

# Spanish Hotel Market

## Canary Islands





# The Canary Islands Hotel Market

## Why this report?

In line with reports produced periodically by Christie & Co, we have updated the report "*Hotel Market in Spain: Canary Islands*", published for the first time in 2016, which analyses \*the four main islands (Gran Canaria, Tenerife, Fuerteventura and Lanzarote), with the intention of determining the evolution of its main indicators in 2017 and 2018.

The Canary Islands is the region in Spain which registered the highest levels of overnight stays in 2017 (21% of the total), thanks to its varied offering of beaches, nature, sports, and other touristic attractions. With an all-year-round climate and excellent air accessibility, the destination records low levels of seasonality with consistent demand flows, contrasting with other holiday destinations in the country.

In recent years, the Canaries' hotel sector has achieved record levels, the evolution of the main indicators from 2015 to 2018 show the evident consolidation of the Canary Islands as a leading European holiday destination, which benefits from a very diversified oversea demand as well as the instability of its Mediterranean competitors (Turkey, Tunisia or Egypt).

This instability has generated a "borrowed" tourism, which now in 2018 already shows first signs of correction and return to normality.

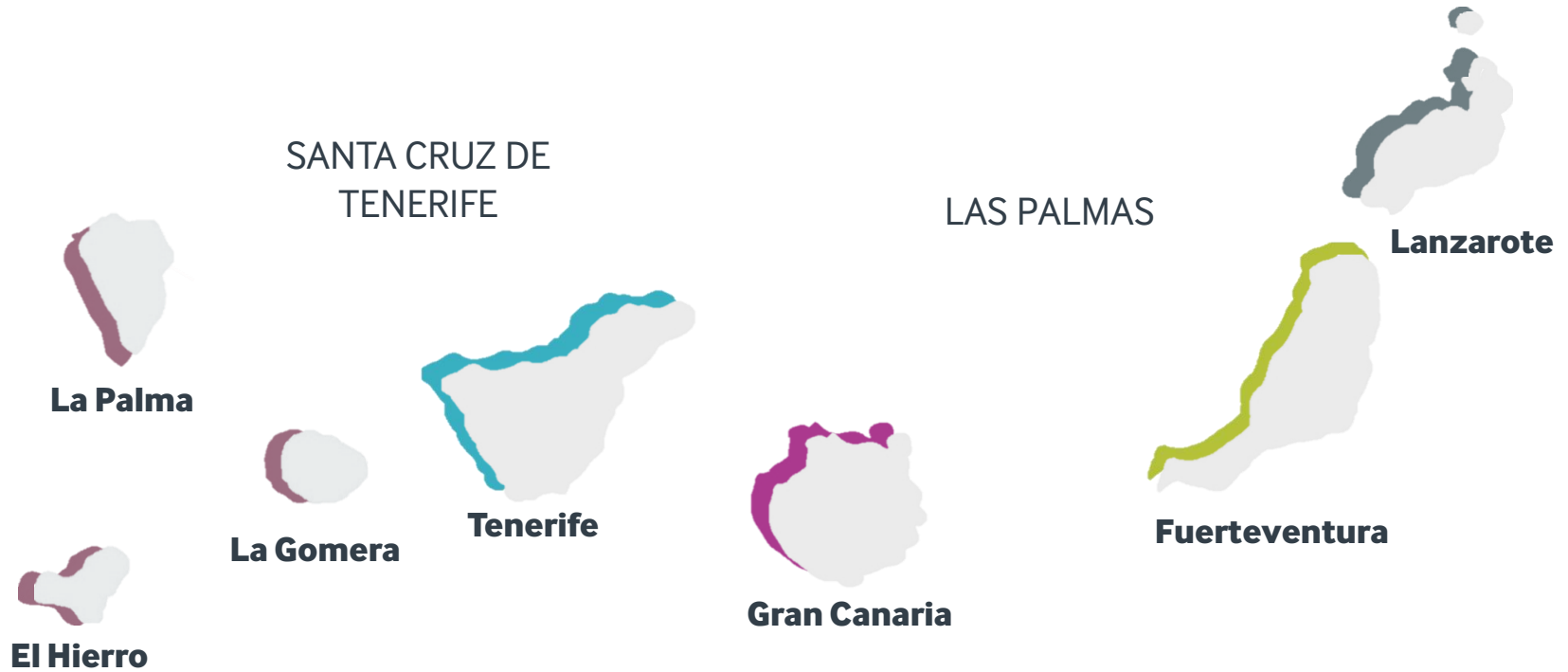
Throughout this report we will analyse the economic, tourism and hotel framework of each of them, using public information sources that include: EXCELTUR, the National Statistics Institute (INE), AENA (Spanish Airports and Air Navigation), Ministerio de Fomento de España, Alimarket, as well as Christie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

*\*Accounting for 2.5% of the total overnight stays in the Canaries' archipelago, the islands of La Palma, La Gomera, and El Hierro have not been included in our analysis of the islands.*

## Key Observations

- 1. Demand consolidation:** in line with the stabilisation of tourism demand in the archipelago, reaching historic levels in 2017, the levels of profitability have consolidated, maintaining its position as the most competitive holiday destination in Spain
- 2. The increase of the 4 and 5-star market:** while a decrease in hotel supply is noted for categories lower than 4-star, establishments between the 4 and 5-star categories have increased their presence by means of both recent and future openings
- 3. Recovery of competitive destinations:** the political and economic stabilisation of competitive Mediterranean destinations has generated a correction in the demand
- 4. Occupancy rate as the main driver of profitability decline:** with the exception of Fuerteventura, the Canary Islands have seen their profitability reduced due to a general occupancy decrease
- 5. A decline in the German and British market:** the collapse of the airline Niki, a subsidiary of Air Berlin, has driven a noticeable drop in German overnight stays. Additionally, the depreciation of Pound Sterling, as a direct effect of Brexit, has caused decreases of around 6% in British tourism

# KPI's 2017



<b>GRAN CANARIA</b>	<b>87%</b> Occ	<b>€95</b> ADR	<b>€82</b> RevPAR
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<b>TENERIFE</b>	<b>85%</b> Occ	<b>€95</b> ADR	<b>€81</b> RevPAR
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<b>LANZAROTE</b>	<b>86%</b> Occ	<b>€89</b> ADR	<b>€77</b> RevPAR
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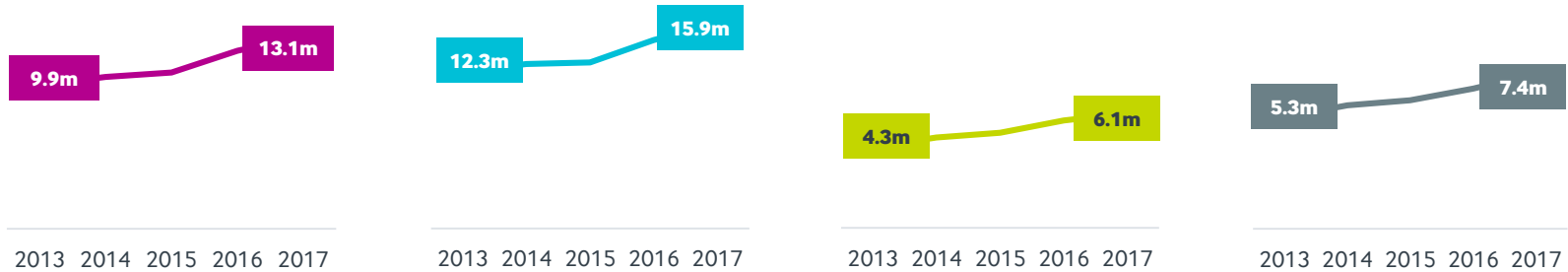
<b>FUERTEVENTURA</b>	<b>86%</b> Occ	<b>€90</b> ADR	<b>€78</b> RevPAR
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# Islands Accessibility

## 2017: a record number of passengers in the airports of the Canary Islands



### PASSENGERS



### LOCATION



Gran Canaria



Tenerife



Fuerteventura



Lanzarote



### DETAILS

#### Gran Canaria Airport

- Passengers 2017: 13.1m (+8.3%/2016)
- Destinations: 147 in 26 countries
- Distance to Las Palmas: 20km

#### Tenerife South Airport

- Passengers 2017: 11.2m (+7.4%/2016)
- Destinations: 134 in 26 countries
- Distance to Los Cristianos: 15km

#### Tenerife North Airport

- Passengers 2017: 4.7m (+11.5%/2016)
- Destinations: 18 in 5 countries
- Distance to Sta. Cruz de Tenerife: 10km

#### Fuerteventura Airport

- Passengers 2017: 6.0m (+6.6%/2016)
- Destinations: 87 in 19 countries
- Distance to Puerto del Rosario: 5km

#### Lanzarote Airport

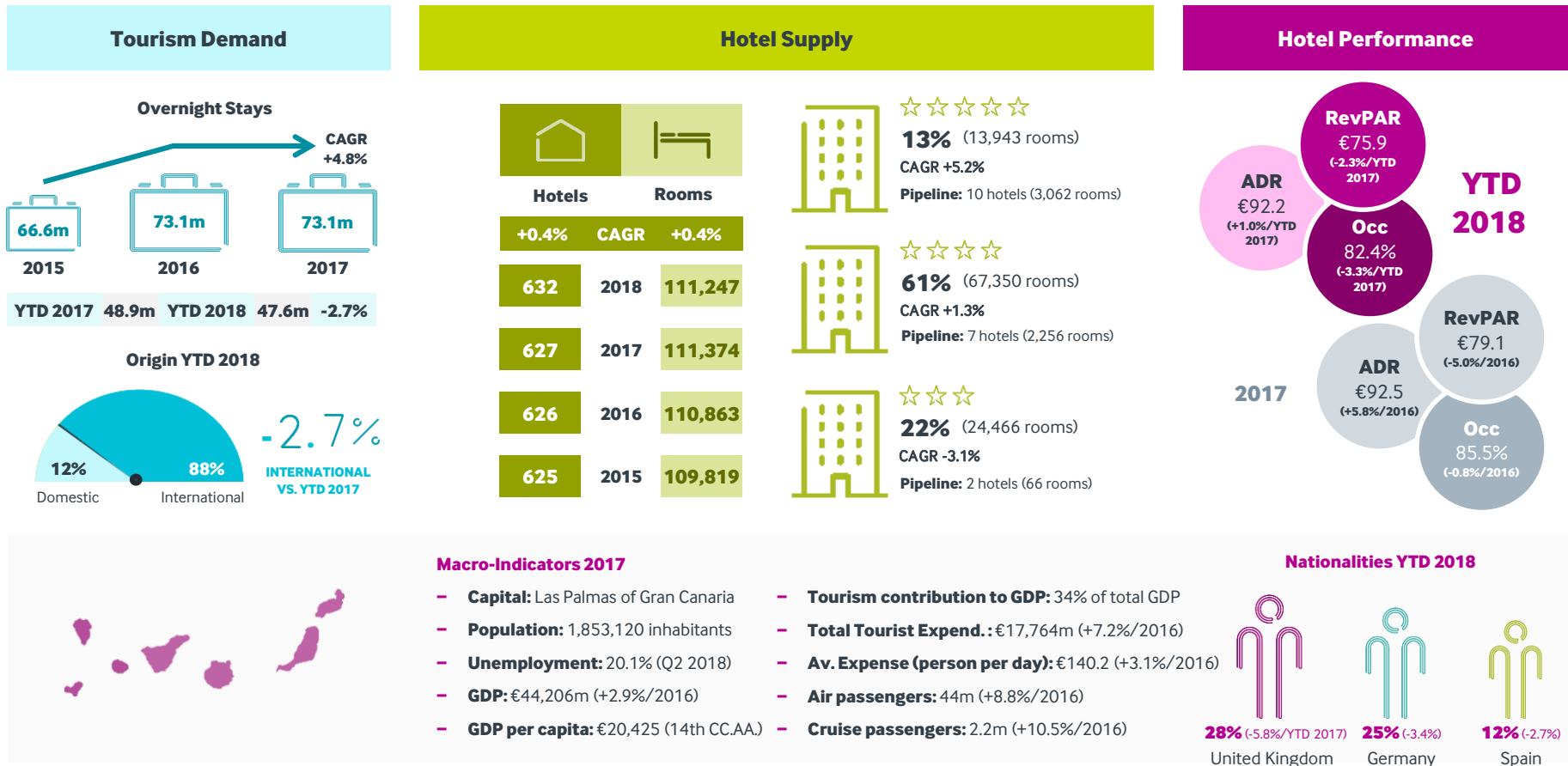
- Passengers 2017: 7.4m (+10.5%/2016)
- Destinations: 84 in 19 countries
- Distance to Arrecife: 5km

\*Graph: total passengers arrived in Tenerife

# The Canary Islands

## Consolidation of the demand, after five years of continuous increases

After five years of record-breaking tourist demand, the Canary Islands reached a historic peak in 2017, with 73.1m of overnight stays, maintaining and strengthening its position as the top Spanish tourist destination. That same year, key performance indicators reflected a growth slowdown suggesting a possible consolidation of the demand levels. At YTD, that consolidation is confirmed by declines in the occupancy rates, that are forecasted to be more pronounced at the end of 2018.



#### Macro-Indicators 2017

- **Capital:** Las Palmas de Gran Canaria
- **Population:** 1,853,120 inhabitants
- **Unemployment:** 20.1% (Q2 2018)
- **GDP:** €44,206m (+2.9%/2016)
- **GDP per capita:** €20,425 (14th CC.AA.)

#### Nationalities YTD 2018

- **Tourism contribution to GDP:** 34% of total GDP
- **Total Tourist Expend.:** €17,764m (+7.2%/2016)
- **Av. Expense (person per day):** €140.2 (+3.1%/2016)
- **Air passengers:** 44m (+8.8%/2016)
- **Cruise passengers:** 2.2m (+10.5%/2016)

**28%** (-5.8%/YTD 2017)  
United Kingdom

**25%** (-3.4%)  
Germany

**12%** (-2.7%)  
Spain



# Gran Canaria

## The Miniature Continent

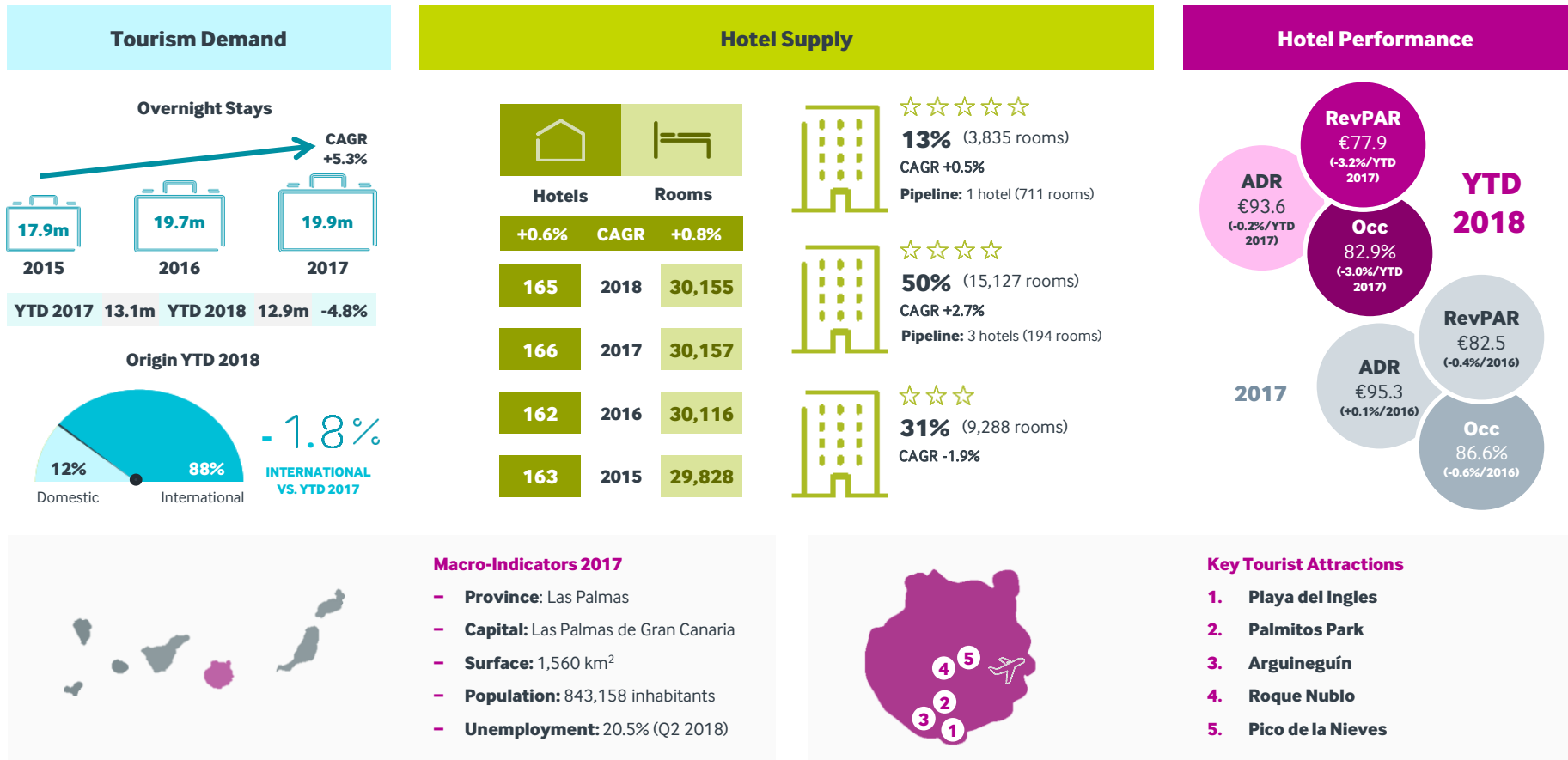




# Gran Canaria

## Highest RevPAR in the Islands

Gran Canaria is the island with the highest levels of hotel profitability in the archipelago, as well as the second in the number of overnight stays, after Tenerife. After a record year in 2016, hotel demand, dominated by the international segment, consolidated in 2017 with 19.9m of overnight stays (slight increase of 0.8% compared to 2016). At YTD, the decrease in foreign markets, mainly the German market (-6.7%/ YTD 2017) accounting for 26.0% of the overnight stays on the island, has impacted the occupancy levels of Gran Canaria (-3.0%).





# Tenerife

## The Endless Spring

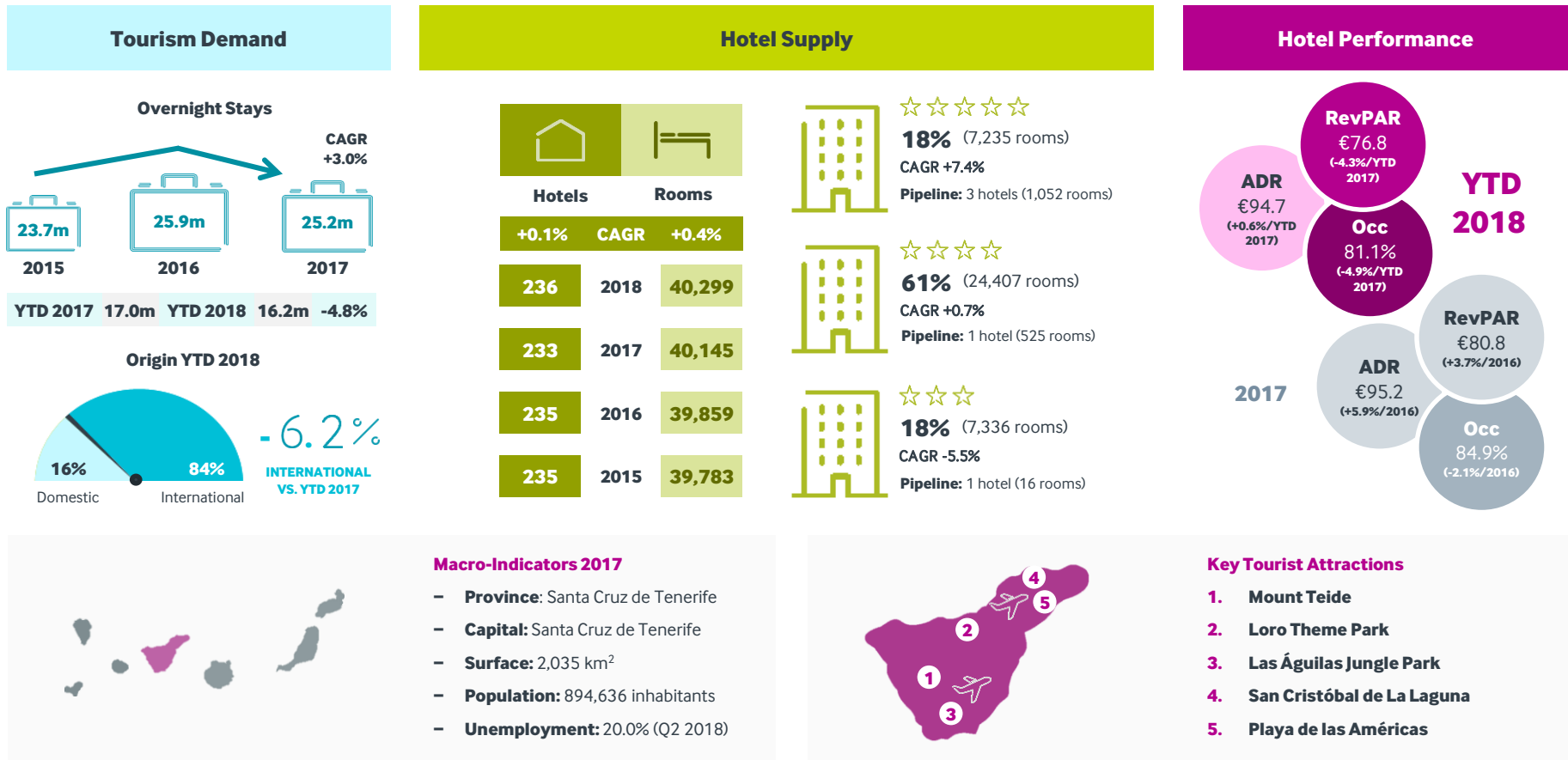




# Tenerife

## ADR stabilises at €95, the highest levels in the archipelago

Tenerife is the first destination of the Canary Islands, accounting for approximately 35% of the total overnight stays and hotel supply. In 2017, Tenerife registered record levels of hotel performance, driven by 5.9% increase in ADR reaching €95 and establishing itself as the highest levels in the archipelago. However, in the same year, the Island recorded a decrease in international demand of 3.5%, a downward trend that remained in 2018 (-6.2%/ YTD 2017), penalising the island's profitability (-4.3%).





# Fuerteventura

## **The Canary Islands' Beach**

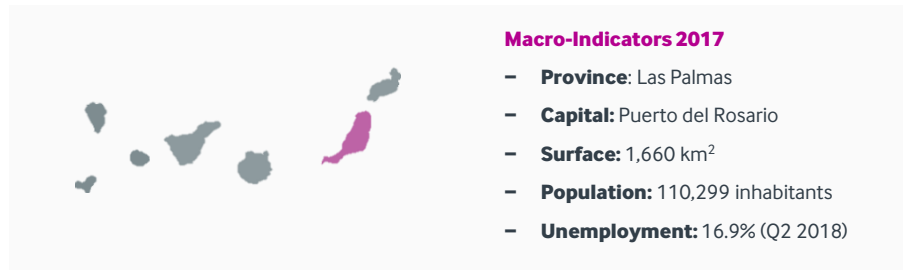
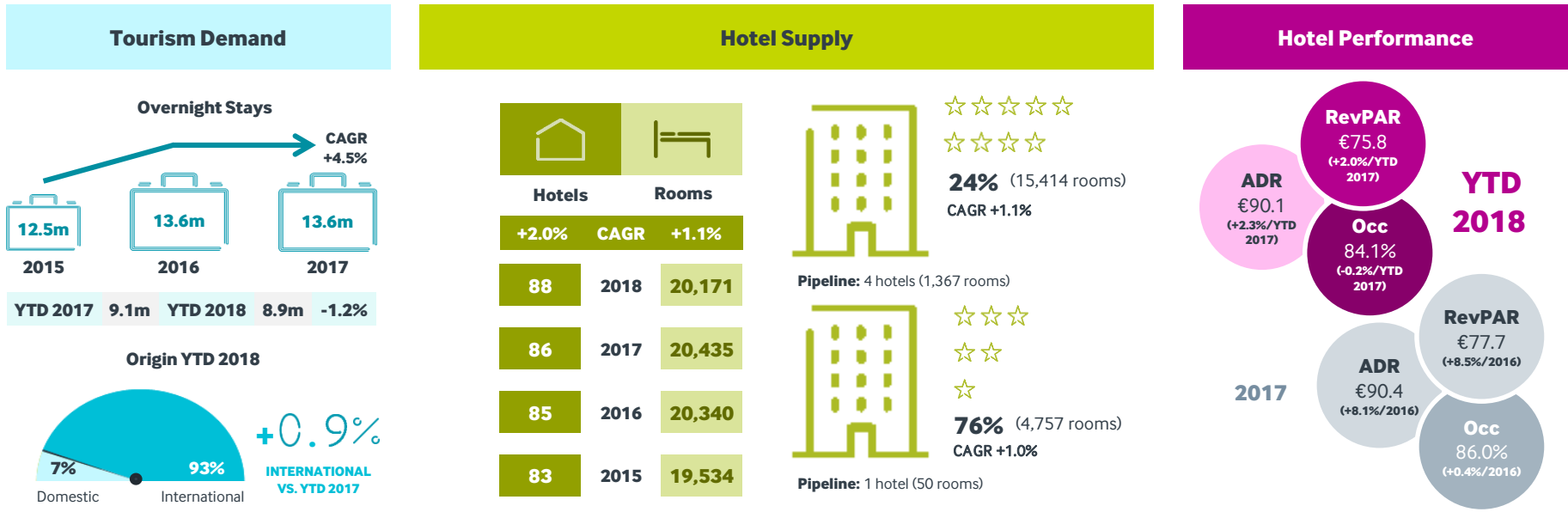




# Fuerteventura

## RevPAR increase, driven by leading occupancy levels

Fuerteventura has the highest occupancy levels of the archipelago. In 2017, the hotels on the island recorded the best results in its history driven by an increase in the average price of 8.1%. Being the market with most dependence on the overseas demand, Fuerteventura hotels have experienced a growth in their profitability in 2018 (+2.0%/ YTD 2017), driven by a 2.3% increase in ADR and the stabilisation of occupancy (-0.2%), which remained stable despite a 26.4% drop in domestic demand at YTD.





Spanish Hotel Market – The Canary Islands



# Lanzarote

## Sustainable Destination

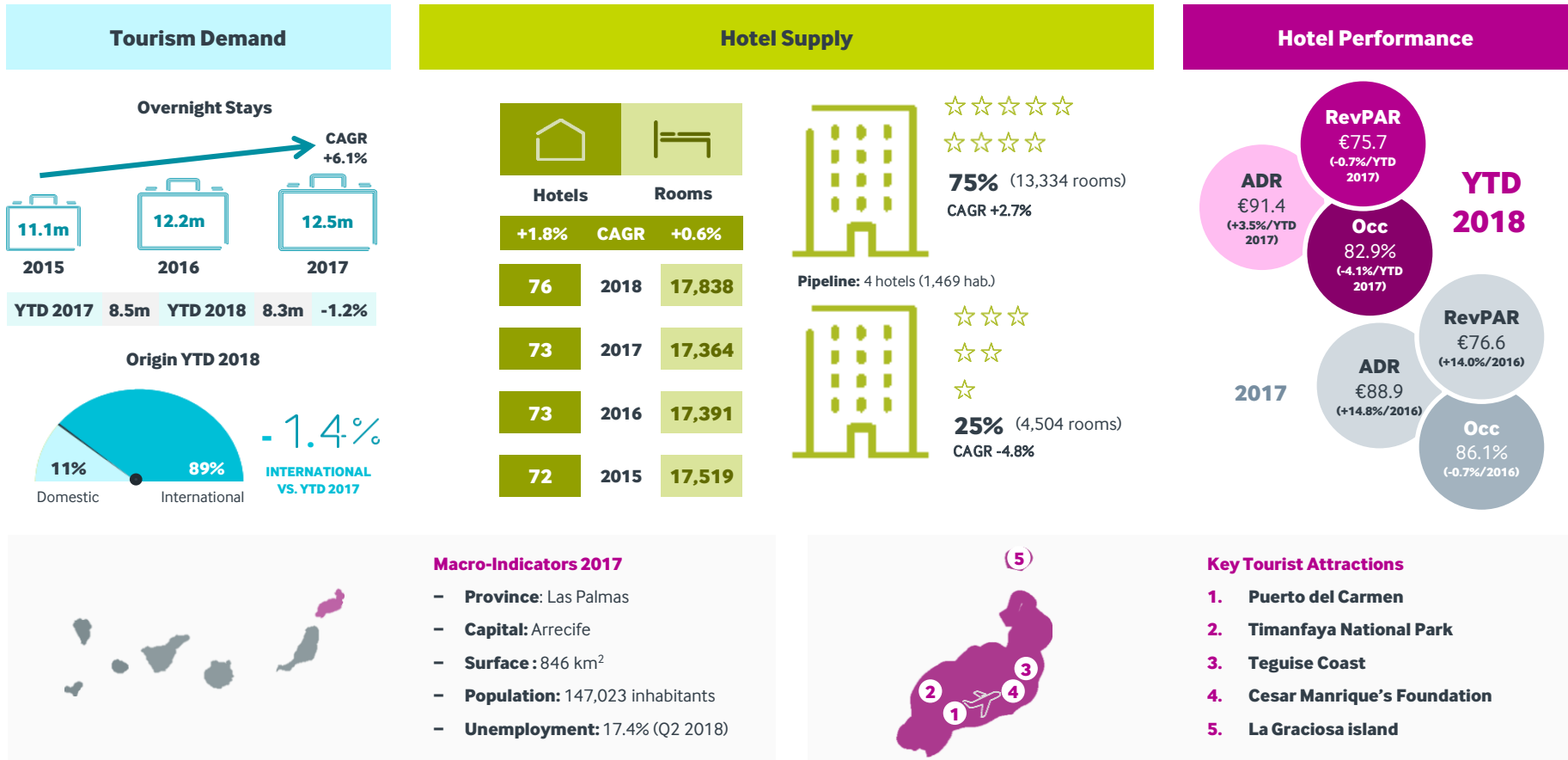




# Lanzarote

## The increase in ADR (+3.5%) maintains hotel profitability stable

In 2017, the increase in international demand (+3.5%/2016) and the 4 and 5-star supply (+6.0%), allowed a rise in prices of 14.0%, which sustained a RevPAR growth of 14.0%. At YTD, the two main markets, United Kingdom (41.0% of overnight stays) and Germany (19.4%), decreased by 3.3% and 6.2%, respectively, affecting significantly the levels of occupancy (-4.1%).



### Macro-Indicators 2017

- **Province:** Las Palmas
- **Capital:** Arrecife
- **Surface:** 846 km<sup>2</sup>
- **Population:** 147,023 inhabitants
- **Unemployment:** 17.4% (Q2 2018)

### Key Tourist Attractions

1. Puerto del Carmen
2. Timanfaya National Park
3. Teguise Coast
4. Cesar Manrique's Foundation
5. La Graciosa island

# Glossary and Legend

## Terms and Abbreviations

<b>ADR</b>	Average Daily Rate. It is defined as the income per room for the period divided by the total number of rooms occupied during the mentioned period	<b>Occ</b>	Occupation: Proportion of occupied rooms over the total number of rooms available in a given period
<b>AENA</b>	Aeropuertos Españoles y Navegación Aérea (Spanish Airports and Air Navigation)	<b>RevPAR</b>	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
<b>CAGR</b>	Compound Annual Growth Rate. Accumulated annual growth rate recorded from 2011 to 2017	<b>GDP</b>	Gross Domestic Product
<b>C &amp; Co</b>	Christie & Co	<b>TTOO</b>	Tour operators / Tour operation
<b>INE</b>	Instituto Nacional de Estadística	<b>var</b>	Variation
<b>k</b>	Thousand	<b>YoY</b>	Year-on-year
<b>KPI</b>	Key Performance Indicator	<b>YTD</b>	Year-to-date: At 31st August 2018
<b>m</b>	Million	<b>vs.</b>	Versus

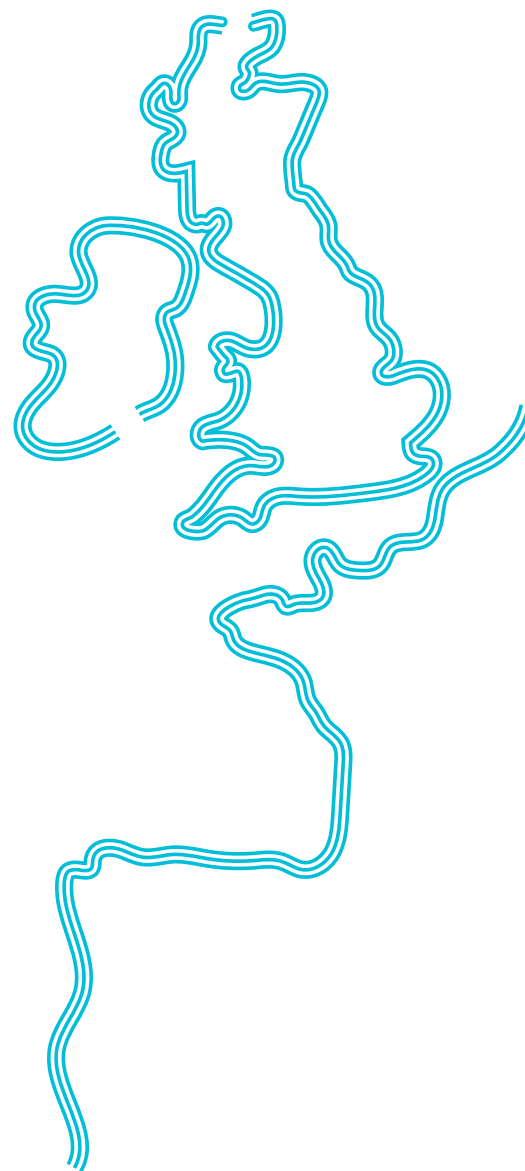


# Introduction to Christie & Co

## 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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- FRANKFURT
- HELSINKI
- LYON
- MADRID
- MUNICH
- PARIS
- RENNES
- STOCKHOLM
- VIENNA

## Our team in Spain



**Inmaculada Ranera MRICS**  
**Managing Director Spain & Portugal**  
T +34 93 343 61 62  
M +34 627 410 671  
E [Inma.Ranera@christie.com](mailto:Inma.Ranera@christie.com)



**Xavier Batlle**  
**Director**  
T +34 93 343 61 67  
M +34 670 823 315  
E [Xavier.Batlle@christie.com](mailto:Xavier.Batlle@christie.com)



**Javier Bravo**  
**Hotel Broker**  
T +34 91 794 27 19  
M +34 659 354 615  
E [Javier.Bravo@christie.com](mailto:Javier.Bravo@christie.com)



**Joan Bago**  
**Analyst**  
T +34 93 343 61 71  
E [Joan.Bago@christie.com](mailto:Joan.Bago@christie.com)



**Íñigo Cumella de Montserrat**  
**Associate Director**  
T +34 93 343 61 65  
M +34 628 420 197  
E [Inigo.Cumella@christie.com](mailto:Inigo.Cumella@christie.com)



**Jaime Prada**  
**Hotel Broker**  
T +34 91 794 26 41  
M +34 650 950 316  
E [Jaime.Prada@christie.com](mailto:Jaime.Prada@christie.com)



**Pol Fabregat**  
**Analyst**  
T +34 93 343 61 73  
E [Pol.Fabregat@christie.com](mailto:Pol.Fabregat@christie.com)



**Guillemette Briard**  
**Senior Consultant**  
T +34 93 343 61 72  
M +34 679 355 693  
E [Guillemette.Briard@christie.com](mailto:Guillemette.Briard@christie.com)



**Laura Vidal Kränzlin**  
**Junior Hotel Broker**  
T +34 93 343 61 70  
M +34 679 503 140  
E [Laura.Vidal@christie.com](mailto:Laura.Vidal@christie.com)



**Meritxell Álvaro**  
**Marketing Manager & Team Assistant**  
T +34 93 343 61 76  
M +34 695 417 308  
E [Meritxell.Alvaro@christie.com](mailto:Meritxell.Alvaro@christie.com)



## BARCELONA

Paseo de Gracia, 11  
Escalera B, 4º 3ª  
08007 Barcelona

E: [barcelona@christie.com](mailto:barcelona@christie.com)  
T: +34 93 343 61 61

## MADRID

Paseo de la Castellana, 18  
7ª Planta  
28046 Madrid

E: [madrid@christie.com](mailto:madrid@christie.com)  
T: +34 91 794 26 40