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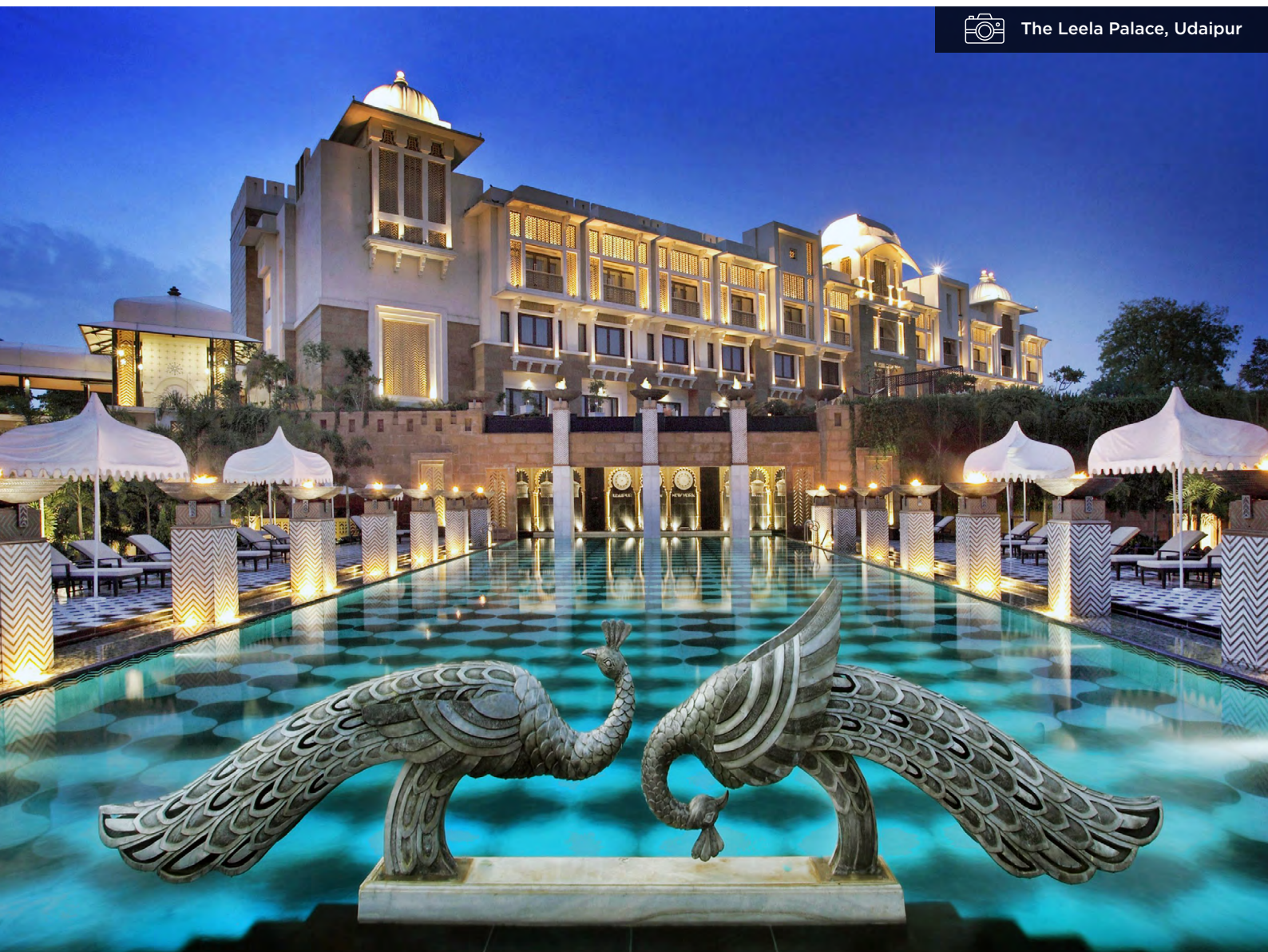


INDIA

HOSPITALITY INDUSTRY OVERVIEW 2019



The Leela Palace, Udaipur



Foreword

2019 has been a mixed bag for the sector. The year started on a positive note, with the first quarter of the year performing in line with market expectations, and in later part of the year, the sector benefited from easing of Goods & Services Tax (GST) rate on hotel room tariffs across the board. But successive negative impacts on the sector drained much of the enthuse. The closure of Jet Airways, India's largest airline by market share, lead to a severe crunch in availability of airline seats, which combined with the impact of general elections in the country led to a temporary softening in demand growth. As the year drew to a close, the industry witnessed record-breaking performance in November, with several hotels in major markets proclaiming it to be their 'best-ever to date'. However, the hardening economic headwinds and protests related to CAA & NRC dampened the spirits towards the end of the year.

The Indian hotel industry witnessed an India-wide RevPAR growth of just over 4% in 2019, a year in which the sector underwent several ups and downs. The industry's performance even after 12 years is 28% lower in RevPAR from the last peak of 2007.

The sector witnessed over 31% growth in brand signings during the year with approximately 171 new hotels entering the branded hotel market and an additional 53 being re-branded. Tier 3 & 4 cities continue to show aggressive growth as brands try to spread their distribution based on a steadily improving demand from these cities. 2019 was a remarkable year for hotel transactions, which witnessed transactions worth ₹4,937 Cr compared to just over ₹535 Cr in the previous year.

In 2020, we anticipate the sector to perform at similar levels of growth as witnessed in 2019, with overall RevPAR growing within a range of 4.7% - 5.4% over 2019. The first half of the year will be relatively muted, led by the Corona Virus impact on the global markets and ongoing economic headwinds that are expected to last unto March 2020. Demand is likely to pick up in the second half as the economic reforms start showing their positive results. The successful closure of big-ticket deals has improved market sentiments and have paved the way for more Mergers & Acquisitions in 2020, which we believe will exceed USD 800 Mn.



Taj Umaid Bhavan, Jodhpur

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Outlook 2020



The Park, Hyderabad

India Travel & Tourism

1 India has become a favorable tourism destination globally

India Travel & Tourism

One of the fastest growing sectors in the world



3rd

India's rank on absolute growth of T&T sector (2011-17)



9.2%

T&T sector's contribution to India's GDP (2018)



8.1%

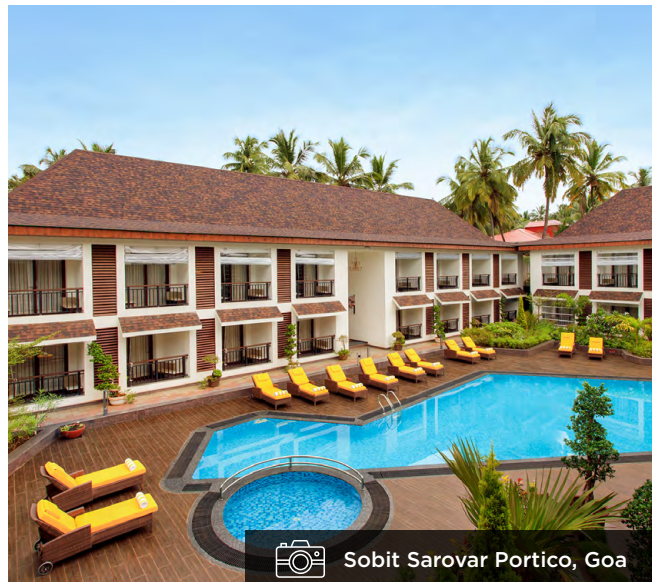
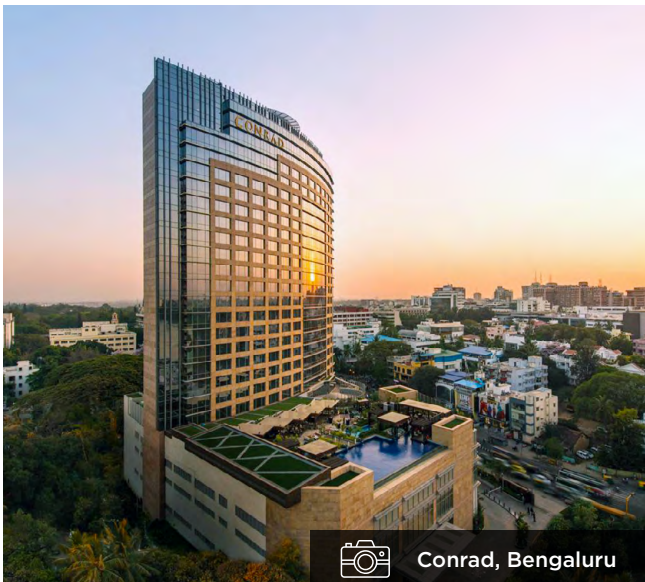
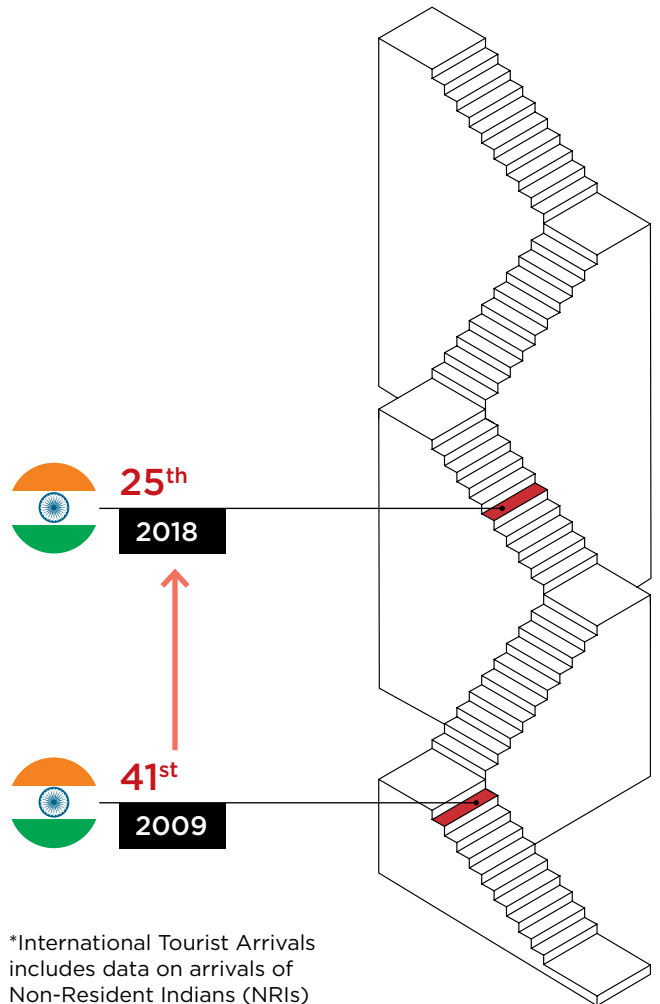
T&T sector's contribution to India's employment (2018)



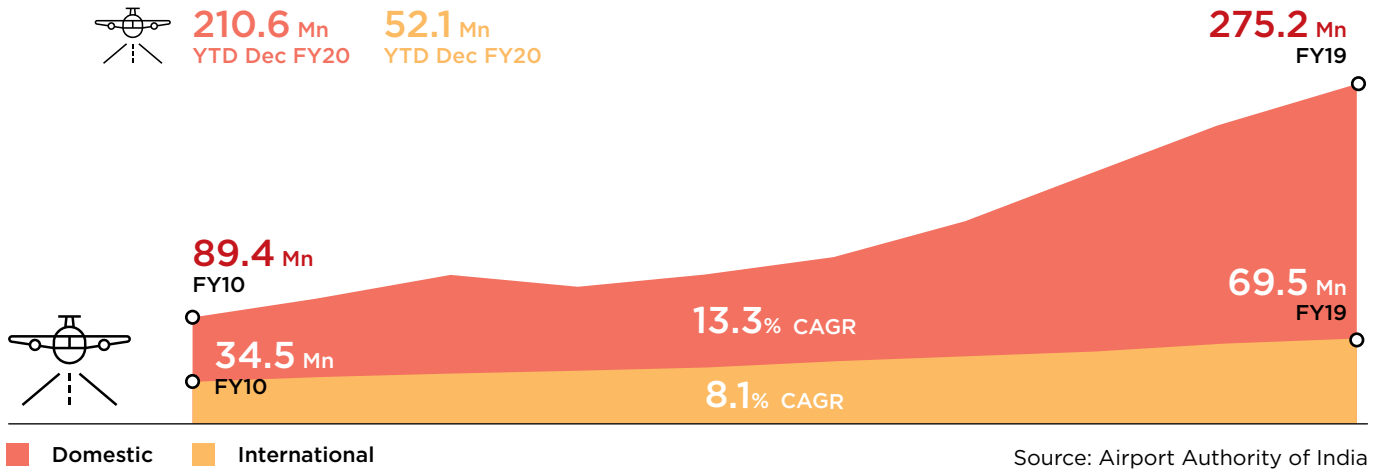
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UNESCO World Heritage sites in India (2019)

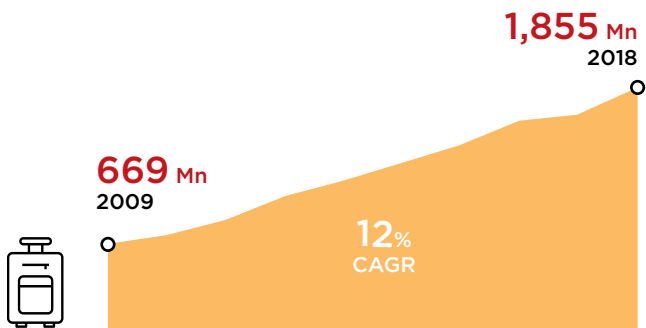
2 India's rank in share of global International Tourist Arrivals* has improved from 41st (2009) to 25th (2018)



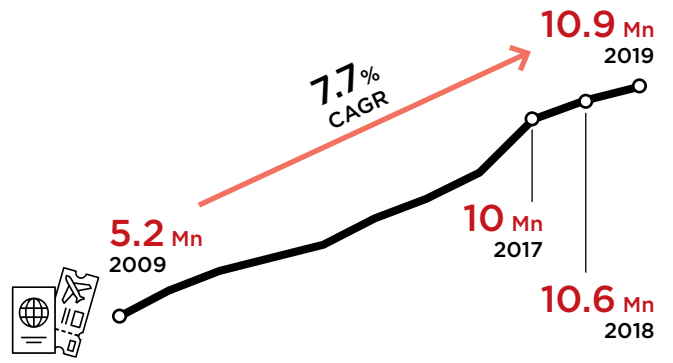
3 Rising disposable incomes combined with the introduction of low-cost carriers and the improvement of air connectivity through the UDAN scheme has resulted in significant growth of airline passenger traffic in India



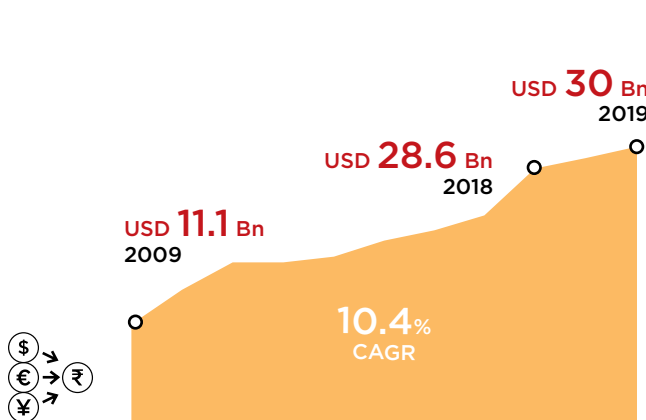
4 The tourism landscape continues to be dominated by domestic tourists due to sheer volumes



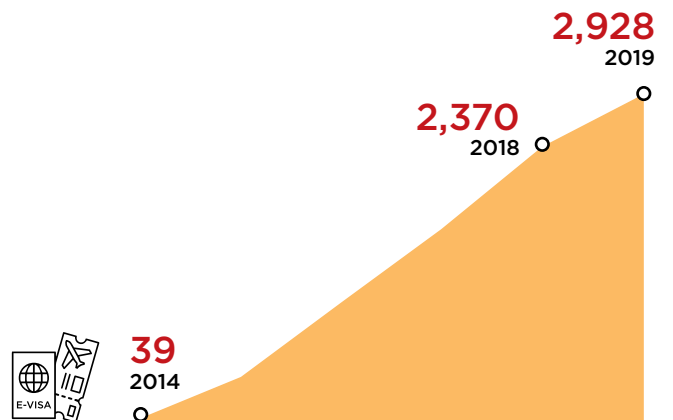
5 Foreign Tourist Arrivals (FTAs) in India crossed the 10 Mn mark for the 1st time in 2017



6 Foreign Exchange Earnings (FEE) have increased at a CAGR of 10.4% (2009-19)




7 Introduction of e-tourist & e-medical visas have further fueled the growth of FTAs in the country



FTAs through e-Visa ('000)


Source: Ministry of Tourism

2019 Performance Review




RevPAR

India-wide RevPAR grew by 4.1%



ADR

Average rates grew by approximately 2.9% in 2019

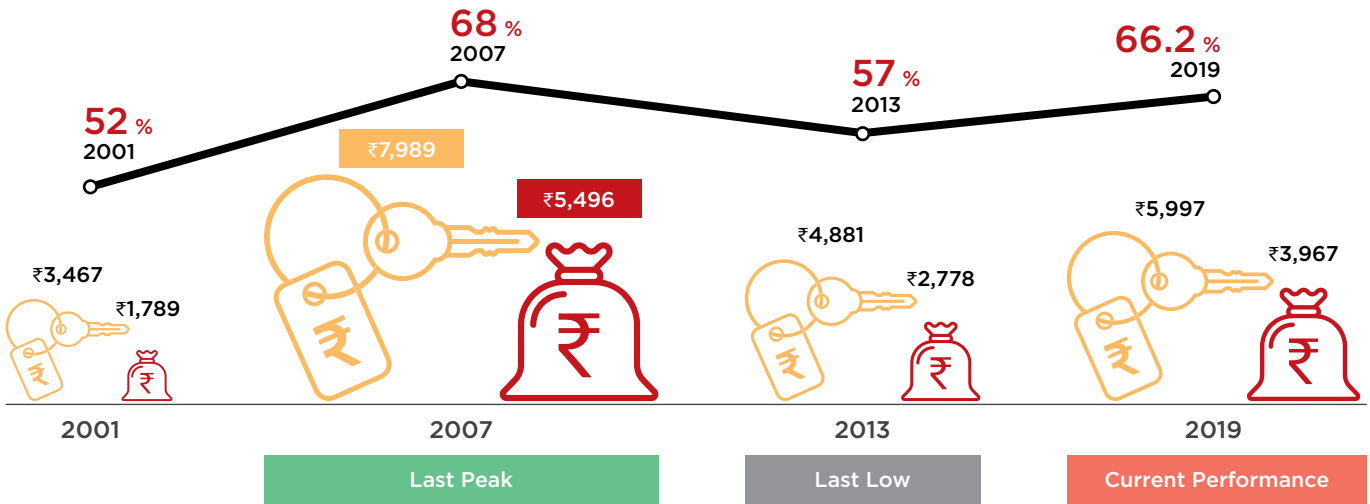


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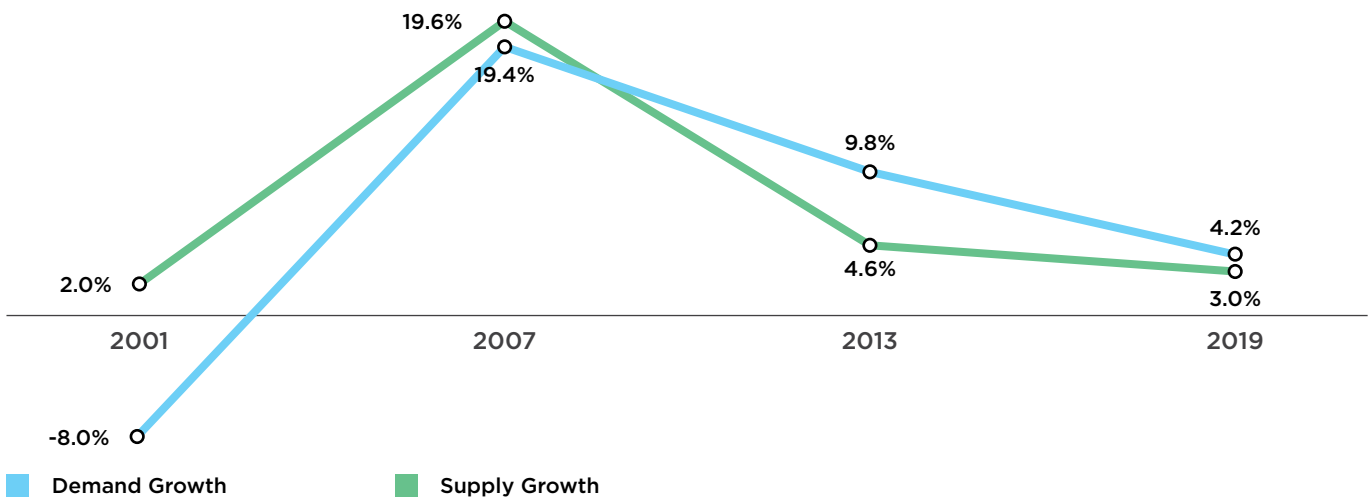
Occupancy of 66.2% in 2019 vis-à-vis 65.4% in 2018

Hotel Sector Performance (2001-19)

2019 RevPAR at ₹3,967 is still lagging the peak by 27.8%



■ Average Daily Rate (ADR)
 ■ Revenue per available room (RevPAR)
 ○ Occupancy Rate



Note: 2001 & 2007 data is in fiscal year whereas 2013 & 2019 are calendar years; the above graph is for representation purposes only.

Source: STR & HVS Research

2019 Quarterly Highlights

Q1

2019 started on a positive note with a stellar performance in the first quarter, with a RevPAR of ₹4,600 reflecting a y-o-y growth of 7.3% over the previous year, in line with market expectations.

Q2
Q3

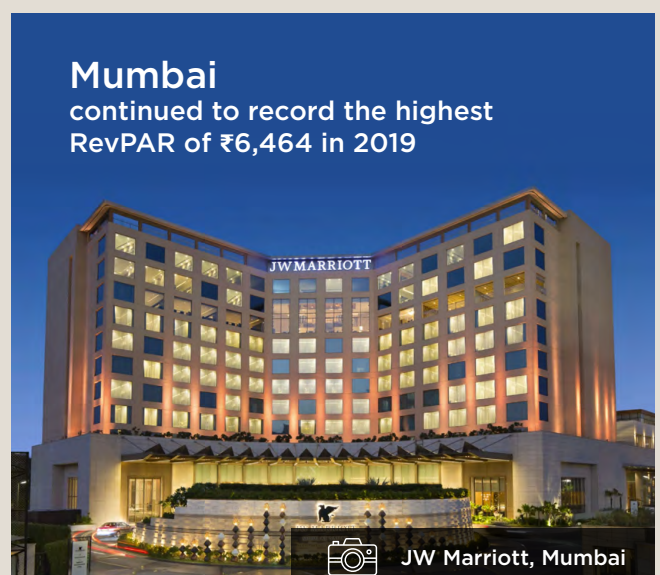
Impact of general elections, closure of Jet Airways and the ongoing economic headwinds led to a temporary softening. **The second and third quarter were subdued**, with the industry witnessing a y-o-y RevPAR growth of 2.6% and 4.3% in the second and third quarters.

Q4

There were signs of revival towards the close of the year, with the sector witnessing record-breaking performance in November 2019, exhibiting a 21% y-o-y growth in RevPAR. Continuing economic headwinds and protests related to CAA and NRC dampened the spirits at the end of the year. The fourth quarter with a RevPAR of ₹6,542, saw a growth of 6.1% over the same period in the previous year, closing the year with a RevPAR growth of 4.1%.

	Demand Growth % (over 2018)	Supply Growth % (over 2018)	ADR Growth % (over 2018)	Occupancy Growth % (over 2018)	RevPAR Growth % (over 2018)	RevPAR (Above/Below India Avg.)
Bengaluru	8.0	4.5	8.1	3.3	11.7	Above
Mumbai	1.3	0.8	3.3	0.5	3.8	Below
Chennai	5.1	3.8	2.1	1.2	3.3	Below
Delhi	4.2	1.6	1.6	2.6	4.3	Above
Gurugram	10.0	3.7	4.3	6.0	10.5	Above
Goa	-2.2	3.0	-0.2	-5.0	-5.2	Below
Hyderabad	6.5	3.9	9	2.6	11.8	Above
Pune	1.7	5.5	3.6	-3.6	-0.1	Below
Kolkata	10.3	10.0	1.7	0.2	1.9	Below
Ahmedabad	5.8	6.4	-6.8	-0.6	-7.3	Below
Jaipur	1.5	0.8	5.7	0.7	6.4	Above
Chandigarh	12.3	4.0	4.0	8.0	12.3	Above
Kochi	7.3	6.7	6.3	0.5	6.8	Above

Source: STR (December 2019)

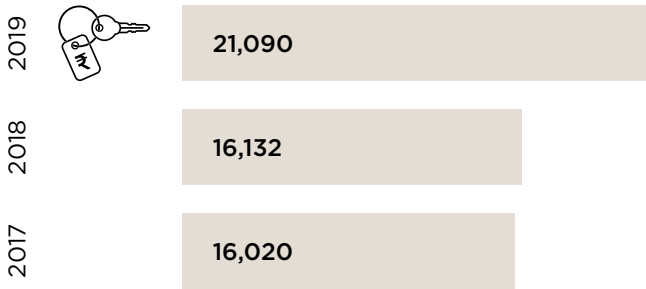


2019 Brand Signings

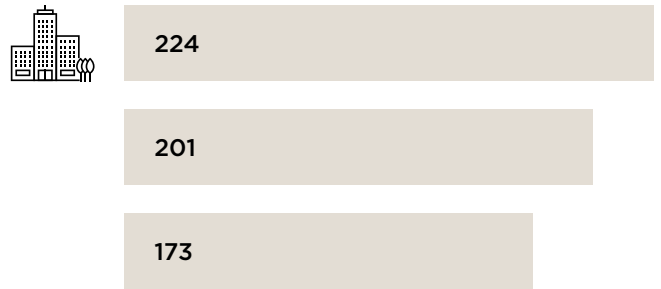
Brand Signings (2017-19)*

2019 saw a substantial increase of 31% in brand signings by keys and an 11% in brand signings by hotels over 2018, signifying an increase in average keys per hotel.

By Keys



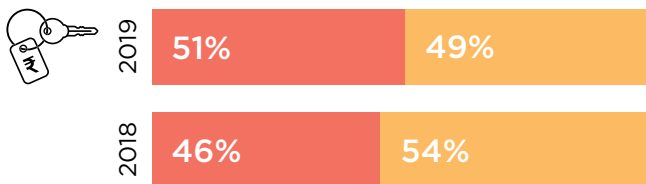
By Properties



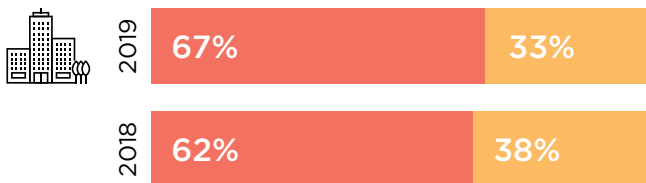
Brand Signings 2019: International vs Domestic Brands

Domestic brands with their aggressive growth strategies have overtaken the international brands in Brand Signings for 2019. They, however, continue to sign smaller format hotels with average keys for domestic brand signings being almost half of their international peers.

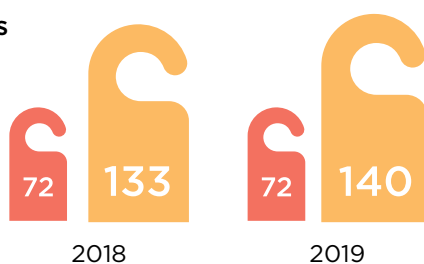
By Keys



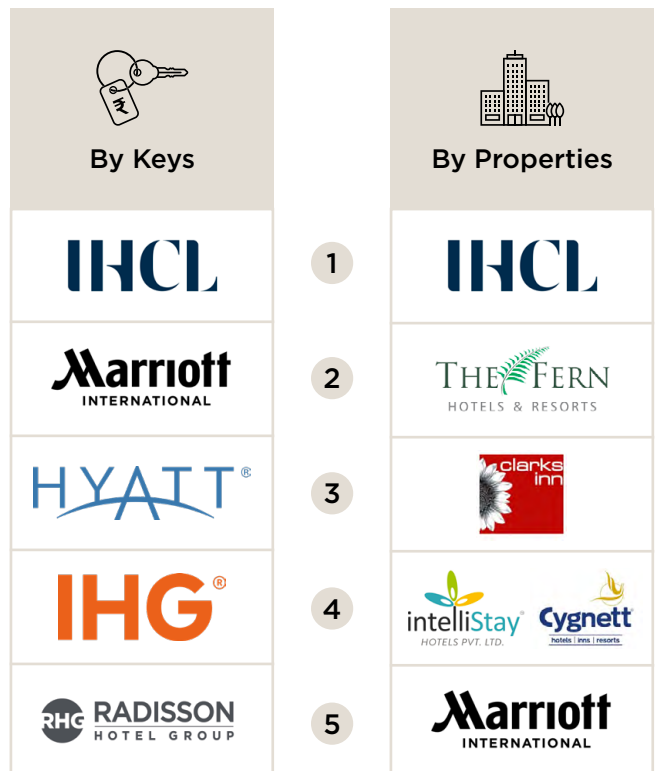
By Properties



By Average Keys



Rankings of Top 5 Operators in 2019

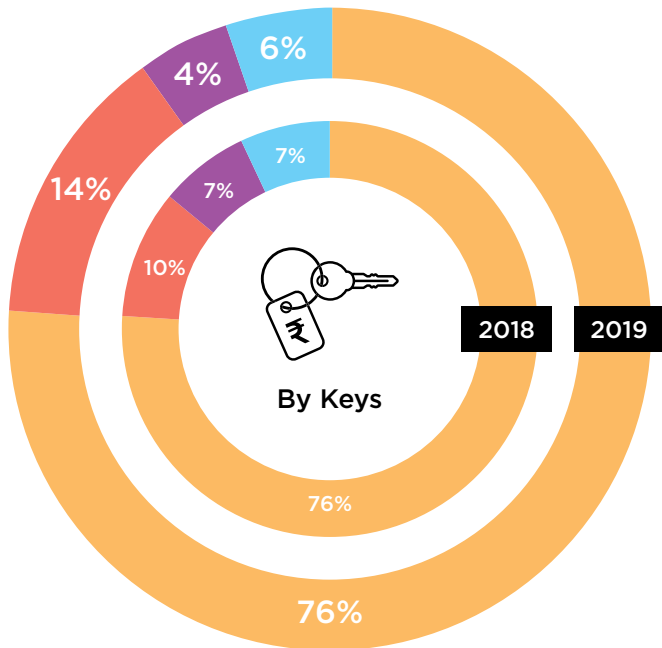


Domestic International

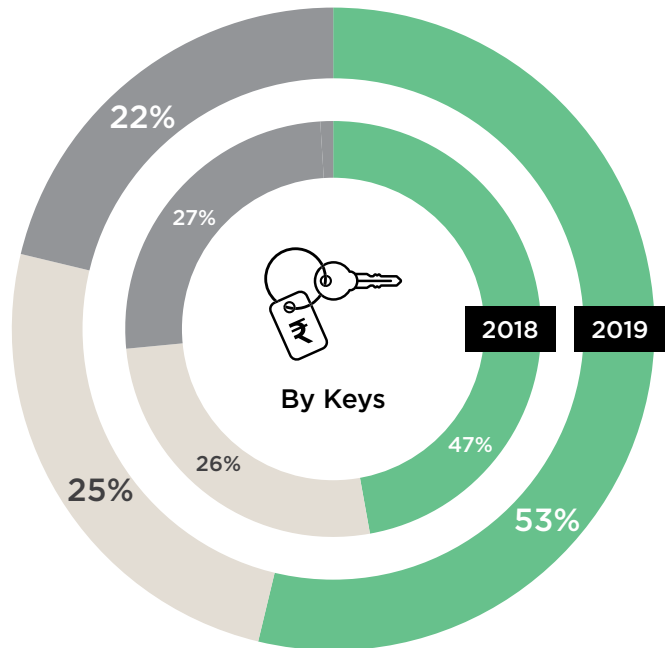
*Reported by Hotel Operators as of 31st December 2019 for CY2019
Source: HVS Research

Management Contracts continue to be the most preferred form of brand signings, although a significant increase is seen in Franchised Properties, with Leasing losing its charm over last year.

As per Contract Type



As per Development Status



Managed Franchised Leased Others

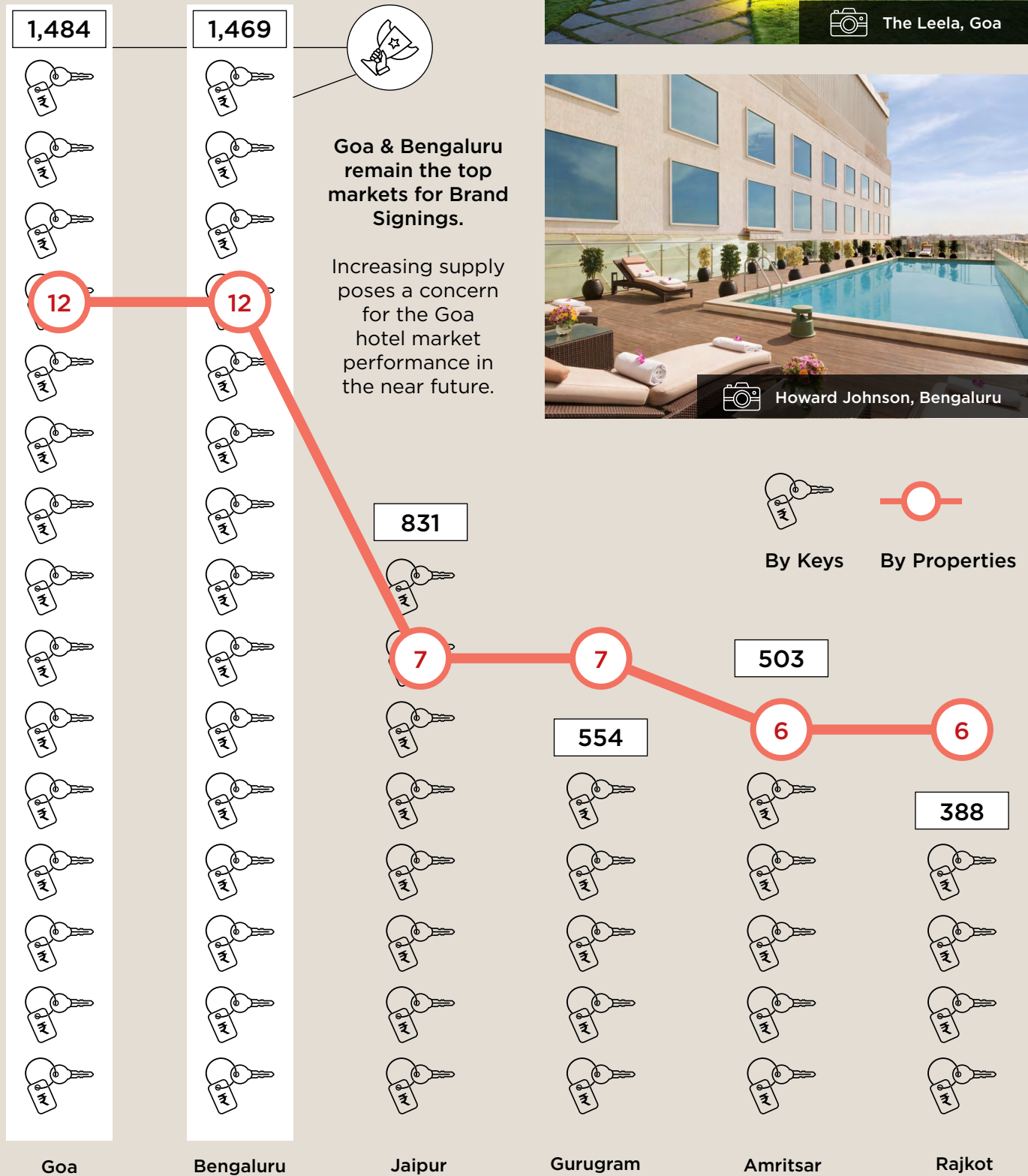
Greenfield Brownfield Conversion

Source: HVS Research




Sheraton Grand Resort & Spa, Chennai


Brand Signings 2019: Top Destinations





 InterContinental, Mumbai



 Radisson Blu, Guwahati

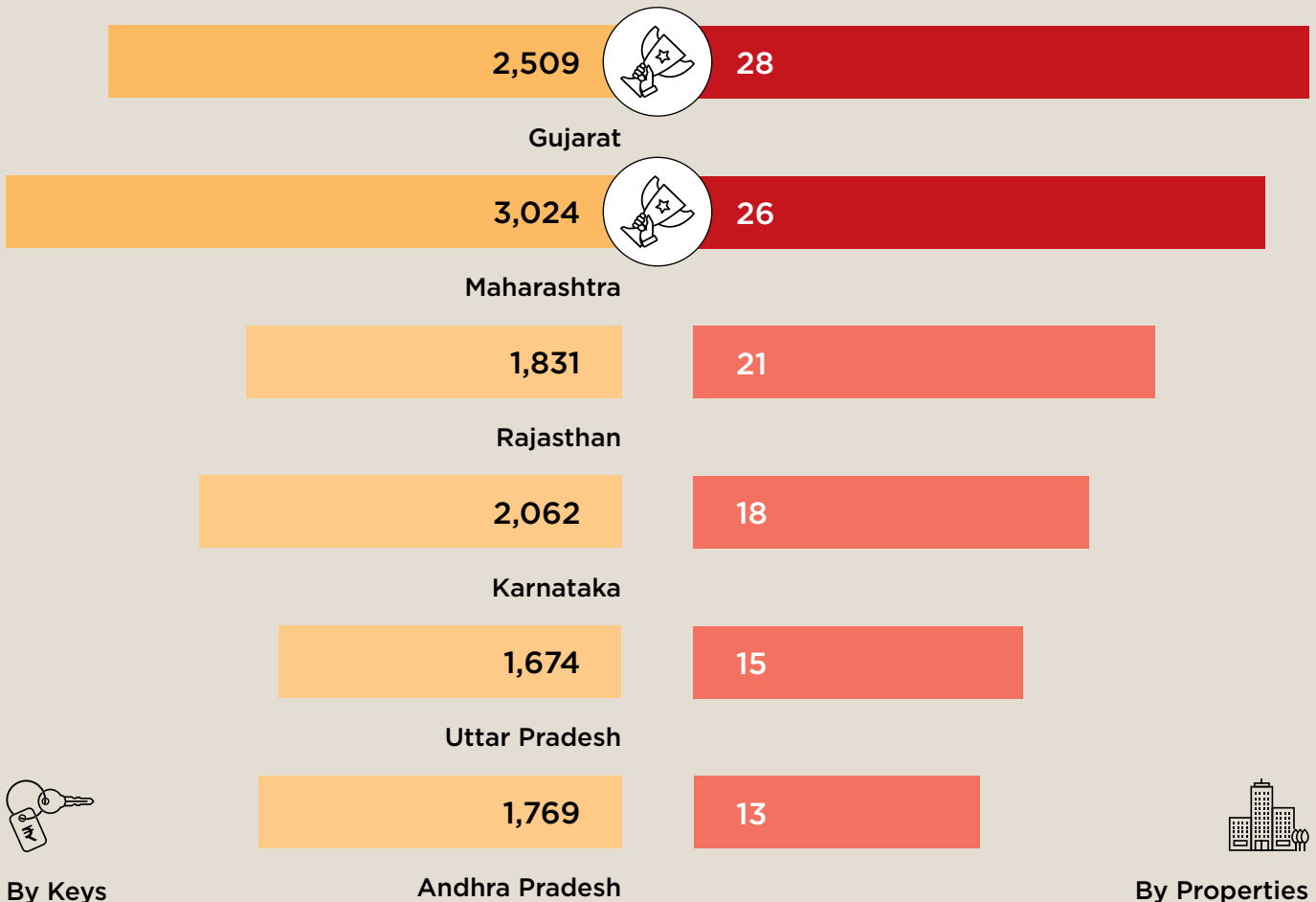


With the addition of certain offbeat cities being added to India's top destinations for brand signings, it is interesting to note that the state of **Gujarat had the maximum number of signings by Hotels in 2019 with 28 properties.**

Maharashtra ranks second in number of hotels signed with 26 properties. It trumped Gujarat in terms of keys signed by 515 keys.



 Novotel, Ahmedabad



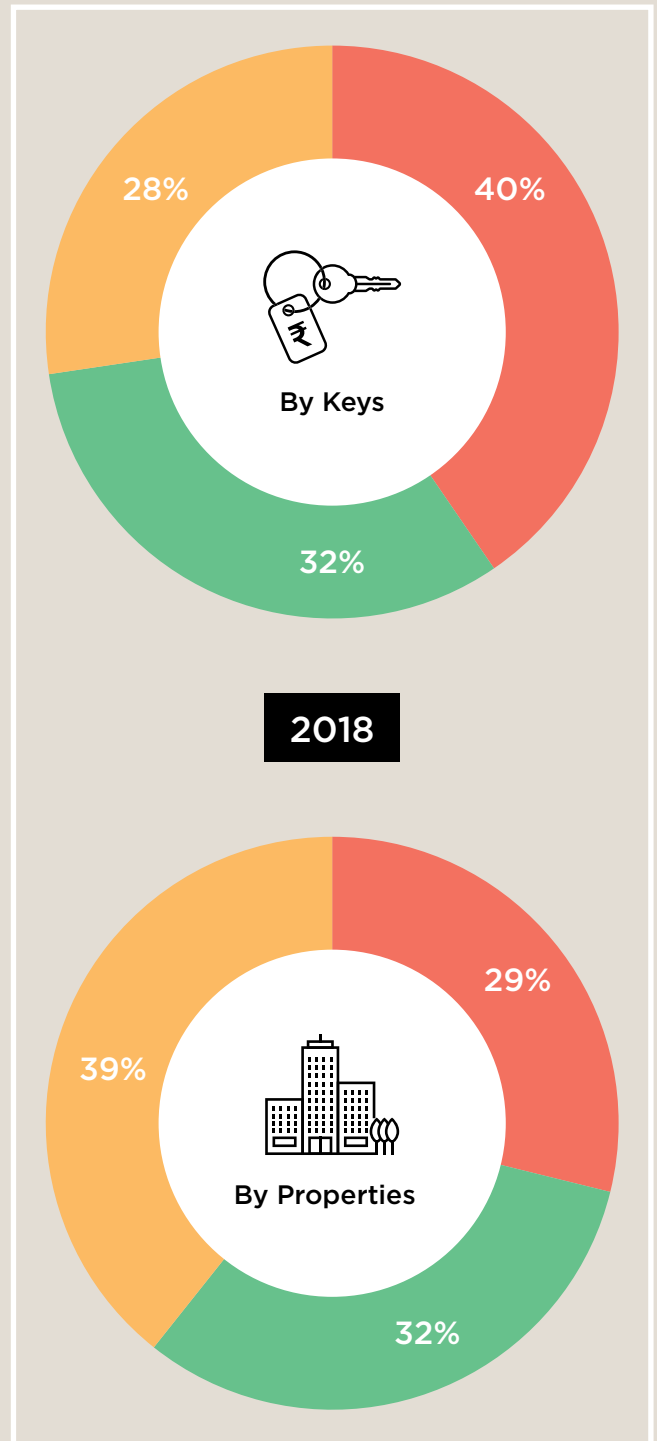
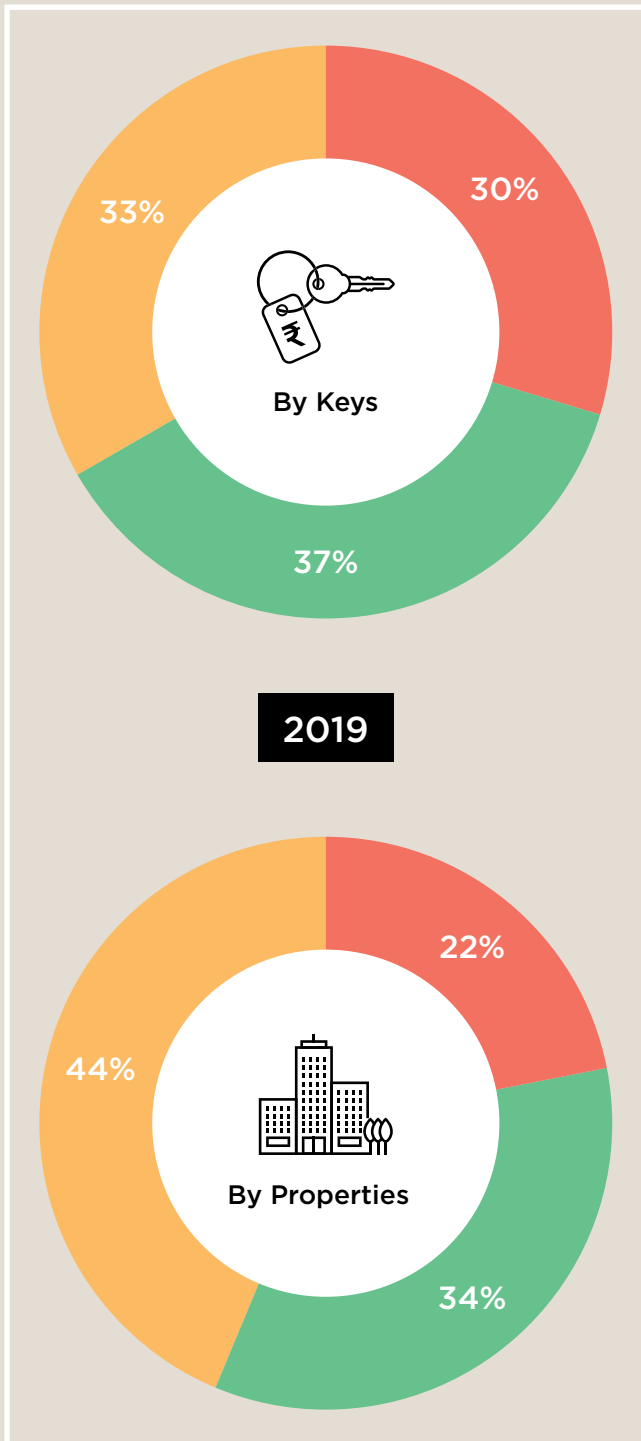
By Keys



By Properties

Brand Signings 2019: Tier Classification

Tier 3 & Tier 4 markets remain attractive to brands and account for the largest share of Signings by Hotels.



■ Tier 1
 ■ Tier 2
 ■ Tier 3 & 4

Brand Signings 2019: Market Positioning

Midscale Hotels remain the market leader for Hotels signed in 2019 with more than 50% market share, but represent only 39% of the branded keys signed in the market amounting to 8,152 keys.

The Economy & Upscale Hotels have increased their market share substantially from the previous year signings.

By Keys



By Properties



■ Economy ■ Midscale ■ Upscale ■ Luxury

Brand Signings 2019: Market Segment

By Keys



■ Commercial ■ Leisure ■ Others

Source: HVS Research

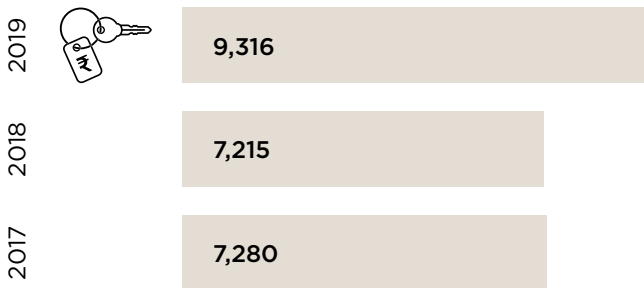
2019 Brand Openings

Brand Openings 2017-19*

In 2019 the industry set a record with the opening of 9,316 branded keys, considerably higher than our expectation of 8,574 keys.

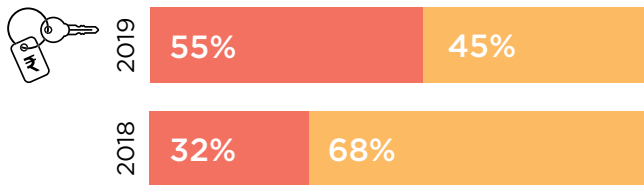
The domestic brands overtook their international peers by opening 69% of properties and 55% by keys. Marriott International opened the maximum number of hotel keys in 2019.

By Keys

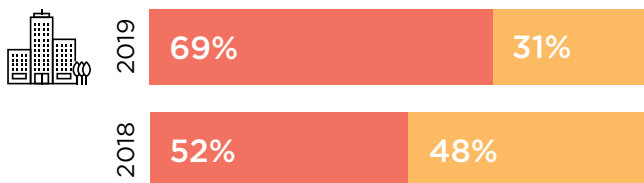


Brand Openings 2019: International vs Domestic Brands

By Keys

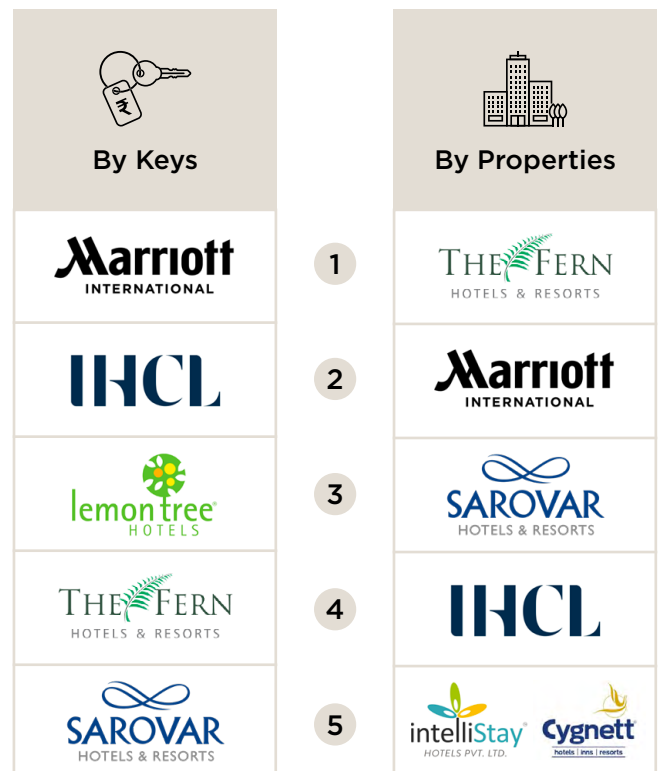


By Properties



■ Domestic ■ International

Rankings of Top 5 Operators in 2019



*Reported by Hotel Operators as of 31st December 2019 for CY2019
Source: HVS Research

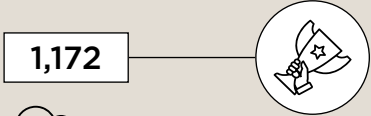
Brand Openings 2019: Top Destinations



By Keys

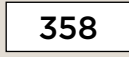
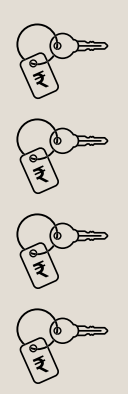
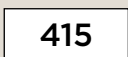
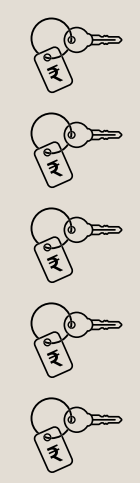
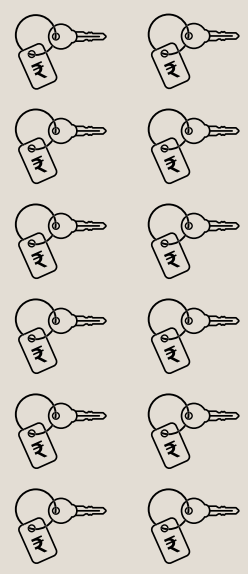


By Properties

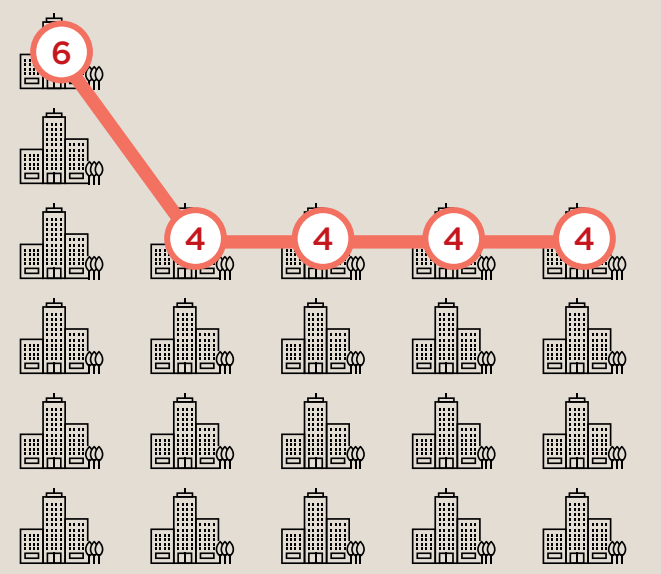


Kolkata witnessed the maximum brand openings in 2019 in terms of both keys as well as properties due to the addition of the ITC Royal Bengal with 456 keys.

2019 saw Tier 3 & Tier 4 destinations such as Surat, Amritsar and Agra gaining ground.



Kolkata Hyderabad Agra Mumbai Surat



Kolkata Amritsar Bengaluru Goa Hyderabad

Hotel Investments

The year set a record for hotel transactions in the country. **Hotel transactions reached ₹4,937 Cr (USD 690 Mn) during the year compared to ₹535 Cr in 2018 & the previous high of ₹1,992 Cr in 2015.**

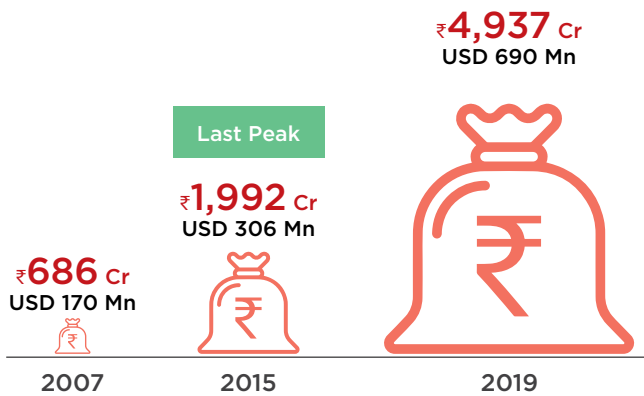
2019 witnessed two key M&A activities:

- Brookfield acquisition of Hotel Leelaventure (value ₹3,950 Cr)
- Lemon Tree Hotels' acquisition of the Keys Hotels portfolio (value ₹600 Cr)

2019 witnessed two key listings on the stock exchange:

- Chalet Hotels IPO in January 2019 raised ₹1,641 Cr and was subscribed 1.57 times
- Successful listing of the 1st REIT by Embassy and Blackstone also included hotel assets

Hotel Transaction Volumes



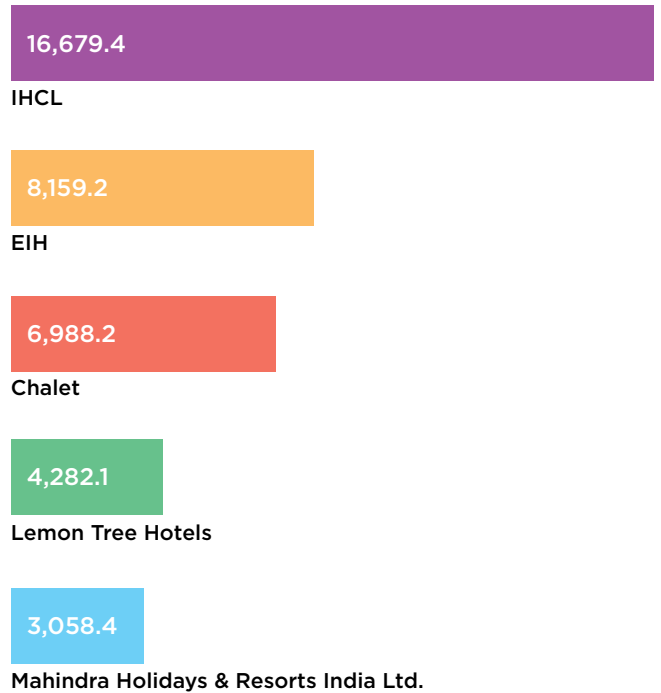
Source: HVS Research



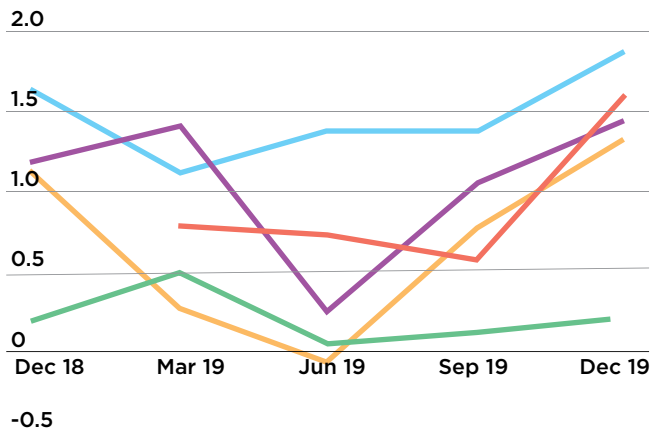
The Oberoi Gurugram

Performance of Key Hotel Stocks in Equity Markets

Market Cap (₹Cr)*



Quarterly EPS



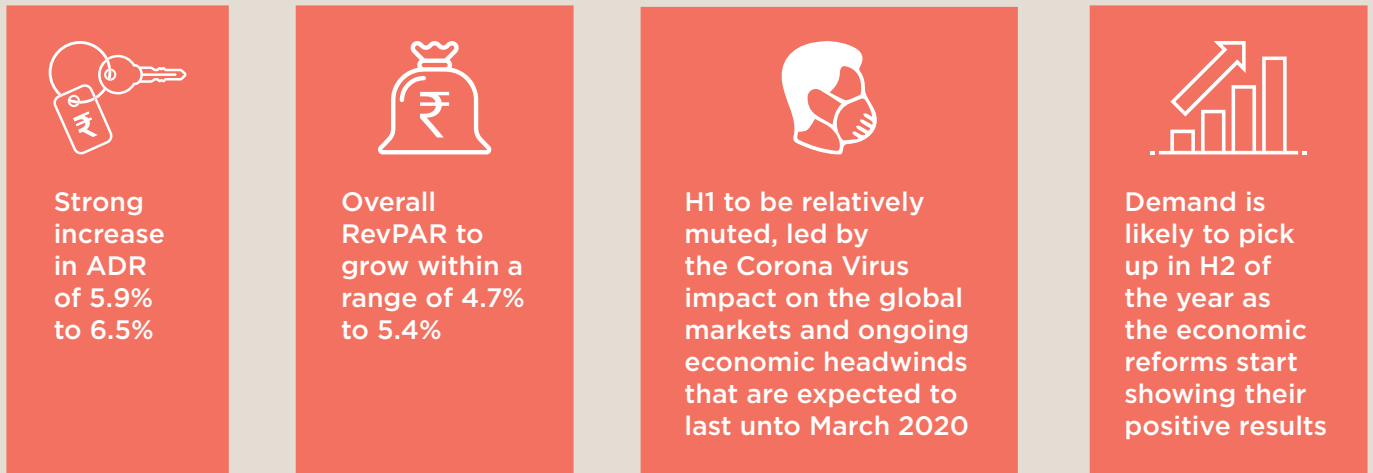
*Data as on 7th February 2020

Source: BSE

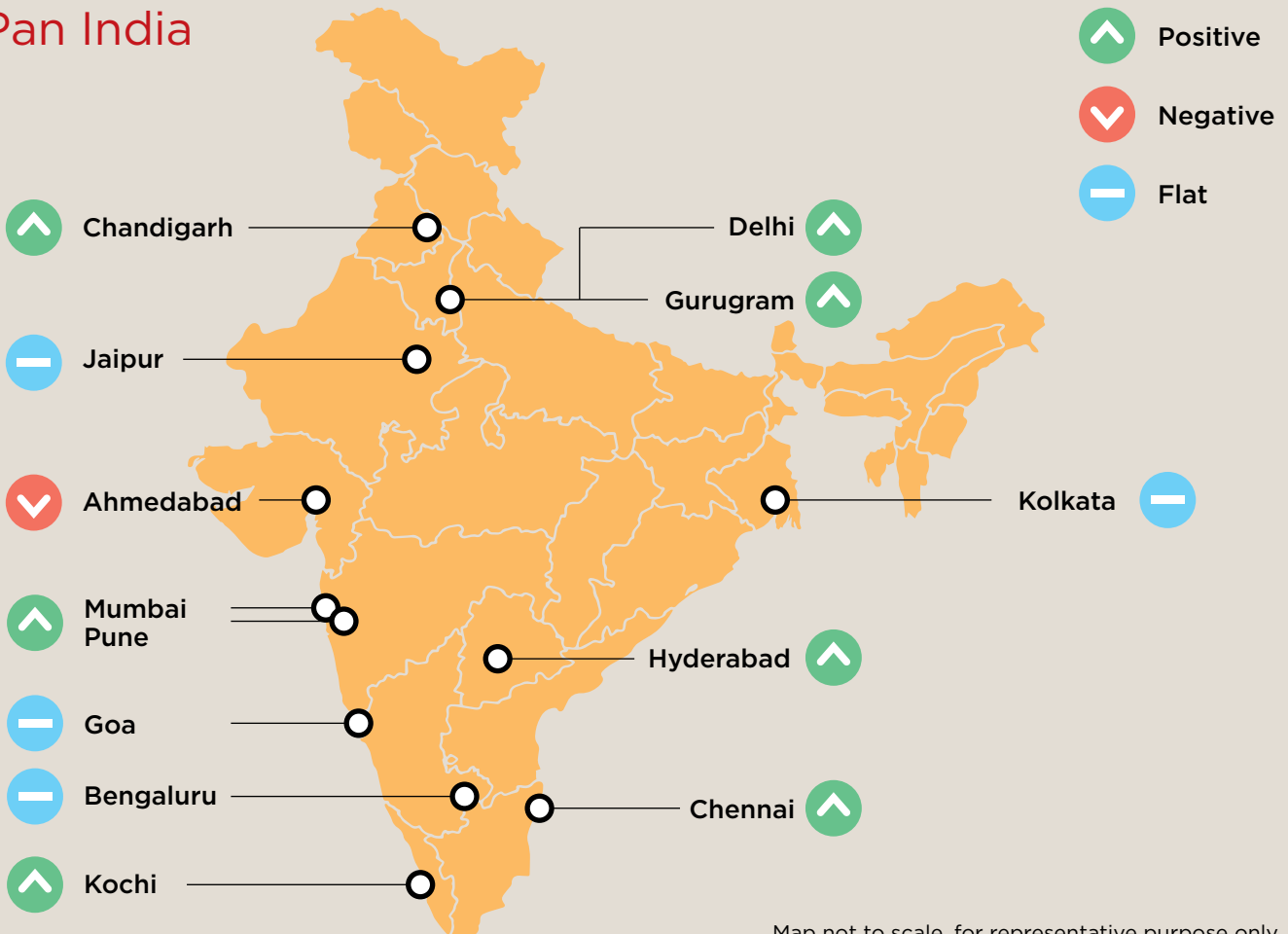
2020 Outlook

The Union Budget 2020 has proposed an allocation of ₹2,500 Cr for the promotion of the tourism sector in conjunction with an allocation of ₹3,150 Cr for the Ministry of Culture in FY21. The primary plan is to invest in infrastructure development, including the development of 100 new airports till 2024 and rail network for iconic destinations, and towards skill development in heritage tourism.

Additionally, with a healthy demand and supply gap as well as positive fundamental drivers of demand, we anticipate:



Pan India



Map not to scale, for representative purpose only

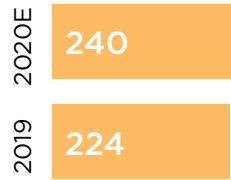


Brand Signings
estimated at 240 hotels
with 22,975 keys

By Keys

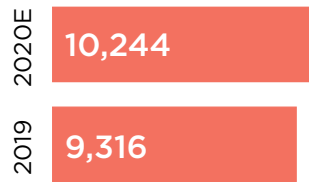


By Properties

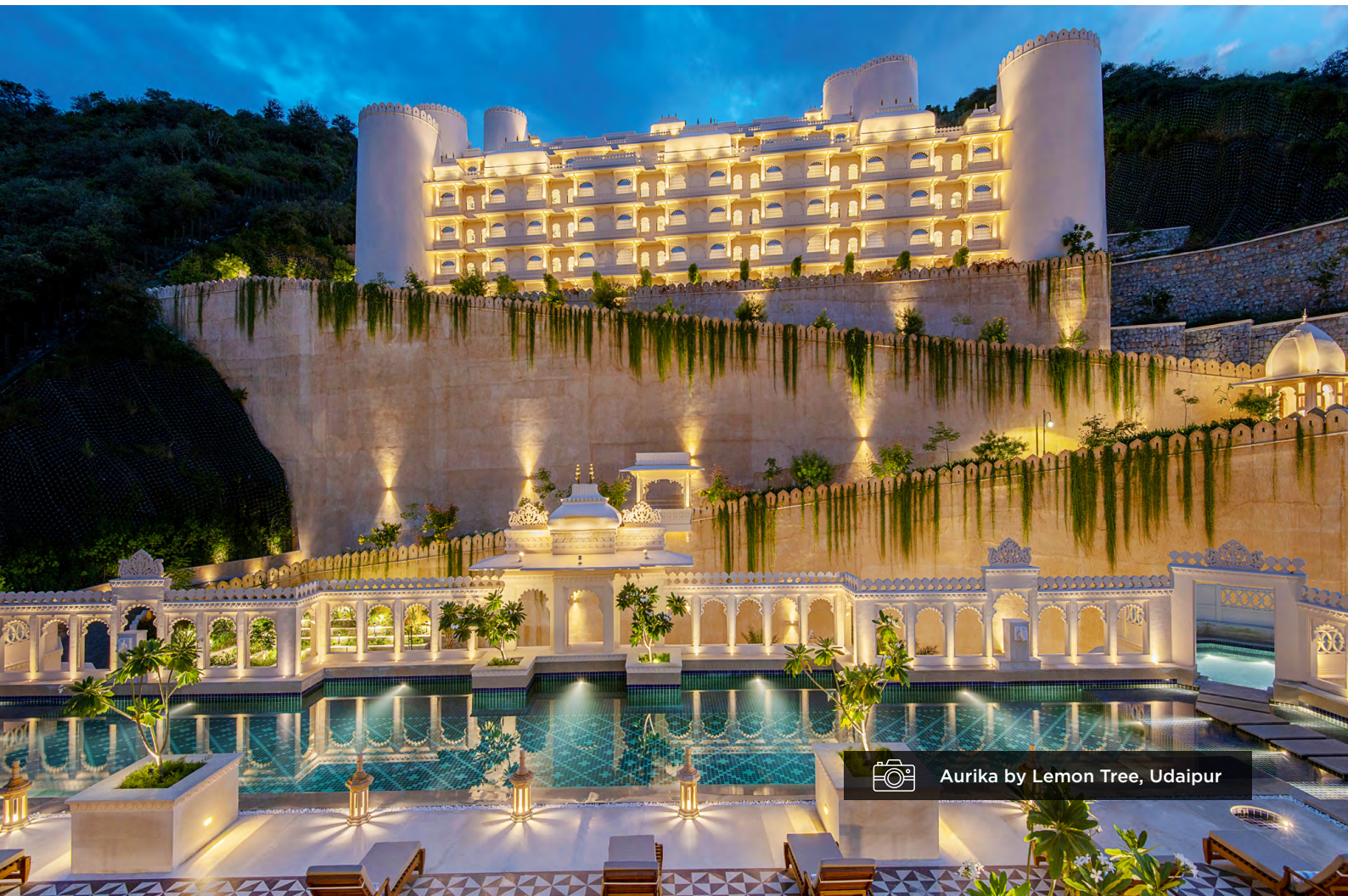
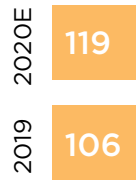


Scheduled Openings
at 119 Hotels with
10,244 keys

By Keys



By Properties



Aurika by Lemon Tree, Udaipur



Hotel transaction volumes are predicted to exceed circa USD 800 Mn



1

Indian Hotels Company (Taj Hotels) & GIC of Singapore JV with a corpus of USD 600 Mn will get active in 2020

2

Brookfield expected to grow the Leela portfolio after its successful acquisition

3

Blackstone likely to enhance hospitality investment post the closure of Trident Hyderabad acquisition

4

SAMHI Hotels and Apeejay Surrendra Park Hotels to raise growth capital through public listing

5

Chalet Hotels looking to grow portfolio

6

Renewed interest from PE investors

7

Several portfolio deals expected to hit the market



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ANAROCK is India's leading independent real estate services company with a presence across India and the Middle East. The Chairman, Mr. Anuj Puri, is a highly respected industry veteran and India's most prominent real estate thought leader. The Company has diversified interests across the real estate lifecycle and deploys its proprietary technology platform to accelerate marketing and sales. ANAROCK's services include Residential Broking and Technology, Retail, Commercial, Investment Banking, Hospitality (via HVS ANAROCK), Land Services, Warehousing and Logistics, Investment Management, Research and Strategic Advisory & Valuations.

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