

HVS Monday Musings: Indian Hotel Sector – Regaining Ground Faster Than Expected

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With the surge in travel demand, the Indian hotel sector has been regaining ground faster than expected, with occupancy climbing significantly in recent months, strengthening the sector's hope for a stronger rebound. Domestic leisure travel growth, significant pent-up demand, and the resumption of business travel in the country are all contributing to the strong revival. Weddings and social events are also driving demand in certain markets. This positive travel sentiment, spurred by lesser restrictions across states, fewer COVID cases, and a higher vaccination rate in the country, is likely to continue into the last two months of the year, which have historically been the best months for the sector due to the onset of the holiday season. Moreover, after a nearly two-year hiatus, small-to-medium-sized domestic MICE events are making a comeback, fueling demand for hotels.

We expect the robust demand to tip the sector's fortunes, bringing the sector's October-December 2021 quarter performance closer to pre-pandemic levels, with a few markets, such as Goa and Chandigarh, even exceeding their pre-pandemic performance for the quarter. Nationwide occupancy is expected to be in the range of 62-64% in the Oct-Dec 2021 quarter compared to 38% and 69% during the same period in 2020 and 2019, respectively.



Average rates have also been improving and are expected to be in the range of INR5,400-5,600 in Oct-Dec 2021 compared to INR4,253 and INR6,540 during the comparative period in 2020 and 2019, respectively. As a result, RevPAR will double from INR1,615 in Oct-Dec 2020 to INR3,400-3,600 in Oct-Dec 2021, but will still be lower than the INR4,500 levels seen in 2019.

While the industry's strong comeback is encouraging, it has brought with it a new set of challenges. Several hotels have been operating with fewer employees, as a result of reducing their staffing ratio during the peak of the epidemic to reduce costs and weather the storm. Though the staffing ratio has improved marginally with rising occupancy, it is still lower than pre-pandemic levels in most cases. This could impact the quality of services at hotels going forward, and while guests were more tolerant earlier when average rates were dismally low, they

Summary

The Indian hotel sector has been regaining ground faster than expected, with performance in the Oct-Dec 2021 quarter expected to be closer to pre-pandemic levels. Read on to know more.

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will be less forgiving now that rates are approaching pre-pandemic levels. Hoteliers should, therefore, focus on redefining SOPs as per the lower staffing ratio, as well as employee reskilling and training to ensure service standards are not compromised, given that the business is undoubtedly returning at a faster pace than previously predicted.

About **Mandeep S Lamba**



Mandeep S. Lamba, President – South Asia, oversees the HVS global hospitality practice for South Asia. He has spent over 30 years in the hospitality industry of which the last 19 have been in CEO positions. Having worked with leading International and domestic Hotel Companies such as IHG, Radisson & ITC Hotels, he also set up joint venture companies with Dawnay Day Group UK and Onyx Hospitality, Thailand to own and operate hotels in India giving him a broader exposure to the hospitality business.

An established industry leader, Mandeep has won several awards and recognitions in India and abroad for his accomplishments and contribution to the hospitality industry. He is a Certified Hospitality Administrator from the American Hotels Association (CHA), a member of the Royal Institute of Chartered Surveyors, UK (MRICS) and a member of the Tourism Council of CII (Northern India). His views are often solicited for television and print media as a spokesperson for the hospitality & tourism sector.

Prior to joining HVS in 2018, Mandeep was the Managing Director, Hotels & Hospitality Group for JLL.

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