



Building a better
working world

The Hotel Property Telescope

Investment & Financing Keys

Spain 2021

September 2021

Strategy and Transactions





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EXECUTIVE SUMMARY

1 Market Overview



Lopsided recovery expected after COVID impact

- ▶ **Spanish GDP 2021 expected: +6.2 %** (-10.8 % in 2020).
- ▶ **Tourism** is one of the **pillars of Spanish's economy pre-Covid**, expected to be **recovered by 2023-24**:
 - **Tourism** accounted for **12.5% of the total GDP 2019** and **Tourism-related employments** represented **13%** of the total employment in **2019**.
- ▶ According to the **Consumer Confidence Index**, current situation is still adverse (78pts), yet future **expectations are improving** (105pts).
- ▶ Spain attained the world's **1st place in the WEF's Travel & Tourism Competitiveness Index Report (2019)** for the third consecutive time (*published biannually*)

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Supply & Demand



- ▶ **Unbalanced urban supply & demand.** New supply betting for vacational segment (+13% beds from 2014 to 2019) instead of for urban (+9% beds). However, overnight stays have grown at a different pace: +20% for vacational and +32% for urban.
- ▶ **The youngest end-user segments (15-35 yo) eager for travel "experiences".** The youngest decision-making segments increased total overnight stays up to 92m in 2019 (vs. 91m in 2014) despite the fact this age segment has decreased by 7%. **This age group is really price-sensitive preferring location over quality.**
- ▶ **Inventory growth driven by the high-end segment supply increase:** 5-stars hotel beds increased by +32% (2014-19) while lowest categories are losing momentum. This has pushed KPI's upwards for all categories (+24% increase in urban ADRs on average from 2014 to 2019), **discouraging price-sensitive demand**, which might be probably a mistake.

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Hotel Properties Investment Market



- ▶ **Global equity is overweighting the Americas against Europe** on as it is expected a faster "V" shaped of valuations recovery instead of the "U" shaped forecasted for Europe and Asia.
- ▶ **Governments "have frozen" the first attempt of fire-sales throughout Europe** due to financial-aid buffers provided not only to land-lords but also to weakened Tour-Operators.
- ▶ **Iberian Peninsula is the main Investors' target marketplace in Europe, tripling its volume** share over total European CRE investment: 6% in 2019, while in 2013 only accounted for 2%.
- ▶ While total Hospitality investment in Spain is expected to reach €2.5bn in 2021, **there is and increasing appetite for alternative concepts still undersupplied in Spain** such as Hostels and Campings.

4 Financing Activity



- ▶ **Hospitality appetite for both international and Spanish traditional lenders sharply interrupted by COVID**, but they are plenty of firepower for the 2022 as the market recovers.
- ▶ Surge of **alternative capital providers drawing up innovative hybrid capital solutions.**
- ▶ Lending conditions still constrained due to COVID, **increasing cost by c.100bps and reducing LTC** to 45-50% on average.
- ▶ **Sponsor + Location + Operator**, together with a strong guarantees structure the key drivers for financing granting.

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Key Investment Indicators



City	Cap. Value (€k/key)	Cap. Value CAGR (15-21)	Lease Yield (%)	Var. Yield (19-21) bps
Paris	660	-1%	3.50%	-
London	520	-6%	3.75%	-
Zurich	451	-4%	4.25%	-
Geneva	377	-4%	4.00%	-
Rome	363	-2%	5.25%	25 ▲
Amsterdam	368	1%	3.75%	-
Barcelona	309	1%	4.75%	25 ▲
Milan	308	-1%	4.75%	25 ▲
Munich	286	-1%	3.75%	25 ▲
Copenhagen	250	0%	4.50%	-
Madrid	288	4%	4.75%	-
Europe	243	-1%	4.45%	-
Dublin	245	1%	4.25%	25 ▲
Lisbon	190	3%	5.25%	25 ▲



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For further information, **please contact Javier García-Mateo.**

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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