News monitored for: Lemon Tree Hotels
‘Indian Hospitality Sector may See many more Deals in 2019’

Hotel transaction volumes may cross $800 m this year, indicates study

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New Delhi: Hoteliers and analysts expect 2019 to be a bumper year for deals in India’s hospitality sector following Brookfield’s purchase of Hotel Leela venture’s assets, the sale of Keys Hotels to Lemon Tree and Blackstone’s potential acquisition of Golden Jubilee hotels, apart from a robust performance in the fourth quarter of 2018. Hotel transaction volumes could cross $500 million in 2019, the highest for the Indian hospitality industry, HVS Anarock estimates.

“The sale of the Leela Hotels portfolio is a welcome development as it releases a leading Indian luxury portfolio from the crippling crisis it had been facing over the last several years,” said Mandeep Lamba, president, South Asia, at HVS Anarock. “This also indicates a renewed interest in the Indian hospitality sector from leading global investors and augurs well for the transaction markets.”

Last week, LeelaVenture said Canadian alternative asset management company Brookfield had agreed to buy its hotels in New Delhi, Bengaluru, Udapi and Chennai for $3.950 crore. Lemon Tree Hotels signed a non-binding term sheet with Berggruen Hotels this month to acquire its loss-making Keys Hotels for an estimated $70 million.

It has about 20 owned, managed and franchised hotels in Mumbai, Chennai, Pune, Gurgaon, Shirdi, Tirupati and Mahabalishwar. “There is a positive sentiment in the market now that if you have assets that are credible, you will get a buyer, which was never the case at that level. It appears that institutional investors like Brookfield, Blackstone and KKR are serious about doing business in the hotel sector. They were focusing on real estate,” said Jaldeep Dang, MD of James Lang LaSalle’s hotels and hospitality business.

The Blackstone Group received approval from lenders to acquire bankrupt Hyderabad-based Golden Jubilee Hotels, which shot into the limelight after hosting Ivanka Trump in 2017. ET reported in December. This is the first case of international institutional capital coming in for financial resolution of a company under the Insolvency and Bankruptcy Code.

“We are receiving a lot of traction on the deals we are running from institutional investors as well as family offices. We have the mandates to sell some very credible assets in tier-one leisure markets across mid-scale, upscale and luxury. There are motivated buyers and sellers,” Dang said.

It helps that the sector’s performance in the fourth quarter of 2018 was robust compared with a year earlier. According to JLL, revenue per available room increased in eight of the top 11 markets in India in the fourth quarter over the same period last year. Barings Kolkata, the 11 markets including New Delhi, Mumbai, Bengaluru, Chennai, Goa, Hyderabad and Jaipur, witnessed an increase in average daily rates in the quarter.

International hotel operators dominated signings over domestic operators in the quarter in ratios of 5:4, according to JLL.