

Hospitality Real Estate Sector - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2029)

<https://marketpublishers.com/r/H20EAD7BA6C0EN.html>

Date: July 2024

Pages: 150

Price: US\$ 4,750.00 (Single User License)

ID: H20EAD7BA6C0EN

Abstracts

The Hospitality Real Estate Market size is estimated at USD 0.55 trillion in 2024, and is expected to reach USD 1.08 trillion by 2029, growing at a CAGR of 14.57% during the forecast period (2024-2029).

The hospitality real estate market suffered a hard hit by the global pandemic, as travel restrictions, social distancing, and low mobility rates were implemented during the COVID-19 outbreak. Now, the market is in the recovery phase as international travel restrictions were relaxed in some regions, thus resulting in increasing traveler inflow.

Hotels and accommodations hold the largest share of the global market. North America accounts for the highest investments in the hotels and accommodation segment, followed by the Asia-Pacific region. In addition, investors also focus on luxury hotels and resorts in urban areas, which attract upper-middle-class and high-income populations.

Despite the fact that the disruptive pandemic affected investment, flows into the market are uninterrupted. Meanwhile, Europe's hospitality real estate sector experienced the highest number of foreign investments from North America and Asia-Pacific regions. In addition, most of the investments are obtained from private equity, institutional investors, and investment fund entities.

Hospitality Real Estate Market Trends

Increasing Investments in the Hospitality Real Estate Sector

Many investors are interested in the hospitality real estate sector despite the disruptions

caused by the pandemic. Further growth in investments is supported by a great number of first-time investors stepping into the hospitality sector for better yields and to diversify their portfolios.

According to industry sources, investments in the Indian hospitality sector are likely to exceed about INR 19,000 crore (USD 2.3 billion) over the next two to five years.

Furthermore, increasing investments through hospitality Real Estate Investment Trusts (REITs) leverage the market growth by acquiring and managing hotels, motels, luxury resorts, business-class hotels, etc. Some of the major REITs include Apple Hospitality REIT, Summit Hotel Properties, Park Hotels & Resorts, Hersha Hospitality Trust, and Pebblebrook Hotel Trust,

The United States was the country with the highest number of hotel construction projects in the pipeline as of the fourth quarter of 2022, with a total of 5,465. Meanwhile, China came second in the ranking with 3,581 hotel projects in the pipeline.

The United States Experiencing Demand in the Hotel Industry

Despite worries of recession, bank failures, and a liquidity crisis affecting the macro economy, US hotels continue to outperform expectations. In Q1 2023, US hotels exceeded Q1 2019 (pre-pandemic) RevPAR levels by 13%, based on data from STR. Room rates continue to be the primary driver in this performance recovery.

While occupancy in Q1 2023 was still down 2.1 points from the same period in 2019, ADR increased 17%. Leisure travel continues to be strong, even though growth levels are slowing. Individual business travel and group business slowly re-emerged, contributing more significantly to future growth expectations.

According to the industry experts' expectations, the annual occupancy for US hotels in the year 2023 increased slightly less than in the November 2022 outlook, increasing to 63.4%. With slowing growth in occupancies for the balance of this year, now expect average daily room rates to increase 4.1% for the year, with resultant RevPAR up 5.5%. It is approximately 114% of pre-pandemic levels on a nominal dollar basis.

Demand growth from individual business travel and groups is expected to offset a softening in leisure demand, with outbound international leisure travel outpacing

inbound, given the relative strength of the dollar. With flattening occupancy levels in 2024, growth is expected to come almost entirely from ADR, with an expected year-over-year increase in RevPAR of 3.5%. It is approximately 118% of pre-pandemic levels.

Hospitality Real Estate Industry Overview

The hospitality real estate sector is a competitive market with many players who are already well-established in their respective regions. Some of the major players present in the market include InterContinental Hotels Group, Wyndham Hotel Group LLC, Choice Hotels International Inc., Marriott International Inc., Hilton Worldwide Holdings Inc., etc.

Most of the players are expanding their business by investing strategically in partnerships, acquisitions, etc. For instance, in January 2024, InnVest Hotels (InnVest), one of Canada's leading hospitality companies, announced the acquisition of 10 Ontario and Halifax Hotels. The acquisition will grow InnVest's Marriott branded franchise and managed portfolio to 14 hotels making us one of the largest owners of the brand in Canada.

Furthermore, hotels and accommodations, luxury hotels, and resorts are the most invested segments in the hospitality real estate sector by the developers. In addition, significant growth in tourism and traveling across the globe leverages market growth by grabbing the attention of various investors.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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