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DECEMBER 2025

ISRAEL'S TOURISM AND HOSPITALITY OUTLOOK FROM RECOVERY TO REINVENTION

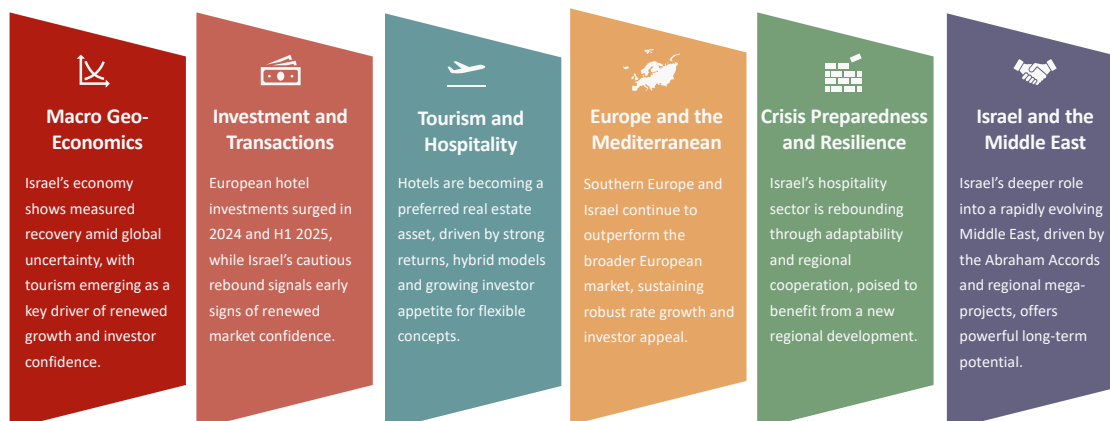
Ronit Copeland
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Introduction

With the opening of our new office in Tel Aviv, we're doubling down on our commitment to be a driving force in the future of Israel's hospitality sector. The country has consistently demonstrated remarkable resilience in the face of adversity, including the most recent war. As we explore the evolving landscape of global hospitality in this report, we also focus on how these broader trends will shape the Israeli sector in the years ahead.

Highlights



Regional Volatility, Domestic Resilience: Israel's Tourism Economy in Context

As of late 2025, the global economy remains marked by sluggish but resilient growth, shaped by persistent geopolitical tensions and regional divergence. Wars in Ukraine-Russia, Somalia and Sudan continue to disrupt trade and investment flows, reinforcing a shift toward economic fragmentation and regional realignment.

Inflation has broadly stabilised, with Europe and North America nearing central bank targets. The ECB has continued gradual rate cuts to counter soft growth, while the US Federal Reserve maintains a cautious stance

amid energy and fiscal uncertainty. Meanwhile, several emerging markets, particularly in Asia and the Gulf, are benefiting from strong infrastructure spending and tourism-led growth, positioning them as relative outperformers.

Businesses and investors are adapting to a world of shorter, more resilient supply chains and selective friendshoring (a supply-chain strategy where businesses or countries relocate operations to countries with shared political and economic values, often to reduce

geopolitical risks and increase security). Financial markets remain volatile: safe-haven assets like gold and the US dollar remain elevated, while equity valuations fluctuate with each geopolitical development. Consumer confidence is fragile, constrained by lingering cost pressures and uncertainty.

In this environment, the hospitality and tourism sectors continue to thrive, led by resilient leisure demand and a revival in corporate and group travel as hybrid work normalises. The Middle East, supported by heavy tourism investment and major international events, stands out as a growth region, especially Saudi Arabia. This is offering measured optimism for hotel investors despite broader geopolitical risk.

Israel's economy in late 2025 reflects a period of measured recovery amid regional volatility. Following a year marked by heightened geopolitical tension, fiscal support and resilient private consumption have helped stabilise domestic activity. GDP growth is expected to hover at around 2% for 2025, with improvement projected for 2026 as infrastructure spending and defense-related investment continue to expand.

Inflation has eased toward the Bank of Israel's 1-3% target range, enabling gradual monetary easing after a prolonged tightening cycle. The shekel remains volatile but broadly stable, supported by sustained foreign inflows into the technology and energy sectors. Nonetheless, investor sentiment remains cautious, reflecting security risks and subdued regional trade.

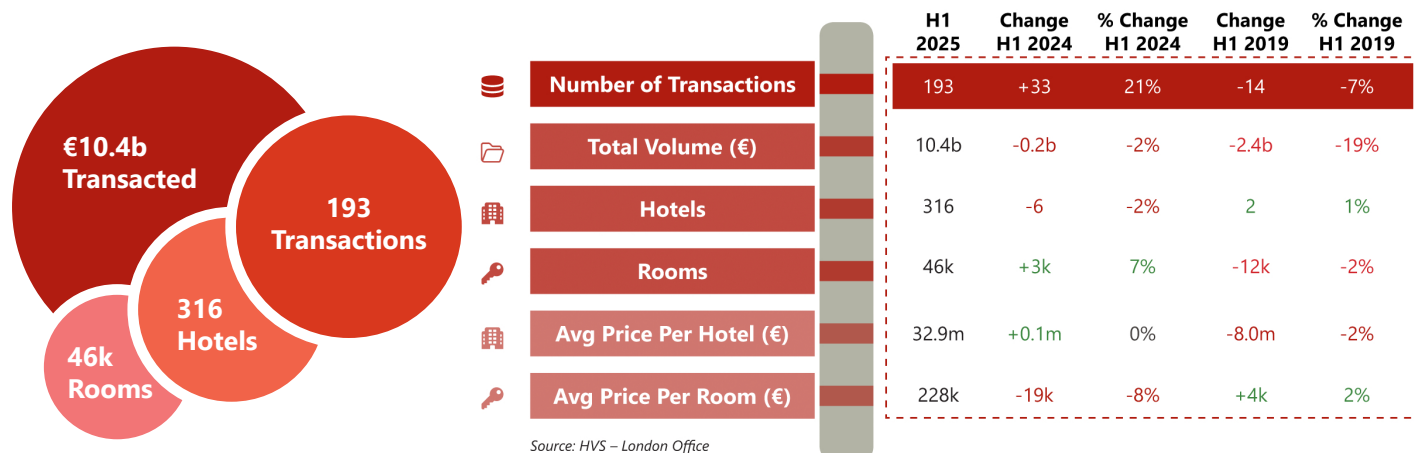
The tourism sector, a key pillar of Israel's service economy, has shown signs of resilient recovery since mid-2025. While inbound arrivals remain below pre-2023 levels, growth is accelerating, driven by North American and European leisure travellers, as well as renewed interest from faith-based and medical tourism segments. Tel Aviv and Jerusalem continue to attract long-stay and premium travellers, while secondary destinations such as Galilee, Eilat and the Negev are benefiting from domestic tourism and government-led diversification efforts.

The medium-term investment outlook for Israel's hospitality sector remains constructive. Strong underlying demand fundamentals, coupled with a gradual normalisation of international flight capacity and a deep pipeline of hotel developments, support an optimistic trajectory for 2026 and beyond.

Confidence Returns: Rebuilding Hotel Investment Across Europe and Israel

Amid improving macroeconomic conditions, 2024 marked a strong rebound for European hotel investments. Transaction volumes jumped 62% to €17.4 billion, the highest since 2019 but still below pre-pandemic peaks. Lower interest rates and renewed private equity activity drove the surge, with portfolio deals doubling from 2023.

Transaction activity stayed strong in the first half of 2025, reaching €10.4 billion, slightly below H1 2024 but above the decade average. Single-asset deals dominated, with transactions up 21% year-on-year. A 9% rise in the average hotel size drove an 8% drop in the average price per room compared to H1 2024.



Only hotels that sold for more than €7.5 million have been included in this analysis.

In recent years, transaction activity in Israel has remained notably subdued. However, a recent high-profile deal – the sale of the 120-room Jaffa Hotel Tel Aviv, now part of the Fattal Limited Edition Luxury Collection, for US\$123 million (just over US\$1 million per key) – marks a rare but encouraging development. Originally acquired in 2006, the property was developed by RFR and opened in 2018. This acquisition will help enable Fattal Hotel Group's aims to grow its Limited Edition Luxury Collection.

While this transaction appears to be more of an isolated case than an indication of a broader market shift, it nonetheless signals a degree of underlying confidence in the Israeli hospitality sector. Following the recent end of the conflict, investors are optimistic for a gradual recovery of transaction volumes as stability returns.

The resilience of travel demand in 2024, even amid geopolitical uncertainties and a packed global election year, helped drive further growth in RevPAR and solidified Europe's standing as a premier tourism destination. This resurgence has set a strong foundation for sustained momentum in 2025 and 2026.

As these fundamentals strengthen, technology is emerging as the next major driver of value. AI is now a driving force across hospitality, transforming guest experiences and operations. Advanced data analytics enable

hotels to personalise stays, enhance service and streamline processes. As AI reshapes the booking journey, adapting to new digital platforms has become essential. For investors, AI-driven insights are improving decision-making, helping tailor developments to guest trends, optimise space and reduce costs through smarter energy use and predictive maintenance.

Investor focus is also shifting toward flexibility and control, with strong demand for value-add assets and hybrid lease models that balance risk and return.

Focusing on Israel, the post-war environment is giving rise to new market dynamics as distinct from broader European trends. Following the war that began in October 2023, hotel owners have emerged more engaged and proactive in managing their assets. The strengthened collaboration between owners and operators, initially forged to navigate domestic demand and preserve profitability, has now evolved into a foundation for growth. With recovery underway, operating agreements are also adapting: owners continue to prioritise stability through stronger rent guarantees and structured income models, yet with renewed optimism there is growing openness to balanced arrangements that capture future upside as international demand returns.

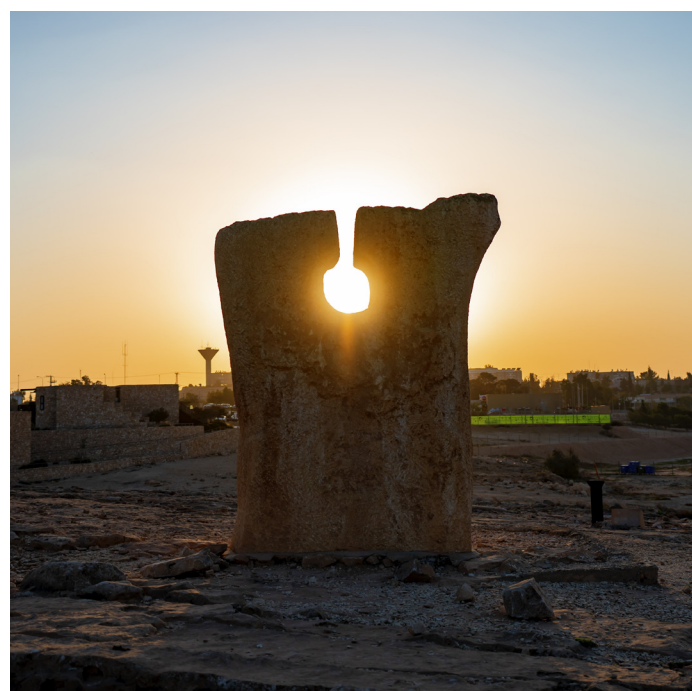
Redefining Value: Hotels in the Modern Real Estate Landscape

Hospitality assets are gaining traction in the broader real estate market, with hotels proving remarkably resilient to global disruptions and often rebounding faster than expected. This strength has boosted investor confidence, making hospitality a preferred asset class.

Hotels are now outperforming many traditional sectors, as investors and lenders better understand operational risks, bringing formerly high-risk deals into the mainstream.

Luxury and upper-upscale hotels in key European cities have seen rate growth well above inflation, supported by strong demand for premium experiences, making them investor favourites for 2025 and beyond.

At the same time, hybrid and lifestyle concepts are expanding as travellers blend living, working and leisure. Extended-stay models, co-working spaces and membership clubs are driving brand partnerships and adaptive reuse.



Branded residences are also resurging, fuelled by rising global wealth and remote work trends, as consumers seek unique, experience-driven living environments over traditional destinations. Over the last decade, the number of branded residence units worldwide has nearly tripled, with around two-thirds of those units sitting within the luxury segment.

Much like the rest of Europe, these evolving trends are also taking shape in Israel. A notable example is The George in Tel Aviv, a lifestyle hotel that illustrates how hybrid hospitality concepts are being brought to life. In addition to traditional guest rooms and amenities, the property incorporates a membership model that grants access to co-working spaces, social

venues, a spa and wellness centre, and a curated calendar of cultural events, creating a dynamic, multifunctional environment.

On the luxury front, several highly anticipated openings are poised to reshape the market. Among them, the Six Senses Rothschild (140 rooms) and the Mandarin Oriental Tel Aviv (225 rooms), both slated for a 2028 debut, are expected to raise the bar for luxury hospitality in the city and across Israel. These projects represent a significant step in integrating global brands into the local market. Their arrival is likely to influence broader market dynamics, prompting more traditionally positioned beachfront properties to reassess and adapt their offerings in response.



Southern Europe and Israel: Anchors of Hospitality Growth

Zooming in on regional performance, Europe, particularly Southern Europe and the Mediterranean basin, has outperformed expectations in recent years. Many destinations have not only regained their pre-pandemic tourism volumes but also seen strong growth in room rates.

Southern Europe has led this resurgence. From 2019 to 2024, average rate growth in this region outpaced the European average by approximately 10 percentage points and exceeded Western Europe by 15 points. Major global events, such as the 2024 Olympics and major international tours, have further boosted travel demand. Average rate growth has been more moderate in 2025, although the same trend still applies, with southern Europe benefitting from twice as much growth as the European average so far.

Sellers, encouraged by strong past performance but facing cost pressures and a cooling in

RevPAR growth, may become more willing to adjust pricing expectations, potentially unlocking further deal activity.

Regardless of short-term fluctuations, Europe, and especially the Mediterranean countries, continues to be a safe bet for investors and a magnet for global travellers.

Prior to the war, Israel was benefiting from the broader trend of strong average rate growth seen across the Mediterranean region and was even outperforming several neighbouring markets. Thanks to its strategic position in the eastern Mediterranean, Israel is poised to sustain its momentum following the recent end of the conflict. Despite the war, the country has continued to outperform the European average in ADR growth so far in 2025. With the ceasefire now in place, optimism is high and further acceleration is expected.

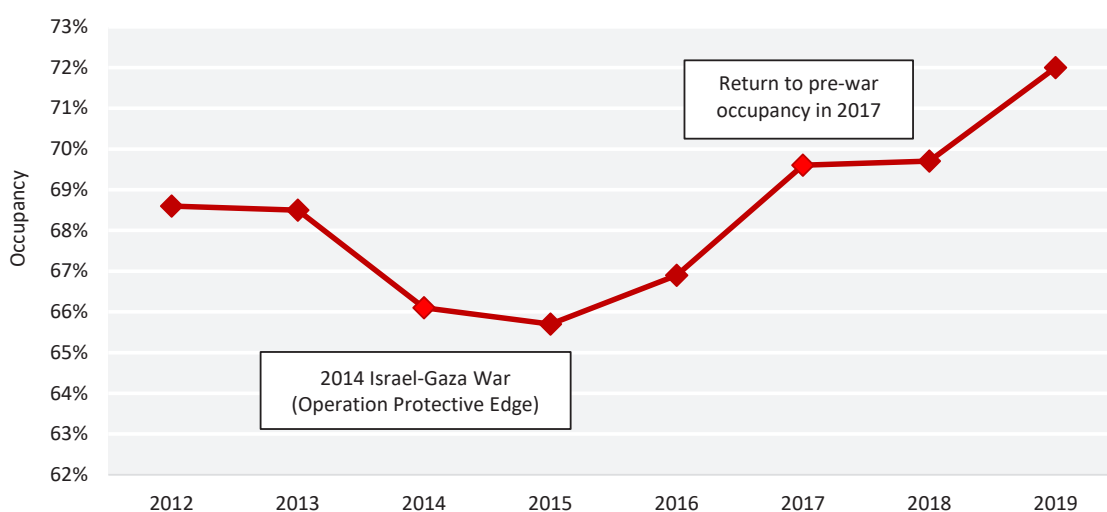
Resilience and Renewal: Israel's Hospitality Outlook

In recent years, the hospitality industry has demonstrated strong resilience when faced with regional or global crises. In the aftermath, resilience has become a strategic priority. Operators and investors are adopting measures to better weather future disruptions. These include diversifying revenue streams to reduce dependency on room sales and incorporating robust force majeure clauses into hotel management and lease agreements.

Nowhere is this shift more evident than in Israel, which in addition to the aftermath of the pandemic has been grappling with the recent war. The dual crises have underscored the need for exceptional resilience, both in surviving challenges and in laying the groundwork for future reinvention.

Reflecting on past conflicts in Israel can offer a measured perspective on potential recovery timelines for the hospitality sector. The 2014 Israel-Gaza conflict ('Operation Protective Edge') stands out as a comparable event, both in terms of its scale and its far-reaching impact on the country's population, economy, infrastructure and tourism industry. During that period, hotel occupancy in Israel declined over the previous year, with a stronger impact in Tel Aviv. As illustrated in the accompanying graph, occupancy levels, initially around 68%, gradually rebounded, returning to pre-war levels between 2016 and 2017. Historically, once stability returned, the first visitors to return were typically those with strong personal ties to Israel, followed by business travellers and tourists. This pattern is expected to repeat, driven by pent-up demand.

CHART 1: ISRAEL OCCUPANCY RECOVERY POST 2014 WAR



Source: STR

While this historical reference provides some context, it does not serve as a definitive predictor for the current circumstances. Despite similarities in the conflicts, the recent war has had a much stronger impact than in 2014.

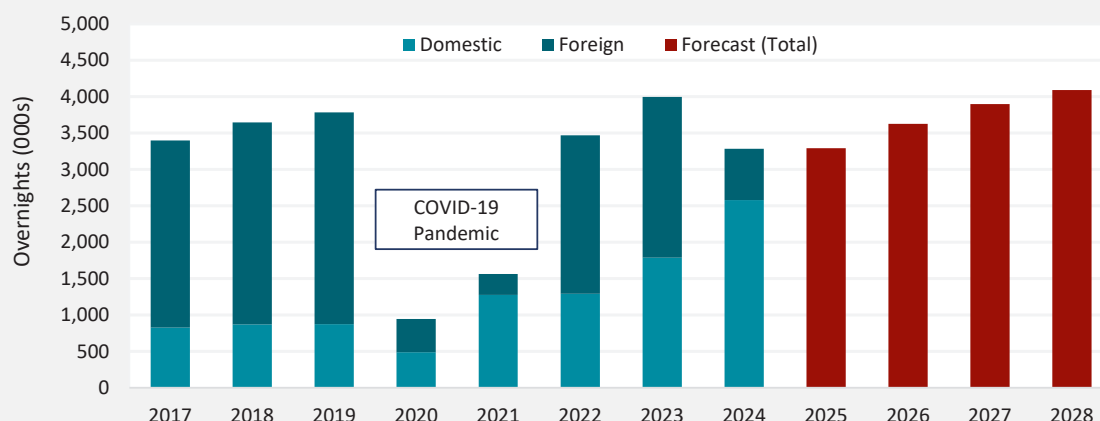
Although international demand declined sharply during the most recent war, Israelis continued to travel and significantly increased their contribution to tourism in 2024 and 2025. Many hotels even prioritised domestic travellers to meet the strong summer demand. With the war now over and most airlines already resuming (or set to resume) regular

operations, international travel is set to recover robustly. Supported by sustained Israeli demand, the market is well positioned for a steady and confident rebound in the coming years, as shown in Chart 2.

Despite a two-year war, Israel's hotel supply has remained stable, as illustrated in Chart 3.

Hoteliers have shown remarkable creativity in keeping their properties operational throughout the crisis. A strong example is the Sharon Hotel in Herzliya, which has successfully adapted over the past three years by offering both short- and long-term stays to meet shifting

CHART 2: ISRAEL DEMAND RECOVERY POST 2023-25 WAR – HVS FORECAST



Source: STR

market needs. Operating with minimal staff, the hotel has suspended food and beverage services except for limited venue rentals for weddings, where clients provide their own catering. This streamlined model allows the hotel to reduce costs, maintain essential services and focus on accommodation and event space rental. It serves as an effective crisis-management strategy, flexible enough for both short- and long-term challenges. Many other hotels across Israel have adopted similar repurposing approaches, enabling lean operations and a faster recovery once stability returns.

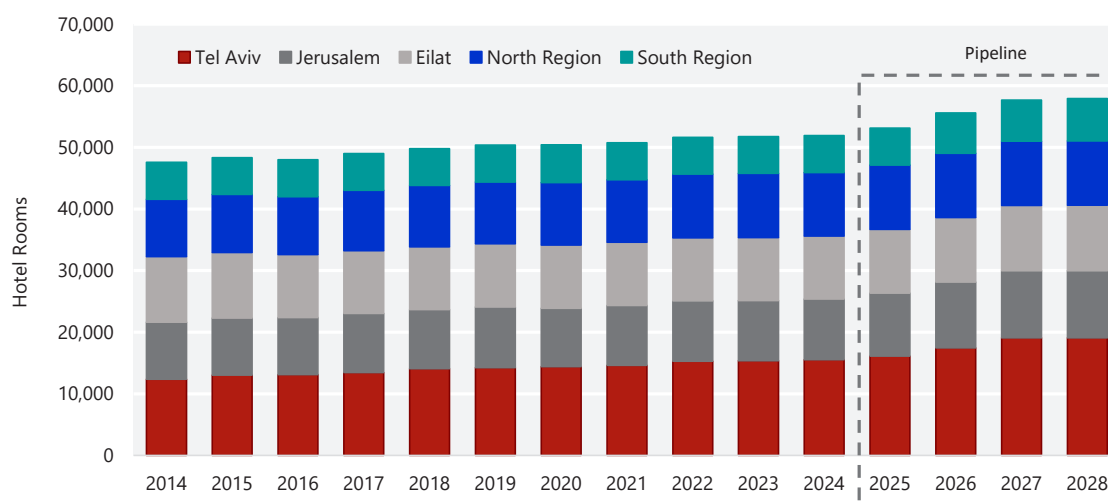
Most properties have remained solvent, a testament to their resilience and cost-management efforts. With the announcement of the ceasefire on 10 October 2025, the outlook for post-war recovery is highly positive, and a strong rebound is now underway.

There is growing confidence that the Abraham Accords will not only aid the recovery but also accelerate Israel's tourism growth, supported by both existing partners and potential new participants such as Saudi Arabia and other regional nations.

Looking ahead, now that the war is over, Israel's tourism sector is optimistic. A full recovery hinges on rebuilding guests' confidence to return or visit for the first time. Reviving this confidence requires coordinated marketing efforts, infrastructure investments, and real government-funded incentives to attract visitors, which have already started since the end of the war.

Several projects are moving through the development pipeline, with timelines adjusting as momentum builds. A detailed pipeline is available in the addendum.

CHART 3: ISRAEL EXISTING HOTEL SUPPLY AND PIPELINE



Source: AM:PM

Israel and the Middle East: A Shared Horizon of Opportunity

As Israel increasingly finds itself within the broader Middle Eastern landscape, the region's rapid transformation offers both inspiration and opportunity. Saudi Arabia, in particular, is making bold strides to redefine its global image and compete directly with the UAE as a premier destination for tourism and investment. Flagship projects like NEOM's Sindalah Island, now open as a luxury Red Sea resort, plus the opening of The Red Sea, a new destination with five luxury hotels already open and an additional 10-15 coming in the next two years, exemplify the Kingdom's commitment to high-end, experience-driven tourism. In addition, with the continued expansion of Dubai as a worldwide travel destination, the emergence of gambling in the region marked by the expected opening of the 1,542-room Wynn hotel in Ras Al Khaimah in 2027 and with the recent announcement that Disneyland will build its first Middle East theme park in Abu Dhabi, the UAE will not be left behind.

Israel's integration into this evolving regional tourism ecosystem has been significantly accelerated by the Abraham Accords, which normalised diplomatic and economic relations with the UAE, Bahrain and Morocco (and most recently Kazakhstan). These agreements have already led to direct flight routes, joint tourism marketing initiatives, and cross-border investment partnerships in hospitality, aviation and infrastructure. Israeli tourists have become a key outbound market for the UAE, while

inbound tourism from Gulf countries to Israel, previously non-existent, has begun to take root, particularly in business travel and religious tourism segments.

Looking ahead, the potential expansion of the Accords to include countries such as Saudi Arabia, Oman, Azerbaijan and Indonesia could further transform regional travel patterns. The creation of multi-destination itineraries linking Tel Aviv, Dubai and Riyadh could mirror the connectivity seen in Europe, while joint visa initiatives or travel corridors could make the region more accessible to global visitors. In this context, Israel stands to benefit from being part of a new Middle Eastern tourism network, one driven by collaboration, innovation and shared investment in hospitality and infrastructure.



Conclusion

Israel's tourism and hospitality sector stands at a defining juncture. After a period marked by disruption and uncertainty, the market is showing clear signs of resilience and renewal. Supported by improving macroeconomic conditions, a stabilising policy environment and a strong foundation of domestic demand, Israel is gradually reasserting its position within the broader Mediterranean and Middle Eastern tourism landscape.

Across Europe, investment momentum and the evolution of hybrid, lifestyle and luxury concepts are reshaping the hospitality market, trends that are now increasingly visible in Israel

as well. The country's ability to adapt, innovate and align with global and regional shifts will determine the pace of its long-term recovery.

As the ceasefire holds and the next phases of deconflict progress, confidence is being restored and regional cooperation deepens under the Abraham Accords, Israel's tourism industry is poised to benefit from a new era of connectivity and shared opportunity. While challenges remain, the trajectory points toward a future defined not only by recovery, but by reinvention, anchored in resilience, strategic investment and a renewed openness to the world.

- End -

Addendum: Israel Hotel Pipeline

Property		Rooms	Opening
Ben Sira Hotel	Jerusalem	88	12/2025
The Yacht	Herzliya	327	2025
Brown 42 Boutique Hotel Eilat	Eilat	155	01/2026
NYX Hotel Jerusalem	Jerusalem	168	01/2026
Palatin Hotel	Tel Aviv	61	01/2026
Isrotel Dizengoff Street Hotel	Tel Aviv	130	03/2026
InterContinental Jerusalem	Jerusalem	237	04/2026
Moav Resort	Arad	109	06/2026
Pullman Jerusalem Spa & Conference	Jerusalem	254	06/2026
Isrotel Jerusalem Boulevard	Tel Aviv	130	06/2026
Gordonia Golan Beach	Lake Tiberias	150	08/2026
MEININGER Hotel Tel Aviv	Tel Aviv	210	09/2026
Luxury Hotel Herzliya	Herzliya	146	09/2026
The Lux Hotel Asdod	Ashdod	250	12/2026
Allenby 81 Tel Aviv	Tel Aviv - Jaffa	106	12/2026
Isrotel North Beach Eilat	Eilat	200	01/2027
Isrotel Basel Complex	Tel Aviv	132	01/2027
Lilinblum 15 Hotel	Tel Aviv - Jaffa	49	01/2027
Isrotel Zion Square	Jerusalem	250	04/2027
TRIBE Eilat	Eilat	200	08/2027
Hagag Group Herzliya Hotel	Herzliya	365	08/2027
Beit Shmu'el HaNagid Hotel	Jerusalem	72	11/2027
JW Marriott Jerusalem Hotel	Jerusalem	149	11/2027
Isrotel Leon Towers	Tel Aviv	235	12/2027
Gat Rimmon	Tel Aviv-Yafo	230	12/2027
Ebra Dead Sea Hotel	Dead Sea	219	2027
Fattal Bialik	Tel Aviv	46	2027
Dead Sea Valley Tourism Complex Hotel Seven	Dead Sea	198	01/2028
Dead Sea Valley Tourism Complex Hotel Thirteen	Dead Sea	110	01/2028
Alliance House Hotel	Jerusalem	90	01/2028
Mandarin Oriental Tel Aviv	Tel Aviv	225	01/2028
Hotel Tel Aviv Curio Collection by Hilton	Tel Aviv	401	02/2028
LXR Hotels & Resorts	Tel Aviv	176	02/2028
Six Senses Rothschild Tel Aviv 10	Tel Aviv-Yafo	140	02/2028
Swissotel Bat Yam Tel Aviv	Bat Yam	265	03/2028
Atlantis City Hotel	Ein Bokek	370	07/2028
W Eilat	Eilat	320	2028
Nof Eilat	Eilat	155	2028
Herbert Hotel Jerusalem	Jerusalem	75	2028
Boutique Eilat	Eilat	140	2028
Hotel in Ein Gev	Ein Gev	119	2028
Ron Hotel	Jerusalem	156	2029
Shmu'el HaNagid Hotel	Jerusalem	72	2029
Villa Talia	Osafia	90	2029

Source: AM:PM

Note: While the above projects are all confirmed, the timeline of their opening remains indicative only and may change as projects evolve.

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Having served clients in Israel from the London office since 1990, **HVS** was joined by Ronit Copeland in 2025 to open its Tel Aviv office. Over the past 15 years, Ronit has collaborated extensively with HVS, contributing to high-profile projects across Israel and Europe and working closely with HVS London. Her deep understanding of hospitality valuation, market analysis, asset management, and strategic business planning positions her perfectly to lead HVS Tel Aviv as the country's hotel sector continues to undergo expansive growth. As managing partner, Ronit will strengthen HVS Tel Aviv's impact across the southern Mediterranean region, combining international know-how with local market intelligence, and delivering premium consultancy services.

*For further information about the services of the Tel Aviv office, please contact **Ronit Copeland**, managing partner, on +972 (52) 247-1253 or at rcopeland@hvs.com.*

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About the Author



Ronit Copeland is the managing partner of HVS's Tel Aviv office, which she founded in February 2025. Ronit holds a BA in Business Administration from Clark University in Massachusetts, graduating with distinctions, and an MBA in

Marketing and Finance from the Hebrew University of Jerusalem. She has shared her knowledge and experience as a speaker, writer and advisor, delivering insights on emerging trends such as investment, asset management and sustainable development. Over the course of more than 30 years, Ronit has played a key role in shaping the success of boutique and independent hotels, lifestyle products and large-scale hospitality ventures across Israel, Europe and USA.

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