



FEBRUARY 2015

## OUTLOOK 2015



# MAIN TRENDS EXPECTED IN THE REAL ESTATE SECTOR

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This trend should be very visible in 2015, so we are facing this year with great optimism. It is expected that volume of business in the real estate sector could exceed one billion euros, which was an unthinkable number only two years ago.

We now present a list of the most important changes or trends in the Portuguese real estate market:

### **1. A focus on urban rehabilitation**

We have been seeing considerable growth in the sector, with an increase in the level of activity of companies dedicated to urban rehabilitation, and a consequent increase in the number of properties acquired and subject to conversion and re-sale.

Among the highlights in terms of acquisition and conversion are the activities in the historic quarters of Portugal’s principle cities, in particular Lisbon and Oporto. The projects being undertaken preserve the aesthetics of the buildings and sometimes involve new ways of thinking about the uses for properties. In many cases, they are converted into boutique hotels or high-end residential projects. These investments have been replacing traditional “new construction” and have contributed to the regeneration of cities. They have brought a new dynamism and quality to the exceptional stock of properties that were derelict or abandoned, many of which are located in prime zones in Lisbon and Oporto.

Furthermore, we believe that the new wave of support from the European Union in the area of rehabilitation and energy efficiency - under the “Portugal 2020” partnership agreement between Portugal and the European Commission - may amount to an important incentive to stimulate investments in the area of the urban rehabilitation.

**2. Increase in foreign real estate investment**

Foreign investors are once again actively seeking the best business opportunities and the demand for targets should remain high. In 2014, traditional funds engaged in a number of very significant deals and invested millions of euros in real estate assets that were on the market.

Among the highlights were foreign investments from France and China, particularly as a result of the “Non-habitual Residents” and “Golden Visa” programmes. These investments were not restricted to the residential sector but were also made in the segment of office buildings in good locations and, in some of these cases, investments were made in rehabilitation for future re-sale to third parties. This phenomenon is not often seen in the first wave of foreign investment and it demonstrates confidence and some maturity in this group of investors.

In parallel with this, there is some expectation that Portugal will continue to cement its place as an attractive destination for European pensioners and retirees attracted by competitive property values and the Non-habitual Residents tax rules.

**3. Signs of reversal of the construction sector downturn**

The sector construction continues to be very slow, but there we should see signs of recovery during 2015. Some recovery can already be seen, above all in the sector of the urban rehabilitation of derelict buildings. This sector has experienced a very strong upturn with dozens of rehabilitation projects being carried out or due to begin in 2015.

**4. Expected fall in bank spreads**

Spreads, which reached prohibitive levels in recent years, will tend to fall throughout 2015, accompanied by the increase in liquidity that has been registered. These changes will have a significant impact on the volume of real estate business and funding of new projects which are, necessarily, reliant on financing.

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