



Horwath HTL

Hotel, Tourism and Leisure

MARKET REPORT

Galicia: Market Overview

MARCH 2020



Galicia

The region has diverse hospitality products, recently expanded to include more international brands, strong destination marketing support and the local business community has invested heavily in infrastructure. These combined efforts mean that Galicia is now a significant destination within Spain.

Over the last decade, these initiatives have had a direct impact on tourism, positively affecting the competitiveness and profitability of the hotel industry.

With a GDP of 62,570 M €, Galicia is in the top six regions in Spain and the growth and consolidation of the local business community have improved its economic position nationwide.

Some of the key business sectors in Galicia are the automotive industry with PSA-Peugeot (Vigo), the textile sector with Inditex (Arteixo) and the agri-food sector with Estrella Galicia in A Coruña. The increased activity of these companies has developed important incremental business to the hospitality sector.

The volume of passengers for the three airports of Peinador, Lavacolla and Alvedro reached a record figure in 2019 with 5.26 million travellers.

The journey time for medium-distance rail connections has fallen with the infrastructure improvements, and the High-Speed Train line (AVE) will open in 2022.

The road network provides strong links between the main Galician cities and Portugal, northern Spain and Madrid with the AP9, A52, A6, A8 and A28 motorways.



The importance of the Camino de Santiago

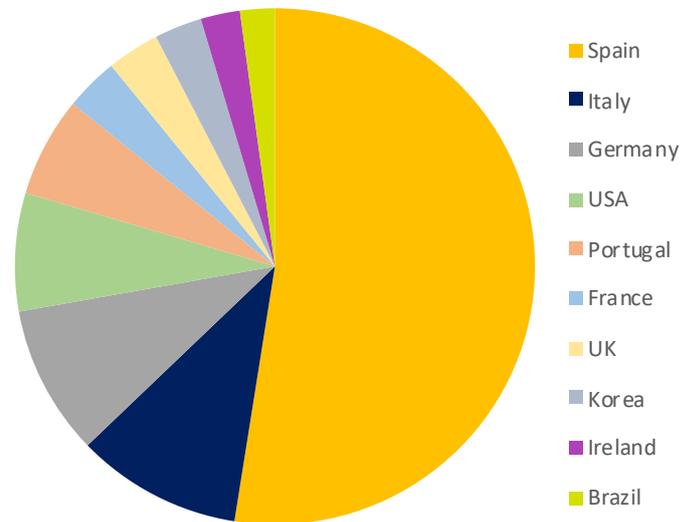
The pilgrim route of Camino de Santiago is one of the most significant tourist attractions within the region, bringing both national and international travellers.

The local Public Administration has heavily promoted the 'Camino de Santiago', working on improving the product to:

- Increase the number of national/international tourists
- Increase the average spending per tourist
- Decrease seasonality

The arrival of foreign pilgrims has been growing steeply in recent years. The highest proportion of international pilgrims are from the USA and Germany, thanks to the 2010 film "The Way", starring Martin Sheen, whose father was born in Galicia, and the 2014 visit of the German Chancellor, Angela Merkel.

2019 broke all the records for the third consecutive year, with the arrival of 347,578 pilgrims to Santiago de Compostela 7% more than in 2018.



This positive trend predicts a good reception for the entry of the next decade in which there will be 2 Xacobeo years (celebrated every July 25th, which coincides with Sunday); in 2021 and 2027.

Highlights

Record-breaking year

The total number of travellers to Galicia increased by 5.9% more than 2018, a new record. International tourism has doubled in the last decade, from 700,000 in 2009, to 1.4 million registered between January and November last year.

Positive growth trend in tourism demand and improvement in hotel profitability

Tourism in Galicia grew between 2013 and 2019, precipitating an improvement in hotel profitability.

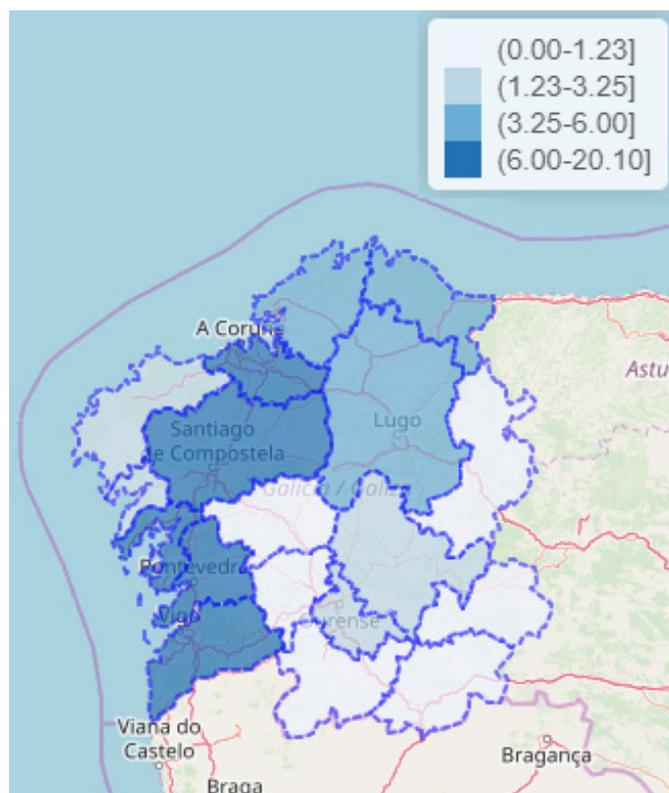
	RevPar Galicia		
	2019	2018	2017
RevPar Annual Average	25,59	23,97	23,19
Variation Rate 19-17	10,34%		

The RevPar (Revenue Per Available Room) has grown by 10.34% between the years 2019-17, from € 23.19 in 2017 to € 25.59 in 2019.

	ADR Galicia		
	2019	2018	2017
ADR Annual Average	57,42	56,4	55,03
Variation Rate 19-17	4,34%		

The ADR (Average Daily Rate) has had an increase of 4.34% between the years 2019-17.

RevPar and ADR are heavily seasonal, concentrated in the summer months. There are a diversity and disparity according to the style and levels of the hotels, with the highest prices concentrating in four tourist centres: Vigo, Sanxenxo, Santiago de Compostela and A Coruña.



Source: Instituto Galego de Estadística (IGE)

In the first half of 2019, Galicia tourism demand grew the most: 7.7% compared to 1.2% in the rest of Spain, demonstrating a shift towards longer seasons, with travellers also coming in the middle and low seasons.

The highest average overnight stays in Galicia are in the coastal areas of southern Galicia, Santiago de Compostela and the city of A Coruña and surroundings.

According to data from the Galician Institute of Statistics (IGE), the population of coastal municipalities supports an average number of 1.12 travellers per 100 residents; a figure that varies considerably from one area to another, since some coastal districts have experienced population increases of 3.04 inhabitants per 100 residents.

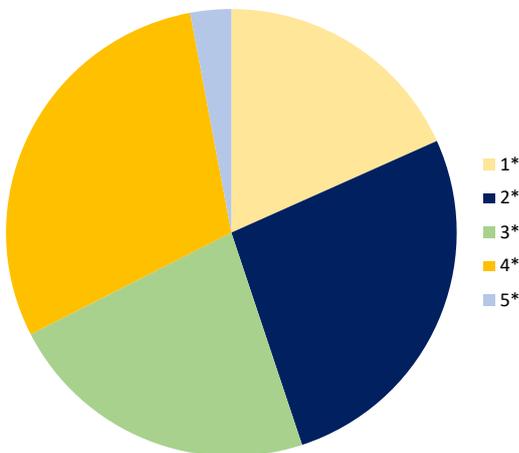


Santiago de Compostela

Product Overview

Galicia has historically offered culture, gastronomy, nature and the Camino de Santiago. Today, it stands out for having more traditional products (hostels, camping hostels and spas) combined with newer types of accommodation such as independent hotels, international chains, luxury and other innovative concepts.

The different models and categories of accommodation can host and provide services to all tourist profiles and demand segments.



The bed supply is concentrated in the 2 star (26.35%) and 4-star segments (29.26%). The number of 4-star beds increased by 30% between 2009 and 2019 due to its suitability for the area.

Over the past ten years, Galicia has seen an increase in hotel developments, both national and international brands: Barceló, Marriott, Relais & Chateaux, Accor and Hilton.

Hotel development growth, with a dozen future openings, will increase supply, a figure whose growth has remained constant at 5.3% since 2009.

At the same time, refurbishment is planned for 625 establishments, supported by the Public Administration within the TUR Reform program and the MAT Plan, to promote tourism linked to quality and excellence.

New concepts

The traditional product in Galicia has changed with the arrival of new trends and models.

Glamping is the experience of camping outdoors with all the services of a 4 or 5-star hotel for their comfort. These types of places try to integrate the local environment, becoming models of sustainability.

Europe has been developing Glamping for many years, but until recently, there was very little of this type of offer available in Galicia. This kind of accommodation aims at a high level/medium level profile.

Examples of glamping sites:

- Las cabañitas del bosque, Outes (A Coruña)
- Cabañas de Fisterra, Finisterre (A Coruña)
- Burbujas al aire libre Albariri, Sanxenxo (Pontevedra) ç
- A Fábrica da Luz, Cristosende (Ourense)
- Glamping Muiñeira, O Grove (Pontevedra)
- Aloia Nature, Tui (Pontevedra)



Source: Las cabañitas del bosque, Outes



Pazo de Eidián, A Golada (Pontevedra)



Hotel Faro Isla Pancha, Ribadeo (Lugo)

Cultural Heritage

Pazos, Paradores de Turismo and other historical buildings have been converted to provide accommodation in Galicia. Pazos are old historical houses of Galicia. Today, many have been converted to offer rooms, banqueting, or catering services.

Pazos de Galicia is a network of 12 establishments that offer the experience of exclusive accommodation in a historical buildings located in a typical rural environment of Galicia.

- Casa Grande da Ferrería de Rugando, Quiroga (Lugo)
- Casa Grande de Rosende, Sober (Lugo)
- Fervenza Casa Grande y Restaurante, O Corgo (Lugo)
- Pazo de Terrafeita, Trabada (Lugo)
- Hotel Monumento Pazo do Castro, O Barco de Valdeorras (Ourense)
- Pazo do Souto, Sísamo (A Coruña)
- Casa Grande de Soutullo, Coles (Ourense)
- Pazo da Touza, Nigrán (Pontevedra)
- Rectoral de Cobres, Vilaboa (Pontevedra)
- Casa Grande do Bachao, Santiago de Compostela (A Coruña)
- Pazo de Eidián, A Golada (Pontevedra)
- Rectoral de Fofe, Covelo (Pontevedra)

Paradores de Turismo is a Public hotel chain that was started in Spain in 1928, to renovate a selection of historic buildings in remarkable locations that have great historical and cultural value.

Galicia has a broad selection of Tourism Paradores being the third autonomous community with more Paradores in Spain (12) after Andalusia (16) and Castilla and Leon (15).

Tourism Paradores in Galicia:

- Hotel de los Reyes Católicos, Santiago de Compostela
- Parador de Santo Estevo, Ourense
- Parador de Baiona, Pontevedra
- Parador Castillo de Monterrei, Ourense
- Parador de Pontevedra, Pontevedra
- Parador de Cambados, Cambados
- Parador de Monforte de Lemos, Monforte de Lemos
- Parador de Vilalba, Lugo
- Parador de Tui, Pontevedra
- Parador de Ferrol, A Coruña
- Parador de Ribadeo, Lugo
- Parador de Verín, Orense

Paradores attracts a premium segment to its establishments with a high or medium-high socio-economic profile that is experienced travellers.

A Quinta da Auga Relais & Chateaux is another example of the refurbishment of the historical-architectural building. This old paper mill opened as a hotel in 2009 and is committed to luxury, wellness and gourmet cuisine throughout its 48 rooms, three suites and a spa.

Under the initiative of Faros de España (Lighthouses of Spain), some of the coastal lighthouses of Galicia have been refurbished to provide hotel use where the guests can sample the experience of staying in a unique environment surrounded by sea and nature.

- Hotel Faro Isla Pancha, Ribadeo (Lugo)
- Hotel Semáforo de Bares, Manón (A Coruña)
- Hotel o Semáforo de Fisterra, Finisterre (A Coruña)



Aquis Querquennis, Bande, Galicia

Health & Wellness:

Health & Wellness Tourism in Galicia mixes history and the avant-garde, differentiating around the quality of its hot springs, placing it as the community in Spain with the most exceptional mineral-medicinal product.

With 21 spas and more than 3,000 hotel beds, thermal and mineral-medicinal tourism is part of the history and tradition of hospitality in the area.

Over the last decade, Health & Wellness has been growing, with modern models incorporating new therapeutic services, gastronomy, food & wine and sports.

Due to the quality and characteristics of the waters at the mineral-medicinal hotels and thalasso, the product subdivides into three segments: mineral-medicinal water treatments Hotels, Spa Hotels and Thalasso Hotels, which provide treatments with saltwater.

Examples of hotels providing mineral-medicinal water treatments:

- Hotel Balneario de Mondariz, Mondariz (Pontevedra)
- Hotel Balneario de Compostela, Brión (A Coruña)
- Arnoia Caldaria, Arnoia (Ourense)
- Vila Termal Laias, Laias (Ourense)
- Eurostars Isla de La Toja, O Grove (Pontevedra)

Spa hotel examples:

- Augusta Spa&Resort, Sanxenxo (Pontevedra)
- Gran Hotel Nagari, Vigo (Pontevedra)
- Hotel Oca Villa de Allariz, Allariz (Ourense)
- Hotel Spa Attica 21, Villalba (Lugo)

Thalasso examples:

- Talaso Atlántico, Baiona (Pontevedra)
- Hotel Gran Talaso Sanxenxo

These products help to lengthen seasonality and increase and average occupation.

Some of the examples are the Augusta Spa & Resort, a hotel-spa that promotes itself as a health and wellness centre located in the heart of the Rías Baixas.



Hercules Tower, A Coruña

New Supply

The increase in economic activity and the launch of new direct international air routes have opened the cities of Galicia to global markets. Independent investors and international chains have increased the development of boutique hotels. Boutique hotels are popular because the format is less rigid and versatile.

DoubleTree by Hilton will open a new hotel in A Coruña in 2020, with 58 rooms that aim to attract both the executive profile and tourists visiting the city.

NOA boutique hotel, operating since June 2019, is an independent hotel with 32 rooms that aims to be a destination hotel offering sustainable luxury experiences in Oleiros, A Coruña.

Parador de Turismo de Muxía (A Coruña) which will be operational in the first half of 2020, combines the traditional essence of Paradores with the modern, committing to local economic revitalization and matching local architecture.

Faro de Corrubedo (Corrubedo's Lighthouse) will open in Ribeira (A Coruña) with 48 beds and a restaurant.



Forecast

Xacobeo (Jacobean Holy Years) will be celebrated twice in Galicia over the next decade (2021 and 2027) and will attract an increased number of national and international tourists.

The positive trend of Tourism in Spain and the opening of new international air routes are an opportunity to build loyalty and attract new tourists to Galicia.

Global tourism is trending more and more toward authentic, sustainability experiences close to nature. Natural destinations like Galicia have great potential, already having some of these characteristics.

The specialization and uniqueness of a large part of the sector in Health & Wellness tourism will help soften seasonality as well as improving hotel profitability.

The improvement in the future communications network will help consolidate the interest of tourists in Galicia.

Authors



Jesús Rodríguez
Director
Horwath HTL Spain
jrodriguez@horwathhtl.com

Jesús Rodríguez is based in A Coruña. A professional with more than 15 years of experience in all areas of management: Hotel Management, Corporate Management, Business Entrepreneurship in the tourism sector and Consultant Expert in the Retail and Asset Management lines. Jesús has a broad area of expertise, having carried out numerous projects in the field of conceptualization, repositioning, corrective and improvement plans, as well as optimization and outsourcing for both national and international companies in Horwath HTL.



Pablo Gonzalez
Analyst
Horwath HTL Spain
pgonzalez@horwathhtl.com

Pablo is double-graduate in Business Sciences and Tourism and is based in A Coruña. Pablo has worked in F&B, Public Relations and Quality Audit for iconic hotel brands Marriott International, Park Hyatt and Accor, giving him a wide perspective of luxury hotel operations in several top tourist destinations around the world (Australia, USA, Spain). Pablo now combines his expertise in operations with his knowledge in economics as an analyst for Horwath HTL Spain.

Horwath HTL

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