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OUTLOOK 2014



MAIN TRENDS EXPECTED IN THE REAL ESTATE SECTOR FOR 2014

The growing certainty surrounding the Troika's departure from Portugal, expected around the middle of this year.

Partners **Tiago Mendonça de Castro** and **Rita Alarcão Júdice** see the following trends for the Real Estate sector in 2014:

- The growing certainty surrounding the Troika's departure from Portugal, expected around the middle of this year, has led to a **great increase in investor confidence in the recovery of the Portuguese economy**. Since the second half of 2013, we have witnessed a significant improvement in economic indicators with a reduction in unemployment levels and a sustained increase in consumer confidence. These improvements are founded on the expectation of Portugal's imminent return to the markets.
- These positive indicators for the Portuguese economy are also reflected in the real estate, construction, retail and tourism sectors, and it is expected that **2014 will be the year to invest**.
- The following are among the highlights of developments in the Portuguese real estate market:

1. We are beginning to witness great domestic and international interest in resuming projects that had been suspended. The **return to the Portuguese market of various real estate investment funds** in the last quarter of 2013 and PLMJ's handling of the first major real estate sale and purchase operations are worthy of note. This movement on the part of institutional investors should continue in 2014 as they are attracted

by innumerable opportunities to be involved in the new real estate deals that have arisen following the effects of the economic and financial crisis that prevailed in Portugal between 2009 and 2012.

2. The forecast for 2014 is a continuation and increase in investments in **construction and urban rehabilitation of properties for commercial and tourism projects**. Portugal also expects to welcome more international brands to the luxury items and mass consumption retail segments, to open new stores in the listed areas of **Avenida da Liberdade and Baixa-Chiado**. Portugal also expects to welcome new chains of boutique hotels that are increasingly focused on the tourism potential of the cities of Lisbon and Oporto. These chains are seeking to refurbish old buildings that are being freed up, having been inaccessible to the market until 2012, as hostages to an obsolete urban letting system that has been subject to sweeping changes in recent years.

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JOÃO PAULO FELICIANO
(detail)

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3. Another niche of the real estate market that has seen strong demand and is undergoing great expansion, relates to the **demand for residential property in Portugal by retired people and pensioners from the rest of Europe**. These people see Portugal as an ideal destination to establish their tax residence. They are attracted by what the country has to offer but also by the **tax rules for non-habitual residents** and moving to Portugal helps them lessen the impact of the heavy tax burden to which their pensions and income would be subject in their countries of origin.

4. In 2014, and we also expect to see what we could call the **“Second Generation” of the wave of residence permits that have been granted under the Golden Visa scheme**. This market is already worth several hundred million euros. In 2013, 471 golden visas were granted (399 of these to Chinese citizens). Real estate has been the preferred option of foreign investors with this sector generating €272.4 of the €306.7 million invested by foreigners

under the Golden Visa scheme. The forecast for 2014 is that, not only will there be an increase in the number of Golden Visas granted, but also foreign companies will begin to set up business in Portugal. The majority of these will be real estate and construction companies from countries such as China and their plan will be to develop residential or residential tourism projects in Portugal in order to then sell the finished product to their fellow countrymen.

5. Finally, it is important to mention the leverage effect caused by **strong Chinese investment in Portugal**, which has led to interest in investment in this country on the part of investors from other parts of the world. In 2014, we expect to see **significant real estate investments from Russia, the United Arab Emirates and Northwest Africa**. Portugal is not usually the prime European destination for investments from these countries. However, this trend has changed significantly and Portugal is now being chosen by them as a market to invest in.

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