



IPD Evolving Marketplaces **Conference**

Structural progress and market opportunities in Southern and Central Europe including:

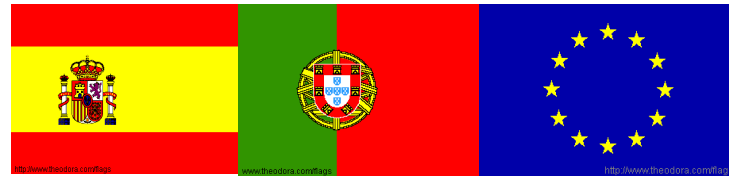
- Italy
- Spain
- Portugal
- Poland
- Hungary
- Czech Republic



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Portugal: a small country...



GDP (2003)	billion €	742.3	130.8	9294.9
	% EU15	8.0	1.4	100.0
Population (2003)	Millions	41.9	10.4	382.2
	% EU15	11.0	2.7	100.0
	growth rate, %	1.6	0.7	0.5
Labour Force (2003)	Millions	18.8	5.4	178.8
	% EU15	10.5	3.0	100.0

Source: OECD



Portugal: ... and a small real estate market

Property investment in Europe (Study 2004 – Provisional results)

	<i>Property Investment total value</i>	<i>Institutional investment</i>	<i>Institutional investment as % of GDP</i>
o UK	5 054	358	23%
o Germany	7 109	292	14%
o France	4 864	125	8%
o Netherlands	1 467	65	15%
o Sweden	552	58	22%
o Spain	2 401	24	3%
o Denmark	612	23	13%
o Norway	632	20	10%
o Finland	464	20	15%
o Portugal	430	11	8%
o Ireland	432	5	3%

Source: ROZ





Portugal: ... a mature real estate market?

Strenghts:

- Investment opportunities;
- Safety in transaction processes;
- Valuation quality.

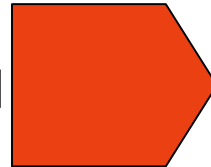
Weaknesses:

- Diversity and number of actors;
- Lease contracts;
- Investment volumes & market liquidity

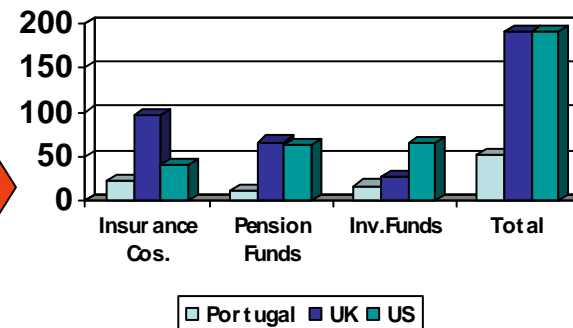


Weakness #1: diversity and number of actors

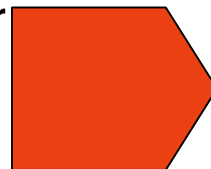
- A small country with a bank based and highly concentrated financial system;



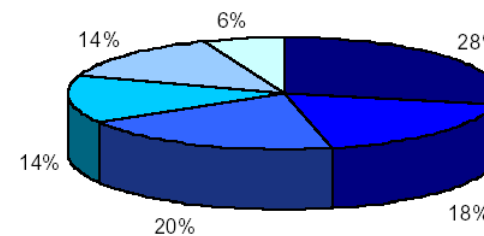
financial assets as % of gdp



- Domestic investors account for more than 85% of the total investment market;








Investment market breakdown




- Open-end funds
- Closed-end funds
- Property cos.
- foreign
- Pension funds
- Insurance cos.








Mkt. shares (as of June 30, 2004)						Top3	Top5
Loans	26.0%	29.2%	16.0%	10.6%	10.7%	71.1%	92.5%
Deposits	32.2%	22.5%	13.9%	8.7%	9.7%	68.6%	87.0%
Assets	22.8%	21.5%	13.9%	7.4%	9.6%	58.2%	75.3%




Source: Portuguese Banking Association

-  The portuguese financial market is not only bank-based, but
 - Severely concentrated;
 - Dominated by local players: CGD is state-owned, Millennium BCP and BPI listed banks with portuguese management and statutory deterrents for shareholder control over management, BES is a joint venture between the portuguese family Espírito Santo and Crédit Agricole; only Totta is held by a foreign bank, Banco Santander (but managed by portuguese directors)
 - Investors are also subsidiaries of the big banks, and tend to lack true decision-making capabilities by themselves



- Investment fund managers
 - are also bank-owned...
 - ... and owned by the top banks...

Securities Funds	Shareholder	Mkt. share
AF Inv.		19.9%
Caixagest		19.1%
Santander		18.1%
BPI F.		17.9%
ESAF		12.7%

Real Estate Funds	Shareholder	Mkt. Share
ESAF		21.0%
BPN I.	(mid-sized bank)	12.5%
Fundimo		10.7%
AF Inv.		8.4%
TDF	(cement and construction co.)	8.2%

- Meaning:
 - very few...
 - and very powerful decision makers



Weakness #2: Commercial Lease Structure

- Lease law of very small flexibility: parties can not agree what they wish, but only choose one of two models:

	“New Lease”	“Old lease”
Term	Min 5 yrs	Variable
Break options – landlord	Yes (1 yr. Notice)	No
Break options – tenant	Yes (90 days notice)	Yes (only at lease maturity)
Security of tenure	Initial term only	Perpetual
Subletting	With landlord’s consent	With landlord’s consent
Rent review	As agreed	Official index



Weakness #3:
Investment volumes &
market liquidity

- Investment volumes are low, and number of deals small;
- Size of average deal is very small;
- Much more acquisitions than sales;
- ... **not an easy market to exit...**

	Deals (#)	Capital flow (€m)	Average deal (€m)
Acquisitions	96	527	5.5
Sales	17	174	10.2

Source: IPD (2003 data)



 **Strenght #1:**
Investment
opportunities

The highest, and the only double digit
3-year annualised return in Europe

	12 months to:			Annualised over: 3 years	Index (2000 = 100)			
	2001	2002	2003		2000	2001	2002	2003
Total return %, EUR								
Denmark	11.6	10.2	7.1	9.6	100	112	123	132
KTI Finland	7.3	6.0	5.8	6.4	100	107	114	120
Norway	14.6	17.4	-6.7	7.9	100	115	134	126
Sweden	-0.2	4.0	1.6	1.8	100	100	104	105
France	9.7	8.7	8.0	8.8	100	110	119	129
Germany	5.9	4.3	2.5	4.2	100	106	110	113
Netherlands	11.4	8.8	7.1	9.0	100	111	121	130
Portugal	14.0	13.2	9.5	12.2	100	114	129	141
Spain	9.0	8.3	7.9	8.4	100	109	118	127
Ireland	8.2	2.3	12.7	7.6	100	108	111	125
UK*	10.3	2.3	2.4	4.9	100	110	113	116
IPD Eurozone	8.0	6.4	5.2	6.5	100	108	115	121
All IPD Europe*	8.5	4.9	3.4	5.6	100	108	114	118



	12 months to:		
	2001	2002	2003
Income return %, EUR			
Denmark	6.8	6.4	5.9
KTI Finland	7.1	7.0	7.0
Norway	8.2	8.6	6.7
Sweden	5.4	5.8	5.7
France	6.2	6.5	6.5
Germany	5.4	5.3	4.8
Netherlands	6.4	6.2	6.1
Portugal	8.0	7.8	7.1
Spain	5.8	6.0	6.1
Ireland	5.0	5.3	6.1
UK*	6.9	6.5	6.4
IPD Eurozone	5.9	5.9	5.6
All IPD Europe*	6.3	6.2	5.8

	12 months to:		
	2001	2002	2003
Capital growth %, EUR			
Denmark	4.8	3.8	1.2
KTI Finland	0.2	-1.1	-1.2
Norway	6.4	8.8	-13.4
Sweden	-5.6	-1.8	-4.1
France	3.4	2.3	1.6
Germany	0.5	-1.0	-2.3
Netherlands	4.9	2.6	1.0
Portugal	6.0	5.5	2.3
Spain	3.1	2.3	1.8
Ireland	3.1	-3.0	6.7
UK*	3.3	-4.2	-4.0
IPD Eurozone	2.1	0.5	-0.4
All IPD Europe*	2.1	-1.3	-2.4

- The highest income return in Europe in 2003, and the second highest in 2002 and 2001;
- Positive capital growth every year in the last three years



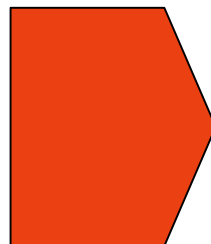
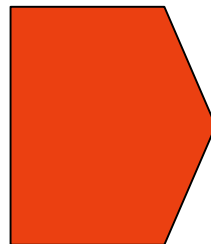
Strenght #2: Safety in transaction processes

- Portugal is a bureaucratic country: transaction processes are complex, but secure
- Under portuguese civil law, the right of ownership is defined as the most absolute right one may have with respect to an asset;
- The most common title for the acquisition of real estate in Portugal is a purchase agreement;
- The transfer of ownership has to be made by means of a public deed before a public notary;
- This deed mentions the land registry's ID number of the property, and contains the signatures of the parties;
- Subsequently, the deed is registered with the Land Registrar Office, usually by the purchaser.



Strenght #3: Valuation quality

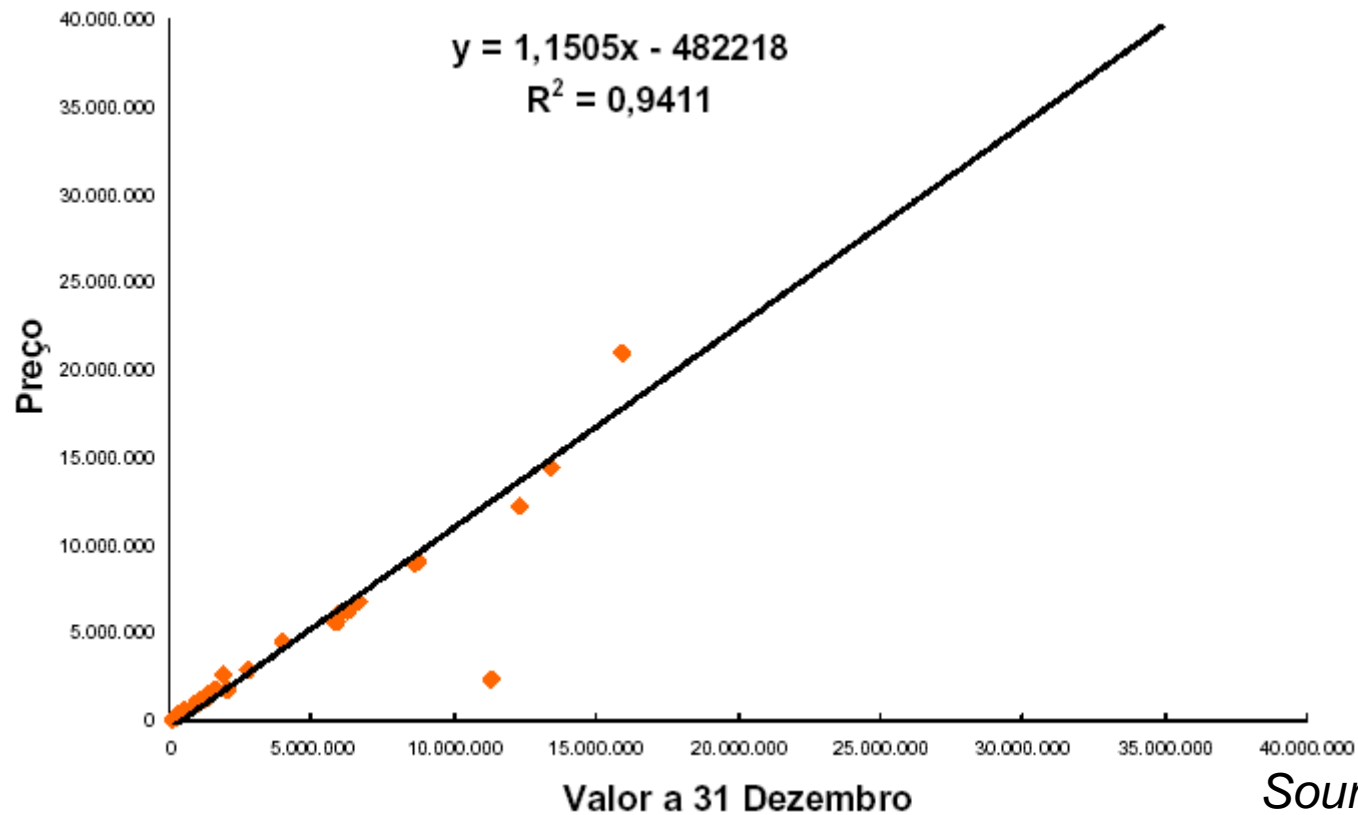
- The portuguese valuation market is dominated by international players
- The frequency of usage of DCF methods is high



Método de avaliação	% número	% valor
DCF only	12,7	38,3
Income Capitalisation only	27,6	21,5
Comparable Sales only	4,3	4,9
DCF and Inc Cap	6,7	16,6
DCF and Comp sales	1,7	2,6
Inc Cap and Comp sales	44,5	14,0
All Three methods	1,9	2,1
Book Cost	0,5	0,1
Total	100,0	100,0



- Valuers operating in Portugal have delivered accurate valuations:

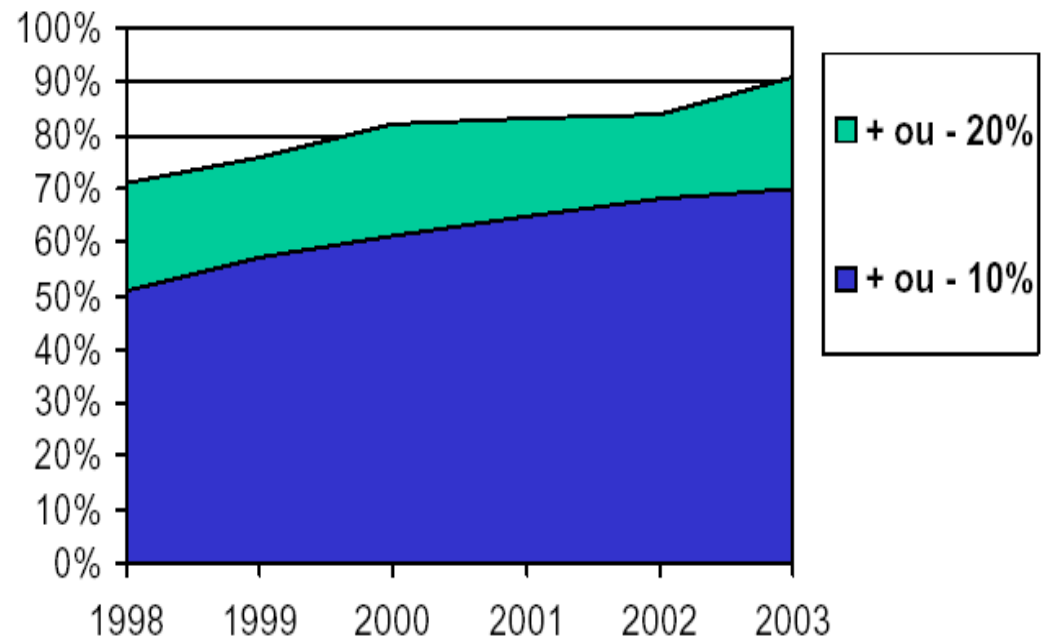


Source: IPD



Accuracy of portuguese valuations

- has been improving,
- is well within international standards: in 2003, more than 90% of valuations are within 20% of their subsequent sale price



To conclude: in portuguese real estate

You can reach the sky...



... But you are likely to walk
through narrow pathways



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