



Horwath HTL

Hotel, Tourism and Leisure

MARKET REPORT

India Hotel Market Review 2020

FEBRUARY 2021

Foreword

This year-end report is a collaboration between STR and Horwath HTL India.



STR as the global leader in benchmarking, has provided the data facts from the 1,400 plus participating properties in India. Operators can receive bespoke performance reports through participation and interested industry stakeholders can access customised reports via STR.



Horwath HTL are leading global hospitality consultants and have performed work in about 110 markets in India. Supporting the market facts, Horwath HTL have contributed the market insights and analysed the market opportunities and challenges for owners, investors, developers and operators. We help clients make Smart Decisions for Lasting Value.

Introduction

A silent intruder infiltrated the world. This invisible enemy, stealthily creeping where it likes, has mocked our equipment and weapons, laughed at our real and artificial intelligence. Physical & digital security systems were of no use. Face masks were the only barrier and isolation the main remedy.

If the 'sounds of silence' were devastating for our brick and mortar tourism world which thrives on free movement, the silence of lack of support was deafening and hurtful. It is time the industry (Maharashtra thankfully granted this status) realises that we must walk alone. Our hearts are large and gracious, our service and endeavours par excellence; our guests will enable our success, even as we are cobbled and restrained by regulations, taxes and debt. The reality is that economic growth cannot be achieved without us.

Three comments made last year need to be remembered – (a) that 2019 ended with a foreboding sense of what 2020 might be, after Q1-20; (b) we must be like swans, spotting & separating plentiful opportunities from myriad uncertainties; (c) change is a constant; travel is almost another.

Little did we know that the sense of uncertainty would prove so very true, though for a then unanticipated reason. The break of travel's constancy in 2020 is artificially caused; not by a change of human nature. In fact, the resurgence of (wholly discretionary) leisure travel proves the fundamental constancy of travel. Some changes of pattern and purpose will occur; some old habits will return, some new trends will become habits – but people will forever keep travelling. Make no mistake, business and MICE travel will reappear, at worst in a gradual recovery. The virtue of 'virtual' will dilute.

2020 wasn't great. What can you expect with prolonged lockdowns and travel restrictions? 34.5% all India Occ is terrible. 27.8% sounds even worse; this is for March-December. But then, 37.9% Occ for Q4-20 brings hope.

As expected by us, the leisure sector recovered well, with several resorts making good the lockdown losses and even crossing previous year numbers. Goa remains a star performer, but Udaipur was the real jewel with Rs. 11.7k market wide ADR and nearly Rs. 16k Luxury-UpperUp ADR. People needed a physical and emotional release. Limited overseas options (Dubai & Maldives) drew domestic leisure to resorts, and for staycations. The pace of recovery in different markets varied with easing of restrictions and access (initially by road, and quickly via flights).

Goa, Rajasthan, Coorg, & Uttarakhand had deeper success; HP & Agra did well too. The concentration on few markets reiterates the need and opportunity to create new destinations which are attractive, relaxing & easily accessible. Sustainability must, of course, remain paramount.

Big city hotels, significantly dependent upon business travel and inbound demand, have struggled. Cities heavily invested in just one demand segment had a much bigger struggle. Bengaluru and Pune are two large markets which draw hotel demand mainly from the Tech sector; prolonged WFH caused pandemic period (March-Dec 20) RevPAR to slump to Rs. 729 and Rs. 711 respectively. Among major markets, Ahmedabad went even lower with RevPAR of Rs. 672 for the pandemic period. Thus, BLR and Ahmedabad RevPAR was less than the cost of about 8 litres of petrol.

The performance of some upcoming markets merits attention. Vizag's 43% full-year occupancy was the highest among all markets tracked. Chandigarh and Lucknow performed commendably, particularly in Q4-20.

The hotel sector has lost billions in revenue and EBITDA; amounts that would render it impossible to service the Rs. 45,000 crore term debt attributed to the industry. Debt service becomes a challenge particularly for a capital-intensive industry which has seen 25% of its inventory created in the last 5 years. The banking system will need to recognise this challenge and provide a meaningful lifeline for borrowers and, in turn for its loan portfolio to this sector; restrict the lifeline to supportable assets and owners, but don't cast multiple hotels into the spectre of bankruptcy because that will resolve nothing – the hotels will find few takers and lose value.

Chain affiliated inventory grew by 2.8k rooms in 2020, taking the aggregate count to 153k. Inventory growth includes conversions and is net of hotels de-flagged during the year.

Several hotels remained closed for extended periods during 2020, either due to government restrictions on operation, or for business or financial reasons. The average operating inventory between March and Dec was a little over 75% of capacity; average operating inventory for Q4-20 improved to about 85% - these are reported numbers; the effective operating inventory was possibly even lower, from time to time, and several rooms were occupied by staff.

The future pipeline has understandably thinned, and definitely stretched. If about 50k rooms were expected to come on board by 2024, this number will likely be 35-38k by 2026. A lot will depend upon banking sector attitudes, debt service resolutions, and speed of recovery. Sizeable supply addition in 2021, even 2022, should not be misread – these are projects which have no choice but to complete and open. The thinning out is for projects that are 18-48 months out.

F&B is the true heart of hospitality. It is a key element of recreation & celebration, of creating human satisfaction; it is a lifesaver for the deprived. Hotels worked to fulfil each of these needs. Several industry players showed their depth through food service to displaced migrants, health service personnel & hospitals. Innovations enabled the wider market to enjoy their favourite foods, yes with a two-way benefit - at least the market realised that hotels also need cash flows to maintain staff and services. Truly, the pleasure derived from food specialities had immense value – it broke the monotony of lockdown, gave a sense of much needed change and pleasure, a hope and a celebration tool.

As we start the 3rd decade of this century, we are pushed to re-examine and re-invest ourselves. In order to Revive and Prosper, we need SPARCS to take us forward – Service, Pragmatism, Agility, Resilience, Confidence, and Scale.

Service: is the hallmark of Indian hospitality, and remains crucial to re-attract inbound travel, and retain domestic demand. Our people are the key to Service – they need to be cared for, guided, trained, encouraged, and mentored. The world is competitive and uncertain; cultural and value systems are changing without tether, causing insecurity to well-meaning people. The process of setting and delivering Service excellence will help business, guests, and staff alike – hotels and hospitality is an experience, not a commodity.

Pragmatism: must percolate every area – operations, development, budgeting, planning, financing, transactions, ownership attitudes, owner-operator relations, asset management, etc. **Dream, and follow your dream – but test it at the gold standard of pragmatism.** Be bold and confident, yet realistic, about recovery expectations and growth targets. We must anticipate the limitations of revenge tourism; we must be conscious of the risk that domestic leisure will fly overseas at the earliest opportunity, while inbound travel may return more slowly – this time lag may dampen occupancies and rates for a while. Cultivating multiple demand avenues is a necessity. Pragmatism will enable more reasoned long-term supply planning, more stable financial planning and a balanced approach to valuation and deal-making.

Agility: in response to challenges, and to seize opportunities. Adaptation of food delivery reflected agility; so did speedy staffing and cost cuts. Innovation must occur in product, operations, staffing, sales & marketing, development, product segmentation and we must harness technology – these should be real, and not merely as a badge. Demand surges & troughs will continue till post pandemic normalcy is restored; these have been part of our industry – managers must be nimble to gain from the former and hunker down for the latter. Acquisition and conversion opportunities will arise as well, and the more agile will succeed.

Resilience: it has got us through to this point and is always an asset. Owner-operator relationships must work in tandem, towards the same goal – to create lasting strategies & gains. As we start to emerge from this crises, please implement robust risk management practices; organisational resilience is as essential as leaders with nerves of steel. We must also buck the trend of herd sentimentality to negative events; it serves little purpose, causing loss of value & values.

Confidence: without it, SPARCS will become SPARS; and we are not in the business of sparring – we shouldn't with each other as well, because there is enough opportunity and space for all. We must carry the confidence that recovery and growth will occur, that the need for 'touch and feel' will ultimately drive business and MICE travel, that big weddings are only waiting to be permitted, that enforced small weddings of 2020 (and other personal milestones) will be celebrated with a lag. Confidence will give us the positivity to focus for a bright future that will see a hard-hit industry return to its full glory; it will give hope to the students in this sector. We must visualise this success, and must earnestly want for it to materialise.

Scale: notwithstanding the pressures faced by big-box hotels, the needs and benefits of scale will always be relevant. Exclusivity, and 'small is beautiful', have a different appeal and character. Postcard and amã have a niche, and will be successful, but these are not for all; even these brands need scale (number of properties) for sustained success. Everyone cannot play at the pinnacle of the triangle. Scale creates efficiency, enables access to more and better technology, ability to address multiple needs and risks. Where scale fails is from (a) lack of commensurate financial strength and corporate management systems; and (b) habit of concentration on a currently successful product segment, without seeking to create and maintain width. Scale will also arise from greater ownership concentration, and institutionalised ownership.

Some specific future development pointers:

- Jewar airport to open by 2024
- Hotel opportunities around Statue of Unity, and Ayodhya
- Production Linked Incentive scheme to boost manufacturing and export
- Changed customer profile and expectations, as newer highways and airports facilitate more domestic travel
- Changed location patterns in cities, as metro rail connectivity deepens
- A degree of consolidation in the industry, and more conversions
- Lack of quality in air travel as airlines struggle to recover – revival of Jet, and Air India sale, could be key points
- Sharper restaurant products, to counter the dine-at-home preference; also a niche opportunity for dine-at-home service on a wider scale than previously
- Customer participative development financing
- Digital & physical asset players must play together more sensibly; imbalances will be called & possibly culled.

In Conclusion

There is a sense of lessened foreboding, as the vaccine has become available – like seeing a tea-shop in the midst of cold mountainous vastness. India is doing well at the moment, but the virus has a nasty habit of biting back. We don't fully know what lies ahead and caution is much advisable.

2020 is over - thank God. The pandemic is not. We have come this far down the Covid layered road, but there are miles to go before we fully emerge.

2021 is a year of gradual recovery, or consolidation; of survival even for those with heavy debt-burdens. It is not a year for lofty ambitions. Those who see through this tough period of play, will prosper. Realism of expectations will be the key – it will cause less real and emotional damage, when problems arise. Strategic reorganisation will be another. Stressed assets could keep us busy.

We will continue wearing face masks – but will never allow these to hide the warmth of our 'service with a smile'.

Coverage And Classification

In this report we examine Occupancy (Occ), Average Daily Rate (ADR) and Revenue per Available Room (RevPAR) trends nationally and for several Key markets. Hotels are classified as Luxury & Upper Upscale (Lux-UpperUp), Upscale & Upper Midscale (Upscale-UpMid) or Midscale & Economy (M-E), consistent with STR classifications.

Our analysis is based on supply, demand and revenue data represented as Occ, ADR and RevPAR reported by hotels to STR and generated per STR guidelines. Inventory and pipeline related data referenced is based on Horwath HTL research. All values are in Indian Rupees. Previous year numbers may have undergone changes as newer participants in STR data contribute current and past data; this now includes aggregator owned and operated hotels. Operating data for de-flagged hotels is included to the extent the hotels have continued participation with STR.

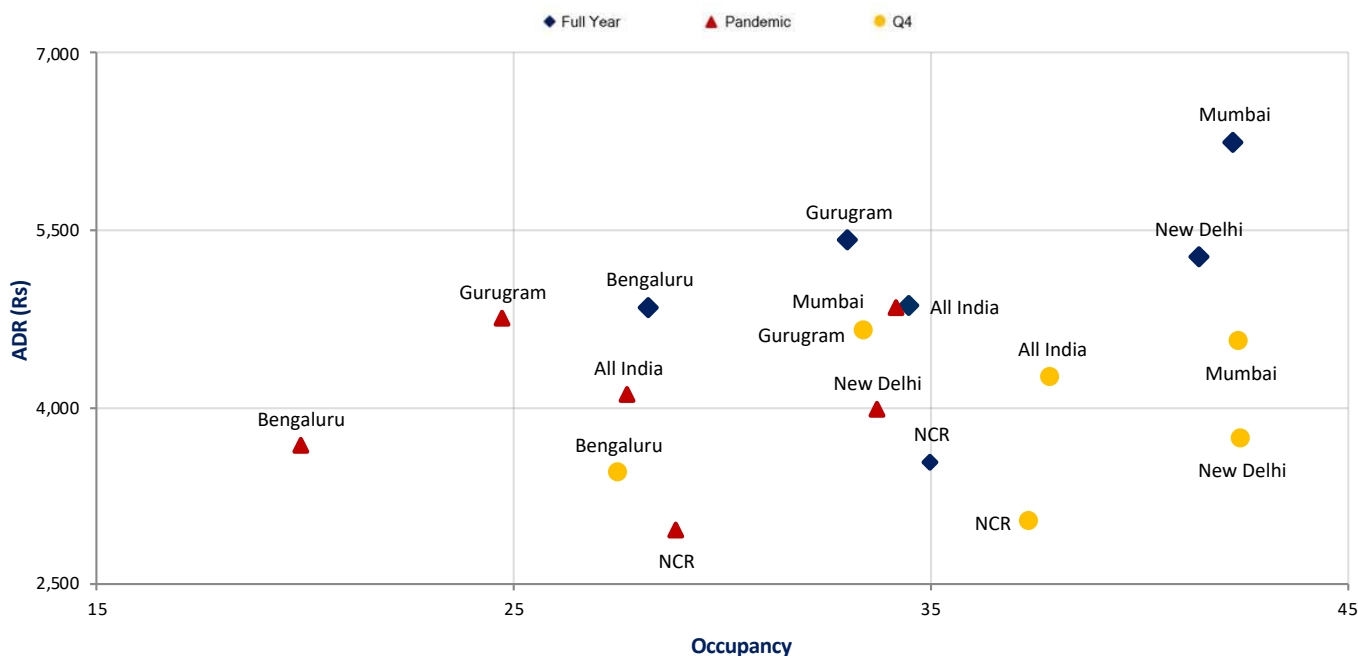
We have concentrated upon all-India numbers and 13 key markets, which carry about 66% of total chain-owned / managed / affiliated inventory.

We have used a performance matrix to report and analyse the results. The horizontal and vertical axis reflect Occ and ADR respectively. The matrix has been adjusted down from previous years to reflect the reality of 2020. Segmental matrix parameters have been suitably adjusted.

We believe that a more comprehensive understanding requires full year data to be contrasted with data for the pandemic period (March to December 20), and then also for Q4-20 which has seen a revival. Accordingly, separate data sets have been provided in some cases.

To enable easy understanding of data points, the overall performance for Key Markets is provided with 3 data points – full year, pandemic period (March-Dec 20) and Q4-20. The data is provided in 3 charts so that these are more easily readable.

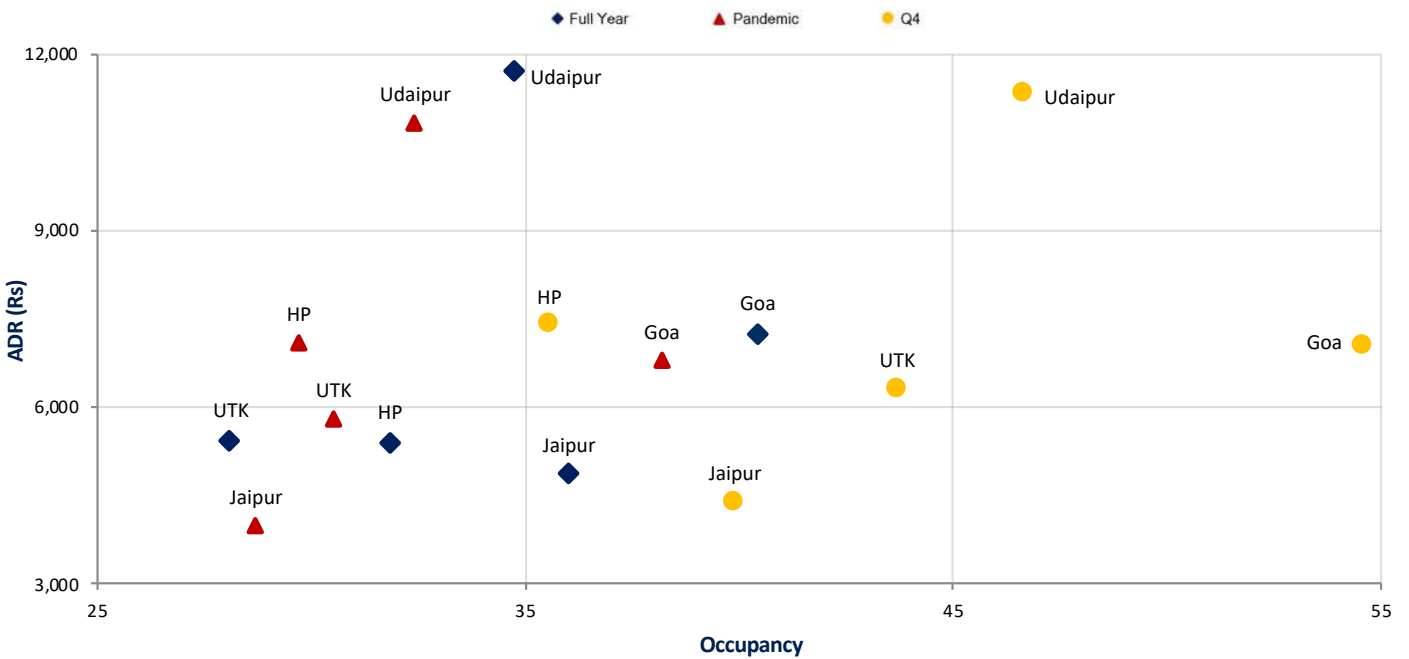
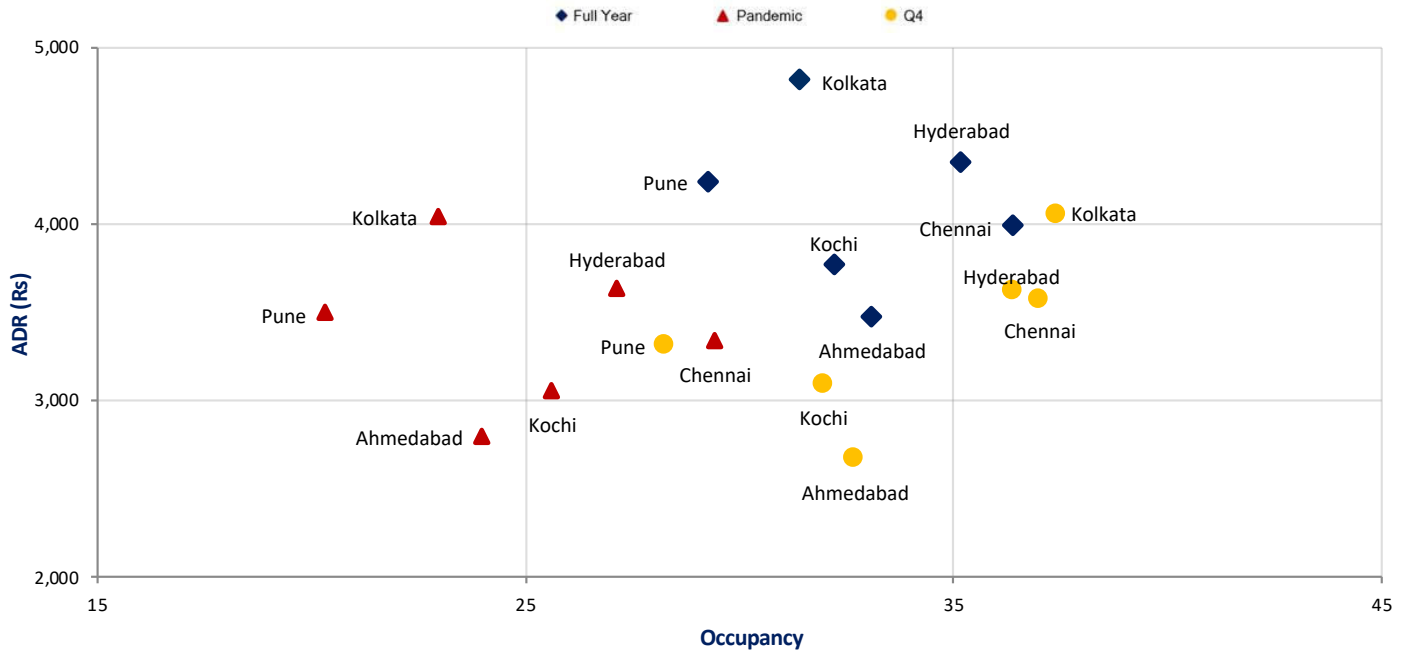
Overall Performance - India and Key Markets



Source: STR

Note: 13 key markets comprise of Mumbai, New Delhi, Gurugram, Rest of NCR, Bengaluru, Chennai, Hyderabad, Kolkata, Pune, Ahmedabad, Goa, Jaipur, Kochi

Overall Performance - India and Key Markets



Source: STR

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Overview Of Performance – India

2020	Occ%	ADR	RevPAR
Full Year	34.5%	4,858	1,675
March-Dec	27.8%	4,095	1,137

Source: STR

Jan and Feb 20 were good months in most markets although some cities had started feeling the impact of Covid restrictions overseas. The benefit of those 2 months shows when we compare full year data with data for March-Dec, with substantial performance drop across all parameters. What it doesn't fully show is that operated inventory in the March-Dec period shrank, on an average, by 25%.

At this point it is difficult to say which dataset will be more relevant in making estimates for 2021. The pandemic period softness will be relevant only if strict lockdowns are expected to recur; hopefully not, but this has happened in Europe. Can Q4-21 match the strong levels of Jan and Feb 2020? The road possibly lies somewhere in the middle, with Q4-20 performance being a meaningful base for the first 3 quarters of 2021, and a possibly scaled up performance in Q4-21. Quarterly data for the pandemic period is:

	Occ	ADR	RevPAR
March 20	30.5%	5,408	1,652
Q2-20	15.8%	3,373	533
Q3-20	23.6%	3,451	813
Q4-20	37.9%	4,244	1,610

Source: STR

Comparisons with earlier years must consider the changing supply composition in each market. While limited new supply was added in 2020, certain aggregator groups are now part of STR data, having also supplied past period data. Further, segmental performance is based on segmental composition determined by brand positioning; quality standards at individual properties may sometimes differ.

Performance Highlights

Full-year basis

Occupancy

- Mumbai, Delhi and Goa remained the lead major markets, at a little above 40%
- However, the highest Occ (43%) came from Vizag
- BLR was at the bottom with 28.3%, Pune below 30%
- All other main markets were in the mid to low 30's
- Chandigarh & Lucknow (39.7% & 37.4%) merit mention.

ADR

- Goa led the major markets with Rs. 7,243. Mumbai was Rs. 1k lower than Goa, Delhi Rs. 1k lower than Mumbai and Gurugram at Rs. 5,406
- Udaipur led the charts with Rs. 11,711, showcasing that high luxury and premium resorts maintain and enhance the charm of the capital of Mewar
- Among major markets, BLR, Kolkata & Jaipur grouped at 4.8k; Pune & Hyderabad at low 4k, Chennai & Kochi at high 3k; Ahmedabad was at the bottom with Rs. 3,472
- Chandigarh & Lucknow did commendably, considering their supply composition, with low 4k ADR.

RevPAR

- Leisure led the way with Udaipur at Rs. 4k and Goa just shy of Rs. 3k. Leisure has been critical for post lockdown recovery
- Mumbai at Rs. 2,634 and Delhi at Rs. 2,181, reflect nearly 60% discount to 2019 levels
- All other main markets dropped below Rs. 2k. Ahmedabad at Rs. 1,150 was the lowest; BLR at Rs. 1,366 among the lowest, sandwiching Pune and Kochi.

Pandemic Period (March – December 20):

Occupancy

- Three major markets & four other markets > 30%
- Goa leading at 38.2%; Mumbai 34.2%; Delhi 33.7% Vizag at 38.5% and Chandigarh at 36.2% did very well, as did Lucknow and Udaipur
- BLR had a rough time - only 19.9%; Pune at 20.4%
- Remaining major markets were in the 20's; Chennai the highest at 29.4%.

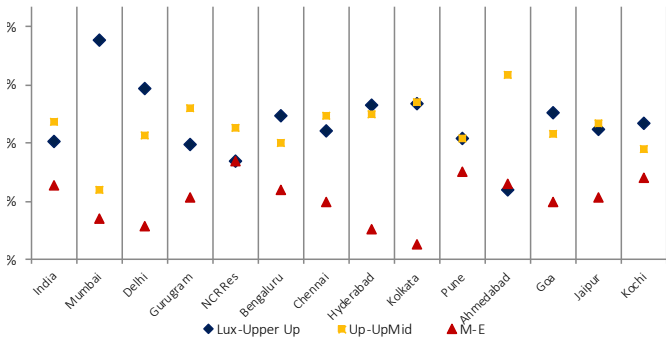
ADR

- Udaipur at Rs. 10,812 was the real jewel; with Goa trailing heavily at Rs. 6,787
- Mumbai dropped below Rs. 5k, joining Gurugram in the Rs. 4.7-4.8k range; Kolkata barely managed Rs. 4k
- Delhi fell below Rs. 4k, remaining major markets were at or above Rs. 3k; Ahmedabad declined to Rs. 2,798.

RevPAR

- Udaipur leading at Rs. 3,507; Goa about Rs. 900 behind
- Mumbai at Rs. 1,654; Delhi at Rs. 1,338, trailing Chandigarh
- Then it's in the hundreds! Yes, 100's. Chennai, Kolkata and Hyderabad 9h; BLR at Rs. 729, with company from Pune and Kochi; Ahmedabad at Rs. 672.

Segmental Supply



Source: Horwath HTL Research

Supply growth in 2020 was 2.8k rooms, comprising 4.8k rooms as new builds / expansions, 1.5k conversions and (3.5)k rooms de-flagged.

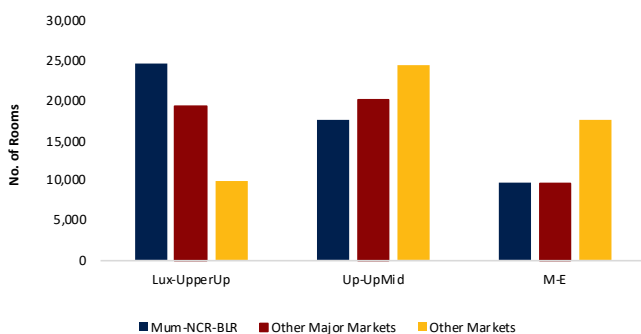
New supply and conversions included

- 2.9k new rooms which opened in the pandemic period
- 1.6k Lux-UpperUp rooms
- 1.1k Upscale rooms; 2.1k Up-Mid rooms
- 3.3k rooms outside the Major Markets

Segmental supply composition comparing 3 major metros (B-M-NCR), other key markets and other markets (rest of India) is reflected in the chart below:

- As individual cities, Bengaluru has the largest supply with nearly 15k rooms; Mumbai and Delhi are at par, about 1k rooms behind BLR
- Chennai is the only other city with 10k rooms
- Mumbai continues to have the largest inventory of Lux-UpperUp hotels
- As a metropolitan area, Delhi NCR is the largest with inventory greater than the total rooms in three metros (Chennai, Hyderabad and Kolkata).

Marketwise Supply Classification



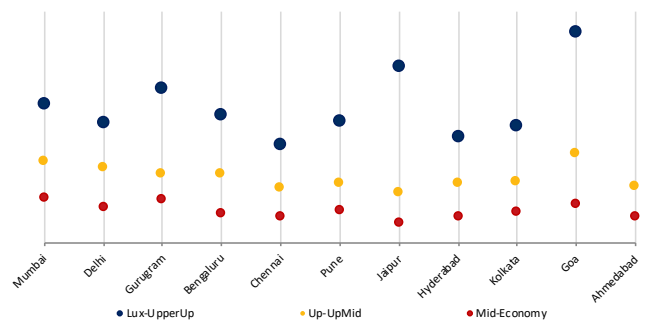
Source: Horwath HTL Research

- The 3 major metros (Mumbai, Delhi and BLR) comprise 34% of total national inventory
- Supply share of markets, other than the 13 key markets (including Delhi NCR) remains at 34%
- Other markets have limited play in the Lux-UpperUp segment, scattered across mainly leisure and some business cities - Udaipur, Jodhpur, Agra, Chandigarh, Lucknow, Amritsar
- Supply in other markets materially comprises Up-UpMid and M-E hotels
- Only about 20% of total supply is fundamentally of leisure use / orientation.

Segmental Performance

Relative segmental rate levels, across key markets, are presented below:

Segmental Rates - Major Cities



Source: STR

Range measures have narrowed, with some interesting results – abnormally impacted by response to the pandemic. At all-India level, the spread between Lux-UpperUp and M-E ADR was Rs. 4,926.

- Goa continues to have the widest range, about 10% larger than Jaipur. Chennai has the narrowest range
- Among major business cities, only Gurugram had a spread above Rs. 5k, higher than the all-India spread
- All other markets were below the all-India level, including the 3 major metros. The drop in Lux-UpperUp ADR has shrunk the segmental rate gap by about Rs. 1500 in each of these markets
- Pune climbed from last spot in 2019 thanks to +1.7% growth in Lux-UpperUp rates; with a gap of 4.2k, it surpassed Delhi
- Chennai at Rs. 3,399 shows the severity of rate challenges for that city; it has always been rate shy notwithstanding several quality hotels & leading brands.

With downward rate pressure from the Lux-UpperUp segment, the rate gap between Up-UpMid and M-E segment has also narrowed. It is largely in the low to mid-teens, with only Delhi and BLR above Rs. 1.8k and Goa above Rs. 2.3k.

Segmental Occupancy

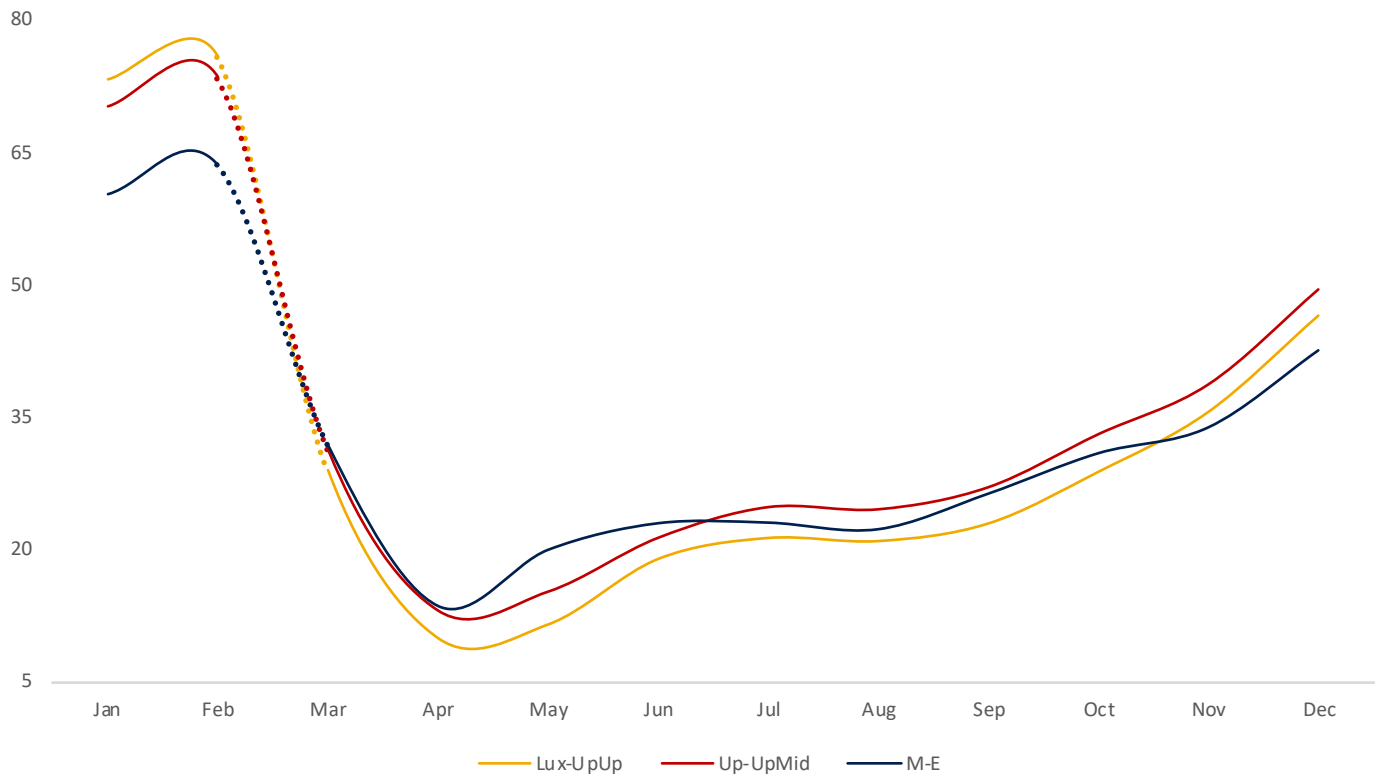
Segmental monthly occupancy levels, reflected in the chart below show the primacy of Up-UpMid segment. It also reflects softness of Q4 demand for M-E hotels once quarantine and healthcare needs fell, and particularly as business travel didn't revive.

- The top tier fared particularly well for the first and last 2 months of the year. This is consistent with the material reliance on leisure demand in 2020. Besides, several markets were closed during the monsoon season
- M-E segment gained primacy in the early summer as quarantine and healthcare demand kicked in; as more upscale and upper-upscale hotels participated in this program, particularly with voluntary use of hotels for quarantine, the other segments and particularly Up-UpMid hotels gained momentum.

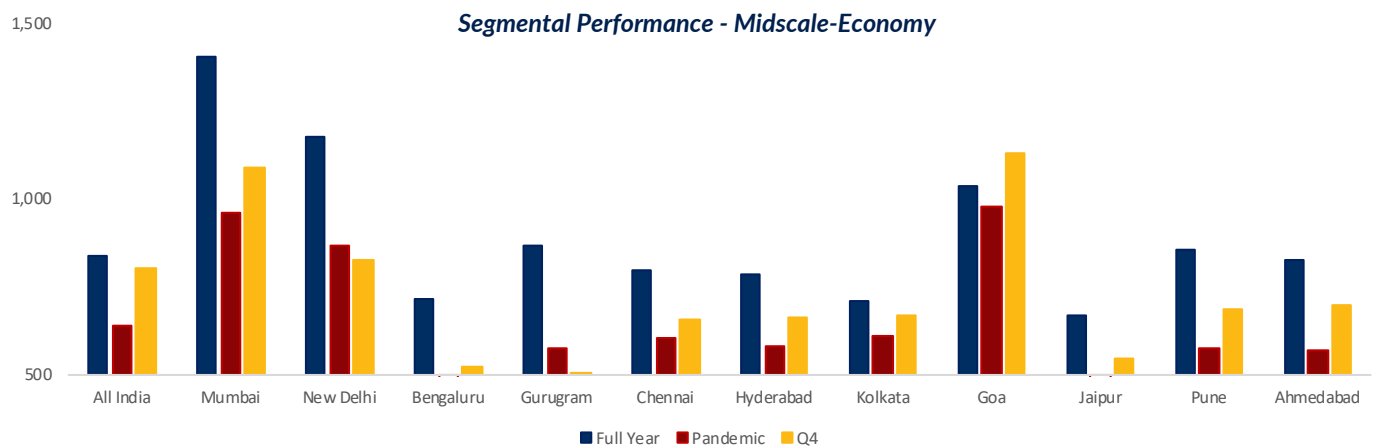
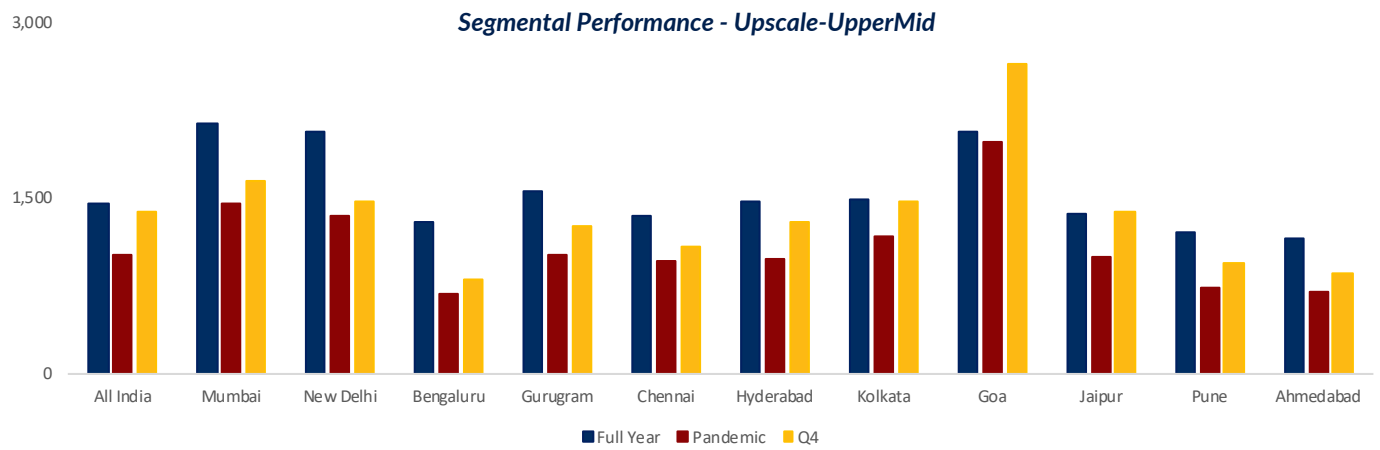
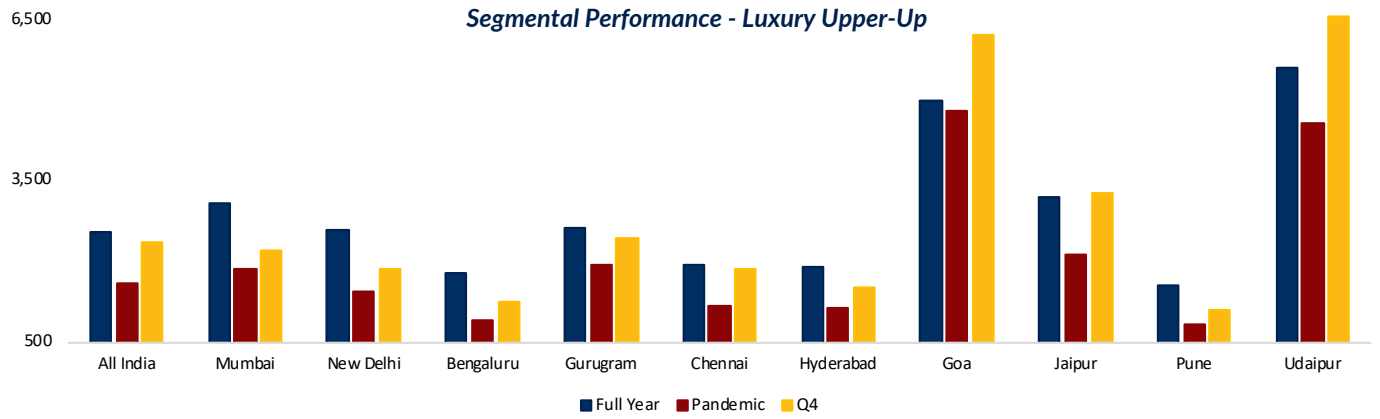
- Lux-UpperUp demand improved once an element of staycation and leisure travel (mainly driveable distances) were permitted. Occupancy kept improving as leisure travel grew – guests also showed preference for the greater privacy and recreation features of Lux-UpperUp hotels. Of special benefit to the demand side was the opportunity to access high-end properties at more affordable pricing. Weddings have also added materially to segmental demand in several locations.

Varied operating rules in different states, and greater or limited use of hotels for quarantine and healthcare, impacted occupancy levels through most of the summer. April & May were mainly in the teens; business levels for the rest of summer and monsoons varied based on local rules and health conditions. Considering total demand across all segments, every major market crossed 20% only in October; 25% in November and 35% in December.

Segmental Occupancy Performance



Source: STR



Source: STR

Segmental Performance

Luxury – Upper Up

On full year basis - Occupancies halved and worse; all India ADR down -12.9% to Rs. 7,442; RevPAR down by one-third to 70% across main markets. Pandemic period numbers are even worse.

The good news – Jaipur ADR was up Rs. 400; Goa ADR remained unchanged, Pune gained Rs. 111.

Udaipur is the real story. Full year ADR at Rs. 15,869; pandemic period at Rs. 13k+ and Q4 at Rs. 14.6k. Occ levels remained relatively healthy at 35.4% for 2020 and 44.8% for Q4-20. Segmental RevPAR was at a premium to Goa, except 5% discount in the summer which is typically slow for Udaipur top-tier hotels.

Rajasthan as a whole did well – ADR levels above Goa, though with more moderated occupancies. Jodhpur gained ADR, benefitting from lack of heavily discounted summer months business. On the other hand -

- BLR & Pune, with mid to low 20's Occ, dropped -40 pts & -45.9 pts
- Most other major markets dropped Occ by 31-38.5 pts; only Mumbai remained above 40%; Delhi clocked 38.4%
- 2019 had Mumbai, BLR & Gurugram with Rs. 9k ADR; Mumbai was in striking distance of Rs.10k. In 2020, each of these cities dropped rate – Mumbai down to Rs. 7.5k, trailing Gurugram (mid 8k); BLR barely crossed Rs. 7k
- Chennai had the lowest ADR at Rs. 5,625. All other major cities were at low to mid 6k.

Upscale – Upper Mid

The Up-UpMid segment had the best segmental performance. The price-quality balance was beneficial for quarantine, BCP, and healthcare business in the major cities. Hotels in this segment are the lead hotels in several towns, giving quality and hygiene comfort to visitors, and securing wedding demand.

This is the only segment with Occ higher than market-wide Occ, on all-India basis and for all main markets except Goa (marginal negative) & Ahmedabad. Among main markets:

- Delhi led Occ at 45.7%; BLR was at the tail-end with 31.1%. Mumbai was a point behind Delhi, with Goa and Jaipur also in the 40's
- The gap between the best rate and lowest rate main markets narrowed from Rs. 2,700 in 2019 to Rs. 1,800 as main markets dropped rate materially

- All-India segmental ADR of Rs. 4,086, saw Goa as the leader at Rs. 5.2k, Mumbai followed with Rs. 4.8k. Mumbai lost primacy as it shed Rs 1,661 from 2019
- Delhi, BLR and Gurugram were in the Rs. 4.2-4.5k range. All other markets dropped to Rs. 3k level
- Mumbai led RevPAR at Rs. 2,158; Ahmedabad brought up the rear, with 1k difference from Mumbai.

Among other markets, Vizag and Lucknow did well, as did Uttarakhand (UTK) and Himachal Pradesh (HP).

Midscale – Economy

A segment that must thrive on occupancy, M-E hotels continue to underperform. At 33.5%, all-India segmental Occupancy was the lowest among the three segments. RevPAR was in 3 digits, reporting Rs. 843 for the full year, Rs. 641 for the pandemic period, & only Rs. 808 for Q4-20.

The tall towers in the chart are only due to adjusted scale; on a comparable scale, the bars would be specks.

This despite about 1/5th of segmental inventory not being operational for 10 months of the year. There will be stress, lease issues, and debt service issues – possibly of smaller magnitude because the overall size and investment in each hotel is limited. On full year basis:

- Mumbai and Delhi Occ was in the mid-40's
- BLR, Gurugram and Kolkata in the high 20's and other main markets in the low to mid 30's.

For the pandemic period:

- Mumbai, Delhi, and Goa were in mid to high 30's
- Chennai breasted 30%, Gurugram fell below 20%. The rest were scattered in the low to mid 20's
- Chandigarh and Vizag performed the best, with 41.3% and 44% Occ respectively.

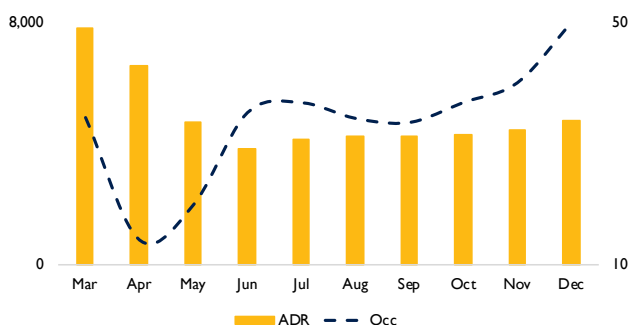
This segment is not ADR intensive, and only Mumbai and Gurugram managed Rs. 3k levels for the full year; Jaipur regressed below Rs. 2k.

Pandemic period RevPAR had only Chandigarh at Rs. 1,002. All other markets were in three digits with heavy concentration in the Rs. 400-650 range.

Q4-20 RevPAR was very slightly better as Mumbai and Goa crossed the 1k mark; yet the concentration was between Rs. 523 and Rs. 700.

Key Markets

Mumbai



Source: STR

Primarily dependent on business travel, MICE and foreign leisure, Mumbai did relatively well amidst lack of business travel through 9.5 months of 2020. The city had prolonged restrictions which materially eased only in early October.

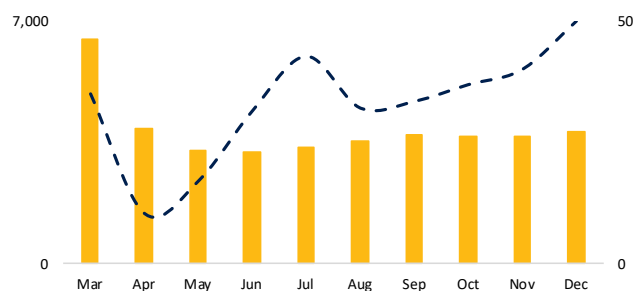
Quarantine, medical, crew, BCP and extended stay demand in the initial pandemic months, gave way to staycations, weddings, leisure and crew demand in Q4. Serviced apartments were busy; hotels with a leisure component have done better than purely business hotels.

Mumbai had moderate occupancy in the late summer and monsoon, and truly started recovery in Nov and Dec, with 40% and 50% occupancy respectively. The year closed at 42.3% Occ, and Rs. 6,227 ADR.

ADR recovery has been very gradual, picking up some pace only in Dec-20, with hotels pushing staycation, workation, and weddings demand. The city has multiple 'big-box' hotels with large banquet spaces; these are hurting from lack of MICE, and due to curtailed wedding group sizes. Lack of business travel has materially pared the rate premiums that Mumbai typically derives across each segment.

Up-UpMid and M-E hotels enjoyed 8.2% to 11.7% occupancy premium over city-wide levels, gaining from the smaller supply share of these segments in Mumbai. The much awaited convention centre is now delayed further, with no clarity as to its effective timing. However, the city expects to gain materially from the Coastal Road that is seeing continued work through the crises period, and from completion of the metro rail.

Delhi



Source: STR

The capital city had two good years in 2018 and 2019; that momentum carried through to enable a good Jan and Feb, and a reasonable March. Although some impact of the issues in China had started being felt from late January, other demand growth kept Q1 in reasonable shape.

April was the low point at 11%, mainly transit and crew demand and some BCP needs. May improved a bit, as some flights created quarantine demand, and from hotel use by health services. Thereafter it was a low to mid 30's flow through September, gradual improvement in the next 2 months and 50% December Occ.

Q4-20 Occ at 42.5% matched Mumbai and was among the highest in non-leisure markets; this was creditable given the absence of traditional demand sources. Luxury hotels which were either closed or with low demand during the summer, opened for business.

Delhi had a problem on the rate front, as Lux-UpperUp hotels sold rooms at controlled prices that would normally not be acceptable for even upscale hotels. While some top-end luxury hotels stayed away from the discounted business, several upper upscale & premium hotels offered these rates to enable cash flows. Thus, Lux-UpperUp rates of < Rs. 4k for several months were just Rs. 500-600 ahead of the Up-UpMid ADR, causing city-wide ADR levels at between Rs. 3,259 and Rs. 3,900 for most part of the pandemic period.

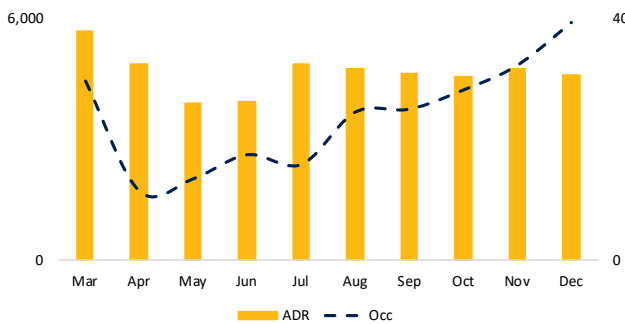
In Q4-20, weddings, crew and staycations have been the mainstay of demand, with a small trickle of business and domestic transit travel; quarantine and healthcare usage has reduced materially. We understand that long-stay demand was meaningful during the lockdown.

Weddings demand has surged (relatively) particularly as people initially preferred the more secure environ of a hotel compared to farmhouses; the latter are also now doing reasonable business.

Taj Mansingh re-opened some areas after extensive renovation; fully renovated Connaught re-opened as a SeleQtions, with expanded inventory; Andaz re-branded its serviced residences offering as Hyatt; Hyatt Regency works through severe liquidity challenges.

Redevelopment and expansion work at Pragati Maidan has continued, giving hope for a stronger convention base for the city. Work at Dwarka Convention centre and the convention centre at Aerocity remained muted – expect material delays.

Gurugram (formerly Gurgaon)

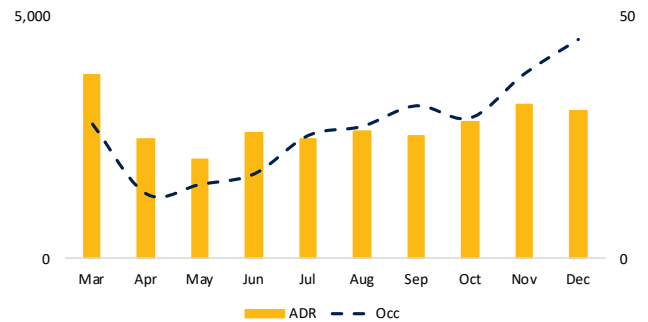


Source: STR

This IT and business hub gained from varied non-business travel demand, particularly benefitting from the earlier permission for Gurugram hotels to re-open, compared to Delhi hotels. Speedier relaxations in wedding group capacities permitted, compared to Delhi, also helped materially in drawing MICE demand. Corporate demand was very limited, mainly for BCP needs.

From an Occ standpoint, Gurugram had a modest result with 33.1% full year Occ and 24.7% Occ for the pandemic period. However, it ranks high in ADR terms among the major markets – 3rd on full year basis and for the pandemic period; 2nd for Q4-20; highest in Lux-UpperUp segment among business cities. This gain mainly arises from Rs. 7k+ ADR earned by the Lux-UpperUp segment for several months. Besides, the ADR gap between Up-UpMid hotels and M-E hotels was limited for several months of the summer.

NCR

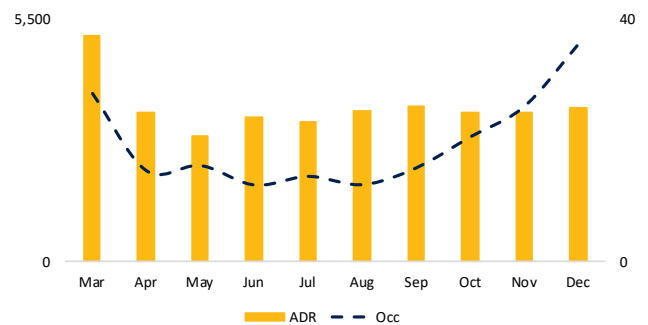


Source: STR

The National Capital Region, other than Delhi and Gurugram, reported Occ levels that were higher than Gurugram, but with ADR levels that were materially lower. Full year Occ was 35%, and Q4-20 Occ was 37.4%. However, with operating inventory that was 50% or less of operating inventory for Gurugram hotels, RPD was half the RPD for Gurugram hotels.

Strictly, the markets are not comparable – Gurugram is an established business city with a robust segmental mix of supply. NCR, on the other hand, is a growing market, predominantly carrying supply of upscale, mid-priced and economy positioning.

Bengaluru



Source: STR

The Covid-19 bug has caused massive malware for this city, disrupting its operating systems with a WFH directive. The city with many proud (and well deserved) tags of largest hotel inventory, largest commercial space amongst Asian cities, fastest growing airport in India, third largest metro city in India (by economic relevance) has come last on the hotel performance charts for 2020. (Yes, its IPL team also failed).

Its sorry roll call for 2020 is:

- Lowest Occ among major markets – full year, pandemic period, and Q4
- Lowest Q4-20 ADR, among major markets for Up-UpMid segment
- 3-digit RevPAR for pandemic period, and Q4-20; Mar-Dec was \$9.99 (depending on the FX rate used)
- Lowest Up-UpMid Occ, and second lowest Lux-UpperUp Occ, for all three periods – among major markets
- Among major markets - lowest Up-UpMid RevPAR for the pandemic period and in Q4; second lowest for these periods in each of the other two segments

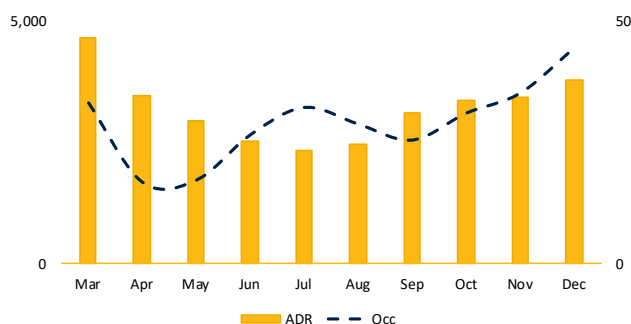
In fact, BLR was among the first markets to start feeling the pinch of slowing global travel once Hong Kong and Singapore went into strict rules. Jan and Feb were slower than usual, Q2 and Q3 in the low to mid-teens, with slow recovery in Oct and Nov. December at 36% was reasonable considering that it is normally a slow month for BLR.

So what is the lesson – far too many eggs in a single basket, with all activity driven only by business travel from one sector; inability to drive sustained demand for weddings and staycations; and spread of international flights among 5 airports in south India.

City regulations on travel quarantines, and medical fraternity use of hotels was less than in some other markets – the vast geographic spread of hotels across multiple micro-markets is a silent dampener.

The only way for BLR is up; and the rise will likely be well-paced, though probably not as rapid as the fall – but then, rises never are. To expect a meteoric rise would be a set-up for failure of sentiment. But as soon as IT sector operations shed their WFH and no-travel policy, expect good resurgence of demand.

Chennai



Source: STR

2019 was a nothing year for Chennai; by comparison, and adjusted for the pandemic, 2020 seemed to be better. Given that its hotel market is materially larger than Hyderabad, one can say that Chennai was the best performing major market in South India, although Vizag was trumps on overall.

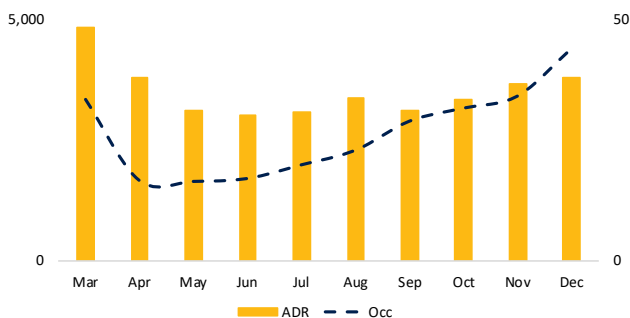
On full year basis, Chennai had 36.4% Occ and ADR just shy of Rs 4k. From a pandemic period perspective, Occ fell nominally below 30% but RevPAR slumped into 3-digits. Q4 was comparatively better, with 37% Occ and Rs. 3,572 ADR.

July & Oct were better than the rest of the summer, in the low 30's. Dec climbed to 44.6% being the highest among main markets in South India.

Lux-UpperUp hotels trailed city Occ significantly through the summer; however, it led the Q4 recovery as weddings and staycation business drove demand. The summer largely had medical, quarantine and BCP demand which was materially rate controlled.

State elections in 2021 typically means a year of staid performance; some recovery from the sharp dips for sure, but one cannot expect any new demand creation initiatives. Cricket related demand will help Occ in Jan and Feb.

Hyderabad



Source: STR

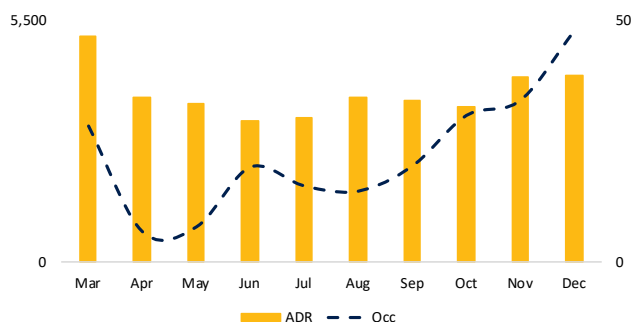
Occ & ADR parameters show Hyderabad having superior performance to BLR, notwithstanding that Hyderabad is also materially dependent upon IT and ITeS operations. 35.2% full year occupancy & 27.2% Occ for the pandemic period places the city fairly well among the main business cities.

Yet, the city has a little over half the inventory capacity of BLR – the RPD for Hyderabad was a third lower than BLR on full year basis; a fourth lower than BLR for Q4-20. Hyderabad inventory is about 23% smaller than Chennai inventory – RPD for Hyderabad was 27-30% lower than Chennai on full year basis and for the pandemic period.

Once the captive BCP demand moved out of hotels, the scramble for business has been more intense – weddings and staycation are a benefit for hotels with the relevant capacity and character; new hire demand and some business shift activities created demand which is price sensitive. PSU and government demand, and airport based demand were other contributors. The struggle for business in Q4-20 is reflected by the inability to pick up ADR in this quarter.

Up-UpMid hotels had notably stronger performance compared to other segments, growing to 42.6% for Q4-20.

Kolkata



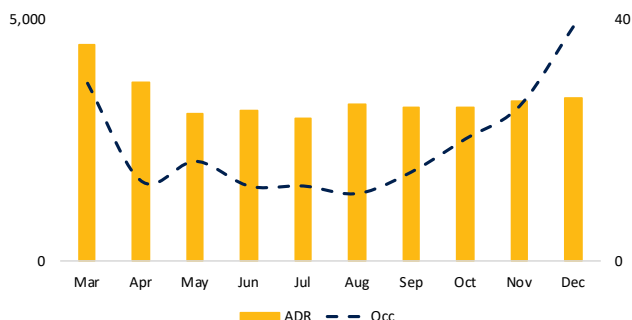
Source: STR

Kolkata had a remarkably consistent run from 2014-2019 with mid-60's Occ and ADR between Rs. 5,643 and 5,810. This run was broken, by the invisible Covid and the powerful Amphan – both having devastating effect. Occ fell by more than half to 31.4% and ADR dropped to Rs. 4,808.

Q2 and Q3 were a real struggle with single digit to high-teens occupancy numbers. Q4-20 was better, particularly December at 48% (among main business cities, this trailed only Mumbai and Delhi). Nevertheless, 23% Occ for the pandemic period placed Kolkata the third from bottom among main markets.

Weddings and social events, staycations and recreation have helped restore some room, banquet, and F&B revenue to select hotels. But 2021 may be a tough year, as recovery will be gradual and the state elections will be a distraction.

Pune



Source: STR

IT sector WFH and soft conditions in the manufacturing sector combined to constrain Pune’s performance. One must also recognize that this non-metro city’s inventory is larger than Gurugram and Kolkata, and also the aggregate inventory of Ahmedabad and Kochi.

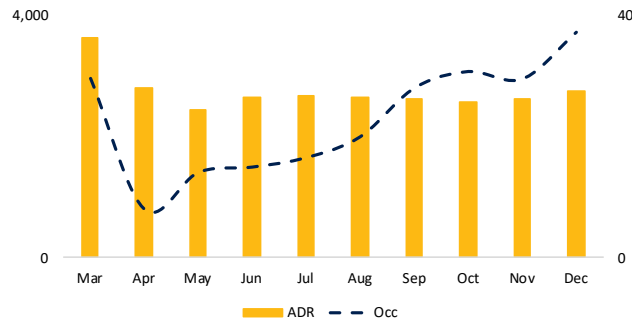
Jan and Feb were positive, with over 70% occupancy and ADR premium (compared to the monthly average of last 3 years). Q2 and Q3 were a horror story. The city got tagged as the Covid capital of India, while it also worked on and now supplies a lead vaccine product. The negative tag sucked out any travel potential, causing reliance on BCP, medical and essential needs.

Maharashtra re-opened from 5 October and Pune improved slowly. December saw Occ at 38.8%, and 55% RevPAR gain over the previous month.

2021 will likely remain modest, unless IT sector resumes office work sooner than expected, and some MICE activity resumes. Will manufacturing sector support demand creation – possibly some. Cricket will bring some demand as well.

Pune has sufficient commercial basis for a good resurgence over 24 to 30 months; a limited supply pipeline will also be beneficial.

Ahmedabad



Source: STR

The year started in the backdrop of 4 years of low 60’s Occ and ADR decline in 2019, besides the lack of demand depth from corporate, commercial, manufacturing, MICE or other demand creators.

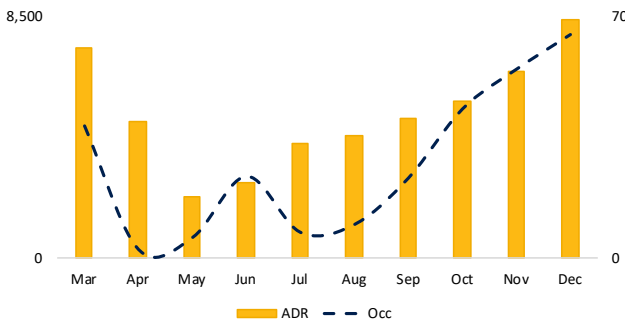
Jan and Feb were good; then it has been soft and tepid. Occupancy was better than BLR & Pune; full year and pandemic period Occ was higher than Kolkata even, but then Kolkata recovered better in Q4-20.

The real problem is the rates – Ahmedabad is the only major city with monthly ADR well below Rs. 3k after Q1-20. Full year ADR for 2020 is Rs. 3,472; remove Jan and Feb and it drops to Rs. 2,798. That is the lowest among main markets; Ahmedabad is the only city below Rs. 3k ADR for the pandemic period.

Consequently, full year RevPAR was Rs. 1,150; March – Dec RevPAR at Rs. 672.

Unless the city gains core demand strength from business travel (not just MICE and weddings), new supply is not justified. Taj has opened, with partial inventory, a new Courtyard Marriott has opened, Grand Mercure opened late last year at GIFT City; ITC and Leela are yet to open, as are others. Maybe they know something which we don’t. While cricket related demand will be beneficial in 2021 and the longer term, Motera stadium and a yet fledgling GIFT city are unlikely to suffice supply absorption & value creation needs.

Goa



Source: STR

Goa was in an awkward phase for the last 3 years, having lost Occ each year. 2020 has been a boost of sorts – not because there was no negative impact, but because the popularity of Goa as a prime beach destination (by a long way, unfortunately) was reiterated.

40.4% full year Occ, at Rs. 7,243 is a reasonable performance; the rate loss to last year was only about 4%. One cannot however ignore that this result is based on only 67% of the full inventory for Goa.

Q4-20 was a stronger performance at 54.6% with 7k ADR, and based on 92% of total inventory. RPD for Q4 was twice the RPD for full year.

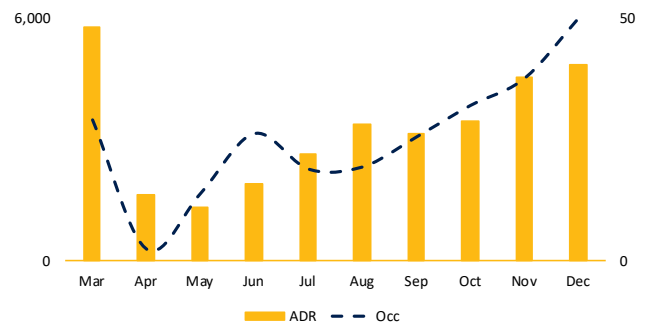
Goa re-opened in June and reaped 24% Occ; it also reaped a fresh crises so that Occ for July and Aug returned to single digits. In these circumstances it was understandable that several hotels and resorts were closed; in fact, these were not permitted to operate. September to December had a healthy and consistent growth sequence, ending with 65% Occ for December 20. Sharp occupancy growth even with larger inventory opening up reflects the hunger for leisure, the paucity of destinations, and the popularity of Goa.

With concerns about hygiene standards, the Lux-UpperUp hotels helped draw demand and create confidence – occupancy in this segment jumped from single digit in August to 30% for September and kept growing, clocking 62% for Nov and 73.5% for Dec 20. The Up-UpMid segment lagged by only 4-5 percentage pts in each month of Q4. Occ have also been helped by longer stay duration of visitors.

Importantly, leisure visitors and wedding groups were willing to pay well for their vacations. Lux-UpperUp ADR, at Rs. 6.9k for September, crossed Rs. 9k in November; Dec was barely short of 12k. Up-UpMid segment ADR added Rs. 2.7k between Oct and Dec. M-E hotels also performed well; overall ADR decline of 9%, relative to 2019, was among the lowest declines for this segment at major markets.

Several hotels have made up the revenue loss of April-September period. This will also boost GOP levels. However, complacency sets in rather easily in Goa, and therein lies the long-term risk – when outbound travel is permitted, business could shift materially as well. Quality, experience, rationality of new product, and diligence in expanding source markets should continue to be addressed for longer-term success.

Jaipur



Source: STR

The city’s character of a business city and a major leisure destination came to the fore in several ways – among the 12 key markets, Jaipur ranked (a) 5th in terms of full year and pandemic period Occ; (b) 4th in terms of Q4-20 Occ and ADR; and (c) 4.5% ADR increase for Lux-UpperUp segment. Jaipur had a hot, yet soft, summer, except 26% in June and September. Occ kept moving up through Q-4, with December at 50%.

Lux-UpperUp ADR gained from Rs. 11k rates in Q1-20. However, a 2k rate improvement in November and December, with rates moving to the high 8k level, was very beneficial and signalled a good recovery. Jaipur’s challenge is the sharp rate disconnect between the Lux-UpperUp segment and the other segments. Up-UpMid rates are about 65% discounted to Lux-UpperUp rates; M-E rates are 80% discounted to Lux-UpperUp rates. The city has to find a way to pull those hotels up.

Kochi

Harsh conditions for the third year in a row; recovery stalled; businesses shut for prolonged periods. Parts of Kerala were the first to shut in India, in early March, as the virus made its presence felt.

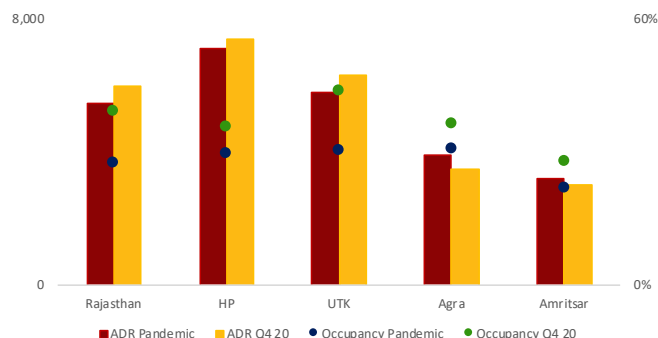
An up and down tale continued through the summer and monsoons – huge initial success, followed by a major spread due to virus import from Middle East and domestic visitors mainly visiting family and coming in for weddings. Quarantine breaches accentuated the challenges, and hotels were denied a continuous run of operation.

February itself was slow. March only 24%. A moderate monsoon season and muted recovery in Q4-20 was Kochi's fate. December was at 39% which is low considering the leisure capability of Kochi.

Lack of travel confidence, no MICE, smaller weddings, no business travel, WFH conditions impacting visitation to the growing IT Parks, no inbound groups. And hotels already challenged by flood and other disruptions in the past 2 years – a tale of woe, really.

The market has a soft track on room rates; well it got softer even as the pandemic took further toll. At a full year ADR of Rs, 3,764 Kochi was one of only two main markets that fell out of 4k – the only possible consolation being that Ahmedabad was about Rs. 300 lower.

Leisure Sector



Source: STR

Covid-19 has helped clear any doubts that Leisure is not a Business. Its relevance is boosted by the contemporary belief that leisure is an essential element of a balanced life.

Leisure has been the mainstay of the industry's partial recovery, thanks to rapid demand revival at established leisure destinations, and staycation demand that provides succour to hotels in business cities. Weddings related demand also benefitted the resorts and hotels in leisure markets.

Considering that leisure demand percolated hotels in multiple markets, including city hotels, we have preferred to review the sectors performance with reference to some established destinations – Goa, Rajasthan and its individual main cities, Agra, Himachal (HP) and Uttarakhand (UTK), We have already mentioned the excellent performances of Udaipur and Goa. We have also mentioned the Lux-UpperUp ADR gain by Jaipur.



Some other notable results include

- 8.2% ADR gain for Jodhpur, likely benefitting from shallow demand in summer and a strong start to 2020; the gain may not carry through to 2021 unless Q4-21 draws foreign demand. The city enjoyed steady Occ growth through the summer, ending with 56.2% for December
- Rajasthan's Lux-UpperUp segment as a whole did well – ADR levels above Goa, though with more moderated occupancies
- UTK achieved 28% full year Occ; Q4-20 was 16 pts higher. With ADR levels at mid to high Rs. 5k, the state had RevPAR of Rs. 2.7k for Q4-20
- Himachal Pradesh had ADR levels in the low to mid 5k values; Occ pick-up was slow because of a late opening of the state so that RevPAR was muted
- Coorg attracted material demand from Bengaluru, and also from Gujarat and Delhi as travel restrictions to Karnataka were eased for visitors from certain states
- Agra increased its occupancy from mid-teens for September to 48.9% for December.

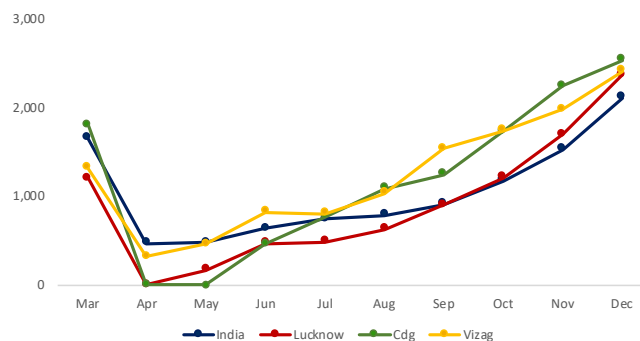
The leisure sector has tremendous growth potential, as demand for leisure is rising rapidly. Small luxury hotels and bungalow rentals are very successful. The sector is set to grow substantially on the demand scale, if we can match it on the supply side.

Can we create newer destinations to hold and widen interest from domestic demand? Will all-inclusive resorts come into play? Will vacation ownership variant structures come into play?

All of this is likely, and would succeed provided it is planned carefully and with diligence – a herd mentality and a 'trading on your money' approach is short term and hurts the sector deeply.

Maybe the sector should also look at innovative messaging on travel etiquette to the wider market, so as to enhance their 'welcome-quotient' at quality resorts and destinations, thereby creating two-way sustainable value.

Other Markets



Source: STR

Besides the major markets, some other markets have seen positive standout performances:

- **Vizag:** This port city is a business city, and also a leisure and weddings base for Andhra Pradesh. Its 43% full year Occ was the highest among all markets tracked, performing well through the late summer and rising to 61.7% for Dec 20. The Up-UpMid segment had some commendable numbers with Rs. 4k full year ADR and Q4-20 RevPAR shy of Rs. 2.5k
- **Chandigarh:** The city reported 39.7% full year Occ with ADR at Rs. 4.2k. This was the only market with over 60% Occ for November 20; and the only market with 4-figure RevPAR for M-E segment in the pandemic period. The city gained from leisure and transit leisure travel needs.
- **Lucknow:** The city had a robust late summer, crossing 50% Occ in November and hitting 64.7% in December. Full year ADR at Rs. 4,250 was hugely benefitting by events in February.

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