INDIA HOTEL REVIEW REPORT - 2016

Introduction

The year of unpredictability, came through in pretty much a predictable manner – well almost, till the demonetisation decision. Demand slowed thereafter and partially pulled back on the growth story. Nevertheless, the year was the best since 2007, in terms of Occupancy. All-India ADR registered growth, but still remains behind 2013.

About 8,600 rooms were added to chain-affiliated hotel inventory in 2016, taking the count to 120k – the supply slow down has helped performance and that's good news if you are a hotel owner. Demand CAGR (2008-16) at 14.5% is now higher than 14.1% supply CAGR for the same period. However, lack of a healthy supply pipeline could have deleterious longer-term impact.

Positives: What's made us smile:

- Growth in all parameters. All-India occupancy rose by 2.4 pts, to 64.1%; ADR by 2% (only Rs. 114 in real numbers) and RevPAR by 5.9% (Rs. 204),
- The growth story across parameters was repeated in all market segments, considered on all-India basis.
- All-India demand grew 12.5%, and may have gone higher but for a clear decline in the last 45 days.
- e-Tourist Visa is very convenient and it shows - 1080k tourists (up 142% from 2015) availed this facility.
- Inbound travel numbers are higher, up 10.7% to 8.9 million – but there is still a long road to satisfy potential.
- Domestic travel continues to grow in every direction – with gradual willingness to pay higher prices as evidenced in Goa and Udaipur.
- F&B and banquets continue to be significant revenue generators across all segments, but the pace of growth has declined; APC's are largely stagnant.

Concerns: What are the challenges?

- IT sector slowdown and its changed business model, replacing people with technology, will change demand patterns from this sector. The longer-term may yield better value business, though likely lesser roomnights. A short-term impact could arise as well.
- The banking sector has health issues, with major NPAs to be resolved including from this industry. This could impact hotel demand from this sector, particularly rate sensitivity; it will bring more assets to market and also constrain lending appetite. This is structurally good for the industry though it would impinge on the development cycle.
- We need more inbound leisure and MICE, but lack a co-ordinated strategy for this. Inbound travel has potential to quadruple - but where is the infrastructure? The marketing plan? Co-ordination between hotel and travel trade? The effort to maintain and preserve our monuments and heritage, at a time when we are unable to create new ones? Can monument preservation and management be made a part of the obligatory CSR?
- Airport capacities need constant watch, particularly as we seldom plan for long-term growth. Early completion of Navi Mumbai airport is critical; as is expansion of Bengaluru, Chennai and Pune.

Outlook: What do we expect:

- Occupancy will undoubtedly grow; rates will improve too but in a range-bound manner.
- Hotel managements must tackle inevitably shorter demand lead-time, to extract better rates – revenue managers may need 'holding your nerve' lessons.
- GST will impact top-lines, and RevPAR performance benchmarks. Most markets will benefit from GST, creating volume and rate opportunities for hotels. The bottom-line will gain too, after the first 12-15 months.
- Development activity will remain scattered across markets and product types. While interest rates may soften, lenders will become more choosy, and equity even more so. Equity will likely pursue transactions and conversions; operators adept at conversions will gain.
- The impact of completed and future M&A activity among hotel companies will be interesting to watch as valuation and merger synergies are sought to be effected. We may all learn lessons on managing market concentration, owner diversity and penetration purchase; with real delivery holding the ultimate key.

Sadly, there is no Indian group working towards acquiring international brand and hotel ownerships; the Chinese are aggressive in this and will have direct / indirect operating control over substantial portion of our hotel inventory.

Lastly of course, staffing and service challenges must remain a strong focus.

Coverage and Classification

In this report we examine Occupancy (Occ), Average Daily Rate (ADR) and Revenue per Available Room (RevPAR) trends nationally and for several key markets. Hotels are classified as Luxury & Upper Upscale (Lux-UpperUp), Upscale & Upper Midscale (Upscale-UpMid) or Midscale & Economy (M-E), consistent with STR classifications.

Our analysis is based on full year Occ, ADR and RevPAR data, reported by hotels to STR and generated per STR guidelines. Supply related data is based on Horwath HTL research. All values are in Indian Rupees.

We have concentrated upon all-India numbers and 13 key markets, which carry 70% of total chain-owned / managed / affiliated inventory.

In the report, we have used a performance matrix to report and analyse the results. The horizontal and vertical axes reflect Occ and ADR respectively. Occ is classified as 'Slow' if it is below 60%; 60-70% Occ is considered 'Medium' and 70%+ Occ for the market is classified as 'Busy".

ADR is classified as 'Soft', 'Moderate' and 'Superior' per grid scales that vary with the segment being reviewed. The word 'Superior' is used in preference to 'High' or 'Strong' because we don't yet see ADR levels having reached adequate levels. For market-wide reporting, comprising all segments, the scales used are Rs. 3k-5k, Rs 5k-7k and Rs. 7k-9k.

Thus, a market with over 70% Occ and over 7k ADR will classify as 'busy with higher rate' and is presently a leader; a market with less than 60% Occ and less than Rs. 5k ADR will classify as 'slow-soft' and is an under-performer

Note that the ADR grid will change for each segment.

Overview of Performance - India

Year	Occ%	ADR	RevPAR
2014	58.6	5,659	3,315
2015	61.7	5,602	3,459
2016	64.1	5,716	3,663

Source: STR

Highlights:

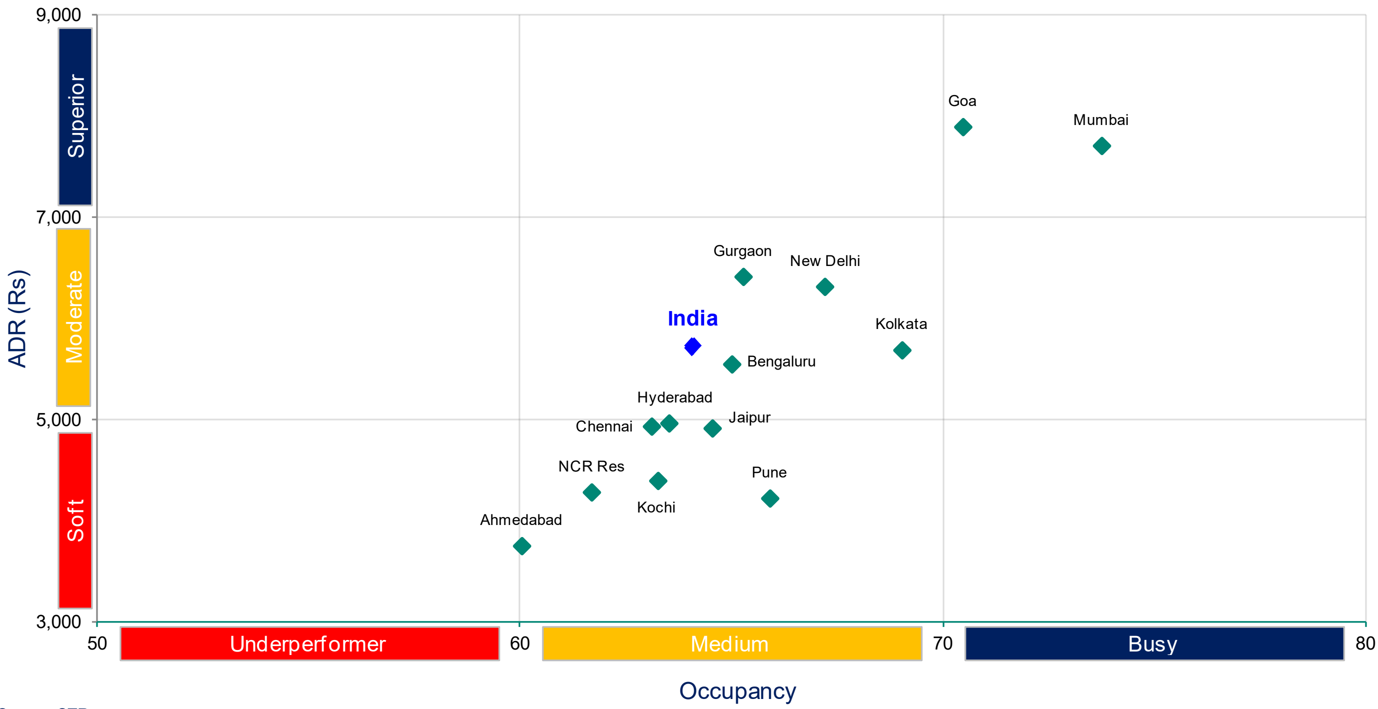
For the first time in recent years

- Occ for all key markets crossed 60%, although only 2 markets are in the 70's - and that too low seventies.
- All key markets, bar Ahmedabad, achieved rate growth though it was less than 1% in four markets and 1.0-1.4% in three other markets. So it is a weak positive.
- All markets gained RevPAR, between 1.0 to 20.2 pts. It is heartening to see Hyderabad and Jaipur clocking double-digit growth.

Mumbai and Goa are clearly ahead of the pack, and are the only markets in the Busy-Higher rate zone. Goa ADR has risen above Mumbai.

While there is no under-performer (Ahmedabad is on the 'brink' of relegation to this zone), only 2 markets are busy. There is a concentration in the middle with several markets being soft on rates. India's boast of a large middle-class with demographic value, wasn't meant to reflect in market performances.

Overall Performance - India and Key Markets



Source: STR

Note: 13 key markets comprise of Mumbai, New Delhi, Gurgaon, NCR Residual, Bengaluru, Chennai, Hyderabad, Kolkata, Pune, Ahmedabad, Goa, Jaipur and Kochi

The concerns magnify with (a) Kolkata expected to see major supply pressure, and (b) Bengaluru and Pune under-performing on the rate front. Looked at differently, all IT hubs other than Gurgaon and (partially) Mumbai, are challenged on at least one or both parameters.

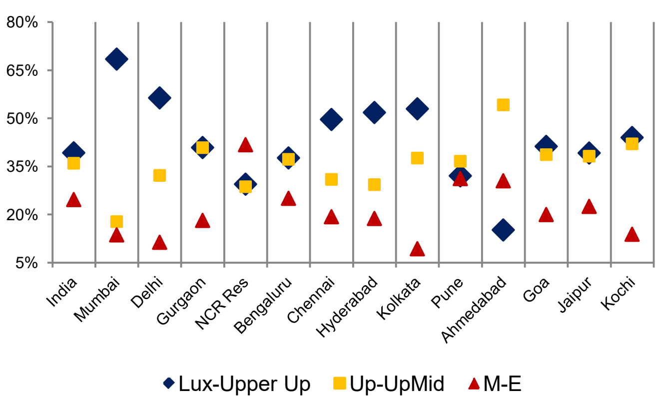
Let us look at the major shifts that have occurred in 2016:

- The all-India marker has moved up to the right, gaining Occ and ADR.
- Mumbai and Goa have both moved up smartly in ADR; Goa has reverted back into the Busy zone. Goa ADR moved to pole position; while its Lux hotels' ADR is much smaller than Lux hotels in Rajasthan, the overall market in Goa is far more consistent.
- A shift to the right for Delhi and Gurgaon, the latter more sharply with strong Occ gain (+5 pts).
- Bengaluru has remained virtually stagnant, moving up ever so marginally in ADR.
- Chennai moved diagonally up to the right, in its typical conservative manner – a bit of Occ, a bit of ADR.
- Hyderabad has leapt into the medium Occ zone, and also moved higher on the rate front getting to the edge of moving away from the soft rate zone.
- Kolkata has enjoyed a sharp shift to the right, while remaining in the lower half of the moderate rate zone.
- Pune has gained rate and Occ but remains in the middle of the soft rate zone; it yet has a way to go.
- Ahmedabad saved itself by having improved on the Occ front but materially declined in ADR.
- Jaipur moved smartly to the right, gaining 6 pts Occ. Rates remain an issue, partially driven by demand composition.
- Kochi leapfrogged into the medium Occ zone (+10.6 pts) but with stagnant ADR.

As we further analyse the segmental performance, let's first look at segmental supply and demand.

Segmental Supply

Marketwise Segmental Supply Share

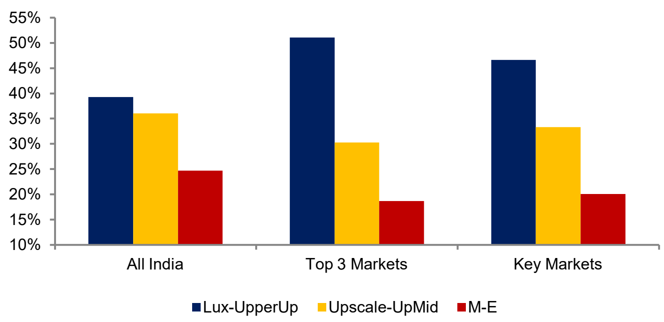


Source: Horwath HTL Research

At all India level, Lux-UpperUp supply share is at 39%, with a narrowing gap from Up-UpMid segment at 36%; M-E supply is at 25% of total supply. Bengaluru and Jaipur largely follow this pattern, while Mumbai has the widest skew with a 68%, 18% and 14% supply pattern. In Pune, the Up-UpMid segment has the largest share (37%) with the balance almost equally divided between Lux-UpperUp and M-E hotels.

The change in supply composition over the last ten years is among the important contributors to demand growth and lower ADR levels. Segmental ADR for Lux-UpperUp and Up-UpMid hotels have also been rationalised by wider availability of 'value-priced hotels.

Overall Segmental Supply Share



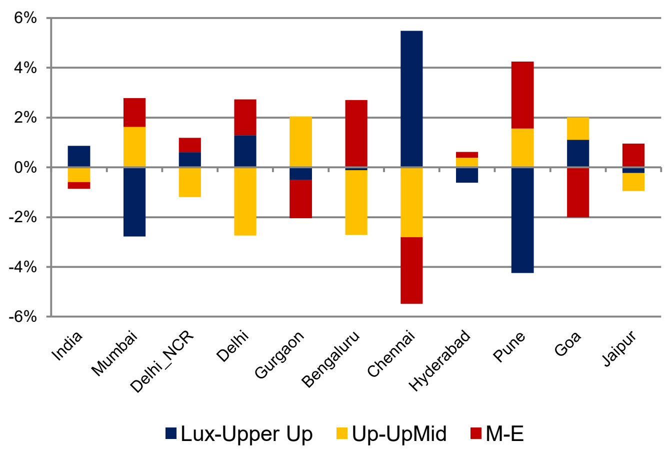
`Source: Horwath HTL Research

Delhi NCR, Mumbai and Bengaluru hotels are key to the quality of results, with 38%-40% of chain-affiliated supply over the years being concentrated in these markets. In aggregate, the 13 key markets have 70% of the national inventory.

Segmental supply share for the key markets is skewed towards the upper tiers and away from M-E segment. If we take the top 3 key markets, i.e. Delhi NCR, Mumbai and Bengaluru, the skew is further towards the Lux-UpperUp segment.

Segmental Demand

We have looked at segmental demand a little differently this year - comparing the actual demand with the 'fair-share' demand, such fair share being determined by allocating total actual demand based on segmental supply share for the market. It throws up some interesting results.



Source: Horwath HTL Research & STR

- Mumbai has a shortfall of Lux-UpperUp demand, possibly arising from the heavily skewed supply ratio for that segment and the recent supply increase in the airport area; this shortfall also likely explains the narrower segmental rate gap in the city.

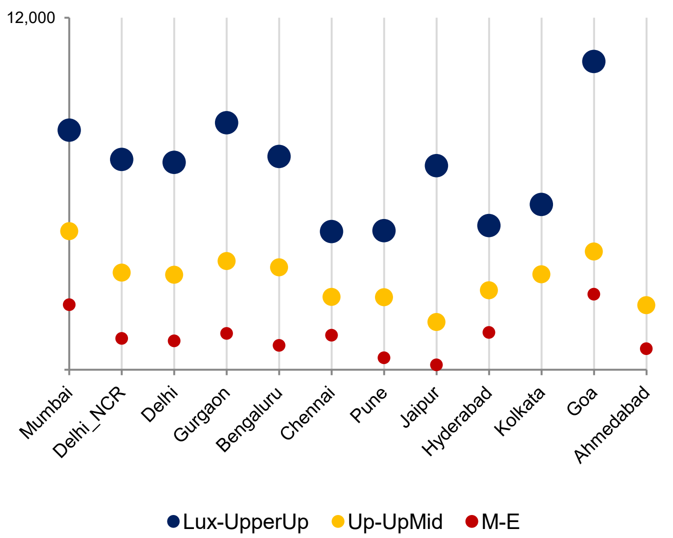
- Chennai and Pune are in comparable but reverse situations in terms of the gap between Lux-UpperUp and Up-UpMid demand; while Chennai had 5 pts demand premium for the Lux-UpperUp segment, Pune had a deficit of 4 pts.
- Gurgaon gained 2 pts at the Up-UpMid segment from the M-E segment while the Up-UpMid segment segment in Bengaluru lost 3 pts to the M-E segment. Bengaluru has significantly larger M-E supply than in Gurgaon and a larger price difference between the two segments, in absolute and percentage terms, as possible explanations for the demand share situation.
- Goa has gained limited demand premium for the upper segments, from the M-E segment.

Creation of supply depth across price segments is essential and inevitable as the market moves to maturity. It is equally important that the demand share for Lux-UpperUp and Upscale hotels is not allowed to drop further - the industry will benefit from a proper share of higher profile (and better spending) visitors. A stronger investment climate, combined with rate value gain from GST should create the basis for demand and rate growth for Lux-UpperUp hotels, creating space for higher rates in other segments.

Segmental Performance

A snapshot of segmental rate levels, across key markets, is given below:

Segmental Rates - Major Cities



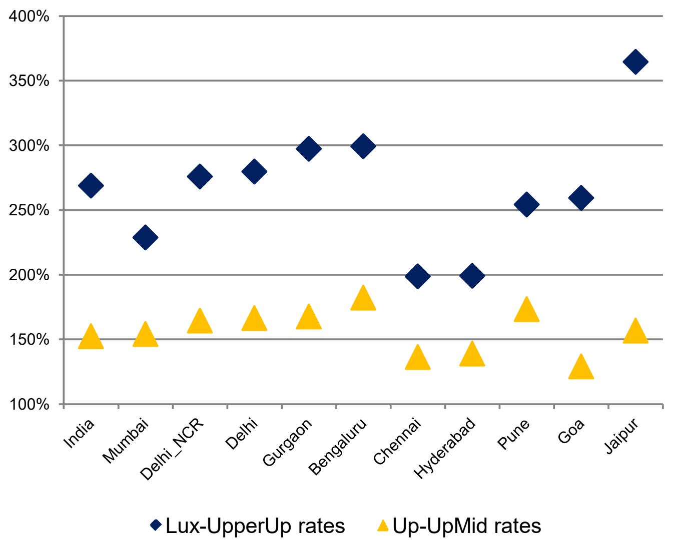
Source: STR

It is interesting to see that M-E rates for Mumbai and Goa are ahead of or broadly comparable with Up-UpMid Rates for Chennai, Pune, Hyderabad, Jaipur and Ahmedabad.

Similarly, the Up-UpMid ADR for Mumbai is comparable with Lux-UpperUp ADR for Chennai, Pune and Hyderabad.

Beneficial rate and Occ performance is also dependent upon the rate gaps between different segments. This is examined in the chart below which reflects Lux-UpperUp and Up-UpMid Rates as a percentage of the M-E ADR which is taken as the base of 100.

Segmental Rate Comparison



Source: STR

- Jaipur has the highest gap; Lux-UpperUp rates are at 3.65 times M-E Rates, partially driven by product quality and the low M-E rates in that city.
- Bengaluru has the best balanced structure, with Up-UpMid Rates at 82% premium and Lux-UpperUp rates at 3 times the M-E ADR; absolute numbers leave a lot to be desired. The rates differences have declined in 2016, with M-E ADR achieving +7.8% increase while other segmental rates have remained constant.
- Gurgaon's M-E rate is 12.6% higher than for Bengaluru. It is yet similar to Bengaluru at the top-tier, thanks to the quality and performance of its Lux-UpperUp hotels. Gurgaon's Up-UpMid Hotels supply and performance lacks depth and consistency, and lags Bengaluru.
- Mumbai has a weak rate spread, largely caused by a top-heavy supply structure with 68% supply in the Lux-UpperUp segment. Its M-E ADR is strong but that strength doesn't carry upwards with the Lux-UpperUp ADR being only 2.14 times higher.
- Goa continues to surprise, starting with M-E ADR above 4k. Up-UpMid hotels are yet to capitalise on this strength, getting only 29% rate premium in 2016. But then the Lux-UpperUp hotels pull away with an additional 130% rate premium.
- Chennai and Hyderabad have comparably weak performances, with under 40% rate premium for the Up-UpMid segment and just under 100% premium for Lux-UpperUp hotels.
- Pune has obtained consistent ADR gains, just under Rs. 150, at the Up-UpMid and M-E segments; however, its Lux-UpperUp accretion was a third-lower. Hence the strong rate premium earned by Up-UpMid hotels (second only after Bengaluru) is not carried through to the top tier.

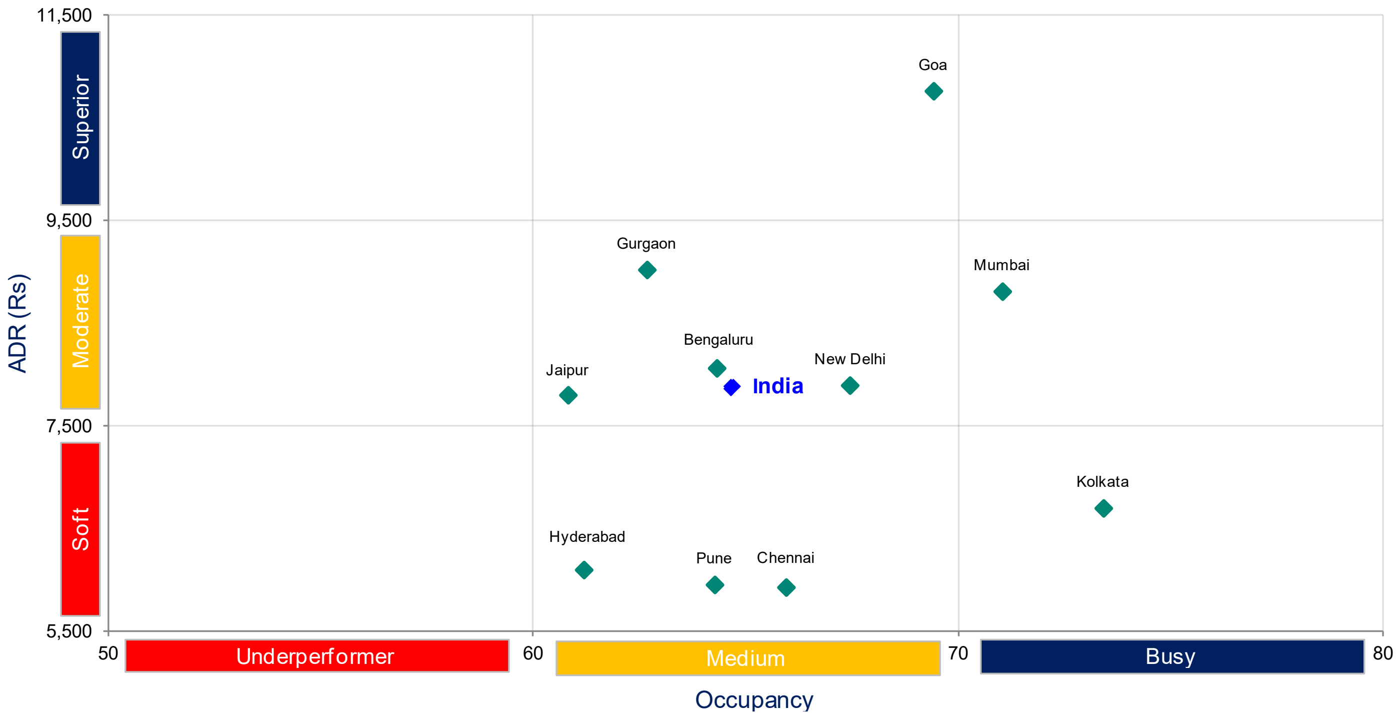
SEGMENTAL PERFORMANCE

LUXURY - UPPER UP

This segment has 47k rooms, at 39.3% of the all-India chain affiliated inventory; of this, 39k rooms (83% of segmental supply) are in the key markets. The 2016 performance status for key markets is reflected below:

- The Busy-Higher rate zone is empty.
- Mumbai is busy but with moderate rates; Goa has good rates but is in the medium Occ zone.
- Bengaluru and Gurgaon are above the national average rate, though weaker in Occ performance. Gurgaon is above Mumbai in rate, though materially lower in Occ.
- All markets, except Bengaluru and Goa have moved. Bengaluru and Goa lost Occ, while recording ADR growth (Bengaluru a meagre Rs. 6 and Goa a meaty +14.1%).
- Barring Bengaluru, all markets gained RevPAR in the Lux-UpperUp segment.
- We have far too many markets with soft rates; of these only Kolkata is busy but will face major supply growth in this segment in the next about 12 months.

Lux-UpperUp Performance - India and Key Markets



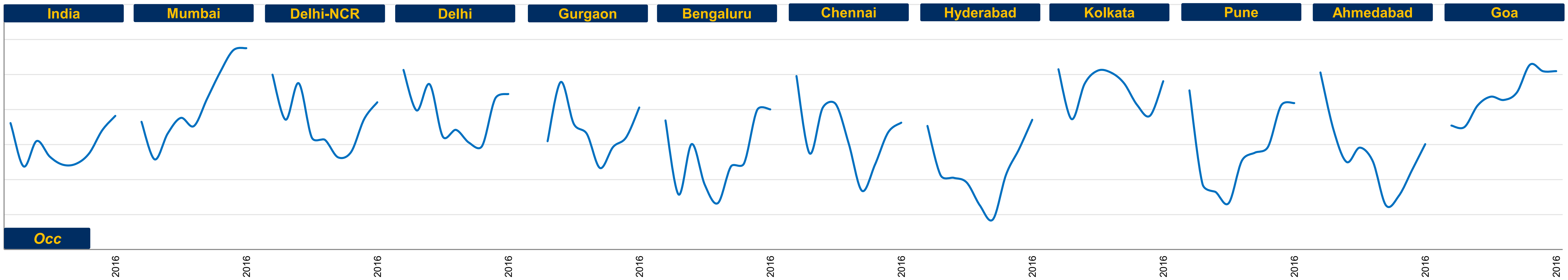
Source: STR

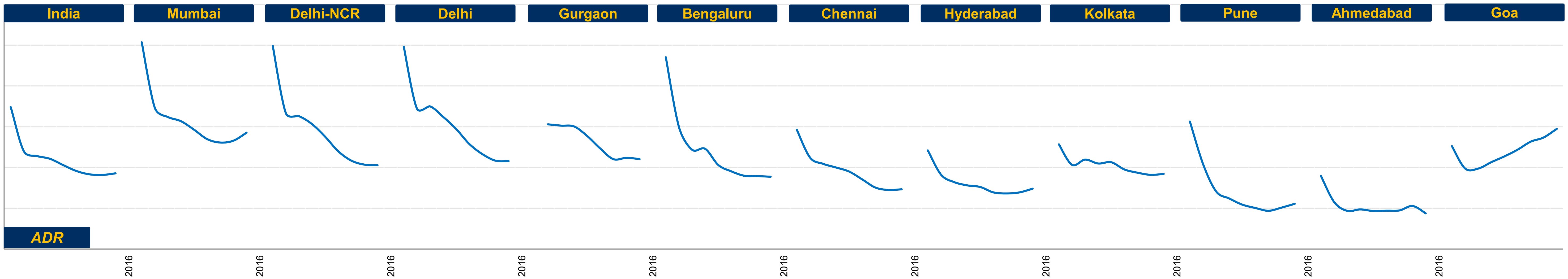
UPSCALE - UPPER MID

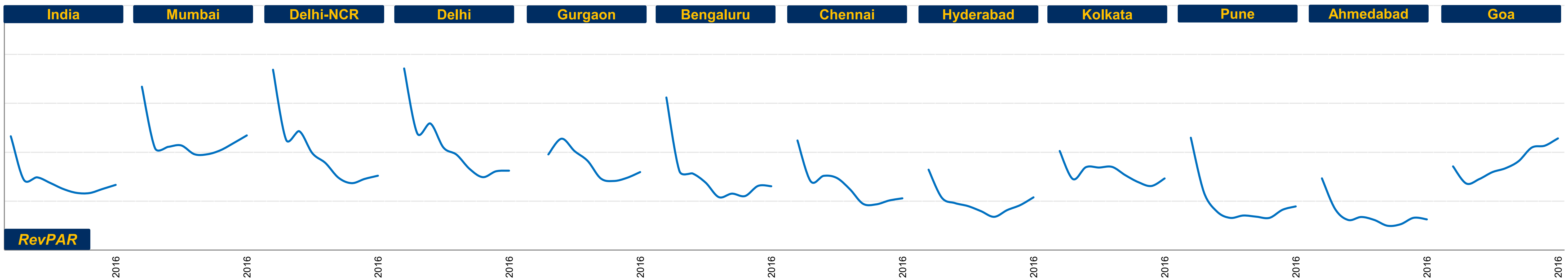
This segment has 43k rooms, at 36% of the all-India chain affiliated inventory; of this, 28k rooms (65% of segmental supply) are in the key markets. The 2016 performance status for key markets is reflected below:

- Mumbai and Goa are the positive outliers, with Gurgaon in pursuit - of this. Goa is the only market to move up on Occ and ADR.
- Mumbai lost Occ by -1.1 pts; yet at above 80% occ, there is clear indication of under-supply in this segment.
- Gurgaon moved sharply to the right in Occ, joining Goa in the low 70's range; it marginally dropped ADR but still remains one of only three markets above 5k level for this segment.
- All other markets, gained Occ in a range of 0.4 to 6.6 pts. Unfortunately, Ahmedabad, Bengaluru and Chennai lost some rate in the process.
- What is heartening is that ADR for only two markets remains in the 3k level - Ahmedabad and Jaipur.
- Except 1% drop for Ahmedabad, all key markets have experienced RevPAR growth in 2016.

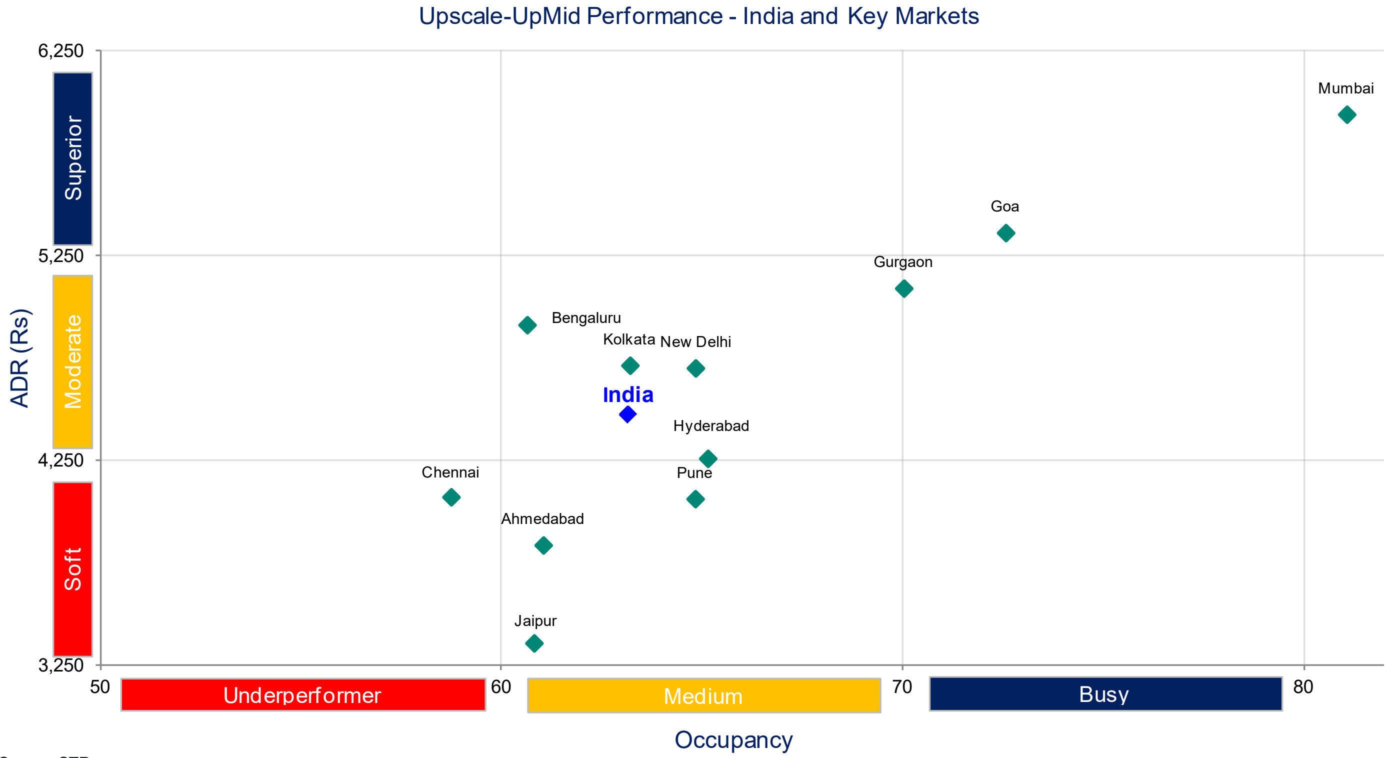
INDUSTRY ECG - INDIA







Source: STR

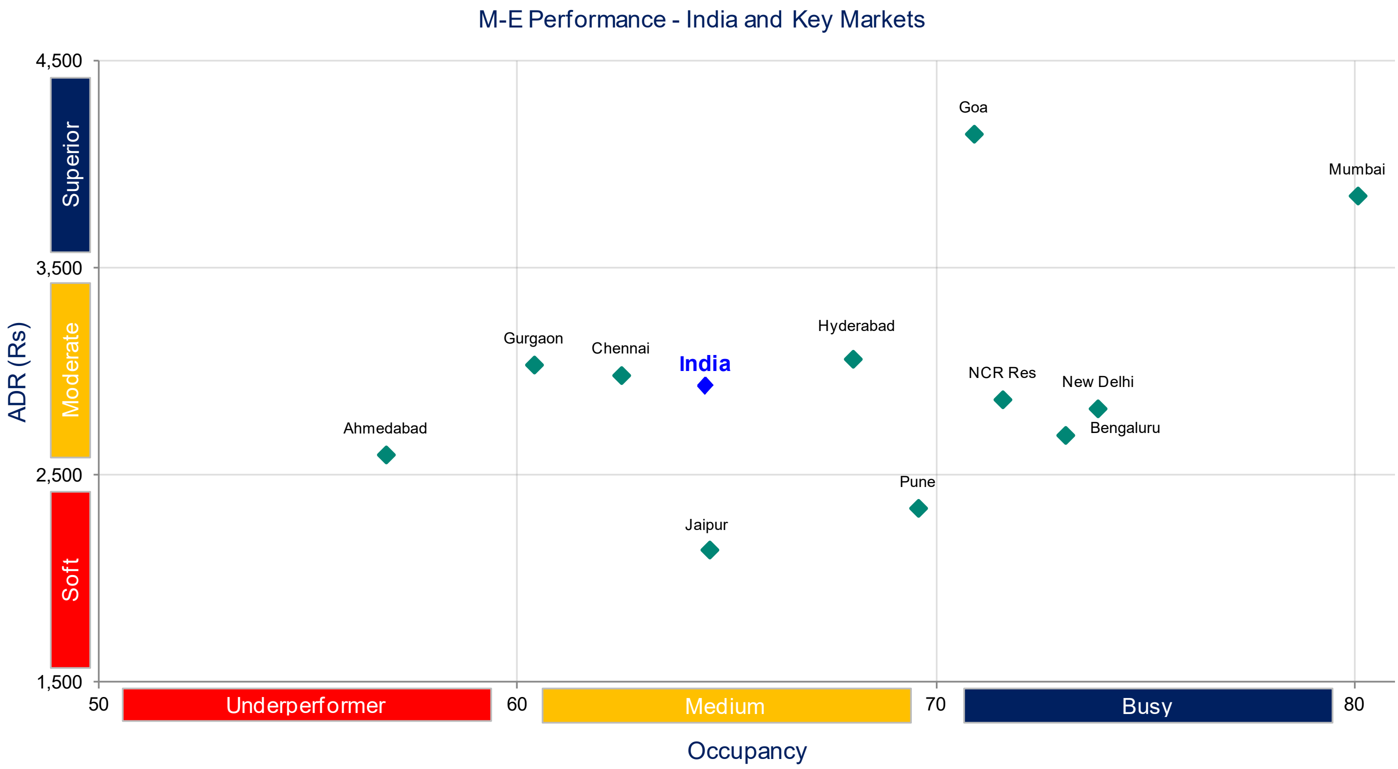


Source: STR

Midscale - Economy

This segment has just under 30k rooms, at 24.7% of the all-India chain affiliated inventory; of this, 17k rooms (57% of segmental supply) are in the key markets. The 2016 performance status for key markets is reflected below:

- If the Up-UpMid segment reflected some bunching on the Occ front, the M-E segment reflects substantial ADR bunching, with only Goa & Mumbai significantly above the all-India ADR and Jaipur & Pune being materially below.



Source: STR

- Goa has done particularly well in this segment, benefitting from the head-room available to the M-E hotels by higher rate structures at upper-tier and top-tier hotels.
- Mumbai has over 80% Occ and growing ADR - its high land cost is likely proving prohibitive in increasing segmental supply where a shortfall clearly exists
- Chennai is struggling with supply surfeit, particularly on OMR, and with low rates at upper-tier hotels
- This is one segment where Bengaluru has noticeably improved both Occ and ADR
- Pune has done well to get its Occ level close to 70%; it needs to improve ADR but will struggle on this score as the Lux-UpperUp segment works through substantial supply increases (completed and in the pipeline).
- Ahmedabad and Chennai are the only markets to lose RevPAR - due to ADR and Occ decline respectively.

Key Markets

Mumbai

The city continues in a positive trend, that started in August 2013, with Occ, ADR and RevPAR growth.

Occ is nearing 74% - but grew only 0.3 pts in 2016. For a business city with weak weekends and a sizeable monsoon season, headroom for further Occ growth may be moderate. Up-UpMid and M-E hotels are already above 80% Occ.

While not much can be done for May and June (due to summer vacations), leisure incentives and events in early January, and a 'monsoon' holiday creation effort could improve Jan, July and Aug – and thereby overall performance. Initiatives for demand creation on weekends – staycations, weekend events, MICE packaging are some other possibilities.

It is heartening to see 10.4% RevPAR growth in South & Central Mumbai, with ADR crossing the 10k mark and its best level since 2010.

Navi Mumbai must contribute better, having lost 4pts in Occ and 1.9% RevPAR in 2016.

Delhi

67.2% Occ at $95 doesn't feel happy for India's capital city.

The city continues to deal with inventory expansion and business demand shift to Gurgaon. Demand CAGR (2008-16) at 9.4%, lags supply CAGR by 1.0 pt, almost entirely in the Lux-UpperUp segment. This is causing rate stagnancy, while Occ has improved by +1.5 pts in 2016.

Aerocity continues to settle in, albeit slowly, hampered by the lack of convention space and business demand in the immediate proximity; these will be delivered in due time, but bankers and investors will need to hold their faith - and breath – for several more months.

Tourism promotion and MICE are possible answers towards a busier Jan, March, August and December.

Gurugram (formerly known, and commonly announced, as Gurgaon)

Occ growth of +5.0 pts has enabled +9.1% accretion to RevPAR, thanks to the business strength of this market; however, pressure from Aerocity hotels has curtailed rate growth – while Lux-UpperUp segment crossed the 9k mark and M-E segment the 3k mark, Up-UpMid hotels dropped rates so that overall rate growth was only 0.8%.

The market has displayed significant inconsistency in its monthly performance pattern, possibly reflecting the short demand lead-times that are increasingly becoming the habit, including for MICE.

GST could take away the current advantage of significantly lower luxury tax than Delhi – which is a benefit for MICE business. The city will need a long-term strategy to widen its demand base which materially rests on corporate and business demand – its a strong demand generator, but a one-horse situation is fraught with risk.

NCR Others

Other areas of NCR have 15% supply share in Delhi NCR, having added nearly 3k rooms since 2007 and mainly since 2010.

2016 was a good year. A market that was in the low to mid 50's for the previous 5 years, sprang up to 61.7% Occ. ADR remains in the low 4k's but a 14% RevPAR growth is a big positive.

Bengaluru

A growing but challenging market. A city which had 7.4% of all-India supply share in 2007 and has over 10% all-India supply share at end 2016, with the base (i.e. all India inventory) has itself grown more than 3.2 times.

Market-wide results were flat, relative to 2015, with 1% RevPAR growth. Demand has risen about 35% (2014-16), but ADR remains absolutely flat. Lux-UpperUp hotels are struggling for business – and yet more are to open; 10.8% RevPAR growth in the M-E segment has helped save the blushes.

Is the virtue of well-balanced supply actually causing difficulties, in a city with multiple micro-markets? Localised supply is beneficial amidst severe traffic challenges – but it has hit at the core of demand estimates. Central Bengaluru needs a rejuvenation – like central Delhi and South Mumbai – for better momentum.

Considered a tourism potential some 20 years ago, the city has lost that attraction; it needs to solve that 'bug' because then it could also add to its MICE attraction quotient and create some peaks in an otherwise flattish monthly performance trend.

Chennai

The market is steadily working through a supply glut, as Occ has risen 10 pts from a low of 53.4% in 2013. This improvement has mixed sources – stronger performance by Lux-UpperUp hotels which have added+15.0 pts in the same period, counter balanced by -6.0 pts decline in the M-E segment. The sharp variation is partly a function of location, but also significantly from the shallow rate structures for Lux-UpperUp hotels.

Chennai has never been a high rate market - even in the boom of 2006-early 2008, Chennai top tier hotels were below the 10k mark. Even by that standard, the current pricing with top tier ADR below 6k is extremely poor – it is the only metro city with Lux-UpperUp ADR below 6k, about 25% lower than the segmental all-India ADR. Hotel owners need to create pressure on operators for major rate improvements, particularly as the new supply pipeline is thin; owner-operated hotels must take the lead.

The demand creation struggle is evident from the very inconsistent monthly performance trend - yes, the market needs to mature from a MICE perspective but should work with the authorities (and likely new leadership) to re-attract its dual advantage of manufacturing and service sector activity.

Hyderabad

This is a market in recovery phase since early 2014 and has done well to achieve 14-15 pts Occ growth across the market and key segments. Rate growth has lagged, and is in a situation similar to Chennai - but the market is entitled to be cut some slack given the huge challenges it faces for about five years from 2009-13.

Better Occ will hopefully lead to greater business confidence and thus enable rate improvement. The city, unfortunately, lacks diversity to draw different visitor segment and must mainly rely on business related travel and corporate MICE demand. This will, in turn, cause Occ to stabilise in the low to mid-70's - an aspect that hotels must recognise in relation to the Occ-ADR battle.

Even a limited push for MICE and destination weddings will help improve Feb and Mar, with benefit to the city's hotels.

Kolkata

Bengali sweets can't stay off the menu for long. This city has bounced back with 8.7% RevPAR growth mainly based on +5 pts Occ. 73.4% Occ for Lux-UpperUp hotels is the highest among all key markets, and the best for this city in several past years.

The monthly trend shows consistently superior performance across all but two months of 2016 – October affected by Puja and Diwali holidays and December by demonetisation. Kolkata ADR though has been largely stagnant. The trend also shows the increasing challenges of short demand lead-time.

On the ground though, there is concern about lack of energy among key demand drivers – this has been the concern associated with Kolkata for several years, and remains unresolved. Substantial new upper end supply will likely hit hard with location, quality of F&B and banqueting capability being major determinants for success.

But lets enjoy some sandesh and rosgolla, to celebrate a positive 2016.

Pune

A workmanlike performance in 2016 from this services and industrial city. Modest Occ growth, +6.5% ADR and about 9% RevPAR growth. It's acceptable but not satisfying.

A largely stagnant LuxUpperUp segment is the worry, as new supply is yet on its way. The Up-UpMid segment fared somewhat better YoY, but is in the middle range of acceptable performance. M-E Occ increased +4 pts but ADR (even with more than 6% increase in 2016) remains low.

The monthly trend for 2016 has stayed above 2015 through the year, with the inconsistency displayed by certain other markets that are IT sector and MICE reliant. These need to be recognised and smoothened out – the hotel industry could work with tourism authorities to create some events that will drive travel into Pune to cover some low weeks and weekends.

MICE growth has been beneficial to demand but has got the hotels into a highly incentivised rate structure that will be an increasing constraint.

Several hotel owners in the city have deep pockets to weather the modest returns; but those lacking such resource are very likely under pressure.

Ahmedabad

From a performance standpoint, the city is struggling to avoid relegation from the list of key markets – RevPAR that is almost 40% lower than the national average is a sign of bad health. While Occ touched 60% level for the first time since 2009, the ADR hasn't been lower in the last 10 years.

Lack of consistent demand base, demand drivers that are talked up more than the 'on-ground' reality and a general averseness to high-prices among the local corporate and community are impacting the city's hotel performance. Prohibition on liquor dictates a limitation on MICE demand growth, rendering the city very reliant upon business travel, seasonal demand for weddings and the off major event, and limited social travel.

A concerted effort towards event creation, and sustained implementation of business investment, will be needed for hotels to deliver better.

Goa

Goa continues its upward trend, gaining ADR when Occ comes under pressure, replacing charters with inbound FIT and domestic demand and maintaining consistent flow of MICE and weddings related demand.

Substantial new supply is in the pipeline and can be expected to be readily absorbed, given the draw of Goa and the lack of leisure options in the country. Development of Mopa airport will help ease the tourist flow, without impacting resort operations in south Goa as better road infrastructure is implemented.

The market is in a good position, must guard against dilution of its draw, and can only hold itself responsible if it loses the plot.

Jaipur

The Pink City of the Golden Triangle, has partially moved from 'red' to 'amber', but has a long way to go before a royal banquet can be enjoyed.

A surfeit of low-end business and medium-rated MICE, has changed the tourism profile of this city which used to attract higher yield inbound FIT and group visitors.

Thus, while city and Lux-UpperUp Occ for 2016 was the highest among the last 9 years, room rates continue to struggle across all segments. Leading hotel brands in the city need to pull together better plans for value growth rather than demand capture in which rate is always a sufferer.

Kochi

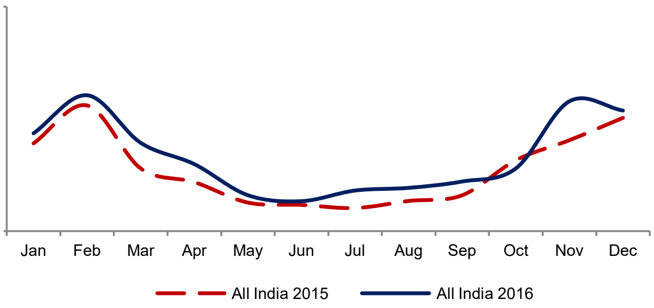
The city posted over 60% Occ for the first time in 5 years, jumping up +10 pts. Rates remain modest and unchanged, in the low 4ks. Clearly more people are going to “God’s own country”, but not paying sufficient price for it.

The liquor ban, outside 5 star hotels, has had a damaging effect on the city’s hotels and tourism and the destination draw of Kerala.

Monthly Trends

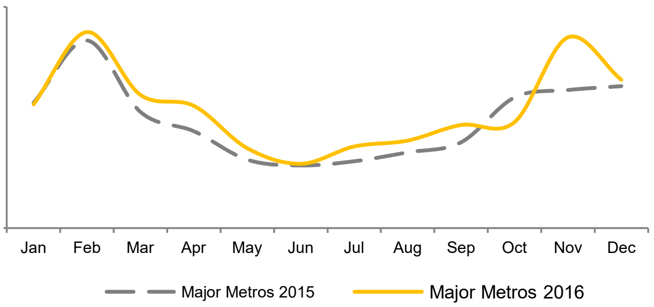
The three charts below reflect the combined monthly RevPAR trends for India (as a whole), for the major metros (Mumbai, Delhi NCR and Bengaluru) and other metros (Chennai, Kolkata and Hyderabad).

RevPAR Trend - All India



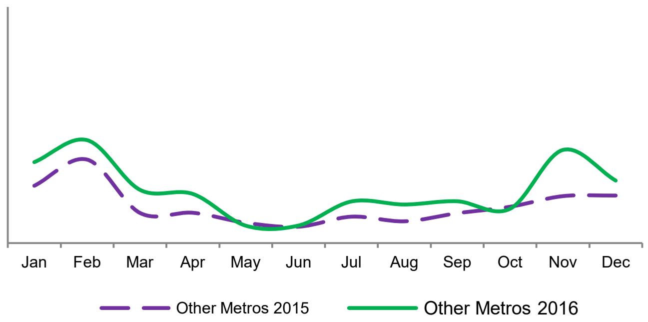
Source: STR

RevPAR Trend - Major Metros



Source: STR

RevPAR Trend - Other Metros



Source: STR

The variations for October and November are explained by the fact that Diwali 2015 was in November, while Oct 16 had both Dassera (Puja) and Diwali festivals.

May & June remain challenges, August could be pushed more and so also early January. The impact of demonetisation on the hotel sector results for 2016 is reflected in the sizeable downturn for December - a month in which foreign tourist arrivals rose 13.6% YoY; while the drop in domestic demand may not all be the impact of demonetisation, a very large share of the cause is attributable to it. And if Nov 16 was better than Nov 15, then that’s mainly the result of Diwali 2015 being in November.

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STR Global has offices in London, Milan, Dubai, Mumbai, Singapore, Jakarta, Guangzhou, Beijing, Tokyo, Sydney, and Nashville (STR).

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About Horwath HTL:

Horwath HTL is the global hospitality consulting brand of Crowe Horwath International. Crowe Horwath HTL Consultants Pvt. Ltd. is a member of Crowe Horwath International, an international network of independent accounting and consulting firms with 764 offices in 129 countries – ranked 8th globally. Horwath HTL has 47 offices in 40 countries across Asia Pacific, North and South America, Europe, CIS countries and Africa. In 2015, we celebrated 100 years professional involvement in the hospitality industry.

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