MARKET REPORT

# HVS Global Perspectives: Our 2025 Outlooks

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## Asia-Pacific Region Outlook

*By Hok Yean Chee, HVS President – Asia Pacific*



The hotel industry in the Asia Pacific (APAC) is forecast to continue its post-pandemic recovery in 2025, albeit at a more modest pace compared to previous years. This measured recovery reflects a combination of persistent economic headwinds, evolving travel patterns, and market-specific factors shaping performance trends across the region. The moderation in growth can also be attributed to the normalization of pent-up demand seen in 2024. As travel patterns stabilize, the dramatic surges in occupancy and average daily rate (ADR) observed during the initial recovery phase are likely to taper off and return to more sustainable growth levels.

While overall performance is on an upward trajectory, certain markets in the region may begin to moderate in 2025. For example, Singapore has recorded a plateauing of ADR growth in recent months as supply additions and the stabilization of demand limit further price increases. Similarly, the Maldives, which recorded exceptional ADR growth during the peak recovery period, has started to experience declines as competition intensifies and travelers diversify their destination preferences. Conversely, emerging markets such as Vietnam and the Philippines are expected to maintain robust performance due to ongoing infrastructure development and aggressive tourism campaigns. These markets are capitalizing on increased air connectivity and targeted efforts to attract diverse traveler segments, including digital nomads, adventure seekers, and luxury tourists.

Travel to the APAC region is projected to remain high in 2025, supported by sustained interest from key source markets such as China, the United States, and Europe. China's reopening has been a critical driver of this demand, with outbound travel expected to exceed pre-pandemic levels. However, due to weak domestic demand and economic headwinds, the

Chinese government's stimulus programs on consumption will be pivotal in determining the tourism sector's trajectory for the year ahead. The increased availability of direct flights, competitive airfare pricing, and relaxed visa requirements in countries like Thailand and Japan are further bolstering the region's attractiveness.

Demand will continue to be fueled by both leisure and business travel. The return of large-scale events, conferences, and exhibitions will significantly contribute to this trend, especially in gateway cities with well-established MICE (meetings, incentives, conferences, and exhibitions) infrastructure. Air-traffic growth will be a key enabler of increased demand for the APAC region in 2025. The rapid expansion of low-cost carriers and the resumption of long-haul routes by full-service airlines are expected to enhance connectivity to secondary cities and emerging destinations. Moreover, major airports across the region—including Singapore Changi, Tokyo Haneda, and Bangkok Suvarnabhumi—are undergoing capacity upgrades to accommodate higher passenger volumes.

The Asia Pacific hotel industry in 2025 is poised for continued recovery, albeit at a more moderate pace compared to the initial rebound phase. While certain markets may experience stabilisation or slight declines, the region's overall outlook remains positive due to sustained travel demand, government initiatives to boost tourism, and robust air-passenger growth, barring any macroeconomic uncertainties or natural disasters. Strategic investments in infrastructure and targeted marketing efforts will be crucial to sustaining this recovery and positioning the APAC region as a leading global tourism hub.

## Middle East and Africa Outlook

*By Hala Matar Choufany, HVS President – HVS Middle East, Africa, and South Asia*



The Middle East is experiencing robust growth in tourism, with many countries seeing a significant rise in international arrivals. The positive momentum observed in 2024 is expected to continue into 2025, driven by the region's diverse tourism offerings, which span both luxury and adventure travel. With the introduction of new air routes and expanded international flight networks, the Middle East is becoming increasingly accessible to travelers from Europe, Asia, and Africa. This enhanced connectivity plays a crucial role in fueling hotel demand, which is influenced by factors such as regional economic growth, tourism trends, geopolitical stability, infrastructure advancements, and shifting traveler preferences.

The Gulf Cooperation Council (GCC)[1] region, in particular, is experiencing substantial and rapid growth in hotel supply, currently offering around 500,000 hotel rooms and projected to expand to 800,000 rooms over the next five years. International visitation surged in 2024, and this trend is expected to continue in the mid-to-long term. Dubai remains the GCC leader in terms of occupancy, while Riyadh's hotel market continues to achieve high ADR, although with somewhat softer occupancy levels. In 2024, Saudi Arabia's regional market posted a higher RevPAR of $230 USD, driven by an ADR increase to $400 USD. In contrast, Qatar and Oman have faced challenges, highlighting the diverse market dynamics across the region, where some markets are thriving and others need to adapt to stay competitive. While demand growth and healthy occupancy levels will persist in the GCC region, we anticipate that ADR will likely stabilize in most markets, with only marginal increases in some.

In Africa, most markets are showing signs of growth, with countries such as Morocco, Egypt, and South Africa experiencing continued improvements. In 2025, Africa's hotel market is expected to continue benefiting from increasing demand, fueled by economic expansion, rising tourism, and urbanization. While regional disparities and challenges remain, the overall outlook is positive. There are significant opportunities in both the luxury and midscale segments, and the growing focus on technology and sustainability will help shape the future of the industry. Navigating challenges such as infrastructure gaps, security concerns, and labor shortages remains vital for future tourism growth across the continent. By the end of 2025, most African countries should return to pre-pandemic tourism levels, with some destinations even surpassing those figures.

## Europe Outlook

*By Charles Human, HVS President – Europe*



RevPAR growth during 2024 averaged around 5% across all of Europe, albeit with regional variations. Growth was predominantly driven by occupancy increases, with some ADR uplifts as well. Once again, performance in Southern Europe stood out, with notable top-line growth in Spain, Greece, and Portugal.

Supply growth across Europe in 2024 was relatively limited, at just under 1%, reflecting the difficult conditions for new construction during the last several years. However, a number of gateway markets have experienced and will continue to experience new openings in the luxury space. This is particularly the case for London. This city accounted for 30% of new luxury European supply in 2024, and the effects are starting to be evident in the performance metrics. Italy is set to be the development hotspot for luxury hotels in 2025, with twelve prominent openings across Rome, Milan, Florence, and Venice. Supply growth outside the luxury sector will remain subdued across Europe.

The pace of transaction activity picked up in 2024, with over €20 billion of hotels changing hands over the course of the year, an increase of more than 50% when compared to 2023. By far the strongest activity was in the UK, where several large portfolio trades were completed. Activity has generally been boosted by improvements in the debt markets, softening cost inflation, the continued relative attractiveness of hotels over many other real estate sectors, and a narrowing of the bid-ask spread.

Although trading performance in Germany has started to pick up, the sluggishness of its economy and reliance on business and convention-related travel has continued to put pressure on hotels, particularly those with lease structures. Recent insolvency announcements for two domestic hotel groups, ACHAT and Lindner, bear witness to this situation.

Fundamentals point to a largely positive outlook for 2025 in Europe. Performance growth is generally expected to moderate this year, particularly at urban luxury hotels where new supply threats are more evident. This is expected to be balanced by reduced debt costs and, hopefully, an easing of geopolitical tensions, all resulting in a compression of cap rates and modestly rising values.

There are some caveats, though, with global economic uncertainty persisting. A number of factors, such as the Trump

administration's planned trade tariffs, may affect growth in the coming year. Within the UK, employer national insurance increases and other measures from the recent Budget statement may negatively affect demand for accommodations and increase the base costs of hotel businesses.

Increased momentum in the investment market is expected to continue. Institutional core funds are predicted to become acquisitive again, having been somewhat inactive for a while, which will improve the liquidity and valuation of leased assets.

## U.S. Outlook

*By Rod Clough, President – Americas*



In terms of the U.S. transaction market, we expect 2025 to end in stark contrast to 2024, with rising hotel values leading to a much more robust year of transaction activity and debt placements. The ever-present buyer-seller gap will persist, but it will likely continue to narrow. Buyers should be able to find increasingly better financing options; however, the cost of debt is unlikely to change significantly, with interest rates likely to remain stable for now. Sellers should continue to come to terms with unavoidable challenges that are restricting values on the expense side and property improvement plan (PIP) costs that buyers have to contend with, as these factors are not likely to subside any time soon.

Many lodging markets experienced a year of plateau in 2024, as occupancy struggled to remain consistent with the 2023 level. Some U.S. markets were the exception, such as Minneapolis, Seattle, and others that lagged the nation in their recovery post-COVID. The absence of Taylor Swift's summer concerts in 2024 was noticeable, and the shift of U.S. travelers to international destinations for their longer vacations did not help matters. Inbound travel (particularly from Asia) did not strengthen fast enough to make up for the loss of domestic travel; however, we expect some improvement in 2025. More state-side leisure travel is likely to return, corporate transient travel should remain on an upward trajectory as the return-to-office trend continues, and the outlook for group demand is positive. Overall, we remain optimistic that 2025 hotel metrics will improve from 2024 levels, even if just slightly.

Labor costs have risen significantly in this post-pandemic operating environment, and keeping turnover low requires more significant investment in payroll and the overall benefits package. Additionally, insurance costs remain an important factor, particularly in coastal areas that are affected by hurricanes and in fire-prone regions. We continue to see a wide range of profitability, and now is the time for owners to move on from management companies that have not been able to achieve appropriate returns from their assets since the pandemic (even given these unavoidable cost factors). Smart buyers also contract with separate, specialist firms to manage insurance costs and property tax assessments. Moreover, if a buyer can cluster a hotel with another owned property nearby, certain positions can be shared across the properties, thus reducing the cost burden on both hotels to create elevated GOP.

Lastly, renovations that have been delayed because of the pandemic are now coming due, and these are expensive. The

rate pops that can be achieved post-renovation typically more than justify the elevated PIP costs that many of these hotels require in the year or two following the closing. Despite the ADR upside, any property that has opened since the onset of COVID and does not require these renovations will be a more attractive purchase in 2025.

## About the Authors



Hok Yean Chee is the Regional President of HVS Asia Pacific. She has 30 years of experience in more than 30 markets across 19 countries in Asia Pacific, providing real estate investment advisory services for a wide spectrum of property assets. Her forte lies in providing investment advisory on hotels and serviced apartments including brokerage, strategic analyses, operator search, market feasibility studies, valuations and litigation support. For further information, please contact Hok at [email protected].



Hala Matar Choufany is the President for HVS Middle East, Africa & South Asia and Managing Partner of HVS Dubai.Hala is an experienced Managing Partner and Hospitality Advisor with a demonstrated history of working in the hospitality industry. Skilled in Contract Negotiation, Feasibility Studies, Development Recommendation, Valuation, Asset Management, and Strategic Advisory; she has advised on more than 2,500 hospitality and mixed-use projects in the last 15 years across Europe, MEA and Asia. Hala has in-depth expertise in regional hotel markets and a broad exposure to international markets and maintains excellent contacts with developers, owners, operators, investment institutions and government entities. Hala speaks frequently at investment conferences on a range of topics, including asset valuation, management issues, and female leadership. For more information, contact Hala at [email protected].

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Charles Human is President of HVS Europe and managing director of the HVS's brokerage arm, HVS Hodges Ward Elliott. A qualified Chartered Surveyor, he has worked throughout his career in the real estate industry, specialising during the last 26 years in the hotel sector with HVS. Having worked on projects throughout Europe, Asia and the Middle East, he has a unique knowledge of global hotel markets and hotel concepts. He has led HVS's activities in the sale, acquisition, and financing of hotels, portfolios and development projects. Charles is a Member of the Royal Institution of Chartered Surveyors. For more information, contact Charles at [email protected].



Rod Clough is the President of HVS Americas. He is responsible for the overall direction, management, and ongoing success of 40+ offices across North and Latin America. Under his leadership, HVS Americas conducts over 3,500 valuation and consulting engagements annually. During his 30-year tenure, Rod has been instrumental in leading the growth of the firm; this includes significantly expanding the number of offices across the United States, as well as launching multiple divisions, including U.S. Hotel Appraisals, HVS Latin America, HVS Brokerage & Advisory, and HVS Asset Management & Advisory. A frequent speaker at the nation's largest hotel conferences, Rod is a designated member of the Appraisal Institute (MAI) and a state-certified appraiser. He earned his BS from Cornell University's School of Hotel Administration and also holds a Colorado real estate broker's license. Furthermore, Rod is proudly Latino and gay, and his firm is welcoming of all races and colors, sexual orientations, ages, genders, and gender identities. Once associates join HVS, they tend to stay due to the extraordinary culture Rod has inspired—a culture defined by the ideals of balance, connectivity, efficiency, collaboration, honesty, integrity, kindness, and excellence, among others. Rod resides in Northern Colorado where he and his husband Jeff are raising their daughter, Rory. Contact Rod at (214) 629-1136 or [email protected].

[1] The Gulf Cooperation Council (also known as the Cooperation Council for the Arab States of the Gulf) comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.