

Strong fundamentals to drive growth in India in the long term according to Jones Lang LaSalle Hotels'
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The long-term outlook for India's hotel industry remains upbeat as the country's tourism industry experiences unprecedented growth, according to the latest Indian hotel market outlook report, India Digest 2008, by Jones Lang LaSalle Hotels, the region's market leader in hotel investment and advisory services.

While domestic tourism is expanding in India owing to an increasingly affluent and growing population, greater consumption and the introduction of low cost airline carriers, the Indian government is looking to grow foreign visitation to 10 million international visitor arrivals by 2010, the year of the Commonwealth Games in Delhi. Over the last five years, India has seen double-digit growth in foreign visitors to a 10-year high of five million arrivals in 2007. Foreign exchange earnings for the same year soared in tandem to INR480 billion (USD12 billion), a year-on-year increase of 34%.

The strong performance of the corporate sector and the growth in the economy has led to an unprecedented surge in business travel. 'While the Indian economy has been affected by the current challenges faced by the global economy, the impact is expected to be short term,' said Mr Sudeep Jain, Executive Vice President India, Jones Lang LaSalle Hotels. Aggressive growth in revenue per available room (RevPAR) has been recorded in the three key cities of Delhi/NCR, Mumbai and Bangalore over the past five financial years.

'In India, if you look at it medium to long term, the fundamentals are very promising. In a global context, given the size of the economy, the population and the future potential of India as a tourist destination, the demand fundamentals are very good. We expect that continued economic growth, increased interest in the Indian markets and improved international access, combined with the modernisation of major airports, will boost inbound travel in India,' adds Mr Jain.

The long-term demand for India will mean that the country requires a lot more hotels to service that future demand. With a current supply of around 100,000 rooms, stifled stock growth over the last five years is leading to a demand-supply crunch. 'Based on the government target for 2010, India will need to add at least 150,000 new rooms in the next four years. The total known supply in the pipeline for major Indian cities (as of March 2008) through to 2011 currently stands at just over 29,000 rooms and some of this supply will be delayed given the turmoil in the global financial markets,' said Mr Jain.

India Digest 2008 also notes that during FY2006-2007, the five-star deluxe and five-star hotel segment in key Indian cities recorded strong growth in revenue per available room (RevPAR) with year-on-year average room rate (ADR) growth of 40% reported in Delhi/NCR and Mumbai, and almost 20% growth in Bangalore. Jones Lang LaSalle Hotels cautions that such growth is not sustainable over the long term as room rates are expected to adjust to more realistic levels as new supply come online.

Leading the development of new hotels in the country are a number of Indian real estate players who view hotels as a natural extension and synergy to their growing real estate portfolios. 'The hotel investment market in India will see an increase in volume going forward. Historically, very few operating assets have transacted in the market, and currently most investment opportunities are in assets being developed, however, the future will be different as the market matures', says Mr Jain.

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