MARKET REPORT

HVS Monday Musings: Indian Hotel Sector – 2021 Performance Review

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This article briefly discusses the Indian hotel sector's performance in 2021.

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 program, 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 picking up as most businesses and organizations returned to a full or hybrid work-from-office model. Additionally, weddings and social events, as well as the resurgence of small-to-medium-sized domestic MICE events, helped to stimulate hotel demand in 2021.

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. As a result, the sector ended the year with an India-wide occupancy of 42-46%, up 8-12 percentage points over the previous year.



Driven by the strong recovery in demand, average rates began to improve after the second wave, progressively

approaching pre-COVID levels. While average rates for the year were in the range of INR4,300-4,600, rates in the fourth quarter of the year were in the region of INR5,300-5,500, almost reaching 90% of pre-COVID levels, giving the sector renewed confidence in the bounce back. Meanwhile, RevPAR increased by 24-27% to reach INR 1,800-2,100 in 2021. Goa recorded the highest RevPAR in the country in 2021, while Chandigarh had the maximum RevPAR growth.

The year 2022 has started on a challenging note, as demand has been subdued because of the rising Omicron cases in India, and the accompanying travel constraints across states. However, this is merely a temporary stumbling block, and we expect a strong comeback in domestic travel as soon as the cases subside, and travel limitations are lifted.