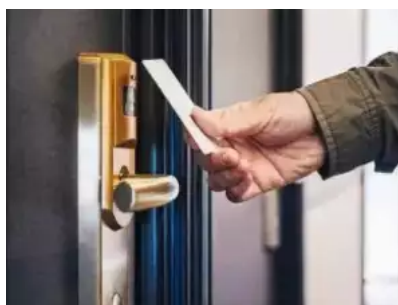


More HNIs, Family Offices Checking into Hotels Business

By Lijee Philip, ET Bureau Last Updated: Oct 29, 2023, 03:55 AM IST

Synopsis

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A family office of Gland Pharma's former promoter acquired [GBJ Hotels](#), which operates [Radisson Blu](#) in

Coimbatore, a 135-room five-star property, while another family office acquired a 115-room hotel strategically located within the Mumbai Metropolitan Region with a focus on catering to Navi Mumbai's upcoming airport, meetings, exhibitions, and free independent travellers (FIT).

Several such transactions are taking place across metros as well as emerging towns in the country, underscoring an unprecedented investment surge from [family offices](#) and high net worth individuals (HNIs) in the hospitality industry.

In the first nine months of this calendar year ended September, family offices have invested ₹900 crore in hotels, almost two-thirds of total investments of ₹1,400 crore in the industry. In comparison, total investments in hotels in calendar 2022 were ₹600 crore out of which family offices accounted for ₹190 crore.

Clearly, the Indian hospitality sector is experiencing a significant influx of investment. And, according to real estate services firm JLL, the investment momentum is likely to continue and touch ₹2,000 crore in calendar 2023, buoyed by record-high average daily rates (ADR) and occupancy levels across the country, resulting in healthier balance sheets for hotel companies that are now enjoying cash flows and yields unseen since the 2008 subprime crisis.

The investment scenario has evolved substantially over the past year, industry watchers said.

What was a buyer's market has shifted towards becoming a seller's market amid growing interest and investment in the sector, said Nandivardhan Jain,

founder of Noesis Capital Advisors, a hotel consulting and investment company that recently completed a couple of transactions involving HNIs or family offices. According to Jain, Noesis Capital is currently overseeing a pipeline of over 1,000 room-key investment transactions scheduled for completion in the next couple of quarters.

While HNIs are increasingly diversifying their investment portfolios by venturing into the hotel asset class, most of them find operating assets more attractive than greenfield projects, as per a recent JLL report. Hospitality firms admitted for debt resolution under the National Company Law Tribunal (NCLT) are also gaining traction, with a special focus on operational assets in highly sought-after destinations, JLL said.

Family offices are gravitating towards hospitality and real estate rather than making investments in financial instruments, experts said. “The margins are better and there is a stable rental income too here,” said Ashvini Chopra, executive director and head of family office solutions at Avendus Wealth Management. Investor attention is also expanding beyond the established metro cities. Emerging markets such as Ayodhya, Varanasi, Haridwar, and Rishikesh are now capturing the interest of financial institutions, HNIs, and family offices. This diversification is a testament to the untapped potential and promising growth prospects in these regions, experts said.

“We expect this momentum to continue in 2024, even as hotel performances stabilise and valuations settle between motivated sellers and buyers,” said Jaideep Dang, managing director, hotels and hospitality group, India, at JLL.

With a robust pipeline of transactions and a growing focus on untapped markets, the future of the Indian hospitality industry looks bright, industry watchers said.

