

## India Hotel Market Review - Vol 7

Seasons Greetings! This edition provides a performance overview of key markets across India; it also analyses occupancy and room rate metrics, distinguished between weekdays and weekends for three key markets - Mumbai, Bengaluru and New Delhi.

	YTD Sep'12	YTD Sep'13	Variation
Occupancy	56.5%	56.9%	0.4 pt
Average Daily Rate	Rs.5,989	Rs.5,761	-3.8%
RevPAR	Rs.3,381	Rs.3,276	-3.1%

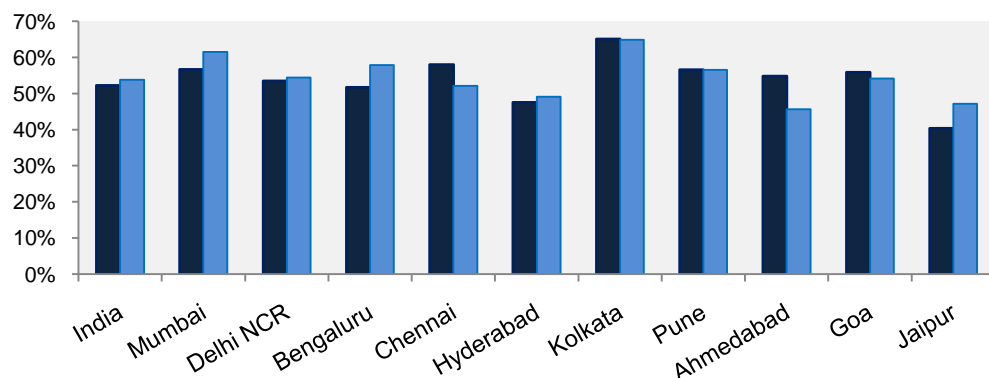
	Q3 2012	Q3 2013	Variation
Occupancy	52.2%	53.8%	1.6 pt
Average Daily Rate	Rs.5,412	Rs.5,244	-3.1%
RevPAR	Rs.2,826	Rs.2,819	-0.2%

### Key Takeaways

- Improved occupancy, on YTD basis and for Q3, is the biggest positive; almost flat RevPAR for Q3'13 compared to Q3'12 may look like clutching at straws – but these small changes in market performance cannot be ignored.

### Occupancy

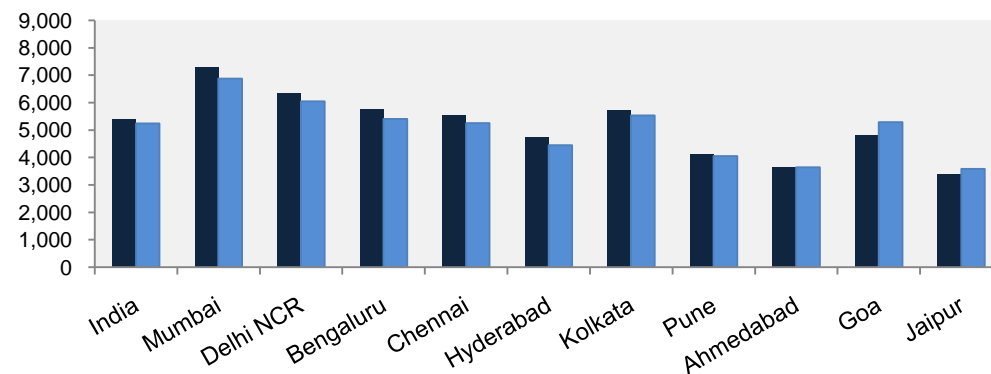
■ Q3 '12 ■ Q3 '13



Source: STR Global

### ADR (Rs.)

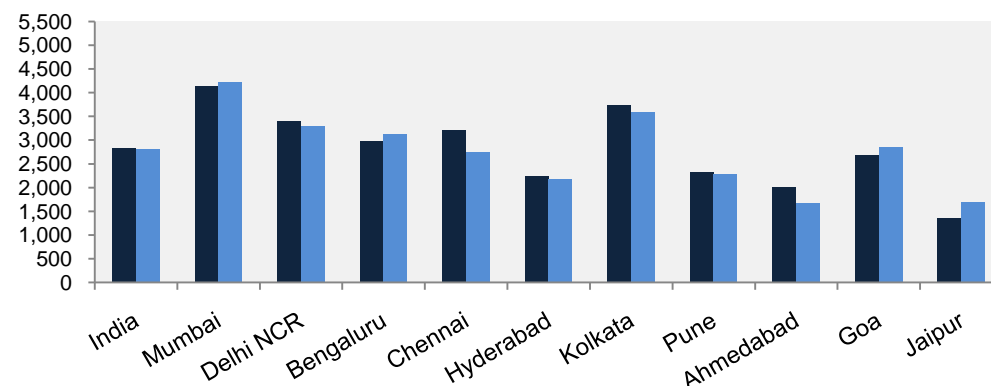
■ Q3 '12 ■ Q3 '13



Source: STR Global

### RevPAR (Rs.)

■ Q3 '12 ■ Q3 '13



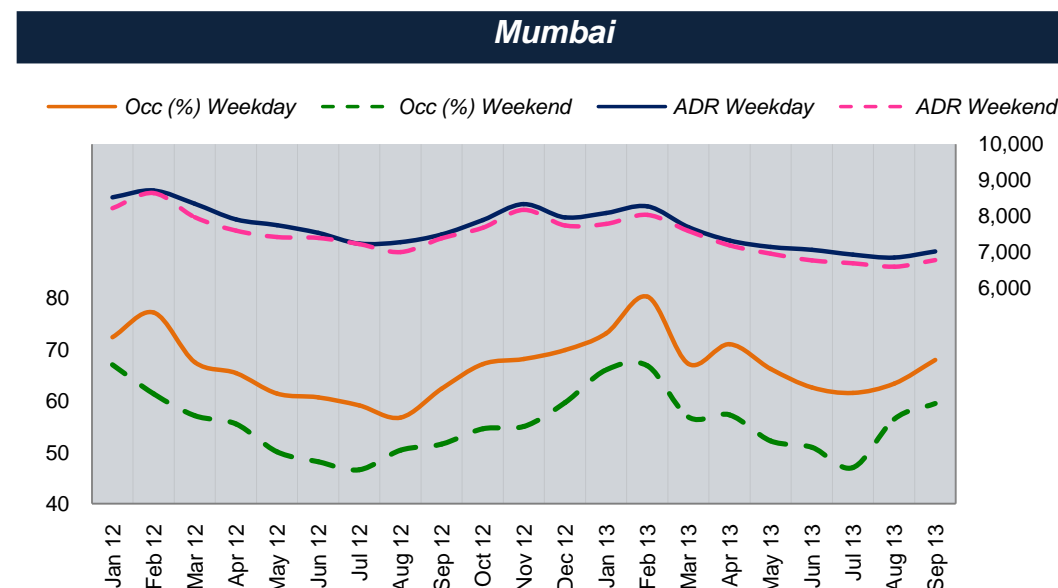
Source: STR Global

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2. On YTD basis, Bengaluru, Goa and Pune continue to outshine the other markets; Jaipur returns dramatic quarterly results.
  - a. Bengaluru achieved over 6 pts rise in occupancy, on YTD basis and also for Q3; while ADR has continued to decline, the city achieved 7.8% YTD RevPAR growth.
  - b. With near stable occupancy levels, hotels in Goa were able to improve ADR (YTD) by 4.8%, with almost matching RevPAR growth; in fact, monsoon promotions continue to be beneficial with sustained demand levels and ADR growth of 9.7% in Q3'13 over Q3'12.
  - c. Pune posted 3.5% YTD RevPAR growth, led by occupancy increase of 3.1 pts, although YTD ADR has declined by 1.9%. Room rates continue to remain under pressure resulting in RevPAR declining by 2% in Q3'13 (over Q3'12).
  - d. Jaipur has clearly established its primacy as a MICE destination reporting occupancy and ADR growth in Q3'13 (gaining 6.7 pts and 5.9% respectively), causing RevPAR increase by 23.6% Q-o-Q.
3. Ahmedabad hotels are struggling with 7.2 pts occupancy decline; while ADR is up 3%, RevPAR is down 9.7% on YTD basis. The city is already feeling the impact of supply growth, with several big hotels yet to open. Its true growth story will be tested as it recovers from the supply glut, in the manner Pune has done.
4. Mumbai YTD occupancy improved by 3.2 pts; but RevPAR declined by 1.4% due to Rs.500 drop in ADR.
5. Business for hotels in Delhi NCR, Gurgaon (as a sub-market) and Chennai continues to suffer with double digit RevPAR decline on YTD basis.
6. Kolkata continues to lead the occupancy rankings and is the only city to cross YTD occupancy of 70%; however RevPAR has dropped 2.2%.
7. However, Q3'13 has seen either gains or slower decline of occupancy, ADR or RevPAR in several key markets, compared to Q3'12.
  - a. All India occupancy was up 1.5 pts, with growth in Mumbai, Bangalore, Delhi NCR, Jaipur and Hyderabad.
  - b. Q-o-Q occupancy decline in Ahmedabad has been sharp; 4.9 pts, 7.1 pts and 9.2 pts for the first three quarters; in Chennai, the occupancy decline of 10 pts in the first two quarters has steadied to 5.9 pts decline in Q3.
  - c. Four markets have reported RevPAR growth for Q3.

### Performance Analysis – Weekday vs Weekend

We present our first analysis of hotel performance distinguishing weekdays and weekends; per STR Global reporting standards, weekday is defined as Sunday through Thursday while Friday and Saturday comprise the weekend.

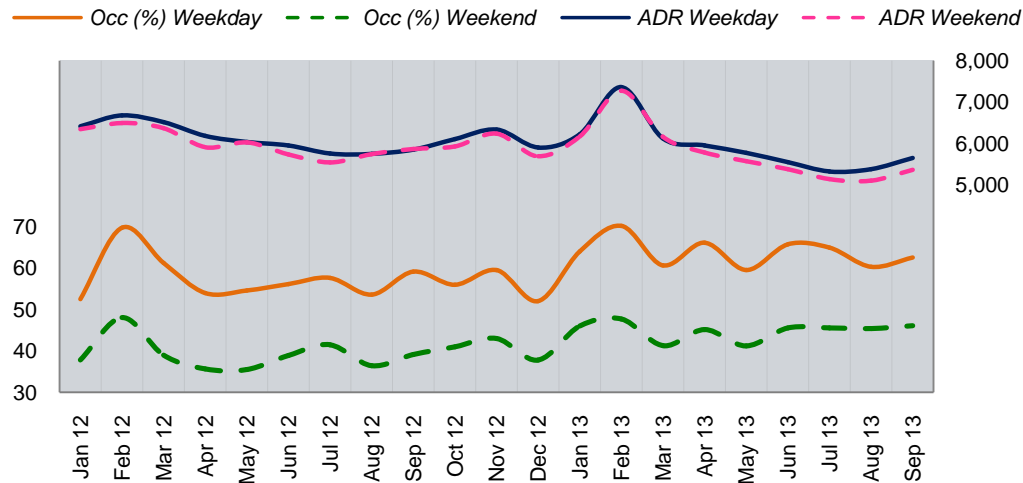


Source: STR Global

- Weekend occupancies in Mumbai are clearly struggling, particularly in June and July. Typically, average weekend occupancy in YTD 2013 was 11 pts lower compared to the weekdays (68.1%).
- The ADR variation is somewhat more limited - average weekday ADR was higher than the weekend by only 2.7% and 3% in 2012 and YTD 2013 respectively.
- Can joint initiatives between hotel industry and entertainment, fashion, retail sectors work to incentivise greater weekend business? Can aggressive weekend rates attract association events?

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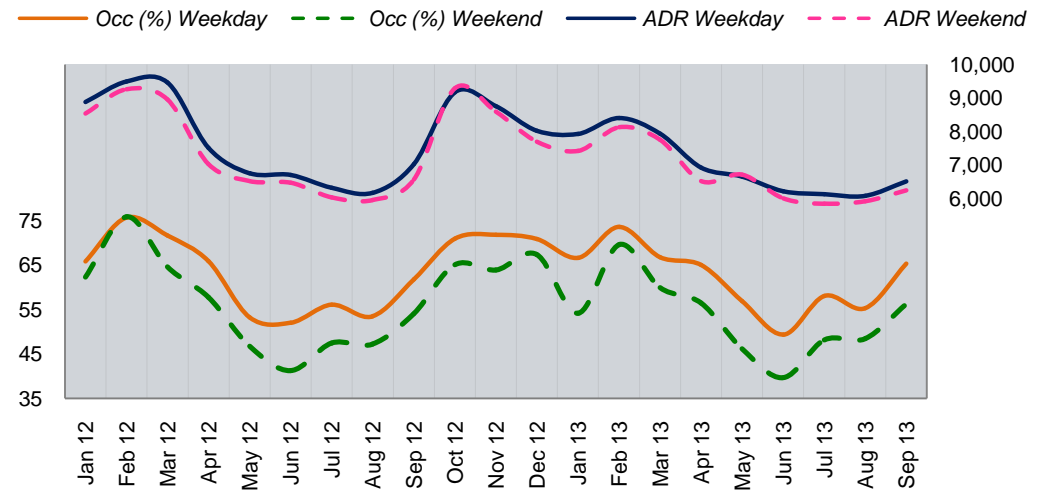
### Bengaluru



Source: STR Global

- Bengaluru witnesses the largest variation between weekday and weekend occupancy and RevPAR compared to other two markets, possibly impacted by lack of conference and wedding facilities and demand.
- Average weekend occupancy was lower than on weekdays by 17.6pts in 2012 and 19 pts in YTD 2013, likely exacerbated by the supply growth. It is noteworthy that average occupancy for Sunday is 3 to 4 pts higher than on Friday.
- Average weekend ADR trailed weekday ADR by 2.2% and 2.9% for 2012 and YTD 2013 respectively.
- Should the city reach out to the leisure sector? Will rate discounting on weekends help increase RevPAR?

### New Delhi



Source: STR Global

- Note that this data is only for New Delhi and not Delhi NCR.
- From a point of near equality in Jan and Feb 12, there has been a steady variation between weekday and weekend occupancies – importantly, the degree of variation in occupancy and RevPAR has been the narrowest for New Delhi compared to other markets.
- Average weekday and weekend occupancy have declined by 2.2 pts and 4.6 pts respectively between 2012 and YTD 2013; what needs to be watched is whether the gap will continue to widen due to lack of conference facilities in Delhi based hotels; the development of newer hotels and lack of corporate growth in Delhi city are factors that could significantly impact Delhi hotels going forward.
- Average ADR on weekends has varied from average ADR on weekdays by only 2.9% in 2012 and 3.2% for YTD 2013; is there scope for greater weekend revenue management? Does the city need to think up some promotions?

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If you have any questions or wish to learn more about Horwath HTL and STR Global, please do not hesitate to contact us.

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Developers, Investors, Consultants, Bankers, Suppliers, Destination Marketing Organisations and Analysts involved in the hotel industry benefit from our data insight into the industry. Our reports track top-line performance, segmentation, profitability, supply and demand across global markets covering historical trends to future performances.

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The consulting experience of our team covers 93 Indian cities, towns and destinations and 20 international destinations. Assignments have been undertaken for hotel chains, promoters, development companies, private equity investors, international and lenders.

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- Site Evaluations
- Branding and Management Advice
- Strategic Planning
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