

INVESTMENT

Mind the transactions gap: What's moving the markets in 2025?

By **Isobel Lee** · Jan 23, 2025 8:00am[IHIF EMEA 25](#)[Leumi UK](#)[Stoneweg Hospitality](#)[Hospitality Investor Homepage](#)

The year 2025 could be the year that hospitality transactions move closer to pre-pandemic volumes, according to [experts in the sector](#). Yet with total European hotel deals for 2024 expected to touch €20 billion, recent volumes are still some way off 2019's record €27.1 billion of deals. To bridge the gap, property owners must be ready to sell, while buyers will need to maintain confidence in the sector's long-term fundamentals and find financial backing where needed.

Judith Fischer, partner commercial research, Knight Frank, sees plenty of positive signals for the asset class. "With European hotel investment in the first nine months of 2024 having outpaced the 10-year average for the period by 14 per cent, we expect to continue to see capital focusing on hospitality supported by solid growth in tourism-related sectors," she says. However, she warns that on the macroeconomic front, "higher-than-expected inflation in the Eurozone and the potential for protectionist policies in the US could slow the anticipated pace of interest rates unwinding".

Miguel Casas, managing director, Stoneweg Hospitality, also believes that hotels will continue to shine. "Certainly in the markets where we are active, I think we are going to have above five percent, possibly even above 10 percent, ADR growth this year," he says. "There could be some issues around the bottom line, however, as although it seems inflation is under control, political upheaval could usher in different economic policies."

Troubling US data

While Donald Trump is just settling back into the White House, macroeconomic markers [are already on the move](#). Stocks may have soared after the election result in November, but since then, a hot December jobs report and evidence of inflation have driven markets towards the conclusion that this year's Fed rate cuts may be few and far between.

The 10-year Treasury yield hit a [14-month high last week](#) as further inflation data confirmed frothy economic fears. Talk about [Trump's tariff or spending plans haven't helped](#). "Trump didn't automatically win the vote of the bond vigilantes. He's got to earn their respect," notes Edward Yardeni, president of financial market data specialist Yardeni Research.

Although a Washington Post article in early January suggested that Trump's team might modify import taxes to just apply them to critical sectors, the president denied the report.

Meanwhile, global bond yields have seen contagion from US market shocks. A tumultuous sell-off in UK gilt markets pushed yields to multi-year highs, while swap rates have risen sharply, which is bad news for residential mortgages as well as commercial lending.

UK scenario

Chancellor Rachel Reeves has come under criticism for her budget and the more recent rise in government borrowing costs, but the UK will also look to blame systemic, global inflation created by ongoing geopolitical pressures. "I do not believe that it is reasonable to suggest that the reason why bond yields in the United States, in Germany and France have risen is because of decisions now by this government," Reeves told the Commons last week.

Louise Gillon, head of hotel finance at Leumi UK, says that "opportunities in the UK hotel market this year will be matched by an equal number of challenges". She adds: "Hotels in the UK had a strong growth trajectory in 2023, while 2024 was flat, and 2025 is likely to be equally flat." Across the market, she says that firms were able to push rates considerably in 2023, but 2024 saw just a small increase, and 2025 is likely to see the same. "On the occupancy side, Asian tourists weren't fully back last year, while the US market was more subdued than normal because of the election. So, we're hoping for a slight increase in occupancy," she says. However, she notes that the challenges are "quite substantial", explaining: "The increasing cost of employment poses a significant challenge to the hospitality sector as a whole, and particularly for some regional assets such as 4-star hotels with spas, as they need higher numbers of staff and find it difficult to attract employees in some locations." That means that the outlook is brighter for limited-service hotels or serviced apartments, she says, due to their lower staffing requirements.

CBRE research suggests that the outlook for Europe's hotel and tourism sector remains positive, albeit with a more normalised pace of RevPAR growth. It notes that struggling consumers in the US might not manage to significantly increase their outbound travel, but intra-European and other global demand should support positive RevPAR growth in 2025.

Subdued pipeline

In terms of the European hotel pipeline, prospects for new stock are still fairly subdued. A trend report from Lodging Econometrics estimates that some 327 new hotels opened in Europe with 43,457 rooms in 2024. This year, LE predicts that some 353 new hotels with 51,463 rooms will launch, while 2026 could see 426 new hotels open with 57,350 rooms.

Gillon adds: "In terms of brand new, ground-up development, we are seeing very little as build costs are still prohibitively high. Coupled with ESG-conscious investing it has become more interesting to reutilise buildings that have become vacant, such as offices." Yet despite construction costs remaining elevated, Gillon notes that capital expenditure increased in 2024 for hotels, and reckons that this trend will continue. "There has been a definite pivot towards capex to keep assets up to a certain level, and going into this year, the number of refurbishments is already on the rise."

Casas confirms that Stoneweg sees opportunities for opening new hotels. The Geneva-headquartered real estate investment company inked a deal with Cromwell Property Group last year to acquire Cromwell's European fund management platform and associated co-investments, totalling €3.9 billion of real estate assets under management, for around €280 million. Casas notes that Cromwell's presence in northern European markets opens a pathway for expansion across a range of asset classes including hospitality. "We see opportunities in markets like the Nordics, Benelux and Germany – markets that we weren't active in before," he says. "In Northern Europe, most of the price correction in the market has already taken place, we also see an experiential shift towards hospitality and an opportunity to bring our leisure experience to these territories. Northern European hospitality has a lot of corporate activity, but we can maybe add leisure components to some structures, activating a different kind of demand."

As for issues around labour costs, Stoneweg is developing ways to cope. "We are seeing that we can operate with smaller, but higher quality teams than before," he notes. "Alongside this, we still see plenty of repositioning opportunities in the market and have significant capital to deploy."