Hotel firms vie for prime land

Land deals come as room demand outpaces supply, with occupancy up 6% and average daily rates rising 7.5%

Varuni Khosla
varuni.k@livemint.com
NEW DELHI

Premium hotel supply additions are likely to lag demand over the next two to three years, supporting room rates.

Hotel operators are committing large sums to secure land and development rights in some busiest business and leisure markets, where strong demand is driving the need for more rooms.

In the latest of a series of land and development rights deals by listed hotel companies in 2026, Lemon Tree Hotels Ltd's subsidiary Fleur Hotels bought a 989.3 sq. m land parcel in Mumbai's Bandra East for ₹120 crore, with plans to develop a 172-key Lemon Tree Premier.

ITC Hotels Ltd paid ₹326.5 crore in January as a one-time premium for a roughly 91-year lease at Yashobhoomi, the India International Convention & Expo Centre (IICC), in Delhi's Dwarka, while Juniper Hotels Ltd secured licence rights to 2.52 acres in Dwarka in June for a planned 500-key luxury hotel.

Oberoi parent EIH Ltd said in February that it was evaluating an entry into Navi Mumbai through an owned hotel, management contract or joint venture. Samhi Hotels signed a long-term lease with Ingka Centres in April for a 162-room hotel in Noida, and Chalet Hotels followed in August with lease deals with Mindspace Business Parks REIT for 231-key and 150-key hotels in Pune and Hyderabad.

The deals come as room demand outpaces supply, with nationwide occupancy up 6% year-on-year and the average daily rate (ADR) rising 7.5% in 2025-26. Mumbai, New Delhi, Bengaluru, Goa and Udaipur recorded the highest revenue per available room (RevPAR), according to June quarter data from Hotelivate-Savills.

Premium hotel supply additions are likely to lag demand over the next two to three years, supporting room rates, while occupancies are expected to rise from 67% in 2026 to 69% in 2027, according to hospitality consultancy HVS Anarock.

Lemon Tree Hotels, which operates more than 130 hotels across over 80 cities, said the Bandra acquisition was aimed at building greater density in Mumbai, which it sees as a collection of high-yield, distinct micro-markets. "Expanding to seven properties in the city, with our first development in Bandra, aligns with our strategy of building cluster-level market density," said Lemon Tree Hotels MD Neelendra Singh.

The hotel will connect the business corridor around Bandra Kurla Complex with Bandra's social and leisure catchment, he said.

The supply response is uneven across markets, making access to well-located sites important for operators looking to add rooms in established business and leisure hubs.

Rattan Keswani, a hospitality veteran with leadership roes at Lemon Tree Hotels and former president at Trident Hotels, said prime locations are becoming difficult to find, especially in dense metros. Mumbai is operating at 77-78% occupancy, for instance, and any pocket of land in the central part of a metro will have a huge upside.

"While demand rises at 12-13%, supply is at 7-7.5%. So, when a company finds a prime location it is willing to pay up to secure it. We are also seeing players like Chalet Hotels make large-ticket investments. Funds and family trusts are also entering hospitality because, for larger investors, it is increasingly a real-asset play," Keswani said.

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URBAN LAND RUSH

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HOTEL operators, funds and family trusts are seeing hospitality as a long-term investment