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2025

Hotel Development Cost Report



Foreword



Akash Datta
Managing Director
(South Asia), HVS ANAROCK

India's hospitality sector is not just expanding, it is being redefined. With rising pressure on capital efficiency, tighter development timelines, and evolving guest expectations, hotel projects must now strike a sharper balance between cost, design intent, and long-term value. Whether it's a lean economy hotel or a sprawling luxury retreat, the blueprint is shifting, and with it, the need for more realistic and granular cost benchmarks has never been more crucial.

To support this shift, **HVS ANAROCK** is pleased to present the **2025 Hotel Development Cost in India Report**, developed in collaboration with **Gleeds Consulting (I) Pvt. Ltd.**, a global leader in cost management and project advisory. This partnership combines HVS ANAROCK's deep hospitality sector knowledge, lifecycle intelligence, and positioning-specific benchmarks with Gleeds' expertise in cost consultancy, project management, and execution insights across asset classes. Together, we have strived to provide a grounded, data-rich analysis of what it takes to build a hotel in India today.

Beyond cost norms, the report explores how new technologies like prefabrication and modular construction, and integrated project delivery are reshaping timelines and risk profiles. It highlights the growing adoption of digital tools for tighter cost and schedule control, and the increasing role of sustainability frameworks in development planning. We have also included a focused section on the ease of doing business in India's hospitality sector, acknowledging both the progress made and the persistent frictions that influence delivery timelines and risk.

As India's hospitality sector matures, sharper planning, realistic benchmarking, and thoughtful trade-offs between upfront capital outlay and lifecycle performance will be key to building successful assets. We hope this report becomes a practical reference for hotel owners, developers, investors, and policy stakeholders, helping them make better-informed decisions and navigate the evolving cost landscape with greater clarity and confidence.

We look forward to your feedback and continued dialogue.

Foreword



Siva Senathipathy
Country Director & CEO
Gleeds Consulting (I) Pvt. Ltd

India's hospitality sector is entering a new phase of its Structural growth cycle supported by sustained domestic travel demand, improving air and road connectivity, and a gradual shift toward experience-driven tourism. A defining feature of this current cycle is the shift from metro-centric expansion toward Tier-2 and Tier-3 markets—an evolution reflecting both changing consumer behavior and improving regional economic fundamentals.

At the same time, the development environment has become materially more complex. Escalating construction costs, tighter capital conditions, heightened sustainability expectations, and greater investor scrutiny on project viability are fundamentally reshaping how hotel projects are evaluated and delivered. Success today is no longer determined by location and brand alone, but by the ability to manage capital efficiently, mitigate risk, and optimize asset performance across the development and operating lifecycle with greater precision.

In this context, disciplined cost benchmarking, informed design decision-making, and a clear understanding of market-linked development economics have become critical. The hospitality sector is witnessing a growing adoption of modern construction methodologies, digital tools, and sustainability-led approaches that, when applied rigorously, can enhance efficiency, reduce risk, and improve long-term asset performance. As the industry continues to evolve, the alignment of capital discipline with design intent and operational outcomes will be central to sustaining value creation in the Indian hospitality market.

This thought leadership paper, developed in collaboration with **HVS ANAROCK**, presents a data-driven assessment for hotel development costs in India for the benefit of industry stakeholders. Drawing on Gleeds' extensive project experience, market intelligence, and cost advisory expertise, it presents practical benchmarks, emerging trends, and strategic insights that support informed decision-making across the development lifecycle.



Table of Contents

01 Executive Summary

02 India Hospitality Market Overview

03 Development Cost Analysis

- Development Cost Architecture
- Construction Cost Benchmarks
- Development Cost Breakdown by Categories
- Development Cost by Area

04 Upcoming Trends in Construction Industry

05 Ease of Doing Business in Hotel Sector in India

06 Recommendations

07 Annexures

08 Acknowledgement

02

India Hospitality Market Overview

India is among the world's fastest-growing large economies, supported by sustained domestic consumption, continued public infrastructure investment, and expanding private sector activity across manufacturing, services, technology, logistics services. As per the International Monetary Fund's World Economic Outlook (October 2025), India's GDP at Current Prices was USD 4.13 trillion in CY2025, while the population has crossed 1.45 billion. This scale alone underpins one of the largest and most resilient domestic travel markets globally.

What distinguishes India structurally is not just the size of demand, but its diversity and persistence. Business travel, government and institutional movement, domestic leisure tourism, MICE activity, pilgrimage, destination weddings, and regionally driven travel together create year-round demand across city tiers. This multi-layered demand base reduces volatility and allows hotels to perform across economic cycles, provided supply growth remains disciplined. Over the last several years, sustained investments in airports, highways, rail corridors, and urban infrastructure have materially improved accessibility. As a result, hospitality growth is no longer concentrated only in gateway cities, but increasingly distributed across secondary and emerging markets.

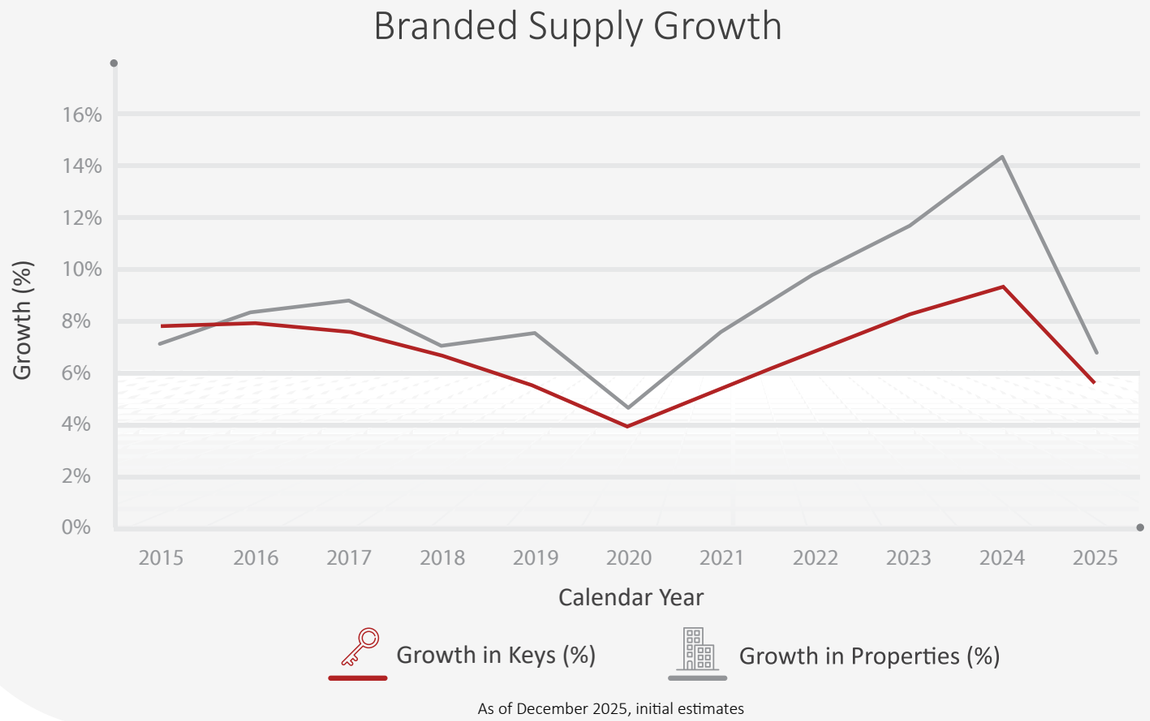
The Indian hospitality sector has now moved into a more stable phase of growth. Hotels are not just seeing higher demand, but are also operating in a more organized and predictable environment than before. Growth today is being shaped as much by capital discipline and development choices as by travel demand itself. This change is visible in the way hotel companies and owners are making decisions. Operators are expanding more carefully instead of growing aggressively everywhere. Hotel owners are paying closer attention to how much money is being invested, how quickly it can be recovered, and whether the hotel can perform well over the long term. New hotels are being developed more selectively, with greater thought given to the right location, size, and type of product, rather than simply adding rooms.

Branded hotels have benefited the most from this shift. Working with established hotel brands is now seen as a way to reduce risk and ensure more consistent performance, not just as a way to attract bookings. As a result, branded hotels are spreading more widely across different cities and markets, as owners look for stability, professional management, and predictable outcomes.



Overview of Branded Hotel Supply in India

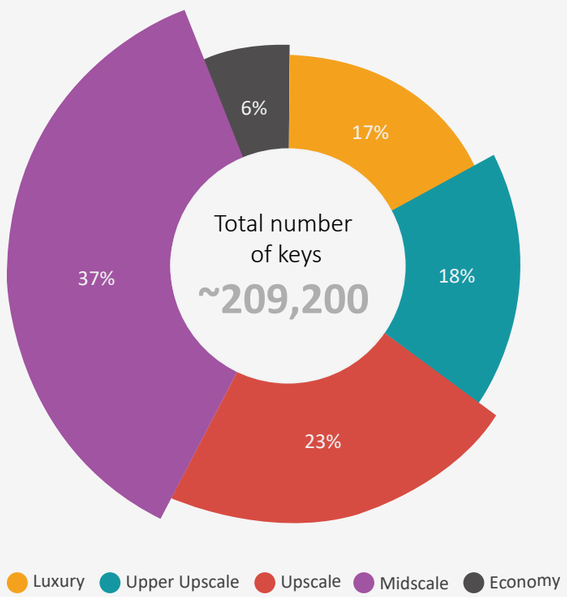
As of H12025, India's branded hotel inventory stood at ~209,200 keys across ~2,300 hotels, representing growth of nearly **95% over CY2015.** While branded penetration has increased steadily over the past decade, it remains relatively low when benchmarked against global and regional peers, underscoring the long-term headroom for organized hotel development in the country.
For comparison, the United States has over 5 million branded hotel keys, while as of December 2025, China had approximately 2.5 million branded keys and Japan had ~436,300 branded keys.

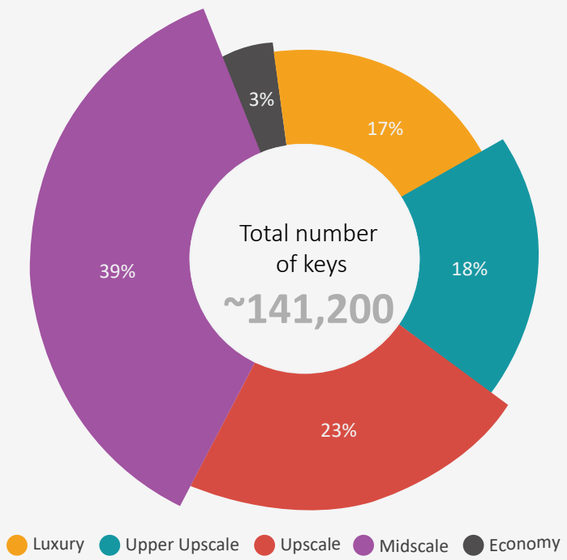


As of December 2025, initial estimates

CY2025 marked one of the strongest years for hotel signings. Initial reports suggest that approximately 60,220 keys were signed during the year, reflecting renewed confidence in operating fundamentals, improved access to capital, and growing acceptance of branded formats among domestic travelers. This momentum is expected to continue into CY2026.

Looking ahead, India's cumulative branded pipeline is expected to reach approximately 350,400 keys by CY2030 (as of CY2025 Pipeline).





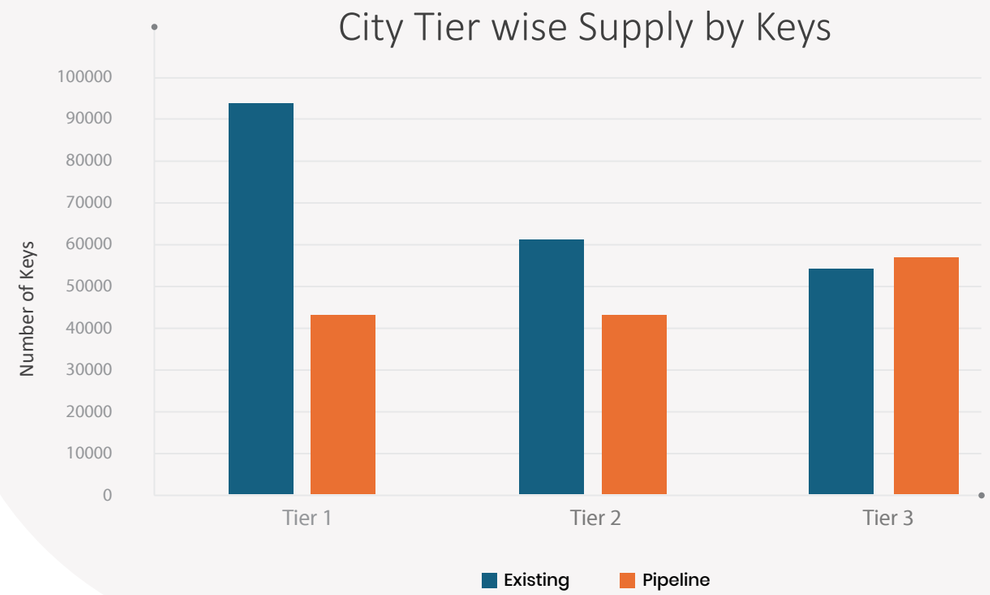
From a positioning perspective, the midscale segment emerges as the clearest structural growth opportunity within India's branded hotel landscape, offering the most effective balance between development costs, operating efficiency, and depth of demand aligned with the country's predominantly domestic travel base. Already accounting for the largest share of existing inventory at 37% and projected to further account for 39% of the pipeline by CY2030, midscale formats benefit from faster stabilization, broader rate acceptance across city tiers, and superior scalability. In contrast, while luxury and upper-upscale segments each maintain a steady 17% to 18% share of both existing supply and future development, reflecting continued investor preference for pricing power, the economy segment remains materially under-penetrated, declining from 6% of current inventory to just 3% of the upcoming pipeline.

Development Hotspots Across India

Hotel development activity in India is no longer confined to a handful of metropolitan markets. Alongside established cities, investment momentum has expanded into a wider set of secondary and emerging markets, supported by infrastructure upgrades, decentralization of commercial activity, and growing domestic travel.

Southern India continues to attract strong interest across both metropolitan and secondary markets, while western and northern regions have seen increased activity in cities supported by regional corporate demand, domestic tourism, and improving connectivity. Leisure and pilgrimage destinations have also witnessed increased branded hotel interest, driven by sustained visitation levels and limited organized supply.

This widening geographic footprint reflects a structurally deeper and more distributed hospitality market.



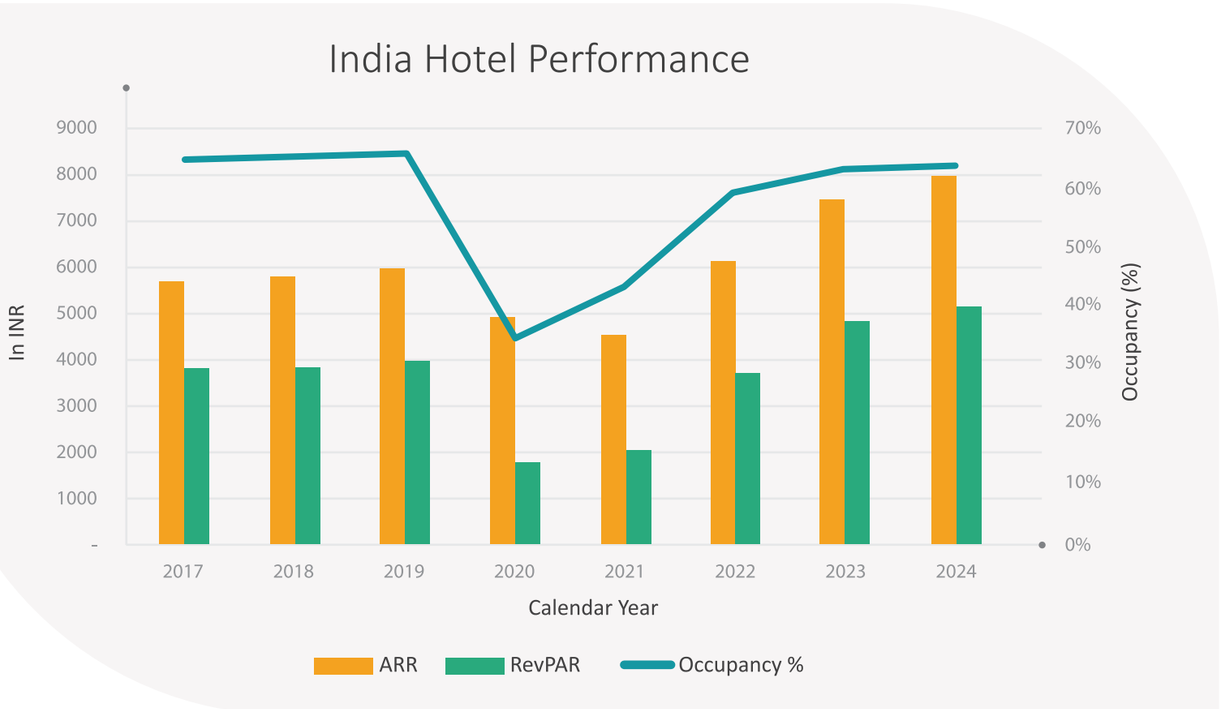
Demand and Supply Dynamics

India's hotel market has historically exhibited demand growth that outpaces supply expansion. This imbalance has been a defining feature of the market. It has supported steady occupancy levels, enabled pricing traction, and reduced the risk of prolonged oversupply at a national level, even as individual micro-markets experience periodic fluctuations.

Hotel Performance Trends

At an all-India level, branded hotel performance strengthened meaningfully between CY2017 and CY2025. ARR grew at a CAGR of approximately 5.21%, while RevPAR expanded at 4.98% CAGR, driven by a combination of steady occupancy and improving pricing power, which includes the 2 years strongly impacted by COVID.

During this period, occupancies stabilised in the low-60% range, supported by expanding domestic business travel, regional corporate activity, and leisure demand, while new supply additions moderated across key markets. Between FY15 and FY19, the market demonstrated improved pricing discipline, with Average Room Rates recovering steadily and RevPAR growth becoming less volatile than in earlier cycles. This reflected healthier demand–supply dynamics and a structurally deeper domestic demand base.



The pandemic disruption in 2020 was sharp. From 2022 onwards, however, the market experienced a decisive rebound, led initially by domestic leisure travel and subsequently reinforced by business, MICE, and destination-led demand. Occupancies recovered quickly, while ARRs surpassed pre-pandemic levels, driving a strong, rate-led RevPAR recovery.

Overall, the period from 2014 to the present reflects a more stable and resilient hotel market, characterised by firmer occupancies, improving pricing power, and a structurally favourable demand–supply balance.

Hotel Development Cost Analysis

Hotel development costs in India have experienced structural escalation over the past few years. Rising prices of core materials and resources such as cement, steel, interior finishes, and skilled labor, combined with increased MEP intensity and prolonged approval timelines, have pushed capital costs into a higher band across all hotel segments.

Given that hotel capital investment is the single largest key differentiator in a project's viability, development-stage benchmarking continues to receive less emphasis than operational metrics such as ARR or RevPAR. This imbalance often leads to diluted returns, especially when developing hotels in emerging or less mature markets.

With a disciplined benchmarking framework in place, the stakeholders can benefit from enhanced capital credibility, stronger design discipline, and early visibility into non-linear risks.

Scope & Segmentation Parameters

India's hotel development landscape is undergoing a meaningful shift. Demand expansion beyond Tier-1 cities, rising capital costs, and tighter financing conditions are collectively reshaping how hotel projects are conceived, evaluated, and delivered in the market. Against this backdrop of transforming regulatory reforms and sectoral momentum, capital discipline at the development stage has become just as critical as operational performance post-opening of the asset.

This thought leadership publication is intended to support hotel developers, hotel owners alongside hospitality-focussed Architecture, Engineering & Construction (AEC) professionals, institutional investors, and lenders with a structured understanding of hotel development costs in India, segmented by positioning and city tier. While these insights are relevant for investment decision-making, the established benchmarks are also expected to frame a robust decision lens for capital allocation, risk assessment, and long-term value creation.

This report attempts to comprehensively cover hotel categories across the full spectrum of market positioning, including:

Economy: Budget friendly hotels catering to cost conscious travelers.

Midscale: Functional hotels balancing affordability with comfort.

Upper Midscale: Hotels offering enhanced amenities and design, appealing to business and leisure travellers.

Upscale: Premium hotels offering enhanced amenities and services.

Upper Upscale: Distinctive hotels, combining high service standards with broad appeal for international and domestic travellers.

Luxury: High end hotels designed for exclusivity, superior experiences, and global standards.

For enhanced analytical clarity, cities are also mapped into tiers based on economic activity, infrastructure maturity, and hospitality demand drivers:

Tier	Example Cities	Characteristics
Tier I	Delhi, Mumbai, Bengaluru, Hyderabad, Chennai, Kolkata	Established metros with strong corporate, leisure, and international demand
Tier II	Pune, Ahmedabad, Jaipur, Kochi, Lucknow	Emerging urban centres with growing business districts and domestic tourism
Tier III	Indore, Bhubaneswar, Coimbatore, Nagpur, Surat	Smaller cities with rising regional demand and nascent hospitality infrastructure

Development Cost Architecture

Developmental cost – This encompasses the full spectrum of develpoment-related costs, including physical develpoment costs, design costs, fit-out costs, soft costs, and pre-opening expenses, as well as indirect contingencies, all of which are directly influenced by hotel category, brand standards, service levels, and amenity packages. It is critical to note that this benchmark traditionally excludes land costs.

Land is the single largest variable component of a hotel development and is typically treated as a separate strategic investment decision, dependent on market conditions, site potential and investor expectations. Similarly, statutory approval charges are excluded given their jurisdiction-specific nature and limited correlation with design intensity, brand standards, or complexity. Interest during construction as well is excluded because the capital structure, drawdown schedule, construction timeline and lender terms differ from one development to another.

While not exhaustive, the table below outlines the typical construction cost components considered in development accounting and investment evaluation, along with their key distinguishing characteristics across hotel positioning categories.

Construction Cost Components by Hotel Positioning

Cost components/ Hotel category	Economy	Midscale	Upper Midscale	Upscale	Upper Upscale	Luxury
Hard costs	Standardized layouts,	Efficiency-focused planning	Brand-driven massing & facades	Complex atriums, larger floor plates	Bespoke architecture, complex geometry	Statement architecture, Imported materials
Services (MEPF) costs	Basic system with limited redundancy	Proportional to scale	Advanced HVAC systems with greater shaft requirement	Zoning systems	High redundancy	Sophisticated BMS with high-end controls
Soft costs	Low, Limited Consultants & Short Tenure	Moderate Consultant Engagement	Moderate exposure involving a few design iterations	Extended approvals, High design involvement, and PMC involvement	Extended Timelines with multiple stakeholders and reviews	Long planning cycles, global consultants, extended procurement
FF&E, OS&E	Lean and functional specifications	Durable, standarized packages	Brand aligned selections	Custom Joinery	Premium Imports with selective customization	Bespoke and globally sourced

While the relative proportions of these components vary by project specifics and geography, their collective behaviour follows predictable patterns when analysed through positioning, city tier, and location typology.

Construction Costs Benchmarks

Methodology

The benchmarking analysis began with data collection from past hotel projects across categories and city tiers, followed by validation for each dataset for completeness and consistency. These gathered project costs were then organized into a standardized breakdown structure covering civil works, MEP, interiors, FF&E, OS&E, Preliminaries, Professional fees, and contingencies. This normalization ensured comparability across diverse projects.

Next, projects were segmented by positioning and by city tier to create benchmark groups that reflect both market segment and locational dynamics.

Following the segmentation, the historical costs were rebased to present values using Gleeds Construction Cost Indices, which track and publish market movement and inflation trends on regular intervals. This step alligned past data with present day cost realities, ensuring relevance for current decision making.

Finally, benchmarks were developed using median values, ranges, and quartiles, while atypical outliers were excluded. Cross-checking of these benchmarks against industry reports, consultant estimates, and live project bids was also performed to validate accuracy and maintain credibility.

This structured approach was adhered to ensure reliable, transparent benchmarks that reflect both segment positioning and city tier variations.

Established evidence from publicly available global industry guides, cost studies, and 2025 inflation indicators suggests that hotel development costs in India have shifted into a structurally higher pricing band. Development Cost per Key (ex-land and statutory approvals) remains a widely referenced metric and has experienced a year-on-year escalation of approximately 8–12% in 2025, driven by resource price inflation, skill shortages, supply chain bottlenecks and progressive design upgrades.

In practice, however, development cost per square foot of Built-Up Area (BUA) provides a more execution-aligned benchmark for the Indian hospitality market. Indian hotel projects are heavily influenced by spatial planning decisions, particularly basement construction, back-of-house intensity, services infrastructure, and public-area programming, factors that are often obscured when viewed only through a per-key metric.

Built-Up Area (BUA) refers to the total covered area measured to the outer face of external walls, including circulation areas, service shafts, balconies, basements, and covered common spaces. BUA forms the basis for cost planning, BOQs, and contractor pricing, especially in India.

For hospitality cost benchmarking in India, BUA is more appropriate than GFA as it captures the true cost-bearing footprint of basements, services, and back-of-house spaces. GFA-based comparisons tend to understate capital intensity, particularly in dense urban and full-service hotel developments where a significant portion of costs sits outside the GFA limits.

GFA represents the aggregate of floor areas within the building envelope, subject to inclusions and exclusions defined by local Development Control Regulations, often excluding basements, service areas, parking areas etc. GFA is primarily a planning and regulatory metric used for FSI/FSR control.

Current industry benchmarks suggest that average development costs (excluding land, statutory charges, and interest during construction) typically range between ₹9,000 and ₹14,000 (incl. GST) per sq.ft of built-up area across segments. Urban and leisure hotels are positioned in a slightly higher cost band of ₹12,000–₹15,750 per sq. ft including all taxes, reflecting wider BUA spread, amenity-heavy layouts, and enhanced guest-experience zones. In dense Tier-1 city environments, development costs frequently exceed by 12-15% on account of vertical construction, multi-level basements, premium specifications, and regulatory complexity.

Typically, developmental costs are represented as costs per Gross Floor Area (₹/GFA) or costs per Built-up Area (₹/BUA).

GFA trends across positioning

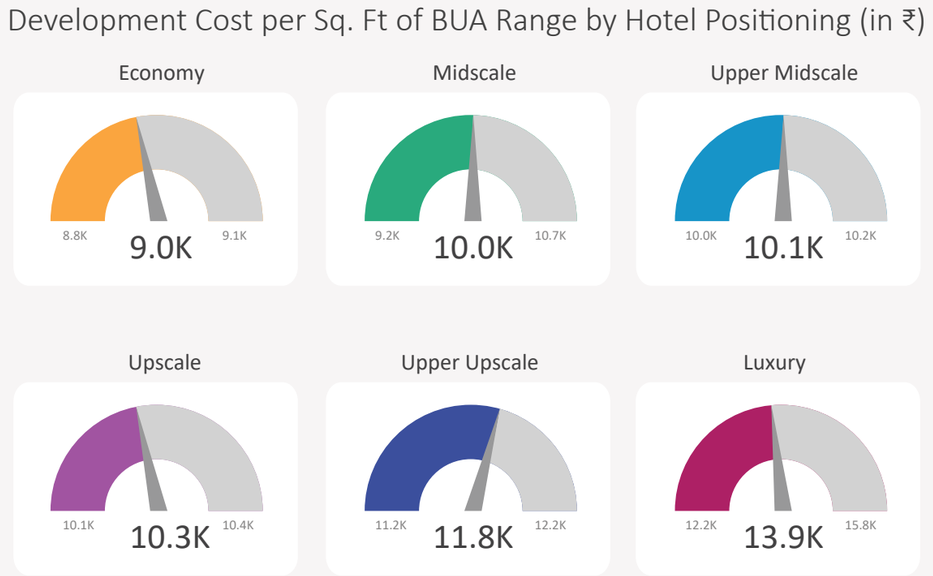
GFA configuration is governed by brand positioning, programmatic intensity, regulatory controls, and site typology. Urban high-rise hotels maximise key density but incur higher structural and fire-safety complexity, while resort formats distribute low-rise blocks over larger parcels, increasing GFA through landscape integration and guest circulation.

GFA trends across regions:

Regionally, GFA trends are shaped by zoning norms, land availability, parking standards, climate-responsive design, and target guest profiles. Coastal and resort markets demand larger experiential footprints, while Tier-1 CBDs compress floor plates, elevating construction complexity and cost intensity. Development Control Regulations, life-safety codes, brand standards, and sustainability frameworks such as IGBC, LEED, and GRIHA collectively define area efficiency and cost outcomes across Indian hotel segments.

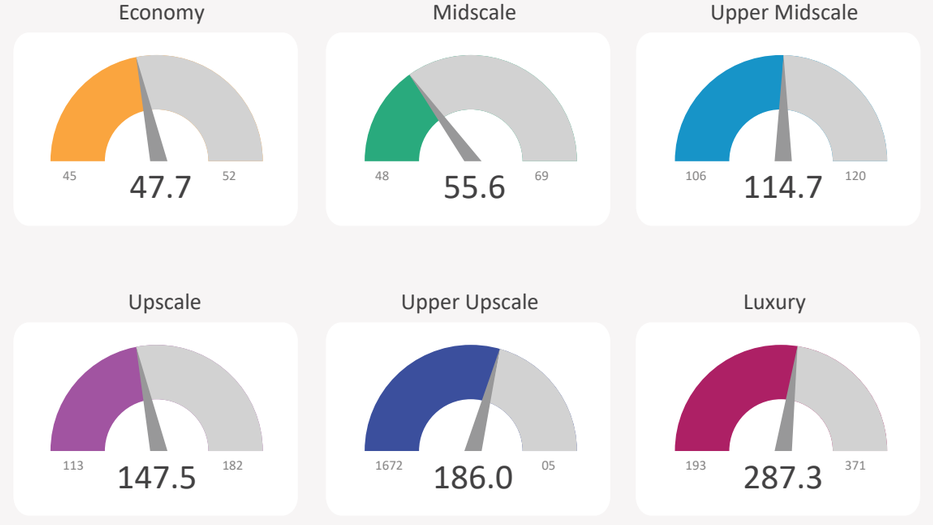


The graph below illustrates the range of cost per square foot on built-up area (BUA) for various hotel positioning



Note: The represented costs are exclusive of land prices, demolition of existing buildings, operator associated improvement works, cost escalation and contingencies, finance cost, forex fluctuation, statutory and approval cost, and all developer overheads

The graph below illustrates the range of cost per key for various hotel positioning



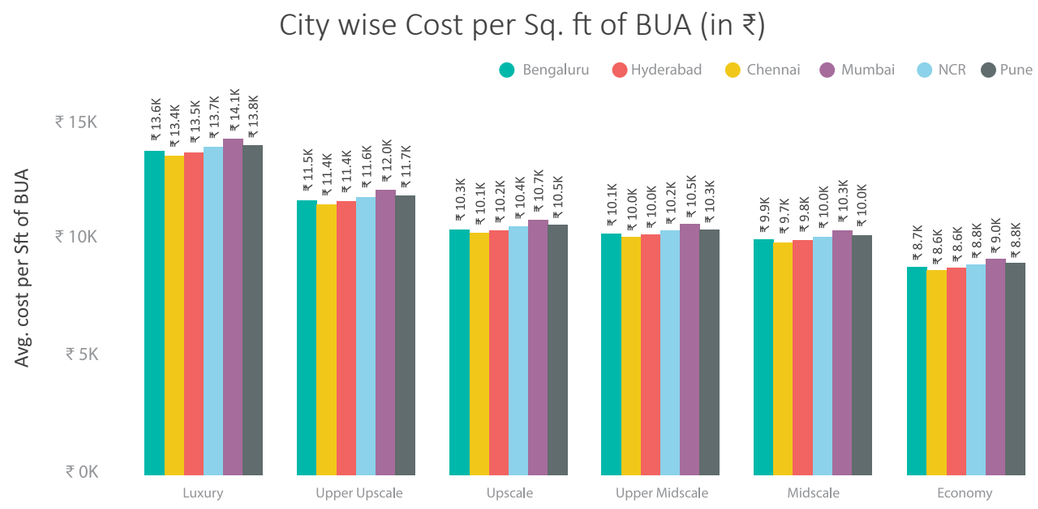
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City-tier dynamics continue to shape development viability. While Tier-1 markets have historically commanded a cost premium, this differential has widened in 2025-26 as metropolitan land values have risen faster than achievable room rate growth. In markets such as Mumbai, Delhi NCR, and Bengaluru, project feasibility has become increasingly sensitive to early-stage cost normalisation.

Consequently, Tier-1 hotels tend to sit at the upper end of segment ranges, while Tier-2 and Tier-3 markets are supported by more favourable land economics, lower labour costs, improving regional contractor ecosystems, and rising domestic demand driven by business expansion, events and leisure travel.

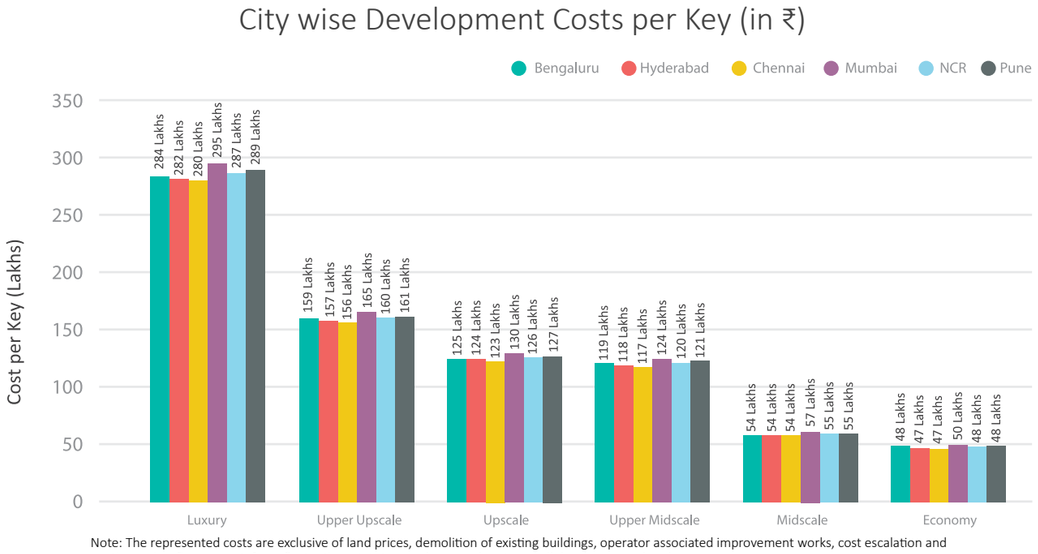
The graph below illustrates the range of cost per square foot on built-up area (BUA) for various hotel positioning for major Tier1 cities.

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Within each city tier, location typology introduces an additional cost gradient. CBD and dense urban-core locations typically command a 10–20% premium over base benchmarks due to deeper excavation, extensive basement construction, premium labour deployment, and site-logistics constraints.

Peripheral urban and transit-oriented corridors benefit from reduced constraints and scale efficiencies, often placing them 5–10% below CBD equivalents. Semi-urban, pilgrimage, and emerging tourism destinations remain anchored at the lower end of benchmark ranges, supported by incentives and lower land acquisition pressure.

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Development Cost Breakdown by Positioning

While segment and city-tier benchmarks provide essential market context, cost-category benchmarking is equally critical in describing how capital is deployed and where risks emerge during execution. They elucidate why costs escalate and how these escalations can be influenced through design, procurement, and delivery decisions.

From a technical standpoint, development cost categories are shaped by a combination of linear and non-linear cost influencers. While the Linear cost drivers scale proportionately with project size and specification, Non-linear cost drivers, such as approval timelines, financing structures, sustainability compliance, and macroeconomic volatility, introduce disproportionate risk, which is often overlooked in the preliminary stages of development.

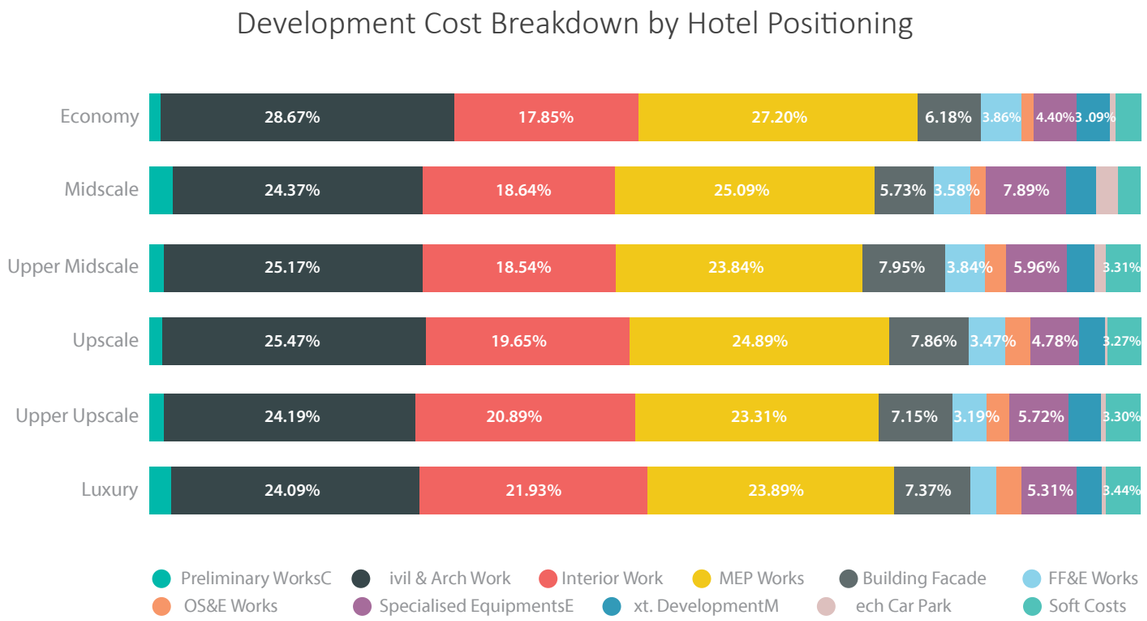
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For hospitality cost benchmarking in India, BUA is more appropriate than GFA as it captures the true cost-bearing footprint of basements, services, and back-of-house spaces. GFA-based comparisons tend to understate capital intensity, particularly in dense urban and full-service hotel developments where a significant portion of costs sits outside the GFA limits.

The graph below illustrates the Cost influencers impacting the Cost per sft on built-up area (BUA) for various hotel positioning



Key-Takeaways

- Regardless of hotel category, Civil Works and Building Structure remain the largest cost components, typically accounting for roughly one-third to one-fourth of total project cost, limiting savings potential to design and execution efficiency.
- Upgrading decisions are to be carefully considered factoring in the significant impact of services and interior fit-out costs to revenue expectations as we move higher up the hotel positioning.
- Premium projects allocate more to façades and specialized systems, making early value engineering essential to control cost escalations.
- Upscale and luxury hotels see a disproportionate rise in furniture, fittings, and operating supplies due to brand specifications, guest experience expectations, and import dependencies.

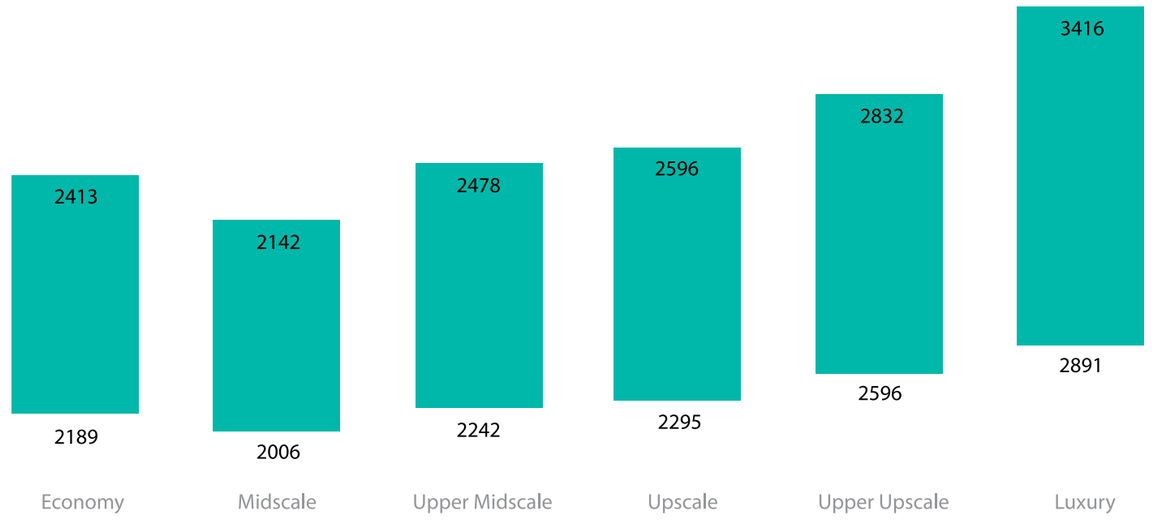
Detailed Analysis

The major components of linear cost influencers predominantly include hard development costs – including the shell & core works, Interior finishes, services costs, external façade & external development. Apart from these are the furniture- both fixed and loose furniture costs, equipment costs, and operational supplies that are scalable with respect to the asset category.

Hard costs form the largest share of development expenditure and are most sensitive to physical configuration, technical standards, and development strategy. Their proportion is more pronounced in the Economy and Upscale categories, where functional construction efficiency and speed-to-market are critical drivers. Cost control in these cases are achieved through structural simplicity, repetitive layouts, modularity, and faster construction cycles, resulting in relatively lean hard-cost allocations.

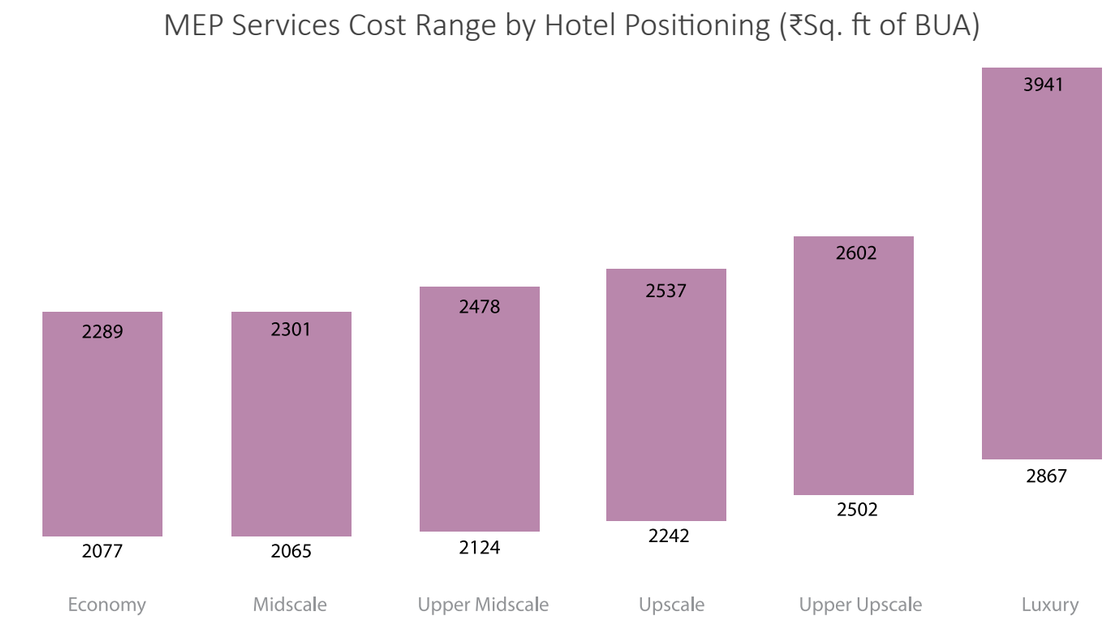
In higher-positioned hotels, hard costs escalate sharply due to expressive, brand-led, Signature façades, complex geometries, atriums, and curated arrival sequences demanding non-standard premium finishes. In India's Tier-1 markets, verticality also exacerbates these requirements necessitating more robust structural grids, advanced façade engineering, and additional fire and safety features.

The graph below illustrates the range of Structural & Architectural Cost per sq. ft on built-up area (BUA) for various hotel positioning



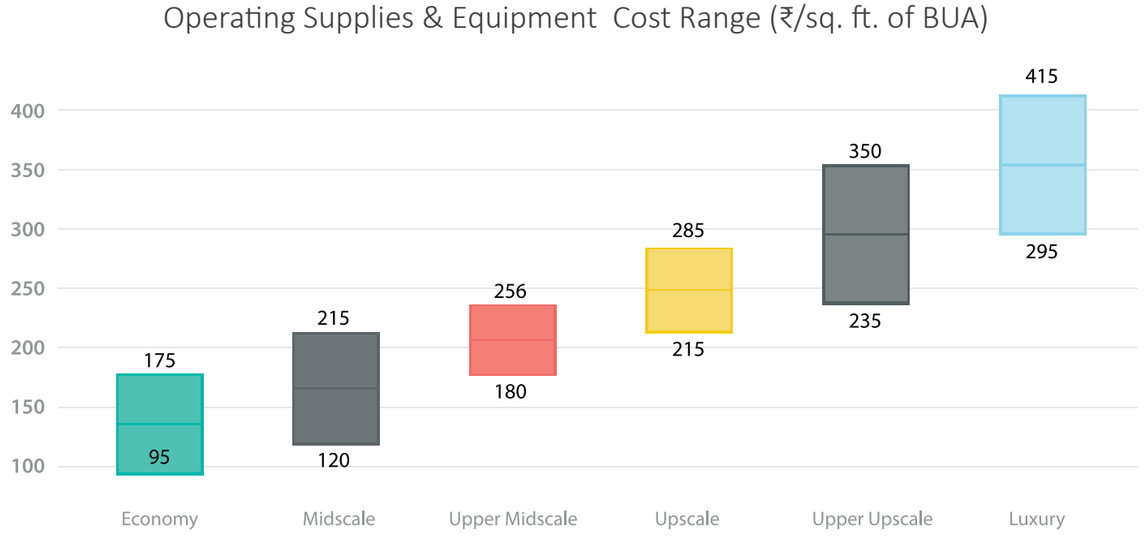
MEP Services costs increase non-linearly with hotel positioning, driven by advanced HVAC, acoustic control, filtration, BMS integration, and enhanced fire and utility systems. These requirements also inflate architectural and structural costs due to larger plant areas, deeper coordination, and higher slab-to-slab heights.

The graph below illustrates the range of MEP Services Cost per sft on built-up area (BUA) for various hotel positioning

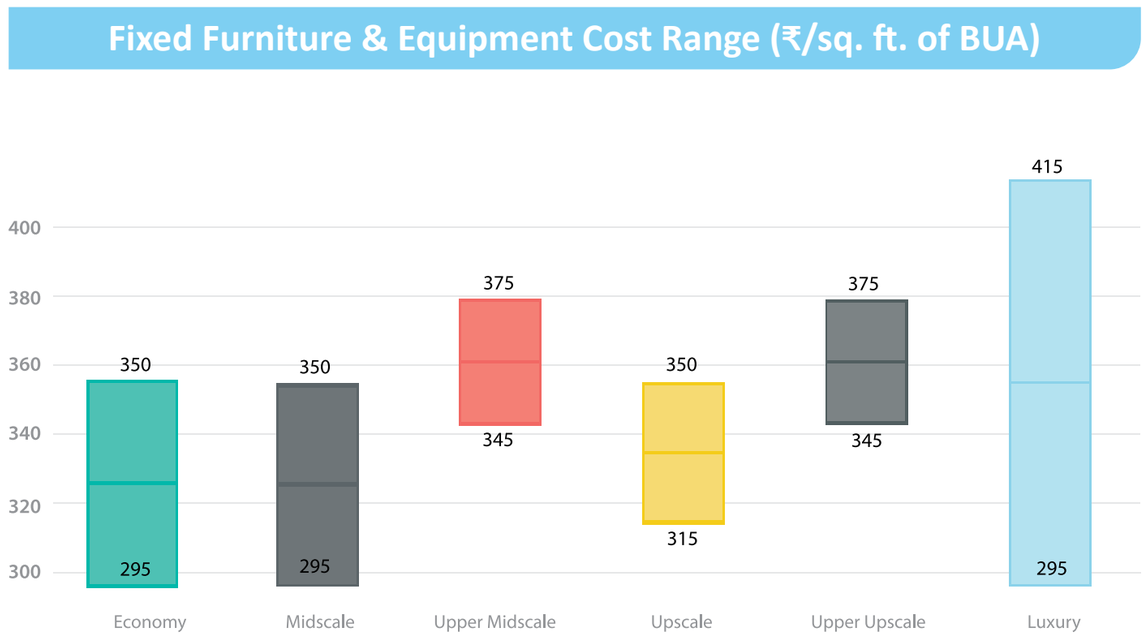


Operating Supplies & Equipment's and Fixed Furniture & Equipment's complete the cost profile, directly reflecting brand and service intensity. Luxury and Upper Upscale hotels incur significantly higher FF&E through bespoke joinery, imported finishes, and design-led public spaces, while elevated service standards and extensive F&B operations drive.

The graph below illustrates the range of Operating Supplies & Equipment's Cost per sft on built-up area (BUA) for various hotel positioning



The graph below illustrates the range of Fixed Furniture & Equipment's Cost per sft on built-up area (BUA) for various hotel positioning



Cost Comparison Across Segments

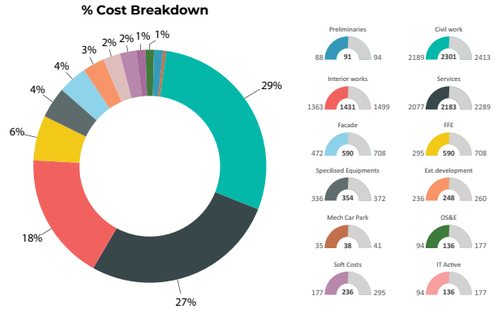
The following charts illustrate the typical distribution of development costs across major hotel segments, highlighting how capital is allocated across prelims, Civil & structure, interiors, services, façade, FF&E, External development, Specialized equipments, IT Active, Soft cost and operational fit-outs.

The donut chart provided below indicates how the total project cost is split across major cost heads for the stated hotel category. The larger slices indicate higher cost contribution.

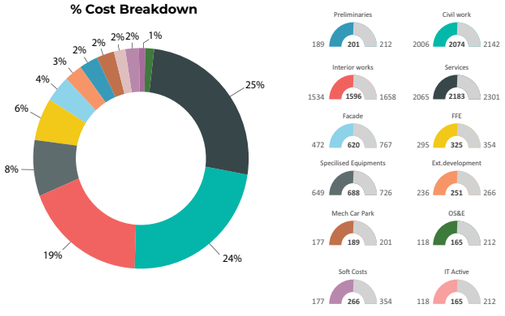
The gauges on the right show the typical cost range for each component, with the highlighted value representing the benchmark or average cost level for that particular segment.

Together, they intend to highlight where money is spent most heavily and which elements have higher cost sensitivity across segments.

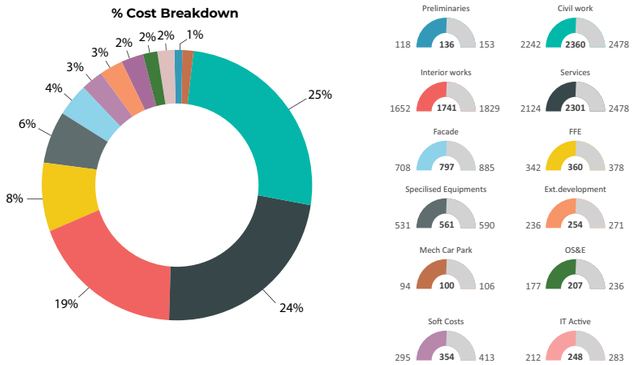
Economy Segment



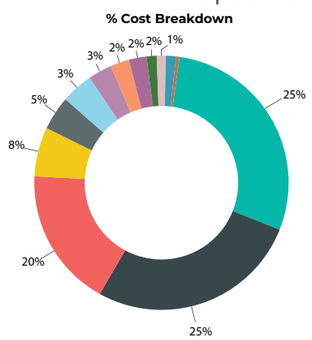
Midscale Segment

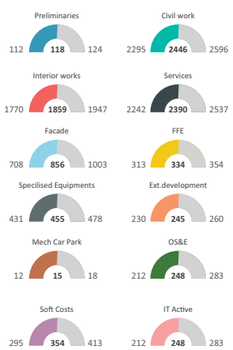


Upper Midscale Segment

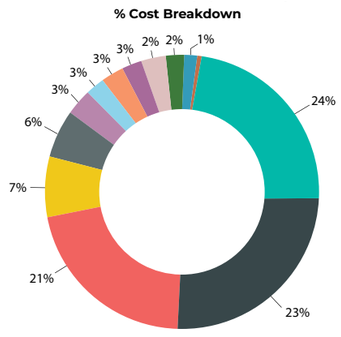


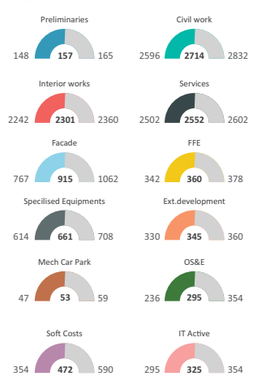
Upscale Segment



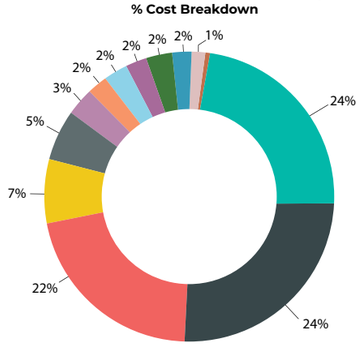


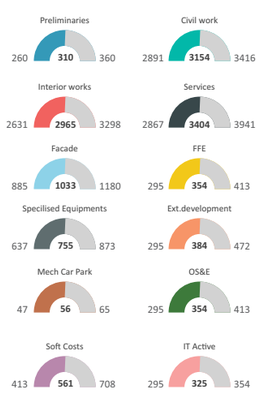
Upper Upscale Segment





Luxury Segment





Inclusions

- The cost per sq. ft represents the average benchmarked cost from historic project data, adjusted to November 2025 price levels.
- All projects are considered to be built on normal soil conditions.
- Procurement is assumed to follow a multipackage contracting approach through standard form of contracts with non-significant amendments.
- All costs are inclusive of 18% taxes, contractor's overheads, profits and insurance.
- Standard project Preliminaries are considered.
- The civil works costs mentioned are inclusive of excavations, all structural & architectural finishes like waterproofing, blockwork and plastering.
- The Interior and FFE heads include costs associated with the BOH area, FOH Area and all Guest rooms as per the segmental requirements.
- The MEP Services cost represents the cost incurred towards Electrical, plumbing, Fire- fighting, Elevators, HVAC, DG, ELV, other Low side works.
- The Façade represents the overall cost considered towards the Building Envelope.
- The specialized equipment costs represent the costs incurred towards Speciality Kitchens, Laundry, Spa, Gym and any other such recreational areas.
- The External development cost captures the overall infra cost
- Operating & supplies cost captures standard operating supplies cost depending on the segment branding
- IT active cost is included
- The Soft Cost includes the cost spent towards the consultancy charges.
- All costs are based on built up area.
- The cost benchmarks are only for guidance and are indicative in nature, subject to variation according to market conditions.

Exclusions

- The cost is exclusive of land prices, demolition of existing buildings, operator associated improvement works, cost escalation, finance cost, forex fluctuation, statutory and approval cost, developer overheads, and labour cess.
- It is noted that the developers receive a tax rebate of circa. 2.5%-3.5% as input credit which is not captured here.
- Project aspirational costs are excluded.
- Project specific abnormal (like unexpected delays in pre-planning & execution phases, idle time, force majeure, abnormal material price escalations, change in government mandates etc) are excluded.

Indicative Built-up Area - Per Key Basis

Built-up area remains a strong proxy for development efficiency and cost intensity across hotel segments. Economy hotels typically operate within 300–500 sq.ft/key, while Midscale assets expand to 600–750 sq.ft/key. Upscale hotels range from 800–950 sq.ft/key, with Luxury and leisure-led developments often exceeding 1,300 sq.ft/key and extending beyond 2,000 sq.ft/key due to expansive public areas, banqueting, wellness, and multi-format F&B.

As positioning rises, underground built-up areas also increase to accommodate parking norms, service basements, and MEP infrastructure, particularly in land-constrained Tier-1 cities. Higher-tier hotels further require larger room modules and plant areas, directly impacting structural grids, service cores, and overall GFA efficiency.

Built-up Area in sq. ft. (per key)

Hotel Segment	Typical Built-up Area sq. ft. (per key)	Key Characteristics
Economy	350–500	High efficiency, lower development cost, limited public areas
Midscale & Upper Midscale	600–750	Moderate public spaces, balanced cost and comfort
Upscale	800–950	Larger rooms, significant public areas and amenities
Upper Upscale	1000-1200	
Luxury	1300+	Extensive public areas, banqueting, wellness, multiple F&B formats
Leisure-led Luxury	2,000+	Resort-style layouts, expansive amenities, experiential focus

The transition of India's hotel development landscape is increasingly being defined by the quality of early-stage decision-making, strategic capital deployment, and informed management of development risk. The ability to evaluate development feasibility through a structured, evidence-based lens has therefore become central to successful hotel investment outcomes.

Cost benchmarking, when approached through a rigorous and data-driven framework, provides critical visibility into capital allocation, risk exposure, and return potential. A clear understanding of how development costs vary by hotel category, city tier, and design intensity enables developers to make informed decisions at the earliest stages of the project lifecycle—when the opportunity to influence outcomes is greatest. Equally important is recognising the growing role of non-linear cost drivers, including regulatory approvals, sustainability compliance, financing structures, and execution timelines, all of which materially affect feasibility and delivery certainty.

The sector is also witnessing a gradual but meaningful shift toward more efficient and resilient development practices. The increasing adoption of modular construction, digital project controls, sustainability-led design strategies, circular material use, and selective automation reflects a broader effort to enhance predictability, improve cost control, and strengthen lifecycle performance. While these approaches may involve marginally higher upfront investment, their long-term value—in terms of operational efficiency, asset durability, and ESG alignment—is becoming increasingly evident.

Looking ahead, India's hospitality sector remains well positioned for sustained growth, supported by strong domestic travel demand, expanding infrastructure, and continued investor interest. However, the next phase of development success will depend on how effectively stakeholders integrate cost intelligence, design efficiency, and long-term operational thinking into project planning. Developers who adopt a disciplined, data-led approach will be best placed to deliver resilient assets, attract institutional capital, and generate sustainable value in an increasingly competitive market environment.



04

Emerging trends in Hospitality industry that can impact development costs

As the hospitality sector evolves, so do the forces shaping its development landscape. Rising land and input costs, regulatory complexity, and tighter timelines are pushing developers to rethink how hotels are built, not just where and for whom.

Emerging shifts in hotel development practices are beginning to reshape capital expenditure benchmarks. New development methods, smarter execution practices, and digital integration are rapidly transforming the cost structures of hotel projects.



Prefabrication as a Tool for Faster and More Cost Efficient Hotel Development

Prefabrication in construction refers to the off-site manufacturing of building components or entire rooms in a controlled factory environment, which are then transported and assembled at the project site. In hospitality, this can range from modular guest rooms that arrive fully finished with walls, floors, bathrooms and services already installed, to smaller yet critical elements such as bathroom pods, façade panels, interior partitions, pre-cast structural components, and pre-assembled mechanical, electrical, and plumbing systems.

By shifting a significant portion of construction activity away from site conditions, prefabrication reduces dependence on weather, onsite labor availability and sequential trade coordination. This approach also allows for tighter quality control and standardization, attributes that align well with the operational logic of branded hotels, where room layouts, finishes and services are typically repeated across floors and properties.

One of the most material advantages of prefabrication lies in its ability to compress construction timelines, which directly addresses one of the largest drivers of cost escalation in hotel development: delays. Extended construction periods increase interest during construction, labor costs, contractor claims and material price exposure. Globally, prefabricated and modular hotel projects have demonstrated construction time savings of 30-50%, enabling hotels to open earlier and stabilize revenues sooner. Projects that would typically take 18-24 months to complete using traditional construction methods can be completed in 9-12 months using modular construction, translating into meaningful savings on financing and overhead costs.

Internationally, prefabrication has moved beyond experimentation and is now mainstream construction strategy, especially for midscale, budget and select service hotel brands that prioritize speed, consistency and scalability. Brands such as CitizenM, Yotel, and IHG's Holiday Inn Express, etc. have routinely adopted prefab construction – particularly modular guest rooms and prefabricated bathroom pods to accelerate development timelines.

A landmark example is Marriott International's AC Hotel New York NoMad, widely recognized as the world's tallest modular hotel. The 168 room property was constructed using fully prefabricated guestroom modules manufactured offsite and assembled on location. Across the United States, Europe, China and parts of the Middle East, entire hotel blocks are now assembled from factory-built modules, while high-rise hotels increasingly rely on prefabricated bathrooms, façades and MEP systems to improve quality control and reduce onsite complexity.

In India, prefabrication has already demonstrated its effectiveness across several real estate asset classes. Large scale infrastructure projects such as metro rail systems, airports, and elevated corridors routinely rely on precast elements to meet tight timelines and manage execution risks. Similarly, residential developments and institutional assets, including hospitals, student housing, and data centres, have increasingly adopted offsite construction to improve speed, cost control, and build quality. These precedents strengthen the case for wider adoption of prefabrication in hotel development as the ecosystem matures.

Within hospitality, prefabrication is still at a relatively early stage, particularly when it comes to fully modular hotels. However, the use of prefabricated components rather than complete modular buildings is steadily gaining traction. Developers are increasingly integrating elements such as bathroom pods, precast structural components, drywall systems, façade panels, and pre-assembled MEP modules to address execution challenges related to quality, labor availability, and construction timelines.

Select midscale and upscale hotels across metros and resort destinations have successfully deployed prefabricated bathroom pods to improve waterproofing quality, reduce snag lists, and compress fit-out timelines.

As hotel development accelerates across airport corridors, business districts, and emerging urban markets, prefabrication is likely to become a practical execution tool, particularly for standardized midscale and budget formats. These early applications indicate that while India may not yet be seeing widespread fully modular hotels, hybrid construction models are already in play and delivering tangible benefits.



Disciplined program and project management practices

Beyond construction technology, realistic timeline compression is increasingly driven by disciplined program and project management practices. Early contractor involvement, integrated design freeze milestones, and front-loaded authority approvals materially reduce downstream rework and delay. Lean construction planning, critical-path optimization, parallel procurement of long-lead items, and milestone-linked incentives improve execution certainty. When combined with robust risk registers, digital progress tracking, and strong interface management between design, MEP, and FF&E packages, these practices can shorten delivery timelines without compromising quality—directly lowering financing costs and accelerating revenue commencement.

Digitally enabled delivery

At the same time, digital tools and integrated workflows, notably Building Information Modelling (BIM), 4D/5D scheduling, IoT, and digital-twin frameworks are enabling stronger cost and timeline control. For hospitality projects that often have complex MEP, FF&E, and coordination demands, such precision helps minimize change orders, avoid delays, and optimize procurement cycles, ultimately reducing cost uncertainty and overruns.

Automation & Robotics

For a relatively mechanized systems like façade, MEP and modular works, the strategy of selective adoption in Automation & Robotics based on ROI, phasing requirements, balancing capex Vs benefit is expected to reduce execution timelines and minimize safety & rework risks. With the continued pressure on labor availability and reliable delivery, these automation initiatives can reduce construction timelines and ensure quality compliance.

Circular Construction & Material Reuse

The approach of circular construction where buildings are designed, constructed and operated to minimize waste and maximize reusage, material efficiency gains through recycled steel use, reclaimed aggregates, modular reuse, and design-for-disassembly are gaining traction. They are predicted to reduce embodied carbon by 15-30% especially in concrete & steel heavy hospitality projects. While upfront planning and supplier coordination are critical for successful implementation of circularity, such adoption enhances asset resilience and supports future retrofitting or redevelopment flexibility.



Sustainability - smart materials and lifecycle thinking

Finally, the push toward sustainability, waste reduction, and lifecycle cost optimization is influencing material choice and construction strategies. Global analysis of modular construction methods indicates up to 83% reduction in material waste compared with conventional construction, alongside improved energy performance and tighter quality control. For hotel developers looking at sustainability compliance (ESG credentials), lower embodied carbon, and long-term O&M savings, this is the new imperative. As global investors and operating brands increasingly demand “green” credentials, adopting such modern construction technologies can become a differentiator, albeit with a slight premium upfront. Adding to these are the green walls and rooftop landscaping initiatives. While they typically add 2-3% on the base construction cost, over a 20-25-year lifecycle, these interventions claim to generate 15% savings in energy and maintenance costs through reduction in cooling energy demands, lower roof maintenance costs, better ESG positioning and higher asset valuation and brand appeal. Furthermore, with the advent of smart materials such as low-E glazing, high-performance insulation, and reflective roofings etc, the operational energy demands are further reduced warranting heightened sustainability compliance while also unlocking savings in the operation & maintenance costs over time.

05

Ease of Doing Business in India’s Hotel Sector

Hotel industry in India has witnessed a strong revival in the post-COVID era, fueled by rising domestic travel, renewed investor interest, and supportive policy measures. Growth is being reinforced by sustained travel momentum across business, leisure, and emerging segments, alongside a steady pipeline of hotel signings and development activity. This expansion is being driven by strong domestic demand, a visible pipeline of new hotel signings, and increased interest from both domestic and global investors.

In the World Bank’s last released Ease of Doing Business Index, India ranked 63rd, reflecting the progress made in creating a more business-friendly environment. The government has played an active role in this transformation by incentivizing investments, building infrastructure, and introducing targeted reforms to simplify the operational landscape for hospitality players.

Traditionally, setting up a hotel in India meant navigating multiple central and state agencies, dealing with lengthy approval cycles, and incurring high transaction costs. In recent years, however, the policy landscape has shifted meaningfully. A push for single-window clearance systems, backed by digital reforms, is easing entry barriers and instilling greater investor confidence. At the central level, the National Single Window System (NSWS), launched in 2021 by the Department for Promotion of Industry and Internal Trade (DPIIT), has emerged as a key enabler. Designed as a one-stop digital platform, NSWS centralizes approvals across ministries and state departments, giving investors the ability to identify required licenses, apply online, and track progress through a unified dashboard. For hotel developers, this reduces the need for multiple physical submissions and offers greater transparency in approval timelines.



Several states have also complemented these reforms by creating their own approval-based portals. Rajasthan, Maharashtra, Gujarat, and Kerala, among others, have developed digital systems that guide hotel investors from the application stage to renewals, including periodic licenses such as trade permits and food safety certifications. These state-level mechanisms not only reduce procedural delays but also enhance transparency for investors.

Alongside NSWS, the Ministry of Tourism has introduced the National Integrated Database of Hospitality Industry Plus (NIDHI+), a platform launched in 2020 to further strengthen the ease of doing business in the sector. NIDHI+ is a collaborative initiative between the central and state governments and the hospitality industry, functioning as a single digital gateway for hospitality establishments to register, access government services, and connect with policy authorities. Its services range from digital unit registration and SAATHI certification (COVID-safe practices) to hotel classification, Incredible India listings, and access to skill development programs. Importantly, the platform also provides granular data on the size, structure, and distribution of India’s hospitality sector, enabling more informed planning for destination development and carrying capacity management.

Together, these initiatives mark a decisive shift toward reducing regulatory complexity, enhancing transparency, and building a more investor-friendly environment for India’s hospitality industry.



Challenges to Fresh Capital Deployment in the Indian Hospitality Sector

High Entry Threshold for Infrastructure Status

The Indian hospitality sector continues to be excluded from the full benefits of infrastructure status due to the restrictive eligibility thresholds currently in place. Presently, only hotel projects with a minimum investment of INR 200 crore, and convention centers with a project cost exceeding INR 300 crore, qualify for this status. These requirements benefit only large-scale developments in major metros, excluding the vast majority of midscale, boutique, heritage and regional hotel projects that are critical for expanding hospitality infrastructure into tier-2 and tier-3 cities. At the same time, the government has proposed that hotel and related development projects across 50 top tourist destinations identified for integrated development will be eligible for infrastructure status under the Hospitality, Medical and Leisure (HML) category, signaling a more targeted but still limited pathway for sectoral inclusion.

Tax Burden and GST Complexity

The current GST regime remains a key deterrent for investment, particularly when compared to competing Asian markets. Hotels charging room tariffs above INR 7,500 are subject to 18% GST, placing India at a disadvantage against countries such as Thailand, Malaysia, and Indonesia, where tourism-driven tax rates are substantially lower. The cascading effect of high room taxation, along with multiple state-level compliance requirements and inconsistencies in interpretation, impacts both domestic and international competitiveness. In addition, hoteliers face considerable administrative overhead to maintain state-wise GST registrations and meet frequent filing obligations. This not only erodes margins but also increases operating complexity, which is factored in investor decision-making.

Multiplicity of Clearances and Approvals

Despite improvement in the ease of doing business, the hospitality sector continues to grapple with a complex maze of approvals, licenses, and renewals, many of which vary across states. While the launch of the National Single Window System (NSWS) has been a step in the right direction, offering centralized access to clearances from 32 central ministries and 29 state governments, the system remains only partially integrated for hospitality projects. Moreover, even where NSWS is operational, the absence of a truly unified back-end process means investors often still need to engage separately with multiple departments for approvals ranging from environmental and fire safety clearances to excise licenses and tourism classification. These applications



are frequently processed sequentially rather than in parallel, leading to significant delays. Additionally, there is no centralized online repository outlining the full set of required licenses, documentation, or expected timelines, making the process opaque and unpredictable. These challenges persist despite the industry's long-standing demand for a comprehensive single-window clearance system and continue to act as a key procedural hurdle to attracting capital into the sector.

Limited or Costly Financing

Financing for hospitality projects in India remains expensive and difficult to secure. Lending norms are stringent, with interest rates typically ranging between 9% to 12% which is significantly higher than many competing Asian markets. For instance, commercial property loans in Singapore are often available in the 2.8% to 3.5% range, with promotional fixed-rate packages even lower, while in Thailand, lending rates generally hover around 4% to 7%. Loan tenures in India rarely exceed 10 to 12 years, including the moratorium period, which poses a challenge for an industry with inherently long gestation periods. Given that hotels generally require three to five years to stabilize revenues after opening, developers face compressed repayment timelines that put significant strain on cash flows. The lack of broader infrastructure status for most projects further limits access to low-cost, long-term funding, often compelling investors to commit higher equity contributions, reducing overall project returns.

Infrastructure and Land Constraints

Securing suitable land for hospitality projects remains a persistent challenge, particularly in emerging destinations. In many cases, available land parcels lack clear titles or require complex changes in land use from agricultural to commercial, which can take years to resolve. Even in cases where land is available, the cost in especially in urban and high-demand leisure locations can account for as much as 30% to 40% of the total project cost, significantly higher than global norms. Zoning restrictions and low permissible Floor Space Index (FSI) in key metros further limit the ability to offset high land costs through larger built-up areas.

However, some Indian states have introduced tourism policy incentives to improve the investment climate for hospitality and tourism infrastructure, for example, Odisha's Tourism (Amendment) Policy-2026 offers capital investment subsidies of up to 30% (with caps of up to INR 50 crore or higher for large investments), support for eco-tourism assets, and eased expansion norms to attract hotel and resort projects; similarly, Uttar Pradesh's Tourism Policy 2022 includes capital and interest



subsidies and industry status benefits that can cover eligible land costs. Under the Karnataka Tourism Policy (2020–26), the state provides 100 % reimbursement of the land conversion fee for converting agricultural land to non-agricultural use for new and expansion tourism projects (with some jurisdictional exceptions), helping reduce the upfront cost burden associated with land acquisition and regulatory compliance. These factors collectively increase the break-even horizon, reducing the attractiveness of investments in the sector.

Manpower and Skill Shortages

The Indian hospitality sector is increasingly constrained by a shortage of skilled manpower, particularly in operational roles. This shortage is more acute in tier-2 and tier-3 markets, where access to quality training institutions is limited. Industry estimates also point to an acute demand-supply gap of 55–60%, suggesting a highly constrained labor market struggling to meet the sector's growth needs. While some private hotel schools and hotel chains have expanded their training initiatives, there is no large-scale, coordinated government program to address this gap. The resulting dependency on on-the-job training can lead to inconsistencies in service quality, which in turn affects guest satisfaction and repeat business, which are some key factors influencing an investor's confidence in the sector's growth potential.

FDI Policy Ambiguity and Regulatory Risk

Foreign investors remain cautious due to evolving foreign direct investment (FDI) norms, including recent moves to subject indirect foreign ownership to greater scrutiny. Such changes require additional compliance, fair market valuations, and government approvals, extending transaction timelines and increasing perceived regulatory risk. The lack of well-established investment agreements with several major capital-source countries means foreign investors have fewer safeguards, prompting them to take a more cautious stance when investing funds in the Indian hospitality sector.

06

Recommendations

Single-Window Approval Mechanism
The industry's long-standing demand for a centralized, single-window approval system remains one of the most critical reforms needed to unlock fresh investment. Such a platform, ideally managed by a nodal tourism authority, should enable investors to submit all applications in one place, track progress transparently, and receive time-bound clearances. Parallel processing of applications across departments will drastically cut delays, reduce compliance costs, and improve investor confidence. Under such a system, developers would submit all necessary applications through a single portal, track progress in real-time, and receive clearances within established timelines. The country has already started going down this path, with select states having taken promising steps. In Odisha, for example, a special single-window clearance committee has cleared 25 hotel projects since 2015 under its targeted tourism investment push. Similarly, Kerala has begun offering single-window fast clearances, incentives, subsidies, and dedicated facilitation for tourism-related investments, including hospitality, leisure, eco, and film tourism via its Tourism Investors Meet framework.

Himachal Pradesh's recently launched Tourism Investment Promotion Council (TIPC) now acts as a single-window mechanism for tourism projects above INR 50 crore. It standardizes document submission across key departments and even allows for "deemed approval" if statutory clearances do not arrive within designated timelines, significantly lowering entry barriers for investors. States such as Kerala and Jammu & Kashmir have discussed similar initiatives for tourism investment, and wider implementation across the country could significantly reduce project delays and improve investor confidence.

Expanding the scope of infrastructure status to include hotels and convention centers below the current INR 200 crore threshold will significantly broaden access to low-cost, long-tenure financing. This would empower smaller developers, particularly in tier-2 and tier-3 cities, to participate more effectively in the sector's growth. Aligning eligibility with project scale and regional impact rather than absolute investment value will promote a more balanced distribution of hospitality infrastructure and reduce the existing metro-centric development bias.



Encouragingly, 11 Indian states have already taken proactive steps in this direction. Tripura and Rajasthan have formally granted industry status to tourism and hospitality, enabling access to various benefits. Additionally, West Bengal has approved similar proposals, and Uttar Pradesh is actively progressing toward granting such status, demonstrating growing state-level momentum for industry-focused reforms. Nationwide scaling up of these efforts could catalyze investments in emerging destinations and unlock the full potential of India's hospitality sector.

Reviewing GST for Tourism and Hospitality
The recent rationalization of GST on hotel room tariffs was a well-intended measure aimed at improving affordability and supporting demand growth, particularly across the budget and midscale segments. As of the latest GST framework, hotel rooms priced up to INR 7,500 per night attract a reduced GST rate of 5%, down from the earlier 12%, but this rate is applied without input tax credit (ITC) which was a significant departure from prior practice and a key source of ongoing industry concern. While the lower headline rate helps sustain domestic travel momentum and price accessibility, the absence of ITC has introduced structural cost pressures for many operators, especially in the mid-market where a large share of hotels now fall under the 5%/no-ITC regime. As a result, the full demand-side benefits of lower taxation are only partially realized, with limited margin improvement and constrained reinvestment capacity within the sector. At the higher end of the market, room pricing continues to play a central role in brand positioning and value perception; however, from a competitiveness standpoint, there may be merit in reviewing the overall GST structure to ensure smoother alignment across segments. A more calibrated framework could help balance affordability objectives with tax neutrality, while supporting sustainable growth across the hospitality spectrum.

Facilitating Access to Affordable Capital
Along with changes to infrastructure status, special loan schemes for the hospitality sector should be introduced at interest rates similar to those in other leading Asian countries. Singapore's commercial property loans often range between 2.8% and 3.5%, while Thailand's lending rates hover around 4% to 7%, well below India's 9% to 12%. Closing this gap with special loan options, longer repayment periods, and shared risk programs will make hospitality projects more affordable and appealing to investors.

Skill Development and Workforce Expansion
A public-–private partnership model can help expand the reach of existing hotel management institutes,





integrate apprenticeship-based degree programs, and introduce vocational training in high-demand. For example, the Hunar Se Rozgar Tak (HSRT) program, led by the Ministry of Tourism, works in partnership with the Indian Institute of Tourism and Travel Management (IITTM), the network of Institutes of Hotel Management (IHMs), Food Craft Institutes (FCIs), the India Tourism Development Corporation (ITDC), and several hotels. The program is also carried out through State Governments and Union Territory administrations. It further engages in trade-specific collaborations, such as with the Women's Golf Association of India, and works with academic partners, including Jamia Millia Islamia and G.D. Goenka University. Reinforcing this ecosystem, the Union Budget FY 2026–27 increased the allocation for the Ministry of Skill Development and Entrepreneurship to approximately INR 9,885.8 crore, marking a rise of about 62 % over the previous year, alongside initiatives such as training 10,000 tourist guides across 20 major destinations and the proposed upgradation of the National Council for Hotel Management and Catering Technology into a National Institute of Hospitality to strengthen professional hospitality education and global alignment. Further to this, establishing regional hospitality skill hubs will also improve workforce availability in emerging destinations, ensuring consistent service quality across markets.

FDI Policy Clarity and Investor Protection

To attract greater foreign participation, India must provide clarity on foreign direct investment rules, including treatment of indirect ownership structures, valuation norms, and approval processes. Strengthening bilateral investment agreements with key source countries will offer foreign investors greater assurance, reduce perceived regulatory risk, and encourage longer-term capital commitments to the hospitality sector.

Zoning and Land-Use Flexibility

Relaxing FSI norms in prime urban centers and simplifying land-use conversion processes will help developers offset high land costs through larger revenue-generating built-up areas. In parallel, identifying and pre-approving land parcels for tourism infrastructure can reduce project lead times and enhance transparency for investors.

Government Initiatives – Hotel Construction

Across India, a growing number of state governments are actively fine-tuning their tourism policies to lower entry barriers, de-risk capital commitments, and create a



more conducive environment for tourism and hospitality investments. These policies represent a shift from purely promotional frameworks to investment-oriented regimes that address core bottlenecks such as land acquisition, regulatory delays, financing costs, and sustainability compliance. Most states now combine fiscal incentives (like capital subsidies or SGST reimbursements) with process reforms (like single-window clearances, extended licenses, and clear land conversion norms) to improve the ease of doing business and attract both Indian and foreign investors to build hotels, resorts, eco-tourism projects, and allied infrastructure.

In Telangana, the Tourism Policy 2025-2030 offers a myriad of incentives designed to offset major upfront costs and facilitate quicker project roll-outs. Investors can receive 50 % reimbursement of land conversion charges and registration fees within the first-year post-commencement, and there are additional benefits such as SGST reimbursement (up to 50 % in eligible categories), interest subsidies, and expedited approvals for projects in rural and Special Tourism Areas, all of which directly reduce land-associated burdens and enhance project viability. The policy also encourages sustainable practices and PPPs in developing iconic destinations and tourism zones.

Madhya Pradesh's Tourism Policy 2025 has explicitly set aside over 1,000 hectares of investable land for hospitality and tourism exporters and provides land allocation at government/collector guideline rates for up to 90 years for mega projects, alongside capital grants ranging from 15 % to 30 % (with higher incentives for remote areas and eco-oriented developments). A dedicated Investment Promotion Cell and single-window clearance system were instituted to streamline land allotment, approvals and interface with investors, significantly reducing procedural friction that often impedes project commencement.

Other states are also incorporating ease-of-doing-business and sustainability levers into their tourism strategies. Odisha's Tourism (Amendment) Policy-2026 expands capital subsidies (up to 30 %–40 % for large investments) and supports eco-tourism assets such as electric boats and caravans, aligning investment incentives with green tourism objectives. Bihar's Tourism Policy 2023 provides 100 % reimbursement of land conversion fees, stamp duty and registration charges for tourism enterprises, alongside graduated capital subsidies and GST/tariff rebates, specifically to reduce barriers to



land acquisition and operations. Maharashtra's Tourism Policy 2024 links tourism units to the state's broader industrial incentives, includes exemptions on non-agricultural development charges and endorses higher permissible FSI for hospitality parks to help optimize land use and project density. Even traditional cultural destinations are seeing enhanced support: in Rajasthan, special tourism areas and funding under central schemes like Swadesh Darshan are being harmonized with state land allocation and regulatory support to enhance sustainable tourism infrastructure.

India's hotel sector stands at an important inflection point. Demand fundamentals remain strong, the branded supply pipeline is expanding, and investor interest in hospitality assets has returned with renewed confidence. Meanwhile, rising development costs, longer project cycles, and evolving regulatory and financing dynamics are reshaping how hotel projects are evaluated and executed across the country. In this environment, disciplined capital planning, realistic cost benchmarking, and better alignment between demand potential and development strategy will be critical to sustaining healthy returns.

As infrastructure improves and travel demand deepens across a wider set of markets, hotel development is expected to become more geographically distributed and segment-diverse. However, unlocking this opportunity at scale will require continued policy support, easier access to long-term financing, streamlined approvals, and adoption of more efficient construction and project management practices. With the right combination of capital discipline, regulatory reforms, and execution efficiency, India's hospitality sector can move into a phase of more predictable, investment-led growth, supported by stronger development fundamentals and more resilient project economics.

Annexure 1 Compliances

BUSINESS SETUP	Certificate of Commencement of Business	ABOLISHED	Companies (Amendment) Act, 2020 removed this requirement	Medium	-
	Capital Issues Permission for Foreign Shareholders	AUTOMATIC ROUTE	FDI up to 100% automatic; only reporting to RBI via AD Bank required	High	Pre-incorporation
	Approval for Foreign Investment & Technical Agreements	AUTOMATIC ROUTE	No prior approval needed; post-facto reporting sufficient	High	Post-incorporation
	NOC U/S 269 Income Tax Act for Land Purchase	REPEALED	Section 269 repealed; replaced by Section 43CA/50C for stamp duty valuation	Low	During registration
	Registration under Sarai Act, 1867	REPLACED	State-specific Police License now covers lodging regulations	High	Pre-opening
CONSTRUCTION & PLANNING	Multiple separate municipal approvals	INTEGRATED ONLINE SYSTEMS	Single online building plan approval (e.g., ODISA, SMARTS, CPAMS)	Critical	Pre-construction
	Individual height, FAR, construction approvals	CONSOLIDATED	Part of integrated building plan approval	Critical	Pre-construction
	Project Approval from Tourism Department	VOLUNTARY BUT STRATEGIC	Not mandatory but required for Star Classification and incentives	Medium	Pre-construction
	Separate water, electrical, sewage sanctions	PROVISIONAL CONNECTIONS	Advance sanctions based on approved plans; final after OC	High	Pre-construction
	Sanction for Garbage Disposal	ENVIRONMENTAL CONDITION	Now part of CTE from Pollution Control Board	High	Pre-construction
ENVIRONMENTAL	Consent to Establish & Operate	ENHANCED COMPLIANCE	Online via OCMMS; stricter EPR rules, STP mandatory	Critical	Pre-construction & Pre-opening
	DG Set Approval	EMISSION CONTROL MANDATORY	Must comply with CPCB norms; acoustic enclosures required	High	Installation phase
OPERATIONAL LICENSES	Multiple tax registrations (VAT, Service Tax, Luxury Tax, Entertainment Tax)	GST SUBSUMED	Single GST registration; slabs: 0%/12%/18% for rooms	Critical	Pre-opening
	FSSAI License	UNCHANGED BUT DIGITAL	Central/State license based on size; online application	Critical	Pre-opening
	Police License	DIGITAL INTEGRATION	Must integrate with CCTNS for real-time guest registration	Critical	Pre-opening
	Bar Licence (Excise)	STATE-SPECIFIC CHANGES	Policies change annually per state budget; zoning critical	Critical	Pre-opening
	Health/NOC from Municipal Health Officer	MODERNIZED	Part of Health/Trade License; FSSAI covers food safety	High	Pre-opening
SAFETY & FACILITIES	Fire Safety NOC	TWO-STAGE PROCESS	Provisional (plans) + Final (inspection as per NBC 2016)	Critical	Pre-construction & Pre-opening
	Lift Installation Approval	ONLINE REGISTRATION	Registration with Boiler & Lift Inspectorate online	High	Installation
	Swimming Pool License	HEALTH DEPARTMENT NOC	Water quality certification from Public Health Department	Medium	Pre-opening
	Discotheque/Performance License	PUBLIC ENTERTAINMENT LICENSE	Consolidated license from Municipal Corporation & Police	Medium	Pre-opening
LABOR & EMPLOYMENT	EPF, ESI, Pension Scheme registrations	THRESHOLD CHANGES	EPF: 20+ employees; ESI: 10+ employees (notified areas)	High	Within 30 days of hiring
	CLRA Registration	PENDING LABOR CODES	Required for contract labor; may change with new Labor Codes	Medium	When hiring contract labor
	Working Women Late Night Permission	SHOPS ACT CONDITION	Not separate license; part of Shops Act compliance	Low	Operational
TAX & FINANCIAL	Service Tax Registration	GST REPLACED	Merged into GST	-	-
	Entertainment Tax	GST REPLACED	Merged into GST	-	-
	Luxury Tax	GST REPLACED	Merged into GST	-	-
	Moneychangers Licence	TIED WITH AGENCIES	Only needed for dedicated counter; most hotels use agencies	Low	Optional
GUEST COMPLIANCE	Physical Guest Register	DIGITAL MANDATE	Foreigner registration on e-FRATE portal within 24 hours	Critical	Daily operation
	Manual police reporting	CCTNS INTEGRATION	Real-time data sharing with police systems	Critical	Daily operation
ADDITIONAL 2025 REQUIREMENTS	- NOT IN 2019 LIST-	Udyam Registration (MSME)	Benefits for easier loans, lower interest rates	Medium	Post-incorporation
	- NOT IN 2019 LIST-	e-Invoicing (GST)	Mandatory for turnover > ₹5 Crores	High	Operational
	- NOT IN 2019 LIST-	Plastic Waste Management	Compliance with single-use plastic ban	High	Operational
	- NOT IN 2019 LIST-	E-Waste Management Rules 2022	Tie-up with authorized recyclers	Medium	Operational
	- NOT IN 2019 LIST-	POSH Act Compliance	Internal Complaints Committee constitution	High	Within 30 days of hiring
RENEWALS & MAINTENANCE	Annual renewals of multiple licenses	DIGITAL RENEWALS	Most renewals online via respective portals	Ongoing	Annual

Annexure 2
State-wise Incentives For Hospitality Sector

S. No.	State	Year	Incentives
1	**Jammu and Kashmir**	2020	**Incentives at 15%** of the eligible capital investment subject to a maximum limit to be decided by the Tourism department. **Subsidy @60% of the cost of pollution control devices** subject to a maximum of Rs. 50 Lakhs. **Subsidy of 30% of the total cost incurred** for obtaining Quality Certification, subject to maximum of Rs. 2 lakhs. **100% exemption of Stamp Duty** on land transactions to new and existing units.
2	**Ladakh**	2023	75% Subsidy for winter flush toilet construction (upto INR 1,25,000) INR 50,000 upfront grant for repair/maintenance work Homestay setup kit (upto INR 1,25,000)
3	**Goa**	2021-23	**Special incentives** for 100% women owned enterprises. Incentives for industries that offer **vocational and other technical training** to local persons. 100% reduction in **electricity duty** for units installing renewable power generation equipment Reimbursement of 25% of the **cost of water and energy conservation equipment,** subject to a cap of Rs. 100,000 per unit.
4	**Himachal Pradesh**	2019	**Capital Investment subsidy upto 10%** of Fixed Capital Investment to eligible tourism units. **Financial support of 15%** of the total cost of construction of approach road to all eligible tourism units. Rimbursement of 50% on paid **Stamp Duty & Registration fee** charges. **Assistance upto 75 %** of the cost of carrying out **Energy Audit** to eligible tourism units.
5	**Uttarakhand**	2018	Rebate of RS. 1 per unit and **100 % exemption on Electricity Duty**. **100% exemption of stamp duty** paid depending upon category. Upto **100% SGST Reimbursemen** for first 5 years. **Interest Subsidy of upto 10%** to new tourism units for first 3 years.
6	**Punjab**	2018	Upto **50% exemption on Property Tax** for 7 years. **100% Exemption on Electricity Duty** for 10 years for all Eligible units. **100% exemption from Stamp Duty** for purchase or lease of land and building. **Reimbursement of 75% of net SGST** for 7 years with a cap of 100% of FCI.

*Indicative summary of select key measures available to the hotel sector as of 2025; this is not an exhaustive list; detailed eligibility and conditions may vary by state and project.

S. No.	State	Year	Incentives
7	**Haryana**	2008	Exemption from **Electricity Duty** to the new tourism/hotel projects for a period of 5 years. Upto 100% reimbursement of **stamp duty** on the land area meant for industrial use. 50% exemption towards **External Development Charges.** Customized package of incentives and **concessions to prestigious tourism / hotel projects** having investment of Rs.30 crores and above.
8	**Tripura**	2020-25	**Reimbursement of interest** paid to banks/ financial institutions@4% on term loans for 5 years. **100% exemption on earnest money and security deposits** to all eligible enterprises. **Employment Generation subsidy @50%** of employer contribution paid towards EPF and ESI after 5 years of operations. **100% reimbursement of certification charges** issued by national and international bodies.
9	**Arunachal Pradesh**	2020	**Upto 50% Stamp Duty exemption** for all eligible new tourism units subject to a ceiling of Rs. 25 lakhs. **Upto 80% reimbursement of interest on loan** taken for construction of tourism units. **30% Capital Investment Subsidy** to be given on investments with an upper limit of Rs. 50 lakhs. Upto **100% Quality Certification Subsidy** subject to a ceiling of Rs. 20 lakhs per unit.
10	**Assam**	2022	30% of **capital investment** subject to a ceiling of Rs. 5 crores. Reimbursement of **power subsidy** @ Rs. 2.00 per unit consumed for a period of 5 years. 100% **Stamp duty** shall be reimbursed, subject to a monetary ceiling of Rs.25 lakhs. **Interest Subsidy** of 2% on the outstanding working capital loan for five years subject to a ceiling of Rs. 50 lakhs.
11	**Nagaland**	2020	**Reimbursement up to 25%** of the actual wage bill for local tribal employees employed by eligible units. **50% Stamp Duty and Registration Fee** exemption for securing loans from Financial Institutions. **Subsidy at 50% rate** of the cost of Detailed Project Reports to eligible new units. **Up to 30% Subsidy on power tariff** will be provided for a period of 5 years to eligible units.
12	**Manipur**	2022	**Subsidy of 2.5% on fixed capital** to all eligible tourism units. New industrial units will be eligible for **concessional pre-paid meters.** The industrial units set up under this scheme can claim **reimbursement of central share of income tax for first 5 years.** **100% reimbursement of insurance premium** on insurance of building for all eligible new tourism units.

*Indicative summary of select key measures available to the hotel sector as of 2025; this is not an exhaustive list; detailed eligibility and conditions may vary by state and project.

S. No.	State	Year	Incentives
13	**Mizoram**	2020	**Power subsidy of upto 60%** of total expenditure on power consumption to eligible tourism units. **Land Subsidy of 25%** of the lease fee of allotted developed/undeveloped land to new eligible units. **Manpower development subsidy of 50%** of the actual course fee for training to all eligible tourism units. **Upto 90% Subsidy** on cost of Project Report to all eligible tourism units.
14	**Meghalaya**	2023	Subsidy up to 75% of the applicable amount to assist execution of deeds of **conveyance/mortgage** pertaining to loans from financial institutions. The industrial units set up under this scheme can claim **reimbursement of central share of income tax for first 5 years.** Central **Capital Investment Incentive** for access to credit at 30% with an upper limit of Rs.5.00 crore. **100% reimbursement of insurance premium** on insurance of building for all eligible new tourism units.
15	**Sikkim**	2018	**100% income tax** for a period of 10 years to all eligible tourism units. **Capital investment subsidy at 15%** of their investment in plant & machinery, subject to a ceiling of Rs. 30 lakhs. **Interest subsidy of 3%** on the working capital loan would be provided to all new tourism units. **100% reimbursement of insurance premium** on insurance of building for all eligible tourism units.
16	**Bihar**	2009	100% exemption on **land conversion charges**. 100% exemption in **Stamp Duty and registration fee** in lease / sale / transfer of land for setting up a tourism project. 100% exemption in **electricity duty** for 7 years. **Exemption from Luxury Tax** for first 7 years of commercial operations.
17	**Uttar Pradesh**	2022-32	**Interest subsidy at 5% of the loan amount** for eligible tourism units. **Land use conversion and development charges shall be waived** off for all new tourism units. **100% exemption of stamp duty and registration fee** to eligible tourism units. **Upto 25% subsidy on fixed capital investment** to be provided to eligible tourism units.

*Indicative summary of select key measures available to the hotel sector as of 2025; this is not an exhaustive list; detailed eligibility and conditions may vary by state and project.

S. No.	State	Year	Incentives
18	**Rajasthan**	2020	**Iwndustry Status to Tourism & Hospitality Sector** Industry tariff applicable now - Electricity tariff 70%, Urban Development Tax 20% and Building Plan Approval charges 66% of commercial charges. **Investment Centric Tourism Unit Policy** An exclusive investor friendly policy, no conversion and development charges, additional Built-up Area allowed, subsidized Bar license for Heritage Hotels, operating licenses for 10 years at once and Online approval of projects. **Incentives to Tourism & Hospitality Sector** 75% upfront and 25% reimbursement of stamp duty, interest subsidy upto 6% for 5 years, 100% exemption in Electricity Duty & Land Tax for 7 year, Investment subsidy: 75% of SGST for 7 years, reimbursement of 50% of employer`s contribution towards EPF and ESI for 7 years, green incentives for water conservation, waste management, quality certification, etc., projects above 25 cr. investment are eligible for capital subsidy. **Rural Tourism Scheme** Agro tourism unit, camping sites, caravan park, rural guest house allows, land use change and building plan approval not required, allowed outside municipal area, time-bound approval on the basis of self-declaration, 100% exemption in stamp duty, 100% SGST reimbursement for 10 years and 9% interest subsidy on loans upto Rs. 25 lacs.
19	**West Bengal**	2019	**Waiver of electricity duty on the electricity consumed** its approved project for a period of 5 years. Upto 7**0% reimbursement of amount on registration of documents** within state for purchase or acquisition of land/ buildings/ property across all units. **50% of fixed capital investment expenditure** will be reimbursed for quality improvement, modernization, etc. **All units are entitled for upto 75% interest subsidy on term loan** borrowed from commercial bank and financial institution.
20	**Jharkhand**	2021	Reimbursement of **Electricity Duty** to new tourism units for a period of 5 years. Assistance for obtaining **quality certification** @ 50% of the expenditure incurred up to maximum of Rs.10 lakhs. **Financial assistance** of 50% of the expenditure incurred up to a maximum of Rs. 10 lakh per patent. **Special incentive** of 50% reimbursement of fee will be given to SC/ ST and women for pursuing **entrepreneurship course** from a reputed institute.

*Indicative summary of select key measures available to the hotel sector as of 2025; this is not an exhaustive list; detailed eligibility and conditions may vary by state and project.

S. No.	State	Year	Incentives
21	**Madhya Pradesh**	2016, amended 2019	All new heritage hotel projects shall be exempted from paying **Registration Fee and Stamp Duty**. **Upto 100% Subsidy** for **Responsible Tourism** to tourism units. **Capital Subsidy** of upto 25% on fixed capital investment for eligible tourism units. **5% Interest Subsidy** on term loan to eligible tourism units for 7 years.
22	**Gujarat**	2021-25	100% reimbursement of **stamp duty and registration fee** shall be provided. Upto 20% subsidy on eligible **capital investments** made in tourism units, with minimum capital Investment of INR 1 cr. **Reimbursement of 50% of the certification fees** to hotel/wellness resort obtaining Green Building Certfication. **100% exemption from electricity duty** for a period of 5 years.
23	**Odisha**	2022	100% reimbursement of the **land conversion charges** after the commencement of the commercial operation. All eligible tourism projects with investments of Rs.20 lakh and above shall be eligible to get a **capital investment subsidy.** New tourism units exempted from payment of **electricity duty** up to a contract demand of 5 MVA for a period of 5 years. All new Tourism Units shall be eligible to get a **100% exemption in Stamp Duty** on purchase of land for the project.
24	**Chhattisgarh**	2020	Reimbursement of **40%** of the **SGST** to eligible tourism project for the initial 5 years of operation. **Upto 100%** reimbursement of EPF Expenditure (employer`s contribution) for 3 years. **Incentive of 50%** of the fixed capital investment in renewable energy generation to Eligible Tourism Projects. **100% reimbursement of electricity duty** upto 5 years to Eligible Tourism Projects.
25	**Maharashtra**	2016	**Upto 100% Stamp Duty & Registration charges exemption** for all eligible tourism units. **Upto 100% Electricity Duty Exemption** for all eligible tourism units. **License renewal** every **5 years** instead of the present annual renewal. **Upto 100% refund** of State Goods and Service Tax.

*Indicative summary of select key measures available to the hotel sector as of 2025; this is not an exhaustive list; detailed eligibility and conditions may vary by state and project.

S. No.	State	Year	Incentives
26	**Telangana**	2023	100% Reimbursement of Stamp Duty and Transfer Duty paid by Entrepreneur for purchase of land. 100% Reimbursement of Stamp Duty for Lease of Land/ Shed/Buildings and for Mortgages & Hypothecations paid by Entrepreneur. Automatic Land Conversion for the 'Registered Tourism Projects' and Waiver of 100% of Land Conversion Charges. Power Cost Reimbursement @ Rs.1.00 / Rs.2.00 per unit for 5 years from the date of commencement of commercial operations. Reimbursement of 100% Net SGST (State Goods & Services Tax) for a period of 5 years from the date of commencement of commercial operations. Provision of Skill Upgradation & Training through IHMS/SIHM & Hotel Management Institutions. (Free / Chargeable) (Reimbursement of Infrastructure Cost) / Provision of Infrastructure Connectivity such as Road, Power, Water, Communication Network / WiFi etc.., in Coordination with the Concerned Govt. Depts.
27	**Karnataka**	2020-26	**Capital Investment Subsidy** of up to 25% of total capital investment for eligible projects. **Industry Status Benefits for Star-Classified Hotels** Industry status benefits provided to star-classified hotels of Karnataka. **Stamp Duty and Registration Charges** 50% exemption of stamp duty and 100% exemption of registration charges for eligible projects. **Interest Subsidy** 5% Interest Subsidy on term loan on fixed capital investment for eligible tourism projects.
28	**Andhra Pradesh**	2020-25	**Electricity charges shall be reimbursed @ Rs.2.00 per Unit** for a period of 5 years for all new Tourism Projects. **Reimbursement of 100% of stamp duty and transfer duty** paid by the units on purchase of land for all new Tourism Units. **100% exemption of Land Use Conversion charges** on conversion of land permitted by the Authorities. **Reimbursement of 100% of net SGST accrued** to the State for all new Tourism units for a period of five years.
29	**Kerala**	2012	**Incentive of 15% on the total investment** subject to a maximum ceiling limit of Rs 20 lakhs to investors classified under responsible tourism. **Marketing Assistance of 25%** of the **travel fare and promotional materials** for service providers. **Industrial tariff on electricity charges** applicable for the first 5 years for establishments to investors classified under responsible tourism. **Residential tariff on electricity and water charges** for homestay providers to promote homestays in the state.

*Indicative summary of select key measures available to the hotel sector as of 2025; this is not an exhaustive list; detailed eligibility and conditions may vary by state and project.

S. No.	State	Year	Incentives
30	**Tamil Nadu**	2023	**Capital Investment Subsidy** Subsidy of 25% up to 1.5 Crore for project sizes below INR 50 Crores and subsidy of 5% up to 3 Crores for Project sizes between INR 50 Crores and INR 200 Crores. **Interest Subsidy** Interest Subvention of up to 5% for Eligible Tourism Projects below INR 50 Crores. **Quality Certification Incentive** 100% reimbursement of Quality Certification Cost up to 2 Lakhs for National Certification and 10 Lakhs for International Certification. **Structured Package of Incentives** for Projects above 200 crores including Investment Promotion Subsidy, Interest Subvention, Quality Certification Incentive and Green Industry Incentive.
31	**Andaman and Nicobar Islands**	2003	**50% Subsidy** for procurement of Pollution control equipment, captive power generation sets, etc. **Capital investment subsidy upto 50%** on fixed capital investment for Micro and Small Enterprises. The yearly **Island Tourism Festival** will be organised by the Tourism Department. **Subsidy for setting** up of 1-3 Star Hotels/Budget Hotels/ Lodges/Dharshalas will be devised.
32	**Delhi**	2023	Draft Policy has been introduced which has put emphasis on development of MICE Tourism in the city and Public-Private Partnerships. 3000 rooms to be added near Pragati Maidan

*Indicative summary of select key measures available to the hotel sector as of 2025; this is not an exhaustive list; detailed eligibility and conditions may vary by state and project.

NOTES

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Key contributors:

Gleeds

Siva Senathipathy
Country Director & CEO

Arpi Thakker
Director

Bhagyshree Parikh
Deputy Associate Director

Jayashree S
Senior Cost Manager

HVS ANAROCK

Mandeep S. Lamba
President & CEO (South Asia), HVS ANAROCK

Akash Datta
Managing Director (South Asia), HVS ANAROCK

Dipti Mohan
Vice President & Head, Research & Corporate Communication (South Asia), HVS ANAROCK

Dhwani Gupta
Associate (South Asia), Research, HVS ANAROCK

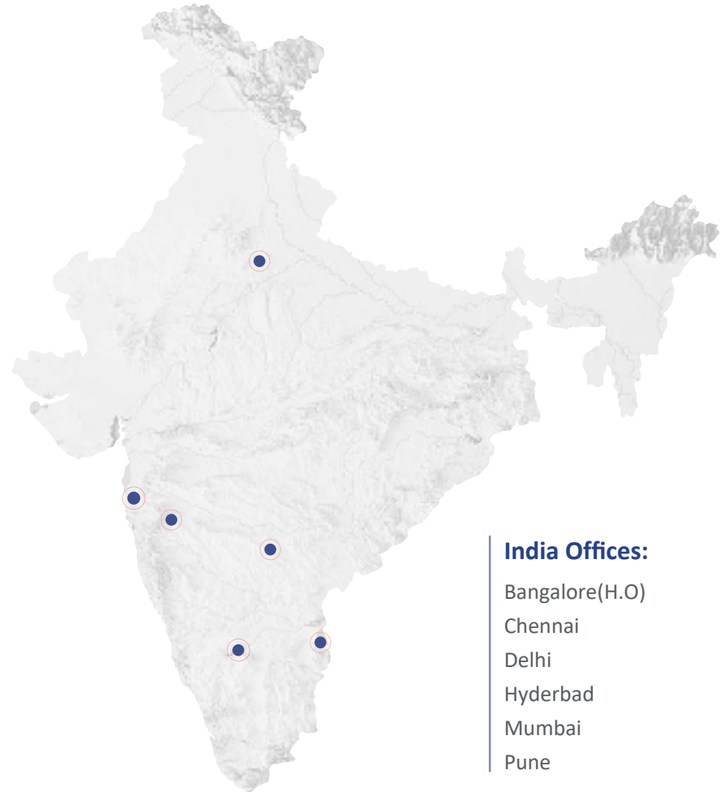


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Delhi
Hyderbad
Mumbai
Pune

Sector Presence	BUA (million ft^2)
Data Center	**Confidential**
Residential	**250**
Commercial Base-build	**82**
Retail	**53**
Mixed Use	**48**
Office Fit out	**22**

Sector Presence	BUA (million ft^2)
Industrial and Logistics	**18**
Hospitality	**15**
Education	**10**
Healthcare & Life Sciences	**4**
Leisure and Faith Base	**3.3**

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HVS ANAROCK Hotel Advisory Services Pvt. Ltd

Gurugram
Level 7, Tower B, Building No.9
DLF Cyber City, Phase lll, Gurugram 122 002
+91 124 488 5580

Mumbai
1002, 10th Floor, B Wing, ONE BKC
Plot No. C-66, G Block, BKC, Mumbai 400 051
+91 22 4293 4293

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