

European Hotels Sector Trends and Outlook

May 2025

CBRE



Key trends & insights

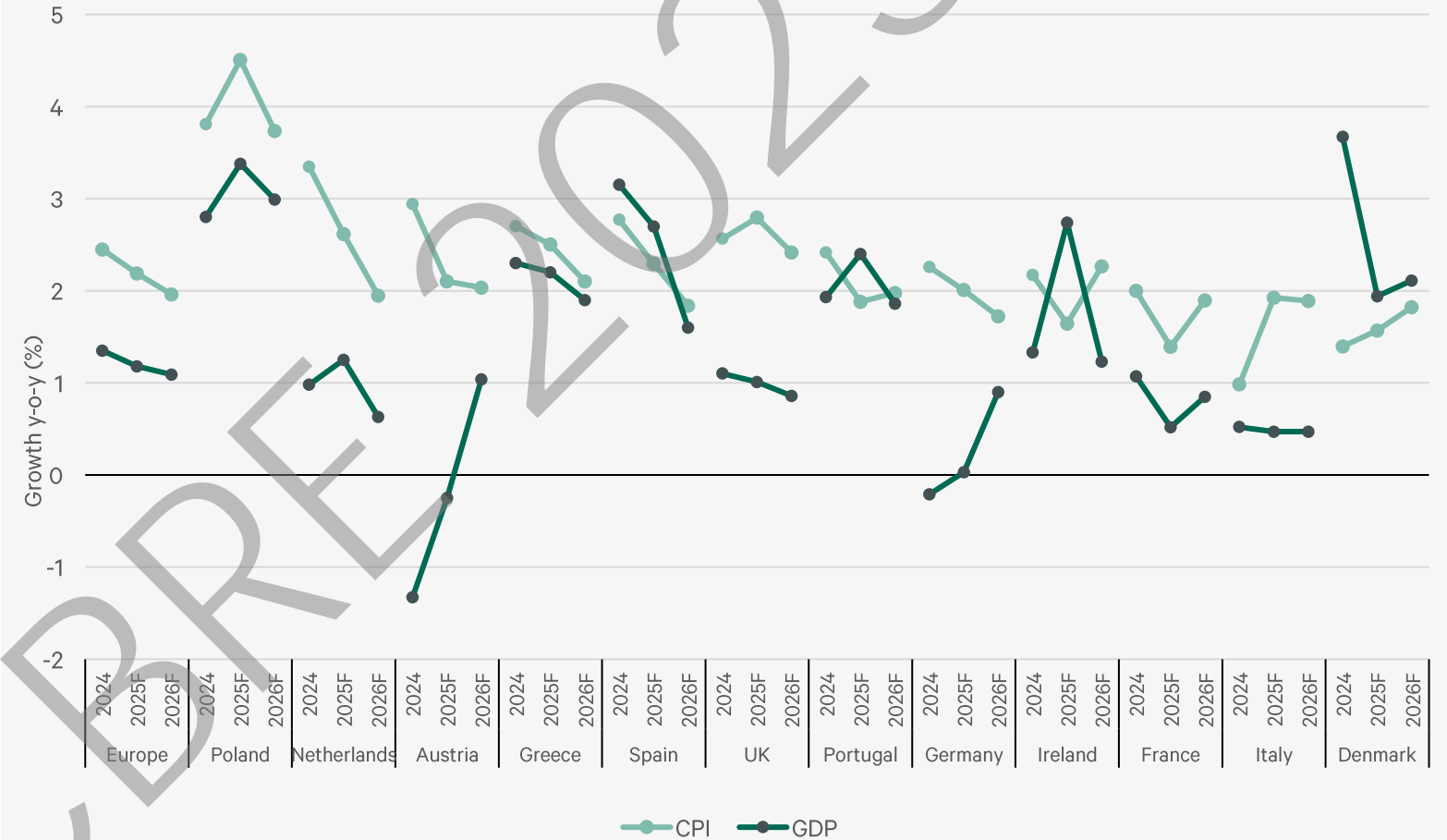
Sector Drivers	Hotel Performance	Investment Market	Trends & Outlook
<ul style="list-style-type: none"> • The outlook for the European tourism and hotel sector remains cautiously optimistic, with growth expected to moderate amid ongoing uncertainty and broader geopolitical influences. • Heightened geopolitical tensions are expected to divert travel demand to alternative destinations, with Europe set to benefit in the short-term. • European intra-regional travel could strengthen, as more travellers opt to stay within Europe rather than taking transatlantic trips. 	<ul style="list-style-type: none"> • RevPAR growth is expected to decelerate between 1% - 5% in 2025. • This moderation reflects a natural shift toward balanced growth as well as the short-term beneficial as diversion of tourism destinations due to geopolitical tensions. • Given the short-term favourable demand and supply dynamics in many markets, hotels in popular tourism markets such as Italy, Spain and Greece are well-positioned to strengthen occupancy and ADR levels. 	<ul style="list-style-type: none"> • European hotel investment totalled €4.9bn in Q1 2025, remaining broadly consistent with the level recorded in Q1 2024. • While the same number and scale of large portfolio deals may not be repeated this year, a moderate uplift in hotel transaction volumes is anticipated in 2025, with deal completion expected to concentrate in the second half of the year. 	<ul style="list-style-type: none"> • While tariffs don't directly target travel services like airfares or hotels, their broader economic impact can be significant to the travel pattern and tourism industry. • Slowing projected global and regional economic growth, along with volatile financial markets and higher tariffs may affect business and consumer confidence and discretionary spending—particularly in the U.S., a key source market for European tourism.

Major European economies may face renewed pressure as EU-US geopolitical tensions disrupt economic activity.

GDP growth projections for more tariffs exposed sectors and countries are likely to come under material pressure.

Falling inflation could allow for further rate cuts, but geopolitical tensions may weigh on business and consumer confidence in the short- to medium-term.

European CPI and GDP by select country
(% growth YoY)



Source: Oxford Economics, GDP refers to baseline scenario forecasts updated on 14 April 2025, ranked by 2024 CPI, CBRE Research

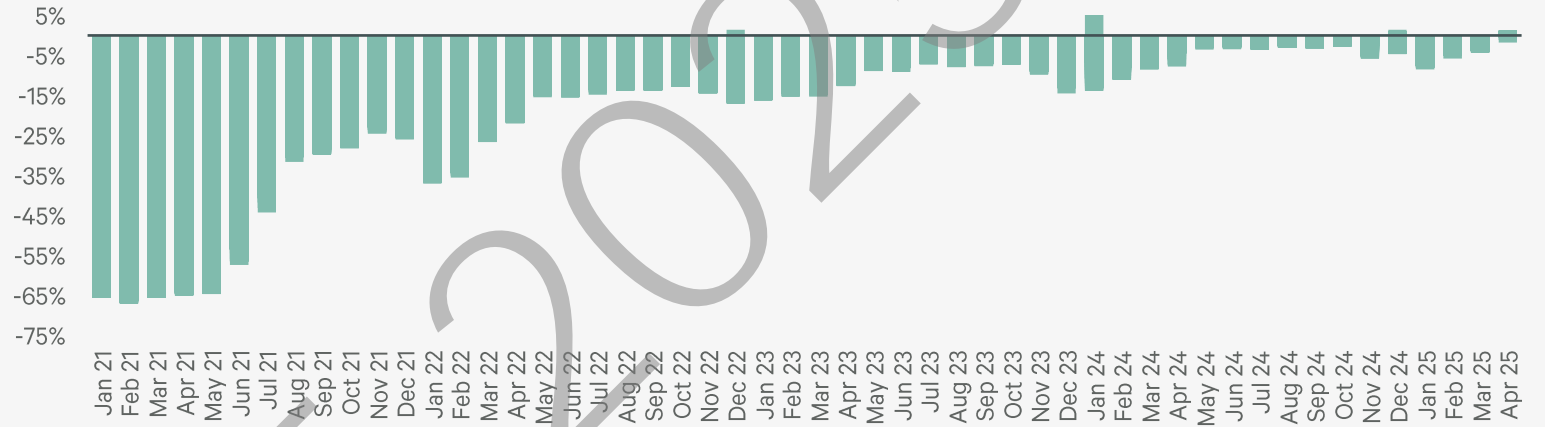
TRAVEL AND TOURISM MARKET

The ongoing addback of flights should help support the continued improvement in international leisure demand.

While total passenger numbers are a key indicator of air traffic, connectivity between key tourism and gateway cities and source countries is more crucial for the global travel industry in the longer-term.

Europe: Air traffic – total network manager area

(% relative to 2019 – 7-day moving average flights (number of departing and arriving flights))



Europe: Air traffic by country – YTD April 2025

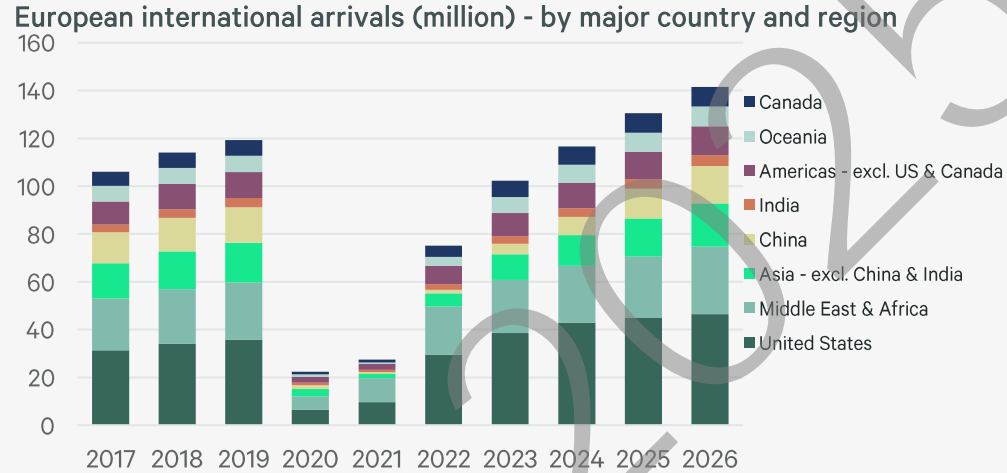
(% relative to 2019 – 7-day moving average flights (number of departing and arriving flights))



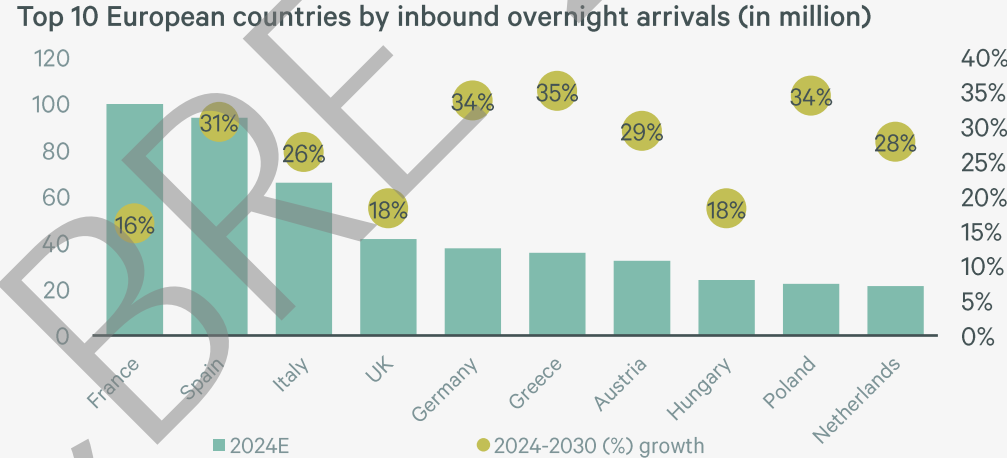
Source: Eurocontrol, updated 23 April 2025, CBRE Research

Intra-regional travel and U.S. tourists will continue to be primary sources of demand. However, the softening of the latter will reduce its share of total demand, from 37% in 2024 to 33% in 2026.

Eastern European markets such as Greece and Poland, show strong growth potential in overnight arrivals, indicating that these countries are expanding the leisure tourism destinations.



5.0%
CAGR 2024-2030 (%)
Projected annual growth
in total inbound
overnight arrivals in
Europe

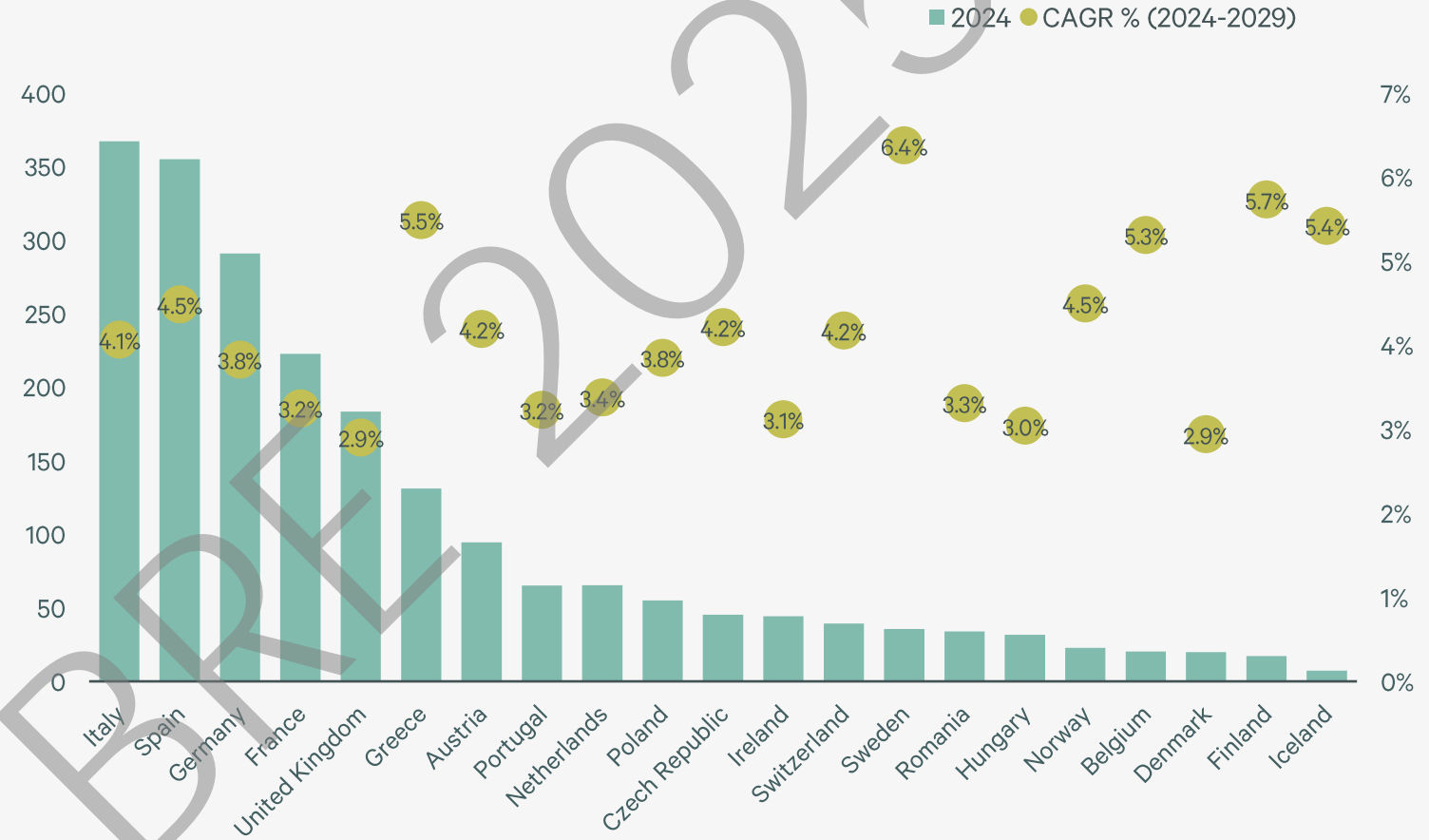


Source: Tourism Economics, projections last updated on 27 March 2025, CBRE Research
Note: European intra-regional international arrivals have been excluded in the chart and analysis

Top five: Italy, Spain, Germany, France and UK led in total hotel nights in 2024; however, several other markets are expected to experience stronger annual growth rates through 2029.

Despite leading in total nights, the growth rates in these markets indicate varying future trends, with Spain, Italy and Germany showing a steady growth, while UK projected to grow at a slower pace of 2%.

Total hotel nights by country (in million)



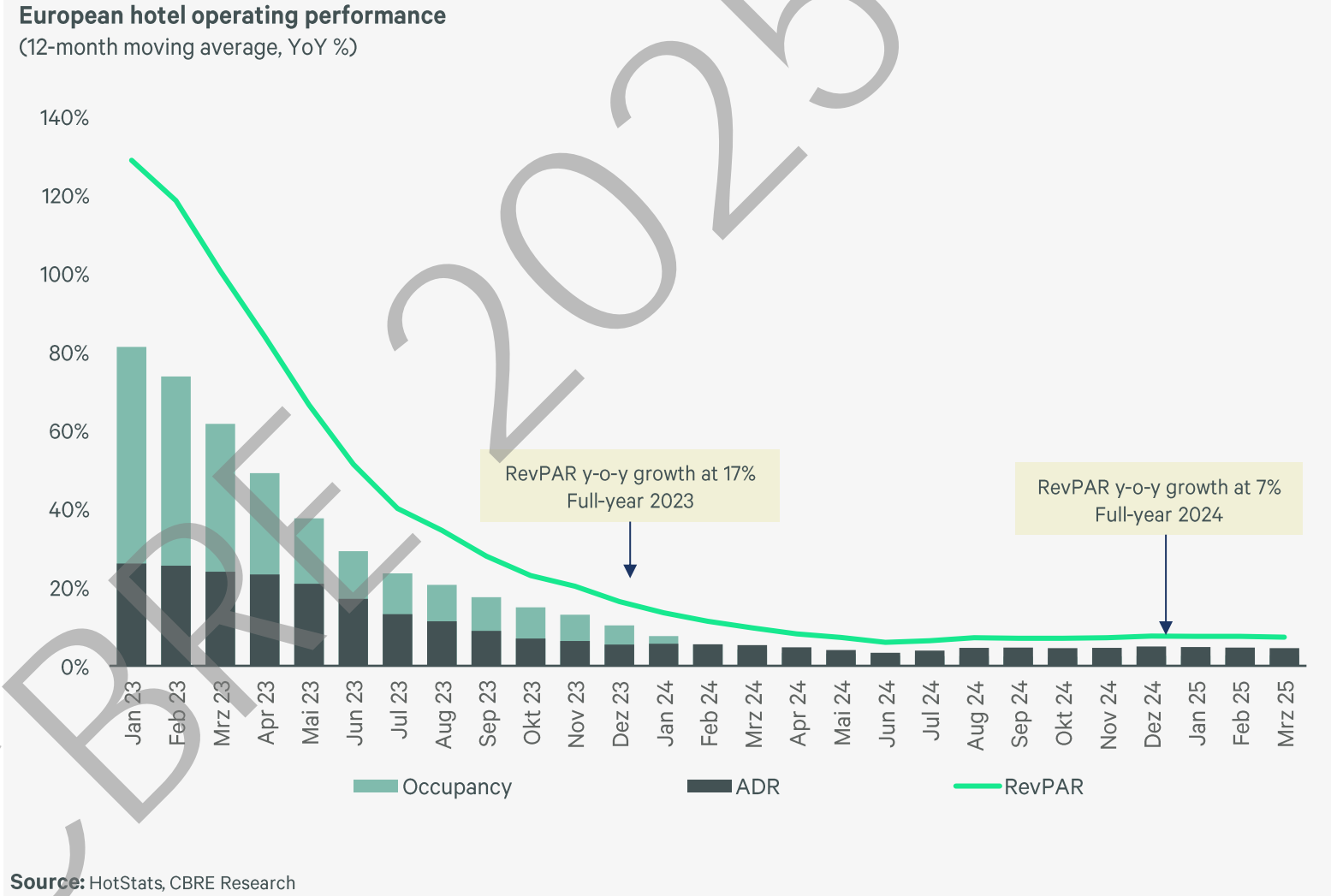
Note: Total nights in hotels refer to nights spend in hotels by both international and domestic visitors as calculated and forecasted by Tourism Economics using UNWTO and other data, last updated on 27 March 2025 by Tourism Economics

Source: Tourism Economics, World Tourism Organization UN Tourism, CBRE Research

HOTEL PERFORMANCE

Growth moderating to more normalised levels.

RevPAR growth moderated from 17% in 2023 to 7% in 2024, driven mainly by ADR growth at 4.9%, with occupancy showing a marginal growth of 2.6% y-o-y.



HOTEL PERFORMANCE

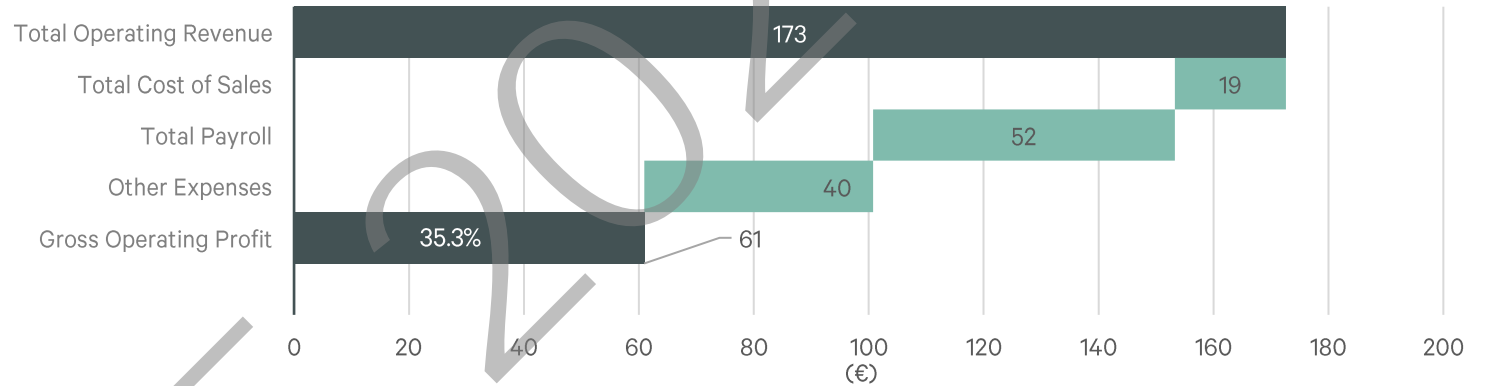
Total operating revenue per available room: up 6%, with cost management remaining stable.

The cost of sales stayed at around 10% of total revenue, while payroll saw a modest 7% rise.

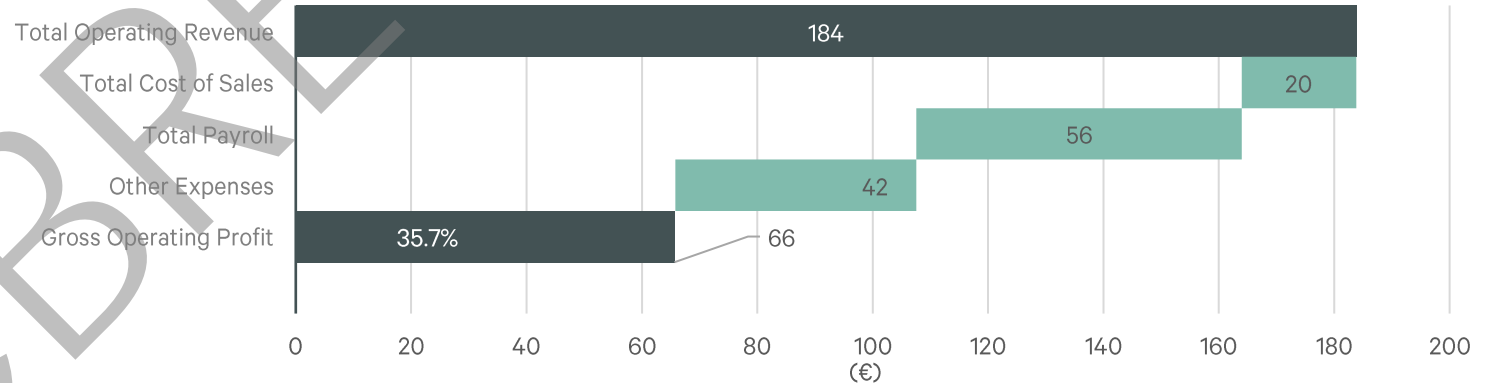
Other expenses grew by 5%, but gross profit margin largely aligned with the level last year, indicating effective cost control by operators.

Operating revenue, expenses & GOP PAR of European hotels market (€)

2023



2024



Source: HotStats, CBRE Research

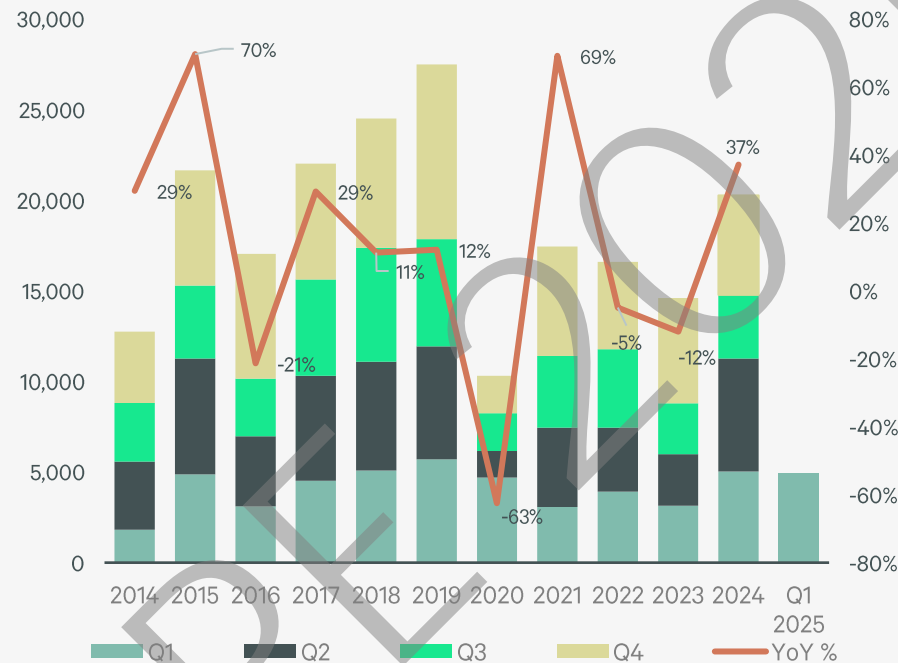
HOTEL INVESTMENT

European hotel investment totalled €4.9bn in Q1 2025, remaining broadly consistent with the level recorded in Q1 2024.

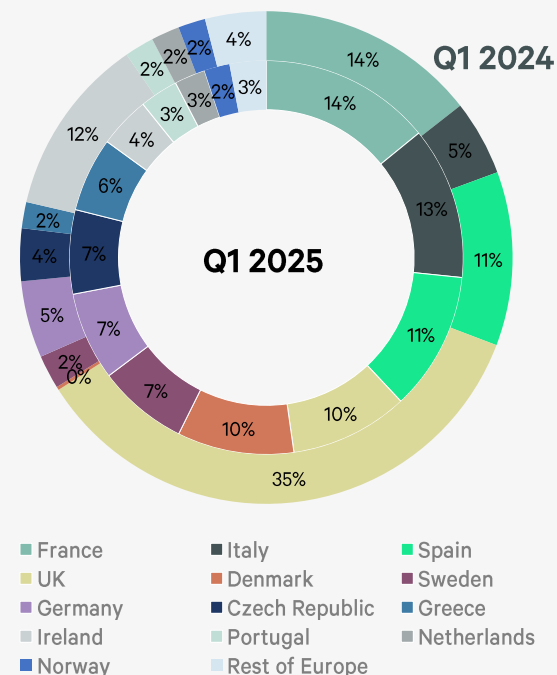
The Nordics and Central & Eastern Europe (CEE) recorded stronger hotel deal flow in Q1 2025, driven by a large-scale portfolio transaction in these emerging markets.

Italy and Germany also reported strong year-on-year growth, reflecting renewed investor interest.

Europe hotel transaction volumes (by quarter, € million)



European hotel investment transaction volumes (Q1 2025 vs Q1 2024)



€4.95bn

Europe hotel investment volume Q1 2025

Source: CBRE Research

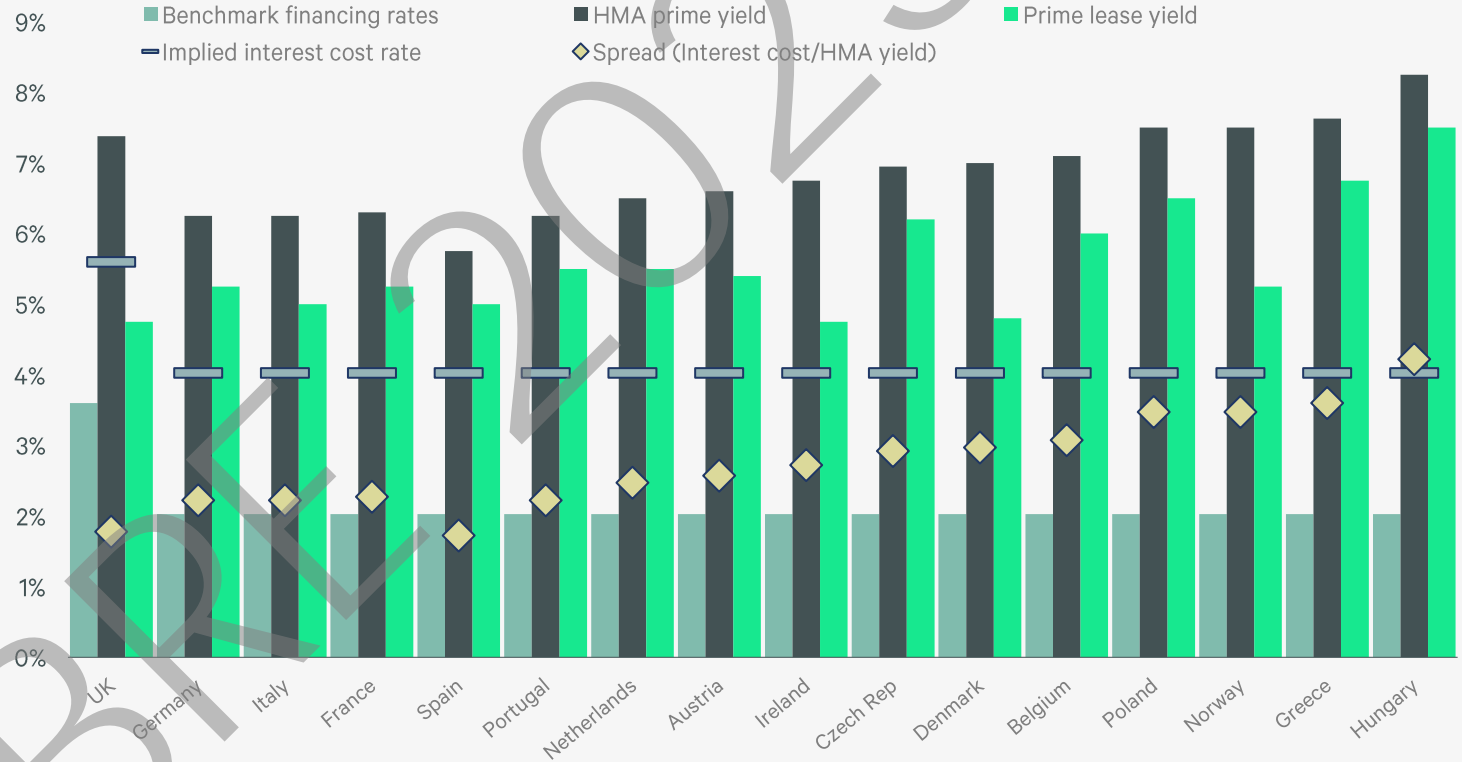
Notes: Outer circle represents Q1 2024, inner represents Q1 2025

Countries included in the hotel investment volume analysis are Austria, Belgium, CEE, Demark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK.

5-year swap rate remains below base rates, indicating continued expectations of rate cuts.

Narrow prime lease yields spread in key markets, ranging from 100 to 200 bps, with some markets exceeding 200 bps.

European HMA & prime lease yields relative to implied simulated interest cost rates (spread)



Source: CBRE Research, Chatham Financial

Notes: HMA refers to hotel management agreement, benchmark financing rates refer to 5-year EURIBOR Swaps (3-month), 5-year SONIA Swaps and other long-term Swaps rates as of 28 April 2025, a lending margin of 2% is adopted for the implied simulated lending rates in this analysis, assuming prime asset, prime location, branded operator and an LTV of around 50%.

2025

Thank you

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