

Spanish Hotel Market

**Hotel Market Review:
Most Competitive Cities - 2016**

Analysis of 7 key cities

June 2017

Reviewing the Most Competitive Urban Destinations

Considerable growth of international demand

Our report "Hotel Market in Spain: Most Competitive Cities", which was published in March 2016, closely analysed the seven Spanish key cities (Barcelona, Madrid, Valencia, Seville, San Sebastian, Malaga and Bilbao) in terms of tourist competitiveness according to Exceltur.

As this was so well received across the hotel sector, from hotel owners and operators to national and foreign investors, as well as specialised press, we have analysed these cities again to track their evolution at the closure of 2016 in relation to their main performance indicators, focusing on the growth in visitation, the characteristics of the hotel offer and their performance indicators.

The results of our analysis show the strength of these destinations, which recorded a general increase in overnight stays, registering a total of 52 million. Tourist arrivals of all analysed cities have also grown, reaching 23.5 million. In the case of Malaga, which acts as a leader in arrival terms, tourist arrivals reflect a cumulative growth to 6.7% since 2009, and 2% in the case of Valencia where a lower rate of growth is observed.

It should be noted that, in most destinations, international tourists exceed local demand for the first time. The impact of price increases in urban destinations after the crisis, as well as, the growth of tourist apartments and other alternative accommodation options, may have also contributed to the decrease of the domestic demand in hotel establishments.

Data from the report show clear recovery signs after the crisis in the analysed urban destinations, with a positive growth in RevPar in all of them, which is especially relevant in the cases of Seville and Malaga (with an increase in RevPar of 13.1% and 11.2%, respectively in relation to 2015).

It is also worth referencing the increases registered in average prices, led by San Sebastian in 2016 (which reached an ARR of € 122.4 million, implying a growth of 7.7% compared to 2015), followed by Seville (€ 84.4, increasing 6.7% from the previous year, the second highest growth recorded). The lowest growth in ARR was recorded by Barcelona, which, despite being the second city with the most expensive average rate, only grew by 2.7%. At the other end of the

scale we find the city of Valencia, which has not yet regained its pre-crisis average price levels, with ARR € 71.2 in 2016 (increasing 3.2% over the previous year).

Regarding occupancy, Barcelona is still the city with the highest occupancy rates (70.4%), but it is not the city seeing the most growth (only 2.5% compared to 2015). Seville is the city registering a greater increase (6%), followed by Valencia (5.9%), and Malaga (4.8%).

Madrid did rank in second place, along with Valencia, in terms of hotel supply increase (5.6% versus 2015), followed closely by San Sebastian (4.8%), Seville and Malaga (both 3.6%). Bilbao is the undisputed leader in this aspect, with an increase of 6.6% compared to the previous year.

With this in mind, it is not surprising that both hotel operators and investors, national or international, focus on the so-called "most competitive urban destinations" when planning on opening or investing in new hotel assets.

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



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Summary of Hotels KPIs in the Analysed Cities

Consolidated growth

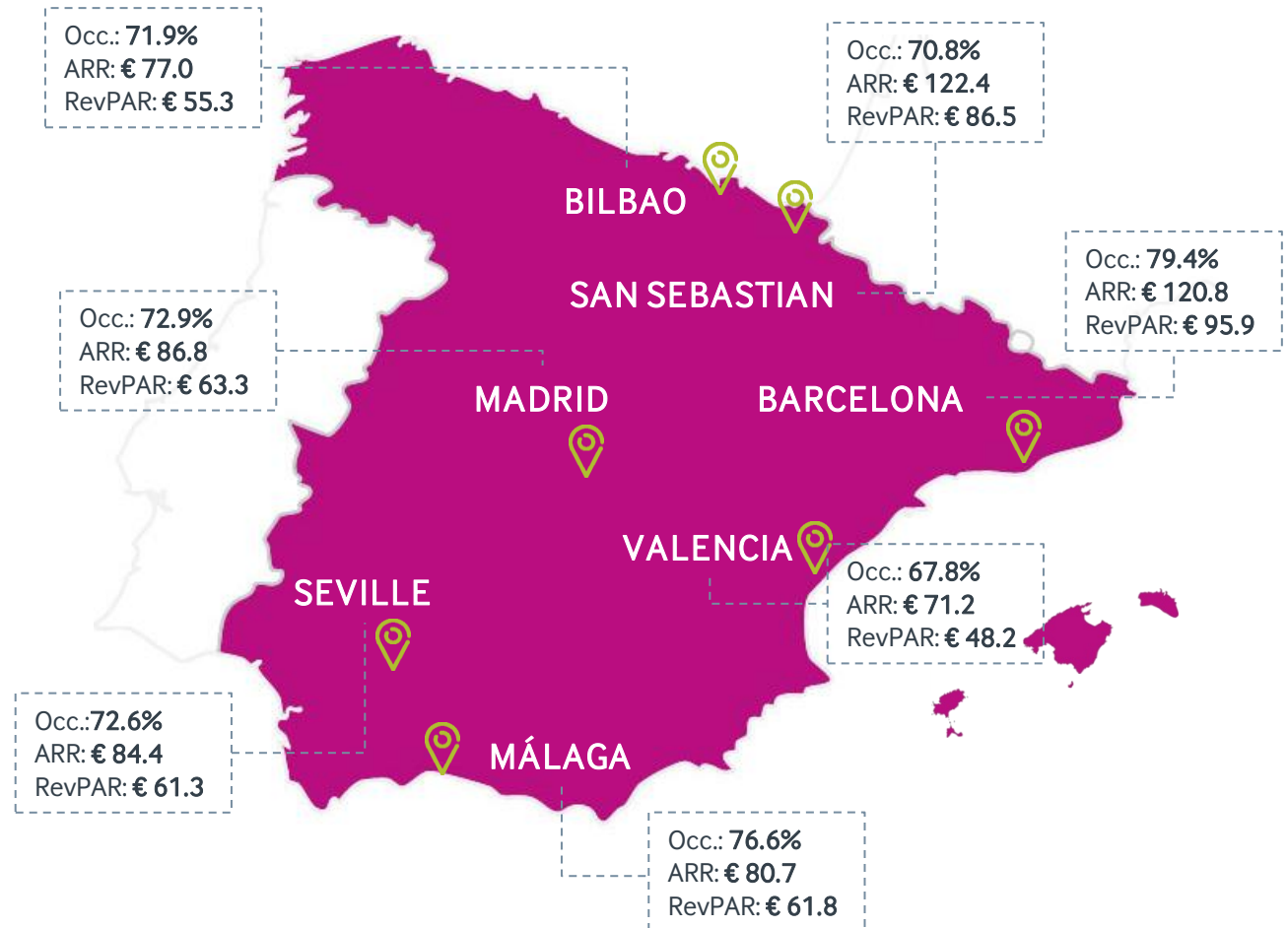
2016 results stand out for the general recovery of profitability in urban destinations, hardly affected during the years of economic crisis. 2016 follows the positive results of 2014 and 2015, but reaches record levels of hotel profitability for the last decade.

We have seen consolidated tourism growth for almost all analysed destinations, mainly driven by the increase of international demand in 2016. The instability of other European and Mediterranean urban destinations, as well as the positive effect of international investment, have been key factors in this consolidation.

Tourism revenue of the analysed cities grew by 7.5% in 2016, standing at € 60.1 according to data published by the Exceltur Profitability Barometer. Growth this year has been driven by ARR (+ 3.5%) and occupancy (+ 3.7%), unlike 2015, when ARR levels were the drivers of increased hotel profitability.

As shown in the summary map, hotels in Barcelona continue to be the most profitable ones, with RevPAR results well above other cities. Nevertheless, its growth is the weakest compared to the other analysed cities for 2016.

Summary of Hotels KPIs 2016



Barcelona

More than a 10% increase of domestic tourism

BARCELONA

Key Macro-Indicators 2016

- Population 1 608 746
- Unemployment Rate 9.7 %
- GDP Growth Rate +3.2 %
- Inflation Rate +0.2 %

Main Companies

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

Tourism GDP Contribution 15%

Airport Passengers

44 130 348 (+11.2% / 2015)

Key Tourist Attractions

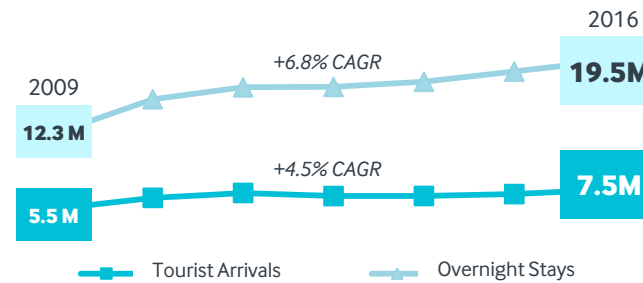
- La Sagrada Familia
- El Museo Picasso
- Las Ramblas
- Camp Nou - Estadio FC Barcelona
- Parc Güell

Main Hotel Transactions 2016/2017

- Eurostars Gran Marina, 5*, 274 keys.
- Pullman Barcelona Skipper, 5*, 235 keys.
- Tryp Aeopuerto, 4*, 205 keys.
- AC Fórum Barcelona, 4*, 184 keys.
- Petit Palace Barcelona, 4*, 50 keys.
- International Ramblas Cool, 3*, 59 keys
- Hotel Pedralbes, 3*, 30 keys.

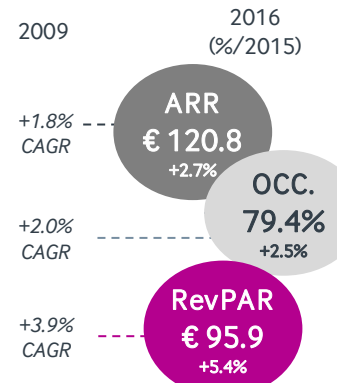
Tourist Demand

Tourist arrivals and overnight stays have increased since 2013, reaching 7.5 and 19.5 million respectively in 2016. International tourist demand maintains its leadership, both in arrivals and in overnight stays, representing 79% and 85% respectively of the total volume in 2016. This year, domestic tourism increased considerably (+10.6%) and seasonality decreased slightly compared to 2015.



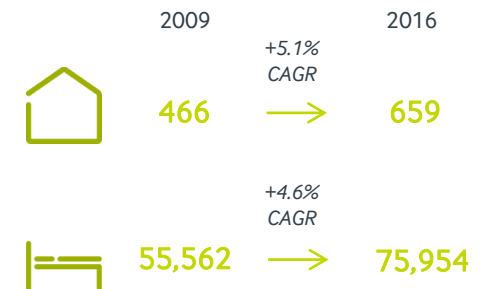
Hotel Profitability

Hotel profitability in Barcelona continues to record excellent results. In 2016 RevPAR increased by 5.4% to € 95.9, ahead of all Spanish cities. This year, growth rate on ARR was of 2.7%, reaching € 120.8 on average. Occupancy levels are already close to 80%, with an increase of more than 10 points since 2009.



Hotel Offer

The city recorded 659 hotels (more than 75 thousand beds) in 2016, 7% more than the previous year (+ 2.3% beds). According to statistics, Barcelona now has 193 hotels and 20,392 more beds than in 2009, although growth is expected to be reduced in 2017, considering the moratorium and the new urban plan (PEUAT) approved in March 2017.



Main Projects in the Pipeline

- ME Barcelona**
 - 5*, 173 keys, Lease contract
- Marriot Edition Barcelona**
 - 5*, 100 keys, Management contract
- Aloft Barcelona**
 - 4*, 182 keys, Franchise contract
- Barceló Diagonal Casa Punxes**
 - 4*, 102 keys, Lease contract
- Easy Hotel Fira**
 - n/a*, 200 keys, Ownership op.

Madrid

Growing international demand pushes up profitability levels

MADRID

Key Macro-Indicators 2016

- Population 3 165 541
- Unemployment Rate 11.6%
- GDP Growth Rate +3.4%
- Inflation Rate -0.3%

Main Companies (City Hall of Madrid)

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

Tourism GDP Contribution 7%

Airport Passengers

- 50 392 009 (+7.7% / 2015)

Top Atracciones Turísticas

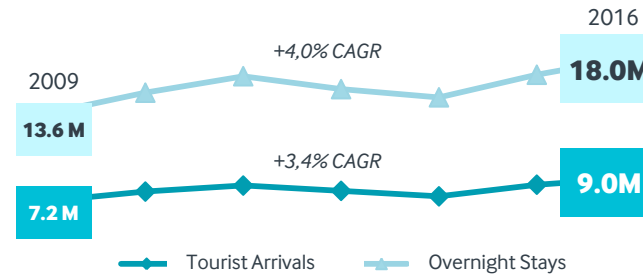
- Palacio Real
- Museo del Prado
- Parque del Retiro
- Puerta del Sol
- Gran Vía

Main Hotel Transactions 2016/2017

- Edificio España, 5*, +600 keys.
- Hotel Villamagna, 5*, 150 keys
- NH Collection Madrid Suecia, 5*, 123 keys.
- Exe Puerta de Castilla, 4*, 262 keys
- NH Collection Colón, 4*, 146 keys.
- Barceló Castellana Norte, 4*, 144 keys.
- Gran Hotel Velazquez, 4*, 143 keys.
- Paseo del Arte, 4*, 101 keys.
- Gran Hotel Las Rozas, 4*, 90 keys.

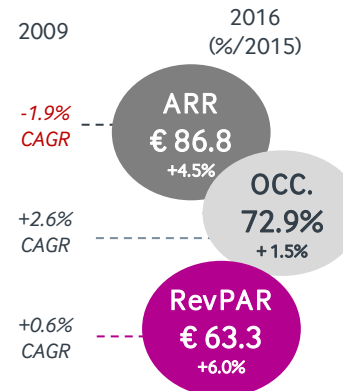
Tourist Demand

Madrid's recovery consolidated in 2016, a year in which 9 million visits were achieved, a rate 1.7% higher than the previous year. International tourists are already leading demand, at an adjusted 51%, showing the growing international interest in the capital. Since 2013, which was the worst year of the last six years, overnight stays in the capital have increased a considerable 21.3%.



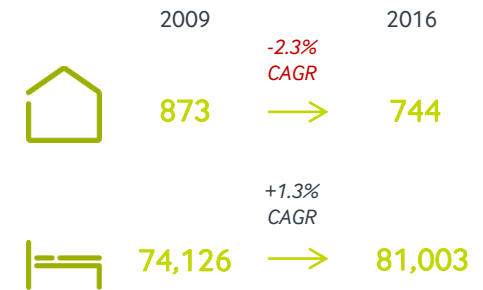
Hotel Profitability

Hotel profitability in Madrid reached € 63.3 RevPAR in 2016, an increase of 6% over the previous year and 31.3% compared to 2013. Hotel rates consolidated, reaching around € 87 (+ 4.5%) and occupancy remains relatively stable, recording 72.9% (+ 1.5% vs. 2016).



Hotel Offer

In 2016, there were 744 open hotels (81,000 beds), 5.6% less compared to the previous year. In relation to 2009, the number of hotels has reduced considerably - by approximately 129, while hotel beds have increased by 6,877.



Main Projects in the Pipeline

- W Madrid**
 - 5*, 141 keys, Management contract
- Four Seasons Canalejas**
 - 5*, 205 keys, Management contract
- Pestana Plaza Mayor**
 - 5*, 69 keys, Lease contract
- Barceló Premium Foxá**
 - 5*, 181 keys, Management contract
- Pestana CR7 Madrid**
 - 4*, 160 keys, Management contract

Valencia

Domestic demand declines and the international market consolidates

VALENCIA

Key Macro-Indicators 2016

- Population 790 201
- Unemployment Rate 17.4%
- GDP Growth Rate +3.9%
- Inflation Rate -0.3%

Main Companies (Impiva)

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

Tourism GDP Contribution 13.2% (2015)

Airport Passengers

- 5 784 305 (+14.7% / 2015)

Key Tourist Attractions

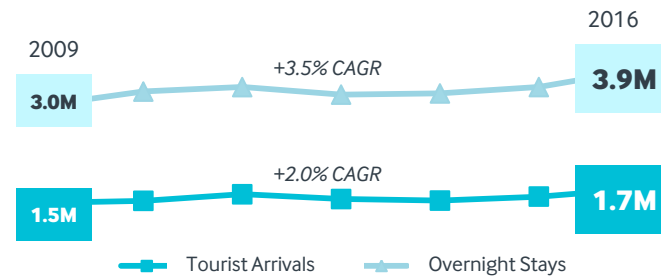
- Ciudad de las Artes y las Ciencias
- Instituto de Arte Moderno
- Catedral de Valencia
- Museo de Bellas Artes
- La Lonja de Seda

Transacciones Hoteleras Clave 2016/2017

- Tryp Oceanic, 4*, 197 keys.
- Abba Acteon, 4*, 150 keys.
- Holiday Inn Valencia, 4*, 100 keys.
- Tryp Almussafes, 3*, 133 keys.

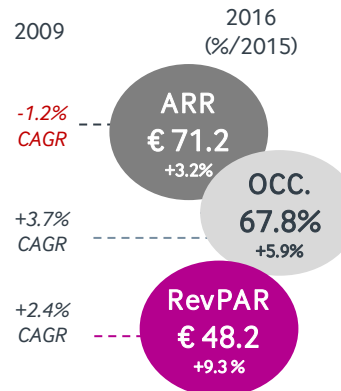
Tourist Demand

After a considerable increase in 2015 driven by the domestic market, demand in 2016 stabilised (+0.7%) and is sustained only due to the increase in international tourism (+6.8% in hotel guests and +17.2% in overnight stays). On the other hand, domestic hotel guests and overnight stays decreased by 5% according to 2015 data.



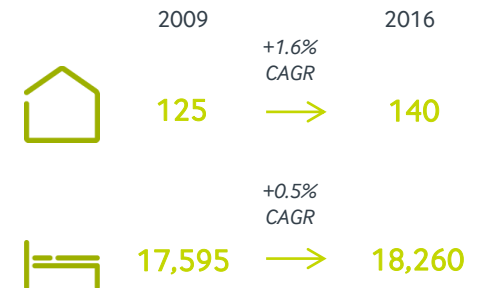
Hotel Profitability

Hotel occupancy averaged out at 67.8% in 2016, +6% above the previous year. Average hotel rates have increased, reaching more than € 71 (+3.2%), which enabled hotel profitability to grow by 9.3%, reaching a RevPar of € 48.2. Despite continued growth in the last three years, rates remain below pre-crisis levels (€ 77.4 in 2009).



Hotel Offer

In 2016 there was an increase of 140 hotels, +5.6% in relation to the previous year, reaching 18,260 beds. Growing international interest and increasing profitability have generated two consecutive years of growth in the number of hotels in the city.



Main Projects in the Pipeline

- Hotel & Aparthoteles La Marina**
 - 4*, 30 floors, Management contract
- One Shot Mercat 09**
 - 4 Sup*, 22 keys, Lease contract
- Bershka Building**
 - 4*, 50 keys, Ownership op.
- Edificio María Cristina 8**
 - n/a*, 33 keys, Ownership op.

Seville

Record demand levels led by international tourism

SEVILLE

Key Macro-Indicators 2016

- Population 690 566
- Unemployment Rate 24.7%
- GDP Growth Rate +2.9%
- Inflation Rate -0.1%

Main Companies (City Hall of Seville)

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

Tourism GDP Contribution 13% (Andalucía)

Airport Passengers

- 4 607 410 (+7.0%/ 2015)

Key Tourist Attractions

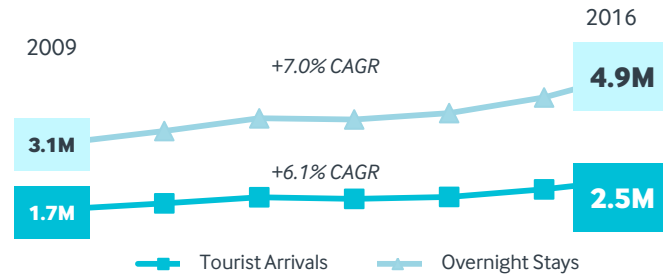
- Plaza de Toros de la Maestranza
- Plaza de España
- Alcázar de Sevilla
- La Giralda
- Torre del Oro

Main Hotel Transactions 2016/2017

- Gran Hotel Lar, 4*, 137 keys.
- Fontecruz Sevilla, 4*, 42 keys.

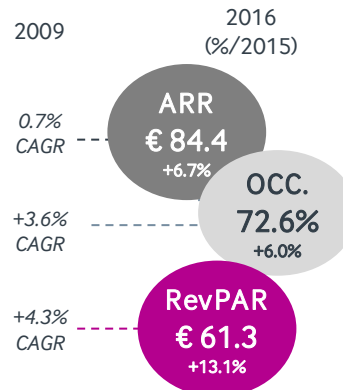
Tourist Demand

With an increase of 21.6% in 2016, Seville reached more than 2.5 million hotel guests. Overnight stays also increased (+ 7.9%) to around 5 million this year, setting a new record for the city. National demand has recovered, and the increase of foreign visitors has been especially strong with an additional + 25% this year.



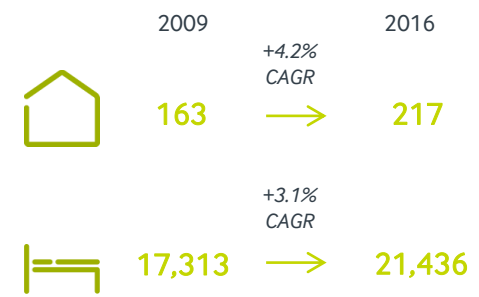
Hotel Profitability

Hotel profitability continued to increase in 2016, reaching € 61.3 (+ 13.1%), thanks to growth in both occupancy levels and average rates of almost 7%, which already exceed the levels prior to the crisis. But the most significant growth is recorded in occupancy levels, with a + 3.6% accumulated growth since 2009.



Hotel Offer

In 2016, 217 hotels were opened on average (+ 3.6% compared to 2015), providing more than 659 new beds. The accumulated growth since 2009 is 4.2%.



Main Projects in the Pipeline

- Project SACYR & Setas de Sevilla**
 - n/a*, 100 keys, Ownership op.
- Eurostars Sevilla**
 - 5*, 300 keys, Management contract
- One Shot Palacio de Sevilla 09**
 - 4*, 70 keys, Ownership op.

San Sebastian

The growth of international demand drives new hotel supply

SAN SEBASTIAN

Key Macro-Indicators 2016

- Population 186 064
- Unemployment Rate 9.6%
- GDP Growth Rate +3.3%
- Inflation Rate +0.0%

Main Companies (City Hall of San Sebastián)

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

Tourism GDP Contribution 7.4% (Gipuzkoa)

Airport Passengers

- 264 402 (+3.9% / 2015)

Key Tourist Attractions

- Palacio de Miramar
- Museo San Telmo
- Basílica de Santa María del Coro
- Palacio Aiete
- International Jazz Festival

Main Hotel Transactions 2016/2017

- Sidorme Donostia, 3*, 129 keys

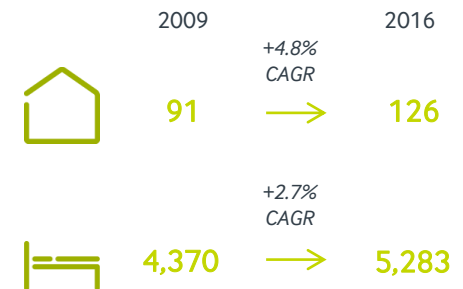
Tourist Demand

International visitor numbers have notably increased (+ 15%) leading the market with 52%, compared to 37% in 2009. The number of overnight stays increased by + 5.6%, but this was below the high increases seen in 2015. This year was weighed down by the drop in overnight stays, which fell by -2.6%.



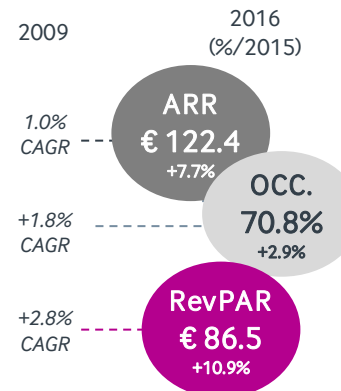
Hotel Offer

From 2009 – 2016, 91 new hotels were built bringing the total to 126, representing an accumulated growth of 4.8% (providing more than 5,283 beds in 2016). In 2016 alone, there has been 14 new hotels offered, an increase of + 12.3%.



Hotel Profitability

Hotel profitability reached a RevPAR of € 86.5 in 2016 (+ 10.9% since 2015), due to a new record increase in average rates, which stood at € 122.4 (+ 7.7%). Occupancy levels have already exceeded 70% after a moderate recovery since 2009 (+ 1.8% CAGR). Since 2009, RevPAR's annual average growth has been at 2.8%.



Main Projects in the Pipeline

- One Shot Hotels Tabakalera House**
 - 4*, 43 keys, Independent op.
- Convento San Bartolomé (Catalonia)**
 - 4*, 122 keys, Lease contract
- Hotel Parque Tecnológico Miramón**
 - 4*, 73 keys, Independent op.

Malaga

The highest profitability levels in the last 7 years

MALAGA

Key Macro-Indicators 2016

- Population 569 009
- Unemployment Rate 26.5%
- GDP Growth Rate +2.9%
- Inflation Rate -0.3%

Main Companies (Imfe)

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

Tourism GDP Contribution 13% (Andalucía)

Airport Passengers

- 16 636 687 (+15.65%/ 2015)

Key Tourist Attractions

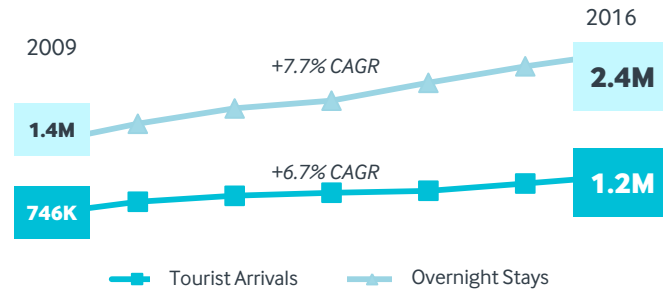
- Castillo de Gibralfaro
- Tivoli World
- Alcazaba de Málaga
- Centro Pompidou

Main Hotel Transactions 2016/2017

- Costa Park, 4*, 388 keys.
- NH Málaga. 4*, 245 keys.
- Tryp Alameda, 4*, 136 keys

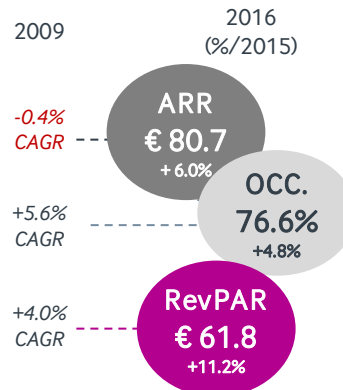
Tourist Demand

Since 2009, tourist arrivals have grown by 6.7%, registering numbers close to 1.2 million in 2016 (+ 6.2% compared to 2015). The increase of international tourists in 2016 stands out at +14.3%, representing more than half of the total visitors of the city (56%). On the other hand, the domestic market experienced a decline of -2.7% in hotel guests and -4.8% in overnight stays.



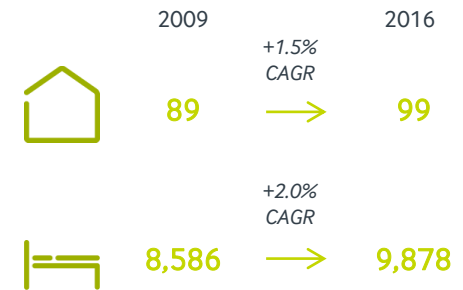
Hotel Profitability

In 2016 RevPAR reached € 61.8, an increase of 11.2% compared to 2015. The annual growth since 2009 (+ 4%) has been driven by occupancy rates, which surpassed 76% in 2016 (+4, 8% since 2009). Average rates began to recover in 2014, and in 2016 reached the highest levels of the last six years (€ 80.7), but still below 2009 pre-crisis levels (€ 82.9).



Hotel Offer

In 2016, Malaga had 99 open hotels, offering a total of 9,900 beds. During the last three years, the number of hotels has decreased (-3.6% in 2016), although the number of places has increased (+ 1.9% in 2016).



Main Projects in the Pipeline

- Hotel Rascacielos en El Puerto**
 - 5*, 350 keys, Independent op.
- Palacio Marqués De La Sonora**
 - 5*, 46 keys, Independent op.
- Vincci En Hoyo De Espartero**
 - 4*, 138 keys, Lease contract
- Palacete de la Merced**
 - 4*, 17 keys, Independent op.
- Hotel Boutique Málaga**
 - 4*, 16 keys, Independent op.

Bilbao

Potential growth to pre-crisis levels

BILBAO

Key Macro-Indicators 2016

- Población 345 122
- Unemployment Rate 16,0%
- GDP Growth Rate +3,3% (Bizkaia)
- Inflation Rate +0,1%

Main Companies (City Hall of Bilbao)

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

Tourism GDP Contribution 5.2% (Bizkaia)

Airport Passengers

- 4 576 073 (+7,1% / 2015)

Key Tourist Attractions

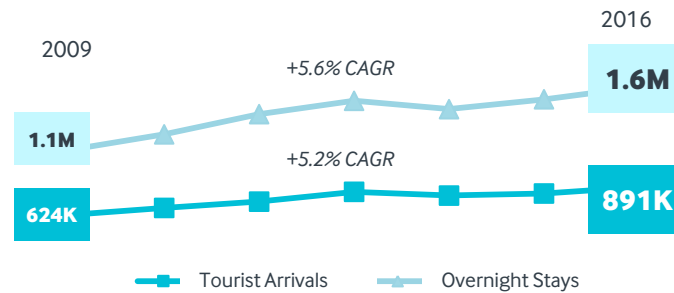
- Museo Guggenheim
- Palacio Euskalduna
- Teatro Arriaga
- Plaza Nueva
- Ría de Bilbao Maritime Museum

Main Hotel Transactions 2016/2017

- Occidental Bilbao, 4*, 200 hab.

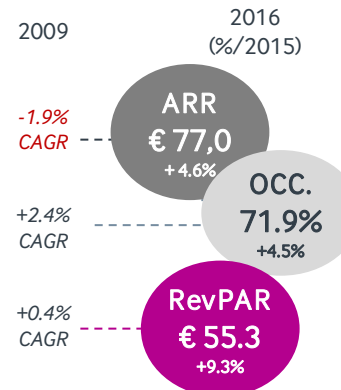
Tourist Demand

After a decline in 2013, mainly due to the loss of national visitors, the volume of tourists has recovered with a notable increase last year of +7.3%. This has been led by the international market (+8.4%) for two years consecutively, and continues to represent 41% of total tourists.



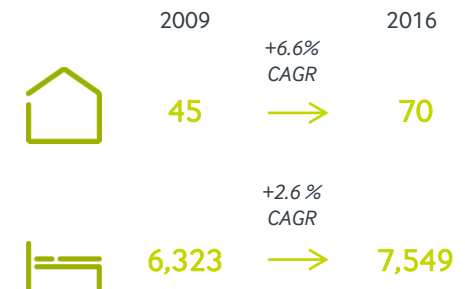
Hotel Profitability

In 2016, RevPAR reached € 55.3 (+9.3%), the best figures registered over the last seven years. This was due to the notable recovery in occupancy levels, and the consolidation of average rates reaching 72% and € 77 respectively. In spite of the increases over the last three years, hotel rates have not reached the pre-crisis levels, but occupancy rate increases confirm the way ahead.



Hotel Offer

The hotel offer remains stable with 70 hotels. From 2009 – 2016, there was an accumulated annual growth of 6.6%. Furthermore, since 2009, 1,226 hotel beds have been added, with an accumulated annual growth of 2.6%.



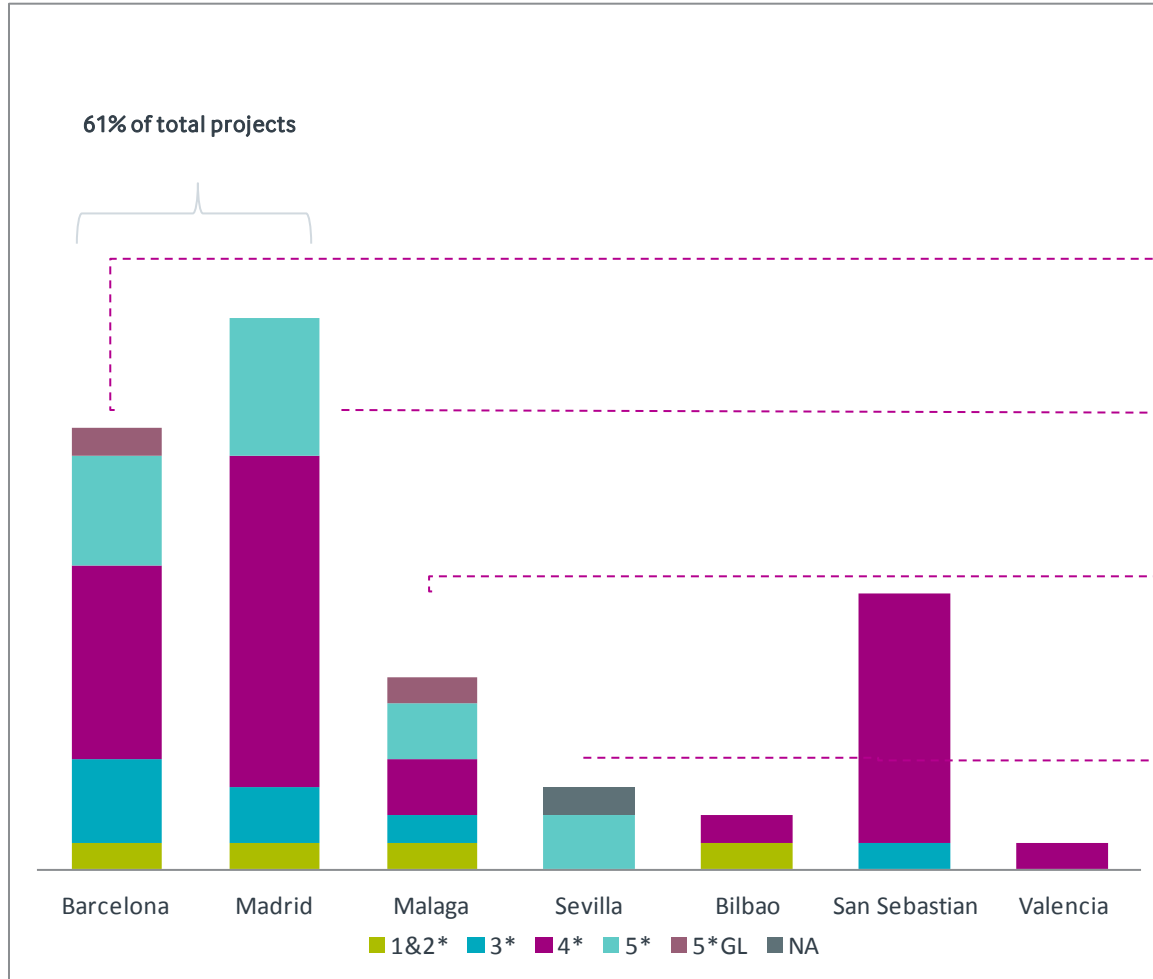
Main Projects in the Pipeline

Vincci Paseo Ibañeta

- 4*, 93 keys, Lease contract

Relevant Projects in the Pipeline

Prevalence of 4-Star hotel projects



ME, Barcelona

- Location: Poblenou
- Rooms: 173
- Category: 5*
- Opening: November 2017



Barceló Premium Foxá

- Location: Ritz Hotel
- Rooms: 181
- Category: 5*
- Opening: 2017



Vinci Hoteles, Málaga

- Location: Hoyo de Esparteros
- Rooms: 138
- Category: 4*
- Opening: Summer 2017



Eurostars Torre Sevilla, Sevilla

- Location: Torre Sevilla
- Rooms: 449
- Category: 5*L
- Opening: 2017 and 2018



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Research and knowledge sharing



Summer after Brexit: Holiday Destinations in Spain

- Study on the possible impact that the UK’s exit from the EU can have on tourism in the main holiday destinations of our country: Canary Islands, Balearic Islands and Costa del Sol



Portuguese Hotel Market

- Overview of the Portuguese hotel market
- Focus on the main tourist destinations including Lisbon, the Algarve and the north of Portugal



Spanish Hotel Market Review – The Canary Islands Hotel Market

- Overview of the hotel market in the Canary Islands
- Focus on the most important islands
- Present and future outlook



Spanish Hotel Market Review – Most Competitive Cities

- Overview of the hotel market in Spain
- Focus on 7 of the most important hotel markets
- Hotel pipeline according to star grading

The CEE Hotel Market – Overview of 6 key cities

- Overview of the Central & Eastern Europe hotel market
- Analysis of 6 key cities: Belgrade, Bratislava, Bucharest, Budapest, Prague and Warsaw



The German Hotel Market – Overview of 6 key cities

- Overview of the German hotel market
- Analysis of 6 key cities
- Forecast of arrivals and overnight stays



Hotel Market Bucharest – A Rising Star

- Overview of Bucharest’s hotel market
- Bucharest’s demand and offer analysis
- Hotel sector KPI’s



News in the Hotel Sector – Ireland

- Overview of the hotel market in Ireland
- Focus on the most important hotel markets
- 2015 v 2014 – Key Markets



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Definitions and Abbreviations

A	Actual	RevPAR	Revenue Per Available Room. Calculated as Occupancy multiplied by ADR for a given period. Can also be calculated as Rooms Revenue divided by Rooms Available in a given period
ARR	Average Rate. Defined as room revenue for the period divided by the total number of guest rooms occupied during the period		
CAGR	Compound Annual Growth Rate	var	Variation
C & Co	Christie & Co	YoY	Year-on-year
k	Thousands		
KPI	Key Performance Indicator		
M	Millions		
Occ	Occupancy. Defined as the ratio of total occupied rooms to total available rooms in a period		

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