



# SPAIN HOTEL MARKET SENTIMENT SURVEY

March 2009

## INTRODUCTION

The Horwath HTL Spain Hotel Market Sentiment Survey has been designed to provide the global hotel industry a quick assessment of the market outlook in the country for the coming 12 months. The survey focuses on the outlook for occupancy, average room rates and total revenue.

Spanish Hoteliers have also been asked to make comments on the impact of key factors that drive room night demand growth as well as rate the outlook for each major demand segment.

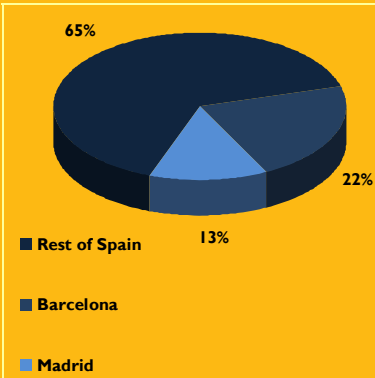
As part of a global survey, gathered from responses across 46 countries representing 2,705 surveys completed, this report summarizes the outcome of the survey uniquely for Spain's sample.

As a primary geographic division, 22 percent of them came from Barcelona metropolitan area followed by Madrid (13 percent), and a wide diversity from the rest of the country (65 percent). The following results will be presented according to the mentioned geographic division. In terms of hotel category, the majority of the contributions were from 4 star hotels (48 percent), followed by 3 star (33 percent), budget (14 percent) and 5 star hotels (5 percent).

At the current point in time, with the financial crisis affecting all corners of the world, it is not surprising to find Spanish Hoteliers having the same negative assessment of the outlook for 2009 as the rest of the international markets figures shown in the Global Horwath HTL Report. However, we hope that the following analysis provides some useful insight as to the expectations for different hotel markets.

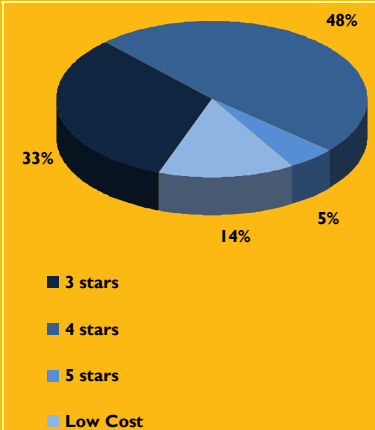
### SHARE OF RESPONDENTS

#### BY REGION



### SHARE OF RESPONDENTS

#### BY STAR CLASSIFICATION



[www.HorwathHTL.com](http://www.HorwathHTL.com)

**SENTIMENT RANKINGS**

By Region	Score
1. Global	-34.2
2. Europe	-36.0
3. SPAIN	-53.9
4. Barcelona	-56.3
5. Madrid	-72.9
6. Rest of Spain	-49.2

*"A Spain's global sentiment score of negative 53.9 clearly indicates that hoteliers across the country are expecting declines in performance in 2009."*

*"Spanish sentiment is leading the most pessimistic results in Europe similar to USA figures (-54.8)"*

**RANKING SCORE KEY**

Much Worse	-150.0
Worse	-75.0
Same	0
Better	75.0
Much Better	150.0

## SENTIMENT RANKINGS

As a way to measure and compare the results across regions and countries, we have created an index to formulate an overall average sentiment score from all survey questions. Points were assigned to each corresponding response and compounded accordingly. The index utilized a scale of negative 150 to positive 150 in which a score of negative 150 denotes a sentiment of absolute pessimism; a zero score indicates unchanged expectations from the previous year whereas a positive 150 signifies a very optimistic outlook.

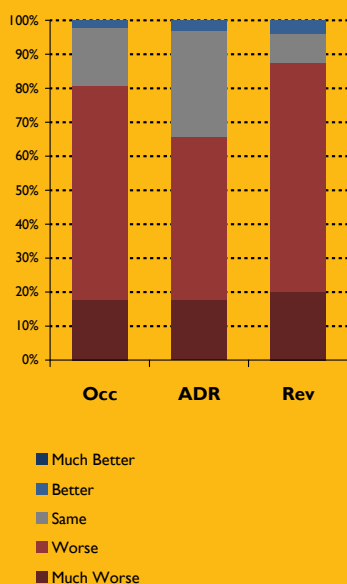
The purpose of creating a sentiment index or score is also to better track changes in market sentiment in future surveys to be conducted by Horwath HTL.

The sentiments of hoteliers across the country have been clearly affected by the global economic crisis, visible from the results. Spanish market sentiment was rather pessimistic with a global average score of negative 53.9.

The two main capitals, Barcelona and Madrid, presented worse figures, having Madrid as the clearest example of domestic pessimism with a negative sentiment of 72.9. Barcelona was more stable, similar to the country average with a negative 56.3.

On the other side, the rest of the country presents a slightly more positive sentiment marking a negative 49.2, although, in comparison with the rest of the European countries, Spain is leading the most negative continent results (-53.9) close to USA level (-54.8) and far from similar consolidated tourism destinations as France (-34.1) or Italy (-37.3).

**RATIO OF RESPONSES**



*"80 percent of the respondents stated that market-wide occupancy performance is going to be worse than 2008, only 2 percent said it would be better."*

**MARKET PERFORMANCE RANKING**

	Occ,	ADR	Rev.
1. Europe	-52.0	-37.6	-51.8
2. SPAIN	-72.1	-60.5	-77.9
3. Barcelona	-67.2	-77.6	-77.6
4. Madrid	-97.1	-101.5	-114.7
5. Rest of Spain	-68.8	-46.1	-70.5

**MARKET PERFORMANCE**

The first survey question dealt with the contributors' outlook on their markets' performance in 2009 as opposed to 2008.

In response to expectations on market-wide occupancy performance, 80.8 percent of the hoteliers replied that matters will get worse, 16.9 percent said that things will remain the same while only 2.3 percent stated that things will get better. Clearly the global financial crisis is expected to impact demand in Spain.

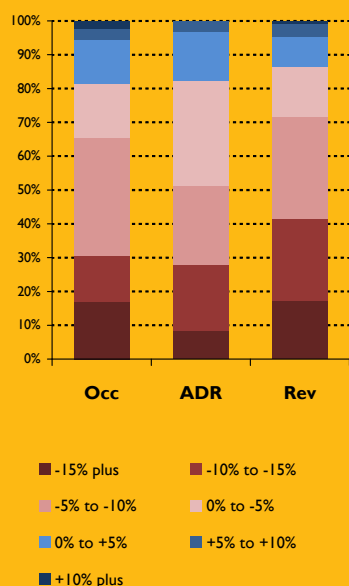
Most believed a dreary outcome in terms of ADR performance, as 65.9 percent stated that market-wide ADR performance is expected to be worse than the previous year. 31 percent mentioned that ADR will achieve the same results as the previous year while 3.1 percent were buoyant about their markets' performance.

Revenue followed the same trend wherein the majority or 87.6 percent of the respondents had bleak sentiments about the market's future revenue performance while merely 8.5 percent stated that revenue will follow last year's trend and 3.9 percent who were optimistic about 2009's performance.

The index was used to gauge the average score recoding a negative Spain global result. The three hotel management indicators are considerably worse than the European continent average. Spanish hoteliers are rather pessimistic in all cases (-72.1 Occupancy; -60.5 ADR; -77.9 Revenue).

Madrid performance is remarkable registering the lowest points in the country (negative 97.1 in occupancy, negative 101.5 in ADR and negative 114.7 in Revenue) probably as a clear dependence from business demand; while Barcelona benefiting from a more diverse demand mix performs better expectations regardless of the gloomy global economic situation.

**RATIO OF RESPONSES**



*“Nearby the 30 percent of the Spanish hoteliers estimate all three performance indicators measured in 2009 are expected to decline by more than 10 percent.”*

**HOTEL PERFORMANCE RANKING**

	Occ,	ADR	Rev.
1. Europe	-22.2	-14.3	-26.1
2. SPAIN	-43.5	-33.3	-55.9
3. Barcelona	-44.6	-50.0	-53.7
4. Madrid	-70.6	-55.8	-76.5
5. Rest of Spain	-37.6	-23.2	-52.4

**HOTEL PERFORMANCE**

The second question asked each respondent to estimate the growth or decline in hotel performance for 2009 compared with 2008.

When asked if they still expect growth in their hotels’ performance in 2009, 81.5 percent of the hoteliers stated that their hotels will likely suffer a decline in occupancy. Another 82.2 percent believed that ADR will experience the same fate while 86.6 percent replied that revenues will follow the same trend. Only a few of the respondents believed that performance will improve. Merely 5.4 percent, 3.1 percent and 4.7 percent forecasted remarkable improvements in occupancy, ADR and revenue respectively.

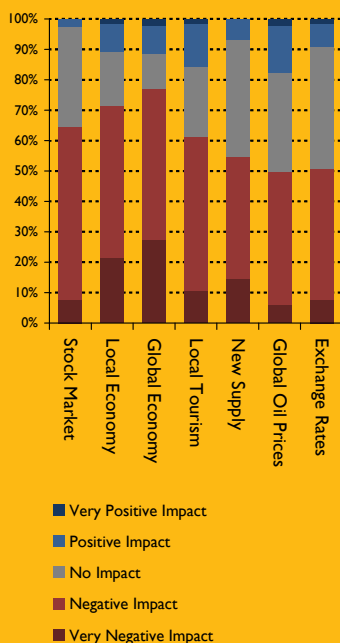
Utilizing the average index score, once again Spain is presenting more pessimist results (44.2 average) in comparison with European average figures (20.9 average).

Amongst the regions, Madrid performs the worst scenario with an average score of negative 67.6, followed by Barcelona with a slightly more optimistic average forecast of negative 49.4.

Madrid hoteliers are more sensitive in maintaining their occupancies (negative 70.6) rather than ADR (negative 55.8), while Barcelona is focusing on the opposite, ADR (negative 50.0) instead of occupancy (negative 44.6).

Out of the main capitals, the responses in the rest of Spain about 2009 performance remain quite similar according to 2008 results. A merely decline in occupancy and ADR will presume a low pessimistic sentiment in Revenue for this year.

**RATIO OF RESPONSES**



*“Economic related issues are clearly the primary concern for hoteliers in 2009.”*

**FACTORS AFFECTING PERFORMANCE RANKING**

1. Global Oil Prices	-26.9
2. Currency Exchange Rates	-35.8
3. Local Tourism Trends	-41.3
4. New Competitive Supply	-46.7
5. Local/Global Stock Market	-52.5
6. Local Economic Trends	-60.6
7. Global Economic Growth Trends	-68.1

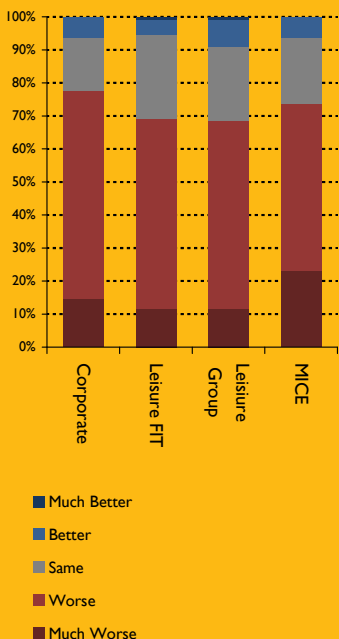
**FACTORS AFFECTING PERFORMANCE**

Each hotelier was also asked to gauge their attitude towards seven factors namely (1) local/global stock market, (2) local economic growth trends, (3) global economic growth trends, (4) local tourism trends, (5) new competitive supply additions, (6) global oil prices and (7) currency exchange rates and how these will impact their hotels’ performance in 2009.

Global economic growth trends, due to concerns with regard to the worsening of the global economy have the highest negative response rate with 77.1 percent, indicating that the majority of the participants believe that the worsening global economic conditions will negatively impact performance. On the other hand, with oil prices beginning to stabilize, global oil prices have the least negative response with 49.6 percent. Hoteliers are currently less concerned about the affect of rising oil prices on travel frequency and room night demand.

Utilizing the index, all choices registered negative results, indicating that all factors were believed to negatively affect performance. The contributors perceived that the worsening economic crisis will likely have the most harmful impact on hotel performance as global economic growth trends attained the lowest score of negative 68.1 points. This was followed by local economic trends with negative 60.6 points, local/global stock market (negative 52.5), new competitive supply (negative 46.7), local tourism trends (negative 41.3), currency exchange rates (negative 35.8) and global oil prices (negative 26.9).

**RATIO OF RESPONSES**



*"An average of 70 percent stated that performance across all segments will get worse"*

MARKET SEGMENT PERFORMANCE	
1. MICE	-68.0
2. Corporate	-64.5
3. Leisure FIT	-56.0
4. Leisure Group	-52.5

**MARKET SEGMENT PERFORMANCE**

The last question dealt with each participant's opinion with regard to primary market demand segments which were Corporate, Leisure FIT, Leisure Group and MICE (Meetings, Incentive, Conference and Exhibition) and how they are expected to perform in 2009.

The majority of the respondents had negative opinions about the future performance of all segments as an average of 70 percent stated that performance across the four segments will get worse.

Employing the scoring system to obtain an average score, all segments yielded negative results, indicating that respondents generally think performance across all segments will suffer this year. The participants believe the MICE segment will be the worst affected this year as it scored the lowest point total with negative 68.0. This is not surprising given the current impact the financial crisis has had on major corporations around the world and its budgets for meetings, incentives and major corporate events. The corporate segment is very close to MICE results with a negative 64.5, as a part of the business demand.

In terms of leisure, where Spain is a top consolidated destination, the Leisure FIT and Leisure Group segments which are typically the most price-sensitive of the four segments surveyed, were expected to be slightly better performing in 2009 compared to business segments with a score of negative 56.0 and 52.5 respectively.

## CONCLUSIONS

Hoteliers in Spain generally expected a tough year with respect to market-wide and individual property performance. The majority of the contributors projected that performance in all three measures, room occupancy, average room rates and total revenue will likely decline this year.

The result of the Hotel Market Sentiment Survey confirms the impact of the international economic crisis in one of the leading tourism destinations hospitality industry.

Although all of the seven factors were estimated to have a negative effect on performance, global economic growth trends was perceived to have the most severe effect. Clearly, economic related concerns, whether it be the global economy in general, local economic trends or stock market performance are the primary concern of hoteliers right across the country following the global trend.

Given that, it is not unexpected that corporate and MICE demand are anticipated to be the most heavily affected of the primary demand segments in 2009.

## Other Market Sentiment Reports

### BY REGION

ASEAN      Benelux      Europe      Northeast Asia      South East Europe

### BY COUNTRY

Australia      Austria      Belgium      Bulgaria      Canada      China  
 Croatia      Czech Republic      France      Hungary      India      Indonesia  
 Italy      Japan      Macedonia      Montenegro      Mexico      Netherlands  
 Norway      Romania      Serbia      Singapore      Slovenia      South Africa  
 Spain

### BY CITY/ DESTINATION

Beijing      Hong Kong      Shanghai      Shenzhen

# Horwath HTL - Office Locations

## ASIA PACIFIC

**Auckland, New Zealand**  
Auckland@HorwathHTL.com

**Beijing, China**  
Beijing@HorwathHTL.com

**Hong Kong, SAR**  
HongKong@HorwathHTL.com

**Honolulu, USA**  
Hawaii@HorwathHTL.com

**Jakarta, Indonesia**  
Jakarta@HorwathHTL.com

**Kuala Lumpur, Malaysia**  
KL@HorwathHTL.com

**Mumbai, India**  
vthacker@HorwathHTL.com

**Shanghai, China**  
Shanghai@HorwathHTL.com

**Singapore, Singapore**  
Singapore@HorwathHTL.com

**Sydney, Australia**  
Sydney@HorwathHTL.com

**Tokyo, Japan**  
Tokyo@HorwathHTL.com

## EUROPE

**Amsterdam, Netherlands**  
hoogendoorn@horwath.nl

**Andorra la Vella, Andorra**  
jparis@HorwathHTL.com

**Barcelona, Spain**  
ppitarch@HorwathHTL.com

**Belfast, UK**  
michael.williamson@asmhorwath.com

**Budapest, Hungary**  
budapestoffice@horwathconsulting.net

**Dublin, Ireland**  
post@horbc.ie

**Frankfurt, Germany**  
knospe@horwathhtl.de

**Kiev, Ukraine**  
hrodriguez@horwath.com.ua

**London, UK**  
vmarti@horwathhtl.com

**Madrid, Spain**  
vmarti@HorwathHTL.com

**Moscow, Russia**  
Moscow@horwathconsulting.net

**Paris, France**  
pdoizelet@horwathhtl.fr

**Rabat, Morocco**  
glanfray@horwathhtl.fr

**Rome, Italy**  
aiadecola@horwathhtl.it

**Salzburg, Austria**  
kploberger@horwathhtl.at

**Tunis, Tunisia**  
glanfray@horwathhtl.fr

**Zagreb, Croatia**  
sanja.cizmar@horwath.hr

## NORTH/CENTRAL AMERICA

**Atlanta, USA**  
mbeadle@horwathhl.com

**Dallas, USA**  
rbesse@horwathhl.com

**Denver, USA**  
jmontgomery@horwathhl.com

**Los Angeles, USA**  
ynathraj@horwathhl.com

**Mexico City, Mexico**  
bbasave@horwath.com.mx

**Montreal, Canada**  
horwath@horwath-lariviere.com

**Palm Beach, USA**  
staylor@horwathhl.com

**San Francisco, USA**  
jhiser@HorwathHTL.com

**Santo Domingo, Dominican Republic**  
sotero@codetel.net.do

**Toronto, Canada**  
horwath@hhgi.com

## SOUTH AMERICA

**Buenos Aires, Argentina**  
ochudnobsky@HorwathHTL.com

## AFRICA

**Cape Town, South Africa**  
Capetown@HorwathHTL.co.za

## MIDDLE EAST

**Beirut, Lebanon**  
kamelac@horwathac.com