

[HOME](#) / [BLOG](#) / IS THERE AN UPSIDE FOR INVESTORS IN BARCELONA?

# IS THERE AN UPSIDE FOR INVESTORS IN BARCELONA?

By HOTELS Editors

May 12, 2014 - Categories: Blogs,

Barcelona was the best-performing urban market in Spain in 2013 with an average RevPAR of €79.80 (US\$109.79) — €157.50 (US\$216.69) in 5-star and €82.30 (US\$113.23) in 4-star — according to Spanish tourism association Exceltur. This RevPAR performance trend continues during the first quarter of 2014 with an estimated growth of 7% over the same quarter last year.



Barcelona

However, if we look carefully at the asset-pricing side, the picture doesn't seem to correlate with the GDP evolution of the country, contrary to what happened in other European markets such as Germany or the United Kingdom.



However, if we look carefully at the asset-pricing side, the picture doesn't seem to correlate with the GDP evolution of the country, contrary to what happened in other European markets such as Germany or the United Kingdom.

In the period 2006-2014, the lowest GDP rate in Spain was at the peak of the crisis in 2009 — at -3.8% — and in 2012 and 2013 the GDP growth was -1.6% and -1.2%, respectively. On the asset side, however, the evolution of prices per room in Barcelona during the same period is following a different path. Today, in 2014, just when the Spanish economy is beginning to recover from the bottom of the cycle, it is proving extremely difficult to acquire a running 4-star hotel property in Barcelona at less than €260,000 (US\$357,700) per key in 4-star or €473,000 (US\$650,740) per key in 5-star (as per the latest Qatari Diar acquisition). This is because the current hotel asset prices in Barcelona correspond to 2006 and 2007 GDP levels, precisely when Spain was growing at a rate of 4.1% and 3.5%, respectively.

Of course, hotel operators are very happy with the current performance of the city, but are real-estate investors also going to get their money's worth from the asset appreciation by buying at these levels in 2014?

I think the solution to this price mismatch can be found in new development opportunities or in the conversion of existing office and residential buildings into hotel use. In the case of 4-star new developments in Barcelona, I am seeing discounts in prices per room reaching 23% compared to prices of existing operating hotels.

Working alongside a strong local construction partner, it is perfectly viable to take this new development approach and enter the Barcelona market by benefiting also from capital appreciation, not only from a superior operating performance.

COMMENT

You must be [logged in](#) to post a comment.