowli and Financial District areas and with essential travel for engineers, real estate and pharmaceuticals starting, the short to medium term horizon for Hyderabad's occupancy looks positive. Hotelivate remains hopeful that with a revival of corporate FITs, the average rates will also begin to recover.

JAIPUR

The hotel market in Jaipur had been on a growth trajectory from 2013/14 to 2018/19 despite the market's overall inventory going up by a fifth during the same period. While 2019/20 saw an increase in ADR and near similar RevPAR when compared to the previous fiscal, the minor drop in occupancy can be attributed to the slight dip in demand in the last quarter of 2019/20 due to the onset of the COVID-19 pandemic. The city has always been one of India's strongest leisure destinations, emerging as a popular destination for weddings and corporate M.I.C.E. over the past seven to ten years, aided by the development of Upper Upscale/Luxury resorts across the Kukas belt, which cater primarily to this demand segment. Moreover, while the Upper Upscale/Luxury segment of city-centre Jaipur hotels has historically been dominated by foreign leisure FITs and Groups during season time (October to March), the domestic contribution has increased drastically over the last few years.

Due to the market's leisure orientation, Jaipur did not suffer as badly as some of the commercial markets during 2020/21, displaying only a 20% decline in ADR (over 2019/20) in comparison to major corporate locations which witnessed an ADR decline between 30-37%. Furthermore, Jaipur was among the first few destinations to open post the first nationwide lockdown announced in late March 2020, with some hotels opening by the end of June and others by July. In line with other markets and the overall sentiment of the country, hotels saw an influx of staycations. However, true to Jaipur's nature, the city also saw demand pour in from Delhi NCR and neighbouring cities in the initial months post the lockdown, from people looking to get away from the confines of their own homes.

Foreign travel ceased due to the international travel bans in place, with travel restricted only to 'bubbles', while limitations on the size of social events and the ban on conferences resulted in overall occupancy for 2020/21 declining by almost 50%. Going forward, almost three-fourth of proposed supply is in the Luxury and Upscale space, which is further expected to boost the average rate of the market once operational. Overall, we expect the Jaipur hotel market to show a steady recovery over the next few years.

KOLKATA

India's cultural capital, which had remained a victim of political instability for years, has gradually evolved into a relevant metropolitan city and noteworthy contributor to India's economy. The city of Kolkata is today a hub for corporate FIT and M.I.C.E. demand emanating from India's north-eastern states, with major industries choosing to locate their regional offices here and convening their dealer meets and other regional conferences at one of the city's many convention facilities. As the areas of New Town and Rajarhat towards the north-eastern part of Kolkata develop, the traditional PSU and small-business driven demand from the CBD area is being outrun by demand from MNCs and other corporates.

With approximately 1,200 more rooms in the market since we last published, Kolkata's fairly stable occupancy took on a downward turn in Q4 2019/20, owing to mass cancellations of M.I.C.E. events, and eroded by 54.1% in 2020/21 when compared to the previous fiscal. April 2020 brought with it a nationwide lockdown, and most hotels were forced to cease operations. The aftermath of the pandemic has resulted in corporate demand close to vanishing, smaller and relatively infrequent social M.I.C.E. functions and a small yet significant increase in staycation and leisure demand. Consequently, the stable average rate that Kolkata's hotel market had been able to hold on to even in 2019/20, fell by 29.2%, bringing Kolkata to the third position of the four traditional metropolitan cities in India.

As the influx of multinational companies continues and with businesses from the north-eastern states setting up offices in Kolkata, demand for hotels rooms at the lower end of the spectrum is now more than ever before. With a good many Luxury and Upscale options available in the market, we now see a pipeline of approximately 900 rooms of which 55% are under active development and over 60% are positioned in the Budget-Upper Mid-Market space. With continued restrictions on the number of people attending events due to the pandemic and with most MNCs preferring to work from home, the future of Kolkata's hotel market in the immediate term looks bleak. However, Hotelivate believes that the vision of the State Government to transform Kolkata into a convention city on the eastern coast of the country will bear fruit in the medium to long term.

MUMBAI

With an ADR of ₹8,199 and an occupancy of 76%, Mumbai continued to be the top performing market in the country in FY20. Mumbai's hotel market relies heavily on corporate travel and Extended-Stay clientele. Moreover, across all segments, foreigners make up a significant portion of Mumbai's hotel demand. Unsurprisingly, Mumbai took a worse beating than most other destinations due to the chaotic disappearance of business due to the pandemic. In addition to the city's hotels operating as quarantine centres, the density of branded hotel supply in the city saw a price cutting frenzy as hotels, across positioning, grabbed at the little business to be had. The result was that, of the 13 major hotel markets of India, Mumbai's ADR had the most significant decline (37.0%). Despite this, however, only Goa and Gurugram were able to close out FY21 with a higher ADR. The silver lining perhaps was that these discounted rates enabled Mumbai's hotels to cater to a larger proportion of low-paying customers and somewhat limit the decline to occupancy.

In line with all other urban markets, social M.I.C.E and staycation-type business was a much-needed injection into the top-line of the city's hotels. In terms of supply over the next few years, 3,105 rooms are expected to enter the market and exert some pressure on the city's performance recovery. Interestingly, all types of positioning, barring Mid-Market, have found nearly equal representation (over 20%) in this proposed supply, which will further improve the market's ability to cater to segments at all price points. Mumbai is also set for some infrastructural changes. The Aqua Line 3 of the Mumbai Metro, also known as the Colaba-Bandra-SEEPZ Line, is a part of the metro system under construction. Upon completion, the 33.5km line will be the first underground metro line in Mumbai connecting the business district of Cuffe Parade in the extreme south of the city to Santracruz Electronics Export Processing Zone (SEEPZ) located in the north-central part of the city. The Mumbai Metropolitan Region Development Authority (MMRDA) is also in the process of drastically reducing travel time between South Mumbai and Navi Mumbai with the construction of the 21.8km Mumbai Trans Harbour Link (MTHL). Once completed, the MTHL will be the longest bridge/sea link in India comprising of a six-lane access-controlled sea bridge with a route alignment connecting Sewri in South Mumbai with Chirle in Navi Mumbai. While the sea link will likely be operational by 2023, this has the potential to act as a game changer for South Mumbai as well as aid significant development in Navi Mumbai.

About ~11.5 million square feet of commercial space is expected to be developed in the city by 2023. The large congregation of companies present in Mumbai in conjunction with the revival of international flights and inbound travel will allow for a swift recovery. The intense competition in the market will surely prevent the slow-paced increase in ADR from transforming into a sprint but the fabric of our financial and entertainment capital should allow for optimism. The best performing market in India may well be the first urban one to ultimately bounce back.

PUNE

Pune was on course to continue improving its performance in FY20. However, with Maharashtra being one of the first Indian states to report COVID-19 cases, the adverse impact on the hospitality industry was compounded by Pune's heavy reliance on its Commercial and Extended-Stay segments. While the nationwide lockdown only came into place in March, corporate travel had already begun to react to the global crisis, which is representative in the 3.8% decline in FY20's occupancy. The increased supply of 500 rooms in FY20 would have also contributed to this decline. Though FY20's ADR represents an improvement over FY19, the damage caused by the drop-off in business in the final quarter of the fiscal limited this improvement to 2.6%.

Needless to say, the real magnitude of the pandemic's effect was felt in FY21. While leisure destinations experienced some relief, Pune, being an urban market, enjoyed some cash inflow from social events and staycations. With the strict norms around event capacity, these gatherings yielded little to no room nights for hotels and, therefore, did not help improve either the hotels' occupancy or ADR. Similarly, while the staycation business helped with the hotel's occupancy performance, the significant motivator for this segment was the discounted rates which hotels were forced to offer. With all these factors in play, it is truly remarkable that the hotels in Pune worked in conjunction to avoid a price war and limit the erosion of the ADR to just 19.0%. In fact, of the 13 markets, only Goa had a lower decline in ADR. The 58.4% decline in the city's occupancy is a function of multiple factors including lockdowns, travel bans, the nature of the city as an urban market and the commitment of the hotels to maintaining their ADR. With all these forces in play, this, unfortunately, represents the second largest decline in occupancy across the 13 markets.

With less than 270 rooms currently under active development, the slowdown in Pune's new supply will help the existing players recover. Developments in the city include work on a new terminal building at the Pune International Airport, along with a multi-level parking. The overnight runway carpeting work which began in October 2020 is ongoing and flight movement between 8pm and 8am remains restricted. There is also news of a new international airport spread over 2,000 hectares at Purandar; however, no concrete development timeline has been established yet. Work on the Pune metro is underway, and its completion will be a much welcome addition to the city's public transport network. There is also ~14 million square feet of Grade-A office space expected to be developed in the city by 2023. There is a definite paradigm shift in the works concerning the need for physical office spaces. Despite this, companies like bp and QuEST have announced new Digital Hubs to be based in Pune. We remain optimistic that the growing density of companies in the metropolitan city will allow for a swift recovery when there is semblance of normality in business travel and corporate M.I.C.E.

FUTURE TRENDS & OPPORTUNITIES

01 Wellness And Wellbeing

Wellness has been important to mankind from time immemorial, but it has gained formal acceptance in the last few decades. Although alternatives to Allopathic treatment existed the world over, they were often looked upon as traditional, indigenous methods. Also, wellness largely included just physical wellbeing, or the absence of physical disease and it is only in recent times that the term has been expanded to include mental and social wellbeing as well. In the early 21st century, wellness as a concept began to gain momentum, especially in the western world, and consumers started to become more conscious of their purchases, lifestyles, and overall wellbeing. It is in this era that we saw hotel brands beginning to offer wellness-oriented products as part of their portfolios. Independent wellness resorts and retreats also took advantage of this changing trend and are now a widely seen feature, particularly in the South Asian region.

Traditionally, the demand for Wellness and Wellbeing offerings within India's hospitality sector (in the form of retreats, yoga centres, wellness resorts and ashrams) was dominated by the Foreign Leisure segment. However, since the ban on inbound travel, these establishments have witnessed a significant increase in Domestic Leisure demand, not only due to lack of travel options but also owing to rising awareness amongst domestic travellers. Ananda in the Himalayas, Atmantan, Pema, Niraamaya, Mekosha and several other brands have seen interest peaking from the domestic diaspora. The property at Fort Barwara set to open in Rajasthan later this year, with the Six Senses brand entering the Indian hotel market, and other wellness brands beginning to show serious interest validates the claim that wellness tourism in the Indian hospitality space is not just here to stay but may well begin catering to a domestic audience as well.

02 "Country Roads, Take Me Home!"

The much used & abused term – revenge tourism – had a logical basis. Indians travelled in India almost like never before. Even in corporate destinations, the little business which hotels enjoyed was in the form of staycations or social M.I.C.E events. Nonetheless, it is our view that this has been an opportunity for the domestic traveller to (re)discover that all the allure, charm, beauty, and luxury of international destinations is also available in their own backyard. People explored retreats across the country, unknown destinations, hidden villages and nature's marvels. While this trend of "pausing", "reflecting" and "rediscovering your roots" may have started due to the pandemic, this is a trend that is here to stay. Accommodation options which immerse customers in the local culture will continue to be a popular choice. While a return to some semblance of normalcy with international travel and corporate travel resuming will now cause a correction in the segmentation and rate charts, Hotelivate expects this trend to spill forward with domestic travellers representing a larger, higher paying segment than before.

03 Staycations And Workcations

As the number of new COVID-19 cases began to drop, travellers were itching to get out of the house to vacation and socialise. This drove people to escape their houses by opting for a 'Staycation' and spending a weekend or a few days at a nearby hotel. As we slowly learnt that it will be a while before corporate offices and colleges get going, the idea of 'work from home' quickly translated into 'work from anywhere' as droves of people left homes to stay in homestays and hostels for long periods of time and enjoy a 'Workcation'. The recently launched Dekho Apna Desh is one such campaign launched by the Ministry of Tourism in December 2019. Under this campaign, all individuals who are interested in travelling around different parts of India, can take a pledge to travel to any 15 tourist destinations listed under Incredible India by the year 2022. Companies and corporates remain apprehensive about opening large office spaces and are re-defining 'essential travel'. All the while, an increasing number of educational institutions are adopting blended learning formats and focusing on in-person interaction for classes and modules which deem it necessary. Thus, even as we hope this pandemic is behind us as soon as possible, 'Staycations' and 'Workcations' may be here to stay and, for now, remain an interesting trend for the future of Indian hospitality.

04

“Home(Stay) Away from Home”

While the debate around Airbnb and other homestays being a serious competitor to hotel companies might have been a discussion a few years ago, it is now a moot point. Homestays are here to, well, stay - and they are making a genuine case to develop into the preferred choice of accommodation for a meaningful section of travellers. Be it the workcationing millennials who are driving the 'work from anywhere' culture, the now exponentially larger segment of hygiene-sensitive travellers or the authentic experience seekers, the decision to stay at a homestay has gained significant momentum. Homestays offer off-beat, cozy, unexplored, experiences with a greater extent of local immersion and a do-it-yourself feel. From houses built in the British era and unconventional homes owned by designers, to buying groceries at a local kirana (grocery) store and feasting on local delicacies, travel-deprived Indians are lapping up the opportunity to use alternative accommodation options that allow them to explore new places in a more intimate manner.

Homestays offer the benefit of fewer guests using the facility by virtue of the establishments being significantly smaller in inventory than traditional hotels. Many Homestay owners also add a personal touch by reaching out to guests prior to arrival and offering to plan out itineraries and assurances of safety measures in place thereby adding to the guest experience. Such lodgings are pet-friendly as well. For a long-staying guest, Homestays can turn out to be an efficient and pocket-friendly option if one chooses to make use of the kitchen facilities. They also tend to offer a more relaxed feeling of a 'home away from home'. The government's 'Incredible India Bed and Breakfast/Homestay' scheme has provided a boost to the segment by creating clear guidelines on the process for a homestay to be registered, licenced and classified as either 'Gold' or 'Silver'. In recent months, Hotelivate has created several Homestay feasibility studies and business plans for a number of clients. With their competence in hospitality, loyalty programs and powerful distribution network, we will very soon have a collection of branded homestays operating alongside the new age homestay-only brands and the unbranded homestay segment. As the standards of hotel companies creep into the Homestay experience, this trend is definitely one to watch as this market grows and develops.

05

“Adversity brings out the best in man (and Company)”

The hotel industry in India, and indeed worldwide, was sucker punched by the COVID-19 pandemic. With no end to the revenue drought in sight, it was not long before unpaid leaves morphed into mass furloughing of hospitality staff. It soon became apparent, however, that slashing the “variable” costs of the hotels would not suffice. Industry stakeholders at all levels began examining every inch of their value chain in the hopes of altering it or smashing it altogether. Hotels with high diesel costs have finally been able to begin the transition to better, renewable, and cheaper (in the long-term) sources of energy. IoT technology has interesting applications for energy management in hotels as well to help them not only reduce costs, but also their carbon footprint. There is, perhaps, limited flexibility in the ability for lease/rent agreements between landowners and hotel companies to drastically change but should there be a creative way to alter them, this period is our best chance to discover it. On the matter of payroll, simply reducing staff is the basic way to control the cost. However, clustering of hotels and exploring innovative organisational hierarchies has the potential to redefine the organisational structure of a hotel. Additionally, the damage caused by the pandemic brought to the fore the demands which industry stalwarts have been making for years now and the government has had to take notice. From the Emergency Credit Line Guarantee Schemes to the announcements related to easing the process of visa applications, availability of sponsored visas on arrival and so forth, have signalled that the government is finally taking note of the need for our sector to make a swift recovery. Safe to say, cost structures and organisational hierarchies in the hotel industry are in a state of flux. We will continue to follow the development of this trend in the hope that hotel companies find their way to becoming smarter and more agile.

06

Hotel Cloud Kitchens

Our overarching themes and trends this year pertain to hotel companies re-evaluating every aspect of cost and space utilisation within their properties, while exploring any possible source of revenue. Lo and behold, the COVID-19 pandemic struck, and food and beverage outlets from hotels across positioning were listed on Swiggy, Zomato and other aggregators. Existing menus developed into curated packages as online food delivery numbers soared, and hotels wanted a share of the pie. IHCL launched their Qmin app and Marriot on Wheels gave you the chance to enjoy food and beverage offerings from the largest hospitality company in the country. While most hotels would not have accounted for such a revenue source, some had jumped onto the train pre-COVID. Going forward, there is no doubt that hotel companies will continue to compete in the food delivery space. The trend to look for, though, is how aggressively these companies will be able to compete once business is back to normal. Regardless of how this trend develops, the nature of food and beverage in hotels is on course for an exciting, new look.

07

Sub-Leasing Spaces: "Bang for your buck"

This is not a new idea. Traditionally, it was not uncommon for hotels to contain a retail store, salon, spa or even a food and beverage outlet which was operated by an external party. However, this is featuring on our list of trends, as the value chain examination made every source of and space for incremental revenue important. Hotels with a large inventory converted rooms into comfortable offices while larger blocks in the hotel were leased out as co-working spaces. A traditional hotel or hotel company would have been extremely fussy about which kind of product would be suitable in a sub-leased space in the sense that it should not affect the overall aesthetic or dilute the brand's image. However, the rise of lifestyle, millennial brands have already shown that the established rules of the game are changing when it comes to hospitality. Hotels with no all-day dining and, instead, grab and go kiosks or hotel front desks which double up as a bar already exist. The need for creativity is higher now more than ever and Hotelivate expects hotel brands to explore unique experiences to optimise the revenue from sub-leased space. As 'funky' and 'cool' concepts begin to gain momentum, hotels with unconventional food and beverage offerings, virtual reality products, smarter and more flexible room designs are already among us. Again, smarter and more agile has to be the focus of hotels and finding the most optimum space utilisation or sub-lessees would undoubtedly bring us closer to that goal.

08

Contactless Hospitality

Four to five years ago, international hotel chains introduced the online check-in feature and check-in kiosks at some of their city hotels in India. While some hoteliers felt this took away from the essence of hospitality – the human touch that made all the difference – others understood the need of corporate travellers to enjoy a hassle-free and quick check-in experience after a long day at work. Little did the hotel brands know then that this would not remain a matter of convenience but become one of necessity only a few years later.

In order to adapt to the ever-changing environment in a post-COVID world, services which limit human interaction - especially in crowded places - are gaining traction. Contactless hospitality is the future, and more and more hotels are adopting this in their day-to-day operations. The main challenge with contactless hospitality lies in minimising the physical interactions while maximising the guest experience. Over time, this contactless paradigm has become an expectation.

With the aim to provide a restricted-contact environment, in the guest room, the compendium has been removed and loaded onto the television instead in the form of a QR code. Hotel restaurants have eliminated physical menus and replaced them with QR codes that can be scanned on the guest's phone and payments can now be made using UPI/wallet payment apps in many cases. Some hotels have gone a step further and spruced up their parking lots in order to encourage guests to self-park instead of using valets.

We can already see the increasingly important role played by virtual assistants, IoT and chat bots. But they are just the tip of the iceberg, with big data and data analytics coupled with artificial intelligence and machine learning opportunities to create in-depth consumer profiles, micro-segmentation, greater personalisation and one-to-one marketing possible. Hospitality has principally been a labour-intensive industry, but it is slowly transitioning towards a hybrid model with technology being as important as the human capital. Undoubtedly, human touch will still play a significant role in defining the guest experience, but with fewer touchpoints and ensuring guest satisfaction, a larger part of the guest stay would be managed through technology. It is necessary to strike a balance to ensure that this digitalisation does not cause a disruption due to non-user-friendly technology while also keeping in mind that it will be used by guests across all age groups.

IN CLOSING

While the second wave of the COVID-19 outbreak was severely devastating, its peak lasted for a shorter period than the first. Fears of a third wave continue to loom. Suffice to say that we are not out of the woods just yet. That being said, many European nations have opened their doors to and from India. Access to Sri Lanka, the UAE and some travel to the United States too has resumed. Major urban markets across the nation have begun witnessing room-night demand from corporate & M.I.C.E. travellers sooner than they had imagined. A bounce in the step of our industry may be a little while away, however, we have certainly picked ourselves up back on our feet. Bruised, no doubt, from the sudden and completely unforeseen fall, but not broken! Recovery is within sight.

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Trusted advisors for achieving optimal returns in hospitality

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Unlocking the true potential of a hospitality asset

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A holistic and targetted approach to talent acquisition

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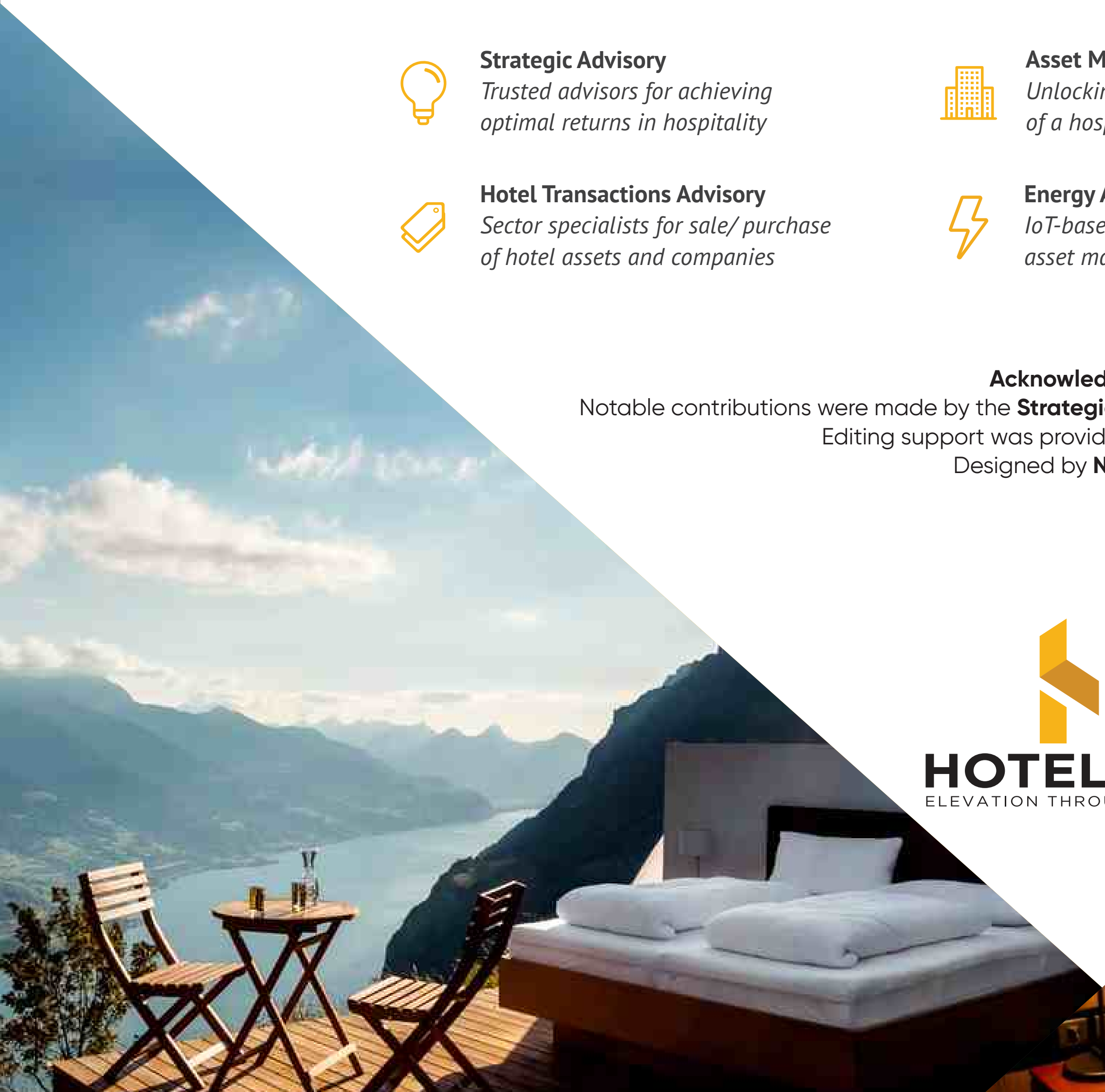

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