MARKET REPORT

HVS Monday Musings: Mumbai's Hotel Market Revival

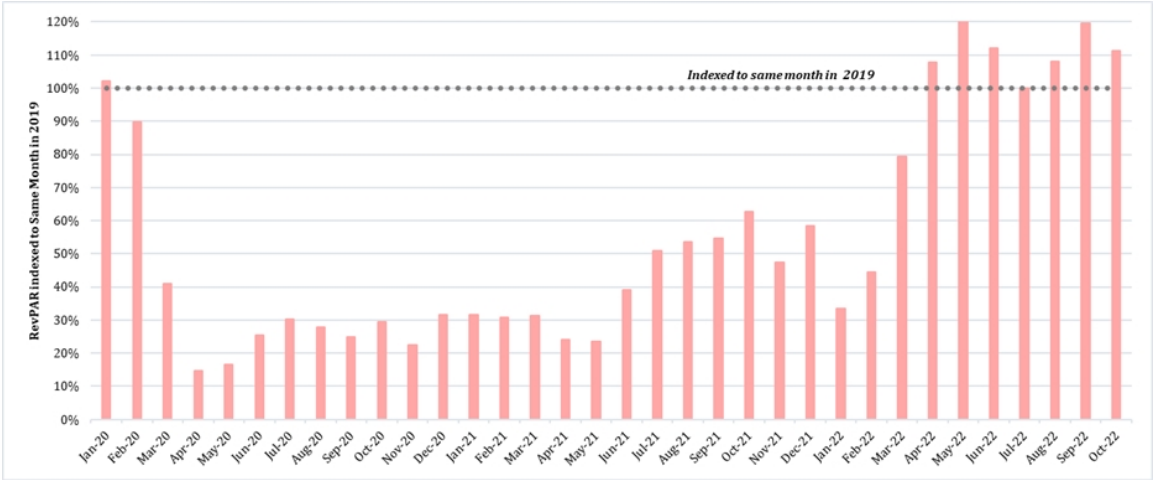
DECEMBER 11, 2022

Recovery in Mumbai's hotel industry is finally underway. Read on to know more.

The hotel industry in Mumbai, India's financial hub, is, at last, experiencing a sustained recovery, fuelled primarily by a resurgence in corporate travel and large-ticket conferences and events. For instance, the city's occupancy surpassed 80% for the first time since the pandemic thanks to the IPL and some conferences that were held in the city in April and May 2022, and the city hasn't looked back since.

Mumbai had the highest year-to-date (YTD) October 2022 occupancy of 71-73%, 18-20 percentage points (pp) higher than the same period in 2021 and just 4-5 pp behind the occupancy in 2019. Meanwhile, the YTD October 2022 average rates were only 3-5% lower than pre-pandemic levels and were 74–77% higher than the same period in 2021. Strong increases in occupancy and average rates have enabled RevPAR to surpass INR5,500, representing growth of almost 140% when compared to 2021.

Mumbai Hotel Industry: Month-on-month RevPAR Recovery Through the Pandemic

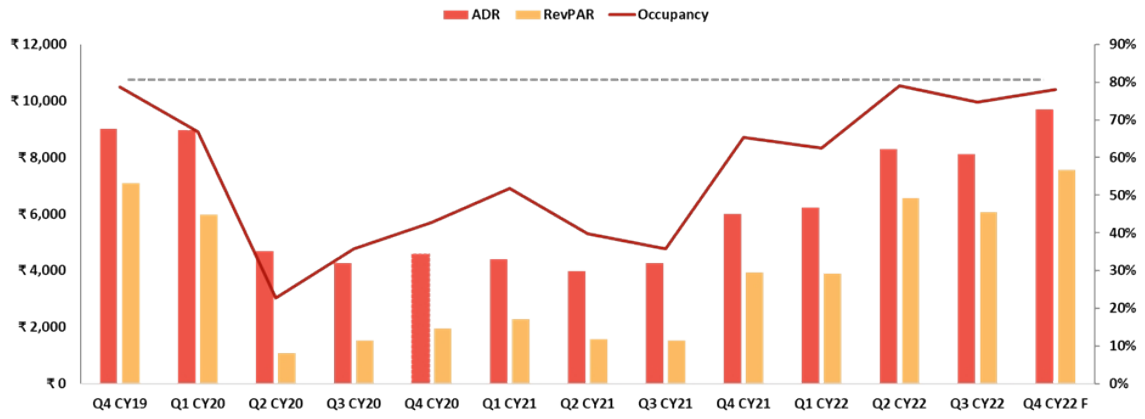


Source: HVS Research

According to the most recent industry data, room demand in the city has increased by more than 37% annually between January and October 2022, whereas room supply increased by less than 1%. This trend is anticipated to continue in the near future, since Mumbai is a major corporate hub, and the home to important financial institutions like the Reserve Bank of India, the National Stock Exchange of India, the Bombay Stock Exchange, leading public & private sector banks, global private equity firms, as well as the renowned entertainment industry, and as such attracts numerous business and leisure travelers all year long. Additionally, the city's hotel industry is also expected to benefit from the gradual resumption of inbound tourism in the country, the Maharashtra government's strong focus on boosting state-wide tourism, and the city's hotel supply growing at a slower rate of 1-3%. Only a little more than 4,000 keys are expected to be added to the city's existing supply of approximately 25,000 keys over the next six to seven years. Luxury and upscale hotels account for nearly 60% of the total quality inventory in the city, creating a substantial development opportunity in the midscale and economy segments. Additionally, the Mumbai hospitality market also lacks differentiated hospitality assets such as boutique and extended-stay hotels, which are essential contributors to demand segmentation in mature international markets.

With a positive demand outlook, limited supply additions, and the anticipated boost from the convention and infrastructure initiatives planned for the city, the future of the Mumbai hospitality market is very promising. We expect the Mumbai hotel industry to end 2022 with occupancy of 73-75% and average rates in the range of INR 8,000-8,200.

Mumbai Hotel Industry: Quarterly Performance



Source: HVS Research; F = Forecast