

HVS Monday Musings: Leisure Markets – Hotel Sector's Relentless Growth Engine

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Leisure travel has always been an important segment of the global travel industry, but its stature has grown in the last couple of years as it became the main engine behind the industry's recovery post-pandemic. Despite the fact that 'revenge travel' is gradually subsiding and that more people around the world are returning to work-from-office or hybrid work models, the segment's growth momentum is continuing relentlessly thanks to evolving traveler preferences and an increasing affinity for unique experiential travel. As a result, a

latest industry report estimates that the global leisure travel market is expected to grow at a CAGR of 8.75% from US\$804.4 bn in 2022 to US\$1,330.5 bn by 2028.

India is also witnessing similar trends. Short trips, weekend getaways, road trips, staycations, and workcations are all becoming increasingly popular, but in a paradigm shift, more and more tourists are looking to explore lesser-known, uncharted regions of the nation, moving beyond the traditional tourist hotspots like Goa and Rajasthan. Leading examples of this trend are Jammu & Kashmir, which saw a record 18.8 million tourists in 2022, and the northeastern states, which saw 11.8 million tourists over the course of the year. According to a Booking.com survey, 71% of Indian travelers are eager to discover new cultures, languages, and lesser-known cities, so this trend of visiting off-beat locations is anticipated to grow even more.

Government initiatives are helping put uncharted destinations on travelers' maps.

There are a number of factors putting these places on travelers' maps, but the most crucial is the developing infrastructure and last-mile connectivity to these places as a result of the significant investments being made by the government to improve road, rail, and air connectivity. The government has allocated INR100 trillion (US\$1.4 trillion) for FY20-25 under the National Infrastructure Pipeline (NIP). A massive upgrade has been given to the road and rail networks, and schemes like UDAN are making lesser-explored destinations more accessible to travelers. For instance, the 9.02 km-long Atal Tunnel, which opened in Oct 2020, has reduced the distance between Manali and Leh by 46 km, saving four hours of driving time and providing all-weather access to Lahaul and Spiti, while the new international airport at Kushinagar, the Buddhist tourism circuit's core, allows tourists to complete their pilgrimage in a fraction of the time taken earlier.

Through the "Dekho Apna Desh" campaign and the creation of theme-based tourist circuits throughout the nation, the Ministry of Tourism has also been actively promoting domestic travel. As a result, other leisure destinations such as Haridwar, Rishikesh, Lonavala, Alibaug, Corbett, Statue of Unity, Manali, McLeod Ganj, Morbi, Siliguri, Solan, Dharamshala, Digba, Mahabaleshwar, Puri, Tirupati, Vrindavan, amongst others are witnessing much larger footfalls than pre-pandemic times.



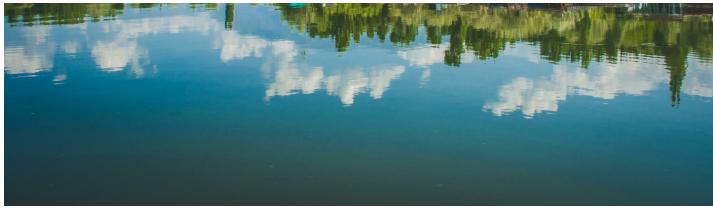
Summary

Leisure travel is growing relentlessly, with a paradigm shift that more and more tourists are looking to explore lesser-known, uncharted regions. Read on to know more.

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However, the domestic leisure segment in India is still underdeveloped, and several new tourist destinations lack adequate infrastructure, including good quality branded accommodation. India had a little over 28,000 branded rooms in the leisure segment as of 31st December 2022, which is negligible in comparison to the cities of Bali and Phuket, which have 80,000 and 44,000 branded rooms, respectively. Only 18% of the total branded supply in the country is at leisure destinations. Moreover, 72% of these branded rooms are concentrated in leisure destinations in six states. Players in the alternative accommodation market were actually quick to spot this need and seize the opportunity by expanding their presence in lesser-known tourist destinations across the country, which has been a key factor in the segment's explosive growth since the pandemic.

Hotel companies are redoubling their efforts to increase their presence in leisure markets.

Hotel companies are redoubling their efforts to increase their presence at leisure destinations in response to the relentless growth of leisure travel and the enormous unrealized potential. In comparison to business travel, leisure travel recovered more quickly after the pandemic. Moreover, hotels in leisure destinations are likely to have higher average rates than business hotels, making the investment more alluring. With ARRs between Rs. 13,000 and Rs. 15,000, Udaipur clocked the highest average rates in India in the year 2022, surpassing the traditionally popular destinations of Mumbai and Goa. In cities like Rishikesh, the Luxury and Upper-Upscale segments experienced an increase in ARRs of over 70% from the pre-pandemic period. As a result, compared to 35% in 2019, leisure destinations accounted for 47% of all hotel signings by properties in 2022. Increasing branded hotel supply in leisure destinations will also 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.

The government is looking to promote the tourism industry on a mission mode with active participation from all stakeholders, including public-private partnerships because it recognizes the sector's significance as a source of employment. By providing hoteliers with well-located, fully zoned land and special financing options, the government should also make it easier for hotels to be developed in these locations. Initiatives to promote the expansion of alternate lodging options, like homestays and cottage/villa rentals, which are becoming increasingly popular in the post-COVID era, can also aid in boosting travel to off-beat locations. On the other hand, hotel companies and owners should invest in the community and the destination's overall economic development. These collaborative public and private initiatives will also help India to gain a larger share of global inbound tourists going forward.

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 Dawmay 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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Dipti Mohan, Vice President - Research with HVS South Asia, is a seasoned knowledge professional with extensive experience in research-based content creation. She has authored several 'point of view' documents such as thought leadership reports, expert opinion articles, white papers, and research reports across industries including hospitality, real estate, infrastructure, cement, and construction. Contact Dipti at [\[email protected\]](#).

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Dhwani Gupta, Associate - Research with HVS South Asia, studied literature for her undergraduate and believes that you can do anything with the right amount of research. After graduating, she pursued a course in Management and Liberal Arts which gave her a wider perspective of the world. As a result, the more difficult a topic is, the more fun she has writing it. Contact Dhwani at [\[email protected\]](#)