![PwC logo]

Selective Resilience

UK Hotels Forecast 2025-2026

Signals, risks and opportunities shaping prospects for UK hotels

November 2025

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Foreword

Following an underwhelming first half to 2025, when London hotels in particular lagged our forecast RevPAR, growth in the second half of 2025 appears to be pointing towards a new phase of recovery. After the turbulence of recent years and the remarkable rebound of 2023–24, 2026 is shaping up as a year of measured progress rather than dramatic swings.

Demand remains resilient, driven by international visitors, events, and steady domestic travel. Supply growth in the UK regions is relatively limited, which should provide a degree of pricing power across some markets.

Yet this will not be a rising tide for all. Operating cost increases, shifting consumer expectations, and selective new supply hotspots will create winners and losers. Outperformance in 2026 will depend on execution: how effectively hotels adapt their product, capture revenue opportunities and manage costs.

This report provides a forward-looking analysis of the UK hotel sector for 2026, drawing on rigorous forecasting, industry interviews, and PwC's market expertise. It is designed for investors, operators, developers, and stakeholders seeking actionable insights and strategic guidance.

We hope these insights provide a clear lens on the year ahead — and we look forward to helping you seize the opportunities that lie within the sector.

Nick Frendo
Transaction Services, Real Estate
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Overview

Selective Resilience: Steady demand and measured progress

London

London revenue per available room (RevPAR) in 2026 is forecast to increase by 1.8% to £158.80, driven by an occupancy increase of 1.7 ppts to 81.6%. Average daily rate (ADR) however, in nominal terms, is forecast to increase only marginally by 0.3% to £193.50, impacted by supply growth. A reduced number of compression nights linked to major events, combined with greater price sensitivity among leisure and corporate travellers, is limiting ADR growth in an increasingly competitive market.

UK Regions

In the regions, where GDP is a stronger driver of UK domestic corporate and leisure demand, RevPAR is forecast to increase in 2026 by 1.5% to £72.30, driven by a 1.2 ppts increase in occupancy, to 76.6%, with ADR, in nominal terms, forecast at £93.90, a 0.6% increase on 2025 full year estimated levels.

Cautious optimism but not without risk

The UK hotel industry heads into 2026 with a renewed sense of cautious optimism. While macroeconomic volatility, cost pressures, and structural change continue to shape performance, the fundamental drivers of demand – inbound travel, domestic leisure, and corporate recovery – remain firmly in place, albeit with low growth and not without risk. Our forecasts are indicative and may be subject to change following the UK Budget announcement on 26 November 2025.

Growth opportunities will not be evenly distributed

Supply growth remains generally muted in the UK regions, creating a favourable environment for pricing and trading, while capital markets show signs of renewed liquidity and confidence.

However, success in 2026 will not be evenly distributed. Performance will hinge on the ability of owners, investors, and operators to align strategy with evolving demand patterns, optimise revenue mix, and embrace flexible development and operational models.

Key takeaways

- **Demand remains resilient:** Growth, albeit at a slower pace and not without risk, is anticipated for inbound, leisure and corporate segment.

- **Supply growth is relatively constrained:** Financing costs, construction challenges and planning delays keep new supply limited.

- **RevPAR growth will be selective:** Driven by ADR optimisation and ancillary revenue, not just occupancy gains.

- **Capital availability is returning**: Investors are re-engaging, but deal activity remains disciplined. There is significant debt funding available, but with tight underwriting outside of top tier assets.

- **Strategy execution is decisive:** Winners will focus on flexible models, adaptive reuse of space, and ancillary income streams.

- **Capital structure is optimised:** Investors are focusing on tailoring project-level capital structures to balance cost of debt, leverage, and flexibility for refinancing and future growth.

Demand trends

- **Inbound tourism:** Although the actual data is not available yet for the whole of 2025, it would appear that the underperformance in London Hotels in H1 2025 indicates that forecast growth in volume of arrivals has not occurred to date for H1 in 2025. Inbound tourism numbers are forecast to grow in 2026, though this may be tempered if current favourable exchange rate conditions shift. Increased air capacity should continue to support visitor growth but on the other hand, a weaker US dollar could put pressure on both length of stay and spend per visitor from the US. Some of our interviewees also noted that corporate travel demand from the US has softened slightly since early 2025, as companies navigate the increased economic uncertainty.

- **Domestic demand:** Expected low GDP growth and gradual improvement in consumer sentiment are likely to support steady but muted growth in leisure and corporate travel demand.

- **Corporate and group segments:** Events, conferences, and infrastructure projects will continue to strengthen weekday performance.

- **Extended stay:** Longer average stays and relocation-led travel sustain strong occupancy for serviced apartments and aparthotels.

- **Risks remain:** If a downside macro scenario emerges, even the forecast modest RevPAR growth in 2026 may be threatened.

Supply trends

- **London leads the way:** It is estimated that c. 3,000 new rooms already opened in 2025. The luxury segment has seen c. 750 new luxury rooms open in 2025, with above average luxury and upper upscale projects due to open in 2026, raising near-term competitive pressure for undifferentiated high-end assets. Approximately 6,300 rooms are under construction and due to open between 2026 and 2028, representing c. 4% of current inventory, with Upper Midscale and Economy rooms accounting for the largest increase. We have applied a 10% attrition rate to new supply forecasts in our model for 2026 to allow for project slippage into 2027 and beyond.

- **UK Regions:** Although London dominates the pipeline, UK regional supply growth averages 2% in 2025 and 2026, with Belfast, Edinburgh, Manchester, Glasgow, and Leeds forecast to experience above average supply growth in relation to market size, potentially limiting RevPAR growth.

- **Conversions dominate:** Office conversions are an increasingly important source of supply as developers repurpose obsolete office and retail space into hotels, a trend expected to intensify through 2026 and beyond. The hostel and high-density accommodation model is also gaining momentum, reflecting cost-conscious travellers' preferences for value, flexibility, and community-oriented design.

- **Bifurcation:** A widening gap is emerging between newly repositioned or branded assets and older stock. Properties that fail to reinvest risk falling behind on both rate and occupancy performance.

Investment market overview

Buyer-seller gap narrowing

The gap between pricing expectations is closing as market conditions stabilise. Revenue growth is steady, but margin pressures remain. Although the portfolio deals dominated deal activity in recent years, this has started to change in 2025. With several significant single asset transactions completed in H1 2025 and more underway, the overall level of investment volumes is close to long term average.

Active asset management

Investors are becoming more hands-on, working closely with operators – whether brands or white-label partners – to manage costs and strengthen performance. Collaboration and alignment of goals are key to achieving sustained results.

Conversions gaining momentum

Repurposing offices and other assets into hotels remains an attractive opportunity, but not for everyone. These projects demand specialist knowledge and operational scale – most viable for investors who are active in the midscale and budget segments.

Investors exploring new concepts

With returns under pressure, attention is turning to high-density formats, branded residences, and compact room designs. These models can enhance revenue efficiency and meet evolving guest expectations.

Extended stay formats on the rise

Rising demand from relocation, project-based corporate travel, and hybrid working patterns is driving stronger occupancy and investor appetite for aparthotels, which offer stable income streams. For operators and brands, this model requires a lower operating cost base and customer appeal, as it offers more flexibility and space.

Partnerships gaining ground

Joint ventures, co-investments, and in-house platforms are becoming more common. They allow investors to build exposure, while sharing expertise and managing complexity through trusted relationships.
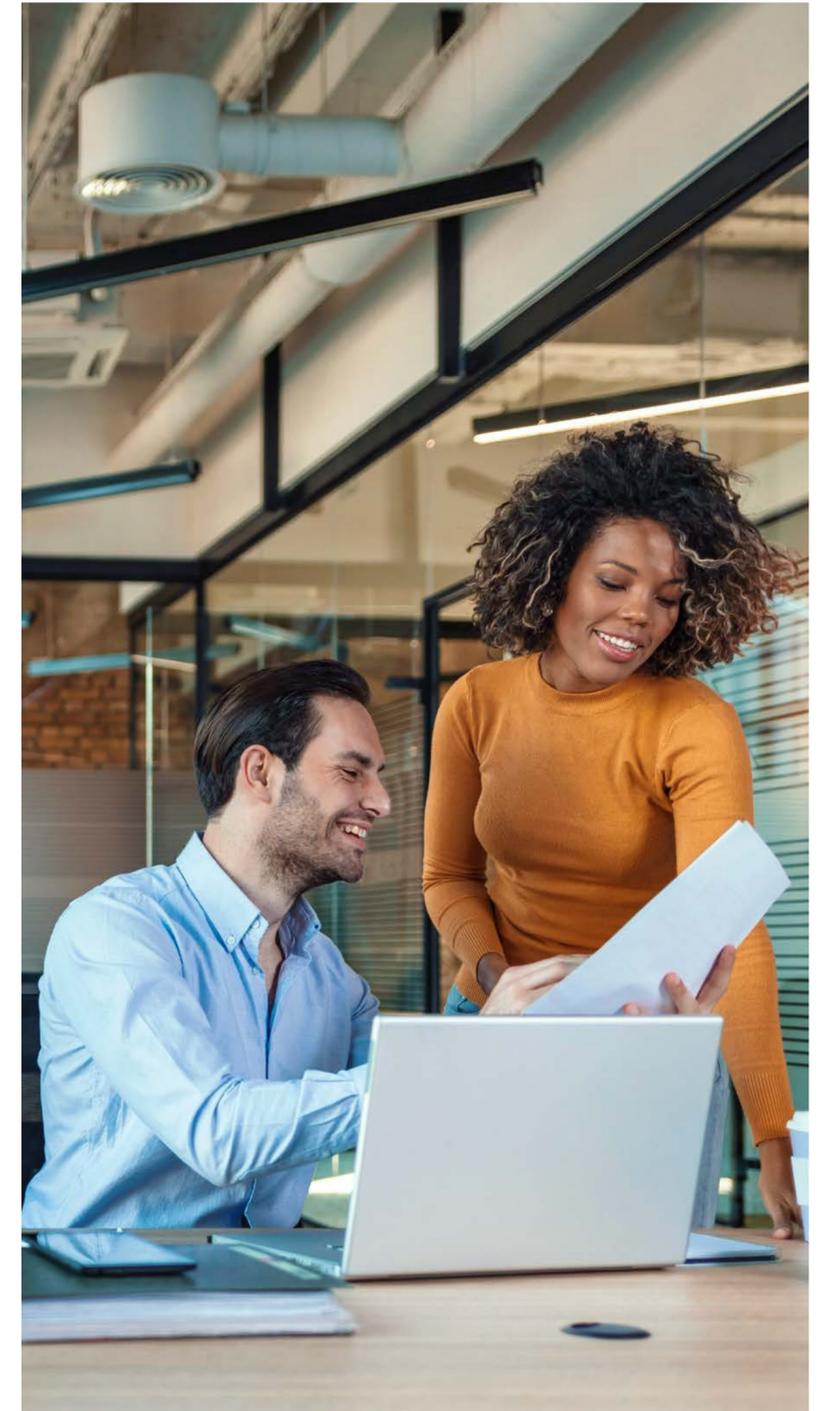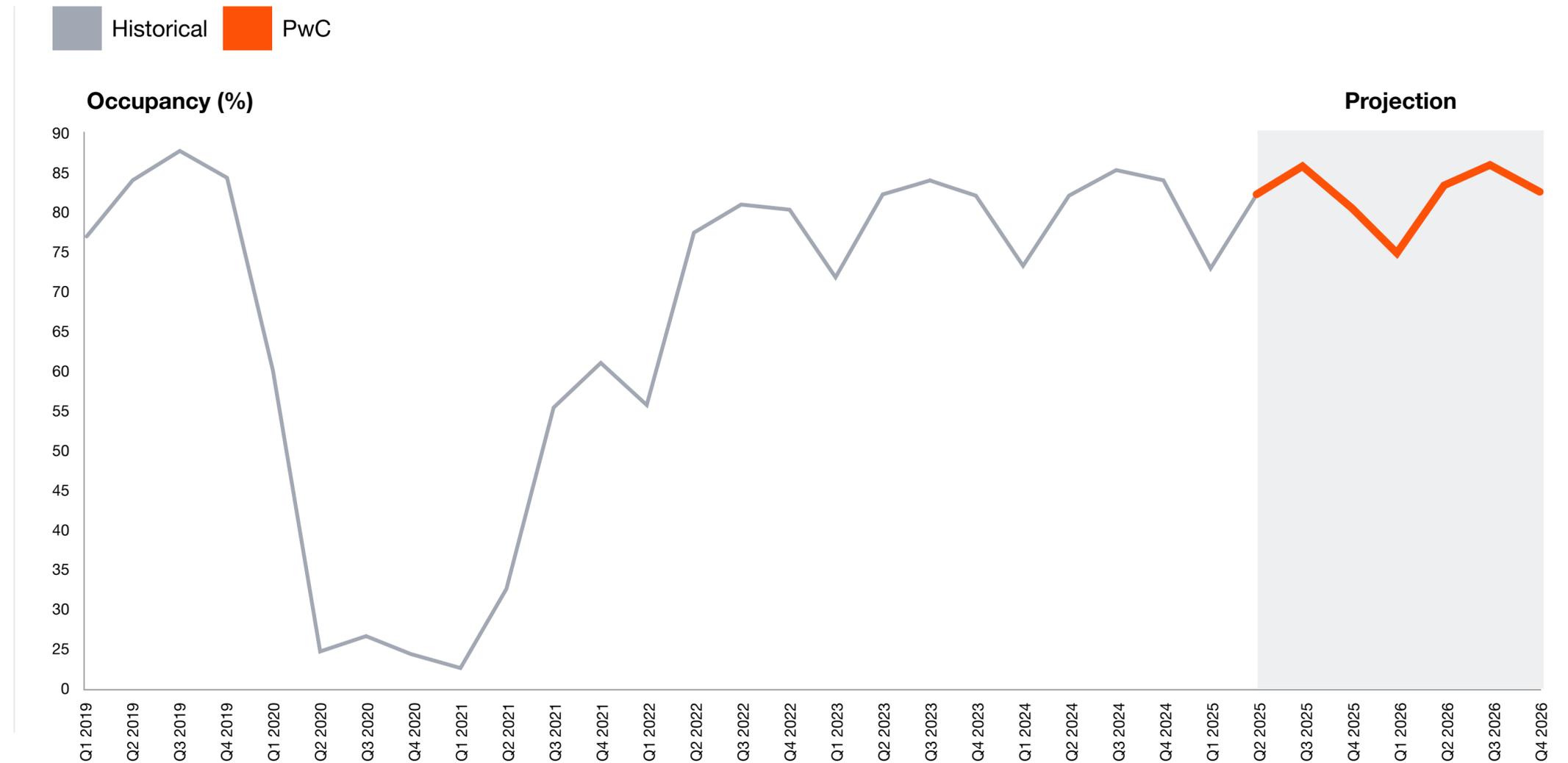
Occupancy, London

Occupancy, London

PwC Projections		
	Level (%)	**Growth (YoY)**
Q1 2025	72.8	-0.5
Q2 2025	82.1	0.1
Q3 2025	85.6	0.3
Q4 2025	80.6	-3.8
Q1 2026	74.8	2.7
Q2 2026	83.3	1.5
Q3 2026	85.9	0.3
Q4 2026	82.5	2.4
2025	80.3	-1.0
2026	81.6	1.7

Source: STR, CoStar, PwC Analysis

Average daily rate, London

Average Daily Rate, London

|	PwC Projections		Real RevPAR	
	Level (£)	Growth (YoY)	Level (£)	Growth (YoY)
Q1 2025	155.8	-2.3	106.7	-5.4
Q2 2025	195.7	-3.5	131.2	-6.0
Q3 2025	218.6	6.1	144.6	2.3
Q4 2025	201.6	-0.1	133.3	-3.4
Q1 2026	159.6	2.5	105.8	-0.8
Q2 2026	193.2	-1.3	127.0	-3.2
Q3 2026	219.6	0.5	142.5	-1.5
Q4 2026	201.6	0.0	130.9	-1.8
2025	192.9	0.2	128.9	-3.0
2026	193.5	0.3	126.6	-1.8
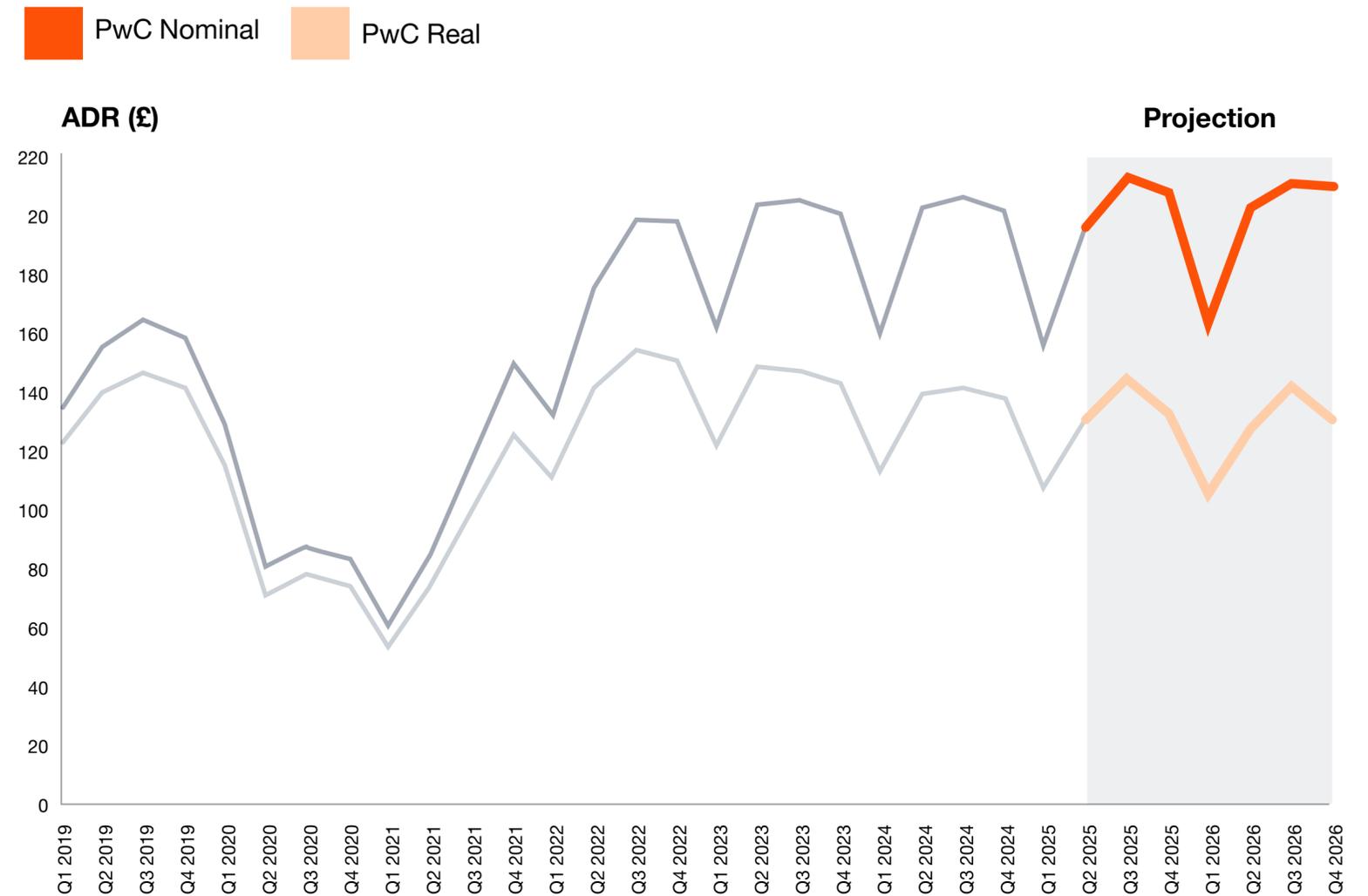
Notes: Inflation (2015 = 100). Real ADR * Inflation / 100 = Nominal ADR
Sources: STR, CoStar, PwC Analysis

Revenue per available room, London

Revenue per available room, London

	PwC Projections		Real RevPAR	
	Level (£)	Growth (YoY)	Level (£)	Growth (YoY)
Q1 2025	113.5	-2.9	77.8	-6.0
Q2 2025	161.3	-3.4	108.1	-5.9
Q3 2025	187.0	6.2	123.8	2.4
Q4 2025	162.4	-3.8	107.4	-7.1
Q1 2026	119.4	5.1	79.1	1.8
Q2 2026	161.0	-0.2	105.9	-2.1
Q3 2026	188.5	0.8	122.4	-1.1
Q4 2026	166.4	2.4	108.0	0.6
2025	156.1	-0.7	104.3	-3.9
2026	158.8	1.8	103.8	-0.4
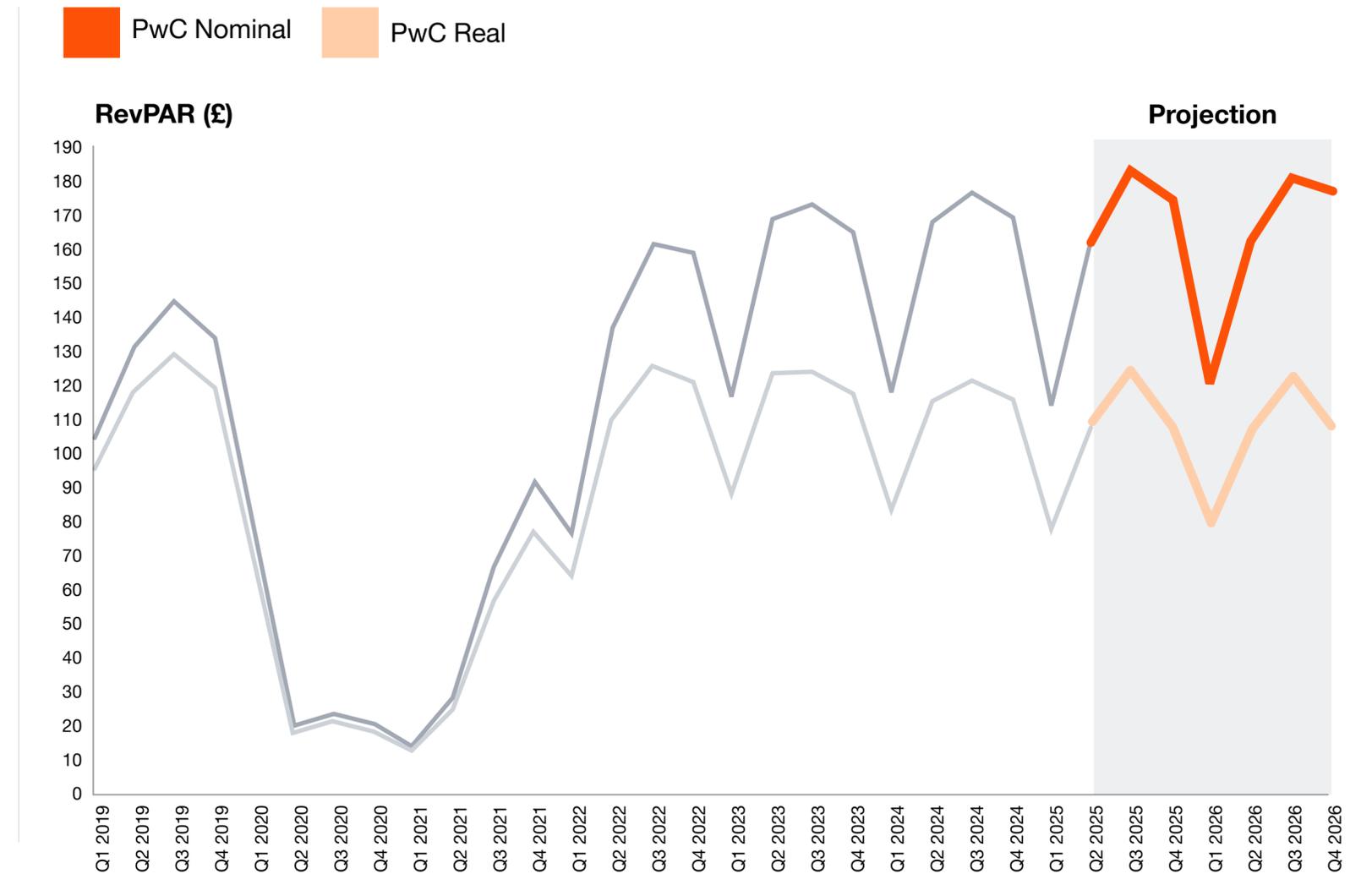
PwC Nominal   **PwC Real**

RevPAR (£)   Projection

Notes: Inflation (2015 = 100). Real ADR * Inflation / 100 = Nominal ADR
Sources: STR, CoStar, PwC Analysis

Occupancy, Regions

Occupancy, Regions

PwC Projections		
	Level (%)	**Growth (YoY)**
Q1 2025	68.8	-0.5
Q2 2025	77.6	-1.3
Q3 2025	83.1	1.2
Q4 2025	73.3	-0.5
Q1 2026	69.5	1.0
Q2 2026	78.3	0.8
Q3 2026	83.4	0.4
Q4 2026	75.3	2.7
2025	75.7	-0.2
2026	76.6	1.2

Historical   PwC

Occupancy (%)

Projection
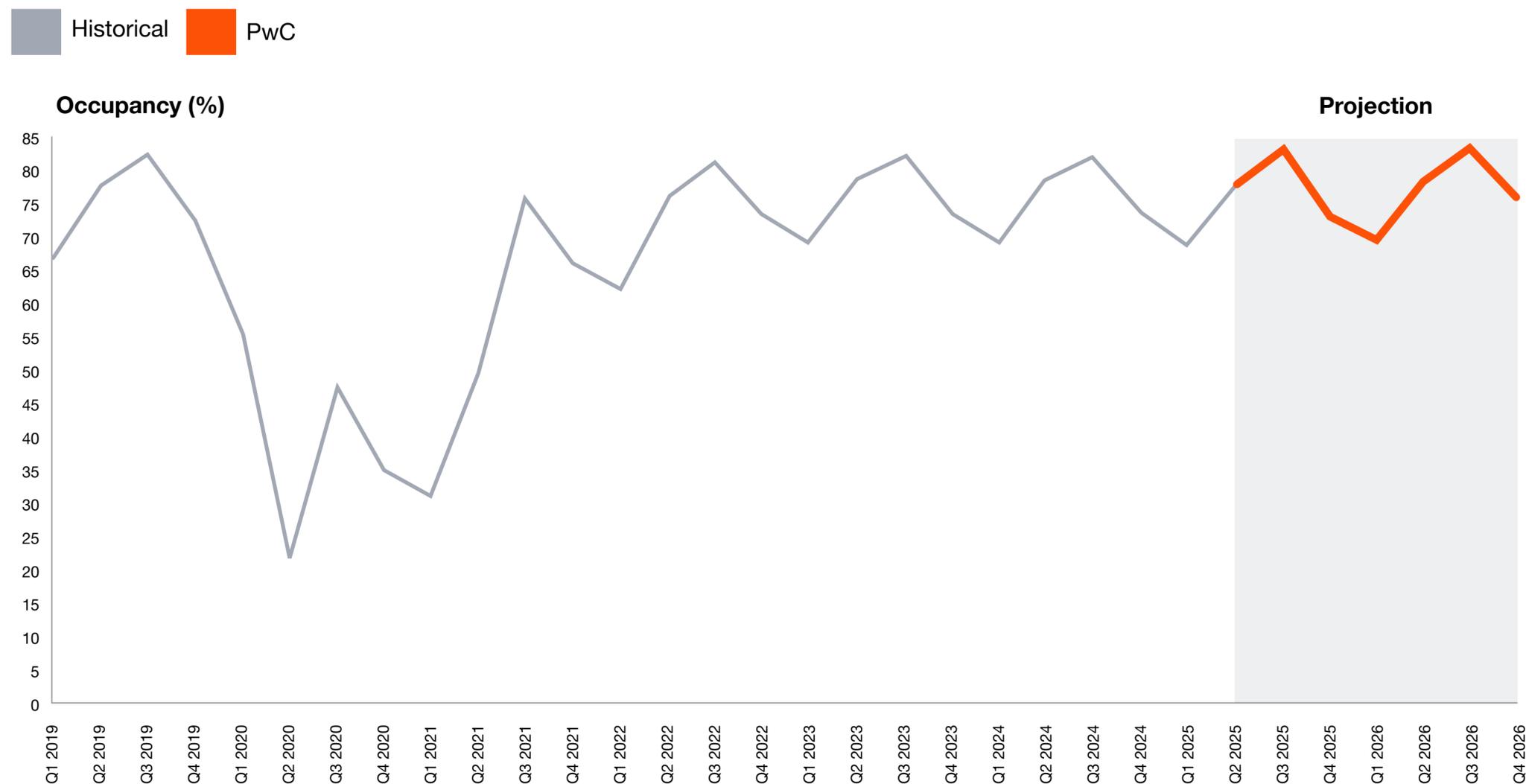
Sources: STR, CoStar, PwC Analysis

Average daily rate, Regions

Average daily rate, Regions

	Nominal		Real	
	Level (£)	**Growth (YoY)**	**Level (£)**	**Growth (YoY)**
Q1 2025	78.1	0.6	53.5	-2.6
Q2 2025	98.1	1.5	65.8	-1.2
Q3 2025	105.6	1.5	69.9	-2.2
Q4 2025	91.5	3.5	60.5	0.0
Q1 2026	78.9	1.0	52.3	-2.2
Q2 2026	98.2	0.1	64.6	-1.8
Q3 2026	106.1	0.4	68.9	-1.5
Q4 2026	92.7	1.2	60.1	-0.6
2025	93.3	1.8	62.4	-1.5
2026	94.0	0.7	61.5	-1.5

Notes: Inflation (2015 = 100). Real ADR * Inflation / 100 = Nominal ADR
**Sources:** STR, CoStar, PwC Analysis
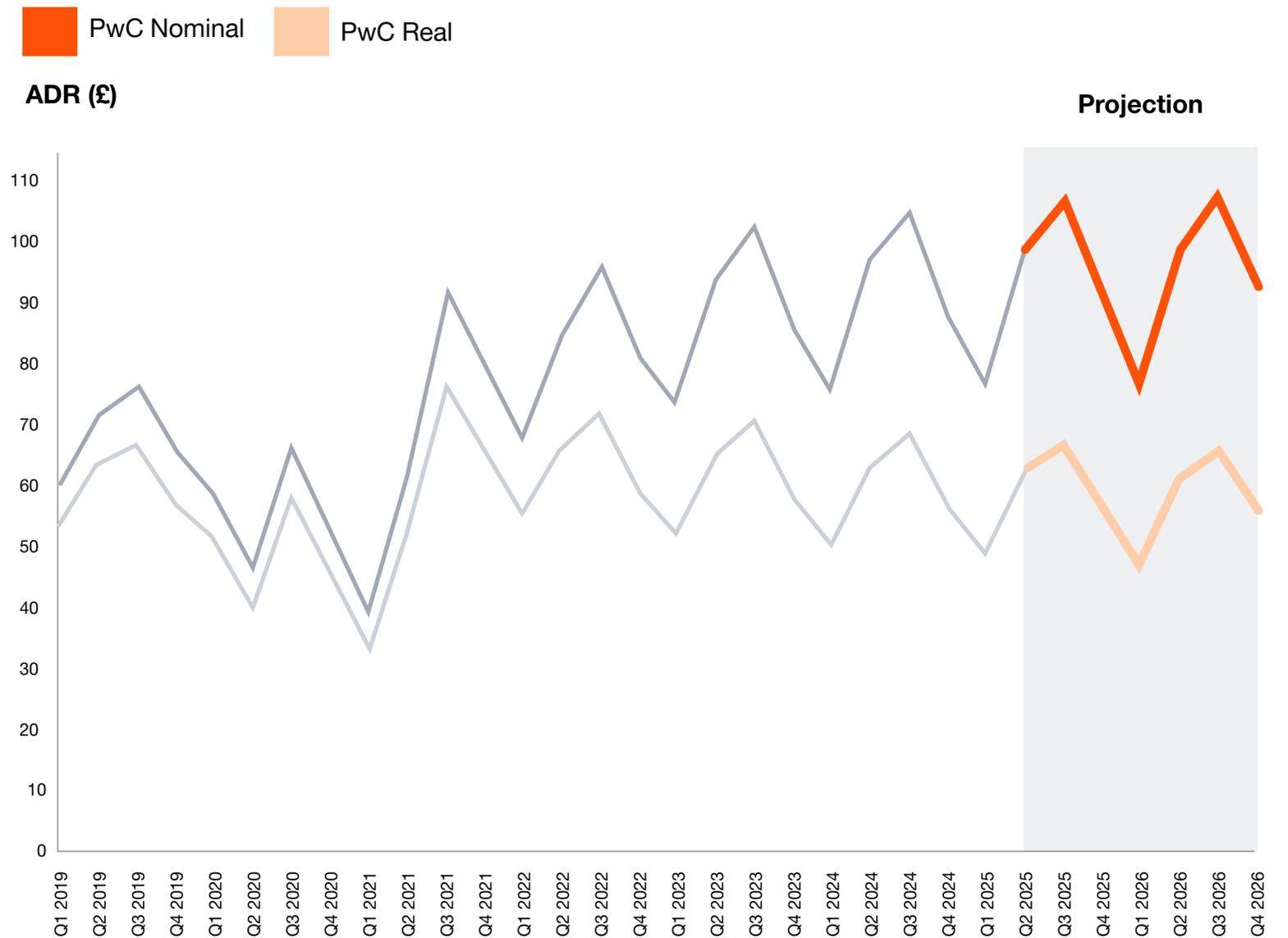
Revenue per available room, Regions

Revenue per available room, Regions

	Nominal		Real	
	Level (£)	**Growth (YoY)**	**Level (£)**	**Growth (YoY)**
Q1 2025	53.9	-0.1	36.9	-3.2
Q2 2025	76.3	0.1	51.1	-2.5
Q3 2025	87.7	2.7	58.1	-1.0
Q4 2025	67.1	2.8	44.4	-0.6
Q1 2026	54.9	1.8	36.4	-1.5
Q2 2026	76.9	0.8	50.5	-1.2
Q3 2026	88.5	0.9	57.4	-1.1
Q4 2026	69.8	4.0	45.3	2.1
2025	71.3	1.5	47.6	-1.8
2026	72.5	1.7	47.4	-0.4

Notes: Inflation (2015 = 100). Real ADR * Inflation / 100 = Nominal ADR
Sources: STR, CoStar, PwC Analysis

RevPAR (£)

Legend: PwC Nominal, PwC Real

Projection
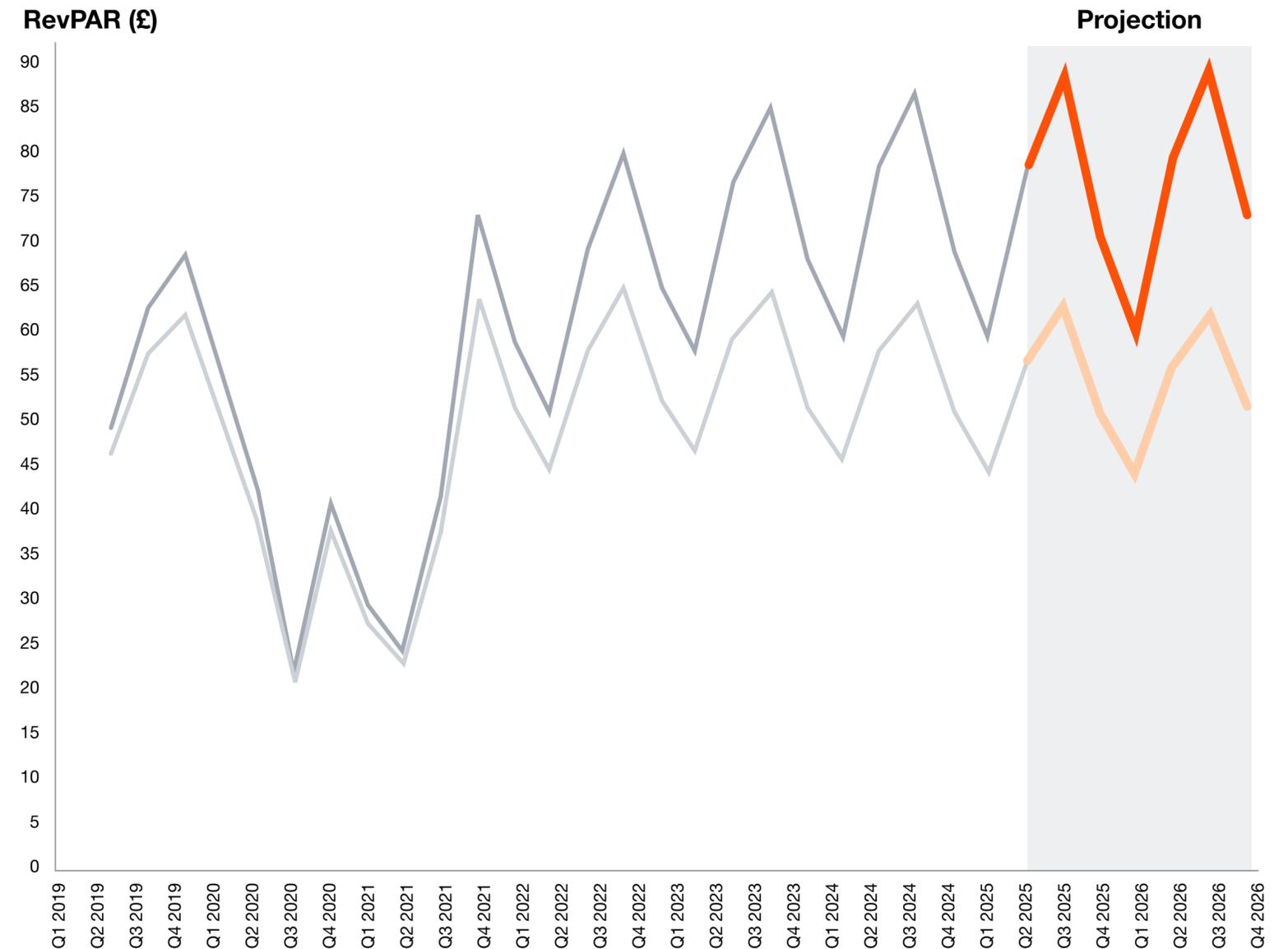
Following the pandemic dip and staycation boom, hotel performance stabilises in line with GDP growth

Real GDP growth, revenue per available room (RevPAR) 1979-2026F
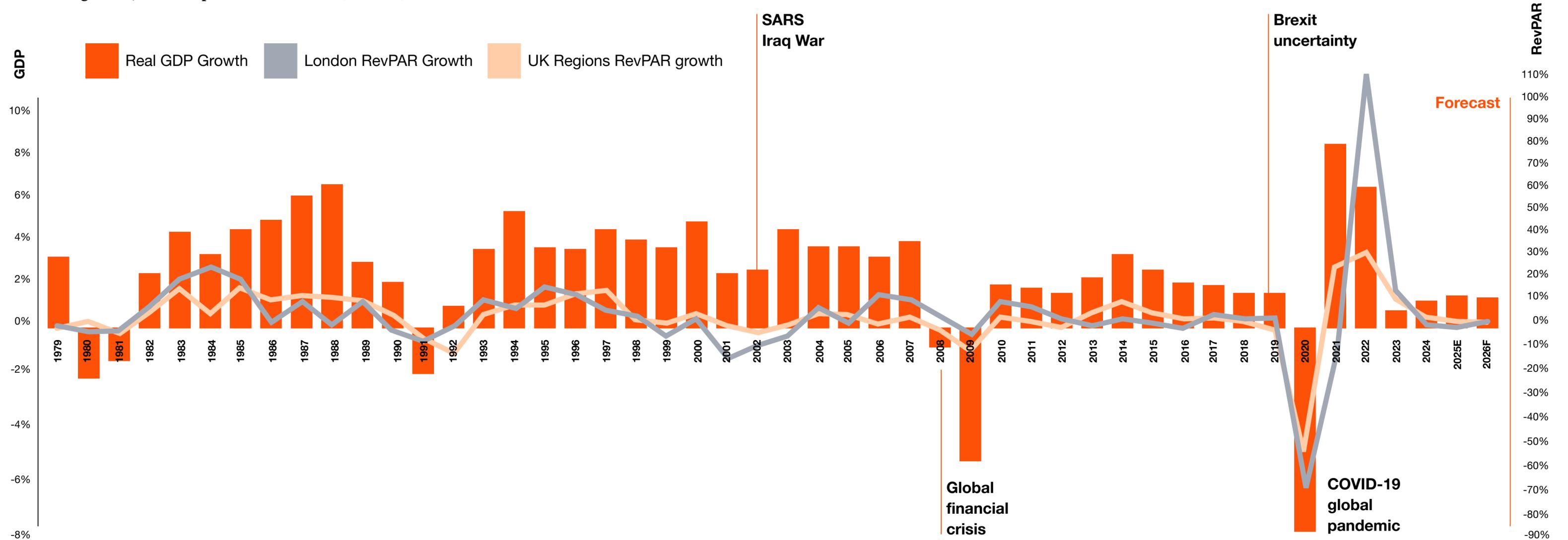
Source: Econometric forecasts: PwC Sept 2025, Macroeconomic data: National Statistics, Benchmarking data: Hot Stats, STR Aug 2025 GDP growth in nominal values

Methodology

Our econometric modelling approach: 2025 and 2026 predictions

We conducted a comprehensive review of academic literature and tested several model specifications to enhance the performance of our forecasting model. Based on this review, we adopted a two-stage least squares (2SLS) instrumental variables approach.

The 2SLS method offers several advantages:

01 It does not require distributional assumptions for explanatory variables (e.g., variables may be binary or non-normally distributed).

02 It is computationally straightforward and supports diagnostic testing for issues such as heteroscedasticity, unit roots, and specification errors.

03 It enables the separate estimation of demand and price, recognising that these are driven by different factors, rather than directly projecting occupancy rates.

A key challenge in implementing the 2SLS approach is the selection of valid instruments, i.e. variables that influence hotel prices only indirectly through their effect on hotel demand.

Separate model specifications were developed for London and for the regional markets.

04 **London model:** The first-stage regression (demand estimation) includes lagged demand, changes in inflation, and changes in international passenger numbers as instruments.

05 **Regional model:** The first-stage regression includes UK GDP and lagged ADR (Average Daily Rate) over two quarters as instruments.

Diagnostic testing using the Hansen J statistic confirmed that the instruments were exogenous and the models were valid at the 5% significance level. This indicates that the instruments are both relevant and independent of the dependent variable.

Forecasts for occupancy rates were based on additional hotel supply forecast data provided by STR AM:PM. Adjustments were made to ensure the comparability of STR AM:PM data, including an attrition factor applied to account for periodic drop-offs in room supply. RevPAR forecasts were then constructed using ADR and occupancy forecasts.

We would like to thank all those across PwC and the wider hospitality industry who contributed their insights, analysis, and expertise to this year's report.

Key assumptions

London & Regions	We assume that the inbound air travel passenger numbers in the UK will increase to 100% of pre-pandemic levels by Q4 2025 and 103% by Q4 2026.
London & Regions	We assume the hotel attrition rate for London to be 1% for existing hotels and 10% for the pipeline and for the regions to be 1% for existing hotels and 2% for the pipeline.
General economic assumptions	Our internal GDP forecast suggests quarter-on-quarter real GDP growth to be 0.21% in Q4 2025, 0.29% in Q1 2026, 0.33% in Q2 2026, 0.36% in Q3 2026, and 0.39% in Q4 2026.

PwC UK hotels team

PwC is optimistic about the UK hotel sector's ability to navigate uncertainty and unlock new value. The year ahead will reward those who act boldly, collaborate widely, and innovate relentlessly. Let's shape the future of UK hospitality – together.

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