HOTEL CAPITAL MARKETS

2026 Hotel Sector Outlook

A year for creative deal-making?

As we look ahead to 2026, it is a natural moment to reflect on both the year just passed and the many conversations we have had with investors across Europe, complemented by the insights drawn from Savills inaugural European hotel investor sentiment survey. The next few pages provide a summary of our outlook and key findings from the survey.

Thomas Emanuel

Head of Hospitality
Thought Leadership, EMEA

We leave 2025 in broadly reasonable shape. While geopolitical uncertainty remains an ever present backdrop, the macro environment has improved over the course of the year. Inflation and interest rates have eased from recent peaks, equity markets have remained resilient, debt market conditions are very good, and hotel yields have shown stability.

Hotel transactions represented 11% of overall deal volumes in a market that has been underpinned by single asset deals rather than portfolios. The flight to quality has remained with London seeing a particularly strong year and its highest deal volumes since 2018.

W Hotel, Edinburgh

Ruby Stella, London

Operationally, trading conditions increasingly reflect a late cycle environment. Demand has normalised in many markets, but cost pressures continue to weigh on profitability, particularly through labour and increases in UK business rates.

The bifurcation of operational performance has continued, with clear winners emerging by asset quality, geography, and category with luxury and Southern Europe continuing to outperform.

Alongside this, equity investors are contending with a challenging capital raising environment with their fund investors requiring greater returns of capital before re-allocating to new funds. We expect this trend to continue and combined with late-cycle trading creates a catalyst for innovative deals.

Fairmont La Hacienda, Spain

Eden Hall, UK

These dynamics are clearly reflected in the key themes emerging from our investor sentiment survey

1	Return expectations have remained broadly stable over the past twelve months, underlining a continued belief in the resilience of the hotel sector despite the aforementioned cost pressure.
2	Looking ahead, investors are entering 2026 with a net buy-side bias, signalling conviction that pricing is becoming more compelling.
3	Value-add remains the dominant investment approach, with opportunistic capital targeting specific assets rather than broad geographies; execution capability, rather than strategy alone, is increasingly seen as the key differentiator.
4	Southern Europe, and in particular Spain, Italy and Portugal, stand out as the most favoured destinations, supported by multiple demand drivers, favourable seasonality and limited new supply pipelines.
5	In terms of segment preference, luxury and upper upscale assets, resorts and extended stay formats continue to attract strong interest.
6	GOPPAR expectations are stable to mildly positive, helped by disciplined cost management and steady demand, although labour and operating cost inflation remain persistent headwinds.
7	Transaction volumes are widely expected to increase modestly through 2026 as bid-ask spreads narrow and refinancing events drive liquidity.
8	From a risk perspective, investor focus has shifted back towards geopolitical instability, construction and renovation costs, demand volatility and pressure on operating margins, with debt availability seen as less of a constraint than the cost of financing.

Taken together, these factors shape a clear set of investment themes for 2026. Quality will remain paramount, both in terms of the underlying real estate and the strength of the operating platform, while investors will increasingly look to be selective and, often, contrarian in their market and asset selection. Running yield is likely to take precedence over medium-term capital appreciation in driving IRRs in a late-cycle environment.

Finally, we believe that these factors will also drive increased transaction volumes as well as an increase in innovative deal structures. Recapitalisations are likely to become more common as capital structures are adjusted to reflect a higher for longer cost of capital; platform consolidation is expected to continue, as scale, operational efficiency and access to capital become increasingly important drivers of long term resilience; and we also anticipate further evolution in leasing structures, as both landlords and operators review risk sharing arrangements.

2026 looks set to be interesting and a **year for the creative deal maker**


Fairmont La Hacienda, Spain


Eden Hall, UK

Hotel Investor Sentiment Survey Highlights

Capital & Strategy

65%
Value Add / Opportunistic

<5 years
Target hold period for 43% of investors

>10 years
Target hold period for 32% of investors

73%
Are Net Buyers

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%**

Geography & Asset Preferences

60% Luxury / Upper Upscale

53% Resorts / Leisure focused

25% Serviced Apartments / Extended Stay

Biggest Concerns

- Geopolitical instability
- Construction / renovation costs
- Demand volatility

Contact us

THOMAS EMANUEL

HEAD OF HOSPITALITY THOUGHT LEADERSHIP, EMEA

+44 (0) 7919 395 434

THOMAS.EMANUEL@SAVILLS.COM

DAVID KELLETT

HEAD OF HOTEL CAPITAL MARKETS, EMEA

+44 (0) 7725 448 096

DAVID.KELLETT@SAVILLS.COM