



Global Research Hotels & Hospitality | May 2023

The Evolution of Global Luxury Hospitality

Executive summary

The global luxury hospitality industry is undergoing a transformation. Once considered a relatively niche portion of the broader lodging industry, luxury hotels have exploded in tandem with rising global wealth and consumers' increased prioritization on immersive experiences. Resultantly, the number of luxury hotel brands and supply have increased by more than one million rooms over the past 40 years, with investors taking notice as luxury hotels have become an increasingly institutional investment driven by accelerating fundamental performance and rising yields. Changing consumer preferences have also given rise to new investment opportunities, with traditional luxury hotel brands expanding into non-traditional verticals such as residences, yachts, and private member clubs with the goal of owning the entire travel journey. As the world becomes increasingly connected and travelers seek personalized experiences, look for luxury hospitality to evolve and grow even further.



Key takeaways

- 1** Growth in worldwide wealth vaults luxury travel to new heights
- 2** Global luxury hotel rates accelerate in tandem with growing demand
- 3** Luxury hotels comprise an increasingly large share of global hotel supply
- 4** The growth of stealth wealth has given rise to ultra-luxury hotels
- 5** Institutional investors gravitate towards luxury hotels underpinned by rising yields
- 6** Luxury hotels can transform a destination: spotlight on Costa Rica, Madrid, and the Maldives

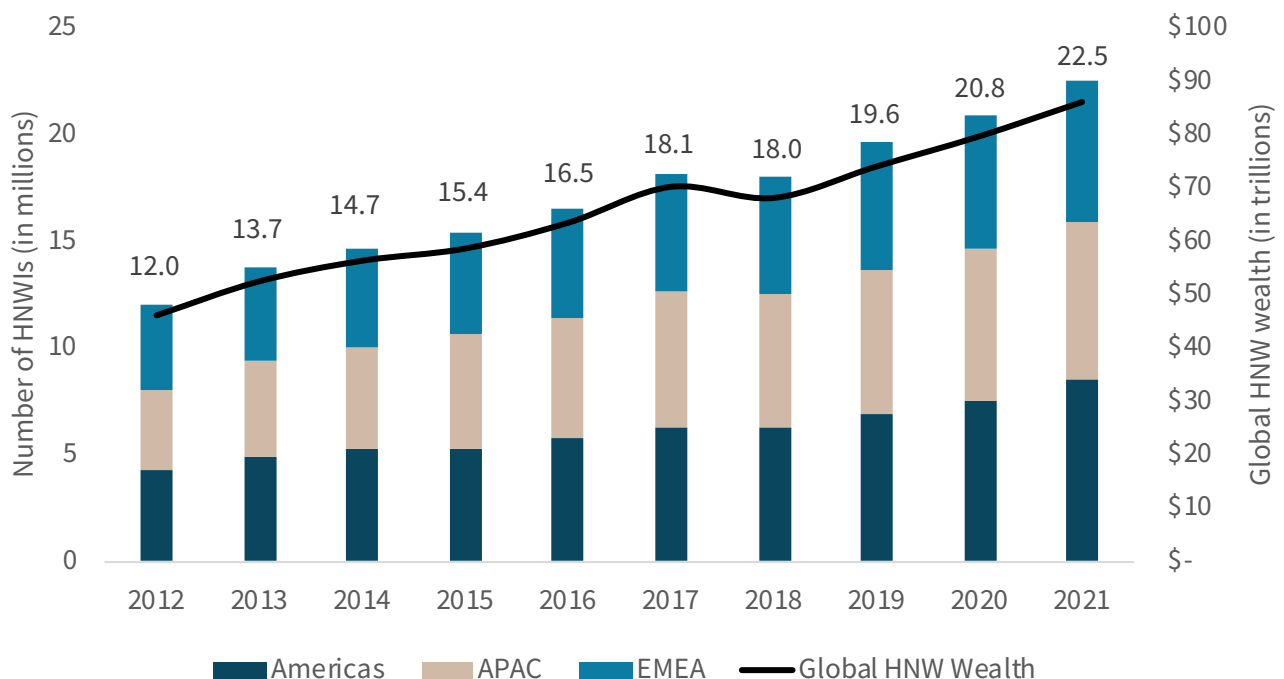


Growth in worldwide wealth vaults luxury travel to new heights

High net-worth individuals (HNWIs), defined as those with a total net-worth of at least \$1.0 million, have historically been the primary demand segment for luxury hotels. According to a report written by ILTM and Wealth-X, despite comprising only 0.3% of the world's population, HNWIs

contribute approximately 36.0% of the world's spend on travel and nearly 70.0% of the spend on luxury travel. As the HNW population grows, expect luxury travel to accelerate. Grand View Research estimates that global luxury travel spend will reach \$1.5 trillion in 2024, its highest total ever.

Figure 1: HNWIs by region and total global HNW wealth 2012–2021



Source: Capgemini, Credit Suisse

Note: Numbers above the chart represent total global HNWIs by year (in millions).



Luxury travelers have historically sought unique, personalized experiences in accommodations that cater to exclusivity and privacy. As a generally less price-sensitive population, location is often secondary, with the overall experience being the primary driver. This mindset has intensified post-Covid as consumers, particularly HNWI, place increased prioritization on experiences

relative to physical goods. According to a recent YouGov survey, 44.0% of affluent individuals have placed a higher emphasis on travel since the pandemic, compared to only 35.0% of the general population. Further, global consumers spent more of their income on travel and accommodations services in 2022 than any other category, aside from food and technology.

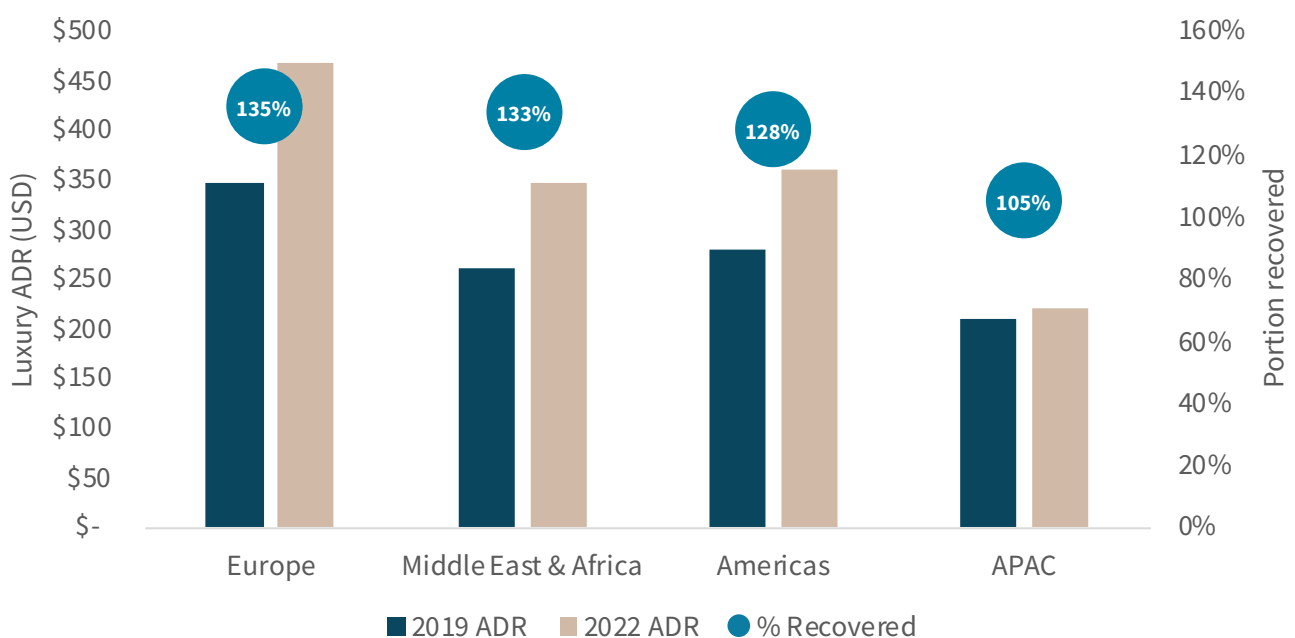
Global luxury hotel rates accelerate in tandem with growing demand



As demand for luxury travel accelerates, luxury hotels have benefitted. In 2022, global luxury hotel demand recovery relative to 2019 ranged from 75.0% to 98.0%, with the Americas and Middle East leading the way. Asia Pacific's recovery has lagged other regions underpinned by China's border closures. China's reopening in early 2023 is expected to bolster the region's performance as well as benefit Europe and the Americas who have historically welcomed a high number of Chinese tourists. While demand has yet to reach full recovery, luxury ADRs have

soared in most countries, exceeding 2019 levels by more than 25.0% in the Americas and EMEA. In Europe, luxury ADR reached \$469 in 2022, its highest point ever driven by strong leisure demand stemming from a resurgence of inbound international travel to iconic urban markets such as London and Paris. With nearly all global travel restrictions lifted and demand for luxury travel on the rise, expect luxury hotel rates to remain elevated throughout 2023 as investors and operators look to maximize profitability.

Figure 2: 2022 luxury ADR recovery by region



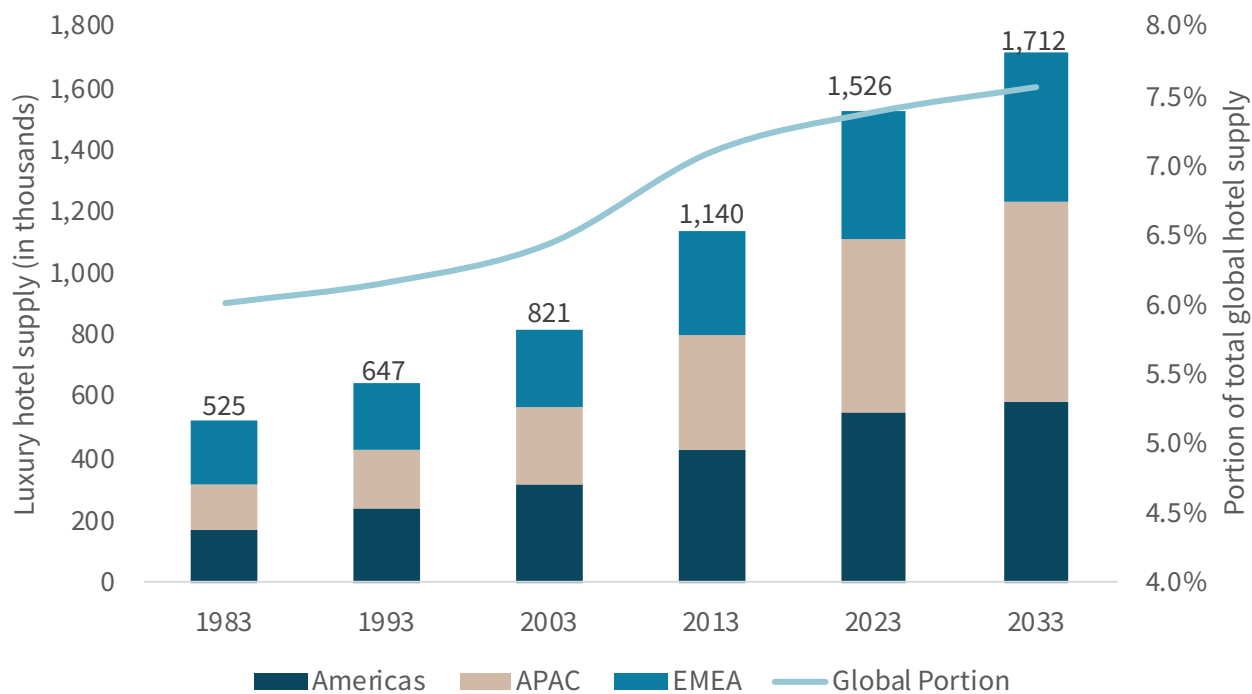
Source: STR

Luxury hotels comprise an increasingly large share of global hotel supply

As demand for luxury hotels continues to grow, so too does supply. Luxury hotels have made up an increasingly large share of global hotel supply over the past 40 years and are expected to grow even further over the next decade. By 2033, there

will be 1.7 million luxury hotel rooms in the world, equating to 7.6% of total hotel supply. Since 1983, the portion of global luxury supply has increased 140 basis points and is expected to increase another 20 basis points over the next 10 years.

Figure 3: Global luxury hotel supply 1983 - 2033



Source: JLL Research, STR Census as of Feb 2023.

Notes: Luxury supply uses STR classifications and is measured in number of rooms. 2033 supply based on rooms currently in planning, final planning, and construction phases only. Numbers above the chart represent number of total global luxury rooms (in thousands).

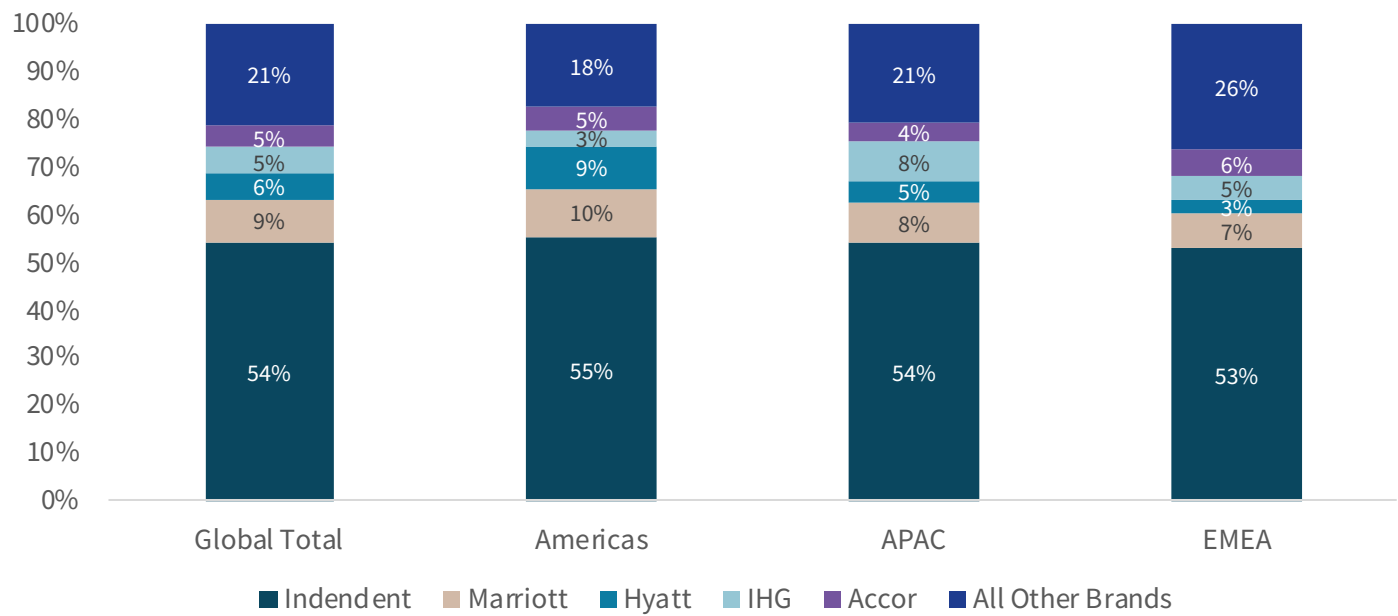


APAC leads all regions with 560,000 luxury hotel rooms currently open driven predominantly by China which accounts for 42.1% of existing luxury supply. The region also has the strongest luxury pipeline with 90,000 rooms expected to open by 2033. The Americas ranks second globally with 550,000 existing luxury rooms equating to 7.4% of total hotel supply. While the region has added 383,000 luxury hotel rooms over the past 40 years, the portion of luxury hotels has only grown by a modest 70 basis points, the lowest of any region. This limited growth is driven by a declining share in the United States. Although the United States has more luxury hotel rooms than any other country in the world (364,000), the country's share of luxury hotel supply has declined 20 basis points since 1983. EMEA currently has the fewest luxury hotel rooms in the world at 420,000; however, the region has seen the most growth over the past 40 years as luxury's share of total hotel supply has increased 140 basis points. The United Arab Emirates, Egypt, the United Kingdom, and Spain have driven most of the region's growth with a combined 85,000 rooms added since 1983.

Over the past decade, the largest global hotel parent companies have invested heavily in their luxury portfolios to increase their market share in the sector. Yet, despite the creation of new brands (e.g., Ritz-Carlton Reserve from Marriott, Alila from Hyatt) and acquisitions of existing ones (e.g., Six Senses by IHG, Raffles by Accor), independent hotels dominate the luxury landscape. Unlike the broader hotel sector in which branded hotels comprise 55.0% of existing supply, independent hotels represent 54.3% of global luxury supply. The branded luxury space remains quite fragmented, with the largest three brands—Marriott, Hyatt, and IHG—accounting for only 19.7% of total luxury supply which suggests these brands have an opportunity to further increase their luxury footprints.



Figure 4: Portion of existing luxury hotel supply by brand



Source: JLL Research, STR Census as of Feb 2023.



The growth of stealth wealth has given rise to ultra-luxury hotels

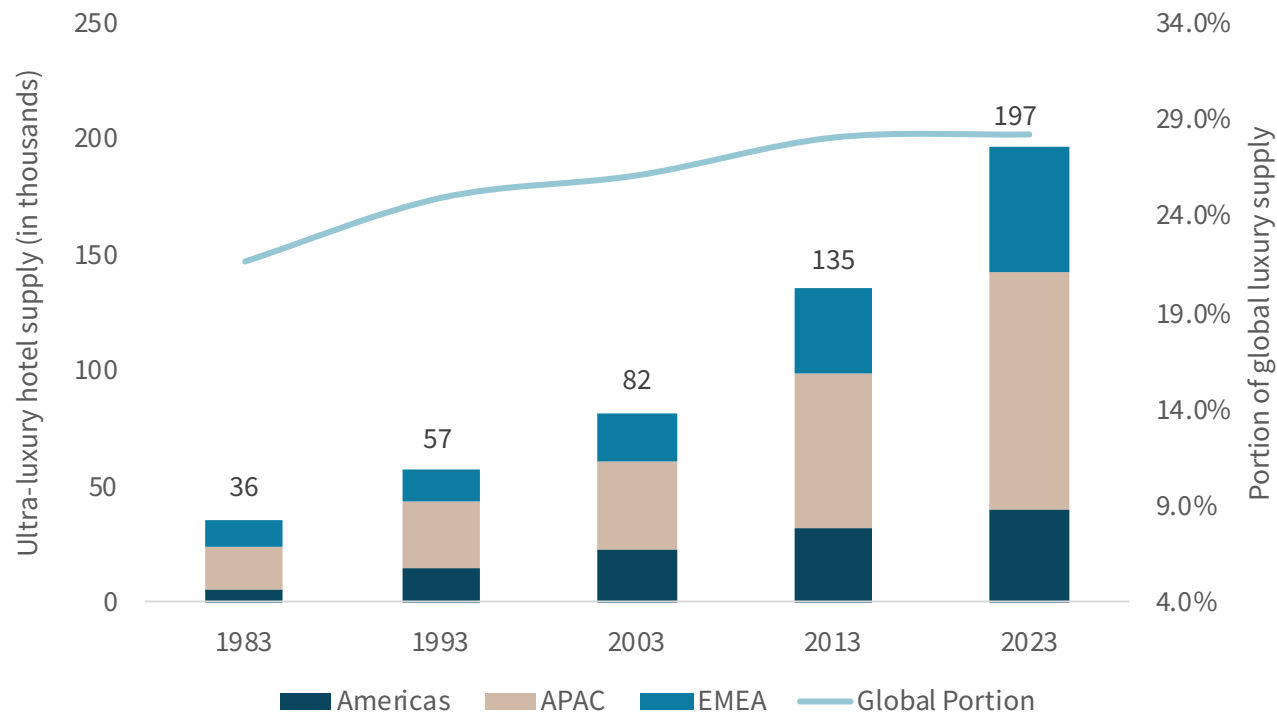
A subset of HNWLs, ultra-high net-worth individuals (UHNWLs)—defined as those with a net worth of at least \$30.0 million—has also risen over the past decade. While UHNWLs account for only 1.1% of the HNWL population, they contribute a whopping 34.2% of HNWL wealth. Although these individuals skew older than the overall HNWL population (89.8% are over the age of 50 relative to only 53.2% of HNWLs overall), the group is expected to become significantly younger in the coming decade, with the rise of wealth in India and other parts of Asia and the Middle East. UHNWLs report philanthropy, particularly in the education and sustainability sectors, as their biggest passion with travel a close second. However, since nearly 80.0% of UHNWLs either own their own business or are in the C-suite, travel is rarely, if ever, solely for vacation. As such, time is often cited as the largest constraint, and UHNWLs seek travel experiences that cater to privacy and connectivity. Unlike the general HNWL population, UHNWLs prefer to remain outside the limelight. Social media and the “see and be seen” mentality are the antithesis of what they seek. Instead, they often subscribe to the “stealth wealth” mantra and gravitate towards hotels that cater accordingly.

The hotels that cater to UHNWLs fall into the “ultra-luxury” category. They offer extraordinarily personalized service, exclusive amenities, and, as defined by Forbes Travel Guide, “create

meaningful experiences that result in long-lasting emotional connections.” In doing so, they command higher room rates relative to the luxury sector overall and, with some exceptions, are in highly sought-after destinations. Brands within this space include Aman, Four Seasons, Jumeirah, Kempinski, The Ritz-Carlton, and Shangri-La. Many such brands have been around for decades and are considered icons in the industry; however, the ultra-luxury sector has grown 450% over the past 40 years, with 197,000 ultra-luxury hotel rooms currently open globally.

As the UHNWL population continues to grow, expect a further increase in ultra-luxury hotels. Over the next ten years, 46,000 additional ultra-luxury hotel rooms will open around the world. APAC leads all regions driven by markets like Hangzhou and Mumbai. Look for India to become a new global growth market as it’s now the world’s most populous country. In EMEA, an additional 13,000 ultra-luxury hotels will be open by 2033 stemming from the highly anticipated NEOM project in Saudi Arabia and the development of iconic brands in Rome. The Americas, which currently has the fewest ultra-luxury hotel rooms open and in the pipeline, is expected to see growth from markets like Panama and Boston, the latter of which will welcome the region’s first Raffles hotel.

Figure 5: Global ultra-luxury hotel supply 1983 - 2023



Source: JLL Research, STR Census as of Feb 2023.

Notes: Ultra-luxury supply is based on JLL-selected list of brands. See appendix for full list. Numbers above the chart represent total global ultra-luxury rooms (in thousands).



Institutional investors gravitate towards luxury hotels underpinned by rising yields

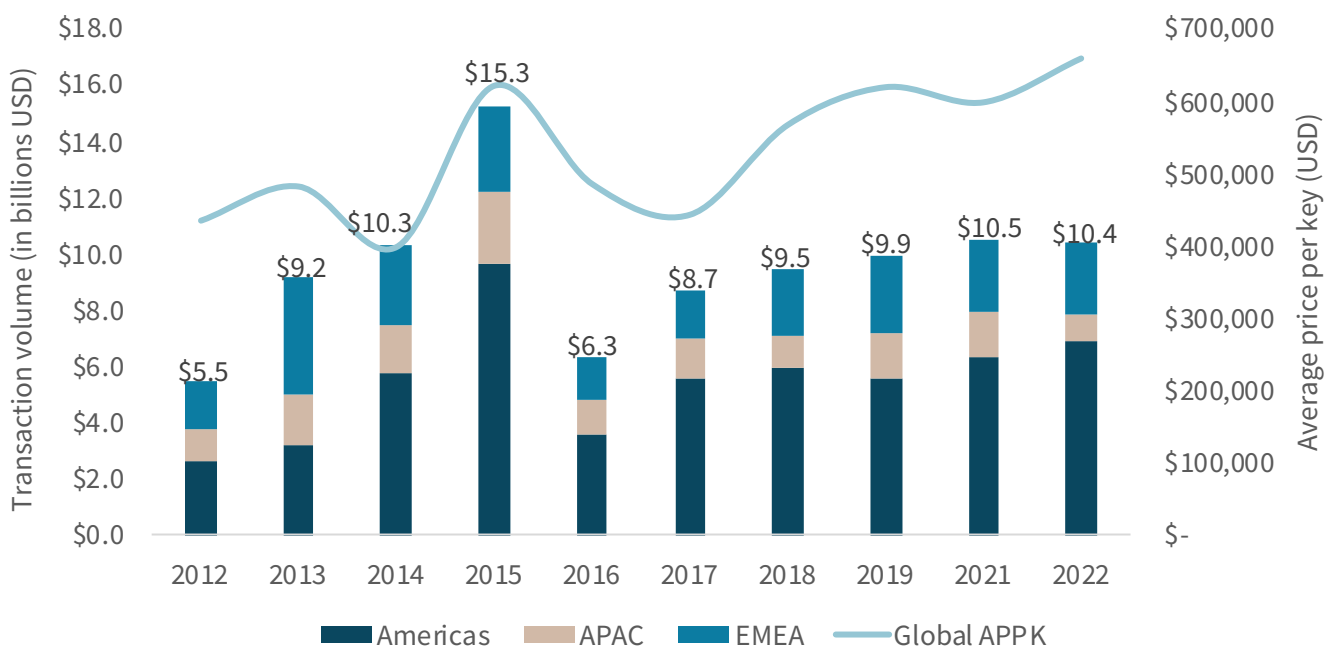


Single-asset luxury hotel liquidity accelerates post-Covid, with pricing reaching an all-time high in 2022

Although total global luxury hotel transaction volume declined in both 2021 & 2022 relative to 2019, single-asset liquidity accelerated underpinned by record-high pricing. Driven by macroeconomic volatility, particularly turbulence in the debt markets, luxury portfolio transactions were limited. Luxury single-asset liquidity exceeded \$10.0 billion in both 2021 & 2022 for the first time since 2015 driven by strong performance

in the Americas. While urban markets drove the highest portion of luxury liquidity, investors continue to gravitate towards resorts due to their strong fundamental performance stemming from outsized post-Covid demand. Expect luxury hotels to continue to attract high levels of investment, particularly in urban gateway cities, as international travel reemerges.

Figure 6: Single-asset luxury hotel liquidity & pricing



Source: JLL Research

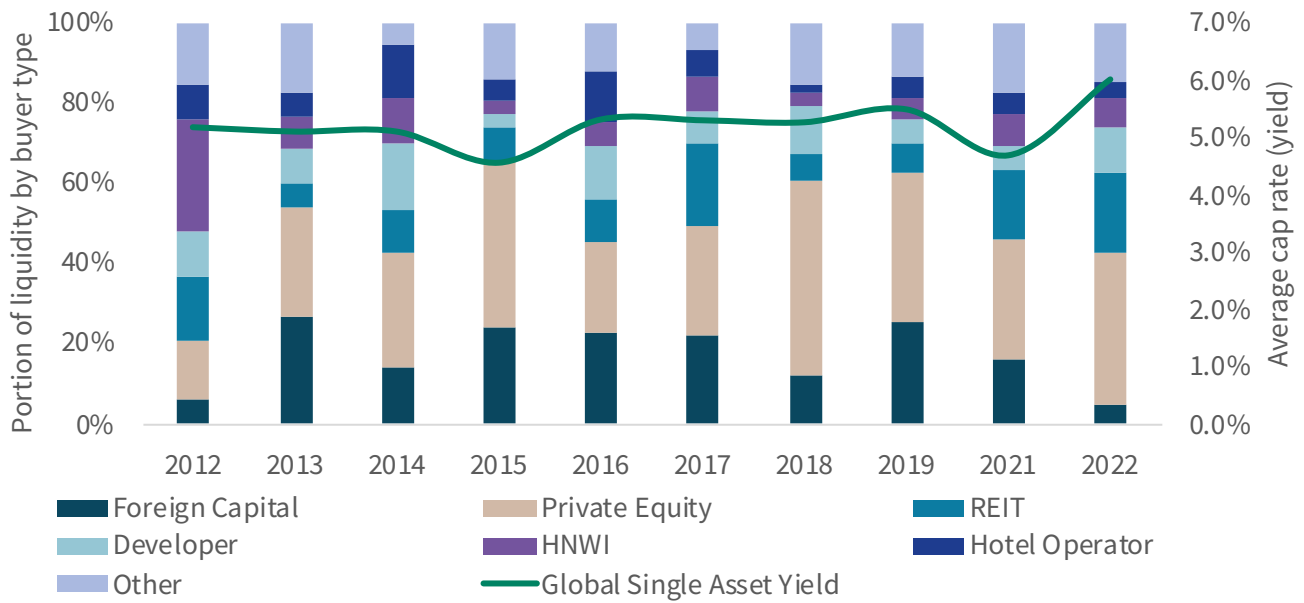
Notes: Includes all single-asset luxury hotel transactions \$5M+ excluding casinos. 2020 is intentionally excluded due to limited transaction activity. Number above the chart represent total annual single-asset luxury liquidity (in billions).



While luxury hotels have always generated a higher price per key relative to the broader hotel industry, luxury single-asset pricing reached new heights in 2022. Led by the sale of multiple trophy assets in EMEA, global luxury pricing reached an all-time high and shows no signs of slowing down. There were also a record seven transactions that traded at more than \$2.0 million per key in 2022. Pricing was strongest for resorts, which exceeded \$700,000 per key for the first time in history. While urban pricing remains 9.5% below pre-pandemic levels, expect it to grow throughout 2023 in tandem with accelerating fundamental performance.

Luxury hotels have become a more institutional asset class in tandem with rising yields

In the ten years prior to Covid, HNWIs, foreign investors, and private equity were the largest acquirers of luxury hotels. Unlike the broader hotel industry in which institutional investors have historically been the most active, luxury hotels, until relatively recently, have been considered more of a vanity purchase. With some exceptions, luxury hotels have historically generated lower profit margins relative to the broader industry driven by a higher cost structure. Additionally, long-term real estate yields have generally been relatively low which has often precluded REITs and other institutional buyers from acquiring these assets. This has begun to change, particularly post-Covid, as REITs and private equity have become much more acquisitive in tandem with rising yields, as evidenced by the recent investment from Saudi's PIF and Cain International into Aman Group.

Figure 7: Portion of global luxury hotel liquidity by buyer type & average yield

Source: JLL Research

Notes: Includes all luxury hotel transactions \$5M+ excluding casinos. 2020 is intentionally excluded due to limited transaction activity. Foreign capital is defined as capital originating from a different region than the asset's location. Other includes banks, corporates, and government entities.

As luxury hotel performance accelerates driven by higher average rates, look for institutional buyers to become even more active. Foreign investors, who have been largely absent for the past three years due to extensive border closures and ongoing geopolitical tensions, should begin to selectively deploy capital over the next 12-to-18 months. Also look for family offices, particularly in Asia, to become increasingly acquisitive in the

luxury sector along with HNWI's from the Middle East. Not only should luxury liquidity remain robust despite capital market dislocation, also expect growth in platform acquisitions as well as increased investment in branded residences and other non-traditional hotel offerings as evidenced by Oaktree's recent \$850 million investment into The Ritz-Carlton Yacht Collection.



Luxury hotels can transform a destination: spotlight on Costa Rica, Madrid, and the Maldives

Costa Rica's luxury travel industry spurred by ecotourism and wellness

Since the opening of the Four Seasons Resort at Peninsula Papagayo in 2004, Costa Rica's luxury tourism industry has boomed. Home to roughly 5.0% of the world's biodiversity, Costa Rica has always been a popular destination for travelers seeking outdoor activities that center around ecotourism. However, it wasn't until Four Seasons arrival that the country became a prime destination for luxury travelers. Today, Costa Rica is synonymous with high-end wellness travel with hotels offering increasingly unique and specialized experiences. Resultantly, tourism revenue for the destination has grown 143.2% over the past 15 years, one of the strongest growth rates in the world.

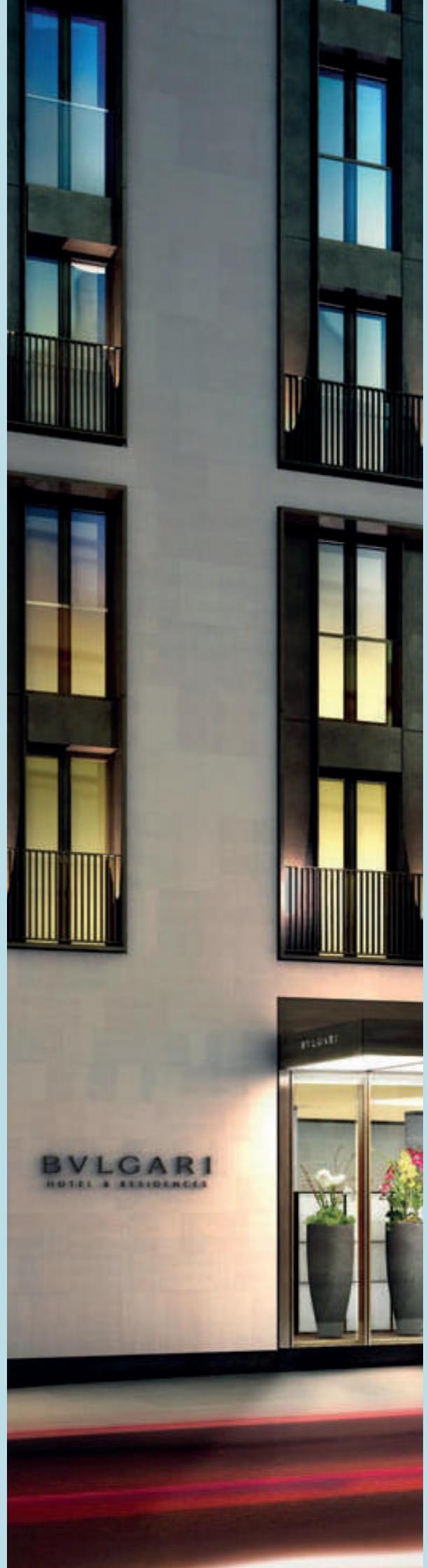
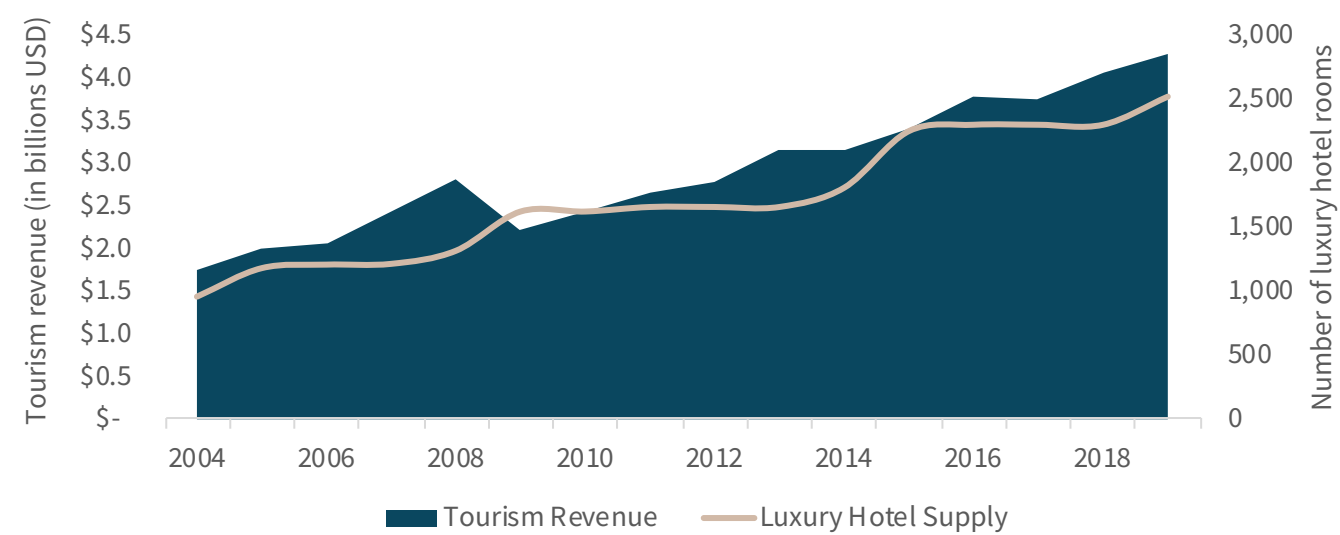


Figure 8: Costa Rica tourism revenue & luxury hotel supply 2004 - 2019



Source: STR Census as of Feb 2023, World Tourism Organization

The evolution of luxury hotels in Costa Rica has been shaped by the country’s unique natural resources and the growing demand for sustainable and immersive tourism experiences. As the luxury hotel market in Costa Rica evolves, it is likely that hotels will continue to differentiate themselves by offering more personalized and unique experiences that showcase the best of what the country has to offer. Costa Rica’s luxury hotel market reflects the country’s commitment to sustainable and socially responsible tourism, which has helped to position it as one of the world’s top ecotourism destinations.

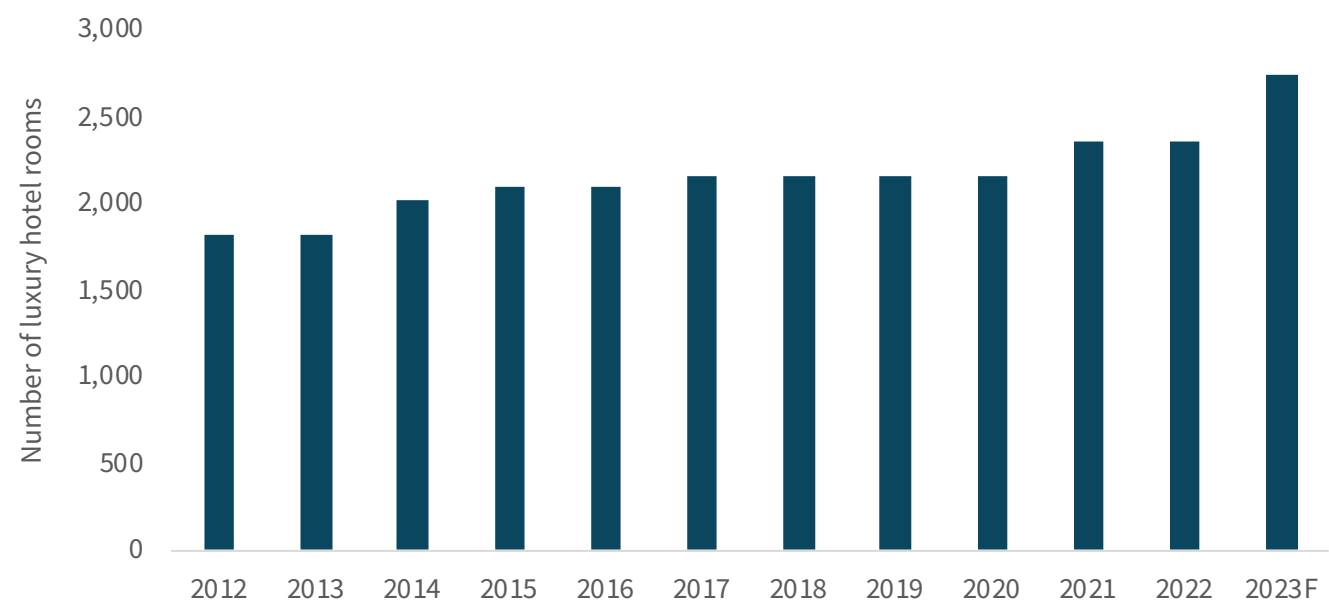


Luxury hotels reshape Madrid’s hotel landscape

The hotel market in Madrid has witnessed a neo-renaissance in recent years. Remaining one of Europe’s most popular tourist destinations stemming from its rich cultural history, the city has benefited from a surge in popularity, and undergone a transformation in terms of 5-star hotels and luxury tourism. The arrival of several

international luxury hotel brands, namely Four Seasons, EDITION (part of Marriott), and Mandarin Oriental has thrown Madrid into the spotlight to become a luxury destination in Europe. By the end of 2023, the city will have more than 2,700 luxury hotel rooms, an increase of 50.8% over the past ten years.

Figure 9: Madrid luxury hotel supply



Source: STR Census as of Feb 2023

Note: 2023F data is based on hotels currently in construction with an expected opening date prior to Dec 31, 2023.

While some hotels have been newly constructed, including the Four Seasons and EDITION, other new entrants have been rebranded including the Mandarin Oriental Ritz, the Rosewood Villa Magna, and BLESS Hotel as demand for luxury has risen. The location of luxury brands has also shifted from the historic Paseo de la Castellana and Salamanca area to the City Centre including Sol and Gran Via districts. The relocation of luxury hotels was part

of a larger project to transform the area into a more upmarket district. The city’s transformation has resulted in hotels registering a swift recovery, with 2022 luxury ADR exceeding 2019 levels by 46.0%. Madrid is now amongst the most sought-after cities in Europe due to its steady demand from leisure and business travelers as well as the continuous growth in international arrivals.

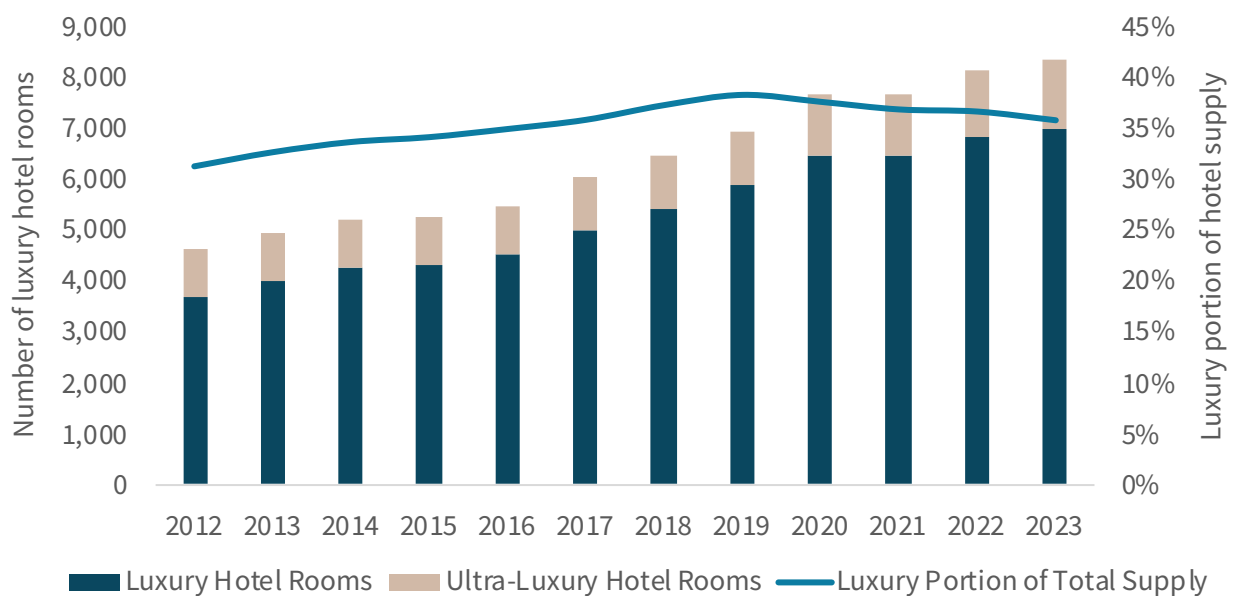


The Maldives has become the epitome of global luxury travel

Well-known for its crystal-clear waters and sandy beaches, the Maldives has established itself as one of the leading destinations for luxury vacations, boasting one of the highest concentrations of luxury resorts in the world. With luxury hotel rooms accounting for 35.9% of the country's existing supply, the Maldives ranks first compared to all other

countries in the region with at least 10,000 hotel rooms. Perhaps more impressive though is the number of ultra-luxury hotels in the destination including Banyan Tree, Cheval Blanc, Six Senses, and St. Regis. It's no surprise then that luxury hotels in the country command the highest ADR in the world at \$2,227.

Figure 10: Maldives luxury & ultra-luxury hotel supply



Source: JLL Research, STR Census as of Feb 2023.

Notes: Ultra-luxury supply is based on JLL-selected list of brands. See appendix for full list.

The luxury sector in the Maldives has grown significantly over the past decade and shows little signs of slowing down. An additional 550 luxury rooms are slated to open by 2026, including the ultra-luxury Bulgari, Capella, and Mandarin Oriental brands. Investors have started to take notice with luxury hotel

liquidity totaling \$810 million over the past four years, \$20 million greater than the prior ten years combined. This continued growth will likely position the Maldives as the world's preeminent luxury destination for travelers and investors alike.

Final thoughts: the next generation of luxury travel

As the world's wealth, particularly amongst younger generations, continues to grow, expect the luxury travel segment to transform further as traditional hotel brands look to own the entire traveler experience. This has already come to fruition with the likes of The Ritz-Carlton Yacht Collection, Four Seasons Jet, and Aman's private members club; however, the possibilities for brands and investors alike are limitless. Luxury

hotel brands have the potential to transcend beyond simply places to sleep and become an immersive part of life thereby creating new opportunities for investment. With the rise in technology, particularly AI, look for luxury travel to expand into new verticals and shape the world of travel for years to come.



Contributors

Gilda Perez-Alvarado

Global CEO
JLL Hotels & Hospitality Group
gpa@jll.com

Kevin Davis

CEO, Americas
JLL Hotels & Hospitality Group
k.davis@jll.com

Will Duffey

Head of Hotels & Hospitality, EMEA
JLL Hotels & Hospitality Group
will.duffey@jll.com

Nihat Ercan

CEO, APAC
JLL Hotels & Hospitality Group
nihat.ercan@jll.com

Jeffrey Davis

Head of Investment Sales, U.S.
JLL Hotels & Hospitality Group
jeffrey.davis@jll.com

Zach Demuth

Global Head of Hotels Research
JLL Hotels & Hospitality Group
zachariah.demuth@jll.com

Ophelia Makis

Sr. Analyst Americas Hotels Research
JLL Hotels & Hospitality Group
ophelia.makis@jll.com

Jessica Jahns

Head of EMEA Hotels Research
JLL Hotels & Hospitality Group
jessica.jahns@jll.com

Marina Bracciani

Vice President APAC Hotels Research
JLL Hotels & Hospitality Group
marina.bracciani@jll.com

Patrick Saade

Senior Managing Director, EMEA
JLL Hotels & Hospitality Group
patrick.saade@jll.com





Appendix

Ultra-Luxury Hotel Brands

Alila
Aman
Anantara
Armani Hotels & Resorts
Baglioni
Banyan Tree
Belmond Hotels
Bulgari
Capella
Cheval Blanc
Dorchester Collection
Four Seasons
Imperial
Jumeirah
Kempinski
Mandarin Oriental
Montage
Oberoi Hotels & Resorts
One & Only
Park Hyatt
Raffles
Regent
Ritz-Carlton
Rosewood
Shangri-La
Six Senses
St. Regis
Taj
The Peninsula
Tonino Lamborghini
Viceroy



About JLL

JLL (NYSE: JLL) is a leading professional services firm that specializes in real estate and investment management. JLL shapes the future of real estate for a better world by using the most advanced technology to create rewarding opportunities, amazing spaces and sustainable real estate solutions for our clients, our people and our communities. JLL is a Fortune 500 company with annual revenue of \$20.9 billion, operations in over 80 countries and a global workforce of more than 103,000 as of December 31, 2022. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit jll.com

About JLL Research

JLL's research team delivers intelligence, analysis and insight through market-leading reports and services that illuminate today's commercial real estate dynamics and identify tomorrow's challenges and opportunities. Our more than 400 global research professionals track and analyze economic and property trends and forecast future conditions in over 60 countries, producing unrivalled local and global perspectives. Our research and expertise, fueled by real-time information and innovative thinking around the world, creates a competitive advantage for our clients and drives successful strategies and optimal real estate decisions.

© 2023 Jones Lang LaSalle IP, Inc. All rights reserved. All information contained herein is from sources deemed reliable; however, no representation or warranty is made to the accuracy thereof.