

Europe benefits as travellers seek safer alternatives to the Middle East; Southern Europe emerges as key beneficiary of shifting travel patterns

Key trends

- Europe’s travel demand has remained resilient through the first four months of the year, though travel patterns are becoming increasingly divergent amid geopolitical developments, continued strength in intra-European travel, and redirected demand from the Middle East.
- Air connectivity between key gateway cities, leisure destinations, and source markets becomes more critical during periods of geopolitical tension, when airspace restrictions and route disruptions can affect accessibility.
- Short-haul and intra-European travel continue to anchor demand as long-haul faces greater airlift, fuel cost, and supply pressures, prompting some carriers to adjust schedules and review route capacity, particularly across selected long-haul routes.
- Preliminary occupancy on the books data indicates that occupancy from June onwards is currently tracking ahead of last year’s levels, suggesting that travellers are bringing forward summer holiday bookings, likely in anticipation of higher airfares and travel-related cost pressures.
- Investors are becoming more selective in underwriting amid higher financing costs and macroeconomic uncertainty, while hotel owners and operators are placing greater emphasis on operational efficiency and technology-led cost optimisation to offset rising payroll pressures.
- More disciplined capital deployment and conservative pricing assumptions are contributing to longer transaction timelines across the European hotel investment market.

4.6% CAGR 2025-2030 (%)
Projected annual growth in inbound leisure travel in Europe

5.1% CAGR 2025-2030 (%)
Projected annual growth in total inbound overnight arrivals in Europe

FIGURE 1: European hotel performance & air passenger, GDP and CPI trends

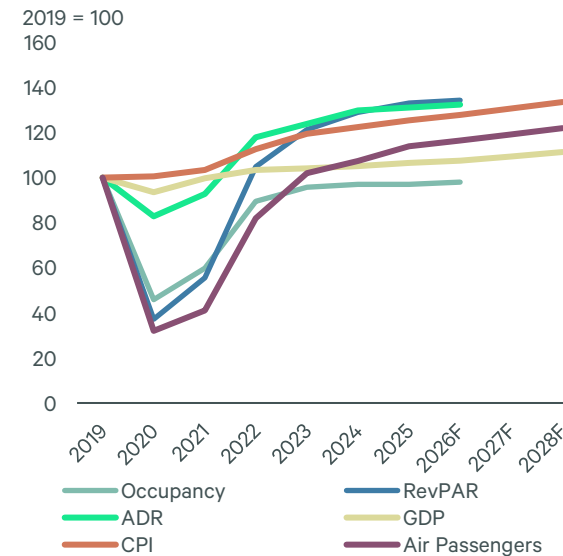
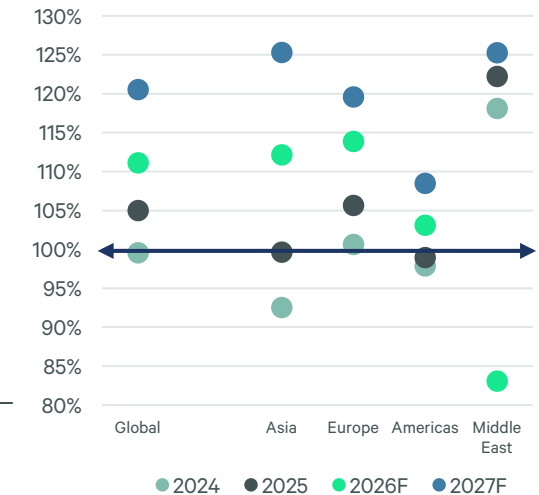


FIGURE 2: Total international arrivals, (% relative to 2019 levels, 2019 = 100)



Source: Tourism Economics*, HotStats, IATA, CBRE Research

*Estimates and projections are calculated by Tourism Economics based on the latest baseline scenario impacts published on 7 April 2026

Short-haul and intra-European travel continue to anchor demand as long-haul faces greater airlift, fuel cost, and supply pressures

- Short- and mid-haul travel remain the primary drivers of inbound demand, supported by resilient intra-European mobility and relatively accessible airlift capacity. In 2026, short- and mid-haul arrivals are forecast to increase by approximately 8% YoY.
- The US continues to be a key source market, with YTD monthly arrivals rising 4.7% YoY. However, broader long-haul growth has moderated compared with earlier expectations, partly reflecting disruption to the Middle East’s role as a major transit hub for long-haul connectivity.
- Rising jet fuel costs, tighter fuel supply conditions, and broader airline capacity pressures are prompting some carriers to adjust schedules and review route capacity, particularly across selected long-haul routes.
- While underlying travel demand remains resilient, elevated fares, airlift constraints, and overall travel costs are increasingly influencing traveller behaviour and spending patterns. Together, these factors may pose downside risks for the tourism sector heading into the summer season and beyond, if such tension continues to develop.
- France and Spain are expected to remain Europe’s leading destinations for international visitors. However, Spain continues to outperform France in growth, benefitting from strong leisure demand and a favourable destination mix.
- Beyond the largest markets, the growth profile across Europe is evolving. Greece is projected to overtake the UK and Germany by a narrow margin to become the fourth-largest inbound market by visitor volume. Poland also continues to stand out as a high-growth destination, supported by improving hotel quality, infrastructure investment, and increasing popularity among travellers.

17%

% RELATIVE TO 2019 LEVEL
Projected growth in short-haul arrivals in 2026

7%

% RELATIVE TO 2019 LEVEL
Projected growth in long-haul arrivals in 2026

FIGURE 3: Inbound arrivals by haul, Europe (LHS % relative to 2019 levels, RHS 2026 YoY %)

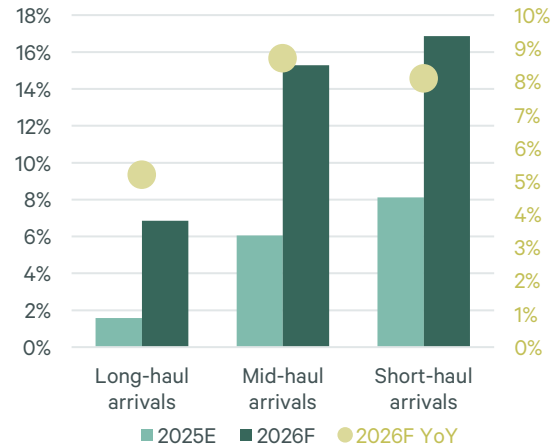
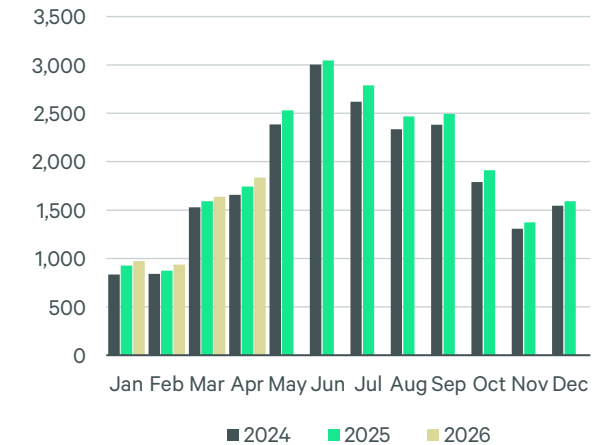
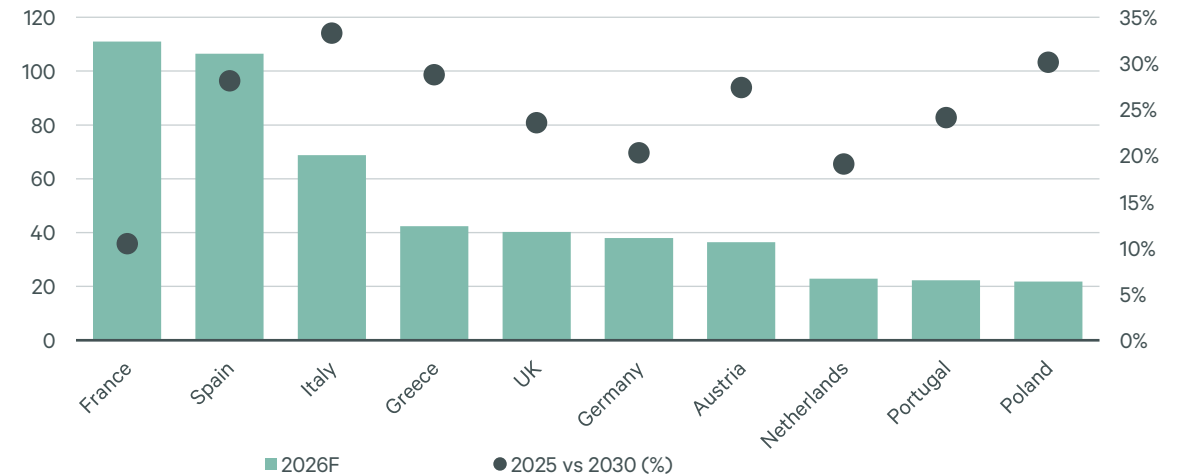


FIGURE 4: US Citizen air arrivals to Europe (in thousands)



Source: Tourism Economics, US International Trade Administration, CBRE Research

FIGURE 5: Leading European countries by inbound overnight arrivals (in millions)



Source: Tourism Economics, CBRE Research

Hotel operating performance remains positive overall, growth is increasingly ADR-led, and market divergence is widening

- Europe’s overall RevPAR rose 5.6% YTD March 2026, supported by stronger ADR growth at 3.3%, suggesting pricing power remains in selected destinations, although performance divergence across markets is becoming more pronounced, reducing the relevance of broad regional average.
- Several markets have recorded particularly strong ADR-led RevPAR growth, most notably **Milan**, where ADR surged by over 60% YoY, significantly supported by demand related to the 2026 Winter Olympics. Other markets including **Slovenia, Athens, the Canary Islands, Paris, Warsaw, and Rome** have similarly outperformed through stronger rate growth.
- By contrast, RevPAR growth in markets such as **Slovakia, Prague, Copenhagen, and Madrid** has been more occupancy-led, suggesting further demand recovery is still the primary driver of performance.
- Meanwhile, several mature Western European markets have entered a more balanced trading phase, with some recording modest RevPAR declines YTD. Operators have become more cautious on rate setting amid softer occupancy, shifting demand patterns, constrained airlift, and heightened price sensitivity. RevPAR declines have been most evident in **Munich and Brussels**.
- Overall, this reflects cyclical normalisation in selected mature markets following the post-pandemic rebound, and less about the broader structural weakness in the sector.

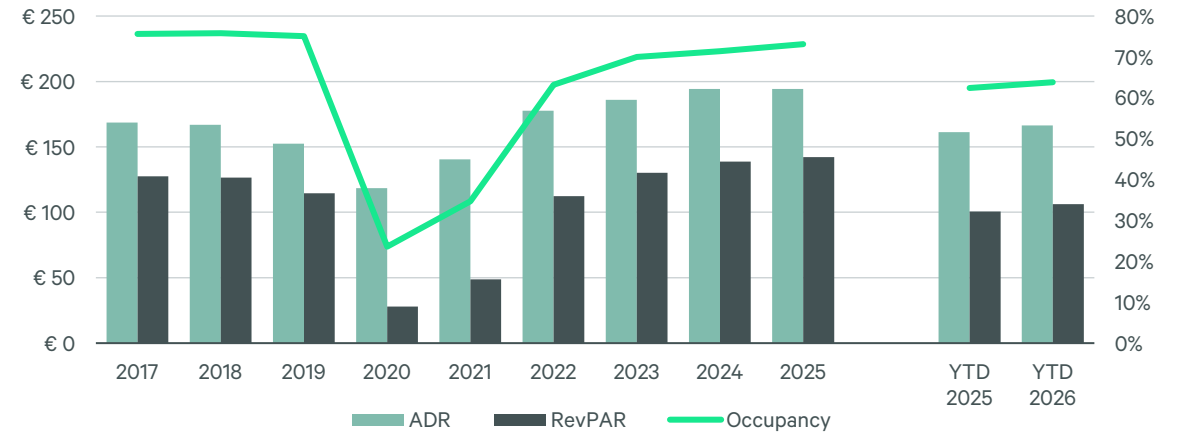
5.6%

EUROPE-WIDE REVPAR %
Growth YTD March 2026

3.3%

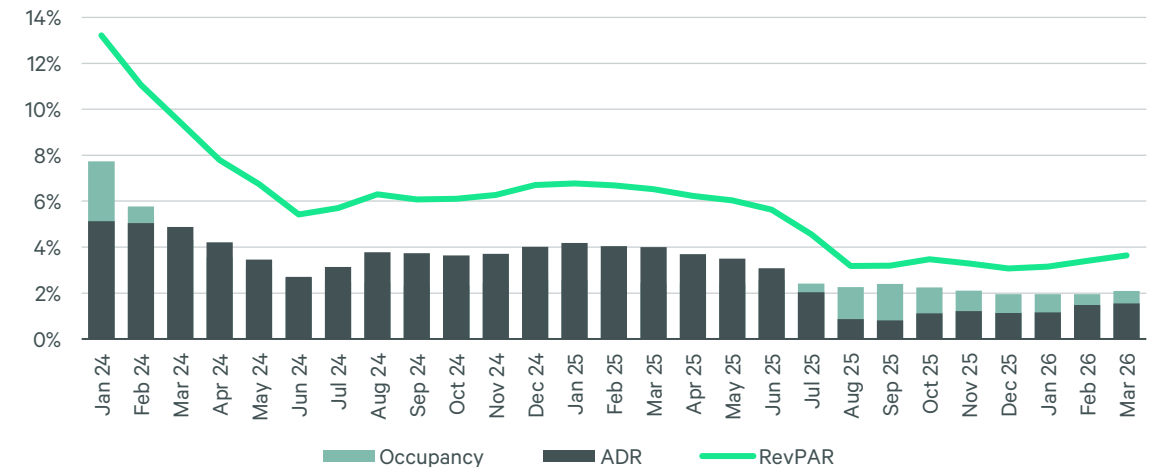
EUROPE-WIDE ADR %
Growth YTD March 2026

FIGURE 6: European hotel operating performance (12-month moving average on annual growth & YTD March 2026)



Source: HotStats, CBRE Research

FIGURE 7: European hotel operating performance (12-month moving average, YoY %)



Source: HotStats, CBRE Research

Demand expansion continues to outpace supply in most European markets

- Europe’s hotel sector continues to be underpinned by a structurally powerful base of travel demand, yet growth momentum is becoming increasingly uneven across the continent. The five largest markets – **Spain, Germany, Italy, France, and the UK** – continue to dominate Europe’s accommodation landscape, collectively accounting for approximately two-thirds of total hotel nights. However, growth within these mature markets is moderating, with projected annual increases ranging between 3% and 4% through 2030.
- By contrast, several smaller destinations are set to expand more rapidly. **Greece and Austria** are among the most dynamic, with hotel night demand expected to grow at approximately 5.6% and 5% per year, respectively, supported by sustained leisure inflows and a deepening seasonal spread.
- Preliminary occupancy on the books data also indicates that occupancy from June onwards is currently tracking ahead of last year’s levels, suggesting that travellers are bringing forward summer holiday bookings, likely in anticipation of higher airfares and travel-related cost pressures.
- On the supply side, development pipelines remain disciplined relative to existing inventory. **The UK and Portugal** record pipeline ratios of c.6% and 5% of current inventory, respectively, broadly consistent with the region’s disciplined approach to new hotel construction.
- By contrast, **Ireland, Romania, and Poland** stand out with higher levels of new supply, hovering 7% to 10% of their existing room base, suggesting a period of elevated new openings in the coming years.

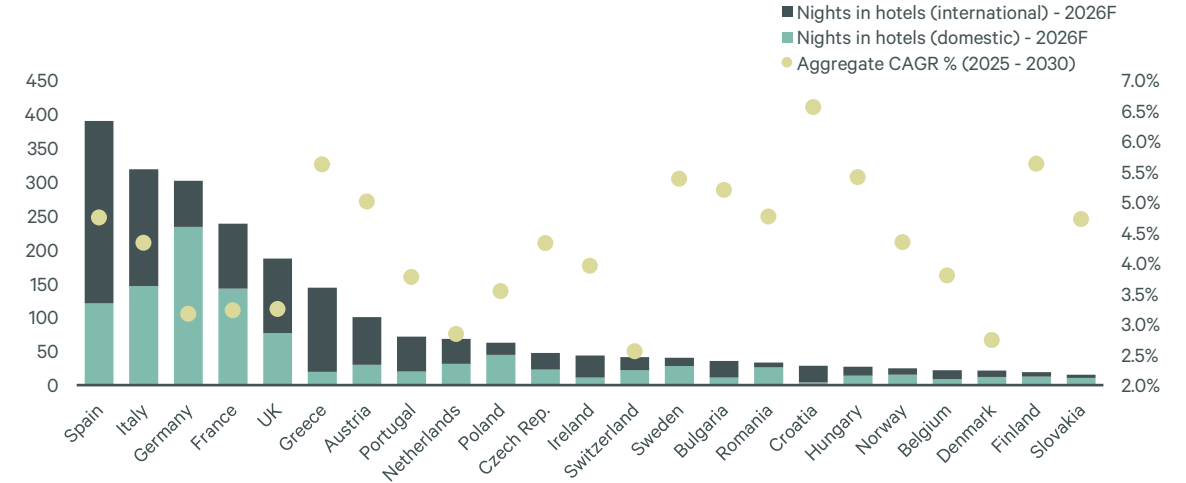
4.0%

CAGR 2025-2030
Europe-wide total hotel nights

0.4%

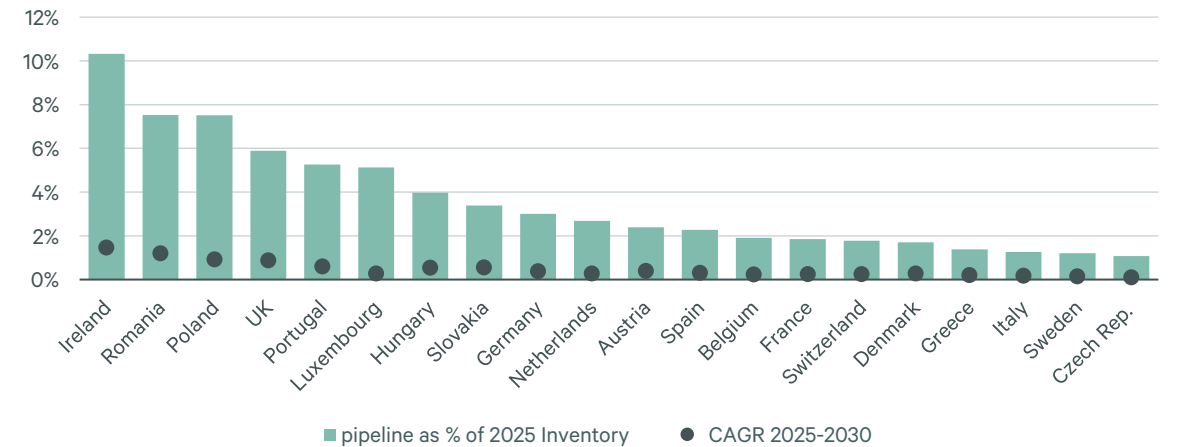
CAGR 2025-2030
Europe-wide hotel pipeline

FIGURE 8: Total hotel nights by country (in millions)



Source: Tourism Economics, CBRE Research

FIGURE 9: Hotel pipeline as % of 2025 market size (no. of room) by country

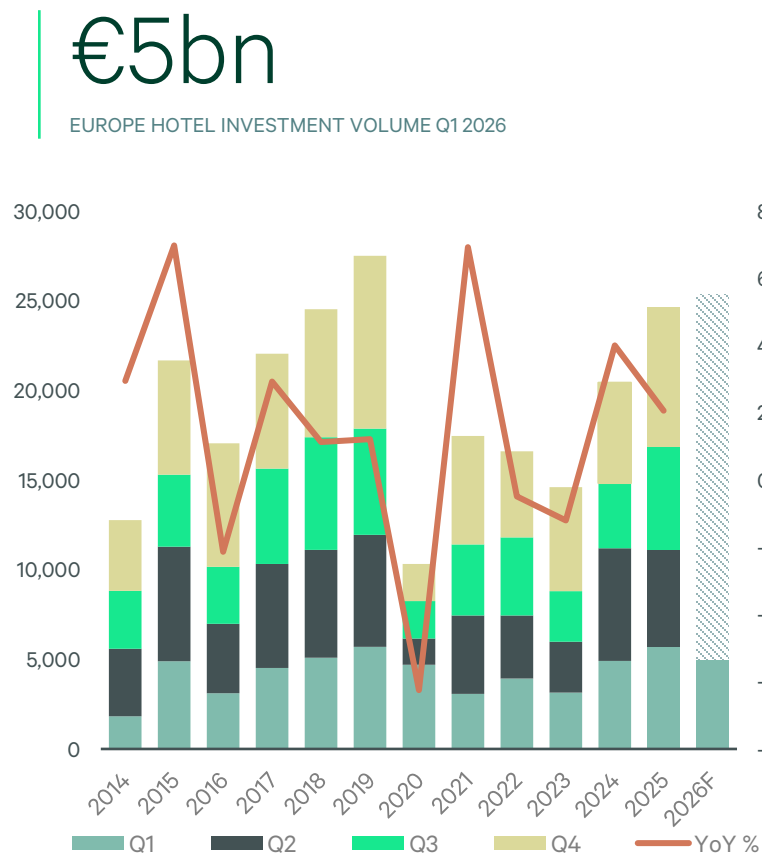


Source: CBRE’s analysis of CoStar AMPM data and various market intelligence, CBRE Research
Note: Estimated hotel pipeline figures and analysis refer only to hotel projects currently under construction

Capital remains active, but caution is extending transaction timelines

- European hotel investment reached €5bn in Q1 2026, down slightly from €5.7bn in Q1 2025, but still 15% above the ten-year Q1 average, reflecting a resilient start despite softer momentum.
- Activity has moderated across some markets, partly due to a stronger prior-year comparison base in Q1 2025.
- **The UK** led regional investment activity, accounting for 35% of total volume, with transaction volumes up 134% YoY.
- **Iberia** captured 21% of total volume, with **Portugal** (+132% YoY) and **Spain** (+20% YoY) continuing to attract strong investor interest.
- Institutional capital remains concentrated in the region’s most liquid and established markets, notably **the UK, Spain, Portugal, and Italy**, particularly gateway as well as resort destinations.
- However, investors are becoming increasingly selective in underwriting as higher financing costs, macroeconomic uncertainty, and rising operating expenses – particularly payroll inflation – continue to place pressure on hotel margins, overall profitability, and return profiles.
- At the same time, existing hotel owners and operators are placing greater emphasis on operational efficiency, technology adoption, and broader cost optimisation initiatives to help mitigate labour pressures, improve productivity, and support earnings resilience over the longer-term.
- This more disciplined capital deployment environment is also contributing to longer transaction timelines and more conservative pricing assumptions. Reflecting this shift, our 2026 hotel investment growth forecast has been revised down to 0%–3% YoY, from 5% previously.

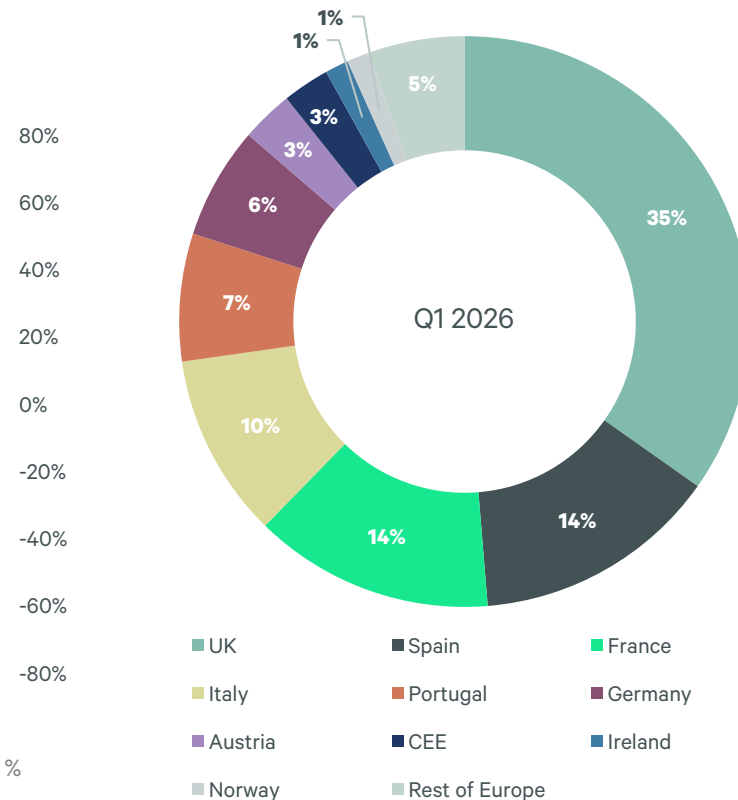
FIGURE 10: Europe’s hotel investment volume (by quarter, € million)



Source: CBRE Research

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

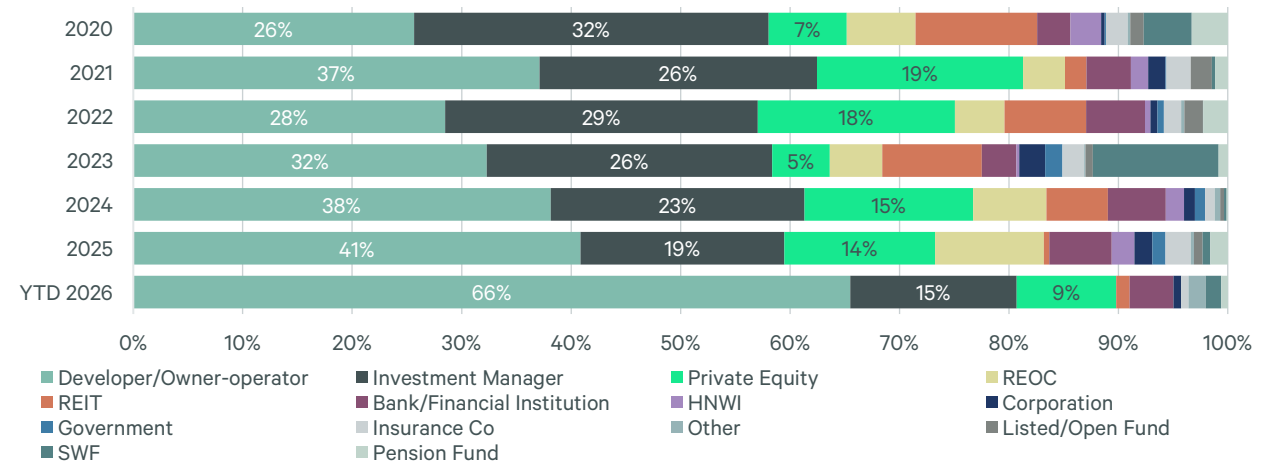
FIGURE 11: European hotel investment transaction volume (Q1 2026)



Private and strategic hotel investors continue to anchor hotel investment activity

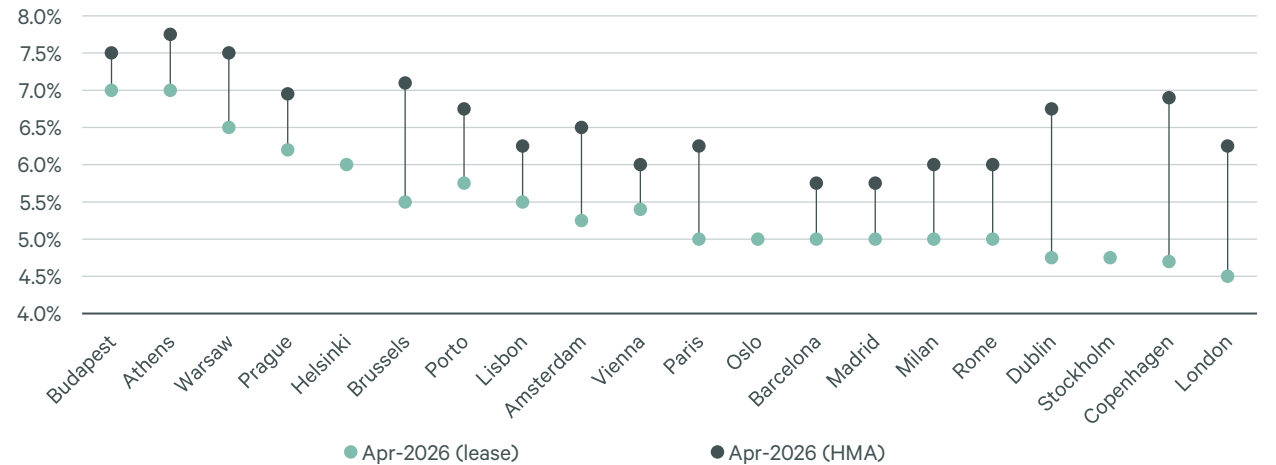
- Developers and owner-operators remain the dominant buyer group across the market and have further increased their share YTD 2026, reinforcing the continued importance of strategic and operational buyers in the current environment.
- Investment managers and private equity also remain active, supporting continued conviction among institutional and specialist hotel investors pursuing long-term ownership and repositioning strategies.
- Prime hotel yields across Europe remained broadly stable in April 2026, with pricing for leased hotel assets continuing to hold firm.
- The spread between high and low prime lease yields has narrowed over the past three years, suggesting greater pricing stability and reinforcing the appeal of leased assets as stable income-generating investments in some markets.
- Average prime lease yields stand at approximately 5.4%, while prime HMA yields average 6.6% across the markets under our coverage, maintaining a spread of c. 110bps.
- **Budapest, Athens, and Warsaw** command the highest yields under HMA structures, suggesting higher perceived risk and more limited liquidity.

FIGURE 12: European hotel transaction volumes by purchaser type



Source: MSCI RCA, CBRE Research

FIGURE 13: European hotel prime lease and HMA (management contract) yields by market (%)



Source: CBRE Research

Note: HMA yield data is unavailable for Helsinki, Oslo, and Stockholm.



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