HOTEL INVESTMENT OVERVIEW
Spain 2019

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INTRODUCTION

Once again, from Christie & Co we present our analysis of the investment market in the Spanish hotel sector during the last year. As we will describe later in this report, in 2019 the resort market fell from the number one spot in terms of total investment volume received, which was surpassed by the urban segment. As indicated in our report, we have highlighted some of different factors that produced this shift. Moreover, investment in operating real estate continued to grow and hotels were no longer considered an alternative segment in the real estate sector. The entry of large investment funds, driven by the sale of debt portfolios and the surge of REITs, has revived the hotel industry in recent years and has encouraged the renovation of the existing supply through CAPEX investment aimed at repositioning.

Ten years after the financial crisis of 2008 and the following recession, the low interest rates in the banking sector and the high liquidity in the market has kept compressing interest rates, reaching the lowest levels of the last decade. Nevertheless, even though Spain has continued to be perceived as a key tourist destination in Europe, the volume of investment received in 2019 has mainly been affected by the lack of large asset portfolios for sale.

The investment appetite in the Spanish market is still very high, but the political instability, together with the recovery of the Mediterranean and North African markets, has driven investors to look for value add opportunities in other destinations with repositioning potential. Nevertheless, investors in Spain have found more opportunities in the urban segment, which keeps improving its main performance indicators.

We are possibly facing the end of the cycle in the resort segment and the expansion of the urban cycle, which will continue to see the compression of the profitability indexes, especially for those assets in vacant possession, which are already perceived as a very attractive investment in the resort segment: the renovation and repositioning of the assets, with Madrid and Barcelona leading, followed by Malaga, Seville, Valencia or Bilbao.

We are pleased to share our market knowledge with the sector once again and we hope that this new report, based on public information sources, in addition to those of Christie & Co, is of interest to all the actors that make possible this vital sector for the Spanish economy: the hotel sector.

> "After the record reached in 2018 with €4.8b, in 2019 this figure has fallen by half, especially due to the lack of large hotel portfolios for sale, particularly in the resort market, which has been surpassed by the urban segment in terms of total investment volume"

Inmaculada Ranera
Managing Director Spain & Portugal

INDEX

GLOSSARY

ADR	Average Daily Rate. It is defined as the income per room for the period divided by the total number of rooms occupied during the mentioned period
AENA	Aeropuertos Españoles y Navegación Aérea (Spanish Airports and Air Navigation)
Asset-Light	Concentration of assets subject to lease and amanagment agreements
b	Billion
CCAA	Autonomous Region
C & Co	Christie & Co
CAPEX	Capital Expenditure
Core	Invetsment strategy oriented to profitable assets, with lease agreement and long term assured
GDP	Gross Domestic Product
i.e	For example
IMF	International Monetary Fund
INE	Instituto Nacional de Estadística (National Institute of Statistics)
Joint Venture	Commercial enterprise undertaken jointly by two or more parties which otherwise retain their distinct identities.
k	Thousand

KPI	Key Performance Indicator
LTV	Ratio that calculates the percentage of loan over the asset's value (Loan-To-Value Ratio)
m	Million
N/A	Not Available
Occ	Occupancy. Proportion of occupied rooms over the total number of rooms available in a given period
bp	Basic Points
REIT	Real Estate Investment Trust
RevPAR	Revenue per Available Room. Defined as room occupancy multiplied by the average achieved room rate or rooms revenue divided by the number of available rooms
Sale & Leaseback	Financial transaction in which one sells an asset and leases it back for the long term
SAREB	Sociedad de Gestión de Activos procedentes de la Reestructuración (Company for the Management of Assets proceeding from Restructuring of the Banking System)
Value Add	Investment estrategy that focuses on add value to an asset through repositioning, reform, operator change, etc.
var	Variation
YoY	Year-on-year
vs.	Versus

INVESTMENT 2019

2019		2018
114	Number of Hotels	223
€2.4b	Investment Volume	€4.8b
€142,000	Average Price per Room	€128,000
18%	Portfolio Transactions	62%
63%	Domestic Investment	35%
37%	International Investment	65%
59%	Investment in Urban Destinations	36%
41%	Investment in Resort Destinations	64%

Hotel investment stabilised and we anticipate a change in the investment cycle. The number of operations decreased, but the average price per transacted room increased.

In 2019, Spain recorded a total investment volume of €2.4b in the hotel sector, which represented **51% decrease compared to 2018**. We note that the acquisition of the Hispania portfolio in 2018 (€1.9b) had a significant effect on the comparison and that if it is not considered, the difference is only -12%.

The average price per room increased by 11% compared to the previous year, reaching €142,000 per room. This growth is explained, among other factors, by the strong investment interest that the Spanish hotel sector has attracted, the continued compression of yields and the larger number of core transactions for value add operations.

On the other hand, **the main actors were again the investment firms**. Nevertheless, they registered both decreases in their investment (-70%/2018) and market share (-28%), with a representation over the total volume invested of 37% in 2019 (vs. 53% in 2018). If we do not consider the 2018 Hispania transaction, the investment volume generated by firms would have grown by 11% in 2019.

The hotel groups, which invested €1.2b in 2018, did not reach €600m in 2019, which represented a drop of c. -50%. However, proportionally, their presence in the total investment market increased from 24% in 2018 to 32% in 2019. On the other hand, REITs followed a similar trend, registering c. 50% drop on 2018. However, the market share of these REITs grew, increasing from 15% above the total in 2018 to 19% in 2019.

Unlike in 2018, the origin of capital was mainly domestic, representing 63% of the total investment. The United Kingdom was the main international source of capital (11%) driven by the acquisition of the hotel The Gates Barcelona by the Ennismore hotel group, followed by France, reaching a market share of 11% over the total invested. Main transactions include several buildings for conversion located in Madrid, which were acquired by Zaka Investments and Boissée Finance. While the United States was the main source of capital in 2018 with 40% of the total investment volume and benefitting from Blackstone's acquisition of Hispania, in 2019 it only represented 7%.

From a geographical point of view, **hotel investment in 2019 focused on urban destinations, which registered 59% of the total invested volume** (vs. 36% in 2018). The recovery of the competitor destinations of the Mediterranean, the evolution of Brexit, the crisis of Thomas Cook, as well as the fall of some airlines, affected the interest from investors for resort destinations and benefited cities such as Madrid, Barcelona, Valencia or Malaga.

MAIN TRANSACTIONS

The number of portfolio transactions significantly decreased and the number of individual transactions increased.

Investment in hotel portfolios in 2019 fell drastically compared to the previous year. While in 2018 the number of portfolios transacted reached c. €3.0b of investment, in 2019 the investment generated by these portfolios was below €500m, which represented around 20% of the total. Even discounting the Hispania effect, which amounted to €1.9b in 2018 (40% of the total investment volume), we can assume that the investment in hotel portfolios in 2019 was 50% lower than 2018. A number of hotel portfolios that had been in the market for a long time were not sold in 2019, anticipating their future sale in 2020.

For two consecutive years Blackstone was the main hotel investor in Spain, due to the acquisition of HIP (2017) and the Hispania portfolio (2018). Nevertheless, in 2019, the American giant seemed to focused on other markets, such as Greece and other Mediterranean destinations. Moreover, it concentrated on the asset management of its portfolio by renovating, repositioning and changing the brands of the assets acquired years ago.

Azora was positioned as the most active investor in 2019, with the purchase of seven assets from the Med Playa hotel group, which will continue to operate the hotels. In addition, Azora created a Joint Venture in 2019 together with Palladium Hotel Group, acquiring first the Bless Hotel Ibiza and the Fiesta Tanit. Moreover, Azora also launched its own hostels brand and announced several expansion projects at a national and international level.

The Hotusa hotel group and the REIT Atom Hoteles remained active in 2019, acquiring hotels both individually and at a portfolio level. Hotusa acquired in the last quarter of the year two hotels owned by HIP, both operated by Sercotel. On the other hand, Atom Hoteles also acquired two hotels owned by Meeting Point Hotel Management, which will keep the operation through a lease agreement.

Regarding the assets transacted individually, **the ten largest operations accounted for 25% of the total investment**. The sale of the Hotel Asturias (future Hotel W Madrid) stood out among the others with a price of €82m, to which the REIT Millenium Hotels Real Estate, as the new owner will add another c. €25m to complete its renovation.

Lastly, it is worth mentioning the sale of two four-star hotels in Barcelona, The Gates Barcelona and the Hotel BCN 1882 sale prices were not disclosed. In terms of investment volume, we highlight the purchase of the Aloft Madrid Gran Vía for €57m by Henderson Park , the sale of the hotel Meliá Bilbao (five stars and 211 rooms) acquired by Millenium Hotels Real Estate for €40m and the purchase of the Meliá Valencia (four stars and 303 rooms) by Atom Hoteles for €40m.

We also highlight two building transactions in Madrid that will be converted into hotels: one in Gran Via 20, which will be converted into the(future Hotel Evok, and the Telefónica Building in Madrid.

Main Portfolios

- Azora-Med Playa
- JV Azora-Palladium
- Hotusa-HIP
- Atom-Labranda
- KKR-ExcemRE
- Goldman Sachs-B&B
- Nazca-One Shot

Main Assets

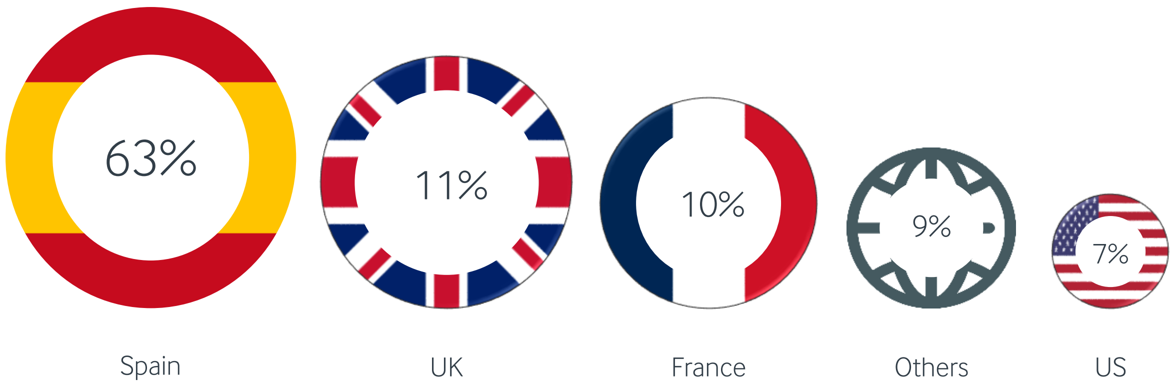
- Hotel Asturias
- Hotel Faro
- Meliá Bilbao
- Building in Gran Via 20
- Meliá Valencia
- Marítim Hotel Galatzó
- Telefónica Building Madrid

INVESTOR PROFILE

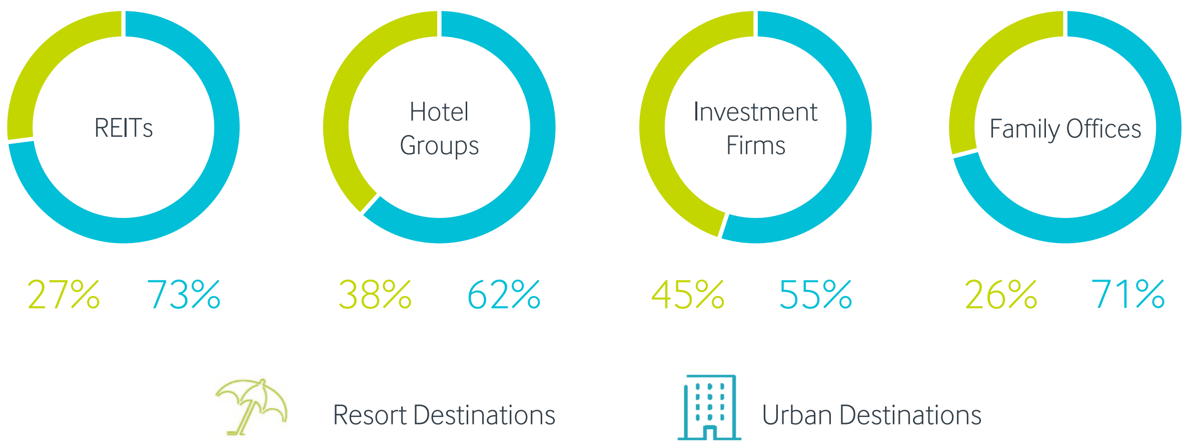
Investor Typology (per volume of investment)

37%	32%	19%	8%	4%
Investment Firms	Hotel Groups	REITs	Family Offices	Others

Investor Origin (per volume of investment)



Location by Investor Typology (% volume of investment)



Following the tendency of the previous year, investment firms represented the primary source of investment in 2019 once again, representing 37% of the total investment volume.

However, we note a significant decrease in the presence of this type of investor compared to 2018 (representing 53% of the total investment volume). Azora was positioned as the main actor, driven by the acquisition of seven Med Playa Hotels and the launch of a new Joint Venture with Palladium hotel group, which represented c. 10% of the total investment in 2019 overall. Other investment firms, such as Henderson Park and ActivumSG, concentrated their interests on the main urban destinations, such as Madrid, Barcelona and Seville.

Hotel groups and REITs remained as the second and third most important investor typologies. On the other hand, **hotel groups** increased from 24% of the total investment in 2018 to 32% in 2019, mainly by individual transactions (90%). The remaining 10% was generated by portfolio transactions, such as the acquisition of the Sercotel Acteón Valencia and Sercotel Málaga by Grupo Hotusa from HIP.

REITs represented 19% of the total investment volume, with Millenium Hotels Real Estate as the main actor with the acquisitions of the Hotel Asturias (future W Madrid), the Meliá Bilbao and a hotel complex in San Roque, Cadiz (future luxury resort). Atom Hoteles, which acquired two resort hotels and four urban hotels, was also very active, adding 1,235 new rooms to its portfolio.

Family Offices (including individual investors) experienced the highest growth, shifting from 4% of the total investment volume in 2018 to 8% in 2019, which represented a total of €157m, mainly concentred in urban destinations (71%).

Domestic investors represented 63% (vs. 35% in 2018) of the total investment volume, mainly due to the lower activity of American investors, which were mainly represented by Blackstone in previous years. On the other hand, the capital coming from France and the United Kingdom accounted together for a fifth of the total investment volume (21%), which represents more than half of the total foreign investment (57%).

INVESTMENT BY REGION

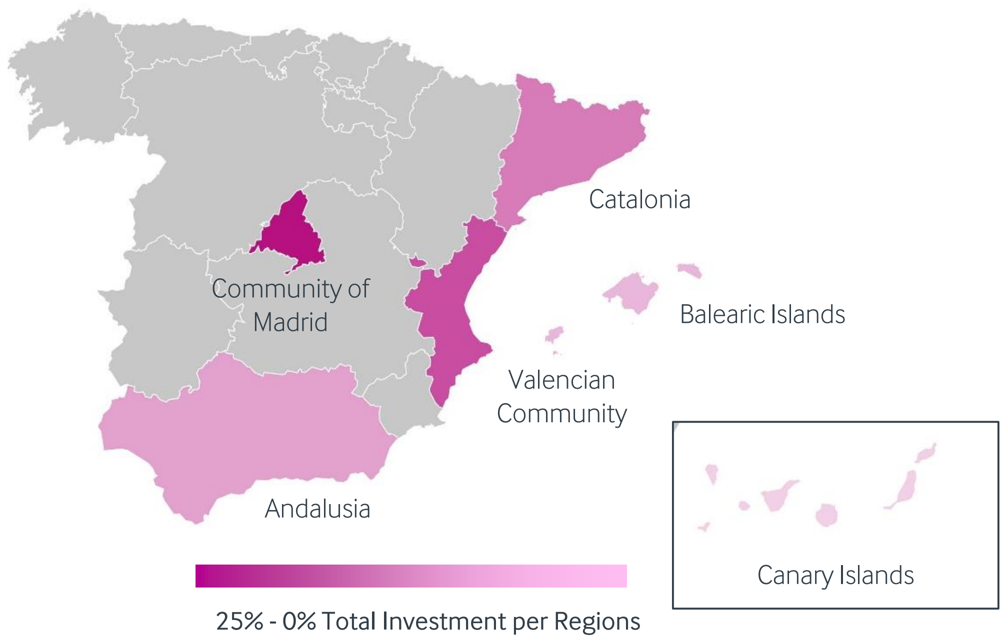
In 2019, 91% of the total investment volume was concentrated in six regions.

The Community of Madrid was the leading region in terms of investment volume with 23% of the total, followed by the Valencian Community (16%), Catalonia (14%), Balearic Islands (13%), Andalusia (13%) and finally, the Canary Islands with 12%. The **Valencian Community** is the only region that registered an increase in the volume of hotel investment received, when compared to the previous year (+€15m), driven by the growing interest that the city of Valencia has generated (63% of the total investment in the region). Together with the Community of Madrid and Catalonia, the Valencian Community benefited from the lower interest for resort destinations. Consequently, **the Communities of Madrid and Valencia reordered 39% of the total investment volume**, above the figures reached in 2018 (19%). On the other hand, in 2019 **Catalonia** doubled the total investment registered in 2018, going from 7% in 2018 to 14% in 2019, mainly due to the sale of the BCN 1882 Hotel by Meridia Capital, the acquisition of The Gates Barcelona by Ennismore and the development of the future Hard Rock Hotel in Sant Adrià de Besòs by ActivumSG.

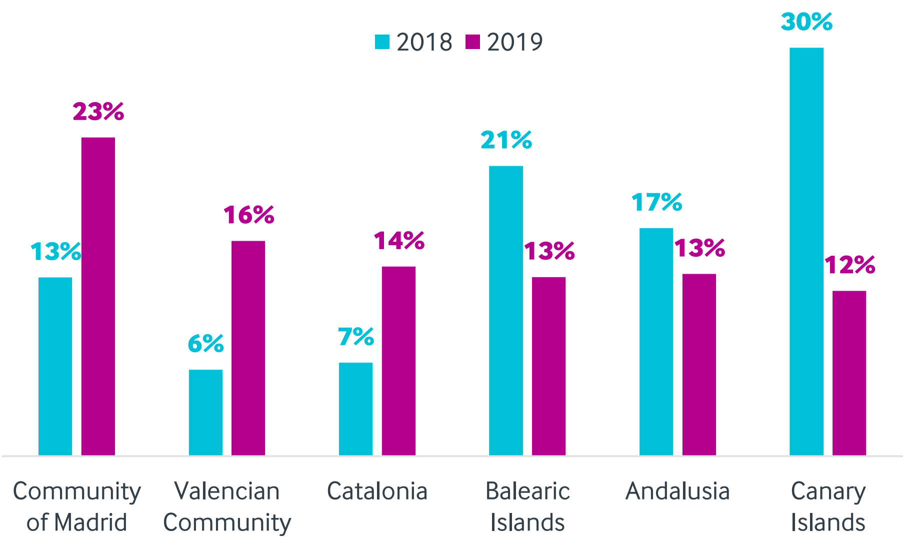
The investment volume drop in 2019 was not distributed equally between the regions. The **decrease in investment in the resort segment was especially evident in the Canary Islands**, which, with 82% less investment in 2019, went from representing 30% of the total investment in 2018 to 12% in 2019. The main reasons for this sharp decline were the decrease of the operating results, due to the recovery of the Mediterranean destinations, the bankruptcy of Thomas Cook and, to a lesser extent, the increased risk perceived by investors due to the threat of Brexit. These challenges also affected the **Balearic Islands**, where the total investment fell by 75% compared to 2018, which represented 13% of the total compared to the 21% of 2018.

In terms of the average price per room, while island destinations led the resort market with an average price of €160,000 per room, the Community of Madrid was positioned as the top urban market, with an average price per room exceeding €250,000 per room driven by the improvement of its main performance indicators and the compression of profitability levels.

Hotel Investment Ranking by Region
(total investment)



Hotel Investment Evolution by Region
(total investment)



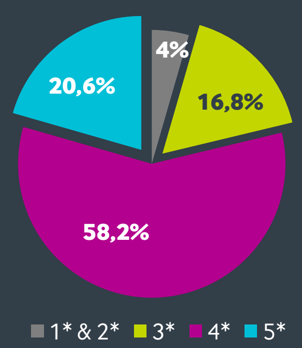
RESORT DESTINATIONS

In 2019, resort destinations represented 41% of the total investment volume, which meant a significant change from the previous year (64%). In terms of number of rooms these destinations accounted for 46% with 7,524 rooms transacted.

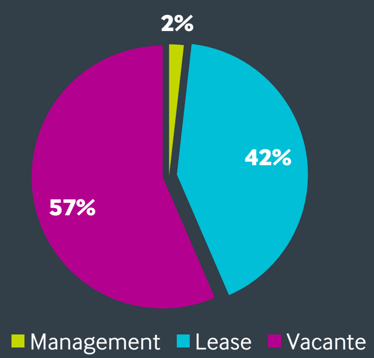
Island destinations concentrated the largest transaction volume in 2019, representing 25% of the total investment in Spain and 62% of the resort segment. The **Balearic Islands** positioned as the top resort destination in terms of volume, representing 13% of the total investment (32% of the resort segment) and more than 1,600 rooms transacted. The **Canary Islands** were the second most active destinations, with 12% of the total investment (30% of the resort segment) and more than 1,500 rooms. On the other hand, **Costa Blanca** registered 6% of the total investment in Spain (12% of the resort segment), mainly due to the acquisition of the Med Playa portfolio. Despite being one of the most attractive destinations to invest in Spain, **Costa del Sol** registered 4% of the total investment and 8% of the investment in resort destinations. Following similar trends than in 2018, the resort area of the Malaga province was affected by the shortage of opportunities in its main locations.

Regarding the category of hotels transacted in resort destinations, **the main category was the 4-star**, representing 58% of the volume of investment in resort destinations and more than half of the rooms transacted in this segment. It was followed by that of the 5-star, with 21% of the total rooms, in line with the growing number of luxury hotels in Spain.

Categories
(total investment volume in resort destinations)



Business Model
(total investment volume in resort destinations)

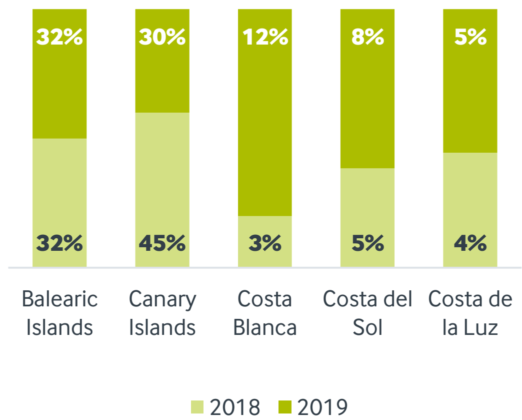


Main transactions include the acquisition by Azora of seven hotels owned by Med Playa, which were located in Costa Blanca and Costa del Sol, the acquisition of the Hotel Isla Bonita and Hotel Riviera Marina by the REIT Atom Hoteles in the Canary Islands and the acquisition of a plot in San Roque, Cadiz, by Millenium Hotels Real Estate.

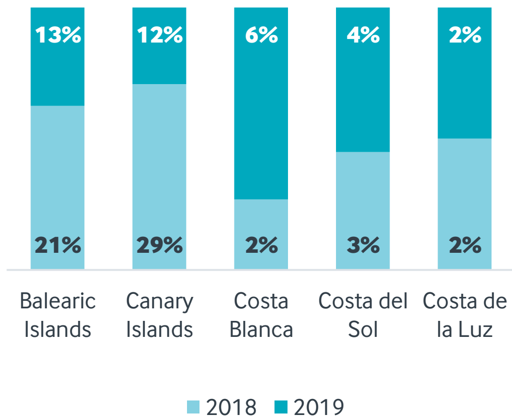
The **average price per room** registered in the resort destinations was €126,000, being the island destinations the ones with the highest average price at €160,000.

Regarding the **business model**, 57% of resort hotels were transacted in vacant possession, 42% were operations subject to a lease agreement, and 2% were subject to a management contract. The high percentage of transactions subject to a lease agreement reflects the growing trend towards the Sale & Leaseback formula, which is in line with the asset-light strategy used by many operators, as well as the growing interest of investment firms in the resort market. Whilst transactions for existing hotels represented 93% of the number of transactions in resort destinations, the acquisitions of plots represented only 5% of the total number of operations.

Hotel Investment Evolution in Resort Destinations
(total investment volume in resort destinations)



Resort Destinations Market Share
(total investment volume)



URBAN DESTINATIONS

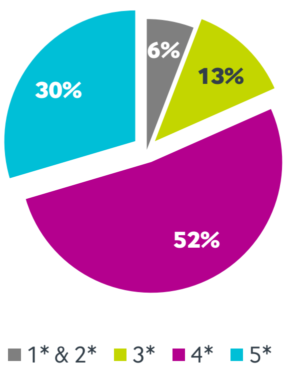
In 2019, the urban segment overtook the resort segment, with 59% of the total investment and an increase of 23 percentage points compared to 2018, which meant an obvious change in the investment trend.

Madrid was the main protagonist of the urban segment, with a volume of €471m in 16 transactions, which represented 23% of the total investment in Spain and 38% of the investment in urban destinations. The continuous improvement of the operating results, the growing representation of international chains and the incorporation of new luxury projects to the current pipeline are considered the main reasons for the optimum moment that the city is experiencing from an investment point of view. **Barcelona**, on the other hand, was on second place, with 11% of the total investment in Spain (17% of the investment in urban destinations), 5% above 2018. Despite the increase in the investment volume, when compared to the previous year, restrictions in the city centre and the lack of opportunities continue to penalize the Catalan capital.

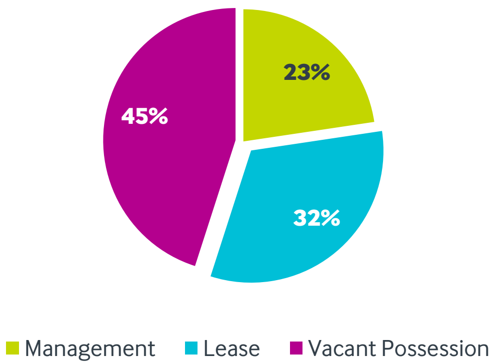
We highlight the **city of Valencia**, which played a key role in the hotel investment landscape with €200m in transactions, allowing the city to achieve 16% of the investment in urban destinations and 10% of total investment in Spain, a significant improvement compared to 2018 (5% of total investment volume). **Malaga**, one of the key markets in Spain, is currently registering an extraordinary wealth of projects under development. Nevertheless, it only registered €66m of investment during 2019.

4-star hotels were the most transacted assets within the urban segment, representing 52% of the total urban investment, followed by the 5-star hotels (30%). The 3-star category, on the other hand, grew by 7% compared to 2018, reaching 13% of the total investment in urban destinations.

Categories
(total investment volume in urban destinations)



Business Model
(total investment volume in urban destinations)



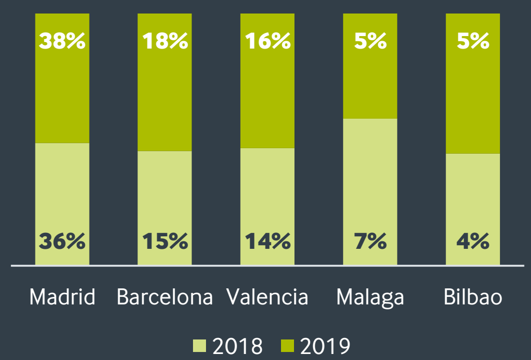
The most relevant operations in 2019 in the urban segment were concentrated in the main cities, such as Madrid (Hotel Asturias – the future W Madrid – acquired by Millenium Hotels Real Estate for €82m plus the planned investment for its conversion), Bilbao (Hotel Meliá Bilbao acquired by Millenium Hotels Real Estate for €49.2m), Valencia (Hotel Meliá Valencia acquired by the REIT Atom Hoteles for €42.3m) and Barcelona (The Gates Barcelona acquired by Ennismore), among others.

In 2019 **the average price per room** in urban destinations grew up to €162,000, compared to €140,000 in 2018. Barcelona led this ranking with an average price per room of €308,000, mainly due to the sale of the K+K Hotel Picasso for €34.3m with only 92 rooms. Madrid, with an average price of €266,000, increased by 16% compared to 2018, driven by the transaction of the Hotel Asturias (future W Madrid), which set a price per room of €600,000 excluding the planned investment in CAPEX.

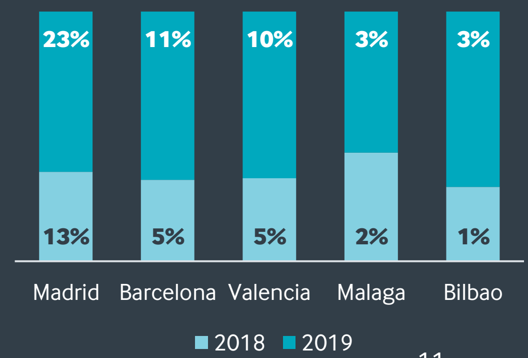
Regarding the **operating model**, 45% of the assets were sold in vacant possession, 32% were transactions subject to a lease agreement and 23% to a management agreement. Regarding transactions subject to a lease agreement, 89% were concentrated in the main urban destinations such as Madrid (37%), Valencia (28%), Bilbao (13%) or Barcelona (11%), which demonstrates the growth of "Core" profile investors, especially in the main Spanish urban destinations.

On the other hand, in terms of the type of transaction, 76% of the number of operations in urban destinations were existing hotels and the rest 18% to buildings for future conversion.

Hotel Investment Evolution in Resort Destinations
(total investment in urban destinations)



Main Urban Destinations
(total investment in urban destinations)



INVESTMENT CYCLE

The investment cycle starts to stabilise with more sustainable investment volumes but with record low yields.

Pre-crisis (2006 – 2008): in a favourable macroeconomic environment and with a constant growth in the number of travellers and overnight stays, Spain was perceived as a mature destination. The market had a lot of liquidity and benefited from easy access to financing. Banking institutions offered medium-low interest rates with high LTV ratios, which **drove high value hotel transactions**. Local investors (especially hotel operators and developers) focused their efforts on the hotel investment in resort destinations, and urban destinations were more attractive to international investors.

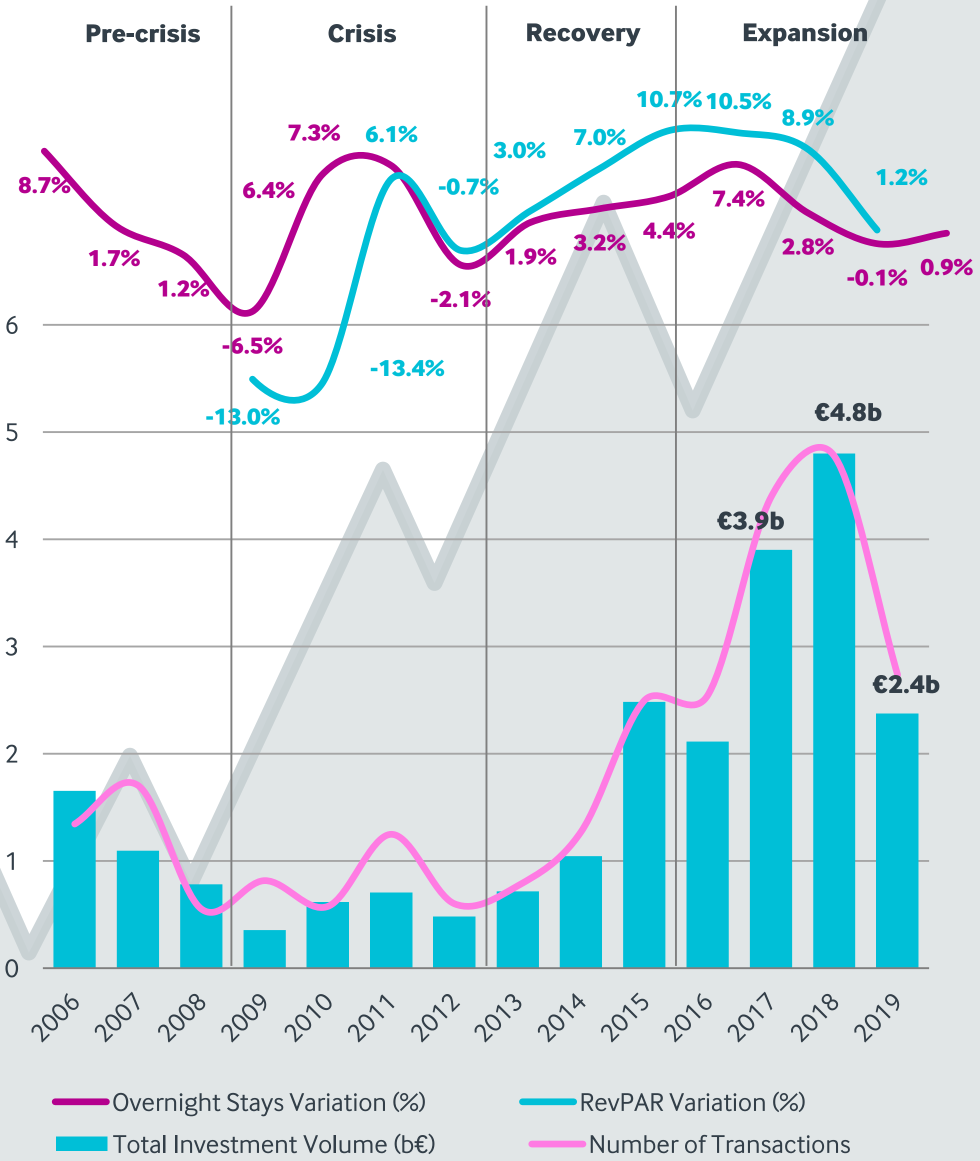
Crisis (2009 – 2012): the global financial crisis of 2008 had a direct impact on the real estate industry and also in the hotel sector, which registered sharp drops in performance. Therefore, many hotel operators applied for bankruptcy. With the creation of the SAREB, the banks were able to transfer their most toxic assets and started to launch to the market large debt portfolios. With low interest rates, difficult access to financing and a high risk component, **yields increased significantly and few transactions were observed during the period**.

Recovery (2013 – 2015): This period featured the **increase of debt portfolios** that included all types of assets. Benefiting from start of the economy recovery, the labour reform and the help from the European Bank, as well as the instability of the competitive Mediterranean destinations, the KPI's of the hotel sector began to grow continuously from 2013. Multiple value add opportunities in the market stimulated the investment appetite, especially for new actors such as international investment firms and REITs. Consequently, **yields began to compress**.

Expansion (2016 – 2018): Spain experienced the **expansion phase of the cycle with record levels of investment**. Benefited from a positive macroeconomic context, the growing hotel performance and a record investment appetite, sale expectations rose rapidly and **yields continued to compress**, reaching levels lower than those of the pre-crisis phase. With low interest rates, the market had large liquidity **led by international investors**. Transactions of large portfolios and hotel chains acquired by investment firms led the investment market, especially in resort destinations.

2019: after reaching an investment volume record in 2018 due to high-volume operations (i.e: the purchase of the Hispania portfolio by Blackstone for €1.9b), **in 2019 the volume of total investment in Spain decreased**, with similar levels than 2015 and 2016. However, the investment appetite continued to be very high and yields at historical lows were observed. Tourism indicators also began to stabilise, reaching more sustainable levels of growth. In addition, few opportunities were observed in the market and opportunistic investment firms that had reached the end of their investment cycle offered assets already repositioned at higher prices and lower returns. Some uncertainties in the resort market, as well as the decrease of opportunities, drove urban destinations to overcome the resort market as the top investment destinations, and drove the domestic capital to led the investment market in 2019.

Hotel Investment Cycle 2006 – 2019
(annual variation of the number of overnight stays and annual variation of the hotel RevPAR, estimated investment volume and estimated number of transactions)



Sources: INE, Exceltur, Christie & Co

Outlook

Macroeconomic outlook

The global economic landscape continues to show signs of growing market uncertainty, even though it does not reflect any sign of the approach of another financial crisis.

As the trade war between China and the United States seems to have subsided and the tension in the Middle East decreases, the IMF has lowered the prospects by reducing global growth forecasts for 2020.

The international political situation is not improving, with conflicts in China and in several Latin American countries, and with an always hot Middle East with possible ramifications in the southern Mediterranean. In Europe, Brexit is already a fact, but there is still some uncertainty on its implementation and consequences in the capital markets and the movement of travellers and workers. Populisms and nationalisms continue to grow in the EU, promoting anti-liberal policies of doubtful efficacy.

In Spain, all economic forecasts for 2020 coincide in a more pronounced than expected slowdown in the economy, although there is still a small positive differential on the growth of the euro zone. The new left-wing coalition government with populists and independentist parties generates higher doubts among the business world.

In short, uncertainties and threats to which **economic agents begin to be more than used to**. Clouds? Yes. Heavy clouds? who knows. Storm? unlikely.

Operational Expectations of the Hotel Sector

Tourism GDP grew by 1.5% in 2019, a quarter point less than the Spanish economy in general, clearly consolidating the **slowdown in growth**. However, the arrival of international tourists (almost 84m) and the increase in tourist spending by more than 2.6%, again set a historical record for the tenth time in 2019.

Even Exceltur is cautious in its forecast for 2020, suggesting to a continued slowdown in growth without anticipating decreases.

Even though business activity and urban tourism seem to push the RevPAR of Spanish cities, the lower air connectivity on the islands and the recovery of competing Mediterranean destinations continues to raise **doubts about the operational results of the resort segment**. Productivity falls and the increase in labour costs during 2019 has started to worry operators.

The consequences of the Thomas Cook fall do not seem to have caused irreparable damages despite having left some victims.

The weakness of traditional markets, including the United Kingdom and Germany, is expected to continue, especially in the resort destinations. Nevertheless, it is expected that long-distance markets such as the United States, Mexico, Russia or Japan will continue increasing.

New environmental movements such as the "shame of flying" and the massification of many destinations with the proliferation of tourist apartments still in the regulation and control phase are changing the previously very positive image of tourism among the general population. Again, clouds in sight, but not large enough to generate a storm.

Investment Trends

High levels of liquidity in the market, the forecasts of very low interest rates for the coming years and a market of bonds at historical minimum returns, attract increasing volumes of investment towards real estate. The **stability of the Spanish hotel industry**, the growing presence of international operators and the increasing professionalism and transparency of the Spanish hotel sector, will continue to attract **new investors** towards the hotel assets of our country.

More and more **Spanish cities are targeting international capital** and it is no longer surprising to find funds analysing opportunities in Alicante, Granada, Cordoba or Palma de Mallorca. Beach destinations will continue to offer repositioning opportunities, although prices are not competitive for **some investors who start looking towards Italy and Greece**.

While value add opportunistic investors, who were looking for complex operations with a high risk and returns, a finding less and **less available opportunities**, they are being replaced by core investors who increasingly believe in the security offered by the Spanish hotel sector. Core investors, traditionally attracted to the urban markets such as Madrid and Barcelona, **increasingly analyse secondary cities and beach destinations**.

Our expectation for 2020 is the **consolidation of investment levels**, achieving similar levels to those of 2015 and 2016. The **range of active investors** in the hotel sector in Spain **is increasingly wider**. We expect an increase of more long-term and conservative investors and a lower presence of opportunistic investors looking for high returns. We expect that this movement will be accentuated with the increasing presence of sale & lease back operations by operators with a significant proportion of real estate assets and the continued growth of REITs. Yield levels have reached a very strong compression with differentials on office assets at times of just 100bp. We do not anticipate a greater compression of yields during 2020, at the risk of losing investors to other more profitable European markets.

In short, the great challenge of the Spanish hotel market is to consolidate itself as an international investment destination as it is in the United Kingdom, Germany or France.

OUR TEAM

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