

The Balearic Islands Hotel Market

Season 2016



Analysing the Balearic Islands' Hotel Market

Overnight stays in the Balearics increased by 7%, reaching 58 million

Our 2015 edition of "The Balearic Islands Hotel Market" closely analysed the hotel market in Majorca, Menorca, Ibiza and Formentera, and was well received across the hotel sector, from hotel owners and operators to national and foreign investors, as well as specialised media.

We have now updated this report, once again analysing the islands to track their evolution in relation to their main performance indicators at the end of 2016. Considering that each island has its own peculiarities, we present an individual analysis on hotel demand and supply, including the profitability of hotels during the 2016 season and comparing them to results from the previous year.

The results of our analysis demonstrate the touristic strength of the islands as shown by the increase in overnight stays to 58 million. Likewise, tourist arrivals increased, reaching more than 15 million (with an accumulated growth since 2011 of 4 to 5%).

Occupancy has also improved over previous years and, in terms of hotel rates, the sector's behaviour has been different on each island, with Menorca registering the largest increase in hotel prices.

According to the data released from the Tax Agency of the Balearic Islands, the "Ecotasa" has raised €40 million during its first season.

From 2018 onwards, the promotion of tourism for each island will be managed by the respective governments for Majorca, Menorca and Formentera (Ibiza already obtained the transfer of competences in 2015). The main aim will be to adapt the institutional structure and the tourist positioning of each island to its unique character. Hoteliers and tour operators are aware that 2016 good results are still due in part to the current geopolitical situation.

The Balearic Islands should then be prepared and positioned as quality destinations, so that in the future they will not have to compete for price with other Mediterranean destinations, such as Turkey or Tunisia, once they regain their international position.

Finally, the nearly €200 million hotel investment registered in the Balearics during 2016 (around 10% of total hotel investment in Spain) is a clear example of the interest generated by the islands.



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Senior Consultant



Inmaculada Ranera
Managing Director Spain & Portugal

The Islands' Hotel Market: KPIs Year 2016



Ibiza & Formentera	Majorca	Menorca
78% Occupancy (+6,5% vs 2015)	84% Occupancy (+5% vs 2015)	78% Occupancy (+4% vs 2015)
€115 ADR (+8,6% vs 2015)	€81 ADR (+7% vs 2015)	€84 ADR (+12% vs 2015)
€92 RevPAR (+13% vs 2015)	€69 RevPAR (+12% vs 2015)	€71 RevPAR (+20% vs 2015)

Note: Data shown corresponds to the period between April and October 2016.
Source: IBESTAT, Christie & Co analysis

Majorca

International tourism continues to drive the destination's deseasonalisation

The 2016 season has been the best of recent times in Majorca, reaching around 11 million tourists and 44 million overnight stays. This growth was led by the international market, which added around 1 million additional tourists, reaching 9.7 million. On the other hand, domestic tourism lost market share and stagnated at 1.2 million (-1.17%).

Hoteliers increased their rates by about 7%, attracting tourists with high purchasing power, mainly international, which has been reflected in the increased tourism expenditure levels.

With occupancy also in the rise, hotel profitability increased by 12% and, with the exception of November and December, figures stood above previous years, which continues to encourage the sector in its growing efforts to seasonally stabilise its offer.

The Government of Majorca wants to promote a different island out of the sun and beach offer, to further progress in the deseasonalisation. Novelty such as gastronomic or wine tourism, as well as other more consolidated products of the mid-low season such as cycling, will be very present.



Majorca

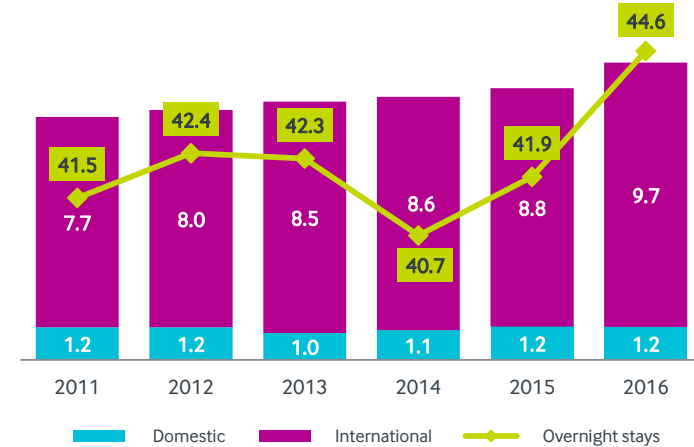
International tourism increases by c. 1 million

Tourist arrivals recorded a cumulative growth of 4.1% between 2011 and 2016, where about 10.9 million visitors were recorded, 9.5% more than in 2015.

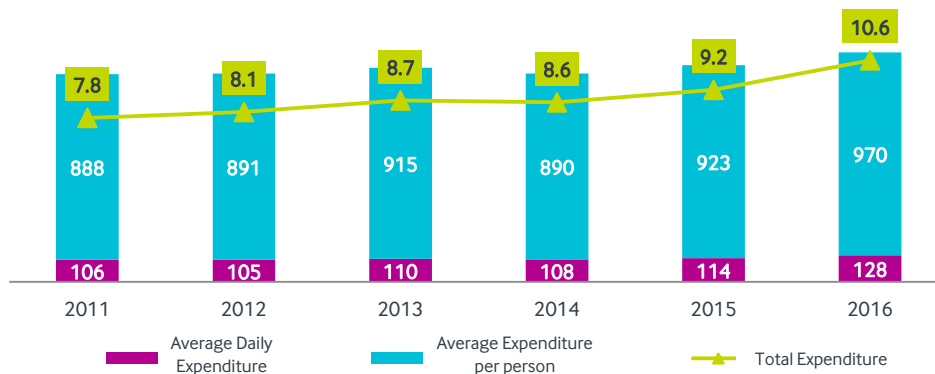
In 2016 international tourism accounted for 89% of arrivals to Majorca compared to 11% of domestic tourism. The increase in tourist arrivals was mainly driven by the growth of international tourists by more than 11% compared to 2015. By nationality, German visitors (38% and +9.8% compared to 2015) and English visitors (21% and +0.5%) led the market, followed by the Nordic countries (7% and +8.8%) and Belgium, Luxembourg and the Netherlands (Benelux), which accounted for 5%, with an increase of +36.2%.

In terms of tourist expenditure, this exceeded €10.6 million which was 15% more than in 2015. Likewise, average daily expenditure reached €128 compared with €114 in 2015 (+12%) and total expenditure per person reached €970 compared to €923 in 2015 (+5%).

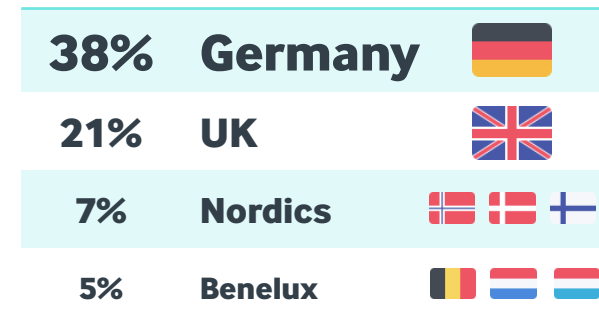
Visitors ('000) & Overnight Stays (million)
2011 - 2016



Tourist Expenditure 2011 – 2016
Average Daily Expenditure (€), Average Expenditure per person (€) & Total Expenditure (million €)



Top International Feeder Markets
Share of total international visitors – 2016



Majorca

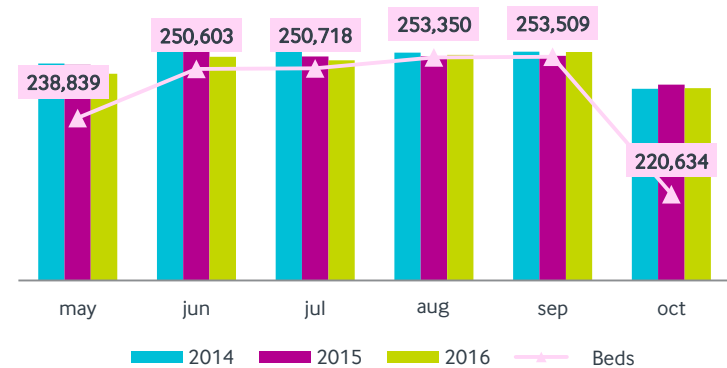
Increasing the destination deseasonalisation

There were on average 862 hotels open during the summer months of 2016, reaching a maximum of 911 in September, providing 253,509 beds. In high season, both the number of hotels and beds remained stable. Analysing the 12 months of the year, there is high seasonality: in January 2016, the number of open hotels grew by 7.8% compared to 2015, in November, by 12.7%, and in December, by 26.8%.

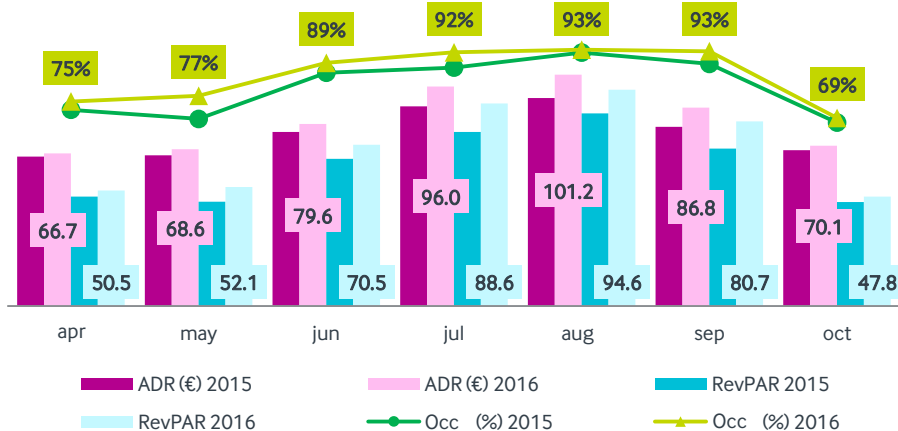
The areas with highest hotel concentration were Calvià (23%), Palma (22%), Lluçmajor (7%), Sant Llorenç de Cardassar (7%) and Alcúdia (7%).

Average occupancy from April to October was at 83.8%, reaching 93% in August, and an improvement on 2015 figures. Average rates (ADR) also increased every month, especially in August and September. As a result, RevPAR grew 12.1% on average in 2016, thanks to higher occupancy (+5%) and rates (+7%).

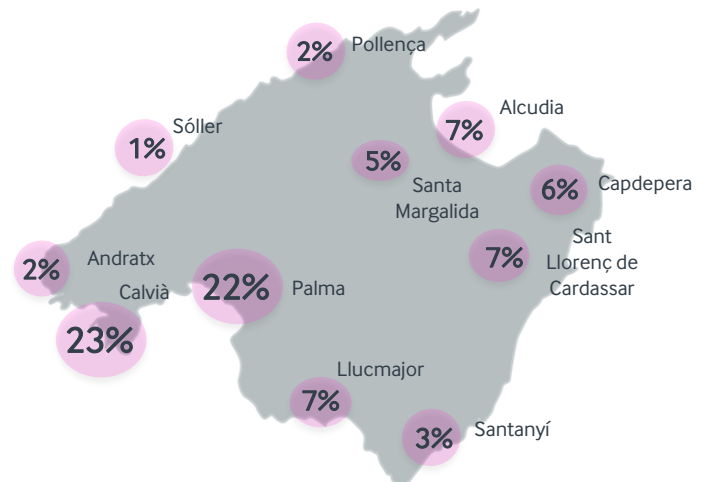
**Hotel & Bed Supply
High Season 2014-2016**



**High Season KPIs
2016 vs. 2015**



**Bed Supply (approximate distribution)
2015**



Menorca

Demand at record levels and led by the domestic market

In 2016, the trend that started in 2015 consolidated, which, unlike other destinations in the Balearic Islands, was led by the domestic market (+15.8%). This was closely followed by the international market (+13.7%), which continues to generate 64% of visits to the island.

During the last season there was a considerable increase in tourist expenditure, reaching €109 per person (+11%), as well as hotel rates (+12%) and occupancy (+4%). As a result, hotel profitability increased by 20%.

New hotel openings during the year expanded hotel rooms by more than 1,300, despite the fact that the island's capacity continues to be a growing concern in the sector, especially in relation to non regulated tourist accommodation.

At the moment, the main strategy of tourism promotion that is being developed by the Government of Menorca is focused on reducing the island's seasonality. Menorca has the UNESCO Biosphere Reserve declaration, and aims to be a World Heritage Site by UNESCO.



Menorca

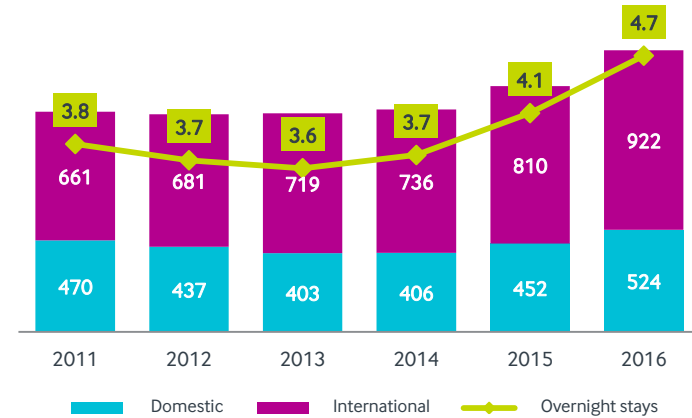
Tourism expenditure increased by 20%

Tourist arrivals to the island recorded an annualised growth of 5% between 2011 and 2016, a year in which 1.4 million visitors were recorded, 14.5% more than in 2015.

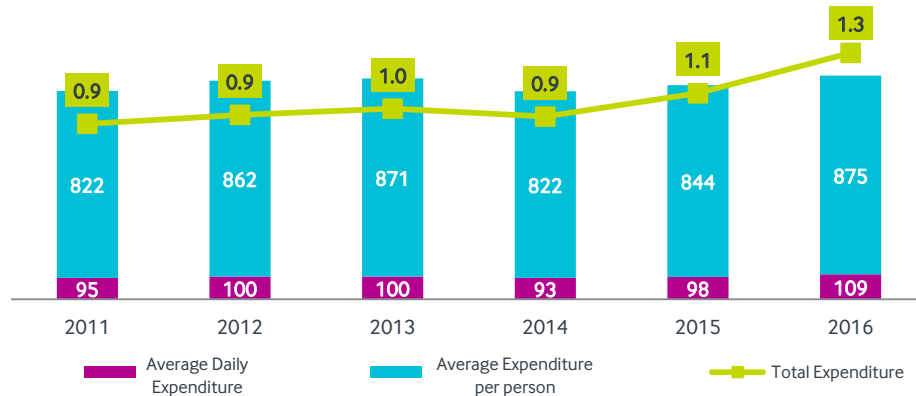
In 2016 international tourism accounted for 64% of the arrivals to Menorca compared to 36% of domestic tourism. The increase in tourist arrivals was driven by domestic and international tourism growth, which were +16% and +14% respectively. By nationality, British visitors (36%) and the domestic market (36%) led the market, moreover, domestic market registered a considerable increase in 2016 of 16%, compared to a lighter increase of 6% of British tourism.

Tourism expenditure exceeded €1.2 million, which was 20% more than in 2015. In the same way, average daily expenditure reached €109 compared to €98 in 2015 (+11%) and total expenditure per person reached €874 compared to €843 in 2015 (+4%).

Visitors ('000) & Overnight Stays (million)
2011 - 2016



Tourist Expenditure 2011 – 2016
Average Daily Expenditure (€), Average Expenditure per person (€) & Total Expenditure (million €)



Top International Feeder Markets
Share of total international visitors – 2016



Menorca

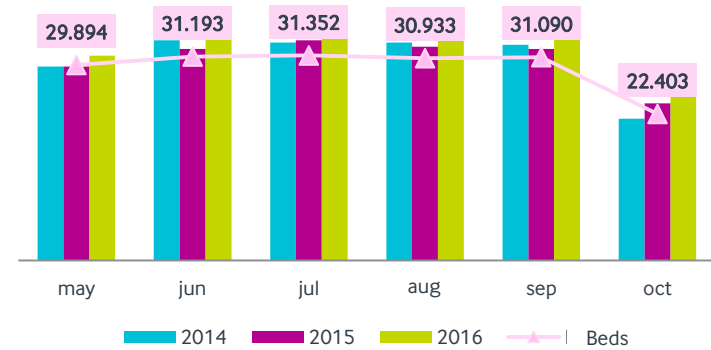
Profitability at record levels

There were on average of 98 hotels opened during the summer months of 2016 reaching a maximum of 106 in July (31,352 beds). Between June and September, both the number of hotels and the number of beds remained stable. However, when analysing the 12 months of the year, the island shows high seasonality, with the hotel supply closed between November and February.

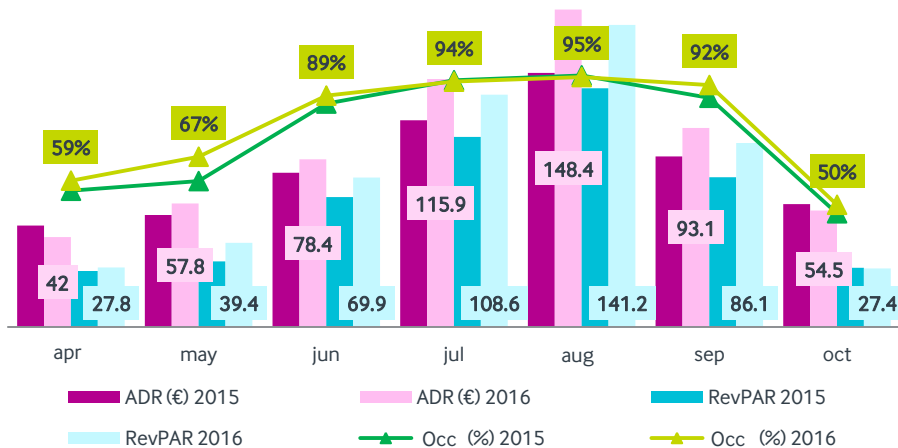
The areas with the highest hotel concentration were Ciutadella (39%), Sant Lluís (16%), Alaior (12%) and Es Migjorn Gran (9%).

Average occupancy from April to October was 78%, reaching 95% in August, an improvement on 2015 figures. Rates also increased every month, especially in July and August (+20-25%). As a result, average RevPAR growth in 2016 was 20%, thanks to higher occupancy (+4%) and rates (+12.4%).

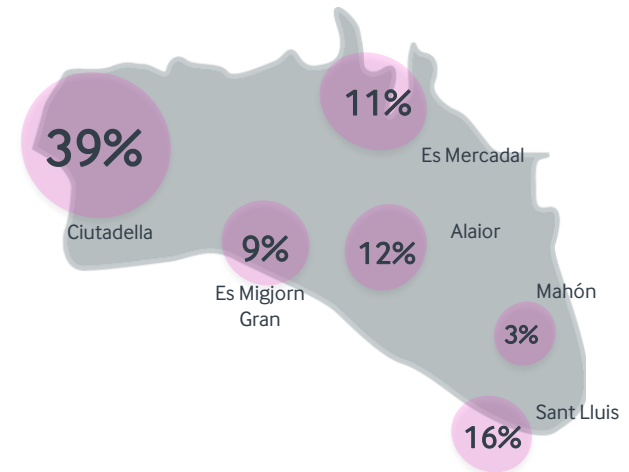
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**High Season KPIs
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**Bed Supply (approximate distribution)
2015**



Ibiza & Formentera

Profitability continues to rise driven by international demand

The international positioning of Ibiza and Formentera has strengthened during the last few years, registering four consecutive years of growth in demand. Since 2013, demand has increased by 24%, driven by international tourism (+29%) which is a stark contrast to the domestic market (+8%).

There was an increase in tourist spending in 2016, with average daily expenditure reaching €140 (+21%), with record levels in July of €67 (+33%). Hotel profitability also increased by 13%, thanks to both the rise in average rates and occupancy levels.

However, these increases in profitability are below those experienced in 2015, which reached 20% due to higher average rates implemented by hoteliers.

Ibiza and Formentera have clearly focused on luxury and high purchasing power tourism. The offer of five and four star hotels had never been so high. As a result, rates continue to increase (and is not anticipated to slow down), which leads to considerable reductions in both average stay and domestic demand levels.



Ibiza & Formentera

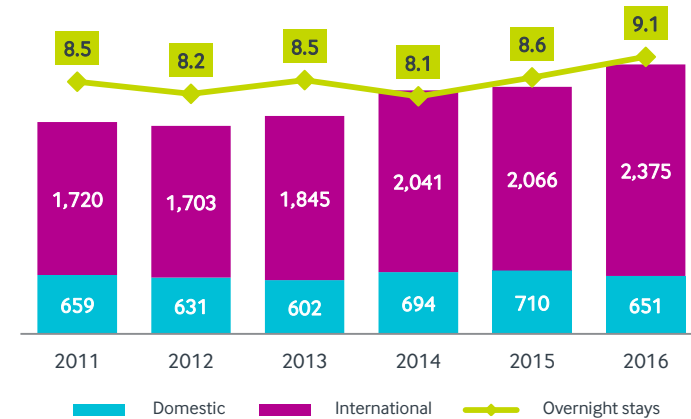
Decreasing significance of domestic tourism

Tourist arrivals registered an annualised growth of 4.9% between 2011 and 2016, a year in which more than 3 million visitors were recorded, 9% more than in 2015.

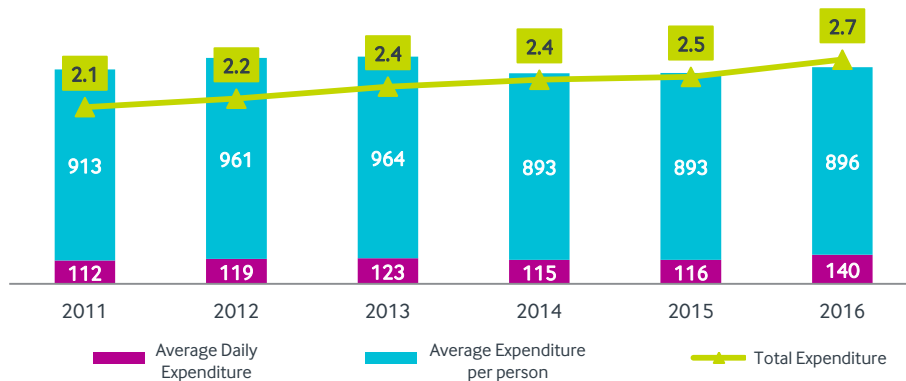
International tourism accounted for 78% of arrivals to Ibiza in 2016, compared to 22% of domestic tourism. The increase in tourist arrivals was driven by the growth of international tourists (+15% compared to 2015), while the domestic market showed a decline of 8.3%. By nationality, British visitors continued to lead the market (28%, +7% compared to 2015), and the domestic market (21%), but with a significant decline.

In terms of tourism expenditure, it exceeded €2.6 million in 2016, which was 8% more than in 2015. Likewise, average daily expenditure reached €140, compared to €116 in 2015 (+21%) and total expenditure per person increased slightly to €896 compared to €893 in 2015 (+0.3%).

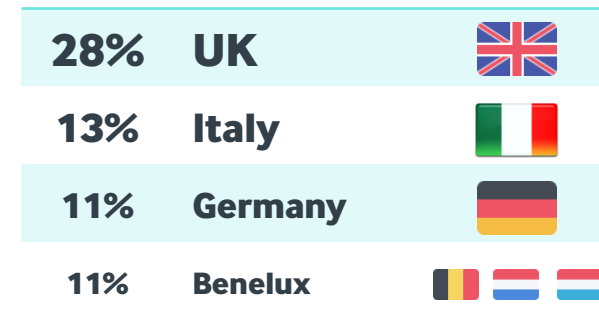
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Top International Feeder Markets
Share of total international visitors – 2016



Ibiza & Formentera

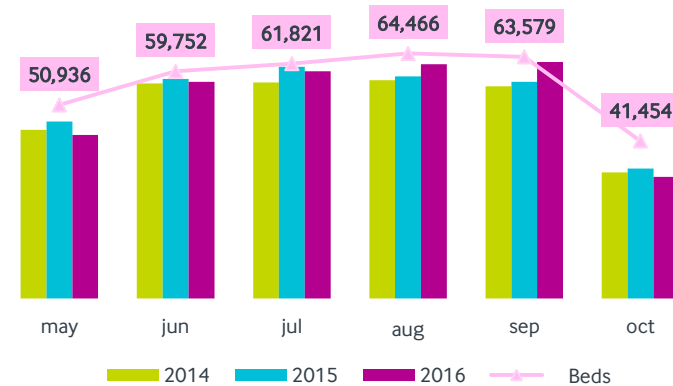
Hotel rates increase, but at a slower pace than in 2015

During the summer months there was on average 263 hotels opened, reaching a maximum of 311 in September (63,579 beds). In high season, both the number of hotels and beds remained stable. However, analysing all 12 months of the year, the islands show high seasonality, with the hotel supply closed between November and February.

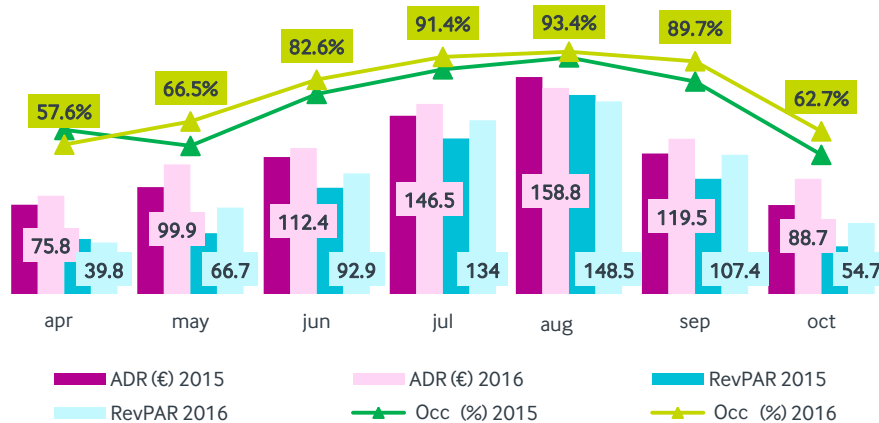
The areas with the highest hotel concentration were Sant Josep (28%), Santa Eulalia (26%), Eivissa (17%) and Sant Antonio de Portmany (15%).

Average occupancy from April to October was 77.7%, reaching 93% in August, and improving the figures for 2015. Average rates also increased every month, especially in May and October. Average growth of RevPAR in 2016 was therefore 13%, thanks to higher occupancy +6.5% and higher average rates (+8.6%).

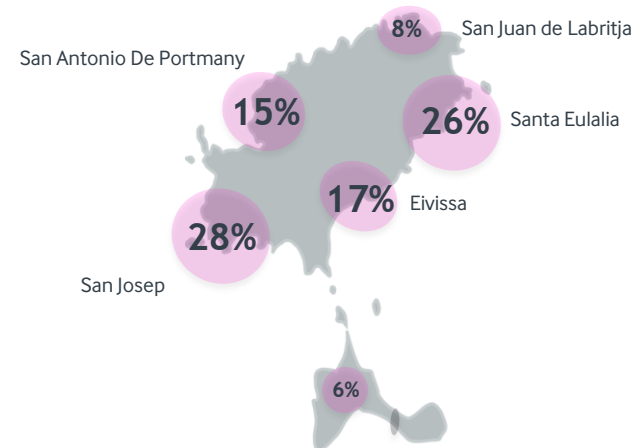
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2015



Definitions and Abbreviations

A	Actual	RevPAR	Revenue Per Available Room. Calculated as Occupancy multiplied by ADR for a given period. Can also be calculated as Rooms Revenue divided by Rooms Available in a given period
ADR	Average Rate. Defined as room revenue for the period divided by the total number of guest rooms occupied during the period (Average Daily Rate)		
CAGR	Compound Annual Growth Rate	var	Variation
C & Co	Christie & Co	YoY	Year-on-year
k	Thousands		
KPI	Key Performance Indicator		
M	Millions		
Occ	Occupancy. Defined as the ratio of total occupied rooms to total available rooms in a period		

Brief Introduction to Christie & Co

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