

**Spain: What are the biggest challenges real estate clients face?**

“Macroeconomic concerns – internationally, mainly Brexit, and locally, an apparent slowdown in GDP growth expectations. Meanwhile, although 2018 is expected to be a new record year in property investment, clients argue that it is becoming more and more difficult to find investment opportunities.”

**Alfonso Fernández-Puebla, partner, Simmons & Simmons**

“In light of the professionalisation of the real estate investment in recent years in Spain, clients must have the capacity to participate in large-scale transactions, where profitability is higher.”

**Iñigo Montesino-Espartero, partner, RCD – Rousaud Costas Duran**

“The deterioration of the country’s macroeconomic outlook, which creates uncertainty among investors, and this will undoubtedly affect the sector (though to less of an extent than the previous economic crisis of 2008). This is in addition to the current political uncertainty, which may have a negative effect on the stability of the legal framework.”

**Álvaro García de León Lorenzo, partner, Lener**

“Recent events with regards to financing in Spain have created an unstable atmosphere for purchasers and investors considering buying in Spain, thus financing is one of the biggest challenges.”

**Silvia Reinoso Ruiz, associate, Cremades & Calvo Sotelo**

“High investment pressure in a mature and safe market challenges investors to be swift and quick, and increases the propensity to take risk. The real estate sector in Spain is highly specialised, which makes it more complicated for international players to compete.”

**Philipp Kirchheim, partner, Marimón Abogados**

which are “killing malls and street retail shops”, says **Bird & Bird counsel Jacobo Sánchez-Andrade**. However, he adds that real estate owners should readapt to alternative uses, such as leisure. “Many of these struggling retail locations have excellent economics for redevelopment,” he says. “Most of the Spanish cities are suffering the closing of traditional retail shops, but in turn, an explosion of the restoration and leisure market is enabling cities like Madrid and Barcelona to survive the phenomenon of online sales by redefining uses to meet public needs.” Meanwhile, Sánchez-Andrade adds that, with regard to office space, employers are “tempted to implement teleworking/hot desking as a way of fitting more workers into an existing space and more efficiently using the available space”.

**Portugal: Developers target Lisbon**

Hotels and co-living spaces in demand, but clients increasingly running tenders and choosing law firms on price

**Event:** Iberian Lawyer Real Estate Roundtable

**Host:** Uría Menéndez-Proença de Carvalho

The Portuguese real estate market is growing rapidly, with significant investment in the market from developers and funds, attendees at the *Iberian Lawyer* Real Estate Roundtable in Lisbon heard. Consequently, there have been some large transactions in the sector recently. However, there is concern that there is no sign of fees increasing, while there are also doubts about whether the level of workflow will be maintained in the coming year.



Uría Menéndez-Proença de Carvalho partner Duarte Garin said there is a growing trend for private equity funds to acquire office developments

**Uría Menéndez-Proença de Carvalho partner Duarte Garin** said real estate market activity is “picking up” with larger deals taking place and bigger developments. He added that there is a growing trend for private equity funds to acquire office developments. Garin said that, consequently, this has “pushed all law firms to pay greater attention to the real estate sector”. Major recent deals included Fidelidade selling a portfolio of 277 properties – largely located in Lisbon and Porto – to Apollo for approximately €400 million. Garin added that there has also been substantial work for law firms related to the sale of non-performing loan portfolios with a REO (real-estate owned component). He also said that there will be a “couple of good years ahead” for real estate lawyers as demand for legal services increase, though there are concerns that there could be pressure on fees resulting in law firms “getting squeezed”.

New players with a “long-term perspective” on investment are entering the Portuguese real estate market, said **Vieira de Almeida partner Pedro Ferreirinha**. He added that there is growing interest in greenfield investment in Portugal with US developers among the clients looking for

opportunities. However, the process for obtaining permits for development is getting slower and this is making investors nervous, Ferreirinha said. Meanwhile, another trend is for foreign companies to move “significant parts of their operations to Portugal”, he added. It is also becoming increasingly common for market newcomers to run tenders for legal work, with the result that “price is a major factor” in clients’ decisions.

There are a significant number of real estate projects underway in the residential, hotel and office sectors in Portugal, said **Cuatrecasas partner Nuno Sá Carvalho**. He added that another new trend is “co-living” (where, for example, people share communal spaces and may also have laundry and cleaning services included in their rent), but there is a lack of legislation applicable to this area and consequently this represents a significant opportunity for lawyers. Real estate transactions also represent a good opportunity for lawyers to cross-sell their services as there is often a need for tax-structuring, financing and planning advice,

Sá Carvalho said. There is more good news for the sector as banks are again providing loans for real estate projects, he added. The total investment in Portuguese real estate during 2018 increased nearly



MLGTS partner João Torroaes Valente says the Portuguese real estate sector is a “sellers’ market

50 per cent to €3 billion.

The tourism sector is driving a lot of investment in the Portuguese real estate sector, said **Linklaters counsel Diogo Plantier Santos**. He added: “There is a lot of demand for hotels and the market is in need of assets.” Plantier Santos said

the real estate market is becoming a bigger source of revenue for Portuguese law firms, but also warned that the “cycle will come to an end and big deals won’t go on forever – there will be less activity in real estate next year”.

**MLGTS partner João Torroaes Valente** said the real estate sector is a “sellers’ market, where the supply of brand new product is scarce”. He added that there has been an increase in French, US and UK developers/investors entering the market. Torroaes Valente also said that, as a consequence, greenfield development is on the rise, with hotels and residential developments in Lisbon and Porto proving popular. He added that, given this context, law firms’ work in the real estate sector was getting increasingly sophisticated, with the “establishment of joint ventures for development with local partners”. With regard to offices, the demand for leasing by “French blue-chip companies is a trend, insofar as they are willing to bring large numbers of highly qualified people to work in Portugal”, Torroaes Valente said. “Furthermore, investors are looking at the Portuguese market and see it as a brighter prospect than other jurisdictions due to the higher return rates.”

Co-working offices and co-living (particularly for students and Brazilian and French ex-pats) are growing trends in Portugal, according to **Abreu Advogados partner Patrícia Viana**. She added that another trend is farms being leased for solar power plants. Meanwhile, shopping centres are regularly being acquired and sold and there are more of these types of deal in the pipeline, said Viana. The growth of real estate work means law firms are reconsidering how they are structured given that, in the past, they often did not have specialist real estate lawyers, she added. Viana also said that there is currently a shortage of young real estate lawyers.

There is substantial demand for new properties in Portugal, which

### Portugal: What are the biggest challenges real estate clients face?

“Being able to find new targets/assets in Lisbon and Oporto rather than on the financing side where international banks and funds maintain a strong focus on Portugal.”

**Nuno Oliveira-Garcia, partner, Andersen Tax & Legal**

“The majority of real estate investments are, by nature, long-term developments. In such a context, it is not easy to make a client feel comfortable and committed to invest in Portugal while the legislator keeps making political and ill-thought-out modifications to the law in extremely important areas, such as local accommodation regulations, pre-emption rights and property taxes.”

**Rodrigo Almeida Dias, managing partner, FCB Sociedade de Advogados**

“The booming real estate sector and the associated risks. The price of real estate increased significantly in recent times and some assets are overpriced. But the market offers great opportunities in logistics, student accommodation and housing for elderly people.”

**Nuno Pereira da Cruz, partner, Cruz, Roque, Semião e Associados**



means there will be continuous development for the next five years, said **PLMJ partner Tiago Mendonça de Castro**. He added that the dramatic increase in work means the number of lawyers handling real estate matters at PLMJ has quadrupled in the last seven years. Mendonça de Castro also said that shopping centres have to adapt to the challenges posed by e-commerce and consequently, many need advice on how to change their business. Meanwhile, there

is significant demand for student accommodation in Portugal, he added. In addition there are a number of major international companies moving to Portugal, Mendonça de Castro said.

The real estate market is generating significant work for law firms, particularly in relation to the regeneration of residential property, tourism development

and construction, said **Caiado Guerreiro partner Tânia Pinheiro**. She added that the sector is also a source of substantial tax-related work. Meanwhile, Pinheiro said that Brazilian developers are showing a lot of interest in the Portuguese real estate market. However, developers also face the challenge of getting approval for developments from local authorities and this means that, from a lawyers' perspective, it can be "difficult to get it done in clients' timeline", according to Pinheiro.

**CCA Ontier managing partner Domingos Cruz** said real estate developers face the problem of "uncertainty in city halls" with regard to the issue of new development and that there is often "reactionary legislation" in this context.

However, despite this, real estate is a major source of work for Portuguese law firms, he added. Cruz continued: "The outlook is stable, though there are some clouds on the horizon in that Lisbon has some infrastructure issues that need to be addressed – for example, there needs to be investment in the subway, airport and transport infrastructure in general."



CCA Ontier managing partner Domingos Cruz says Lisbon has infrastructure 'issues' that need to be addressed

#### Portugal: What are currently the biggest opportunities for law firms in the area of real estate?

"The real estate market is experiencing dynamics that we have not seen in over a decade at least, with record investment volumes coming into the sector. The total investment expected for 2018 will be above €3 billion, which is an historic record in Portugal. A very large percentage of the capital comes from foreign investors (around 80 per cent). A variety of asset classes are attracting investors, including retail, residential, leisure, commercial and industrial."

**Jorge Gonçalves, partner, Garrigues**

"Real estate investment funds located in Germany, France and the UK. New and innovative mechanisms in real estate-related transactions, including those involving warranty and indemnity insurance."

**Neuza Pereira de Campos, managing associate, SRS Advogados**

"Taking advantage of the specialisation developed by teams in the past four years, such as asset management planning and urban modulation."

**Pedro Almeida e Sousa, partner, Telles de Abreu & Associados**