

CHINESE REAL ESTATE INVESTMENT SET TO TOP €1BN - CAIADO GUERREIRO

Posted on 23/10/2014



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Significant investment in Portugal from the Far East attributed to the 'Golden Visa' initiative, which is now starting to take-off

An influx of overseas investors, particularly from China, has buoyed the Portuguese legal market over the last 12 months, according to João Caiado Guerreiro, managing partner at Caiado Guerreiro & Associados.

Caiado Guerreiro attributes the interest of Chinese investors to the 'Golden Visa' initiative, introduced by the Portuguese government in October 2012 to attract foreign investment into the market, which has recently started to gain traction.

The scheme allows non-EU residents to obtain a residence permit in Portugal, if certain criteria are satisfied. These include: the acquisition of property over €500,000; the transfer of funds above €1m or more; or the creation of at least 10 jobs in Portugal.

Portuguese lawyers have seen a huge increase in applications for 'Golden Visas', in particular through the acquisition of both residential and commercial real estate, according to Guerreiro.

Analysts predict that Chinese real estate investment in Portugal is likely to reach the €1bn mark by

the end of 2014.

Chinese interest in Portugal is not a new thing according to Caiado Guerreiro, who highlights the ongoing privatisation of state-owned companies, which has attracted a number of Chinese investors that have acquired large stakes in a number of formerly state-run companies. Notable recent examples include the acquisition of the insurance arm of Portuguese state bank, Caixa Geral de Depósitos by Chinese group Fosun International Ltd for €1bn in January this year.

Portugal's privatisation initiatives have far exceeded expectations and have been praised by the European Commission for "attracting foreign investment" to the country.

Investment in Portugal has allowed Chinese companies to get a foothold in other Portuguese speaking countries, such as Brazil, Angola and Mozambique, says Caiado Guerreiro. This has also created a considerable amount of work for the firm's Africa practice.

Competition for the highly lucrative Chinese investor market comes mainly from domestic firms in Portugal as opposed to international firms, most of which, according to Caiado Guerreiro, retrenched to their bigger foreign offices during the downturn.

Caiado Guerreiro says there is currently a very high demand for legal services in China. He adds that his firm's decision to put a lawyer on the ground in Beijing has brought in "hundreds" of new Chinese clients. To provide these clients with the service they require, the firm has adopted the strategy of creating a China desk, based in Lisbon, which consists of a cross-departmental group of around 12 lawyers. Caiado Guerreiro says that, from January to August 2014, the firm has been instructed on €230 million-worth of investments into the Portuguese real estate market by Chinese investors.

Clients demand fixed fees

Caiado Guerreiro, however, says the main challenge his firm faces is managing the substantial growth it is currently experiencing as the number of instructions increases.

Caiado Guerreiro says there is growing pressure for fixed fees from clients but argues that, through the use of client groups, his firm is able to distinguish itself from others in the Portuguese market. "In a jurisdiction such as ours things can move very slowly," he says. "Part of what differentiates us is that we keep our clients informed. I meet with client team leaders every day so I know exactly what's going on."

One of the biggest challenges for a lot of Portuguese law firms is retaining their best lawyers, according to Caiado Guerreiro. He adds that the key to doing this is not only providing lawyers with highly competitive pay packages but also being transparent and creating a good working environment. "You need to take good care of your lawyers, if you want them to take good care of the client," Caiado Guerreiro says.