

# LISBON

## EUROPE'S MIRACLE BABY MATURING

### MARKET PULSE

FEBRUARY 2019

#### TOURIST ARRIVALS – 2018(E)



▲ **1.0% YOY**  
4.5 MILLION

#### AIRPORT PASSENGERS – 2018



▲ **8.9% YOY**  
29 MILLION

#### BEDNIGHTS – 2018(E)

▲ **1.0% YOY**  
10.8 MILLION



#### CONFERENCE MARKET – 2017

▲ **8.0% YOY**  
149 MEETINGS



### MARKET PROFILE

Lisbon is the capital of Portugal and one of the oldest cities in Europe in a region with approximately 3 million inhabitants. The city offers a variety of cultural, architectural and business-related attractions. The Estoril coast (west of Lisbon) – which includes Estoril, Cascais and the historic town of Sintra – is home to numerous leisure attractions. Lisbon hosted Expo 98 and the 2004 European Football Championship, which gave the country new international exposure. Portugal held the EU presidency in 2007, putting Lisbon on the map as a business and conference destination. With its pleasant climate and vibrant, safe atmosphere, Lisbon has become a very popular destination.

### TOURISM DEMAND

Over the last few years, Lisbon has become increasingly popular for leisure city breaks, owing to a year-round Mediterranean climate, its relatively low prices compared to other European countries, and the perceived level of safety and security. In addition, Lisbon was named the World's Leading City Destination at the World Travel Awards 2018. Lisbon has also become a key destination for meetings and congresses, including the Web Summit until 2028, attracting around 70,000 attendees every November.

Year-to-October 2018 data show that the positive visitation trend is continuing, albeit at a slower pace owing to a decline from the domestic, UK (weaker pound) and top European markets (owing to increased competition from the recovering North African markets). These declines were offset by stronger demand from the USA and Brazil, driven by new direct airline routes and the security situation in Brazil. An influx of French tourists seems to be filling the UK void, seeking the fiscal benefits of residing in Portugal (Non-Habitual Resident Status), as well as security concerns in France.

### TRANSPORTATION

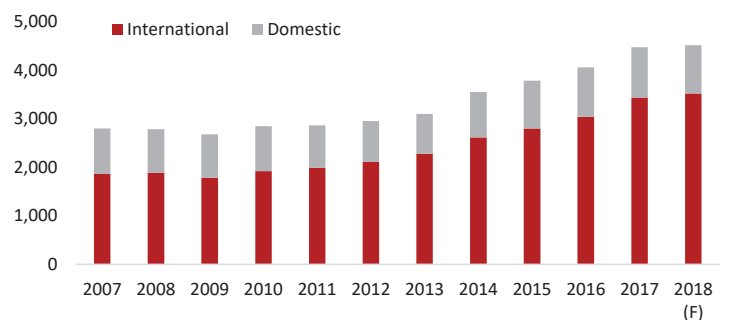
The evolution of passenger movements at Lisbon Portela Airport over the last five years has been among the most impressive in Europe, with a compound annual growth rate of 12.5%, reaching a record 29 million passengers in 2018.

### ECONOMIC INDICATORS – PORTUGAL

	2017A	2018F	2019F
GDP GROWTH (%)	+2.8	+2.1	+1.9
CPI (%)	+1.4	+1.0	+1.0
UNEMPLOYMENT (%)	8.4	7.1	6.3

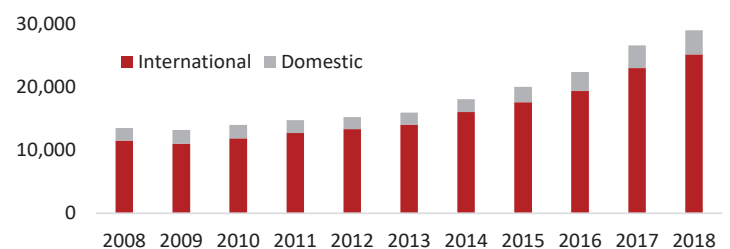
Sources: European Commission; Economist Intelligence Unit

### VISITATION – LISBON CITY (000s)



Sources: INE; TourMIS

### PASSENGER NUMBERS – LISBON AIRPORT (000s)



Source: Airports Council International, Vinci Airports

TAP Air Portugal recently announced two new routes to the USA from June 2019 (reaching seven direct routes), adding direct flights to Washington DC and Chicago. TAP also ordered 71 new aeroplanes, which will increase passenger traffic to Portugal.

To cope with growing demand, operator Vinci Airports agreed in January 2019 to provide €1.2 billion for the expansion of Lisbon's main airport and the construction of a new hub in nearby Montijo. This new airport, 25 km south of the city centre, is expected to open in 2022.

## HOTEL PERFORMANCE

Hotels in Lisbon record high occupancy levels owing to strong and constantly growing leisure demand. Over the past ten years, occupancy grew from the low 60s to just over 80% in 2017 before stagnating in 2018 owing to supply growth and limited visitor growth. Meanwhile, Lisbon's average rate performance increased significantly over the past four years, driven by the international visitors.

## HOTEL SUPPLY

Over the last five years, hotel supply in Lisbon has increased significantly, in line with the growing number of visitors. According to Turismo de Lisboa, there were 209 hotels in 2018, providing some 21,400 hotel rooms. Owing to the difficulty of finding a sizeable property in a suitable location, the major international hotel brands do not have a large presence in Lisbon. However, brands such as Moxy, Meliá and MEININGER are expected to enter the market. As shown in the hotel pipeline table, we expect hotel room supply to grow by 10% over the next three years.

## INVESTMENT MARKET

Lisbon's hotel market is rather illiquid with very few transactions taking place in recent years, as illustrated in the adjacent table. The most recent hotel transaction was the acquisition of the Arts Hotel Centre by Merlin Properties as part of a three-property portfolio. The 194-room Penha Longa Resort, in Sintra, was recently purchased by Carlyle Group for €100 million (or €515,000 per room). The Portuguese government recently passed a law in January 2019 to allow REITs to operate in the country, which could be a key driver for future investments in Portugal. Lisbon was the fastest-growing market in 2017 and 2018 in terms of value, according to our *European Hotel Valuation Index*.

## OUTLOOK

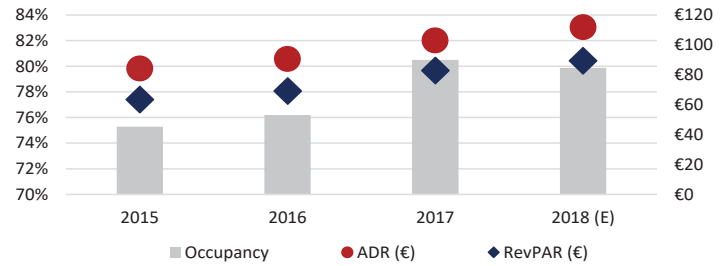
One of the challenges of the destination is that the airport is currently operating at full capacity, thereby limiting the number of arrivals at the capital city. Another challenge for Lisbon, and Portugal in general, is the recovery of the North African markets and occupancy levels are already slowing down. However, as Lisbon's reputation has increased, the outlook for both the destination and its hotels remains very positive, thanks to a strong hotel performance and its popularity with international travellers, both leisure and business.

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## KEY METRICS



Sources: Turismo de Lisboa; HVS Research

## HOTEL PIPELINE – LISBON CITY

Property	Rooms	Opening
Turim Boulevard Hotel Lisboa	100	Feb 2019
The One Palácio da Anunciada	83	Feb 2019
Moxy Lisbon Piscoas	136	Q2 2019
MEININGER Hotel Lisbon	121	Q4 2019
The Emerald House Lisbon, Curio Collection by Hilton	67	Q4 2019
Turim Lisboa Hotel (Extension)	104	Q1 2020
Meliá Lisboa	240	Q1 2020
Room Mate Hotel Lisbon	200	Q1 2020
Pestana R. Braamcamp	101	Q1 2020
Pestana R. Augusta	89	Q2 2020
Moxy Lisbon Parque das Nações	214	2020
Innside by Meliá	102	2020
The Student Hotel – Carcavelos	435	Jun 2021
Turim Avenida da Republica	214	2021

Source: HVS Research

## HOTEL TRANSACTIONS – PORTUGAL

Property	Sale Date	Rooms	Estimated Price (€)	Per Room (€)
Arts Hotel Centre	Jan 2019	300	As Part of Portfolio	
Penha Longa Resort	Dec 2018	194	100,000,000	515,000
InterContinental Porto Palacio das Cardosas	Jun 2018	105	53,750,000	512,000
Maison Albar Hotel Porto Monumental	Jun 2018	76	38,000,000	500,000
The Vintage Lisbon	Dec 2017	56	Undisclosed	
Lux Lisboa Park Hotel	Jan 2017	95	16,000,000	168,000
Hotel Gat	Nov 2016	71	8,500,000	120,000
Hotel Almirante	Nov 2015	59	6,200,000	105,000
Tivoli Oriente	Oct 2015	279	38,500,000	138,000

Source: HVS Research

## VALUE TREND

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CAPITALISATION RATES



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