HOTEL INVESTMENT IN THE IBERIAN PENINSULA

Expansion & Evolution
What's Next?

CUSHMAN & WAKEFIELD

CMS Law.Tax

SEPTEMBER 2019

CONTENTS

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The tourism sector is one of the fastest-growing industries in the world, increasingly capturing interest from investors.

INTRODUCTION

We welcome you to our joint Cushman & Wakefield / CMS report 'Hotel Investment in the Iberian Peninsula*: Expansion & Evolution – What's Next?'

The tourism sector is one of the fastest-growing industries in the world, increasingly capturing interest from investors attracted by the premium returns and positive long-term prospects. This is underpinned by structural trends, including demographic and technological changes, globalisation of trade, rising incomes in emerging markets, enhanced physical and digital connectivity as well as reduced barriers to travel, such as improved visa facilitation. Many regions have benefited from these trends, including the Iberian Peninsula. As a testament to the region's position as a hotspot for hotel investment, Spain has been ranked by the World Economic Forum as the most competitive country in Travel and Tourism for five consecutive years since 2015, while Portugal took 12th place and continues to rise up the ranks.

In this report, we will explore the key investment trends in Iberia, analyse the underlying performance drivers across all major sub-markets and discuss the innovative trends shaping the local hospitality sector. We will also provide our insights into the evolution and legal considerations pertaining to the short-term accommodation apartments sector and the emergence of domestic real estate investment trusts (REITs). On top of that, we have asked for a short commentary from selected domestic and international players active in the region, as well as those keen to expand in this exciting market.

We hope you will find the report of value and please do not hesitate to contact us to discuss any of these topics further.

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*Note: For the purpose of this report, the Iberian Peninsula comprises all territories of Spain and Portugal, including the regions such as the Balearic, Canary, Azores, and Madeira Islands

SELECTED INVESTMENT ACTIVITY HIGHLIGHTS IBERIAN PENINSULA

2019 H1

€930 million transacted, with an average price of **€164,000 per room**

Corporate entity deals accounted for **13.9%** of transaction volume

53.2% of transactions were in **midscale and upscale hotels**

2018

€4.0 billion transacted with an average deal size of €90.5 million

73% of capital came **from non-European investors**

122 hotels with **25,800 rooms** were transacted at an average price of **€150,000 per room**

Institutional buyers generated **68%** of transacted volume

50% of transacted volume was via **corporate entity deals**

2014 - 2018

73% of total investment went into hotels between **midscale and upscale classes**

59% of transacted volume was for hotels **in coastal areas**

While hotel yields are compressing, the spread relative to 10-year government bonds remain favourable

61% of transacted volume involved **branded hotels**

Hotel acquisitions **outside prime and second-tier cites** accounted for **58%** of transacted volume

IBERIAN PENINSULA HOTSPOT FOR HOTEL INVESTMENT

The popularity of the Iberian Peninsula for hotel investment is reflected in increasing transaction volumes and diversification beyond the prime assets in core markets as well as the rising variety of investor types and deal structures.

"We continuously analyse all major markets and their attractiveness for hotel investment as well as monitor the preferences among investors in our extensive global network. Spain and Portugal consistently feature among the top target markets, drawing a strong interest from our clients.

We also see an increasing number of non-hotel-specialist investors entering the hospitality sector, requiring advisors both with in-depth local knowledge as well as an international perspective. That is why we expanded our presence in the Iberian Peninsula and now have highly experienced hospitality teams in both Spain and Portugal."

Jonathan Hubbard
Head of Hospitality EMEA
Cushman & Wakefield

Tivoli Avenida Liberdade Lisbon Hotel SEEN Restaurant

Transaction Activity Momentum

Over the past few years, the Iberian market has experienced high levels of transaction activity, reaching record volumes of €4.0 billion and €3.9 billion in 2017 and 2018 respectively.

Portugal had a particularly strong year in 2018 with an annual increase of 51%, setting a 10-year record of €226 million in hotel transactions. However, this is still a relatively minor volume compared with Spain, where some €3.8 billion were invested in the hotel sector in 2018, primarily driven by corporate/entity M&A transactions, accounting for 53.5%. While the total volume transacted in Spain declined by 18.7% compared with 2017, it is still significantly above peak volumes in the previous cycle in 2007 and 2008, which recorded a mere €1.6 billion in transactions.

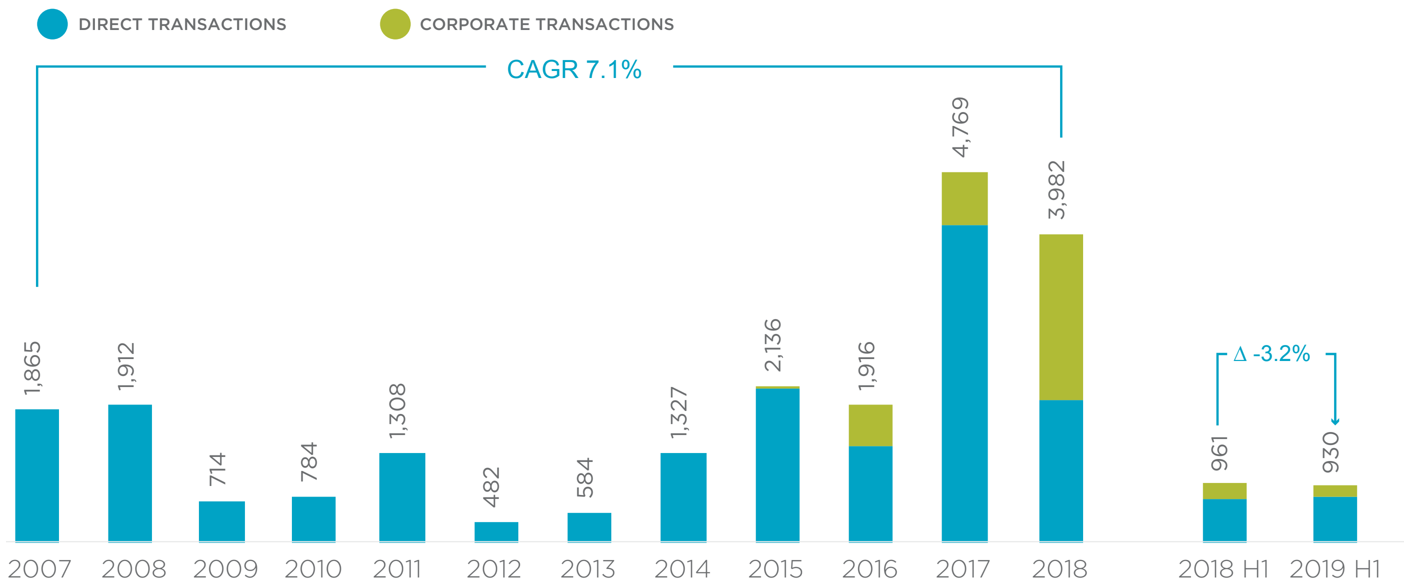
In terms of typical deal size in 2018, the average was €90.5 million per transaction, €31.9 million per property or €150,000 per key. The largest investment was a €2 billion purchase of a 91% stake in the Spanish real estate group Hispania by the US-based private equity firm Blackstone. This included 42 hotels comprising 12,901 rooms with an estimated value of nearly €1.8 billion. In Portugal, the largest transaction was a €100-million acquisition of the 194-room Penha Longa Hotel Golf Resort in Sintra (greater Lisbon area), by The Carlyle Group in partnership with Explorer.

Interestingly, while the total investment volume in 2018 in Portugal increased from 2017, the number of transactions in fact fell from 14 to 6. A similar trend was observed in Spain, where the number of transactions declined from 138 to 116. The main reason for this decrease is the smaller pool of properties available on the market, rather than diminished interest from investors as they continue to actively scout for new deals.

The relative lack of assets for sale also affected the first quarter of 2019, as investment volumes contracted compared with the previous year. However, the second quarter showed stronger activity, with many transactions occurring in resort destinations such as Costa del Sol, Costa Blanca, Mallorca or cities with strong leisure component, such as Lisbon or Valencia. A good example is the recent €313-million portfolio transaction in Lisbon, which included three Tivoli hotels with guaranteed leases by NH Hotels. This sale-and-lease-back deal between MINT and Invesco, reportedly commanded a yield of 5.3%[1].

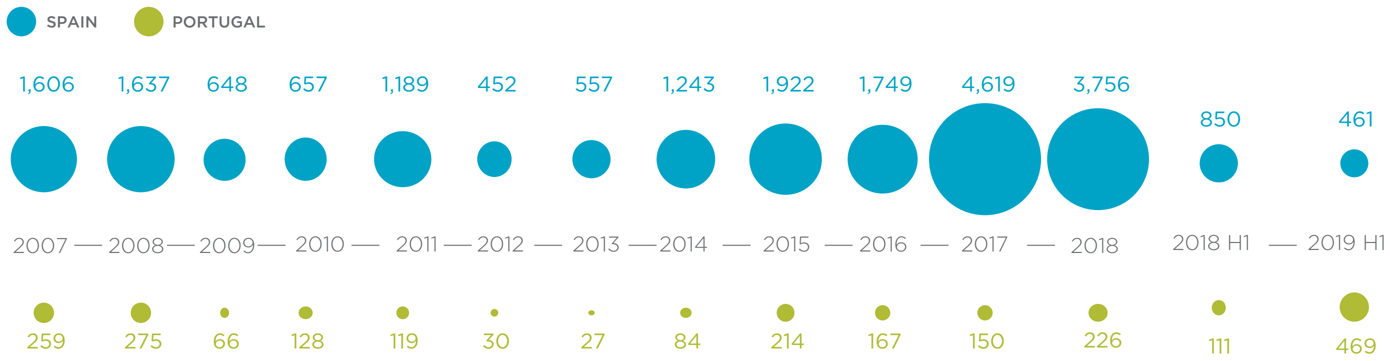
[1] RNS—news service of the London Stock Exchange

Exhibit 1 - Notable increase in hotel transaction activity across the Iberian Peninsula & rise of entity investment
VOLUME OF HOTEL TRANSACTIONS ACROSS THE IBERIAN PENINSULA (2010–2019 H1, MILLIONS OF EUR)



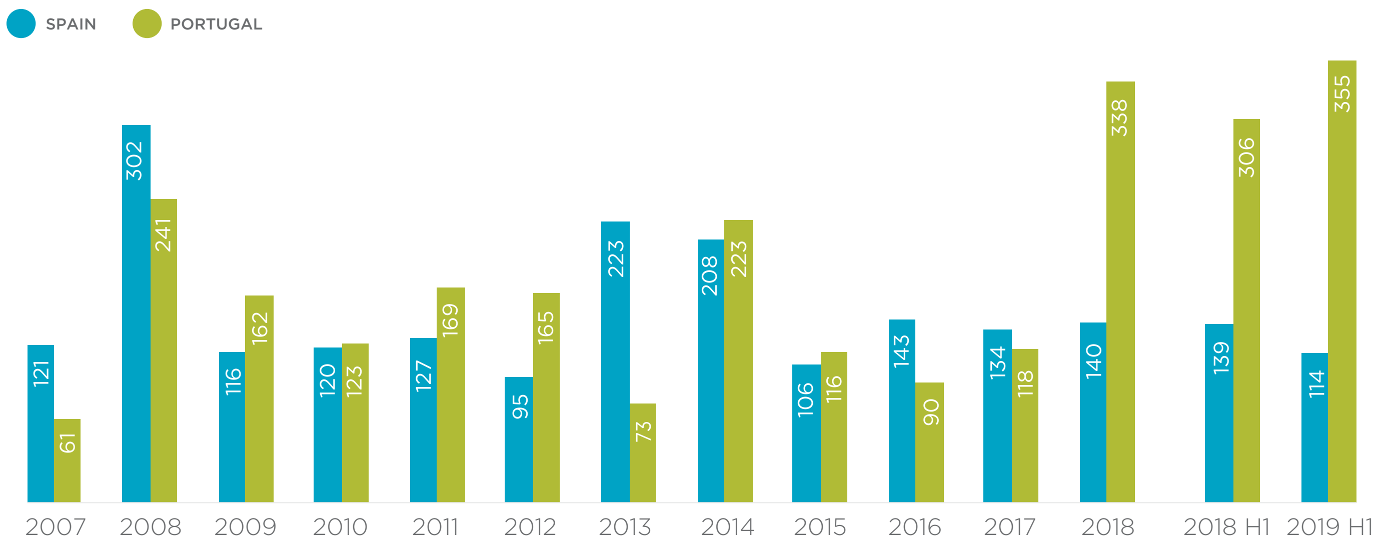
Note: Includes only full interest entity-level deals; thus, partial corporate acquisitions are excluded (e.g. purchase of a 47% stake in NH hotels by Minor Hotels).
This also excludes hostels and holidays parks. Source: RCA / Cushman & Wakefield Research

Exhibit 2 to 3 - Spain dominates in hotel transaction volume, although Portugal is on the rise, especially in 2019
VOLUME OF HOTEL TRANSACTIONS (MILLIONS OF EUR)



Note: 2019 excludes the Amistat Hostel Portfolio Transaction at €100 million

AVERAGE PRICE PER KEY (THOUSANDS OF EUR)



Source: RCA / Cushman & Wakefield Research, (only majority share purchase and direct transactions). Total investment volumes based on available data or estimates by RCA.

Exhibit 4 - Domestic owners selling to predominantly non-European buyers

SELECTED MAJOR TRANSACTIONS (2014-2019 H1)

YEAR	TRANSACTION NAME	PRICE IN MILLIONS	KEYS	PRICE/KEY (000'S)	SELLER	BUYER	BUYER ORIGIN
SPAIN							
2018	42-Hotel Portfolio - Hispania* (Majority Share Purchase)	1 787	12 901	138	Hispania	Blackstone	US
2017	14-Hotel Portfolio - Hotel Investment Partners	631	3 833	165	Banco de Sabadell SA	Blackstone	US
2017	19-Hotel Portfolio - Merlin Properties	559	3 812	147	Merlin Properties	Convivio	FR
2017	Banco Popular (Majority Share Purchase)**	366	1 400	261	Banco Popular	Blackstone	US
2017	20-Hotel Portfolio - Foreclosed Hotels***	350	N/A	N/A	CaixaBank	Apollo Global RE	US
PORTUGAL							
2019	3-Hotel Portfolio - Tivoli Lisbon	313	704	445	Minor International	Invesco	US
2015	4-Hotel Portfolio - Tivoli Portugal	118	1 178	100	Resolution Fund	Minor International	TH
2018	Penha Longa Resort	100	194	515	DWS Group	The Carlyle Group	US
2016	6-Hotel Portfolio - Tivoli Portugal	78	1 033	76	Tivoli Hotels & Resorts	Minor International	TH
2018	InterContinental Porto	54	105	512	Solitaire Hotels	Gaw Capital	CN

*Adjusted to include only the hotel portion
**Seller retained interest, estimated price by RCA, price reflects 100% valuation
***Allocated based on RCA. Information has not been independently verified and it is not guaranteed that the information is accurate or complete
Source: RCA / Cushman & Wakefield Research, (only majority share purchase and direct transactions). Total investment volumes based on available data or estimates by RCA.

Expansion Outside the Core

In analysing the latest investment trends, it is observed that while urban markets across the Iberian Peninsula continue to attract significant capital, leisure destinations are gaining popularity among investors.

In 2018, the primary cities in the region attracted 34% of total investment, with Madrid alone accounting for 21%. The Spanish capital recorded 8 hotel transactions[2] totalling €557 million, although nearly half of this was generated by a single deal—the acquisition of the Edition Madrid hotel development by YTL for €220 million, which set a record price-per-room of €1.1 million.

The growing number of investors keen to acquire hotels, combined with positive growth expectations and the relatively limited number of properties being put on the market, has caused notable yield compression in primary cities. This has led to a shift in investment flows towards resorts and hotels in secondary cities that are offering more attractive returns, especially those with a robust leisure segment, which are expected to have relatively strong long-term growth potential. Opportunities in these markets are being increasingly considered by institutional capital. As such, many deals in 2018 took place outside the primary cities, particularly in popular leisure destinations, such as the Canary and Balearic islands, Costa del Sol and Porto.

This is reflected in the distribution of total investment volume by key submarkets, as follows:

- Investment in the Canary Islands reached €304 million with nine hotels changing hands in 2018, while twelve hotels were sold in the Balearic Islands for €235 million. These locations attracted mainly Spanish capital; however, there is rising interest from international private equity seeking higher yields.
- The growing attractiveness of sun and beach destinations among investors placed Andalusia in fourth place with €171 million in hotel investment volume.
- Catalonia recorded €144 million, including €80 million invested in Barcelona. Political turbulence in Catalonia's capital has caused investors to act more cautiously in their acquisition decisions—in spite of the moratorium on new projects, which creates barriers to entry and therefore an opportunity for strong value appreciation going forward. Valencia came next with €124 million in transacted volume in 2018.
- In Portugal, the €226 million invested last year was primarily divided between Porto (€106.5 million), and Sintra (€100 million).

Overall, outside the primary cities, the coastal areas across the Iberian Peninsula attracted 49% of investment between 2014 and 2018. Meanwhile, suburban and rural areas attracted a total of 17.4% of investment across the same period.

[2] Direct transactions only. Excludes entity level transactions.


Tivoli Carvoeiro Algarve Resort

Exhibit 5 – Most transactions take place in coastal areas
DISTRIBUTION OF HOTEL INVESTMENT BY AREA TYPE AND CITY TIER (% SHARE, 2014-2018)

AREA TYPE	PRIME CITY	2ND TIER	3RD TIER	AREA TYPE - TOTAL
URBAN	14.8%	4.8%	1.3%	**20.8%**
SUBURBAN	8.3%	2.3%	2.2%	**12.7%**
COASTAL	10.4%	1.0%	48.0%	**59.4%**
RURAL	0.0%	0.0%	4.7%	**4.7%**
OTHER*	0.8%	0.0%	1.5%	**2.3%**
CITY TIER - TOTAL	**34.2%**	**8.0%**	**57.7%**	**100.0%**

*Prime cities include: Madrid, Lisbon, and Barcelona. 2nd tier cities: Valencia, Seville, Porto, Alicante, and Málaga
Source: Cushman & Wakefield Research, RCA

Maturing Markets

Over the last five years, most of the transaction volume invested across the Iberian Peninsula has been within Midscale and Upscale hotels, although there are notable differences between Spain and Portugal.

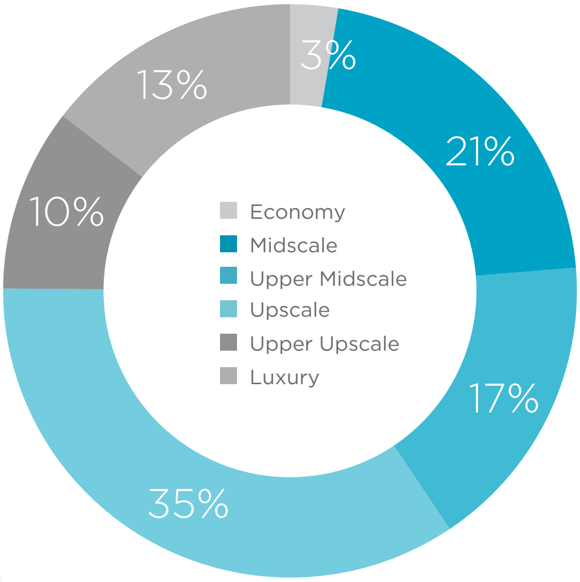
Portugal's hotel market is in a development stage characterised by the limited number of branded products, which account for only 38% of total supply, predominantly located in major urban cities and within the Upscale to Luxury classes. Consequently, investors are focusing on prime locations and prime assets, with 73% of properties transacted over the last five years being within Upscale to Luxury classes and with Lisbon being the most popular location, followed by Porto. Furthermore, 59% of transacted volume involved nonbranded properties, with investors frequently pursuing value-add and opportunistic strategies, deploying capital into repositioning / branding the acquired assets.
On the other hand, the Spanish market is more mature, with a deeper pool of branded properties across all asset classes, expanding into second- and third-tier cities. Therefore, there were more transactions including assets outside the prime urban locations and/or within the lower-end spectrum of hotel classes. More specifically, during the last five years, 65.7% of transacted volume in Spain was in second- and third-tier cities, while upper-upscale to luxury hotels accounted for only 20%. A noteworthy example of transaction activity expanding outside the high-end hotels is the recent acquisition by BlackRock Real Assets of a Spanish hostel portfolio, as part of a €100 million joint venture with Amistat International.

Gonçalo Garcia
Head of Hospitality Portugal
Cushman & Wakefield

"The hotel scene in Portugal has been seeing a notable improvement in the quality of hotel products, frequently driven through the conversion and repositioning of independent properties into branded hotels, as well as the adaptive re-use of existing buildings. Good examples of this are The One Palácio da Anunciada by H10 in Lisbon or the Hyatt Regency Lisbon. This trend is in part due to the lack of branded products in Portugal, but also the scarcity of prime sites for development in the country's major cities. The strong investment activity is supported by the healthy performance of Portuguese hotels, along with the eagerness of operators to enter the market and their willingness to put skin in the game, whether through key money, performance guarantees, or by leasing the property. We expect to see the lease models grow in popularity with the recent approval of the SIGI regime (REIT), which will increase the amount of institutional capital available for hotel investment"

Exhibit 6 – Midscale to Upscale hotels account for 73% of the investment volume in the Iberian Peninsula

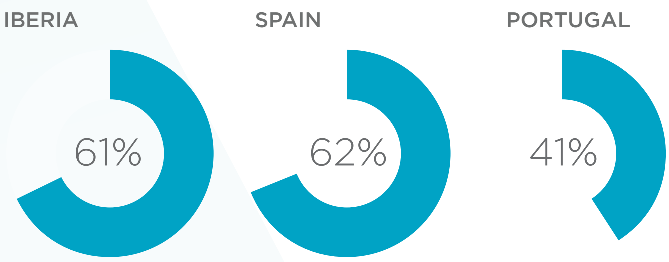
DISTRIBUTION OF HOTEL TRANSACTION VOLUME BY CLASS (IBERIAN PENINSULA 2014–2018)



Source: Cushman and Wakefield Research, RCA

Exhibit 7 - Lack of branded products in Portugal reflected in investment activity

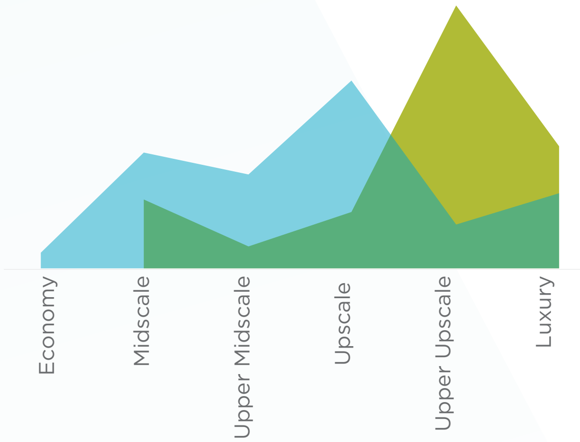
SHARE OF BRANDED PROPERTIES IN TOTAL TRANSACTION VOLUME (2014-2018)



Source: Cushman and Wakefield Research, RCA

Exhibit 8 – Varying transaction activity by hotel class between Spain and Portugal

DISTRIBUTION OF TRANSACTION VOLUME BY HOTEL CLASS (2014-2018)



	Economy	Midscale	Upper Midscale	Upscale	Upper Upscale	Luxury
Portugal		13%	4%	11%	50%	23%
Spain	3%	22%	18%	35%	8%	14%

Source: Cushman and Wakefield Research, RCA

Curio Collection by Hilton Emerald

Rise of Foreign Institutional Investors

In the past, domestic investors were the primary players in the Iberian hotel sector; however, more recently they have been facing increasing competition from abroad. This intensified in 2018 when foreign capital accounted for 77% of total transaction volume across the region. The most active cross-border players were from the United States, investing an immense €2.3 billion, followed by Malaysia and Mexico with €220 million and €210 million respectively.

There has also been a healthy diversity of investor-types, with funds being the main actors – generating over €1.9 billion in direct hotel investment, in addition to €2 billion in corporate acquisitions. This was followed by hotel operators with €309 million. SOCIMIs (Spanish REITs) and banks have invested similar quantities with a joint tally of €380 million during 2018.

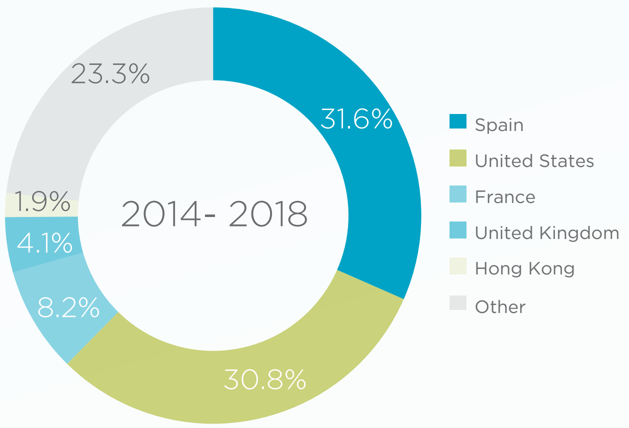
Overall, institutional investors are increasingly dominating the Iberian market, accounting for 68% of transacted volume in 2018, compared with a five-year average of 50%.

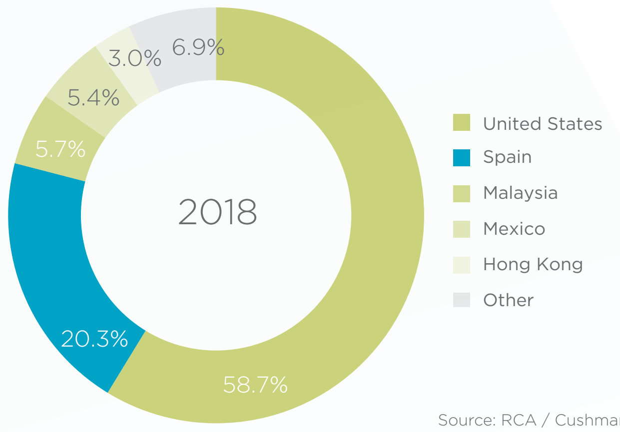
Exhibit - US Equity Funds and European REITs dominate among major investors
TOP-10 INVESTORS BY TRANSACTION VOLUME (2014–2018)

INVESTOR NAME	ORIGIN	TYPE	ASSETS ACQUIRED*	KEYS ACQUIRED*	TOTAL INVESTMENT (MILLIONS, EUR)*
Blackstone	US	Equity Fund	64	18,595	2,593
Hispania	ES	REIT**	57	16,847	1,115
Covivio	FR	REIT**	23	3,812	570
MERLIN Properties	ES	REIT**	21	4,019	521
Banco de Sabadell SA	ES	Bank	13	3,479	495
Apollo Global RE	US	Equity Fund	22	N/A	379
Minor International	TH	REOC***	11	2,490	234
YTL Corp	MY	REOC***	1	200	220
Cerberus	US	Equity Fund	2	241	218
RLH Properties	MX	REOC***	1	150	210

Source: RCA / Cushman & Wakefield (only direct transactions and full-interest entity-level deals) *Number of assets, keys acquired, and total investment volumes are based on publicly available data or estimates by RCA **Real Estate Investment Trust, ***ROEC, Real Estate Operating Company

Exhibit 9 – Increasing role of non-European investors in the Iberian Peninsula
DISTRIBUTION OF HOTEL TRANSACTION VOLUME BY ORIGIN OF INVESTORS





Source: RCA / Cushman & Wakefield

"With the entrance of the Spanish REITs (SOCIMIs) and international players into the Iberian hotel investment market, we have seen an evolution of the leases, increasingly moving from purely fixed rents towards variable structures. Although this shifts some of the operating risk onto the owners, it generates incremental returns and enhances the appeal of deals, which is particularly important in this current climate of compressed yields.

At the same time, management contracts often incorporate various income guarantees and other clauses which reduce owners' risk exposure. As a result, the line is blurring between the asset-light and asset-heavy models. We expect this trend to continue going forward."

Albert Grau
Co-Head of Hospitality Spain
Cushman & Wakefield

Bruno Hallé
Co-Head of Hospitality Spain
Cushman & Wakefield

Evolution of Investment Forms

The lack of properties and portfolios for sale has led to a shift towards corporate/entity investments, which were the key drivers of transaction volume in Spain during the last two years. More specifically, while direct property acquisitions fell significantly from €3.9 billion in 2017 to €1.6 billion in 2018, they were replaced by corporate investment, which totalled €1.9 billion. This primarily involved the acquisition of a 91% stake by Blackstone in the Spanish REIT Hispania, of which the hotel portion of the portfolio was valued at approximately €1.8 billion. Another large corporate/entity acquisition was Minor International (MINT), which bought a 47.8% stake in NH Hotel Group for €1.1 billion[3].

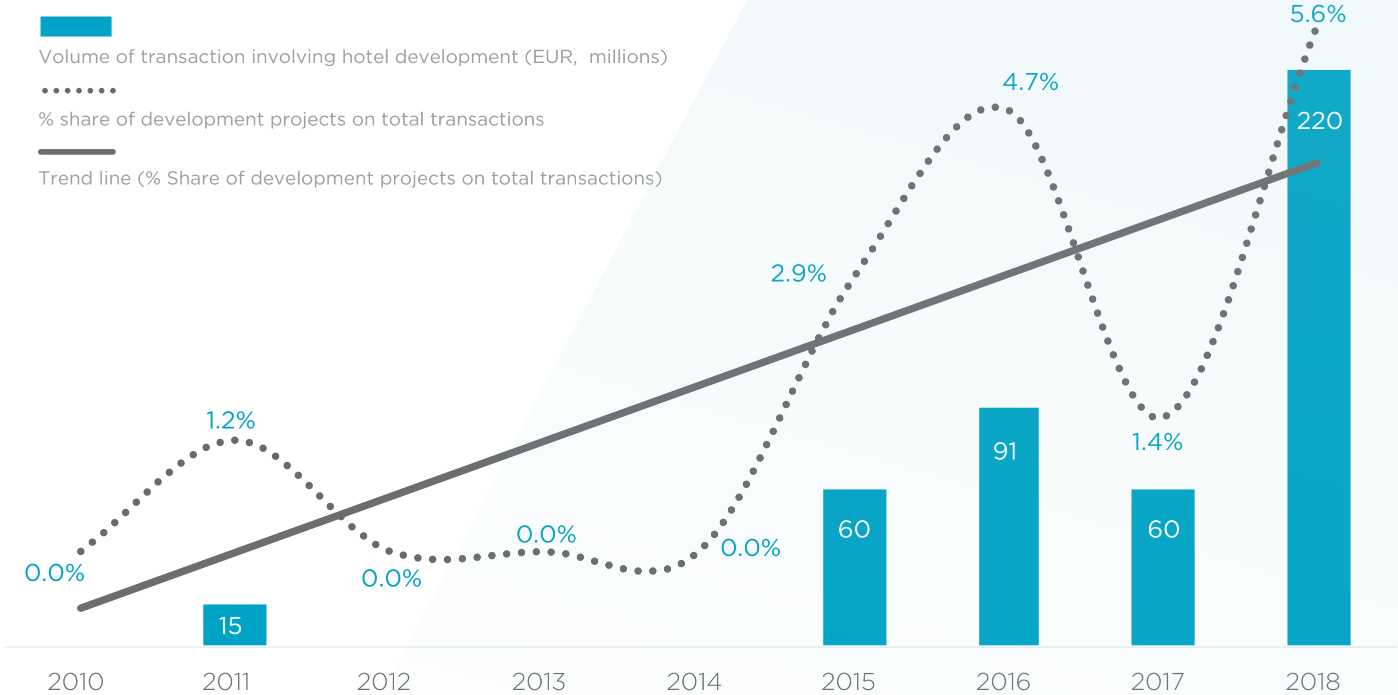
Furthermore, the increasing competition among hotel operators has contributed to a growing share of deals with various lease structures. While major international hotel operators tend to pursue an asset-light strategy, a relative shift towards engaging in leases in the Iberian Peninsula has been observed, often with a variable component. For example, according to the recent survey[4] conducted by Cushman & Wakefield among international and domestic hotel chains in Spain, 64% of deals in 2018 were with a lease structure, primarily with fully or partially variable rent (61%). This is also reflected in several sale and leaseback transactions, such as Hotel Senator Parque Central in Valencia, sold by Grupo Senator to Swiss Life for €24.5 million, as well as the previously mentioned portfolio in Lisbon, which included two Tivoli hotels and one NH hotel, sold by MINT to Invesco.

The lack of existing assets on the market has also attracted increasing investment in development projects. Examples include the Edition Madrid hotel development (2018), the W Marbella site, purchased by Platinum Estates (2018), and the acquisition by Patrizia of a hotel development site in Lisbon, on Tagus Square (2019).

[3] Excluded from the total transacted volume, which includes only full-interest entity level deals.
[4] For further details see 'MarketBeat Spain 2019 – Hotel Asset Management' by Cushman & Wakefield.

Exhibit 10 – Growing share of hotel development projects on total transaction volume

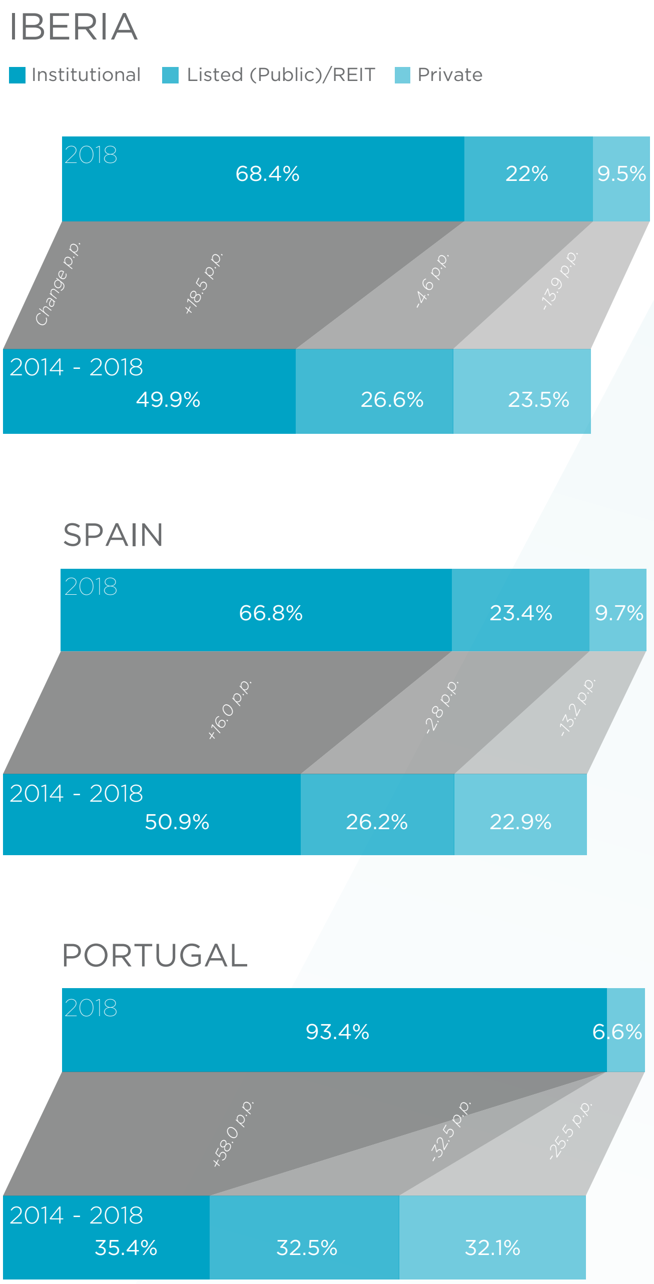
HOTEL DEVELOPMENT TRANSACTIONS - IBERIAN PENINSULA



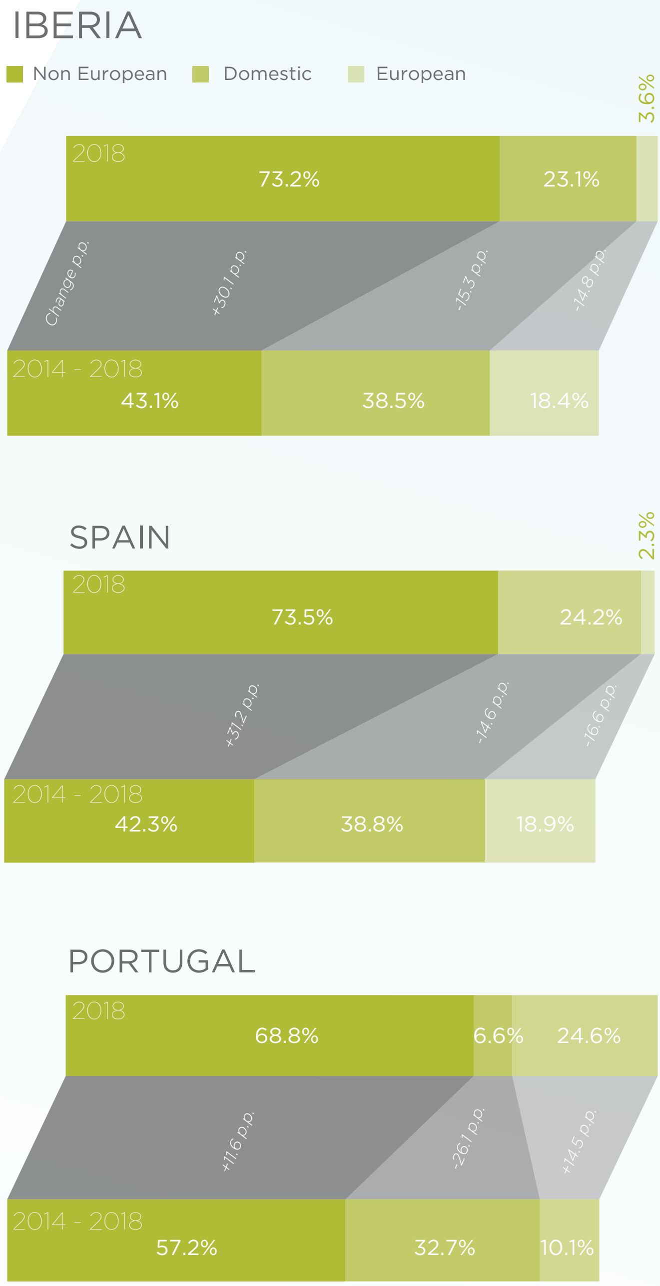
Source: RCA / Cushman & Wakefield (includes major redevelopments of existing hotels)

Exhibits 11 to 12 – Rise of foreign institutional investors

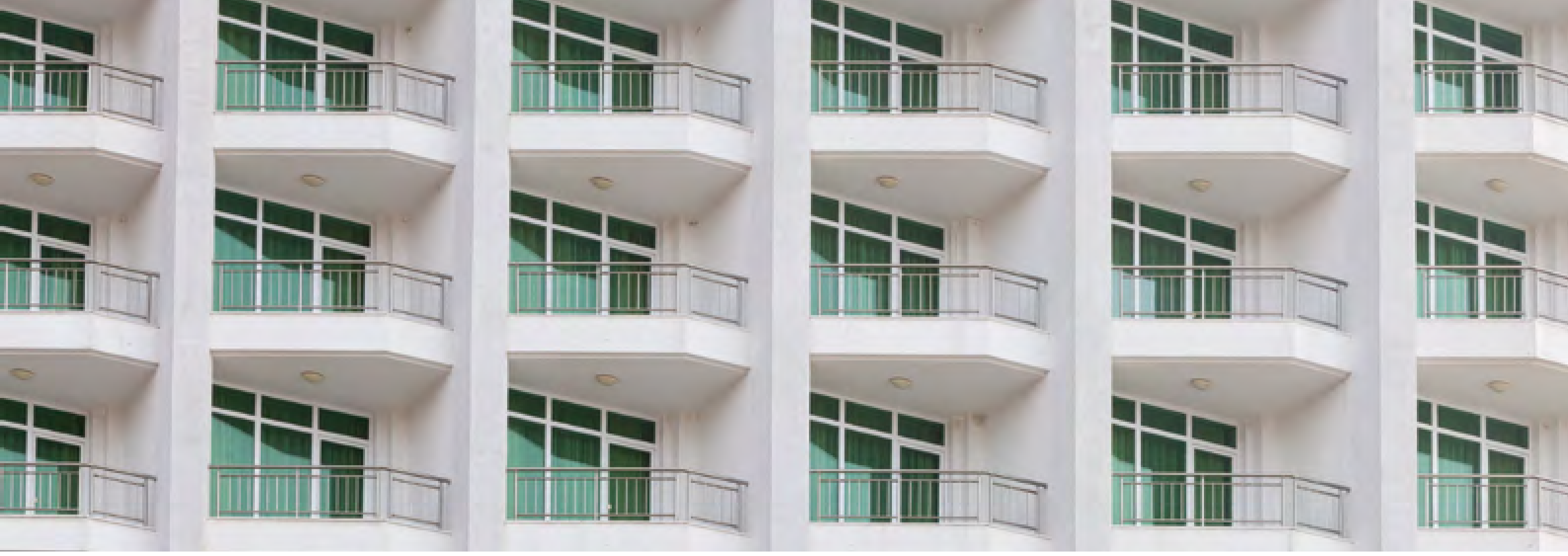
HOTEL TRANSACTION VOLUME BY INVESTOR TYPE



HOTEL TRANSACTION VOLUME BY INVESTOR ORIGIN



Note: p.p. refers to percentage points. Source: Cushman & Wakefield Research, RCA



Compressing Yields

Growing interest from both national and international investors has brought strong liquidity to the market. This has been the key reason why yields have been declining across the region, falling by 3.5 pp on average from the peak levels during the economic crisis in 2009 down to compressed yields in 2018. However, the yields are still attractive in relative terms. For example, the yields in Madrid command a healthy premium to 10-year government bond by approximately 360 basis points (BPS) (2018). This is 120 BPS above the peak in the previous cycle (2007).

In terms of yield compression by hotel type, the most significant shift was recorded in the case of resorts, where yields dropped from nearly 11% in 2009 to approximately 7% in 2018. This is equal to growth from about 9x of the annual income in 2009 to over 14x of the annual income in 2018.

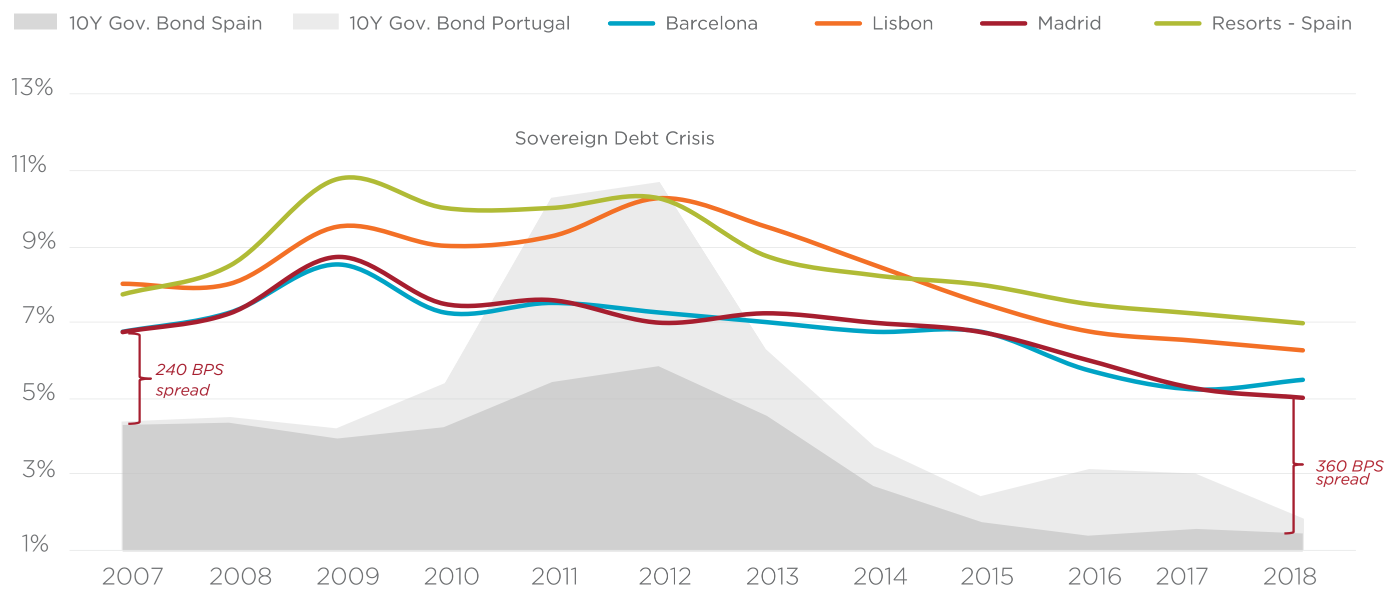
One of the main reasons why markets outside the primary cities have been playing a growing role in transaction activity is more appealing yields. These locations typically command a 125 to 200 BPS premium in the case of deals involving hotels with management-contract operating structures and a premium of 75 to 125 BPS for acquisitions of leased hotels.

Overall, the yield compression along with rising operating income has led to a significant growth in capital values.

The trends and drivers of improving hotel performance will be discussed in the next section of this report.

Exhibit 13 – Compressing yields in primary cities and resorts

YIELD TRENDS - HOTELS VS 10-YEAR GOVERNMENT BONDS



Note: The yields are based on the actual transactions where available as well as the sentiment indicated by the investors. The initial yield may vary widely in the region depending on the location, hotel quality/type, deal type, operating structure and upside potential. (applicable for Managed Contract operating structure)
Source: Cushman & Wakefield


Ibis Styles Barcelona City Bogatell

ACCOR

Jerome Lassara
Vice President Development South Europe

Short interview with Jerome Lassara on Accor's expansion plans in the Iberian Peninsula, on the new generation of travellers and on sharing accommodation platforms.

What are your expansion plans for the Iberian Peninsula?

Our objective for the region is to consolidate the leading position in Economy hotels while reinforcing the Midscale market, where we currently have 30 properties across Portugal, Spain and Andorra, mainly in urban but also, and increasingly, in more resort locations. However, our most ambitious plans are dedicated to penetrating the Premium and Luxury sector across the Iberian region.

The great challenge is to continue growth with the asset light model. The Iberian region still lives a lot from lease contracts because it is thought that they have less risk involved, but the model is very constraining both for the owner and for the hotel operator. We must move towards new models, not only regarding our guests, but also in terms of relationships with our hotel owners.

What is unique about your concept and how does it address the new generation of travellers?

We can all agree that new travellers are increasingly looking for authenticity and personalisation. It is not something that only affects the hotel itself, but the services and products related to it. That is why we have switched from a traditional hospitality model to an augmented hospitality model: it is all about offering the customer "money can't buy" experiences. We recently made our bet with Accor Live Limitless, our new loyalty programme, which will allow members access not only to all our brands, but also to our collection of restaurants, nightclubs and other diverse experiences.

The most suited for the new generation of travellers are soft brands and lifestyle brands with strong personalities. Current guests do not want to find in their hotels the same thing they saw in Miami, Melbourne or Bangkok, and we are trying to meet that request. In 2018 alone, 10 out of 14 brands that joined the Accor universe were lifestyle brands, positioning ourselves as a global leader in this sector, and they are all completely different from each other. It is obvious that basic points, such as friendliness and cleanliness remain and that at some point you are going to lie down to sleep, but it can be on a bed or maybe a futon, sleeping bag, hammock or whatever the locals do. We must create that connection between guests and locals while developing open concepts, modern designs, innovative digital ecosystems and strong F&B offers. Here is where our brands such as Jo&Joe, 25hours, the SBE group, Tribe or Mama Shelter emerge: breaking codes, banishing habits, being genuine, surprising, unexpected. From the Jo&Joe's Open House concept to the affordable luxury design of Tribe or the attractive atmosphere and F&B of Mama Shelter. They are all designed to be linked to this Millennial personality and the concept of "you know one, you know none"—the original motto of 25hours brand. For the ones looking for a Premium experience, our partnership with SBE has allowed us to offer a luxury lifestyle option with brands like Delano, Hyde, Mondrian or SLS, mixing design-driven hotels with disruptive F&B concepts and nightlife, which is what we call the "new luxury."

How does the arrival of sharing platforms such as Airbnb affect your business?

Airbnb can be seen as a direct competitor for hotels, but we like to consider it more as a complementary product. It is just an alternative to traditional hosting but, usually, it does not generate a relationship with customers, nor does it assure guests of the quality of the stay, and that is our weapon.

Our concern as hoteliers is always the correct and sustainable integration of tourists into the local environment, which can be a challenge in the case of platforms such as Airbnb. And, of course, also offering our guests certain guarantees in terms of health and safety, which should never be compromised.

In any case, increasing the offer of tourism accommodation, whether in hotels or private apartments, is good for the industry, visitors and, if done correctly in a progressive and non-invasive manner, also the local people.

> *"We must create that connection between guests and locals while developing open concepts, modern designs, innovative digital ecosystems and strong F&B offers.*

NH Collection Abascal Madrid

NH HOTEL GROUP

Luis Arsuaga
Senior Vice President Global Development
Development & Asset Management

Short interview with Luis Arsuaga on NH Hotels' expansion plans in the Iberian Peninsula and on new brands and technology.

What are your expansion plans for the Iberian Peninsula?

Historically, the Iberian market has been of great importance for NH Hotel Group, in part because our origins are in Spain but also because it is a region full of potential for the hospitality industry. In this sense and after the acquisition of the 94.1% share of our Company by Minor International, we both face a new era in which we expect the Iberian Peninsula to continue playing a key role. We foresee great potential with our new brands; especially Anantara, Tivoli and Avani.

Currently, one of the most interesting projects is the recent transfer of the operations of 14 Minor Hotels in Portugal and Brazil to NH Hotel Group. This transaction has injected a wider variety and quality into our footprint, particularly in southern Europe, and it will allow us to accelerate our plans for growth. Also as a result of this agreement, we now operate 17 hotels in Portugal, which gives us a leading position in this market with a presence in Lisbon, Porto, Coímbra, Sintra, Evora and the Algarve.

Our preferred method of expansion is through leases and management contracts. In this sense, we are currently analysing new opportunities in Portugal and Spain, in both urban hotels and resorts. We are positive that we can add exponential value to investors and developers in both markets.

What is unique about your concept, and how does it address Millennials as customers?

As part of our new shareholding structure, we have doubled our number of brands. The new corporate umbrella means we now have more brands to grow with and that we are competitive in segments in which we weren't before Minor's acquisition, such as luxury and resorts.

Of our wide range of brands, the most "vibrant-lifestyle" ones are nhow and Avani; and although we do not like to address our guests as "Millennials", we believe that, of all our hotel propositions, these two are probably the most appealing to those with a "Millennial mindset".

How does technology affect your business, and are there any new developments within your company?

Innovation moves forward at a steady pace, and NH keeps its eyes and mind open to continue spearheading this game in which the key is to achieve the perfect balance between technology, comfort, speediness and, above all, exquisitely human attention.

The main technological development has been our "Digital Core Platform," which served to connect the systems of our more than 350 hotels. This platform has exponentially multiplied NH's ability to introduce innovations across all areas of its value chain and bring tangible results and efficiencies in terms of service, experience, invoicing, reporting and cash flow, among others, on a global scale.

It is also worth highlighting that because we are not an "asset-light" company and most of our portfolio is leased or owned, we have more control over our operations, thus reducing the need to negotiate with the different owners. This gives us greater flexibility in implementing innovations in our hotels.

Last but not least, I'd like to point out that at NH Hotel Group, we view digitalization as a key tool to offer a truly extraordinary experience to our guests but only if it goes hand-in-hand with the work of our employees who, proud to serve, are the ones that make the difference. The main effect that the company's transformation has had on hotel employees is that it has given them the chance to dedicate considerably less time to administrative and back-office tasks, giving them the opportunity to focus more directly on our guests and resulting in an overall better client experience. The new tools available have also allowed for a better understanding of the guest, directly impacting once again the hotel staff's relation with clients.

"As part of our new shareholding structure, we have doubled our number of brands. The new corporate umbrella means we now have more brands to grow with and that we are competitive in segments such as luxury and resorts.

HEALTHY HOTEL PERFORMANCE FUELLED BY BUOYANT TOURISM

The strong performance of hotels within the Iberian Peninsula has been one of the main reasons behind the growing interest of investors. This was driven by robust tourism growth over the last decade. Even as the region now approaches a more mature stage with selected markets experiencing some slowdown, the long-term prospects remain positive.

Decade of Growth

Over the last 10 years, both Spain and Portugal achieved substantial growth in revenue per available room (RevPAR) that intensified between 2013 and 2018, with a significant compound annual growth rate (CAGR) of 8.0% and 11.1% respectively. This has been driven primarily by rising average daily rates (ADRs), which notably outpaced inflation and the economy, creating a positive impact on the profitability of hotels and thus increasing income returns.

The fastest-growing market over the last three years was Porto, with an impressive RevPAR growth at a CAGR of 14.1% (2015–2018), followed by Alicante and Lisbon. However, the highest RevPARs were recorded in Marbella and Barcelona at €128 and €105 respectively.

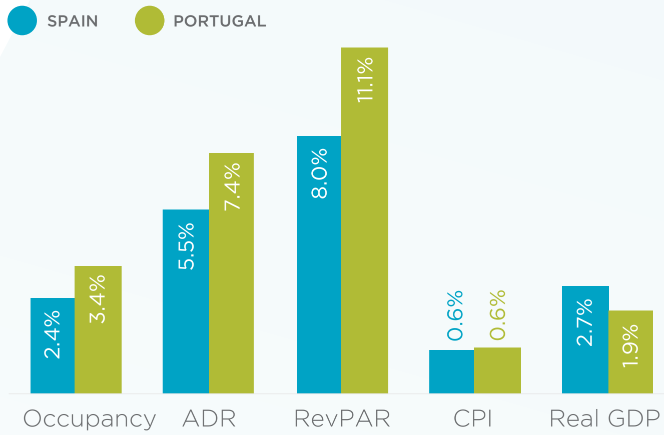
While performance trends on a country-level and over the three-year period have been positive, several markets across the Iberian Peninsula observed some slowdown in 2018. The main driver was the decline of visitor nights in Iberia's leisure destinations from European markets, particularly the UK and Germany. The demand was negatively affected by the depreciation of the British pound against the euro and a slowing EU economy as well as the recovery in alternative leisure destinations within the Mediterranean region, such as Turkey, Greece, Egypt and Tunisia. Other factors included several anti-tourism demonstrations across Spain and the increase of sustainable tourism tax in several destinations. This also impacted the first quarter of 2019, with resort destinations such as Mallorca, the Canary and Balearic islands recording RevPAR declines.

On the other hand, major Spanish cities saw positive performance during the first half of 2019. Barcelona recorded a strong 12.7% RevPAR increase in the first half of 2019, recovering from the decline in 2018 due to political disruptions, security issues and a nearly 2% supply growth. Madrid recorded an even more robust RevPAR growth (up by 15.1%), driven by the transient segment and Meetings, Incentives, Conferences and Exhibitions (MICE). However, the RevPAR recorded in the Spanish capital remains notably behind Barcelona, Lisbon and other major cities in Europe such as Milan or Athens. This gap indicates growth potential for Madrid going forward.

The key driver of performance across the Iberian Peninsula over the last 10 years was the rising demand from international visitors and domestic travellers. This will be discussed in the following section.

Exhibit 14 – Performance of hotels in the Iberian Peninsula outpacing economy and inflation

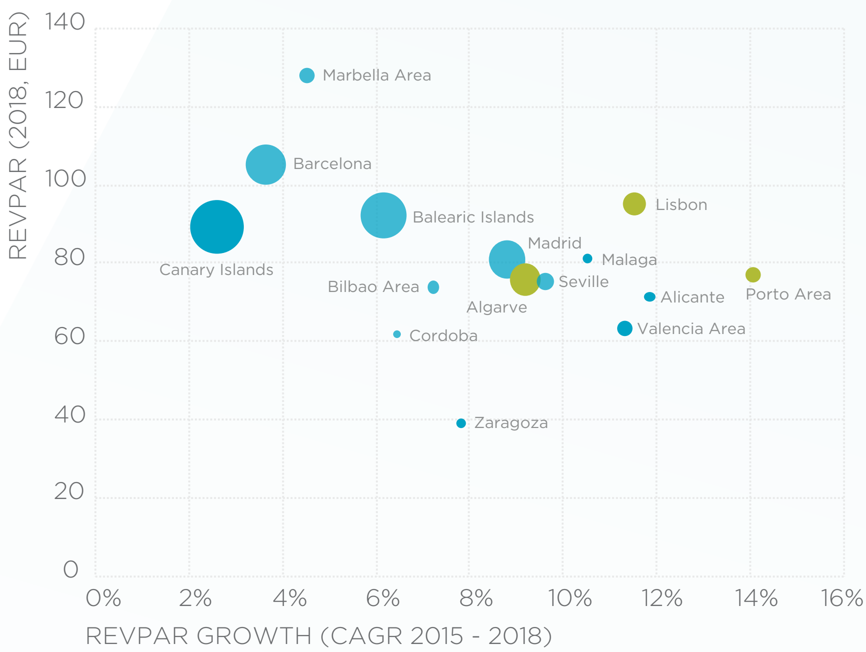
IBERIAN PENINSULA - 5-YEAR TRENDS IN KEY KPIs (CAGR 2013-2018)



Source: STR

Exhibit 15 – Spanish markets record the highest RevPAR in Iberia, while Portuguese markets lead the performance growth

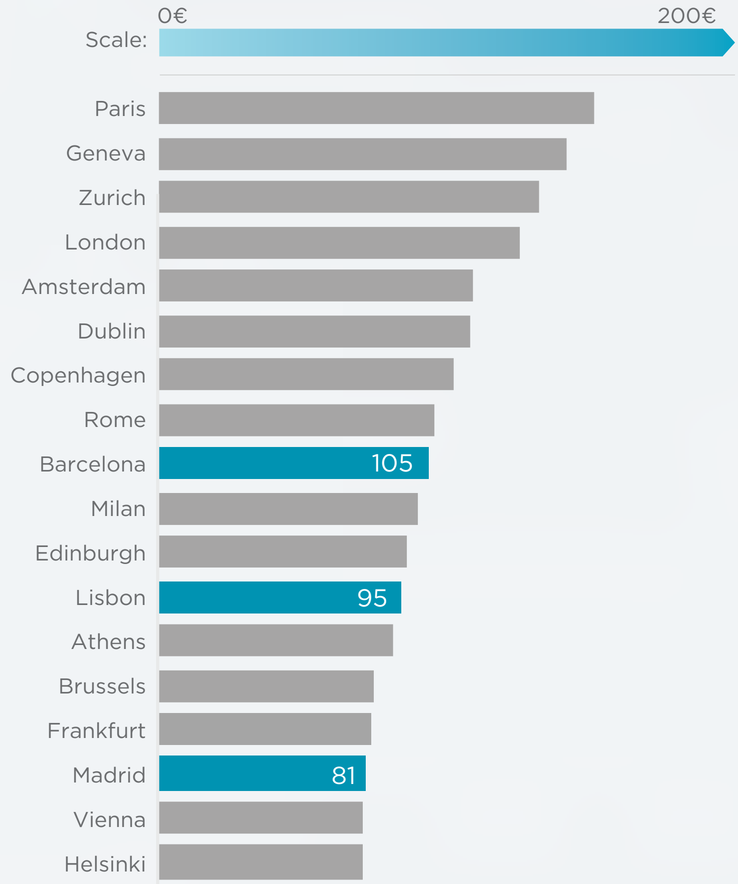
KEY MARKETS IN IBERIAN PENINSULA - REVPAR ANALYSIS NOMINAL LEVEL (2018 IN EUR) VS. GROWTH (3YR CAGR IN %)



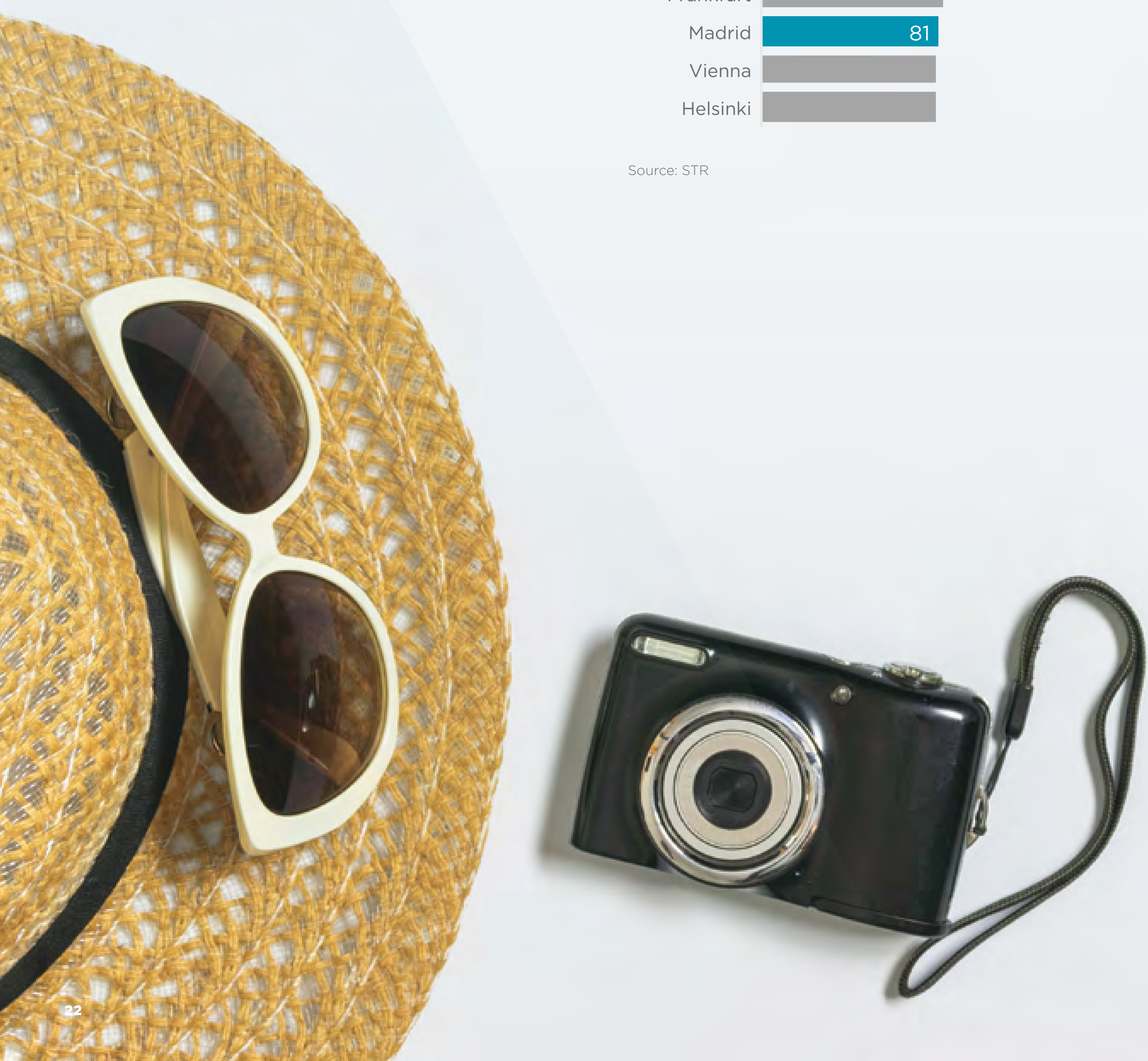
Note: Bubble size represents number of rooms available in respective cities. Source: STR.

Exhibit 16 – Barcelona already among Top-10 markets in Europe, while Lisbon and Madrid within Top-18

TOP-18 KEY EUROPEAN MARKETS BY REVPAR (2018)

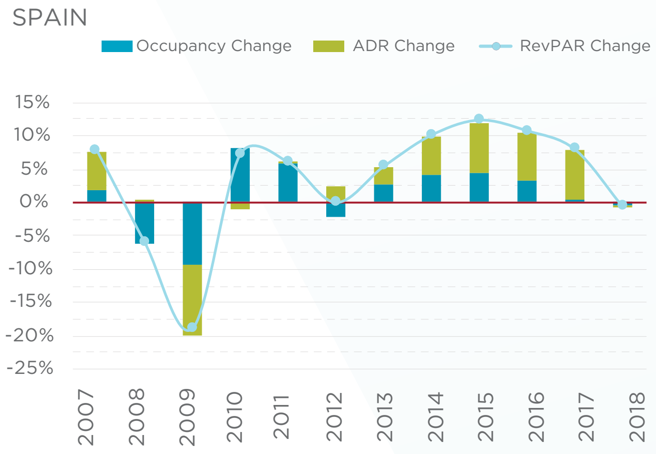


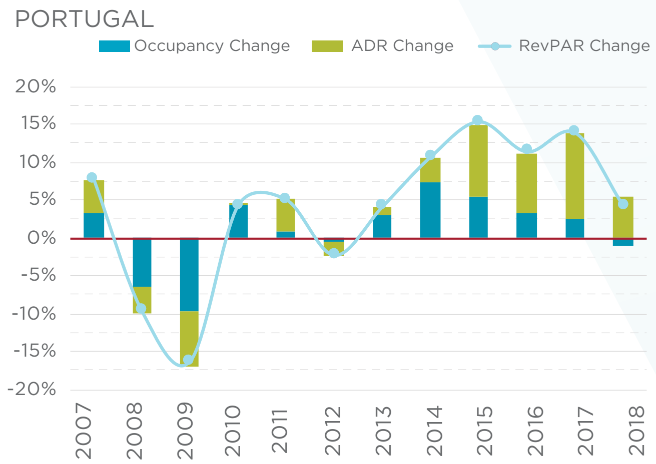
Source: STR



Exhibits 17 to 20—Performance of hotels in the Iberian Peninsula and the impact of key tourism trends, economy and geopolitical events

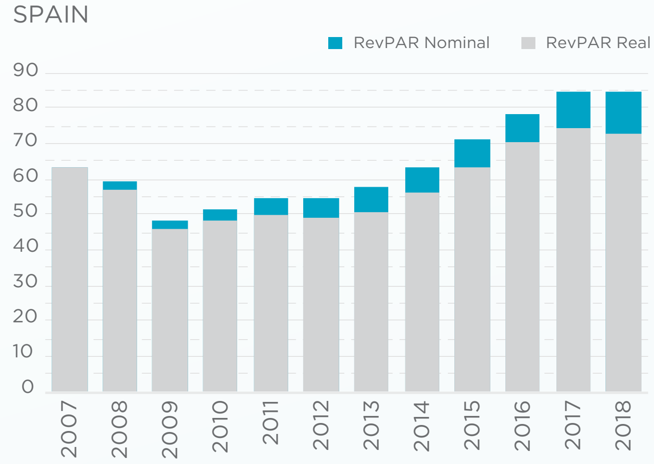
KEY KPI TRENDS 2008-2018

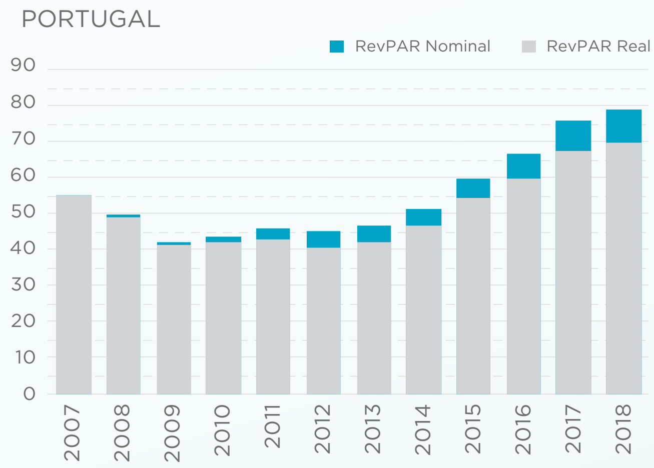




Source: STR

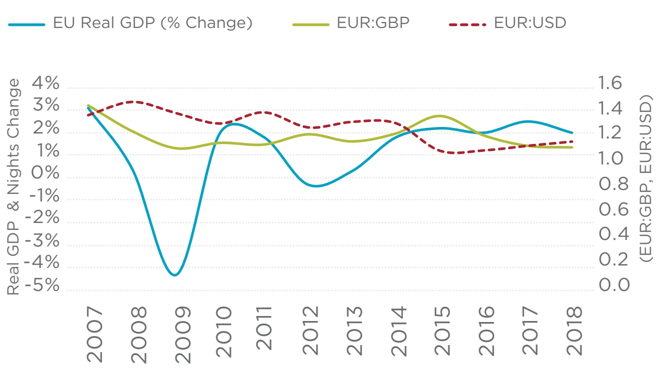
NOMINAL VS REAL REVPAR (EUR)





Note: Real RevPAR excludes inflation (data are rounded)

SELECTED ECONOMIC INDICATORS IMPACTING HOTEL PERFORMANCE



Source: Oxford Economics

TOURISM FLOWS IN SELECTED COMPETITIVE DESTINATIONS

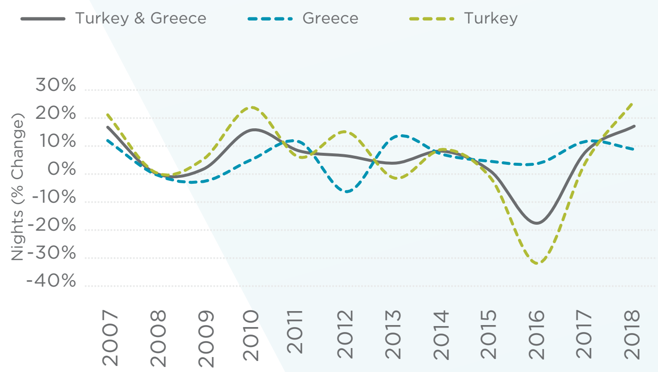
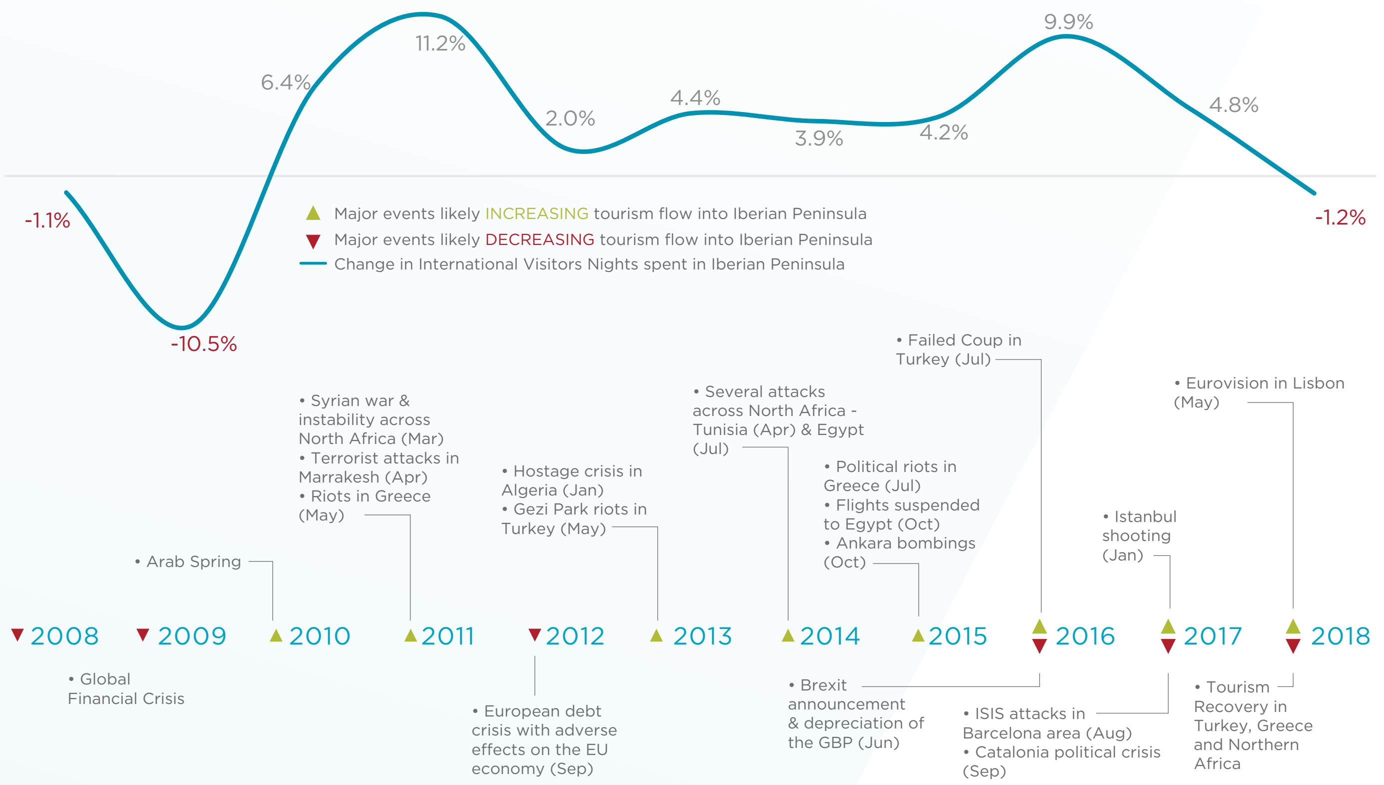


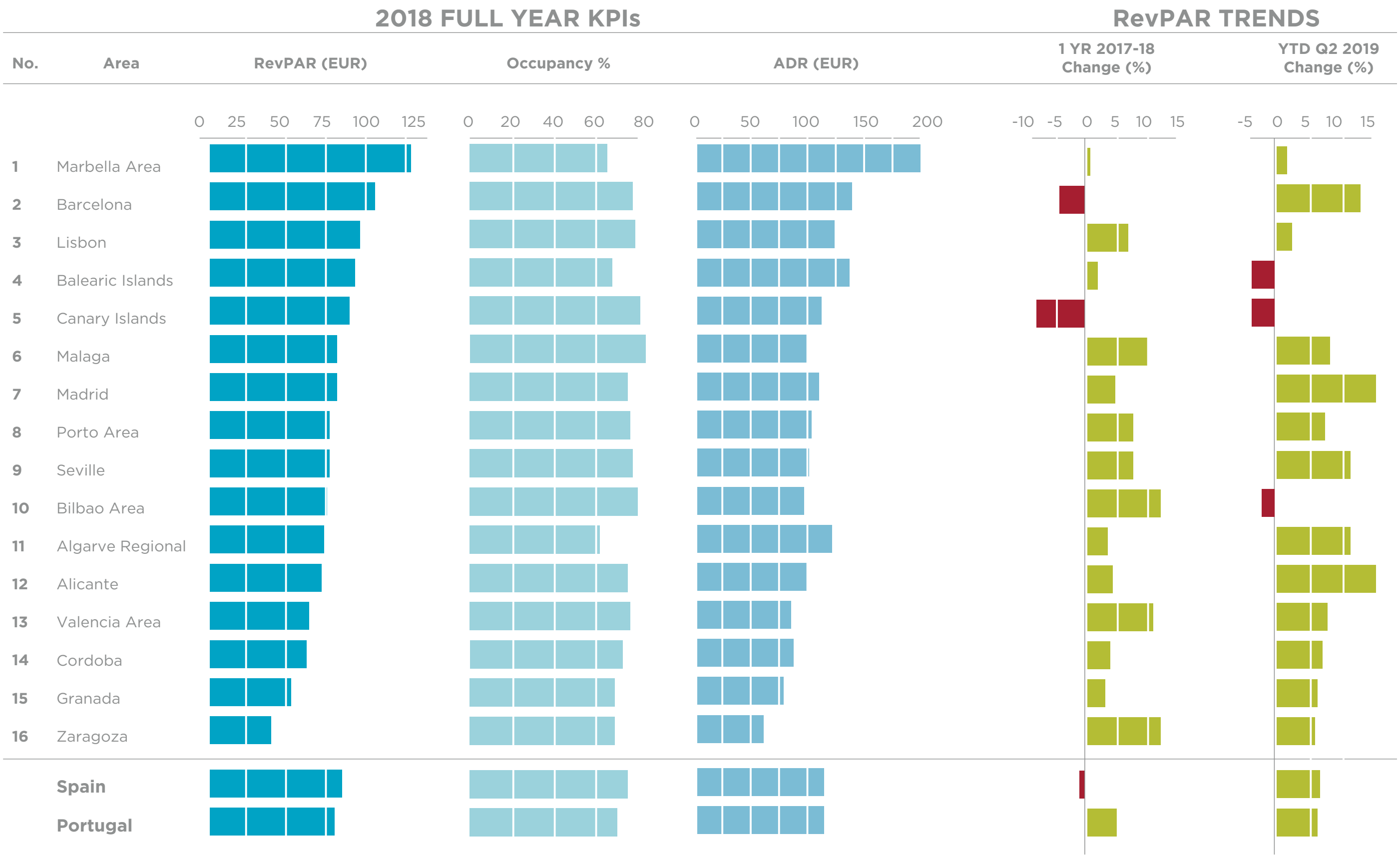
Exhibit 21 - Major events around the world impacting international visitation to the Iberian Peninsula

GROWTH OF INTERNATIONAL VISITOR-NIGHTS IN THE IBERIAN PENINSULA AND KEY ECONOMIC AND GEOPOLITICAL EVENTS



Source: BCC News, EU publications, Euromonitor, INE.ES, INE.PT, Oxford Economics

Exhibit 22 – Most major hotel markets in the Iberian Peninsula continue to record positive performance trends, except some softening being experienced in the island destinations



Source: STR

Tourism Boom

The Iberian Peninsula is one of the most popular tourist destinations in the world. Spain is already the top tourism market in Europe and the third-largest international destination globally*, while Portugal is a rising star, with robust tourism growth.

In 2018, Spain welcomed a record 82.8 million international overnight visitors while around 21 million visited Portugal. This included travellers staying in both tourist and private establishments. In terms of tourist accommodation only, Spain and Portugal captured 65.7 million and 14.8 million international visitors respectively, primarily travelling for leisure[5].

Overall, international visitors generated 351 million nights in tourist accommodation across the Iberian Peninsula[6], 55 million more compared with 2014, and representing a CAGR of 4.4%. Portugal, with a CAGR of 8.1% over the last five years, outpaced Spain, which recorded a 3.7% CAGR of international visitor-nights. Improved flight connectivity was one of the drivers behind this substantial growth, with passengers' movements in Iberia's top-10 airports increasing over the last 5 years at a CAGR of 7.8%.

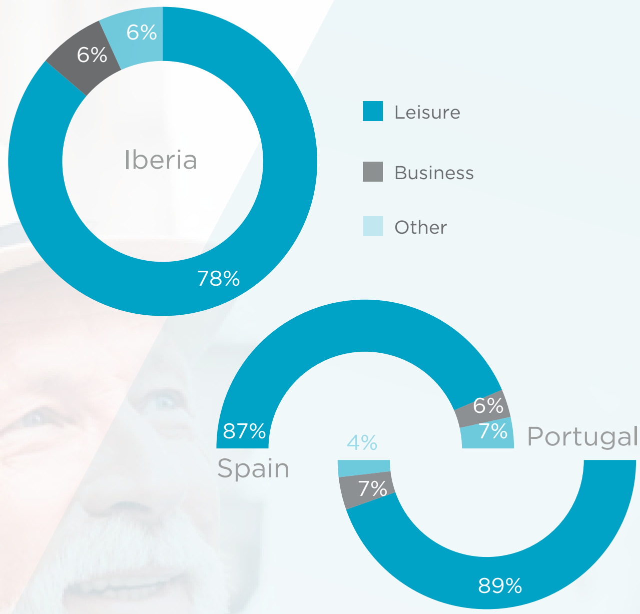
When combined with domestic travel, the total demand in 2018 reached 541 million nights spent in tourist accommodation across the Iberian Peninsula. This represents nearly 1.5 million tourists staying overnight in the region each day on average, with a peak of 2.7 million per day in August.

Foreign visitors generated some 64% of nights in the region, of which Spain received approximately 86%. Portugal has increased its capture of international visitor nights between 2013 and 2018, from 11% to 14%, which brings it closer to its 15% share of total land area within the Iberian Peninsula region.

In 2018, demand in Portugal increased moderately by 2.1% compared with 2017, primarily driven by the domestic market. Meanwhile in Spain, the number of nights declined by 0.8%. This continued in Q1 2019 with the number of nights in tourist establishments in Spain dropping by 2.2%, despite the 2.6% increase in international arrivals during the same period, indicating a shortening length of stay. The main driver was the fall in domestic demand and visitor nights generated by European markets in leisure destinations, as discussed earlier in this report.

*Oxford Economics, by visitor nights
[5] Oxford Economics
[6] Eurostat

Exhibit 23 – Leisure travel is the key segment in the Iberian Peninsula
PURPOSE OF TRAVEL BY VISITOR NIGHTS (2018)



Note: Portugal leisure segment includes VFR, Source: INE.ES, INE.PT (based on the latest data available)

In terms of specific markets within the Iberian Peninsula, the leading destinations capturing the highest number of visitor-nights include primarily the resort areas, particularly the Canary Islands and Balearic Islands, followed by major cities including Barcelona and Madrid. The Algarve placed fifth with 18.8 million nights in 2018 and was the most visited region in Portugal, followed by the Lisbon area.

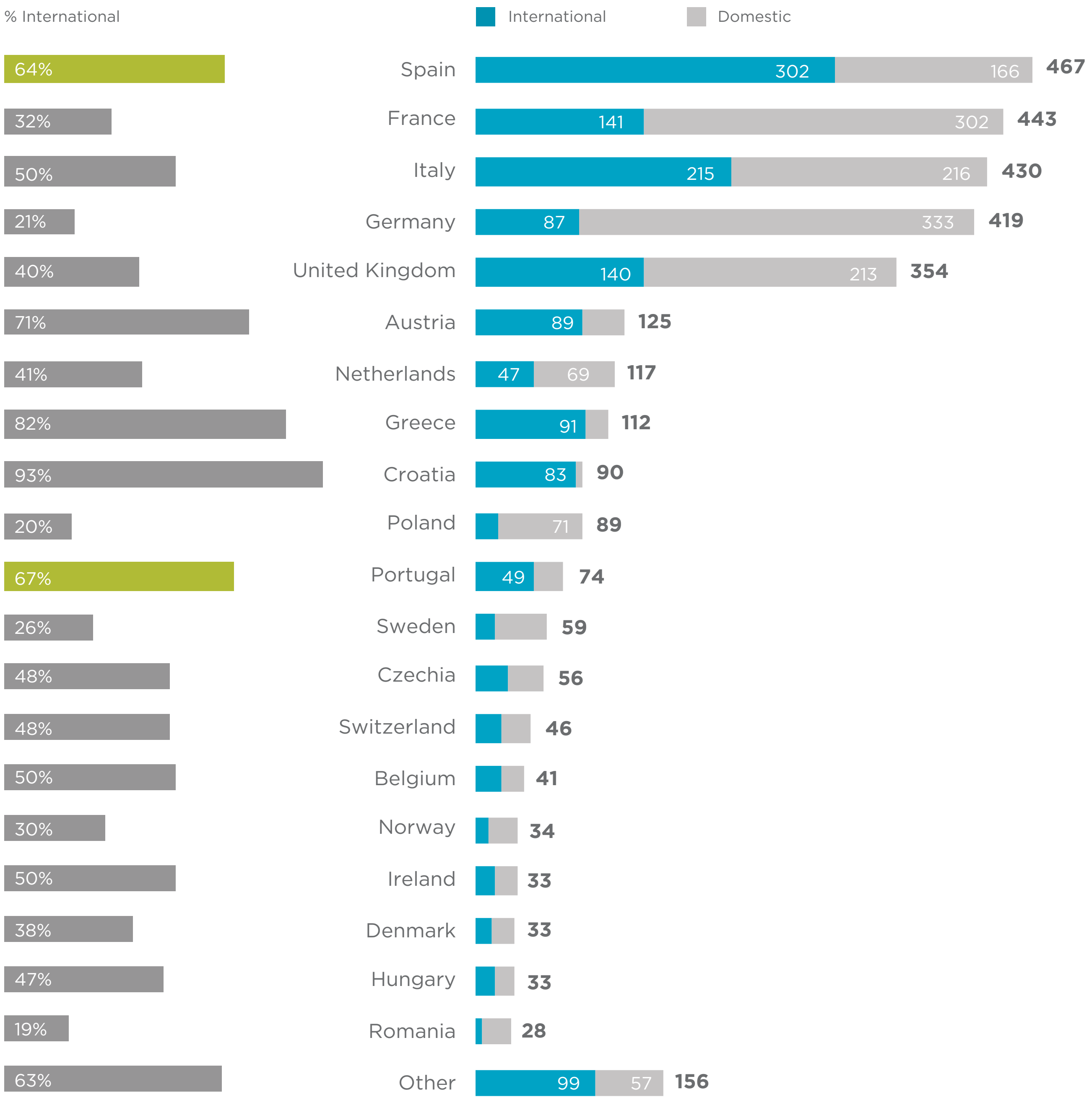
While most resort destinations saw a decline in demand in 2018, major cities, such as Barcelona, Madrid, Lisbon and Porto, in fact recorded a growth in visitor nights. This brought improvements in hotel performance in a majority of these markets, except for Barcelona which was impacted by considerable supply growth.

Furthermore, while Spain recorded a decline in visitor nights and Portugal saw only moderate growth in 2018, actual tourism revenue has increased notably in both countries, up by 4.3% and 11.9% respectively. The total tourism revenue in the Iberian Peninsula reached €78.9 billion in 2018, with Spain capturing approximately 79%.

This positive revenue growth continued in 2019 with a 3.6% increase in Spain and a 5.3% growth in Portugal during the first quarter of the year. The excess of demand across many submarkets has allowed businesses to increase prices and this combined with constrained capacities and over-tourism concerns has led to the focus shifting from volume of visitors to maximising quality and revenues. This paradigm shift is expected to continue into the future, supported by revised tourism strategies pursued by local agencies, such as Turespaña and Turismo de Portugal.

Exhibit 24 – Spain & Portugal among top tourism markets in Europe

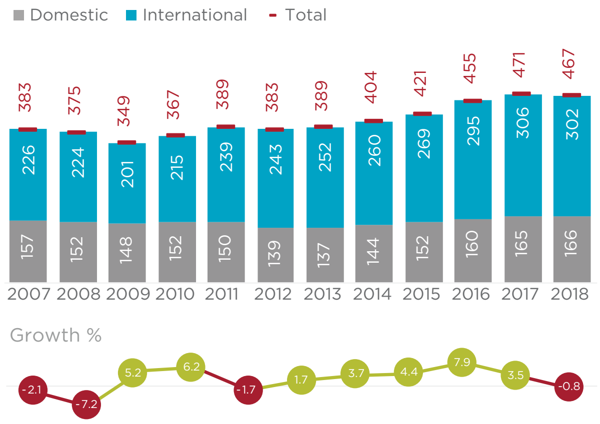
TOP-20 COUNTRIES IN EUROPE - NIGHTS IN TOURIST ACCOMMODATION (MILLIONS)



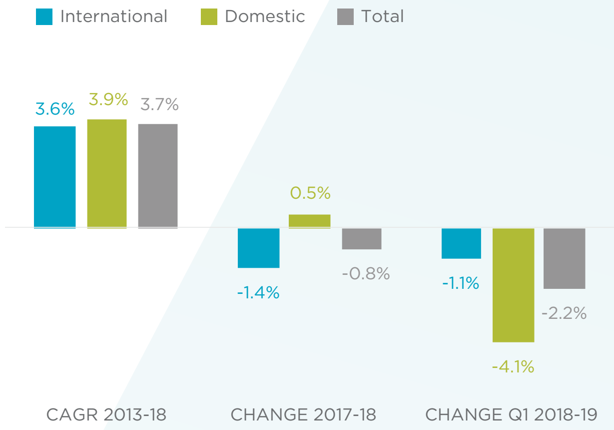
Source: Eurostat

Exhibits 25 to 26 – Analysis of tourism trends and drivers in Spain & Portugal

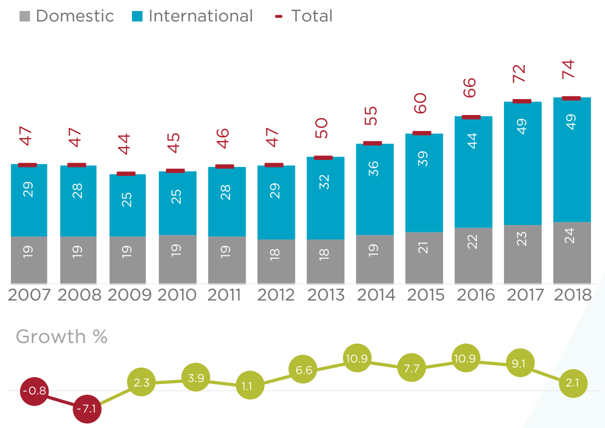
SPAIN - NIGHTS IN TOURIST ACCOMMODATION (MILLIONS)



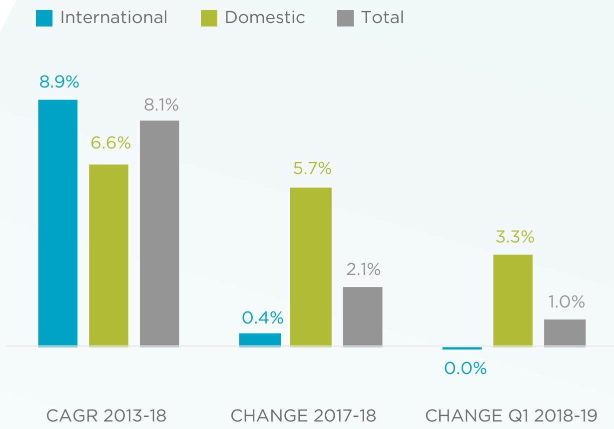
SPAIN - DEMAND GROWTH (% CHANGE IN NIGHTS IN TOURIST ACCOMMODATION)



PORTUGAL - NIGHTS IN TOURIST ACCOMMODATION (MILLIONS)



PORTUGAL - DEMAND GROWTH (% CHANGE IN NIGHTS IN TOURIST ACCOMMODATION)



Source: Eurostat

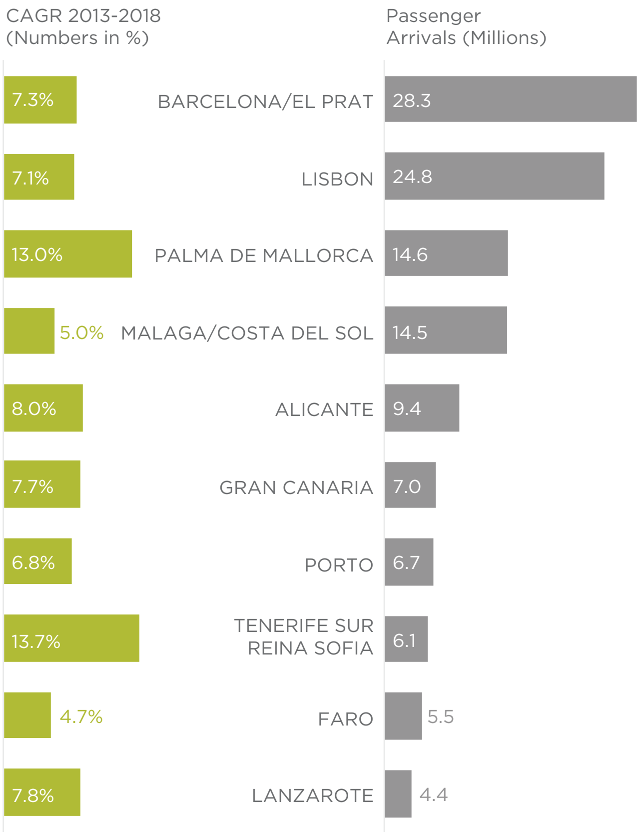
Exhibit 27 – Majority of visitor nights are spent in hotels and similar accommodation

	SPAIN		PORTUGAL	
	NIGHTS (M)	SHARE (%)	NIGHTS (M)	SHARE (%)
INTERNATIONAL				
Hotels and similar accommodation	223.7	47.9%	41.7	56.7%
Holiday and other short-stay accommodation	58.5	12.5%	4.9	6.7%
Camping grounds. recreational vehicle parks & trailer parks	19.3	4.1%	2.5	3.4%
SUB-TOTAL	**301.5**	**64.5%**	**49.1**	**66.7%**
DOMESTIC				
Hotels and similar accommodation	116.5	24.9%	17.3	23.6%
Holiday and other short-stay accommodation	29.3	6.3%	2.7	3.7%
Camping grounds. recreational vehicle parks & trailer parks	20.2	4.3%	4.4	6.0%
SUB-TOTAL	**166.0**	**35.5%**	**24.5**	**33.3%**
TOTAL	**467.5**	**100%**	**73.6**	**100%**

Source: INE Spain, INE Portugal

Exhibit 28 – Improved flight connectivity driving airport passenger movements across Iberia

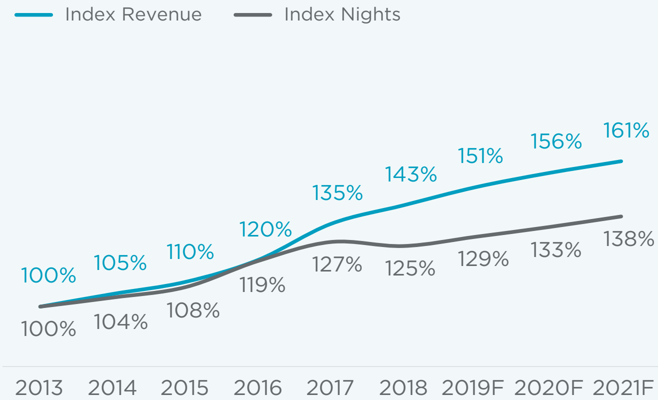
AIRPORT PASSENGER ARRIVALS IN KEY AIRPORTS WITHIN IBERIAN PENINSULA



Source: Eurostat

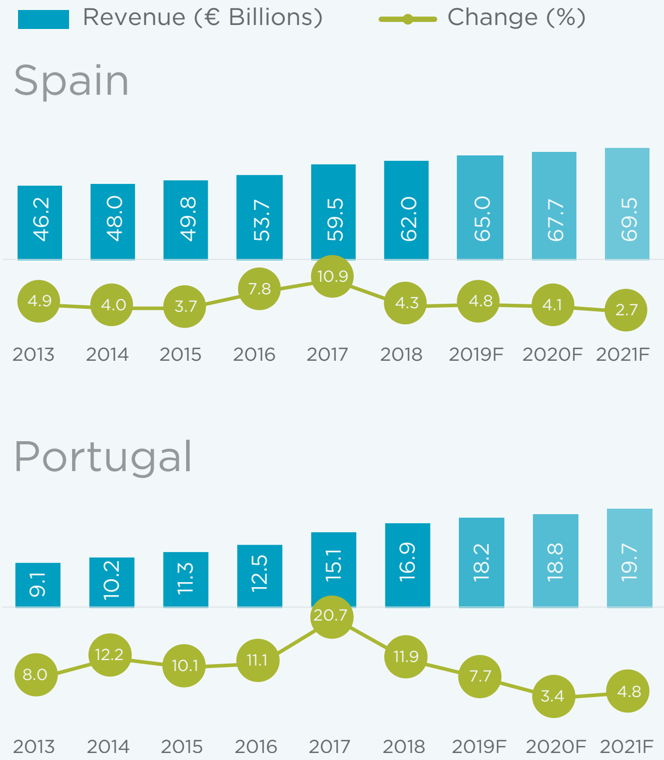
Exhibits 29 to 30 – Tourism revenues outpacing visitor nights

TOURISM REVENUE VS NIGHTS IN TOURISM ACCOMMODATION



Source: INE Spain, INE Portugal, Oxford Economics (Forecast)

INTERNATIONAL TOURISM REVENUE



Source: National Bank of Spain and Portugal, Oxford Economics

Exhibit 31 - UK and Germany are the key source markets for both Spain & Portugal, although other international markets are gaining

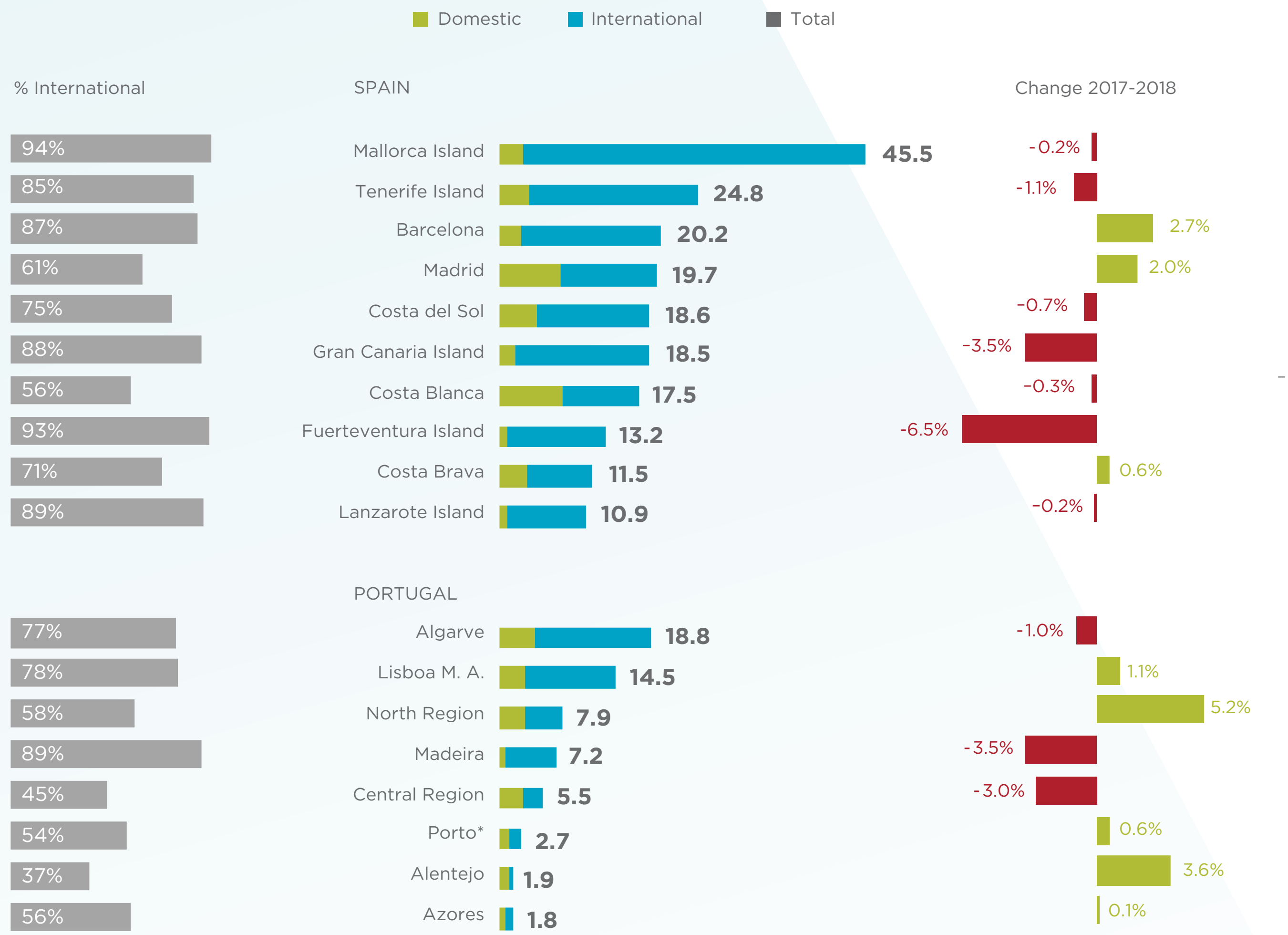
SOURCE MARKETS OF INTERNATIONAL VISITOR NIGHTS IN HOTELS AND SIMILAR ACCOMMODATION IN IBERIA

SPAIN					PORTUGAL				
COUNTRY	TOTAL NIGHTS (2018. MILLIONS)	% SHARE	2013-2018 (CAGR %)	2017-2018 (% CHANGE)	COUNTRY	TOTAL NIGHTS (2018. MILLIONS)	% SHARE	2013-2018 (CAGR %)	2017-2018 (% CHANGE)
United Kingdom	56.6	25.3	3.6	-0.8	United Kingdom	8.6	21.0	4.2	-7.5
Germany	46.3	20.7	0.2	-8.0	Germany	5.4	13.2	5.8	-4.3
France	18.1	8.1	6.1	4.9	Spain	4.1	10.1	6.0	1.9
Italy	9.4	4.2	4.1	0.7	France	3.9	9.4	8.5	-2.7
Netherlands	9.4	4.2	5.7	-3.1	Brazil	2.2	5.4	12.8	9.4
USA	6.9	3.1	7.7	5.3	Netherlands	2.1	5.2	0.3	-11.4
Belgium	6.5	2.9	2.1	-1.7	Scandinavia	1.9	4.7	3.2	0.0
Sweden	6.1	2.7	4.3	-1.8	USA	1.9	4.6	19.7	19.9
Russia	4.8	2.1	-12.0	-1.4	Italy	1.3	3.1	9.9	-3.7
Ireland	4.4	2.0	9.7	11.4	Belgium	0.9	2.1	6.6	-2.8
Other	55.3	24.7	8.5	28.0	Other	8.6	21.1	6.5	-0.1

Source: INE Spain, INE Portugal

Exhibit 32 – While resort destinations are the most popular tourism markets in the Iberian Peninsula, major cities show a healthy growth

NIGHTS IN HOTELS & SIMILAR ACCOMMODATION BY KEY SUBMARKETS (2018, MILLIONS)



Source: INE Spain, INE Portugal, *Oxford Economics

Gran Hotel Montesol Ibiza, Curio Collection by Hilton

HILTON

Carlos Miro
Development Director
Iberian Peninsula

Short interview with Carlos Miro on Hilton's strategy for the Iberian Peninsula and new concepts.

What are your expansion plans for the Iberian Peninsula?

Hilton's plan for the Iberian Peninsula is a very simple one. Our initial focus is on Madrid, Barcelona, Lisbon and Porto—we are currently under-represented in all these markets.

In addition, we are keen to grow our focus-service estate with the right partners (primarily in city centres and airports) and to grow our presence in resorts. The latter is in response to demand from members of our Honors loyalty programme but also as recognition that many holidaymakers are now comfortable creating their own bespoke holiday experience, often using a combination of loyalty points and offers from travel partners.

Converting existing hotels to Hilton brands continues to be an important part of our business plan. Hilton's two-principle conversion brands are Doubletree by Hilton and Curio Collection by Hilton. There are now 8 Doubletree by Hilton and 6 Curio Collection by Hilton (trading & pipeline) in Spain and Portugal. The focus of Doubletree by Hilton is on hard branding and repositioning of hotels, while Curio Collection is a soft brand which allows hotels to retain their own identity whilst benefiting from the Hilton distribution.

What is unique about your concepts and how does it address Millennials as customers?

Our aim is to cater to every guest, wherever in the world they want to travel, for any travel needs they have. In order to achieve this goal, we are continually evolving our existing brands, and introducing new brands when appropriate. An example of this evolution is our recent launch of the refreshed interior design of our key focused serviced brands: Hilton Garden Inn and Hampton by Hilton. They now feature public spaces with a greater focus on the community experience and light and airy modern guest rooms.

In recent years, we have launched two lifestyle brands to cater to guests looking for unique experiences: Canopy by Hilton and Motto by Hilton. Canopy by Hilton redefines the lifestyle hotel category. It is characterised by its deep connection to the local neighbourhood, brought to life by the properties' team members, known as "enthusiasts."

Motto by Hilton is our new urban lifestyle brand. Launched last year, it is designed to empower guests by giving them the freedom to create their own experiences in the world's most sought-after cities, which include the key cities in the Iberian Peninsula. Motto's competitive advantage includes efficient build costs, highly engineered, flexible guest rooms, and multiple revenue opportunities in the public spaces—making it a compelling brand for owners seeking premium returns.

Its prime feature is flexibility—small but highly efficient rooms will include space-saving features such as wall-beds, lofted beds, segmented shower and toilet stalls, and multi-functional furniture that can be discreetly stowed when not in use. Linking rooms eliminates the hassle of coordinating travel for larger groups as Motto by Hilton hotels will have the option for guests to book multiple connecting rooms in advance, allowing for split payments at the time of booking. Motto by Hilton will feature Hilton's Connected Room technology—offering mobile control of the guest room. Finally, Motto by Hilton is sleep-obsessed and prioritises quality sleep for every traveller—whether it is a premium mattress; a Sleep Kit with eye masks, essential oils or vitamin bars; a white noise app; blackout window shades; or sound absorbing materials throughout the room.

“We are keen to grow our focus-service estate with the right partners and to grow our presence in resorts. The latter in response to demand from members of our loyalty programme but also as recognition that many holidaymakers are now comfortable in creating their own bespoke holiday experience.

Hotel Supply - Big & Evolving

Considering that the Iberian Peninsula is one of the most visited destinations in the world, it is not surprising that it is also the one of the largest lodging markets globally. Nevertheless, there is ample opportunity for further growth especially in terms of expansion by international brands.

In 2018, there were approximately 1.1 million rooms in hotels and similar establishments across the Iberian Peninsula, accounting for 54.6% of overall commercial lodging supply[7] in the region.

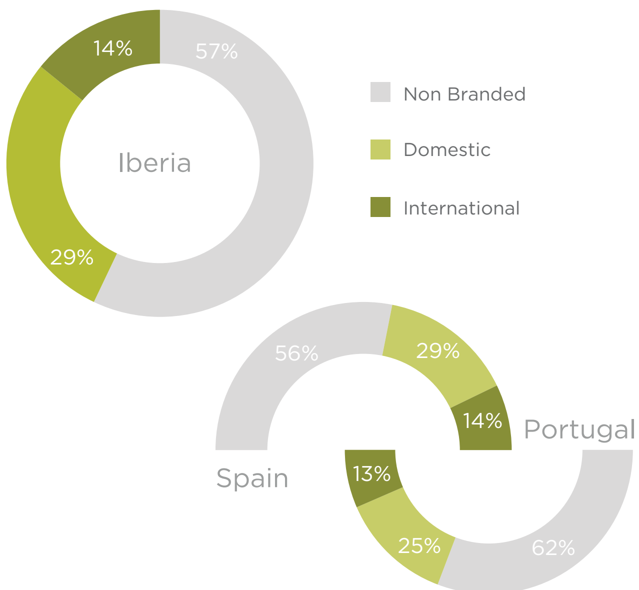
Spain, with 930,000 rooms in hotels and similar establishments, ranks as the third-largest market in Europe, after Italy and Germany. Portugal with 153,000 rooms is in ninth position, after Austria and Poland[8].

When focusing only on hotel supply, there were approximately 720,000 rooms in Spain and 127,000 rooms in Portugal. The largest share of hotel supply is in resort destinations, such as the Balearic Islands and the Canary Islands or major urban markets such as Madrid, Barcelona and Lisbon.

In terms of supply distribution by positioning and branding, 65.5% of rooms are within the Midscale to Upscale hotel classes, while branded properties represent 43% of total room supply. Brand penetration is higher in Spain (44%), primarily due to the stronger presence of domestic operators such as Melia Hotels International, Barceló Hotel Group and Hotusa Hotel Group. In Portugal, the major local players are Pestana, Vila Gale Group and Tivoli[9]. Overall, domestic brands account for approximately 29% of total room supply across Iberia. International brands represent only 14% of total room supply, which is very low compared with the high share of nights generated by international visitors, which was 65% in 2018.

Exhibit 33 – The majority of hotel supply in the Iberian Peninsula is unbranded, although to a lesser extent in Spain due to the stronger presence of domestic players

BRAND PENETRATION (SHARE OF ROOMS, %)



Source: Cushman & Wakefield Research

In terms of supply growth, the number of rooms in hotels across the Iberian Peninsula has been increasing at a slow pace over the last three years at 1.4% CAGR. However, on a country level, Portugal recorded stronger growth at 3.8% CAGR, which was offset by a low CAGR of 0.9% recorded in Spain over the same period.

Going forward, the overall hotel supply in the Iberian Peninsula is expected to continue growing at a slow pace, with an estimated CAGR of 1% between 2018 and 2021.

Portugal, with a pipeline of 14,500 rooms in 175 hotels, is anticipated to see stronger growth at 3.7% CAGR over the same period. Nearly half of these new additions are expected in Lisbon and Porto. The majority of the accommodation pipeline in Portugal is branded (59%) and within the Upper Midscale and Upscale classes (55%). This is driven by many affordable lifestyle brands entering or expanding in the market, such as MyStory, Moxy and Selina.

On the other hand, the Spanish pipeline is relatively modest, including 66 projects with 11,600 rooms anticipated to open by 2021 (0.5% CAGR). Again, a notable proportion is expected within the main urban markets, particularly in Madrid, which is expecting approximately 2,900 additional rooms over the next three years. Interestingly, despite the restriction on hotel development in Barcelona, the city is still expected to see 11 new hotels compromising around 2,100 rooms. This represents a moderate growth at a CAGR of 1.7%, between 2018 and 2021. Overall, approximately 71% of the pipeline in Spain is branded, with Upscale and Luxury hotels expected to be the fastest-growing classes, which combined will represent 65% of the new supply.

Changing demand patterns in Iberia are impacting the evolution of products and services, driving innovation and increasing variety within the hospitality sector. This will be discussed in the next section.

[7] Includes 'Hotels and similar accommodation'; 'Holiday and other short-stay accommodation' and 'Camping grounds, recreational vehicle parks and trailer parks'. The share is based on number of bed-spaces.
[8] Based on Eurostat.
[9] Part of NH hotel Group owned by Minor Hotels.

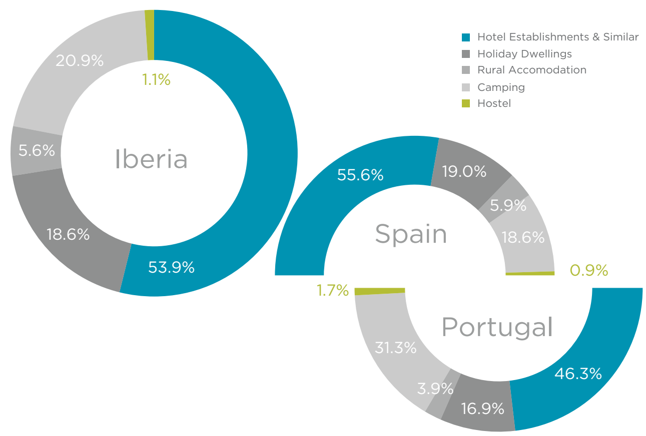
Exhibit 34 – Domestic operators still dominate the Iberian branded market

TOP 5 MAJOR DOMESTIC PLAYERS			TOP 5 MAJOR INTERNATIONAL PLAYERS		
HOTEL GROUP	PROPERTIES	KEYS	HOTEL GROUP	PROPERTIES	KEYS
SPAIN			SPAIN		
Melia Hotels International	132	34 172	Marriott International	102	14 782
Barceló Hotel Group	70	15 492	Accor Hotels	90	10 946
Hotusa Hotel Group	138	13 803	Thomas Cook Hotel & Resorts **	53	10 700
RIU Hotels	34	13 149	Wyndham Hotels & Resorts	34	4 798
NH Hotel Group*	104	12 786	Choice Hotels Group	40	4 123
PORTUGAL			PORTUGAL		
Pestana Hotel Group	73	8 197	Accor Hotels	33	3 507
Vila Gale Group	25	4 471	Marriott International	14	2 841
Tivoli Hotels*	12	2 809	IHG	14	2 420
Hoti Hotels	18	2 655	Meliá Hotels International	15	2 027
SANA Hotels	14	2 217	Wyndham Hotels & Resorts	12	1 836

Source: Hotel Group Websites (*Owned by Minor International. **As of data collected on 19 August 2019)

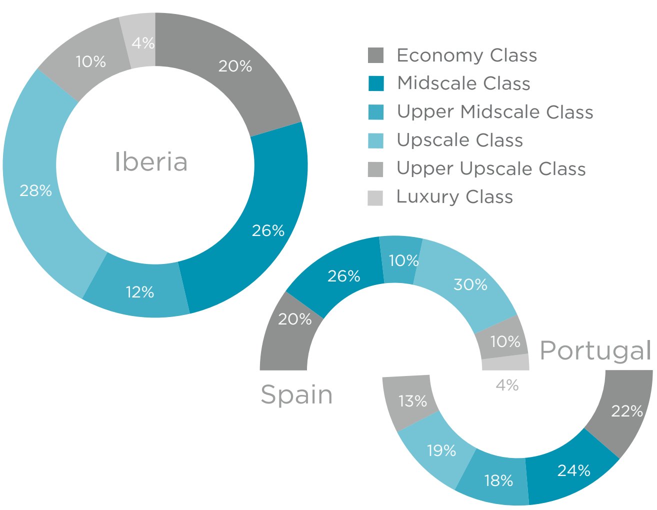
Exhibits 35 to 38 – Analysis of hotel supply across the Iberian Peninsula

DISTRIBUTION OF HOTEL SUPPLY BY TYPE (SHARE %)



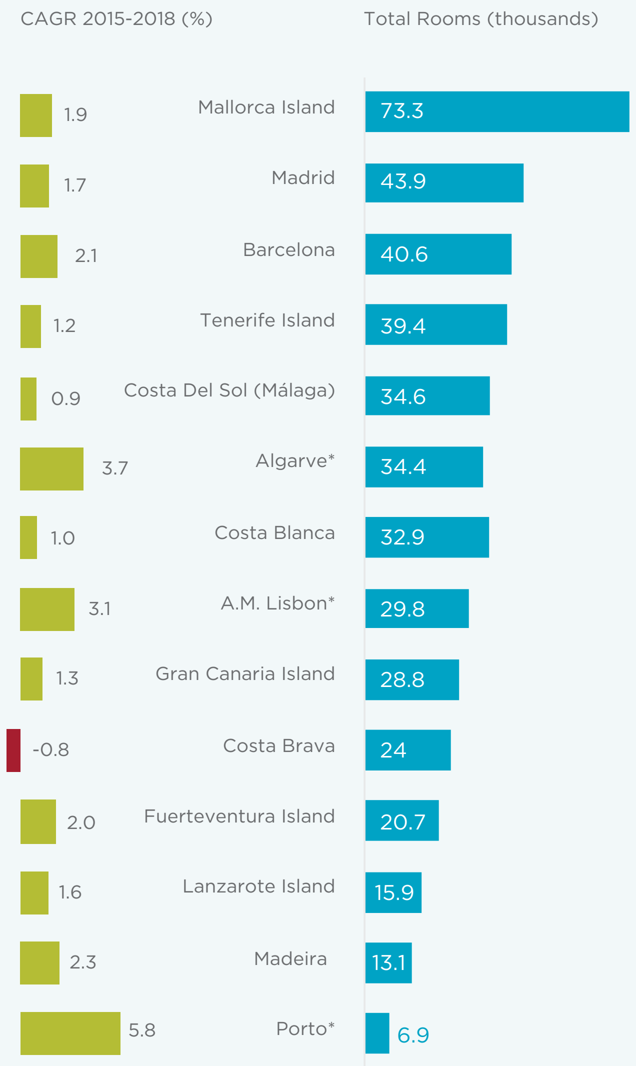
Source: INE Spain, INE Portugal and Cushman & Wakefield Research

DISTRIBUTION OF HOTEL SUPPLY BY CLASS (% SHARE)



Note: Based on number of rooms available. Source: Cushman & Wakefield Research

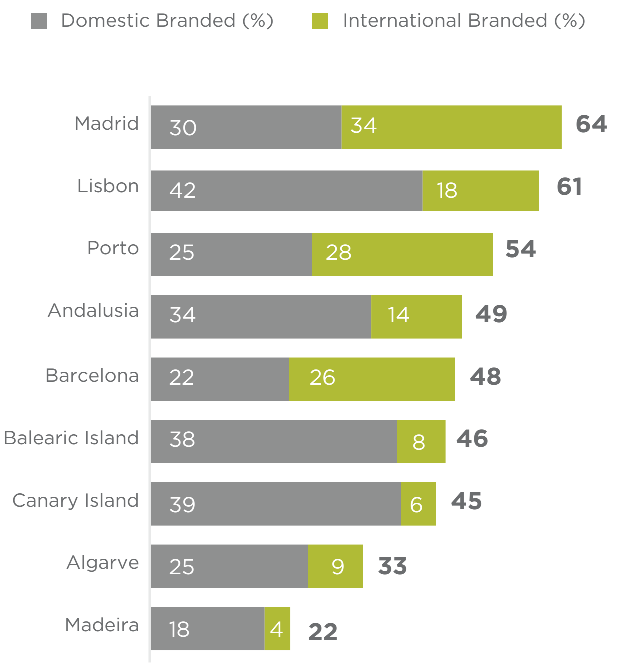
HOTEL SUPPLY BY KEY MARKETS (VOLUME AND GROWTH)



*Hotels and similar accommodation. Source: Cushman & Wakefield Research

Exhibit 39 – Several markets in Iberia have low brand presence despite high share of international visitors

BRAND PENETRATION IN SELECTED KEY MARKETS (% SHARE)



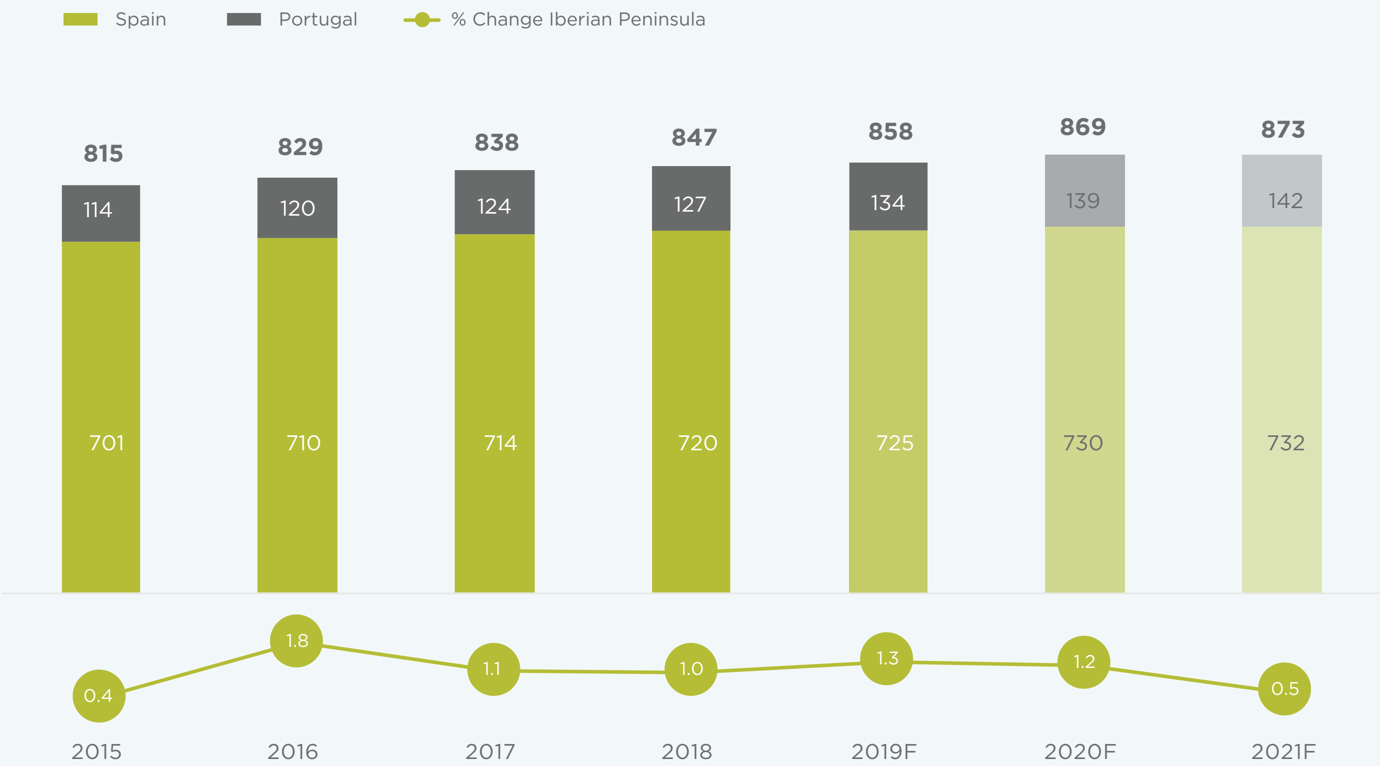
Note: Based on number of rooms available. Source: Cushman & Wakefield Research

INTERNATIONAL DEMAND VS BRAND PENETRATION IN SELECTED KEY MARKETS (% SHARE)

Note: Bubble size represents the number of international nights in respective cities. Source: Cushman & Wakefield Research

Exhibit 40 – Slow supply growth in the Iberian Peninsula

HOTEL SUPPLY (ROOMS IN THOUSANDS, % CHANGE)



Source: STR, INE Spain, INE Portugal

STR

Thomas Emanuel

Director

Interview on the Iberian Peninsula hotel market, growth opportunities for Spanish and Portuguese hotels, and the impact of recovering destinations in Euro Med and Africa Med

Could you please provide an overview of the hotel market across the Iberian Peninsula and what you see as the key stories driving the market?

Spain reported a marginal revenue per available room (RevPAR) drop (-0.7%) in 2018, but has since seen a shift in H1 2019, with RevPAR rising by 6.5%, thanks to a 5.3% average daily rate (ADR) uplift. While mixed performance levels persist across the country, key Spanish cities experienced robust growth levels.

In terms of Spain's pure leisure destinations, long term growth has been reported. Comparing 2018 and 2013 performance highlights that RevPAR in the Balearic Islands and Marbella are significantly ahead of where they were, rising by 46.0% and 42.0%, respectively. RevPAR in the Canary Islands experienced strong long-term performance growth, peaking in 2017, at 45.6% ahead of where it was in 2013. However, RevPAR slowed in 2018 and decreased 8.4% on the previous year. This is likely a result of demand displacement, as travel returns to markets previously viewed as high-risk, mainly across Turkey and North Africa. Furthermore, the devaluation of the British Pound following the EU referendum has likely resulted in reduced travel from the U.K., impacting common destinations for British travellers. In 2019 to date, there are a few red spots starting to appear, in the Balearic and Canary Islands, down 3.6% and 4.0%, respectively for the opening 6 months of the year. Taking a brief look at the country's two major markets, starting in the capital, Madrid's hotel sector has posted consistent growth in recent years and finished 2018 with its highest actual occupancy level since 2000 at 74.2% (up 2.4% on 2017). ADR increased 2.2% to EUR109.15, bringing RevPAR up 4.6%. Madrid continues to be a leading European destination for corporate and MICE business, and is rapidly growing as a tourism destination. Performance in 2019 should be further boosted by a number of big global events, including the Davis Cup Finals (tennis) in November. The market's hotel supply continues to expand, with 3,122 rooms in the pipeline, and the majority of these (65%) are slated to the upper-tier classes (upscale and above). Noteworthy luxury properties set to enter the market through 2020 include the Four Seasons Hotel Madrid (203 rooms), Madrid Edition (200 rooms) and the W Madrid (136 rooms). In the first half of 2019, a 15.1% RevPAR uplift was reported in Madrid, boosted by a strong and balanced mix of leisure and corporate tourism. The city enjoyed a 45.1% RevPAR boost in the month of June driven by a series of key events such as the Champions League Final and 20th Annual European Congress of Rheumatology (EULAR).

In Barcelona, instability and protests caused by October 2017's Catalan Referendum diminished performance levels for over a year, resulting in a 4.1% RevPAR decline in 2018. Profitability levels were also affected, with Barcelona reporting a 7.4% GOPPAR drop in 2018. Barcelona started to recover from its year of decline in the final months of 2018, and consistent RevPAR growth has been seen from October 2018 onward. In the first half of 2019, Barcelona reported a 12.7% RevPAR uplift, boosted by a number of key Q1 events, such as EAU, AEDV, SILACO-GEER and EAMHID Congresses.

Portugal has experienced long-term performance growth, achieving double-digit RevPAR increases from 2014 to 2017, largely driven by ADR increases. In 2018, RevPAR levels were 63.8% ahead of 2013 levels. This long-term growth was seen across both leisure markets, such as the Algarve, and city destinations, such as Lisbon. Both destinations continue to see performance increases in H1 2019, with Lisbon up by 2.2% and the Algarve by 9.4%.

Following significant, ongoing growth in recent years, Lisbon hotels closed 2018 with a 6.8% uplift in RevPAR. While demand fell slightly (-0.1%), ADR rose substantially (+6. 8%). From an investment perspective, Lisbon has evolved into a hotspot over the last three years, and steady growth in tourism and corporate demand should keep this interest level high. RevPAR growth was in the double digits for five of the first seven months of 2018, boosted by a number of international events including the Eurovision contest in May and several summer music festivals. Lisbon is also experiencing development in its IT sector, helped by Portugal's low average wages, convenient flight accessibility and the city's comparatively low costs of office

> *"GOPPAR in Portugal and Spain are ahead of countries like Germany and France, which represents the lower cost of running a hotel across the Iberian Peninsula.*

space against other European markets. Looking at the first half of 2019, Lisbon has had a relatively strong start to the year. While occupancy levels fell 2.5%, this was mitigated by an ADR uplift of 4.8%, helping to drive RevPAR levels by 2.2%.

How does profitability of Spanish and Portuguese hotels compare to rest of the Europe? Are there opportunities for growth or is it at the peak.

There are similar trends between Europe and The Iberian countries. Total revenue per available room (TRevPAR) is being pushed up by room's revenue and miscellaneous income, while the food and beverage (F&B) and other operating departments are recording declines.

While TRevPAR produced growth of 2.3% in Portugal and 0.8% in Spain, Europe's levels increased 3.2%.

When looking at expenses, marketing expenses are consistently increasing across all countries, representing the competitiveness of the industry, and the efforts of hotels in trying to remain attractive propositions. Labour costs also had a similar level increase averaging 4%.

In terms of ratio to sales, we are seeing similar numbers with rooms department contributing to an average of 69% of total revenues. Gross operating profit per available room (GOPPAR) recorded a more significant increase in Europe (+5.3%) when compared with Portugal (+1.6%) and Spain (+0.4%). In terms of actual value, GOPPAR in Portugal and Spain are ahead of countries like Germany and France, which represents the lower cost of running a hotel across the Iberian Peninsula. These gross operating profit (GOP) margins are among the highest in Europe, but still trail the United Kingdom which recorded the highest margins.

In terms of opportunity, there are possibilities for hotels in Spain and Portugal to increase total revenues and GOP, as they remain lower than other competing European countries like the U.K. and Italy. Hotels in Spain and Portugal have some of the lowest labour costs and strong profit conversion ratios, which could be further enhanced through increased revenue generation.

Is the impact of recovering competitive destinations in Euro Med and Africa Med on leisure destinations over or is this going to continue?

This is a difficult question to answer, as it all depends on these recovering destinations continuing to be considered as safe. Providing they do, and tour operators continue to increase their business in these markets, it is likely to continue. Of course, this could all be derailed by any further safety concerns as it does take time for a destination to be perceived as safe following unrest.

The other factor when looking at price for the Iberian Peninsula is weakening of the British Pound, making both countries far more expensive for U.K. visitors. With continued uncertainty around Brexit, this will remain a concern for hoteliers, particularly in resort locations.

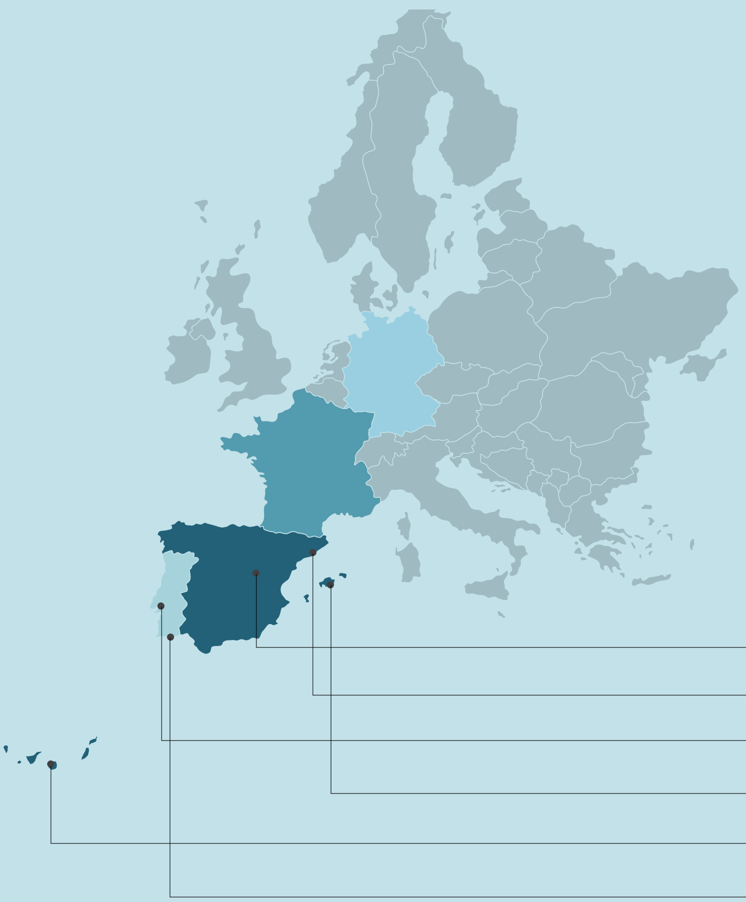


Exhibit - Spain & Portugal record one of the highest profitability in Europe

GOPPAR 2018 (EUR)

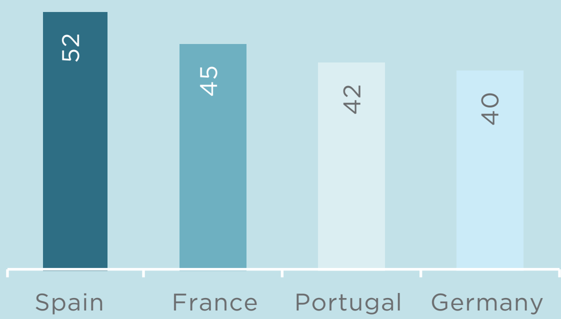
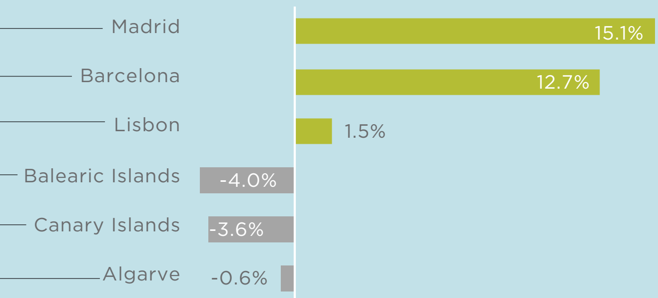


Exhibit - Robust growth in major cities, while some challenges in resort destinations

REVPAR H1 2019 (% CHANGE VS. H1 2018)



EVOLVING NATURE OF THE HOSPITALITY SECTOR

Tivoli Avenida Liberdade SkyBar

Ever-changing consumer trends and the evolution of accommodation concepts in recent years have resulted in blurring lines between traditional hotel classes. Although ample public spaces, multiple food and beverage (F&B) outlets, and trendy designs have historically been featured mainly in the Luxury and Upper-Upscale hotels, it is becoming increasingly commonplace to find such features across a wider range of accommodation. The boundary between short-term and long-stay accommodation is also becoming less distinct.

While ongoing innovation and proliferation in the hospitality sectors make it increasingly difficult to establish clear categories, there are several trends by asset type that are relevant to the Iberian Peninsula. These include:

- The emergence of soft brands
- The rise of affordable lifestyle brands
- New generation hostels
- Innovative serviced apartment concepts
- The expansion of shared accommodation platforms

Such trends have been driven by emerging generational mindsets, such as the Millennial hunt for experiences and creating social connections.

Emergence of soft brands

Rise of affordable lifestyle brands

New generation hostels

Innovative serviced apartment concepts

Expansion of shared accommodation platforms

The emergence of soft brands

While branded hotels continue to expand across the global markets, there is still a relatively large proportion of independent boutique hotels, especially in Europe. The desire to tap into this sector, and to some extent compete with hotel consortia, such as Preferred Hotels & Resorts or Leading Hotels of the World, has led to the emergence of the so-called soft-brands. These brands, launched by major international hotel chains, have been rapidly expanding across Western Europe, including Spain and to a limited degree in Portugal. The key brands currently present in Iberia include NH Collection, Ascend Collection, Autograph Collection, Luxury Collection and Curio Collection by Hilton.

Despite the growing popularity of soft-brands, they so far only account for approximately 1% of the total supply in the Iberian Peninsula[10].

Interestingly, many soft-branded hotels in the region have room capacity below 100 rooms, including some 30- to 40-room properties. This reflects the aggressiveness and flexibility of the major hotel chains when it comes to minimum capacities for their soft-brands, which is driven by the desire to tap into the deep pool of small, often well-located independent properties.

[10] Hotel Operators' soft-brands only, excluding affiliations such Leading Hotels of the World, Preferred Hotels & Resorts etc.

What is a Soft-brand

Soft-brands, sometimes also referred to as "collections", are brands that allow hotels to retain their unique identity while taking advantage of chain systems and support. From a traveller's perspective, the connection is frequently understated and inconspicuous. Some brands still retain some link to their umbrella brand, such as the Curio Collection by Hilton, the Radisson Collection or the Unbound Collection by Hyatt. Others, such as the Autograph Collection or the Ascend Collection, keep the connection relatively hidden, in this case to the Marriott and Choice Hotel chains, respectively. One approach allows the recognition of the umbrella brand to be leveraged, while the latter is more likely to tap into the growing customer base of travellers looking for something unique and who might be deterred by the direct association of the hotel with a major global corporation.

Cotton House—Autograph Collection

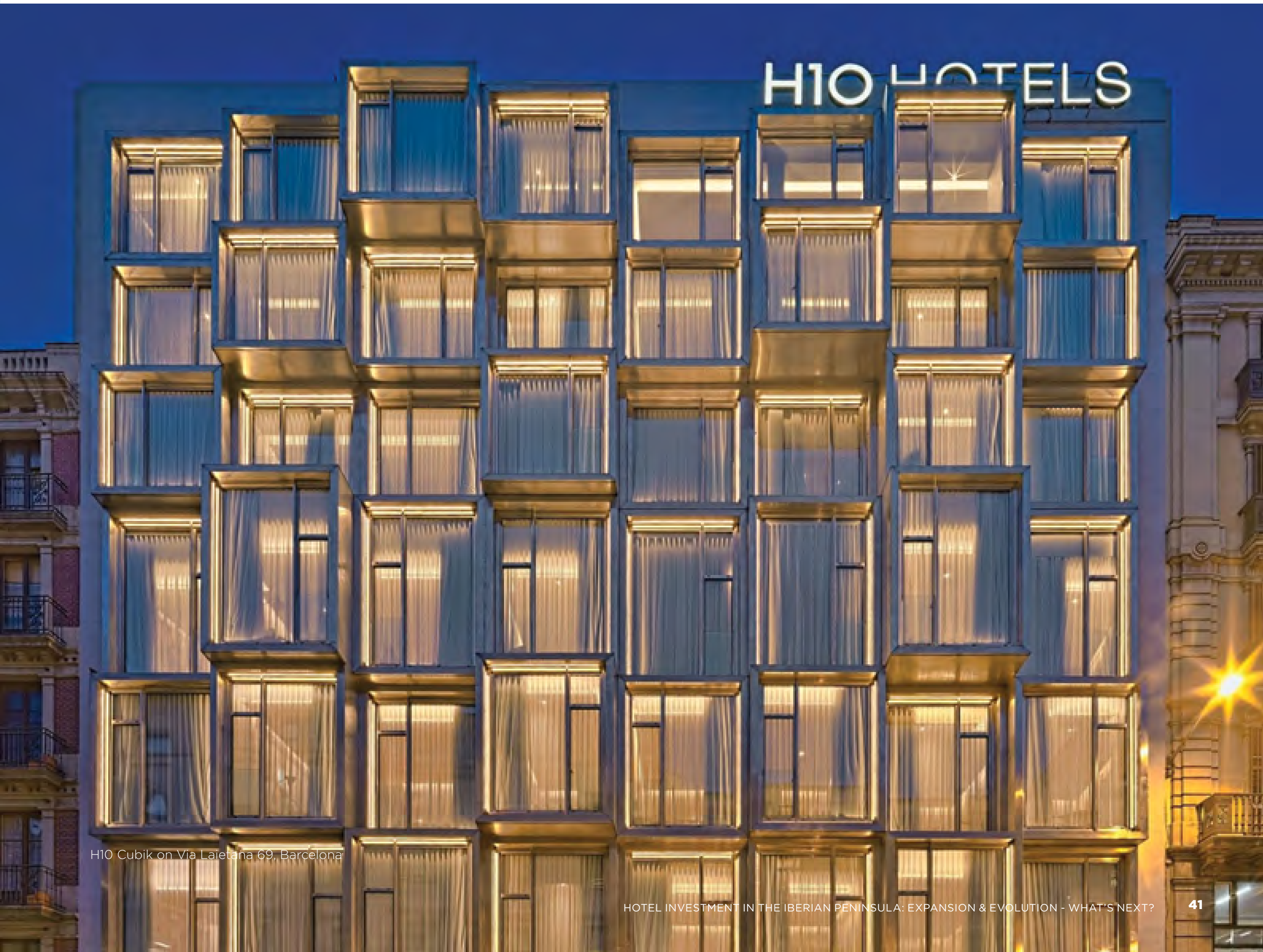
The rise of affordable lifestyle brands

In recent years, there has been an increasing number of trendy hotel brands that market themselves as lifestyle hotels. These brands are often positioned below the Luxury class, and they are frequently referred to as "affordable lifestyle" hotels.

This concept is frequently conveyed as the response to the travel preferences and diverse spending power of the growing younger generation of travellers, such as Millennials, who have been fuelling the accelerated evolution of hospitality concepts.

Typical features of these hotels include design-led but relatively small rooms, combined with abundant public spaces, open animated lobbies merging with vibrant F&B outlets and facilities attracting not only visitors but also locals to play, work and mingle (e.g. co-working spaces).

Due to the evolving nature of the sector, it is somewhat difficult to establish clear boundaries between traditional hotels and affordable lifestyle brands. However, some of the brands that promote themselves under this concept and that are active within the Iberian Peninsula include Pestana CR7, Hotel Indigo and Hyatt Centric within the Upper Upscale class, as well as Innside by Meliá, H10 hotels, RoomMate Hotels, Axe Hotels, Chic&Basic, MyStory Hotels or Motel One within the Upscale to Midscale classes. Several other lifestyle brands are in the pipeline, such as Moxy, which is coming to Lisbon as well as Hard Rock Hotel, coming to Barcelona and Madrid , and YOTEL coming to Porto.



H10 Cubik on Via Laietana 69, Barcelona

YOTEL NYC Ground Mission Control

YOTEL

Rohan Thakkar
Senior Vice President
Development & Strategy (EMEA)

Short interview with Rohan Thakkar on YOTEL's expansion plans in the Iberian Peninsula, on its concept innovation, and on the new generation of travellers.

What are your expansion plans for the Iberian Peninsula?

Porto will be the first of many for YOTEL in the Iberian Peninsula market – our primary focus now is on Lisbon, Madrid, and Barcelona. With the recent strong performance of the Porto hotel market and numerous new airline routes and international events coming to the market, YOTEL Porto will be positioned to open at an opportune time later this year.

What is unique about your concept?

Our concept was originally inspired by the idea of first-class airline travel – luxury in small spaces. While our first hotels were in major European airports, our brand is now more widely recognised in city centres (New York, Boston, San Francisco, and Singapore) and soon in extended stay / long stay markets. The DNA of the brand revolves around four main principles – efficiency in space, smart technology and innovation, lean streamlined operations and adaptability in design. Our flexible business model – including selling by the hour at our airport locations – appeals to the new generation of travellers as they look for hotels in prime locations with a "non-cookie cutter" approach to design, and their desire to experience the local "look and feel" of the destination.

How does Technology affect your business and are there any new developments within your company?

Technology is at the heart of our brand and part of everything we do – both from a guest and crew/ BOH perspective. Given that technology changes by the day, we partnered with an incubator out of Silicon Valley, Plug and Play, to help keep YOTEL at the forefront of innovation by introducing us to early-stage start-ups which are a good fit for our company based on the challenges we are facing at both the corporate and hotel level. We have also have robotics in New York, Boston and Singapore to automate our luggage storage and "room delivery" offerings with our reliable crew members – YOBOT, YO2D2, YOLANDA and YOSHI. Regarding health and wellness, YOTEL New York now has secured a partnership with Peloton to allow guests to continue their cycling classes from home through live/on demand classes offered on the bikes in the gym. We are looking at rolling out these kind of partnerships on a global basis.

How does the arrival of sharing platforms such as Airbnb affect your business?

At YOTEL we find there is a place in the market for both, but unlike with AirBNB, YOTEL guests knows exactly what they can expect – they can check in and out any time of day, they know they are getting a great bed, a great shower and of course super fast and free wifi – these are things our guests have come to rely on and which is not always guaranteed at an AirBNB. In response to the increasing demand or sharing platforms, we launched YOTEL*PAD* - our extended stay concept launching in the US, Switzerland and Dubai in 2020.

> *"Our concept was originally inspired by the idea of first-class airline travel—luxury in small spaces.*

A new generation of hostels

With the younger generation becoming a major travel group, it is not surprising that hostels are growing in popularity and consequently receiving attention from investors and major operators. This is boosted by the space efficiency of hostel concepts, flexibility in fitting into buildings with challenging layouts, as well as relatively low fit-out and operating costs.

With growing interest from travellers as well as investors, the sector has experienced accelerated growth of hostel openings around the world. For example, Hostelworld has seen 173% increase in the number of properties listed on their website over the last decade.

Significant investment into this sector together with intensifying competition is driving the evolution of this product. Many brands are now blending hostel and hotel concepts by combining traditional bunk-bed style accommodation with more upscale private rooms, ample trendy public spaces, and premium F&B offerings.

The high popularity of the Iberian Peninsula and hostels among young travellers and, sometimes, even celebrities[11], offers attractive opportunities for this sector. According to a survey by Hostelworld, Spain was ranked as the second-most visited destination in the world by hostel travellers, and Portugal took 12th place. Portugal has also been ranked as the rising star for American Millennial and Gen Z travellers, with a robust 38% increase in intentions to visit[12]. Furthermore, Barcelona, Madrid and Lisbon were listed as the third, 11th and 13th most-visited cities by hostel travellers in the world, respectively[13].

Hostelworld's booking data also reveals that Barcelona is growing in popularity with British hostel travellers, recording 19% year-on-year growth, and is the t hird-fastest growing destination for hostel travellers from the UK. Similarly, Madrid is the top growing destination for Americans, with an impressive 51% year-on-year growth of bookings between 2018 and 2019.

Despite this, the hostel supply in the Iberian Peninsula is still relatively limited. There are currently over 850 properties in the region[14]. Based on official statistics, hostel supply comprises 1.1% of total beds supply in Iberia. However, in Spain, this only represents the number of youth hostels that are part of the Spanish Youth Hostel Network. Consequently, the actual number of hostel beds is likely to be higher. According to our research, for example, hostels comprise approximately 5.7% of the total beds supply[15] in Barcelona.

Furthermore, the hostel market is fragmented with many independent properties complemented by a number of local brands, such as Hostel One, Feel Hostels, FeetUp Hostels, Oasis Backpackers or Sant Jordi Hostels. There is also a limited number of international brands already present in the region, such as Safestay, Generator and the South-American hybrid hotel/hostel brand, Selina, which is already expanding in Portugal with four properties.

Overall, only 6% of the hostel supply in the Iberian Peninsula can be considered as branded. However, this is expected to increase in the coming years, with many major operators such as A&O and Meininger having projects underway or are keen to enter.

The growing interest in the sector is reflected in the recent acquisition by major institutional investor BlackRock Real Assets of a pan-European hostel portfolio as part of a €100 million joint venture with Barcelona-based hostel operator Amistat International. The off-market acquisition comprises a seed portfolio of three assets, with an active pipeline of another six assets.

[11] Mariah Carey proves hostels are for divas! – Commercial by Hostelword https://www.hostelworld.com/blog/mariah-carey-in-a-hostel/
[12] Meet the world report (Hostelworld, 2019).
[13] Meet the world report (Hostelworld, 2015).
[14] Hostelworld September 2019
[15] Assuming an average of six beds per hostel room, versus two beds in a typical hotel room

Exhibit 41 - Top-most visited destinations by hostel travellers

Nº.	Country	Nº.	City
1	UK	1	London
2	Spain	2	Amsterdam
3	Germany	3	Barcelona
4	USA	4	Berlin
5	Australia	5	Paris
6	Italy	6	Prague
7	Thailand	7	Dublin
8	France	8	Budapest
9	Netherlands	9	Bangkok
10	Ireland	10	Rome
11	Japan	11	Madrid
12	Portugal	12	Vienna
13	China	13	Lisbon
14	Czech Republic	14	Edinburg
15	New Zealand	15	Munich

Source: Meet the world report (Hostelworld, 2015).

a&o Hostels

A&O HOSTELS

Henri Wilmes
Chief Investment Officer

Interview on a&o Hostel's expansion plans in the Iberian Peninsula, Millennials, technology and shared accommodation platforms

Why have you decided to expand into the Iberian Peninsula and what are your plans for the region going forward?

The Iberian Peninsula is currently one of a&o's main focus in terms of development. We completed an acquisition in Barcelona last year, with the aim to close a second transaction by the end of this year. The majority of our transactions are value-add investments through converting existing assets and/or repositioning existing operations into a&o-branded hostels. The Iberian market is interesting to us because of its underlying demand characteristics (high demand from school groups and young travellers), the low market penetration of branded hostels, its connectivity with our main feeder markets, strong trading results over the last years, and the availability of suitable assets, at prices that allow us to achieve our financial returns. The main markets we are currently looking at are Madrid, Seville, Malaga, Valencia, Lisbon and Porto.

What is unique about your concept, and how does it address Millennials as customers?

a&o's product is unique in the sense that it combines a budget hotel and hostel under the same roof. True to our motto "Everyone can travel", we provide accommodation to a wide range of customer segments in central and secondary locations that are easy to reach by public transport. a&o therefore attracts single travellers, couples, families, and larger groups like school classes or sport groups with its "best-value-for-money" proposition. Millennials and Generation Z represent a big part of our customers and we definitely try to address their needs at our assets. A few examples would be our free one-click high-speed internet, USB chargers in our new FF&E, common areas with plenty of space to hang out and connect with other people, and our new "art&o" project, where we give young, local artists/performers the opportunity to use our assets as a platform to express themselves and create art.

How does technology affect your business and are there any new developments within your company?

Like for most hospitality companies, technology has become omnipresent throughout the entire customer journey, as well as on a corporate level. a&o always strives to be an early adopter of new technologies: one example could be our mobile check-in process and mobile kiosks (similar as in airports), which we are currently rolling out across our portfolio. In more general terms, a&o today already means "mobile"; 2 out of 3 of our direct online bookings are made via mobile devices.

a&o Hostels Berlin

"The Iberian market is interesting to us because of its underlying demand characteristics, the low market penetration of branded hostels, its connectivity with our main feeder markets, strong trading results over the last years, and the availability of suitable assets that will allow us to achieve our financial returns

SELINA

João Serras
Head of Business Development

Interview on Selina's expansion plans in the Iberian Peninsula and their accommodation concept

What are your expansion plans for the Iberian Peninsula?

Selina is one of the fastest-growing brands in its sector in the world with an ongoing expansion in the United States and Europe, expecting to have over 65,000 beds at a global level in 2020. The Iberian Peninsula is the first market where we opened in Europe and since then, our expansion has been very strong with four properties in Portugal. We expect to have more than 20 hotels accross the region by the end of 2020.

What is unique about your concept?

Selina is not just accommodation. We offer beautifully-designed places to stay, but it is more than that. Selina is a lifestyle, travel, and hospitality platform, focusing on social interaction oriented towards travelling. We are a place where Millennials and digital nomads can work, stay, and play anywhere. It is also a platform that allows perpetual travellers to move more freely, and is an integrated ecosystem backed by powerful technology.

Every space at Selina is an opportunity to meet, explore, and discover the world with others. We know that good relationships can improve health and increase longevity, and we want to make our guests' days happier and their lives fuller.

> *"We know that good relationships can improve health and increase longevity, and we want to make our guests' days happier and their lives fuller.*

Selina - Vila Nova de Mil Fontes

CITYHUB

Martial Robardet

Director, Development & Investment at CityHub

Martial Robardet on hospitality concept innovation and technology.

Today's modern travellers are more tech-savvy, experience-focused and cost-conscious than ever before, whether when travelling for business or leisure. To meet these changing preferences, hotels need to understand consumers' growing desires for alternative lodgings—and why they sometimes prefer to stay at someone's house instead of in a hotel. In response, hoteliers must seek innovative formats offering better value, embrace new technologies, and provide more personalised services.

CityHub designed an innovative room concept called Hub which provides a comfortable stay with all the functions modern travellers require, while using space efficiently. In addition, our high-tech solutions eliminate the need to deal with low value-added tasks, so our staff members can give their full attention to the guests. With the CityHub app, guests engage with our staff members who offer them real-time and curated information. Since we started in 2015 in Amsterdam, we have achieved great performance, resulting in the highest levels of guest satisfaction and strong financial results. We now have two hotels open and a few properties in the pipeline in Europe.

We aim to roll out the brand across Europe, focusing on key gateway markets that offer a mix of leisure activities, expanding tech sectors and great accessibility. In that regard, major cities in Iberia, such as Lisbon, Madrid, and Porto are among the most attractive in Europe given their strong leisure demand generators and growing business fundamentals. Somehow overshadowed by Barcelona, these markets have emerged as Millennial hotspots and top city destinations in Europe. With fast-growing demand and limited new supply, hotels there have enjoyed strong growth over the last few years. As these markets entered later in the current real estate cycle, we expect to see more developments and more transactions in 2019.

> *"To meet changing preferences, hotels need to understand consumers' growing desires for alternative lodgings—and why they sometimes prefer to stay at someone's house instead of in a hotel.*

CityHub Amsterdam - Hub Exterior

Innovative extended-stay concepts

The extended-stay sector has been expanding rapidly in recent years, accompanied by new innovative concepts catering to growing demand from travellers. This growth has been fuelled by rising interest from investors, who are attracted by the lean operating model and flexibility to tap into both short-term and long-term accommodation markets.

The evolution of extended-stay concepts revolves around providing more efficient room configurations using smart furniture and technology, trendy interiors, and public spaces that encourage socialising. It also often includes additional facilities such as co-working hubs, informal lounges or shared kitchens. As a result, the line between residential, extended-stay and hotels is constantly being blurred, as new concepts incorporate features from some or all of these sectors interchangeably.

The extended-stay supply in the Iberian Peninsula is relatively limited, accounting for less than 4% of the local supply on average, even in major cities including Madrid, Barcelona, and Lisbon.

The sector is fragmented and with very few branded products, including only three properties operated under major international brands: Novotel Suites in Málaga, Capri by Fraser and Citadines Ramblas in Barcelona. This is complemented by domestic brands such as MH Apartments.

However, many international operators have plans to enter the market, such as Adagio, which will soon enter Madrid, or the incoming Edyn Apartments in Lisbon with their Locke brand.

edyn - Propose Locke de Convento in Lisbon


edyn - The Moorgate

EDYN

Nick Barton

Chief Commercial Officer

Short interview with Nick Barton on edyn's expansion plans in the Iberian Peninsula and on its innovative serviced apartment concepts.

What are your expansion plans for the Iberian Peninsula?

We are currently targeting deals in Madrid, Barcelona and Porto as part of our next phase expansion programme—as key European gateway cities on the Iberian Peninsula. Portugal is especially attractive from a development perspective, given its stage in the asset value cycle. Madrid and Barcelona are attractive as major European hub cities with high levels of project-based and long-stay demand.

What is unique about your concept?

Locke is a brand for modern travellers that we call "the urbanite." They may be Millennials, but they are defined less by their age and more by common attitudes, values and beliefs towards wellness, individualism and personal growth. Often, they work in entrepreneurial, tech and creative industries. They are culturally aware but time-poor and want experiences that stimulate their senses.

We solve these travellers' needs by integrating three experiential elements: (1) design-led studio living—enabling our guests to be autonomous and self-enabled in fully equipped studios or one- or two-bed apartments; (2) socially immersive public spaces—offering a range of destination-led F&B options, from third-wave coffee to healthy menus and cocktail bars, locker rooms/gyms; and communal, co-working spaces; (3) cultural well-being—by immersing them in local art and cultural exhibitions and events within the hotel, offering regular well-being events such as running clubs and yoga, and a range of healthy eating options.

How does technology affect your business, and are there any new developments within your company?

We believe in technology that enables and empowers our guests and our team members, rather than technology per se as a competitive advantage. We have recently partnered with Duetto to pilot and innovate revenue management solutions for the aparthotel sector and are currently engaged in an RFI to upgrade our entire technology stack to power our next chapter of growth into Europe. This technology will put data at the heart of our business, so we can offer more personalised, relevant guest experiences and enable our team to spend more time with our guests by automating low-value manual processes or moving them off-property. Kiosk-based and remote check-ins are some of the next initiatives we intend to pilot.

How does the arrival of sharing platforms such as Airbnb affect your business?

Our destination-focused, aparthotel model is to a large extent inspired by the evolution of home-sharing. This has caused both leisure and business travellers to reconsider their accommodation choices and specifically revisit whether traditional hotels are always the right solution. We see our business growing alongside home-sharing, vacation rental providers such as Airbnb, with Locke providing a solution for travellers that like the idea of autonomous, apartment-style living in beautifully designed environments but with the convenience of hotel-like facilities and community immersion right at their doorstep.

"Our destination-focused, aparthotel model is to a large extent inspired by the evolution of home-sharing. This has caused both leisure and business travellers to reconsider their accommodation choices and specifically revisit whether traditional hotels are always the right solution.

Expansion of the shared accommodation platforms

Fast-growing industries typically attract new entrants and disruptors. The hospitality sector is no exception, with shared-accommodation platforms such as Airbnb penetrating the tourism accommodation market.

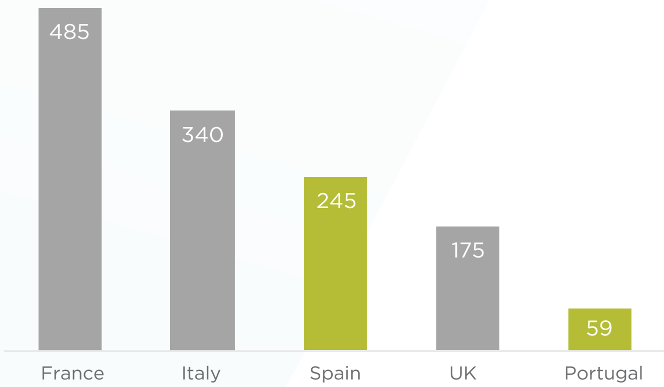
Spain, with approximately 247,000 Airbnb units, is reportedly the fourth largest Airbnb market in the world after the USA, France and Italy, while Portugal with 59,000 units is estimated to be in 12th place[16].

Although the shared accommodation sector has been expanding rapidly in the Iberian Peninsula without much regulation, this has changed in recent years with noteworthy policies being put in place by authorities across the region.

[16] Sharing Means Renting?: An Entire-marketplace Analysis of Airbnb, Article by Qing Ke 2017; and Airbnb Offer in Spain–Spatial Analysis of the Pattern and Determinants of Its Distribution, Report by Czesław Adamiak, Barbara Szyda, Anna Dubownik and David García-Álvarez, 22 March 2019.

Exhibit 42 - Shared-accommodation supply in selected European countries

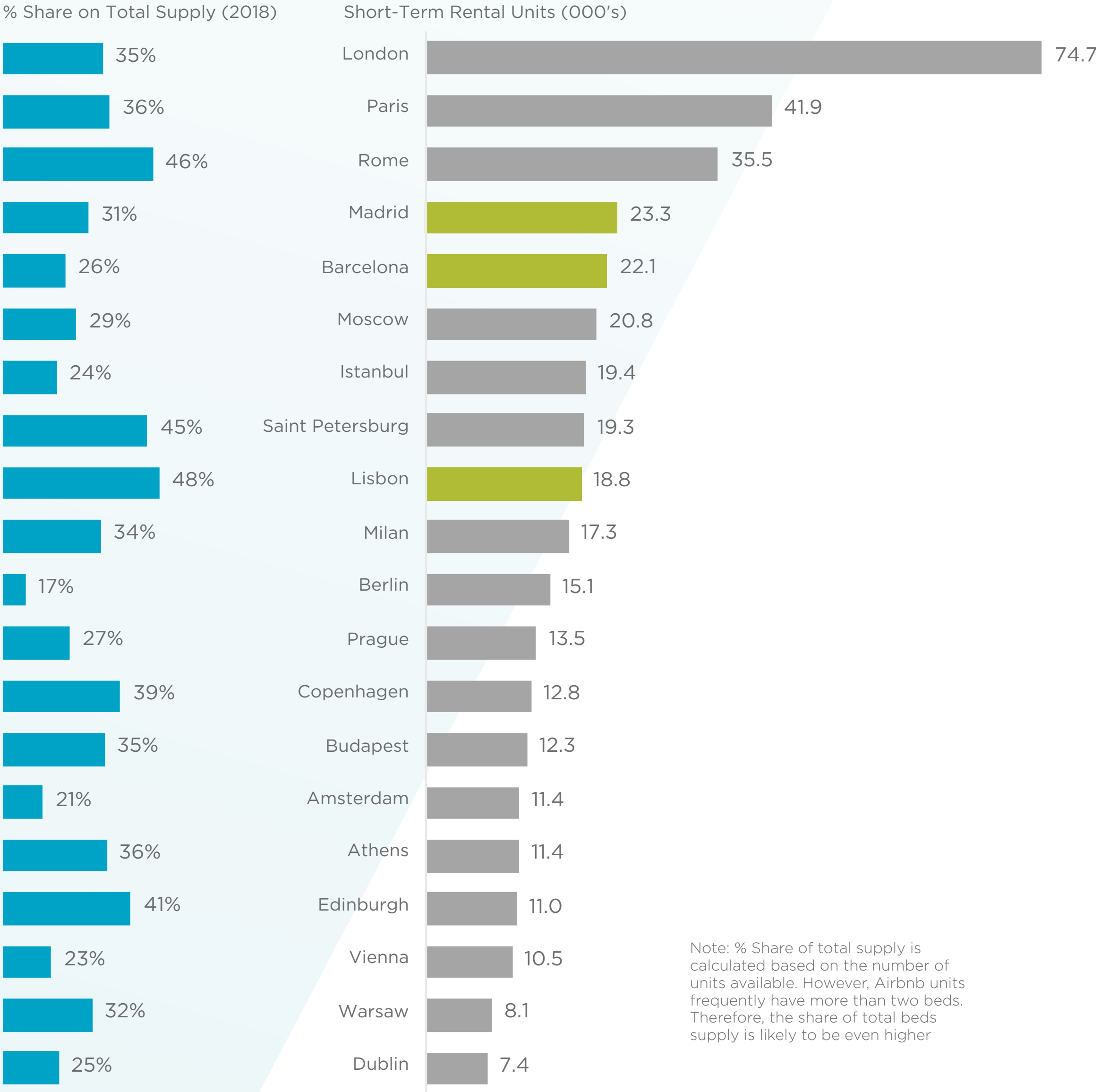
NUMBER OF AIRBNB UNITS IN SELECTED COUNTRIES (2018, THOUSANDS)



Source: Sharing Means Renting?: An Entire-marketplace Analysis of Airbnb 2018

Exhibit 43 - Shared-accommodation supply in selected European cities

SIZE OF SHORT-TERM RENTAL MARKET IN SELECTED EUROPEAN CITIES



Note: % Share of total supply is calculated based on the number of units available. However, Airbnb units frequently have more than two beds. Therefore, the share of total beds supply is likely to be even higher

Source: AIRDNA (includes Airbnb and HomeAway units), Cushman & Wakefield Research

What do Millennials in Iberia expect from hotels?

MILLENNIAL 'WISH LIST'*

89% expect free high-speed Wi-Fi in their room

80% look to the hotel for recommendations on local activities, restaurants and bars

77% will likely tag a hotel in a social media post when on a leisure holiday

71% would like to interact with staff and other guests in public areas

67% would like a way to set their preferences via technology and for hotels to remember them

61% prefer to check in and check out without having to deal with anybody

50% would like to have climate control tools and specific Apps for hotel services.

45% are booking hotels via desktop computer and **43%** via mobile

Cost is still a deciding factor, followed by location, quality of service and reviews when choosing accommodation for leisure holidays

They travel for **leisure** to **relax**, **have new experiences** and **see new places**.

* During the first half of 2018, CMS, in conjunction with FTI Consulting, created and ran a business-to-consumer poll that was responded to by 5,275 Millennials (aged 18 to 35) in 18 countries across the world. However, the above figures have been calculated based on a total of 1,100 responses from the key source markets of travel to Iberia – namely, the UK, Germany, France, and Spain. The full report can be found at: http://www.cms-lawnow.com/-/media/lawnow/pdfs/roaq/finding-the-balance-human-touch-vs-high-tech.pdf.

1908 Lisboa Hotel

AMAZING EVOLUTION

Margarida Almeida
Chief Executive Officer

Margarida Almeida on boutique hotels & Millennials.

A key differentiator of boutique hotels is their local experience, which should be reflected in several aspects of product and concept design, as well as in daily operations—and these are our concerns when developing the strategy for each property.

To meet today's demand needs, and specifically Millennials as hotel guests, operations need to reflect the individuality of each property and should not transmit the "cookie-cutter" feel of being just one more in a portfolio. As an extension of the unique personality of each property, boutique hotels need to celebrate the local qualities of a property, emitting a strong sense of place by incorporating locally sourced materials and reflecting the location's culture and heritage.

As in other hotel segments, and although boutique hotels have their own audience, it is fundamental to be able to design products for different target audiences or price points.

Hotel operations that advocate attention to detail and service excellence as mandatory—be it a three-star or lifestyle boutique hotel—are offering superior value to property owners.

Bringing technology into the hotel and the guestroom is fundamental these days, not only from the perspective of a customer's needs, but also for cost efficiency. Furthermore, a successful and profitable hotel operation should never forget that hospitality refers to the relationship between a guest and a host and is all about service and interaction with people.

Only a hotel operation with a service-focused culture will be able to create something unique, and capable of providing guests with memorable experiences.

"To meet today's demand needs, and specifically Millennials as hotel guests, operations need to reflect the individuality of each property and should not transmit the "cookie-cutter" feel of being just one more in a portfolio.

SHORT-TERM ACCOMMODATION APARTMENTS - LEGAL & TAX OVERVIEW

The advancement of technology and emergence of shared accommodation platforms has led to a rapid expansion of the short-term accommodation apartment sector on the Iberian Peninsula. However, this has also brought rising controversy and the need for a legal framework to evolve in order to address the growing concerns of industry stakeholders and the public.

Tourist Apartments in Spain

The definition of Tourist Apartments (*apartamentos turísticos*) in Spain, is real estate with accommodation units, facilities, equipment and, in some cases, services, available for a short-term or long-term stay, used as occasional tourist lodging, in exchange for a fee.

Digital platforms, such as Airbnb or HomeAway, have promoted new ways of tourism, especially in the context of accommodation. Although the most common tourist accommodation option in the past may have been hotel rooms, tourist apartments have undoubtedly become a real and direct competitor.

The appearance of tourist apartments has had two main consequences. On the one hand, the hotel industry considers that it is suffering from unfair competition, especially with respect to the tax regime and certain regulatory requirements. On the other hand, over recent years, many legal operators in Spain (Autonomous Communities and Town Halls) have begun regulating this sector to reduce the transformation of residences in the city centre into temporary accommodation for tourists.

In general, digital platforms are subject to a less rigorous tax regime than hotels. In this sense, representatives of the hotel sector argue that their average prices are higher because their tax regime is stricter, and they are submitted to heavier legal requirements related to safety and health conditions, environmental impact, etc.

From 2019 onwards, a new obligation that directly addresses the above-mentioned digital accommodation platforms has come into force. It consists of providing the fiscal authorities with specific information, such as identification of the owner and the real estate property, lodging dates, payment and payment methods, etc..

In Spain, regulation of the tourist sector is not harmonised. It falls under the responsibility of the 17 Autonomous Communities and Town Halls, which can also enforce legislation concerning urbanism and licenses.

The Central Government has, in principle, a subsidiary capacity to legislate in this matter, under the Spanish Urban Lease Law (*Ley de Arrendamientos Urbanos*). However, a change to the Spanish Horizontal Property Law (*Ley de Propiedad Horizontal*) is planned to allow neighbourhood communities to ban tourist apartments with a three-fifths majority, instead of the current unanimity. The creation of a single-state register of tourist apartments is planned, envisioned as an instrument to monitor this sector more closely.

The most important tourist cities in Spain, such as Madrid, Barcelona or Palma de Mallorca are introducing legislation to preserve residential use in the urban centre.

Marriott Homes & Villas

In Madrid, to operate a tourist apartment, a statement of responsibility (*declaración responsable*) and an occupancy certificate (*cédula de habitabilidad*) are needed. The Town Hall has separated the city into zones, and it has established that new tourist apartments which are intended to be operated in very saturated areas must meet a series of conditions that, de facto, exclude the majority of the potential supply: independent access from the street to the accommodation, a reception at the entrance and an interdiction on sharing lifts with the rest of the neighbours.

Additionally, Madrid's regulation included a one-year period – extendable to another year – in which no new licences could be granted. The court suspended this moratorium in May 2019 (*Tribunal Superior de Justicia de Madrid*) on the grounds that it infringed on the competence of the Autonomous Community of Madrid.

Furthermore, an apartment that is rented in the Region of Madrid for more than three months per year must request a specific lodging license (*licencia de hospedaje*).

The Spanish National Commission on Markets and Competition (*Comisión Nacional de los Mercados y de la Competencia or CNMC*) has contested this local regulation in court for not clearly specifying how these measures protect the general interest. The CNMC also considers that the law imposes restrictive effects on competition, e.g., a limitation on the entry of new operators and a consolidation of the position of those who provide tourist accommodation that already offer services.

In Barcelona, to operate a tourist apartment, one must have an occupancy certificate (*cédula de habitabilidad*) and give prior notice (*comunicación previa*) to the Town Hall. In addition, the city has also been dived into zones, aiming at a "zero growth" rate of tourist apartments. Whereas in saturated zones, mainly the downtown area, no new licenses are issued, other zones only give new licences as a replacement licence. Moreover, the process of obtaining licences has become more complicated, with the number of inspections and sanctions increased to prevent fraud.

Palma de Mallorca allows, exceptionally, tourist apartments in single-family homes (isolated houses or chalets), unless they are in specific locations, such as on protected urban land. In order to operate, a statement of responsibility (*declaración responsable*) complying with the minimum requirements is needed.

Despite this tendency to enforce restrictive regulations, recent rulings issued by the Spanish Supreme Court have annulled a regulation in the Canary Region that divided the city into zones and prohibited tourist apartments in the centre. The main reasons were that such regulations breached business freedom and violated the basic principles of Competition Law protected under both the Spanish Constitution and European legislation.

The increase in tourist apartments in Spanish cities is a challenge, the solution of which will resemble measures associated with traditional tourist accommodation, such as hotels, to ensure fair competition in the market. Additionally, as it concerns coexistence between neighbours and citizens, their input will also play an essential role.

Short-Term Accommodation Apartments in Portugal

The legal definition of short-term accommodation (*alojamento local or simply AL*) first appeared in 2008, with the aim of enabling accommodation services to be offered in buildings that did not meet the conditions necessary to be allocated for tourist purposes, in addition to regulating situations not covered by the existing legal and taxable framework, referred to as "illegal beds". Given the proliferation of this type of lodging, a specific legal framework for AL was approved in 2014, amended in 2015 and then significantly revised in 2018.

Short-term accommodation consists of providing temporary accommodation services, in particular for tourists. This is presumed to take place whenever a building – or part of a building – is:

i. Advertised by any entity or means, namely through travel and tourism agencies or Internet sites, as accommodation for tourists or as temporary accommodation, or
ii. Offered to the general public, furnished and equipped, including, in addition to sleeping facilities, complementary services, namely cleaning, for periods of less than 30 days.

AL may be carried out in independent villas, apartments, hostels/dormitories and, as of 2018, in bedrooms, provided certain conditions are met.

When the AL legal regime was first introduced, it was relatively non-interventionist, simply imposing standard technical/regulatory requirements; moreover, the operation of AL was not subject to the issuance of a specific permit but only to a simplified prior notification procedure (*comunicação prévia*) submitted to the relevant municipality, usually made via the Internet. Specific and favourable tax conditions – especially when compared to residential accommodation – are also applicable.

With the relevant growth of tourism in Portugal, where the number of tourists has nearly doubled from 2002 to 2017, and to the extent that this legal regime clearly distinguished AL from typical tourist accommodation carried out in hotels and resorts, AL began to flourish in residential apartments, mainly in the central and historical neighbourhoods of major Portuguese cities.

This led to opposing consequences: while on the one hand, it contributed to the repopulation and dynamism of certain areas that were deserted and to the regeneration of old and decrepit buildings, on the other hand, it resulted in the locals being forced out of the city centres, a decline in the availability of apartments and subsequently an increase in market prices. Additionally, in relation to buildings with multiple apartments, the occupants of neighbouring apartments had to deal with intensified noise levels and increased wear and tear of the common areas of the buildings.

In this context, the operation of AL in residential buildings with multiple apartments was challenged and contradictory court decisions were made, some considering that the operation of AL could take place in residential buildings and others that AL was not compatible with residential purposes, and therefore authorisation from the remaining owners of the building was required. Regardless of the prevailing understanding, it became clear that the AL legal regime needed to be improved, in order to control and better regulate the coexistence between AL and residential areas, giving rise to the most recent amendment that came into effect in October 2018.

Firstly, the current version of the AL legal regime allows the operation of AL in buildings with multiple apartments, to the extent that only hostels – and not apartments – are required to obtain pre-approval from the majority of the remaining owners of the building.

Secondly, the operation of the new AL legal regime is now subject to prior notification, with the term (*comunicação prévia com prazo*) now meaning that the relevant municipality has the right to reject such notification, if some requirements have not been met, within 10 days from its submission to the municipality (20 days in the case of hostels).

However, in addition to other regulatory/technical stricter requirements for the operation of AL, probably the most contentious change made during the latest amendment to the AL legal regime is the possibility that the municipalities, in order to preserve the social harmony and order of neighbourhoods, can create so-called containment areas (*áreas de contenção*), in which restrictions may be imposed on the number of new ALs, taking into account the proportion of residential buildings in the area. Once a containment area is created, installation of new ALs will be subject to explicit authorisation issued by the municipality – and not to prior notification within a specific timeframe – and the same owner will not be allowed to operate more than seven ALs therein. Also, the authorisation granted to an AL – villa and/or apartment types – located in a containment area will be personal and non-transferable, even if held by a company.

Even if the AL legal regime is uniformly applicable throughout the Portuguese territory, it has now been granted to each of the municipalities to ensure further autonomy, in particular concerning the creation of containment areas, which will be revised every two years. In this regard, the Municipality of Lisbon has already approved containment areas in some central locations that are the most crowded and heavily populated with tourists.

REITs IN IBERIAN PENINSULA – LEGAL & TAX FRAMEWORK

Spanish Real Estate Investment Trusts (REITs) have been present in the Iberian Peninsula market nearly 10 years, while in Portugal this form of public investment vehicle has only recently been introduced. The legal framework pertaining to both is summarised in this section of the report.

Exhibit 43 - Selected SOCIMIs in Spain

COMPANY	INCORPORATED**	HOTEL PROPERTIES	KEYS
SPAIN			
Hispania Activos Inmobiliarios SOCIMI, S.A.***	2014	42	12 901
MERLIN Properties SOCIMI, S.A.	2014	4	1 079
Elaia Investment Spain SOCIMI, S.A.	2017	4	425
Torimbia SOCIMI, S.A.	2019	3	275
PSN SOCIMI, S.A.	2017	2	126
Quonia SOCIMI, S.A.	2016	1	52

Source: Cushman & Wakefield Research, RCA*
*Based on available data and data from RCA
**Refers to the year in which the REIT began trading on Madrid's Alternative Stock Exchange (MAB)
***Refers to the number of properties and keys held by Hispania before its acquisition by Blackstone in 2018

"SOCIMI" - Spanish REIT

Investment vehicles in the hotel sector: Spanish Real Estate Investment Trusts (REIT), or as they are known in Spain, *Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario* (SOCIMI), are public limited companies (*sociedades anónimas cotizadas*) whose main activity is direct or indirect investment in urban real estate assets with the purpose of leasing those assets, which include housing, commercial premises, residences, hotels, garages as well as offices. Spanish legislation specifies that their corporate purpose must comprise either the acquisition and promotion of urban real estate assets for leasing or the holding of a stake in the share capital of other SOCIMIs or foreign entities that perform a similar activity (usually known as a REIT in other countries).

According to the preamble of the law under which SOCIMIs were created in 2009, their main goal was "to continue driving the real estate leasing market in Spain, elevating its professionalism, facilitating access for citizens to real estate, increasing the competitiveness of the Spanish stock markets and invigorating the real estate market". In fact, these kinds of vehicles were not attractive for players in Spain's real estate market until 2012, when the regulation was amended to exempt them from corporate income tax, in line with REITs from other countries.

Consequently, since the introduction of this tax benefit, and driven by the lack of liquidity and dissolution of hotel chains in Spain caused by the economic crisis, the Spanish hospitality sector has been improving since 2015 by taking advantage of these kinds of vehicles. This is mainly because of their beneficial tax regime, but also due to the fact that SOCIMIs have proven to be a successful method of separating operational activities from the ownership of the real estate asset itself. This implies a significant mitigation of risks for hotel chains, as well as an opportunity for hotel operators to gain liquidity and improve their competitiveness.

As mentioned above, one of the main attractions of these entities is that they are subject to a special tax regime—when the corresponding legal requirements have been met – with a key attraction being their exemption from Spanish corporate income tax for the entities owning the real estate assets in which other operational activities managed by a third party are performed.

With respect to the enjoyment of the special tax regime provided under Spanish legislation, every SOCIMI must meet the following basic requirements:

i. Have a share capital of at least €5 million;
ii. Have a minimum of one property;
iii. Trade on any regulated market from any jurisdiction of the European Economic Area;
iv. Have a minimum of 80% of its assets allocated in leasable urban real estate assets; land for the promotion of leasable urban real estate assets that will be dedicated to leasing; or shares in other SOCIMIs or similar entities;
v. 80% of their earnings come from leasing activities or dividends from another SOCIMI or similar entity;
vi. Comply with a mandatory distribution of dividends; and
vii Real estate assets must be leased for a minimum three-year term.

A SOCIMI that does not meet all the above requirements may still fall under the special tax regime if it has a compliant parent company. Also, the requirement related to trading on regulated markets may be fulfilled within two years following the adoption of the SOCIMI regime.

In conclusion, although they are a relatively young player in the market, SOCIMIs are currently one of the most common methods for investment in real estate in Spain, proven as a great solution to improve competitiveness and risk mitigation in the hospitality sector, not only from an investor/proprietor perspective, but from an operating point of view as well. Nevertheless, the results of the recent elections held in Spain in April 2019 may imply future changes in relation to the Spanish SOCIMI regime as we know it today.

"SIGI" - Portuguese REIT

In Portugal, the long-awaited real estate investment trust (REIT) regime has only been recently enacted. Since the 1 February 2019, the REIT regime has been adopted into the Portuguese legal framework through the Real Estate Investment and Asset Management Companies (*Sociedades de Investimento e Gestão Imobiliária* – SIGI).

There is an intended parallel between the legal framework for SIGIs and REIT regimes across the world, notably with the Spanish SOCIMIs. The following SIGI main features should be considered:

Share Capital	Minimum of EUR 5,000,000
Types of creation	Either by newly incorporated SIGIs or by the conversion of (i) pre-existing private limited liability companies by shares; (ii) real estate collective investment vehicles.
Main corporate purposes	i. acquisition of freehold rights, surface rights or other rights over property of similar nature, to be allocated to leasing or other forms of commercial exploitation; ii. hold participations in other SIGIs, or in similar companies with registered offices in another Member State of the European Union or European Economic Area; iii. acquisition of stakes in Portuguese collective investment vehicles that have a similar income distribution policy.
Portfolio	i. the value of rights over real estate assets and holdings must represent at least 80% of the total value of the assets; ii. the value of rights over real estate assets subject to lease or other forms of commercial exploitation must represent at least 75% of the total value of the assets. In order to be considered for the overall amount, the real estate assets must be free of liens or encumbrances other than the ones related with financing for their acquisition, construction or refurbishment. Both real estate assets and participations must be held by the SIGI for a minimum period of three years.
Indebtedness limitation	Indebtedness may not at any time exceed 60% of the SIGIs total assets.
Trading	Trading on a regulated market (Euronext Lisbon) or in a multilateral trading facility in Portugal (Euronext Access or Euronext Growth)
Mandatory distribution and reinvestment	The SIGI must distribute as dividends, within nine months after the end of each financial year, at least: i. 90% of the profits of the financial year that result from dividends on shares or income from participation units; ii. 75% of the remaining distributable profits of the financial year. At least 75% of the net proceeds deriving from the sale of assets allocated to the core corporate purpose of the SIGI must be reinvested in other assets to be allocated to the development of that corporate purpose, within three years from disposal.
Tax regime	The tax framework of SIGI shareholders will vary, according to the tax residency of the shareholder and whether the shareholder is a company or an individual: i. Non-resident individual or corporate shareholder (who is not resident in a tax haven jurisdiction) will be liable to a 10% withholding tax rate on income; distributed from the SIGI and on capital gains deriving from the sale of the shares ii. Resident individual shareholder will be taxed at a 28% flat rate on both dividends received and capital gains assessed; iii. Resident corporate shareholders will be liable to a 25% withholding tax rate on dividends distributed, but the respective income will be included in their taxable result which is liable to CIT at the standard rates (meaning that the withholding tax assumes the nature of an advance payment).

We will now need to give the market time to see if SIGIs are successful in Portugal and able to meet the high expectations created by the market. The momentum of the Portuguese real estate market will also play an important role in speeding up the acceptance of SIGI by the market.

Aloft Madrid WXYZ Bar

MARRIOTT INTERNATIONAL

Edgar Ollé
Development Manager — Spain and Portugal

Short interview with Edgar Ollé on Marriott's expansion in the Iberian Peninsula, Millennials, technology and shared accommodation platforms.

What are your expansion plans for the Iberian Peninsula?

We see great potential in the Spanish and Portuguese market and will keep on investing in both markets to maintain and further grow our position by opening new hotels, expanding already existing brands and introducing new brands.

We will soon debut three new W Hotels in Spain, W Ibiza, W Madrid and W Marbella. In addition, we recently brought the mid-market Aloft brand to in Madrid with the Aloft Madrid Gran Via. Marriott International's brand for music lovers and tech-savvy travellers, Aloft Madrid brings tech-forward, future-proofed design juxtaposed against the rich history of the Gran Vía neighbourhood.

What is unique about your concepts, and how does it address the millennials as customers?

We see the diversity of our 30 brands as our biggest strength. Our range of brands enables us to continue tailoring the hotel experience to our guests, so no matter what they are looking for when they travel, we have an option that will suit their needs.

Millennials are expected to account for more than 60% of Marriott International's business within the next four years. Generations Z and Y (Millennials) are expected to account for 90% of the working-age population within a decade; the upcoming generation is gradually transforming leisure, work and communities as a whole. Marriott Internationals' Moxy brand has been designed to give Millennials everything they want and nothing that they don't. The brand offers a new way of travelling which is smaller in concentration, but not a reduction. Premium in every way but price—its affordability is not a sacrifice of style, nor a loss of comfort. Combining contemporary style and approachable service, Moxy appeals to the next generation of travellers by offering a tech savvy, high energy, playful experience.

How does technology affect your business and are there any new developments within your company?

Automation, technology and digitalization will undoubtedly reshape the future and the nature of work in hospitality. However, we see technology as an additive to the guest experience, not a replacement for the personal service our associates provide. At its core, the hospitality business is about welcoming people and providing a home away from home which inherently requires a human touch and interaction.

Marriott is leveraging technology to deliver personalised travel experiences before, during and after the stay, to engage with our guests wherever they are in the way that is easiest and preferred by them—whether that is through an app, messaging, a call centre, and/ or face-to-face on property. For example, Facebook Messenger and Slack Chatbots demonstrate how Marriott increasingly relies on digital/ mobile platforms to engage members. The introduction of chatbots means we are expanding the universe of touch points available to our guests and allowing our associates to focus on more unique customer issues, rather than the day-to-day questions. In short, high-tech combined with high-touch personalised experiences work together to deliver the best service to our guests.

How does the arrival of sharing platforms such as Airbnb affect your business?

We welcome healthy competition and embrace the challenges it brings. The home-sharing economy has certainly been a disrupter in our industry and has prompted hotel companies to think differently about guest needs and behaviours. With hotels, consumers can experience the locale of a destination, with experts on hand to direct you to the best places, all without sacrificing the safety, security, housekeeping and comforts that a hotel provides. This is in addition to the ability to earn loyalty points across the entire portfolio, ultimately enabling consumers to explore their passion for travel even more.

However, we know that our guests have different needs—whether it's because they are travelling with family or with a group for an extended period.

Marriott International has an ongoing commitment to innovating on behalf of our guests as their travel needs evolve and with this in mind, we recently launched Homes & Villas by Marriott International—a new homesharing brand offering travellers access to entire homes in exceptional destinations around the world. The 30th brand participating in Marriott Bonvoy, Homes & Villas by Marriott International is designed to complement our core hotel business by providing additional accommodation options that meet the travel occasion for all types of travellers.

The strategy for expanding Marriott's homesharing platform through the creation of a new brand was validated through a 2018 pilot under the name of Tribute Portfolio Homes. Of the guests who booked a home during the pilot, 87% were members of Marriott Bonvoy, 73% were travelling for leisure with family and friends, and had an average length of stay more than two-times the typical length of stay seen in hotels. These insights played an important role in guiding the new brand's selection of luxury and premium homes, as well as the key markets that complement the core offerings of Marriott's hotel portfolio.

> *"Millennials are expected to account for more than 60% of Marriott International's business within the next four years.*

WHAT'S NEXT?

Market Outlook

The tourism sector has been one of the fastest growing industries in the world and is expected to outpace the global economies in the future[17]. The Iberian Peninsula will continue to benefit from this phenomenon, with international demand projected to reach 390.8 million nights in paid accommodation across the region by 2021. This represents an increase of 10.5% over the three-year period.

However, certain variations in the demand flows and supply pipeline within Iberia's sub-markets will likely cause hotel performance across the region to further polarize. Many markets will continue to see positive trends, although some destinations might face temporary challenges.

Hotels in major cities across Iberia are likely to see strengthening performance. RevPAR growth in Madrid is expected to continue on an upward trend but with a shift from rising occupancy towards stronger ADR increase, as hotels reach full capacity during high-season periods. While there is some pipeline on the horizon, it is at a relatively moderate level, given the depth of Madrid's hotel market. Furthermore, the expected new supply additions are within the Upper-Upscale and Luxury classes, such as Four Seasons, Edition and W hotels. This should help further elevate the positioning of the Spanish capital as a high-end destination and positively impact market ADR. Similarly, Barcelona is expected to see solid performance growth, with both occupancy and ADR increases. This will be supported by supply constraints arising from the moratorium on new hotel development.

In terms of key cities in Portugal, Lisbon and Porto may anticipate some supply influx, which could potentially erode RevPAR, primarily in 2020-2021. However, growing demand should soften the impact and ensure fast absorption, leading to a positive performance trend in the medium to long-term.

Resort locations in Spain and Portugal had some exceptional years recently, benefiting from the downturns in competing holiday destinations. However, this trend began to reverse in 2018 and is likely to continue in 2019, despite the growing global tourism market. Nonetheless, the resort markets are expected to recover from this downward trend and performance should stabilise in 2020 and beyond.

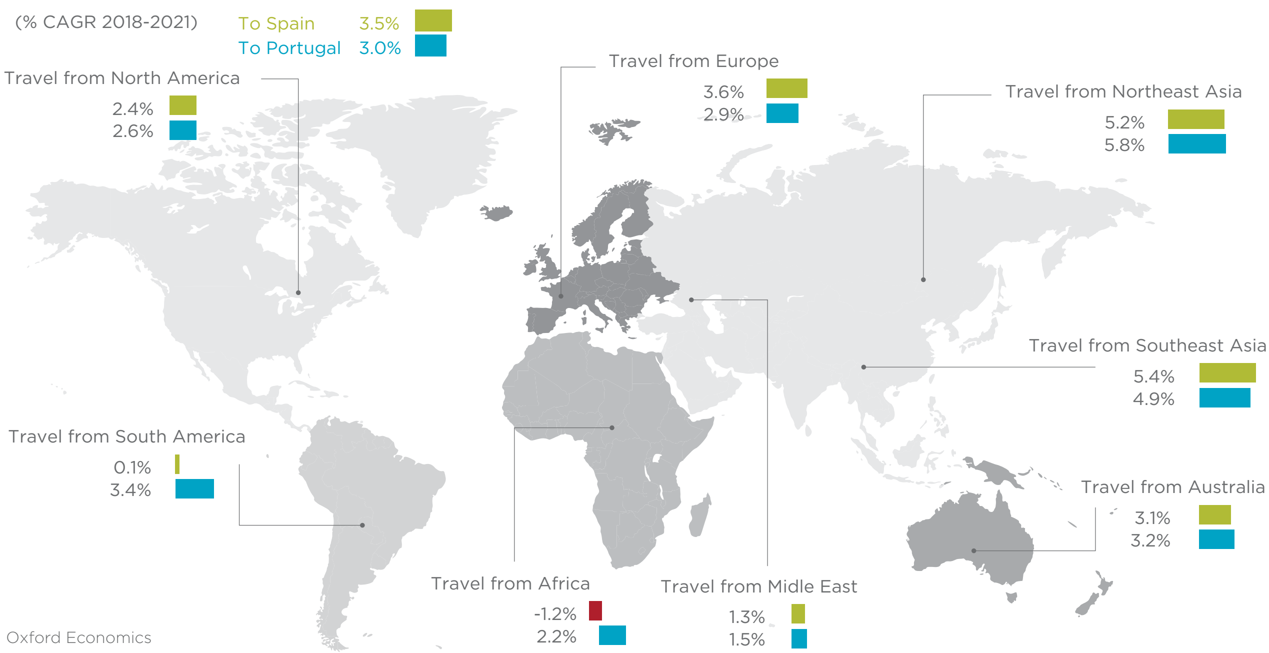
It is important to note that there are potential headwinds on the horizon, such as a softening global economy and Brexit uncertainties, which may adversely impact travel to the Iberian Peninsula. However, the long-term prospects remain positive, underpinned by structural shifts, including global socio-economic, demographic and technological changes fuelling the tourism growth phenomenon. This should supplement lost demand from some of Iberia's traditional source markets with new visitors from other regions in Europe and North America, as well as travellers from emerging geographies, particularly Asia.

Overall, this positive outlook will continue to attract interest from operators and investors. International capital will play an increasing role, however facing strong competition from domestic REITs expanding in the hotel sector. This is likely to broaden investment activity in terms of sub-markets, hotel classes, and deal structures. This continued interest combined with the lack of new supply in most markets should help maintain healthy yield levels despite the rising geo-political and economic concerns.

From a qualitative perspective, hotel products will continue to evolve, with new brands blurring the lines between traditional concepts even further. Operators will also increasingly focus on introducing innovative ways to win back the customers from homesharing platforms. However, the short-term apartment rental sector is here to stay, although growth is likely to slow down, especially in major cities where the sector is reaching saturation levels. Furthermore, increasing regulations is likely to ensure that homesharing platforms do not cause major disruptions to the marketplace and local communities.

[17] Tourism, Trade and the WTO: A Joint Communication from UNWTO, WTO, ITC and WTTC, October 2018

INTERNATIONAL TRAVEL FORECAST - VISITOR NIGHTS GROWTH



Source: Oxford Economics

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Thank you for reading this report, we hope you found it interesting. Please do not hesitate to contact us if you would like to discuss any of the topics further.

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About the Contributors

a&o Hostels
a&o Hostels currently operates 36 assets in 21 cities and 6 countries (Germany, Austria, the Netherlands, Czech Republic, Denmark and Italy). New openings are scheduled in Budapest, Warsaw, and Copenhagen over the next 12 months. As Europe's largest hostel operator and owner, a&o Hostels grows at a rate of over 15% per annum, having recorded over five million overnight stays and a group turnover in excess of €152 million in 2018.

Accor
Accor is the world's leading hotel operator, as well as a market leader in Europe, Latin America, Middle East & Africa and Asia-Pacific. We operate over 2,375 hotels under direct management contract and an additional 2,155 hotels under franchise contract. Every night, we welcome over 500,000 guests in 4,500 hotels in 100 countries.
At Accor, hotels are in our name and our DNA. Which is why we will always offer a full range of hotel experiences, so our guests will always find a brand to suit their budget and needs.
Accor offers the largest brand portfolio with 38 brands in the hotel industry comprised of internationally acclaimed luxury & premium brands as well as popular midscale and economy brands, in-demand lifestyle smart concepts and inspiring resorts.
Alongside our celebrated hotel brands, Accor also manages serviced residences catering to extended stay guests and branded private residences.

Amazing Evolution
Amazing Evolution is a full-service hospitality company currently acting under 4 business areas that allows us to give the best possible service; Hotel & Resort Management, Hotel Development & Investment, Hospitality Asset Management and Specialized Consulting services.
Having assisted with nearly 1700 hotel rooms, Amazing Evolution has been a trusted partner to hotel owners, developers and financial investors in managing and developing their projects.
We focus on value creation and return on investment for each property recognizing and expecting its nature. Our customers are our priority and we will provide them with a quality experience by delivering an innovative and impeccable service in a sustainable. We truly believe in the importance of our team in achieving this and we encourage their sense of belonging while developing their skills. We aim to always do more and perform better to be the market reference by creating value in hospitality assets.

CityHub
A pioneer in the affordable lifestyle sector, CityHub is an innovative hotel company from Amsterdam with hotels in the Netherlands and soon Copenhagen. The brand combines comfort with a feeling of community and a strong local connection. Located in lively neighbourhoods, each of their boutique hotels has its own design and personality to create a unique place for visitors and locals alike. CityHub makes use of new technologies to engage with guests and provide them with real-time and curated information. Above all, the concept is designed to offer travellers the opportunity to discover the city like a local and to share their experiences.

edyn
edyn is one of the UK's leading providers of Serviced Apartments and an industry pioneer in Aparthotels.
Over 18 years we've built an extensive range of serviced apartment offerings, creating a global supply chain of over 80,000 apartments in 260 key locations. edyn is synonymous with innovative brands, extensive options and the highest quality service for both leisure and business travellers. We are re-shaping hospitality and creating seamless journeys for clients, immersing guests in the culture and lifestyle of their destinations and creating havens for the modern-day traveller.

Hilton
Hilton (NYSE: HLT) is a leading global hospitality company with a portfolio of 17 world-class brands comprising nearly 5,900 properties with more than 939,000 rooms, in 114 countries and territories. Dedicated to fulfilling its mission to be the world's most hospitable company, Hilton earned a spot on the 2018 world's best workplaces list, and has welcomed more than 3 billion guests in its 100-year history.
In Iberia, Hilton currently has 15 hotels in operation and a further 12 properties in the pipeline across five brands. We have continued to add hotels in the key markets of Madrid (Curio Collection by Hilton, Doubletree by Hilton & Hampton by Hilton) , Barcelona (Doubletree by Hilton & Hampton by Hilton) , Lisbon (Curio Collection by Hilton), and Porto (Hilton). We are also focused on adding to our resort hotels such as the Conrad and Hilton Vilamoura.

Marriott International
With 30 brands and over 7,000 properties across 131 countries and territories, Marriott International is the world's largest travel company offering unmatched choice for guests and driving unrivalled value for owners. With our expansive portfolio of brands, dynamic sales and marketing platform, and a global scale that drives efficiencies, our owners benefit from a clear competitive advantage and opportunity to maximize each hotel investment. In Europe, Marriott International boasts over 600 open properties and over 220 hotels in the pipeline.

NH Hotel Group
NH Hotel Group is a consolidated multinational player and a leading urban hotel operator in Europe and America, where it operates over 370 hotels. The Company aims to deliver memorable experiences and exceed guest expectations providing efficient and sustainable solutions for today's and future's challenges. Since 2019, NH Hotel Group works with Minor Hotels in the integration of their hotel brands under a single corporate umbrella with presence in over 50 countries worldwide. Together, both groups have a portfolio of over 500 hotels articulated around eight brands: NH Hotels, NH Collection, nhow, Tivoli, Anantara, Avani, Elewana and Oaks - that comprise a broad and diverse range of hotel propositions connected to the needs and desires of today's global travellers.

Selina
Selina a hospitality platform connecting global travellers and local communities combining top-design accommodation with coworking spaces, wellness, recreational offers and local experiences for today's travellers to live, work and explore in any place of the world. With a special focus on design, technology and social interaction oriented towards travelling, Selina currently has opened and signed more than 100 urban, beach, jungle and mountain units in more than 19 countries and it has developed a global infrastructure for nomads who want to transform the world in their classroom, office and playground.

STR
STR provides clients from multiple market sectors with premium, global data benchmarking, analytics and marketplace insights. Founded in 1985, STR maintains a presence in 15 countries with a corporate North American headquarters in Hendersonville, Tennessee, and an international headquarters in London, England. For more information, please visit str.com.
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YOTEL
Inspired by the luxury of first-class travel and uncompromisingly designed around guests, YOTEL takes the essential elements of luxury hotels into smaller, smart spaces and deliver extraordinary value and a sense of community with areas for co-working, social gatherings and exercise in sought after locations. Premium Cabins include YOTEL's signature adjustable SmartBed™ with rejuvenating rain showers and SMART TVs, multi power and USB points and easy connectivity. YOTEL currently operates seven airport hotels in London Gatwick, London Heathrow, Amsterdam Schiphol and Paris, Charles de Gaulle, Istanbul Airport (2), Singapore Changi and six city centre hotels in New York, Boston, San Francisco, Washington D.C., Singapore and Edinburgh. YOTEL is expanding rapidly with new projects under development globally, including Amsterdam, Porto, London, Dubai, Geneva, Long Island City, Miami, Park City, Mammoth, Atlanta and Melbourne. YOTEL's major shareholders include a controlled affiliate of Starwood Capital Group, the Talal Jassim Al-Bahar Group, United Investment Portugal and Kuwait Real Estate Company (AQARAT). YOTEL was created by YO! founder Simon Woodroffe OBE, who inspired by first class travel, translated the language of luxury airline travel into a small but luxurious cabin (www.yo.co.uk).

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- an unwavering dedication to the business of exceeding the expectations of our clients
- and a collaborative culture that empowers our people and creates new solutions others cannot see
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- $6.9 billion revenue (2017)
- 48,000 people
- 400 offices & 70 countries

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About CMS

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CMS lawyers lead strategically in the sector, advising the top investors, funds and lenders in the market. We consistently advise on more transactions in this sector in Europe than any other law firm. This means you get access to the latest information, ideas and opportunities. We can introduce you to other sector players, including operators, purchasers, vendors, construction firms, financiers and investors. Such contacts can prove invaluable to your business. If you are involved in a distressed situation, our real estate restructuring lawyers can help sell your hotel or leisure asset out of insolvency. In the event of a dispute, our industry experts can guide you through the litigation process, ensuring you the best outcome.

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