

INFORMATIVE NOTE



OUTLOOK 2017



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(Detail)
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MAIN TRENDS EXPECTED IN THE REAL ESTATE SECTOR

The volume of real estate transactions registered in January 2017 was abnormally high and a clear indication that today the demand for real estate exceeds supply in the Portuguese real estate market.

The year of 2015 was an historic one in which records were broken for investment in the real estate sector in Portugal and, even though the year of 2016 saw a slightly lower overall level of investment in comparison to the previous year, it was still one of the best years for real estate investment in Portugal over the last decade.

The Portuguese real estate market has remained extremely active and this trend should continue throughout this year. The volume of real estate transactions registered in January 2017 was abnormally high and a clear indication that today the demand for real estate exceeds supply in the Portuguese real estate market. This also shows that the market still has much room for growth and that the number of transactions will remain high.

The main drivers of the real estate market have changed in comparison with those of the past recent years. The market is now more mature, being that the use of more complex investment structures is ever more frequent. This contrasts with the investments driven by the Golden Visa and Non-Habitual Residents (NHR) schemes, which tended to be more impulsive. The abovementioned schemes dominated the market in 2015 and 2016, and although they are still noticeable, this segment of investors has now lost some of its enthusiasm. Investors and developers are now more focused on the growth of tourism demand, which has boosted investment in hotels and rehabilitation of properties for local accommodation and serviced apartments.

Furthermore, the tensions that have been felt from time to time in the banking and financial sectors over the past recent years have led investors to seek other investment solutions other than traditional bank deposits. These solutions have often come in the form of investment in real estate in Portugal which, year-on-year, has shown very interesting levels of profitability and increasing values.

Following a number of extremely profitable transactions in 2015 and 2016, it might be thought that opportunities from the upturn in the market have run out by now. We do not believe this to be the case, considering that there still is a wide range of opportunities to do business, being that it is expected that the market will continue to be very active during the present year. The market is also expected to focus on other non-traditional areas that were not prioritised up until now, which, due to the lack of supply, are currently enjoying increasing demand.

That being said, there is a considerable flow of Portuguese and foreign investors with high levels of liquidity that continue to be very active in the market, although the recourse to financing is now more common in comparison to previous years, mostly due to attractive loan interest rates. This is a trend that should continue in 2017.

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Levels of investment in larger properties – which have been subject to extensive reclassification and rehabilitation – should remain steady throughout this year. These properties are aimed at the tourist market as well as the residential and commercial premium sector markets. Prices in the real estate market remain high and are expected to continue to rise (perhaps only slightly) during the present year.

As previously mentioned, the tourism sector has enjoyed sharp growth year-on-year and there has been an exponential increase in the number of tourists visiting the country. This growth has impacted Portugal's economy in a very positive way and has had an undeniable effect on the real estate sector. In particular, new tourist accommodation has been opening at a fast pace and there has been a clear growing interest shown by international hotel chains that are currently seeking new opportunities to invest in the country, with a particular focus on Lisbon, Oporto, Cascais, Comporta and the Algarve.

The provision of services ancillary to the tourism sector has also benefited from the increase in the number of tourists, in particular, retail stores and restaurants (with a particular focus on restaurants serving high quality gastronomy, which have received numerous international awards and recognition).

When it comes to local accommodation, there has been a great deal of investment in smaller apartments in the central historic neighbourhoods of the main cities of Portugal. Many of these properties have been subject to extensive rehabilitation to be subsequently operated for short-term rentals mostly on leading online platforms. Changes to the legislation on local accommodation are expected sometime this year, which impact will be analysed in due course.

The (almost complete) absence of investment in the construction and opening of new shopping centres has led to the operators of existing shopping centres focusing on the renovation, expansion or remodelling of the existing centres. These interventions intend to modernise the shopping centres as well to create differentiated products – whether in their food courts or parking areas, or in opening up new anchor stores – that set them apart from the competition.

Naturally, there are exceptions in this segment, such as the Mar Shopping in the Algarve, which has been developed by IKEA Centres and is expected to open in 2017. This is undoubtedly the largest private investment made in Portugal in recent years, since the opening of Dolce Vita Tejo.

After a long period of neglect in the maintenance of infrastructures and public spaces in the cities, we have witnessed a sweeping transformation of Portugal's two main cities, Lisbon and Oporto. The municipal councils of both cities have pursued policies of major investment in rehabilitation and reconfiguration of infrastructures and public spaces in both cities.

Lisbon, in particular, has been subject to extensive rehabilitation. Highlights include the changes made to the riverside area, which is being radically redeveloped and should be completed this year. This redevelopment includes the opening of the new cruise ship terminal. The main thoroughfares of the city and its main squares have also been subject to vast improvements.

Furthermore, the Government has announced its intention to redevelop the military airbase at Montijo so that it can be used as a second airport for Lisbon, in order to cope with the ever-growing number of visitors that use Lisbon's main airport at Portela, which is expected to reach its maximum capacity sometime soon.

The REVIVE project is a joint initiative of the Ministries of the Economy, of Culture and Finance. REVIVE will open up the private real estate assets of the State to private investment to develop tourism projects. The aim is to guarantee the preservation of these properties and to transform them into an economic asset for the country. Turismo de Portugal, I.P., the central Portuguese authority responsible for promotion, enhancement and sustainability of tourism activities, is expected to play a major role in this project. It should provide financial incentives to leverage investment in the project. In the initial phase, some emblematic properties will be made available, such as the convent of São Paulo, in Elvas, the Santa-Clara-a-Nova monastery, in Coimbra, and the Paço Real in Caxias.

The combination of public and private investment as referred above allows for a favourable environment for sustained growth in the real estate sector over the present year. For this reason, most of those involved in this sector are looking towards the immediate future with optimism and it is expected that the level of investment seen in 2016 will be matched (or even exceeded) in 2017.

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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, 2016-2015, 2011-2006
Chambers European Excellence Awards, 2014, 2012, 2009

 Top 50 - Most Innovative Law Firm in Continental Europe
Financial Times - Innovative Lawyers Awards, 2016-2011