UK Hotel Dashboard

Knight Frank

August 2026 | Key Hotel trading metrics, quarterly | knightfrank.co.uk/research

London

STRONG REVENUE GROWTH IN H1-2026, DESPITE SOFTER OCCUPANCY PERFORMANCE

Following a strong first quarter, the Central London hotel market continued to build momentum in Q2, with RevPAR increasing by 4.0% y-o-y. The first six months of 2026 delivered a markedly stronger performance than the same period in 2025, when occupancy growth was limited and ADR declined. In contrast, 2026 has been characterised by a trade-off between lower occupancy and higher ADR, demonstrating Central London's ability to command premium room rates during periods of high compression. However, occupancy performance was constrained by pockets of softer demand.

Across the Central London market, ADR increased by 5.1% y-o-y as of June YTD, underpinning overall RevPAR growth. The Upper-Mid & Upscale and Luxury segments recorded the strongest RevPAR growth, at 2.4% and 2.7%, respectively. In contrast, Select-Service hotels suffered a 0.5% decline, despite occupancy rising, room rates in this segment came under pressure during lower-demand periods, which weighed on overall performance.

Encouragingly, TRevPAR performance was underpinned by robust growth in F&B and Leisure revenues. As a result, all segments, except for Luxury hotels, achieved faster growth in TRevPAR than RevPAR.

International arrivals through Heathrow airport remained stable during the seven-month period to July 2026, compared to the same period in 2025. This was achieved despite a 25% decrease in arrivals from the Middle East, reducing the region's share of overseas arrivals to 7.7%, down from 10.2% in 2025. Offsetting this decline, arrivals from Asia Pacific and the EU recorded strong growth, while arrivals from the US increased by 0.8% y-o-y.

PAYROLL COST INCREASES DRIVEN BY NATIONAL LIVING WAGE AND EMPLOYMENT COST PRESSURES

Following the increase in employer's NIC contributions from April 2025, payroll costs in H1-2026 rose significantly y-o-y, materially outpacing inflation. Total payroll costs increased by 4.6% PAR during the six months to June, reflecting the combined impact of higher statutory employment costs and NLW increases. Non-departmental payroll costs (A&G, S&M and POM) increased by 6.4% PAR y-o-y, driven primarily by S&M payroll expenses, which rose by almost 10% PAR. Meanwhile, growth in A&G payroll slowed to 4.9% PAR, compared with 10.4% in H1-2025. Non-departmental payroll costs continued to outpace operational payroll costs, which increased by 4.0% y-o-y. On a POR basis, however, operational payroll costs increased by 6.8% y-o-y, reflecting the lower occupancy levels. Total payroll costs represented 31.4% of turnover in H1-2026, an increase of 0.5 percentage points compared with H1-2025.

RESPECTABLE REVENUE GROWTH SUPPORTS DEPARTMENTAL PROFITABILITY

Operating cost pressures persisted throughout H1-2026, with Rooms departmental costs increasing by 2.0% PAR y-o-y, and F&B costs rising by 4.4% PAR. As a result, total departmental costs, including payroll increased by 3.2% PAR over the period. Despite these rising costs, solid revenue growth supported an improvement in profitability. Departmental Operating Income (DOI) increased by 3.5% PAR in H1-2026, a marked turnaround from the 3.9% decline in H1-2025. Consequently, the departmental profit margin remained stable at 60.5%. London's Luxury hotels delivered the strongest performance, with its DOI increasing by 4.1% PAR y-o-y and the departmental operating margin improving by one percentage point to 52.7%.

UTILITY COSTS ON THE RISE

Following two years of declining utility costs, Q2-2026 saw utilities increase by nearly 10% POR, driven by higher electricity and water costs amid softer occupancy levels. As of June YTD, utility costs were up 3.5% POR y-o-y, although with revenues increasing, utility costs as a percentage of Total Revenue edged down to 3.8%, compared with 3.9% in H1-2025.

Key Performance Indicators (% Change versus 2025)

	Q2-2026		YTD June 2026	
Occupancy	82.1%	-2.2%	76.6%	-1.8%
ADR	£271.0	6.9%	£244.3	5.1%
RevPAR	£222.4	4.0%	£187.1	2.8%
TRevPAR	£288.3	4.8%	£247.3	3.4%
GOPPAR	£120.3	5.0%	£88.1	2.5%
GOP %	41.7%	0.1%	35.6%	-0.3%

HOTSTATS a Duetto company

LUXURY HOTELS OUTPERFORM AS ALL SEGMENTS ACHIEVE GOPPAR GROWTH IN H1-2026

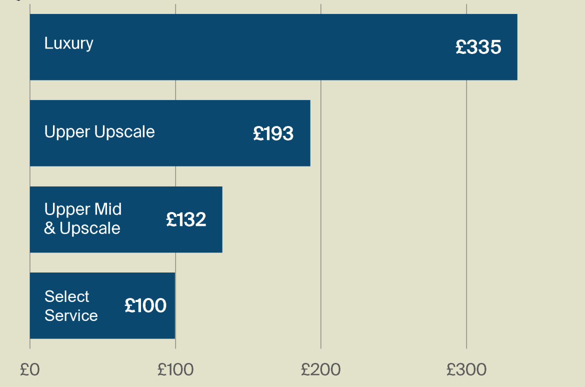
In contrast to H1-2025, when GOP declined y-o-y, Central London hotels delivered positive profit growth in the first six months of 2026. Although total hotel operating costs increased by 3.9%, stronger revenue performance more than offset rising expenses. As a result, GOPPAR increased by 2.5% y-o-y, supported by a particularly strong second quarter, during which GOPPAR rose by 5.0% PAR.

The GOP margin, however, largely remained on par with H1-2025, as the rising costs challenged margins. Across all Central London hotels, the GOP margin equated to 35.6%.

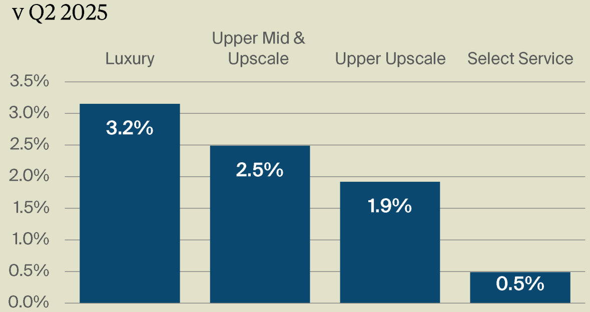
London's Luxury hotels outperformed, with GOPPAR growth rising y-o-y by 5.7% and upper-mid & upscale hotels achieved 4.8% growth. These markets with the strongest GOPPAR growth achieved margin improvement of just under one percentage point.

London – Hotel KPIs

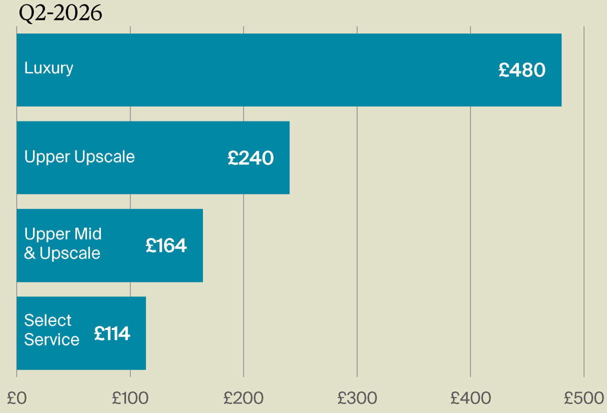
RevPAR (£)
Q2-2026



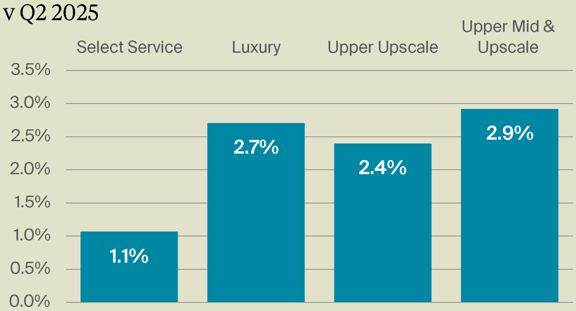
% Change
v Q2 2025



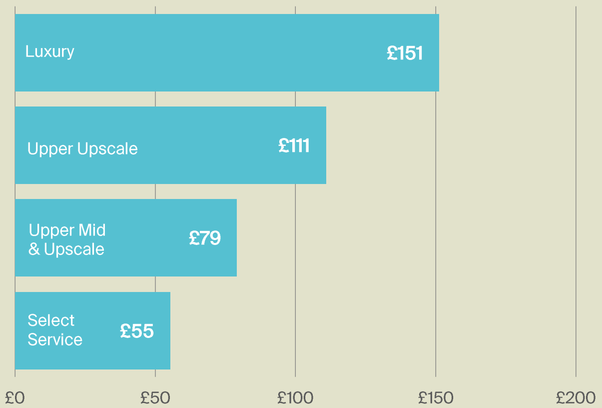
TRevPAR (£)
Q2-2026



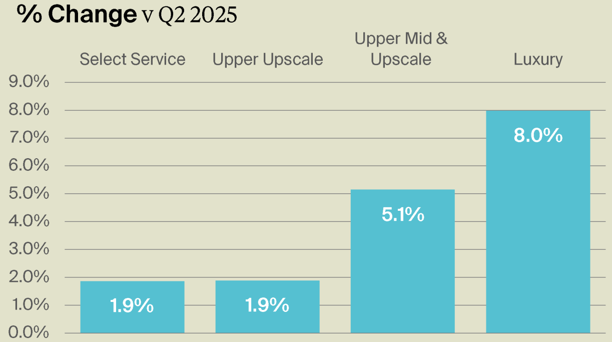
% Change
v Q2 2025



GOPPAR (£)
Q2-2026

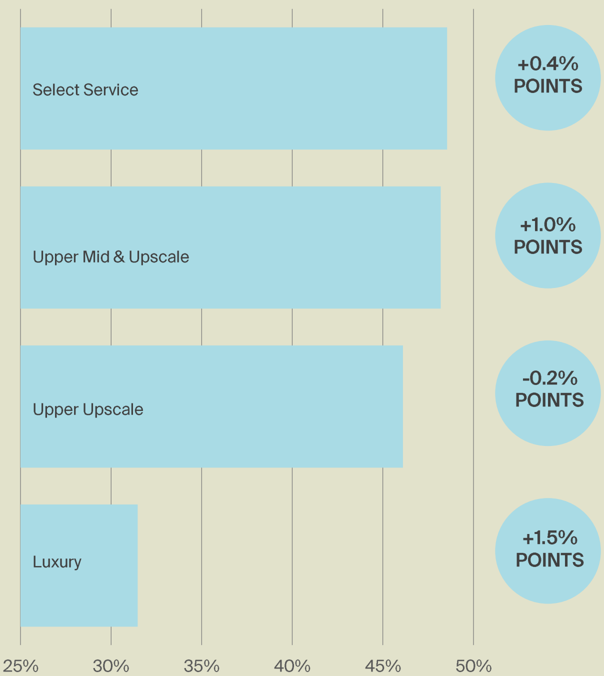


% Change v Q2 2025



GOP %
Q2-2026

% point change versus Q2-2025

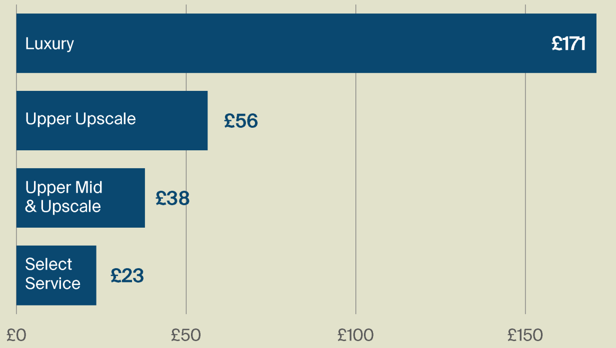


HOTSTATS a Duetto company

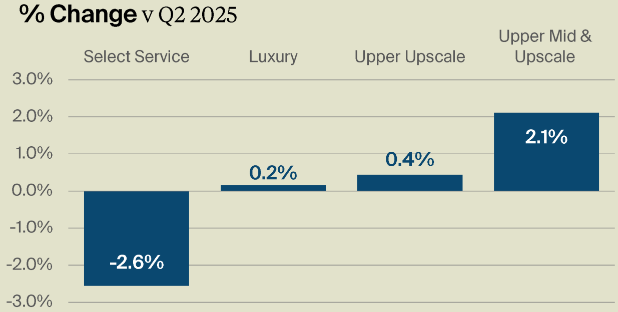
Departmental Metrics

London

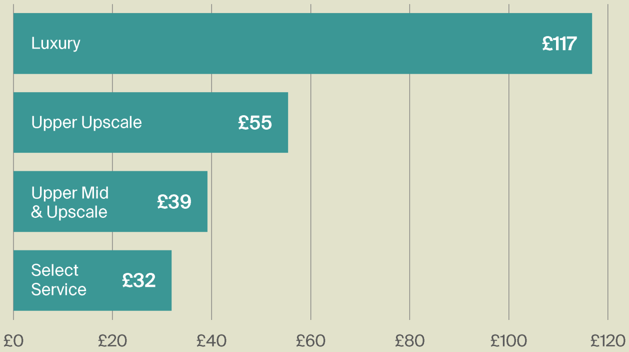
Total Hotel Payroll PAR (£)
Q2-2026



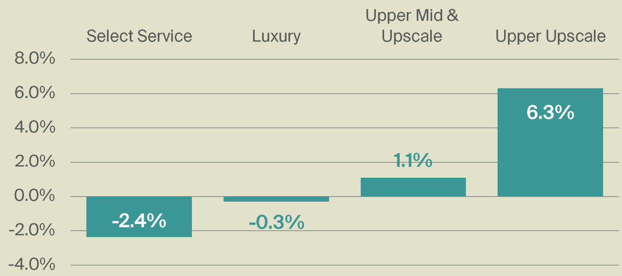
% Change v Q2 2025



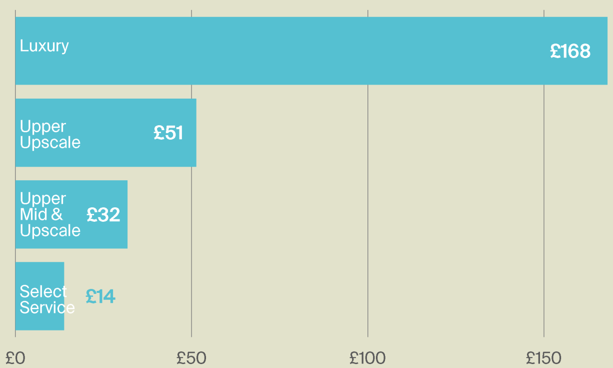
Rooms Cost POR (£)
Q2-2026



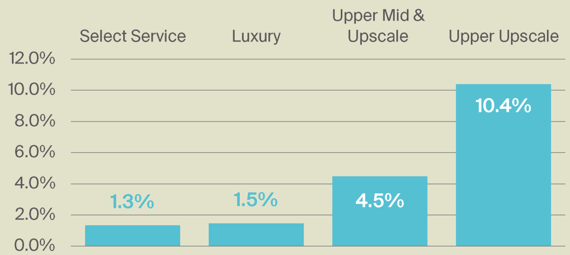
% Change v Q2 2025



Food & Beverage Revenue POR (£)
Q2-2026

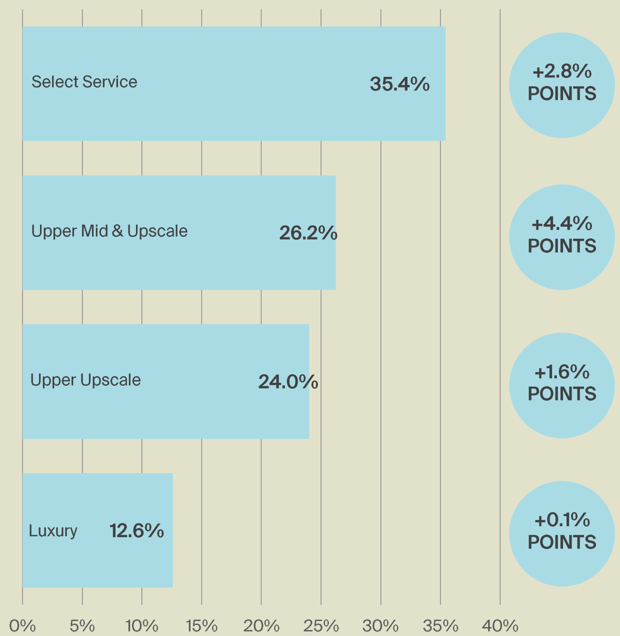


% Change v Q2 2025



Food & Beverage Profit Margin %
Q2-2026

% point change versus Q2-2025



HOTSTATS
a Duetto company

Regional UK

LEADING REGIONAL UK CITIES ACHIEVE STRONG H1 PERFORMANCE

Regional UK hotels delivered a strong first half performance in 2026, with the second quarter benefiting from stronger ADR growth than Q1, and a modest increase in occupancy year-on-year. As a result, RevPAR increased by 4.7% versus H1-2025.

Performance was particularly robust among the 12 leading regional city centre markets (by RevPAR growth), where RevPAR increased by 7.8% y-o-y in H1-2026, driven by a two-percentage point increase in occupancy and ADR growth of 4.9%. The cities of Oxford, Belfast, Glasgow, Durham, Chester, Stratford-Upon-Avon and Bath all out-performed the wider market, each recording RevPAR growth in Q2 of more than 7.0% y-o-y. Overseas arrivals through the UK's regional airports were 2.1% higher in H1-2026 than in H1-2025, providing additional support for regional hotel demand.

Golf & spa hotels and upper-upscale hotels delivered strong results, achieving ADR growth of 6.8% and 6.2% respectively, in Q2. Combined with improving occupancy, this translated into H1-2026 RevPAR growth of 8.0% for Golf & Spa hotels and 5.6% for Upper Upscale hotels. However, softer growth in ancillary revenues, particularly F&B and Golf revenues, moderated overall top-line performance for Golf & Spa hotels, with TRevPAR growth eased to 6.2% y-o-y during H1-2026. Meanwhile, Select-Service hotels were the only regional segment to achieve stronger growth in TRevPAR than RevPAR, increasing by 4.5% y-o-y, supported by improving F&B revenues.

ABOVE INFLATION PAYROLL COST GROWTH CONTINUES IN H1-2026

Payroll costs continued to rise ahead of inflation in H1 2026, increasing by 5.1% PAR y-o-y in H1-2026 across regional hotels and by 7.1% PAR in the 12 leading regional UK cities (by RevPAR). Departmental payroll costs grew faster than non-departmental payroll costs, rising by 5.2% PAR y-o-y across the regional market and rising more steeply by 7.8% PAR in the leading city markets. On a POR basis, with occupancy increasing by half a percentage point, operational payroll costs increased y-o-y by 4.2%.

Despite these cost pressures, payroll costs remained relatively stable to revenue growth. Total payroll costs represented 33.2% of total revenue in H1-2026, reducing to 31.1% in the leading regional UK cities, reflecting their higher ADR performance.

REVENUE GROWTH DRIVES DEPARTMENTAL INCOME

Despite ongoing payroll and inflationary pressures, revenue growth continued to support departmental profitability across regional UK hotels. In H1-2026, Rooms departmental income increased by 5.3% PAR y-o-y, while F&B departmental profits grew by 2.3% PAR and Leisure departmental income increased by a strong 8.2% PAR. The robust growth in leisure revenues (excluding golf) has increased the department's contribution to total hotel income, accounting for 5.3% of total income, up from 4.5% in H1-2025. Overall, total departmental operating income across all regional UK hotels rose by 4.7% PAR y-o-y in H1-2026. Performance was even stronger across the 12 leading regional UK cities, where departmental operating income increased by 8.8% PAR.

In Q2, despite a continued challenging cost environment, revenue growth has served to protect margins. Total departmental profit margin improved by 0.5 percentage points to 56.5% of revenue across all regional UK hotels. The Rooms department achieved a profit margin of 67.7%, while the F&B profit margin remained stable at 25.8%. Meanwhile, the Leisure departmental margin increased to 51.2% of revenue, compared with 49.6% in Q2 2025. For H1-2026, the total departmental income represented 54% of total revenue.

UTILITY COSTS ON THE RISE

Utility costs reversed their recent downward trend in Q2 2026, increasing by 3.4% PAR across all regional UK hotels y-o-y, driven largely by higher water supply costs. With the slight increase to occupancy, utility costs on a POR basis rose at a more modest rate of 2.6% y-o-y. Utility costs for the H1-2026 period are now marginally ahead of H1-2025 on a PAR basis, but are expected to continue to rise, thus with potential to impact upon profit margins going forward.

UNDISTRIBUTED OPERATING EXPENSES RISE ABOVE INFLATION

Q2 reporting indicates that undistributed operating expenses (UOE), excluding utilities and payroll, are increasing at a faster rate than at the start of the year and remain above inflation, rising by 4.3% PAR. POM expenses was the only expense category broadly in line with inflation, increasing at 2.8% PAR.

For the H1-2026 period, UOE (excluding utilities and payroll costs) rose by 3.8% PAR y-o-y, compared with a 2.3% increase in H1-2025, driven primarily by higher loyalty programme charges and credit card commissions. Including payroll costs, UOE increased by 4.1% PAR (2.4% in H1-2025). Regional UK city-centre markets recorded an average increase of 5.6% PAR.

Key Performance Indicators (% Change versus 2025)

Q2-2026		YTD June 2026	
Occupancy			
78.1%	0.7%	73.1%	0.7%
ADR			
£112.4	4.0%	£103.4	3.6%
RevPAR			
£87.8	4.9%	£75.6	4.7%
TRevPAR			
£133.4	4.4%	£117.8	4.5%
GOPPAR			
£44.1	6.3%	£32.7	6.3%
GOP %			
33.1%	0.6%	27.7%	0.5%

HOTSTATS a Duetto company >

STRONG H1-2026 GOPPAR GROWTH, BUT MOMENTUM SLOWED IN Q2

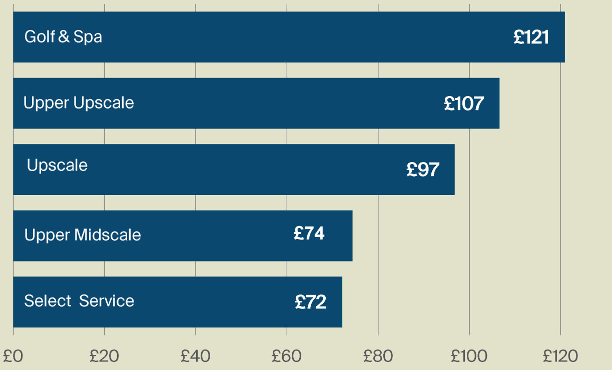
Regional UK hotels delivered GOPPAR growth of 6.3% in H1 2026, although performance varied significantly across market segments. The leading regional UK cities and the golf and spa hotel segment were the strongest performers, each recording 12% y-o-y GOPPAR growth.

Regional upscale hotels experienced the weakest RevPAR growth in Q2, resulting in GOPPAR growth slowing sharply from 13.2% in Q1 to 3.3% in Q2. As a result, the segment achieved H1 GOPPAR growth of 6.1% y-o-y. Meanwhile, regional upper-midscale hotels recorded more modest profitability gains, with GOPPAR growth increasing by 2.5% in H1-2026.

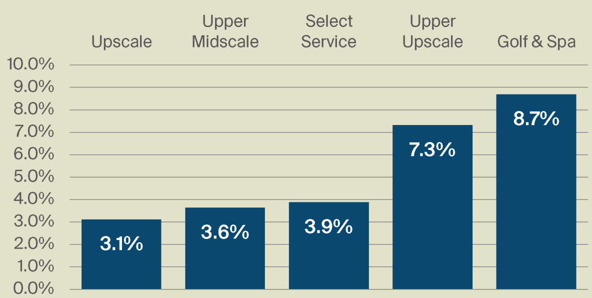
Across all regional hotels, profit margins improved by 0.5 percentage points y-o-y to 27.7% in H1-2026. The select-service, upper-upscale and golf & spa segments each recorded margin expansion of more than one percentage point. Among these, select-service hotels achieved the highest GOP margin at 32.8% during the six-month period.

Regional UK – Hotel KPIs

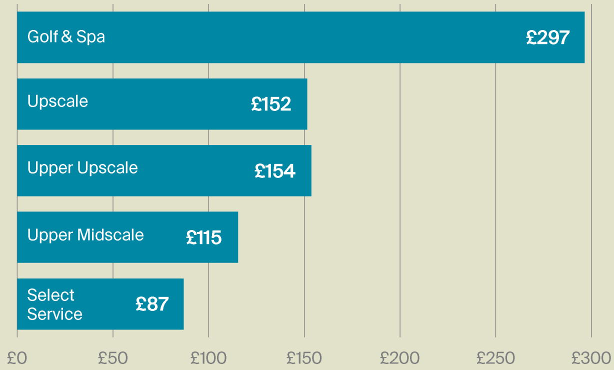
RevPAR (£)
Q2-2026



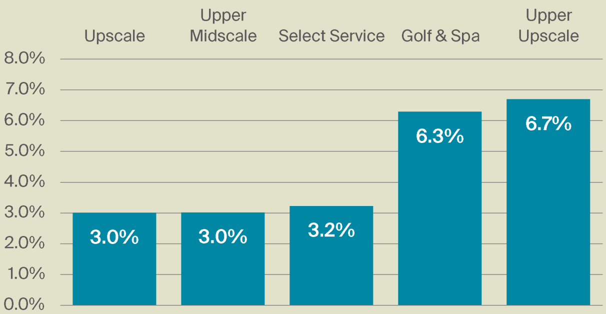
% Change v Q2 2025



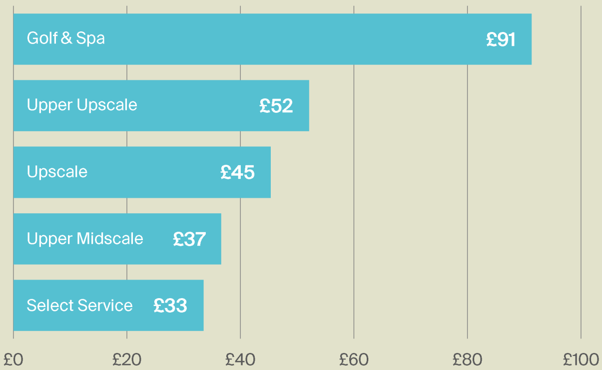
TRevPAR (£)
Q2-2026



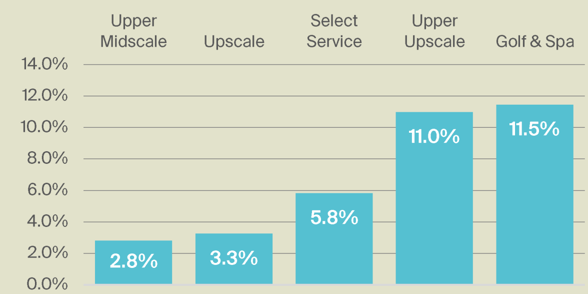
% Change v Q2 2025



GOPPAR (£)
Q2-2026

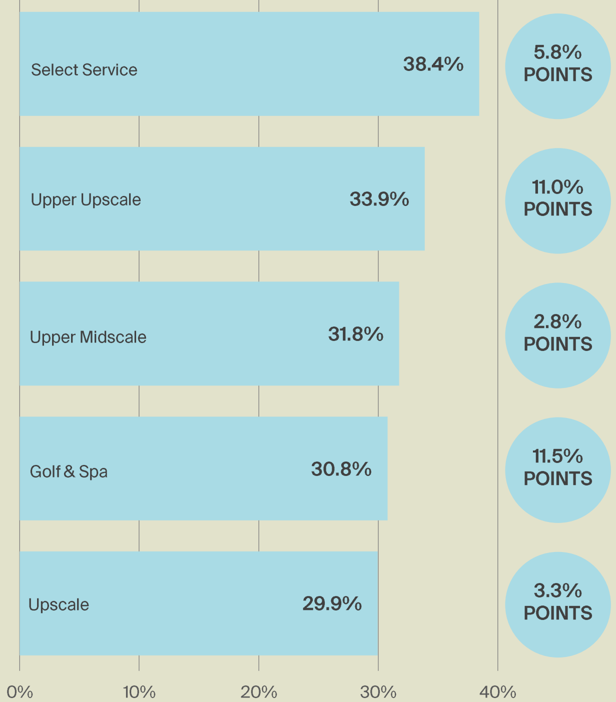


% Change v Q2 2025



Food & Beverage Profit Margin %
Q2-2026

% point change versus Q2-2025

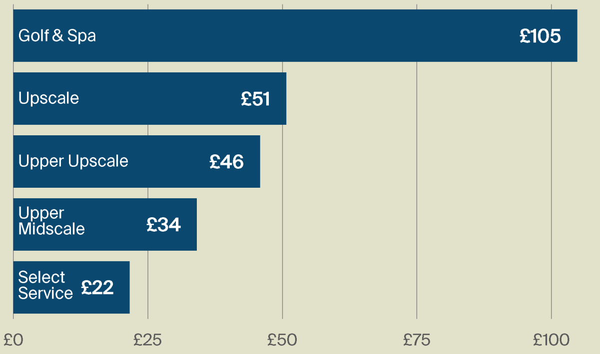


HOTSTATS a Duetto company

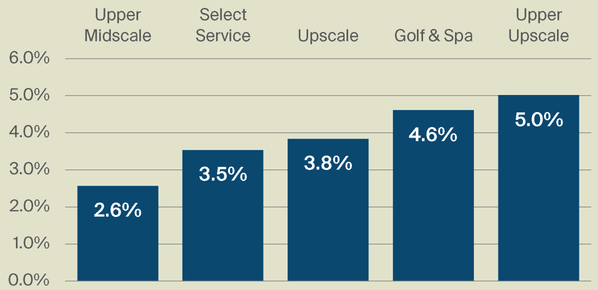
Departmental Metrics

Regional UK

Total Hotel Payroll PAR (£)
Q2-2026

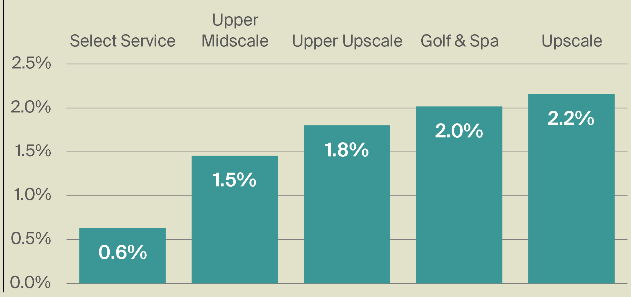


% Change v Q2 2025

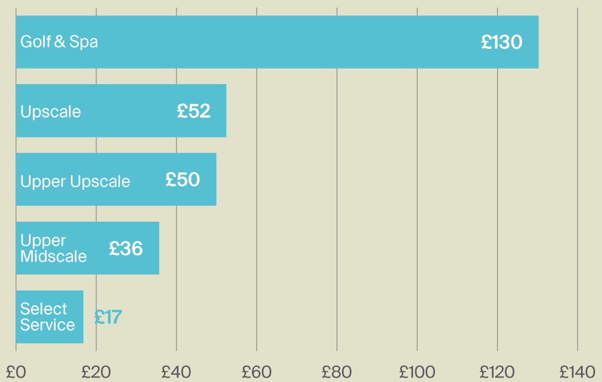


Rooms Cost POR (£)
Q2-2026

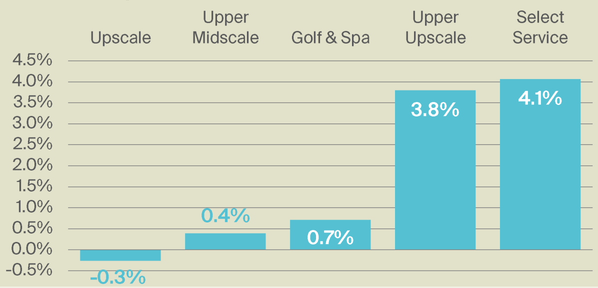
% Change v Q2 2025



Food & Beverage Revenue POR (£)
Q2-2026

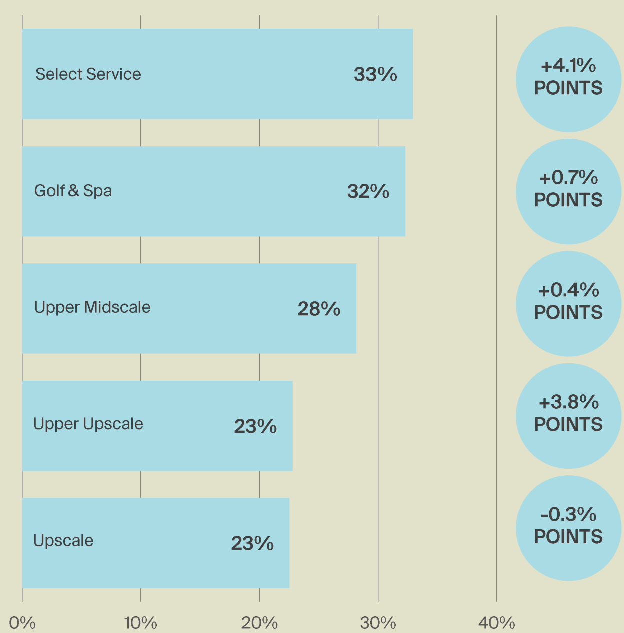


% Change v Q2 2025



Food & Beverage Profit Margin %
Q2-2026

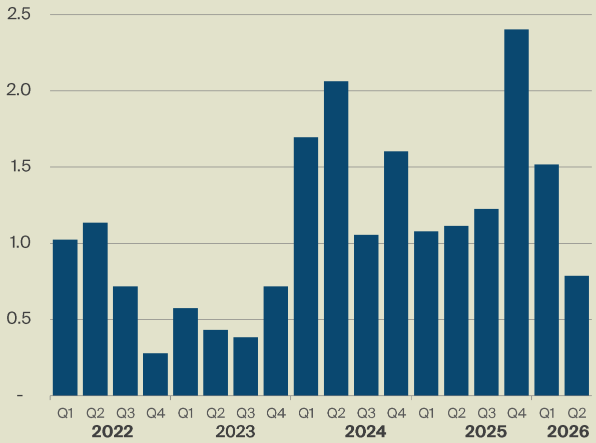
% point change versus Q2-2025



HOTSTATS
a Duetto company >

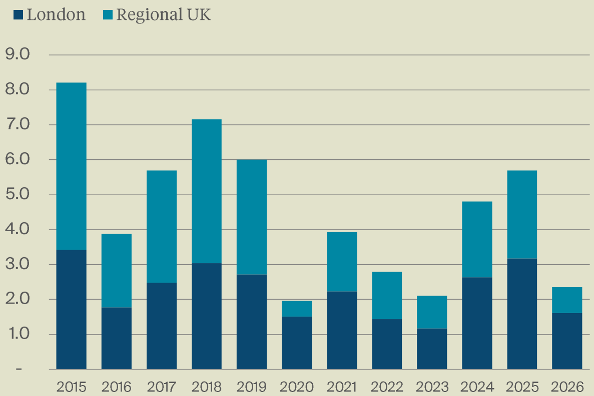
UK Hotel Investments

UK hotel Investment Volumes
By Quarter, £bn, 2022-2026



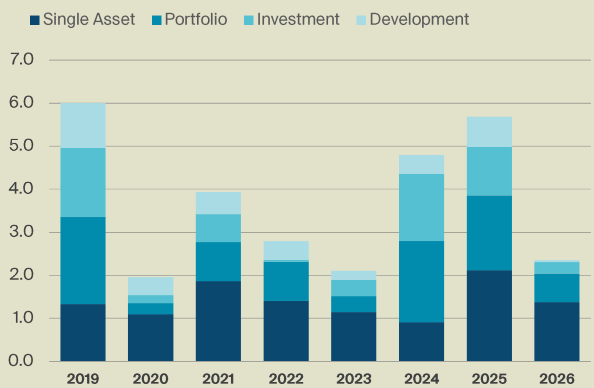
Source: CoStar Group, MSCI, Knight Frank Research

Investment Volumes, London v Regional UK
£bn



Source: CoStar Group; MSCI, Knight Frank Research

Investment Volume Breakdown
£bn



Source: CoStar Group; MSCI, Knight Frank Research

H1 2026

Volume: £2.4 billion

Hotels transacted: 100

Rooms: 11,200

London: Regional 70:30%

Hotel Class

Luxury: 31%

Upscale & Upper Upscale: 37%

Upscale Midscale & Economy: 32%

Going Concern Hotel Transactions
Average Price per Key (£) June YTD 2026 v 2025

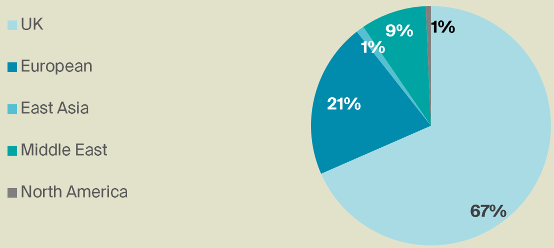
£470,000
+70%

LONDON

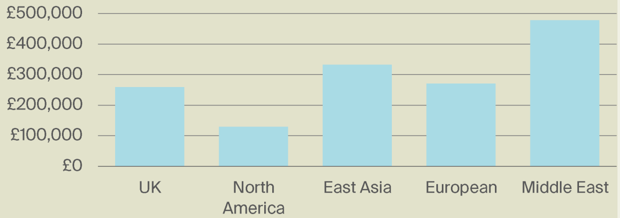
£132,000
+3%

REGIONAL UK

Geographical capital flows June YTD 2026



YTD-2026 – Av. transaction price per room by capital flow (£)



Glossary

ADR:	Average Daily Rate
POR / PAR:	Per Occupied / Available Room
RevPAR:	Rooms Revenue Per Available Room
TRevPAR:	Total Revenue Per Available Room
GOP / GOPPAR:	Gross Operating Profit / Per Available Room
F&B:	Food and Beverage
A&G:	Administration & General
S&M:	Sales & Marketing
POM:	Property Operations and Maintenance
NLW:	National Living Wage
Y-o-Y:	Year-on-Year

Note: HotStats benchmarking data comprises a greater number of upscale midscale, upscale, upper-upscale and luxury hotels, with the majority operating under a brand. Far fewer economy hotels are included within the datasets, as such the HotStats data is skewed towards the higher echelons.

HOTSTATS a Duetto company

Is a global data benchmarking company that provides specialized performance analysis and a benchmarking platform that services hotels around the world. HotStats, now part of Duetto, collects financial and operational data from a diverse range of hotels globally to provide hotel owners, operators, and investors with valuable insights into the financial performance of their properties against their competition – an invaluable resource for evaluating investment opportunities and weighing options for prospective investors. Email enquiries@hotstats.com for more information.

Get in touch with us

HOTELS

Shaun Roy
Partner, Head of Hotels
+44 7957 342 285
Shaun.roy@knightfrank.com

Karen Callahan
Partner, Head of Hotel Valuations
+44 7825 276 334
Karen.callahan@knightfrank.com

Henry Jackson
Partner, Head of Hotel Agency
+44 7767 754 386
Henry.jackson@knightfrank.com

Philippa Goldstein
Associate, Hotels
+44 7970 230 801
Philippa.goldstein@knightfrank.com

Knight Frank

Hotel Research Reports are available at Hotels