Horwath HTL

Hotel, Tourism and Leisure

India Hotel Market Review 2023

February 2024

Foreword

This year-end report is an analysis of the Indian Hotel market performance for 2023 by Horwath HTL based on data sourced from STR.

Horwath HTL are leading global hospitality consultants and have performed work in more than 150 markets in India. Supporting the market facts, Horwath HTL have added supply data, contributed the market insights and analysed the market opportunities and challenges for owners, investors, developers and operators.

We help clients make Smart Decisions for Lasting Value.

Introduction

India's hotel sector is enjoying an Amrit Kaal (Era of Elixir), with another year of record results and growth.

- All-India ADR of Rs. 7.5k; 3 markets with ADR over Rs 10k
- Eight markets with 5-digit Lux-UpperUp ADR
- Supply growth by 14k rooms, the highest in any year; net pipeline up by 23k
- Current + pipeline inventory crosses 250k rooms; 2,553 hotels; 403 destinations
- Rooms demand per day up 65% and 19% respectively compared to 2015 and 2019
- Sectoral Market capitalisation at Rs 1,282 billion on 31 Dec 2023, up 473% from 31 Dec 2015.

We also gained a very tangible intangible – recognition and amplification of the sector's economic relevance and capacity, at the highest levels. What a huge value this is, creating growth, new destinations, supporting infrastructure and policy formulations, such that the sector can meaningfully deliver its GDP, employment and foreign exchange earnings capability. G20 enabled India to showcase its multi-dimensional opportunity and splendour, drawing travel and investment interest.

The success brings revenues and profits, valuation gains and a lot of joy. It also creates responsibility that only accompanies the 'haves'; and doesn't arise when one is a 'have not'. We examine several key aspects:

1. All-India occupancy grew 4 pts to 63.6%. Demand has risen from 94k RPD in 2019 to 112k for 2023, at 4.4% CAGR. Yet, Occ remains below 2016-2019 levels - widening supply across Tier 2, Tier 3 and leisure markets are a factor; some major markets are still under par.

   Occ for Bengaluru (BLR), Gurugram, Hyderabad and Pune trails pre-Covid levels; demand recovery and growth from the IT sector reflects likely demand expansion in these markets. Even New Delhi was behind 2019 occupancy levels.

   Fuller recovery of these markets, demand growth from stronger business travel and larger inbound numbers creates the basis for higher future Occ.

2. Foreign Traveller Arrivals for Jan-Nov 23 were 16.8% above Jan-Nov 22, but remain below 10+ mn arrivals pre-Covid, creating future demand potential from a complete revival and subsequent growth.

   Air traffic grew significantly in 2023, with 370 mn passenger arrivals compared to 294 mn in 2022 and 349 mn in 2019. New airports continue to ease access to various markets, creating potential new demand for hotels across segments.

   In the meantime, the domestic sector has solidified its lead role in demand and revenue generation. Only about 2% of domestic visitation uses hotels; if this increases by 0.5% of visitation, it supports another 50k rooms and is something that can be achieved with supply extension to Tier 2 and 3 markets and pilgrim centres. Domestic demand growth, augmented by potential inbound travel for business, leisure, MICE and diplomatic purposes, bodes well for long-term demand creation.

3. 2023 ADR of Rs. 7,479 is 31.6% ahead of 2019 ADR. Over this period, each segment has recorded material gains, with 36%, 25% and 25% respectively for the Lux-UpperUp, Up-UpMid and M-E segments. Much bigger numbers than we were used to seeing, selling or strategizing. Yet, nobody can dispute that our hotel products and services deserved better pricing (even more than current rates). When compared with international pricing and quality, India's Lux-UpperUp hotels should gain further ADR. The other two segments can do so too, if their managements can shed some diffidence to increasing room rates.

   The rate growth appears more modest if we consider that the CAGR between 2019 and 2023 is 7.1% at consolidated level, 7.9% for the Lux-UpperUp segment, and 5.7% for each of the Up-UpMid and M-E segments. Healthy, happy but clearly a more tempered perspective of ADR growth. And reflective of space for further growth for hotel teams with the gumption to hold their position.

4. The Leisure segment continues to expand and contribute positively. Room revenue share of 5 markets – Goa, Jaipur, Udaipur, Uttarakhand and HP almost doubled, from 8.5% for 2019 to 16.9% for 2023. Leisure supply added 12.4k rooms in this period; with pipeline share at a hefty 36%, aggregate leisure inventory is estimated at 65k by 2027.

   3 of the 8 markets with 5-digit Lux-UpperUp ADRs are leisure markets. On market-wide basis, Udaipur (Rs. 15.5k) and Goa (Rs. 10.7k) occupied the top 2 spots, followed by Mumbai (Rs. 10.6k).

Udaipur, the City of Lakes, continues to be the forerunner – weddings, leisure et al. Even as a base for residents of Gujarat to imbibe. GIFT city may cause some dilution (of demand, not content, nor better contentment). Udaipur Lux-UpperUp RevPAR is higher than Lux-UpperUp ADR at all business cities (except Mumbai) for the second year running.

Leisure travellers are seeking experiences much more than they previously did. This puts an onus on product and service concepts and destination features. With the gross dilution of the experience during air travel, the need for greater attention to the resort experience (or even at city hotels) has increased manifold.

Overall leisure sector performance was constrained by the natural calamities in HP and Uttarakhand. While there is otherwise a surge of demand, rate growth is limited to the Lux-UpperUp segment. Up-UpMid rates need to strengthen and avail the space created by the top tier hotels.

A concern is that weddings have overtaken leisure in terms of focus of some markets. This can be a challenge in the long-term – if leisure demand moves elsewhere, it isn't easy to lure it back promptly. A one-horse show is always risky – Goa has seen that, BLR is seeing that; Jaipur continues to suffer on this count, particularly outside the Luxury space.

Another concern is the impact of alternate accommodation on hotel sector demand in leisure markets; the competition is real and growing and a response strategy needs to be in place.

5. Chain affiliated supply and use at Pilgrim Centres has doubled since 2019. Better quality hotel options have enabled visitors to move away from mediocre independent hotels and other pilgrim facilities. RevPAR for over 100 hotels across several pilgrim centres has risen 38.5% since 2019, to Rs. 3.2k.

6. 2023 was the best year of supply creation with 14k rooms added, taking chain affiliated inventory to 183k rooms. The pipeline has also grown to 67k rooms with estimated opening by end 2027.

   The 5 largest hotels opened in 2023 were all outside the Lux-UpperUp segment. The three largest hotels were in Mumbai, including Aurika Skyline (India's 4th and Mumbai's 3rd) with 600+ rooms, and India's second largest midscale hotel (Ginger Santacruz). Guwahati and Jaipur also got new hotels with over 200 rooms.

   60% of supply addition in 2023 and 63% of pipeline supply are in markets outside the top 10 markets, widening the spread of operations and demand.

7. Soft brands now have 41 hotels, and 2% supply share. The pipeline has 31 hotels and 5.6k rooms (about 8% pipeline share).

8. The leading players are handling conversions with care. Several other conversions have had marginal net success, with 111 hotels de-flagged within 3 years and another 54 hotels de-flagged within 4-5 years of conversion. Footprint growth at the cost of quality must be watched by the domestic hotel companies – it is damaging your brand.

9. Lack of scale must remain in focus. The average size of hotels that opened in 2023 is 70 rooms; remove Aurika and Ginger and this drops to 67. The average size of the current inventory is 97; of pipeline inventory is 100. The pipeline has only six hotels with 400 or more rooms, six hotels of 300 or more rooms, and 35 hotels with 200 or more rooms.

   Room revenue performance of larger hotels (with 300+ rooms) fully compares with the market; additional value from F&B and banqueting, and from economies of scale would have positive benefit to the bottom-line. 2023 results for the entire set of hotels with 300+ rooms reflect 71% Occ at nearly 11k ADR, with 33% RevPAR gain over 2019. These parameters compare with the aggregation emanating from performance of individual markets.

10. What shifts the needle – from a room revenue standpoint:

    - 36% of all India room revenue is earned at 3 major metros - Mumbai, New Delhi and BLR, which have 26% supply share.

    - 50% revenue comes from these 3 metros plus 3 key leisure markets – Goa, Jaipur and Udaipur; these six markets have 36% of national inventory.

    - 55% of national room revenue is from the Lux-UpperUp segment, 34% from the Up-UpMid segment and 11% from the M-E segment.

11. Four new convention centres have been established in the last 2 years – in Mumbai, two in New Delhi, and in Jaipur. In aggregate, these offer 0.7 mn sft meeting space, 5.2 mn sft exhibition space and additional pre-function spaces. However, supporting convention hotels are lacking; Mumbai has only 738 rooms (in a busy financial district) and Jaipur 435 rooms, in walking distance from the convention centres. The Dwarka centre has no hotel (plans for 3,500 rooms), nor does Pragati Maidan. These centres will drive new demand and opportunities for hotels in the respective cities, till more dedicated hotels are developed.

12. Weddings demand continues to see high spends and destination wedding concepts but saw the revival of wedding events going overseas. The "Wed in India" suggestion has curtailed the shift overseas. 2023 was impacted by a late start to the 23-24 wedding season. A "Wed in India" concept should be

taken to foreign markets, attracting foreigner marriages to enjoy the charm of Indian weddings.

13. Increased revenues have enabled improved EBITDA margins for hotels. Data for listed companies, covering about 31k rooms, reflect average EBITDA margins of 34% for FY23 (+20 pts from FY22) and 32% for half year April 23 to September 23 (+2 pts to the corresponding previous year period).

14. The success associated responsibilities for developers and owners, operators and brand owners, policy makers and advisors -

    - Are we doing all we can from the sustainability aspect; or are we doing just enough to meet expectations?
    - Are we planning projects recognising that temperatures will rise 2+ degrees and / or water availability could drop 20%? Could plunge pools become sandpits?
    - Are we rejecting projects that are harmful of the environment? Branding and managing hotels that misuse hills and riverfronts makes us part of the problem.
    - Are we creating long-term value? Can a strong underlying ESG quotient be part of the allure? Do we consider carrying capacity of destinations?
    - Are we re-casting our policies and processes to more fundamentally address the "talent and people" issue, including physical and mental wellness, rather than as a quick fix?
    - Are we cautious to avoid undue debt stress recognising that failures hurt the industry in general, with bankers using a few drops of red to 'red-wash' the entire industry canvas?
    - Are we avoiding waste of all kinds - including elaborate wedding and other buffet spreads?
    - Are we being far more actively risk conscious? remember, the more you 'have', the more attractive you become to trouble-mongers
    - We are gaining 'industry' status. Do we treat the long-term aspects of this industry as our responsibility?
    - Are we acting as custodians of a bigger wealth or sacrificing the long-term for immediate gains and quarterly reporting pressures?

    Time will tell; sometimes quickly, more often over the longer-term.

15. Looking Forward to 2024

    - Strong growth from metros in South India, particularly Bengaluru
    - More weddings and celebrations in India
    - Demand from the new convention centres adding further heft to Occ and ADR at Mumbai, Delhi and Jaipur; will help overcome the scramble to replace G20 business derived in 2023.
    - More hotels at pilgrim centres, addressing various quality and price needs, with accretive Occ that is above the national average. Better hotel options will create new demand and lengthen stays.
    - Continued growth of sports related demand, with events for both genders and across multiple sports.
    - Ahmedabad progressing towards winning the bid for 2036 Olympics.
    - Effective development in new and evolving destinations, such as Ayodhya, Kevadiya, Kashmir, North-east, and others
    - Minimal demand disruptions due to the national elections in the early summer of 2024
    - Absence of natural calamities, and sufficiency of rainfall in a year that has already started with unusual climate conditions
    - Responsible hospitality - this also requires education in behavioural responsibility of the demand side; could this be part of our CSR?

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 supply, demand and revenue data represented as Occ, ADR and RevPAR reported by hotels to STR and generated per STR guidelines. Inventory and pipeline related data referenced is based on Horwath HTL research. All values are in Indian Rupees. Previous year numbers may have undergone changes as newer participants in STR data contribute current and past data. The data includes aggregator owned hotels and hotels operated on aggregator platforms. Operating data for de-flagged hotels is included to the extent the hotels have continued participation with STR.

All-India performance is summarised below:

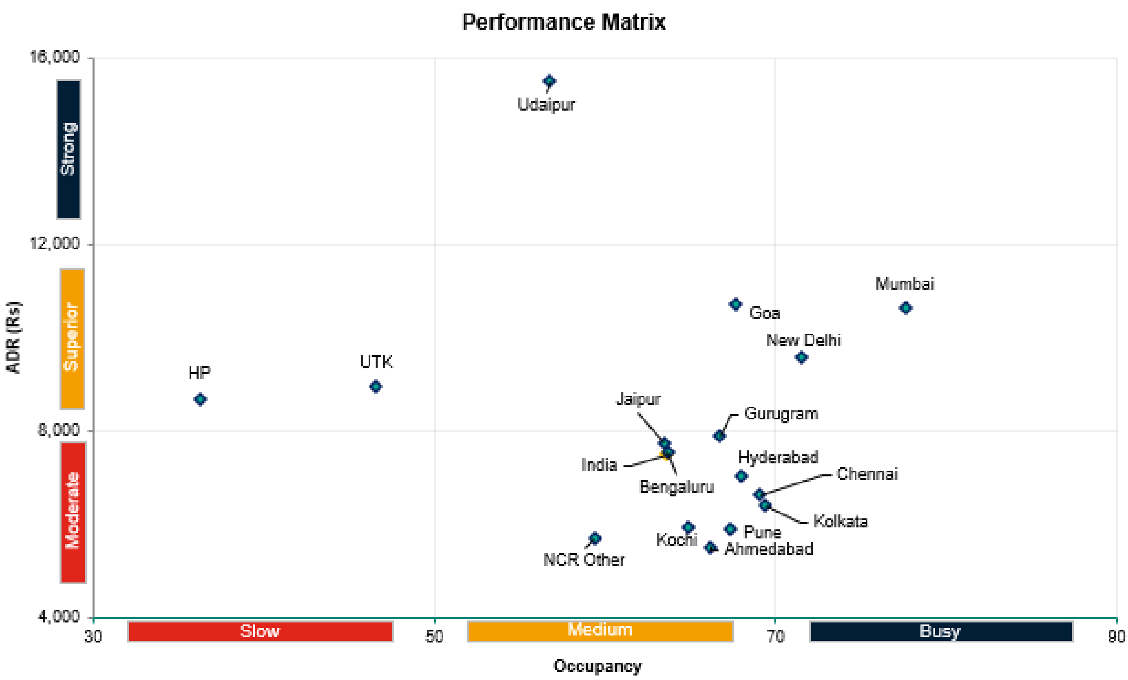
Year	Occ	ADR	RevPAR
2023	63.6%	7,479	4,757
2022	59.6%	6,135	3,654
2021	43.1%	4,448	1,917
2019	64.5%	5,684	3,664

Source: STR

The Performance Matrix reflects the Occ and ADR performance for several markets.

Overview of Performance

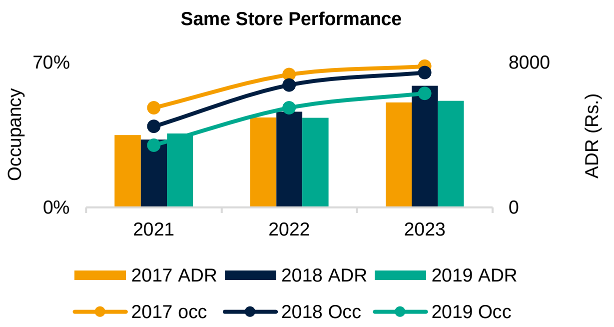
- Having crossed Rs. 6k ADR for 2022, the sector scaled Rs. 7k ADR in 2023, with a comfortable margin. It also scaled Rs. 4k on the RevPAR front, in fact moving closer to Rs. 5k
- Udaipur tops the chart, with market-wide ADR of Rs. 15.5k, rising each year. Mumbai has moved right and further up, smartly gaining both Occ and ADR.
- Goa and New Delhi have moved very positively, each gaining Occ and ADR.
- Himachal Pradesh (HP) and Uttarakhand (UTK) declined to last year, although UTK did gain ADR. External natural events impacted these markets; the Up-UpMid segment in HP should endeavour to improve rates.
- There is a clutter in the middle, amongst markets that have 40% supply share. If these markets fire well, the all-India position will be an even better story.



Source: STR & Horwath HTL

Same Store Story

This year, we examine same store performance from the viewpoint of results achieved by hotels within a period after opening. We have examined the performance in 2021, 2022 and 2023 of hotels that opened (as a set) in 2017, 2018 and 2019. These years had supply growth of 9.8k, 8.9k and 7.9k rooms respectively and represent nearly 15% of inventory at end 2023.



Source: STR

- Hotels which opened in 2017 outperformed the all-India average Occ by 4-5 pts in each of 2021-23. But they trailed the all-India average ADR by 10.2% to 22.7%, losing more ground each year.

- The set of hotels that opened in 2018 was 4 pts below the all-India average Occ for 2021, was at par in 2022 and had a small premium in 2023. These continue to operate at a discount to the all-India ADR but with a reducing trend of 16%, 14% and 10.3% discount in 2021, 2022 and 2023 respectively.

- Hotels that opened in 2019 have a more substantial Occ gap to the all-India average, trailing by 13.1, 10.6 and 8.6 pts in 2021, 2022 and 2023. From an ADR viewpoint, this set is similar to the 2017 set so that discounts to the all-India ADR have been substantial (8.3% to 21.4%) and growing each year.

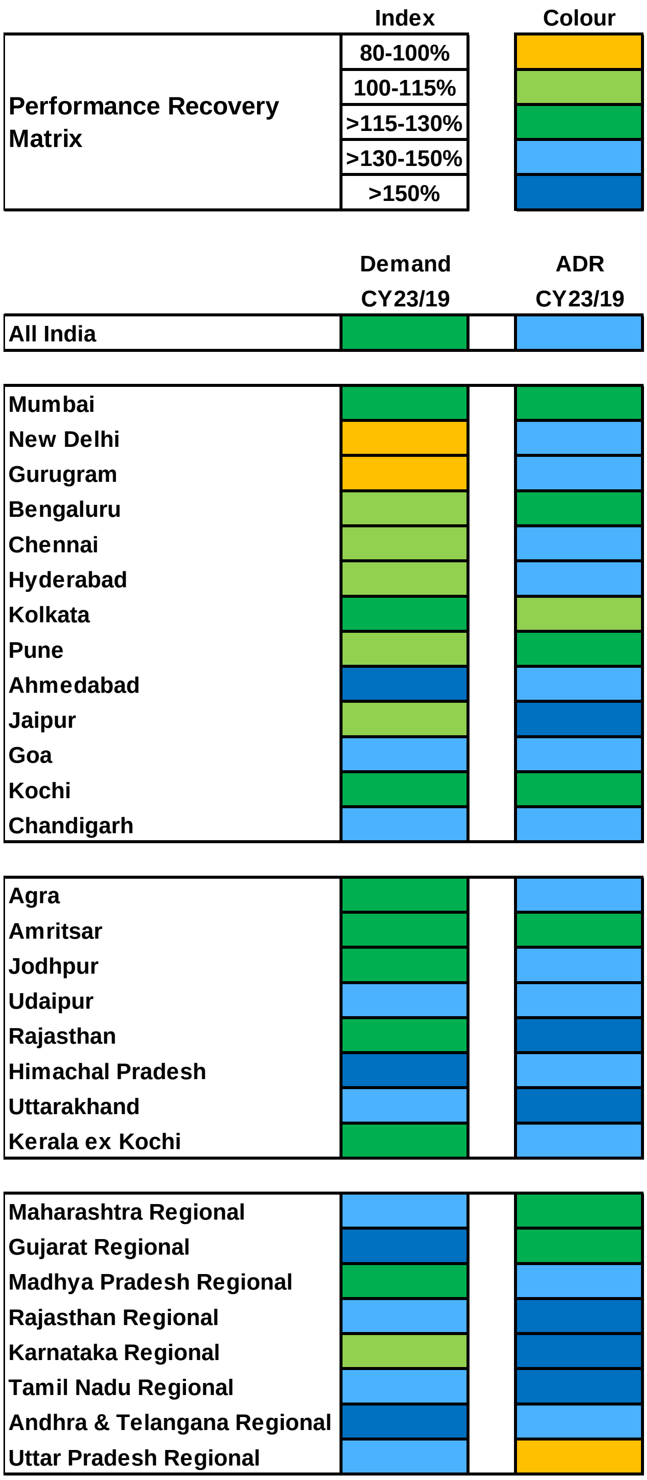
The composition of new supply is, of course, relevant - 2018 had 24% supply in the Lux-UpperUp segment (actually entirely as luxury hotels), 57% in the Up-UpMid segment and 19% in the M-E segment. Consequently, its ADR penetration is stronger.

2017 had 35% in the M-E segment, although it also had 26% in the Lux-UpperUp segment. 2019 had 44% in the M-E segment and only 19% in the Lux-UpperUp segment. The substantial M-E supply share explains some of the lower rate performance; however, the extent of Occ underplay is a concern particularly as the M-E supply was more predominantly Midscale.

Supply in each year was in a multitude of markets, though with limited numbers in Mumbai and Delhi.

Recovery and More

The chart below shows 2023 performance, indexed to 2019 performance, reflecting the effective scale of recovery and growth. Demand is based on HHTL calculation of Rooms Per Day (RPD) so that inventory growth impact is neutralised.



Source: Horwath HTL and STR

- Delhi and Gurugram lag on demand; Uttar Pradesh lags on the rate front mainly due to newer supply in tier 2 and tier 3 markets
- The leisure markets have gained materially, generally showing over 115% growth; the gain includes from weddings.
- This is also true of several regional markets which have a combination of business and leisure markets, and some pilgrim centres. Demand growth in regional markets is also contributed by widening supply across tier 2 and tier 3 markets. The very positive ADR gain among regional markets reflects the potential of tier 2 and tier 3 markets.
- Delhi, BLR, Chennai, Hyderabad and Gurugram, representing 2/7th of total supply, have demand growth potential – if achieved, this will augment future all-India Occ.

Supply

2023 was a year of highest supply creation with 14k rooms being added across 182 hotels, taking the overall chain affiliated rooms supply to nearly 183,000 rooms. Inventory addition comprised 10.8k rooms at new-build hotels, 2.6k rooms through conversion (net) of independent hotels; and 0.6k rooms through expansion of existing hotels.

The positive sentiment in the industry is brightly reflected by a growing pipeline of hotel rooms, estimated at 67k additional rooms to open by 2027.

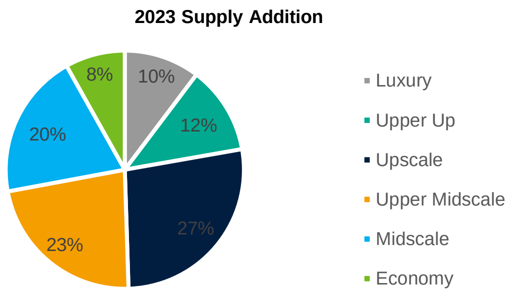
2023 saw the opening of Aurika Skyline with 669 rooms and Ginger Santacruz (a 371 room hotel when fully commissioned). Mumbai now has three of four hotels in India with 600 or more rooms. Importantly, we expect both hotels to underscore the relevance and benefit of large hotels, particularly outside the Lux-UpperUp space.

Mumbai (1.9k rooms) and BLR (1.1k rooms) had the largest concentration of supply addition; Delhi was scoreless, and the other metros had only 3.7% share. Goa added 656 rooms, but none as a beach resort.

Over 60% of supply creation was outside the key markets, with overall inventory share of such markets (i.e. other than key markets) now at 40%. With a robust pipeline, such markets are projected to have 46% supply share by 2027.

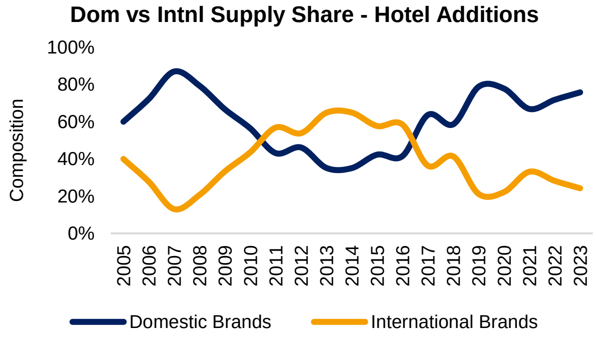
Notwithstanding the large new hotels referred earlier, the average size of new hotels remains small – an overall average of 70 rooms, with 102 rooms per hotel at the metros, and only 59 rooms per hotel outside the key markets.

2023 supply was segmentally comprised as

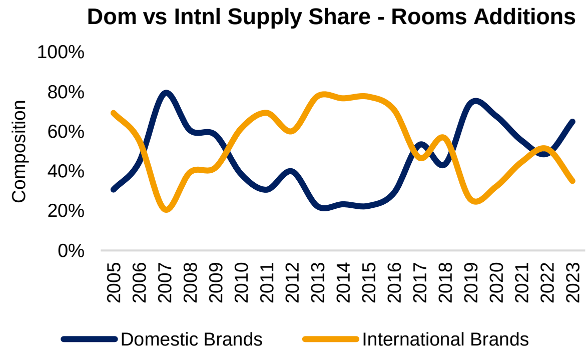


Source: Horwath HTL

From a brand affiliation viewpoint, it is interesting to see the divergence on brand share when inventory is assessed by hotels and by rooms. The charts below reflect supply share of domestic and international brands in the supply addition that occurred annually from 2006.

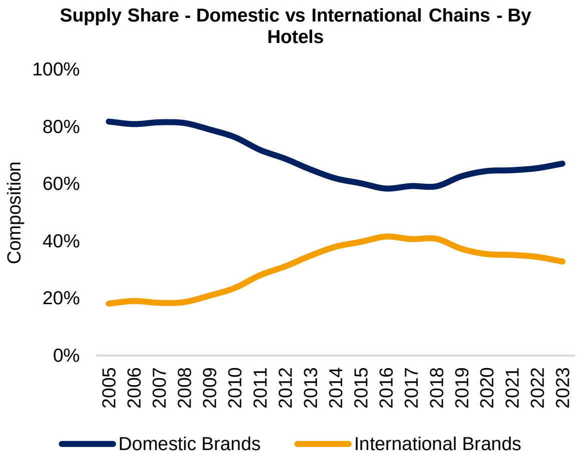


Source: Horwath HTL



Source: Horwath HTL

Domestic brands have a larger share of hotels, but not of rooms added in several years because of the willingness and ability of the domestic chains to work with smaller hotels while expanding to newer destinations. On the other hand, the international chains secured larger hotels so that those brands are ahead on supply share by rooms count.

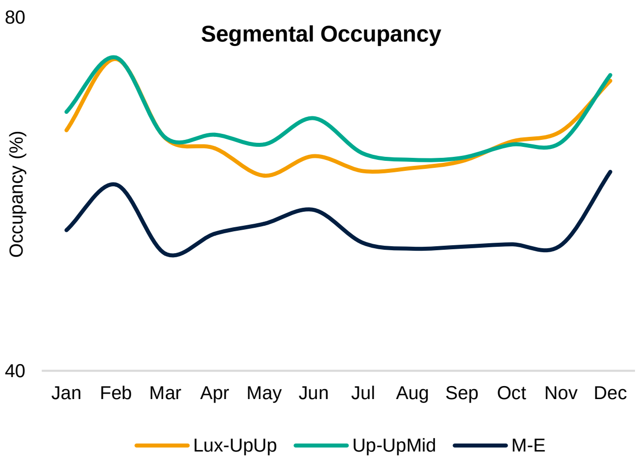


Source: Horwath HTL

The domestic brands have also maintained their overall rooms supply share at 53-54% in the last nine years.

Segmental Performance

Changing supply composition, with growing share of mid-priced and Budget- Economy (B-E) hotels, impacts the overall results.



Source: STR

In 2023, 55% of national room revenue is from the Lux-UpperUp segment, 34% from the Up-UpMid segment and 11% from the M-E segment. This pattern is broadly similar to the results for 2022 – increased supply share of hotels outside the Lux-UpperUp space has likely counterweighed the higher ADR achievements of the Lux-UpperUp segment.

All three segments have recorded occupancy, ADR and RevPAR gains over 2022. All segments have also secured ADR and RevPAR gains over 2019, although the Lux-UpperUp and M-E segments trail 2019 numbers on Occ. The gap between 2019 and 2023 Occ is 1.4 pts for the Lux-UpperUp segment, but is a larger 3.8 pts for the M-E segment.

It is interesting that the ADR premium of Up-UpMid segment over M-E segment remains unchanged at 77% (2019 and 2023); on the other hand, the Lux-UpperUp segment has widened this premium from 205% to 230%; it has also increased the gap with the Up-UpMid segment by a large Rs. 1.8k which should encourage the Up-UpMid hotels to push up rates.

Segment	As % to Base		Segmental Gap (Rs)	
	2019	2023	2019	2023
Lux-Upper Up	305%	330%	3,563	5,370
Up-UpMid	177%	177%	2,160	2,885
M-E (as base)	100%	100%		

Source: Horwath HTL & STR

Note: segmental gap is calculated between one segment and the immediately lower segment.

Luxury - Upper Up

The ADR story belongs to the Lux-UpperUp segment – some business cities, and a lot of leisure markets. Record numbers in almost every market. Till 2019, a 5-digit ADR was a rarity; in 2023, about a dozen markets have this.

Taj The Trees, Mumbai

Mumbai leads the business cities with Rs 13.4k ADR, 78% Occ and Rs 10.4k RevPAR. The positive is that Delhi, BLR, Gurugram and Hyderabad also crossed Rs. 10k, with Delhi accruing the highest growth in absolute amount (Rs. 3.5k).

Among leisure markets, Goa crossed Rs. 16k, Uttarakhand and Jaipur were at Rs.15.7k and Rs. 13.2k respectively. Himachal Pradesh (HP) declined on rate and Occ in the aftermath of the floods during the late summer – although ADR remained above Rs. 17k, it was down Rs. 1.5k to last year with Occ drop of 1.6 pts.

Upscale - Upper Mid

67.4% Occ is the highest in the last 15 years; segment ADR crossed Rs. 6k for the first time; RevPAR crossed Rs 4k for the first time, going to nearly Rs. 4.2k. Other than HP, almost all the key business and leisure markets had healthy RevPAR growth.

Novotel Convention Center, Jaipur

A positive performance in every way, except possibly the question whether the ADR potential is being adequately exploited. Does the achievement of RevPAR growth cause a satiation and resultant reluctance on aggressive pricing to more fully avail a market opportunity? Hopefully we will see continued growth in 2024, but its extent may be tempered by the sentiment through the year. Or is lack of scale (average size of 101 rooms per hotel in this segment) creating a limitation for hotels?

Mumbai and Delhi added Rs. 1.5-1.6k to segment ADR, touching Rs. 8.1k and Rs. 7.7k. But Gurugram, BLR and Hyderabad remained in the Rs. 6.4k-6.8k range, while Chennai, Pune, Ahmedabad, and Kolkata remained in the low to mid 5k levels – these markets need to better exploit their rate potential, particularly as Occ was 70%+.

Other than Uttarakhand, HP and Goa, leisure markets have segmental ADR below the national average. We see this as under-delivery particularly given the strong leisure demand conditions generally and the space created by high Lux-UpperUp rates.

This segment has the largest inventory share and the largest pipeline; it is a significant bulwark of the hotel sector and its performance has a material impact. Greater strategic planning is necessary to more fully deliver the right product and avail the market opportunity.

Park Inn by Radisson Ayodhya

Midscale – Economy

The strong initial expectation was that India's bulging middle class and affordability will provide a ready market for the M-E segment; that the M-E segment could be a key player in the industry. The result has been quite different. The segment has only 26% share in supply; the B-E segment is even smaller with just 5% share and this will decline as Ginger is reclassified to midscale position.

Performance numbers are much better than 2022, and yet very modest – 56.1% Occ is below par. ADR at Rs. 3.5k is only the second time it has been in the 3k level. Yet, the record RevPAR of Rs. 1,967 is only a little ahead of 2017 and 2018 numbers as the Occ was at 64% in those years.

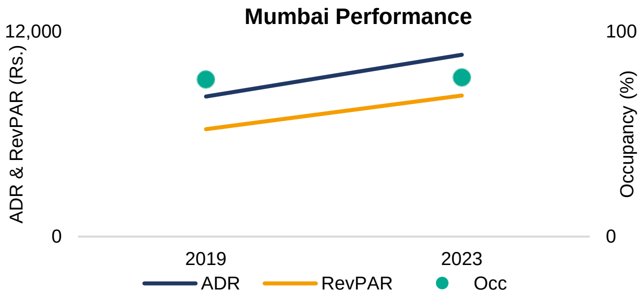
STR Occupancy data for the M-E segment includes a large supply base from aggregator platform hotels; i.e. numerous independent hotels using aggregator platforms. As HHTL supply data does not cover hotels on aggregator platforms, HHTL has separately estimated 2023 Occ and ADR for M-E segment (excluding hotels on aggregator platforms) – at nearly 64% and Rs. 3,876 respectively

Mumbai with 3k rooms was the only market with over 70% Occ; and an ADR of almost Rs. 5k. Pune and Coimbatore reported 66% Occ, Amritsar 64.6%, Jaipur & Amritsar 63-65%, with BLR and Goa at 60%. Delhi and Goa were the only markets, besides Mumbai, with ADR above Rs. 4k.

Key Markets

Mumbai

Mumbai achieved 77.6% Occ overall, with 78% and 80.6% Occ for the Lux-Upper Up and Up-UpMid segments, leading all markets on Occ and RPD. The city also saw 12.6% inventory growth as over 1.8k new rooms were added, largely in the Up-UpMid and M-E segments.



Source: STR

The city ADR of Rs. 10,641 was the highest among business cities for the eleventh year running, gaining from a strong performance by the city's large Lux-UpperUp supply. Lux-UpperUp ADR of Rs. 13.4k is Rs. 1.2k higher than any other business city.

Mumbai Centre and South micro-market (17% of city inventory) was particularly strong with ADR of Rs. 15.3k overall and 17k for the Lux-UpperUp segment. Another positive was 27.7% RevPAR growth for the Up-UpMid segment in the Mumbai East micro-market, in spite of substantial supply creation. The Lux-UpperUp segment in this micro-market, with nearly 1/3rd of Mumbai's total inventory, gained a massive 35% in RevPAR, as ADR grew to Rs. 11.7k (+30%).

Aurika Skycity, Mumbai

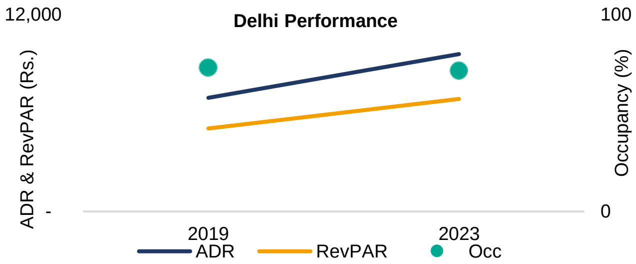
The city had substantial supply growth in 2023, including the 669 key Aurika & 371 key Ginger Santacruz (partial inventory yet to be commissioned as at end Dec 23).

Both hotels were launched in Q4-23. A 268 key Novotel opened in Jan 23, while a 151 key Taj hotel opened in Vikhroli where an upper tier hotel (even a hotel, really) was unimaginable some years ago. This supply has been reasonably absorbed.

The pipeline of 4.6k rooms through 2027, including re-opening of Hyatt Regency, is modest in the context of demand potential from the Jio convention and Events Centre, the Navi Mumbai airport to open in early 2025, the possibilities from the Trans-Harbour Link and the benefit for leisure and business travel as the coastal road opens.

Delhi

Delhi has finally come out of its shell. With hardly any supply addition in the last 7 years, the city had languished with ADR in the 6,000s since 2014 (lower during Covid). And RevPAR had remained in the 4,000s (just Rs 5k in 2019).



Source: STR

2023 saw ADR jump to Rs 9,574 and RevPAR to Rs. 6.8k; but Occ at 71.5% remains under 2019 level.

The Lux-UpperUp segment has led the revival with nearly 50% jump in RevPAR, mainly due to ADR growing 41% to Rs. 12,155. The Up-UpMid segment was supportive with Occ above 82% and ADR growing by Rs. 1.5k. The M-E segment was not to be left behind with +9pts on Occ and Rs. +999 on RevPAR.

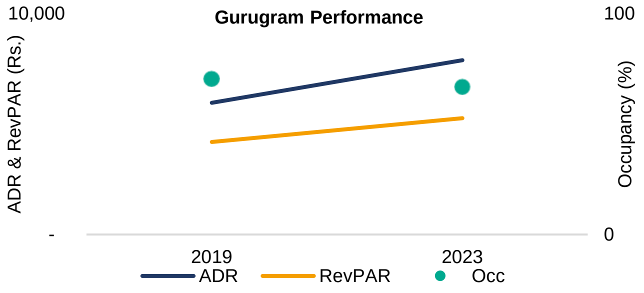
Is this G20 impact? Partially. Is it simply more positive and more confident pricing at city centre luxury hotels, and MICE / weddings demand and rate push at Aerocity hotels? Yes too. Demand grew by 850 RPD (9.8%) which is not sufficient to galvanise the rate growth - it's the mindset, the approach to aggressive and confident pricing, to pricing hotels closer to their international competitive value. The city has shown the benefit of a change in sentiment and approach to pricing and should help show the path for hotels in other cities - importantly, the pricing positivity percolated to every segment causing the Up-UpMid and M-E segments to grow ADR by 25% and 45% respectively.

With a limited pipeline and 2 modern convention centres, the city should see positive business trends. Opening of Jewar airport could have a short term disruption but we believe there is sufficient unsatisfied demand (demand that is turned away) to quickly fill up any void.

Gurugram

A mixed performance from a market that has multiple demand factors, and is not just IT based.

66.7% Occ (+6.7 pts); Rs 7.9k ADR (+24%); Rs. 5.3k RevPAR (+37.5%). That's positive growth, relative to 2022.



Source: STR

Now let's see this relative to the past. Occ is well below 70.2% for 2019; even below 2018 Occ. ADR was 8k+ for 2009-2011, though with half or less of current inventory. 2010 had a higher RevPAR. Thus, Gurugram is the only market among the major business cities to not have a record broken in 2023. The good news is that business has picked up momentum and each quarter of 2023 was ahead of 2022; Q4-23 was nominally ahead of Q4-19.

The Lux-UpperUp segment got to 65.3% Occ (this market peaked at 70% in 2019); it enjoyed an impressive ADR gain, crossing Rs 12k and leading to the 3rd highest segmental RevPAR (Rs. 7.9k) among business cities.

The Up-UpMid segment grew demand by over 200 RPD leading to 76% Occ at Rs. 6.4k ADR (+23%). The M-E segment recovered to 57% but remained almost 11 pts below 2019 Occ.

The demand side has been inconsistent and is yet to see a full recovery of business travel across sectors.

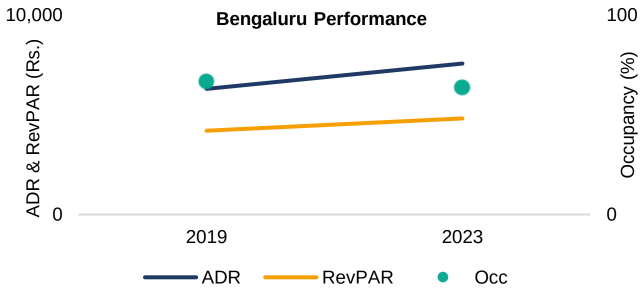
Bengaluru

The largest market on inventory; the softest on Occ, among major business cities. That its ADR at Rs. 7,557 is the highest since 2009 and grew 25% in 2023, in spite of only 63.7% Occ, helps cut some slack for the market. Inventory expansion of 3,300 rooms since 2019 has added to the challenge amidst a market that is reluctant to return to offices; demand CAGR since 2019 is only 3.5%.

The city's dynamic means that Q4 is usually impacted by festival holidays and international business slowdown in the 2nd fortnight of December. Unfortunately, each of Q1-Q3 for 2023 was behind 2019 and 2022 by 3.2 to 6.5 pts. Micro-markets that are essentially focused on IT parks have lacked momentum, with parameters below the city numbers.

Let's look at some positives from this market.

- City-wide RevPAR is above 2019 by Rs. 616 (+14.7%).
- Lux-UpperUp ADR at Rs 11.5k is the highest since 2008 and the first time in this period that it went into 5-digits. Segmental ADR for the BLR city centre micro-market at Rs. 13.4k with 72.5% Occ is a major saviour.
- City-wide Lux-UpperUp RPD at 4.6k rooms is sizeable, but trails Mumbai substantially and Delhi in a more limited scale.
- Up-UpMid ADR at Rs. 6.8k is the highest in 14 years and a significant 19% higher than the previous best; RevPAR for this segment is over Rs 4.5k.
- Up-UpMid hotels in the Whitefield and Sarjapur micro-market gained rate increase to Rs. 7.5k which is about Rs 600 higher than 2019. This segment also performed well in the BLR North micro-market, growing ADR by about Rs. 1.4k.



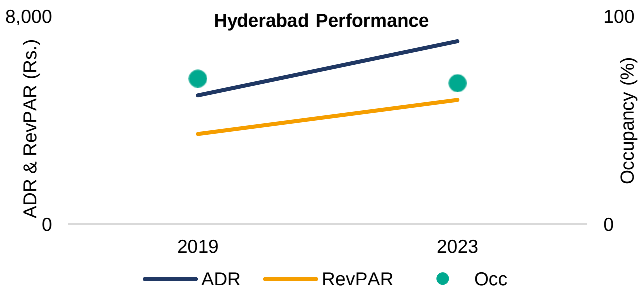
Source: STR

It doesn't need AI to tell us that the city is suffering from its IT centricity. The sooner that the Aero SEZ provides positive aero-dynamics, the better for the city.

Hyderabad

Moderate to positive performance on all three parameters, from the Charminar city.

Occ +4.7 pts to 67.9% but still below 2019 level; ADR +31% crossing Rs. 7k; RevPAR +41% to Rs. 4.8k.



Source: STR

The Lux-UpperUp segment gained Rs. 2.8k on ADR to cross Rs. 10k for the first time; Occ remained virtually unchanged at 70%. The city added 171 rooms in this segment in 2023 with the second Westin that has contracted its entire inventory to a single party. Overall segmental supply growth has been limited over the last six years leaving scope for rate growth.

ITC Kohenur, Hyderabad

The Up-UpMid segment took Occ to 78.2%, the third highest among key markets, with ADR crossing Rs. 6.6k and RevPAR going above Rs 5k for the first time (nearly Rs 5.2k).

The M-E segment was also positive with RevPAR growth of 54% and ADR crossing into the Rs. 3k levels for the first time.

The last seven quarters, starting Q2-22, have seen Occ vary in a narrow range of 67.1% and 68.7%. Consistency is a virtue, but why is there no pick-up?

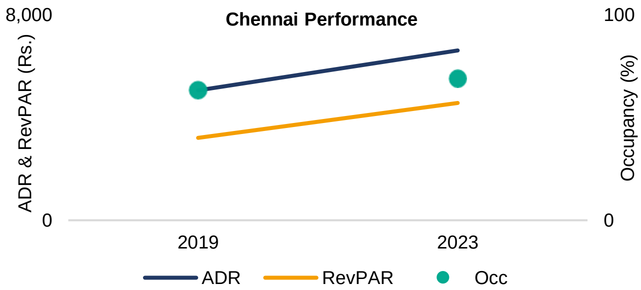
Room revenue on a city basis is 83% of Chennai and reflects the growing importance of this business hub which does have good infrastructure.

Chennai

Chennai has much to celebrate, having achieved its best city-wide performance since 2008. 69.1% Occ lands it the fourth spot among major business cities; but the city's inability to push ADRs means its RevPAR is 5th among metro cities and also behind Gurugram.

Chennai's Lux-Upper Up ADR remained a tad below Rs. 9k and herein lies the problem - all metros (other than Kolkata), Gurugram and Pune crossed Rs 10k as segmental ADR. This segment's 40% supply share and rate-moderate scenario, has pushed the next 41% supply share comprising Up-UpMid hotels to the bottom of the rate pile among major business cities; at Rs 5,372, it may have grown 19% over 2022 but remained below Rs 4k in RevPAR in spite of a healthy 74% Occ.

The M-E segment had a material revival with Occ growth of 9.8 pts to 59.5%, 18% ADR growth to Rs 3.6k and 42% RevPAR growth. Segmental parameters were above all-India numbers and reflect a look-up of sorts (with still a long way to go) for the OMR belt. This micro-market has 27% of city supply across segments, and an improvement in its numbers will help the overall market.

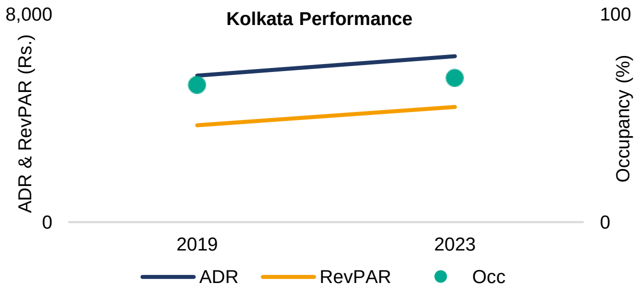


Source: STR

The city has unfortunately taken a cue from BLR in terms of materially worsening traffic and needs new airport capacity. It had a landmark hotel close down (for good or for the medium term, is a question) in mid-December; another landmark hotel has been relaunched in Jan 24, with more "Welcom"ing character.

Kolkata

The Sandesh is sweeter in 2023. 69.4% Occ was the highest Occ after 2012; ADR bettered the previous highest of Rs. 6,388 by a mere Re 1, while RevPAR was comfortably the highest in the last 15 years. This is very positive for a city that has limited corporate travel growth.



Source: STR

But that absence is yet causing the city to have the lowest comparable RevPAR to other metro cities and Gurugram.

City inventory has seen limited growth after 2019 in which year it grew by about 1,100 rooms. Total inventory of chain-affiliated hotels is under 4.9k rooms, and is materially smaller than other metros, Gurugram, Pune and Ahmedabad. The pipeline with 1k rooms expected to be added by 2027, is modest in absolute terms for a metro city but is sizable relative to current inventory.

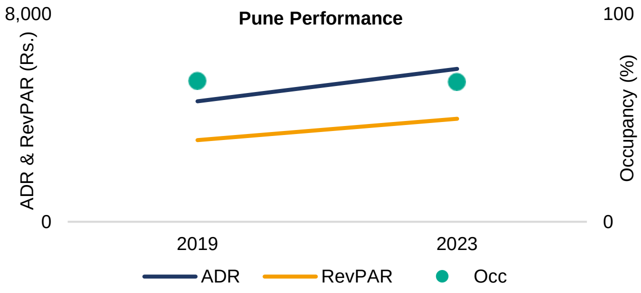
The Lux-UpperUp segment gained 26% ADR, while also taking Occ to 70.7%, so that RevPAR was just short of Rs. 6k. The Up-UpMid segment took Occ above 76%

and also grew ADR by nearly 20% so that RevPAR crossed Rs. 4k for the first time. The city remains at the bottom of the pile for M-E ADR and RevPAR with the lowest numbers among all major markets.

It would be wonderful and beneficial if the softness of the rosogulla was confined to the sweet and doesn't extend to rates and RevPAR. Weddings related banquet revenue does add cream to revenues and profits. More corporate activity would be beneficial.

Pune

The city took its RevPAR to nearly Rs 4k, up 22% and Rs 722 over 2022. Pune has over 7k rooms - the largest among business cities other than metro cities; in fact, much larger than Kolkata and only 550 rooms smaller than Hyderabad.



Source: STR

Occ increased by 1.2 pts to 67.4% and ADR by Rs 1k to Rs. 5,887. RPD has risen by 204 rooms crossing 2019 levels.

The Lux-UpperUp hotels saw an increase in Occ (+3.9 pts) to 62.6% while taking the ADR to Rs. 9.1k (+19.2%), enabling RevPAR increase to Rs. 5.7k (27%). The year saw an improved performance from several Lux-UpperUp hotels, adding heft to the rate leadership from Ritz Carlton, and Occ and ADR positivity of JW Marriott.

Up-UpMid Occ at 71.8% was the highest ever for the city, but only marginally above 2022. Moderate ADR improvement (Rs. 925) may be a 20% growth but has further potential given over 71% Occ.

The M-E segment has struggled with a decline in Occ and RPD (including due to reclassification of about 400 rooms reducing segmental supply). While ADR rose to Rs. 3k, the segment needs a performance boost and will gain when Up-UpMid hotels pull their weight and raise rates.

The city sees demand pressures similar to the major IT centres, but also gains from manufacturing and corporate demand. These have enabled higher Occ than BLR, and Gurugram; the city was almost at par on Occ with Hyderabad. Lux-UpperUp ADR is above Chennai and Kolkata and this is a positive. The city also gains from material weddings and MICE demand which adds positively to the F&B revenue of the hotels.

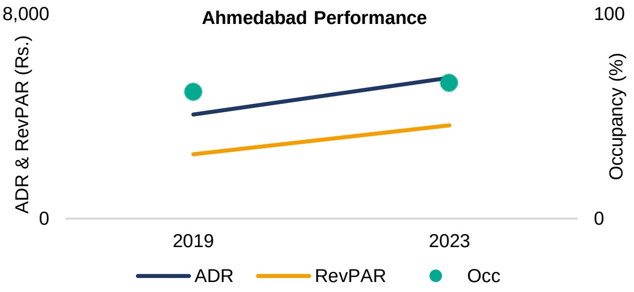
Pune has limited supply pipeline so that the future augers well as the IT sector resumes more travel.

Ahmedabad

Ahmedabad (excluding Gandhinagar) continued to enjoy growth, with RevPAR rising nearly 28% to Rs. 3,645. With Occ above 66% and ADR above Rs. 5.5k, the city had record results across all parameters.

Mysa Zinc, Journey by the Fern, Nani Devati

Lux-UpperUp ADR (including Leela Gandhinagar) crossed Rs 8k. the city (including Gandhinagar) has added nearly 2.3k rooms and is expected to see further growth with a pipeline of 1k rooms.



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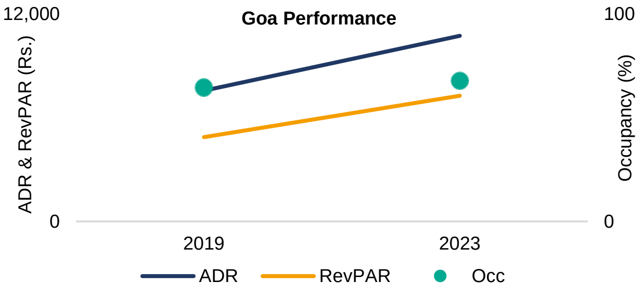
Goa

If 2019 is a benchmark, then Goa has bettered that in Occ terms. However, at 67.7% it still trails the numbers registered between 2014 and 2018. Its ADR of Rs. 10,739 is the highest among all major markets, though Udaipur, with smaller inventory, has fared better.

Goa's Lux-UpperUp segment has seen a very positive year with 68.9% Occ at Rs. 16.4k ADR. Segmental RevPAR grew 48% over 2019.

Up-UpMid Occ at nearly 71% is a positive but Rs. 7.2k ADR is disappointing given the large headroom provided by Lux-UpperUp resorts - the differential of Rs. 9.2k is overly large. It is also symptomatic of the challenge that Goa faces.

While quarterly data shows Q4-23 to be ahead of Q4-22 and Q4-19, it remained under 70% and did not have the momentum that the market expected. We understand that there has been a slowdown at the Up-UpMid and M-E levels reflecting also in the pricing available for these resorts in January 24. Some reduction in flight services adds to, or is due to, the slowing growth.

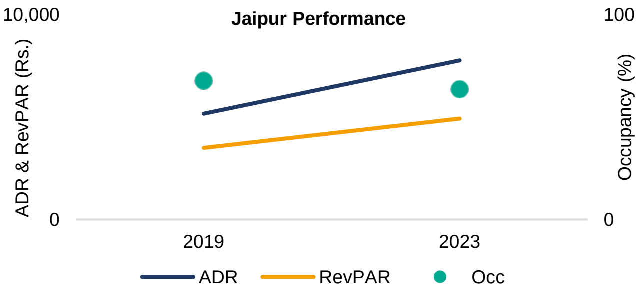


Source: STR

So, what is the challenge for Goa - pressure from alternative accommodation, mushrooming of smaller hotels has led to high visitation numbers but lower value creation, the resultant crowds at beaches and other tourism vantage points to the unfortunate detriment of the experience, loss of original cultural appeal through heavy doses of 'home-cuisine' F&B options for various regional visitors, impact of GST on the casino business. There are others. These will fester, deepen and hurt the destination unless the industry and the authorities plan for the destination's future. The new airport is refreshingly good, but can only do that much if the core is damaged. Destination capacity is being overwhelmed.

Jaipur

Resurgence of the Luxury sector. The upper upscale and Up-UpMid segments have failed to adequately back this up.



Source: STR

Lux-UpperUp ADR at Rs. 13.2k is nearly 50% higher than 2019 ADR. This surge is led by only a handful of luxury hotels. About 50% of Lux-UpperUp segmental supply is of UpperUp category; over 60% of the Lux category supply is big box hotels at premium but not luxury pricing. UpperUp ADRs are vastly lower than the high-end luxury products and have largely failed to create material pricing positivity. The premium products are also at substantial discounts to the high-end luxury hotels.

63.4% city Occ is yet 4.3 pts below 2019. The Lux-UpperUp gap is 4.8 pts and the Up-UpMid gap is 8.3 pts. We believe this is on account of the focussed satisfaction of Upscale and UpperUp hotels on weddings and MICE, with a lack of strong focus on leisure. Several of these are big box hotels and either lack the product or the intent (often both) to draw leisure otherwise than as a filler between weddings and conferences.

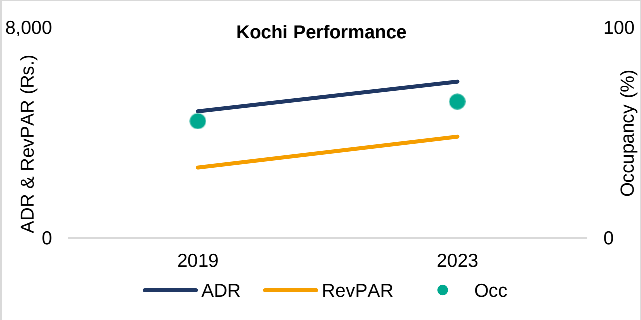
Hyatt Regency, Jaipur

Up-UpMid ADR is only Rs. 5.2k and M-E ADR is under Rs 2.8k. The segmental gaps are very large and point to an under-utilisation of potential. One might say that the Occ under-achievement is a potential cause for moderated ADRs. But 66.6% Up-UpMid Occ is not a level that justifies ADR softness - there is a difference between moderation and softness, and we believe that in this case the softness quotient is greater.

Weddings demand is a boon; is it also potentially a millstone of sorts?

Kochi

Kochi has had a better year, mostly relative to its own recent mediocrity. 64.8% Occ at Rs 5,950 is the highest for this market in the last 12 years. But truly not reflective of its potential.

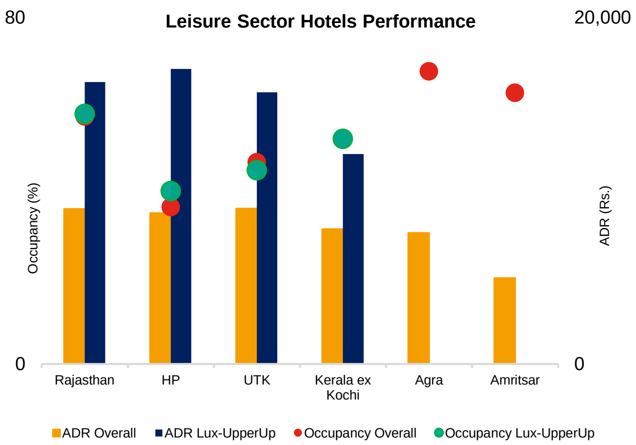


Source: STR

66.5% Lux-UpperUp Occ is a positive, but at Rs 7.7k, it reflects an underdone market. Airfares to the city are generally very high and pose a limitation on Kochi being a destination wedding base of substance.

Business travel growth is modest and its drivers appear to be less real than the story on paper. Importantly, the destination needs to have a concerted growth ambition - and then a strategy to benefit from the potential.

Leisure Sector

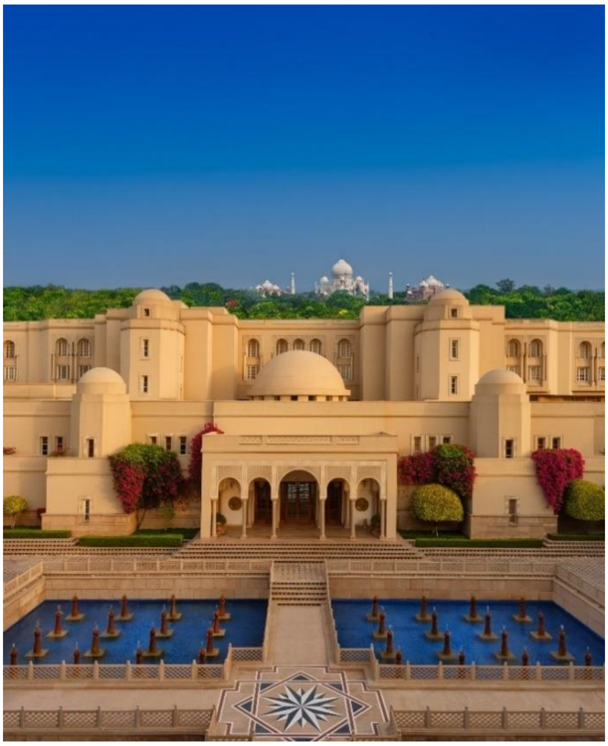


Source: STR

The leisure sector story is a big positive; would have been even bigger but for nature-led calamities in HP and Uttarakhand.

Coorg Marriott Resort and Spa

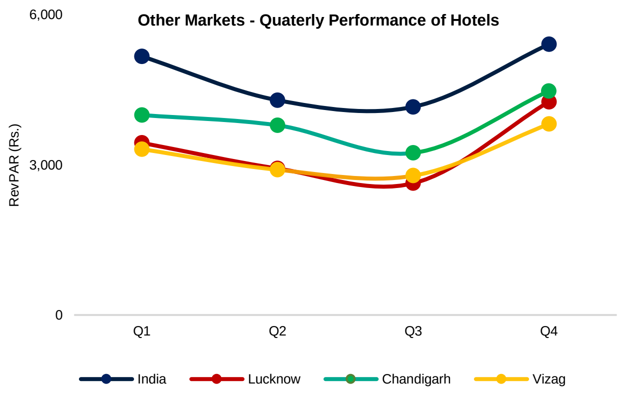
- **Udaipur** with 56.8% Occ grew over 2022 but is way short of its 68% peak for 2017. Its market-wide ADR of Rs. 15.5k is 207% of the all-India number, mainly led by its Lux-UpperUp hotels which clocked 56.6% Occ at Rs. 22k.
- **Rajasthan** markets, other than Udaipur and Jaipur, also grew Occ and ADR to 42.4% and Rs. 7.1k respectively. Take out some super luxury hotels and the numbers would drop sizeably; but then some independent hotels in Jaisalmer, Jawai etc would add back positively.
- **HP** is a reminder of misuse of nature and its impact. The floods and consequent losses of life, property, connectivity and confidence caused Occ to drop sharply to 36% and ADR to shed Rs. 141. The rate drop was only in the Lux-UpperUp segment (-8.2%) while the other two segments actually gained some while shedding Occ more sharply.
- **Uttarakhand** added 1,400 rooms since 2019, reflecting 50% growth of pre-Covid inventory, with 7.9% demand CAGR (would have been higher and would have avoided 1.3 pts Occ decline if 2023 was not impacted by nature led events). ADR grew by 9% to Rs. 9k, mainly gaining from Lux-UpperUp ADR of Rs. 15.7k. Up-UpMid and M-E segments were also materially rate supportive with Rs. 8.5k and Rs 4.1k ADR. The supply pipeline of 3.3k rooms by 2027 will take the market inventory to over 7.5k rooms. Some regions will benefit from enhanced road connectivity to Delhi; but the climate led factors will lend uncertainties,
- **Agra** is a positive story with 67.5% Occ at over Rs 7.5k ADR. It's the highest ADR for that market in the last 10 years. 5% demand CAGR since 2019 is mainly on the back of 9.4 pts Occ growth in 2023 drawing from the greater connectivity to Kanpur and Lucknow, besides Noida and Delhi. Its airport remains inconvenient for civilian use.



The Oberoi Amarvilas, Agra

- **Amritsar** started with an upswing, but lost to some reverse swing, to end with 62.7% Occ at just below Rs. 5k. Early momentum had created the possibility of more than 1.1 pts Occ gain that was actually achieved. Additional supply of nearly 400 rooms in 2023 could also have hit the Occ statistic and the city is coping with a supply surge with 825 new rooms added since 2018 (+56%). The supply pipeline remains substantial so this market will need more than its recent 5.5% demand CAGR.

Other Markets



Source: STR

- **Chandigarh** reported 65.2% Occ at Rs. 5.9kADR, and a 12% RevPAR jump. Occ remains below 2019 levels, though the market has seen inventory growth of about 550 rooms and demand jump of about 300 rooms since 2019. Occ was led by the Up-UpMid segment (over 70%); Lux-UpperUp segment had a moderate performance with ADR estimated in the mid Rs 8k level. But the M-E segment trailed significantly. On the positive side, the ADR gap between Up-UpMid and M-E was smaller.
- **Coimbatore** had a stellar year, with Occ jumping to over 70% at a reasonable ADR of Rs. 4,653. The market has added 122 RPD since 2019
- **Vizag** did commendably in the Covid period but has failed to maintain growth momentum. 62.8% Occ is behind pre-Covid numbers, with only modest demand growth of 90 RPD in this period. The positive of ADR crossing Rs 5k has enabled RevPAR to cross Rs 3k. The Up-UpMid segment has done well with over 70% Occ and ADR of Rs 5.6k; but it was let down by low rates and Occ at the M-E level (2/7th of total supply).
- **Lucknow** crossed 2019 Occ in 2022 and added another 4.5 pts in 2023, while also taking ADR up by nearly Rs. 900, above the Rs. 5k level. RevPAR grew nearly 30%. UP state is in a strong development phase and Lucknow is poised for strong business conditions.

Emerging Markets

Emerging markets of particular interest include Ayodhya, Lakshadweep, and the yet largely unexplored North East. Kashmir, game parks and hills can add to the experience quotient and widen the leisure offering for domestic and inbound visitors.

Raj Sadan, Ayodhya

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