

60 YEARS OF HOSPITALITY IN MOTION

Rebalancing Powers to Enable Sustainable Transformation

Prepared for Pandox AB

Report Abstract

Source report dated 12th November 2025

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Pandox AB (the "Client")

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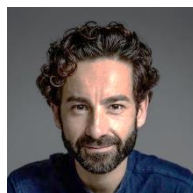


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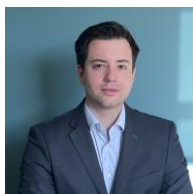


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The Trinity of Hospitality - A Dynamic Equilibrium over 30 Years of Evolution

Commissioned by Pandox AB, this strategic research project examines how the hotel industry has evolved over the past 30 years and identifies the forces likely to shape it over the next three decades. The assignment required both a retrospective analysis of historical disruptions and a forward-looking framework to guide strategic thinking in an increasingly complex and interdependent hospitality ecosystem.

The study applied a two-phase approach:

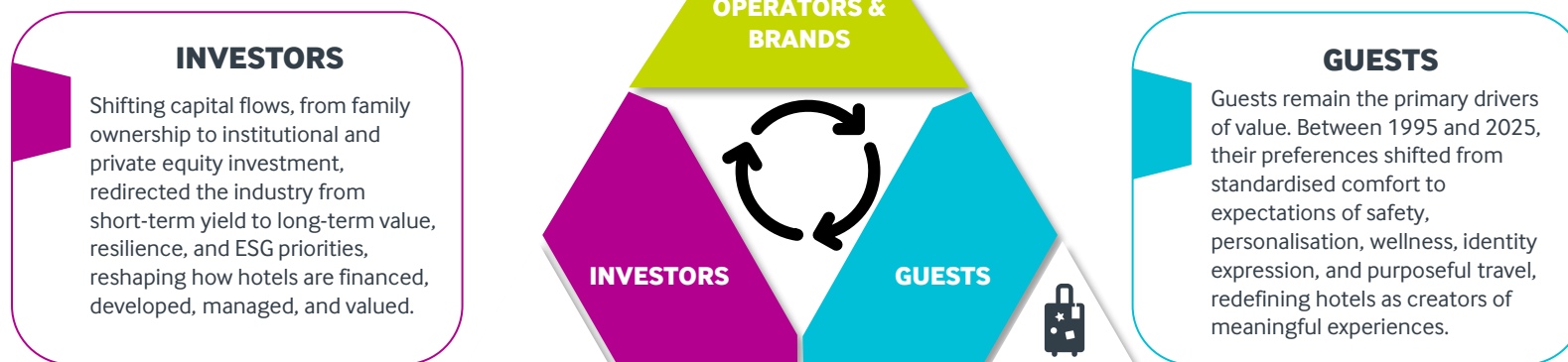
- **Retrospective (1995-2025):** A comprehensive review of geopolitical, financial, societal, regulatory and technological forces and advancements that shaped the hotel sector over the last three decades.
- **Future Outlook (2025-2055):** Scenario design to outline plausible futures at the intersection of technology, human capital, ESG, and real estate transformation.

The methodology centred around the Hospitality Trinity model, encompassing **Guests (demand), Operators & Brands (supply), and Investors (capital)**, which served as an analytical lens for understanding how shifts in one stakeholder group cascade through the entire system. The framework demonstrates that hospitality is not a static supply-demand relationship, but a cycle of influence. When any of the three forces shifts, the equilibrium is disrupted, triggering innovation across the system:

- **A change in guest expectations** forces brands to redesign their product and experience model.
- **Brand transformations** Provide more options to capital, allowing investors to spread risk.
- **Shifts in capital availability** influence the pace of the sector's growth as well as which hotel concepts are developed, and in turn shape guest choice.

This systemic interaction explains the major strategic transitions observed from 1995 to 2025:

- Rise of lifestyle brands
- Shift to asset-light models
- Exponential growth of brands
- Geographical spread of growth
- Financialisation of hospitality
- Emergence of experience-driven ecosystems



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1995-2005

The Seeds of Change - Mobility, Technology & Volatility

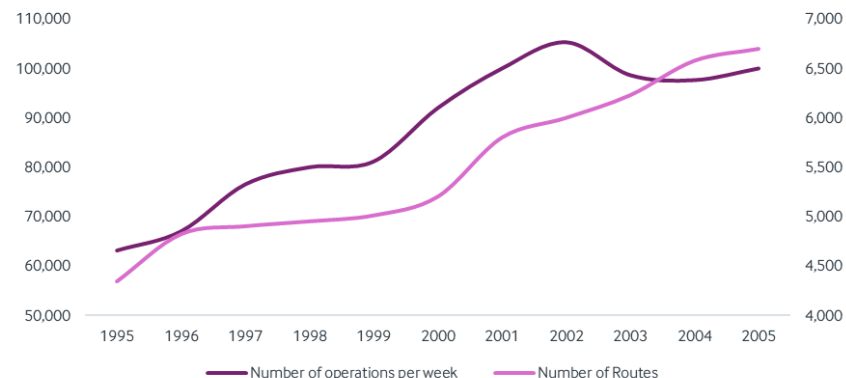
Between 1995 and 2005, the European hospitality landscape was fundamentally reshaped by three converging macro forces: enhanced mobility, rapid technological advancement, and economic volatility.

Mobility accelerated with the **Schengen Agreement** (1995), which removed most internal border checks and made spontaneous cross-border trips practical. **The euro's introduction** brought price transparency and planning simplicity for **over 300 million consumers** across 12 countries, reducing friction in travel budgets and cross-border transactions. Meanwhile, the EU's **air-market liberalisation** (1997) enabled the rise of low-cost carriers such as Ryanair and easyJet, which by the early 2000s were flying tens of millions of passengers annually, **connecting secondary airports** (CAGR for intra-EU routes of 4.4% between 1995 and 2005) and compressing average trip costs.

Technology transformed how people planned and experienced travel. **Windows 95** mainstreamed personal computing, while **Google** (1998) introduced real-time search and comparison. The spread of broadband in the late 1990s, followed by early **Wi-Fi**, shifted trip planning online. Platforms like **Expedia** (1996) and **Bookings.nl** (1998) enabled instant booking, while **Tripadvisor** (2000) introduced peer reviews, making trust and reputation central to decision-making. By the mid-2000s, digital channels had redefined how guests discovered, booked, and shared their travel experiences, creating **the connected traveller**, and intensified competition as even independent and **unbranded hotels gained global visibility** and access to demand.

Volatility, including the **dot-com bust** (2000) and **9/11 shock** (2001) temporarily suppressed air travel demand, but also heightened the **emphasis on safety and security**, while accelerating a structural shift toward **cash-flowing, asset-light hotel models**. By 2005, European hotel real-estate transactions rebounded to mid-teens billions of euros as investors sought stability. Meanwhile, brands focused on **reassurance and consistency**: Westin's Heavenly Bed (1999) set a new comfort benchmark, while Marriott invested \$190M in room upgrades (2004-2005). Hotel design evolved, rooms became smaller but smarter, breakfast formats more functional, and connectivity an expected baseline.

Number of Routes and Number of Weekly Flights between 1995-2005 in Europe



These forces collectively redefined the guest journey. Travellers moved from **manual planning to instant digital booking and sharing**. Mobility made travel easier and more spontaneous, while technology **brought speed, choice, and transparency** to every stage of the journey. Volatility, in turn, pushed hotels to become more efficient, consistent, and focused on comfort and reassurance. By 2005, the European traveller evolved into **a connected, informed, and experience-driven guest**, expecting seamless booking, consistent quality, and digital convenience as the new standards for hospitality.



2005-2015

The Drivers of Disruption - Globalisation, Connectivity, and Financial Shock

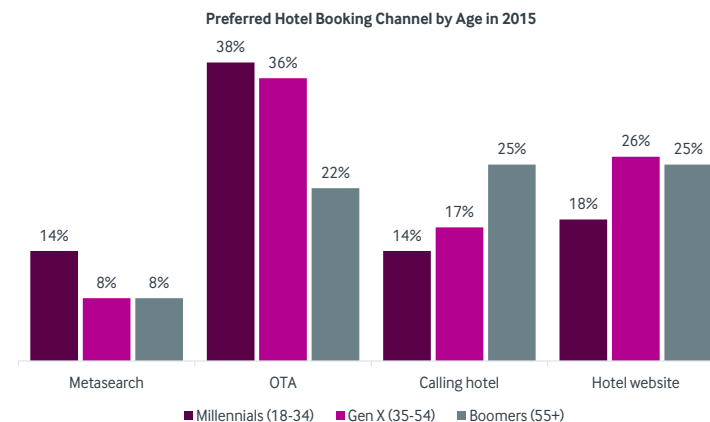
Globalisation. Between 2005 and 2015, OTAs like Booking.com and Expedia expanded global reach, introducing margin pressure and challenging brand power. By 2015, **38% of US Millennials booked hotels via OTAs** (Phocuswright), signalling a generational shift toward **convenience, comparison, and digital trust**. Airbnb's 2008 launch further disrupted traditional service-led models, offering independence and aggregating accommodation, experiences, and trip planning, effectively replacing traditional travel agents and driving modular, self-directed travel. By 2015, **Airbnb had over 1.5 million listings across 190 countries**, with 50% of its revenue coming from Europe and 30% from the United States. These platforms reshaped distribution and competition, forcing hotels to invest in SEO, direct booking tools, and digital presence, moving the battleground from physical product to online visibility.

Connectivity. The launch of the iPhone in 2007 and the rise of Web 2.0, transformed how guests interacted with hotels. Social media, mobile apps, and review platforms like TripAdvisor shifted influence from brands to peers, with **96% of TripAdvisor users reading reviews** and **83% referencing them before making a booking**.

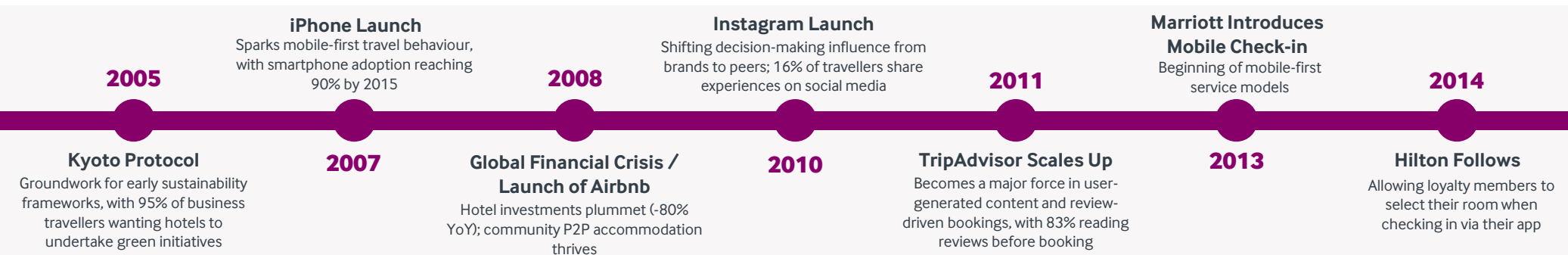
Hotels adopted mobile-first strategies, with innovations like Marriott's **mobile check-in** (2013), and Hilton's rollout in 2014, setting new expectations for speed and autonomy. Connectivity became a central to the guest experience, enabling real-time engagement and faster decision-making cycles for both guests and operators.

Crisis. In light of the Global Financial Crisis (2008), **global hotel investment volumes dropped by over 80%**, forcing operators to adopt leaner models and focus on operational resilience. Brands responded with accelerated asset-light strategies, through the growth of Hotel Management Agreements (HMAs) and Franchise as well as value-driven offerings, while guests became more price-sensitive and cautious.

This period also saw the early **rise of environmental awareness**, influenced by frameworks like the **Kyoto Protocol**, prompting initial CSR and sustainability initiatives. Together, these forces reshaped investment priorities and guest expectations toward **resilience, authenticity, and responsibility**. According to a 2009 Deloitte survey, **95% of business travellers** believed the hotel industry should be undertaking "green" initiatives.



The convergence of globalisation, mobile connectivity, and financial volatility redefined the guest journey. Travellers became **digitally empowered**, relying on OTAs and peer reviews for decisions, while mobile technology enabled **seamless, self-directed experiences**. Economic uncertainty raised expectations for **value, reliability, and trust**. OTAs expanded reach but challenged brand relevance, creating intense competition for visibility and loyalty. Hotels responded by investing in technology, direct booking platforms, and loyalty programmes. The guest evolved into a **connected, autonomous decision-maker**, expecting intuitive digital interfaces, consistent quality, and personalised engagement.



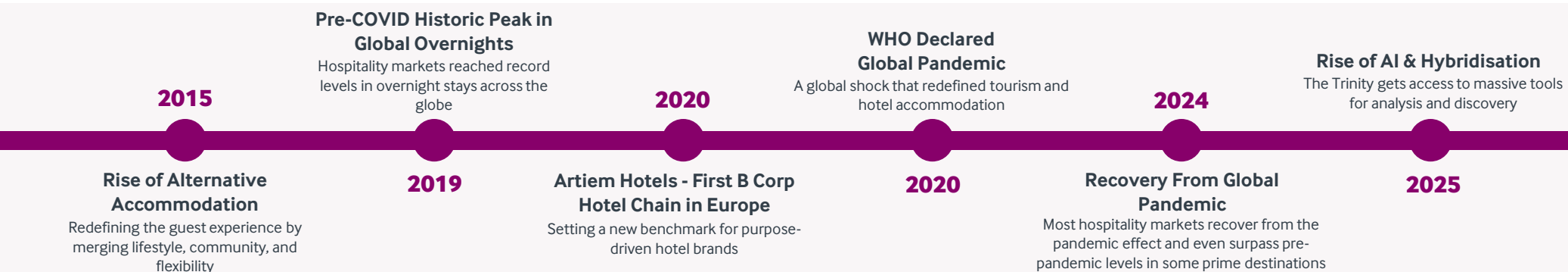
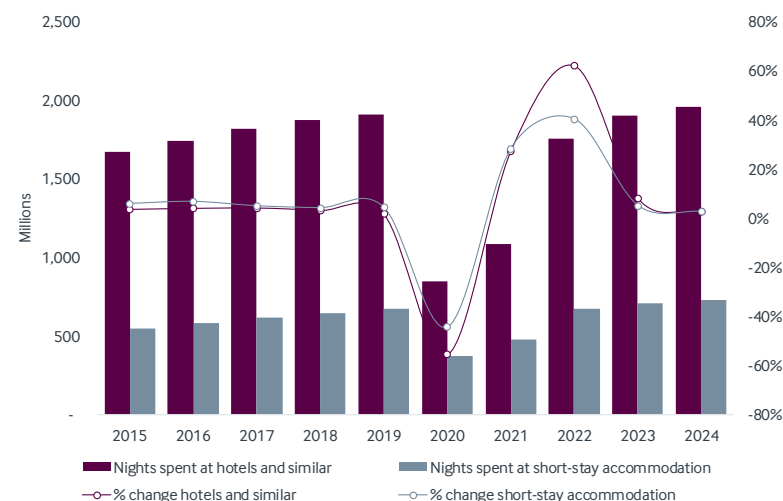
2015-2025

Transformation Under Pressure - Polarisation, Acceleration, and Resilience

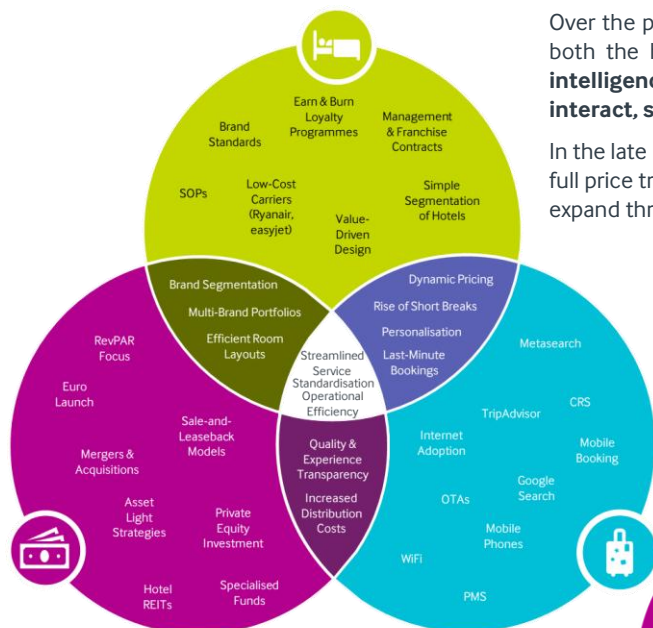
Accelerated Expansion. The period between 2015 and 2025 saw the rise of alternative accommodation models, alongside accelerated growth in the hotel industry, which peaked in 2019 before the global pandemic disrupted global travel. During the years 2015 to 2018, the Trinity prioritised hyper-personalisation of the guest experience, marking a shift towards deeper societal and investment trends. From **branded residences** and **co-living spaces** to hybrid hospitality concepts, the 2015-2025 era has been defined by a growing emphasis on community, flexibility, and lifestyle integration. These models blur the lines between living, working, and traveling, offering guests and residents more than just a place to stay - they offer a **sense of belonging and purpose**. For hotel companies, this led to the launch of several lifestyle hotel brands, including Canopy by Hilton, Hyatt Centric, and Moxy Hotels by Marriott, among others. These brands enabled operators to better respond to evolving guest preferences, resulting in higher satisfaction levels, increased loyalty, and improved financial performance for both operators and investors. The accelerated expansion of the tourism industry was not exclusively affecting hotels, as **Airbnb** turned into action launching **"Experiences"** in 2016, expanding the business beyond just accommodations, forcing traditional hotel companies to rethink what experience they provide to guests. Later between 2017 and 2020 Airbnb surpassed most traditional hotel groups on listings, creating paths for their IPO in December 2020.

Global Pandemic. Following the accelerated expansion and better alignment of the Trinity's interests during the early 2010s, in 2019 most tourist destinations reached record levels in overnight stays. This peak marked the culmination of a decade of sustained growth, driven by the widespread adoption of asset-light models and the globalisation of distribution platforms and alternative lodging options like Airbnb. The **COVID-19 pandemic** in early 2020 marked a turning point for the hospitality industry, accelerating trends that had previously evolved slowly. **ESG principles** became central to investment and operational strategies, with hotels adopting sustainable practices and community-focused initiatives. Digital transformation also surged, making technologies like **contactless check-in, mobile keys, and cashless transactions** standard. A 2024 Hilton study found that **63% of travellers prefer digital keys** for convenience.

Recovery and Reinvention. By the end of 2024, most hospitality markets had recovered from the pandemic's impact, with **international tourism arrivals reaching 1.5 billion** (UN Tourism). In 2025, the industry entered a new phase defined by **AI-driven personalisation and hybridisation**. Operators are leveraging data to tailor guest experiences in real time, while investors and brands embrace flexible formats that blend leisure, work, and community. The Trinity continues to evolve around purpose, efficiency, and experience, whilst hotels evolve into **multi-purpose hubs**: no longer just beds, but spaces for living, working and reconnecting, shaping the future of hospitality.

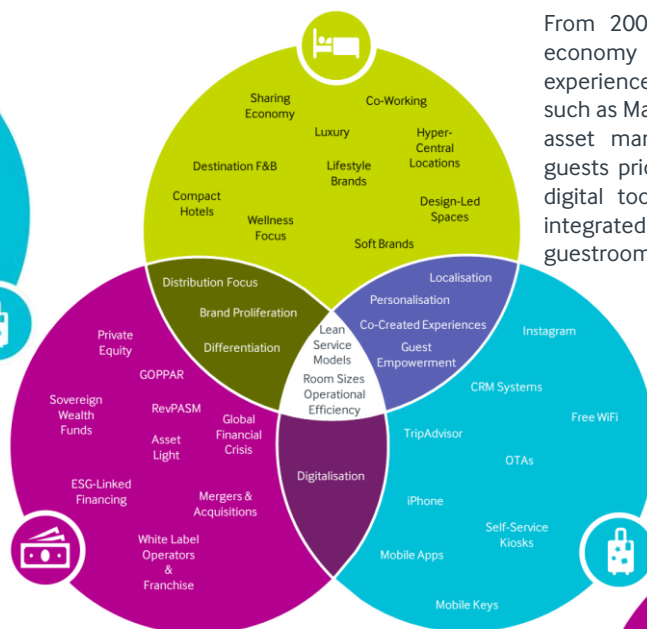


1995-2025 - Summary of Key Influences

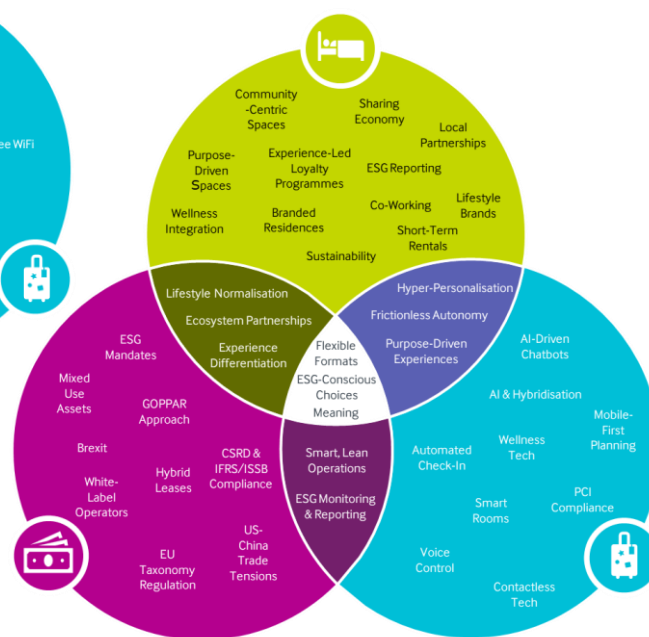


Over the past three decades, the Trinity of **Guests**, **Operators & Brands**, and **Investors** has acted as the invisible hand, shaping both the hotel product and the guest experience. **Each decade's disruptions, from the rise of the internet to artificial intelligence, have not simply redefined tools or markets; they have continuously rebalanced how these three actors interact, setting the pace of hospitality's evolution.**

In the late 1990s and early 2000s, online travel agencies, digital bookings, and low-cost carriers shifted power to guests, who gained full price transparency and drove demand for DIY planning, short stays, and value, prompting operators to standardise products and expand through investor-backed structures like sale-and-leasebacks and REITs.



From 2005-2015, social media, smartphones, and the sharing economy pushed travellers toward design-led, authentic experiences, leading operators to launch lifestyle and soft brands such as Mama Shelter and citizenM, while investors moved to active asset management and OpCo/PropCo models. By 2015-2025 guests prioritised well-being and sustainability; operators adopted digital tools and automation for personalisation; and investors integrated ESG and analytics, shifting value creation beyond the guestroom to the wider experience ecosystem.



Today, the Trinity functions as an interdependent system. **Guests** define meaning and intent. **Operators** translate it into tangible design and service concepts. **Investors** sustain it through capital, governance, and long-term perspective. Together, they have transformed hospitality from a product business into a living system built on alignment between human, operational, and financial capital.

And yet, for all the progress made, one dimension of this transformation remains incomplete. While capital, design, and technology have been rebalanced, the human element has not. The very people who deliver the guest experience: the employees, the teams, the makers of hospitality have not evolved at the same pace as the systems that surround them.

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Three Decades Through the Lens of the Trinity

DISRUPTIONS TO TRINITY



The New Equilibrium (1995-2005)

Internet
Digital PMS
OTAs
Euro Cash & Schengen
9/11 Attacks
Low-cost carriers

DIY travel planning
Increased travel frequency
Value-for-money

Standardisation (bedding wars)
Brand segmentation
Yield management

Sale-and-leaseback deals
REIT structures
Margin protection

PRODUCT & SERVICE REBALANCING

Standardised products
Bedding wars
Consistent breakfast offering
Paid wired internet
Business centres
Basic gyms

Efficiency and uniformity
Room Service
Manual processes
Communication via landline phones
Earn & burn loyalty programmes

GUEST EXPERIENCE



Pre-stay

Rewired (2005-2015)

Social Media
Global Financial Crisis
Web 2.0 / iPhone
Sharing Economy
Kyoto Protocol

Design-led and authentic experiences > commoditised rooms

Lifestyle & Soft Brands > Global Standardised Brands
Tech-enabled service

Asset-Light > Bricks & Mortar
OpCo/PropCo split
Premium assets

Self check-in kiosks
Mobile booking
In-stay engagement tools
Personalised offers
Co-created local & authentic experiences

Open lobbies
Co-working
Destination restaurants
Mobile/Smartphone
Key Access
Free high-speed WiFi
Smart rooms

During stay



Rebalanced (2015-2025)

Artificial Intelligence
ESG Regulations
DEI
COVID-19
Cybersecurity/ Data Privacy

Staycations
Bleisure trips
AI travel planning
Ethical travel
Health mindset

ESG reporting
Enhanced H&S protocols
Data-driven operation
Contactless tech

ESG investment criteria
Asset class shift
Predictive analytics

Co-living
Branded residences
Locally sourced food
Spa partnerships
Sustainability features
Voice-activated controls
In-room fitness

AI concierge
Service robots
VR/Metaverse experiences
Messaging apps
Experiential rewards programmes

Retention

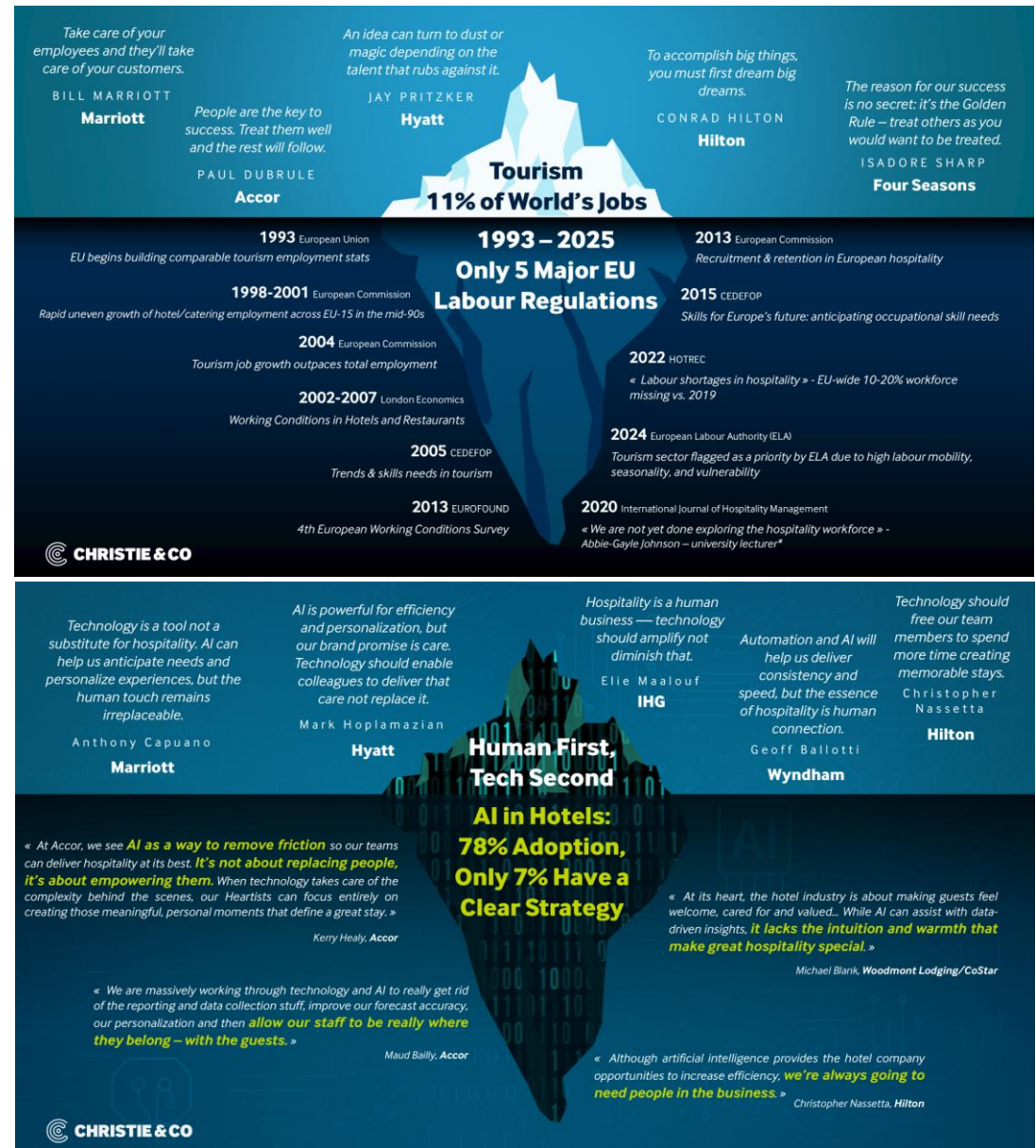


As the hospitality sector enters the next three decades, it does so at a critical juncture shaped by thirty years of accumulated structural pressures: relentless efficiency optimisation, sustained cost compression, and rapid technological acceleration. These forces have produced a profound human imbalance within the industry. Labour indicators illustrate the depth of this shift, with hospitality vacancy rates across major European markets consistently hovering around 3%, almost twice the 1.6% average seen across other industries, and the WTTC projecting a potential shortfall of 1.2 million accommodation workers in the EU by 2035.

These dynamics have converged to create a breaking point both operationally and socially. The industry now faces a new reality in which the worker and the traveller are increasingly one and the same, sharing expectations around flexibility, purpose, agency, and recognition. The widening labour gap, amplified by cross-sector competition, post-pandemic mobility trends, cost-of-living pressures, and long-standing structural challenges in pay, working conditions, and demographic shifts, has fundamentally altered employee leverage. Talent now returns with stronger bargaining power and a more decisive role in shaping the future contours of the sector.

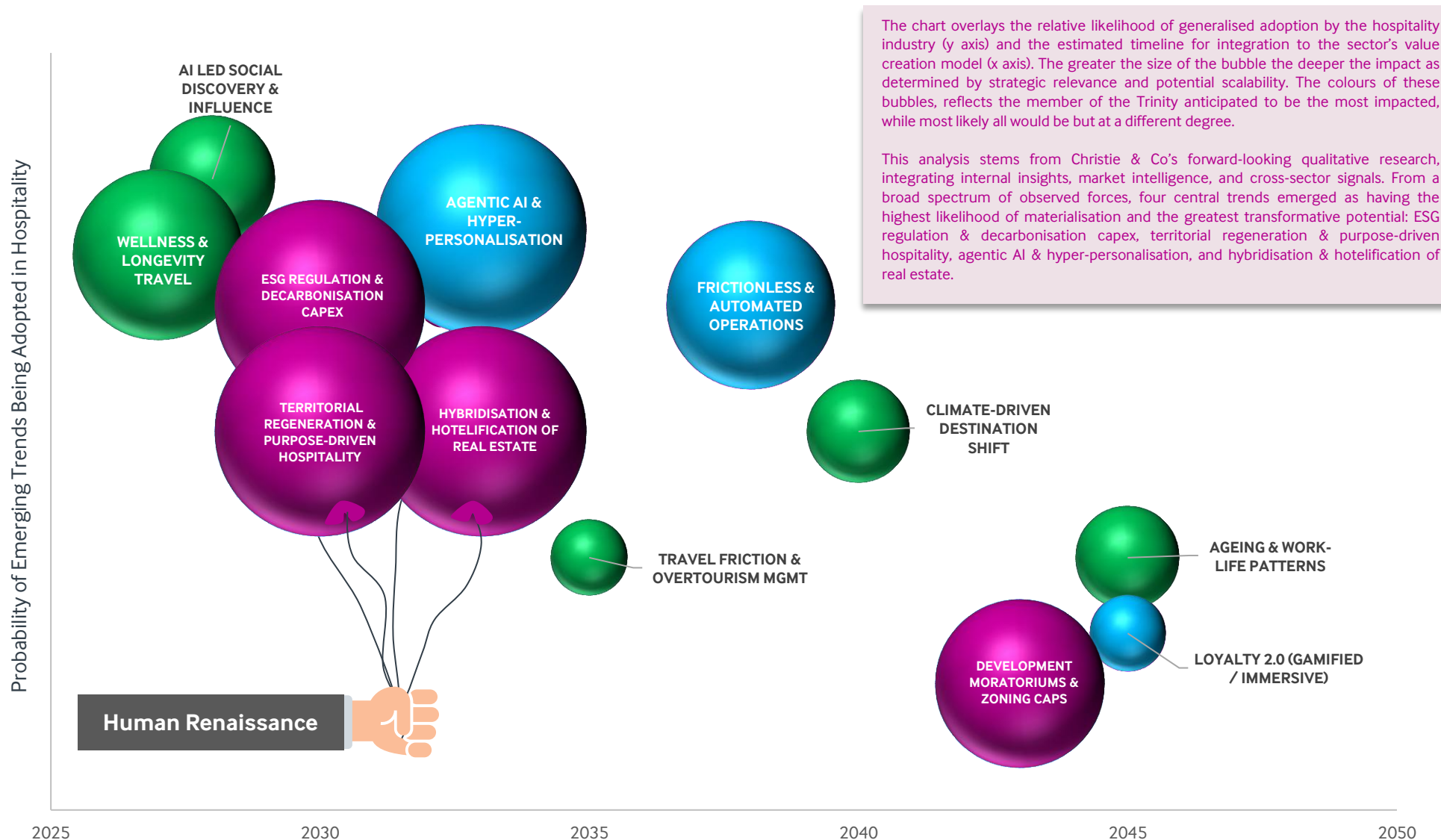
This moment calls for a strategic realignment of the Hospitality Trinity, positioning employees at its centre. The Human Renaissance is not a nostalgic return to pre-industrial craftsmanship; it is a call for co-creation. It represents a shift from a system optimised primarily for efficiency to one anchored in empathy, partnership, and shared value. Technology, long viewed as a substitute for labour, emerges instead as an enabler, augmenting human capability, expanding creativity, and supporting the delivery of consistently differentiated experiences.

The next era of competitiveness will belong to leaders who conceive organisations as adaptive and interconnected ecosystems in which human and digital intelligence progress in tandem. In this model, employees evolve from operational resources to genuine co-architects of value alongside guests, operators, and investors, thereby redefining the sector's capacity to respond with agility, meaning, and purpose to the expectations of the modern traveller.



2025-2055

30 Years Ahead - Sticky Trends and Impact Shaping the Future



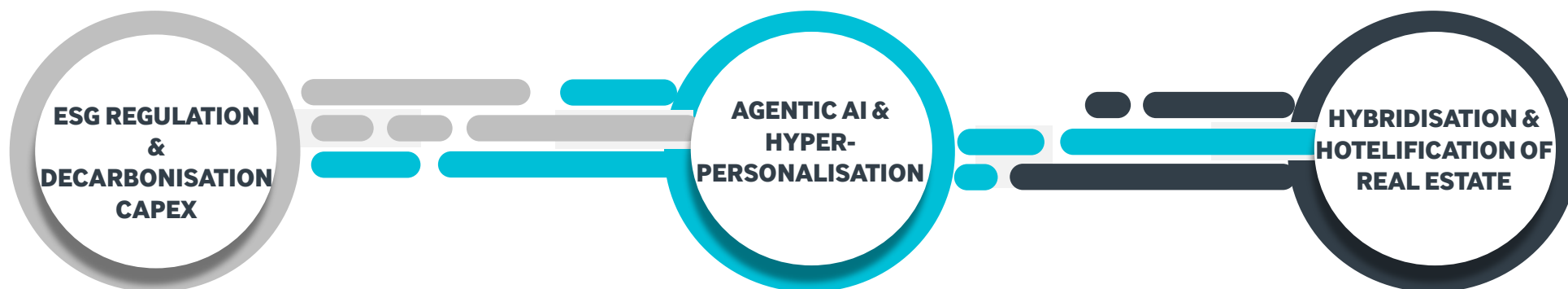
2025-2055

Hospitality Reimagined - The Forces Shaping our Sector for the Next 30 Years

Building on the retrospective analysis, the report identifies three development paths that will define the sector's structural evolution over the next three decades:

- **Responsible Intelligence** - AI-driven personalisation with ethical and ESG accountability
- **Living Assets 3.0** - Hybrid, multifunctional real estate that adapts dynamically to user needs and regulatory environments
- **Reviving Territories** - Regenerative hospitality models that revitalise rural regions, repurpose existing assets, and distribute tourism benefits more equitably

The research concludes that the industry's long-term success will depend on a strategic realignment around its people, with employees recognised as central contributors to value creation and guest experience. Technology must be deployed as an enabler that frees capacity for higher-value human interactions, reinforcing service quality and emotional connection. Sustainability and ESG must be embedded as guiding principles across both operations and investment decisions. Hotels that embrace hybridisation and spatial flexibility will be better positioned to meet evolving guest expectations, while regenerative development, through rural revitalisation and adaptive reuse, offers a pathway to unlock new business models and deliver meaningful social and environmental impact.



Scenarios - Key Takeaways

Responsible Intelligence

- Tech systems become infrastructure, not just front-line enhancements
- Data + AI reduce reliance on sheer headcount
- Operational agility and real-time insight become sources of differentiation

Companies can invest in modular operating systems and dynamic yield and labour tools, integrating them across portfolios to increase margins, reduce operating costs, and build data-driven asset platforms.

Living Assets 3.0

- Hybrid use unlocks new revenue streams, reducing dependency on peaks/troughs
- Flexibility in space & time helps absorb labour constraints and shifts usage dynamics
- Modular, tech-enabled assets attract premium operators

This is a chance for investors to reposition existing assets (or design new ones) for hybrid usage: co-living, work-stay, wellness retreats.

Reviving Territories

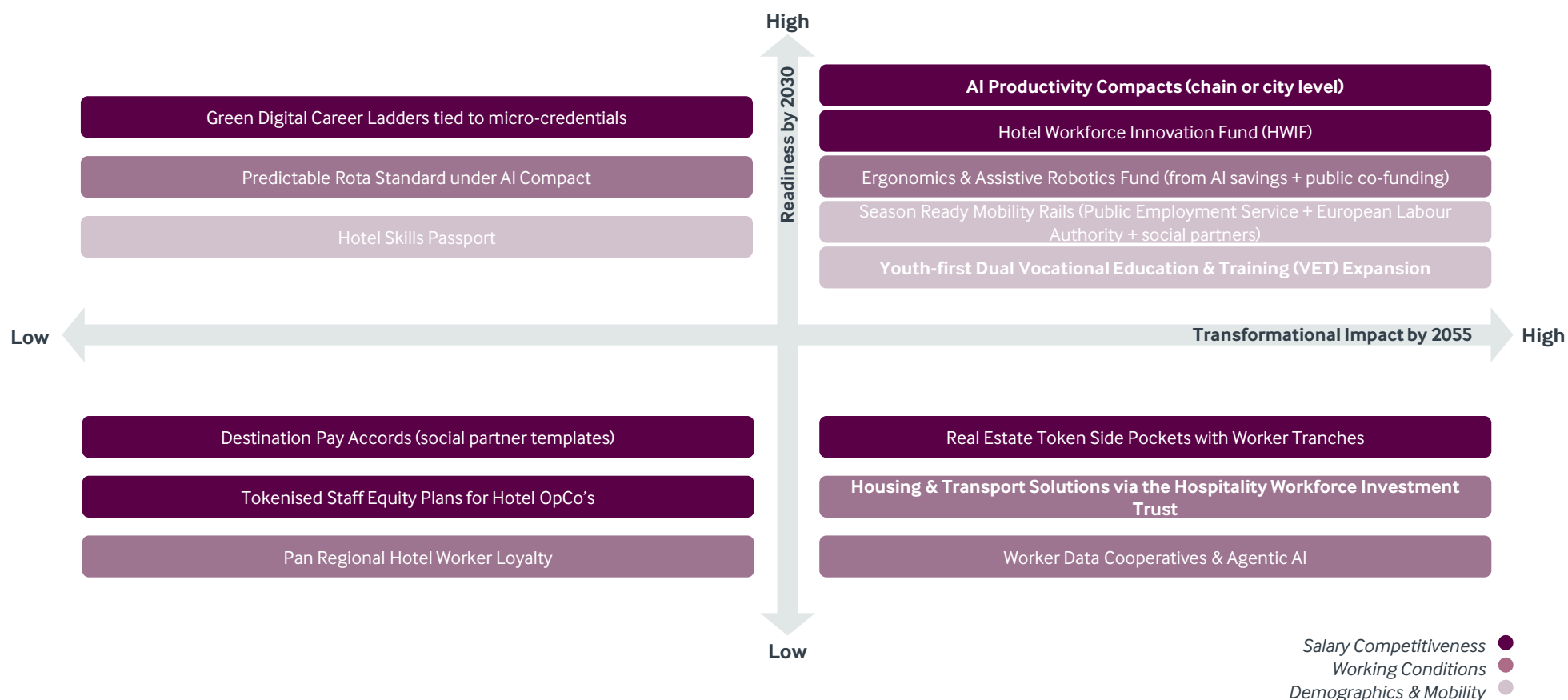
- Guest demand consolidates around authentic, regenerative destinations
- Regeneration and adaptive reuse create long-term yield stability and ESG upside
- Rural and secondary markets become strategic frontiers for growth

By partnering with regional operators and leveraging capital scale, companies can turn regeneration into a low-volatility, impact-aligned investment model.

2025-2055

Employee-Powered Levers for Change - From Risk to Resilience

To address the structural challenges of **low pay, unsocial hours, mobility and demographic headwinds**, magnified by an ageing population and tighter migration rules, the next decade demands bold action. The Strategic Report introduces **14 worker-powered initiatives**, grouped into three strategic pillars: **Salary Competitiveness (SC)**, **Working Conditions (WC)**, and **Demographics & Mobility (DM)**. Each is designed to deliver measurable improvements in talent attraction, retention, and operational resilience, while aligning with ESG and regulatory frameworks. Beyond immediate impact, these actions serve as a catalyst for profound transformation, creating the foundation for and enriching any future initiatives driven by the Trinity - guests, operators & brands, and investors.



2025-2055

Unlocking Human Capital - A Blueprint for Sustainable Transformation

Our analysis confirms that the European hotel sector faces a persistent and widening labour supply-demand gap, driven by structural challenges in wages, scheduling, demographics, and mobility. **Despite decades of growth and brand proliferation, the role of employees has remained under-leveraged.** The next 30 years present a strategic inflection point: integrating employees as co-designers, data stewards, and mobility agents within the Trinity, alongside guests, operators, and investors, **can unlock new pathways for innovation, resilience, and value creation.**

Investor opportunities lie in supporting scalable, worker-powered initiatives that align with emerging regulatory frameworks (EU AI Act, Pay Transparency Directive), demographic shifts, and technology tailwinds. Initiatives such as AI Productivity Compacts, HWIT for housing and transport, and Dual VET Expansion offer **measurable benefits: improved retention, enhanced guest experience, and reduced governance risk**, while unlocking access to impact-linked capital.

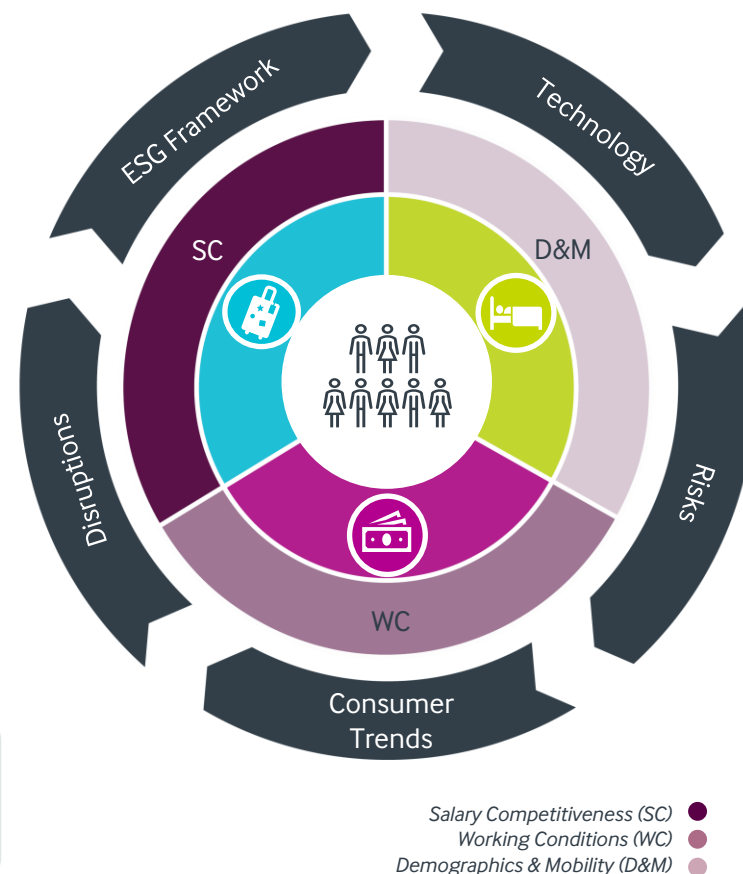
Yet, the path to realising these benefits is not without obstacles. **Three structural risks could slow or limit the materialisation of the worker-powered initiatives suggested in this report:**

- **AI Misuse and Bias:** As algorithmic management becomes mainstream, risks of discrimination and opaque decision-making rise. Compliance with the EU AI Act's "high-risk" obligations, such as documentation, monitoring, and human oversight, will be critical, alongside independent audits and OECD-aligned governance.
- **Fragmented Credential Standards:** Without harmonised frameworks for skills verification, mobility and trust suffer. Anchoring to EU Digital Identity Wallet standards (EUDI) and EBSI profiles will be essential to ensure portability and interoperability of workforce credentials.
- **Migration Headwinds:** Tightening immigration policies could choke talent pipelines, especially in seasonal markets. Proactive collaboration with EU labour agencies and rights-by-design templates for contracts, wage floors, and housing will be necessary to sustain supply.

Even accounting for technological advancements and productivity gains from automation, the magnitude of the labour gap remains stark. Using WTTC employment forecasts and demographic projections as a proxy, the EU accommodation sector could face a **shortfall of up to 1.5 million workers by 2055.** This estimate assumes baseline demand growth aligned with tourism recovery and demographic contraction trends, highlighting that technology-induced efficiency gains alone cannot offset the structural decline in workforce availability.

Investors, including the Client, have a unique opportunity to lead this transformation. By investing in workforce innovation, aligning compensation with career pathways, and embedding employee-led solutions into asset and brand strategies, they can mitigate future cost inflation, enhance operational resilience, and contribute to a more equitable and attractive sector. **The time to act is now** - before the demographic crunch and structural gaps become irreversible.

The stakes are high: if this paradigm shift is not achieved, the EU is forecast to face a **staff shortage of up to 1.5 million workers in the accommodation sector by 2055.**



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