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# UK HOTELS REPORT 2026

HOTELS - Q3 2026

RESEARCH

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# TESTED, TRUSTED, STILL DELIVERING


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Recent years have tested the UK hotel market. The sector has navigated a pandemic, double-digit inflation, political change, challenging policy decisions and heightened geopolitical uncertainty. Yet its underlying strengths have endured, with resilient demand, improving trading momentum and sustained investor appetite.

The UK remains Europe's most liquid hotel investment market. Its broad demand base continues to support operational performance, while limited supply growth and improving RevPAR momentum are creating opportunities across a range of markets. Despite sustained cost pressures, the sector continues to attract capital and offer compelling risk-adjusted return potential.

The next chapter is likely to be more selective. Growth is broadening, but its pace and strength vary considerably by location and asset.

Returns are therefore likely to depend increasingly on market selection, active ownership, cost discipline and operational excellence.

This creates a compelling dynamic: revenue growth is improving but remains measured, costs continue to rise and external risks persist, yet capital continues to enter the market and operational performance remains resilient. This report explores the UK's enduring appeal, and the opportunities emerging within it.

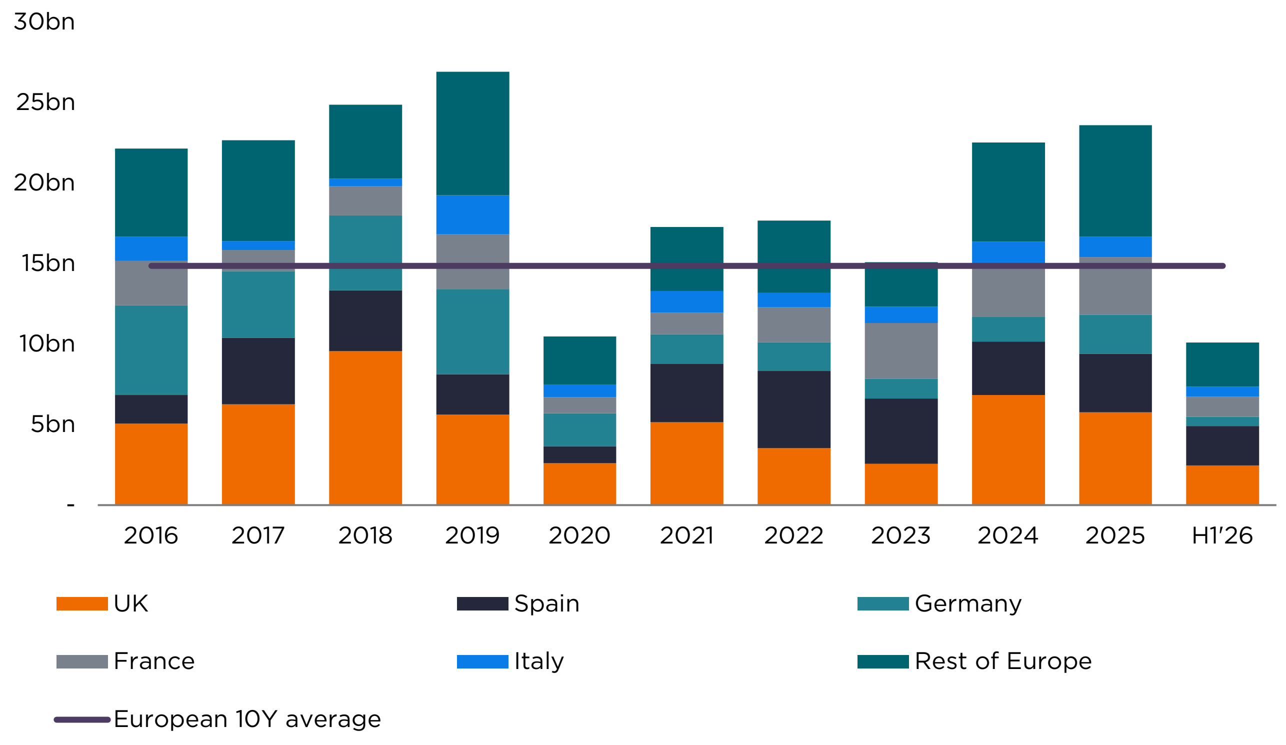
# THE UK'S LIQUIDITY ADVANTAGE

In a more selective investment market, liquidity matters. The UK's depth of capital, diverse buyer pool and proven exit market continue to differentiate it from much of Europe.

The UK's deep demand base, English language, transparent legal system and relative ease of doing business have long supported its position as Europe's most liquid hotel investment market. The UK has ranked first in seven of the last ten years, with recent exceptions being 2022 and 2023, when Spain benefited from the post-pandemic leisure rebound.

The UK accounted for 30% of European hotel transaction volumes in 2024 and 24% in both 2025 and H1 2026. Figure 1 illustrates the consistency of this position. Liquidity matters because it gives investors greater confidence that a viable exit route will remain available.

FIG 1. EUROPEAN HOTEL TRANSACTION VOLUMES BY COUNTRY, 2016 – H1 2026 €'S




**Source:** Savills Research, RCA

At a UK level, hotel transactions exceeded £5 billion in both 2024 and 2025, while H1 2026 volumes reached £2.1 billion, ahead of the same period last year. However, the scale of the UK's liquidity advantage is closely linked to London.

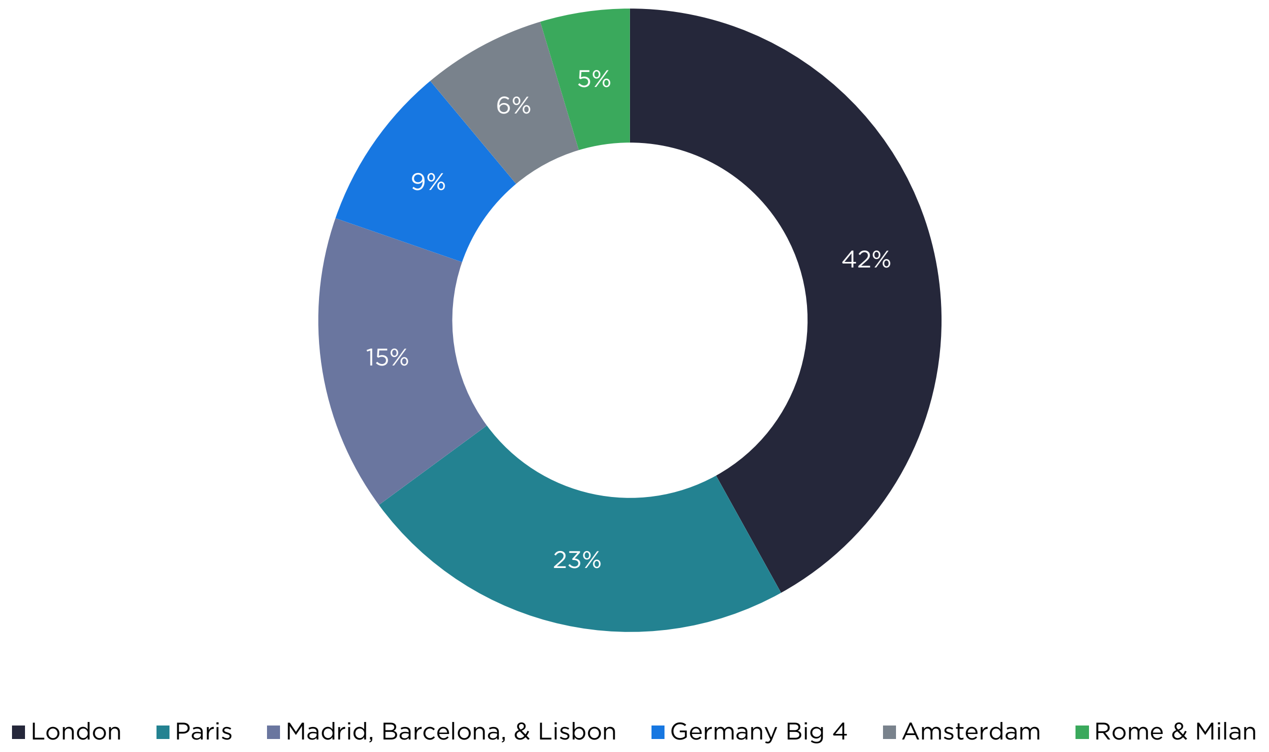
London is Europe's most liquid hotel investment market. Alongside Paris, it is one of the continent's two truly global cities, and its transaction volumes demonstrate the scale of its advantage. Figure 2 shows the significant premium London commands over other European gateway cities.

London recorded £3.0 billion of transactions in 2025 and £1.4 billion in H1 2026, compared with £1.6 billion and £663 million respectively in Paris. For context, only France and Spain recorded higher country-level volumes than London in 2025, and only Spain did so in H1 2026. This places London's liquidity and international investment appeal into particularly sharp focus.





FIG 2. SHARE OF HOTEL TRANSACTION VOLUMES ACROSS KEY EUROPEAN GATEWAY MARKETS, 2024 – H1 2026




**Source:** Savills Research, RCA
**Notes:** Germany Big Four - Berlin, Frankfurt, Hamburg, and Munich

# LARGEST LONDON HOTEL TRANSACTIONS

The following transactions demonstrate the depth and breadth of the capital's investment market and three clear themes emerge:

**GEOGRAPHIC REACH OF INVESTORS**

**EXPANDING UK EXPOSURE OF ESTABLISHED BUYERS**

**CONTINUED ARRIVAL OF NEW ENTRANTS**

FIG 3. LARGEST LONDON HOTEL TRANSACTIONS, JULY 2025 – JUNE 2026

**THE OTHER HOUSE KENSINGTON**
ONE IM
£335M

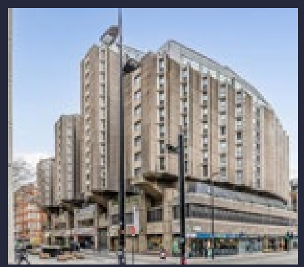
**CURIO WESTMINSTER**
RIU HOTELS & RESORTS
£290M


**HOLIDAY INN KENSINGTON CLOSE**
CDL
£280M


**W LONDON LEICESTER SQUARE**
PUNTA NA
£260M

**102 PETTY FRANCE WESTMINSTER**
THE ARORA GROUP
£245M

**ST GILES HOTEL BLOOMSBURY**
CRITERION CAPITAL
£220M

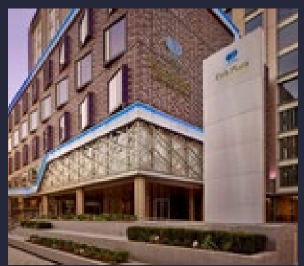


**BRICKMAKERS SITE SOHO**
REUBEN BROTHERS
£170M

**NOVOTEL LONDON WEST**
THE ARORA GROUP
£160M

**HOXTON SOUTHWARK**
YELLOW TREE
£150M

**PARK PLAZA WATERLOO**
PPHE
£148M



**HOTEL SAINT ALDGATE**
FATTAL GROUP
£130M

**RADISSON BLU LEICESTER SQUARE**
PRIVATE FAMILY
£121M





**London's appeal remains truly global. Among London's largest transactions, capital originated from Spain, Italy, Israel and Singapore, alongside domestic buyers. This breadth of activity reinforces London's global standing and demonstrates its continued ability to attract both international and domestic capital at scale.**

Established investors are also increasing their exposure. Pandox has materially expanded its UK footprint through the acquisition of Dalata, while CDL, Criterion Capital, Fattal Hotels and, in particular, the Arora Group have continued to grow their hotel holdings, especially in London. The prominence of owner-operators within recent activity further reflects the confidence of strategic buyers with direct operational capability.

The continued expansion of the buyer pool has been a further trend over the past year. OneIM and Punta Na feature among London's largest transactions and represent first-time entrants to UK hotels, while Generali also entered the market through its acquisition of the Novotel London Tower Bridge. These acquisitions form part of a broader influx of new capital across the UK market.

London's buyer pool is led by owner-operators and private equity, which accounted for 40% and 37% of transaction volumes respectively between 2024 and H1 2026. Core / Core+ remains relatively muted other than selected high-quality assets, representing only 16% of volumes.

London's strength lies not in an even buyer split, but in the depth of these two highly active sources of capital. Owner-operator investment demonstrates confidence in the ability of London hotels to generate operational returns, while the scale of private equity participation supports an active market for value-add strategies and future capital recycling. Together, these buyer groups deepen London's acquisition and exit markets, reinforcing its position as Europe's most liquid hotel investment destination.

While the spotlight often falls on London, the regional UK market has also continued to record resilient transaction activity. Volumes reached £2.0 billion in 2025 and £0.7 billion in H1 2026. For international context, regional UK volumes in H1 2026 exceeded those recorded across either Italy or Germany as a whole. Across the 18 months to June 2026, the average deal size was £12.3 million, with an average price per key of £114,000.

The UK combines resilient hotel fundamentals, diverse capital and a proven exit market. Savills expects it to retain its position as Europe's leading hotel investment market. As growth becomes more selective, this liquidity advantage should become even more valuable.

# WHERE IS THE GROWTH?

The UK growth story is becoming more selective. Demand remains resilient, but the strongest opportunities will be found where demand depth, supply discipline and asset-level execution align.

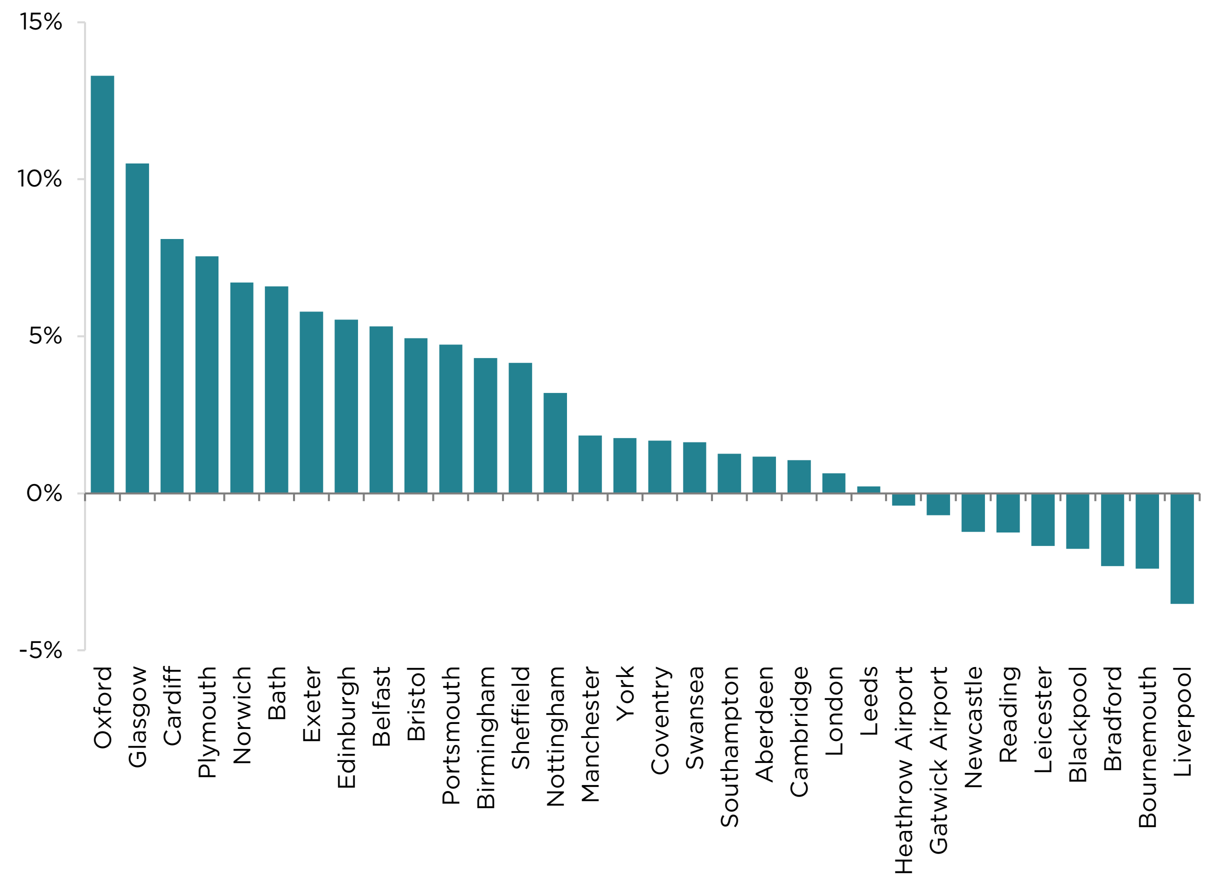
The demand backdrop remains supportive, with VisitBritain forecasting 44.2 million inbound visits and £33.9 billion of visitor spending in 2026, representing a 2% year-on-year increase in both visits and nominal spending. Supply growth also remains measured - UK room supply increased by only 0.6% in the 12 months to June 2026, while rooms under construction represented just 2.6% of existing stock.

As Figure 4 shows, the strongest H1 2026 RevPAR growth was recorded in Oxford and Glasgow, with both markets delivering double-digit increases. Oxford benefited from university-related demand, including the Triennial Commemoration Ball cluster and the Sustainable Finance Summit, alongside an absence of new supply.

Glasgow was similarly supported by a strong events calendar, including the Ocean Sciences Meeting in February, which attracted up to 6,000 delegates.

Among the markets recording a year-on-year decline, Liverpool experienced the largest fall, with RevPAR down 3.5% in the year to June. Supply increased by 2%, placing pressure on both occupancy and ADR, while demand growth was comparatively modest at 0.2%. New supply also contributed to RevPAR declines in Bradford, Reading and Newcastle. Heathrow and Gatwick recorded marginal RevPAR declines, but occupancy remained among the highest in the country at 82% and 86% respectively, demonstrating the underlying depth of airport demand.

**FIG 4. H1 2026 REVPAR CHANGE**




**Source:** Savills Research, CoStar





**23 MARKETS** ARE NOW RECORDING YEAR-ON-YEAR REVPAR GROWTH

Figure 5 places this recent momentum within the context of each market's longer-term recovery. Markets above the horizontal axis have moved ahead of 2019 RevPAR levels in real terms, while those to the right of the vertical axis recorded year-on-year growth in H1 2026. The upper right quadrant therefore identifies markets that have both recovered in real terms and maintained positive recent momentum, while the lower right quadrant highlights markets where recovery remains incomplete but current performance is improving.

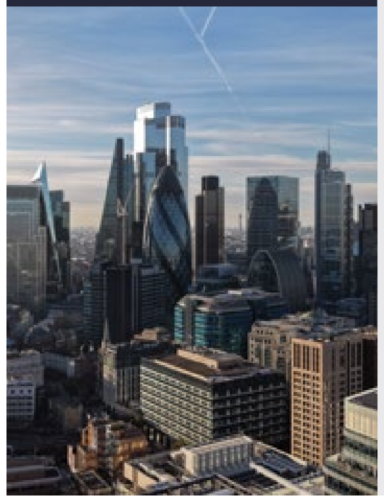
Oxford and Glasgow are among the ten markets where real RevPAR has moved ahead of 2019 levels. Across the wider sample, however, 22 of the 32 markets analysed remained below 2019 in real terms in full year 2025. The more positive story is that momentum is broadening - 23 markets are now recording year-on-year RevPAR growth. While many markets experienced a relatively weak inflation adjusted recovery, the direction of travel is becoming more encouraging.

**FIG 5. REAL REVPAR RECOVERY AND H1 2026 GROWTH ACROSS UK HOTEL MARKETS**


**Source:** Savills Research, CoStar, Oxford Economics

## AMID THIS DIVERGENCE, SAVILLS HAS IDENTIFIED THREE KEY MARKET THEMES FOR THE COMING YEARS:

### LONDON



The capital's post-pandemic recovery has been relatively subdued. Real RevPAR in 2025 remained 5% below 2019, while growth of 0.6% in H1 2026 was driven entirely by ADR, with occupancy unchanged. New supply has contributed to this performance: 11,286 rooms have opened since 2019, increasing stock by 7% and creating a significant volume for the market to absorb.

However, London remains one of the world's few truly global cities, supported by deep and diverse demand and exceptional investment liquidity. Its long-term nominal performance is equally compelling, with RevPAR recording a 2.4% CAGR over the 26 years since 2000. Recent underperformance therefore provides greater scope for recovery as new supply is absorbed and demand continues to grow, strengthening the case for investment in well-located assets with clear operational upside.

### SCOTLAND

Scottish markets have been among the UK's strongest performers in recent years. Edinburgh leads the way, with real RevPAR 31% above 2019 and 109 compression nights, on which occupancy exceeded 90%, in the 12 months to June 2026.

Beyond the capital, Scotland offers a powerful leisure proposition built around world-class golf, internationally recognised heritage and culture, dramatic landscapes and food and drink tourism, including more than 150 whisky distilleries. US visitors are particularly valuable; they account for 22% of overseas overnight visits but 37% of spend. Yet luxury supply remains limited, with only 79 luxury hotels outside Edinburgh. This mismatch between high-value demand and existing supply creates a clear opportunity for well-positioned upper upscale and luxury properties.

### HIGH OCCUPANCY, HIGH BARRIER TO ENTRY MARKETS

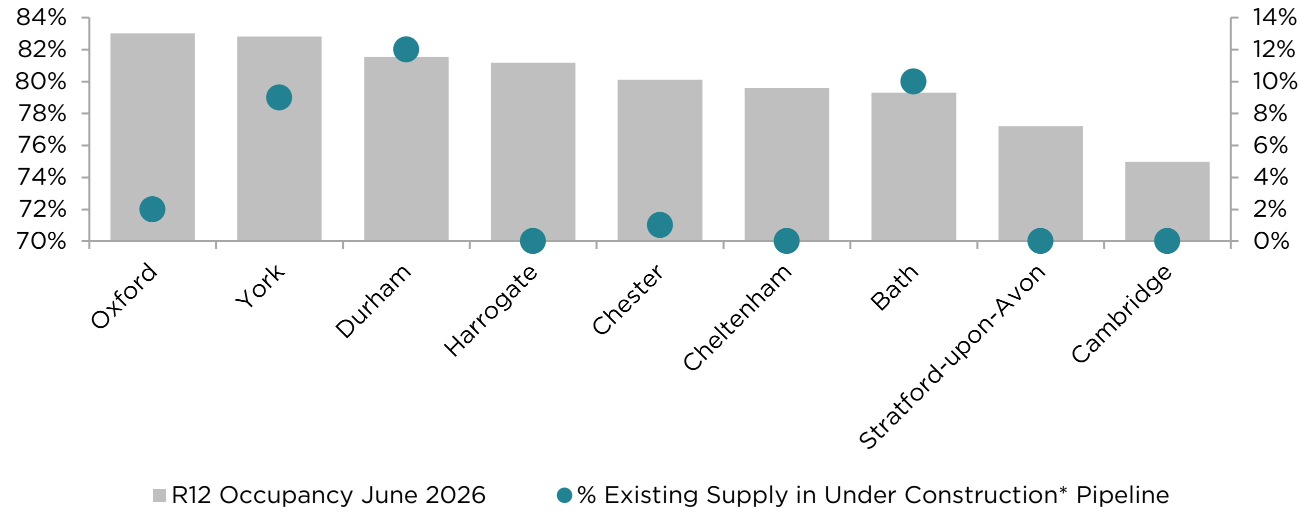
These markets offer a compelling combination of durable demand and limited supply risk. Cambridge, Oxford, York, Bath, Durham, Harrogate, Chester, Cheltenham and Stratford-upon-Avon recorded occupancy of between 75% and 83% in the 12 months to June 2026 (Figure 6).

Current pipelines vary, with more significant development activity in York, Durham and Bath, but compact and often protected city centres continue to restrict the availability of suitable sites and make delivery more complex. Demand is supported by leisure and heritage tourism, international visitors seeking a quintessentially British experience, universities in several markets and strong road and rail connectivity. These characteristics provide strong visibility over demand and occupancy, creating opportunities for differentiated upper upscale and luxury hotels targeting less price-sensitive guests.





FIG 6. STRONG OCCUPANCY IS COMMON ACROSS THESE DESTINATIONS, ALTHOUGH NEAR-TERM PIPELINE EXPOSURE VARIES




**Source:** Savills Research, CoStar
**Notes:** Under-construction pipeline includes projects where vertical construction of the building has commenced.

## THE BATTLE OF OXBRIDGE

### SIMILAR DEMAND, CONTRASTING SUPPLY

Oxford and Cambridge sold almost the same number of rooms in H1 2026, with just 1,122 room nights separating the two markets. However, Cambridge has 596 more existing rooms and recorded supply growth of 7.9%, compared with no growth in Oxford.

Although both markets delivered strong demand growth, the greater volume of supply in Cambridge contributed to materially different occupancy and pricing outcomes. With almost identical room demand, Oxford achieved a 7.2 percentage point occupancy premium and a £45 ADR premium, illustrating the influence that differences in supply can have on performance.

| | Oxford | Cambridge |
|---|---|---|
| Rooms sold, H1 2026 | 617,839 | 616,717 |
| Existing rooms | 4,309 | 4,905 |
| H1 supply growth | 0.00% | 7.90% |

**Source:** Savills Research, CoStar

# THE MARGIN TEST

Rising costs do not undermine the investment case, but they are changing the basis of returns. Investors can no longer rely on market recovery or yield movement alone; outperformance will increasingly depend on active asset management.

The cost challenge is substantial. Labour costs, business rates, utilities and refurbishment costs have all risen, with some pressures largely outside the hotelier's control.

The same pressures that challenge existing owners may also create acquisition opportunities, particularly where capital requirements, refinancing events or weaker operational performance bring assets to the market.

Two pressures are particularly acute. Savills analysis indicates that rateable values for four-star and above hotels increased by an average of 96% in the latest revaluation (effective from 1 April 2026), compared with 37% for three-star and below properties. Higher-end, centrally located hotels have been hit hardest. Transitional relief has softened the initial impact but is scheduled to unwind fully by 2029. The Government's subsequent 20% reduction (from 2027/28) for pubs, social clubs and smaller live music venues excluded hotels, leaving the accommodation sector without comparable relief. Savills therefore welcomes the Government's independent review of the valuation methodology used for hotel business rates.

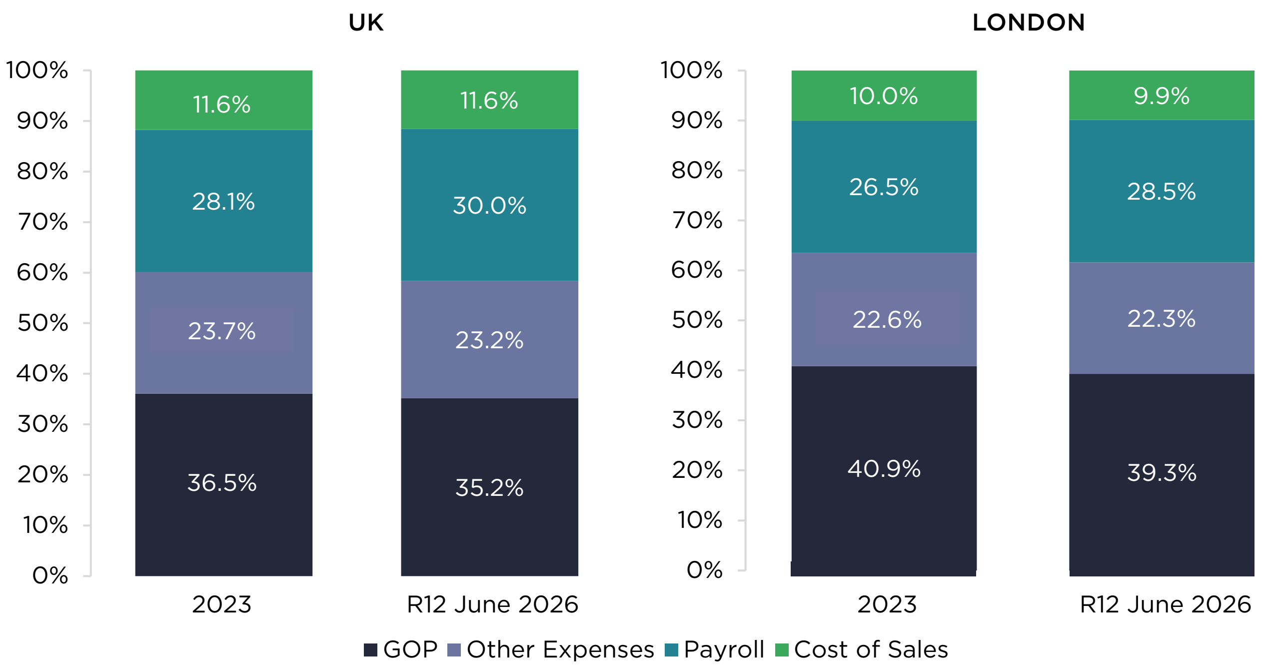
The review provides an important opportunity to consider whether the current approach remains fair, transparent, and responsive to the operational realities of the sector.

Whitbread expects business rate changes to add approximately £35 million to its FY27 costs. By FY31, its five year plan includes a £110 million business rates impact, equivalent to around 23% of its FY26 adjusted profit before tax[1].

The group also cited increases in business rates and National Insurance as factors behind its wider business review and stated that it would withdraw from pipeline sites where business rate changes had made potential returns unattractive. Fiscal pressure is therefore beginning to influence investment decisions, not simply operating margins.

Payroll has also weighed on profitability. Figure 7 shows payroll costs rising from 28% to 30% of revenue across the UK, and from 27% to 29% in London. Successive increases in the National Living Wage and employer National Insurance contributions continue to put pressure on margins.

**FIG 7. UK HOTEL GOP MARGIN AND COST COMPOSITION, 2023 AND ROLLING 12 MONTHS TO JUNE 2026**




**Source:** Savills Research, HotStats





Hotel insolvencies reached an elevated level in 2025[2], although they moderated during H1 2026, illustrating the financial pressure already present within parts of the sector. For many assets, standing still will not be an option. Owners will need to invest in energy-efficient building systems, product quality and more efficient service models to mitigate rising costs and remain competitive. This creates an opportunity for private equity and other value-add capital, but only where the entry price provides sufficient headroom to fund the required investment and compensate for execution risk.

Compounding these margin pressures, the sector has entered a lower ADR growth environment. UK ADR growth slowed from 8.5% in 2023, when performance still benefited from the post-pandemic rebound, to 1% in 2025. Growth improved to 2.1% in H1 2026, but the near-term outlook remains one of low single-digit increases.

Technology and AI are increasingly central to the efficiency debate. They can support labour productivity, procurement, revenue management, energy consumption and guest communications, but implementation must be disciplined. The strongest performers will use technology to improve productivity and personalisation without diminishing the human interaction that defines hospitality.

Together, these pressures reinforce the importance of high-quality asset management. Operator capability and brand fit remain critical, while strategies must be specific to the asset and its market. Not every hotel can be repositioned or pushed upmarket; disciplined planning, targeted capital expenditure and effective execution will separate the winners.

1. Whitbread FY26 Results and Outcome of Business Review presentation. Percentage calculated by Savills Research using Whitbread's reported FY26 adjusted profit before tax of £483 million.
2. CompanyDebt - https://www.companydebt.com/data/hotel-insolvency-statistics/

# WHO WILL WIN THE NEXT CYCLE?

The market is entering an unusual phase, RevPAR growth is modest and costs are rising, yet investment activity remains strong. The next cycle will reward investors that combine conviction with the operating capability and capital discipline required to outperform.

**FOUR CHARACTERISTICS WILL DEFINE THE WINNERS**

### LOCATION QUALITY

**Multiple Demand Drivers**

**Constrained Supply**

**Durable Market Depth**

### OPERATING CAPABILITY

**Experienced Ownership**

**Aligned Operator & Brand**

**Service Led Execution**

### COST & CAPITAL DISCIPLINE

**Margin Protection**

**Targeted Capital Expenditure**

**Long Term Underwriting**

### TECHNOLOGY WITH PURPOSE

**Productivity & Pricing**

**Personalised Guest Journeys**

**Human Hospitality Retained**

**Ultimately, outperformance in a more selective market will come from the right locations, the right operating partners and the active management of income, costs and capital expenditure.**

**Source:** Savills Research





# CONCLUSION

The UK remains one of Europe's most compelling hotel markets. London provides an unrivalled anchor of global demand and investment liquidity, while opportunities across Scotland and high barrier-to-entry regional destinations demonstrate the breadth of the UK opportunity.

Its diverse demand base, proven liquidity and operational flexibility continue to attract capital from across the investor spectrum. Cost pressures are real, and growth will be more selective, but well-managed assets can still outperform and deliver attractive returns.

The UK hotel market has been tested, remains trusted and, most importantly, is still delivering.

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We combine local market intelligence, leading research, deep real estate expertise and sophisticated structuring and financing capabilities, with Corporate Finance and Debt Advisory specialists embedded across the division.


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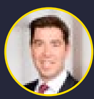

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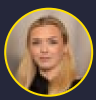

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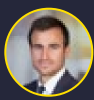

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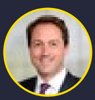

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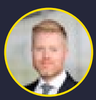

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