



# EY

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# The Hotel Property Telescope

Investment & Financing Keys

**Spain 2024**

Executive Summary

Strategy and Transactions







## The Retail Property Telescope Spain 2024

# EXECUTIVE SUMMARY

## 1 Market Overview



**Industry rocketing with Spanish Touristic GDP expected growth of 5% in 2024**

- ▶ **Spain's GDP indicators suggest economic growth in Spain will remain strong in Q3-Q4** despite the weak external environment. 2024 GDP forecast stands at 2.1%.
- ▶ **International arrivals recorded record high visitors with 33m** (+14% vs 2023 Jan-May), while domestic demand shows first signs of moderation.
- ▶ Inflation progress has slowed down with **services inflation proving much stickier**. Travel and leisure as a need, reinforcing demand resilience.
- ▶ **Household savings rate reduction vs 2020** levels, could hinder future demand inertia, questioning ADR growth sustainability and leaving room for potential trade down.

## 2

## Supply & Demand



- ▶ **International tourism driving profitability in Spain** with +22% expenditure vs 2023 Jan-May. RevPAR still showing resilience, before the summer season kick-off.
- ▶ Market "winners": **Midscale segment as the top European GOP margin performer** with 39% (+15% vs 19).
- ▶ Bottom line focus: **Profitability squeeze with margins pressure due to F&B profit warnings**. Labours costs now the key challenge (with new CLAs negotiations) after Energy costs calming.
- ▶ **Southern Europe** on the spotlight, **outperforming main continental European destinations**. Spain RevPAR growth +15% (24 vs 19 YTD) vs Germany RevPAR decrease -17% in same period (deflated figures).
- ▶ Supply impacted by enforcement of **new local regulations for touristic housing** in Spain.
- ▶ **New supply and refurbishment record despite high constructions costs** with c.580 projects (43k keys) vs c.235 projects (27k keys) in 2019.

## 4 Financing Activity



- ▶ **Prime Asset + Sponsor + Operators combinations gaining momentum**, with main national and international lenders willing to grant new financings.
- ▶ **Higher refinancing situations** could be the solution to successfully trigger exit strategies from long term holders unlikely to divest yet.
- ▶ **Alternative capital providers** open to secure 70% LTC/LTV senior loan facilities and Mezz/Pref Equity tranches (12-17% all-in).

## 3 Hotel Properties Investment Market



- ▶ **Global Hotel Investment falling by 17% vs Q1-23 to €9.8bn:** Investment re-allocation from Americas (-42% in Q1 24) to Europe (+19% in Q1 24) with €4.5bn. Despite this fact, only 7% price discount to NAV due to recent market rally.
- ▶ **UK hotel investment comeback with €3.2bn** in H1 24 (+€1bn above FY 2023). Large portfolios transacted by PE (Blackstone, Starwood, Ares) has been key. **Spain continues high momentum, €1.5bn hotel investments in H1 24** (Top CRE asset class) with Operators leading the way (37% of share).
- ▶ Overall perception of **bid-ask spreads finally narrowing**, triggered by interest rates levelling-off.
- ▶ **Operators recovering share** vs. other investor profiles. Huge investment growth in Europe Q1 24 (30% of total volume).

## 5 Key Performance Indicators



Main Hotspots	2023					
	Occ. 2023	Var. (p.p) (23-19)	ADR 2023	Var. (23-19)	RevPAR 2023	Var. (23-19)
<b>Urban</b>						
Barcelona	81%	(1p.p.)	162	21%	130	21%
Málaga	81%	2p.p.	132	33%	107	33%
Madrid	74%	(4p.p.)	134	29%	99	29%
Sevilla	74%	(5p.p.)	119	23%	88	23%
<b>Vacation</b>						
Ibiza Island	80%	1p.p.	180	37%	145	37%
Tenerife Island	84%	3p.p.	130	24%	109	24%
Gran Canaria Island	83%	1p.p.	129	27%	107	27%
Mallorca Island	81%	1p.p.	125	25%	102	25%
Costa del Sol	77%	1p.p.	130	31%	100	31%
Costa Cádiz	65%	1p.p.	123	18%	80	18%
Costa Blanca	71%	(2p.p.)	98	28%	70	28%
Costa Brava	65%	1p.p.	99	28%	64	28%



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For further information...

**Request the Expanded Edition**

**Contents (+250 pages):**

- 1. Macro economic hotel market**
- 2. European hotel performance data**
- 3. Spanish hotel market understanding**
- 4. Supply and demand analysis: New supply, KPIs, ADRs...**
- 5. Hotel investment share and transactions pipeline in Spain**
- 6. Hotel financing market main drivers**