

Indian Hospitality Sector Sees Strong Growth, Expected to Add 55,000 Keys in 5 Years with 8-9% RevPAR Boost

The hospitality sector is in a growth phase, driven by robust domestic demand and favorable demographics, despite a decline in international tourist arrivals. With demand outpacing supply, investments in infrastructure and connectivity are increasing, leading to an expected 8-9% growth in average revenue per room (RevPAR) this fiscal year, following a 14% increase last year.

Currently, the industry boasts 166,000 branded hotel keys, with projections to add 55,000 more over the next five years, reflecting an annual growth rate of 4.5-5.5%. According to a CareEdge estimate, the industry saw a 14% increase in RevPAR in FY2024, and is expected to see another 8-9% growth in FY2025.

The market mix is shifting towards the upper midscale and midscale economy segments, which are expected to account for over 60% of new supply. This growth is driven by a burgeoning middle class, an uptick in business travel—particularly from SMEs—and increased business activity in smaller towns.

More than 70% of new supply is concentrated in Tier 2 and 3 cities, as hotel owners look to meet the rising demand in these emerging markets. Over the past five years, domestic travel and tourism have contributed around 5% to GDP. With ongoing government support, the sector is projected to grow 8-9% annually, reaching a value of USD 500-530 billion by FY34, according to the tourism ministry.