

INVESTOR PERSPECTIVES / SEPTEMBER 2026

AI & the Next Travel Expansion

The case for an AI-enabled travel boom – and what hospitality investors should underwrite.

ALTERRA EQUITIES

RESEARCH & INSIGHTS

09

THE INVESTMENT QUESTION

If intelligence becomes cheaper, could real-world experiences become more valuable?

For U.S., Indian and UAE investors and the wealth managers reviewing their allocations.

Executive perspective

AI could turn more travel intentions into actual journeys. For hospitality investors, the opportunity is to own the physical experience that software helps people discover.

The strongest case starts with friction. A holiday requires matching budgets, dates, transport, rooms and the preferences of several people. Better conversational planning, translation and coordination could reduce the time and uncertainty between wanting a trip and booking one. For some households, that could make an additional short break or unfamiliar destination practical.

The larger thesis is more ambitious: if AI raises productivity and disposable income, and if some of those gains become discretionary time, demand for in-person experiences could expand. Those are separate conditions, not an established causal chain. More efficient work can also mean higher output expectations, job displacement or less business travel.

Alterra investment view

AI is a plausible accelerator of travel demand and a potential source of operating efficiency. Acquire hotels at a defensible basis, improve the guest experience and distribution economics, and treat unproven AI-driven demand as upside rather than the foundation of debt service.

The opportunity	The discipline
More discovery and easier planning	Measure completed incremental stays, not chatbot traffic.
More spending on physical experiences	Test household affordability and destination access.
Better hotel operations	Measure net savings after systems, oversight and service costs.
Scarce assets meet wider demand	Check local competition, new supply and acquisition price.

Research perspective as of September 12, 2026. Forward-looking mechanisms and investment implications are Alterra analysis, not a forecast of the size or timing of a travel boom.

01 / What the evidence establishes

Travel already has substantial demand independent of AI. UN Tourism estimated 1.52 billion international tourist arrivals in 2025, up 4% from 2024. These are arrivals by overnight visitors, not unique people or hotel room nights; one traveler may generate several arrivals. [1]

Booking.com reported in July 2025 that 89% of surveyed consumers wanted to use AI in future travel planning. Its research covered more than 37,000 consumers across 33 markets. This is stated interest in using a tool, not proof of additional trips or a representative forecast of U.S. hotel demand. [2]

In October 2025, Booking.com announced Smart Messenger and Auto-Reply to support property-to-guest communication. The announcement demonstrates a practical deployment pathway; it does not establish independent evidence of higher industry travel volumes or hotel profit. [3]

Evidence category	What investors may conclude
Observed travel activity [1]	A large existing market; no identified AI contribution.
Consumer survey [2]	Potential receptiveness; intent can differ from behavior.
Company product announcement [3]	Implementation is underway; economics need verification.
Industry long-term scenario [4]	A context for demand; not an AI-specific forecast.

IATA’s March 2026 central scenario projects revenue passenger kilometers rising from 9 trillion in 2024 to 20.8 trillion in 2050, a 3.1% annual growth rate. Its scenarios reflect economic growth, population, fuel prices, energy transition and capacity. Distance-weighted air traffic is different from passenger counts and lodging demand. Do not label that projection an AI forecast. [4]

No source cited here identifies the aggregate causal effect of generative AI on incremental global hotel room nights. Establishing that effect would require a credible comparison with what would have happened without adoption.

02 / How AI could unlock more trips

Mechanism	Potential travel effect	What must be true
Planning and coordination	More intentions become bookings; complex family trips become easier.	The household can afford the trip and has available time.
Translation and confidence	Unfamiliar destinations become easier to navigate.	Reliable advice, transport and human support remain available.
Personalized matching	Travelers find suitable alternatives, dates and experiences.	The recommendation serves the traveler and offers genuine value.
Productivity and income	Some households may travel more frequently or spend more.	Gains reach households rather than only corporate profits.
Preference for physical experiences	Digital abundance may increase the appeal of shared experiences.	People choose travel over other uses of money and time.

The first three mechanisms mainly change the purchase process. The last two could expand the travel budget itself, but are more speculative. A customer-support study by Brynjolfsson, Li and Raymond found a 15% average productivity increase with AI assistance, with differences across workers. That result concerns issues resolved per hour in one work setting; it does not establish shorter workweeks, higher household wealth or more vacations. [5]

The conversion trap

A traveler who switches from a conventional search engine to an AI assistant and books the same holiday creates a new distribution path, not a new trip. Incremental demand means travel that would otherwise not have occurred.

Even an extra trip does not automatically add hotel demand: travelers may choose day visits, relatives' homes or other accommodation. Count paid room nights after cancellations, then assess which market and property captures them.

03 / Future travel patterns to watch

The following are forward-looking hypotheses for the next three to ten years. They are a framework for selecting and testing opportunities, not claims that these segments will grow at specified rates.

Potential pattern	Why AI could help	Property-level implication
More short breaks	Less research makes a two- or three-night trip easier to organize.	Drive-to access, weekend pricing and turnover costs matter.
More complex family travel	Planning tools reconcile ages, budgets and multiple schedules.	Room configurations, clear amenity information and reliable service.
Longer mixed-purpose stays	Flexible itineraries may combine work, leisure and family visits.	Workspace, connectivity and length-of-stay economics; employer policies still constrain demand.
Secondary destinations and shoulder seasons	Better matching may reveal alternatives to crowded, costly destinations.	Air access, local attractions and seasonality must support occupancy.
Wellness, nature and shared experiences	Some travelers may place greater value on time away from screens.	Authentic product and execution; expensive repositioning needs its own return case.
More personalized international journeys	Translation and coordination reduce unfamiliarity.	Multilingual guest information and service recovery; entry requirements remain binding.

AI can also concentrate demand. Recommendation systems may repeatedly favor highly rated, well-documented brands or properties with advantageous commercial relationships. Discovery does not necessarily democratize access for every independent hotel.

For a U.S. hospitality mandate, global growth is only the starting point. Underwrite source markets, flight links, drive-to populations and the property's demand generators. More outbound travel from India or the UAE need not translate into more visits to the United States.

04 / Who captures the economic value?

More bookings can coexist with lower owner margins.
Distribution is part of the investment thesis.

An AI assistant may become an intermediary between a guest and a hotel, or it may operate inside an existing online travel agency. Either way, the owner needs to understand the cost of acquiring the guest, who controls the relationship and whether a future stay can be earned directly.

Owner action	Economic purpose
Maintain accurate property information	Keep room types, accessibility, fees, policies and availability consistent across authorized channels.
Measure channel economics	Track commissions, paid media, technology fees, refunds and net room revenue by booking source.
Improve direct guest relationships	Earn repeat visits through service and appropriate consent; avoid assuming a tool removes intermediaries.
Use AI with operating oversight	Pilot guest messaging and administrative support with escalation to staff, accuracy checks and secure data handling.
Protect the actual experience	A booking promise must match the room, service and amenities delivered. Poor reviews can offset discovery gains.

AI-assisted revenue management may improve pricing decisions, but rivals have access to similar tools. The durable advantage may come from an attractive acquisition basis, a differentiated property, trusted operators and consistent execution rather than possession of software alone.

IQ, EQ and Terra

Analytical discipline identifies where demand and basis intersect. Relationships and judgment secure access and align operators. Ownership controls the guest experience and capital plan. AI can strengthen those capabilities; it does not replace them.

This is an original operating framework. No specific technology vendor, contractual fee level or implementation saving is assumed or recommended.

05 / Translate demand into cash flow

Consider a hypothetical 100-room hotel open 365 days a year. At 70% occupancy and a \$150 average daily rate (ADR), it sells 25,550 room nights and generates \$3,832,500 in annual room revenue. Revenue per available room (RevPAR) is \$105. All assumptions are illustrative.

Annual operating measure	Baseline	Demand upside
Available room nights	36,500	36,500
Occupancy	70%	72%
Sold room nights	25,550	26,280
ADR	\$150	\$150
Room revenue	\$3,832,500	\$3,942,000
RevPAR	\$105	\$108

A two-percentage-point occupancy gain adds 730 sold room nights and \$109,500 in revenue. Assume a 60% incremental contribution margin after variable servicing costs, before the new annual costs below: incremental contribution is \$65,700. With \$40,000 of additional annual technology and distribution costs, the modeled increase in net operating income is only \$25,700.

Sensitivity: all else held constant	Annual effect
One occupancy point at \$150 ADR	\$54,750 room revenue; \$32,850 contribution at 60%.
Break-even for \$40,000 annual added costs	About 1.22 occupancy points, or 444.4 room nights.
Two-point gain; added costs rise to \$70,000	NOI decreases \$4,300 despite higher occupancy.

Original hypothetical sensitivity, not an AI demand forecast or Alterra asset. Costs in the 60% contribution margin exclude the separately assumed new technology/distribution expense to avoid double counting. Other revenue and fixed costs are unchanged. Debt service, investor taxes, capital expenditure and valuation effects are excluded; NOI is not distributable investor cash flow.

06 / Underwrite the countercase

The travel boom thesis faces real constraints. A cheaper planning service cannot manufacture airline seats, hotel rooms, paid leave or disposable income. A better itinerary does not resolve visa access, geopolitical disruption or an unaffordable airfare.

Near-term conditions can diverge sharply from a long-term scenario. IATA reported global July 2026 RPK growth of only 0.2% year over year, with international RPK down 0.1%. Its release highlighted fuel costs, economic uncertainty and geopolitical tensions. A long-run growth case is not a smooth annual trajectory. [6]

Risk	How it can weaken the thesis
Labor displacement and income concentration	Productivity gains may bypass households or reduce spending among affected workers.
Business-travel substitution	Improved remote collaboration may replace some meetings and routine trips.
Capacity and affordability	Limited flights or rising costs can absorb willingness to travel before rooms are booked.
Distribution concentration	Intermediaries can capture the value through fees or control of discovery.
Demand redistribution	AI can move bookings between hotels or dates without growing total market room nights.
New supply and entry price	A genuine demand expansion can still produce disappointing returns if supply or acquisition prices outrun cash flow.

A disciplined base case

Use identifiable local demand, defensible rate assumptions, realistic operating costs and an executable capital plan. Stress lower occupancy, weaker ADR, delayed improvements and higher channel costs. Do not increase leverage merely because the technology narrative is persuasive.

07 / What would validate the thesis?

Track a chain of evidence from discovery to completed stays and owner cash flow. Where possible, compare a pilot with a similar untreated property or a controlled group, accounting for seasonality, events, rate changes and marketing spend. A before-and-after increase alone is weak evidence of causation.

Monitor	Useful decision question
AI-originated referrals and conversion	Are guests completing bookings, or only browsing?
Stayed room nights after cancellations	Are completed stays increasing across all channels?
Trip frequency and guest surveys	Was this an additional trip, a different destination or a different booking method?
Length of stay and day-of-week mix	Does the property gain off-peak demand or merely displace existing high-value stays?
Acquisition costs and net room revenue	Does revenue survive commissions, promotions and technology expense?
Service quality and repeat stays	Do automation and personalization improve the experience without increasing complaints?
Local supply and operating cash flow	Does incremental demand produce sustainable property earnings?

For U.S. investors, this is a potential hospitality business driver, not a substitute for evaluating concentration and illiquidity. For Indian and UAE investors, the same asset diligence applies alongside their separate currency, structuring and cross-border obligations. The residence of the capital provider does not determine where hotel demand will emerge.

The long-term ownership case

If AI expands access to travel while physical experiences remain valuable, well-positioned hospitality assets could benefit. The investable opportunity is a property bought and operated with discipline, able to capture that demand at an attractive net margin.

Read alongside Paper 04 on alternatives and hospitality and Paper 08 on GP/LP structures. This paper adds a demand and operating perspective; it does not establish offering terms or recommend an allocation.

Sources, methodology & important information

Methodology: qualitative synthesis of the six linked primary sources and original Alterra analysis. No econometric forecast of AI-induced travel is estimated. Future travel patterns are hypotheses. Hotel sensitivities use explicit, constant-dollar assumptions and arithmetic; they are not transaction projections. Sources accessed September 12, 2026.

Primary sources

[1] UN Tourism: 2025 international tourist arrivals

January 2026 release. Estimated 1.52 billion arrivals and 4% annual growth; arrivals are not unique travelers.

[2] Booking.com: Global AI Sentiment Report

July 23, 2025. Company-sponsored consumer survey across 33 markets; stated preferences, not measured incremental demand.

[3] Booking.com: Agentic AI innovations

October 9, 2025. Company announcement of guest-communication features; not independent impact evaluation.

[4] IATA: Long-term air travel demand projections

March 17, 2026. Central scenario for RPK, 2024-2050; not an AI attribution study.

[5] Brynjolfsson, Li and Raymond: Generative AI at Work

Author research paper, updated abstract: 5,172 customer-support agents and 15% average productivity increase. Context-specific evidence.

[6] IATA: July 2026 passenger demand

August 31, 2026. Provisional monthly RPK data; short-term growth can diverge from long-term scenarios.

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Sources accessed September 2026. Data cutoffs and dated rules are identified where used. Verify later changes and the investor-specific position before a transaction. Analytical frameworks and uncited worked examples are Alterra's original educational analysis; source organizations do not endorse this paper.

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