



**Horwath HTL™**

*Hotel, Tourism and Leisure Celebrated 100 years in 2015*

## **Hotel Market Review**

**India - H1 2016**

**August 2016**

## H1 2016 India Hotel Market Review

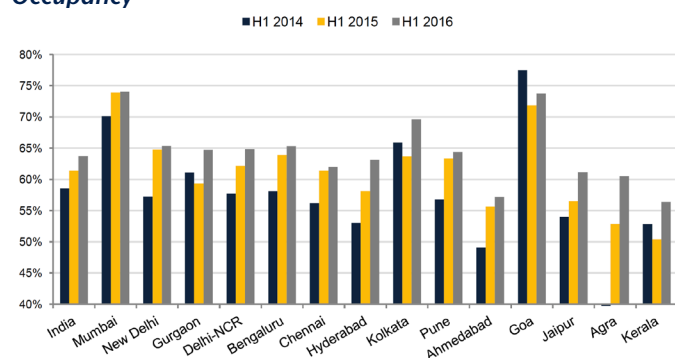
*Growing occupancy; soft rates. The decline is arrested; good health is a while away. Confidence levels are erratic. At half time, performance meets expectations; but truly, the glass is less than half full.*

	H1 - 2016	H1 - 2015	H1 - 2014
Occupancy	63.7%	61.4%	58.6%
Average Daily Rate	Rs. 5,759	Rs. 5,656	Rs. 5,723
RevPAR	Rs. 3,671	Rs. 3,472	Rs. 3,352

Some key highlights, based on H1 market-wide performance:

- H1-16 occupancy trumped H1-14 and H1-15 levels in all markets, except Goa which had higher occupancy in H1-14.
- Gurgaon, Kolkata, Kerala and Hyderabad achieved 5 to 6 pts YoY occupancy growth; Jaipur moved up by +4.6 pts.

### Occupancy

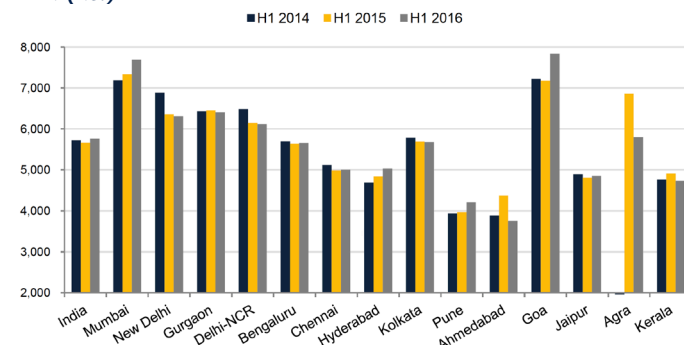


Source: STR

- Yet, Mumbai and Goa remain the only markets with occupancy >70%; happily, Kolkata was just below at 69.6%.
- Only Ahmedabad and Kerala remained in the 50's; all other key markets moved into the 60's.
- Goa, Mumbai, Pune and Hyderabad grew YoY ADR by between 4.1% to 9.2%.
- Kerala, Ahmedabad and Agra had material rate drops, mainly from supply pressure. ADR for other key markets grew or declined marginally.
- RevPAR is positive across all key markets, except Ahmedabad – double digit growth for Hyderabad and

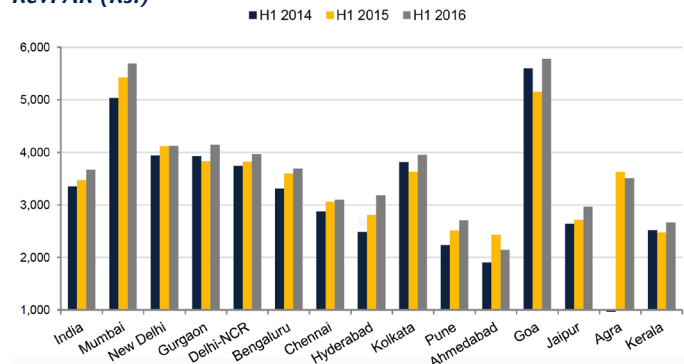
Goa; Kolkata, Jaipur, Gurgaon, Pune and Kerala were up by between 7.8% to 9%. Chennai and Bengaluru were up marginally; New Delhi stayed just above water with +Rs. 5 RevPAR (phew).

### ADR (Rs.)



Source: STR

### RevPAR (Rs.)

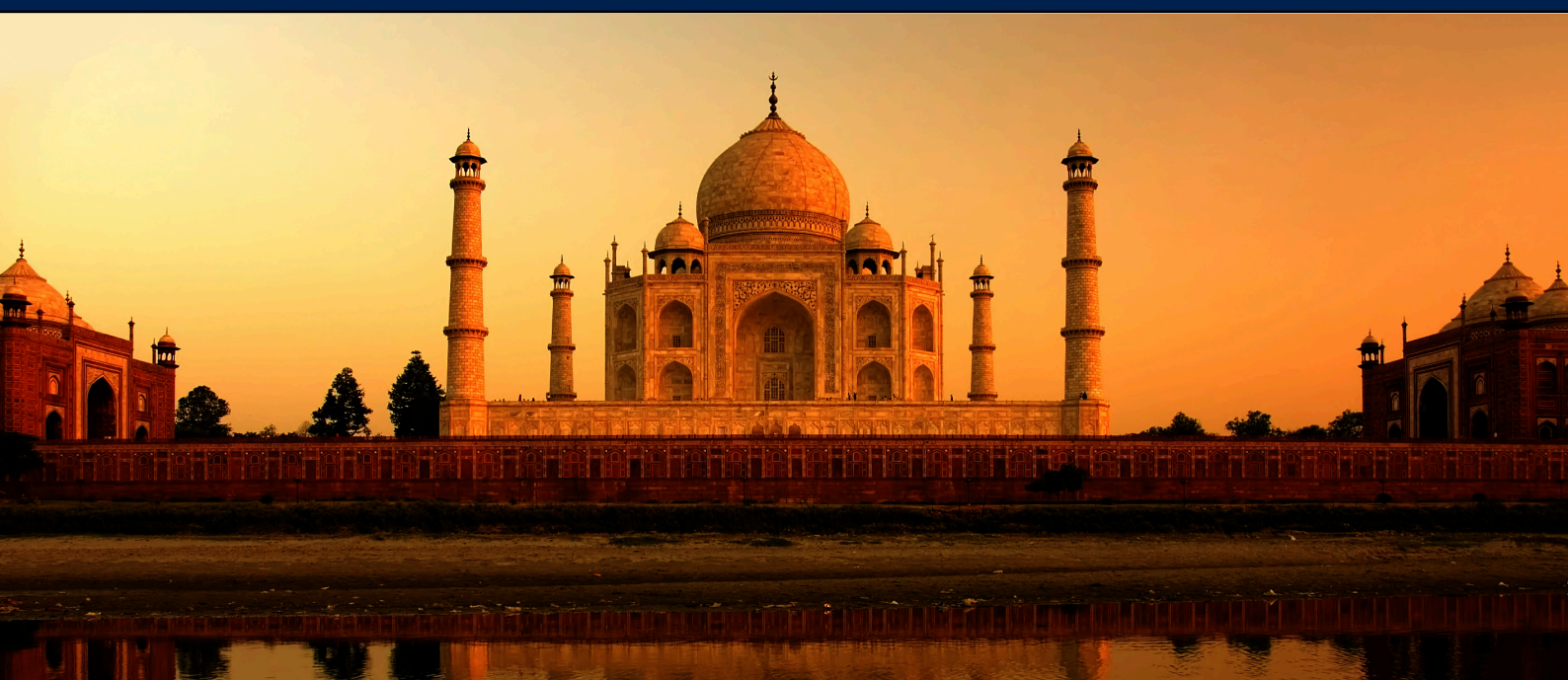


Source: STR

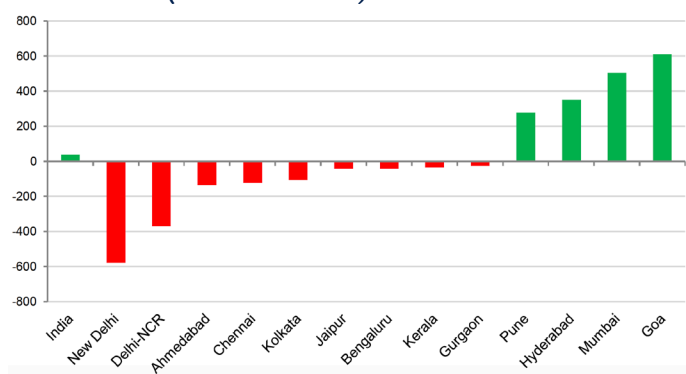
Rate levels clearly remain a problem. Are hotels seeking, and being pushed, to fill rooms on safer rate contracts than risk the fight for shorter term business at superior rates?

Lets look at ADR variations in Rupee terms, and not as percentages, between H1-16 and H1-14. Over this two year period:

- All-India ADR grew by Rs. 36.
- Only 4 key markets achieved growth - ranging from Rs. 276 (Pune) to Rs 609 (Goa). Mumbai was the only metro city to grow, by Rs. 504.
- Hyderabad is also up (+Rs. 370) but truly that is a basic correction from externally impacted trading conditions over a few years till March 14.
- All other markets are still in the red – some marginally; others more substantially.



ADR Variance ( H1-14 to H1-16)



Source: STR

Is the hotel sector garnering business without sufficient value? Are hotels genuinely assessing what business they will lose if rates are held or increased? Is the owner / asset manager push hurting in some ways? There is no one answer; it could vary by property, but it certainly is a matter for thought.

Undoubtedly, RevPAR is up – in Rupee terms – across all cities; but this is largely occupancy driven. The +ve RevPAR retort to the rate question, could be a flawed answer; with better balance, the RevPAR change may even have been bigger.

## Segmental Review

- Goa's Lux-UpperUp RevPAR at Rs. 7,453 is higher than the segmental ADR for Chennai, Kolkata, Hyderabad and Pune; it is marginally lower than segmental ADR for Delhi and Jaipur. Goa's Lux-UpperUp ADR crossed 10k.
- Gurgaon's Lux-UpperUp ADR is edging close to 9k and continues to lead segmental ADR across business cities; however, Occ remained in the low 60's.
- At 74.4%, Kolkata had the highest Lux-UpperUp occupancy, boosting its segmental RevPAR to 5k.
- Bengaluru M-E hotels clocked +17.4% RevPAR, with occupancy (+4.9 pts) and rate (+9.7%) enhancements.
- Hotels in Mumbai pushed through moderate rate increase (+3.7% to +4.9% in different segments); Lux-UpperUp occupancy has space to grow from 71.1% achieved in H1-16.
- New Delhi is in flux. The M-E segment sacrificed Occ to gain +9.6% ADR, with RevPAR crossing 2k. Lux-UpperUp hotels had small gain in occupancy but sacrificed ADR by -1.6%; this segment needs to review its strategy, particularly considering that it dropped ADR by Rs. 239 in Q1-16 compared to Q1-15.



- Gurgaon's Up-UpMid segment performed strongly, gaining +13.6% RevPAR, mainly as occupancy grew by over 9 pts. . M-E hotel occupancy remains in the mid-50's, which is somewhat peculiar for the nature of that market.
- Bengaluru's Lux-UpperUp segment is caught in a traffic jam; its luxury hotels are battling severe potholes – this segment shrunk in Occ and ADR and is the only metro city to have lost RevPAR in H1-16.
- Chennai Lux-UpperUp hotels maintain ADR < 6k level, even lower than Pune for this half year; its the lowest among metro cities in India – new demand, through MICE-W, is filling rooms but at value prices. The other segments moved in different directions. If occupancy and RevPAR were up for the Up-UpMid segment, the M-E segment lost -9.5 pts occupancy while segmental ADR crossed 3k; supply led pressure continues to hit this segment.
- Hyderabad had a good first half with +ve YoY Occ and ADR across all segments yielding 12-14% RevPAR growth in the Lux-UpperUp segment (led by improved occupancy) and the Up-UpMid segment (mainly based on double-digit ADR accretion).
- Kolkata too has enjoyed a strong first half, with Lux-UpperUp hotels gaining Occ (+4.7 pts) and ADR and Up-UpMid hotels gaining +15.8% RevPAR (mainly through increased Occupancy).
- Pune's improved results are led by the M-E segment with +17.2% RevPAR (positive Occ and ADR), and moderate ADR rise for the Up-UpMid segment. The Lux-UpperUp segment has declined, as the new Conrad finds its feet.
- Goa's performance is anything but 'susegad'. About +15% ADR gain for Lux-UpperUp and Up-UpMid resorts; +5 to +6 pts occupancy gain for Up-UpMid and M-E hotels.
- Jaipur's Lux-UpperUp and Up-UpMid segments have finally showed some life as Occ and ADR moved up to deliver +12 to +15% growth in RevPAR. Yet, Lux-UpperUp ADR at Rs 7,794 does not do justice to the destination; Up-UpMid ADR at Rs. 3,345 is materially lower than other key markets and the national segmental ADR.

If you have any questions or wish to learn more about Horwath HTL , please do not hesitate to contact us.

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