



Building a better
working world

The Hotel Property Telescope

Investment & Financing Keys

Spain 2022

October 2022

Strategy and Transactions





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Spain 2022

EXECUTIVE SUMMARY

1 Market Overview



Tourism industry almost 100% recovered from Covid 19 impact

- ▶ Spanish **GDP** expected to turn around in 2023 due to geopolitical uncertainty
- ▶ **Tourism has almost recovered 2019 figures.** Spain registered **36m visitors during the summer season** (June to August 2022), accounting to **c.100% of total visitors during the same period in 2019**, mainly driven by the increase of international travels.
- ▶ **Local government struggling** to regain momentum with **€9bn package of pension increases**, tax cuts and subsidies.
- ▶ **9% inflation rate will impact** operational costs and **net margin within the whole hotel industry**, specially in those highly intensive human capital business proposals

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Supply & Demand



- ▶ **Demand is still on the way to recovery.** Total overnight stays have reached 92% of 2019YTD.
- ▶ **International tourism** accounting for 60% of total overnights vs 53% in 2019.
- ▶ **Market polarization.** ADRs strong increase observed in the high end segment triggering new supply developments. However, there is not a correlated performance in Tier 2-3 segments. Meantime, **“no frills” urban categories are not being taken advantage by value added investors**, since the urban hostels segment is not growing as it is in other European markets
- ▶ **New hospitality vacational concepts like Camping are gaining momentum.** Camping overnights stays are +13% (YTD) higher than 2019, while supply continues stagnated due to complex town planning and other legal requirements that keep investors away compared with other European Markets.

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Hotel Properties Investment Market



- ▶ Poor transaction activity worldwide. **Only \$38bn invested up to Q3-2022. Equity investment on hold since June** due to constant increase of CPI and interest rates causing market uncertainty.
- ▶ **North America anticipates the comeback of opportunistic investment.** Huge investment growth in 2022YTD compared to 2019 driven by Brookfield, Blackstone and Cerberus.
- ▶ Overall perception of **overvaluation in EMEIA**
- ▶ Total **Hotel investment in Spain has reached €2bn in 2022YTD** despite the low transaction activity in Europe. 4bn investment pipeline ahead but still overvalued for the opportunistic player

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Financing Activity



- ▶ The really high cost of **hedging instruments** is turning down many transactions since July 2022.
- ▶ Surge of **alternative capital providers drawing up innovative hybrid capital** solutions as traditional Spanish banks more and more reluctant to increase their high exposure to hotels .
- ▶ **Sponsor + Location + Operator not enough** to clinch senior loan financing in non recourse financing. Higher requirements/covenants considered and lower LTV/LTC to be approved.

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Key Performance Indicators



Main Hotspots	22' Summer Season (June-August)						
	Occ. 2022 (%)	Var. (p.p) (19-22)	ADR 2022 (€)	Var. (19-22)	RevPAR 2022 (€)	Var. (19-22)	CAGR RevPAR (14-22)
Vacational							
Costa del Sol	85%	(1p.p.)	154	23%	132	22%	6%
Mallorca Island	88%	(1p.p.)	129	13%	114	12%	6%
Ibiza Island	88%	(0p.p.)	197	28%	173	27%	10%
Tenerife Island	79%	(1p.p.)	113	14%	90	13%	5%
Gran Canaria Island	78%	(5p.p.)	108	15%	85	8%	4%
Costa de la Luz (Cádiz)	80%	(0p.p.)	157	16%	125	15%	5%
Costa Brava	73%	(4p.p.)	115	26%	84	20%	6%
Costa Blanca	81%	(3p.p.)	117	23%	96	19%	6%
Urban							
Madrid	89%	(1p.p.)	165	13%	146	11%	5%
Barcelona	66%	(10p.p.)	116	14%	76	(1%)	6%
Seville	68%	(8p.p.)	91	12%	62	0%	6%
Malaga	86%	1p.p.	132	23%	114	24%	8%



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Request the Expanded Edition...

- 1. Full analysis of historical demand trends, and expected performance in the upcoming years**
- 2. Max granularity on the forecasted new supply within the hotel market**
- 3. Full detail on the most recent hotel transactions within the main hotspots**
- 4. Hotel hotspots in depth analysis**
- 5. Hospitality trends: niches under evolution**

...do not hesitate to contact us

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