

CATELLA HOTEL SNAPSHOT

SPAIN



CATELLA

Sept. 2021

Img: Bless Hotel Madrid

THE HOTEL SECTOR; CURRENTLY ONE OF THE “HOTTEST” REAL ESTATE SEGMENTS

Existing liquidity of the market, together with the optimism generated by the progress of the vaccination campaigns, has placed the hotel sector in the spotlight for both national and international investors. It has also led to an acceleration in closing transactions and resulted in one of the highest investment volumes for July on record, reaching, in just a single month, close to the total investment volume recorded for 2020. Covid-19 will lead to a structural shift in the hotel industry and puts equity-strong buyers in a top position. We expect an increase in takeovers of operating companies in the coming months and a selection towards ecological, sustainable and digitally oriented hotels.

KEY HIGHLIGHTS

INVESTMENT IS BOOMING

July closed with a transaction volume of more than **€950M**, recording a cumulative investment volume of **€2,000M**.

HEIGHTENED INVESTOR APPETITE

Due to high expectations and opportunities available, large international funds have created vehicles to invest in the Spanish hotel market.

LARGE TRANSACTIONS

The purchase of portfolios or large core assets is the main trend, with sales prices in excess of **€100M**.

URBAN HOTELS AT THE FOREFRONT

After years of dominance by the holiday segment, focus is now shifting towards urban hotels, which account for **70%** of total investment, with Madrid and Barcelona being the main destinations.

REACHING EXPECTATIONS

Pre-Covid room rate levels are being recorded in 4- and 5-star segments, showing that quality assets in good locations are not allowing large discounts.

AMBITIOUS PIPELINE 2021

The end of the year is expected to see a number of hotel transactions that could exceed **€2,500M** of total investment in assets for 2021.

Delivering beyond the expected!

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MAIN TRANSACTIONS

Although 2021 began following the trend of 2020, the last few months have been a turning point for hotel investment, bringing it to levels close to €2,000M. Most recently, the number of closed deals has risen, as has the volume of transactions. The top 5 transactions in 2021 alone, account for more than 50% of total investment to date. Additionally, major deals reflect a preference for prime assets in consolidated destinations, where the closing price recorded does not show significant discounts on pre-Covid levels.

Pressures of liquidity suffered by many hotel operators have forced them to sell some of their assets, giving priority to prime hotels where price expectations could be maximized. Investors have taken advantage of this situation, carrying out transactions that they would rarely have been able to perform in the past, and resulting in an expansion of their prime asset portfolios.

Consequently, sale & leaseback transactions have increased substantially, accounting for almost 50% of total YTD investment.

TOP 5 TRANSACTIONS	PRICE	BUYER	SELLER	(*)	LOCATION
Selenta Portfolio (4 hotels)	440 M€	Brookfield AM	Selenta Group	4 & 5	Barcelona, Marbella, Tenerife
Hotel Edition Madrid	205 M€	APG Group, GIC	KKH	5	Madrid
Melia Portfolio (8 hotels)	170.9 M€ ⁽¹⁾	Atom	Melia	4 & 5	Canarias, Baleares, Granada, Cadiz, Zaragoza
Barcelona Gran Hotel Calderón	125.5 M€	LaSalle Investments	NH Hotels	5	Barcelona
Hotel Hesperia Presidente	125 M€	Familia Grifols	Family Office	4	Barcelona

PRIME ASSETS KEEP REGISTERING PRE-COVID LEVELS

"The dominance of prime asset transactions is evident in sales such as those of Hotel Bless Collection Madrid, and Hotel Edition, both above the million euro per room mark, which has been exceeded on very few occasions".

Carlos López, CEO de Catella

	€/bedroom	(*)
Hotel Bless Collection Madrid	1.027.027	5
Hotel Edition Madrid	1.025.000	5
Hotel Hesperia Presidente	801.282	4
Grand Hotel Central Barcelona	632.653	5
Hotel Único Madrid	511.364	5



Img: Hotel Don Carlos Leisure Resort

1.900M
INVESTMENT UP
UNTIL SEPTEMBER

DEALS ABOVE
€1,000,000
PER KEY

⁽¹⁾ Liquidity impact on Melia's cash flow, once considered Melia's minority interest, taxes and other costs. Transaction valued at ca. €204 million.

INVESTOR PROFILE

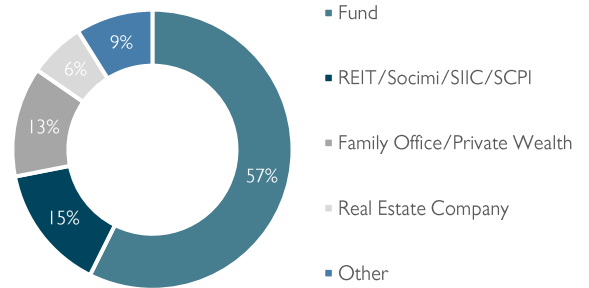
Following the trend of previous years, large funds and Socimis have led hotel investment in Spain, with a 70% share of the total volume invested. Of note was the sale of the Selenta portfolio for 440 million euros by the Canadian fund Brookfield AM.

Strong appetite from investment funds triggered the creation of various investment vehicles. Among them, the most relevant are Banco Santander's joint venture with Signal Capital; the Atalaya fund, created by Andorra's AndBank; the alliance between FREO and Oaktree and Bain Capital's alliance with Stoneweg.

Behind them are Family Offices, focused on the acquisition of core assets, in triple A locations, which have acquired hotels with no or minimal discounts, amounting to more than 250 million euros of investment.

Spain has also been the focus of foreign investors, with a share of 65% of the total invested. North American investors have invested some 650 million euros (almost 35% of the total), in line with national investment volumes (some 660 million).

INVESTORS BY TYPOLOGY



75%

**FUNDS AND SOCIMIS:
PRINCIPAL BUYERS**

70%

**OF INVESTMENT IN
URBAN DESTINATIONS**

€650M

**BARCELONA:
PRINCIPAL LOCATION
FOR INVESTMENT**

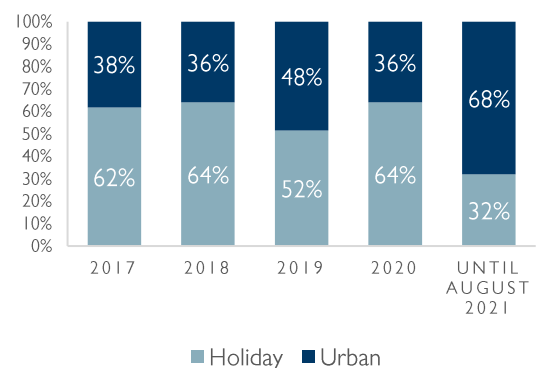
MAIN DESTINATIONS

After years of investment dominated by the holiday segment, in the first eight months of 2021, the urban segment has been most predominant, representing almost 70% of total investment.

The preference for prime assets is evident in the location of the assets transacted. Clear destination choices include Madrid, Barcelona, Andalusia, the Canary Islands and the Balearic Islands.

The big favorites are the cities of Barcelona and Madrid, with investments of 650 million euros and 430 million euros respectively. The city of Barcelona has been the protagonist, registering a volume of close to 650 million euros, mainly due to the number of existing operations.

HOTEL INVESTMENT BY SEGMENT



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FUTURE PROSPECTS

Following the progress in vaccination, and the partial return of foreign tourism, confidence has returned to the sector. In some destinations, ADR over the summer months has reached pre-Covid levels, although a general recovery is expected in 2023-2024. A very dynamic year-end is also expected, after a poor start to 2021 with numerous transactions and prices per room well above average prices of recent years.

The outlook is positive, and in addition to the above transactions, there is an ambitious pipeline for the third quarter, in which the investment of 2,500 million could be exceeded this year, matching pre-pandemic levels.



Img: NH Collection Barcelona Gran Hotel Calderón

2023-2024
**WIDESPREAD
RECOVERY**

**YEAR END EXPECTATION
EXCEEDING**
€2,500M

**HIGH VOLUME OF
CAPITAL FOR HOTEL
INVESTMENT**

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