

# INFORMATIVE NOTE



OUTLOOK 2016

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## MAIN TRENDS EXPECTED IN THE REAL ESTATE SECTOR

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Last year was a historic one for the real estate sector in Portugal, as demonstrated by results without precedent in recent years: around EUR 2 billion of investment in the sector, most of it from international investors. 2016 should be no different and it is estimated that almost half that amount will be invested in the Portuguese market by the end of the first six months of the year.

We believe Portuguese and foreign investors have regained their confidence in the Portuguese market and interest as demonstrated by the interest shown at the main international real estate and tourism fairs. We would also highlight the hefty investments made by funds and other institutional investors, in particular, those coming from the United States, Spain, Germany and Brazil.

In contrast, 2015 was a negative year for the public works sector, with the downturn in the sector becoming (even) worse. The sector has survived mostly on private works and investments made by private investors, in particular, in the urban rehabilitation sector, which has been enjoying a strong growth of around 20% per year, although its global share still remains modest.

In any event, we believe this trend and focus on urban rehabilitation will continue in 2016 and that the volume of investments and works focused on rehabilitation of the buildings will continue to grow by two digits.

Due to the optimism that characterised 2015, this year is being welcomed with some enthusiasm, even that there is some apprehension due to uncertainty of how the current economic situation will evolve, in particular, the possible need for extraordinary measures to balance public finances, which has the potential to negatively affect investor's confidence.

In this context, we would highlight the following trends in the real estate market in Portugal for 2016:

### 1. URBAN REHABILITATION

The trend of rehabilitating the historic centres as seen over recent years should continue, seeking the regeneration and revitalisation of the cities. By way of example, we refer to the revitalisation of Lisbon's Baixa / Chiado area as well as along the city's riverfront, with countless deals and projects in the pipeline.

The expectation is that rehabilitation works will spread progressively across the board and not simply be restricted to the luxury sector (i.e. boutique hotels and prime residential properties). Other segments are also expected to benefit, including an increase in the supply of hotels and offices in the centres of Lisbon and Oporto, with the conclusion of several rehabilitation / construction projects of office buildings.

The position taken by the current government seems to indicate this will be the case. It has undertaken rehabilitation as a priority and has also announced the intention to create a National Urban Rehabilitation Fund (*Fundo Nacional de Reabilitação Urbana* - "FNRU"), which will use funds from the Portugal 2020 operational programmes. The ultimate aim of the FNRU is to seek to increase the supply of residential properties in city centres in order to bring greater dynamism to the letting market, with a particular focus on creating solutions for the middle segment of the market.

## 2. TOURISM AND LOCAL ACCOMMODATION

In order to respond to the growing demand for Portugal as a tourist destination, there has been an increase in the supply of tourism developments and local accommodation (apartments or houses available for rental to tourists). This includes dozens of new hotels, at the acquisition, licensing or construction stage, with a number of international hotel chains actively seeking to open hotels in Portugal, mostly, in Lisbon.

We would also highlight the trend, which is expected to continue, of increasing supply of local accommodation. In particular, the recent phenomenon of Portuguese investors who acquire properties in historic neighbourhoods in the main cities of the country, rehabilitate them, and then rent them to tourists.

## 3. NON-HABITUAL RESIDENTS AND INVESTMENT RESIDENCE PERMITS ("GOLDEN VISA")

It is expected that the level of interest in the special tax scheme for non-habitual residents will be maintained, in particular, by the European Union citizens seeking a more favourable tax treatment and the ability to enjoy their retirement in a country with a lower cost of living than their country of origin. This means there will continue to be a strong level of interest in Portugal, particularly from investors from France and Belgium.

Interest in Golden Visas fell in 2014, but 2015 saw an improvement on the 2013 numbers. In light of the most recent legislative changes, it is expected that once the procedure for processing applications by the Foreigners and Border's Department (*Serviço de Estrangeiros e Fronteiras*) has stabilised, there will be a renewed interest on the part of investors over the course of this year. Particular interest is expected from Brazilian investors whose volume of investment in the Portuguese real estate market has increased and is expected to continue.

Considering the above, 2016 has the potential to match or even surpass 2015 results.

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JOÃO PAULO FELICIANO

Detail

Kleidoscopic Blues Machine 2006,2007

Tripé de madeira, monitor de vídeo acrílico, aço e cabo de aço, vídeo, p/b, s/som, 8'07"

160 x 60 x 180

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Iberian Law Firm of the Year  
*The Lawyer European Awards, 2015-2012*

Portuguese Law Firm of the Year  
*Who's Who Legal, 2015, 2011-2006*  
*Chambers European Excellence Awards, 2014, 2012, 2009*

Top 5 - Game Changers of the last 10 years  
Top 50 - Most Innovative Law Firm in Continental Europe  
*Financial Times - Innovative Lawyers Awards, 2015-2011*