

Real Assets Snapshot

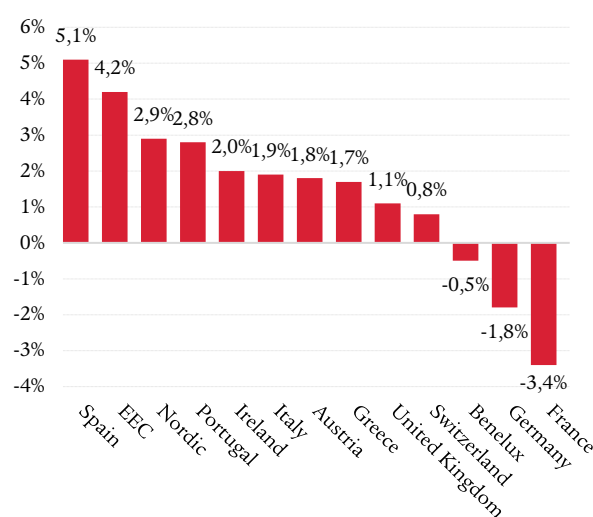
European Hospitality – Key Metrics and Prospects

In 2025, the pan-European hospitality sector was not significantly affected by Trump's tariffs: it should be noted that, apart from a few highly exposed countries, American travelers account for only 2% to 5% of total visitors across individual destinations. On the other hand, some business-oriented destinations experienced the effects of reduced trade cooperation following Liberation Day.

Soft Landing in 2025

Across the continent, European travelers continued to turn out in force, with stronger intra-European travel flows. Looking at operating performance data, particularly room pricing across Europe in 2025, the sector appears to have entered a form of soft landing, with price growth significantly lower than the pace observed over the past three years. While room rates continued to rise across most geographies, albeit at more moderate levels, ADR did not consistently follow the same trajectory in all markets, as reflected in STR data: France and Germany recorded a decline in ADR compared with other European markets.

Average Daily Rate over one year in 2025



Investment in Hospitality: well oriented

In 2025, the European real estate investment market recorded €225 billion in transactions, with more than 10% allocated to the hospitality sector. The €23 billion committed to hospitality assets is broadly in line with 2024 levels and does not materially differ, in absolute terms, from the historical averages observed over the long term.

However, a notable shift has emerged in transaction typologies, revealing evolving investment strategies. Prior to the pandemic, 44% of the capital invested in the sector came from portfolio acquisitions, compared with 54% from single-asset transactions. After 2022, portfolio acquisitions accounted for only 31% of transaction volumes, compared with 69% for single-asset deals. Stock picking, has come to dominate.

Sources: STR and Swiss Life Asset Managers

In 2025, single-asset stock picking represented 75% of transactions, rising to 90% in the first quarter of 2026. Over the first three months of 2026, investment volumes reached an annualized €22 billion. It should be noted that, at the end of February, market expectations were still based on the assumption of a short-lived conflict lasting three to four weeks. This may explain why a potential market reversal—or a more cautious “wait-and-see” stance—has not yet been reflected in first-quarter 2026 investment data.

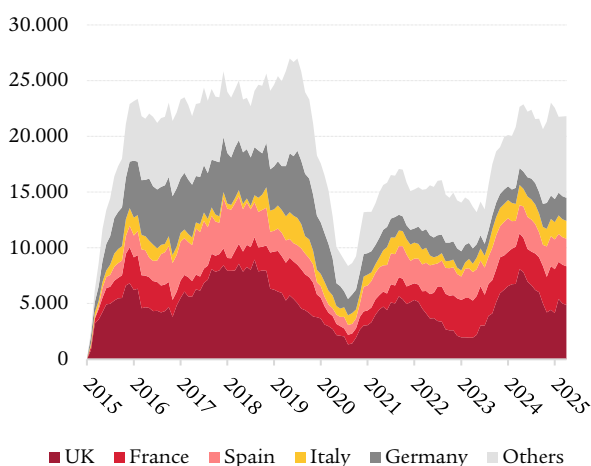
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Southern Europe Remains the Champion

In 2025, the United Kingdom (21%) remained the leading destination for investment commitments, followed by France (18%) and Spain (12%). However, this distribution masks significant shifts in underlying dynamics. A scissors effect has emerged, with the United Kingdom's share declining sharply (from 27%), while France's share has doubled (from 9% previously).

Spain remains a flagship market, the destination par excellence and a new El Dorado for investors, even though the market is less deep than its larger European peers. From a strategic standpoint, repositioning assets toward the upper end of the market has become almost systematic. Spain, long regarded as the ultimate value-for-money destination, ranks as the leading market in terms of growth in international demand for four-star and above hotels, with foreign guest numbers increasing by 4.8% per year since 2008, compared with 2.5% for the hotel accommodation sector as a whole.

Investment flows by country (EUR million)



Sources: MSCI and Swiss Life Asset Managers

Beyond traditional hotel formats, the country also appears to offer significant potential for resorts, as well as lifestyle-oriented and premium open-air hospitality concepts. In Italy, the same underlying drivers have produced similar effects in terms of the growing attractiveness of the hospitality sector. The institutionalization of the market, which remains more fragmented than in Spain, has accelerated. As in Spain, investment strategies tend to be hybrid in nature, reflecting the wide range of opportunities associated with the sector's long-term growth potential.

Conversely, Germany, which accounted for 20% of investment volumes between 2007 and 2020 and was the second-largest market after the United Kingdom during the previous cycle, now represents only 10% of commitments (€2.2 billion in 2025, or 50% below its pre-pandemic level). Over the past five years, Germany has been one of the least favored markets among investors, owing to disruptions linked to digitalization and economic growth that has remained below potential since the outbreak of the war in Ukraine. Nevertheless, the announcement of the *Der Plan infrastructure* program could be game changer. However, the war in Iran, may slow the process of a recovery in the German hospitality investment market.

...Also in Valuation

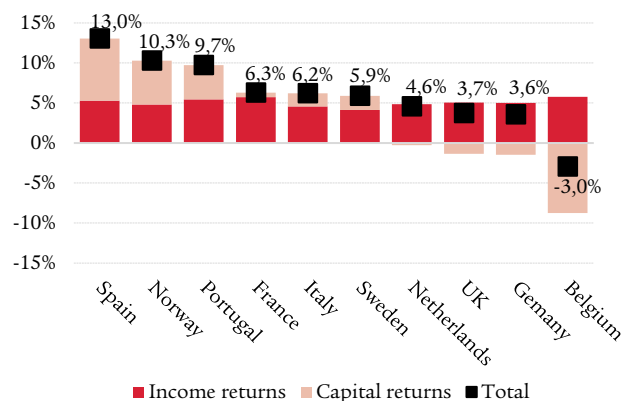
On the valuation front, a country-by-country analysis remains the most relevant approach for assessing national specificities and identifying potential inflection points. In 2025, capital value performance trends were broadly consistent with the transaction volume analysis.

Spain leads the ranking with capital value growth of nearly 8% in 2025, bringing cumulative capital appreciation to 21% from 2022.. Another Southern European market with strong potential, Portugal recorded capital value growth of 4.3%, representing a cumulative increase of 15.5% since 2022, although performance disparities remain particularly pronounced across segments and product types.

France, meanwhile, posted capital value growth of 0.6% in 2025, albeit with significant disparities across segments: capital value outperformance remains particularly pronounced for the highest-performing assets.

The Nordic countries, which tend to be more volatile, also recorded capital value growth, with increases of 5.5% in Norway and 1.8% in Sweden. In these markets, differences across segments and product types are far less pronounced than those observed in France or Portugal.

Performances in 2025



Sources: MSCI and Swiss Life Asset Managers

The War in Iran

The war in Iran has created a new shock from which no stock market worldwide has been spared. The price of a barrel of oil surged to \$138 before easing to \$115 by mid-April. The closure of the Strait of Hormuz by Iranian forces has disrupted approximately 20% of

global oil and liquefied natural gas production, with around 80% of these flows destined for Asia and just under 10% for Europe.

If the conflict does not persist over time, the hospitality sector could weather this new shock in 2026, reflected in an average Brent crude oil price of \$90 per barrel. In the event of a prolonged energy shock associated with an oil price of \$120 per barrel in 2026, the sector would be exposed to a new headwind combining weak growth and higher inflation in the euro area weighing on tourism expenditure without necessarily sacrificing it altogether. Such a scenario would reinforce domestic tourism rather than cross-border or long-haul travel.

In a stress scenario, involving a major supply disruption and an average oil price of \$150 per barrel, combined with a prolonged inflation, part of the sector would be unable to avoid a recession within the sector. But the worst-case scenario is not the most likely and our Global Research Team closely monitors key inputs to appraise potential impact on the whole hospitality industry.



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