

## Portuguese Real Estate Investment Survey – 1<sup>st</sup> Q 2017

Price increase hits profitability

Deloitte Consultores, S.A.

# Portuguese Real Estate Investment Survey – 1<sup>st</sup> Q 2017

## Preface

It is with great pleasure that we release Deloitte's 1<sup>st</sup> edition of the **Portuguese Real Estate Investment Survey**. This survey analyses the perception of a selected panel of participants acting in the Portuguese real estate sector.

Our goal is to understand the Portuguese real estate trends, analyzing the investment and disinvestment strategies that are portrayed in current and future circumstances. We discuss financial and strategical topics regarding the real estate business, which we consider to be useful in terms of understanding the dynamics of the industry.

The success of this initiative is, above all, due to the engagement and participation of the panel, who contributed proactively with their experience, which made it possible to identify the main trends of the sector's development.

We are at your entire disposal to discuss any relevant question.

Carefully,



Jorge Marrão

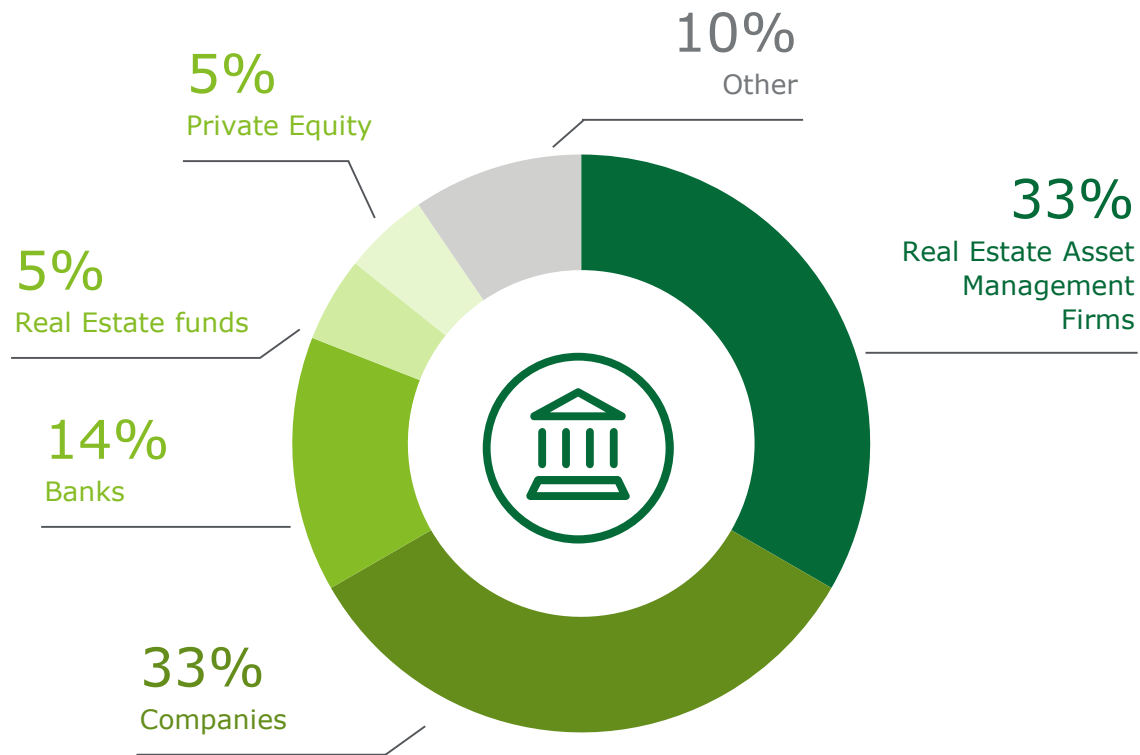


**Jorge Sousa Marrão**  
Partner  
Real Estate Leader

# Introduction

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## Type of organization that the respondents represent



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Real Estate Asset Management Firms and companies represent altogether 66% of the respondents.

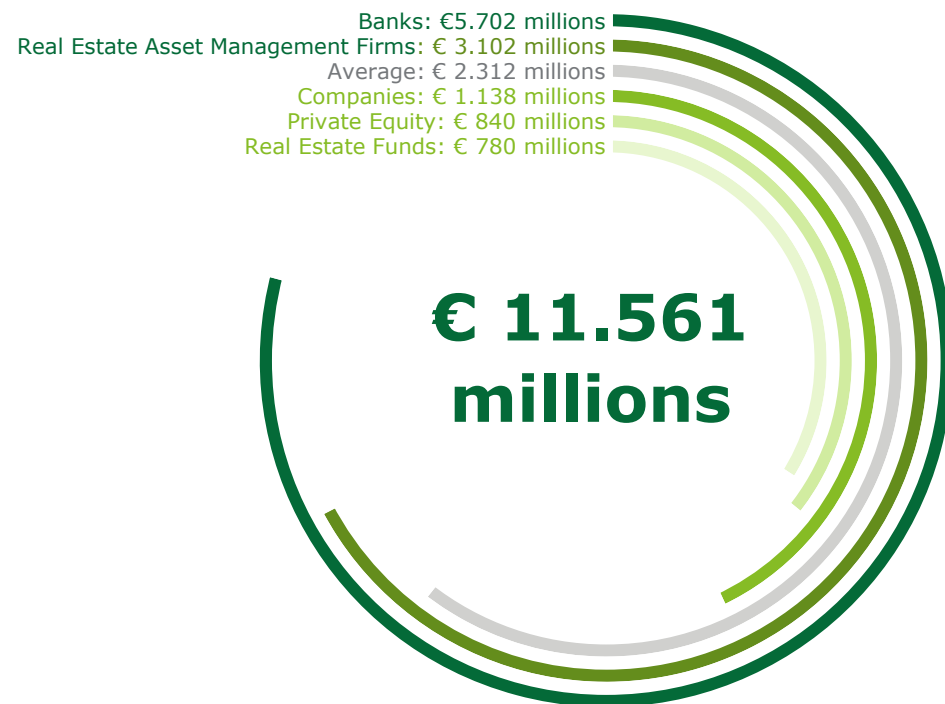
Followed by banks (14%), Real Estate funds and Private Equity (5%, each), and other companies (10%).

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## Volume of assets under management

Banks gather the greatest volume of assets under management, representing around 49% of the total.

The amounts managed by the rest of the organizations are below the average.



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## Real Estate strategy for 2017



Strategy



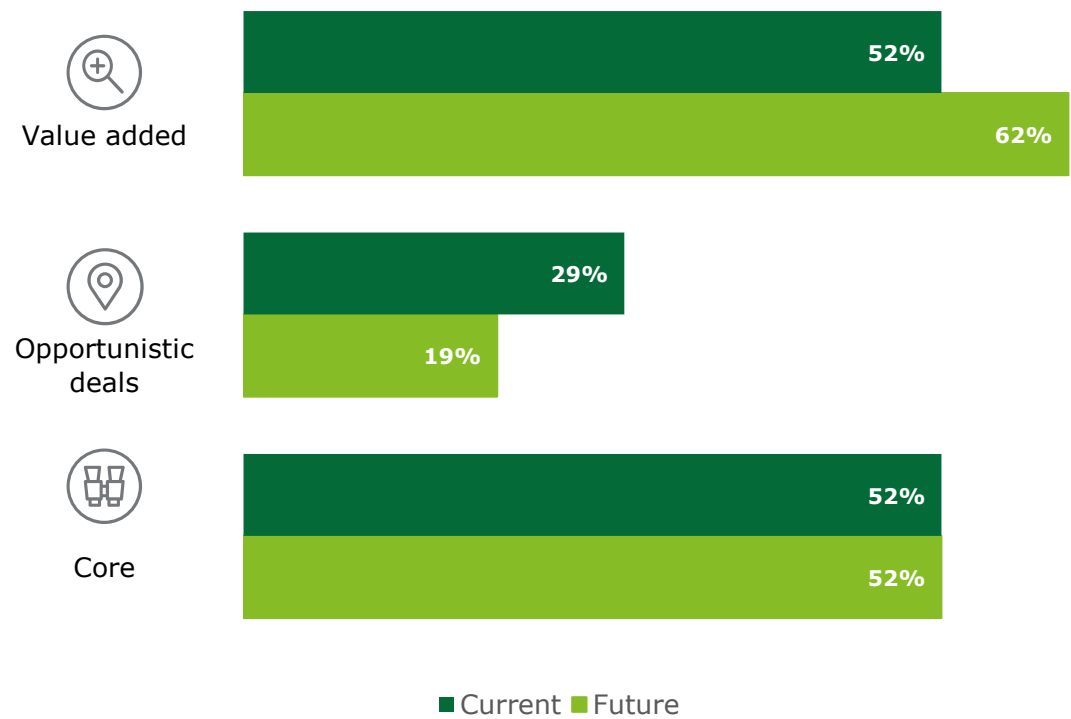
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For 2017, the strategy options are roughly distributed throughout investment, portfolio management and disinvestment, being the portfolio management the preferred between the respondents (38%).

# Investment strategy

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## Current and future investment strategy <sup>(1)</sup>



The actual strategy is equally distributed between Value added and Core. Regarding the future perspective, the most favorable is Value Added (62%).

Opportunistic deals will lose representation in favour of Value added investments.

<sup>(1)</sup> Multiple choice question



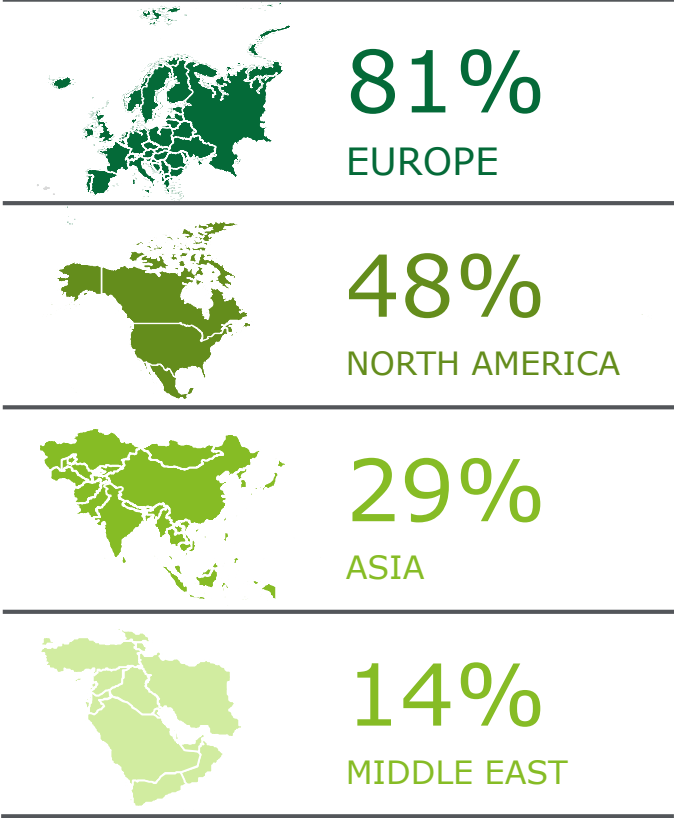
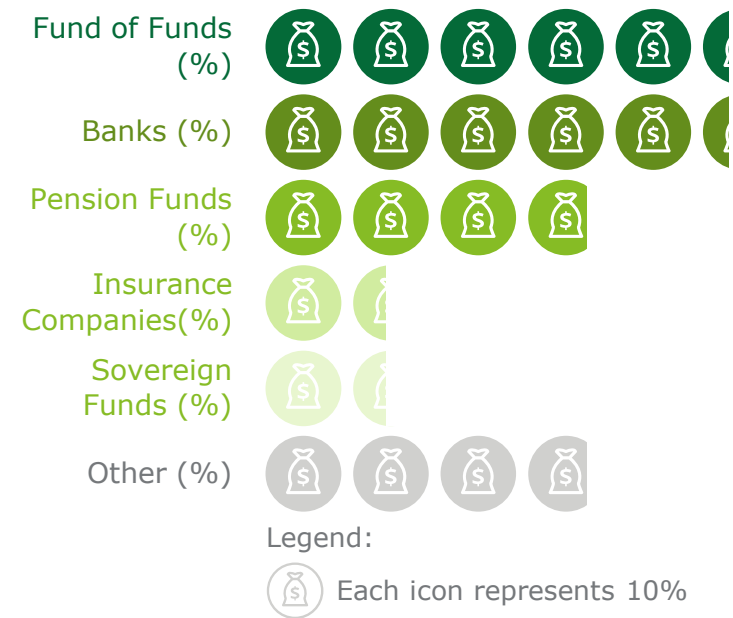
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## Main investors / Business Feeders and their allocation, in the next year <sup>(1)</sup>

For the next year, Fund of Funds and Banks (each with 52%) will be the main investors. Funds’ allocation is predominantly in European countries.

Europe (81%) will be the main allocation of funds, followed by North America (48%).

Asia and Middle East add a 43% to the funds’ allocation of the main investors.



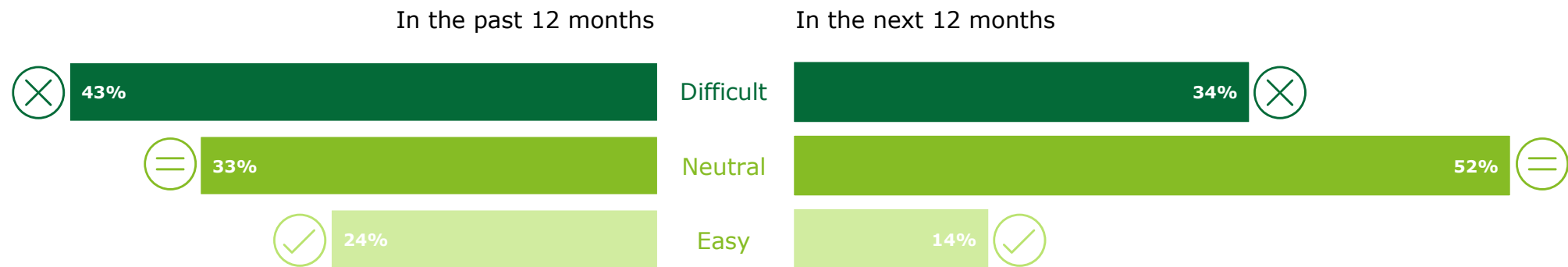
<sup>(1)</sup> Multiple choice question

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## Fundraising approach, in the last 12 months and next 12 months

Fundraising perception for the next 12 months is optimistic compared to the last 12 months.

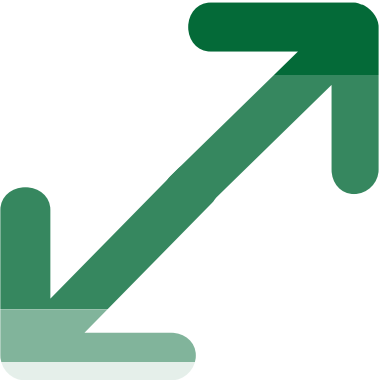
For the last 12 months, 43% of the respondents classified fundraising as “difficult”. Whereas, to the next 12 months, 52% of the respondents considered fundraising as “neutral”.



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## Level of impact of the different factors affecting fundraising

### Size of funds



**19%**  
Very significant

**62%**  
Significant

**14%**  
Low

**5%**  
Meaningless

The size of funds, range of investors and length of process are the most relevant factors affecting fundraising.

### Range of investors



**14%**  
Very significant

**57%**  
Significant

**24%**  
Low

**5%**  
Meaningless

### Length of process



**19%**  
Very significant

**57%**  
Significant

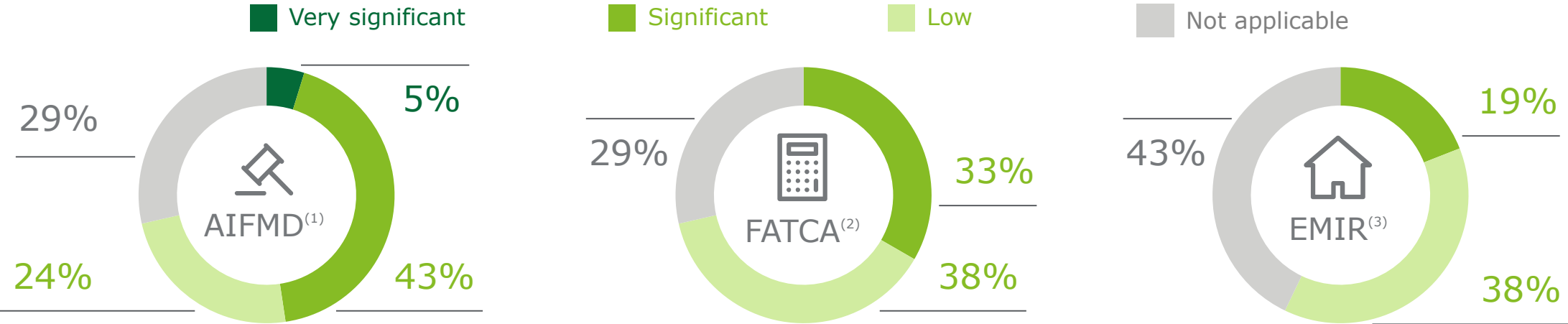
**19%**  
Low

**5%**  
Meaningless

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## Impact of regulatory changes in the Organizations

The majority of the respondents considered that the AIFMD will have a significant impact, while FATCA will have a limited impact on their Organizations.



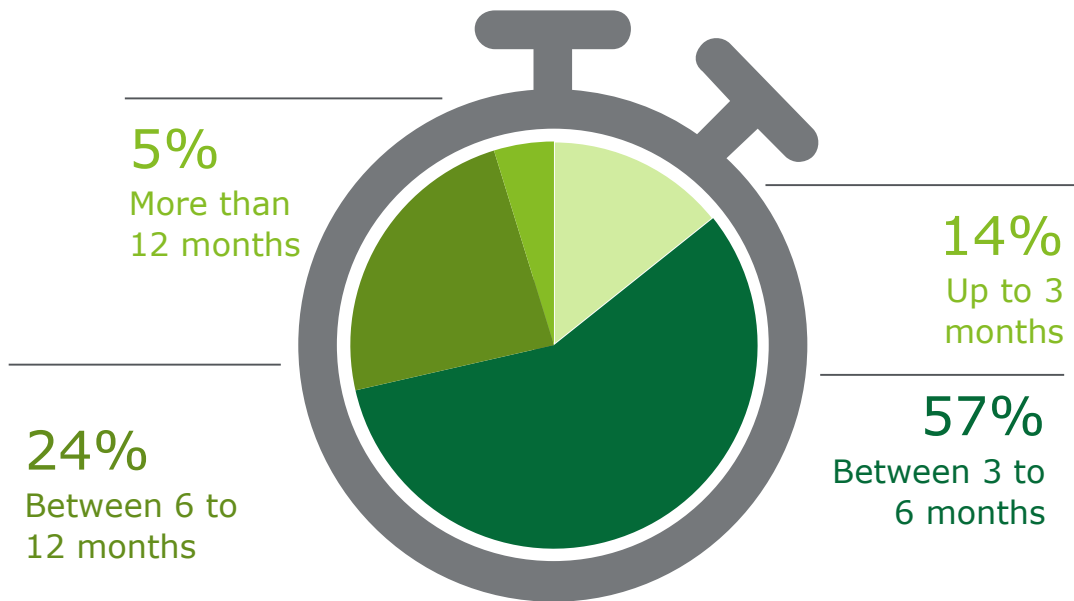
<sup>(1)</sup> AIFMD: Alternative Investments Fund Managers Directive; <sup>(2)</sup> FACTA: Foreign Account Tax Compliance Act; <sup>(3)</sup> EMIR: European Market Infrastructure Regulation;

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## Length of the real estate assets' acquisition process

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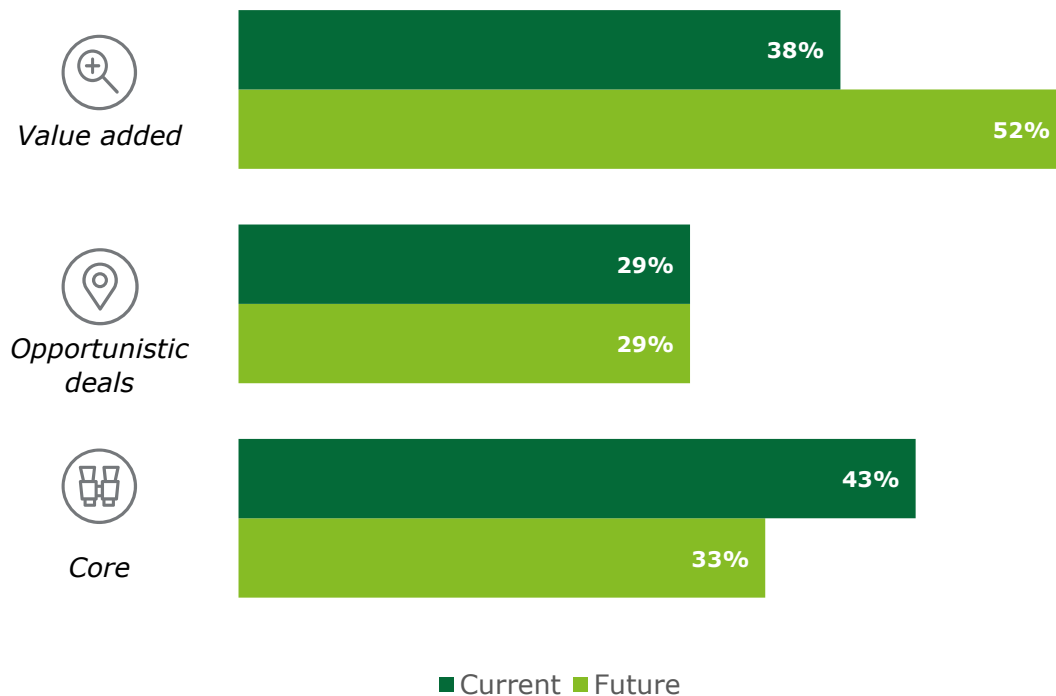
In general, the real estate assets acquisition process takes between 3 to 12 months.



# Disinvestment strategy

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## Current and future disinvestment strategy <sup>(1)</sup>



A value added strategy will be the greatest focus of the organizations, concerning the real estate disinvestment.

Until now, the disinvestment strategy was essentially based on Core and Value added assets.

<sup>(1)</sup> Multiple choice question

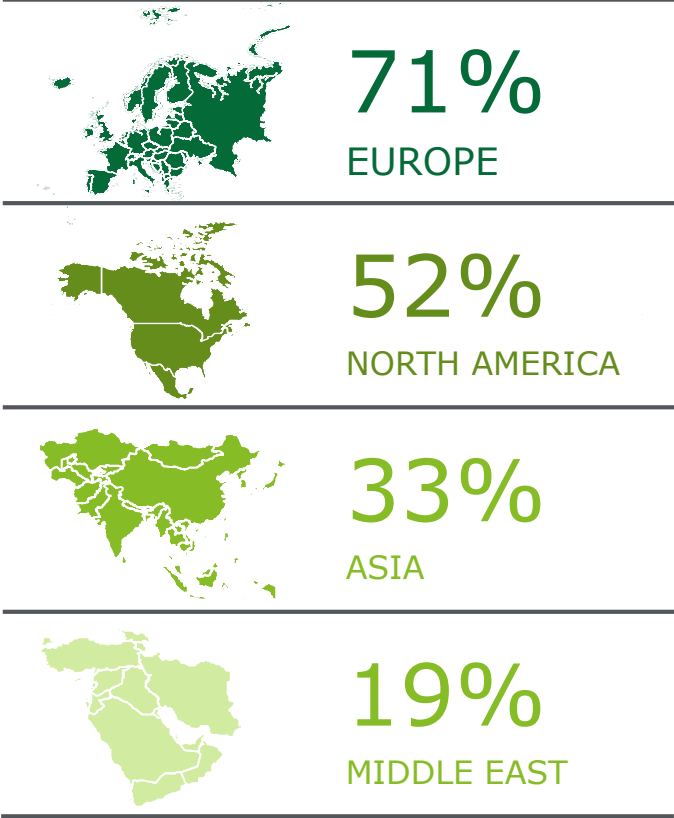
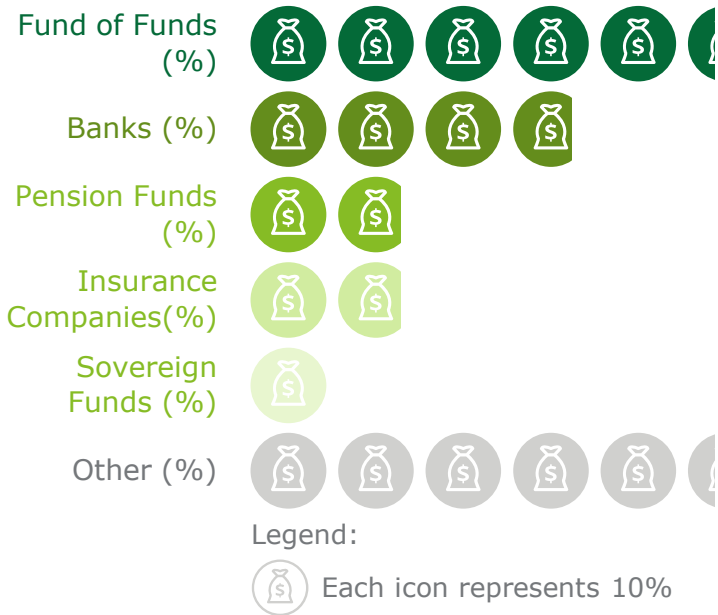
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## Main real estate investors and their allocation, in the next year <sup>(1)</sup>

For the next year, Fund of Funds (52%) are the main real estate investors/ buyers for entities seeking to divest.

Europe (71%) will be the main real estate investment player, followed by North America (52%).

According to the respondents, Asia and Middle East will gather 52% of the real estate funds.



<sup>(1)</sup> Multiple choice question.

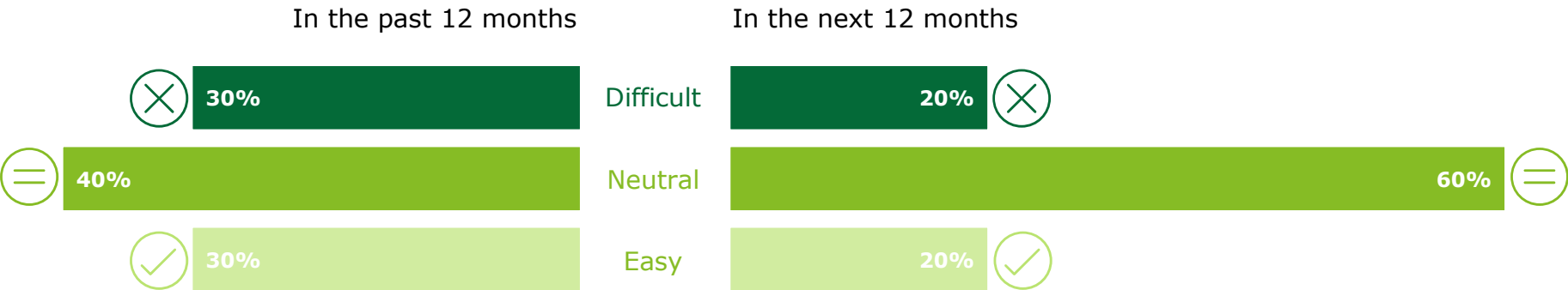


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## Fundraising approach, in the last 12 months and next 12 months

The perception towards fundraising was almost homogeneous for the last 12 months. According to the correspondents, for the following 12 months, this perception will be neutral.

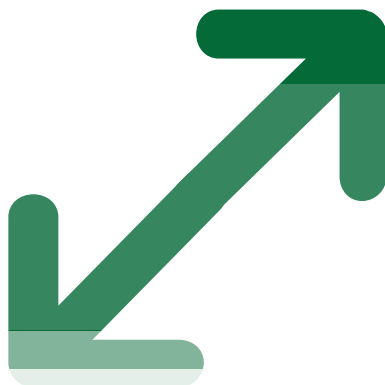
For the last 12 months, 40% of the respondents classify fundraising as “neutral”. Relatively, to next 12 months 60% of respondents consider as “neutral” the restrictions to fundraising.



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## Level of impact of different factors affecting fundraising

### Size of funds



**20%**  
Very significant

**65%**  
Significant

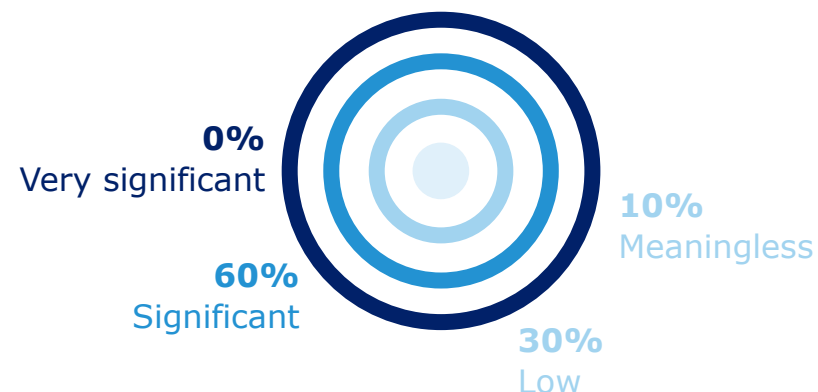
**10%**  
Low

**5%**  
Meaningless

The size of funds and length of the process, are the most relevant factors affecting fundraising.

The number of investors has a low impact on fundraising.

### Range of investors



### Length of process

**30%**  
Very significant

**50%**  
Significant

**15%**  
Low

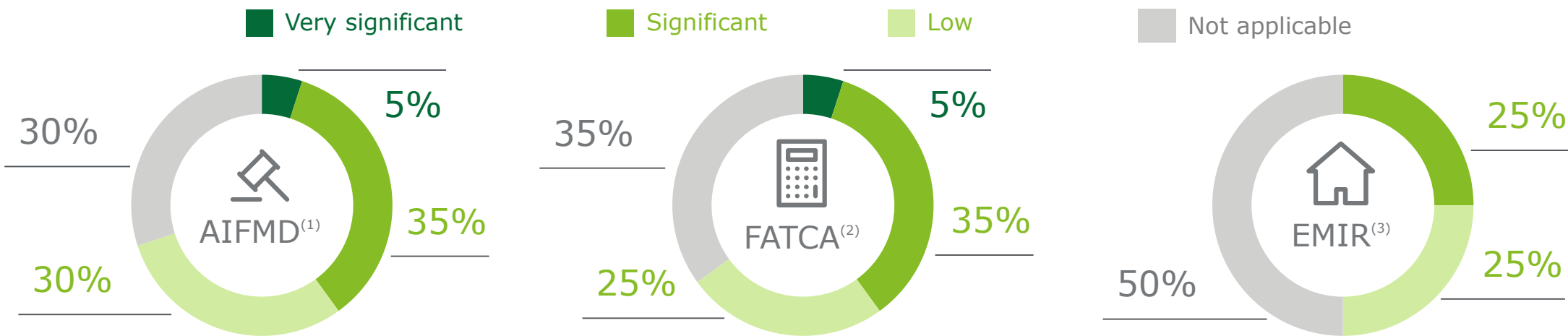
**5%**  
Meaningless



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## Impact of regulatory changes in the Organizations

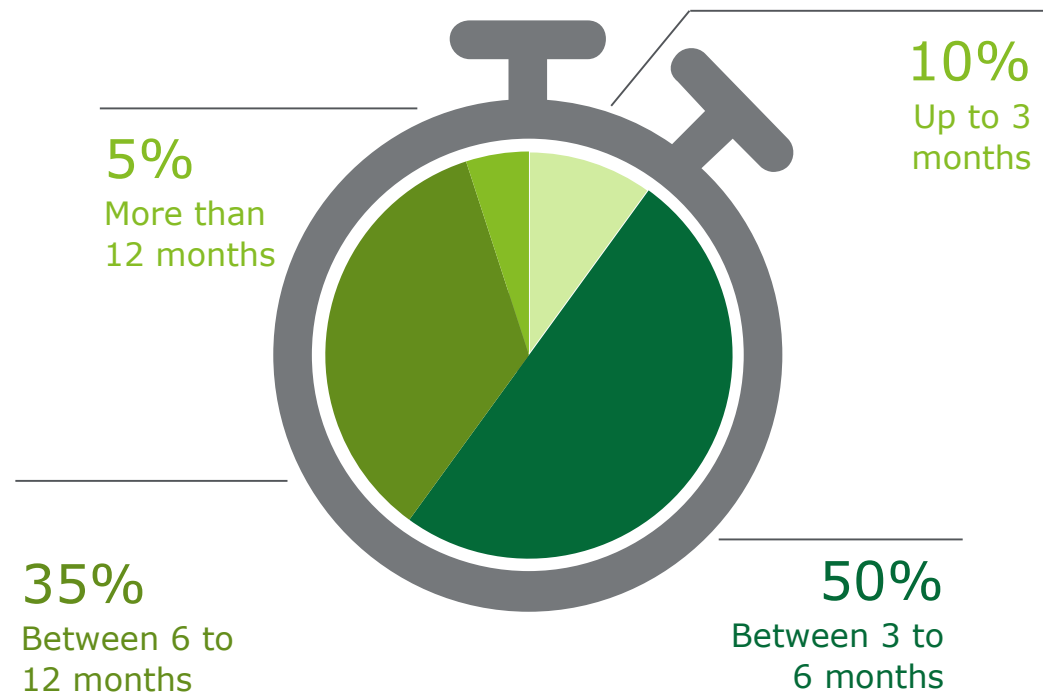
AIFMD and FATCA will have a significant or a low impact in the divestment of the organizations. EMIR is not applicable in this situation.



<sup>(1)</sup> AIFMD: Alternative Investments Fund Managers Directive; <sup>(2)</sup> FATCA: Foreign Account Tax Compliance Act; <sup>(3)</sup> EMIR: European Market Infrastructure Regulation;

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## Length of the real estate assets' acquisition process



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In general, the real estate assets' acquisition process takes between 3 to 12 months.

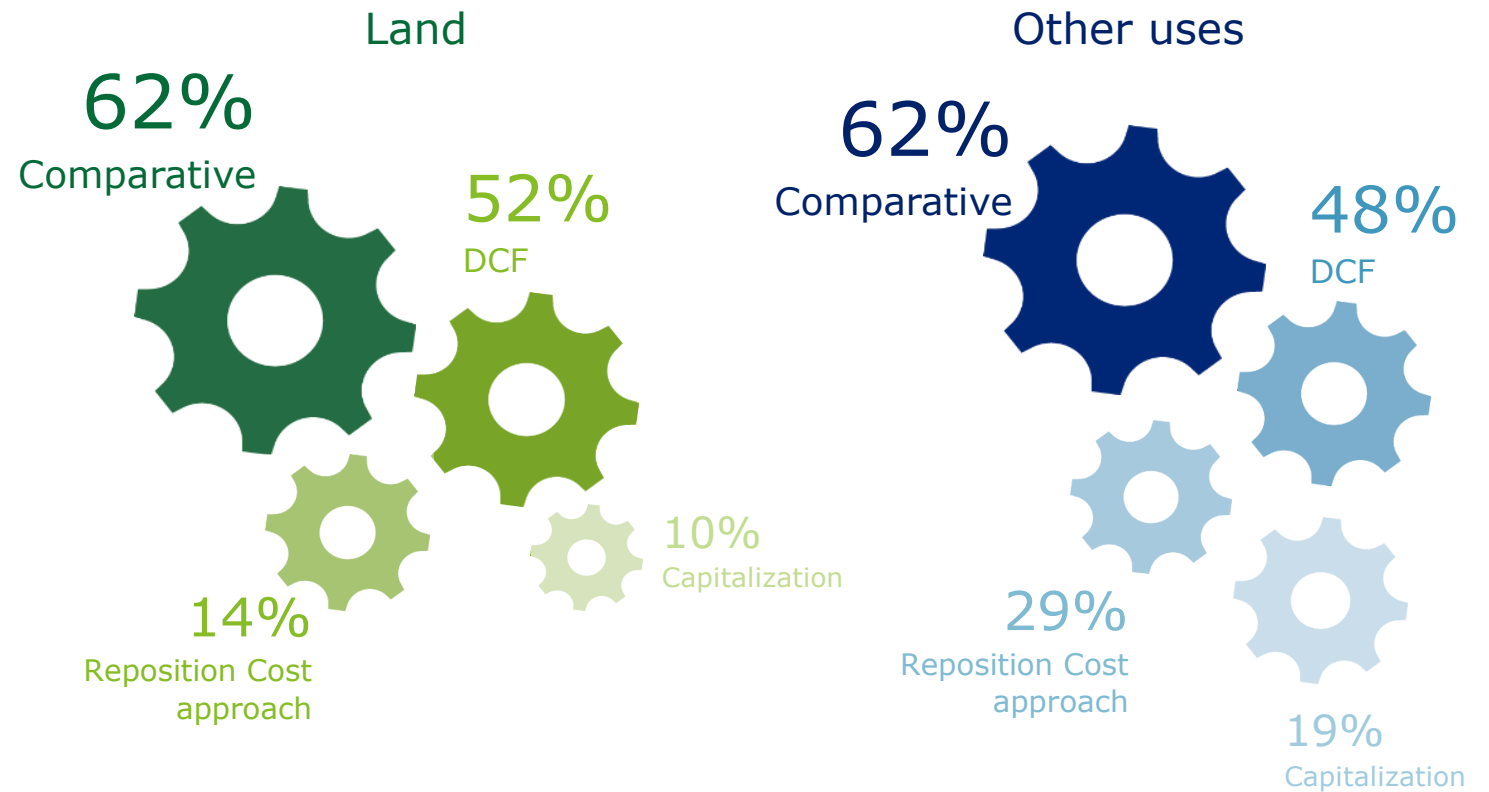
# Real Estate Valuations

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## Real Estate valuation methods <sup>(1)</sup>

The valuation method most used for both types of assets is the Comparative Method.

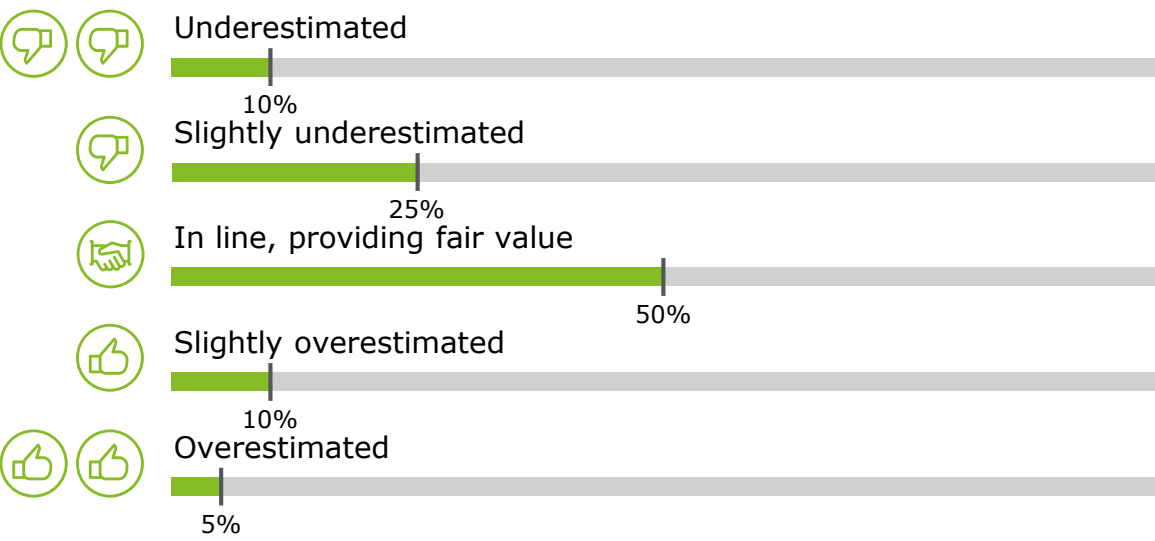
Followed by DCF and other less relevant approaches as the Reposition Cost and Capitalization.



<sup>(1)</sup> Multiple choice question

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## External Real Estate valuations



In general, values assigned by the external valuers reflect the fair value of them.



10%

Anticipating market trends



60%

In line with market changes



30%

Late in factoring market changes

The great majority of the respondents (60%) also considered that the values assigned by the external valuers are aligned with market changes.

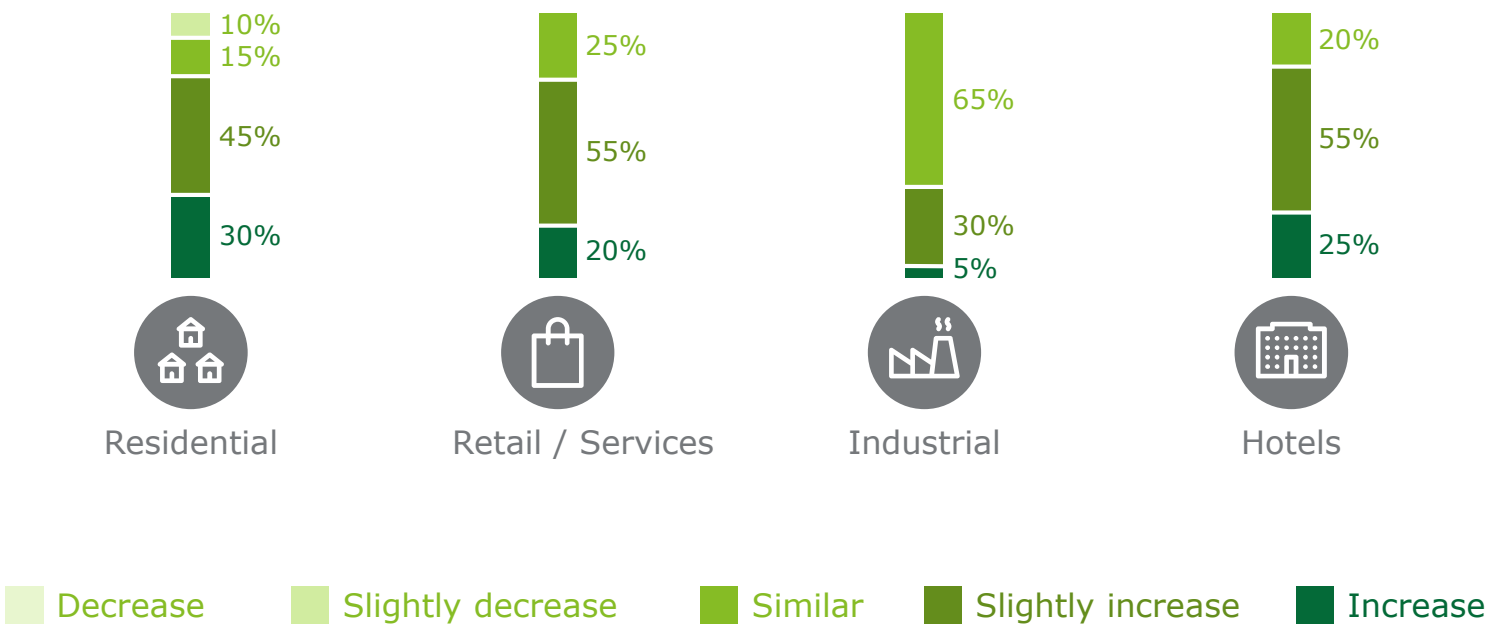
# Real Estate market in Portugal



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## Real estate sector dynamics

Volume and sales price for the next 3 months

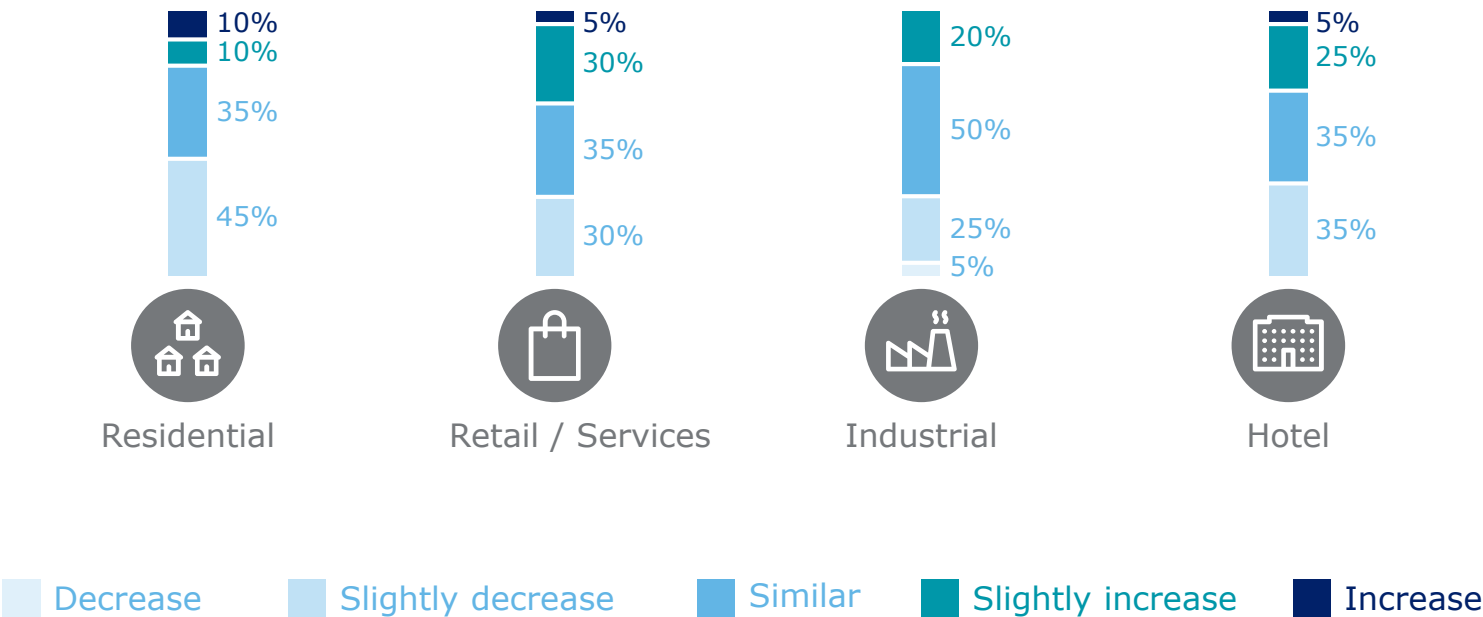


For the next 3 months, an increase is expected in volume and sales price for residential, retail / services and hotels.

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## Real Estate sector dynamics

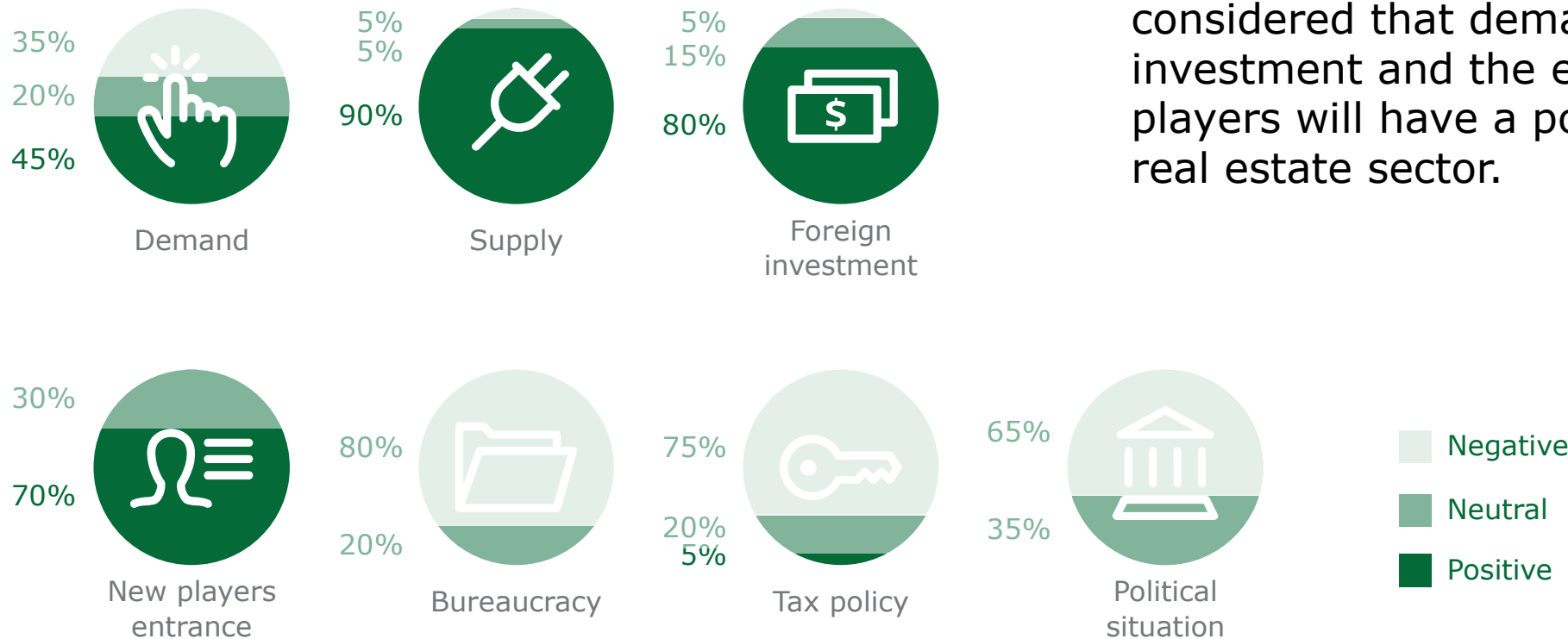
Profitability of real estate assets for the next 3 months



For the next 3 months, it is expected that profitability of real estate assets will decrease in the residential and hotels sectors and remain similar in the retail / services and industrial sectors.

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## Impact of several variables in the Real Estate sector



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## Technical Note

The Portuguese Real Estate Investment Survey, has as it's main goal to measure:

- The perception of the real estate market evolution by the involved parties; and
- Understand which is the current and future strategy of the organizations.

The survey was delivered to a Selected Panel of Participants on 29 March, being the answers that were subject to analysis, obtained on 6 April.

In case of doubt, some additional information or any clarification, please contact:

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