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Hotels may take 2 yrs to limp back to normalcy

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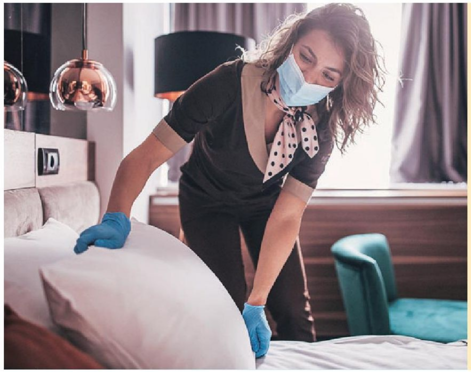
Operational performance of hotels in India across categories — including luxury, upscale, midscale and economy — is expected to remain depressed for over two years and unlikely to touch FY19 levels any time soon, according to consulting firm Hotelivate's latest *Indian Hospitality Status and Pulse* report.

This comes even as India battles a rapid surge in active Covid cases while large swathes of the country remain under localised lockdowns. The second quarter of FY22 is likely to remain under severe pressure.

While the economy segment is likely to have closed the Covid year with the lowest occupancy, the mid-scale hotels witnessed the least erosion, wrote Achin Khanna, managing partner, strategic advisory, and Kush Anand, analyst-strategic advisory at Hotelivate.

"Confirmed proposed supply across positioning, coupled with the likely resurgence of demand over FY22 and FY23, is intrinsic to our forecast of performance. Recovery is likely to take a little over two years and the pace, across positioning, may appear to be largely similar," they wrote.

ICRA, too, is bearish in its forecasts. The recent second wave/localised lockdowns are expected to have an impact on discretionary travel and occupancy over the next 1-2 months, it said.



CLOSED DOORS

- Economy segment likely to have closed the year with the lowest occupancy, while mid-scale hotels witnessed least erosion, says Hotelivate
- While a widespread vaccination roll-out could ease things to an extent, situation is evolving and remains monitorable, according to ICRA
- Pan-Indian average revenue rates will still be at a discount to the FY19 levels in FY22
- Decline on both ends of the spectrum — economy and luxury — turned out to be the steepest
- Most upscale, midscale hotels present in urban India and dependent on corporate transient as well as business MICE segments to recover

While widespread vaccination rollout could ease things to an extent, the situation is evolving and remains monitorable, it said in a recent report.

Pan-Indian average revenue rates (ARRs) would still be at a discount to the FY19 levels in FY22.

"The extent of revenue per average room (RevPar) in FY22 is contingent on timelines tied to the pandemic and can witness downward revision in the coming months. Recovery to pre-Covid levels will take about 2-3 years," it said.

Interestingly, the decline for hotels on both ends of the spectrum — economy and luxury — was the steepest, according to Hotelivate's research. They are also likely to attain the sharpest improvements.

Early signs of this already became visible in Q4 of FY21, as business travel-related demand resumed first in budget/economy hotels and discretionary transient leisure picked up across luxury hotels and resorts.

Most upscale and midscale hotels are present in urban India and are dependent on corporate transient as well as business MICE (meetings, incentives, conference and entertainment segment) segments to resurge.

The absence of a meaningful inbound travel (which is largely corporate again) adds to their woes. A majority of the nation's organised inventory sits in the mid and upscale space and may witness a recovery that is marginally slower than the hotels at the top and bottom of the pyramid.

The Hotelivate report also underscores the strong correlation between air travel and hotel inventory. The two have been moving in tandem. Consider this: The nation-wide inventory for hotels is expected to increase to 1,63,656 by 2023. This will be the highest in