

# LISBON

## HOTEL MARKET RETURNS TO GRACE

### MARKET PULSE

SEPTEMBER 2022

#### TOURIST ARRIVALS – 2021



▲ **41% YOY**  
2.2 MILLION

#### AIRPORT PASSENGERS – 2021

PORTELA AIRPORT



▲ **28% YOY**  
27.7 MILLION

#### BEDNIGHTS – 2021

▲ **46% YOY**  
4.4 MILLION



#### REVPAR – 2021

▲ **12.4% YOY**  
€92



### 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. With its pleasant climate and vibrant, safe atmosphere, Lisbon continues to increase its appeal as a short-break destination.

### TOURISM DEMAND

Lisbon has become increasingly popular for leisure city breaks, owing to its year-round Mediterranean climate, its relatively lower price offering compared to other European countries, and the perceived level of safety and security. In addition, Lisbon was named ‘Europe’s Leading Destination’ at the World Travel Awards 2020. A major inducer of demand is Rock in Rio Lisboa, one of the biggest pop/rock festivals in the world, with an attendance of roughly 350,000, pre-pandemic. The June 2020 event was postponed owing to COVID-19 and finally took place in June 2022. The Web Summit and Fish & Flavours Lisbon are other key demand inducers.

2021 tourism data showed a positive trend in visitation to Lisbon, with a 40% increase in the number of visits compared to that of 2020. According to Year-to-July 2022 data, tourism is continuing to pick up in Lisbon, and is expected to reach pre-pandemic levels by 2023-24. France, Spain and the USA are still the main source countries providing visitors to Lisbon. However, the total share of the tourists coming from Brazil dropped during the pandemic and has not yet returned to 2019 levels, which is mainly caused by Portugal’s extension of travel restrictions applied to Brazil in 2021.

### TRANSPORTATION

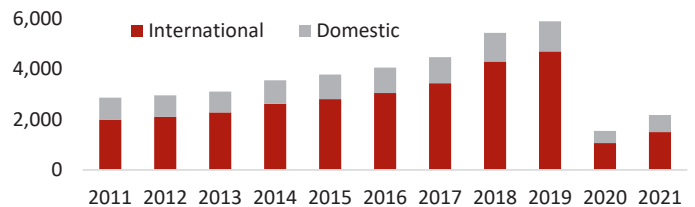
The evolution of passenger movements at Lisbon’s Portela Airport has been among the most impressive in Europe, with a CAGR of 12% between 2015 and 2019, reaching a record 31 million passengers in 2019. In January 2019, operator Vinci Airports agreed to provide funding for the expansion of Lisbon’s main airport and the construction of a new hub, the exact location of which is yet to be determined. COVID-19

### ECONOMIC INDICATORS – PORTUGAL

	2021A	2022F	2023F
GDP GROWTH (%)	+4.9	+4.0	+2.1
CPI (%)	+0.9	+4.0	+1.5
UNEMPLOYMENT (%)	6.6	6.5	6.4

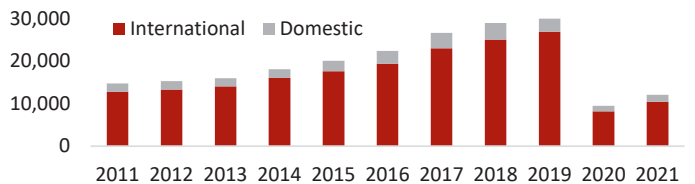
Source: International Monetary Fund (IMF), 2022

### VISITATION – LISBON CITY (000s)



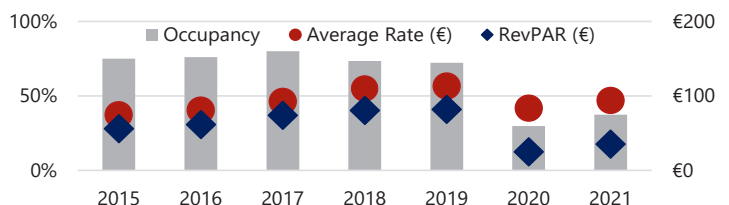
Source: Instituto Nacional de Estatística

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



Sources: Airports Council International; Vinci Airports

### KEY METRICS



Source: Instituto Nacional de Estatística

travel restrictions caused a 70% decrease in passenger numbers in 2020, but was followed by 30% growth in 2021. Year-to-June 2022, the airport recorded 12.1 million passengers – more than triple year-on-year growth, with the trend continuing into the second half of the year.

Lisbon's port is the busiest on the European Atlantic coast, and it has three berths for cruise ships.

## HOTEL PERFORMANCE

Prior to the pandemic, hotels in Lisbon recorded average occupancies of 75% owing to strong leisure demand (despite the continuing growth in hotel supply). COVID-19 resulted in steep occupancy declines in Lisbon in 2020 (to 30%) and 2021 (37%). The second half of 2021 showed signs of recovery, with RevPAR at 50% of 2019 levels in the last trimester. Lisbon's average rate grew at impressive double-figure levels in 2017 and 2018, and at a more normalised pace in 2019. Following the pandemic-induced declines, rate recovered half of its losses in 2021, and exceeded 2019 levels in Q2 of 2022. This, coupled with strong demand levels for the city since April, is resulting in recovered and even surpassed RevPAR levels over the summer of 2022.

## HOTEL SUPPLY

Over the last five years, hotel supply in Lisbon has increased significantly, in line with the growing number of visitors. Lisbon had 270 hotels in 2021, providing around 25,250 hotel rooms. We expect the hotel room supply to grow by 10% over the next three years, including new-to-Lisbon brands such as Hyatt and Locke.

## INVESTMENT MARKET

The Lisbon hotel market is becoming increasingly liquid, demonstrated by the substantial number of transactions that took place in 2020 and 2021. The most recent single-asset hotel transaction for which the price was disclosed was the 59-room InterContinental Estoril, in Cascais, purchased by BPI's Imofomento fund for €22 million (€373,000 per room). The Portuguese government passed a law in January 2019 to allow REITs to operate in the country, which could become a key driver for investments in Portugal. Moreover, our 2021 HVI analysis indicates that hotel values in Lisbon increased by 5.3% in 2021.

## OUTLOOK

Whilst the Lisbon hotel market was significantly affected by the pandemic, the strength of its recovery during the second half of 2021 and year-to-date 2022 is testament to its strong fundamentals and its appeal to leisure travellers. The potential for rate growth is substantial and, whilst the challenges it faces include inflationary pressures and uncertainty around a possible recession and the ongoing war in Ukraine, we consider that this market still offers untapped potential and will continue to generate investor appetite for years to come.

## HOTEL PIPELINE – LISBON CITY

Property	Rooms	Opening
Hyatt Regency Lisbon	204	Aug 2022
Hotel Quartel da Graca	120	Sep 2022
Turim Avenida da Republica	100	Sep 2022
Palacio Azul	40	Sep 2022
Selina Hotel Palacio Mendia	280	Sep 2022
Inspira Santos Boutique Hotel	66	Sep 2022
Hotel Casal Ribeiro	56	Oct 2022
JAM Lisbon	109	Oct 2022
Meliá Lisboa	240	Oct 2022
Hotel Convento S. Domingos	122	Nov 2022
ibis Styles Lisbon Airport	123	Nov 2022
Hotel Palacio Almada-Carvalhais	64	Mar 2023
Tagus Hotel Development	100	Jun 2023
Grupotel Museo Palacio Condes Ribeira Grande	64	Jun 2023
Locke de Convento	369	Oct 2023
Inside by Meliá Lisboa	96	Dec 2023
Andaz Lisbon	232	Jan 2024
Dom Luis Boavista Lisbon Curio Collection by Hilton	75	Feb 2024

Source: HVS Research

## HOTEL TRANSACTIONS – PORTUGAL

Property	Sale Date	Rooms	Estimated Price (€)	Per Room (€)
VIP Inn Miramonte Hotel	Jun 2022	92	Undisclosed	
InterContinental Estoril	Nov 2021	59	22,000,000	373,000
The Diplomatico Hotel	Aug 2021	90	14,750,000	164,000
Exe Saldanha	May 2021	130	17,200,000	132,000
B&B Hotel Lisbon Airport	Mar 2021	188	14,000,000	74,000
Stay Hotel Lisboa Aeroporto	Sep 2020	84	9,933,840	118,000
Lagoas Park Portfolio 2020	Sep 2020		As Part of Portfolio	
Bernardino Gomes POR Mixed Potrfolio 2020	Feb 2020	3,538	As Part of Portfolio	
Principal EU Hotel Portfolio 2019	Dec 2019	2,358	As Part of Portfolio	
Accor Pan-European Hotel Portfolio 2019	Jul 2019	462	Undisclosed	
Tagus Square	Jun 2019	100	Undisclosed	
Minor PTG Hotel Portfolio 2019	Jun 2019	704	As Part of Portfolio	
DoubleTree by Hilton Hotel Lisbon Fontana Park	May 2019	146	37,500,000	257,000
Hotel Exe Liberdade	Mar 2019	163	23,000,000	141,000

Source: HVS Research

## VALUE TREND

REVPAR



CAPITALISATION RATES



HOTEL VALUES



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