Horwath HTL

Hotel, Tourism and Leisure

Spain
Hotels & Chains
Report 2022

This report provides a snapshot of a fascinating moment in hospitality. Will we see the direction of the industry change forever?

A very warm welcome to this latest country edition of the Hotels and Chains report. The report was started to examine the relationship between branded hotels and hotel companies and their independent counterparts.

Over the last 20 years or so, branded hotel products have started to become more and more prevalent in Europe and the Middle East. We are still nowhere near North America when it comes to brand penetration, but the industry has been moving in that direction.

As we move past the pandemic, hotels have been experiencing a sharp upturn in performance, almost reaching 2019 levels. Interestingly, this is a leisure business focussed recovery, which means that resorts are seen as the most exciting sector in the industry, a status not enjoyed for many years, and much of the activity in the M&A market has been focussed on this segment, think Hyatt buying Apple Leisure group.

Business hotels and hotels that focus on group and MICE business are still struggling however, and performance levels are lagging. Does this mean this business won't recover in the same way, or is it just going to take longer? One thing is for sure, hotel owners are concentrating on brands that allow for flexibility and low staffing levels (preferably with a design component).

The other interesting question is what now happens to the various models that are prevalent in the industry. There are already signs that owners are unhappy with the current arrangements, so will that mean less management contracts and more franchises and will those markets that have traditionally relied on leases be able to create a product that shares the risk more effectively?

This report provides a snapshot of a fascinating moment in hospitality. Will we see the direction of the industry change forever, or will the pain be short term and the new normal looks like the old normal? The march and rise of the brands and branded hotels seem inevitable however. The question remains; however, how many brands is too many and how good are we as an industry at explaining to the clients what each stands for?

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Spain

The resilience of the Spanish hotel market in the aftermath of the pandemic has highlighted Spain's strength as a tourist destination.

With this in mind, many chains have seen fit to increase their presence in the country by adopting different strategies to gain competitive advantage, whether over other chains or independent owners.

The weight of chain hotels in the hotel supply is increasingly apparent and is expected to remain so in the years to come.

The Market

In 2021, Spain gradually began to recover the levels of tourism for which it has been known in recent years. Spain received 31.1 million tourists in the year to December 2021, 64.4% more than in 2020 but still 62.7% below 2019. This positive trend has continued throughout 2022; statistics show that, on a monthly basis, the gap with the pre-pandemic period has been narrowing.

This improvement in the tourism sector has been accompanied by a positive recovery in the hotel sector. Many hotel chains have confirmed that, by the end of this year they expect to far exceed the results obtained in 2019.

After the sudden halt in the transactions market in 2020, last year proved to be the rebound year. Spain has demonstrated its resilience and its capacity to recover quickly. This has been identified by domestic and international investors alike, and has resulted in record investment figures, surpassing even pre-pandemic levels.

It is not only investors who have regained their confidence in the Spanish market. Developers, who had to put many of their projects on hold, have decided to resume activities after two years of uncertainty.

While some hotel chains have confirmed their entry into the country with new projects under development such as Virgin Limited Edition or Evok Collection, others have opted to expand their presence through the announcement of new properties under brands unfamiliar to the Spanish market such as Moxy Hotels from Marriott International. This shows that there are sufficient opportunities for unique brands to enter the market and contribute to its evolution, moving the market increasingly away from independent hotel ownership and management.

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Key Points

Hotel Chains Gaining Market Presence

Despite a slight decrease in the hotel and rooms supply nationwide, there has been an opposite turn in the presence of chains in the market. Both the number of chain hotels and that of chain rooms have increased in the last year with a corresponding rise in market penetration in both areas (14% for properties and 11% for rooms).

New Expansion Strategies Pursued by Hotel Chains

Some chains are pursuing new asset-light expansion strategies to increase their market share in a profitable and efficient way. This is the case of Meliá Hotels International with its "Affiliated by Meliá" brand or B&B Hotels with the launch of "Inspired by B&B Hotels" which allows independent hotels to join their brands through the franchise model. This creates a "win-win" solution for both owners and chains, creating value in the short term.

Increasing Presence Through New Brands

Around fifty new brands have emerged in the Spanish hotel market in the last year with a greater weight of domestic brands. Some belong to chains entering the market for the first time such as Rosewood Hotels & Resorts with the opening of the Rosewood Villa Magna Hotel in Madrid, as well as Club Med and Mett Hotels & Resorts. Also, chains with an established market presence have opted to introduce new brands. Examples include Marriott International with Aloft, IHG with Six Senses, Accor with SO/ or Radisson Hotel Group with Radisson Collection on the international side. Local new brands include Áurea Hotels of Eurostars Hotel Company, Paradisus by Meliá or Powered by Vincci Hotels. It is evident how Spain can accommodate a wide variety of target markets, presenting interesting business opportunities for hotel chains.

Looking ahead, some chains have confirmed the development of new projects with established brands internationally but not so locally like Accor with the recently announced Fairmont Hotel & Residences La Hacienda in Sotogrande.

New Players as Market Leaders

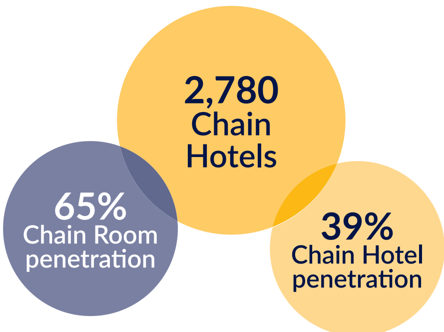
In our last report we anticipated that the purchase of Apple Leisure Group by Hyatt would have an impact on the list of hotel chains with the largest presence in Spain. This has clearly been the result of this significant strategic move by both organisations. Hyatt now ranks fifth in the global ranking of chains ahead of Accor and NH and second only behind Marriott International in the ranking of international chains.

In general terms, Meliá Hotels International, Barceló Hotel Group and Eurostars Hotel Company continue to be the leaders in terms of room count in Spain. On the other hand, we note that other, well-established chains have disappeared from the top ranking like Wyndham Hotels Worldwide mainly due to the disassociation of Tryp by Wyndham from Meliá. It should be noted that the current chains report covers only those properties classified as hotels. Therefore, Wyndham's recent launch of Wyndham Residences and Ramada Residences in Spain are not included in the survey data.

Investment recovers considerably but may be replaced by caution for the rest of the year

While 2020 was a bad year for hotel investment in Spain, 2021 results have shown that the domestic market is in good shape as demonstrated both by local and international investor interest. In 2021, hotel transactions almost tripled the previous year's figures and exceeded those of 2019 by almost 30% reaching €3,180 million. Similarly, prices per room reached record highs with an average of over €150,000 per room.

In the first half of 2022 hotel investment has reached €1,520 million, with the urban market outperforming leisure. Although these figures are positive, experts recommend taking a cautious stance for the rest of the year as factors such as inflation, rising energy costs and the invasion of Ukraine may influence the decisions made by mainstream investors.



Key Statistics	2021	2022	%
Total chain hotels	2,518	**2,780**	10%
Total chain rooms	394,698	**426,527**	8%
Average size per chain hotel in rooms	157	**153**	-2%
Country hotels stock *(overall supply)*	7.290	**7,089**	-3%
Country rooms stock *(overall supply)*	681,599	**660,830**	-3%
Average size per hotel in rooms	93	**93**	0%
Chain penetration % by hotels	35%	**39%**	14%
Chain penetration % by rooms	58%	**65%**	11%
Total number of brands	297	**346**	16%
Domestic brands	205	**241**	18%
International brands	92	**105**	14%
Second-tier operated hotels	80	**95**	19%
International chain hotels*	531	**569**	7%
Domestic chain hotels*	1,987	**2,211**	11%
International chain rooms*	77,042	**86,904**	13%
Domestic chain rooms*	317,656	**339,623**	7%

** Includes double counting*
Only 1 to 5* hotels have been considered for this report and not other types of accommodation units.*

Spain: Ranking by Size

	CHAINS		
Rank	Chain Groups	Hotels	Rooms
1	Meliá Hotels International	116	30,274
2	Barceló Hotel Group	79	18,651
3	Eurostars Hotel Co. Hotusa	152	15,181
4	Marriott International	94	13,799
5	Hyatt Hotels	48	12,822
6	Accor Hotels	97	11,856
7	NH Hotel Group	92	11,176
8	H10 Hotels	52	11,056
9	Riu Hotels & Resorts	25	9,748
10	Best Hotels	30	9,473
Rank	Domestic Chain Groups	Hotels	Rooms
1	Meliá Hotels International	116	30,274
2	Barceló Hotel Group	79	18,651
3	Eurostars Hotel Company	152	15,181
4	H10 Hotels	52	11,056
5	Riu Hotels & Resorts	25	9,748
6	Best Hotels	30	9,473
7	Hoteles Globales	38	8,202
8	Iberostar Hotel & Resorts	26	7,230
9	Catalonia Hotels & Resorts	57	6,732
10	Senator Hotels & Resorts	33	6,433
Rank	International Chain Groups	Hotels	Rooms
1	Marriott International	94	13,799
2	Hyatt Hotels	48	12,822
3	Accor Hotels	97	11,856
4	NH Hotel Group	92	11,176
5	Allsun Hotels	20	4,026
6	B&B Hotels	40	3,687
7	IHG	28	3,459
8	Hilton	17	3,027
9	TUI Hotels & Resorts	7	2,650
10	Pierre & Vacances	10	2,180

	BRANDS		
Rank	Chain Brands	Hotels	Rooms
1	Barceló	48	12,263
2	Meliá	36	11,109
3	H10 Hotels	51	10,967
4	Sol	26	9,804
5	Alua	36	9,640
6	Best Hotels	30	9,473
7	Globales	38	8,202
8	Eurostars	69	7,568
9	NH	62	7,126
10	Iberostar	22	6,751
Rank	Domestic Chain Brands	Hotels	Rooms
1	Barceló	48	12,263
2	Meliá	36	11,109
3	H10	51	10,967
4	Sol	26	9,804
5	Best	30	9,473
6	Globales	38	8,202
7	Eurostars	69	7,568
8	Iberostar	22	6,751
9	Riu	17	6,750
10	Catalonia	57	6,732
Rank	International Chain Brands	Hotels	Rooms
1	Alua	36	9,640
2	NH	62	7,126
3	AC by Marriott	55	6,284
4	Ibis	38	4,090
5	Allsun Hotels	20	4,026
6	NH Collection	27	3,712
7	B&B Hotels	40	3,687
8	Ibis Budget	24	2,310
9	Pierre & Vacances	10	2,180
10	Holiday Inn Express	18	1,991

Spain: Ranking by Scale

	DOMESTIC BRANDS		
Rank	Economy & Midscale	Hotels	Rooms
1	Globales	18	3,302
2	Sol	5	2,803
3	Vibra	14	2,246
4	Med Playa	8	1,947
5	Servigroup	6	1,833
6	Catalonia	17	1,820
7	H Top	8	1,607
8	Poseidón	4	1,446
9	Blue Sea	8	1,443
10	Best	5	1,327
Rank	Upscale & Upper Upscale	Hotels	Rooms
1	Barceló	36	10,002
2	H10 Hotels	45	9,559
3	Meliá	28	9,465
4	Best	24	7,846
5	Sol	21	7,001
6	Riu	16	6,530
7	Princess	14	5,800
8	Eurostars	51	5,096
9	Parador	79	5,060
10	Catalonia	40	4,912
Rank	Luxury	Hotels	Rooms
1	Barceló	11	2,094
2	Iberostar	6	1,938
3	Eurostars	9	1,729
4	Meliá	6	1,605
5	H10 Hotels	3	1,249
6	Lopesán	2	1,238
7	Riu Palace	3	1,198
8	Gran Meliá	4	1,156
9	Royal Hideaway	5	999
10	Zafiro Hotels	3	897

	INTERNATIONAL BRANDS		
Rank	Economy & Midscale	Hotels	Rooms
1	ibis	38	4,090
2	B&B Hotel	32	2,890
3	ibis Budget	24	2,310
4	NH Hotels	24	2,046
5	Holiday Inn Express	18	1,991
6	ibis Styles	10	929
7	Campanile	7	852
8	Allsun Hotels	4	783
9	Pierre & Vacances	3	759
10	Travelodge	5	621
Rank	Upscale & Upper Upscale	Hotels	Rooms
1	Alua	30	8,552
2	AC By Marriott	51	5,780
3	NH	37	5,022
4	Allsun Hotels	16	3,243
5	NH Collection	19	2,724
6	Novotel	7	1,942
7	Pierre & Vacances	7	1,421
8	Mercure	9	982
9	Club Aldiana	3	975
10	Leonardo	4	929
Rank	Luxury	Hotels	Rooms
1	Autograph Collection	11	1,085
2	NH Collection	8	988
3	Hard Rock Hotels	2	944
4	The Ritz-Carlton	2	942
5	Secrets	3	739
6	Hyatt Unbound Collection	2	662
7	Sheraton	3	643
8	Westin	2	640
9	W	2	635
10	The Luxury Collection	5	543

Spain: Ranking per Scale & Size

CHAINS	OVERALL				DOMESTIC		INTERNATIONAL	
	Hotels	Rooms	%	Avg Size	Hotels	Rooms	Hotels	Rooms
Budget & Economy	224	15,012	4%	67	146	6822	78	8,190
Midscale	650	78,708	18%	121	524	64,733	126	13,975
Upscale & U.Upscale	1,623	282,822	66%	174	1,355	235,559	268	47,263
Luxury	283	49,985	12%	177	186	32,509	97	17,476
TOTAL	**2,780**	**426,527**	**100%**	**153**	**2,211**	**339,623**	**569**	**86,904**

Spain: Business Model

BY HOTELS										
	Franchise	%	Lease	%	Mgt Contr	%	Owned	%	Total	%
Economy	47	24%	83	10%	45	12%	49	4%	224	8%
Midscale	59	31%	223	27%	52	14%	316	23%	650	23%
Upscale & U.Upscale	68	35%	472	57%	215	56%	868	63%	1.623	58%
Luxury	19	10%	57	7%	72	19%	135	10%	283	10%
TOTAL	**193**	**100%**	**835**	**100%**	**384**	**100%**	**1.368**	**100%**	**2.780**	**100%**

BY ROOMS										
	Franchise	%	Lease	%	Mgt Contr	%	Owned	%	Total	%
Economy	3,551	14%	4,097	4%	4,274	7%	3,090	1%	15,012	4%
Midscale	5,536	22%	21,172	20%	6,110	10%	45,890	19%	78,708	18%
Upscale & U.Upscale	11,557	46%	70,533	68%	39,640	64%	161,092	68%	282,822	66%
Luxury	4,386	18%	8,549	8%	11,504	19%	25,546	11%	49,985	12%
TOTAL	**25,030**	**100%**	**104,351**	**100%**	**61,528**	**100%**	**235,618**	**100%**	**426,527**	**100%**

Spain: Ranking by Destination

Rank	Destination	Hotel	Rooms
1	Canary Islands	339	85,830
2	Andalucía	519	84,458
3	Balearic Islands	441	76,638
4	Cataluña	519	75,279
5	Com. of Madrid	256	33,467
6	Com. of Valencia	180	27,985
7	Basque Country	66	7,401
8	Galicia	102	7,090
9	Aragón	67	6,618
10	Castilla y León	80	5,679

Spain: Destination Pipeline

Rank	Destination	Hotel	Rooms
1	Andalucía	90	7,032
2	Canary Islands	26	4,218
3	Com. of Valencia	48	2,652
4	Com. of Madrid	36	1,983
5	Cataluña	18	1,722
6	Balearic Islands	27	1,077
7	Galicia	15	657
8	Murcia Region	4	518
9	Basque Country	14	512
10	Aragón	6	239

Spain: Demand Driver

DRIVER	DOMESTIC		INTERNATIONAL	
	Hotels	Rooms	Hotels	Rooms
Art & Business	762	85,569	207	28,360
Business Focus	28	3,425	103	11,758
Sun & Beach	929	203,625	152	33,821
Other Leisure	366	35,521	62	6,949
Golf	22	3,310	5	826
Mountain/Ski	26	2,338	3	256
Wine	4	169	3	254
Thermal	15	1,386	1	43
SPA	5	217	0	0

Spain: Hotel Investors

Rank	Name	Volume in €m
1	Brookfield AM	670,899,782
2	Pensioenfonds ABP	205,000,000
3	GIC	205,000,000
4	Bankinter	202,555,280
5	Stoneweg SA	170,000,000

Source: Real Capital Analytics, past 24 months

Spain: Institutional Owners

Rank	Name	No. of Hotels
1	Blackstone	59
2	Atom Hoteles Socimi	23
3	Apollo Global RE	22
4	Covivio	20
5	Azora	10

Source: Real Capital Analytics, past 24 months

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