

Pro-business Porto reaps its rewards

Foreign capital continues to pile into the Portuguese city attracted by a welcoming government and high-quality talent pool

Porto has seen a 333% growth in international projects since 2016, outperforming other cities in fast-growing Portugal.

'Portugal is the country in Europe where foreign direct investments are growing the fastest and Porto is growing faster than the national average,' Ricardo Valente, city councillor for economy, tourism & commerce at Porto City Hall, told *Real Asset Insight*. 'Now it's the time to invest.'

Foreign capital accounts for 60% of investments into Porto and the top six countries are France, UK, Germany, US, Brazil and Spain. 'There is more liquidity in the market because there is more core capital coming to the city, institutional and private investors as well as the opportunistic capital,' says Hugo Lima, general manager of Lucios Real Estate.

REIT REGIME

The legal environment has been crucial in attracting foreign capital, with a tax rate of 10% for foreign companies, incentives to renovate buildings and regenerate neighbourhoods and now a REIT regime. 'The new SIGI investment vehicles, or REITs, that have just been approved by law in Portugal will increase the liquidity and transparency of the market and attract more international capital,' says Maria Santa Martha, a partner at CCA Law.

Foreign investors also know they can count on a big pool of skilled workers. 'Another attraction specific to Porto is the availability of talent', says Valente. 'It is our secret weapon. Porto accounts for 37% of all the talent in Portugal, second only to Lisbon that has 44%. Porto is second in Europe for engineering graduates, and the digital side of our economy is very strong.'

Even by Portuguese standards Porto has a particularly pro-business stance, says Santa Martha: 'The local government is very welcoming, has a constructive, problem-solving approach and is open to innovative solutions, which is why so many foreign companies have chosen to set up their headquarters in the city.'

The list includes Natixis to Euronext, Endesa, Sodexo and BMW, which has chosen Porto for its high-tech Development Centre. 'We can be the next Silicon Valley, but with better wine,' quips Valente.

The growing presence of foreign companies means there is demand for new, state-of-the-art offices, says Ana Jordao, associate director of Predibisa: 'We are building brand new spaces for these companies, but there is also a need for residential projects and for hotels, as tourism is a growing sector.'

There are more than 100 hotels in the city and the current pipeline will increase that number by 50%, but there are still opportunities to be found in the sector. 'Many more American and Chinese tourists are coming to the city, so more five-star hotels are needed,' says Lima. 'Student housing is another asset class that offers opportunities, because of the growing demand/supply imbalance.'

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Ricardo Valente, city councillor for economy, tourism & commerce at Porto City Hall, addresses an audience at EXPO Real

In Porto's city centre period buildings must be preserved and renovated, but development is encouraged in the urban regeneration areas and the three designated expansion areas and more permits are being issued by the local authorities.

'The licensing process is much easier now,' says Lima. 'We submitted a project and got approval in nine weeks for the architect's design and less than six months later had the final building permit.'

Lucios Real Estate is developing the Pacifico Complex in the city centre, a 50,000 sq m mixed-use project with a hotel, retail, residential, offices and parking spaces. ●



A unique blend of old and new

Porto's momentum still persists as the value drivers attached to the discovery of the city as a unique place to set up business remain: quality of life, fantastic availability of talent, first-class infrastructure and city governance focused on enabling a city with a multifunctional ecosystem, writes *Ricardo Valente, city councillor for economy, tourism & commerce at Porto City Hall.*

Porto's reputation as an innovative city is primarily due to its cultural features, which are as much differentiating as they are essential to the urban quality of life. They are also one way of making the city known to the world.

Porto is an open city with a vibrant cultural life, a resurgent entrepreneurial scene, a world-class university, and a unique centre which carries a culture of diversity in its genes. This unusual capacity of combining our cultural heritage with innovation gave origin to a set of unique projects in the city, aiming to make Porto a port of talent and skills for the 21st century economy.

At the Municipality, we are investing a lot to make Porto a new economic centre in the region and in the country. We are developing a new area of the city (Campanha, on the east side) and preparing the city to be more competitive and sustainable with the Campanha Intermodal Transport Terminal, reconversion of the former Porto Slaughterhouse, and renovation of Bolhao Market.

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On the up: Porto's urban rehabilitation areas (ARU) & expansion areas

1. Rehabilitation of the Bolhao Market
2. Rehabilitation of the Rosa Mota Pavilion
3. Matadouro
4. Porto Innovation District
5. Strategic Masterplan of the Eastern Area of Porto
6. Campanha Intermodal Transport Terminal
7. Quartel de Monte Pedral Affordable Housing Project
8. Monte da Bela Affordable Housing Project
9. Lordelo do Ouro Affordable Housing Project
10. Student Residence - Bainharia Block Intervention Unit
11. Tourist Accommodation - Pelames Intervention Unit

