

News monitored for: Lemon Tree Hotels

Hotel chains set to hike room rates by up to 20%

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Mumbai: Hotel companies are set to increase room rates by up to 20% as the business season kicks in a few weeks from now.

Certain key markets are expected to see a higher double-digit increase in room rate, with the national average being between a high single digit and a lower double digit number.

Speaking with DNA Money, Patu Keswani, chairman and managing director, Lemon Tree Hotels Ltd, said absorption of the massive hotel room supply across India is still in process.

“This year, pricing will go up 15-20% in select markets only. Rates will go up between 7% and 15% in some markets while it will remain flat or increase marginally in a few other markets.”

For instance, Delhi will see a considerable hike in room rates as supply has been absorbed there, while Jaipur and Ahmedabad may not see a significant price



7-10%

Average rise in room rates seen across the market

70%

The hotel room occupancy levels across the country inching to

hike, he said. “Also, hotels in the Hinjewadi area in Pune will not see a price hike, but city centre hotels will hike rates. Players in different markets will adopt a different re-pricing strategy based

on conditions there,” said Keswani, adding that over the next two years all the new supply of hotel rooms across the country will get absorbed.

Experts said hospitality markets like Delhi, Gurugram, Mumbai, Bengaluru and micro markets in cities like Hyderabad will see a higher double-digit rate increase. In Goa it will be a function of how pricing (combination of air-tickets and hotel stays) compared to other options such as Bangkok and Dubai.

This summer was bad for the Goa market as compared to the previous year due to new hotel room supply and a drop in demand. In fact, the combination was a double whammy. After floods, Kerala is in a rebuilding stage, so a price hike situation is unlikely there while Chennai will witness a marginal increase in room rates.

Room rates have started rising in some markets this month itself, according to Ajay K Bakaya, MD, Sarovar Hotels and Resorts. **Turn to p2**

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From p1
“Now is the time when new rates come into play and we will start to witness it in entirety from November. My sense is that the national average, in terms of hotel room rate increase, will be between 7% and 10%,” said Bakaya.

The Indian hospitality market, year-to-date (YTD) in 2018, has seen tremendous growth. One of the major reasons is the shift in focus from providing amenities to becoming more customer-centric and even the integration of technology to improve guest services. After a long wait, the stabilised ho-

tels in India have breached 70% occupancy levels.

Arif Patel, vice-president – sales, marketing, distribution and loyalty, AccorHotels India, said, “We are expecting room rate hikes post Diwali as there will be an increase in demand for both business and meetings, incentives, conferences and exhibitions (MICE) season. With limited supply in the upcoming months in major cities, we are hopeful that this period will be beneficial for the hospitality industry and are forecasting an increase of over 10% compared to last year.”

Comparing the industry to



what it was a couple of years ago, industry experts said it would not be wrong to say that there was a huge disparity in demand and supply. “In 2018, we have seen whooping growth in the demand, whereas the supply has been low in terms of new hotel

launches and expect to see high growth in 2018-19 as well compared to the last few years. This holds true for the cities like Delhi, Mumbai, Pune, Hyderabad and Bengaluru where the supply has been limited,” Patel said.

Players in the travel and tourism industry, too, see hike in hotel room rates this season, particularly for the key tourist destinations. In fact, the domestic business has already seen a growth of 20% this year, said Rajeev Kale, president and country head - holidays, MICE, visa and passport services, Thomas Cook (India) Ltd.

“We expect a hike of around

15% to 20% in popular winter destinations like Andamans, South India, Rajasthan, Gujarat and so on. Hotels will plan the hike in tariffs, keeping in mind the demand, competition and the choice that international destinations give,” he said, adding that for the rest of the markets, barring the festive season, room rates would be more or less same or lower. According to Karan Anand, head - relationships, Cox & Kings Ltd, while the overall business sentiment has improved the upcoming winter is expected to be even better as it signals the beginning of our inbound tourist season.