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MARKET REPORT

Indian Hotel Sector: 2025 in Review

JANUARY 7, 2026

2025 was a year of steady progress for India's hotel sector, marked by strong domestic demand and the ability to absorb disruption without losing momentum. Here's a closer look at what shaped the year.

Every journey has its detours, and 2025 had more than a few. The year began with confident strides for India's hotel sector, riding the momentum of a country that was increasingly visible, self-assured, and influential on the global stage. The outlook at the start of the year was not just optimistic; it was electric. Coldplay's sold-out concerts in Mumbai and Ahmedabad drew fans from across India and overseas, signaling India's growing stature on the global live-events circuit. Soon after, the Maha Kumbh Mela in Prayagraj, which welcomed an estimated 66 crore visitors over just 45 days, once again showcased the unmatched scale of India's religious tourism and the country's ability to host, move, and manage some of the largest human gatherings in the world.

These moments were symbolic of a larger shift underway. In a year marked by global uncertainty, India continued to stand out as one of the few large economies with sustained momentum, supported by infrastructure investment, manufacturing growth, and expanding consumption. Even as tariff tensions involving the US and other major economies added volatility to global trade through the year, India moved decisively to de-risk its exposure by diversifying export markets, strengthening regional trade partnerships, and accelerating domestic manufacturing initiatives under programs such as PLI and Make in India. This resilience provided a steady foundation for business travel demand through much of the year.

A market anchored by domestic travel

Domestic tourism remained the strongest and most consistent pillar of India's hotel sector in 2025. Travel was driven less by novelty and more by habit. Short breaks, drive-to leisure, pilgrimages, weddings, and social celebrations continued to anchor demand across regions and seasons. Tier-II and Tier-III cities further consolidated their place on the national travel map, supported by decentralization of economic activity and improving regional connectivity. These markets are no longer peripheral to India's travel story; they are increasingly central to it. Metros, meanwhile, benefitted from steady corporate movement and a regular cadence of meetings, events, and exhibitions.

Against this backdrop, inbound tourism emerged as one of the softer spots in the year. Foreign Tourist Arrivals (FTAs), which had been on a gradual recovery path, were impacted by a combination of factors, including geopolitical tensions, sporadic travel advisories, infrastructure strain during peak periods, and weather-related disruptions.

Source: Unsplash

Strategic shifts within the industry

2025 also marked a noticeable shift in how hotel companies pursued growth. Acquisitions, strategic partnerships, and portfolio tie-ups emerged as a defining trend, as operators sought to build scale, expand geographic reach, and accelerate entry into new markets. Rather than relying solely on organic expansion, hotel companies increasingly turned to consolidation and collaboration to strengthen competitiveness and improve operating leverage in a more complex environment. The sector also saw a record level of signings, with over 47,000 keys signed as of YTD November 2025, reflecting a 31% increase over the same period in the previous year.

Meanwhile, policy developments during the year drew mixed reactions. The GST reform reducing the tax rate on hotel rooms priced up to ₹7,500 from 12% with input tax credit (ITC) to 5% without ITC was intended to stimulate demand in the midscale and economy segments. While well-intentioned, the withdrawal of ITC diluted the benefit for operators, as the inability to offset input taxes compressed margins, limiting the reform's overall effectiveness.

A year that tested resilience

The journey through 2025, however, was not without disruption. Mid-year geopolitical tensions between India and Pakistan briefly affected air connectivity and international travel sentiment. An erratic monsoon further reshaped travel patterns, compressing demand into shorter windows and redirecting travelers toward alternate destinations.

The most defining disruption arrived at the year's close. December, traditionally the industry's strongest period, was unsettled by the operational crisis at IndiGo, India's largest airline. Widespread flight cancellations disrupted holiday travel, corporate travel, and destination weddings at scale. While hotels near airports experienced short-term spikes from stranded passengers, the broader sector faced cancellations and deferments during a critical window.

Looking ahead: India on a different leg of the journey

As the global travel industry looks toward 2026, many mature markets are entering a phase of recalibration, where

growth must be earned through differentiation, relevance, and efficiency. India, however, remains on a different leg of the journey, one defined by widening domestic mobility, expanding infrastructure, and demand that continues to broaden across geographies and travel purposes. A gradually weakening rupee is likely to improve India's price competitiveness for inbound travel in the near term, while making outbound tourism more price-sensitive and nudging a larger share of travel demand back toward domestic destinations.

The journey through 2025 had its detours, but it also brought clarity. The year reinforced the centrality of domestic travel, highlighted the growing role of scale and partnerships, and exposed the vulnerabilities that come with deeper integration across the travel ecosystem. As the industry steps into 2026, the path ahead may still have its turns, but the direction is clearer than before. India's hotel sector moves forward with a sharper understanding of its strengths, risks, and the levers that will shape its next phase of growth.