



LISBON, PORTUGAL
Hotel Market Snapshot

Lisbon gets its Game On!

November 2015





InterContinental Lisbon (Source: Hotel)

HIGHLIGHTS

Located along the Atlantic coast, Lisbon is the westernmost capital city of continental Europe and known as the former hub of European trade in the 16th century. Today, Lisbon's port is one of the largest container ports on the European Atlantic coast.

If the inner city counts 517 000 people, its greater area gathers approximately 2.8 million inhabitants, making it the 11th most populated urban area in Europe.

A particularly popular destination among international leisure travellers these days, Lisbon is a city where history meets a growing number of innovative concept stores and galleries, trendy bars and new restaurants.

The lodging industry is of course not lagging behind and presents numerous ongoing and future projects in and around the capital. Lisbon was therefore an obvious choice to be presented in our Hotel Market Snapshot series.

GREATER LISBOA - Key Facts & Figures (2014)

Population	2 807 000
GDP	€ 63 902.0 million
GDP per capita	€ 22 700.0
GDP growth	0.7%
Unemployment	18.5%
Tourism Arrivals	4 900 000
Overnight Stays	11 545 000
% Leisure Tourism	73.1%
% Business Tourism	26.9%
% Domestic Tourism	24.1%
% International Tourism	75.9%
Number of Hotels	224
Number of Hotel Rooms	23 834

Source: BNP Paribas Real Estate

WHAT'S NEW? WHAT'S COMING UP IN LISBON?

After a few years of economic downturn, Lisbon recovered in 2014 to record the best year ever in terms of tourism. The capital continues to improve its infrastructures to accommodate growing demand, notably with the construction of the new cruise terminal for 2016 and the extension of Lisbon International Airport.

In October 2014, the Tiara Park Atlantic Hotel (originally built in 1984 as Le Méridien) was rebranded as the InterContinental Lisbon. From March to October 2015, the 237-room property underwent a refurbishment of its public areas.

In November 2016, the Web Summit, Europe's largest technology conference, will be hosted in the Portuguese capital at the MEO Arena and the FIL Lisboa. More than 30 000 participants are expected for the event which was originally held in Dublin since its creation in 2010.



Rossio square in Lisbon (Source: © Mapics - Fotolia.com)



Source: © JiSign - Fotolia.com

ACCESSIBILITY

Lisbon's airport, also known as **Lisbon Portela Airport**, is situated only 7 km north of the city centre. It is the home base of TAP Portugal as well as its subsidiary Portugália and serves as an international hub for South and Latin America, Africa and Asia.

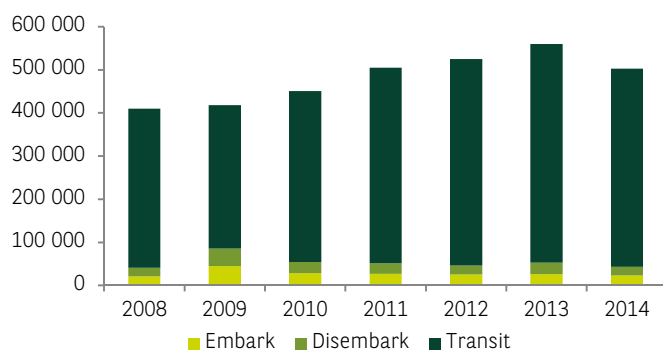
Today one of the largest airports in southern Europe, Lisbon's international airport has benefited from several improvements and expansions over the past decade in order to accommodate growing demand. A second terminal was completed in 2007, while recent improvements have included the refurbishment of the baggage claim areas and departure lounge as well as the creation of new cargo facilities, a new underground metro station and the opening of a new commercial area in Terminal 1.

In 2013, the French group Vinci acquired ANA – Aeroportos de Portugal, the Airport Authority of Portugal, holding the concession for 10 airports including Lisbon. As one of the few airports in Europe being located in the close vicinity of the city centre, there have been plans to develop a new airport further outside the city bounds, on the south bank of the river Tagus. The construction initially planned to start in 2017 has been postponed to an ulterior date due to outstanding negotiations with investors.



Panorama from Lisbon (Source: © Nataraj – Fotolia.com)

Lisbon Port - Cruise Passengers 2008-2014



Source: Porto de Lisboa

Lisbon Portela Airport - Number of passengers 2008-2014 (in millions)



Source: ANA

The airport has **recorded constant growth in passenger numbers since 2009** at a compound annual growth rate (CAGR) of +6.5%. In 2014, Lisbon airport ranked among the top 30 busiest airports in Europe with total passengers reaching 18.1 million, a +13.3% growth compared to 2013. With the recent opening of new routes by EasyJet and Ryanair, Lisbon is expected to welcome an even larger number of international visitors in the upcoming years.

Lisbon is a port of call for several types of cruises towards numerous destinations including the Mediterranean, Northern Africa and Northern Europe as well as Transatlantic routes. As one of the **leading cruise destinations in Europe**, Lisbon features three cruise terminals – Alcântara, Rocha Conde de Óbidos and Lisbon – all of which are located on the banks of the Tagus estuary and in close distance to the city's historical centre.

In 2014, Lisbon Cruise Terminals was granted exclusive operation rights for the three existing cruise terminals for the next 15 years as well as a concession agreement for the construction and operation of a new cruise terminal. The construction of this new landmark cruise terminal, with a planned total area of around 13 000 m² offering facilities that will allow the handling of passengers from several ships at the same time, should be completed by the end of 2016.

The city currently welcomes over 500 000 cruise passengers per year and the port authorities have the ambition to double this figure over the next ten years. At the end of September 2015, cruise passenger numbers were up by +3.7% compared to the same period in 2014.

DEMAND

Tourism demand in Greater Lisbon grew exponentially over the period between 2009 and 2014, recording a +7.7% CAGR in overnight stays. Indeed, **its favourable climate, its location on the Atlantic coast and its lively atmosphere** make Lisbon a popular destination for weekend city-trips. Therefore, the number of overnight stays overtook the 10-million threshold for two consecutive years in 2013 and 2014.

In 2014, Lisbon welcomed 4.9 million tourists, a +13.1% growth compared to 2013. In terms of overnight stays, Lisbon recorded its highest figure since 2008 with almost 11.5 million room nights. Lisbon and its surroundings are thus **the second most visited** region in Portugal after the Algarve in terms of overnight stays.

Domestic demand accounts for almost a quarter of the overall demand. European countries are undeniably the main source markets with one third being generated by only four European markets: Spain (10.1%), France (8.9%), Germany (6.8%) and the United Kingdom (5.6%). France and the United Kingdom both recorded impressive growths of +30.6% and +32.0% respectively between 2013 and 2014.

Besides, as a former colony of the Portuguese Empire, Brazil remains a significant source market, accounting for 7.2% of the total demand.

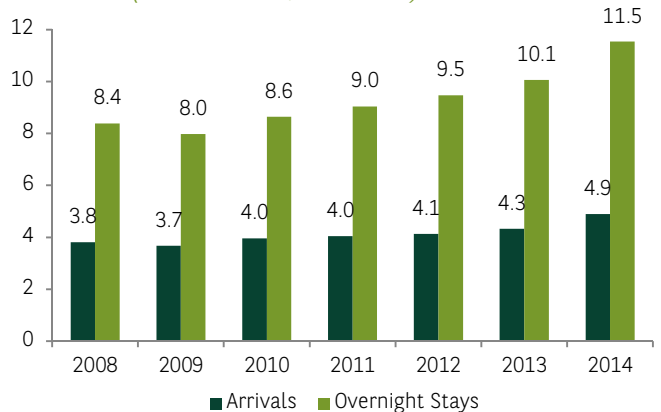
The overall average length of stay is growing at a regular pace, from 2.2 days in 2009 to 2.4 days in 2014.

Leisure Tourism

Thanks to its geographical location on the seaside, its favourable weather conditions year-round, its historic buildings and up to now its reasonable room rates in comparison to other European capitals, Lisbon has become an increasingly popular destination for leisure city breaks. Amongst other awards, the city was placed **2nd in the 2015 European Best Destinations® ranking**.

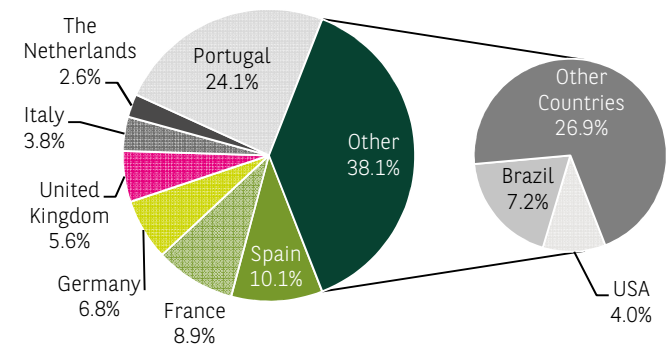
Lisbon also welcomes large and recurrent leisure events which include among others the Lisbon Fish & Flavours Festival, the San Antonio city Festivities or the biennial Rock in Rio Lisbon festival. In addition, the city hosted the Champions League Final in 2014.

Evolution of number of tourists and overnight stays
2008-2014 (Greater Lisbon, in millions)



Source: Turismo de Portugal, Visitlisboa.com

Main feeder markets (Overnights)
2014



Source: Turismo de Portugal, Visitlisboa.com

Main tourist attractions
2013-2014



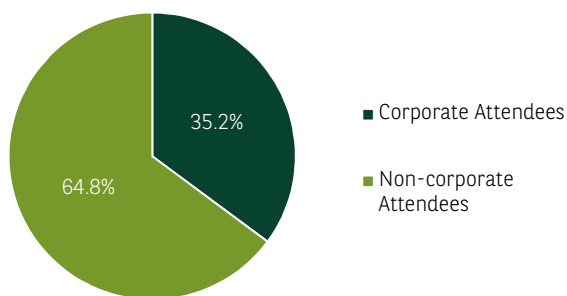
Source: Turismo de Portugal, BNP Paribas Real Estate Hotel France

With 800 000 and 530 000 visitors respectively, the Jerónimos Monastery and the Belém Tower were the most visited sights in Lisbon in 2014. Within the city greater area, the most visited attraction in 2014 was the Pena National Palace with approximately 900 000 visitors, an increase of +14.2% in comparison to the previous year. The monument is a UNESCO World Heritage Site and is considered one of the 'Seven Wonders' of Portugal.

Moreover, the Greater Lisbon area is a much appreciated destination by golf enthusiasts, boasting 28 out of the 87 golf courses across Portugal. Being one of the few European capitals offering quality golf facilities, this sport has become a great opportunity for the region to reduce its seasonality as most of golf-related stays take place during spring and autumn. Besides, thanks to its natural assets and boosted by major international competitions, surf tourism has witnessed a strong development over the past years all along Greater Lisbon's coastal area.

Business and MICE Tourism

Share of corporate vs. non-corporate events 2014



Source: Turismo de Portugal, BNP Paribas Real Estate Hotels France

The city is mostly considered as a leisure tourism destination, with business activity only accounting for 26.9% of the overall demand in 2014. However, with the majority of the economic and diplomatic administrations of the country being located in the Greater Lisbon area, the capital's business tourism potential is a long way from being fully tapped.

Lisbon has managed to establish itself as a player on the international MICE market, gathering more than half of the events held in the country. Between 2010 and 2014, the capital ranked consistently **in the top 15 destinations worldwide** in the International Congress and Convention Association rankings with an average of 110 events per year. Half of all events concern medicine, sciences or technologies.

Furthermore, according to the Lisbon Observatory of Tourism, **the city hosted over 1 000 events with a total of 195 884 participants in 2014.**

The MEO Arena, the Centro Cultural de Belém Conference Centre and the Lisbon Congress Centre are the three main convention centres with a total capacity of 14 000, 12 500 and 2 500 people respectively.

Besides its varied offer of meeting infrastructures, Lisbon's attractive value for money in terms of transport and accommodation have allowed the city to differentiate itself and to attract international key events such as the 9th World Congress of the International Water Association or the Conference of the European Society of General Practice and Family Medicine in 2014.

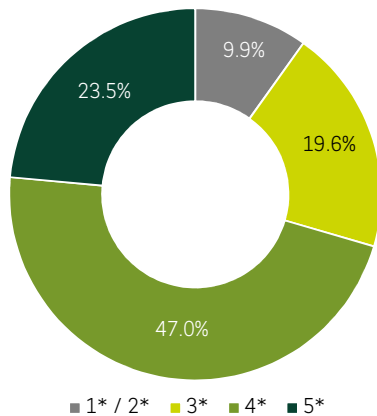
During the first ten months of 2015, the Portuguese capital hosted amongst others the ESHRE (European Society of Human Reproduction and Embryology), held in June at the International Fair of Lisbon and the CIRSE (Congress for Cardiovascular and Interventional Radiological Europe) with more than 6 600 participants in September.



Lisbon Tram (Source: © Tanouchka - Fotolia.com)

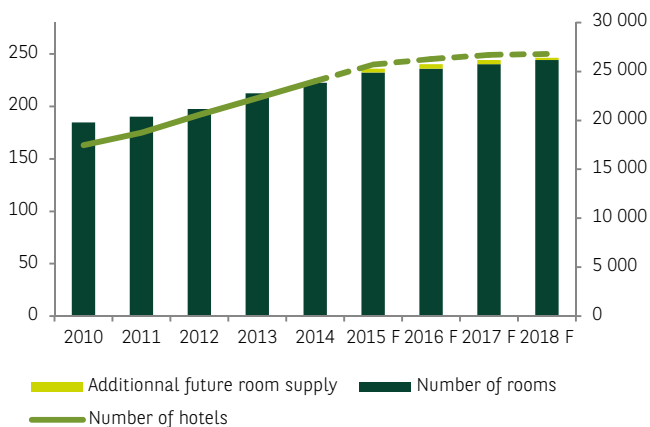
SUPPLY

Greater Lisbon - Hotel room supply by category 2014



Source: Turismo de Portugal

Greater Lisbon - Hotel supply evolution 2010-2018 forecast



Source: Turismo de Portugal, BNP Paribas Real Estate Hotels

Over the first ten months of 2015, at least ten new hotels opened their doors, adding almost 1 100 rooms. One of the most awaited openings was the 129-room 4-star Sana Evolution in the Arroios district, introducing an innovative hotel concept bearing a strong technological component. Six other properties are expected to open by the end of 2015 or the beginning of 2016.

At least ten additional hotel projects have been confirmed for the coming three years for a total of more than 1 100 rooms, most of them being focused on the historic and cultural city centre of Lisbon.

Moreover, the area towards Santa Apolonia – the site of the future cruise terminal – could also lead to new hotel developments.

Greater Lisbon's hotel market counted 224 hotels with a total capacity of 23 834 classified rooms in 2014. The market is strongly dominated by the 4-star segment with 11 193 rooms among 88 establishments, representing 47.0% of the overall room supply. The 5-star segment ranks second with 58 properties and 4 678 rooms, accounting for 23.5% of the total room stock. Budget and 3-star segments total 29.5% of the overall supply.

The large majority of Lisbon's hotel supply is concentrated in the old city centre, with the areas of Bairro Alto / Chiado, Baixa and Avenida da Liberdade being by far the most popular. The local supply is also characterised by a particularly low penetration rate of international hotel chains, most properties being operated individually or by local or domestic hotel groups.

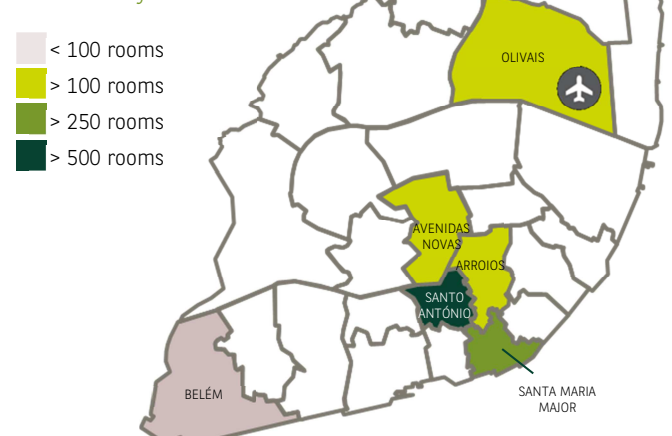
From 2010 to 2014, the number of properties in Lisbon grew by +37.4%, while room supply increased by more than 4 000 rooms spread among 61 properties with the most significant variation recorded in 2013 when 1 600 additional rooms were added to the total stock.

It should be noted that the 1/2-star category recorded the most substantial growth of +54.4% or an addition of 830 rooms between 2010 and 2014. The second largest rise was registered by the 5-star segment which grew at a CAGR of +5.8%.

Most of the recent openings were hotels operated by local hotel groups and brands, the only exception over the last two years being the opening of the 108-room Holiday Inn Express Avenida da Liberdade in 2014.

Another noteworthy change in the city's hotel supply was the management take-over and the phased renovation of the former Tiara Park Atlantic Lisbon by InterContinental in late 2014.

Future hotel room supply by district 2015-2018 forecast



Source: BNP Paribas Real Estate Hotels France

Lisbon - Recent hotel openings
2014-2015

Year	Category	Hotel	Rooms	District
2014	5*	Rossio Garden Hotel	56	Santa Maria Maior
2014	5*	Hotel Avenida Da Liberdade	25	Arroios
2014	5*	Santiago de Alfama	19	Santa Maria Maior
2014	4*	BessaHotel Liberdade	113	Arroios
2014	4*	Holiday Inn Express Avenida da Liberdade	108	Santo Antonio
2015	5*	Porto Bay Liberdade	98	Santo Antonio
2015	5*	Pestana Pousada de Lisboa	90	Santa Maria Maior
2015	4*S	H10 Duque de Loulé	89	Santo Antonio
2015	4*	Jupiter Lisboa Hotel	224	Avenidas Novas
2015	4*	Sana Evolution	129	Arroios
2015	4*	Skyna Hotel Lisboa	105	Avenidas Novas
2015	4*	Lux Lisboa Park	95	Avenidas Novas
2015	4*	Turim Saldanha Hotel	86	Avenidas Novas
2015	3*	HF Fenix Music	109	Santo Antonio
2015	3*	My Story Hotel Rossio	46	Santa Maria Maior
Total Rooms Recently Opened			1 392	

Source: Observatório Turismo de Lisboa, BNP Paribas Real Estate Hotels



Pestana Pousada de Lisboa (Source: Hotel)

Lisbon - Future hotel openings (confirmed)
2015-2018 forecast

Year	Category	Hotel	Rooms	District
2015	5*	Eurostars Cais de Santarém	91	Santa Maria Major
2015	5*	Palaca Lisboa Hotel	65	Belém
2015	4*	Vincci Seleccao Lisboa	85	Santo António
2015	4*	Turim Terreirp do Paço Hotel	50	Santa Maria Major
2015	3*	Hotel Riverside Alfama	25 ¹	Santa Maria Major
2015	TBC	Empire Lisbon Hotel	50 ¹	Arroios
2016	4*	Turim Marquês Hotel	121	Santo António
2016	4*	My Story Hotel Praça da Figueira	86	Arroios
2016	4*	Memmo Principe Hotel	41	Santo António
2016	3*	Hotel Aeroporto de Lisboa	160	Olivais
2016	TBC	Hotel Real	70	Santa Maria Major
2017	5*	Meliá Convento de Santa Joana	160	Santo António
2017	5*	Turim Boulevard Hotel	100	Santo António
2017	4*	Hotel Pestana	86	Santa Maria Major
2017	3*	My Story Hotel Rua Augusta	60	Santa Maria Major
2018	5*	Hotel (Explorer Investments)	240	Avenidas Novas
Total Rooms in the Pipeline			1 490¹	

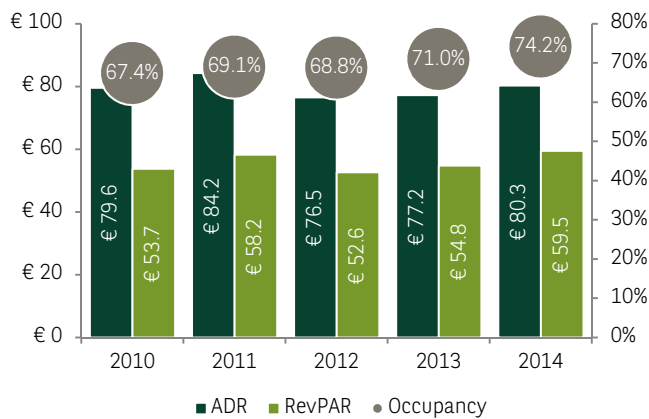
¹ Estimation

Please note that at least eight other hotel projects (including the IHG Indigo brand project) have been identified for the coming three to five years, representing a potential of over 1 000 additional room units. However, at the time of writing our Hotel Market Snapshot, these projects had not been officially confirmed and are therefore not included in this table.

Source: Observatório Turismo de Lisboa, BNP Paribas Real Estate Hotels

HOTEL PERFORMANCES

Hotel trading performances 2010-2014



Source: MKG Hospitality Database

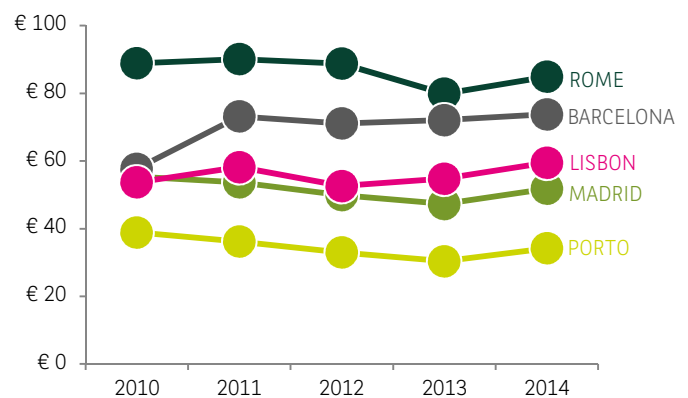
Hotel trading performances recorded up to September 2015 are promising and strengthen last year's positive trend. As a result of a simultaneous increase in demand (+3.9 points) and ADR (+7.8%), Lisbon's RevPAR recorded a significant rise of +13.3%.

The opposite graph shows a comparison of the RevPAR levels for five key cities in Portugal and Southern Europe, including Lisbon. All cities recorded a drop in RevPAR in 2012, a year that was strongly impacted by the contraction of the European economy. In 2014, RevPAR was on a strong upward trend in all cities, ranging between € 34.2 for Porto and € 84.9 for Rome. Over the past two years, the RevPAR gap between the two Iberian capitals, Madrid and Lisbon, widened. While Madrid still struggled to reach significant growth rates, **Lisbon's performances took off** with its RevPAR exceeding Madrid's by € 7.7 or +14.9% in 2014.

With Lisbon being primarily a leisure tourist destination, demand in the Portuguese city is generally strong from April to October with **occupancy levels reaching over 80.0%**. During the summer months of July and August, the additional vacation leisure overnight stays make up for the lower business demand in the city. In 2014, occupancy recorded its lowest level in January at 46.6% and reached its peak in September at 93.3%.

Between 2010 and 2014, Lisbon recorded a CAGR of +2.6% in RevPAR. The continuous rise of both national and international demand led to an improvement of +6.8 points in occupancy over the analysed period. ADR also followed an upward trend but results were tempered by a noteworthy drop of -9.1% in 2012. With an ADR growth of +4.0% and strong demand in 2014, Lisbon recorded a remarkable RevPAR rise of +8.6% reaching € 59.5.

Key cities - RevPAR evolution 2010-2014



Source: MKG Hospitality Database



Portugal Skyline at Dusk (Source: © SeanPavonePhoto - Fotolia.com)

INVESTMENT MARKET

After having received a € 78 billion bailout from the ECB and IMF in 2011, Portugal implemented severe austerity measures in order to stimulate its economic growth and to restore investors' confidence. While Portugal exited the European financial aid program in June 2014, the € 4.9 billion bailout of the Banco Espírito Santo SA in August 2014 as well as the bankruptcy filed by Espírito Santo Financial Group (ESFG) in October 2014 destabilised once again the country's attractiveness for foreign investments.

The country's weakened economy has made hotel investments in Lisbon quite sporadic over the past five years. Nevertheless, it seems that **foreign interest in real estate assets in Lisbon has been growing since November 2014** with major acquisitions of commercial real estate by Blackstone International in and around Lisbon.

Minor Hotel Group (MHG) has been a key player in the Portuguese hotel real estate investment market. As part of a 6-hotel portfolio transaction, the Tivoli Lisboa, located on Avenida da Liberdade, was acquired in January 2015 by MHG, a subsidiary of Thai investment company Minor International. In October 2015, MHG also acquired the Tivoli Oriente at the former Expo site for an amount of € 38 500 000, continuing the expansion of its MINT portfolio in Europe.

After having been for 70 years in the hands of the Simoes de Almeida family, the Hotel Albatroz Cascais, located 30 km from Lisbon, was sold end of 2014 to Madeira-based Russian investor Leonid Ranchinskiy.

The following table illustrates major hotel transactions recorded in Lisbon between 2011 and 2015:

Year	Cat.	Hotel	Rooms	Price (€)	Price per room (€)	Seller	Purchaser
2011	5*	Palacia dos Arcos	71	Not disclosed	-	Not disclosed	Villa Gale
2012	3*	Evidencia Tejo Creative Hotel	91	Not disclosed	-	Evidencia Hotels	Not disclosed
2013	4*	Hotel Atlantis Sintra Estoril	178	12 500 000 ¹	69 950	Not disclosed	Fungepi-Bes
2014	5*	Hotel Albatroz Cascais	52	Not disclosed	-	Family Simões de Almeida	Leonid Ranchinskiy
2015	5*	Tivoli Lisboa	306	40 000 000 ²	130 740	Gespatrimonio Rendimento & Novo Banco	Minor Hotel Group
2015	4*	Tivoli Oriente	279	38 500 000	137 990	Imosocial & Fundo de Investimento Imobiliario Fechado	Minor Hotel Group

¹ Estimate / ² Estimate, as part of a 6-hotel portfolio transaction
Source: BNP Paribas Real Estate Hotels, Real Capital Analytics

OUTLOOK

After several years of austerity measures, negative GDP growth and a high unemployment rate, Portugal's economic growth has started to rebound in 2014. General elections were held beginning of October 2015 and with previously governing Portugal's centre-right party having lost numerous votes, the country's political future has yet to be outlined.

On the bright side, **the outlook for Lisbon's tourism development looks promising**. The projects for Lisbon Airport and the construction of the new cruise terminal bring many new opportunities to the capital, benefiting from its favourable geographical location on the Atlantic coast. Analysing recent tourism statistics, we would assume that the reinforced internet-based strategy of Portugal's tourism office has succeeded in improving the image of the country and of its capital in particular. Especially, a focus on German and French tourists, supported by the opening of new air routes,

led to significantly increased arrival numbers and highly contributed to the enhancement of hotel performances.

Within Europe, Lisbon is **one of the European cities with the highest occupancy growth potential**. According to the World Travel and Tourism Council, tourism is expected to represent 20% of all jobs, 13% of investment and 21% of exports and services income in Portugal in 2024.

With the addition of almost 1 400 hotel rooms since 2014, Lisbon's hotel market significantly shifted towards the 4 and 5-star segments, and the city will continue to evolve with the development of approximately 1 500 hotel rooms within the next three years. In particular, **international hotel chains are eyeing Lisbon**. Besides, backed up by strong fundamentals and a positive outlook, hotel transactions in Lisbon are expected to increase over the next years.



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** 16 under direct ownership and 21 alliances*

First Page: 25 de Abril Bridge, Lisbon (Source: © Punto Studio Foto – Fotolia.com)

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