

Opportunities for hotel development in Budapest: Insights from a qualitative study

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CITATION

Fekete A, Szalai SM, Singh DP, et al. (2025). Opportunities for hotel development in Budapest: Insights from a qualitative study. *Journal of Infrastructure, Policy and Development*. 9(1): 10712. <https://doi.org/10.24294/jipd10712>

ARTICLE INFO

Received: 3 December 2024

Accepted: 24 December 2024

Available online: 2 January 2025

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Abstract: The Hungarian tourism and hospitality industry has faced serious challenges in recent years. The tourism and hospitality sector has been confronted with severe challenges in recent years. Even after the end of the pandemic, the industry has not seen the expected recovery, as rising inflation, declining discretionary income and a lack of foreign tourists have further hampered the industry. The hotel market in Budapest in particular has been significantly affected by these developments. Despite the difficulties, investors continue to see opportunities in the market. One example is the purchase by a group of real estate investors of an under-utilised leisure centre in District VII, which they intend to convert into a hotel. Our study is part of this project and its primary objective is to define the parameters of the future hotel and analyse the market opportunities and challenges. Our research focuses on the hotel market in Budapest and uses methods such as benchmarking, STEEP and SWOT analyses, as well as four in-depth interviews with key players in the market. The benchmarking examined the operations of hotels in the capital, while the in-depth interviews provided practical experience and insider perspectives. On the basis of the interviews and analyses, the study identifies possible directions for improvement and factors for competitive advantage.

Keywords: Budapest hotel market; hospitality industry; challenges; benchmarking analysis steep and swot frameworks; tourism in Budapest

1. Introduction

The aim of the publication is to examine the development potential of the hotel market in Budapest, with a special focus on qualified hotels, their capacity, competitiveness and the recovery of tourism after the Covid-19 epidemic. The analysis is based on 2023 statistical data, market trends and the Colliers 2024 report, with a special focus on hotel projects in the capital and the growing international demand. The role of tourism in economic recovery has been highlighted by recent studies, which stress the importance of data-driven approaches for sectoral growth (Németh et al., 2024).

In 2023, the number of commercial accommodation establishments in Hungary reached 3034, of which 33.12% were hotels and 66.68% were other commercial accommodation establishments (Adózóna, 2024). Benchmarking, which is the comparison of the performance of the industry players with the best performers, is essential to analyse the market performance of the hotel industry (Palatinus, 2014).

The situation of hotels in Budapest is particularly noteworthy, as only 14.93% of the country's 1005 hotels are located in the capital, which represents around 150 rated hotels (KSH, 2023). Hotels are classified and rated according to European standards, which are designed to ensure quality and value for money (Aguiar Quintana and Moreno Gil, 2023).

Reflecting the development of the hotel industry, a total of 16 new hotels will open in 2023 and 2024, adding 2380 new rooms to the market. The majority of these developments will consist of upscale establishments, which could further increase Budapest's competitiveness (KSH, 2023). Innovation in hotel services, such as the use of technology, the introduction of smart rooms and sustainability considerations, could provide additional market benefits for investors. In the long term, such improvements can not only enhance the guest experience but also diversify revenues (Sauvant et al., 2010).

The steady increase in the number of tourists, which reached 16 million in 2023, points to the need for further development. The dynamic growth in the number of foreign guests, such as the 200% increase in Chinese tourists and 300% increase in South Korean tourists, offers significant opportunities for the hotel industry (Kupi and Bakó, 2024). Hotels have made significant efforts in recent years to provide services to meet the diverse needs of guests and to gain a competitive advantage. The innovative services offered by modern hotels are described below. Hotels often have modern conference rooms equipped with the latest audiovisual technology. These are ideal venues for business meetings and seminars. However, competition has become fiercer, with theatres, museums, universities and sports complexes offering similarly equipped venues (Juhász-Dóra, 2023; Nolan, 2020).

The trend of teleworking and digital nomads has led to more and more hotels offering co-working spaces. These are equipped with fast internet connections, comfortable workstations and café facilities. Finnish researchers have categorised co-working spaces along two axes: business model (profit or non-profit) and user access level (public, semi-private, private). Co-working hotels are included in this framework (Bouncken and Clauss, 2020). Hotels with co-working facilities can also significantly benefit from strategies focused on sustainability and material consumption efficiency, as explored in European contexts (Malatyinszki et al., 2024a, 2024b).

Wellness services such as spas, massage therapy and medical treatments have become popular due to the demand for health-conscious lifestyles. A study uses the example of hotels in Krakow to illustrate how hospitality establishments are adapting to the demands of health consciousness and an ageing society (Dryglas and Salamaga, 2018). This shift aligns with broader trends in sustainable tourism, where geoparks and related initiatives have been identified as significant contributors to adapting tourism infrastructure for longevity and inclusiveness (Kálmán et al., 2024d).

Hotels are increasingly focusing on gastronomic experiences in the form of themed restaurants and live cooking demonstrations. Expanding dining services not only satisfies guests' needs, but can also bring business benefits, especially if they succeed in attracting local residents (Benkó, 2021; Balázs, 2019; Karakasné Morvay, 2021). For example, local gastronomy services have also shown potential to align with broader financial inclusion goals, as seen in comparative studies between Hungary and Mexico (Kálmán et al., 2024b).

Smart rooms in modern hotels allow guests to control room functions, such as lighting or air conditioning, using mobile apps or voice control. These technologies are particularly important for Generation Z, as digital solutions are now an expectation for them (Boda et al., 2019). By using artificial intelligence, hotels can offer personalised experiences. This can include preference analysis, programme recommendation systems, and travel assistance (**Table 1**). Intelligent systems can help overcome language barriers and discover local programmes (Chen, 2019; Calisto and Sarkar, 2024; Kabadayı and Zengin, 2020; McLean and Barhorst, 2021).

Table 1. The potential of artificial intelligence.

Process steps from a tourist perspective	Emerging issues from the perspective of the proactive tourist	AI (intelligent, smart, automatic) solutions for tourists	Tasks from the perspective of tourism service providers and destinations	MI (intelligent, smart, automatic) solutions for destinations, service providers
Scoping session	Which way should we go? With whom? Who says what? What are the opinions? (Give preferences, conditions.	A personalised recommendation system, integrated with a calendar. Summary, extraction and personalisation of reviews. Sentiment analysis	Providing visual experiences	Smart tourist destination. Demand forecast.
Collection of information	Which way should we go? With whom? Who says what? What are your opinions? (Give preferences, conditions.)	A personalised recommendation system, integrated with a calendar. Summary, extraction and personalisation of reviews. Sentiment analysis.	Destination presentation. Generating interest	Environmental awareness. Smart marketing, smart advertising. Measuring aesthetic value.
Compare	Where to go? How much will it cost? When is the best time?	Evaluation system. Cost planner. A combined planner-comparison system that optimises, for example, accommodation and airfare prices when viewed together. Augmented reality	Providing information. Cost estimates	Online travel agency. Cost analysis. Sentiment analysis for programme compilation.

Source: own ed., based on Árvai et al., 2020.

Hotels are increasingly using virtual reality (VR) technology to enhance the guest experience and facilitate booking decisions. VR technology allows potential guests to take a virtual tour of the hotel premises, learning about rooms and services before they travel. This is particularly useful for premium hotels, which can then communicate more effectively the exclusive experiences they offer (Kim and Lee, 2019). In addition, VR technology also plays a significant role in marketing. One study found that VR-based virtual tours not only increase hotel bookings, but also boost guests' confidence in the services (Guttentag, 2010). Hotels leveraging VR tools to showcase local attractions align with the sustainable city tourism initiatives that emphasize promoting unique, time-constrained guest experiences through digital innovation (Kálmán et al., 2024a). Hotels can offer VR tools to showcase local attractions, which can be particularly attractive to time-constrained travellers (Zhang and Xiao, 2020). Furthermore, VR technology can also help in the preparation of business events, for example, by providing virtual tours of conference rooms. More and more hotels are integrating VR tools with artificial intelligence to offer personalised experiences. This technology allows guests to take virtual tours based on their own preferences, for example by showcasing local cultural events or restaurants (Danyi, 2020; Tussyadiah and Miller, 2019). Such integrations also resonate with the principles of green transition indicators, which underscore technology-driven, eco-friendly travel

experiences to reduce unnecessary material consumption (Kálmán et al., 2024c). As part of this innovation, hotels are using VR not only to enhance the experience, but also to increase competitiveness. The technology helps to make guests more satisfied, which in the long run increases the rate of returning customers (Danyi, 2020).

2. Methodology

The aim of the research is to identify the optimal operational solutions for a new hotel in Budapest, which will be built on a designated site. The research is based on three main methodological phases, which together ensure a thorough analysis and the drawing of relevant conclusions. The first phase is a benchmarking study, which compares the operating practices of hotels in Budapest. Benchmarking is a methodology whereby the performance of an organisation is compared with the best practices of others in the industry. This process enables the identification of best practices and competitive advantages in the hotel industry that can be subsequently adapted for development projects (Demeter, 2022). The targeted areas of benchmarking are cost efficiency, time management, environmental sustainability and guest satisfaction. The use of this methodology is particularly important in the preparation of new projects, as it helps to identify development opportunities and patterns in the practices of competitors (Nagy, 2020).

The benchmarking process consists of several stages: preparation, data collection, analysis and implementation. The aspects analysed in benchmarking include cost-effectiveness, improving the guest experience and the use of sustainable technologies. The methodology is particularly useful for new hotel projects, where the practices of existing competitors can have a significant impact on the success of the project (Nguyen and Nguyen, 2019). In the hotel industry, benchmarking is used to improve guest experience, maintain service quality and increase operational efficiency. For example, one study showed that dynamic benchmarking tools, such as service gap analysis, contribute to adapting to market changes and continuous improvement (Nagy, 2020). Another study analyzed the service quality of hotels in Bangladesh and identified gaps that hinder guest experience (Rahman and Islam, 2018). The second section is based on four professional interviews with a hotel industry expert. The purpose of the interviews was to gain practical insights into the management processes in the hotel industry, as well as technical and market aspects of property development. The hotel managers shared their experiences on meeting guests' needs and operational processes (Rahman and Islam, 2018).

Professional interviews are an essential tool for qualitative research in the hotel industry, providing in-depth insights that cannot be explored using quantitative methods. Direct dialogue with industry experts allows in-depth exploration of current operational challenges, emerging trends and innovative practices. One of the main benefits of interviews is that researchers can gain contextual knowledge tailored to the specific market. For example, interviews with hotel managers and tourism experts can shed light on concrete measures that can help maintain standards in the post-pandemic period, while addressing staff shortages and rising costs. This information is key to developing effective strategies that are in line with market trends (Messaadia and Bouzidi, 2016). STEEP analysis is used to examine the social, technological,

economic, environmental and political factors that are present in the business environment. The structural approach of the methodology is particularly useful for real estate development projects, as it allows the integration of sustainability and innovation strategies (Dansereau et al., 1999; Farfán-Pimentel et al., 2023). SWOT analysis helps to identify strengths, weaknesses, opportunities and threats. Due to the flexibility of the methodology, it can be widely applied in strategic planning and business innovation development. According to one study, SWOT analysis can gain further depth when combined with an analytic hierarchy process (AHP), which helps to prioritize strategic objectives (Ghazinoory and Azadegan-Mehr, 2011; Kurttila, et al., 2000).

3. Results and discussion

3.1. Benchmarking

Benchmarking is a highly effective tool in the hotel industry, allowing you to analyse, compare and adapt best practices from competitors. This can significantly improve not only the efficiency of operations but also the quality of the guest experience. Below, we analyse some of the outstanding examples from the Budapest hotel market, with a particular focus on their services, technological innovations and target group-specific solutions. B&B Hotel Budapest City combines minimalism and functionality in a modern and bohemian design. With 214 rooms, the hotel pays special attention to heat and sound insulation to ensure a relaxing stay. Unique decorative elements reflect the characteristics of Budapest, reinforcing the local cultural identity (B&B Hotels, 2024). Hotel amenities include a self-service laundry, fitness room and underground parking for 28 cars. The rooftop bar offers not only dining but also an exceptional view of Budapest (B&B Hotels, 2024). This approach is a good example of how integrating local elements and functional design can enhance guest satisfaction.

The Ibis and TRIBE Budapest Stadium Hotel is an innovative, mixed-use facility with both modern offices and hotel services. The Ibis Budapest Stadium is centrally located for easy access and is particularly attractive due to its proximity to the Groupama Arena and the MVM Dome (Turizmus.com, 2024). The rooftop terrace bar is an ideal place to relax after sightseeing. The TRIBE Budapest Stadium hotel has 166 rooms, which focus on combining modern technology with luxurious comfort. Common spaces such as the lounge and business corner offer versatile solutions to meet the needs of both business and leisure travellers (TRIBE Hotels, 2024). The uniqueness of Alta Moda Fashion Hotel Budapest lies in its connection to fashion. The hotel's 114 rooms are named after the clothing sizes (M, L, XL), with special features including a "For Her" room for women and an anti-allergen room. The wellness area is dedicated to relaxation, reinforcing the range of premium services (Mellow Mood Hotels, 2024). KViHotel Budapest is Europe's first fully smartphone-controlled hotel, which stands out for its unique technological solutions. Guests can book a room, check in and manage the functions related to their stay through the TMRW Hotels app. The hotel is particularly popular with guests who like technology and prioritise comfort (KViHotel, 2024).

3.2. List of innovations applied based on the benchmarking analysis

1) Modern Design and Functionality

The modern and bohemian-style rooms at B&B Hotel Budapest City reflect minimalism and functionality. The decorative elements reflect the characteristics of Budapest, reinforcing the local identity (B&B Hotels, 2024).

2) Thermal and sound insulation

B&B Hotel Budapest City pays special attention to heat and sound insulation, ensuring a peaceful stay for guests (B&B Hotels, 2024).

3) Dual-branded hotels

The innovative dual-branded model of the Ibis and TRIBE Budapest Stadium Hotel offers hotels that meet different needs within one building, sharing operating costs but targeting different guest segments (Turizmus.com, 2024).

4) Smart and Community Spaces

The TRIBE Budapest Stadium offers modern technology-equipped rooms and multifunctional community spaces (lounge, business corner) for both business and leisure (TRIBE Hotels, 2024).

5) Thematic design

The rooms of Alta Moda Fashion Hotel Budapest have been given fashion-themed names that exemplify creative hotel design. Other unique elements include the “For Her” room and the anti-allergen room, which cater to special guest needs (Mellow Mood Hotels, 2024).

6) Wellness services

The wellness section of Alta Moda Fashion Hotel Budapest offers a premium experience, making it an attractive option for those interested in wellness tourism (Mellow Mood Hotels, 2024).

7) Hotel with smartphone control

KViHotel Budapest is Europe’s first fully smartphone-controlled hotel, allowing room booking, check-in and check-out and management of hotel functions through the TMRW Hotels app (KViHotel, 2024).

8) Sustainability care strategies

Several hotels have also integrated energy-saving technologies and locally sourced products to meet modern environmentally conscious guest needs (Mellow Mood Hotels, 2024; TRIBE Hotels, 2024).

The above examples show that players in the Budapest hotel market are trying to gain a competitive advantage through innovative solutions and target group-specific services. The integration of local elements, the use of technological advances and the creation of a unique guest experience are key to increasing competitiveness. Such benchmarking analyses provide useful insights for developing optimal operational and development strategies.

3.3. Interviews

The research involved in-depth interviews with four interviewees with a high level of expertise in the Hungarian hotel industry. The interviewees shared valuable insights on the situation and challenges of the sector through their different positions and experiences.

Retired hotel manager and educator—With decades of experience in the Hungarian hotel industry, he is currently working in higher education. With a comprehensive knowledge of the historical development and current state of the industry, he has provided valuable analysis of the challenges and opportunities of domestic tourism.

Master teacher and active hotel manager—A professional who combines both theoretical knowledge and practical experience. He is currently the manager of a hotel in Budapest, while training the hotel professionals of the future through his teaching work. He stressed the role of technological development and sustainability in the future of the hotel industry.

Rural Hotel Manager—A manager of a rural hotel in a large city with a deep knowledge of the specifics of regional tourism. Focused primarily on the needs of domestic guests and the challenges of local tourism.

Tourism professional—A professional with extensive experience who has worked in various sectors of tourism. He has focused on the local impact of labour shortages, digitalisation and global trends.

During the interviews, the experts unanimously stressed that the hotel industry in Hungary is in a stabilisation phase, but faces serious challenges that can be addressed with innovative and sustainable solutions.

Interviewees agreed that labour shortages remain one of the biggest challenges facing the industry. During the COVID-19 epidemic, many skilled workers left the sector in search of more stable employment opportunities in other sectors. The industry must now excel in recruitment, training and retention. Rising energy costs are also placing a significant burden on operators. According to one interviewee: “Dealing with rising costs is not just a question of cutting costs, it also requires the introduction of efficient energy use solutions.” The use of sustainable technologies, such as solar panels or energy-efficient building services systems, not only brings economic benefits, but also contributes to obtaining green certifications. The increase in domestic tourism has become particularly significant for 3–4 star hotels. Domestic guests are price-sensitive, so these hotels should focus on value for money. As one respondent put it, “Domestic tourists are now looking for personalised experiences, such as themed packages or family-friendly services, in addition to basic amenities.”

In contrast, foreign visitors, especially from Asia, expect premium services and exclusive experiences. According to interviewees, hotels in Hungary need to focus on the needs of both target groups, as these guests bring in the most revenue. The hotel industry needs to make rapid progress in digitalisation and automation. Contactless check-in systems, smart rooms and customised apps are no longer just a competitive advantage, but are becoming basic expectations, especially for younger generations. According to one interviewee: “Technology improves the guest experience and reduces operating costs, but the importance of personal contact should not be underestimated.” Sustainability is not just a marketing concept, but also a key to long-term economic success. Obtaining green certifications, such as Green Key certification, increases the attractiveness of hotels to environmentally conscious travellers. Energy-saving solutions, such as LED lighting or rainwater recycling, reduce operating costs in the long term.

Interviewees agreed that differentiation is key in the Budapest hotel market.

Unique thematic concepts, such as dual-branded hotels, where different categories of hotels operate within the same building, offer the opportunity to serve multiple target groups. As one respondent put it, “Dual concepts not only allow for cost optimisation, but also make the guest experience more colourful.” Basic services, such as quality breakfast and sleeping comfort, are essential requirements for all types of hotels. However, the role of wellness areas and concierge services may vary from one hotel type to another. In rural areas, wellness centres are a major attraction, while in Budapest, unique venues and experiences can make hotels stand out.

Based on the interviews, it is clear that the key challenges facing the hotel industry in Hungary include managing labour shortages, reducing costs and adapting to guest demand. At the same time, sustainability, innovation and unique thematic concepts offer opportunities to further strengthen the sector. Interviewees agreed that the key to future success is to constantly monitor market trends and develop solutions tailored to guests’ needs.

3.4. STEEP analysis

3.4.1. Social factors

Budapest continues to be an attractive tourist destination, catering for different age groups and target groups such as business travellers, young backpackers, families and older generations. 3–4 star hotels are particularly popular with middle-class domestic and international visitors (Colliers, 2024). Travellers’ needs are constantly changing, with an increasing emphasis on unique, personalised experiences, sustainability and safety, while demand for wellness services, local experiences and convenience technologies is also on the rise (Demeter, 2022). Budapest is generating a periodic boom in hotel demand as a venue for major international events such as festivals, concerts and sporting events (Colliers, 2024).

3.4.2. Technological factors

Digitalisation is one of the key drivers for the development of the hotel market. Online reservation systems, contactless check-in and check-out solutions, and smart rooms are significantly increasing both efficiency and guest experience (Zhang and Xiao, 2024). IoT-based solutions enable personalized room configuration, while building management systems help optimize energy use (Tussyadiah and Miller, 2019). In addition, AI-based chatbots and robotic processes are gradually proliferating, facilitating customer service and operational tasks (Kim and Lee, 2019). Social media and influencer-driven digital marketing play a key role in increasing visibility and reaching new guests (Cheng and Jin, 2021).

3.4.3. Economic factors

Tourism is a key sector of Budapest’s economy, generating significant revenues and jobs (World Economy, 2023). Although the COVID-19 epidemic left a deep mark on the sector, international events such as the World Athletics Championships have helped recovery. However, rising energy costs, wage costs and labour shortages remain a challenge. Replacing skilled workers who have left the sector is a slow process, making operations difficult (Demeter, 2022). Domestic tourism continues to provide a stable base for the market, while the return of foreign visitors, particularly Asian tourists, offers significant growth potential (Colliers, 2024).

3.4.4. Environmental factors

Sustainability and environmental solutions are becoming increasingly important in the hotel industry. Energy-saving systems, the use of renewable energy sources and the optimisation of waste management not only reduce costs but also make hotels more attractive to environmentally conscious travellers (Gyurácz et al, 2021). Budapest's famous thermal baths, as tourist attractions, provide an excellent basis for integrating wellness services into hotel offerings. Using locally sourced food and products also promotes sustainability (Dryglas and Salamaga, 2018).

3.4.5. Political factors

Government measures that support tourism, such as the promotion of international events and the provision of tax incentives, have a significant positive impact on the hotel sector (Aguiar Quintana and Moreno Gil, 2023). The regulatory framework of the industry, such as the tax system or labour market regulations, directly affects the operation of hotels. Hungary's political stability and international image play a key role in increasing the number of foreign tourists, although the effects of the Ukrainian-Russian conflict continue to be felt in Eastern markets (Világgazdaság, 2023).

3.5. SWOT analysis

As a global tourist destination, Budapest has significant appeal for its history, cultural heritage and vibrant urban life. The city's iconic sites such as the Danube embankment, the Parliament, Buda Castle and thermal baths provide outstanding tourist attractions, attracting a diverse range of target groups including business travellers and families (Colliers, 2024). The wide range of hotels, from hostels to luxury hotels, caters to the needs of a wide range of guests, ensuring that price-sensitive tourists and those seeking premium services are catered for (Aguiar Quintana and Moreno Gil, 2023). Event tourism also plays an important role in Budapest's economy, as the city is a popular venue for international conferences, festivals and sporting events that generate significant guest flows (Nagy, 2020). Domestic tourism also provides a strong base, particularly in the post-pandemic period when domestic travellers kept the market alive (KSH, 2023). In addition, the city's spa tourism, fuelled by its famous thermal spas, provides a particular attraction, especially for visitors seeking wellness services (Dryglas and Salamaga, 2018).

Labour shortages remain a major problem, exacerbated by a lack of skilled workers who left during the pandemic (Demeter, 2022). Rising energy prices and operating costs are placing a significant burden on mid-range hotels, while oversupply in the 3–4 star category is generating strong price competition that could reduce profitability (World Economy, 2023). Budapest's hotel market is underrepresented in luxury units, the lack of which may reduce the city's competitiveness in high-end markets (Colliers, 2024). In addition, the quality of services varies from hotel to hotel, which may negatively affect the city's tourism image (Aguiar Quintana and Moreno Gil, 2023).

The Asian market, especially the return of Chinese tourists after the pandemic, has significant growth potential as these guests prefer longer stays and have a high propensity to spend (Rahman and Islam, 2018). The demand for sustainability and the

use of green technologies such as energy-saving systems and the use of local ingredients will increase the competitiveness of hotels among environmentally conscious guests (Dryglas and Salamaga, 2018). Themed hotels offering unique experiences and dual-branded models provide opportunities to reach new market segments (Cheng and Jin, 2021). Digital solutions such as contactless check-in systems and smart rooms not only improve guest experience but can also increase operational efficiency (Zhang and Xiao, 2024). Targeting the preferences of younger generations, especially generations Y and Z, will enable further market expansion, especially through technological innovations and social media campaigns (Boda et al., 2019).

Geopolitical uncertainties, such as the Ukrainian-Russian conflict, as well as inflation and unpredictability of energy prices, pose significant risks for the sector (Farfán-Pimentel et al, Price competition due to hotel oversupply may put further pressure on mid-range units, while new epidemic waves or health risks may discourage tourism (Demeter, 2022). Slow adaptation of innovation may also reduce Budapest's competitiveness compared to other European cities (Tussyadiah and Miller, 2019). A decline in the share of domestic guests, due to rising prices, could also pose a threat to the stability of the domestic market (Világgazdaság, 2023). The outstanding strengths of Budapest's hotel market include the city's international appeal, its wide range of services and the importance of event tourism. However, labour shortages, oversupply and rising energy prices pose serious challenges. Sustainability efforts and innovative hotel concepts provide opportunities for growth, while geopolitical uncertainties and price competition threaten the long-term stability of the market. For the sector, adaptation, innovation and a targeted approach to market segments are key to remain competitive.

In our research we conducted a comprehensive analysis of the hotel market in Budapest, with a focus on the 3–4 star categories. Based on STEEP and SWOT analyses and interviews, the strengths, weaknesses, opportunities and threats of the sector became clear. The studies and expert opinions have led to a number of conclusions that are useful not only for understanding market trends but also for developing new business strategies.

4. Discussion

This research provides valuable insights into the key challenges and opportunities shaping the hotel industry, focusing on labour shortages, sustainability, technological innovation, and market dynamics. The main findings are outlined below.

Labour shortages and sustainability are key issues: during the interviews, several respondents highlighted that the lack of skilled labour is a persistent problem for hotels. Replacing the workforce lost during the pandemic is a slow process that requires new training and recruitment strategies (Demeter, 2022; Dryglas and Salamaga, 2018). In parallel, sustainability solutions such as the introduction of energy efficient systems offer long-term cost reduction and competitive advantage.

The need for technological development and innovation: the demand for digitalisation and contactless solutions is growing, especially among younger generations. The introduction of smart rooms and AI-based systems are not only

improving the guest experience, but also increasing operational efficiency (Tussyadiah and Miller, 2019). Interviewees believe that these solutions are key to future competitiveness.

The balance between domestic and foreign tourism: Domestic tourism is a major stabilising factor, especially for 3–4 star hotels. At the same time, the return of foreign visitors, especially in Asian markets, offers significant growth potential (Rahman and Islam, 2018). The high spending propensity and longer length of stay of Asian tourists opens up new opportunities for premium services.

The role of Budapest's international image: Budapest as a tourist destination has global appeal, but oversupply and price competition reduce the profitability of the sector (Világgazdaság, 2023). Unique, thematic hotels, such as dual-branded concepts, offer opportunities for differentiation and catering to different guest segments.

The impact of geopolitical and economic uncertainties: the Ukrainian-Russian conflict and volatile energy prices pose a significant risk to the sector. These factors not only increase operating costs but also affect travel demand, especially in Eastern markets (Farfán-Pimentel et al., 2023).

Our findings are in line with similar research that emphasises the key importance of sustainability and technological innovation in the development of the hotel industry (Cheng and Jin, 2021). The interviewees' views also support the view that maintaining a balance between domestic and foreign tourism and providing unique guest experiences is essential to remain competitive.

5. Conclusion

A detailed analysis of costs has not been included in the study at the request of the investor, as their exact determination depends on the detailed business plan and site conditions of the development. Developers and investors within the industry have the experience to accurately estimate the likely costs, taking into account the intended functions, the current condition of the building and market conditions. It is important to note that the suggestions and ideas collected here do not guarantee implementation in terms of cost-effectiveness and feasibility; rather, they provide guidelines that can form the conceptual basis for development. Analysing the costs of hotel renovations and upgrades is an area of particular importance in the hospitality industry, as these projects require significant financial resources, but can also determine the long-term competitiveness and sustainability of the hotel. The Hotel Market Report by Colliers (2024) details the cost structure of hotel developments in Hungary, especially in Budapest. The report reveals that the largest expenditure items for redevelopment projects are architectural and technical upgrades and energy efficiency investments. In addition, upgrading interior design elements and introducing digital technologies can also represent significant costs.

To optimise costs, investors often rely on raising foreign capital, as discussed in detail in Sauvant, Mallampally and McAllister (2010). FDI offers the possibility of financing projects on more favourable terms, while at the same time providing greater flexibility in planning and implementation. The study underlines that the success of hotel developments depends to a large extent on up-front cost planning and the appropriate design of the capital structure.

The Analytic Hierarchy Process (AHP) method presented by Kurttila, Pesonen, Kangas and Kajanus (2000) provides an effective methodological support for the analysis and planning of transformation costs. The AHP allows for a systematic analysis and prioritisation of the different elements of a project, such as the costs of interior design, energy efficiency investments and building structural alterations. This methodology helps decision-makers to allocate budget resources efficiently, taking into account the risks and benefits of the project. Overall, the cost of hotel renovations depends on a number of factors, including the type of building, market demand and the extent of technological improvements. However, the research and methodologies mentioned above can help to plan costs more accurately and optimise them more efficiently, contributing to the success of hotel developments. Our goal was to provide a comprehensive picture that can help decision-makers set development trends by integrating modern hotel trends and technologies with local conditions. Based on the analysis carried out in the research, we found that the hotel market in Budapest has significant opportunities and challenges. The city's international attractiveness, its rich cultural heritage and its well-developed infrastructure are outstanding strengths of the sector. At the same time, sustainability, digitalisation and the urgent need to address labour shortages are key to future growth.

The downtown leisure centre project under redevelopment is an excellent example of how to turn under-used property into something of value. The results of the research show that sustainable technologies, unique theming solutions and targeted marketing and service offerings can play a key role in the success of a new hotel. The project will pay particular attention to energy efficiency, highlighting local values and enhancing the guest experience through innovative means. Although the research has provided a comprehensive picture of the situation and potential of the sector, some limitations need to be taken into account. The study focused mainly on 3-4 star hotels, therefore a more detailed analysis of the lower and higher categories may be necessary to understand the overall hotel market. Furthermore, the rapidly changing market conditions and geopolitical uncertainties may pose new challenges that need to be addressed in future research. Several customer satisfaction surveys have been conducted in Budapest, providing insight into the perception of hotel services and the preferences of guests. While the quantitative section of the study already thoroughly discusses the financial aspects of hotel developments and renovations, the following highlights key findings from customer satisfaction studies that emphasize what guests value most. A previous study revealed that guests in Budapest hotels highly appreciate the comfort of the beds, cleanliness, and the friendly attitude of the hotel staff. The study also found that modern rooms and aesthetically pleasing interior designs play a significant role in satisfaction. Dining options, especially the availability of local dishes, were also among the most positively reviewed aspects (Rahman and Islam, 2018).

Another study, which focused on four- and five-star hotels in Budapest, found that guests value the central location and additional services such as wellness facilities and free Wi-Fi. Conversely, limited parking options and noise levels in certain hotels were listed as negative factors (Gyurác-Németh et al., 2021).

These surveys highlight that, in addition to fundamental services, guests increasingly demand personalized experiences and technological advancements, such

as smart devices in rooms. The importance of satisfaction surveys lies in helping hotels better align their services with guest expectations, thereby enhancing their competitiveness. Future directions for research could include the use of artificial intelligence and IoT (Internet of Things) technologies, deeper analysis of guest behaviour patterns and exploring the long-term impact of sustainability efforts. These results could contribute not only to the success of the current project, but also to the competitiveness of the Hungarian hotel industry. The present study confirms that the conversion of a downtown leisure centre into a hotel is not only economically viable, but also serves sustainable development. The STEEP and SWOT analyses used, as well as the recommendations developed on the basis of the interviews, can provide tangible guidance for the next phases of the project, ensuring its long-term market success.

Author contributions: Conceptualization, AF, SMS, DPS, SJ, NPN and IC; methodology, SMS, AF and SJ; software, AF, SMS, DPS, SJ, NPN and IC; validation, IC, AF and DPS; formal analysis, AF, SMS, DPS, SJ, NPN and IC; investigation, AF, SJ and SMS; resources, IC, NPN and AF; data curation, AF, SMS, DPS, SJ, NPN and IC; writing—original draft preparation, AF, SMS, DPS, SJ, NPN and IC; writing—review and editing, IC, AF, SJ and SMS; visualization, AF, SMS, DPS, SJ, NPN and IC; supervision, IC, DPS and NPN; project administration, AF, SMS, DPS, SJ, NPN and IC; funding acquisition, IC. All authors have read and agreed to the published version of the manuscript.

Conflict of interest: The authors declare no conflict of interest.

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