

22 de junio de 2004

NH, Sol Melia Sell Property to Thin Spain's Hotel-Room Glut

June 22 (Bloomberg) -- Sol Melia SA, Spain's largest hotelier, says its Tryp hotel near Madrid's main square is the "perfect place to discover the monumental" city. Fifty other hotels can claim the same, and the glut of rooms is forcing the hotelier to sell property.

Palma de Majorca based-Sol Melia said May 11 it will shed as much as 40 million euros (\$48 million) of property a year. Competitor NH Hoteles SA, based in Madrid, hasn't bought a single hotel in Spain since 1999.

Spain has 3.3 million rooms for rent, enough to fit three-quarters of Ireland's population. Lodging is the part of the country's 90 billion-euro tourism industry that has been hurt the most by the March bombings in Madrid. A survey by the Spanish Hotel and Lodging Confederation showed that 62 percent of hoteliers are posting lower profit this year, while industries such as airlines report higher demand.

"It's going to be hard to fill all the new beds that will become available," Sol Melia Chairman Gabriel Escarrer Julia, 68, said in an interview June 15 at a tourism industry conference in Madrid. The company has more than 160 hotels in Spain, where the tourism industry makes up about 12 percent of the country's gross domestic product.

Low-Cost Rooms

Real-estate investors fueled a construction boom in Spain in recent years, with the number of hotel beds increasing to 1.34 million in May from 779,000 at the end of 1999.

Destinations in Mediterranean countries including Croatia and Turkey, meanwhile, have been luring tourists away because they are less expensive, Jose Luis Zoreda, vice chairman of trade group Exceltur said Jan. 26. Exceltur represents both Sol Melia and NH.

Lodging in Turkey can cost as little as \$10 a room, and double rooms can be rented for \$12 per person per night in Croatia, according to the Rough Guide, a travel guidebook. Spanish hotel rooms typically cost about 80 euros a night.

Shares of Sol Melia have dropped 7.3 percent since the March 11 train attacks in Madrid, and NH has dropped 7.2 percent. InterContinental Hotels Group Plc, the world's largest hotel operator by rooms, has gained 5.1 percent. The Bloomberg Europe Lodging Index has risen 0.1 percent.

Occupancy Declines

The Spanish hoteliers have used asset sales to shield themselves from profit declines. Sol Melia said in a statement May 11 that first-quarter earnings rose to 10 million euros from 112,000 as it sold the Sol Aloha Playa resort in the southern Malaga region and a stake in a tour operator Viva Tours.

NH returned to profit after shedding luxury homes in the south of Spain. Both companies are struggling to fill rooms, though, as the occupancy rate of Spanish hotels dropped to a 10-year low last year.

Spanish hotels were 49.3 percent full in May, Spain's National Statistics Institute said today. That's down 4.9 percent from a year earlier and the lowest occupancy rate for the month of May since 1993.

Even as occupancy drops, the number of rooms will rise 40 percent in Madrid and 33 percent in Barcelona by 2006, according to Exceltur. Madrid alone will need to attract 27 percent more visitors each year to fill the rooms to be built by 2006.

"The situation is becoming difficult," NH Chief Strategic Officer Ignacio Aranguren, 43, said in an interview at a conference in Lisbon. "The players without distribution capacity, without a brand, are suffering."

Seeking Better Value

Turkey has beaches sprinkled with Roman ruins and discos. Croatia offers tourists windsurfing and visits to the 4th-century palace of the Roman Emperor Diocletian, known for throwing Christians to the lions. The palace's walls once formed a 39,000 square-meter fortress.

Tourism in both Turkey and Croatia is increasing faster than in Spain. The number of foreign arrivals to Turkey rose 36 percent in January and February. Visits to Croatia gained 13 percent, while the number of tourists to Spain rose 8.8 percent.

First Choice Holidays Plc, one of the U.K.'s largest tour operators, has stopped sending tourists to Spain's Costa Brava.

``Life's moved on and the hotels aren't up to the standard our customers want," First Choice Chief Executive Peter Long said in an interview. ``There's better value elsewhere."

Investors such as Jesus Garcia de Ponga, director of the real-estate investment unit at Banco Bilbao Vizcaya Argentaria SA in Madrid, say they are now avoiding investments in new hotels. BBVA is Spain's largest mortgage lender.

``Hotel properties are not doing well because of terrorism," Garcia de Ponga said. ``Too many people are still afraid to travel."

Sol Melia's Escarrer Julia said he doesn't think the growth in hotels in Spain threatens the business. Travel to Spain hasn't yet dropped as in other countries that fell victim to al-Qaeda-linked terrorist attacks. The number of visitors to Spain rose 0.1 percent in March, the month of the Madrid bombings. Tourism has accelerated since then, rising 4.6 percent in May.

``I would happily go to Madrid or Spain," said Marie Lewis, 67, a retired schoolteacher who lives 18 miles from Manchester, England, where the Irish Republican Army planted a 3,000-pound car bomb June 15, 1996. ``We have lived with the possibility of terrorism for so long that we just go about our daily business."