

LUXURIOUS SUCCESS FOR LUXURY HOTELS IN SPAIN



Last year, 5-star hotels in Spain reached 22.9 million overnight stays, which is an 8.2% increase over 2018 figures according to the BNP Paribas Real Estate annual report on the hotel industry. Last year, the total hotel investment in Spain stood at 1.6 billion euros, increasing by 1.6%.

In 2020, more than ten 5-star or higher category establishments are set to open and expect to offer over 1,000 rooms, doubling the current number of hotel rooms in this market.

In 2019, Spain recorded a total investment in hotel assets of 1.6 billion euros, which represents a 1.6% increase compared to the direct investment recorded the previous year, with 13% of total investment in real estate assets in the country.

85% of the total invested was on operations of individual assets, which is 1,364 million euros invested across 40 assets. The remaining 15% has been allocated to the purchase of 16 hotels collected in six-asset portfolios, totaling 243 million euros.

26% of Spanish Hotel Investment Allocated in Madrid

There are two major deals happening in Madrid: first, Socimi Millenium's purchase of the Marriott W hotel in Canalejas square for about 80 million euros; and the purchase of the Aloft hotel by Henderson Park, a 4-star establishment opened last June.

Madrid has become an attractive city for the main national brands and premium international luxury hotels, revitalizing the city center. That said, in 2019, 26% of the hotel investment was allocated to the capital of Spain, recording a total of approximately 420 million euros.

Three of the ten deals signed in Madrid have added more than 40% of the amount invested in the city, which according to the report is "a clear sign of high investment interest in hotel assets in the urban market of high category and low seasonality".

Overnight Stays Have Been Growing since 2011

In 2019, overnight stays increased by 0.9%, amounting to 343.1 million euros. The report highlights that since 2018, the gap between domestic and foreign demand has been closing, with international overnight stays decreasing slightly and accounting for 65.2% of the total stays.

Andalusia was the main destination of Spanish travelers, representing 21.3% of the total overnight stays, 4.5% more than the previous year. For foreigners, the preferred destination was the Canary Islands, with 26% of overnight stays, 4.2% less than in 2018.

The average hotel occupancy rate stood at 65.9%, 0.9% more than last year. Holiday destinations such as Malaga, Las Palmas, and Tenerife have the highest occupancy rates, with 71.6%, 79.8%, and 80.3% respectively, followed by urban destinations such as Madrid and Barcelona, whose occupancy rates are close to 70%.

The increase in occupancy and the average daily rate (ADR) have boosted annual revenue per available room (RevPar), and in 2019, the increase rose 4.9%, reaching 59 euros.

Maturity Stage

The report says that the hotel industry is entering a 'maturity' stage after the boom it has been experiencing since 2014. Therefore, **“as the economic cycle matures as well as emerging markets of origin, it is likely that there will be some decline in tourism growth in line with the global economy.”**

The forecasts for Spain's tourism GDP are close to 2% for 2019 and 2020. The strongest markets with a greater volume of business, whether they are holiday or urban destinations, will continue to show positive figures.

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