



**Horwath HTL**

*Hotel, Tourism and Leisure*

MARKET REPORT

**Andorra**

JUNE 2019



#### 2018 Country Data Profile

|                        |             |
|------------------------|-------------|
| Size (sq km)           | 468         |
| Population             | 76.177      |
| Canillo                | 4.103       |
| Encamp                 | 11.525      |
| Ordino                 | 4.798       |
| La Massana             | 9.924       |
| Andorra la Vella       | 22.151      |
| Sant Julià de Lòria    | 9.219       |
| Escaldes- Engordany    | 14.457      |
| Demographic Growth (%) | 3,54        |
| GDP per capita         | 35.995,65 € |

Source: Departament d'Estadística del Govern d'Andorra

### General Environment

The Principality of Andorra is located in southwestern Europe, on the Mediterranean side of the eastern Pyrenees, between France and Spain. The territory of the Principality covers an area of 468 sq km (of which only 1.3% are urbanized areas) with an average altitude of 1,996 m.

The valleys of the Principality of Andorra, often protected from ocean disturbances by their Pyrenean peaks of more than 2,700m of altitude, benefit from good sunshine, despite being a mountainous region, with more than two thousand hours of sunshine per year.

### Political Environment

The system of government of the country is a Parliamentary Coprincipality, and administratively it is divided in seven "parròquies", each of them with its local administration, the Comú.

The Constitution defines the figure of the Coprincipes as the head of State of Andorra, jointly and undividedly. They are, in a personal and exclusive capacity, the Bishop of Urgell and the President of the French Republic. They are the symbol and guarantee of the independence of Andorra and the equal treatment of relations with neighboring states. They are arbitrators and moderators of public power and institutions.

The Parliament is the highest body of popular representation, formed by a single chamber. Its functions are to develop and approve laws, appoint the head of government, approve budgets and regulate and control the action of the Government.



## Economic Environment

The economic activity of Andorra is mainly oriented to services. Tourism and commerce are the fundamental pillars of the Principality's economy.

Tourism, increasingly diversified depending on the season, provides more than 8.3 million annual visitors, showing stable and sustained growth from diverse nationalities, although mostly Spanish and French. For this reason, the economic evolution of Andorra presents a strong dependence on the external conjuncture, mainly of the neighbor economies.

| Evolution Number of Visitors Andorra | 2014      | 2015      | 2016      | 2017      | 2018      |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|
|                                      | 7.796.770 | 7.850.411 | 8.025.265 | 8.152.148 | 8.328.254 |
| Variation vs. Previous year          |           | 0,69%     | 2,23%     | 1,58%     | 2,16%     |

Source: Departament d'Estadística del Govern d'Andorra

The Andorran economy, modern and in constant development, has been marked in recent years by important agreements of different nature reached with various countries of the European Union as well as with the main international organizations, such as the OECD.

This process of international harmonization is leading the Principality towards a new socioeconomic cycle, in which foreign investment and the internationalization of the country's companies will constitute the new pillars of an economy that in 2018 registered a GDP of 2,742.04 million euros, placing GDP per capita at € 35,995.65, a figure above the European average.

| Evolution GDP per Capita | 2014        | 2015        | 2016        | 2017        | 2018        |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| Andorra                  | 35.785,50   | 35.341,51   | 35.580,20   | 35.752,54   | 35.995,65   |
| Europe                   | 27.700,00 € | 29.100,00 € | 29.300,00 € | 30.000,00 € | 30.900,00 € |

Source: Departament d'Estadística del Govern d'Andorra. EUROSTAT



## Tourism

Tourism is one of the main economic resources in the country. Andorra, thanks to its mountainous terrain, offers its visitors a wide range of activities, both in winter and summer.

During 2018, 8.3 million people visited Andorra. 63.5% of the visitors were day-trippers - people who don't stay overnight in the country-, while 36.5% were tourists -people who spend at least one night (the average overnight stay in 2018 is 2.57 nights).

|              | 2014      | 2015      | 2016      | 2017      | 2018      | % in 2018 |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Day Trippers | 5.433.334 | 5.187.070 | 5.206.390 | 5.149.288 | 5.285.884 | 63,50%    |
| Tourists     | 2.363.436 | 2.663.341 | 2.818.875 | 3.002.860 | 3.042.370 | 36,50%    |
| Visitors     | 7.796.770 | 7.850.411 | 8.025.265 | 8.152.148 | 8.328.254 |           |

Source: Departament d'Estadística del Govern d'Andorra

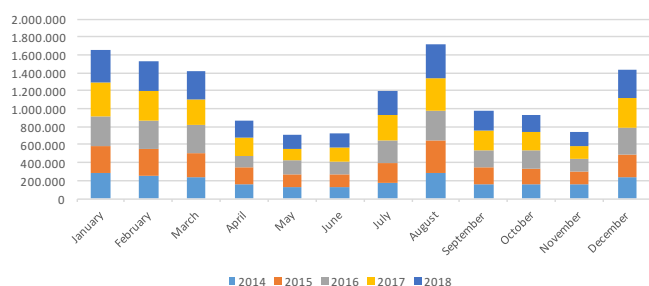
If we analyze the reason of their visit, the Andorran visitor has a marked preference to visit the country to purchase goods and gifts, given the difference in price that many products still have compared to neighboring countries. The practice of sports is the second reason, being the third the enjoyment of the nature, along with the activities linked to it that the country has in offer.

One of the main traits of the tourism in Andorra is its marked seasonality, concentrating especially in the months of winter and summer, with marked falls in the months of autumn and spring.

| Reasons to visit                |        |
|---------------------------------|--------|
| Shopping                        | 61,60% |
| Sport practice                  | 13,10% |
| Nature (sightseeing, hiking...) | 10,80% |
| Wellness                        | 3,50%  |
| Visiting friends                | 3,40%  |
| Cultural Leisure                | 2,30%  |
| Work                            | 2,00%  |
| Other                           | 3,30%  |

Source: Departament d'Estadística del Govern d'Andorra

## Tourist Influx



Source: Departament d'Estadística del Govern d'Andorra

## Leisure

The country has a lot to offer to its visitors all year long, covering a range of different activities that also contribute importantly to the flow of tourists into the country. The main attractions, but not the only ones, would be the following:

### Ski & Sport

Andorra has three domains dedicated to snow sports: Grandvalira, Vallnord and Naturlandia, covering almost all snow activities, with over 300 kilometers of slopes and a total of more than 3,000 hectares of ski areas. The Grandvalira and Vallnord domains have the highest concentration of ski lifts per square meter in the world, with a transport capacity of more than 160,000 people per hour.

| Ski Domains Overall | Ski Days Sold | Revenue from tickets |
|---------------------|---------------|----------------------|
| 2017/2018           | 2.514.049     | 61.489.970,00 €      |
| 2016/2017           | 2.480.000     | 54.469.000,00 €      |
| 2015/2016           | 2.447.112     | 51.002.357,00 €      |
| 2014/2015           | 2.344.876     | 50.061.300,00 €      |

Source: Ski Andorra

Grandvalira and Vallnord also host two of the most important World Cups that exist nowadays, the Ski World Cup during the winter in Soldeu, and the UCI MTB World Cup during summer in Vallnord – Pal Arinsal.

Even though many Ski Cups have been hosted over the years, this has been the first year where both categories (men & ladies) were present in a World Cup, and its success was indisputable, while the MTB World Cup has been organized during seven very successful editions, bringing thousands of bike lovers to the country for the event.

## Spa Leisure

This tourist offer, characteristic of the country, has in Caldea one of the main thermal centers in Europe. With an approximate surface area of 42,745 square meters, it receives about 400,000 visitors annually and is the largest thermal domain in southern Europe. The tourist modality of the thermal wellness can be enjoyed in different points of the country, in various hotel establishments that grant an important role to the wellness spaces.

## Ecotourism

Naturlandia is located in the middle of nature, with exceptional panoramic views. Cross-country skiing at an altitude of 2,050 meters, we find a unique snow park in the Pyrenees, a village with Nordic dogs and a multitude of activities that make up an original snow tourism offer that is difficult to match in high mountain environments. Naturlandia offers a wide range of activities during both the summer and winter seasons.

## Other Leisure Offers

The natural environment of the Principality of Andorra has a natural area, the Madriu-Perafita-Claror Valley, declared World Heritage by UNESCO in the category of cultural landscape, with 4,247 hectares (about 10% of Andorra's area). In addition, the Vall de Sorteny Natural Park (1,080 ha) and the Comapedrosa Natural Park (1,543 ha) are located in the country.

In the Principality's natural environment, we find up to 72 peaks above 2,000 meters high and more than 70 lakes. 87.5% of the territory is of a high landscape value.

Due to its historical and cultural tradition, the country also has more than 40 Romanesque churches and offers visitors 20 museums, 23 cultural itineraries, 21 cycling routes, 18 ecotourism routes, 9 climbing walls and 9 climbing areas with more than 200 routes.



## Hotel Sector

The Principality of Andorra has 287 tourist accommodations of various types and 33,472 beds, the majority of which are hotels. This offer is complemented by the “habitatges d’ús turístic” (HUT) typology (13,701 beds), which is of recent creation and whose use and exploitation is still being regulated.

| Accommodation by type    |     | Camping area | No category | *  | ** | *** | **** | ***** |
|--------------------------|-----|--------------|-------------|----|----|-----|------|-------|
| Hotels                   | 173 |              |             |    | 26 | 79  | 59   | 9     |
| Aparthotels              | 22  |              |             | 2  | 4  | 12  | 3    | 1     |
| Hostels                  | 10  |              | 10          |    |    |     |      |       |
| Pensions                 | 6   |              | 6           |    |    |     |      |       |
| Tourist Apartments       | 28  |              |             | 3  | 10 | 14  | 1    |       |
| Campings                 | 9   | 1            |             | 3  | 5  |     |      |       |
| Rural Houses             | 6   |              |             |    |    | 2   | 4    |       |
| Rural Huts               | 2   |              |             |    |    | 1   | 1    |       |
| Shelters                 | 2   |              | 2           |    |    |     |      |       |
| Cottages                 | 1   |              | 1           |    |    |     |      |       |
| Refuges                  | 28  |              |             | 22 | 6  |     |      |       |
| HUT management companies | 76  |              |             |    |    |     |      |       |

Source: Ministeri de Turisme d'Andorra

Among the tourist accommodations, 173 are equivalent to hotels of different categories, which represents 60.3% of the total accommodations, and 82.26% of the beds on offer.

The main feature of the hotel sector in Andorra is that the independent hotels, concentrated in the hands of owners or family groups, represent about 73% of the offer, while hotel chains manage 26.5% of the hotels.

| Hotels Beds Distribution |            |               |          |              |              |               |              |
|--------------------------|------------|---------------|----------|--------------|--------------|---------------|--------------|
| Hotels                   | #          | Beds          |          |              |              |               |              |
|                          |            | Total         | 1 *      | 2 *          | 3 *          | 4 *           | 5 *          |
| Canillo                  | 10         | 1.549         |          | 92           | 724          | 473           | 260          |
| Soldeu (Canillo)         | 16         | 3.501         |          | 73           | 499          | 2.584         | 345          |
| El Tarter (Canillo)      | 4          | 714           |          |              | 222          | 492           |              |
| Encamp                   | 14         | 1.829         |          | 667          | 738          | 424           |              |
| Pas de la Casa           | 28         | 3.015         |          | 572          | 1.460        | 983           |              |
| Ordino                   | 16         | 1.422         |          | 128          | 757          | 537           |              |
| La Massana               | 15         | 2.401         |          | 108          | 486          | 1.807         |              |
| Arinsal (La Massana)     | 11         | 1.784         |          | 79           | 851          | 727           | 127          |
| Pal (La Massana)         | 0          | 0             |          |              |              |               |              |
| Andorra la Vella         | 27         | 5.686         |          | 220          | 1.061        | 3.240         | 1.165        |
| Sant Julià de Lòria      | 8          | 766           |          | 128          | 522          | 116           |              |
| Escaldes-Engordany       | 24         | 4.996         |          | 89           | 1.515        | 3.204         | 188          |
| <b>Total</b>             | <b>173</b> | <b>27.663</b> | <b>0</b> | <b>2.156</b> | <b>8.835</b> | <b>14.587</b> | <b>2.085</b> |

Source: Ministerio de Turismo, Andorra.

## Sector Milestones

The hotel sector in Andorra faces a series of challenges that it must address in order to remain an attractive destination and compete with others with similar characteristics.

### Offer Diversification and adaptation.

Given the homogeneity of the categories of the sector, and with the appearance of 13,701 new beds in recent years from the HUT, the market presents an oversupply of hotel beds, whose only differentiation is possible based on prices. It is necessary to search for new tourism products and market niches with new expectations.

### Change in the focus of the business.

It is appreciated that the independent owners prioritize more the heritage value of the property than its business' operative and the projection, which generates erroneous expectations in the price of the assets, thus hindering the entry of international operators that would strengthen the credibility of the sector.

### Reduction of opacity and lack of information in the sector.

Many have been the Government's attempts to obtain reliable and updated information from the hotel sector, without obtaining conclusive results. The initiative of the ROAT (Register of Occupation of Tourist Accommodation) was launched, but at the moment the proposal has not paid off. Greater transparency and involvement would generate more confidence on behalf of investors and professional managers, as well as a better positioning and commercialization of the product.

## Author



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Ramon Fusté is a consultant at Horwath HTL Andorra since joining the company in 2018. He graduated from ESADE with a Master's Degree in Business Administration. Ramon has previously worked in the financial sector, performing duties as an analyst and controller, and has also been involved in the development of different operations in the M&A and investment sectors.

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# Horwath HTL

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