HVS

MARKET REPORT

The New Economics of Hospitality: ESG, AI, And Value Creation in The MEA Region

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The MEA hospitality sector is shifting toward diversified, leisure-led, and ESG-driven investments. AI and digital tools enhance forecasting, asset management, and valuation, but human expertise remains crucial. Sustainability is now integral in design, operations, and governance. Success hinges on adaptive, experience-focused offerings, stakeholder collaboration, and leadership that balances analytics with empathy to drive profitable, purposeful, and resilient growth.

Hospitality Investment Outlook

The Middle East and Africa remain among the most dynamic frontiers for hospitality investment. Three trends stand out. First, diversification of economies- particularly in the Gulf, has positioned tourism as a strategic growth engine. Governments are deploying sovereign funds to anchor mega-developments that will redefine destinations. Second, leisure-led mixed-use projects are gaining momentum. Investors are prioritizing integrated resorts, branded residences, and lifestyle experiences that extend revenue streams beyond room sales. Third, capital discipline is sharper than ever. Investors are scrutinising feasibility with a global lens, comparing risk-adjusted returns across asset classes. This reflects a wider global trend: capital is flowing toward projects that demonstrate resilience, scalability, and alignment with long-term ESG priorities. The common denominator is value creation through differentiation, whether cultural authenticity, wellness, or immersive experiences that positions hotels as anchors of broader destination ecosystems.

AI, Digitalisation & Hotel Valuation Models

Technology is no longer just an enabler; it is a strategic driver of hospitality investments. But its true value emerges only when paired with experienced advisory insight. At HVS, we see AI reshaping three domains, always through the lens of expertise and judgment.

In feasibility and forecasting, machine-learning models process vast datasets, but it takes an advisor to interpret assumptions and translate outputs into actionable strategies. In asset management, digital twins and IoT optimize energy and staffing, yet consultants align these efficiencies with market positioning and long-term value. In valuation, real-time RevPAR and sentiment analysis enhance accuracy, but human perspective ensures context while considering market

cycles, regulations, and competitive dynamics that AI alone cannot capture.

The future is clear: investors who combine digital tools with seasoned advisory expertise will unlock both efficiency and resilience.

Sustainability & ESG Imperatives

ESG is no longer optional, it is a prerequisite for capital allocation. In our advisory work, we see three practical applications. First, design and construction: developers are integrating LEED and WELL standards from day one, not as an afterthought. Passive cooling, smart façades, and renewable energy integration are now embedded in feasibility studies. Second, operations: hotels are adopting water-saving technologies, waste-to-energy solutions, and AI-driven building management systems to lower operating costs while meeting stakeholder expectations. Third, governance and reporting: investors increasingly demand measurable ESG outcomes tied to financial performance.

Best practices include embedding sustainability KPIs into operator agreements and ensuring accountability is shared between owners and brands. For example, we advised a Gulf-based resort project that achieved a 25% reduction in energy intensity by aligning design, procurement, and operator incentives around ESG goals. The industry's future competitiveness will hinge on such integrated approaches, where sustainability is a value driver rather than a compliance cost.

Evolving Market Dynamics & Consumer Behaviour

Hospitality demand has fundamentally shifted. Post-pandemic recovery has been uneven, but certain patterns are clear. Younger travellers, especially Gen Z and millennials, are driving growth with preferences for authentic, tech-enabled, and sustainable experiences. They value flexibility, communal spaces, and wellness-oriented amenities over traditional luxury markers.

For owners and operators, the implication is twofold. Development pipelines must prioritise adaptive products: lifestyle brands, serviced apartments, and hybrid concepts that blend work, leisure, and community. At the same time, existing assets must be repositioned by reimagining F&B spaces, investing in digital guest interfaces, and embedding wellness and sustainability at the core of the brand promise.

We also see a growing emphasis on the "experience economy." Hotels are no longer just accommodation providers but cultural hubs. The winning formula will be personalisation powered by technology, coupled with genuine storytelling rooted in local culture. Investors who recognise this behavioural shift will capture outsized value.

Your Leadership Journey & Vision for Hospitality's Future

My leadership journey at HVS has been anchored by one principle: trust is the currency of advisory. Numbers and data are essential, but what truly matters is the ability to translate those insights into strategies that align with a client's ambitions. Whether advising sovereign wealth funds, family offices, or global hotel brands, I have found that credibility is built on

context and on understanding not only the investment but also the people, priorities, and long-term vision behind it. Balancing analytical rigor with empathy has been central to earning the confidence that sustains lasting relationships.

Over the years, I have also learned that leadership is as much about navigating change as it is about providing direction. The hospitality industry is constantly shaped by forces beyond our control, from economic cycles, geopolitical shifts, to global crises, and now, the accelerating pace of technological disruption. Adaptability has therefore been my first guiding lesson: the willingness to challenge assumptions, rethink business models, and embrace innovation even when the path forward is uncertain.

The second lesson is collaboration. Hospitality is not an isolated business; it is an ecosystem where success depends on alignment across multiple stakeholders including owners, operators, governments, financiers, and communities. True leadership lies in bringing these voices together, balancing sometimes competing objectives, and creating a common platform for sustainable growth. I have seen firsthand how projects succeed when all stakeholders feel ownership of the outcome, and how they falter when collaboration is absent.

Looking ahead, I believe the hospitality sector is entering one of its most transformative decades. In this landscape, HVS's role is to be more than an advisor, we are a trusted partner in transformation. Our mission is to help investors de-risk decisions by applying deep local insights and global benchmarks; to guide brands in repositioning assets for a new generation of travellers; and to support governments in shaping tourism strategies that create destinations that are globally competitive, inclusive of communities, and resilient to change.

The vision is clear: hospitality must evolve into an industry that is not only profitable but also purposeful. It must be a driver of economic diversification, a platform for cultural exchange, and a steward of environmental resources.

At HVS, we see our purpose as helping to build that future, one project, one relationship, and one destination at a time.

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