



L-R: Miguel Mota (KLM-Air France-Delta), Sofia Lufinha (TAP), John Calvão (Arrow), Ana Paula Vila (US Embassy), José Roquette (Grupo Pestana), António Martins da Costa (AmCham), Patrícia Barão (JLL), Luís Araújo (Turismo de Portugal).

America's fascination with Portugal

Portugal is riding the crest of a wave of investors, relocators, tourists and business visitors from the United States. But why have Americans become so fascinated with Portugal?

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It started with a trickle in 2016, but the roots go back to Portugal's Great Recession from 2011, when US journalists began covering Portugal's sovereign debt crisis and €78Bn bailout from international lenders.

What they discovered was an unpolluted paradise of pristine beaches, charming historic towns, fine food and wine, and a welcoming people. The gloom and doom articles quickly shifted from the financial pages to upbeat weekend supplement magazine features about this sunshine-drenched, undiscovered gem on the other side of the pond.

Today, the reasons why Americans are relocating or holidaying in Portugal

are legion. They range from disenchantment with the political system and security in the United States, to a longing for a largely illusory lost 'American dream'; that California and Miami lifestyle that is seen as under threat, with Portugal providing a tantalising reflection of the good old days in the 1950s, '60s and '70s.

But is it that simple? Portugal is certainly proving a magnet for young tech-minded Americans, especially from California, who have discovered the lifestyle and a burgeoning startup community in Lisbon and elsewhere.

The expansion of new airline routes and the frequency of flights, not to mention clever and targeted tourism cam-

paigns by airline TAP and Portugal's tourism bureau, Turismo de Portugal, have also played a part.

Whatever the reasons, Americans simply like Portugal and the Portuguese. They love the friendliness, the fine, wholesome food, the great wines, the beach lifestyle, the history and the culture, and they like the fact they can frankly get a better lifestyle at a cheaper cost than back at home.

The different aspects of why Americans are coming in their droves to Portugal was discussed in May at a conference organised in Lisbon at the Pestana Palace Hotel by the American Chamber of Commerce in Portugal (AmCham), which

invited leading lights from different business and government areas to discuss the phenomenon.

SKYROCKETING NUMBERS

The conference began with a back-of-the-envelope calculation on hotel occupation numbers: from a total of 26.5 million hotel guests, of which 15.3 million were foreigners, last year saw a staggering 47 million overnight stays — a huge increase on 2021, but not quite the numbers of that record year 2019 (-2.3 million).

The number of US tourists visiting Portugal grew by around 25% on 2019, representing 10% of all the overseas tourists who visited Portugal last year, and studies suggest that this growth in the number of Americans will continue to grow in 2023.

The growth of US tourists in Portugal, fed by the large offer of flights between the two countries, has also been among the many reasons behind the growth in real estate house sales to Americans in Portugal.

The President of the American Chamber of Commerce in Portugal (Am-Cham), António Martins da Costa, pointed to some of the statistics on the number of US tourists that came to Portugal last year, which stood at around 1.5 million.

The number of overnight stays from Americans had shot up by 27% last year on 2019 – the biggest growth from all the overseas tourist markets, including the British and French markets; traditionally Portugal's best customers for holidays.

In terms of tourism revenues, the US appeared in 5th place in 2022, with a growth of 52% on 2019. This was the biggest growth in terms of sources of tourism, well ahead of countries like the United Kingdom, France, Germany and Spain.

The United States is now the nation that invests the most in commercial real estate in Portugal, snapping up €1.15Bn in properties in 2022 – 33.7% of all commercial real estate investment, three-quarters of which was from overseas investors, and divided percentage-wise into hotels (30%), offices (30%), industrial use (20%) and retail (20%).

According to JLL Portugal – a real estate consultant –, in the first quarter of 2023, the US represented 67% of real estate investment in Portugal in what was a record year.

“It’s a fact that the Americans have been discovering Portugal over the past few years in the various segments of real estate, and we have seen significant investment growth over the past five to six years in commercial real estate,” says Patrícia Barão, who heads JLL’s residential real estate department, but also knows the commercial real estate segment.

For example, 2022 was a record year for American investment in commercial

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real estate (€1.150Bn), largely thanks to Project Crow, a hotel portfolio purchased from a number of Portuguese banks by the US fund Davidson Kempner for €850 million, as well as funds like Blackstone which invested €300 million in industry and logistics portfolios last year.

“The sectors in which Americans invest are very varied and if we look at the first quarter of 2023, the Americans represent around 67% of commercial real estate investment, with €150 million invested in a retail portfolio alone”, with the purchase by LCN Capital Partners of 50 supermarket buildings, most of them in the Greater Lisbon Metropolitan Area.

MORE COMPETITIVE PRICES

But according to Patrícia Barão, it is not just Portugal’s commercial real estate market that’s attracting the attention of US equity funds and smaller private investors.

“Americans are big investors in Portugal’s residential housing market,” she said, pointing out that of the 170,000 properties sold in Portugal in 2022, only 6% were bought by foreigners – making a mockery of the oft-repeated accusation that foreigners are stripping Portugal of its available housing stock.

Of this total, the US market represented 15% of transactions by foreigners and the American market had grown the most when it comes to property sales to buyers from overseas.

“When we look back to 2016, Americans only represented 2% in residential, now it’s 15%. Here we have living proof that Americans have discovered Portugal,” she said.

Patrícia Barão is quick to point out that different factors have contributed towards this increase in house sales from US citizens, including the more competitive prices of properties in Portugal and the increase in the strength of the dollar.

“We have American clients who have sold their properties in Florida, bought a house in Cascais, and say that with the difference they have pocketed, they are able to live comfortably for the rest of their lives.”

When it comes to their chosen locations to live, around 40% of the properties are in Lisbon, 13% in the Algarve and 9% in Porto, but the luxury property consultant said that other regions have a huge potential for growth. But there needs to be an offer that meets the American demand profile.

And while buying a house in Portugal has proved to be a wonderful investment for Americans, their main motivation has been to buy a house in which to live, and this has “really taken off thanks to the current remote working scene, so it’s not just buying a holiday home”, adds Barão.

But aside from the good value for money offered by Portugal’s quality property, the main reason that so many Americans want to live in Portugal is, in her view, that they fall in love with the

beauty of the country and the quality of the lifestyle, “something that the Portuguese very often don’t value”, explains Patrícia Barão, adding that once they’ve found a family house, many then seek to put their children in American colleges that Portugal also has.

AIRPORT INFRASTRUCTURE CRITICAL

Portugal’s airport infrastructure at Lisbon has struggled at peak times to handle and process the huge numbers of tourists that have visited the country from all over the world in recent years.

This year, an independent technical commission was hired by the Government to evaluate nine possible locations for a new international airport to serve the Lisbon region and the findings will be presented at the end of the year.

The numbers that justify the need for a new airport speak for themselves: 27 millions passengers disembarking in 2022 at Portugal’s main airports (Lisbon, Faro, Porto, Funchal (Madeira) and Ponta Delgado (São Miguel, Azores)), 50% of which came through Lisbon.

Sofia Lufinha, Chief Strategy Officer for TAP Air Portugal, says that more demand had fuelled demand for more flights and direct flights to US destinations, which in turn has increased demand.

Comparing flight data from 2019 to 2023, Portugal’s airports have seen a 40% growth in flights per week from the US to Portugal (all airlines) with over 100 direct flights per week from cities in the US. When looking at TAP, the increase is even sharper with a growth of 60% in flights per week, with 62 TAP flights to the US.

“There has been a lot of recent growth, and from last summer to this, we have increased the frequency of our flights by 15 to meet growing demand which can only be good news,” she says.

In terms of TAP passenger numbers and comparing Q1 2019 to Q1 2023,

these have more than doubled and revenues have tripled. “Americans have a greater purchasing power and are more willing to pay more and for more options which offer greater flexibility, attributes and services,” she continues.

CAPITALISING ON THE LISBON HUB

Regarding the number of flights to Portugal from the United States, not all passengers come with the express intent to visit Portugal.

“Lisbon is a hub airport for TAP, with flights carrying connecting passengers onward bound to [other destinations in] Europe, Africa, and Tel Aviv [Israel]. We are in a very good geographical position to link the United States to these locations,” explains Sofia Lufinha.

The TAP executive says the airline has cleverly capitalised on this onward passenger traffic with a campaign designed to promote tourism in Portugal. “We have a programme that has been a great success called ‘Stopover’, which enables people to visit the city for three to five days without their flight costing more because they’ve cut their journey,” said Sofia Lufinha.

To give an idea of the programme’s success, in the first quarter of 2023 alone, around 12,000 onward-bound passengers availed themselves of the programme to see the sights of Lisbon.

Luís Araújo, President of Turismo de Portugal, the country’s tourism promotions agency, says that a number of factors are behind Portugal becoming the go-to destination for Americans; the improved and increased airline services and routes being one of the main ones which had contributed towards Portugal being in vogue for tourists and relocators.

In January and February, for example, Portugal enjoyed a like-for-like growth in overnight stays from the US market of 65% on 2019.

“This shows us that there continues to be a growing demand from the US and

we believe that this will continue to solidify,” he says.

“Air connectivity has been important in this sense, and obviously it’s not just TAP that has been responsible for bringing in the visitors. Today there are five airlines offering direct flights to the United States from four national airports,” he adds.

In 2017, airlines had an offer of 1 million available seats between the US and Portugal; today the airlines have 2 million seats.

“The most extraordinary thing is not that we have so much seat availability, but that the market has managed to recover so rapidly after Covid-19,” explains the tourism chief.

Equally important is that 40% of passengers arriving from the US are specifically visiting Portugal rather than using Lisbon as an outbound hub.

Araújo points out that Portugal is held in high esteem by Americans, but that this esteem and visibility is not just to do with the US market. The US was the most important long-haul market in 2022 for Portugal, but it was followed by Brazil, Canada in third place, and Israel in fourth. The fifth most important long-haul market for Portugal was Australia.

“This shows us the capacity Portugal has to attract different audiences, despite no direct flights to Australia,” said Luís Araújo.

WORKING ‘BRAND PORTUGAL’ IN THE US

Turismo de Portugal has done a lot of B2B work over the past few years to strengthen its links with New York, while last year it was the first time that Portugal was the invited country at an event in Las Vegas.

“It’s a question of working the market to position Portugal in a different light,” said Luís Araújo, who refers to a campaign launched in November last year called ‘Close to Us’.

“LISBON IS A HUB AIRPORT FOR TAP, WITH FLIGHTS CARRYING CONNECTING PASSENGERS ONWARD-BOUND TO DESTINATIONS IN EUROPE, AFRICA, AND ISRAEL. WE ARE IN A VERY GOOD GEOGRAPHICAL POSITION TO LINK THE UNITED STATES TO THESE LOCATIONS.” SOFIA LUFINHA, CHIEF STRATEGY OFFICER FOR TAP AIR PORTUGAL.
