BRIEFING

Economics of air transport in Europe

Examining fair distribution of costs & benefits from air transport for tourism

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Summary

This briefing, based on the New Economics Foundation study commissioned by T&E, The Economics of Air Transport in Europe: Air Transport & Tourism, examines the question of whether the economic impacts of growth in air transport for tourism purposes, facilitated by airport expansion and gaps in aviation taxation, are beneficial and fairly distributed between regions and social groups.

Key data points

60%	Up to €250	Over €1 bn
Projected rise in CO_2 emissions from international tourist air arrivals in Europe, 2016-2030	Forecast 2026-2031 average annual rent increase, primarily for low-income households, due to air tourism	Projected 2026-2031 productive business investment loss in Italy & Spain, from house price rises due to air tourism

Since 2010 tourism has grown rapidly across Europe, facilitated primarily by growth in air transport. Significant further growth of air traffic is forecast, boosted by airport expansion and gaps in aviation taxation. The air transport industry claims to bring positive economic impacts from tourism, while downplaying any negatives such as those associated with overtourism.

Growth in the hospitality sector, fostered by international air tourist arrivals, creates jobs and profits but has failed to deliver either productivity improvements or real wage increases. Rather, it has delivered aggregate growth in returns to capital (particularly large businesses), land and property owners, at the expense of renters, local communities, and the environment.

Critically overlooked is the wider economic cost of the high property prices that result from mass air tourism. Higher rent prices can erode the welfare of low-income households, increasing their costs and trapping them in undesirable accommodation. Moreover, research shows that property prices can harm the productivity of other economic sectors and encourage misallocation of finite capital and labour into rent-seeking and low productivity sectors.

Both tourism-sending and -receiving regions appear to be accepting a high environmental and social cost in exchange for a limited, and unequally distributed, economic and social return.

Key recommendations

For regions relying on economic growth driven by air travel and tourism, yet approaching a saturation point for tourist inflows, there exists a tension between short-term economic gains and the long-term health of the economy, welfare of local communities and the environment. In this light, and in view of the EU Sustainable Tourism Strategy, **there is a strong case for Europe to rethink its strategies for air transport and tourism**:

- **Conduct a critical review of key tourism impact domains in assessments of airport capacity and aviation taxation policies,** including property and rent prices, and distribution of economic value creation across social groups and types of businesses, with an equity lens.

- **Reduce international air arrivals to help slow the rise of house and rent prices** faced by households, and to help redirect investment into productive economic sectors. **In regions approaching tourism saturation, halt airport expansions.**

- **Reconsider strategies for tourism and transport connectivity to support equitable value creation**, such as prioritising international rail arrivals and domestic tourism for better geographical distribution; directing spending to locally-owned businesses; and improving wages and productivity in the hospitality sector.

01

Air transport and tourism

Since 2010 tourism has grown rapidly across Europe, facilitated primarily by growth in air passenger transport. Significant further growth of air traffic is forecast, boosted by airport expansion and gaps in aviation taxation. The air transport industry claims to bring positive economic impacts from tourism, while downplaying any negatives such as those associated with overtourism.

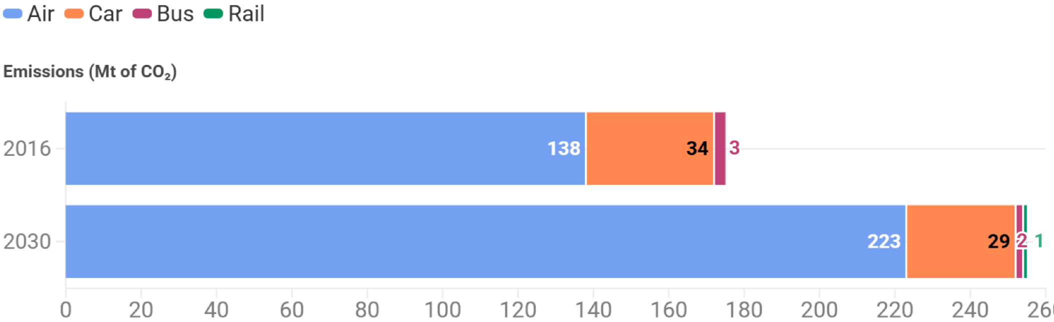
Economics of Air Transport in Europe: Air Transport & Tourism, Part Two of a New Economics Foundation study commissioned by T&E, examines more closely the question of whether the economic impacts of growth in air transport for tourism purposes are beneficial and fairly distributed between regions and social groups.

1.1 Tourism and its climate impact are growing in Europe

Europe is the world's largest tourism destination, receiving over 50% of all global tourist arrivals. Between 2014 and 2024, nights in formal tourism accommodation rose by 31% across the EU. Over the same period, air passenger numbers rose 35% across the EU. Portugal (+97%) and Greece (+77%) saw the fastest growth, but Spain (+94m passengers) and Italy (+61m passengers) saw the largest absolute increases. According to T&E analysis, in 2025 Spain and Italy surpassed their pre-COVID pandemic aviation emissions, at 14% and 10% above 2019 levels respectively, driven by strong tourism recovery and growing low-cost capacity.

At the same time, Europe is the fastest warming continent, heating up at a rate almost twice the global average. Globally, the tourism industry was responsible for 8.8% of global carbon emissions in 2019. The aviation sector is responsible for an estimated 52% of the global tourism industry's direct emissions and much of the sector's emissions growth. In Europe, emissions from international tourist arrivals by air are projected to rise over 60% between 2016 and 2030.

Projected emissions growth from international tourism arrivals in Europe (2016-2030)



Source: World Tourism Organization, Transport-related CO2 Emissions of the Tourism Sector (2019). Based on UNWTO, ITF, IEA, IATA and Amadeus data.

1.2 Discontent is rising over impacts of tourism growth

The tourism sector is important for employment and business activity in some of the most popular destination nations in Europe, such as Spain, Portugal, Italy and Greece. Yet, these same destinations have seen protests by residents in the high-season summer months, relating to the strain on affordable housing and pressure on public services and spaces.

Studies have shown that growth in air transport, and a region's relative air transport intensity, are highly correlated with indicators of 'overtourism'. Many of these protests have focused on the inequity between the local winners and losers from tourism growth. Regions experiencing anti-tourism protests in recent years almost always receive some of the highest levels of foreign tourist arrivals on a per-resident basis, with the vast majority arriving by air.

Selected European regions that have been host to tourism-related protests in the past five years and the number of foreign tourist arrivals per local resident

Region code	Country	Region (NUTS2)	Foreign arrivals per resident	Rank /273 NUTS2 regions
EL42	Greece	Notio Aigaio	19.0	1
ES53	Spain	Illes Balears	9.2	8
ES70	Spain	Canarias	4.9	13
PT30	Portugal	Região Autónoma da Madeira	3.9	16
NL32	Netherlands	Noord-Holland	3.8	18
ITH3	Italy	Veneto	2.7	26
PT17	Portugal	Área Metropolitana de Lisboa	2.0	32
ES51	Spain	Cataluña	2.0	33
EU 27 countries			**0.9**	

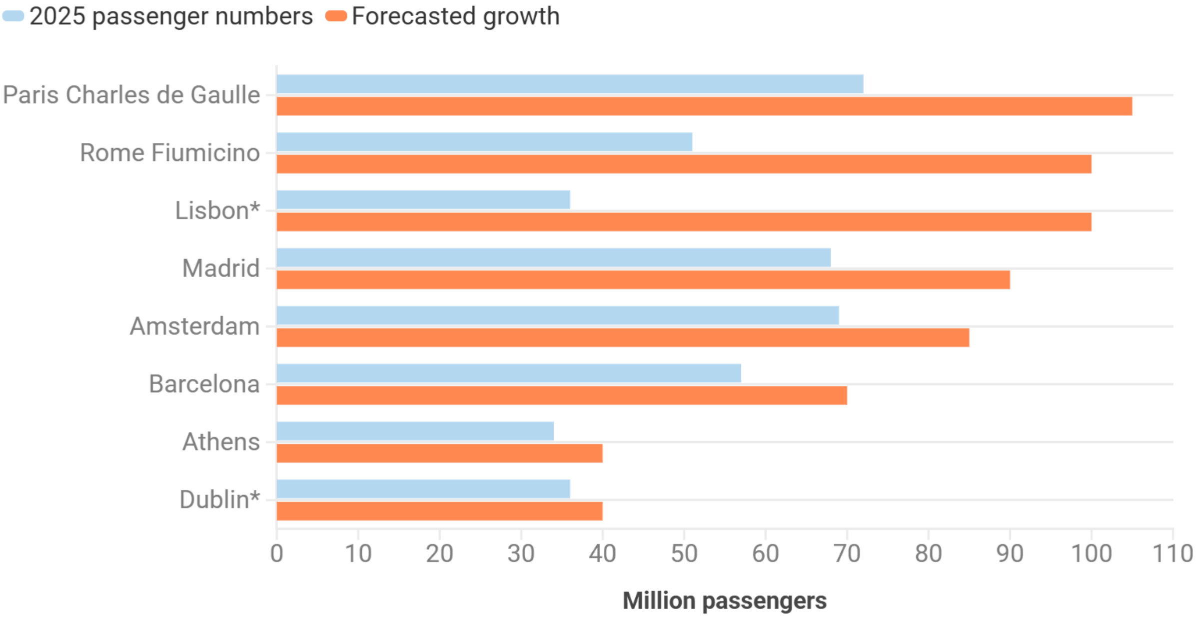
Source: NEF analysis of news sources and Eurostat data.

It is clear that the impacts of tourism go beyond traditional economic benefits, particularly for regions where tourist demand is near or over the point of saturation, where local resources and infrastructure are unable to respond to the growing number of visitors, and where local residents are priced out of urban centres or their places of work.

1.3 Yet significant airport and air traffic growth is still on the cards

Despite the growing concern over the impacts of tourism on local populations and spaces and the growing climate risks to the region, **governments** across major European tourism-receiving nations **continue to double down on arguments around the need for tourism-driven growth of the aviation sector**. In Spain, a commitment of €12.9 billion for airport improvement and expansion across the country made headlines in September last year, including expansion to the Barcelona and Madrid airports. In Lisbon, improvements to both terminals at the city airport to boost its capacity whilst a replacement airport gets final planning sign-off are currently underway. Athens is also preparing to increase its annual capacity by 25% through a €1.3 billion expansion program to commence this year. Major tourism city destinations are already facing among the highest airport CO_2 emissions and air pollution in Europe.

Forecasted air passenger growth in 7 major European tourism destinations



Sources: ADP, ADR, Portuguese government, Aena, Schiphol, AIA, DAA.
*Note: For Lisbon Airport, 2025 is current Humberto Delgado airport; forecasted is new Luís de Camões Airport. For Dublin Airport, 2025: Cap of 32 million; actual passengers 36 million.

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1.4 Assessing the role of air transport in the tourism economy

The EU has long considered tourism expansion as an essential strategy for competitiveness and regional development. More recently, a focus on sustainability – not only regarding natural assets, but also the protection of cultural assets, infrastructure, housing and the experience of local communities has moved to the forefront. In 2025, the EU announced preparation of its first tourism strategy with an emphasis on sustainability and tackling overcrowding in tourist hotspots. In December 2025, the EU also announced a legislative initiative on short-term rentals for areas under housing stress as part of the first European Affordable Housing Plan.

However, addressing the direct impacts of the persistent growth in the arrival of more tourists without acknowledging the role of air transport within the tourism economy risks a narrow and inefficient policy response. **Most economic impact assessment approaches** in the aviation sector look primarily at the size of its supply chain as measured in direct and indirect jobs and Gross Domestic Product (GDP), while **ignoring distributional impacts and major issues such as house and rent price impacts**.

Studies fail to consider house and rent price impacts even where such impacts are at the very top of the political agenda, examples being the study commissioned by Spanish airport manager Aena for Barcelona El Prat airport, and the study commissioned by the Dublin Airport Authority for Dublin airport. This failure manifests most obviously in key airport expansion decisions in highly 'touristified' cities such as Barcelona and Dublin, where economic impact studies produced by the air transport sector appear detached from the everyday realities of housing crises in such places, as shown in a T&E documentary.

02

Distribution of the impacts of growth in air transport for tourism purposes

After Part One of the New Economics Foundation study (November 2025), which focused on air transport's macroeconomic GDP impacts, the Part Two: Air Transport & Tourism study asks the question: Are the economic impacts of growth in air transport for tourism purposes usefully and fairly distributed between regions and social groups?

It introduces a novel analysis measuring the house and rent price impacts of rising international air tourist arrivals, then reviews the distribution of impacts through the more traditional routes of jobs and wages, and considers some implications of business ownership patterns.

2.1 Property owners benefit at the expense of renters

It is well established that increased tourist arrivals can ultimately lead to higher house and land prices, higher rents, and less affordable housing. Another impact is to constrain supply in key locations, with homes moved from ordinary rental to tourist rental, and new builds targeted at tourists instead of locals. In Europe however, there appears to be a gap in the research whereby air transport policy is considered only as a driver of declining house prices in close proximity to the airport, and not as a driver of increased house prices through its facilitation of tourism in the wider economy.

The study's original contribution is a new model of the house and rent price effects of incoming air tourists across 12 major European economies: Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Portugal, and Spain. Using relationships informed by recent academic research and original modelling, projected impacts on house and rent prices resulting from international air tourism over the period 2019-2031 are presented.

The analysis looks only at high-level national average impacts. In reality, impacts will vary significantly between cities and regions based on levels of tourism demand. The results are indicative of the potential size of the impacts, and aim to illustrate that the impacts of growth and policy decisions in air tourism, through rent prices, are highly material for households. Consideration of these equity impacts is however missing from current debates, and ignored in mainstream economic impact assessments produced by the aviation industry and governments.

As house and rent prices are sensitive to international tourism arrivals regardless of their mode of transport, the study isolates the air transport contribution to the total rate of tourist arrivals. This varies significantly by country, from Greece and Portugal where 90%+ of overnight international arrivals travel by air, to France and the Netherlands where the equivalent figure is closer to half (50%) of overnight arrivals. Using estimates of average house prices, the analysis applies the relationship established in academic literature by Anastasiou et al. (2024) suggesting that in tourism-dependent economies, a 10% increase in tourist arrivals can produce a 1.6% increase in house prices. This falls to 0.65% for non-tourism-dependent economies.

As of 2025, international air tourism arrivals had not fully recovered from the impact of the COVID pandemic in all of the sampled nations. As a result, the retrospective analysis includes five cases in which the change in house and rent prices due to international air tourism actually declined over the period. To sense-check the results, real historic rent price changes derived from OECD data are included. This represents the change in rents after controlling for Consumer Price Index inflation over the 2019-2025 period.

In Europe's key tourism receiving nations, rent prices rose significantly: Greek, Spanish, Portuguese and Italian households saw major rent increases driven by air tourist arrivals. The results align with the findings of Cro and Martins (2023) that a very strong impact of tourism on house prices prevails in Greece, Portugal and Spain.

Estimated annual historic cost of air tourism growth on European renters (2019-2025, in 2026 prices)

Country	Change in tourism arrivals	Average house price change	Annual household rent change	Proportionate average rent change	Change in total rent burden	Change in total (non-social) rent burden	Real rent rise (OECD)
Austria	5.7%	€ 3,200	€ 128	0.8%	€ 231 mn	€ 177 mn	-1.1
Belgium	-0.6%	-€ 200	-€ 9	0%	-€ 16 mn	-€ 11 mn	0.6
Denmark	-3.7%	-€ 1,500	-€ 56	-0.3%	-€ 74 mn	-€ 53 mn	-5
France	2.3%	€ 900	€ 44	0.3%	€ 639 mn	€ 469 mn	-6.1
Germany	-4.6%	-€ 1,100	-€ 33	-0.2%	-€ 734 mn	-€ 341 mn	-8.9
Greece	27.2%	€ 8,500	€ 342	3.6%	€ 364 mn	€ 364 mn	2.9
Ireland	5.5%	€ 2,900	€ 135	0.7%	€ 70 mn	€ 61 mn	9.5
Italy	13.7%	€ 3,500	€ 202	1.8%	€ 1,023 mn	€ 834 mn	-6.6
Netherlands	-1.3%	-€ 900	-€ 31	-0.2%	-€ 104 mn	-€ 95 mn	-6
Poland	-6%	-€ 700	-€ 23	-0.3%	-€ 70 mn	-€ 56 mn	2.4
Portugal	14.4%	€ 4,700	€ 220	1.9%	€ 202 mn	€ 156 mn	5.8
Spain	12.8%	€ 3,800	€ 236	1.7%	€ 703 mn	€ 587 mn	-9.5

Source: NEF analysis, see methods in study

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The prospective forecast over the next five years evidences a **wealth transfer** whereby property owners benefit at the expense of renters, with **real annual rents** in many of Europe's largest tourism economies **expected to rise by up to €250 per year over the next five years.** These rises, which represent national average increases, will be concentrated in tourist hotspots and will primarily burden lower-income households.

In absolute terms the largest house price increase is seen in Ireland at €5,500, leading to an average household rent increase of €250 per year. Given the difficulties faced, the plans currently being pursued to expand Dublin airport look likely to make an already challenging situation worse. In relative terms the largest increases are seen in Greece and Portugal (both 1.7%). Over the forecast period the largest aggregate rent burden increase is seen in France at €1.4 billion per year (€1.0 billion per year after adjusting for social housing). These considerations look relevant in the context of ongoing discussions around the expansion of Paris airport.

Projected cost of air tourism growth on European renters (2026-2031)

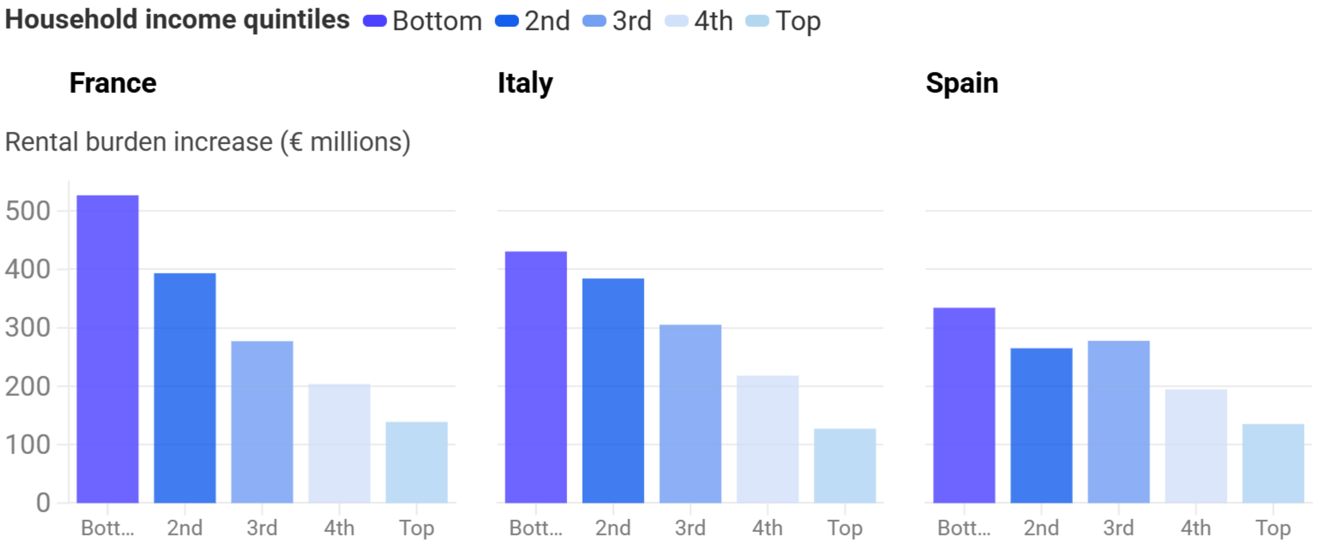
Country	Change in tourism arrivals	Average house price change	Annual household rent change	Proportionate average rent change	Change in total rent burden	Change in total (non-social) rent burden
Austria	4.1%	€ 2,300	€ 93	0.6%	€ 168 mn	€ 129 mn
Belgium	4.3%	€ 1,100	€ 63	0.4%	€ 117 mn	€ 79 mn
Denmark	6.9%	€ 2,700	€ 103	0.6%	€ 136 mn	€ 97 mn
France	5%	€ 2,000	€ 95	0.7%	€ 1,387 mn	€ 1,019 mn
Germany	5.4%	€ 1,300	€ 39	0.3%	€ 875 mn	€ 406 mn
Greece	13%	€ 4,100	€ 163	1.7%	€ 174 mn	€ 174 mn
Ireland	10.2%	€ 5,500	€ 251	1.4%	€ 129 mn	€ 113 mn
Italy	9%	€ 2,300	€ 132	1.2%	€ 667 mn	€ 544 mn
Netherlands	2.5%	€ 1,700	€ 61	0.3%	€ 205 mn	€ 188 mn
Poland	7.7%	€ 900	€ 30	0.4%	€ 90 mn	€ 72 mn
Portugal	12.6%	€ 4,100	€ 193	1.7%	€ 178 mn	€ 137 mn
Spain	11.8%	€ 3,500	€ 217	1.6%	€ 648 mn	€ 542 mn

Source: NEF analysis, see methods in study

Residents of social housing and in rent-controlled accommodation likely experience some level of short-term protection against direct price increases. Over the long-term, the rent price impacts of air tourism growth are likely to pass through and even where they do not, renting households can become ‘trapped’ in their home (i.e. experiencing an opportunity cost in their ability to move or buy their first home). This analysis assumes an 80% pass-through rate (the ratio of change in rent to change in house price). The true figure will vary depending on local government policies and over time.

Generally, renting households are concentrated in the lower income segments of the population. The **aggregate impact on non-social renting households** over the full period, 2019-2031, falls hardest on France, Italy, and Spain. More specifically, it **falls hardest on low-income households.** In France, €530 million of annual costs fall on the lowest income group, while just €140 million fall on the highest income group. Meanwhile, the highest income groups benefit most from the increased capital value of properties.

Projected rise and concentration in rental burden due to air tourism growth across households in southern Europe, 2019-31



Source: NEF modelling distributed as per OECD

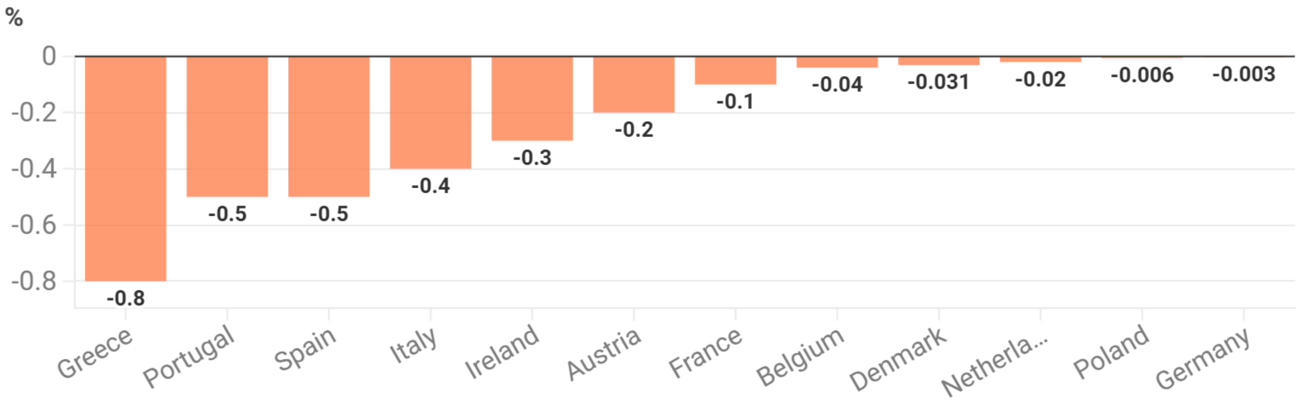
2.2 Potential harm to productivity in other economic sectors

The study also presents evidence that the **upwards pressure placed on house prices by growth in tourism arrivals** may lead to **negative productivity outcomes in the wider economy.** Higher prices incentivise investors to direct capital towards property rather than towards productive and innovative sectors, such as transport equipment i.e. electric vehicles or trains, and investment in information technologies.

In places such as Greece, Spain, Portugal and Italy, the diversion of capital that is caused by rising house prices over the 2019-2031 period would be expected to result in around a 0.4-0.5% reduction in total business investment. The largest losses in absolute terms hit Italy and Spain, that lose €1.1 billion and €1.0 billion in annual investment respectively.

Industrial strategy that over-emphasises tourism could reasonably weaken higher productivity sectors, harming the long-term viability of industries and jobs.

Projected loss in European total business investment over 2019-31 from house price increases due to air tourism growth



Source: NEF analysis

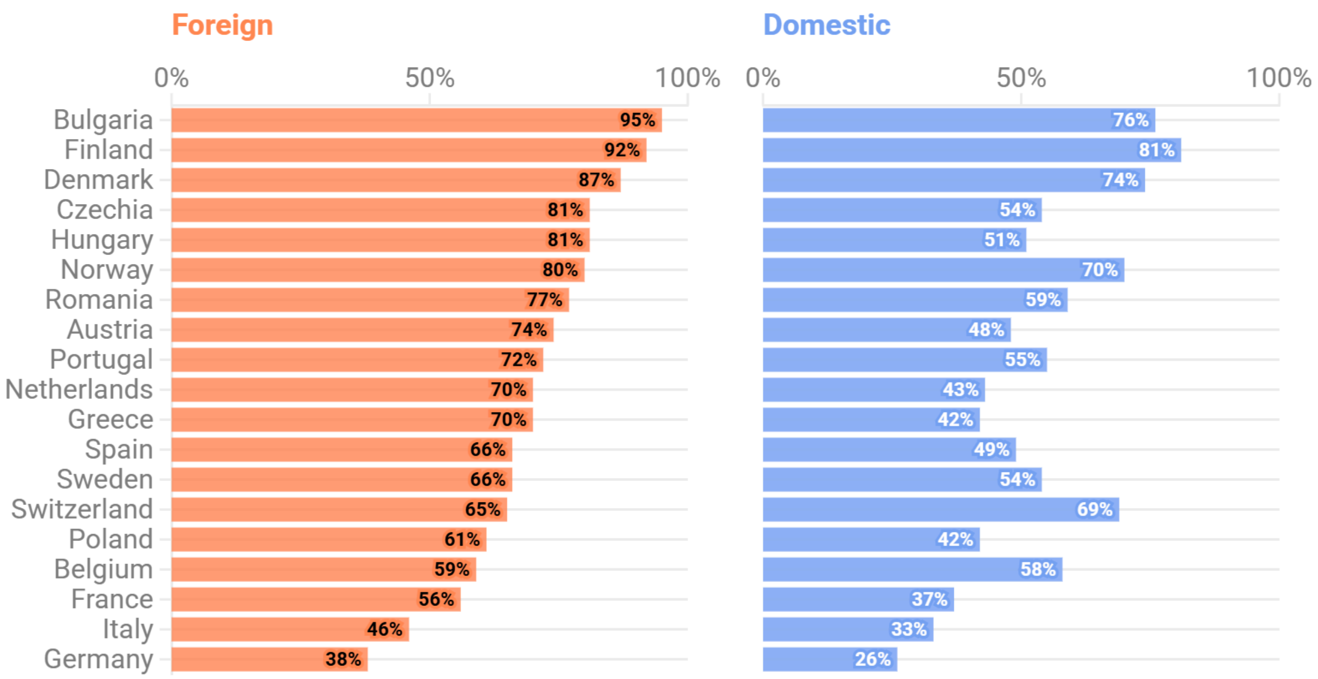
The second key impact channel is how higher house and rent prices make workers less mobile, restricting the ability of workers to match with their most suitable job. The third is the way higher house prices reduce the cash available to households for them to invest in their own skills and resources. **Industrial strategy focused on tourism development encourages limited capital and labour into a sector that is currently seeing lower levels of productivity**, in many cases is not improving its productivity, and is actively undermining the productivity (through property prices) of other sectors.

2.3 International air arrivals focus spending in fewer, richer regions

Having established that tourism arrivals create costs for the renting subsection of society, widen wealth inequality as well as creating potential productivity losses in the wider economy, an obvious remaining question is 'is it worth it?' Dissecting this question means looking at where tourism spending flows, and who benefits. Caution and investigation should be applied before assuming that more transport of tourists will result in a net gain in employment or GDP in tourism-linked sectors.

The figure below shows the share of tourist nights spent in a nation's top three most popular regions. This figure shows there is **much more concentration of tourist nights among the top three regions visited by foreign visitors (the majority travelling by air) than by domestic residents (the majority travelling by land).** For example, in Austria, foreign visitors concentrate 74% of their nights in the top three most visited regions, while domestic travellers spend just 48% of theirs.

Share of foreign and domestic tourist nights concentrated in the top three most visited subregions of European countries



Source: NEF analysis of Eurostat

Not only is domestic tourist spending more widely distributed, but more of it is spent in high-poverty areas. Across a sample of 22 nations, there were 19 nations in which domestic residents visited regions with a higher average poverty rate than visited by foreign visitors. International air tourism often concentrates spending in a small number of regions, usually regions with lower poverty rates.

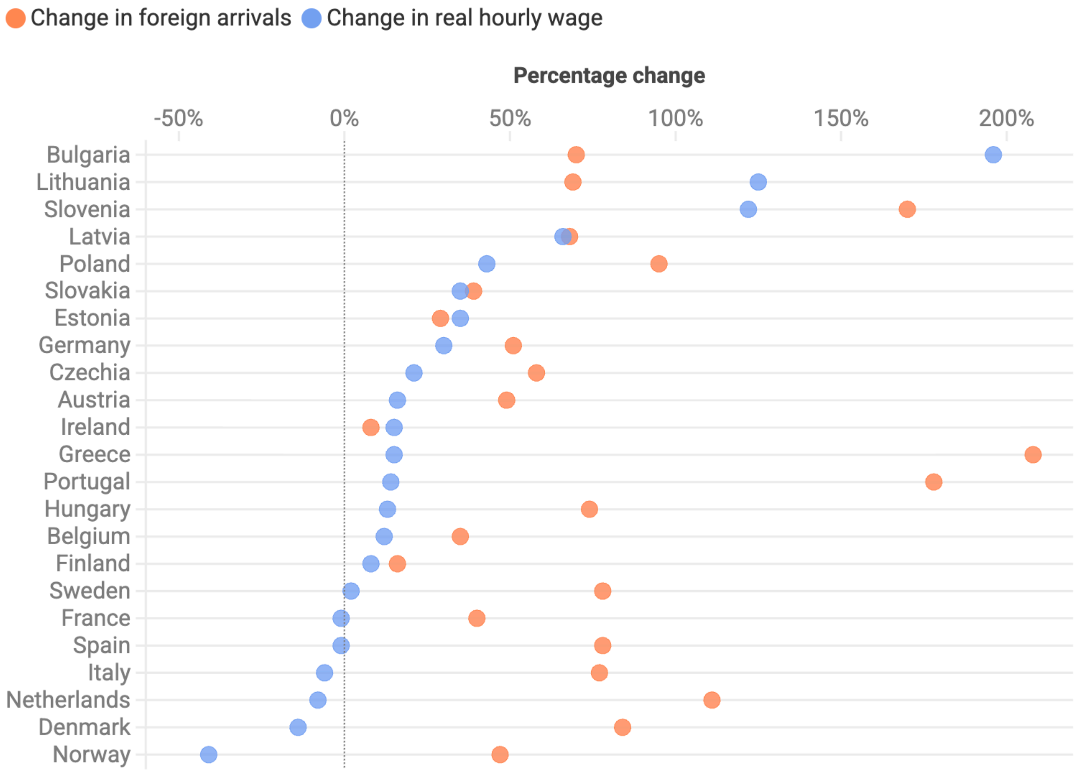
2.4 Rising foreign tourist arrivals, declining hospitality wages and productivity

Facilitated almost entirely by air transport growth, the surge in tourist arrivals to Southern Europe has seen the hospitality sector dominate the working hours of locals. In Greece, Spain, Portugal and Ireland the hospitality sector constituted 22%, 10%, 10% and 9% of hours worked in 2023 respectively, the three largest contributions to hours worked in Europe. However, in those same countries hospitality accounted for just 9%, 5%, 6% and 2% of gross value added (GVA – the main component of GDP) respectively.

The accommodation and food services sector pays a significantly smaller share of wages and salaries than its share of hours worked, i.e. the hourly wage is significantly below average. The largest gaps between hospitality wages and the wider economy prevail in Ireland and Greece, where wages are just a third (35%) and a half (54%) of the economy average respectively.

Hospitality in Spain, France, Italy, and the Netherlands saw real wage declines over the period 2008 to 2024. Those countries delivering increases over the period, such as Germany, Austria and Portugal, attribute some of their success to minimum wage policies, usually negotiated with unions. Among those nations that saw a decline in real wages, all saw very significant increases in foreign tourist arrivals ranging from a 40% increase in France to 111% in the Netherlands between 2008 and 2024. The **nations with the highest volumes of tourist arrivals have generally performed the worst when it comes to real-terms wages for tourism-sector workers**.

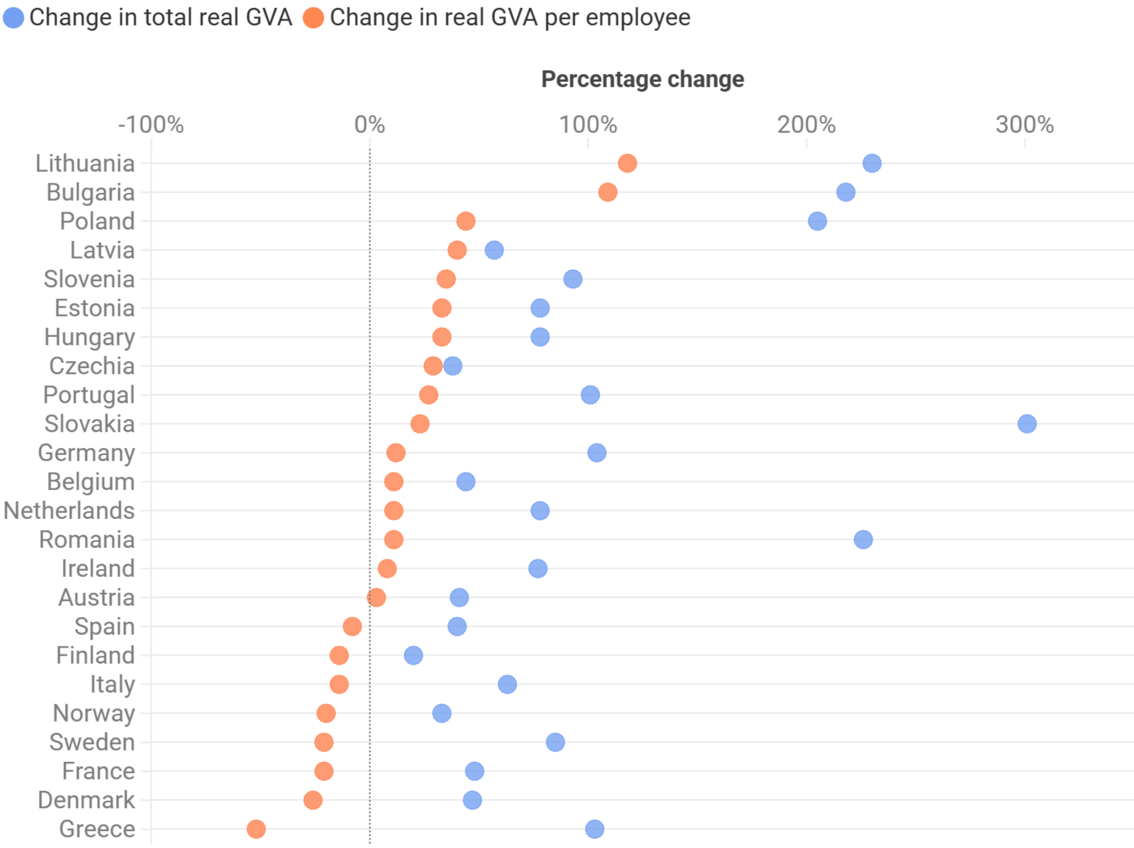
Changes in foreign tourist arrivals and in hospitality wages in Europe (2008-24)



Source: NEF analysis of Eurostat

All of the countries in the group that saw real spending on wages and salaries decline also saw large rises in aggregate GVA, but all bar the Netherlands saw a decline in GVA per employee. In other words, **many hospitality sectors across Europe have delivered declining productivity** over the past two decades, and **increasing volumes of tourism and hospitality have not improved efficiencies or outcomes**. Italy, France, and Spain were the worst performers. In Greece, where there was the largest rise in tourist arrivals, there was a large decline in the GVA per employee.

Changes in Gross Value Added and GVA per employee in the hospitality sector (2008-2023)

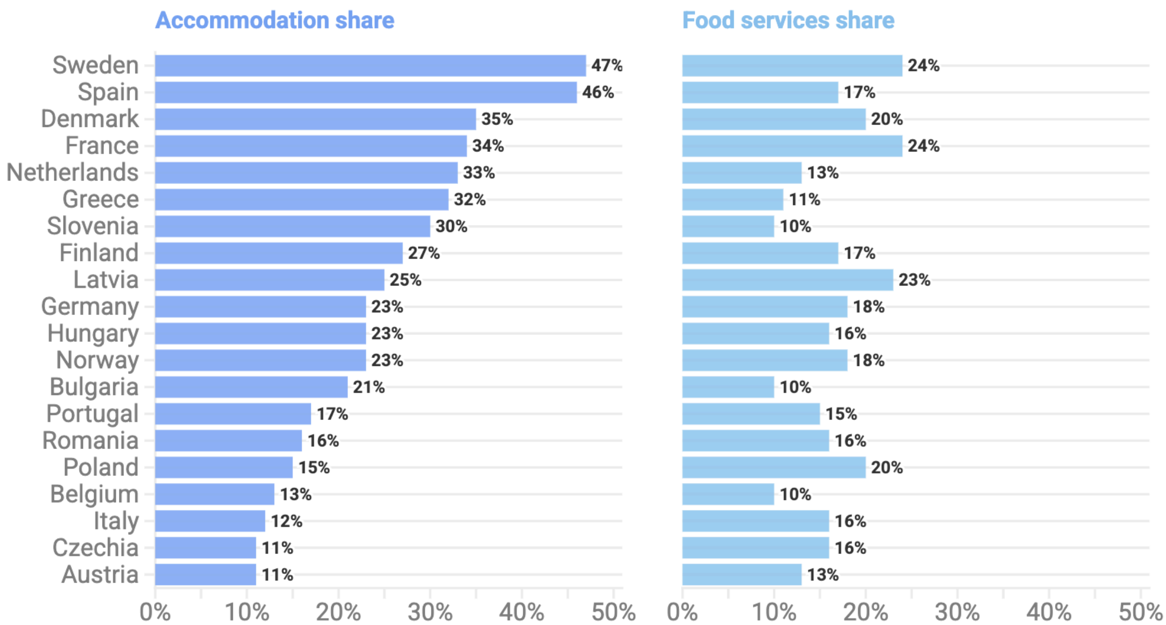


Source: NEF analysis of Eurostat

2.5 A high share of accommodation sector revenues goes to large businesses

Business owners in the sector have accumulated significant profits, arising from increasing volumes of tourist spending. The figure below shows the proportion of revenue flowing through hospitality businesses with over 250 employees. The share of accommodation services revenues accruing to large businesses is especially high in Sweden (47%) and Spain (44%), and fairly high in Denmark (35%), France (34%), the Netherlands (33%) and Greece (32%). This compares with just 11% in Austria, 12% in Italy and 17% in Portugal. This points to a very different distribution of revenue flows between social groups and communities between countries. It is important to note that these figures likely do not capture revenue accruing to platform accommodation rentals like Airbnb, which could further increase the shares flowing to large businesses.

Share of hospitality Gross Added Value generated by businesses with over 250 employees (2023)



Source: Eurostat *Incomplete data in Lithuania, Slovakia, Estonia, and Ireland prevents disaggregation at this level

While large businesses have been capturing a growing share of the Spanish, French, Greek and Italian tourism markets, sector productivity has not improved. In Poland and Portugal, where the large business share has been in decline, productivity has improved. There is a clear **need to consider the role more distributed models of ownership can play in securing sustainable economic and social value from tourism**.

Recommendations

Growth in hospitality, the principal recipient of tourism spending, facilitated by air transport, creates jobs and profits but has failed to deliver either productivity improvements or real wage increases in countries with the largest rises in tourist arrivals. Rather, it has delivered aggregate growth in returns to capital (particularly large businesses), land and property owners, at the expense of renters, local communities, and the environment.

Critically overlooked is the wider economic cost of the high property prices that result from mass tourism, facilitated by air transport. Higher rent prices can meaningfully erode the welfare of low-income households, increasing their costs and trapping them in undesirable accommodation. Moreover, research shows that distorted property prices can harm the productivity of other sectors of the economy and encourage misallocation of finite capital and labour into rent-seeking and low productivity sectors.

As such, for regions relying on economic growth driven by air travel and tourism, yet approaching their physical, social and cultural saturation point for unabated tourist inflows, there exists a tension between short-term economic gains and the long-term health of the economy, welfare of local communities and the environment.

There is an overwhelming case for much of Europe to rethink its industrial strategy for air transport and tourism. Both the tourism sending regions as well as the receiving regions appear to be accepting a very high environmental and social cost in exchange for a relatively limited, and unequally distributed, economic and social return.

Based on the findings of this study, T&E recommends that policymakers:

01 **Conduct a critical review of key tourism impact domains in assessments of airport capacity and aviation taxation policies,** including property and rent prices, and distribution of economic value creation across social groups and types of businesses, with an equity lens.

02 **Reduce international air arrivals to help slow the rise of house and rent prices** faced by households, and to help redirect investment into productive economic sectors. **In regions approaching tourism saturation, halt airport expansions.**

03 **Reconsider strategies for tourism and transport connectivity to support equitable value creation**, such as prioritising international rail arrivals and domestic tourism for better geographical distribution; directing spending to locally-owned businesses; and improving wages and productivity in the hospitality sector.

About this briefing

This briefing is based on Part Two of the New Economics Foundation study commissioned by T&E, *The Economics of Air Transport in Europe: Air Transport & Tourism*, written by Dr. Alex Chapman and Paula Castro Rodriguez.

For details on data, analysis, methods and sources referenced, see the full study.

Further information

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