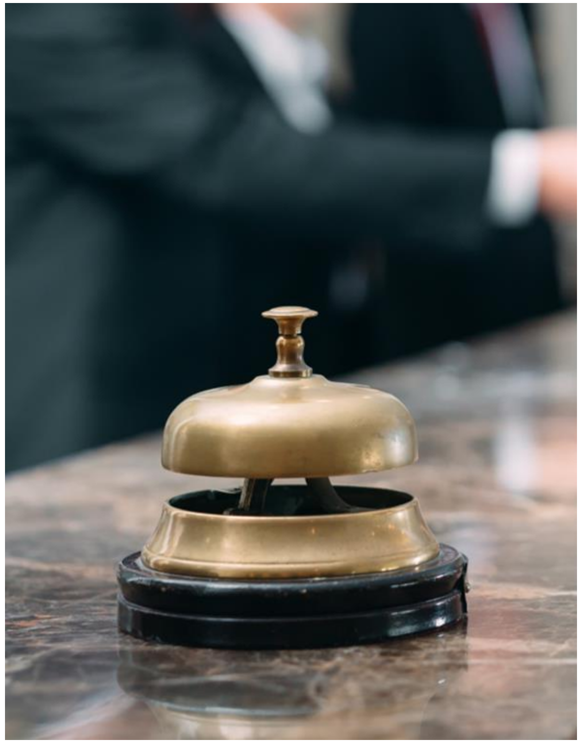
Intelligent Investment

Asia Pacific Hotels & Hospitality Performance & Outlook

REPORT

CBRE RESEARCH
SEPTEMBER 2025

Executive Summary



Despite tourism demand and hotel performance in Asia Pacific beginning to stabilise, pockets of growth still remain in the hospitality sector as the region positions itself as the global tourism hub of the future.

The International Air Transport Association (IATA) forecasts Revenue Passenger Kilometres in Asia Pacific to grow by 9% in 2025, the highest growth of any region globally. The continued growth of tourism is also supporting the regional economy; World Economic Forum (WEF) data show tourism's contribution to GDP growth is the highest in all four of the Asian sub-regions, further positioning Asia as the fastest-growing tourism economy.

Despite the positive data, macroeconomic and geopolitical factors continue to impact travel decisions. As global markets adjust to the changing interest rate environment, and the subsequent impact on foreign exchange rates, hoteliers will need to be conscious of evolving tourism and guest demand in order to meet budget and operational targets.

While hotel performance continues to improve across most markets in Asia Pacific, growth is proceeding at a slower rate than the last couple of years. Average Daily Rates (ADRs) continue to outpace inflation as supply remains limited. Although occupancy levels continue to normalise, most markets are still trailing historic levels. In response, hotels are adopting real-time, demand based pricing strategies to react quickly to demand changes during events or peak times. This flexibility helps them capitalise on high-demand periods even if overall occupancy is low.

Supply continues to be impacted by rising construction costs, which are constraining the future pipeline. While upcoming hotel supply is limited compared to previous years, luxury chain scale hotels remain underpenetrated in Asia Pacific. This presents an opportunity for growth, particularly as the number of High-Net Worth Individuals (HNWIs) continues to grow.

As the convergence of hotels and living continues, investors are looking to tap into the operational real estate sector to drive income growth. Conversions of hotel assets into student accommodation remains a trend. Investment in co-living is also accelerating in many markets, particularly in Korea, Singapore, Australia and Hong Kong SAR, as investors look to offer flexible living solutions in tight residential markets.

Investors retain a strong appetite for hotel investment, especially in liquid markets such as Japan, Korea, Australia and Singapore. Value-add opportunities are their main focus, particularly for midscale product with prospects for rebranding or conversion. With investment volumes reaching US$12.1 billion as of August y-t-d, full year investment is on track to reach the US$16.3 billion recorded last year.

Key Trends

Tourism continues to grow in Asia Pacific, with travellers becoming more influenced by macroeconomic and social media trends

With Asia Pacific set to be the tourism hub of the future, recognising emerging travel trends and impacts, including changes in foreign exchange rates and travel planning via social media, will be critical in capturing future tourism demand.

While hotel performance continues to improve, hoteliers must be more creative through revenue management

With supply expected to remain limited, ADRs for most markets in Asia Pacific should maintain current levels for the rest of the year. While occupancy continues to recover, revenue management strategies such as demand-based pricing, hyper-personalisation and growth of loyalty programmes will help capture guest demand.

Supply will remain constrained as construction costs impact development. However, conversion or rebranding will continue to offer opportunities

Supply between 2024 and 2028F is expected to achieve a CAGR of 2.3%, down from the CAGR of 5.0% seen over the last decade. Over 64% of new supply is set to come in the Upscale+ segment as global hotel brands expand aggressively in Asia Pacific. Investors are also looking at conversion opportunities, particularly for hotels to student accommodation and co-living properties.

Hotel investment activity remains strong, with liquid markets still the most popular

Japan, Australia and Korea continue to drive hotel investment volumes in the region, accounting for c.54% of hotel investment in Asia Pacific as of August 2025 y-t-d. Private equity capital is most active, with investors looking to capture opportunities in markets that have lowered debt costs, which is helping funds hit their return profiles.

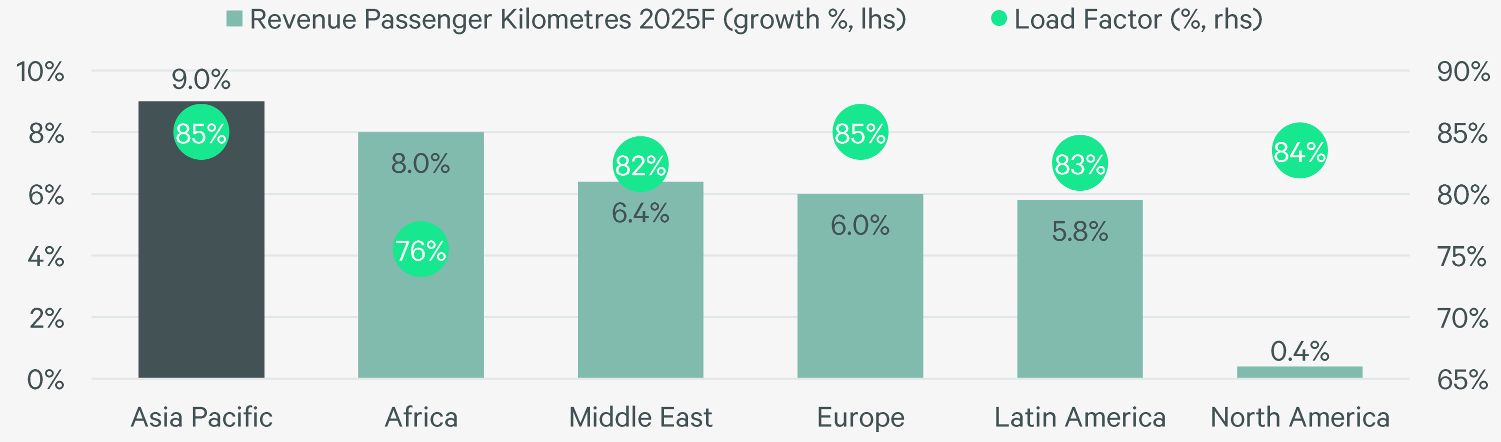
01

Tourism

Asia Pacific remains the engine of tourism growth globally

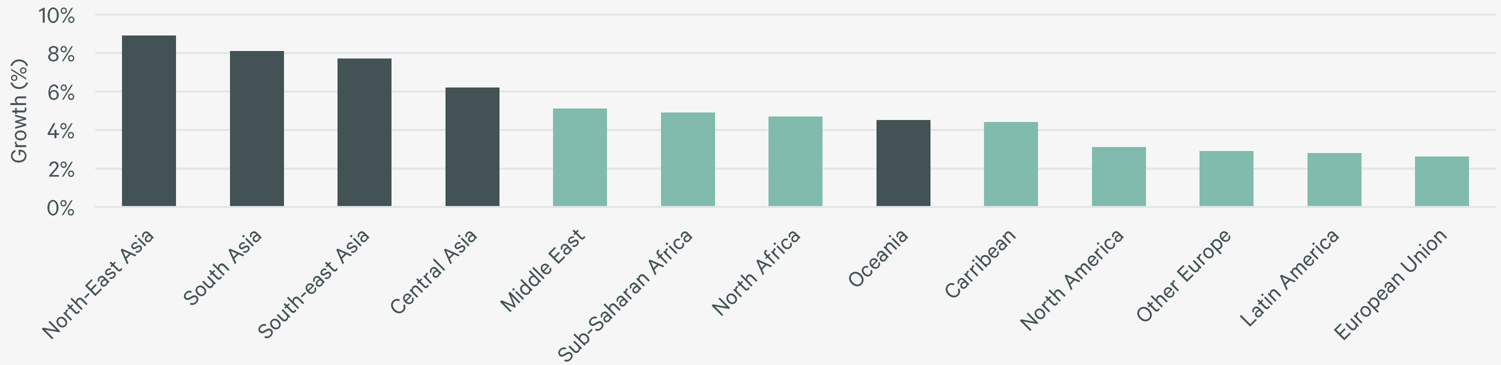
- IATA forecasts Revenue Passenger Kilometres in Asia Pacific to grow by 9% in 2025, the highest of any region globally. Load factor, which measures the percentage of available seats filled on aircraft, has consistently been led by Asia Pacific over the past decade, with IATA forecasting this metric to reach 85% over full year 2025.
- This continued growth of tourism is also supporting the Asia Pacific economy. According to the World Economic Forum, tourism's contribution to GDP growth is the highest in all four of the Asian sub-regions, further positioning Asia as the fastest-growing tourism economy.
- While this growth is expected to fundamentally shift the global tourism dynamic, it will require significant infrastructure investment in order to create new tourism corridors. This investment has already begun, with examples including the recent launch of the Singapore Changi International Airport Terminal 5 project, Vietnam's Long Thanh International Airport, and other airport expansion schemes in Thailand, India, Cambodia and the Philippines.

Figure 1: Revenue Passenger Kilometres (RPKs) Growth & Load Factor – 2025F



Source: IATA, CBRE Research, September 2025

Figure 2: Change in % share of Tourism Contribution to GDP – 2023 to 2033

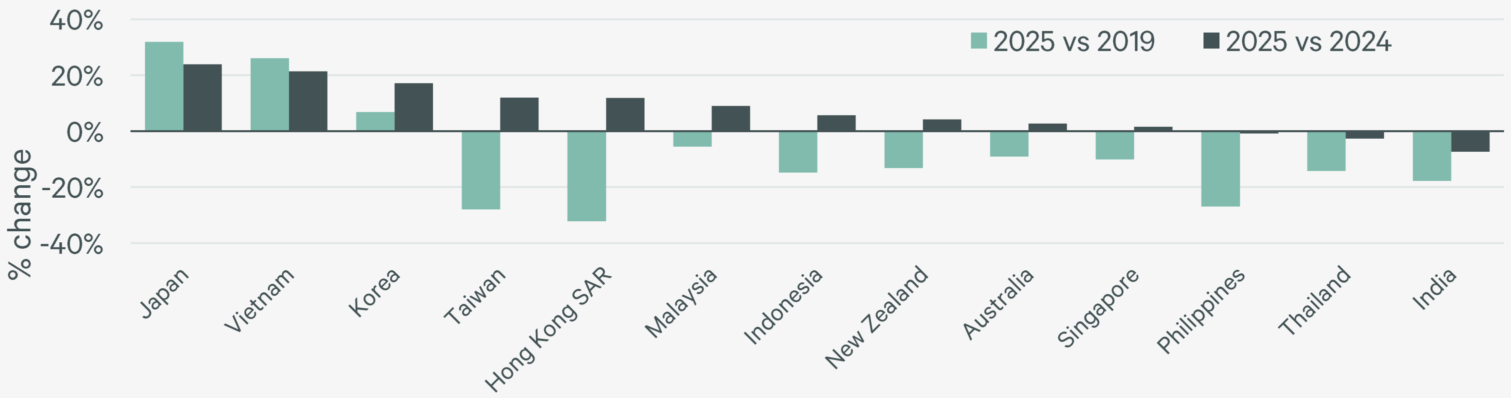


Source: World Economic Forum, CBRE Research, September 2025

While tourism arrivals continue to grow, a full recovery remains elusive

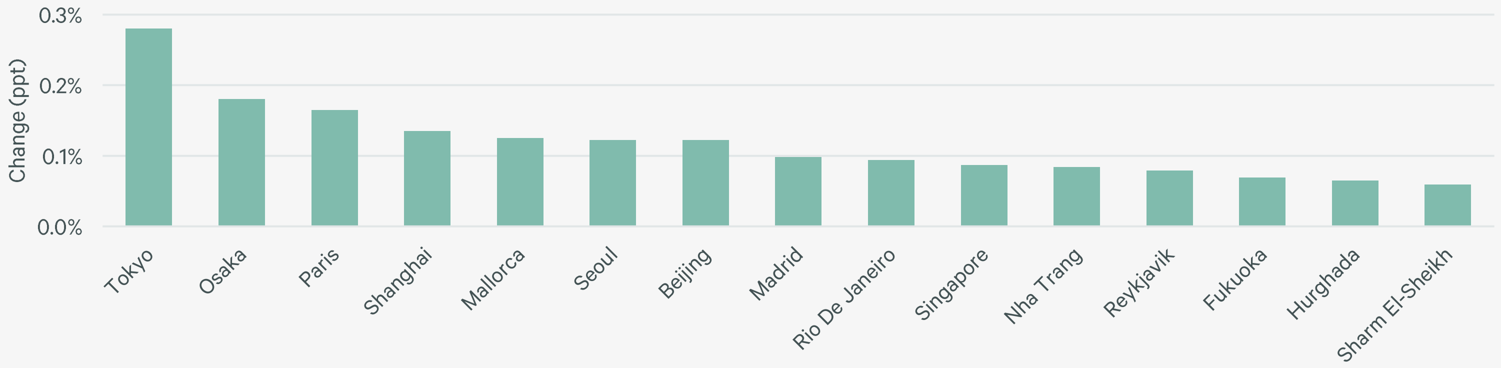
- As of June 2025 y-t-d, only three markets in Asia Pacific had surpassed pre-2020 tourist arrivals. Regional tourism growth has been led by Japan, Vietnam and Korea in 2025. All three markets have cheap currencies that have made them more accessible and affordable for travellers.
- Coming off a low base, Hong Kong SAR and Taiwan have seen strong growth in visitors in 2025, with the former looking to drive tourism through a growing events scene including the city's first "Super March" campaign.
- Despite strong levels of outbound and domestic travel. India continues to see international tourism numbers lag, with visa hurdles for many markets deterring travellers.
- Mainland China witnessed a boom in domestic tourism in H1 2025, with 328.5 million trips taken by domestic tourists, an increase of 20.6% y-o-y. Spending by domestic tourists totalled RMB 3.15 trillion, up by 15.2% y-o-y. This is evidenced by the change in summer travel bookings tracked by Mastercard in 2025, with Shanghai and Beijing ranking in the top seven cities globally for y-o-y increases in summer travel.

Figure 3: International Arrival Growth – by Market (as of June y-t-d)



Source: CEIC, CBRE Research, August 2025

Figure 4: Change in Total Share of Global Flight Bookings for Between June & September 2025 vs. Same Period Last Year



Note: PPT difference between the share of total bookings for June through September 2025 compared with June through September 2024 for all travellers globally.

Source: OAG, Mastercard Economics Institute, CBRE Research, August 2025

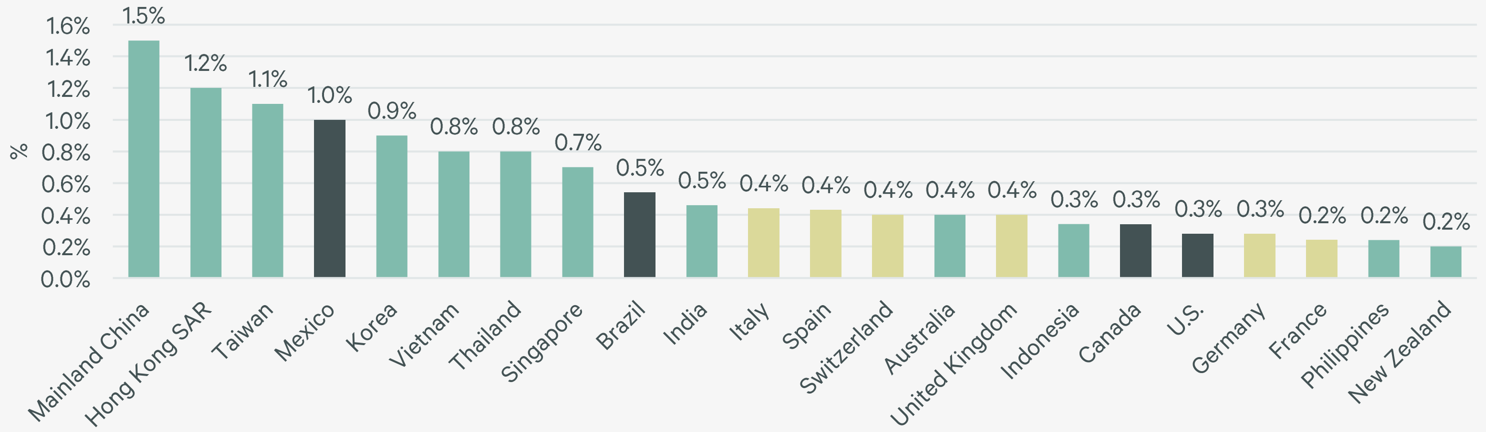
Macroeconomic and geopolitical factors influence international travel

- Similar to prices and budgets, exchange rates can vary and impact travel decisions. Mastercard Economics Institute (MEI)[1] analysed 24 tourism markets and arrival patterns and concluded that travellers from Asia tend to be more sensitive to exchange rate shifts than any other region.
- The study, which highlighted Japan, found that currency depreciation impacted geographical sources of visitors across all of the major global markets analysed. For Japan, the depreciation of the Yen affected mainland Chinese visitors more than any other outbound market; a 1% depreciation of the Yen against the Yuan is associated with a 1.5% increase in the number of tourists from mainland China to Japan. This is followed by Hong Kong SAR, Taiwan and Mexico.
- According to Criteo's Spring 2025 Travel Pulse[2], while only 26% of travellers take geopolitics into account when planning, it is this fastest growing concern. This was led globally by Korean travellers, with the number of respondents identifying it as an issue rising by 24% compared to last year.

[1]MEI Travel Trends 2025

[2]Criteo Spring 2025 Travel Pulse

Figure 5: Foreign Exchange (FX) Impact on the Number of Inbound Tourists to Japan

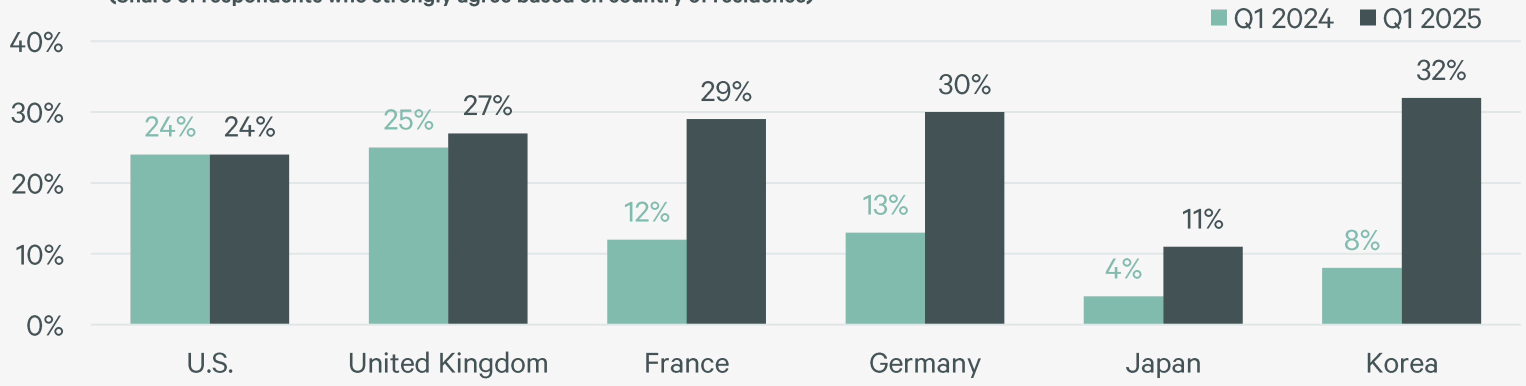


Note: Estimated percentage growth in the number of inbound tourists to destination for every 1% depreciation of the destination's (Japan's) currency against the source market currency.

Source: CEIC, Mastercard Economics Institute, CBRE Research, August 2025

Figure 6: How Much do Geo-Political Matters Factor Into Your Travel Plans?

(Share of respondents who strongly agree based on country of residence)



Source: Criteo Survey – Consumer Travel Preferences, Mar 2025 vs Mar 2024, Global, N=14,313.

Social media increasingly informs travel planning and booking

- According to Skift Research, social media is playing a more prominent role in influencing travellers' holiday plans. Approximately 42% of travellers use social media to research their trips, significantly ahead of traditional tools such as review sites (10%), official platforms (14%), or search engines (8%). The data signals a shift in consumer behaviour, with consumers increasingly discovering destinations and ideas organically through their feeds, turning everyday scrolling into vacation planning.
- This trend is most prominent among Gen Z and millennial travellers. According to Klook, which surveyed over 7,000 respondents in Asia Pacific, 79% of travellers in this age group booked activities, accommodations and experiences based on social media recommendations. Travellers from Southeast Asian markets are more likely to act on these recommendations than those from Australia and Japan.

Figure 7: Preferred Sources for Travel Planning (% of travellers)

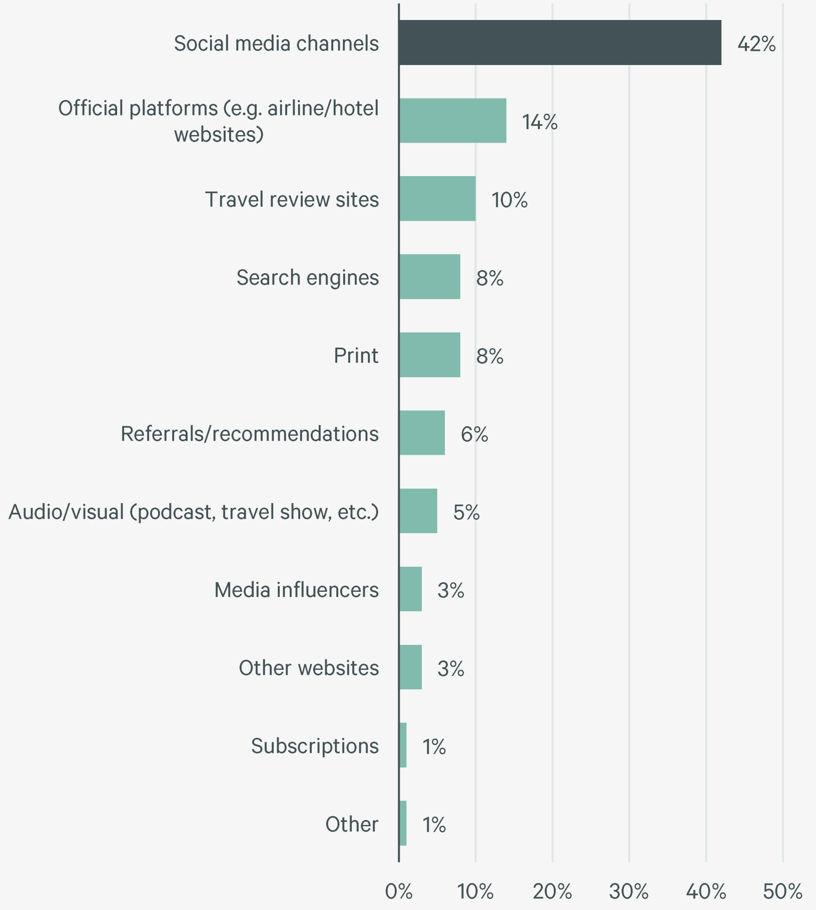
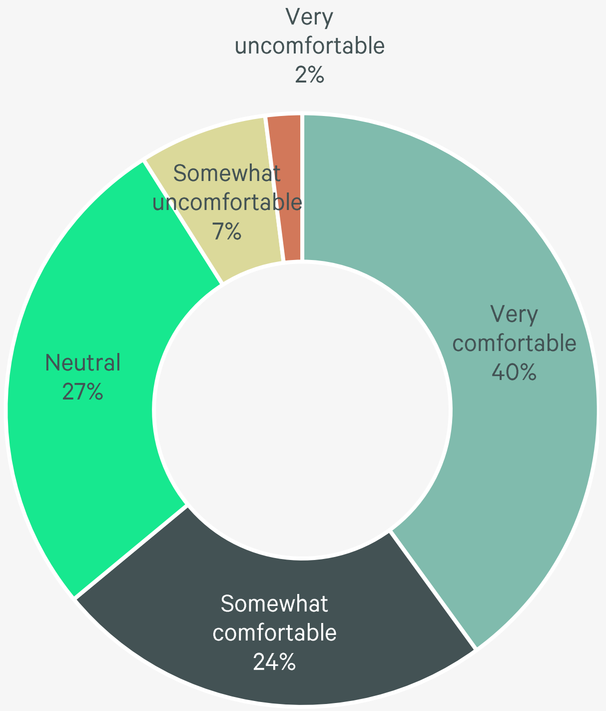


Figure 8: Comfort with Booking Travel Directly on Social Media (%)



Source: Skift, CBRE Research, August 2025

[1]Phocuswright Research

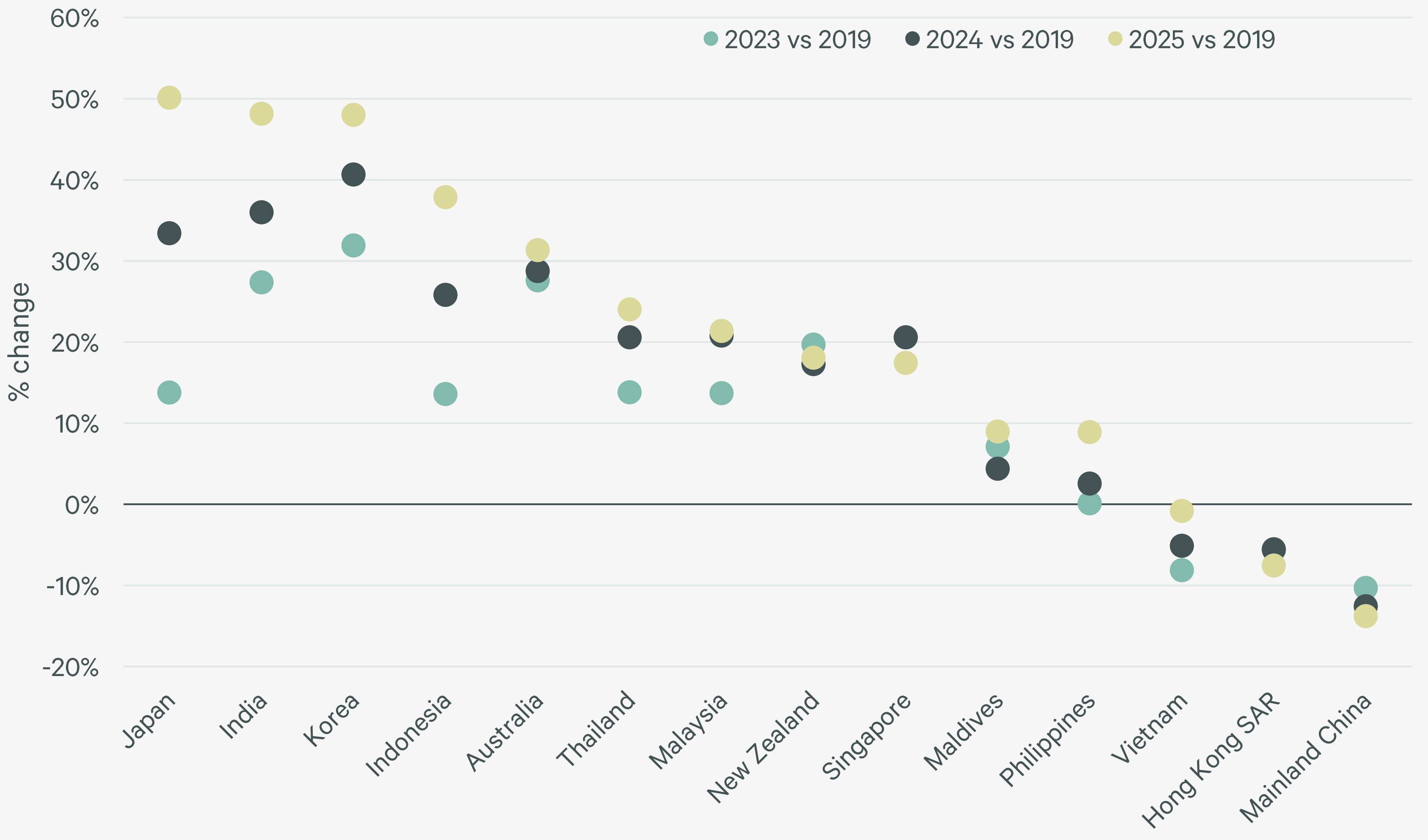
02

Hotel Performance

Hotel daily rates continue to grow across most markets, supported by continued tourism growth

- While the rate of expansion in ADRs has normalised in most markets as inflationary pressure eases, they continued to grow in most markets in H1 2025 on a local currency basis.
- Performance was led by Japan (+16.9% y-o-y) and Korea (+6.3% y-o-y), where tourism inflows continue to set record highs amid prolonged currency weakness.
- Supported by strong domestic tourism, ADRs in India grew by 9.2% y-o-y in H1 2025, driven by tier II and tier III markets such as Jaipur, Kochi and Indore.
- Fortunes have varied in Southeast Asia so far in 2025. While ADRs have increased in Indonesia, this is in response to falling occupancy levels, particularly in Bali. Strong levels of supply in the back half of 2024 led Singapore ADRs to drop slightly y-o-y as new stock was absorbed. In Thailand, a strong beginning of the year was offset by a drop in tourism due to the earthquake in March 2025, as well as public safety concerns especially from mainland China travellers.

Figure 9: Average Daily Rates (ADRs) – Asia Pacific (% change vs July 2019 y-t-d)

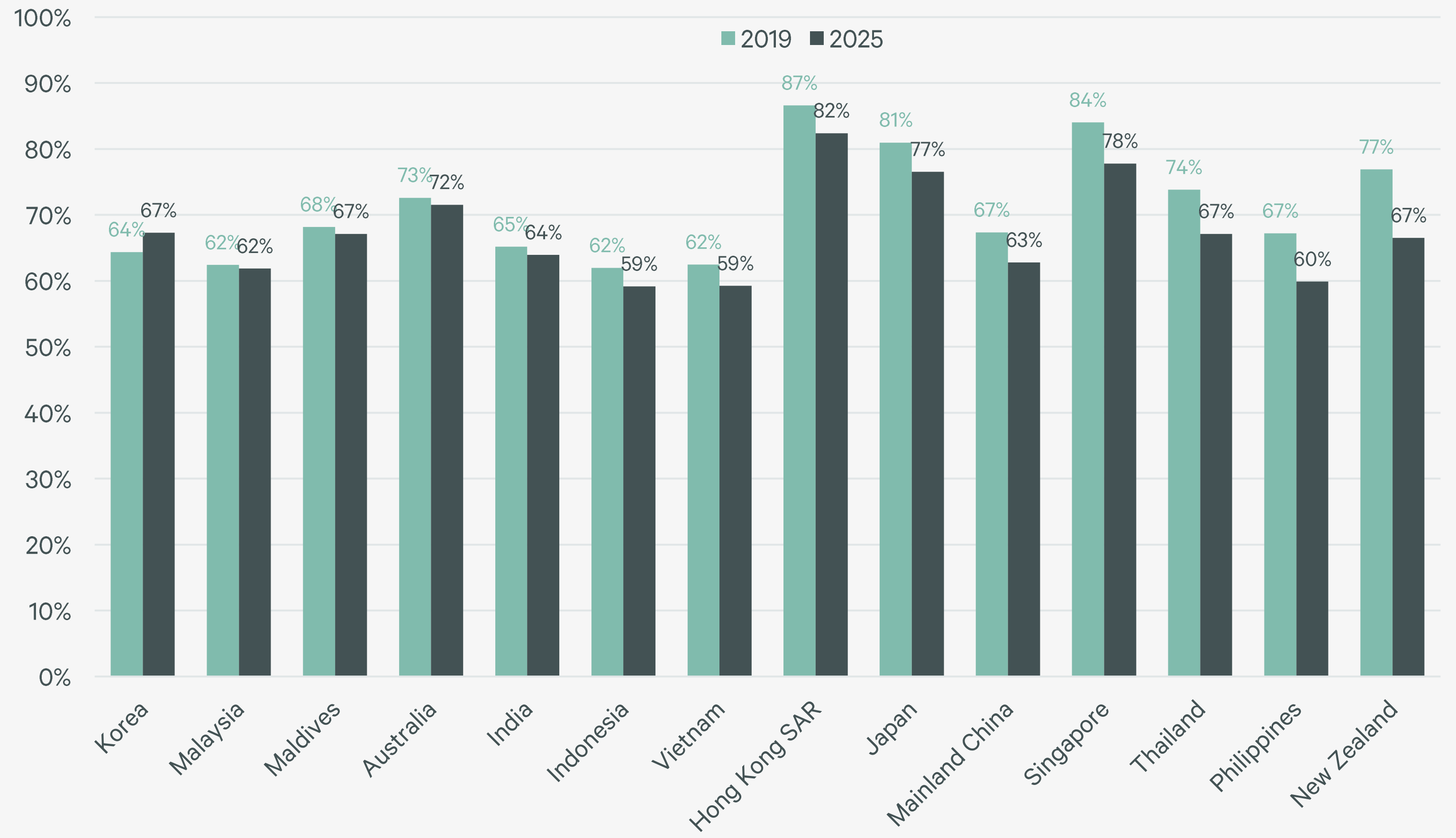


Source: CoStar, CBRE Research, September 2025

Occupancy still has room to grow, with only Korea seeing a return above historical levels

- While occupancy continues to recover, all markets (excluding Korea) are yet to see a full recovery as business and group travel continues to lag the leisure travel recovery.
- Hotels are adopting real-time pricing strategies to respond quickly to demand changes during events or peak times. This flexibility helps them capitalise on high-demand periods even if overall occupancy is low.
- In addition to dynamic pricing, hotel operators can capture guest demand via creative revenue management implementation. Strategies such as hyper-personalisation of guest experiences; expanding loyalty programmes; using AI to capture guest trends and implement smart room technology; and embracing omnichannel distribution through direct websites, OTAs and mobile apps are just a few of the strategies being employed to drive occupancy growth.

Figure 10: Year-to-Date Hotel Occupancy (%) - Asia Pacific (as of July y-t-d)

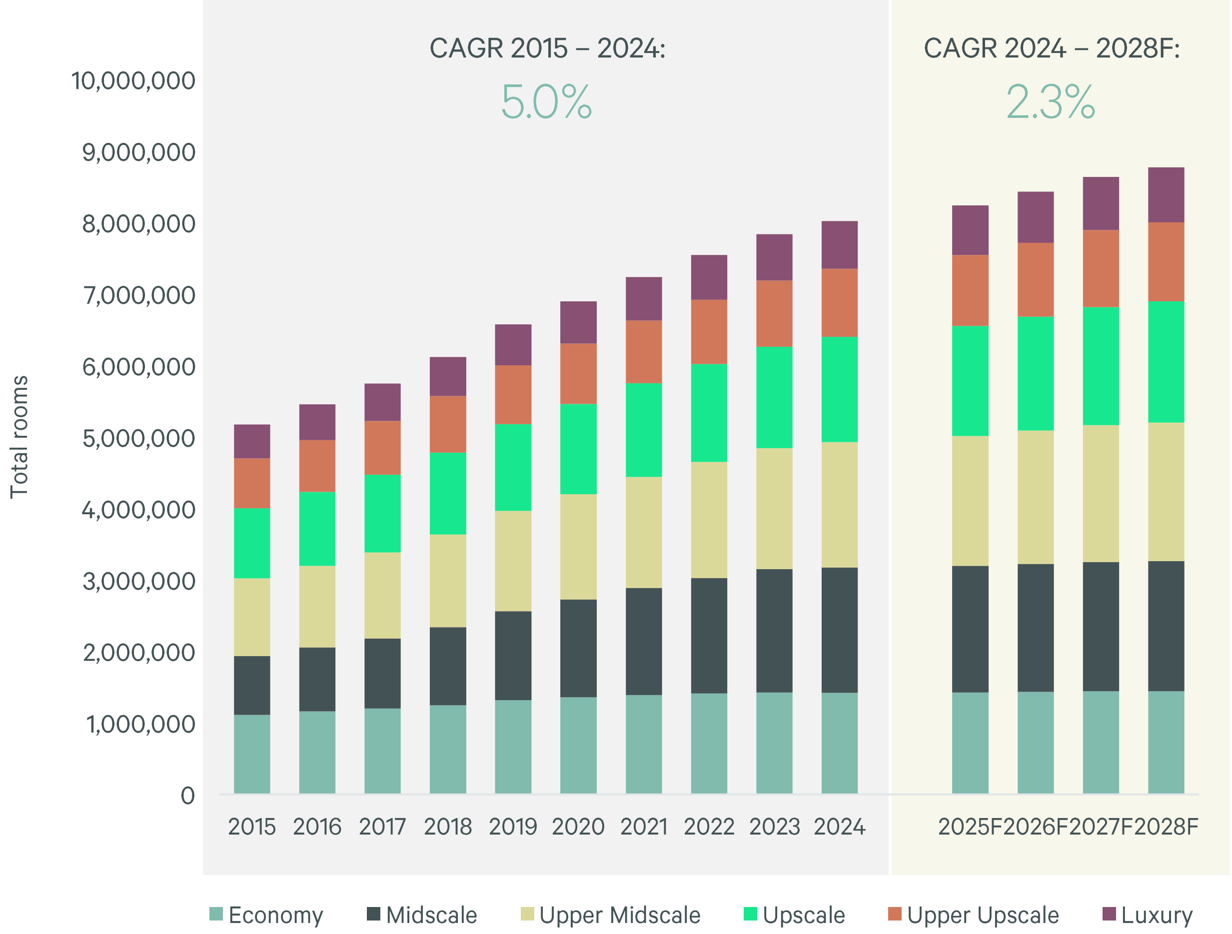


Source: CoStar, CBRE Research, September 2025

Hotel construction slows further as construction costs weigh on new developments

- Hotel supply continues to be impacted by rising construction costs, which are constraining the pipeline. Supply CAGR between 2024 and 2028F is expected to be 2.3%, with over 64% of new stock to come in the Upscale+ segment. Mainland China leads the way in terms of new hotel supply, with developing Southeast Asian markets also accounting for a large share of new developments.
- Global hotel brands comprise a significant component of rooms coming to market, with approximately 74% of forecasted supply set to fall under the umbrella of the top eight global brands[1].
- The convergence of hotels and living is continuing as investors tap into the operational real estate sector to drive income growth. Conversions of hotel assets into student accommodation, particularly in Hong Kong SAR, remain a prominent trend. Investment in co-living is also accelerating in many markets, particularly in Korea, Singapore, Australia and Hong Kong SAR, as investors look to offer more flexible living solutions in tight residential markets.

Figure 11: Asia Pacific Hotel Supply Pipeline



Supply Growth CAGR by Scale (2024 – 2028F)

Economy	0.4%
Midscale	0.9%
Upper Midscale	2.5%
Upscale	3.6%
Upper Upscale	3.8%
Luxury	3.7%

Source: CoStar, CBRE Research, September 2025.

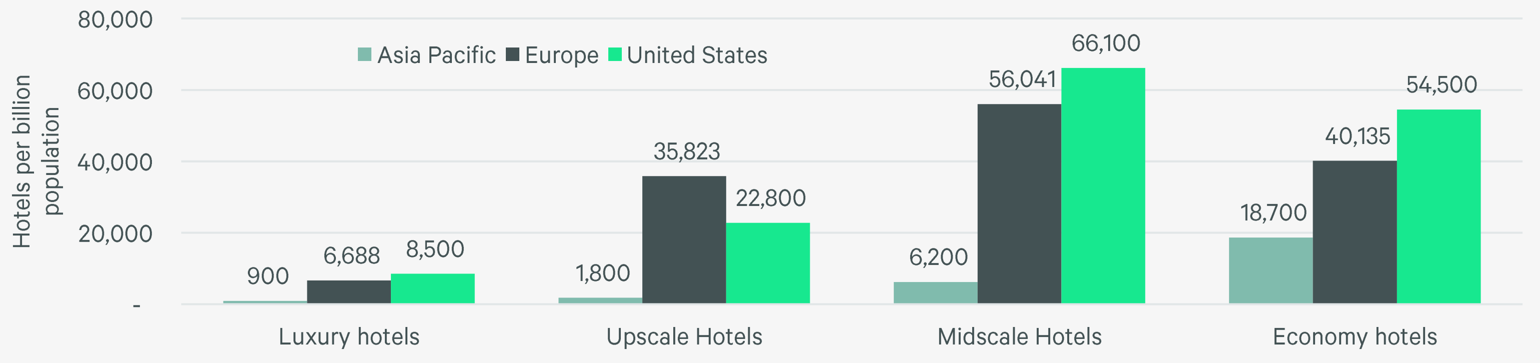
[1]CBRE Report - The Evolution of Hotel Brands in APAC: Why it Matters

Asia Pacific retains significant capacity to support growth in hotel supply, particularly in the luxury segment

- Asia Pacific continues to experience a significant shortage of luxury hotels, especially when benchmarked against Europe and the U.S. According to CoStar, there are only 900 luxury hotels per billion population within Asia Pacific, markedly lower than both Europe (6,700) and the U.S. (8,500).
- Japan and mainland China - two of the largest markets in Asia Pacific by population - lag the rest of the region in their share of luxury rooms. Mainland China alone has the potential to support the development of an additional 1,000 luxury hotels based on population size.
- India is another market to watch, with the county experiencing a sharp rise in demand and luxury goods and experiences from its growing affluent population. According to Capgemini Research Institute[1], the number of HNWIs in India grew by 5.6% in 2024, outpacing most major economies globally. With domestic demand contributing to c.87% of total tourism, the increasingly wealthy Indian population justifies further growth in luxury hotel properties.

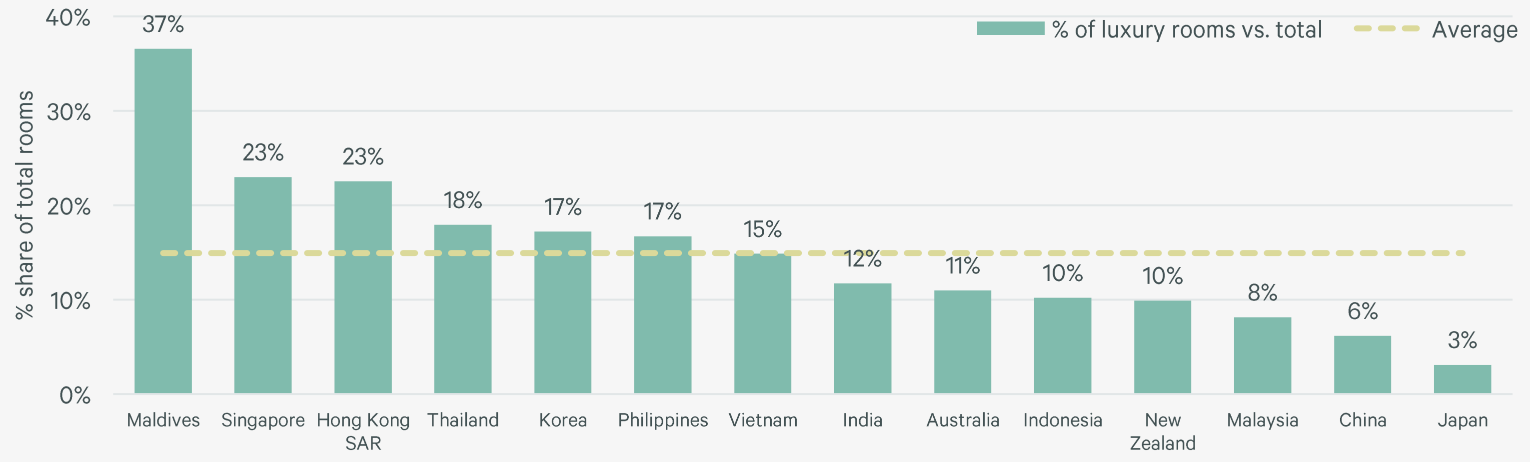
[1]World Wealth Report 2025

Figure 12: Number of Hotels per Billion Population – by Region



Source: CoStar, Macrobond, CBRE Research, September 2025

Figure 13: Percentage of Luxury Rooms vs. Total Rooms in Market (as of September 2025)



Source: CoStar, CBRE Research, September 2025

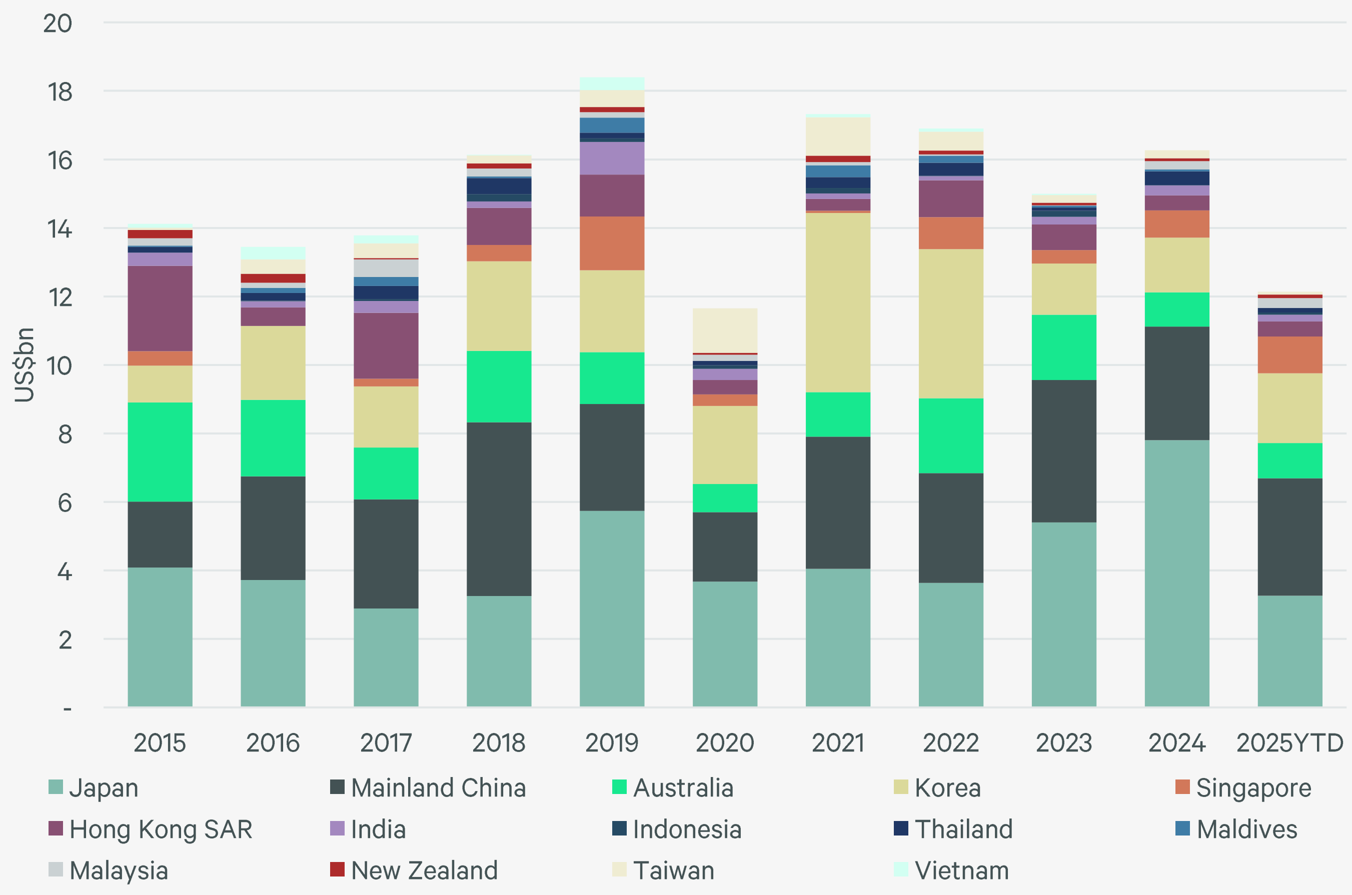
03

Investment

Hotel investment remains robust despite slowing in the first half as activity accelerates in Q3 2025

- Hotel investment volumes as of August 2025 y-t-d in Asia Pacific reached US$12.1 billion and are on track to finish the year close to the previous record high of US$16.3 billion set in 2024. Private equity capital is most active, fuelled by lower debt costs, which are helping funds hit their return profiles. This buyer cohort is also targeting hotels due to the supply demand imbalance, which is fuelling ADR growth across most markets that is well above inflation.
- Japan, Australia and Korea continue to drive investment volume. In Japan, while activity has weakened from last year, investors remain attracted to this market's strong fundamentals and friendly debt environment, with expectations that investment volumes in H2 2025 will outpace the first half. For Australia and Korea, the lowering of debt costs as well as strong market fundamentals has seen investor activity continue in 2025.
- Investors will continue to target these liquid markets along with Singapore. While opportunistic investors will explore prospects in India and the rest of Southeast Asia, investment activity in these locations will remain sporadic.

Figure 14: Hotel investment Volumes – Asia Pacific (as of August 2025 y-t-d)

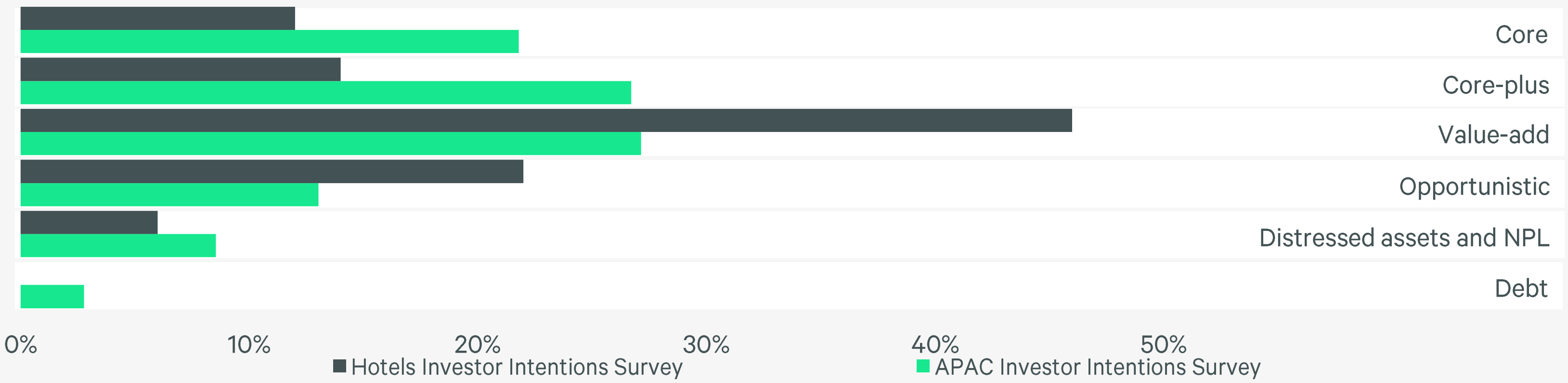


Source: MSCI, CBRE Research, August 2025

Value-add remains a popular strategy for private equity investors

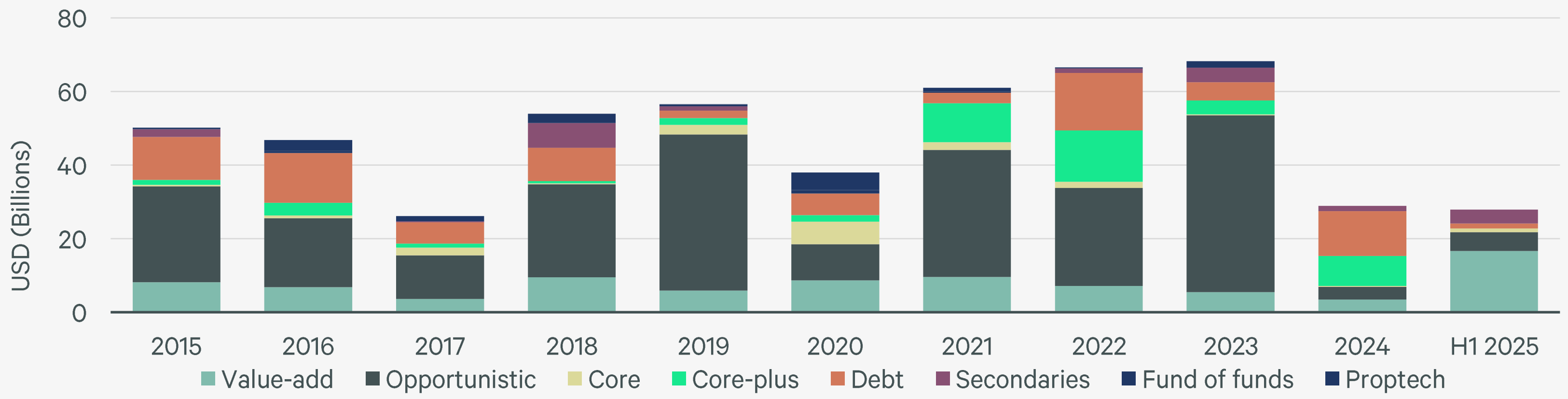
- In markets where core assets have repriced to a certain degree, asset repricing is at a level where investors increasingly believe they can possibly achieve value-add returns by acquiring assets that reflect core risk profiles. In Japan, Singapore and Australia, hotel investors identified value-add as their top strategy in 2025.
- This strategy is reflected in the wider fundraising market, as tracked by PERE. In H1 2025, value-add fundraising in Asia Pacific reached over US$16.6 billion, constituting almost 60% of total fundraising during this period.

Figure 15: Preferred Investment Strategy in 2025



Source: Asia Pacific Hotel Investor Intentions Survey, CBRE Research, February 2025

Figure 16: Private Equity Fundraising by Strategy – Asia Pacific



Source: PERE, CBRE Research, September 2025

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