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Players' insights

PORTUGAL REAL ESTATE SURVEY 2024 | 2nd half 2024



Preface



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We are pleased to release the results of our **Players' Insights**: Portugal Real Estate 2024 (2nd half) edition.

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

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 different participants from the Portuguese Real Estate market, whom we kindly thank. We hope our insights can contribute to your organization's context.

This report covers
the following topics

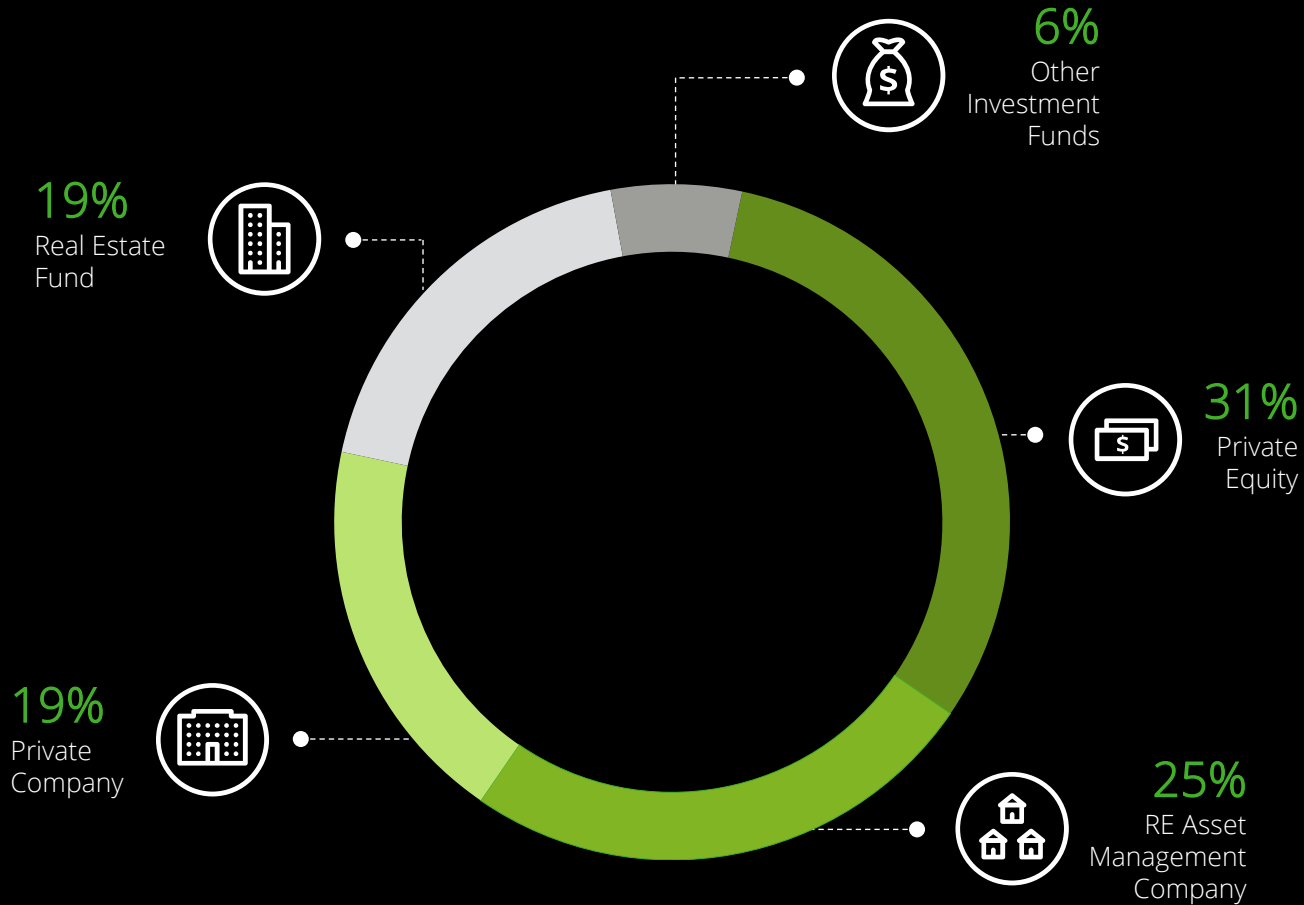
- 01 Introduction
- 02 Investment strategy
- 03 Divestment strategy
- 04 Portuguese market
- 05 Major challenges



01 | Introduction

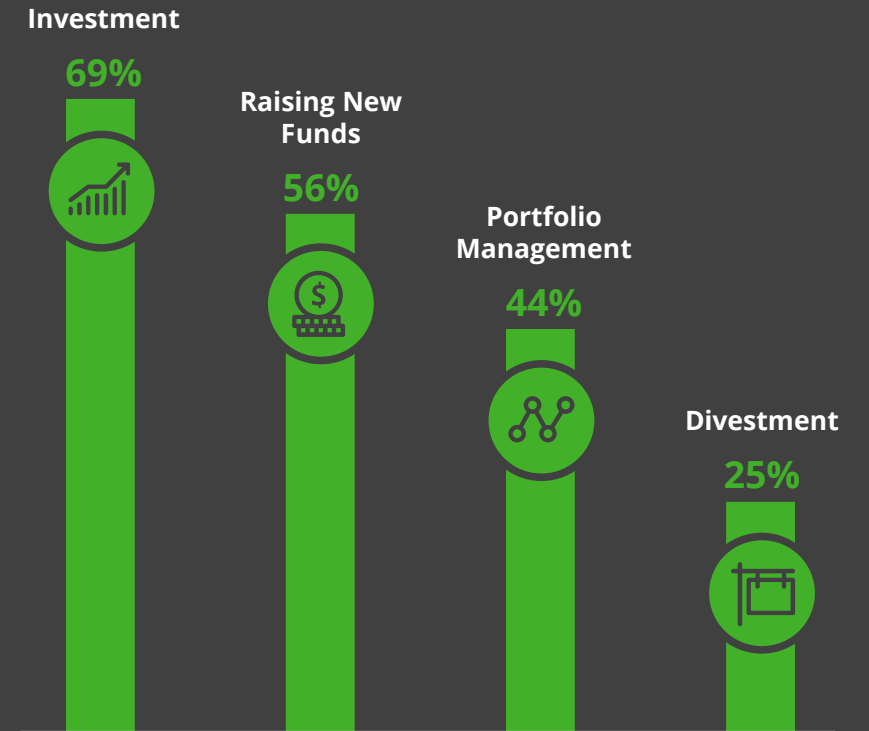
Participant profile

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



Real Estate strategy for the 2nd half of 2024¹

For the next 6 months, the preferred strategy of the Real Estate players is Investment (69%). Nevertheless, Raising New Funds is also the plan of action for more than half of the participants (56%), followed by a Portfolio Management (44%) strategy.

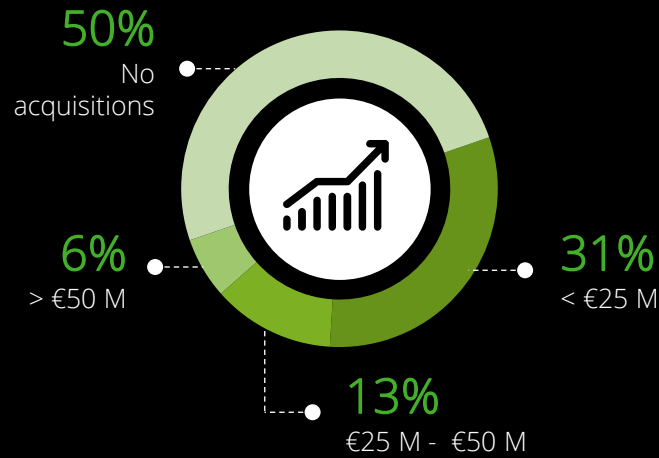


¹Multiple choice question

02 | Investment strategy

Investment volume in the last 6 months

Over the past 6 months, while half of participants have not made any acquisitions, the other half engaged in some form of investment, especially through acquisitions with smaller tickets (< €25M).



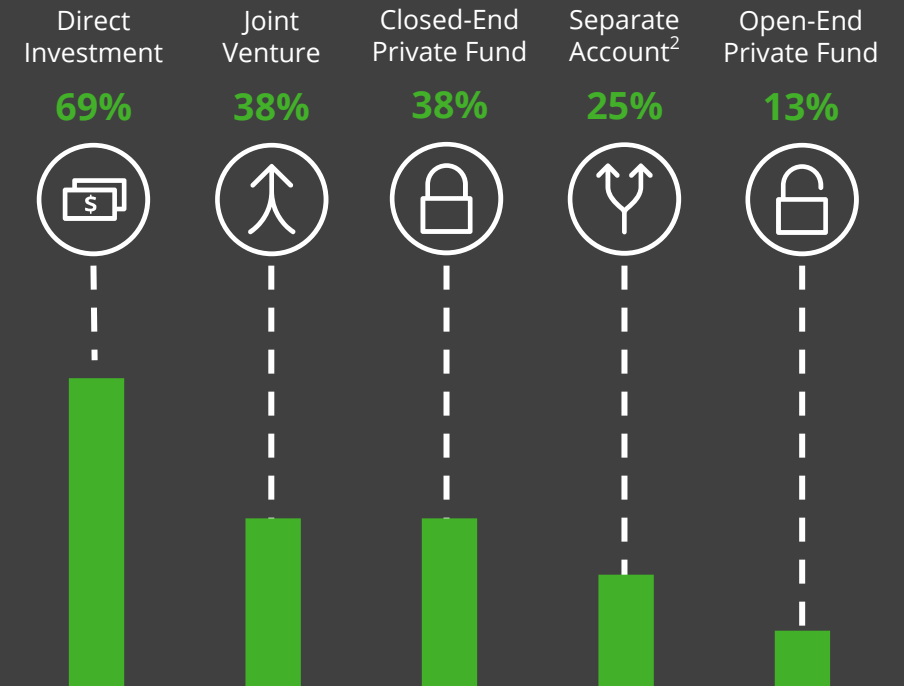
Investment strategy for the next 6 months¹



¹Multiple choice question

Preferred investment structures/methods¹

Most participants (69%) see Direct Investment as their preferred or, at least, one of their preferred capital allocation methods. Joint Ventures (38%) and Closed-End Private Funds (38%) are also seen as good options for investment purposes, followed by a Separate Account² (25%).



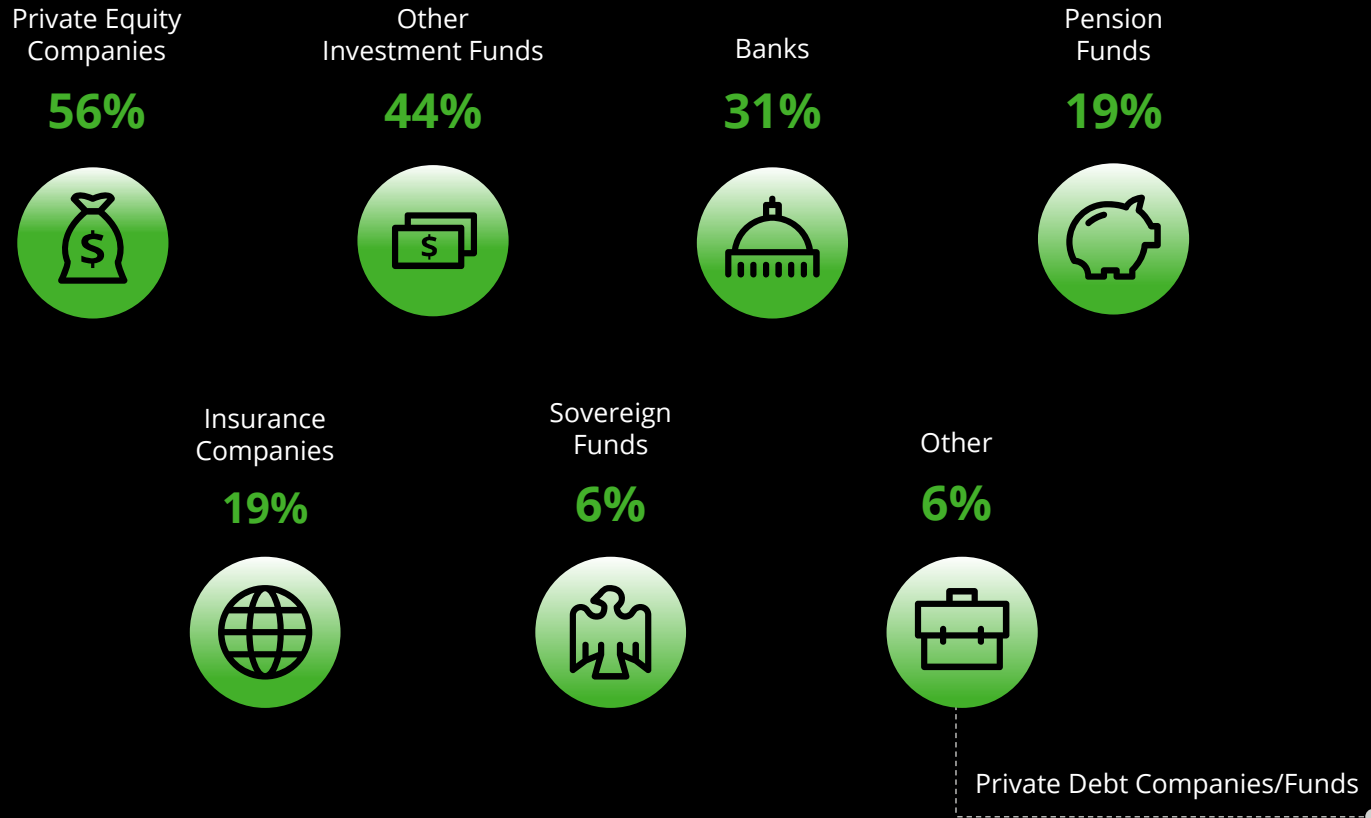
¹Multiple choice question

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



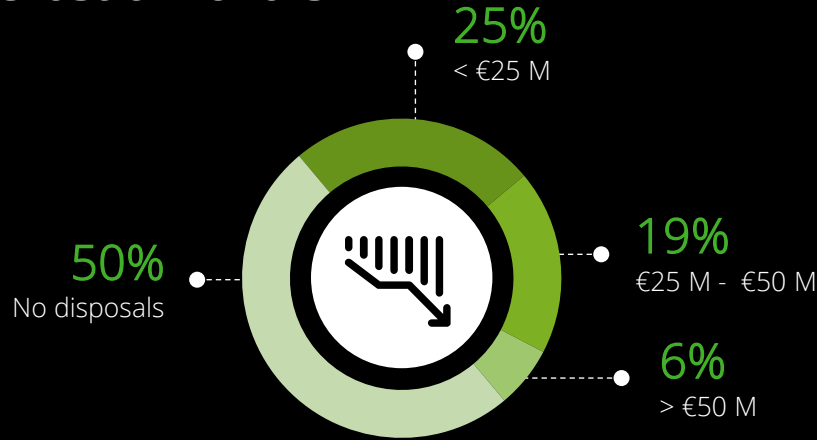
¹Multiple choice question

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

03 | Divestment strategy

Volume of disposals in the last 6 months

Half of the players made some kind of disposal during the first semester of 2024. Nonetheless, only 6% managed to dispose of volumes exceeding €50M.



Even though only a fourth 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 25% have disposed of amounts below €25M, another 25% have made disposals exceeding this value (6% disposing of values larger than €50M).

Divestment strategy for the next 6 months¹



Value-added divestment is the preferred Divestment Strategy for 25% of the participants for the upcoming 6 months...

Regarding the Divestment Strategy for the next 6 months, Value-Added Divestment is the preferred choice for 25% of the panel, followed by Opportunistic Deals and Core transactions, both accounting for 19%.

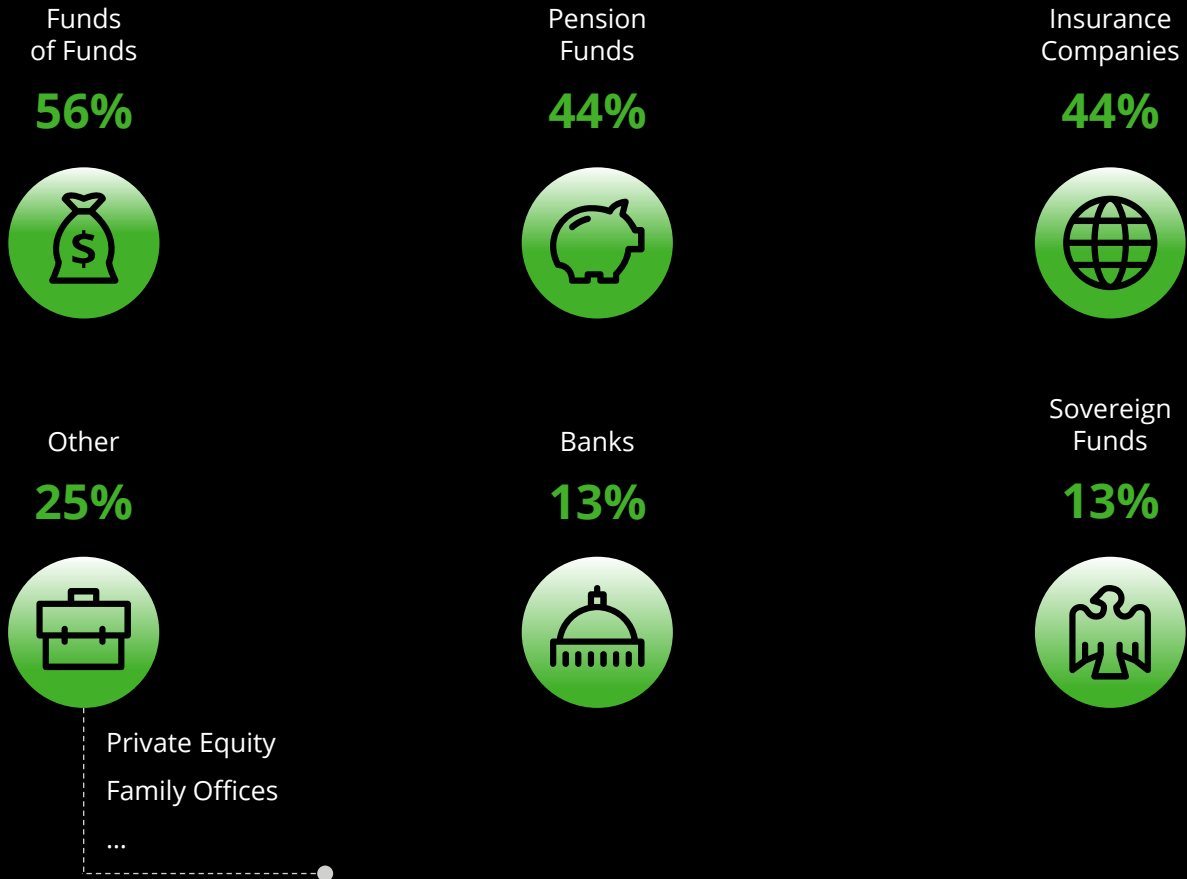
It is important to note that 50% of the participants have not elected any of these options, which reflects that they do not see divestment as their plan of action.

¹Multiple choice question

03 | Divestment strategy

Main real estate investors for the next 6 months¹

Funds of Funds, Pension Funds and Insurance Companies are believed to be the main Real Estate investors, for the next 6 months, by more than 50% of the players.



¹Multiple choice question

Preferred divestment sectors¹

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



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...



... 50% of the players expect it to improve, while only 6% expect it to deteriorate (compared to 33% and 17% in the last semester, respectively).

Including ESG criteria on investment decisions

"Yes, as a critical factor"

31%



"Yes, but not as a critical factor"

69%



"Not yet"

0%

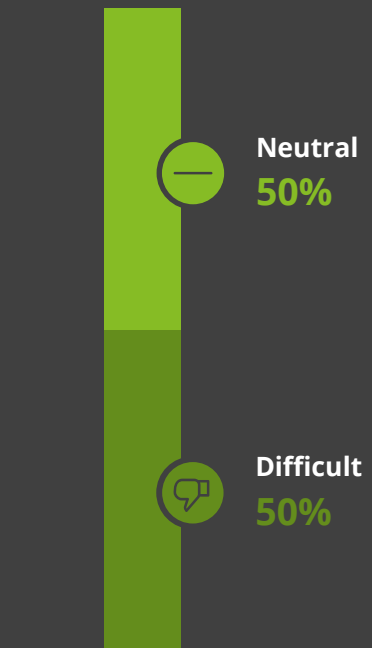


The entire panel of participants integrate ESG criteria into their investment decisions.

Access to fundraising in the next 6 months

The outlook on access to fundraising is moderately more negative than in the previous edition, in which 33% of the panel considered it to be "difficult" and 13% considered it to be "easy".

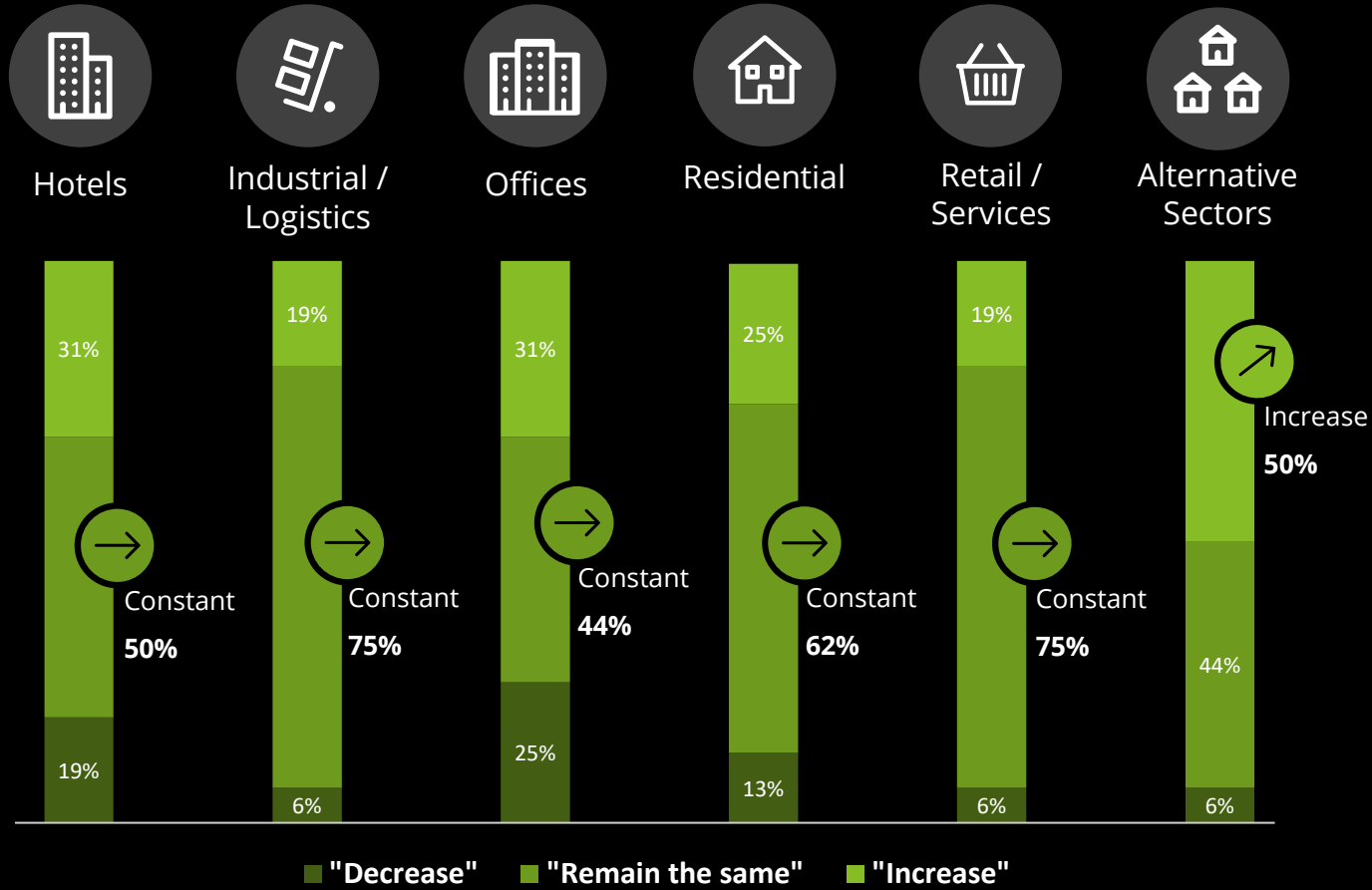
In fact, none of the participants anticipated that fundraising would be "easy", within the next 6 months.



04 | Portuguese market

Sentiment as an investor

Perception of real estate assets' profitability rates, for the next 6 months...



Risk perception of a real estate bubble

"Yes, in certain markets"

38%



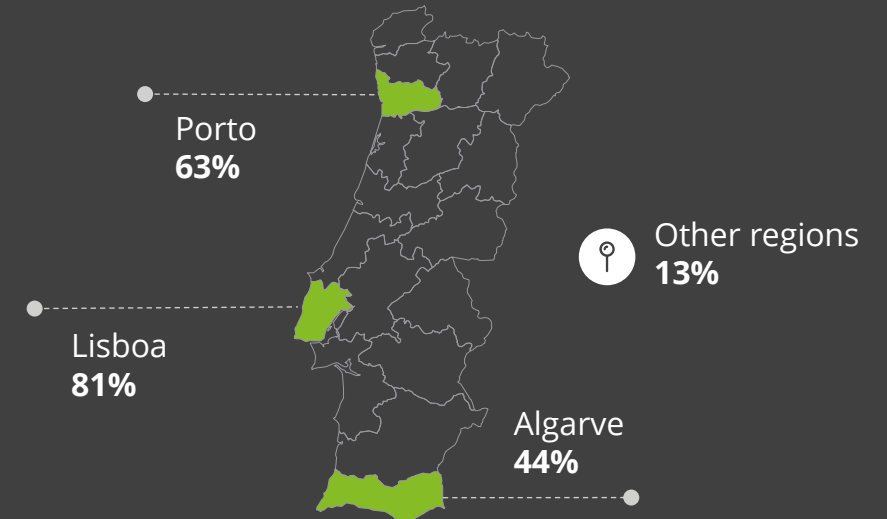
"No"

62%



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 81% of players, as well as plot acquisition (56%), permits (56%) and changes in regulation/political instability (50%).

Construction Costs

81%



Plot Acquisition

56%



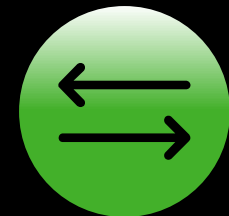
Permits

56%



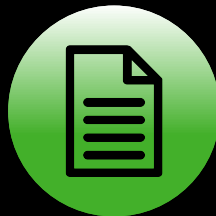
Changes in Regulation /
Political Instability

50%



Project Financing /
Financing Costs

38%



ESG Compliance

31%



Commercialization

13%

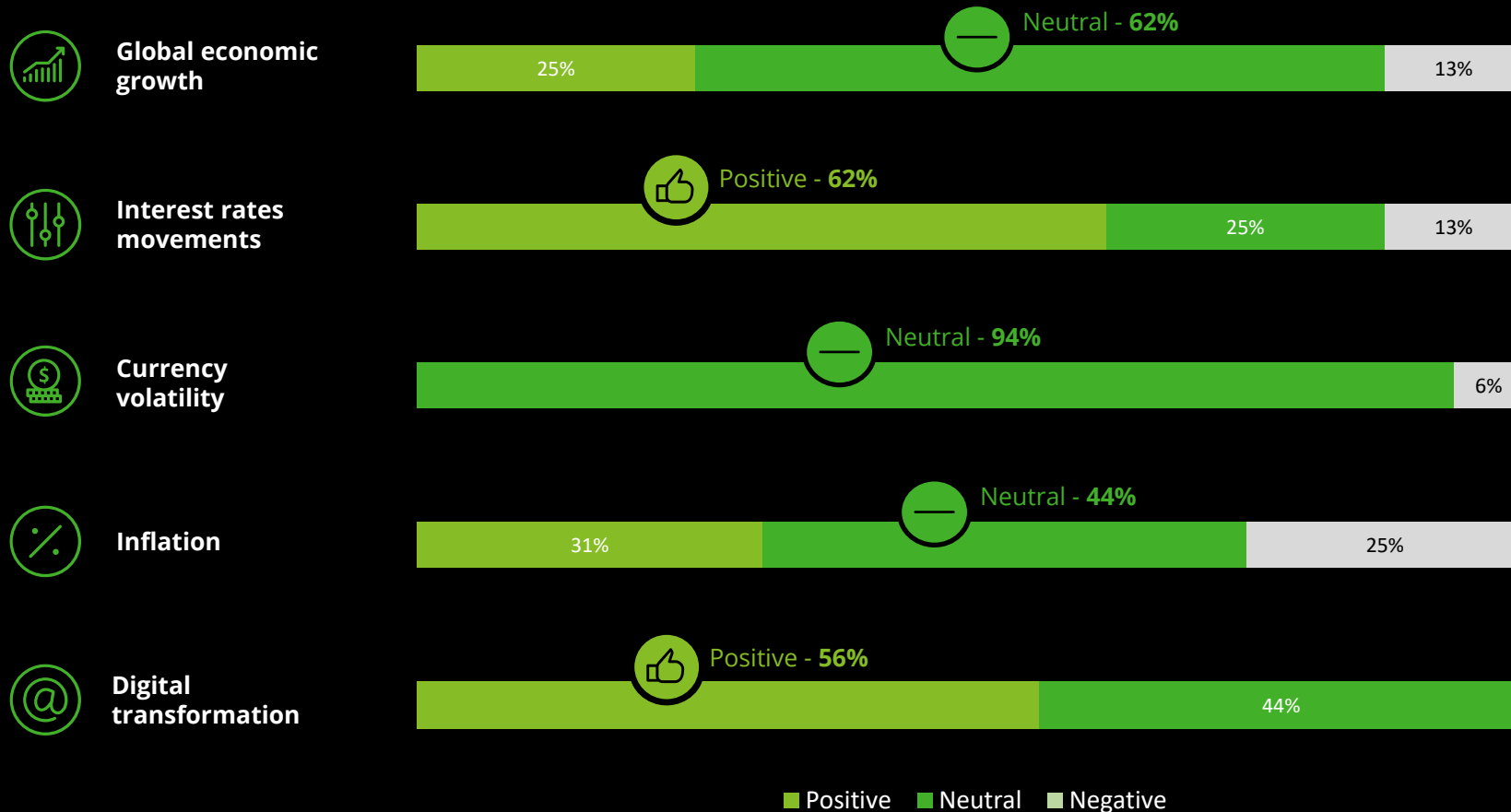


¹Multiple choice question

05 | Major challenges

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

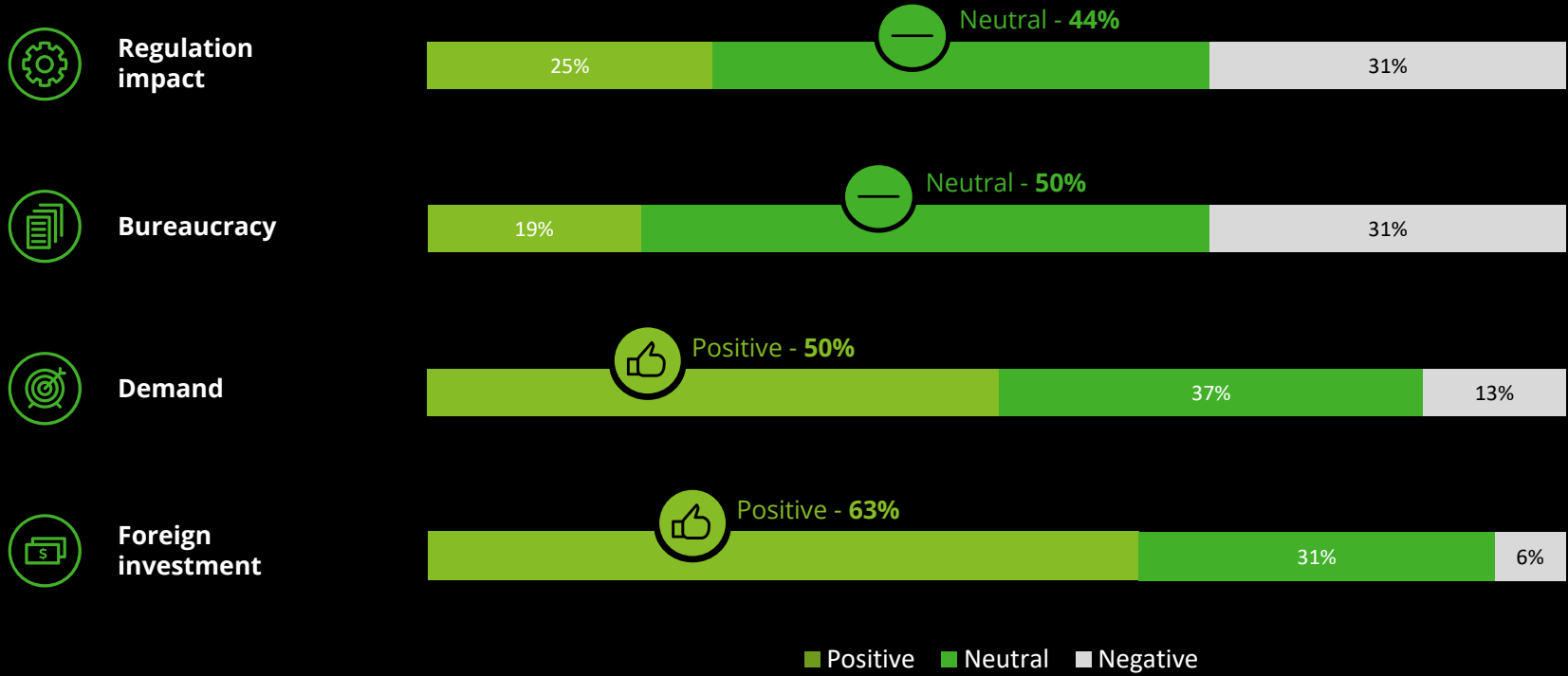
Interest rates movements and digital transformation are expected to be among the most positively impactful factors over the next 6 months, while inflation is considered to have a negative impact by 25% of the panel...



05 | Major challenges

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

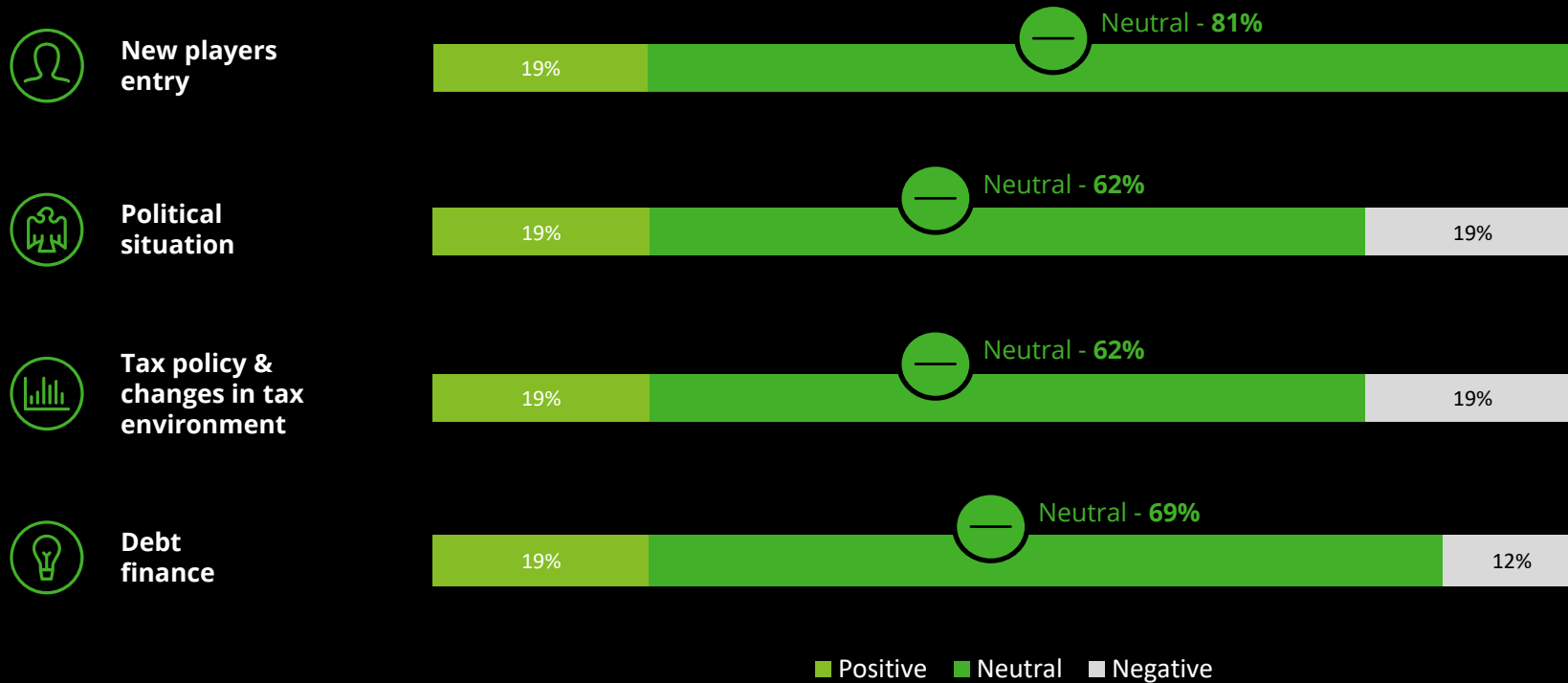
In addition, regulation impact and bureaucracy are considered to have a negative impact by 31%, while foreign investment and demand are considered to have a positive influence by 63% and 50% of participants, respectively...



05 | Major challenges

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

New players entry is seen as having no impact by 81% of the participants in the next 6 months. In contrast, 19% expect political situation and tax policy & changes in tax environment to have a negative impact..



Key messages



Real Estate Strategy

Investment (69%) and Raising New Funds (56%) were chosen by most of participants as their preferred Real Estate strategies for the following 6 months. Portfolio Management arose as a preferred strategy, as well, by 44% of participants. Additionally, Divestment (25%) was the strategy least selected as favourite for the near future.



Investment Volume

Half of our panel of participants have made Real Estate investments during the past semester. Investment volumes up to €25M were the most common (31%), followed by amounts between €25M and €50M (13%) and, finally, by volumes larger than €50M (6%). Hence, the other half of the panel did not make any acquisitions.



Investment Strategy

In terms of strategy for the next 6 months, half of the players are looking for value added investments (50%), followed by opportunistic deals (44%) and core investments (38%). Regarding their investment approach, direct investment (69%) is preferred by most.



Funders vs Investors

Private Equity (56%) and Other Investment Funds (44%) are seen as the main top funders for the next 6 months. On another note, Funds of Funds (56%) are believed to be the main Real Estate investors for the next semester, within the Portuguese Real Estate Market.



Real Estate Segments

Residential (56%) is the preferred investment sector for the next 6 months and the favourite divestment sector (38%) - as well as Offices (38%) - for the players who are willing to dispose of assets. Regarding profitability rates, there is a sentiment of stability for the semester to come, with all sectors believed to remain constant overall - Alternative Sectors¹ is the only exception, with 50% of the panel expecting it to increase.



Portuguese Market & Biggest Challenges

Half of our participants believe the overall economic climate in Portugal to improve, while only 6% believe it to deteriorate. The majority (62%) do not identify the risk of a Real Estate bubble forming. Construction costs (81%), plot acquisition and permits (both 56%) are considered as the major challenges for most participants.

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

About the survey

Industry players survey

Timing

August 1 to September 13, 2024

Methodology

The survey was conducted by Deloitte.

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