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Chinese making 90% of property bids in Portugal

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As bargain-hunters waited in a packed room at a property auction in Lisbon last month, one language dominated their chat: Mandarin.

About 90 per cent of the bidders for the government-owned apartments and stores on offer were Chinese, according to Jorge Oliveira, the official overseeing the asset sale. They ended up acquiring more than two-thirds of the 45 properties, he said.

"A Portuguese investor bought a store to start a bakery and coffee shop, but most of the properties went to the Chinese," Oliveira said in an interview after the sale.

Portugal is the latest target for Chinese investors who have been acquiring buildings around the world as China allows freer movement of funds in and out of the country.

The Chinese accounted for almost one in five foreign property purchases in Portugal during the first nine months, according to the Lisbon-based Portuguese Real Estate Professionals and Brokers Association. They already represent the biggest group of foreign buyers based on money invested, said Luis Lima, head of the association.

Bing Wong, a 52-year-old store-owner from Shanghai who attended the Oct. 24 auction, has been buying properties in Lisbon to create a network of outlets to serve the biggest concentration of Chinese residents in Portugal.

"Lisbon is cheap if you compare it with other cities," he said. "The economy is improving and there are some good deals to be done here."

Shops on London's Bond Street are about 25 times more expensive than the equivalent on Lisbon's downtown shopping areas of Chiado or Avenida da Liberdade, according to Darren Yates, head of global capital markets research at Knight Frank in London. Rents on Bond Street are about 10,000 euros ($12,600) a square meter, about 10 times more than the cost of renting prime retail space in Lisbon, Yates said.

Spending on commercial properties in Portugal will rise to as much as 800 million euros this year from 322 million euros in 2013, according to broker Cushman & Wakefield Inc.

Portugal is slowly emerging from three years of austerity after completing a three-year bailout program in May. The capital is leading the way as a tourism boom provides the money -- and an added incentive -- to renovate whole blocks of buildings that have fallen into disrepair.

For buyers from outside the European Union, there's also the prospect of a visa. Chinese investors are the top beneficiaries of Portugal's property-for-visa program, which enables buyers of property worth 500,000 euros or more to live in Portugal and travel freely within the EU.

Chinese policy makers have made it easier for investors to transfer money into and out of the country as they try to boost the global stature of the yuan. While wealthy Chinese have for years been picking up expensive real estate in markets including New York, London, Sydney and Vancouver, the new measures have encouraged individual investors and their families to purchase properties in markets such as Portugal, where there's less competition for assets.

Lisbon city council and state-owned companies are selling apartments, ground-floor retail space and even entire buildings in prime locations to raise money to repay their debts.

Oliveira works for one of these companies, urban developer EPUL, and is responsible for organizing asset sales such as last month's auction. EPUL is due to be wound down at the end of the year after the city council decided in 2012 to liquidate the debt-laden company.

The properties sold at the auction were in five buildings along one side of Praca Martim Moniz in downtown Lisbon. The square is best known for being the starting point for the vintage No. 28 trams that take tourists along the narrow, cobbled streets of Alfama, Lisbon's oldest district, to attractions including Saint George's hilltop castle and the Feira da Ladra, or Thieves Market.

These days, there's another reason to visit Martim Moniz and the nearby Almirante Reis Avenue: the rows of Chinese restaurants, clothing shops and grocery stores selling lemon grass and black soy sauce that have opened over the past three years.

"With so many Chinese investing in Lisbon, I'm sure there will soon be a Chinatown in the city," said Yi Li, a 51-year-old businessman from Shanghai whose relatives own clothing stores in Lisbon.

Yi himself is helping to make that happen. Dressed in a Paul & Shark polo shirt and jeans, Yi arrived at last month's auction at 9:30 a.m., half an hour early.

By the time the sale was suspended for lunch three hours later, he and his family had spent more than 5 million euros ($6.3 million) on several apartments and stores. Every time Yi or another Chinese buyer made a successful bid, their fellow countrymen stood up and clapped.

"Many of us here are family members," he said.

Chinese bidders may be congratulating each other on their purchases for some time to come, unless Portugal's economic recovery starts to pick up steam. An unemployment rate of 13.9 percent and years of tax increases mean that most local investors are unable to outbid their Chinese counterparts.

"It's obvious that the Portuguese can't compete with the Chinese investors at these auctions because they don't have cash available to spend," said Nuno Durao, the head of real estate company Fine & Country, which specializes in the sale of residential luxury real estate. "Lisbon property auction rooms would be empty if it wasn't for foreign property buyers."

When Lisbon city council held an auction on Oct. 8 to sell 14 buildings in the city center, including the former headquarters of a bank and two palaces from the 18th and 20th centuries, it was again the Chinese, the French and even Russian investors that clinched the most prized properties.

Pigmentparty, a Chinese real estate company with an office in Lisbon, topped a bid by the Portuguese central bank's pension fund to buy the former headquarters of Banco Santander (SAN) in Lisbon for 7.3 million euros, the biggest deal at the auction that day.

Then a French company bought two palaces located on two of Lisbon's seven hills before a Russian outbid a Chinese investor to buy a century-old fire-department building in the capital for 3 million euros, almost twice the original asking price, said Antonio Furtado, a city council official at the sale.

Portuguese investors managed to buy less than 2 million euros of properties out of the 21.6 million euros raised at the Oct. 8 auction.

"We're hoping these investors will help dress up the city by converting these properties into hotels, luxury apartments, stores and cafes," Furtado said. "Strong demand for real estate in Lisbon shows that even in difficult times investors see opportunities in the city."

This story was found at: ***http://www.smh.com.au/business/property/chinese-making-90-of-property-bids-in-portugal-20141104-11gjfe.html***