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European Hotel Industry and Investment Survey 2024 Findings

October 2024

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Introduction

These are the key findings from the 2024 European Hotel Industry and Investment survey, Deloitte's annual survey of executives in the hospitality industry, for their views on the industry's performance in the year ahead. The survey took place between 7 August and 17 September 2024 and was conducted online with nearly 100 executives including owners, operators, lenders, developers and investors.

Based on analysis of survey data, we have examined the key trends in the UK and European hospitality industry for the year ahead, including the priorities, risks, growth strategies and market performance.

We hope you find the insights from this research useful and welcome your feedback.

Contents

Executive summary

Hotel industry priorities and risks

For most hotel industry executives, managing cashflow and improving performance are expected to be the top two priorities in 2025. Maintaining profitability and managing inflationary pressures remain key priorities but have dropped down the rankings from their top positions a year ago. Growth through acquisitions is gaining traction while hiring and attracting more staff, despite dropping in the rankings, remains a key area of focus for the year ahead.

Rising costs, labour challenges and high interest rates remain the key immediate risks threatening growth in the hotel industry in 2025. Risks associated with political tension, cyberattacks and over-tourism have risen significantly this year. Executives expect growing risks for the hotel industry in the next one to three years to come from an inability to raise prices and Gen AI disruptions.

Key growth strategies

Sustainability

65% of respondents cite regulatory compliance as the main external driver of their organisation's sustainability strategy. Other influences on strategy include socio-economic benefits, such as becoming a circular business or adopting technologies to report on sustainability across the entire value chain of the organisation, consumer demand, and stakeholder pressure.

Over three in four respondents (84%) agree that collaboration and leadership commitment are the key enablers of their organisation's sustainability strategy in 2025. However, measuring environmental impact and translating strategies into action remain a challenge. Many respondents (40%) disagree that transitioning to net zero will be a top priority for their organisation in the next 12 months.

M&A

A surge in M&A activity is expected in the year ahead with one in two businesses (54%) saying they plan more acquisitions. The focus is on strategic partnerships or joint ventures (JVs) and acquisitions in high-growth markets and key destinations. While companies are actively managing their portfolios, transforming and reviewing assets, only one in three (33%) are expecting to make divestitures.

Technology

Most organisations are investing in digital transformation to gain efficiencies and reduce costs including investing in data analytics, digital services and enabling future of work capabilities. However, they are more divided regarding investment in smart technologies and automation to optimise cost (60% are v. 46% are not) or to serve customers (26% are v. 38% are not).

Two-thirds of respondents report that their organisation is either exploring or not yet considering AI solutions. Only one in ten organisations are currently implementing AI solutions and one in five are at the piloting stage. Our findings indicate the size of the opportunity but also the need for a better understanding of how to implement AI at scale.

Executive summary (cont’d)

UK market

Three out of four respondents (72%) say they are optimistic about the long-term future of the UK hotel market. Over a half of respondents (59%) also believe investment into the UK market will grow materially in the next five years, and a similar proportion (54%) expects profitability to improve over the same period. These expectations are lower compared with last year, when 64% of respondents expected growth and improving profitability for the UK hotel market over a five-year period.

Most survey respondents (81%) say they expect a growth of one to five per cent in London’s Revenue Per Available Room (RevPAR), while 70% of respondents anticipate a RevPAR of one to five per cent in the UK regions in 2025. The results show that RevPAR growth expectations are lower for both London and the UK regions compared to last year, due perhaps to economic uncertainty, pointing to cautious optimism about the UK hotel sector's recovery.

Most respondents expect growth in Gross Operating Profit per Available Room (GOPPAR) to be between one and five per cent in both London (65%) and the UK regions (56%) in 2025. These expectations are lower than a year ago. However, last year the range of expectations across negative and positive GOPPAR growth was wider. So although expectations are lower for 2025, they now appear to be more consistent.

Executives have higher expectations for EBITDA multiples for 2025 compared to last year, especially in London, where over one in three respondents expect multiples of more than 16 times, compared to just one in five last year. This is higher than in the regions, where one in two expect multiples of 8 to 12 times reflecting the relative attractiveness of the London market. However, due to continued volatility and inflationary pressures in the sector, there was a higher proportion of undecided respondents this year.

Edinburgh continues to be the most attractive city for hotel investment in 2025, for the fourth consecutive year, with Oxford retaining second place. Manchester moves up to third, while Cambridge, Bristol, Cardiff and York all drop in the rankings compared to last year.

In 2025 the most attractive asset class for investment is expected to remain hotels, followed by student housing. Co-living is gaining traction, having more than doubled its appeal, compared with 2024.

When asked about the most attractive hotel chain scale segments for investment in 2025, ‘upper upscale’ (24%) and ‘luxury’ (22%) are the preferred choices, in line with the growth seen in hotels offering premium experiences.

Our findings suggest that investors are seeking opportunities in segments that offer a clear value proposition and cater to specific consumer segments. Value-focused ‘economy’ hotels (17%) are the third most sought after segment, indicating continuing investor interest in both ends of the market, while ‘upper midscale’ (14%), ’upscale’ (13%) and ‘midscale’ (10%), have less appeal. These findings point to a potential shift in investor focus towards more distinct offerings, either in the upper or lower ends of the market.

Private equity remains the largest source of equity capital for UK hotel acquisitions in 2025. After declining in recent years, private equity saw a ten-percentage point increase compared to the same period a year ago, a sign of growing expected M&A activity in the sector.

Apart from domestic investors, the geographies investing most in the UK hotel sector include North America (39%), Europe (26%) and MENA (25%). However, with slowing economic activity in EMEA and China, there has been a drop in the proportion of respondents mentioning these markets as the primary sources of finance for the UK hospitality sector.

Executive summary (cont'd)

European market

With the exception of the UK and Ireland, where the investment cycle seems on the upturn, sentiment towards key western European countries is more negative, with Germany, France and the Netherlands experiencing a downturn, according to our survey respondents.

Investment trends across southern Europe appear mostly positive this year, with Spain and Portugal remaining on the up and Italy turning more positive. Greece, however, is showing signs of entering a trough.

London remains the most attractive European city for hotel investment in 2025. Paris and Madrid have moved up two places to secure the second and third positions respectively, while Amsterdam has dropped to fourth position. Other cities attracting investment this year include Berlin, Copenhagen and Prague. Porto is a new entry in the 2025 rankings, in 12th position.

In Europe, hotels remain the most attractive asset class for investment in 2025 followed by branded residences. The attractiveness of hostels as an investment asset has increased by six percentage points compared to last year.

More than half our respondents (59%) expect finance for hotel investment to be sourced from Europe, closely followed by North America (41%) and the Middle East and North Africa (36%). The UK's contribution to European hotel investment is on the rise, with 30% of executives anticipating the UK to be a major source of funding, reflecting a recovery in economic activity. Only 4% of respondents see China as a major source of investment, and a mere 3% expect significant capital flows from India. This suggests a shift in investment patterns, with traditional western sources of investment continuing to dominate the European hotel landscape.

Private equity remains the main source of equity finance for European hotel acquisitions, with 36% of respondents expecting it to be the largest source of equity capital in 2025. Real estate funds and REITs are also expected to play a role, cited by 15% of respondents as the likely primary source of equity. However, financing from both sovereign wealth funds and hotel funds are expected to lose momentum in the coming year, reflecting a potential shift in investment strategies.
Traditional debt financing is regaining prominence in the European hotel market, with 54% of respondents expecting it to be the most common source of financing in 2025. Senior bank loans are also expected to gain traction, with 37% of respondents predicting their widespread use. Alternative lenders, which previously held the top spot, have lost momentum, now expected to be the primary source of debt finance by just 43% of respondents, compared to 55% in the previous year.

Priorities and risks in the hotel market

Key business priorities

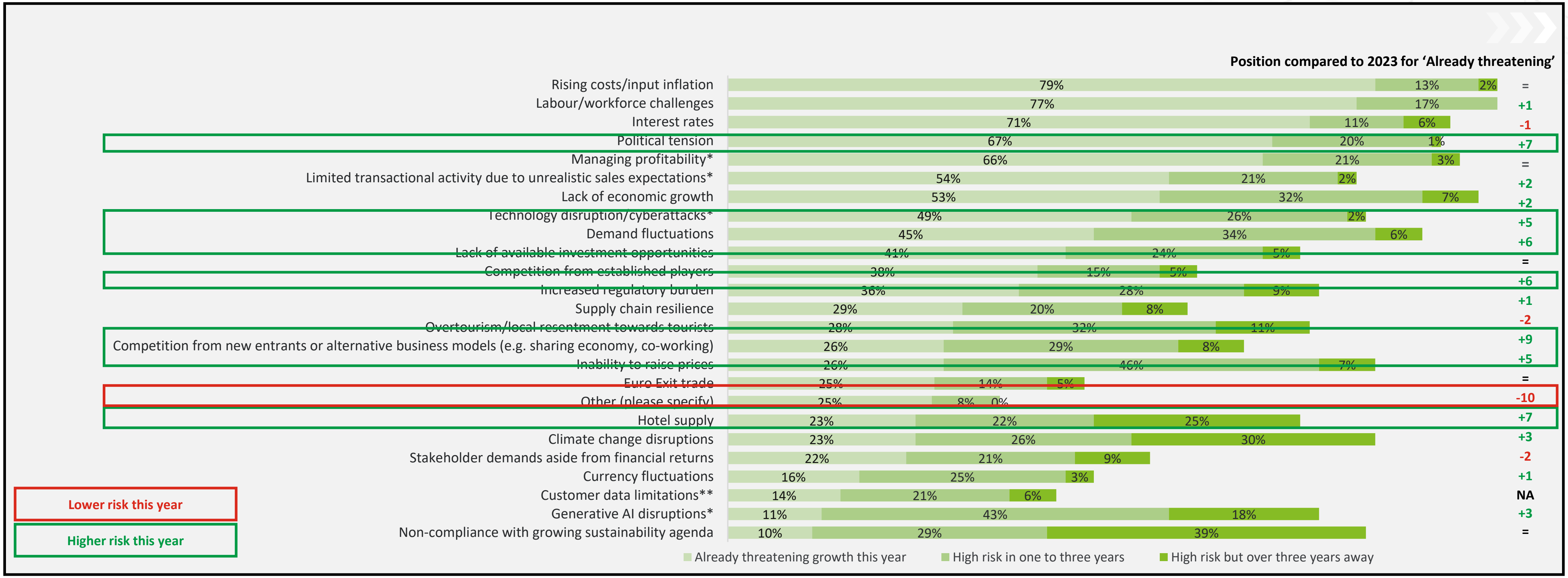
For most hotel industry executives, managing cashflow and improving performance are expected to be the top two priorities in 2025. Maintaining profitability and managing inflationary pressures remain key priorities but have dropped down the rankings from their top positions a year ago. Growth through acquisitions is gaining traction while hiring and attracting more staff, despite dropping in the rankings, remains a key area of focus for the year ahead.

Q18. What are your key priorities over the next 12 months?

Risks to the hotel industry

Rising costs, labour challenges and high interest rates remain the key immediate risks threatening growth in the hotel industry in 2025. Risks associated with political tension, cyberattacks and over-tourism have risen significantly this year. Executives expect growing risks for the hotel industry in the next one to three years to come from an inability to raise prices and Gen AI disruptions.

Q17: What are the key risks to the hotel industry in the next five years ?



Note: *New category added in 2023** New category added in 2024 ; n=87 – Note: chart does not show 'Don't Know'; 'Not a risk'.

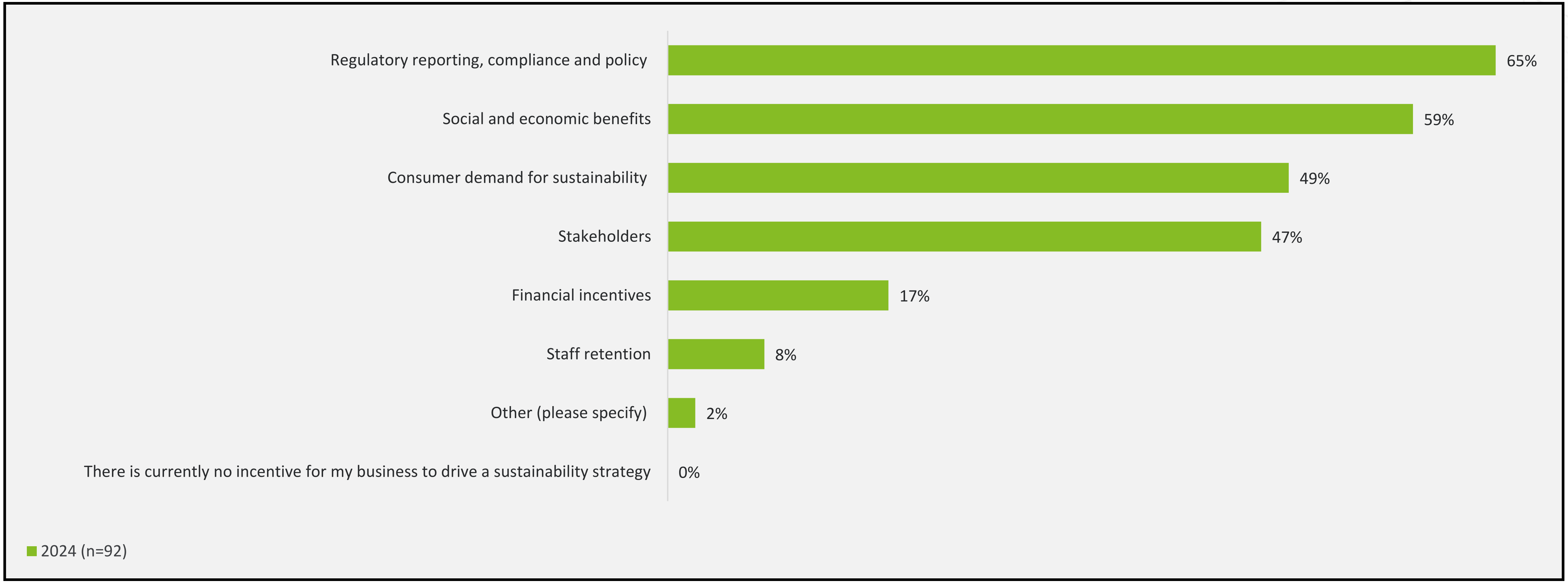
Key growth strategies

Sustainability and climate, M&A expectations, Digital transformation and AI adoption

Sustainability and climate

65% of respondents cite regulatory compliance as the main external driver of their organisation's sustainability strategy. Other influences on strategy include socio-economic benefits, such as becoming a circular business or adopting technologies to report on sustainability across the entire value chain of the organisation, consumer demand, and stakeholder pressure.

Q14: What are the top external drivers behind our organisation's sustainability strategy? (Please select three)*

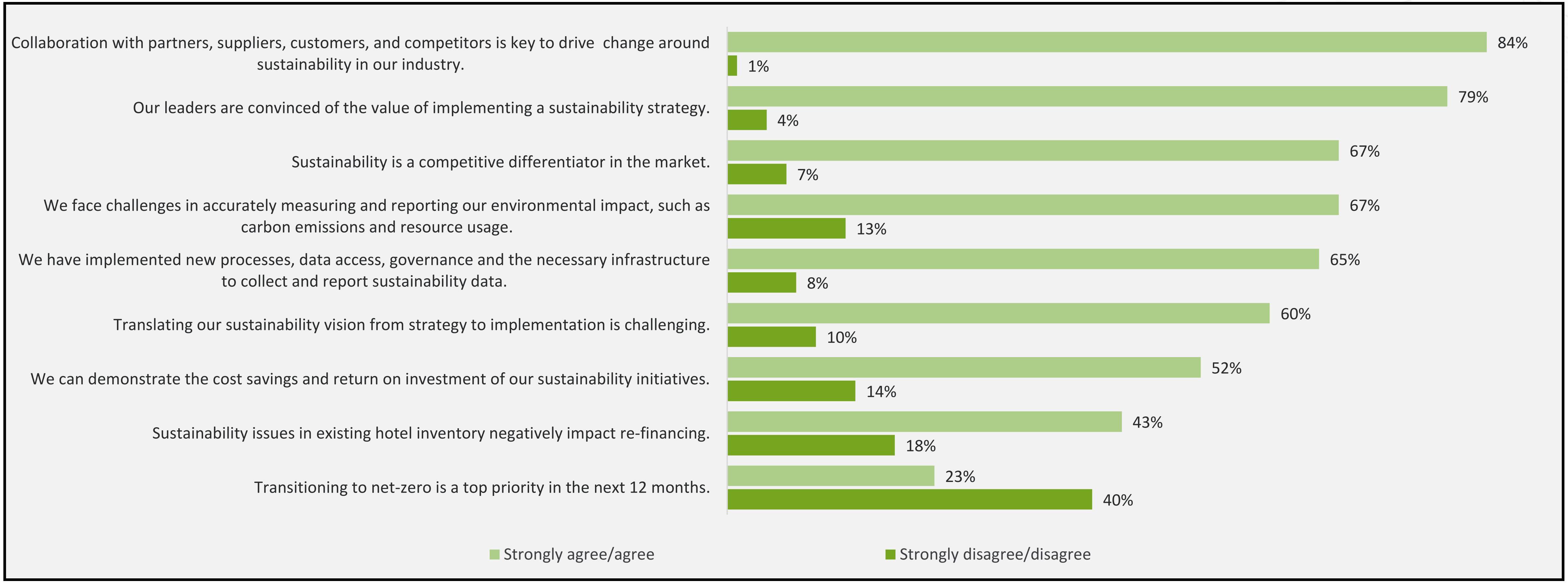


Note: *question added in 2024, n=92

Sustainability and climate

Over three in four respondents (84%) agree that collaboration and leadership commitment are the key enablers of their organisation's sustainability strategy in 2025. However, measuring environmental impact and translating strategies into action remain a challenge. Many respondents (40%) disagree that transitioning to net zero will be a top priority for their organisation in the next 12 months.

Q15: Thinking about your organisation or portfolio's sustainability strategy (if any), to what extent do you agree or disagree with the following statements?*

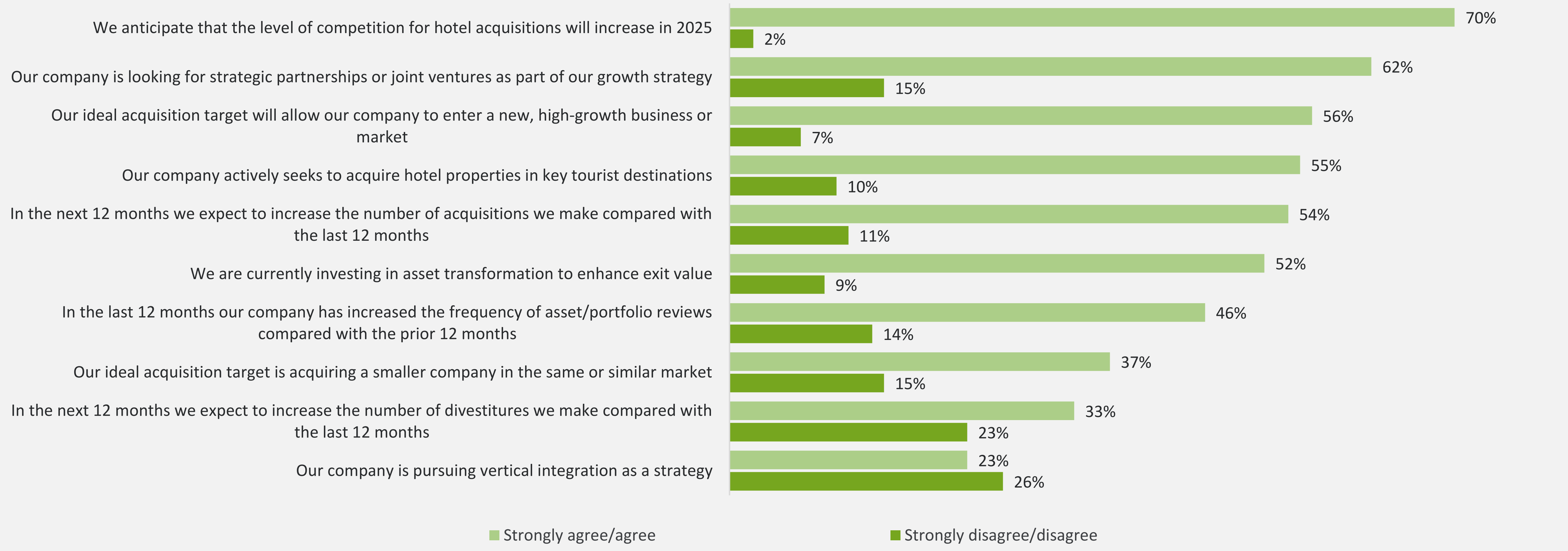


Note: *question added in 2024, (n=92)

M&A expectations in next 12 months

A surge in M&A activity is expected in the year ahead with one in two businesses (54%) saying they plan more acquisitions. The focus is on strategic partnerships or joint ventures (JVs) and acquisitions in high-growth markets and key destinations. While companies are actively managing their portfolios, transforming and reviewing assets, only one in three (33%) are expecting to make divestitures.

Q19: Thinking about M&A activity in the sector and your business' strategy, to what extent do you agree or disagree with the following statements?*

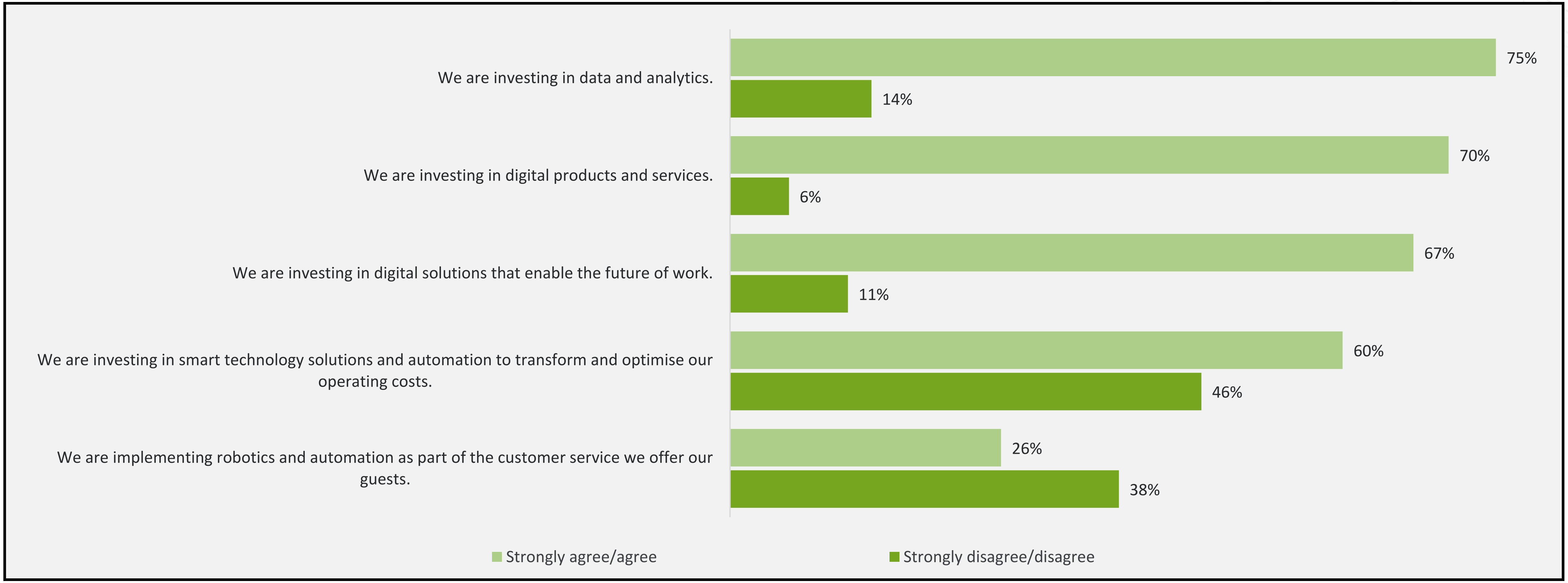


Note: *question added in 2024; n=87

Digital transformation

Most organisations are investing in digital transformation across their business to gain efficiencies and reduce costs, including investing in data analytics (75%), digital services and products (70%), and enabling the future of work capabilities (67%).

Q20: Thinking about your business' digital transformation, to what extent do you agree or disagree with the following statements?*

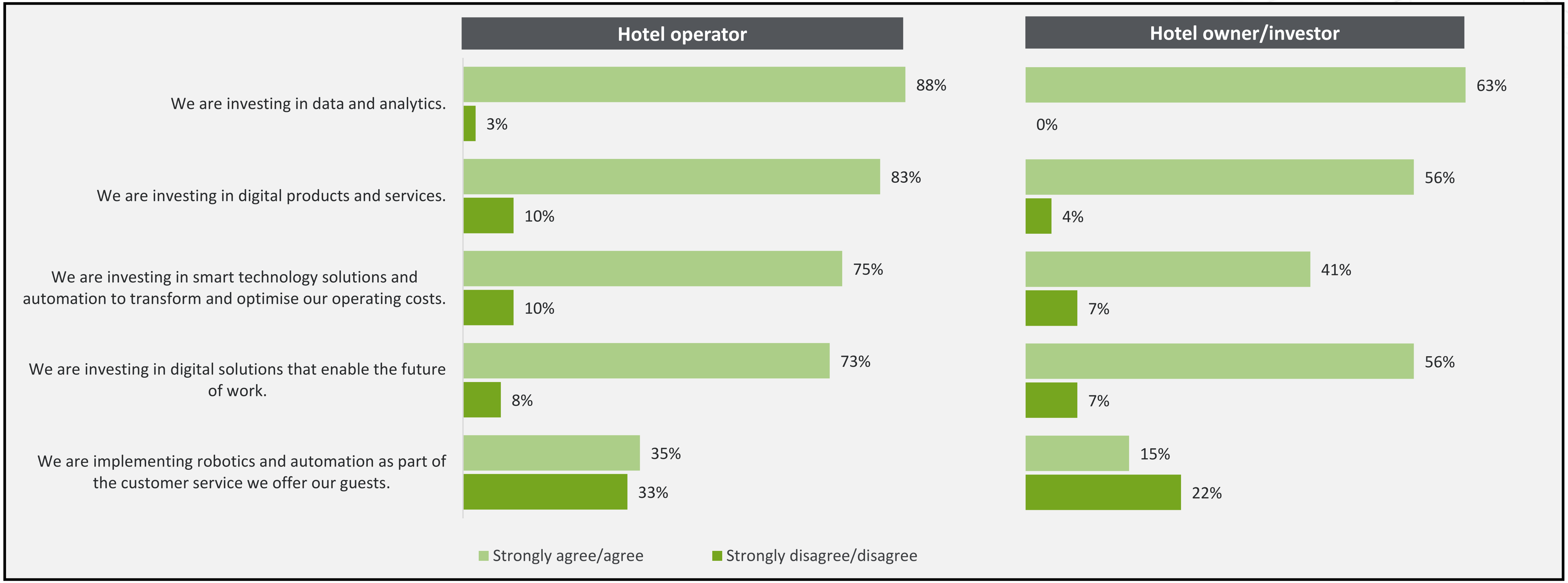


Note: *question added in 2024; n=87

Digital transformation (Hotel operators vs Hotel investors)

Both hotel investors and operators are prioritising data analytics, and digital products in their digital transformation strategies. This shared focus underscores the growing importance of data-driven decision-making in the hospitality sector.

Q20: Thinking about your business' digital transformation, to what extent do you agree or disagree with the following statements?*

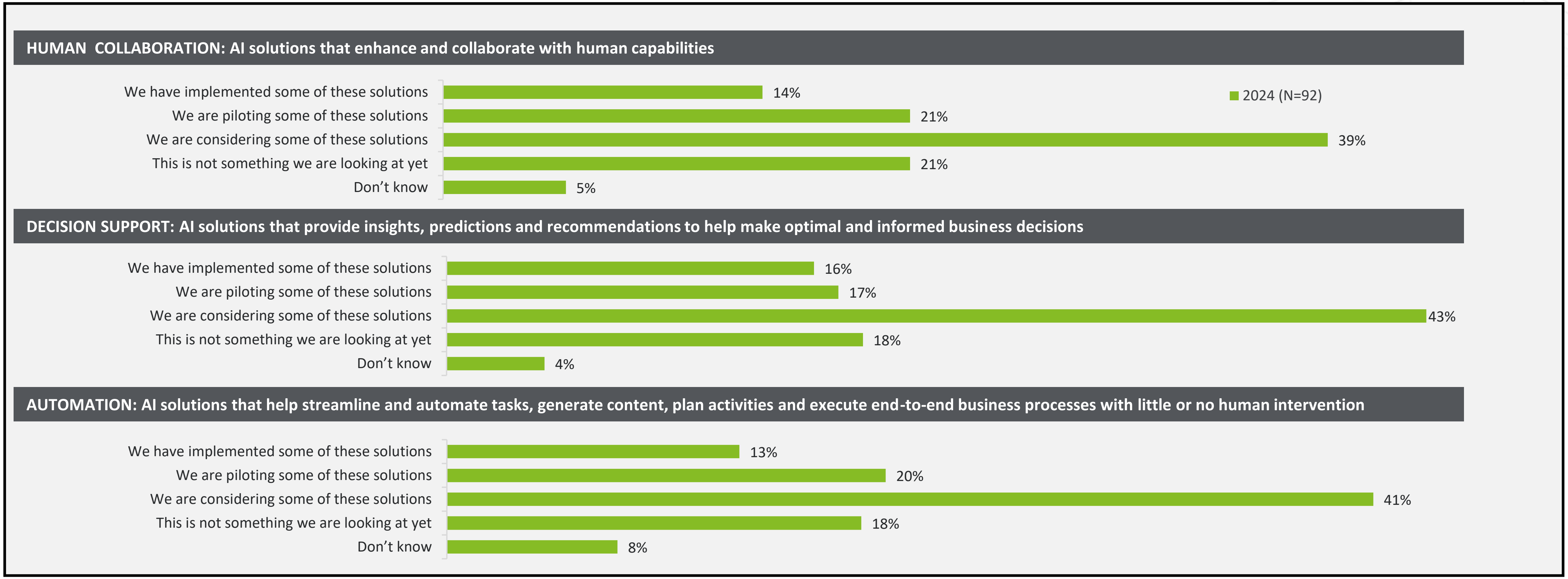


Note: *question added in 2024; n=87

AI adoption

Two-thirds of respondents report that their organisation is either exploring or not yet considering AI solutions. Only one in ten organisations are currently implementing AI solutions and one in five are at the piloting stage. Our findings indicate the size of the opportunity, but also the need for a better understanding of how to implement AI at scale.

Q16: Where would you say your organisation is when it comes to AI implementation?

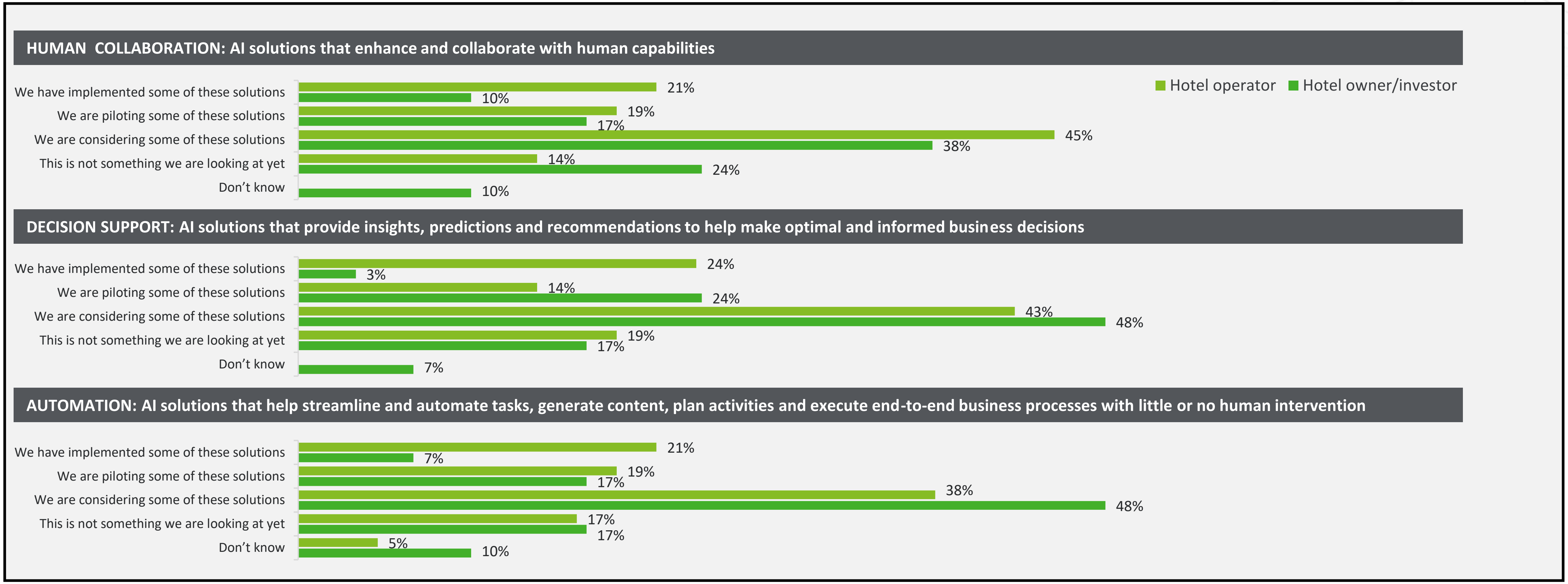


Note: *question added in 2024; n=92

AI adoption (Hotel operators vs Hotel investors)

Hotel operators are outpacing investors in their view of their organisation's implementation of AI solutions that enhance human capabilities. By contrast, a larger number of investors are considering AI solutions that help predict for better decision or that automate tasks compared to operators, suggesting a potential disconnect between the interests in AI between those own the assets and those that operate them.

Q16: Where would you say your organisation is when it comes to AI implementation?



Note: *question added in 2024; n=92

UK hotel market performance

Sentiment for UK market

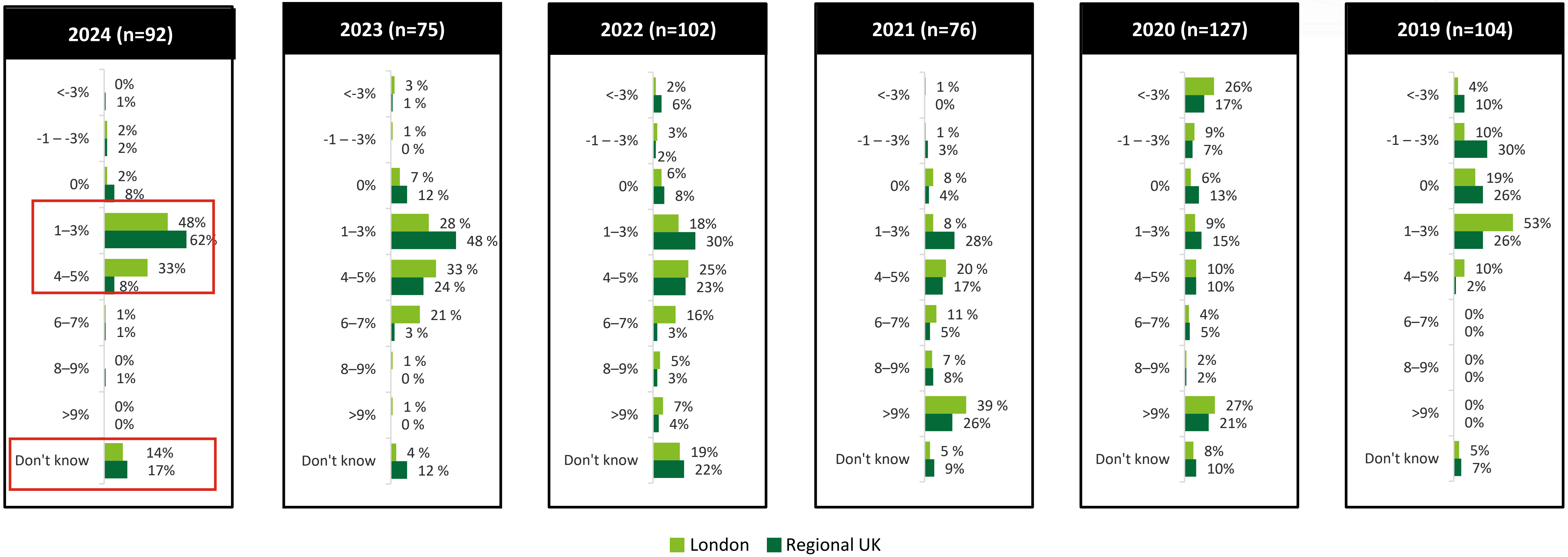
Three out of four respondents (72%) say they are optimistic about the long-term future of the UK hotel market. Over a half of respondents (59%) also believe investment into the UK market will grow materially in the next five years, and a similar proportion (54%) expects profitability to improve over the same period. These expectations are lower compared with last year, when 64% of respondents expected growth and improving profitability for the UK hotel market over a five-year period.

Q7: Please indicate whether you agree or disagree with the following statements

Growth in Revenue per Available Room (RevPAR) expected in 2025 vs. previous years

Most survey respondents (81%) say they expect a growth of one to five per cent in London's Revenue Per Available Room (RevPAR), while 70% of respondents anticipate a RevPAR of one to five per cent in the UK regions in 2025. The results show that RevPAR growth expectations are lower for both London and the UK regions compared to last year, due perhaps to economic uncertainty, pointing to cautious optimism about the UK hotel sector's recovery.

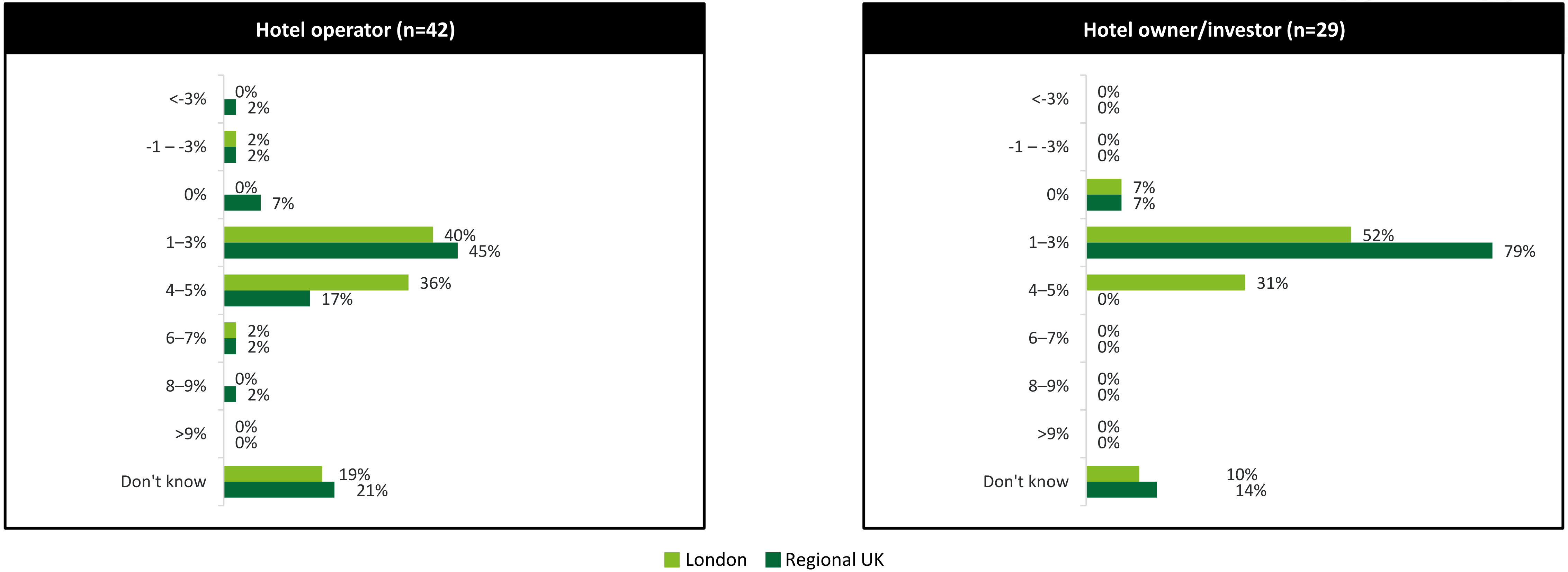
Q2: What level of RevPAR (Revenue per Available Room) growth do you expect to see in London and in the Regional UK in 2025?



Growth in RevPAR expected in 2025 (Hotel operators vs Hotel investors)

Investors are highly optimistic about London, with 79% forecasting RevPAR growth between 1-5%. In contrast, operators are more cautious, with 40% predicting 1-3% growth and another 36% anticipating a more robust 4-5% increase. In the regional UK, investors are expecting 79% RevPAR growth between 1-3% compared to 45% of investors. This difference highlights a potential disconnect between investor sentiment and that of operators in the regions.

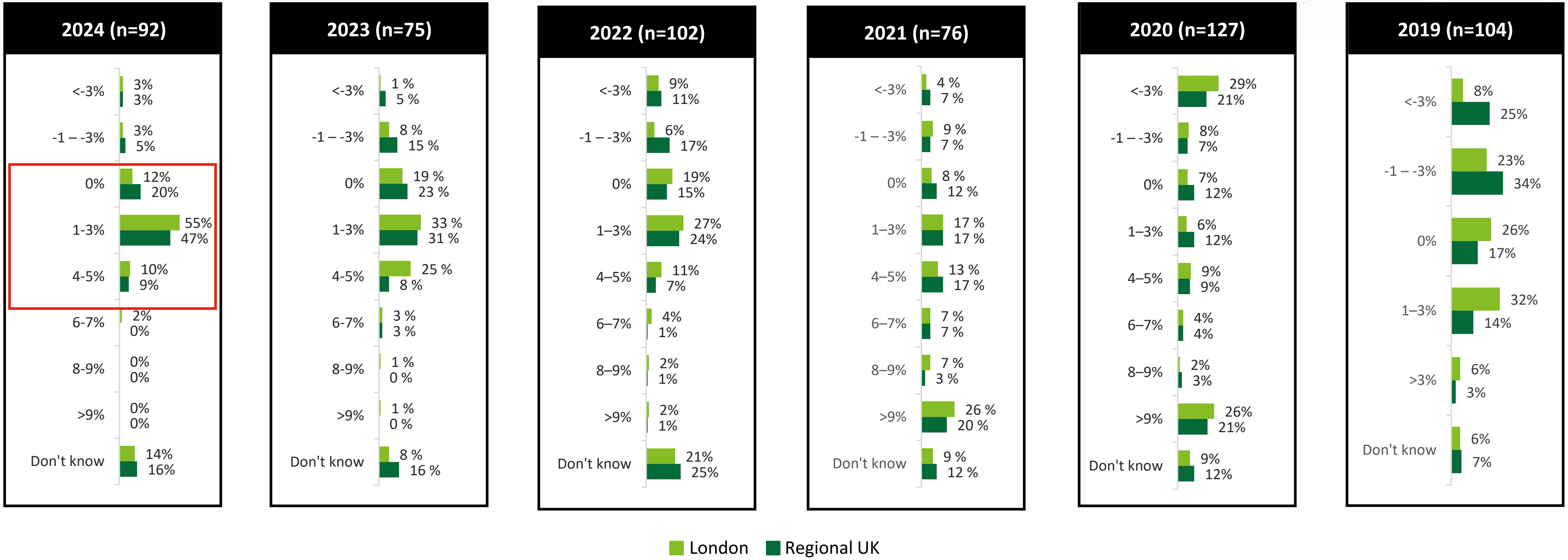
Q2: What level of RevPAR (Revenue per Available Room) growth do you expect to see in London and in the Regional UK in 2025?



Growth in GOPPAR (Gross Operating Profit per Available Room) expected in 2025

Most respondents expect growth in Gross Operating Profit per Available Room (GOPPAR) to be between one and five per cent in both London (65%) and the UK regions (56%) in 2025. These expectations are lower than a year ago. However, last year the range of expectations across negative and positive GOPPAR growth was wider. So although expectations are lower for 2025, they now appear to be more consistent.

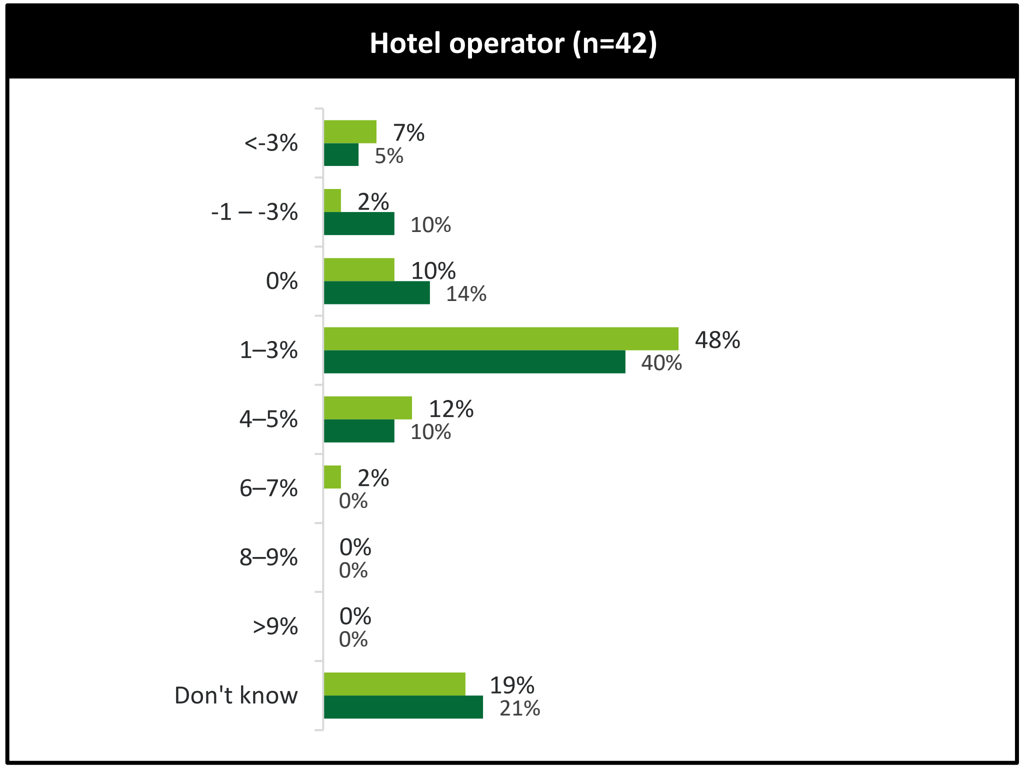
Q3: What level of GOPPAR (Gross Operating Profit per Available Room) growth do you expect to see in London and in the regional UK in 2025?

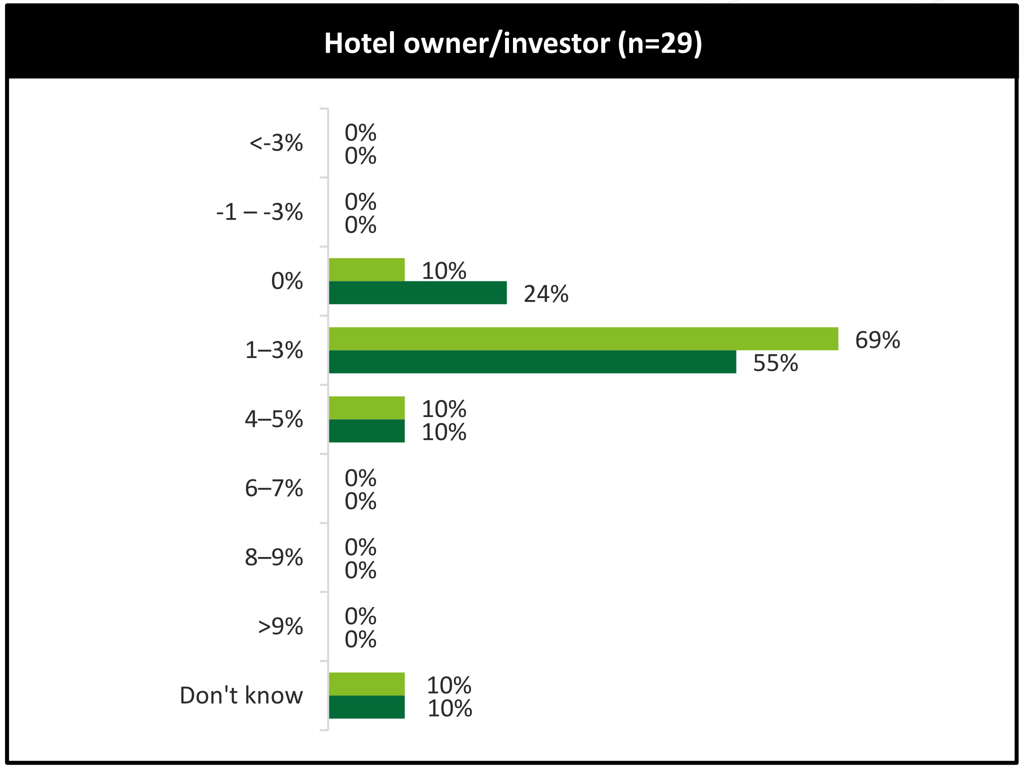


Growth in GOPPAR expected in 2025 (Hotel operators vs Hotel investors)

Both groups are largely concentrated in the 1-3% growth range for London, with 69% of investors and 48% of operators predicting this outcome. However, there is a notable difference in sentiment at the lower end of the spectrum. Nearly one-fifth (19%) of operators anticipate flat or negative GOPPAR growth for London, compared to only 10% of investors. In the regions, 55% of investors and 40% of operators are expecting modest GOPPAR growth (1-3%) and 29% of operators anticipate flat or negative GOPPAR growth, compared to 24% of investors.

Q3: What level of GOPPAR (Gross Operating Profit per Available Room) growth do you expect to see in London and in the regional UK in 2025?



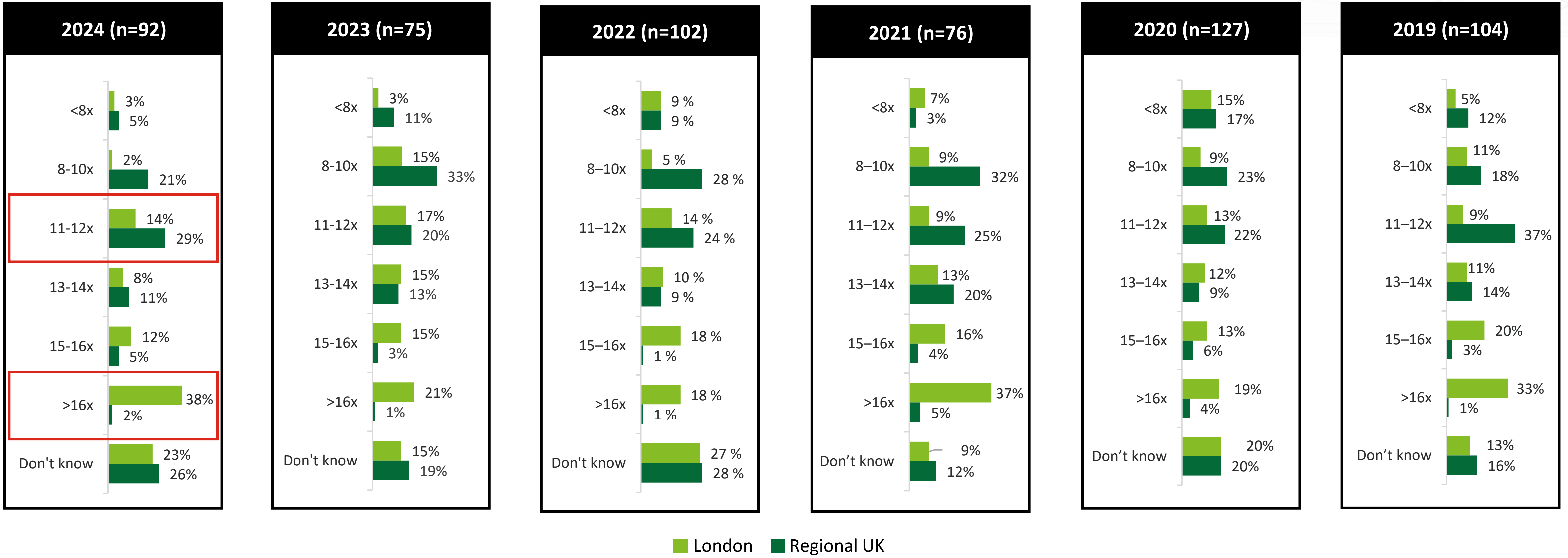


London Regional UK

Pricing multiples expected in 2025

Executives have higher expectations for EBITDA multiples for 2025 compared to last year, especially in London, where over one in three respondents expect multiples of more than 16 times, compared to just one in five last year. This is higher than in the regions, where one in two expect multiples of 8 to 12 times reflecting the relative attractiveness of the London market. However, due to continued volatility and inflationary pressures in the sector, there was a higher proportion of undecided respondents this year.

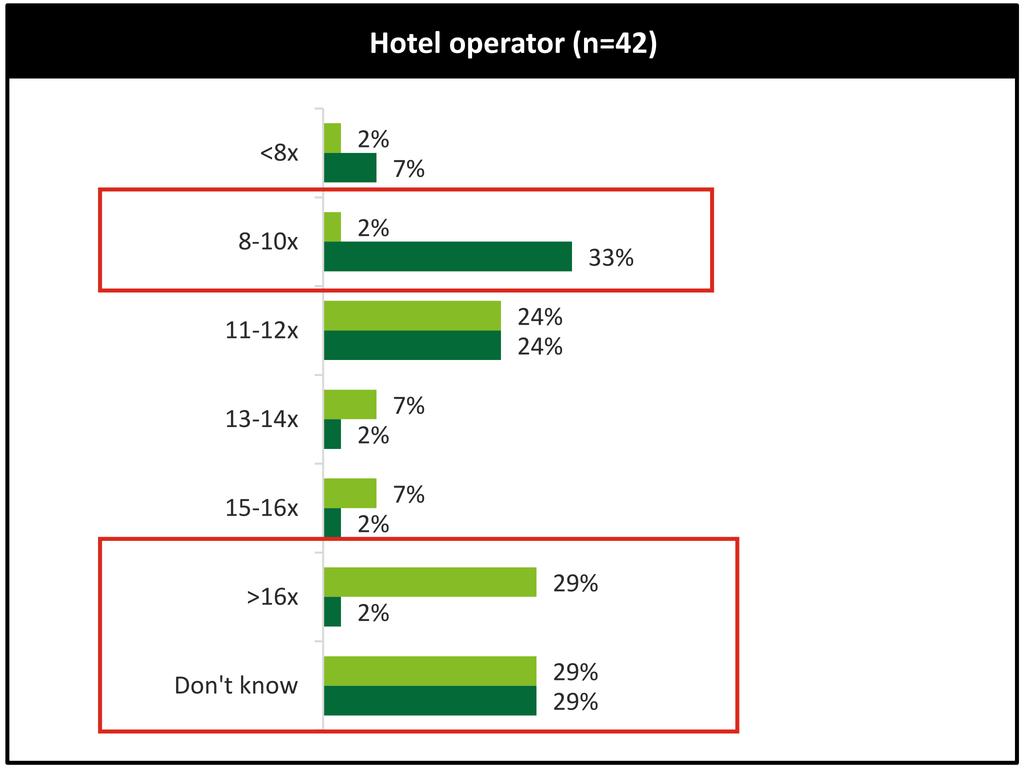
Q4: What EBITDA multiples of pricing do you expect to see in London and in the regional UK in 2025?

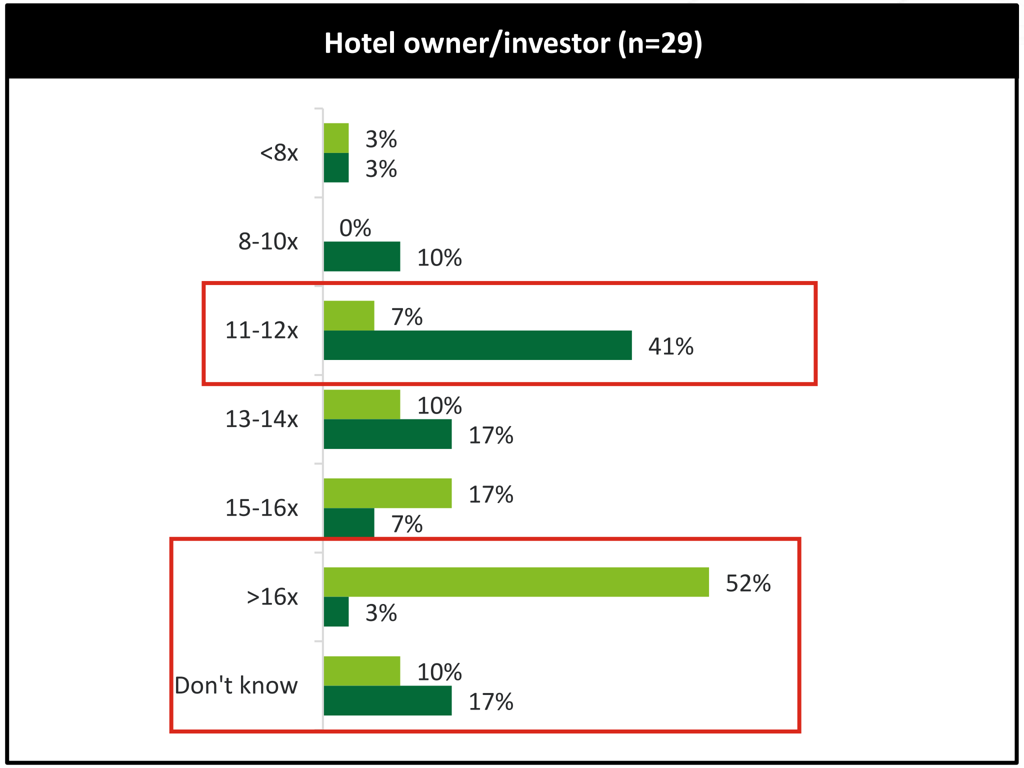


Pricing multiples expected in 2025 (Hotel operators vs Hotel investors)

Investors anticipate significantly higher EBITDA multiples for London compared to operators. Over 69% of investors expect multiples over 15 times, while 26% of operators expect an 8-12 times multiple. In the regions, 41% of investors predict an 11-12 times multiple, while 33% of operators expect 8-10 times. This difference suggests investors may have a slightly more optimistic outlook for regional UK valuations compared to operators.

Q4: What EBITDA multiples of pricing do you expect to see in London and in the regional UK in 2025?





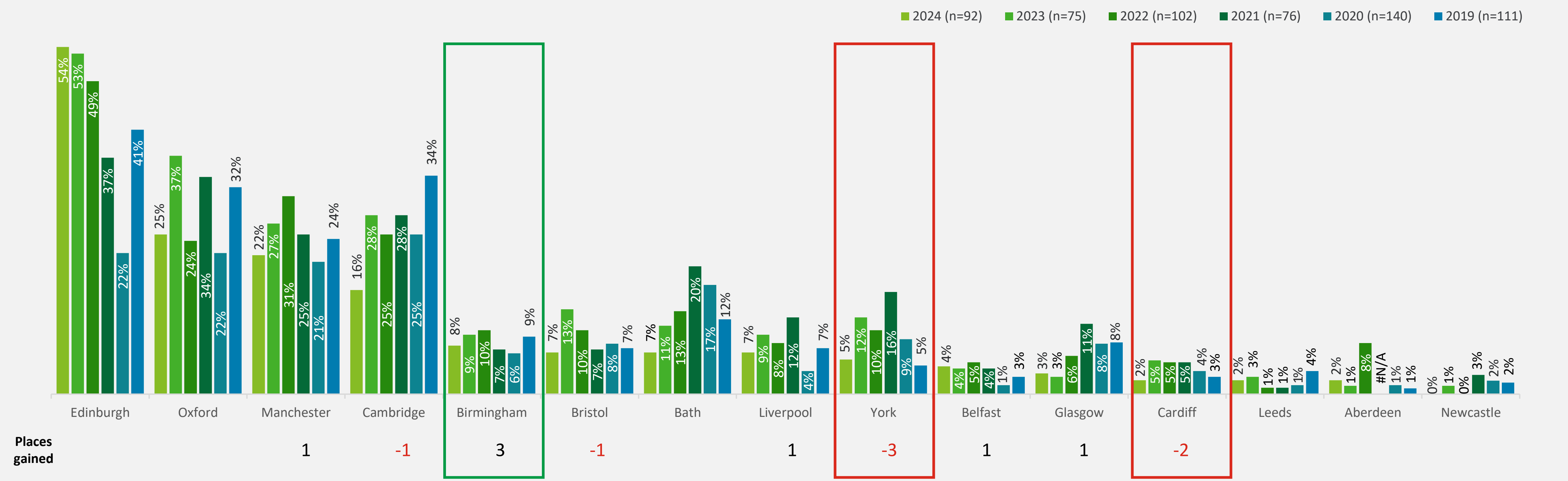
London Regional UK

Most attractive cities for hotel investment in 2025

Edinburgh continues to be the most attractive city for hotel investment in 2025, for the fourth consecutive year, with Oxford retaining second place. Manchester moves up to third, while Cambridge, Bristol, Cardiff and York all drop in the rankings compared to last year.

Q1: Which of the following cities in the Regional UK do you see as being the most attractive for hotel investments in 2025?

Most attractive cities for hotel investment (multiple answers possible)

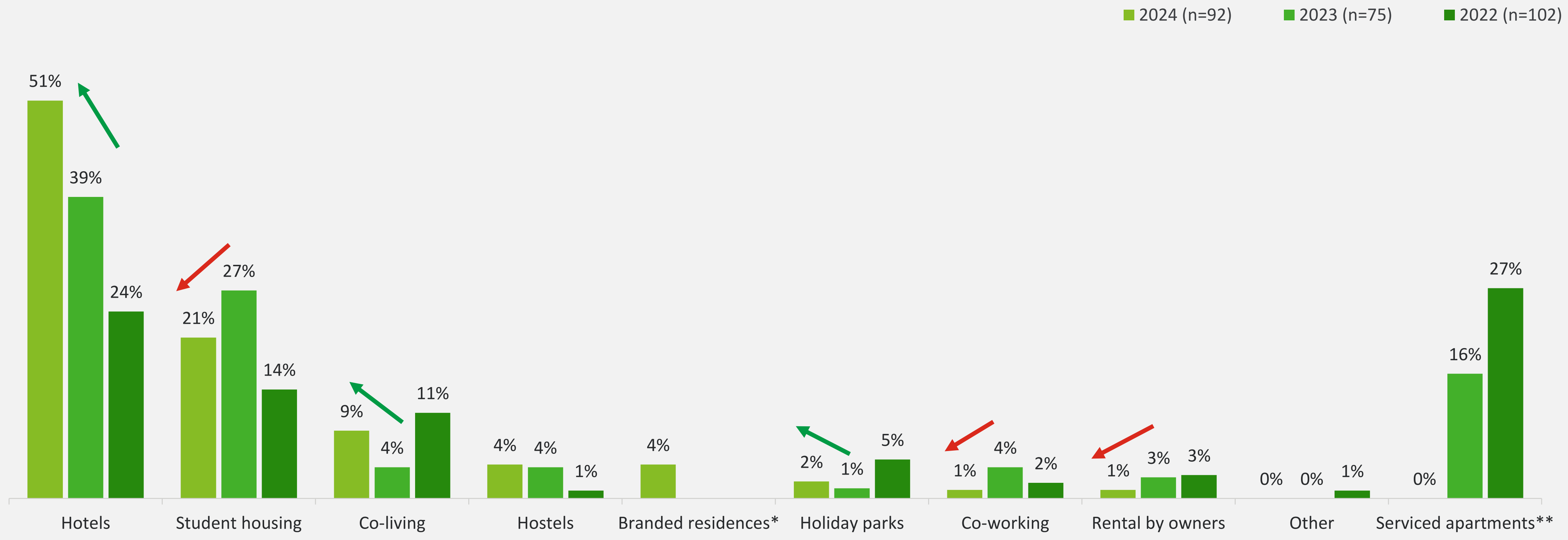


UK investment opportunities

In 2025 the most attractive asset class for investment is expected to remain hotels, followed by student housing. Co-living is gaining traction, having more than doubled its appeal, compared with 2024.

Q13: Which of the following do you see as the most attractive investment opportunity to invest in UK in 2025?

Most attractive asset classes to invest in the UK in the next year (multiple responses possible)

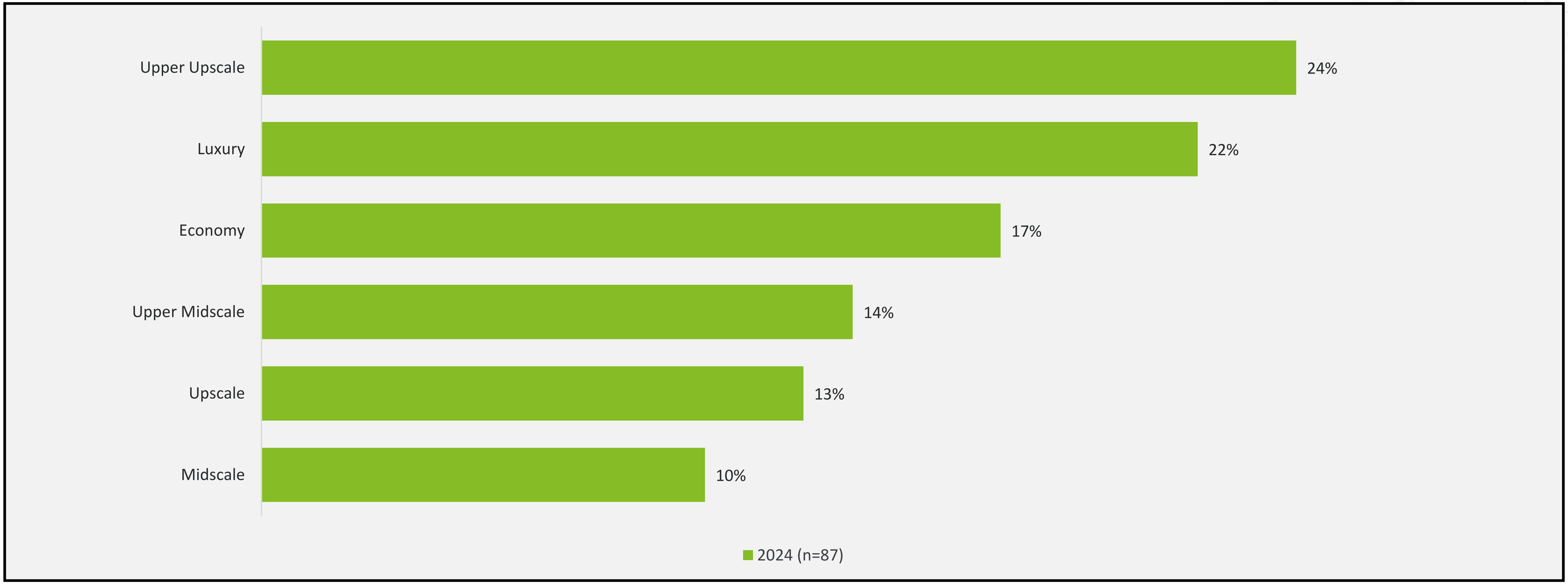


Note: * New category added in 2024

Attractive hotel segments for investment in 2025

When asked about the most attractive hotel chain scale segments for investment in 2025, 'upper upscale' (24%) and 'luxury' (22%) are the preferred choices, in line with the growth seen in hotels offering premium experiences. Our findings suggest that investors are seeking opportunities in segments that offer a clear value proposition and cater to specific consumer segments.

Q21: What segment is the most attractive hotel segment to invest in 2025? *



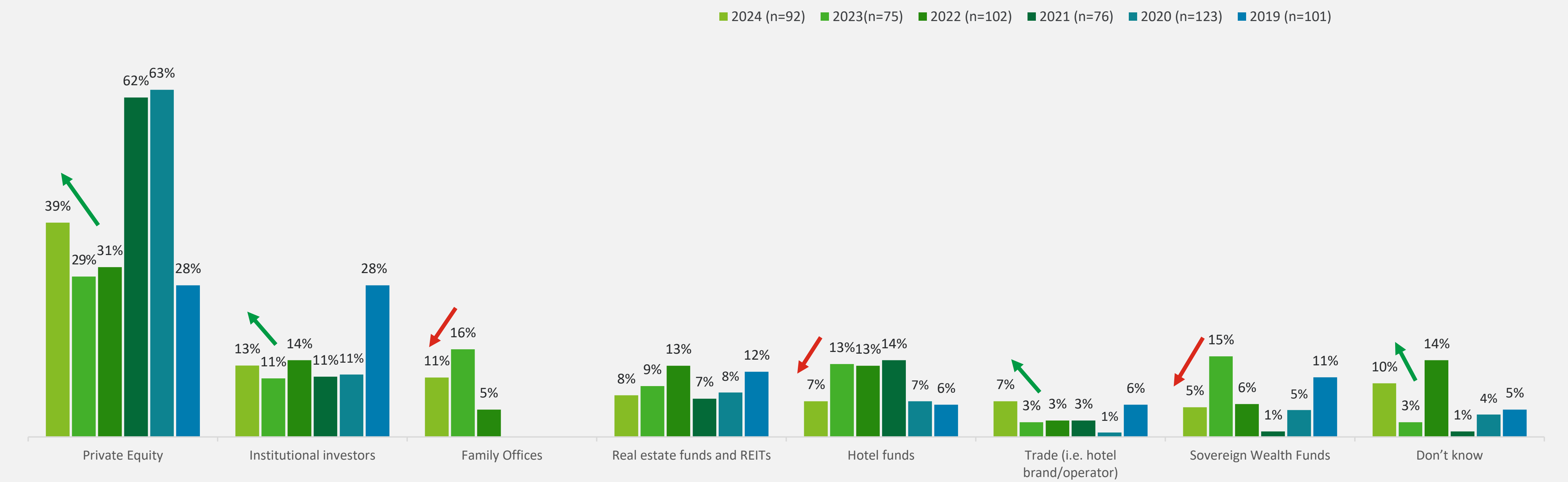
Note: *question added in 2024

Source of equity capital for UK hotel acquisitions in 2025

Private equity remains the largest source of equity capital for UK hotel acquisitions in 2025. After declining in recent years, private equity saw a ten percentage point increase compared to the same period a year ago, a sign of growing expected M&A activity in the sector.

Q5: Which of the following do you expect to be the largest source of equity capital for UK hotel acquisitions in 2025?

Source of equity capital for UK hotel acquisitions



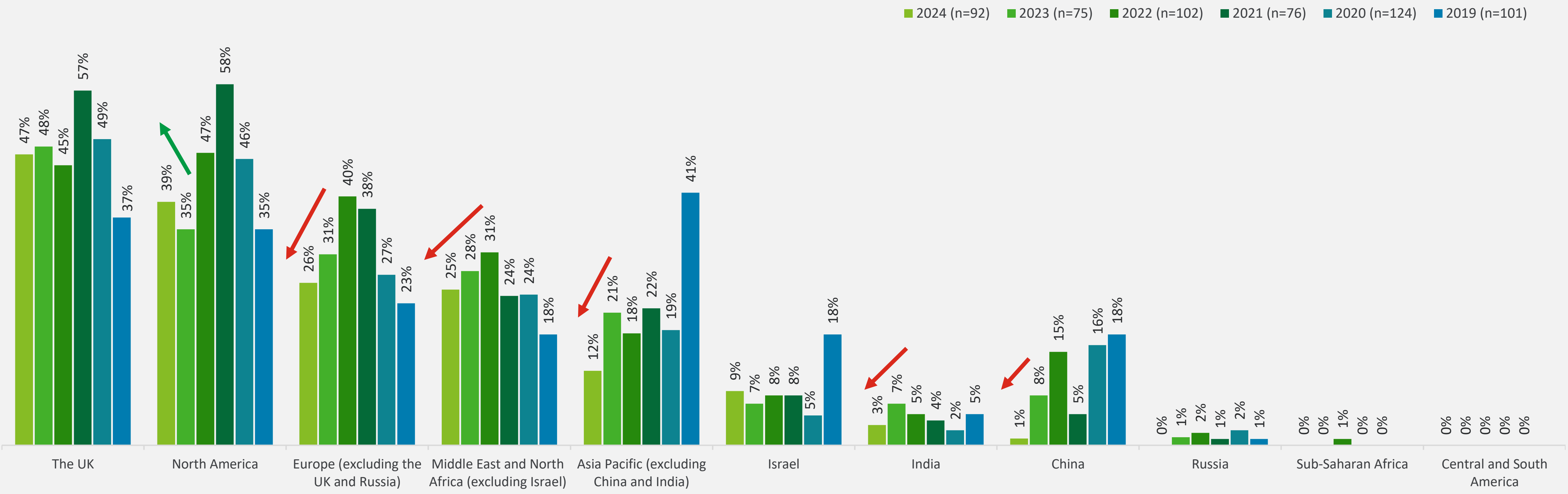
Note: * New category added in 2022

Country source of hotel investment into the UK hospitality sector

Apart from domestic investors, the geographies investing most in the UK hotel sector include North America (39%), Europe (26%) and MENA (25%). However, with slowing economic activity in EMEA and China, there has been a drop in the proportion of respondents mentioning these markets as the primary sources of finance for the UK hospitality sector.

Q6: From where do you think the majority of UK hotel investment will be sourced in 2025?

Country source of hotel investment (multiple answers possible)



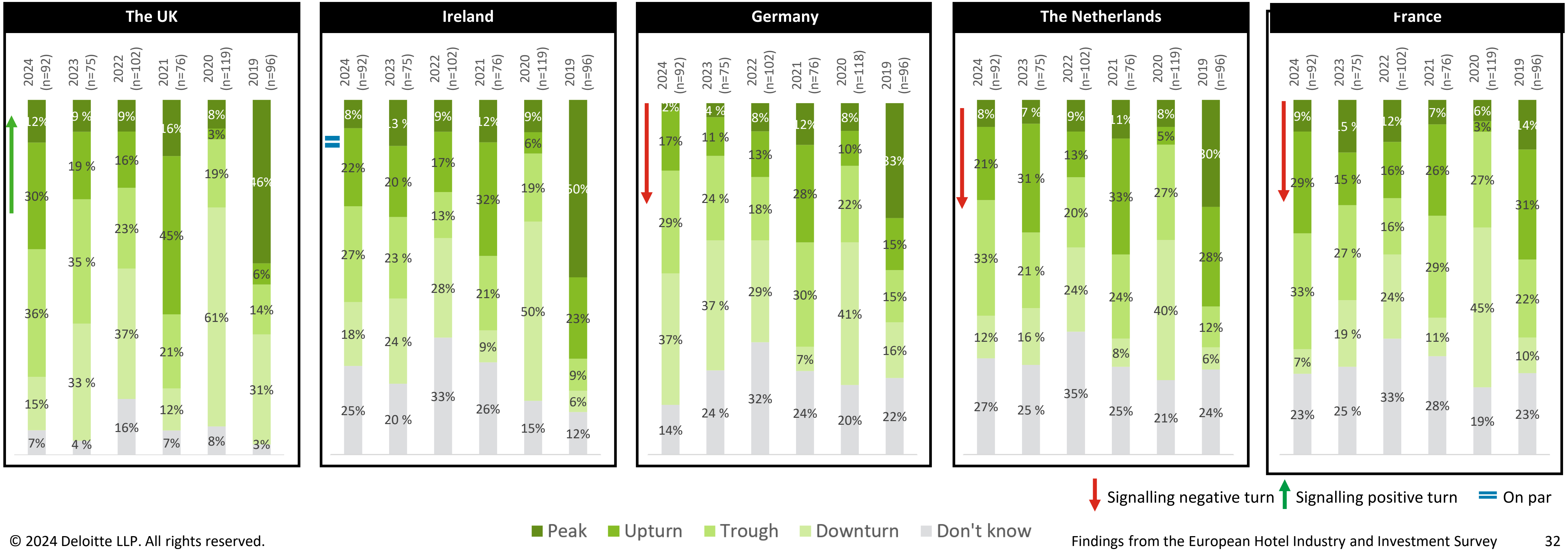
European Hotel Market performance

European investment cycle sentiment

With the exception of the UK and Ireland, where the investment cycle seems on the upturn, sentiment towards key western European countries is more negative, with Germany, France and the Netherlands experiencing a downturn, according to our survey respondents.

Q9: In which phase of the hotel investment cycle do you think the following markets are?

Phase of the hotel investment cycle

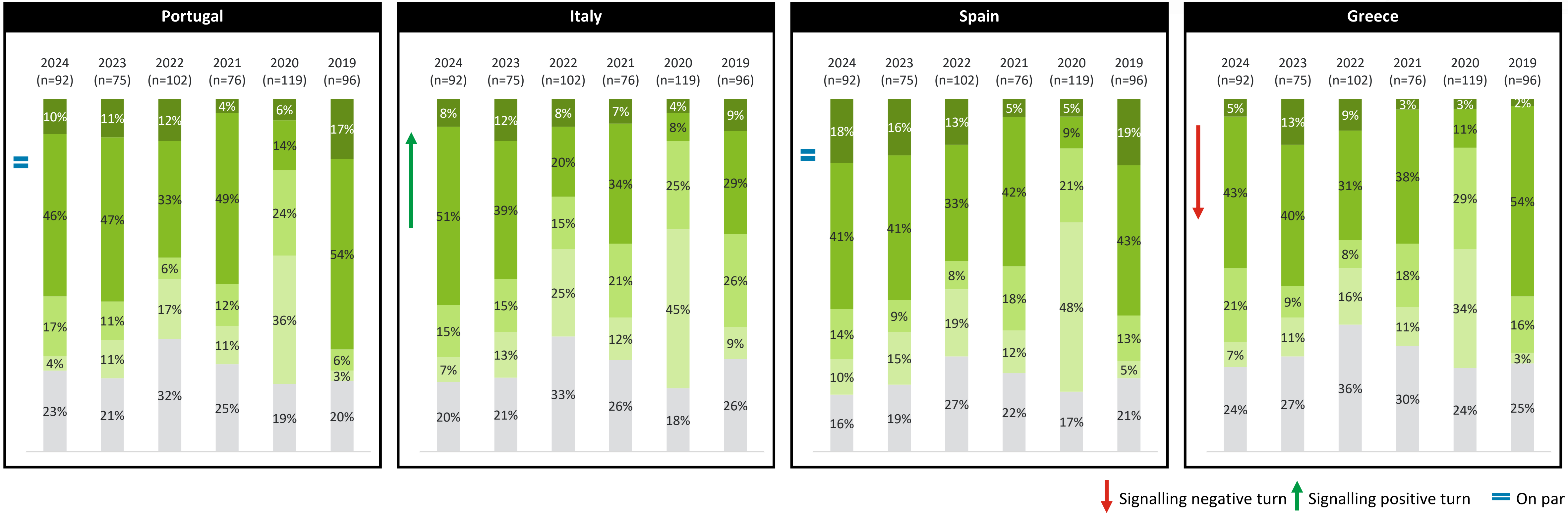


Views on phase in the European investment cycle

Investment trends across southern Europe appear mostly positive this year, with Spain and Portugal remaining on the up and Italy turning more positive. Greece, however, is showing signs of entering a trough.

Q9: In which phase of the hotel investment cycle do you think the following markets are?

Phase of the hotel investment cycle

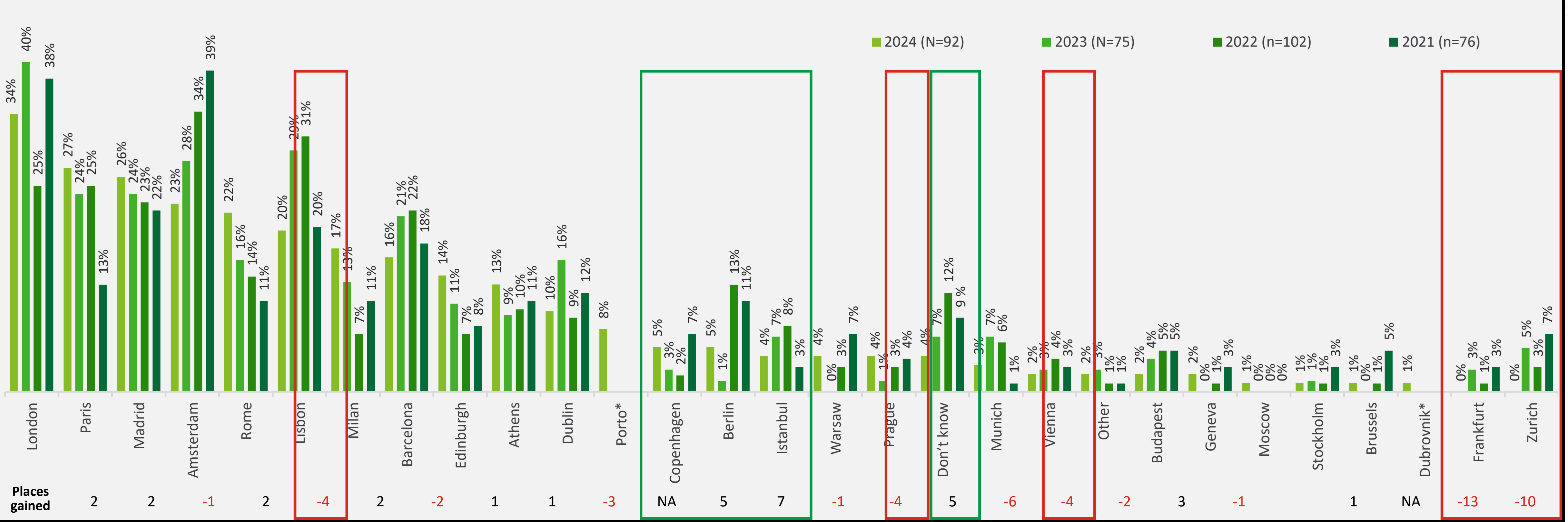


Top ten most attractive European cities for hotel investment in 2025

London remains the most attractive European city for hotel investment in 2025. Paris and Madrid have moved up two places to secure the second and third positions respectively, while Amsterdam has dropped to fourth position. Other cities attracting investment this year include Berlin, Copenhagen and Prague. Porto is a new entry in the 2025 rankings, in 12th position.

Q8: Which of the following cities in Europe do you see as being the most attractive for hotel investment in 2025?

Most attractive European cities for hotel investment (multiple answers possible)



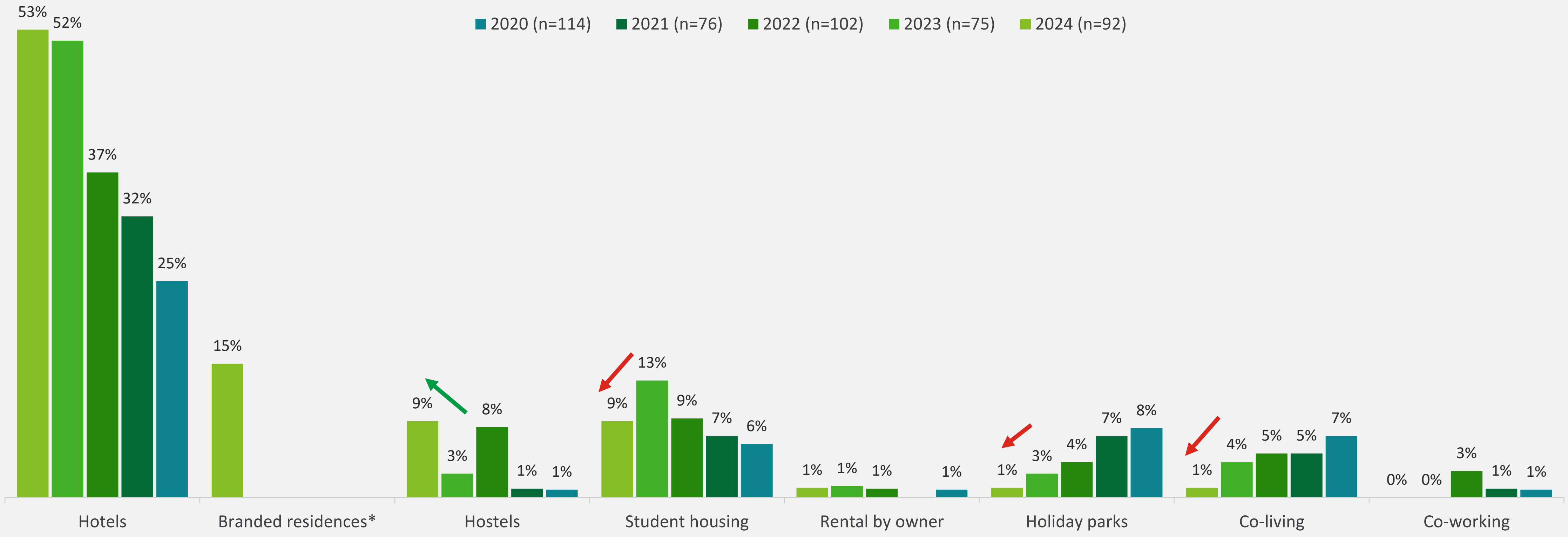
Note: *added in 2024

European investment opportunities

In Europe, hotels remain the most attractive asset class for investment in 2025 followed by branded residences. The attractiveness of hostels as an investment asset has increased by six percentage points compared to last year.

Q13: Which of the following do you see as the most attractive opportunity to invest in Europe in 2025?

Most attractive asset classes to invest in Europe in the next year (multiple responses possible)



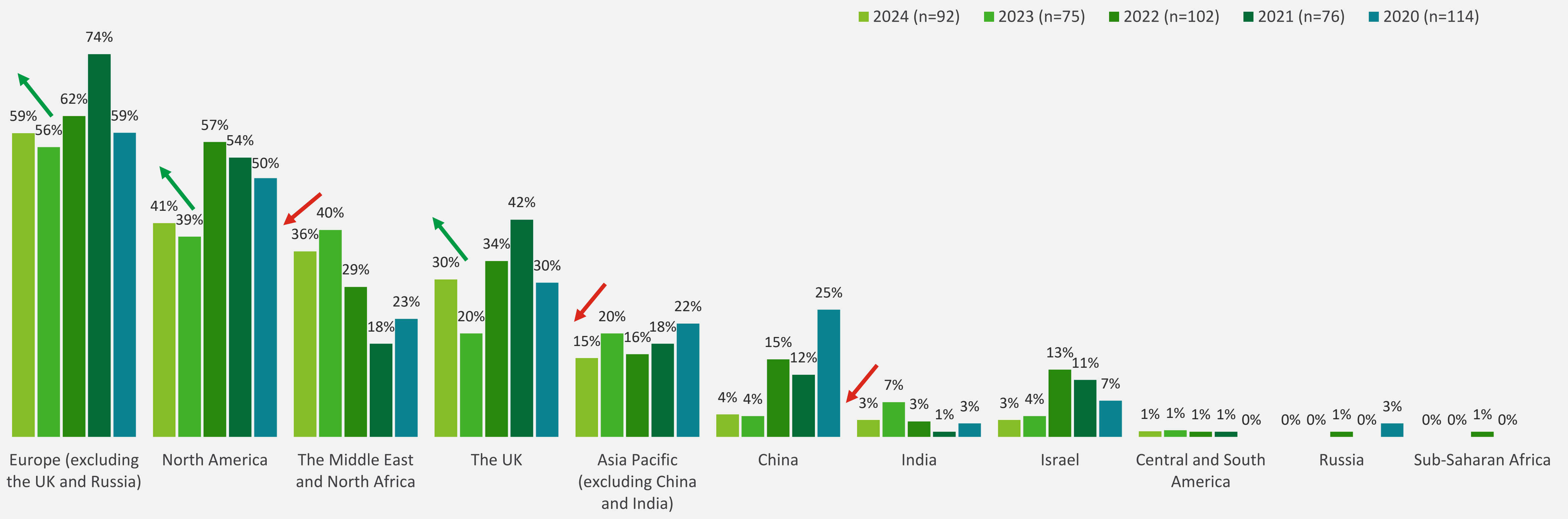
Note: * New category added in 2024

Source of hotel investment into Europe

More than half our respondents (59%) expect finance for hotel investment to be sourced from Europe, closely followed by North America (41%) and the Middle East and North Africa (36%). The UK's contribution to European hotel investment is on the rise, with 30% of executives anticipating the UK to be a major source of funding, reflecting a recovery in economic activity.

Q12: From where do you think the majority of hotel investment in Europe will be sourced in 2025?

Source of hotel investment into Europe (multiple answers possible)

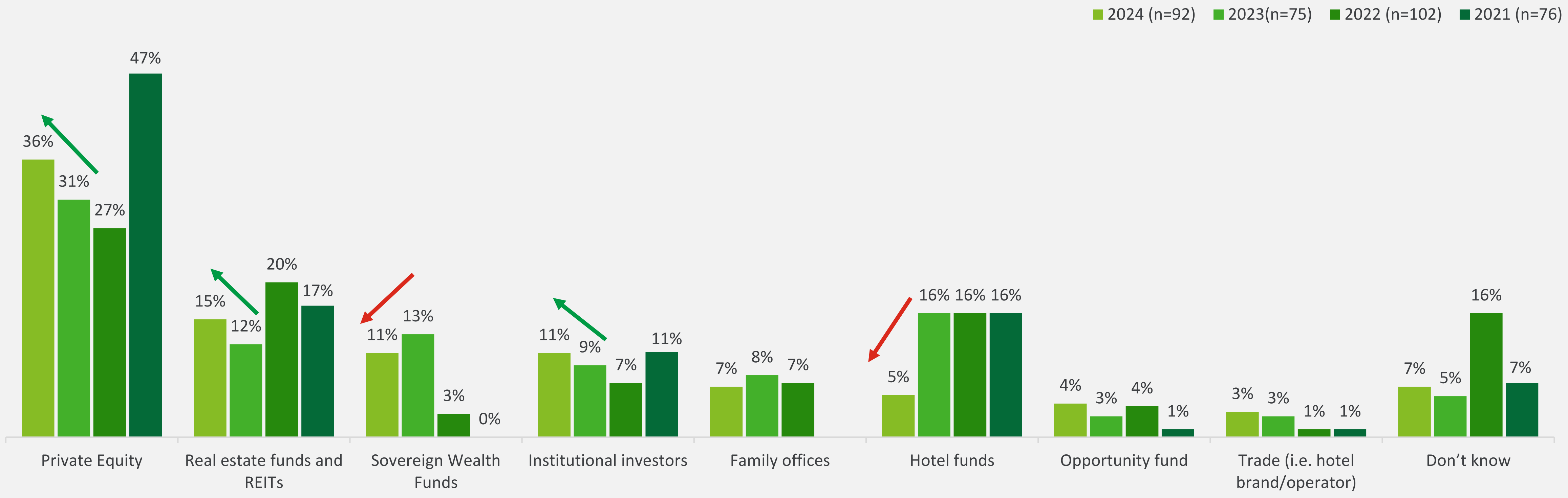


2025 sources of equity capital

Private equity remains the main source of equity finance for European hotel acquisitions, with 36% of respondents expecting it to be the largest source of equity capital in 2025. Real estate funds and REITs are also expected to play a role, cited by 15% of respondents as the likely primary source of equity. However, financing from both sovereign wealth funds and hotel funds are expected to lose momentum in the coming year, reflecting a potential shift in investment strategies.

Q10. Which of the following do you expect to be the largest source of equity capital for hotel acquisitions in Europe in 2025?

Largest source of equity capital for hotel acquisitions in Europe in the next year

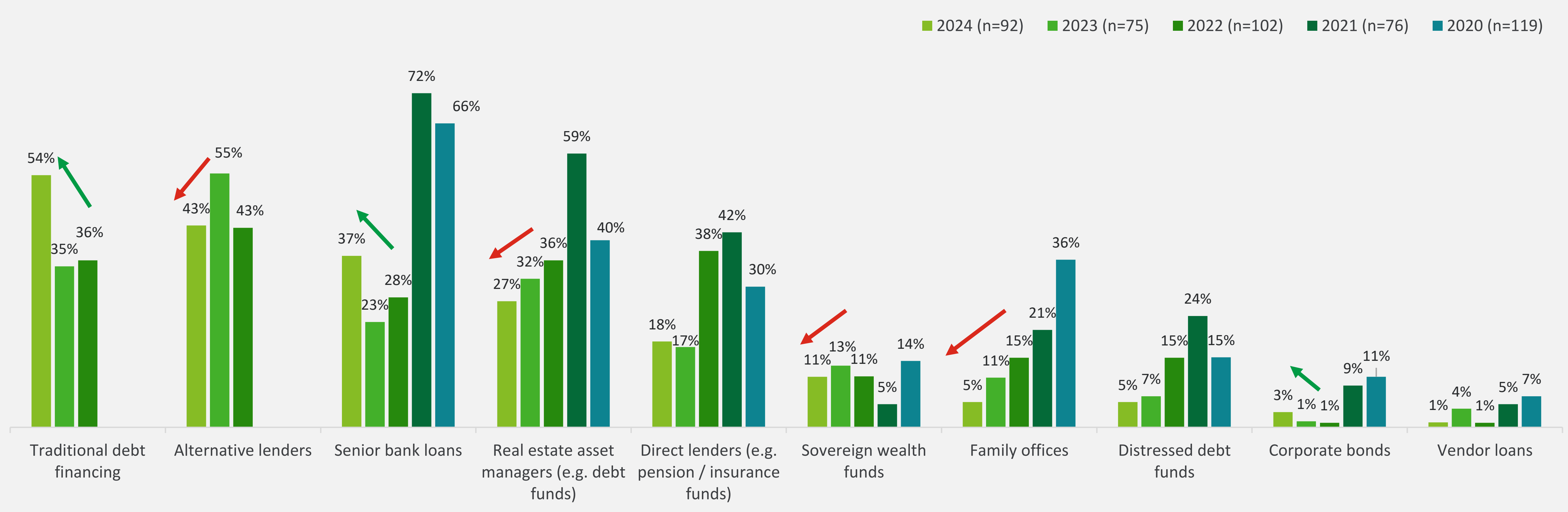


Source of debt financing in the European hotel market

Traditional debt financing is regaining prominence in the European hotel market, with 54% of respondents expecting it to be the most common source of financing in 2025. Senior bank loans are also expected to gain traction, with 37% of respondents predicting their widespread use. Alternative lenders, which previously held the top spot, have lost momentum, now expected to be the primary source of debt finance by just 43% of respondents, compared to 55% in the previous year.

Q11. Which of the following do you expect to be the most common sources of debt financing in the European hotel market in 2025?

Most common source of debt financing in the European hotel market in the next year (multiple answers possible)



Appendix

European Hotel Industry and Investment survey questions

Q1 Which of the following cities in the regional UK do you see as being the most attractive for hotel investments in 2025?

Q2 What level of RevPAR (Revenue per Available Room) growth do you expect to see in London and in the Regional UK in 2025?

Q3 What level of GOPPAR (Gross Operating Profit per Available Room) growth do you expect to see in London and in the regional UK in 2025?

Q4 What EBITDA pricing multiples do you expect to see in London and regional UK in 2025?

Q5 Which one of the following do you expect to be the largest source of equity capital for UK hotel acquisitions in 2024?

Q6 From where do you think the majority of UK hotel investment will be sourced in 2025?

Q7 Sentiment for UK market. Please indicate whether you agree or disagree with the following state

Q8 Which of the following cities in Europe do you see as being the most attractive for hotel investment in 2025?

Q9 In which phase of the investment cycle do you think the following markets are?

Q10 Which of the following do you expect to be the largest source of equity capital for hotel acquisitions in Europe in 2025?

Q11 Which of the following do you expect to be the most common sources of debt financing in the European hotel market in 2025?

Q12 Where do you think the majority of hotel investment in Europe will be sourced from in 2025?

Q13 Which of the following do you see as the most attractive investment opportunity in Europe and UK in 2025?

Q14 What are the top external drivers behind your organisation's sustainability strategy?

Q15* Thinking about your organisation or portfolio's sustainability strategy (if any), to what extent do you agree or disagree with the following statements?

Q16* Where would you say your organisation is positioned when it comes to AI implementation?

Q17 What are the key risks to the hotel industry in the next five years?

Q18 What are your key priorities in the near and more distant future?

Q19* Thinking about M&A activity in the sector and your business M&A strategy, to what extent do you agree or disagree with the following statements?

Q20* Thinking about your business's digital transformation, to what extent do you agree or disagree with the following statements?

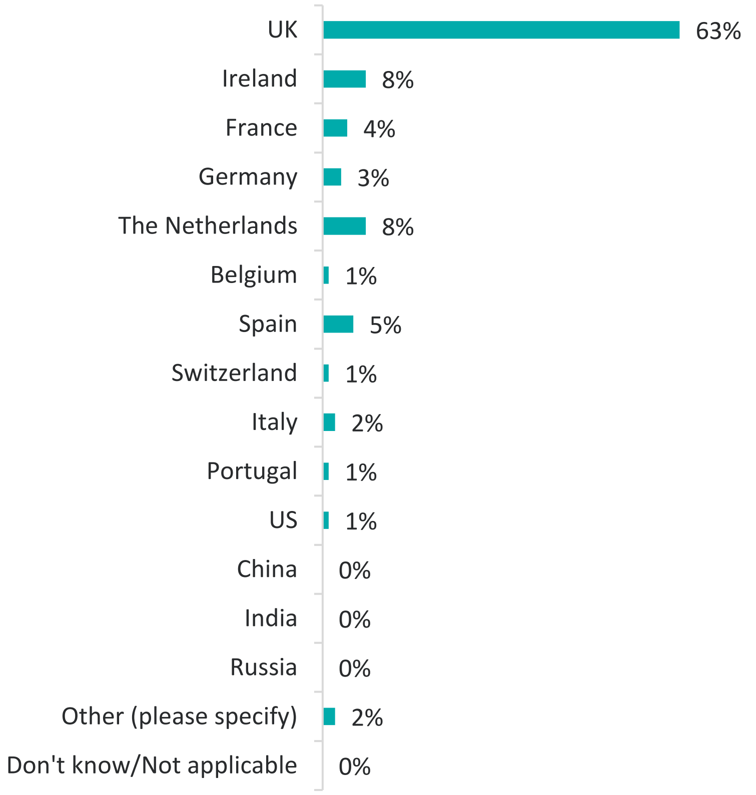
Q21* Which segment is the most attractive hotel segment to invest in 2025?

****New questions added in 2024**

Respondents profile

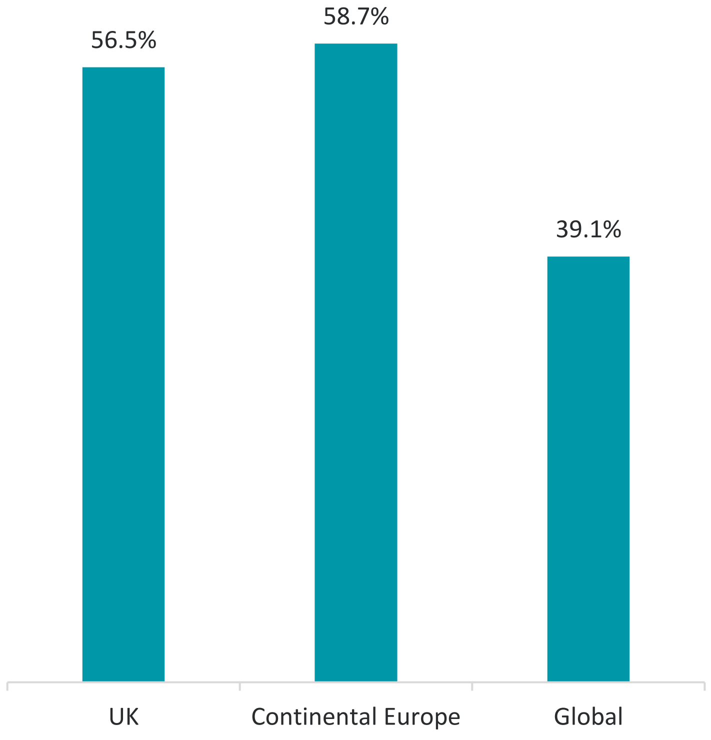
Respondent's Country
In which country are you based?

n = 92



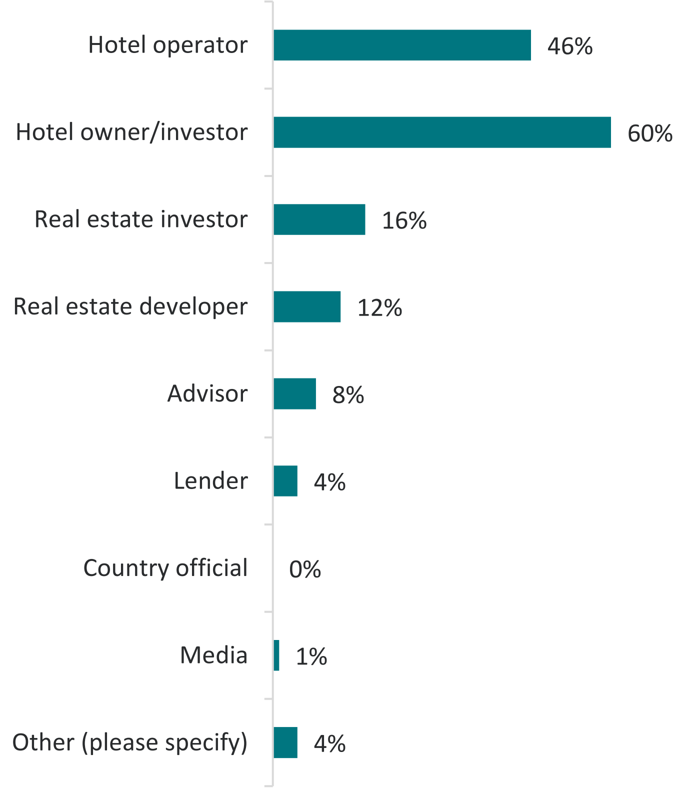
Respondents Geography
Which geographies do you cover as part of your professional role?

n = 92; multiple answers possible



Respondents Role
Which of the following best describes your organisation?

n = 92; multiple answers possible



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