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# MARC Insights Rise of Luxury Hospitality in Tier-2 Cities in India

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September 2025



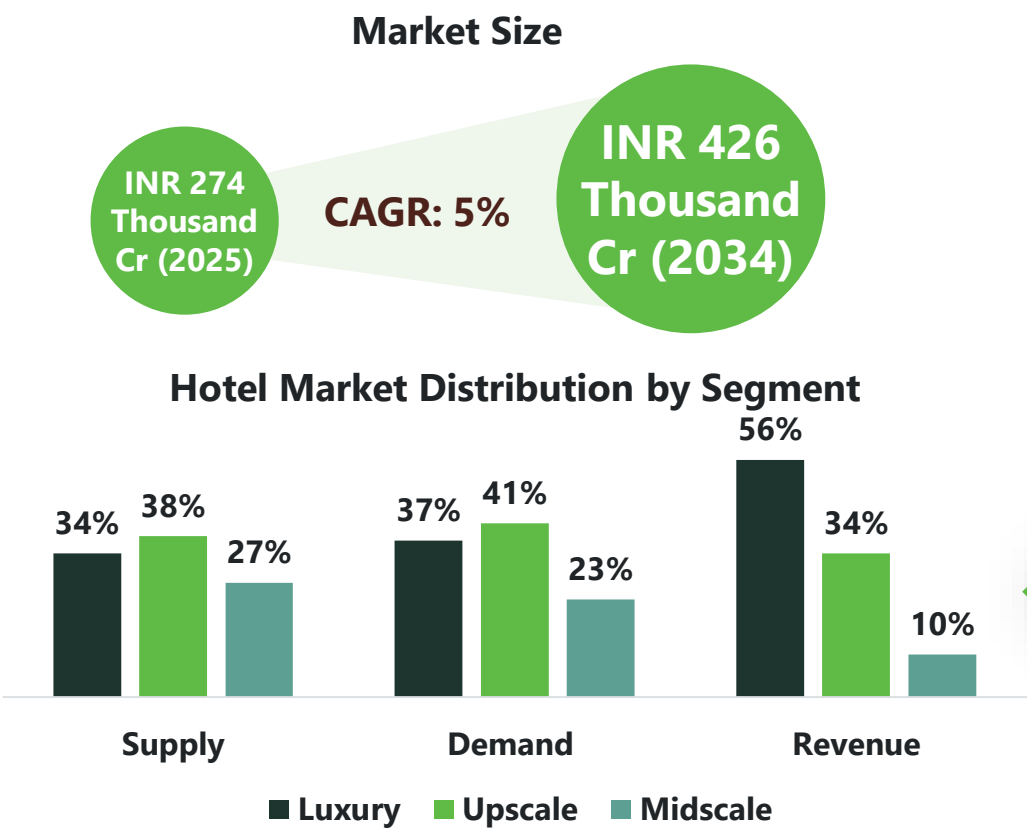
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# Overview of India's Hospitality Sector



India's **INR 249 Thousand Crore** hospitality sector, projected to reach **INR 426 Thousand Crore** by 2034 at a **5% CAGR**, is fueled by **booming tourism, immersive experiences and social media influence**.



India's branded hotel inventory crossed 200,000 rooms in 2024 for the first time.


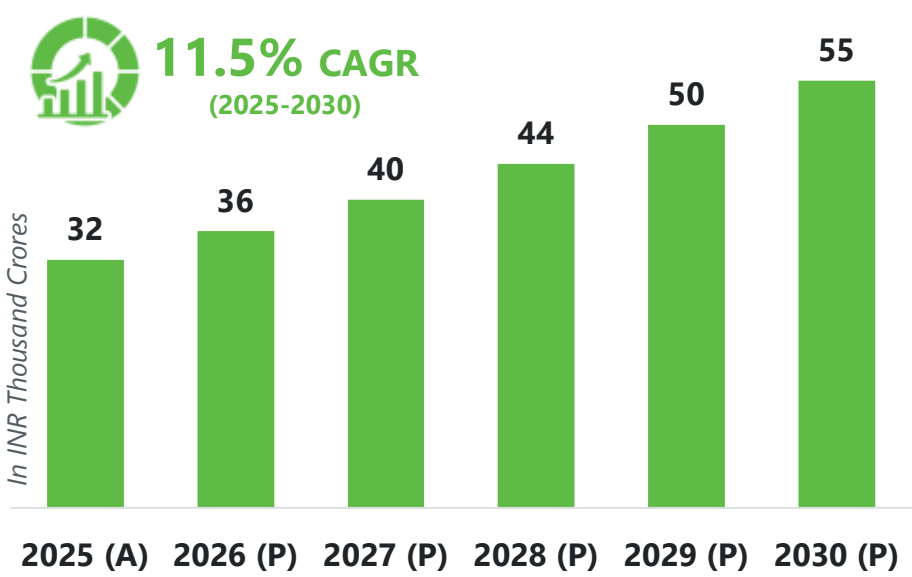
Luxury hotels account for 34% of supply but generate 56% of national room revenue.

Source: [Market Research Future](#), Horwarth HTL – India Hotel Market Report (February 2025)

# Snapshot of India's Luxury Hospitality

## Indian Luxury Hospitality Market Size

**Indian Luxury Hospitality Market** is expected to witness an **annual growth rate of 11.5%** to **reach INR 55 Thousand Crores by 2030**, from INR 32 Thousand Crores in 2025.



**43%**  
North India's share in India's luxury hotels market

North India held 43% of India's luxury hotel market share in FY24.



**52%**  
Standard luxury rooms

Standard luxury rooms commanded 52% of the India's luxury hotel market share in FY24.



**1.5 times**  
Revenue per available room (RevPAR)

Indian luxury hospitality segment  
\*RevPAR is expected to grow 1.5 times between FY24-28E.



Source: [Glion](#), [Mordor Intelligence](#), [HDFC TRU](#)

\*RevPAR: Revenue per Available Room



# Defining Luxury Hospitality

The growth of India's luxury hospitality sector reflects qualities that distinguish it from the broader market. These include **exclusivity, high service standards, attention to detail, and personalized experiences** that position luxury hospitality as a segment beyond conventional accommodation.

## Core Attributes



### Five-Star Hotels

Luxury hotels with fine dining, wellness, and leisure facilities. Cater to business travelers, celebrities, and affluent leisure guests.



### Five-Star Deluxe / Ultra-Luxury

Exclusive properties offering bespoke services, private pools, and opulent décor. Cater to royalty, billionaires, and ultra-wealthy travelers.



### Boutique & Experiential Luxury

Design-driven hotels, eco-resorts, and heritage properties offering curated, localized experiences.



### Personalisation

High-end residences integrated with hospitality-grade services, an emerging luxury format in Tier-2 cities.



Source: [Glion](#), [Rubix Industry Insights – Hospitality Report \(May 2025\)](#), [Travel and Tour World](#), [INPA](#), [Afaqs](#)

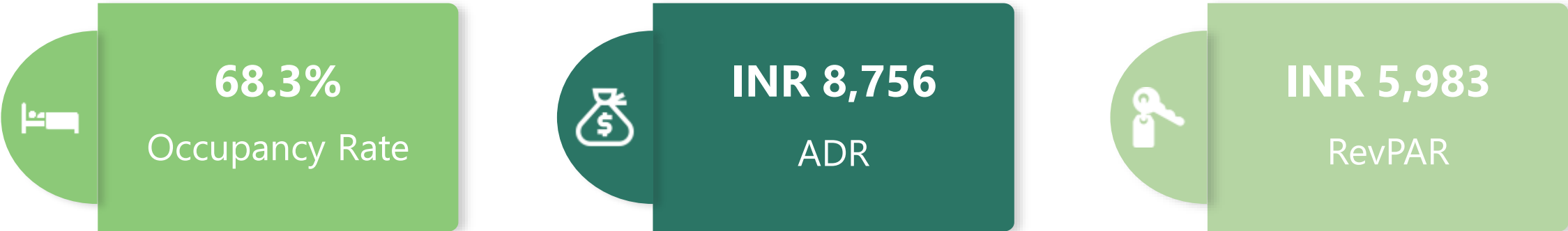
# Performance of Luxury Hotels in India in FY24

*Between FY20 and FY24, ADR for five-star deluxe hotels grew at a CAGR of 10%, while five-star hotels recorded 7.9% CAGR over the same period.*

## Five-Star Deluxe



## Five-Star



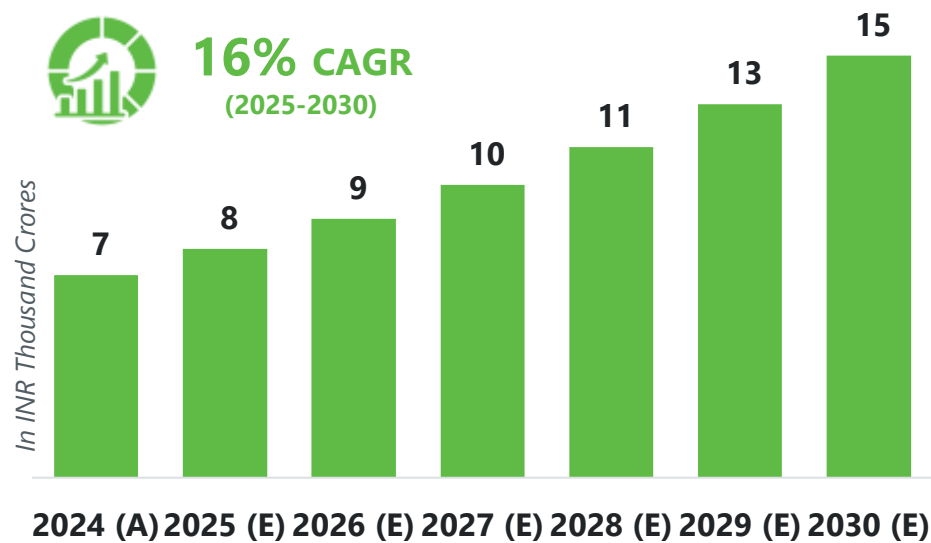
Source: *Rubix Industry Insights – Hospitality Report (May 2025)*

ADR – Average Daily Rate

# Overview of Luxury Hospitality in Tier-2 Cities

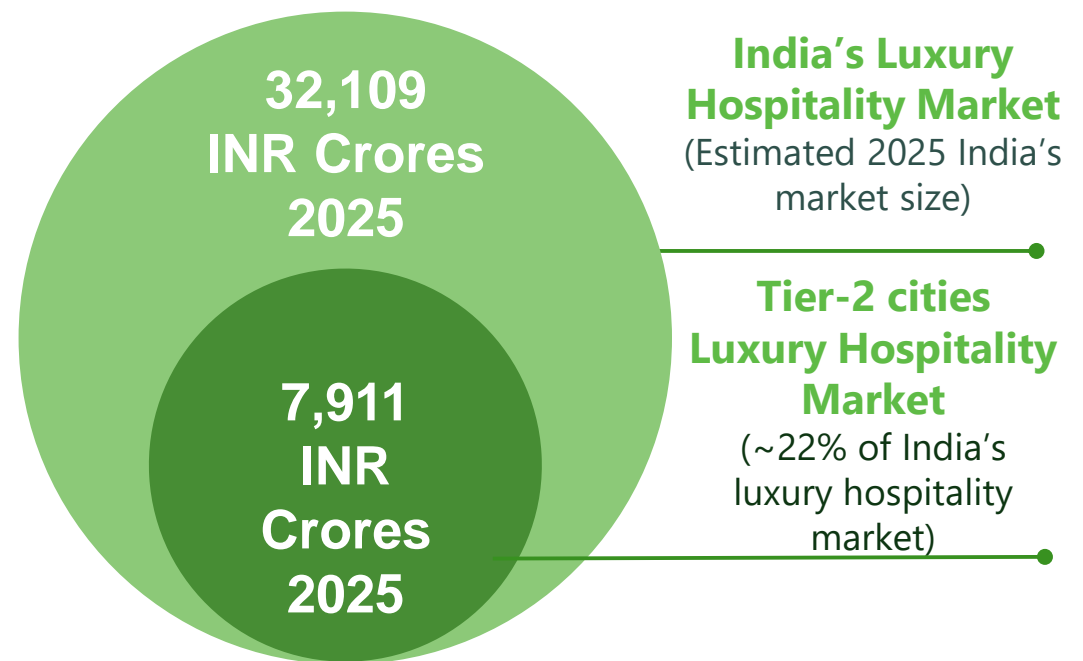
## Luxury Hospitality Market Size in Tier-2 Cities

The **Indian luxury hospitality market in Tier-2** cities is projected to grow at a **CAGR of 16%**, expanding from **INR 7 Thousand Crore in FY25 to ~INR 15 Thousand Crores by 2030**.



## Market share of Luxury Hospitality Market in Tier-2 Cities as of 2025

**Tier-2 cities' share** of India's luxury hospitality market is expected to **rise to nearly 26% by 2030**.



Source: MARC Analysis, *Rubix Industry Insights – Hospitality Report (May 2025)*, *HVS Anarock – India Hospitality Report*, *Horwarth HTL – India Hotel Market Report (February 2025)*

# Rising Tier-2 Destinations [1/2]

## Udaipur

- **Top Pricing Power (2024):** City ADR INR 15,946, highest in India; luxury-upper upscale ADR above INR 24,000, ~50% higher than Himachal Pradesh & Goa.
- **High Revenue Performance:** Luxury-upper upscale RevPAR INR 14,000; city RevPAR INR 8,665, 4th nationally.
- **Strong Demand Base:** Destination weddings + leisure travel (55% occupancy) with major demand from Gujarat.
- **Hotel Signings Surge (2024):** Ranked 8th nationwide with 1,193 rooms & 13 properties, up from 22nd in 2023.
- **Luxury Expansion Focus:** 54% of international signings in upper-upscale, 14% in luxury; The Fairmont Udaipur Palace, a new luxury property, in July 2025.



## Jaipur

- **Luxury Market Leader:** Luxury-upper upscale segment is 41% of supply & generates 66% of room revenue.
- **Revenue Growth:** RevPAR grew 14–16% in 2023–24; overall RevPAR INR 5,244 in FY2024, ranked 15th nationally.
- **Leisure & Events Hub:** Popular for destination weddings & MICE; Kukas zone drives big-box luxury; hosted IIFA Awards 2025 with 60,000 attendees; convention centers to further boost demand.
- **Pipeline Momentum:** Ranked 3rd nationwide in 2024 with 13 properties & 1,942 keys signed (vs. 6th in 2023); Kukas zone to add 1,600+ rooms by 2029.
- **Brand Expansion & Openings:** Hilton's first Asia-Pacific Signia (216 rooms, 2028) & Raffles Jaipur; luxury absorbed 1,100 rooms in 3 years; 3rd in 2024 for openings (417 keys, 7 properties)

Source: [HVS Anarock – India Hospitality Report](#), [Rubix Industry Insights – Hospitality Report \(May 2025\)](#), [Horwarth HTL – India Hotel Market Report \(February 2025\)](#)



# Rising Tier-2 Destinations [2/2]

## Rishikesh

- **RevPAR Leader:** Ranked 1st in India in FY2024 with RevPAR INR 9,786; strong growth in revenue per key.
- **Niche Appeal:** Spiritual hub with wellness retreats, adventure, religious & cultural tourism; rising demand for destination weddings.
- **Capital Signal:** Chalet Hotels acquired The Westin Resort & Spa, Himalayas for INR 5,300 million, highlighting premium leisure focus.



## Kochi

- **Strong Market Growth:** RevPAR up 15–17% in 2023–24, 3rd nationally; 2024 occupancy 69.7% & ADR INR 6,365.
- **Dual Demand Base:** Weddings (cost-competitive vs. hubs) & MICE growth driving leisure & business tourism.
- **Luxury Segment Potential:** Luxury occupancy 67.5% in 2024 with ADR INR 8,200, showing strong headroom for growth.
- **Demand-Supply Gap:** Since 2019, demand rose 628 rooms/day (+36%) vs. supply up 183 rooms (+6%), pushing ADR & RevPAR.
- **Strategic Expansion:** Taj Kochi (90 rooms, Dec 2024) opened; Hyatt entering Kochi in 2025 as part of 6-hotel India rollout.

## Indore

- **High Occupancy & Revenue:** 2024 occupancy 73.5% (2nd nationally, after Mumbai; 70.8% in 2023); RevPAR up 10.8% with ADR rising from INR 4,700 to nearly INR 5,000.
- **Business & Tourism Hub:** Business capital of Madhya Pradesh; growth supported by leisure, spiritual & wildlife luxury tourism (Kanha, Bandhavgarh, Pench; Oberoi presence).
- **Luxury Pipeline Growth:** Current 2,100 rooms with 1,800 more planned; ranked 10th nationwide in 2024 with 959 keys signed.
- **Strategic Expansion:** Indore is emerging as a focus for asset-light luxury growth, with The Park Hotels signing new management contracts in the city.



Source: [HVS Anarock – India Hospitality Report](#), [Rubix Industry Insights – Hospitality Report \(May 2025\)](#), [Horwarth HTL – India Hotel Market Report \(February 2025\)](#)

# Factors Driving Luxury Hospitality in Tier-2 Cities

## Improved Infrastructure & Connectivity



- Improved physical infrastructure has been a key driver of hospitality growth in tier-2 cities. New airports, modernised railway stations, and wider highways have enhanced accessibility, while the UDAN scheme has strengthened regional air connectivity, linking cities like Belagavi, Jabalpur, and Salem more closely with major metros and international hubs.

## Government Support & Incentives



- Supportive state and central policies such as tax incentives, tourism schemes like Swadesh Darshan 2.0, and faster clearances are encouraging hospitality investments beyond metros. These measures have reduced entry barriers and speed up project timelines, making Tier-2 cities more attractive for luxury hotel operators and investors.

## Shift in Traveler Preferences



- Millennial and Gen Z travellers are driving demand for boutique, experiential and sustainable luxury stays that reflect local culture and heritage. Increasing interest in destination weddings, business events, spiritual and wellness tourism has resulted in frequent visits and higher occupancy rates in luxury hotels.

## Affordable Real Estate & Lower Operational Cost



- In India, operating cost in tier-2 cities are lower than those in metro cities. This include real estate, salaries, and operational overhead.
- Land and construction costs are lower than in metro cities, allowing luxury brands to build larger or more boutique properties while maintaining better profit margins.



Source: [Hotelier India](#), [HVS Anarock – India Hospitality Report](#), [Brigade Group](#)

# Opportunity Landscape in Tier-2 Luxury Hospitality

**Hospitality demand in Tier-2 & Tier-3 cities is rising 13% annually vs. 10% supply growth**, creating a supply gap. Opportunities for hotel chains & investors are driven by **lower land costs, expanding tourism, and destination weddings in cities such as Udaipur, Rishikesh & Jaipur.**

## Rising Share of New Supply in Tier-2 Markets

In 2024, 67% of room inventory additions and 65% of pipeline supply were in markets outside the Top 10, reflecting the broader spread of new branded development beyond metros.

## Strong Pricing Power in Select Tier-2 Cities

Udaipur recorded an ADR of INR 15,946 in 2024, the highest among leisure markets, with luxury and upper-upscale properties reporting ADRs above INR 24,000.



## Weddings Driving Long-Term Demand Growth

India's destination wedding market was valued at INR 156.15 thousand crores in 2025 and is projected to grow at a 14.8% CAGR through 2033, with Tier-2 hubs such as Udaipur, Jaipur, and Rishikesh identified as major demand centers.

## Expanding Affluent Consumer Base in Tier-2 Cities

Surat, Jaipur, Lucknow, Vadodara, Nagpur, and Visakhapatnam rank among India's top 10 in terms of millionaire households, indicating the presence of an expanding affluent base in Tier-2 cities.

Source: [Rubix Industry Insights – Hospitality Report \(May 2025\)](#), [Grand View Research](#), Horwarth HTL – India Hotel Market Report (February 2025)

# Emerging Trends in Tier 2 Luxury Hospitality



Source: [Hotelier India](#)



**Wellness and Personalized Luxury Experiences:** Luxury hospitality in tier 2 cities is evolving to offer curated wellness retreats, spa therapies, and regionally inspired dining that emphasize personalization over standard amenities.



**Sustainability as a Core Luxury Expectation:** Hotels are adopting eco-friendly measures like renewable energy, zero-waste initiatives, and local community engagement, as sustainability becomes a core expectation of travelers.



**Exclusive, Less-Explored Experiences Attract New Traveler Segments:** Luxury brands are entering tier-2 destinations to serve rising local consumers and urban tourists, drawn by exclusive experiences and improved connectivity.



**Rise of Branded Residences for Affluent Households:** Affluent households are increasingly investing in branded residences that combine privacy with hotel-grade services, reflecting the demand for luxury aligned with hybrid work lifestyles.



**Technology-Driven Personalization in Guest Experience:** AI-powered personalization, smart room technology, and virtual previews are enhancing the guest experience, appealing to tech-savvy travelers in emerging tier 2 markets.





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