



**Horwath HTL**

*Hotel, Tourism and Leisure*

MARKET REPORT

# Portugal

*Hotel Market Overview*

MAY 2021





### Executive Summary

The Portuguese economy has been dragged down by the coronavirus pandemic, driving Portugal's largest GDP decline in more than half a century. GDP fell by 7.6% in volume to 202.7 billion euros. However, this figure is slightly lower than the Government's estimates, which projected a decline of around 8.5%.

This demonstrates the robustness of the Portuguese economy and the favourable impact of the policies adopted and public subsidies granted by the governmental entities. It was predictable and inevitable that the positive trend in tourism seen over the last decade would be disrupted in 2020. However, the most optimistic forecasts foresee a gradual recovery from Q3 of the current year.

Key Facts
<b>Tourism demand:</b> 2019: 15.4% of GDP 2020: -35 / -55% vs previous year
<b>Balance of payments December 2020:</b> 46% reduction in exports 40% reduction in imports
<b>2020:</b> 56% decrease commercial flights 69.4% fewer passengers

Source: INE Portugal

### Abstract

The coronavirus pandemic is first and foremost a health crisis with an inevitable social and economic impact. In the case of Portugal, one only needs to take a look at the general statistics to conclude that tourism has undoubtedly been one of the most affected sectors.

In fact, it is necessary to go back to 1993, when there were 23.6 million overnight stays, to find lower tourism records in the country.

In 2020 the domestic market contributed 13.6 million (-35.3%) and foreign markets 12.3 million (-74.9%) overnight stays.

As a result of the reduction in activity, the hotel industry only received 6.5 million guests and 14.5 million overnight stays in 2020. In this context, overall revenues in hotels decreased by 68.6%.

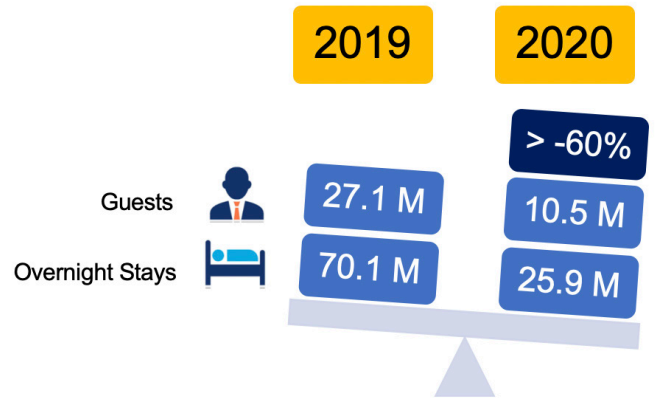
The main source markets remained much the same as previous years with the United Kingdom, Germany and Spain holding the top positions and representing respectively 16.3%,14.6% and 14.5% of market share.

## Guests & Overnight Stays

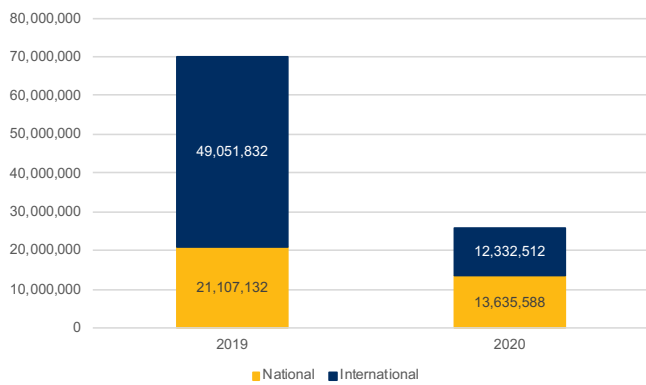
Since 2015, Portugal has seen significantly more international guests over national guests. This has been altered by the pandemic, leading to a reversal of this trend in 2020.

### Overnight stays from incoming markets

Although all major markets registered decreases above 65%, and despite mobility restrictions, quarantines and local lockdowns, the principal tourist incoming markets remained at the top of the ranking.

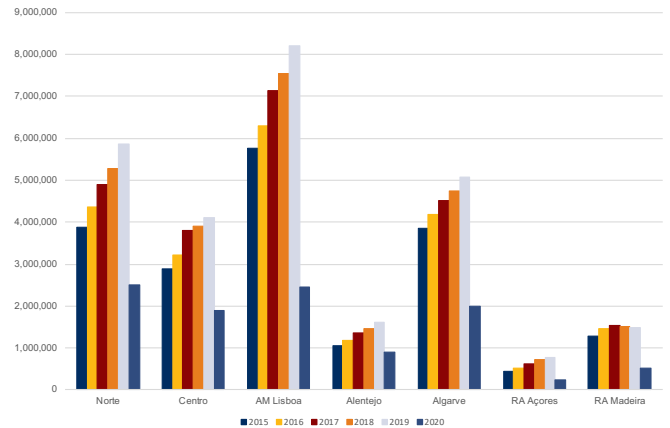


### Overnight stays in tourist accommodation establishments



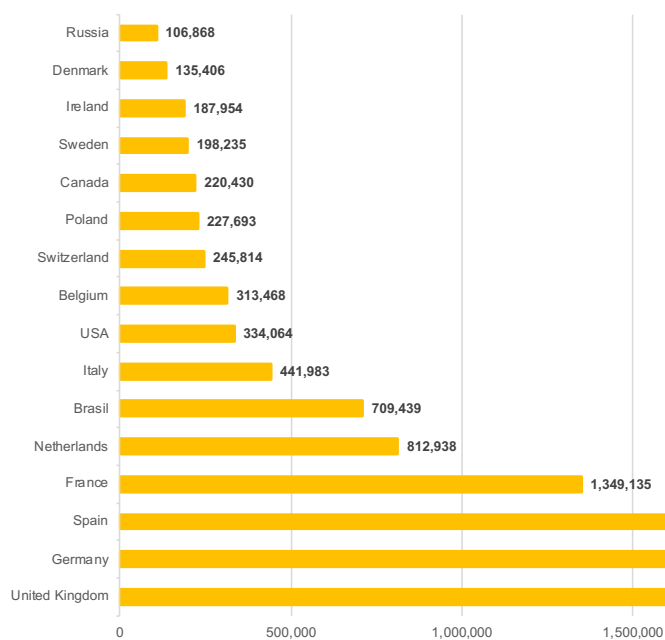
Source: INE Portugal

### Guests in tourist accommodation by NUTS II region

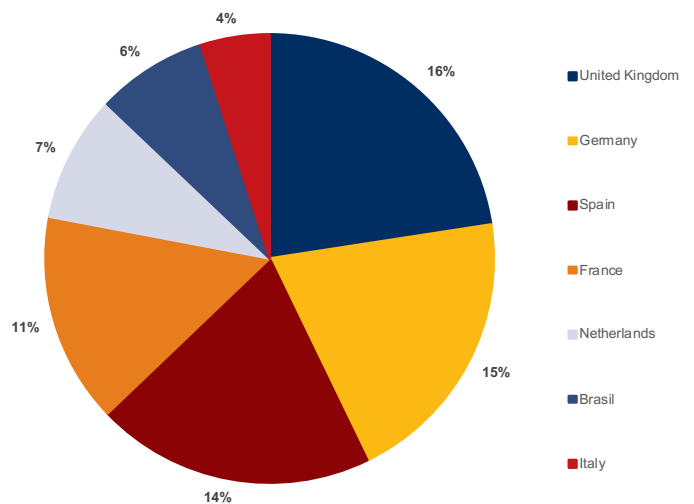


Source: INE Portugal

### Overnight stays in tourist accommodation establishments by main issuing markets - 2020



Source: INE Portugal







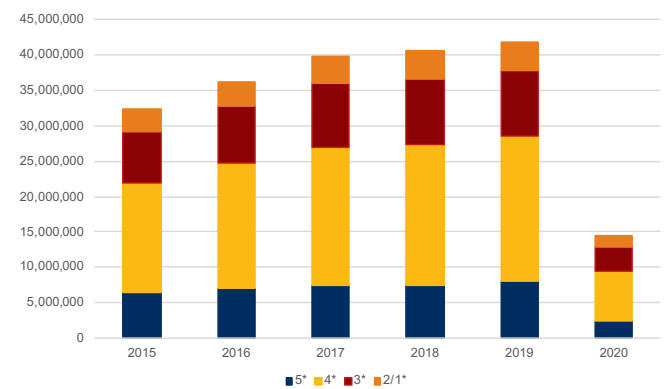
### Hotel Sector Figures

In 2020, globally and as expected, the hospitality sector was heavily punished by the suspension of its activity leading to an overwhelming reduction in guests and overnight stays.

The 14.5 million overnight stays in 2020 represent a very sharp loss felt in all hotel categories.

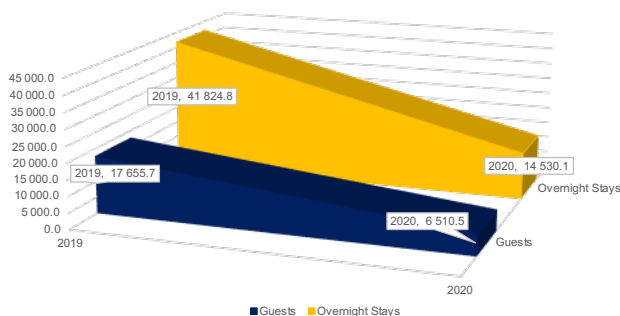
In percentage terms and in comparison with 2019, in 2020 most of the hotel categories reveal similar performances. Significantly, the lower categories (three, two and one star hotels) experienced overnight stay increases compared to the previous year.

### Hotel Overnight Stays, 2015 - 2020



Source: INE Portugal

### Hotel Guests and Overnight Stays, 2019-2020



Source: INE Portugal

### Hotel Overnight Stays 2019

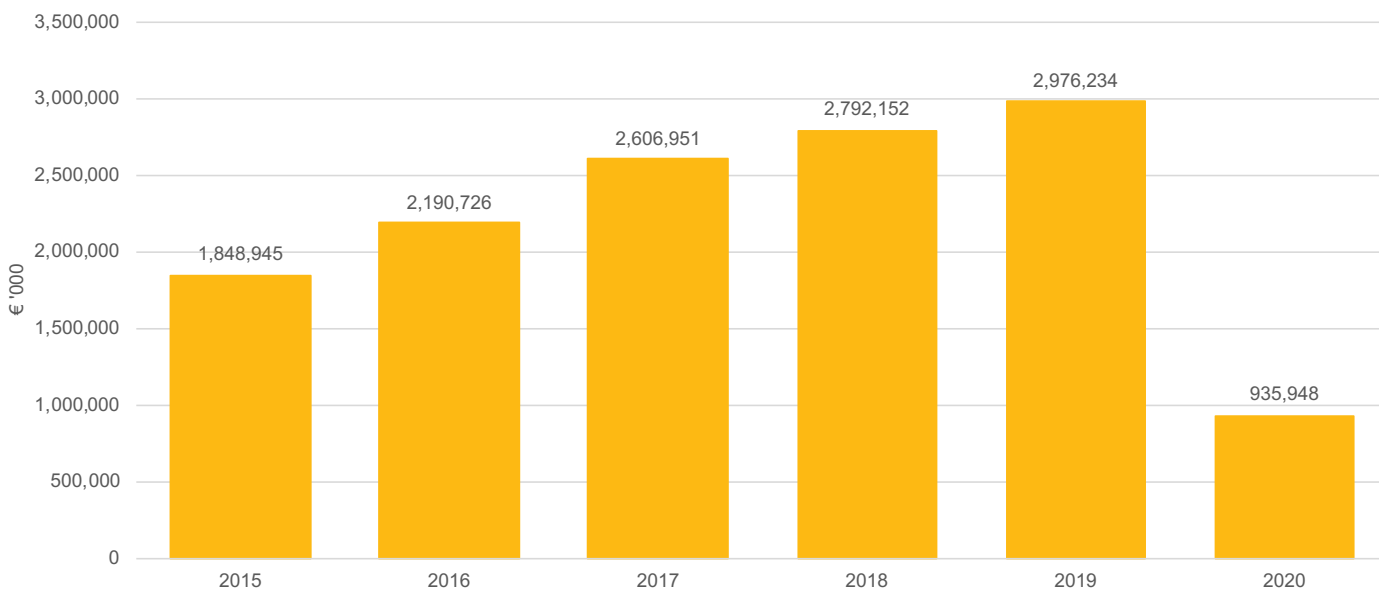


### Hotel Overnight Stays 2020



Source: INE Portugal

**Total Hotel Revenue, 2015 - 2020**



Source: INE Portugal

**Hospitality Indicators (KPIs)**

Even though total revenues for hotels ended up almost collapsing in 2020, we must not ignore the fact that this indicator had been growing since 2015, reflecting the positive evolution of the sector and the excellent performance of the hotel industry.

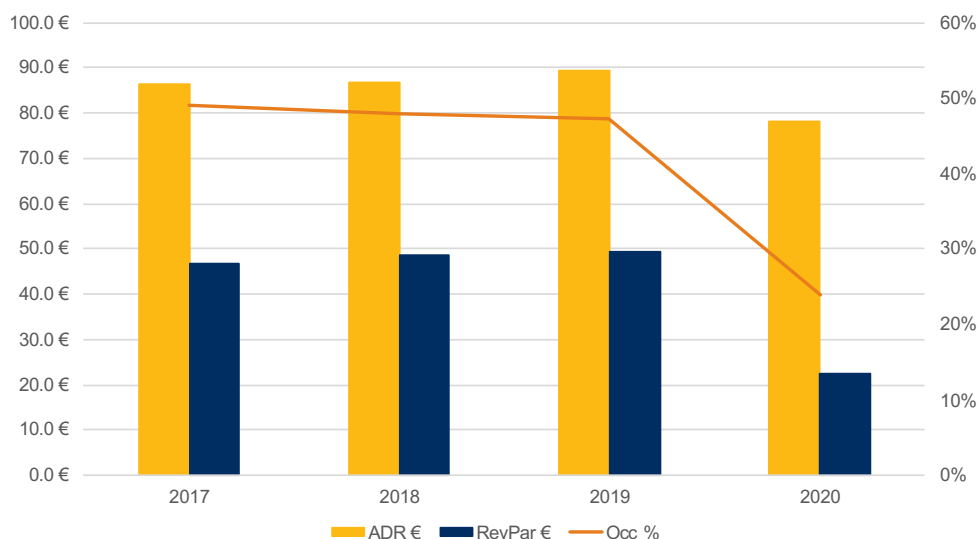
Once tourism and travel revives, and taking into account the pre-pandemic “good shape” of the sector, we are confident these figures will gradually improve.

**Portugal KPIs**

	2019	2020	% Variance
Occupancy	47.3%	24%	-49%
ADR	€89.2	€78	-13%
RevPar	€49.4	€22.6	-54%

Source: INE Portugal

**Hospitality Indicators Snapshot (KPIs), 2017 - 2020**

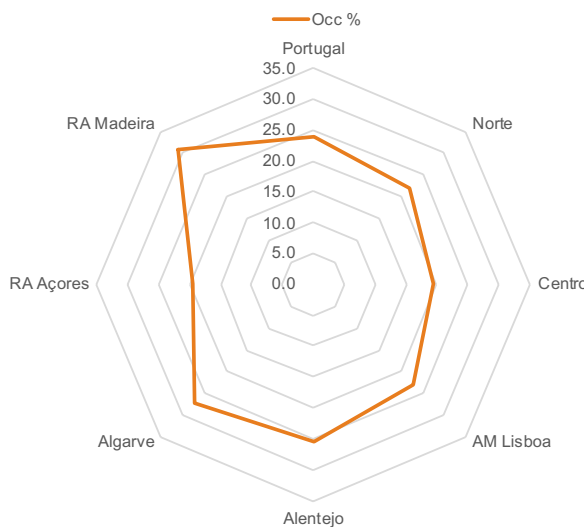


Source: INE Portugal

## Hospitality Indicators (KPIs)

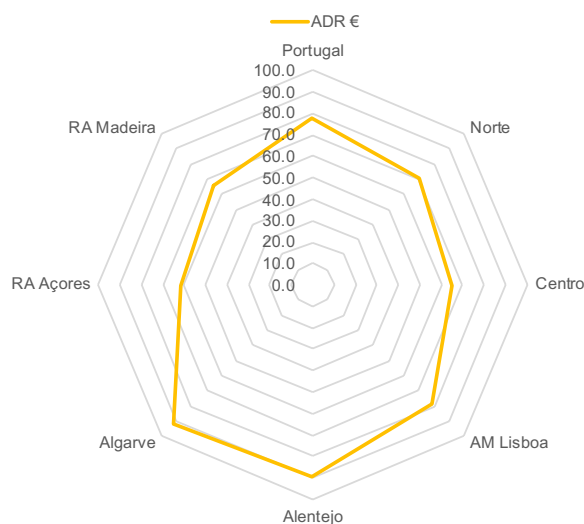
### Occupation Rates (by NUTS II Region)

Region	Occ % 2020
Portugal	24%
Norte	22%
Centro	19.6%
AM Lisboa	22.9%
Alentejo	25.5%
Algarve	27.1%
RA Açores	19.4%
RA Madeira	30.8%



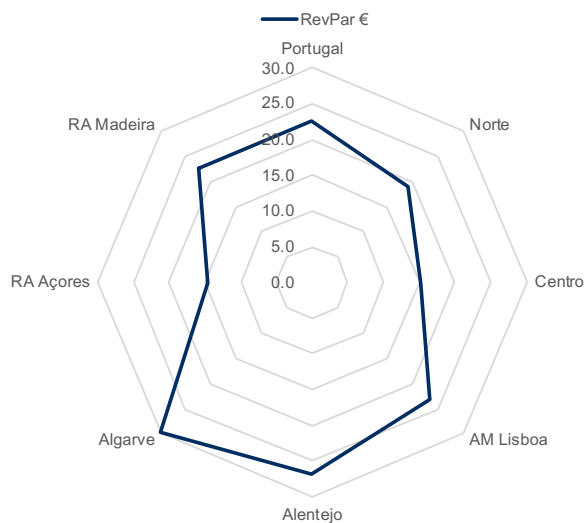
### ADR (by NUTS II Region)

Region	ADR 2020
Portugal	€78
Norte	€70.2
Centro	€65.2
AM Lisboa	€78.6
Alentejo	€89.6
Algarve	€91.8
RA Açores	€61.8
RA Madeira	€65.8



### RevPar (by NUTS II Region)

Region	RevPAR 2020
Portugal	€22.6
Norte	€19
Centro	€15.3
AM Lisboa	€23.3
Alentejo	€26.7
Algarve	€29.9
RA Açores	€14.7
RA Madeira	€22.6



Source All: INE Portugal





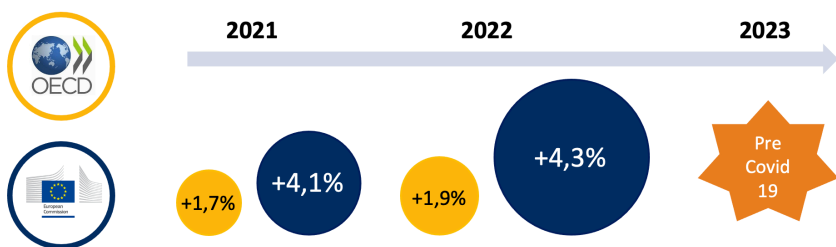
## Conclusion

- An increase in demand for destinations less driven by mass tourism (for example Alentejo) and with a greater appeal for demand generators associated with nature, tranquility and safety;
- The Algarve saw higher demand during the summer period, either as a result of the opening of air corridors, or by domestic demand during the holiday months;
- RA Madeira due to its insularity and its positioning as a more secure and less massified destination has been the region that benefited the most;
- Due to their central location, the regions of Lisbon and the North suffered the most, as did the Azores, which was heavily penalized.

However, given the regional tourism dynamics existing prior to the sanitary crisis and as a result of the constant efforts to mitigate the pandemic impact, a firm expectation of recovery is anticipated, as reflected in the OECD and European Commission forecasts.

This expectation results from the recognized resilience of the sector and also from Portugal's international image as a sustainable and safe tourist destination.

### Portugal GDP Forecasts, 2021 - 2023



Source: Horwath HTL Research

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## Horwath HTL

At Horwath HTL, our focus is one hundred percent on hotel, tourism and leisure consulting. Our services cover every aspect of hotel real estate, tourism and leisure development. Our clients choose us because we have earned a reputation for impartial advice that will often mean the difference between failure and success. Each project we help is different, so we need all of the experience we have gained over our 100-year history.

We are a global brand with 49 offices in 39 countries, who have successfully carried out over 30,000 assignments for private and public clients.

We are part of the Crowe Global network, a top 10 accounting and financial services network. We are the number one choice for companies and financial institutions looking to invest and develop in the industry.

### Our Expertise:

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- Health & Wellness
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- Transactional Advisory

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# Horwath HTL

*Hotel, Tourism and Leisure*

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