



AT A GLANCE 2021

HOTEL MARKET IN SPAIN

TOURISM BEGINS TO BOUNCE BACK

Despite the spread of new variants, the hotel sector begins its recovery amidst the pandemic thanks to travel-friendly government regulations

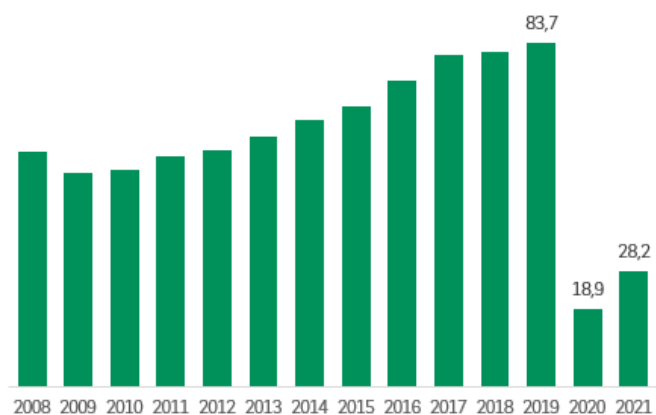
SLOW RECOVERY FOR TOURISM

The pandemic continues to hit the economy hard and no sector has felt its impact as much as tourism has. As one of the pillars of the domestic economy, tourism is far from pre-pandemic numbers which reached a record-breaking 83.7 million visitors by the end of 2019. Nevertheless, an unprecedented effort at both the national and international level to facilitate travel during this time has favoured a slight increase of 49% in tourism in the last year according to the latest data published by the Spanish National Institute of Statistics (INE).

Thanks to the vaccination programs and facilitated testing, travel restrictions have been partly lifted to promote safe travel. Such efforts have resulted in a slight increase in tourism however, fears over new variants continue to slow down the sector's recovery to pre-pandemic levels.

During 2021, half of all visitors came from **France** (19%), **Germany** (17%), and the **UK** (14%). As the country with the largest share of visitors, France witnessed a 36% increase compared to 2020 and the number of German tourists doubled in 2021 compared to the previous year. Visitors from the UK continued to descent by 18% compared to the previous year. The UK, which maintained its place as the country with most overseas visitors since the year 2000 continues to fall behind France since it was overtaken back in 2020 and as of this year, Germany as well.

Tourist Evolution in Spain



Source: INE

Similar to the recovery observed in the number of tourists, revenue figures from tourist expenditure increased by 49.5%. Total expenditure reached €31.274 million in 2021 compared to the €19.740 million recorded during 2020 (according to INE data).

Additionally, the average expenditure per tourist in 2021 was €1,119, registering a 7.5% increase compared to 2020 and a value 1.6% higher than the pre-pandemic expenditure recorded in 2019. As such, despite the difficulties endured in the last two years, tourists are now spending more than before the COVID-19 crisis.

2019–2021 2020–2021

-65,7% +49,2%

ANNUAL VARIATION IN
TOURISTS

Source: INE



1.119 €

AVERAGE EXPENDITURE
PER TOURIST IN 2021

Source: INE

2019–2021 2020–2021

+1,6% +7,5%

MORE EXPENDITURE
PER TOURIST IN 2021

Source: INE

HOTEL MARKET INDICATORS

OVERNIGHT STAYS

In 2021, the number of overnight stays in Spain rose 73.4%. Although this rise is not comparable to pre-pandemic levels of overnight stays, it indicates a favourable recovery in the hotel market. In the last year, there were 158.9 million overnight stays. The number of international tourists increased by 70.9%, which in turn accounted for 33.5% of total travellers and 47.1% of all overnight stays. Resident travellers accounted for 66.5% of the total with their overnight stays increasing by 65.8% for a total of 84.1 million.

Andalusia, Catalonia and the Valencian Community remain the most popular destinations for Spanish travellers since last year, increasing by 53.7%, 56.4% and 57.6%, respectively.

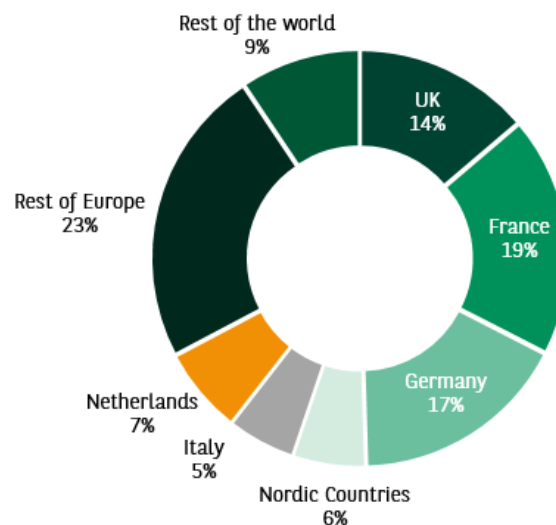
As for foreign tourists, Catalonia was the most popular destination in 2021 with 3.9 million visitors and a 15.5% share of overnight stays; an increase of 88.1% compared to the previous year. The Balearic Islands became the second most popular destination amongst overseas tourists with a total of 3.8 million in 2021. Overnight stays also increased by 428.1% in the region, increasing its share to 29% of the total. Andalusia posted an 43.6% increase in foreign tourism; 14.7% of the total and the third most popular destination for overseas travellers.

OCCUPANCY, RATES AND REVENUE

Hotel indexes confirm the partial recovery of the sector as the pandemic ensues. Average hotel occupancy per room increased to 43% from 31.5% as recorded in 2020. Despite this increase, hotel occupancy even continues to remain far from the average 65% rate experienced during pre-pandemic levels.

The average daily rate per room (ADR) in 2021 was €82,58 compared, marking a 19,2% increase from €69,27 in the previous year. Similarly, the average revenue per available room (RevPAR) experienced a 47,1% increase going from €25,81 in 2020 to a revenue of €37,96 in 2021.

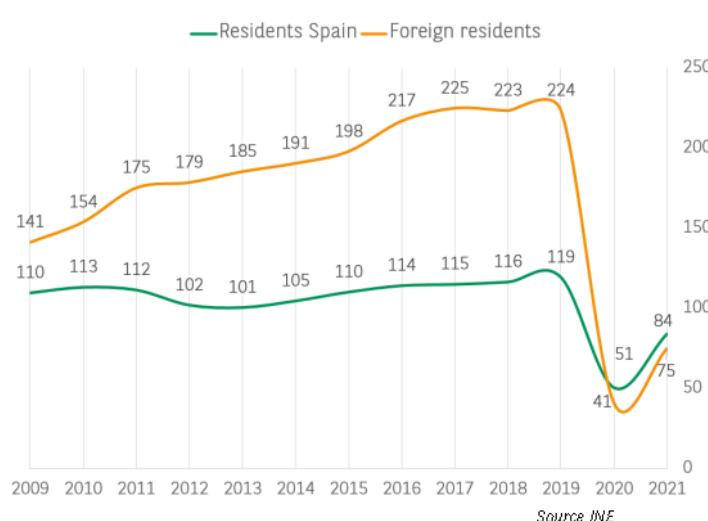
Tourist Origin



Source: INE

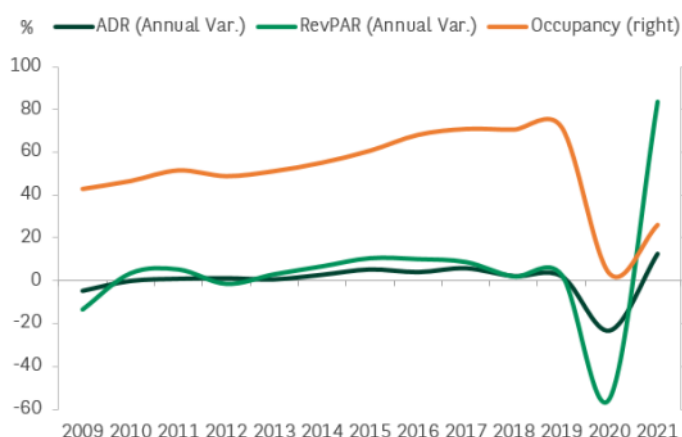
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Number of Overnight Stays



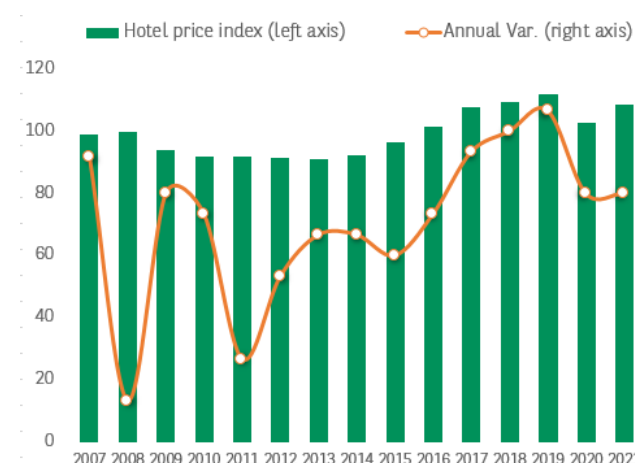
Source: INE

Yield & Occupancy indicators



Source: INE

Hotel Price Index



Source: INE

BNP Paribas Real Estate Research - January 2022

HOTEL INVESTMENT

FROM SHOCK TO OPPORTUNITY

The hotel sector doubled its total investment volume in 2021 going from €1.211 million in 2020 to €2.487 million. This figure accounts for 21% of the total investment of commercial real estate. Despite the ongoing hardships endured throughout the pandemic, it is clear that the hotel sector has become highly attractive market for investors even setting a new record for total volume of individual assets.

Hotel investment began 2021 under the continued impact of the pandemic's uncertainty. A total of €223,8 million encompassed the investment in the sector during Q1 2021; 59% lower than the same quarter in the previous year. Nonetheless, this remained the lowest investment quarter for the rest of the year. The second quarter recorded a total of €348,5 million with most of the investment being made in Catalonia. This quarter experienced a drastic increase compared to last year (536%) since this coincided with the arrival of COVID-19 in Europe.

Q3 led the best quarter for investment and it appears as though the worst of the pandemic has been left behind. With a total investment volume of €1.372 million and an annual variation of 559%, this quarter showcased restored investor confidence in the hotel market. The last quarter of the year closed with similar figures to Q1 2020 with €542,5 million suggesting a return to pre-pandemic levels for the upcoming year.

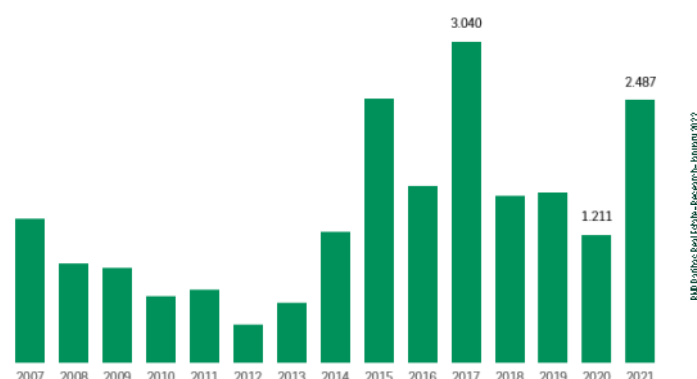
MAJOR INVESTMENT TRANSACTIONS

Despite the slow recovery showcased by tourism figures, the investment volume throughout 2021 offers evidence for a renewed interest in the hotel sector as well as ongoing efforts to sustain recovery throughout the upcoming year.

This year marked a new historic record for **single asset investments** with the total annual volume estimated at €1.571 million. Single asset operations accounted for 63% of all hotel investment as well as a 59% increase over the previous year. Among these, the purchase of Gran Hotel Calderon by LaSalle for €125,5 million in Barcelona as well as that of Madrid's Bless Collection on behalf of the Mexican Group RLH Properties for €115 million stand out amongst the biggest single asset operations. Another highlight for 2021 was the purchase of the Barcelona Apolo Hotel by Meliá Hotels. The transaction represented €96 million for 314 rooms and over 17.000 m².

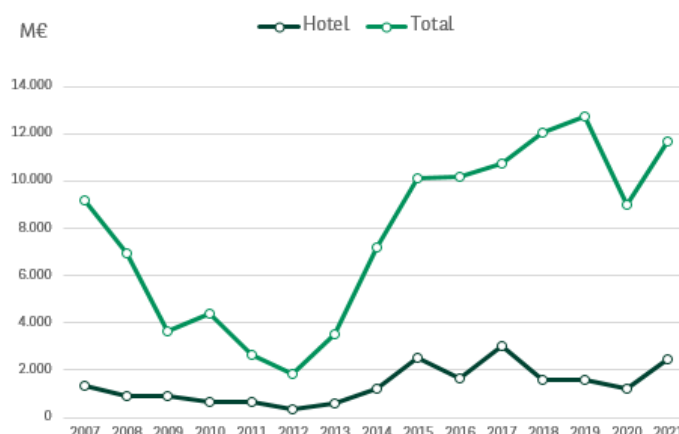
Portfolio investments showed a prominent upward trend too with a 315% increase over 2020 and registering the second highest volume since the historic record in 2017. The acquisition of Catalan chain Selenta Group by the Canadian fund Brookfield included a notable portfolio of 4 hotels across Barcelona, Marbella, and Tenerife with over 2.200 rooms in total. Another notable portfolio came from the joint operations of Sixth Street and Pierre et Vacances who bought 5 hotels with over 1.000 rooms for €85 million. These operations highlight investor confidence in Spain's popularity as a holiday destination despite the ongoing travel restrictions imposed by the pandemic.

Evolution of the volume of investment in hotels (€ mill.)



Source: BNP Paribas Real Estate

Evolution of investment volume



Source: BNP Paribas Real Estate

Investment volume by type of operation



Source: BNP Paribas Real Estate

HOTEL INVESTMENT

WHERE IS THE INVESTMENT BEING MADE?

Three major regions account for most of 2021's investment. Leading both investment volume and number of operations, **Catalonia** registered €819.5 million, which represents over a third of total volume. Moreover, Barcelona registered the two largest direct investment deals of the year at €125 million each with the acquisition of Gran Hotel Calderon by LaSalle and Hotel Hesperia Barcelona Presidente on behalf of the Grifols Family. In total, 70% of operations occurred in Barcelona with a big focus on high-end and low-seasonality urban hotels.

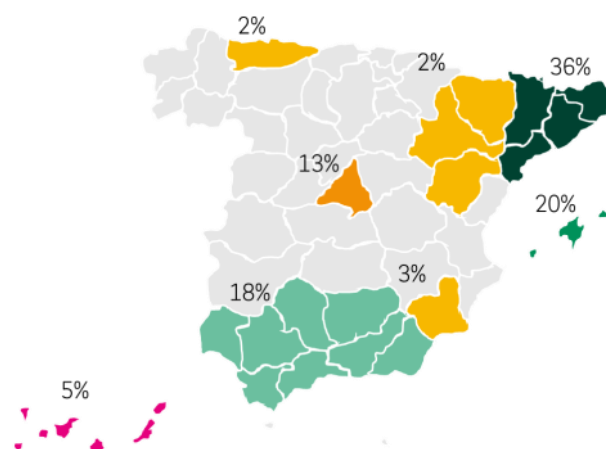
The Balearic Islands registered the second highest investment volume for 2021 with over €385 million across 11 operations resulting in a 7% increase in volume over the previous year. The purchase of Hotel Punta Negra on behalf of Blasjon Property stands as a highlight for this particular region and offers yet another look into this year's notable high-end hotel operations.

Andalusia also experienced a significant increase in both operations and investment too with the acquisition of the Andalucía Plaza Hotel as a key deal in the region. This joint venture between Bain Capital and Stoneweg Hospitality suggests the return of investment to Costa del Sol, a region that had represented up to 9% of holiday investment in 2019 and had since experienced a relative lack of operations during the pandemic.

More operations took place in **Madrid** although the investment volume remained fairly similar to that of 2020. The transactions in the Capital were spearheaded by the purchase of El Bless Collection and Hotel Via Castellana.

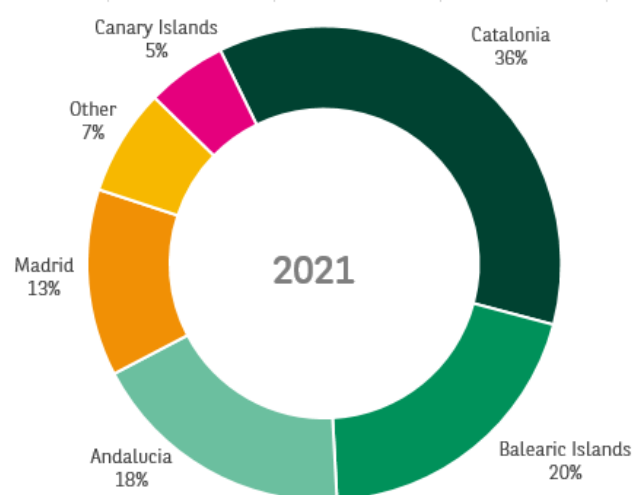
Investment in **the Canary Islands** plummeted to 6% compared to 20% in 2020. Despite a lack of operations, Tenerife one of the year's biggest operations with the purchase of Hotel Las Delias estimated at €100 million by the American Starwood Capital Group.

Destination of hotel investment in Spain



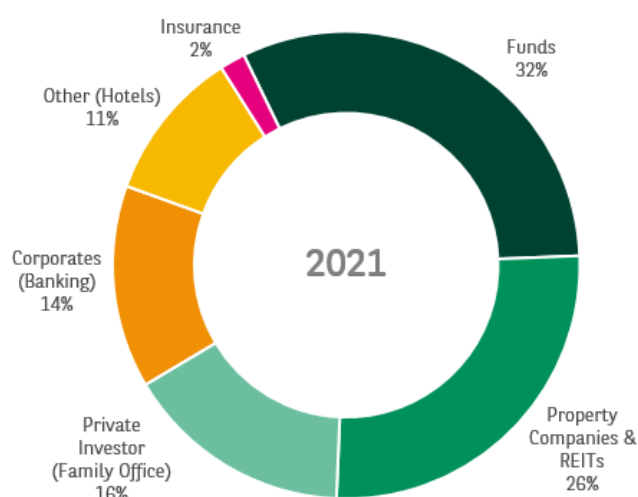
Source: BNP Paribas Real Estate

Investment volume by Autonomous Community



Source: BNP Paribas Real Estate

Investment by buyer



Source: BNP Paribas Real Estate

WHO ARE THE BUYERS?

The effects of the pandemic and inflation continue to favour equity investors over hotel chains. **Investment firms** continue to lead direct investment since 2020 with a total of €854,5 million this year although this activity has experienced a 24% decrease due to a diversification in investor type. Amongst these new investor groups, private investors including **family offices** registered the biggest impact with a 16% share of all investment operations with an average investment of 33,8 million € and a range from 8,5 million € up to 125 million €.

Domestic investment accounted for 68% of all operations suggesting a return to pre-pandemic levels since the drop experienced in 2020. As for **foreign investors**, while travel remains uncertain even more so due to the introduction of new variants, some of the biggest transactions this year involve international investment. The Greek hotel chain Ikos Resorts acquired a luxury hotel in Mallorca for over €100 million making it their second purchase in Spain

INVESTOR APPETITE FUELS HOTEL RECOVERY

RECORD YEAR OFFERS HOPE FOR UPCOMING 2022

2020 finished off with a series of worrying figures across most sector-specific indicators. Kicking off the year with the pandemic still ongoing and with the Omicron variant raising many concerns well into the year, it seemed unlikely for the hotel market to recover back to pre-pandemic levels.

While tourism figures seem to suggest a slower recovery than initially hoped for, record-breaking investments have given much reassurance to the hotel market, specially in the latter half of the year.

While COVID-19 continues to be an issue, the wide application of vaccination mandates across EU countries together with the implementation of travel-friendly initiatives offer hope to restore tourism to 2019 levels. 2021's operations imply that investors continue to believe in Spain's attractiveness as a holiday destination and thus, it is only reasonable to expect continued growth in the upcoming year.

HIGH DEMAND FOR HIGH-END HOTELS

While 2021 has shown strong figures for both coastal and urban hotels, high-end assets have experienced a strong rebound following last year's demand fall. It is also worth noting that while hotel visitors remain 45% lower than 2019, guests at 5 star hotels showed a higher degree of recovery in 2021 compared to the previous year with an 83% increase compared to the hotel total of 75%. As such, the luxury hotel sector offers a safe investment with higher expected growth in the future which is why some of the key transactions of 2021 have occurred in the high-end.

As a highlight of this year, Brookfield's acquisition of Selenta's portfolio provided evidence for the appetite for high-end hotels. Among the hotels in question, both Don Carlos Resort in Marbella and Hotel Sofia in Barcelona have 5 stars while Expo Hotel in Barcelona has 4 stars. In addition, the Mare Nostrum Resort in Tenerife is made up of three individual hotels with a pair of 5 stars and one 4 star asset. The portfolio showed an equal distribution between urban and coastal venues as well.

Luxury hotels in Barcelona this year saw a high demand with other acquisitions including Gran Hotel Central by Schroders Capital and Gran Hotel Calderón by LaSalle both of which are 5 stars as well as 4 stars such as Hotel Barcelona 1882 by Union Investment and Hotel Apolo by Meliá.

Madrid also saw the purchase of emblematic hotels such as Bless Collection Velázquez (formerly Gran Hotel Velázquez) which was acquired by RLH Properties.

Gran Hotel Calderón—Barcelona



FOREIGN FUNDS TAKEOVER

This year began with an extensive portfolio of hotels under offer as a result of the asset sale on behalf of hotel companies due to the pandemic. International funds looking for capital and income growth opportunities have led investment operations in Spain with a 32% share of all operations.

Most of these operations were done by international investment firms mostly European although the biggest operations were conducted by those located in North America.



€845 MILLION

**TOTAL INVESTMENT VOLUME
BY FUNDS IN 2021**

Hotel investment OUTLOOK 2022

STRONG INVESTMENT AND TRAVEL ACTIVITY FOR 2022

While the record-breaking figures of 2021 have given the hotel sector a much-needed break following the pandemic, continued growth in both investment and tourism is expected for the upcoming year. This hopeful outlook for 2022 comes as a result of the large investment registered throughout the year as well as upcoming governmental efforts to incentivise tourism.

2021 registered a lower level of tourism than many had hoped for. With only a 49% increase over the previous year, sector experts have now shifted towards a more conservative stance for next year's recovery. While estimations have proven difficult especially after the rise of variants such as Omicron, experts believe that 2022 will continue to experience below pre-pandemic levels. Nonetheless, tourism is expected to continue growing with 2023 set to achieve a full recovery. It is difficult to predict how the pandemic will pan out however, there is a clear appetite to incentivise travel amongst government officials who promise continued aid for the sector as well as a gradual move towards looser travel restriction. As the second most visited country before the pandemic, Spain seeks to lead post-pandemic travel in the future.

Continued investment growth is expected in 2022, fuelled by strong tourism, renovations, and new developments

As predicted, investment in 2021 grew to record-highs following investors' "wait and see" stance after the most immediate effects of the pandemic. A vast number of the operations registered throughout the year stemmed from the interplay between asset disposal and acquisition due to the need for liquidity by hotel companies. Additionally, the second half of the year saw an increase in investment demand for both holiday and urban settings despite the prevailing popularity of holiday destinations.

A key development of this year was the rise of new types of investors with an increasingly diverse portfolio of interests and ample appetite for new investment ventures. Experts in the field have stipulated that buyer diversity is expected to continue going forward as part of an evolution in the hotel market. Furthermore, with movements in both holiday and urban assets, investments are projected to take place in major cities despite the uncertainty of business-related travel.

With the presentation of new hotels, many owners have announced renovations plans with some experts indicating the sector's move towards new developments. Whereas before, the hotel sector sought to cater to a wide population, there is a growing demand for new ventures that reimagine the sector's take of hospitality with particular focus shifting from tourism numbers towards tourist expenditure.

KEY FACTORS



Adaptation of the urban hotel sector to new trends and niches due to the decline in business travel



Hotel investment will be divided across both holiday and urban sectors although the latter remains less predictable



Urban transactions are expected in the main cities including Seville, Valencia and Bilbao



New portfolio opportunities are projected to result in major investment operations



Those funds that best adapt to the owners' desired rents will achieve their investment goals



An investment environment more conducive to decision-making will come from a clearer yield situation



Demand will grow for both prime assets and those in need of reforms at attractive locations



The current transformation in the Spanish hotel market will generate quality tourism



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