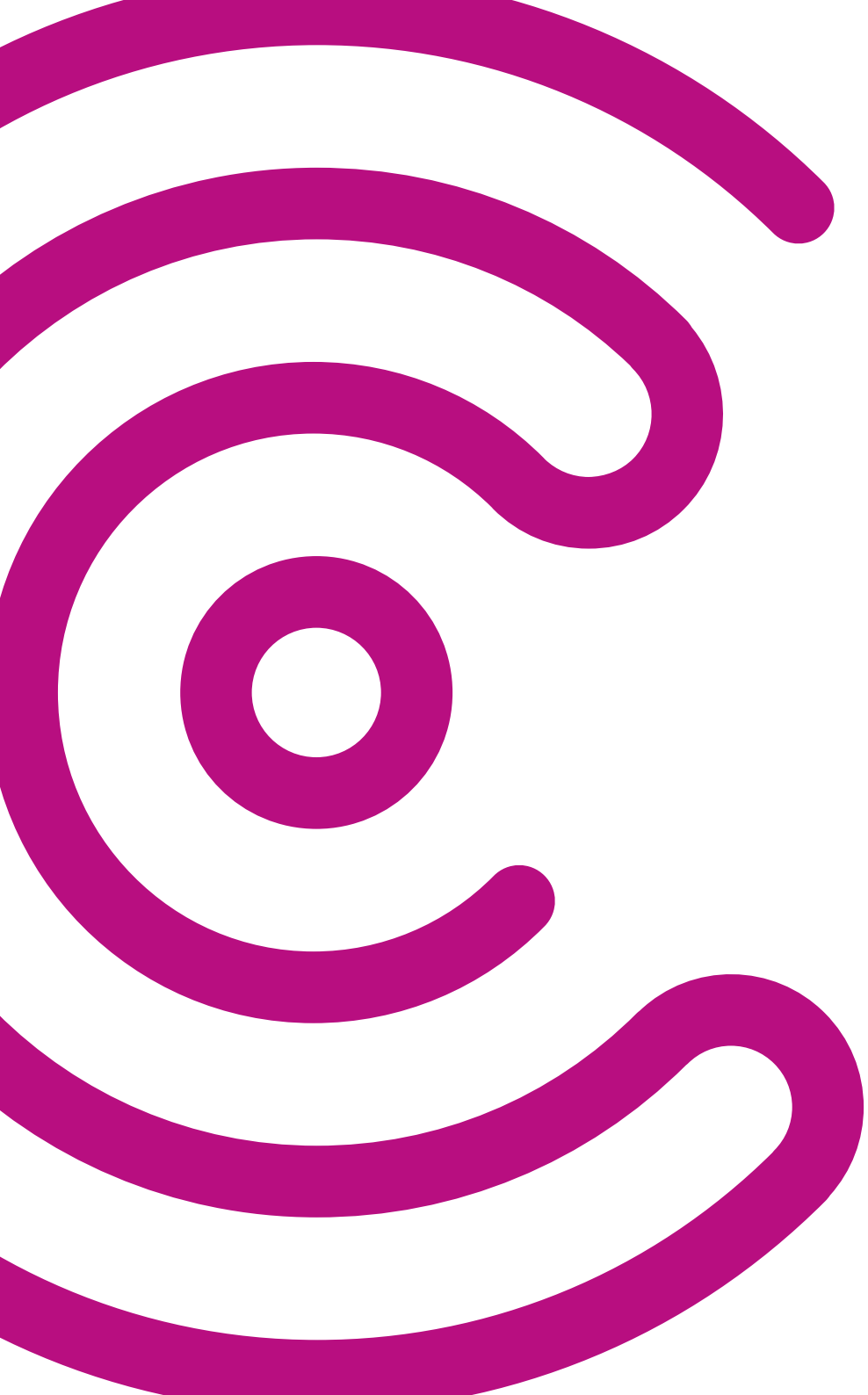


Spanish Hotel Market Resort Destinations



This report analyses the main Spanish coastal resort destinations in the Mediterranean and the Atlantic, including Balearic Islands and Canary Islands, highlighting the development of their main hotel performance indicators in 2018.

Benefiting from the instability of Mediterranean competitors (Turkey, Tunisia and Egypt), the Spanish resort markets have experienced robust recovery with record numbers in demand, supply and profitability. Consequently, during the last years these markets have turned out as one of the main drivers of tourism growth in the country and, for two consecutive years, have seen a concentration of the majority of hotel investment volume in Spain.

Due to qualitative improvements in hotel supply, as well as the opening of new hotels focused on the luxury segment, hotel rates have increased, driving hotel performance consolidation in a more competitive environment. However, the recovery of the Mediterranean competitor destinations and the decrease in UK demand (the main international feeder market) due to Brexit, in addition to the effects of climate change, might affect future demand levels.

Throughout this report we analyse the economic, tourism and hotel framework of each resort destination, using public information sources that include: Exceltur, the National Statistics Institute (INE), AENA (Spanish Airports and Air Navigation), Ministerio de Fomento de España, and Alimarket, as well as Christie & Co's sources.



Due to qualitative improvements in hotel supply, as well as the opening of new hotels focused on the luxury segment, hotel rates have increased, driving hotel performance consolidation in a more competitive environment



KEY OBSERVATIONS

DEMAND CONSOLIDATION

While international demand decreased mainly due to the recovery of Mediterranean competitor markets, the domestic segment consolidated, stabilising overall tourism demand

EXCELLENT AIR ACCESSIBILITY

There are 22 airports serving Spanish resort markets representing c. 73% of the total passenger volume in the country

REDUCTION OF SEASONALITY

Whilst resort markets are still seasonal, we note a decrease in the dependence on the high season

INCREASE OF THE FOUR AND FIVE-STAR CATEGORIES

Most of the hotel projects due to open in the coming years will be split between the four and five-star categories (98.4% of total room supply)

ADR AS THE MAIN PROFITABILITY DRIVER

During the last five years, RevPAR in resort destinations increased significantly, sustained by ADR

AIR ACCESSIBILITY

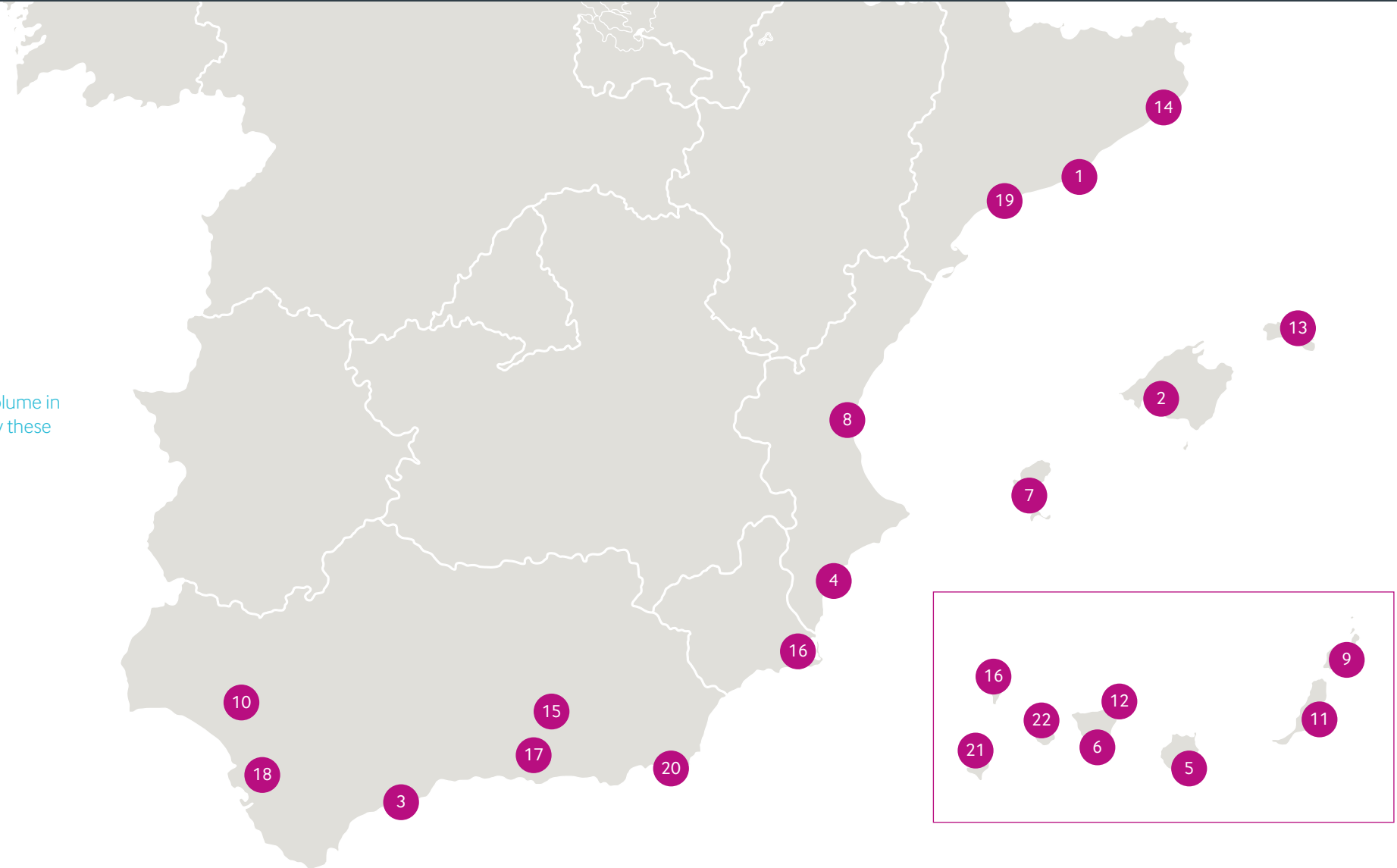
We count 22 airports in the influence area of the resort markets. These airports represented c. 73% of the total passenger volume in Spain, with Barcelona-El Prat (50.1m passengers), Palma de Mallorca (29.1m) and Malaga-Costa del Sol (18.9m) the main airports.

International passengers represented 72.3% of the total volume in 2018, with the UK (20.6%), Germany (13.3%) and Italy (5.3%) comprising the main nationalities. Most of the passengers arrived by means of low-cost airlines, and the most popular were identified as Ryanair (19.7% of the total volume of passengers in resort destinations), Vueling (17.8%) and Easyjet (7.0%).



c.73%

of the total passenger volume in Spain are represented by these 22 airports



MAP LABELS AND RESORT DESTINATION

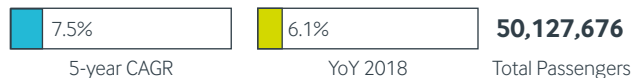
1. Barcelona-El Prat > **Costa de Barcelona and Costa Brava**
2. Palma de Mallorca > **Balearic Islands**
3. Costa del Sol > **Costa del Sol**
4. Alicante-Elche > **Costa Blanca**
5. Gran Canaria > **Canary Islands**
6. Tenerife Sur > **Canary Islands**

7. Ibiza > **Balearic Islands**
8. Valencia > **Costa de Valencia**
9. Lanzarote > **Canary Islands**
10. Sevilla > **Costa de la Luz-Huelva**
11. Fuerteventura > **Canary Islands**
12. Tenerife Norte > **Canary Islands**
13. Menorca > **Balearic Islands**
14. Girona > **Costa Brava**

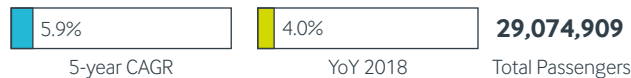
15. FGL Granada-Jaen > **Costa Tropical**
16. La Palma > **Canary Islands**
17. Murcia-San Javier > **Costa Calida**
18. Jerez de la Frontera > **Costa de la Luz-Cadiz**
19. Reus > **Costa Daurada**
20. Almeria > **Costa de Almeria**
21. El Hierro > **Canary Islands**
22. La Gomera > **Canary Islands**

5-year CAGR, YoY 2018 and total passenger

Barcelona-El Prat



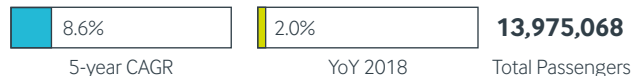
Palma de Mallorca



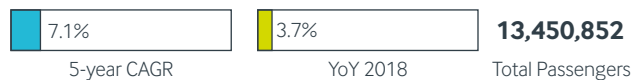
Malaga-Costa del Sol



Alicante-Elche



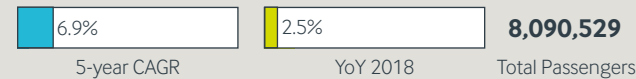
Gran Canaria



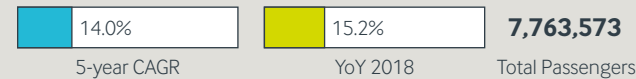
Tenerife Sur



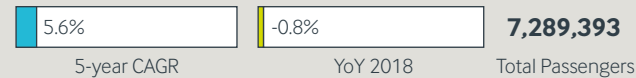
Ibiza



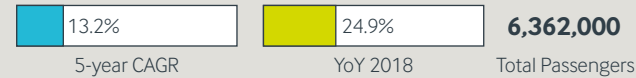
Valencia



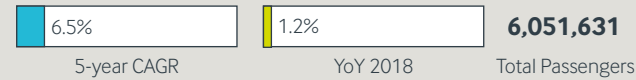
Lanzarote



Sevilla



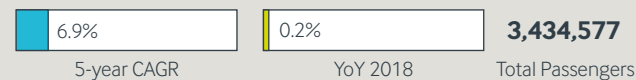
Fuerteventura



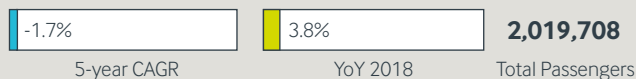
Tenerife Norte



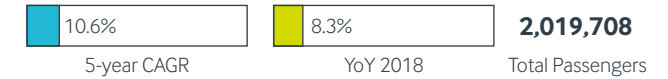
Menorca



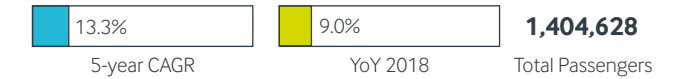
Girona



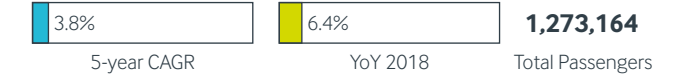
FGL Granada-Jaen



La Palma



Murcia-San Javier



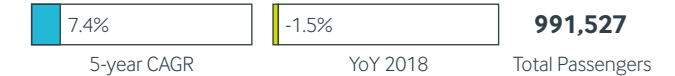
Jerez de la Frontera



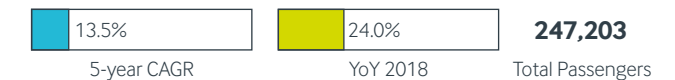
Reus



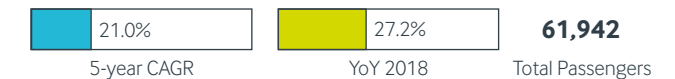
Almeria



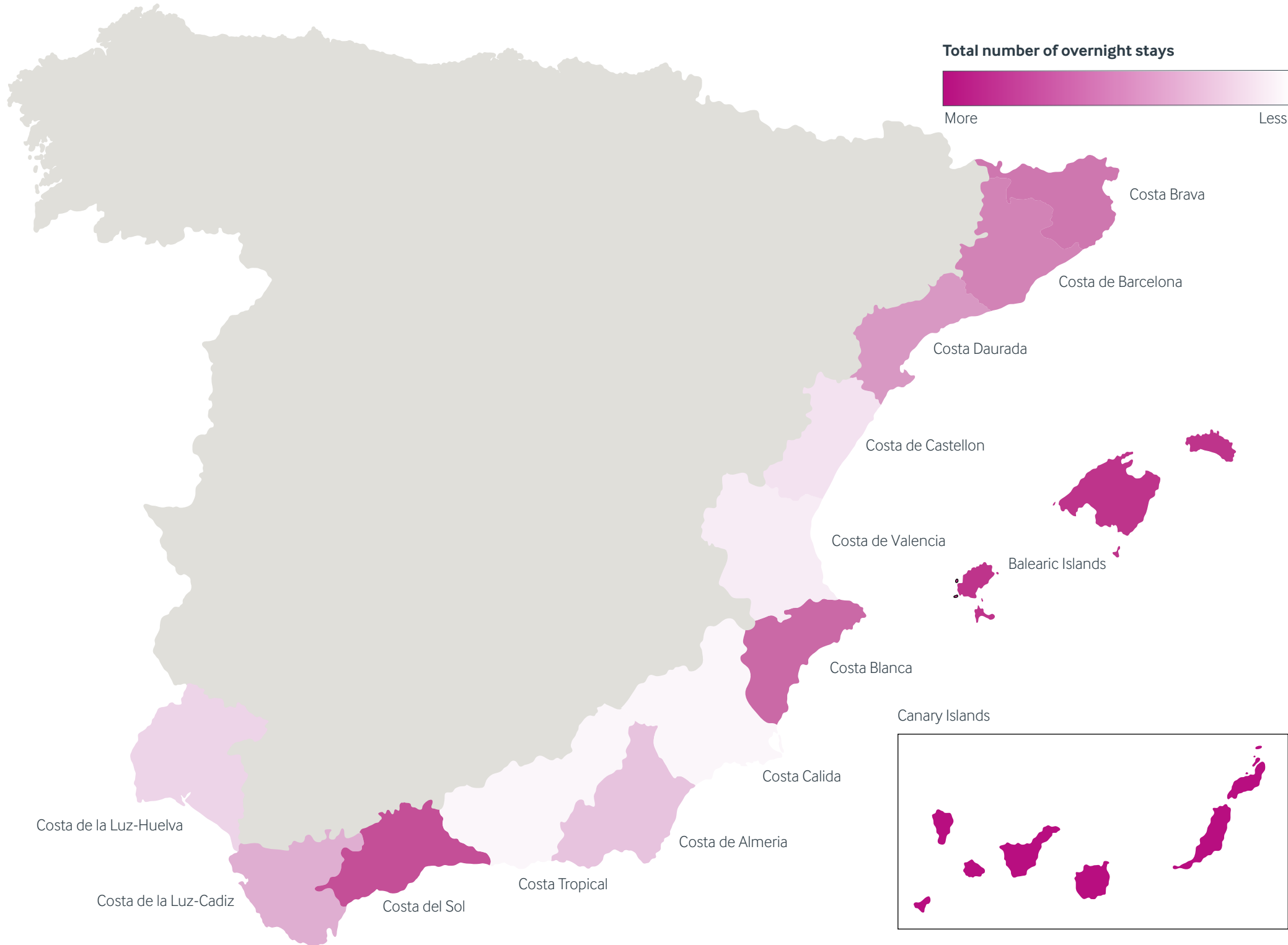
El Hierro



La Gomera



Total number of overnight stays



INTRODUCING THE RESORT HOTEL DESTINATIONS

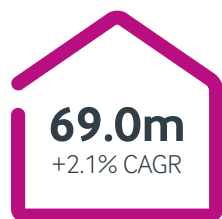
The main resort market in Spain is comprised of 14 sun and beach destinations, which registered a total of 220.6m overnight stays in 2018 (64.8% of the total volume in Spain).

After three consecutive years of demand growth (+4.4% CAGR 2014-2017) sustained by the overseas segment (+5.2% CAGR), we noted a stabilisation in the number of overnight stays in 2018. While poor weather conditions and the recovery of the Mediterranean competitor destinations mainly affected the international segment (-1.8%), the price surge of the hotel supply in the resort markets slowed domestic demand growth (+0.4%).

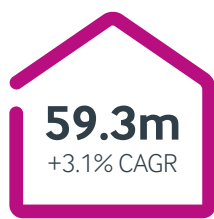
Accounting for 66.6% of the total overnights in 2018, Canary Islands, Balearic Islands and Costa del Sol placed as the top three resort markets in Spain. While the decrease of international demand had a major impact in Canary Islands (-2.8% in total demand), Balearic Islands and Costa del Sol registered similar demand trends to the previous year.

With 7.9% of the total demand, Costa Blanca was identified as the fourth most important resort destination, followed by Costa Brava and Costa Daurada. After three years of consecutive growth, while demand in Costa Brava remained stable in 2018, Costa de Barcelona and Costa Daurada registered a major decrease in overnights, by -4.5% and -5.1%, respectively.

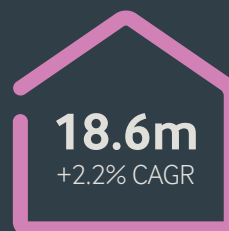
On the other hand, Costa de Valencia, Costa Calida and Costa Tropical were the resort markets with the smallest share of demand. Nevertheless, they registered the most notable growth in 2018, with increases ranging from +2.0% to +8.0%.



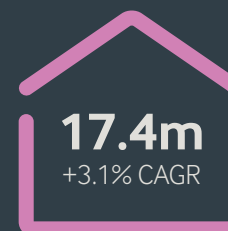
Canary Islands



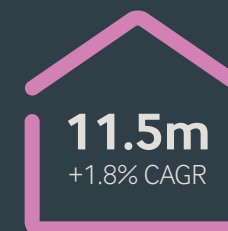
Balearic Islands



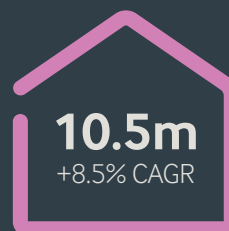
Costa del Sol



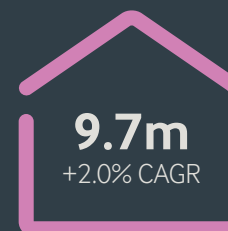
Costa Blanca



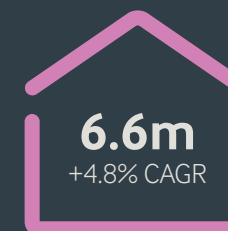
Costa Brava



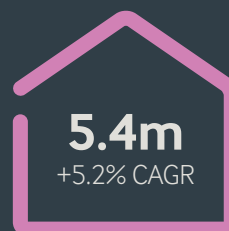
Costa de Barcelona



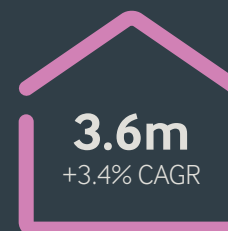
Costa Daurada



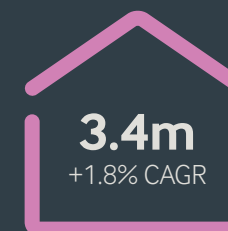
Costa de la Luz-Cadiz



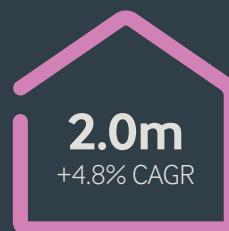
Costa de Almeria



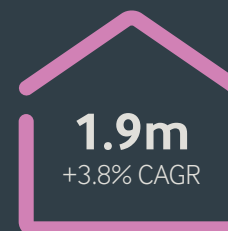
Costa de la Luz-Huelva



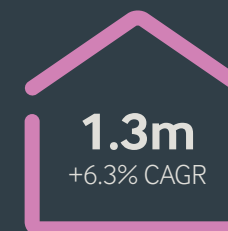
Costa de Castellon



Costa de Valencia



Costa Calida



Costa Tropical

WHO ARE THE FEEDER MARKETS?

Tourist demand in resort destinations was weighted towards the international segment, which represented 76.5% of the total overnight stays in 2018, with Balearic Islands and Canary Islands the destinations with the largest volume of overseas overnights (mainly from the UK and Germany).

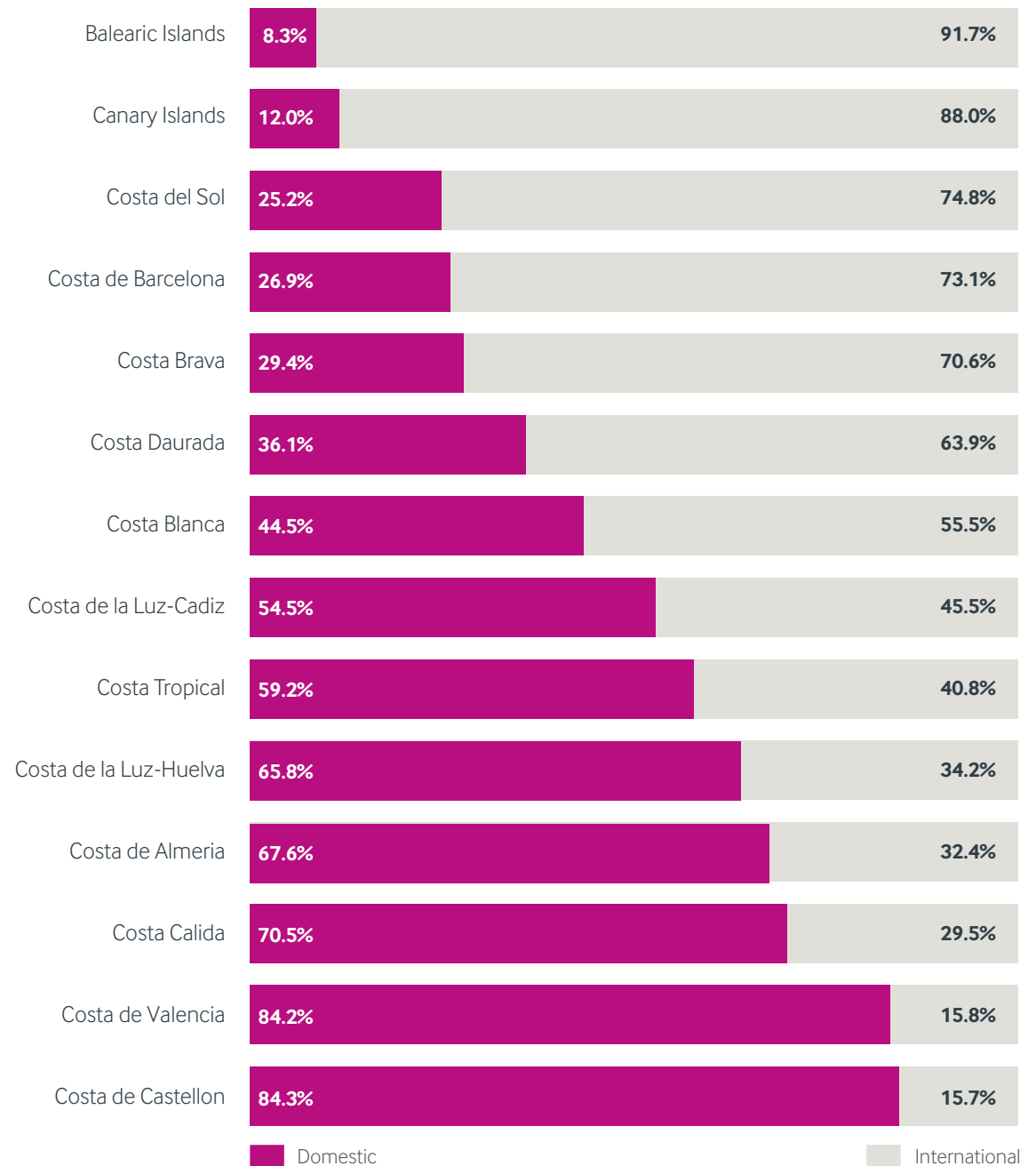
Costa del Sol was the mainland destination with the highest overseas demand (74.8%), followed by Costa de Barcelona (73.1%) and Costa Brava (70.6%), all led by tourism from the UK, Germany and France. On the other hand, Costa de Castellon placed as the most domestic-led market (84.3%), followed by Costa de Valencia (84.2%) and Costa Calida (70.5%).



74.8%

Costa del Sol was the mainland destination with the highest overseas demand

Hotel overnights between domestic and international (2018)



Source: INE

SEASONALITY

Resort markets experience strong seasonality, with the summer period between June and September the high season, which in 2018 represented 55.3% of the annual overnight stays. The school holiday periods, the weather conditions and the reduced number of flights, which determine the available hotel supply, and vice versa, make demand volumes more concentrated in certain annual periods.

While Costa Daurada and Balearic Islands are the most seasonal markets, with the high season accounting for c. 68% of total demand, Canary Islands is the only Spanish resort destination that does not experience seasonality, with moderate temperatures all year round.

In 2018, we noted an overall -3.2% reduction in seasonality when compared to 2014. Costa Brava, for instance, registered the most significant decrease in its dependence on the high season (-9.2%/2014) followed by Costa de la Luz-Cadiz (-7.6%) and Costa de Barcelona (-7.3%). Costa Tropical and Costa Calida also registered notable seasonality compression of -4.3% and -4.2%, respectively.

AVERAGE LENGTH OF STAY

Resort destinations registered an average length of stay of five days in 2018, above the national average of three days. During the last few years, the average length of stay has decreased consistently (-1.6% CAGR 2014-2018), driven by the -2.2% compression in international demand and -1.7% in domestic.

Canary Islands and Balearic Islands are the resort markets that registered the longest average length of stay in 2018, with seven and six days, respectively, followed by Costa de la Luz-Huelva (five days) and Costa Blanca (four days). On the other hand, Costa de Barcelona is the resort market that registered the shortest average length stay with three days.

	Seasonality	CAGR 5-Y Domestic	CAGR 5-Y International	CAGR 5-Y
Canary Islands	35.6%	-1.4%	-1.5%	-1.3%
Costa Blanca	43.9%	-2.3%	-1.5%	-1.5%
Costa del Sol	47.4%	-2.8%	-1.5%	-1.1%
Costa Calida	49.4%	-0.3%	-0.1%	-0.2%
Costa Tropical	52.4%	0.8%	-0.9%	1.4%
Costa de Valencia	54.5%	1.0%	2.0%	1.0%
Costa Brava	55.7%	-0.8%	-8.0%	-5.2%
Costa de Barcelona	56.2%	0.2%	1.7%	0.4%
Costa de la Luz-Cadiz	58.1%	0.1%	0.6%	-0.5%
Costa de Castellon	60.1%	-1.6%	-1.2%	-1.5%
Costa de Almeria	62.2%	-2.0%	-2.0%	-1.4%
Costa de la Luz-Huelva	62.6%	2.4%	-1.4%	2.9%
Balearic Islands	67.7%	-2.1%	-1.6%	-1.7%
Costa Daurada	68.6%	-2.2%	-1.9%	-2.0%

Seasonality Ranking 2019 0% - 100%

EXISTING SUPPLY

Hotel supply in resort destinations is composed of 2,857 hotels and 407,147 rooms, representing 61.0% of the total room supply in Spain. The four-star category accounts for the largest proportion of the room stock (57.0%), followed by the three-star (27.8%) and the five-star (8.4%).

Branded hotels represent 73.2% of the total room supply, with Meliá Hotels International (4.7% of the total room supply), Barceló Hotel Group (2.5%) and Riu Hotels & Resorts (2.3%) the main hotel groups.

Balearic Islands and Canary Islands are the regions that account for the largest volume of room supply and together represent 51.1% of the total rooms. Costa del Sol, Costa Blanca and Costa Brava are the mainland markets with the largest volume of room supply (23.5%), while Costa Tropical registers the smallest hotel supply (0.6%).

FUTURE SUPPLY

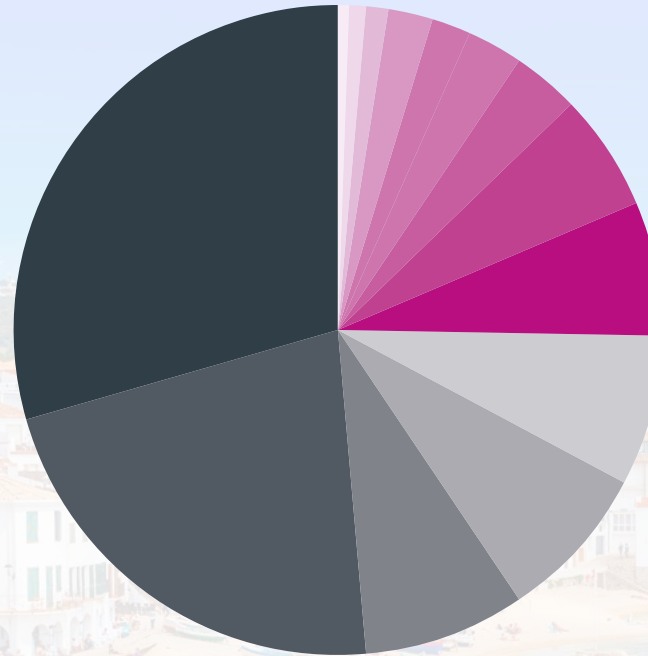
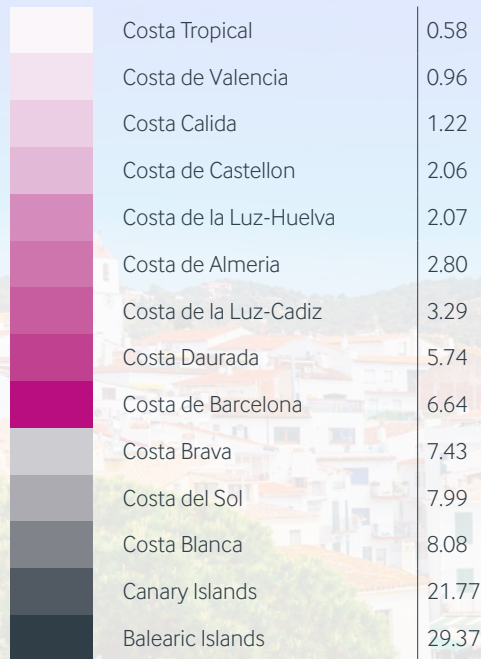
We have identified 96 hotel projects (17,225 rooms) to be introduced into the resort markets, which represents a +4.2% increase on the existing supply, mainly operated by hotel groups (64.7% of the total hotel pipeline).

Costa del Sol is the region which will see the highest supply increase (+11.7%), followed by Costa de la Luz-Cadiz (+9.8%) and Costa Daurada (+6.7%).

It is noted that Balearic Islands, Canary Islands and Costa del Sol hold 17.2% of the future luxury hotel supply in Spain, reinforcing their positioning as the key luxury resort destinations in the country.



Existing supply: % of hotel rooms per destination



Top 3 brands for the current supply

	Top Brand 1		Top Brand 2		Top Brand 3	
	Brand	Market Share	Brand	Market Share	Brand	Market Share
Costa Tropical	Playa Hoteles	26.7%	Helios Hotels	9.9%	Hoteles Elba	3.9%
Costa de Valencia	Hoteles RH	13.1%	Exe Hotels	2.5%	Sensity Hotels	2.2%
Costa Calida	Roc Hotels	10.2%	Izán Hoteles	8.1%	Monarque Hoteles	4.0%
Costa de Castellon	Hoteles Servigroup	8.6%	Hoteles Intur	8.4%	Marina D'Or	7.4%
Costa de la Luz- Huelva	Barceló Hotels & Resorts	21.9%	Playa Hoteles	8.7%	Oh!Tels	7.6%
Costa de Almeria	Best Hotels	13.8%	Playa Hoteles	13.5%	Alegría Hoteles	7.4%
Costa de la Luz-Cadiz	Grupo Hipotels	14.1%	Club Aldiana	5.4%	Best Hotels	5.3%
Costa Daurada	Best Hotels	13.8%	H10 Hotels	6.4%	4R Hotels	6.3%
Costa de Barcelona	H·Top Hotels	7.7%	Aqua Hotel	5.8%	Alegría Hoteles	2.3%
Costa Brava	H·Top Hotels	5.5%	GHT Hotels	4.7%	Don Juan Hotels	4.6%
Costa del Sol	Sol by Meliá	8.4%	Hoteles Globales	4.5%	Best Hotels	3.3%
Costa Blanca	Hoteles Servigroup	8.3%	Meliá Hotels & Resorts	4.6%	Magic Costa Blanca	2.7%
Canary Islands	H10 Hotels	5.7%	Princess Hotels & Resorts	4.5%	Riu Hotels & Resorts	3.6%
Balearic Islands	Sol by Meliá	3.9%	Hoteles Globales	3.5%	Allsun Hotels	2.5%

KPIs 2018

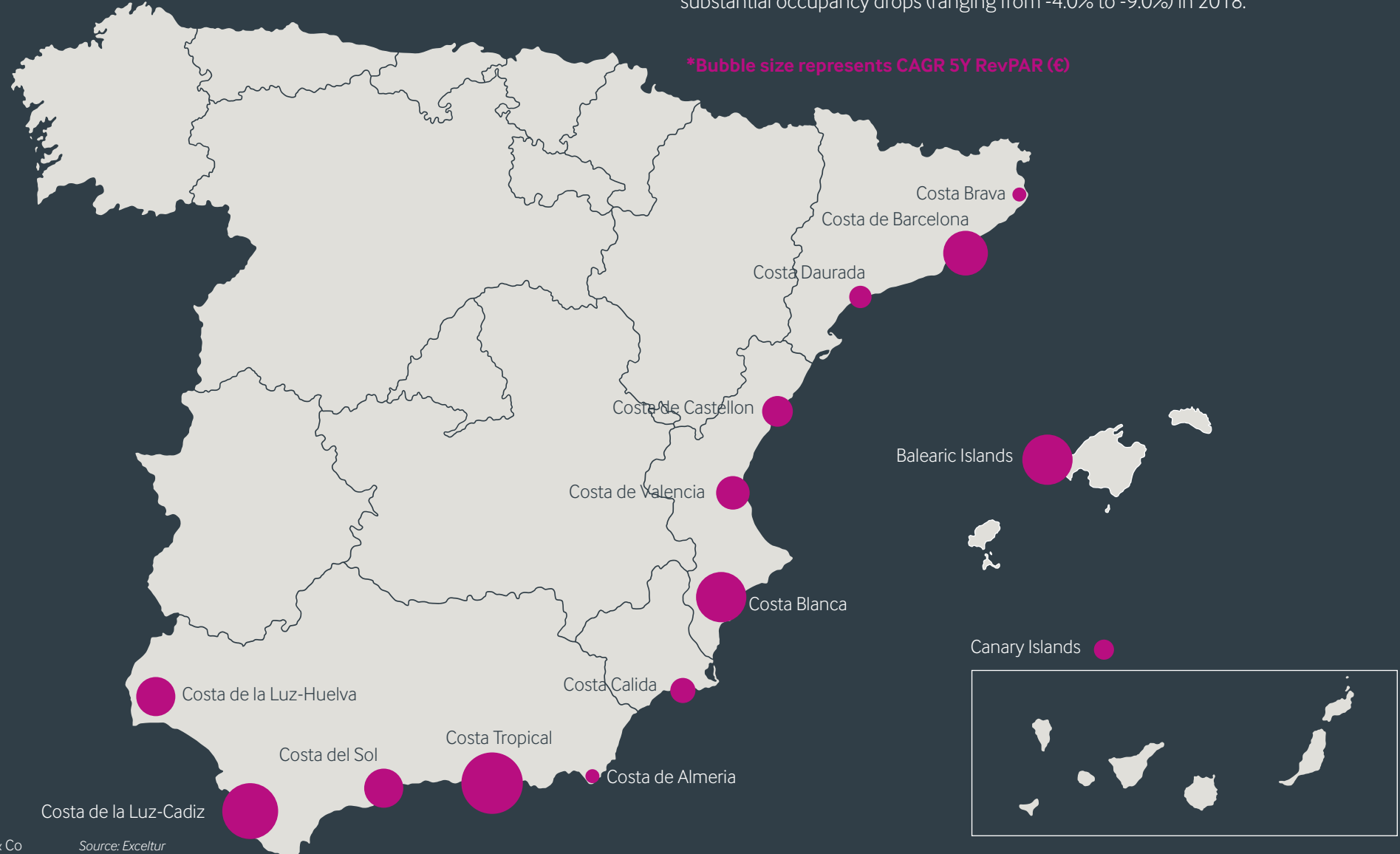
Hotel performance (RevPAR) in the resort markets maintained steady growth during the 2014-2018 period (+6.9% CAGR). After robust growth of +7.2% in 2017, hotel performance stabilised in 2018 (+0.1%), affected by -2.7% occupancy drop.

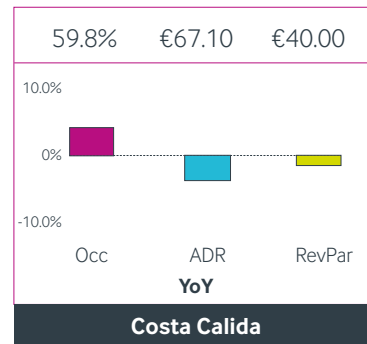
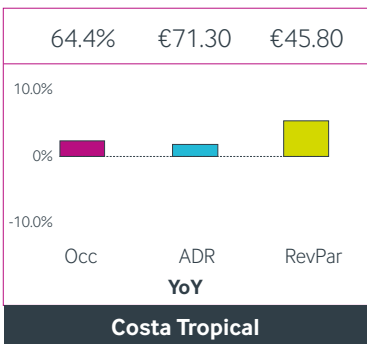
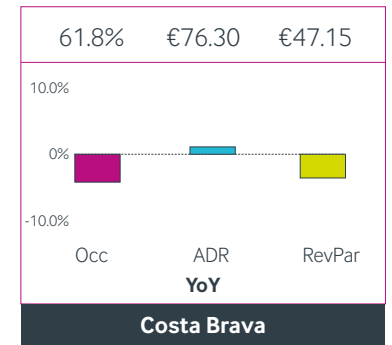
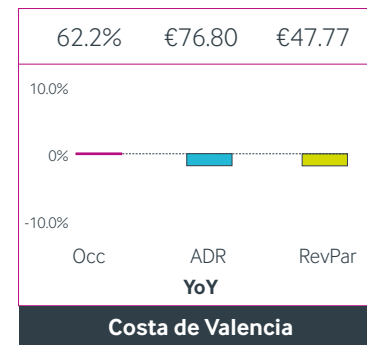
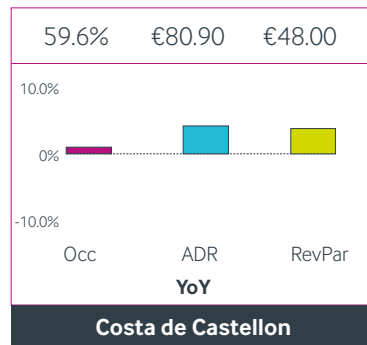
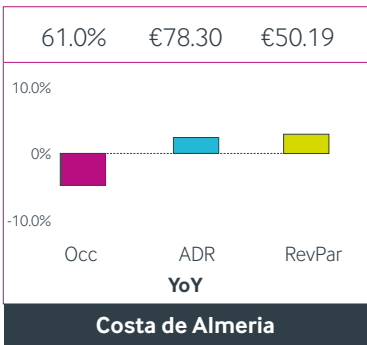
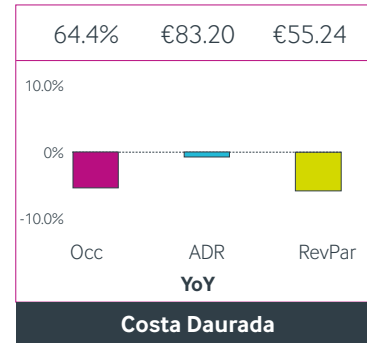
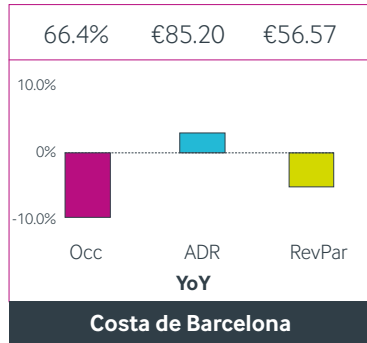
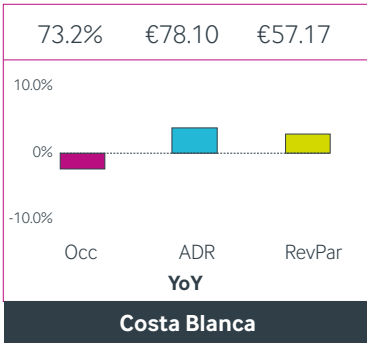
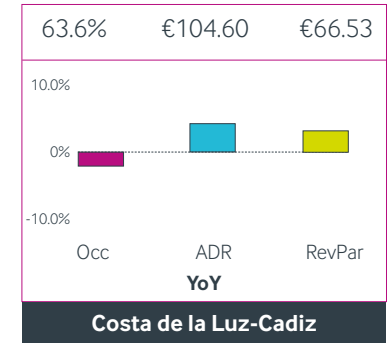
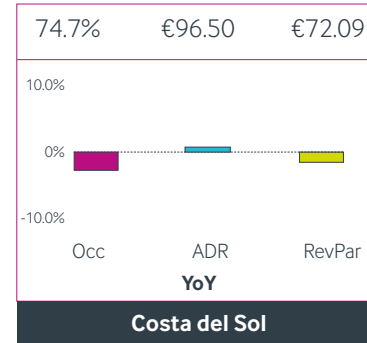
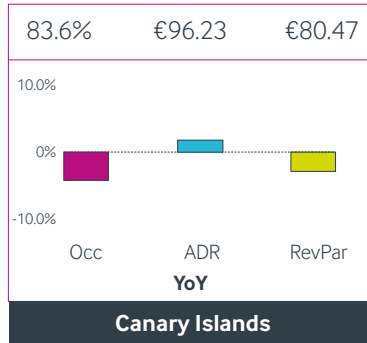
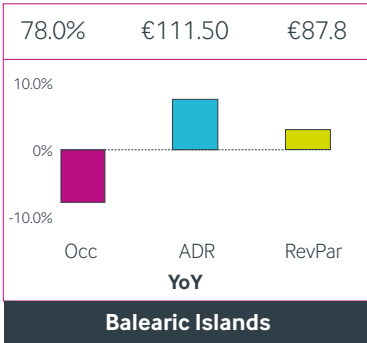
Balearic Islands registered the highest RevPAR levels in 2018 (€87.8), followed by Canary Islands (€80.5) and Costa del Sol (€72.1). In line with the positioning towards the luxury segment, Balearic Islands registered the most notable uplift in rates (+8.2%), impacting occupancy levels (-3.4%). Canary Islands and Costa del Sol also registered

occupancy drops, combined with a stabilisation of ADR, which affected overall RevPAR performance (-2.7% and -1.6%, respectively).

Costa Calida and Costa Tropical were the resort destinations with the lowest RevPAR, ranging from €40.0 to €46.0. However, Costa Tropical was the second region with the most significant RevPAR increase (+5.5%), after Costa de la Luz-Huelva (+5.8%).

Costa de Barcelona, Costa Daurada and Costa Brava were the regions with the most substantial occupancy drops (ranging from -4.0% to -9.0%) in 2018.





83.6%

Canary Islands registered the highest Occupancy levels in 2018

€87.8

Balearic Islands registered the highest RevPAR levels in 2018

OUTLOOK: CHANGE OF TOURISM MODEL

1. Recovery of the Mediterranean competitor destinations

In 2018, the geopolitical stabilisation of the competitive countries in the Mediterranean was reflected in a significant deceleration of international tourism growth in Spain. In 2017, the country registered an increase of over 6.7m tourists (+8.7%) versus 2016, compared to an increase of only 903k tourists (+1.1%) in 2018. Meanwhile, Turkey, Egypt and Tunisia welcomed an increase of 12.5m tourists in 2018 compared to the previous year.

The slowdown of the international demand growth may continue in the future. As noted in Exceltur's "Tourism Perspectives 2019" report, competing countries still have a significant margin of recovery, registering demand levels -20.5% lower in 2018 than in 2016.

2. Stabilisation of the domestic demand

Following the stabilisation of the domestic demand in 2018, the ECB expects inflation to reach 1.5% in 2019. Meanwhile, the forecast for salaries rise is up to 2.3%, increasing savings rates of the families, which will subsequently allow Spanish citizens to travel more. Likewise, the robust growth of the tourist apartments and residences, registering +8.8% more overnight stays in 2018 according to Exceltur, may benefit from this situation due to the high price sensitivity of the domestic demand.

3. Route to quality tourism

Qualitative improvements in hotel supply have allowed resort destinations to increase their prices, despite registering a drop in occupancy levels. This trend towards a decrease in the number of tourists, but with a higher purchasing power, may continue in the future. Consequently, the saturation of the demand in certain destinations will be reduced, driving the sustainability of the hotel sector.

4. Tour-operation decrease

Main tour operators registered lower results in 2018, due to the seasonality of their product and offering, increase in hotel rates and robust growth of the OTAs. Future strategies carried out by these companies, as well as the reconversion of their core business, will impact the direction of the traditional tourism model of Spanish resort destinations.

5. The Future of Imserso

The viability of Imserso trips remains in question, with the decrease in the price of some packages (c. -12%) and remuneration below the market price identified as the main factors that can prevent a minimum quality of service. Moreover, current senior tourism does not require extensive organisation and hotel supply provides products that are more adjusted to their needs. All of this, in addition to the higher purchasing power of this segment, makes subsidies and low prices less needed, threatening the future of the trips organised by Imserso.

6. Tourist Promotion

The provision of more resources to Turespaña would allow for the creation of a homogeneous promotion campaign for the resort segment, which would attract higher quality tourism and reflect the qualitative improvements of hotel supply carried out over recent years. On the other hand, the development of tourism products complementary to the traditional "sun and beach" offer could help reduce the saturation and seasonality of the more mature resort destinations.

7. Excellent Accessibility

Spain benefits from a wide system of transportation, which provides excellent accessibility. Subsequently, it offers the opportunity to increase the number of travellers coming from long-distance feeder markets, which tend to have higher purchasing power. Additionally, the future completion of the Mediterranean Corridor will have a positive effect on the number of travellers coming from Europe.

8. Future of hotel investment in the resort destinations

The resort sector starts the end of an exceptional cycle, which shows the evident recovery of other Mediterranean resort destinations, whose performance indicators have been improving over the last two years. These countries are also attracting the interest of investors who are closing operations in countries such as Greece and Turkey. Nevertheless, the strength of the tourism sector in Spain will continue to attract hotel investment. Investors will focus their efforts on opportunities located in prime areas, with assets of a certain size, capable of undertaking renovations to reposition the assets and affiliated with new national and international brands.

Sources: INE, ECB, Exceltur



Spain benefits from a wide system of transportation, which provides excellent accessibility

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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
b	Billion
CAGR	Compound Annual Growth Rate
C&Co	Christie & Co
INE	Instituto Nacional de Estadística
k	Thousand
KPI	Key Performance Indicator
m	Million
Occ	Occupancy. Proportion of occupied rooms over the total number of rooms available in a given period
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
GDP	Gross Domestic Product
var	Variation
YoY	Year-on-year
vs.	Versus





Appendix



CANARY ISLANDS

With 24.8m overnight stays in 2018, Tenerife was the top destination in terms of demand volume across Canary Islands, accounting for 36.7% of the total overnights and 39.3% of the total room supply in the archipelago.

Moreover, hotels on the island reached the highest ADR (€103.2) in 2018, with a +1.6% increase on 2017.

Gran Canaria was the island with the highest RevPAR levels and second highest overnight stays registered in 2018. While Gran Canaria registered the largest ADR increase (+2.8%), its occupancy drop of -4.1% affected overall hotel performance (-1.4%) in 2018.

With slower tourism development, Lanzarote and Fuerteventura registered the most significant RevPAR drops in 2018 due to decreases in occupancy levels of -3.3% and -2.4%.

Destination	2018			YoY			CAGR		
	Occ (%)	ADR (€)	RevPAR (€)	Occ (%)	ADR (%)	RevPAR (%)	Occ (%)	ADR (%)	RevPAR (%)
Gran Canaria	84.3	101.80	85.82	-4.1	2.8	-1.4	1.4	3.5	5.0
Tenerife	82.0	103.20	85.04	-2.5	1.6	-0.9	0.3	5.0	5.4
Lanzarote	86.0	87.60	75.60	-3.3	0.2	-3.0	0.0	4.9	4.9
Fuerteventura	82.0	92.30	75.22	-2.4	-0.8	-3.1	0.5	5.6	6.2

CANARY ISLANDS





BALEARIC ISLANDS

Mallorca is the main tourist destination in Balearic Islands, representing 76.9% of the total overnight stays and 74.3% of the room supply in the archipelago.

In 2018, hotels in Mallorca maintained a steady increase in RevPAR (+2.8%), sustained by a healthy ADR increase of +4.6%.

Ibiza and Formentera placed as the second largest destination in terms of volume demand and supply. During the last few years, the islands have been positioned as a luxury-oriented destination, in 2018 registering the highest ADR of Balearic Islands at €132.8. Following this trend, six luxury hotels are due to open in the following years.

With a larger market share of domestic demand than the other islands, Menorca represented 7.2% of the total overnight stays in Balearic Islands. The qualitative improvements in the hotel supply drove an ADR increase of +16.4% in 2018 (the most significant growth in the region) driving overall RevPAR uplift by +8.3%.

Destination	2018			YoY			CAGR		
	Occ (%)	ADR (€)	RevPAR (€)	Occ (%)	ADR (%)	RevPAR (%)	Occ (%)	ADR (%)	RevPAR (%)
Ibiza and Formentera	79.2	132.80	105.18	-1.5	4.9	3.3	1.3	10.2	11.6
Mallorca	81.0	96.20	77.73	-1.7	4.6	2.8	1.2	6.9	8.1
Menorca	76.0	105.50	80.29	-7.0	16.4	8.3	1.1	4.0	5.2





COSTA DEL SOL

Marbella is the most renowned luxury destination in Costa del Sol, accounting for 53.0% of the total luxury room supply in the area, with the highest rates (€149.7).

Nevertheless, in 2018 its occupancy drop (-3.4%) impacted ADR levels, causing an -11.5% decrease and driving an overall RevPAR diminution of -14.4%.

On the other hand, Estepona is the destination that grew the most in terms of numbers of overnights (+8.0% CAGR 2014-2018), boosting hotel performance with an increase of +13.0% (CAGR), which reached a RevPAR of €87.2.

Torremolinos was the destination that accounted for the largest proportion of demand (25.9%) and hotel supply (24.3%) of Costa del Sol. While Torremolinos and Fuengirola registered a decrease in RevPAR levels by -2.8% and -3.8% in 2018 versus 2017, Benalmadena was the only resort destination analysed in the area that improved its hotel performance, sustained by a healthy +8.2% increase on ADR.

Destination	2018			YoY			CAGR		
	Occ (%)	ADR (€)	RevPAR (€)	Occ (%)	ADR (%)	RevPAR (%)	Occ (%)	ADR (%)	RevPAR (%)
Benalmadena	83.9	82.00	68.60	-2.8	8.2	5.1	2.5	6.0	8.6
Estepona	76.0	115.00	87.20	-3.4	2.4	-1.1	4.9	4.3	13.0
Fuengirola	73.0	69.50	50.40	-7.2	3.6	-3.8	4.5	2.5	6.3
Marbella	66.0	149.70	98.30	-3.4	-11.5	-14.4	-3.9	4.4	6.5
Torremolinos	79.0	86.70	68.50	-3.4	0.5	-2.8	10.9	4.3	5.0



53.0%

of the total supply in the area is located in Marbella

