



Building up
opportunities
Players insights

PORTUGAL REAL ESTATE SURVEY 2023 | 1st half 2023



Preface



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It is with great pleasure that Deloitte relaunches the Real Estate Investment survey for the Portuguese market, **Players Insights**.

This edition illustrates the major dynamics of the Portuguese Real Estate market following the 1st semester of 2023, as well as its main trends and expected outlook for the near future.

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 investment of a selected panel of participants, whose professional activity relates to the Real Estate market, whom we kindly thank for their proactive contribution. We hope you find it useful.

This report covers
the following topics

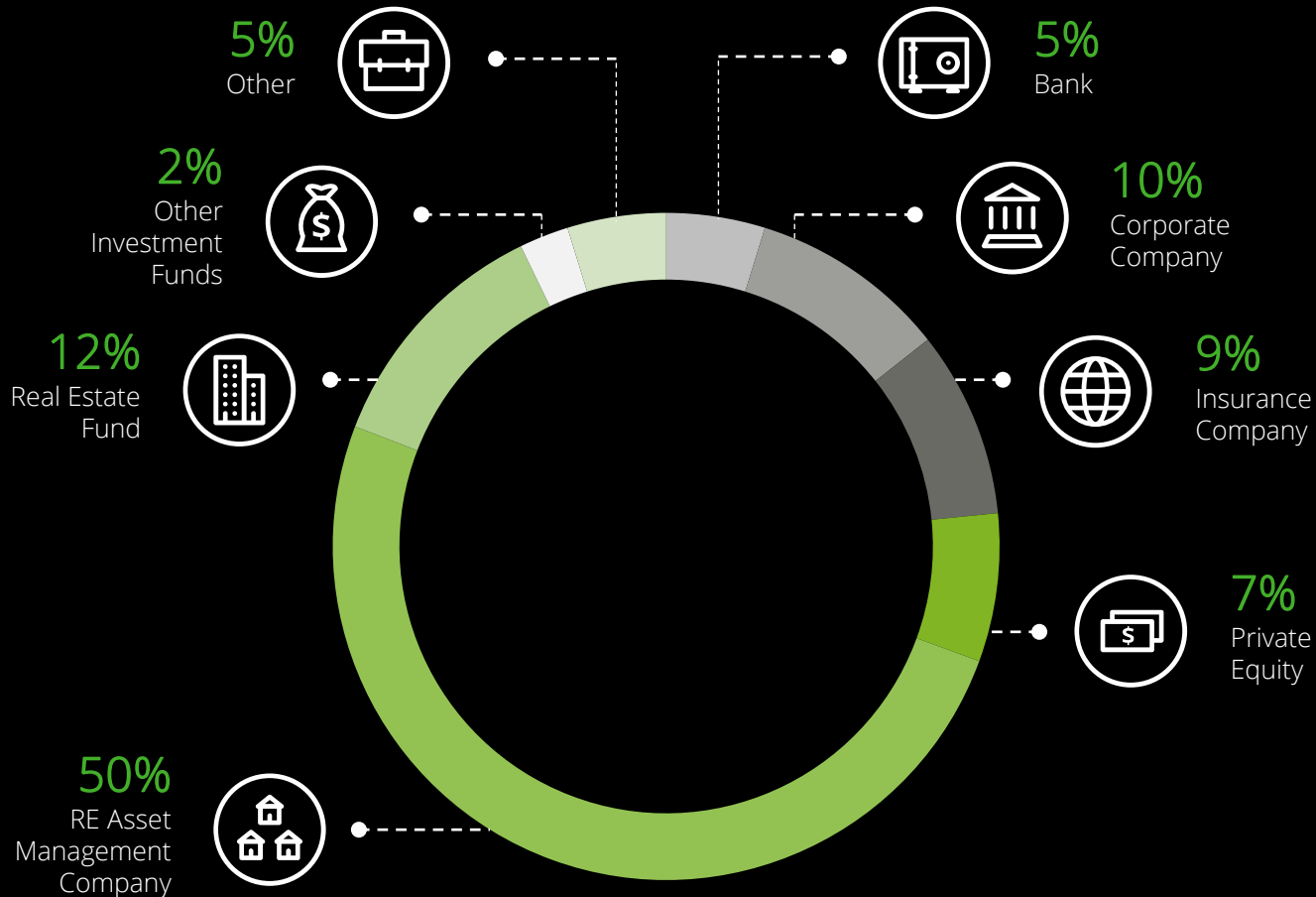
- 01 Introduction
- 02 Investment strategy
- 03 Divestment strategy
- 04 Portuguese market
- 05 Major challenges



01 | Introduction

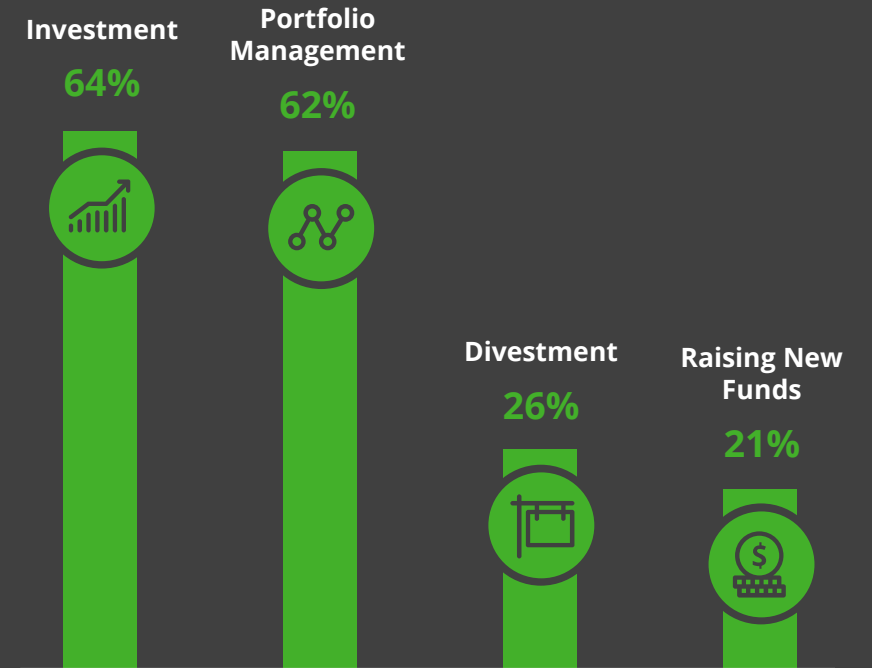
Participant profile

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



Real Estate strategy for 2023¹:

For the next 6 months, the preferred strategies of Real Estate players are Investment (64%) and Portfolio Management (62%). However, despite being clear that Divestment and Raising New Funds are not a priority for most of our panel, some opted for the former (26%) and the latter (21%) as one of their primary focus.



¹Multiple choice question

02 | Investment Strategy

Investment volume in the last 6 months

While few (37%) have made no acquisitions - and have instead focused on Portfolio Management - the majority (63%) of participants of this survey have invested in the last 6 months.



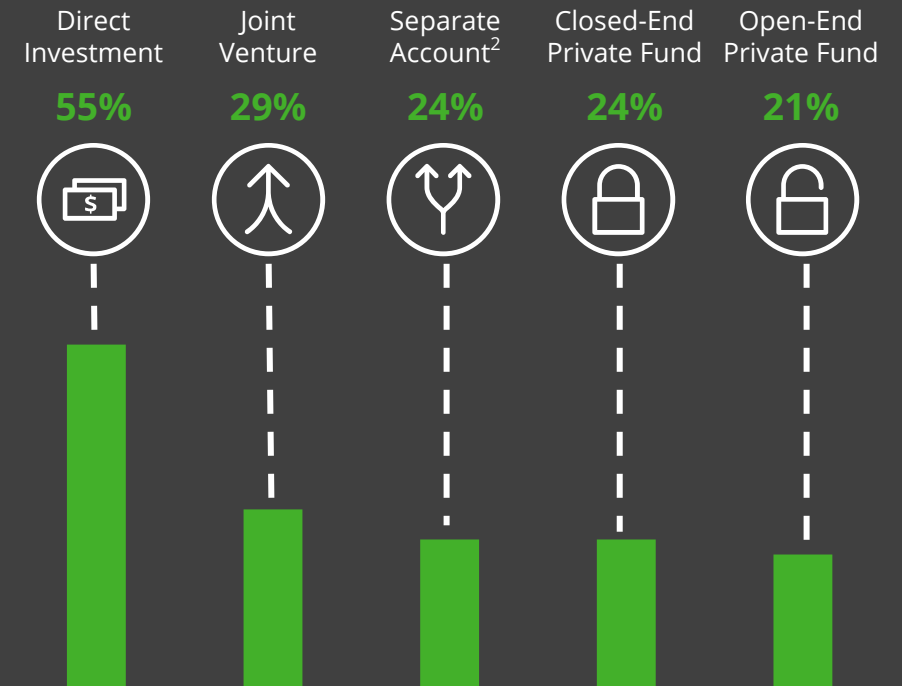
Investment strategy for the next 6 months¹



¹Multiple choice question

Preferred investment products / methods¹

Most participants (55%) see Direct Investment as their preferential or, at least, one of their preferential capital allocation methods. Joint Venture (29%) is also seen as a good option for investment purposes, followed by Separate Account (24%) and Closed-End Private Fund (24%).



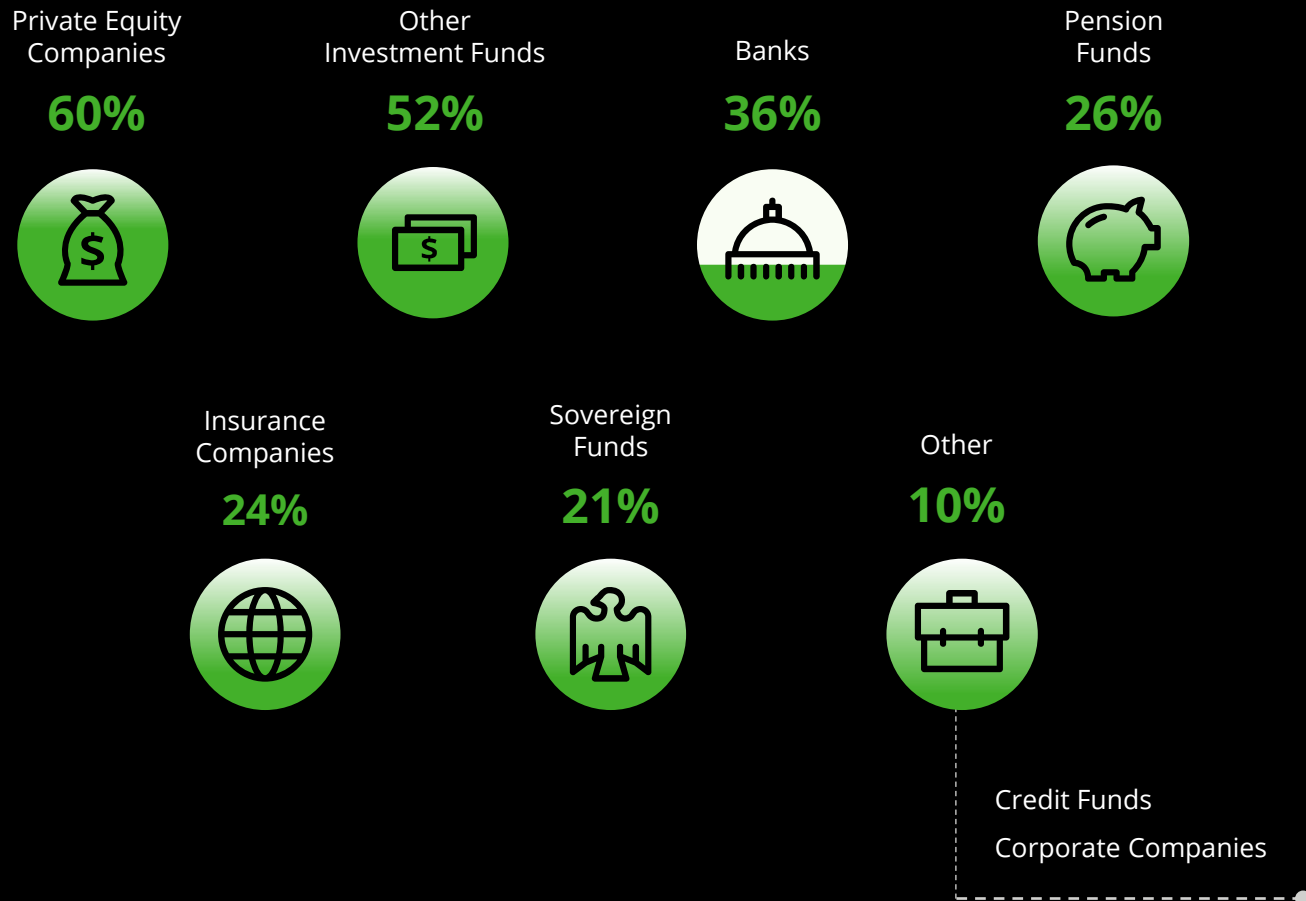
¹Multiple choice question

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 Other Investment Funds 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 Hotels have been elected as the preferential investment sectors, for the next 6 months.



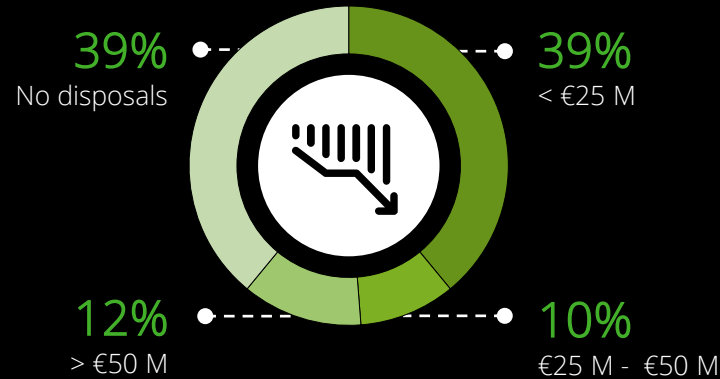
¹Multiple choice question

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

03 | Divestment strategy

Volume of disposals in the last 6 months

More than 60% of players have made some kind of disposal during this year's first semester. However, approximately just a third of them have disposed of a volume higher than €25M.



Even though only 26% of our participants see Divestment as one of their preferred Real Estate strategies for the next 6 months, most players (61%) have, in fact, made some kind of disposal during the past semester. While 39% have disposed of values lower than €25M, few others (22%) have made disposals larger than €25M. Specifically, 10% have disposed between €25M and €50M, and 12% have made disposals larger than €50M.

Core divestment is the preferential Divestment Strategy for 36% of the participants for the upcoming 6 months...

Regarding the Divestment Strategy for the next 6 months, Core Divestment is the preferential choice for 36% of the panel, followed by Opportunistic Deals and Value-Added transactions, accounting for 19% and 12%, respectively.

It is important to note that 40% of participants have not elected any of these options, which reflects that they do not see divestment as an option.

Divestment strategy for the next 6 months¹



¹Multiple choice question

03 | Divestment strategy

Main real estate investors for the next 6 months¹

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

Insurance Companies

43%



Funds of Funds

40%



Pension Funds

36%



Sovereign Funds

31%



Other

24%



Private Equity
Private Developers
Real Estate Investment Trusts (REITs)

Banks

7%



¹Multiple choice question

Preferred divestment sectors¹

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

Hotels



10%

Logistics



14%

Offices



26%

Residential



31%

Retail



17%

Alternative Sectors²



2%

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...



... 59% of players expect the overall economic climate to remain the same.

Including ESG criteria on investment decisions

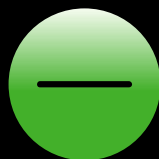
"Yes, as a critical factor"

38%



"Yes, but not as a critical factor"

45%



"Not yet"

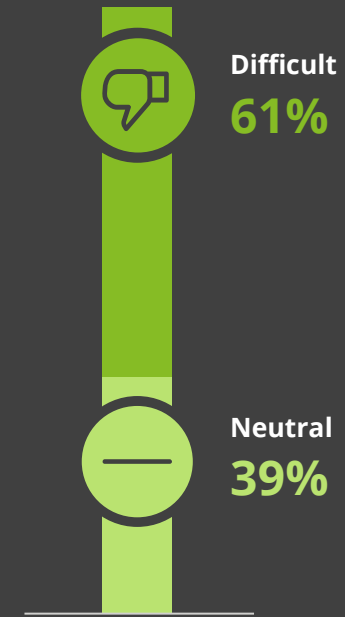
17%



Access to fundraising in the next 6 months

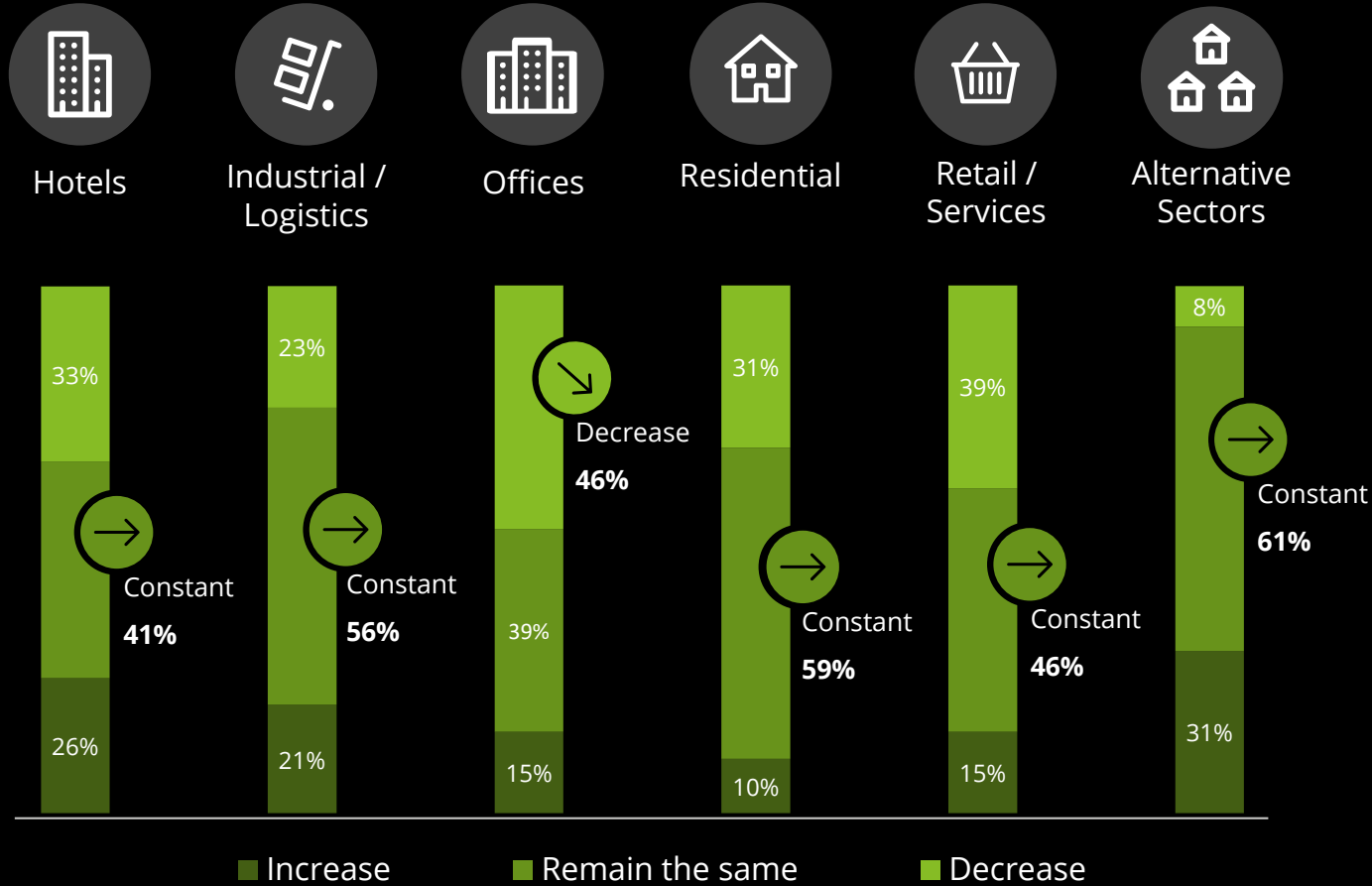
It seems like the perception of access to fundraising in the near future is quite negative, with 61% of participants assessing it as "difficult".

In fact, no participant evaluates access to fundraising as easy within the next 6 months. This can be explained, mainly, by the recent interest rates spikes.



04 | Portuguese Market

Sentiment as an investor



Risk perception of a real estate bubble

"Yes, in certain markets"

47%



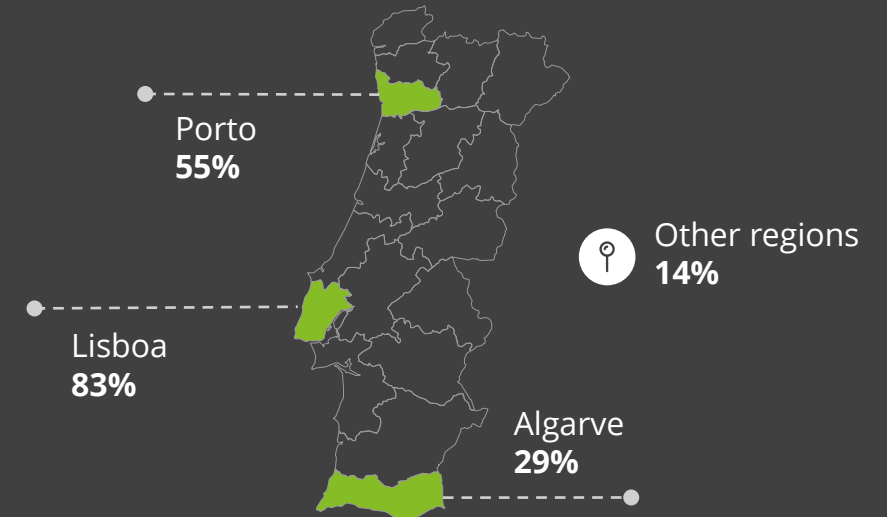
"No"

53%



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 67% of players, as well as permits (60%), project financing (55%) and changes in regulation (50%).

Construction Costs

67%



Permits

60%



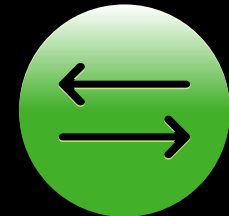
Project Financing /
Financing Costs

55%



Changes in Regulation /
Political Instability

50%



Plot Acquisition

19%



ESG Compliance

19%



Commercialization

14%

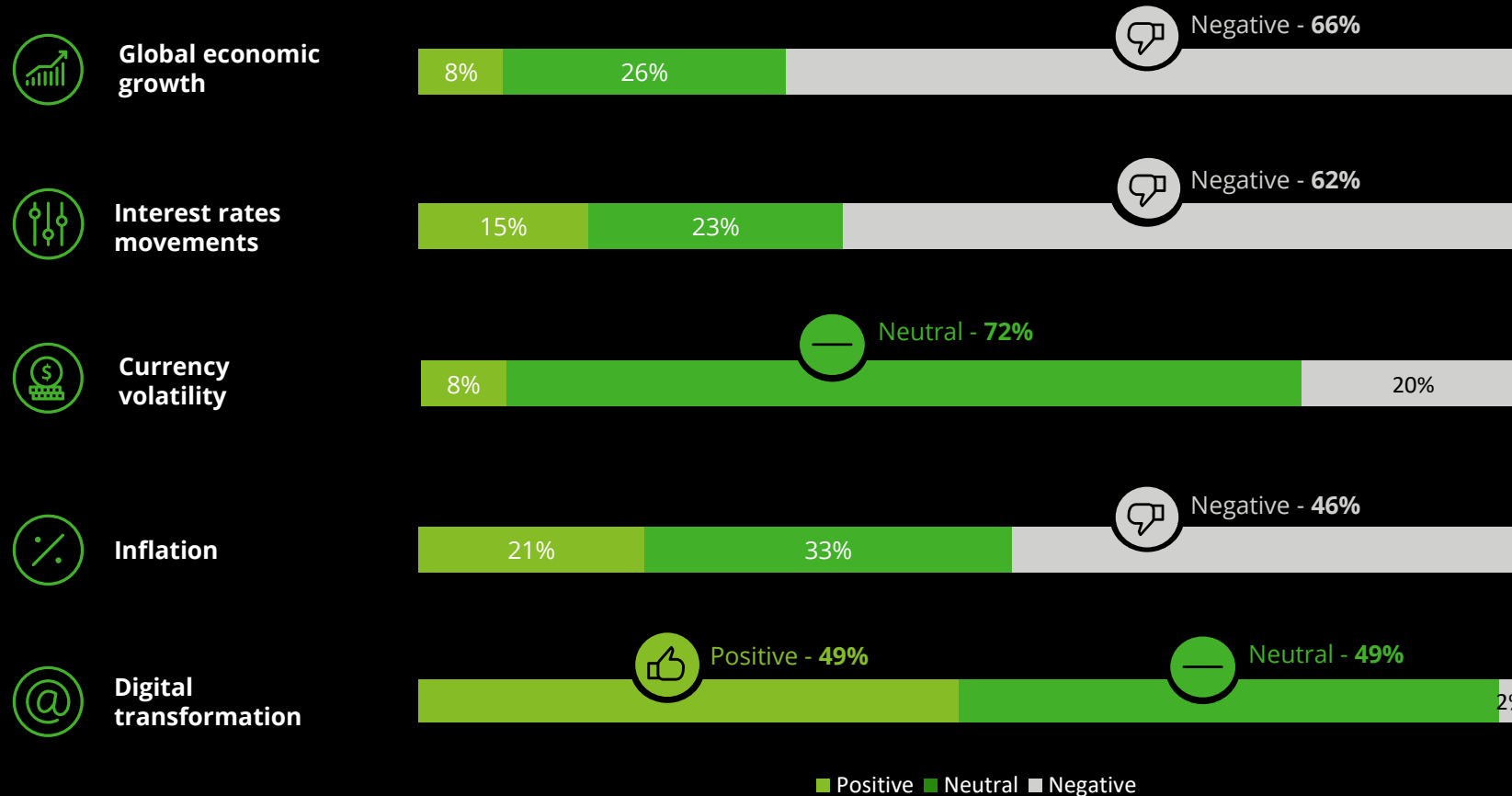


¹Multiple choice question

05 | Major Challenges

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

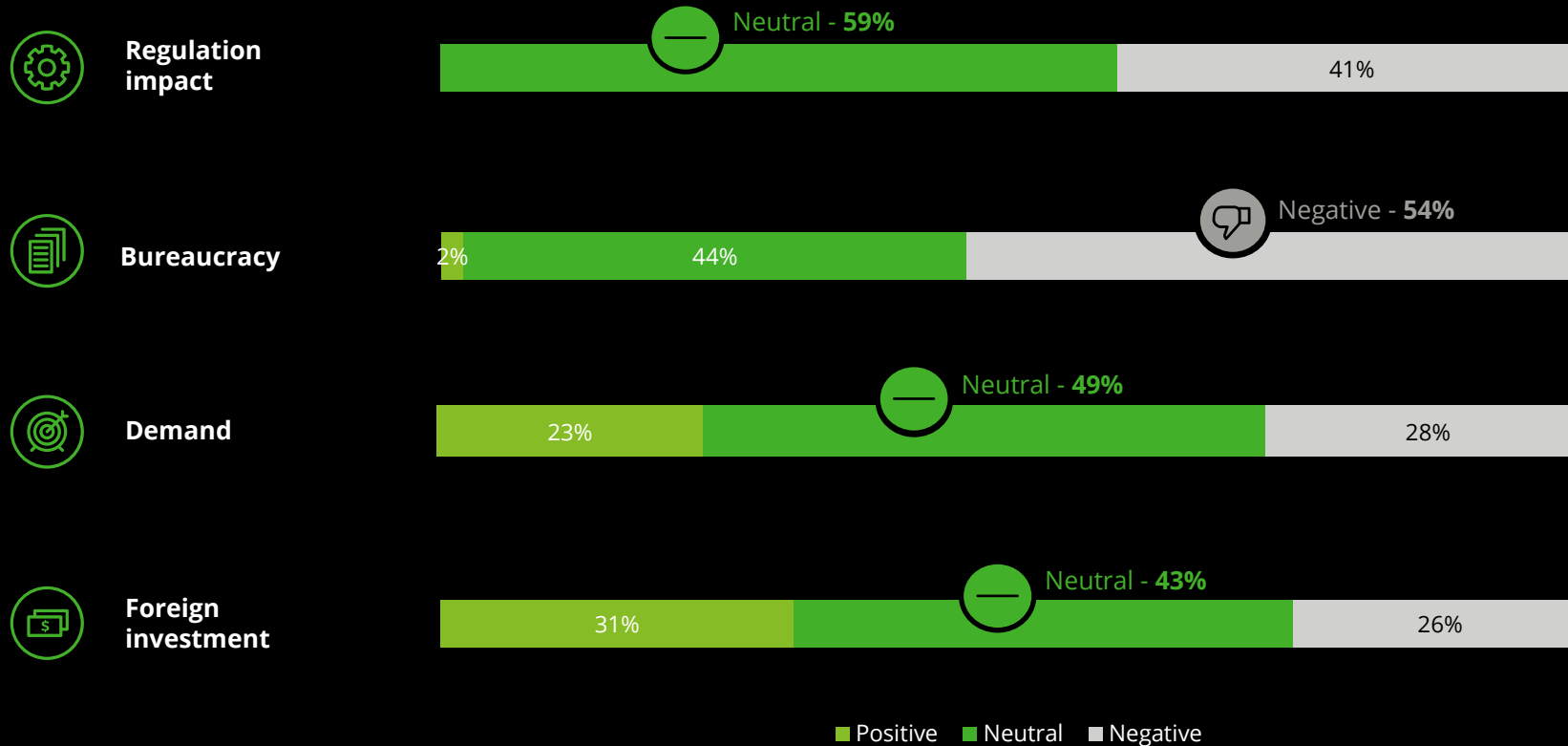
Global economic growth and interest rates movements in the next 6 months have been considered as the most impactful on a negative level (66% and 62%, respectively)...



05 | Major Challenges

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

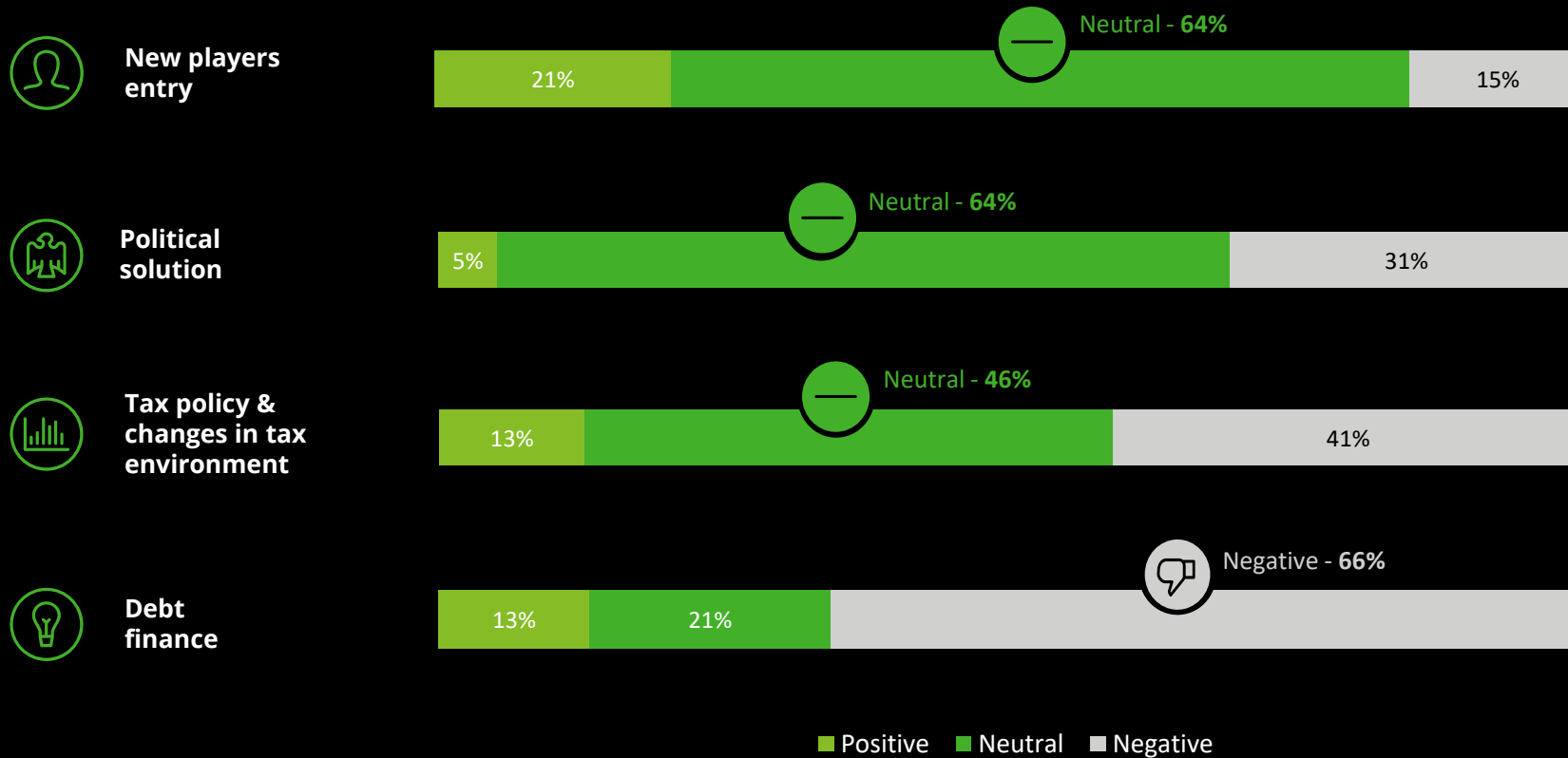
Within the Real Estate sector, bureaucracy is considered to have a negative impact by 54%, while foreign investment is considered to have a positive influence by 31% of participants...



05 | Major Challenges

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

Debt finance evolution in the next 6 months is considered to impact significantly on a negative level (66%), mainly due to interest rates spikes...



Key Messages



Real Estate Strategy

Investment was selected by the majority of participants (64%) as one of their preferred Real Estate Strategy for the next 6 months, as well as Portfolio Management (62%). It is important to notice that both strategies of Divestment (26%) and Raising New Funds (21%) have not been elected as the favourite to adopt in a 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 (29%), followed by volumes higher than €50M (22%) and, finally, between €25M and €50M (12%). In contrast, more than a third of the participants (37%) did not make any acquisitions.



Investment Strategy

Regarding the strategy for the next 6 months, players are betting on opportunistic investments (43%), suggesting that good opportunities are expected to come. Core (40%) and value added (40%) are also strategies considered by our participants. Regarding their investment approach, direct investment (55%) is considered preferential by most of participants.



Funders vs Investors

Private Equity (60%) and Other Investment Funds (52%) are seen as the main top funders for the next 6 months. In another note, Insurance Companies (43%) and Funds of Funds (40%) are believed to be the main Real Estate investors for the next semester, within the Portuguese Real Estate Market.



Real Estate Segments

Residential is the preferred investment sector for the next 6 months (50%), while also being the favoured divestment sector for the players who adopt that strategy (31%). Regarding profitability rates, 46% of participants expect them to decrease in the Offices sector, with the rest of the sectors believed to remain constant overall.



Portuguese Market & Biggest Challenges

Over half of our participants (59%) believe the overall economic climate in Portugal to remain the same, in a near future. The majority (53%) do not see a risk of a Real Estate bubble forming in that same period. Construction costs (67%) and permits (60%) are considered as two of the major challenges for most participants.

About the survey

Industry players survey

Timing

August 21 to October 10, 2023

Sample

The survey polled a sample of more than 40 industry players in the Portuguese market.

Methodology

The survey was conducted by Deloitte.

Acknowledgments

Special thanks to whom contributed to this publication in terms of research, providing expertise, and coordination:

Madalena Duque,
Financial Advisory Manager
at Deloitte Portugal.

Thank you

The team would like to thank all participants for their inputs to this report.

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