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Portuguese real estate becomes foreign investment 'magnet'

Portugal is back on the international radar for investment opportunities. As property consultants celebrate an “exceptional year for Portugal’s real estate sector”, statistics show that foreigners are responsible for around 80% of the country’s commercial property investments in 2014 as well as around one in five of residences sold.

“Portugal has stopped being a forbidden country since the troika left,” explained Luís Rocha Antunes, equity partner at property consultants Cushman and Wakefield (C&W).

“Foreign investors are knocking on our doors every other day, sometimes with offers way above the normal market value,” he said after C&W presented its 2014 overview.

It is an improvement felt both by huge corporations – with American investors bringing approximately €330 million into the country – as well as smaller property owners.

While C&W has noted that the volume of commercial real estate investment in Portugal doubled compared to 2013 – reaching €700 million (80% of which from foreign investors), the Portuguese Real Estate Agents Association (APEMIP) has also celebrated a “two-digit” increase in property sales thanks to foreign buyers.

In fact, the realtors’ association told AFP news agency that more than one in five residences sold in Portugal last year was bought by a foreigner, helping the country’s property market to grow “between 9-15% in 2014”.

Luís Lima, the head of the association, added that “if it hadn’t been for the Banco Espírito Santo debacle and the golden visas scandal, the growth would have been 25%”.

The good news is confirmed by C&W managing partner Eric van Leuven.

“2014 was exceptional for the real estate sector, with the welcome return of foreign investors to our country and occupational sectors making a recovery, especially offices and retail,” he said.

And while C&W expected commercial real estate investments to reach the €1 billion mark, its estimates were let down by the fact that major deals such as the sale of the Algarve’s Vilamoura and Vale do Lobo tourist developments were postponed to 2015.

With such big deals expected to be completed this year – C&W says that it has kicked off 2015 with many more ongoing deals than previous years – the property experts are convinced that things will continue looking up for Portugal.

“We are going into 2015 with renewed confidence, but still cautious due to the weakness of the economic recovery in Portugal and Europe as well as current geopolitical tensions,” said van Leuven.

So far, the year has gotten off to a big start, with the sale of six Tivoli hotels in Portugal and Brazil to Thai company Minor International for €168.2 million.

Portugal attracts American investment

One of 2014's most interesting facts is that American investors accounted for €330 million of the total €700 million investment registered in the commercial property market.

According to C&W, the sale of 10 properties, including commercial spaces and warehouses, by ESAF – Espírito Santo Fundos de Pensões, S.A. to American group Blackstone was “the biggest commercial real estate deal of 2014” – around €200 million.

Furthermore, Global Asset Capital paid €55 million to take over the EDP headquarters in Lisbon. There are still a number of other ongoing deals with American investors.

It is reported by national media that American fund Lone Star is bidding for the Vilamoura resort in the Algarve – the total assets of which are believed to be worth around €500 million, according to Jornal de Negócios.

The American hotel group Viceroy is also investing €210 million up to 2017 in order to launch Viceroy Algarve at Quinta da Ombria, Loulé in 2017 – the group's first hotel in Europe.

Other significant deals

Change has also come for many of the hotels previously owned by the Carlos Saraiva Group (CS).

Ten hotels and three golf courses were taken over last December by private equity and restructuring firm ECS, now being managed by a group known as Nau Hotels & Resorts.

Most of these establishments are located in the Algarve – such as the well-known Herdade dos Salgados in Albufeira – while the others are spread out between Lisbon, Alentejo and the Douro Valley. It is reported that ECS has already ploughed €15 million into the renovation of the establishments, most of which into the Algarve's Herdade dos Salgados, featuring a golf course.

Meanwhile, the Amorim Turismo group has been given the ‘green light’ from the Portuguese competition authority (Autoridade da Concorrência) to sell its casino and three five-star hotels to a Portuguese investment fund known as Aquarius, part of larger group Oxy Capital.

Two of these hotels are located in the Algarve – the Lake Resort (Vilamoura) and the Vilalara Thalassa Resort (Armação de Pêra), while the casino and the other hotel are based in Tróia, Grândola.

How much it cost Aquarius to take over the establishments, however, has not been revealed.

Foreign investors wooed by shopping centres

It is also believed that both national and foreign investors are keeping a close eye on any chances they have to snatch Portuguese shopping centres.

“We believe that some shopping centres will be put on the market this year,” said C&W's van Leuven.

Although he couldn't reveal exactly which malls he was talking about, he said that they are “successful” shopping centres with a “good number of visitors and sales”.

II Major deals on the table for 2015

Tivoli

Portugal's Tivoli Group has made it into the limelight for being one of the country's first major deals of 2015.

Six of its hotels were sold last month to Thai company Minor International (MINT) for €168.2 million, four of which are in Portugal – the Tivoli Lisbon, Tivoli Marina Vilamoura, Tivoli Carvoeiro and Tivoli Marina Portimão.

There is much still at stake, though, as the Tivoli Group still has eight hotels up for sale.

Vilamoura

The future of Vilamoura is still somewhat of a mystery.

Despite repeated attempts from the Resident, the company that manages the marina and part of the resort, Lusort, has refused to comment on the widely-reported change of ownership.

As already mentioned, it is believed that Lone Star Funds, an American private equity firm, is bidding for Vilamoura – though for “considerably less” than the €500 million originally mooted.

Vale do Lobo

It's also anyone's guess who will be taking over the 450-hectare Vale do Lobo and when.

National press has reported on interest coming from European, Asian and North American investors, but so far nothing concrete has been announced.

As we went to press, Portuguese bank CGD (Caixa Geral de Depósitos) – which has a 25% holding in Vale do Lobo – had not responded to the Resident's queries about the resort's future.

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- See more at: <http://portugalresident.com/portuguese-real-estate-becomes-foreign-investment-%E2%80%98magnet%E2%80%99#sthash.wGrX6M6K.dpuf>