

HOTEL INVESTMENT IN BARCELONA ON HOLD SINCE OCTOBER 2017



The hotel investment industry in Barcelona has been on hold since last October 1, due to the political crisis in Catalonia and, even though numerous investments have been on decline, diverting to cities like Madrid or Valencia, there is still interest in the hotel market as the city regains its stability.

According to sources from the consulting hotel services BRIC Consulting, investors still believe in Barcelona's hotel industry and in recent days, **it seems the hotel investment market is taking off again, although this demands for a necessary "political stability."**

The hotel investment in Barcelona that has been paralyzed, has taken shelter in much safer assets that do not rely exclusively on the tourist influx, such as the residential hotels, or has completely diverted to cities like Madrid, Valencia or Bilbao.

Some investors, however, expect the situation to be resolved since now there are assets worth over 100 million euros waiting for potential buyers, which includes hotels and tourist apartments.

"A few months ago we wouldn't have seen such an important volume of assets, because operations and transactions were put on hold," as reported by the respective sources.

Many investors had their eyes on the Mobile World Congress (MWC) to see how it took place, and the impression of a "good feeling" left by it will encourage the reactivation of this industry, since investors aren't as concerned about "who governs as opposed to having peace on the streets," as indicated by BRIC Consulting.

In recent weeks, "some purchasing options are being evaluated and subjected to political stability," these purchasing options involve a small payment in order to block the operation for a period of time.

The general strike during the last trimester, prevented 2017 from closing with a record in terms of hotel investment in Barcelona, despite what could be considered "a great year," since it closed with a 325 million euros investment, a 26.9% increase in comparison to the previous year, with an investment per room of 273,000 euros and a return on equity of 5%.

Before October, the crisis in Barcelona was outlined by numerous figures interested in occupying or expanding positions in the city, the relative ease of access to financing associated with the city's reality, and the expectations of the hotel industry, and especially, the inability to promote new establishments in attractive locations for the next years. For all of these reasons, hotels that aren't necessarily located in the center of the city have "a great potential for international hotel chains since they have little to no presence in the city," according to BRIC Consulting.

During the first semester of 2017, a great influx of North American capital was reported in the European market and the Spanish hotel industry, and the Barcelona hotel sector was not an exception, since it is estimated that 50% of the investments registered come from that country. If the political scene finds stability, then foreign investors and local 'socimis' (a Spanish term similar to 'REIT', Real Estate Investment Trust) will be the most active buyers and the largest

number of operations won't necessarily take place for extremely central hotels, but will happen for those hotels needing a substantial investment.

Since 2016, the main financial operations were carried out by foreign funds and hotel chains (an 80% of the total investment), with a tendency towards long-term investments.

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