

# India Hospitality Industry

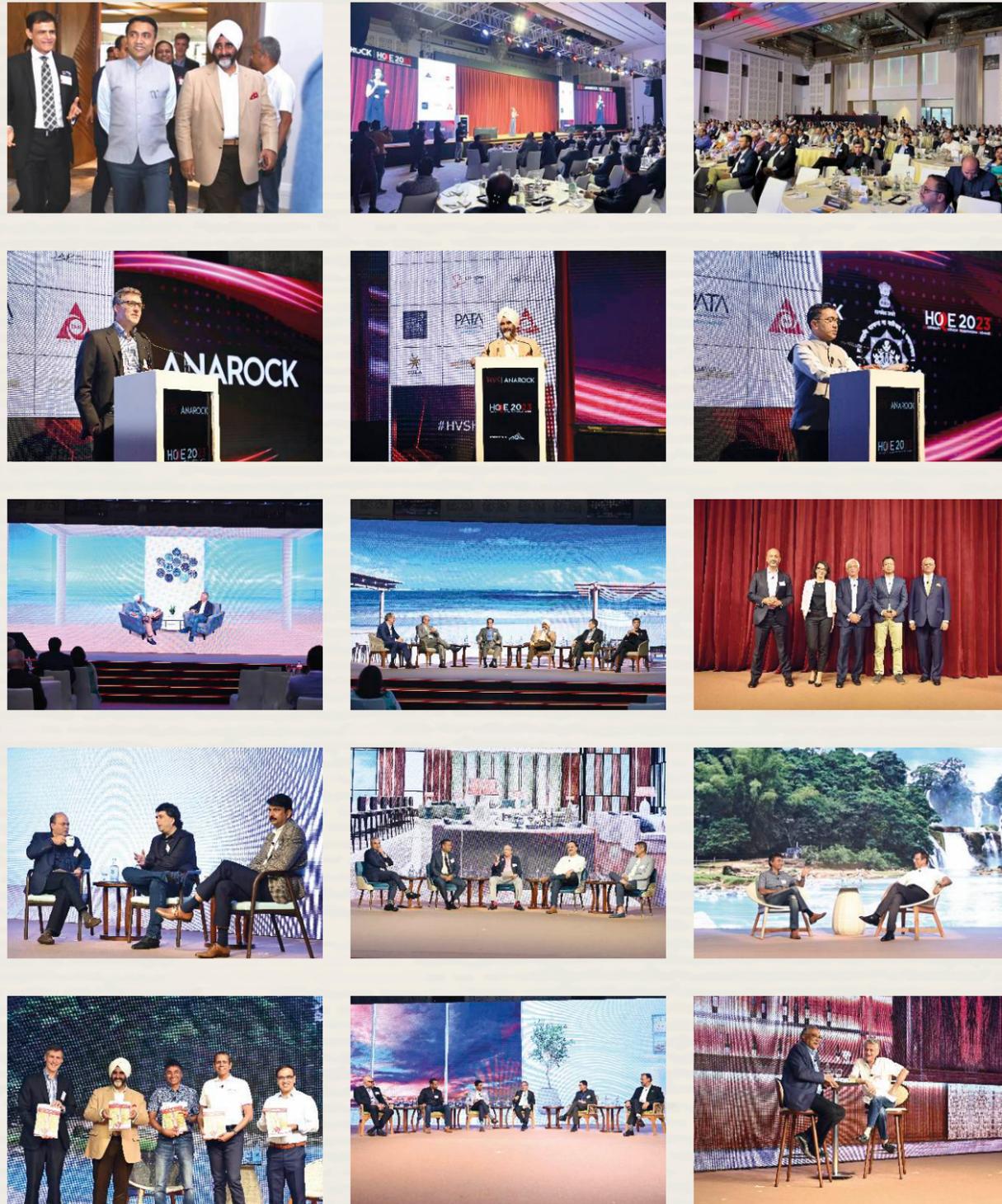
OVERVIEW 2022



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 AT THE TAJ RESORT AND CONVENTION CENTRE, GOA



# Table of Contents

01



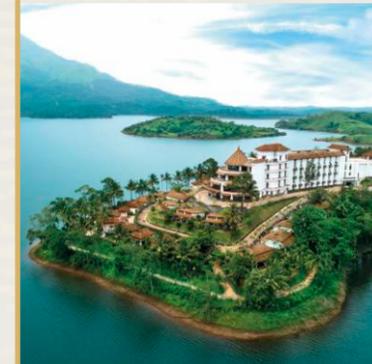
FOREWORD

02



TRAVEL & TOURISM  
(T&T) SECTOR 2022

03



INDIAN HOTEL SECTOR  
PERFORMANCE REVIEW 2022

04



INDIAN HOTEL SECTOR  
DEVELOPMENT REVIEW  
2022

05



OUTLOOK  
2023



01  
FOREWORD

# Foreword

The year 2022 painted a mixed picture for the global hospitality sector. It was the year that travel finally made a comeback after a majority of countries lifted their travel restrictions and most people resumed their pre-pandemic way of life. As a result, travel demand increased significantly across the globe with people trying to make up for the lost time. However, inflation, the Russia-Ukraine war, and the "great resignation" negatively impacted the hospitality business in a few countries. The Indian hospitality sector also witnessed similar trends during the year but was more resilient than some of its global counterparts.

**The year began on a challenging note with weak demand in the first few weeks because of the emergence of omicron cases and the re-introduction of travel restrictions across states. However, unlike the previous COVID waves, this setback was short-lived, and travel demand recovered much more quickly than before. The lower severity of omicron, increased vaccination rate, swift response by the government, quick revisions in restrictions, and the significant pent-up demand for travel contributed to this quick rebound. As a result, hotel occupancy in India crossed the 60% mark in March 2022 – a first since the onset of the pandemic – as several markets began outperforming their pre-pandemic occupancy levels, and the industry has not looked back since.**

Domestic travel remained the industry's primary growth engine in 2022. While leisure destinations continued to thrive, the resurgence of corporate travel and large-ticket conferences and events helped in reshaping the fortunes of commercial markets and popular MICE (Meetings, Incentives, Conferences and Exhibitions) destinations. Meanwhile, the resumption of regular international flights in India in March 2022 helped kickstart outbound and inbound travel in the country. However, due to the inconsistencies in COVID protocols across countries, visa challenges, and high airfares, international travel continued to be volatile, aiding the continued growth in domestic tourism. The "Big Fat Indian Wedding" also made a comeback after two years of waiting with several hotels sold out during the wedding season. Moreover, due to the difficulties associated with visas and the high cost of international travel, many couples seeking celebrity-style destination weddings in picture-perfect foreign locations turned to luxury hotels and resorts in India for their wedding ceremonies.



Although strong demand brought some cheer to the sector, the rising costs of raw materials, high manpower costs, and increasing borrowing costs due to rising interest rates hurt hotel operations and GOP. However, every cloud has a silver lining, and thanks to the significant pent-up demand, hoteliers were no longer afraid of passing on some of the rising costs to customers in the form of higher room rates. Ancillary revenue streams also gained momentum, with hotel companies becoming more innovative in their pursuit of new revenue streams. Finally, near the end of the year, the government discontinued the pre-boarding requirement of completing the Air Suvidha form for international arrivals and the mandatory requirement of wearing face masks on board an aircraft, ending the country's travel-related restrictions.

The sector closed the year with occupancy in the range of 59-61%, up 15-17 percentage points (pp) over the previous year and only 5-7 pp lower than the full year 2019. Average rates (ARR) however, recovered fully in 2022, crossing 2019 levels by almost 1-3%, and were 37-39% higher than 2021 levels. As a result, RevPAR increased by 89-91% in 2022 compared to the previous year and were only 7-9% lower than 2019.

Driven by the strong recovery in demand, hotel companies accelerated their growth plans in 2022, resulting in over 33% rise in brand signings by keys compared to the previous year. During the year, 166 new hotels with 14,885 rooms were signed, while 90 hotels with 5,702 rooms were rebranded. Hoteliers continued to strengthen their portfolio in leisure destinations, as well as Tier 3 & 4 cities, having recognized the enormous latent potential in these locations.

2022

Average rates recovered fully in 2022, crossing 2019 levels by almost 1-3%, which resulted in an 89-91% year-on-year increase in RevPAR.

2023

We expect India-wide occupancy to improve to 66% in 2023, which coupled with a 16-17% increase in ARR will push RevPAR to ₹ 4,690 during the year, almost 18% higher than the pre-pandemic RevPAR recorded in 2019.



**Mandeep Singh Lamba**  
President (South Asia)  
HVS ANAROCK

The beginning of 2023 has been promising, and the outlook for the Indian hospitality industry remains positive. Domestic demand will continue to be strong and international travel is also expected to pick up, despite the looming threat of a recession in the US and Europe, growing global geopolitical issues, and an increase in COVID cases in some countries. In addition, the G20 presidency of India and the fact that India is hosting a number of international events, including the ICC Men's World Cup, will increase demand for hotels in the cities where these events will take place.

There is a refreshing spring in the step of hotel owners and operators, and a strong conviction that the sector is taking a much-needed turn towards more mature performance and a longer cyclical upside than traditionally witnessed.

**At HVS ANAROCK, we believe that even though some markets or rates are likely to experience a course correction, there is still much to cheer for the sector as India focuses on infrastructure development and continues to expand as one of the world's largest markets for international and domestic investments, all of which have favorable implications for India's hospitality sector.**



# 02

TRAVEL AND  
TOURISM (T&T)  
SECTOR 2022

# Global Travel and Tourism Sector - Strong Recovery in 2022

The easing of travel restrictions around the world and the significant pent-up demand helped international tourism to recover strongly in 2022. During the year, International Tourist Arrivals (ITA) more than doubled year-on-year, recovering to 63% of pre-pandemic levels.

The Middle East and Europe experienced the strongest recovery as countries in these regions were the first to ease COVID-related travel restrictions. Meanwhile, Asia-Pacific lagged behind despite the stark rise over 2021 because most countries in the region took a cautious approach to easing restrictions.



## Global International Tourist Arrivals (ITAs):

YEAR	ITA (IN MN.)	CHANGE OVER PREVIOUS YEAR (%)	CHANGE OVER 2019 (%)
2022	917	▲ 102%	▼ -37%
2021	455	▲ 11%	▼ -69%
2020	409	▼ -72%	▼ -72%
2019	1,465	▲ 4%	- - - -

Source: 'World Tourism Barometer', United Nation's World Tourism Organization, January 2023 edition; HVS Research

## INTERNATIONAL TOURIST ARRIVALS BY REGION IN 2022



Source: 'UNWTO Tourism Data Dashboard', United Nation's World Tourism Organization, 6 March 2023 update; HVS Research

## EXPORT REVENUE FROM INTERNATIONAL TOURISM



EXPORT REVENUE (IN US\$ BILLION)	CHANGE OVER PREVIOUS YEAR (%)	CHANGE OVER 2019 (%)
\$1,200-1,300 Bn 2022	60-70% ▲	-23-30% ▼
\$759 Bn 2021	14% ▲	-57% ▼
\$665 Bn 2020	-62% ▼	-62% ▼
\$1,761 Bn 2019	2% ▲	-

Source: 'World Tourism Barometer', United Nation's World Tourism Organization, January 2023 edition; HVS Research

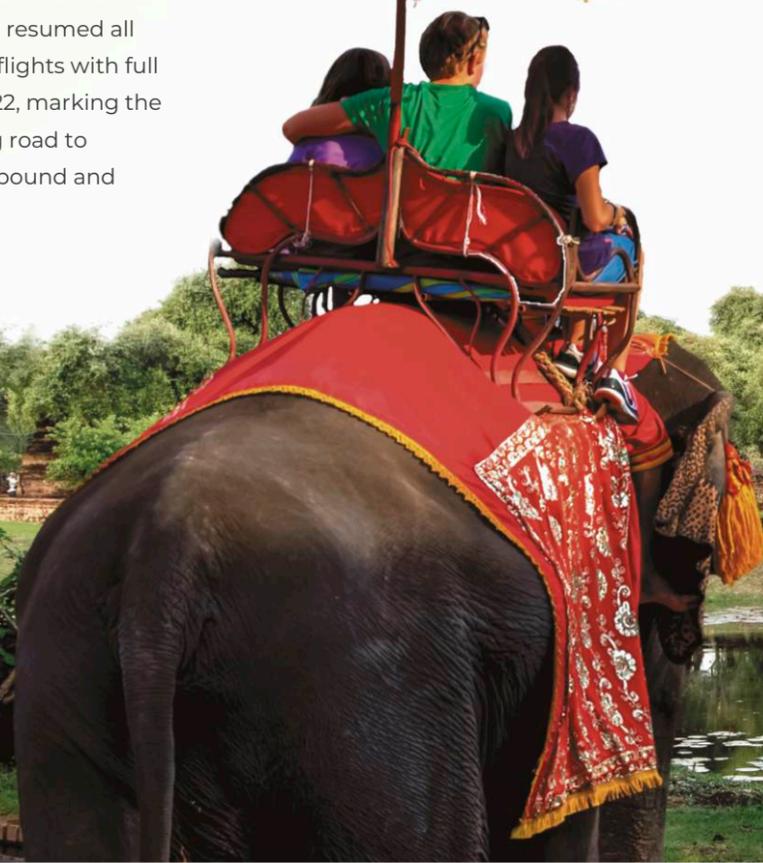
▲ INCREASED  
▼ DECREASED

# India T&T Sector: Domestic tourism continues to reign

The Indian travel & tourism industry returned with a vengeance in 2022, boosted by the successful vaccination drive in the country and the strong pent-up demand. Domestic travel reigned supreme, with Indians taking road trips, enjoying staycations and workcations, and even exploring lesser-known destinations across the country. Corporate travel and MICE also made a comeback after a hiatus of two years, with the majority of corporates and organizations switching to a work-from-office or hybrid regime.

Following a pandemic-induced two-year long break, India resumed all regular international flights with full capacity in March 2022, marking the beginning of the long road to recovery for both outbound and inbound tourism.

By the end of the year, the government even removed the pre-boarding requirement of completing the Air Suvidha form for international arrivals and the mandatory requirement of wearing face masks on board an aircraft, ending all travel-related restrictions in the country.



## Key Highlights: Jan-Dec. 2022

Total Air Passenger Traffic  
**294 mn**

% Change over 2021  
**61%**

% Change over 2019  
**-16%**

Domestic Air Passengers **245 mn**



% Change over 2021  
**50%**

% Change over 2019  
**-12%**

International Air Passengers **49 mn**



% Change over 2021  
**167%**

% Change over 2019  
**-30%**

Foreign Tourist Arrivals **6.2 mn**  
**57% of 2019 levels**

% Change over 2021  
**342%**

% Change over 2019  
**-43%**

● DOMESTIC ● INTERNATIONAL

Source: Airports Authority of India; Indian Ministry of Tourism; HVS Research

▲ INCREASED  
▼ DECREASED

# 03

## INDIAN HOTEL SECTOR PERFORMANCE REVIEW 2022



# 2022 Performance Review

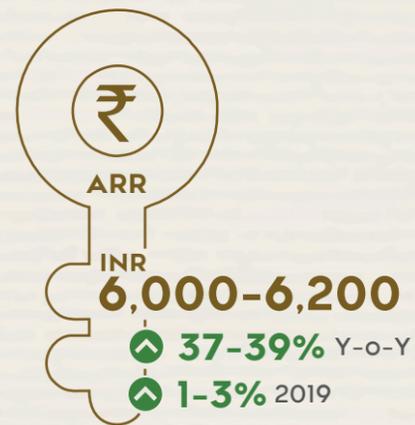
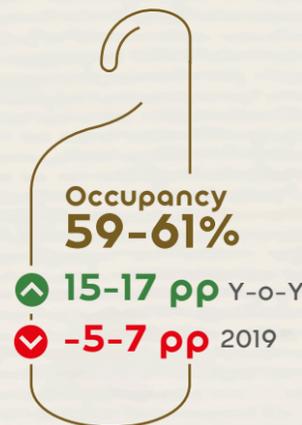
**The strong recovery in 2022 brought much relief to a sector devastated by COVID-19.**

The quick retraction of onerous COVID-19 policies, released the much pent-up demand in the market, making it the single biggest reason for a strong recovery. While occupancy remained 5-7 percentage points (pp) lower than the full year 2019, in large part due to the much lower-than-expected Q1 2022, ARR for 2022 recovered fully, crossing 2019 levels by almost 1-3%, in large part due to strong ARR in Q4 2022.

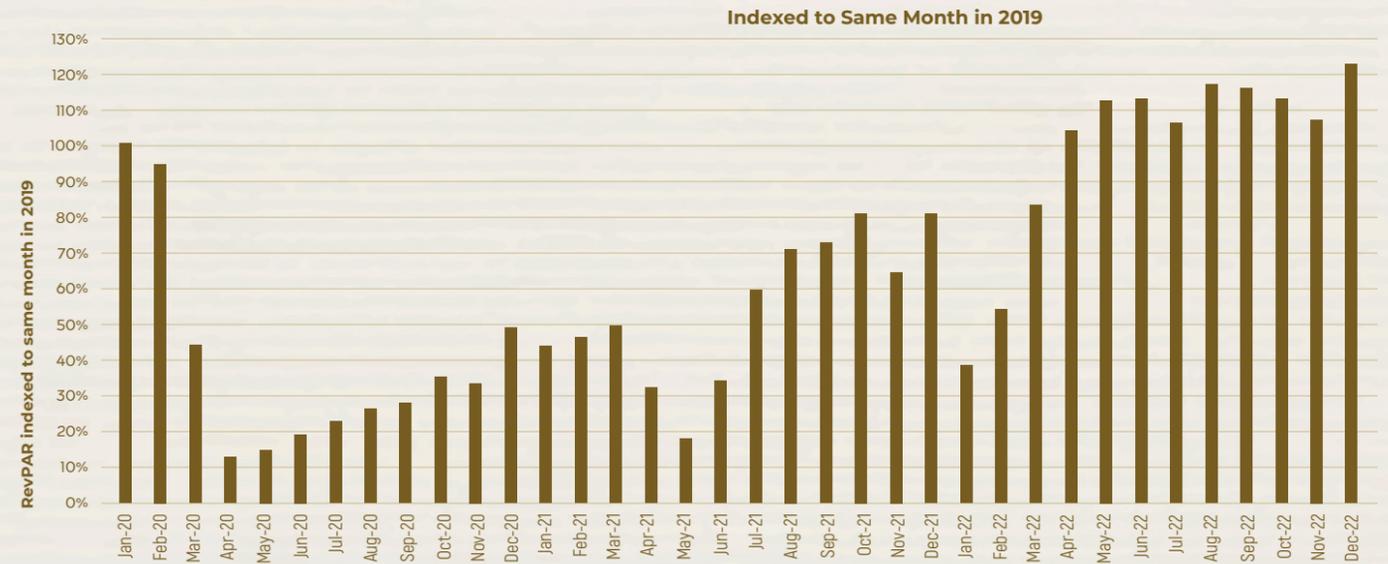
Similar to 2021, domestic demand was responsible for the strong recovery. Buoyed by segments such as weddings and events, the hospitality sector continued its unabated growth in ARR to recover in part the losses of the previous two years. Corporate travel recovered as well, contributing to the overall recovery of the sector.

## INDIA KPIs 2022

- ▲ INCREASED
- ▼ DECREASED



## India: Month on Month RevPAR Recovery Through the Pandemic





**Q1 2022**

2022 had a disappointing start because of the 3rd COVID wave in the country, which due to its predecessor's impact coupled with the unfortunate war in Ukraine, led to a significant decline. However, propelled by the country's vaccine program and the pent-up demand, the recovery in the sector was swift, quietly leaving behind its woes.

By March 2022, the recovery in the hospitality sector was steadfast with ARR recovering by 22-24% in Q1 2022 against the same period in 2021, despite the occupancy rate for the same period remaining flat.

**Q2 2022**

On the back of strong growth in demand, the sector flourished, beating the peaks of the previous decade. **Despite the strong surge in ARR for the full year 2022, only Q2 2022 recorded an occupancy rate 1-3 pp stronger than the same quarter in 2019. A 5-7% higher ARR, resulted in a 7-9% higher RevPAR for Q2 2022 compared to the same period in 2019.**

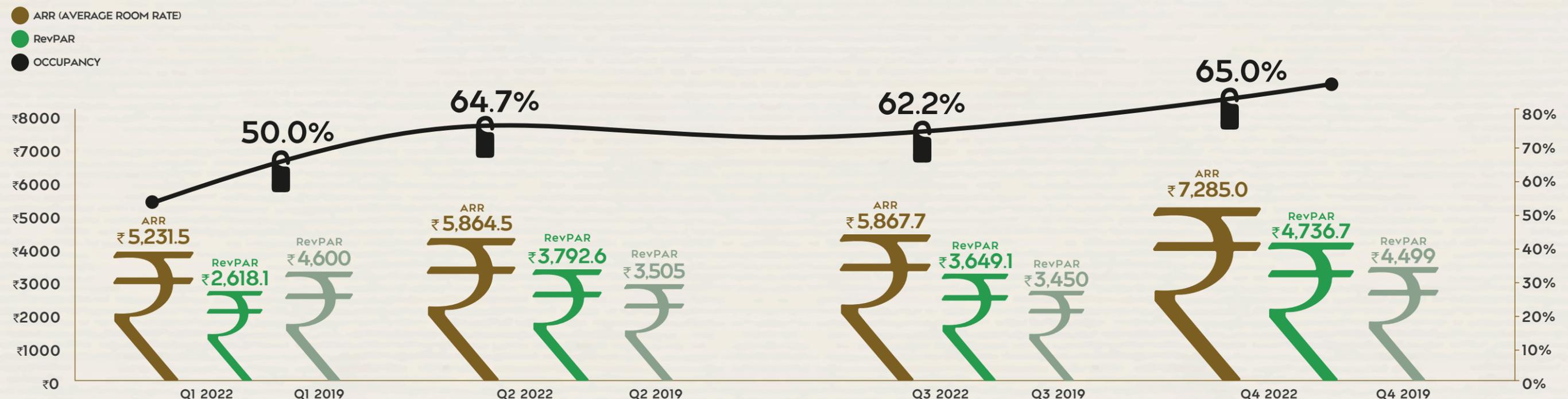
**Q3 2021**

Travel demand recovered to near 2019 levels, with many key metro markets leading consistent growth in ARR and RevPAR, some faster than others. **As a result, while occupancy in Q3 2022 was 1-3 pp lower than in Q3 2019, ARR continued to remain elevated, recording a 7-9% increase over the same period in 2019. The dichotomy between occupancy and ARR caused RevPAR to be higher by only 5-7% than the same period in 2019.**

**Q4 2022**

The strongest quarter of the full year, Q4 2022 set a record by witnessing nearly 10-12% higher ARR than the same period in 2019. **The pent-up demand steadily absorbed the stark growth in ARR, recording only 3-5 pp lower occupancy than in the same period in 2019. The strong growth in Q4 2022 ARR played a large role in nullifying the ARR loss of Q1 2022.**

### Indian Hotel Sector: Quarterly Performance



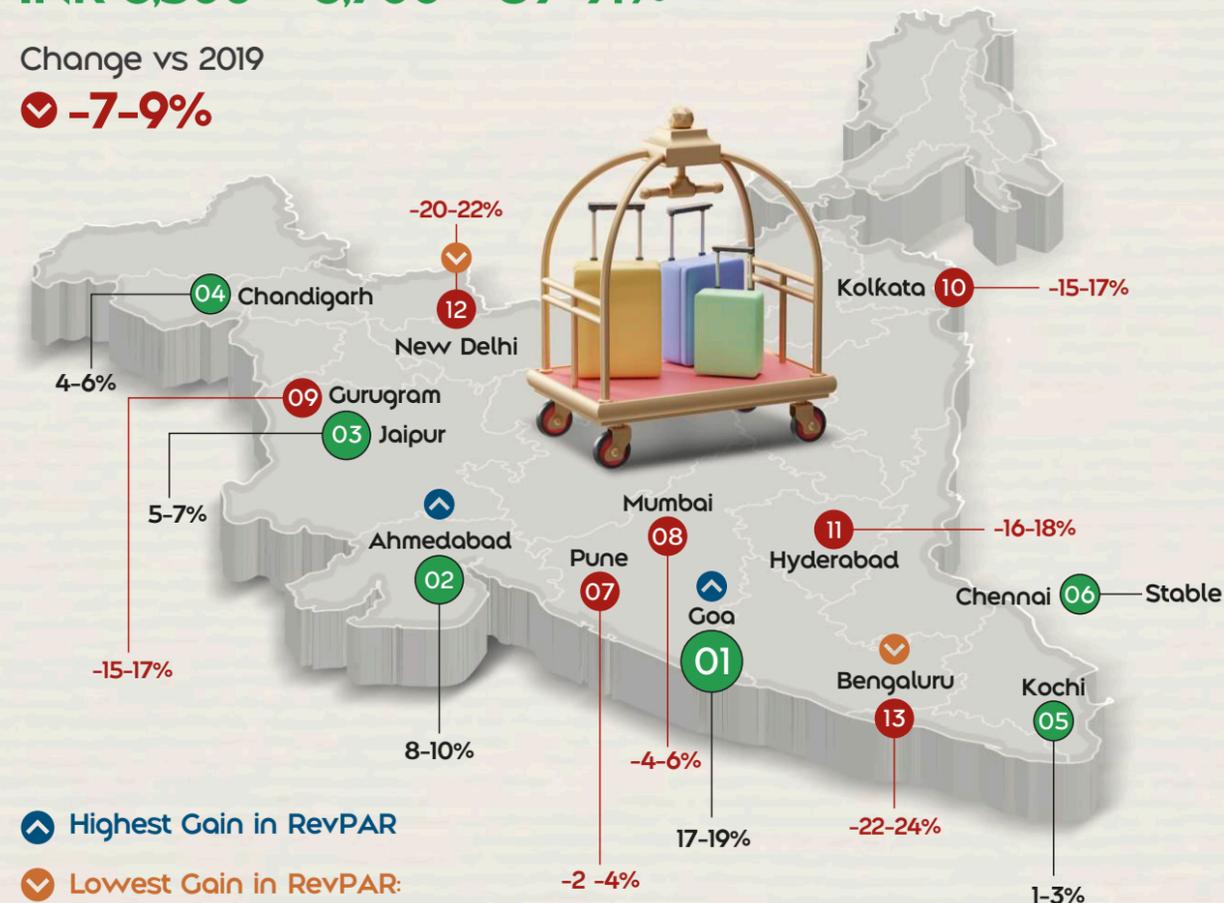
\*All data shown is an approximation and for calendar year

Source: HVS Research

## RevPAR increase across India's key markets (2022 vs 2019)

India RevPAR - 2022  
**INR 3,500 – 3,700**      Y-o-Y change **89-91%**

Change vs 2019  
**📉 -7-9%**



City	RevPAR Growth (2022 vs 2019)	Ranking #
India		
Goa	17-19%	1
Ahmedabad	8-10%	2
Jaipur	5-7%	3
Chandigarh	4-6%	4
Kochi	1-3%	5
Chennai	<-Stable->	6
Pune	-2-4%	7
Mumbai	-4-6%	8
Gurugram	-15-17%	9
Kolkata	-15-17%	10
Hyderabad	-16-18%	11
New Delhi	-20-22%	12
Bengaluru	-22-24%	13

# Ranking as per RevPAR Growth

\* All data shown is in approximation and for calendar year. Map not to scale, for representative purpose only

## Key Takeaways

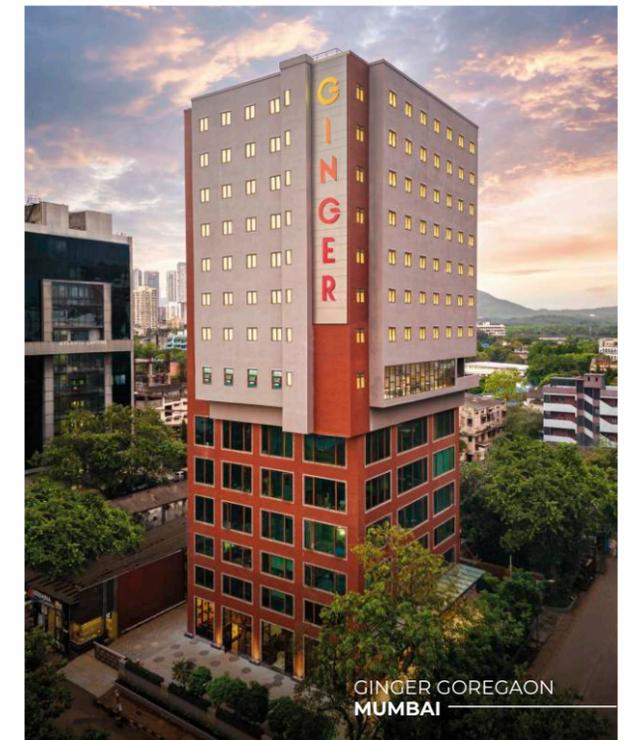
Leisure markets continued their growth momentum, with several markets such as Goa and even smaller markets like Kashmir and Rishikesh outperforming their pre-pandemic average rates.



Goa, the leisure capital of the country, witnessed phenomenal growth in the last year, with occupancy rate reaching pre-pandemic levels, while average rates surpassed the pre-pandemic levels by a staggering 18-20%.

Meanwhile, the resurgence in corporate travel, large-ticket conferences and events and weddings, fueled the recovery in most commercial markets.

Mumbai is the epitome of this trend. Thanks to the IPL and some large-ticket conferences that were held in the city during the year, Mumbai's hotel sector experienced a sustained recovery in 2022, closing the year with an occupancy of 73-75%, just 2-4 pp shy of pre-pandemic levels, while the average rates were in line with the pre-pandemic range of INR 8,200-8,400.

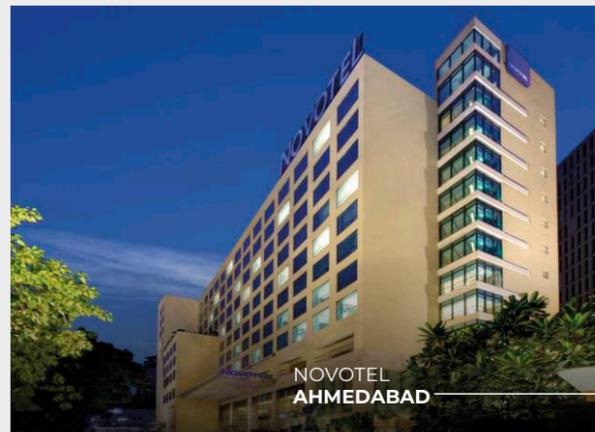


However, traditional IT demand-dependent markets like Bengaluru, Hyderabad and Gurugram showed the slowest recovery as the sector largely continued its work-from-home status and corporate travel remained restrictive in these markets.

## HOTEL INVESTMENTS

Deal activity in Indian hospitality sector continued to be lackluster, even though there are several hotel assets for sale in the market. Strong hotel demand, improving industry performance, and stabilizing cash flows are helping open the transactions market and bringing buyers back to the table as they look to capitalize on the impending growth cycle in the industry. However, with the rebound in industry performance, owners are torn between selling now and holding on to their assets for future appreciation.

Moreover, compared to COVID-times when the industry was not positively viewed as a lending category for banks, borrowing for the industry has become relatively easier, even though it is at a higher cost. Additionally, asset owners want to capture the expected future performance in the valuation. At the same time, buyers continue to discount valuation due to COVID's impact on the asset's performance in the last couple of years. As a result, the price mismatch continues to act as a deterrent. Even assets under the National Company Law Tribunal (NCLT) have not yet been actively traded and this continues to be much slower and complicated resolution process than what it was designed for.



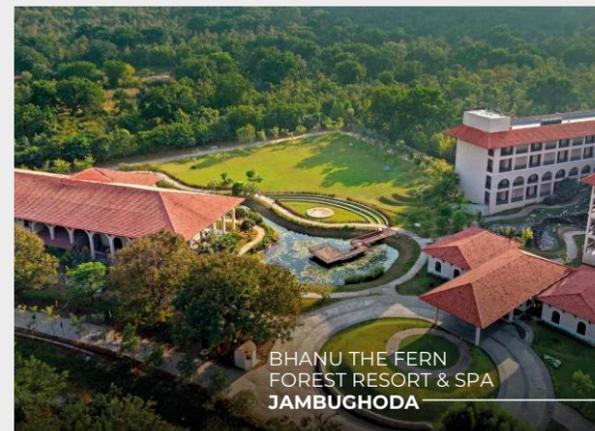
NOVOTEL  
AHMEDABAD



REGENTA PLACE  
SHIMLA



RADISSON RESORT & SPA  
LONAVALA



BHANU THE FERN  
FOREST RESORT & SPA  
JAMBUGHODA

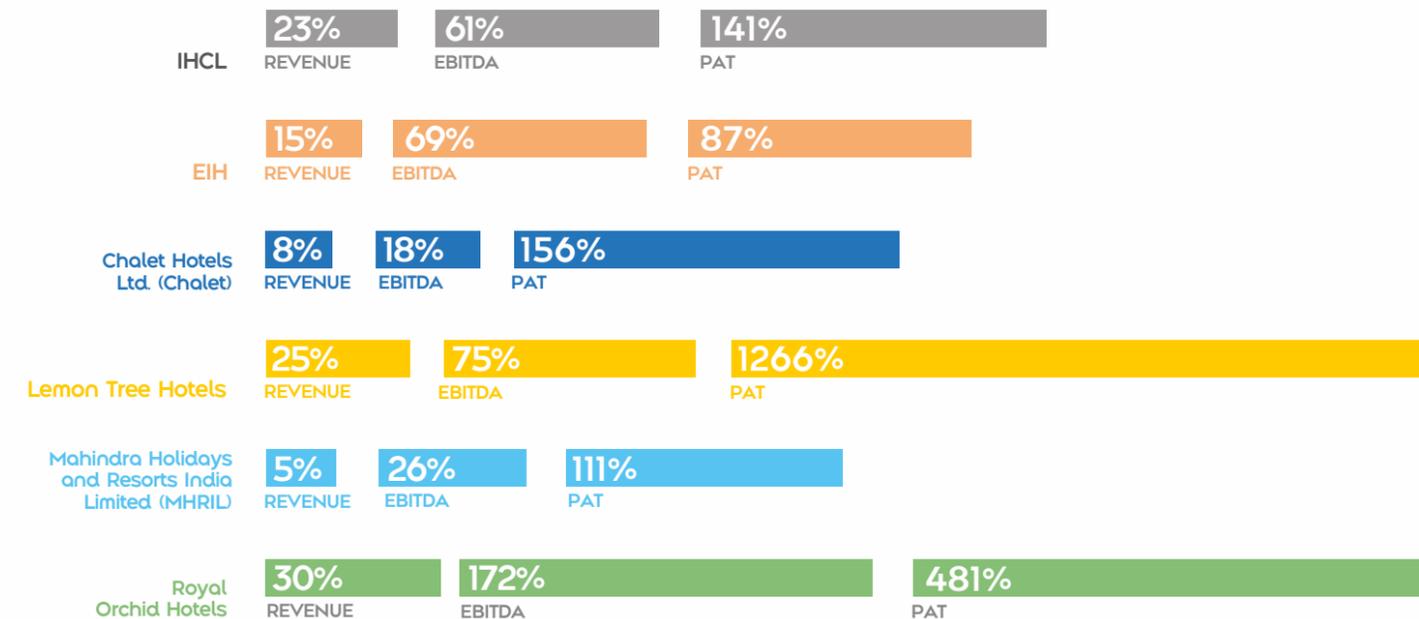
## PERFORMANCE OF KEY HOTEL STOCKS

The stocks of major listed hotel companies in India experienced a significant revival in 2022 as a result of the industry's improving fundamentals and performance, reflecting both the sector's changing fortunes and a resurgence of investor interest in the sector.

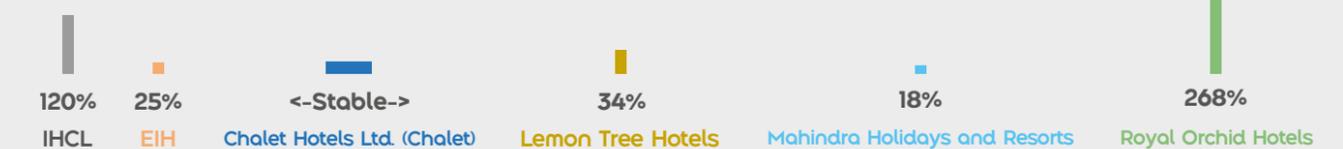


ITC NARMADA  
AHMEDABAD

REVENUE 9MFY23 vs 9MFY20 Change (%) | EBITDA 9MFY23 vs 9MFY20 Change (%) | PAT 9MFY23 vs 9MFY20 Change (%)



Share Price 30 Dec 2019 vs 30 Dec 2022 Change (%)



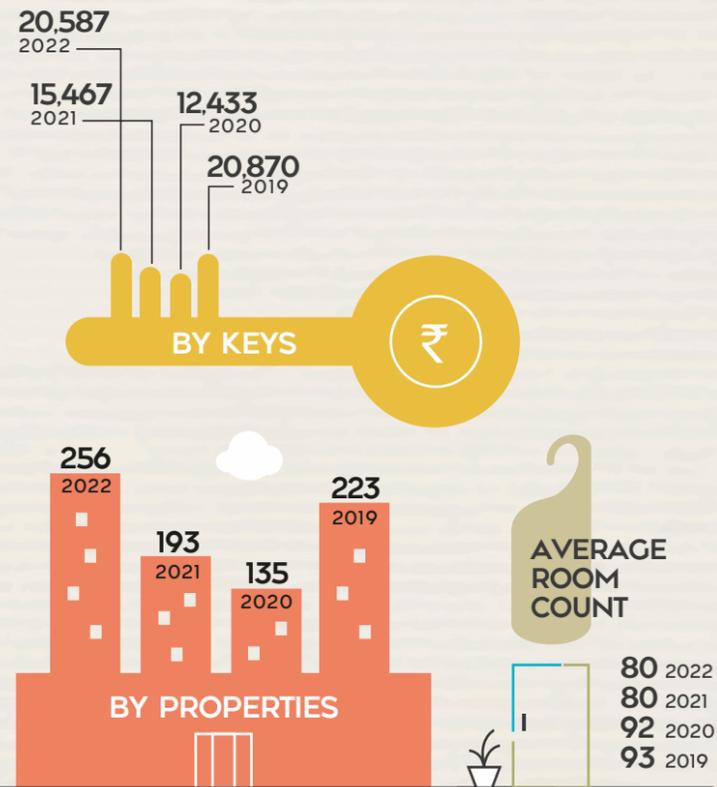
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## INDIAN HOTEL SECTOR DEVELOPMENT REVIEW 2022



# 2022 BRAND SIGNINGS\*

## BRAND SIGNINGS DURING 2019 TO 2022

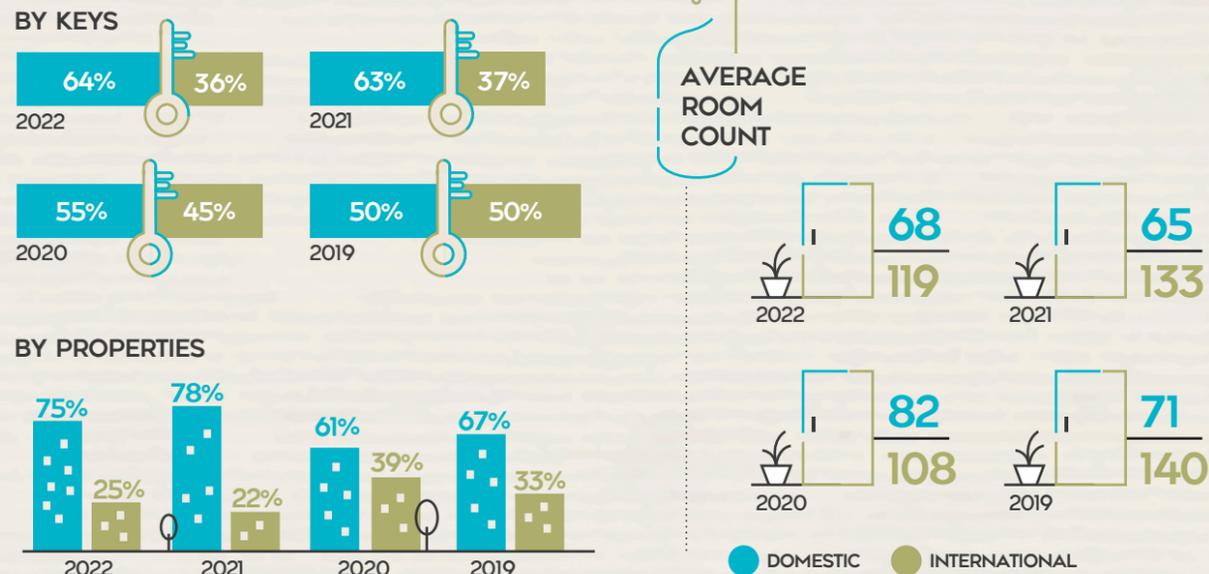


Hotel companies accelerated their growth plans in 2022 because of the strong recovery in demand, which led to a 33% year over year increase in brand signings by keys. **166 new hotels with 14,885 rooms were added to the branded hotel market, while 90 hotels with 5,702 rooms underwent rebranding. The average room count is declining as hotel operators enter smaller markets.**

\*Note: Four properties that were renewed (approx. 300 keys) have not been included in new signings; Data received from 23 hotel operators.

## INTERNATIONAL VS DOMESTIC BRANDS

Domestic hotel operators continued to sign more properties (75% of the total signings by property) than their international counterparts, with an average key count of 68 keys during the year. Similar to domestic chains, international hotel operators have also begun signing smaller properties than they traditionally did, as they continue to expand their footprint in Tier 2, 3 & 4 cities. The average number of keys per hotel for international hotel operators, therefore, decreased from 133 keys in 2021 to 119 keys in 2022.



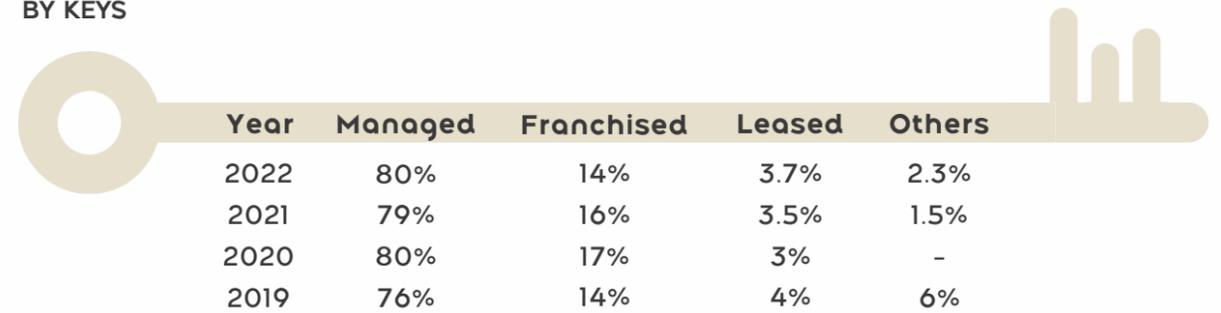
## BY TOP BRANDS

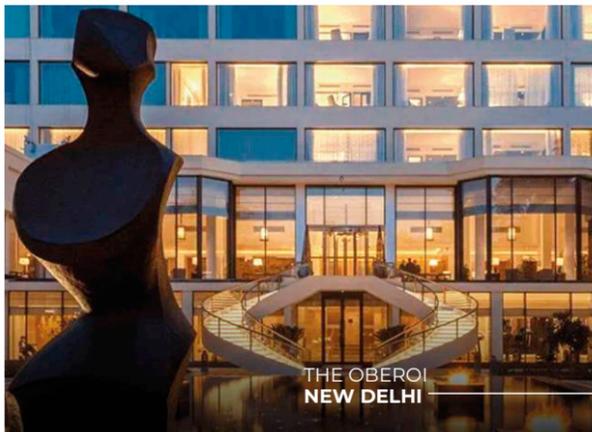
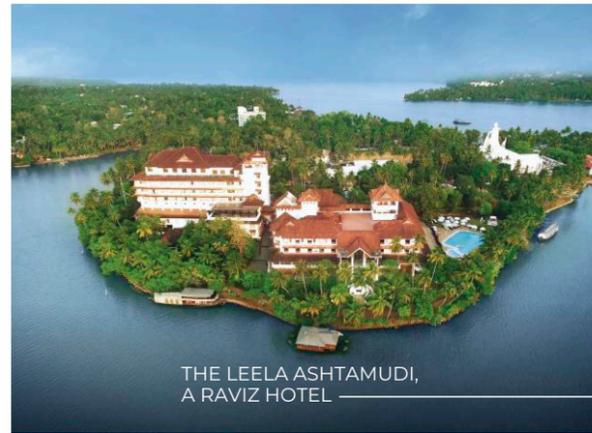


## BY CONTRACT TYPE

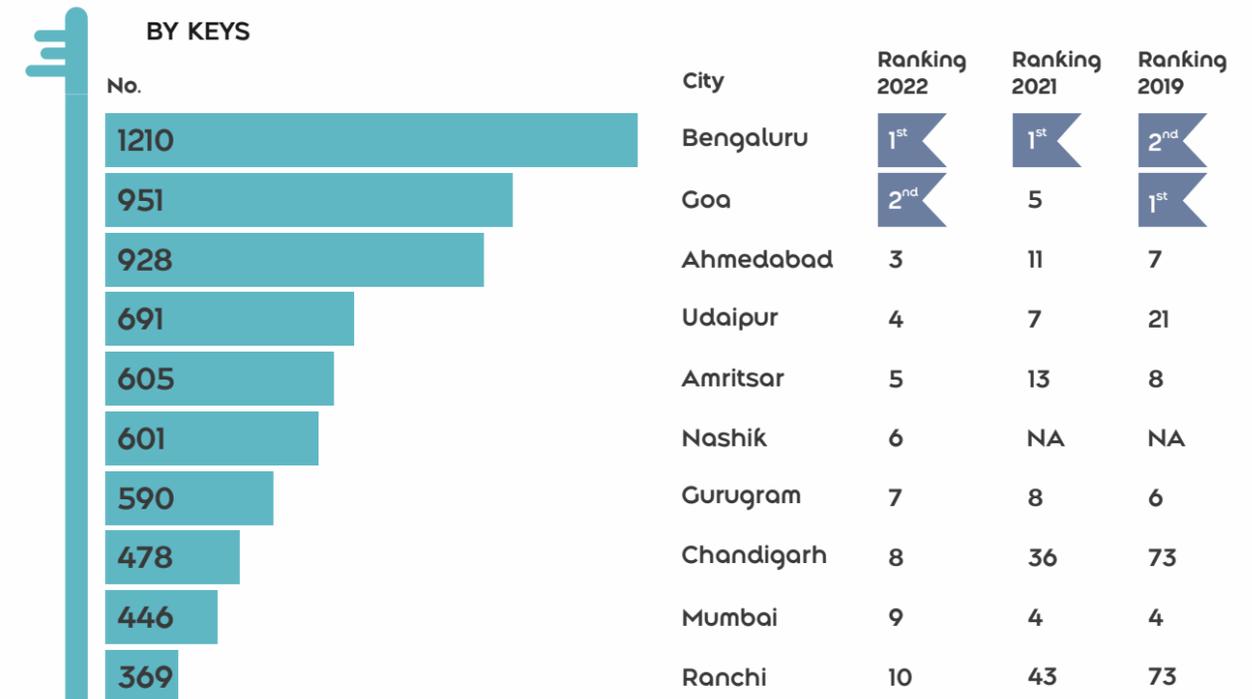
Management contracts have long dominated signings in the Indian hotel sector, and they continued to do so in 2022, accounting for approx. 80% of the total signings by keys during the year. Indian hotel sector is warming up to Franchising as a concept, with over 14% of the signings by keys in 2022 being franchised. Leasing and other forms of contract continued to be less preferred in India.

## BY KEYS





TOP DESTINATIONS (RANKING BY CITY)



**Bengaluru and Goa** witnessed the highest interest from hotel operators in 2022. Hotel brands increased their presence in smaller cities.

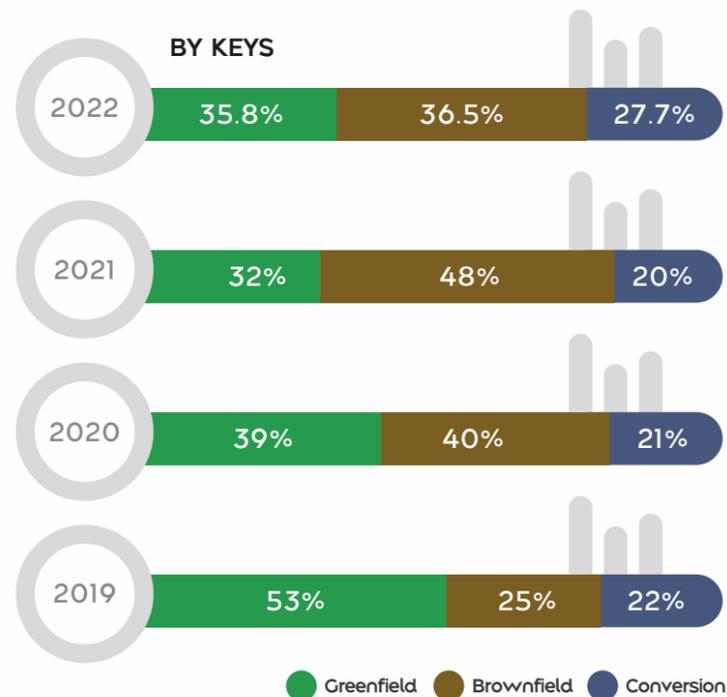
**BY PROPERTIES**



BY DEVELOPMENT STATUS

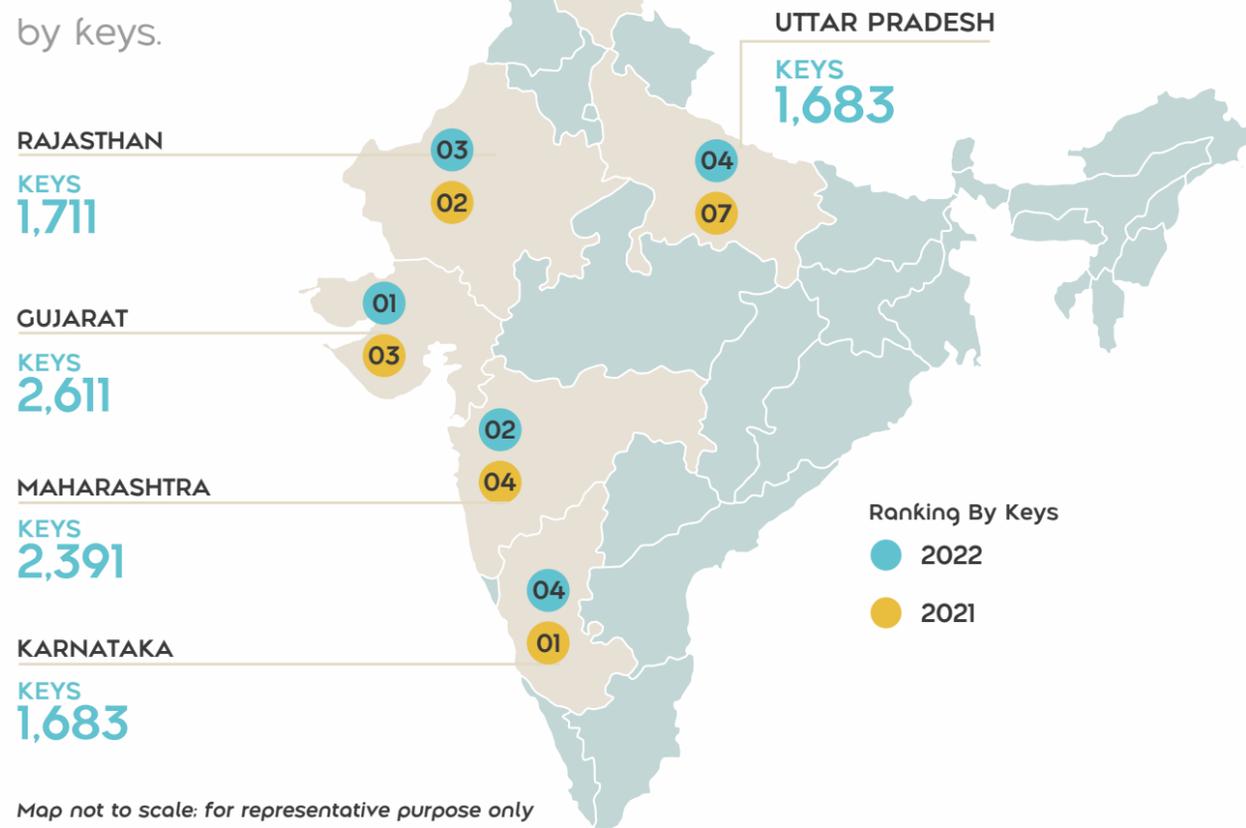
Hotel rebranding or conversion has picked up steam post the pandemic and accounted for 27.7% of the keys signed during 2022. As a result, the share of brownfield keys signed and greenfield keys signed declined to 36.5% and 35.8%, respectively during the year.

Brownfield projects continued to lead in terms of number of properties signed in 2022, accounting for 42% of all signings by properties, followed by hotel rebranding or conversion which accounted for 35% of total agreements by hotels in 2022. Meanwhile, greenfield properties accounted for 23% of total signings by properties in 2022.



### TOP DESTINATIONS (RANKING BY STATE)

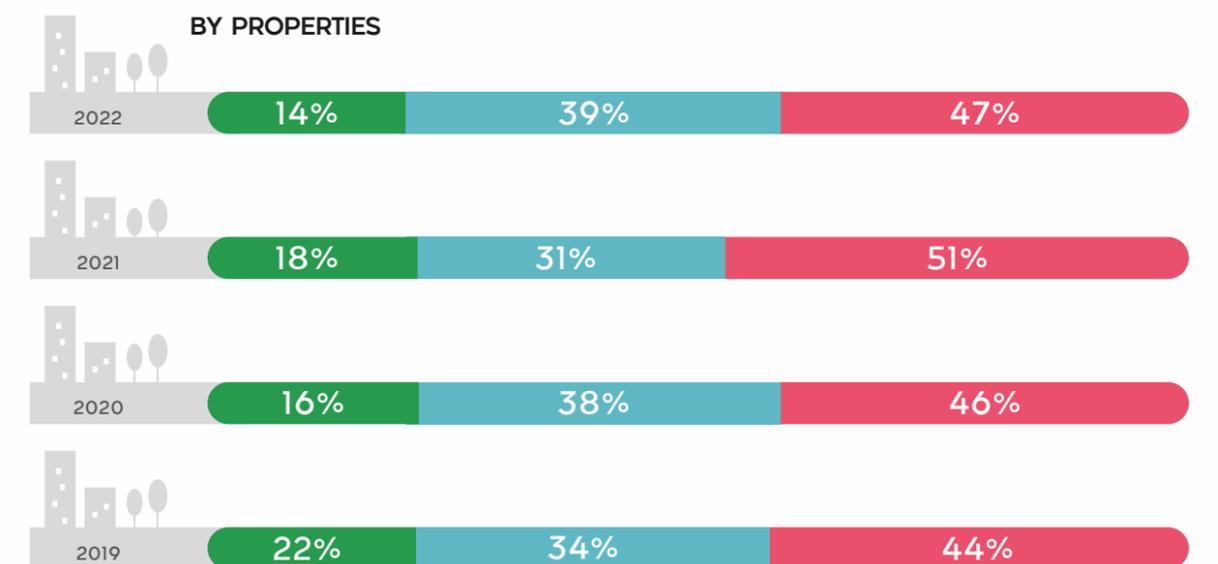
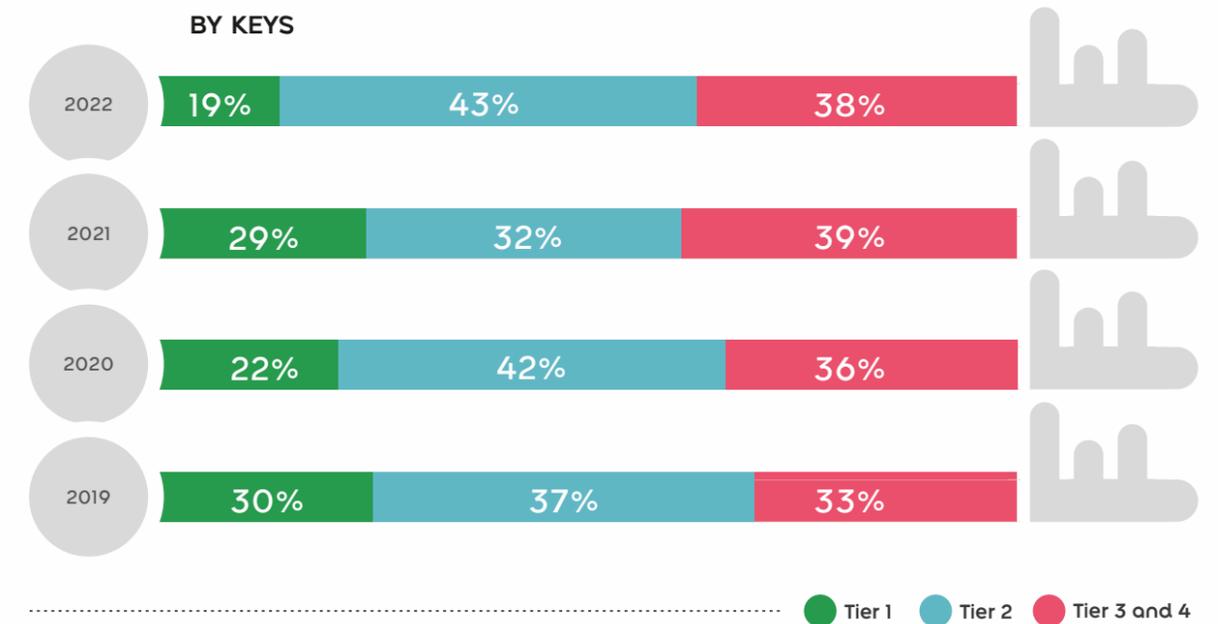
In terms of 2022 brand signings, Gujarat led the scorecard by keys.



\*All data shown is an approximation and for calendar year

### BY TIER CLASSIFICATION

Hotel operators made stronger inroads into the country's smaller towns, resulting in **Tier 3 & 4 cities** accounting for **47%** of the total signings by property in 2022. The share of the Tier 1 cities has subsequently declined.



## MARKET POSITIONING

**Midscale hotels remain the market leader for hotels signed in 2022 with 48% signed properties.**

With changing demographics and consumer preferences, the Upscale and Luxury segments are also regaining the mindshare of hoteliers.

In terms of keys, as a change from the previous years' trends, the Upscale segment became the most preferred segment in the country, **accounting for 41% of the total signings by keys in 2022, followed by Midscale (37% of total signings), Luxury (14% of total signings) and Economy (8% of total signings).**

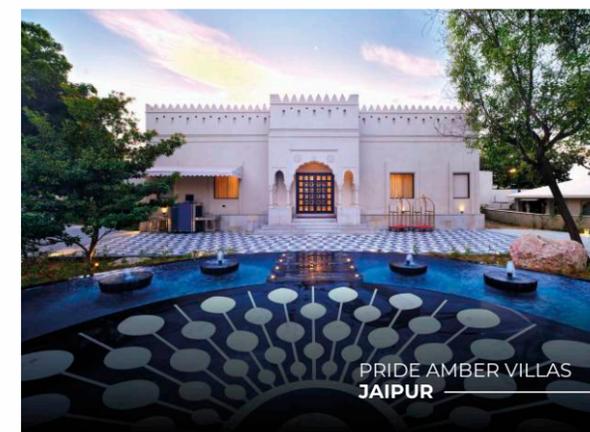
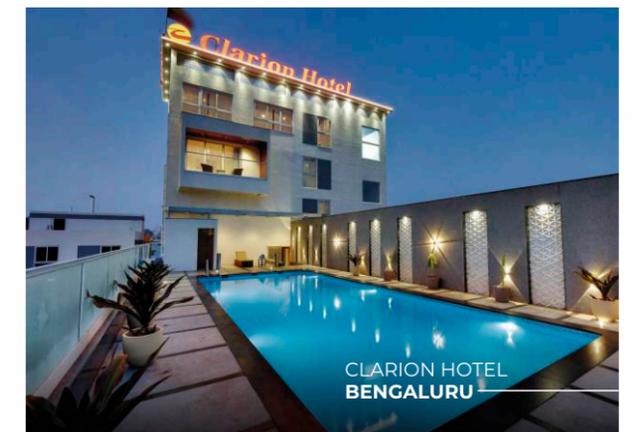
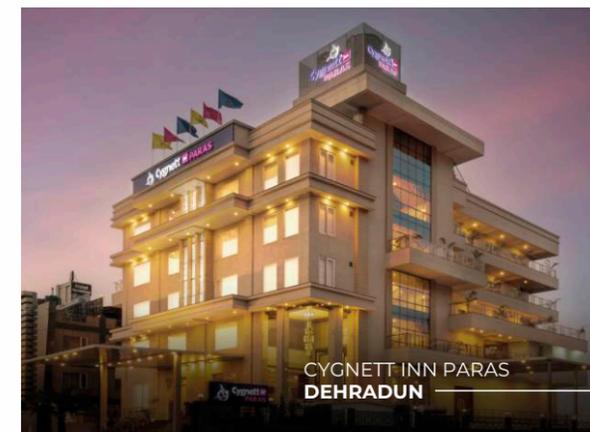
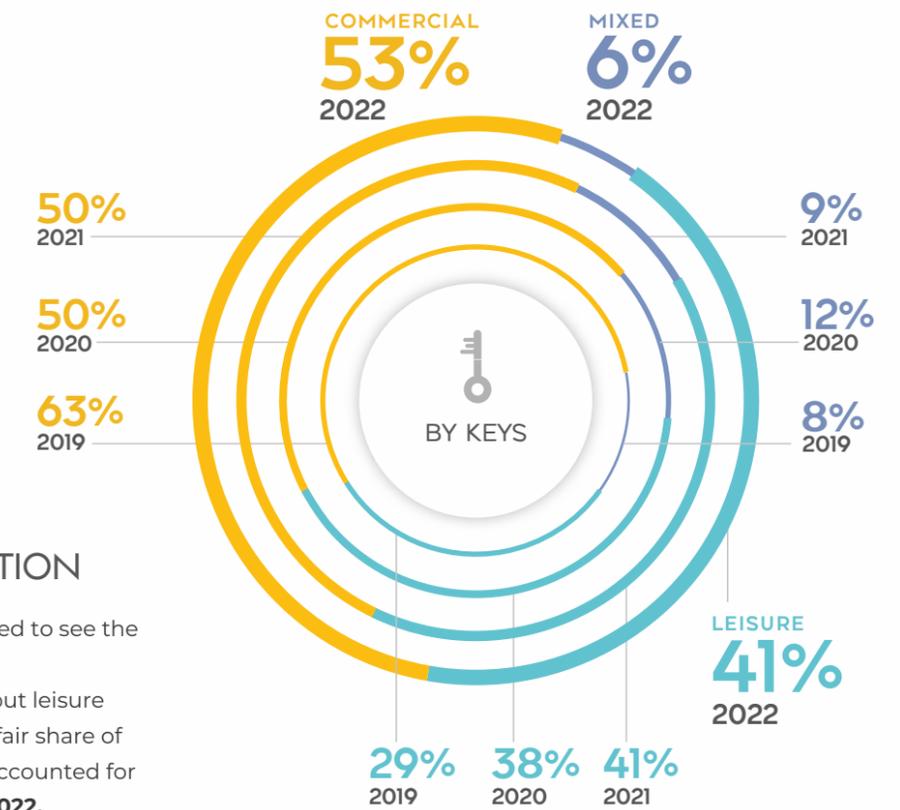
		Economy	Midscale	Upscale	Luxury
<b>BY KEYS</b>	2022	8%	37%	41%	14%
	2021	11%	44%	32%	13%
	2020	11%	41%	37%	11%
	2019	16%	38%	35%	11%
	<b>BY PROPERTIES</b>	2022	11%	48%	34%
2021		11%	55%	25%	8%
2020		13%	49%	31%	7%
2019		20%	51%	23%	6%



\*All data shown is an approximation and for calendar year

## MARKET SEGMENTATION

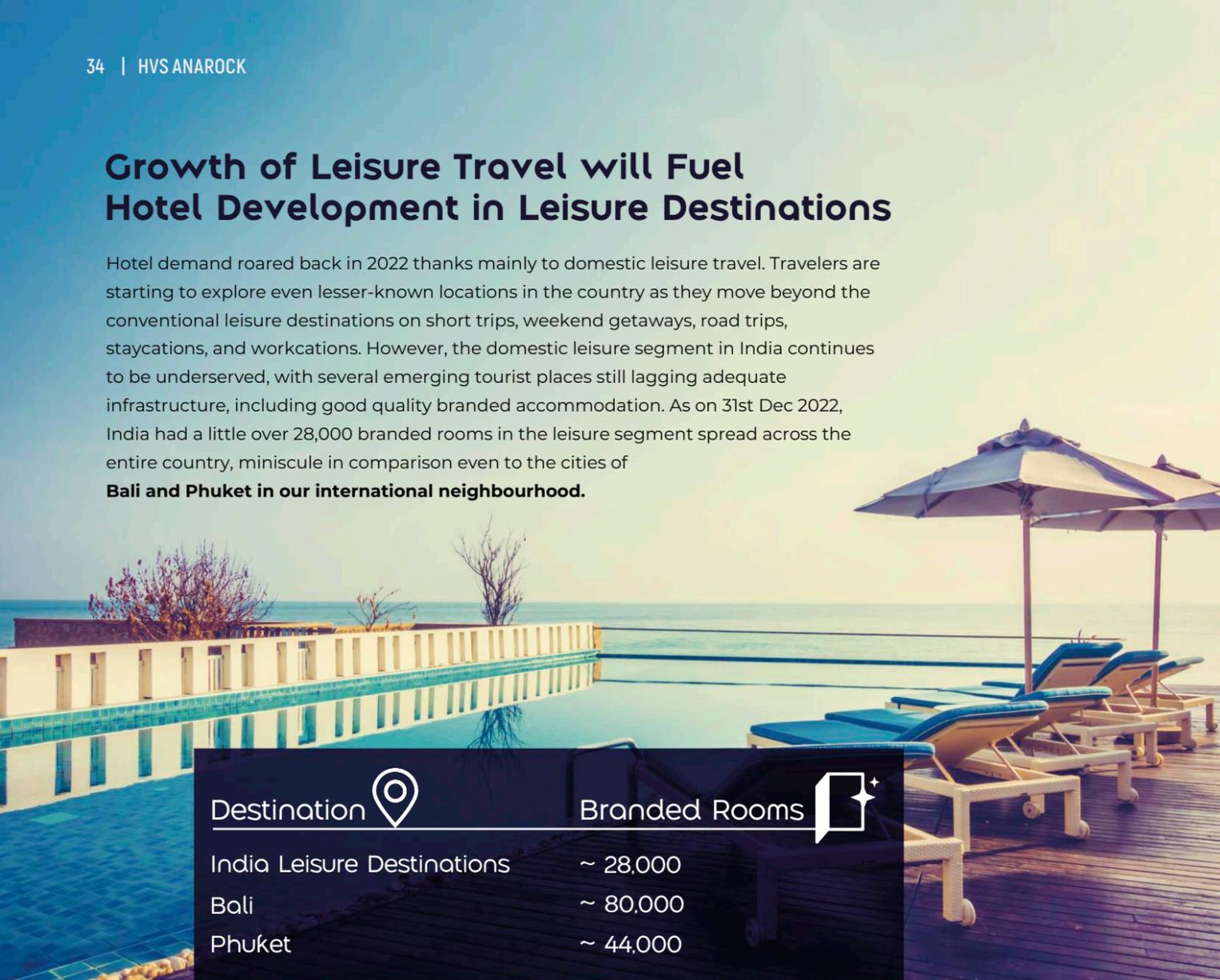
Commercial destinations continued to see the maximum signings (53% of total signings by keys), but leisure destinations have garnered their fair share of interest post the pandemic and accounted for 41% of the total keys signed in 2022.



## Growth of Leisure Travel will Fuel Hotel Development in Leisure Destinations

Hotel demand roared back in 2022 thanks mainly to domestic leisure travel. Travelers are starting to explore even lesser-known locations in the country as they move beyond the conventional leisure destinations on short trips, weekend getaways, road trips, staycations, and workcations. However, the domestic leisure segment in India continues to be underserved, with several emerging tourist places still lagging adequate infrastructure, including good quality branded accommodation. As on 31st Dec 2022, India had a little over 28,000 branded rooms in the leisure segment spread across the entire country, miniscule in comparison even to the cities of

**Bali and Phuket in our international neighbourhood.**



Destination	Branded Rooms
India Leisure Destinations	~ 28,000
Bali	~ 80,000
Phuket	~ 44,000

### India Branded Hotel Room Supply in Leisure Destinations (2022)

Only 18% of the total branded hotel room supply in India is at leisure destinations. Moreover, 72% of these branded rooms are concentrated in leisure destinations in six states. In fact, players in the alternate accommodation segment have been quick to identify this gap and have taken advantage of the opportunity in this market by increasing their presence in lesser-known tourist destinations across the nation, a crucial factor in the segment's exponential growth since the pandemic.



Leisure travel bounced back faster viz-a-viz business travel after the pandemic. Moreover, hotels in leisure destinations are likely to have higher average rates than business hotels making the investment more attractive. At Rs. 13,000 – Rs. 15,000, Udaipur clocked the highest ARR in India in the year 2022, surpassing the traditionally popular destinations of Mumbai and Goa. The Luxury and Upper-Upscale segments in markets like Rishikesh saw a growth of over 70% in their ARR compared to the pre-pandemic period. In light of the enormous untapped potential, hotel companies are renewing their focus on expanding their footprint at leisure destinations. As a result, 47% of the total hotel signings by properties in 2022 were in leisure destinations in the country compared to 35% in 2019.

### Top 2 Leisure destinations by Properties Signed in 2022



### Emerging Leisure Destinations

The year witnessed multiple hotel signings in several Tier 2, 3 & 4 cities, including Agra and other emerging leisure destinations such as Haridwar, Corbett, Statue of Unity, Manali, McLeod Ganj, Morbi, Siliguri, Solan, Dharamshala, Digha, Kasauli, Katra, Mahabaleshwar, Puri, Pushkar, Rishikesh, Tirupati and Vrindavan amongst others.

The government has planned major investments in the country's road and rail networks, along with plans to privatize airports in Tier 2 & 3 cities, which will help improve the regional and last-mile connectivity to several emerging tourist places. This will encourage hotel companies and even players in the alternate accommodation segment to tap further into this underserved segment.

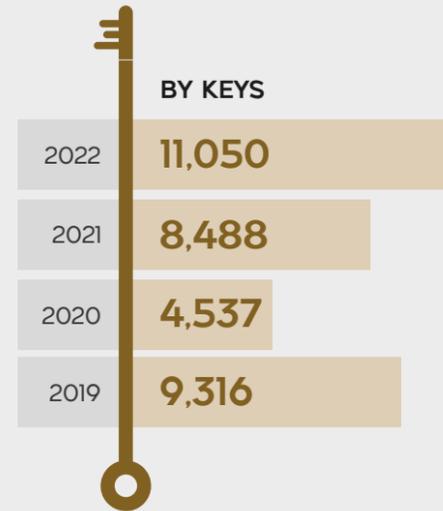
Increasing branded supply in leisure destinations will help enhance India's marketability as a major global tourist destination. This is also the reason several international and domestic hotel operators have either introduced new leisure brands to cater to this demand or are contemplating doing so.

## 2022 BRAND OPENINGS

Brand openings during 2019 to 2022

Driven by the strong recovery in travel demand, **11,050 branded keys opened their doors to guests in 2022, up 30% from the previous year**, with a few hotel operators continuing the trend of partial opening of their properties. **By opening 78% of the properties during the year**, domestic brands maintained their reign over their international counterparts.

*#Note: openings include full and partial openings: Data received from 23 hotel operators*

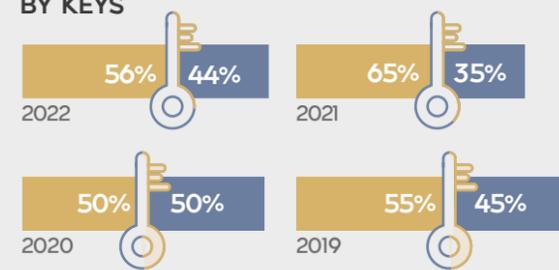


## BY TOP BRANDS

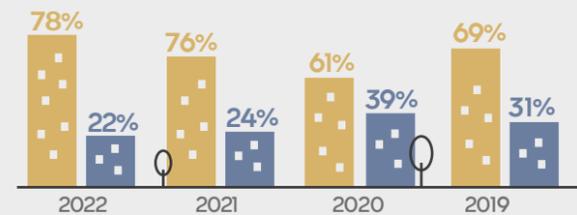


## International vs Domestic Brands

### BY KEYS

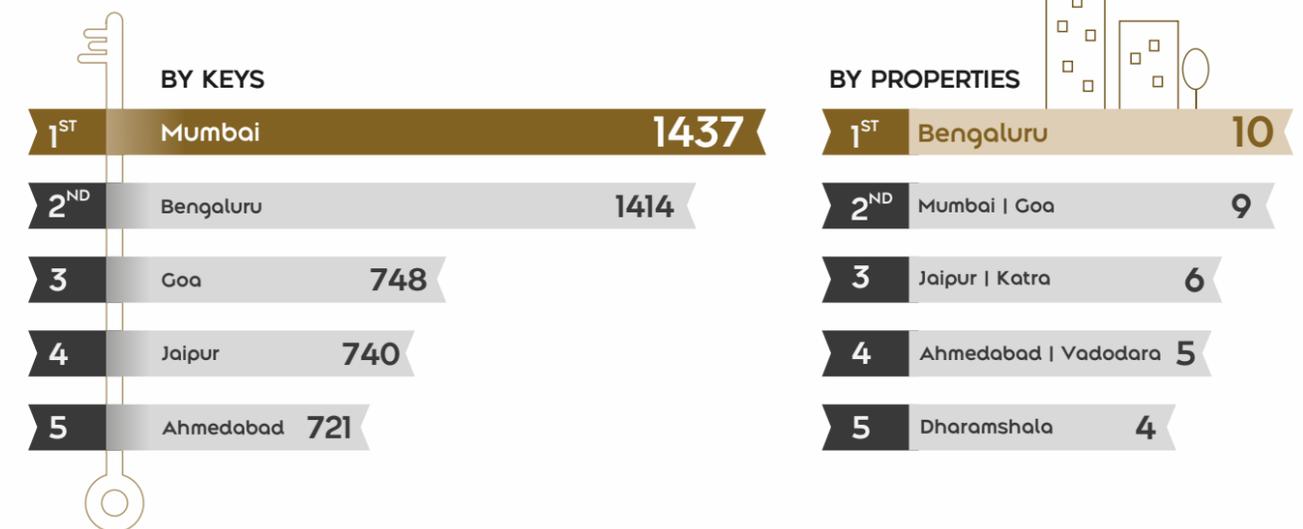


### BY PROPERTIES



● DOMESTIC ● INTERNATIONAL

## BY TOP DESTINATIONS



\*All data shown is an approximation and for calendar year



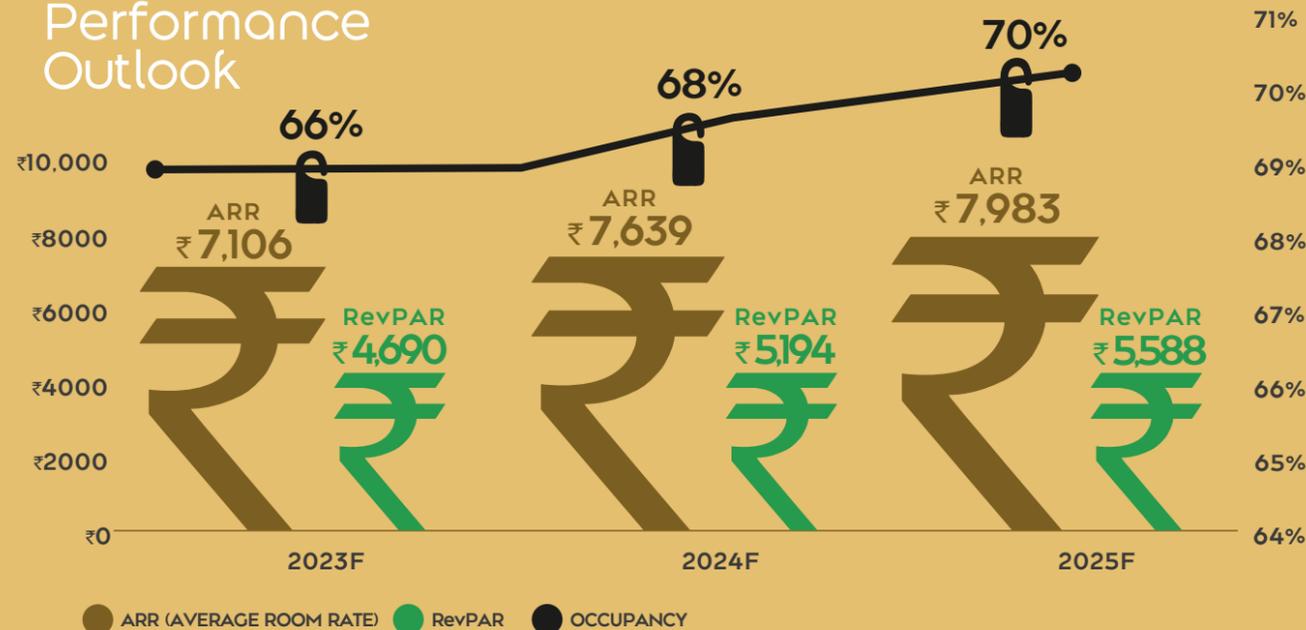
05  
OUTLOOK  
2023



The outlook for the Indian hospitality industry remains positive. Domestic demand will continue to be strong and international travel is also expected to pick up, despite the looming threat of a recession in the US and Europe, growing global geopolitical issues, and an increase in COVID cases in some countries. In addition, the G20

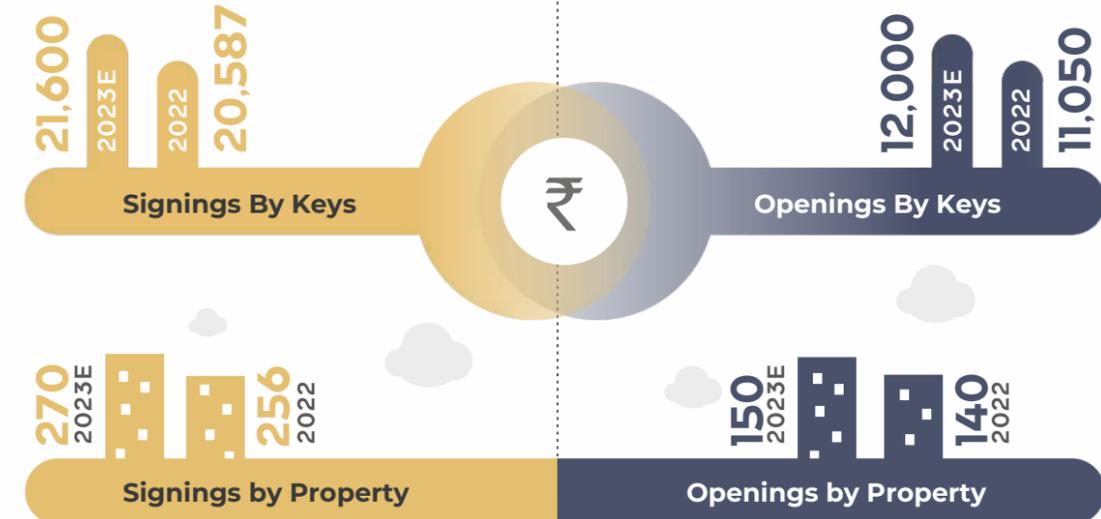
presidency of India and the fact that India is hosting a number of international events, including the ICC Men's World Cup and the likes of the Dior global event in Mumbai, will increase demand for hotels in the cities where these events will take place.

### Performance Outlook



Brand Signings estimated at  
**270 Hotels**  
**21,600 Keys**

Scheduled Openings at  
**150 Hotels**  
**12,000 Keys**



### Union Budget 2023

The Union Budget 2023 iterated the fact that the government is recognizing the importance of the tourism sector as an employment generator and is looking to promote the sector on a mission mode with active participation from all stakeholders, including public-private-partnerships.

**The revival of 50 additional airports, heliports, and water aerodromes to increase regional air connectivity and the development of fifty tourism destinations as a complete package for domestic and international tourism, as well as the government's continued emphasis on infrastructure development, including the significant investment in railways and last-mile connectivity, bode well for the sector.**

The government's stated objective to actively promote tourism is a welcome announcement. Furthermore, the reduction in personal income tax will increase disposable income, which will drive demand in the tourism and hospitality sectors.

### Transactions Outlook

Transactions will continue to remain sluggish in the near term in an otherwise gradually maturing hospitality market due to the ongoing conflict between buyer and owner's expectations. Buyers must recognize that as COVID was an anomaly, the asset's valuation should take into account both its historical (particularly pre-COVID) and anticipated future performance. On the other hand, owners who want to exit or reduce debt should realistically take advantage of the improving market sentiments.

With improving market sentiments and a bullish outlook for the hotel sector, Indian hotel operators may explore the IPO route in the medium term. Hotel companies – both operators and owners – may now consider ramping up their operations to achieve the scale and size needed to go public. Using the IPO route will help hotel companies in raising funds for expansion plans, deleveraging their balance sheet, or providing an exit to existing investors. Furthermore, new listings of good-quality hotel companies will also provide the depth needed to create a hotel industry-specific index that can be used as a benchmark to track the industry's performance, helping investors make more informed decisions going forward.

# The Way Forward

The Indian hospitality sector is expected to see accelerated growth in 2023, in spite of ongoing global headwinds and the uncertainty brought on by the occasional COVID-scare. This will be driven primarily by buoyant domestic demand, the revival of inbound travel, and the Indian government's renewed emphasis on the expansion of the tourism industry, which is expected to contribute US\$250 billion to the country's GDP by 2030. The government also intends to release the National Tourism Policy soon to promote sustainable and inclusive tourism growth in the country. **The hotel sector should develop strategies to take advantage of the short- and long-term opportunities that are emerging as the Indian tourism industry gains momentum.**

Here are the top trends to watch in the year ahead.

## ADVANTAGES OF INDIA'S G20 PRESIDENCY

**Over 200 G20 meetings are expected to be held across 55 destinations in the country during India's G20 presidency till November 2023. The Indian hotel sector stands to gain significantly from this development, as there will be substantial incremental demand for hotels in the cities where the meetings will be held.**

Additionally, the G20 meetings are also expected to help inbound tourism to recover the lost ground as the Ministry of Tourism intends to take advantage of this chance to promote India as a "major tourism destination". Necessary initiatives, such as visa reforms and traveler-friendly immigration facilities at airports, are also expected to be implemented to

make travel to the country easier for inbound visitors. The G20 presidency has coincided with India's efforts to establish itself as a global MICE destination, and the smooth organization and completion of these high-profile 200+ meetings will support those efforts.



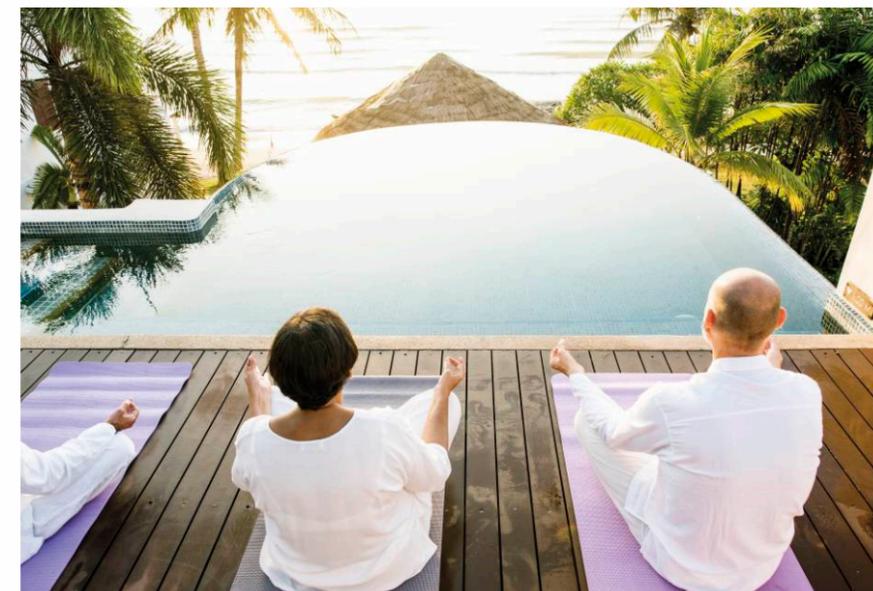
## RISE OF NEW-AGE WELLNESS RESORTS

Experiential and immersive travel experiences such as Yoga, workouts, biking, nature trails, and trekking retreats, with gastronomic delicacies from very elaborately curated health food menu options, meditation with



global fitness and wellness gurus along with local community involvement are going to be a newer area for resort development, very different from the current label of wellness resorts.

A case in point is the newly launched SIRO brand by Kerzner which also operates the luxury One & Only brand.



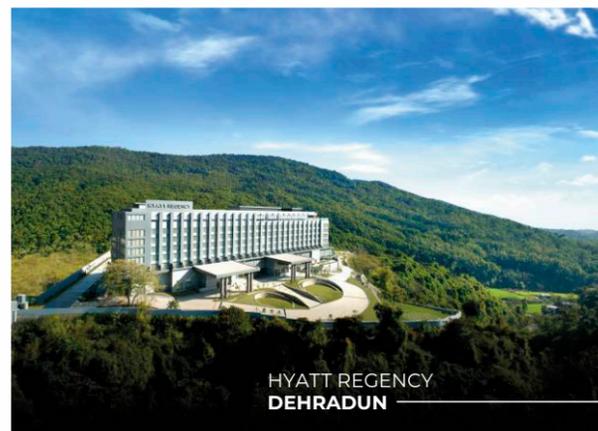
# BLEISURE TRAVEL WILL BECOME EVEN MORE POPULAR

Bleisure travel, also known as blended travel, is becoming popular in India.

According to reports, prior to the pandemic, Indians ranked second among bleisure travelers in 31 countries, with more than 70% of Indians surveyed extending their business trips to enjoy the destination. As international business travelers and high-profile MICE events return to India, bleisure travel is expected to receive further boost in the country.



As a result, it is critical that the hotel sector, particularly traditional business hotels, recognize the opportunity and create special packages and offerings by incorporating more leisure elements into the experience to attract corporate guests looking to extend their trip. Providing customized experiences to meet the evolving needs of the business traveler will give them reasons to stay longer, helping the hotel sector to generate more revenue and guest loyalty.



# PERSONALIZATION WILL INCREASE

In response to shifting guest expectations, particularly in the upper upscale and luxury segments, hotel companies will move away from standardized hotel offerings. Additionally, the adoption of smart technology will enable hotels to anticipate and personalize guest experiences based on the combined data from their prior visits. As a result, personalization will increase in all areas of the guest experience, from marketing promotions to service offering to in-room experiences, giving guests memorable experiences and helping hoteliers differentiate themselves from the competition.



# GROWTH OF MEDICAL TOURISM:

The relaxation of international travel restrictions and the falling rupee is expected to increase medical tourism in India. As per the Invest India website, the country aims to become the world's top medical tourism destination, tripling its revenue to US\$13 billion in four years. During the pandemic, hotels and healthcare facilities, the two key stakeholders in this growing segment, successfully collaborated to provide quarantine services.

The two sectors should now build on this success to provide medical travelers with a seamless medical tourism experience.

**Developing dedicated hospital-hotel mixed-use projects and patient hotels designed to meet the needs of medical travelers, as is common in Scandinavian countries, could be a profitable business model in the future and help the country realize its true medical tourism potential.**

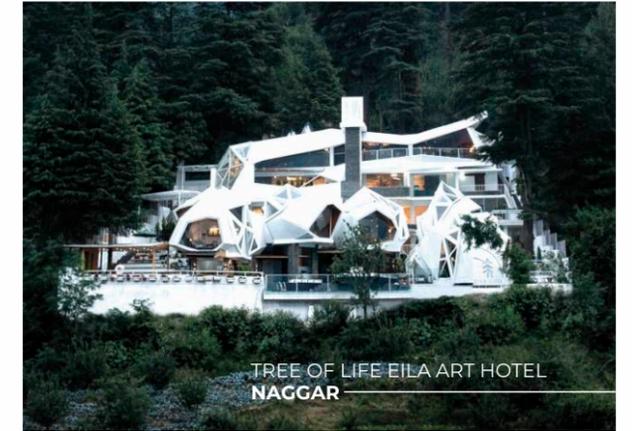


## REIMAGINING F&B BY PARTNERING WITH BRANDED RESTAURANTS

Hoteliers should reimagine F&B by leasing spaces to standalone marquee restaurant brands on a revenue-share model, which can be beneficial for both parties. Restaurant operators can benefit from the hotel's captive clientele, location benefits, and brand image, while hotels get an opportunity to elevate the customer experience by becoming a 'destination' for both hotel guests and locals, resulting in higher F&B revenues and profitability.



LOYA, TAJ PALACE  
NEW DELHI



TREE OF LIFE EILA ART HOTEL  
NAGGAR



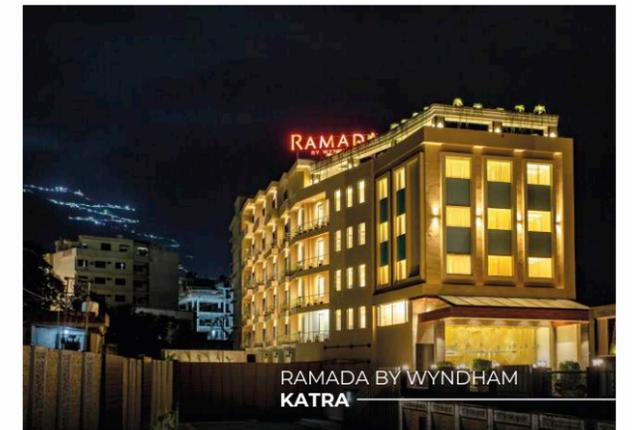
## LEISURE PROPERTY DEVELOPMENT WILL GROW IN INDIA

Most of the hotel development in India in the last decade was focused on the key business destinations as a significant proportion of hotel demand stemmed from corporate or business travelers. Moreover, the lack of infrastructure and seasonal nature of leisure travel made this segment less lucrative for hoteliers. However, this mindset is witnessing a shift, and

several hotel chains are increasing their leisure hotel development pipeline to tap into the growing demand. Moreover, leisure travelers usually stay longer and utilize more services at the hotel compared to business travelers and hotels in leisure destinations are also likely to have higher average rates than business hotels, making the investment more attractive.



PUSHPAM LORDS RESORT  
KARJAT



RAMADA BY WYNDHAM  
KATRA

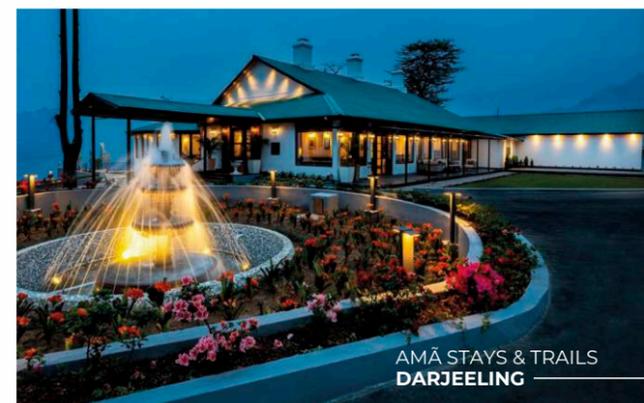
## THE RISE AND RISE OF ALTERNATE ACCOMMODATION



Alternate accommodation products such as homestays and villa rentals will grow exponentially, as these have piqued the interest of travelers. New players, including hotel brands, are entering this segment, which is still largely unorganized in India, as they realize that alternate accommodations are not just a passing trend but are here to stay. IHCL, for instance has forayed into the country's fast-growing homestays segment through its brand, amā Stays & Trails, already increasing its portfolio in this segment to 108 properties at 50+ locations in the last two years. Meanwhile, Marriott International recently introduced its Homes & Villas by Marriott Bonvoy, a curated collection of whole home rentals in India, with plans to launch around 500 units in 2023. For hotel chains, alternate accommodations can open up new revenue stream, and help in attracting new-age travelers seeking unique, highly personalized, and authentic travel experiences. It also provides them a financially attractive investment model, particularly for

expansion in underserved leisure destinations, due to lower overhead costs and higher profitability than a hotel.

The potential of this segment is enormous, and the hospitality sector has only begun to scratch the surface. From bed and breakfast facilities, homestays, villa rentals, and hostels to caravans and houseboats, among so many others, this segment has a lot more to offer to travelers and can help the Indian travel industry reach greater heights.



## GLOBAL HOTEL CHAINS WILL EXPAND THEIR BRAND PORTFOLIO IN INDIA

Bullish about the growth prospects of the Indian economy and the hotel sector, international hotel chains are expected to introduce newer brands from their global brand portfolio in India, to strengthen and expand their distribution and presence in the country. Marriott, for instance,

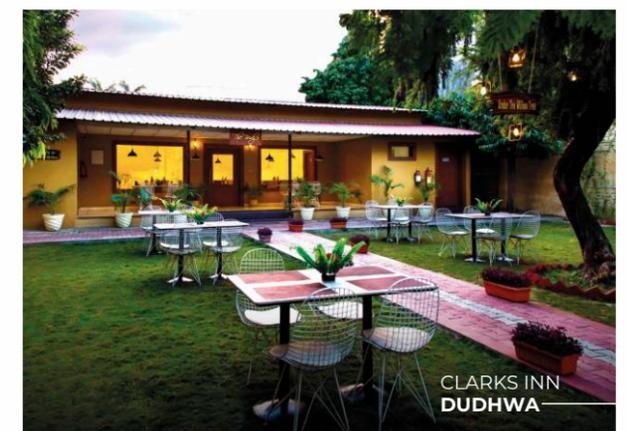
recently introduced its lifestyle hotel brand Moxy in India, while IHG unveiled its conversion-friendly brand voco. Other global hotel chains are also expected to follow suit as growth slows in developed countries and as a rapidly developing country, Tier 2, 3 & 4 cities open up in India.

## NET-ZERO HOTELS WILL BE THE NEXT STEP IN SUSTAINABILITY

Despite increased efforts, the Indian hotel industry's sustainability initiatives are still limited to hotel operations. Simply removing single-use plastics and reducing housekeeping is no longer sufficient to attract the growing number of environmentally conscious tourists. Hotels are often criticized for their conspicuous consumption, so a concerted effort to reduce consumption and waste across the board is needed, which will also help change public perception of the industry. So, the industry should now consider incorporating green technologies and resources into construction so that hotels have net-zero energy consumption from the start of their life cycle. Net-zero hotels can help to make travel more environmentally friendly by allowing guests to enjoy luxuries without feeling guilty.

Finally, hotels will also consider **employing gig workers and multi-skilling hotel employees** to address the staffing issues in the sector, which have increased post the pandemic. Employing gig workers can help manage staffing needs during busy and lean periods, optimize staff-to-room ratios, and reduce hiring and training costs. Meanwhile, multi-skilling will allow employers to optimize labor costs, improve efficiency, and increase

operational flexibility, while also increasing employee loyalty and motivation, which can help companies retain their human capital in today's fiercely competitive environment.



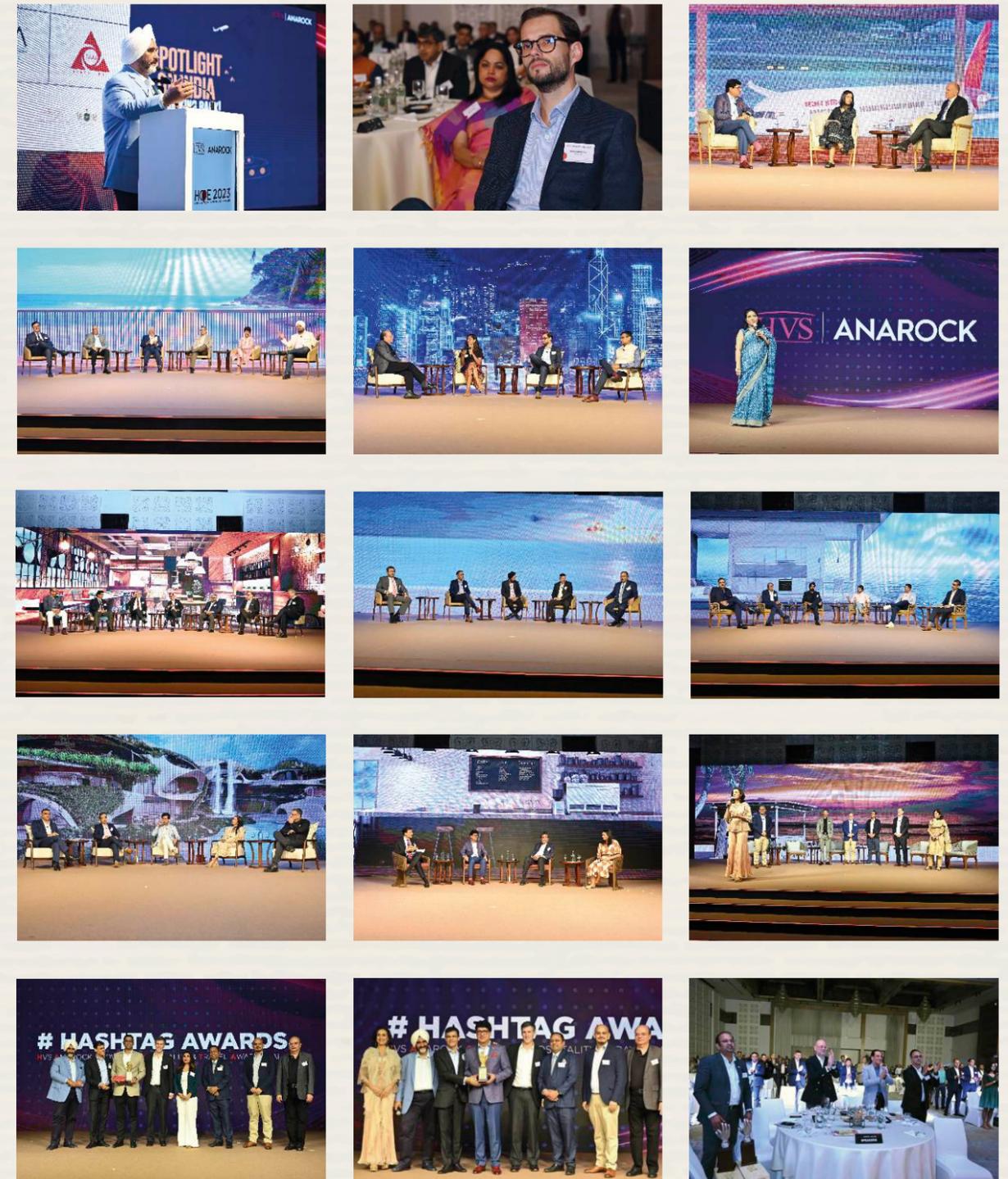
# Acknowledgement

HVS ANAROCK would like to thank the following participating hotel operators for their invaluable contribution to this year's report:



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