SPANISH URBAN DESTINATIONS 2019

CHRISTIE & CO

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)

c – circa

CAGR – Compound Annual Growth Rate

CEHAT – Confederación Española de Hoteles y Alojamientos Turísticos

C&Co – Christie & Co

ECB – European Central Bank

GDP – Gross Domestic Product

INE – Instituto Nacional de Estadística (National Statistics Institute)

KPI's –Key Performance Indicators

m – Million

MICE – Meetings, incentives, conferencing, exhibitions

Occ – Occupancy. Proportion of occupied rooms over the total number of rooms available in a given period

O2B –Overnight To Bed Ratio

PEUAT – Plan Especial Urbanístico de Alojamientos Turístico. Urban plan applicable for the city of Barcelona.

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

var – Variation

vs – Versus

Y – Year

YoY – Year-on-year

YTD –Year-to-date

This report analyses 15 Spanish cities (Barcelona, San Sebastian, Palma, Madrid, Malaga, Cadiz, Seville, Bilbao, Valencia, Alicante, Santander, Granada, Cordoba, Toledo and Santiago de Compostela), highlighting the evolution of its main indicators in 2019 as well as their future evolution. We have selected these cities according to their volume of demand and supply as well as their levels of RevPAR.

Despite the fall out from the health crisis of COVID-19 and the uncertainty that this entails for the tourism sector, we have published the update of our report on urban destinations in Spain to offer a positive vision to the industry, highlighting the strengths and the situation in which the Spanish hotel sector found itself in 2019. In addition, exceptionally, we published an annex that analyses the evolution of these urban destinations over the past 20 years, highlighting their resilience in adverse situations, as well as a forecast of the recovery in demand for the years 2020 and 2021 and the challenges that the sector will face from now on.

In 2019, urban destinations achieved record results thanks to: their excellent connectivity, improvements in hotel supply and increased demand, driven by both the growth of the international segment and the recovery of business tourism. Furthermore, due to the economic recovery in Spain in recent years, the urban hotel market has established itself as the main growth driver in the tourism sector in the country.

Throughout this report we analyse the tourism and hotel framework of each city, using public information sources that include: EXCELTUR, National Statistics Institute (INE), Spanish Airports and Air Navigation (AENA), Ministry of Development of Spain, Alimarket and Christie & Co.'s own internal sources.

KEY OBSERVATIONS 2019

Demand growth: the overnight stays volume in the selected cities increased by +4% in 2019, slightly higher than the overall country average (including resort destinations), which stabilized at +1%.

Excellent connectivity: flight connectivity continued growing in 2019, increasing by +6% in number of passengers and becoming key for urban destinations with a higher proportion of international demand. 8 out of the 15 analysed cities have high-speed railway connectivity, which also increased in passengers volume in 2019.

More international travellers and less seasonality: Spanish destinations have consolidated among international markets, which in 2019 represented 71% of total overnights. Additionally, even though urban destinations experience light seasonality, we note that in 2019 most cities are less dependant on the high season.

Hotel chains: hotel supply in the selected urban markets represents 23% of the total room stock in Spain and counts with a large representation of hotel chains with c. 80% of the total number of rooms. Hotel pipeline is mainly concentrated in Madrid (1,995 rooms) and Malaga (1,564 rooms).

Hotel performance reaching historic levels: all cities, except Cordoba, registered RevPAR growth in 2019 (average of +8%) and reached higher RevPAR levels than in 2014 with a +6% CAGR, driven by a +4% CAGR ADR increase.

Urban markets as main investment target in 2019: representing 56% of total investment volume, hotel investment in urban markets outbalanced investment volume in resort markets. Additionally, 90% of the urban hotel investment was concentrated in the 15 analysed cities (vs. 70% in 2018).

The next graph presents the relation between the hotel demand (number of overnight stays), hotel supply (number of rooms) and RevPAR levels for the 15 analysed destinations for 2019:
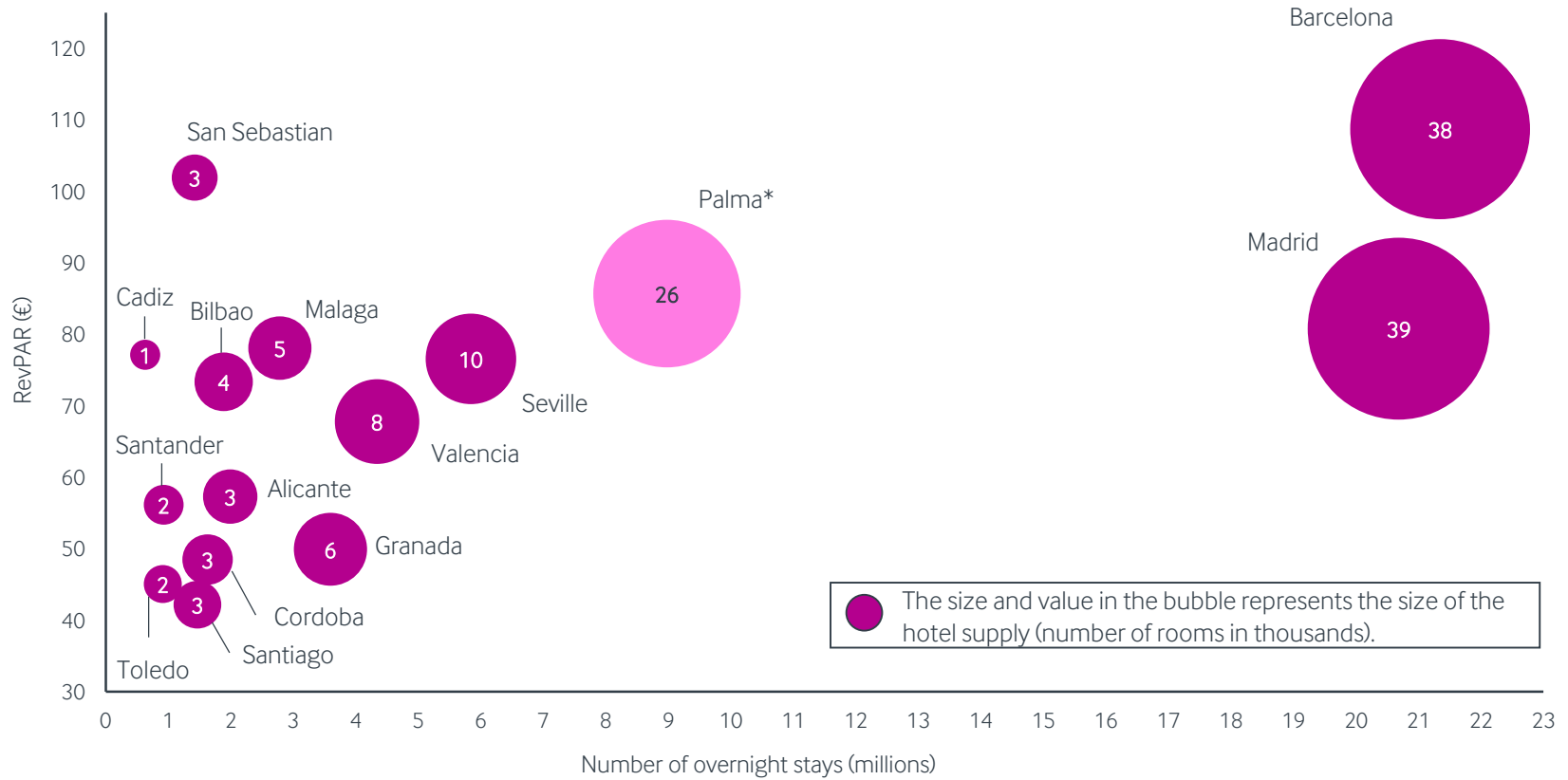
Note*: Palma is considered as a mix destination with both "urban" and "resorts" overnight stays

DEMAND
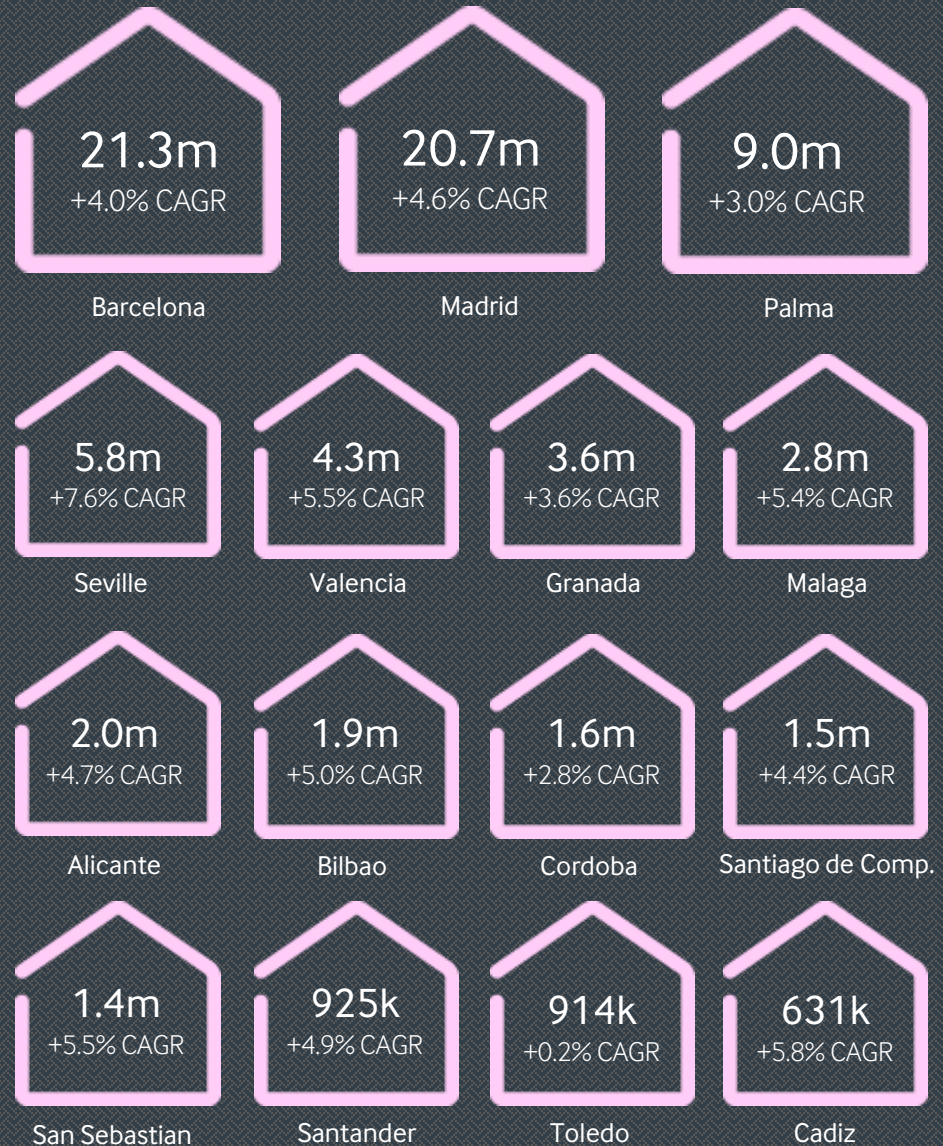
15 MAIN URBAN DESTINATIONS

The analysed destinations had a positive performance, not only in 2019 (with positive trends in most destinations) but also in the last 5 years, registering annual accumulated growth during the 2014-2019 period above +4% in both number of arrivals and overnight stays, slightly above the average of Spain (+3%).

In 2019, the 15 cities registered a total of 34m arrivals and 78m overnight stays, representing 32% of total arrivals to Spain and 23% of total overnights.
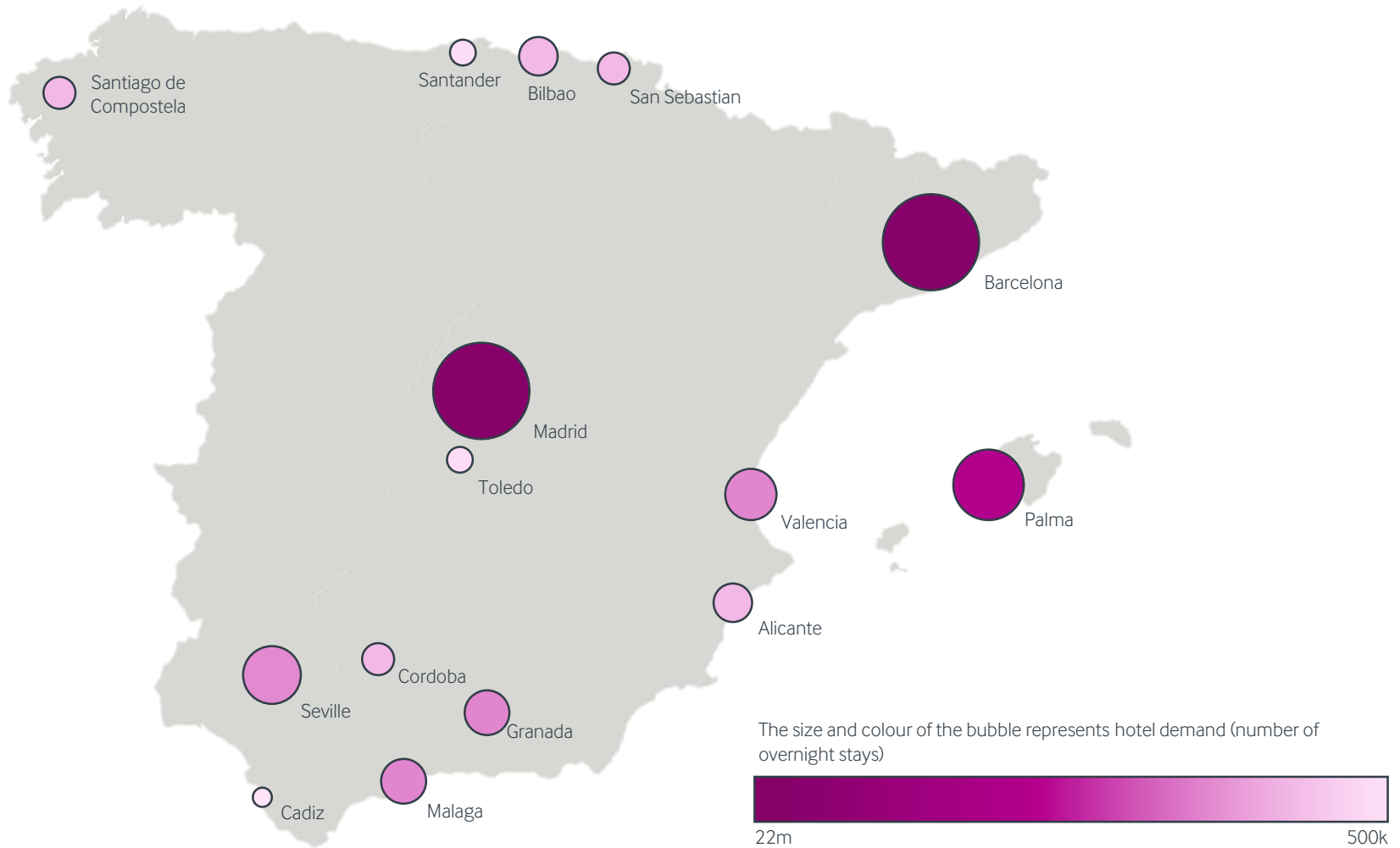
Following the same line than previous years, urban destinations have benefited from an excellent accessibility, a quality improvement of the hotel supply and the increase of the MICE and business segments. The increase of the great international events boosted international demand (+6% in 2019), which represented 71% of total overnight stays in the selected urban destinations.

Conversely, the domestic segment stabilized as a result of the increase in the hotel rates, which led to decreases in the number of domestic overnight stays in Palma (-14%), Barcelona (-6%), Toledo (-4%), Valencia (-1%) and Madrid (-1%).

2019 NUMBER OF OVERNIGHT STAYS AND 5Y CAGR

21.3m +4.0% CAGR Barcelona	**20.7m** +4.6% CAGR Madrid	**9.0m** +3.0% CAGR Palma

5.8m +7.6% CAGR Seville	**4.3m** +5.5% CAGR Valencia	**3.6m** +3.6% CAGR Granada	**2.8m** +5.4% CAGR Malaga
2.0m +4.7% CAGR Alicante	**1.9m** +5.0% CAGR Bilbao	**1.6m** +2.8% CAGR Cordoba	**1.5m** +4.4% CAGR Santiago de Comp.
1.4m +5.5% CAGR San Sebastian	**925k** +4.9% CAGR Santander	**914k** +0.2% CAGR Toledo	**631k** +5.8% CAGR Cadiz

The size and colour of the bubble represents hotel demand (number of overnight stays)

22m   500k

DEMAND

In terms of hotel demand, Barcelona and Madrid were the most important cities in 2019, representing 54% of the total overnights in urban destinations and 12% of total overnights in Spain.

In 2019 both cities registered increases above +5% in the overnight stays volume, driven by the international demand growth, consolidating this trend for the fifth consecutive year.

	Domestic		International	
	YoY 2019	CAGR 5Y	YoY 2019	CAGR 5Y
Cadiz	4.8%	0.6%	14.5%	15.5%
Cordoba	-0.5%	2.8%	9.3%	2.9%
Madrid	-1.1%	0.3%	9.0%	7.7%
Bilbao	1.1%	1.5%	9.0%	9.3%
San Sebastian	0.1%	1.8%	8.7%	8.6%
Granada	4.3%	0.0%	8.4%	6.1%
Seville	2.2%	3.8%	7.7%	10.2%
Barcelona	-6.0%	-1.3%	7.5%	4.9%
Santiago de Compostela	9.9%	3.9%	5.5%	5.2%
Toledo	-4.4%	-2.0%	5.5%	5.2%
Malaga	3.8%	1.6%	5.4%	7.8%
Valencia	-1.3%	1.5%	4.9%	8.0%
Alicante	9.4%	3.5%	2.6%	5.5%
Palma	-13.7%	-1.0%	-1.1%	3.5%
Santander	5.5%	4.4%	-1.1%	6.5%

The city of Palma was positioned as the third destination with the largest overnights volume, however, we note that Palma is a mixed destination with both 'urban' and 'resort' overnights (with 77% of the hotel supply located in Playa de Palma district). In 2019, Palma registered a -3% demand decrease, due to the recovery of competing resort destinations in the Mediterranean, as well as a result of the strategy adopted by the Balearic Islands to position the archipelago in price and avoid massifications.

Seville was the fourth urban destination in terms of overnight stays volume, which increased by +6% in 2019, becoming the city that registered a largest increase for the last five years (CAGR +8%).

In the fifth position, Valencia increased its number of overnight stays by +3%. Additionally, Granada experienced a significant demand growth (+7%), driven by the arrival of the high-speed railway (AVE) to the city.

Distribution of overnight stays by destination, 2019

Legend:
- Barcelona
- Madrid
- Palma
- Sevilla
- Valencia
- Granada
- Málaga
- Alicante
- Bilbao
- Córdoba
- Santiago de Compostela
- San Sebastián
- Santander
- Toledo
- Cádiz

Pie chart values: 27%, 26%, 11%, 7%, 6%, 5%, 4%
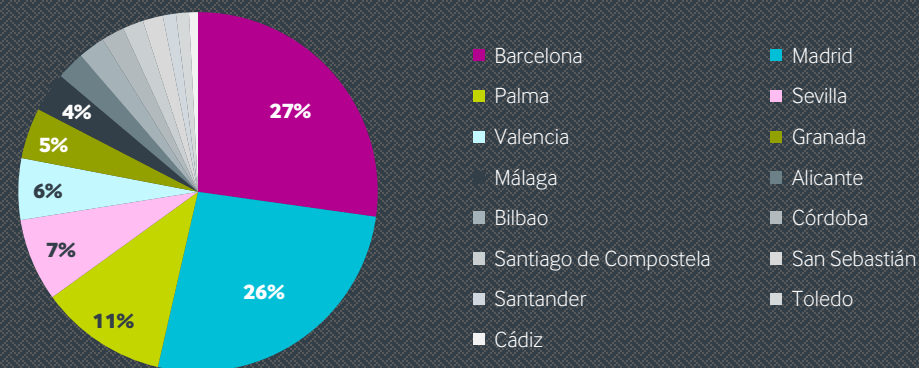
On the other hand, Malaga, Alicante and Bilbao had a positive trend for the last few years reaching increases of c. +5% vs 2018. We note that Alicante registered a +5% growth in overnights, recovering from a -1% drop in 2018. Following the same line, Cordoba, Santiago de Compostela and Santander, not only recovered from the decreases registered in 2018, but also exceeded the 2017 figures, reaching record levels.

After five years of continued increases, San Sebastian positioned itself as one of the most consolidated and stable markets of the country. On the contrary, Toledo registered a slight decrease in overnight stays (-1%), sustaining a constant evolution since 2014. Finally, and even being the studied destination with lower volume on overnight stays, Cadiz was the city that registered the highest increase in 2019 (+9% vs 2018).

DEMAND

FEEDER MARKETS

Tourism demand in the selected urban destinations was balanced towards the international segment, which represented 71% of the total overnight stays in 2019, slightly higher than the percentage of international demand in the overall country (including both urban and resort destinations), which was 65% in 2019.

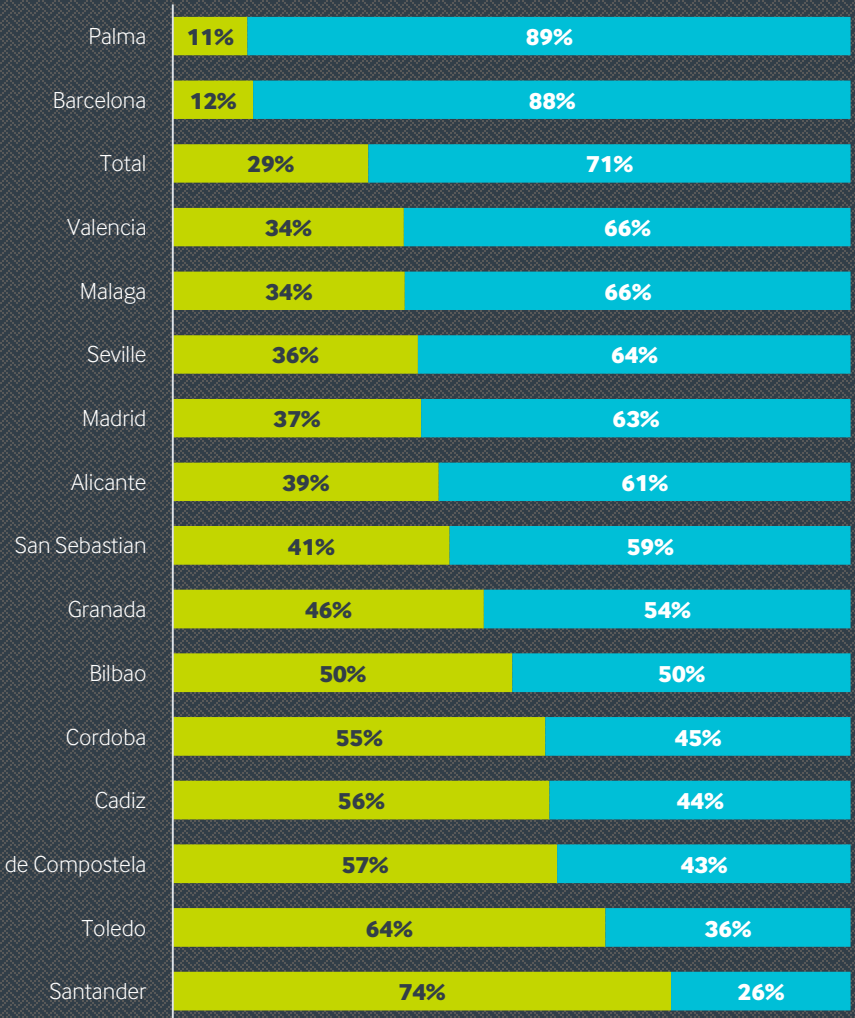Additionally, we note that, following the same line since 2014, international demand grew by +6% in 2019 and domestic demand stagnated (-0.3%).

89% — **Palma was the most international-led market**

74% — **Santander was the most domestic-led market**

Palma and Barcelona are the cities that count with the largest presence of overseas demand (with c. 90% of international overnights).

While Valencia, Malaga, Seville, Madrid and Alicante registered c. 65% of international demand, Granada and Bilbao presented a balanced demand mix. Santander was the market with the largest domestic presence, which represented 74% of the total overnight stays.

Since 2014, the cities that increased their international demand the most are: Cadiz (international overnight volume going from 29% to 44% in 2019), Bilbao (from 41% to 50%) and Madrid (from 55% to 63%).

Domestic and international overnight stays, 2019

City	Domestic	International
Palma	11%	89%
Barcelona	12%	88%
Total	29%	71%
Valencia	34%	66%
Malaga	34%	66%
Seville	36%	64%
Madrid	37%	63%
Alicante	39%	61%
San Sebastian	41%	59%
Granada	46%	54%
Bilbao	50%	50%
Cordoba	55%	45%
Cadiz	56%	44%
Santiago de Compostela	57%	43%
Toledo	64%	36%
Santander	74%	26%

■ Domestic ■ International

DEMAND

SEASONALITY

When analysing seasonality in urban Spanish destinations, the season periods (high, mid and low) often vary according to the destination profile (location, climate and demand generators). While high season for inland cities (Madrid, Seville, Cordoba and Granada), except for Bilbao, is comprised between the March, April, May and October, the rest of the analysed cities (Barcelona, Malaga, San Sebastian, Cadiz, Palma, Bilbao and Santander) received the highest volume of demand during the summer months (June, July, August and September).

In 2019, Madrid was the destination that presented the lowest seasonality, with only 35% of the overnight stays taking place during the high season (from March to May and October), followed by Granada and Seville (with c. 36% of the demand in the same months).

On the contrary and due to its location in a consolidated resort destination as Mallorca, Palma was the city with the highest dependence on the summer season, with 57% of the overnight stays taking place during summer months.

Other destinations located in the coast, such as Malaga, Alicante, Cadiz and Barcelona, registered between 38% and 42% of total overnight stays in summer. Despite counting with a great component of resort demand, those destinations have slightly lowered their seasonality, registering strong increases in the number of overnight stays during winter (+15% in 2019 vs 2014).

Cities in the north of Spain (Santiago de Compostela, Bilbao, Santander and San Sebastian) also experienced strong seasonality in summer with more than 40% of the overnight stays.

LENGTH OF STAY

The average length of stay of the selected cities has remained steady in 2.3 days between 2014 and 2019, below the Spanish average of 3.2 days.

Thanks to its resort component, Palma registered the largest length of stay in 2019 (3.8 days), followed by Barcelona (2.5 days), Cadiz (2.4 days), Valencia and Alicante (both 2.3 days). On the other side, Madrid, Seville, Bilbao, Malaga and San Sebastian registered stays of c. 2 days. Finally, Cordoba, Granada, Santiago de Compostela and Toledo registered shorter stays, between 1.5 and 1.8 days.

ACCESSIBILITY

AIR ACCESSIBILITY

Except for Toledo, all the cities analysed in this report have their own airport. In 2019, the 14 airports represented 76% of total air travellers in Spain (vs. 74% in 2018), with a total of 275 million passengers. In the case of Cadiz, we consider Jerez airport as an air access point for the city, due to its proximity.

(12) 1,2m
Seve Ballesteros-Santander

(13) 320k
San Sebastian

(8) 5,5m
Bilbao

(9) 2,9m
Santiago – Rosalía de Castro

(2) 52,7m
Barcelona-El Prat Josep Tarradellas

(1) 61,7m
Adolfo Suárez Madrid-Barajas

(6) 8,5m
Valencia

(3) 29,7m
Palma de Mallorca

(14) 11k
Cordoba

(7) 7,5m
Seville

(5) 13,9m
Alicante-Elche

(11) 1,1m
F.G.L. Granada-Jaen

(10) 1,1m
Jerez

(4) 19,0m
Malaga-Costa del Sol
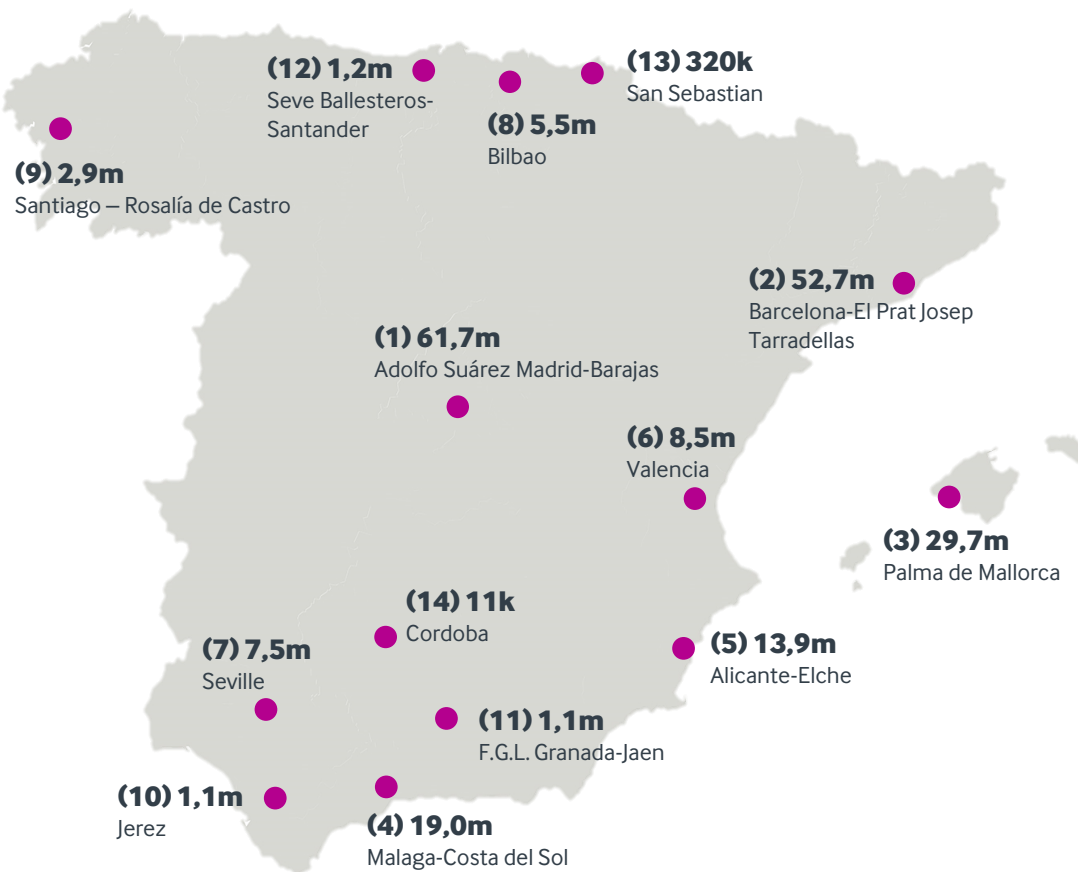
	IATA Code	% Nat.	% Inter.	YoY 2019	CAGR 5Y
1	MAD	27%	73%	6.6%	8.1%
2	BCN	27%	73%	5.0%	7.0%
3	PMI	34%	66%	2.2%	5.2%
4	AGP	15%	85%	4.4%	7.6%
5	ALC	11%	89%	7.6%	8.4%
6	VLC	26%	74%	9.9%	13.2%
7	SVQ	49%	51%	18.2%	14.2%
8	BIO	57%	43%	8.0%	8.0%
9	SCQ	77%	23%	6.6%	6.9%
10	XRY	51%	49%	11.1%	14.0%
11	GRX	80%	20%	6.5%	7.6%
12	SDR	59%	41%	-1.1%	8.1%
13	EAS	99%	1%	10.7%	5.5%
14	ODB	99%	1%	28.9%	10.0%

AIR ACCESSIBILITY (Cont.)

All the analysed airports have registered a constant increase in the number of passengers since 2014, with a CAGR of +8%. However, in the last two years there has been a growth deceleration with +7% in 2018 and +6% in 2019.

Considering the 14 airports, Ryanair and Vueling were the airlines that registered the highest volume of passengers, representing 19% and 17%, respectively, of the total number of passengers. With higher growth than other companies, both airlines gained market share compared to 2018. Iberia was the most used traditional airline (9%).

With nearly 62 million passengers, the Adolfo Suárez Madrid - Barajas airport was the busiest Spanish airport and the fifth in Europe, followed by the Barcelona - El Prat Josep Tarradellas airport, with c. 53 million (the sixth in Europe). Both airports have a high percentage of international passengers (73% of the total) and presented significant growth during the period between 2014 and 2019.
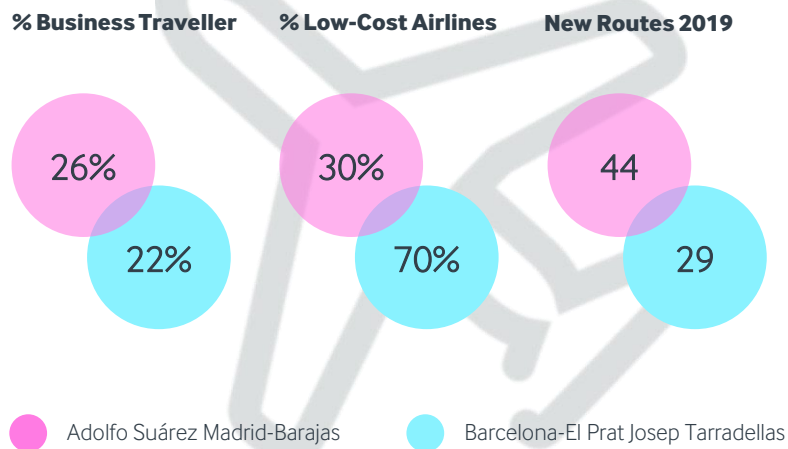
Palma ranked as the third airport with the highest passenger traffic in 2019 (about 30 million). Due to the bankruptcy of Thomas Cook and its airlines, the Palma airport registered a moderate growth compared to 2018 (+2%). With 75% of international passengers in 2019, Germany was the main feeder market, representing 33% of the total air travellers in Palma. The number of travellers who stayed in the city represented in 2019 only 16% of the total number of passengers at the airport, reflecting the redistribution of passengers to other areas in the island.

Malaga and Alicante showed similar trends to Palma. The high number of passengers that their airports received did not correspond to the volume of arrivals in each city (15% of the total passengers at both airports stay in the city), which reflected the role of the airports in distributing tourists along the Costa del Sol and the Costa Blanca. Due to the resort component of both coasts, the two airports have the highest percentage of international traffic (85% and 89%, respectively) and have experienced strong increases since 2014, both with a CAGR of +8%.

% Business Traveller **% Low-Cost Airlines**   **New Routes 2019**

26% 30% 44

22% 70% 29

● Adolfo Suárez Madrid-Barajas   ● Barcelona-El Prat Josep Tarradellas

% Top 3 Nationalities

■ Palma   ■ Malaga-Costa del Sol   ■ Alicante-Elche
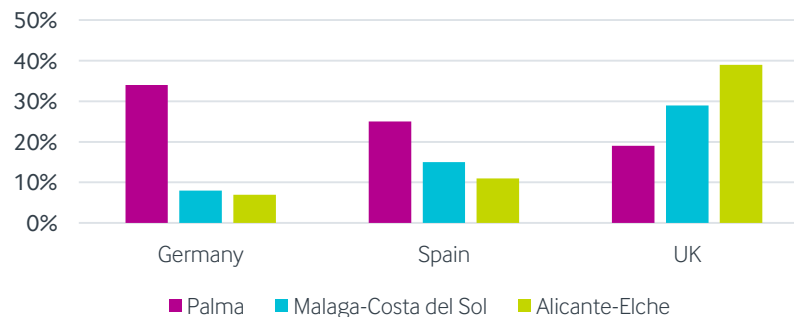
In relative terms, Seville was the airport that increased the most in passenger traffic since 2014 (CAGR +14%), with increases of +25% in 2018 and +18% in 2019, reaching c. 8 million passengers. Also with substantial increases in the number of passengers, the Granada and Valencia airports registered the second and third highest CAGR, with +14% and +13%, respectively.

Finally, destinations such as Granada, San Sebastian and Cordoba have less dependence on their airports, as more tourists arrive by other means of transport (mainly land).

PORT ACCESSIBILITY

Among the 15 analysed destinations, 9 have port facilities adapted to host cruise ships (Barcelona, Palma, Cadiz, Malaga, Valencia, Alicante, Bilbao, Santander and Seville). It should be noted that the port of Bilbao, considered the main port in northern Spain, is located 17km from the city, and that the port of Seville is the only commercial river port in the country.

Representing half of the total port passengers in Spain in 2019, these cities reached 17 million total passengers (passengers arrived by all types of ships), of which 43% (more than 7 million) were cruise passengers (passengers arrived only by cruise ship).

All the ports analysed (with the exception of Alicante, Santander and Bilbao) registered continuous increases during the last five years, although, since 2016, there has been a gradual slowdown in the growth of the number of total passengers (+9% in 2016 vs +3% in 2019). However, despite the threats posed by the recovery of competing destinations in the Mediterranean and the boom in cruise routes through the Nordic countries, Spanish ports maintained their strength as consolidated destinations, registering a +7% growth in the number of cruise passengers in 2018.

Destinations	Total Passengers	Cruise Passengers	YoY 2019	% Cruise
Palma	9,310,788	2,656,443	4.1%	29%
Barcelona	4,628,562	3,142,664	3.0%	68%
Valencia	1,112,727	435,616	3.8%	39%
Malaga	888,799	476,973	1.7%	54%
Cadiz	499,705	477,387	11.7%	96%
Santander	235,625	30,691	-6.7%	13%
Alicante	206,457	63,088	-9.2%	31%
Bilbao	160,544	55,448	-20.0%	35%
Seville	20,518	20,518	29.8%	100%

Palma and Barcelona are the main ports by volume of total passenger traffic.

In 2019, Palma remained the busiest port in Spain, with 9 million passengers, ahead of Santa Cruz de Tenerife (6 million passengers), Algeciras (6 million) and Barcelona, which ranked fourth with 5 million passengers. It should be noted that, by number of cruise passengers, Barcelona ranked as the first cruise port in the Mediterranean and the seventh in the world (with more than 3 million cruise passengers), and Palma as the third in the Mediterranean, behind the Italian port of Civitavecchia, and the tenth in the world.

The ports of Valencia and Malaga recorded a similar volume of passengers. While Valencia has been the port that has grown the most in recent years (+10% CAGR 2014-2019), we perceive a stabilization of the port of Malaga, which was affected by a 6% decrease in the number of cruise passengers. 2019 was a record year for the port of Cadiz, which reached its historical maximum of passengers with an increase of 12%. It is worth mentioning that 96% of the passengers received by this city were cruise passengers, which positioned it as the fourth port with the highest number of cruise ships in the country, above Malaga and Valencia.

Evolution of the Total Passengers (000')

Legend: ■ Palma ■ Barcelona ■ Valencia ■ Malaga ■ Others Ports
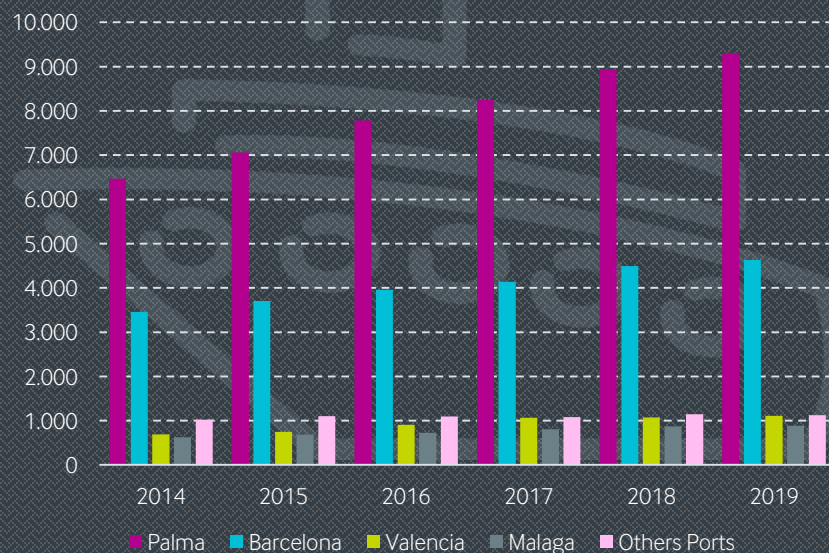
ACCESSIBILITY

RAILWAY ACCESSIBILITY

At June 2020, 2019 data for rail accessibility is not yet available, which is why we have analysed its evolution until 2018.

With the exception of Palma, all the cities analysed are accessible by train (medium and long distance), and nine of these destinations have AVE (Madrid, Barcelona, Malaga, Valencia, Seville, Granada, Cordoba, Alicante and Toledo), being the ones with the highest volume of passengers. Contrarily, Cadiz and the cities in the north of the country (Santander, Santiago, Bilbao and San Sebastian) have fewer rail connections.

According to the latest published data, for long-distance journeys (more than 300km of route), including high-speed (AVE, Alvia, Euromed) and conventional lines (Talgo), the selected destinations accumulated in 2018 c. 74% of the total number of passengers in Spain. Madrid was positioned as the main focus of activity (36% of total passengers), followed by Barcelona (15%) and Valencia (7%). Madrid was also the city that experienced the highest CAGR in passengers during the period between 2014 and 2018 (+4% CAGR) and the second city, after Bilbao (+7% vs 2017), which registered the highest increase in 2018, compared to the previous year (+5% vs. 2017).

Valencia consolidated an increasing trend with a constant growth since 2014 (+3% CAGR), while Barcelona was the only city among those selected that recorded a decrease in the number of passengers in 2018 (-4% vs. 2017), the first in the last four years. Seville and Malaga positioned themselves as the fourth and fifth destination with the highest volume of long-distance passengers and presented similar growth trends with cumulative increases (CAGR 2014-2018) that ranged from +2% to +3%. Cordoba and Alicante registered similar passenger volumes (approximately 3% of total passengers), with increases of +4% and +2%, respectively.

Due to the absence of the high speed in the Basque Country, Bilbao and San Sebastian accumulated 1% of total passengers in Spain. While San Sebastian maintained a continuous growth since 2014, Bilbao recovered with an increase of +7% in 2018, after three years of consecutive decreases. Finally, Santander and Cadiz positioned themselves as the destinations with the lowest affluence of long-distance passengers.

Although official sources do not offer Granada railway data for 2018, the consequences of the arrival of the AVE in June 2019 have already been reflected in the positive evolution of demand in the city.

Evolution of Long and Mid-Distance Passengers (m) in Spain

Destinations	Long-Distance Passengers	YoY 2018	CAGR 4Y
Madrid	23,711,069	5.1%	4.2%
Barcelona	9,597,786	-3.9%	1.2%
Valencia	4,525,411	3.8%	3.1%
Seville	3,707,070	4.6%	2.5%
Málaga	2,336,507	3.5%	2.4%
Alicante	2,175,916	2.4%	1.1%
Córdoba	1,892,798	3.9%	2.5%
San Sebastián	309,248	1.5%	1.9%
Bilbao	278,291	7.4%	-1.0%
Santander	271,406	2.7%	1.7%
Cadiz	217,600	-	-

HOTEL SUPPLY

The size and colour of the bubble represents the hotel supply (number of rooms):

40k — 1k

Destinations	Hotels	Rooms
Madrid	314	39,058
Barcelona	398	38,335
Palma	202	25,711
Seville	100	9,687
Valencia	79	8,456
Granada	78	6,298
Malaga	56	4,718
Bilbao	42	4,047
Alicante	41	3,479
Cordoba	46	3,021
Santiago de Compostela	42	2,703
San Sebastian	38	2,501
Santander	24	1,860
Toledo	30	1,705
Cadiz	16	1,075

Source: Alimarket

es.christie.com I June 2020

HOTEL SUPPLY

CURRENT SUPPLY

The 15 cities analysed present a total supply of 1,506 hotels with a total of 152,654 rooms, which represents 23% of the total hotel room supply in Spain. The four-star category represents the highest proportion of the room volume in the selected destinations (58%), followed by the three-star (23%) and the five-star (12%).

Most of the hotels located in these cities are operated by hotel groups (80% of the rooms), with the main players being Meliá Hotels International, Marriott International, NH Hotel Group and Eurostars Hotel Company. It is worth mentioning that, by number of hotels, Eurostars Hotel Company is positioned as the group with the highest number of assets in these cities (61 hotels), significantly ahead of NH Hotel Group, which has 49 properties.

With nearly 40,000 rooms, Madrid is the city with the largest volume of rooms in Spain, representing 26% of the total supply in urban destinations.

The high accommodation capacity of hotels in Madrid (with an average of 124 rooms per hotel), positions the city as the urban destination with the highest volume of rooms in Spain (39,058 rooms), above Barcelona, which despite registering a higher number of hotels (398 vs. 314 in Madrid) registers an average capacity of 96 rooms per property.

Palma is the third market in terms of accommodation capacity. It is worth mentioning that the hotel supply in Palma includes the resort areas of Playa de Palma district, which makes the capacity of its hotels the most significant of all the cities analysed, with an average of 127 rooms per hotel.

HOTEL SUPPLY

Current and future hotel supply by destination (number of rooms)

Chart legend: ■ Rooms 2018 ■ New Rooms 2019 ■ Future Supply 2020 - 2023
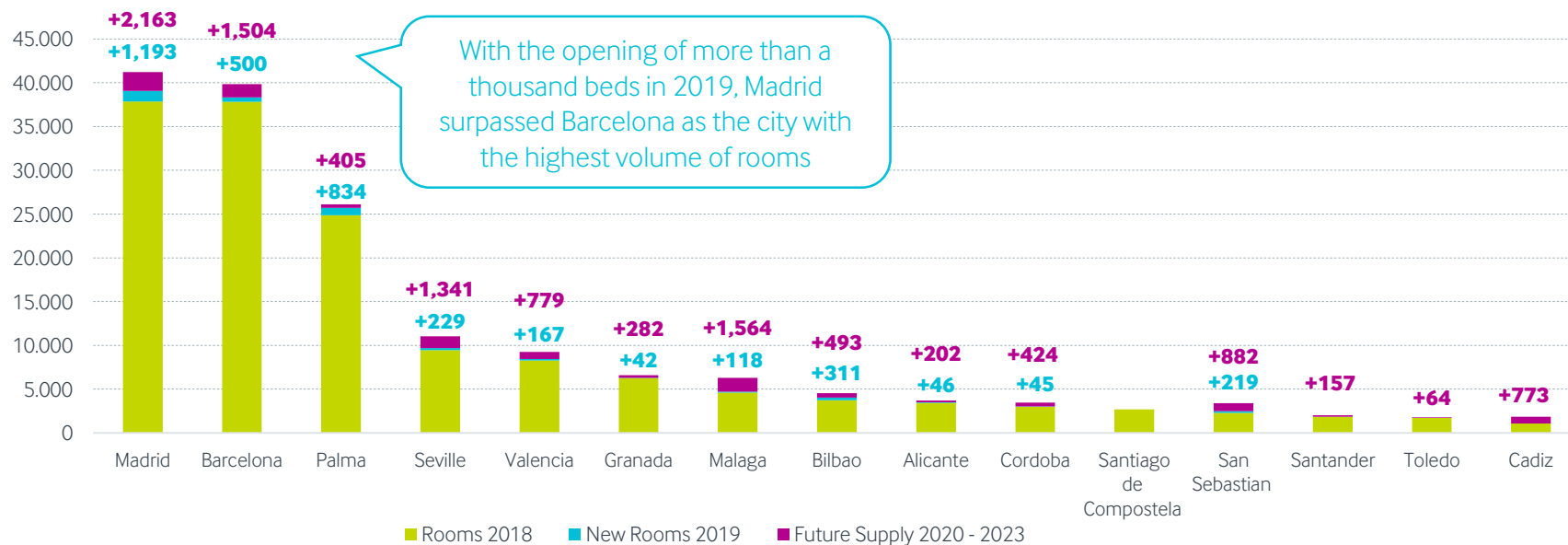
Callout: With the opening of more than a thousand beds in 2019, Madrid surpassed Barcelona as the city with the highest volume of rooms

Data labels by destination:
- Madrid: +2,163 / +1,193
- Barcelona: +1,504 / +500
- Palma: +405 / +834
- Seville: +1,341 / +229
- Valencia: +779 / +167
- Granada: +282 / +42
- Malaga: +1,564 / +118
- Bilbao: +493 / +311
- Alicante: +202 / +46
- Cordoba: +424 / +45
- Santiago de Compostela
- San Sebastian: +882 / +219
- Santander: +157
- Toledo: +64
- Cadiz: +773

In 2019, we identified 37 hotel openings in these cities, adding 3,761 new rooms. With 25 new properties, the four-star segment was the category that grew the most, followed by the three-star (7) and the two-star (5) categories. Most of the new openings were carried out by hotel groups (94% of the new rooms), with Riu Hotels & Resorts as the main participant (29% with the openings of the Riu Plaza España Hotel, in Madrid, with 585 rooms, and the Riu Playa Park Hotel, in Palma, with 475 rooms).

Madrid was the city that registered the most openings with a total of eight hotels and 1,193 rooms, highlighting the aforementioned Riu Plaza España, the Bless Hotel Madrid, the Pestana Plaza Mayor and Aloft Madrid Gran Vía. The Spanish capital city also stood out for its volume of rebranding operations that took place in 2019, including the Hyatt Regency Hesperia Madrid. Valencia positioned as the second city with most openings in 2019 (6 openings), followed by Seville (5), Bilbao (4) and San Sebastian (4), which, with the exception of Bilbao, registered a higher increase in the four-star hotel category. Barcelona registered three openings that gathered 500 rooms, after the expansion of groups already present in the city such as Acta Hotels (Acta Vorapart), Hotels Núñez i Navarro (Seventy Barcelona) and Praktik (Praktik Èssens). Regarding rebranding operations, we note the arrival of Nobu Hospitality with the repositioning of the Gran Hotel Torre de Catalunya.

At the end of March 2020, we have identified six openings, three in Barcelona that already had the urban development certificate before the start of the moratorium and the subsequent approval of the PEUAT, including the Kimpton Vividora Barcelona hotel (the first in Spain), the Occidental 414 Diagonal Barcelona hotel and the Terra By Ona Hotels hotel. We highlight the opening of the Room Mate Macarena hotel in Madrid, the Tribute Seville Seises hotel in Seville, the Santa Clara Autograph Collection Palace in Valencia and the Arbaso hotel in San Sebastian.

HOTEL SUPPLY

FUTURE SUPPLY

We have identified a total of 113 projects that will add 11,033 rooms in these cities, which will represent an increase of +7% in the existing room supply, mainly operated, in equal parts, by Spanish and international hotel groups.

As we anticipated in the previous report, with its three projects in Madrid, Barcelona and San Sebastian, TSH (The Student Hotel) will be the hotel operator that will generate the largest number of rooms in the analysed cities, followed by Marriott International (610 rooms) and Sercotel Hotel Group (389). In relation to the number of hotels, Eurostars Hotel Company - Hotusa (356) and Casual Hotels (215) will be the hotel groups that will open the highest number of properties in the coming years, both with six projects.

Contrarily to what we pointed out in our 2018 report, Madrid is positioned as the city with the highest volume of future rooms (15 hotels and 2,163 rooms) with a clear focus on the luxury segment (50%), highlighting the openings of the Four Seasons Madrid, The Madrid Edition, and the W Madrid. Malaga registers the second largest volume of projects (15 hotels and 1,564 rooms), distributed mainly between the four and five star categories, followed by Barcelona, with a total of 1,504 rooms (including the project of the Hard Rock hotel in Sant Adria del Besos), and Seville (14 hotels and 1,341 rooms). On the other hand, Valencia, with a pipeline of 779 rooms, is positioned as the city with the most projects in development (16 hotels).

Destinations	Total	% Growth	1-star	2-star	3-star	4-star	5-star
Madrid	2,163	6.0%	50		130	981	1.002
Malaga	1,564	33.1%		204	140	750	470
Barcelona	1,504	2.6%		400	67	873	164
Seville	1,341	13.8%			218	908	215
San Sebastián	882	35.3%		39	116	702	25
Valencia	779	9.2%		131	174	366	108
Cadiz	773	71.9%	35			488	250
Bilbao	493	12.2%		25	91	277	100
Cordoba	424	14.0%				424	
Palma	405	1.6%				314	91
Granada	282	4.5%		74	20	188	
Alicante	202	5.8%				152	50
Santander	157	8.4%				93	64
Toledo	64	3.8%					64
Santiago de Compostela	-	-					
Total 15 Destinos Urbanos	11,033	7.2%	85	873	956	6,516	2,603

O2B RATIO

Barcelona registered in 2019 the highest O2B ratio (255), followed by Seville (249) and Alicante (236), all of them showing an increasing trend in recent years.

The ratio O2B is calculated as the volume of hotel overnights divided by the number of available beds in a market. This metric helps to identify possible supply gaps and, consequently, potential development and investment opportunities. Needless to say that this ratio does not take into account seasonality and that it varies across markets within countries, and thus should be interpreted with caution.

Within the total of 15 cities analysed in 2019, Barcelona, with an O2B of 255, was the city with the highest ratio, reflecting the high number of overnight stays compared to the current available supply. Barcelona has an upward trend, with demand growing at a higher percentage than supply (+6% demand and +3% supply), due to the PEUAT's development limitations.

Seville registered the second highest ratio (249), followed by Alicante (239), driven by a strong growth in demand in 2019 (+6% and +5%, respectively), which absorbed the new hotel offer (+2% and +3%), indicating potential for the opening of new properties. While the hotel supply in Valencia remained stable, the number of overnight stays increased considerably, allowing a margin of growth for its supply. Therefore, Valencia registers the largest number of hotel projects for the next years.

$$\frac{\text{The volume of hotel overnights}}{\text{The number of available beds in a market}} = \text{Overnight-to-Bed ratio (O2B)}$$

City	2018	2019
Barcelona	248	255
Madrid	226	232
Málaga	230	235
Valencia	229	233
Bilbao	227	221
Seville	242	249
Palma	199	183
San Sebastián	229	228

■ 2018   ■ 2019

City		
Cadiz	217	236
Santander	198	199
Granada	222	234
Cordoba	218	226
Alicante	234	239
Santiago	175	184
Toledo	206	210
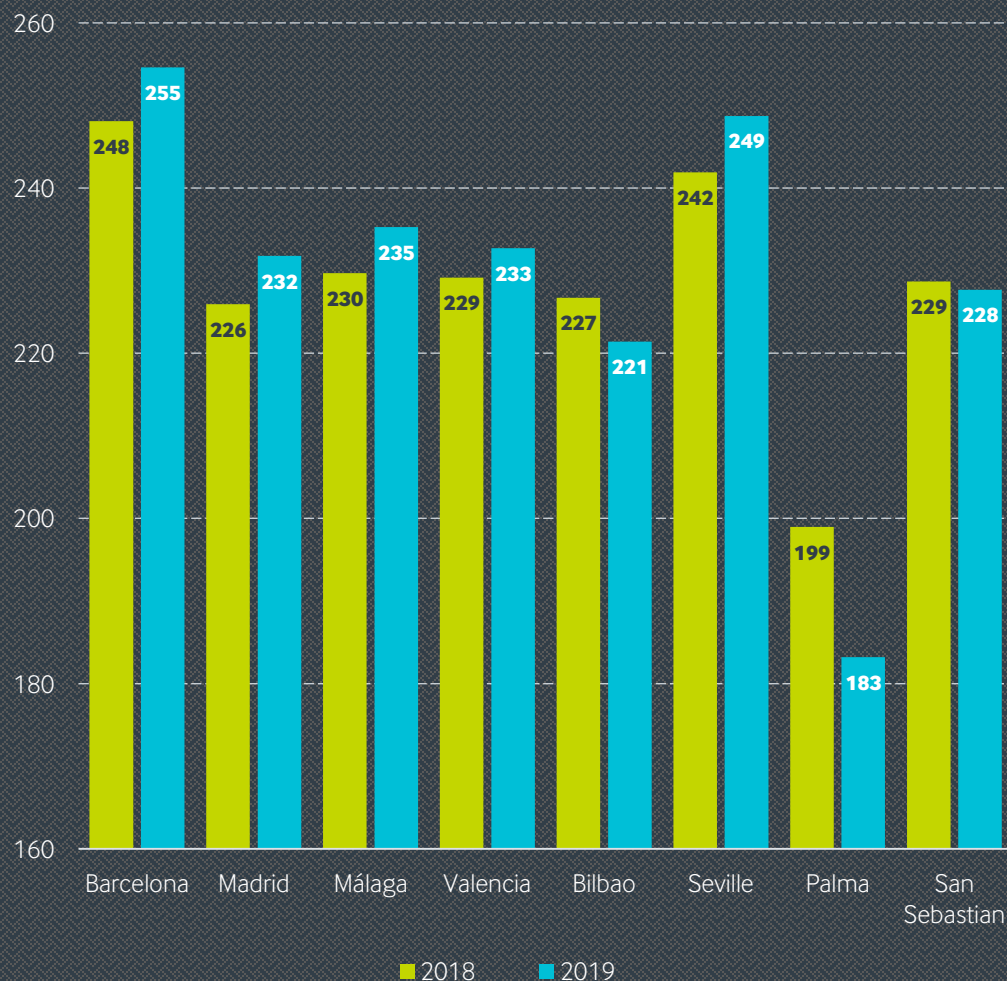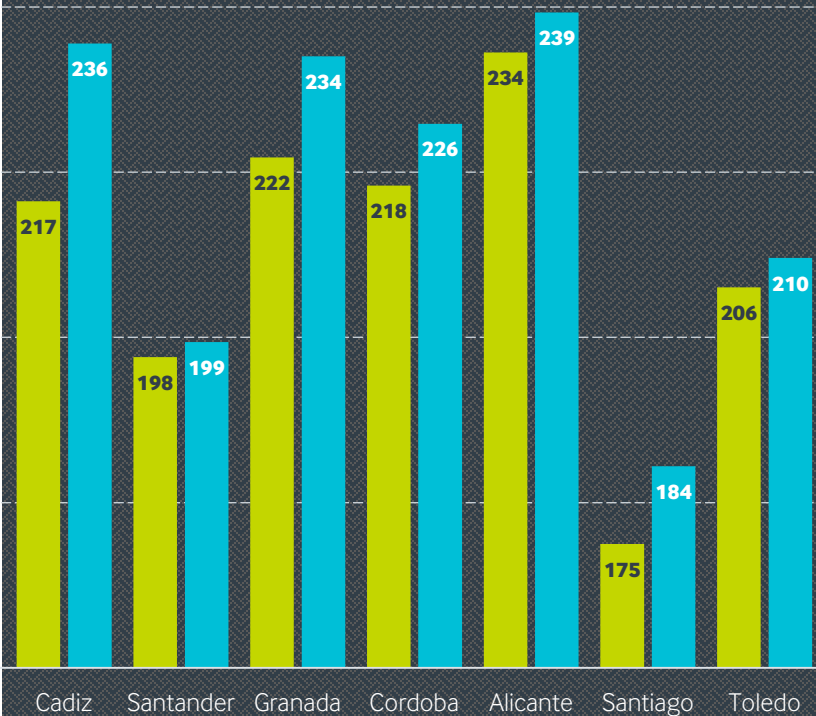
Cadiz (236) and Granada (234) were the cities that registered the most significant increase in the O2B ratio in 2019 (+9% and +6%). Despite the strong increase in supply in 2018 in Granada, the growth in demand was able to absorb the new supply. On the other hand, the hotel supply in Cadiz remained stable in 2019, which, combined with a strong increase in demand, the ratio grew substantially. Therefore, a number of future rooms are expected to open in the coming years.

The cities of Madrid (232) and Malaga (235) demonstrated in 2019 that they are able to absorb new projects (+2% in both cases) due to their growing demand (+5%). Both destinations have a long list of projects in development for years to come.

While in San Sebastian (228) the increase in demand absorbed the entry of new hotel rooms, favouring a balanced growth in the market, Bilbao (221) registered a decrease in its O2B ratio because the supply increase surpassed the demand growth.

With a constant increase in its hotel supply (+6%) and a decrease in the number of overnight stays, (-3%), Palma registered the most significant decrease in its ratio when compared to 2018 (-8%), positioning it as the city with the lowest O2B ratio (183). This indicates the low viability of the market to absorb new supply.

Following the same line, Santiago de Compostela (184) and Santander (199) are positioned in the low range of the ratio. While demand and supply in Santander evolved in a balanced way, the combination of a substantial growth in demand in Santiago de Compostela and a minimal evolution of supply has resulted in an increase of the ratio of +5% in 2019.

Cordoba registered an increase in the O2B ratio as a result of an increase in demand of +4% and a stabilisation of the hotel supply, indicating that there is an opportunity for new developments.

Toledo (210) was the only city that registered decreases in both demand and supply. However, the O2B ratio evolved positively as demand decreased in a smaller proportion (-1%) than supply (-3%).

KPI's 2019

In 2019, RevPAR in all the analysed urban destinations except for Cordoba increased and reached a historic record.

RevPAR growth in Spain has been constant since 2014 (+8% CAGR 2014-2019). After a +10% increase in 2017, followed by a more moderate uplift in 2018 (+2%), in 2019 Spain registered once again a significant RevPAR increase (+8% vs 2018), sustained mainly by the ADR growth (+6%) and a more moderate occupancy increase (+2%).

After a performance decrease in 2018, hotels in Barcelona recovered in 2019, again positioning the city as the urban destination with the highest RevPAR in Spain (€108.7) and surpassing 2017 results, the city's record year (€101.5). Despite the riots taking place in October, the city not only registered increases in the ADR (+7%), but also in occupancy levels by +3%, reaching an occupancy rate of 81% and surpassing Palma's, which positioned Barcelona as the city with the highest occupancy levels in Spain.

With an ADR of €140.6, the city of San Sebastian maintained its leadership in ADR levels, registering a +5% uplift vs 2018 and becoming the second urban destination in terms of RevPAR (101.9€). Palma sat in third position in RevPAR (€85.7). The city's strategy to position itself as a luxury destination derived to significative ADR increases of +6% in 2018 and +5% in 2019, in detriment of occupancy levels (-4% in 2019).

The improvement of the hotel supply in Madrid with new openings and repositioning of luxury hotel brands, together with the celebration of a number of international events such as the World Climate Summit and the final match of the Champions League, boosted Madrid ADR levels by +8% without penalising the occupancy, which increased by +1%, positioning Madrid in fourth place in terms of RevPAR (€80.8)

Malaga experienced an increase of +6% in RevPAR, occupying the fifth place in the ranking with a stabilization of its occupancy rate (+1%) and a significant ADR increase (+5%). Valencia and Seville registered the highest compound annual growth rate since 2014 (+11% CAGR 2014-2019). Additionally, Valencia registered in 2019 the highest RevPAR growth in Spain (+12%). On the contrary, Cadiz and Cordoba were the only cities that registered decreases on the ADR levels (-1% both cities).

	Occ (%)	ADR (€)	RevPAR (€)
Barcelona	81.0	134.2	108.7
San Sebastian	72.5	140.6	101.9
Palma	77.9	110.0	85.7
Madrid	77.9	103.7	80.8
Malaga	78.7	99.2	78.1
Cadiz	74.6	103.4	77.1
Seville	79.1	96.8	76.6
Bilbao	75.0	97.8	73.4
Total Urban Destinations	73.7	98.8	72.8
Valencia	77.3	87.7	67.8
Alicante	74.3	77.1	57.3
Santander	66.2	84.8	56.1
Granada	71.2	70.1	49.9
Cordoba	67.7	71.6	48.5
Toledo	63.9	70.5	45.0
Santiago de Compostela	59.9	70.4	42.2

Barcelona

Occ. 81.0 %	ADR €134.2	RevPAR €108.7
2,8%	6,9%	9,9%
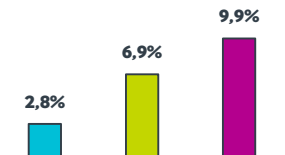
San Sebastian

Occ. 72.5 %	ADR €140.6	RevPAR €101.9
0,3%	4,5%	4,8%
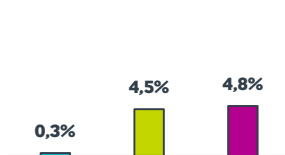
Palma

Occ. 77.9%	ADR €110.0	RevPAR €85.7
-3,8%	5,0%	0,9%

Madrid

Occ. 77.9%	ADR €103.7	RevPAR €80.8
1,4%	8,4%	9,9%
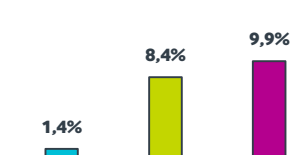
Malaga

Occ. 78.7 %	ADR €99.2	RevPAR €78.1
0,5%	5,1%	5,6%
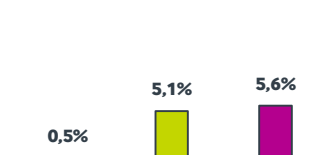
Cadiz

Occ. 74.6 %	ADR €103.4	RevPAR €77.1
3,5%	-1,4%	2,0%
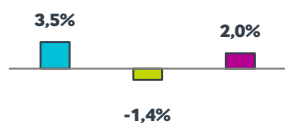
Seville

Occ. 79.1 %	ADR €96.8	RevPAR €76.6
2,3%	4,0%	6,4%
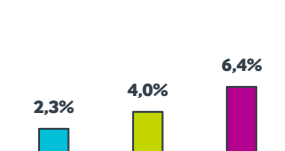
Bilbao

Occ. 75.0 %	ADR €97.8	RevPAR €73.4
0,1%	5,4%	5,5%
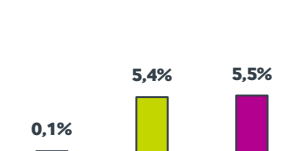
Valencia

Occ. 77.3%	ADR €87.7	RevPAR €67.8
4,0%	7,6%	12,0%
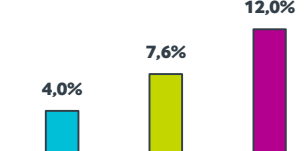
Alicante

Occ. 74.3 %	ADR €77.1	RevPAR €57.3
2,3%	3,6%	6,1%
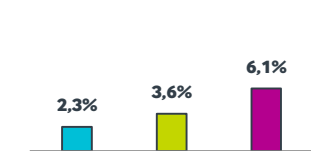
Santander

Occ. 66.1%	ADR €84.8	RevPAR €56.1
-0,6%	3,2%	2,5%
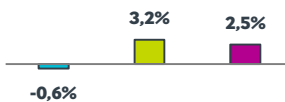
Granada

Occ. 71.2%	ADR €70.1	RevPAR €49.9
4,2%	4,0%	8,4%
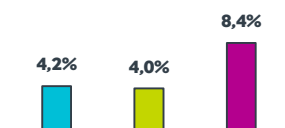
Cordoba

Occ. 67.7%	ADR €71.6	RevPAR €48.5
-0,3%	-0,6%	-0,8%
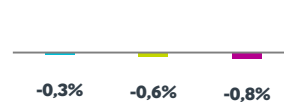
Toledo

Occ. 63.9%	ADR €70.5	RevPAR €45.0
2,4%	4,3%	6,8%
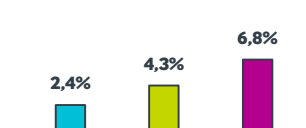
Santiago

Occ. 59.9 %	ADR €70.4	RevPAR €42.2
8,1%	3,1%	11,4%
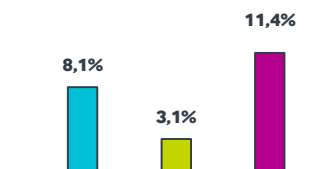
KPI's 5Y CAGR

Toledo, Valencia and Seville were the cities that registered the highest compound annual growth rate for the last 5 years, reaching CAGR above +10%.

While the most consolidated urban destinations as Barcelona, Madrid, Malaga, Palma, Bilbao and San Sebastian based its growth in ADR increases, other destinations such as Valencia, Seville and Alicante presented strong increases in both ADR and occupancy rate. However, those cities with a lower demand volume registered RevPAR growth sustained by increases in occupancy levels (Cadiz, Santander and Santiago de Compostela).

CAGR 5Y RevPAR by City

Legend: ■ 5Y CAGR Occupancy (%) ■ 5Y CAGR ADR (%)

Chart cities (top to bottom): Barcelona, Madrid, Málaga, Valencia, Bilbao, Sevilla, Palma, San Sebastián, Cádiz, Santander, Granada, Córdoba, Alicante, Santiago de Compostela, Toledo, Total Destinos Urbanos

X-axis: 0%, 3%, 5%, 8%, 10%, 13%, 15%
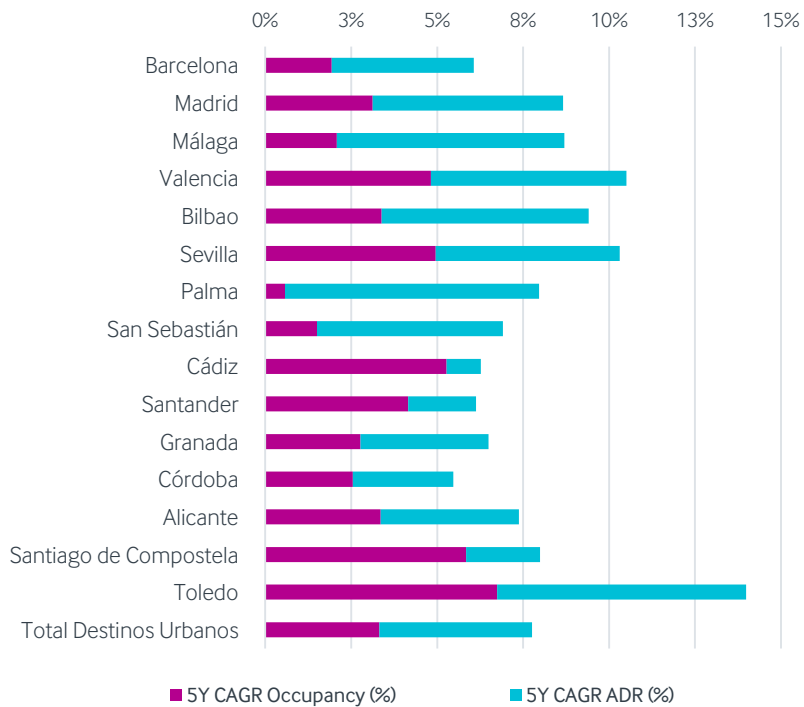
INVESTMENT 2019

Urban destinations represented 59% of the total investment volume in 2019, which reflects a good demand evolution, especially in the corporate and business segments, together with positive RevPAR evolution and low seasonality.

As we mentioned in our recent publication "Hotel Investment Overview Spain 2019", urban destinations received a larger volume of hotel investment in Spain (56%), which represented a change in the investment trend of the last years.

In 2018, the 15 analysed cities registered at least one transaction and totalled €1.26b in hotel investment. On the contrary, in 2019, only 9 of those cities (Barcelona, Madrid, Malaga, Cadiz, Seville, San Sebastian, Valencia, Bilbao and Alicante) registered hotel investment activity, reaching a total of €1.14b. Additionally, in 2019, investment in those cities represented 92% of the total investment in urban destinations (vs 70% in 2018), indicating a high concentration of the investment volume in main urban markets.

Distribution of the investment volume per city, 2019

Other, 8%
Barcelona, 22%
Málaga, 5%
Bilbao, 5%
Seville, 3%
Cádiz, 2%
Madrid, 38%
Valencia, 16%
San Sebastian, 1%
Alicante, 1%
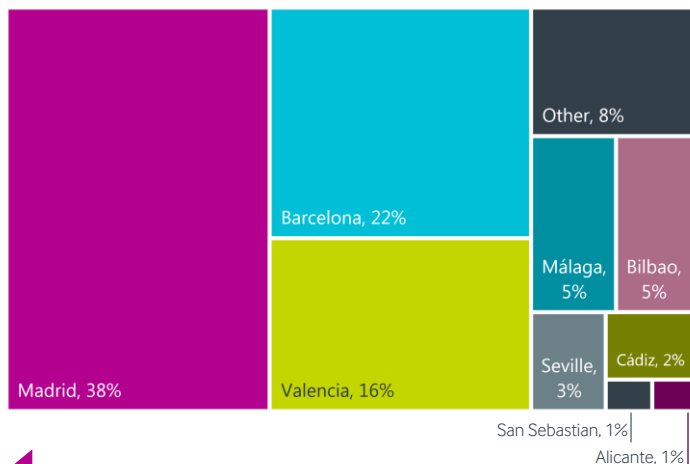
With a volume of €471m and registering the second highest average price per room (€266k/room, +16% vs 2018), Madrid represented 38% of the investment volume in urban destinations, driven by the continuous improvement of the operating results, the growing representation of international hotel chains and the incorporation of new luxury projects to the current pipeline.

In 2019, Barcelona was the second city in terms of investment volume representing 22% of the total investment in urban destinations and recovering from the 2018 drop caused by the political instability. Despite the good performance of the city's demand and hotel profitability, restrictions for entry in the city centre and the lack of opportunities continue to penalize the Catalan capital city in terms of investment volume. Consequently, Barcelona registered the highest average price per room (€308k/room).

Investment in the Main Urban Destinations, 2019

	Barcelona	Madrid	Malaga	Valencia	Bilbao	Seville	San Sebastian	Cadiz	Alicante
Average Price per Room (k€)	308	266	177	119	190	111	20	75	75
Investment Volume (m€)	228	471	66	201	62	33	7	27	6

■ Investment Volume (m€)   ◆ Average Price per Room (k€)
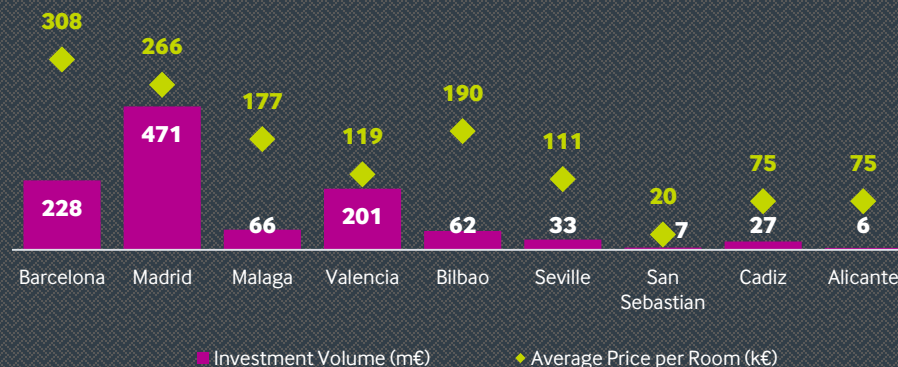
In line with the improved operational results of the hotel supply, other destinations that also registered a notable investment volume growth in 2019 were the city of Valencia, which registered €200m in hotel transactions (16% of the total investment in urban destinations) and doubled the investment volume vs 2018, and Cadiz, which reached €28m (vs €2m in 2018).

On the other side, Malaga registered a total of €66m (5% of the investment in urban destinations), from which more than 60% were development projects including the acquisition of plots and buildings to reconvert. Consequently, Malaga stands out for being the city with more development projects in its pipeline.

Bilbao was the fifth city in terms of investment volume and Alicante closed 2019 with the transactions of a building to reconvert, reflecting the continuous interest that investors show for the city. Finally, San Sebastian registered only one transaction: the acquisition of a plot for a new-built project, reflected in a considerably low price per room €(20k/room).

Note: The price of undisclosed transactions have been estimated

Annex: COVID-19

20-YEAR DEMAND EVOLUTION

Considering the special situation that the sector is experiencing as a result of the COVID-19 pandemic, from Christie & Co we have completed our study with a section dedicated to the analysis of the last 20 years (2001-2019). We present the evolution of demand levels, in order to see where we come from, analysing different crisis situations, and how destinations have evolved in the face of adversity, while identifying growth trends.

For this analysis, we have collected statistical data on the volume of overnight stays (domestic and international) by segment since 2001. In this case, due to the available information, the results are offered by province and not by municipality, which is the scope used for the rest of the report. We also wanted to compare urban destinations with resort destinations, including: Canary Islands, Balearic Islands, Costa del Sol, Costa Blanca, Costa Brava, Costa Daurada, Costa de la Luz-Cadiz, Costa de Almeria, Costa de la Luz-Huelva , Costa de Valencia, Costa Calida and Costa Tropical.

In 2009, when the economic crisis had its most significant impact, resort markets experienced a -8% drop, whilst in urban destinations the drop was -5%. On the other hand, in times of recovery such as in 2011, urban destinations reached increases of +7% and resort destinations of +10%. Therefore, urban destinations are more stable markets and show a stronger resistance to declining demand during a crisis.

For comparative purposes, we see a direct relationship between this behaviour and the origin of the overnight stays: domestic demand shows a slightly more stable evolution than the international segment and lower annual variations, with increases of +9% (vs +12% of the international) and decreases of -7% (vs -8% international). Therefore, the more domestic demand a destination has, the more stable it is as a hotel market.

Annual variation of overnight stays by type of destinations:

Legend: Selected Urban Destinations — Total Resort Destinations
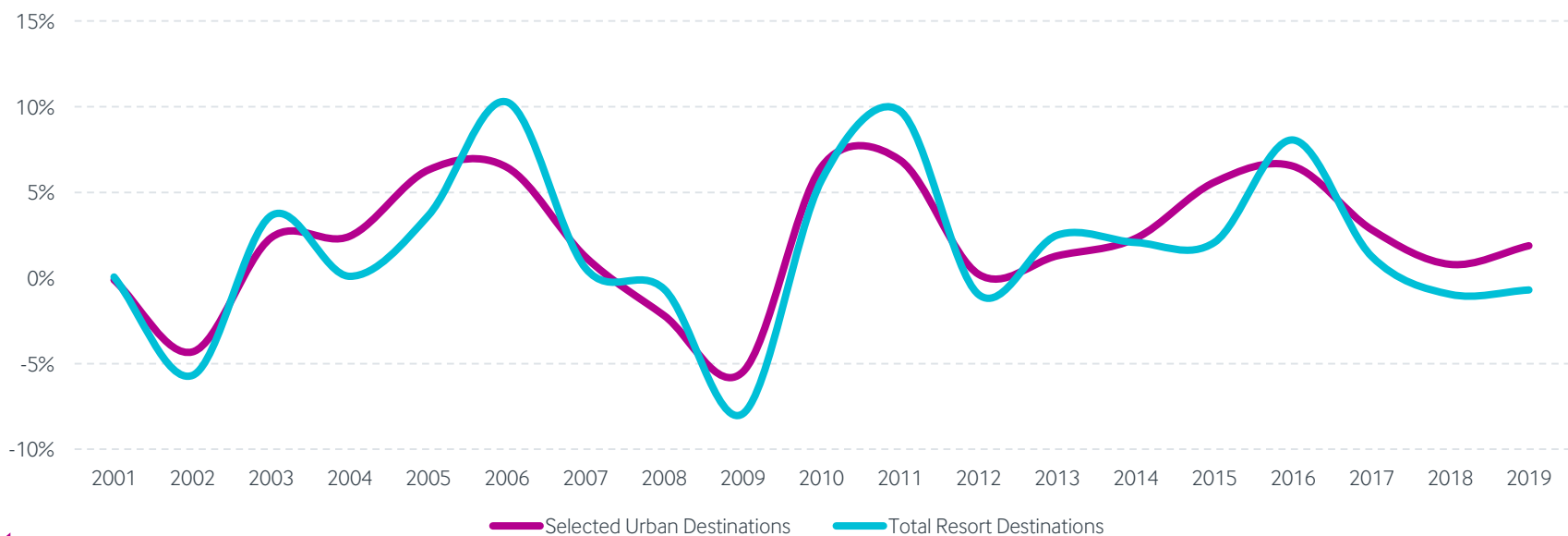
20-YEAR DEMAND EVOLUTION

Due to the threat of possible new attacks after those suffered in the United States (September 11, 2001) and in Bali (October 12, 2002), and the beginning of the conflict with Iraq, the fear of flying spread, which mainly affected the airlines with more long-distance air traffic. In 2002, the number of overnight stays in the analysed Spanish urban destinations decreased by -4%, affected by a significant decrease of -7% in international demand. Until 2006, international tourism did not exceed the results of 2001, 5 years later. The fear of flying drove internal travel (mainly by land transport) to increase, benefiting domestic tourism, which registered the highest growth rates to date in the period between 2003 and 2006. The boom in low-cost airlines, together with the technological improvements of OTAs, benefited the analysed urban destinations, which registered an improvement of +6% in their demand in 2005 and 2006.

In 2008 and 2009, the crisis caused by the fall in financial markets affected international demand to a greater extent, which registered its major decreases since 2002 (-1% and -8%, respectively). However, although the decline in the number of foreign overnight stays was stronger than that experienced in 2002, the international segment took less time to recover (4 years in this case). On the other hand, the fall in national demand was not as pronounced (-4% in 2008 and -2% in 2009). Nevertheless, it would be in 2012 when domestic demand registered its most significant decrease (-7% of overnight stays), due to the strong deterioration of the economy, high unemployment rates and the bank rescue by the European Union. 2009 represented a turning point: while international demand led the growth and recovery of the sector, the domestic market has not yet recovered the 51 million overnight stays in 2007.

Since 2013, driven by the improvement in the global economy and the "Arab Spring" that affected competing destinations, international demand has been the main growth driver uninterruptedly until 2019. However, starting in 2017, a certain slowdown began to be perceived, probably due to the exhaustion of the Spanish economy and the lower growth of the main feeder markets' economies.

Number of overnight stays by domestic and international segment in the selected urban destinations:

DEMAND RECOVERY 2020

The current crisis caused by the COVID-19 pandemic presents some similarities with the 2002 crisis (fear sentiment to flight and restrictions to free mobility), as well as to the financial recession in 2008 and the subsequent lost of purchasing power of 2012.

The confinement measures adopted through the state of alarm, which were implemented in Spain in March 2020, forced the closing of all hotels and the immediate paralysation of the travel sector, causing an unprecedented fall of tourism demand in Spain and affecting the mid season for resort destinations and high season in urban destinations (between Easter and the beginning of summer season). The recovery of the hotel demand in Spain for the second half of 2020 will depend on the government policies related to mobility as well as the measures that the main feeder countries will adopt (United Kingdom, Germany and France). Additionally, the air sector aids and the introduction of capacity and hygiene protocols adopted by Europe will be critical for the accessibility and connectivity of a number of Spanish destinations.

Below we introduce the main characteristics that we assume will define the Spanish tourism outlook and the recovery of the hotel demand in 2020:

LEISURE DOMESTIC DEMAND

With a less volatile behaviour, together with the end of the mobility restrictions, domestic demand will be the first to recover, specially for those resort destinations located in the peninsula, popular and nearby, accessible by car, due to its freedom and flexibility, not depending on more crowded collective transportation.

We estimate that the domestic driven destinations will be the first to see demand increases after the reopening. Nevertheless, secondary urban destinations in the inner country as well as in rural areas will benefit from the situation due to their isolation and the sense of safety (social distancing).

Island destinations like the Balearic islands or the Canary islands, with a large percentage of international demand (c. 90% in both cases) might try to attract domestic demand, overcoming the caveat of its dependency on air transportation. The Balearic islands have the advantage of being connected to the peninsula by the sea, but the Canary Islands are less dependant on the summer season with the possibility to recover during the last months of the year.

Spanish will most likely travel abroad less than previous years, both for economic, safety and regulation reasons as well as to of boost spending within the country. Additionally, the discontinuous progress of the health crisis among the different countries (with a delay of 3 and 4 weeks compared to Spain) as well as the closure of borders will complicate both the arrival to tourists to Spain as well as the departure of tourists to other countries.

Land accessibility
Spain counts with good road accessibility across the country with good highway system, easing the mobility by car of the domestic demand.

Domestic demand is not enough
Even if domestic demand increases, international tourism in many destinations is critical, which will be with no doubt reflected in the occupancy levels.

Lost of purchasing power
The economic recession had a negative impact on the purchasing power of the Spanish people, becoming even more price sensitive, which will put pressure on the ADR.

Senior segment
A number of Spanish destinations maintained high KPI's during low season months thanks to the senior segment and the IMSERSO trips, which have been already delayed in 2020 and present some uncertainty towards the 2021 campaign.

DEMAND RECOVERY 2020

INTERNATIONAL DEMAND

The great uncertainty lays in the recovery of the international demand, critical for the Spanish hotel sector. The different stages of the COVID-19 in our feeder markets, make us think about until when tourist arrivals will be delayed, as it will depend on the safety corridors that guarantee sanitary requirements in each destination.

Nevertheless, the capacity of overcoming this crisis will depend on a number of variables difficult to predict at the moment of writing this report, which make it challenging to forecast at which speed international demand will recover.

Additionally, the economic situation of the airlines, the main international tour operators, as well as the strategy that those companies follow will define the recovery process of these markets.

BUSINESS DEMAND

Regarding business demand, a great number of companies had already started to limit business trips before the confinement measures were established in order to reduce costs. Those confinement measures forced many companies to adapt to new technologies, both to work from home as well as to carry out online meetings, which suggest that most companies will continue with these work habits for the months to come as a cost efficiency and safety measure, with the consequent impact that might have to business trips.

MICE segment will be one of the most impacted in this crisis. In Spain, some of the cancelled small events during the first semester of the year are being reprogrammed to take place during the last quarter of the year. Though, some events have been definitively cancelled and will not take place until next edition in 2021 or 2022. Its international profile and its dependence on the economic prosperity, make us think the total recovery will not arrive until 2021 or 2022, most probably. Those cities reliant on international MICE demand, such as Madrid and Barcelona, will be highly impacted by the drop of this segment demand.

Touristic Attractiveness
Spain counts with a great attractiveness, especially for the leisure segment, with a high level hotel supply both in resort destinations as well as the inner cities. Spain receives most of the tourists in resort destinations in holidays seasons, suggesting that resort destinations will recover faster, especially those destinations like Andalusia with a balanced mix of domestic and international demand.

Sanitary System
Even though Spain's image has been affected negatively by this crisis, the Spanish health system is better than in our main competitors in the Mediterranean coast.

Hotel Supply
During the last five years, due to the economic growth and the growing hotel profitability, a number of hotels have improved their management and carried out refurbishment works that have increased Spain's hotel supply quality.

Dependence on International Demand
While international demand boosted KPI's growth for the last years in almost all Spanish destinations, a slow demand recovery might affect greatly the international driven destinations.

Spain Image
The great number of cases and deaths as well as the messy management of the COVID crisis, has had a negative impact on the overall image of the country, which makes it imperative that the country carries out a marketing campaign aimed at recovering trust in Spanish destinations and work to create safety corridors and homogenic protocols in Europe.

Business Segment
The reduction of business trips together with the uncertainty of the celebration of large events and congresses will complicate the recovery of this segment in the short and mid term horizon.

DEMAND RECOVERY 2020

The following chart presents the main data regarding the Spanish destinations dependence on international demand, the accessibility characteristics and the dependence on the summer season:

1. Dependance on international segment	2. Accessibility and dependance on air transport	3. Dependance on summer season (Jun-Sep)
🏳 < 33% of international overnights	🏳 Not dependant on air connectivity	🏳 between 30% and 40% of overnights
🏳 between 33% and 66% of international overnights	🏳 Average dependant on air connectivity	🏳 between 40% and 50% of overnights
🏳 > 66% of international overnights	🏳 Highly dependant on air connectivity	🏳 +50 % of overnights

Urban Destinations	Variable 1	Variable 2	Variable 3
Alicante	61% 🏳	🏳	42% 🏳
Barcelona	88% 🏳	🏳	38% 🏳
Bilbao	50% 🏳	🏳	39% 🏳
Cadiz	44% 🏳	🏳	42% 🏳
Córdoba	45% 🏳	🏳	33% 🏳
Granada	54% 🏳	🏳	36% 🏳
Madrid	63% 🏳	🏳	34% 🏳
Malaga	66% 🏳	🏳	39% 🏳
Palma	89% 🏳	🏳	57% 🏳
San Sebastian	59% 🏳	🏳	44% 🏳
Santander	26% 🏳	🏳	47% 🏳
Santiago de Compostela	43% 🏳	🏳	45% 🏳
Seville	64% 🏳	🏳	34% 🏳
Toledo	36% 🏳	🏳	37% 🏳
Valencia	66% 🏳	🏳	39% 🏳

Resort Destinations	Variable 1	Variable 2	Variable 3
Costa de Almeria	32% 🏳	🏳	62% 🏳
Balearic Islands	92% 🏳	🏳	68% 🏳
Costa Barcelona	73% 🏳	🏳	56% 🏳
Costa Blanca	56% 🏳	🏳	44% 🏳
Costa Brava	71% 🏳	🏳	56% 🏳
Costa Calida	29% 🏳	🏳	49% 🏳
Canary Isllands	88% 🏳	🏳	36% 🏳
Costa Castellon	16% 🏳	🏳	60% 🏳
Costa Daurada	64% 🏳	🏳	69% 🏳
Costa de la Luz (Cadiz)	46% 🏳	🏳	58% 🏳
Costa de la Luz (Huelva)	34% 🏳	🏳	63% 🏳
Costa del Sol	75% 🏳	🏳	47% 🏳
Costa Tropical	41% 🏳	🏳	52% 🏳
Costa Valencia	16% 🏳	🏳	54% 🏳

NEW PROTOCOL

The General Secretariat of Tourism, through the Institute for Spanish Tourist Quality (ICTE), in collaboration with CEHAT, has developed a series of protocols for the hospitality sector, including the one for measures to reduce risks regarding COVID-19 in hotels. Within the proposals offered in the document, the following points stand out:

- Increased cleaning and hygiene materials available to clients and hotel staff

- Increase in the constant cleaning of hotel facilities and materials, as well as an increase in cleaning staff

- Promotion of employee training to carry out their duties under a constant process of responsible hygiene and sanitation

- Ensure the safety distance between guests and staff, being necessary to adapt the work spaces such as reception, kitchen and room service

- Promotion of payment by card or other telepayment methods

- Capacity control in common areas

- Reduction of textiles (rugs and carpets), as well as decoration elements, both in common areas and in rooms

UNCERTAINITIES OF THE FUTURE

As a result of the new processes and proposed measures, some questions arise about how the implementation of this protocol will be managed:

If there is an infection in the hotel: who will be responsible? The guests? The hotel? Public administrations?

Will hotel operators be the first to create a special department for compliance with these hygiene standards, or will the responsibility be transferred to employees?

Will a homogeneous quality certificate be created for the sector at a European level that allows identifying those properties that carry out the protocol?

Despite the consequences that the health crisis is having on the hotel sector, we also see a margin of opportunities and improvements that should serve to change the current hotel industry as we know it, betting on new sustainability criteria.

One of the aspects that we believe will be further developed in the near future will be the application of new technological resources in hotels, such as the decrease in the use of cash as a form of payment or the use of mobile applications that facilitate certain services (such as opening rooms).

Employee training will also play a decisive role in the operations of the hotel. If all measures are to be carried out to reduce the risks of infection, specific training for employees will be necessary. On the other hand, we foresee an increase in the number of housekeeping employees, which will entail a change in the cost structure of a hotel, with special importance from the housekeeping and maintenance departments, as well as a change in schedules and shifts, to avoid crowds of employees in common areas.

Finally, we estimate that there will be a reduction in the services available to hotels, betting more on quality than on quantity. In addition, operators will have to keep their focus on the safety of customers and staff, both inside and outside the hotel.
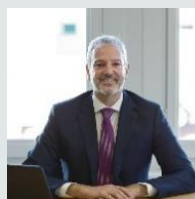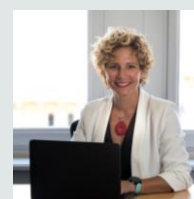
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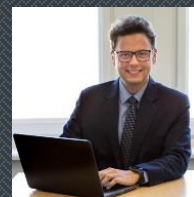M +34 670 823 315
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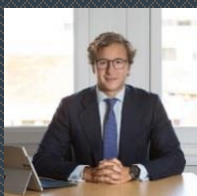M +34 679 503 140
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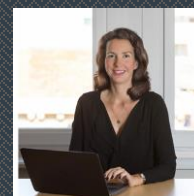E Alejandro.Scholtz@christie.com

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