

# Luxury Hotel Market Performance

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## Demand Remains Strong

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12/2024

By Henri Hakala

**Luxury Market Outlook**

**Brands Performance in Luxury and Lifestyle**

**Demand Forecast**

**Revenue Analysis**

**Luxury Hotel Development Costs**

**Brand Pipeline**



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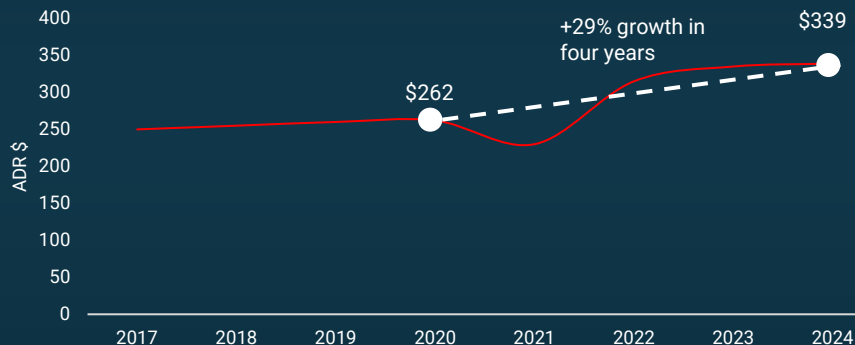
## Luxury Hotels Attract Investors and High Paying Guest

The luxury hotel sector has seen impressive growth, with major brands maintaining substantial pipelines and continued expansion, affirming confidence in the market's capacity for more luxury properties. Luxury hotel transaction are now reaching a value per key around €1.7 million and above, reflecting robust bottom-line performance and investor optimism about future growth.

An ADR of €1,000 is no longer uncommon, particularly in Europe, where approximately 180 hotels have achieved this rate, with some seasonal properties even exceeding that. In resort destinations, food and beverage offerings, along with experience services, can account for nearly half of total revenue. Compared to 2019, the number of high-performing luxury resorts has doubled—and in some markets, even tripled. With a heightened focus on experiences across all demographics, from blue-collar workers to high-net-worth individuals, luxury hotels among the rest of hospitality industry face the challenge of creating unique and memorable experiences. Guests are increasingly willing to pay a premium for these distinctive offerings, pushing hoteliers to innovate and deliver beyond standard luxury.

A great example of high performance can be seen in brands such as the Oetker Collection. Comprising 11 hotels as of summer 2023, the brand experienced positive room rate growth, which drove its success, with RevPAR surpassing €1,000 as a weighted portfolio average for the first time. Another example is Mandarin Oriental, where RevPAR in EMEA reached \$645 in 2023, marking a 14% increase from 2022.

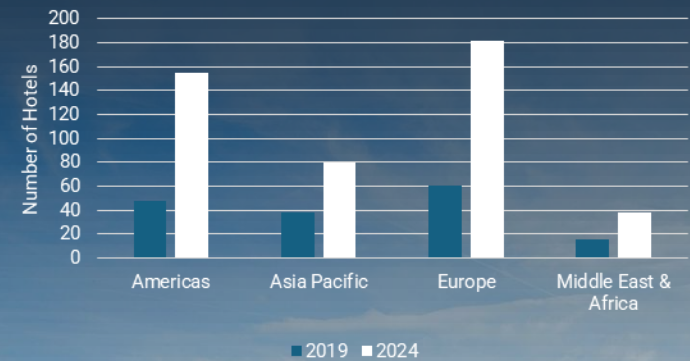
### Luxury Hotels' ADR Increased by 29% in the Last Four Years



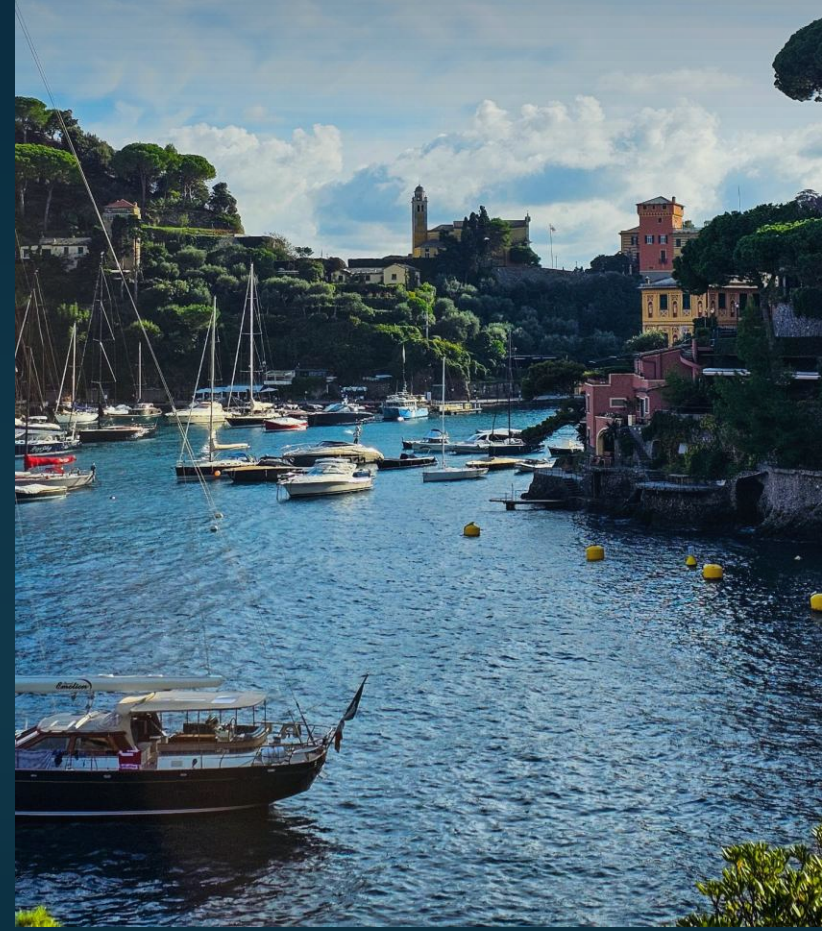
Source: CoStar : Global luxury hotels have been able to capitalize on strong demand growth since 2020

### \$1000 ADR Isn't Rare Anymore, Especially in Europe.

Data shows June YTD counts



Source: CoStar: More Hotels Around the World Report an Average Rate of Over \$1,000



## Strong Performance Across Brands and Sustained Market Growth

Major hospitality groups have strategically invested in the luxury hotel segment due to its strong supply-demand dynamics, a decision that has proven wise as luxury hotels demonstrated substantial pricing power during the inflationary period of 2022-2023.

In hotel portfolios the inflation resilience has been especially evident in resorts, where net operating income has grown significantly faster than inflation (1970-2019). In recent years, especially the luxury hotels have had the ability to hedge well against inflation by adjusting room rates in response to strong demand.

From 2019 to 2023, the strong demand resulted in notable ADR growth across key cities; for example, London's luxury ADR grew by 44% compared to the overall market's 28%, while Paris saw a 42% increase in luxury ADR versus 38% citywide. In Milan, the market's ADR managed to increase more than luxury.

***The global luxury hotel market, valued at \$140 billion in 2023, is projected to reach \$369 billion by 2032, growing at a CAGR of 11.5%***

The global luxury hotel market, valued at USD 140 billion in 2023, is projected to grow to USD 369 billion by 2032. This growth underscores the strong demand for high-end hotels worldwide, driven by affluent travellers seeking unique and premium experiences. When comparing brands, Six Senses is a strong market leader from selective major brands portfolios. Six Senses' high RevPAR, aligns with recent high per-key transaction prices, emphasizing its premium market positioning.

Meanwhile, LXR has shown strong RevPAR growth due to likely new openings in high-performing markets with LXR's limited original supply. Overall, the brands are performing well and a few notable brands such as Belmond, Rosewood and Four Seasons don't release their operating performance numbers.

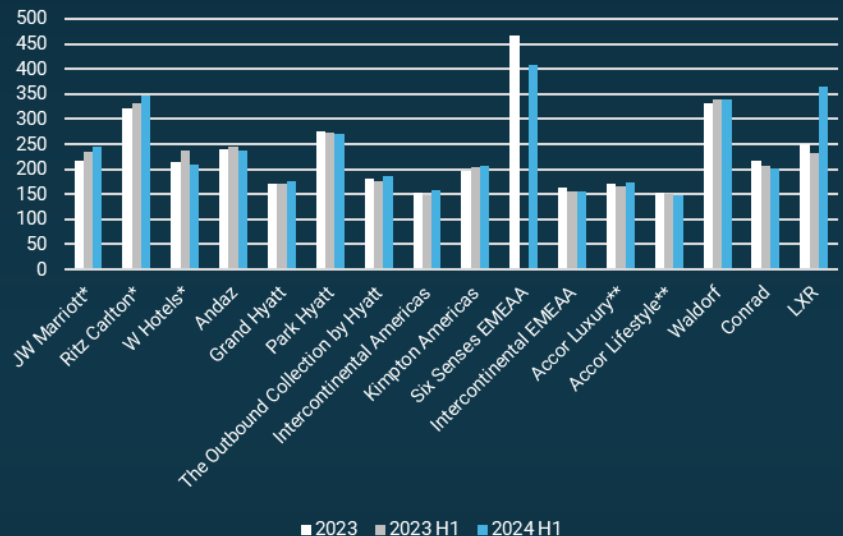
## Luxury Hotel ADR Growth Surges Ahead of Market Average (2019-2023), While Occupancy in 2023 Trails Slightly as Expected



Source: CBRE: Luxury Real Estate 2024

## Strong RevPAR Growth Across Brand Portfolios

The values have been extracted from brands' earning reports



\*Marriott brand data includes only systemwide US and Canadian properties.

\*\* Accor does not publish individual brand KPIs. For illustrative purposes, the combined segments have been converted from EUR to USD using exchange rates from July 30, 2024, December 30, 2023, and July 30, 2023.\*

Source: Marriott, Accor, Hilton, IHG, Hyatt

## Demand is for Luxury is Expected to Grow

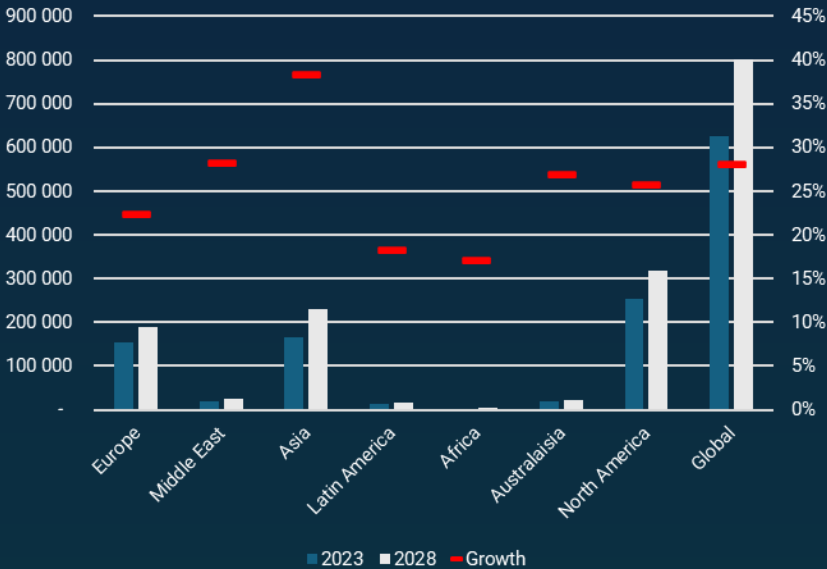
The ultra-high-net-worth individual (UHNWIs) segment is anticipated to experience significant growth over the coming years, with an increase of over 28% expected between 2023 and 2028. The highest concentrations of UHNWIs are seen North America, with growth in regions like Asia, where the number is projected to see notable increases, reflecting a strong rise in wealth accumulation. This growth is expected to impact luxury hospitality, as affluent individuals increasingly seek memorable experiences.

In parallel, the luxury leisure hospitality sector is projected to see a compound annual growth rate of 10% from 2023 to 2028, driven by various wealth segments. The highest spending growth is anticipated among high-net-worth and very high-net-worth individuals, although significant spending increases are also expected by aspiring luxury segments. These trends emphasise the expanding demand for luxury leisure hospitality, driven by wealth growth across different tiers, and stress the sector’s potential for capturing this high-value clientele in the coming years.

The global distribution of USD millionaires is set to grow significantly from 2023 to 2028, with notable regional variations. North America remains a dominant region, with the United States expected to see an increase from approximately 21.9 million millionaires in 2023 to 25.4 million by 2028, reflecting a growth rate of 16%. Canada and Mexico are also projected to experience substantial increases, with Mexico growing by 24% and Canada by 21%. Europe shows mixed trends. Sweden, Norway, and Switzerland are expected to experience double-digit growth, with increases of 22%, 27%, and 16%, respectively. However, some countries are projected to see declines in millionaires.

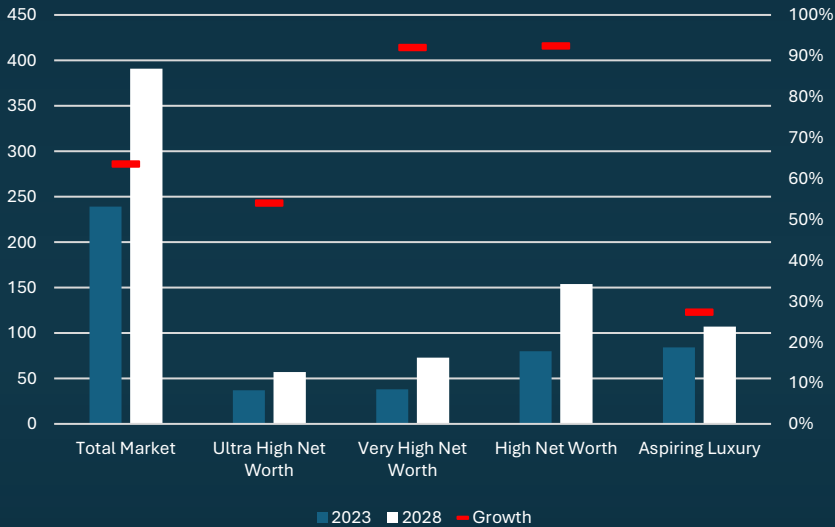
Asia stands out with remarkable growth in countries like Taiwan, Turkey, and Kazakhstan, each projected to grow by over 40%. China, the largest Asian market by volume, is expected to increase its millionaire population from 6 million in 2023 to 6.5 million by 2028, an 8% growth rate. Other regions, such as Africa and South America, show promising growth as well. Australia's millionaire population is projected to grow by 21%, highlighting the strength of wealth accumulation across different continents.

Number of UHNWI is Expected to Grow by Over 28% Between 2023 -2028



Source: Knight Frank Wealth Report

Projected 10% CAGR in Luxury Leisure Hospitality Spending by Wealth Segment (2023–2028)



Source: McKinsey: The state of tourism and hospitality 2024

Number of USD Millionaires

	2023	2028	
Sweden	575 426	703 216	22 %
Norway	253 085	308 247	22 %
Russia	381 726	461 487	21 %
Switzerland	1 054 293	1 253 334	19 %
France	2 868 031	3 322 460	16 %
Belgium	564 666	653 881	16 %
Germany	2 820 819	3 229 283	14 %
Hungary	24 692	28 260	14 %
Spain	1 180 073	1 327 797	13 %
Portugal	171 797	189 235	10 %
Italy	1 338 142	1 461 731	9 %
Greece	80 655	80 295	0 %
Netherlands	1 231 625	1 179 328	-4 %
United Kingdom	3 061 553	2 542 464	-17 %

	2023	2028	
Taiwan	788 799	1 158 239	47 %
Turkey	60 787	87 077	43 %
Kazakhstan	44 307	60 874	37 %
Indonesia	178 605	235 136	32 %
Japan	2 827 956	3 625 208	28 %
South Korea	1 295 674	1 643 799	27 %
Israel	179 905	226 226	26 %
Thailand	100 001	123 531	24 %
India	868 671	1 061 463	22 %
Hong Kong	629 155	737 176	17 %
Saudi Arabia	351 855	403 874	15 %
UAE	202 201	232 067	15 %
Qatar	26 163	29 927	14 %
Singapore	333 204	375 725	13 %
China	6 013 282	6 505 669	8 %

	2023	2028	
Mexico	331 538	411 652	24 %
Canada	1 991 416	2 402 200	21 %
United States	21 951 319	25 425 792	16 %

	2023	2028	
South Africa	90 595	108 557	20 %

	2023	2028	
Brazil	380 585	463 797	22 %
Chile	81 274	95 173	17 %

	2023	2028	
Australia	1 936 114	2 334 015	21 %



## Luxury Hotel's Revenue Broken Down

An example of strong luxury hotel performance in a European capital, London, is the Mandarin Oriental Hyde Park. This 181-room property achieved an occupancy rate of 67.1% in 2023, with an Average Daily Rate of \$1,573, resulting in a RevPAR of \$1,056. Across the broader luxury hotel market in London, the market manages to average RevPAR of £286, TrevPAR of £402, and GOPPAR of £143, achieving a GOP of 34%. During high-performing quarters, RevPAR can reach up to £344, with TrevPAR at £449. In resort destinations, room revenue as a percentage of total revenue can reach up to 50% due to high sales performance in food & beverages as well as experiences.

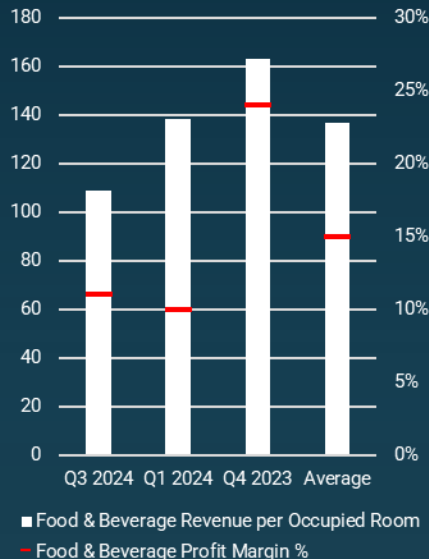
Luxury leads in terms of RevPAR growth in Europe with impressive 7,9% RevPAR YTD September growth, especially weekday performance has increased tremendously indicating potential return of business travellers, mixing leisure and business gathering speed in luxury segment.

### Luxury Hotel Performance Q4 2023 – Q3 2024 in London

Values are in GBP

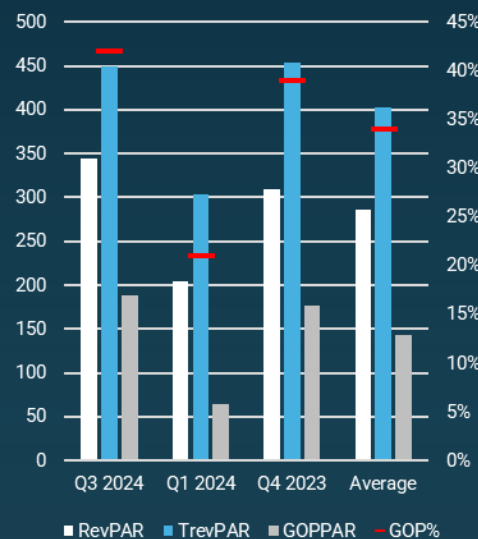
The average values are combined from three separate quarters

#### Food & Beverage



Source: Knight Frank: UK Hotel Dashboard

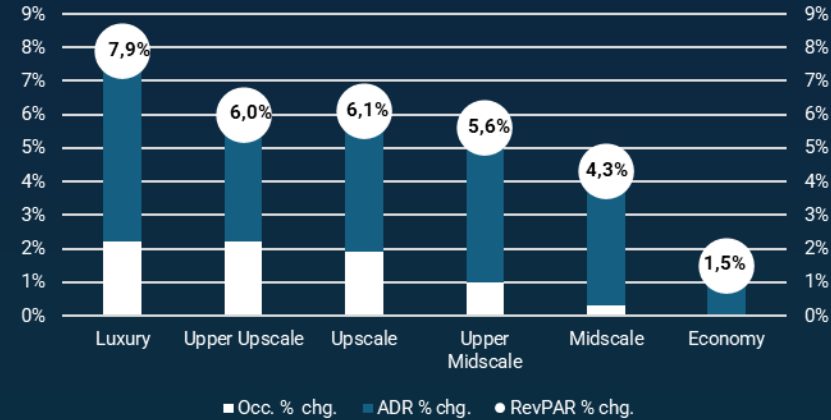
#### Hotel Performance



Source: Knight Frank: UK Hotel Dashboard

## Luxury Leads in RevPAR Growth

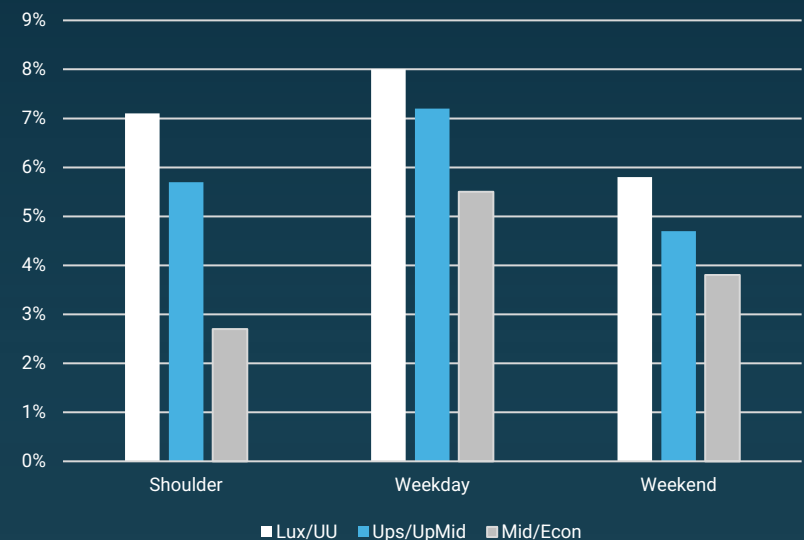
Europe, EUR & CC, KPI % change YoY, September YTD 2024



Source: STR Pandox Hotel Market Day Presentation

## RevPAR % Change Inside the Week

Europe, EUR & CC, KPI % change YoY, September YTD 2024



Source: STR Pandox Hotel Market Day Presentation

## Luxury Hotel Development & Pipeline

As brands, developers, and investors anticipate sustained demand for luxury hotels, brands have established robust pipelines to meet this demand. However, luxury hotels come with significantly high development costs, with notable variations across regions. For instance, development costs per segment indicate that luxury properties allocate a substantial portion to land (7%) mostly due to premium location and larger GFA per room, building and site improvements (63%), and soft costs (16%), with additional allocations for FF&E, pre-opening expenses, and developer fees.

Across Europe, the cost disparity is evident, with countries like Sweden, Finland, and the UK experiencing some of the highest development costs, while markets like Portugal and Spain are on the lower end. This variation emphasizes the challenges in aligning development budgets with market expectations, especially when constructing international hotels to Western European standards.

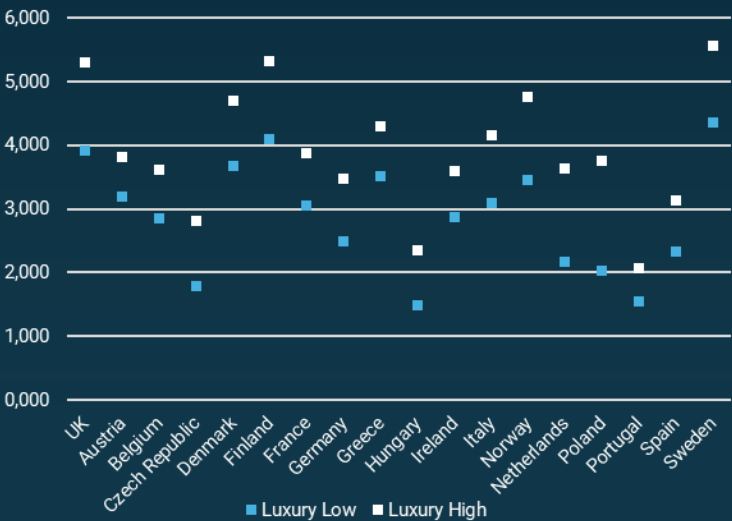
Moreover, with the introduction of Basel IV regulation, bank financing will persist to provide challenges for hotel developments with investors and developers bridging the gaps between equity and debt with hybrids such as mezz-debt. Although inflation is projected to slow, financing luxury hotel projects will still require creative solutions to navigate the regulatory landscape and high upfront costs, further impacting development feasibility and timelines across different markets.

## Development Cost per Segment

	Land	Building & Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Developer Fee
Limited-Service	11%	67%	10%	10%	1%	1%
Extended-Stay (Midscale)	9%	68%	10%	10%	2%	2%
Extended-Stay (Upscale)	9%	65%	12%	9%	2%	3%
Select-Service	12%	65%	14%	8%	2%	3%
Dual-Branded	9%	66%	11%	9%	2%	3%
Full-Service	11%	62%	14%	8%	2%	3%
Luxury	7%	63%	16%	5%	3%	3%
Redevelopment Projects	14%	57%	13%	6%	2%	2%
Average	10%	65%	14%	8%	2%	2%

Source: HVS U.S. Hotel Development Cost Survey 2024

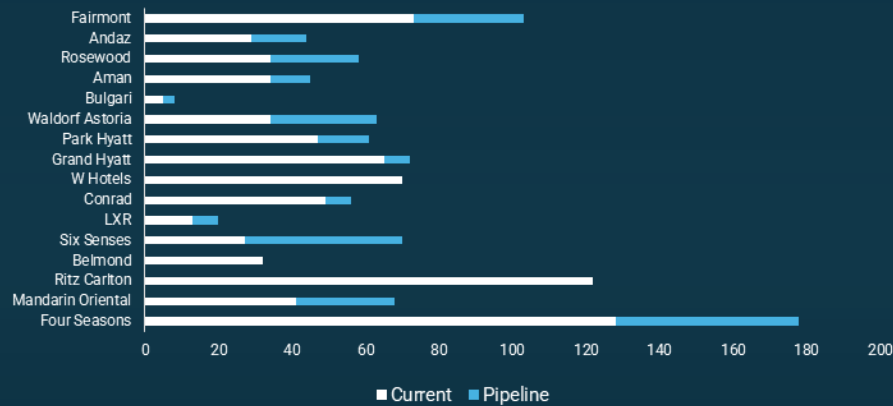
## Luxury Hotel Development Costs Across Europe



These costs have been prepared from a survey of Rider Levett Bucknall and members of the RLB | Euro Alliance. Costs are expressed per square metre of gross internal floor area. The costs include FF&E but exclude operator's stock and equipment. Fees, land costs and local taxes (VAT or similar) are also excluded. Costs are generally based on constructing international hotels to Western European specifications. Data is prepared to highlight key cost trends and differences between markets.

Source: White Bridge, EMEA Hotels Monitor

## Selection of Luxury Hotel Pipeline by Brand



Source: Skift – Aman, Rosewood – Development, Hyatt – Development, Skift – Fairmont, Marriott – Earnings, Hilton Quarterly Results, Accor Quarterly Results, Hyatt – Quarterly results, Connectingtravel – Four Seasons Pipeline, IHG – Six Senses Pipeline, Hotelmanagement – Hilton Pipeline, Hyatt – Pipeline, Mandarin Oriental -Pipeline

## Sources

[Accor Quarterly Results](#)

[CBRE - Luxury Real Estate](#)

[Connectingtravel - Four Seasons Pipeline](#)

[CoStar: Global luxury hotels have been able to capitalize on strong demand growth since 2020](#)

[CoStar: More Hotels Around the World Report an Average Rate of Over \\$1,000](#)

[Hilton Quarterly Results](#)

[Hotelmanagement - Hilton Pipeline](#)

[HVS U.S. Hotel Development Cost Survey 2024](#)

[Hyatt - Development](#)

[Hyatt - Pipeline](#)

[Hyatt Quarterly Results](#)

[IHG - Six Senses Pipeline](#)

[Knight Frank - Wealth Report](#)

[Knight Frank: UK Hotel Dashboard](#)

[Mandarin Oriental - Pipeline](#)

[Marriott Earnings](#)

[McKinsey - State of Tourism and Hospitality 2024](#)

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[Skift - Fairmont](#)

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[STR Pandox Hotel Market Day Presentation](#)

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[White Bridge, EMEA Hotels Monitor, Issue 34](#)



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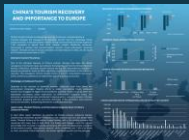
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