MARKET REPORT

HVS Global Perspectives – Year-End 2025

DECEMBER 23, 2025

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U.S. Hotel Industry: 2025 Performance and 2026 Outlook

By Rod Clough, President – Americas

After a slow first three quarters of hotel transactions for 2025, changes are now afoot, with a much-heightened deal flow in the works for the next several months and, hopefully, the next year. We recently completed a survey of top U.S. hotel brokers, and 65% expect market conditions (deals closed) to either improve or significantly improve in the first half of 2026. Much of this sentiment is based on real-time activity of listings underway (contracts in place or in negotiation) and expected activity related to successfully closing these sales.

With many of the opportunities representing lender-owned assets or hotels in need of renovations and uplift, in-place cash flows may be low for many of these transactions. Ultimately, this situation may drive the average cap rate lower, as buyers are leaning into more of a comparison to replacement cost and the expected upside in cash flows following a renovation and repositioning. Accordingly, average cap rates for Q4 2025 are falling from Q3, and we would expect that drop to continue into the first half of next year. Stabilized, renovated, and well-performing assets will help balance out these lower cap rates, but the popularity of these stabilized assets in the market also tend to drive cap rates near the 8% mark. While sellers may want to see these properties trade closer to a 7% cap rate, and buyers seek a 9% cap rate, 8% tends to be the meeting point for a successful contract on a stabilized property.

Now is certainly the time to sell U.S. assets that are stabilized, renovated, and have achieved the investment horizon and goals initially set upon acquisition. Use the less active market (less competition among assets listed) to dispose of these assets quickly and relatively easily. These sales would in turn free up cash flow to pursue the next generation of value-add assets that need renovations, a new vision, and a new brand, in some cases. If buyers can cluster these acquisitions with nearby owned properties, all the better to allow for sharing operational costs.

Our occupancy forecast for next year reflects a positive half-point change from the 2025 position, with ADR rising 2.0% (compared with the 1.0% lift in 2025). For this forecast to take hold, we will need a strengthening of consumer confidence, particularly with travelers in the economy and midscale segments taking trips again in force. Job insecurity, job hugging, rising grocery prices (and other costs of living), and waning hiring trends are keeping much of this demand growth at bay. A functioning and funded federal sector for the next year, as well as more government travel and less employment loss, would help our industry find a more positive trajectory. More robust hiring and corporate investment will be key, too, ideally sparked by declining interest rates. We will get through this period of uncertainty that is especially permeating the lower ranks of our hotel segments in due time.

A hopeful return of more international travelers in 2026 and 2027 should further support occupancy recovery in the coming years, facilitated by the upcoming FIFA World Cup 2026. Las Vegas, Nashville, New Orleans, and other key leisure destinations are sure to innovate and evolve to spark more travel to their cities in the coming months and years, which should lead to more RevPAR gains. Lastly, we will be closely monitoring inflation and its lift on future room rates.

With RevPAR flatlining in many segments and markets, now is the time to innovate in other operating departments and to spark revenue growth. Can you add a billboard? Can you add a cell tower to your property? Can you add EV chargers? There’s never a dull moment when it comes to U.S. hotel investments, to be sure, but we are hopeful that 2026 will bring a more positive trend overall.

Americas Executive Search: 2025 Performance and 2026 Outlook

By Alice Sherman, Executive Vice President & Managing Director, Americas – HVS Executive Search

The year 2025 brought yet another round of major ups and downs in the lodging industry. While challenges remain, particularly around costs and labor, there was a noticeable shift toward long-term thinking. Capital is re-engaging, development conversations are restarting, and leadership teams are focusing more on positioning their organizations for

the next cycle rather than simply managing through disruption.

Against that backdrop, leadership and talent decisions have taken on renewed importance. As portfolios grow more complex and performance expectations sharpen, organizations are reassessing the capabilities required at the top of the house. We observed increased activity at the C-suite and enterprise levels this year, driven not only by turnover, but also by evolution—roles expanding, mandates changing, and boards seeking leaders who can balance operational rigor with strategic vision and financial fluency. The market continues to reward executives who are adaptable, commercially minded, and capable of leading through ambiguity, particularly in environments backed by institutional capital or private equity.

Looking ahead, the intersection of market momentum and leadership strategy will be a defining differentiator. The most successful organizations are approaching talent proactively by aligning leadership structures with growth plans, investing in succession early, and treating “people” decisions with the same discipline applied to capital allocation. Hospitality remains, at its core, a people business, and as confidence continues to return to the industry, the ability to attract, retain, and empower the right leaders will be central to sustaining performance and creating long-term value.

Latin American Hotel Industry: 2025 Performance and 2026 Outlook

By Richard Katzman, Senior Managing Partner – HVS LATAM Region

The Latin American region’s lodging industry is varied, including large markets like Mexico and many other fragmented markets across Central and South America, each characterized by distinct internal environments and drivers. Additional differences of note are the size and maturity of individual countries’ real estate capital markets and the different perspectives for development and investment in each one.

As has been the case in other regions, Latin American counties have experienced uncertainty in 2025 due to both internal factors and U.S policy priorities, particularly around trade and tariffs. Across the region, election cycles bring challenges and, in some cases, considerable policy change, with leadership shifting from one side of the political spectrum to the other. Overall, this uncertainty has served to dampen hotel demand growth, with overall performance seeming to be flat in business and leisure destinations alike. Corporate travel and business-driven group travel are cut back in such times, and vacation spending is sometimes reduced or put on pause. An interesting phenomenon, consistent with trends in other regions, is the continued healthy performance of select luxury markets, such as Los Cabos, and urban areas with leisure appeal, including Mexico City and Buenos Aires. [1]

Nevertheless, hotel industry drivers for both business and vacation travel in many countries are fundamentally sound. In Mexico, the coming review of regional trade agreements will be accompanied by uncertainty. However, economists and corporate leaders expect a favorable outcome, as the North American trade block that gained structure and strength

since NAFTA went into effect in 1994 remains a necessary global alliance. Other countries in the region, big and small, will broadly continue to navigate specific challenges in a manner that reduces tension and allows for midterm stability.

While Mexico combines domestic and international travel, primarily from the United States and Canada, hotels in South America depend more heavily on regional travel from neighboring countries. Mexico's hotel industry is mature and robust, with attractive assets, highly professional developers and investors, and a unique and ample mix of operators and brands. Across Latin America, supply and demand characteristics and drivers vary, but most markets offer increasingly differentiated experiences that align with global travel trends. International brands remain focused on expanding pipelines, often through the introduction of additional brands to their portfolios.

Federal government policies in both the U.S. and Latin American countries affect important issues—trade policy, cost of capital, inflationary trends, and many more—but the travel and hotel industry in the region largely depends on local planning and actions. In each market, the needed infrastructure improvements, zoning designations, hotel development opportunities, living conditions to attract workers, implementation of security measures, and promotion of tourism to the area all remain under the control of local authorities. In turn, these authorities can encourage constructive partnerships with actors in the private sector. Indeed, regional planning and public-private collaboration remain key features of markets that enjoy long-term growth.

The region continues to offer opportunities. In Mexico's more established market areas—the Cancun-Riviera Maya Corridor, the Puerto Vallarta-Riviera Nayarit Corridor, and the Los Cabos market—long-term trends show that demand has kept up with increases in supply given these areas' high levels of product and service and their proximity to the United States. The same trend has been observed in Mexico City and Monterrey, both driven primarily by business demand. At the same time, several up-and-coming markets show promise, including La Paz, Valle de Guadalupe, San Miguel de Allende, and the Huatulco-Puerto Escondido Corridor.

In Central America, Costa Rica remains an attractive leisure destination, while Panama enjoys a mix of business and leisure demand that should grow following significant recent expansions of the Panama Canal and the international airport.

In South America, Colombia, Brazil, Argentina, Chile, and Peru have well-structured markets along with relatively large inventory bases. All have active domestic and regional travel activity. While trends vary by country and specific market, these and other countries in South America continue to present opportunities for growth.

Canadian Hotel Industry: 2025 Performance and 2026 Outlook

By Carrie Russell, Senior Managing Partner – HVS Canada

The performance of Canada's hotel industry in 2025 illustrates how quickly the sector can swing from caution to confidence. The year began under a cloud of economic tension and trade disputes that dampened consumer confidence, paused corporate spending, and resulted in demand slipping below prior-year levels. For several months, operators were forced to cut rates to fill guestrooms, and RevPAR suffered accordingly.

However, this softness proved short lived. A protective movement and a strong sentiment to support the local economy sparked a surge in domestic travel that more than compensated for the loss of U.S. and international visitors. By late spring, occupancy levels were trending slightly ahead of 2024's pace, room rates were rising again, and leisure-oriented destinations were leading revenue growth, while economic uncertainty continued to temper performance in some commercial markets. Domestic travelers, a strong meetings segment, and a handful of event-driven demand spikes, including the G7 summit (held in Kananaskis, Alberta), helped the industry recapture much of the ground lost earlier in the year. Expectations of nearly 5% year-end RevPAR growth reinforce this narrative of resilience, following a summer season that surpassed most hoteliers' expectations. Growth of 5% is substantial given the expected lack of change to U.S. RevPAR in 2025.

On the development front, the construction pipeline continued to expand, with close to 9,000 rooms under construction and more than 30,000 rooms in the planning stages. While elevated construction costs have created challenges for some projects, expanding financing alternatives and declining interest rates are making new hotel developments more attractive, particularly in an environment where other real estate sectors (such as office and condominium construction) are less viable. The majority of new development activity is concentrated in Ontario, followed by British Columbia and Québec. Given their relative ease of construction, limited- and select-service projects are driving most new development, as urban-core projects typically require a mixed-use component that increases complexity and affects overall viability.

Investment sentiment in Canada remains generally positive, with transaction activity in 2025 expected to remain stable from 2024 at approximately $2.0 billion in trades. Values are trending upward as a result of improved operating performance, a favourable debt market, and declining interest rates. Several high-profile transactions, including the Ritz-Carlton and Bisha Hotel in Toronto, the Shangri-La in Vancouver, and the Hyatt Regency in Calgary, highlight the confidence of both major domestic owners and institutional investors in the Canadian hotel market.

Looking ahead, forecasts for 2026 are positive but tempered by broader economic risks. Occupancy is expected to remain near its current level of approximately 66% as new supply and constrained demand growth limit upward movement. Rate growth is anticipated to continue outpacing inflation, albeit at a slower pace than in 2024 and 2025, resulting in further RevPAR gains and near-record performance. Importantly, the industry is counting on a handful of marquee events, most notably the FIFA World Cup matches scheduled for Vancouver and Toronto, to drive compression and rate spikes. Overall, 2026 is expected to be a steady but competitive operating environment in which disciplined rate management will be vital.

Asia-Pacific Hotel Industry: 2025 Performance and 2026 Outlook

By Hok Yean Chee, HVS President – Asia Pacific

The Asia-Pacific (APAC) hotel sector is set for steady and sustainable growth in 2026, building on the post-pandemic recovery and underpinned by robust structural fundamentals. Travel demand across the region remains strong, driven by rising disposable incomes, expanding air connectivity, and stable economic conditions, creating an encouraging environment for both operators and investors.

High-growth markets such as India, Vietnam, and key Japanese cities are expected to continue to lead the region, supported by resilient domestic demand and strong international arrivals. Mature gateway cities—including Singapore and Sydney—are poised to deliver stable, high-quality returns, underpinned by consistently strong occupancy and the defensive characteristics of established business hubs. Resort markets remain selective: the Maldives and Langkawi are benefiting from rate-led growth, while Phuket and Bali

face softer conditions.

RevPAR growth is expected to strike a healthy balance between rate and occupancy gains as pricing power stabilizes and incremental demand continues to support performance. Leisure travel remains a key driver, while business travel and MICE activity are set to strengthen, particularly in major urban and convention-led destinations. The return of large-scale events and corporate travel will further enhance revenue stability and smooth seasonal fluctuations.

Markets with disciplined supply pipelines, such as Japan and select Indian cities, are well positioned to maintain strong margins, while destinations with heavier new supply may see moderate competitive pressures. This underscores the value of strategically located, well-branded, and operationally flexible assets.

Investment activity is expected to remain positive, with both regional and cross-border capital targeting markets with clear demand visibility, favourable demographics, and long-term tourism growth potential. Overall, the APAC hotel sector in 2026 offers a compelling investment outlook, combining sustainable growth, disciplined supply management, and strong underlying demand to reinforce the region's status as one of the world's most dynamic hospitality markets.

European Hotel Industry: 2025 Performance and 2026 Outlook

By Charles Human, HVS President – Europe

Europe-wide RevPAR change has continued to be positive in 2025, averaging around 3%, indicating a slowdown from 2024 performance. Once again, southern Europe has outperformed, with strong RevPAR growth in Spain, Greece and Portugal. Eastern Europe has also been strong, as have the Nordics. German markets, however, continue to struggle. Supply growth over the course of 2024 has been limited, at under 1% across Europe, reflecting the continuing difficult conditions for new construction.

The transaction market continues to be active, although slightly less so than in 2024, with overall volume down by about 10% at around €20 billion. Spain, France and the UK have seen the greatest activity, but total volume in the UK has been significantly lower in 2025 than it was last year. Germany has recorded a strong uptick in transaction activity, indicating that investors see that market as having bottomed out.

The general outlook is for modest RevPAR growth across most markets. Demand for travel has generally proved to be resilient, particularly on the leisure side, but ongoing economic and geopolitical uncertainty may constrain growth. Supply growth is set to increase in 2026, particularly at the upper end of the market; this may lead to a flattening in the performance of luxury hotels following recent years of this sector outperforming the rest of the market.

We expect hotel values to be assisted by improving debt market conditions and continued strong demand for hotel investments across Europe. Transaction activity should remain buoyant. Private equity investors will be busy selling and buying while existing funds mature and new ones are raised. Value-add properties will remain the most sought after, and the appetite for southern European markets shows no signs of abating. Institutional core funds are predicted to become more acquisitive again, having been somewhat inactive for a while, which will improve the liquidity and valuation of leased

assets.

About the Authors

Rod Clough, MAI, President – Americas, is in his 30th year with HVS and leads the Americas region from its headquarters office in Colorado. As President, Rod has developed the vision and strategy for the Americas and oversees its execution throughout the Americas' 40 locations. He has cultivated a firm that thrives with an extraordinary culture and remains the thought leader in the hospitality consulting space. He is proud to lead a group of 175 exceptional team members that execute thousands of engagements annually. Rod also has a passion for speaking, regularly sharing the insights and thought leadership of HVS at the nation's leading hospitality conferences. Rod is a graduate of Cornell's School of Hotel Administration, a Designated Member of the Appraisal Institute (MAI), a state-certified general appraiser, and a licensed hotel broker. Contact Rod at +1 (214) 629-1136 or .

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Over the course of her 20-year career with HVS, **Carrie Russell** has been involved with appraisals and/or feasibility studies for over 2,000 hotel properties throughout Canada and the United States. She speaks regularly at industry conferences and has authored several articles on various topics relevant to the industry. As a member of the Appraisal Institute of Canada and the U.S. Appraisal Institute, Carrie combines her hotel industry experience and education with her real estate credentials to assist clients in making informed hotel investment decisions. Contact Carrie at +1 (604) 988-9743 or .

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preview **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 .

[1] This aligns with continued strong luxury sector trends in the U.S. despite weakening in the U.S. economy sector and mid-rate sector.