

# REAL ESTATE IN PORTUGAL 2022

*Market Development / Financing & Investment  
Legal Aspects / Construction & Services*

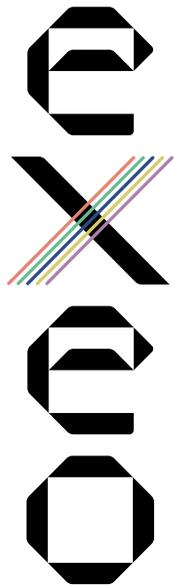
# LUMNIA BUILDING

Offices from 1,000 sqm.

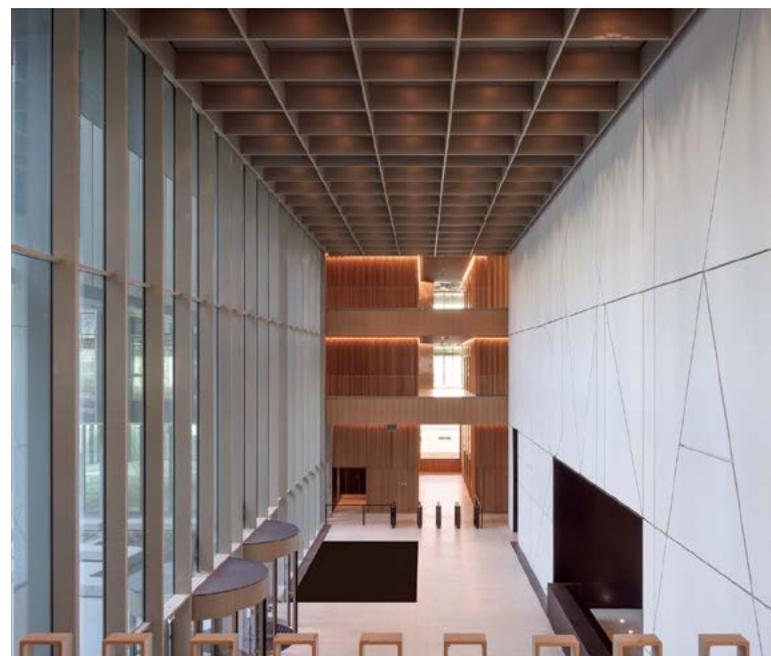
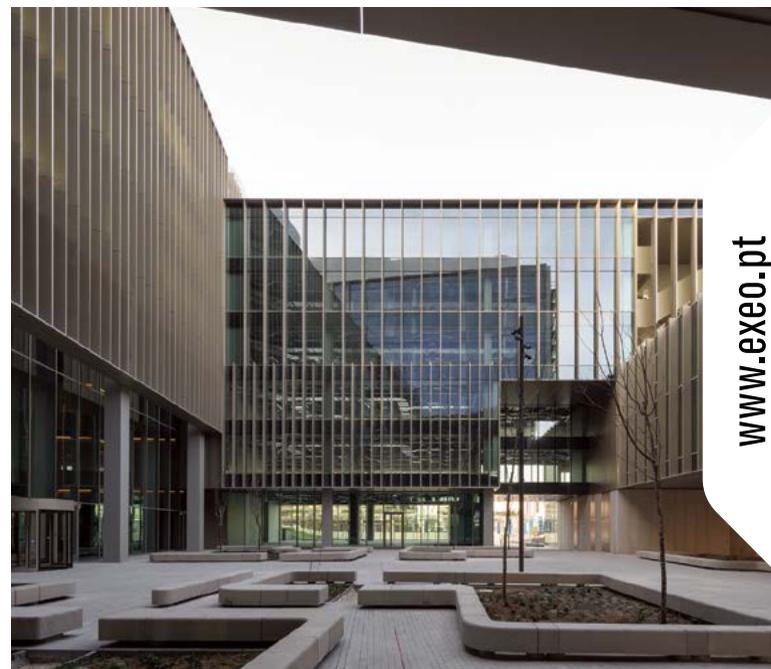
## PRIME LOCATION

3-minute walk from public transportation.

5 minutes by car from airport.



OFFICE  
CAMPUS



Parque das Nações – LISBON

Development and Management

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INVESTMENT  
REPORTS

## Dear Reader,

Welcome to your sunny corner of Europe – Portugal!

You might have been wondering why in the past few years, every time Europe is mentioned, Portugal is right in the heart of the discussions. There are very good reasons for that.

Similar to the rest of the world, Portugal has suffered along the years some economic troubles, but the fact is that after the 2008 global economic turndown, the real estate market in Portugal has been growing non-stop since 2015, and it currently accounts around 15% of the country's entire GDP.

It is without a doubt one of the safest countries to live in – currently ranked as the third safest in the world, according to the Global Peace Index. Portugal is located in a very privileged part of the globe as it is one of the best gateways to any part of the world, located between Africa, Europe and the Americas. It is one of the best countries to invest in – with a lot of tax benefits for foreigners – as well as one of the easiest paths to citizenship in Europe.

If you think Portugal is only attractive business wise, then you are very wrong! Portugal is mostly known for its amazing cuisine with fresh ingredients and amazing weather since it's sunny almost every single day of the year. We invite you to discover everything in the following pages, and understand the ins and outs of the market's truly exceptional real estate climate and opportunities.

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*Enjoy the report!*



**Hugo Santos Ferreira**  
President

APPII (Portuguese Association of Real Estate Developers and Investors)



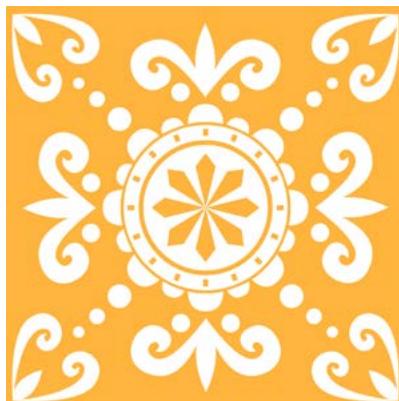
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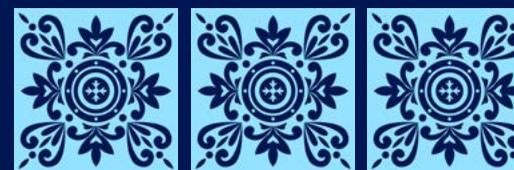
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**Joana CASTRO e ALMEIDA**  
Councillor for Urbanism  
Lisbon City Council  
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**Aniceto VIEGAS**  
CEO  
Avenue  
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**Tiago Violas FERREIRA**  
CEO  
Violas Ferreira  
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**Claude KANDIYOTI**  
CEO  
Krest  
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# INTRODUCTION



*The real estate market is crucial in the further development of Lisbon. In a world where cities start to resemble each other more and more, being different has been the key that made Lisbon such a sought-after destination both by foreign investors and citizens.*

*With the goal to preserve this uniqueness in mind, the natural path would be to integrate sustainability and technology in the already safe, desirable and welcoming environment of the city.*

**Diogo IVO CRUZ**

Project Director

Invest Lisboa



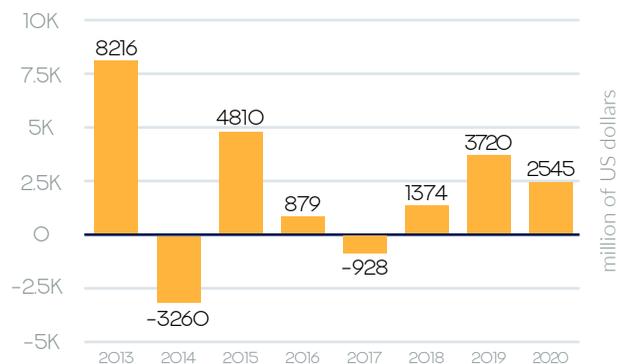
# WELCOME TO PORTUGAL

There is a particular joy in being an international analyst - we have the privilege of experiencing first hand the business climate of such a wide array of countries, from yield ratios to the colour of building facades, to the way people shake hands and close deals. We spent several months analyzing Portugal's real estate climate. We found ourselves won over by not only the fact that the country has not yet reached the peak of its opportunities for growth and development, but also the charm and vibrancy of the Portuguese culture itself. These are not the only aspects that have attracted foreign investment, which currently accounts for a staggering 80% of total investment volumes.

Real estate is an industry closely tied to quality of living, safety and stability, and these are points that our writers will keep referring back to in the following pages. This report will give you the essential facts and figures you need to know before investing in property in Portugal.



**POPULATION**  
 > 10 MILLION  
**DAYS OF SUN**  
 300



source: OECD, Statista

## VALUE OF FOREIGN DIRECT INVESTMENT (FDI) INWARD FLOWS IN PORTUGAL

(2013 TO 2020)



**Paulo SILVA**  
 Country Manager  
 Savills Portugal



*We had various waves of investors in the past, a Swedish one in the 80s, a Spanish and a UK one. Nowadays, as if in a reverse move from when Portugal was exploring the world, investors come from everywhere – the US, Brazil, Germany, France, Belgium and even Singapore.*

# SO, LET'S TALK ABOUT BEAUTY

This small Mediterranean country averages over 300 days of sun per year, has a long expanse of coast, numerous natural parks, a varied and complex cuisine, and unique and iconic architectural styles. Let us also talk about people - they are highly educated, multi-lingual and welcome you with a smile. Additionally, the government supports its tourism and property segments, each accounting for 15% of the GDP, through a number of tax incentives and support schemes, from the Golden Visa to the Non Habitual Tax Residency. Prices are still relatively low compared to the rest of Western Europe, offering investors ample opportunity for future growth, and residential buyers relatively affordable options.

There are challenges plaguing the market too, some all too familiar to investors operating across Europe. Licensing waiting times have been keeping many up at night, varying widely depending on the municipality and the type of building in question. Likewise, there are global crises we are all bearing the consequences of, including the Covid 19 pandemic, and the tragic events that are unfolding in Eastern Europe at the time of writing. Inflation is soaring and costs of materials right alongside it, which can have a disproportionate impact on a country a quarter of the size of California, where investors cannot benefit from the economics of large scale projects. Access to capital can also be challenging, as banks and public institutions have still maintained an air of cautiousness in the aftermath of last decade's financial crisis.

Our teams have had the privilege of meeting dozens of developers, investors, consultants and other service providers throughout the past few months, local and international, each making their mark on one of the world's quickest transforming real estate markets, and it has been a true privilege. As the cities are transforming and the buildings getting taller and shinier, one thing is certain though - the azulejos are staying, and the pasteis de nata still delicious.

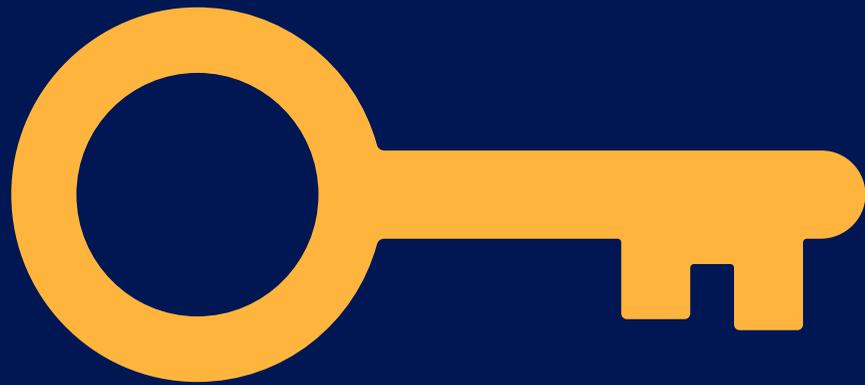
PORTUGAL 2022

## Real Estate Market Outlook



DOWNLOAD FULL REPORT HERE





# KEY MOMENTS IN PORTUGAL'S REAL ESTATE MARKET RECOVERY

## 2006 NEW URBAN LEASE REGIME

In 2006 the Portuguese government passed a New Urban Lease Regime (Novo Regime de Arrendamento Urbano - NRAU), which favored owners. This led to a much more dynamic lease market and spurred Lisbon's urban rehabilitation.



## 2009 NON HABITUAL RESIDENTS TAX

Portugal's NHRT offers lucrative tax breaks for foreign residents, be they pensioners, high networth individuals or entrepreneurs. The NHRT applies for a period of 10 years.

## 2011 - 2014 IMF BAILOUT

Portugal had a fiscal deficit of 11% of GDP in 2010. In spring 2011, Portugal reached out to the IMF and the EU. The agreement extended financial assistance of EUR 78 billion, which led to the country's economic revitalization.



## 2012 GOLDEN VISAS

Portugal's Golden Visa program proved the most popular scheme of this type in Europe. In brief, it enables non-European citizens that invest in real estate in Portugal to apply for permanent residency and citizenship after five years, without the need to reside in Portugal. The program has been adjusted in 2022.



**Diligentparallel**  
developing projects

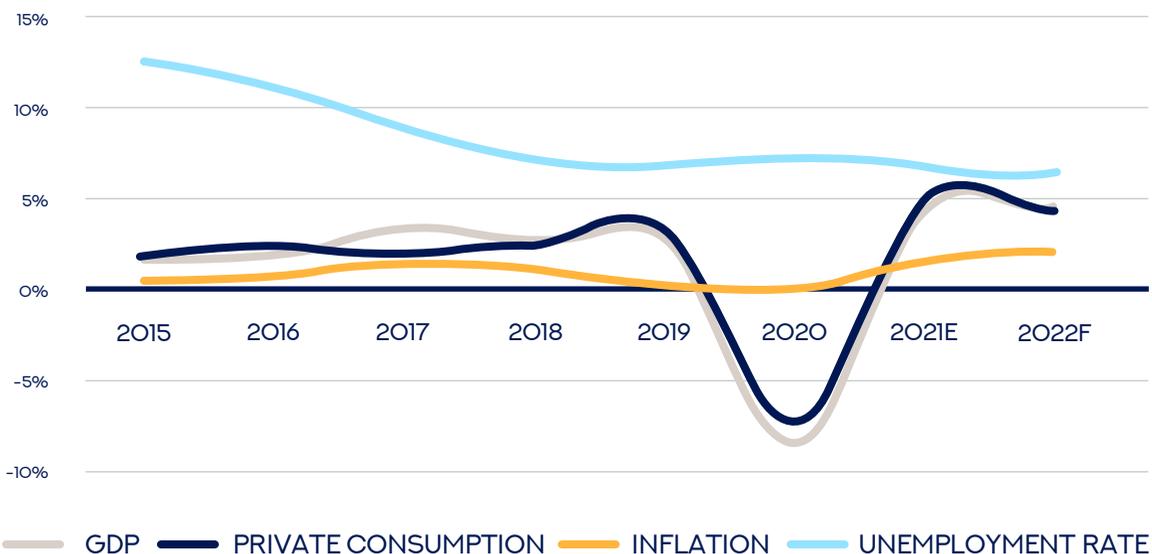
**PROJECT MANAGEMENT &  
CONSTRUCTION WORKS SUPERVISION**

[www.diligentparallel.com](http://www.diligentparallel.com)

## 2019 INVESTMENT VOLUME IN PORTUGAL REACHED THE **EUR 3 BILLION** MARK

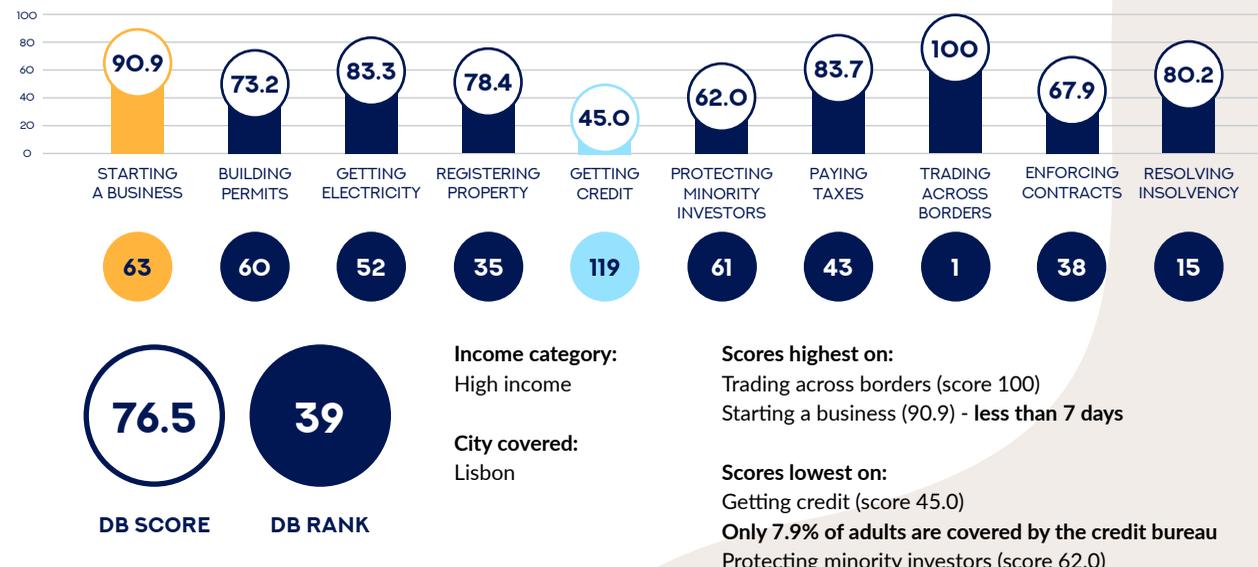


## KEY ECONOMIC INDICATORS



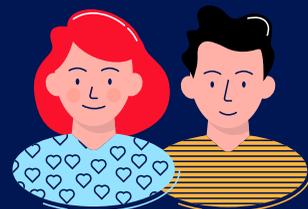
source: Oxford Economics, CBRE

## EASE OF DOING BUSINESS



source: World Bank Group

## KEY FIGURES



### GDP PER CAPITA

2021 EUR 24.457  
2022 EUR 26.404

source: IMF

### COVID VACCINATION RATE

94.1% AT LEAST ONE DOSE  
91.7% FULLY VACCINATED

source: Reuters



### CORRUPTION INDEX (2021)

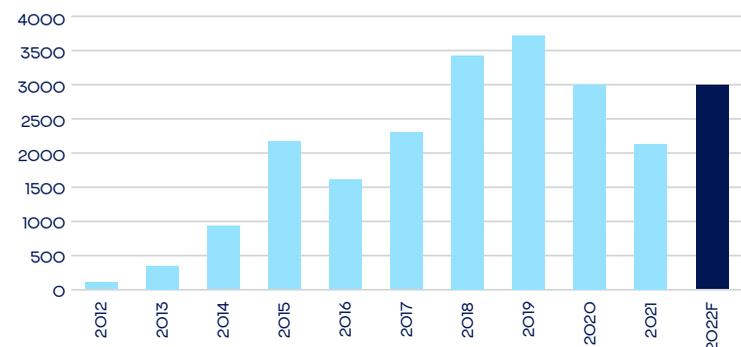
RANK: 32/180  
SCORE: 62/100

source: Transparency International

REAL ESTATE ACCOUNTS FOR **15%** OF PORTUGAL'S GDP



### COMMERCIAL REAL ESTATE INVESTMENT TURNOVER (MILLION EUR)



source: CBRE

IN 2021 **80%** OF ALL INVESTMENTS IN PORTUGAL'S REAL ESTATE MARKET WERE FOREIGN, OF WHICH:



source: JLL Market 360 2022 Report

### PORTUGAL'S RECOVERY & RESILIENCE PLAN

The plan consists of **83 investments and 32 reforms**. They will be supported by **EUR 13.9 billion** in grants and **EUR 2.7 billion** in loans.

38% of the plan will support climate objectives and 22% of the plan will foster the digital transition. It will lift Portugal's gross domestic product by 1.5% to 2.4% by 2026. This economic boost will generate roughly 50,000 jobs.

**Eduardo KOL NETTO de ALMEIDA**  
CEO  
Lantia



The notion of a middle class doesn't have a solid definition in Portugal, as yet, and wages can differ from the ones mentioned in market studies. Owners of small businesses (e.g., lawyers) represent an important part of the population in Lisbon or Porto. They make more than the medium wage per month and shift the data available.

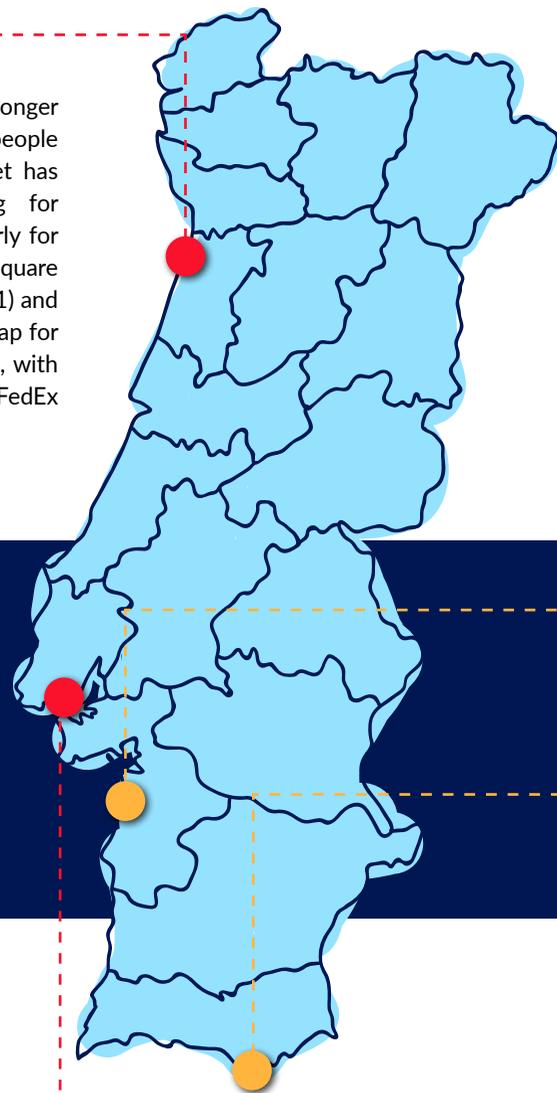
We did a study recently which indicated that the Portuguese middle class can only pay EUR 3,500 per square meter and they can only finance a house of 100-120 square meters. However, what we found in practice is that more than half of our units sold for an average price of EUR 5,000 per square meter, which reinforces the idea above.



# PORTO

POPULATION  
**249,633**

Wine and colorful streets are no longer the only aspects that attract people to Porto - its real estate market has become increasingly appealing for international investors, particularly for residential (average price per square meter has gone up 16,5% in 2021) and office projects (Porto is on the map for startups and big companies alike, with huge international brands like FedEx and BMW recently moving in).



# COMPORTA

POPULATION  
**1,095**

Widely referred to as the "Hamptons of Portugal", Comporta has taken the spotlight lately as a destination for luxury residential and touristic developments. Wealthy individuals (including a few Hollywood celebrities) have made their way here in recent years to enjoy its beautiful, virgin beaches.

## KEY DEVELOPMENT AREAS



# LISBON

POPULATION  
**517,802**

## LISBON METROPOLITAN AREA

POPULATION  
**2,986,162**

Over the past few years, Lisbon has consistently ranked among the top European destinations for real estate investment. In 2014, a combination of changes to the rental law - which had been long keeping the city in a state of degradation - and powerful incentives for foreign investment have sent the city into a phase of rapid development. Even with all the attention it has received, Lisbon still has plenty of opportunity for investors, from modern offices to middle and high end residences.

# ALGARVE

POPULATION  
**467,495**

Algarve has long been seen, by locals and foreigners alike, as a perfect holiday destination thanks to its attractive hotels and golf courses, luxuriant beaches and perfect climate. Residential properties are in high demand nowadays, but well connected land plots for new developments are not easy to come by.



## PRIME YIELDS 2021

OFFICES  
**4.00%**

STREET COMMERCE  
**4.25%**

COMMERCIAL CENTERS  
**5.25%**

FOOD RETAIL  
**5.00%**

INDUSTRIAL & LOGISTICS  
**5.75%**



# FROM REGENERATION TO RENEWAL: NEW PATHS FOR PORTUGUESE CITIES

by **Goncalo Ponces**  
Head of Development  
**JLL Portugal**

The need to redevelop Portuguese cities, particularly the country's flagships Lisbon and Porto, has long been recognized by all concerned: municipalities, the government, corporations and citizens. Aside from being a material intervention to modernize and renovate the built-up environment and urban space, this is also a way to make cities more socio-economically dynamic, attracting new residents, visitors and investors. Not to mention that change means better news for sustainability. However, this widely acknowledged goal only truly began to gain scale with the end of the external financial aid given to Portugal between 2011 and 2014.



**Tiago EIRO**  
CEO  
**EastBanc**



*Lisbon looked very different a decade and a half ago, its old city center was practically a ghost town. Owners didn't have enough funds to invest in the worn out buildings and the previous rental law was also discouraging for investors. To say a regeneration plan was needed is an understatement.*

## THE "REAL" REDEVELOPMENT PROCESS IN THE LISBON AND PORTO CITY CENTERS BEGAN IN 2014, RESULTING FROM THE COMBINATION OF **THREE KEY FACTORS:**

- A strong growth witnessed by the tourism market
- Legislative amendments, particularly the urban lease law and incentive programs created to attract foreign investment, such as the Golden Visa and Non-Habitual Resident Regime
- The creation of specific tax benefits for regeneration projects (6% VAT rate, and property transfer tax exemption), as well as a legal framework to implement these and streamline licensing processes (53/2014).

These factors were crucial in the bloom of regeneration works - why so late? Before 2014 Lisbon and Porto's centers had gone through gradual desertification, and a general degradation of the real estate stock. This was essentially due to rent freezes that had been in force for decades, causing residential demand to be redirected to the suburbs, where new buildings satisfied families' needs for space and modernity. This led development to concentrate on new constructions in these regions, drawing investment away from the historic centers and exposing the lack of a healthy rental market for the Portuguese population.

When the structural conditions mentioned above came together, domestic and international investors alike saw the regeneration market's enormous growth potential. This led to the first wave of investment that began with the acquisition of entire buildings for subsequent transformation and modernization. Many of them, which had been originally designed for residential purposes but occupied for office use in recent decades, were renovated and updated to resume their original role. During this first wave the main destinations were the most central zones of the historic districts, such as the 'Baixa' (downtown), as well as the most prominent and prestigious avenues in each city, namely Avenida da Liberdade in Lisbon, and Avenida dos Aliados in Porto.

In most cases, this first phase created a renewed housing supply, with units that were technically modern, up-to-date and well located. They were quickly taken up by customers, usually through advance purchases (off-plan). These "new" buildings in Lisbon and Porto emerged from a pre-existing urban reality, structures that were generally well integrated and able to bring new life into the city centers. This expansive movement also stimulated development of short-term rental businesses and opened spaces up to new retail concepts. New international brands started seeing Lisbon and Porto as destinations for store openings, new restaurants emerged, and proximity and neighborhood shops returned. The result was clear: Lisbon's 'Baixa' zone for instance, which used to be busy during the day but subdued at night, was now the scene of great activity and occupancy, buzzing with residents, hotels, restaurants and bars.

### LISBON'S 'BAIXA' ZONE

which used to be busy during the day but subdued at night, is now the scene of great activity and occupancy, buzzing with residents, hotels, restaurants and bars.

## AVENUE

*Avenue is developing and managing residential and office real estate developments in the prime zones of Lisbon and Porto, focusing on urban rehabilitation and urban land regeneration.*



**Aniceto VIEGAS**  
CEO  
**Avenue**

**What did the beginnings of Avenue look like and what is the current footprint you have in Portugal?**

In 2015, in the aftermath of the newly changed lease law, we started Avenue with the goal to refurbish seven projects: high-end residential and high street retail units in premium locations. Starting with 2017, we decided to include office developments in our portfolio, with "the bigger the better" view in mind. Our flagship project is EXEO Office Campus, with its 70,000 square meters.

Since almost 90% of the total market demand (and 2/3 of the residential demand) is concentrated in Lisbon and Porto, this is where we will keep the focus. At the moment, we have secured 15 developments: seven are completed, six are under construction and development and are working on the conception and licensing of two new projects, one of which is taking the idea of scale at the next level.

**Offices are still in short supply and in need of revamping in Portugal - what are the dominant features tenants are seeking and how did these guide you in your approach with EXEO?**

Indeed residential has been so lucrative in Portugal that it naturally drew investors and developers, to the detriment of offices and industrial. Nowadays, this is changing with rising rent and other benefits. Generally, clients are interested in flexible spaces situated in sustainable buildings that are close to public transportation routes.

EXEO is the perfect example that brings together all these desirable features and we're very proud that we had the chance to deliver such an amazing project. The buildings are high tech and stand as a reference point in terms of ESG.

**What are the key objectives you want to achieve at Avenue in the next two to three years?**

We have three main objectives: continue to be a relevant player on the residential market in Lisbon and Porto; invest further in offices and potentially expand into Porto; and introduce logistics in our portfolio since we see great potential in this sector, sparked by the rise of e-commerce.



➤ continuation of article by Goncalo Ponces

This first wave led to a notable increase in demand for new developments which attracted many more investors, thereby generating a second phase of regeneration momentum. At this time, the development/investment profile changed, becoming increasingly professional, with local partners gaining confidence and drawing important international investors interested in developing medium and long-term projects. The type of projects also started transforming - investors switched focus towards medium and large-scale interventions, including groups of buildings, city blocks and structuring projects, with a scope of action that led to the implementation of new urban hospitality concepts and mixed-use projects.

The opportunities on offer were also growing, including from the state, which was a major owner in the city centers. The state ended up acting as an important generator of supply for investment and renovation, divesting obsolete and/or deactivated assets that were taken up in this wave of redevelopment. In this new phase, urban regeneration moved away from the historic parts, where it had started, to other residential districts in the two cities.

During the next phase, urban renewal took a new shape, as this concept and the respective dynamic expanded to include the reformulation/redevelopment of a specific part of the city, based on a structuring project. The Bonjardim project in Porto is one of the latest examples. Located at the heart of the city's 'Baixa' district, this project will involve new construction, while also reinventing and redeveloping an entire city block, the D. Joao I block. There will be approximately 90 apartments, including a branded residence component managed by a hotel partner, as well as a 4-star hotel and a retail area with 16 stores. At the center of the development, a public square will offer garden areas, esplanades, cafés, restaurants and shops, designed as a leisure area for the city.



**Grisha DAVIDOFF**  
Managing Director  
Kaizen Capital



*Real estate is about striking good deals, but it also packs in a creative side - when a property catches my eye, I really want to turn it into an awesome project. You can do that through rehabilitation, and feel a sense of great pride at the transformation. As an example, we bought a distressed restaurant for EUR 300 per square meter in an area where a similar assets reached EUR 1,000 per square meter, refurbished and turned it into an award winning Mexican restaurant.*



**Tiago ARANDA BRANDAO**  
Country Manager  
Incus Capital



*Over the past few years, Portugal has attracted many international players. It has evolved into a vibrant medium full of young entrepreneurs who fell in love with the security, comfortable lifestyle and excellent weather that are found here.*

# PROMIRIS

Promiris develops innovative projects with a strong architectural identity, constructing and renovating buildings situated in major city-centers. We are focused on sustainable entrepreneurship, energy-efficient design, availability and quality.

**3 COUNTRIES** | Belgium, Portugal & Spain  
**ASSET SIZE** | EUR 10 mil to EUR 25 mil  
**COMMITTED EQUITY** | EUR 70 mil (2021)

Promiris is open to associations with professionals who are equally passionate about sustainable property development and share the same values.

[www.promiris.com](http://www.promiris.com)



## GRANJO

Porto, Portugal

### Mixed Use Project: Residential & Student Housing

Granjo project is located on a former industrial site in Porto, and stands out because it blends two different types of architecture into one single element. The entire intervention is underpinned by a concern for maintaining and recovering pre-existing foundations while retaining the industrial character and fitting them into new uses.

## THIS IS PRECISELY WHAT REGENERATION, OR BETTER, URBAN RENEWAL PROJECTS, SHOULD BE:

they should have the **capacity and responsibility to modernize the city**, increase its population, accommodate new housing and services concepts, thus building a **relationship of continuity** with the identity of the urban space.



Urban regeneration projects are not, and should never be, the indiscriminate and uncritical mere maintenance of facades. Lisbon and Porto are examples of this, with the redevelopment dynamic recently spreading to many other urban locations across the country, like Setubal, Ericeira, Coimbra and Faro.

Finally, we must emphasize that the fiscal and legal framework that has helped speed up the development and renewal of our cities, should serve as a basis for other equally important and urgent initiatives, such as build-to-rent and development for the middle class, taking into account the enormous gap between supply and demand, and the lack of modern and sustainable residential product.



**Joao Diogo  
CRISTINA**

*Country Head Portugal  
MERLIN Properties*



*MERLIN Properties is a real estate company listed on the Spanish and Portuguese Stock Exchanges, focused on the acquisition and management of commercial assets in the office, retail and logistics sectors.*

**What does Merlin's footprint look like in Portugal at the moment and what is your vision for the company here?**

In Portugal, Merlin is invested in all three sectors, namely offices, logistics warehouses and also in commercial and retail assets, such as the Almada shopping center in Lisbon. We currently have over EUR 1 billion spread across 11 assets, and the footprint is divided between 120,000 sqm of offices, 60,000 sqm of retail space and (potentially) 250,000 sqm in logistics warehouse units in the North of Lisbon. Our strategy is to expand our portfolio in Portugal through investing in data centers and by acquiring some high potential properties.

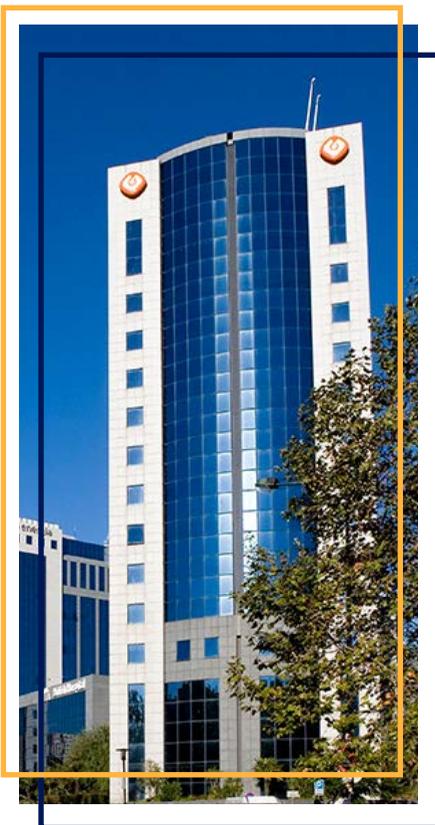


We might as well consider going into development. Since we see ourselves as a full-fledged Iberian company, we wanted to get listed both on the Portuguese and the Spanish stock exchange markets. We are a Core / Core-Plus investor.

**What lessons from Spain's successful REIT regime can Portugal learn and wherein do you believe lies the opportunity for Portugal in this space?**

The REIT regime in Spain is extremely streamlined, with less rigid requirements for investors and an established model. However, in Portugal, we're still in an incipient stage and some rules need to become more lenient in order to make the regime fully operational. The fact that withholding taxes are not fine-tuned points toward a system with inefficient measures that jeopardize the idea of a transparent fiscal system.

Fortunately, we are sensing willingness to solve these issues coming from the national authorities. A strong REIT system would definitely provide more liquidity to a small market like Portugal and would give a big push to the lack of supply we are now facing.



**Is the shortage in supply the rationale behind Merlin moving into development?**

Indeed, we are open to take some development risk in part due to the shortage in assets, and also because a development venture makes sense from a risk adjusted return basis. Since asset prices have gone up dramatically and returns are relatively low, we need to get more than the typical 4.5%-5% yields if we want to remunerate our capital accordingly.

**Where do you see most potential coming from in the future: rehabilitated stock or new developments?**

Honestly, I think there's room for both, because there's a chronic lack of supply of office space on the Lisbon market. Tenants are more than happy to rent out premium refurbished buildings. There's not much land available so it's nearly impossible to build new office spaces in the city center. Most works are reconversions from offices into residential or hotels,

so that increases the pressure on rental prices. In Portugal, the market is small but competitive and you have to stay on top of the game. We recently refurbished our Monumental office building in the heart of Lisbon. We replaced the facade, baring it to the bone and remaking everything from zero (HVAC, lifts, wiring, etc.) and turning it into a most successful mixed-use space.

**Which are the main factors attracting various business segments to Lisbon and do you believe Porto will become a similarly successful office hub?**

The reason why the office market has seen such an impressive growth in the past five years in Lisbon has to do with the number of business process outsourcing (BPO) companies which landed in this market. The costs of both property and workforce are appealing in Portugal, from which they can serve a wider market. And there also are big companies like Microsoft or Google that decided to concentrate some of their departments (IT, invoicing, etc.) here.

Merlin is concentrated in Lisbon because of our Core investment approach, but we would consider Porto a viable option once this market fully stabilizes and consolidates. It has great universities that are a melting pot of human resources, and excellent accessibility and infrastructure. When the market is consolidated enough, we will make a move.

**What are the plans that you want to pursue at Merlin in the next two to three years?**

We want to capitalize on our existing landbank and keep diversifying our portfolio. The plan is to become the dominant presence in the Iberian Peninsula in the offices, logistics and retail sectors.

# We believe in people

At **MERLIN Properties**, we rely on technology to advance and innovate. We develop sustainable solutions that respect the environment and we contribute to the responsible development of cities.

**We work to build spaces that improve the quality of life of people.**



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# INVESTMENT & DEVELOPMENT



*I can tell we are moving into a new stage of the market: we started with rehabilitation, then small projects in the city and now we are starting to see large-scale developments that go as high as 30,000-50,000 square meters. This will inevitably require developers to diversify, to avoid price pressure, and PRS is the perfect answer to this.*

**Paulo SILVA**  
Country Manager  
Savills Portugal



# OFFICES

LIKE IN 2021, OFFICES SHOULD ATTRACT THE **LARGEST** AMOUNT OF **CAPITAL** AND REGISTER AN **INCREASE** OF AROUND **30%** IN 2022

by **Andre Almada**  
Senior Director A&T Offices  
CBRE Portugal

## LEVEL OF OFFICE OCCUPANCY (2021)



**PORTO**  
56,500 SQM (+5% YOY)

**LISBON**  
162,000 SQM (+17% YOY)

I've been working in the office market for more than 27 years now. It's crazy that I almost seem older than the market itself.

Over the past years some changes happened. Some innovations came to the market and the mindset of both HR managers and CEOs around what the office, as a concept, should be, has slowly shifted. But it wasn't until the most recent pandemic that I truly felt the change, the huge and much needed change that all of us were somehow expecting and anticipating but were too afraid to put in place.

The office is no longer a place to work. This does sound like a death omen but it's not. It's actually quite the opposite, as this emerging trend of the office being a place to be is actually what saved the office, by pushing its reinvention and modernization towards what the new generations need and expect.

There were two determining factors which really brought to life this new way of looking at the office.

Firstly, the fact that talent is harder and harder to attract and retain. This has gotten leaders from all types of companies and in different positions, thinking of ways to attract talent and being able to retain it from its competitors. Out of several ideas, all circling around emotional salary and work/life balance benefits, the workplace stood out as a valuable piece of the puzzle. The workplace was the company culture safe box, where companies were able to display their values, DNA and evidently also provide the milieu where teams could and should interact spontaneously. So this was the first shift: The office could no longer be standard. It should perfectly suit the company and its business, and be able to naturally and organically communicate its culture to all visitors, and especially to the team.

Then, when offices were finally evolving towards this new and more attractive space, the pandemic came and they became cold and empty spaces for months on end. When I say cold I obviously want to reinforce the idea that, as always, it's about the people. It's people who warm up the workplace and, without them, emptiness and coldness sound louder than ever.



**Eduarda Pinto**  
Executive Director  
Lionesa Business Hub

*We realize that happiness at work is no longer just snacks and a ping-pong table. That is why we empower our community, by offering a flexible work environment, where they can count on a wide range of benefits, including surf classes, golf classes, natural parks, pet-sitting services, and a focus on providing accessibility to the most diverse lifestyles. We want a space of choice for talent.*

Finally, the evolution of the pandemic seemed moderate and almost surpassed. Companies wanted their teams back in the office. However, both the leaders and, even more dangerously, the team, understood that working from home had no real impact, or at least no negative one in productivity, and therefore company results. So this led to the second shift: it's not only about having a tailor made office, it's about creating a space that people want to come to. A space in which people feel comfortable, one in which creativity, empathy and teamwork bloom, enhancing personal skills and making work more fluid. A place that brings value to their day to day affairs. It is certain that the way we work has changed. However, as remote work became part of our weekly planning, companies understood the need to promote team collaboration and a sense of culture in what is seen as the new normal. ➤



## FOR A SUSTAINABLE, ATTRACTIVE AND INCLUSIVE CITY

Full of contrasts and facing multiple challenges, the city is alive. It is the place where the diverse dynamics of our cultures meet. And it becomes a symbol of them. There are 3.3 billion city dwellers on our planet today, 4.5 times more than in 1950.

By 2030, this number is likely to exceed 60% of the world's population. This demographic explosion goes hand in hand with the climate crisis. ATENOR's mission is to meet these challenges with the dynamic of sustainable and responsible development.

Deeply attached to Europe and its values, ATENOR is present in 10 European countries. Its overriding ambition is to propose projects with low environmental impact, yet with high social and community impact. Projects whose architectural excellence promotes the well-being of their occupants. With locations in the heart of cities, in neighbourhoods with a future, near water and green spaces. Locations that are always close to communication hubs, but in which soft mobility is becoming increasingly important. Its European presence and the rich diversity of its approach enable ATENOR to develop pragmatic solutions with broad applications, to act sustainably and to deliver projects that endure.



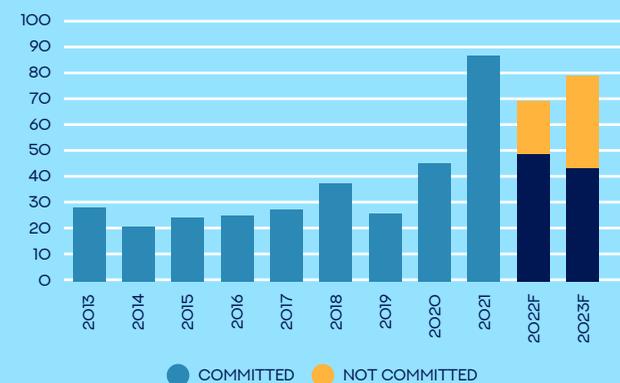
BRUSSELS | THE HAGUE | LUXEMBOURG | PARIS | LISBON | DUSSELDORF | WARSAW | BUDAPEST | BUCHAREST | LONDON

[www.atenor.eu](http://www.atenor.eu)



### ANNUAL STOCK ADDITION IN LISBON

(THOUSAND SQM)



source: LPI and CBRE

► continuation of article by Andre Almada

## PORTUGAL'S OFFICE OF THE FUTURE

### 2022 is the year to solidify hybrid work solutions

Now, there is no turning back and companies are investing more and more to have a state of the art office. A place to make the team proud as well as welcoming for clients, providing an outstanding experience for both. And Portugal is at the heart of this fantastic and unexpected whirlwind.

Portugal has several attractive factors; the weather, with its internationally applauded 300 days of sun, the abundant talent, the still competitive property prices when compared to other European destinations, and the fact that it's a very friendly and open country for expats.

This has bolstered tremendously the main cities of the country - Lisbon and Porto - and placed them as some of the most seductive cities to operate in. We expect a 200,000 square metre take up in the capital, mainly driven by new companies expanding their activity to Portugal and the relocation of those already established in the country.

However, the growth demanded for new office building development, which is at substantially higher levels than in the last decade, is still not enough. Lengthy licensing processes can lead to an increase in prime rents of 5% to 10%, not fantastic news for occupiers. It is, on the other hand, a thumbs up for investors who understood the market and the lack of stock available, and decided to develop office buildings from scratch, even during the pandemic, when the return to the office was a distant reality.

Adding to this very transformative period, cities in themselves saw important shifts, in part driven by the new generations who joined the market with their new set of expectations. More traditional office areas such as the CBD's and the Western corridor (Lisbon-Cascais) are now being replaced by a river front axis and what we call "alternative" zones, where urban culture is more visible, amenities are trendier (local shops, restaurants and gyms for example) and the environment more accurately displays the healthy frenzy of the city.

To a great extent, the cranes decorating Lisbon's skyline are due to office projects and this is likely the lingering reality for the coming years. Offices are going through one of their most memorable times and Portugal is surely taking advantage of this fact. The question is: Are you reading this by the Tagus riverfront? If not, let me say you should be.

**200K** SQM  
FORECAST TAKE-UP  
2022

**61.5K** SQM  
AREA AVAILABLE IN  
NEW BUILDINGS

**5%-10%**  
FORECAST PRIME  
RENT GROWTH

**15%**  
TAKE UP  
DRIVEN  
BY NEW  
COMPANIES

For the first time, in 2021, take up driven by new companies was higher than the one driven by expansion, standing at **15% in Lisbon** (double compared to 2020).

In Porto, the weight of the area occupied by new companies is even higher than in Lisbon, with an **18% share in total occupation** in 2021.



**What made you think that Portugal and co-working went together?**

Unicorn Workspaces Portugal is a franchise of the homonymous German company. With so many entrepreneurs coming to Portugal, we opened two locations in Lisbon in which we are offering customizable functional workspaces. Every company has its own space depending on the team size and we can accommodate up to 100 desks per company. Shared workspaces are the future and with so much demand coming in every day, this sector will surely take off spectacularly.

It became transparent to us that startups are continually scaling their business, and they increase or decrease their team size, so a traditional lease wouldn't be suitable. In addition, traditional businesses have also started to follow the co-working trend, they

like the flexibility and cost cutting that comes with it during these unusual times. Seeing how this idea was gaining more and more traction, we wanted to be the right people in the right place.

**What other reasons drew you to Portugal specifically?**

Coming from Germany where the tech talent pool is really sparse, we found Portugal rich in skilled workforce. The market is also well positioned to act as a bridge to Brazil, Angola or Cape Verde, among others appealing destinations in Africa and Latin America. It's a migration friendly country, with a stable economy. The pandemic is the catalyst that made companies realize how important it is to be situated at a cultural confluence where workforce can be hired from various neighboring countries. Portugal has this magical mix of location and people.



Looking for an office with fair prices?  
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Ready to plan your next office? Visit [unicorn.de](https://unicorn.de)





**Claude KANDIYOTI**  
CEO  
Krest



*Krest is a Brussels based developer and investor in prime real estate. Its portfolio spreads across all segments of the industry, from offices to residential, retail, logistics and hospitality.*



The licensing process is seen as very cumbersome in Portugal - how does it compare with other jurisdictions in which you are present, for instance Belgium?

Not unlike Portugal, Belgium has a licensing process that is extremely difficult and frustrating, with many steps that need to be completed. As an example, we have an 400 apartments project in Brussels that has been in limbo for six years now because the relevant authorities are not in full agreement with the plan. On the upside, once a project successfully passes this approval stage, the rest of the licensing process goes extremely smooth.

Krest joined the Portuguese market almost 10 years ago, what's your current footprint here?

We have a portfolio of 600,000 square meters under development and management, and this year we are investing over EUR 100 million, spread across various projects that are meant to address present needs of the community. This aspect of making a positive contribution matters a lot to us.

Portugal has come a long way since 2013, becoming an increasingly sophisticated market. What makes a successful project nowadays?

The truth is that Portugal still lags behind in terms of sustainability, and we see this as a great opportunity. It is an element we always include in our projects - through green areas, waste and water management systems, measures for near zero carbon emissions and so on.

*Right now, keeping a balance between the traditional way of building and new environmental requirements is vital in order to develop new projects.*

In Portugal we've seen a lot of goodwill from politicians but the local municipalities tend to overcomplicate the licensing process, both out of lack of resources and of interest towards new developments. However, while there is a long waiting time in Portugal, what is certain is that at some point you're going to be able to finish the project - Belgium doesn't always guarantee this outcome.



What are the elements that attracted you to Porto and why is it a good place for office development?

The area of Porto where we chose to develop our prized office project (Porto Office Park) is in the vicinity of five universities, so it's easy to get in touch with the pool of graduate students that floods the market each year.

As a whole, Portugal is a favored destination for offices because it has great political and economic stability, an educated workforce - fluent in several languages and a nice proximity to the United States, South America and Africa. Our international tenants also talk about how the quality of life found in Portugal helps them easily recruit new employees. Having all these elements put together, we decided to raise things up a notch and include high class amenities into our POP units: padel courts, gyms, meeting rooms, cafeterias and restaurants.

How would you describe the profile of your tenants?

A lot of demand comes from foreign companies - our portfolio is made up of a domestic company, four multinationals based in Portugal and a myriad of international brands coming from a mix of industries: consultancy, financial, services, IT, etc. They are interested in premium offices and since we inaugurated POP a lot of demand came in, so much that if we had some extra 10,000 or 20,000 square meters they would have been immediately rented out. All this hunger is due to the well-known demand versus offer imbalance that characterizes Portugal at this point in time.



**Tiago VIOLAS FERREIRA**  
CEO  
Violas Ferreira



*Violas Ferreira is a Portuguese family office specialized in real estate investment, founded in 1969.*



*Grupo Ageas is an international insurance group with a growing footprint in real estate primarily focused on offices.*



**Gilles EMOND**  
Head of Real Estate  
Grupo Ageas Portugal

In what ways did the global pandemic impact your business in Portugal?

We were already experimenting with the work from home model because we were preparing our move to the new office building, so in this sense we were lucky. But the business has seen some challenges. About 80% of Portugal's investment comes from abroad - since people weren't able to travel as much and visit the assets, access to capital became limited. Having a local team in the country was a huge advantage and saved us a great deal of trouble. Another plus was that our office assets are of prime quality, fit for the future. They were good before the crisis and will be good after, because they are already able to answer the new standards.

In 2019 Grupo Ageas Portugal kicked off a EUR 150 million expansion. What assets are you prioritizing and why?

When we started in Portugal three years ago, we decided to move actively in two directions, the main one being offices. Why? Because there is really a lack of modern spaces here. After the financial crisis in 2010 there have been very few developments and the average quality is low to medium. On the other hand, you have an economy which is growing and many international companies willing to come to Portugal that have trouble finding suitable premises.

The second asset class we are going to develop is operational assets, meaning long term lease assets with tenants for whom the building is really an essential part of their business. I am referring to nursing homes, clinics, student accommodation etc. This means stable revenue and a good way to balance the more dynamic office investments.



**Gregory  
VAN der ELST**  
Country Director Portugal  
**ATENOR**



**ATENOR is a listed international real estate company specialized in developing urban large scale and mixed-use projects in 10 countries across Europe, including Portugal.**

**ATENOR has been gaining speed in Portugal, what is your footprint here at the moment and vision for Lisbon?**

Overall, ATENOR has 1,3 million square meters under development in ten countries around Europe, roughly 40% in residential, 55% in offices, and 5% in others projects. In 2019, we acquired our first project in the Expo area in Lisbon. I have been living here and heading the subsidiary for two years now, and I am loving the experience.

Lisbon, which was a forgotten capital city a decade ago, has now proven its attractiveness as a fantastic place to live and also work. Although Lisbon offered an office market of approximately 4,3 million square meters, there were more and more international companies looking for space to establish or to

expand their business in the city, whilst there was clearly a scarcity of offices. Moreover, the current stock was aging and could not meet the habitability and sustainability requirements.

**How high is sustainability on the list of priorities when it comes to consumer and industry demand?**

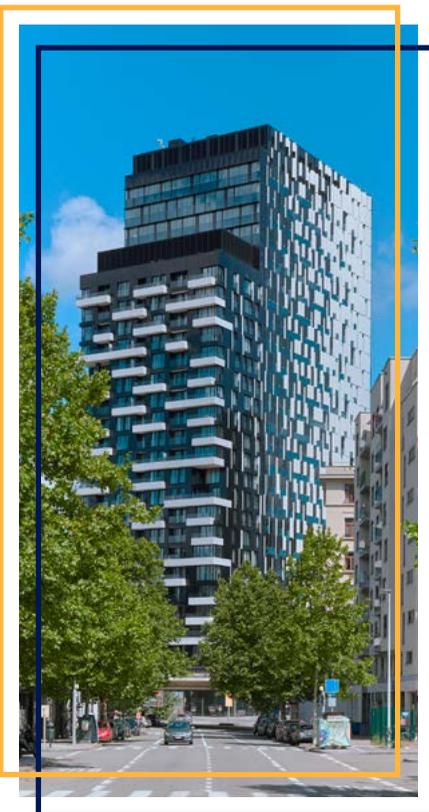
Sustainability is a must-have feature nowadays when developing office spaces. Last year, we published our first sustainability report and issued our first Green Bonds dedicated to finance sustainable projects. Portugal is closely following into this trend, especially since its office sector is in need of strong modernization.

**ArchiLab is a tool that helps you envision the "office of the future" - how do you think this sector will look like in Portugal?**

For us the most important element is providing flexibility – allowing people to fit out the building to their needs. Companies will need to reorganize their offices and make them more employee-oriented, with, for example, larger collaboration spaces and lounge areas. We also strongly believe cities are the future because that is where people live and work, and office buildings should be located within good reach of public transportation.



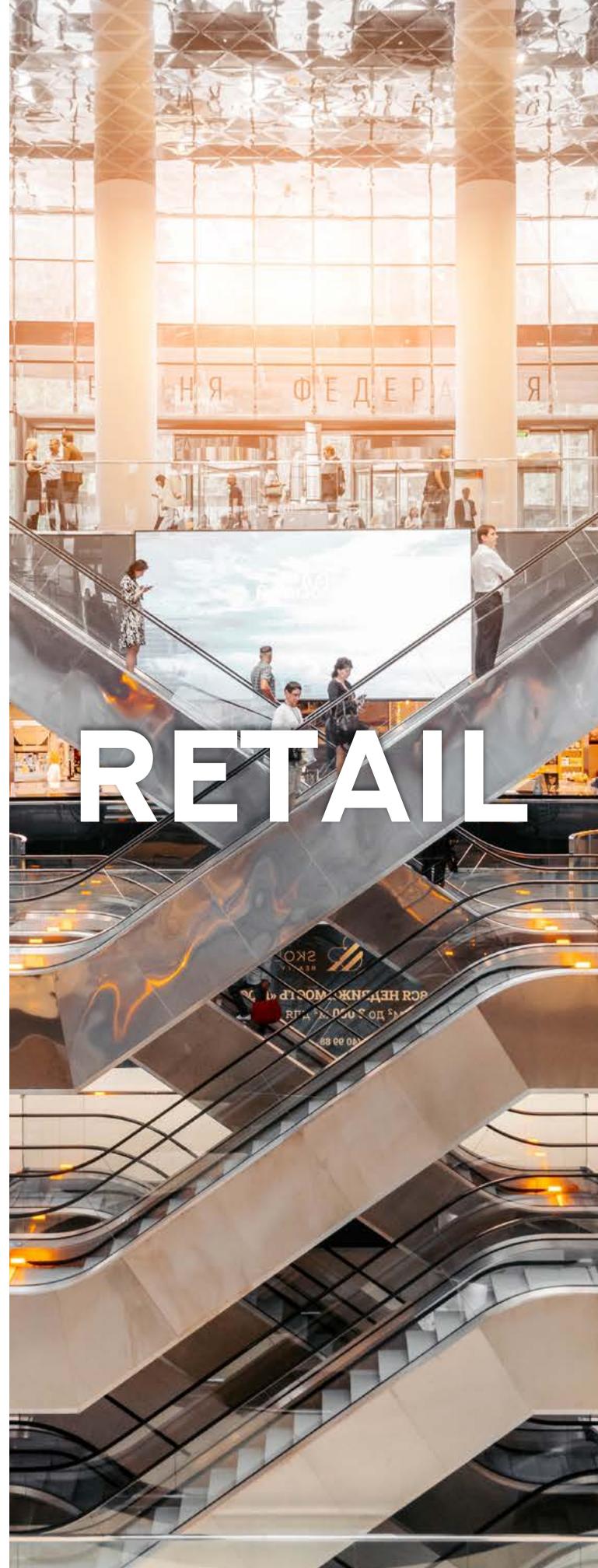
**As a first step in Portugal, we decided to invest in a plot of land in the consolidated area of the Parque das Nacoes to build the WellBe project, a 30,000 square meter mixed space of offices and retail.**



**What are some of the main challenges a new developer encounters on the Portuguese market?**

When coming to a foreign country, the local culture is the first aspect a newcomer will need to adapt to. What we have observed is that Portuguese people have difficulties to say "no". As a consequence, people here tend to be too approving and sometimes this can be a misleading approach, and external factors can get in the way.

In Portugal many transactions are still speculative, particularly as far as land is concerned. Fortunately, things are changing for the better and good practices are being instituted. Then there is, of course, the challenge of lengthy licensing, but this issue can be found all over Europe, truth be told.



by **Carlos Recio**  
Senior Director A&T Retail  
**CBRE Portugal**

Once again 2021 proved to be a year of learnings and resilience. The second half of the previous year reflected a clear recovery in all segments and even historical highs in some indicators - 2022 could mean approaching, or even returning to pre-pandemic levels in most retail formats and asset classes. This evolution would allow us to face the year optimistically and with confidence, until recent unexpected events linked to the ambitions of Mr. Putin and the conflict Russia - Ukraine.

Retail has faced its most challenging years in its history, with the emergence of new experiences for the final consumer. However, with the perspective that we have all been able to acquire at this stage, the prospects are still positive and we can expect another round of increase in sales, slightly above that recorded in 2021.

**DROP IN NUMBER OF VISITORS**



But as with almost everything, industries and businesses are shaped by people and their behaviour. Recent years have revealed that customers are increasingly demanding when it comes to shopping, both online and in store, and this is a trend that should not change. Consumption patterns have changed forcibly in the last two years and those who do not introduce experiences for their consumers that improve and simplify their lives will lose relevance. It is essential to offer quality and proximity, guarantee the best price, but also create a personalized and innovative experience, which merges the physical and the digital.

Shopping centers, for example, were among the most affected by the pandemic, but they are on a fast recovery path, with an approximation to the sales levels seen in 2019.

**THE RECOVERY TO 2019 LEVELS SHOULD BE FASTER IN THE VOLUME OF SALES THAN IN THE NUMBER OF VISITORS**



We expect a gradual increase in occupancy rates. We have been watching with satisfaction the opening of more physical stores inside shopping centers, which shows a positive dynamic. We also registered the opening in one of our shopping centers, of the first physical store of a retailer that was operating online previously. Not the dominant trend of course, but also not an isolated case and it reveals the changes in the market.

Likewise, in high street retail, a positive gradual evolution is expected, particularly in specific areas that are very dependent on tourists. The urban rehabilitation that we have seen in recent years continues at a good pace and this represents the availability of new commercial spaces in urban centers, maintaining the dynamism that we have seen in high street retail. We have not seen a drop in rents in these areas, largely due to their reduced size, particularly when compared to other European cities. Most of the landlords were open to give additional incentives like free rent periods or discounts, and that helped to keep the rent levels.



**PRIME RENT (PER SQM/MO) IN SHOPPING CENTERS**

LISBON | EUR 91,25  
PORTO | EUR 71,25



**HIGH STREET RETAIL (PER SQM/MO)**

LISBON, RUA GARRETT | EUR 128  
PORTO, RUA SANTA CATARINA | EUR 65

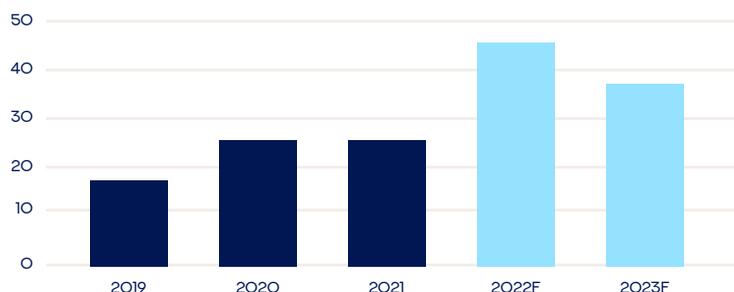


**ANNUAL SALES RATE CHANGE**



source: Euromonitor

**ANNUAL STOCK INCREASE IN RETAIL PARKS (THOUSAND SQM)**



source: CBRE

**50%**

GROWTH IN E-COMMERCE IN 2020

**15%**

GROWTH IN E-COMMERCE EXPECTED IN 2022



Regarding e-commerce, it skyrocketed in 2020, achieving growth of over 50%. Although with a more moderate increase in 2021, in 2022 it should see an increase of around 15% to a penetration rate of 8% compared to 4.5% in 2019. It is expected that the retail business will converge in a single concept known as 'Phygital' – the merge of physical and digital, where online stores and traditional physical stores merge to serve the growing demands of consumers in terms of convenience, speed, cost and experience.

Retail Parks are also experiencing strong growth, after proving resilient to the negative effects of the pandemic. This was most likely due to their physical characteristics (outdoor spaces, large stores, direct access from stores to the outside) which convey a sense of security to consumers. There are currently four Retail Parks under construction, totalling 45,000 square meters and another six, with approximately 80,000 square meters, under analysis, with construction expected to begin this year. At the same time, there is a strong dynamic in the expansion of the main food retail chains, in Retail Parks, Stand Alone and high street stores.

**RETAIL PARK PROJECTS UNDER DEVELOPMENT**

**45,000 SQM**  
UNDER CONSTRUCTION

**80,000 SQM**  
IN ANALYSIS STAGE

IN RETAIL PARKS THE PRIME RENT IS EUR 10,5 PER SQM/MO



In terms of demand, we continue to register strong dynamics, particularly in prime locations, despite investors' unfounded fears that rents would go down. There has been a new wave of operators looking to enter the Portuguese market in different areas such as fashion, decoration, homeware, utilities, sports, luxury, F&B among others.

Although the current path is positive, where everything seems to be getting closer to the reality we have always known, this is a sector where changes occur quickly and unexpectedly, so there is a need for permanent attention and evaluation, and a quick response. Are you an investor or retailer? Then keep your eyes on the ball and adapt quickly!

**10%** ONLINE SALES INCREASE

**3%** PHYSICAL SALES INCREASE





**Francisco HORTA e COSTA**  
Managing Director  
CBRE

## CBRE

CBRE Group is the world's largest commercial real estate services and investment firm, with 2020 revenues of EUR 21 billion and more than 100,000 employees

Given the wide range of market segments, which are the most dynamic at the moment for CBRE?

Offices and logistics are the main drivers, as well as retail - which is still strong not only on the property management side, but also on the leasing side. Hotels and resi are profitable, and in 2021 we sold a portfolio of 4,400 apartments to a French investor - the largest deal in Portugal to date.

Retail has been universally hit quite badly by the pandemic, you are saying it has still been performing well under your portfolio?

Some years ago, we set up an Iberian Property Management platform across Spain and Portugal, a merger which helped us flourish, even despite the pandemic. We started this cross-platform with the retail sector (hence the ongoing success), but soon after we expanded it to offices and logistics. In Portugal we manage 16 retail assets (shopping centers and retail parks), soon to become 18 assets under management, for which we perform property management, design & project management, rent collection, marketing and leasing services. In 2020 we did see some negative impact, and went through negotiations with some of the tenants, but already by 2021 things were faring well.

Last year you created a new business unit in Portugal that targets small and medium investments, what motivated this change?

We call it "Small and Medium Caps" and it's part of the investment properties department, targeting EUR 500,000 to 10 million deals and with a special focus on high-net-worth individuals, family offices and institutional investors that prefer smaller assets. Although CBRE is known for big tickets, we wanted to diversify. Our intention is to cater to everyone, and institute this branch in Portugal, which has already proven a big success in Brazil and the UK.



**Jose Manuel MORGADO**  
Managing Partner  
PVW Tinsa



*In retail, the rise of e-commerce meant that the industry needs to transform, even though certain Portuguese consumers still like physical shops. This is in contrast to industrial with warehouses prices on a sharp upward trend. The units that are not located in premium spaces and prime locations will probably have demand issues for some time, but brands will continue being present in smaller front-line shops, with a lower rent, but selling in e-commerce. Fortunately, the yields that are going down will partially sustain the asset value we believe.*



**Pedro RUTKOWSKI**  
CEO  
WORX



*Retail and tourism were the hardest hit by the pandemic, with 60% footfall decrease in high-street shops and 30% in shopping centers - on the flip side, the food & beverage and home decor segments have been thriving. Tourism registered a 50% decrease in revenue compared to 2019 but it has been recovering well throughout 2021. However, it will probably take a couple of years until it reaches the pre-pandemic levels.*



**Joao CRUZ**  
Iberia Managing Director  
Multi



*Multi Iberia has 80 assets under management (2,5 million square meters) and has assisted in almost 100 transactions from 2014 until now.*

How did the pandemic impact the market in Portugal and how are companies adapting to this new reality?

The retail market in Portugal is more mature compared to Spain, concentrated around shopping centers and with high-street shops almost lacking. Portugal had an excellent growth in the past ten years thanks to tourism and Golden Visas, that brought a lot of foreign investors and residents especially in Lisbon, Porto and the Algarve. All these elements boosted the consumption and led to a boom in the retail sector.

When the pandemic hit, the footfall as well as the sales dropped and we now are at 5% to 10% below the level of 2019. The selling rhythm picked up a little as of recently but people tend to spend less time shopping, becoming more efficient and probably wary about the exposure to the virus.

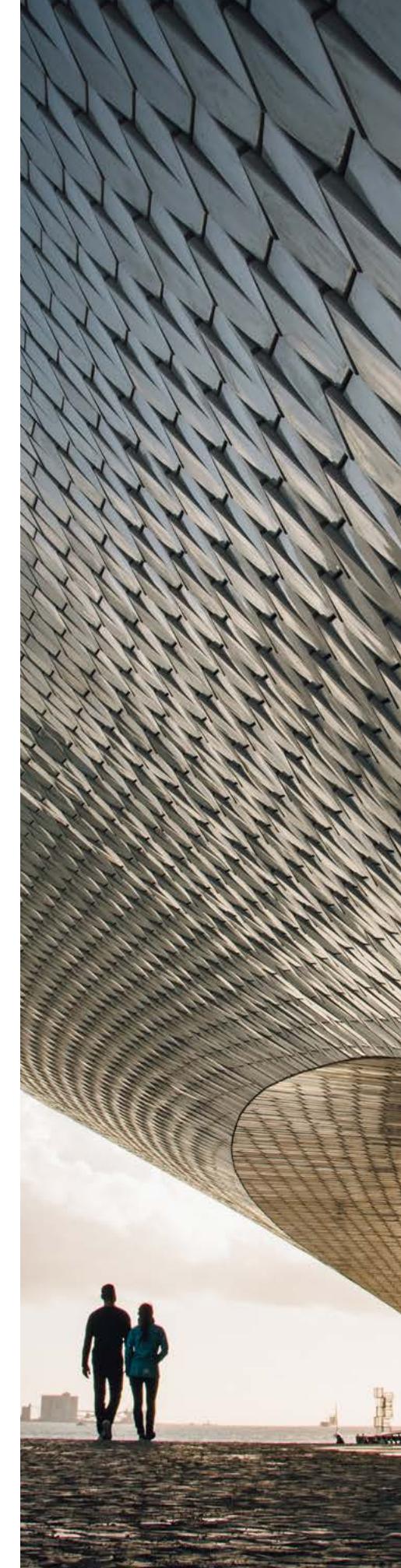
Companies would have been able to better tackle this predicament if the government wouldn't have imposed mandatory rent discounts and even a total rent cut-off, in some cases. As it was demonstrated during the previous financial crises of 2008 and 2012, landlords and tenants are perfectly capable of negotiating contracts on their own. This law was only good to spoil the balance between these two entities and we, as managers, had to mend this newly created tension as best as possible.

How dynamic is the market and how much room for growth do you see in this industry?

In terms of development, there is not much opportunity for new shopping malls in Portugal, because the market is balanced as it is. Spain could still accommodate some new projects, but the existent shopping centers will likely expand and be refurbished, since many are 20 or 30 years old. The retail segment in the Iberian Peninsula is being upgraded to fit into the modern standards rather than having new developments.

Refurbishments are the name of the game in residential and offices, are there any notable projects in retail too?

The big players in the fashion industry are always searching for the best areas to display their collections so they are closing shops in secondary cities and moving into more populated areas. Similarly, food retailers (mainly supermarkets) are expanding and reconfiguring their layout; and since the F&B industry has been growing a lot, the percentage of new players entering the market is increasing - especially in malls, where they are replacing other non performing retailers.





by **Cristina Arouca**  
Research Director  
CBRE Portugal

AVERAGE  
SALES PRICES  
2021

**LISBON**  
EUR 3,900/SQM  
(+2% YOY)

**PORTO**  
EUR 2,580/SQM  
(+16,5% YOY)

source: JLL

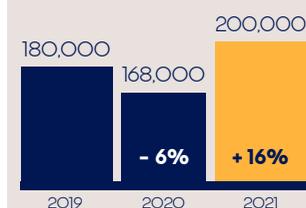
**The Portuguese housing market will continue to show resilience as there is still a high level of unmet demand**

It can be many things - the government's bold tax incentives, the competitive prices, the deliriously good smells in the food halls, the music bursting through windows, the high waves a short drive away. The fact of the matter is, the world saw Portugal, and thought, I want my nook here, a space of my own. And thus we find ourselves with one of the world's most dynamic residential markets, ranging from small reconvered flats to secluded luxuriant villas. The numbers below tell the story best.

As of 2022, housing sales will continue to rise, as supply expands to other areas and there is still a high unmet demand. The imbalance between supply and demand, increase in construction costs and delay in licensing procedures, explain the rise in sale prices. And with more digital nomads moving in, the Build-to-Rent market will finally emerge, driven also by affordable housing programs and general social awareness.

The residential market had its own meandering journey before it got to where it is. After plummeting during the financial crisis and Portugal's economic downturn that followed, the sector started revamping in 2014 with the renovation of numerous buildings, initially in Lisbon and Porto's city centers.

APPROX. 200,000  
HOUSES SOLD IN 2021



MVPAR Real Estate Investments aims to create value for its partners through investments with high profitability, which bring economic development to the places in which it operates.

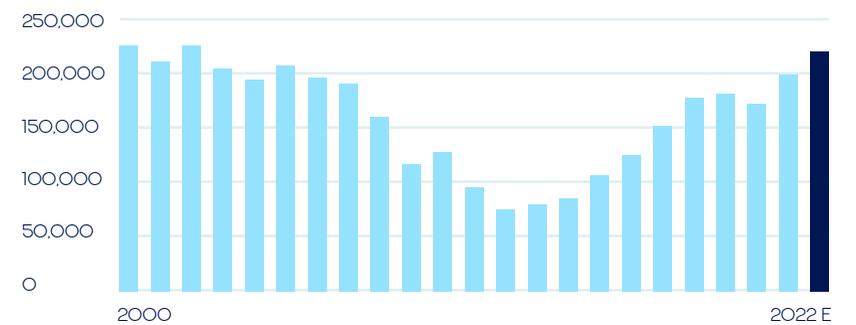
[www.mvpar.eu](http://www.mvpar.eu)

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Simultaneously the Non-Habitual Residents Tax Regime and the Residence Permit for Investment Activity ("Golden Visa"), targeting the European and non-European markets respectively, triggered the rise of a new demand from foreign buyers. We estimate that the number of houses bought by foreigners has more than doubled within a decade, representing 13% of the total units sold, according to the last data available (2019). The French, British and Brazilians comprise the major buyers.

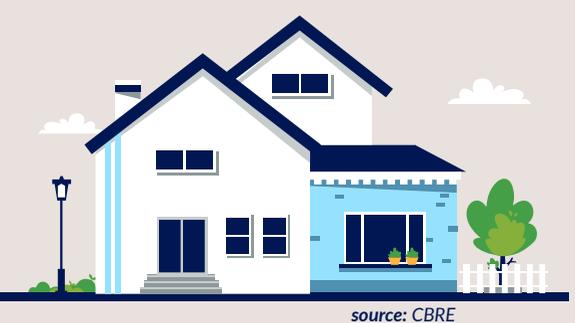
**NUMBER OF HOMES SOLD IN PORTUGAL**



source: INE and CBRE

The main cities' radical transformation started small, with a few handpicked projects selected for revamping. It escalated, and new greenfield larger schemes are now being built all over the country. Notwithstanding, and despite double digit growth rates over the past four years in the number of new houses completed, construction levels are still low and there is a high unmet demand. An annual average of 76,250 houses were completed in the first decade of the century, contrasting with only 13,000 during the second decade. A close-up at Lisbon and its environs shows that the number of households increased by 66,650 between 2011 and 2021, but only 23,250 houses were built during the same period.

Although official data for the full year has not yet been released at the time of writing, house transactions are expected to have reached approximately 200,000 units in 2021, around 15% more than in the previous year.



source: CBRE

We expect that the number of homes sold will continue to increase in 2022. However, we may see some softening in the rhythm of the sales growth. Not only has the covid 19 pandemic slowed down the licensing processes in several municipalities, impacting the availability of new houses for sale; but also it is hard to fathom the long term consequences of the Russia-Ukraine conflict. At a first stage, uncertainty may lead to the postponement of long-term investment decisions such as the purchase of a new home. Looking ahead, we expect interest rates to be kept under control by the central bank, but a continuous increase in energy and food prices will affect household net incomes, and thus the availability of money to consider a housing upgrade.

**Housing sale prices maintain their growth trajectory**

If there is one thing we can rather count on, it's that prices will continue to surge. The lack of labor, increase in the cost of energy and construction materials, supply chain disruptions, coupled with a persistent delay in urban licensing procedures, will postpone construction works even further and sustain the continued rise in housing sale prices in Portugal.

**PURCHASING POWER**

**THE HOUSING PRICE INDEX SHOWS SUCCESSIVE INCREASES SINCE 2014, AND IN 2021 THE RISE WAS AROUND 8%**

*source: Pordata (2021 figures)*

**EUR 705 NATIONAL MINIMUM WAGE (JAN 1ST 2022)**

**EUR 1,395 NATIONAL GROSS AVERAGE WAGE (2021)**

*source: INE (Portuguese National Institute of Statistics)*



**Nicolas GOFFIN**  
Country Director  
Portugal  
**BESIX RED**

**As a pan-European company, what was the main trigger that brought you to the Portuguese market?**

I think there's a whole. First, because we strongly believe in Portugal. The quality of life, the stability of the social climate, the telecommunications infrastructure, the potential for productivity increase and the strong transport and logistics infrastructure. More importantly, from the authorities and government side, there is a true commitment to always make the country stronger and more attractive.

From a real estate development perspective, and especially since the financial crisis, the city has been lacking

new and quality housing that would be affordable for Portuguese people. We arrived at a time when Lisbon's city center was becoming a hotspot for luxury products, but we preferred to shift our attention towards the city ring where we could find opportunities to develop projects for the middle to upper-middle domestic market. With that philosophy and strategy in mind, we acquired a piece of land near Praca de Espanha in 2019 to develop our premium residential project DUUO, together with our partner Compagnie Du Bois Sauvage, an investment holding company. DUUO goes way beyond a residential development, it is a true living experience with the wellbeing of our clients at its heart.

**Apart from all the opportunities that can be found on the Portuguese market, what you would say are some of the main challenges that an international investor faces here?**

In my opinion, the risk in Portugal is not coming from the market but from the rigid processes (urban planning). Things are going in the right direction, but slowly. If I had one piece of advice to give the authorities in order to retain international investors, it would be to give them more visibility and a long term overview of the fiscal and political agenda.



**BESIX RED is a Belgian real estate development company, operating in residential, office, retail & service properties. For over 30 years, BESIX RED has been developing major urban projects in a growing number of pan-European cities.**

As a subsidiary of BESIX Group – the first leading Belgian construction company existing for more than a century – BESIX RED relies on the strong expertise and knowhow of the greatest talents. Thanks to the synergy within the group, the entities have been able to join their experience, which results in high-end real estate programs. In its ambition to create sustainable buildings that reflect its clients' needs; societal and ecological components, as well as innovation, form an integral part of BESIX RED's vision of tomorrow's real estate.

BESIX RED not only stands for the highest architectural and technical quality, but also ensures efficient products for its end-users offering new living and working experiences.



Designed by the prestigious Portuguese architects Nuno Leonidas Arquitectos, the project comprises of 280 high-quality residential units spread over two condominiums, which will be developed throughout two different phases of 140 apartments each. DUUO's diverse typology of spacious and bright dwellings - from 1 to 4 bedroom-apartments and penthouses - all benefit from large terraces serving as the extension of one's living space. While the majority of the living units enjoy panoramic views over Lisbon and the Monsanto Park, its exclusive penthouses also dispose of their own private rooftop pool.

The heart of the complex, an outdoor swimming pool surrounded by a landscaped garden, adds a human and collective dimension to the concept. Characterized by their U-shaped structure, both condominiums benefit from a wide range of amenities and services such as an outdoor swimming pool, a gym, polyvalent room, cycle storage and underground parking spaces prepared for electric charging stations.

**34 YEARS**

**19 CITIES**

**5 COUNTRIES**

**EUR 161.6MIL TURNOVER**

**1,053,838sqm IN DEVELOPMENT**



**Strategically located between the vibrant Praca de Espanha & the Avenidas Novas-district in Lisbon, DUUO is a 34,000-sqm premium residential concept offering a unique living experience for its residents.**

► continuation of article by Cristina Arouca

# 77.3%

**HOME OWNERSHIP RATE IN PORTUGAL (2020)**

## GOLDEN VISAS MOVING INLAND

This trend applies to more and more locations outside of Lisbon and Porto. Indeed, development is expanding to a growing number of councils, coupled with growing, yet unmatched demand. Overall, we foresee an increase in the average price in most councils, except for Lisbon, where the supply of prime product is more consolidated and a greater number of projects targeting the medium-high segment are beginning to emerge. Changes to the Golden Visa will stimulate growth in specific low population density zones.

## THE BUILD-TO-RENT SECTOR WILL EMERGE THROUGH AFFORDABLE HOUSING

The Build-to-Rent market is still incipient in Portugal. A very profitable Build-to-Sell market and the lack of conditions, namely in terms of legislation and taxation have been holding back the flourishing of this sector.

However, in 2021 efforts were made to launch the affordable housing market. Municipalities such as Lisbon and Porto have implemented different programs and the first tenders were launched. The major contribution to stimulate interest in this market comes from the publication, at the end of 2021, of a decree-law establishing the reduction of the VAT rate from 23% to 6% in the construction or redevelopment of affordable housing. Thus, we expect the first projects to be launched.

At the same time, sustainability is a topic that spans all asset classes. In housing, for many years the focus has been on energy certification. Portugal is seeing a heightened interest in environmental certification, namely in rental assets like student residences. However, the pandemic brought to light various social concerns, placing greater emphasis on the "S" in ESG. Therefore, we should observe a greater interest from real estate funds with sustainability criteria to invest in affordable housing projects.

Beyond the build-to-sell market there is a range of living concepts yet to emerge, with immense growth potential. Build to rent, co-living and affordable housing are in very early stages and will soon join the growth path that is currently being witnessed in student and senior accommodation.

## GAME CHANGER MOMENTS

The introduction of **legal and fiscal changes**, such as the **reform of the Urban Lease Law and a new Urban Renovation Regime** (establishing the **reduction of the VAT rate** from 23% to 6%), really attracted the interest of developers and investors.



**VAT RATES**

**23% NEW DEVELOPMENTS**  
**6% REHABILITATION PROJECTS**  
**6% AFFORDABLE HOUSING**

The amendment of the Golden Visa program, in force from the beginning of 2022, **excludes housing purchases in high population density zones**. This will impact particularly urban renewal projects in Lisbon and Porto city centers, causing a reduction in the sales volume and a stabilization, or even decline, in prices.

Conversely, the **new Golden Visa regime will stimulate an increase in opportunities** to develop projects in specific low population density zones like Comporta, Douro and Alqueva, among others, and the regeneration of historic centers in the country's inland regions.

## UPCOMING PROJECTS



**Carlos VASCONCELLOS**  
Executive Chairman & Founder  
Albatross Quantico



*Portugal has a high ownership rate because the real estate rental market used to be very small and tenants were privileged by the laws, so it was impractical to buy houses to rent. This resulted in a low offer and high rent prices. But the future tells a different story - thanks to work mobility, Portugal is attracting digital nomads so apartments for rent are in huge demand nowadays and with the market being so small, we see a clear opportunity pool in this area. Also, more and more Portuguese families want to have the freedom to rent instead of buying, specially in a future scenario of higher interest rates.*



**Jose Cardoso BOTELHO**  
CEO  
Vanguard Properties



*We plan to do touristic investments in Comporta and the Algarve and premium residential projects in Lisbon. There are many aspects that make Comporta attractive - it is very close to Lisbon, its zoning plans are very well designed and it offers 60 kilometers of beautiful, virgin beaches. It also has a unique client pool that you can't find anywhere else in Portugal, made of wealthy individuals from the US, Canada, France and Germany.*



**Fernando VASCO COSTA**  
CEO  
Nexity Portugal



*The demand for the rental sector increased by a lot and the trend will definitely continue in the coming years because certain categories of people still face difficulties when accessing bank loans. Moreover, young people are into a more flexible way of life, so renting rather than owning a home is ideal for them. Portugal is an attractive market for international companies and foreign workers, so it's mandatory to have a strong leasing market.*



**Johnny HANNA**  
CEO Portugal  
Estia Developments



*This year we are launching three of the four projects we have under development, of which the exceptional Teatro Project in Alcacer do Sal and a surprise project in Lisbon coming soon catered to the high-end segment. As far as the future is concerned, we have our sights firmly set on all of Portugal and we find the North an area with rich yet undiscovered potential, while keeping a close eye on Lisbon and its potential.*



**Isabel  
DIAS RODRIGUES**  
Founder & CEO  
Metathesis

**What footprint does the company have at this moment and what are the main projects you're working on?**

First of all, in 2020 we were extremely pleased to finalize the purchase of a construction company, called Meca (Meca Construcoes Ida). The workforce in the construction field is scarce and the prices are constantly rising so this was a strategic move to better control costs and have our own team at hand. Through this new branch we plan to also serve other market players and, in fact, are already building two single units in Almada for a real estate promoter. At Metathesis we have otherwise worked on over 50 rehabilitation projects and are currently developing a multi-family house in Almada, among others.

**The 6% VAT incentive is encouraging investors, but how do you evaluate the way authorities are enabling the construction and rehabilitation markets?**

When we first started our activity, these incentives didn't exist and rehabilitation wasn't very popular, so we practically pioneered developments in this segment. Ten years later, the government finally understood that so many empty residential units are in need of revival. The 6% VAT incentive is extremely useful, but things overall can be greatly improved - first and foremost by reducing the complexity of the licensing process, which is a massive drawback for investments.

Steps for obtaining a permit are inconsistent and differ between cities, and the whole time frame can span from six months to three years or more. It's impossible to make predictions for future business plans and each year of delay can mean up to EUR 500 per square meter added to our costs. The government is promoting affordable housing programs but in order to make them successful, they first need to solve the permitting issue.



| Founded 2003 |  
| Real Estate Boutique of the Year in 2020 |  
| Lisbon South Bay Area |

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Our homes are exquisite, reliable and sustainable products, located in central town areas that meet the aspirations and values of our customers. Our target customers are middle-upper class cosmopolitan young couples who are looking to buy their first home. We try to outperform and to think ahead of our competitors, starting from the smallest screw, up to the project itself.

**We aim to be the leading Real Estate residential Developer in Almada**

We built the first mini lofts building and became the first Private Accommodation Facility in the city, for students and non-students, composed of 10 small lofts. Our upcoming innovation is a 6 apartment building in the city center, which will incorporate IoT technology and be the first smart home in Almada.

[www.metathesis.pt](http://www.metathesis.pt)



**Guilherme  
VIALLE**  
Executive Director  
MVPAR

**How have you seen the market in Portugal change through time, especially in the context of the pandemic?**

Cities have changed a lot, Lisbon 15 years ago has little in common with Lisbon today - new restaurants, tourist attractions and hotels are being built or renovated every year. Tourism represents more than 20% of the economy in Portugal and even though the pandemic has affected this sector, all signs indicate that it will soon be back on its feet. The center of Lisbon is full of retrofit projects, it has simply blossomed in recent years. At MVPAR we are currently building for the high-end market, which makes more sense in this tax context.

**What types of opportunities are you looking at with priority?**

We are currently looking for buildings to retrofit in Cascais, Estoril and Lisbon and are actively looking for new development opportunities. We put our heart and soul into the projects we are building because we want them to have that irreplaceable touch to our customers.

A good example is the first project that bears our trademark, an apartment building in a 300-year-old historic property and located next to the presidential palace in Belem, next to the coach museum. Much of the interior architecture and paintings have been preserved and blended with modern elements, with a spectacular result.



**MVPAR is a real estate player focused on investment partnerships, real estate consultancy, asset management and project development (new and remodeling).**



**Stone Capital is a developer and asset manager in Portugal that specializes in the refurbishment of prime buildings and greenfield developments.**

**How much opportunity is there left in the rehabilitation sector in Portugal?**

Rehabilitation is only a small portion of our portfolio right now, because we reoriented towards building from scratch, so we are doing more greenfield projects. We made this move because in rehabilitation there is not much opportunity left in the premium areas that we are interested in. We bought plots of land in Lisbon and Cascais in good locations than have special features and can turn into great use assets. The projects where there is a balanced mixture of refurbishment and new builds are our favorites.

**In terms of sustainability, how is this idea reflected in the residential market in Portugal?**

I would be very happy if sustainability would be taken more seriously by the industry as a whole and not only by developers. Only together with construction companies and investors we can make the real estate market a little bit greener than it is today. For example, we developed a project in Comporta ( Comporta Retreat) encompassing 29 large plots and are currently building houses for our clients made of CLT - cross laminated timber, which is a sustainable material with a negative carbon footprint. We want to become a part of the solution, not of the problem because Portugal is still catching up in the sustainability sector. In the residential sector, the clients are not yet ready to pay more for a sustainable house, in contrast with the office segment.



**Arthur  
MORENO**  
Co-founder  
Stone Capital



10

Promiris is a real estate investment company that specializes in sustainable property development.

**Christian TERLINDEN**  
Managing Partner  
Promiris

**How have you seen the market transforming since first setting foot here five years ago?**

There's a lot more stability, proof that the market is maturing. Another interesting evolution is that domestic demand has increased significantly, and the focus is no longer just on Lisbon. New opportunities are coming up in Porto and other cities up North - where the economy is most effervescent, and also in Algarve - the absolute pole of tourism.

Referring to the residential sector specifically, I'm noticing a newfound interest towards sustainable features - often times this is driven by the clients themselves.

**Affordability is perceived as a challenge in Portugal - what segment of the population are you addressing through your projects?**

Generally speaking, the lower end of the market is represented by clients who need to be "helped" and although public authorities try to back this segment up, there are few tools available (mainly affordable plots of land to build units from the Authorities, etc.). It is not something we are focused on for the moment.

We are addressing the middle or upper class in Portugal which has a pretty distorted image - contrary to what's being stated in official reports, its purchasing power is high. Portuguese people have side ventures or alternative revenue sources that allow them to buy apartments as expensive as EUR 500,000.

They are either entrepreneurs who reinvest their money in real estate or simple citizens, eager to sell their old houses and move into high-end apartments. In this case, they only need to finance the difference between the two properties, so it's not too hard to obtain a bank loan.

**What are your plans for Portugal in the coming 2-3 years?**

We are definitely going to continue our work in the student housing sector while also expanding towards senior housing both in Portugal and Spain. We are carefully looking for the right operators to team up with, since all the residences that we develop are built-to-rent. We'd like to dip our toes into the office sector as well, but it's highly speculative and the prices are extremely high at this point in time. We are waiting for the right project to come up.



# INDUSTRIAL & LOGISTICS

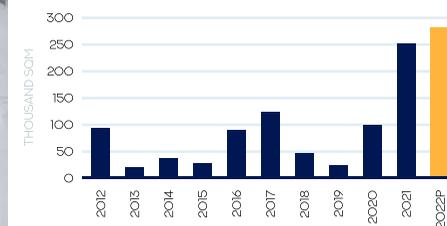
A BLOOMING SECTOR NOWHERE NEAR ITS PEAK

by **Michael Costa Gabriel**  
Consultant  
**A&T Industrial & Logistics, CBRE**

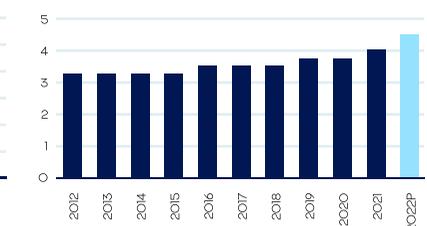
There are some basic, down to earth reasons that have started drawing industrial investors to Portugal of late. The more sophisticated reasons have to do with the market's historic stability, consistent rental rates and yields, and evident growth opportunities.

Portugal is a country surrounded by the sea, its Atlantic coastline measuring roughly 1,793 km. Located in the Iberian Peninsula, Portugal's seaports were historically the point of departure for European explorers; today Portugal serves as a gateway to Europe and foreign investment in European real estate.

**ANNUAL STOCK INCREASE IN LOGISTICS**



**LOGISTICS PRIME RENT (EUR/SQM/MONTH)**



source: CBRE

**141% YOY**  
GROWTH  
IN LOGISTICS  
IN 2021

**666,000 SQM**  
OCCUPIED  
SPACE

**+300K SQM**  
FORECAST TAKE-UP 2022

**+380K SQM**  
WEARHOUSING AREA UNDER  
LICENSING

**5% - 10%**  
FORECAST PRIME RENT  
GROWTH



Amid a global pandemic, 2021 was a banner-year in Portuguese real estate, with particular emphasis on the outstanding growth of Portugal's logistics-driven industrial sector. Overall, Year-On-Year industrial take up registered an astonishing increase of 141%, representing over 666,000 square meters of occupied space, of which 67% was directly attributed to an increase in logistics activity. Logistics take up itself saw an increase of 88%, totalling roughly 447,000 square meters. These healthy growth figures are, to a large extent, directly linked to Build-to-Suit (BTS) developments, filling an evident void for quality product within Portugal's industrial inventory. Capitalizing on demand, these BTS projects have looked to replace ageing and obsolete infrastructure.

No longer able to compromise on quality, industrial & logistics occupiers have committed to long-term leases in new, state-of-the-art, facilities. This take up of fresh inventory contrasts with past trends, which saw occupiers make-do with existing, yet far from ideal infrastructure. The success of the BTS projects have underscored the demand for modern infrastructure, while proving sufficient incentive for speculative builds. New spec construction has been quickly absorbed by the I&L market, representing little risk to developers, with pre-leasing efforts proving particularly fruitful – some projects 100% leased via pre-let. Providing prospective, BTS and pre-let contracts represent an impressive 75% of total Portuguese I&L occupancy figures for 2021.

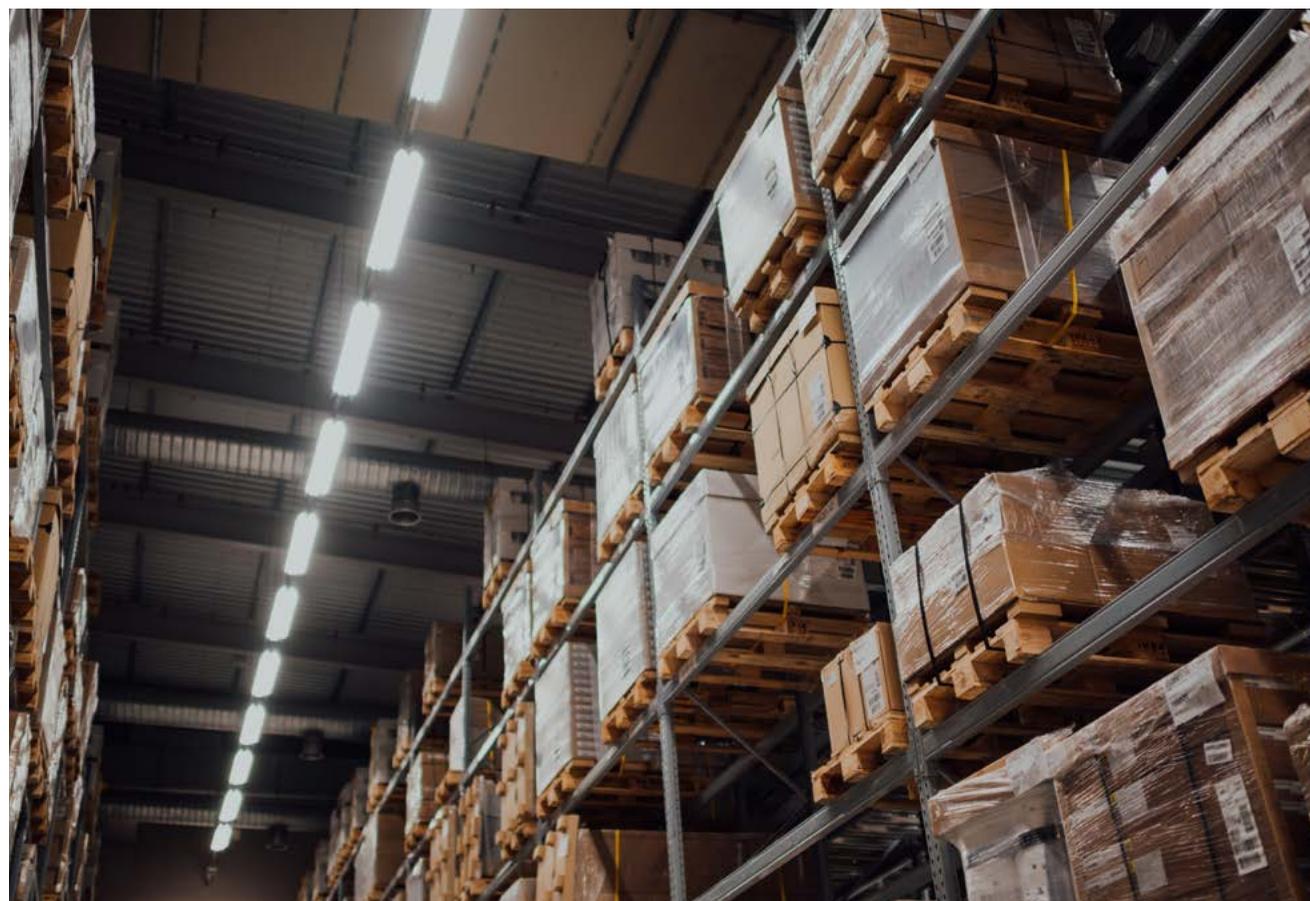
**What factors have led to this growth in the Portuguese I&L market?**

Food retailers, representing 58% of I&L take up over the last three years, have unquestionably influenced the need for additional space within the Portuguese market. Newly occupied distribution centers in Alfena and Moita are emblematic of this trend. However, it is worth looking beyond traditional retailers when analyzing growth patterns.

**PORTUGAL'S HISTORICALLY STABLE I&L RENTAL RATES ARE GRADUALLY INCREASING**

**BIG BOX PRIME RENTS: EUR 4.00 PER SQUARE METER/MONTH IN 2021 (+7% COMPARED TO PREVIOUS YEAR)**

**LAST MILE PRIME RENTS: EUR 5.50 PER SQUARE METRE/ MONTH (+29%)**



**FOOD RETAILERS REPRESENTED 58% OF INDUSTRIAL & LOGISTICS TAKEUP OVER THE LAST THREE YEARS**

While still trailing the sales volumes of other European partners, e-commerce in Portugal has benefitted from increased market penetration, generating a greater demand for Last Mile logistic solutions, aligned with a push to relocate strategic distribution facilities closer to urban centers. Fast-tracked by the introduction of new foreign players within the Portuguese marketplace, these market demands have been the catalyst for the evolution of the logistics network on a national scale. New trends, such as near-shoring or on-shoring – the practice of relocating inventory and stocks closer to the end-user – are examples of these changes which look to address the shortcomings of the distribution chain, further exposed by the challenges brought on by COVID 19.

With increased demand and limited supply, Portugal's historically stable I&L rental rates are gradually increasing. Big Box prime rents rose to EUR 4 per square meter/month in 2021, a 7% increase over the previous year, while Last Mile prime rents registered an increase of 29%, now sitting at EUR 5.50 per square meter/month. While rising construction and land costs have exerted some downward pressure on yields, the demand for modern facilities has largely counter-balanced this uncertainty, as exemplified by the record-breaking take up and increase in prime rents.

**75%**  
SHARE OF BUILD-TO-SUIT AND PRE-LET CONTRACTS OUT OF TOTAL INDUSTRIAL & LOGISTICS OCCUPANCY IN 2021



**Founded in 1986, Panattoni is one of the largest privately held, full-service real estate development companies in the world.**

**Gustavo CARDOZO LUPI**  
Managing Director for Spain & Portugal  
**Panattoni**

**Panattoni has an extensive international presence, and recently also started operations in Spain and Portugal. What has this new beginning been like?**

We opened the Madrid office in March 2020, just 15 days before the country went into lockdown. We managed to create a strong team, however, traveling restrictions made it difficult to properly settle in Portugal and some of our business plans did see some delays. Fortunately, 2021 has been a good year and we'll be able to announce new projects soon.

The market here is small compared to other logistics markets in Europe, but it features ample opportunity and has the potential to play an important role in this sector in Southern Europe.

**Wherein lies most opportunity in the Portuguese industrial & logistics market in your view?**

Portugal has an ownership-oriented market rather than a leasing based one - when this tide will change, we'll see more transactions and we'll have more clarity about the profile of customers.

For now, our focus is on speculative projects in Lisbon and Porto because these are the cities that attract most investors due to the concentrated industrial activity in their outskirts. But we are also seeking build-to-suit opportunities in other corners of Portugal, as long as we have a solid relationship with the customers that are doing business there. Our goal is to develop for the clients who can't afford or don't find strategic developing or buying their own logistics facilities. E-commerce is not yet a strong driver in the logistics sector in Portugal, but we are expecting it to grow very soon, and we want to be ready to cater to new retailers when that time comes

► continuation of article by Michael Costa Gabriel

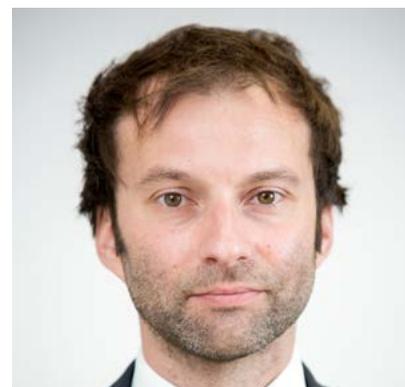
**Where is the growth concentrated?**

The Greater Lisbon Area continues to represent Portugal's largest I&L inventory, with a stock of 2.4 million square meters. However, as a direct impact of increased land costs, tertiary markets have grown more desirable, as promoters seek to minimize costs while maximizing gains. Alcochete and Montijo, markets previously overlooked in favor of traditional industrial zones in the North of Lisbon, such as Azambuja or Carregado, have gained considerable importance. The same can be said of Portugal's second industrial market, the Greater Porto Area in the country's Northern region, where increased competition from Vila Nova de Gaia has put pressure on the more established Maia industrial market. With this shift away from traditional markets, promoters have leveraged lower development costs to undertake new projects, delivering modern facilities in geographies previously considered undesirable.

Despite this growth, space remains scarce. Compiled vacancy statistics displayed an all-time-low vacancy rate of 2.5% at the end of 2021. Herein lies the opportunity within the Portuguese market, both for investors and occupiers. With demand for new facilities constant, further BTS and speculative construction may be expected. While high demand limits the risk of pursuing new developments for promoters, occupiers can secure modern installations at considerably lower rental rates, when compared to European averages, while gaining access to a qualified yet affordable workforce.

**What does the future hold for Portuguese I&L?**

We expect to see increased interest in the Portuguese market, as yields continue to compress across Europe. With strong national indicators, the key message that we are taking from the recent activity is that Portugal's industrial and logistics sectors are nowhere near their peak. In truth, the market is pushing to keep up with demand. With new standards in industrial design, health and safety, efficiency and environmental impact, the way forward is the continued modernization of Portugal's industrial infrastructure. With key promoters well positioned in the market, we expect interest will surface from new players, looking to leverage experience gained elsewhere, while taking advantage of Portugal's brimming unrealized potential. Efficient project licensing and speed of execution will be critical in getting ahead of the curve.



**Andre MACHADO**  
Senior Asset Manager  
Logicor Portugal



*Logicor has created one of the largest directly owned network of logistics real estate in Europe. Spanning 17 countries, their portfolio offers 13.7 million sqm of warehouse space, strategically located along Europe.*

**What is Logicor's current footprint in Portugal, and the country's overall weight in the broader international portfolio? Is there any intention to sell part of the assets, as you have in Spain last year?**

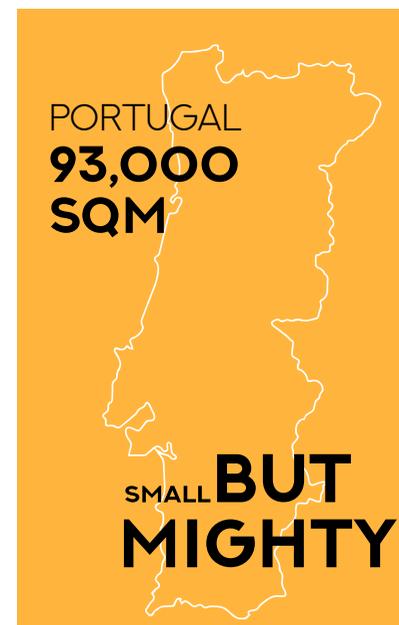
Currently we have a total of 525,082 sqm in Portugal, comprising 3.9% of our total portfolio. In relation to potential sales, we are not asset sellers, however from time to time we may dispose of one or two assets that are seen as less core from our perspective. Nevertheless, this is not part of our main business as we are still keen on growth.

**Portugal has not historically been seen as a strong logistics market, where are you seeing most opportunity at the moment, either in the build to suit or opportunistic space?**

Portugal indeed was seen as a more secondary market in terms of logistics, but there is a local consumer market that has grown in its economic power. This in turn has been able to attract millions of tourists year-round, which has triggered internal consumption and movement of goods. In parallel, global trends have also reached Portugal and we have seen an increase in demand for space which has been triggered by,

in my view, three main drivers, first of which is e-commerce growth.

Also, the pandemic has placed logistics in the global spotlight, which certainly filters down to Portugal as well. Last but not least, the Portuguese market has been depressed from 2008 until 2016-17. There was almost no new logistics development in Portugal and now we have very strong fundamentals with high demand and low supply, that will lead to high demand for Build-To-Suit projects. I also think we'll see some opportunistic projects arise in more mature locations like greater Lisbon and Porto.



by **Duarte Morais Santos**  
Hotels Director  
CBRE Portugal

After several awards from different magazines, the 2021 Conde Nast Travel Awards once again placed Portugal in the spotlight. Being elected as the best country in the world, the statement "Portugal gets better and better, not only valued because of its beaches, but also its wine and food" really sums it up. Beaches were a starting point for the skyrocketing trajectory of tourism in Portugal, but gastronomy, the weather, safety and its people, were the consolidating factors.

Portugal has a total land extension of 92.212 square meters, which of course makes it a small country. However, the sheer diversity it regales its tourists with makes it appealing to all tastes and preferences. Take the capital city for instance, Lisbon, which is now a well-recognized destination for the quality of its business venues, but also offers a wide variety of leisure options that perfectly match tourists' expectations. Porto, definitely a vibrant city, offers a more "off the radar" vibe and makes for the perfect environment for those looking for culture and quality, whilst avoiding the mainstream. Then, of course, there are the beach and golf destinations such as the Algarve where all ranges of pricing can be found.

More recently Comporta has become the belle of the ball, featuring the widest white sand bank extension in Europe and celebrity owners the likes of George Clooney. It is often compared to Ibiza, not so much for the partying, but for the chillout atmosphere. People relish the area's bohemian, chic villas that are a few minutes walking distance from SAL - recently considered the best beach restaurant in the world. Last but not the least, Portugal also has two island destinations, Madeira and Azores, where nature is the main attraction, sharing the stage with gastronomy and wellness.

The year 2021 has not been an easy ride, still stained by the pandemic. Periodic restrictions were still in place across most European markets, however they were not as severe as in 2020. Recent data shows that 2022 will be the year in which pandemic restrictions are almost entirely suppressed and travelling resumed.

**37.4 MILLION OVERNIGHT STAYS IN 2021**  
(+45% INCREASE COMPARED TO 2020)

LISBON: +50%  
MADEIRA: +80%  
AZORES: +118%

Local and international travelling alike will see a fast recovery, bringing 2022 volumes close to what was registered in 2019. In 2021 the total number of overnight stays (37,4 million) saw an increase of 45% when compared to 2020, with Lisbon registering an increase of 50% and Madeira and Azores 80%, and respectively 118%.

Despite the hardship and sorrow caused by recent events in Europe, the numbers do not lie. Tourism players in Portugal are maintaining a positive mindset and expectations regarding 2022 are pragmatically high. Leisure destinations will likely recover at the fastest pace, while Lisbon and Porto which are more dependent on Business and MICE might face a slower recovery bringing the context of “full recovery” to 2023 or 2024 the latest.

But what does this positive outlook mean when it comes to investment volumes? In a nutshell, the Total European Hotel Investment Volume was EUR 17,132 billion, a 70% growth y-o-y. It is relevant to mention that Spain was one of the best performing markets in Europe, already registering volumes above 2019 levels, namely EUR 3 billion. This could mean a similar performance from Portugal very soon due to its similarities, albeit at a smaller scale.



TOTAL HOTEL INVESTMENT VOLUME  
EUROPE, 2021:

**EUR 17.1 BILLION**  
(+70% YOY)



**Chitra STERN**  
CEO  
**Martinhal Residences**

“One of the opportunities I identified was that international schools are vital for attracting foreigners to Portugal, be they real estate investors or foreign companies looking for office units. High spending tourism is important for building wealth for a country. Portugal is very good at all levels of tourism – which is one of its strengths. Removing barriers for new markets such as India, is very important for future growth.”

RECENT DATA SHOWS THAT **2022** WILL BE THE YEAR IN WHICH PANDEMIC RESTRICTIONS ARE ALMOST ENTIRELY SUPPRESSED AND **TRAVELLING RESUMED.**

PORTUGAL **FULL RECOVERY EXPECTED BY 2024 AT THE LATEST.**

In Portugal, despite the volume decrease between 2020 and 2021, hotel operations accounted for 15% of the total value of transactions in 2021. In addition, 2022 is expected to be the best year in terms of transaction volume in the country for the hotel sector – dependent, however, on the transaction of a large portfolio.

There are also a few dark clouds on the horizon that we need to be aware of: construction costs are increasing and this trend will likely continue given the turmoil and uncertainty that the world is facing. This may affect business plans that envisaged new developments or portfolios that were about to be refurbished. Energy costs are also reaching peak levels and the scarcity of human resources is harder and harder to manage.

Even so, the overall direction remains positive and there are many reasons for optimism: the market is at a point of reinvention which will undoubtedly bring about new opportunities, for investors and operators alike. Health and well-being are ever growing markets, just like digital experiences and contactless tech. Notably, green friendly hospitality is no longer an idea of the future - skipping housekeeping service, for instance, in exchange for hotel credit and loyalty points is increasingly appealing to the 2022 typical tourist profile.

Tourism is on the verge of change. A positive change that we must all anticipate and even more importantly, be a part of.



**Joaquim LICO**  
CEO  
**Vogue Homes**



“We have only residential units in our portfolio but we plan on launching our first mixed-use, hospitality & residential project as soon as possible. Situated in Melides, “Utopia” is going to be the most sustainable project in Portugal, the first in the country to integrate local wildlife inside of the development.”



**Fernando VASCO COSTA**  
CEO  
**Nexity Portugal**



“We are committed to continue investing in the hospitality industry in Portugal because in the following years our “B cities” will follow into the footsteps of the ones from Spain and become points of interest for many international airplane routes. In the past five years, Barcelona saw a tripling in hotels due to connections to Asia and North America and, since 2019, Lisbon has connections through Emirates Airline and China Airlines. In the next two years we expect to double our assets in Portugal.”



**Julio DELGADO**  
CEO  
**Ombria Resort**



“Ombria is one minute away by car from the largest natural park in the Algarve: Fonte Benemola and it features several facilities: golf course, recording studio, artist residency, observatory, etc. Since preserving nature is an important task for us, only 3% of the resort’s surface will be built, the rest remaining virgin land. Moreover, it will have the largest geothermal facility in the whole Iberian Peninsula, and more than 70% of the energy from renewable sources.”

Traditionally, all resorts were at the seaside, but during high season, the beaches become so crowded that it’s impossible to find a free room in any hotel. Ombria is a solution to that, as the first large scale resort in the area built inland.

# POLITICAL OVERVIEW & LEGAL ASPECTS



*The recently elected socialist party majority government is expected to be more keen (again) on enhancing foreign investment into the country, notably in real estate and tourism. Understandably, the industry is quite optimistic in this context.*

*The same optimistic outlook is shared regarding the newly elected mayor in Lisbon, where a great expectation has been created to refuel the city development, and also in Oporto where the former mayor has been reelected thus allowing the good work to continue on the urban planning and investment fronts.*

**Joao TORROAES VALENTE**  
Partner  
**Morais Leitao**



# POLITICAL SHIFTS

From a political perspective, after six years of a Left coalition (which included the Communist Party) January 22 elections resulted in a majority government led by the Socialist Party. This will certainly represent more stability and will probably entail the Portuguese Government to be more open and keen on attracting foreign investment, including for the real estate and tourism sectors.

The newly elected officials will be responsible for putting in place a specific recovery and resilience plan (RRP), with an exceptional implementation period lasting until 2026. The RRP emerged in the aftermath of the serious impacts of the pandemic on European economies, as a result of which the European Council has created Next Generation EU, a strategic instrument to mitigate the economic and social impact of the crisis. The RRP is an investment plan that contains a set of reforms and investments aimed at restoring sustained economic growth, supporting the goal of convergence with Europe over the next decade, and is based on three defining dimensions: resilience, climate change, and digital transition.

**PORTUGAL'S SOCIALIST PARTY (PS) WON THE SNAP ELECTION HELD IN JANUARY 2022 WITH AN OUTRIGHT MAJORITY. THE SOCIALISTS NOW HOLD 117 SEATS IN THE 230-SEAT PARLIAMENT, WHICH MEANS THEY NO LONGER NEED TO FORM A COALITION.**



# 2021

**4.9%**  
ECONOMIC GROWTH

**9.5%**  
INCREASE IN EXPORTS

**5%**  
INCREASE IN PRIVATE CONSUMPTION

**7.2%**  
RISE IN INVESTMENT



by **Joao Fitas**  
Principal Associate  
**Morais Leitao**

It goes without saying that the Covid-19 pandemic has had a huge impact on the Portuguese economy, leading to a contraction easily explained by the country's dependence on tourism. Even so, the Portuguese economy rose by 4.9% in 2021, reflecting an increase of 9.5% in exports, an investment enlargement of 7.2% and an increase of 5% in private consumption, which may be seen as evidence of recovery.

The Portuguese real estate market continues to enhance foreign investors' appetite. Forecasts for the following few years bank on a growing, even booming industry, with strong fundamentals and solid demand. This will lead to ever increasing rent and sale prices, as well as a pipeline of new and interesting projects entering the market.

The main factor of uncertainty rests on the conflict that has recently flared in Eastern Europe, resulting in a massive scale human catastrophe and economic consequences still to be assessed. The markets have already begun reacting with concern and caution.



## INVESTMENT PROGRAMS RESPONSIBLE FOR ATTRACTING FOREIGN INVESTORS:

**PORTUGAL'S GOLDEN RESIDENCE PERMIT PROGRAM** (normally referred to as "Golden Visa" or "ARI") - enables non-European citizens to obtain a special residence permit in exchange for a 5-year investment in Portugal (without prejudice to the changes recently enacted).

### THE NON-HABITUAL RESIDENTS TAX REGIME

its benefits range from a full exemption on certain types of income and a reduced flat tax rate of 20% to other types of income.



## Joana CASTRO e ALMEIDA

Councilor for Urbanism and for  
Transparency and Anti-Corruption  
Lisbon City Council

**Lisbon has had an incredible transformation over the past decade thanks to the rehabilitation projects and new investments – what is your vision for the city for the next decade?**

For the coming years we will have a new cycle of growth for Lisbon, with the construction of a more humanized, sustainable and innovative city, with more transparency and efficiency.

Our goal is to strengthen the life of the neighborhoods, integrating in the residential areas commerce, cultural and educational element. We want to have liveable areas with a diverse housing offer that is affordable. We encourage investments that promote balance, particularly in the neglected corners of the city and disadvantaged communities. We must create integrated solutions for the development of consolidated areas through the instrument of “unidades de execucao”. To accompany the investment that can be brought to Lisbon, we must guarantee greater agility, clarity & speed in urban licensing.

**Investors are wary of high taxation (particularly the 23% VAT rate) or a perceived lack of transparency and consistency in planning. Can they expect any changes in these respects?**

The first thing I did when I started as City Councilor in Lisbon was to listen to my whole team, from managers to technicians - they know the structure and can advise on the most ardent changes needed. I also went through the Attendance Division to understand the main difficulties felt by citizens and investors in their contact with our urbanism department.

This allowed me to make a good diagnosis and to create a team that will focus exclusively on organizational innovation in urbanism.

**Our work will focus a lot on promoting:**

- A reduction in urban permits response times.
- Information about the phase of the permit process.
- Greater certainty in the duration of the project appraisal deadlines by Lisboa Municipality.
- Clearer information on how to properly instruct a permit process.
- Greater transparency in clarifying the criteria for assessing the processes.
- Clarification of the norms of the Urban Plans and Regulations.

**Taxation combined with rising construction costs are making it difficult to develop the much needed affordable housing – how is the Council planning to support this segment?**

The increase in construction costs poses additional challenges to the already existing context costs and to the income capacity of families in the city of Lisbon.

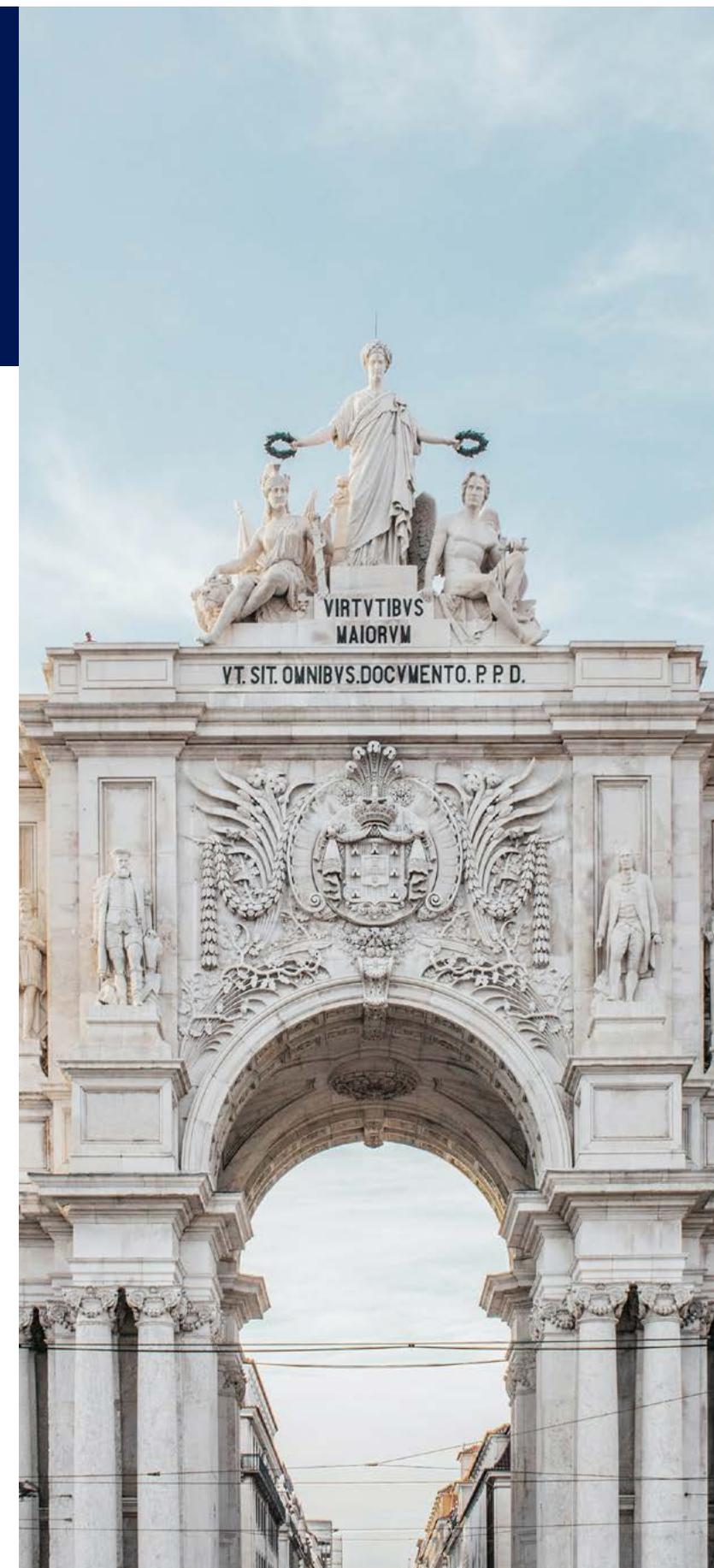
We are aware of these challenges, which we share with other European cities, and are very committed to the creation of public-private and cooperative programs that may generate differentiated offers. We are already working on the framework for reinforcing supply, through the built area credits and mandatory land transfer for housing purposes.

**Regarding planning and city developments our goals are:**

- Ensure that new public and private projects take into account the living experiences and the place's identity.
- Increase the supply of affordable housing.
- Invest in forgotten areas of the city. There is a high percentage of areas to be consolidated in Lisbon and others with unqualified public and private spaces.

**What is your final message for local and international real estate companies already present in or considering coming to beautiful Portugal?**

Present projects with real value for the city. For this, it is key to have prior knowledge of the communities where the projects are located, to get to know the people, their experiences and dynamics. Present projects that reconcile the history with the future.



**Urban rehabilitation and new investments continue to be our priority, but I would like them to be based on three fundamental aspects: proximity, diversity, and balance. Proximity is about building the city with the people and for the people, and here new investors have a very important role because they can get involved in advance with local communities and create high value projects.**

► continuation of article by Joao Fitas



## KEY LEGAL REMARKS

From an investor's perspective, it is pivotal to understand the key legal aspects applicable to real estate investment. In a nutshell and as preliminary step for the preparation of a roadmap for investing in Portugal, it is important for investors to:

### 1. ASSESS THE TAX FRAMEWORK APPLICABLE:

- acquisition of real estate properties** e.g. the real estate transfer tax (IMT), which varies depending on the type of asset – residential, non-residential or rural, stamp duty (IS) and, in certain circumstances, VAT.
- ownership of real estate properties** e.g. the municipal property tax (IMI), which is an annual tax levied on the property's registered value, as well as the addition to the municipal property tax (AIMI), applicable to owners of residential buildings or land for construction with a property tax value greater than € 600,000.
- property income**
- disposal of property**

### 2. ANALYSE THE VEHICLE THAT MOST SUITS THE TARGET INVESTMENT. THE MAIN VEHICLES USED TO ACQUIRE REAL ESTATE PROPERTIES ARE:

- commercial limited liability companies**, either joint stock companies (sociedades anónimas – “S.A.”) or private limited companies by “quotas” (sociedade por quotas – “Lda.”),
- undertakings for collective investment of contractual nature** (real estate investment funds) or collective undertakings under corporate form (i.e., real estate investment companies)
- real estate investment and management companies** (SIGI) which correspond to the Portuguese REITs;

### 3. IN CASE OF ACQUISITION OF DEVELOPMENT ASSETS, CONSIDER THE UNDERLYING PLANNING AND LICENSING IMPLICATIONS:

- understand the territorial management instruments** that set out the rules of use and transformation
- assess if the development of urban operations** (mainly urbanisation and construction operations), requires the municipality's prior control by means of administrative licensing procedures
- certain renovation and rehabilitation projects** may benefit from tax incentives.



**Francisco LINO DIAS**  
Partner, Co-head of Real Estate  
PLMJ

PLMJ

*PLMJ is a Portuguese law firm with over 50 years of experience and very active in the real estate arena.*

#### Are you noticing particular types of deals and demand take priority?

Logistics transactions, built to suit projects and lease back transactions both in industrial and offices have been occurring regularly. Some of the investors that put their money into purely rehabilitation residential projects some years back (namely to target some golden visa applicants) are now

repurposing their investment into offices, commercial or touristic projects. Also, instead of simply selling the units, they turn them over to private equity funds, changing the financial structure. Another growth area in Portugal has been student and senior housing, which flourished. Besides these, many foreign residents are now choosing to move their entire life into Portugal, so residential has been booming across the board.



**Joao TORROAES VALENTE**  
Partner  
Morais Leitao

M  
L

*Morais Leitão is a full law firm with expertise spanning multiple industries, including corporate real estate, tourism and M&A practice areas.*

#### Are there any amendments to the legal framework in the past years that an investor should be aware of?

The Portuguese government has revised the Golden Visa legislation that boosted real estate investment in Portugal during the financial crisis and it remained a driving force since then (including during the pandemic). In fact, recent legislative changes fueled by the left coalition that governed the country for the last couple years have restricted the requirements to benefit from the Golden Visa regime and the acquisition of residential properties in Lisbon, Oporto and the Algarve, that were extremely attractive for non-EU citizens, are no longer eligible for applying to the regime.

Despite such political measures, investors are looking for ways to circumvent the said limitations. Notably, acquisition of participation units in private equity funds that hold real estate assets is seen as an alternative

#### What are the most attractive incentives for coming to Portugal?

Portugal has a plain sailing legal investment environment and apart from the licensing issue, it's relatively easy to set up a company.

The 6% VAT incentive for rehabilitation projects, the NHRs regime and the SICAVI or SIGI investment vehicles represent attractive options for foreign players. Although buying an asset in Portugal requires a 7% fee, this tax can be circumvented if you sell the product within three years of its purchase.

So, as you can see there are all kinds of helpful measures meant to make the real estate market even more appealing.

route for qualifying for the Visa with a lower investment threshold.

Furthermore, over the last years, changes have been introduced to the legal lease framework (again fueled by the left coalition that governed the country for the last couple years) giving more protection to tenants and thus creating hurdles and restrictions on the lease market. This said, the recently elected socialist party majority government is expected to be more keen on (again) enhancing foreign investment into the country, notably real estate and tourism driven. Understandably, the industry is quite optimistic in this context.

The same optimistic outlook is shared regarding the recently new elected mayor in Lisbon, where a great expectation has been created to refuel the city development, and also in Oporto where the former mayor has been reelected thus allowing the good work to continue in the urban planning and investment fronts.

# NEW LEGISLATIVE REFORMS

Laws have shaped and reshaped Portugal's real estate universe. A package released a decade ago virtually transformed Lisbon, for instance, into a whole new city, revamping decaying buildings and redrawing the map. There are few noteworthy changes that any investors stepping foot into the market should be aware of. The most recent ones enacted include:

## 1 GOLDEN VISA



In relation to foreign investment, new limitations have been introduced to the existing golden visa legal framework, notably by excluding residential investment in the Lisbon and Porto areas, and by raising some of the investment thresholds. Such limitations entered into force in the beginning of 2022. Responses have been mixed - on the one hand the industry acknowledges the benefit of attracting more investors into Portugal's inland and under-developed areas. On the other hand, several have expressed concerns about the impact that will be felt in Lisbon and Porto, especially when combined with other economic austerities.

## 2 NOTARIAL DOCUMENTS BY VIDEOCONFERENCE



The pandemic called for the urgency of the digitalization of many services. This led to an innovative legal framework, which is still pending formal enactment, establishing a "test drive" regime for the remote execution of notarial acts. The new regime is expected to come into force in April 2022 and will mean that certain notarial acts can be performed remotely (with no need of the relevant signatories being present at the notary), including the execution of sale and purchase public deeds of real estate properties, as well as the creation of other in rem rights or securities.

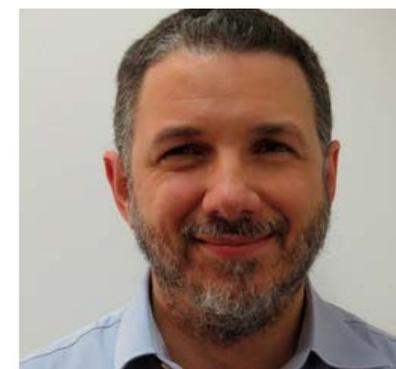
## 3 STUDENT HOUSING



Due to the increased demand for student accommodation, the Portuguese Government created a legal regime for the installation and functioning of residences for higher education students (Decree-Law no. 14/2022, of 13 January).

## 4 ASSET MANAGEMENT FRAMEWORK

The Portuguese Securities Market Commission has recently made available for public consultation the draft of the new Asset Management Framework aiming to review and compile in the same statute the existing General Framework of Collective Investment Undertakings and the Legal Framework for Venture Capital, Social Entrepreneurship and Specialised Investment, which will have a great impact on real estate funds. The key goals of this comprehensive and transversal review of the existing statutes applicable to the asset management sector are to simplify its regulation, turning it into a more effective regime capable of increasing market competitiveness and safeguarding investors. It is expected to enter into force by the end of 2022.



**Diogo IVO CRUZ**  
Project Director  
Invest Lisboa



*Invest Lisboa is a one-stop shop that offers free support to companies that are interested in investing in Lisbon. It is a strategic partnership between the City Council and the Portuguese Chamber of Commerce and Industry with the support of AICEP, the national economic development agency.*

### What is the role of Invest Lisboa in the wider puzzle of the market?

Invest Lisboa is Lisbon's Investment Promotion Agency. We are responsible for the international promotion of Lisbon, as an investment, business or talent destination and for supporting investors, companies and entrepreneurs in answering the questions "Does Lisbon make sense for my business?" and "How can I settle in Lisbon?".

To help answer these questions we offer a personalized, confidential, and free

support, including advice, information, contacts, help with identifying business partners, premises and investment opportunities to investors, companies and entrepreneurs looking to invest or settle in the region of Lisbon.

**Long licensing timelines are, however, making some investors wary - is there a light at the end of the tunnel for fixing this situation?**

Between 2008 and 2014 the real estate market (affected by the crisis) froze and a lot of projects were postponed;

when the investment dams broke and the market got flooded once again, the system wasn't prepared to take in such a large volume of permits.

The new urban planning Deputy mayor is aware of the frailties of the licensing process and has made it her goal to bring predictability, improve communication and strengthen the cooperation between investors and the City Hall. The good news is that a transparent digital database of the licensing timeline, that can be consulted by investors, is on its way.



**Jordi VILANOVA**  
President  
Mercan Properties



*Fortunately, our business is affected in a positive way by the changes to the Golden Visa because they will limit residential investments (Porto and Lisbon being off limits) and instead focus on commercial projects, a strong driver for new jobs especially in construction and hospitality. Moreover, the requested investment into funds will be increased.*



**Pedro LANCASTRE**  
CEO  
JLL Portugal



*In 2021, Portugal sold more than 190,000 apartments, out of which about 1,000 through the Golden Visa program - only a residual margin, as it can be observed. Of course, the structural change you mentioned will have an impact, but it will not be as devastating as some may fear.*

# A WORD OF CAUTION ABOUT LICENCING



**Jose Manuel MORGADO**  
Managing Partner  
PVW Tinsa



A key challenge is that there are no large-scale development spots in Lisbon and buying land to develop from scratch is much riskier than buying a building to renovate due to the VAT rate difference (6% for rehabilitation vs 23% for new buildings). Also, construction prices have almost doubled and the convoluted bureaucracy, with all its licensing issues, is a burden for investors.



**Pedro SILVA LOPES**  
Owner  
Fragmentos



The fact that we don't have a clear licensing legislation is the real challenge. Each municipality has its particularities, so it's extremely difficult to establish a constant workflow throughout the projects we're making. In Lisbon it can take up to two years to start the construction and this timeframe is detrimental to foreign investors, so much so that they can't comprehend how such a faulty system can exist. In terms of foreign investments, this is the biggest drawback and a nationwide revamping of the whole legislation is the only solution.



**Johnny HANNA**  
CEO Portugal  
Estia Developments



We identified the issues associated with licensing from the get go and decided to mitigate this risk by taking on opportunities that are at least pre-approved, if not already licensed and ready to go.



**Carlos GOIS**  
CEO  
GEO Investimentos



Refurbishment projects can be completed much faster because we can avoid the main problem in Portugal: the extremely lengthy licensing process. The timeframe between planning and actually building a new unit can be three to four years long. Whereas buying old buildings and turning them into big open-space offices with lots of exterior areas can be done in about one year.



**Stuart ROUGH**  
Group Chairman  
Broadway Malyan



The ever-present licensing issue that burdens all developments and varies from city to city is definitely a source of frustration in Portugal. Working around historical master plans that can often be very out of date can also provide significant challenges. However, while we do hear from new investors who are frustrated at how protracted the planning system can be in Portugal, having experience working across Europe, the Middle East and Asia, I can attest that I have worked with - and overcome - far worse.



**Filipe CALDEIRA**  
Head of Business  
Artelia Portugal



The situation in Portugal is actually not that bad when compared to other European countries. There are some mitigation measures that can be taken, and I have trust that the public administration will do everything to overcome these challenges. Moreover, we must understand that all these licensing times are necessary to fully complete the process and although we perceive them as an annoyance, when performed properly they are important for the health of the market.



**Pedro LEITE FRAGOSO**  
CEO  
ADDSOLID



At the moment, Lisbon is off limits, we are not buying any more property there until the projects that are under development are approved. Roughly, one year of waiting is worth EUR 500 more per square meter.



**Carlos Miranda DOMINGOS**  
Partner  
BlackOAK



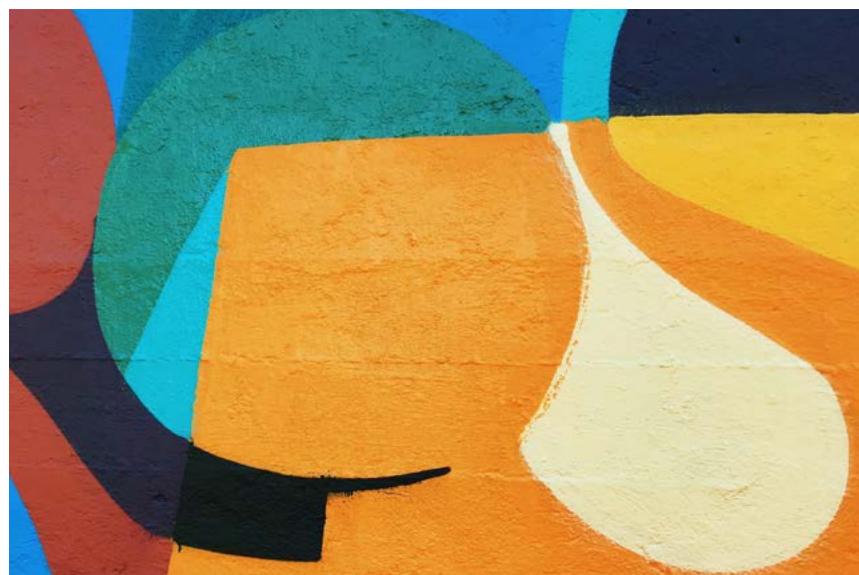
There was great excitement in the market and prices rose consistently during pre-covid times, whereas nowadays buyers became more cautious. The result is a circumstance in which sellers still think they are in 2019, while buyers are increasingly wary of the price per square meter. We find ourselves in an interesting position, having to balance these mismatched expectations.



There is a great deal of inconsistency from one municipality to another, which of course makes the whole interaction even more frustrating. A simplification to the entire process and a unified approach would make the Portuguese real estate market much easier to navigate. It hasn't always been like this. In Lisbon, seven years ago things were going smoothly and in about six months you had your project licensed. Nowadays, this entire process takes around two years.



**Joao BRANDAO**  
Executive Board Member  
Sonagi



# CONSTRUCTION & SERVICES

“

*Fortunately, even during the lockdown, construction didn't stop, and our workers carried on with their usual schedule. Nevertheless, all projects due in 2020 froze for a while since investors felt insecure about what the future could bring, so everything amassed in 2021. Due to the raw materials crisis, the workload piled up further this year.*

**Ricardo VIEIRA**

*Managing Director*

**Reynaers Aluminium Portugal**



# CONSTRUCTION RISING DESPITE THE ROADBLOCKS

by **Joana Cid Barreto**  
Head of Architecture  
**Worx Real Estate Consultants**

The construction and architecture sectors usually work as a barometer of the broader economy in Portugal. However, the crisis that we have suffered because of the Covid-19 pandemic did not affect the construction sector directly, as it was not a crisis of economic origin. The financial capacity continued to exist as well as the will to build, however, a different challenge came to the forefront: if the construction activity is not compatible with remote work, what do we do?

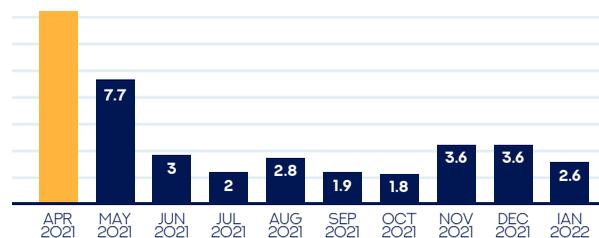
While the building segment found itself on an upward economic path, with a bustling market, it still could not withstand being put on hold for long, or even medium periods of time. Thus, the need to survive boosted creativity and forced the sector to adapt and create various mechanisms to overcome the challenges that arose, such as the scarcity of labor and materials. During the pandemic, many factories were forced to close shop, and then resume their work with working shifts and a reduced production capacity.

Nevertheless, Portuguese people hold an innate combination of creativity and resilience which helped maintain construction as one of the main drivers of the economy. Several investment projects, public and private alike, were quickly operational again after a period of being on hold. In addition, the Covid-19 pandemic generated new behaviors and needs, as well as the emergence of new business areas - logistics and the construction of Data Centers in particular called for a response from the construction sector.

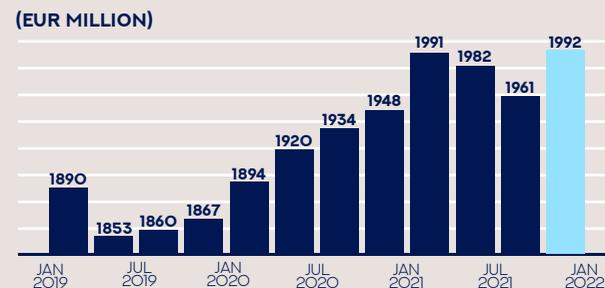
**GDP FROM CONSTRUCTION IN PORTUGAL INCREASED TO EUR 1.99 BILLION IN THE FOURTH QUARTER OF 2021 FROM EUR 1.96 BILLION IN THE THIRD QUARTER OF 2021**

source: Statistics Portugal

## CONSTRUCTION OUTPUT IN PORTUGAL (% , 2021-2022)



source: Trading Economics & Eurostat



## CONSTRUCTION COST INDEX (EUR, 2019-2022)



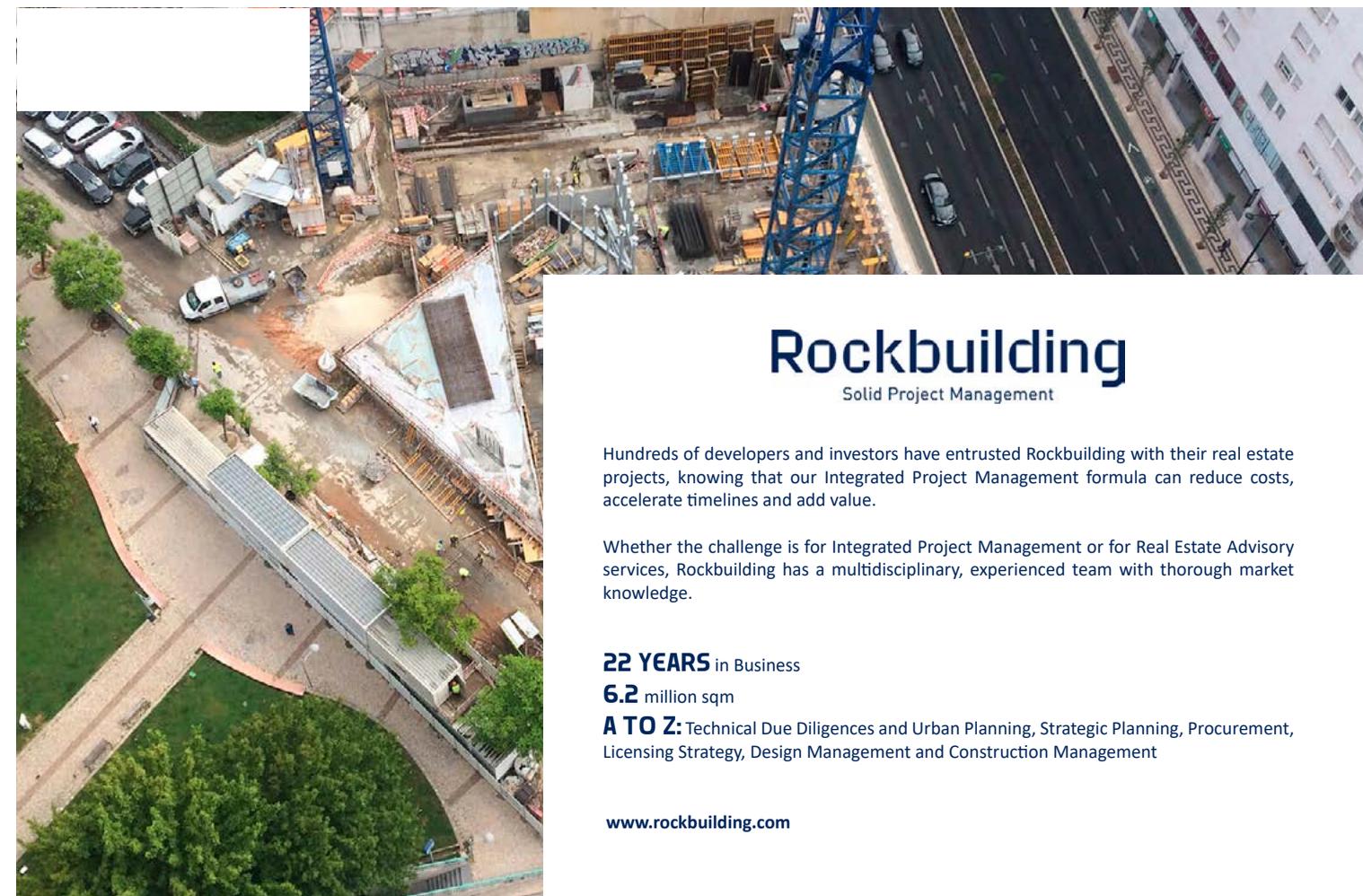
HISTORICALLY, THE CONSTRUCTION COST INDEX IN PORTUGAL REACHED A **RECORD HIGH OF EUR 119.60 POINTS** IN JANUARY OF 2022 AND A **RECORD LOW OF EUR 74.90 POINTS** IN MARCH OF 2001

source: Trading Economics & Eurostat

In addition, the services segment has also gone through profound requalification and reorganization, in accordance with new workplace strategies. Today's corporate world needs to respond to a series of challenging concepts, such as bringing people together, improving connections or retaining and attracting new talent. This translates into new types of spaces that promote creativity and facilitate interaction, as a way to compete with the increasingly attractive remote work.

Confronted with these new demands from the market, and in the midst of a global pandemic, the construction sector faced several challenges at once: shortage of qualified labor; difficulty in attracting and retaining talent; increase in the cost of materials and labor, dictated by high demand and scarcity in supply.

Add to this the war in Ukraine, which pushed prices even higher and generated a state of uncertainty regarding the future, in Europe and the world. For construction companies, this means dealing with an increasingly volatile and uncertain market, heavily impacted by imponderable external factors. ➡



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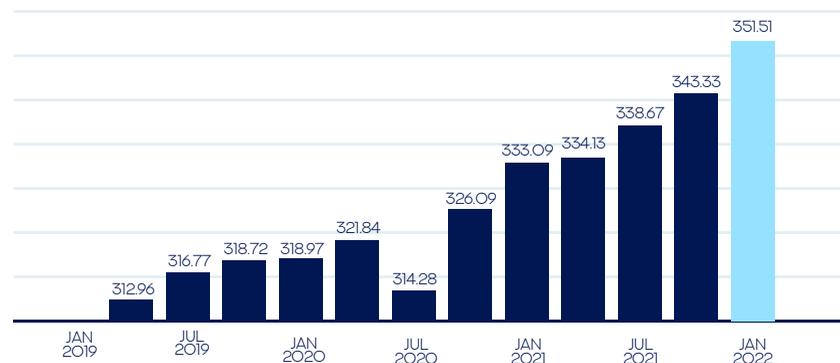


**Jose da COSTA**  
CEO  
Edivisa



The pandemic context led to these soaring raw materials price increases (iron, aluminum, glass, etc.), coupled with electricity reaching an all-time high at the beginning of 2022. This affects our business in two ways: for ongoing projects - we are not able to reflect the price increase in our rates to the final client because of promises made; and for future projects - we may be gambling predicting price fluctuations, making it difficult to come up with the right quotes. Any apparently insignificant price fluctuation can create a devastating butterfly effect in the long run.

**PORTUGAL - EMPLOYMENT: CONSTRUCTION REACHED A RECORD HIGH OF 351.51 THOUSAND IN JANUARY OF 2022 AND A RECORD LOW OF 312.96 THOUSAND IN MARCH OF 2019.**



source: Trading Economics & Eurostat

▶ continuation of article by Joana Cid Barreto

## MARKET TRENDS

To withstand these difficulties, the market needs to reinvent itself - be it through the search for new construction materials, or by maintaining the same standards of quality but with new and more sustainable solutions. In terms of human resources, the market must figure out ways to increase its attractiveness and draw in new talent, more specialized, better trained.

There is a strong pull towards the adoption of "collaborative" contracting models, in which the builder bears the responsibility to guarantee both the price and the construction deadlines. This means assuming any losses that arise because of high fluctuations in the market, including scarcity of labor or materials. This model certainly introduces a higher level of risk for builders, but it also carries a few notable advantages: it promotes teamwork and tighter partnerships with subcontractors, compelling them to jointly think of new solutions and outline new strategies.

## SUSTAINABILITY DRIVES CONSTRUCTION GROWTH

On the other hand, the construction sector is among the ones with the greatest potential to provide significant carbon footprint reductions, which translates into a great opportunity for growth and development. This sector is currently responsible for about 40% of the world's carbon footprint, so there is a long way to go. A vital aspect of this shift is the adoption of mandatory industry standards, such as Leadership in Energy and Environmental Design (LEED) or BREEAM certification, in line with industry standards.



It is now up to the construction sector to boost energy efficiency gains in the long term, in order to reduce operating costs and make the initial investment profitable. To this end, it is important to use sustainable building materials, with sustainable life cycles and with the least possible environmental impact.

We cannot forget that Portugal, as a member of the European community, was still far from its parameters in terms of touristic, residential, logistics and office supply. But the situation has changed in recent years. The geographic, climatic and economic conditions make Portugal a very attractive market for foreign investment - Portugal is a trendy, safe destination and here comes the opportunity to position ourselves in Europe as a "green" and relevant destination. It is imperative that we stop ourselves to think, anticipate and outline a strategy, so that our actions are guided by a plan to revitalize the country, which promotes sustainability and is supported by the opportunity we now have to stand out.



**Stuart ROUGH**  
Group Chairman  
Broadway MALYAN



Architects often become emotionally involved in all their projects - there is no such thing as identikit architecture and so every project becomes incredibly personal to the designer. However, the two projects that stand out for me are the headquarters building designed for Roche Pharmaceuticals and Porto Office Park.



**Paula FERNANDES**  
CEO  
RAR Imobiliaria



The 23% VAT rate for new constructions is a major drawback for developers because we need to absorb this cost in the final price of the units. During the pandemic, with the prices of raw materials increasing and the lack of workforce, this nuisance has become even harder to bear. As the construction sector is an important pillar of the economy in Portugal, it should be more encouraged by the political side.

Of course, some work is already being done with the definition of some urban rehabilitation areas and some corresponding incentives, but there is still room for improvements in which concerns government/local administration support, namely in incentives regarding new sustainable construction.



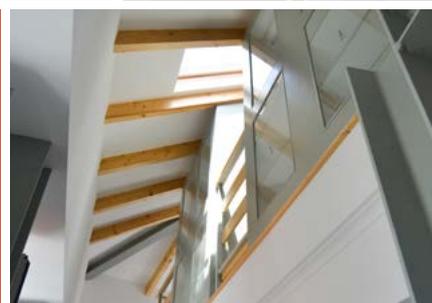
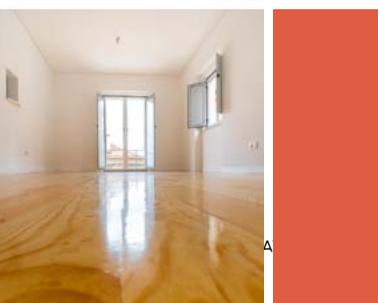
## CONSTRUCTION AND PROPERTY REHABILITATION

Meca, Sociedade de Construcoes was born in 1989. We operate in the residential and logistics sectors, and take pride in our multidisciplinary team with fluency in English, French and Spanish and our technical means to ensure that each construction is carried out, from start to finish, to the maximum satisfaction of the developer.

Through all that we do we pursue total client satisfaction, and for this we build with confidence and rigor.

| Founded 1989 |  
| Lisbon South Bay Area |

[www.meca-construcoes.pt](http://www.meca-construcoes.pt)





► continuation of article by Joana Cid Barreto

## MORE TECHNOLOGY, PLEASE

One of the most notable changes observed over the past two years in Portugal has been the construction of Data Centers. The need to create faster, more reliable digital communication systems fueled this growth, as well as the emergence of the new 5G telecommunications standard.

Without a doubt, technology is a perfect tool to make our cities smarter and more sustainable, and the construction sector must keep up with these advances. In an ideal smart city, everything is interrelated: lighting and public signage, buildings, waste management, renewable energy. Smart cities depend heavily on data, so we need these new technologies to accompany this development, and respond to the ultimate goal of a smart and sustainable city: making our lives easier, anticipating needs and optimizing resources. For this, considerable investments in infrastructure are needed in the coming years to make our cities suitable for the increasingly technological future.



**Javier MESEGUER**  
General Manager SE  
Drooms



*There have been a lot of changes during the last couple of years in Portugal, but the need for digitalization is still there and is actually increasing. Companies are ready to modernize, and they are willing to spend money on these solutions. The Covid-19 pandemic has served as a catalyst in this direction.*



**Felipe AVILA da COSTA**  
President, Co-Founder & CEO  
Infraspeak



*Portugal has many professionals in technical domains and after the financial crisis there was a boom of new companies - that are now unicorns (6-7 of these per 10 million people is a way higher rate than in Spain, for example). Portugal companies are usually early adopters compared to those in other countries, making it an excellent training ground for startups.*



**Paulo CASTRO**  
CEO  
Castro Group



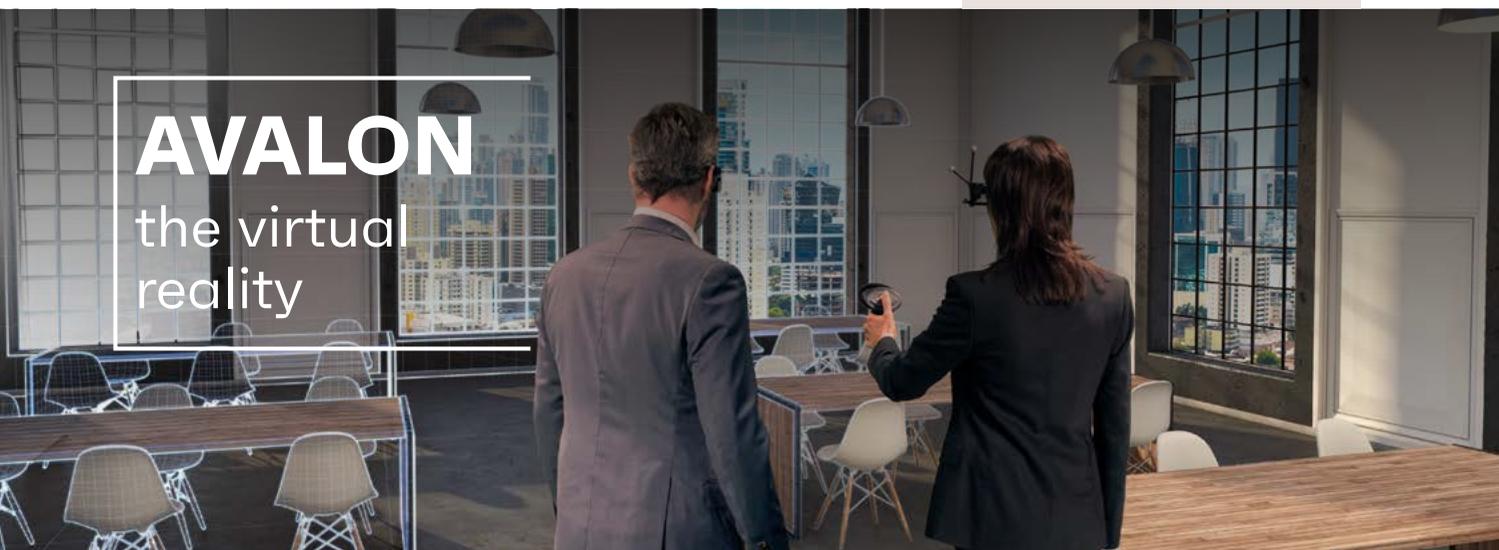
*We have invested in adopting digital solutions that aim to facilitate the visualization and management of projects and buildings. Technology, innovation, and sustainability are our main bets for the next few years because it will become impossible to sell buildings without green certificates. FUSE VALLEY and SPARK Matosinhos are two excellent examples, which include these same concerns.*



**Jose Rui MENESES e CASTRO**  
Managing Partner  
MAP Engenharia



*We like to jest that we are the "Netflix of construction", because we are replacing what has always been established with a fresh way of doing business. Diversifying our portfolio is definitely the base plan. In this sense, we're seeing good potential in tourism.*



**AVALON**  
the virtual  
reality



### Visit your projects, even before they are built

AVALON, our fully immersive virtual reality room, allows you to visit future buildings through a shared virtual reality experience. Can you imagine walking through a building that is still in the design phase? Together with your project partners, you can walk through different spaces and review any aspect of the project, adjusting dimensions or building elements and changing colors and materials. This powerful tool radically changes the way a building project is evaluated and visualized.

Learn more at: [www.reynaers.com/avalon](http://www.reynaers.com/avalon)

## THE FUTURE OF CONSTRUCTION & ARCHITECTURE

In the aftermath of the pandemic the human being has become the epicenter of plans and concerns. We have positioned ourselves as the protagonist, paying attention to where we live, work, move and act in the cities we live in. There is a strong concern for our well-being and the sustainability of the entire universe that surrounds us. Our workplace and needs as we know them are changing.

The lifestyles and mindsets shift across individuals, and we are all searching for confidence in returning to familiar routines and places that will be anything but familiar. Connect, discover, focus and restore are the essential needs that we try to meet every day in the places we occupy. Derived from a greater environmental awareness, new lifestyles and behavioral trends are increasingly emerging, focused on a greater balance between the economy and the quality of life.

There is still a long way to go, both in terms of the rehabilitation of our country and in terms of strategy and critical thinking. It is important that cities be living cities, thought and designed for those who inhabit them. It is also mandatory that our actions move towards sustainability and the preservation of our world, reducing our carbon footprint. More than ever, all eyes are on this sector and its potential for creating and inspiring solutions, behaviors and actions that contribute to building a better world.





**Miguel  
BRAGA da CRUZ**  
CEO  
*Diligent Parallel*

**You are in the business of fixing people's problems, but what are some of the main challenges you yourself came across in Portugal?**

One notable problem is that between 2008-2015, so during the crisis, Portugal lost quite a significant piece of its installed capacity because many construction companies closed or migrated to new markets (out of 15 big construction companies only three are left). Demand increased in the meantime but the installed capacity couldn't keep up with it, so prices went up.

What will happen next, due to public investment that is under preparation and will reach the market shortly, is that we will witness a situation which is very rare in our history: the public and private sector will both expand at the same time. This kind of dynamic, without the capacity to cope with it, will create a difficult situation for market participants. My suggestion to newcomers is to plan ahead their investments and seek out advice from companies that are already very experienced in the local market.

**What are the most important goals you want to achieve in the coming two to three years?**

It's difficult to predict the future but our intention is to continue growing. Last year we grew by 25%, as we close this year we will have grown 50% and next year we will be growing almost 100% with the contracts that we already have in our hands. Portugal will remain the market of focus - I had my time of working abroad but now there is plenty to do here so it makes sense to take advantage of that.



*Diligent Parallel is an engineering consulting company based in Portugal, which specializes in project management for logistics and residential projects.*



*Reynaers Aluminium is a specialist in the development of aluminium solutions, such as sliding doors, windows and facades.*

**Speaking about the rising price of materials, to what extent did it delay your construction process and how was the final product price affected?**

Most of our products are coming from Belgium - where we have an immense stock - and we also secured various sources for the raw materials we use in order to always have a safety net at hand. In the beginning we coped just fine, but after July 2021 we started to experience problems regarding delivery, rather than the stock of aluminium itself. Simply put, we lack the logistics necessary to deliver the materials and, as a result, prices have exploded - one container to the United States increased ten times since the beginning of 2021 until now. We are currently trying to keep the balance between the increased prices from our suppliers and the prices we had already agreed on with our clients.

**Portugal is often praised for its endless advantages - on the flip side, what are the difficulties a business like yours bumps into?**

Accessing the low end of the market is one of the challenges we've faced because we are perceived as a premium brand and, therefore, as an expensive choice. Changing this mindset has been our quest for a while - convincing clients that our products are premium not because they are more expensive, but because they preserve their quality during their lifetime. By taking this element into account, they are not in fact expensive at the end of the day. In the context of the global pandemic and the crisis that will probably soon follow, another challenge is being able to reinforce our resources well enough to be prepared for any possible storm that is going to come.



**Ricardo  
VIEIRA**  
Managing Director  
*Reynaers Aluminium  
Portugal*



**Miguel  
ALEGRIA**  
CEO  
*Engexpor*

**Despite the pandemic, 2020 was the third biggest year in terms of volume of investments in Portugal. How did that mirror in terms of demand noticed from your side?**

Until the crisis years of 2010-2014, the residential market in Portugal wasn't a hot deal, but nowadays there are a lot of companies that invest in this sector in a professional way and developing high quality projects. From Engexpor's perspective this is where most demand comes from. However, offices are also on the rise, with a great deal of exciting projects flowing in from the commercial side.

**How does the lengthy licensing process measure up again other development challenges, from a project manager's stance?**

In Portugal the price of land and of existing buildings is too high to allow developers to undertake profitable projects while keeping prices affordable, especially in the residential sector. Construction means taxes, lots of them, with a spotlight on the infamous 23% VAT, that is just a cost.

Fortunately, the licensing issues are not the same all over Portugal: in some cities the process is faster, while in others it can take quite a long time (e.g., Lisbon & Porto), but it generally depends on the size and complexity of the process. Licensing is so tedious mainly because there was a boom in projects and the municipalities weren't able to keep up. Additionally, the construction sector is encumbered by a lack of workforce and an increase in raw material prices.



*Engexpor specializes in project and construction management, with experience across various sectors such as offices, residential, retail, industrial and logistics.*

# Rockbuilding

*Rockbuilding was established in 1999, in Portugal, as a project management company that offers integrated solutions to real estate developers.*

**Rockbuilding has a fairly long tradition on the Portuguese market, can you give us a bird's eye view on your activity here?**

Integrated project management services have been our core business for more than 20 years, helping foreign developers throughout the processes of acquisition, due diligence, urban planning, design and construction.

Our expertise in the pre-construction phase acts as an important stage in the final success of the projects that we undertake. We can cover all areas of the development process thanks to a multidisciplinary team made of architects, economists, civil engineers, and managers. Having been a lawyer for many years, I use my expertise to help Rockbuilding relay valuable information on how suitable a clients' acquisition is, in order to minimize the risks of their investments.

**Aside from sustainable features, for which we notice a strong trend in Portugal, are there other innovative aspects that the local industry has started to embrace?**

BIM modeling is the star of the show nowadays and over the past two years we've seen great progress while using it. Currently, we are managing a relevant mixed-use project (office, retail and residential) in the central business district of Lisbon that employs this system. From design to construction, the process has been greatly accelerated thanks to the use of this technology. It is extremely useful to balance deadlines, budgets and the overall quality of a project, helping everyone from the design team to the contractor and the project manager.



**Jose Pedro  
GUERRA**  
Managing Director  
*Rockbuilding*

THE WORLDWIDE CONSTRUCTION MARKET IS ESTIMATED AT

**EUR 10 TRILLION**

EUR 3.5 TRILLION EXC. RESIDENTIAL



AT LEAST **20% IS WASTE**

MAINLY DUE TO INEFFECTIVE COMMUNICATION, PLANNING AND COLLABORATION

- 10% MATERIALS ARE WASTED

- 30% OF CONSTRUCTION IS REWORK

- 40% OF PROJECTS ARE OVER BUDGET

- 90% OF PROJECTS ARE LATE

- 40% OF JOBSITE WORK IS UNPRODUCTIVE

source: Global Status Report 2019, UN Environment and the International Energy Agency

## WHAT IS BIM?

Technical information embedded into a 3D model, enabling the optimization and automation of the management, access, and use of that information.

A collaborative methodology which uses agile processes, significantly increasing the value of the information produced within the construction industry.

### DIRECT GAINS

- Easy to use
- Greater comfort for users
- Increased efficiency in operations
- Cost reduction
- Reduced bureaucracy/paperwork



USERS



DIGITAL PLATFORM

### INDIRECT GAINS

- Creating KPIs, moving on from cost management into performance management
- Increased transparency amongst stakeholders
- Information-based decision making



OPERATIVES



MANAGERS

**10%**

SHARE OF CONSTRUCTION IN PORTUGAL'S GDP

**350K**

PEOPLE EMPLOYED IN CONSTRUCTION IN PORTUGAL

**10%**

INCREASE IN PRODUCTIVITY



**EUR 2 BIL**

IN SAVINGS

## A LENSE INTO THE FUTURE: BUILDING INFORMATION MODELING (BIM)

by **Maria Vasconcelos**  
Senior Project Manager and BIM Coordinator  
**Castro Group**

At this point in time everyone in the real estate market has most likely heard about Building Information Modelling (BIM). It has emerged as a solution to modernize the construction sector, enhance collaboration amongst stakeholders, using digitization to obtain more efficient processes.

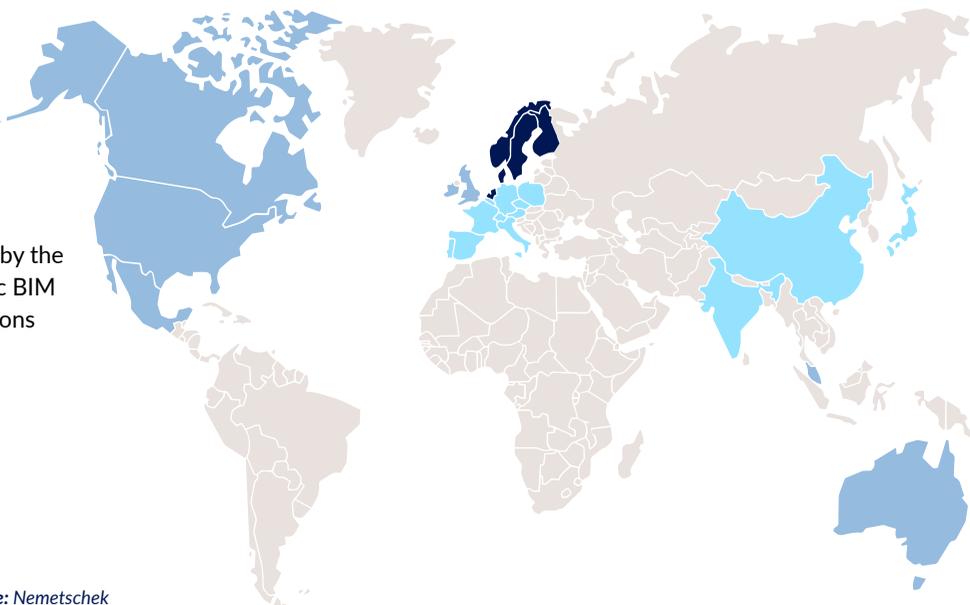
The construction sector in Europe represents roughly 16% of Gross Domestic Product (GDP), employing nearly 19 million people. In Portugal, the sector represents circa 10% of the country's GDP and employs circa 350,000 workers. However, despite its influence on the economy, the construction industry presents reduced productivity and innovation levels, limiting its capacity to resist the constant challenges and complexities of the industry and of society.

The financial opportunity for the digitization of engineering, construction and operation processes sits between 10% and 20% of expenditure in vertical construction (buildings) and infrastructure. There are also reports that predict that a wide implementation of BIM could allow savings around 15% to 25% in the global market for infrastructures by 2025. Following this logic, if the Portuguese sector could achieve an increase in productivity of 10%, it could generate savings of circa EUR 2 billion.

## BIM MATURITY LEVEL

BIM maturity is determined by the level of BIM adoption, public BIM regulations and expert opinions

- HIGH
- MID
- LOW



source: Nemetschek

## IMPLEMENTATION PROGRESS

In Europe many countries have started the implementation just over a decade ago, in 2010, however without a common strategy.

In Portugal, few meaningful steps have been undertaken to kickstart BIM implementation. The main one has been the creation of CT197, the mirror committee of CEN/TC 442. In the absence of a public impulse, BIM implementation is still in its early stages, driven by the private sector: although the use of 3D models is relatively common amongst designers, the collaboration methodology, the use of information parameters for quantification, costing, and asset management (FM) processes are still underdeveloped and rarely used.

The slow implementation also affects local companies' ability to export their services to countries where BIM is already mandatory, reducing their competitiveness in international markets. This applies especially to small/medium enterprises (SMEs), which tend to have fewer means to embrace the digital transformation.

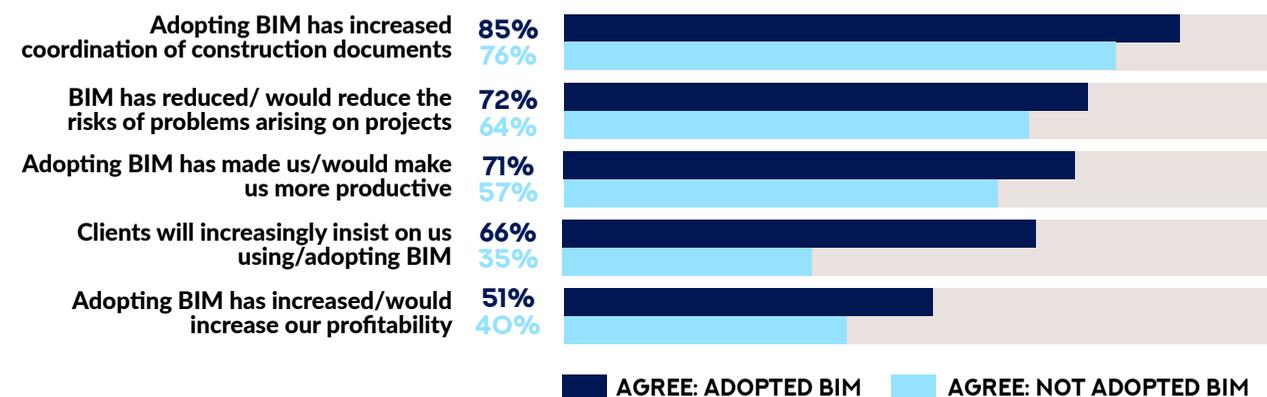
Therefore, it is no surprise that the main companies driving this process are larger construction groups, architecture/engineering practices with presence overseas, as well as real estate developers working with international investors.

## CONTRACTORS

Main contractors get the most immediate and evident benefits from BIM. It grants them better pre-construction preparation, increased certainty and control of their prices, and reduces risk (both financial and operational). Some Portuguese companies have been developing in-house capabilities to maximize these benefits – Mota Engil, Teixeira Duarte, and Grupo Casais are some examples, with dedicated teams working in this area for the past few years.

Castro Group has also started the process with the support of specialist NdBIM consultants, using ongoing projects to develop various stages of implementation. Fuse Valley is an example, amongst various projects, in which Castro Group have been working alongside Bjarke Ingels and Afaconsult to maximise the use of BIM to support the large and complex design. The main benefits range from coordination, planning and control, as well as facilitating prefabrication, helping to reduce cost, programme and waste.

### FROM YOUR UNDERSTANDING OF BIM, HOW STRONGLY DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS?



source: The NBS BIM Report 2020 (UK survey)

## DESIGNERS

Designers find in BIM a valuable tool to improve internal project development and interdisciplinary coordination. BIM protocols provide a framework for collaboration which ensures access to the most up to date and reliable information, as well as joint processes for auditing the quality of the work produced, increasing its value. Because of the financial investment needed (training, hardware and software), most early adopters have been testing the waters overseas, working in countries where BIM is common practice and/or an actual requirement. Broadway Malyan, Saraiva+Associados, and Ventura+Partners, Afaconsult, Quadrante, and A400 are some examples in architecture and engineering, with relevant projects in Portugal and various parts of the globe.

## DEVELOPERS

By contracting projects using BIM, developers benefit from all the advantages mentioned above throughout design and construction stages but also during operation throughout the whole building lifecycle.

BIM allows us to create a Digital Twin – a virtual model of a physical asset that replicates its physical counterpart. By using building automation, the Physical Twin can be operated and modified remotely. Through sensors and IoT, the Digital Twin can be remotely monitored and display, in real-time, the changes happening in the Physical Twin (anticipating failures, facilitating maintenance, or simply providing data about the occupation and performance of the space or building).



BIM ALLOWS THE CREATION OF A **DIGITAL TWIN** – A VIRTUAL MODEL OF A PHYSICAL ASSET THAT REPLICATES ITS PHYSICAL COUNTERPART.

# SUSTAINABILITY

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*Sustainability is a must-have feature nowadays when developing office spaces. On the one hand, sustainability is now high on the agenda of large occupiers whether from the private or the public sector and on the other hand, most institutional investors will now only invest in buildings with a high proven level of sustainability.*

**Gregory VAN der ELST**  
Country Director Portugal  
**ATENOR**

# SUSTAINABILITY: SPEED UP TO KEEP UP!

by **Caetano de Braganca**  
Head of Workplace Strategy and Sustainability  
JLL Portugal

Sustainability spans all facets of society and has become unavoidable, both in the private and corporate sphere, and Portugal is no exception. And for a very good reason: people must look at the planet's well-being and preservation. This is visible in the little things of everyday life, and real estate is a crucial part of this equation, as it is responsible for approximately 40% of carbon emissions.

Building occupiers and users are highly aware of this need to be "green", and their premises - be it offices, retail, hotels or industrial and logistics facilities - will have to be compliant. It is a matter of collective responsibility to preserve the environment, largely imposed by companies as occupiers, in their search to meet corporate sustainability goals, and within an increasingly demanding framework for national and international institutions.

In Portugal, offices tend to integrate sustainability requirements the quickest, precisely because occupiers of this type of asset are also more advanced in the execution of ESG plans and strategies. Oftentimes they see these policies not only as a way to align with environmental protection and decarbonization goals, but also as an essential way to attract and retain talent and drive productivity. JLL developed a survey specifically for corporate clients with office assets in Lisbon, concluding that 88% of the respondents consider health and well-being the top priority in real estate sustainability strategies. The key motivations for investors to invest in sustainability are based on corporate social responsibility and a commitment to the occupier's well-being.

**88%**  
OFFICE OWNERS CONSIDER **HEALTH AND WELL-BEING** THE TOP PRIORITY IN REAL ESTATE SUSTAINABILITY STRATEGIES.

source: JLL Survey 2021



**Filipe CALDEIRA**  
Head of Business  
Artelia Portugal



*We can definitely see a heightened interest towards the environmental value of assets. International investors are becoming increasingly eager to put their money into smart buildings with high energy efficiency and green certifications. Although in Portugal we are a bit behind other European countries like the Nordics, in the last few months we've observed an increased demand for environmental related services.*

In Portugal, the growing demand among office occupiers for more sustainable and greener buildings is evident, but the supply is still quite limited. Specifically, only 3% of the current office stock in Lisbon has sustainability certifications, while less than 10% of the stock possess A energy classifications, or higher. Regarding new construction, there is an increasing commitment among developers and investors in this sense, as 58% of the 230,000 square meters currently under construction in Lisbon already incorporates BREEAM, LEED or WELL certifications. Furthermore, a survey among JLL clients in the EMEA region showed that in Portugal, 82% of active operators intend to move forward with their sustainability commitment, a higher share than in Germany, Spain and France.

In terms of the built environment stock, there is also an enormous opportunity to intervene in existing buildings in order to upgrade their sustainability status. There are several financial incentives to this effect, both nationally and internationally. In the European scenario, the financial envelope to support member states in the post-pandemic recovery includes a strong component for intervention in buildings for this very purpose. In Portugal, the application of this envelope, named the "Recovery and Resilience Plan" and amounting to EUR 16.6 billion, foresees EUR 3.05 billion in measures for climate change, including the Environmental Fund, a financial program to increase buildings' energy efficiency.

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ONLY **3%**  
OF THE TOTAL OFFICE STOCK IN LISBON HAS  
**SUSTAINABILITY CERTIFICATIONS**  
**BUT 58%**  
OF THE STOCK **UNDER DEVELOPMENT** IN  
LISBON ALREADY INCORPORATES SUSTAINABILITY  
CERTIFICATIONS

PORTUGAL'S  
**RECOVERY AND  
RESILIENCE PLAN**  
FORESEES  
**EUR 3.05 BILLION**  
IN MEASURES FOR  
CLIMATE CHANGE,  
INCLUDING TO  
INCREASE BUILDINGS'  
ENERGY EFFICIENCY



BUILDINGS THAT ARE **ENERGY EFFICIENT** (CLASS A OR HIGHER) CAN BENEFIT FROM A **10% REDUCTION** IN THEIR MUNICIPAL **PROPERTY TAX FOR FIVE YEARS**



At the national level, various municipalities offer tax reduction incentives. Specifically in Lisbon, buildings that are energy efficient (class A or higher) can benefit from a 10% reduction in their municipal property tax for five years, and there are also reductions in municipal taxes related to the execution, maintenance and reinforcement of urban infrastructures. A study conducted by JLL on the implementation of sustainability measures in office buildings, states that the additional investment required to implement sustainability measures in a building does not exceed 5% compared to the investment required in a property with the same characteristics where these standards are not required. The same study concludes that, aside from this immediate increase in investment, there is also a clear impact on rents. While depending on the combination of variables like location, lease terms, tenant profile and the age of the property, in a comparison between two similar buildings in the London market, JLL calculated a premium between 6% and 11% in the rent of assets with sustainability certification.



**Tiago ARANDA BRANDAO**  
Country Manager  
Incus Capital



*The majority of existing office buildings lack investment and are not ESG certified - our investment plan is to certify them because this type of asset has a higher exit potential.*

In terms of operating costs, the implementation of sustainability measures in a building can have a substantial impact, with estimated reductions of 25% to 50% in energy consumption, 40% in water usage and 70% in waste production.

Another aspect is the impact on the occupier performance of buildings. More sustainable buildings are associated with higher rents and lower incentives. They also attract tenants with a more sophisticated profile, while also featuring shorter marketing times and lower vacancy rates.

**5%**

ADDITIONAL INVESTMENT REQUIRED TO IMPLEMENT SUSTAINABILITY MEASURES IN A BUILDING

**6%-10%**

HIGHER RENTS FOR ASSETS WITH SUSTAINABILITY CERTIFICATIONS

**25%-50%**

ESTIMATED REDUCTION IN ENERGY CONSUMPTION IN SUSTAINABLE BUILDINGS

In other words, it is important to clarify that sustainable buildings make sense, not only for their positive environmental impact, but also because they generate concrete financial returns: they mitigate risk, reduce operating costs, increase rent premiums and compress yields, thereby resulting in a higher sale value for the property. Sustainability must be a priority, integrated into every stage of the asset's life cycle, going far beyond certification.

But more than this, it will become the norm in the future. This is the time to act on it, and quickly. Several events, laws and processes in the sustainability field are moving fast. So much so that, if in the short term implementing sustainability measures and strategies is still seen as a way to create added value and generate a premium in rents and property prices, going forward not doing so will mean losing value and, in contrast, become a discount factor. Essentially, sustainability will go from being a type of incentive to becoming mandatory, at the risk of being penalized; initially in terms of an asset's liquidity and reputational risk, but eventually moving towards an effective penalty in terms of taxation.

Compliance with ESG rules is already becoming an unavoidable criteria in the selection of properties, and this is happening very quickly. However, it is important to understand that sustainability in real estate is not simply obtaining a certification, and it does not stop at energy efficiency. This is a complex process and many demands emerge along the way, with a vast range of procedures, certifications, regulations and options that can and must be considered, not only within the European framework, but also involving country specific requirements. Some deadlines are already well defined: it is now mandatory for corporations to include sustainability information in their annual reports, and the obligation to meet decarbonization goals has also been established for 2030 (23% reduction in carbon emissions) and 2050 (carbon neutrality). These seem far off, but they'll be here before we know it. The clock is ticking fast and the journey to sustainability is long and costly. Doing nothing is no longer an option. We must plan and act.



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**Maria Vasconcelos**  
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Head of Workplace Strategy and  
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Worx Real Estate Consultants

## THANK YOU!

We thank all **executives, analysts and authorities** that met with us, without whose precious insights our uniquely tailored studies would not be possible.

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