Spain Hotel Budget Segment

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Potential for the creation of a segment champion

Executive Summary

Spain is one of the **world's leading tourism markets**, ranking as the **second most visited country** globally, with **healthy demand growth** (3.4% CAGR) and **stagnant supply** (0.9% CAGR in Hotels) since 2014. This has translated into a **steady** (excl. Covid period) **RevPAR growth**, although with an inherent **seasonality** in the market.

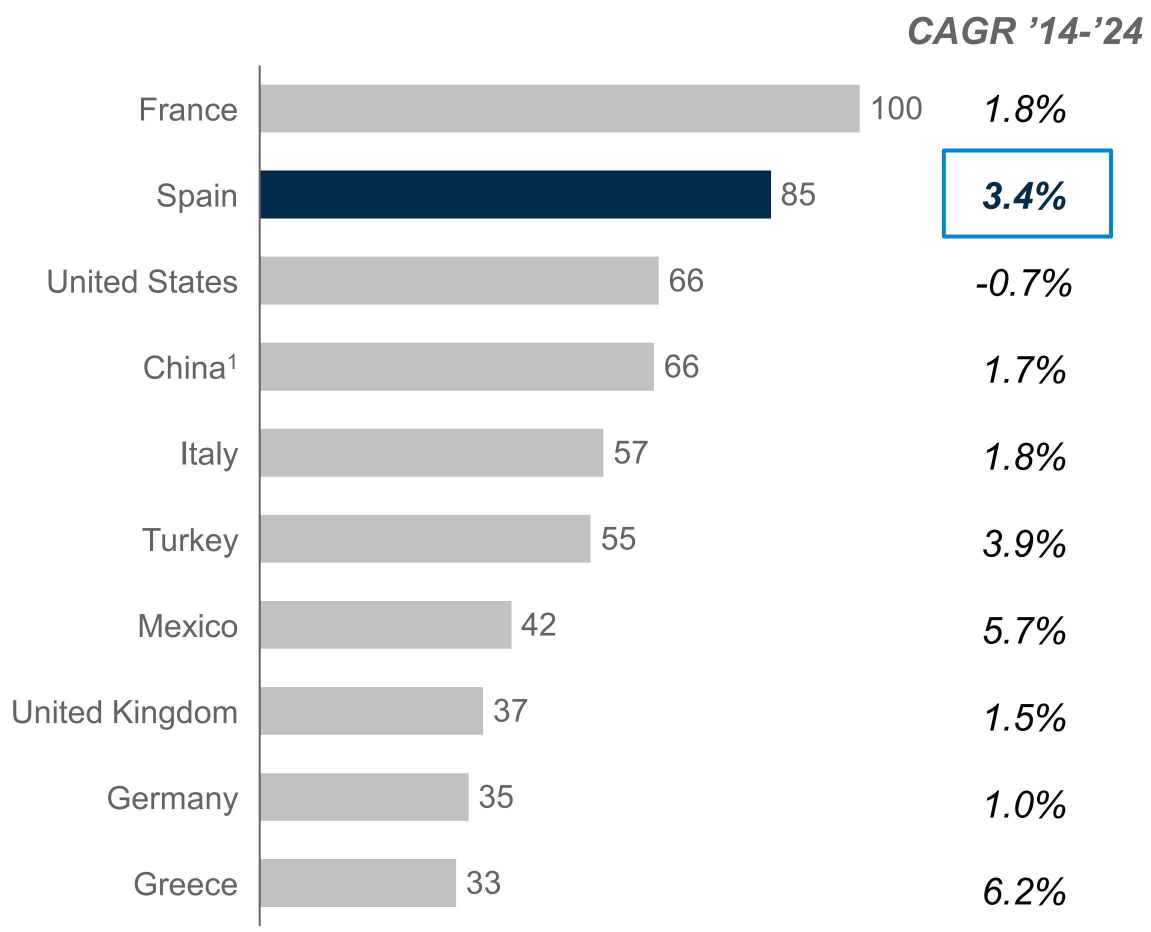
Budget segments have a relatively **low market share in Spain** vs neighbouring countries, with a share gap of 10p.p. vs the European average. This highlights a relevant **potential to replicate the budget success of other European countries**, where strong local brands (Ibis, B&B, Motel One, Premier Inn…) have contributed to the creation of successful budget spaces in countries like France, Germany or the UK.

This share gap varies significantly by region within the Spanish market, being especially relevant in regions with a high ADR driven by the dominant share of high-class hotels. **Madrid, Barcelona and the main Beach & Sun destinations** (16-32% budget share) present the **highest potential** to capitalise this space and exploit the under-represented Budget segments, capturing guests that are today spending nights in alternative accommodations.

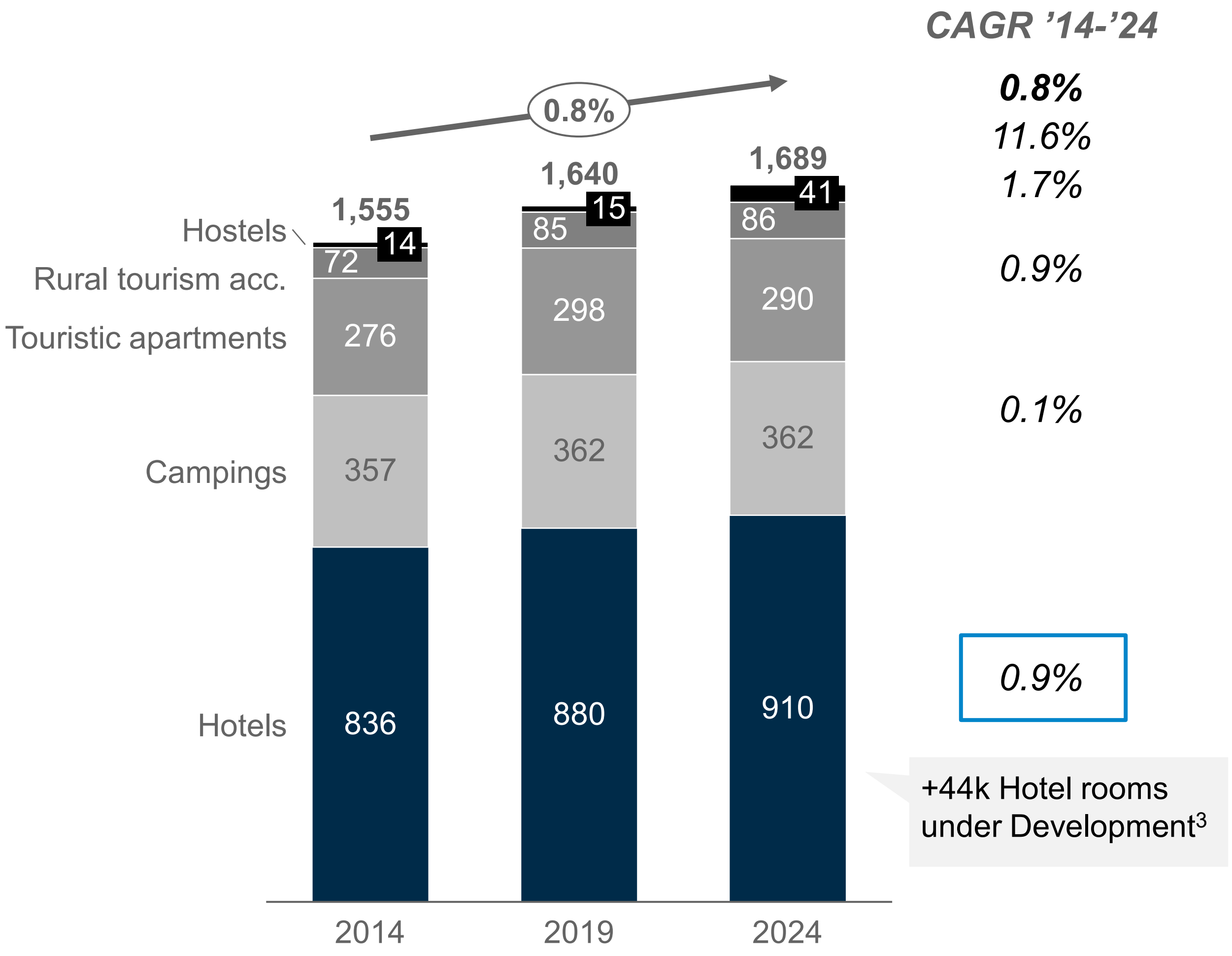
So far, international brands have focused on the high-end Spanish market, leaving a very **atomized Budget space** dominated by independent hotels (20% brand penetration), in contrast to other mature markets with 35-70% brand penetration in Budget segments. This low brand penetration presents a **strong conversion opportunity** for hotel brands to expand and strengthen their presence in the market, also reinforcing the already **exceptional performance that the Budget segments have demonstrated in the past five years**: fastest RevPAR growth in Spain vs 2019 (~142% in 2024 vs 2019), consolidating their resilience during the crisis and their strong post-COVID recovery.

Spain is the 2nd country in the world with most international visitors, with healthy demand growth (3.4% CAGR) and stagnant supply (0.8% CAGR in Hotels) since 2014

 # Inbound tourist arrivals by country (million)



 # Hotel rooms in Spain by establishment type[2] ('000)



Source: UNWTO, STR, INE, A&M analysis

1. China inbound arrivals showing 2019 values due to unavailable 2024 data; 2. # Rooms by type using INE evolution since 2014 normalized with # hotel rooms in STR database; 3. Only including active projects under development

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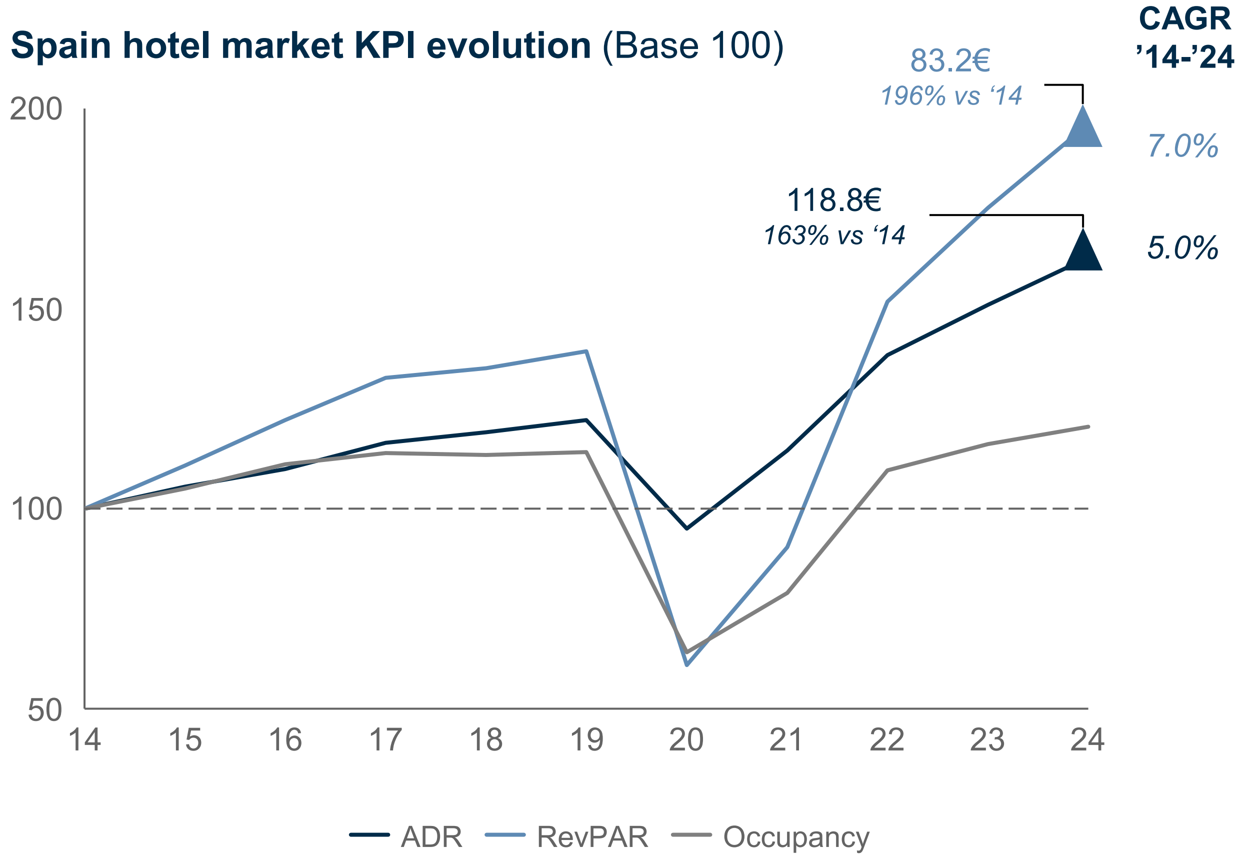
This has translated into a steady (excl. Covid period) RevPAR growth, outpacing ADR growth, while the highly seasonal nature of the market is still a big challenge

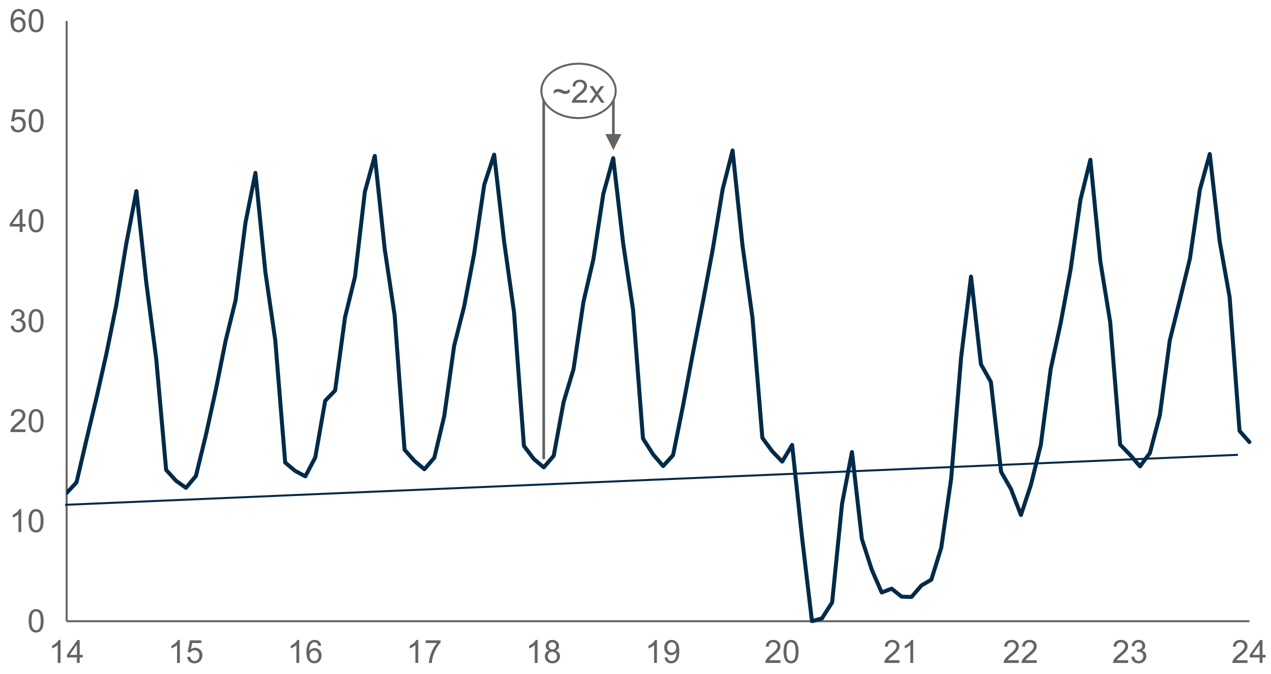
Strong RevPAR growth over the last decade (7.0% CAGR '14-'24) **with a relevant post-Covid surge, outpacing ADR** (5.0% CAGR)

Spain hotel market KPI evolution (Base 100)



Very seasonal market, with strong warm season spikes & reduced or closed activity during winter (~2x room nights in peak vs low month)

Total Hotel Room nights in Spain by month (million)



Source: STR, INE, A&M analysis

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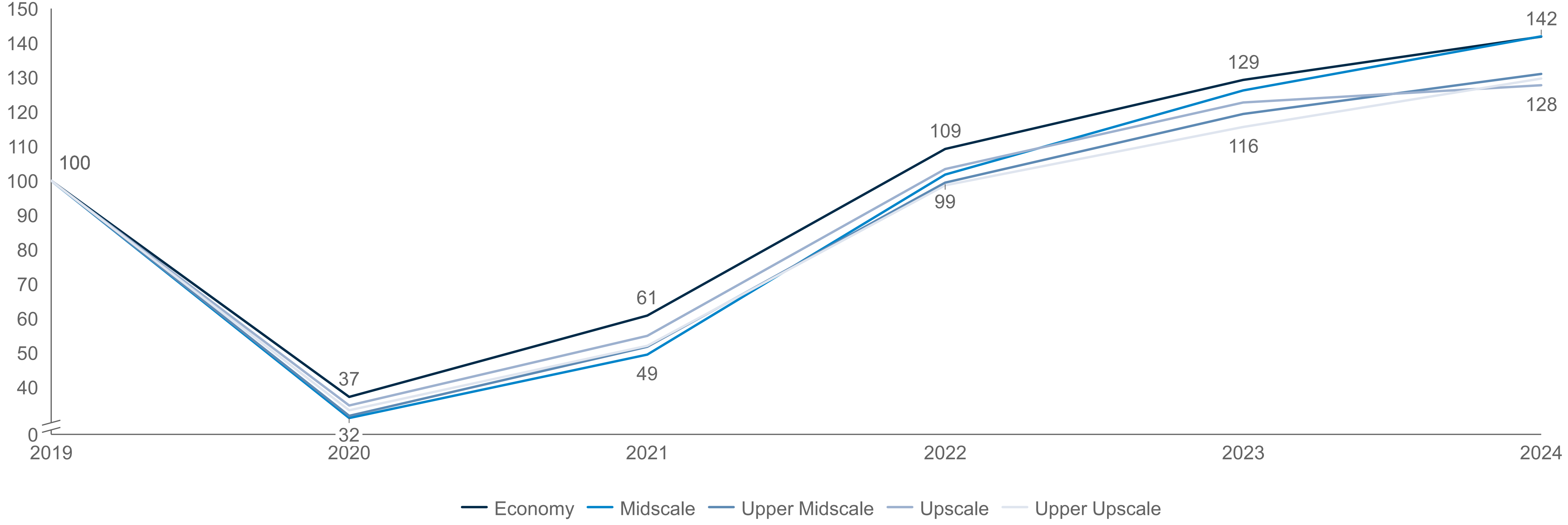
Demand in the Budget segments is increasingly relevant, demonstrated by the fastest RevPAR growth in Spain vs 2019 (~142% ’23 vs ’19) amongst hotel segments

RevPAR evolution by segment in Spain (€)

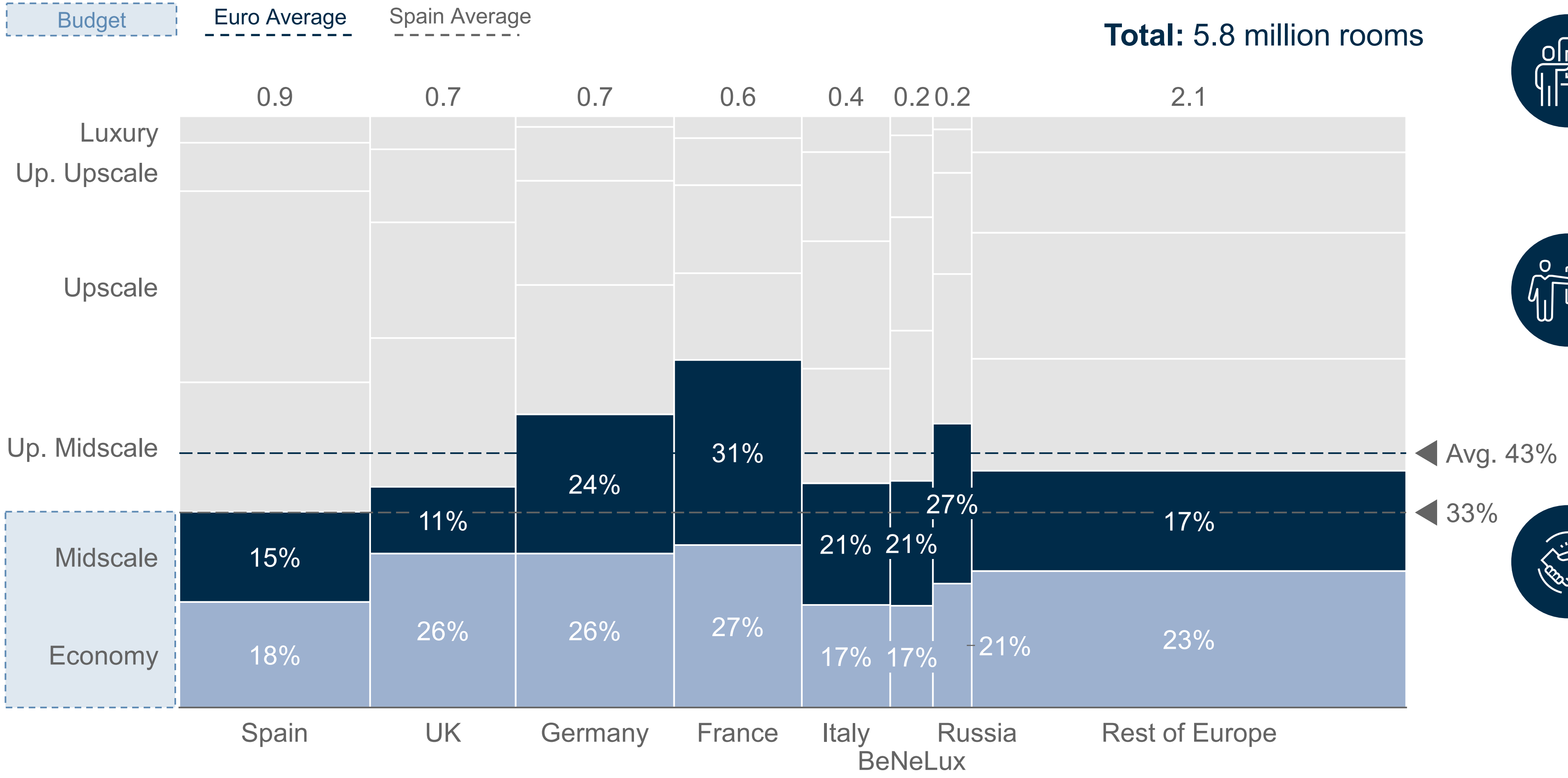


Index *2019-2024*	142%	142%	131%	128%	130%

Source: STR, A&M analysis

Budget segments present growth potential in Spain compared to other geographies, with an opportunity to replicate the success of large European midscale groups

European hotel market by segment



Source: STR, A&M analysis

Comments

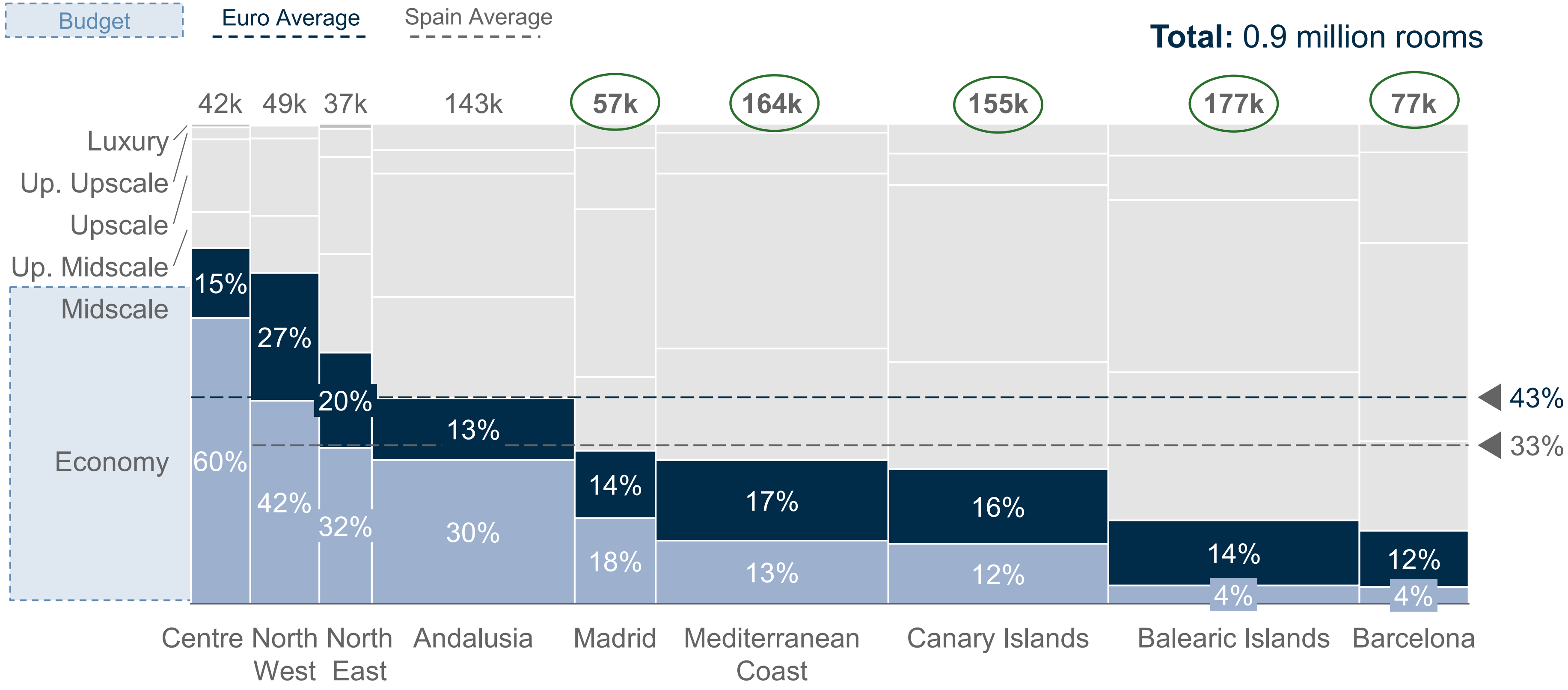
Spain has 10p.p. gap in the Budget segments vs the European average and is 25p.p. behind France

France and Germany present a higher Midscale concentration due to the relevance of Accor, B&B, Louvre, Motel One and Premier Inn in these regions

There is an opportunity to **replicate the success** of these companies in Spain through **supply professionalization**, **investment** and **talent development**

Spain presents several high-ADR markets with potential to exploit the under-represented Budget segments, such as Madrid & Barcelona and Beach & Sun destinations

Spanish hotel market by segment



	Centre	North West	North East	Andalusia	Madrid	Mediterranean Coast	Canary Islands	Balearic Islands	Barcelona
ADR	81	91	114	146	168	113	152	193	186
RevPAR	53	57	80	99	118	78	116	124	142

Comments

Original 3* segment in the country presented a **very high quality (led by NH Hotels** standards), driving the rest of the scale to move upwards

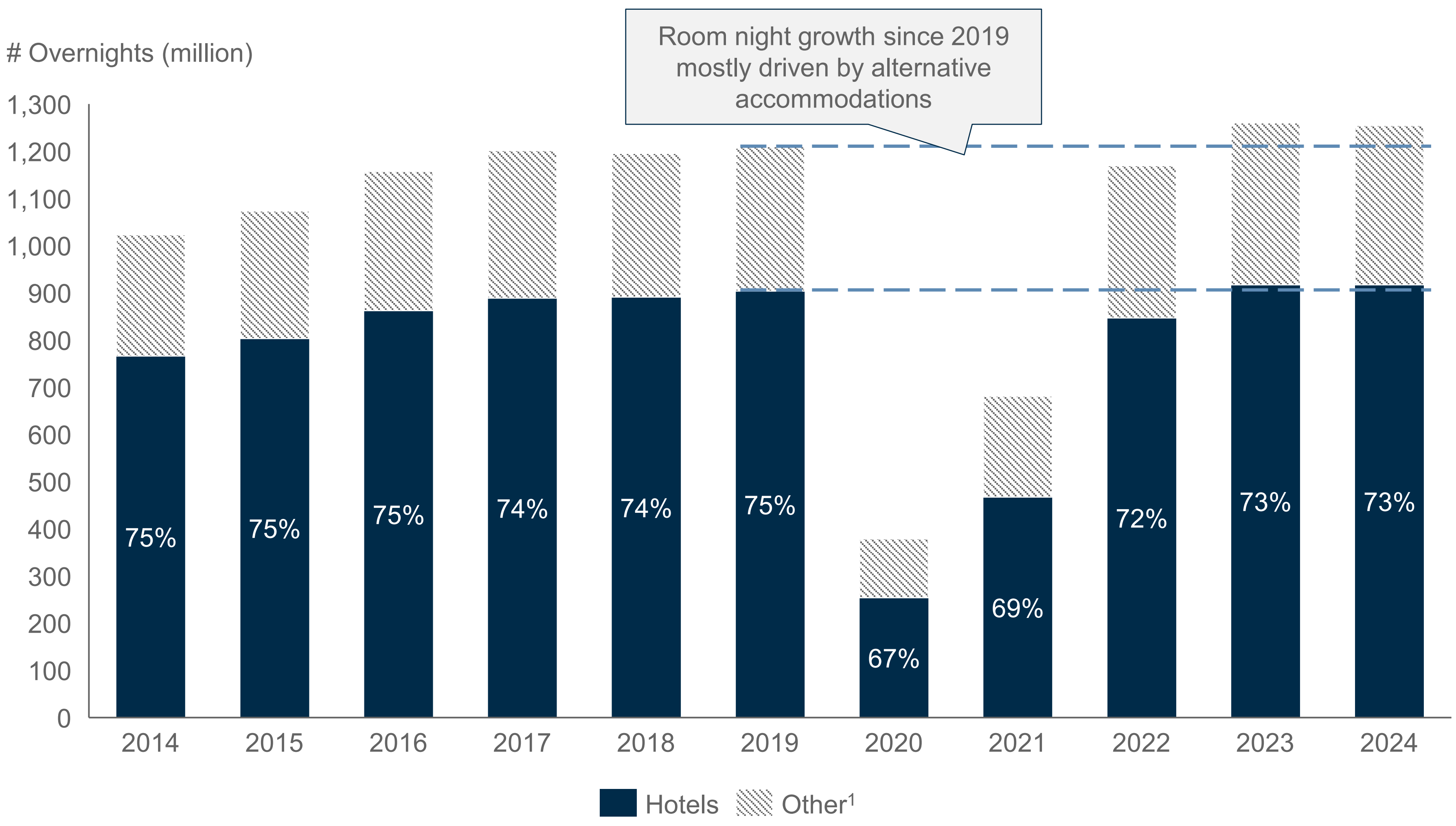
The biggest gap is in Barcelona and the Sun & Beach destinations, which are below the Spanish average

70% of the destinations are below the European average for Budget segments, including Barcelona, Madrid and Beach & Sun Destinations

Source: STR, A&M analysis

Budget demand is partially captured by alternative accommodation to hotels, with these room nights representing ~25% total room nights in Spain and growing

Spanish room nights by type of accommodation



Comments

Alternative accommodation to hotels are capturing a relevant part of the Budget demand in Spain, gaining share from Hotels (Room nights at 2.8% CAGR '14-'24 vs 1.8% Hotels; Hotels share -2pp vs 2014)

Hostels, Rural accommodation and Camping are the **fastest growing** segments in Spain in the last decade (15.5%, 4.5% & 4.1% CAGR '14-'24 respectively)

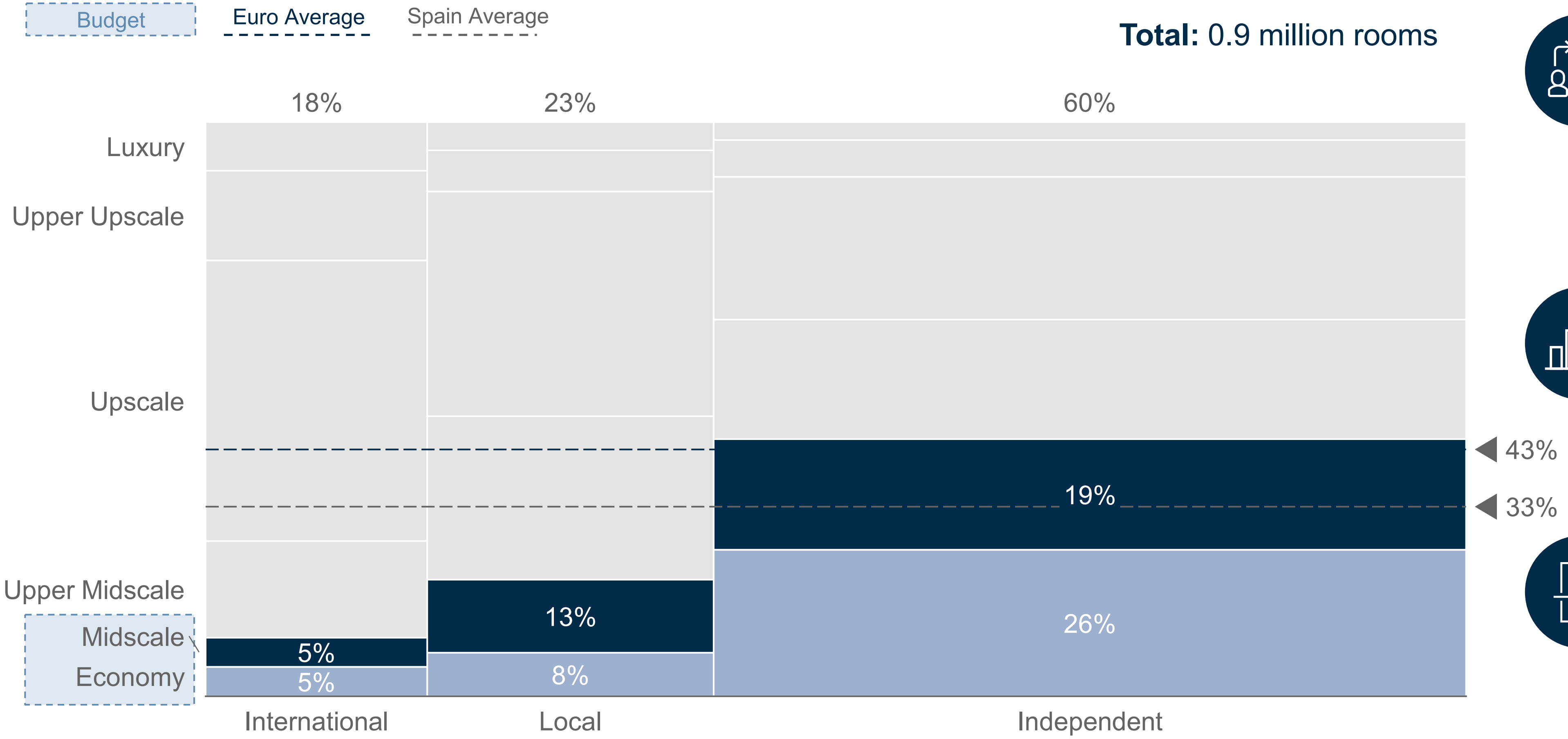
Potential for hotel **Budget segment** to **develop** its **value proposition** to **re-capture part of this demand**

Source: INE, A&M analysis

Note: 1. Other accommodation includes tourist apartments, camping, hostels and rural accommodation

There is a strong conversion opportunity in Spain, with <20% international brand penetration vs 60% unaffiliated rooms which concentrate >80% of the budget segments

Spanish hotel market by segment



Comments

Large conversion opportunity with <20% international brand penetration (40% including international Spain-based chains)

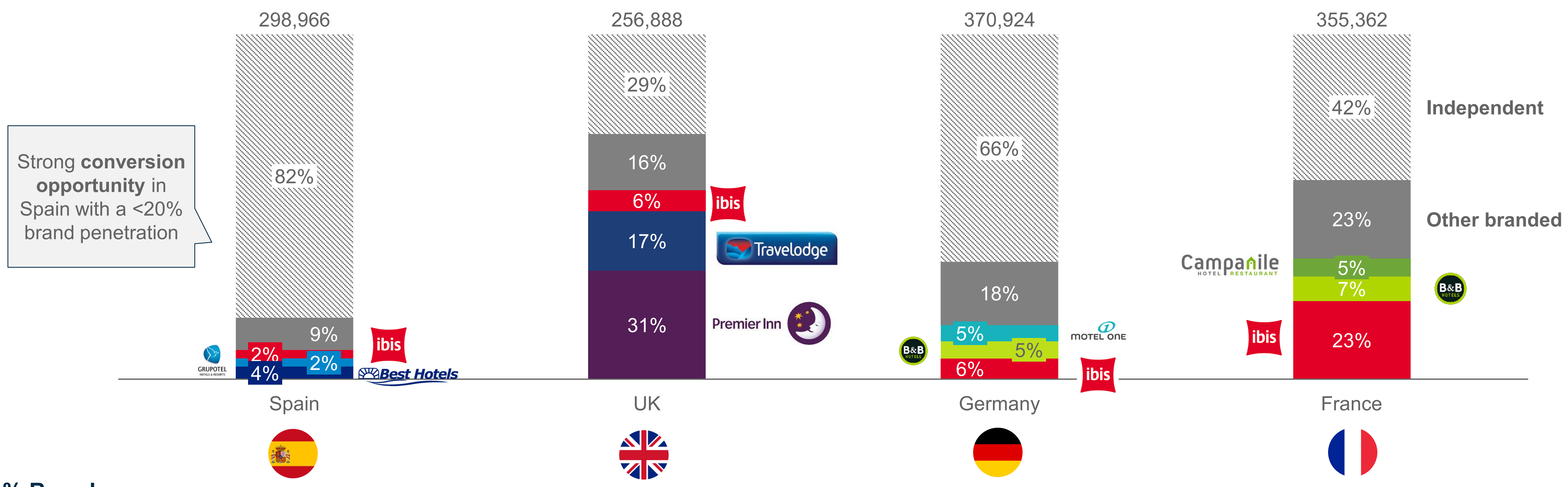
High share of Independent hotels, predominantly in the Midscale (19% total Independent) and 26% Economy segments

Low brand penetration in **Budget segments** (~20%), which are dominated by Independent hotels (~80% share)

Source: STR, A&M analysis

Other European countries with strong local budget brands present a higher brand penetration (~35-70%); Spain awaits for the champion that will capture its opportunity

Brand penetration in the Budget segments by country



% Brand penetration — **18%** (Spain) — **71%** (UK) — **34%** (Germany) — **58%** (France)

Spain awaits for its Budget champion to capture this segment's opportunity

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