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BRANDED SEGMENT LOSING OUT TO UNBRANDED ONES DUE TO STEEP RATES

Bangalore room rates among highest in the world: Study

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NEW DELHI

With Bangalore hotel room rates per night in the \$350-500 region, the average Joe is priced out across the city's hotelscape, where rates rival Rome, Moscow and London. Simply put, Bangalore is one of the most expensive place in the world for those looking for a hotel room. ET decodes the Big Bang hotel room rate theory.

According to the latest research conducted by IndusView, a consultancy that advises multinationals, room rates in Bangalore are highest in the world primarily due to supply constraint. "Demand has outstripped supply in Bangalore, leading to exorbitant room rates," says IndusView director Rishi Sahai. According to some hoteliers, many rooms in Bangalore are booked till February 2008!

But in India, grey market rules everywhere. In Bangalore, while there are 2,800 hotel rooms in the branded category, there are 3,000 rooms in the unbranded category (serviced apartments, standalone boutique, hotels, etc.)

"The room rates are so high in Bangalore that a parallel unbranded market is growing. The branded hotel market is slowly losing to



the unbranded stand alone properties. Occupancy of branded hotels has dropped by almost 3% in last one year," says Siddharth Thaker, associate director, HVS International, a hotel consultancy. If the price correction doesn't happen, the trend of branded segment losing out to unbranded segment will continue. "It will take at least two years for the correction to happen," reckons Sahai.

Bangalore accounts for the majority of foreign business travellers visiting India every year. Around 51% business travellers head to Bangalore compared to 35% go-

ing to Mumbai and 26% to Delhi. IT companies such as Infosys and Wipro have set up their own guest accommodation in Bangalore to avoid the risk of non-availability of rooms and the high costs.

Contends manager of The Leela Bangalore, Jayant Rangan, "Average room rates (ARR) in any city are a function of the demand in the city. It will be incorrect to say that Bangalore is 'super expensive' when you compare it with the rising ARR in Mumbai and Delhi and its satellite town Gurgaon." ARR in Delhi and Mumbai hover around \$375 per night. Last year

The Leela, Bangalore closed at an ARR of Rs 17,953 (about \$450).

According to HVS International, in top hotel markets in India, ARR has increased by 280% in last three years. India currently has around 1,09,000 hotel rooms in the branded segment compared to 90,000 in London and 75,000 in New York. With more than \$2 billion investment lined up for next three years in India's hospitality sector, the room rates are likely to soften. Till then, it's the endless hunt for a 'cheap' option in India's silicon valley.

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