

Intelligent Investment

# 2024 European Hotel Investor Intentions Survey

REPORT

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CBRE RESEARCH  
APRIL 2024

CBRE



# Foreword

CBRE's 2024 Hotel Investor Intentions Survey, conducted between January and February 2024 at a global level, delved into the investment appetite of hotel investors around the globe and enquired about their preferred strategies and markets for 2024. It was a fascinating study that yielded interesting points of comparison and contrast.

This report focuses on the sentiment of Europe-based respondents. The overall findings indicate that European hotel investors appear bullish for the year ahead: our survey reveals that a majority of respondents plan either to maintain or to bolster their investment allocations in hotel real estate during 2024.

Our last Hotel Investor Intentions Survey for Europe was conducted in 2018. Since then, we have observed a growth in the desirability of certain markets. While the UK was previously the leading investment destination, our current survey reveals that Spain has now taken over this position. In fact, in Spain, hotels actually emerged as the leading real estate asset class by volume traded in 2023. The increasing interest in Spain is also reflected at a city level. While London retains its traditional top spot, Madrid has overtaken Paris for the second position in our 2024 survey.

In the dynamic European market, investors see opportunities for professionalisation across the spectrum, such as branding, distribution, asset management, and other areas. For this reason, value-add strategies prevail.

Earlier studies by our Research team have highlighted the attractive demand/supply dynamic for European hotels and, while investors still sound notes of caution, our survey indicates that they are developing stronger conviction around the sector.



**Kenneth Hatton**  
Head of Hotels, Europe

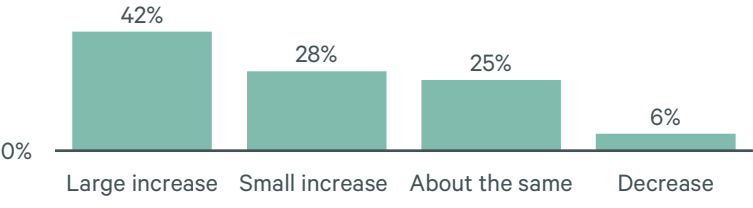


**Tasos Vezyridis**  
Head of Thought Leadership for Europe

# 2024 European Hotel Investor Intentions Survey Highlights

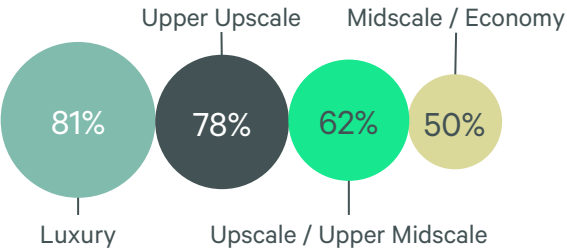
## Investor buying intentions

Over 40% of respondents intend to significantly increase in hotel investments in 2024



## Most preferred hotel chain scales

Respondents favour luxury and upper upscale as the most attractive or somewhat attractive investments



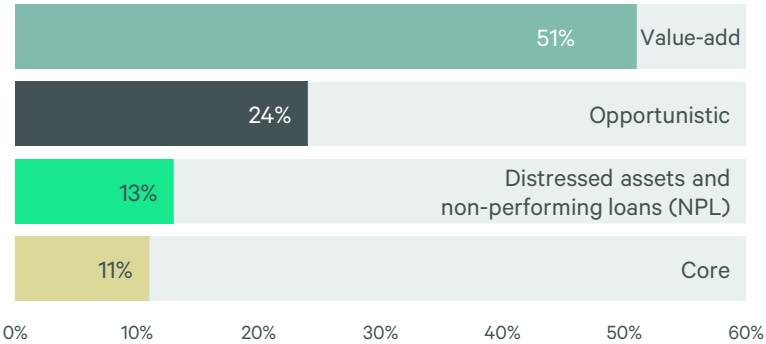
## Most attractive by service offering



Source: 2024 European Hotel Investor Intentions Survey, CBRE Research

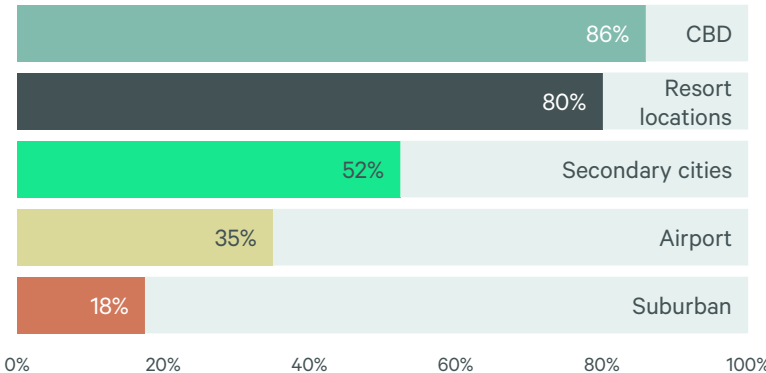
## Most preferred investment strategy

Value-add and opportunistic strategies are top of mind for investors



## Most preferred locations

Over 80% of respondents perceive CBD as the most attractive investment location



## Markets expected to see highest investment interest

- 1. London
- 2. Madrid
- 3. Paris
- 4. Rome
- 5. Amsterdam
- 6. Barcelona
- 7. Dublin
- 8. Milan
- 9. Athens
- 10. Berlin

### Legend

● Top 10 preferred cities





## Other key findings

### 01

Investors are confident about investing in hotel assets, with over 90% of respondents expecting to maintain or increase hotel investments in 2024. Due to their resilient trading performance, hotels are expected to have a smaller discount to Q1 2022 pricing than other real estate sectors.

### 02

More than any other single issue, the cost of capital stands out as the foremost challenge for hotel investors in 2024. This is primarily driven by interest rates, which have risen to counter inflation. Labour costs, another inflationary concern, rank as the second most significant issue. In Europe, more than in other regions, geopolitics is perceived as a factor that will influence investing, with over 80% of respondents acknowledging it is at least somewhat of a challenge.

### 03

Value-add strategies dominate, with re-positioning opportunities being most in demand. This is reflected in the demand for unaffiliated hotels, with vacant possession being at the forefront of 36% of respondents' intentions. Among European investors, soft brands are preferred to hard brands, and full-service is still in vogue.

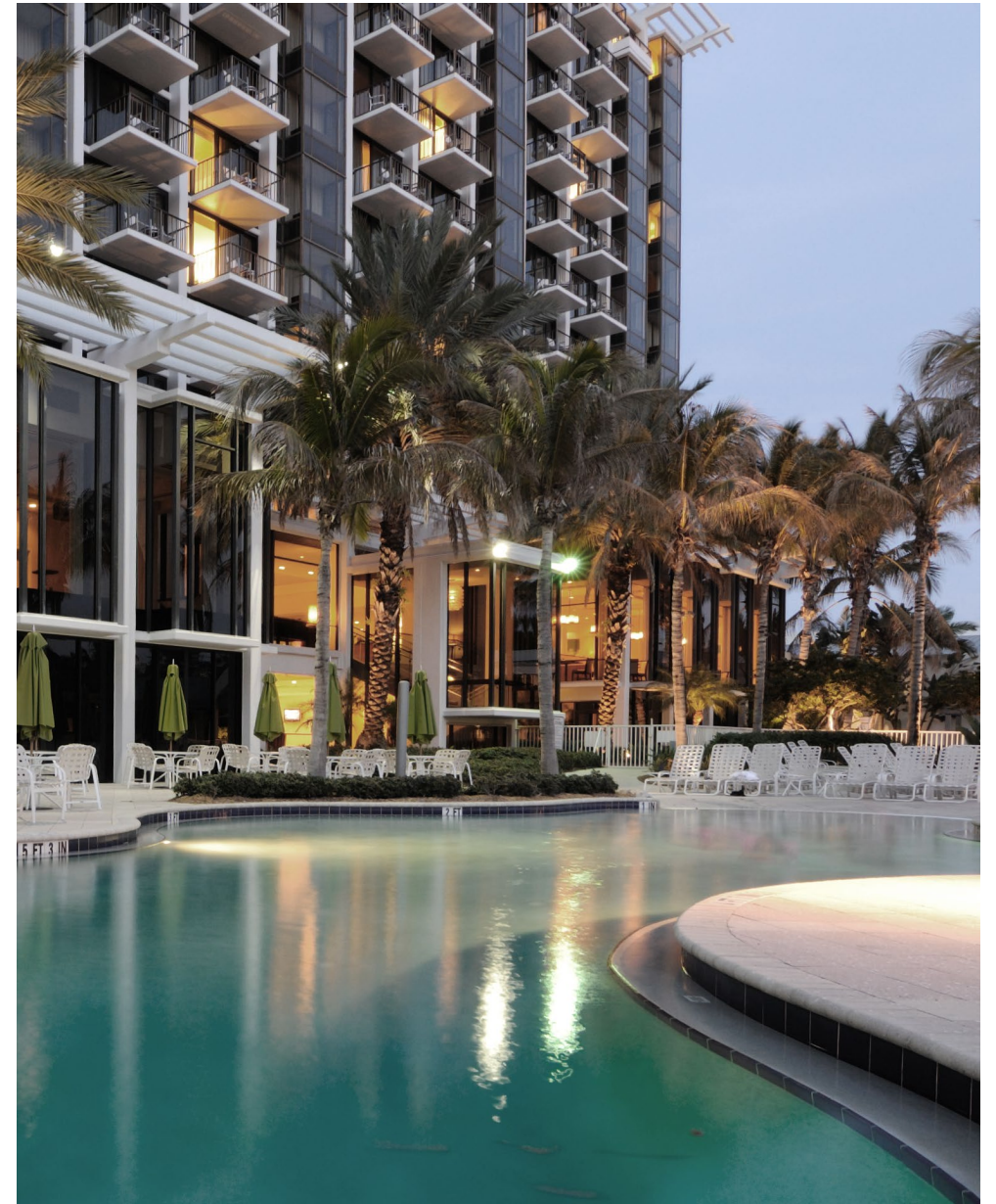
### 04

Although demand for resorts is still strong, hotels located in central business districts (CBD) now lead in terms of popularity. Gateway cities continue to dominate as the preferred city destinations. London retained its top spot, while Madrid has increased in popularity. Despite the notable supply of luxury product on the way in Rome, it remains a firm favourite. Athens has entered the top 10, serving as evidence of Greece's strong positioning in the market over the past five years.



# Contents

- 01 **Investor Sentiment**
- 02 **Real Estate Strategies**
- 03 **Investment Destinations**
- 04 **Respondent Profile**



01

# Investor Sentiment

# Optimism prevails: Over 90% of investors plan to maintain or increase capital allocation to hotels in 2024

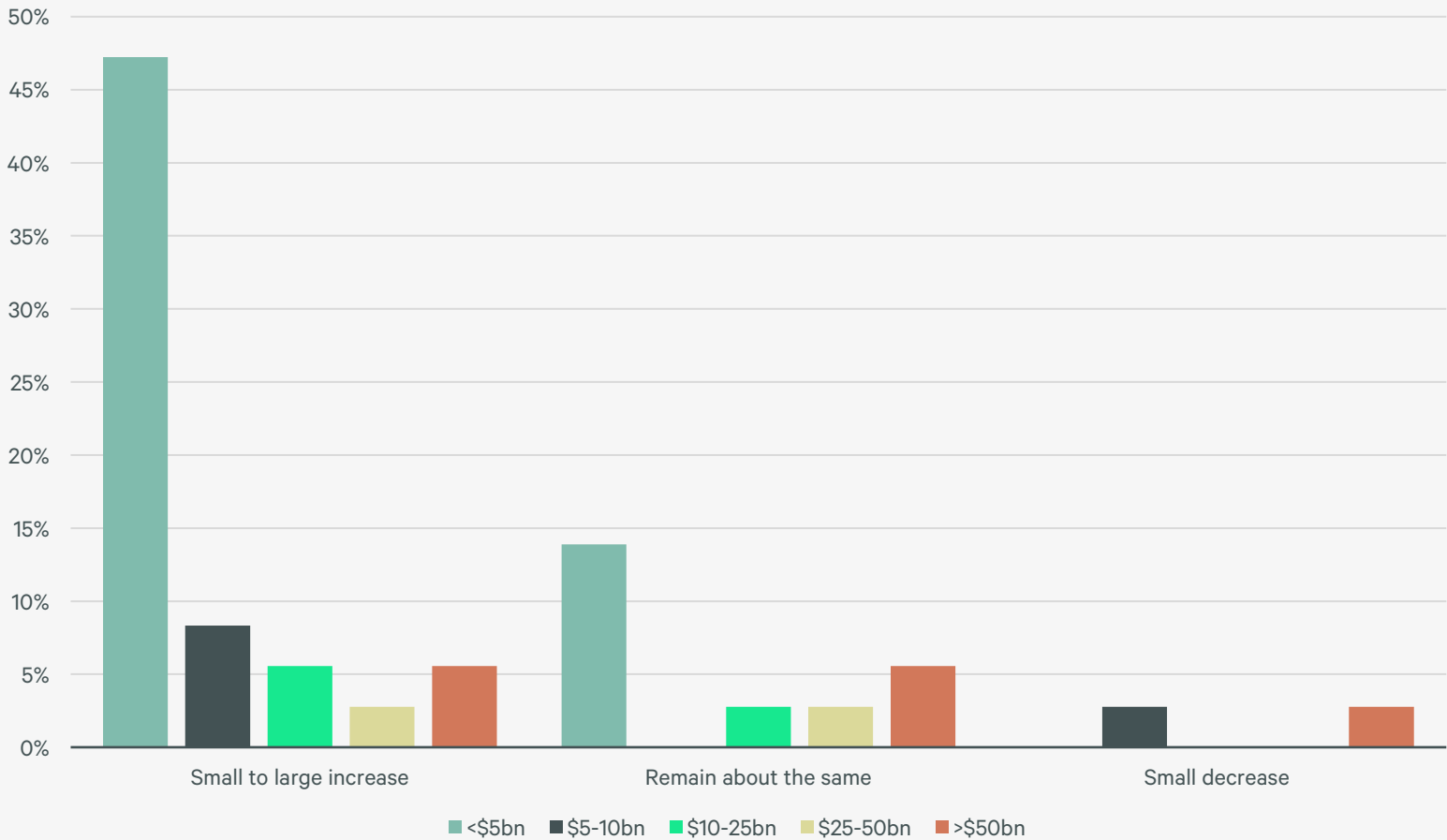
Over 90% of respondents expressed an intention either to maintain or increase their capital investment in the hotel sector during 2024. This underscores a strong investor confidence in the sector’s potential opportunities moving forward.

The smallest firms – with <\$5bn in AUM – expect to be the most active, with over half expecting to increase their investment activity, while only 10% of the largest firms – with AUM >\$50bn – are planning to do the same.

One key driver behind this optimism is the robust operating performance exhibited by the hotel industry despite facing various challenges. Hotel owners have also responded quickly by implementing cost-saving measures, optimising operations, and diversifying revenue streams to adapt to the changing landscape.

The notable improvement of the hotel industry is also linked to the broader expansion of the tourism and travel sector. Furthermore, leisure travellers are exploring new destinations and experiences, further fuelling growth and investor appetite in the sector across Europe.

Figure 1: Hotel acquisition activity expectations in 2024 by investors’ AUM



Source: 2024 European Hotel Investor Intentions Survey, CBRE Research



# Hotel developers, owners, and operators expected to be most active

Investor sentiment towards hotel real estate remains resilient, with developers, hotel owners, operators, and private investors showing keen interest. Private investors demonstrate a higher risk appetite and are more inclined towards implementing value-add strategies, contributing to a diverse risk appetite among respondents.

28% of respondents cite pricing adjustment as the primary driver for increased investment allocation in hotel assets in 2024. This suggests a perceived establishment of a price floor, supported by 21% of respondents expressing optimism regarding total return prospects.

Furthermore, 16% of respondents view distressed opportunities as compelling reasons for increasing allocation to hotel assets, driven by some hotel owners facing higher re-financing costs and opting to divest for immediate cash flow.

While expectations of decreasing debt costs are less prominent at 9%, it is promising that certain investors remain committed to deploying capital towards hotel assets.

Figure 2: Type of investors expressing interests to allocate capital to hotel investment in 2024

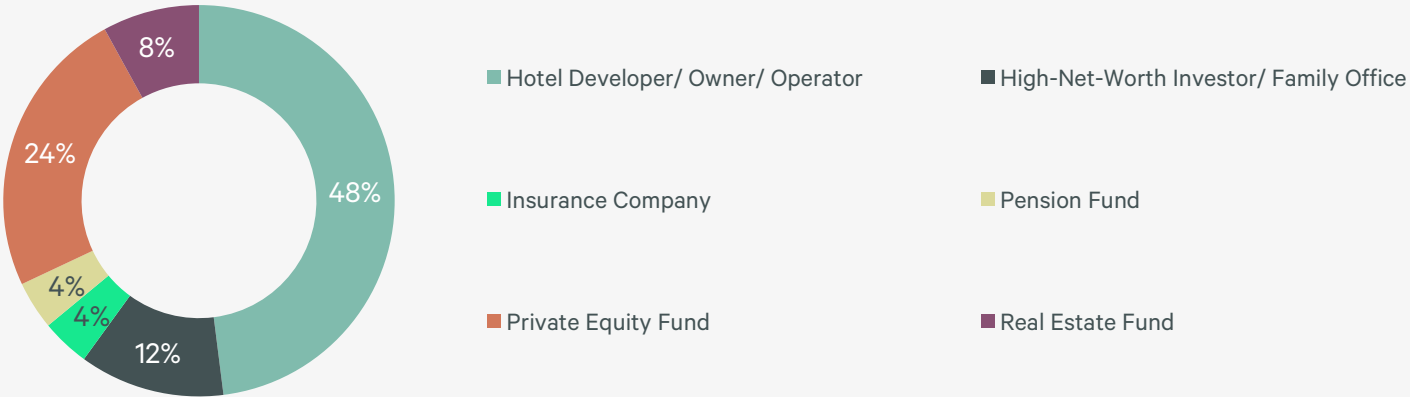
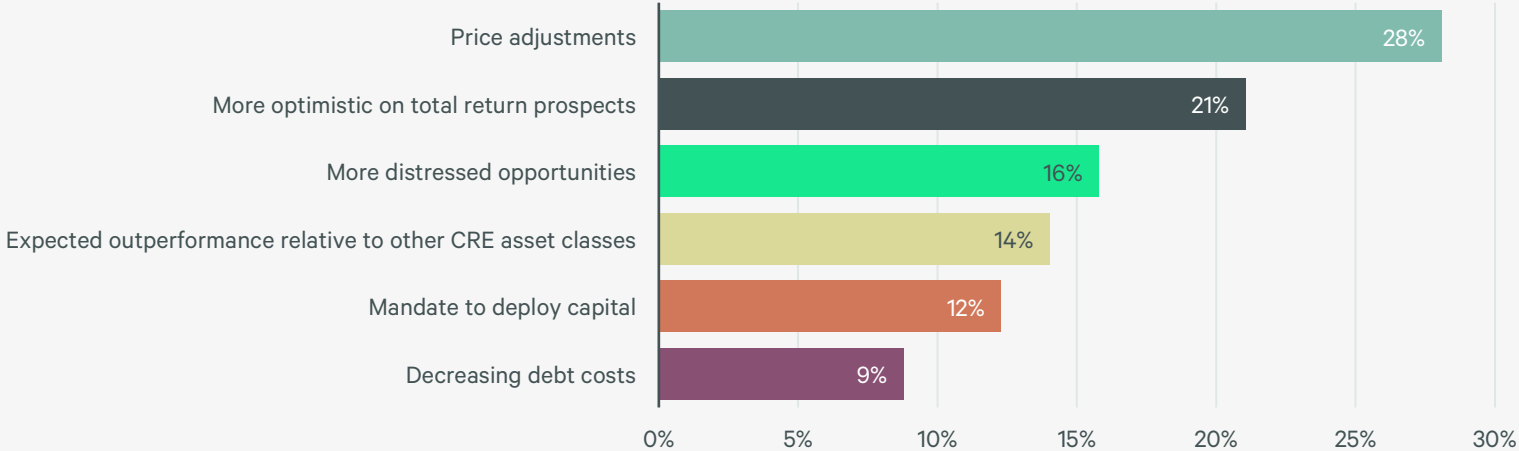


Figure 3: Reasons to increase allocation of hotel assets in 2024



Source: 2024 European Hotel Investor Intentions Survey, CBRE Research



# The primary concern for investors in 2024: the cost of capital

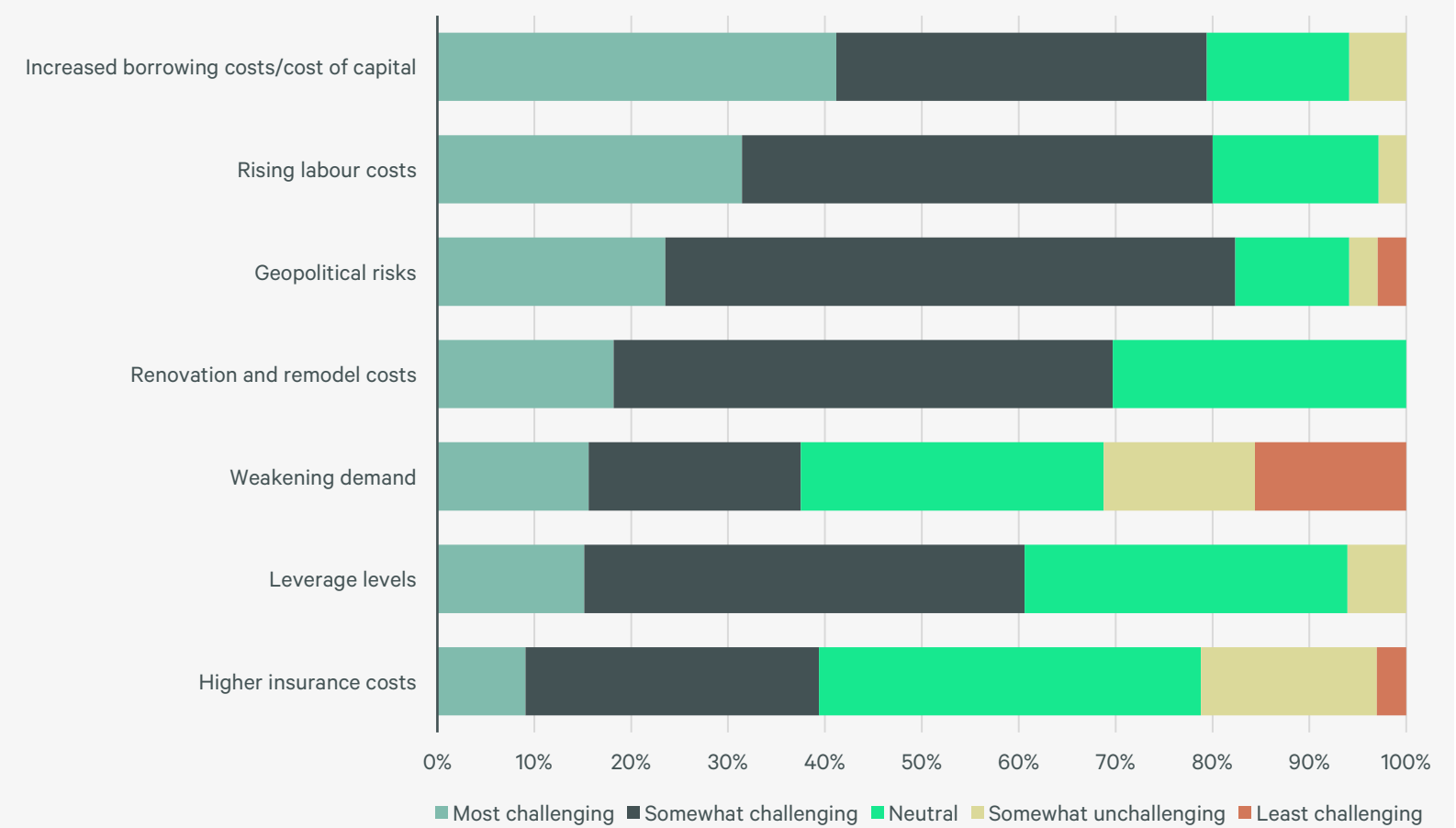
Respondents to our 2024 survey identified increased borrowing costs and the rising cost of capital as their primary challenges, with 41% considering them the most challenging. There is also concern about the continuation, despite wider disinflation, of rising labour costs.

And still on an inflationary theme, the elevation in the cost of doing renovations continues to be an important factor, with almost 70% citing it as being somewhat challenging.

On the other hand, a majority of respondents did not perceive weakening demand as a significant concern for 2024. This confidence in demand appears well supported by industry forecasts, driven by factors such as continued tourism growth and constrained supply due to declining development pipelines in key tourism markets.

However, geopolitical events remain a cause for concern among investors across Europe. These events can significantly affect the fundamental demand drivers behind hotel operating performance. The trend for travellers to prioritise safety and stability over other factors may lead to shifts in travel patterns, emphasising the need for risk management strategies in the hotel investment landscape.

Figure 4: Major challenges facing real estate investment in 2024



Source: 2024 European Hotel Investor Intentions Survey, CBRE Research

02

# Real Estate Strategies

# Material value-add opportunities still perceived in European hotels; CBD back in vogue

Investors still see opportunity to add meaningful value across the European hotel estate, with over half of the respondents indicating their pursuit of value-add returns from their investments. This proportion notably exceeds the average seen across other real estate sectors, which hovers close to 30%.

While CBD areas were initially less favoured in the immediate aftermath of the pandemic, and leisure and resort assets appeared to be in highest demand, investors now recognise the long-term demand fundamentals of Europe’s gateway cities, with approximately 86% of respondents viewing them as attractive investment prospects.

Resorts continue to enjoy the resurgence in interest that followed the pandemic, with over 80% of investors identifying them as an attractive segment. We believe that the experience of investors during the recent period of high inflation may have raised awareness of the historical resilience of resorts to inflationary pressures. In addition, the onward march of leisure demand and the relative dearth of new supply (caused in large part due to inflation in the cost of construction) suggest strong prospects for well-located resort properties. The continued interest in this space makes clear that it has been transformed in the eyes of investors, who appear to have greater confidence that the resort segment can prove less volatile than historically perceived.

Figure 5: Preferred investment strategy in 2024

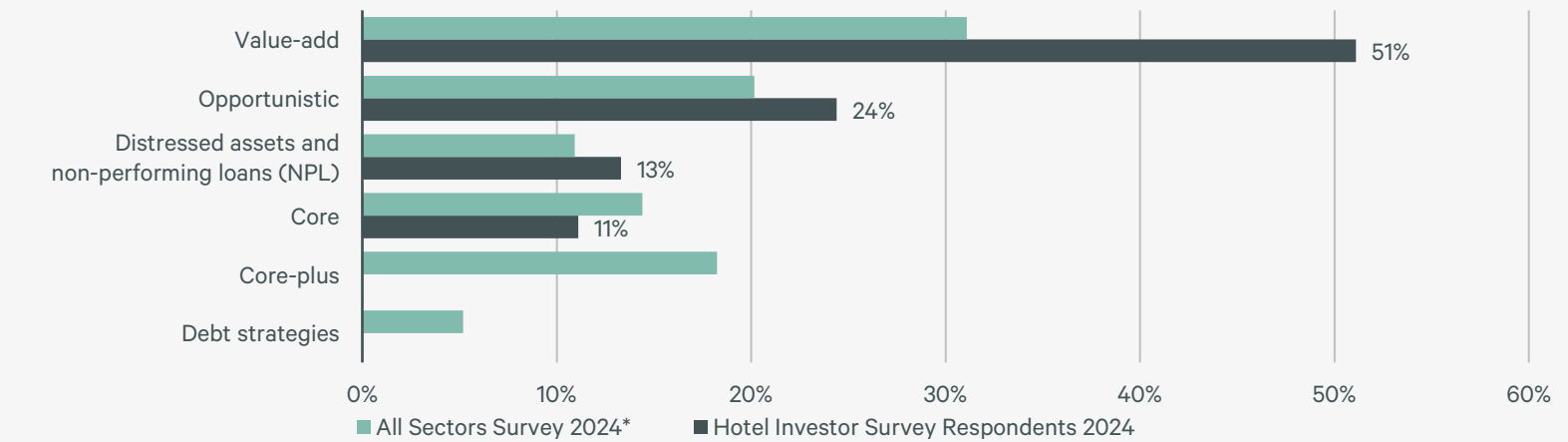
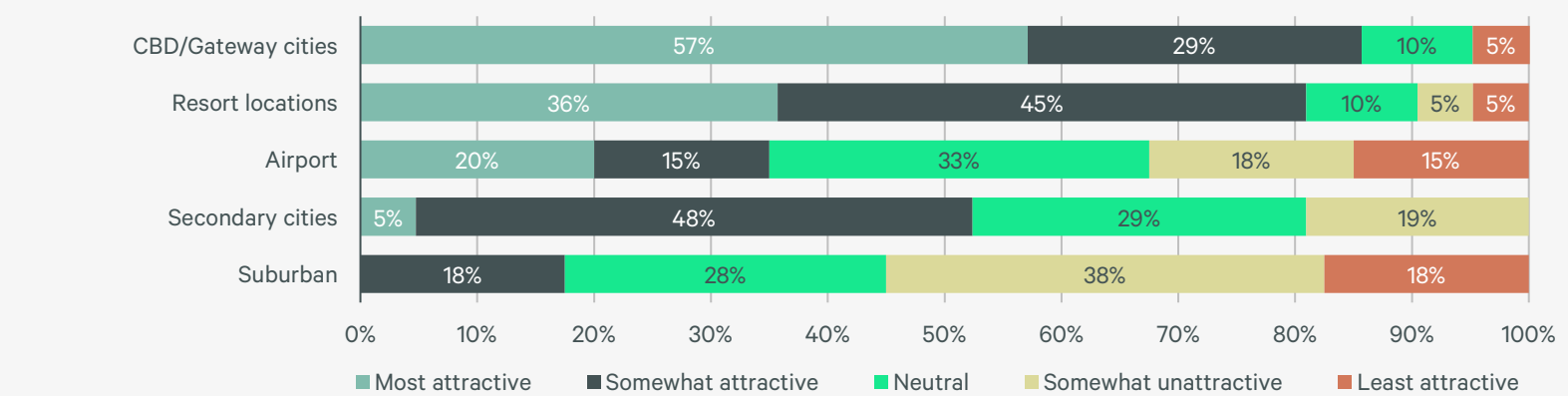


Figure 6: Most preferred and attractive locations



Source: 2024 European Hotel Investor Intentions Survey, CBRE Research

\*Based on 2024 European Investor Intentions Survey which also include the preferred investment strategies of core-plus and debt strategies

# Investors seek non-affiliation for repositioning potential

Consistent with the thesis around value-add, the survey revealed a notable preference among respondents for vacant-possession structures, favoured by 36% of respondents. Following closely were independent hotels. We believe that much of the appeal lies in the greater flexibility to adjust positioning without the constraints of agreements with a tenant or brand (whether manager or franchisor).

An interesting distinction emerges between how the soft brands and the hard brands of the global players are perceived. Respondents were nearly four times more likely to seek a soft brand affiliation, suggesting a perception that the soft-branded options offer investors with greater flexibility to pursue their strategies. Notably, in Europe, only 6% seek affiliation with a hard global brand, in stark contrast to the U.S., where a majority (55%) expressed this preference.

Unsurprisingly, in a market where investors believe in value-add opportunities, interest in lease agreements is waning, with only 8% of respondents expressing an interest. As the European hotel market continues to professionalise, we expect a further reduction in the prevalence of leases over time.

Interestingly, a majority of respondents (63%) indicated a preference for full-service hotels, with limited-service significantly trailing at 17%, and extended stay selected by only 6%. The latter surprises us, though perhaps the stabilisation of hotel room rate growth and the reduction in the average length of stay in extended stay hotels appear to be affecting sentiment toward this segment from certain quarters.

Figure 7: Hotel acquisition intentions with respect to operating structures

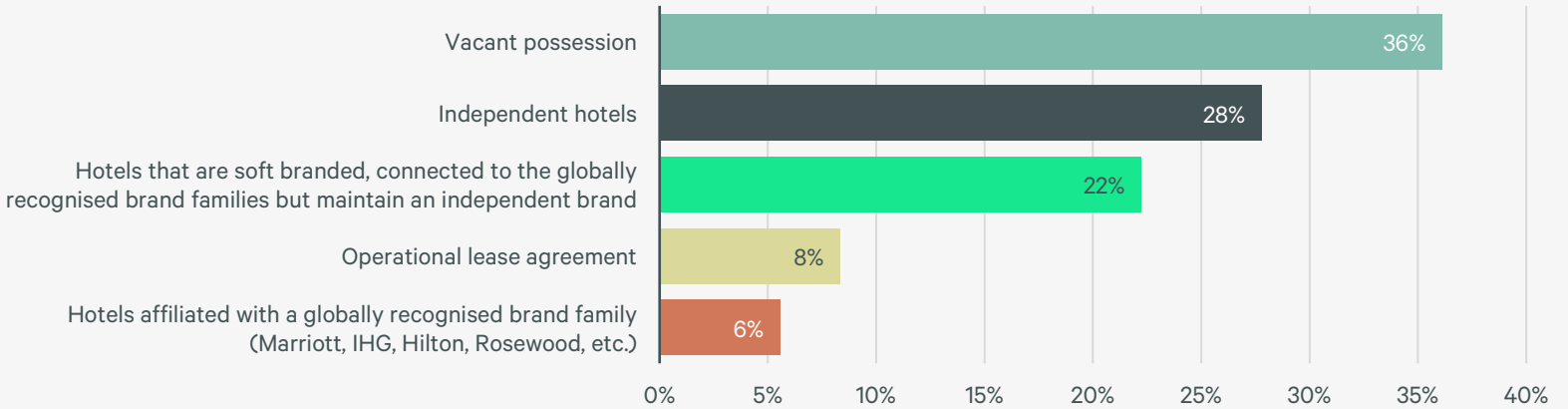
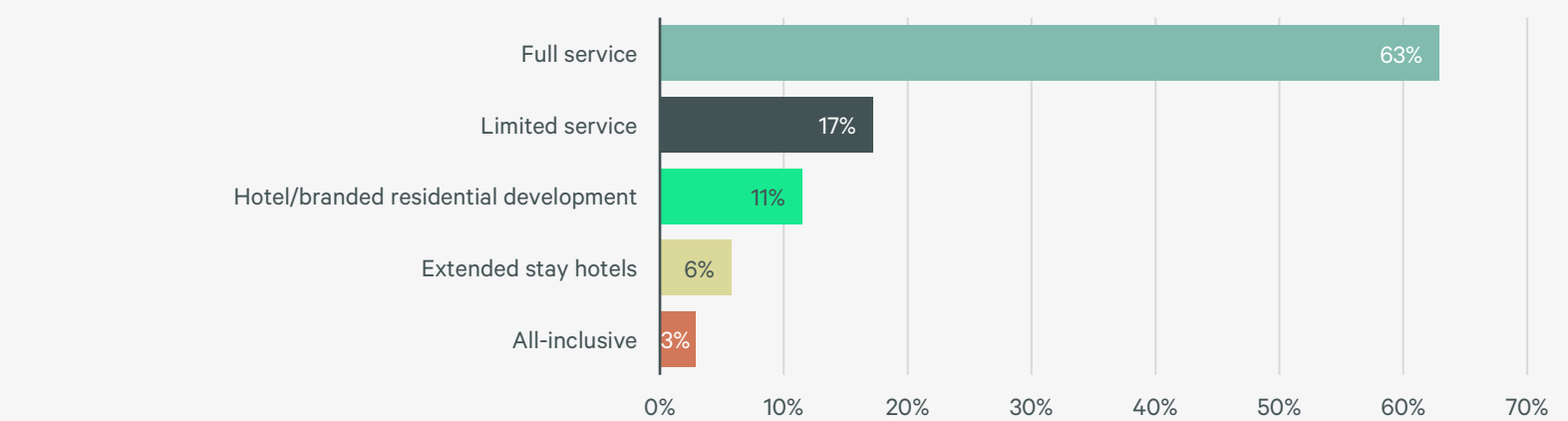


Figure 8: Hotel acquisition/development intentions with respect to service offerings



Source: 2024 European Hotel Investor Intentions Survey, CBRE Research



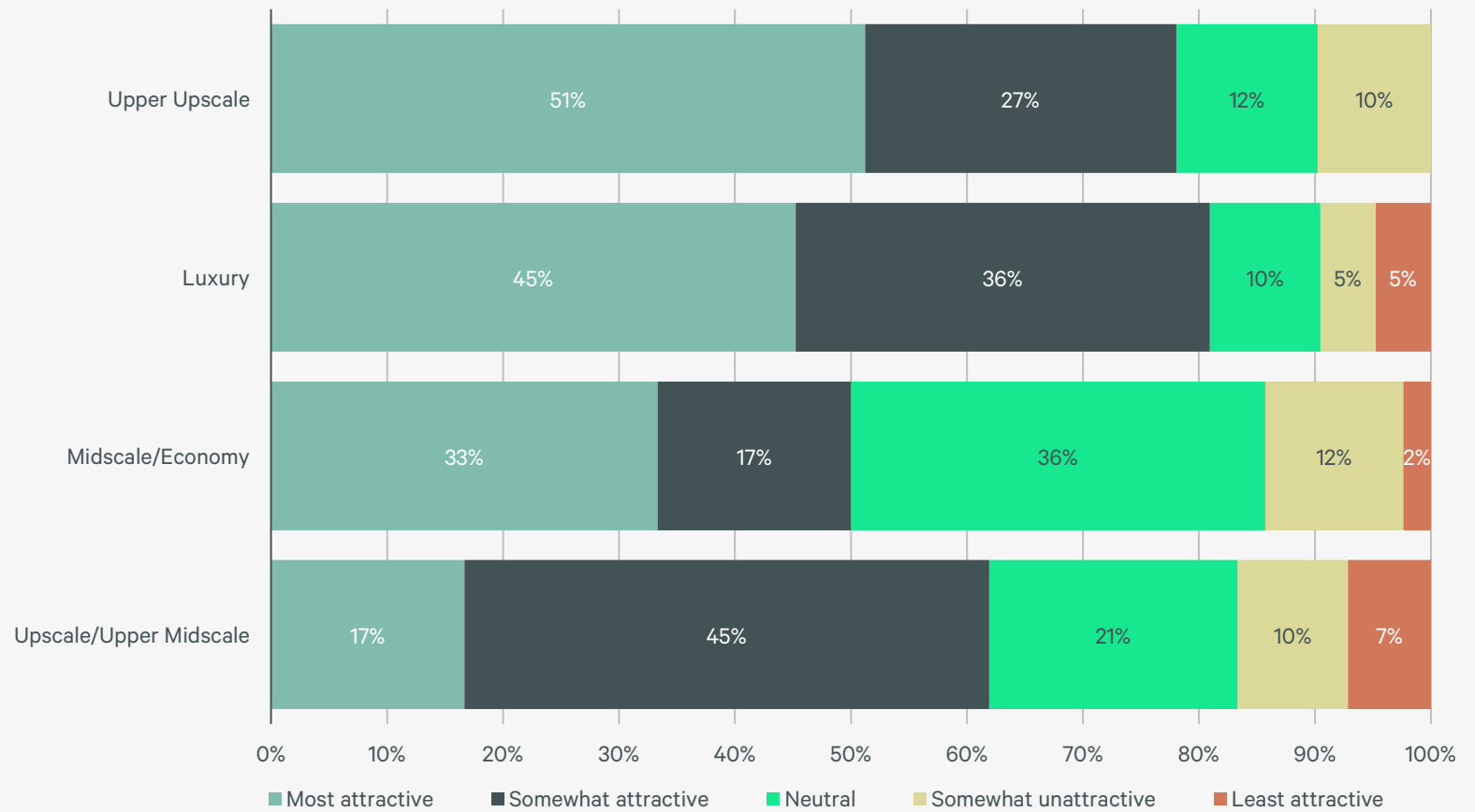
# Most investors seek luxury and upper upscale hotels for acquisition

The survey findings underscored a clear preference among respondents for luxury and upper upscale hotel segments, with 45% and 51% respectively considering them the most attractive. The inclination towards luxury hotels is supported by the robust operating performance of these establishments in key European markets post-pandemic. Not only have luxury hotels rebounded swiftly, but they have also outperformed the overall market, buoyed by strong pent-up demand.

Moreover, luxury hotels have demonstrated resilience in the face of high inflation rates. Similar to previous periods of inflation, the luxury segment has thrived, effectively positioning itself as a hedge against inflation. In addition to their attraction to segments that service the leisure traveller, investors are recognising the benefits of this hedging attribute.

Despite the strong rebound of the economy segment post-pandemic, it is somewhat surprising that 50% of respondents are either neutral or unattracted towards the midscale/economy segment.

Figure 9: Hotel acquisition intentions with respect to chain and price scale



Source: 2024 European Hotel Investor Intentions Survey, CBRE Research

# Values of hotels expected to be more resilient than other real estate asset classes

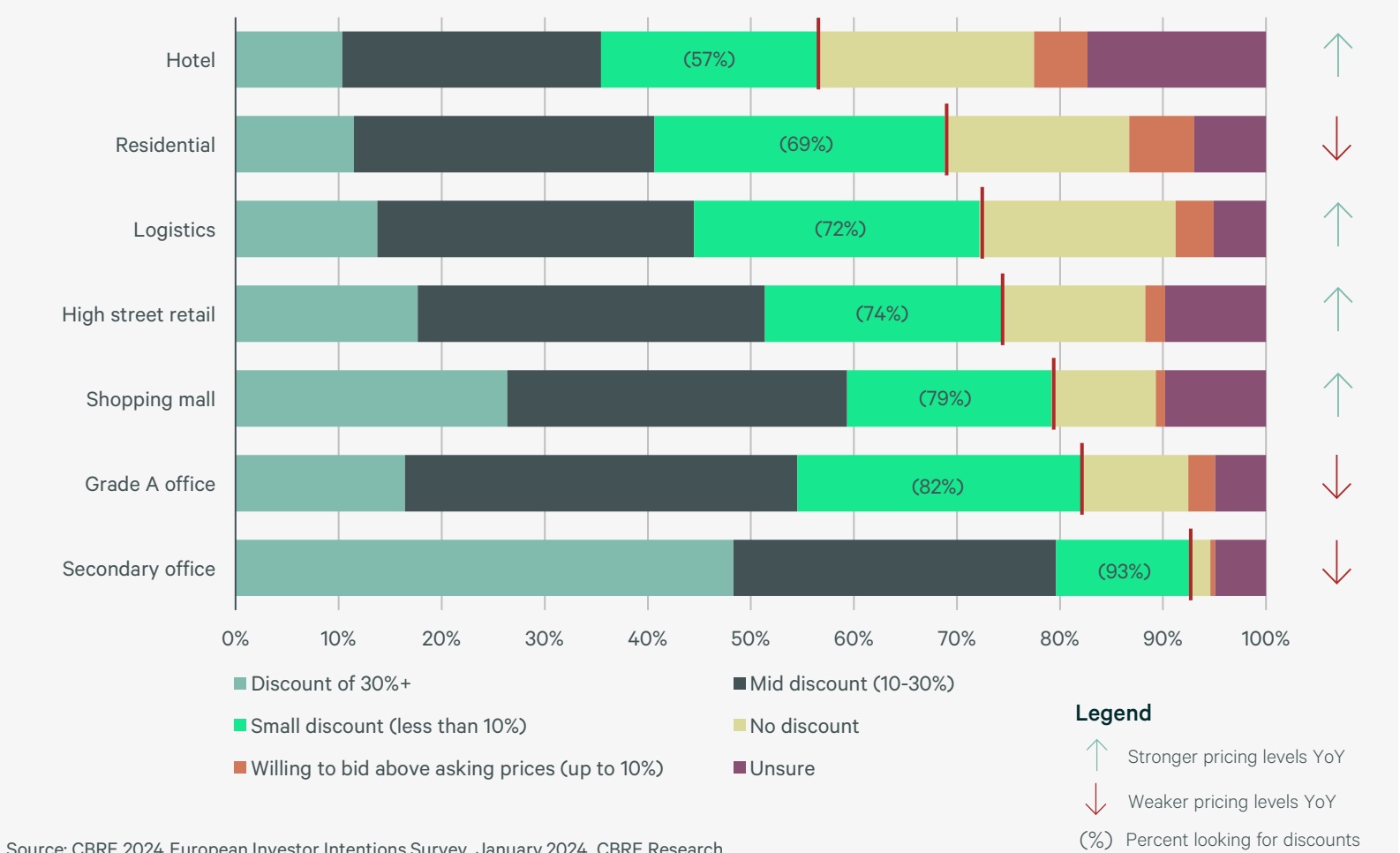
In CBRE’s pan-sector [2024 European Investor Intentions Survey](#) published in January 2024, we gauged the expectations of investors across all major real estate asset classes on how they expected values in the various sectors to compared to the peak of Q1 2022.

Some other sectors have faced more challenging headwinds. For example, nearly half of all respondents in the pan-sector survey expect a drop in value of at least 30% for secondary offices.

However, hotels, buoyed by continued strong performance post-pandemic and the outlook of sustained robust travel demand, coupled with constrained supply, emerges as the sector expected to experience the least impact on values. The survey revealed that 43% of respondents do not anticipate any discount at all, with 64% expecting either no discount or a reduction of no more than 10%.

Investors perceive this as a real coming-of-age period for hotels, elevating the sector to a more institutional-class status than ever before. Interestingly, our European Investor Intentions Survey also revealed that hotels now rank equal to retail (each at 7%) in terms of sector preference. Nonetheless, both sectors still trail significantly behind industrial and logistics (34%) and residential (28%).

Figure 10: Pricing expectations in 2024 compared to the peak in Q1 2022



Source: CBRE 2024 European Investor Intentions Survey, January 2024, CBRE Research

03

# Investment Destinations

# At the country level, Spain and the UK are most in demand

Spain, the UK, and Italy have emerged as the leading investment destinations for hotels in 2024. This survey question, which focused on expectations for future fundamental performance at the country level, has provided insights into significant trends.

Spain, in particular, has experienced a surge in investor interest, marking a significant shift since our 2018 European Hotel Investor Intentions Survey. The country’s hotel investments reached a significant milestone in 2023, recording a total transaction volume of €4.1 billion. This figure accounted for 36% of the total commercial real estate volume in Spain and 28% of total hotel investment volume in Europe last year. Demand for Spanish hotels remains strong into 2024, claiming the top spot in our survey.

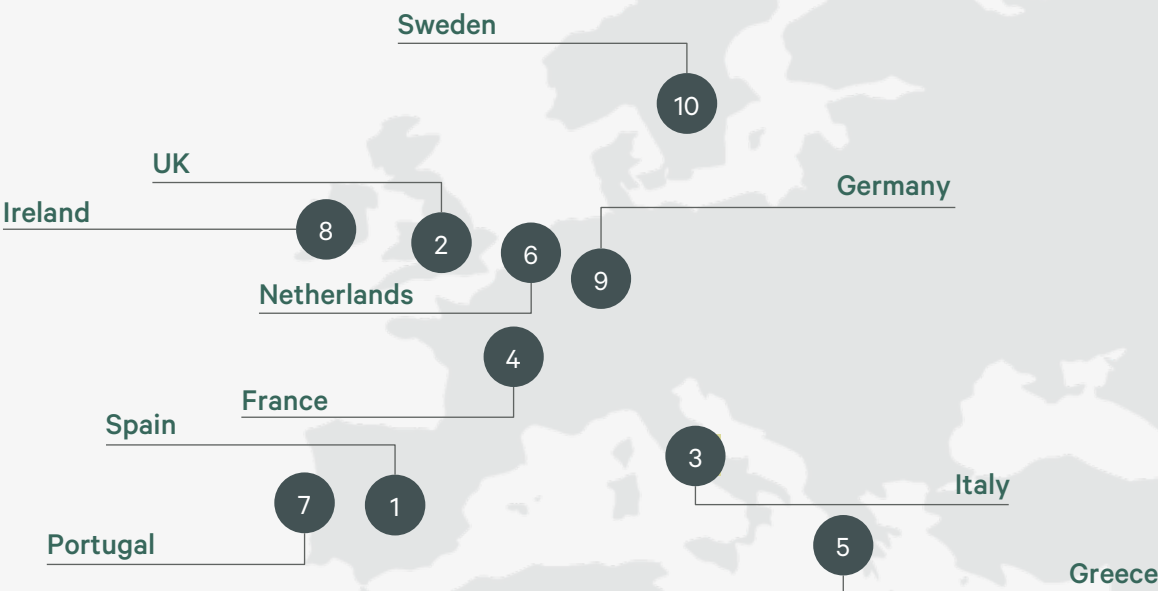
The UK consistently attracts global demand, and 2024 is no exception as it secured the second spot in terms of desired location for investment among our respondents. Much of this demand is centred on investment in London, as well as other key cities such as Edinburgh and Manchester. However, investors are also considering regional locations, encouraged by robust domestic and inbound travel demand – for both business and leisure.

Investors continue to view Italy as an appealing market, taking its position as the third-ranked destination in the survey. Hotels have demonstrated growing relevance within the wider real estate market in the country. While 2023 was admittedly a year of lower trading volumes, hotels accounted for over 20% of the total commercial real estate volume in Italy.

Figure 11: Country-level performance expectations

Legend

Country-level performance ranking



Source: 2024 European Hotel Investor Intentions Survey, CBRE Research



# For city destinations, the gateways dominate

Investor sentiment continues to favour London as the most attractive city for hotel investments. Given London’s historical and continued leadership in tourism and travel spending, this comes as no surprise.

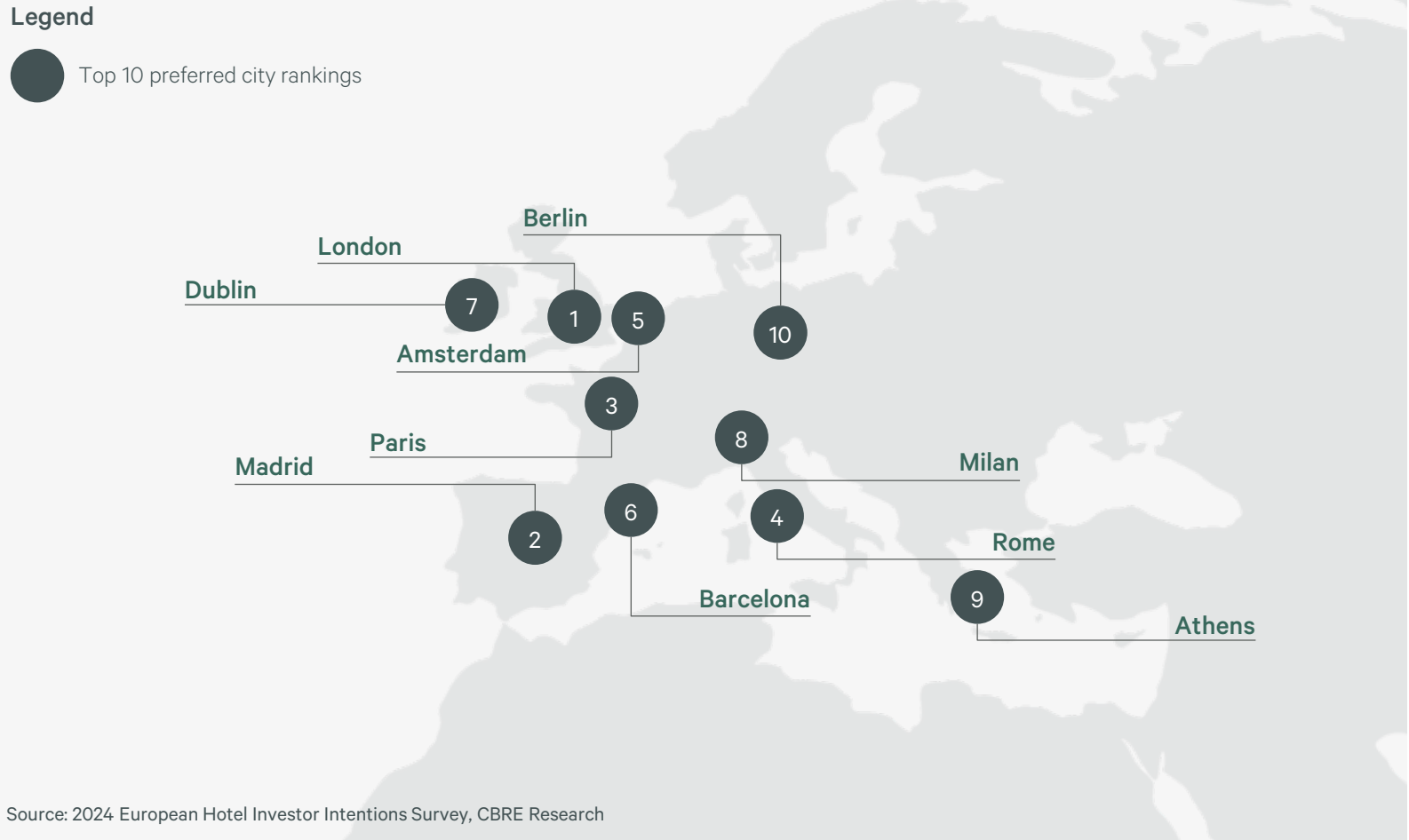
Perhaps more unexpected is Madrid’s ascent to second place, overtaking Paris. The city’s hotel dynamics are proving increasingly attractive to global capital, with particular interest from Latin America.

Investor preferences are aligned with forecast data indicating sustained growth in inbound traveller numbers and overnight stays in these key markets.

Thus, while London leads on total travel spend, Paris and Barcelona are also forecast to attract significant international tourist arrivals in 2024. Amsterdam is anticipated to experience robust growth in international overnight visitor arrivals, earning it the fifth spot in the survey.

Notably, Athens has emerged as an increasingly appealing market for investors, experiencing a remarkable surge in hotel operating performance of over 30% year-on-year in 2023. This positions Athens as an emerging opportunity among key tourism cities, offering investors an alternative avenue for potential portfolio growth and diversification.

Figure 12: Markets expected to see highest investment interest



# European hotel investors see most opportunities at home

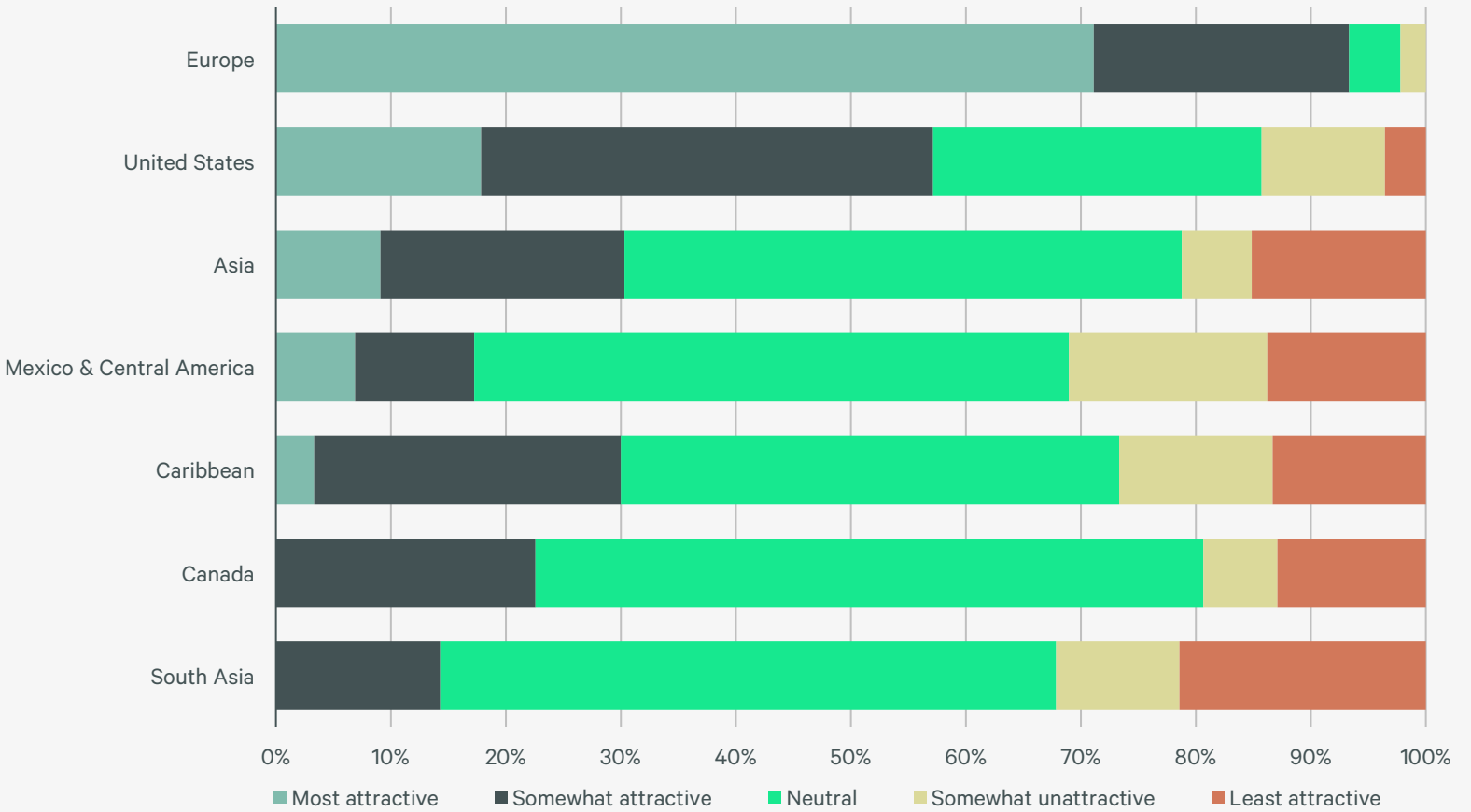
Europe continues to maintain its allure as a premier destination for global travellers, with key tourism hubs and gateway cities attracting a significant share of international visitors. Over the past decade, Europe has consistently accounted for more than half of total global international travel, a trend that is set to further strengthen in 2024 and beyond.

It is unsurprising, therefore, that European hotel investors focus in large majority on the opportunities in their own region, the home European arena.

That said, there is a growing interest in exploring hotel investments beyond the region. Among the destinations garnering attention, the U.S. emerges as a top contender, followed by Asia.

From an inbound perspective, recent trends in hotel transactions across Europe show the resurgence of interest from Asian investors, with notable transactions reflecting increased capital inflows from that region. This flow of capital appears to be moving in tandem with the flow of Asian travellers themselves, who are only now beginning to return to Europe in their historical numbers following the significant reduction in traffic during the pandemic.

Figure 13: Attractiveness of markets and regions in terms of incremental investment

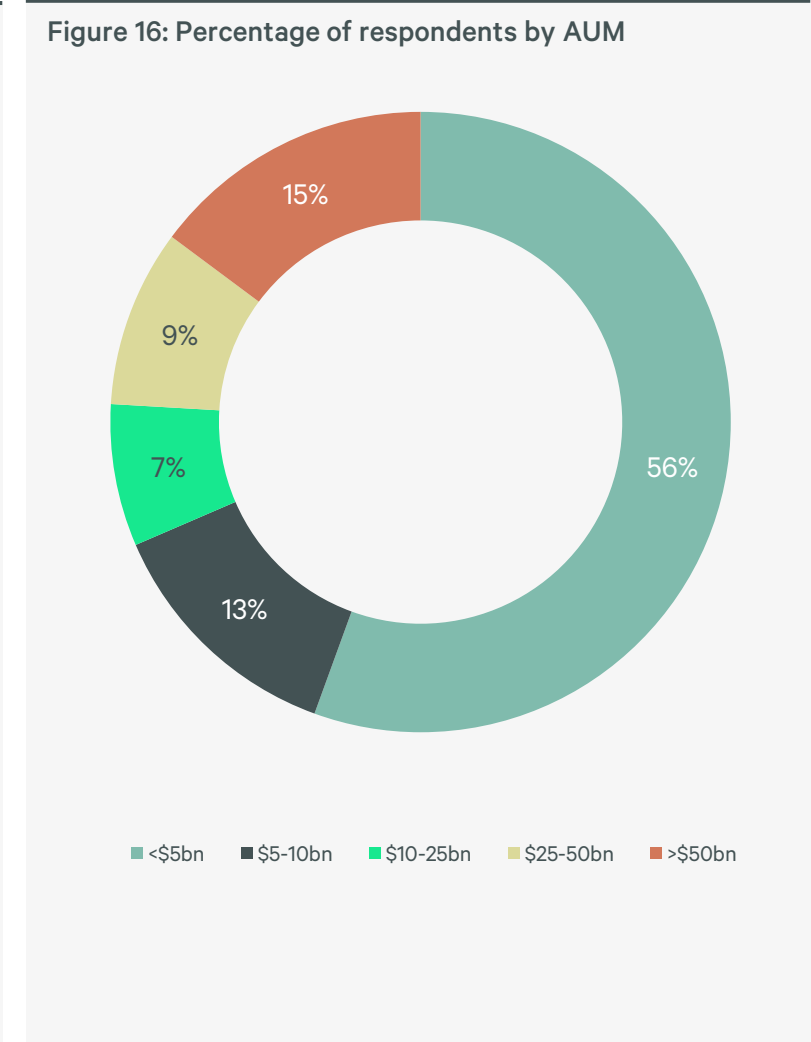
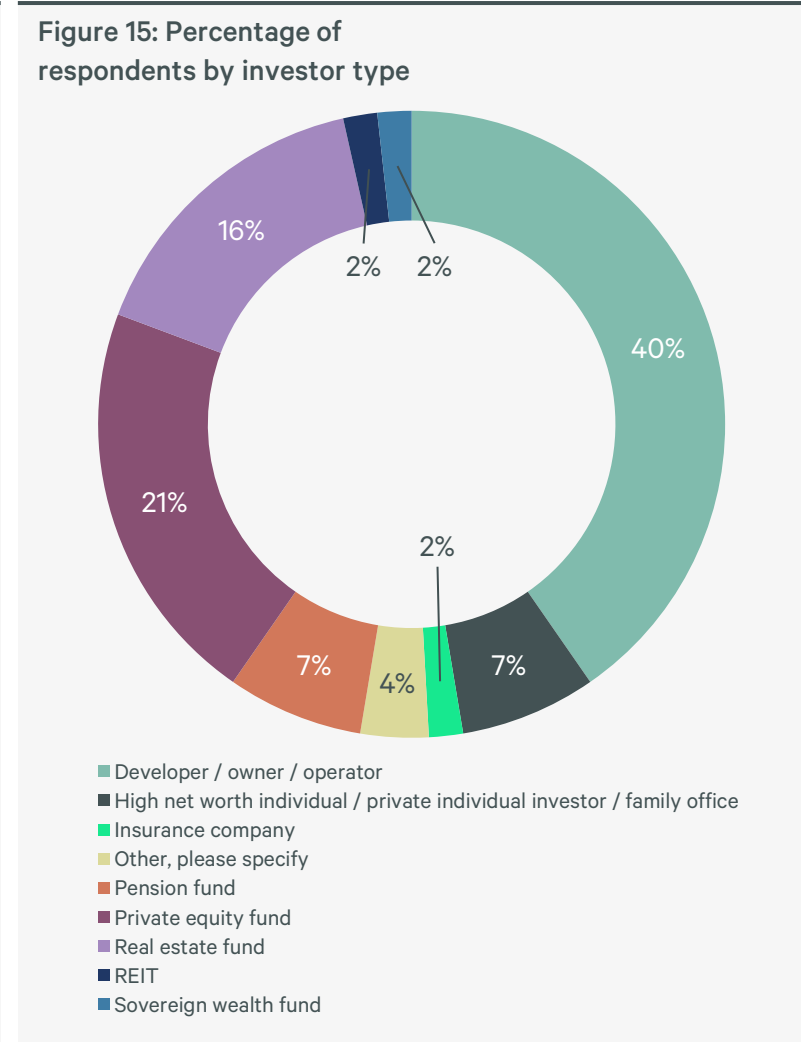
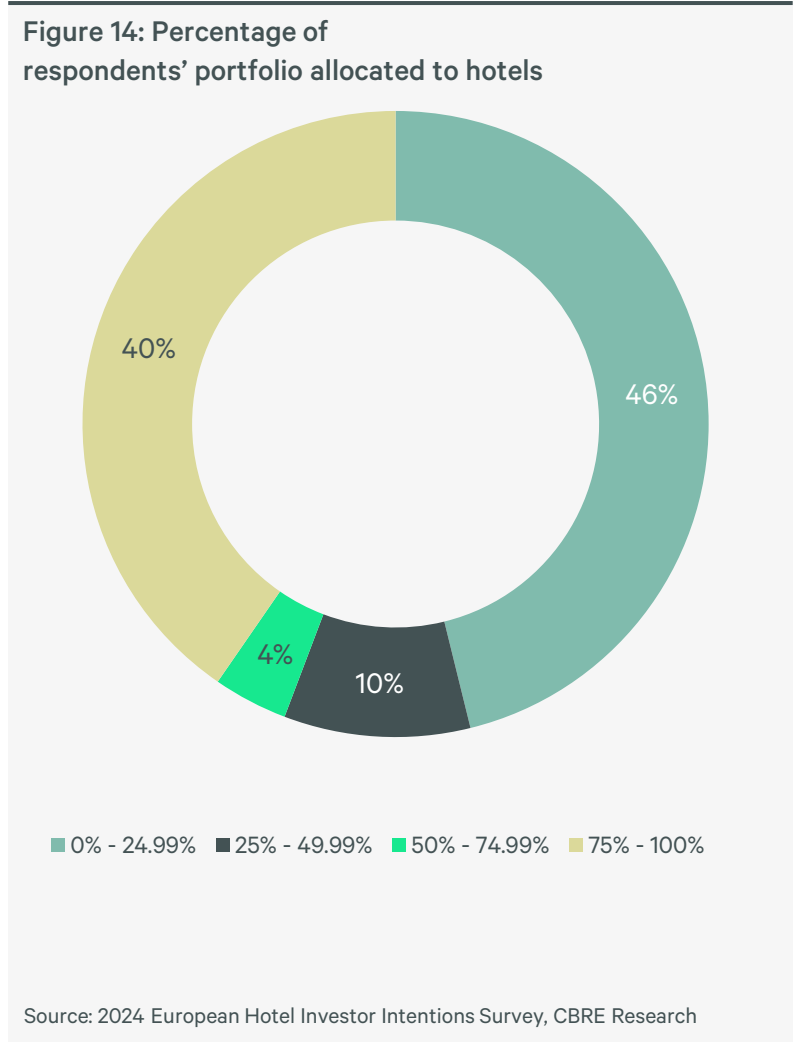


Source: 2024 European Hotel Investor Intentions Survey, CBRE Research

04

# Respondent Profile

# Respondent Profile





# Contacts

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