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SPAIN NEWSLETTER

H1 & SUMMER PERFORMANCE 2025

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Spain's hotel sector is well-positioned for continued success, offering compelling opportunities for investors, operators, and developers alike. The outlook for 2026 is optimistic, with further growth anticipated across both performance and investment metrics.



As we enter the final quarter of 2025, the Spanish hotel market continues to showcase remarkable resilience and dynamism, positioning itself as one of the Eurozone's top performers. Despite persistent global economic uncertainty and political headwinds, Spain is on track to achieve a solid 2.6% GDP growth, supported by robust domestic demand, improved financing conditions, and sustained momentum in tourism.

Hospitality remains a key driver of this growth. **Overnight stays reached 254.2 million YTD August**, confirming the sector's stabilisation following a record-breaking 2024. While growth has moderated, **RevPAR rose by 6.6%**, with resort destinations such as the **Costa del Sol, Canary Islands, and Balearic Islands** leading the way, fuelled by strong international demand.

Urban markets present a mixed picture: **Madrid and San Sebastian** continue to outperform, while **Malaga** adjusts to new supply. Strategic pricing and inventory alignment will be essential to maintain performance, particularly among price-sensitive domestic travellers.

On the supply side, Spain welcomed **over 50 new hotel openings**, adding approximately **4,000 rooms**, with a clear focus on **upper-tier segments** and **urban destinations**. The development pipeline remains robust, with **4- and 5-star hotels accounting for over 60% of future supply**, and independent properties regaining prominence.

Investment activity remains vigorous, with **€2.7 billion transacted YTD** and with national operators as featured player!

The final quarter is expected to deliver stellar operations, with a strong pipeline nearing completion and expectations to comfortably exceed **€3 billion for the fourth consecutive year**. Resort markets are leading the charge, with **Tenerife emerging as a key hotspot**, while urban destinations continue to attract strategic portfolio acquisitions.

In this context, **Spain's hotel sector is well-positioned for continued success**, offering compelling opportunities for investors, operators, and developers alike. The outlook for 2026 is optimistic, with further growth anticipated across both performance and investment metrics.

MACROECONOMIC ENVIRONMENT

EUROZONE ECONOMIC OUTLOOK: MODERATE GROWTH AMID EASING INFLATION

Despite persistent political headwinds and global economic uncertainty, the European Governing Council forecasts **moderate real GDP growth across the Eurozone**, with projections of 1.2% in 2025, 1.0% in 2026, and a slight uptick to 1.3% in 2027. **Inflation across the Euro area is projected to gradually decline** stabilising at around 2.0% in 2026 and 2027. This outlook is supported by a continued trend of **headline disinflation**, particularly within the energy sector.

In response to these dynamics, the Council announced a **reduction in interest rates**, effective September 11th, 2025. Which now stands at 2.00%, with expectations of further easing due to decreasing inflation, signalling a more accommodative monetary stance aimed at supporting growth.

What is particularly notable in 2025 is that **Europe has outperformed expectations**, not only in terms of economic resilience but also in attracting global capital. While the American economy continues to face structural headwinds—such as declining immigration, rising public debt, and persistent inflation—Europe’s growth, though modest, is more broad-based and stable, attracting investors seeking safer investments.

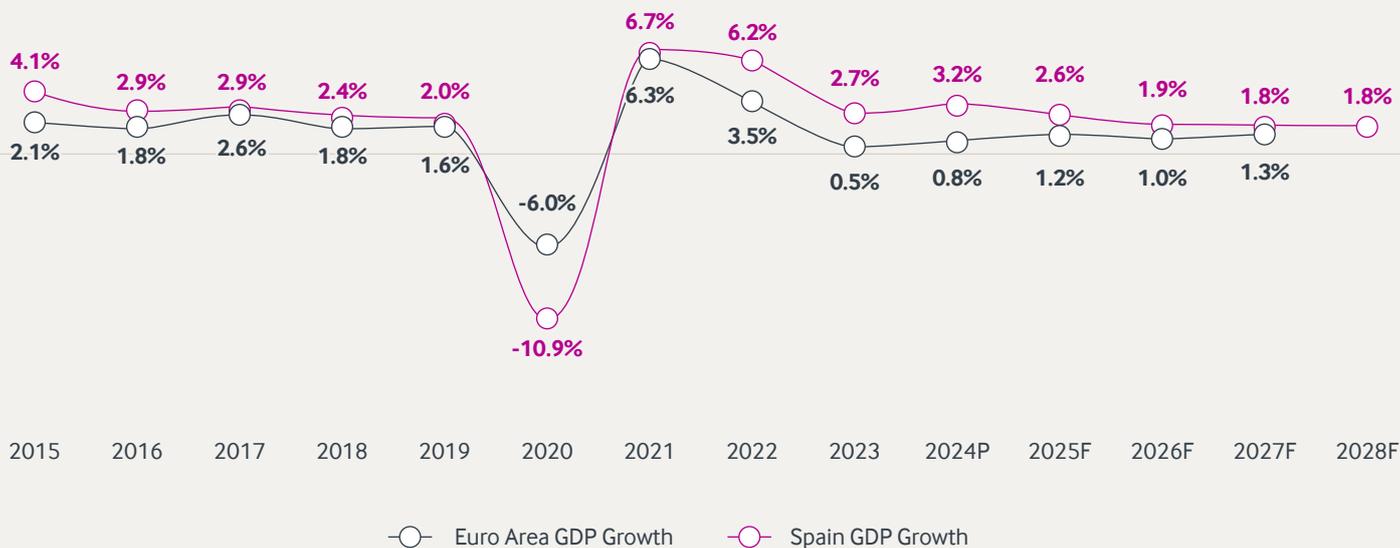
SPAIN: A STANDOUT PERFORMER IN THE EU

Spain continues to outperform its European peers, reaffirming its position as one of the fastest-growing economies in the EU. Following a robust 3.2% real GDP growth in 2024, the Spanish economy is **projected to grow by 2.6% in 2025**.

This momentum is largely driven by resilient domestic demand, supported by the downward trajectory of interest rates, a partial recovery in household purchasing power, and the continued deployment of EU Next Generation funds. Additionally, strong labour market dynamics—powered by demographic growth—are reinforcing consumption and investment, while the **tourism sector remains a key contributor** to overall economic performance.

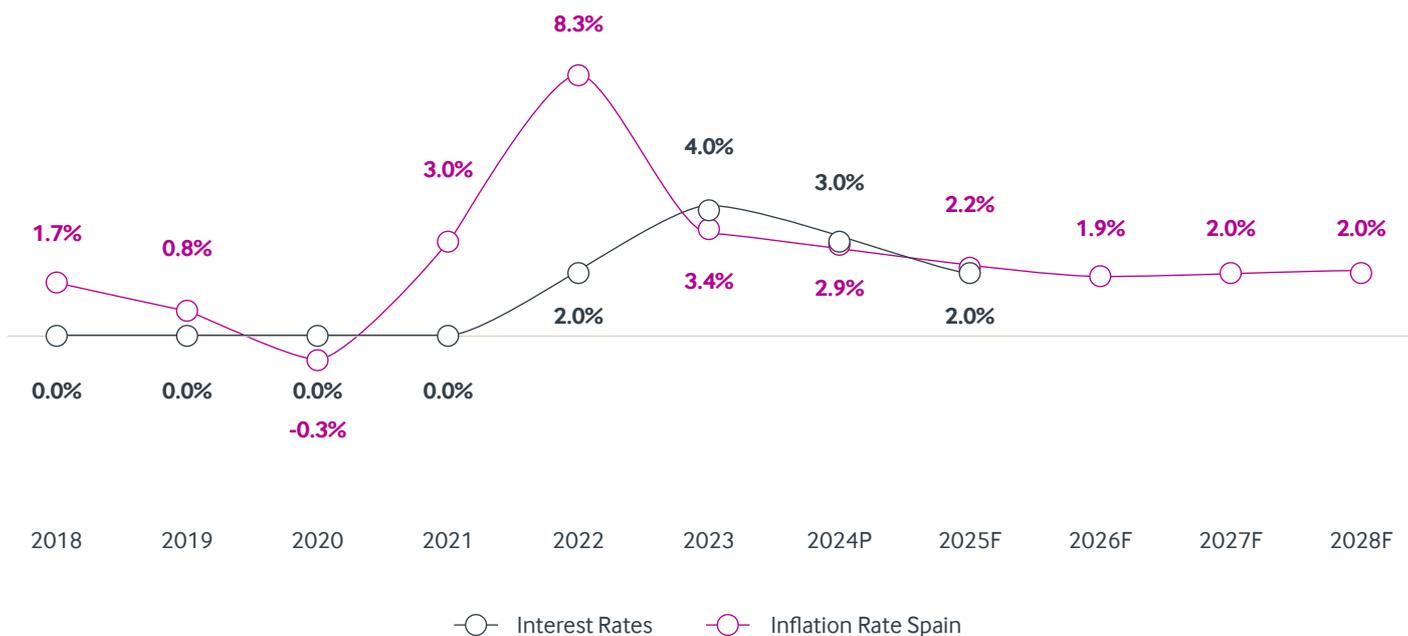


SPAIN & EURO AREA GDP GROWTH



Note: P = Provisional, F = Forecast

INFLATION AND INTEREST RATE EVOLUTION



Note: P = Provisional, F = Forecast

DEMAND & PERFORMANCE

SPAIN HOSPITALITY MARKET UPDATE – YTD AUGUST 2025

As of Year-to-Date (YTD) August 2025, Spain recorded a total of 254.2 million overnight stays, signalling a stabilisation in tourism activity compared to the previous year. Both international and domestic segments maintained levels similar to 2024, reaffirming Spain’s position as a resilient and consolidated global tourism hotspot.

HOTEL SECTOR PERFORMANCE

In line with overall demand, the Spanish hotel sector continued to perform well in 2025, despite a softer growth rate compared to the exceptional performance of 2024. RevPAR increased by 6.6% YTD, following a remarkable 10.0% growth in the same period of 2024 over 2023. This year’s growth reflects ongoing investment in product enhancement, with hotels offering more value-added experiences, driving higher turnover and sales volumes.

RESORT MARKETS LEAD THE WAY

The resort segment remains the primary driver of performance growth, particularly during the peak summer months (June–August). Key resort destinations such as the Costa del Sol, Canary Islands, and Balearic Islands posted a combined RevPAR growth of 8.9%, supported by strong international demand. Spain continues to be perceived as a safe and stable destination, overcoming potential barriers such as rising flight prices and economic uncertainty.

URBAN DESTINATIONS: STABILISATION AND MIXED TRENDS

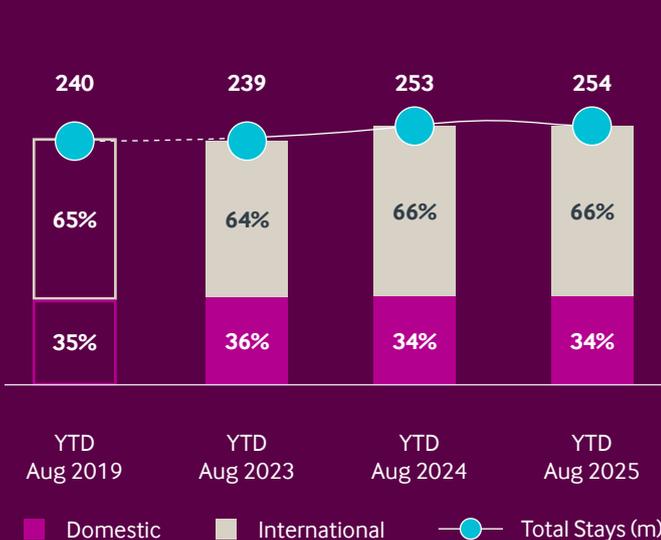
Urban markets showed signs of stabilisation, with a moderate RevPAR increase of 2.7% YTD, primarily driven by continued ADR growth. However, occupancy levels declined, largely due to the introduction of new hotel supply that has not yet been fully absorbed by demand.

- Malaga experienced the highest increase in hotel room supply, with an 8.2% rise compared to the national average of 1.4%, resulting in a 4.3% drop in occupancy and price stabilisation due to heightened competition.
- Conversely, cities like Madrid and San Sebastian continued to outperform, recording RevPAR growth of 8.1% and 9.8%, respectively.

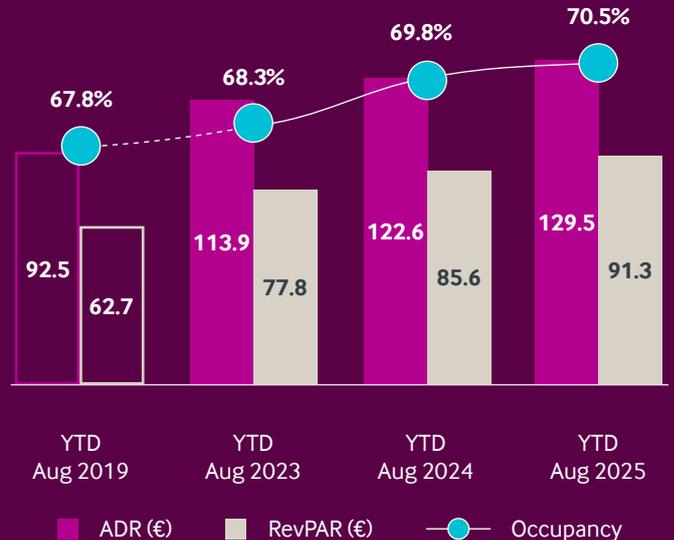
MARKET OUTLOOK AND STRATEGIC CONSIDERATIONS

While total overnight stays and RevPAR levels have increased, the market has not yet fully absorbed the new hotel inventory introduced during this period. Moving forward, price and supply strategies should be approached with caution to ensure alignment with demand—particularly among price-sensitive segments such as domestic travellers.

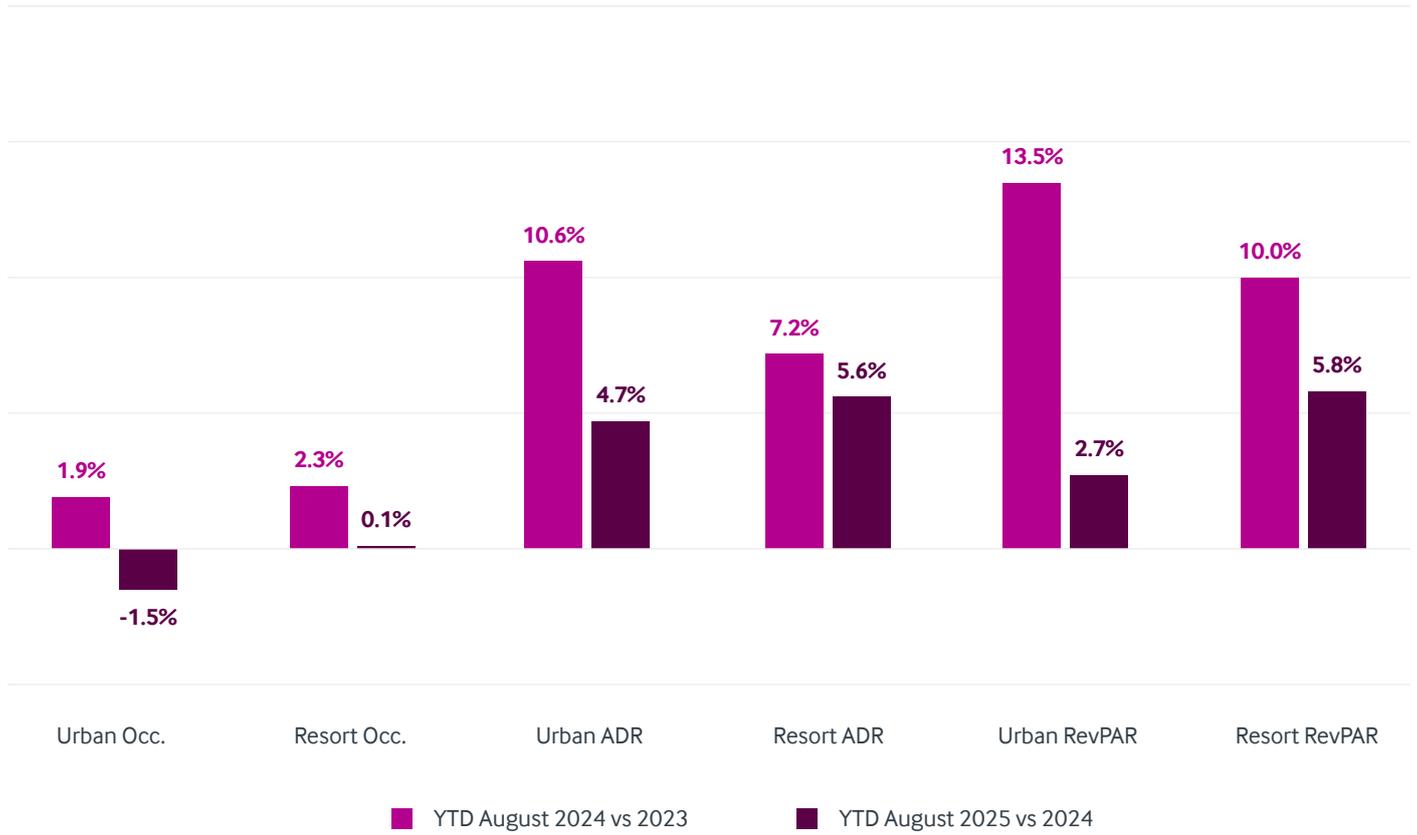
OVERNIGHT STAYS (m) IN SPAIN



KEY PERFORMANCE INDICATORS SPAIN



KPI YEARLY VARIATIONS



SUPPLY AND OCCUPANCY EVOLUTION

As of October 2025, Spain continues to demonstrate robust hotel development activity, with over **50 new openings** contributing approximately **4,000 rooms** to the Spanish market. Urban destinations have led the expansion, accounting for nearly **70% of the total new room supply**.

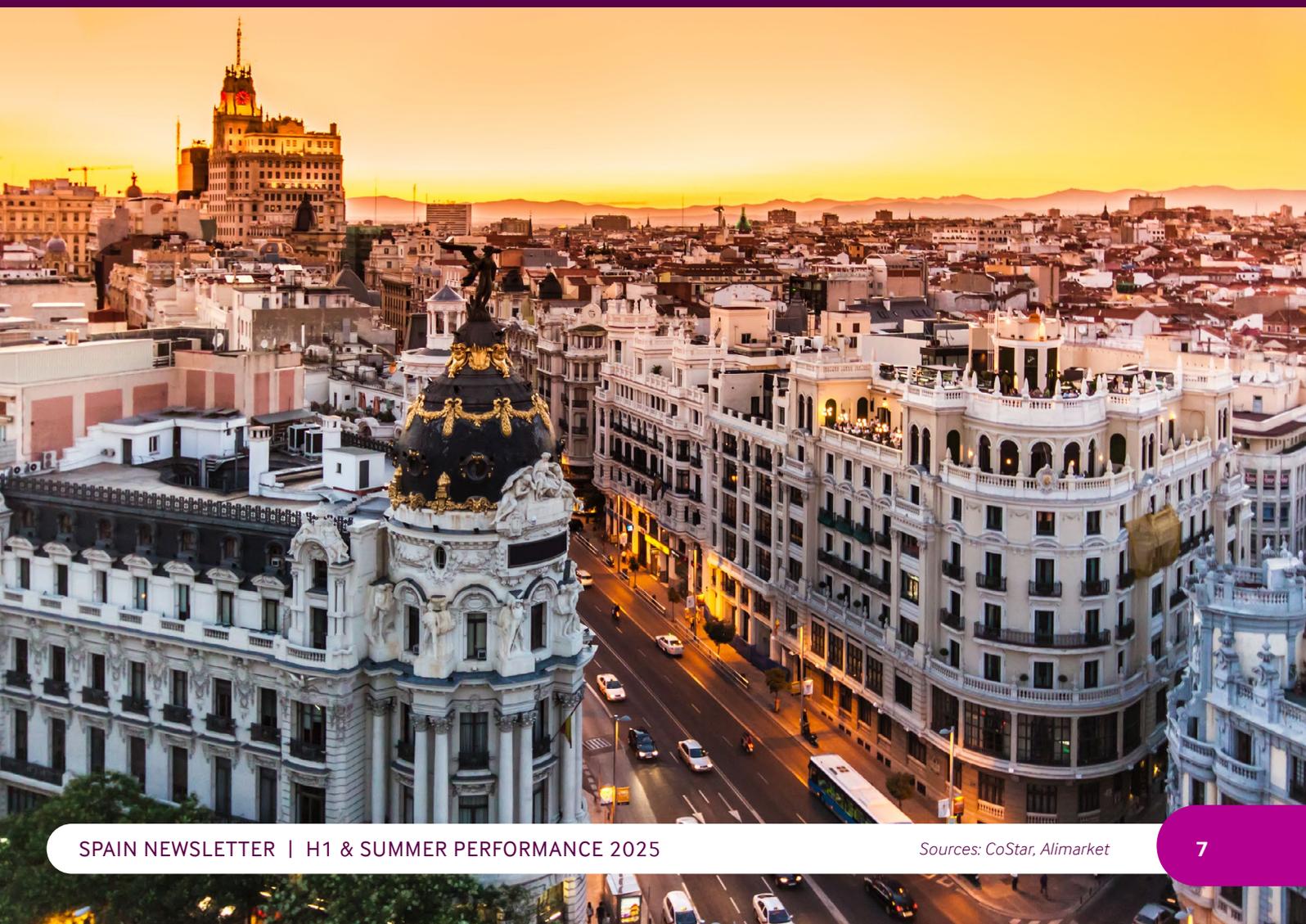
Madrid stands out as the most active market, with **more than seven new hotels** adding over **600 rooms**, all within the **Economy to Midscale segments**. This trend underscores growing investor and operator interest in affordable urban hospitality. Key highlights include the debut of **Spark by Hilton**, the brand's first economy-focused property in Spain, and two new Ibis hotels, reinforcing **Accor's leadership** in this segment. Additional openings from **easyHotel** and **Bestprice** further diversify Madrid's budget accommodation landscape.

Barcelona and its metro area follow as the second most active destination, with **three new hotel openings**. The most notable is the launch of **SLS Barcelona**, a 5-star urban resort located in **Sant Adrià del Besòs**, adding **471 rooms** to the luxury segment.

The other two openings—**easyHotel** and **ByPillow**—align with Madrid's trend, targeting the **Economy to Midscale** category and contributing a combined **100+ rooms**.

Excluding Spain's two primary hubs, other urban destinations have seen notable activity, particularly in the **Upscale** segment, with a focus on **3-star and 4-star** hotels.

Within this second tier of destinations, **Málaga** has emerged as the most active city, with several key openings. These include the **Salitre Hotel Málaga Centro Sonder**, launched under the **Sonder by Marriott Bonvoy** brand following the strategic partnership between **Sonder** and the American operator, a collaboration which has recently come to an end, raising some uncertainties regarding the continuity and positioning of properties developed under this agreement. Additional highlights are the boutique luxury **Cristine Bedford** and **Catalonia Puerta del Mar**, further enhancing the city's upscale offering. **Valencia** follows closely, marked by the opening of the **Gran Hotel Centenari – Autograph Collection**, a premium addition under Marriott's distinctive brand, and the **One Shot Puerta Ruzafa**.



In contrast, resort markets have seen a shift toward higher-end developments, with over half of the new rooms classified as Luxury or 5-star. This marks a notable upgrade in positioning for destinations traditionally dominated by 3- and 4-star offerings. Key additions include:

<p>Fairmont La Hacienda Costa del Sol</p>	<p>Aethos Mallorca</p>	<p>Royal Hideaway Corales Villas</p>	<p>Finca Victoria Hotel & Spa – a Member of Design Hotels</p>
<p>San Roque, Cádiz</p>	<p>Calvià</p>	<p>Adeje, Tenerife</p>	<p>Begur, Costa Brava – Girona</p>
			

SPAIN HOTEL ROOM SUPPLY EVOLUTION
(% Rooms increase)



PIPELINE

As of YTD October 2025, the **4-star (36.6%)** and **5-star (24.0%)** categories have emerged as the most prominent segments in Spain's hotel development pipeline, together accounting for **over 60% of total future supply**. This marks a shift from previous years, where **4-star properties alone represented nearly 50%** of pipeline rooms. Notably, **1-star properties have disappeared entirely**, reflecting a continued focus on upper-tier offerings.

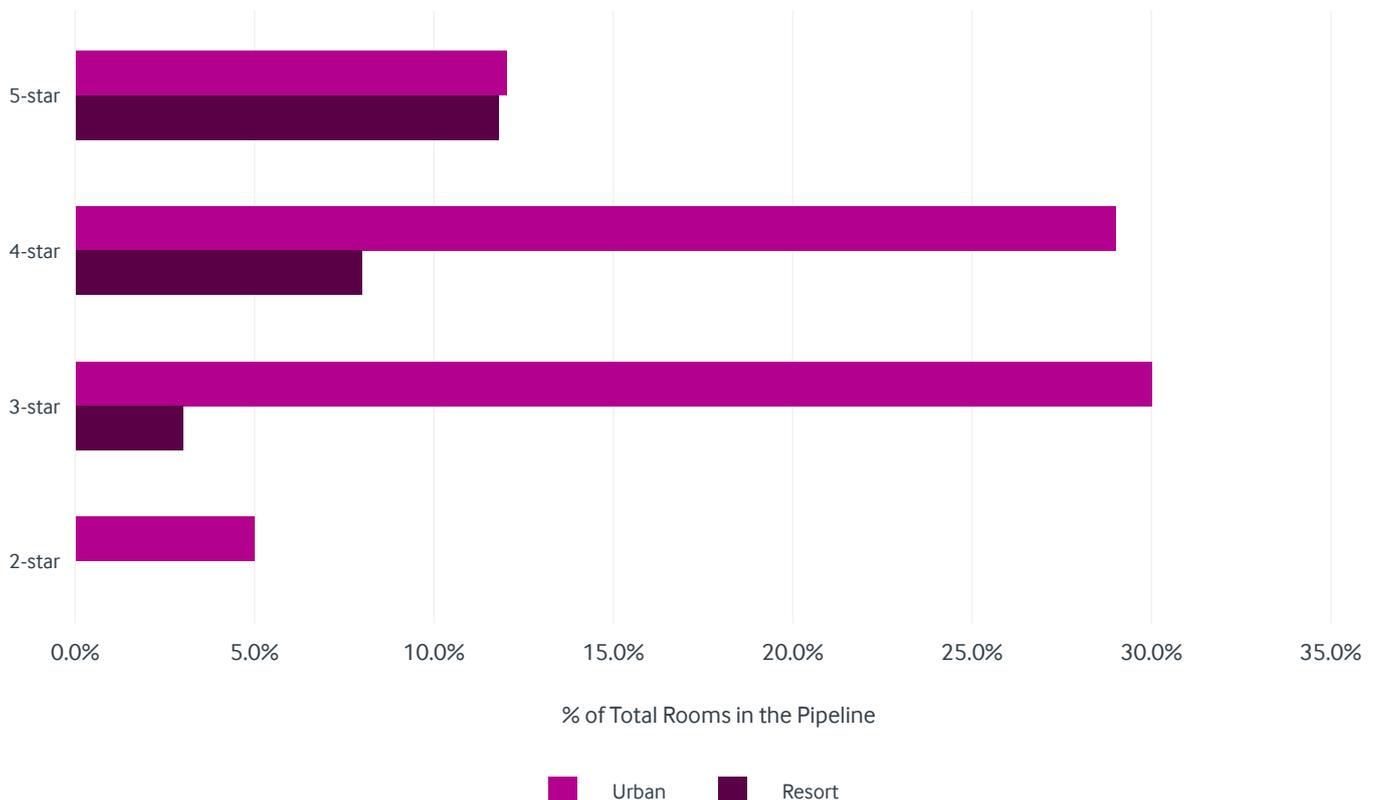
In terms of location, **urban destinations dominate**, representing **over 75% of future openings**. Within these markets, there is a **clear emphasis on 2 and 3-star properties**, which cater to **business travellers and short-stay city guests**. Conversely, **resort destinations concentrate more than 50% of future rooms in the 5-star segment**, highlighting a strategic focus on **leisure travellers seeking spacious rooms and comprehensive amenities**, including **diverse F&B options, wellness centres, sports facilities, and pools**.

From a branding perspective, while Spain has traditionally been led by **independent properties**, especially in urban areas where guests seek **authentic boutique experiences**, recent years saw a rise in branded developments. However, in the first three quarters of 2025, the trend has **shifted back towards independent dominance**, with **unbranded hotels capturing nearly 65% of rooms in the pipeline**.

Looking ahead, several prestigious openings are scheduled, reinforcing Spain's appeal in the luxury segment. These include:

- **Four Seasons Marbella**, a landmark resort blending elegance with Andalusian charm.
- **Nobu Hotel Madrid**, expanding the brand's urban lifestyle footprint.
- **Six Senses Palacio El Quexigal** (Cebreros), a heritage restoration project set to open in late 2026.

PIPELINE ROOMS DISTRIBUTION BY CATEGORY AND LOCATION TYPOLOGY AT YTD OCTOBER 2025



TRANSACTIONAL TRENDS

Hotel investment in Spain has reached approximately **€2.7 billion** as of October 2025, and we anticipate that this year will surpass the **€3 billion mark for the fourth consecutive year**, reaffirming Spain's position as a key investment hub in Europe.

So far this year, **individual transactions** have dominated the market, accounting for **70% of total investment volume**. The standout deal has been the sale of the **Mare Nostrum Resort** in Tenerife for **€430 million**, making it the **largest single-asset transaction ever recorded in Spain**. Another notable deal is the sale of **Fairmont La Hacienda**, located in Costa de la Luz (Cádiz), for **€175 million**, ranking as the second-largest transaction by total value.

Both deals took place in **resort markets**, reflecting the strong performance of these destinations, which continue to show a more positive trend than urban markets. In terms of investment volume, resort markets have outpaced urban ones, accounting for **60% of total investment** year-to-date.

In addition to the aforementioned deals, other notable individual transactions include **Grand Teguse Playa**, **Paradisus Salinas Lanzarote**, and **Hotel Tent Palmanova**, along with portfolio deals such as the acquisition of the **Medplaya group** for approximately **€147 million**.

Within these markets, **Tenerife** has emerged as the leading investment hotspot, capturing over **20% of total transaction volume**. This momentum is driven by a strong commitment to **enhancing hotel quality** in the resort markets, which has also led to **higher price-per-room levels in sun and beach destinations**, with **Cádiz, Ibiza, and Tenerife** leading the way.

On the other hand, while urban destinations trail behind resorts, they have maintained **robust investment activity**. The most significant urban deal has been the sale of the **Silken portfolio of 9 hotels**, previously owned by **CBRE Global Investors**, acquired by **Hotusa** in September for **€250 million**, making it the **largest portfolio transaction in Spain in 2025**. This deal not only confirms the sustained interest in major cities but also highlights the growing appeal of **secondary cities** such as **Santander** and **Santa Cruz de Tenerife**.

Driven by the Silken portfolio acquisition, **hotel groups** have accounted for nearly **half of total investment**, positioning **Spanish investors as the leading players** so far this year. Regarding institutional investors and funds, we observe a balance between **domestic and international institutions**. Among the top Spanish funds are **Azora**, **Meridia**, and **Blasson**, while internationally, **Activum** and **Brookfield** stand out.



TOP URBAN TRANSACTIONS IN SPAIN

Hotel	City	Destination	Category	Rooms
Exe Rey Don Jaime	Valencia	Valencia	4-star	319
B&B Gijón	Gijón	Asturias	2-star	233
Easyhotel Atocha	Madrid	Madrid	2-star	230
Barceló Raval	Barcelona	Barcelona	4-star	186
Hotel Leonardo Granada	Granada	Granada	4-star	176
Ibis Budget Madrid Aeropuerto	Madrid	Madrid	1-star	156
Travelodge Barcelona Cornellá Fira	Cornellá de Llobregat	Barcelona	3-star	138
B&B Hotel Vitoria	Vitoria	Álava	3-star	107
Hotel Ininside Zaragoza	Zaragoza	Zaragoza	4-star	102
Apartahotel Capri By Fraser	Barcelona	Barcelona	4-star	97
B&B Alicante	Alicante	Alicante	2-star	95

TOP RESORT TRANSACTIONS IN SPAIN

Hotel	City	Destination	Category	Rooms
Mare Nostrum Resort Tenerife	Playa de las Américas	Tenerife	5-star	1,036
Hotel Htop Calella Palace Family & SPA	Calella	Barcelona	4-star	339
Fairmont La Hacienda	San Roque	Cádiz	5-star	306
Grand Teguisse Playa de Lanzarote	Teguisse	Lanzarote	4-star	300
Hotel Mercury by Alegría	Santa Susana	Barcelona	4-star	300
Paradisus Salinas Lanzarote (53,7%)	Lanzarote	Las Palmas	5-star	282
AluaSoul Costa Málaga	Torremolinos	Málaga	4-star	243
Hotel Tent Palmanova	Calvià	Mallorca	3-star	231
Be Live Experience Orotava	Puerto de la Cruz	Tenerife	4-star	225
Ferrer Skyline	Ciutadella	Menorca	4-star	163
Bonmont Hotel & Spa	Mont-roig del Camp	Tarragona	5-star	136
Hotel Bahía Cala Ratjada	Capdepera	Mallorca	4-star	119
Ona Pearly Grey	Adeje	Tenerife	3-star	111
Estartit Festa	Estartit	Girona	N/A	110
Pierre & Vacances Cecilia	Felanitx	Mallorca	3-star	104

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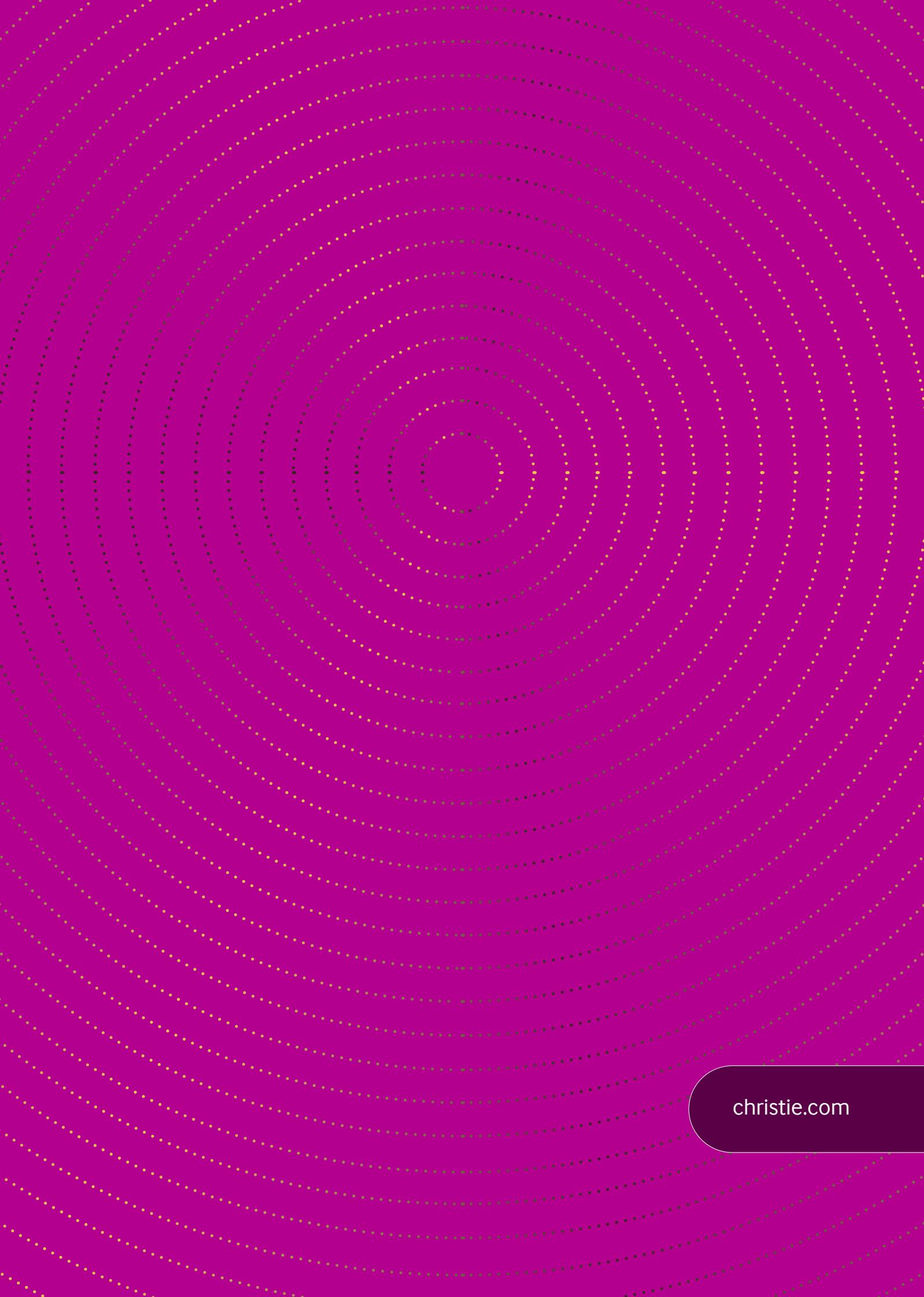


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