SPOTLIGHT

EUROPEAN HOTEL INVESTMENT OUTLOOK 2026

KEY THEMES FOR CREATIVE DEAL MAKING | MARCH 2026

RESEARCH

European Hotel Investment Outlook 2026

Key Themes for Creative Deal Making

David Kellett
Head of Hotel Capital Markets, EMEA

Thomas Emanuel
Head of Hospitality Thought Leadership, EMEA

2025 was a positive year for the European hotel investment market, with transaction activity strengthening and investor engagement broadening. Capital continued to flow into the sector, liquidity improved across both equity and debt markets, and pricing expectations became more closely aligned.

Supportive macro-economic conditions and a borrower-friendly, competitive debt environment provide a solid foundation for further growth in transaction volumes in 2026.

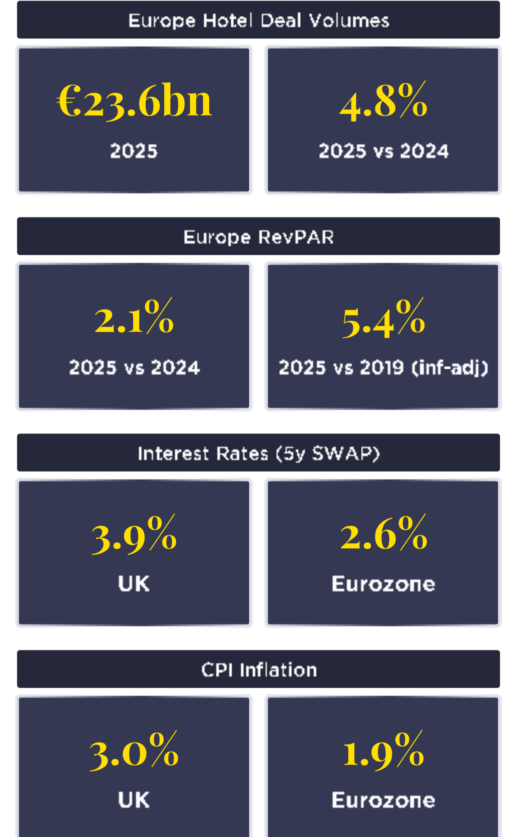
This constructive backdrop is reflected in investor sentiment. Those surveyed in Savills' inaugural European Hotel Investor Sentiment Survey (see bottom of this page) in December 2025 were cautiously optimistic but decisively engaged, with a strong preference for higher-returning value-add strategies and a net buyer position overall.

Crucially, this appetite is underpinned by long-term structural tailwinds and mega trends that favour travel and hospitality. We see no evidence that these drivers are weakening. On the contrary, they continue to support hotels' ability to deliver above inflation revenue growth through the cycle, reinforcing the attractiveness of the sector.

However, in the near term, risks and volatility remain. We are seeing slowing RevPAR growth across Europe, minimum wage costs rising faster than inflation in many countries, and ongoing geopolitical tension in the Middle East.

We therefore find ourselves in an unusual but opportunity-rich phase - relatively early cycle real estate, later cycle RevPAR, and a challenging geopolitical backdrop. This is a market that rewards selectivity, creativity and conviction in deal making.

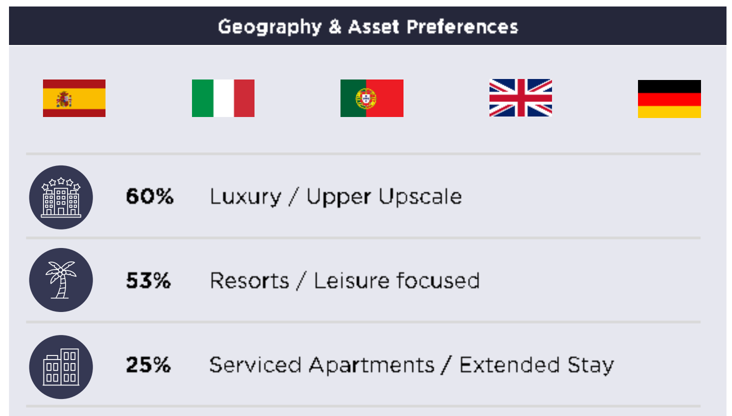
EUROPEAN KPI's



Key Results of Savills European Hotel Investor Sentiment Survey 2026

Performance Outlook

▲	**RevPAR:** Moderate growth:	0-5% - 90%
▲	**GOPPAR:** Moderate growth:	0-5% - 53%
▲	**Asset Pricing:** Moderate growth:	0-5% - 53%
▲	**Transaction volumes:** Stronger growth:	5%+ - 63%



Savills has identified five themes which we believe will be pivotal in shaping the European hotel transaction market over the next two to three years.

Theme 1: The Investment Manager's Dilemma

Transaction activity across European hotels will, first and foremost, be shaped by capital dynamics. Fundraising conditions remain challenging for real estate investment managers, be they core, value add, or opportunistic, but there are signs of improvement. According to PERE, European focused private real estate funds raised over USD 40bn in 2025, up 23% from 2024.

However, this improvement masks an increasingly competitive fundraising environment. Capital is more concentrated, funds are taking significantly longer to reach final close, and engagement with limited partners has become more prolonged. As a result, while capital is returning to the market, deployment timelines are stretching, and the ability to raise and recycle capital efficiently remains a key constraint for many managers.

The focus of LPs has shifted towards Distributions to Paid In Capital (DPI) and a focus on the return of capital rather than the return on capital.

This reflects both portfolio level liquidity needs and a desire to reallocate capital selectively across strategies and sectors. This creates a clear strategic dilemma for investment managers.

On the one hand, returning capital improves DPI and LP relationships, with the expectation, though not the certainty, that a portion of that capital will be recycled into future vehicles. On the other hand, many managers are reluctant to crystallise funds and investment exits in a market where fundraising remains difficult. Extending hold periods can preserve value, but risks delaying distributions and exacerbating LP pressure.

In response, we are seeing a marked increase in structural innovation. Investment managers are actively pursuing continuation vehicles and structured recapitalisations to generate liquidity, while retaining exposure to their strongest assets and platforms. Platform level transactions are also becoming more prominent, although they present a bifurcated risk profile.

At one end of the spectrum, some platforms remain subscale and lack the depth or diversification required to attract institutional capital efficiently. At the other, larger and more mature platforms can face the opposite challenge, being too large to clear in today's liquidity constrained market without creative structuring.

Resolving these pressures will require flexibility and creativity. We expect capital constraints to act as a catalyst for increased M&A activity among subscale platforms, alongside a growing focus on bringing lower-cost capital into deals with the largest and best-in-class managers. For hotel real estate, we believe these dynamics will translate into a steady pipeline of structured transactions, platform partnerships and recapitalisations - driving deal flow even when outright exits remain selective.

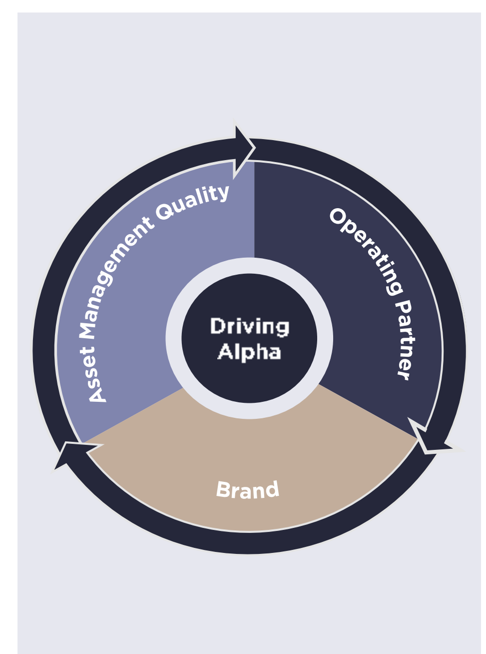
Theme 2: Operational excellence as the key return driver

Looking forward, we expect operational performance to be the most critical driver of returns in the current cycle. The investment maths is increasingly unforgiving. With limited positive spread between entry yields and the cost of debt, value add equity returns must be created through genuine operational outperformance. As Bain & Company has recently noted, "12 is the new 5", implying that an EBITDA CAGR of around 12% is now required to deliver a 20% IRR over a five-year hold period. This sets a high bar and fundamentally changes where value is created.

As a result, we expect a far greater focus on the quality and execution of asset management. Creating alpha will increasingly be determined by how assets are positioned, operated and optimised through the cycle.

This places renewed emphasis on the selection of operating partners, the suitability of brands, the sophistication of revenue management, cost control and capital allocation, and the ability to drive incremental margin rather than headline growth.

Crucially, this is not a race to secure the highest key money or the most aggressive underwriting assumptions. Instead, capital will gravitate towards strategies and partners that can demonstrate repeatable operational excellence, resilience in late cycle trading conditions and the ability to manage complexity efficiently. In this environment, the differentiation between average and best-in-class operators becomes material, and operational capability itself becomes a core investment thesis rather than a secondary consideration.



Theme 3: Operational stress could be a catalyst for investment into Germany

Germany is consistently raised in investor discussions, and often for the same reason – it has been the most challenging major hotel market in Europe since Covid. Relative to 2019 and on an inflation adjusted basis, 2025 RevPAR has yet to recover and remains 11% below pre-pandemic levels. Unlike many Southern European markets, Germany has not benefited from a luxury-led rebound, and overall operating performance has lagged peers, making it the weakest performing hotel market in Europe over this period.

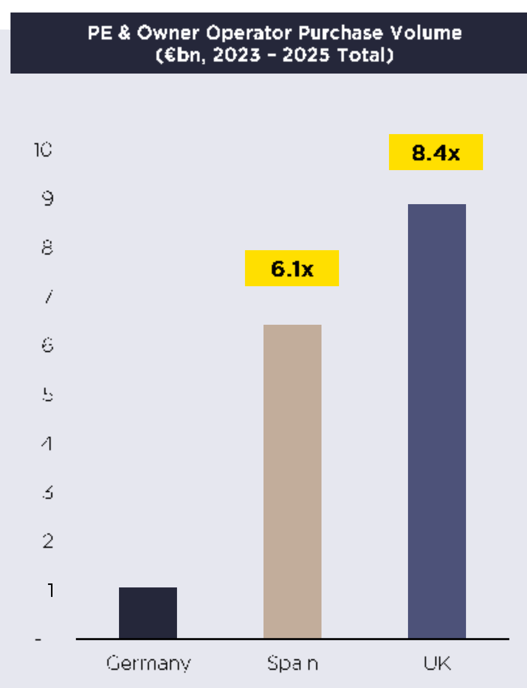
These performance challenges have been further compounded by supply dynamics. Since 2019, hotel room supply has increased by 9.3%, putting pressure on occupancy and pricing power. However, an important inflection point is emerging, with supply growth now slowing materially – just 1.0% in 2024 and 0.6% in 2025 according to CoStar. While this does not resolve the imbalance overnight, one of the key structural headwinds is beginning to ease.

The strain is most visible in the leased operating model. Lease coverage ratios for a typical "market lease" signed in 2019 at 1.3x and projected forward using German CPI and HotStats data for a sample of 262 hotels are now in the region of 0.8–0.9x, a level that is unsustainable over the medium term. Unsurprisingly, this has translated into tenant stress and, in some cases, insolvencies. At the same time, transaction volumes remain around 60% below their pre-Covid peak levels, with activity still dominated by core capital and traditional lease structures. Private equity and owner operator participation has been notably subdued, at around one-eighth of the levels seen in Spain and the UK.

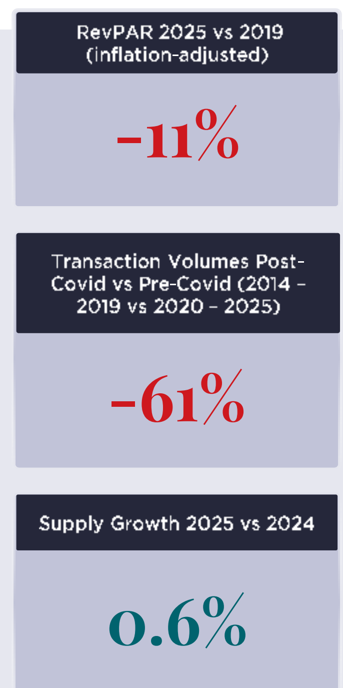
Taken together, these dynamics make a compelling case for change. The current situation does not appear sustainable, but that is precisely where opportunity lies. Germany requires fresh capital from well capitalised, long-term investors willing to underwrite transition rather than stability. Lease structures need to evolve, with a greater emphasis on profit share mechanisms and terms that more closely resemble management contracts, better aligning risk and reward between owners and operators. Operator selection processes will also need to become more rigorous on both sides, reflecting a more partnership driven approach to value creation. There may even be scope to explore whether elements of the regulatory framework warrant reconsideration as part of this evolution.

This will not be an easy market, nor a passive one. Success in Germany will require conviction, creativity and a willingness to challenge entrenched structures. However, for investors able to do so, we believe the potential is significant. With supply growth moderating, operational performance stabilising and the need for structural change becoming unavoidable, German hotels are increasingly compelling as a future opportunity rather than a present problem. We remain excited and strongly convicted about the long-term prospects for the market.

Source: Savills Research HotStats



Source: Savills Research



Source: Savills Research

Theme 4: Flight to Quality

Quality is fundamental to the hotel ecosystem, extending well beyond the luxury segment. It captures the value of prime real estate, truly irreplaceable locations, whether urban or resort, and the resilience of high-quality lease structures. Quality remains a defining theme across all phases of the cycle and one that is becoming increasingly pronounced. Investor appetite is strong, with global capital continuing to gravitate towards high-quality assets in prime, irreplaceable locations.

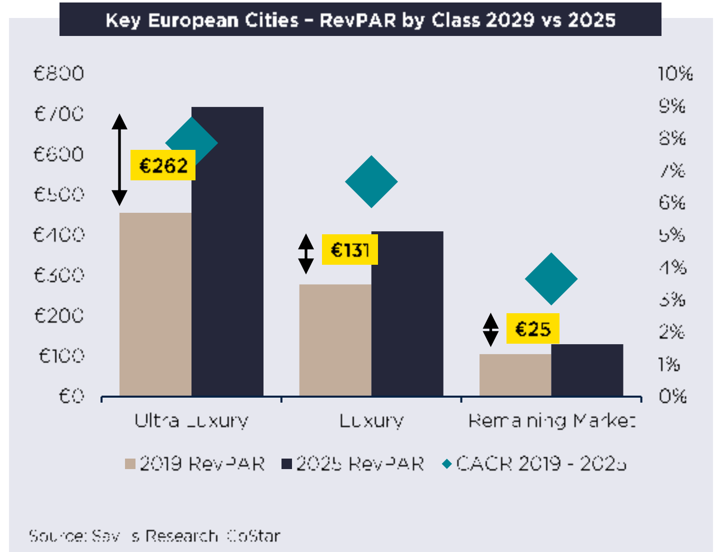
Luxury hotels have consistently outperformed other segments, with luxury RevPAR exceeding the wider market and ultra luxury performing even more strongly. Across selected major European markets, ultra luxury RevPAR using data from CoStar has increased by 57% since 2019, compared to 47% for luxury and 24% for non-luxury properties. This outperformance reflects both resilient demand and the ability of high-quality assets to protect pricing power in a more mature trading environment. Geographically, the strongest luxury RevPAR is being achieved, predominantly by resort markets, most notably in France and Italy, underscoring the continued attractiveness of these destinations and their ability to drive ADR's.

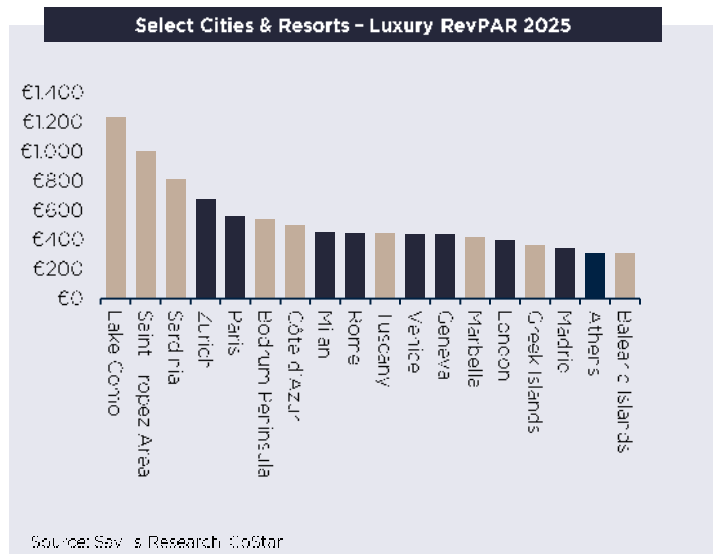
This performance premium is translating directly into investment behaviour. Yields remain sharp for trophy assets in major gateway cities and leading resort destinations, where barriers to entry are highest and long-term demand fundamentals are strongest. Even as pricing adjusts elsewhere in the market, capital continues to compete aggressively for truly irreplaceable locations, underpinning values and limiting outward yield movement.

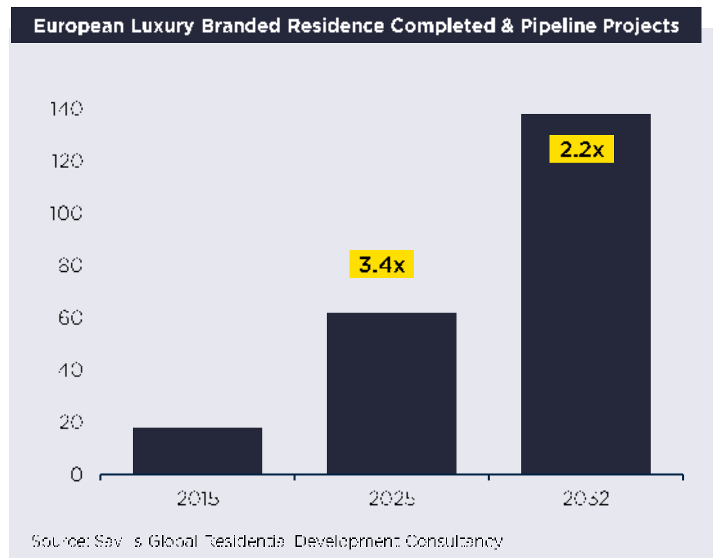
Another factor driving investor interest is the growing interplay between luxury hotels and branded residences, which are playing an increasingly important role in the financial viability of luxury hotel development. According to the Savills Global Residential Development Consultancy team, the number of luxury branded residential schemes in Europe has increased three-fold from 18 in 2015 to 62 at the end of 2025, and is forecast to double again by 2032. We expect the importance of this trend will strengthen further in the coming years, with branded residences continuing to be an integral component of the majority of luxury hotel projects.

Looking ahead, we also expect the flight to quality to remain a powerful transaction driver. Scarcity of truly prime hotel assets, combined with global demand for durable income and long-term value preservation, will continue to support liquidity and pricing at the top end.

At the same time, the widening gap between prime and non-prime performance will create opportunities for value-add strategies focused on quality enhancement, repositioning and operational uplift. In this environment, quality is no longer just a defensive attribute, it is a core determinant of liquidity, pricing power and transaction momentum.







Theme 5: Is it time for brand owners to shift from 'asset light' to 'investment right'?

Over the past decade, global hotel brand owners have pursued an aggressive growth strategy. The average size of brand portfolios across Accor, Hilton, Hyatt, IHG and Marriott has expanded around 2.5x from 13 brands in 2015 to 35 today. Of the almost 160 brands now owned by these groups, one third have fewer than 20 open hotels, and over 100 brands have fewer than 100 open hotels. The business model of the biggest players has shifted from a historical focus on individual brands to loyalty programmes and control over distribution.

At their most effective, leading loyalty schemes now deliver up to 70% of hotel revenues, underscoring the scale, resilience and commercial power of these platforms. There is no question that the major brand groups have built formidable enterprises.

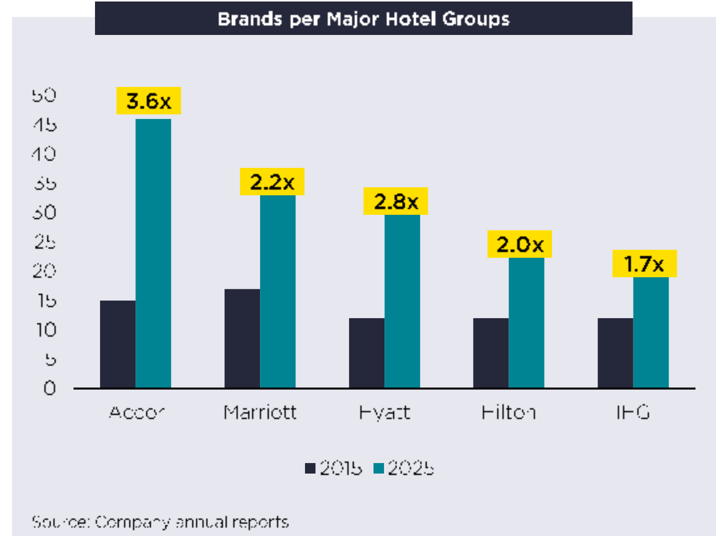
However, the pace and breadth of brand proliferation raises important questions. Do all these brands genuinely resonate with consumers, or has growth begun to outpace clarity? As brand families expand, differentiation risks becoming diluted, and not all the hotel brands in a portfolio necessarily command equal attention or relevance. Is this good for hotel owners and guests?

At the same time, the development environment has become more challenging. Construction costs have increased 1.5-2x over the same ten-year period, raising barriers to entry and eroding development feasibility.

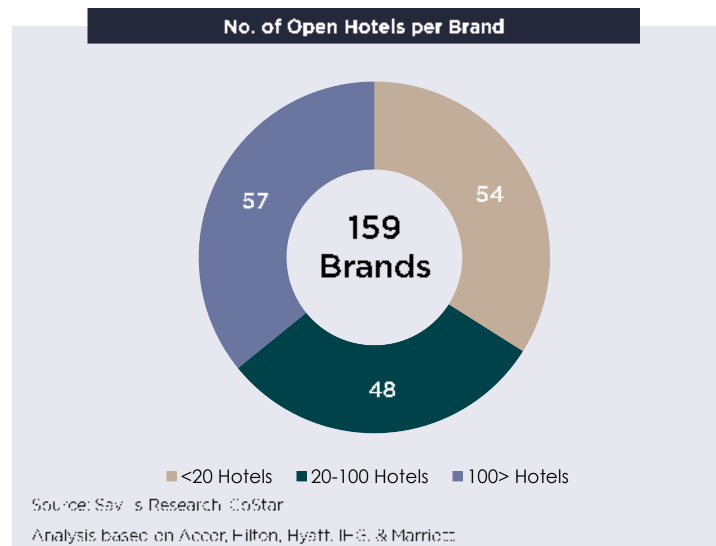
To bridge this gap, key money has become increasingly prevalent, rising three-fold over the past decade at one major brand that discloses this data, and now forming a near standard component of many development and conversion discussions.

This raises a more strategic question: could this capital have been deployed differently? The sums involved are meaningful - $1.2bn in 2025 based on company reports for Accor, Hilton, Hyatt, IHG, and Marriott. This would have been sufficient to seed dedicated investment vehicles or platforms capable of attracting third-party capital. To date, this has not been the preferred growth model, and the industry has instead continued with its asset light approach. Yet as market conditions become more complex and capital more selective, there is a growing case for evolution.

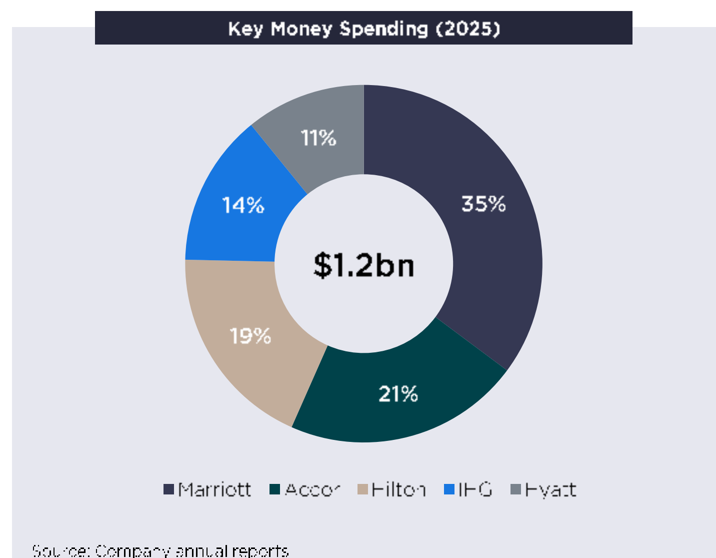
This brings us back to the theme of creativity. Rather than purely "asset light", the next phase of growth may be better framed as "investment right". There is an opportunity for the largest and most sophisticated brand owners to forge deeper, more aligned partnerships with long term investors - using selective capital participation, co-investment or platform level structures to unlock growth, reduce friction and better align incentives across the value chain.



Source: Company annual reports



Source: Savills Research, CoStar
Analysis based on Accor, Hilton, Hyatt, IHG & Marriott



Source: Company annual reports

Conclusion

Conviction, Creativity and Connection

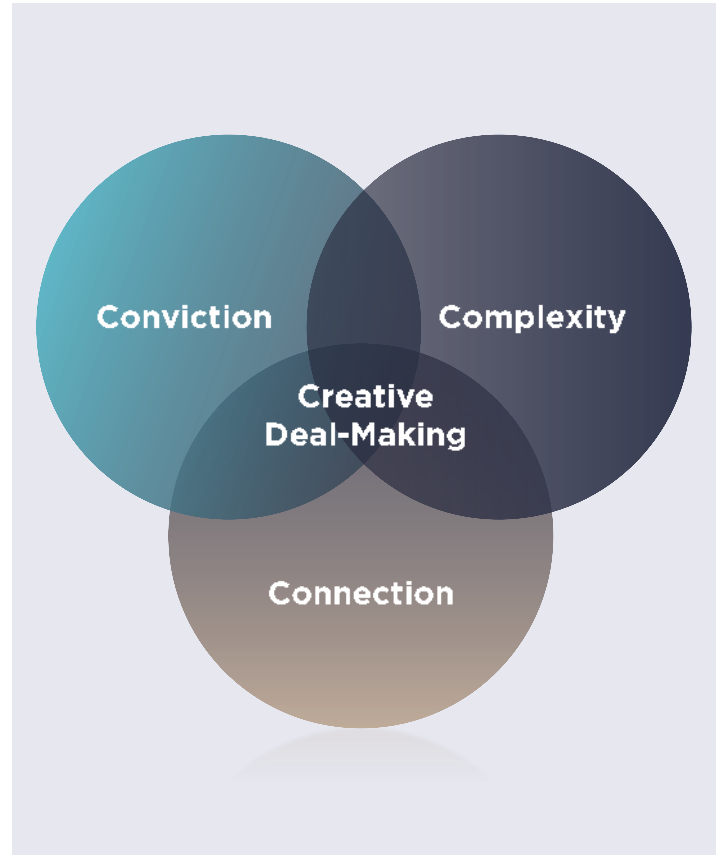
The European hotel investment market is entering a phase that demands **conviction**.

While the operating and capital environment is more complex than in previous cycles, the structural fundamentals of travel and hospitality remain compelling. Demand continues to prove resilient, high-quality assets are attracting deep pools of global capital, and hotels retain a unique ability to reprice, reposition and adapt through the cycle. For investors prepared to look beyond near-term noise, this remains a sector rich in opportunity.

What is clear, however, is that transactions will not be driven by inertia or standardised approaches. Deal making must become more **creative**. The most successful outcomes will be those that intelligently blend location, brand strength and operating capability, underpinned by aligned and flexible deal structures.

Whether through recapitalisations, platform transactions, lease restructuring, co-investment or partnership-led strategies, the next wave of activity will be shaped by innovation and collaboration rather than purely by price.

Against this backdrop, Savills **connects** capital with the best ideas, bringing together investors, operators and brands around opportunities where conviction, creativity and execution align. In a market that increasingly rewards selectivity, partnership and expertise, Savills remains strongly positive on the hotel investment space and confident in its ability to deliver durable, risk adjusted returns for those willing to engage thoughtfully and decisively.



Fairmont La Hacienda

SAVILLS HOTELS

€4.8bn

OF HOTEL TRANSACTIONS ADVISED ON IN THE LAST THREE YEARS

€24bn / 850

OF HOTELS VALUED ACROSS EUROPE IN 2025

600+

YEARS OF COMBINED BANKING AND REAL ESTATE EXPERIENCE

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Savills Hotels

David Kellett
Head of Hotel Capital Markets EMEA
44 (0) 7725 448 096
david.kellett@savills.com

Tim Stoyle
Head of UK Hotels
44 (0) 7870 555 749
tstoyle@savills.com

Thomas Emanuel
Head of Hospitality Thought Leadership EMEA
44 (0) 7919 395 434
thomas.emanuel@savills.com

Juan Garnica Alvarez-Alonso
Head of Hotels, Spain
44 616 44 34 69
juan.garnica@savills.es

Tina Haller
Head of Hotels, Germany
49 1522 2830769
thaller@savills.de

Dario Leone
Head of Hospitality & Leisure, Italy
39 335 583 415
dario.leone@savills.it

Bas Wilberts
Head of Residential & Hotel Investments, Netherlands
31 6 55474960
b.wilberts@savills.nl

Tom Barrett
Director Hotels & Leisure, Ireland
353 86 983 9808
tom.barrett@savills.ie

Richard Dawes
Pan European Director, UK
44 (0) 7580 789 978
rdawes@savills.com

Giles Furze
Director, Hotel Valuation, UK
44 7870 555 941
gfurze@savills.com

James Bradley
Director, Hotel Valuation, UK
44 (0) 7972 000 034
jbradley@savills.com

Maria Calvo Garcia
Director, Asset Management, Spain
34 602 23 87 85
maria.calvo@savills.es

Phoenix Chow
Director, Hotel Capital Markets, UK
44 (0) 7812 249 359
pchow@savills.com

Ross Connolly
Director, Hotel Valuation, UK
44 (0) 7870 999 460
rconnolly@savills.com

Tom Cunningham
UK Regional Director, Hotel Capital Markets, UK
44 (0) 7894 341 564
tcunningham@savills.com

Harriet Fuller
Director, Hotel Capital Markets, UK
44 (0) 7807 999 768
harriet.fuller@savills.com

Steven Fyfe
Director, Hotel Capital Markets, UK
44 (0) 7818 002 617
steven.fyfe@savills.com

James Greenslade
Director, Hotel Capital Markets, UK
44 (0) 7870 555 893
jgreenslade@savills.com

Sandra Lopez Rodriguez
Director, Hotel Valuation, Spain
34 670 45 32 41
sandra.lopez@savills.es

Nick Newell
Director, Hotel Valuation, UK
44 (0) 7870 555 914
nnewell@savills.com

Joshua O'Rourke
Director, Hotel Capital Markets, UK
44 (0) 7816 530 609
joshua.orourke@savills.com

Javier Oroz Usoz
Director, Hotel Capital Markets & Operator Selection, Spain
34 667 47 38 28
javier.oroz@savills.es

Jesus Rodriguez Maseda
Director, Strategic Consultancy, Spain
34 663 82 24 18
jesus.rodriguez@savills.es

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