

2026

CBRE | EXCELLERATE

# INDIAN OCEAN HOTEL MARKETS

Performance Review 2025 | Outlook

Maldives | Mauritius | Seychelles | Sri Lanka | Zanzibar



## Regional Overview



Indian Ocean hospitality markets entered 2026 in a differentiated phase of stabilisation following the post-pandemic recovery cycle. While aggregate tourism demand across the region has largely normalised, underlying performance dynamics have begun to diverge. Markets are increasingly differentiating along structural positioning, development intensity and risk exposure.

### **Mature premium island markets (Maldives, Seychelles)**

These destinations continue to operate within a high-value, luxury-dominant tourism model. Performance remains anchored in pricing power, supported by constrained land availability, established global brand presence and strong international positioning. Revenue growth is primarily rate-driven, and investor interest remains concentrated in branded resort assets and repositioning opportunities.

### **Balanced diversified resort markets (Mauritius)**

Mauritius benefits from a broader demand base spanning Europe, Africa and the Middle East. Market performance is comparatively stable, supported by moderate pipeline exposure and structured development frameworks. As a result, volatility is lower relative to regional peers, and the destination continues to attract institutional capital seeking stable hospitality yields.

### **Recovery and repositioning markets (Sri Lanka)**

Sri Lanka is progressing through a recovery phase following recent macroeconomic disruption. Tourist arrivals and tourism earnings strengthened through 2025, with further expansion anticipated in 2026. Market performance remains sensitive to political, climate and currency conditions; however, integrated resort and mixed-use developments are gradually upgrading the country's upper-tier hospitality product.

### **Growth markets with pipeline exposure (Zanzibar)**

Zanzibar continues to gain international visibility and demonstrate improving pricing trends. However, demand growth has moderated in the most recent period while development activity remains relatively elevated compared with existing inventory. Infrastructure capacity and development execution risk are therefore becoming increasingly relevant considerations for investors.

# Key Regional Themes



## Rate-led Revenue Growth

Across several Indian Ocean markets, ADR growth has outpaced occupancy expansion. This trend reflects improved pricing discipline and product repositioning rather than broad-based demand growth. In mature resort destinations, RevPAR performance continues to be primarily supported by rate integrity.



## Airlift as a Structural Performance Driver

Air connectivity remains the single most influential factor shaping tourism performance. Route expansion, seasonal flight frequency and source-market diversification directly influence occupancy stability and shoulder-season demand depth.



## Uneven Pipeline Distribution

Supply risk varies significantly across the region. The Maldives and Zanzibar exhibit relatively visible development pipelines, while Seychelles remains structurally constrained. Mauritius and Sri Lanka sit between these extremes, with development activity closely linked to macroeconomic conditions and capital availability.



## Infrastructure and ESG as Investment Filters

Energy security, water management, environmental compliance and transport infrastructure are becoming central considerations in hospitality feasibility and asset valuation. Markets with clear regulatory frameworks and stronger infrastructure capacity continue to attract greater institutional investment interest.



## Increasing Capital Selectivity

Investor strategies are gradually shifting from broad regional exposure toward asset-specific selectivity. Key underwriting considerations increasingly include:

- Brand strength and distribution capability
- Sustainable operating cost structures
- Resilience to seasonality
- Alignment with high-value leisure demand segments

MALDIVES

The Maldives remains the region’s benchmark luxury resort market, characterised by strong pricing power and a continued expansion of high-end supply.

▲ 829

Number of new rooms (2025)

▲ 67%

Occupancy (2025)

▼ USD 558

ADR (2025)

▼ USD 360

RevPAR (2025)

▲ ~2.25 million

International Visitor Arrivals (Jan – Dec 2025)

**Tourism**

Tourism demand has transitioned from recovery into structural normalisation, supported by diversified long-haul leisure travel. Europe remains the largest source market, complemented by growing demand from India and the Middle East, while Chinese outbound travel continues to rebuild gradually. As a purpose-built resort destination with limited domestic demand and minimal corporate travel, the Maldives remains heavily dependent on international air connectivity. As a result, airline network expansion and long-haul travel conditions remain central to tourism performance.

**Demand**

Hotel performance remains fundamentally yield-driven. Premium pricing continues to characterise the market, particularly within luxury and upper-upscale segments that dominate the supply profile. Revenue resilience has been supported more by rate stability than by occupancy growth, reflecting disciplined market

positioning despite rising competition across individual atolls. Demand remains predominantly leisure-oriented and seasonal, with booking behaviour influenced by global consumer confidence, exchange rate movements and long-haul travel costs. The Maldives continues to maintain the strongest pricing profile in the region, underpinning its leading RevPAR performance.

**Supply**

Development activity remains active relative to market scale, with several new luxury resorts delivered and additional projects progressing through the pipeline. New supply continues to concentrate in high-end resort formats, reinforcing the destination’s premium positioning while increasing competitive intensity within specific island clusters. The prevailing development model of single-island resorts limits overall density but increases capital requirements per project. With pipeline growth concentrated in the luxury segment, future competition is likely to centre on product differentiation rather than aggressive pricing.

**Outlook**

The Maldives enters 2026 with stable but externally exposed market fundamentals. Future performance will depend on long-haul air connectivity, consumer conditions in Europe and Asia, the pace of Chinese outbound recovery and operating cost pressures. Growth is expected to moderate following the post-pandemic rebound, with revenue performance supported primarily by pricing discipline rather than significant occupancy expansion. The destination is likely to retain its position as the region’s highest-yield resort market, although absorption of new luxury supply will remain a key performance determinant.



**Notable deal in 2025**

1



**Properties under construction**

15



**Plan to open in 2026**

8

MAURITIUS

# Mauritius continues to record the highest occupancy levels, supported by diversified tourism demand and a relatively limited development pipeline.



### Tourism

Tourism in Mauritius benefits from a diversified source-market structure, with Europe remaining the primary driver of arrivals while regional African travel provides additional demand depth. Long-standing open air access policies and strong connectivity to major European hubs support consistent visitor flows.

Unlike more exclusive island resort markets, Mauritius combines leisure tourism with residential, business and extended-stay segments, creating a broader and less seasonal visitor profile. This diversification reduces reliance on a single demand segment and strengthens resilience to short-term demand fluctuations.

### Demand

Hotel performance reflects this balance between volume and yield. The market demonstrates consistently strong utilisation levels supported by leisure, corporate and long-stay demand segments.

Revenue growth has been largely demand-driven rather than pricing-led, indicating stable operating conditions. While luxury and upper-upscale properties shape the destination’s global positioning, the upscale segment plays an important role in sustaining occupancy depth and broadening the visitor base.

### Supply

Development activity remains measured. Recent additions have been relatively modest, and the forward pipeline is limited compared with overall market size. New projects are largely positioned within the upscale category rather than large-scale luxury resort developments.

Investment activity increasingly focuses on refurbishment, repositioning and brand alignment, reflecting the characteristics of a maturing hospitality market where quality enhancement is prioritised over rapid inventory growth.

### Outlook

Mauritius enters 2026 with stable market fundamentals and limited near-term supply pressure. Forward performance will remain closely linked to European economic conditions, regional competitive dynamics and the stability of air connectivity.

Growth is expected to remain moderate, supported by consistent demand trends and ongoing product upgrades rather than significant structural expansion.

 **Notable deal in 2025**  
n/a

 **Properties under construction**  
2

 **Plan to open in 2026**  
1

SEYCHELLES

Seychelles’ hospitality market is defined by structural supply constraints and high visitor spending, reinforcing a yield-focused tourism model.



**Tourism**

Tourism has moved beyond the immediate post-pandemic recovery phase and entered a more stable operating environment. Visitor flows remain heavily reliant on European source markets, making demand sensitive to Eurozone economic conditions and exchange-rate movements. Air connectivity through Middle Eastern hubs continues to support long-haul accessibility, although overall airlift capacity remains structurally constrained.

National tourism policy emphasises low-density development and environmental protection, reinforcing Seychelles’ positioning as a high-spend leisure destination rather than a volume-driven market.

**Demand**

Hotel performance continues to be anchored in the luxury segment.

Pricing discipline remains central to revenue stability, with demand primarily leisure-based and strongly seasonal. Despite global inflationary pressures and rising travel costs, Seychelles has maintained strong per-visitor expenditure levels. Revenue trends therefore remain more rate-supported than occupancy-driven, consistent with the destination’s emphasis on yield management.

**Supply**

Development activity remains selective. Following the removal of earlier project moratoriums, approvals have resumed under controlled planning frameworks. New developments are largely positioned within upscale categories.

Structural constraints including limited land availability, environmental regulation and infrastructure capacity continue to restrict large-scale expansion, limiting oversupply risk and supporting medium-term pricing resilience.

**Outlook**

Seychelles enters 2026 with stable fundamentals but continued exposure to external economic factors. Key variables include European economic performance, currency stability, aviation capacity and operating cost inflation.

Market growth is expected to align more closely with long-term averages, supported by controlled supply expansion and sustained luxury demand.



**Notable deal in 2025**

n/a



**Properties under construction**

1



**Plan to open in 2026**

1

SRI LANKA

# Sri Lanka's hospitality sector remains in a recovery phase characterised by occupancy-led improvement and macroeconomic sensitivity.

▲ 260

Number of new rooms (2025)

▲ 59%

Occupancy (2025)

▲ USD 110

ADR (2025)

▲ USD 58

RevPAR (2025)

▲ ~0.38 million

International Visitor Arrivals (Jan – Dec 2025)

## Tourism

Tourism performance remains closely linked to macroeconomic and political stability. Following the recent economic crisis, improved fiscal management, currency stabilisation and renewed international engagement have supported a gradual recovery in visitor demand. The destination benefits from a diversified source-market base, with India emerging as an increasingly important regional market alongside traditional European demand.

Currency depreciation has also strengthened price competitiveness, positioning Sri Lanka as a value-oriented destination within the Indian Ocean. Nevertheless, air connectivity, fuel costs and broader global economic conditions continue to influence tourism recovery, while seasonal demand patterns remain shaped by monsoon cycles and European travel trends.

## Demand

Hotel performance has largely been volume-led rather than rate-driven. Sri Lanka's tourism model encompasses coastal resorts, heritage tourism, wildlife travel and urban corporate demand, supporting occupancy recovery while moderating overall pricing levels.

Recent performance trends indicate improving utilisation and gradual rate normalisation. However, revenue remains sensitive to global travel sentiment and domestic cost pressures.

## Supply

Development activity has resumed selectively following earlier macroeconomic uncertainty. The current pipeline includes a mix of upscale and internationally branded properties, although a significant portion of supply remains independently operated. Project timelines have in some cases been extended due to financing conditions and currency volatility.

Future development activity will depend on continued economic stabilisation and improvements in aviation and transport infrastructure.

## Outlook

Sri Lanka enters 2026 in a continued normalisation phase. Future performance will depend on sustained macroeconomic reform, exchange-rate stability, investor confidence and reliable international air connectivity.

Market growth is expected to remain occupancy-supported, with rate expansion occurring gradually as demand stabilises.



**Notable deal in 2025**

n/a



**Properties under construction**

5



**Plan to open in 2026**

3

ZANZIBAR

Zanzibar is transitioning from an emerging destination toward a more established resort market, supported by increasing international visibility and expanding upscale supply.

▲ 286

Number of new rooms (2025)

▼ 61%

Occupancy (2025)

▲ USD 233

ADR (2025)

▲ USD 183

RevPAR (2025)

▲ ~2.36 million

International Visitor Arrivals (Jan – Dec 2025)

**Tourism**

Tourism demand has grown steadily as Zanzibar gains recognition within the Indian Ocean leisure market. The destination offers a diversified tourism proposition combining coastal resort experiences with cultural and heritage attractions centred on Stone Town.

Its accessibility and competitive pricing position Zanzibar as a mid-to-upper tier leisure destination within the region.

**Demand**

Leisure travel remains the primary driver of hotel demand, supported by European tour operator networks and growing international awareness. The destination attracts a broad leisure segment that includes both midscale holiday demand and a growing number of upscale resort travellers.

This diversified demand base supports relatively stable utilisation levels while moderating overall rate positioning.

**Supply**

Hotel development activity has accelerated as investor interest in the destination increases. The pipeline is largely concentrated in upscale and upper-upscale resort developments, reflecting a gradual shift toward higher-quality accommodation and increased international brand participation.

However, a large proportion of existing hotel inventory remains independently operated, highlighting a fragmented ownership structure.

**Outlook**

Zanzibar enters the medium term with positive tourism momentum but increasing development visibility. Continued improvements in air connectivity and international awareness are expected to support visitor growth.

However, the expanding development pipeline will require sustained demand growth to maintain market balance.



**Notable deal in 2025**

n/a



**Properties under construction**

8

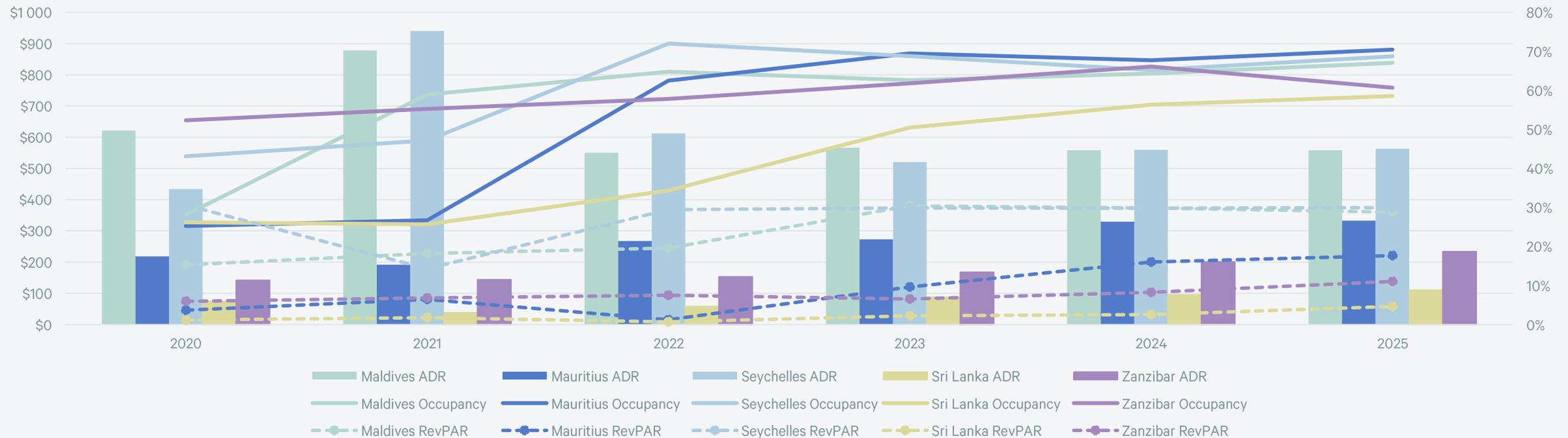


**Plan to open in 2026**

6

COMPARATIVE HOSPITALITY PERFORMANCE TRENDS (2020–2025)

- Over the past five years, **Seychelles and the Maldives have consistently demonstrated the strongest pricing power** among Indian Ocean hospitality markets, maintaining the highest ADR and RevPAR levels in the region.
- During the same period, **Mauritius recorded the most significant RevPAR growth**, particularly from 2023 onward, supported by strengthening occupancy and gradual rate increases.
- **Zanzibar has experienced steady improvements in both ADR and RevPAR**, reflecting increasing tourism demand and continued market maturation.
- **Sri Lanka has remained in a recovery phase**, with performance gradually improving as both occupancy and room rates rebuild following earlier macroeconomic disruptions.



# Thank you

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