

The sector indicators are compiled quarterly from a detailed and exhaustive study prepared by experts in the Knight Frank Madrid office and are based on real data and market trends.

Hotels Snapshot

Q42020

| | SPAIN | | |
|--------------------------------------|-------|-------|-----------------|
| | 2018 | 2019 | 2020 (JAN-OCT*) |
| ADR (y-o-y) 2018 - 2020 | +2.3% | +2.5% | -14.5% |
| RevPAR (y-o-y) 2018 - 2020 | +2.2 | +3.0% | -58.7% |

Source: INE. *Average income per available room until October and including lockdown months in 2020.

Situation in Spain

The ongoing pandemic has caused the Spanish hotel sector, one of the largest in the world, to contract this year after experiencing unprecedented growth in previous years.

The average daily rate (ADR) in August, which tends to peak nationally during this month, sat at €97, a decline of approximately 11.5% compared with last year. Madrid and País Vasco were the two communities that saw the sharpest declines (-26% and -19% respectively) followed by Cataluña and the Comunidad Valenciana (approx. -12%). Accumulated

nights stayed* until October were down 70% in comparison with 2019, although the decline in occupancy based on capacity within operating establishments was naturally less pronounced ** (53%) as many hotels shut entirely. If we look at the principal tourist destinations in Spain such as Palma, Barcelona or Madrid they have suffered steep declines in overnight stays as they are also markets whose occupancy levels are heavily dependent on foreign clientele (74% Palma, 80% Barcelona and 53% Madrid). We expect these markets to recover proportionally once borders are open again and international tourist flows return to normal levels.

Hotel overnight stays - foreign residents

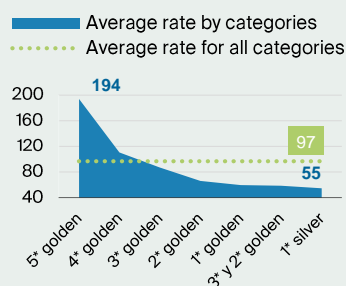
% January-October in main tourist spots. 2019 vs 2020.



Source: INE | Knight Frank Research

Average daily rate (ADR) by hotel category*

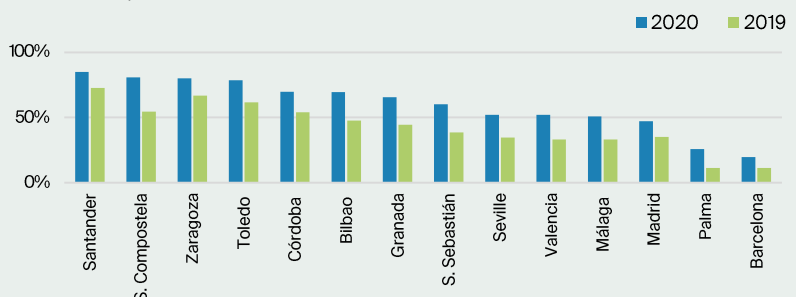
Spain. August 2020. (€)



Source: INE | Knight Frank Research
*Gold category: hotels / Silver category: hostels

Hotel overnight stays - spanish residents

% overnight stays between January and October in main tourist spots. 2019 vs 2020.



Source: INE | Knight Frank Research

*Overnight stay: every night that a traveler stays at the establishment. ** Degree of hotel occupancy by beds: ratio, in percentage, between total overnight stays and product of beds, including extra beds.

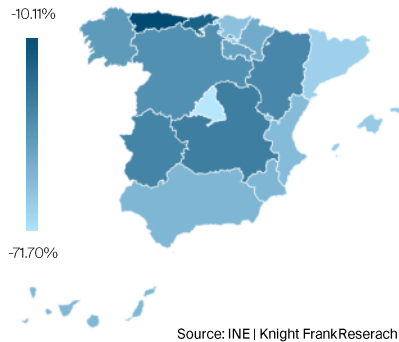
Hotel investment in Spain

Whilst investment volumes declined in 2020 with the paralysis of the tourist market, there remain a large number of investors who continue to be interested in the Spanish market. It has also been one of the few markets with relevant investment transactions during the crisis. Current forecasts are for the market to continue improving during 2021 and recover by the end of 2022. Madrid, Barcelona and coastal areas are some of the markets most in demand by investors at this time.

Revenue per available room (RevPAR) until October was down approximately 60% (including April and May), with the sharpest declines in Madrid, Barcelona and the Balearic islands, also notably areas with the largest historical rises prior to the crisis.

SPAIN AVERAGE ANNUAL VARIATION IN HOTEL REVPAR

Q3 2019 VS Q3 2020



TOP 3 DEALS 2020

MADRID (Q1 2020)

MADRID EDITION 5*
 VENDOR: KKH
 PURCHASER: ARCHER CAPITAL
€220 M 200 rooms
 Source: Knight Frank Hospitality

MALLORCA (Q4 2020)

FORmentor HOTEL 5*
 VENDOR: BARCELÓ
 PURCHASER: EMIN CAPITAL
€165 M 123 rooms
 Source: Knight Frank Hospitality

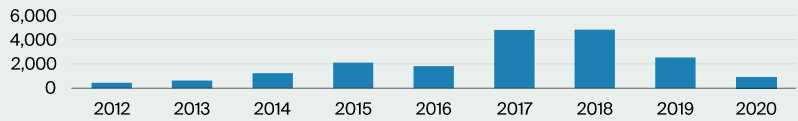
MALLORCA (Q2 2020)

H10 PUNTA NEGRA 5*
 VENDOR: CONFIDENCIAL
 PURCHASER: MANDARIN ORIENTAL
€135 M 135 rooms
 Source: Knight Frank Hospitality

The purchase of the Madrid Edition hotel by Archer Capital from KKH for €220 M was a key deal during 2020 for investment volumes in Spain. With this acquisition Archer Capital now owns three 5 star hotels in Spain. The hotel is forecast to open in 2022. A number of deals closed in the final quarter of the year including the Nobu Hotel in Barcelona for €80 M by ASG from Selenta group, which was a joint venture with actor Robert De Niro.

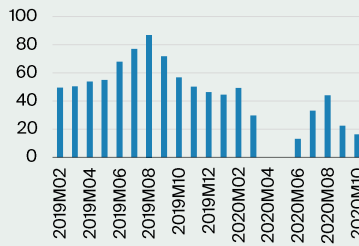
Annual investment volume evolution

2012 - 2020. €M



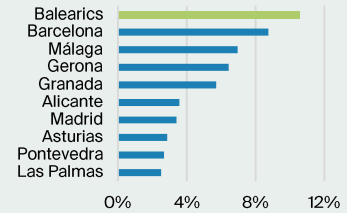
Evolution of revenue per available room (RevPAR)

Spain. All categories. €



TOP 10 Spanish provinces with the largest hotel offer

% of the total supply in Spain in October 2020.



COVID-19: Across Europe and beyond, market activity is being impacted in all sectors due to the Novel Coronavirus (COVID-19) outbreak. As at the date of this report, we consider that we can attach less weight to previous market evidence for comparison purposes, in providing our opinions on the market. Given the unknown future impact that COVID-19 might have on the real estate market and limited recent comparable data, this report is meant to provide market insights as we see them at this time but we wish to highlight the material uncertainty which may cause swift changes in the market. Please get in touch with our team if you would like to discuss in further detail or receive an update regarding market conditions.

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