



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 unpoluted 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.



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This plan for the promotion of Portugal in the United States aims to place Portugal as a strategic market in the development of national tourism and included advertising on all the digital billboards in New York's emblematic Times Square on Friday, November 18 at 6pm.

The 'Close to US' campaign promoted the diversity of the national tourist supply based on Portugal's main assets as a tourist destination, as well as passing on the message that the tourism of the future is done in a responsible and sustainable way, contributing to a better planet.

More than 60,000 people saw the campaign, which was the first digital out-of-home campaign Portugal had ever conducted.

"This is not just a question of tourism; obviously the uptick in real estate sales was a knock-on effect of our campaigns, and we've seen this spill over into other areas. For example, the correlation between the growth of Portuguese wine exports to the United States is exactly proportional to the evolution in the number of US tourists visiting Portugal," he says.

Miguel Mota, Sales Manager for Portugal at Air France KLM and Delta Airlines, says that in the second half of 2022 (compared to 2019), the airline saw a

10% growth in passenger numbers to the United States for tourism, and that looking at Q1 of 2023, the growth was even more impressive at 30%.

As for the future, the signs are positive, with a capacity for the summer of 2023 projected at +35% in direct flights from Portugal.

Indirect flights from hubs like New York and Boston, and from London and Paris in Europe, are also important for Portugal for increasing capacity.

"Tourism from Portugal to the United States has been very strong on the back of all this capacity, both direct and indirect," he says.

José Roquette, Board Member and Chief Development Officer of the Pestana Hotel Group, agrees, saying: "We are all aware of the visibility that Portugal has as a holiday destination, with investment opportunities well below what they could be from the United States."

"We have had a presence in the United States for 10 years with three hotels, and today we feel the force that American tourism has in Portugal. The number of Americans staying in our hotels has tripled in four years. It was equal to Brazil but now accounts for more than double, and has doubled on Spanish tourist numbers in our hotels and is the third biggest nationality after the English and the Germans," he says.

US INVESTORS NEED TAX CONSISTENCY

John Calvão, Managing Principal and Co-Head of the Arrow Fund, which last year sold 2% of all the residential sales in Portugal to Americans, explains how Arrow has been a big investor in recent years, having already invested €1.5Bn in Portugal.

But one of the main problems for American investors is the bureaucracy and uncertainty over the tax laws that change every year, and explains that investors in real estate could not have that inconsistency, adding that the government needs to "instil more confidence in its taxation and administrative systems if it wants to attract more US investors".

Calvão, who lived in Portugal between 2010-2015, has been investing in Portugal through Arrow and two other funds since 2010, and Arrow is today one of the biggest investors in Portugal.

When Portugal went through the sovereign debt crisis and troika years, he was responsible for bringing a lot of capital to the country and made a lot of investments, as well as investing for others via platforms.

"One of the reasons why we have felt comfortable in investing in Portugal is because we have our local platforms, which is not the case with other funds. Many do not realise that we employ over

1,200 people in Portugal, having invested over €1.5Bn.

"If you were to add all of our core investments, we are probably responsible for more than €5Bn since 2010," he adds.

"When you hear that the Americans are investing, you have to break that down into what it really means. When we talk about Blackstone – one of the world's largest alternative asset managers – or Arrow Global as investors, that money comes from all over the world. It is not just American, although it tends to be decided by Americans," he explains, since they lead most of the funds.

John Calvão pointed out, however, that the leaders of the large US funds do not "know Portugal and its market at all, let alone having ever visited Portugal".

"The majority of the big international funds have never invested in Portugal. It's not because they don't like Portugal, it's simply that we're not big enough to matter. It sounds bad, but they don't care about many countries because they don't have scale," he explains.

However, that doesn't stop huge funds like Blackstone or Pimco Global Investors, which also has interests in Portugal.

"Portugal would get a lot more interest if we could remove some of the main problems that investors have in Portugal. We are very bureaucratic in Portugal and governments change their mind all the time."

It was a thought echoed by Sheree Mitchell, whose company Immersa Global has a footprint in Miami in Florida and in Lisbon.

Sheree, who has perhaps done more than any single American to promote Portugal and its cuisine, wines and boutique hotels in the US, thanks to her lively and passionate promotional videos on YouTube and TV, says that if she had known today the sheer costs and bureaucracy involved for Americans in setting up a business in Portugal, she would have thought twice before investing.

John Calvão gives the example of tax changes from year to year and explains that long-term investments that are five or 10 years in nature, as is the case in real estate and hotels development, cannot afford to have inconsistency with laws, especially tax laws.

"When you start to buy or develop an asset, the financiers need to have

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predictability on the investment cost. If you change the tax every year, it creates an uncertainty and beggars the question as to why you would want to invest in certain countries," he says.

THE GOLDEN VISA

Portugal's Authorisation of Residency through Investment Programme (ARI), more commonly known as the Golden Visa, has been decisive for 10 years in attracting foreign direct investment, representing around 12% of total real estate investment in Portugal and over €6Bn for the period.

In 2021, the lion's share of these Golden Visas were awarded to Brazilians, followed by the French, and in third place, Americans. Last year, Americans were the number one applicants for the regime.

Nevertheless, citing inflationary pressures on urban centre housing markets, particularly Lisbon, the Portuguese Government announced in February this year that it would terminate the programme.

Without going into clear details on how it would be ended, and what would happen to applicants who were already in the system, to the widespread consternation of property and estate agent associations, the Government gave no phasing out period, but stated it was from the day of the announcement of a controversial housing package (More Housing), which aims to provide more housing for young people and the middle classes at affordable prices.

On the Government's decision to scrap the Golden Visa programme, John Calvão said that if an American chooses to live in Portugal, it's not for financial reasons, as is the case with citizens from other countries, because "they continue to pay taxes in the United States regardless of where they are".

Patrícia Barão worried that the news that had been circulating overseas, especially in the US market, about the end of the Golden Visa and 'More Housing' programmes had not painted a good image of Portugal to overseas investors.

"The measures with words like 'discourage', 'end', 'ban', had not been good terms when talking about overseas investment attraction," she said. "However, the fundamentals of the country have remained strong, so it is not these that will dampen down the optimism that the growth in tourism and real estate has had and looks set to continue to enjoy."

TRANSATLANTIC TRADE

In terms of transatlantic trade between Portugal and the United States, the US is the fourth main destination for Portuguese goods and services, and the major destination for exports outside the European Union with €9Bn of export trade in goods and services. Inversely, imports from the US to Portugal stood at €5.2Bn, resulting in a positive trade balance in Portugal's favour.

PORTUGUESE TOURISM IN THE UNITED STATES

Ana Paula Vila, Commercial Services Advisor at the US Embassy in Lisbon, believes that tourism is a "highway with two directions" where synergies can be found along the way.

In 2019, around 15,000 Portuguese tourists travelled to the United States. With the pandemic, that number plummeted to 449 in 2020, recovering to 7,000 by 2021. Last year, the numbers rose again to 14,000.

"We're anticipating that 2023 will be a record year for Portuguese tourists in the US, since up until February almost 10,000 had travelled there," she said.

Whichever way you look at it, Portugal has been discovered by the United States, which has fallen in love with the country and the lifestyle, and that looks set to continue for the foreseeable future. ■