

News Release

City Review: Valencia by Christie + Co

August 2009

Christie + Co
39 Victoria Street
London
SW1H 0EU

T 020 7227 0700
F 020 7227 0701
E carla.tarrida-soler@christie.com
DD 020 7227 0711

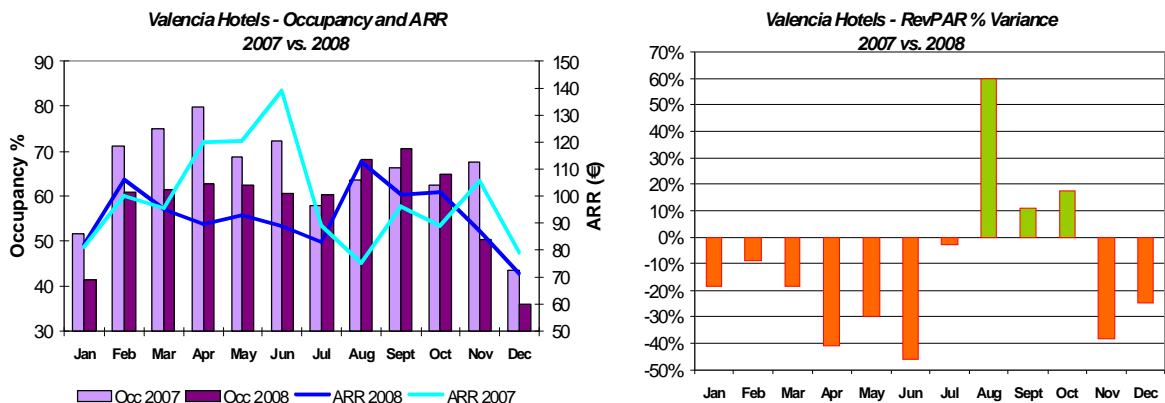
According to the latest city review by Christie + Co, using data provided by STR Global, after a positive 2007, aided by the 32nd America's Cup, RevPAR across Valencia hotels declined significantly during 2008. This was caused by a decrease of 6.8% in ARR and 6.4 percentage points drop in occupancy. In 2009, occupancy and room rates have continued their steep decline to unprecedented levels of just above 50% occupancy and €70-80 ARR. Preliminary figures for the month of July suggest that the current economic crisis and decline of the British leisure market have continued to affect Valencia with an ARR decline of almost 20% and occupancy levels below 54%.

With a population of 800,000 Valencia is the third largest city in Spain and is located on the eastern coast of the Iberian Peninsula. The city's image and international popularity increased with the hosting of the 32nd America's Cup for the first time in 2007 and the arrival of the Formula 1 Grand Prix in 2008. These events increased the city's leisure and business profile, aided by the expansion of the airport and reinvestment in its local conference and meeting offerings. The introduction of a high speed train service (AVE) to Madrid is expected to further underpin Valencia's popularity due to a substantial decrease in the current travelling time from 3.5 to 1.5 hours.

Trends in Hotel Market Performance

According to data provided by STR Global, Valencia hoteliers witnessed a very challenging 2008 with an overall ARR decrease of 6.8% and a 6.4 pts fall in occupancy, resulting in a 16% drop in RevPAR.

STR Global Trend Report - Valencia Hotels Full Year 2007 vs. Full Year 2008 (€)



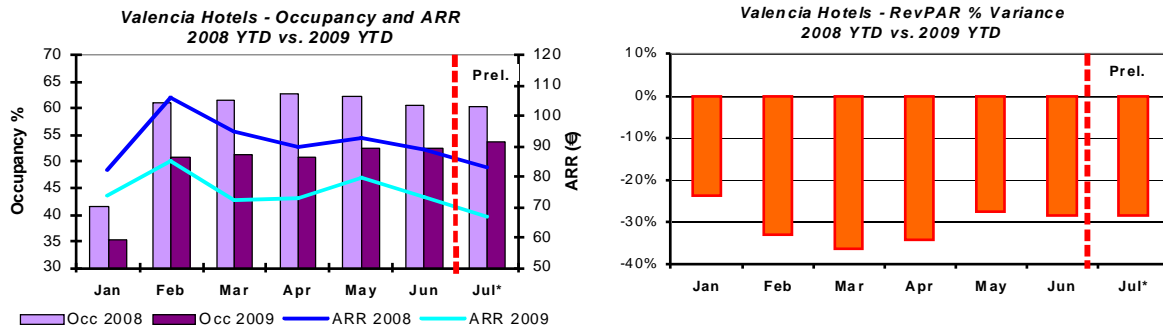
STR Global Trend Report – Valencia Hotels 2007 vs. 2008									
	2007			2008			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
Full Year	64.7	100.8	65.3	58.3	94.0	54.8	-6.4	-6.8%	-16.0%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a customised and consistent sample of 23 hotels, totalling c.3,595 rooms. The variance in occupancy (*) is expressed in percentage points.
COPYRIGHT DISCLOSURE. © 2009 STR Global Limited.

It is worth noting that the Formula 1 Grand Prix was introduced for the first time in August 2008, which led to a 60% growth in RevPAR in comparison to August 2007. Likewise, the 32nd America's Cup was held between April and June 2007 and was not repeated in 2008. Hence the volatility of the RevPAR Variance graph shown on the previous page.

The following table and graphs illustrate the year-to-date 2009 results as provided by STR Global.

STR Global Trend Report - Valencia 2008 YTD vs. 2009 YTD (€)



STR Global Trend Report — Valencia Hotels 2008 YTD vs. 2009 YTD									
	2008			2009			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
YTD June	58.2	92.9	54.1	48.8	76.2	37.2	-9.4	-18.0%	-31.2%
Jul*	60.4	82.9	50.1	53.8	66.8	35.9	-6.6	-19.4%	-28.3%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a customised and consistent sample of 23 hotels, totalling c.3,595 rooms, except for July figures (*) which are based on 'unaudited' daily data as available on 11 August for a sample of 11 hotels. The variance in occupancy (^) is expressed in percentage points.

COPYRIGHT DISCLOSURE. © 2009 STR Global Limited.

From February to November, Valencia occupancy rates usually range between 60% and 80%, and it is only in January and December when occupancy levels drop to between 40% and 50%. In 2009, January seems to have extended its usual 31 days as the subsequent five months have shown occupancies at just over 50% (some 20 percentage points below normal trading levels) and rates well below historical levels of €95 to €100. The declines in daily rates and especially occupancy levels have resulted in a year to June 2009 RevPAR drop of over 30%. Preliminary figures for July show a year-on-year decline of 28.3% in RevPAR and occupancy just below 54%, indicating that despite significant discounting of rates, occupancy remains a considerable challenge.

The current economic crisis has had a strong impact on Valencia, which has been further accentuated due to a) British tourism representing over 40% of the international market and b) cancellation of the 33rd America's Cup pre-regattas which were scheduled to be held early last month (July 09) and will now be hosted in Dubai in 2010. The Formula 1 Grand Prix this month is expected to give hoteliers a much needed boost in occupancy and rates.

Trends in Hotel Supply

The Valencia hotel market has been fairly stable in the past two years with only three significant openings totalling some 580 rooms. The latest addition was the 3-star, 15-bedroom Coso del Mar Hotel which opened in April 2008. Previously, the 4-star independently operated Hotel Urbem

opened during the summer of 2007 with 262 bedrooms, and the 5-star Hilton Valencia opened in May 2007 with 304 rooms.

In terms of refurbishments, the 4-star Hotel Astoria Palace, operated by Ayre Hoteles, just refurbished its public spaces and, Hotel Dimar, also a 4-star hotel, operated by HUSA Hoteles, underwent a full refurbishment and reopened last month (July 09).

There are currently three hotels being developed in Valencia representing some 240 bedrooms. These are the Hotel Palacio Marques de Caro, an independent 5-star luxury hotel with 27 rooms, set to open later this year, the 100-room Hotelandgo operated by HUSA, due to open in 2010 and the Travelodge Airport with 110 rooms, which will open in 2011. In addition, there are two hotel projects that have been put on hold accounting for 130 rooms. These are the AC La Malvarossa, which had been expected to open in 2010 with 80 rooms, and the Petit Palace Palacio Valeriola operated by High Tech Hoteles, which was scheduled to open in 2010 with some 50 rooms.

Trends in Hotel Transactions

The last significant transaction in Valencia took place in January 2007 when the 140-key Hotel Feria was sold for €19m to Agofer Developers, which planned to convert the hotel for residential use. Transactions recorded in 2006 were the Astoria Hotel, Rey Don Jaime, SH Canet and the Express by Holiday Inn San Luis, which totalled over 1,000 rooms in total.

Outlook

The outlook for Valencia is uncertain but there is potential for recovery in the mid term. On the one hand, as any other city in Spain and Europe, Valencia is suffering from the current economic crisis. Specifically, the considerable reliance on the British leisure market, together with the weakening of the sterling has seen a decline in British arrivals, putting pressure on occupancy levels. On the other hand, Valencia's international profile has increased considerably thanks to the America's Cup and the Formula 1 events which took place in 2007 and 2008 respectively. These events proved to be very beneficial and increased Valencia's corporate and leisure profile. The future arrival of the AVE in 2010 is likely to further contribute to Valencia's attractiveness thanks to a substantial decrease in travelling time to and from Madrid.

Therefore, should Valencia's hoteliers and government take the necessary preparatory steps, the city could be in a promising position (once the economy bounces back) to increase occupancy and daily rates by benefiting from the enhanced reputation gained from international events, as well as the more efficient rail network and business facility improvements that have taken place over the past two years. However, if these steps are not taken the tourism initiatives instigated a few years ago could be wasted.

For further information please contact:

<p>Carla Tarrida-Soler Consultant Christie + Co Direct line: +44 (0) 20 7227 0711 Email: carla.tarrida-soler@christie.com</p>	<p>Konstanze Auernheimer Director of Marketing STR Global Direct line: +44 (0) 20 7922 1961 Email: kauernheimer@strglobal.com</p>
<p>Inma Ranera Managing Director, Spain and Portugal Christie + Co Direct line: +34 93 343 61 61 Email: inmaculada.ranera@christie.com</p>	<p>Mark Wingett Head of Media Relations Christie + Co Direct line: +44 (0) 20 7227 0794 Email: mark.wingett@christie.com</p>

Notes to Editors

Christie + Co use desk-based research and experienced local industry specialists to produce bi-monthly city reviews. Hotel trading data is provided by STR Global.

Founded in 1935, Christie + Co is the leading firm of surveyors, valuers, consultants and agents specialising in the hospitality, leisure, retail and care sectors. Currently employing close to 350 professional and specialist staff, it has 16 offices throughout the UK – with valuation, agency, investment and consultancy teams focused on its key sectors. Christie + Co’s international operations are based in Barcelona, Berlin, Frankfurt, Hamburg, Helsinki, Dusseldorf, London, Marseilles, Munich, Paris and Rennes.

STR Global provides clients – including hotel operators, developers, financiers and analysts – access to hotel research with regular and custom reports covering over 38,000 hotels. STR Global provides a single source of global hotel performance data, offering concise, accurate and thorough industry research worldwide.

This report contains proprietary information of STR Global Limited, and no part of such data may be reproduced or transmitted, in any form or by any means without the express written consent of STR Global Limited. All requests to reproduce this information must be addressed to info@strglobal.com. Any approved reproduction of data within this report, in whole or part, must be attributed with an accompanying notice of copyright to 'STR Global Limited'. Failure to comply with the preceding guides may result in legal action. Whilst every effort has been made to ensure the accuracy of the data contained in this report, this cannot be guaranteed and neither STR Global Limited nor any related entity shall have any liability to any person or entity that relies on the information contained in this report. Any such reliance is solely at the user's risk. Copyright laws apply.