



Hotels Recovery Guide

India

Bengaluru

JLL's Hotels & Hospitality Group | August 2020





Pre-COVID-19 trend

Marketwide hotel RevPAR achieved a 7.1% compound annual growth rate (CAGR) over the past five-year period (2014-2019). This was driven by growth in both ADR and occupancy, which recorded a CAGR of 3.6% and 3.4% over the same period, respectively.

Total hotel supply registered a CAGR of 7.8% during the period analysed, which was fuelled by luxury hotel supply (+13.8% CAGR). New supply of luxury hotels is expected to continue to grow, increasing by 7.6% annually from 2020 to 2022.

INR 5,327.5 Cr 2019 was a record year for India's hospitality sector in terms of hotel investment volume.

Hotel investment volume in India, 2019

The hotel transaction market in 2019 was very buoyant, with total deal volume in the country achieving a record INR 5,327.5 crore (USD 762 Million). This included the acquisition of four operational Leela Palace Hotels, a land parcel in Agra, and the "Leela" Brand by Brookfield. This represented the largest proportion of the total transaction volume in 2019 and was also the highest hotel portfolio transaction value in India to date.

The hotel investment landscape in India was bolstered by confidence in continued improvement in RevPAR across key hospitality markets. This is attributed to the stellar performance of office markets in major business cities, which resulted in an accelerated growth in corporate demand.

Notable hotel transactions in India

Year	Property Name	Keys	Price	Price per Key
2020	Trident, Hyderabad	324	INR 585 Cr	INR 1.8 Cr
2020	Novotel, Pune	223	INR 290 Cr	INR 1.3 Cr
2019	Leela Palace Hotels and Brand ¹	1017	INR 3,950 Cr	INR 3.8 Cr
2019	Keys Hotel Portfolio	1911	INR 605 Cr	INR 0.24 Cr
2019	Delhi Aerocity Hotel & Convention Centre ²	932	INR 355 Cr	NA

JLL: Transacted by JLL

Note: Property Names listed as at time of acquisition

Source: JLL

¹ Four operational assets (including Leela Palace Bengaluru) and a land parcel in Agra

² 50% equity transaction for hotel led mixed-use development

COVID-19 impact

MARKETWIDE HOTELS

YTD July 2020 (year-on-year)

-53.2% Occ
-12.8% ADR*
-59.1% RevPAR*

*Local currency

Source: STR

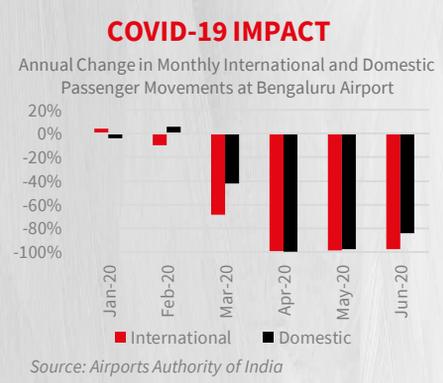
Since the first reported case of COVID-19 in Bengaluru on 8 March 2020, RevPAR has trended downward during the months that followed.

The decline in RevPAR is expected to bottom out in Q4 2020 as India gradually eases lockdown restrictions, and domestic travel as well as demand for drive-to destinations lead the way for recovery.

#9 Technology Innovation Hub Globally

KPMG, Technology Innovation Hubs, 2020

- +13.3% YOY**
4.8 Million
Total International Passenger Traffic to Bengaluru in 2019
- 14%**
Share of International Passengers
- +4.4% YOY**
14,987
Rooms as at end-2019
- Notable recent openings:**
Four Seasons Hotel
Grand Mercure Gopalan Mall
Ramada Yelahanka
Shravanthi Sarovar Portico
Regenta Inn Indiranagar
- Existing Supply**
Luxury: 25%
Upper Upscale: 14%
Upscale: 12%
Midscale: 32%
Economy: 17%



Bengaluru's road to recovery



The Prime Minister issued guidelines for "Lockdown 4.0" to restore economic activities and inter-state travel. The State Government announced its third and final economic package worth INR 512 crore. Bengaluru resumed further activities, particularly the opening of public transport, sports and fitness facilities, as well as partial opening of office complexes.

Partial easing of lockdown measures, including easing of inter-provincial travel restrictions. Bengaluru resumed domestic flights in June after two months of closure.

The city opened up considerably at the start of July, with every Sunday designated as a day of lockdown. However, with an increase in COVID-19 cases in the weeks that followed, a 9-day lockdown from 14 to 22 July was imposed.

With the "Unlock 3.0" guidelines from the Union Ministry of Home Affairs, night curfew from 1 August between 9pm and 5am and Sunday lockdowns from 2 August were lifted. Gyms and yoga institutes are allowed to reopen from 5 August across the state in accordance with plans to ease off more lockdown restrictions. As of end-July, international flights continue to remain suspended.



Limited distressed asset sales expected for Bengaluru

Owing to the ownership profile, a significant proportion of hotel owners in Bengaluru are long-term holders with strong balance sheets, and are better placed to weather out the pandemic when compared to other markets in India. Few distressed sales may occur in the market from owners that are unable to service their existing debt. Some owners who had already taken a decision to sell prior to COVID-19 are expected to still go ahead with their monetisation.

Business travel in key commercial markets first to recover

With strict lockdown and travel restrictions imposed since March, business travel has been severely impacted. Path to recovery is expected to prolong if regional restrictions remain due to rising cases of COVID-19. Although domestic tourism will drive demand post-COVID-19, we expected a continued sense of fear and scepticism, which may dampen tourism growth in the short run.

Gradual reopening of the country and easing of travel restrictions is expected to lead to a measured increase in business travel in major commercial markets.

Destinations within driving distance, in and around Bengaluru are also likely to see an increase in demand. There are many Golf Course resorts and Ayurvedic treatment / Spa resorts which may witness an early growth in demand.

Greater interest from private equity firms, distressed asset funds and high-net-worth individuals

We expect to see continued interest from institutional, domestic and international investors, as well as high-net-worth individuals. However, transactions will likely only occur once travel restrictions are further eased and site visits can be facilitated. We also anticipate increased investment activity from private equity firms and distressed asset funds, as they capitalise on opportunities to invest in hotel assets which would be valued at a discount to their pre-COVID-19 values.





Evaluate hotel's breakeven occupancy in light of the wider market outlook, taking into consideration extensive current supply and future pipeline.



Critically analyse hotel positioning, segmentation and geographical mix, accounting for limited domestic flights connectivity and almost negligible demand in the near-term from traditional international business and leisure source markets such as the USA, UK, China, Australia and Bangladesh.



With the Reserve Bank of India's financial support in the form of loan moratorium to stressed sectors (including hospitality), running out in August, hotels must undertake zero-based budgeting now and ensure flexible manning structure is in place. Factor in gradual demand ramp up, particularly in seasonal resort destinations such as Goa, taking into account the measured growth lasting through most of Q4 2020.



Leverage government's domestic tourism promotion to help restart operations and build local customer loyalty. Launch "staycation" packages to take advantage of the current travel restrictions and pent up demand from the locals and domestic tourists.



Ensure hotel facilities are ready for post-COVID-19 travel, embrace the restrictions and set up health and safety protocols for the reopening. Follow safety guidelines released by Ministry of Health and Welfare, and secure local and/or international health and safety certifications to instill guest confidence.



Target local MICE and government groups for potential smaller corporate events, highlighting full compliance with enhanced safety, security and hygiene measures.



Consider selective marketing campaigns to targeted list of repeat customers, offering attractive packages and rate flexibility via the "book now, stay later" option.



Look at alternative revenue options such as partnering with food delivery platforms (e.g. Zomato, Swiggy etc.), creating promotional takeaway items, and exploring meal delivery plans for nearby households/ offices (e.g. IHCL's 'Qmin' app). Explore strategic partnerships with credit card companies and phone carriers to promote outlets to local residents. Consider offering day passes to locals and guests from nearby districts / cities within driving distance to gain supplemental is assisting hoteliers explore revenues.



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