

Spanish Hotel Market

Most Competitive Cities 2017



Primary Cities 2017

Why this report?

For the third consecutive year, Christie & Co publishes its annual report “*Spanish Hotel Market: Most Competitive Cities*”, providing an overview of the seven most important urban destinations in Spain (Barcelona, Madrid, San Sebastian, Malaga, Seville, Bilbao and Valencia) with an analysis of the key performance indicators at year-end 2017.

These markets were selected based on a number of criteria including their accessibility, tourism demand, lodging supply, performance levels and impact on the Spanish economy and tourism sector.

The Spanish tourism market had an exceptional year in 2017 with overnights increasing by 2.8% on 2016, hotel profitability by 9.4% and the overall volume of hotel transactions reached €3.9bn; reflecting strong investor interest. However, the total volume of overnights proportionally grew less than in 2016 (+7.4% vs 2015), suggesting a slight slowdown in tourism growth.

According to EXCELTUR, recent improvements in the hotel supply combined with better air accessibility attracted a new profile of visitor, with a stronger purchasing power, and driving higher levels of ADR across the country. Additionally, it is important to note that these urban destinations recorded a stronger RevPAR increase (+9.5%) when compared to leisure markets (+7.5%), highlighting the emerging nature of these cities as well as the ADR growth potential.

Throughout this report we analyse the economic, tourism and hotel profile of each city using public information sources including EXCELTUR, the National Institute of Statistics (INE), AENA (Spanish Airports and Air Navigation), ADIF (Administrator of Railway Infrastructures), the Ministry of Development, Alimarket, as well as Christie & Co’s knowledge of each market.

Key Observations for the 7 Analysed Cities

- 1. A record year for tourism:** all cities register their highest levels of arrivals and overnights since 2011. However, the uplift recorded is proportionally lower than in 2016, suggesting a slight slowdown in tourism growth
- 2. Importance of overseas hotel demand:** accounting for the largest part of the demand and driving growth in these markets. Compared to the country average, the cities record a proportionally higher growth in overseas tourism (+5.8% vs 3.7%)
- 3. ADR as the main driver of hotel performance:** generating the RevPAR uplift across all cities
- 4. Reduction of the domestic hotel demand:** registering higher price sensitivity than the overseas segment, the domestic market has slightly moved to alternative tourist accommodation. That results in a 1.3% downturn in overnights in these destinations (while overall domestic demand in Spain grew 1.2%)
- 5. Excellent accessibility:** all cities have airport; five provide access to the AVE rail line, and three (Barcelona, Malaga and Valencia) have maritime connections. Planned improvements to the cities’ accessibility, such as the expansion of Barcelona Airport and the arrival of the AVE train to Bilbao and San Sebastian, are expected in the coming years
- 6. New luxury offer:** 86% of the hotel bed pipeline confirmed for the next years belongs to the four and five-star segments
- 7. The beach as a demand generator:** with the exception of Madrid, the four best performing cities provide access to the sea

2017 KPI's



BARCELONA	79% Occ	128=€ ADR	102=€ RevPAR
SAN SEBASTIAN	72% Occ	128=€ ADR	92=€ RevPAR
MADRID	76% Occ	96=€ ADR	72=€ RevPAR
MALAGA	78% Occ	90=€ ADR	70=€ RevPAR
SEVILLE	75% Occ	90=€ ADR	67=€ RevPAR
BILBAO	74% Occ	84=€ ADR	62=€ RevPAR
VALENCIA	70% Occ	77=€ ADR	54=€ RevPAR

Cities Accessibility

2017: a record number of passengers in Spanish airports



- **AENA airports registered over 249m passengers in 2017**, an 8.2% increase on 2016
- **With 53.4m passengers, Madrid airport ranks as the largest airport in the country, followed by Barcelona (47.3m).** Growing passenger volumes by 16.3%, Valencia Airport showed the highest growth in 2017, largely driven by the opening of 24 routes, followed by Malaga Airport (+11.7%) and Seville Airport (+10.5%)
- **Five of the seven markets studied offered high-speed train (AVE) access.** A new high-speed rail with direct access to Bilbao and San Sebastian is due to open in 2019
- **In 2017, the Port of Barcelona recorded 4.1m passengers (+4.5%) making it the fourth most visited port in Spain.** Comparatively, the Port of Valencia registered the largest increase in the number of arrivals (1.1m passengers, +16.7%/ 2016), followed by the Port of Malaga (808.5k, +11.9%)

BARCELONA	Distance to city centre: 15km Passengers: 47.3m (+7.1%) Destinations: 210	Barcelona Sants Station Passengers: 42.3m Number of lines*: 10
SAN SEBASTIAN	Distance to city centre: 22km Passengers: 282k (+6.6%) Destinations: 2	San Sebastian – Donostia Station Passengers: 2.1m Number of lines: 5
MADRID	Distance to city centre: 12km Passengers: 53.4m (+5.9%) Destinations: 211	Puerta de Atocha Station Passengers : 22.3m Number of lines: 4
MALAGA	Distance to city centre: 8km Passengers: 18.6m (+11.7%) Destinations: 137	Malaga – Maria Zambrano Station Passengers : 6.1m Number of lines: 3
SEVILLE	Distance to city centre: 10km Passengers: 5.1m (+10.5%) Destinations: 65	Sevilla – Santa Justa Station Passengers: 9m Number of lines: 5
BILBAO	Distance to city centre: 12km Passengers: 4.9m (+8.4%) Destinations: 22	Bilbao Abando Indalecio Prieto Station Passengers: 6.2m Number of lines: 2
VALENCIA	Distance to city centre: 8km Passengers: 6.7m (+16.3%) Destinations: 83	Valencia Joaquín Sorolla Station Passengers: 3.9m Number of lines: 4

*See line typology in page 12 (Glossary and Legend)

Barcelona

A 6% ADR increase drives a RevPAR growth of 6%

After three years of continuous growth, domestic demand has decreased for the first time (-1%) in 2017, while overseas visitors, accounting for 80% of the arrivals, continues to drive tourism growth (+4%). Despite the recent instability, occupancy levels showed stagnation following five years of increases, while ADR levels maintained their positive historic trend (+6%). Over the next few years, more than 2,000 new beds are expected to enter the market, representing a 2.6% bed supply increase.

Macro-Indicators

- Population: 1.6m
- Unemployment rate: 8.8%
- Catalonia GDP : €223.1bn (+3.3%/2016)
- Catalonia Inflation rate: 1.2%

Employment by Sector

- Tertiary (75%)
- Industrial (18.8%)
- Construction (5.8%)
- Agriculture (0.5%)

Tourism Contribution to GDP

- 12% (Catalonia 2016)

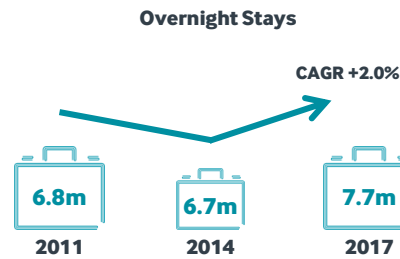
Key Tourist Attractions

- Sagrada Familia Basilica
- Park Güell
- Casa Milá
- La Rambla
- Camp Nou Stadium

Hotel Pipeline 2018-2022

- 5-stars: 3 projects (513 keys)
- 4-stars: 2 projects (203 keys)
- 3-stars: 2 projects (330 keys)

Tourism Demand

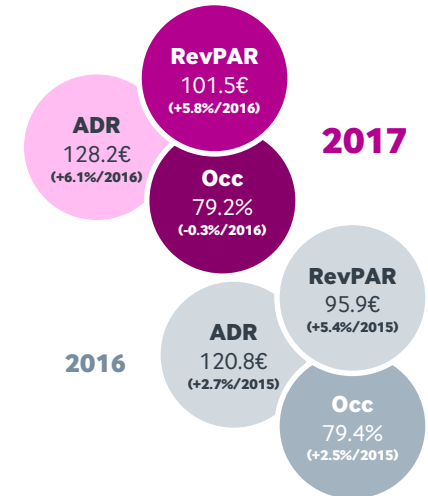


Hotel Supply



Hotels	CAGR	Beds
+5.4%		+3.1%
650	2017	79,288
568	2014	73,906
474	2011	65,925

Hotel Performance



San Sebastian

Occupancy levels resist both the ADR growth and the new hotel supply

Despite the continuous increase in ADR and hotel supply (which has grown by almost 4%), occupancy levels have registered a slight 1% increase in 2017. Overseas demand increases when the domestic demand records a light 1% uplift, lower than the previous growth registered since 2015. With an 18% potential supply increase, the market shows some signs of fatigue. However, the opening in 2019 of the AVE and the Basque Y, are expected to have a positive impact on the demand.

Macro-Indicators

- Population: 186k
- Unemployment rate: 9%
- Basque Country GDP : €71.7bn (+3.1%/2016)
- Basque Country Inflation rate: 1.1%

Employment by Sector

- Tertiary (67.5%)
- Industrial (26.7%)
- Construction (5.2%)
- Agriculture (0.6%)

Tourism Contribution to GDP

- 7.4% (Guipuzkoa 2016)

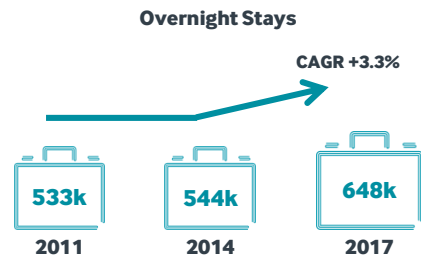
Key Tourist Attractions

- La Concha Beach
- San Sebastián International Film Festival
- Peine del Viento
- Kursaal Theatre
- Monte Igueldo

Hotel Pipeline 2018-2022

- 4-stars: 8 projects (491 keys)

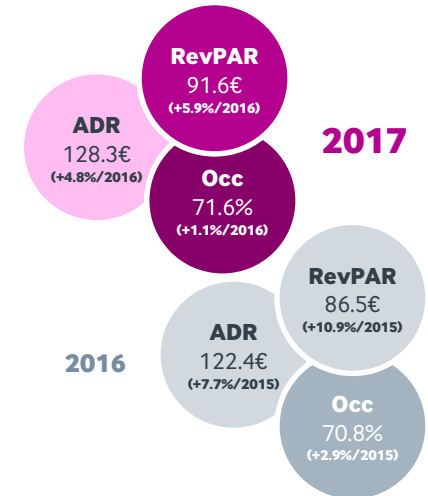
Tourism Demand



Hotel Supply

Hotels	CAGR	Beds
+5.2%		+3.6%
141	2017	5,470
94	2014	4,536
104	2011	4,434

Hotel Performance



Madrid

Record levels of RevPAR (€72.4) driven by a 10% increase in ADR

In 2017 oversea demand drove tourism growth in Madrid to a record level of 9.3m arrivals, making it the most visited urban destination in Spain. In addition, it enabled hoteliers to increase their average price by 10% and grew RevPAR levels by 14%. With a hotel pipeline of over 2,400 rooms, Madrid has attracted new luxury actors (Pestana Collection, Four Seasons and W), who are expected to increase market competitiveness and to position Madrid as one of the top urban destinations in Europe.

Macro-Indicators

- Population: 3.2m
- Unemployment rate: 10.4%
- Madrid Community GDP: €219.9bn (+3.4%/2016)
- Madrid Comm. Inflation rate: 1.2%

Employment by Sector

- Tertiary (85.7%)
- Industrial (9%)
- Construction (5.3%)
- Agriculture (0.1%)



Tourism Contribution to GDP

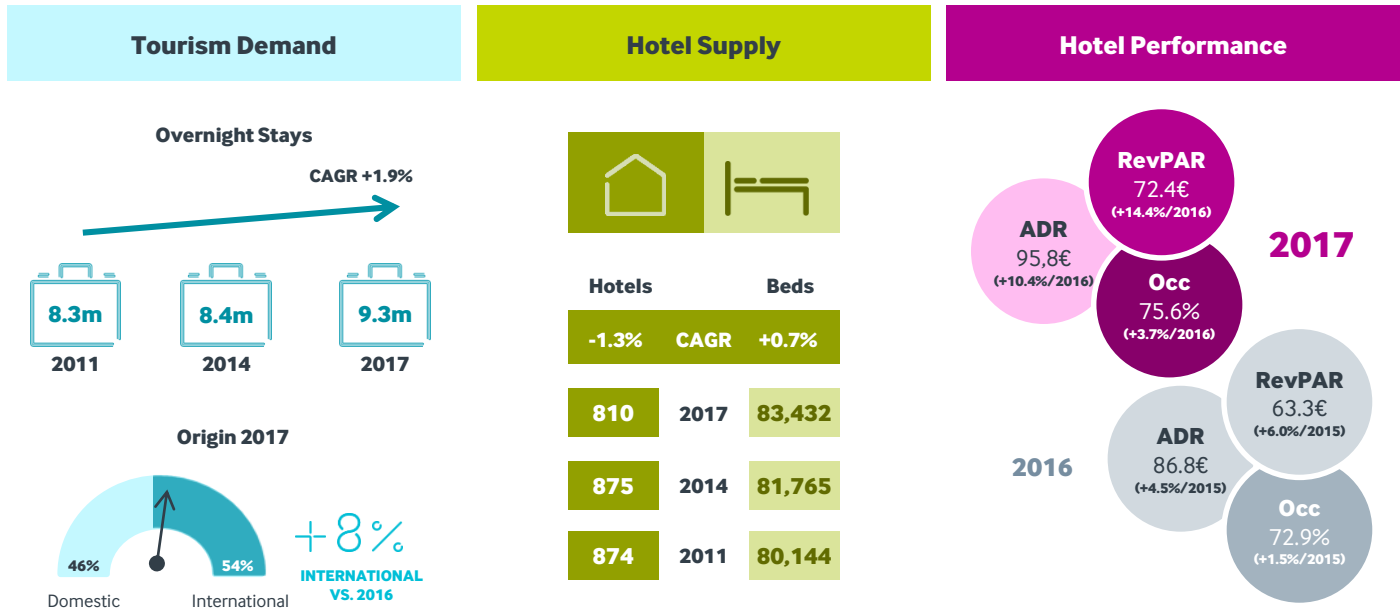
- 7% (Madrid Community)

Key Tourist Attractions

- Reina Sofía Museum
- Museo del Prado
- Thyssen-Bornemisza Museum
- Plaza Mayor
- Santiago Bernabéu Stadium

Hotel Pipeline 2018-2022

- 5-stars: 3 projects (513 keys)
- 4-stars: 2 projects (203 keys)
- 3-stars: 2 projects (330 keys)
- 1-star: 2 projects (154 keys)



Malaga

Overseas demand drives a 11% record uplift in ADR

As a consolidated urban destination, Malaga benefits from being the capital of the Costa del Sol, one of the key leisure regions of the country. The city offers extensive transport infrastructure, which includes the fourth Spanish airport and the AVE train. Driven by a significant 21% increase in international demand, the average price reached €89.7 (+11%) in 2017 with an occupancy of 77.8% (+2%), resulting in an overall RevPAR increase of 13%.

Macro-Indicators

- Population: 569k
- Unemployment rate: 24.2%
- Andalusia GDP : €155.2bn (+2.7%/2016)
- Andalusia Inflation rate: 1.1%

Employment by Sector

- Tertiary (84.7%)
- Industrial (5.5%)
- Construction (6.9%)
- Agriculture (3%)

Tourism Contribution to GDP

- 12.8% (Andalusia)

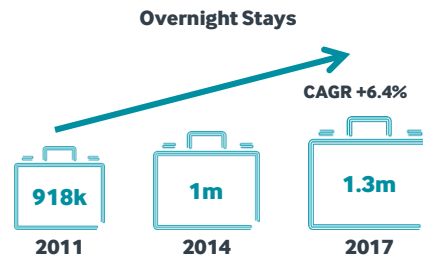
Key Tourist Attractions

- La Encarnación Cathedral
- Alcazaba de Málaga
- Marqués de Larios Street
- Picasso Museum
- Carmen Baths

Hotel Pipeline 2018-2022

- 5-stars: 1 project (357 keys)
- 4-stars: 4 projects (350 keys)

Tourism Demand

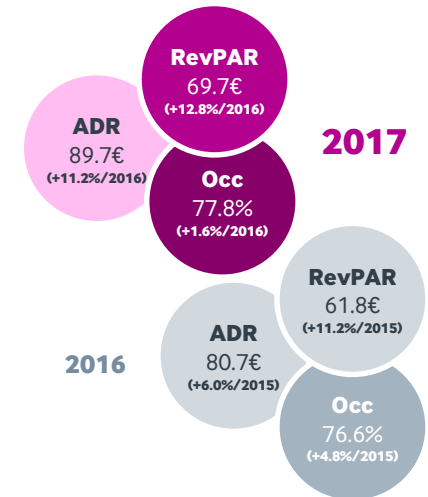


Hotel Supply



Hotels	CAGR	Beds
-1.8%		+1.6%
85	2017	10,033
109	2014	9,640
95	2011	9,130

Hotel Performance



Seville

A mature market registering a 9.5% increase in RevPAR

The growth of the international segment led Seville hotels to increase their daily rate in 2017. As a result, the domestic demand (more price sensitive) registered a 5% decrease and altered the mix of demand in the city. Receiving high investment interest, the city expects a 3% supply growth in the coming years.

Macro-Indicators

- Population: 689k
- Unemployment rate: 22.5%
- Andalusia GDP : €155.2bn (+2.7%/2016)
- Andalusia Inflation rate: 1.1%

Employment by Sector

- Tertiary (78.1%)
- Industrial (10.4%)
- Construction (5.4%)
- Agriculture (6.2%)

Tourism Contribution to GDP

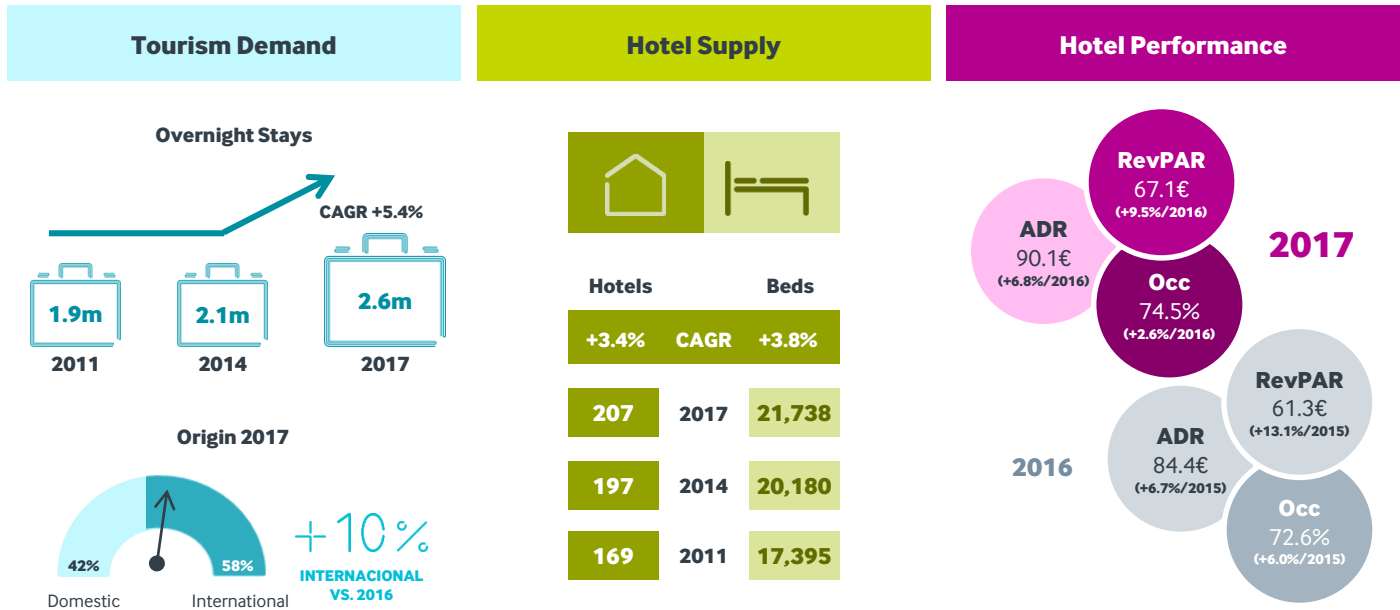
- 12.8% (Andalusia)

Key Tourist Attractions

- Giralda and Sevilla Cathedral
- Plaza España
- Torre del Oro
- Archivo General de Indias
- Alcázar de Sevilla

Hotel Pipeline 2018-2022

- 5-stars: 2 projects (185 keys)
- 4-stars: 4 projects (187 keys)



Bilbao

An ADR with growth potential driving a 12% increase in RevPAR

The ADR increase (+9%) in 2017 boosted profitability by 12%, however, this same increase has affected domestic tourism, which has decreased by 1%. While demand has increased significantly in recent years, price levels have remained below those reached in 2009, reflecting the potential growth of ADR in the market. It is expected that the arrival of the AVE to the city, the development of the "Y Vasca" and the entrance of luxury hotel brands will have a positive impact on its profitability.

Macro-Indicators

- Population: 345k
- Unemployment rate: 15.2%
- Basque Country GDP : €71.7bn (+3.1%/2016)
- Galicia Inflation rate: 1.1%

Employment by Sector

- Tertiary (75.4%)
- Industrial (18.5%)
- Construction (5.4%)
- Agriculture (0.6%)

Tourism Contribution to GDP

- 5.2% (Biscay 2016)

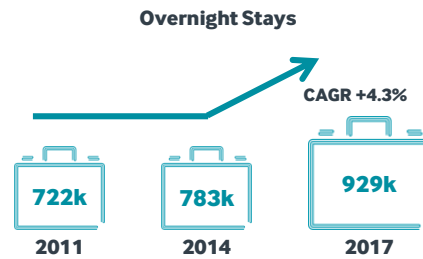
Key Tourist Attractions

- Museo Guggenheim
- Museo de Bellas Artes
- Catedral de Bilbao
- Casco Viejo
- Funicular de Artxanda

Hotel Pipeline 2018-2022

- 4-stars: 5 projects (419 keys)

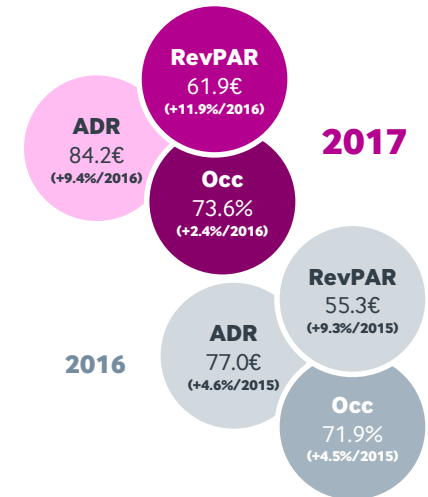
Tourism Demand



Hotel Supply

Hotels	CAGR	Beds
+3.0%		+2.1%
67	2017	7,633
65	2014	7,238
56	2011	6,750

Hotel Performance



Valencia

Recording its ever highest ADR increase (+9%)

The demand generators that are attractive for both the business and leisure segments, as well as its excellent accessibility, have enabled Valencia to “internationalize” and generate greater demand. Driven by a 9% increase in ADR, Valencia registered its highest ever RevPAR increase (+12%) in 2017. However, the quality and quantity of the current hotel supply represent a challenge for the future profitability of the market.

Macro-Indicators

- Population: 788k
- Unemployment rate: 15.9%
- Valencian Community GDP: €108,8bn (+3.2%/2016)
- Valencian Comm. Inflation rate: 1.1%

Employment by Sector

- Tertiary (74.5%)
- Industrial (17.7%)
- Construction (5.6%)
- Agriculture (2.2%)

Tourism Contribution to GDP

- 13.2% (Valencian Comm. 2016)

Key Tourist Attractions

- City of Arts and Sciences
- Oceanogràfic
- Llotja de la Seda
- Central Market
- Torres de Serranos

Hotel Pipeline 2018-2022

- 5-stars: 1 project (31 keys)
- 4-stars: 7 projects (238 keys)



Glossary and Legend

Terms and Abbreviations

A	Actual
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
AVE	Alta Velocidad Española (Spanish High-Speed Train)
ADIF	Administrador de Infraestructuras Ferroviarias
AENA	Aeropuertos Españoles y Navegación Aérea
CAGR	Compound Annual Growth Rate. Accumulated annual growth rate recorded from 2011 to 2017
c.	Circa
C & Co	Christie & Co
GDP	Gross Domestic Product
INE	Instituto Nacional de Estadística

Legend: Increase in Demand

The size of the suitcase corresponds to variations in overnight trips to the cities for the years 2011, 2014 and 2017.

	-17.7% - 0%
	0 - +12.3%
	+12.3% - +27.3%
	+ 27.3% - +43%

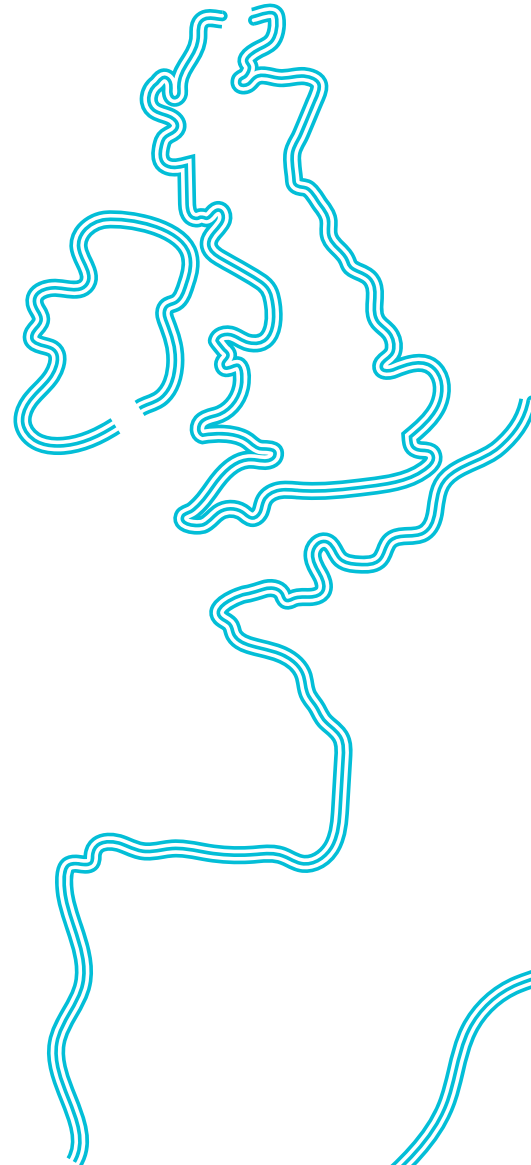
k	Thousand
KPI	Key Performance Indicator
Train Lines	Train modalities include Regional, AVE, Rodalies, MD, AVANT, ALVIA, Delta, Talgo, Euromed, TGV
M	Million
Occ	Occupation: Proportion of occupied rooms over the total number of rooms available in a given period
Overnight Stays	Number of hotel travellers
RENFE	Renfe Operadora: main railway operating company in Spain
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
Sectors by Occupation	Percentage of the total active population at a regional level, distributed by activity branch
TTOO	Tour operators / Tour operation
var	Variation
YoY	Year-on-year
vs	Versus

Introduction to Christie & Co

The leading hotel and leisure advisers in Europe

Christie & Co

- Established in Spain in the year 2000
- Offices in [Barcelona](#) and [Madrid](#)
- Providing brokerage, consultancy, and valuation services to the hotel sector
- Regulated by the [Royal Institution of Chartered Surveyors \(RICS\)](#)
- More than [275 professionals](#) across [30 offices](#) in [eight European countries](#)
- More than [450 hotel valuations](#) completed annually and more than 400 current hotels for sale



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READING
WINCHESTER

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DUBLIN
FRANKFURT
HELSINKI
LYON
MADRID
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RENNES
STOCKHOLM
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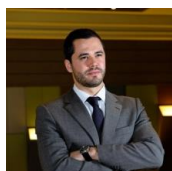
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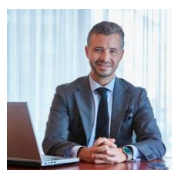
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