

# IBERIAN LAWYER

September / October 2017

Catalonia crisis  
Investors nervous

Portuguese investment  
Legal fees up

Data protection  
Clients on alert



## Getting ahead

Which firms offer the best career opportunities?

## Institutional investors targeting Portuguese real estate

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



Pedro Ferreirinha

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 "The aggressive buyers have been replaced by institutional investors who prefer stability to massive returns," says Ferreirinha.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."

## Real estate joint ventures in Spain generating significant opportunities for law firms



Juan Gómez-Acebo

Joint ventures between international real estate investors and local partners in Spain are a growing trend which is providing significant opportunities for law firms, according to BDO Abogados' head of real estate, Juan Gómez-Acebo.

As market conditions improve and prices increase, finding profitable real estate portfolios is becoming harder for investors, says Gómez-Acebo. Instead, they are turning to strategic joint ventures with local funds and developers. "The KKR-Altamar-Elix venture is a case in point, where large international and Spanish funds partner with a local developer, combining financial muscle with valuable, on-the-ground expertise," he adds.

Regulatory changes introduced in 2012, which enhanced the fiscal and tax regime overseeing real estate investment trusts (REITs), are also facilitating this trend. "The first REITs created in Spain were subject to a regime that did not provide

significant fiscal advantages, but the regulatory changes implemented in 2012 introduced much more attractive conditions," says Gómez-Acebo.

One of the regulatory requirements for REITs is to be publicly listed, and this is another area which is generating opportunities for law firms as they assist clients with their stock market listings. In terms of the assets targeted by REITs, the most popular deals involve investment in the offices, retail, logistics and hotel sectors. However, investors are also increasingly eyeing residential assets in the rental market. "Traditionally, residential real estate was exclusively built with the intention to sell, but investors are using REITs as vehicles to develop properties for rent," says Gómez-Acebo.

In contrast, prime office buildings in major Spanish cities with attractive returns are increasingly difficult to find due to price increases in recent months.