

Hotel Performance in Barcelona and Madrid

2007-11-06

Both Cities show RevPAR improvement

September saw The Bench welcoming over 50 of Madrid's leading hoteliers and revenue managers at an evening reception held at The Westin Palace Hotel, Madrid. The well-attended event served as an opportunity for members of The Bench sales team to meet their Madrid-based clients and to thank those hoteliers and clients who have provided such invaluable support to the growth of The Bench in Spain and Madrid in particular.

As further recognition of this interesting market, The Bench have combined research forces with Christie + Co, the leading firm of surveyors, valuers and brokers specialising in the hospitality sector, to produce this short analysis of the hotel markets in Madrid and Barcelona - two unique cities with a unique appeal - to provide what we hope will be a useful and interesting source of information.

First, let's look at what happened last year.

In 2006 the Barcelona hotel market showed a very impressive improvement in RevPAR of 21%. This was driven primarily by a rise in the average room rate (ARR) from Euro 134 in 2005 to Euro 160 in 2006 and a small improvement in occupancy to 71%. In 2006 the Madrid hotel market experienced an improvement in RevPAR of 8%, from Euro 80 to Euro 87. Madrid's RevPAR improvement was driven by a strong increase in ARR, up almost 10% from 2005. Occupancy remained stable at 67%.

And 2007, so far?

For the first nine months of 2007 Barcelona has shown a continued, if less dramatic, improvement in RevPAR. Once again, this has been predominantly driven by ARR, which has risen from Euro 161 to Euro 174 for the corresponding period, whilst Occupancy has remained stable at 73 %.

In these same nine months, Madrid has also seen some improvement in RevPAR. Occupancy, once again, has remained stable at 66 % for the period, whilst ARR has grown from Euro 129 to Euro 133.

This analysis, based upon the daily data entered into The Bench system by participating Bench hotels, shows Barcelona hotels significantly out-performing those providing data from Madrid.

Barcelona overview

One advantage Barcelona seems to have over Madrid is a more balanced 'seasonality', leisure demand in the city complements commercial demand resulting in high year-round occupancy, average rate and RevPAR.

The Barcelona data shows a strong RevPAR performance in all but the winter months, a reflection, perhaps, of the city's success in establishing itself as one of the top destinations in Europe for short weekend breaks.

It seems that Barcelona is also successful at attracting strong midweek hotel occupation levels throughout the calendar year. The 3GSM World Congress (a major mobile telecommunications event) held in February, brought around 55,000 attendees to the city, swelling the midweek ARR for February to Euro 190.

Major developments at the Fira de Barcelona exhibition centre and the proposed technological district, 22@Barcelona, are expected to further enhance the business traffic to the city in the future.

Furthermore, the new terminal at Barcelona's El Prat airport, due for completion in 2009, is expected to expand annual traffic from 30 million to 55 million passengers, with an expected consequence of strengthening both midweek and weekend visitation to the city.

Madrid overview

Madrid is widely felt to be the business centre of Spain, and attracts business visitation to the city on the back of its strength in the financial and industrial sectors. This is reflected in the midweek ARR in Madrid being consistently higher than the weekend ARR, a reflection of the city's status as predominantly a business destination. However, business demand in Madrid drops off significantly in the summer holiday months, as shown in the table by the relatively poor performance figures for August and July.

A substantial amount of the business visitation to the city is generated by the IFEMA Exhibition Centre, which organised some 81 events in 2006. This is likely to grow still further with the ongoing extension to the centre that will increase its capacity by 50,000 sq m.

Additionally Madrid is shortly to have a new convention facility, the International Convention Centre, which is currently under construction. These developments, along with Spain's growing status in the global economy, suggest continued increases in business income and thus hotel occupancy to Madrid in years to come.

In February 2006 a new terminal and two additional runways opened at Barajas airport increasing capacity to 70 million passengers annually, this has been followed by Easyjet launching its new base at the airport in February of this year. Combined with the local tourism authorities' increasing attempts to market the city as a short break destination, it is likely that we will see some future improvements in the weekend performance of the Madrid hotel market.

About The Bench

The Bench, global partner with Smith Travel Research (STR), is a market leader in providing online daily, weekly and monthly benchmarking data to more than 34,000 hotels worldwide. As the sole provider of an online benchmarking solution offering real time data, The Bench brings accurate hotel performance statistics to the market at an unparalleled speed.

With the flexibility and ease of creating an unlimited number of competitive sets, configure reports at will in a multiple of formats and access all information on a 24 hour basis, The Bench users can harness the power of our analytical tools to maximise their RevPAR penetration and maximize returns by measuring their daily performance against their competitors.

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