



# THE INDIAN OWNER SPEAKS

By HVS India

HVS India is pleased to share the interesting results of its very first owner's survey. We hope this pioneering effort will serve as the voice of this important industry stakeholder and highlight his/her views, perceptions and some very pertinent concerns that need to be addressed.

## PRODUCT PROFILE

The owner's sample set represents mostly branded rooms, with nearly half these rooms having an upscale positioning and a downtown (city-centre) location.

## THE SAMPLE SET

Data collection for the survey commenced in January 2013, marked by the dispatch of a self-reporting survey format (online) to all owners in the HVS India database. Responses were received from a diverse sample set of owners collectively owning around 21,000 hotel rooms. **We would like to specifically state that the information received from the survey participants was statistically aggregated and is not representative of HVS India's or an individual's views in any manner.**

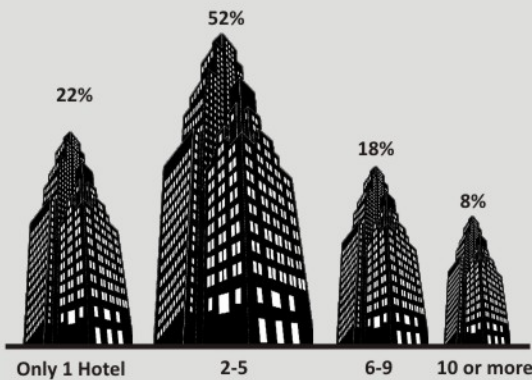
The diversity of the sample set deserves mention as it has a healthy mix of owners with individual and multiple hotels across varied market positionings. Further, the owners collectively have/are about to have/had in the past an affiliation with around 35 hotel brands (domestic and international), allowing for unbiased and independent responses to the questions asked in the survey.



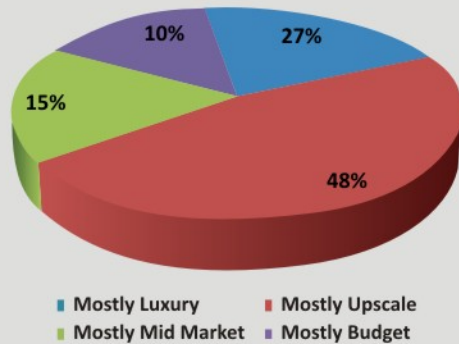
# of rooms represented

20,863

How many hotels do you own in India?



Which of these represents the positioning of the majority of your hotels?

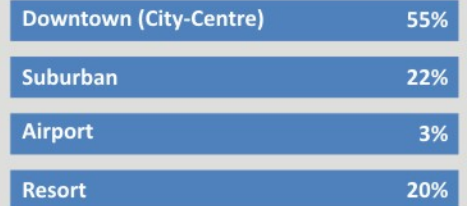


What is the average age of your hotels?



\* Less than 1 year includes proposed hotels.

In what type of location are the majority of your hotels?



Are the majority of your hotels branded or unbranded?



How long back were the majority of your hotels renovated?



Have your hotels undergone any brand-mandated upgrades or changes in the past 12 months?



## SENTIMENTS

The survey identified the top five challenges faced by hotel owners in India:

- \* Scarcity of quality manpower
- \* High cost of capital
- \* The lengthy approval and licensing process
- \* Alignment of owner and operator expectations
  - Brand standards often override owners' objectives
  - Development assurances do not match operating deliveries
  - Management contract agreements tend to be pro-operator with little/no penalty for poor performance
- \* Rising development costs

A few also highlighted rising operating costs, particularly payroll related, to be a challenge.

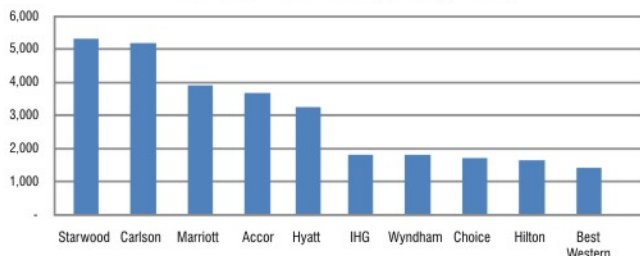
## DISCLAIMER

HVS India confirms that these opinions are solely those of owners and that no brands were invited to participate in the survey.

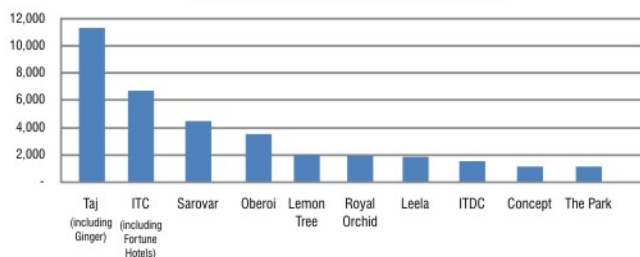
The brands featuring herein were provided as options for the ranking exercise in the survey, as they are the top 10 international and top 10 domestic brands in the country by existing inventory as of September 2012 (see the existing inventory graphs below).

Furthermore, keeping in mind the significance of F&B in Indian hotels, survey participants were asked to rank F&B operators from within a mixed pool of six international and six domestic brands.

International Hotel Brands by Existing Inventory



Domestic Hotel Brands by Existing Inventory



## Most Preferred INTERNATIONAL BRAND OVERALL



Do you think brands add value to your hotel(s)?

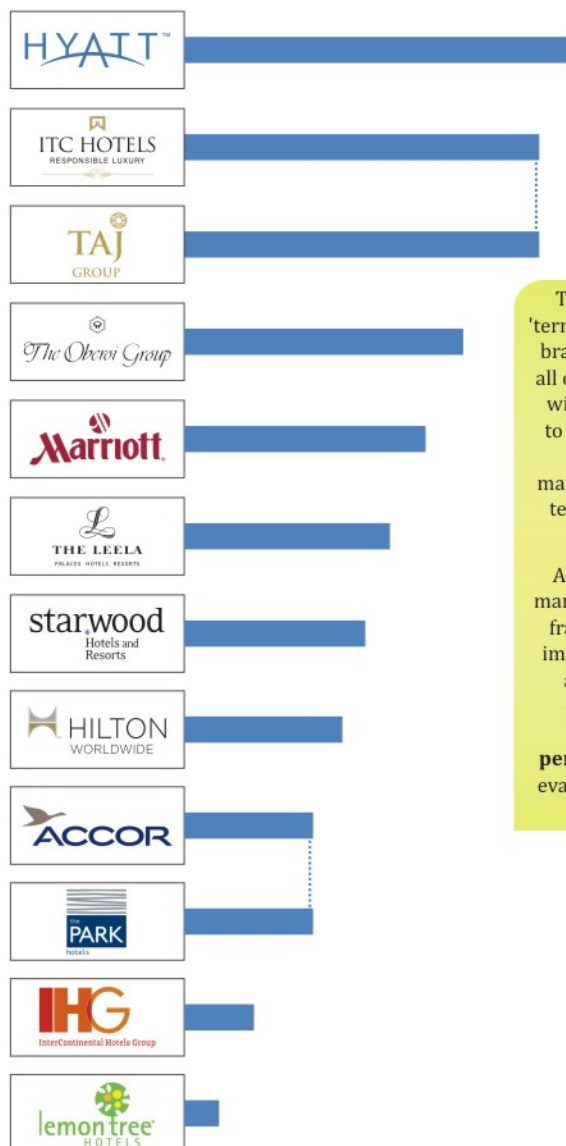
YES - 92% **BRAND VALUE**  
NO - 8%

In response to the top three requirements from the Indian government for a more enabling environment, the owners have very emphatically sought:

- \* Single-window clearance to develop and operate hotels
- \* Investment-friendly taxation policies
- \* Improved tourism infrastructure including airports, roads and utilities

Additionally, they have requested for **INFRASTRUCTURE STATUS** for the hotel industry that is anticipated to result in the banking sector offering a longer loan term at lower interest rates than present.

### Most Preferred F&B OPERATOR



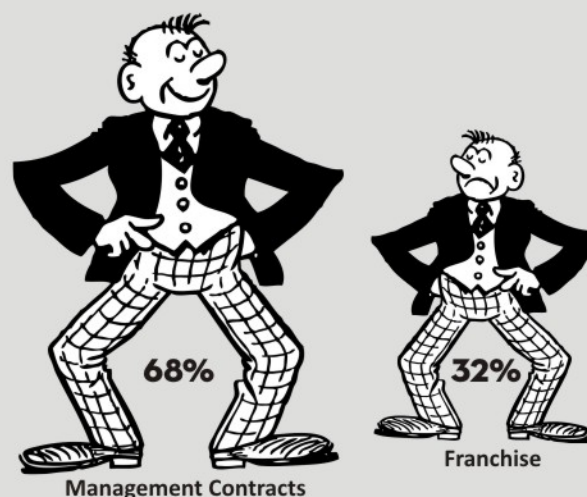
### Who according to you are better hotel operators?



If all brands were to offer both franchising and management contracts, which form of engagement would you prefer for your hotels?

The owner's inability to 'terminate a contract with the brand at will' is a challenge all of them have highlighted, with 90% of them willing to negotiate a 0.5%-2.0% increase in the base management fees for such a termination option being available to them.

As most owners prefer a management contract over a franchise agreement, it is important to highlight that a hotel owner in India associates maximum importance to the **performance clause** when evaluating the management contract.



How much MORE are you willing to pay as BASE MANAGEMENT FEE, in order to be able to terminate the contract with the brand at will?



What are your investment sentiments (pertaining to hotel assets) for the following cities in India?

	Agra	Ahmedabad	Bengaluru	Chennai	Delhi	Gurgaon	NOIDA
<b>Build</b>	3%	9%	10%	6%	11%	10%	8%
<b>Buy</b>	5%	9%	5%	6%	9%	10%	5%
<b>Hold</b>	4%	6%	13%	8%	6%	7%	7%
<b>Sell</b>	0%	3%	3%	10%	7%	6%	10%
<b>Not Considering</b>	17%	9%	6%	9%	4%	6%	9%

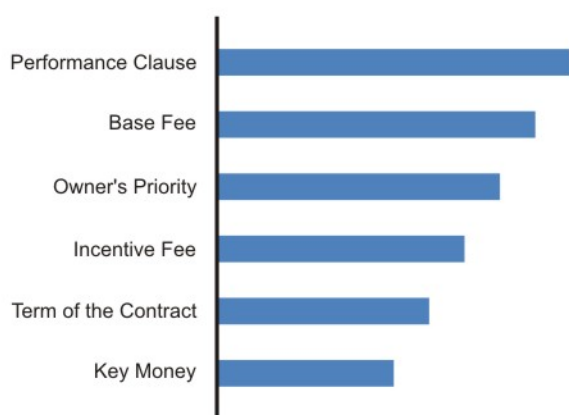
■ Build ■ Buy ■ Hold ■ Sell ■ Not Considering

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How satisfied are you with the performance of your current hotel brand?



While evaluating a management contract, what is MOST IMPORTANT to you?



**OUTLOOK**

Going forward, in the next two years, the **majority** of survey participants expect costs related to development and operations to rise and **nearly half** anticipate hotel values and operating revenues to remain stable. The vote is equally distributed for interest rates with **one-third** owners expecting interest rates to increase, an **equal number** expecting it to decline, and the balance **one-third** expecting it to remain stable.

Regardless, **89%** owners are keen to invest further in this sector focusing on the mid market segment, with the majority of them opting to build their future assets instead of buying an existing one. Debt is the most popular source of funding future hotel developments followed by investment from brands, which is becoming an expectation by most hotel owners.

Would you invest further in the hotel sector?



Would you build or buy your next hotel?



Mumbai and Delhi have secured maximum owner's votes depicting their keenness to build hotel assets in these cities, while Goa emerges as their favourite destination to buy hotel assets. In Pune, Hyderabad and to some extent Jaipur, the owner community is keen to sell their hotel assets and in the case of Bengaluru, most owners wish to adopt a wait-an-watch approach and hold on to their hotel assets for the time being.

	Goa	Hyderabad	Jaipur	Kolkata	Mumbai	Pune	TOTAL
Build	10%	5%	5%	5%	14%	4%	100%
Buy	15%	5%	7%	6%	8%	10%	100%
Hold	5%	11%	5%	10%	10%	8%	100%
Sell	3%	19%	13%	0%	3%	23%	100%
Not Considering	3%	7%	9%	11%	3%	7%	100%


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Build Buy Hold Sell Not Considering

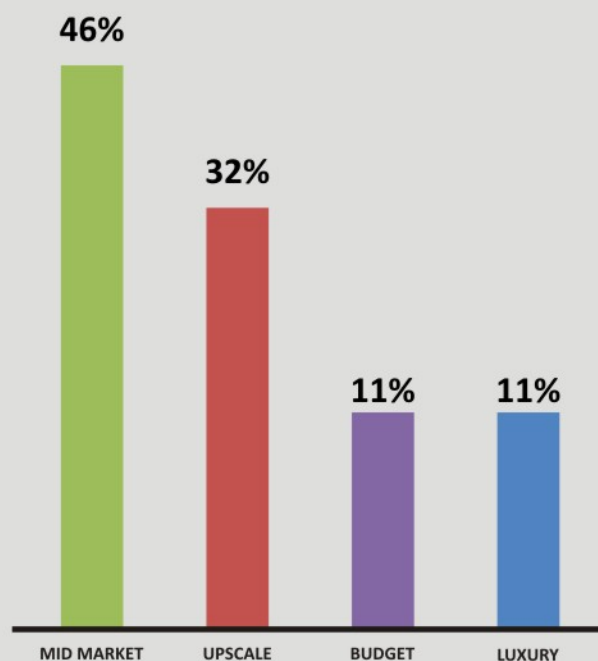
### What would be your preferred source of funding for hotel assets?

Debt	32%
Personal Funds	22%
Private Equity	19%
Investment by Brands	27%

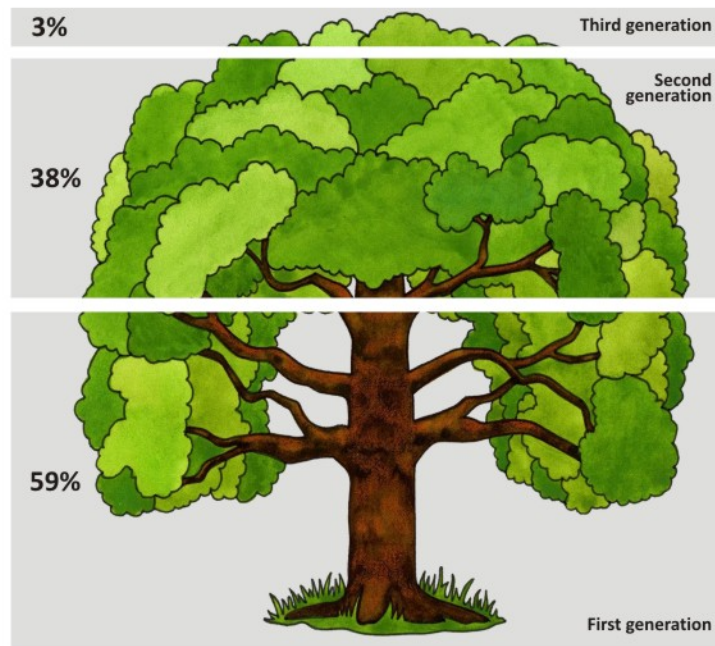
### Over the next two years, how do you see the following changing?

	UP 	STABLE 	DOWN 
Hotel Development Costs	95%	5%	0%
Interest Rates	32%	35%	33%
Hotel Operating Revenues	27%	43%	30%
Hotel Operating Costs	76%	24%	0%
Hotel Values	38%	46%	16%

### Which positioning of hotels are you most likely to invest in?



### What generation of hotel owner are you?



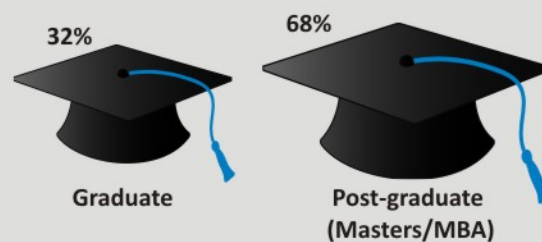
### Where do you vacation usually?



### Do you have any formal education in the hospitality sector?

Yes - 43%  
No - 57% **HOTEL SCHOOL**

### What is your highest level of education?



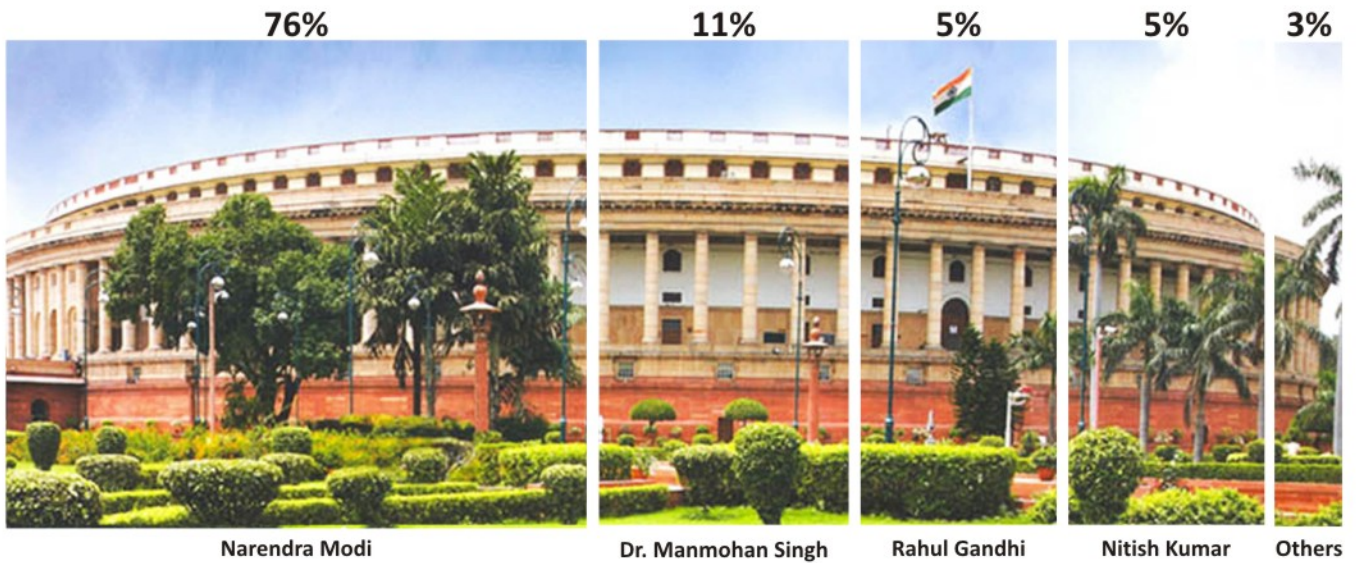
### Please specify your gender.



### How old are you?

18-34 years	22%
35-45 years	43%
46-54 years	24%
Above 55 years	11%

Who would you like to see as India's next Prime Minister?



*For a copy of the original questionnaire, please write in to [jmobar@hvs.com](mailto:jmobar@hvs.com)*