



## Portugal and foreign investors

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Portugal is currently considered by many to be the most attractive country in Europe for foreign investment. But what is so special about Portugal? This article argues that Portugal is not only a dream travel destination but also a dream country in which to invest, both in terms of business ventures or real estate. Factors like its environment, friendly people, great weather, democratic government as well as the prevalence of English as the language of business, all combine to support Portugal's international reputation, and its claim to be an excellent location for foreign investors.

Portugal has taken great strides in recent years to boost growth by increasing its competitiveness and simplifying the process of investing and doing business. It has now become much easier to invest in Portugal thanks to reforms in competition law, the employment market, and the tax system — all put in place to further drive economic recovery. The country is currently in the enviable position of having world-class infrastructure, a highly qualified and young workforce, a safe and stable environment and a high standard of investment protection.

A legal framework beneficial to foreign investors has been created as legislation has been adapted to better suit the common rules and practices of a liberal foreign investment system. Government policies have made the promotion of Portugal's appeal to foreign investors a priority, introducing measures like non-discrimination between domestic and foreign investors (when establishing a business) and by introducing incentives for investors (eg, financial incentives for development business in Portugal, tax benefits, etc.).

After a financial crisis that seemed interminable, the Portuguese economy is now on the rise and looking better than ever. An increase in tourism and growth in foreign investment in Portuguese companies and real estate have gone a long way to ensuring Portugal's financial stability.

Foreign investors have been showing a growing interest in real estate; in 2018 alone, foreign investors were responsible for almost the entire volume of investment in Portugal in this sector. Indeed, 2018 was a year for records across the board; in investment transactions, and also in office real estate, retail activity, as well as in the level of profitability rates. More than €2.8 billion was traded in commercial real estate assets, which represents an increase of around 33 percent over the previous year.

In recent years, urban redevelopment and regeneration has been on the rise in Portugal, due to a shortage of supply and the increasing attractiveness of the national real estate sector worldwide. Among the most important urban redevelopment and regeneration projects is the "Golden" portfolio, of which approximately 70 percent is estimated to be assets for residential purposes, as well the sale of the "Feira Popular" land and the acquisition of the "Quarteirão de Suiça."

In particular, growth in Lisbon's real estate sector is not likely to slow down in 2019. Lisbon is the first destination for real estate investment and forecasts remain optimistic that 2019 will certainly be another very positive year, with the investors looking for "alternative assets." These include student accommodation and co-living space, and the evolution of serviced apartments and hotels looks set to be the great trend for 2019. Additionally, investors are looking for guaranteed income

across the European real estate industry and they are currently showing interest not only in high returns but also for investment security, which Portugal can offer.

Tourism plays a significant role in the Portuguese economy, with Portugal becoming an increasingly attractive destination worldwide. However, the country was not prepared to meet the high demand for new buildings to satisfy the recent increase in tourist numbers, which has been the driving force for investors to acquire real estate in order to meet this growing demand for tourist accommodation.

With the tourism sector's sudden growth since 2012, it is not only hotels which have felt the benefit of increased bookings. Short-term rental companies like Airbnb are now generally fully booked throughout the year. This has made properties seem very appealing by safe investment standards. Residents too have started to convert their residential properties into short-term rental apartments when they discovered the low taxation regime applicable to such short-term rentals. However, the high-income rentals are even more appealing as an additional source of stable income.

For the second time in history, the hotel sector has become the third most attractive commercial real estate segment, attracting 8 percent of total investment.

Lisbon hasn't yet reached its full potential as a tourist destination, meaning that it will continue to be a tourist hotspot for years to come.

While Lisbon has recently received several high-profile awards (Ninthly Europe's Best Tourist Destination, Cruise Destination and City Break at the World Travel Awards) and it is one of the world's top 10 cities for corporate events, it remains slightly overlooked as one of Europe's must-see capitals. It is a growing low-cost and cruise destination, but it still doesn't attract major markets beyond the British, Spanish, French and Italians. It receives very few Asian visitors, and despite its proximity to the US, American tourism to the city has only now begun to reach significant levels. Lisbon's future is largely secured by tourism, as the city now receives more visitors than the Algarve. In short, if there is one smart investment in Lisbon, it's in tourism, particularly in accommodation and downtown cultural activities and in the city's historic districts.

The potential for high returns on investment in Portugal is evident. Furthermore, the rules on investing in the country are fairly simple, although of course, seeking legal advice before making any investments is recommended.