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The Spanish Resort Market

The consolidation and evolution of a global tourism hotspot

In a seashell... from our experts

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The Spanish tourism industry recovered with great strength post-pandemic, with most resort destinations experiencing a surge in air traffic boosted by connectivity improvements in 2023, including new international routes. Despite the emergence of alternative sun destinations and further development of direct competitive markets (Italy, Greece, Portugal, etc.), **Spanish resorts consolidated their position as the leading sun and beach hub in Europe and the world**. The decline of major tour operators led to the opening of 270 new routes, which were absorbed by traditional and low-cost airlines, enhancing air accessibility.

In 2023, Spanish resort markets bounced back to their pre-pandemic performance, with **international destinations outpacing domestic ones due to the lesser economic impact of the pandemic on international markets**. However, against all expectations, **Spain enjoyed a relatively strong economic performance in the wider European context**, which may indicate a stronger domestic market in the future. Demand is projected to remain robust in 2024, setting the stage for another record year with all-time high bookings for the summer season.

The market is also evolving structurally with **international destinations making strides in reducing seasonality**, attracting visitors throughout the year. However, **domestic destinations continue to experience more marked seasonality**, with travel peaking during the summer months.

Despite geopolitical upheaval, rising interest rates, and inflationary pressures, **the industry continues to grow**, with a focus on acquisitions and expansions over new build projects due to international brands entering the market. All resort destinations, barring Costa Tropical and Costa de Castellon, have recorded a **positive net room supply since 2019**.

The trading outlook remains strong for 2024, with **consistent RevPAR gains across all resort markets** in 2023, driven by a boost in ADR performance and a **nearly full recovery of the occupancy**. While occupancy is expected to see a slight increase in 2024, ADR may experience a slowdown in conjunction with a reduction in inflation levels in Spain and key source markets.

Investment interest in Spanish resorts is high, despite increasing competition in developing Mediterranean destinations and geopolitical turmoil. High development costs are leading investors to focus on **established trading destinations that can accommodate larger developments**. Destinations like Costa de la Luz-Cadiz, Costa de Valencia and Costa Brava are emerging as hotspots for investors, with significant transactions expected in the coming year. ***- Nicolas Cousin***

> The recovery and outlook of the Spanish resort market is formidable, while its relative maturity is intensifying competition in established destinations and hiding nuances and opportunities in the wider market. Yet, across the board a careful review of market conditions, project specifics, and a creative approach to development will need to be considered to support not only the growth but also the diversification of supply with greater diversity in hotel offering and experiential facilities.
>
> ***- Pierre Ricord***

Nicolas Cousin
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Europe

Glossary

ADR: Average Daily Rate

k: Thousand

KPI: Key Performance Indicator

m: Million

Occ: Occupancy

ppts: Percentage Points

RevPAR: Revenue Per Available Room = ADR x Occupancy

YoY: Year on Year

YTD: Year to Date

AIRPORTS CODES

ACE: Lanzarote

AGP: Malaga

ALC: Alicante

BCN: Barcelona

CDT: Castellon

FUE: Fuerteventura

GRO: Girona

GRX: Granada

IBZ: Ibiza

LEI: Almeria

LPA: Las Palmas de Gran Canaria

MAH: Menorca

PMI: Palma de Mallorca

REU: Reus

RMU: Murcia

SVQ: Sevilla

TFN: Tenerife Norte

TFS: Tenerife Sur

VLC: Valencia

XRY: Jerez de la Frontera

Source: Eurostat, AENA

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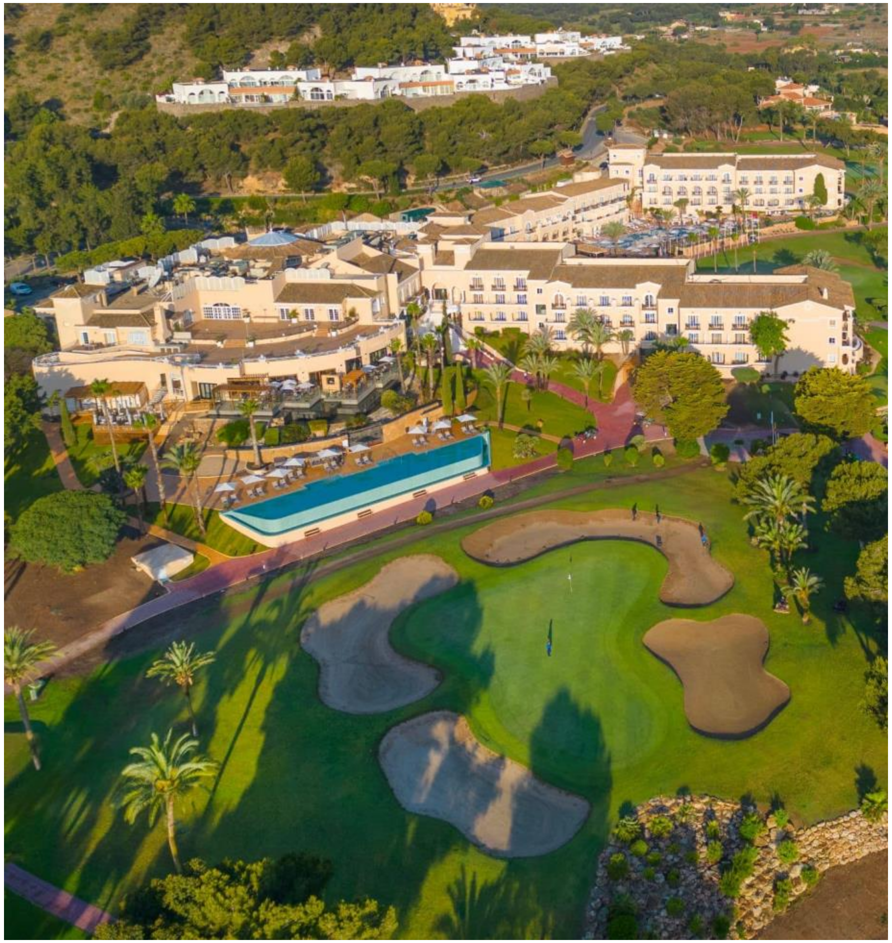

Opening in 2023 - Grand Hyatt La Manga Club Golf & SPA, Cartagena, Murcia, Costa Calida

Source: Hyatt

Spain: A Mediterranean giant that continues to grow

View over the Mediterranean horizon

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OVERNIGHTS IN COMPETING MEDITERRANEAN COUNTRIES (2023)

ITALY
268m
-4.7% vs 2019

GREECE
111m
+2.0% vs 2019

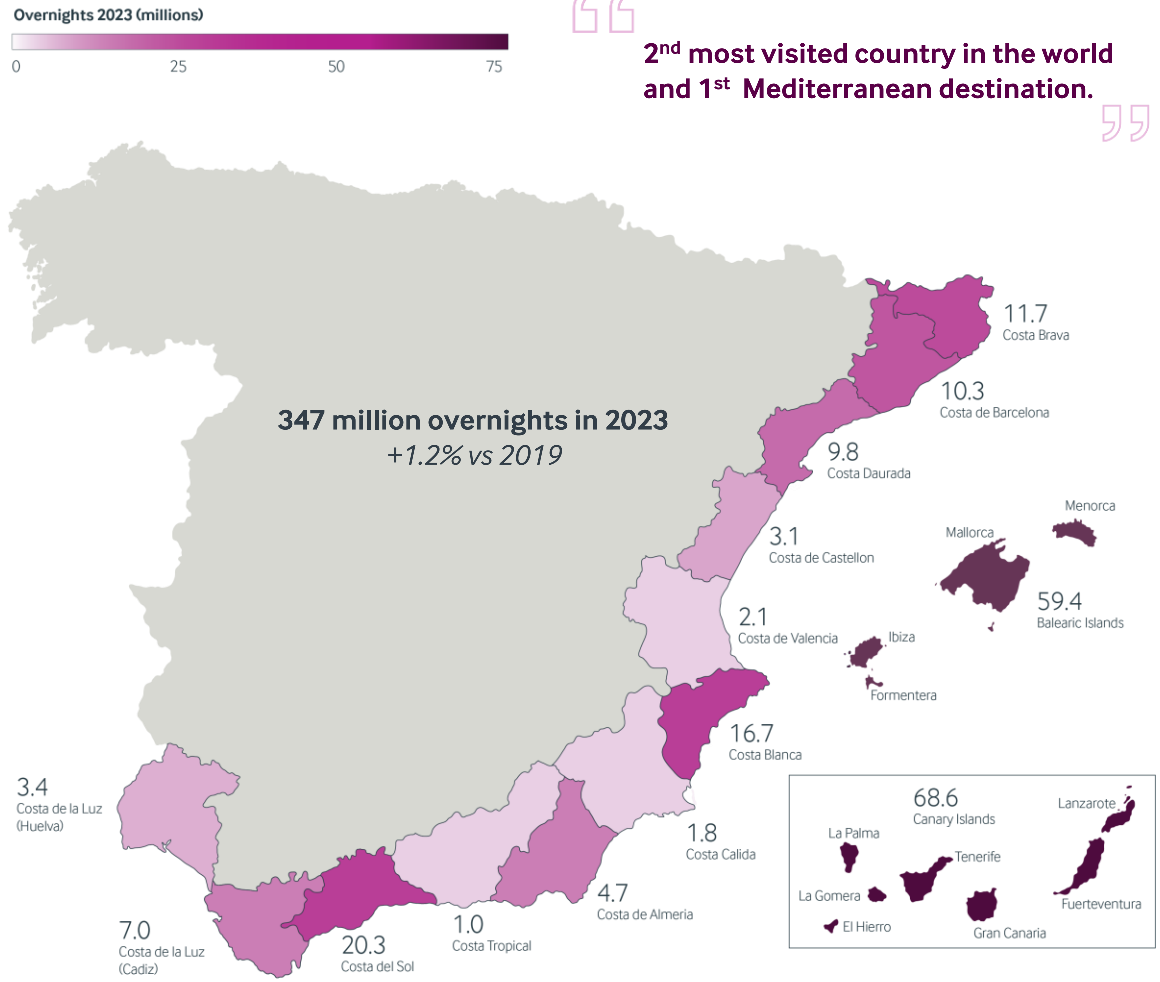
PORTUGAL
63m
+5.3% vs 2019

CROATIA
25m
-4.6% vs 2019

The Iberian Peninsula is a global leader in resort tourism, hosting over 347 million overnights in 2023, resulting from the combination of consolidated hubs and growing sun and beach destinations.

Both Spanish and Portuguese resorts surpassed 2019 last year, supported by healthy ADR gains as quality of the offering continues to improve.

2nd most visited country in the world and 1st Mediterranean destination.



Connectivity remains a key to success

Intra-connectivity

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283m
airplane passengers 2023
+2.9% vs 2019

653m
train passengers 2023
+4.1% vs 2019

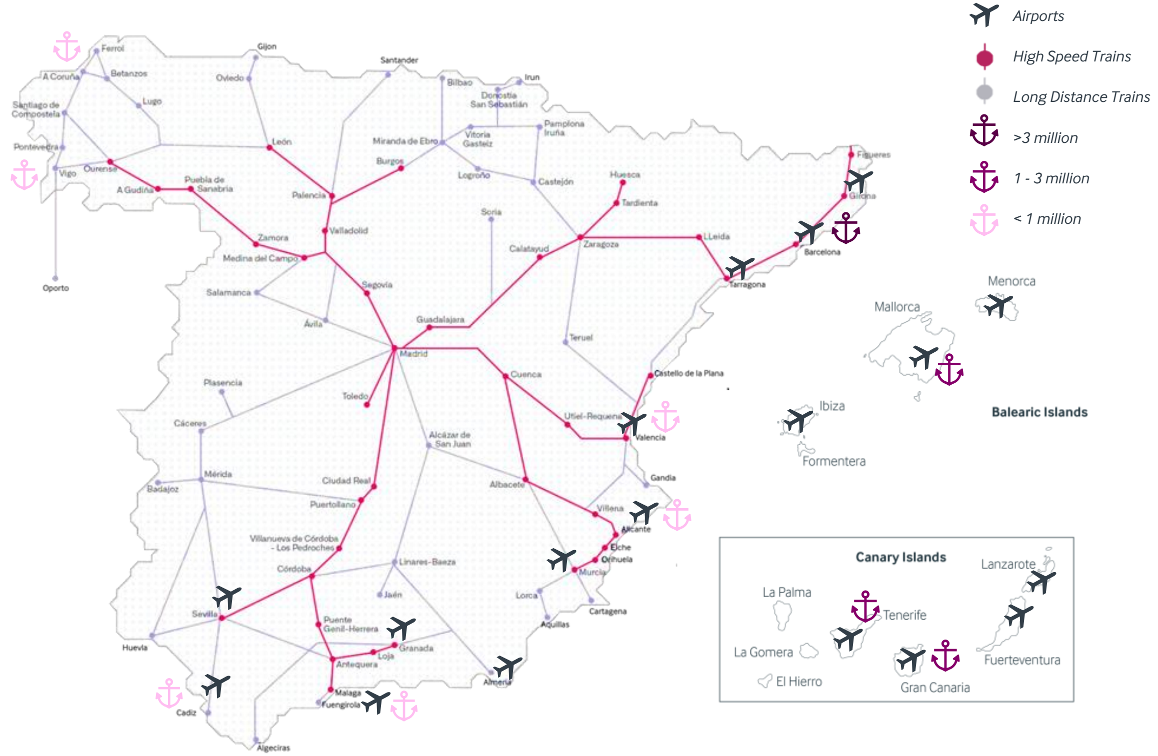
12m
cruise passengers 2023
-47.8% vs 2019

Spanish airports performed better than expected in 2023, exceeding 2019 levels in most international destinations. The exception would be Costa de Barcelona, Costa Brava and Costa Daurada due to their reliance on Barcelona-el Prat airport, which remained impacted by the **slower return of business travellers**.

The success of Spanish resorts is also the consequence of **multi-modal accessibility and increasing inter-connectivity** of the destinations, which continues to improve. This is an important step forward in terms of reaching more destinations, as well as **implementing eco-friendly practices and achieving sustainable travel.**

In 2023, **270 new routes were inaugurated at Spanish airports compared to 2022**, an increase due to the recovery of air traffic that had been suppressed during the Covid-19 crisis, as well as the bankruptcy of major tour operators such as Thomas Cook, whose volume was absorbed by traditional and low-cost airlines.

Barcelona, Malaga and Mallorca are the airports with the most new routes and almost **80% of them connect Spanish airports with other European cities.**



Airlines with highest number of new routes compared to 2022

RYANAIR	VOLOTEA	WIZZ	marabu	easyJet
60	25	17	15	11

Source: Renfe, AENA, INE, Ministry of Transport

International resorts have greater connectivity

Air Access

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Destination	Connectivity Scoring	Airport Code
Costa de Barcelona	✈ ✈ ✈	BCN
Balearic Islands	✈ ✈ ✈	PMI IBZ MAH
Canary Islands	✈ ✈ ✈	LPA TFS ACE TFN FUE
Costa del Sol	✈ ✈ ✈	AGP
Costa Blanca	✈ ✈ ✈	ALC
Costa de Valencia	✈ ✈	VLC
Costa de la Luz-Cadiz	✈ ✈	XRY SQV
Costa de la Luz-Huelva	✈ ✈	SQV
Costa Brava	✈	GRO BCN
Costa Daurada	✈	REU BCN
Costa Tropical	✈	GRX
Costa Calida	✈	RMU
Costa de Almeria	✈	LEI
Costa de Castellon	✈	CDT

✈ ✈ ✈ *Excellent Connectivity (+10 million passengers)*

✈ ✈ *Moderate Connectivity (>5 -10 million passengers)*

✈ *Low Connectivity (<5 million passengers)*

Internationals

Nationals

This report analyses Spain's main Mediterranean resort destinations (including the Balearic and Canary Islands) in 2023. For ease of highlighting the contrast within the 14 destinations, we have divided them into two main categories:

The Internationals and ***The Nationals.***

> **The resilience and growth of the resort markets is driven by robust and improving international accessibility.**

NEW DEVELOPMENTS

- **Extension of Tenerife North Airport tram lines** and additional South and North Airport motorways
- **Increased public investment in Seville airport**, which serves one of the fastest growing regions, Costa de la Luz - Cadiz
- **Expansion of both Valencia airport and Alicante - Elche airports** by 2031
- **Initial plans to expand Terminal 3 at Malaga - Costa del Sol** airport, which exceeded 20 million passengers in 2023

Source: AENA, Metro Tenerife, el Español, Valencia Plaza

A nuanced picture of visitation by origin

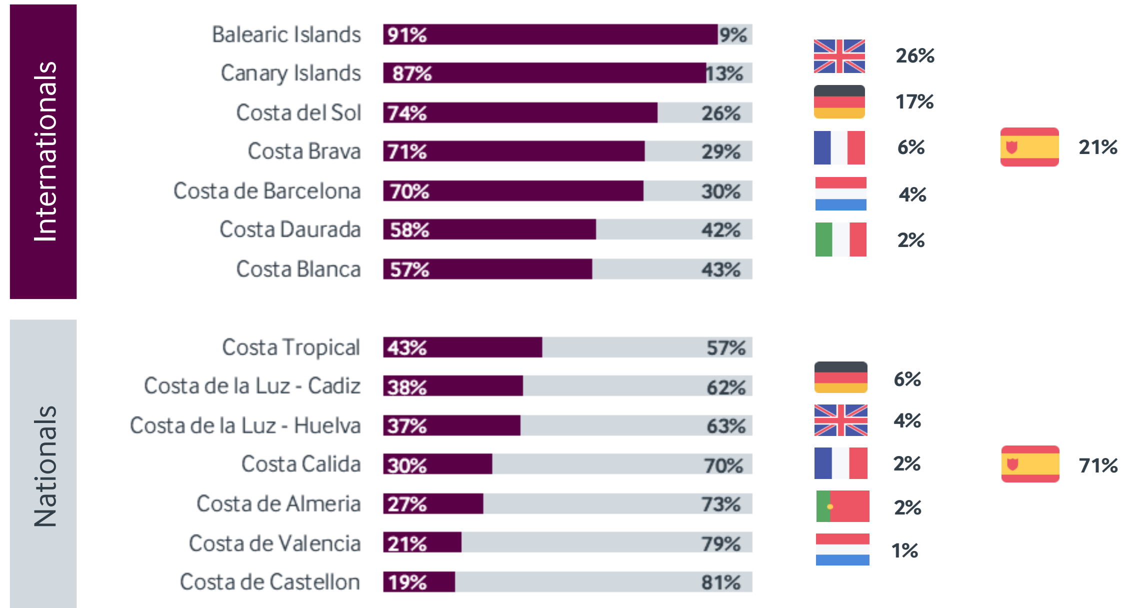
Demand distribution

In 2023, **international tourists weighted over 75% of the total demand**, yet at a destination level this distribution is more nuanced, with some resorts having a sub-30% international presence.

The **Balearic Islands** and the **Canary Islands** were the destinations with the largest volume of overseas overnights, mainly coming from the UK and Germany.

Costa del Sol was the mainland destination with the highest share of international demand, followed by Costa Brava and Costa de Barcelona*. Costa Daurada and Costa Blanca are positioned behind them, with most of their international demand originated in Salou and Benidorm, respectively.

The remainder of the destinations are primarily focused on domestic visitors. However, we have observed an **increase in the weight of international visitors looking to explore beyond the traditional hubs,** searching for alternative experiences and authenticity. In particular, **Costa de Valencia** registered **sustained growth driven by international overnight stays** (international overnights up 38% compared to 2019).



 *Costa de Barcelona does not include Barcelona city

Source: INE

Most international destinations enjoy "sunny" growth

Coast demand profile

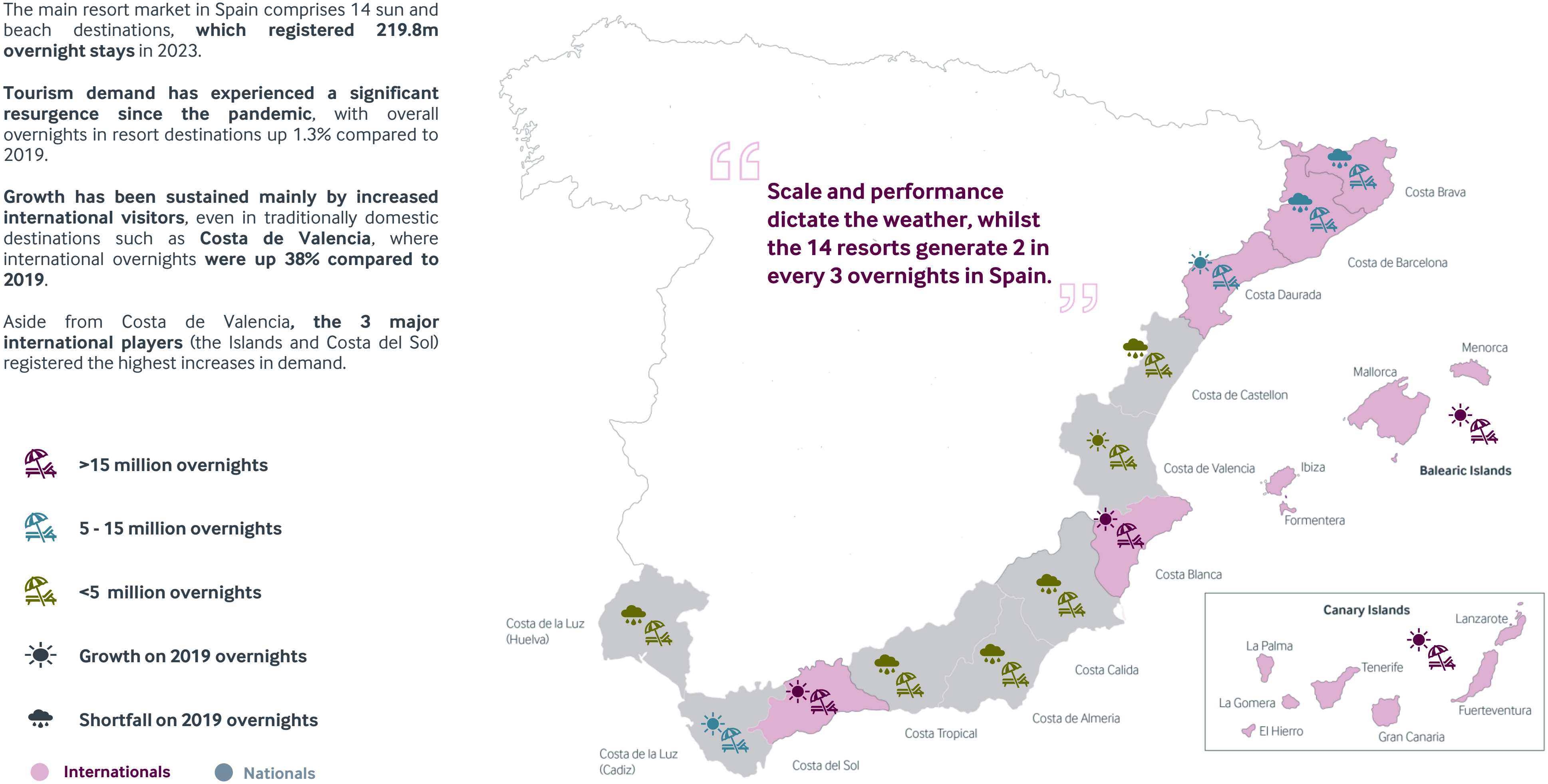
The main resort market in Spain comprises 14 sun and beach destinations, **which registered 219.8m overnight stays** in 2023.

Tourism demand has experienced a significant resurgence since the pandemic, with overall overnights in resort destinations up 1.3% compared to 2019.

Growth has been sustained mainly by increased international visitors, even in traditionally domestic destinations such as **Costa de Valencia**, where international overnights **were up 38% compared to 2019**.

Aside from Costa de Valencia**, the 3 major international players** (the Islands and Costa del Sol) registered the highest increases in demand.

Scale and performance dictate the weather, whilst the 14 resorts generate 2 in every 3 overnights in Spain.



Source: INE

The seasons are visibly extending

Evolution of the seasonality

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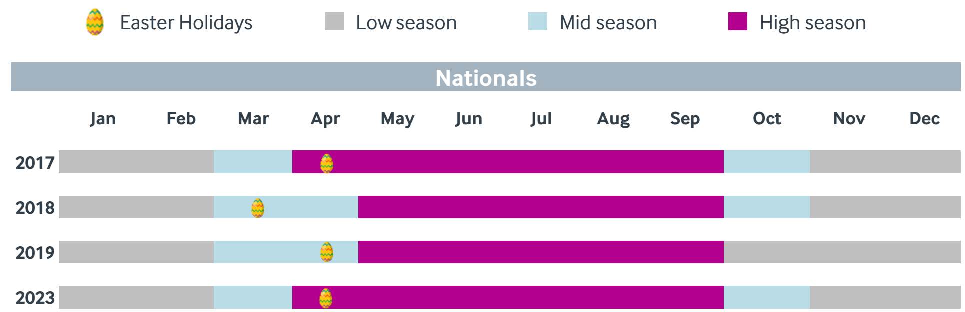
	Low	Mid	High
	Jan Feb Nov Dec	Mar Apr May Oct	Jun Jul Aug Sep
2017-2019	16.7%	31.5%	51.8%
2023	17.2%	32.0%	50.8%

International destinations are experiencing a trend towards longer seasons, as evidenced by the evolution of the distribution of monthly overnight stays.

In 2023, the months that have traditionally been high season (June to September) exhibited a decline in the overall share of overnight stays compared to previous years, with **the shoulder months gaining protagonism.**

This indicates that hotels are opening earlier (also dependent on Easter holidays) and closing later. This trend is evident in **international destinations where more tourists travel outside the summer months.**



	Low	Mid	High
	Jan Feb Nov Dec	Mar Apr May Oct	Jun Jul Aug Sep
2017-2019	10.8%	30.0%	59.2%
2023	9.7%	29.7%	60.6%

A comparison of national and international destinations reveals a **discrepancy in the seasonal extension trend.**

It is observed that the months traditionally considered high season (June to September) in 2023 have seen a greater concentration of overnight stays than in previous years. This has resulted in a **significant increase in the weight of the summer season**, which may present certain risks.

The opening date for hotels depends on the Easter holidays, with most hotels opening in March or April, and the closing date being late September or October. **This is due to the seasonal patterns of domestic tourists, who tend to travel to resort destinations only during the summer months**, particularly in July and August.

NB: Change in % refers to share, not absolute numbers

Source: INE

Consistent RevPAR gains led by boosted ADR levels

Annual Performance Analysis

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In line with the positive trajectory of overnights, **hotel performance has recovered since the pandemic, with RevPAR increasing across all 19 resort destinations reviewed**.

A significant elevation of ADR mainly drove the growth, while occupancy returned to historical levels, with a **few occupancy gains in most international locations**. Domestically-led destinations experienced a more sluggish recovery compared to international destinations, which were able to rely on higher ADR yields.

Both the Balearic and the Canary Islands showed the most significant increases, with some destinations such as Lanzarote, Fuerteventura and Tenerife increasing occupancy by more than 3 ppts compared to 2019.

Internationals		Nationals	
€€€	> 120	%%%	> 80%
€€	< 120 > 90	%%	< 80% > 60%
€	> 90	%	> 60%

	ADR	Occ.	RevPAR	Var. 2023 vs 2019 ADR	Var. 2023 vs 2019 Occ.	Var. 2023 vs 2019 RevPAR
Resort	€121.6	78.5%	€95.3	+26.1%	+0.6 p.p.	+27.1%
Urban	€121.4	72.7%	€88.2	+22.9%	-1.0 p.p.	+21.1%

	ADR (€) 2023	Occ. (%) 2023	RevPAR Variation 2023 vs 2019
Ibiza-Formentera (B)	€€€	%%%	38.1%
Costa de Barcelona	€€€	%%%	19.8%
Menorca (B)	€€€	%%	40.4%
Tenerife (C)	€€€	%%%	28.2%
Gran Canaria (C)	€€€	%%%	27.6%
Lanzarote (C)	€€€	%%%	36.0%
Mallorca (B)	€€€	%%%	26.6%
Costa del Sol	€€€	%%	33.7%
Fuerteventura (C)	€€	%%	27.9%
Costa de la Luz - Cadiz	€€€	%%	20.5%
Costa Blanca	€€	%%	25.3%
Costa Daurada	€€	%%	18.9%
Costa de la Luz - Huelva	€€	%%	15.2%
Costa Brava	€€	%%	29.5%
Costa de Almeria	€€	%%	16.1%
Costa de Valencia	€	%%	5.2%
Costa Tropical	€€	%	12.0%
Costa Calida	€	%	8.7%
Costa de Castellon	€	%%	23.6%

(B) part of Balearic Islands, **(C)** part of Canary Islands

Source: Exceltur

Exceptional performance absorbed supply growth

Evolution of Spanish Resort Supply

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SPANISH RESORT SUPPLY 2023

3,192 hotels
(+5.8% vs 2019)

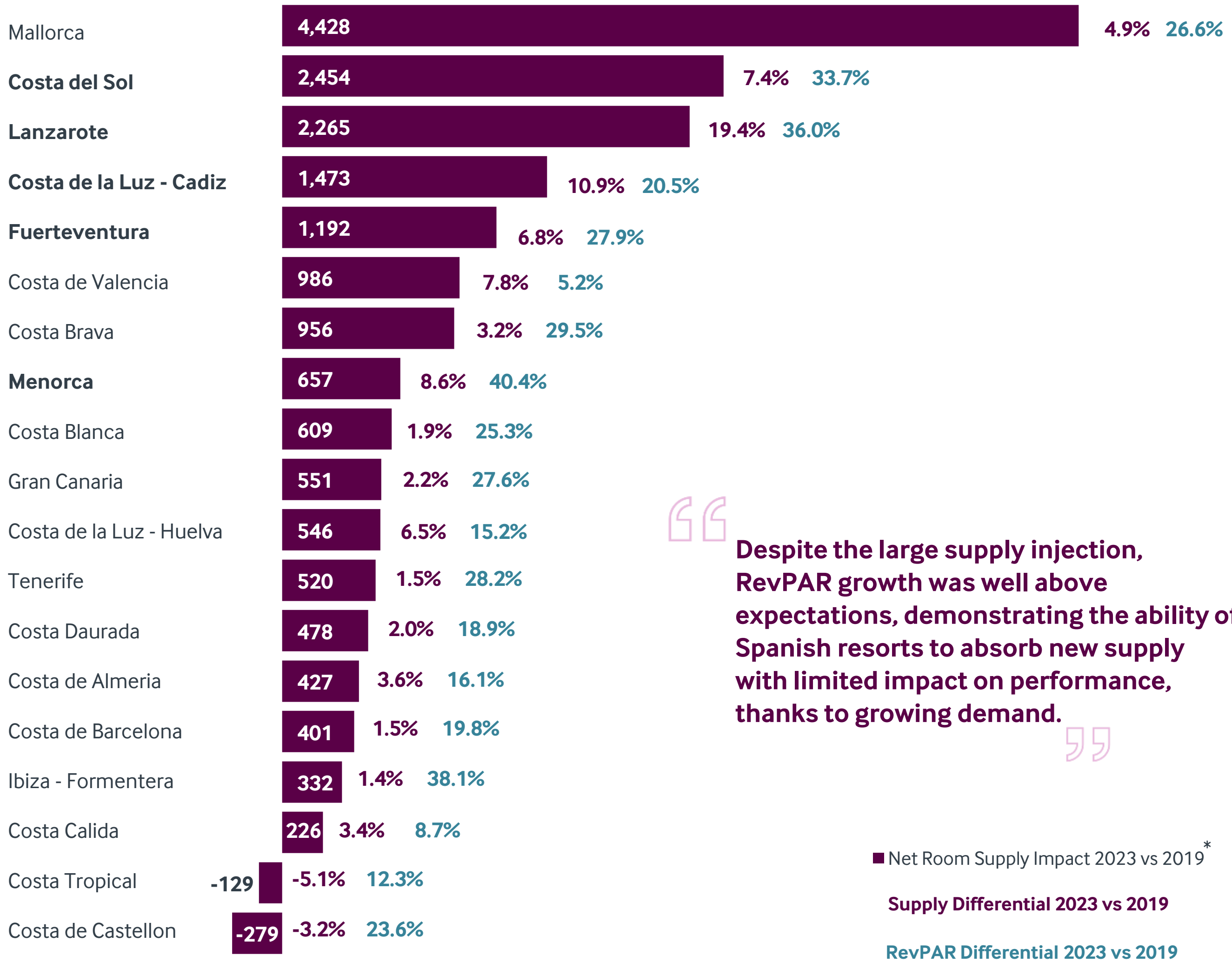
440,058 rooms
(+4.3% vs 2019)

General geopolitical turmoil, rising interest rates, inflationary pressures on operating margins and **high development costs have led to a decline in new build projects and a greater focus on acquisitions**. Some hoteliers sold their less strategic assets, which were repositioned by other investors, **improving the overall quality of the offering** and in some cases expanding it.

Across the 19 markets, **there was a net increase** (openings - closures) **of 176 hotels and around 18,000 rooms.**

Lanzarote is a landmark emergent market with impressive growth in both supply and performance. Despite the highest growth in supply, performance was second only to Menorca.

Costa de la Luz - Cadiz and Fuerteventura, are **developing markets that have exceeded expectations** and recorded some of the highest RevPAR increases.



> **Despite the large supply injection, RevPAR growth was well above expectations, demonstrating the ability of Spanish resorts to absorb new supply with limited impact on performance, thanks to growing demand.**

**Net Supply = openings - closures*

A large active pipeline supporting further brand consolidation

Active Pipeline and Brand Consolidation

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SPANISH RESORT PIPELINE 2024 - 2027

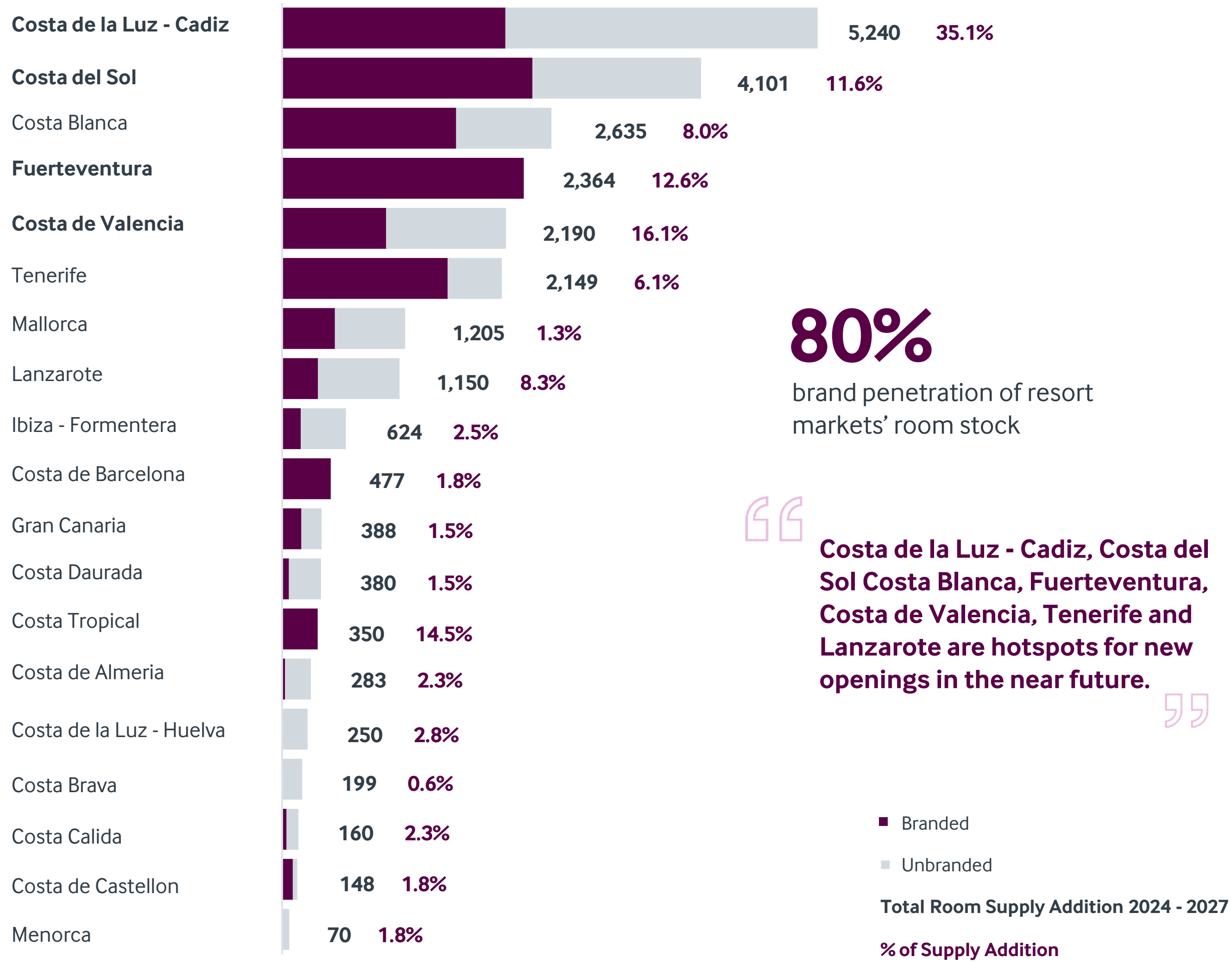
193 hotels
(+6.0% vs 2019)

24,363 rooms
(+5.5% vs 2019)

Historically, the Spanish urban market has been dominated by independent hotels, but in recent years we have seen noticeable brand consolidation. **Resort destinations**, on the other hand, **are the origin of most Spanish hotel groups, which supports their high brand penetration in the market** and enhances their position, also encouraging the entry of international groups.

Costa de la Luz (Cadiz) is expected to receive the largest quantum of rooms by 2027, equating to nearly 1/3 of its current supply. The recent surge in investor interest in Cadiz and its surrounding areas, coupled with a relatively limited supply, offers a substantial opportunity for an expansion of the offering both qualitatively and quantitatively. Despite its maturity as a market, **Costa del Sol remains a primary target for hotel developers**, with an additional 11.6% of rooms being added to the current stock.

The remainder of destinations are experiencing a slowdown in projected hotel openings, primarily due to the **presence of highly established players in the area** or, in some cases, reduced investor interest.



80%
brand penetration of resort markets' room stock

> **Costa de la Luz - Cadiz, Costa del Sol Costa Blanca, Fuerteventura, Costa de Valencia, Tenerife and Lanzarote are hotspots for new openings in the near future.**

NB: Active pipeline defined as hotels in planning, final planning or under construction

Source: Alimarket

Hotel investment is focused on international resorts

Investing in Spanish resorts

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€2,721 million

Total Investment in Resort Destinations (2023)

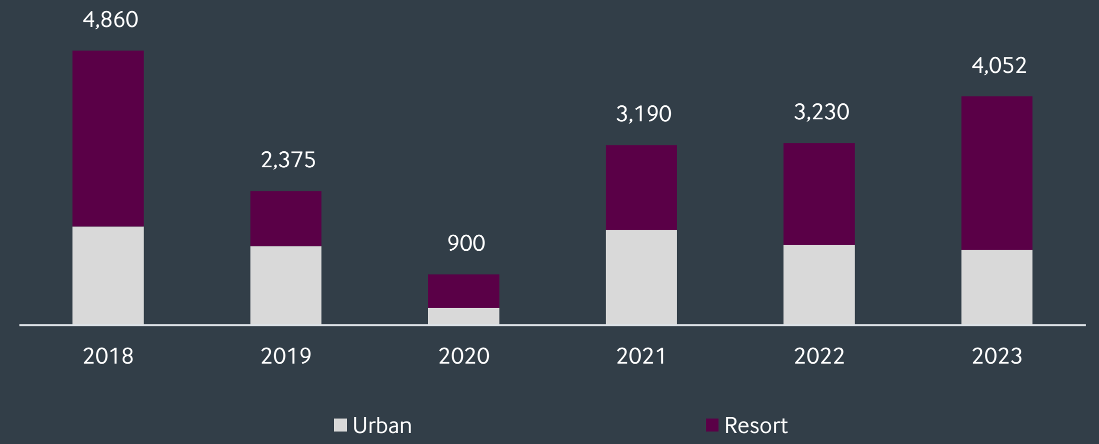
The strong interest from international investors and the number of portfolios transacted led to a total **investment volume of €4,052 million in Spain**, making 2023 the second-best year ever, only surpassed in 2018 due to the sale of Hispania and other portfolios.

Prime assets and portfolios were transacted in urban and resort destinations, reaching a **record average price per room of €187k**,10% higher than in 2022.

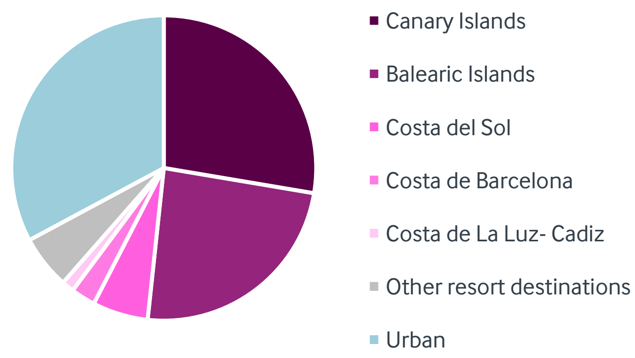
Resort markets obtained 67% of the total volume, with the **Canary and Balearic Islands reaching 52% of the total.**

Two of the most significant portfolio operations were focused on the resort market: the purchase of 17 assets by the ADIA fund (Abu Dhabi Investment Authority) and the corporate transaction in which the Singaporean sovereign wealth fund **GIC acquired 35% of HIP** (Hotel Investment Partners).

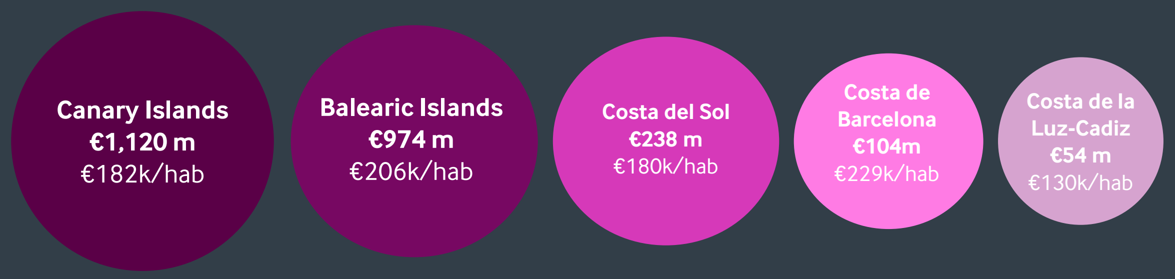
INVESTMENT EVOLUTION PER DESTINATION TYPE (€ MILLIONS)



INVESTMENT DISTRIBUTION VOLUME (€)



RESORT DESTINATIONS WITH THE LARGEST INVESTMENT IN 2023



Source: Christie & Co

More than location…a different investment proposition

Resort vs Urban Hotels

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	RESORT	URBAN
BRANDS	▪ Stronger brand loyalty ▪ Growing interest from international brands ▪ Redemption of loyalty points ▪ Cost of brand fees can be quite heavy	▪ Greater brand diversity ▪ Increasing international brand presence
TOURIST PROFILE	▪ Focus on leisure clientele and experiential activities ▪ Families drive multiple occupancy and longer stays (school holidays)	▪ Wider range of guests, including business travellers ▪ Shorter, yet repeated stays through contracted business
SEASONALITY	▪ Strong ADR yield opportunity through demand peaks ▪ Shorter operating season's effect on cost margins	▪ Softer seasonality of demand ▪ Superior year-round occupancy
COMPETITORS AND DISTRIBUTION	▪ Dominance of local/regional operators and ownership of groups ▪ Reliance and cost of intermediaries and tour operators	▪ Intense OTA competition due to "city" location search and online comparison
OPERATIONAL CHARACTERISTICS	▪ Higher key count for all-inclusive resorts driving economies of scale ▪ High labour and maintenance cost due to extensive ancillary facilities ▪ Strong exposure to energy costs	▪ Lower labour intensity ▪ B&B model predominantly

Source: Christie & Co

What's on the horizon for Spanish resorts

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EXCELLENT RESULTS IN Q1 AND OPTIMISTIC PREVISIONS FOR THE REST OF 2024

Tourism is becoming an increasingly significant contributor to the Spanish economy, **with growth outpacing that of the wider economy**. The recovery is being driven by a resurgence in purchasing power in Spain, thanks to a decline in inflation, the expansion of the EU economy and the perception of security that Spain offers.

Demand is expected to remain robust this year, with bookings for the summer season at an all-time high and YTD levels already exceeding those of 2023. As the share of international visitors increases, **we expect the seasonality discrepancy between international and domestic resorts to narrow**.

We foresee 2024 as a **record year both in overnights and occupancy**. We anticipate a **conservative occupancy growth trend** and see no material challenge for occupancy to gradually increase as demand growth is absorbed by the pipeline (5.5% future increase across the 14 destinations). In terms of ADR, **we anticipate further growth in 2024**. However, given the exceptional growth in the Average Daily Rate in 2023 and Q1 2024, the magnitude of this growth is hard to pinpoint and is likely to vary across the 14 destinations.

SPANISH RESORTS ARE A MATURE GLOBAL TOURISM MARKET THAT IS ATTRACTING CORE INVESTORS THANKS TO ITS RESILIENCE

Investment interest in Spanish resorts is expected to remain strong, despite intensifying competition from other sun and beach destinations, supply restrictions in some locations such as Mallorca, reduced available plots and geopolitical turmoil in Eastern Europe (important market in regions such as Costa del Sol and Costa Daurada).

The combination of sustained high development costs will lead investors to **focus on established trading destinations**, particularly those that can absorb large developments, conversions and repositioning activity. Moreover, the entrance of international investment funds in Spain will **enhance portfolio operations** which are usually located in resort areas.

Costa de la Luz-Cadiz, Costa de Valencia and **Costa Brava** are becoming increasingly attractive to investors and are expected to see a healthy volume of transactions this year and in the medium term.

Tenerife, Canary Islands

Source: Hosteltur, Christie & Co

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