AND SO IT WENT

SEPTEMBER 19-20
LISBON
2017
Hotel Palácio Estoril
PORTUGAL REAL ESTATE SUMMIT IS THE MAJOR EVENT DEDICATED TO REAL ESTATE INVESTMENT

INVESTORS OPTIMISTIC WITH THE PORTUGUESE ECONOMY RECOVERY

Counted the numbers of second edition of Portugal Real Estate Summit, Iberian.Property announces 330 attendants, nearly half of which international real estate investors, whom wanted to be present in the major event dedicated to real estate investment held in Portugal. The hottest topics of the sector and the strong points of Portugal as destination were in the spotlight during 19 and 20 September.
REITS ARE ESSENTIAL FOR INVESTMENT IN PORTUGAL

As attractiveness and real estate investment grows in Portugal, the professionals of the sector seem to agree, more and more, that a REIT regime in the country would facilitate the market. It’s a recurrent issue and was a subject of the discussion that closed Portugal Real Estate Summit.

Participating in this round table David Brush, Chief Investment Officer at Merlin Properties, said that «there are already many models of REIT, let us not reinvent the wheel». In the case of Merlin, «we searched for what was already successful and well made, and built our own model based on that», he declares. And in Spain «the regime has been successful regarding the attraction of foreign capital». While the regime is not created, he considers that Portugal may «look to the several models and analyze those working or not, and why».

Manuel Puerta da Costa, Board Member of APFIPP, underlined that APFIPP is in favor of establishing such a regime, and that «the idea of public markets in the real estate sector and more transparency should be defended by Left or Right parties», and ends by saying that «we also consider important that most of the savings of these companies should be dedicated to the real economy of the country».

Tim Kesseler, Analyst Investor Outreach of EPRA, was other guest speaker invited for this panel moderated by the Economist, Professor and Conference Chairman, João Duque, and defended «the good practices and the raise of transparency in the market», at a time when Portugal is experiencing «exciting times» in this segment. «The activity of companies such as Merlin show that this model has a positive outcome». And, he believes, «if we can convince the regulators that it’s a type of company that will create jobs, that it serves a public purpose, we may show that it’s a regulated alternative that is quoted on the stock exchange».

PORTUGUESE GOVERNMENT PROMISE REITS FOR THE NEAR FUTURE

Although no details are given, the proposal for a REIT regime is still on the Government table, mainly considering its success in Spain.

During the exclusive dinner of Portugal Real Estate Summit, on the first day, Secretary of State for Tax Affairs, António Mendonça Mendes, has shown to agree that «at this point it is important to attract and hold investment», emphasizing the importance of promoting new investments and the development of alternative ways to attract investment. Government plans to «attract investors with different profiles» and «introduce new ways of investment, developing partnerships, promoting the development of partnership companies, capable of stimulating the investment», said at the time, claiming that the Government is working on the creation of a REIT regime.

For now, and according to the same ruler, the executive is working on the development of a corporate vehicle close to the consortium, where taxation is performed within the partners, and related share, inspired by English’ LLPs (Limited Liability Partnerships), dedicated to urban regeneration.
PORTUGAL, DIVERSIFICATION DESTINATION

To Professor João Duque, it is noteworthy the unexpected recovery of Portuguese economy: “I am truly surprised by the Portuguese economy. The rating agencies themselves are acting unexpectedly”, said referring to the fact that Portugal is no longer in the «junk» rating, representing good news for the investment.

However, the Professor highlighted that «we should have an economy based on investment and exportation», pointing out that, currently, Portugal has a lot less investment than a few years ago, which can be explained with the construction sector and the crisis it experienced. To compensate we see the increase of exportations, where the tourism has a significant role. Since these are not a reflex of domestic consumption, João Duque refers that «what happens abroad is more important than what happens domestically» in economic terms, in «an economy more international, more open and subject to the cycles of other economies».

A volatile banking, household saving levels historically low or taxation issues may be the main domestic challenges in the near future. But the truth is that «Portugal is the right market for those who seek risk diversification».

Other guest speaker for the first day of the event was Bernardo Trindade, Chairman of Portugal In, a program to attract investment created as a result of Brexit. «We want to exhibit the capital gains of Portugal in Europe, to facilitate and submit legislation, and to be a “one stop shop” model for investors who want to remain in the EU even after Brexit». «This could be an opportunity for Portugal». Safety, easiness to integrate foreigners or the infrastructures are some of the attractions of the country, pointed out by this Chairman.

Axel Bugge, Chief Correspondent of Thomson Reuters, also feels that «things are changing a lot in Portugal», which has now «one of the more stable governments of the last years, and more stable than many European governments». An optimistic country, «confident in new concepts and new workers», grounds for confidence to the investment, he believes. However, bureaucracy or fiscal instability are issues that need to be worked on.

LISBON IS ON THE RADAR, BUT THERE’S LACK OF PRODUCT

During the panel “Lisbon in the Iberian context: Strengths & opportunities” it was clear that Lisbon is appearing more and more on the radar to international real estate investors, but they often face lack of product to complete the desired transactions. This is the case of Deutsche AM: according to Daniel Galvés, Head of Real Estate Iberia, «we really want to keep investing in Portugal, but we notice a lack of core product, so it is hard to continue with the investment we want». For example, in the offices segment, he believes that CBD «will be out of our range in the near future, since yields are very low and is getting harder to obtain the desired returns».

Värde, represented in the event by Managing Director Hugo Moreira, agrees with this, observing that «we want to invest in core offices and there is no product», but he assures that «Portugal is part of our investment strategy in southern Europe. Javier Román, Portugal Business Manager of Altamira AM, highlight that «there are plenty portfolios in Portugal owned by Banks. We have the experience and we want to have a conversation with them».

To CBRE GI, the main differences between Portugal and Spain are the size of the market and concentrations of demand: «the biggest challenge may be to overcome the liquidity problems and its impact on values», said Antonio Roncero, Head of Transactions Iberia.
FINANCING IS BACK, BUT MORE CAUTIOUSLY

It’s easier again to obtain financing in the real estate. It’s not just financing that’s back, also GDP growth, investors and «many other things» are back, trusts Vasco Bouça, Executive Director da Nomura. In his view «financing is available, not quite back».

In turn, Pablo Álvarez-Rendueles, Director of Real Estate Finance at ING, stressed that «in our case, we never left Portugal nor stop financing since 1998. We’ve been focusing in retail or offices operations».

Rui Corrêa Henriques, Vice President of Santander Global Banking, also thinks that «financing is there for some time», but «not with every criteria. We have internal specific classifications for every type of asset».

WHERE AND HOW TO INVEST” ON THE PARALLEL DISCUSSIONS

On the second day of the event, there were promoted several parallel discussions, organized by different partners, and the first group of discussions was focused on “where and how to invest” in Portugal.

In the session “Investment vehicles in Portugal” attended ML TGS, represented by Filipa Arantes Pedroso, Head of Real Estate, and Paulo Núncio, Pedro Coelho, Chairman of Square AM and Juan José Cerca-dillo, CEO of HI Real Estate & Hercesa. These managers centered their presentations in the investment vehicles existing in Portugal, as well as REITs, and the taxation associated to each one. Pedro Coelho mentioned, at the time, that «tax planning is very, very important», as well as its flexibility: «some rules don’t make sense to small investors whom want to produce in a short time period», he exemplified, but «financing industry is a very attractive one in the long term».

Deloitte focused its session on the subject “Banking REO & NPL – Portfolio & Single Asset Acquisition”, with the presentation by Jorge Marrão, Partner RE of Deloitte, and by co-chairs Nuno Silva, CEO of Funsolutia, and Carla André, Managing Director of CR Management. The necessary dialog between Banks and investors was one of the topics of the discussion, at a time when the Banks «cannot close some business opportuni-ties» due to the imposed regulation. «The investors need to understand that», states Jorge Marrão. On the side of the investors «many times they cannot invest in a short period because market is not so liquid». He thinks it’s important to «give more information to Banks», and to promote the dialog between both parts.

Tax optimization for real estate investment was discussed in the session organized by Abreu Advogados, “Fiscal optimization for real estate investment in Portugal”, a topic presented by Miguel Teixeira de Abreu, partner of Abreu Advogados, and Frederico Arruda, Director of Refundos. The current real estate taxes were under review, such as IMI, IMT or the most recent AIMI, and REITs or LLPs were discussed again: “introducing a Real Estate Investment Trust (REIT) regime in Portugal lays down sound bases”, said Miguel Teixeira de Abreu, getting back the subject discussed over dinner with the Secretary of State.
CHALLENGES AND STRENGTHS OF EACH MARKET SECTOR

Offices in Portugal need investment, namely in new development. This was one of the main conclusions of the session organized by Aguirre Newman, focused on offices and logistic markets. This because «residential market is not helping», with the higher returns that’s getting, remarked Paula Sequeira, Head of Investment – Capital Markets of Aguirre Newman. On the other hand, Paulo Silva, Managing Director of the consultan, mentioned that «we don’t have developers specialized in offices». And, with the lack of new construction «most of the rents with which investors would be comfortable to invest in offices, are not reflected in the market». Modern buildings and spaces with more than 1,000m² are some of the current demands.

High street retail in Portugal is another sector that increased significantly over the last years. JLL has analyzed this subject in its presentation about retail, and demonstrated that prime rent of high street retail in Lisbon already increased 70% in the past 5 years, from €75/m²/month to the current €130. Patrícia Araújo, Head of Retail at JLL, explains that «the amendment to the Law of Urban Leases by the end of 2012 was one of the main reasons to generate retailers’ interest and emerge, definitely, as an option in deployment strategies for the brands in Portugal». Tourism boom was helpful, as well as «a lifestyle more focused for a neighborhood experience». Pedro Lancastre, general director of JLL, thinks that’s «very important to have conditions for this scenario to continue interesting, particularly for legal stability».

«Although it’s especially visible in the cities of Lisbon and Oporto, urban renewal is already dynamic across the entire country», said Francisco Sottomayor, Head of Development at CBRE, during the session “Urban Renewal – Unlocking the real estate value”. It was, thus, discussed a growing regeneration market, mainly devoted to tourism or international clients, and already with some shortage of existing product in historical center of Lisbon, which leads investment expanding to other areas. The demand for this type of product, mainly premium, is increasing.

“The big winner”- this is how it was presented the tourism sector in Portugal during the session organized by Cushman & Wakefield devoted to the subject. «Tourism is well and alive, and we believe it will continue so», remarked Gonçalo Garcia, Head of Hospitality of C&W. Lisbon and Oporto are, specifically, consolidated destinations and well positioned comparatively with other cities. And «we have product for different investors’ profiles». To Pedro Seabra, Partner Real Estate of Explorer, the market has seen «very interesting changes over the last 5 years». The several business models in hotel sector were analyzed in this session, as well as the potential future effects from Brexit.
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For more Information
info@iberian.property