Hotel rates soar but industry sees room for price increases

Limited new supply and rising travel have pushed average room rates in India to record highs

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After several years of record-breaking room rates, India's top hotel chains are pushing back against suggestions that they have reached their ceiling. Instead, hotel executives said the country's premium hospitality market remains underpriced compared with global peers and is entering a phase where protecting room rates, rather than chasing occupancy, has become the dominant strategy.

"India is still significantly underpriced versus Europe, North America and many Asian luxury markets," Vikramjit Singh Oberoi, managing director and chief executive officer (CEO) of EIH Ltd, which owns the Oberoi and Trident group of hotels, said on a recent earnings call. While luxury hotels globally now charge upwards of $1,000 (about ₹96,000) a night, India remains well below those levels, he added. Room rates at the Oberoi Hotel New Delhi hover between ₹20,000 and ₹30,000 per night, depending on the season.

After several years of strong demand, limited new supply and rising domestic travel pushed average room rates in India to record highs. Instead of discounting to fill rooms, luxury and five-star hotel operators say they are increasingly prioritizing pricing power.

The Leela's average daily rates increased during the March quarter due to its "strong consumer pull, brand, pricing power and disciplined execution," Anuraag Bhatnagar, CEO of the luxury hotel chain, said on the company's fourth-quarter earnings call.

"While occupancy in March took a hit due to international travel being disrupted, we continued to grow average daily rates in double digits," he said.

Bhatnagar said the company offset weaker occupancy with higher room rates, reinforcing what appears to be a broader shift across luxury hotels. He added that resilient demand, rising aspirational spending and constrained new luxury supply in the company's key micro-markets continued to support improvements in both occupancy and pricing. At The Leela Palace New Delhi, rooms are priced from ₹39,000 to ₹55,000 this week, according to its website.

ITC Hotels reported that average daily rates (ADRs) for rooms continued to rise despite a volatile operating environment. External factors "created temporary fluctuations in demand, which briefly affected occupancy levels; however, ADRs witnessed a year-on-year growth, supported by smart revenue management and value-based offers," the company said in its annual report for fiscal year 2026 (FY26). ADRs rose 6% during the year, while occupancy expanded by 229 basis points, resulting in a 10% increase in revenue per available room (RevPAR). ITC Hotels also maintained a RevPAR premium of 37% over the industry average.

Nikhil Sharma, managing director and chief operating officer, South Asia, Radisson Hotel Group, said the industry had entered a more mature phase where pricing was increasingly driven by the quality of experiences.

"Demand remains robust across business and leisure destinations," he said, adding that occupancy across Radisson's India portfolio increased by around 5% this summer from a year earlier. "Sustainable growth will be driven by differentiated experiences that guests genuinely value and are willing to pay for, rather than by occupancy or room rates alone."

Hospitality consultant Vijay Thacker, managing director of Horwath HTL, said recent softness in rates in some markets on account of geopolitical reasons should not be interpreted as a sign that luxury pricing has peaked.

"We cannot look at a short window of time for the luxury sector. You need to take a medium- to long-term perspective. For the quality of the product and service that India offers, we are underpriced," he said.

While some luxury hotels may eventually reach optimal occupancy, pricing will increasingly become the main lever for growth. "Once occupancy reaches a certain level, then it's a rate game," Thacker added. Branded hotel supply is expected to rise to about 300,000 rooms by FY30 from 196,464 rooms in FY25. Developers are betting heavily on the premium end of the market, with luxury hotels accounting for about 21% of the upcoming branded room pipeline, according to hotel consultancy Hotelivate-Savills.

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Pricing will increasingly become the primary lever for growth. ISTOCKPHOTO

RATE RACE

ROOM rates at the Oberoi Hotel New Delhi hover between ₹20,000 and ₹30,000 per night

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INDIA'S luxury resorts remain undervalued relative to destinations overseas

HOTEL stocks usually advance during economic booms, when consumption rises