Tourism Outlook
From a Global Perspective

Worldwide tourism is gaining momentum, 2018 evidences its strength amid the current global economic and geopolitical outlook. Spain keeps beating expectations despite deceleration and consolidates as the world’s 2nd largest destination by both international tourist arrivals and earnings. The Tourism industry is a core sector for the country representing c.11.8% of the GDP and 12.3% of the total employment.

Growth Drivers
CapEx, Sustainability, Digitalization...

Within the current competitive context, additional innovative gears must be considered into the profitability equation.

Deloitte growth drivers faces this competitive background betting for strategic CapEx deployment focused on meeting demand’s strong requirements, brings forward the sustainability gap within the hotel industry and looks ahead to a relentless investment in digitalization.

Hotel Properties
Overview of Spain’s main indicators

Hotel properties overall KPI’s have proved resilience, in spite 2018 clouding outlook. Revenue Per Available Room increased by 1.9% 2017-2018 for all room categories. Holiday hotspots have been significantly affected by 2018 one-off factors registering near zero growth while Urban hotspots have played to win, bolstering their business, cultural and leisure positioning, increasing by 2.1% 2017-2018.

Investment & Financing
Hotel Market in depth analysis

Is the tourism industry facing a change of cycle or a change of scenario? 2018 Investment outcomes have been positive. Commercial Real Estate investment volume increased by 40%, where hotel properties amounted to 32% (€4,950m) the lion share over the total CRE investment for the first time.

Developers, investors and lenders investment appetite is still very active regardless of their cautiousness in every deal underwriting.

Operating Models
Agreement Terms & Main Players

Spain’s hotel operating models are walking towards robust business structures becoming part of larger groups, companies and platforms. In this regard, independent hotel operators have shrunken from 49% market share in 2000 to 27% in 2018.

Operating structures will keep evolving to renewed formulas in order to face the hyperactive hotel context.

Main Hotel Hotspots in Spain

What about Spain’s key destinations performance?

Our in depth analysis is focused on the 6 key hotel hotspots in Spain: Andalusia, Balearic Islands, Catalonia, Canary Islands, Madrid and Valencian Community, exploring more than 30 sub-hotspots. Performance, opportunities and challenges are identified in every sub-market.
Tourism Outlook
From a Global Perspective

Worldwide tourism is gaining momentum, 2018 evidences its strength amid a global economic and geopolitical outlook. Spain keeps beating expectations despite deceleration and consolidates as the world’s 2nd largest destination by both international tourist arrivals and earnings. The Tourism industry is a core sector for the country representing c.11.8% of the GDP and 12.3% of the total employment.
Worldwide tourism arrivals registered the record-breaking figure of **1.4bn** in 2018 increasing by +6% when compared to 2017 data, in spite the global economic slowdown.

Worldwide tourism growth is two years ahead from projections. UNWTO’s 2010 long-term perspectives forecasted the 1.4bn mark to be reached in 2020.

Despite the current international political and economic context, **2019** projections are very positive with an expected arrivals growth between **3%-4%**.

Total International Receipts amounted to **€1,186bn** with a +6.0% growth vs. 2017 data. **Tourism has become the world’s third largest export category.**
International Tourism from a global perspective
Worldwide tourism gaining momentum

Most visited countries in the world

1st  90m  2nd  82.7m  3rd  80m  4th  62.9m

2018 Tourism contribution to the Global Economy

1.404m International Arrivals
+6.1% var. 2017
2019F Full Year Growth
+3% - +4%

1.186bn Total Tourism Earnings
+5.5% var. 2017

10% GDP
1/10 Jobs

Source: Deloitte, UNWTO
Europe: International Tourism from a global perspective

Southern Europe outperforms its neighbours

Southern Europe receives the 40% of total international arrivals to Europe.

The region has been leading growth with +7% tourism arrivals and +12% earnings from tourism.

The Mediterranean region accounts for the lion’s market share with 20% of the total tourists and 15% over total earnings in the world.

Source: Deloitte, UNWTO
Data: Visitors (Jan 2019) – Receipts / expenditure (Sept 2018)
Spain: Tourism Industry Analysis
Spain is still beating expectations despite deceleration

Spain consolidates as the world’s 2nd largest destination by both international tourist arrivals and earning.

Spain’s tourism industry growth has experienced a slight deceleration during 2018. Tourism GDP growth rate stood at +2.0%, in line with the region’s macro-economic fundamentals.

Tourism industry is a core sector for the region’s domestic economy representing c.11.8% of the GDP and 12.3% of the total employment.

International Tourism arrivals set another record for the 6th straight year reaching 82.7m. However, arrivals growth rate has also shown a slight downfall with only +1.1% growth over 2017 data.

Total spending by tourists visiting Spain reached all times high with c.€90bn, increasing by 3.1% when compared to the previous year.

Source: Deloitte, UNWTO
Data: Visitors (Jan 2019) – Receipts / expenditure (Sept 2018)
Tourism expenditure volume consolidates its performance doubling pre-crisis levels of €56.5m (2008).

The total expenditure incurred by international tourists that visited Spain during 2018 reached €89.9bn, registering an increase of 3.3% as compared with 2017 data.

2019 (Q1) data evidences a strong performance with c. 4.1% increase over the same period in 2018, reaching 15.4bn tourism expenditure.

Since 2010 Tourist Expenditure grew by 8.5% CAGR 2018

Total Tourism Expenditure breakdown

87% Leisure + holiday, Urban & Holiday
6% MICE & Business
7% Others

Source: Egatur, INE
Data: Total expenditure accounts for international tourists in all types of accommodation
International Tourists Arrivals

Drivers of demand fluctuations: exceptionally good weather in the main origin markets in northern Europe, the slight domestic consumption downfall, alternative destinations renewed competition and an overall unsettled political climate, specially in Catalonia.

Source: INE
Data: Total arrivals accounts for international tourists in all types of accommodation

International arrivals have reached a new record – breaking data for the 6th consecutive year, accounting for 82.7m visitors.

However, 2018 closing figures evidence a slight downfall in demand growth registering only a +1.1% over 2017 data, which stands significantly below the previous years.

This slight deceleration has been driven by the unusual demand behavior during the summer months, and several one-off factors.

2019 prospects are still positive, since Q1-2019 data evidences a 3.8% growth when compared to the same period in 2018, reaching c. 14.2m visitors.
Spain: International Tourism demand
Tourism Arrivals and Overnight stays evolution

International Tourists Overnight Stays

Towards a new tourism strategy: Despite the slight downfall, the positive increase of expenditure evidences the consolidation of the sought-after tourism strategy, based on revenue and not influx.

Source: INE
Data: Total overnights accounts for international tourists in all types of accommodation

“International overnights confirm the slight slowdown in tourism demand, 2018 data accounted for 223.8m overnights -0.4% when compared to 2017 data.

The recovery of alternative markets such as Turkey and Egypt together with the weakness of the British market or the fall of other relevant European Markets such as Germany have had an impact on tourism overnights.

2019 preliminary Q1 figures are showing a strong performance, with c. 105m overnight stays a 3.5% growth when compared to Q1-2018.
Spain: International Tourism demand
Tourist arrivals by type of accommodation

Total International Arrivals by type of Accommodation

<table>
<thead>
<tr>
<th>Market-based Accommodation</th>
<th>International visitors</th>
<th>Var. (%) 2017-2018</th>
<th>Var. (%) 2018-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels:</td>
<td>52.7 m</td>
<td>+2.6%</td>
<td>+9.5%</td>
</tr>
<tr>
<td>Rental housing:</td>
<td>9.7 m</td>
<td>+0.2%</td>
<td>+20.5%</td>
</tr>
<tr>
<td>Rest of the market*:</td>
<td>4.1 m</td>
<td>+2.7%</td>
<td>+21.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Not Market-based Accommodation</th>
<th>International visitors</th>
<th>Var. (%) 2018-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own property:</td>
<td>4.8 m</td>
<td>-2.3%</td>
</tr>
<tr>
<td>By family/ friends:</td>
<td>9.9 m</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Rest of the market**:</td>
<td>1.4 m</td>
<td>-3.5%</td>
</tr>
</tbody>
</table>

Total accommodation          82.7 m  100%  +1.1%  +9.9%

*: Camping, Rural tourism, Cruises, others.
**: Timeshare properties, house sharing, others.
Source: Frontur, INE (Spanish National Statistics Institute)
Data: Data accounts for international tourists in all types of accommodation
2019-2020 Challenges & Opportunities
While Spain continues to climb the rankings of the world’s tourism destinations, a number of opportunities and challenges remain along the way in the country’s hyperactive hotel sector.

Keep an eye on the uncertainties on the spotlight...

"Spain has to keep focusing on new tourism strategies in order to face up the upcoming challenges!"

And capitalise the opportunities ahead...

Tourism momentum + connectivity
New feeder markets
Brexit calling!
+ competition
Hotel properties overall KPI’s have proved resilience, in spite 2018 clouding outlook. Revenue Per Available Room increased by 1.9% 2017-2018 for all room categories. Holiday hotspots have been significantly affected by 2018 one-off factors registering near zero growth while Urban hotspots have played to win, bolstering their business, cultural and leisure positioning, increasing by 2.1% 2017-2018.
Hotel Properties in Spain
Main drivers and indicators overview

Hotel properties tourism demand accounts for the 64% of the total market share. Despite its leadership, this type of accommodation has to keep shaping its products to face the hypercompetitive hotel context.

Hotel accommodations in Spain registered c.105.3m visitors (national and international) during 2018, increasing by 1.7% 2017 data and 340.1m overnight stays decreasing by -0.4% 2017 data.

Urban destinations are driving a consistent growth in terms of overnights, TOP10 urban hotspots registered and average CAGR (12-18) of c.5.0%, while TOP10 holiday destinations overnights have softened slightly registering c.3.0% CAGR growth (12-18).

Hotel supply is positively evolving towards better quality products with a high differentiation component.
- Refurbishments: 185 hotels and c.32,392 rooms.
- New openings: 73 New hotels and 7,182 rooms.

2019-2020 key challenges rely on the de-seasonalisation of some destinations in order to prevent high season demand saturation, poor destination perception by visitors and enable low season months additional revenue generation.

Source: Deloitte
Tourism demand in Hotel accommodation has experienced a moderate performance during 2018.

Visitors in hotel properties accounted for 105.3m increasing by 1.41% vs. 2017 data and a CAGR 2013-18 of c.4.7%.

On the other hand overnight stays in hotel properties registered a slight downfall of c. -0.14%, not reaching 2017 record-breaking figure of 340.6m.

2019 preliminary data (Jan. – Apr.) is showing a positive performance, with +3.43% growth in terms of visitors and +1.78% in terms of overnights when compared to the same period in 2018.

Source: INE
Total visitors data accounts for national and international tourists in hotel accommodation.
Hotel Properties: Demand – Overnight stays evolution
Urban destinations are gaining momentum, registering strong growth figures...

How are Spain’s Urban destinations performing?

**OUTPERFORMING Var. 17-18**
1. Malaga +6.0%
2. Seville +5.6%
3. Palma de Mallorca +5.7%
4. Valencia +4.9%
5. San Sebastián +3.2%
6. Bilbao +3.2%

**STEADY Var. 17-18**
7. Barcelona +2.9%
8. Madrid +2.0%

**UNDERPERFORMING Var. 17-18**
9. Alicante -1.1%
10. Las Palmas -7.2%

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**TOP 10 URBAN DESTINATIONS**
Overnight stays evolution
Base 100: 2012

Source: INE, Deloitte
Data: Total overnights data accounts for national and international tourists in hotel accommodation.
Hotel Properties: Demand – Overnight stays evolution

While Holiday destinations evidence a significant slowdown...

TOP 10 HOLIDAY DESTINATIONS
Overnight stays evolution
Base 100: 2012

Costa de la Luz
Gran Canaria I.
Costa del Sol
Menorca I.
Costa Blanca
Ibiza I.
Costa Brava
Tenerife I.
Mallorca I.
Costa Dorada

And what about holiday destinations?
overnights evolution

OUTPERFORMING Var. 17-18
1. Costa de la Luz +1.1%
2. Ibiza Island +1.5%

STEADY Var. 17-18
3. Costa Brava +0.5%
4. Costa Blanca +0.0%
5. Mallorca Island -0.3%
6. Costa del Sol -0.4%

UNDERPERFORMING Var. 17-18
7. Tenerife Island -1.0%
8. G. Canaria I. -7.2%
9. Menorca Island -3.8%
10. Costa Dorada -4.5%

Source: INE, Deloitte
Data: Total overnights data accounts for national and international tourists in hotel accommodation.
Hotel Properties: 2018 -2019YTD New Hotel Openings

Prime destinations both urban and holiday are gathering investors strong appetite, in this regard, Catalonia and Madrid registered more than 1,000 rooms.

Use-Change
New Project

New rooms breakdown
by type

by Category

Source: Deloitte
Data: 2019 YTD – May 2019
Hotel Properties: 2018 -2019YTD Refurbishments

Hotel refurbishment has experienced a robust growth during 2018-2019YTD increasing by +49%, the growing competitive context has been the main driving factor.

Source: Deloitte
Data: 2019 YTD – May 2019
Hotel Properties: RevPAR evolution – Spain

RevPAR growth has experienced a consistent growth underpinned by the strong effort on asset repositioning and positioning, specially in 5* segment where RevPAR has increased by 40% vs. 2008 pre-crisis data.

**RevPAR Evolution**

<table>
<thead>
<tr>
<th>Year</th>
<th>3*</th>
<th>4*</th>
<th>5*</th>
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<tr>
<td>2008</td>
<td>€37.2</td>
<td>€32.5</td>
<td>€53.7</td>
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<tr>
<td>2009</td>
<td>€46.3</td>
<td>€47.8</td>
<td>€72.1</td>
</tr>
<tr>
<td>2010</td>
<td>€50.4</td>
<td>€49.5</td>
<td>€78.3</td>
</tr>
<tr>
<td>2011</td>
<td>€50.6</td>
<td>€50.6</td>
<td>€87.8</td>
</tr>
<tr>
<td>2012</td>
<td>€50.7</td>
<td>€50.7</td>
<td>€95.2</td>
</tr>
<tr>
<td>2013</td>
<td>€51.8</td>
<td>€51.8</td>
<td>€104.4</td>
</tr>
<tr>
<td>2014</td>
<td>€52.9</td>
<td>€52.9</td>
<td>€116.5</td>
</tr>
<tr>
<td>2015</td>
<td>€54.0</td>
<td>€54.0</td>
<td>€124.7</td>
</tr>
<tr>
<td>2016</td>
<td>€55.1</td>
<td>€55.1</td>
<td>€129.1</td>
</tr>
<tr>
<td>2017</td>
<td>€56.2</td>
<td>€56.2</td>
<td>€125.2</td>
</tr>
<tr>
<td>2018</td>
<td>€57.3</td>
<td>€57.3</td>
<td>€125.2</td>
</tr>
</tbody>
</table>

**Mind the gap!**

The strong effort on asset refurbishment and repositioning, together with the entrance of international brands and differentiated products has triggered in a RevPAR maximisation in 5* hotels.

RevPAR gap between 5* and 4* categories in 2008 stood at +67%, whereas this difference in 2018 has increased up to 80%. 4* hotels RevPAR growth has been more steady, this category still has room for improvement specially through CapEx deployment and product positioning.
Spain’s hotel operating models are walking towards robust business structures becoming part of larger groups, companies and platforms. In this regard, independent hotel operators have shrunken from 49% market share in 2000 to 27% in 2018. Operating structures will keep evolving to renewed formulas in order to face the hyperactive hotel context.
Spain’s hotel operating models are walking towards robust business structures becoming part of larger groups, companies and platforms. In this regard, independent hotel operators have shrunken from 49% market share in 2000 to 27% in 2018.

Hotels in Property and lease contracts are the preferred operating models in Spain’s hotel industry, amounting to 85% of the total rooms operated by hotel chains. Lease contracts are progressively gaining market share increasing by +8.4% vs. 2016 data.

Asset light strategies will keep up during 2019, these formulas enable both partners to grow strategically, choosing the right partner in each location and asset typology, avoiding unnecessary financial or RE leverage, and on the other side maximizing the know-how of the hotel management company.

Management and lease with a variable component contracts will increase in order to mitigate the risk due to the upcoming cycle change.
Operating Model: Groups and Independent Companies

The traditional atomization of the sector has bounced back towards robust business structures and groups thanks to the growing role of investors and the high competitiveness of the market.

Unstoppable growth of Hotel groups

Groups dominance is growing slowly but continuously, already accounting for 73% share of total Rooms.

Source: Deloitte, Alimarket
Data: 2019 YTD – May 2019
Operational models in Spain

- **Franchise**
  - Operating model in growth
  - It stands out in the urban and budget segments
  - Much importance of the brand and direct distribution

- **Management**
  - Most widespread model among the major international operators
  - Brand awareness is a key factor
  - Difficulty of certain European & Spanish investors in sharing management risk

- **Lease**
  - Traditionally, hotel investors without an operational vocation lease the assets
  - Fixed and variable mix
  - New players (Socimis) and greater presence of family offices

- **Property**
  - Large hotel operators, real estate investors and independent operators
  - Slight tendency of certain operators towards light-asset strategies and models

Hotel chains account for 73% over total rooms.

Source: Deloitte, Alimarket Data: 2019 YTD – May 2019
Within the current competitive context, additional innovative gears must be considered into the profitability equation. Deloitte growth drivers faces this competitive background betting for strategic CapEx deployment focused on meeting demand’s strong requirements, brings forward the sustainability gap within the hotel industry and looks ahead to a relentless investment in digitalization.
Deloitte Growth Drivers: Hotel properties levers to capture additional income generation

Is Spain being competitive?

1 Driver
Who is playing the development game?
Future supply: Hotel pipeline analysis

2 Driver
Are we being strategic?
#Smart CapEx analysis based on Spain Hotel supply average age

3 Driver
Sustainability matters...
LEED, BREEAM and WELL, what is happening in the hotel industry?

4 Driver
Welcome digital era
Digitalisation is here to stay!
Our CapEx investment approach has estimated based on the future hotel pipeline. The projected pipeline comprises: New projects, Use-change, total and partial refurbishment, upgrade, rebranding and minor refurbishments.

"Future supply: Hotel Pipeline
Spain’s activity ratio is still below it’s peers"

- There is an increasing appetite for both hotel development and refurbishment in Spain.
- Hotel properties projected pipeline from 2019 YTD to 2026, accounts for 242 hotels and c. 47,241 rooms.
- Based on the different types of works projected as at 2019YTD we estimate c.€5,117m CapEx investment.
  - New Openings: c. €3,580m
  - Refurbishments: c. €1,537m
- The strong commitment with refurbishments during 2015-2018 is expected to be counterbalanced by an increasing interest in full repositioning and new hotel projects for 2019-2026.

Source: Deloitte
Our #SmartCapEx investment approach has been estimated based on the current Average Age (yrs. Since opening or last refurbishment) of Spain’s existing hotel properties.

Smart CapEx
Is Spain’s hotel supply updated?

- **Smart CapEx Strategy** is based on a facial refurbishment or repositioning in order to update the current hotel supply.

- Spain’s Hotel properties **existing supply is obsolete**. The Average Age (since opening or last refurbishment) stands at 8.73 years.

- Hotel properties lifespan stands at c.10 years, between **0-5 years** properties are considered at **healthy market standards**.

- According to our #SmartCapEx estimation **c.€2,500m** would be necessary in order to update Spain’s obsolete hotel supply.

- The investment on #SmartCapEx (facial refurbishment or repositioning) is considered strategic in order to achieve full potential value.

Source: Deloitte
A very significant increase in the hospitality certifications is foreseen in the next 5 years. The number of registered and certified hotels in Spain amounts to 60, representing only, 0.35% of the hotel inventory in Spain.

Corporate Social Responsibility, companies must assume this sustainability commitment in relation to the care of the environment to respond this new tourism trend.

Access to financing. Demand for sustainable assets is growing among banks and institutional investors.

Sustainable buildings are capable of achieving higher income and higher market values.

Improve comfort and health of its occupants.

Less energy and water consumption and less operational expenses.

Based on the Global Sustainable Tourism Council research, 90% of the travelers consider sustainability important when choosing a hotel.

"Based on the Global Sustainable Tourism Council research, 90% of the travelers consider sustainability important when choosing a hotel."

Source: Deloitte, Global Sustainable Tourism Council.
In a highly international competitive context, it is important to understand in which digital maturity stage is the Spain’s hotel supply in order to implement strategies to become more competitive.

Digital has the ability to rewire organizations to be fast, granular, connected, and surprising, aspects that drives growth.

In order to thrive under a changing and disruptive hotel context, it is vital to digitally transform the organization pushing for further growth by promoting three key levers: efficiency, customer experience and revenue increase.

Renowned operators such as: Marriott, Starwood and Wynn are some examples of companies implementing digitalization strategies in their hotels.

We are in the Digital Age where customer engagement is expected, relationships are in real-time, choice is infinite, delivery is on demand, change is constant, and technology enables everything we do.

#4 Deloitte Growth Driver: Welcome Digital Era

Digitalization is here to stay
Is the tourism industry facing a change of cycle or a change of scenario?

2018 Investment outcomes have been positive. Commercial Real Estate investment volume increased by 40%, where hotel properties amounted to 32% (€4,850m) the lion share over the total CRE investment for the first time. Developers, investors and lenders investment appetite is still very active regardless of their cautiousness in every deal underwriting.
The strong tourism dynamics in spite of the moderate economic growth have sustained investors interest.

EMEA investment allocation accounted for 30% of the worldwide activity, registering +47% growth vs. 2017 data.

Hotel properties in Spain consolidate their popularity accounting for 32% (€4,850m) the lion share over the total CRE investment.

After 6 years of buoyant growth, single asset deals decreased (nº of properties) during 2018, with a y-o-y reduction of 33%, while Corporate deals and portfolio transactions are gaining momentum representing 63% and 13% respectively over the total hotel investment volume.

The good news is that the average value per key increased by 24% vs 2017 reaching c. €198k/key.

Are we facing a change of cycle or scenario?
### Investment Market: European investment volume

Rising popularity of the hotel investment market in Europe

<table>
<thead>
<tr>
<th>#</th>
<th>European Country</th>
<th>Total Investment (€m)</th>
<th>Hotel (%) over total</th>
<th>Hotel Investment Volume (€m) per country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United Kingdom</td>
<td>50,513</td>
<td>13%</td>
<td>6,707</td>
</tr>
<tr>
<td>2</td>
<td>Spain</td>
<td>15,118</td>
<td>32%</td>
<td>4,850</td>
</tr>
<tr>
<td>3</td>
<td>Germany</td>
<td>46,660</td>
<td>9%</td>
<td>4,061</td>
</tr>
<tr>
<td>4</td>
<td>France</td>
<td>28,694</td>
<td>5%</td>
<td>1,455</td>
</tr>
<tr>
<td>5</td>
<td>Netherlands</td>
<td>11,322</td>
<td>10%</td>
<td>1,179</td>
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<tr>
<td>6</td>
<td>Italy</td>
<td>6,847</td>
<td>10%</td>
<td>651</td>
</tr>
<tr>
<td>7</td>
<td>Ireland</td>
<td>3,186</td>
<td>20%</td>
<td>622</td>
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<td>8</td>
<td>Portugal</td>
<td>2,824</td>
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<td>9</td>
<td>Switzerland</td>
<td>2,827</td>
<td>9%</td>
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<tr>
<td>10</td>
<td>Sweden</td>
<td>5,427</td>
<td>4%</td>
<td>223</td>
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<tr>
<td>11</td>
<td>Austria</td>
<td>2,285</td>
<td>9%</td>
<td>213</td>
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<tr>
<td>12</td>
<td>Czech Republic</td>
<td>2,233</td>
<td>9%</td>
<td>208</td>
</tr>
<tr>
<td>13</td>
<td>Russia</td>
<td>1,640</td>
<td>10%</td>
<td>168</td>
</tr>
<tr>
<td>14</td>
<td>Finland</td>
<td>3,697</td>
<td>4%</td>
<td>139</td>
</tr>
<tr>
<td>15</td>
<td>Belgium</td>
<td>3,671</td>
<td>3%</td>
<td>107</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>186,944</td>
<td>21,165</td>
<td></td>
</tr>
</tbody>
</table>

Spain is still on the spotlight ranking second in terms of Hotel Investment, totaling €4,850m.

UK and Spain keep gaining momentum as the most attractive markets with a y-o-y growth of 14% and 57% respectively.

Source: Real Capital Analytics
2018 has beaten expectations, European cities have reached their highest capital values (c. €286k/key) since 2007 peak.

Although most of European cities’ recovery path started in 2016, European cities such as Paris, Munich or Lisbon among others, have achieved their peak rates in 2018.

Madrid is still a -1% below pre-crisis levels, 2018 has not been a good year for Barcelona, experiencing slight decrease (-4.9%) affected by its political context.
Investment Market: Spain CRE investment volume

Record breaking year for **hotel properties** with +57% increase over 2017 data

**Total Investment volume by Asset Class (€m)**

- Logistic
- Retail High Street
- Retail Shopping Centre
- Offices
- Hotels

**Commercial Real Estate investment volume increased by 40%** over the last year.

**Corporate deals** represents 36% of the total CRE investment volume in Spain during 2018.

**Corporate deal vs Asset deal (€m)**

- Other corporate deal
- Other asset deal
- Hotel corporate deal
- Hotel asset deal

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Source: Deloitte
Investment Market: Spain CRE investment volume

Hotel properties account for 32% share over the total Commercial Real Estate investment, and progressively gaining share among the rest of typologies.

### 2018

#### Commercial Real Estate:

<table>
<thead>
<tr>
<th>Type</th>
<th>Investment (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels</td>
<td>4,850</td>
</tr>
<tr>
<td>Offices</td>
<td>4,527</td>
</tr>
<tr>
<td>Shopping Centre</td>
<td>2,765</td>
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<tr>
<td>High Street</td>
<td>1,524</td>
</tr>
<tr>
<td>Logistic</td>
<td>1,452</td>
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</table>

Source: Deloitte
Investment Market: Hotel Properties investment volume

Single asset transactions lessen while hotel portfolios and corporate deals are gaining momentum.

After 6 years of buoyant growth, single asset deals decreased during 2018, with a y-o-y reduction of 33%.

During 2018 single assets have represented 24% of the total investment volume, totaling 44 individual properties, decreasing by -20% vs. 2017 data, on the other hand in terms of room sold, 2018 registered a 27% increase vs. 2017.

Corporate deals and portfolio transactions are gaining momentum representing 63% and 13% respectively.

Source: Deloitte
Financing Activity: Yielding assets
Increasing lending appetite due to the strong tourism fundamentals

<table>
<thead>
<tr>
<th>Year</th>
<th>Framework</th>
<th>Credit Access Constraints</th>
<th>Financing Upturn</th>
<th>Main Players</th>
<th>Institutional Investors / Debt Funds</th>
<th>Banking / Insurance Companies</th>
<th>Alternative Lenders</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>150-250bps</td>
<td>125-175bps</td>
<td>75-150bps</td>
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<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>125-175bps</td>
<td>100-150bps</td>
<td>75-150bps</td>
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<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100-150bps</td>
<td>90-150bps</td>
<td>75-150bps</td>
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<tr>
<td>2017</td>
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<td></td>
<td></td>
<td></td>
<td>90-150bps</td>
<td>75-150bps</td>
<td>75-150bps</td>
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<tr>
<td>2018</td>
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<td>75-150bps</td>
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<td>2019 YTD</td>
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<td></td>
<td></td>
<td>75-150bps</td>
<td>75-150bps</td>
<td>75-150bps</td>
</tr>
</tbody>
</table>

**LTV (1)**
- 2013-14: 45-50%
- 2015: 45-55%
- 2016: 50-60%
- 2017: 50-65%
- 2018: 50-60%
- 2019 YTD: 50-70%

**Balloon (2)**
- 2013-14: 60-80%
- 2015: 65-100%
- 2016: 70-100%
- 2017: 70-100%
- 2018: 70-100%
- 2019 YTD: 75-100%

(1) Sustainable LTV to face the debt service with high funding costs (a bigger LTV will mean a bigger debt service).
(2) Balloon needs to cover the high funding costs during the loan’s life. (a smaller balloon will mean a bigger annual debt service). Estimated balloon for a 5-7 years loan.

Location, category, performance, type of operating contract (and mandatory period duration) and hotel brand, significantly impact on financing terms.
For further information...

Request the Expanded Edition

Content (236 pages):

2. Hotel Properties: Overview of Spain’s main indicators (Supply, Demand, KPIs).
3. Operating Models: Key terms & typologies and main players.
4. Growth Drivers: Are we being competitive? CapEx, Digitalization, Sustainability...
5. Hotel Properties investment and Financing analysis
6. Hotspot In Depth Analysis: 6 key hotel hotspots in Spain - Andalusia, Balearic Islands, Catalonia, Canary Islands, Madrid and Valencian Community, exploring more than 30 sub-hotspots.
7. Hotel Properties key investment factors.

To request the expanded edition, please contact Esther Sanchez, email: esanchezmartinez@deloitte.es