

HOTELS & BUSINESS

 CUSHMAN &
WAKEFIELD

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AT THE
CENTER OF
**WHAT'S
NEXT**

A SUMMER OF CONTRASTS

During the holiday season we have played witness to the full range of circumstances impacting the hotel industry as a result of the pandemic. One of the main consequences we have seen is the transformation of demand, stemming primarily from domestic tourism due to the barriers to movement between countries.

In certain destinations domestic demand has helped to maintain and even drive occupancy in comparison with figures seen prior to the pandemic. This is particularly true of rural destinations, a large slice of the northern coast of mainland Spain and the coasts of Cadiz, Huelva and Valencia. Although the strength of domestic demand is a genuinely positive factor, it is not enough to guarantee tourism in destinations that are more dependent upon international travellers and tour operators, such as the Balearic and Canary Islands, the Costa Dorada and the Costa del Sol. European tourism-generating markets, such as the UK, Germany and France, have always been crucial for these areas and full recovery can only come about when the freedom of movement seen prior to the pandemic is restored.

In operational terms, we have also seen how major city destinations (which likewise depend on international and corporate tourism to achieve results similar to those prior to the pandemic) remain in a state of anticipation, enduring difficulties that require continuous adaptation of the business to the new normal. In the case of Barcelona and Madrid, and moreso with respect to the former than the latter due to the importance of foreign visitors, mobility must be restored in order for the market to fully reflate. Around half of the hotels in Barcelona remained closed during the summer.

In contrast to business operations, the investment market is energetic and interest in both holiday and city hotel assets in Spain remains healthy. Deals amounting to some 1.8 billion Euro were recorded up to August and it is anticipated that the financial year will close above 2.5 billion, coming close to the figures for investment during the years preceding the pandemic.

Among the most prominent deals was the sale by Meliá of a portfolio of eight hotels belonging to a business controlled by Bankinter Investment and Meliá itself (through a minority stake), along with the 440 million Euro acquisition on the part of Brookfield of four assets owned by the Selenta chain. In

addition to portfolio sales, deals involving trophy assets have also been struck. Examples of these include the Bless Collection Madrid, the Edition Madrid, the NH Calderón Barcelona and the Grand Hotel, also in Barcelona. Although as a whole investors' expectations of major discounts have not come to fruition, the gap between the interests of buyers and vendors has increasingly narrowed, with discounts of around 10%-15% in comparison with the figures seen prior to the pandemic. This situation has led to the emergence of transactions on hotel assets in cities such as Barcelona, where prices are very high and good deals were difficult to come by in 2018 and 2019. Although there are no major price discounts, investors value the opportunity to acquire assets in prime areas where only two years ago the offerings were practically non-existent.

During 2021-2022 it is anticipated that the sector will continue adjusting to a difficult, demanding landscape. Within this context, the arrival of European funds, SEPI funds, a restoration of activity and improvements in the healthcare situation will be essential, as will the commitment and accountability of all parties involved in the sector. As is commonplace, the recovery will move at a varying pace depending on destination.

ALBERT GRAU

*Partner and Co-head
of C&W Hospitality
Spain*

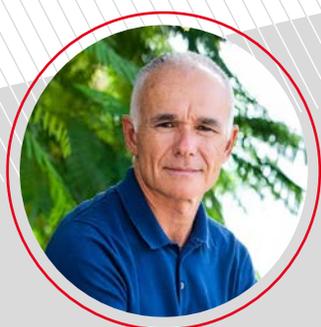


BRUNO HALLÉ

*Partner and Co-head
of C&W Hospitality
Spain*



WHAT OPERATIONAL CHANGES HAVE BEEN BROUGHT ABOUT BY THE PANDEMIC?



Miguel Villarroya
Managing Director of
Spring Hoteles

under
consideration

At the beginning, when we were required to close all our hotels in March 2020, rather than putting the entire workforce on furlough we decided to keep a strategic core of the team to work on projects for the future.

We were thus able to better research our customers through business intelligence focused on active listening in the demand-generating markets. This has led us to redefine our products, designing new differentiators for each of the 3 hotels, enabling us to approach our customers in a more direct and attractive manner.

Within the sales and marketing blueprint we have made significant investments in digital marketing, embracing software development and new big data tools to approach our customers more directly.

We have made use of this time to carry out the refurbishment of hotels. In the case of the Hotel Bitácora, the renovation was both structural and in terms of concept, whereas in the case of the Arona and Vulcano, new spaces have been created to enrich experiences.

At an internal level, we have promoted Universidad Spring, a concept through which all of our employees can obtain online training to learn and improve languages, grow in their respective posts or learn new positions. In this way we have been able to reintegrate a number of employees from furlough into positions with increased responsibility and higher salaries. We have additionally offered interest-free micro-credits to all employees going through periods of hardship. We have kept up periodic communications with the entire team, reporting by means of videos from our managing director on the current situation of the business and the market. We have also developed a concept called People Centric, placing the team at the heart of the business whilst improving bilateral communications with everyone and involving all participants in our common project.



Jose Luque Garcia
*Managing Director -
Fuertegroup Hotels*

As a consequence of the Covid-19 pandemic and the work we carried out during the closure of the hotels, I feel that a number of changes and strategies are now here to stay:

Firstly, we were highly focused on trimming the fat and making various types of cost savings (from electricity contracting to the entire area of local taxation). A simplification of organisational and control processes came about. We placed particular emphasis on being more efficient to combat the financial erosion caused by the pandemic. We were also obviously focused on the entire matter of furlough and the management of ICO credit packages.

Immediately thereafter, and in tandem, we have worked on ensuring the safety and improving the relationship with our guests.

Many of the changes that we have brought forward and the lessons learned during Covid-19 will remain with us and impact all hotel operations. These changes ensure health security and the better organisation of services, particularly with respect to F&B.

The changes that have been brought forward include all items related to digital applications that improve the "travel journey" (pre-stay, stay and post-stay). Covid-19 has given a boost to tools such as pre-checkin, paper-free reception, the use of QR codes, apps or web applications to improve customer relations, etc.

The next step in increasing complexity is the integration of all of the foregoing tools and others to enable us to further personalise the entire travel journey. This is the winning formula for the present and future. Investment in the digitalisation of these processes will lead to the increased capture of direct clients and greater customer satisfaction in our hotels. Although the path may prove difficult, the commercial and operational challenges thrown up by the pandemic demonstrate that the leitmotif of digital will enable us to become cleaner, more nimble, more effective and even more sustainable in these processes. Improving customisation entails changes in terms of team organisation. As a consequence, we have strengthened the division responsible for personalisation, linking to our CRM and to the systems department.

Almost two years of enduring the pandemic has also shone a light on imbalances in the labour market, which we hope will prove circumstantial. Faced with short seasons, many of our collaborators have decided to try their hand in other sectors, primarily logistics and construction. We sincerely hope that this situation is merely circumstantial. Nevertheless, we must boost training to enable the bulk of young, unemployed people, particularly in Andalusia, to have the opportunity of working in our sector over longer and more stable seasons. The human resources department must also be strengthened in order to address this factor.

With respect to new customers and product reorientation, we have two brands (Fuerte Hoteles for family hotels in Andalusia and Amàre for adults-only establishments, in Marbella and Ibiza). We wish to develop a third brand and have been working on this throughout the pandemic.



Fabiana Salvi

*Iberostar Group
Global Development
Director*

The Covid-19 pandemic has been an unprecedented event for the tourism industry. In Iberostar Group, the situation has enabled us to reaffirm our commitment to caring for people and our surroundings by means of a business model that pursues ever more responsible tourism.

With a long-term outlook, in Iberostar we have tackled the recovery by means of three levers that are crucial for us. The first of these is health security, strengthened as a pillar of prevention. Through our Medical Advisory Board, including biologists and doctors specialising in public health in tourism settings, we have developed How We Care: a programme that brings together more than 300 health security measures in line with the Group's circularity policies. Next comes quality, a key pillar in the development of the business and the experiences of our partners and guests. Quality has always formed part of our DNA and drives our commitment to an added value tourism model.

In third place is sustainability, a path on which Iberostar has embarked and where there is no turning back. We are more conscious than ever of the need to consider every impact of our business on the environment. As a result, we are working towards our own 2030 goals aligned with those of the United Nations Agenda. These are based on policies involving circularity, eliminating wastes by 2025, to be carbon neutral by 2030, 100% responsible in our supply chain for products from marine resources by 2025, additionally improving the health of the ecosystems surrounding our hotel and measuring this by means of the KPIs set by scientists. Our group has been a global pioneer in the elimination of single use plastics where legally permitted, integrating sustainability into all of our operations worldwide. Our movement, Wave of Change, is centred around three pillars (circular economy, responsible consumption of fish and shellfish and the improvement of coastal ecosystems) and is the catalyst of this specific commitment to the environment and our oceans. We are sharing this with all of our customers, partners and stakeholders.

We are additionally continuing our commitment to innovation, technology and digitalisation in collaborative settings. An example of this is the Hotel Digital project that we have recently launched as a major facilitator in achieving our goals, growing our sales channels in new markets and destinations and improving the efficiency of our processes.

With this goal in mind, we continue working towards sustainable growth in holiday destinations, at all times bearing in mind the impact of our activities on the surroundings, both within the Americas and in European destinations such as Spain, Portugal and Greece, among others.

JUNE MARKED A TURNING POINT FOR THE INDUSTRY

The closing data for the first six months of the year from the Hotel Barometer Spain, produced jointly by STR and Cushman & Wakefield, still shows an adverse balance for the main overall indicators, though with a clear change in trend in June that requires confirmation during the second half of the year.

At the close of the first half, the main indicators for Spain as a whole point to occupancy of 28% (some 10% lower than the first six months of 2020), whilst RevPAR (revenue per available room) amounted to €25, a drop of 14% on the figure achieved the previous year. For its part, the ADR (average daily rate per room) managed to stay at around €87, representing a softening of just 4% on the figure for 2020. The negative trend is explained by the inclusion of the pre-pandemic months of January and February in the data for 2020.

If the comparison is focused on June 2020-June 2021, it seems that we are at a turning point for Spain as a whole, with occupancy growing by some 119% (40% in 2021 vs. 18% en 2020), RevPAR by 211.7% (€41 vs. €13) and ADR by 42% (€102 vs. €72). The recovery in occupancy was exceptional in holiday or mixed destinations such as the Balearic Islands and Malaga.



Hotel Iberostar Málaga Playa

WE OPEN THE SECOND EDITION OF THE HOSPITALITY LAB

October 19 will see the first meeting of the second edition of the Hospitality Lab, a private forum for the analysis of the hotel sector organised by Cushman & Wakefield Hospitality and which comprises 16 professionals from throughout the hotel sector - business people, investors, operators and other associated professionals. The theme of this first meeting will be "Keys to the resurgence of the hotel industry" following the vaccine rollout and improvements in terms of mobility.

The dates envisaged for the 3 remaining meetings of this edition of the LAB are:

- ▶ January 12, 2022
- ▶ April 26, 2022
- ▶ June 21, 2022

The second edition of the LAB will count on the participation of the following professionals:

- ▶ Alf Castellanos - *CEO of Hotelatelier*
- ▶ José Díaz Montañés - *CEO of Artiem*
- ▶ Cristina Fernández Hoyo - *Country Manager Spain & Portugal of Covivio*
- ▶ Eduard de Gispert - *Director of Europe Expansion at Barcelo Hotels & Resorts*
- ▶ Federico Holzmann - *Director of Development & Asset Management at Catalonia H & R*
- ▶ Javier Illán - *President and CEO of Grupo Millenium*
- ▶ Montse Llaberia - *Operations Director at Clian Holding*
- ▶ Rodrigo Martínez - *Consultant*
- ▶ Beatriz Menéndez - *Investment Manager at Navis Capital*
- ▶ David Rico - *Managing Director of CaixaBank Hotels & Tourism*
- ▶ Maribel Rodríguez - *Senior Vice President WTTC*
- ▶ Joan Serra - *Managing Director of Ayre Hoteles - Only YOU Hotels*
- ▶ Oriol Serra - *CEO of Smart Room Company*
- ▶ Hylko Versteeg - *Head of Development Southern Europe at InterContinental Hotels*
- ▶ Miguel Villarroja - *Managing Director of Spring Hotels*

TOOLS TO **TACKLE** **THE CRISIS**

Since March 2020, hotel businesses and, in general, all professionals associated with the tourist industry, have made huge efforts to ensure the survival of companies, adjusting to adverse circumstances that have required a medium and long-term global view benefiting from the intervention of experts.

Faced with the appearance of new variants, the evolution of the pandemic remains uncertain. Over the past 18 months, hotel businesses have evolved away from the initial shock caused by the closure of every establishment, to a subsequent resurgence in activity dependent upon health data, geographical area and regulations on mobility and gatherings.

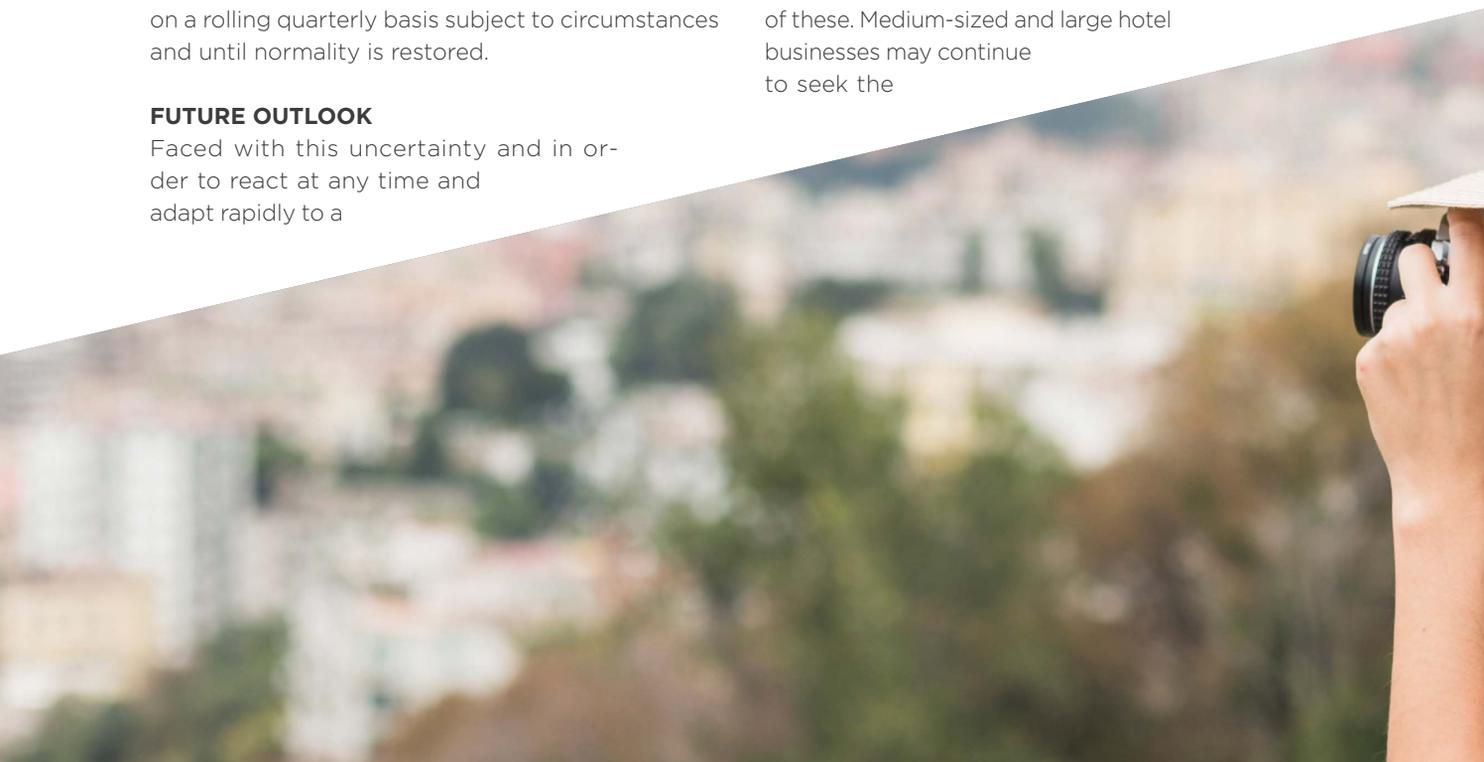
Although it represents a clear inflection point, we must highlight the fact that the majority of businesses entered the crisis with healthier balance sheets and a lower level of indebtedness than in the case of the 2008 financial crash. Faced with the lack of revenue due to the closure of establishments or lower occupancy levels, companies have been forced to adjust their structure. In this respect, furlough has been a key pillar in enabling the maintenance of teams, employment posts and, in turn, the adaptation of operations to the real situation and corresponding needs at each moment. As the situation remains unpredictable, through CEHAT the hotel industry has called on the Government to maintain furlough on a rolling quarterly basis subject to circumstances and until normality is restored.

FUTURE OUTLOOK

Faced with this uncertainty and in order to react at any time and adapt rapidly to a

changing panorama, Cushman & Wakefield recommends an in-depth analysis of the various scenarios that could play out over the short and medium term, from the bleakest to the most optimistic. These analyses must take a multitude of factors into account. Firstly, it is essential to have an in-depth knowledge of the profile of the hotel business and, based on this, the factors that could have the greatest impact on the destination. A beach hotel and a city establishment in the upscale segment are neither the same nor require the same actions. Secondly, and given that decision-making is influenced by a multitude of factors linked to market knowledge, regulations, funding tools, feasibility studies, etc., business strategy experience must be added to knowledge of hotel management.

The investment market will remain highly energetic over the coming months. On the one hand, buyers are playing close attention to the market, analysing each and every opportunity that may arise. The owners of hotel assets are additionally willing to analyse bids that enable the optimisation of the management of these. Medium-sized and large hotel businesses may continue to seek the



divestment of non-strategic assets, aimed at focusing their activities on management and those assets that add greatest value to the business.

Debt control and access to funding (by whatever channel) are key elements in the competitiveness of the hotel sector under the current circumstances. Cushman & Wakefield is conscious of current difficulties and, consequently, has focused a considerable share of its resources on offering specialised services in this area, helping businesses to finance themselves in order to either ensure continuity or to develop strategic plans.

Rent renegotiations, the search for an operator or franchisee to add value to a hotel, the entrance of investor capital to take advantage of the opportunities offered by the market and other services represent some of the actions that can improve competitiveness, even at times such as the present.

STUDY THE DEMAND SIDE

In operational aspects, the marketing strategy is subject to the reaction of demand to the evolution of the pandemic, whether as a result of the healthcare situation or the various regulations and restrictions. Efforts must be directed towards maintaining the positioning of hotels by means of a policy enabling price maintenance. We know that otherwise it will

prove difficult to subsequently restore an upward trend. Consumers have changed and it is crucial to adapt to this change in order to anticipate their needs.

Flexibility and shorter stays are two of the elements distinguishing the trend in reservations, with last-minute cancellations and bookings. Those businesses that best understand how to play with these new factors and offer alternatives and new billing lines will achieve better revenue and market share.

At the end of the day, the pandemic has completely transformed everything, and tourism is one of the most impacted sectors. The coming months and years will define the new reality for the sector in Spain and worldwide.

HAVING A NUMBER OF OPERATIONAL STRATEGIES FULLY INVESTIGATED AND BEING NIMBLE IN DECISION-MAKING WILL PROVE KEY OVER THE COMING YEARS





MIGUEL CASAS

MANAGING DIRECTOR OF
STONEWEG HOSPITALITY

At the beginning of this year it was announced that you were joining Stoneweg in order to manage the Hospitality area.

What are your feelings following these first months in your new post?

I am delighted at joining the Stoneweg Hospitality project as Managing Director. It is a fresh, innovative investor, with features that distinguish us from other players in the sector up to now and which I had been missing since my former position as a consultant. The company has a highly innovative focus on the various strategies that it identifies as opportunities and, in Hospitality, we hope to be a benchmark in terms of the investment, management and optimisation of hotel property assets. We aim to get ahead of trends and be highly flexible in terms of our focus.

What is the current hotel portfolio of Stoneweg and its medium-term goals in Europe?

Currently we are the owner of two large-scale assets

in Menorca and Marbella. Alua S'Algar - comprising four hotels, a sports area and beach club very close to Mahón and Menorca airport, and the H10 Andalucía Plaza, a benchmark adults-only hotel in Puerto Banús. The former was refurbished this past winter and we signed up Apple Leisure Group's Alua chain (now belonging to Hyatt). With respect to the latter, we are on the way to reaching agreement with an international operator and undertaking a major refurbishment aimed at the lifestyle segment.

What is Stoneweg's investment policy regarding hotels? What type of investments are you looking for and what study process do you undertake prior to decision-making?

We look for value added deals. In other words, in which we are able to add value as owners through a change of management or the modernisation of the asset, or both. We seek out quality assets in the main tourist destinations in which there is a high leisure component. These may be either holiday or

Miguel Casas has extensive experience of the hotel investment market. He joined Stoneweg following 10 years with CBRE culminating in a range of responsibilities, the most recent of these being Hotel Investment Director for Continental Europe. A graduate in Business Administration from the CUNEF in Madrid, Casas is an expert in the management of strategic operations in the sector and in intermediation, acquisition and investment services relating to hotels.

city destinations. Our internal approval processes are rapid and normally require the consent of our committee following due diligence, a process that normally takes a couple of months.

In terms of the management of these assets, is it your intention to manage them directly or out-source this through a management contract or rental? What type of control do you have over the assets?

Given our highly flexible nature within the hotel sector, we are analysing the acquisition of a hotel platform that could provide us with the angle of direct management. Having said that, we feel that one of the ways of adding value to the operations that we view is to bring international brands to hotels. As a result, we consider both franchise and management contracts depending on the asset, its category and location.

Necessarily we must speak about the pandemic and its effects on the hotel industry. What is your view of the future evolution of the investment market in Spain?

The pandemic has had an unprecedented impact on the hotel sector and tourism worldwide. The restrictions on movement have led to many hotels closing their doors over several months, some of which haven't even reopened since March 2020. We will undoubtedly never forget this. Nevertheless, investor appetite for Spain's tourism sector continues to grow and the investment market has remained solid throughout these months. This is due to two main factors: the volume of available capital for real estate investments, in which the hotel sector

had been playing a leading role over a number of years prior to the pandemic, along with the positive long-term outlook for the tourism sector and, more specifically, for Spain as the preferred destination of many tourists worldwide. Spain has one of the most solid and diverse (beach, culinary and cultural tourism, business, rural, sports...) tourism markets in the world. Many emerging countries continue to grow as potential tourism-generating markets and we will witness their presence over the coming 20 years. The long-term demand outlook is therefore good and, in general terms, we only predict a significant growth in supply in the upscale segment. The bulk of investment will be assigned to the improvement of the current hotel stock.

And in Europe?

Having managed the European hotel investment department at my previous firm, I have been able to contrast the differing dynamics that exist in Europe's leading hotel markets. Although our focus is currently on southern Europe (Portugal, Spain, the South of France, Italy and Greece), we feel that opportunities in countries such as Germany, Switzerland and Scandinavia may arise over the medium term, largely due to the fact that in these markets the current hotel owners are linked to rental contracts and we think that the pandemic may impact many of these relationships, opening an angle for us as active owners to reposition some establishments.

Which markets and types of hotel are the priority targets for Stoneweg? Which markets are currently the most interesting in Europe?

Within our strategy for southern Europe, we feel

that destinations that are more dependent on the leisure segment for people with high purchasing power will not only prove to be the first to recover, but also those that will most likely achieve higher returns than were recorded prior to the pandemic. With this in mind, we are considering repositionings to improve category, along with innovative brands to seek out this high purchasing power clientèle in beachfront locations.

We are also interested in cities such as Lisbon, Barcelona and Rome, where leisure customers, along with congress and convention tourism, will mean that demand growth clearly exceeds supply growth in two or three years' time. Given that we believe that the hybrid working model is here to stay as a result of the pandemic and that businesses will feel a greater need to congregate, motivate and train their workers in hotel establishments, we are confident of the recovery of the MICE segment.

OUR STRATEGY IN SOUTHERN EUROPE IS FOCUSED ON DESTINATIONS WITHIN THE HIGH PURCHASING POWER LEISURE SEGMENT

Through your experience as a consultant, you have an in-depth understanding of the sector. Do you believe that businesses have reacted correctly to the crisis unleashed by the healthcare emergency?

In terms of improving their balance sheets, assets and operational processes, I feel that the majority of hotel businesses have worked well in the face of the pandemic. Along with a number of years with good operating results, many of these actions have, in general, helped to ensure a strong position in terms of liquidity. The best has been made of the situation considering its seriousness. The majority of chains have tried to open where demand has been present and through the establishment of significant safety measures within hotels. This has required the training of employees and higher operating costs than usual.

There has been greater flexibility with respect to workforces thanks to furlough and the majority have been able to access bank financing and assistance from asset owners. Nevertheless, a crisis of such proportions always produces cases in which some businesses suffer more than others and, within this context, we all hope that the recovery will be rapid and we will have a more normal 2022 that will enable the sector to regain its dynamism.

The industry is banking on the arrival of European funds so as to carry out the refurbishment and improvement of key management aspects, such as technology and sustainability. On what aspects do you believe that hotel businesses should focus their transformation?

Technology and sustainability are two of the pillars upon which Stoneweg is planning for the changes that are coming to the hotel and real estate sector. Support in this regard is more necessary than ever in order to implement long-lasting, quality solutions. Our investors clearly value improvements implemented in this regard and, in general, we believe that any improvement to our assets that helps to create a better environment will have an impact on the customer experience and the returns from the transaction.

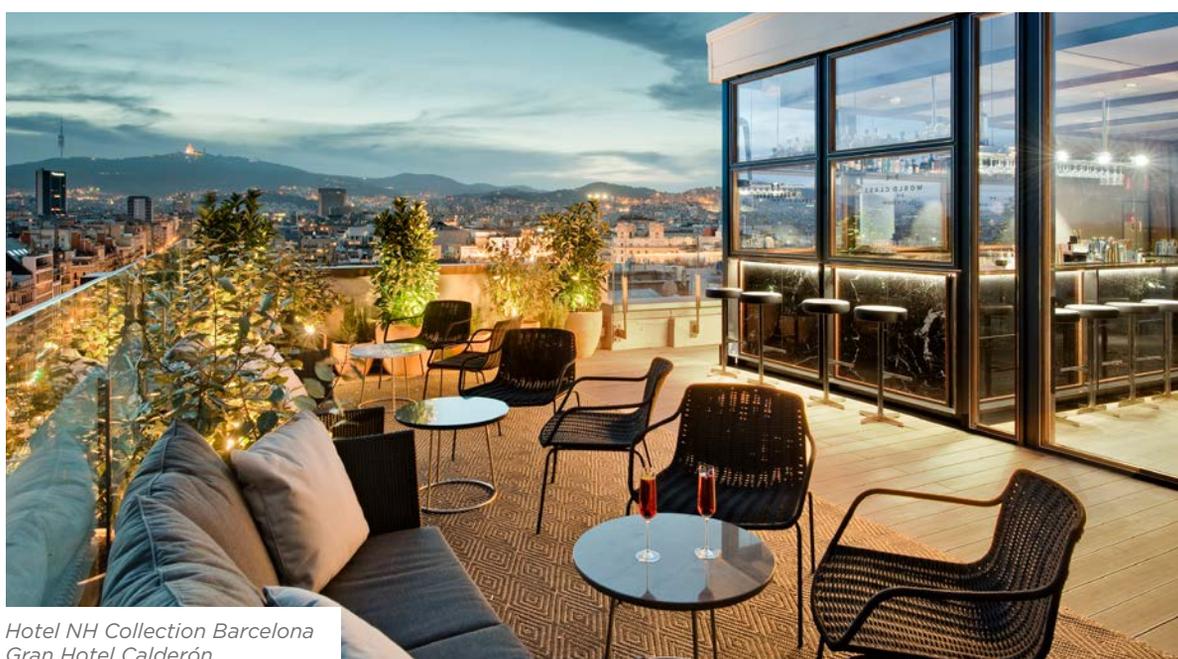
Forecasts indicate that the recovery will take place in the holiday segment before the city segment. Will this feature also impact investment or might opportunities arise in any segment, regardless of the pace of operations?

The changes occurring in the labour market will have a significant impact on the weight of holiday and city demand. Having said that, we will find that the fundamental change will revolve around motivation for travel (leisure/business). People will have greater flexibility by working remotely and, as a result, will be able to dedicate more time to travelling for leisure. In contrast, business travellers will have less reason to travel thanks to audiovisual technology and the climate change policies that are beginning to be implemented. It is likely that the weight of travellers to cities will shift significantly towards the leisure segment, and those cities with greater offerings in this sense will benefit over others.

If prior to Covid-19 we were starting to talk of the Bleisure concept (in which corporate travellers spend a few additional days of leisure at the business destination), a new world of 'workations' is now opening up (where the leisure traveller extends his or her stay at the destination to work remotely). This means a necessary change for many hotels focused exclusively on leisure guests, and in general confirms the need for properties that are flexible according to users' needs.

BARCELONA AND MADRID, AMONG THE TEN MOST ATTRACTIVE CITIES IN EUROPE FOR HOTEL INVESTMENT

The Report “Hotel Investor Beat” by Cushman & Wakefield ranks the Iberian Peninsula within the top 3 European investment markets, behind the UK/Ireland and Germany. The figure of 1.8 billion Euro for deals struck within the Spanish market up to August 2021 demonstrates the interest on the part of major investors, who value the strength and appeal of the Spanish hotel industry.



Hotel NH Collection Barcelona
Gran Hotel Calderón

The main conclusion of the Hotel Investor Beat report, produced by Cushman & Wakefield Hospitality at a European level, is that the investment market remains highly energetic, although strategies are being adjusted to the situation arising as a result of the pandemic and its impact on tourism. Some 40% of investors state that their strategy has shifted towards a more acquisition-based position in comparison with the period prior to Covid-19.

The report, produced during the months of May and June, involved the participation of 50 directors from the leading players in the investment arena. Over the past five years, the firms in the study have participated in the acquisition of 664 hotels valued at 26 billion Euro, representing approximately a quarter of the entire volume of hotel transactions in Europe.

BARCELONA AND MADRID, AMONG THE 10 MOST ATTRACTIVE CITIES FOR HOTEL INVESTMENT

Both Barcelona, the leading city at a European level, and seventh-placed Madrid are, according to the results in the report, among the top 10 city destinations for hotel investors. London, Paris, Amsterdam and Munich occupy the other top 5 places of this ranking. According to Albert Grau, Partner and Co-Head of Cushman & Wakefield Hospitality Spain “These results demonstrate the fact that Barcelona and Madrid offer, for varying reasons, attractive conditions for investors. Whereas the luxury segment is leading in terms of investor positioning in the capital, in Barcelona the pandemic has opened the gates to new investment opportunities in the hotel sector, still limited in growth by the existing moratorium”.

RANKING OF MOST ATTRACTIVE CITIES FOR HOTEL INVESTMENT

NO	MARKET	AVERAGE RANKING	LEVEL OF INTEREST				
			1	2	3	4	5
1	Barcelona (ES)	4.0	4%	6%	19%	31%	40%
2	London (UK)	3.9	11%	9%	9%	20%	52%
3	Paris (FR)	3.9	10%	4%	18%	20%	47%
4	Amsterdam (NL)	3.8	6%	6%	24%	30%	34%
5	Munich (DE)	3.8	4%	10%	22%	30%	34%
6	Berlin (DE)	3.8	6%	10%	18%	35%	31%
7	Madrid (ES)	3.8	4%	6%	27%	33%	29%
8	Rome (IT)	3.6	6%	15%	26%	21%	32%
9	Lisbon (PT)	3.4	9%	9%	38%	23%	21%
10	Dublin (IE)	3.4	6%	15%	36%	21%	21%
11	Edinburgh (UK)	3.3	15%	9%	26%	30%	20%
12	Vienna (AT)	3.1	4%	22%	39%	24%	11%
13	Prague (CZ)	3.0	15%	22%	27%	22%	15%
14	Moscow (RU)	1.4	87%	0%	7%	3%	3%

Source: Cushman & Wakefield

The most notable deals closed in recent months in Madrid include the Hotel Madrid Edition (the Singaporean fund GIC and the Dutch pension fund APG, through Archer Hotel Capital, acquired the asset from KKH Property Investors for slightly over 200 million Euro) and the Hotel Bless Collection Madrid (the Mexican firm RLH Properties acquired this 111 room hotel for 116 million Euro from Grupo Didra and Aina Hospitality).

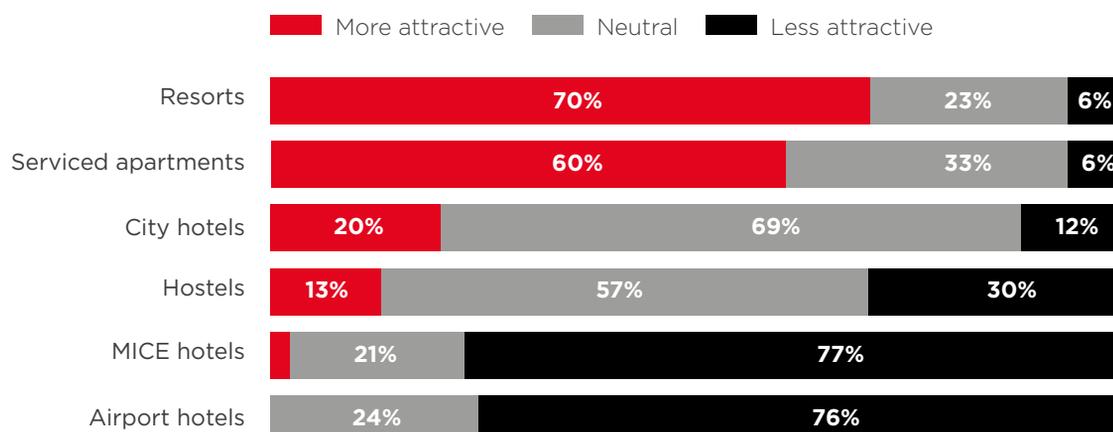
As mentioned by Grau, the crisis has also led to the emergence of assets in Barcelona, where in 2018 and 2019 it proved difficult to close any deal due to the rise in prices within the market and the impossibility of developing new projects. Significant sales deals have been struck within the city in the first eight months of 2021. Examples of these include a sale and leaseback by means of which LaSalle Investment Management has acquired the NH Collection Barcelona Gran Hotel Calderón, which will continue to be managed by NH. Still in Barcelona, we have the sales deal involving four hotels belonging to the Selenta chain. Two of these are located in the Catalan capital, namely the Hotel Sofía and the Hotel Expo Barcelona. The assets have been acquired by Brookfield, which has also added the Hotel Don

Carlos Resort & Spa in Marbella and the Mare Nostrum Resort in Tenerife. As a whole, this amounts to investment of 440 million and more than 2,000 guestrooms.

RESORTS - THE MOST SOUGHT-AFTER ITEMS IN THE INVESTMENT MARKET FOLLOWING THE HEALTH CRISIS

Increased investment in the holiday hotel segment was already a trend in Spain prior to the arrival of the pandemic, particularly with respect to resorts. A year and a half later this trend has merely strengthened. 70% of the interviewees consider that resorts are currently more attractive as assets than prior to Covid-19. According to Bruno Hallé, Partner and Co-Head of Cushman & Wakefield Hospitality Spain, “the recovery will reach the holiday sector earlier and the long-term growth outlook is positive. This attracts investment deals for assets that may also have potential in terms of product repositioning”. Along the same lines, serviced tourist apartment buildings are also more attractive for some 60% of interviewees, who value their resilience during the pandemic and the flexibility that they offer to shift towards the rental sector over the medium and long term.

WHAT ACCOMMODATION TYPES ARE MOST ATTRACTIVE FOR INVESTORS IN EUROPE?

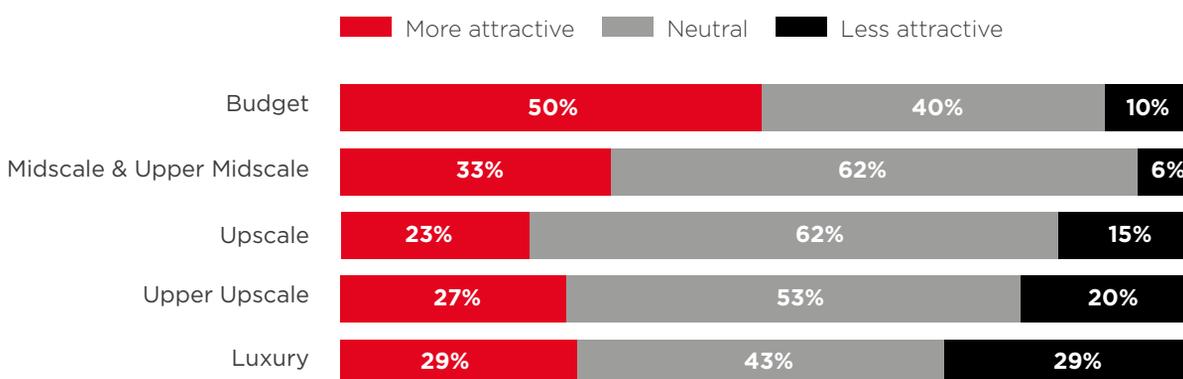


There have been a number of highly significant deals within the holiday segment during 2021. To the aforementioned sales by Selenta we may add the acquisition of eight hotels owned by Meliá by a company controlled by Bankinter Investment, of whom Meliá is, in turn, a minority shareholder. The majority of the assets are located in the Balearic and Canary Islands and the deal is valued at 200 million Euro. In Andalusia we have seen the sale of the H10 Andalucía Plaza in Marbella to Bain Capital Credit and Stoneweg Hospitality, along with that of the Senator Playaballena in Rota, acquired by Pontegadea, the family office of Amancio Ortega.

THE BUDGET HOTEL SEGMENT EMERGES STRONGER FOLLOWING THE CRISIS

If we analyse hotels according to price range, investors consider that budget hotels have witnessed the greatest growth in interest following the pandemic, specifically by some 50%. In the opinion of Albert Grau, “investors value these types of assets. With strong management they achieve good profitability and are unaffected by downcycles. The fact that their cost structure is very tight by definition means that they are better able to adapt to extreme circumstances”. The acquisition by Primonial of the hotel The Site in Sant Cugat is notable within this segment. The asset will go on to be managed by B&B under a rental contract. Cushman & Wakefield provided advisory services on this deal.

WHICH TYPES OF HOTELS BY PRICE RANGE ARE MOST INTERESTING FOR INVESTMENT?





Hotel Bless Collection Madrid

There is a degree of polarisation between investors when giving their opinion concerning upscale and luxury hotels. Although for a significant percentage of the respondents the attractiveness of these assets is increasing (27% and 29% respectively), a likewise representative proportion believe the opposite (20% and 29% respectively). However, the greatest number of respondents (53% and 43% respectively) consider that there have been no significant changes within the luxury area as a result of COVID-19.

DISCOUNTS OF UP TO 20% IN THE PRICES OF HOTEL ASSETS

Despite the short-term impact within the hotel sector, investors remain optimistic about the long-term future. 40% of respondents intend to acquire more hotel properties according to the survey, whereas 29% plan on continuing their investment activity in the same manner as prior to the pandemic. Only 21% of investors intend to reduce their hotel acquisition activity.

Price trends will prove to be another decisive factor over the coming months. The report indicates that some 59% of investors anticipate discounts of between 10% and 20% on the sale prices of 2019. In the opinion of Bruno Hallé, “asset prices may hold up due to the fact that the connotations of the current crisis differ significantly from those of the 2008-2009 financial crisis. Although it is possible

to expect reductions that will help to reactivate the investment market, major discounts are unlikely”.

EXPECTATIONS FOR THE RECOVERY OF TOURISM

The respondents consider that the recovery of the sector will come in stages, arriving to leisure destinations first. Within the holiday segment, some 85% of the respondents believe that by 2023 we will get back to the levels of 2019. In contrast, some 75% believe that the major cities will not achieve this until 2023 or 2024. In any event, the anticipated pace of recovery is better than that following the world financial crisis, where hotel RevPAR took five and a half years to reach the levels seen prior to the crisis.

These expectations also impact investment deals. In descending order, the risks according to investors are: the recovery of hotel activity, the financial situation of assets, profitability and the status of the asset in the case of rental and/or management contracts.

The survey also reveals that ESG (environmental, social and governance) criteria are ever increasingly important during the acquisition process. Some 30% of respondents assign a critical value to this aspect.

TABLE OF MOST SIGNIFICANT DEALS

*m = million Euro

ASSET	OWNER	BUYER	CITY	PRICE*	GUEST ROOMS
SOFIA BARCELONA	SELENTA	BROOKFIELD	Barcelona	440m	465
EXPO BARCELONA			Barcelona		423
DON CARLOS			Marbella		267
MARE NOSTRUM			Southern Tenerife		1,036
GRAN MELIÁ VICTORIA	MELIÁ	BANKINTER INVESTMENT	Majorca	200m	171
MELIÁ TAMARINDOS			Gran Canaria		279
MELIÁ GRANADA			Granada		232
SOL BEACH HOUSE			Menorca		188
MELIÁ SALINAS			Lanzarote		272
INNSIDE BOSQUE			Majorca		271
MELIÁ ATLANTERRA			Cádiz		285
INNSIDE ZARAGOZA			Zaragoza		247
NH CALDERÓN			NH		LA SALLE INVESTMENT
MADRID EDITION	KKH	GIC/APG	Madrid	205m	200
HESPERIA PRESIDENTE	ASSET HOLDING OF 3 FAMILIES	GRÍFOLS	Barcelona	125m	151
BLESS COLLECTION	DIDRA & AINA HOSPITALITY	RHL PROPERTIES	Madrid	115m	111
ÚNICO MADRID	ÚNICO HOTELES	POOL OF INVESTORS	Madrid	28m	44
TRYP CHAMBERÍ	PALACIOS FAMILY	ALL IRON	Madrid	18m	72
VÍA CASTELLANA	MILLENIUM	IBERVALLES	Madrid	40m	228
TRYP APOLO	VÄRDE PARTNERS	MELIÁ & SCHRODERS	Barcelona	96m	314
GRAND HOTEL CENTRAL	ÚNICO HOTELES	SCHRODERS	Barcelona	93m	147
URBANESS GRAN DUCAT	BCN URBANESS	RENTA CORPORACIÓN	Barcelona	14.9m	64
URBANESS GRAN RONDA		RENTA CORPORACIÓN	Barcelona	15.1m	65
H10 ÍTACA	H10	PRIVATE INVESTOR	Barcelona	20m	95
H10 ANDALUCÍA PLAZA		BAIN & STONEWEG	Marbella	65m	400
SENATOR PLAYA BALLENA	HOTELES PLAYA	PONTEGADEA	Cádiz	25m	324



THE ASSET MANAGER,

AN ESSENTIAL ROLE
IN INVESTMENT
ENTITIES

Hotel The Corner, Barcelona

In contrast to scarcely 10 or 15 years ago, the role of asset manager has become commonplace in businesses linked to investment in the hotel sector. Given that their involvement represents a key factor in maximising asset values, the role is clearly strategic for the hotel ecosystem as a whole. The asset manager can become involved in many aspects of the workings of the business, be this in improving operations, analysing the market positioning or safeguarding the structural integrity of the establishment.

Based on the model from the English-speaking world, the strategy of ever clearer separation between hotel ownership and the management of establishments is becoming increasingly commonplace in Spain, along with the role of the asset manager as an essential pillar for the functioning of the industry. The transformation of the industry is leading to the incorporation of new players within the business map. A number of specialised profiles are now being added to the traditional figures of hotel owner and manager. Within the scope of owners/investors, we currently find major international investment funds that adopt the role of owner, such as Blackstone, Goldman Sachs and Benson Elliot; socimis specialising solely in hotel investment, such as Millenium and Atom Hoteles; as well as asset holding firms and family offices that, in the process of diversifying their investments, have discovered in the hotel sector an attractive complement to their portfolio.

Within the scope of operations we have traditional hotel management chains with well-known brands, such as Marriott, NH and Meliá Hotels International. In recent years these have been joined by groups specialising in the management of white label hotels, such as GAT, Panoram, URH, Odissey, Borealis and Hotel Collection International. The knowledge of specific market niches or destinations can make these management groups highly competitive.

THE ROLE OF ASSET MANAGER AS ARBITER

From their viewpoint as external specialists, the asset manager becomes a hub linking the various players attached to a hotel asset. Given that they are required to intervene in aspects linked to the improvement of operations, as well as in those connected to investment and the market value of the asset, their knowledge of the business must be both expert and transversal. Understanding the potential of a hotel according to the interests of the owner helps to define the business strategy and decision-making.

Under the current circumstances, severely impacted by the effects of the pandemic, we find ourselves with players in the investment area with differing positioning. The asset manager must properly understand and be fully conscious of the profile of each investor in order to seek out the best operational and financial solutions, whilst meeting the goals set by the owner.

**THE ASSET
MANAGER MUST
BE PERCEIVED AS
AN ARBITER OR
ACCELERATOR,
AND NEVER AS A
CONTROLLER**



Hotel SOFIA Barcelona

Another profile that we may find within the investment arena is that of financial institutions. As in the case of the previous global crisis in 2008, the current situation may lead to banks becoming the owners of non-performing hotel assets. These financial institutions do not usually have any strategic interest in owning these types of assets and require management that is ideally suited to asset managers due to their knowledge of the business, the aim being to propose repositioning and find a new owner within the short or medium term.

THE FUNCTIONS OF THE ASSET MANAGER

Getting down to the brass tacks of asset supervision actions aimed at improving results and operating processes, the main functions of the asset manager consist of tracking the management and operation of the asset, monitoring the condition of the asset in itself, evaluating and keeping watch over the market context, supervising and supporting budget processes and advising owners on the relationship with the operator in order to improve the competitiveness of the product.

With respect to actions aimed at analysing strategic decisions in terms of maximising the asset value and yield, we find the provision of advice to owners on optimal strategies for investment, monitoring the value of investments, choosing and analysing operators, brands and consultants, negotiating and administering contracts and approving/monitoring capital investment (CAPEX).

The investment life cycle in a hotel business usually comprises four stages:

- 1. Introduction**
- 2. Growth**
- 3. Maturity**
- 4. Decline**

This asset life-cycle must also be cross-referenced with market cycles. This means that each analysis must take into account elements of some complexity. The introduction phase is where we usually find strategic sales and the main acquisitions, whereas in the decline stage deals are more related to repositioning, diversification or opportunistic acquisition operations.

At any point, the intervention of the asset manager may lead to a certain degree of internal resistance in that it may be seen as an external “controller”, whereas in reality it acts as both an “accelerator” and “arbiter” that will help to better position the asset, entailing benefits for all stakeholders. An element that is increasingly better understood by the owners of hotel assets is the fact that the value of the business is key to the valuation of the asset and, in the event that the business does not function adequately, it will prove very difficult to close deals or, in particular, close deals under favourable conditions.

The asset manager must provide advice on the choice of the proper moment for the release/sale of the asset, understanding the situation regarding the market and that of the hotel itself, together with

the needs and goals set out in conjunction with the owner. Budget control has ceased to be the single key to hotel profitability given that items linked to revenue management, such as average occupancy or average revenue per available room may carry the same weight, as may forecasting the future value of the asset based on its condition and that of the market. The key to profitability is more connected to knowing which buttons should be pressed at each moment in order to grow the average profit per available room or GopPAR.

In Cushman & Wakefield we consider that a good asset manager must have a global view of the hotel market, with profound knowledge both of the investment and asset positioning strategy, along with the operating strategy and know-how regarding the industry in order to achieve the goals set out by the owner. In this manner, the asset manager may add value in key decisions such as the definition of the offering, commercial management, etc., without losing sight of the fact that the key to the project will be increasing the value of the asset and determining the right time to sell or acquire a hotel asset and achieve the maximum returns. The dual perspective of the asset manager helps in understanding the needs and goals of the investor through a strategic understanding of the return on investment, the asset value and the operational know-how to maximise the value and profitability through better branding and management at all times.

STRATEGIC ROLE

The role of the asset manager has gone from being little understood just ten years ago to becoming commonplace in many hotel investment groups. Given that the contribution of the asset manager helps to maximise the value of the asset through improvements to operations, the role is also strategic for the organisation as a whole, analysing the position in the market and watching over the structural integrity of the establishment. The increasingly common separation between ownership and management means that the asset manager is becoming an ever more acknowledged and essential figure within our sector.

INVESTOR TYPE

Value-add Investment Funds

Usually make significant investment in acquisition to reposition an asset, later minimising future investment whilst focusing on improving profitability up to divestment. The goal is to rapidly achieve greater returns.

Family Office and HNWI (High Net Worth Individuals)

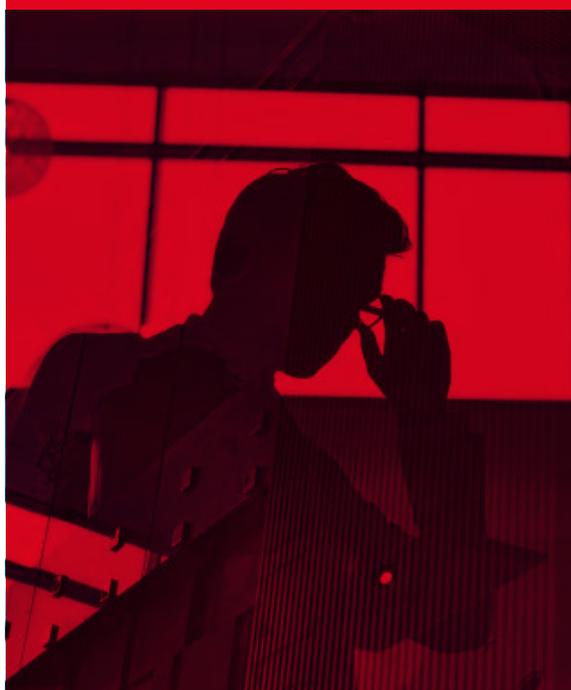
Investors that wish to be owners of few hotel assets, but on the lookout for trophy assets.

Institutional Funds - Core Funds

Clearly defined, conservative and, in general, long-term investment goals.

Financial institutions

May become owners for reasons alien to their strategy. As a result, take on an asset due to poor positioning or for which an excessive price is paid at the time of acquisition. With market conditions currently taking such a severe turn, a greater number of transactions of this nature may occur.



Cushman & Wakefield is a global leader in real estate services that offers exceptional value by putting into practice ideas for occupiers and owners within the property sector. Cushman & Wakefield is one of the largest real estate services firms, with more than 53,000 employees in approximately 400 offices and 60 countries. In 2019, the company posted revenue of \$8.8 billion in property services, facility and project management, lease deals, capital markets, valuations and other services. In 2020 and for the third year running, C&W was named the best professional real estate consultancy worldwide by Euromoney.

With more than 30 years' experience in Spain, Cushman & Wakefield covers the entire country. The head offices are located in Madrid (Edificio Beatriz, José Ortega and Gasset, 29, 6º) and Barcelona (Passeig of Gràcia, 56, 7º). For further information, please visit www.cushmanwakefield.es or follow us @CushWakeSPAIN on Twitter.

WELCOME TO WHAT'S NEXT

agenda

NOVEMBER 2021

- ▶ CEHAT CONGRESS
November 17-19 / Oviedo
<https://cehat.congressus.es/congresohoteleros>
- ▶ THE ANNUAL HOTEL CONFERENCE (AHC)
November 22-23 / Manchester
<https://www.hospitalityinsights.com/ahc>
- ▶ IBTM World
November 30 - December 2 / Barcelona
<https://www.ibtmworld.com/>
- ▶ TIS Tourism Innovation Summit
November 10-12 / Seville
<https://www.tisglobalsummit.com/about-tis/>

JANUARY 2022

- ▶ FITUR - International Tourism Fair
January 19-23 / Madrid
<https://www.ifema.es/fitur>

MARCH 2022

- ▶ HIP - Hospitality Innovation Planet
March 7-9 / Madrid
www.expohip.com

MAY 2022

- ▶ International Hotel Investment Forum
May 3-5 / Berlin
<https://www.hospitalityinsights.com/ihif>



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