HOTELS & BUSINESS

CUSHMAN & WAKEFIELD

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DEVELOPMENTS
Holiday and rural destinations,
at the forefront of the recovery in tourism

HOSPITALITY LAB
The year of “revenge tourism” and volatility

INTERVIEW
Jacopo Burgio, Director, Europe Real Estate at Angelo Gordon

round-up

AT THE CENTER OF WHAT'S NEXT

TIME TO SET BEARINGS

Cushman & Wakefield's Research department and teams specialising in transaction analysis are certainly undegoing a period of intense activity. There is a need for continuous analysis given the highly volatile circumstances. The landscape left by the pandemic was already complex enough in itself, with the pace of recovery varying according to country, restrictions on mobility, healthcare requirements, etc.

In 2022 the tourism and hotel sector is tackling a steady recovery in activity alongside a number of unexpected events such as Russia's invasion of Ukraine and the impact of this on the energy and raw materials markets. Already representing a threat at the close of 2021, inflation continues to climb. This is in part due to factors unleashed by the war in Ukraine, but also is a result of the slowdown in the Chinese economy and its difficulties in handling the health crisis, an example of this being the lockdown in Shanghai. The hotel business is traditionally cyclical in nature and every stakeholder is fully aware of this fact.

It is anticipated that the "revenge tourism" effect will peter out by October of this year, having a direct impact on costs, EBITDA and business returns. Added to this are difficulties in terms of hiring.

Having said that, the current degree of liquidity is quite extraordinary. Hotel investment generates interest, there is an ever greater number of players on the field and investors are making their presence felt through both institutional funds and family offices, etc. The Spanish hotel investment market is proof of this vitality, having attracted almost €1 billion during the first three months of the year. These billion Euros have been particularly aimed at luxury and 4-star hotels, the largest share going to the holiday segment.

The Investor Beat report additionally highlights the interest in this market on the Iberian Peninsula and in the holiday segment. In the case of some 69% of the investors interviewed, deals linked to Spanish and Portuguese resorts are currently the most attractive. This interest represents a fascinating dichotomy in terms of the market. On the one hand, figures in terms of operations are still in recovery and a number of tourism generating markets are facing problems whilst, on the other, investor appetite means that assets are maintaining their value and discounts are minimal. Although it was anticipated at the beginning of the pandemic that opportunities with major discounts would abound, these price cuts have failed to appear and seem unlikely.

Given this degree of volatility, it is now time to set course with a reliable compass in hand. Deals must be analysed down to the finest detail, with contracts negotiated such that they enable operators, owners and investors to share both earnings and risks, increasingly leading to the adoption of flexible frameworks. Decision-making requires an in-depth knowledge of the hotel business for each and every asset, along with the potential for value maximisation through product repositioning. In contrast to other areas of real estate investment, hotel assets are more interesting where the operating potential of the establishment itself is greater. Investment will be profitable only when it stems from proper advice and business vision.

ALBERT GRAU
Partner and Co-head of C&W Hospitality Spain

BRUNO HALLÉ
Partner and Co-head of C&W Hospitality Spain

HOTEL SECTOR OPPORTUNITIES IN SPAIN

Carlos Ortega
Director of Corporate Global Development of Palladium Hotel Group

under consideration

In Palladium Hotel Group (PHG) we remain highly committed to expansion in the Iberian market given the resilience it is showing and the fact that it is bouncing back vigorously following the pandemic. Far from having produced distressed opportunities, we see that the market remains highly competitive in real estate terms and that new players representing a gateway for international capital have come with the intention of remaining, providing the sector with unheard of levels of liquidity and professionalism.

Although opportunities exist for all comers, the most important of these (from our point of view as operators) are for players willing to be more flexible and creative, with a strongly property-focused outlook that is capable of understanding mixed-use developments in the main cities. These require efficiency in terms of space optimisation, sacrificing items that do not add value in terms of customer experience, whilst entrusting partners to help us create experiences and stand out from the crowd.

From traditional holiday destinations such as the Balearic Is. or the Algarve, we can add other, increasingly better-known places such as Comporta, whilst seeing that cities such as Malaga and other, apparently mature destinations show significant room for growth, as in the case of Seville or Granada. Now in the month of June, we are seeing figures that leave no doubt as to the fact that leisure destinations are not only recovering but, in some cases, could set new records this year.

The growth of the Iberian market is one of our priorities. There are a good number of destinations in which we are still not present and we hope to grow through our portfolio of brands that offer a clear value proposition and differentiation. These include brands such as TRS Hotels, with which we will debut in Europe this summer (TRS Ibiza Hotel), along with reference brands such as Only YOU Hotels and BLESS Collection Hotels.

Carlos Miró
Director of Development for Spain and Portugal, Hilton Worldwide

In Hilton we have 18 brands, ranging from limited service up to luxury and covering Upper-Upscale, Upscale, Lifestyle and the Collection brands. We are able to work with a wide range of high-quality assets, adapting our offerings to the needs of owners and the market. For example, in Spain we are seeing major opportunities to develop Hampton by Hilton hotels due to the fact that they are accessible for investors and can be established both in large cities and less consolidated destinations. Hampton by Hilton is our highest growth brand in Europe, driven by strong demand attracted by its design, operating model and brand awareness.

Throughout Europe we see considerable demand for our Collection and Lifestyle brands. Hilton's Collection brands enable owners of independent hotels to maintain their character whilst benefiting from solid brand awareness, the sales network and drivers and the loyal client base of the Hilton Honors programme with more than 133 million members. In Spain we have recently opened the first Tapestry Collection by Hilton in Europe, more specifically the Atocha Hotel Madrid, Tapestry Collection by Hilton, along with the first Canopy in the country - the Canopy by Hilton Madrid – Castellana. We also hope to open our first Curio Collection by Hilton in Madrid at the end of 2022 and have just announced another Curio in San Sebastian. Hilton has almost doubled its presence in these categories over the past three years.

We are also currently committing to growing our presence on islands in the Mediterranean. We have lately announced new resorts in Crete, Sardinia and Santorini y, more recently, the Hilton Mallorca Galatzó on the Balearic Islands.

In terms of Hilton's business model, we work with the structure that best fits each type of establishment and owner and feel equally comfortable with both management and franchise agreements. There is demand for both and we are experiencing considerable organic growth, opening one hotel per day worldwide under our asset-light model.

Although Spain is a market driven by lease frameworks, franchise schemes remain our most common structure in terms of hotel openings. Nevertheless, we continue to see an appetite for management agreements, particularly within the full service and luxury segments.

John Alarcon
Senior Development Director Spain & Portugal at Accor

under consideration

Spain and Portugal belong to the Southern Europe hub, alongside France, Italy, Greece, Malta and Israel. We are consolidating our leadership in the region by striking deals involving 1 hotel every 6 days in 2021 (64 hotels). We now have a total of 1,913 establishments, a vast portfolio of more than 40 brands and in excess of 180,000 rooms.

With regard to opportunities, we have a two tier strategy for 2022: maintaining volume in the economy and mid-scale segments, whilst achieving a figure of around 40% of development projects in the luxury, premier and lifestyle segments.

Thanks to the diversification and breadth of our hotel products within the Spanish and Portuguese markets we are seeing the possibility of development within the all-inclusive segment, taking advantage of the success of Rixos. Accor is significantly expanding its offering through luxury and premium brands such as Fairmont, Sofitel, Pullman and Swissôtel, along with Mövenpick in the All-Inclusive Collection, where we are seeking out opportunities to expand. The goal is to take advantage of the commercial strength of Accor and the visibility of these brands in key markets for the expansion of the All-Inclusive Collection, with Spain and Portugal occupying a crucial place in this.

We also consider that there is a major market opportunity in Lifestyle, where with Ennismore we offer a wide range of 14 different brands with up-to-date F&B concepts that play a significant role. It is likewise important to remember the Collection, where we offer 6 non-standardised brands that enable owners to rapidly and responsively convert their establishments whilst maintaining the personality and essence of attractive hotels as standard bearers of brands within the Accor Group.

In Spain and Portugal we are seeing opportunities where we can add the commercial and sales distribution value of our brands, both within city and holiday markets. Cities such as Madrid, Barcelona, Lisbon and Porto, as well as holiday destinations such as the Balearic and Canary Islands, the Costa del Sol, Costa Blanca, Marbella and the Algarve, among others. Over the coming weeks we will open the hotel Mercure Benidorm, a milestone for Accor marking entry into a well-established tourist destination in Spain. With this we are hoping to replicate expansion in similar tourist destinations over the short and medium term on the Iberian Peninsula and, above all, add value to the owners who place their trust in us to manage or franchise their hotels.

Gonzalo Cámara
Senior Director Business Development Radisson Hotel Group

Radisson Hotel Group is one of the world's largest hotel groups, bringing together nine hotel brands that cover 1,600 establishments in operation or under development in 120 countries worldwide. Aside from offering a differentiated proposition in every city in which they are located, all of the establishments are notable in terms of their style and authenticity. The opportunities in the hotel sector in both Spain and Portugal are generally to be found in urban locations in the leading cities of the two countries, such as Madrid, Barcelona, Lisbon, Malaga and Porto.

This is a consequence of the fact that investment in these locations is more secure. Given that property prices are currently too high due to excess market liquidity, it is, however, difficult to find appropriate assets in these cities. In contrast, locations in secondary cities offer both hotel businesses and real estate investors greater opportunities given the more realistic price levels. What is more, in recent years we have seen how these types of cities also represent a notable alternative for domestic and international travellers when choosing destinations. Conscious of this situation, we have recently opened two new Radisson Collection hotels in Seville and Bilbao, and this year will open our first hotel under the Radisson RED brand name in Madrid.

In terms of the asset type offering greatest opportunities, the preferred option for investors is establishments that are currently in operation and have the potential for repositioning, thus avoiding the risk associated with planning permission and licence procurement. Given that the lion's share are operated by independent owners, lack financial muscle and the ability to reposition their product, resorts have for some time now represented a veritable opportunity. In my opinion, and given that so much remains to be done in the holiday sector, this is a major opportunity for all players forming part of this market.

THE HOTEL INDUSTRY CONSOLIDATES RECOVERY DURING THE FIRST QUARTER

Although the first three months of the year are the quietest-throughout the majority of Spain, average occupancy of 51% was achieved. This is double the figure recorded in 2021 and close to that of 2019. This rise in occupancy has helped average daily rates (ADR) and revenue per available room (RevPAR) to grow by some 40% and 209% respectively.

The Hotel Sector Barometer, produced jointly by STR and Cushman & Wakefield, follows the quarterly trends in hotel sector operations. Following more than two years of scarce or reduced activity as a result of the restrictions imposed by the pandemic, the period from January to March has confirmed the reality of the resurgence.

As in the case of a "normal" year, the beginning saw the Canary Islands achieving the highest occupancy for Spain as a whole (66%), followed by Malaga (62%). In terms of average rates, Marbella topped the table at €171, followed by the Canary Islands at €135. The third parameter measured by the Barometer is RevPAR, where the Canary Islands and Marbella switched places, achieving €89 and €74 respectively.

HOTELS DOUBLE THEIR OCCUPANCY IN SPITE OF OMICRON

Bearing in mind that the months of January and February were still impacted by the Omicron variant, the average occupancy achieved demonstrates that the population is eager for tourism and, in the case of certain generating markets (the UK and Germany), there is also considerable interest in returning to Spain. For the moment, the markets that have benefited most are those with the strongest leisure component. During the second quarter we are, however, seeing a more generalised, large-scale recovery in the business and MICE segment, with major trade fairs being held in Madrid, Malaga and Barcelona, along with a greater number of international business meetings.

The figures for the first quarter confirm the outlook of a staged recovery in activity, with performance varying according to destination. The data is highly positive in that the figures now approach those of the market prior to the pandemic. If expectations are borne out, 2022 could prove to be the year of full recovery for holiday destinations whilst, little by little, we will also see a resurgence in activity in Madrid and Barcelona, where the weight of corporate and MICE tourism is highly significant.

Hotel Bahía del Duque, Tenerife

THE STRENGTH OF THE LEISURE SEGMENT IS PROVING KEY TO THE RECOVERY

PRICES AND INFLATION

In terms of operations, the Barometer shows how pricing policy is becoming one of the major challenges for the industry following the pandemic. Pricing strategy is currently being impacted by costs and rising energy prices. Although it is currently difficult to pass these price increases onto the hotel product due to the possible impact on demand, it will be necessary to analyse trends over the coming months in order to safeguard profitability

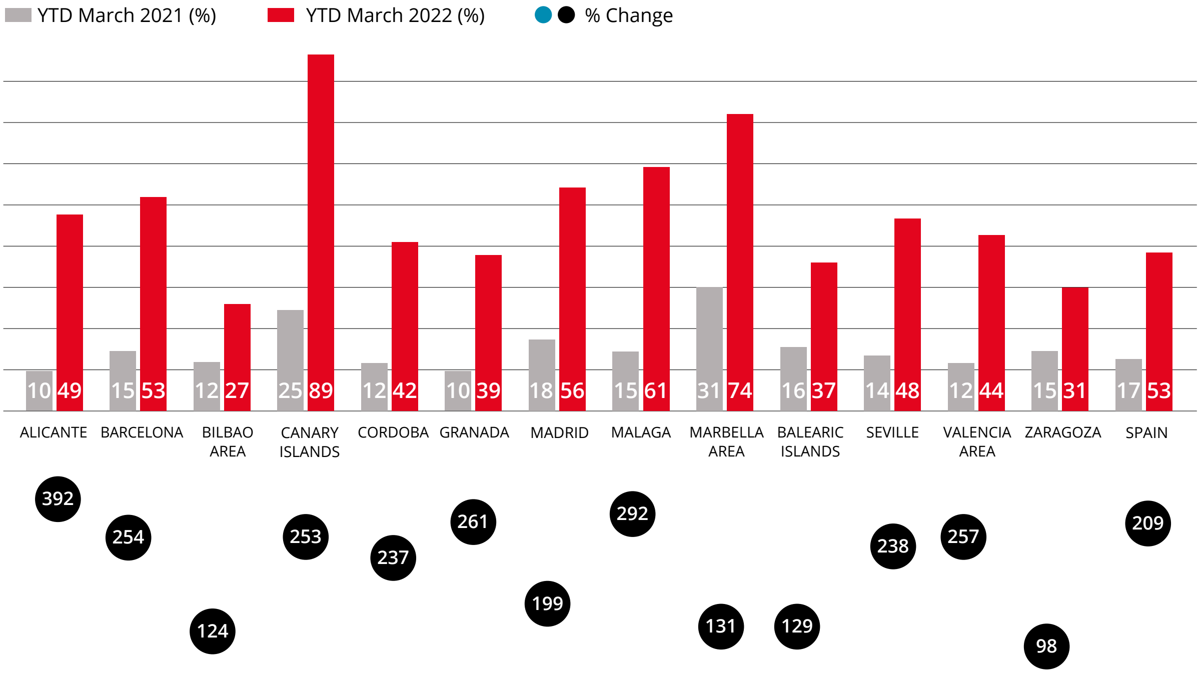
During the first quarter we have seen the ADR rising to €104, exceeding the €103 achieved prior to the pandemic in the first quarter of 2019. Although this figure is good within a context of minimal inflation, margins are in jeopardy in the current circumstances.

The destination with the highest average rate since the beginning of the year was Marbella, at €171, followed by the Canary Islands at €134. For its part, the figure for Barcelona amounted to €112, whilst the average rate in Madrid was slightly lower, at €110. Amongst the cities with cheaper hotels we find Zaragoza (€58) and Bilbao (€66). The greatest increase in average rate compared to the first quarter of 2021 was recorded in Barcelona, amounting to a rise of 61%

Although we are still not in possession of data relating to the second quarter, the trend remains positive thanks to the lifting of restrictions on mobility in the majority of source countries. The war in Ukraine is also affecting bookings, particularly in the case of Central European countries such as Poland and Germany. A recovery in these markets was, however, noted in April and May, along with solid, growing demand for the summer season. The outlook is therefore highly positive in terms of achieving solid levels of activity up to the close of 2022.

The Hotel Sector Barometer brings together data from 1,200 hotels and around 150,000 rooms on the Iberian Peninsula. The study is the product of an alliance between STR, a worldwide provider of benchmarking, analytics and market knowledge specialising in the hotel sector, and Cushman & Wakefield Spain, the world leader in real estate services.

RevPAR COMPARISON Q1 2021 VS. Q1 2022



ALBERT GRAU AND BRUNO HALLÉ, AMONG THE MOST INFLUENTIAL IN TOURISM IN SPAIN

The partners and co-heads of C&W Hospitality Spain have again this year been listed by Sergestur amongst the 150 most influential people in tourism in Spain. The consultancy specialising in the management and repositioning of tourism assets in the Canary Islands has presented its third edition of "The 150 Most Influential Professionals in Spain's Tourism Sector".

The list of the "150 most influential people in tourism" was agreed upon between journalists, lodging and hostelry managers, university lecturers and trainers, consultants, etc. from a number of different regions in Spain (Madrid, Valencia Region, Canary Islands, Balearic Islands, Andalusia, Aragon, Galicia, Basque Country and Catalonia).

PARTICIPATION IN **PROFESSIONAL CONFERENCES**

Over the past quarter, the recovery in congress and professional conference activity has become a reality and has been noted in the activity of Cushman & Wakefield Hospitality itself.

The firm has actively participated in events such as the **IHIF** in Berlin, in which Albert Grau and Bruno Hallé gave a rendering of the Spanish investment market. Hallé was a speaker at the "Resort investment: a world of opportunities" round table, in which María Zarraluqui, Vice-President for Global Development at Meliá Hotels International; Javier Arús, Senior Partner of Azora; Javier Coll, Chairman and Global Head of Business Development at Apple Leisure Group (ALG) and Rosa Brand, Director of KKR all participated.

Held during the month of April in Barcelona, **Hostelco** (the Hotel and Restaurant Trade Fair) also counted on the participation of Bruno Hallé, who moderated the roundtable entitled "Sale and acquisition of hotel assets". The round table likewise benefited from the participation of David Paramio of Tinsa, Ramón Garayar of GAT, Fernando Diez Barba of Impuestalia and Ana Bayona of CaixaBank Hotels & Tourism. Albert Grau participated in the **INNTEC** conferences in Andorra. These brought together more than one hundred experts to tackle the theme of digital transformation in the hotel sector.

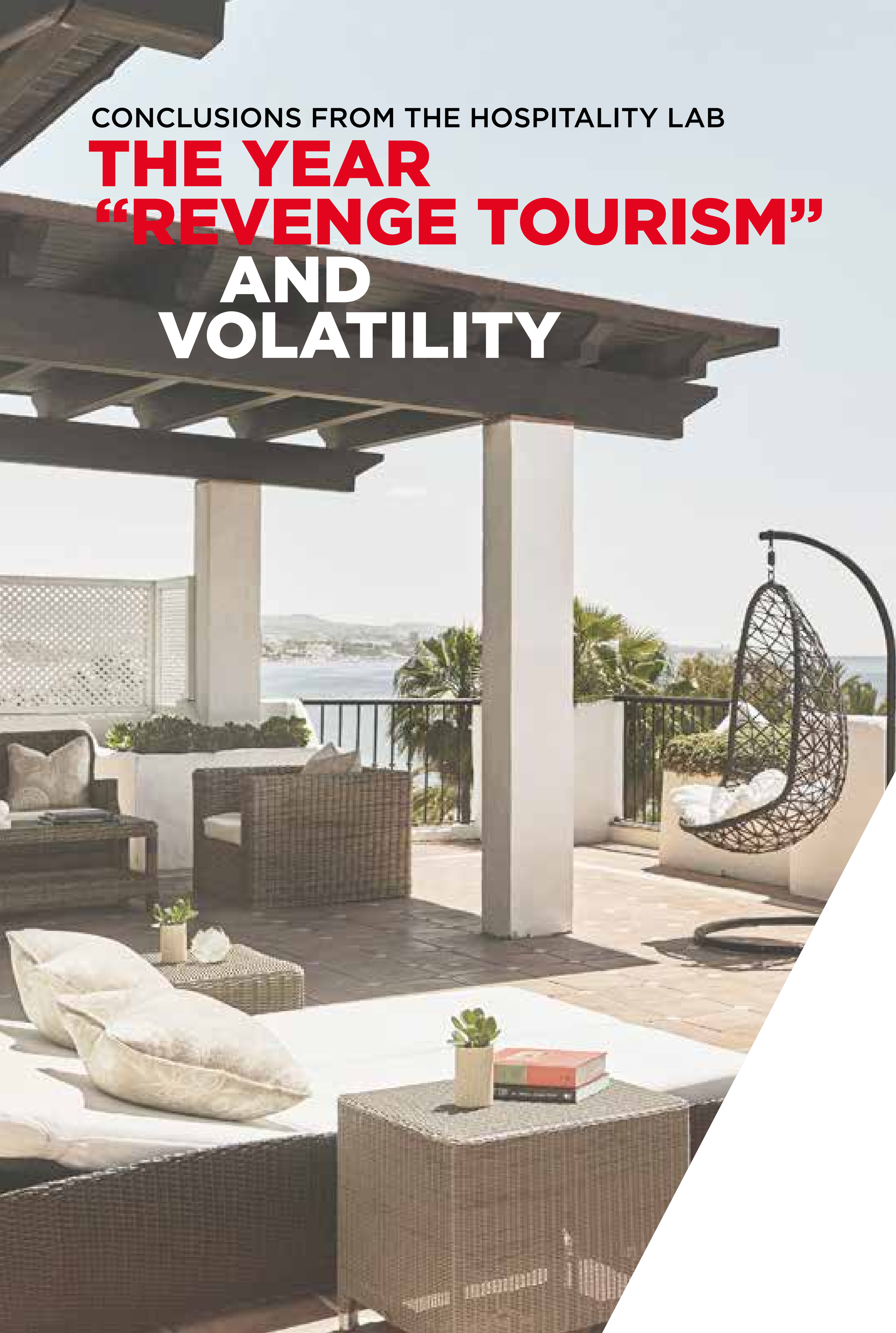
Cushman & Wakefield was likewise present at the congress organised in Malaga by the **Spanish Leasing and Renting Association**, held at the Hotel Eurostars Malaga.

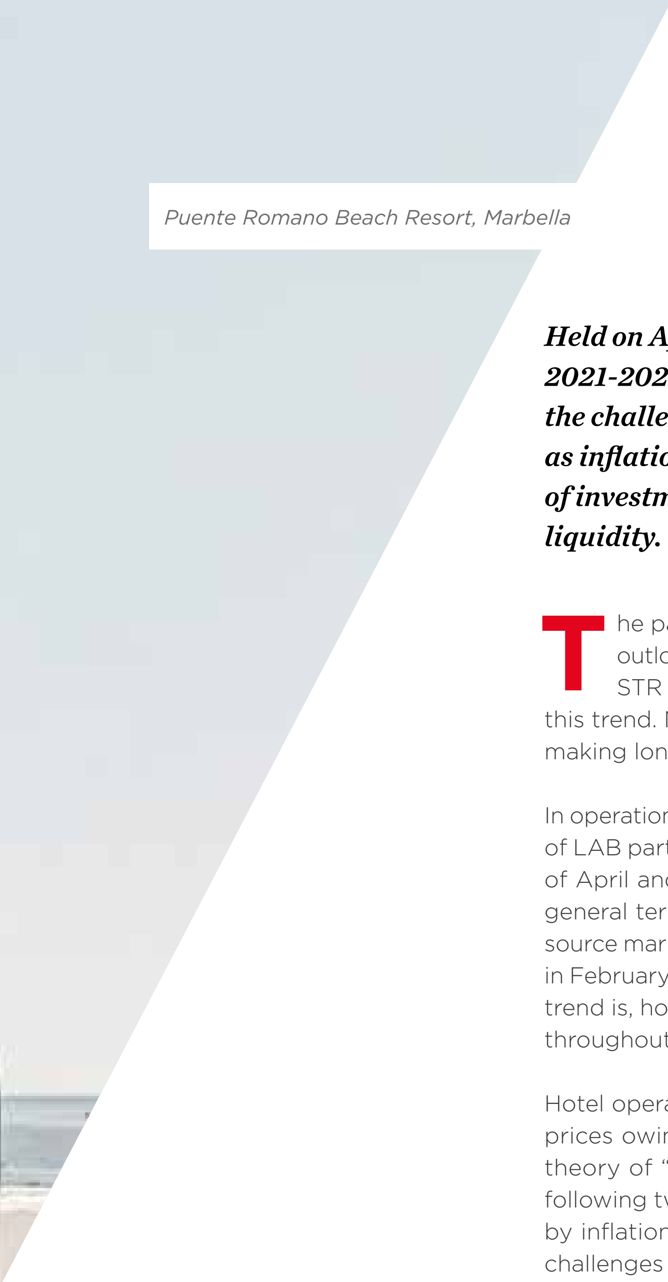
This participation in conferences will remain a constant theme throughout the coming months and will include the Annual Cushman & Wakefield Hospitality Conference, this time in person following recent years in which the pandemic has prevented this. During the coming weeks we will publish up-to-date information on this and other events through the various profiles on social networks.

Photo: Simon Callaghan

CONCLUSIONS FROM THE HOSPITALITY LAB

THE YEAR "REVENGE TOURISM" AND VOLATILITY





Puente Romano Beach Resort, Marbella

Held on April 26, the third meeting of the Hospitality LAB 2021-2022 debated the forecasts for the summer season and the challenges at both an operational level, with factors such as inflation and the lack of manpower, as well as in terms of investment, with a market in which there is abundant liquidity.

The participants in this most recent debate confirmed the positive outlook viewed by hotel operators for 2022. First-quarter data from STR and Cushman & Wakefield's hotel barometer have confirmed this trend. Nevertheless, the majority remain cautious when it comes to making longer term predictions.

In operational terms, the beginning of the year exceeded the expectations of LAB participants in cities such as Barcelona which, during the months of April and May, saw a significant recovery in international tourism. In general terms there has been an upward trend in visitor numbers from source markets despite the war in Ukraine. This had constrained bookings in February and March, particularly amongst the Germans and Poles. The trend is, however, positive in both markets and is expected to remain so throughout the summer.

Hotel operators have been able to improve revenue with an upswing in prices owing to the strength of demand. This appears to confirm the theory of "revenge tourism" based on a need to travel and consume following two years of heavy restrictions. Given that rising costs caused by inflation are beginning to affect business margins, one of the main challenges during the coming months will be to analyse the upper limits of these prices.

ANALYSIS INVITES QUIET OPTIMISM

The majority of hotel chain representatives showed caution when analysing the positive figures for the industry over recent months. In order to ensure that the current growth in activity proves sustainable over time, they believe that a number of factors must accompany this, a condition which currently appears unlikely. First of all, energy prices are of concern. Many chains have long-term contracts with energy suppliers, enabling them to evade part of the price rises. It is, however, clear that energy costs will prove unsustainable if the conflict in Ukraine is prolonged. Due to the negative impact on demand, it seems unlikely that the entire increase in costs may be passed on to room rates, particularly in those destinations where pricing policy is critical to competing with other markets.

THE DEGREE OF UNCERTAINTY IS CURRENTLY DETERRING LONG-TERM ANALYSIS

Other items that may increase cost pressures are related to supply chain issues and inflation. A new sector-based collective bargaining agreement is currently under negotiation in Spain, the effect of which will be to increase labour costs. All of the foregoing items will impact business operating margins.

Nevertheless, mention was also made in the LAB of a series of positive items that mustn't be overlooked. An example of this is the fact that energy price pressures have had a positive impact insofar as they have speeded up environmental management strategies in many cases. The situation

Hotel Catalonia Puerta del Sol, Madrid

has further focused the minds of operators on the need to invest in improving the energy efficiency of their facilities.

Another aspect to be borne in mind is the fact that, while conflict in Ukraine rages, Spain is considered to represent a safe haven destination for markets that are highly sensitive to security related concerns, such as the Americas and Central Europe.

A third aspect that has improved during the pandemic is the capacity of hotel operators to exploit their direct sales channel, significantly improving their operating margins. According to the LAB's participants, online sales have become straightforward and commonplace, even for population segments such as senior travellers who were not as accustomed to this. This is also changing sales models in destinations where these segments predominate.

THE STRENGTH OF THE INVESTMENT MARKET

Following two years under the shadow of the pandemic, investment market trends have demonstrated the strength of the sector. A number of interventions made in the LAB highlighted the fact that the trends in the sector had not entirely been expected. On the one hand, the major discounts that many investors anticipated have not materialised. In general terms, owners and potential vendors have been able to maintain their price expectations.

Value-add investors, whose strategy includes building and repositioning products, are witnessing construction costs in terms of labour and materials rising week by week, thus impacting the return on transactions.

In spite of almost two pandemic years with closed hotels, fewer hotel assets have appeared on the market than would perhaps have been anticipated. Owners have remained somewhat cautious, limiting the sale of their assets whilst sidestepping the hurdles thrown up by the health crisis. This situation demonstrates that the sector has tackled the crisis in a very different, less indebted, manner than was the case with the global financial crisis in 2008, whilst benefiting from greater support through government assistance.

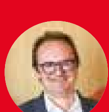
As a consequence of this, we find ourselves in a situation in which there are plenty of investors and potential liquidity though, for the time being, few opportunities. Hotel assets have become a further segment within the real estate investment market, with a multitude of players present.

The debate in the LAB also served to corroborate the fact that Spain has all the right elements required for growth in investment deals. Given that some owners are experiencing difficulties, generational changes, etc., the current situation should lead to increased supply. Investor appetites are healthy in both the holiday segment and urban destinations with a leisure component.

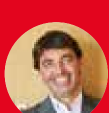
In terms of contracts, the situation brought about by the pandemic has speeded up a previously noted trend towards a greater weighting of variable components. Asset owners are nowadays more open to lease contract proposals in which the variable component is highly significant. The cyclical nature of the tourism sector is yet another factor driving this transformation. At a time such as the present, where forecasting is hindered by inflation and the lack of certainty, this growth in the variable component may also help to correct overruns in business plans.

MEMBERS OF THE HOSPITALITY LAB

The following professionals formed part of the LAB's second edition



Bruno Hallé
Partner and Co-head
of C&W HOSPITALITY SPAIN



Albert Grau
Partner and Co-head of C&W
HOSPITALITY SPAIN

INCREASING WEIGHT OF VARIABLE COMPONENTS IN NEW CONTRACTS IN ORDER TO BALANCE OUT RISK

Alf Castellanos
CEO HOTEL ATELIERE

Pepe Díaz Montañés
CEO ARTIEM HOTELS

Cristina Fernández Hoyo
Country Manager
Spain & Portugal COVIVIO

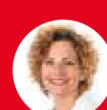
Eduard Gispert
Director of Europe Expansion
BARCELÓ HOTEL GROUP

Federico Holzmann
Director of Development &
Asset management
CATALONIA HOTELS

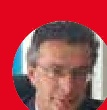
Javier Illán
Chair and CEO
GRUPO MILLENIUM

Montse Llaberia
Operations Director.
CLIAN HOLDING

Rodrigo Martínez
CONSULTANT

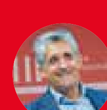


Beatriz Menéndez
Investment Manager
NAVIS CAPITAL



David Rico
Managing Director
CAIXABANK
HOTELS & TOURISM

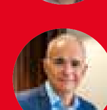
Maribel Rodríguez
Senior Vice President WTTC



Joan Serra
Managing Director - AYRE
HOTELS - ONLY YOU HOTELS

Oriol Serra
CEO SMART ROOMS COMPANY

Hylko Versteeg
Head of Development Southern
Europe INTERCONTINENTAL
HOTEL GROUP



Miguel Villarroya
Managing Director - SPRING
HOTELS

interview

JACOPO BURGIO

DIRECTOR EUROPE REAL ESTATE AT ANGELO GORDON

What kind of investment firm is Angelo Gordon? And can you share some background on its Europe Real Estate team?
Angelo Gordon is a global alternative investment firm that was founded over 30 years ago. The firm currently manages approximately $50 billon with a primary focus on credit and real estate strategies, and we have over 600 employees in offices across the U.S., Europe, and Asia.

Looking to European real estate specifically, Angelo Gordon has been investing in real estate in Europe since 2009 and we have acquired over $5 billion of properties in the region. Our strategy is pan-European, with a focus on the major cities in Western Europe and the UK, so we invest across numerous markets and property types. Our team is highly experienced and nimble, and we work closely with our network of more than 40 local operating partners to source opportunities and add significant value to the properties in which we invest.

One of your personal geographies of focus is Spain. Can you tell us about some of the firm's historical activity there?
We have been investing in Spain for a number of years. We bought our first asset in Madrid, at Gran Via 30, in 2014 and then successfully sold it to Thor Equities. We also acquired the Dolce Hotel in Sitges in 2017, and we invested in a 30,000-square-metre office property next to the Barajas airport in Madrid that we have fully refurbished. Additionally, we are currently growing a light-industrial/last mile logistics platform in Madrid and Barcelona, having closed over 15 independent transactions to date. The platform includes a portfolio of approximately $500 million of assets in Madrid and Barcelona, and it is just one example of something we have worked on with a local developer operating partner. I think our 2018 purchase of BBVA's former headquarters in Bilbao, which we recently sold to a Basque family office, is also a transaction worth highlighting, as it was quite complex and representative of our value-added approach.

Jacopo Burgio joined Angelo Gordon in 2016, where he focuses on real estate investment opportunities in France, Spain, and the hospitality sector. Prior to joining the firm, Jacopo worked for over 3 years at Blackstone in London, as part of the real estate team, and began his career at Jefferies, in its Investment Banking division. Jacopo has a Bachelor of International Economics from Bocconi University in Milan.

How would you describe Angelo Gordon's investment strategy in Spain?

As mentioned before, we take a value-added approach, which – to describe it simply – means we focus on acquiring sub-performing assets and leveraging our team's deep experience, the resources of our global platform, and our local operating partner relationships to improve the properties and create value. First, we look for assets in which there is a certain need for a "fix," whatever it may be; for example, this can entail renovating and upgrading a building, improving operations, renegotiating lease contracts, or leasing vacant space, among other things. The work required in each project varies, but the overarching strategy is relatively consistent, in that we are seeking to acquire complex assets that can be transformed and stabilized into core assets that will ultimately be attractive to buyers that are long-term core investors. Additionally, this strategy is not sector or property type-specific, as it is focused on addressing sub-performance and adding value, so it can be applied to single assets as well as portfolios of properties or operating companies that have similar requirements.

Since the beginning of the pandemic, we have seen notable investor interest in hotel assets in Spain. What is your opinion on this?

There have been quite a few factors that are a little surprising. On the one hand, there are some hotels that have been empty for almost two years and have weak short-term fundamentals, but on the other hand, there is a lot of capital and liquidity in the market. Higher financing costs, inflation, and concerns about the potential for a future recession are all factors buyers currently need to take into account in their underwriting, and they are seeking to price in that risk; Meanwhile, seller expectations have not yet changed, as demonstrated by the fact that prices for high-quality locations have hardly moved from where they were pre-pandemic.

In 2021, hotel transactions in Spain totalled more than €3 billion, a historical high. Do you think that figure could be even higher in 2022? What kind of hospitality assets do you think will be most interesting for real estate investors in Europe?

I believe we will see more activity in the space this year because the opening up of the economy is allowing sellers to make decisions about what to do next, as opposed to strictly focusing on asset management, as was the case earlier on in the pandemic. Banks will also start pushing borrowers to repay loans. As far as hotel assets are concerned, I believe the leisure segment, broadly, will be the main area of interest. Demand is strong, and people are travelling again. At present, leisure travel appears to have bounced back much more quickly than business travel, which seems unlikely to reach pre-pandemic levels in the near term. Given the current environment, resorts and large city centres with important leisure components – cities like Madrid, Barcelona, London, Paris, and Rome, for example – are the types of places that interest us.

Since the beginning of the pandemic, there has been a lot of talk about the possibility of discounts in pricing for hotel assets. This has not happened so far, however. Do you think the owners of these assets will continue to maintain prices in the current environment?

It's hard to know. With the uncertainty that we are currently seeing in the market – between concerns about rising inflation and the potential for a global recession – this could have an effect on the real estate sector. I expect we will see some sort of correction at some point in the medium term. We are already starting to see movements in the equity and debt markets.

MADRID & BARCELONA, AMONG THE MOST ATTRACTIVE EUROPEAN CITIES FOR HOTEL SECTOR INVESTORS

Hotel Artiem, Madrid

INVESTOR INTEREST IN LUXURY HOTELS GROWS FOLLOWING THE PANDEMIC

With some 63% of investors showing "very high" or "high" levels of interest, the Iberian Peninsula currently occupies 4th place in the ranking of countries/regions.

With improving expectations, the Spanish capital is the second most attractive city in Europe for hotel investors. Having held first place last year, Barcelona now occupies fifth place in the ranking. This is the first conclusion of Cushman & Wakefield's (C&W) Hotel Investor Beat study on the performance of hotel sector investment during the first half of 2022.

The podium for the five most attractive urban markets is headed up by Paris, followed by Madrid, London, Ámsterdam and Barcelona. On the tail of these, the following places in the Top-15 are occupied by Berlin, Milan, Rome, Edinburgh, Lisbon, Munich, Florence, Dublin, Vienna and Hamburg. As investment targets, the level of interest in the Madrid market grew by some 5% in comparison with 2021, whereas that corresponding to Barcelona recorded a slight fall of 2%.

Other Spanish cities are also in the sights of hotel investors, these being Bilbao, Malaga, Palma de Majorca, Marbella and Seville.

In terms of countries/regions, the ranking is led by the UK and Ireland, followed by France, Germany, the Iberian Peninsula and Italy. Although investor interest has softened by some 5% in comparison with 2021, the study concludes that 35% of investors are highly interested in the Iberian market, whilst the level of interest is high in 28% of cases. Only 9% of investors disregard investment in Spain and Portugal.

TOURIST APARTMENTS AND RESORTS, THE MOST SOUGHT-AFTER

The study also analyses how the market has evolved following the Covid-19 pandemic in Europe in terms of the attractiveness of establishments for investors according to type. Tourist apartments and resorts are currently much more sought-after than prior to the pandemic, with some 72% and 69% of respondents stating that these assets are more attractive now than during the first few months of 2019. In contrast to this, the attractiveness of airport hotels has seen a fall among some 80% of interviewees, with MICE hotels experiencing a drop of 58%. Little change is noted in terms of hostals and city hotels, these remaining attractive for some 70% and 69% of the sample respectively.

In terms of categories, investor interest remains at levels similar to those seen prior to the pandemic. Some 40% of interviewees consider however that luxury hotels are now more attractive, whereas 37% are inclined to pay greater attention to the budget category. Some 23% of respondents feel that Midscale and Upper Midscale categories have currently lost attractiveness.

The C&W survey therefore concludes that the majority of investors intend to assign the same or more capital to hotel properties in spite of Covid-19. In other words, "investor sentiment" is positive. This is borne out by the fact that the strategy of 38% of the interviewees entails the deployment of more capital than pre-pandemic and that 41% declare that they will assign the same amount as prior to March 2020.

The fact that the majority of investors are willing to accept minor discounts with respect to 2019 prices when considering opportunities to acquire hotel properties demonstrates the degree of optimism. Given that some 96% of investors anticipate that leisure markets will recover in 2023, 93% feel that regional cities will be back to normal in 2024 and 88% believe that major cities (>1m inhabitants) will recover their 2019 levels by 2024, the outlook in terms of the recovery is genuinely invigorating.

WHAT IS WORRYING HOTEL INVESTORS IN EUROPE?

In terms of striking new deals, hotel investors highlight rising costs (construction, utilities and raw materials) as one of their greatest worries, followed by overall inflation, uncertainty regarding returns, staffing shortages, financing problems and the impact of uncertainty on managers and tenants.

Other factors mentioned by a number of the interviewees include the incorporation of ESG criteria, high price expectations on the part of vendors, competition between investors of similar profile and the procurement of licences and permits in certain markets.

Geopolitical issues have also raised their head following the outbreak of the conflict in Ukraine. Although the impact of the foregoing is not highly significant for 72% of interviewees in Western Europe, concerns grow significantly if we include all countries belonging to the EU (Czech Republic, Hungary, Poland...), where 86% believe that the impact will be considerable.

Bearing in mind all factors, the survey analyses the LTV (Loan to Value) ratio that investors are applying to new deals. More specifically, some 54% of investors are seeking LTVs of between 50% and 60%, whilst some 20% quote a higher figure of up to 60%-65%.

A SURVEY WITH 56 QUALIFIED SPOKESPERSONS

The C&W study was conducted during March and April 2022 and based on a survey of 56 executives including senior representatives of leading venture capital firms, funds, REITs and other institutional investors active in the hotel real estate investment market.

The surveyed businesses have invested a total of more than €20 billion over the past five years (2017-2021), representing approximately one fifth of the figure for hotel transactions in Europe. Around 69% of the surveyed investors have their head office in Europe, whilst some 25% are based in the Americas.

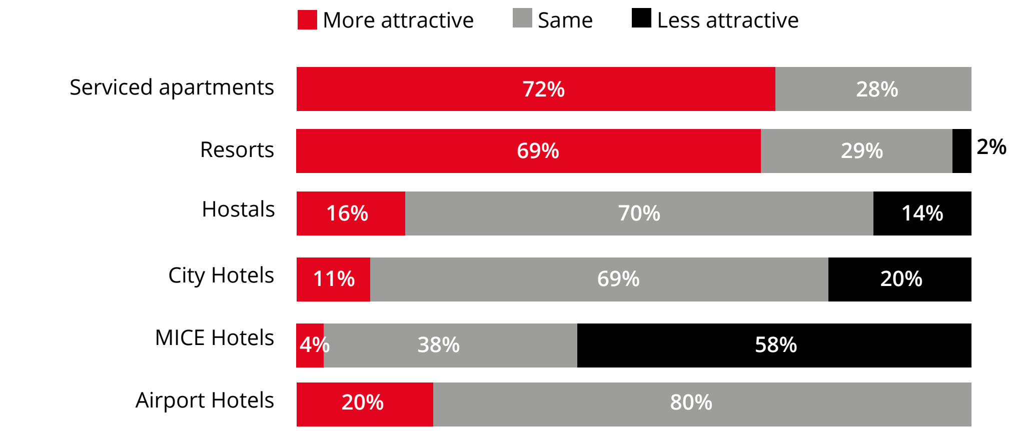
MOST ATTRACTIVE REGIONS FOR HOTEL INVESTMENT

No.	Market	Average ranking	vs. 2021
1	UK & Ireland	3.9	-1%
2	France	3.7	-1%
3	Germany	3.7	-4%
4	Iberian Peninsula	3.7	-5%
5	Italy	3.6	6%
6	Benelux	3.3	-4%
7	Nordics	2.8	-4%
8	CEE	2.5	-4%
9	SEE	2.2	20%

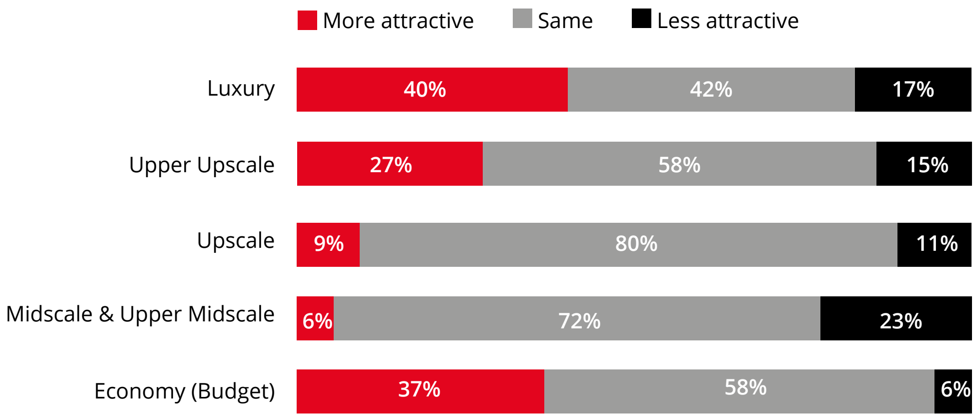
MOST ATTRACTIVE CITIES FOR HOTEL INVESTMENT

No.	Market	Average ranking	vs. 2021
1	Paris	4.1	5%
2	London	4.0	2%
3	Amsterdam	4.0	5%
4	Madrid	4.0	5%
5	Barcelona	3.9	-2%
6	Berlin	3.8	1%
7	Milan	3.8	n/a
8	Edinburgh	3.7	13%
9	Rome	3.7	4%
10	Munich	3.6	-5%
11	Lisbon	3.6	5%
12	Florence	3.5	n/a
13	Dublin	3.4	3%
14	Vienna	3.3	6%
15	Hamburg	3.3	n/a

INVESTOR INTEREST BY HOTEL TYPE



INVESTOR INTEREST BY CATEGORY



Hotel Don Carlos, Marbella

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and approximately 60 countries. In 2021, the firm had revenue of $9.4 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services. In 2020, C&W was named the world's top commercial real estate advisor and consultant for the third consecutive year by Euromoney's 2020 Real Estate Survey.

In Spain, where Cushman & Wakefield has 30 years of experience, the company's business covers the entire Spanish geography. The headquarters are located in Madrid (Beatriz Building, Jose Ortega y Gasset, 29, 6º) and Barcelona (Passeig de Gràcia, 56, 7º), with a multidisciplinary team of 300 professionals. To learn more, visit www.cushmanwakefield.es or follow @CushWakeSPAIN on Twitter.

WELCOME TO WHAT'S NEXT

agenda

SEPTEMBER 2022

▸ Future Hospitality Forum
September 19-21 / Dubai
https://www.ahic.com/

OCTOBER 2022

▸ Resort&Residential Hospitality Forum
October 17-19 / Algarve (Portugal)
https://www.randrforum.com/

▸ Tourism Innovation Summit
October 26-28 / Seville
https://www.tisglobalsummit.com/

NOVEMBER 2022

▸ World Travel Market London
November 7-9 / London
https://www.wtm.com/london/en-gb.html

▸ HX: The Hotel Experience
November 13-14 / NYC
https://thehotelexperience.com/

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