

Spain

Hotel Market Review: Most Competitive Cities

March 2016

Reviewing the Most Competitive Urban Destinations

Remarkable signs of recovery in 2015

The tourism industry in Spain has benefited from the gradual upturn of the economy, which has stimulated tourism again both domestically and from the main feeder markets.

Furthermore, the geopolitical instability of competitive destinations in the Mediterranean and other macroeconomic factors, such as the decrease in petrol prices or the depreciation of the euro, have also benefited Spanish tourism industry in general terms.

The results from 2015 show widespread performance recovery across Spanish destinations, especially in urban destinations, which were more affected during the economic crisis than sun and beach tourist areas which proved more resilient.

In this report, we have focused on those urban destinations which are considered to be the most competitive in the country according to our criteria, which also coincides with the UrbanTUR report produced in 2012 by Exceltur, being **Barcelona, Madrid, Valencia, Seville, San Sebastian, Malaga and Bilbao**.

These cities present a very interesting touristic evolution, not only from a hotel profitability perspective, but also taking into consideration the tourist resources and other competitive factors, such as the relevance of the destination, its accessibility or the political priority given by institutions to tourism.

In the following pages we analyse the hotel industry development in the selected cities from 2009, focusing on the growth in visitation, the characteristics of the hotel offer and recent performance indicators.

In general terms, all the analysed cities have benefited from demand recovery, which has been key to the improvement in hotel performance. The increase in domestic visitation has been particularly remarkable this year as this segment was under significant pressure in recent years.

As per the hotel accommodation, it has been adapted to demand trends, generally by increasing the number of hotels and beds.

In terms of hotel profitability, the seven cities show increases in RevPAR levels with Barcelona clearly leading the way. Seville and Madrid on the other hand show the highest growth rates during 2015.

We also briefly review the hotel projects in the pipeline for the coming years, which show the increasing interest amongst industry players to develop quality accommodation in these cities.

Looking towards the future, we believe that all these cities will continue growing in terms of tourism and each will have to adapt to its own circumstances. As the most consolidated urban destinations, Barcelona and Madrid will have to define their tourism model to continue developing the industry but will also have to manage some arising issues such as the emergence of illegal supply, the risk of oversupply or the tourism-phobia among residents. As for the rest of the cities, it is expected that they will continue to develop quality hotel product as well as tourism infrastructure to be able to attract more and better demand, allowing them to put the focus on increasing rates.

We hope that this report provides you with a better understanding of the evolution of these cities and a new perspective on their potential and future outlook.



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Summary of Hotels KPIs in the Analysed Cities

Widespread growth

In 2015 hotel profitability in urban destinations grew by 11.5%, averaging €55.7, according to Exceltur Barometer of Profitability figures. Despite this general improvement, many Spanish cities are still performing at levels well below those achieved in 2008.

The increase in profitability has been particularly driven by higher occupancy levels in Spanish city hotels (+6.4% / 2014) and, albeit to a lesser extent, hotel prices have also increased (+4.9%), averaging €83.3 for urban destinations, which is still below the €88.5 recorded before the economic crisis.

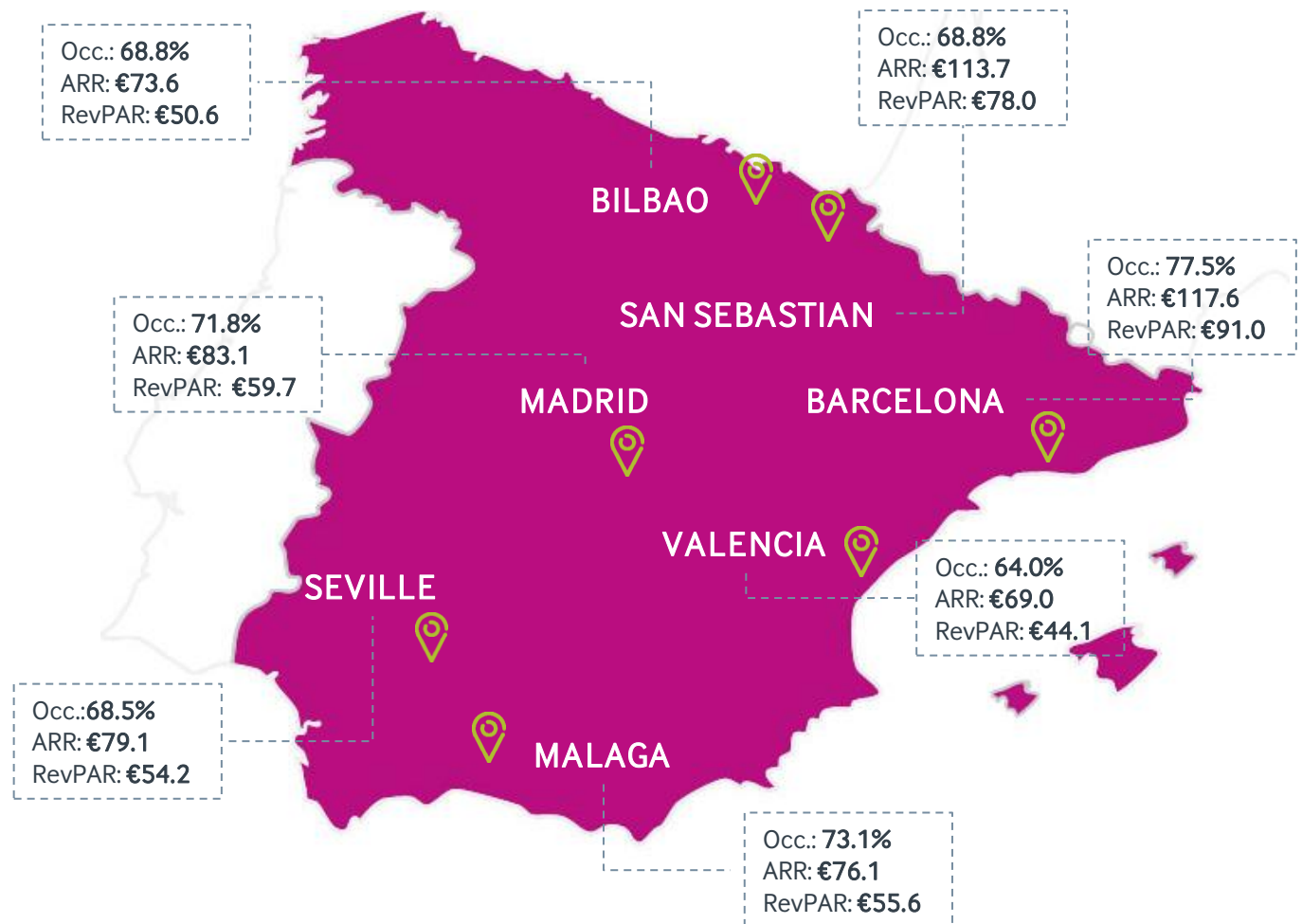
Due to the recent performance improvement and their future potential, the chosen cities are, in our opinion, the most interesting urban destinations in our country.

Hotels in Barcelona remain the most profitable with RevPAR well above the other analysed cities.

The most notable increase in terms of hotel profitability was registered in Seville, followed by Madrid, although the road to recovery especially in terms of ARR is still long for the capital city.

The map shows the main hotel KPIs during 2015 in the selected cities which are further analysed on the following slides.

Summary of Hotels KPIs 2015



Barcelona

The leading Spanish city for hotel profitability

CITY PROFILE

Key Macro-Indicators 2015

- Population 1,604,555
- Unemployment Rate 17.7%
- GDP Growth Rate +1.4%
- Inflation Rate +0.0%

Main Companies (Ajuntament de Barcelona)

- Gas Natural Fenosa
- La Caixa
- Almirall
- Eurecat Technology
- Endesa

Tourism GDP Contribution 14.0%

Airport Passengers

- 39,711,276 (+5.7% / 2014)

Key Tourist Attractions

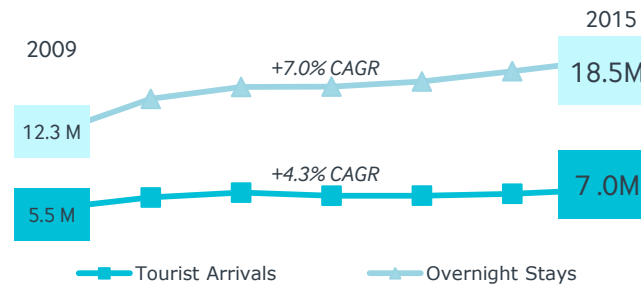
- La Sagrada Família
- Picasso Museum
- Las Ramblas
- Barcelona FC Camp Nou Stadium
- Modernist Park Guell by Gaudi

Main Hotel Transactions 2015

- Hesperia Ramblas, 3*, 70 keys
- Hotel Covadonga, 3*, 101 keys
- Hotel Bagués, 5*, 31 keys
- Hotel 987, 4*, 88 keys
- Hilton Barcelona, 4*, 289 keys

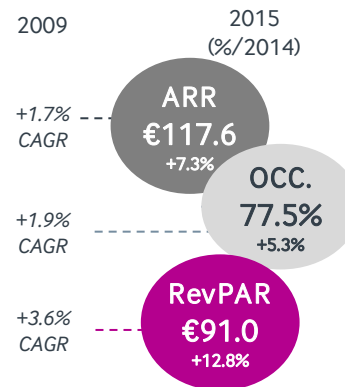
Tourist Demand

Barcelona is one of the preferred urban destinations for international travellers, which in the last few years has noticeably increased (+7.1% on average) amounting to more than 5.6 million in 2015 (+5.4% since 2014). In 2015 over 7 million tourists (80% foreigners) visited the city.



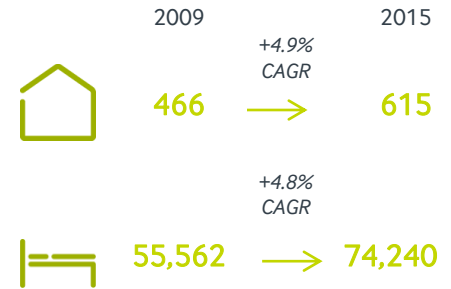
Hotel Profitability

In 2015 RevPAR increased by 12.8% to reach €91, which placed Barcelona at the top of Spanish cities in terms of profitability. In 2015 there was an increase of 7.3% in rates, reaching €117.6. Occupancy also recorded a growth of 5.3% reaching 77.5%. The compound growth rate in RevPAR has averaged 3.6% since 2009.



Hotel Offer

The thriving city recorded 615 open hotels (more than 74,000 beds) during 2015, a 6.2% increase compared to the previous year. According to our research, today Barcelona offers 150 more hotels and 18,678 more hotel beds than in 2009.



Main Projects in the Pipeline

- ME Barcelona**
 - 5*, 178 keys, lease contract
- Aloft Barcelona (Starwood)**
 - 4*, 182 keys, franchise
- H10 The Corner**
 - 4*, 96 keys, ownership op.
- Barceló Diagonal Casa Punxes**
 - 4*, 100 keys, lease contract
- Room Mate Ausias March**
 - 3*, 67 keys, lease contract

Madrid

Remarkable recovery of Spain's capital city after tough years

CITY PROFILE

Key Macro-Indicators 2015

- Population 3,141,91
- Unemployment Rate 16,5%
- GDP Growth Rate +1.6%
- Inflation Rate -0.2%

Main Companies (Ayuntamiento de Madrid)

- Telefónica
- El Corte Inglés
- Sociedad Estatal Correos y Telégrafos
- Centros Comerciales Carrefour
- Iberia
- Prosegur
- Banco Popular

Tourism GDP Contribution 6.3%

Airport Passengers

- 46,828,279 (+11.9% / 2014)

Key Tourist Attractions

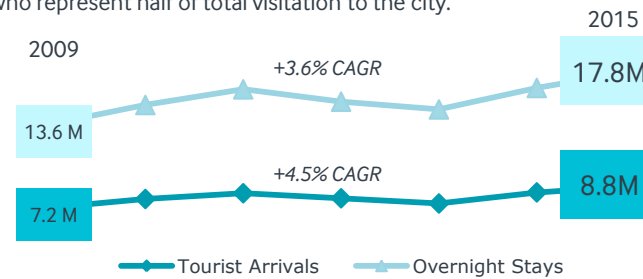
- Palacio Real
- Prado Museum
- Retiro Park
- Puerta del Sol
- Gran Vía

Main Hotel Transactions 2015

- Hotel Suecia, 4*, 127 keys
- Hotel Maria Elena Palace, 4*, 87 keys
- Ritz Madrid, 5*, 165 keys
- Holiday Inn Madrid Bernabeu, 4*, 313 keys
- Tryp Madrid Atocha, 4*, 150 keys
- Sheraton Madrid Mirasierra, 5*, 182 keys

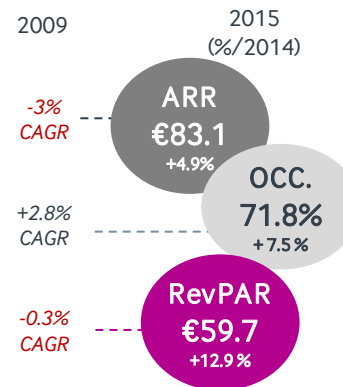
Tourist Demand

2014 already showed signs of recovery in the capital's hotel sector, with considerable increases in the number of tourists. This trend continued in 2015, with over 8.8 million tourist arrivals, a 6% increased versus 2014. During 2015, Madrid stood out for the increase in foreign tourists (+10%), who represent half of total visitation to the city.



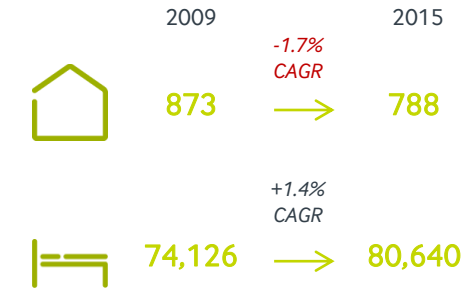
Hotel Profitability

Madrid hotels' RevPAR reached €59.7 in 2015, which is close to the €60.7 recorded in 2009, implying an increase of 12.9%. Hotel rates started to recover in 2015 (+4.9%) reaching €83. Hotel occupancy has remained more stable during the period but increased up to 71.8% (+7.5% in 2015) since the recorded 60.9% in 2009.



Hotel Offer

In 2015 Madrid offered on average 788 open hotels (more than 80,600 hotel beds), a 7.2% decline versus the previous year. The number of hotels has reduced by approximately 48 establishments since 2009 (-1.7% CAGR).



Main Projects in the Pipeline

- W Madrid**
 - 5*, 141 keys, management contract
- Ritz Hotel Mandarin Oriental**
 - 5*, 167 keys, management contract
- Pestana Plaza Mayor**
 - 5*, 69 keys, lease contract
- Only You Atocha**
 - 4*, 206 keys, lease contract
- Barceló Torre de Madrid**
 - 4*, 259 keys, lease contract

Valencia

Growing appeal among international tourists

CITY PROFILE

Key Macro-Indicators 2015

- Population 786,189
- Unemployment Rate 21.5%
- GDP Growth Rate +1.9%
- Inflation Rate -2.1%

Main Companies (Impiva)

- Mercadona
- Consum
- AcelorMittal Sagunto
- Martínez Lorient
- Air Nostrum Líneas Aéreas del Mediterráneo

Tourism GDP Contribution 12.6%

Airport Passengers

- 5,051,871 (+9.9% / 2014)

Key Tourist Attractions

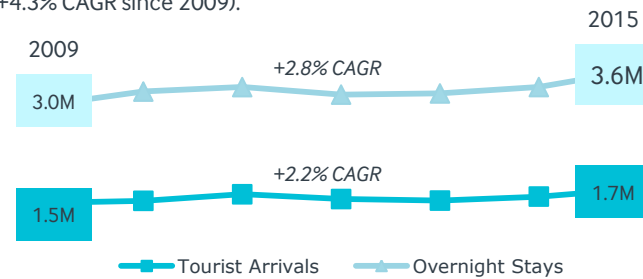
- Ciudad de las Artes y las Ciencias
- Institute of Modern Art
- Cathedral of Valencia
- Fine Arts Museum
- La Lonja de Seda

Main Hotel Transactions 2015

- Holiday Inn Express Valencia San Luis, 3*, 125 keys
- Hotel Rey Don Jaime, 4*, 220 keys

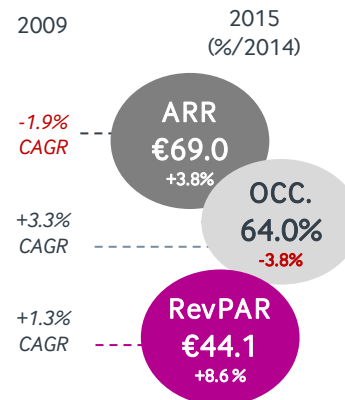
Tourist Demand

More than 1.7 million travellers visited Valencia in 2015 (+7.4%), primarily thanks to the 13% increase in national demand. The share of international demand has expanded since 2009, increasing from 38% to 48% in 2015. In terms of overnight stays, they represent 56% of the total stays in the city (+4.3% CAGR since 2009).



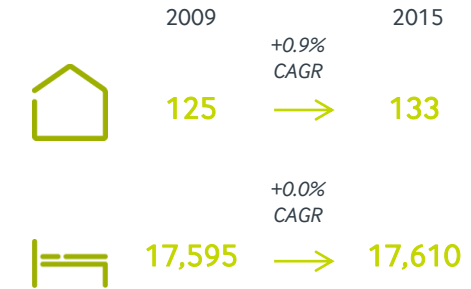
Hotel Profitability

Occupancy of hotels averaged 64% in 2015, lagging behind the previous year (-3.8%). Nevertheless, average rate performance improved (+3.8%) reaching an average price of €69, allowing hotel profitability to grow by 8.6% since 2014 (€44.1). Despite the growth in recent years, achieved rates are still below 2009 levels.



Hotel Offer

The hotel base accounts for 133 hotels (17,610 hotel beds), remaining relatively stable since 2009 in cumulative terms. The past year a growth of 3.4% was recorded, going from an average of 128 to 133 open hotels throughout the year.



Main Projects in the Pipeline

Park Hyatt Gran Hotel Marina Real

- 5*GL, 120 keys, Management contract

Bershka Building

- 4*, 50 keys, Independent op.

Seville

Profitability on the rise driven by higher occupancy

CITY PROFILE

Key Macro-Indicators 2015

- Population 693,878
- Unemployment Rate 29.8%
- GDP Growth Rate +1.3%
- Inflation Rate -0.3%

Main Companies (Ayuntamiento de Sevilla)

- Abengoa
- Ayesa
- CECOFAR
- Heineken España y Grupo Cruzcampo

Tourism GDP Contribution 12.5% (Andalucia)

Airport Passengers

- 4,308,852 (+10.9%/ 2014)

Key Tourist Attractions

- Plaza de Toros de la Maestranza
- Plaza de España
- Alcazar of Seville
- La Giralda
- Torre del Oro

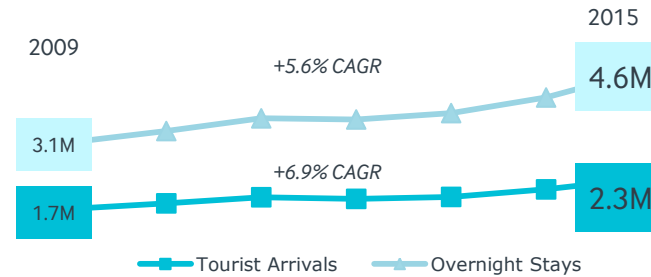


Main Hotel Transactions 2015

- Hotel Corregidor, 3*, 76 keys

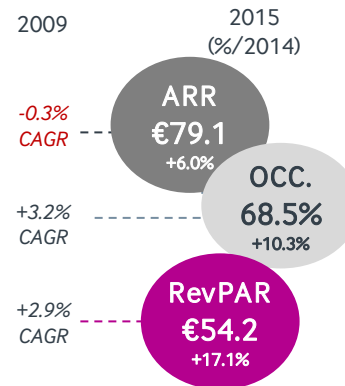
Tourist Demand

In 2015 there was a considerable increase in visitors, reaching 2.3 million or an uplift of 11% compared to 2014. Domestic demand has recovered significantly and the increase in foreign visitors (+12.1%) was particularly strong, representing 53% of the total demand for the city (44% in 2009).



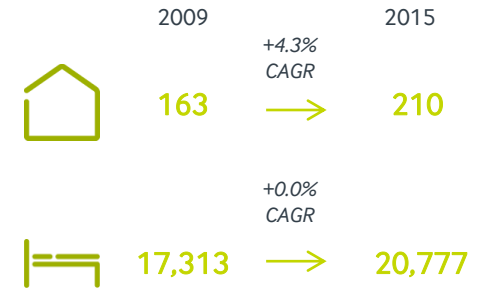
Hotel Profitability

The hotel profitability increased significantly in 2015 (+17.1%), reaching €54.2, mainly due to the growth in occupancy (10.3%), reaching 68.5%. Average rates also recovered strongly (+6%), although they still remain below 2009 levels, at €79 compared to €80.



Hotel Offer

In 2015 an average of 210 open hotels were recorded (+9%), with more than 1,100 new hotel beds entering the market. The cumulative growth since 2009 is 4.3%.



Main Projects in the Pipeline

- **One Shot Palacio Sevilla 09**
• 4*, 70 keys, Ownership op.
- **Eurostars Sevilla**
• 5*, 300 keys, Management contract

San Sebastián

Higher hotel rates boosting hotel results

CITY PROFILE

Key Macro-Indicators 2015

- Population 186,095
- Unemployment Rate 12.9%
- GDP Growth Rate +1.2%
- Inflation Rate +1.0%

Main Companies (Ayuntamiento de San Sebastián)

- Estaciones de Servicio de Guipúzcoa
- Ibermatica
- Distribuidora Farmacéutica de Guipúzcoa
- Kaiku Corporación Alimentaria

Tourism GDP Contribution 5.6% (Basque Country)

Airport Passengers

- 255,071 (+3.9% / 2014)

Key Tourist Attractions

- Miramar Royal Palace
- San Telmo Museum
- Basílica of Santa María del Coro
- Aiete Palace
- International Jazz Festival

Main Hotel Transactions 2015

- NA

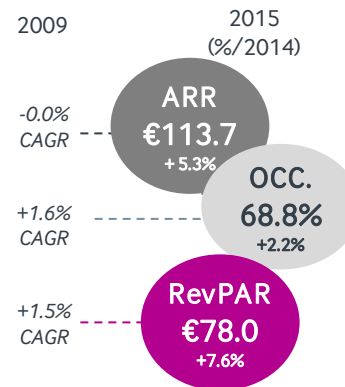
Tourist Demand

In 2015 a remarkable growth was registered in the number of visitors (+6.2%), adding more than 577,400 arrivals. The increasing appeal of the city to foreign visitors is stressed by the average growth of 9.3% in 2015 and currently represents almost half of the total demand (49% compared to 39% in 2009).



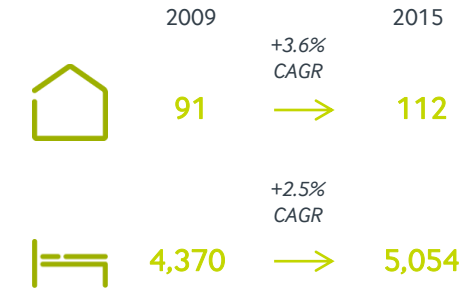
Hotel Profitability

Hotels' RevPAR reached €78 in 2015 (+7.6% versus 2014), primarily due to the increase in average rates to €113.7 (+5.3%). Occupancy performance was close to 69% (+2.2%), following moderate recovery since 2009 (+1.6% CAGR). Since 2009, RevPAR growth has averaged 1.5% per annum.



Hotel Offer

The number of hotels has risen from 91 in 2009 to 112 in 2015, equivalent to a compound growth of 3.6% per year. New hotel supply during 2015 was minimal, although more noticeable in terms of bed supply (+229).



Main Projects in the Pipeline

Hotel Parque Tecnológico Miramón

- 4*, 75 keys, Independent op.

NA

- 3*, 100 keys, Independent op.

Malaga

Growing interest among tourists and foreign investors

CITY PROFILE

Key Macro-Indicators 2015

- Population 569,130
- Unemployment Rate 29.8%
- GDP Growth Rate +1.3%
- Inflation Rate -0.3%

Main Companies (Imfe)

- Mayoral Moda Infantil
- Famadesa
- Busc Person Telecomunicaciones
- Costasol de Hipermercados

Tourism GDP Contribution 12.5% (Andalucia)

Airport Passengers

- 14.404.170 (+4.8%/ 2014)

Key Tourist Attractions

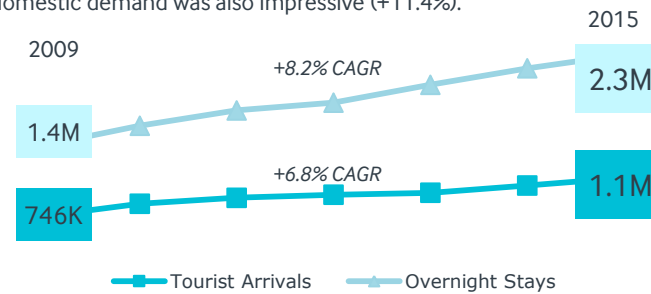
- Gibralfaro Castle
- Tivoli World
- Alcazaba de Malaga
- Centro Pompidou

Main Hotel Transactions 2015

- Vincci Rambas , 4*, 105 keys
- Silken Puerta Málaga, 4*, 141 keys

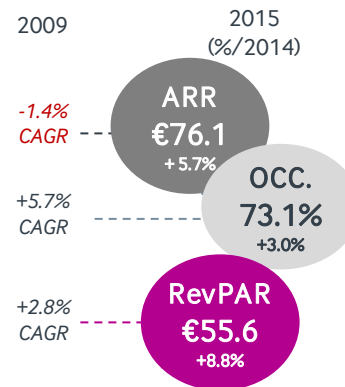
Tourist Demand

Since 2009, tourist arrivals grew by 6.8% on average per year, exceeding 1.1 million tourists in 2015. The increase in international tourist arrivals is particularly remarkable during this period (+11.3%) and represents more than half of the total visitors to the city (52%). Last year the recovery in domestic demand was also impressive (+11.4%).



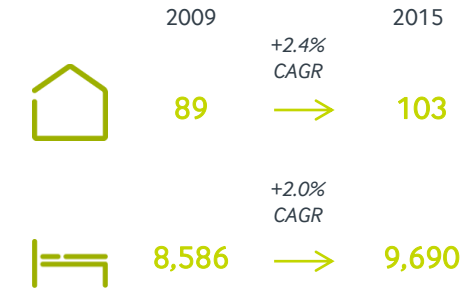
Hotel Profitability

2015 RevPAR was boosted by stronger demand, reaching €55.6 or a 8.8% increase on 2014 levels. The year-on-year growth since 2009 (+2.8%) has been mainly driven by occupancy, which exceeded 73% in 2015 (+5.7% since 2009). Average rates started to pick up in 2014 and reached €76.1 in 2015, albeit still below 2009 levels (€82.9).



Hotel Offer

In 2015, local supply represented 103 hotels or almost 9.700 beds (a CAGR of +2.4% since 2009). Over the past two years, the number of hotels has reduced (-9.2% in 2015), although the number of beds has remained more stable (+0.1% in 2015).



Main Projects in the Pipeline

- Vincci En Hoyo De Espartero**
 - 4*, 138 keys, lease contract
- Palacio Marques De La Sonora**
 - 5*, 46 keys, independent op.
- Gran Hotel Miramar**
 - 5* GL, 198 keys, ownership op.
- Hotel Rascacielos En El Puerto**
 - 5*, 350 keys, independent op.
- Room Mate Malaga (Victoria Melián)**
 - 4*, 60 keys, lease contract

Bilbao

Better hotel performance thanks to growing occupancy

CITY PROFILE

Key Macro-Indicators 2015

- Population 345,141
- Unemployment Rate 12.9%
- GDP Growth Rate +1.2%
- Inflation Rate +0.1%

Main Companies (Ayuntamiento de Bilbao)

- La Torre Iberdrola
- Kutxabank
- BBVA
- Euskaltel
- Grupo Mondragón

Tourism GDP Contribution 12.5% (Andalucia)

Airport Passengers

- 4,277,430 (+6.5% / 2014)

Key Tourist Attractions

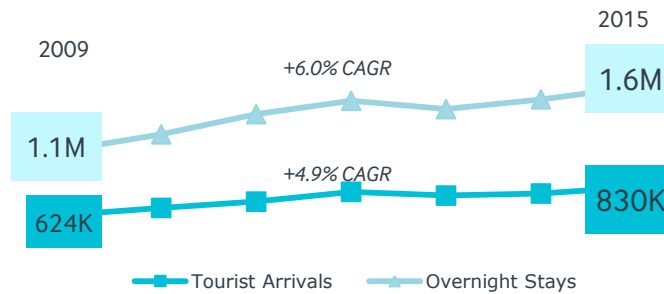
- Guggenheim Museum
- Euskalduna Palace
- Arriaga Theatre
- Plaza Nueva
- Archanda Park

Main Hotel Transactions 2015

- NA

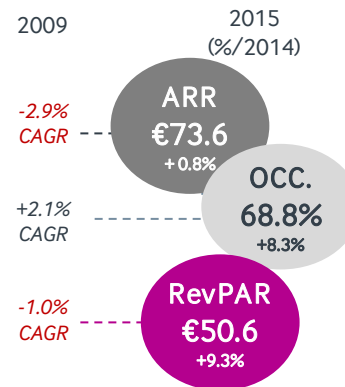
Tourist Demand

A total of 830,641 travellers were recorded in 2015 in Bilbao. Following a decline in 2013, mainly due to subdued domestic demand, the volume of tourists has been recovering since 2014, with a significant increase last year (+6.1%). International visitors represent c. 41% of total tourists.



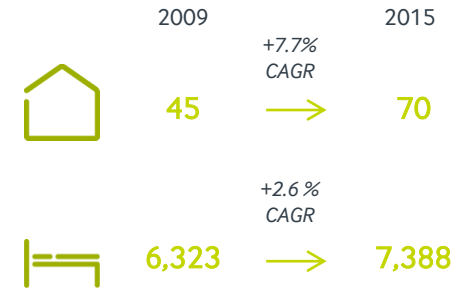
Hotel Profitability

In 2015 RevPAR reached €50.6 (+9.3% on 2014 results) thanks to stronger occupancy levels (68.8% or +8.3% vs. 2014). RevPAR levels remain below pre-recession levels (€53.6) due to lower ARR performance (€73.6 in 2015). Hotel rates are yet to fully recover despite the improvement recorded in recent years.



Hotel Offer

Bilbao registered 70 hotels in 2015, compared to 45 in 2009, equating to a compound annual growth rate of 7.7%. Bed supply totalled almost 7,400 beds, a CAGR of 2.6% since 2009. Hotel bed occupancy was on average 58.1% in 2015 compared to 47.5% in 2009.



Main Projects in the Pipeline

Vincci En Paseo Ibandoibarra

- 4*, 93 keys, Lease contract

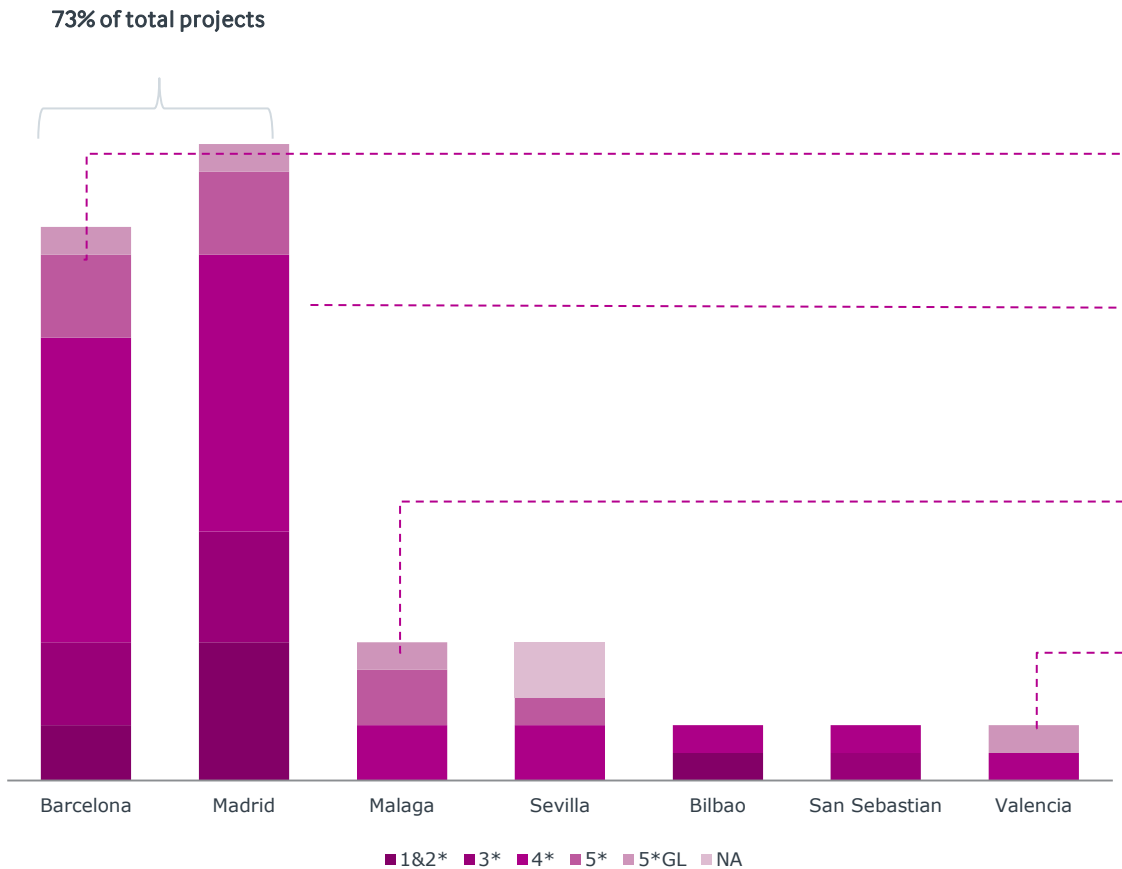
Hotel En Paseo Campo De Volantín, 1

- 2*, 53 keys, Independent op.

Relevant Projects in the Pipeline

Prevalence of upscale and luxury projects

Hotel Projects by Location and Category



Gran Hyatt, Barcelona

- Location: Torre Agbar
- Accomm. units: 400
- Category: 5* GL
- Opening: Resolution Pending



Ritz Madrid Mandarin Oriental

- Location: Ritz Hotel
- Accomm. units: 167
- Category: 5* GL
- Opening: 2017



Gran Hotel Miramar, Málaga

- Location: Palacio de Miramar
- Accomm. units: 198
- Category: 5* GL
- Opening: Summer 2016



Park Hyatt Marina Real, Valencia

- Location: Marina Real
- Accomm. units: 120
- Category: 5* GL
- Opening: NA



Brief Introduction to Christie & Co

We are the leading hotel and leisure advisers in Europe

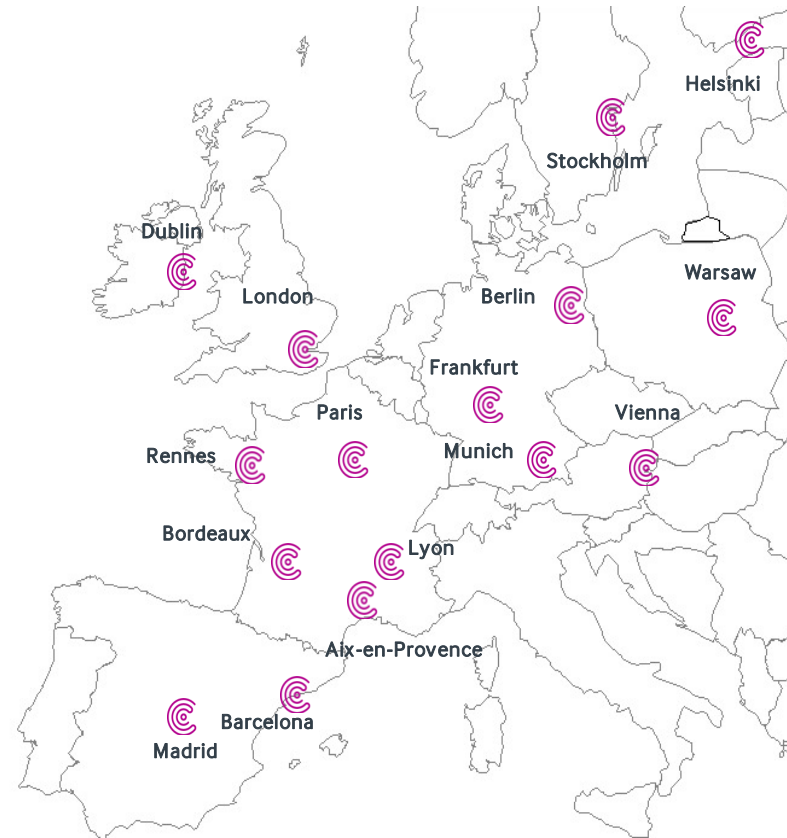
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Our Team

Our hotel experts at two locations in Spain: Barcelona & Madrid



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