London Hotels

April 2025

NMRK.COM/UK

Beyond recovery: London's hotel market enters a new phase

I'm delighted to share our latest insights with you on London's hotel market. This is truly one of the world's most rewarding cities for hospitality, development and investment.

The past few years have presented extraordinary challenges - a global pandemic, political and economic turbulence both at home and abroad, steeply rising operational costs and fundamental shifts in how people travel, work and engage with their living space. Fortunately, London remains exceptionally well-positioned for long-term success, with an enviably high RevPAR and continues to outperform many of its global counterparts.

The post-pandemic rebound in ADR has been remarkable. Investor confidence has also returned strongly, with 2024 recording the highest volume of UK hotel transactions since 2018, overwhelmingly led by international capital seeking exposure to the sector at scale. Vacant possession sales have also picked up, with major transactions kicked off by the Edwardian sale in early 2024 and large single asset sales including The Standard and Six Senses. The asset repricing that occurred across all commercial property sectors is now largely behind us, hotel yields are stabilising and total returns turned positive late-2024. As a case in point, we advised Whitbread on its stimulus package in 2024, achieving one of the strongest post-'mini budget' yields in the market.

Nevertheless, significant challenges remain. Energy and staffing are crucial components of the hospitality equation and high costs will persist. Additionally, the potential for a significant hike in business rates liabilities in 2026 mean it's more important than ever to take expert advice on navigating the complexities of Rateable Values. We can negotiate effectively on your behalf to make sure you're not overburdened with excessive liabilities.

The demands of the modern traveller and the regulatory landscape are also evolving at pace. Agile working and shifting corporate travel patterns demand versatile hotel spaces that seamlessly blend business and leisure. Sustainability is no longer a future aspiration, rather a pressing commercial reality that is central to operations, development and long-term asset value.

But what sets London apart, beyond its scale and diversity, is its proven ability to reinvent itself. Looking ahead, those that embrace innovation and flexibility will be best positioned for success. Technology will play a pivotal role, from AI-enhanced guest experiences to operational efficiencies that will become an essential part of maintaining profitability.

International demand remains a key strength, with US visitor numbers and spending already significantly above pre-pandemic levels. Yet the most compelling opportunities lie within emerging markets, offering unprecedented potential for growth, given London's unique attractions and the sheer scale of demand they represent. When this is realised, it will provide another major catalyst for the hotel market.

London boasts one of the strongest hotel development pipelines in Europe, with a wave of new openings expected this year and next. We expect conversion and retrofitting will dominate development from 2027 onwards, which is arguably more cost-effective and certainly more sustainable. We've seen a big uptick in London planning applications with change of use to hotels, with 2023 and 2024 as much as 18% above the 10-year average. Nowhere is this kind of reinvention clearer than in the City of London, which is transforming from a corporate-only district into a vibrant, mixed-use destination with an expanding leisure scene and rising weekend visitor numbers.

At Newmark we're proud to be at the forefront of this evolution. Our own recent journey represents more than just a change of name in the UK; it marks the start of a dynamic new phase that will benefit our clients with a global platform, broader expertise and unmatched advisory capabilities. Whether you're an investor, developer or hotel operator, capitalising on the opportunities ahead demands deep sector knowledge and the right partner. If you'd like to explore these insights further and discuss your next moves, my team and I look forward to working with you.

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The London market: structure & demand

Expensive land values have polarised development, with total hotel keys dominated by high-density budget and upscale/luxury offerings. Three-quarters of visits to London are for leisure purposes, but corporate hotel provision remains crucial. Meanwhile, brands have diversified as traveller preferences evolve and trips increasingly combine business with leisure.

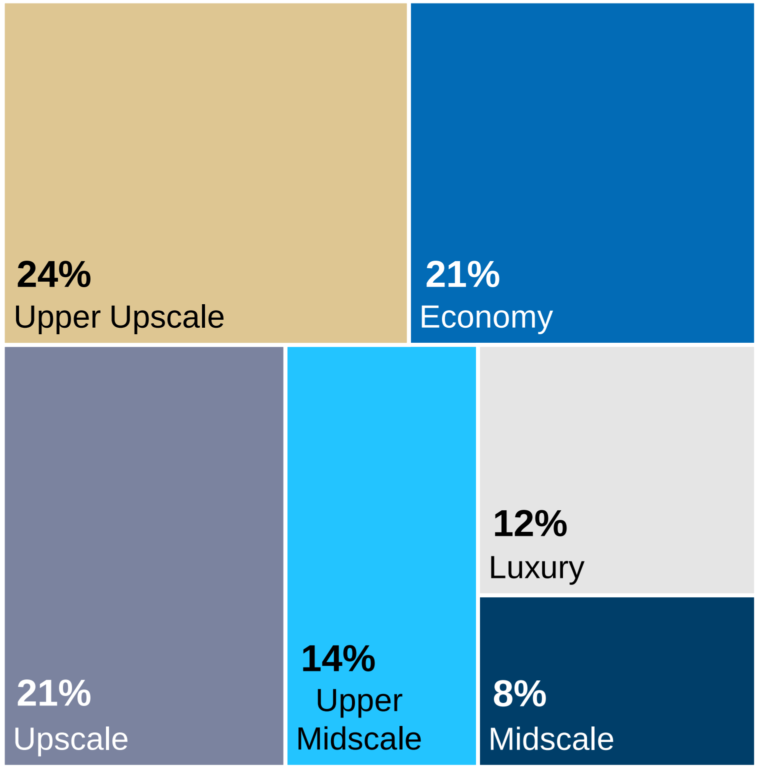
London is one of the world's most sought-after hotel markets, supported by exceptional demand fundamentals. The city's unrivalled cultural and historical attractions, world-class retail and dining scene, and global financial hub status sustain a diverse mix of accommodation types. With excellent accessibility and a mature, transparent property market, London attracts both global hotel brands and independents.

High land values in central London favour high-density developments, polarising the market between branded budget hotels and luxury upscale properties, which dominate by key count. The Upper Upscale sector alone accounts for almost a quarter of all hotel keys, while all upscale and luxury segments account for 57% of total key supply. There have been high-profile openings in the luxury segment such as Peninsula and Raffles, alongside notable independent operators. Meanwhile, economy brands account for 21% of keys and capitalise on cost-conscious leisure demand, led by Premier Inn and Travelodge.

70% branded
30% independents
Share of London keys

London keys by type, 2024
Source: STR Global

Total: 153,899 keys



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Visits to London are overwhelmingly leisure-driven, at around 75% of the total. Leisure visitors tend to stay longer on average than corporate guests, with around two-thirds in the capital for holidays and a third visiting friends and relatives. While corporate travel represents a smaller 17% share of visits, it plays an outsized role in revenue generation, accounting for 23% of total spending. Business trips tend to be shorter in duration but higher in per-night expenditure, particularly in premium and full-service hotels.

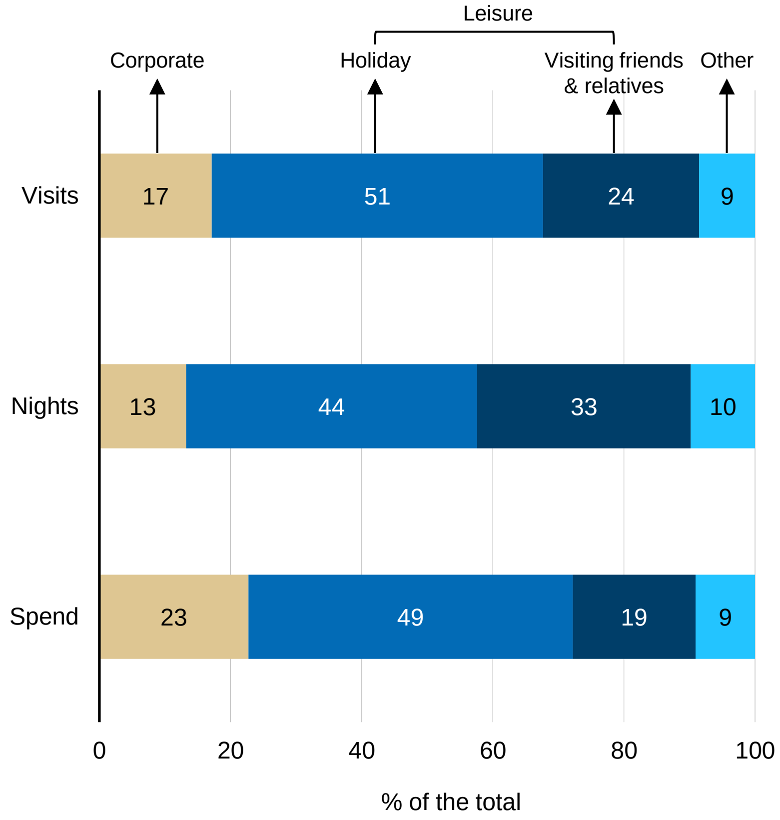
The growing trend of blended business and leisure travel ("bleisure") is reshaping the market, as travellers extend stays beyond work obligations. This shift has influenced hotel design and service offerings, with brands integrating more flexible workspaces, wellness-focused amenities and local experiential elements. This has given rise to a new wave of hotel sub-brands that offer individuality while retaining operational efficiencies for operators and the benefits of loyalty programmes for their guests.

75% Of visits are leisure travel

17% Of visits are corporate travel

Visits to London by type

Source: Visit Britain

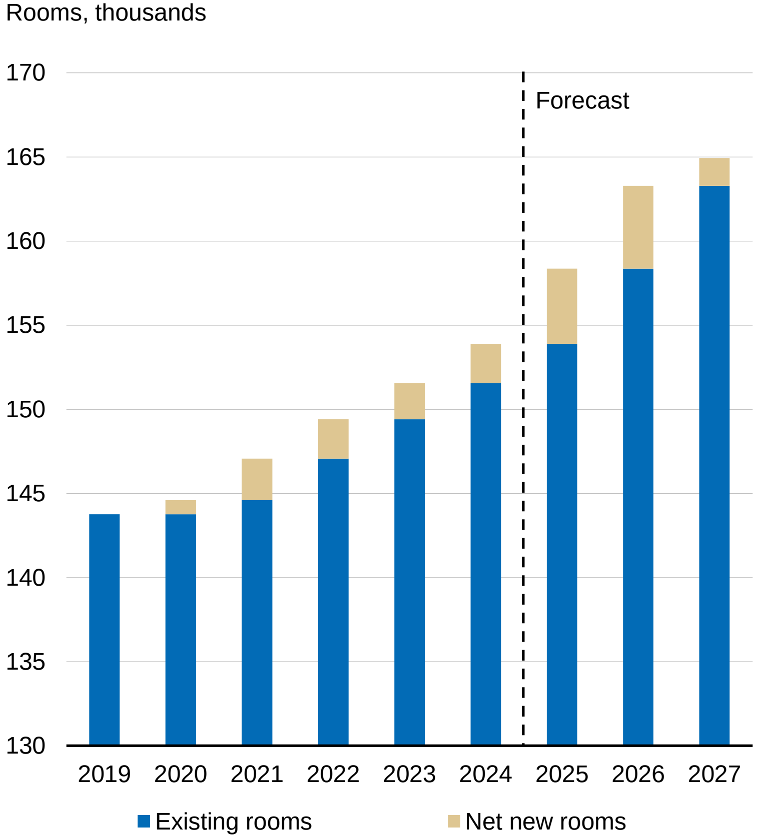


Hotels: supply & development

London has one of the largest hotel development pipelines in Europe, with many new schemes due to open over 2025-26. Thereafter new completions are set to ease following the sharp increase in construction costs that began in late-2022. However, we expect conversion and retrofitting to rise to potentially reduce costs and help meet local authorities' sustainability agendas.

London hotel room total supply and pipeline

Source: STR Global



London's hotel development pipeline remains one of the largest in Europe, with 2,703 new hotel keys delivered in 2024, a figure broadly in line with its 10-year average. Currently, 6,115 keys are under construction, with an additional 2,165 expansion keys being added to existing hotels through extensions and refurbishments.

While high barriers to entry in the very centre of London have historically constrained new development, shifting demand patterns and the rise of "local" tourism have opened up new areas for hotel growth. The expansion of the City, for example, has traditionally been into Shoreditch, which has seen significant hotel investment over the past decade. This is now a hotel destination in its own right as part of its transformation into a tech and creative hub, with further development extended into areas such as Whitechapel. Stratford also underwent extensive regeneration following the 2012 London Olympics and has attracted multiple new hotel developments, benefiting from strong transport links and increased visitor numbers.

6,115
Keys under construction

+2,165
'Expansion' keys

→ **One of the largest pipelines in Europe**

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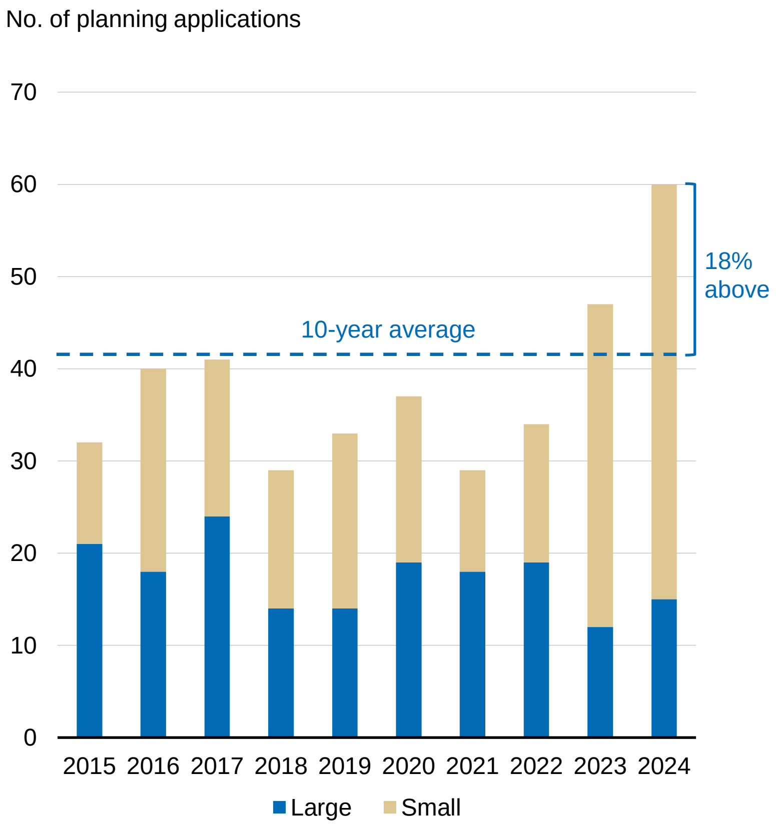
London change of use to hotels planning applications
Source: EG radius



Looking ahead, hotel completions are expected to rise in 2025 and particularly in the first half of 2026, driven by legacy projects initiated before late-2022 that are now reaching completion. However, new development starts in more recent years have slowed significantly due to escalating construction costs, including materials, labour and debt financing, and softened exit yields which have impacted project feasibility. Consequently, from 2027 onwards, the rate of new hotel completions is expected to ease.

Retrofitting of existing buildings is set to play a greater role in expanding London's hotel supply over the medium term. Developers are increasingly prioritising adaptive reuse strategies to potentially reduce construction costs and in response to local authorities' sustainability agendas to preserve embodied carbon. The number of planning applications for hotel conversions of underutilised offices and other assets in London increased noticeably in 2023 and 2024.

A notable example is Whitbread's recent acquisition of 35 Red Lion Square in Midtown, an office building set to be converted into a Hub by Premier Inn. This highlights the modern trend towards smaller, space-efficient hotel formats in repurposed properties, particularly in prime urban locations where land values remain high.

London hotel performance

The post-pandemic rebound in RevPAR has been substantial, driven by a stellar rise in ADR to an all-time high. In part this is due to the high concentration of new luxury hotel openings, which have outperformed CPI inflation by 8.1% over the past 10 years. All hotel classes have proved an efficient hedge against inflation, even during the recent period of significant price rises.

The pandemic caused unprecedented disruption to London's hotel market, followed by a sharp rebound following the resurgence in international travel. However, most of the easier wins from pent-up demand have now played out and, while the fundamentals remain strong, future performance gains will be harder to achieve.

The London-wide Average Daily Rate (ADR) has increased by 26% since before the pandemic, reaching an all-time high of nearly £195 in 2024. This strong income growth was supported by hotels successfully passing through inflation-driven cost increases to top line prices combined with a wave of new luxury hotel openings. Cumulative Revenue Per Available Room (RevPAR) growth was particularly strong in the luxury segment, which outpaced CPI inflation by 8.1% between 2015 and 2024. This underscores London's position as a high-value global destination, with top-tier hotels demonstrating their particular resilience as an effective hedge against inflation.

While all hotel segments have benefited from pricing power, economy hotels have largely only kept pace with general price inflation, resulting in more modest real-term gains. This is partly due to a surge in supply in outer London, where new developments have increased competition in the budget and midscale sectors, plus government contracts for asylum seeker accommodation have ended, releasing additional rooms back into the market. Consequently, price sensitivity and competitive pressures have kept ADR growth in this segment relatively in check.

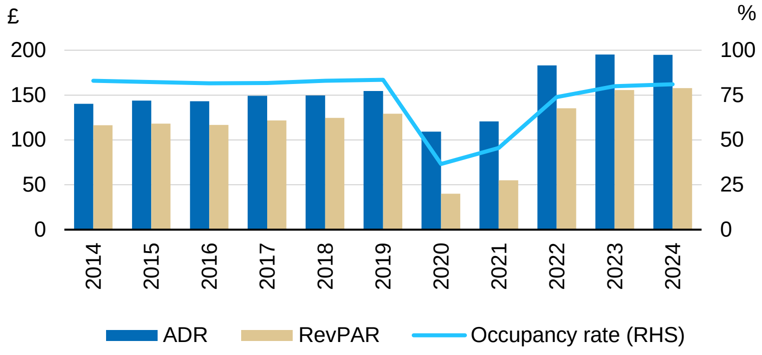
London-wide occupancy reached just over 81% in 2024, bolstered by a noticeable surge in international travel in the second half of the year. This is relatively strong, particularly in an international context, but the 2024 rate was nevertheless 2.5 percentage points below the 83.5% occupancy recorded pre-Covid. The recovery, while robust, reflects ongoing nuance and shifts in leisure and corporate travel behaviour, along with the impact of continued new hotel openings.

For hoteliers, maximising ADR has been the priority, even at the expense of occupancy. This strategy has allowed operators to preserve profitability despite sharp rises in input costs, particularly in premium hotel categories where consumer demand has remained highly resilient.

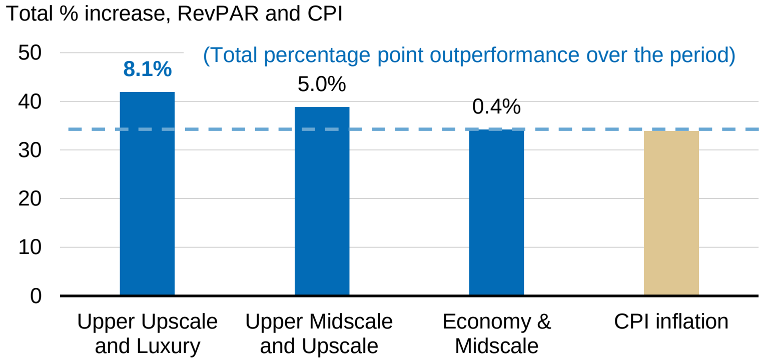
26%
Growth in London hotel ADR, 2019-24

8.1%
Outperformance of London luxury hotels over CPI inflation, 2015-24

London hotel key performance indicators
Source: STR Global



Total increase over 2015-24 by hotel quality type, and CPI
Source: Newmark, STR Global, ONS

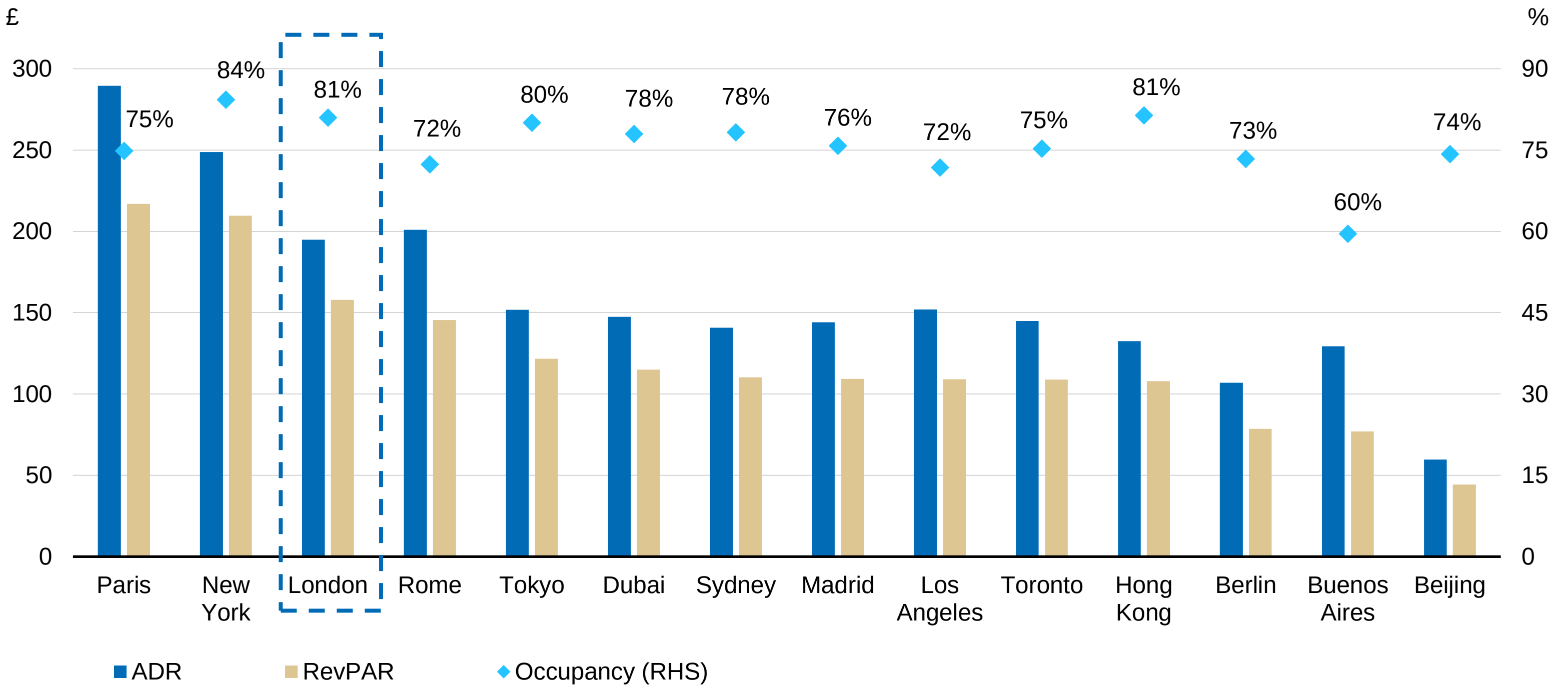


London hotel performance: international context

London remains among the world's top-performing hotel markets, sustaining high RevPAR and steady revenue growth alongside Paris, New York, and Rome. Its strong occupancy rates and diverse demand base underpin long-term stability, reinforcing its position as a resilient and highly sought-after destination for visitors, operators, and investors.

ADR, RevPAR and occupancy rate in 2024 by global hotel market

Source: STR Global



London continues to perform strongly, ranking among the world's top markets in terms of RevPAR. In 2024, London recorded the third-highest RevPAR, behind only Paris and New York which have higher average quality and cost of rooms. London's ADR remains marginally below that of Rome, but its strength is the occupancy, which at 81% is bettered only by New York and pushes its RevPAR ahead of Rome.

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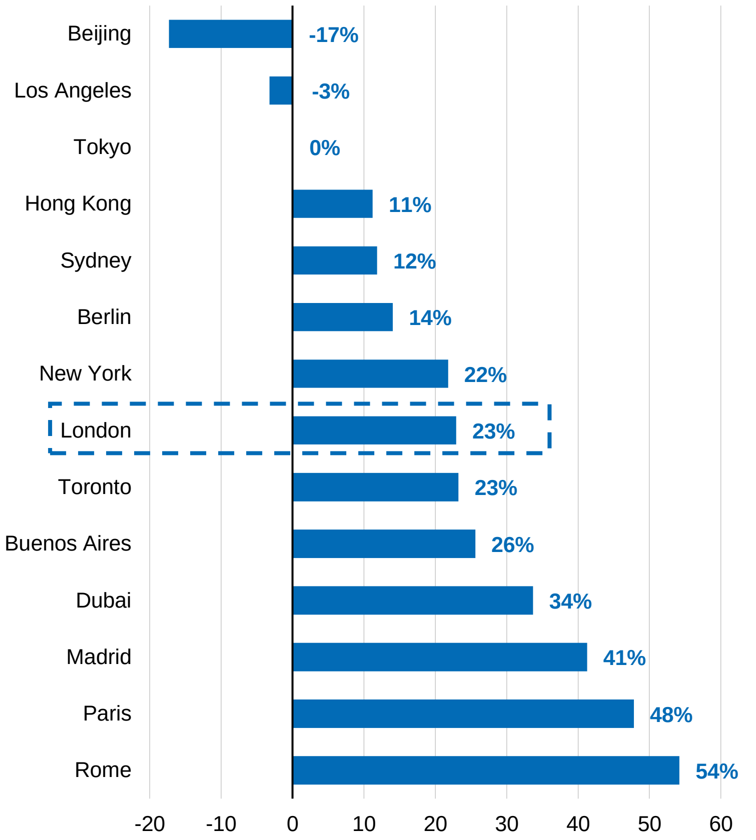
London is part of a select group of global cities, alongside Paris, New York, and Rome, that have not only maintained a high RevPAR but also have sustained revenue growth. Several other cities have had stronger RevPAR growth than London since 2019, notably Buenos Aires, Madrid, and Dubai, though these increases are from a lower base. The occupancy in Buenos Aires' remains weak, lagging 7.5% below pre-Covid levels. London's ability to sustain both high absolute RevPAR and steady growth positions it as one of the world's most resilient hotel markets. Performance is anchored in strong occupancy, which reflects a broad demand base, capturing both high-value visitors and high overall guest volumes.

2024 RevPAR and RevPAR growth over 2019-24 by global hotel market
Source: Newmark, STR Global

RevPAR growth, 2019-24 by global hotel market
Source: Newmark, STR Global



Corporate demand

Corporate travel remains a key revenue driver, but demand is still 19% below pre-Covid levels. Cost and sustainability pressures have led to fewer but longer business trips, benefiting hoteliers through lower room turnover and higher ancillary spend. To remain competitive and attract modern business travellers hotels must further adapt, offering seamless work-leisure environments.

London's status as a global financial hub maintains business travel as a fundamental pillar of hotel demand. Corporate travellers typically favour premium accommodation in prime, central locations that align with the geographical concentration of London's key office markets. Beyond room revenue, business guests are also high-value customers, frequently using ancillary services such as meeting rooms, business centres, and on-site dining, which further boosts hotel profitability.

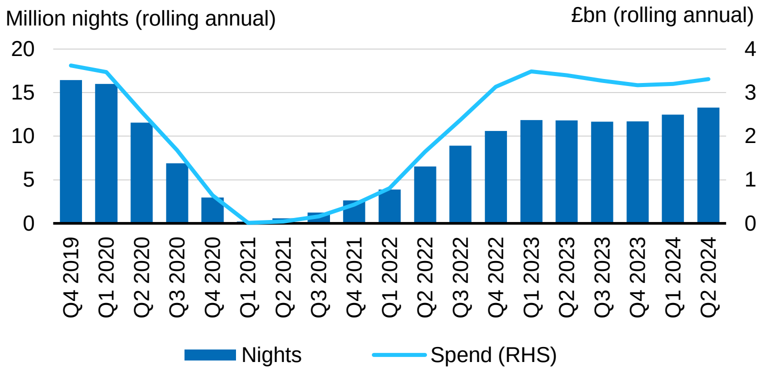
While corporate travel has risen sharply, it remains below pre-pandemic levels. By Q2 2024, the rolling annual number of nights had risen to 13.3 million, still 19% below the 16.4 million nights in Q4 2019. The total nominal spend was almost at parity, at £3.3bn in the year to Q2 2024 compared with £3.5 billion in the year to Q4 2019. In real terms this represents 22.8% lower spending.

Corporate travel patterns continue to shift as agile working and sustainability goals reshape demand. While fewer business trips are taking place, the average length of stay has increased, improving cost efficiency and reducing carbon footprints. The average London business trip from China was 8.7 days in 2024, which was 1.7 nights (or 24%) longer than in 2019. Meanwhile, business trips from the US increased by 0.4 nights (10%) over the same period. This allows businesses to maximise the value of each trip, consolidating multiple meetings and engagements into fewer, longer stays.

For hoteliers, this trend is advantageous since longer-stay business guests reduce operational inefficiencies associated with high room turnover, such as fewer check-ins/outs, lower housekeeping costs, and less wear and tear on rooms and amenities, improving asset longevity.

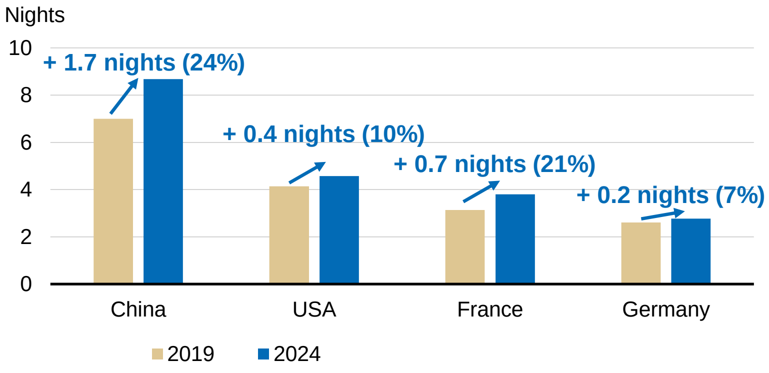
London overseas business nights and spend

Source: Newmark, ONS



Average length of London business trip by geography

Source: Newmark, ONS



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The number of business night stays in London continues to trend upwards but is still well below pre-pandemic. Hoteliers will have to work hard to attract this important element of demand and be innovative and flexible in their offering.

The increase in remote and hybrid working has blurred the lines between business and leisure travel, giving rise to the bleisure guest, who extends work trips to incorporate leisure activities. The WTM Global Travel Report 2024 identified bleisure as the single biggest driver of tourism growth, reinforcing its importance for the hotel sector.

Bleisure travellers demand versatility in that they require high-quality workspaces within hotels but also expect access to leisure amenities such as gyms, spas, and pools, as well as proximity to cultural and entertainment hubs. This trend places a greater onus on hotels to create environments that cater to both business and leisure needs, ensuring that meeting spaces, co-working lounges, and premium leisure facilities seamlessly coexist.

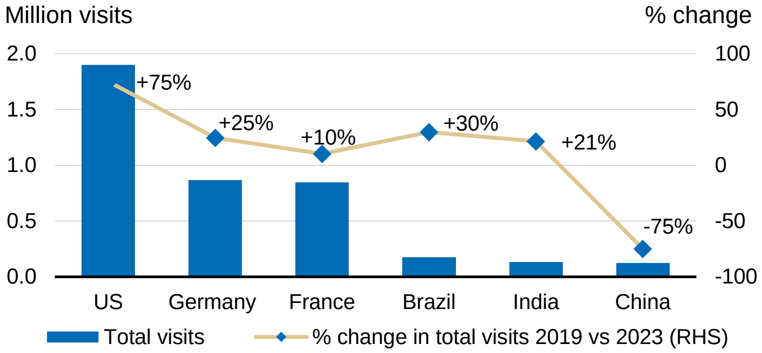
Another important avenue of corporate demand for hoteliers to tap into is large company events. Agile working and fewer real-world connections have arguably increased the need to bring employees together through such gatherings. This might take the form of away days with an overnight stay hosted by a hotel, or a daytime activity that may take place elsewhere with overnight hotel accommodation.

Leisure demand

US travellers are the largest individual source of trips to London, with visits up 75% on pre-pandemic levels and spending per night soaring 40%. Meanwhile, China's visitor numbers still languish well below pre-Covid levels, but a sharp rebound over 2024 and 2025 will feed into significant longer-term growth opportunities from India, Brazil, and other emerging markets.

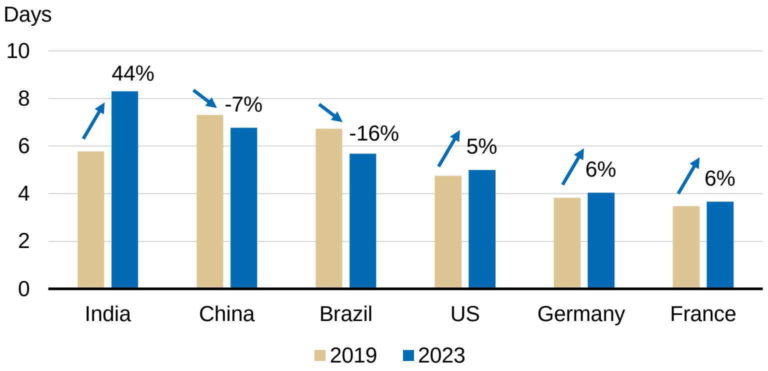
Total holiday visits to London by geography

Source: Visit Britain



Average length of holiday visits to London by geography

Source: Visit Britain



London remains one of the world's most sought-after holiday destinations, with international tourism a key driver of the city's hotel market. While full-year 2024 data are yet to be released, figures from 2023 paint a nuanced picture of recovery and shifting travel dynamics. In 2023, London welcomed 10.7 million holiday visitors. This is down 4.5% from pre-pandemic levels but represents a significantly stronger recovery than in the corporate sector. Average spending per night increased by 14.4%, but this apparent surge in revenue must be viewed in the context of high inflation, which reached double digits across many economies. In real terms, the spending per night fell by 5.6%, which highlights the impact of rising costs on traveller budgets.

The United States remains by far the largest source of international holiday visitors to London, with 1.9 million visits in 2023, which is more than France and Germany combined. US visitors also stay longer, averaging five nights, compared with less than four for French and German travellers. Consequently, the total number of nights stayed by US visitors of around 9.5 million in 2023 far exceeds that of other markets, e.g. 3.1 - 3.5 million from France and Germany. Crucially, US travellers are also the highest spenders, with an average of £221 per night, 56% more than their European counterparts at £142 per night.

While US and European visitors remain a bedrock of demand, long-haul travellers from China, India, and Brazil present some of the strongest growth opportunities. These emerging market visitors currently make up a small share of total arrivals, with 120,000–180,000 visitors per country in 2023. However, their spending per night is already on par with or slightly above European visitors. Their longer-haul stays of up to eight nights mean total spending per visit exceeds £1,000, bringing them closer to US visitor levels in spending terms. As middle-class wealth continues to rise in these countries, and long-haul air connectivity improves, these markets represent a major growth segment for London's hotel sector.

One of the most striking trends in post-pandemic tourism recovery is the explosive growth of US visitors. Total US holiday visits to London have surged by 75% compared with pre-pandemic levels. More importantly, spending per night has increased by 40%, representing a real-term increase, despite inflationary pressures. By contrast, the Chinese market remains subdued. Following three years of pandemic-related border closures, China reopened to outbound travel in January 2023, but London arrivals were still 75% lower than pre-Covid levels. This suggests there remains a significant pent-up rebound still to be realised, along with the longer-term emerging market trends. Early estimates for 2024 suggest there was a strong bounce, particularly in the second half of the year, and Visit Britain anticipates a full recovery in Chinese visitor numbers by 2025.

Leisure demand

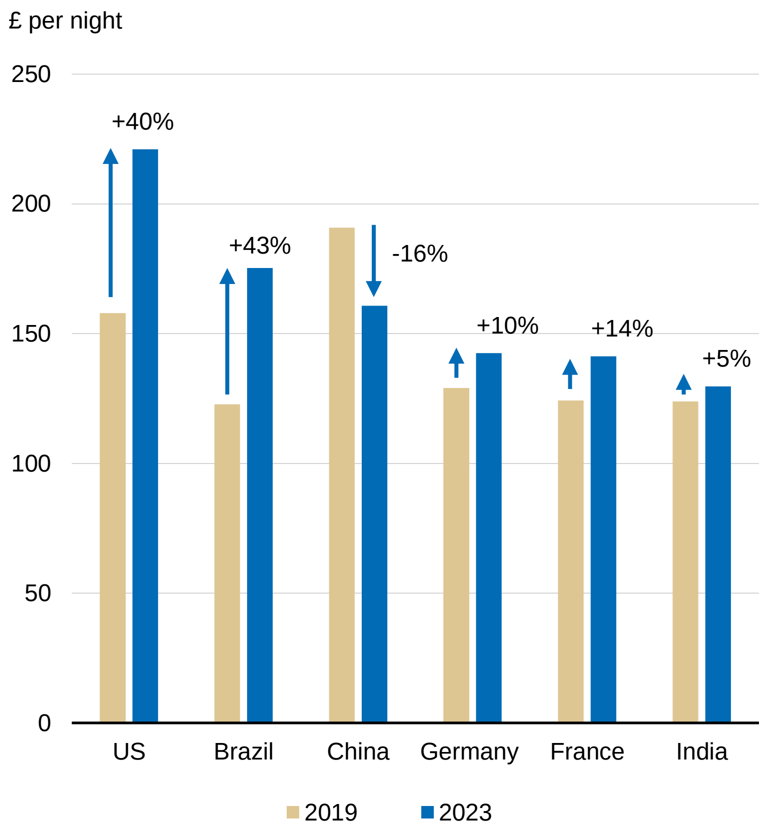
Major events like the Taylor Swift Eras Tour can boost ADR by as much as 14%, with future concerts, sports fixtures and seasonal festivals an increasingly integral component of revenue optimising strategies for hotels. While international visitors dominate demand, domestic travellers remain an important component with shorter, task-specific stays.

Large-scale cultural and entertainment events have become critical demand drivers for London hotels, delivering notable revenue spikes beyond underlying market growth. For example, London RevPAR during the Taylor Swift Eras Tour at Wembley Stadium in 2024 over 21st – 23rd June, and 15th, 16th, 17th, 19th and 20th August averaged £195. This was a 14% increase on the average £171 RevPAR achieved over the same nights in 2023, which far outpaced the city-wide 2024 annual RevPAR growth of 1.4%.

With Oasis, Coldplay, and other concerts on the horizon, as well as sports fixtures and seasonal festivals, event-driven demand will remain a key revenue optimisation strategy for London hoteliers. This reinforces the importance of aligning pricing and inventory management with the city's cultural calendar.

While international visitors drive much of London's hotel demand, the domestic market remains an essential pillar. London consistently attracts the highest-spending domestic tourists in the UK, but the nature of domestic stays differs significantly from international visits. Domestic leisure stays are typically shorter, often focused on specific events such as theatre performances, concerts, sports fixtures, shopping trips, and social gatherings. Unlike other UK regions, London does not see high levels of domestic "holiday" travel, likely due to cost factors and competition from rural and coastal destinations.

Average leisure spend per night by geography
Source: Visit Britain



Challenges & opportunities: workforce

With staff costs continuing to rise and as difficulties recruiting and retaining staff persist, hotels must rethink their operations. Technology-driven solutions can reduce labour dependency, streamline costs and enhance the guest experience. Embracing innovation is not just about operational efficiency, but a strategic necessity for long-term viability.

The Challenge: Rising labour costs and staff shortages

On average, staff costs account for 35% of a hotel's operating expenses, making it a critical area of focus as wage pressures mount. The UK National Living Wage has risen significantly in recent years - up 9.7% in 2023/24, followed by a 9.8% increase in 2024/25 to £11.44 per hour. This upward trend is set to continue, with a further 6.7% rise scheduled for 2025/26 to £12.21 per hour. This has occurred alongside the erosion of zero hour contracts. For hotels operating in London the financial burden is even more acute, with the Living Wage scheduled to be £13.85 per hour in 2025/26.

Nevertheless, hospitality workers typically earn salaries that are around 34% lower than the average private sector worker in the UK. This makes the sector particularly vulnerable to the increase in employers' national insurance contributions (NIC) in April, given the large cut in the lower salary threshold at which firms start paying NICs to £5,000pa from the historic £9,100pa.

In addition to rising staff costs, recruitment and retention has proved increasingly challenging. Competition for workers has intensified, requiring higher wages, enhanced benefits and more flexible working conditions. Staff shortages impact hotel operations profoundly, which highlights the need for a strategic rethink to minimise volatility around operations and costs while maintaining high-quality guest experiences.

The Opportunity: Leverage technology to reduce exposure to risks

The hospitality sector has been slow to embrace technological change, yet these challenges present a major opportunity for hotels to modernise and streamline operations. By adopting automation, AI and smart technology, hotels can minimise manual processes and enhance efficiency. This will allow fewer staff to focus on higher-value personalised human interactions with guests to maintain the all-important hospitality experience.

Key areas for implementation

- Mobile and kiosk-based check-in and out systems;
- AI-powered virtual concierge services to handle routine enquiries with 24/7 availability;
- Smart sensors to optimise housekeeping as-needed, rather than on fixed schedules;
- Robotic vacuuming, automated food, drink, amenity and linen delivery;
- AI-driven guest preference tracking to offer personalised room preferences and targeted promotions, increasing upselling opportunities.

Challenges & opportunities: business rates

There is a risk that business rates liabilities for hotels could rise sharply in 2026. Newmark's specialist hotel rating team has secured over £130 million in savings for hotel clients in the last Rating list alone and is uniquely positioned to mitigate liabilities, negotiate effectively and ensure operators avoid excessive costs.

The Challenge: The return of high business rates and increased liabilities

Business rates represent the second-largest expense for hotels after staffing. Since April 2023, large London hotels have benefited from significant reductions in business rates due to temporary Covid and Brexit allowances. This has been a crucial relief that has helped support the industry's recovery.

However, the next business rates revaluation scheduled for April 2026 is expected to drive substantial increases in Rateable Values. Current projections suggest that:

- Three to five-star hotels could see their Rateable Values rise by 220%;
- Budget hotels may face an even steeper increase of 290%, reflecting the removal of allowances and the sector's post-Covid bounceback.

While these figures indicate a significant adjustment, it is important to note that Rateable Value increases do not automatically translate into an equivalent rise in actual business rate liabilities. The Government has the discretion to implement transitional relief measures, which could moderate the immediate financial impact.

However, with no confirmed framework in place, hoteliers must act now to assess their risk exposure and prepare strategies to mitigate potential overpayments on future business rates liabilities.

The Opportunity: Expert advice to limit your liability

There are several ways to potentially limit your liability:

- Challenge the Valuation Office Agency's compiled list rates valuation by analysing your hotel's trading performance in relation to comparable rating assessments;
- Monitor and identify new hotel competition in the locality and persuade the Valuation Officer that this new entry into the local hotel market has had a detrimental impact on your hotel's trading performance;
- Raise the impact of any refurbishment works at your property, which can result in the granting of full or partial empty property rates relief during the duration of the works.

Newmark is the UK's leading business rates advisory firm with a team dedicated exclusively to the hotel sector. We represent over 50% of corporate hotels in the UK and our interventions have secured over £130 million in savings for hotel clients in the last Rating list alone.

With the 2026 revaluation approaching, now is the time to engage expert advisors who can navigate the complexities of Rateable Values, negotiate effectively on your behalf and ensure you are not overburdened with excessive liabilities.

Challenges & opportunities: ESG

Hotels face growing pressure to reduce carbon emissions, enhance social impact and meet evolving ESG regulations. From energy-efficient operations to ethical leadership, aligning with sustainability goals is a competitive necessity. Proactive adoption of ESG policies can drive cost savings, strengthen brand reputation, and future-proof business resilience.

The UK Labour government is expected to bring in stricter ESG policies and legislation. Hotels are inherently energy-intensive operations, running 24/7 and contribute significantly to greenhouse gas emissions. In the UK, a single night's stay in a hotel generates an average of 10.4 kg CO_2e per room, while the average carbon footprint per person per day is approximately 11–12 kg CO_2e. **This means that one night in a hotel could almost double an individual's daily emissions**. Hotels need to act proactively to meet guest and stakeholder expectations and attract and retain the best staff.

Environmental impact

- Mobile app and smart, energy-efficient lighting & HVAC systems;
- Smart meters and low-flow fixtures for water management;
- Implement greywater recycling systems and/or rainwater harvesting systems for non-potable use;
- Install high-efficiency windows and insulation (or retrofit tint or films) to reduce heating and cooling demands;
- Discourage daily towel and linen washing, with green incentives for guests opting out;
- On-site waste reduction and recycling, eliminating single-use plastics;
- Use eco-friendly local food/product suppliers and packaging to reduce transport miles;
- Reduce food waste through smarter inventory management and meal planning.

Social responsibility

Hotels need to contribute positively to the well-being of their employees, visitors, and local communities.

- Review and enhance guest safety protocols, and train staff in hygiene and health practices;
- Ensure hotel properties are fully accessible to people with disabilities;
- Integrate local culture, heritage and traditions into guest experiences to promote sustainable tourism;
- Promote work-life balance, mental health support programmes and professional development;
- Commit to fair wages, stable employment contracts, and ethical treatment of all employees;
- Foster inclusive workplace cultures through regular DEI training and accountability measures;
- Support local communities through partnerships, charitable initiatives and volunteer programmes.

Governance

Good governance is essential to build trust with investors, consumers, and stakeholders.

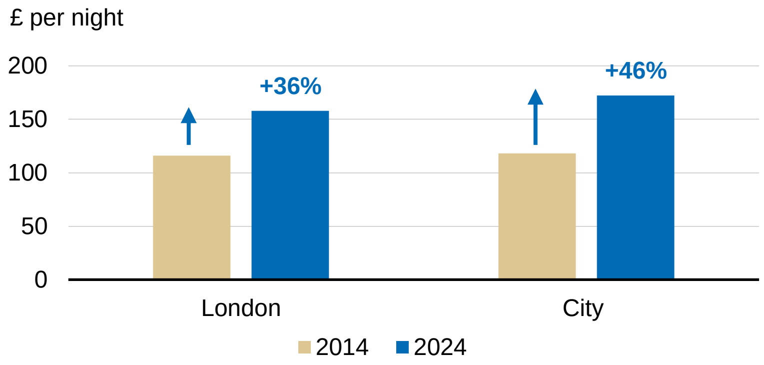
- Transparent reporting and disclosure with globally recognised frameworks (e.g., GRI, SASB, TCFD);
- Board-level ESG oversight, and embed ESG KPIs in executive compensation and performance reviews;
- Integrate ESG risks (e.g., climate, regulatory, reputational) into broader risk management strategies;
- Develop and enforce clear policies on ethics, anti-bribery, diversity, and inclusion;
- Align business practices with industry benchmarks and certifications (e.g., LEED, BREEAM, WELL);
- Establish clear ESG criteria and audits for procurement, with alignment across the supply chain;
- Strengthen policies and systems for guest and employee data privacy, protection and cybersecurity.

Focus on: the City of London

No longer just a corporate stronghold, the City of London is evolving into a dynamic leisure destination, attracting weekend travellers, new hotel investment, and upscale hospitality brands. With supportive planning policies, adaptive reuse projects and a strong hotel pipeline, the Square Mile is redefining its role in London's tourism landscape.

RevPAR by geography

Source: Newmark, STR Global



Traditionally regarded as a weekday-only corporate stronghold, the City of London is evolving into a vibrant mixed-use destination. Once known primarily for its financial institutions and office towers, the Square Mile now boasts a more diverse array of attractions, cultural venues, and an expanding bar and restaurant scene that extend its appeal beyond business travellers.

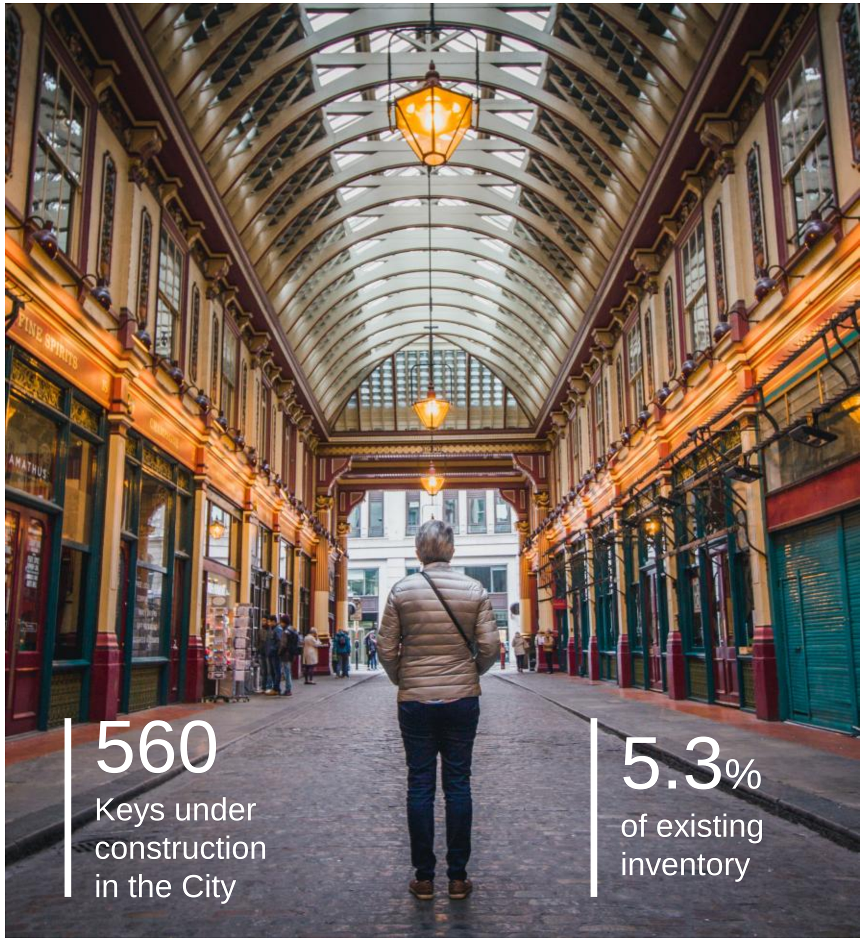
The City's excellent transport links and improving hospitality infrastructure have contributed to its substantial outperformance over London-wide hotel benchmarks. Over the past 10 years City RevPAR has pulled away from the wider London average, with a cumulative increase of 46%, compared with 36% for London as a whole.

Key drivers of performance include the relative increase in upscale and luxury hotel openings, which has attracted higher-spending corporate guests and affluent leisure travellers. Midweek corporate demand remains the bedrock of the market, but weekend leisure demand is rising, supported by the shift towards a more 24/7 economy.

The City of London's development pipeline is accelerating, thanks in part to the progressive stance of the City Corporation in adapting planning policies to accommodate changing market needs. The borough is currently preparing to adopt a revised Local Plan, which will introduce greater flexibility for adaptive reuse and conversion projects. The 560 keys currently under construction are polarised between Upper Upscale (42%) and Economy (38%).

Aligned with the broader emphasis on retrofitting and sustainable development, the revised planning framework will, in certain instances, support the adaptive reuse of underutilised office space for hotel, cultural, or educational purposes. This trend is particularly evident among grade B and increasingly secondary office stock, where the cost of refurbishment (often to stay compliant with sustainability regulations) can outweigh the viability of retaining the existing use.

Together, these dynamics are expected to generate fresh opportunities for hotel development, particularly given ongoing shifts in office demand patterns driven by hybrid working practices.



Focus on: the City of London

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"As the City continues to diversify its hospitality offering, investors and developers have a clear opportunity to capitalise on the City's evolving role as a premier destination for both business and leisure travellers.

While single-asset hotel investment transactions have been limited, the growth of new hotel supply in the City has been significant, fuelled by supportive planning policies and an increasing willingness from investors to pivot assets toward hospitality use.

Recent notable acquisitions include:

- **Criterion Capital's purchase of One Princes Street**
- **JMK Group's purchase of St Clement Lane**

Much of this growth has been driven by owner-operators, who are leveraging franchise and management contracts rather than pursuing traditional fixed leases. This operational model allows for higher land and stabilised investment values, making owner-occupiers more competitive in pricing and acquisitions.

Looking ahead, demand is expected to remain strong in the limited-service to midscale segments, aligning with the City's balanced weekday corporate and weekend leisure demand."

Marcus Kinsella
Partner
Head of Hotel Operational Agency
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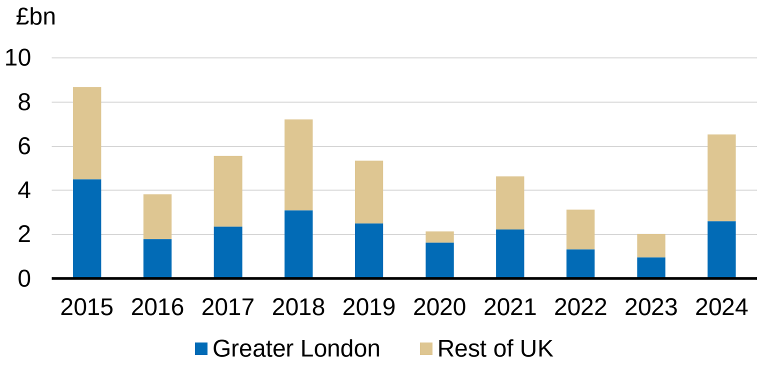
London hotel investment transaction volumes

There was an exceptional £6.5bn invested in the UK hotel sector in 2024, the highest since 2018. London led the charge with £2.6 billion in deals, driven overwhelmingly by overseas investment dominated by US private equity giants. Portfolio transactions accounted for 75% of deals, given the limited single-asset availability and scale of capital seeking exposure.

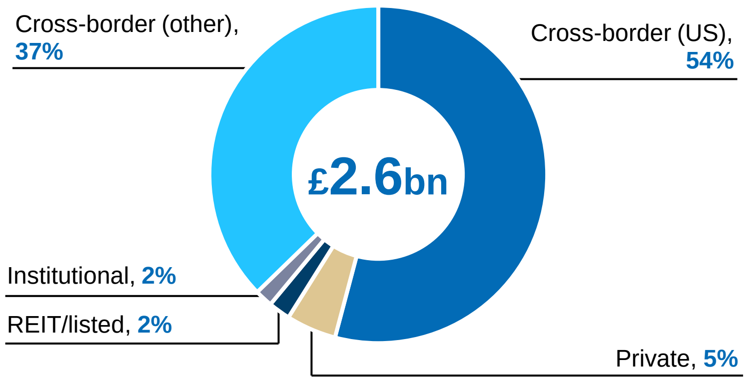
Hotel investment volumes by geography

Source: RCA



London hotels investment by buyer type, 2024

Source: RCA



The UK hotel market had an exceptional year in 2024, with the total transaction volume exceeding £6.5bn, marking the highest annual total since 2018. This surge was driven in part by a renewed sense of stability and confidence following the July 2024 general election, along with the easing of problematically high inflation in 2023-24 that triggered the start of the current cycle of interest rate cuts in August 2024. The Bank Rate has been cut by 25bps three times, most recently in February 2025, and is currently 4.5%.

London was at the forefront of this investment boom and recorded £2.6 billion in hotel deals in 2024, more than the combined total for 2022 and 2023. The capital remains the most attractive city for hotel investment in Europe and ranks among the top five globally thanks to its liquidity, transparency, and strong occupational market fundamentals. London also offers large-scale investment opportunities, providing the lot sizes necessary for institutional and cross-border capital to deploy at scale.

£2.6bn
London hotel investment, 2024

91%
Proportion of overseas investment into London hotels, 2024

International investors played a dominant role in London's hotel market in 2024, accounting for a record-breaking 91% of total investment. US investors were by far the most active, buying up £1.6 billion of assets, which was more than five times the volume of the next largest international investor group, China and Hong Kong. Investor demand for high-quality assets in prime London locations remains exceptionally strong, but single asset availability continues to be limited and comes at a premium. Consequently, scale-driven portfolio investments accounted for approximately 75% of all transactions in 2024.

Private equity firms remain the driving force behind major hotel acquisitions, with US-based investors at the helm. The three largest hotel transactions across the whole of the UK in 2024 were portfolio deals led by Blackstone, Starwood Capital, and KKR, worth a combined £2.6 billion. Other active US private equity firms, including Ares and Outpost, are also active.

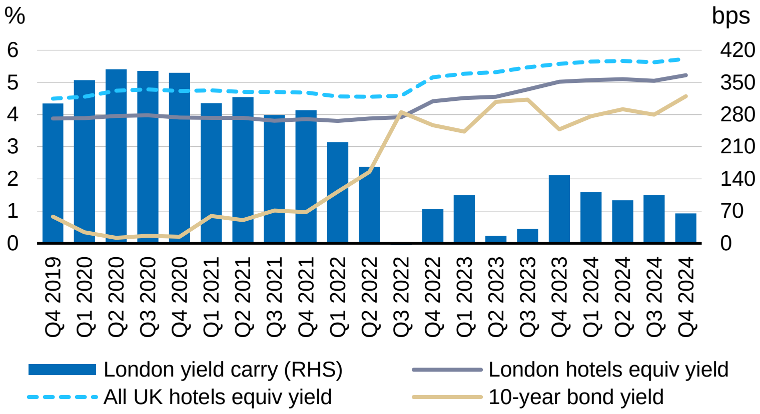
While institutional investment has been relatively subdued post-Covid, appetite is steadily increasing, particularly from local authority pension funds seeking long-term, stable income streams. Pension fund investment continues to be limited, impacted by constrained liquidity and a lack of forward funding options.

Capital markets: long income hotels

After a period of repricing, the London hotel outward yield shift has slowed to the extent that the annual total returns turned positive in Q3 2024 for the first time in two years. In the direct market, substantially increased investor confidence and deal liquidity in 2024 was sufficient to drive a value-per-key increase of 8% year-on-year and the outlook is stable.

Hotel equivalent yields and 10-year bond yield

Source: Newmark, MSCI, Bank of England



In Q4 2024, the average yield for London hotels had edged up to 5.2%, marking the final stages of an extensive asset repricing cycle that began in late 2022. This adjustment was triggered by the sharp rise in interest rates, reflected in the chart by 10-year government bond yields. This reshaped the cost of capital and impacted pricing across all commercial property segments. London hotels, being lower-yielding assets, were at the sharp end of the increase in borrowing costs.

Between Q2 2022 and Q4 2024, London hotel yields softened 134 basis points from 3.9% to 5.2%, while capital values fell by over 16%. These market adjustments caused annual total returns to turn deeply negative, reaching a low of -9.2% in mid-2023.

However, by late 2023 and into 2024, the pace of outward yield movement had slowed considerably and Q3 2024 marked the first positive annual total return for London hotels in two years.

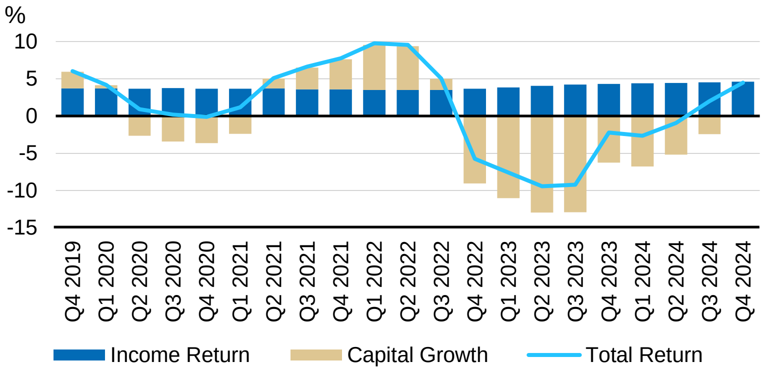
London hotel yields have historically carried a premium over the UK-wide hotel market, but this spread narrowed over the repricing period. Between Q1 2021 and Q4 2024, London hotel equivalent yields softened by an additional 30 basis points compared with the UK average. At its peak, the yield carry for London hotels reached 378 basis points in Q2 2020, but by Q3 2022, this premium had effectively been erased. By the end of 2024 it was below 100 basis points, largely due to rising bond yields in the final few months following the Autumn Budget.

Broadly favourable economic shifts and substantially increased liquidity in 2024 signal a return of confidence to the direct market sufficient to drive a value-per-key increase of 8% year-on-year in 2024. Well-located, modern purpose-built hotels can still attract yields close to pre-pandemic levels. However, current strict due diligence means any idiosyncrasies away from institutional grade attributes are penalised much more heavily than in the past.

Newmark managed the sale and leaseback of a UK Whitbread portfolio in 2024, which included the Hub by Westminster St James and Premier Inn Oxford. Marketing this long-dated institutional grade hotel investment revealed considerable depth to the buyer pool. There was significant interest from traditional pension fund investors, with pricing sharpening significantly over the process to a blended portfolio NIY of 4.25%.

London hotel annual total return and components

Source: Newmark, MSCI



Capital markets: long income hotels

Institutional demand has softened due to changing pension fund mandates, liquidity constraints, and stricter fire safety due diligence post-Grenfell. However, renewed investment in income strips and ground leases along with evolving financing structures signal a stabilising market poised for recovery as the interest rate environment becomes more accommodating.

UK pension funds have traditionally formed the backbone of demand for long-income hotel investments, but transactional activity has moderated in recent years. This has been driven by limited liquidity, reduced forward funding options and shifting mandates for defined benefit funds, many of which have now matured or been restructured.

Liquidity in this sector has also been affected by stricter fire safety due diligence in the wake of the Grenfell Tower fire in 2017. Most investors now require surveys to ensure fire safety systems meet fund policy compliance standards. While this has added to transaction costs and extended deal timelines, it has also enhanced transparency and risk management, contributing to stronger long-term investment security.

The easing in the rate of new long-income hotel developments since late 2022 has limited investment opportunities somewhat. However, we expect to see renewed activity in this segment as the monetary environment becomes more accommodating and investors seek stable, inflation-hedged assets in prime markets.

As market confidence improves, we anticipate greater institutional investment in income strips and ground leases, offering investors long-term stability and predictable returns. Additionally, new financing structures are emerging, with both existing owners and new investors exploring alternative debt solutions to facilitate transactions.

KEY 2024 TRANSACTIONS

Long income

Date	Hotel	Term Certain (years)	Net initial yield	Price (million)
Oct-24	**Premier Inn London City:** 22-24 Prescot Street	12.9	5.50%	£32.35
Sep-24	**Hub by Premier Inn Westminster:** St James's Park, 15 Dacre Street	30	4.45%	£37.13
Sep-24	**Premier Inn London Tottenham Hale:** Station Road	12.3	5.00%	£11.35

Ground rent

Date	Hotel	Term Certain (years)	Net initial yield	Price (million)
Jun-24	**Middle Eight:** 66 Great Queen Street	120	3.34%	£49.00
Aug-24	**The Dixon Hotel:** 211 Tooley Street	47	3.56%	£87.00

Capital markets: trading entity

Trading entity hotels in London continue to command a scarcity premium and attract overseas buyers, private equity, and HNWIs seeking value through operational efficiencies and repositioning. Adaptive reuse, notably through office-to-hotel conversions, is on the rise as planning flexibility unlocks new opportunities in London's constrained development landscape.

The market for operational trading hotels in London remains highly attractive, with demand outpacing supply and driving a scarcity premium for prime assets. Investors are drawn to trading hotels as the greater risk profile also offers the potential for value enhancement through operational efficiencies, asset repositioning and the ability to capitalise on London's strong and diverse hospitality demand.

Capital is available to be deployed by a diverse range of investors. Overseas buyers and private equity firms are particularly active in this market, targeting assets where value creation can be unlocked through capital expenditure and brand repositioning. Trading entity sales picked up materially early in 2024 with major transactions kicked off by the Edwardian sale at the start of 2024 and large single asset sales including the Standard and Six Senses.

Values of trading entity hotels have remained comparatively resilient against the sharp rise in interest rates in recent years. Unlike long income hotels, the vacant possession market is driven by a broader buyer pool, including high-net-worth individuals. These buyers and owners focus on operational performance and value enhancement, often deploying lower or no gearing. This segment also attracts demand for trophy assets, particularly in prime London locations.

Given the chronic undersupply of trading hotels, owners and investors are increasingly willing to take on planning risk and pursue adaptive reuse strategies to increase supply in a market where new-build opportunities remain constrained. This trend is particularly strong among domestic investors, which are typically more comfortable navigating the UK planning system and better able to identify viable conversion opportunities. This is set to continue over 2025 and beyond as planning frameworks continue to evolve to unlock value and optimise London's shifting commercial real estate landscape.

Office-to-hotel conversions have emerged as a highly attractive investment strategy, benefiting from:

- Shifts in office demand and hybrid working patterns that have reduced demand for certain commercial spaces, making hotel conversion a higher-value alternative use;
- The City of London's more flexible planning approach, allowing for conversions where sites no longer meet strategic office demand criteria;
- The strong performance of extended-stay, limited-service, and luxury segments, which are all well-suited to repurposed office spaces.

Capital markets: trading entity

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KEY 2024 TRANSACTIONS: PORTFOLIOS

- **Edwardian Radison Blu Portfolio:** £800,000,000
  Starwood Capital purchased 10 hotels from Edwardian
- **Residence Inn Portfolio: £230,000,000**
  Pandox purchased three serviced apartment blocks from Starwood Capital

KEY 2024 TRANSACTIONS: SINGLE ASSETS

- **The Hoxton Shoreditch:** £84m & **The Hoxton Holborn**: £128.5m, totalling £212.6m/£495,000 per key
  Archer Hotel Capital purchased from Ennismore Capital
- **The Standard:** £185m/£695,000 per key
  Trinity purchased from CrossTree
- **Six Senses London:** £180m/£1.65m per key
  Gruppo Statuto purchased from MARK & LLC Land Holdings
- **Hyatt London City East:** £91m/£325,000 per key
  Sun Venture purchased from Resolution Property PLC

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