MARKET REPORT

HVS Monday Musings: Vacation Home Rentals – the Next Big Story in the Making in India

MAY 9, 2021

This article discusses some of the factors that have driven the growth of the vacation home rentals segment in India.

Traveler preferences have evolved drastically since the onset of the pandemic. Social distancing, hygiene, cleanliness, safety, and privacy are the main priorities for travelers post the pandemic. An increasing number of people now consider smaller, independent, and private spaces to be 'safe havens' for travel. These evolving preferences have been driving the growth of vacation home rentals in India during the last year.

Vacation homes have become one of the preferred alternatives to hotels and resorts for several domestic travelers as they provide additional privacy and a private bio-bubble compared to a hotel. Although no formal data is available for this hospitality segment, our estimates indicate that the occupancy for the vacation rental business has grown by 40% to 50% from the pre-pandemic average.

The flexibility of the work-from-anywhere and e-schooling environment has further fueled the demand for vacation home rentals in the country. Travelers have been on the lookout for self-sufficient properties with high-speed internet connectivity at secluded, picturesque, and serene leisure destinations away from the realities of the COVID-related restrictions that have become a part of our lives. In this scenario, vacation rentals have become the 'home away from home' as guests get the best of both worlds – privacy, security, and convenience of a home along with the luxuries and comfort of a hotel.

The flexibility and personalization provided by vacation homes are the additional perks that are attracting travelers, especially those traveling in small groups or with families and pets. Vacation homes provide them the ability to rent a complete villa or cottage at their chosen destination for a few days, weeks, or even months, and create their own safety bubble, without having to share the space with other people. Moreover, with international travel being on hold for more than a year now, many outbound Indian tourists are spending their holidays at exclusive luxury vacation homes, with highly personalized services, within the country.

The concept of second homes is also growing in India because of the lower interest rates, stamp duty, and property prices prevailing in the market. People are now evaluating investments in second homes at motorable destinations where they can go for a short break. Some of these second homes are being rented out as vacation homes when not being used by the owners.

Vacation rental, which is still a niche segment in India, is currently dominated by aggregators. However, new players are likely to enter this space as the demand for vacation rentals is expected to see a quantum jump in the near term, which coupled with the low supply will result in significant price premiums for the owners and operators. Leading international hotel companies have already diversified into this space globally and it is only a matter of time before they do so in India as well.