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Hotel occupancies, room tariffs back to pre-covid levels

Large operators like Hilton, Radisson, Lemon Tree see it as the start of a quick turnaround for hospitality sector

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After a gap of nearly two years, the covid-battered hospitality industry is on the path to recovery as hotels across the country return to pre-pandemic tariffs and occupancy.

Establishments in several tier-1 cities have gone back to their pre-covid average room charges, while leisure cities have long surpassed their pre-covid tariffs. Large operators like Hilton, Radisson, and Lemon Tree are hoping this will mark the quick turnaround they had been hoping for.

Zubin Saxena, India managing director and vice president-operations, South Asia of the Radisson Hotel Group, while not sharing numbers, said, "Easing of mobility restrictions backed by pent-up demand has translated into increased summer travel. We are recording healthy average room rates (ARRs) and occupancy rates across our portfolio of 108 hotels in India for both leisure and business. "Our key markets like Delhi NCR, Mumbai, and leisure destinations, including Lonavala, Dharamshala, Mussoorie, and Shimla are driving recovery for us. We are optimistic for a robust season ahead."

According to STR, which provides analytics and insights on global hospitality sectors, amid continued recovery from the Omicron wave, India's hotel industry eclipsed the pre-pandemic comparable in occupancy and average daily rate (ADR) for three consecutive days during the second week of April. ADR is a measure of the average rate paid by a customer for rooms sold, calculated by dividing net room revenue by rooms sold. The three-day weekend from 16 to 18 April saw both occupancy and ADR in India above 2019 levels.

Historically, March isn't the strongest month for hotels in India. However, in 2022, it was a slightly different story. Leisure destinations continued their momentum from the prior months, taking advantage of traveller confidence returning after the Omicron wave.

Business demand, although present, was limited after the Delta wave in 2021, but metros saw significant signs of business travel this time after the Omicron wave. Group business, not limited to weddings, started coming back strongly in March and continues its momentum in April as well, said Karan Mahesh, account manager, central & South Asia at STR.

There is still room to grow, said one consultant. "The strong recovery in demand is driving steady increases in average room rates, which are gradually approaching pre-covid levels in the majority of the markets. In March 2022, the average rates in India were in the range of ₹5,400-5,600, representing a year-on-year increase of 37-39%, but still 12% lower than in March 2019," said Mandeep S. Lamba, president (South Asia) at HVS Anarock.

Vikramjit Singh, the president of Lemon Tree Hotels, said its strategy was now completely



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focussed on driving higher ARR. "We started the season with a revenue meet where it was decided that it's time, we re-looked at pricing across the portfolio and aim for ARR recovery in the first quarter itself. We see corporate pent-up demand playing out in the first quarter along with a plethora of auspicious wedding dates resulting in what we feel will be a start of a great recovery for the industry in general," he said.

"April has also pleasantly surprised us with the resurgence of corporate demand which was the only segment where we had not seen any significant recovery," he added.

With restrictions being eased after the third wave, the company has witnessed the fastest recovery in occupancy and ARR in its leisure portfolios of Srinagar, Udaipur, Goa, Gangtok, Corbett, Chandigarh, Bandhavgarh, Manesar, Jaipur, Katra, and Amritsar. Along with transient demand, weddings and MICE (Meetings, incentives, conferencing, exhibitions) have done well in most leisure destinations. Along with the surge in leisure travel, they have also seen the impact of staycations playing out in their city hotels, which have augmented the occupancies there.

Cities like Gurugram, Bengaluru, and Hyderabad, which have been laggards so far, are now showing a bounce-back. Delhi and Mumbai have surpassed their pre-covid numbers, Singh added.

Thomas Cook, a large tour operator, said average room tariffs for popular hill stations are 30-40% higher than pre-pandemic levels, while beach destinations have seen an increase of approximately 30%; rates for key metro cities like Delhi, Mumbai, Bengaluru, Chennai, Hyderabad, and Pune are already at pre-Covid levels. Spiritual destinations too have witnessed a 10-15% increase in room rates.

GOOD TIMES

HISTORICALLY, March isn't the best month for hotels in India. But, in 2022, it was a different story

LEISURE destinations continued the good run as traveller confidence returned after the third wave