



Building up
opportunities
Players' insights

PORTUGAL REAL ESTATE SURVEY 2024 | 1st half 2024



Preface



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We are pleased to release the updated results of the **Players' Insights**: Portugal Real Estate Survey H1 2024 edition.

This launch covers the Portuguese Real Estate Investment context for the 2nd half of 2023 and looks to trends and strategies expected in the 1st half of 2024.

The results of the survey highlight preferred investment strategies, levels of acquisitions and disposals, favourite segments, target regions and other relevant aspects of Real Estate investment within Portugal.

The success of this initiative results from the contribution of participants, whose professional activity relates to the Real Estate market, whom we kindly thank. We hope our insights can contribute to your organization's context. We hope you find it useful.

This report covers
the following topics

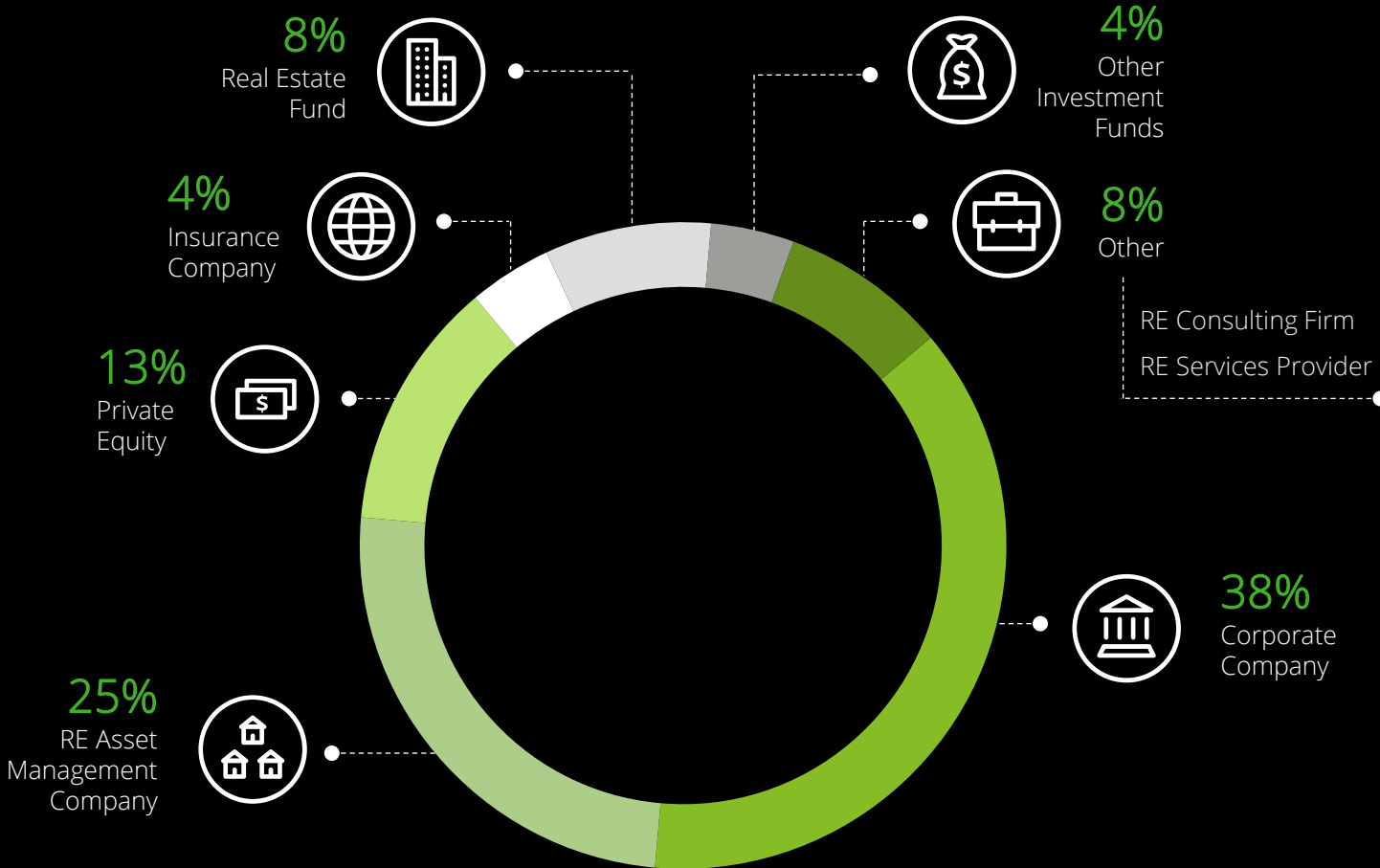
- 01 Introduction
- 02 Investment strategy
- 03 Divestment strategy
- 04 Portuguese market
- 05 Major challenges



01 | Introduction

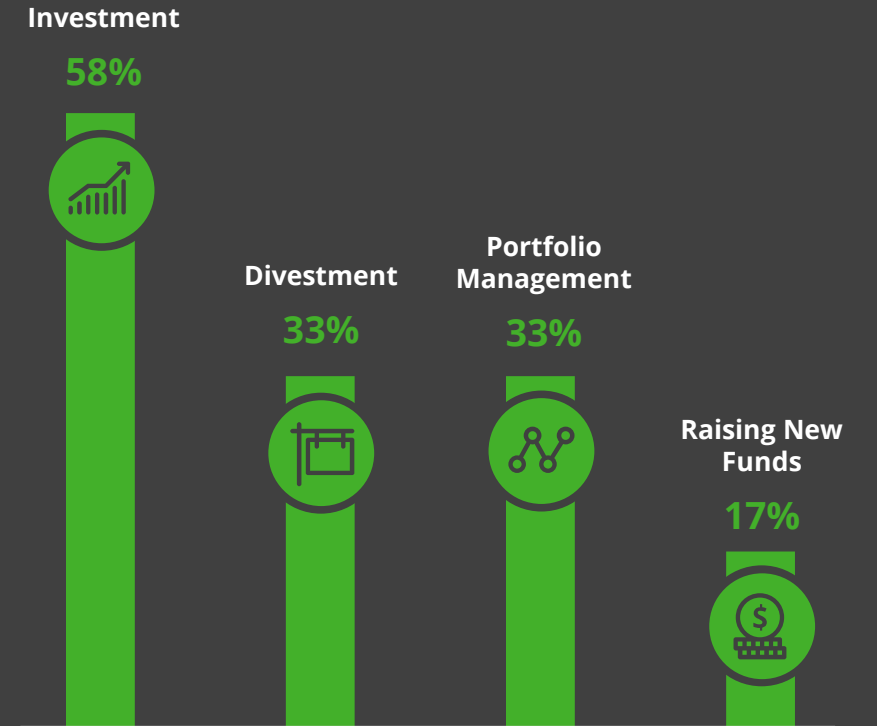
Participant profile

The Players' Insights survey includes Portuguese Real Estate experts from different business segments...



Real Estate strategy for 2024¹:

For the next 6 months, the preferred strategy for more than half of the Real Estate players is Investment (58%). However, it is noted that one third of the respondents signal Divestment (33%) as one of their preferred strategies.

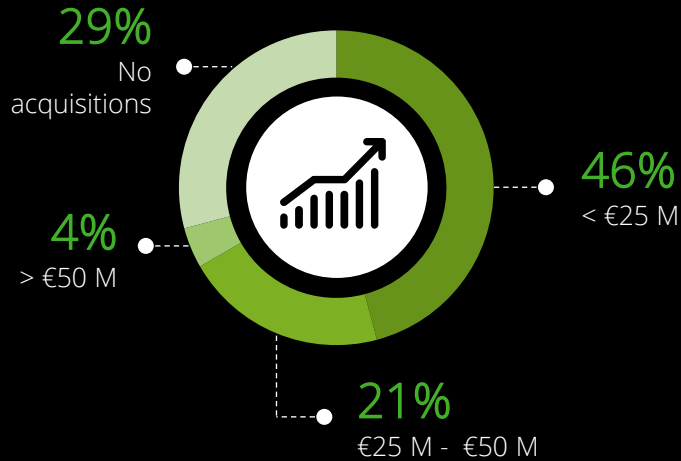


¹Multiple choice question

02 | Investment Strategy

Investment volume in the last 6 months

While few (29%) have made no acquisitions - and have instead focused on Portfolio Management - the majority (71%) of participants of this survey have invested in the last 6 months.



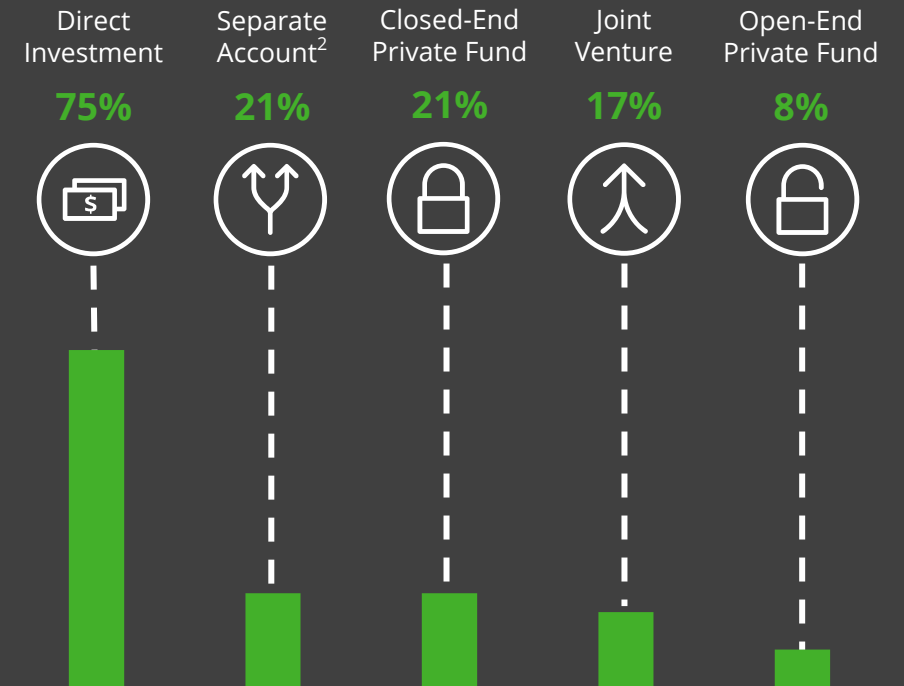
Investment strategy for the next 6 months¹



¹Multiple choice question

Preferred investment products / methods¹

Most participants (75%) see Direct Investment as their preferred or, at least, one of their preferred capital allocation methods. Separate Account (21%) and Closed-End Private Fund (21%) are also seen as good options for investment purposes, followed by Joint Venture (17%).



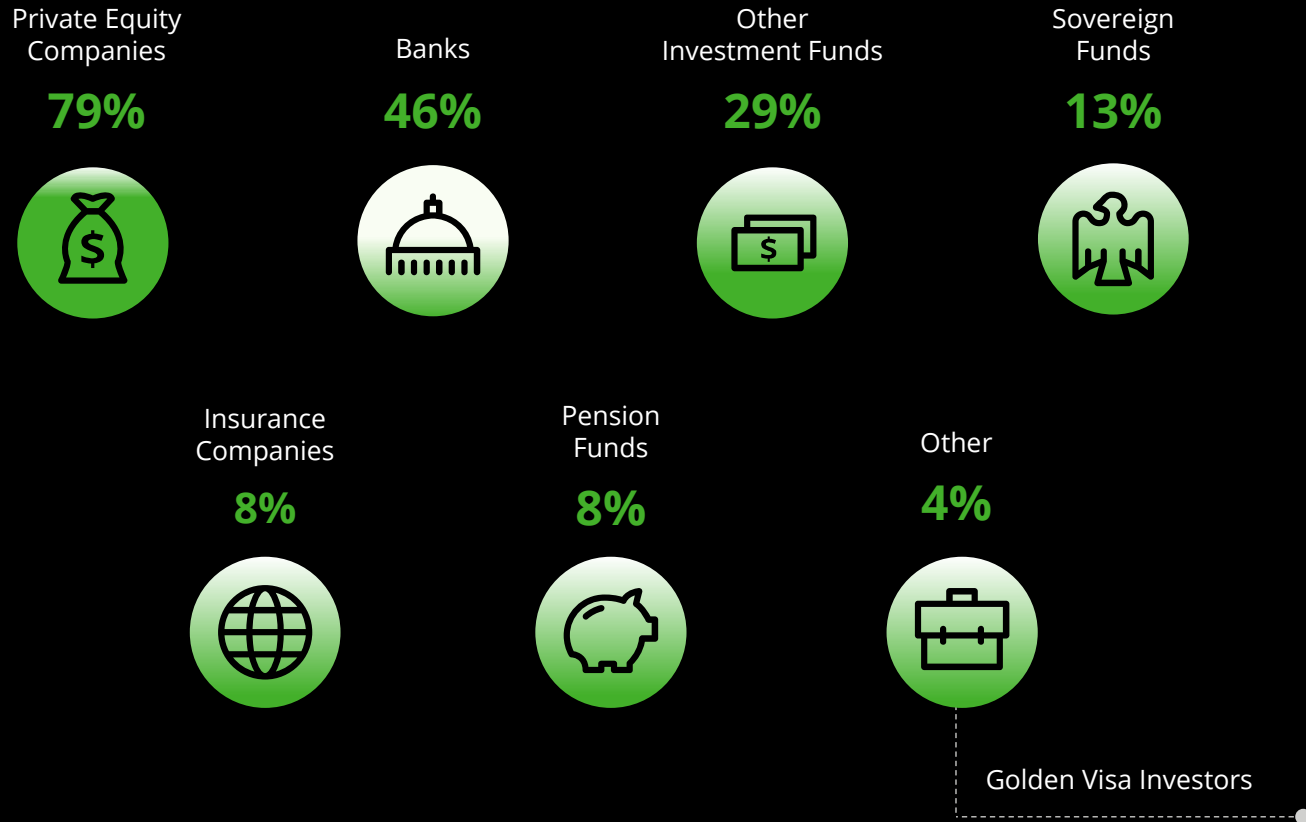
¹Multiple choice question

²Investment portfolio owned by an investor and managed by a professional investment firm

02 | Investment strategy

Top funders / business feeders for the next 6 months¹

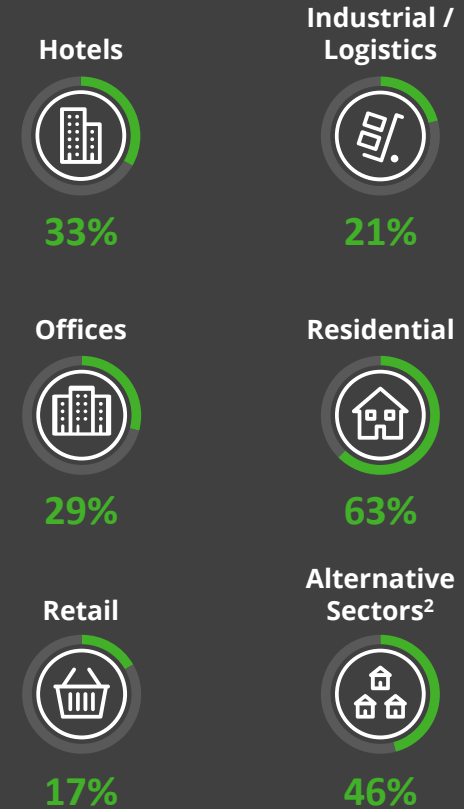
Private Equity Companies and Banks are believed to be the Top Funders of the Portuguese Real Estate Market in the next 6 months...



¹Multiple choice question

Preferred investment sectors¹

Residential and Alternative Sectors² have been elected as the preferred investment sectors, for the next 6 months.



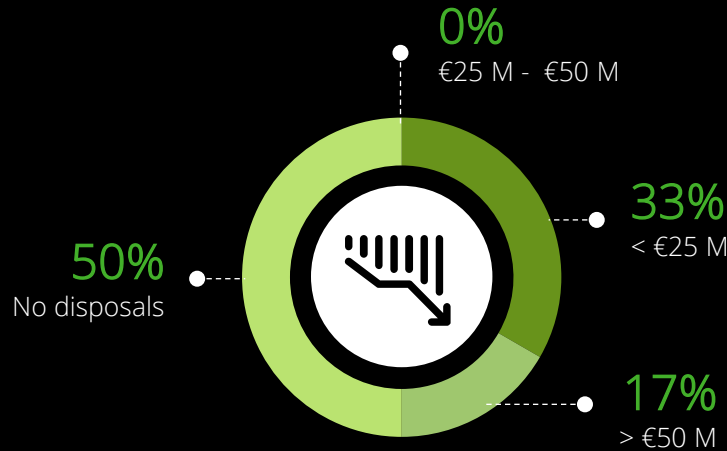
¹Multiple choice question

²Alternative Sectors (e.g., senior living, student housing, healthcare)

03 | Divestment strategy

Volume of disposals in the last 6 months

Half of the players have made some kind of disposal during the second semester of 2023. However, only 17% have disposed of a volume higher than €50M.



Even though only a third of our participants see Divestment as one of their preferred Real Estate strategies for the next 6 months, half of the players have, in fact, made some kind of disposal during the past semester. While 33% have disposed of values lower than €25M, few others (17%) have made disposals larger than €50M.

Divestment strategy for the next 6 months¹



Core divestment is the preferred divestment strategy for 38% of the participants for the upcoming 6 months...

Regarding the Divestment Strategy for the next 6 months, Core Divestment is the preferred choice for 38% of the panel, followed by Opportunistic Deals and Value-Added transactions, accounting for 33% and 17%, respectively.

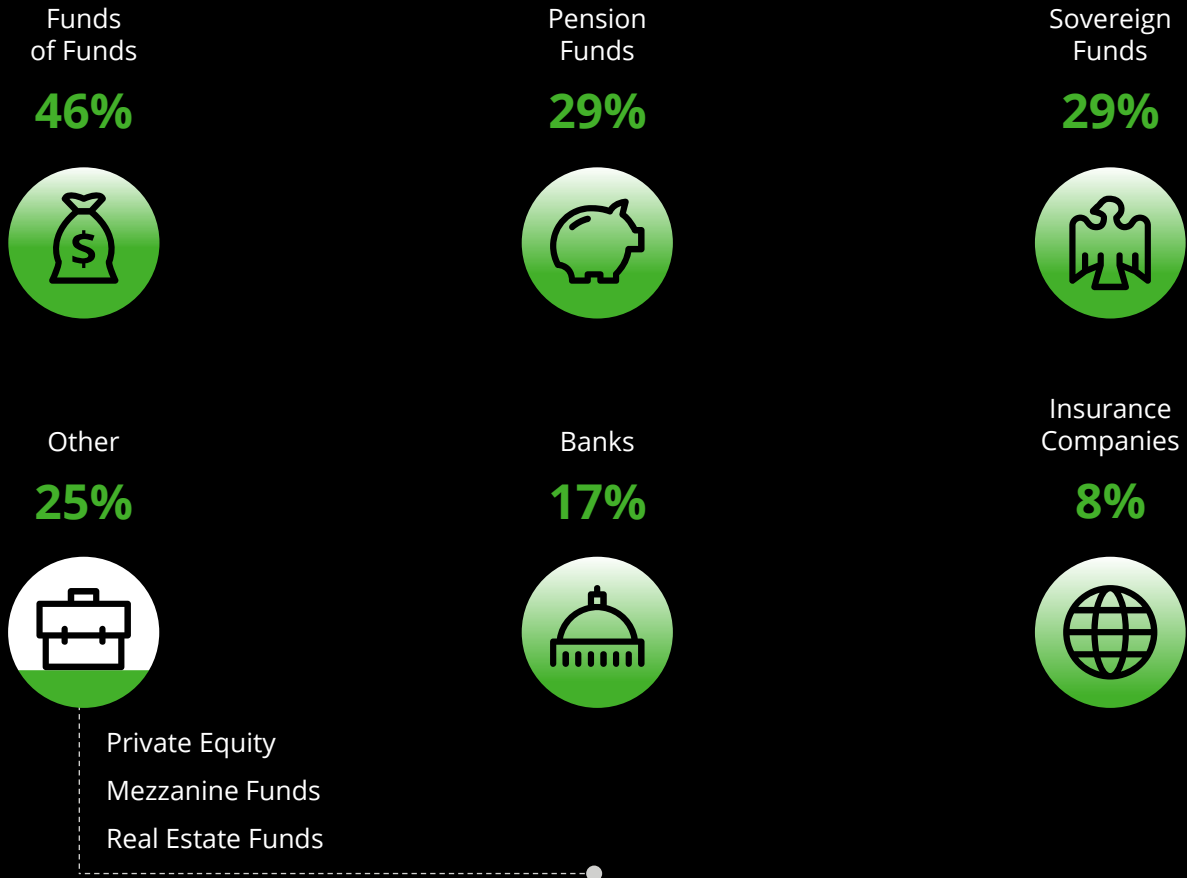
It is important to note that 29% of participants have not elected any of these options, which reflects that they do not see divestment as an option.

¹Multiple choice question

03 | Divestment strategy

Main real estate investors for the next 6 months¹

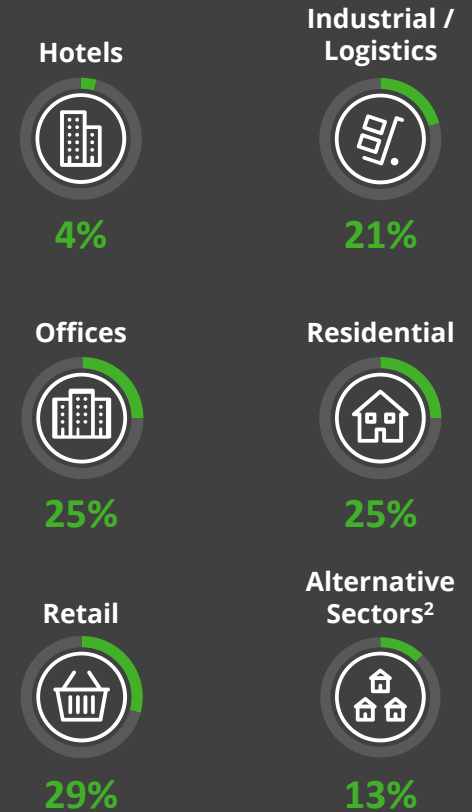
Funds of Funds are believed to be the main Real Estate investors, for the next 6 months, by more than 40% of players.



¹Multiple choice question

Preferred divestment sectors¹

Retail, Offices and Residential were considered as the preferred divestment sectors, by our panel of participants.



¹Multiple choice question

²Alternative Sectors (e.g., senior living, student housing, healthcare)

04 | Portuguese Market

Sentiment as an investor

Perception of the current economic climate in Portugal...



... 33% of players expect it to improve (compared to 5% in the last semester).

Including ESG criteria in investment decisions

"Yes, as a critical factor"

30%



"Yes, but not as a critical factor"

52%



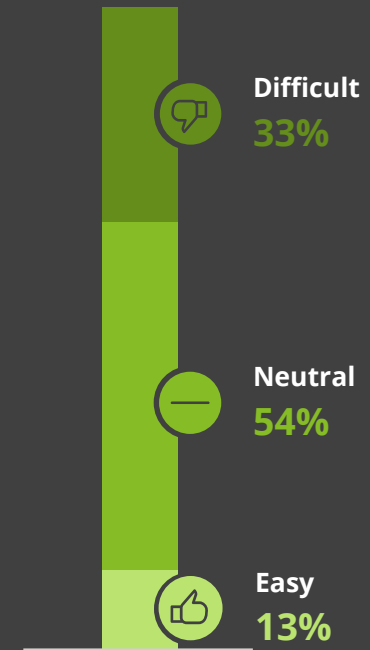
"Not yet"

18%



Access to fundraising in the next 6 months

The perception of access to fundraising in the near future is less negative than in last edition's survey. In fact, 13% of the participants even considered access to fundraising as "easy", within the next 6 months.



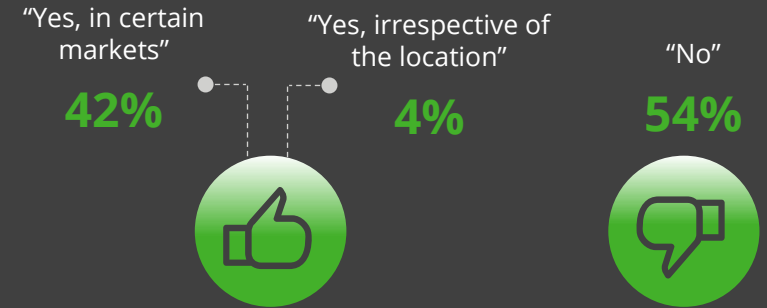
04 | Portuguese Market

Sentiment as an investor

Relative attractiveness of real estate segments, for the next 6 months...

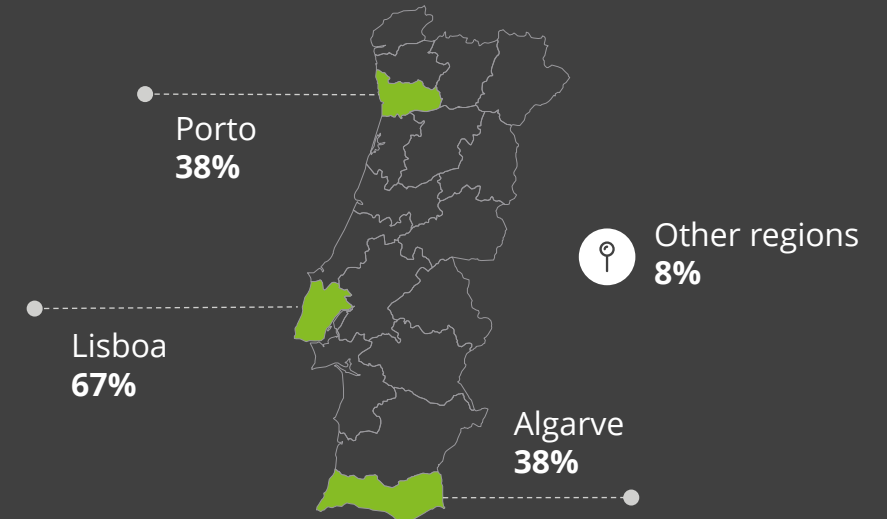


Risk perception of a real estate bubble



Target geography of the investment strategy¹

Participants' investment strategies are targeting...



¹Multiple choice question

05 | Major Challenges

Perception of the biggest challenges for the next 6 months¹

Regarding the short-term challenges to come within the Real Estate sector, construction costs play an important role for 54% of players, as well as project financing/financing costs (54%), permits (42%) and changes in regulation/political instability (42%).

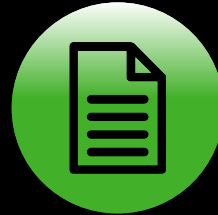
Construction Costs

54%



Project Financing /
Financing Costs

54%



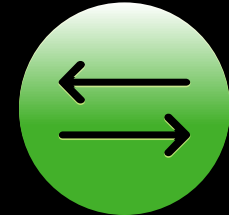
Permits

42%



Changes in Regulation /
Political Instability

42%



Plot Acquisition

25%



ESG Compliance

25%



Commercialization

17%

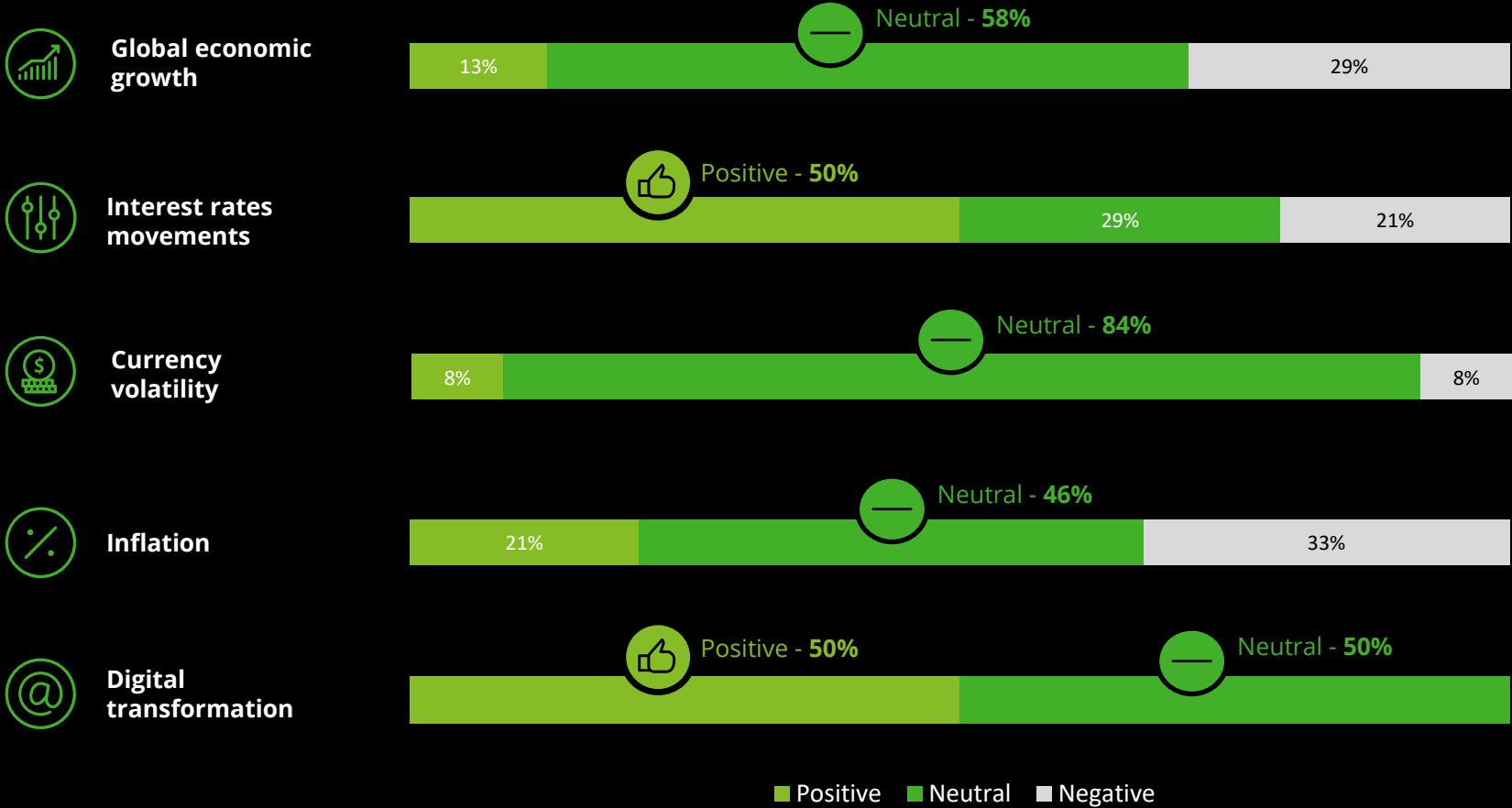


¹Multiple choice question

05 | Major Challenges

Perception of the evolution of the following topics, considering their impact on the real estate sector [1/3]

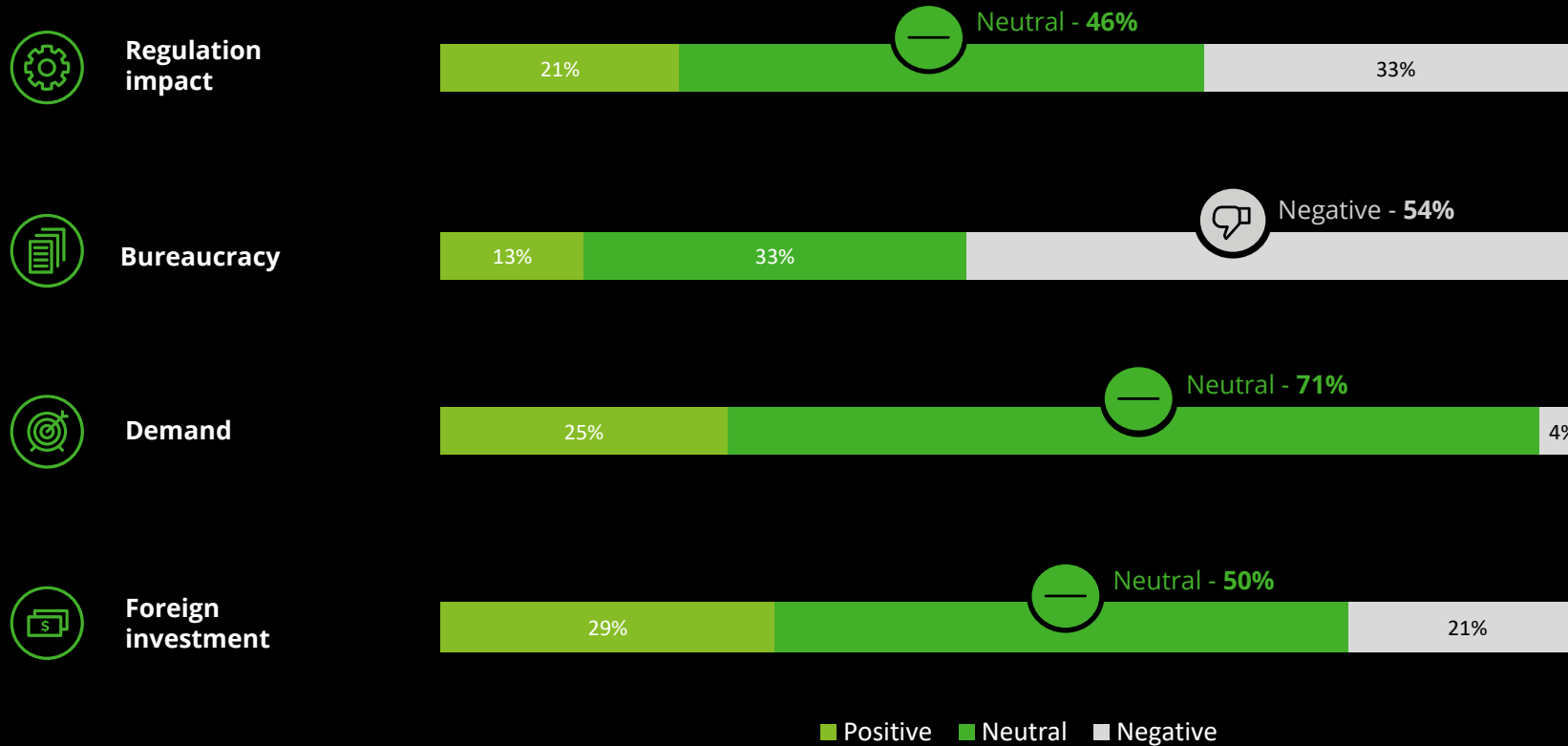
Interest rates movements revealed as the most impactful in the next 6 months, on a positive level.



05 | Major Challenges

Perception of the evolution of the following topics, considering their impact on the real estate sector [2/3]

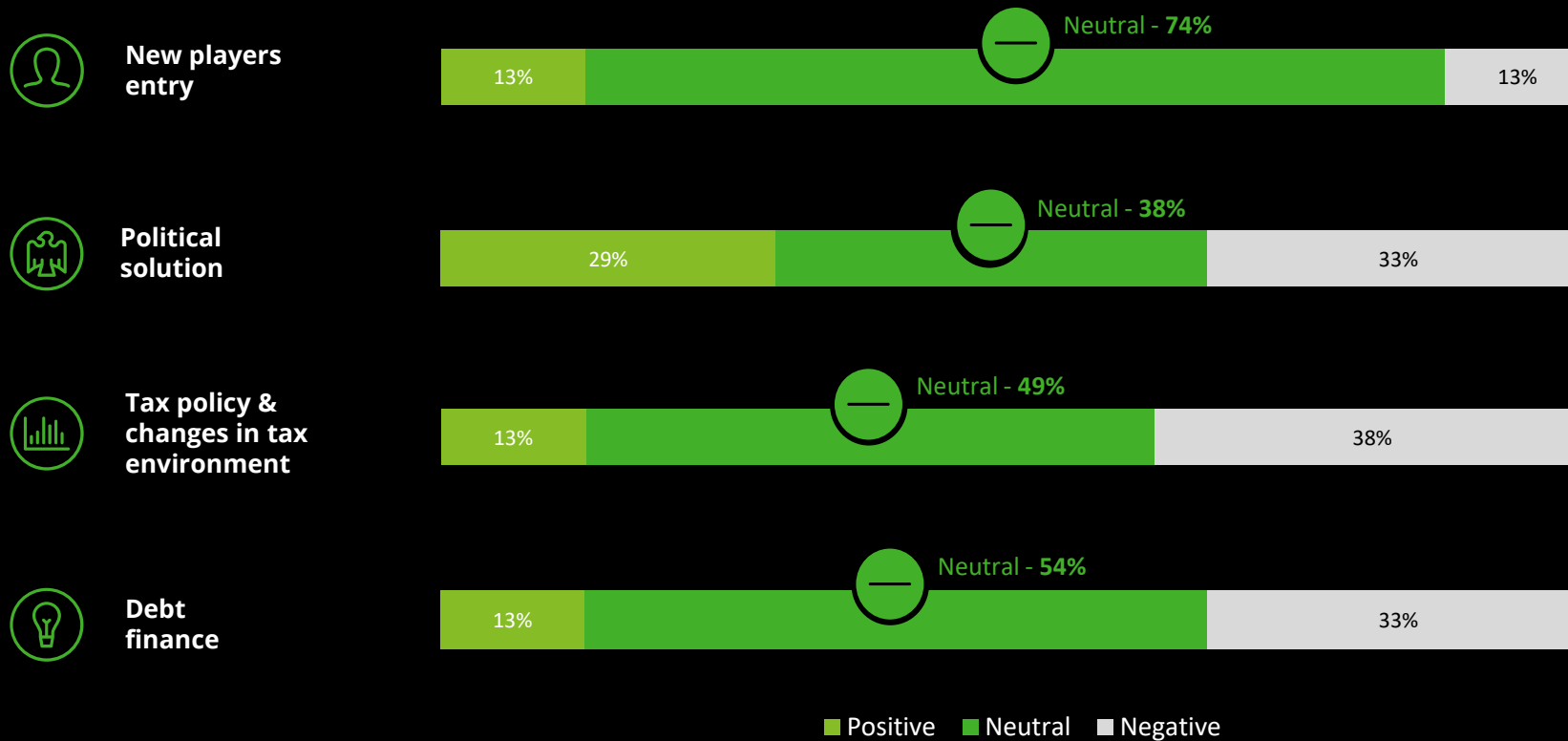
Within the Real Estate sector, bureaucracy is considered to have a negative impact by 54%, while foreign investment is considered to have a positive influence by 29% of participants...



05 | Major Challenges

Perception of the evolution of the following topics, considering their impact on the real estate sector [3/3]

Tax policy and changes in tax environment in the next 6 months is considered to impact on a negative level by more than a third (38%) of the participants, while political solution is considered to have a positive impact by 29%...



Key Messages



Real Estate Strategy

Investment was selected by the majority of participants (58%) as one of their preferred Real Estate strategies for the next 6 months. It is important to notice also that Divestment emerged as a preferred strategy by a third of the participants. Additionally, Raising New Funds (13%) has not been elected as the favourite to adopt in the near future.



Investment Volume

Most of our panel of participants have made Real Estate investments during this past semester. Investment volumes up to €25M were the most common (46%), followed by volumes between €25M and €50M (21%) and, finally, higher than €50M (4%). In contrast, almost a third of the participants (29%) did not make any acquisitions.



Investment Strategy

Regarding the strategy for the next 6 months, players are aiming at core investments (46%), reflecting lower risk levels. Opportunistic deals (38%) and value added (38%) are also strategies considered by our participants. Regarding their investment approach, direct investment (75%) is considered as the preferred by most.



Funders vs Investors

Private Equity (79%) and Banks (46%) are seen as the main top funders for the next 6 months. On another note, Funds of Funds (46%) are believed to be the main Real Estate investors for the next semester, within the Portuguese Real Estate Market.



Real Estate Segments

Residential (63%) and Alternative Sectors¹ (46%) are the preferred investment sectors for the next 6 months, while Retail (29%) is considered as the favoured divestment sector for the players who adopt the former strategy. Regarding asset sector segmentation, there is a sentiment of stability for the semester to come, with all Real Estate sectors believed to remain constant overall.



Portuguese Market & Biggest Challenges

Half of our participants believe the overall economic climate in Portugal to remain the same, while a third believe it to even improve. The majority (54%) do not see a risk of a Real Estate bubble forming in that same period. Construction costs (54%) and project financing (54%) are considered as two of the major challenges for most participants.

¹Sectors (e.g., senior living, student housing, healthcare)

About the survey

Industry players survey

Timing

February 27 to April 9, 2024

Sample

The survey polled more than 20 industry players in the Portuguese market.

Methodology

The survey was conducted by Deloitte.

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