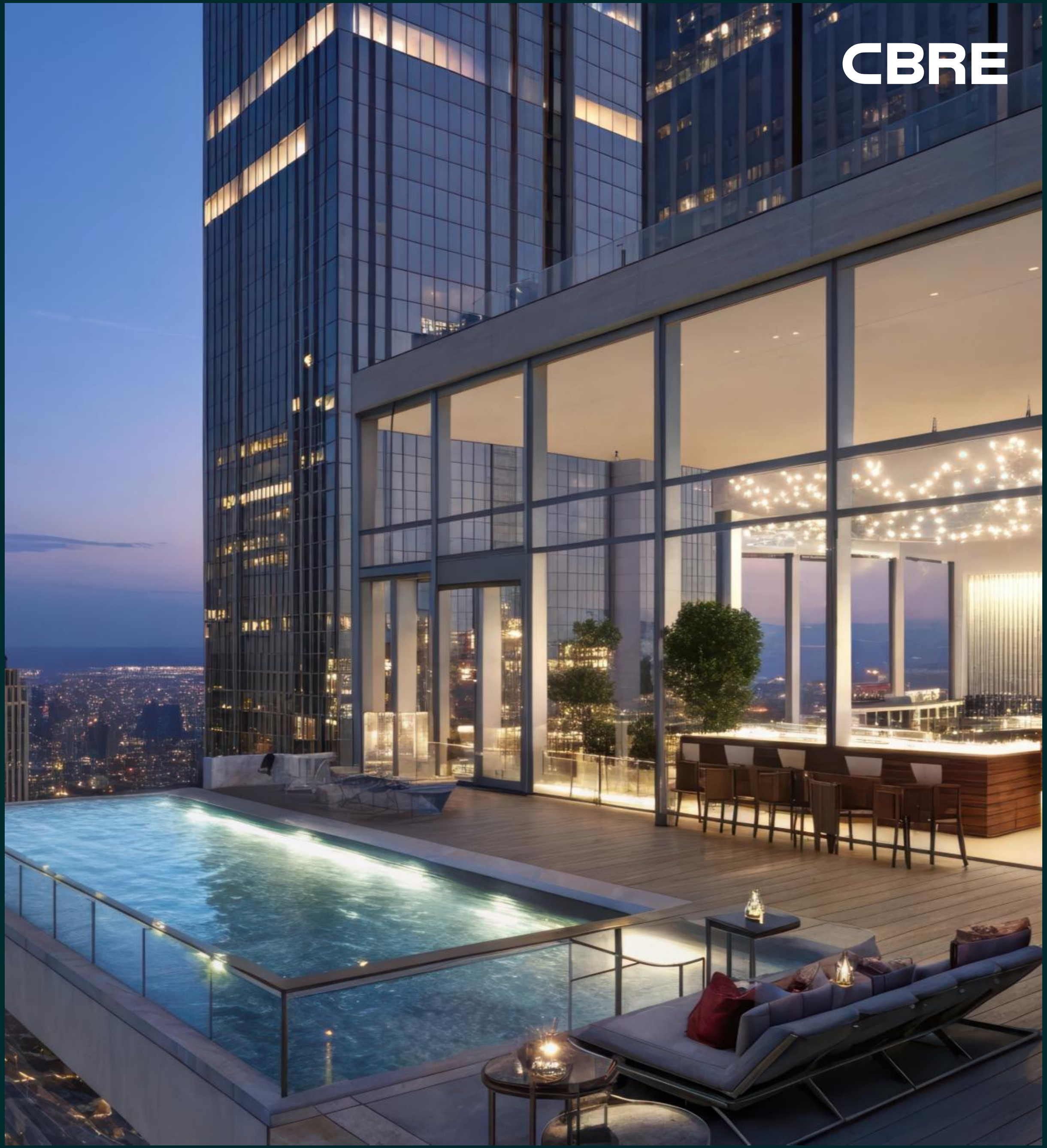
Intelligent Investment

2026 Asia Pacific Hotels & Hospitality Performance & Outlook

REPORT

CBRE RESEARCH
SEPTEMBER 2026



Executive Summary

1 Tourism recovers despite Middle East conflict

Most Asia Pacific markets reported stronger international arrivals in H1 2026 despite Middle East conflict-related disruption to long-haul routes. A full recovery will require improved air connectivity, sustained promotions and a stronger MICE programme.

+20% / +14%
visitor growth y-o-y, Korea / Vietnam (July y-t-d)

2 ADRs hit record highs but occupancy lags

RevPAR is rising across most markets, driven by ADR. Occupancy remains below pre-pandemic levels, Korea and Vietnam excepted. Flight-capacity constraints from elevated fuel costs have the potential to limit further occupancy gains.

+13% / +12%
ADR growth y-o-y, Korea / Vietnam (July y-t-d)

3 Pipeline tightens as construction costs rise

Mainland China accounts for 49% of new hotel supply; excluding this market, the region's 2025–2029F supply CAGR is just 1.0%. New builds favour the high end segment, while investors are increasingly converting existing buildings.

2.3%
supply CAGR 2025–2029F vs 5.1% historical average

4 Hotel investment registers strong first half

Japan, mainland China and Korea led hotel investment transactions in the first six months of the year. In mainland China, volume more than doubled y-o-y, aided in part by C-REIT eligibility for four-star-and-above hotels. Borrowing costs may constrain H2 2026 returns.

US$8.0bn
H1 2026 investment volume, +21% y-o-y

1 — Tourism Performance

Air passenger traffic remains firm but growth rate slows due to prolonged Middle East conflict and rising fuel prices

- Rising fuel costs resulting from the ongoing Middle East conflict are prompting airlines to hike fees and adopt a more cautious approach toward adding global passenger capacity.
- The impact on passenger capacity has been most severe in the Middle East. Except for Africa, Asia Pacific is forecasted to record the strongest growth in passenger traffic of any region this year.
- Prior to the onset of the Middle East conflict in February 2026, the International Air Transport Association (IATA) forecasted that Asia Pacific passenger traffic would increase by 7.3% y-o-y in 2026. IATA has since revised down its full-year growth forecast to 5.1% y-o-y.
- The slowdown in regional passenger growth is primarily due to a decrease in capacity expansion, which has fallen from +7.1% to +3.6%, a drop of 3.5%.
- Airlines' reliance on oil supply from outside Asia Pacific and increased flight mileage due to airspace restrictions are adding to airlines' operating costs in the region.
- However, strong travel demand for regional destinations continues to support solid passenger traffic, pushing up full year load factor to an expected 85.4% (+1.5% y-o-y).

Figure 1: 2026 Full Year Global Air Passenger Capacity (ASK)[1] Growth and Load Factor[2] Forecast by Region

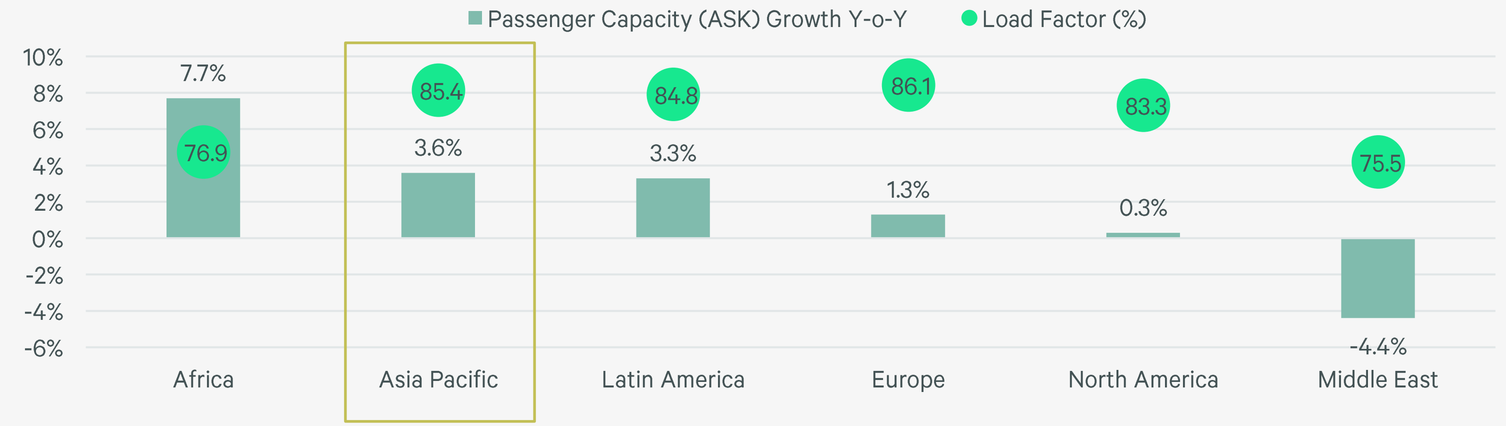
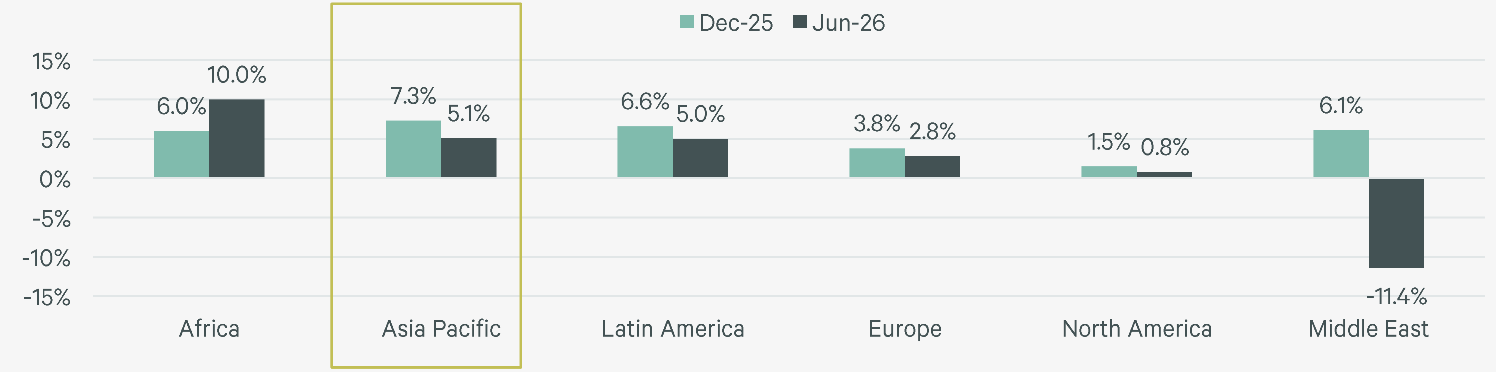


Figure 2: 2026 Full Year Global Air Passenger Traffic (RPK)[3] Y-o-Y Growth Forecast by Region (Dec 2025 vs. Jun 2026)

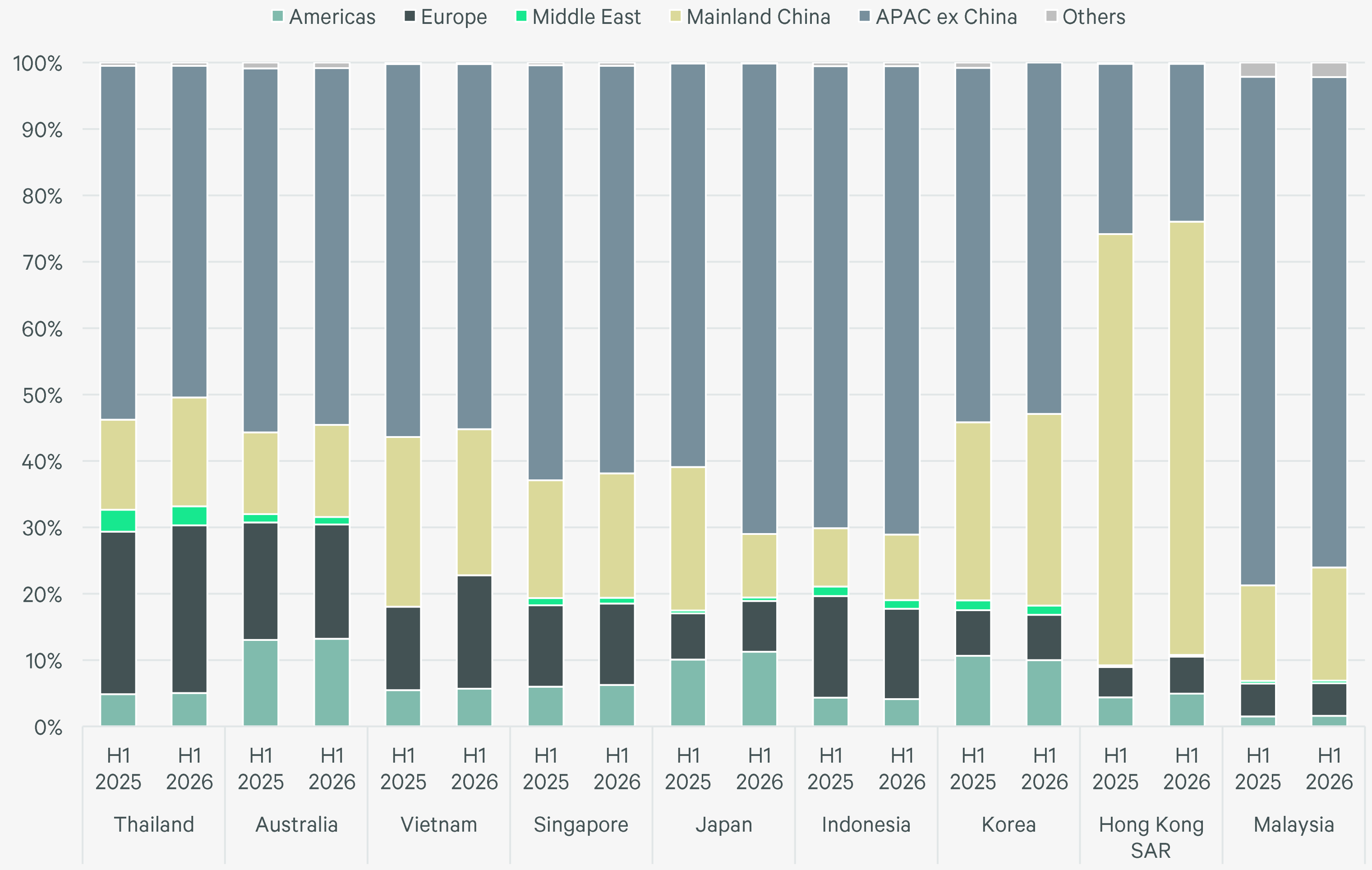


Note: 1. Available Seat Kilometers (ASK): shows passenger carrying capacity, measured by multiplying the number of seats available by the distance flown. 2. Load Factor: shows what percentage of available capacity is filled. 3. Revenue Passenger Kilometres (RPK): shows actual passenger being carried, measured by multiplying number of paying passenger by distance flown.
Source: IATA, CBRE Research, June 2026.

Steady growth in intra-regional travellers; cross-regional travellers flat but surge in Vietnam and Japan

- The conflict has caused significant disruption to Middle East-Asia Pacific flight schedules, including both direct routes and those transferring from Middle Eastern hubs.
- This has resulted in Asia Pacific markets' share of cross-regional travellers (including those from the Americas, Europe, and Middle East) either staying flat or slightly falling y-o-y, albeit with two major exceptions.
- Vietnam's expansion of its visa exemption policy to 12 additional European countries, increased air connectivity, and a strong promotional campaign has spurred new demand from Europe. European visitors surged 56% y-o-y in H1 2026 to account for 17% of all arrivals to Vietnam during the period, compared to 11% in H1 2025.
- Japan has also witnessed a solid increase in cross-regional travel despite a 56% decline in arrivals from mainland China as of June y-t-d. This source market now accounts for just 10% of all visitors to Japan, compared to 22% a year ago.
- Other source markets have compensated for the drop in mainland Chinese visitors, with arrivals from Korea and Taiwan both increasing by more than 20% y-o-y, Visitors from the Americas and Europe have increased by 2% and now account for 10% of all tourist arrivals to Japan.

Figure 3: Asia Pacific International Tourist Arrivals (H1 2025 vs. H1 2026)

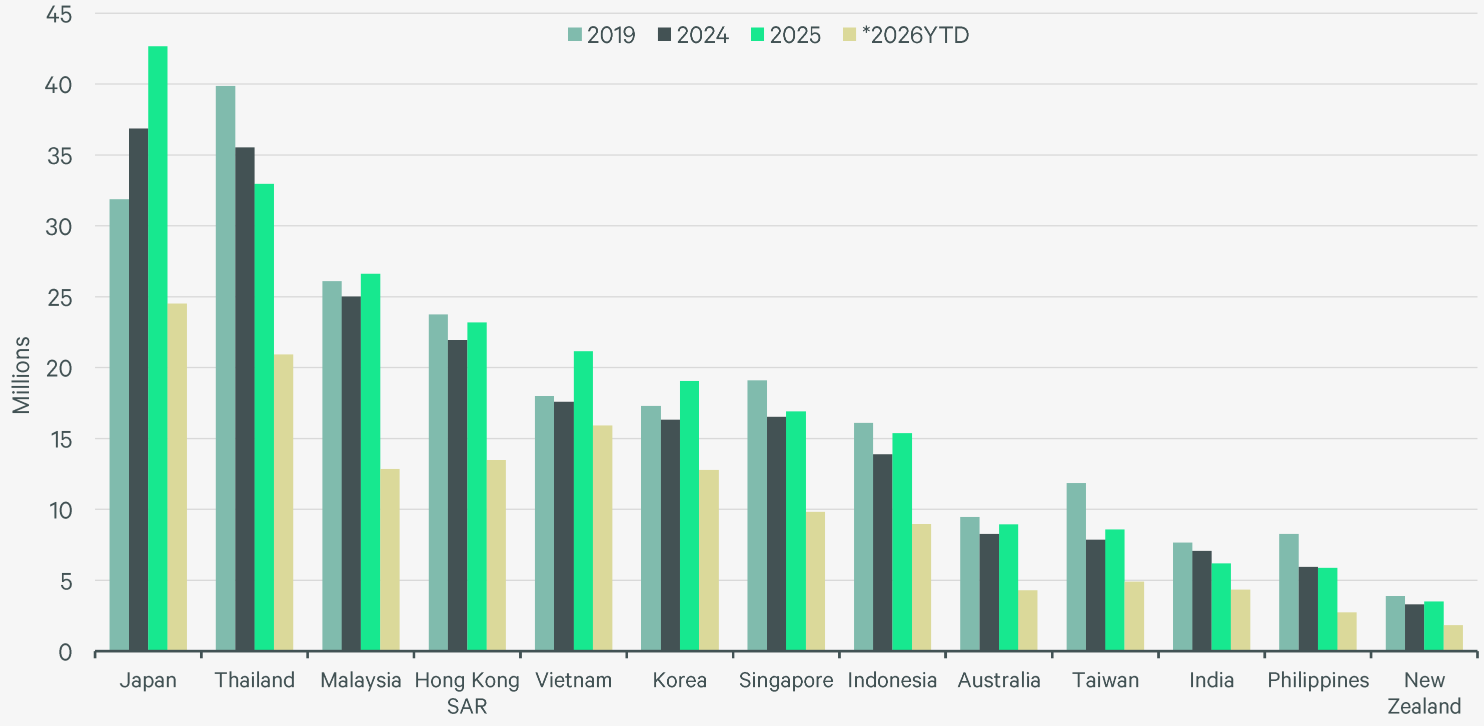


Source: CEIC, CBRE Research, September 2026.

Tourism remains solid despite disrupted flight connectivity as travel demand holds firm

- Most Asia Pacific markets recorded growth in international tourist arrivals in H1 2026. Although the Middle East conflict disrupted long-haul flight connectivity to a certain extent, the impact on cross-regional travel and higher air ticket prices have encouraged travelers to travel within the region or holiday domestically.
- The decline in arrivals from mainland Chinese tourists and high base of comparison resulting from the 2025 Osaka Expo has seen international arrivals to Japan drop 2% as of July y-t-d. Although arrivals through airports in Tokyo continue to edge up, the increase has been insufficient to offset a decline in entries through Kansai. Thailand also reported a decline in arrivals, mainly due to weaker interest from nearby Southeast Asian markets and Korea.
- Vietnam and Korea have outperformed, registering double digit growth following record high arrivals in 2025. In addition to strong growth in visitors from European markets, many Asia Pacific tourists are opting for Vietnam as a cheaper alternative resort destination. Korea's K-pop, K-drama and medical beauty industries are attracting a broader base of travelers, pushing up arrivals by 20% y-o-y in H1 2026.
- Growth in visitor arrivals across the rest of the region continues but at a slower pace. A full recovery to pre-pandemic levels will require better air connectivity, tourism promotional campaigns, and a stronger MICE and events programme.

Figure 4: Asia Pacific Total Number of International Tourist Arrivals by Market (2019, 2024, 2025 & 2026 YTD)



YTD 2026 vs. 2025 | Latest available month and YoY % growth												
Jul	Aug	Jun	Jul	Aug	Jul	Jul	Jul	Jun	Jul	Jun	May	Jun
-2%	-3%	0%	1%	**14%**	**20%**	-2%	5%	4%	2%	2%	8%	10%

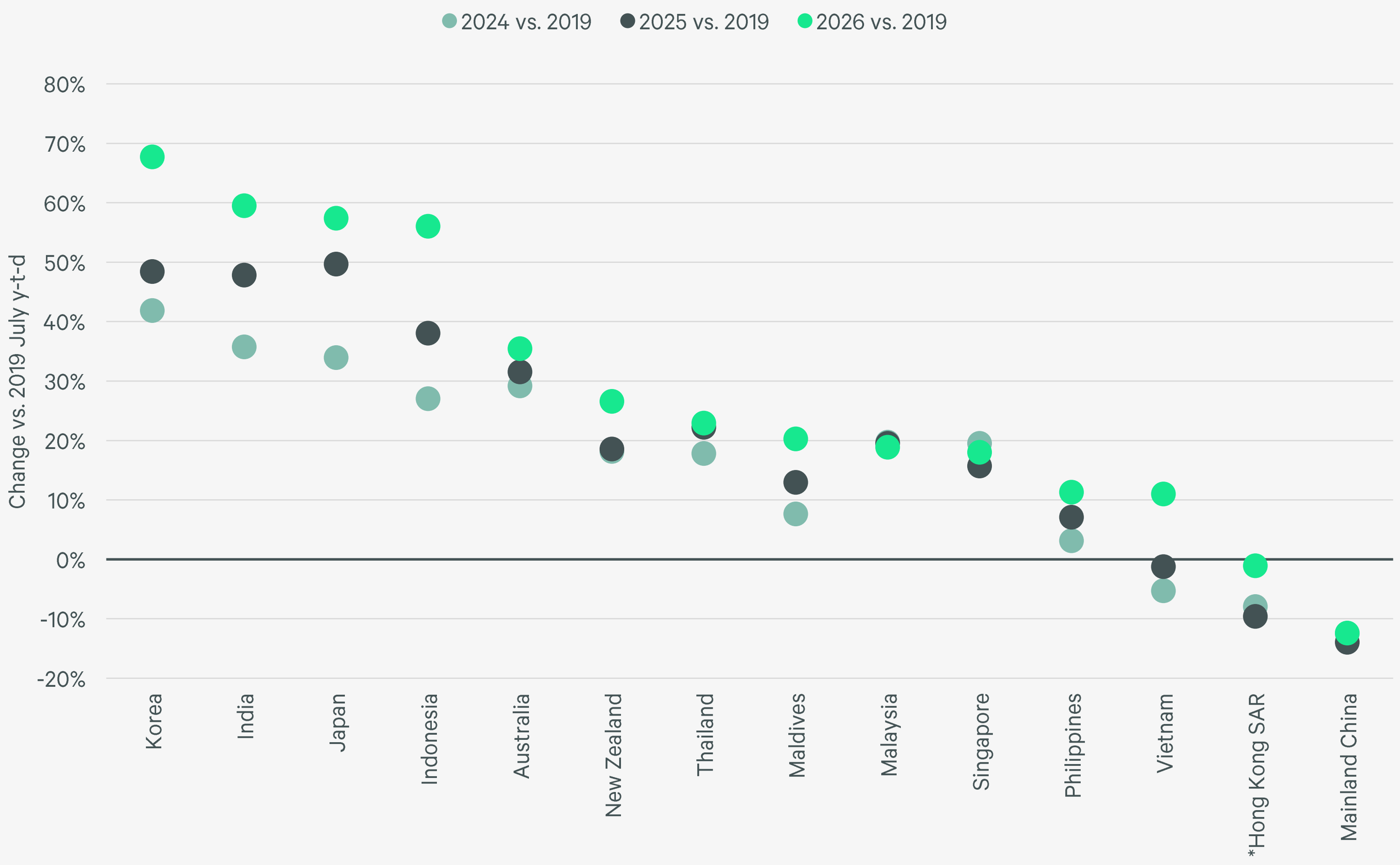
Note: 2026 y-t-d tourist arrival data as of latest month available published by official tourism organisations of each market. Information on latest month stated in growth table.
Source: CEIC, CBRE Research, September 2026.

2 — Hotel Performance

ADRs reach record highs in most markets and continue to trend upward as operators push up rates

- Despite Average Daily Rates (ADRs) already exceeding pre-pandemic levels in most Asia Pacific markets, hotel operators continue to raise rates even higher. Strong tourism demand from both domestic and international tourists is supporting ADR growth while maintaining occupancy.
- North Asia markets are the top performers, with strong international visitor demand in Korea boosting July y-t-d ADRs by 13% y-o-y. Despite a slump in visitors from mainland China, higher spending power from new travellers from the Americas and Europe helped drive up ADRs in Japan by 5%.
- Performance in Southeast Asia markets varies. ADRs in Vietnam finally surpassed pre-pandemic levels, surging 12% y-o-y in July y-t-d on the back of solid growth in resort destinations, especially Phu Quoc. Operators in Indonesia are focusing more on driving ADRs than occupancy, resulting in growth of 13% y-o-y. ADRs elsewhere in Southeast Asia are mostly flat.
- Greater China markets are reporting stronger ADRs on a y-o-y basis but are yet to see a result to 2019 levels.

Figure 5: Asia Pacific Average Daily Rates (ADRs) (% change vs. July 2019 y-t-d)

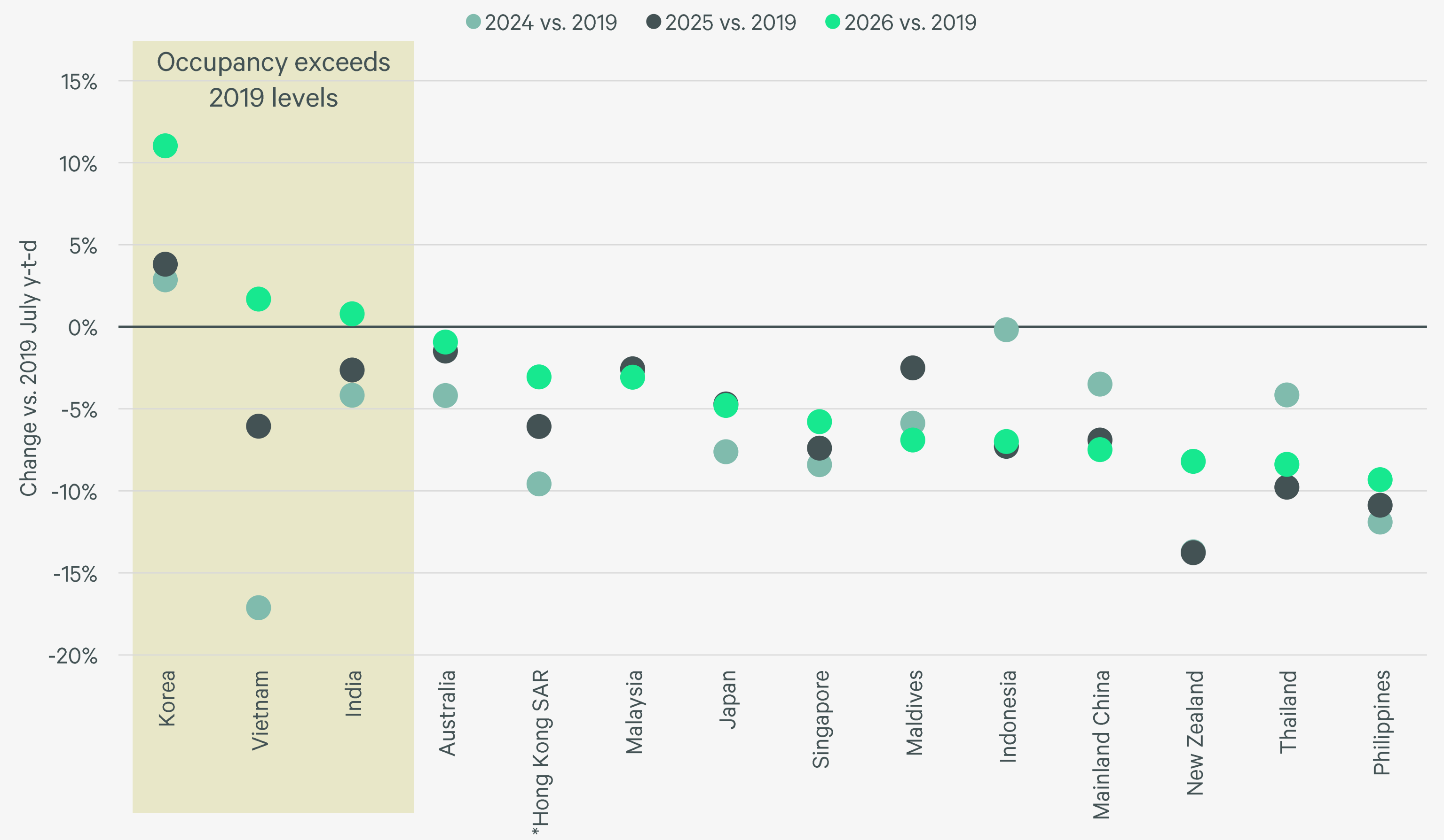


Note: ADR change based on local currency. Hong Kong SAR ADR % change compared to 2018 level.
Source: CoStar, CBRE Research, August 2026.

Occupancy edges up slowly due to flight capacity constraints, largely remains below 2019 levels

- Hotel occupancy in most Asia Pacific markets is yet to fully return to pre-pandemic levels.
- Exceptions include Korea and Vietnam, where double digit percentage growth in visitor arrivals lifted occupancy rates by 7% y-o-y and 8% y-o-y as of July y-t-d, respectively. India is also reporting rising occupancy as high international airfares channel demand into domestic travel, translating into meaningful increases in occupancy rates.
- Although still lagging pre-pandemic levels, Hong Kong SAR occupancy increased by 3% y-o-y as of July y-t-d. The conversion of some upper-midscale hotels to student accommodation has helped ease pressure on occupancy.
- A mild drop in visitor arrivals has led to a slight decrease in hotel occupancy in Japan. The situation differs across cities, with the drop most significant in Osaka where the 2025 Expo created a high base, and nearby cities such as Kyoto also reporting declines. Occupancy in other major markets (Tokyo, Kyushu, and Hokkaido) has been either flat or up slightly.
- Further improvements to hotel occupancy will be limited due to constraints on flight capacity resulting from elevated fuel costs. This will encourage travellers to opt for domestic trips or cheaper alternative destinations.
- Despite modest occupancy gains, overall hotel performance remains positive. Revenue per Available Room (RevPAR) is rising across most markets, mainly driven by stronger ADR.

Figure 6: Asia Pacific Hotel Occupancy Rates (% change vs. July 2019 y-t-d)



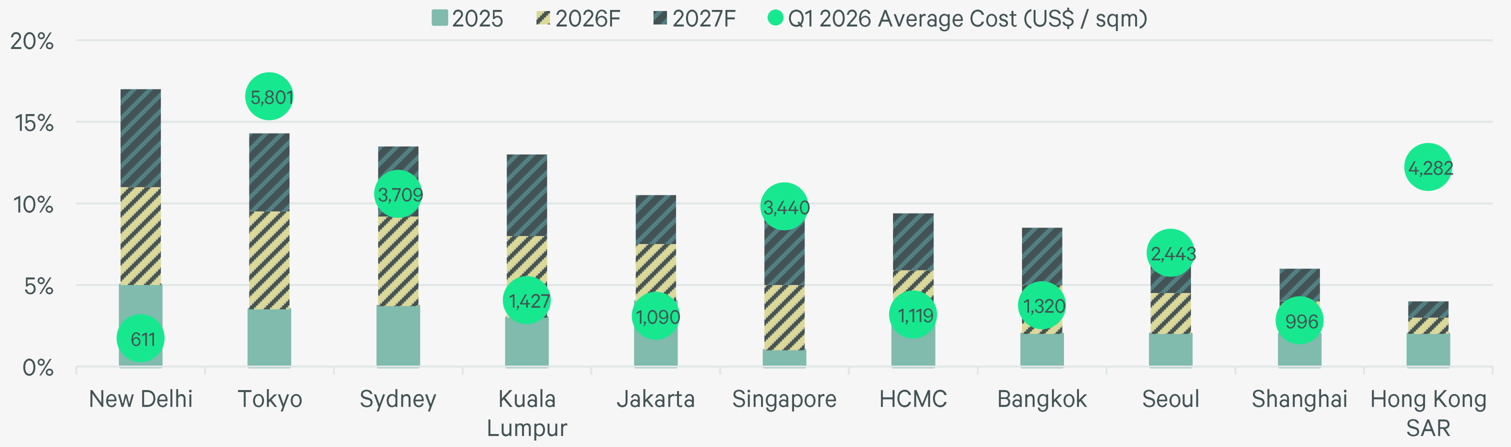
Note: Hong Kong SAR occupancy % change compared to 2018 level.
Source: CoStar, CBRE Research, August 2026.

3 — Hotel Supply

High construction costs inhibit future hotel development

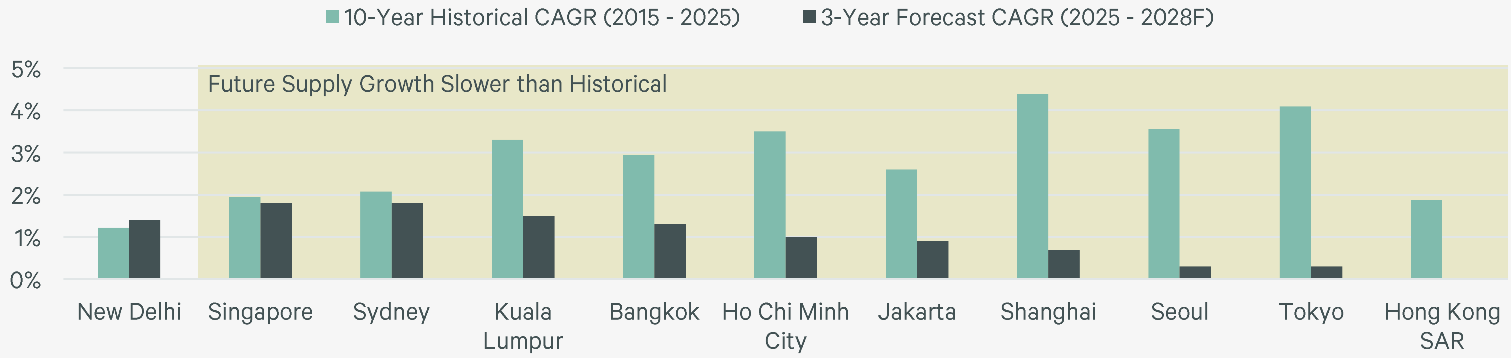
- Turner & Townsend's 2026 Global Construction Market Intelligence Survey identified a lack of experienced labour and materials lead time as the top challenges facing construction in Asia. Together with increasing materials costs, overall construction cost inflation continues to accelerate across the region.
- High construction costs are negatively impacting the hotel development pipeline. Vulnerable markets include Tokyo, which reported the highest average construction costs in the region in 2026; a figure expected to rise by a further 10% in the coming years. Supply over the next three years is expected to increase by a CAGR of 0.3%, well behind the 4.1% historical average.
- Even markets with relatively cheaper construction costs, such as emerging Southeast Asian cities and Shanghai, are expected to see a slowdown in new hotel supply.
- New Delhi is the lone exception on account of its low construction costs across the board and strong domestic demand, which continues to fuel growth.

Figure 7: 2026 Asia Pacific Average Construction Cost and Forecasted Inflation of Construction Cost (%)



Source: Turner & Townsend, CBRE Research, July 2026.

Figure 8: Asia Pacific Hotel Supply Growth Rates as % of Total Stock[1] (Historical vs. Pipeline[2] Growth)

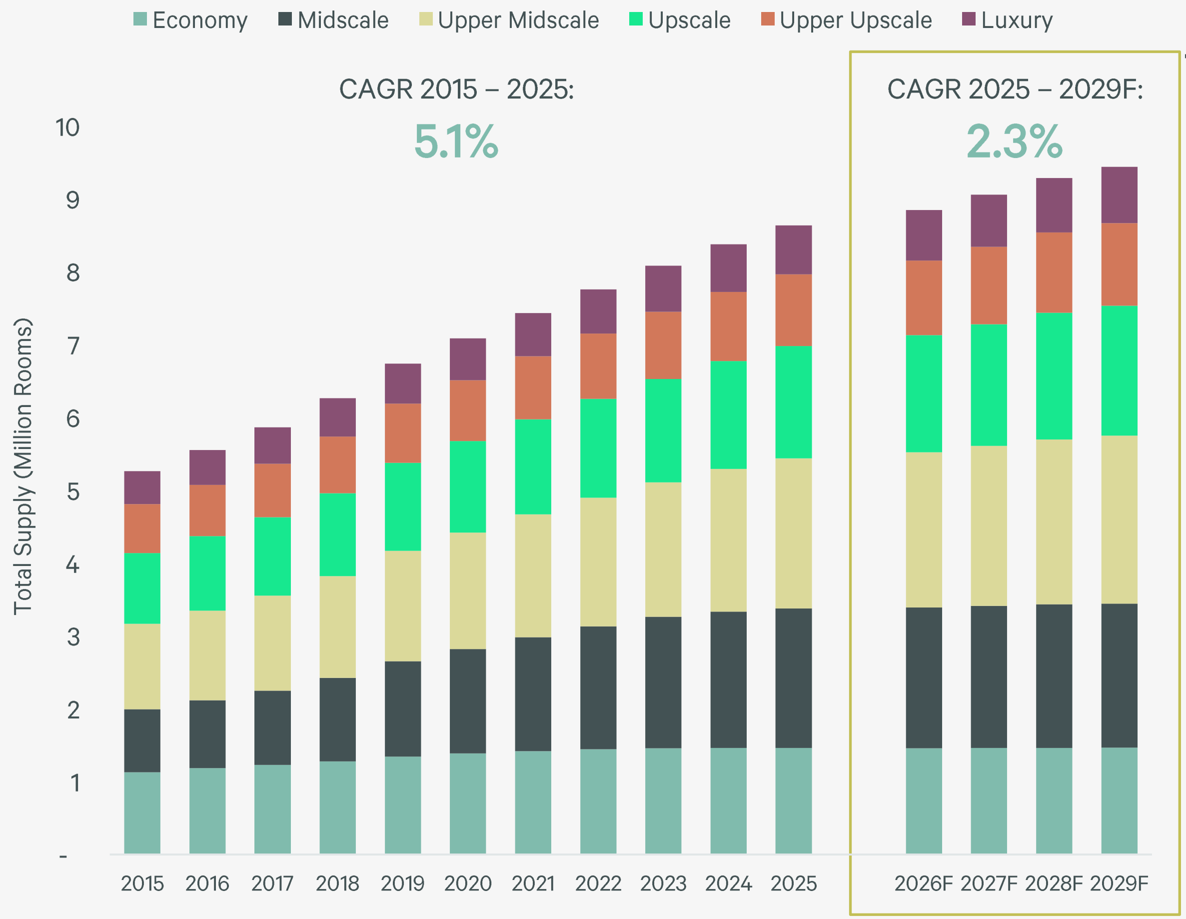


Note: 1. Total stock measured in number of rooms. 2. Pipeline Includes projects that are under construction only.
Source: Turner & Townsend, Costar, CBRE Research, August 2026.

Hotel supply to remain limited and focused on higher-end schemes

- Elevated construction costs and the slow recovery in occupancy continue to constrain the Asia Pacific hotel development pipeline. Supply CAGR from 2025 to 2029F is expected to be around 2.3%, less than half of the historical average of 5.1%.
- Future supply is focused on the upscale and above segment, with 63% of upcoming projects through 2029 concentrated in these grades.
- 49% of new hotel supply will be located in mainland China. If this markets' data is removed from forecasts, Asia Pacific hotel supply would grow at a CAGR of just 1.0% from 2025 to 2029F.
- While new builds tend to focus on the higher end segment due to design and brand requirements, investors are increasingly expanding their portfolios by converting existing buildings.
- The rise of lifestyle hotel brands is providing owners with additional options for brand conversion. Since 2020, around 170 lifestyle hotels (around 35,000 rooms) have opened in Asia Pacific as a result of existing building conversions[1].

Figure 9: Asia Pacific Total Hotel Supply by Class (2015 – 2029F)



Supply Growth CAGR by Scale (2025 – 2029F)

Economy	0.1%
Midscale	0.8%
Upper Midscale	2.8%
Upscale	3.7%
Upper Upscale	3.5%
Luxury	3.7%

Note: Includes projects that are under construction, final planning, and proposed.
Source: CoStar, CBRE Research, August 2026.

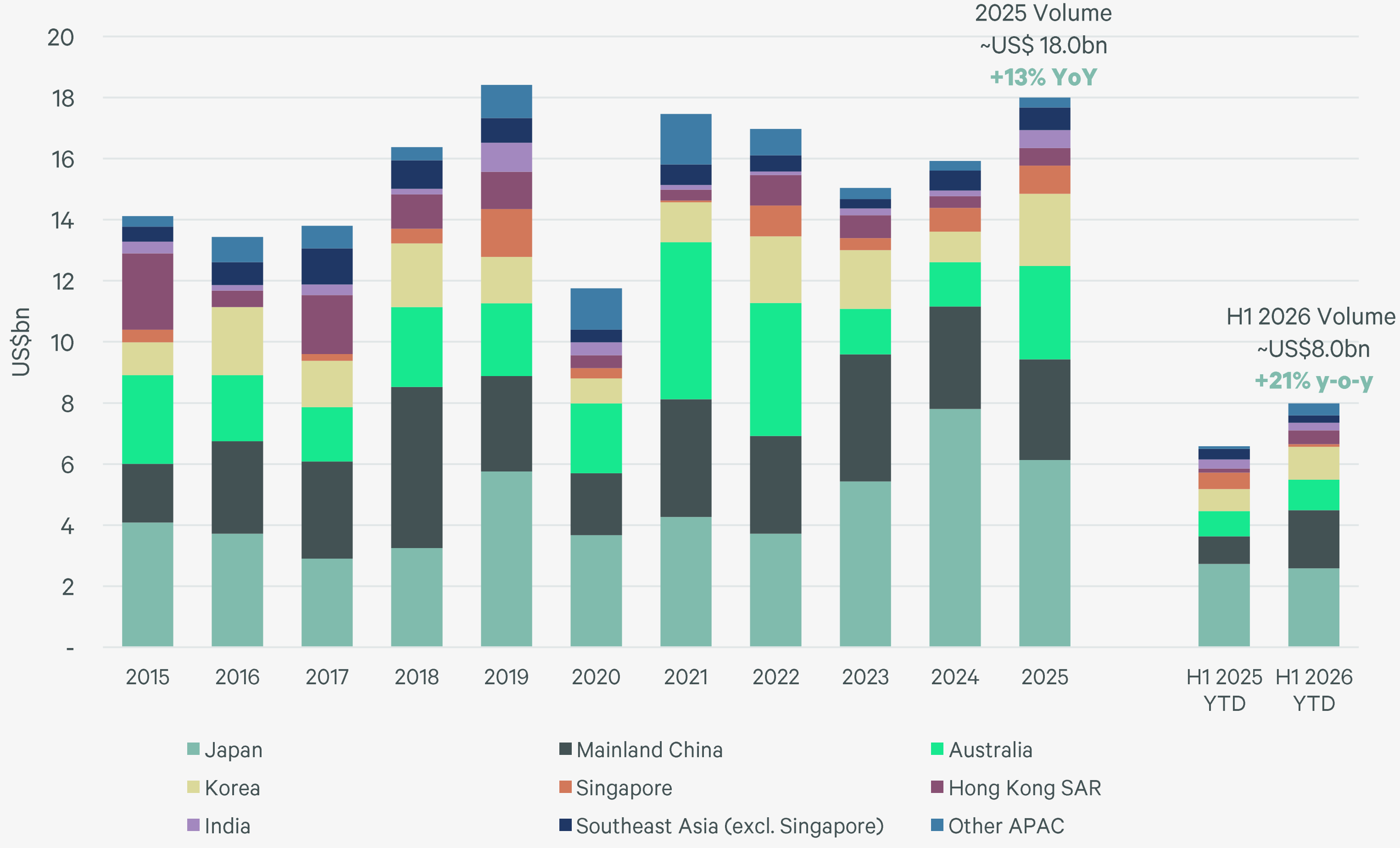
[1] CBRE Report – Gen Z Checks In: The Rise of the Lifestyle Hotel

4 — Investment

Hotel investment volume picks up, helped by stronger activity in mainland China

- Asia Pacific hotel investment volume reached US$8.0 billion in H1 2026, surpassing H1 2025 volume by 21%. Transaction activity is being led by Japan, mainland China, and Korea.
- Mainland China registered the strongest increase, with hotel investment volume more than doubling y-o-y in the first six months of the year. This has been aided in part by the inclusion of four-star and above hotel projects into the list of underlying assets of C-REITs, which took effect in late-2025.
- While this change in regulations provides liquidity and additional exit opportunities for investors in the sector, requirements for hotel assets to be included in C-REITs are strict, with remaining land tenures needing to match the fund term and leasehold land requiring at least 20 years of land tenure.
- Investor interest in the living sector is also stimulating hotel acquisitions; a trend most prominent in Hong Kong SAR, where hotels are being converted to student accommodation. Nine hotels totalling around 1,600 rooms were traded in H1 2026 alone, up from only two deals in the same period of 2025.
- Although strong hotel fundamentals will continue to support investment activity in H2 2026, elevated borrowing costs in some markets may constrain investment returns and result in slower growth in transaction volume compared to H1 2026.

Figure 10: Asia Pacific Hotel Investment Volume (2015 – H1 2026)



Source: CoStar, CBRE Research, August 2026.

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