



Horwath HTL

Hotel, Tourism and Leisure

The Portuguese Hotel Ownership Landscape



Introduction

- This report presents an overview of the Portuguese hotel ownership landscape. To construct this report more than 1,900 properties spread throughout continental Portugal and the islands of Madeira and the Azores were analyzed.
- The report identifies the characteristics of the main players in the market and how the ownership landscape is structured.
- Our findings show that the market is heavily fragmented; the analysis identified a total of nearly 1,300 different hotel owning companies.
- Foreign investment has been growing significantly, but most hotels are still owned by Portuguese companies.
- The market has also seen the entry of more institutional and listed companies, such as investment management companies, equity funds or real estate operating companies (REOC), but private companies – mostly Portuguese hotel operators – are still the main investors in Portuguese hotels.

- The groups that own the most properties in Portugal are mainly Portuguese in origin.
- The influence of the major Portuguese hotel operator groups such as Grupo Pestana, Vila Galé, Grupo Azinor, T-Invest or Vip Internacional de Hotelaria, is very notable, reinforcing the fact that most hotel owners are also operators.

Who are the owners of Portuguese Hotels?

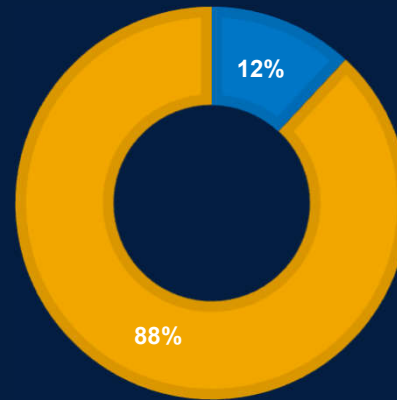
- Two investment funds are also highlighted here – Fundo Recuperação de Turismo, FCR – ECS Capital and TF Turismo Fundos – SGOIC, both of which hold major portfolios.
- Some international players also have significant portfolios, notably AccorInvest and Pontegadea – the latter being a real estate company owned by retail magnate Amancio Ortega and whose properties in Portugal are mostly managed by Accor Hotel Group.
- When looking at keys owned, the ranking reflects the property ownership group, with some exceptions, such as Enatur – Empresa Nacional de Turismo and Fundação Inatel, two governmental organizations with large portfolios of small properties which are replaced in the key count ranking by the international listed company – Minor International.

Profile of companies owning hotels in Portugal

- The Portuguese ownership landscape is very fragmented.
- It is dominated by domestic, private, single unit owning companies, which own and manage their properties.

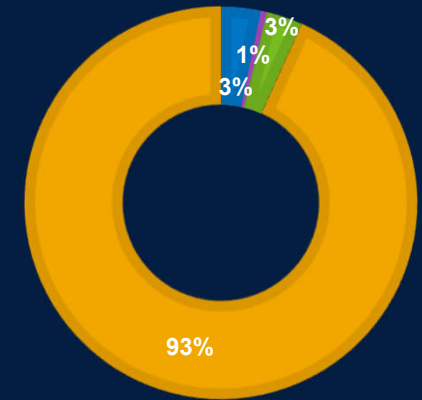
Origin of the Owner

■ International ■ Domestic



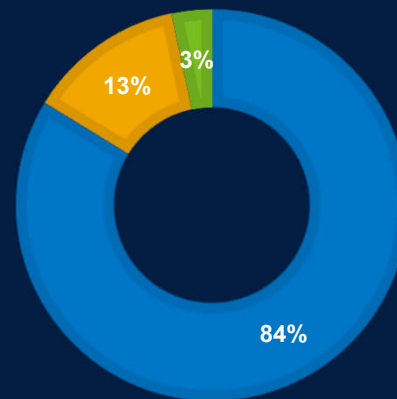
Company Capital Type

■ Institutional ■ Listed ■ Other ■ Private



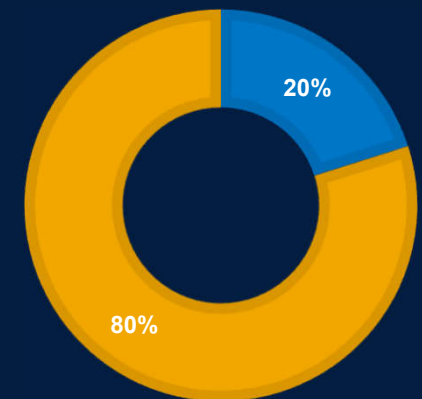
Number of Properties Owned


■ 1 Hotel ■ 2 - 4 Hotels ■ 5 Hotels +



Owner Manages Hotel?

■ No ■ Yes



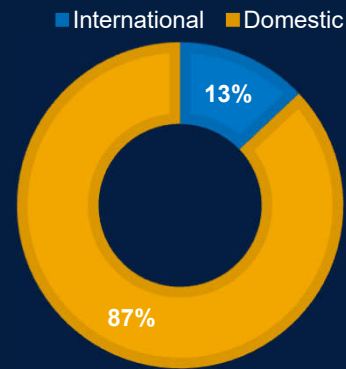
A world map with a dark blue background. The map shows the outlines of continents and countries. Portugal is highlighted in a lighter blue color. The text is overlaid on the left side of the map.

Geographic distribution of International Owners

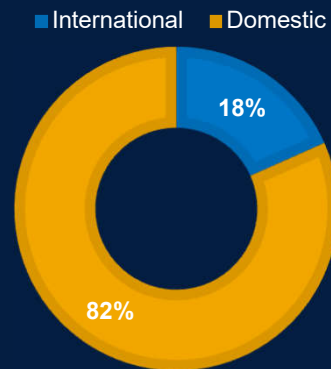
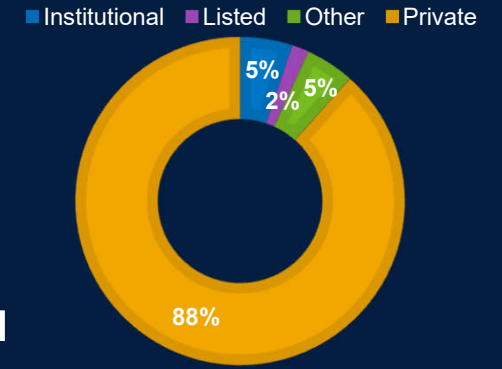
- Companies from 33 different nationalities own hotels in Portugal.
- They are mostly European and the main countries of origin are Spain, the United Kingdom and France.

Hotels and Keys owned by origin and company capital type

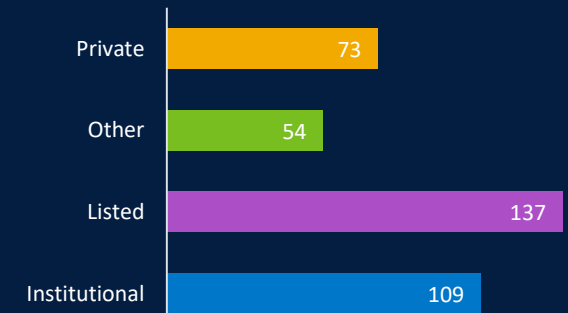
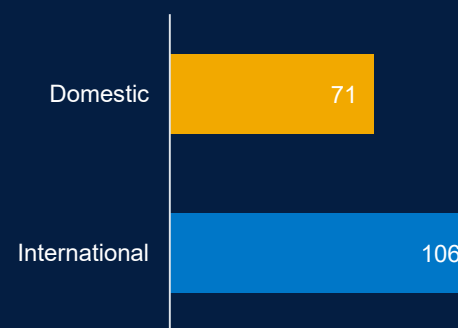
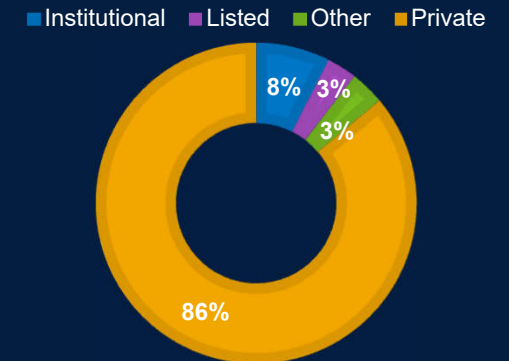
- International companies represent 12% of the total number of owners and hold, respectively 13% and 18% of the total number of hotels and keys.
- The average size of hotels owned by international companies is considerably higher – 106 vs 71 rooms for domestic owners.
- Private operators represent 93% of the total number of owners.
- Ownership types, such as institutional and listed, have larger portfolios and properties with a higher average number of rooms.



Hotels Owned



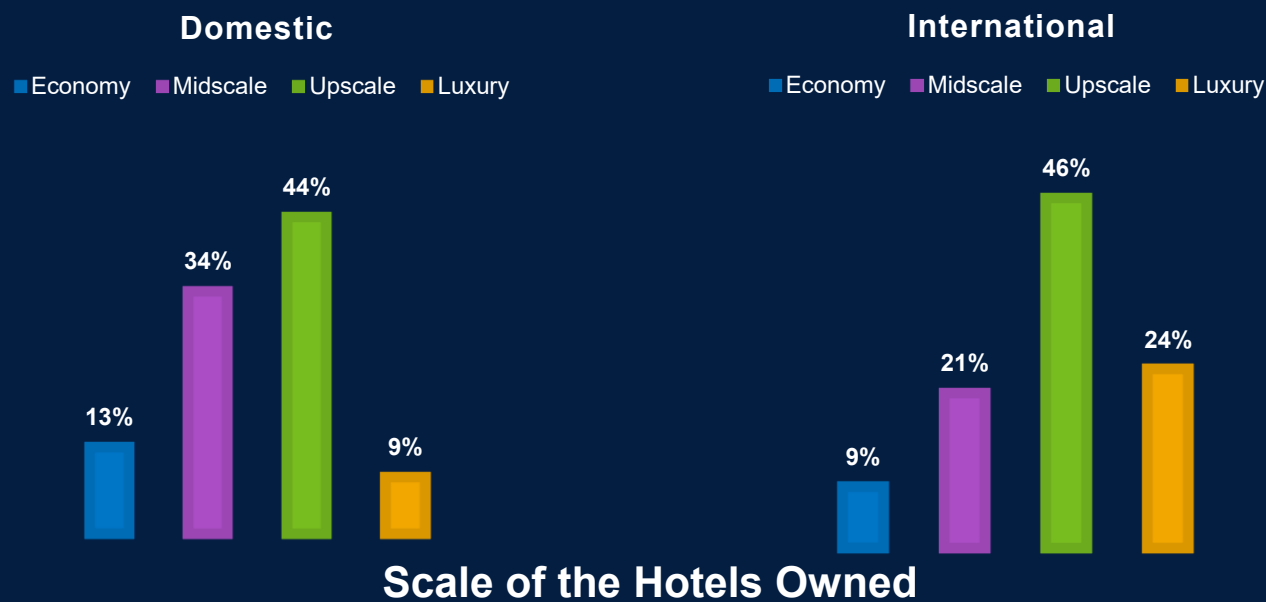
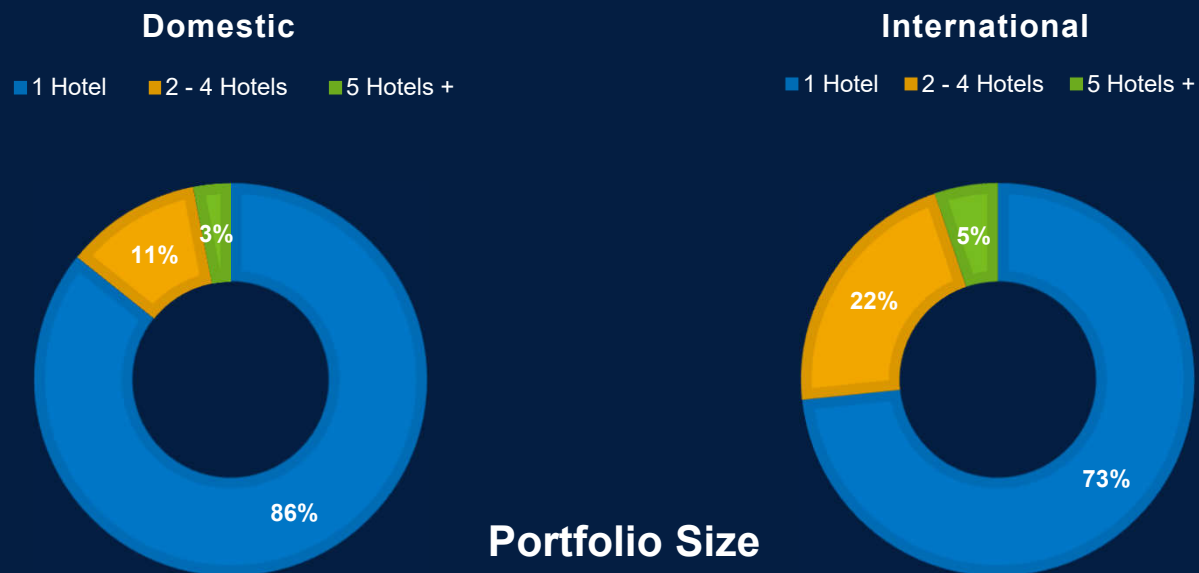
Keys Owned



Average Size Hotels Owned

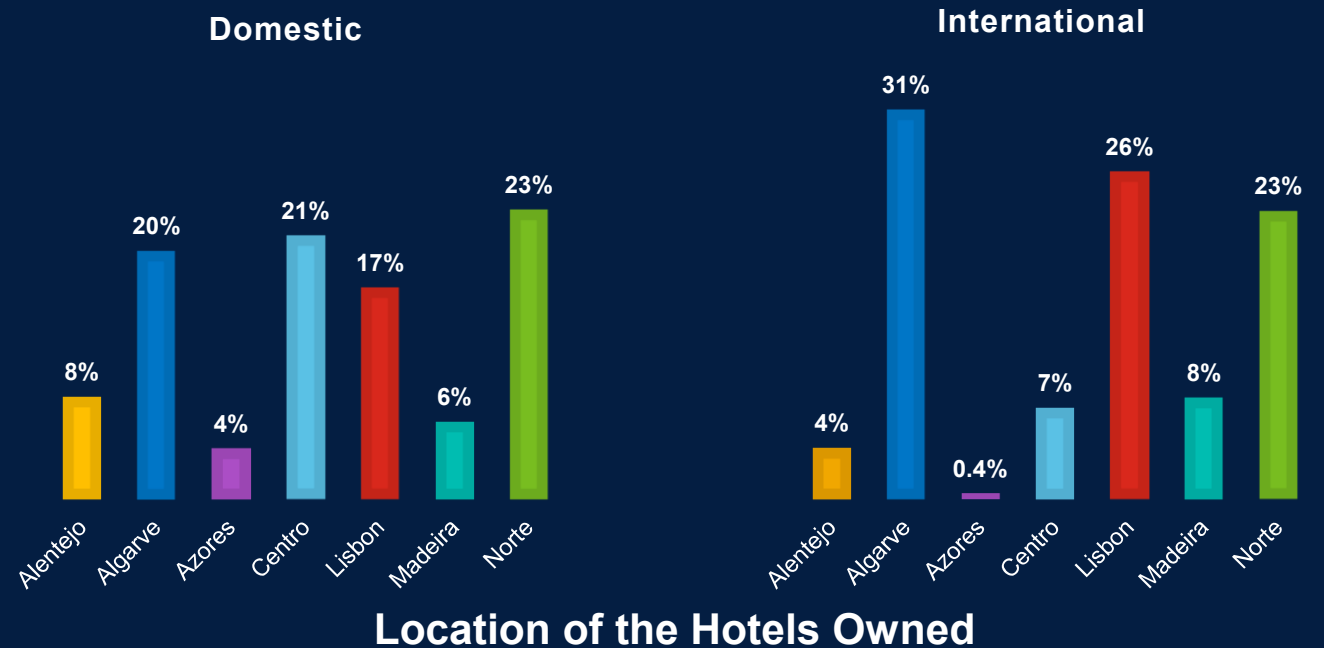
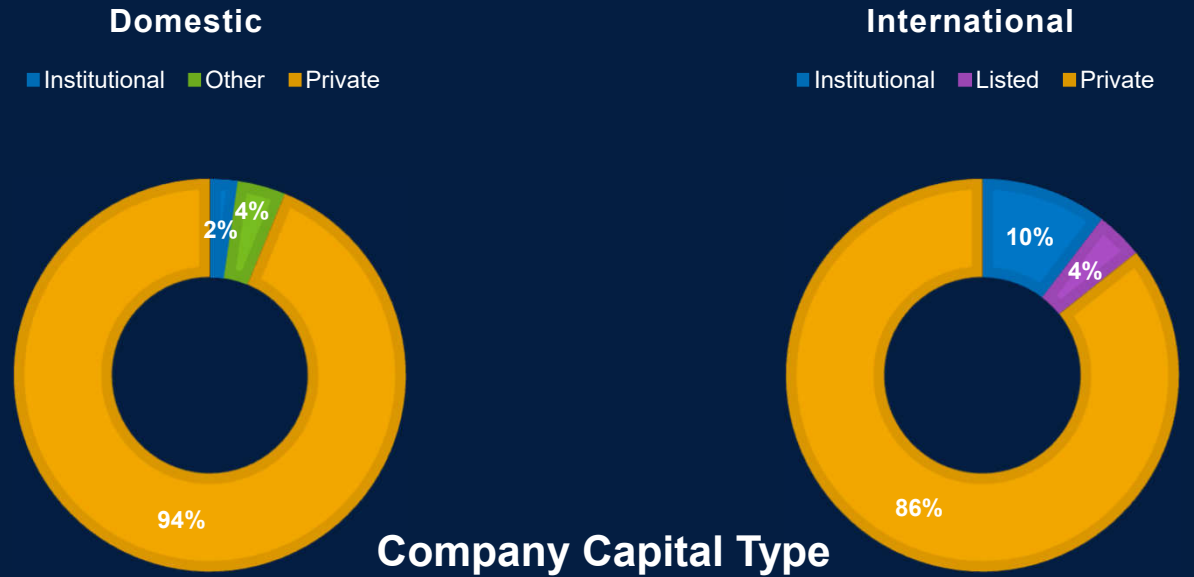
Domestic vs International Companies

- Owning only one property is the predominant feature of both domestic and international players.
- International players own larger portfolios.
- Companies with more than two properties have diversified portfolios that include hotels of different scale categories.
- International companies have shown more interest in upscale or luxury properties, as 69% (vs 53% domestic) of the properties owned by these companies are in these segments, with this difference even more visible in the luxury segment.



Domestic vs International Companies

- Most domestic and international companies are privately-owned.
- There is a higher percentage of international institutional investors.
- Foreign owners concentrate their investments in Lisbon, Porto and the Algarve.
- Domestic investment is spread across the country, since there is a significant number of small properties that are owned and managed by single unit owners (family-owned businesses) located outside the main tourism destinations.

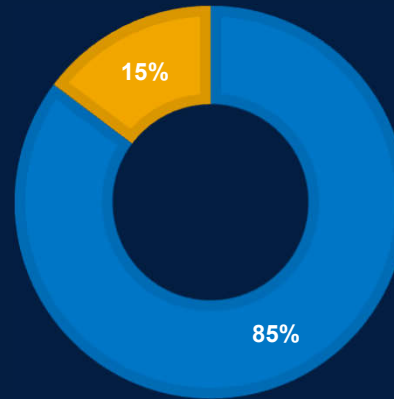


Portuguese Hotel Owners - Investor Types

- Private owner / operator is the typical investor type in the Portuguese hotel ownership market.
- It is possible to find several different profiles that range from listed REOC – Real Estate Operating Company to Governmental or Religious and Institutional investors such as investment management companies or equity funds.

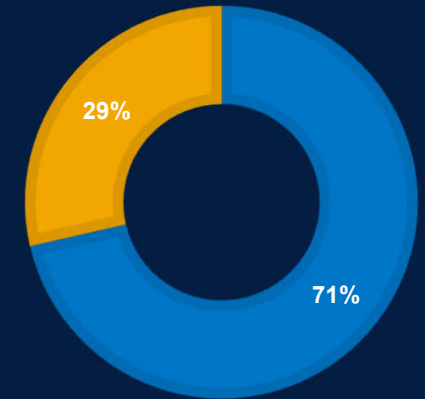
Private

■ Owner / Operator ■ Owner



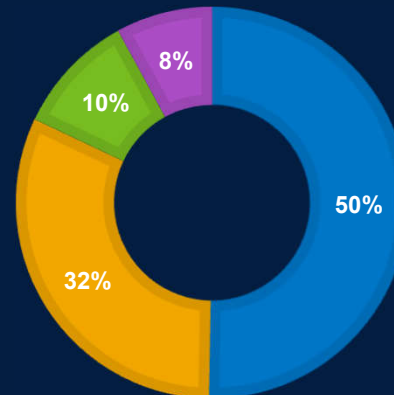
Listed

■ REOC ■ REIT



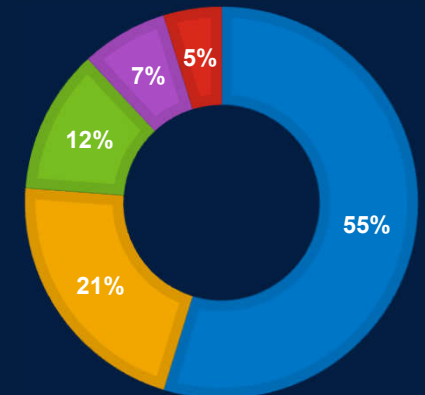
Other

■ Governmental ■ Religious ■ Educational ■ Non Profit



Institutional

■ Investment Manager ■ Bank
 ■ Equity Fund ■ Insurance Company
 ■ Pension Fund

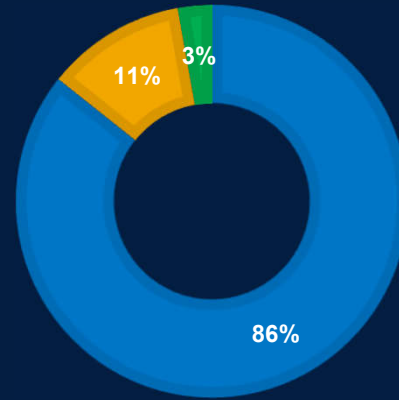


Capital Type by portfolio size

- Most private owners own one property.
- Other investor types, in particular listed and institutional companies, hold larger portfolios.

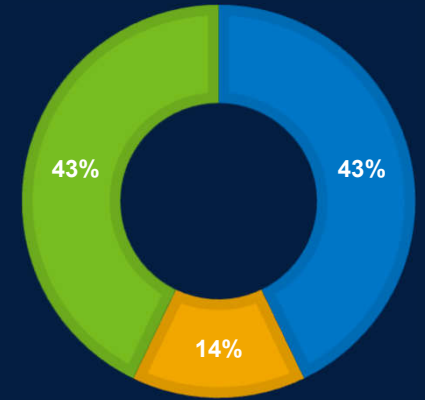
Private

■ 1 Hotel ■ 2-4 Hotels ■ 5 Hotels +



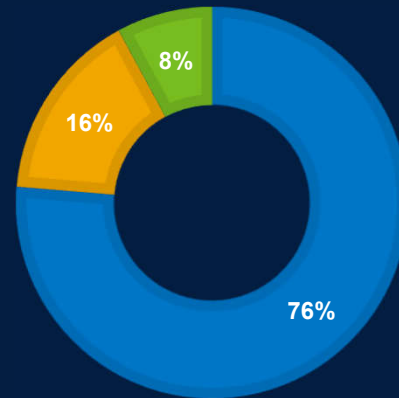
Listed

■ 1 Hotel ■ 2-4 Hotels ■ 5 Hotels +



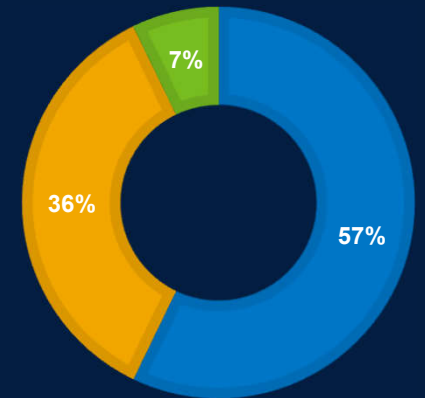
Other

■ 1 Hotel ■ 2-4 Hotels ■ 5 Hotels +



Institutional

■ 1 Hotel ■ 2-4 Hotels ■ 5 Hotels +



Capital Type by the scale of hotels owned

- The different types of investors hold diversified portfolios with hotels of different scales.
- Institutional and listed companies hold a higher share of luxury hotels.
- Listed portfolios have a high percentage of economy properties, strongly influenced by AccorInvest Group being the owner of several IBIS hotels in Portugal.

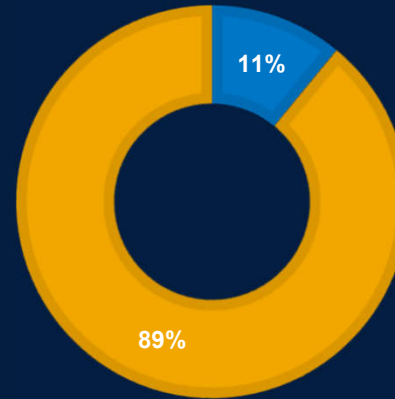


Capital Type by the origin of investor

- There is a relatively low number of private international investors, which shows that the hotel market landscape is dominated by Portuguese Private operators such as Grupo Pestana and Vila Galé, which are also hotel management companies.
- Only listed companies have more international than domestic players, mainly because of the strong presence of AccorInvest Group, Al-Bahar Investment Group and Minor International.

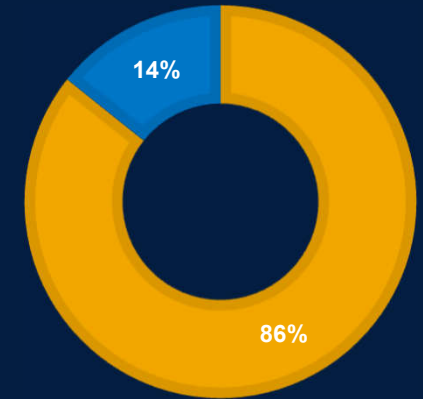
Private

■ International ■ Domestic



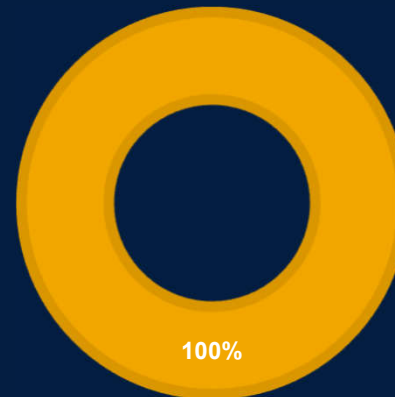
Listed

■ International ■ Domestic



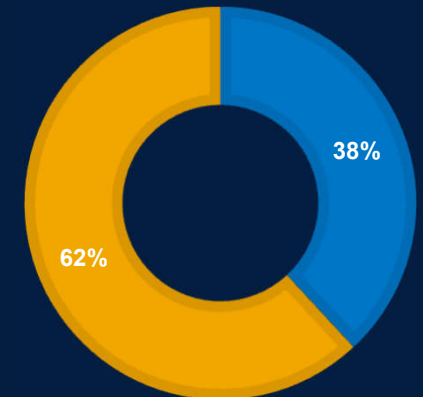
Other

■ Domestic



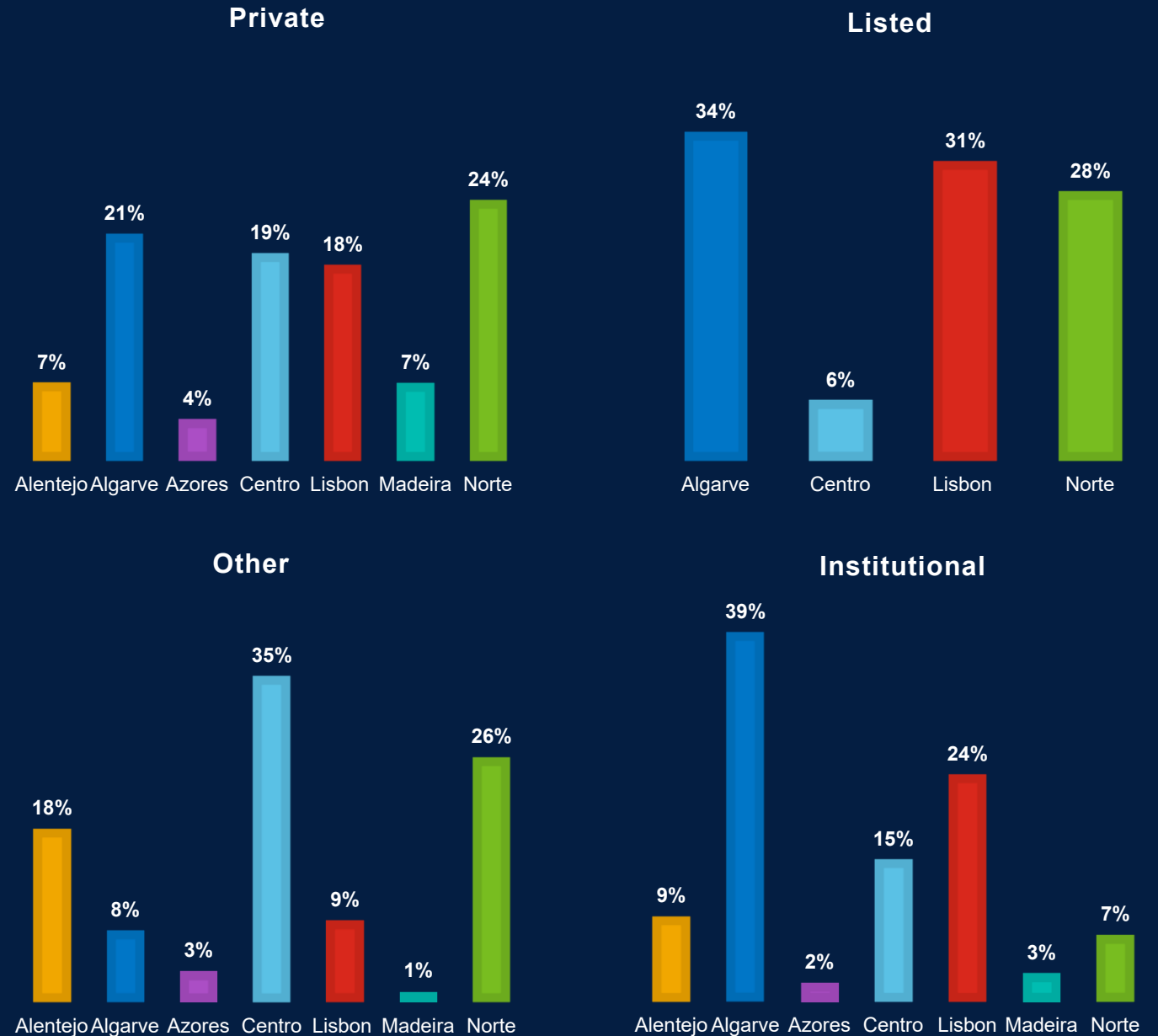
Institutional

■ International ■ Domestic



Capital Type by location of hotels owned

- Private investment is spread across the country with many small privately-held hotels in the interior regions of Portugal, as well as governmental institutions focused on increasing value and creating tourism interest outside the mainstream areas.
- Investor types such as listed and institutional show a preference for investing in Lisbon, Porto and the Algarve.



Hotel Landscape - Regional (NUTS II) overview – hotels by ownership origin

- The regions that have a greater proportion of hotels with international ownership are Lisbon and the Algarve.
- There is also a significant number in Madeira with the presence of companies such as DER Touristik.



Hotel Landscape - Regional (NUTS II) overview – hotels by ownership capital type

- The hotels in each of the different regions are mostly owned by privately-held companies.
- Alentejo and Centro regions have significant governmental investment, with the presence of several Pousadas de Portugal units and other properties owned by the municipalities.

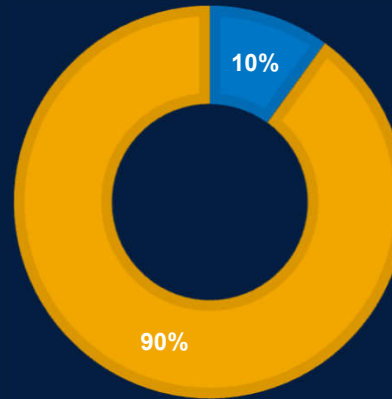


Hotel Scale by origin of ownership

- Domestic owners dominate, with the exception of the luxury segment where there is a significant number of properties owned by international companies.

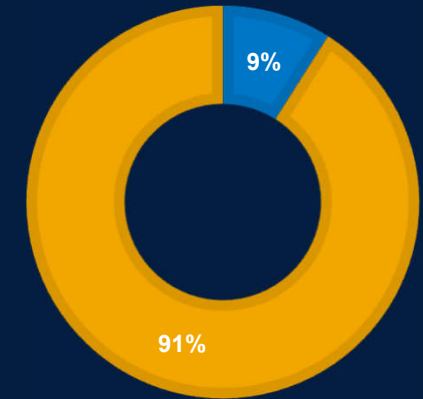
Economy

■ International ■ Domestic



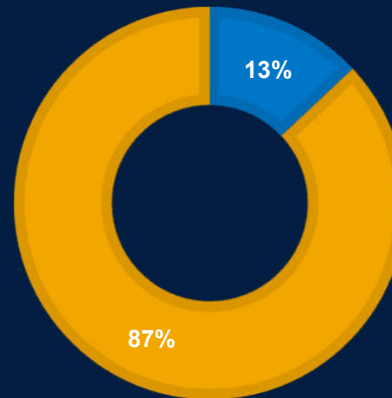
Midscale

■ International ■ Domestic



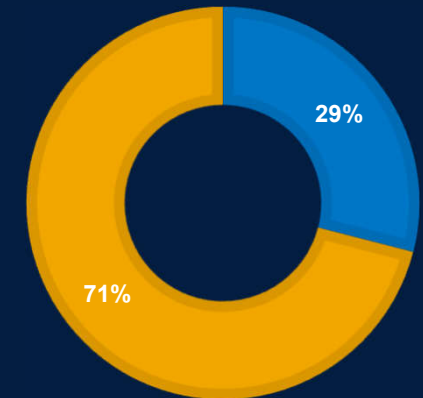
Upscale

■ International ■ Domestic



Luxury

■ International ■ Domestic

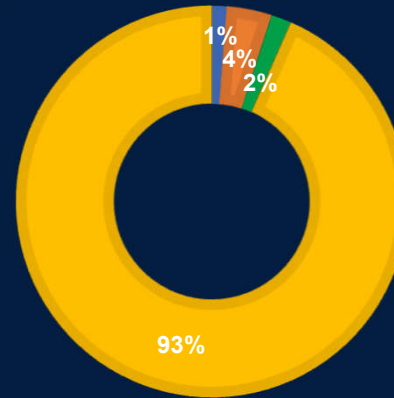


Hotel Scale by ownership capital type

- Private companies dominate most segments, with the luxury segment showing a significant number of properties owned by listed companies and institutional investors.

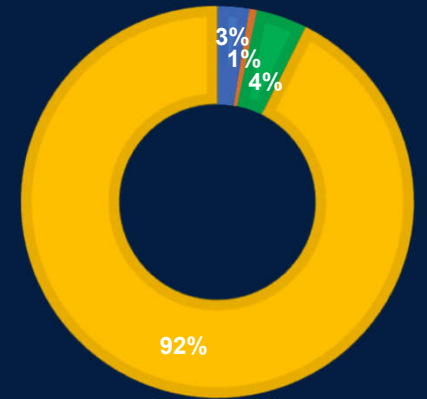
Economy

■ Institutional ■ Listed ■ Other ■ Private



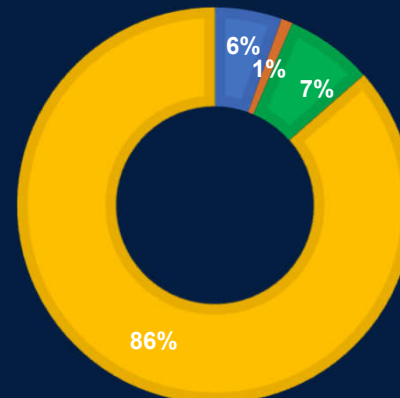
Midscale

■ Institutional ■ Listed ■ Other ■ Private



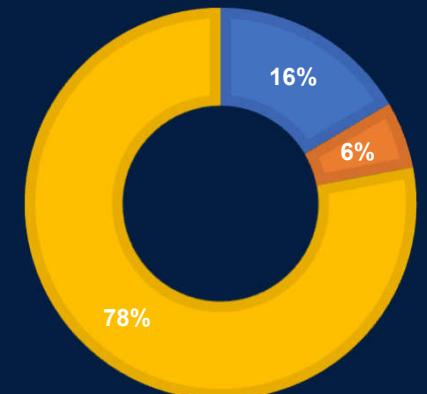
Upscale

■ Institutional ■ Listed ■ Other ■ Private



Luxury

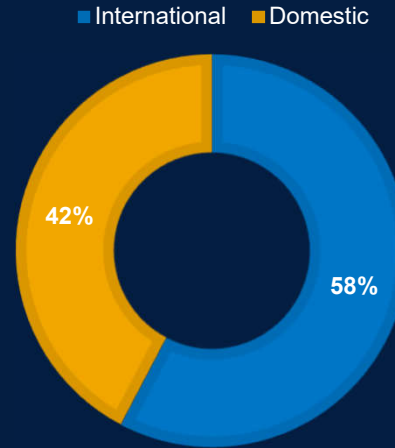
■ Institutional ■ Listed ■ Private



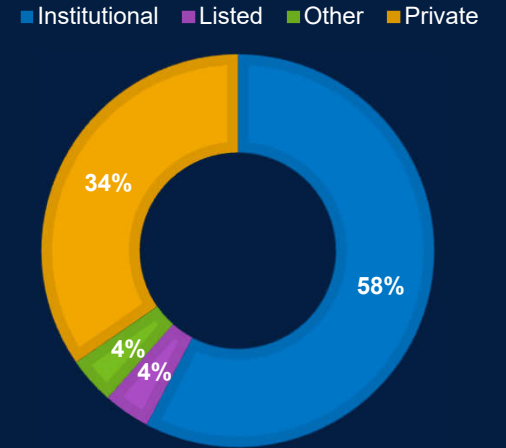
Transaction Trends; Key Figures of the last 24 months

- In the last two years, RCA reports that 44 hotels have changed hands in Portugal.
- They were bought by 26 different companies, 15 of which are international and mostly with origin in Germany and France.
- More than half are institutional, mainly investment management companies.
- The transactions covered properties ranging from 2 to 5 stars, but 78% were 4 or 5 stars.
- Most of the properties were in Lisbon City (34%) and the Algarve region (30%).

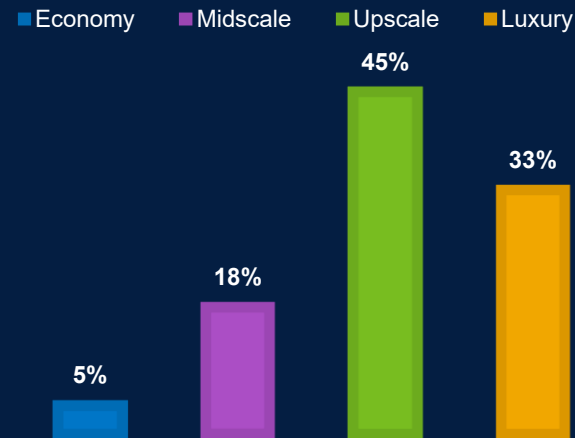
Origin Of The Buyer



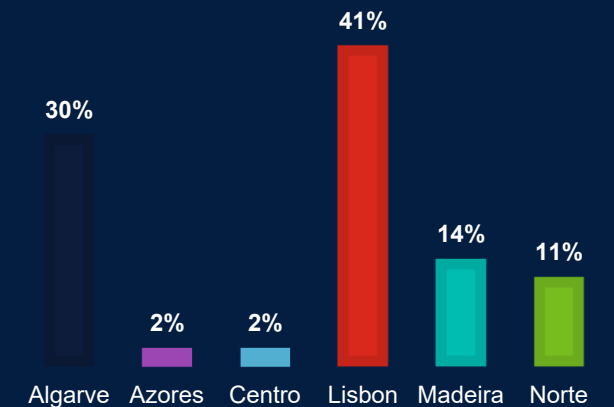
Buyer Capital Type



Category of Hotels Acquired



Region of the Hotels Acquired



Conclusions

- The Portuguese ownership landscape is very fragmented.
- It is mostly dominated by private single unit owners, who both own and manage their properties.
- From the more than 1,900 properties analyzed in this report, we have identified nearly 1,300 different owners and the vast majority – 84% - owns only one property. Considering the 20 companies that have larger portfolios, these own 16% of the total number of hotels in the Portuguese market.
- Nearly 80% of the companies that own Portuguese hotels are also hotel operators / managers, which reinforces the fact that market comprises mainly single unit owners, with a significant presence of family-owned businesses.
- There still is relatively low international brand penetration and the market is dominated by Portuguese brands such as Pestana and Vila Galé.

Conclusions

- The major Portuguese hotel management groups are also the major owners of properties in Portugal and their strength should continue to increase as they have been acquiring and constructing new properties.
- According to the data available at Top Hotel Projects and Global Data, 25% of the 70 properties on the Portuguese pipeline are owned by these companies, notably Hoti Hoteis (seven new properties), T-Invest (three new properties) or Pestana (one new property and the recent acquisition of the Madeira Palácio Hotel).

Conclusions

- International companies represent a small but growing slice of the total pie and, although we have seen some changes recently, there still is a relatively low number of international companies with investments in the Portuguese hotel market.
- They represent only 12% of the total number of owners and hold, respectively only 13% and 18% of the total number of hotels and keys.
- Most of these companies own only one hotel but have on average larger portfolios. 26% of them have portfolios of two or more hotels (2-4 Hotels - 21%; 5 or more hotels - 5%), almost double the percentage of domestic owners - 14% (2-4 Hotels - 11%; 5 or more hotels - 3%).
- These companies have shown more interest in upscale or luxury properties, as 69% (vs 53% domestic) of the properties owned by these companies are in these scale categories, with the difference even more notable in the luxury segment.

Conclusions

- Recent years have seen a growing trend. Most of the acquisitions were by international institutional companies, which indicates a future transformation of the Portuguese ownership landscape, resulting in greater consolidation of the market.
- This is likely to result in an increase in international branded hotels since these companies are expected to require their properties to have a clear positioning to both the domestic and international markets as part of Portugal's growing presence on the global hospitality stage.
- The fall out from the coronavirus pandemic is likely to accelerate the consolidation of the market, as some owners will be under financial stress and may be more willing to negotiate the sale of their properties. In this scenario institutional investors will play a very important role.

Conclusions

- During a recent conference held by the Portuguese Association of Hotels (AHP), the Minister of the Economy, Pedro Siza Vieira, announced that the Portuguese government believes that the hotel industry would benefit from economies of scale to grow, to be more competitive, more resilient, to have more international strength and to offer a better product.
- To achieve this, the government is launching a series of initiatives and benefits that give incentives for companies in this industry to merge or acquire others.
- It is expected that companies will take advantage of this package of incentives, contributing to a further consolidation of the market.

Conclusions

- The overall fragmented structure of the market is, however, expected to continue as the major players concentrate their investments in certain areas of Portugal, mostly in Lisbon, Porto and the Algarve, which do not represent the total Portuguese hotel stock.
- These three areas hold 36% of Portuguese hotel stock and nearly 50% of the properties owned by the major players are located there.
- This trend is confirmed by the deals made in the last 48 months (according to RCA), as well as by the pipeline of hotels in Portugal (according to Top Hotel Projects and Global Data) - 31 out of 44 (70%) transactions made and 41 out of 70 (60%) new properties are in these areas.

Sources & Methodology

- The database for this report was created using information publicly available from RNT – Registo Nacional de Turismo. According to the information provided informally by Turismo de Portugal the registration of each establishment in the RNT is registered autonomously and independently by the respective owners, so the accuracy of the information available is not the responsibility of the Turismo de Portugal.
- For Madeira properties, the information was provided by Direção Regional de Turismo da Madeira.
- We have considered the ultimate owner or holding company, as holdings operate under different subsidiaries and international investment is mostly done through a Portuguese subsidiary. Information related to the ultimate owner / holding was collected from SABI (Bureau van Dijk) and RCA – Real Capital Analytics.
- The total stock of Portuguese properties is slightly higher than those presented on the report, since properties which did not provide ownership information were not considered.
- The sample analyzed is considered statistically valid as it includes 1,919 out of the 2,244 hotels & similar establishments registered in the RNT - Registo Nacional de Turismo.

Horwath HTL

At Horwath HTL, our focus is 100% on hotel, tourism and leisure consulting. Our services cover every aspect of hotel real estate, tourism and leisure development.

We are a global brand with 52 offices in 38 countries, who have successfully carried out over 30,000 assignments for private and public clients.

Each project we help is different, so we need all the experience we have gained over our 100+ year history.

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 Business

Our business falls into two main categories; hotel real estate and tourism and leisure.

For hotels, we provide expert advice on all aspects of development, including feasibility & planning, asset management, valuation, strategic advice and health & wellness.

Our tourism and leisure team, work with companies, municipalities, cities and governments on all aspects of destination development, marketing strategies, project and management assistance.

Key Services

- **Hotel Planning & Development**
- **Hotel Asset Management**
- **Hotel Valuation**
- **Health & Wellness**
- **Transactional Advisory**
- **Expert Witness & Litigation**
- **Leisure**
- **Tourism**
- **Hospitality Crisis Management**



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