

INDIA HOSPITALITY INDUSTRY OVERVIEW 2021



RAFFLES
UDAIPUR



FOREWORD

The year 2021 has been nothing short of a roller coaster ride for the Indian hotel sector, full of hope and opportunities but also uncertainty as new variants of the virus acted as temporary roadblocks on the road to recovery. While the year began on a positive note with a surge in domestic leisure travel fueled by a steady drop in active cases and the start of the country's vaccination program, the recovery was quickly hampered by new restrictions and lockdowns imposed in response to the country's second wave.

However, it was not a case of the dreaded *déjà vu*, as hoteliers proactively focused on alternative customer segments and ancillary revenue streams to weather the storm, building on the learnings from the previous year and dealing with the pandemic that refuses to end. As a result, the Indian hotel sector has been recovering faster than expected.

Hotel occupancy, which had been severely impacted by the COVID-19 related travel restrictions in 2020, began a strong recovery in the third quarter of 2021. Domestic leisure travel growth, significant pent-up demand, the partial resumption of business travel in the country, as well as wedding and social events have all contributed to this recovery.

Small-to-medium-sized domestic MICE events also made a comeback, fueling demand for hotels. The sector ended the year with an India-wide occupancy of 42-45%, up 10-13 percentage points over the previous year. Driven by the strong recovery in demand, average rates also began to improve after the second wave, progressively approaching pre-COVID levels. The robust growth in occupancy and average room rates (ARR) resulted in a 24-27% increase in RevPAR to ₹1,800 - ₹2,100 in 2021.

Leisure markets continued to drive the recovery, with even smaller leisure markets in the country such as Haridwar, Corbett, and hill stations in Himachal Pradesh, Uttarakhand and Jammu & Kashmir, to name a few, recording all time high occupancy and ARR. Some leisure markets such as Goa surpassed pre-pandemic levels of performance by the end of the year. Luxury and upper upscale properties performed exceedingly well in these markets given that the upwardly mobile were unable to take any overseas vacations.

In 2021, hotel companies continued to grow their development pipelines, resulting in over 24% rise in brand signings by keys compared to the previous year. During the year, 135 new hotels with 12,359 rooms entered the branded hotel market, while 58 hotels with 3,108 rooms were rebranded.

Hoteliers continued to focus on leisure destinations, as well as Tier 3 & 4 cities, having recognized the enormous potential of domestic tourism, which has gained long-overdue industry respect in the aftermath of the pandemic.

After a truly spectacular performance in the last quarter of 2021, the year 2022 has started on a challenging note, with subdued demand in the first few weeks of the year because of the emergence of Omicron cases in the country. This has been followed by the Ukraine-Russia conflict which is expected to have a negative impact on the country's economic growth in the long run. However, we expect domestic travel demand will continue to be strong during the year as people have embraced the new 'normal' of travel in uncertain times.

The Union Budget 2022 considered some of the recommendations made by industry stakeholders to the government at various forums, among which the extension of Emergency Credit Line Guarantee Scheme (ECLGS) till March 2023, and the expansion of the guarantee cover, with the additional corpus exclusively earmarked for the hospitality and related segments, will bring some much needed but short-term respite to hospitality players.

Moreover, the government's greater focus on large-scale infrastructure development, including roads, railways, airports, ports, and waterways, will aid long-term growth in the tourism and hospitality sectors. We believe that travel will witness an impressive bounce back, and the sector will soon be able to put the pandemic's destruction behind it, and smart investors are making their investment plans accordingly.

2021

THE HOTEL SECTOR ENDED THE YEAR WITH AN INDIA-WIDE OCCUPANCY OF 42-45%, UP 10-13 PP* (Y-O-Y), WHICH RESULTED IN A 24-27% INCREASE IN REVPAR TO ₹1,800 - ₹2,100.

2022

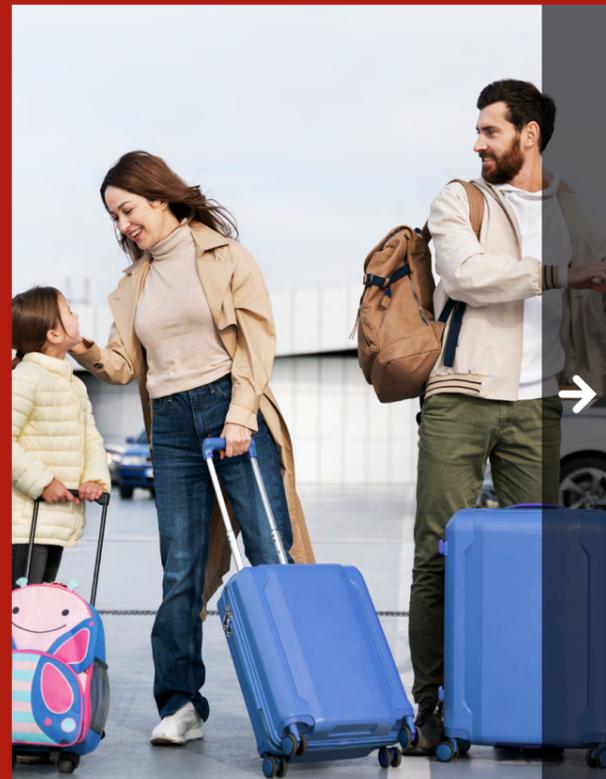
WE EXPECT INDIA-WIDE OCCUPANCY TO IMPROVE TO 66% IN 2022, WHICH ALONG WITH A 28% INCREASE IN ARR WILL PUSH REVPAR TO ₹3,731 DURING THE YEAR.

Mandeep Singh Lamba
President (South Asia)
HVS ANAROCK



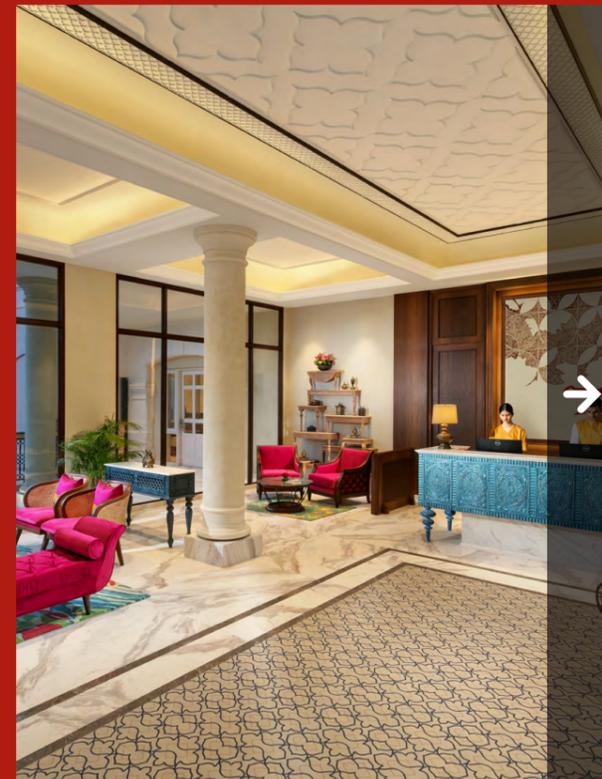
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(T&T) SECTOR
2021**



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**INDIAN HOTEL
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**OUTLOOK
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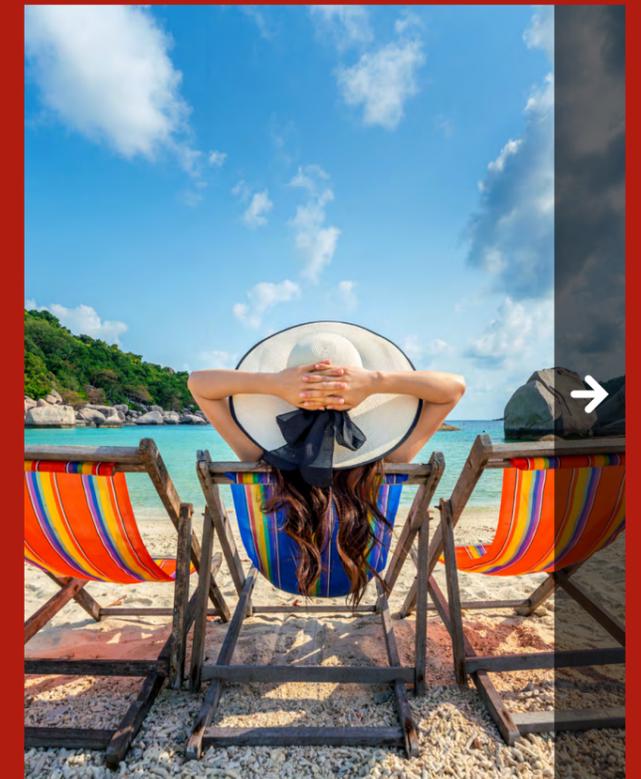


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TRAVEL & TOURISM (T&T) SECTOR 2021

GLOBAL T&T SECTOR GRADUALLY RECOVERING THE LOST GROUND

In 2021, the global travel and tourism (T&T) sector received some much-needed optimism with the roll-out of COVID vaccination programmes across countries. International tourism revived marginally in the second half of the year, as most countries welcomed back international visitors, albeit with several strict guidelines and protocols in place.

However, the recovery is fragile and inconsistent, as new COVID variants continue to wreak havoc on the sector. Tourism authorities devised a variety of strategies to attract COVID-weary tourists and revive inbound tourism in their countries, ranging from inoculating majority of the population, particularly tourism workers, to creating bio bubbles and offering quarantine-free travel to vaccinated travellers.



As of 31st Dec 2021, 4.56 Bn people in the world had received at least one dose of the COVID-19 vaccine.

There is still a long way to go before international travel reaches full recovery as global vaccination inequity and varying travel rules are major roadblocks. Unprecedented global cooperation to tackle these issues and a uniform global travel guideline can go a long way to jumpstart international travel, demand for which will otherwise continue to remain subdued.

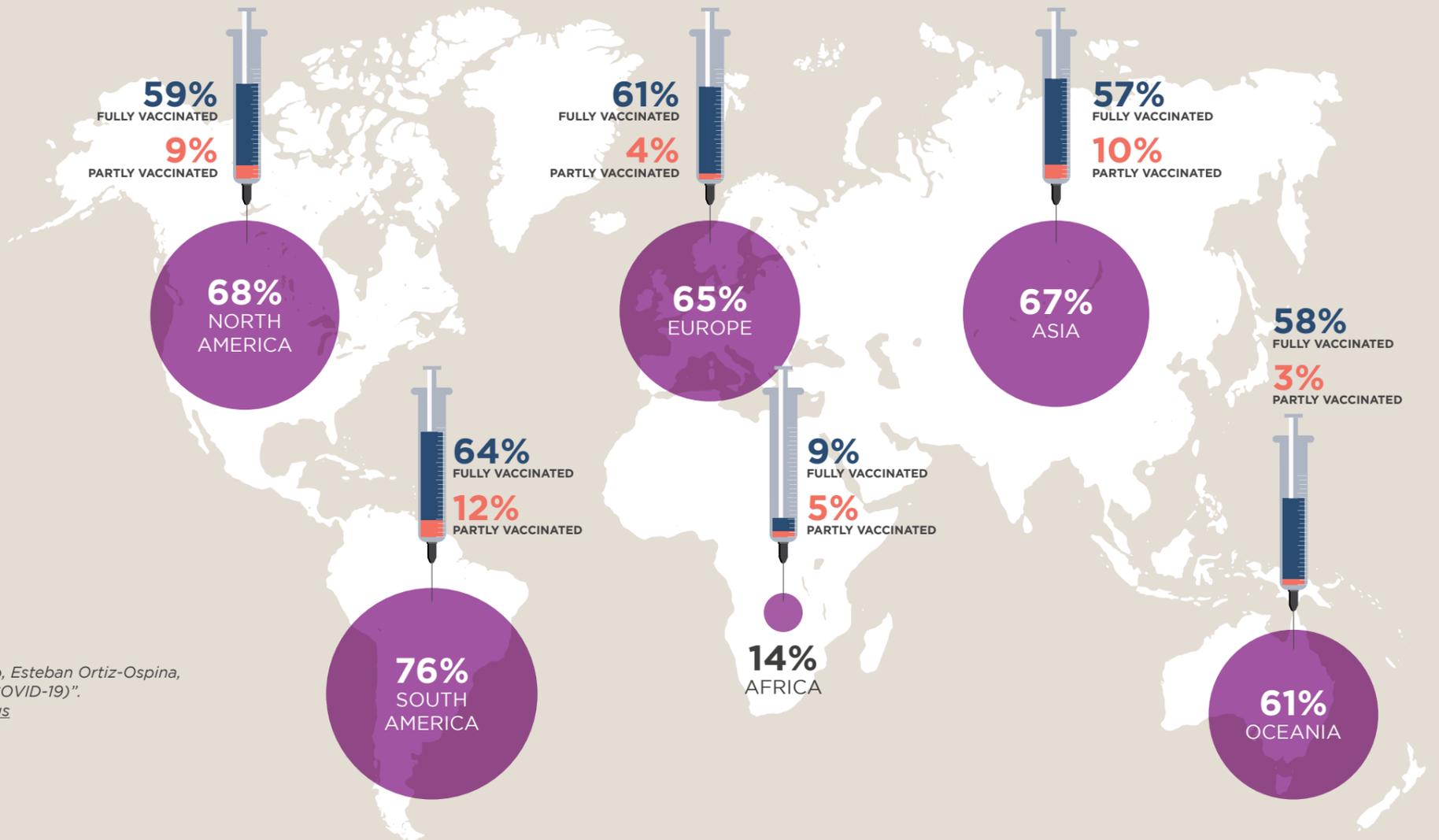
Source: Hannah Ritchie, Edouard Mathieu, Lucas Rodés-Guirao, Cameron Appel, Charlie Giattino, Esteban Ortiz-Ospina, Joe Hasell, Bobbie Macdonald, Diana Beltekian & Max Roser (2020) - "Coronavirus Pandemic (COVID-19)". Published online at [OurWorldInData.org](https://ourworldindata.org). Retrieved from: <https://ourworldindata.org/coronavirus>



4.56 Bn | **58%**
Global Population Vaccinated

49%
Fully Vaccinated

9%
Partly Vaccinated



'Vaccine confidence' improved traveller confidence across the world

	Global International Tourist Arrivals (ITAs)	% Change over previous year	% Change over 2019	Export Revenue (USD) from International Tourism	% Change over previous year	% Change over 2019
2021	415 Mn	↑ 4%	↓ 72%	\$700-800 Bn	↑ 10-25%	↓ 53-59%
2020	400 Mn	↓ 73%	↓ 73%	\$638 Bn	↓ 62%	↓ 62%
2019	1,500 Mn	↑ 4%	-	\$1,700 Bn	↑ 2%	-

Vaccination Rate by Region as of 31st Dec 2021

- FULLY VACCINATED
- PARTLY VACCINATED
- VACCINATED (FULLY + PARTLY)

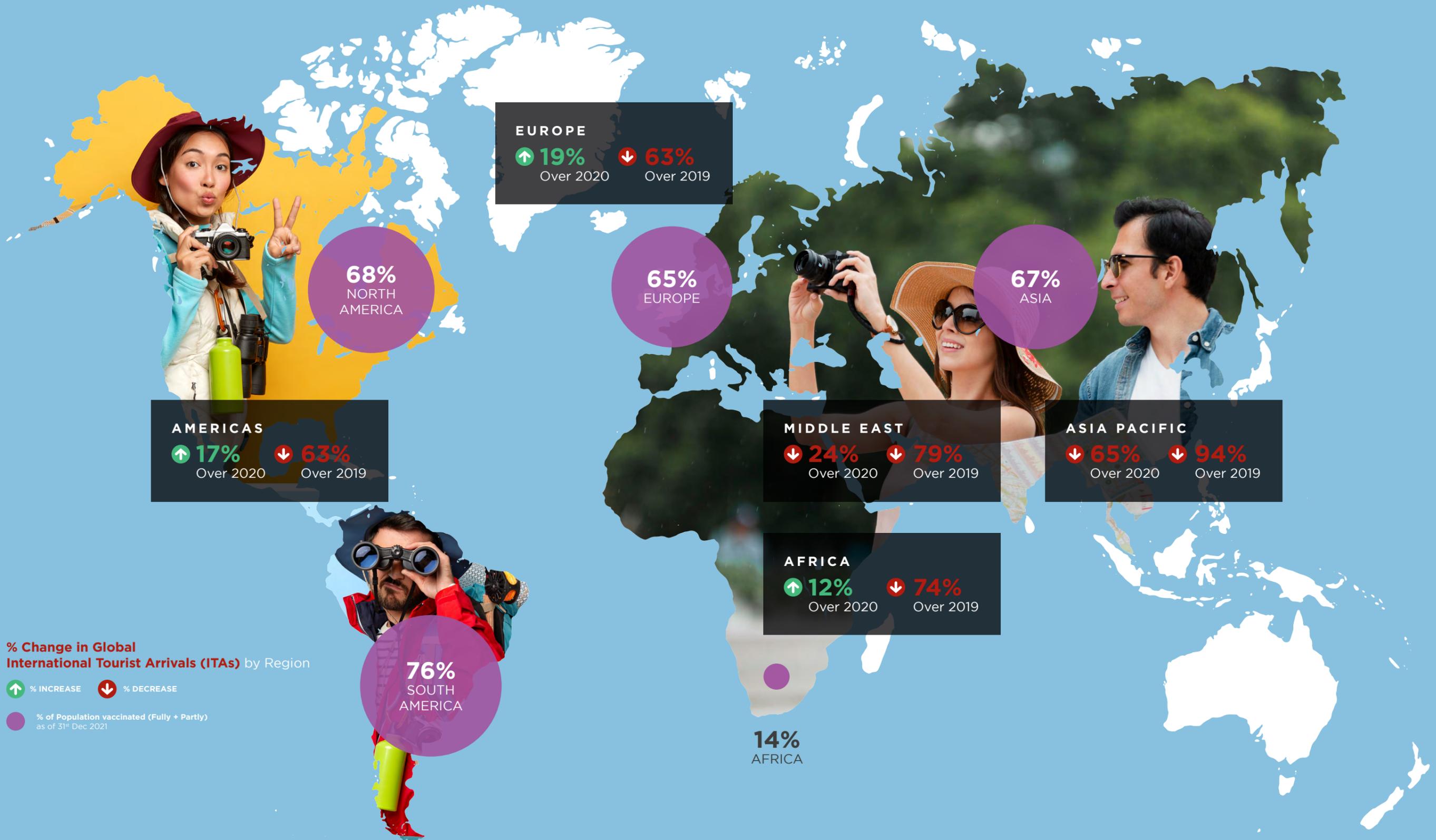


REVIVAL HAS BEEN FASTER IN REGIONS WITH HIGH VACCINATION RATES



↑ 4%
Global ITAs
% Change over 2020

↓ 72%
Global ITAs
% Change over 2019



% Change in Global International Tourist Arrivals (ITAs) by Region

↑ % INCREASE ↓ % DECREASE

● % of Population vaccinated (Fully + Partly) as of 31st Dec 2021

INDIAN T&T SECTOR

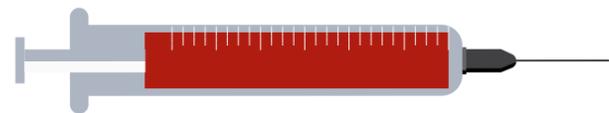
DOMESTIC TOURISM LEADING THE RECOVERY

India commenced its vaccination drive on 16th January 2021, and by 31st December 2021, the country had administered 1.45 billion doses.

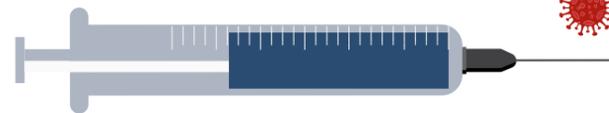
With the increasing momentum of the vaccination drive, travel demand – both leisure and business – gradually started improving in the country. Declining COVID cases and easing of restrictions across states, coupled with people’s inherent need to travel were other key factors driving this revival.



India Vaccination Dashboard as of 31st Dec 2021



89% of eligible population
Have received at least 1st dose



64% of eligible population
Fully Vaccinated



845 Mn
People Vaccinated

1.45 Bn
Total No. of Doses Administered



Key Highlights CY 2021*



182 Mn
Total Air Passenger Traffic

% Change over 2020 % Change over 2019

↑ 27% ↓ 48%



18 Mn
International Air Passenger Traffic

↓ 8% ↓ 74%



1.4 Mn
FTAs (Foreign Tourist Arrivals)
~8% of International Air Passenger Traffic

↓ 49% ↓ 87%

164 Mn
Domestic Air Passenger Traffic

↑ 33% ↓ 41%

* All data shown is an approximation
CY = Calendar Year (1st Jan to 31st Dec)

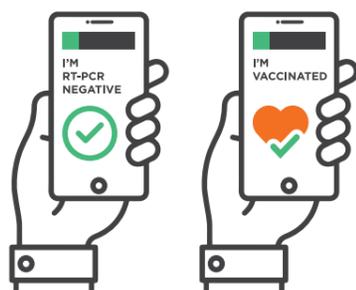
Source: Airports Authority of India, Indian Ministry of Tourism, Ministry of Health and Family Welfare, OurWorldInData.org & HVS Research

The state governments and tourism boards introduced various initiatives needed to revive the sector post the 2nd wave and chalked out long-term reboot plans for it.

Restoring traveler confidence and inoculating most of the population, especially tourism employees, were the top-most priorities for most states.



Concept of **bio-bubbles** was introduced



Tourism spots open to only tourists who possess **a negative RT-PCR report** taken within 72 hours or have received **at least one dose of the COVID vaccine**

Cities and states with good connectivity and strong infrastructure, including tourism infrastructure, were quick to rebound. **A few shining examples of markets that rebounded quickly:**

GOA



Post the 2nd wave, **Goa became the go-to holiday destination for domestic tourists as well as outbound Indians who could not vacation abroad due to the limitations on overseas travel.**

From resorts, hotels and private villas to dorm rooms and beach huts, Goa has something for everyone. As a result, occupancy improved steadily month after month, with December 2021 occupancy just 2 percentage points shy of pre-pandemic levels for the month and average rates surpassing pre-pandemic levels by over 19%.

CHANDIGARH



This region serves as the gateway and stopover point for travelers heading towards various popular and off-beat leisure destinations in the Himalayan region, including those in Himachal Pradesh, Jammu & Kashmir (J&K), and Ladakh.

Following the pandemic, Indians discovered the joys of road trips as a safe way to holiday, and an increasing number of people in north India began taking long-distance road trips, preferring to stop in Chandigarh before continuing to their end destination, owing to the city's well-developed rail and road networks.

Additionally, several upscale and luxury hotels in Chandigarh have benefited from the shift of weddings and related social gatherings from unorganized venues to hotels in the COVID-era.



Tourism boards to identify and develop **new unexplored tourist destinations** to ease the burden on the other popular locations



Introduction of **novel tourism products** such as
 - Caravan tourism
 - Adventure tourism
 - Water-based tourism

JAMMU & KASHMIR



J&K has seen a significant increase in tourist traffic since the region's lockdown was lifted. Reports indicate that, over 6 lakh tourists visited J&K in 2021, surpassing all previous records, with half of them arriving in October to December as early snowfall drew a huge number of visitors to the region. As a result, hotel occupancy has been at an all-time high.

Several factors have contributed to this comeback, the most important of which are the **initiatives taken by the government, tourism board, and industry players to encourage tourism.**

Furthermore, the addition of direct evening flights has improved connectivity with rest of the country, giving travellers more options. Direct international flight operations on certain routes have also commenced recently.

RAJASTHAN



During the pandemic, **Rajasthan became one of the preferred getaways within driving distance for travellers** thanks to its superior infrastructure, including a well-developed road network, good connectivity with all major cities in the country, and the availability of high-quality branded hotels throughout the state. **The state also boasts of several iconic hotels and resorts** which not only induce demand for themselves but also help in creating a 'brand' for the destination itself.

Rajasthan, with its royal heritage, forts, havelis & deserts, has successfully established itself as a **popular leisure & wedding destination for both domestic and international tourists.** The state has been successful in creating major tourism markets such as Udaipur, Jaipur, Jodhpur, Jaisalmer and Pushkar along with minor markets such as Bikaner, Mount Abu, amongst others.

02 INDIAN HOTEL SECTOR REVIEW 2021



2021 PERFORMANCE REVIEW

Following an abysmal performance in 2020, the Indian hotel sector found some much-needed hope in 2021, as it made steady headway on the road to recovery. The year began on a promising note with the commencement of the vaccination programme, which, combined with a decrease in COVID cases, improved travel sentiment in the country. Domestic leisure travel drove the recovery throughout the year, with business travel also showing early signs of revival as most businesses and organizations gradually started returning to a full or hybrid work-from-office model during the year. Additionally, weddings and social events, as well as the resurgence of small-to-medium-sized domestic MICE events, helped to stimulate hotel demand.

While there was significant recovery, the year was not without pandemic-related setbacks, as the emergence of new COVID variants acted as temporary roadblocks in the sector's recovery. Travelers and hospitality sector players, however, continued to adapt to the evolving situation and found new ways to move forward.




INDIA KPIs 2021



Occupancy

42-45%
 ↑ **10-13pp**[^] Y-o-Y
 ↓ **21-24pp**[^] 2019



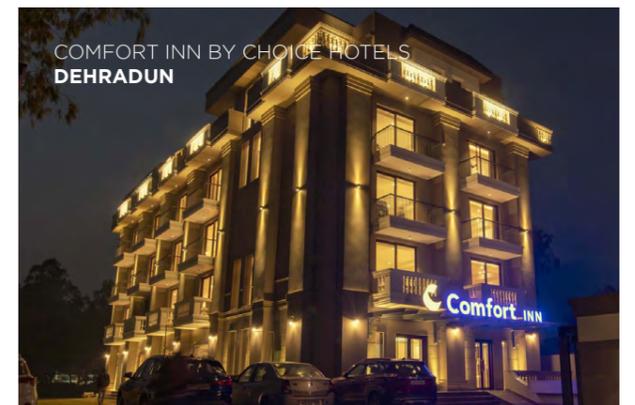
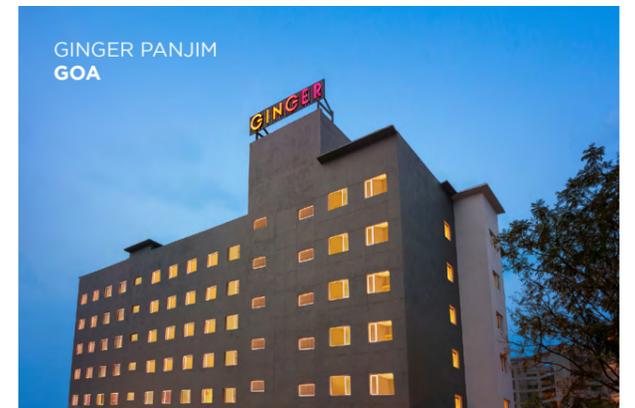
ARR

₹4,300 - ₹4,600
 ↓ **7-10%** Y-o-Y
 ↓ **25-28%** 2019



RevPAR

₹1,800 - ₹2,100
 ↑ **24-27%** Y-o-Y
 ↓ **50-53%** 2019



*All data shown is an approximation and for calendar year

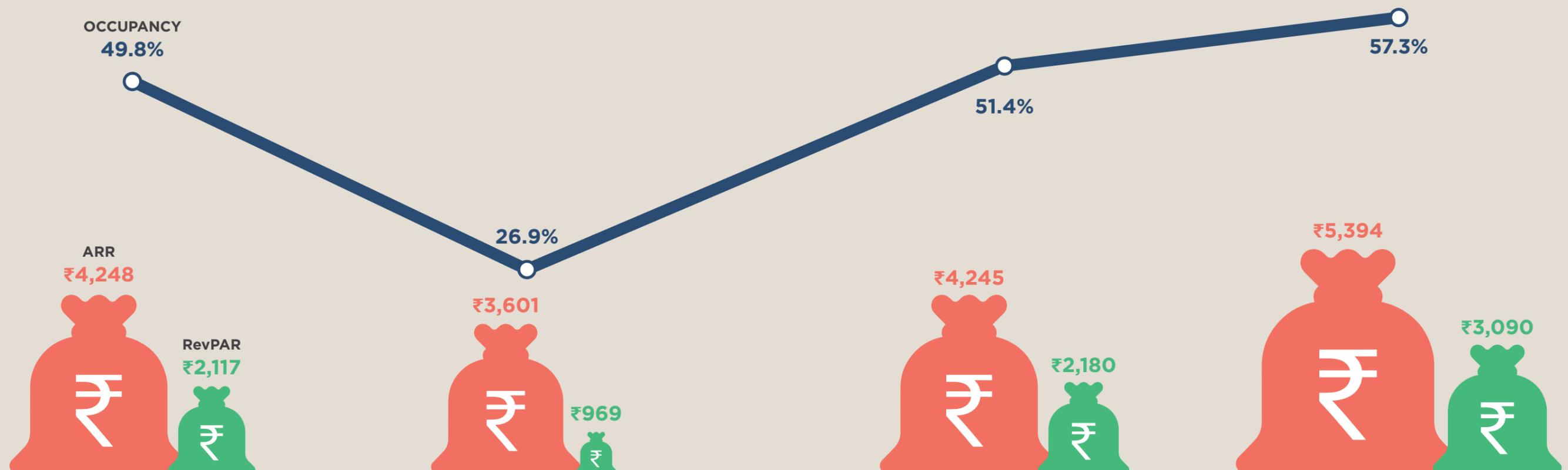
[^] pp = percentage points

Source: HVS Research

2021 QUARTERLY HIGHLIGHTS

Q1 2021	Q2 2021	Q3 2021	Q4 2021
<p>The year 2021 began on a promising note, thanks to the sharp revival in leisure travel, fueled by a consistent decline in active caseload and the start of the country's vaccination campaign.</p> <p>This helped industry-wide occupancy to reach nearly 50% in the first quarter, a first since the pandemic began. As hotels tried to shore up occupancy, average rates started struggling, declining by 29-32% over the previous year.</p>	<p>Demand was subdued in the second quarter due to fresh restrictions and lockdowns in several states because of the devastating second wave in the country.</p> <p>Nonetheless, unlike the previous year, when most hotels were closed or relied solely on quarantine business to survive, this time hoteliers were proactive in focusing on alternative customer segments and ancillary revenue streams to weather the storm. Some hotels, especially in commercial hubs, partnered with hospitals to provide isolation & quarantine facilities. As a result, occupancy was in range of 26-28% during the quarter compared to 15-17% during the same period in 2020. Average rates also began to improve, rising 7% in Q2 2021 compared to Q2 2020, when hotels were solely reliant on quarantine business.</p>	<p>With fewer restrictions across states and higher vaccination rate, travel demand rebounded substantially in the third quarter of the year.</p> <p>After the second wave, many began travelling again to escape the lockdown blues and work-from-home fatigue. Weekend getaways to motorable leisure spots and 'staycations' at luxury hotels in cities became popular travel options. As a result, the sector saw a 49-52% occupancy rate in the third quarter, with a RevPAR of ₹2,000 - ₹2,300, representing a 170% Y-o-Y increase.</p>	<p>Business travel began to pick up moderately in the last quarter of the year as most businesses and organizations gradually started returning to a full or hybrid work-from-office model.</p> <p>Additionally, weddings, social events, and the resurgence of small-to-medium-sized domestic MICE# events, helped to stimulate hotel demand during the quarter. However, the emergence of the new COVID variant, Omicron, slowed the recovery towards the end of the year. The sector closed the quarter with an occupancy of 56-58%, slightly lower than industry expectations. ARR continued to improve, progressively approaching pre-COVID levels. Rates in the fourth quarter of the year were at ₹5,300 - ₹5,500, reaching 90% of pre-COVID levels, renewing the sector's hope for recovery.</p>

● ARR (AVERAGE ROOM RATE)
● RevPAR
● OCCUPANCY



*All data shown is an approximation and for calendar year

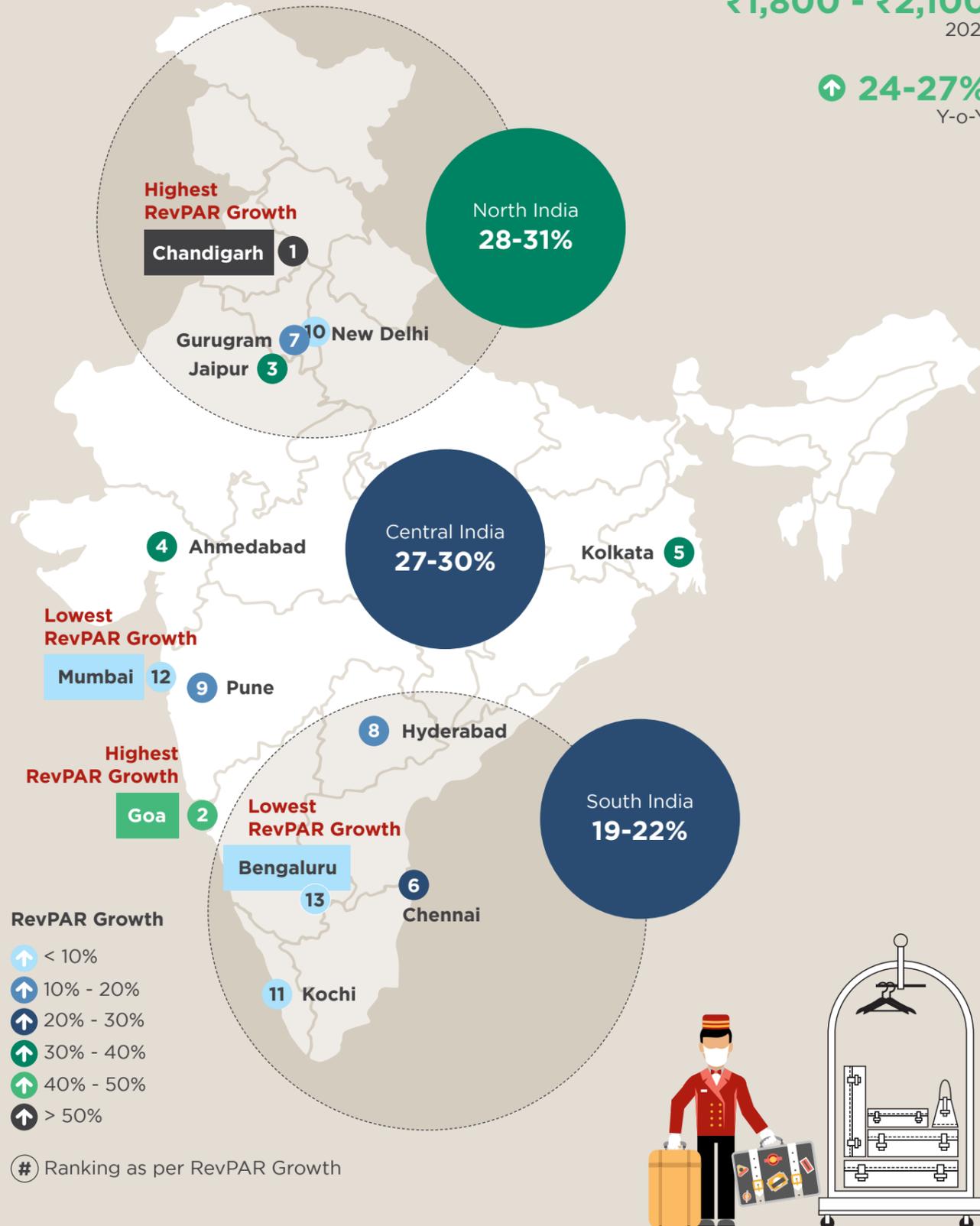
Meetings, incentives, conferencing & exhibitions

Source: HVS Research



RevPAR Increase Across India's Key Markets (2021 vs 2020)

India RevPAR
₹1,800 - ₹2,100
 2021
 ↑ **24-27%**
 Y-o-Y



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

Key Takeaways - Leisure vs Business Markets in 2021

Leisure markets continued to drive the recovery, with even smaller leisure markets in the country such as Haridwar, Corbett, and hill stations in Himachal Pradesh, Uttarakhand, and Jammu & Kashmir, to name a few, recording all time high ARR. Some leisure markets such as Goa surpassed pre-pandemic levels of performance by the end of the year. Luxury and upper upscale properties performed exceedingly well in these markets, given that the upwardly mobile were unable to take any overseas vacations.

Hotel markets in business destinations, especially those focused on IT-ITeS* such as Bengaluru and Pune, were slower to recover.



GOA EMERGED AS THE GO-TO HOLIDAY DESTINATION

for domestic tourists as well as outbound Indians who could not vacation abroad due to the limitations on overseas travel.

As a result, occupancy improved steadily month after month, reaching 74-76% in December 2021, just 2 percentage points shy of pre-pandemic levels for the month, while the average rates surpassed pre-pandemic levels by over 19% in December 2021.

CHANDIGARH, ALSO POPULARLY KNOWN AS THE TRI-CITY REGION, IS QUICKLY BECOMING THE NEW HOSPITALITY HOTSPOT IN INDIA.

Following the second wave, Chandigarh's hotel sector has recovered quicker than several other markets in the country, with occupancy rates rising from a low of around 13-15% in May 2021 - the peak of the second wave - to 69-71% by December 2021, inching closer to pre-pandemic levels.

Moreover, in contrast to numerous other Indian business destinations, average hotel rates in Chandigarh have improved significantly, and were 10-12% higher than pre-pandemic levels.

* Information technology & information technology enabled services

Source: HVS Research

2021 BRAND SIGNINGS

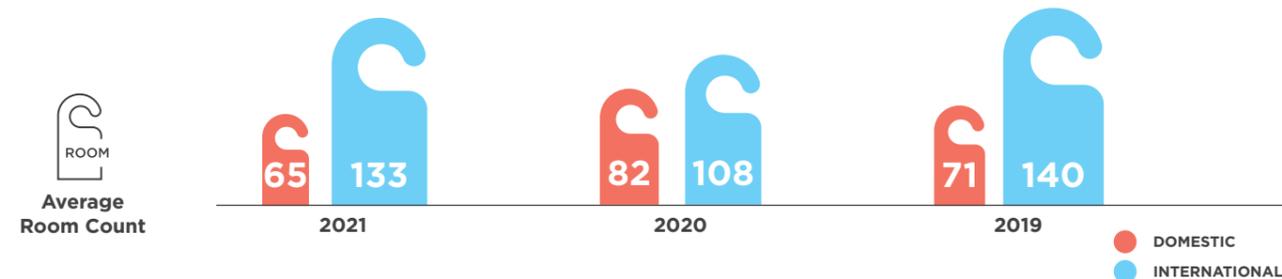
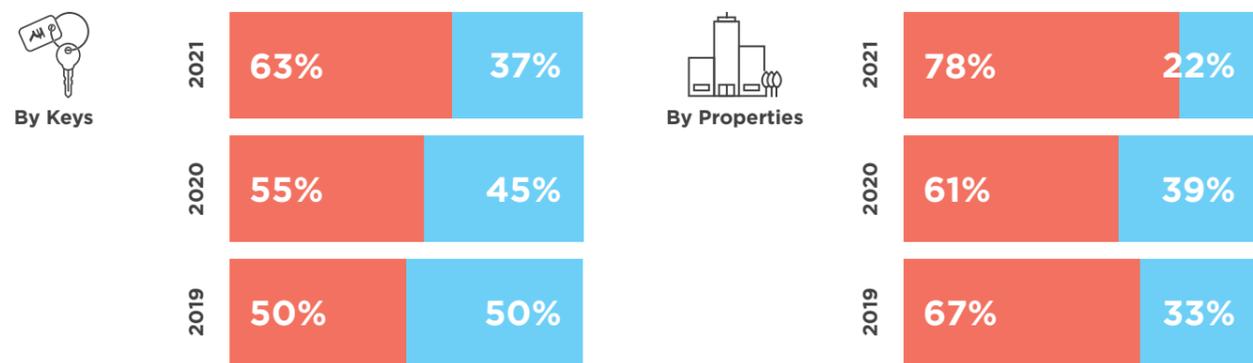
Brand Signings (2019-2021)*

With demand recovering faster than expected in 2021, hotel companies put the COVID-blues behind them and hit the ground running with their expansion plans, resulting in a year-over-year increase of over 24% in brand signings by keys. **During the year, 135 new hotels with 12,359 keys entered the branded hotel market. Meanwhile, 58 hotels with 3,108 keys were rebranded during the year, a trend similar to that seen prior to the pandemic.**



International vs Domestic Brands

With an average key count of 65 keys during the year, domestic hotel operators continued to sign more properties (~78% of the total signings by properties) than their international peers. Meanwhile, international hotel operators continued with their strategy to sign larger properties, resulting in an average key count of 133 keys in 2021.

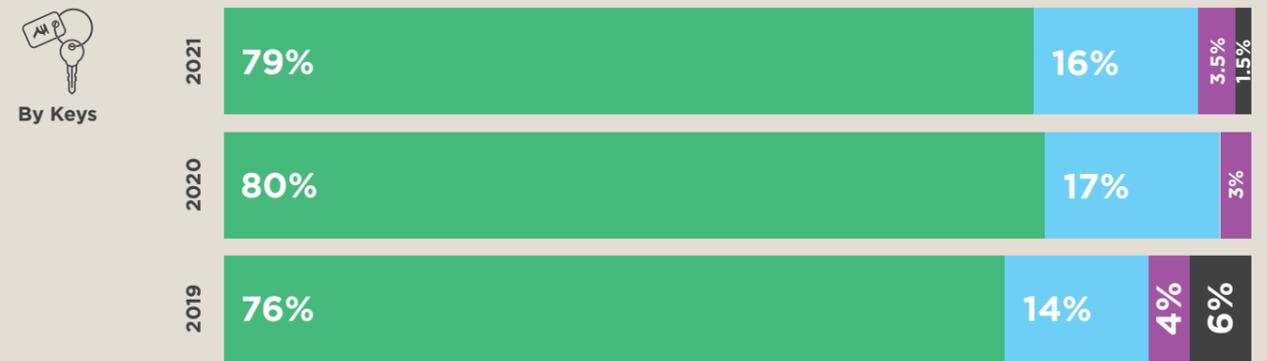


* Three properties that were renewed (376 keys) have not been included in new signings. Based on information reported by 22 participating hotel operators for CY2021

By Contract Type

Management contracts remain dominant, accounting for 79% of the total signings by keys in 2021.

Franchising is gradually strengthening foothold, accounting for approximately 16% of the signings by keys in 2021, maintaining its increased share from the previous year. Leasing and other forms of contract remain the lesser preferred mode of signings in India.



- MANAGED
- FRANCHISED
- LEASED
- OTHERS

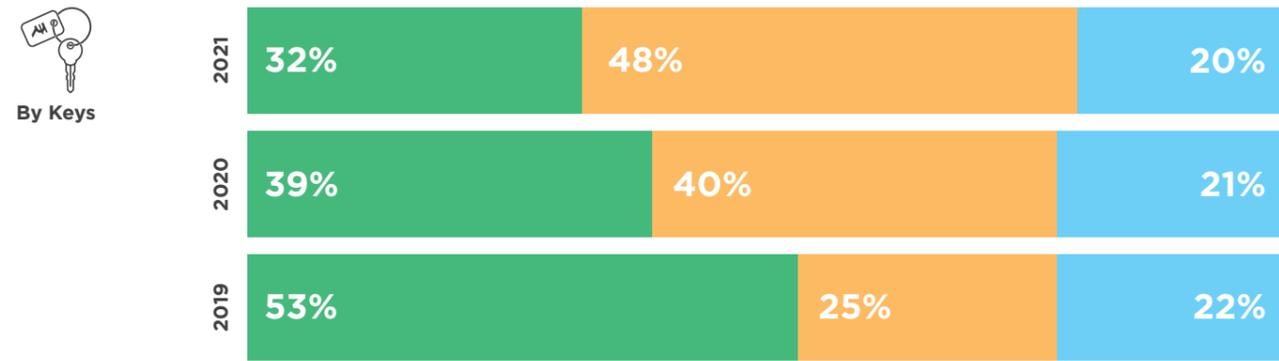
Top 5 Operators



*All data shown is an approximation and for calendar year

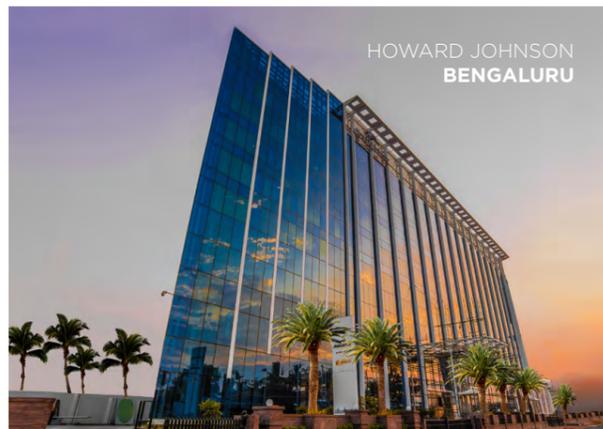
Source: HVS Research

By Development Status



Brownfield signings have grown in popularity in recent years, accounting for 48% of the keys signed in 2021, as they are less risky and have a higher likelihood of completion than greenfield. The impact of COVID has also slowed down greenfield development. As a result, the share of greenfield keys signed has declined from 39% in 2020 to 32% in 2021. Conversion/rebranding, meanwhile, accounted for 20% of the keys signed during the year. **Brownfield projects also took the lead in terms of number of properties signed in 2021**, accounting for 47% of all signings by properties, while greenfield properties accounted for 23% of total signings by properties. Hotel rebranding or conversion is on the rise, accounting for 30% of total signings by hotels in 2021.

- GREENFIELD
- BROWNFIELD
- CONVERSION



*All data shown is an approximation and for calendar year

Top Destinations (Ranking by City)



HOTEL OPERATORS MAINTAINED THEIR FAITH IN THE COUNTRY'S THREE LARGEST MARKETS BY SUPPLY, WITH BENGALURU & NEW DELHI WITNESSING THE MAXIMUM SIGNINGS BY KEYS.

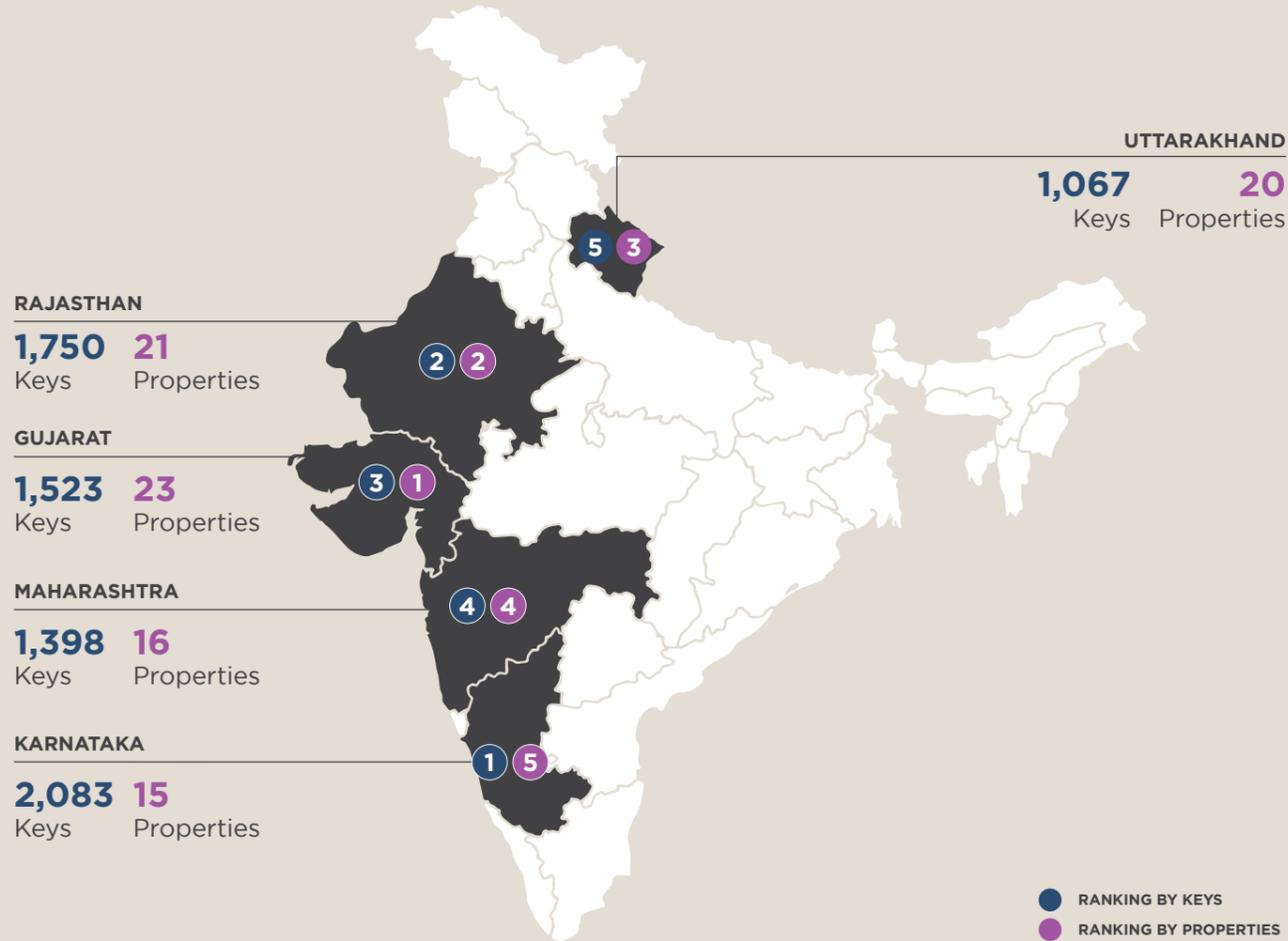
Hotel brands also continued to be interested in leisure destinations, but the properties signed were smaller in size.



Source: HVS Research

Top Destinations (Ranking by State)

IN TERMS OF 2021 BRAND SIGNINGS, KARNATAKA & GUJARAT LED THE SCORECARD BY KEYS & BY PROPERTIES, RESPECTIVELY.



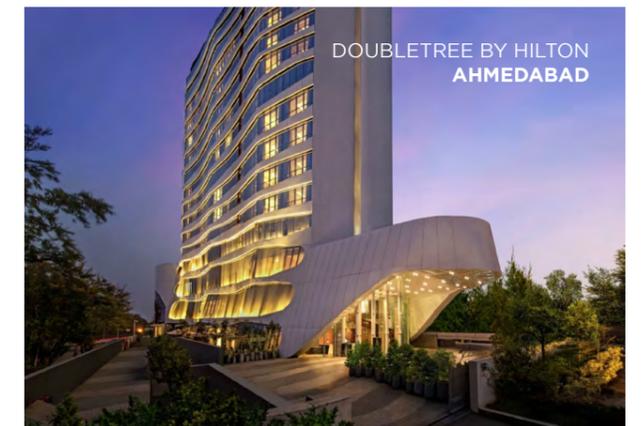
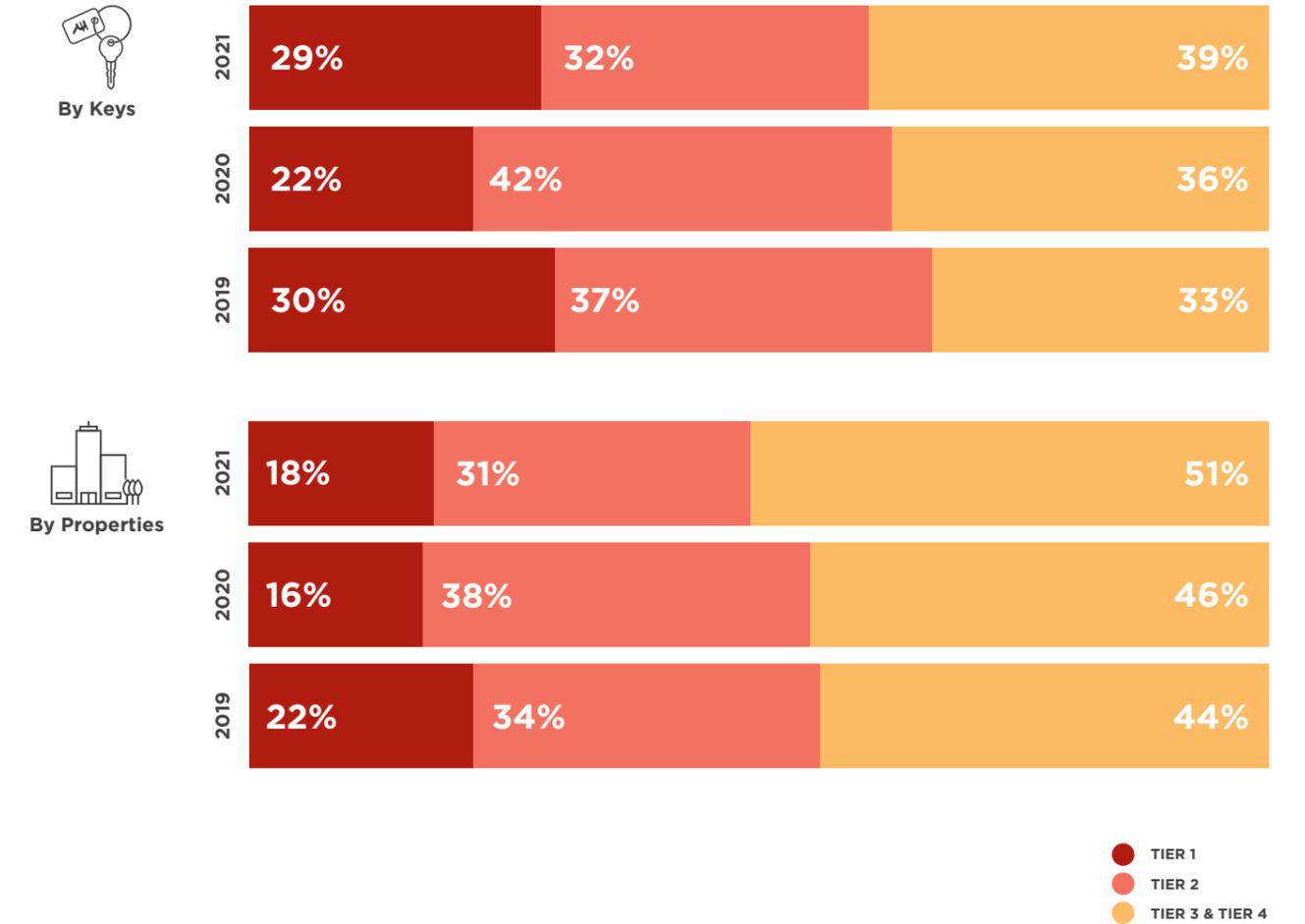
Map not to scale; for representative purpose only



*All data shown is an approximation and for calendar year

By Tier Classification

As hotel operators made stronger inroads into the country's smallest towns, **Tier 3 and 4 cities** accounted for **51% of the total signings by properties in 2021**. In contrast to the previous year, in 2021, the **share of the Tier 1 cities in terms of signings by keys** inched closer to pre-COVID levels.



Source: HVS Research

By Market Positioning

The Midscale segment remains the market leader in terms of number of hotels signed in 2021 with over 55% signed properties. With changing demographics and consumer preferences, the Luxury segment is regaining the mindshare of hoteliers.

In terms of keys, Midscale segment is the most preferred segment in the country, accounting for 44% of the total signings by keys in 2021, followed by Upscale (32% of total signings), Luxury (13% of total signings) and Economy (11% of total signings).

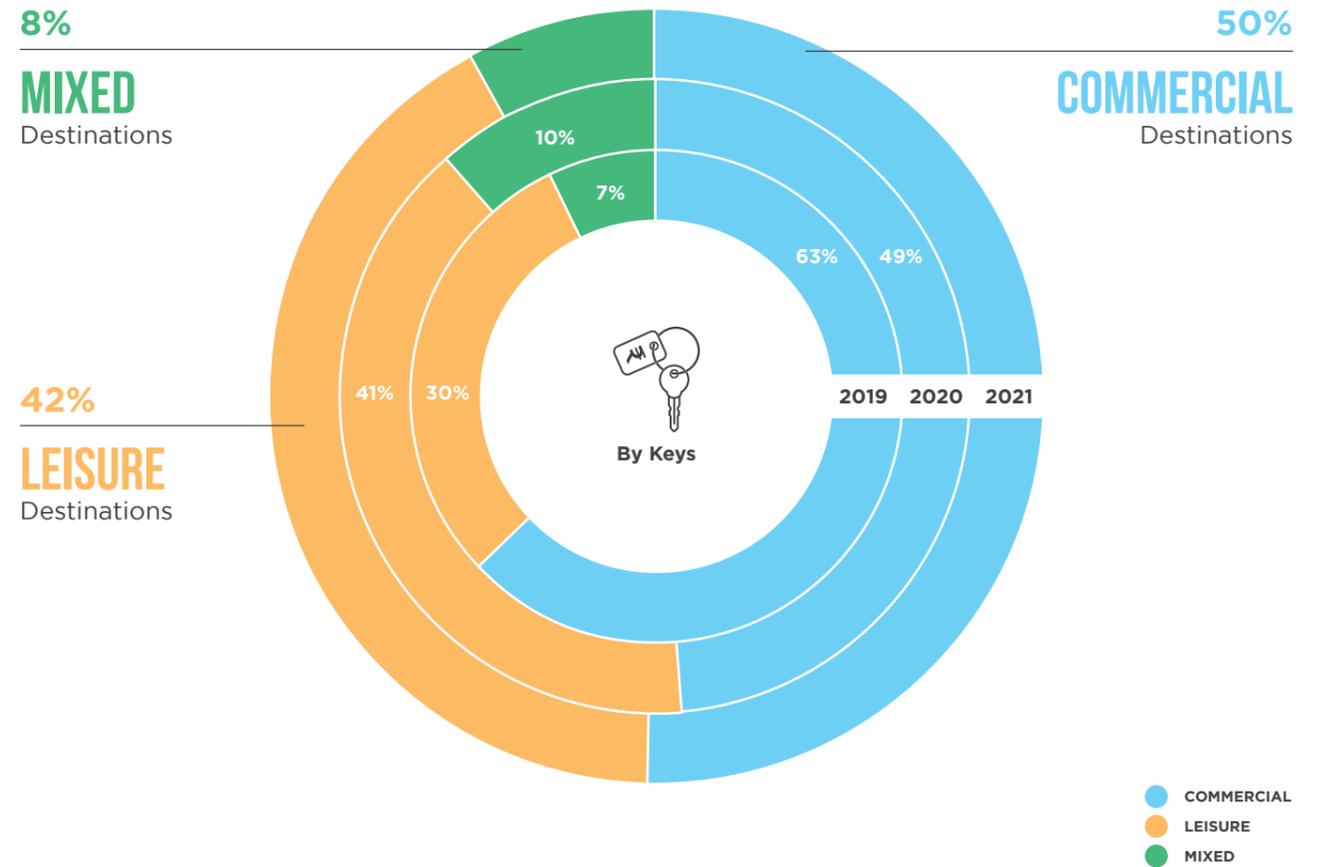
THE MIDSCALE SEGMENT REMAINS THE MARKET LEADER IN 2021.

		Economy 	Midscale 	Upscale 	Luxury 
 By Keys	2021	11%	44%	32%	13%
	2020	11%	41%	37%	11%
	2019	16%	38%	35%	11%
 By Properties	2021	11%	55%	25%	8%
	2020	13%	49%	31%	7%
	2019	20%	51%	23%	6%

By Market Segment

Commercial destinations continued to see the maximum signings by keys (50% of total signings). However, due to the lessons learned during the pandemic, hotel companies looked at increasing their distribution in leisure markets, resulting in significant growth in leisure sector development. **As a result, nearly 42% of the total hotel signings by keys in 2021 were in leisure destinations in the country.**

Leisure destinations led the way in terms of signings by properties, accounting for 49% of the signings, followed by commercial (44% of signings) and mixed destinations (7% of signings).

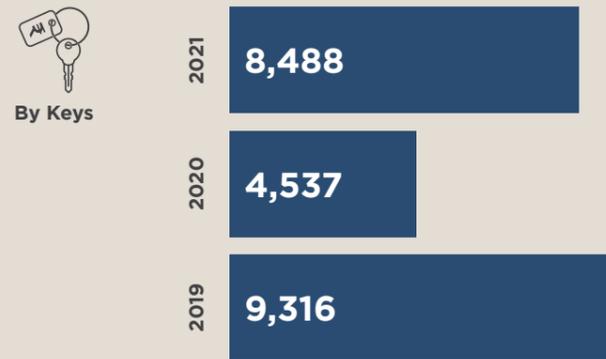


*All data shown is an approximation and for calendar year

Source: HVS Research

2021 BRAND OPENINGS

Brand Openings (2019-2021)*

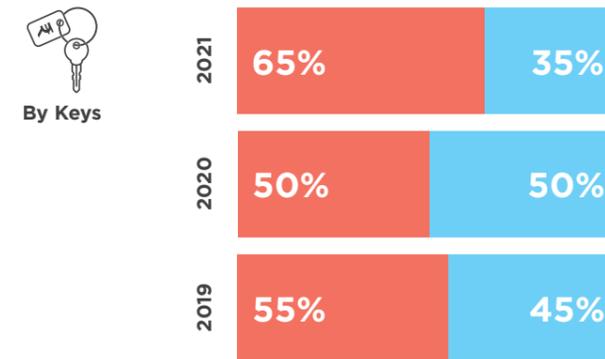


In 2021, domestic leisure and business travel demand strengthened dramatically, encouraging hotel operators to proceed with their planned openings; **8,488 branded keys opened their doors to guests, up 95% from the previous year and only 9% lower than 2019 levels.** However, due to the erratic nature of travel demand because of the evolving COVID situation, some hotel operators have chosen a partial opening of their properties. By opening 76% of the properties during the year, domestic brands maintained their lead over their international counterparts.

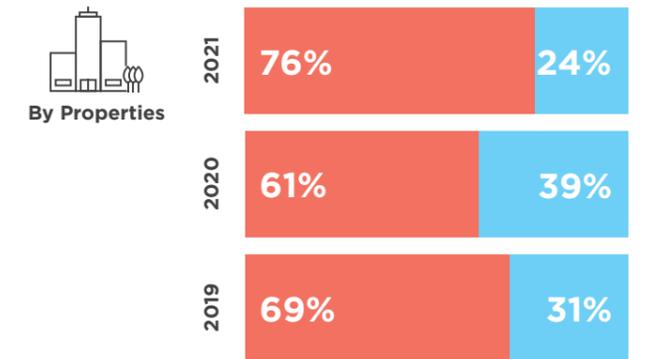
Top 5 Operators



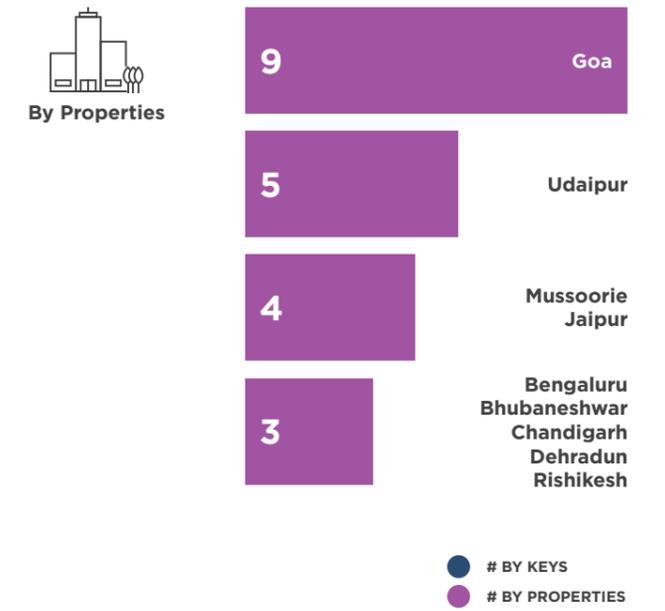
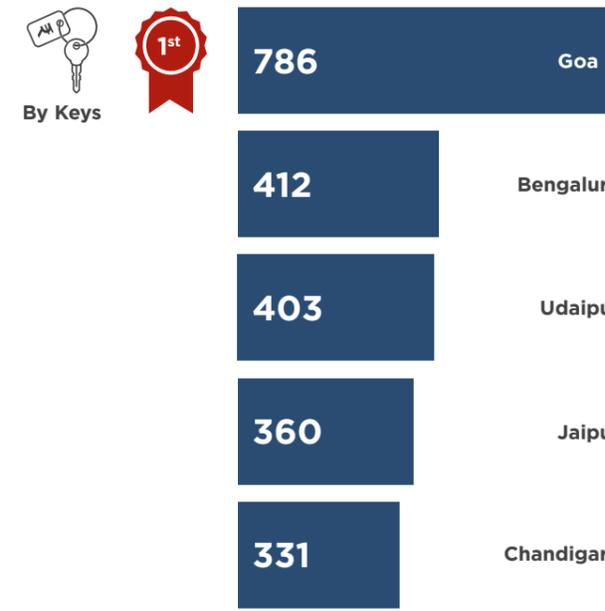
International vs Domestic Brands



International vs Domestic Brands (Properties)



Top Destinations



GOA WITNESSED THE MAXIMUM BRAND OPENINGS IN 2021, IN TERMS OF BOTH BY KEYS AS WELL AS PROPERTIES.



* Openings include full and partial openings Based on information reported by 22 participating hotel operators for CY2021

2021 HOTEL INVESTMENTS

Hotel investments in India have not picked up significantly post-COVID, unlike in mature hotel markets where transaction activity has been regaining ground. The sector has not yet witnessed a flurry of distress transactions as was expected as a likely outcome of the pandemic. Although there are signs that investors are assessing hotel assets, buyer interest in India continues to be limited as yields remain stressed and borrowing for the sector has become even more challenging than before.

Asset valuations have been challenging in a near zero cash flow environment and the spread between the ask and the offer prices has been widening. The buyers discounting on valuation on account of the COVID impact to the sector is not finding acceptance with the sellers.

However, some **small ticket acquisitions were reported during the year.**



EaseMyTrip acquired Spree Hospitality for ₹18.25 Cr



Sayaji Hotels acquired a majority stake in Intellistay Hotels



Express Group of Hotels acquired Neesa Leisure India Hotel Portfolio

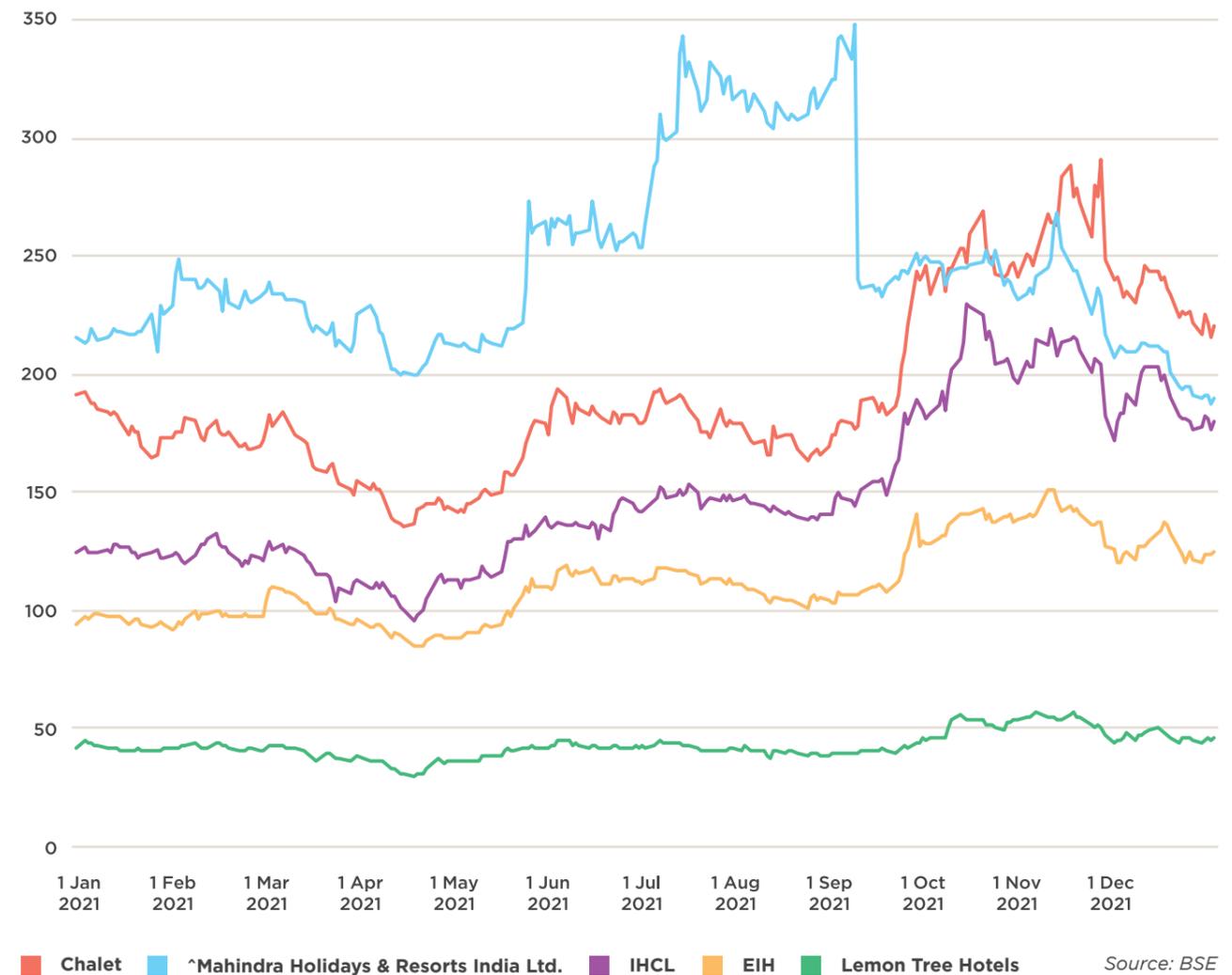


PERFORMANCE OF KEY HOTEL STOCKS

Hotel stocks were once again in focus in 2021, thanks to the relaxation of COVID-restrictions, gradual reopening of the economy, the increasing vaccination rate, and the robust rebound in demand, especially post the second wave.

During the year, most hotel stock prices increased by 10-45%, with some even surpassing their pre-COVID highs.

Daily Closing Share Prices (1st Jan 2021 - 31st Dec 2021)



Source: BSE

*All data shown is an approximation and for calendar year

03 OUTLOOK 2022



OUTLOOK 2022

The year 2022 has started on a challenging note, with subdued demand in the first few weeks of the year because of rising Omicron cases in the country, and the accompanying travel constraints across states. However, this has been a temporary stumbling block, as domestic travel demand is making a strong comeback since the cases subsided, and travel limitations were lifted.

Union Budget 2022

The Union Budget 2022 considered some of the recommendations made by industry stakeholders to the government at various forums, among which the **extension of Emergency Credit Line Guarantee Scheme (ECLGS)** till March 2023, and the expansion of the guarantee cover by INR 50,000 crore to INR 5 lakh crore, with the additional corpus exclusively earmarked for the hospitality and related segments, will bring some much needed but short-term respite to hospitality players.

Moreover, the government's greater focus on large-scale infrastructure development, including roads, railways, airports, ports, and waterways, will aid long-term growth in the tourism and hospitality sectors. For instance, the introduction of 400 new Vande Bharat trains over the next three years, as well as the development of 25,000 km of new highways this fiscal year, will improve last-mile connectivity to several tourist destinations in the country.

Furthermore, infrastructure development in northeast India is a focus under the new Prime Minister's Development Initiative for Northeast plan, which aims to encourage the region's growth. Meanwhile, the proposed development of eight new ropeways under Parvatmala scheme as an eco-friendly alternative to regular roads, will increase connectivity in hilly areas, which are seeing high demand from tourists.



HOTEL TRANSACTION VOLUMES ARE EXPECTED TO PICK UP PACE IN 2022

As lenders seek recourse under the National Company Law Tribunal (NCLT) due to an increase in non-performing assets (NPAs), we expect to see greater deal activity in 2022 and onward. Due to the rapid recovery in domestic leisure demand, interest in acquiring assets in leisure markets will surge, especially as supply remains restricted in this segment.

Investors are likely to prefer operational assets or portfolio of assets to expand their footprint rather than greenfield or brownfield projects. Also, value deals where the lender and owner have both taken haircuts are the most likely to find buyers.

Brand Signings (2022E)

17,500 KEYS
220 HOTELS

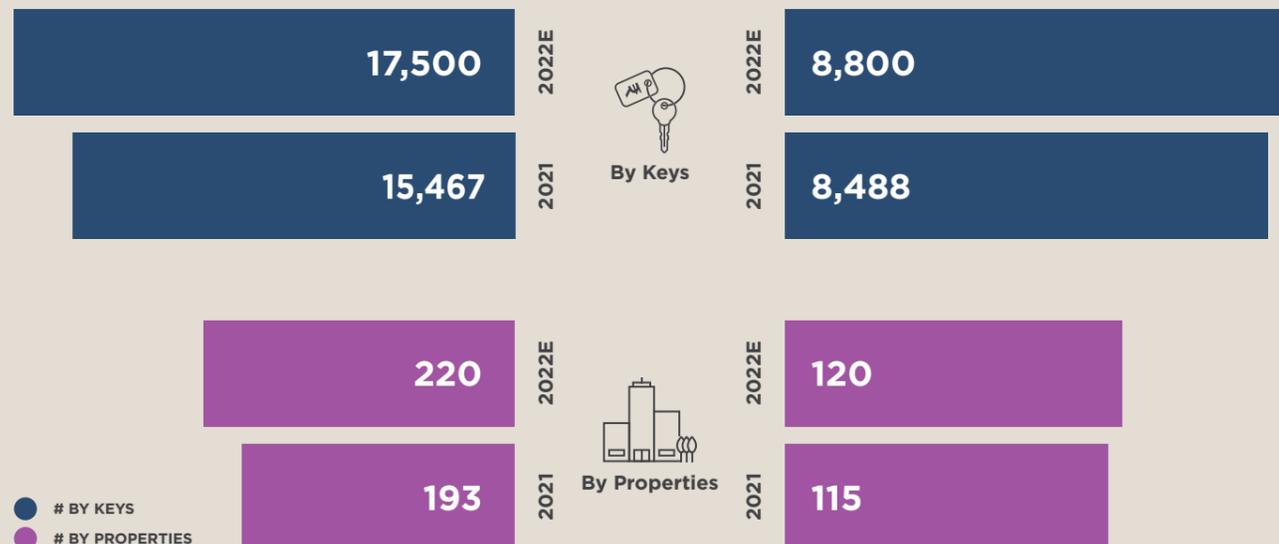
↑ ~14%



Scheduled Openings (2022E)

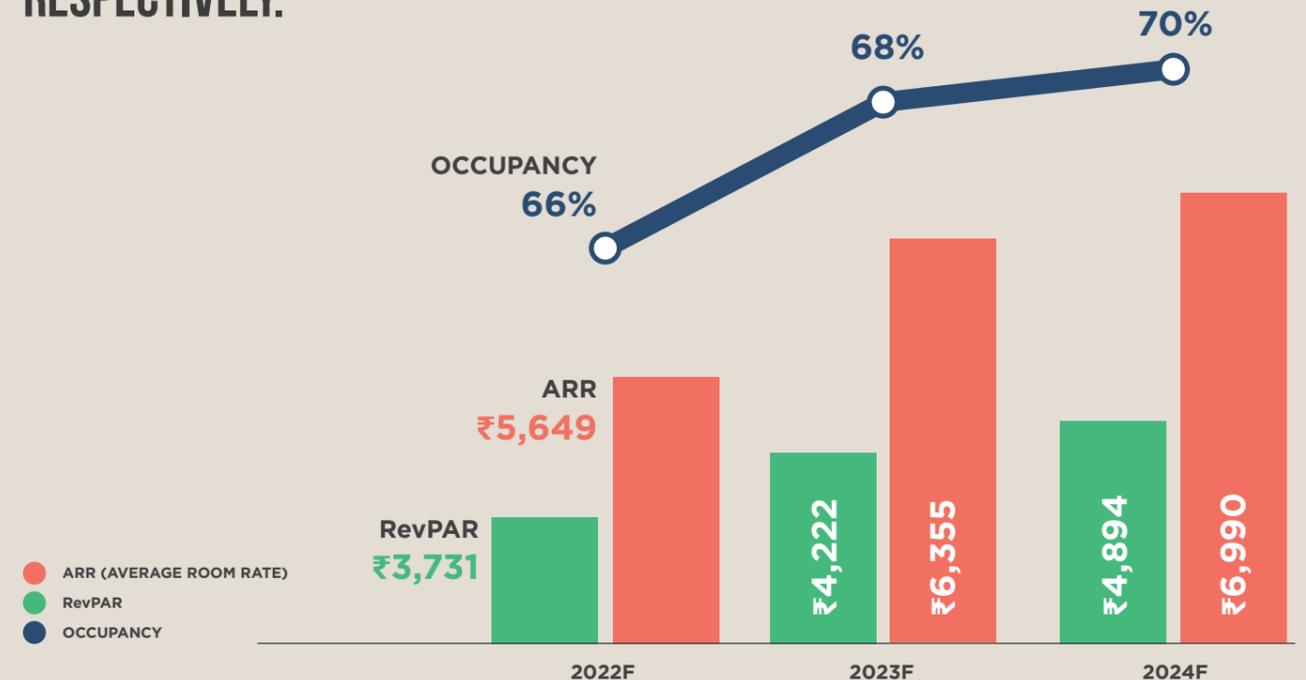
8,800 KEYS
120 HOTELS

~4% ↑



Source: HVS Research

WE EXPECT OCCUPANCY & AVERAGE ROOM RATES TO RETURN TO PRE-PANDEMIC LEVELS BY THE END OF CY22 & BY MID-CY23, RESPECTIVELY.



THE WAY FORWARD

As the sector continues to rebound in 2022 and beyond, here are a few trends we anticipate hotel operators will give greater attention to, in the year ahead.

THE ANCILLARY REVENUE REVOLUTION IS HERE TO STAY

The hotel sector's focus on ancillary revenue will gain momentum, with more radical revenue generating avenues gradually finding favour. There are numerous ways to use existing infrastructure to create new revenue generating opportunities, ranging from monetizing parking spaces, deploying electric vehicle (EV) charging stations, creating dedicated areas for co-working, leasing kitchens for cloud kitchen requirements during non-peak hours to even developing hotel's signature merchandise and souvenirs.

Diversified revenue streams will enhance customer engagement and brand loyalty, boost real estate revenue per square foot and safeguard the property's revenue generating capabilities from unexpected events in the future.



PARTNERING WITH BRANDED RESTAURANTS

Outsourcing of restaurants to third party lessees or operators will become a preferred option, especially for midscale and upscale hotels.

Restaurant operators can benefit from the hotel's captive clientele, location benefits and brand image, while hotels get an opportunity to elevate customer experience by becoming a 'destination' for hotel guests & locals, resulting in higher F&B revenues and profitability.



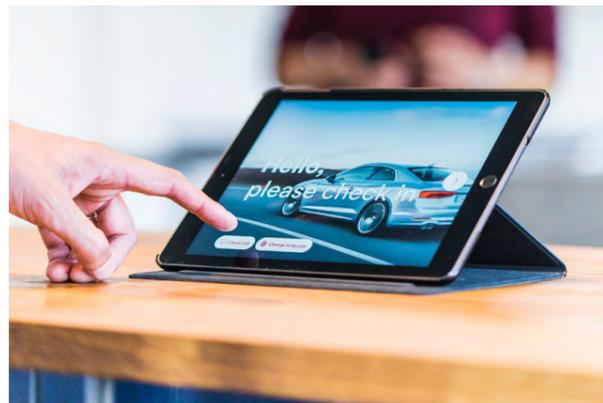
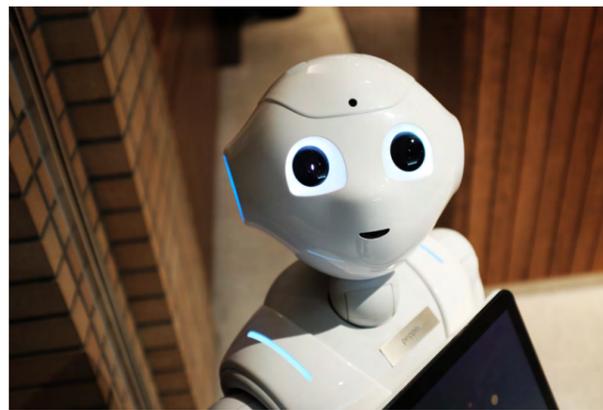


RAFFLES
UDAIPUR

ATTRACTING & RETAINING THE RIGHT TALENT WILL BECOME A PRIORITY

The hospitality sector has long struggled with a shortage of trained workforce and high attrition rate, with the situation getting worse post the pandemic. Skilled and trained manpower will be a growing challenge both in terms of availability and cost.

To attract and retain talent and improve ROIs, hotel management teams will be forced to redefine SOPs, cross-train and multi-skill employees, improve remuneration standards, enhance staff facilities, adapt flexible engagement norms, and work toward delivering more with less and increase the usage of technology.



HOTEL DESIGNS WILL UNDERGO CHANGES

Hotel designs, especially in midscale & lower segments, will align towards a more modular structure that can be efficiently partitioned into smaller operating units in the event of any disruption from pandemics or similar events in the future, resulting in lower operating costs during the disruptive period.

However, we expect hotel designs in luxury segment to become more bespoke and boutique, especially in leisure destinations.

Moreover, future hotel designs will also be influenced by the advancement of smart tech and other technological aspects.

DEBT RATIONALISATION WILL BE A KEY FOCUS AREA

Hotel owners and operating companies will revisit their debt liabilities and strive to rationalise and reduce the same, having learned the hard way during the pandemic, when companies with the largest debt servicing liabilities were impacted the most and struggled for survival.



FOUR A LORDS
JAMMU



ZONE BY THE PARK
COIMBATORE



CLARKS INN
HAMPI



CYGNETT INN PARAS
DEHRADUN



PRIDE ASHIANA RESORT
MUSSOORIE



PORT MUZIRIS
A TRIBUTE PORTFOLIO™ HOTEL
KOCHI

SOFT BRANDS WILL BECOME A NORM

Soft brands that can comfortably accommodate conversion of unique, experiential independent hotels that do not comply to traditional hard brand standards will thrive, as the opportunity to grow through conversion gathers momentum.

An increasing number of standalone hotels are keen to join larger chains to not only recover from the disruption caused by COVID, but also to leverage their global distribution channels, marketing platforms, and high-tech booking systems. Moreover, regional boutique brands will also gain prominence and expand their presence.

ALTERNATIVE ACCOMMODATION WILL DISRUPT THE HOSPITALITY INDUSTRY

Alternative accommodation products such as homestay or villa rentals will grow exponentially, as these have piqued the interest of travelers who are opting for smaller, more intimate places for their getaways.

Travelers benefit from greater privacy, flexibility, and convenience, especially when traveling in small groups or with families and pets.



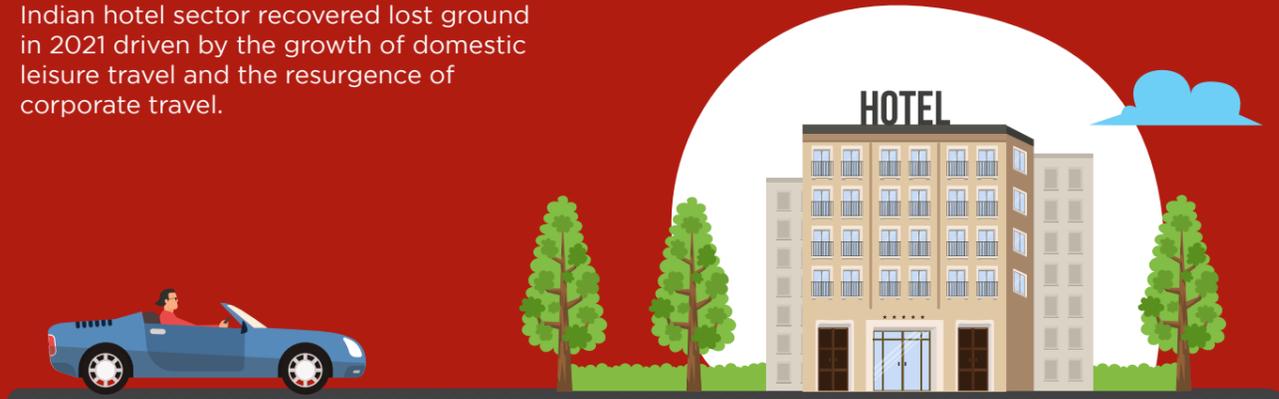
AMA STAYS & TRAILS
COORG



LOHONO STAYS
ALIBAUG

KEY HIGHLIGHTS 2021

Indian hotel sector recovered lost ground in 2021 driven by the growth of domestic leisure travel and the resurgence of corporate travel.



OCCUPANCY

42-45%
↑ 10-13pp Y-o-Y



ARR

₹4,300 - ₹4,600
↓ 7-10% Y-o-Y



REVPAR

₹1,800 - ₹2,100
↑ 24-27% Y-o-Y



BRAND SIGNINGS

15,467 keys
↑ 24% Y-o-Y



THE MIDSCALE SEGMENT

remained the market leader in total signings in 2021



KARNATAKA & GUJARAT

led the scorecard in terms of 2021 brand signings by keys and by properties, respectively.



TIER 3 & 4 CITIES

accounted for
51% of total signings
by properties



LEISURE DESTINATIONS

led the way in terms of signings by properties, however the properties signed were smaller in size



8,488 keys

opened their doors to guests in 2021,
↑ 95% Y-o-Y
↓ 9% from 2019 levels



Due to the erratic nature of travel demand & the evolving COVID situation, some hotel operators have chosen a

PARTIAL OPENING

of their properties



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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