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As we enter 2021, real estate investors will face significant challenges. The first and foremost concerns the pandemic, as Portugal has suffered a severe third wave of Covid-19, which will slow down recovery. Second, the increasing restrictiveness of local banks to fund real estate may impact pricing and is already forcing some developers to delay their projects, particularly in the office, residential and hospitality segments, or to turn to alternative financing. Third, the delay in licensing processes, which was already a significant issue, particularly in Lisbon, has been aggravated by the pandemic.

We see the disruptive impact of the coronavirus as the major investment topic for 2021, either due to its direct economic effect or to the trends it has accelerated.

First, we expect several opportunities in the Portuguese hospitality segment, one of those most affected by the

pandemic, as local players seek to raise cash. Fundamentals remain very positive, with strong recovery expected to begin in the second half of 2021, particularly in leisure hotels.

Second, we highlight the industrial/logistics segment. This sector was virtually dormant in Portugal over the last years, but it is the big winner of the pandemic, with e-commerce displaying exponential growth and driving demand for logistics spaces in major urban areas.

Finally, and as a more structural trend, we see an opportunity in the affordable residential market segment, given the lack of new product targeting this segment since the previous crisis, particularly build-to-sell strategies in Greater Lisbon and Greater Porto. Despite strong interest from international investors, we remain sceptical about the economics of build-to-rent greenfield projects in Portugal.

Looking back at the beginning of 2020, with news coming from afar about a new virus, I'm struck by how distant and foreign it all seemed. I don't think anyone could have imagined what was to come in 2020, and I guarantee no one is going to venture a guess about what 2021 has in store; perhaps we will have to take it day by day and remain optimistic.

And that is precisely the issue. Uncertainty is capital's worst enemy and, in the current global economic scenario, investors are being overly cautious when deciding their next move. Is it time to be a bargain hunter? Or quite the opposite, is this the time to stay still and wait for the waters to calm?

However, despite the current predicament, Iberia remains, and will remain, interesting for investors. Both Spain and Portugal continue to offer interesting opportunities in all segments, although we believe food distribution will continue to appeal to investor appetite in the short term, attracted by the resilience this sector has demonstrated during the most difficult of times of the Covid crisis. Supermarkets and hypermarkets are being targeted by all investors, and we are sure this will continue throughout 2021.

Nevertheless, don't count retail out yet. This sector is constantly reinventing itself, and this crisis will prove once again that retail is a survivor. As it has done in the past, the sector will keep evolving, hand in hand with technology and assim-

ilating the conceptual changes required to give consumers what they want, and provide new options to get it. While the Covid crisis is temporary, some of its effects, and particularly some newly acquired social habits, may be here to stay. Retailers and landlords will have to enter this new era united. The digital industry and online universe have advanced in six months what experts had predicted would take six years. This will surely continue to have an impact on the way we shop and our relationship with the retail world, which will also send shockwaves to the investment sphere.

As for what comes next for Iberia, the global pandemic, plus the unknown effect of Brexit, have shown that countries like Spain and Portugal, which depend heavily on tourism, are facing new challenges regarding how to maintain the fine balance between a powerful tourism industry that represents a significant part of the country's GDP, while at the same time shifting towards a more sustainable and reliable economic model. As with all changes, some opportunities disappear while new ones become obvious, and investors will be right there, waiting, to once more make the best of what Iberian real estate has to offer.

MDSR Investments will maintain a strong focus on the Iberian market in 2021, as we continue to scan the real estate markets for opportunities.



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