

INSTITUTIONAL INVESTORS TARGETING PORTUGUESE REAL ESTATE - VDA

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New wave of investors driving ‘sustainable, controlled growth’ in real estate market with the result that the risk of a property bubble is diminishing

The profile of investors targeting Portuguese real estate assets has changed with the result that there is now more stable and sustained growth in the market and less risk of a property bubble, says Vieira de Almeida’s Real Estate partner Pedro Ferreirinha.

During the worst years of the economic downturn, Portugal became an attractive destination for a particular type of investor, targeting distressed and heavily discounted assets. “The aggressive buyers have been replaced by institutional investors who prefer stability to massive returns,” says Ferreirinha.

This new wave of investors is driving sustainable, controlled growth. “The projects we’re seeing aren’t huge in scale, so there is no risk of creating a bubble,” Ferreirinha says. “New residential developments are subject to affordable housing rules, which will allow local residents to remain in desirable locations such as Lisbon city centre.” Demand is soaring across all segments of the market, and tourism is boosting not only the leisure and hospitality sector, but also residential real estate.

“Properties in the city centre are being bought for short-term rental purposes, such as AirBnB lets. In addition, there is a lot of demand for prime residential properties as high-net-worth individuals move into Portugal.”

Portugal is also a prime destination for foreign businesses looking to set up their back-office operations, and demand for office buildings is consequently high. As well as looking for new premises for existing operations, many businesses choose to start new ventures in the country and require advice on acquiring land and the building of new facilities for their operations. “For the last four years or so, we have seen a lot of greenfield projects,” Ferreirinha says. “We have responded to this increase in work by recruiting a new partner and two senior associates. It’s important to be able to offer the right expertise on all aspects of a deal, from negotiation to financings.”