

MARKET SUMMARY & OUTLOOK

	YoY Chg	12-Mo. Forecast
Investment Trends	▲	▲
Prime Yields	▲	▲
Market Performance	▲	▲
Supply	▲	▲
Demand	▲	▲

Spain remains one of the most active hotel investment markets in Europe, with €1.7bn transacted during H1 2023, a 4.8% increase relative to H1 2022. Investors primarily focused on quality assets in prime urban and leisure destinations, with sovereign funds and other players with less reliance on debt driving the activity. From H2 onwards, we expect further growth, with the return of family offices and hotel chains, driven by the good performance of the Spanish hospitality sector.

The expectation gap persists as the cost of debt is among the highest experienced since early 2000, while owners of hotels, achieving historical performance results, are reluctant to reduce prices to compensate for higher costs of financing. While yields remain in a grey area, RCA/MSCI data suggest that they moved out by 70-110 bps in Europe (H1 2023 vs 2019). That said, in times of uncertainty, a flight to quality persists, holding yields and driving competition for prime assets.

Spanish industry has recovered exceptionally quickly from the pandemic, demonstrating that it is one of the most resilient sectors. While occupancy in H1 2022 remained 2.2 percentage points below H1 2019, ADR has increased by 20%, driving the RevPAR growth by 17% relative to pre-pandemic levels, compensating for inflation. The greatest RevPAR increases in H1 2023 vs H1 2019 were achieved in Marbella (+49%), Valencia (+38%), and Granada (+36%).

Hotel room supply in Spain experienced a moderate 2% growth (June 2022 vs June 2023). It is expected to grow more substantially in markets where there is robust hotel performance and no moratoriums on hotel development, including Madrid, Malaga, Valencia, and Seville. Cadiz, in particular, is projected to experience strong supply growth, being the new hotspot. Also noteworthy is the growth in luxury supply, with Madrid and the Balearic Islands leading the way.

Demand has almost recovered from pre-pandemic levels, with 37.5 million visitors during H1 2023. While this is 1.6% lower than in H1 2019, tourism spending ended up 14.6% higher over the same period. UK, Germany, and France remain the top source markets. Madrid and Barcelona are still not welcoming the same amount of travellers as in 2019, while leisure locations such as Balearics, Canary Islands, and the Valencian Country have overpassed 2019.

Sources: Cushman & Wakefield, STR, Instituto Nacional de Estadística (INE)

Note: Contingency of 5% is applied for transactions in H2 2022 and H1 2023, as some deals are revealed with notable delay.

INVESTMENT TRENDS

HIGHLIGHTS - H1 2023

- € 1.68 billion transacted
- 41 properties comprising 7,682 rooms sold
- 66% of capital was from international buyers
- 27% of volume was invested in Upscale hotels

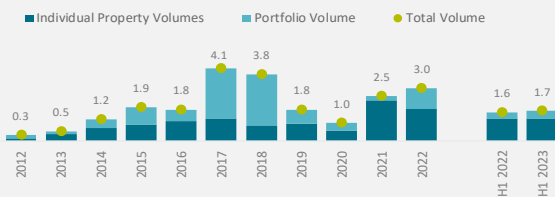
RECENT TRANSACTION TRENDS

	Last 6 months (H1 2023)				CALENDAR YEAR 2022			
	Properties Sold	Rooms Sold	Volume Transacted	% Change*	Properties Sold	Rooms Sold	Volume Transacted	% Change*
Spain	41	7,682	1,684	4.8%	84	14,903	2,958	16.8%
Regional	38	7,359	1,558	38.3%	71	12,655	2,242	5.3%
Madrid	3	322	127	-73.7%	13	2,248	716	77.4%
Barcelona	5	780	457	30.3%	8	1,488	357	-56.8%
Balearic Islands	11	2,797	390	78.1%	9	1,083	261	78.7%
Canary Islands	5	943	184	40.8%	2	765	131	31.0%

Volume transacted in EUR, millions
*Refers to the % change in transaction volume from the previous period

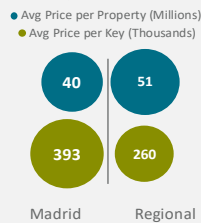
Source: Cushman & Wakefield

ANNUAL TRANSACTION VOLUMES (2012 - H1 2023, EUR BILLIONS)

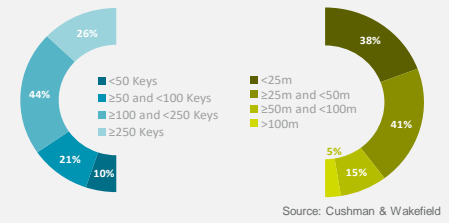


Source: Cushman & Wakefield / RCA

AVERAGE TRANSACTION PRICE (H1 2023, EUR)



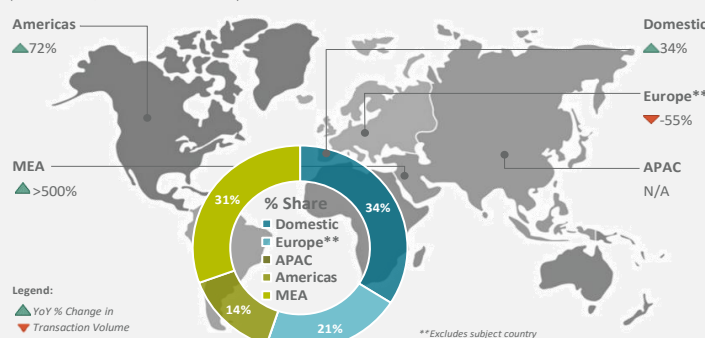
BREAKDOWN BY NO. OF ROOMS SOLD & DEAL SIZE (H1 2023, % SHARE OF DEALS)



Source: Cushman & Wakefield

NATURE OF INVESTMENTS

TRANSACTION VOLUME* BY SOURCE OF CAPITAL (% CHANGE, H1 2023 vs H1 2022)



Source: Cushman & Wakefield

TRANSACTION VOLUME PER HOTEL CLASS (% CHANGE, H1 2023 vs H1 2022)

HOTEL CLASS	% OF TOTAL VOLUME	% CHANGE	HOTEL CLASS	% OF ROOMS SOLD	% CHANGE
Luxury	28%	▲101%	Luxury	9%	▲32%
Upper Upscale	24%	▼-20%	Upper Upscale	17%	▼-35%
Upscale	27%	▲94%	Upscale	40%	▲164%
Upper Midscale	10%	▼-37%	Upper Midscale	14%	▼-56%
Midscale	9%	▼-57%	Midscale	17%	▼-24%
Economy	2%	▼-65%	Economy	3%	▼-73%

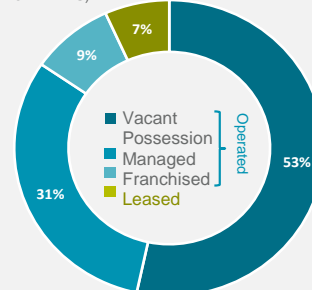
Source: Cushman & Wakefield

TRANSACTION VOLUME BY TYPE OF INVESTOR (H1 2023, % SHARE OF TOTAL VOLUME)

	BUYERS (% Share)		SELLERS (% Share)	
	Last 6 Months	% Change	Last 6 Months	% Change
Institutional	73%	▲78%	44%	▼-4%
Private	27%	▼-29%	56%	▲98%
Public	0%	N/A	0%	▼-100%
User/Other	0%	N/A	0%	N/A

Source: Cushman & Wakefield / RCA

TRANSACTION VOLUME BY OPERATING STRUCTURE (H1 2023, % SHARE OF DEALS)



Source: Cushman & Wakefield

MAJOR DEALS

SELECTED MAJOR HOTEL TRANSACTIONS (SPAIN, H1 2023)

Property	Market	Keys	Buyer	Buyer Origin	Seller	Seller Origin
Mandarin Oriental Barcelona	Barcelona	120	The Olayan Group	USA	REIG Capital / Farallon Capital	ESP / USA
Hotel Palacio del Retiro	Madrid	50	Ion Ion	ESP	Spanish Family Office	ESP
Portfolio Meliá - Starwood Capital (3 hotels)*	Ibiza / Fuerteventura	799	Banca March	ESP	Starwood Capital	USA
Hotel Sofia	Barcelona	465	AXA; Blasson Property	FRA / ESP	Brookfield	CAN
Torre hotelera Porta Diagonal	Esplugues de Llobregat	520	Hines	USA	Sacresa	ESP
Eurostars Sitges	Sitges	263	Perial Asset Management	FRA	Angelo Gordon	USA
W Ibiza	Santa Eulalia del Río	162	Gruppo Statuto	ITA	Scala Capital Partners Limited	GBR
Portfolio Meliá Calviá - ADIA (7 hotels)*	Calviá / Magaluf	2,325	Abu Dhabi Investment Authority (ADIA)	ARE	Avenue Capital Group	USA
Portfolio Be Live Hotels (2 hotels)*	Adeje/ Palma de Mallorca	410	Bain Capital/ Stoneweg	ESP / CHE	Be Live Hotels	ESP
The Standard Hotel Ibiza	Ibiza	67	Schroders	GBR	KKH Capital & Property	LUX

Note: Sorted by date of transaction.
*Majority deals.

SPAIN TRANSACTIONS - MAP VIEW 2023

<€1M <€460M

Madrid

Transaction Volume* € 127
 Properties Sold 3
 Rooms Sold 322

Barcelona

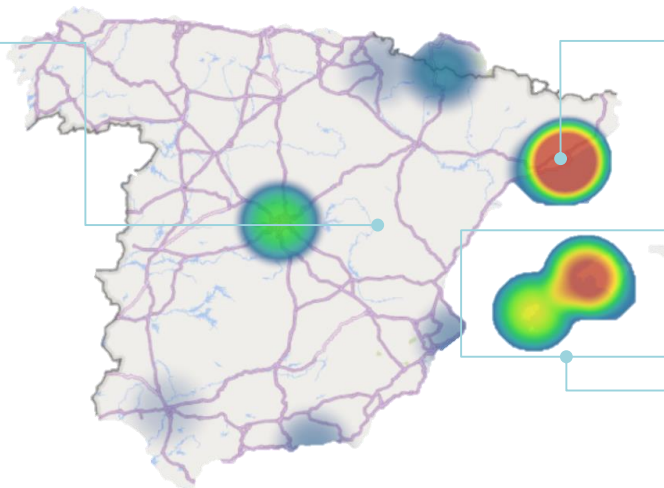
Transaction Volume* € 457
 Properties Sold 5
 Rooms Sold 780

Balearic Islands

Transaction Volume* € 390
 Properties Sold 11
 Rooms Sold 2,797

Canary Islands

Transaction Volume € 184
 Properties Sold 5
 Rooms Sold 943



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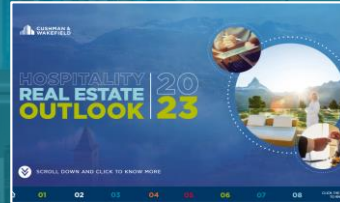
RECENT PUBLICATIONS



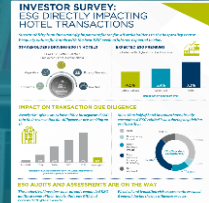
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Europe - Q1 2023



**HOTEL OPERATOR
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