

The French hotel market

1st Half 2026

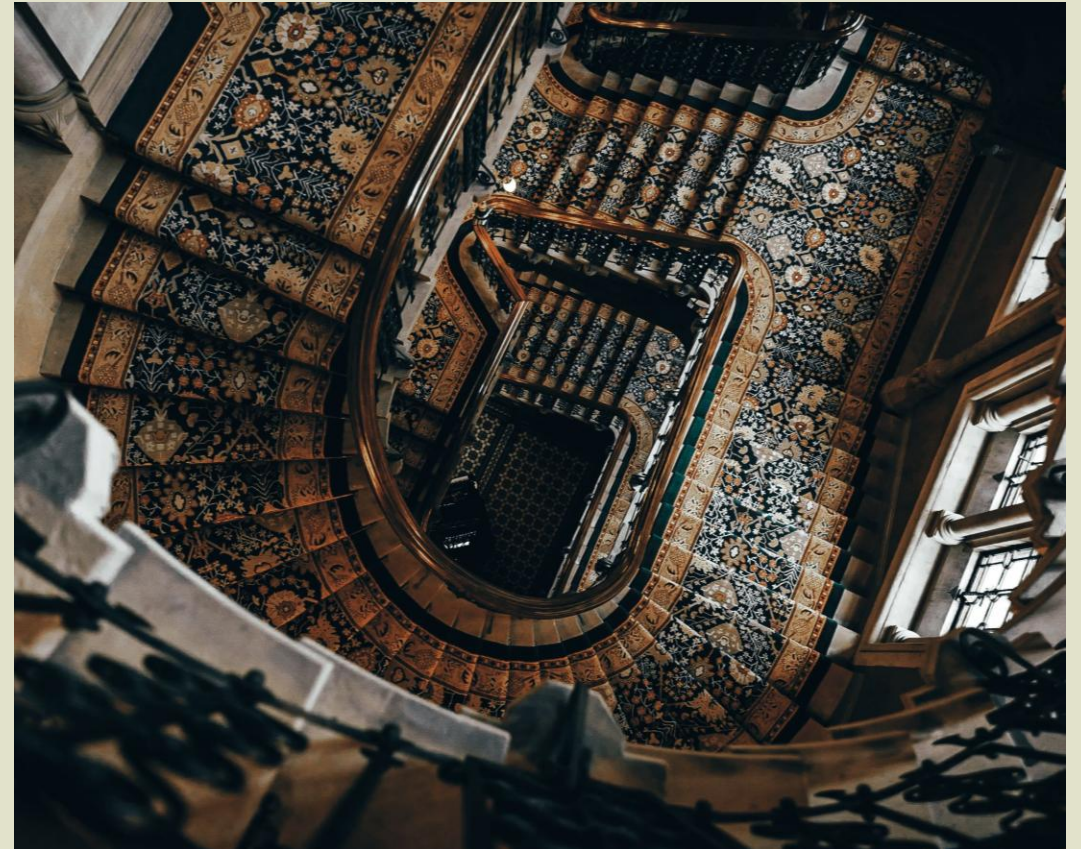
The hotel market

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01.

Context: the economy and tourism

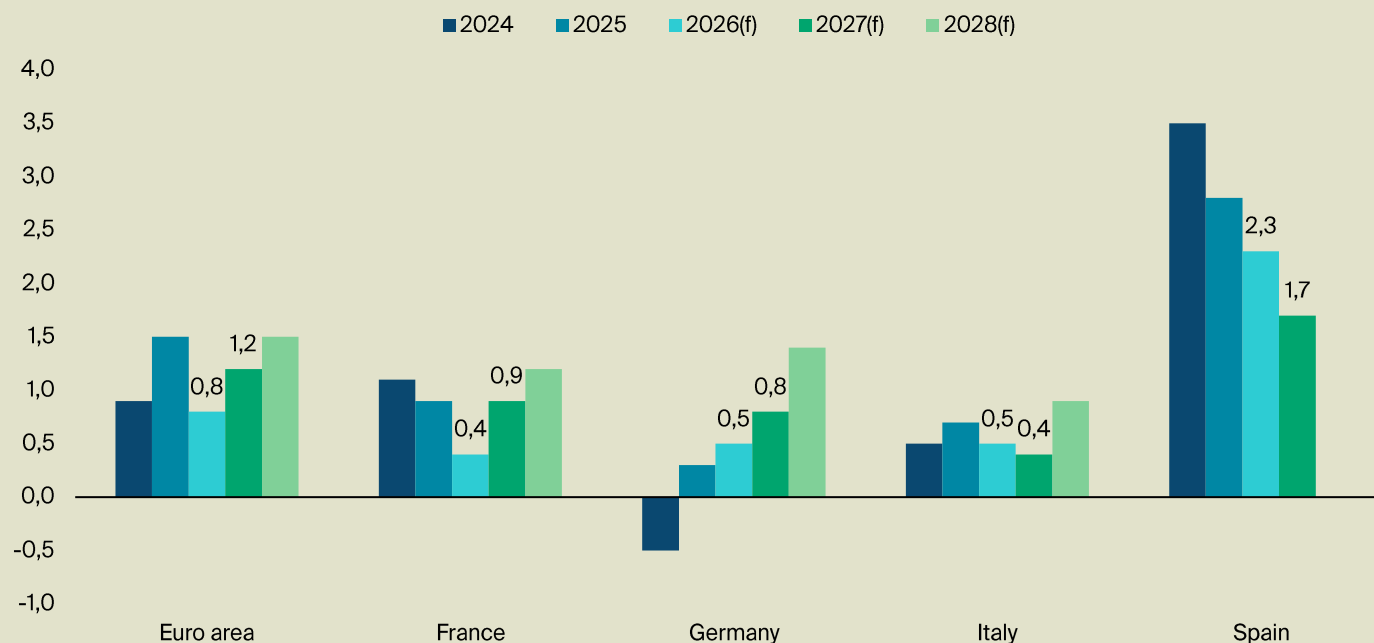


France has been less badly affected by the war in the Middle East than its neighbours

Developments in the Middle East conflict have had a more negative impact than anticipated by the monetary authorities. Despite zero growth in the first quarter, France's GDP is expected to rise by 0.4 % over 2026, a rate similar to that of Germany or Italy. This downward revision to growth forecasts is mainly due to a fall in exports and public investment. Furthermore, France's long-term growth outlook remains positive, with real GDP set to rise in 2027 and 2028 (+0.9 % and +1.2 % respectively).

Inflation fell faster than expected in June 2026 in the eurozone, dropping below the 3 % threshold. In France, inflation is estimated at 1.8 % in June 2026, one percentage point lower than in the eurozone. Nevertheless, it should be noted that this optimism is contingent on developments in the geopolitical situation in the Middle East. For the time being, the end of the ceasefire between the United States and Iran has not led to a rise in the price per barrel of oil, but this variable must still be considered.

GDP in the euro area
%, year-on-year



A rise in long-term interest rates throughout Western economies

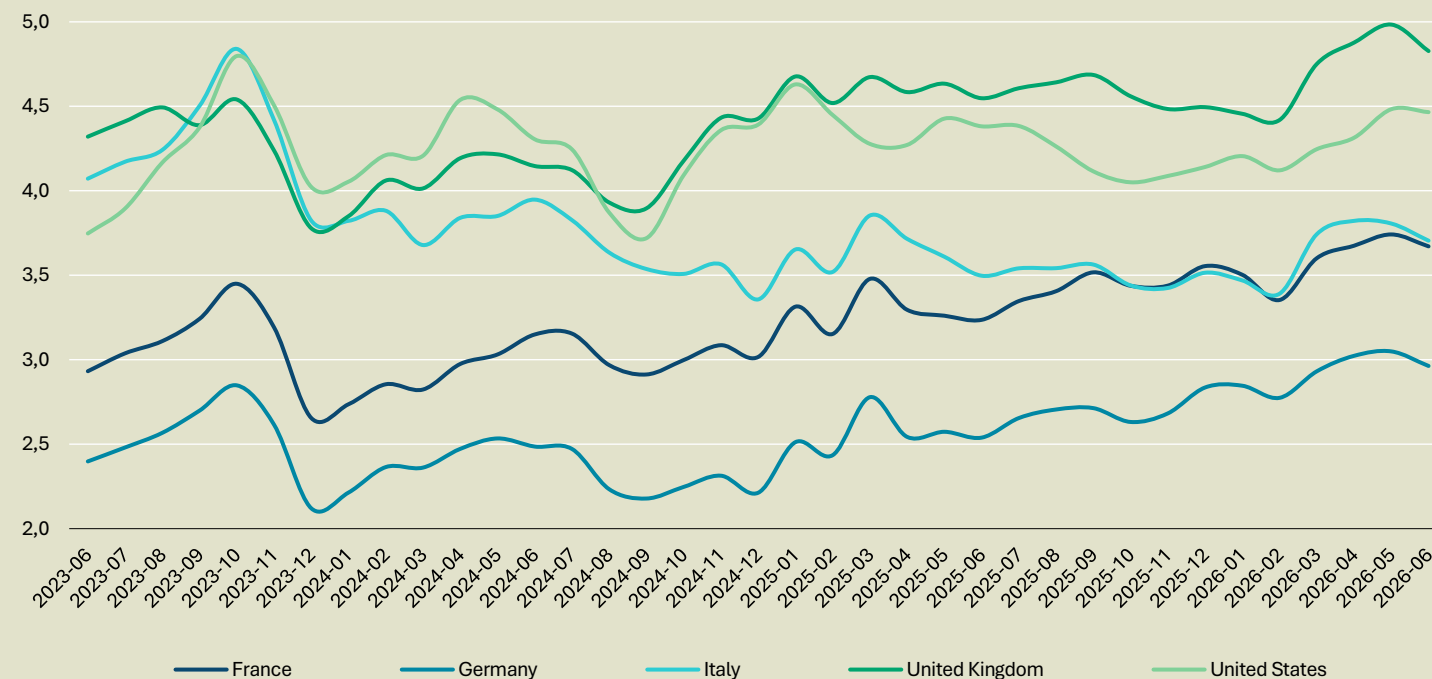
Whilst France was emerging from a turbulent end to 2025, marked by domestic political instability, an agreement reached between the political parties led to a fall in the OAT rate during the first two months of 2026. However, this did not take into account the conflict in the Middle East and the inflationary pressures it is generating.

However, France is faring better than other major Western powers. Firstly, with the 10-year OAT yield estimated at an average of 3.67 % in June 2026, it has returned to levels of long-term interest rates lower than those in Italy. Furthermore, between February 2026 and June 2026, this bond yield rose by 32 basis points in France, compared with 34 basis points in the United States and 41 basis points in the United Kingdom.

The sharp slowdown in inflation recorded in June 2026 and the relative stabilisation of the conflict in the Middle East have led to a fall in bond yields across all Western countries. However, these yields remain highly sensitive to developments in this conflict. Against this backdrop, the resumption of bombing in the Middle East on 8th July caused long-term yields to surge once again across all the major Western powers, particularly the United States. It is therefore advisable to remain cautious regarding their future trajectory over the coming months.

In any case, although France is holding up better than the Anglo-Saxon countries, the Banque de France forecasts an average 10-year OAT rate of around 3.8 % for 2026, with an increase in 2027 and 2028. For rates to fall, there would need to be a reduction in France's budget deficit, an easing of geopolitical tensions, or a stabilisation of inflation. All these factors remain too uncertain at present.

10-year government bond yields
%, monthly average



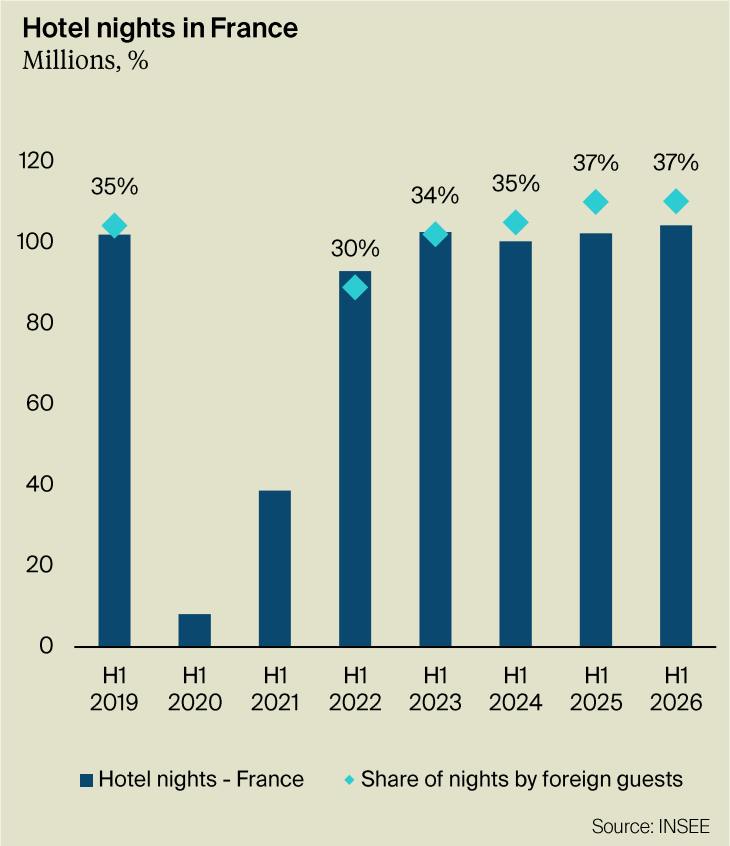
Source: Banque de France

Air traffic and hotel stays at an all-time high, with an increasingly international clientele

Tourist numbers, the main driver of the hotel sector, remained high in the first half of 2026. Air traffic in France reached 86 million passengers, a figure slightly below the peak recorded in the first half of 2025 (87 million), but which still exceeds, for the second consecutive year, the pre-pandemic level (85 million in the first half of 2019).

This strong overall performance masks two distinct trends. On the one hand, domestic air traffic fell by 22 % compared with 2019. Among the reasons for this were a shift in travel patterns towards rail services for short distances, and a surge in fuel costs. By contrast, international air traffic rose by 7 % over the same period, despite disruptions to air traffic linked to conflicts in the Middle East. Whilst, unsurprisingly, flights from the Asia-Pacific region fell by 15 %, the greatest increase was seen in flights from Africa (+38 %).

The hotel sector benefited fully from this significant influx of tourists: with 104.3 million overnight stays, the first half of 2026 set a new record, up 2 % year-on-year and even exceeding the all-time high recorded in the period prior to the health crisis (+2 % compared with 2019). The French hotel sector has thus confirmed the strength of its fundamentals. Notably, the proportion of overnight stays by international guests reached 37 %, an all-time high, compared with 35 % in 2019. This growing internationalisation of demand, which contributes more in terms of value, is providing particular support to the mid-range and upmarket segments, whose operational indicators (occupancy rates, average room rate, RevPAR) are showing the strongest growth.



02. Operational performance



France: RevPAR on the rise, driven by the high-end market

The first half of 2026 confirms the resilience of the French hotel market: RevPAR reached €82.4 excluding taxes, up 3% year-on-year. This growth is driven by a favourable combination of two factors: an average rate rising to €126.9 excluding taxes (+1.9 %), and an occupancy rate of 64.9 %, up by 0.7 percentage points.

However, performance remains very uneven across the different categories. The budget market is treading water: its occupancy rate is stable at 59.9 %, its average rate has risen by just 0.4 % to €57.5, and its RevPAR stands at €34.4 (+0.4 %). The economy sector is faring only slightly better, with a RevPAR of €56.0 (+1.0 %) and an occupancy rate of 63.8 % (+0.3 percentage points). These two categories, which cater to the most price-sensitive customers, are suffering from the inflationary climate.

Conversely, the top end of the market stands out with stronger performance. The midscale market grew by 3.2 % (€92.6 RevPAR), supported by a 1.2-point increase in occupancy to 67.8 %. The upscale and luxury categories posted the best performance of the half-year: a RevPAR of €209.2 excluding taxes, up 4.5 %, achieved thanks to a high occupancy rate (70.7 %, +1.7 percentage points) and an average rate of €296.0 (+2.1 %).

The gap between the two ends of the market thus continues to widen: RevPAR in the high-end category is now six times that of the budget category. This polarisation reflects the growing influence of an international and leisure clientele, which contributes more in terms of value, and from which the best-positioned establishments benefit first and foremost.

Hotel operating performance in France

H1 2026 data, change vs. H1 2025

CATEGORY	OCCUPANCY RATE		ADR (EXCL. TAX)		REVPAR (EXCL. TAX)	
Global	64.9%	+0.7 pt	€126.9	+1.9%	€82.4	+3.0%
Budget	59.9%	+0.0 pt	€57.5	+0.4%	€34.4	+0.4%
Economy	63.8%	+0.3 pt	€87.7	+0.6%	€56.0	+1.0%
Midscale	67.8%	+1.2 pt	€136.5	+1.4%	€92.6	+3.2%
Upscale & luxury	70.7%	+1.7 pt	€296.0	+2.1%	€209.2	+4.5%

Source: Knight Frank, MKG

The Greater Paris Region: all indicators are green

The Greater Paris Region outperformed the national average in the first half of 2026, with a RevPAR of €116.4 (excluding taxes), up 3.7 %. The occupancy rate in the region rose by 1.8 percentage points to 72.9 %, eight percentage points higher than the national average, whilst the average rate increased by 1.1 % to €159.6 excluding taxes.

Notably, it is the budget category that is driving the region’s growth, bucking the French trend. Its RevPAR jumped by 5.9 % to €43.4, driven by the region’s strongest increase in occupancy (+2.4 percentage points, to 69.1 %) and by a 2.2 % rise in the average rate, well above the 0.4 % recorded nationally. Domestic guests and local business travel are supporting this category of hotels.

The other categories showed consistent growth: +2.7 % for economy (€74.2), +3.8 % for midscale (€115.0) and +3.6 % for upscale and luxury (€235.8). The latter continues to have the highest regional occupancy rate (76.2 %, +2.0 percentage points) but has seen its average price remain virtually unchanged (€309.4, +0.8 %), a sign of more limited scope for price increases following several years of sharp rate rises (due to the post-Covid recovery and the 2024 Olympic Games effect).

Hotel operating performance in Ile-de-France
H1 2026 data, change vs. H1 2025

CATEGORY	OCCUPANCY RATE		ADR (EXCL. TAX)		REVPAR (EXCL. TAX)	
Global	72.9%	+1.8 pt	€159.6	+1.1%	€116.4	+3.7%
Budget	69.1%	+2.4 pt	€62.8	+2.2%	€43.4	+5.9%
Economy	71.8%	+1.1 pt	€103.4	+1.2%	€74.2	+2.7%
Midscale	73.8%	+1.9 pt	€155.9	+1.2%	€115.0	+3.8%
Upscale & luxury	76.2%	+2.0 pt	€309.4	+0.8%	€235.8	+3.6%

Source: Knight Frank, MKG

Provence-Alpes-Côte-d’Azur: the strongest growth, driven by the luxury sector

The Provence-Alpes-Côte d’Azur region posted the best performance amongst France’s major tourist destinations, with a RevPAR of €106.7 excluding taxes (up 6.7 %). The main driver here is pricing: the average rate rose by 5.0 % to €165.1 excluding taxes, the highest level amongst the regions analysed, whilst the occupancy rate increased by just one percentage point to 64.6 %.

This trend is largely driven by the upscale and luxury categories, where RevPAR soared to €243.1 excluding taxes, representing a year-on-year increase of 9.5 %. This sector saw an average price rise of 5.2 % to €379.1 excluding taxes, nearly 22 % above the Greater Paris Region level, and recorded the region’s strongest increase in occupancy (+2.5 percentage points). The exceptional density of high-end establishments along the Côte d’Azur coastline accounts for a large part of this above-average performance.

The midscale category follows the same trend, with a RevPAR of €90.1 (+5.5 %) driven by prices (+3.2 %). In contrast, the budget category is lagging behind: the only sector to show a decline, the budget category lost one percentage point in occupancy (60.6 %) and saw its RevPAR fall by 1.4 % to €36.1, whilst the average price remained virtually stable. The economy category, meanwhile, grew moderately to €55.7 (+2.0 %).

The Provençal market thus illustrates a more pronounced polarisation than elsewhere: international leisure guests with strong purchasing power are driving the top end of the market, whilst the budget market, exposed to households’ budgetary trade-offs, is experiencing a significant slowdown.

Hotel operating performance in Provence-Alpes-Côte d’Azur
H1 2026 data, change vs. H1 2025

CATEGORY	OCCUPANCY RATE		ADR (EXCL. TAX)		REVPAR (EXCL. TAX)	
Global	64.6%	+1.0 pt	€165.1	+5.0%	€106.7	+6.7%
Budget	60.6%	-1.0 pt	€59.6	+0.3%	€36.1	-1.4%
Economy	64.4%	+0.8 pt	€86.6	+0.7%	€55.7	+2.0%
Midscale	68.1%	+1.5 pt	€132.3	+3.2%	€90.1	+5.5%
Upscale & luxury	64.1%	+2.5 pt	€379.1	+5.2%	€243.1	+9.5%

Source: Knight Frank, MKG

Auvergne-Rhône-Alpes: the only key region to have seen a downturn in the first half of the year

Auvergne-Rhône-Alpes stands out as an exception amongst the main hotel regions: its RevPAR fell by 0.6 % in the first half of 2026, to €76.6 excluding taxes. The occupancy rate fell by 0.6 percentage points to 64.0 %, whilst the average rate rose by just 0.3 % (€119.6 excluding taxes), a far cry from the 1.9 % increase recorded nationally.

This downturn is concentrated in the entry-level and mid-range categories. The budget category recorded the sharpest fall in RevPAR across all regions (-3.9 %, to €34.8), driven by a combined effect of a 1.8-point drop in occupancy and a 1.0 % decrease in the average rate. RevPAR in the economy category fell by 2.6 % to €52.6, weighed down by a 2.4 % drop in the average rate, whilst the mid-range category remained flat (€91.9, -0.4 %).

Only the upscale and luxury categories maintained an upward trend, with RevPAR of €212.0 (excluding taxes) up by 2.5%, driven exclusively by prices (€288.9, +2.7%), as their occupancy rate remained stable at 73.4% – the highest occupancy level in the region.

This contrast is largely due to an unfavourable base effect: winter business and the flow of business travellers were particularly strong in the first half of 2025. The second quarter, however, marked an improvement following a more challenging start to the year.

Hotel operating performance in Auvergne-Rhône-Alpes
H1 2026 data, change vs. H1 2025

CATEGORY	OCCUPANCY RATE		ADR (EXCL. TAX)		REVPAR (EXCL. TAX)	
Global	64.0%	-0.6 pt	€119.6	+0.3%	€76.6	-0.6%
Budget	58.5%	-1.8 pt	€59.4	-1.0%	€34.8	-3.9%
Economy	62.9%	-0.2 pt	€83.7	-2.4%	€52.6	-2.6%
Midscale	67.3%	-0.1 pt	€136.5	-0.3%	€91.9	-0.4%
Upscale & luxury	73.4%	-0.1 pt	€288.9	+2.7%	€212.0	+2.5%

Source: Knight Frank, MKG

03. The investment market



The hotel sector: a resilient and attractive asset class in a high-interest-rate climate

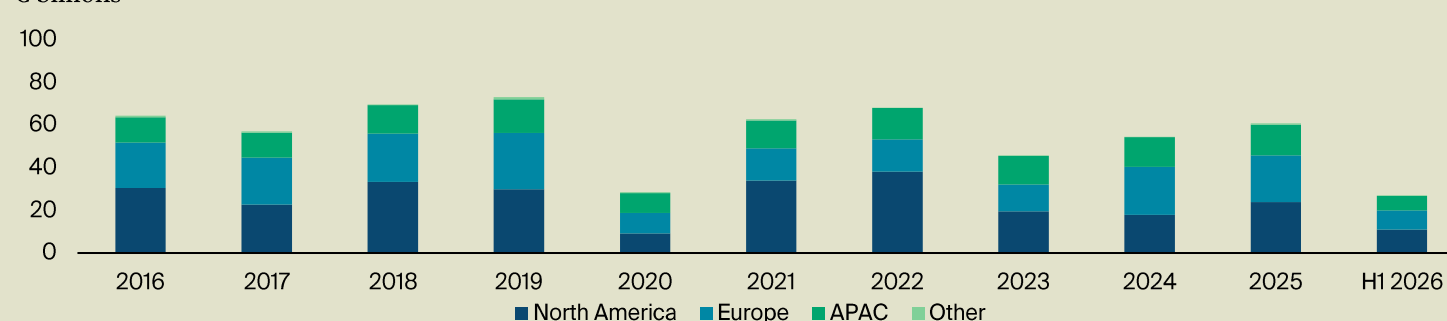
Whilst investment in the main real estate asset classes (offices, retail) is struggling to return to pre-pandemic levels and is still feeling the effects of rising interest rates and geopolitical uncertainty, the hotel sector is establishing itself as a resilient and indispensable asset class within diversification strategies. The strong recovery in tourism following the health crisis, coupled with the hospitality sector's ability to adjust its rates in real time, makes this asset class particularly attractive to investors in the current climate. The use of "yield management" provides effective protection against inflation.

Globally, investment volumes reached €61 billion in 2025, up 12 % on 2024 and 33 % on 2023. The market has thus confirmed its rapid recovery following the low point in 2023 (€46 billion), which followed inflationary shocks and monetary tightening. This momentum continued into the first half of 2026, with €27 billion already invested globally – a figure close to that of the first half of 2025 (-3 %) and in line with the ten-year average.

At a European level, the volume invested in the hotel sector stood at €22 billion in 2025, stable year-on-year but up sharply compared with 2023 (+74%). The United Kingdom continues to be the dominant market (€4.5 billion), ahead of France (€3.2 billion), Spain (€2.8 billion) and Germany (€2.4 billion). In the first half of 2026, Europe attracted nearly €9 billion, a volume down 18% year-on-year but still in line with the ten-year average, confirming the resilience of the hotel asset class.

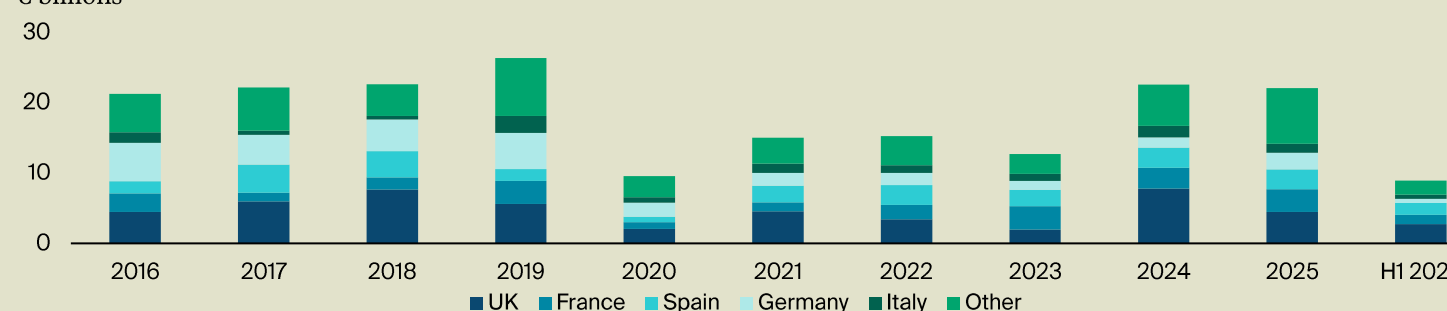
Global hotel investment volumes by region

€ billions



European hotel investment volumes by country

€ billions



Source: Knight Frank

Nearly €1.4 billion invested in France in the first half of 2026: confirmation of strong momentum

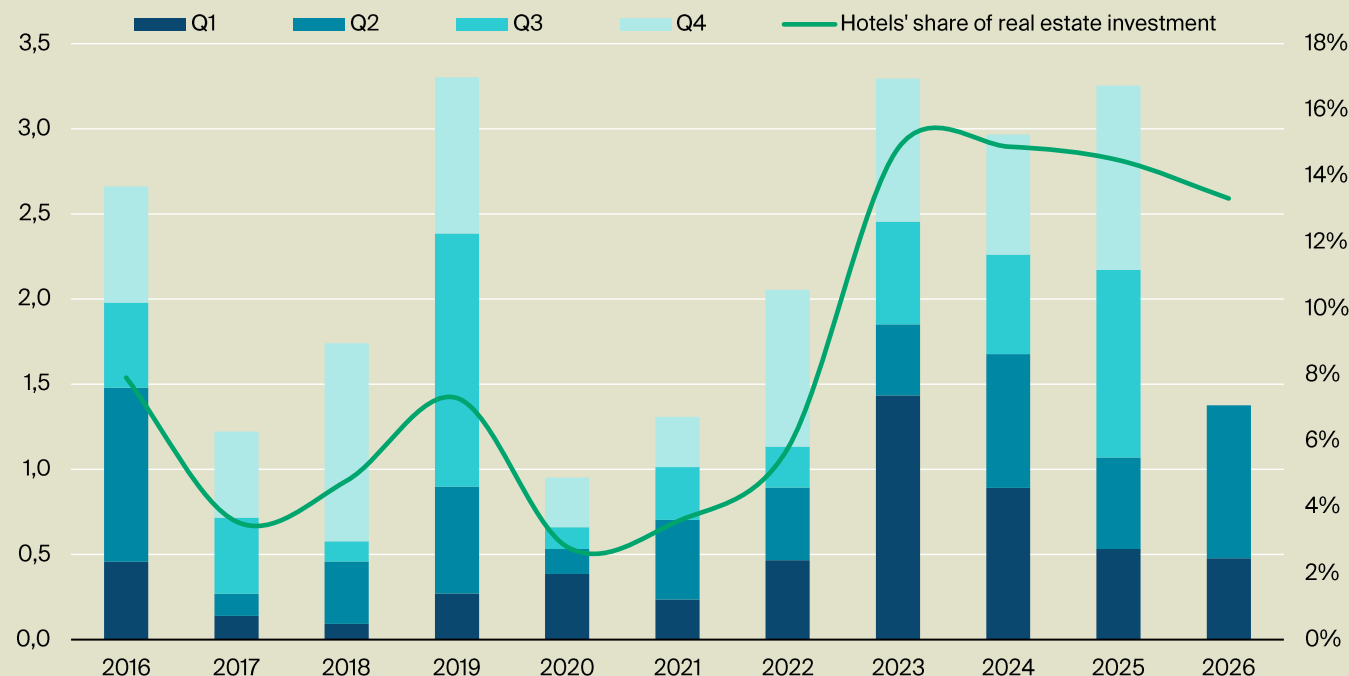
In the first half of 2026, the volume of investment in hotel properties in France stood at nearly 1.4 billion euros, up 29% year-on-year. Following a more cautious first quarter (€500 million), the market picked up significantly in the second quarter (€900 million), bringing the half-year total 11% above the average for the first halves of the last five years (€1.2 billion). This strong performance confirms the resilience of an asset class that has become an essential component of investors' portfolios. Since 2023, the hotel sector has been growing at a rapid annual rate, with annual transaction volumes ranging between €3.0 and €3.3 billion, well above the ten-year average (€2.3 billion per year), even as commercial real estate has suffered from rising interest rates.

This surge in interest can be attributed to the sustained recovery in tourist numbers and the strength of operational performance (occupancy rates, average room rates and RevPAR), as well as the hospitality sector's ability to provide a hedge against inflation: its revenues, which are adjusted daily, recover more quickly than those of other asset classes.

The rise of the hotel sector is also reflected in the asset class's share of the overall property investment market: long considered marginal (averaging 5% of investment amounts between 2016 and 2022, fluctuating between 3% and 8%), its share has nearly tripled since 2023, stabilising at around 15%. In the first half of 2026, it still stood at 13%, confirming the hotel sector's lasting transition from a niche alternative asset class to an established and recognised market sector.

However, the performance over the half-year remains highly varied. The fifty or so deals under €20 million, which account for nearly 80% of transactions, represent only 29% of the total investment, whilst the sole two deals exceeding €100 million (the Pullman Paris Tour Eiffel and the sale of a 66% stake in Riviera Villages in Saint-Tropez) account for 41%.

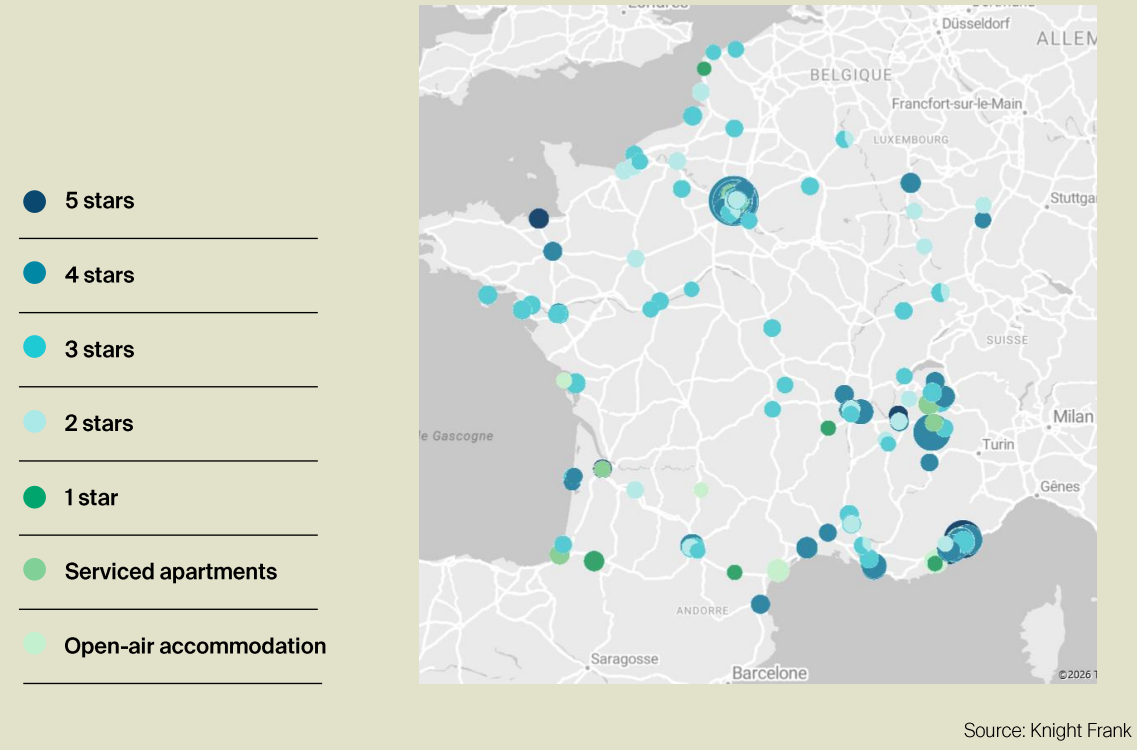
Hotel investment volumes in France
€ billions, by quarter



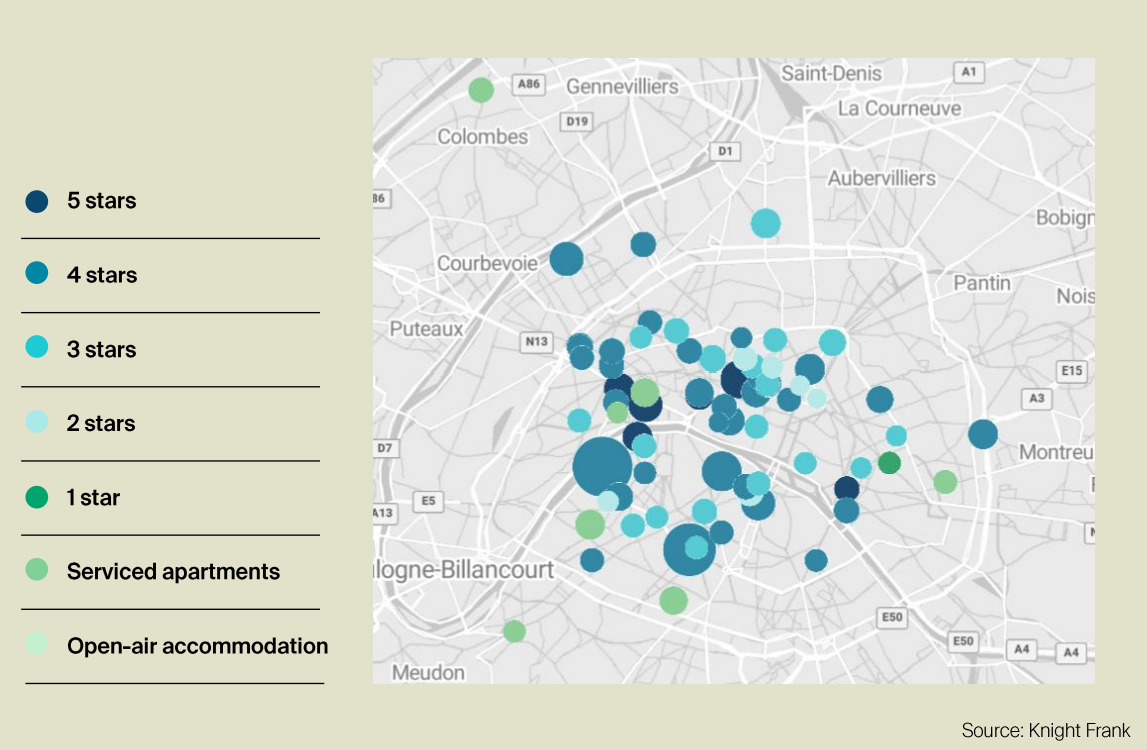
Source: Knight Frank

Map of Direct Investment in the Hotel Sector

Direct hotel investment transactions in France
Full-year 2025 and H1 2026



Direct hotel investment transactions in Paris and inner suburbs
Full-year 2025 and H1 2026



Key hotel asset transactions over the last 12 months

Address / Asset	City	Seller	Buyer	Price
Pullman Paris Tour Eiffel	Paris 15 th	MORGAN STANLEY REAL ESTATE	BATIPART / CDC INVESTISSEMENT IMMOBILIER / SOCIÉTÉ GÉNÉRALE ASSURANCES / QUINSPARK	> 200M€
Pullman Paris Montparnasse	Paris 14 th	UNIBAIL-RODAMCO-WESTFIELD	BAIN CAPITAL	> 200M€
Hôtel Cap Estel	Eze (06)	-	FINANCIERE AGACHE	100-200M€
Courcheneige	Courchevel (73)	BOURNE CAPITAL	KERZNER INTERNATIONAL	100-200M€
66% stake in Riviera Villages	Saint-Tropez (83)	-	GROUPE LADOUCEUR	100-200M€
Hôtel Banke	Paris 9 th	DERBY HOTELS COLLECTION	PONTEGADEA	50-100M€
Grand Cœur Latin	Paris 5 th	PRIVATE INVESTOR	PRIVATE INVESTOR	50-100M€
Hôtel Marignan Champs-Élysées	Paris 8 th	RICHARD FAMILY	ORIGINN	50-100M€
Occidental Paris Levallois	Levallois-Perret (92)	EVERGREEN GROUP	BARCELO HOTEL GROUP	50-100M€
Hôtel La Pérouse	Nice (06)	EXTENDAM / CAPITAL HOSPITALITY EUROPE / CÈDRE	COMPAGNIE HÔTELIÈRE DE BAGATELLE	50-100M€

50-100M€
100-200M€
> 200M€

Source: Knight Frank

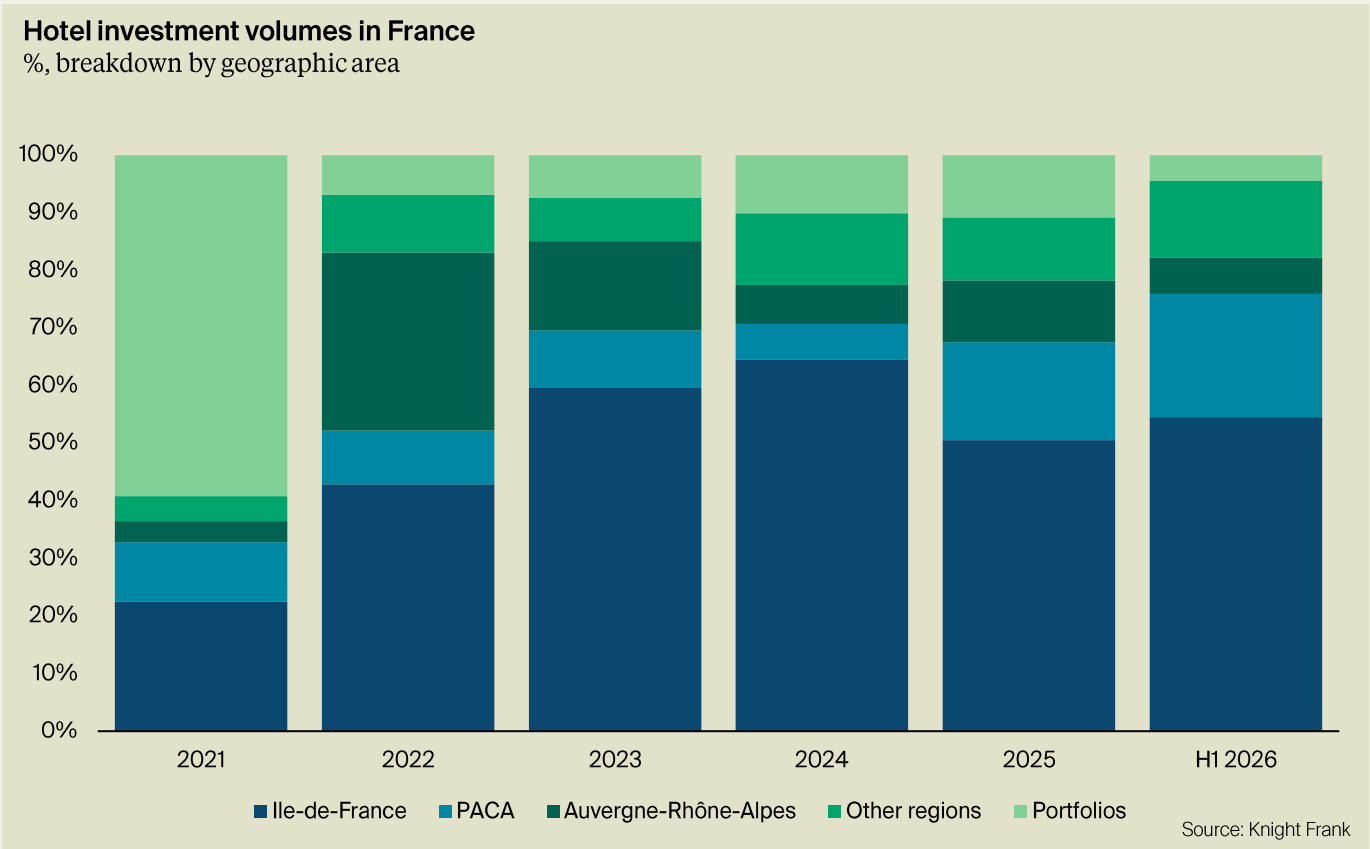
The Greater Paris Region accounts for more than half of volume, with the regions driven by Provence-Alpes-Côte d’Azur

In the first half of 2026, the Greater Paris Region accounted for 55% of total investment volume in the French hotel sector, confirming its status as the country’s leading market. The capital region remains the hub of activity, driven by the depth of its hotel stock and by Paris’s appeal to both tourists and business travellers. The Greater Paris Region’s dominance is evident in a series of transactions within Paris itself, ranging from the Pullman Tour Eiffel in the 15th arrondissement to the Hôtel Esté in the 10th, as well as the Hôtel Fauchon in the 8th and the Grand Hôtel des Balcons in the 6th.

The Mediterranean coast is establishing itself as the second-largest destination for investment capital in the hotel sector: the PACA region accounted for 21% of transaction volumes in the first six months of the year, a share that has risen significantly compared with 2024 (6%) and 2025 (17%).

In this region, high-end coastal properties are driving the market, with the sale of the Hôtel La Pérouse in Nice, the Garden Beach and the 1932 Hôtel & Spa in Cap d’Antibes, as well as Riviera Villages in Saint-Tropez.

Following more buoyant years, the Auvergne-Rhône-Alpes region’s share fell to 6%, although there remains a strong appetite for mountain properties, as illustrated by the acquisition of the RockyPop in Chamonix-Les Houches. The share of portfolios has also fallen (5% in the first half of 2026, compared with 11% in 2025).



A market driven by the high-end segment, with property and business acquisitions accounting for the vast majority

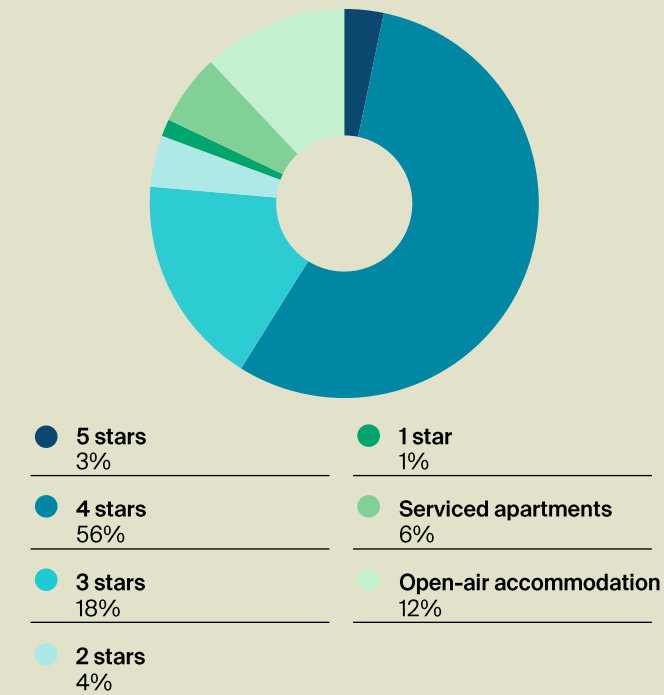
In the first half of 2026, the vast majority of investors favoured acquisitions involving both the real estate and the hotel business: this type of transaction accounted for 88% of the total investment volume, compared with just 12% for transactions involving real estate alone. This clear predominance reflects buyers' desire to invest directly in the operational performance of hotels, rather than simply in the rental yield from the property itself.

By category, the 4-star sector dominates the market by a wide margin, accounting for 56% of the capital committed. Combined with the 5-star sector (3%), the high-end category represents nearly 59% of the total volume, confirming investors' appetite for premium assets, which are more resilient to economic fluctuations and deliver the best returns.

The midscale market remains active, with the 3-star category accounting for 18% of volumes, whilst the budget market (1- and 2-star) remains marginal, accounting for less than 6% of total investment.

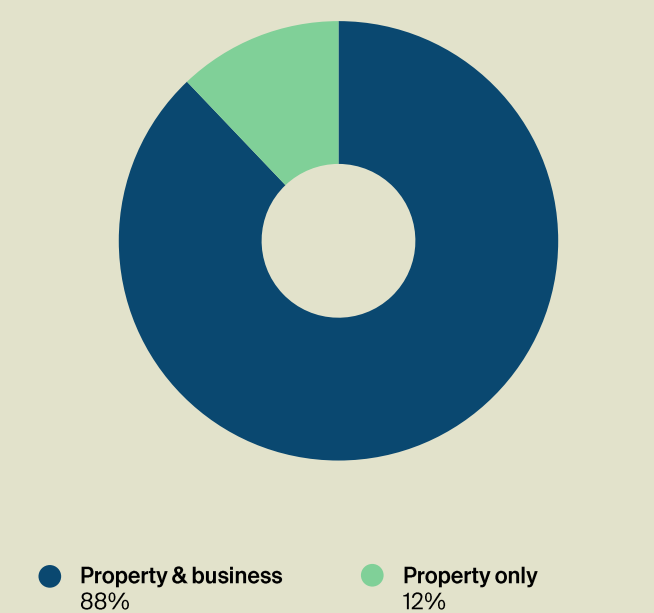
Finally, alternative formats are continuing to gain momentum: open-air hospitality structures (12%) and serviced apartments (6%) account for nearly 18% of investment, driven by flexible operating models and attractive returns that appeal to a broader investor base.

Hotel investment volumes by category
France, H1 2026, % of total volume



Source: Knight Frank

Hotel investment volumes by type: property only / property & business
France, H1 2026, % of total volume



Source: Knight Frank

A market that is almost exclusively domestic, a record share for private investors

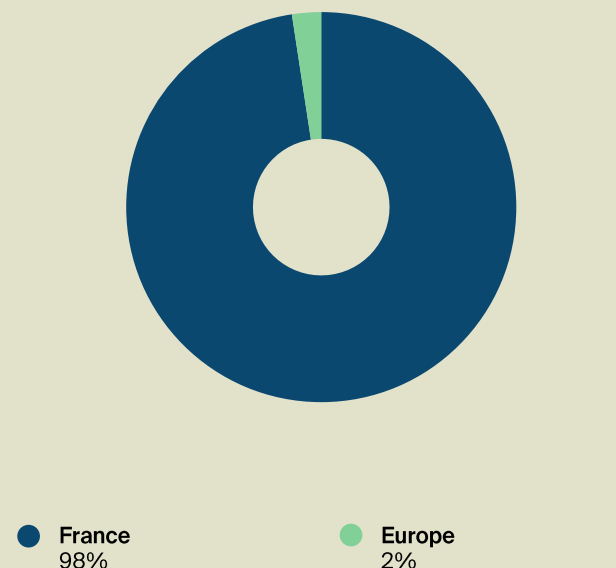
In the first half of 2026, French investors accounted for almost the entirety of the capital invested in the hotel sector, with a market share of approximately 98%. Foreign capital was notably absent: European investors (excluding France) accounted for just 2% of the market, whilst non-European capital was absent over the period.

This marked dominance of domestic capital contrasts sharply with the usual landscape of the hotel sector, an asset class that traditionally attracts a significant proportion of international capital, particularly from the Middle East and North America. It reflects a half-year driven primarily by medium-sized transactions, which are less likely to attract major cross-border players than trophy assets.

By type of buyer, private investors (family offices, high-net-worth individuals, wealth management funds) largely dominated the market, accounting for nearly 80% of the investment volume. They were well ahead of investment funds (13%) followed by banks and insurance companies (4%), OPCI/SCPI (2%) and listed property companies (1%).

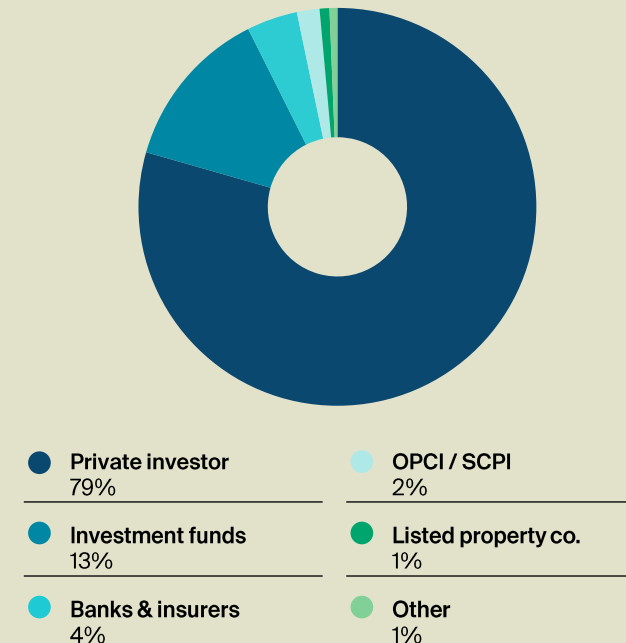
This unprecedented dominance of private players illustrates the diversity of a market comprising a myriad of small and medium-sized transactions, better suited to their investment capacity. It also reflects the pullback of collective investment vehicles: hampered by continued sluggish fund-raising, OPCI/SCPI funds remained on the sidelines.

Hotel investment volumes by buyer nationality
France, H1 2026, % of total volume



Source: Knight Frank

Hotel investment volumes by buyer type
France, H1 2026, % of total volume



Source: Knight Frank

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The data used for this study comes from sources widely recognised for their accuracy, as well as from Knight Frank property market monitoring tools.

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Vincent Bollaert
CEO France

+33 (0)1 43 16 88 90
+33 (0)6 86 48 44 62

vincent.bollaert@fr.knightfrank.com



Benjamin Sebban
Partner, Head of Capital Markets - Hospitality

+33 (0)1 43 87 08 04
+33 (0)7 87 14 98 92

benjamin.sebban@fr.knightfrank.com



Magali Marton
Partner, Head of Research

+33 (0)1 43 87 00 98
+33 (0)6 12 17 18 94

magali.marton@fr.knightfrank.com



Antoine Grignon
Partner, Head of Capital Markets

+33 (0)1 43 16 88 70
+33 (0)6 73 86 11 02

antoine.grignon@fr.knightfrank.com



Naël El Assaad
Senior Consultant, Capital Markets - Hospitality

+33 (0)1 43 16 88 67
+33 (0)6 76 20 04 05

Nael.ElAssaad@fr.knightfrank.com



Anas Alioua
Research consultant

+33 (0)1 43 87 08 03
+33 (0)7 72 39 54 33

anas.alioua@fr.knightfrank.com

Knight Frank

at a glance

Founded over 125 years ago in Great Britain, the Knight Frank group today provides its expertise as an international property consultancy, with over 20,000 people working from more than 600 offices across 50 countries. Its French branch, established over 50 years ago in Paris, operates across both commercial and residential real estate markets. With more than 120 people based in Paris, Knight Frank France is structured around seven service lines: Capital Markets (investment), Occupier & Landlord Strategy and Solutions (office leasing and occupier advisory), Design & Delivery (workplace design), Retail Leasing, Knight Frank Valuation & Advisory, and Prime Residential. Knight Frank is also established in Lyon.

