



Hotel and Lodging

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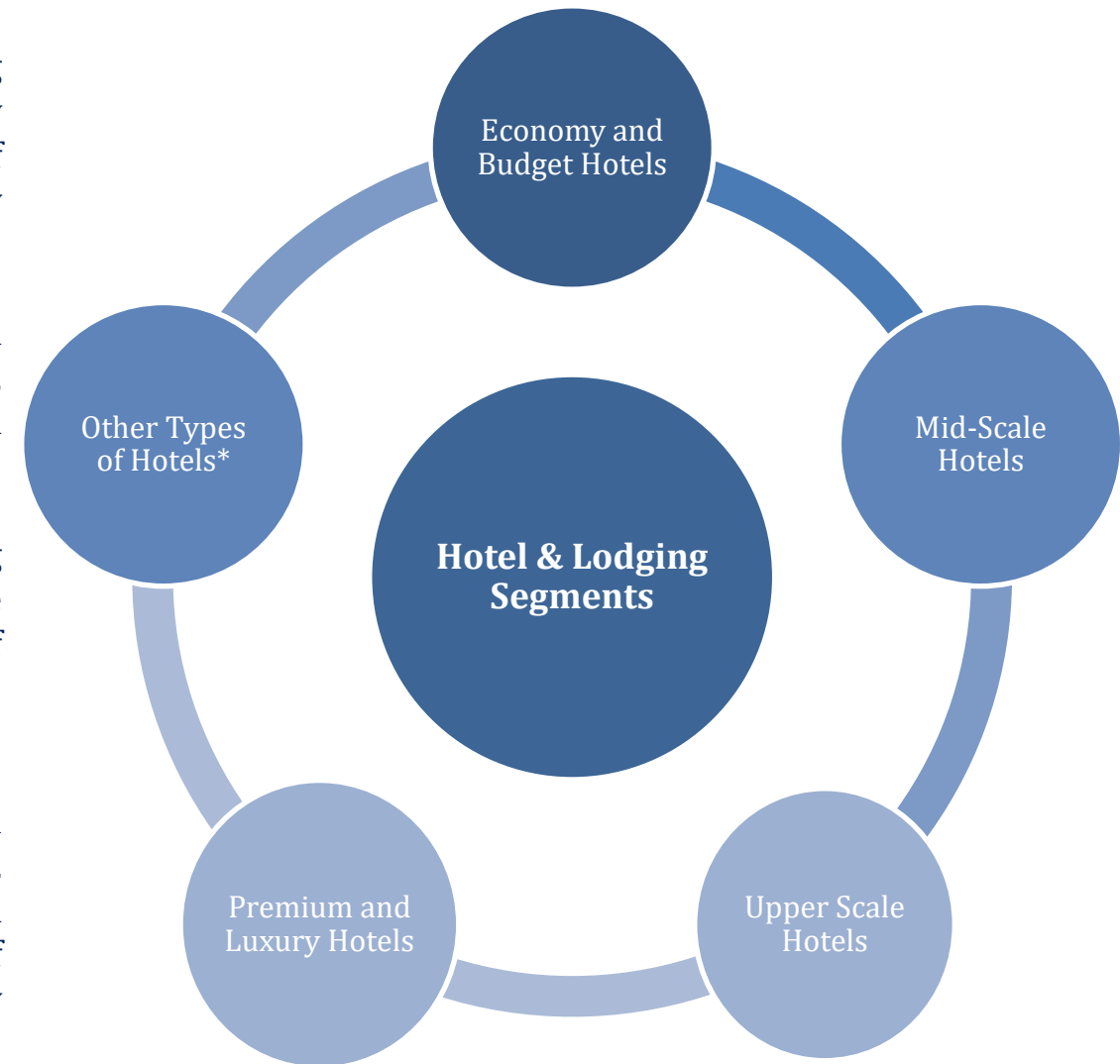


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Hotel & Lodging

Introduction

- The Hotel and Lodging sector is a branch of the Hospitality Industry catering lodging needs of customers on temporary basis - therefore, this generally excludes permanent accommodation needs. There are different classifications of hotels based on the services, size, functions, ratings, and costs, broadly categorized into five Chain Scale Segments as depicted on the right.
- The sector is subject to cyclical patterns depending on demand, supply, and macroeconomic performance indicators over a relevant term. Additionally, factors like geopolitics, economics, terrorism, fuel market conditions, and significant climatic events can also impact the sector.
- The primary metrics used to evaluate the performance of the Hotel and Lodging sector are 'RevPAR' and the occupancy rate. RevPAR measures the total revenue per available room. Whereas, the occupancy rate indicates the proportion of rooms that are occupied within a specified timeframe.
- The sector was one of the most adversely impacted sectors during COVID-19 pandemic due to lockdowns, travel bans, social distancing, as well as vaccination requirements. Resultantly, in CY21-22, it exhibited noticeable revenue growth. In CY24, an estimated 1.4 billion tourists travelled internationally, indicating a virtual recovery (99%) of pre-pandemic levels. This represents an increase of 11% over CY23. Growth is expected to continue throughout CY25, driven by strong demand.



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Global | Overview

Globally, the sector comprises two major business models as follows:

1. Fee-based/Asset-Light Model (Franchised vs. Managed)

Franchised: Hotel and Lodges are owned and operated by parties that are distinct from the brand, which pay fees to the hotel company for the use of their brand. e.g., Marriott (local).

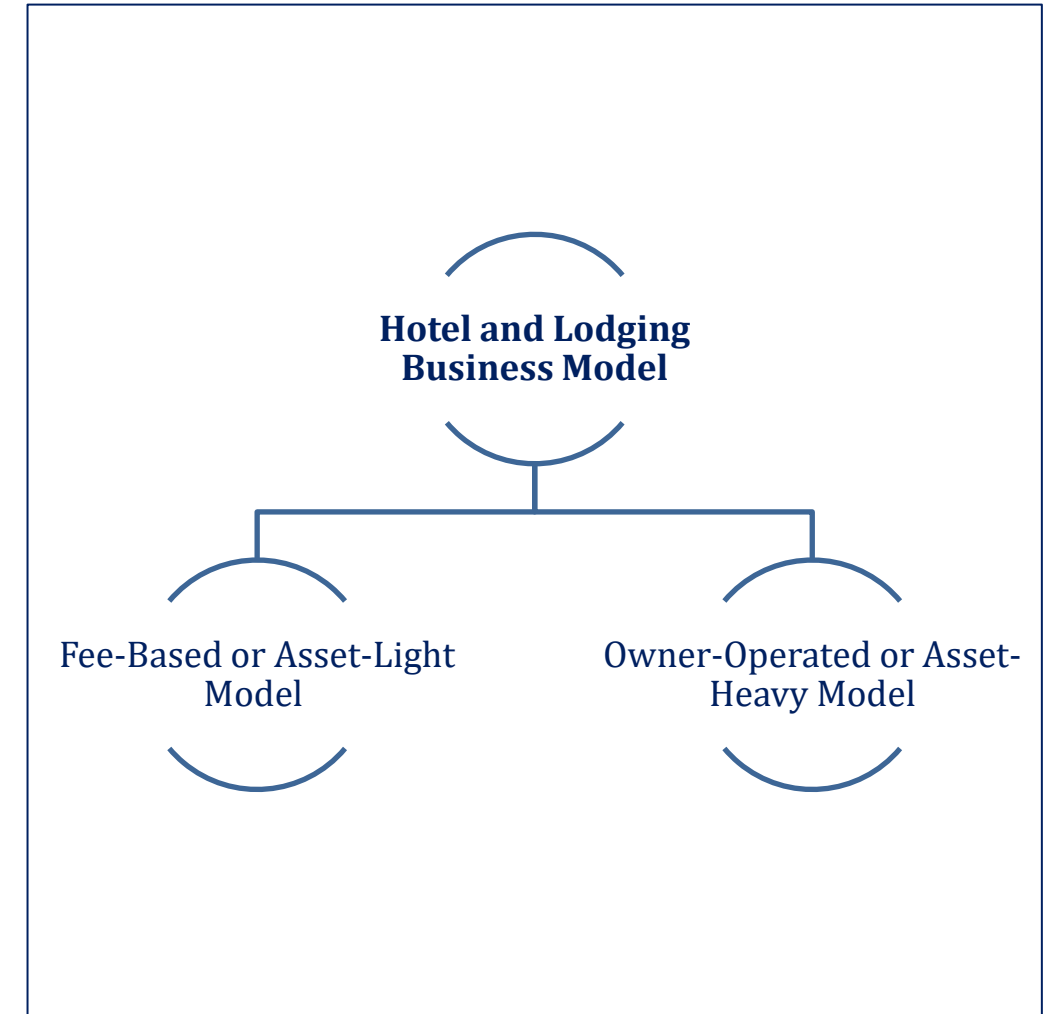
Managed: Hotel and Lodges are operated by a party that is distinct from the hotel owner and who pays management fees. If the hotel uses a third-party brand name, it pays fees to that third-party also. e.g., Hotel One (local).

2. Owner-operated/Asset-Heavy Model (owned vs. leased)

Owned: Hotel and Lodges are operated and branded by the owner who bears all the costs but benefits from all the income. e.g., Pearl Continental (Local).

Leased: Similar to the owned, except the owner-operator does not have outright ownership of the hotel but leases it from the ultimate owner. Like Serena Hotels & Resorts (Local).

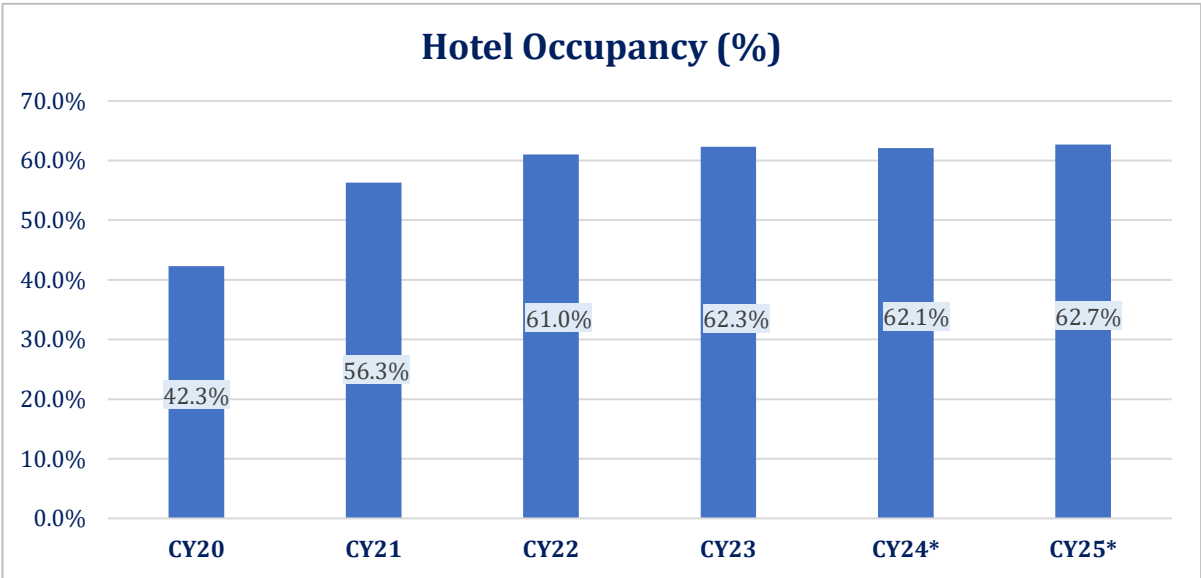
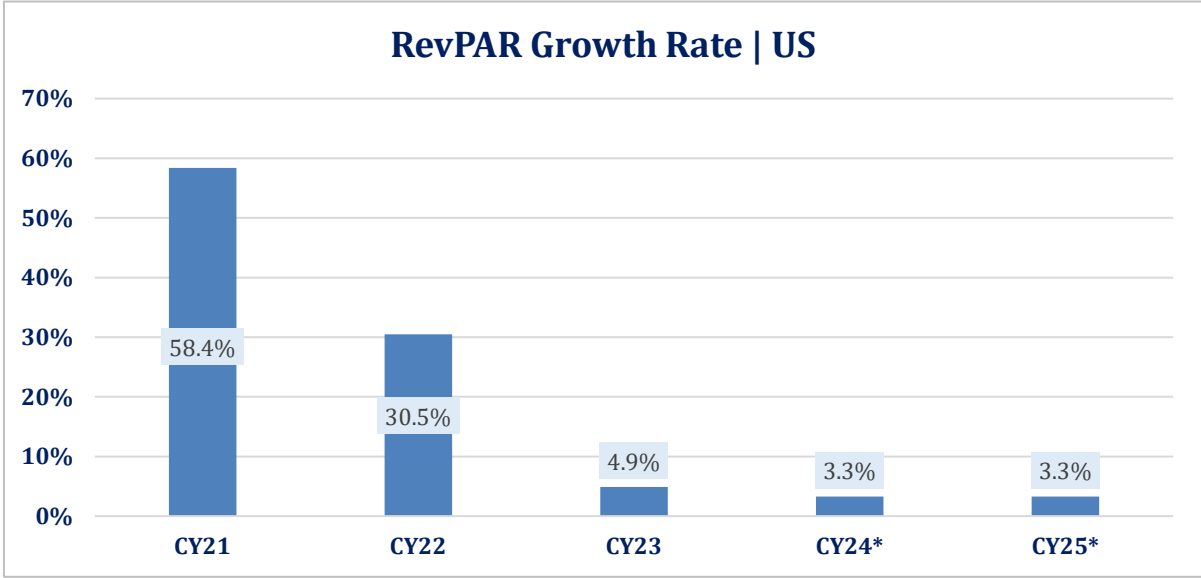
Asset-heavy business models allow tighter control over hotel operations, whilst Asset-light models enable faster growth with lower capital investment.



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Global | Overview

- The ‘Tourism’ sector's contribution to global GDP increased from USD~9.9trn in CY23 to USD~11.1trn in CY24. In percentage terms, the tourism sector's share in global GDP rose from ~9.1% in CY23 to ~10.0% in CY24, showing its stronger role in the world economy. An increase in tourism also indicates a growing demand for the Hotel and Lodging sector.
- The Sector’s total Revenue Passenger-Kilometer (RPK) grew ~10.4% year-on-year (YoY) in CY24, surpassing the CY19 threshold by 3.8%. CY24 was also marked by total regional recovery, as all regions overperformed their pre-pandemic levels.
- On a regional basis, average RevPAR in Europe and the Middle East increased by ~5.6 % YoY in CY24.
- The upward trend in global hotel room occupancy rate is expected to continue in CY25 and is recorded at ~62.7% (CY24: 62.1%).



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Global | Outlook

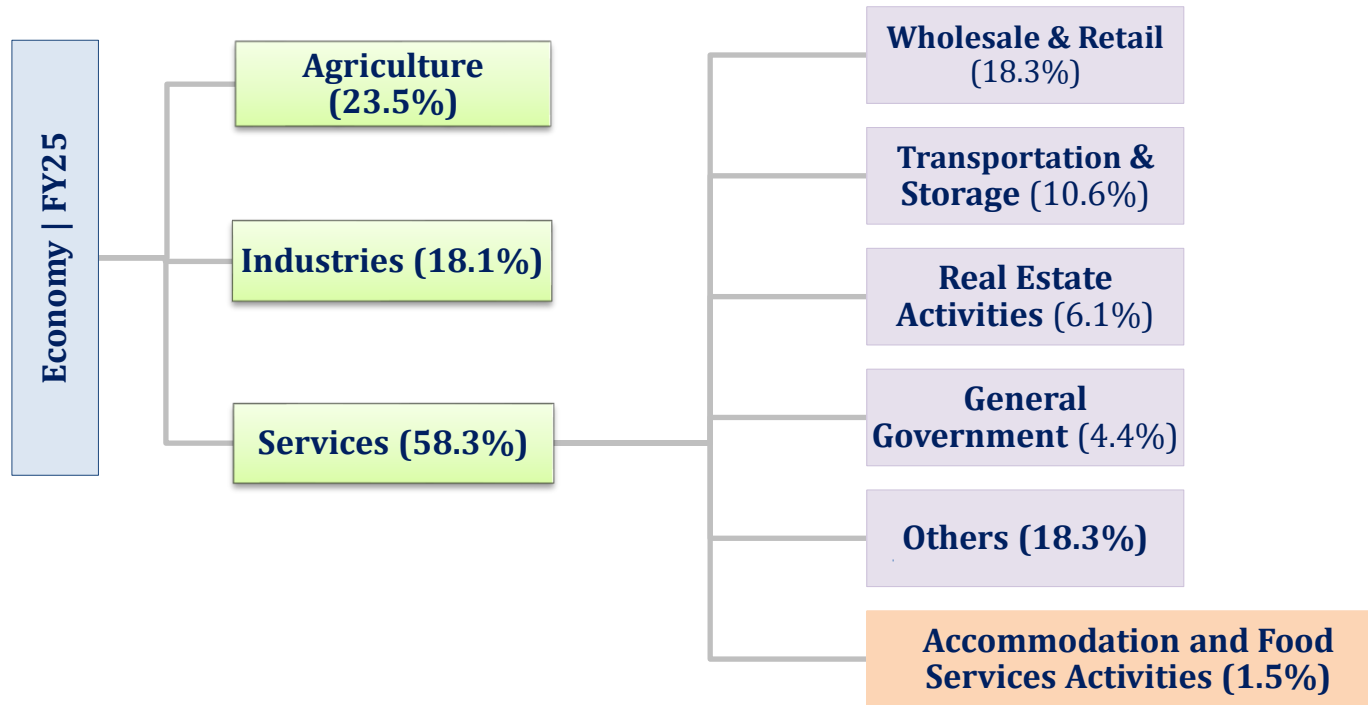
- In CY24, the global tourism revenue increased by USD~1.2bln as compared to CY23. The World Travel and Tourism Council (WTTC) is forecasting that the tourism's global economic contribution is set to reach USD~11.7trn in CY25, 10.3% of global GDP, implying growth in the Hotel and Lodging sector as well due to its direct relation with tourism. In CY25, global RevPAR is forecast to increase by ~2.0% YoY while RevPAR in the USA is expected to achieve a growth of ~1.3%.
- Implementation of stricter ESG policies and regulations within the sector has encouraged increased efforts to ensure that properties align with elevated sustainability standards. This adherence to ESG sustainability is also embedded in marketing strategies of various hotels and lodges worldwide, thereby contributing positively towards the goodwill of the respective accommodations as more people prefer staying in hotels that prioritize energy efficiency, carbon emissions, water conservation, and waste reduction.
- Furthermore, digitalization of hotel and lodging booking through applications such as Booking.com, Vego, etc., has contributed towards the expanded outreach, while customers benefit from the ease of room booking, accessing details about hotel facilities and services, making specific requests, and offering feedback.
- Due to high barriers to entry and increasing consumer demand, Marriott International, H World Group, Hilton Worldwide, IHG, and Wyndham Hotel Group maintain their position as the top 5 global hotel chains.*

**Top 5 hotel chains are determined by the number of rooms*

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Local | Overview

- In FY25, Pakistan's GDP (nominal) stood at PKR~114trn (FY24: PKR~105trn), increasing, in real terms, by ~2.7% YoY (FY24: ~2.5% growth). The Services segment held ~58.3% share in GDP during the year.
- During FY25, the "Accommodation and Food Services Activities" segment held ~1.5% share in the GDP (FY24: 1.5%), and contributed ~2.6% to the overall Services segment (FY24:~2.5%).
- The Services sector also includes "Information and Communication", "Financial and Insurance Activities", "Education", "Human Health and Social Work Activities", and "Other Private Services" which collectively accounts for ~18.3% share in GDP.



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Local | Overview

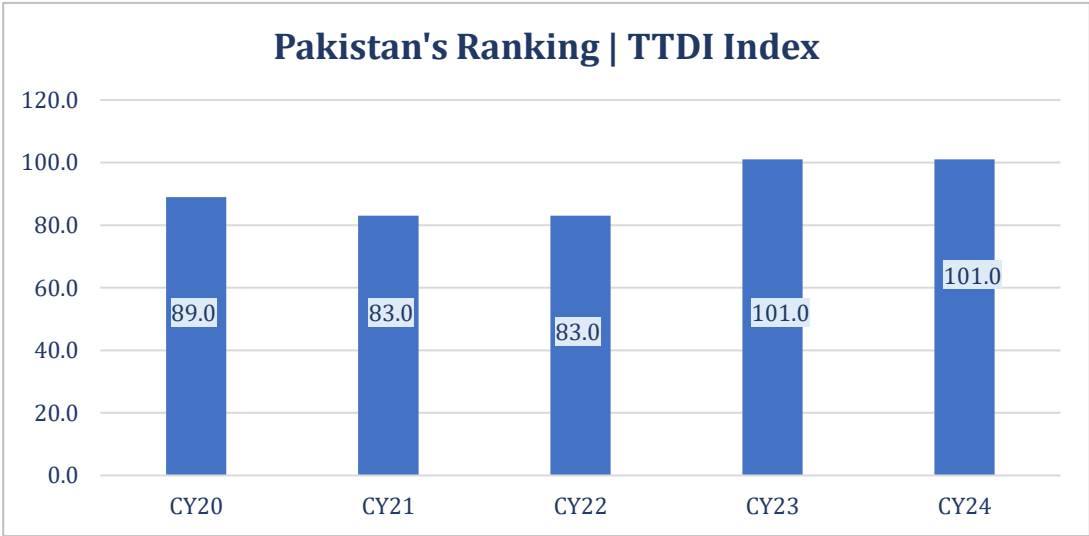
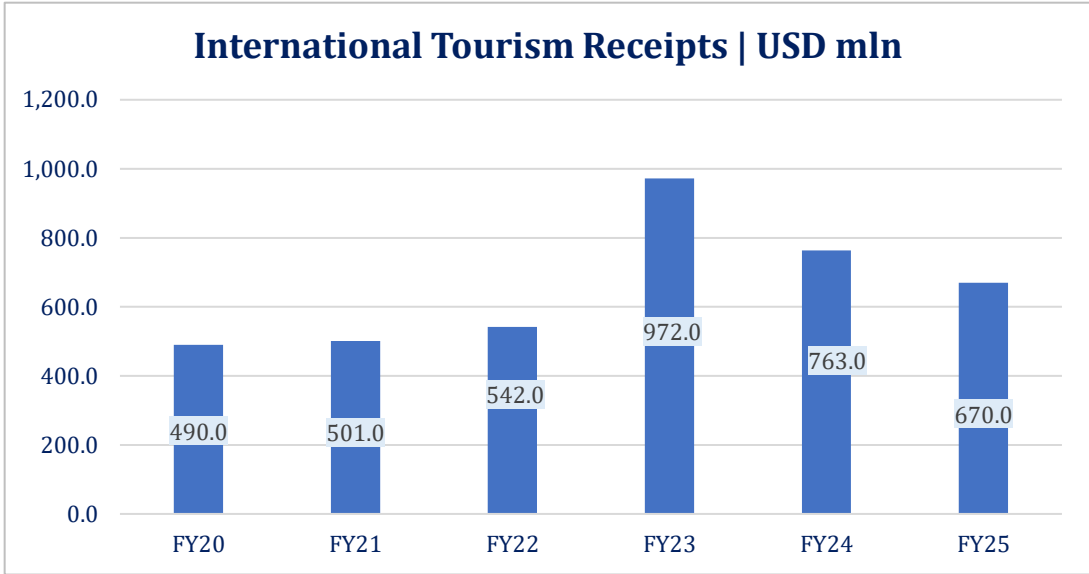
- During FY25, the “Accommodation and Food Services Activities” sector’s market size (based on its contribution to the GDP) was recorded at PKR~1,755bln (FY24: PKR~1,534bln), up ~14.4% YoY.
- The share of “Accommodation and Food Services Activities” in Pakistan's GDP remained steady at ~1.5% in FY25 (FY24: ~1.5%). Its contribution in the Services sector in FY25 was registered at ~2.6% (FY25: ~2.5%).
- Additionally, digital apps like Booking.com that help people find quality lodging services with ease are also contributing effectively to the sector. The sector recorded USD ~670mln receipts from international visitors during 11MFY25.
- During Jun’25, headline inflation averaged ~3.2% (Jun’24: ~12.6%). Resultantly, the average room rents have also decreased throughout the major cities, with ~24% and ~21% decreases in Islamabad and Lahore compared to FY24. The average room rent in Karachi, however, has increased by 13% in FY25 as compared to FY24.

Particulars	FY22	FY23	FY24	FY25
Est. Market Size PKR bln	823	1,202	1,534	1,756
Contribution to Real GDP (%)	1.4%	1.4%	1.5%	1.5%
Hotels with ≥ 500 Rooms (No.)	4	4	6	6
Top 5 Players (on the basis of number of rooms)	Pearl Continental, Serena, Hotel One, Movenpick, Ramada by Wyndham			
Average Room Rent of Top 10 largest hotels (Jul’25)	Lahore: PKR~ 25,349 Karachi: PKR~31,621 Islamabad: PKR~34032			
Structure	Oligopoly			
Government Agencies	Pakistan Tourism and Development Corporation (PTDC), Trade Development Authority of Pakistan (TDAP)			
Association	Pakistan Hotels Association (PHA)			

Hotel & Lodging

Local | Ranking on TTDI & Tourism Receipts

- During FY25, Pakistan’s international tourism receipts clocked in at USD~670mln (FY24: USD~972mln).
- The Global Travel & Tourism Development Index (TTDI) evaluates an array of factors and policies facilitating sustainable and resilient growth of the travel and tourism sector, thereby fostering overall development of an economy. Of ~119 total economies included in the Index, Pakistan descended to 101st position in CY24 from 89th position in CY20. (check metrics)
- As per the TTDI’S ranking, Pakistan scores higher than most of the South Asian economies in terms of “Price Competitiveness” and “Tourist Services and Infrastructure” with a score of ~6.04 and ~1.67 respectively (South Asian Average: ~5.68 and ~1.51 respectively)
- However, since the TTDI’s ranking also takes into account the “Business Environment” and “ICT Readiness” of the countries, this is where Pakistan currently lags.



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Local | Supply

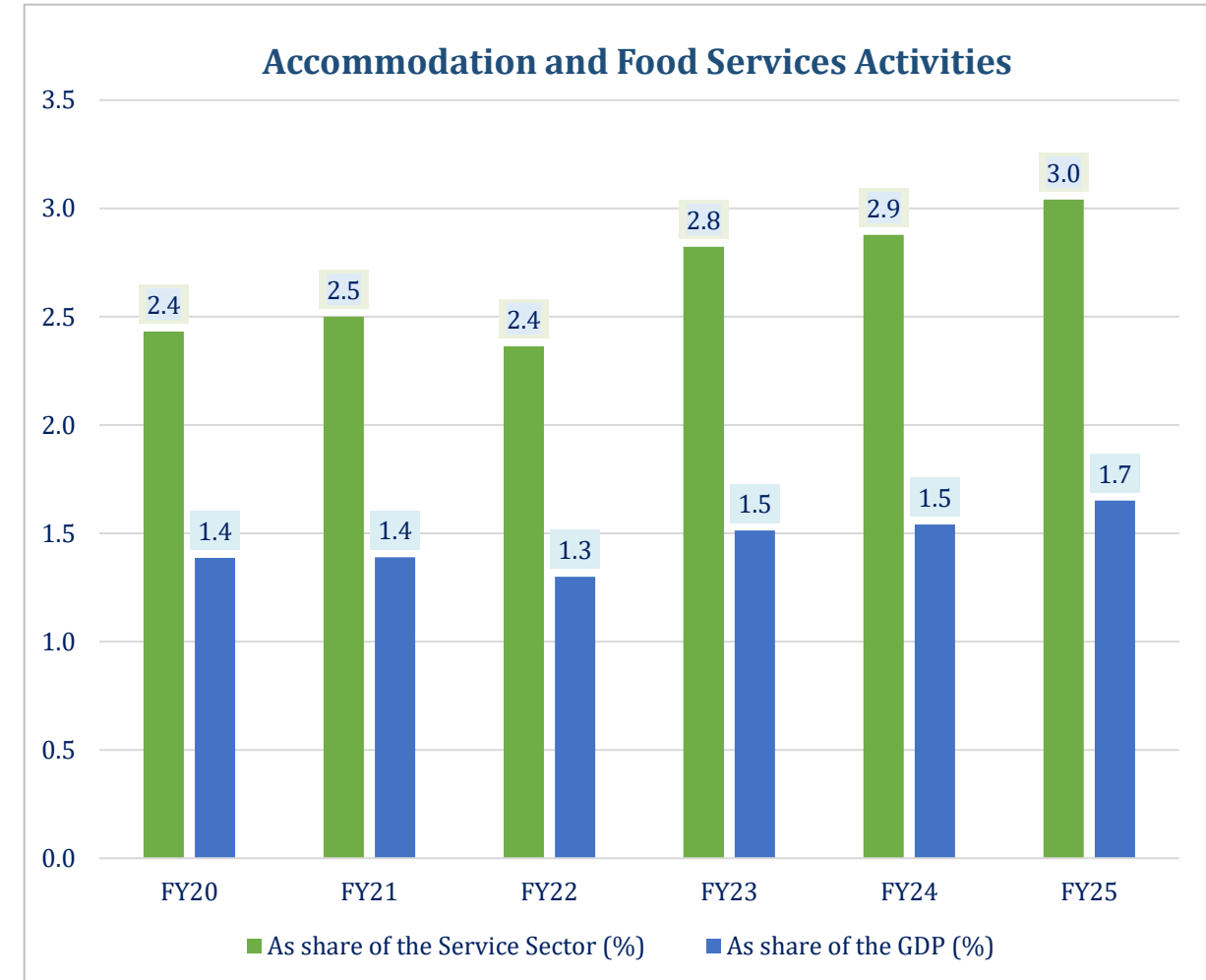
- The ten major players of the sector are shown on the right. Pearl Continental is the market leader, followed by Serena and Hotel One.
- In Pakistan, the Hotel and Lodging sector has expanded in FY25 as several hotel chains have opened up branches in new cities. For instance, Movenpick opened a new branch in Centaurus, Islamabad, in January 2025.
- During FY25, Pearl Continental has opened new hotel branches in Skardu and Hyderabad in Dec’24 and Jun’25, respectively, increasing the supply of luxury hotels. Similarly, Nishat Hotels also expanded by acquiring Hotel Margalla in Islamabad in Feb’25.
- A good initiative by the luxury chains is that they are venturing in collaboration with economy-class hotels with superior facilities, showcasing the diversity of the supply and packages that the market has to offer to different income groups.

10 KEY MARKET PLAYERS – PAKISTAN (FY25)			
Hotel	No. of Rooms	Operational in Cities (No.)	No. of Branches
Pearl Continental	1,567	7	7
Serena	911	8	8
Hotel One	810	16	23
Movenpick	787	2	2
Ramada by Wyndham	517	4	4
Marriott	505	2	2
Avari Express	467	6	6
Avari	412	2	2
Best Western	378	6	6
Nishat	377	2	3
Total	6,731	53	63

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Local | Demand

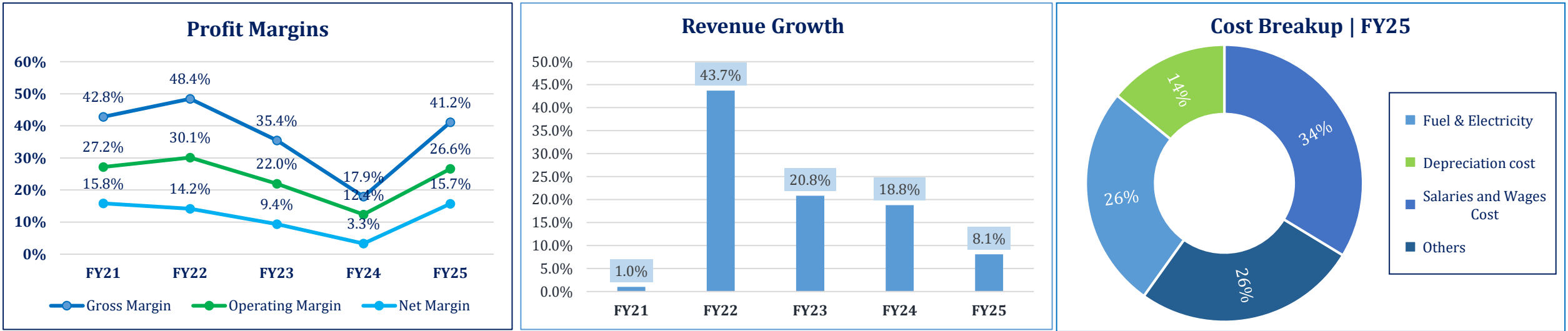
- Visitors to a country typically require accommodation if they lack family or friends in the area, and this is where the Hotel and Lodging sector plays a crucial role.
- The main driver for tourism in Pakistan are developments in the Northern areas including Hunza, Skardu, and other parts of Gilgit Baltistan. The expansion of international hotel chains in these areas also attract international tourism. For instance, PC Legacy Skardu opened up in December 2024 and Radisson Hotel Group has a pipeline project in Murree, to be completed in CY26.
- The National Consumer Price Index (CPI) for Jun'25 clocked in at ~3.2% (Jun'24: ~12.6%). The weight of recreation and culture in this National CPI Index was recorded at ~1.6% during Jun'25, exhibiting no change as compared to SPLY.



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Business Risk | Margins & Cost Breakup

- The sector’s revenue is primarily based on domestic and international tourists as well as business travel. Luxury hotels mostly cater to foreign tourists, business travelers, and the elite class of the country, while mid-scale/economy-class hotels are more concerned with domestic tourists. Resurgence of tourism in FY22, following COVID-19, evidently played a significant role in driving the highest revenue growth, ~37.1%, compared to the previous four years (FY19-21). Revenue growth returned to pre-pandemic levels during FY23, clocking in at ~19.7% YoY. It further decelerated to ~8.1% YoY.
- The average gross profit margin of the sector for the last five years (FY21 – FY25) has been ~37.1%, with the exception of FY24, when the gross profit margin dropped to an exceptionally low of ~17.9%. In FY25, however, the gross profit margin recovered to pre-FY24 level and clocked in at ~41.2%. Even though the revenue growth remained low, the cost reduced in FY25 as compared to FY24, increasing the gross profit margins. The cost of goods sold was only ~49% of revenue in FY25 (FY24: 55%). Major cost components for the year included fuel & electricity (~34.0%), salaries & wages (~26.0%), depreciation & amortization (~14.0%), and other cost components (~26.0%). Similarly, the operating margins improved to ~26.7% from ~12.4%, while net margins rebounded to ~15.7% from ~3.3%

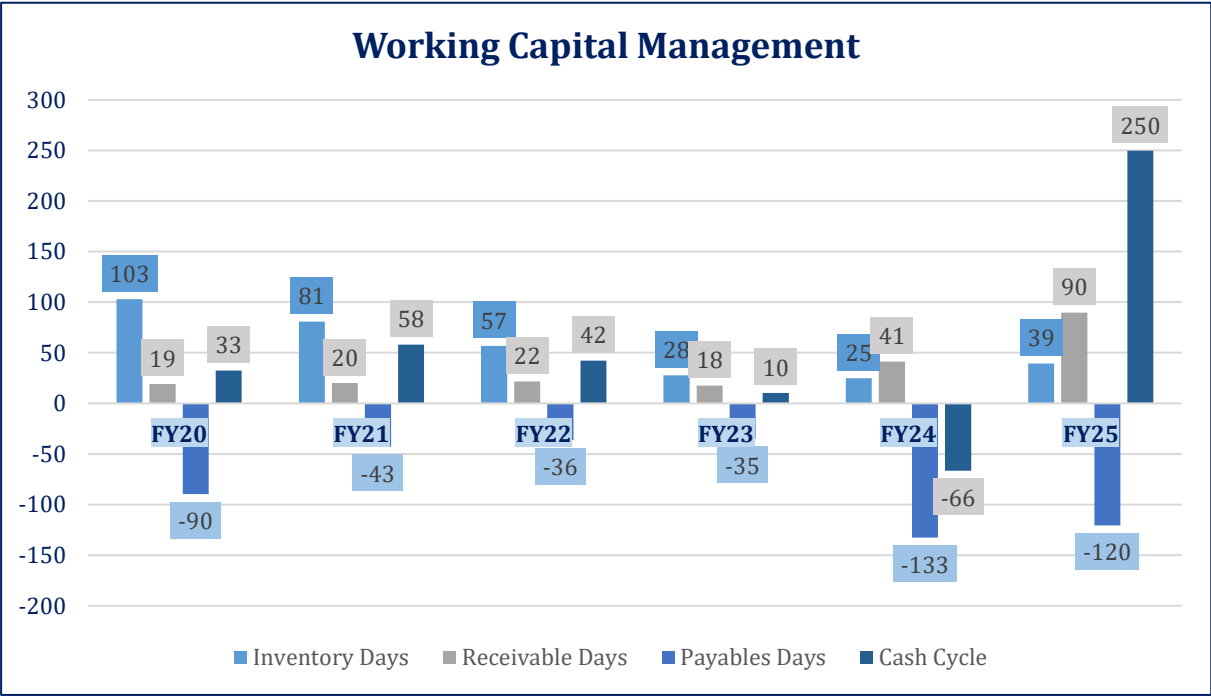
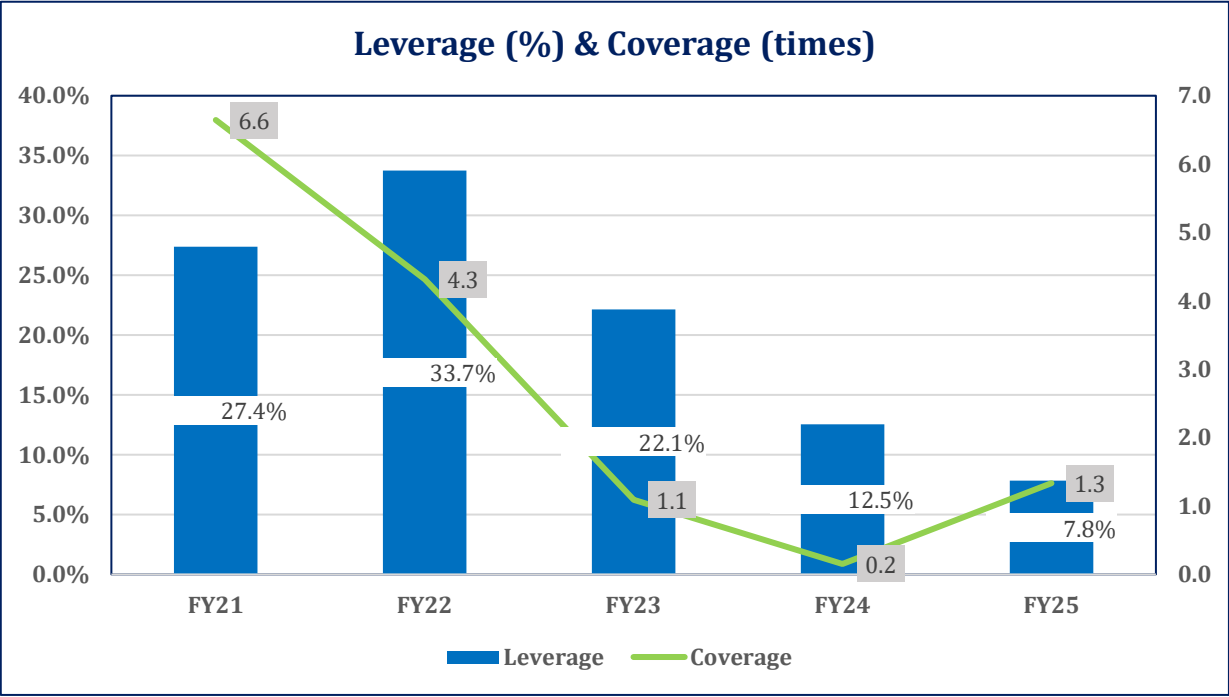


Note: Calculations are based on ~3 PACRA-rated clients.

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Financial Risk | Leverage & Working Capital Management

- During FY25, the working capital days of the sector were down by ~184 days when compared with FY24 and clocked in at ~250 days owing to an increase in the average receivable days and inventory days of ~49 days and ~14 days, respectively.
- The operating profit of the sector increased by ~32.1% YoY during FY25, leading to an increase in the interest coverage to ~1.3x from ~0.2x in FY24, reflecting enhanced ability of the sector to fulfill its financial obligations. Sector leverage improved to ~7.8% (FY24: ~12.5%), remaining below pre-FY23 levels, suggesting relatively low reliance on debt financing.

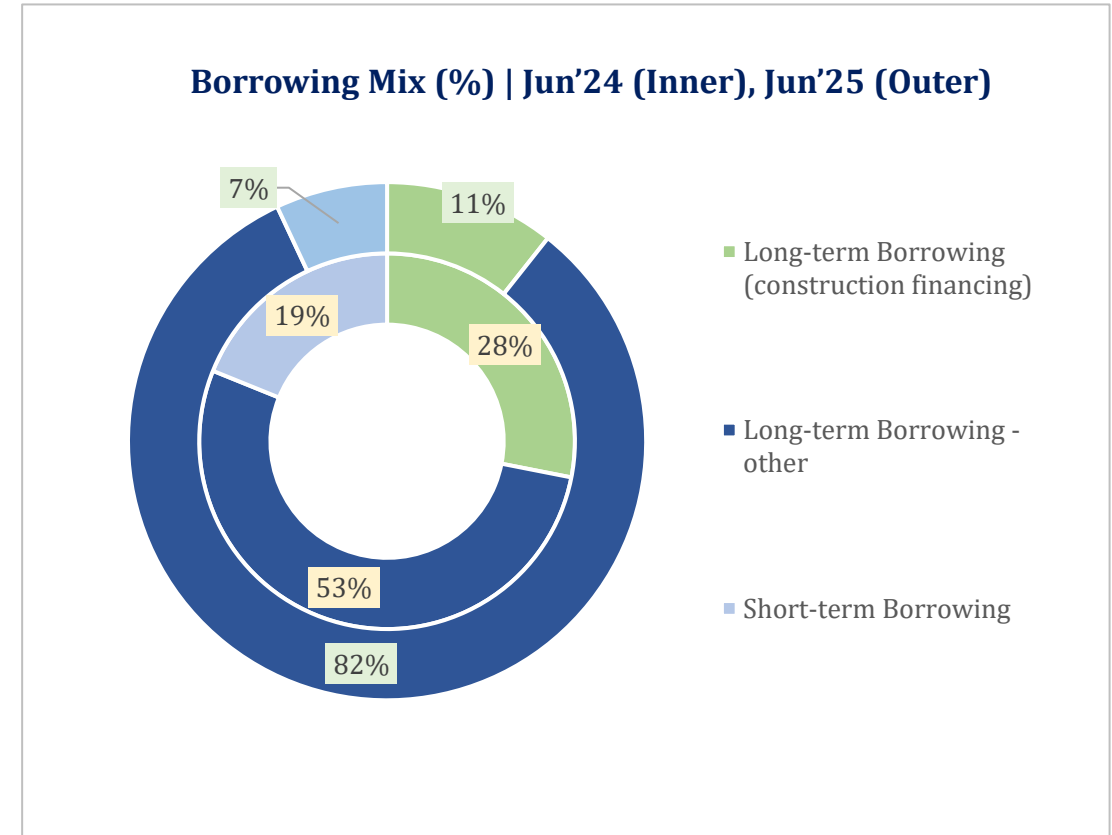


Note: Calculations based on numbers of PACRA-rated clients. 9MFY23 data has been prorated where deemed necessary.

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Financial Risk | Borrowing Mix

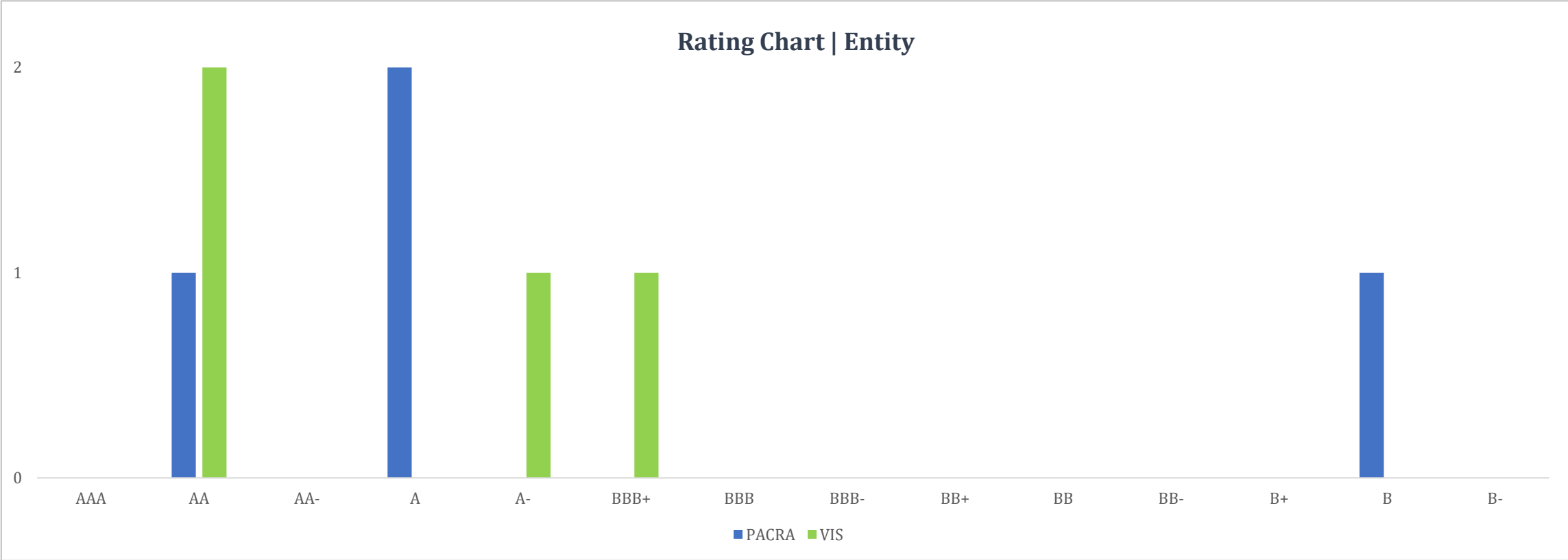
- Total borrowings of the sector as at End-Jun'25 stood at PKR~63bln (End-Jun'24: PKR~23bln), up ~179% YoY. As at End-Jun'25, around ~82% of the total borrowings (excluding construction financing) comprised long-term borrowings (End-Jun'24: 53%).
- Construction financing made up ~11% of the total borrowings (End-Jun'24: ~28%), and was up ~6% YoY as at End-Jun'25. This portion of the long-term borrowing may be taken as an indication of financing required for expansion projects in the pipeline.



Hotel & Lodging

Rating Curve

- PACRA rates 4 entities in the Hotel and Lodging sector. Rating bandwidth of the sector ranges from AA to B.



Hotel & Lodging

Outlook: Stable

- In FY25, Pakistan's GDP (nominal) stood at PKR~114trn (FY24: PKR~105trn), increasing, in real terms, by ~2.7% YoY (FY24: ~2.5% growth). The Services segment held ~58.3% share in GDP during the year. The Ministry of Finance projects a ~4.2% Real GDP growth for FY26. The country's real GDP growth forecast by the IMF is ~3.6% for FY26.
- The "Accommodation and Food Services Activities" segment held ~1.5% share in the GDP (FY24: 1.5%), and contributed ~2.6% to the overall Services segment (FY24:~2.5%). The Sector's revenue is primarily based on domestic and international tourists, especially in the northern areas of the Country, as well as business travels. Luxury hotels mostly cater to the foreign tourists, business travels and elite class of the country while mid-scale/economy-class hotels are more concerned with the domestic tourists. In FY25, the revenue growth has slightly decelerated. However, the increased supply and demand for hotels, including expansion of international hotel chains in northern areas highlights increased tourism in Pakistan, and hence, a potential growth in the Hotel & Lodging sector.
- With several international hotel chains expanding their services in new cities, including both urban cities and northern regions, the sector is likely to grow and bring in more revenue in FY26. Radisson Blu Resort in Murree is set to launch in CY26, Best Western Plus Hotel in Rawalpindi is scheduled to open in October 2026, and Best Western Premier Hotel, Malam Jabba is expected to become operational in December 2026.
- During FY25, the revenue growth has been slower, however, average profit margins improved as compared to FY24. This could be attributed to a better cost management. Cost as a percentage of revenue was ~49% in FY25 as compared to ~55% in FY24.
- The Government of Pakistan's initiative under the Strategic Trade Policy Framework (STPF 2020-25) was designed to prioritize few sectors including services sectors, particularly tourism (hotel and lodging inter-related to tourism). The government also launched "Green Tourism initiative" in Nov'24 to enhance Pakistan's tourism potential. The initiative focuses on promoting Pakistan through sports and events, targeting both domestic and international audiences. In the first phase of this initiative, 20 places have been selected out of which ~25% are in Gilgit-Baltistan. The tourism sector is poised to generate revenue exceeding USD~30bln during next five to six years.

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