Nº14 April / June 2021

PORTUGAL ON THE MOVE

Essential BUSINESS

NPLS
Awaiting the avalanche

FUNDS
Investors more cautious

BRANDS
Supporting Portuguese events

PRIME YIELD
Adding value

WEDDINGS
The lost year

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NELSON REGO

Welcome to Essential Business, the 14th edition of the magazine.

In this issue, we highlight the importance of large, televised sporting and music events for brands in conveying their products and corporate messages to different audiences. We have focused on two events in Portugal: The Millennium Estoril Open which brands have decided to continue supporting this year in spite of no live spectators, and Rock in Rio, which although sadly has been cancelled this year, will return next year. We speak to João Stilwell Zilhão, partner of what has become Portugal's most famous tennis tournament, and Roberta Medina, the businesswoman and producer of what is now one of the world's most successful music festivals.

But brands do not confine their partnerships to events. The increasing trend for major international luxury lifestyle brands to become associated with residential properties has reached Portugal. We take a look at how major hotel chain brands are putting their exclusive names to branded residences, in both Lisbon and the Algarve. Essential Business also speaks to the managing director of the Portuguese Association of Resorts, Pedro Fontainhas, about why Portugal's top-quality resorts are becoming even more desirable during Covid-19, as overseas retired and relocated second-home buyers place a premium on space in low population density areas in some of Portugal's most beautiful places.

After the disaster that was 2020 and the first quarter of 2021, some of the moratoria granted to businesses will end, and with them, an expected avalanche of credit defaults or Non-Performing Loans is looming. We speak to Nelson Rêgo, director of Prime Yield (Gloval) who knows the NPL market in Portugal well and how profits can be made from restructuring businesses that, for one reason or another, have found it impossible to continue without external support.

Yet for all the business and tourism uncertainty last year, and so far for 2021, Portugal's commercial property assets look set to continue to enjoy the fairly strong demand from institutional and family office investors that it has had over the past four years. Essential Business asks both Nelson Rêgo of Prime Yield and Eric van Leuven of Cushman & Wakefield what is in store for Portugal's property market this year and beyond, and talks to several experts on the Portuguese real estate investment market.

Chris Graeme, Editor

Estatuto editorial

A revista Essential Business pretende dar a conhecer à comunidade empresarial e internacional em Portugal e a quem visita o país em trabalho, para eventos profissionais ou para investimento, a realidade e atualidade sobre negócios em Portugal.

Enquanto temas relacionados com a imobiliária e o turismo são uma presença constante, a revista e os seus suportes digitais cobrem todas as áreas de negócio, incluindo a saúde, o retalho e as mais diversas indústrias.

A revista Essential Business assume o compromisso de assegurar o respeito pelos princípios deontológicos e pela ética profissional dos jornalistas, assim como pela boa-fé dos leitores.

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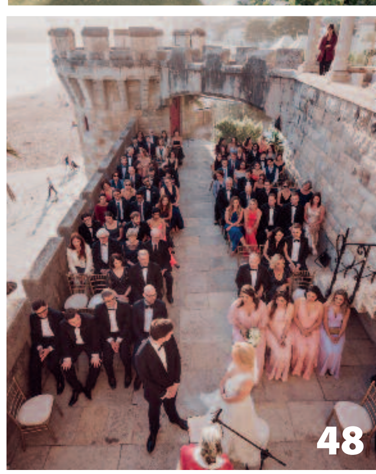
Essential Features



Almada megacity development

A new megacity projected for the South bank of Lisbon's Tagus river at Almada will involve an initial €800 million investment and could create 17,000 new jobs.

The 'Innovation District' project from the NOVA University Lisbon and a group of landowners with land and property in the area of Monte da Caparica and Porto Brandão promises to create a new centre that will attract international companies and investment to the greater Lisbon area.
"The main assets in the knowledge economy are people, their talent and the networks they establish among themselves, and this is at the heart of 'Innovation District,'" said the vice-dean of NOVA University Lisbon, José Ferreira Machado, at the project's presentation, adding that he foresaw the completion of the first phase of the project by 2030.
And since people need "places to live and interact, places where they can reside, work, talk and enjoy leisure time, cities like the one that will be developed in Almada will serve to reinforce the internationalisation of the greater Lisbon area," he continued.
The vice-dean of NOVA University Lisbon added that some projects, such as the works at the Technology and Science Faculty — the building of sports facilities and a shopping area which are Phase 1 of the innovation hub — should start this year given that "part of the financing comes from European community funds and must be applied by 2023."
Chair of Almada Council, Inês de Medeiros, emphasised the involvement of public and private investors, both national and overseas, in adapting what had been initially more modest projects into a megaproject that is now much more ambitious in a common strategy between the council and investors.
Among the landowners and investors who have shown an interest in the innovative potential of 'Innovation District' are companies such as Cordialequation, Rustik Puzzle, SOSTATE, Maia e Pereira, Emerging Ocean, Rio Capital, Orbisribalta, the Serra Henriques Foundation and the Egas Moniz Higher Education Cooperative.
Neither an estimation of total costs nor a full execution timeline to complete the 'Innovation District' was given.

Oeiras Council spearheads marina mega project

Oeiras Municipal Council is to spearhead a mega marina project at Cruz Quebrada on Portugal's upmarket Cascais-Estoril riviera.

The project promises to breathe new life into the area with a mixed upmarket development that will not only include the yachting and boating marina, but also apartments, offices, shops and eateries.
An operation to sub-divide parcels of land earmarked for the construction of the project called 'Porto Cruz' has just completed the public consultation phase.
Oeiras Municipal Council will require a bank guarantee from the landowner for the development of the mega project on the Foz de Jamor before granting a development licence for the project and all its amenities.
In the technical dossier that accompanies the process, it states that the council will "condition the deeds of the urban building operations, the building area and ensure the schedule for the construction timetable for the riverfront, and that the bank guarantee should cover the construction of the same".
According to the council's urban planning services, "the current scheduled work on the parcels of land will have significant impacts on the use of the area to the extent that the full use of the development in terms of quality, and without compromising the harmony of the territory in which it finds itself will only take place when the marina and other associated infrastructures are in place."
Oeiras Municipal Council says that the project is "indispensable" since there should be a marina at Cruz Quebrada. The land on which the marina will be developed is owned by the real estate group SIL.
The parcels of land are currently occupied by the former premises of Lusalite and Gist-Brocades but will be transformed into five plots on which six buildings for housing, with 325 homes in a private condominium project will be developed. There will also be a hotel, offices and commercial units.
The architectural side of the project will be coordinated by Miguel Amado Arquitectos and also will feature 55,000m2 of green spaces, a cycle path, a light railway that will link Jamor and Lisbon, and new road and pedestrian links to the coastal road known as the Marginal that links Lisbon, Oeiras, Estoril and Cascais.

Where there's muck there's money

Non-performing loans (NPLs) have increased significantly in Portugal, but also across Europe since the financial crisis in 2008. But Portugal's banks are in much better shape to deal with the fallout from the current health crisis, and for some companies, there's money to be made from default portfolios

TEXT **CHRIS GRAEME**

Between 2008 and 2014 Portugal's banks suffered a veritable rash of Non-Performing Loans (NPLs).

This had been mainly due to poor supervision and governance, aggressive lending and acquisition strategies, loose credit underwriting policies, high exposure to sectors that were most impacted by the financial crisis (such as real estate and in Portugal over-leveraged tourism resorts) and lax credit controls.

After some years of improvement, the situation looks set to deteriorate again, with the prolonged economic downturn pushing highly leveraged borrowers into financial difficulties and leading to a large number of defaults.

Increased regulatory requirements for NPL management (including the European Central Bank (ECB) Asset Quality Reviews, harmonisation of NPL classification and disclosures, and the introduction of specific NPL codes and directives, have also contributed to the increase in the overall NPL pool in Europe as a whole.

And with the end of moratoria in Portugal from September this year (the government is discussing extending it with banks for some cases until 2022), the Portuguese banking sector is likely to suffer a rash of credit defaults and bankruptcies, as loans and interest once again have to be paid, undoing some of the hard work achieved by the banks in recent years.

The ratings agency Moody's forecasts that bank NPLs will increase by around 9% with the end of the moratorium, compared to 5.5% in 2020 and the Bank of Portugal concurs.

Nevertheless, Portugal's banks have set aside a buffer of up to €2Bn to offset the expected exposure. Caixa Geral de Depósitos alone has set aside €300 million to cover "credit default and other unexpected impairments" resulting from the pandemic.

And just as well. In the first nine months of last year, the net results of Portugal's banks plummeted 65% to €588 million like-for-like on 2019 because of the pandemic and the money set side for impairments.

The Association of Portuguese Banks (APB) in its summary for Q4, 2020 states that the total offset for eventual impairments stood at €2.05Bn, which corresponds to an increase of 66%. In this context, the profitability of the banks has again suffered a setback with profitability ratios of around 1.7% when for the same period in 2019 it was 6.2%. The ratio for covering NPLs was boosted to 55.9%. In 2019 it stood at 51.5%.

The asset quality of Portuguese banks has improved significantly over the past 4 years. As of June 2019, a bumper year for the Portuguese economy as a whole, which grew 2.2% (0.4 pp year-on-year), the banking system showed considerable improvement in terms of efficiency, liquidity, asset quality profitability and solvency, and had been quite successful in clearing around €20 billion in NPLs off its balance sheets.

According to the Portuguese Banking Association (APB) solvency was strongly reinforced: CET1 reached 14.3% in 2019 (versus Core Tier 1 of 7.4% in 2010), liquidity (loan-to-deposit ratio of 87-1% versus 158.7% in June 2010; liquidity coverage ratio at 218.5%; although still low, profitability improved (RoE reached 4.9%); non-performing loans had an impressive downwards development in Portugal, falling by €33.3 billion since the maximum level of €50 billion in June 2016.

AIMING FOR A SOFT LANDING

The president of the Portuguese Banking Association, Fernando Faria de Oliveira, says that the impacts of the recession on the banking sector, its profitability, and in terms of an increase in loan defaults and therefore NPLs/NPEs (Non-Performing Exposures) is inevitable and will only be fully felt when the moratoria, granted in line with the guidelines set out by the European Banking Authority (EBA) and viewed by it as a tool to avoid cash-flow problems and not insolvencies, finally end.

It is why the Portuguese banking sector has always argued that the ending of the moratoria should be done in a "planned and phased manner" to ensure a "soft landing" and avoid a "cliff-edge" occurrence resulting from companies which, despite being viable, might not, by the end of the moratoria, be in a condition to generate enough cash-flow to meet their loan obligations.

"In Portugal, despite the banks having increased cash provisions to offset credit defaults risks, it is difficult to calculate the potentially disruptive effects of the withdrawal of the moratoria, how the quality of assets will evolve, and the extent of losses," says Faria de Oliveira.

"Those banks with larger capital ratios and less ratios of NPLs will, naturally, be in a better state to face the fall-out from the crisis while planning and monetary, fiscal, prudential and recovery support mechanisms are all determining factors in dealing with the crisis and offsetting its effects on the Portuguese banking sector," adds Portugal's bank association chief.

BETTER PREPARED

Paulo Macedo, the CEO of state-run bank Caixa Geral de Depósitos, which is preparing the sale of €450 million in NPLs, says that Portugal's banking system is much better prepared and capitalised to overcome the current crisis and have an active role in assisting the country's economic recovery.

The sale of NPL portfolios in Portugal was down by 87.5% to €1 billion in 2020, according to the real estate evaluation and asset advisory consultant Prime Yield's latest market study 'Keep an Eye on the NPL & REO Markets' (Real Estate Owned).

"Activity in Portugal represented a notable fall (87.5%) on the volume of around €8 billion transacted in 2019, as a result of a direct impact of the pandemic which froze operations and redirected focus on the financial system and government's extraordinary financial support for the Portuguese economy through moratoria," says Nelson Rego, the General Managing Director of the company that has offices/representations in Lisbon, Madrid, São Paulo, Maputo, Luanda, Cape Verde and Athens.

Despite the fall, investor interest in this type of asset has remained, however, and the sale of NPL portfolios is expected to step up in the first half of this year.

"Since January, the sector has already seen portfolio deals worth €700 million, while another €1.2 billion is already in the pipeline, including ones that are already being negotiated or are already on the market," says Rego.

For example, Novo Banco announced in March that it had signed a purchasing and sale contract with Burlington Loan Management DAC, a company linked to and advised by Davidson Kempner European Partners LLP based in Ireland, for a portfolio of NPLs and assets with a nominal value of €216.3 million in December 2020.

According to the bank owned by US vulture fund Lone Star and managed by António Ramalho, this operation should have a direct (and positive) impact on the results and capital of the institution this year.

Last year, Novo Banco had other portfolio sale processes underway, namely 'Project Carter' comprising 12,000 loans that had been sold to the CRC fund in a consortium with Arrow.

This involved a portfolio of NPLs with a price tag of €79 million, but which ended up being sold for €37 million. The bank said at the time that the deal had been "marginally positive" and had a "direct impact" on its capital.

And in February this year, bank BPI sold an NPL portfolio for €300 million to the European-wide Luxembourg based fund LX Partners (LXP), an entity that describes itself as "a principal investor whose mission is to provide its partners with exposure to opportunities at arm's length, with preferred terms".

Millennium bcp, another bank with a large presence in Portugal, was busy last year preparing to sell a portfolio of NPLs to the same fund that had purchased the rather curiously named portfolio for distressed assets 'Nata 2' ('Nata' means cream in Portuguese) from Novo Banco. Presumably, the 'cream' was less than fresh.

This time, again, the fund involved was Davidson Kempner and the portfolio, called 'Project Ellis' was for sale at €170 million, while a second portfolio, 'Project Webb' was sold to the fund Arrow for €450 million.

Francisco Virgolino, Head and Partner of NPL&REO Portugal at Prime Yield says: "Naturally, the pandemic has delayed or even required the restructuring of various NPL sale processes in 2020."

Despite a slowdown being expected last year in the market, in the region of -25% to around €6,000, 2020 was a rough year for the sector with less than €1 billion transacted.

"The market was almost at a standstill until September when we noticed some renewed activity and various deals began to be closed towards the end of the year," adds Virgolino.

THE OUTLOOK FOR 2021

The Managing Director and Head of Portfolio Valuation at Prime Yield (Gloval), Nelson Rego, thinks that 2021 should be a dynamic year.

"On the one hand, business from 2020 coming through is progressing at a healthy rate, with close to €2 billion worth of portfolios on the market from amongst operations that have already been achieved, and others that have been either identified or are currently underway," Rego says.

"On the other, apart from the growing interest from investors in this segment, the offer of NPL portfolios should grow considerably this year," he adds

Rego also points out that with the end of the moratoria in September, an avalanche of credit defaults is expected, while the pressure will be kept up on banks to deleverage their stagnant and underperforming assets, so new and very interesting operations in market offer should appear.

"According to the Prime Yield forecast undertaken for the study, if 15% of the amount subject to moratoria ends up as Non-Performing Loans, that means a further €6.9Bn of national NPL stock coming on line," says Prime Yield's Francisco Virgolino. "To get some idea, that amount corresponds to more than half of the current stock of NPLs in the system. However, this impact will only be visible by the end of the year, and especially in 2022."

UNDER PRESSURE

The Portuguese banking sector will continue to feel under strong pressure in 2021. Despite the expected economic recovery, whenever it comes, the "burden of non-performing loans will weigh heavily on its financial institutions this year," according to the Canadian rating agency DBRS.

"Banks in Portugal continued to reduce NPLs by €9 million in 2020, however, Portugal's banks still hold high levels of NPLs and have high NPL ratios relative to other European banks and above the average of our sample," DBRS states.

"Some €46 billion in loans are frozen due to the moratoria regime (EBA) and there are many concerns about how much of this volume can turn into NPLs. The real impact will only become visible from Q4 2021, but we think that 15% of current loans in moratoria could become NPLs," says Rego.

"This would mean another €6.9 billion entering the stock, which then would go up to over €20.0 billion, bringing "fresh" portfolios to the market. So, even though there is all this uncertainty around when the moratoria will end, one thing is certain: the NPL stock will grow in Portugal over the next 18 months, as well as the potential for deals. And investors are keeping track of events to find out where the best opportunities will lie," concludes Nelson Rego, Managing Director and Head of Portfolio Valuation of Prime Yield.

One thing is for sure, whenever the moratoria finally come to an end, a large proportion of borrowers, both companies and families and individuals, will resume payments on loans and interest, but the capacity of those borrowers to make payments will depend on the economic shock experienced in Portugal later this year and into 2022. ■

Essential Recovery

Portugal's presidency focuses on Europe's recovery

In January 2021, Portugal took over the rotating presidency of the Council of the EU with the motto 'Time to Deliver: a fair, green and digital recovery'. Portugal is, in fact, more able, prepared and willing to use its €12.9Bn share of the EU's €672.5Bn Recovery and Resilience Mechanism on greening and digitalising its economy

TEXT **CHRIS GRAEME**

In February the European Commission welcomed the European Parliament's vote confirming the political agreement reached on the Recovery and Resilience Facility (RRF) of December 2020. It marked an important step towards making €672.5Bn in loans and grants available to Member States to support reforms and investments of which Portugal will benefit from nearly €13Bn.

The RRF is the key instrument at the heart of NextGenerationEU, the EU's plan for emerging stronger from the Covid-19 pandemic.

Over the next six months, Portugal will lead work at all levels of the Council, building co-operation between EU member states.

Portugal's three main priorities for its presidency are: promoting a European economic recovery, the green and digital transition of Europe's economy, the implementation of the European Pillar of Social Rights, and strengthening the strategic trade autonomy of a Europe open to the world. However, it is the first that is grabbing the attention of headlines worldwide and this is not surprising given the circumstances of a Western European Economy damaged by the ravages of a largely invisible enemy - Covid-19.

GOING GREENING

"The next generation of EU recovery funds — €15.3Bn in grants, including €13.2Bn between now and 2023 — will provide Portugal with a significant opportunity to address the growth challenge that it faces," says Sarah Carlson, senior vice president for sovereign risk at ratings agency Moody's.

The analyst also points out that Portugal is one of the larger recipients of the EU Recovery and Resilience funds in nominal terms, standing to net €13.2Bn. Whereas some larger countries are receiving more in nominal terms, in terms of a percentage of GDP, Portugal is a very important recipient of these funds which will, says the Moody's analyst, help "ramp up the country's green and digital transitions" (The EC wants 37% of these funds to be used for 'greening' the economy).

"Portugal is a great example of an EU country with a backlog of public investment projects and has a very good track record of being able to absorb EU funds, which is not necessarily the case in all countries," says Carlson, giving Spain and Italy as examples.

Portugal has €9 billion to use between this year and 2022 with another €3.9 billion defined in June 2022 depending on the evolution of its GDP over the next two years.

Last year, when Portugal's prime minister António Costa made his famous 'bazooka' remark to describe EU emergency funds to support Europe's recovery, the amounts to which he was referring are a small parcel of the total amount (an estimated 22%). He also said at the time that the government did not intend, for the time being, to use the part which constitutes the loan from the RRF, which in practice would considerably reduce the firing range of that 'bazooka'.

Reducing the industry's carbon footprint is one big focus for the RRF for 2021-2026 in order to align Portugal's economy with climate and green targets set out in the European Ecological Pact.

These European funds are earmarked for entrepreneurs and business owners who aim to make structural changes to their production processes, anti-climate change measures, low carbon processes, electrification of industrial processes that are powered by hydrogen and renewable gases, and adopting energy-saving measures in production processes which use alternative energy sources including wind, solar and biomass.

According to the Road to Carbon Neutrality 2050 (Roteiro para a Neutralidade Carbónica), industrial emissions represent around one-fifth of emissions in Portugal, of which 62% result from burning fossil fuels and 38% from industrial processes. This is particularly true of the cement, mortar, glass and ceramics industries as well as chemical and paper industries.

Nevertheless, Portugal is frequently touted as one of the greenest countries in Europe and is often singled out for its positive ecological contribution with over 50% of national energy consumption coming from green sources (wind and hydroelectric 46%, biomass 5% and solar 1.5%).

Wind power has been a particular winner with wind capacity and generation growing rapidly in Portugal.

Wind power adoption in Portugal began in the early 2000s, incentivised by a continuous feed-in tariff policy mechanism, coupled with public tenders for connection licenses in 2001, 2002, and 2005 and beyond. These policies led to enormous success in terms of having a large share of renewables providing electricity services: wind alone accounts today for around 23.5% of electricity demand in Portugal.

According to the Good Country Index, which aims to measure the impact a single country has on the wider world, Portugal has been ranked the third most positive contributor.

And a report by the BBC found that Portugal was an early leader in investing in a full network of charging stations for electric cars and that it has incentivised citizens to install solar power and renewable energy with lower rates and the opportunity to sell energy back to the grid.

Portugal also intends to double its renewable energy production by 2030 mainly through solar energy, under Portugal's National Energy and Climate Plan 2030.

In fact, Portugal's dependence on coal, gas and oil has fallen considerably over the past decades, and in 2018 actually managed to power the country for three days on the trot from renewables alone.

GOING DIGITAL

The Portuguese government says it also will use EU funds to continue digitalising its administrative systems in the public sector while offering incentives to companies to digitise their processes.

In this, it has already made a good start, first by netting the world's largest tech and startups fair Web Summit which moved from Dublin to Lisbon in 2016 which is now its permanent home, for the time being, anyway.

In 2020 Portugal launched its National Digital Action Plan which lays down the actions the country will take in leading the transition.

The fourth pillar of the Portuguese Presidency focuses on the Digital Services Act, which the European Commission adopted just before the end of 2020.

"This has been a long-term political goal for Portugal for some time and we have legislative files of enormous importance to deal with during our presidency," says Ricardo Castanheira, digital counsellor coordinator at the Permanent Representation of Portugal to the European Union (REPER).

The Portuguese government also signed a memorandum of understanding (MoU) with US multinational Cisco to drive a programme of country-wide digitalisation.

The focus is on developing the infrastructure needed for the next generation of tech start-ups, as well as growing the right skills base and improving cybersecurity.

The initiative, spawned in 2018, is hoped to have a tangible impact on economic growth, education, and innovation in Portugal.

Portugal has embarked on a National Reforms Programme which puts digitalisation, IoT (Internet of Things), mobility and technology startups at its core.

TRANSPORT AND MOBILITY

In terms of mobility, Portugal has also placed transport policy, particularly air and rail transport, near the top of its EU presidency agenda, both nationally and in Europe.

On the back of European Year of Rail Transport in 2021 and as head of the EU's Transport Council, Portugal aims to contribute to the rapid recovery of the transport sector by ensuring operational capacity in different modes and the flow of people and goods in the Union.

It will also lead and accompany the preparation of an EU Contingency Plan to deal with pandemics and other disruptive crises, and pave the way for a more ecological, efficient and resilient transport sector in Europe.

In aviation, the Single European Sky project initiative aims to increase the efficiency of air traffic management and air navigation services by reducing the fragmentation of European airspace. By its nature, this ongoing initiative is pan-European and open to neighbouring countries.

Portugal already has one of the most advanced and modern motorway systems in Europe, and although the Commission's ongoing strategy for intelligent and sustainable mobility through digitalisation to create safer and greener highways is still part of the work of Portugal's presidency, the Covid-19 pandemic has derailed plans and forced a temporary re-focus on combating its immediate negative effects on the transport sector. ■

Rent with the help of experts a pandemic-proof investment

Miguel Kreiseler, Managing Director of MVGM Portugal, explains why professional property management is important for property investors even in a pandemic, freeing their time to focus on other professional activities or real estate projects

OPINION **MIGUEL KREISELER**

More than ever, people are beginning to realise the importance of having someone specialised in their area of expertise by their side. The global pandemic we are living in is teaching us that being surrounded by experts leads to a proper and more strategic response to disruptive environments, which seem to be growingly recurrent in our lives.

The reality of the 'handyman' who can do everything is perceived differently today. Take the example of health: for minor issues, we have a tendency to self-medicate (most of the time wrongly), but as soon as it gets scary, we seek professional guidance and consult with a doctor. If we do that with our bodies, why wouldn't we do that with everything else in our lives?

We face this reality every day: the driver of the subway we catch to work, the accountant who takes care of the money in our company, the teacher who helps our children learn to read, the cardiologist who assures everything is all right with our heart… and it's no different in real estate. There are many branches in our sector but I would like to focus on a particular one: professional property management.

According to several studies about real estate in Portugal, the construction of residential buildings for lease promises is becoming an emerging asset class. At MVGM International, we view this decade as a key moment to revive and professionalise the residential market in Portugal. Until now, investors have shown a preference for Built to Sell projects, but we believe the market is at a turning point where new enterprises will be envisioned and built specifically for the leasing market, inherently enhancing the role of the professional property manager.

Market tendencies naturally depend on the government, the profile of the investor and tax issues. Decisions aren't obvious, so it's becoming increasingly important – and profitable – to invest in real estate. Rather than immediately selling, owners are rethinking their investments for the long run, instead of thinking about immediate profit.

Even though we're going to enter an economic crisis, people will always need somewhere to live. Keeping this in mind, those privileged enough to have funds to invest should really consider doing it. But, why rent and not sell? And, more specifically, why lease and not turn my property into a tourist accommodation?

As stated above, an investor can Build to Sell and then pursue another project or can Build to Rent and convert that project into a renting asset for the long run. At MVGM we deal mainly with investors who buy a property to monetise. When they decide to do so, they also have to pick whether they want to put it in the short, medium or long term market. This decision is all about weighing potential risks and rewards and being able to see beyond the one-year time frame. In ten years, which decision would I regret?

Due to the Covid-19 crisis, local accommodation is facing revenue losses superior to 75% in the second trimester of 2020. This confirms the difference between apparent profitability and effective profitability. At the outset, someone who runs a business can conclude that if everything goes well, local accommodation is more profitable than a medium to long-length lease. However, this profitability is only apparent. Local accommodation has a lot more variables which can influence income: occupation, touristic flow, weather, and the popularity of the destination. Also due to the pandemic, some investors turned from short to medium rentals – 2 weeks to a month. The main problem with these medium-term businesses is that utilities are included. After you factor in water, electricity, cleaning, internet and other costs, your outcome will not be as profitable as you anticipated. Basically, you'll have the costs of the short term but the conditions of the long run, which will be harmful to your investment.

"ACCORDING TO SEVERAL STUDIES ABOUT REAL ESTATE IN PORTUGAL, CONSTRUCTION OF RESIDENTIAL BUILDINGS FOR LEASE PROMISES IS BECOMING AN EMERGING ASSET CLASS."

In our property management, we seek to give our clients all the economic, social and health context they need to make informed decisions. We create a long-term relationship of trust: we know they treat our house well, we know they will pay rent on time and we know what to expect from that relationship. At the end of the day, people don't really need to go on holiday, but they do need somewhere to live.

This is where it gets tricky. So, I have a property asset and made the administrative decision not to sell it, and to lease rather than turning it into a short-term rental. But how do I decide everything else? This is where professional assistance becomes decisive.

For the property's owner, this professional assistance means having someone who guides and advises them at every step of the way. The list of examples of advice given would be endless, but it can include: not to overprice or underprice; what to offer for free, and what to charge extra; when and how to charge the monthly fee; how to act in a crisis; market trends and their effects; possible threats to the profitability of the lease, and all variables that influence it, including government decisions.

The reality is that most people who own properties also have their daytime jobs and aren't available for their tenants 24/7. Above all, having this professional assistance means knowing that the property is being taken care of, no matter where you are and what you're doing. It's having a safety net, which keeps the owner up to date with everything they need to know to have the most successful outcome.

Of course, the quick-fix solution exists. But this isn't how markets work, and it surely isn't how we operate at MVGM. As H. L. Mencken said, "For every complex problem there is an answer that is clear, simple, and wrong". It is our duty as specialists to be available to help. As managers of commercial estate, we bring experience, technology and know-how of managing complex businesses, so imagine what we can do to help owners with their houses. ■

Essential **Property**

Rock in Rio
the music festival that unites different generations and prominent brands

Rock in Rio Lisboa is one of the largest live outdoor events in Portugal with a truly international reach, one which gives its stars a chance to shine and sponsors unrivalled exposure. Although it has now been cancelled this year, President Roberta Medina explains the importance of the event for big brands

TEXT **CHRIS GRAEME**

Rock in Rio is today probably one of the world's most famous rock-pop festivals. When the average person thinks of music festivals, only four instantly spring to mind. One, Woodstock, happened in the late 1960s; two others - Coachella Valley in the US and Glastonbury in the UK - are also household names. Then, there is Rock in Rio, which because of its international reach, is bigger than any other in the western hemisphere.

This feat is mainly because of the festival's recurring nature. The music festival may have originated in Rio de Janeiro, Brazil, but later branched into other cities such as Lisbon, Madrid and Las Vegas.

Eight editions of the festival have been held in Rio de Janeiro (1985, 1991, 2001, 2011, 2013, 2015, 2017 and 2019), eight in Lisbon (2004, 2006, 2008, 2010, 2012, 2014, 2016 and 2018), three in Madrid (2008, 2010 and 2012) and one in Las Vegas, in 2015.

Despite COVID-19, the organisers had been planning for this year's event, from 19-27 June, to go ahead. It had an impressive lineup including world-class acts Foo Fighters, Back Eyed Peas, Liam Gallagher, Duran Duran, A-HA and Ivete Sangalo (Brazil), David Carreira and Xutos & Pontapés (Portugal). However, it was not to be.

"The decision was taken to sadly cancel the 9th edition in June this year and carry it over to next year," admits Roberta Medina adding "the event as we know and love it only makes sense with thousands of people of all ages coming together to enjoy the music, the excitement and the atmosphere that only a live event like Rock in Rio can provide."

Although Brazilian entrepreneur and advertiser Roberto Medina was responsible for the inception and organisation of the festival, as well as moving the 2004 edition to Lisbon, while controversially keeping the brand 'Rock in Rio,' today his daughter Roberta Medina has taken on the mantle of organising the festival, which in 2011 returned to its original location in Rio de Janeiro, where the story all began back in 1985.

Rock in Rio drew in 1.5 million people at its first event, with 700,000 attending the second and fourth editions, about 1.2 million attending the third festival, and about 350,000 people attending each

of the first three Lisbon festivals. And it has grown ever since, Roberta Medina told members of the Harvard Club of Portugal and Essential Business partner American Club of Lisbon, in February.

A FAMILY AFFAIR

It started in Brazil in 1985, but the birth of the concept was beset with teething problems due to disagreements with the Rio de Janeiro City Council, which dismantled the City of Rock over public control concerns.

This led to the second edition being held in Rio de Janeiro's Maracanã Stadium in 1991, which went against the event's philosophy of not just being about concerts, but a complete family experience in which people spend time together and have fun.

Roberta Medina says that Rock in Rio is different from traditional rock festivals, which lack infrastructure, are mainly for young people aged 18-30 and focus on rock or alternative music. Instead, this event is global and has an audience that ranges from 15-50.

"With Rock in Rio you'll find MBB, Samba, Pop, Rock and Roll and Heavy Metal because we understood that we wanted to reach a large number of people," says the entrepreneur, whose maternal ancestors hailed from Porto.

"The main motivation initially was to promote Rio de Janeiro abroad and give a voice to a whole generation that was looking for freedom after the military regime. The idea was that it is possible to join different people from different backgrounds, social and political classes, races and genders in peace and harmony, and music was the instrument to bring people together," she explains.

"When thinking about Rock in Rio, we don't just think about putting on great concerts, but about providing a special moment for a big audience of all age groups. That has as much to do with the kind of lineup we provide, as the best sound quality, world-class infrastructures in terms of dressing rooms, restrooms, lounges, restaurants, food service (without the long queues), not to mention a high investment in scenography, which all translates into conjuring a different world," says Roberta Medina.

"You don't see another festival where you can see families going to experience it together with a mainstream lineup that reaches so many people," she adds.

And this family and friendly atmosphere foster a generally peaceful festival. In Brazil's rock city, which has seven days of events, attracting 100,000 people, and running from 2pm to 4am, it works almost perfectly. There are no fights.

"If it is possible to bring people from different backgrounds and beliefs together, in harmony in Rio, then it is possible anywhere. It's not for music, it's with music," Medina stresses.

BRAND COMMUNICATION

The Rock in Rio organisers work a year in advance to communicate and market their events.

"We understood that a big brand will not invest US$20 million in one edition to reach their market audience for 10 days," Medina points out.

"We realised that we would have to turn Rock in Rio into a communication campaign for the brands where they could talk about Rock in Rio while communicating their brands, in the same way that brands need to communicate at Christmas or Easter."

So, the organisers came up with a one-year communication plan, generating news and being a communication platform where the brand sponsors could advertise their brands.

In Brazil, the event attracts over 80 brands to the venue while in Portugal there are around 40 brands involved.

"In our communications campaigns, we focused on giving voice to our brands," she explains. "That is the only way, in the countries in which we operate, that we can invest much more than at a traditional festival because we constructed the festival with the brands."

A MONEY-SPINNER FOR THE HOST CITY

Roberta Medina admits that from an organisational point of view, Lisbon tends to work better than Rio, although the last edition in Brazil generated an impressive US$180 million (1bn reais).

When Rock in Rio arrives in a country, the first step is to get the city hall on board and the support of all the public entities for the 10-day private event, which has a huge economic impact on the city involved.

And while the event is private and involves no public funds, that cooperation with the municipal authorities in terms of licensing a venue, the police and emergency services and traffic control, is vital.

"We cannot move 100,000 people to a venue and stop the normal flow of the city and become a problem," she stresses, emphasising that everything has to work like clockwork. This means a high level of pre-planning and organisation.

"At every edition, the organisation works with around 50 public service entities to guarantee that everything works perfectly when the event is taking place," says Roberta Medina.

"ROCK IN RIO DOESN'T CHOOSE THE SPONSORS, RATHER IT GOES TO THE MARKET AND THE SPONSORS CHOOSE THE EVENT.

In Portugal, while exact numbers are difficult to ascertain, each edition brings in around €70 million.

“Lisbon doesn’t have to invest any money, we make it happen," she points out. "There’s no public funding involved. In addition to the visibility the city gets, we also bring in thousands of music tourists."

For example, in Brazil, every edition employs 20-25,000 people, while Portugal employs around 8,000-10,000 people who are working directly or indirectly on the event before, during and immediately afterwards.

Roberta Medina says the event has a huge impact in terms of tourism and the local economy. Entertainment and culture, she stresses, are things that move people to come to a country. In Rio, 60% of those who buy tickets for Rock in Rio come from other Brazilian federal states.

“In Lisbon, we have around 20,000 people that come from abroad to the festival, while 15% come from Porto and the North, which has a financial impact on hotels, restaurants and public transport,” she says.

MEDIA PARTNERS

Media Partners are vital for both the success of the event and the brands in order to reach a wide audience.

At the last event in Brazil in 2019, the return from the media coverage and involvement in the festival was around 2.2bn reais. In Portugal there is around €40 million in spontaneous media returns, while Rock in Rio invests €38 million in media to advertise the event over the year.

“Of course, we sell tickets, but we are serving as a platform for our sponsors to communicate. Everything we say, the images we use, all of this communication has an impact on the final result of the event," Medina explains.

She also highlights that TV is still a very important platform. In Portugal, the broadcasting rights to transmit the event live are awarded to the youth-orientated entertainment channel SIC Radical.

In fact, on those days the festival ran, SIC Radical netted the highest audience figures in Portugal.

At the last edition in 2019, the festival attracted 280,000 people over four days in Lisbon, but 5.8 million viewers in Portugal followed the event live on TV, radio and social media. That explains why the organisers see every relevant communication channel as a partner together with the brands which invest in those media channels.

“We identify the media platforms and look at the kind of audience they have and the people who identify with it. We study the platform’s reach and see if it will fit with our audiences,” says Medina.

Medina stresses that Rock-in-Rio doesn’t choose the sponsors, but it goes to the market and the sponsors choose the event. “Usually they choose us because they see that the Rock in Rio brand has the same, or similar values and qualities to their brands, which can reinforce their brand products.”

And the sponsors are impressive household names in Portugal and some big international brands such as oil and gas company Galp, beer brand Super Bock, 7 Up, and Vodafone, not to mention the institutional support of the Lisbon City Council.

“The brands want to be close to young people. They want to show them that they are innovative and creative. So we had brands that decided to be with Rock in Rio because they wanted to position themselves at the same level as the big brands,” continues Medina.

Millennium bcp was the main sponsor for five editions of the festival in Portugal. The bank used the festival as a vehicle to bring five sub-brands together for the first time to launch the Millennium brand. The event was a big success for the bank proving that Rock in Rio is an effective platform for brands to reach their consumers.

HEALTH AND PLANNING

One of the Rock in Rio (Lisbon and Madrid) team members who has had the longest association with the festival is Ricardo Mexia, who has been advising the organisers on public health issues since 2006.

Mexia, who is a doctor specialising in public health at the Department of Epidemiology at the prestigious Ricardo Jorge Institute says that they try to ensure that if there are any health requirements they “provide it for the organisation, both in terms of the audience and the acts.”

“I also work in other mass gatherings. Rock in Rio is easily the most well-organised event of its kind, and it’s been challenging to do things differently in other cities that host the festival like Madrid, Las Vegas and Rio where requirements and regulations may differ,” he says, adding that trying to make everything go as planned is an interesting and challenging task.

Roberta Medina stresses that from an organisational point of view, the slogan is ‘Plan, Plan and Plan’ and that means having Plan A, Plan B and other backup plans to suit almost all eventualities if anything else fails.

“YOU DON’T SEE ANOTHER FESTIVAL WHERE YOU CAN SEE FAMILIES GOING TO EXPERIENCE IT TOGETHER WITH A MAINSTREAM LINEUP THAT REACHES SO MANY PEOPLE.”

“Crowds are not predictable, we have to know how to deal with many different situations and be creative, so if something happens that is different to what we had imagined, we are ready to act,” she says.

“We can’t do dress rehearsals with crowds. We have to be ready and prepared when the doors open to meet any eventuality," concludes Roberta Medina, the Vice President of Rock in Rio. ■

Portuguese real estate funds
A safe haven in volatile times

Real estate funds have always been seen as a safe haven in volatile times of crisis, especially when interest rates are at record lows. Although Lisbon has fallen from the top position of 'Best City in Europe in which to Invest' in 1919, to 15th Position this year, international investors are still in the game for the long haul

TEXT **CHRIS GRAEME**

In 2019 Lisbon was considered the best city in Europe in which to invest in real estate. Last year it dropped down to 10th place and this year is at 15th, according to a ranking compiled by PwC and the Urban Land Institute.

This year Berlin, London and Paris are flavours of the year for real estate investment market players, such as funds and developers. Lisbon was not the only city to fall out of favour. The outlook for southern European cities is down overall, with Madrid and Barcelona falling to 8th and 13th place respectively, because the prospects for a rapid recovery for the Iberian economy are not so favourable, particularly because Lisbon and indeed Portugal, like the other two cities in Spain, are so dependant on tourism which was hit hard by the Covid-19 crisis.

"In our experience, every real estate investment has dropped in every market in Europe over the last months and for obvious Covid-19 reasons," says Kirk Lindstrom, Chief Investment Officer at Round Hill Capital, a vertically integrated real estate investment, development and asset management firm which focuses on the real estate student accommodation and multi-family housing segments in cities all over Europe, including Lisbon and Porto.

"Completing a transaction logistically is often a challenge, especially for international investors, Teams can't get on flights and see assets in person, when the process of notarisation or arranging financing becomes more challenging."

Lindstrom says that Round Hill Capital benefits from having local teams in Portugal to continue its activities and doesn't face the same headwinds that others do, but doesn't see the Iberian market as different from the wider market in Europe.

“OVERALL, WE EXPECT THAT INVESTORS WILL REMAIN FAIRLY CONFIDENT IN THE MARKET, AS IT HAS PROVEN ITS RESILIENCE, AND WILL CONTINUE TO OFFER INTERESTING INVESTMENT OPPORTUNITIES AT AN ACCEPTABLE LEVEL OF RISK.” CARLOS MIRANDA DOMINGOS, BLACKOAK.

In Portugal, its focus has been on student accommodation and urban requalification. In Lisbon it has developed, in partnership with TPG Real Estate Partners, the €150 million mixed student residences and private apartments project with commercial units attached 'Lumino Campo Pequeno' in the smart upper middle-class Campo Pequeno district of the city.

Lindstrom stresses that while logistics is another important investment sector for Round Hill, it has not yet invested. That is not down to any lack of attractiveness in the local market, but to Portugal being "so much smaller" than many other markets.

“We are maintaining our activities in the Portuguese and Spanish markets which we find quite attractive," says Lindstrom. "I don't see a change in risk status regarding our asset classes. Round Hill is a market leader in the European student housing and alternative accommodation segments, and our specific investments have been aimed at situations where there is an imbalance between supply and demand and which certainly holds true in Lisbon, Porto in our areas of interest."

He adds: "We believe that investments in these markets will continue in 2021, 2022 and beyond and are committed to looking for investment opportunities in the Iberian market in general and Portugal, specifically."

NEW KID-ON-THE-BLOCK

Looking back over the past 10 to 12 years, Carlos Miranda Domingos of BlackOAK, a Lisbon-based real estate asset advisory firm, explains that the subprime crisis which started in the United States in 2007 forced a reset on the economy, levelling down local economies.

Miranda Domingos believes that the recovery from this new starting point enhanced creativity. New policies and programs were put in place, promoting business development, driving exports and fuelling the tourism sector.

“Portugal was able to attract foreign investment, and as tourism flourished Lisbon became the “new-kid-on-block” followed by Porto in Europe," Miranda Domingos said.

"The seed sprouted, and between 2017 to 2019 everyone was reaping the dividends from Portugal’s tourism boom, the rise in technology startups spurred by Web Summit which moved from Dublin to Lisbon in 2016 and from overseas relocators and property investors taking advantage of the Non-Habitual Residents tax regime and Portugal’s successful Authorisation for Residency through Investment program (ARI), commonly called the Golden Visa."

The real estate asset advisor says that Portugal also benefits from some intrinsic factors that influenced the way that Portugal’s real estate sector performed so well: the country’s mild, sunny climate, its excellent private and public health services and welfare system, an available pool of skilled young professionals who speak English and other foreign languages, a relatively low cost of living compared to many other EU neighbours, and a relatively low crime rate.

“This attractive environment drove the economy forward and increased the demand for office spaces, shops, hotels, restaurants and cafés and residential development to cater for overseas business and professional relocators, second home buyers and investors in Airbnb apartments, all of which attracted investment which went into rehabilitating and refurbishing properties rehabilitation of the city centre areas of Lisbon and Porto," he pointed out.

A real estate investment fund attracts capital from various, often international investors, and is placed in portfolios and applied in property and managed by specialists known as fund managers.

In Portugal, the regulatory and supervisory entity which supervises funds is the Portuguese Securities and Market Commission (CMVM). Real estate investment funds are collective investment institutions whose sole objective is to invest investor capital and work from the principle of spreading risk.

“WE ARE MAINTAINING OUR ACTIVITIES IN THE PORTUGUESE AND SPANISH MARKETS WHICH WE FIND QUITE ATTRACTIVE AND WE DON’T SEE A CHANGE IN RISK STATUS REGARDING OUR ASSET CLASSES.” KIRK LINDSTROM, CHIEF INVESTMENT OFFICER AT ROUND HILL CAPITAL.

FUNDS IN 2020

According to Portuguese online fund analysts Funds People, Portugal's real estate investment funds market grew in 2020 in terms of the value of the assets under management, with a growth of 2.2% since the start of that year.

That meant that the value of real estate investment funds under management by entities that are members of the Portuguese Association of Investment Funds, Pension Funds and Asset Management (APFIPP) totalled €9.236 billion by the end of June.

That growth in the market was mainly down to “progression at a real estate patrimony level” whereas the number of investment vehicles declined from 185 by the end of 2019 to 178 by June 2020. This fall was mostly down to the winding up of four funds that year. Nevertheless, the amount of property under management increased by 1.5% in this category and represents over half of the total national real estate investment fund assets under management.

By the end of last year, Interfundos, Square Asset Management, and Caixa Gestão de Ativos held the largest share of real estate funds in the Portuguese market — 12.6%, 11.4% and 9.2% respectively, with European Union countries continuing to represent virtually all of the investment made in real estate assets.

In the last quarter of 2020, Portugal’s securities market regulator CMVM reported that several special real estate investment companies were set up - Imofuste and JNV Real Estate managed by Atlantic, and the real estate investment fund FSG Saúde, managed by Fidelidade. Also in the same quarter, the real estate investment fund Imóveis Brisa managed by Profile was liquidated.

FUNDS IN 2021

According to statistics compiled by Portugal’s securities market regulator CMVM, the value of real estate investment funds (FII) and special real estate investment funds (FEII), and real estate property under management funds (FUNGEPI) stood at €10.7 billion by the end of January, down €66.4 million (0.6%) on December.

The amount for January invested in real estate investment funds fell 0.7% to €7.9 billion. FEIIs fell 0.2% to €2.4 billion, while FUNGEPIs fell 1.1% to €417 million. Again, Interfundos (12.2%), Square AM (11.2%) and Caixa Gestão de Ativos (9%) led the market share.

INVESTORS MORE CAUTIONS

Miranda Domingos, Senior Partner of BlackOAK Real Estate Advisors says “fireside chats” with different investors have indicated that despite a more cautious approach, there is a will to continue previous investment plans in Portugal, although investors are more risk-sensitive and more conservative on the timeline for returns.

He explains that one of the characteristics of real estate is its “inelasticity towards market volatility”, meaning that professional investors normally have a long-term investment focus, driven by strong real estate market fundamentals: location, supply and demand and management.

“We believe that despite a higher risk related to economic uncertainty, core properties will continue to attract long term investors," he said. "We also expect

"PORTUGAL CONTINUES TO BE ONE OF THE TOP DESTINATIONS FOR TRAVELLING AND TOURISM AND THEREFORE EXPECTATIONS OF A SMOOTH BUT SOLID RECOVERY ARE STRONG”. PAULO DUARTE SARDINHEIRO, BLACKOAK.

Essential **Funds**

that value-add investors will shift more to the opportunistic side."

LOGISTICS PERFOMING WELL

Miranda Domingos says that in the commercial real estate sector, the logistics segment has been performing well, although the actual amount in the pipeline may limit its potential. This, he explains, is down to the strength of the online market as consumers have tended to purchase from online sites, rather than commercial retail outlets such as shopping centres or shops in open-air urban shopping districts, because of the Covid-19 pandemic and its attendant consequences in restrictions, weekend confinements and lockdowns enforced by two states of emergency, from March to May 2020 and January to March 2021.

"We expect consumer buyer behaviour to continue this trend," Miranda Domingos noted. "This will keep up demand for logistics space, particularly from last-mile logistics operators, which in turn will push-up rental values. We therefore forecast that pressure on prices will drive more investment to this sector in areas and regions where the required demand in square feet is not meeting demand. Spain is setting the bar high for this asset class by projecting +21 million m2 of logistic space and infrastructures between 2021 and 2025."

OFFICES

BlackOAK says the quality of tenants and the limited offer of prime assets will contribute to maintaining low yields in the office segment.

"The offices segment is doing a lot of work behind the scenes," says Paulo Duarte Sardinheiro, Principal at Honest Buildings & Investors Club by Black OAK. "Asset Managers are being challenged to keep occupancy high and tenants happy. Investment funds are concerned about valuations while tenants are dealing with a new way of working due to Covid-19 and rethinking their space needs, while trying to maintain their corporate culture. But we expect resilience and strong yields to hold up."

RETAIL AND HOSPITALITY

Not surprisingly, retail and hospitality will be the sectors more affected by the sharp decrease in demand, which will put some distressed assets on the market and attract opportunistic investors.

On Retail segments, Shopping malls will recover with the return of normal life, but the high-street shopping areas may take some time to recover, as they are more dependent on tourism.

"This has been one of the most affected classes by the pandemic. Although e-commerce has helped to maintain sales, many street retailers won't survive. We foresee an adjustment on price per sq.m, as more spaces become available," says the BlackOAK senior partner.

Hospitality, say the BlackOAK real estate investment advisors, is living its "worst nightmare". Recovery is expected to happen in the second half of the year following the vaccination program and the burning desire of people to travel after one year of lockdowns and restrictions.

"Portugal continues to be one of the top destinations for travelling and tourism and therefore expectations of a smooth but solid recovery are strong," says Duarte Sardinheiro.

RESIDENTIAL

On the mid-high and luxury residential segments, demand continues to outstrip supply, keeping current price tags stable. Many owners of short rental properties are shifting towards the long lease rental market, which will create some limited relief to the lack of supply in city centre areas, but not enough to accommodate the existing demand in the private rental sector. Multi-family long term rental assets will attract investors with the first units under development to be launched later this year in Portugal.

"Overall, we expect that investors will remain fairly confident in the market, as it has proven its resilience, and will continue to offer interesting investment opportunities at an acceptable level of risk," says BlackOAK's Miranda Domingos. "Residential is showing mixed perspectives for the future, since we still see demand for housing and short supply of quality residences."

Miranda Domingos also pointed out that the luxury market, which has been driven by international demand, is now being fuelled by Portuguese buyers looking for premium properties. On the downside, he believes the end of Golden Visa program in Lisbon and Porto will have a negative effect on the residential sector. But he also foresees transfer of capital towards commercial real estate that is not affected by the new Golden Visa eligibility policy.

Source: BlackRock 2021

YIELDS EVOLUTION, FROM PRE-COVID TO POST-COVID			
Offices:	**2019:** 4.0%	**2020:** 4.00%	**2021:** Stable/slight increase
Highstreet Retail:	**2019:** 4.00%	**2020:** 4,25%	**2021:** increase
Shopping Malls:	**2019:** 5.00%	**2020:** 5.25%	**2021:** increase
Industrial & Logisitics:	**2019:** 6.25%	**2020:** 5.75%	**2021:** slight decrease
Retail Parks:	**2019:** 6,25 %	**2020:** 6.50%	**2021:** slight increasef

THE TOP REAL ESTATE FUND MANAGEMENT COMPANIES IN PORTUGAL

INTERFUNDOS - A Interfundos – Gestão de Fundos de Investimento Imobiliário, S.A is a financial entity that administers, in exclusive representation of its stakeholders, one or more real estate investment funds and, according to data from APFIPP, manages 36 funds.

SQUARE AM - Square is one of the largest real estate management and consulting groups in Portugal. Operating for over 16 years, it is the only independent management company managing open-ended real estate investment funds. It has 12% market share and €1.4Bn of assets under management. It specialises in income funds, distressed asset funds and strategic consultancy.

CAIXA GESTÃO DE ATIVOS - Caixa Gestão de Ativos, SGOIC, S.A. is a Grupo Caixa Geral de Depósitos company specialising in the management of real estate investment funds (since 23 December 2019) advising clients on investments and managing institutional and private client portfolios, benefitting from the know-how and experience in asset management acquired over 140 years in the financial area as the bank Caixa Geral de Depósitos.

BPI GESTÃO DE ATIVOS - Linked to bank BPI, it was set up in July 1990 and is one of the largest managers in Portugal and manages the fund Imofomento.

SILVIP - A real estate investment fund management company whose primary objectives are the administration and representation of real estate investment funds, management of real estate assets and real estate market studies and analysis, among others.

SANTANDER AM - An international asset manager with strong local roots in Europe and Latin America. With a presence in 11 countries, it has assets of more than €181Bn working for institutional clients, individual clients, and intermediaries such as Santander banks in many geographies.

THE TOP REAL ESTATE FUNDS TO INVEST IN FOR 2021 INCLUDE THE FOLLOWING:

FUNDIMO/FUNDIGER - Managed by the State-owned bank Caixa Geral de Depósitos. Fundiger invests in a diverse portfolio of properties both in terms of segments and geography and distributes dividends twice a year.

CA PATRIMÓNIO CRESCENTE - Fundo CA Património Crescente was authorised by the CMVM in June 2005, having begun its activity on 15 July that year. Its depositor and seller is Caixa Central de Crédito Agrícola Mútuo and is sold through the bank network of Credit Agrícola. The CA fund is managed by Square Asset Management. It holds 5.9% of the market.

NOVIMOVEST - This is an open investment fund managed by Santander Asset Management. It comprises pre-existing buildings, planned buildings in a condominium configuration or not, but registered in the building register as being part of the fund. The destination of the buildings is for rental or some other form of exploration, as well as their future resale.

IMOFOMENTO - Managed by bank BPI, this fund is aimed at investors who want to see their capital applied over the medium-long term and as such are prepared to lock up their capital for a minimum investment period of 5 years.

VALORES E INVESTIMENTOS PREDIAIS - VIP - The Fundo VIP is one of the oldest Real Estate Investment Funds (FII) in the Portuguese market, having been created in 1987. It is managed by SILVIP. An open fund denominated in euros, it pays out dividends, albeit not guaranteed, to its participants quarterly by automatic bank account credit. It has €332 million of properties under management: 304,000m2 above ground and 35,000m2 below and 222,550m2 uncovered area. For the second year running Fundo VIP was voted the best open fund in 2020 by Portuguese real estate funds association APFIPP.

FIMES ORIENTE - FUNDOS IMOBILIÁRIOS - A closed fund set up in 2004 and run by Novo Banco. It was formerly managed by Gesfimo - Espirito Santo Irmãos.

IMONEGÓCIOS - The Fundo Imonegócios managed by imoFundos invests in a diversified portfolio of assets in the real estate market, mostly in commercial and services, particularly properties that generate income, not totally excluding construction projects. The fund is aimed at moderate risk-taking clients who aim to invest for a minimum of 1 year.

AF PORTFÓLIO IMOBILIÁRIO - Managed by Interfundos which is part of Millennium bcp, this real estate investment entity's goal is to carry out investments, predominantly nationally and in urban areas, focusing on the acquisition of rented properties that maximise the individual apartment units that comprise it. This is a capitalisation investment institution whereby its revenues are reinvested.

BIG PROPERTY DEALS IN PORTUGAL 2020

Share of Colombo, Vasco da Gama, CascaiShopping and Norteshopping malls sold for €800 million to Allianz and Elo.

Lagoas Park - a large office park in Oeiras near Lisbon sold for €421million to Henderson Park Capital Partners

PREOF portfolio €155 million sold to Cerberus

Freeport Lisboa and Porto fashion outlets €70.7 million sold to APG

Nova Arcada €45 million sold to MDSR fund

Hotel The Lake Spa Resort €41 million sold to HIP (Blackstone)

Forum Viseu €40 million sold to Square AM

Essential **Trade**

Angola can benefit from Brexit

Brexit has just happened. A question that naturally arises is: to where should British Prime Minister Boris Johnson and his government turn in this phase of cooling relations with the European Union?

TEXT **CEDESA**

Boris Johnson has already "winked" at the new USA President, Joe Biden, and apparently does not hesitate to be a "spearhead" in transatlantic relations, just as he did in the Trump era. But the truth is that the United States has other priorities and the "special relationship" claimed by the British in relation to the Americans is something of a one-way sense, with little relevance in the design of Washington's foreign policy. Anglo-European relations have always had ups and downs, and over time, they will possibly return to normal. However, at this point, they are rough and do not offer security.

Thus, it is obvious the UK needs reliable economic partners outside Europe and the USA during this period. Boris Johnson knows this, and so it came as no surprise when he said that the UK should be the preferred investment partner on the African continent. Recently, at the United Kingdom - Africa Investment Conference, he considered that "in Britain, we have a lot to learn from the ingenuity, energy and ambition of African entrepreneurship, as well as wealth creation".

All UK business sectors can take advantage of closer ties with Africa. One of the important sectors could be fintech (financial technology). It is worth remembering that half of the world's top 10 growing economies are located in Africa and digital technology is growing rapidly on the continent.

"IF BORIS JOHNSON IS REALLY COMMITTED TO PROMOTING TRADE RELATIONS WITH AFRICA, IT WOULD BE ADVISABLE TO SUPPORT THIS INTENTION WITH PRO-TRADE INVESTMENT POLICIES. OTHERWISE, THE BRITISH GOVERNMENT WILL WASTE A GREAT OPPORTUNITY TO PARTNER WITH THE MOST PROMISING REGION IN THE WORLD."

In the case of Angola, according to data from the local Ministry of Telecommunications, Information Technologies and Media, the country has a network of around 7 million internet users and has close to 15 million mobile phone users, figures that could and should improve, but that are not to be disregarded. The Angolan market is booming and has prioritized mobile devices. As already practised in Nigeria, Africa's largest economy, the United Kingdom can also exploit Angola's enormous potential in this field.

Incidentally, consider for instance companies that are dedicated to digital money transfer such as Azimo, which already handles billions of dollars in payments to African recipients of migrant workers in the United Kingdom. These payments are crucial for developing economies, especially in this period of crisis due to the COVID-19 pandemic. These payment methods can stimulate new markets for other financial services and provide people with access to very helpful tools for various types of investments, such as savings accounts, commercial loans, pension funds or something related to the insurance area.

Yet, it might not be just British companies that benefit. Take Kenya's M-Pesa as an example. This company is considered an outstanding model of technological innovation and in issues related to mobile payments is far ahead of its European counterparts. Thus, British companies could take advantage of the additional know-how and of this technical advantage.

In addition, even though we are aware that Asia, particularly China, is being the main catalyst for Africa's development, particularly in terms of trade, the United Kingdom has some competitive advantages over Asian countries.

Firstly, it enjoys the privilege of having a common time zone. Much of the African continent has a trading schedule comparable to that of the United Kingdom, thus making cooperation and trade much more spontaneous and uncomplicated.

The second factor is the language itself. The United Kingdom was the largest world empire, and this was also reflected in Africa. English is the most widely spoken language on the continent, with around 700 million non-native speakers. Obviously, in Angola, English is not spoken, but there is a strong capacity for linguistic adaptation, with Portuguese speakers generally finding it easier to speak other languages.

Finally, there is a growing African diaspora in the United Kingdom, and naturally this is deepening cultural ties. More than 1.5 million Africans live in his majesty's land, and as expected, many send money back to their country of origin. With a country geared towards ingenuity and entrepreneurship, it is of paramount importance to encourage and invest in these characteristics of the African people.

If Boris Johnson is really committed to promoting trade relations with Africa, it would be advisable to support this intention with pro-trade investment policies. Otherwise, the British government will waste a great opportunity to partner with the most promising region in the world.

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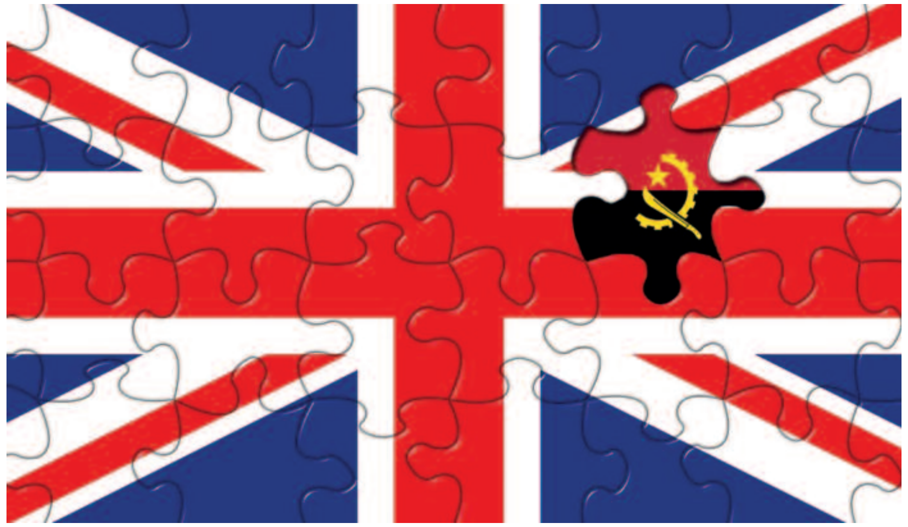


AmCham
The American Chamber of Commerce in Portugal turns 70

The American Chamber of Commerce in Portugal (AmCham) turns 70 this year, at a time when Portuguese exports to the US have hit a record high and Portugal heads the Presidency of the EU Council. The President of AmCham, António Martins da Costa, reflects on its important role in bilateral trading relations today

TEXT **ANTÓNIO MARTINS DA COSTA**

This year AmCham turns 70, a date to remember and celebrate, as it has played an important role in the good relations between Portugal and the USA over the years.

It was on 3 July 1951 that, in the presence of the US Ambassador at the time, a group of leaders of US companies based in Portugal met and founded this association to strengthen bilateral relations and support American investment in Portugal.

A few years later, our mission evolved to also promote and support Portuguese companies and entrepreneurs looking for business opportunities in the American market. We then became a two-way highway.

Seven decades after our creation, our relevance has increased, due to the reinforcement of the historical and cultural links and a mutual understanding between Portugal and the US, but also due to the strengthening of economic, commercial and investment relations between the two countries.

The results of this approach are evident and down essentially to the action of companies and entrepreneurs — many of them our associates — who we wish to congratulate on this occasion. Some facts and figures speak for themselves:

- The US is the world's 5th largest destination of Portuguese exports and the 2nd outside EU (close to €3Bn in 2019).
- American investment in Portugal represents 11% of total Foreign Direct Investment (FDI) and is consistently above €1 billion annually, in recent years
- Investments in startups in Portugal are largely financed by US investors (59% in 2019)

AmCham provides information, helps define strategies to approach the US market, builds bridges, and supports and presents testimonials from companies that have embarked on this journey, motivating others to do the same. And we do this alongside our partners, namely the US Embassy, the Luso-American Development Foundation (FLAD) and Portugal Global - Trade & Investment Agency (AICEP).

This is not an easy path, as the American market is demanding and highly competitive. The internationalisation of a business is a complex process depending on the activity of each company or

António Martins da Costa, President AmCham, US Ambassador George E. Glass, Francisco Pinto Balsemão, President Grupo Impresa, Minister of the Economy, Pedro Siza Vieira

entrepreneur. But a platform like AmCham can offer its members the value of cooperation networks, where experiences can be shared and leveraged.

I would also like to highlight some of the activities that we are proud to have developed in recent years, having received very positive feedback from those who had the opportunity to participate:

- The AmCham Tributes, awarding companies and personalities that are relevant to the Portugal-USA business relationships
- This is America, a family-friendly event divulging the American Way of Life
- Business missions to the USA, offering participants an opportunity to get in contact with potential partners
- Barometer of the American companies in Portugal, a detailed picture of US investments and trade in Portugal
- Access Africa Forum Program, highlighting the advantages of a partnership between American and Portuguese companies to access the Portuguese-speaking African market

Also worth mentioning are our training programs — designed together with our partners — that place AmCham as a platform for knowledge sharing, as well as the excellent networking opportunities that our events create, connecting people, organisations and political agents to enhance business development. The Chamber's role in representing and defending the interests of its partners is greatly appreciated by our members.

The same can be said about the promotion of those values that are the core of the American economy and that we believe in: Open-market economies with attractive frameworks for investment, where innovation and entrepreneurship are key success factors of competitiveness, in a world under accelerated transformations on digital and ESG themes (environment, social responsibility and governance). For these reasons, AmCham reorganised its structure, by creating activity groups focused on topics that have more impact on businesses today: Digital & IT, Sustainability, R&D and Education, Health and Tourism.

Those values have never been so relevant and profound as they are today, amid a global health, economic and social crisis, and will be decisive to overcome it, in a spirit of global collaboration — with special relevance for the transatlantic relationships between Europe and the USA. It is our ambition to be part of this process.

The celebration of these 70 years is based on three core events:

- A series of five webinars relating the transatlantic relationship with the Portuguese Presidency of the EU, organised together with AmCham Europe
- The Transatlantic Business Summit, a high-level event focused on geostrategic discussions and their impact on businesses
- The event, with a gala dinner, of the AmCham Tributes

Our partners are at the heart of what we do at AmCham. We are grateful and honoured for the trust they place in us. We count on them to celebrate AmCham's 70th anniversary in 2021. ■

Jose Araujo, Emerico Gonçalves, Alexandre Fonseca, Sofia Tenreiro, Guido Araujo, Jose Carlos Ferreira

Essential Events

Millennium Estoril Open

It’s a kind of magic!

High-profile national and international brands need equally high-profile sporting events like the Millennium Estoril Open to keep their products in the spotlight. But with a reduced number of spectators, or none whatsoever, is TV, radio and social media enough?

TEXT **CHRIS GRAEME**

It was blazoned all over Lisbon, on a massive JCDecaux street advertising campaign and on ATM screens. After being cancelled last year, Portugal’s premier tennis tournament & social event, the Millennium Estoril Open, will be back, from 24 April to 2 May, but under very different circumstances

Joao Stilwell Zilhão, Tournament Director and managing partner of 3Love, the company that organises the Millennium Estoril Open, says he was always unsure if the sponsors’ VIP guests, let alone members of the public, would be able to attend, and if they could, how many would be allowed into the venue and under what conditions.

“I spoke with the Secretary of State for Sports, João Paulo Rebelo, at the beginning of March. Obviously, the Millennium Estoril Open is a very important event, but there are also other big events in April and May, including Formula 1 (2 May), the Portugal Masters (29 April-2 May) and Moto GP (28 March) and lots of decisions had to be taken. We are just one of many events that needed an answer over rules and regulations concerning the attendance of public,” he says.

The Tournament Director of the Millennium Estoril Open says that it goes without saying that he wanted the event to go ahead as it normally would, but understandably needed to abide by the health authorities.

Luckily, the tennis stars have been receiving exemptions to fly, and in other cities where ATP Tour tennis is happening, the organisers have liaised with the local authorities to ensure the players have been tested for COVID-19 and are able to move within the strict bubbles at the hotel and tennis venue.

Sanitation measures will be tough and uncompromising. The players will be in Estoril two days before the event starts and will be taken to the official hotel, Cascais Miragem, tested in their rooms, and once they test negative, will be able to circulate within the hotel and Estoril tennis club compound.

BRANDS SUPPORT

The event, which cost in excess of €3.8 million in 2019, is important for the brands such as the title sponsor, Millennium bcp bank, Altice, Emirates, Rolex, Betway, Nespresso, Vanguard Properties, CTT, Sacoor, Heineken, ISDIN and so many others. And it is equally important for Cascais Municipal Council (CML), which knows the value of an event like this - televised around the world - in attracting tourists to the chic seaside resort and keeping the town’s luxury brands Estoril and Cascais at the forefront of people’s minds.

“Most of the brand sponsors have been with us on this trip from the beginning, including Cascais Council which has provided fantastic support since day one," Stilwell Zilhão explains. "We are fortunate to have very loyal sponsors that want to help us get through this COVID-19 pandemic, and they knew that in order for us to keep alive, we needed to run the event this year. We can’t just skip two years in a row."

In terms of international visibility, the Millennium Estoril Open has a full lineup of TV channels around the world, with over 100 countries on five continents broadcasting over 1000 hours of live transmission from the event. In Portugal, the host broadcaster is the independent media group TVI, and it will also be broadcast by Tennis TV to over 220 territories around the world.

“This will guarantee our multinational sponsors a full spectrum of visibility and sponsorship value for their brands," says Stilwell Zilhão. "For the Portuguese brands which are more locally-focused, it's all about more national activation, lots of digital marketing, social media and public engagement with the brand ambassadors."

Stilwell Zilhão adds that the team had always had a strategy so that even if the public could not be on site this year, the sponsors would still get a fantastic return on their investment, although the level of that investment from sponsors was reduced by the organisation.

Despite a reduced presence of spectators, Stilwell Zilhão is convinced that it still makes sense for them to be involved in the event. He explains that a brand

like Symington Family Estates (Symington's), which make some of the best wines and port wines, have continued being a sponsor because they want their brands to be visible on court. Their brands Graham's & Dow's port is sold in 176 countries around the world.

"It's obviously relevant for them to have lots of TV hours, and in Portugal the brands will be able to activate lots of spots through digital marketing," Stilwell Zilhão points out, adding that each brand will try and extract the maximum they can without having spectators physically at the event.

He gives the example of Wimbledon sponsor Sipsmith, which distils London dry gin. The company is already running a slick campaign this year as the first official gin partner of the British tennis event, running recipes and engaging with the public and partners on social media platforms and TV, even though the event will probably not run with spectators physically present.

"Perhaps 2021 may not be a great year for them in terms of on-site sales, but they get huge visibility and it is a road towards returning to normality," he says.

NOT JUST ABOUT TENNIS

And while admitting that the Millennium Estoril Open may not be on the scale of Wimbledon, Stilwell Zilhão highlights that the event is one of the largest social and sporting events in Portugal, great for networking and public relations.

"In Portugal, it is much more than just an ATP tennis event, being one of the most important society, gastronomic, PR and networking events, which is why we have had so much success both on the court and off court in the hospitality & corporate hospitality areas."

Every year, he says, the boxes are sold out, and not all of them are necessarily keen tennis fans, but just love the whole atmosphere and conviviality of the event. In that way, it is a little bit like Ascot without the horses, where people go to meet and greet, see and be seen.

And as for the future, Stilwell Zilhão says it would be wonderful to have their own permanent facility. Nevertheless, he has had the opportunity to set up a temporary village with a lovely restaurant overlooking the centre court at the Clube de Tenis do Estoril.

"After all, many events at fixed venues don't always have that kind of magic," he points out.

"This really is a year of survival, of some losses for our company, but the bottom line is that this is our comeback. We are here for the future and we will not give up," Stilwell Zilhão concludes.

MILLENNIUM ESTORIL OPEN - A LITTLE BIT OF HISTORY

The Millennium Estoril Open which takes place annually at the Estoril Tennis Club sports complex, was reborn in 2015 in the heart of Estoril to replace and maintain alive the historic ATP event which happened over 25 years in Estadio Nacional and which ended in 2014 (at the time called Portugal Open)

The tournament was created by a new company called 3Love formed by U.COM (Dirk Glittenberg and Joao Zilhão), Van Veggel (former Dutch tennis player Benno van Veggel & Armindo Mirante) & Polaris (owned by Portuguese football agent Jorge Mendes)

"It was a huge race against the clock, because we decided to take a substantial risk to keep alive the ATP Tour in Portugal. It was a huge gamble for the 3Love partners who were involved in the project because there was so much doubt as to our ability to come up with such a huge financing in such a short space of time," says Stilwell Zilhão, recalling the run-up to the first Millennium Estoril Open.

Then there was the great unknown of putting on such a large ATP event at a new venue, the Estoril Tennis Club. There were doubts as to how it would work, how the venue and Estoril could deal with the flow of such sheer numbers of people and traffic, where cars would park and whether there was sufficient parking, but also how everything would work from a corporate sponsors point of view and so many other doubts.

"The support and sponsorship we get from the two title/main sponsors Millennium bcp and Cascais has been absolutely fundamental over the years for the success of the project, which has only increased in visibility and prestige, both nationally and internationally, over the years," Stilwell Zilhão said.

"Companies need to communicate their brands even in tough times and those that do have a competitive advantage over those who don't."

Five years on, 2020 threw up the COVID-19 challenge, which for perfectly understandable reasons had to be cancelled when the organisers were just 38 days away from the event. In fact, ATP cancelled many months of events and the tour only recommenced in August in New York. "Our small, but dedicated 3Love team, that works throughout the year to organise this event, saw 10 months of hard work ruined because of the virus," says Stilwell Zilhão recalling the lost year.

"We were just a short time away, and so much of the temporary infrastructure had already been built, including much of the stage and the backdrops, the seating areas and public areas for nearly 4000 people, the Slice Lounge and Slice Restaurant which seats over 800," he adds.

"Having said that, although 10 months of hard work went to the wall last year, we are simply delighted that the event will take place this year, albeit under strict sanitary regulations and with no live spectators," concludes Stilwell Zilhão, partner and tournament director of the Millennium Estoril Open. ■

"IN PORTUGAL, IT IS MUCH MORE THAN JUST AN ATP TENNIS EVENT, BEING ONE OF THE MOST IMPORTANT SOCIETY, GASTRONOMIC, PR AND NETWORKING EVENTS, WHICH IS WHY WE HAVE HAD SO MUCH SUCCESS BOTH ON THE COURT AND OFF COURT IN THE HOSPITALITY & CORPORATE HOSPITALITY AREAS."

Prime Yield
A prime player in property consultancy

Nelson Rêgo is undoubtedly one of the giants in the Portuguese real estate consultancy landscape. Born into a property development family, he started his own consultancy in 1999 and went on to found Prime Yield in 2005. Since its partnership with the Spanish Gloval, it is now one of the big players on the Iberian peninsula

INTERVIEW **CHRIS GRAEME**

Essential Business: When and why did you start Prime Yield?

Nelson Rêgo: We were established in 2005. Our focus is on consultancy and asset valuation services for companies and other institutional entities, aiming to provide the best tools to support our clients' decision making. We wanted to create value-added services to make the decision process of all stakeholders in real estate easier.

How has the company expanded from a relatively small Lisbon-based real estate consultancy to a major player on the Iberian peninsula?

We have grown considerably since 2018 when we became part of the Gloval Group. Today we have over 300 professionals working in seven countries: Portugal, Spain, Brazil, Greece, Cape Verde, Angola and Mozambique.

Our approach was different from our competitors precisely because it was based on a development matrix that focused on the Portuguese-speaking countries since we have this shared language bond. However, we approach every single market in a totally independent way, while at the same time using a matrix of common shared standards based on the certifications obtained in each market and on a global level by the Royal Institute of Chartered Surveyors (RICS).

The company's vision through this business model is to enable its clients to analyse operations using the same criteria, regardless of geography, but with full recognition of the cultural aspects and specificities of each country. This was key for our internationalisation project strategy.

What differences and similarities have you noticed working in these different countries to Portugal?

Looking into Portugal and the other Portuguese-speaking Countries, I would say that the only common factor is the language. The real estate markets in the African Countries, and even in Brazil, are totally different from those in European countries such as Portugal and Spain. The major challenge in those countries is the difficulty for the populations in these countries getting access to the residential market. Also, mortgage financial systems and interest rates are a challenge. The level of maturity, professionalisation and the way those markets work are completely different from Portugal and Spain. Between Portugal and Spain, I would say there's a difference mainly in the dimension of the market.

Angola has had a rough time over the past few years. Is now the right time for construction companies and real estate investors to invest in this and other African markets like Mozambique and Cape Verde?

Despite being severely hit by economic adversity, and also having social and political instability, these are countries with huge potential for the real estate markets. There's a lot to do both in the residential and commercial segments, and the companies that have the ability to remain active in these markets, even if with a more cautious approach for the time being, will be the ones leading the way when these economies reset.

What is Prime Yield's main ambition?

Our main goal is to become the reference in valuation & advisory services in Southern Europe and Latin America.

What makes you different from the larger international real estate consultants?

I would say we are a boutique concept that creates a customised experience for our clients and have a very personal and close contact between our teams and all of the company stakeholders.

Besides, we have an approach to our clients that focuses on providing intelligence Services for those who want to achieve excellence, building trust between the company and the client, based on independence and competence.

Prime Yield/Gloval has built a strong reputation on the back of meticulously researched market studies. Was this part of your initial strategy?

This is a key strategy for our company and an important point of differentiation. Since the very beginning, we have been proud to make an active contribution towards a more transparent market. So, we have always invested strongly in research, providing to all the parties free information about prices, values, occupation, trends and outlooks.

This free access is very important for us, as it is our way of contributing towards a better market. Most of our team has worked with us since 2005, and this long-term commitment is one of the reasons why our studies have been so successful. All revenues from our market studies research department come from the advisory side of the business.

What makes a good real estate consultant in your mind? What are the essential qualities?

Someone that is very well informed but always wanting to learn more, proactive, professional and always paying rigorous attention to accuracy and details.

You lived and worked through the Great Recession in 2008-2015. How did you survive and what is different about the current crisis in the way it is affecting, both positively and negatively, the consultancy segment and the commercial and residential real estate market?

The days we live in are really uncertain, and not even interest rates are relevant to the current market at present because they have reached their lowest levels ever. You can't even bank on management strategies based on an internationalisation and diversification diptych in the short and medium-term because we are all faced with a global pandemic that affects everyone and everywhere at the same time.

This is why this paralysis in economic activity which has lasted a whole year to March will unequivocally have a negative impact on the real estate market. In a more detailed and focused analysis of each of the segments, it is easy to draw some conclusions, but we believe that the different segments of the real estate market will recover more quickly than the previous crisis that began in 2008.

Against this backdrop, information will be the key for companies that want to keep up on top of their game and consultancy can have a key role in providing intelligence.

As for the markets, generally Portugal is now a much solid and mature market. Its real estate market is very internationalised and this has been very important for the market's resilience.

What are some of the big-ticket deals Prime Yield was involved in, in 2020?

We had been involved in the most important hotel transaction of the year (Real Hotels Group) and in the valuation and advisory of one of the most important resorts (Quinta da Ombria).

Prime Yield has launched a new service to help in company restructuring. Is that because you can see a growth in this area after the moratoria end in September?

Up-to-date and accurate information is an essential tool for successful companies. This is even more important in times of uncertainty. Putting information in context is, at such moments, especially critical for decision making and for the positive development of companies.

The end of moratoria will be a challenge for many companies, but, in general, the present time is one of increased challenges, with a pandemic that is disrupting economic and business activity transversally and will go down in history. Many companies will have to rethink their business plans and/or need to reevaluate their assets, including real estate assets and other ones, in order to face the future better prepared.

By providing our assurance services we want to actively support companies in improving the quality and timeliness of the information that supports their business and consolidate their relationship with their stakeholders, considering the nuances of this time of unprecedented challenges.

Our expertise allows us to advise and help companies. Assurance services will help businesses mitigate risk, preserve liquidity, renegotiate and restructure financing, preserve assets and anticipate opportunities. We have a comprehensive and accurate approach that will enable companies to make strategic decisions in several business areas, supporting their needs through a multidisciplinary team of experts.

Prime Yield is part of Gloval which is a leader in integrated valuation, engineering, consultancy and real estate consultancy and analysis. Has the partnership been successful?

We have been part of Gloval since December 2018 and the outcome has been very positive. It enabled us to explore new markets in Europe such as Spain and Greece, while our partner Gloval entered the Portuguese-Speaking Countries where we operate.

How did you start out in life? When did you begin working in the real estate sector and was it something you had always wanted to do?

I was born into a real estate development family. From the very start, I was familiar with the construction sector. I graduated with a degree in property management and development and after that, I start teaching in a university and set up my first valuation and advisory company in 1999. Since then, I have never looked back! ■

Essential **Interview**

Why Portugal's governments scare off investors

Portugal's successive failures to efficiently fund the state has led it to place the burden of taxation on convenient 'cash cows' like the real estate sector. But José Cardoso Botelho, CEO of Vanguard Properties argues the policy just scares investors away

INTERVIEW **CHRIS GRAEME**

Essential Business: 2017-2019 were bonanza years in real estate development and investment for Portugal, but investors are now turning to safe havens in Europe like London, Paris and Berlin. What are the prospects for 2021–2023 for the Portuguese real estate investment market in your opinion?

José Cardoso Botelho: The prospects are positive, but before saying why, it is important to mention that Q1 of 2020 was the best ever. In other words, were it not for the pandemic, we would have achieved a new absolute record in sales in 2020 (€2.7Bn for 2020). For Vanguard Properties it was a year of growth and consolidation.

There was a downturn in demand in Lisbon, which was partly its own fault, but also due to other extraneous factors. It is a fact that Lisbon doesn't come off well with its image of being slow and unpredictable when it comes to granting planning permission, and this is extremely damaging for investment. Legal instability adds to the problem because it scares off stable investors with a long-term vision and encourages so-called 'vulture' investors.

In terms of external factors, we must not forget that Lisbon is a small city on a global and even European scale, and many international investors find it difficult to find interesting projects on a scale large enough to be financially viable. Quite recently, I read an article that mentioned that in 2020 the average project in Portugal involved just a few apartments. Therefore, it is not surprising that big investors should focus their attentions on big cities in more developed markets, even if these cities too sometimes suffer from poor policy decisions, as was the case with Paris and now Berlin.

Nevertheless, there is an aspect which needs to be highlighted: Thankfully in Portugal and particularly in Lisbon, there was and is investment, and there are also buyers of finished product. From this point of view, we are not and hope never to be a market like Dubai where completed and half-built towers without residents abound!

The Government has announced €1.5Bn for investment in housing to rent. Do you think middle class housing development in Portugal can ever be profitable?

This announcement is important, however, in my view I have doubts about the authorities' ability to achieve this amount of investment without massive involvement from the private sector. But for private investment to be interested a number of necessary conditions need to be met.

1. Plots of land have to be set at suitable prices;

2. Planning permission must take less than 12 months:

3. VAT should be set at 6% (or in the very least tax deductible in the case of long-term rentals), exemption on municipal property transfer tax (IMT) and the Supplementary Municipal Property Tax (AIMI); Reductions in IMI - Portuguese property tax for at least part of the term under rent;

4. Willingness of the national banks to finance operations through long-term contracts at a fixed rate;

5. Legislative stability, particularly in the tax area, but also in terms of the rental laws.

Unfortunately, over the past 20 years, average Portuguese purchasing power has not grown much compared to all the other EU countries, with the exception of Greece. On the other hand, we have a very stiff tax regime, particularly income tax, which affects the investment capacity of middle class investment. We also have fewer civil construction companies and skilled construction site workers are in high demand. If they're not well paid, they go overseas. You can't cut construction costs and without being able to intervene by increasing middle class salaries, the only thing left to be done is reduce the cost of borrowing, increase borrowing maturity dates and Loan-to-Value ratios while reducing taxes which must exceed 40% of the cost of a house.

The Government has postponed the deadline for the Golden Visa programme by one year. If you had advised the government - and I am sure you did - what would be the ideal situation or compromise?

Vanguard Properties is a member of the Portuguese Association of Real Estate Investors and Developers (APPII) and, within this context, we support the association in negotiations and interactions with diverse entities, with the aim of explaining the importance of Portugal having stable and predictable laws. One of the recommendations was that in the event of alterations, these would be announced with some prior notice so agents and players in the market could adapt or conclude their transactions. Fortunately, this occurred with the setting of a transition period and date limit.

We continue to believe that it doesn't make sense to remove the metropolitan regions or Lisbon and Porto and various areas of the Algarve from the Golden Visa programme because this, contrary to what some people would have us believe, did not cause a general increase in property prices, while on the other hand, there is still a huge number of properties in need of refurbishment and renovation. We think it would be more prudent to increase the minimum investment amount and qualify the offer by, for example, demanding that only assets with an energy certificate of B or above be eligible. But then I believe that our prime minister might be aware of that, and could pleasantly surprise us.

You have invested over €1Bn in Portugal's luxury residential market, with Comporta being a cornerstone development. How do you view the progress of the project so far?

Vanguard Properties is recognised for its ability to develop multiple projects at the same time and, always in one phase. As such, this is only possible because we have a high financial investment capacity, long-term vision, and a management structure that includes 40 highly qualified professionals, and most of them with vast experience. On the other hand, the enormous success that we have had in our projects in development and the fact that we have a direct sales structure which is increasingly better and more efficient, helps. At Comporta, (Dunes) we've contracted all of the infrastructure, the maintenance building and the golf course, and it is expected to be completed in June 2021. At Torre we also have contracted all of the infrastructure in one phase, as well as the golf club and, in both cases, we are at a very advanced phase on the other projects that make up these plots. This year, we also foresee considerable progress on both projects. Negotiations with international hotel groups are already at a very advanced stage.

Is the current Government's policy on incentives right for the sector?

For many years, we've been the target when the government needs to increase revenues. It is, without exaggerating, one of the activity sectors which is most highly penalised in terms of tax (VAT, IMI, AUMI, Selo (Stamp Duty), as well as all kinds of local authority taxes such as TRIU (Urban Land and Building Tax), Public Way Occupation and Advertising Hoarding Licences, etc. Totting it all up, and comparing these with Spain, in the realm of main home residential, and taking only IMT and VAT into consideration, we pay 30% more. If to this scenario we add the lack of banks and their incapacity to lend long term credit to make residential projects for rental viable, the very least we can say is that we are faced with a highly complex situation.

What has been the impact of remote working and do you think that working from the office will be a thing of the past?

To better understand the impact, Vanguard Properties recently sponsored "Lar, Doce Escritório" (Home, Sweet Office), the first study undertaken in Portugal on this matter. The report showed that most people like working in a hybrid format, and at the same time want to have houses with more light, verandas, better and larger common spaces (gardens, etc.) and be close to where they work. In the case of Vanguard Properties, our projects have been designed with these characteristics in mind and always in strategic locations. I don't think we've seen the last of offices, but I think that in the future many companies will have a hybrid system that will enable them to reduce space requirements, while at the same time improve work satisfaction and quality of life for its human resources. ■

Making a grand entrance

Marriott's W Residences Algarve is the perfect example of branded residences. The 83 properties are all kitted out with the W signature flair, resulting in a high-end design reference for the Algarve coast

TEXT CHRIS GRAEME

W Residences Algarve (WR) are sitting pretty on the central Algarve coast offering simultaneous seaside relaxation and high-energy sophistication.

Located by some of the region's most iconic beaches, like Evaristo, W Algarve is the most spectacular example of a branded residence resort which, when opened, was described by Forbes to be one of the most exciting openings worldwide.

The development has 83 W branded Residences; one, two, three and four-bedroom, which were launched in the early summer of 2019, and it has since become the fastest-selling branded development in Europe.

Kerstin Buechner, Director of QP Savills, says that W Algarve is just being completed and the whole resort is due to open this summer.

Essential **Development**


Kerstin Buechner, Owners, Directors and Sisters, QP Savills


Cajetan Araújo, the General Manager, W Algarve


"WE EXPECT TO SEE LUXURY BRANDS BOTH IN THE HOTEL AND NON-HOTEL SECTORS ENTERING THE PORTUGUESE MARKET, DRIVEN BY THE POSITIVE ECONOMICS OF THE BRANDED RESIDENTIAL MODEL". RYAN ITANI, HEAD OF GLOBAL RESIDENTIAL DEVELOPMENT CONSULTANCY, SAVILLS.

Ryan Itani, Head of Global Residential Development Consultancy, Savills

"We are exceptionally excited," she said, stressing that despite the COVID-19 pandemic, the resort was always due to open in 2021.

"W Residences is one of the fastest-selling branded residences projects in Europe with 75% now sold. Even now, during these difficult times, there is a lot of interest and a huge amount of enquiries. In one week in February we had over 100," she says.

And despite the pandemic and its terrible consequences on the Algarve tourism industry in 2020, Rui Costa, Director of Finance of Nozul Algarve SA, the developer of the W Algarve, says: "We've been hiring the Hotel and Residences team, and we are actively contributing to the local economy and reducing unemployment rates in Portugal."

He adds: "Both the owner and project teams were reinforced during 2020 and the operations team began hiring last year too."

AN INTERNATIONAL PROFILE

Buechner says that WR has been getting enquiries from across the globe. The largest percentage of buyers is from the UK, but on the whole "they are a very international bunch of well-travelled people, mainly from Europe."

The QP Savills director says that everyone has been excited to see that the Algarve now has a W.

"It's such a cool and happening brand which will add some excitement and glamour and of course, prestige to the area. W has definitely helped reinforce the Algarve's position globally," she said.

"They are of all ages and what is great to see, is that many of them are new to the Algarve and have come because they are W fans and love what they see happening here," she added.

Sometimes the owners of branded residences sell on all of part of a development as a going concern a few years down the line.

"Except for W Residences, Nozul wants to own this property and has no interest in selling it," Rui Costa said. "We believe that this will be a game-changer and an icon of the Algarve, and we are very proud to see it coming to life and reach its full potential. When you have the best you don't sell it, you hold on to it, and that is definitely our view of this Resort."

DETOX, DETOX, REPEAT!

W was the first luxury lifestyle brand in the world when it was created in New York in 1998 and has remained a reference in the sector ever since.

It is particularly visible through the lens of the brand's passion points: Fashion, Music, Design and Fuel.

"When we define 'Fuel', we think about taking care of our bodies and minds with exercise, and good and healthy food, so we have the energy to live life to the fullest," explains Cajetan Araújo, the General Manager at the W Algarve. "We express it with this catchy phrase: Detox, Retox, Repeat."

He goes on to say that W teams are luxury rebels with an approach to service to provide the guests with the best luxury experience in the market, but with a more genuine approach.

"We give our guests that luxury white-glove service experience, but we remove the gloves," he points out.

W's approach to sustainability is linked to how it roots the hotel in the local culture. W hotels mix the modern with elements of local culture and keep the same approach when it comes to sustainability.

"We believe that sourcing local products is a priority when it comes to reducing the carbon footprint, so all of the ingredients in our dishes are fresh, and where possible, organically grown," Araújo explains.

"We will, for instance, grow herbs and vegetables in a garden on the grounds of the hotel," he adds.

Araújo also noted that they will have the new Davines bath amenities in all their rooms, and in their 'Away' Spa. These are from a CO2 neutral company that supports a reforestation program to compensate the carbon dioxide emissions caused during its packaging production. Also, all their toiletries are sulphate and paraben-free.

For the time being, W Algarve and W Residences Algarve are the only example of the W brand in Portugal, although Nozul Algarve says it prides itself on being the first developer to bring the brand to the country.

Ryan Itani, Head of Global Residential Development Consultancy at Savills, believes that Portugal stands out at the moment as "relatively and undeservedly underrated" in terms of open and operating branded residential projects.

He believes, however, that this is set to change with six projects that already exist in Portugal, being joined by a further six over the next 5 years.

"We are aware of a number of projects, in Lisbon and the Algarve in particular, that are in the pipeline, although contracts have not been signed, that will further bolster this growth," Itani said.

"We expect to see luxury brands both in the hotel and non-hotel sectors (fashion, technology, design, sports and celebrity sectors) entering the Portuguese market, driven by the positive economics of the branded residential model and the potential to cater for both lifestyle-driven and investment-driven purchasers from the domestic and international markets." ■

Essential Property

Portuguese residential tourism resorts
Why interest remains strong

The coronavirus pandemic initially rattled members of the Portuguese Association of Resorts (APR) as they feared lockdown, travel restrictions and a continuation of restrictions this year would scare off investors. Yet interest has remained buoyant, says its managing director Pedro Fontainhas

TEXT **CHRIS GRAEME**

By the second quarter of 2020, as air travel dried up and Portugal emerged from a State of Emergency in which it had been since mid-March, the Portuguese Association of Resorts (APR) began to worry.

The association, which represents some of the most prestigious luxury resorts in Portugal such as the West Cliffs Resort, Ombria Resort, Pestana Gramacho Residences and Vilamoura World in the Algarve and Belas Clube do Campo near Lisbon, was worried that the year would end in a tragedy in terms of sales of residential tourist real estate.

Yet, despite 2020 having been an adverse year, it ended up being less disastrous than the APR had expected.

"The crisis made the quality of national tourism real estate even more relevant and evident," says Pedro Fontainhas. "For years, the offer of a safe, healthy lifestyle, close to nature, in houses designed and built with the most demanding criteria of energy efficiency, ergonomics, comfort and interior spaces, has contributed to making Portugal the best destination for residential tourism in Europe. It continued to appeal to foreign customers and stimulated many Portuguese families looking for alternatives to their lifestyle."

The APR managing director explains that the 'Clean & Safe' initiative from the Portuguese tourist board, Turismo de Portugal and the pandemic's then favourable numbers helped Portugal to become a safe refuge in the eyes of the international press.

Fontainhas says that the resort entrepreneurs, developers and promoters deserved considerable praise in the face of an adverse economic situation that they never could have possibly anticipated at the start of 2020.

"Faced with the prospect of a lost year, they struggled to keep companies open, and workforces and enterprises in a state of complete readiness," he explains. "They reinforced the use of communication technologies and virtual visits to homes and resorts. They developed digital campaigns, independently and articulated with APR, to communicate Portugal, our regions, and the offer of housing in tourist developments."

ROBUST INTEREST

What has proved to be a relief, but in some ways quite logical from the perspective of a growing need noticed by the residential tourism and overseas relocation market in Portugal for houses with more space away from large urban centres, was that the pandemic further reinforced international buyers' interest, while the national audience is proving to be no less attentive and sensitive to the arguments for living in a resort, according to the APR managing director who adds that overseas investors from 28 countries accounted for 66% of leads collected from September to December last year. The United Kingdom and Ireland represented 22% of international inquiries.

BREXIT EFFECT

Fontainhas explains that from the beginning resort managers and promoters had suspected that Brexit would trigger many people in the UK to reassess where they want to live and what they want from their lifestyle.

"With the impact of Covid, life in Portugal has even more appeal to many families and has led to a surge in interest from those looking for something more than they currently have," he says. "Moving to Portugal may make economic sense too. The Non-Habitual Residents' regime offers material tax incentives to anyone moving their fiscal residence to Portugal."

Fontainhas also points out that UK citizens could now consider the Golden Visa program that provides a residence permit in Portugal, and access to the Schengen area, for investors in different areas such as real estate.

"It is important to note that the Portuguese Government has just enacted changes to the golden visa program that will come into force on 1 January 2022. As of that date, only investments in housing real estate located in defined locations, all outside the urban centres of Lisbon and Porto, will qualify. Investments in real estate for other purposes, such as touristic apartments, remain eligible regardless of location," he highlights.

COVID: A LASTING IMPACT?

And will COVID-19 have a lasting effect, either positive or negative, on the concept or design or adaptation of residential tourism developments and projects in the future?

Fontainhas says that resorts in Portugal will continue to be at the forefront of what is best done worldwide in architecture and engineering.

"The demands brought on by the pandemic coincide with what life at a resort already implies: more expansive areas, balconies and gardens, sparsely populated areas, proximity to health, education and leisure services, energy efficiency, security, and investment protection."

They are also fitted with the latest telecommunications technology and high-speed internet which are standard in every home.

And while the situation is still difficult in Portugal, the APR managing director is in no doubt that Portugal will recover from the current situation.

"Vaccination in Portugal and other countries and adopting long-term measures to prevent new variants and new epidemics will increase people's and governments' confidence levels. The question is when, or how fast, such confidence will grow," says Fontainhas.

However, he insists the Government must support companies so that they can remain ready for the recovery. Fontainhas gives the example of measures like the simplified layoff and says that without it, critical companies for the recovery of the economy, such as those in tourism and tourism real estate, might have been unable to continue and contribute to the economy.

But more, he says, is needed, despite the country's high indebtedness.

"Credit guarantee measures are becoming anachronistic as companies' capacity to take on more debt runs out. The emphasis should be more on the continuity of efforts to preserve jobs, capitalise companies, moratoriums and tax exemptions. And, of course, support for massive communication campaigns with the international markets where our customers are."

And while the traditional overseas markets for Portugal's residential resorts such as the UK, Ireland, France and Germany will continue to attract the lion's share of investors, the APR's members have investors from 28 countries. The association is targeting markets such as Switzerland, South Africa, Brazil, Canada, US and Sweden.

STRONGER THAN BEFORE

Despite a bleak national economic landscape now, Fontainhas is confident that the Portuguese residential resorts sector is in a much stronger position than it was 10 years ago when the last economic crisis hit during the Great Recession and Sovereign Debt Crisis.

"Without a doubt, the sector is financially stronger than ten years ago. Companies are capitalised, and projects are in healthy demand and are sustainable. That's what has enabled them to resist this crisis and allows them to be ready for any recovery that comes," Fontainhas concludes. ■

Portugal's wedding segment in tatters

The coronavirus pandemic, which has prompted social distancing rules, cancelled flights, and other restrictions, has left Portugal's wedding sector in tatters. There are growing fears many companies may not survive

TEXT **CHRIS GRAEME**
PHOTOS **SOMETHING BORROWED**

Essential **Weddings**

Portugal has, in recent years, marketed itself not only as a popular honeymoon destination, but also one in which to have that dream wedding.

Just over two hours flying time from most European destinations, the warm, sunny climate, sun-drenched beaches, stylish boutique hotels, stunning coastal resorts and dramatic and varied inland scenery and value-for-money stays make Portugal the perfect place to get hitched.

Yet many companies that plan this special day, which attracts couples from all over Europe, are facing trouble as people either cancelled their weddings in 2020 or plan to postpone them until the pandemic is over.

The first lockdown hit the sector hard, resulting in most overseas wedding events in Portugal postponed or rebooked. But the lifting of some restrictions in the summer did allow a few local weddings to go ahead in the presence of some guests and family members.

Yet, since October, the many sub-segments that make up the business are at a total standstill and the prospects for the segment making it to the altar in the second quarter of this year is hardly a bouquet of roses. Many weddings booked for Easter are now cancelled with Portugal's second State of Emergency, and large festive gatherings have also been cancelled again, probably until September.

"We know that the number of weddings has decreased over the past 40 or 50 years overall, but 2020 was the worst year ever, with more than 80% of weddings either cancelled or postponed," says António Brito, CEO of Exponoivos, an annual weddings industry trade fair in Portugal.

"Of 35,000 weddings that had been organised annually over the past few years, numbers which until the pandemic had been increasing, 25,000 or more have been cancelled or postponed," Brito adds.

The future doesn't look too bright, either. Asked if he thought there was still time this year to hold the 25,000 or so weddings that didn't take place in 2020, Brito said: "There is still time, yes. It's just that we don't know from when."

Brito explains that with this high level of uncertainty, panic has set in for the weddings sector. He urges couples planning to tie the knot not to cancel, but rather to "wait a little longer" - perhaps two or three months, until the pandemic restrictions are eased. But he admits it's hard to pass on that message.

"We've already begun to see some cancellations from April," Brito points out. "The first quarter of the year is normally weak in terms of weddings, but from spring they build up until Septem-

António Brito

Teresa Perdigão

ber. This year we're already seeing some reluctance from engaged couples fearing that their wedding won't go ahead, so they're cancelling them."

Brito believes things are going to get worse for the segment until they get better.

Teresa Perdigão, owner and founder of Cascais-based wedding events company Something Borrowed, 80% of whose clients come from overseas, with the lion's share from the United States, United Kingdom and Ireland, saw all of her weddings for 2020 postponed.

"Although the year was a disaster, we were lucky that we only suffered one outright cancellation and that was because it was a couple from the US. With the situation still unclear due to travel restrictions this year, it just didn't make sense for them to postpone twice," Perdigão tells Essential Business.

Founded in 2009, Perdigão says that fortunately 99% of all the weddings that had been scheduled for 2020 have just been postponed for either later this year, depending on the evolution of the pandemic and the lifting of government restrictions. Some couples are hoping to tie the knot in Portugal in June or July, but have not yet made a final and definite decision.

Organising around 20 weddings per year, and with an annual turnover of €120,000 or €6,000 per wedding, the wedding planner says that they've been in a reasonable financial position to tide Something Borrowed over. Her small and close-knit team of three have been kept on, and one staff member is on the Government's layoff scheme. But Perdigão admits the situation will have been more complicated for the myriad suppliers who work with wedding event companies like hers.

Rita Soares-Alves of Wedwings by Rita Soares-Alves, who usually organises around 20 weddings per year, had to effectively cancel 2020 and 2021, and only really sees recovery for 2022.

"As a consultancy employing a small team which are on layoff, we have no fixed costs and we aim for the top end of the market as a destination wedding company providing tailor-made weddings," she says.

With their clients being mainly from the UK and Ireland, Soares-Alves tells Essential Business that many of her prospective and booked couples are, in fact, Portuguese citizens who left Portugal to work overseas in Europe and later got engaged to local non-Portuguese fiancés and are now looking to marry in Portugal, or second or even third generation Portuguese who emigrated to Canada and want to get married in the country where they have their ancestral roots.

"I basically cancelled 2020 and 2021 because I realised the situation regarding the confinements, vaccines, flights and just the whole logistics with COVID-19 would be too difficult for this type of wedding," Soares-Alves admits.

Usually, church weddings in Portugal take place on a Saturday, with the Spring and Summer months being most popular, but "brides and grooms could choose other days" and from a logistics and organisational point of view, "that is possible" she points out.

For António Brito, the biggest challenge facing the industry is whether companies can hold out for another three, four or five months. He doesn't hide the fact that "several businesses have had to close their doors" and "many more will do so".

The weddings segment is very fragmented, with around 45 sub-segments suffering from very specific difficulties. But there is a common denominator: They can't work and sell their services.

For example, many weddings in Portugal take place on stately home estates or "quintas" and have had to invest a lot of cash to meet Portuguese health regulations. These wedding venues are now empty, with the companies that run them unable to make a return on that investment. The same goes for boutique hotels in picturesque areas which have been hit twice, both by a lack of tourists and events like weddings. Another key factor is that since October, events could only have five people in attendance.

At the end of the day, António Brito says weddings are all about sharing experiences with friends and family, but adds that the sector needs to open up again for both the economic health of the sector and Portugal as a destination, not just for social reasons.

"We want to be part of the solution and not contribute toward the problem, which is why we drew up a Best Practices Manual which we shared with the government. This is a document in which we stress the wedding operators' commitment to carry out their businesses within all the government's safety rules and includes a pledge to test all the people at a wedding and reception in advance. In other words creating a safety bubble," says the Exponoivos CEO.

Brito says that the sector knows the situation may not change in the coming months, but emphasises that the economy needs to reopen in a safe way, with all the weeding organisers and suppliers willing to adopt and implement all the health measures set out by the government and set down in the manual. ■

"SEVERAL BUSINESSES HAVE HAD TO CLOSE THEIR DOORS AND MANY MORE WILL DO SO." ANTÓNIO BRITO, CEO EXPONOIVOS.

Essential Credit

Portugal's credit outlook not as bleak as it seems

Significant structural reforms Portugal made when its economy was supervised by the troika, debt reduction in 2019, and a likelihood of using EU 'bazooka' funds to green up and digitalise the Portuguese economy, mean that despite the current pandemic crisis, Portugal stands to keep its debt management on track, says Sarah Carlson, Senior Vice President Sovereign Risk at Moody's Investor Service

TEXT **CHRIS GRAEME**

By the end of the first quarter of 2021, Portugal's economy will have contracted by 7%, and its public debt will be €290 billion, 130.9% of Gross Domestic Product (GDP), as Portugal takes on an extra €17 billion of government borrowing to cover the devastating effects of the coronavirus pandemic.

Faced with such stark figures for a small country of just 10 million people, a casual observer might think that the long-term credit situation for Portugal is dire. In fact, Sarah Carlson, Senior Vice President of Sovereign Risk at Moody's Investor Service, says that providing interest rates don't suddenly go up, the outlook for Portugal isn't so bleak.

"This is not a typical recession and I wouldn't expect to see a typical recovery," she says.

Carlson points out that one of the ways the recovery will behave differently is in the path for unemployment.

"Now, we have European countries keeping their economies and labour markets on life support through very large-scale public expenditure on furlough schemes, temporary unemployment, business support schemes and guarantees, but all of this will roll off once the public health crisis passes," she says.

"We do expect there to be an increase in the unemployment rate (Bank of Portugal estimates are 8.8% in 2021). Most investors we have spoken to, say the economic recovery will be 'K' shaped, meaning the unusual scenario where certain industries and individuals pull out of a recession, while others stagnate," she adds.

AGEING AND DEBT LEVELS

In the long term, the Moody's analyst says that Portugal, like many other European countries such as Germany, face a demographic problem, with the credit impact of ageing societies showing up in terms of economic strength, because there are fewer workers in the economy to be able to fuel growth. This also impacts the fiscal strength of governments, as it becomes harder to sustain deficits or keep the annual balance of public sector finances level with rising ageing costs. This, says Carlson, makes it harder to get debt levels down.

INCOME CONVERGENCE AND DEBT BURDEN

Portugal's per capita GDP is roughly around 80% of the EU median and the country is fortunate in that one of the silver linings of the sovereign debt crisis 10 years ago is that Portugal did undertake some pretty significant structural macroeconomic reforms which helped to address the problem, according to Carlson.

"What we expect to happen is that the next generation of EU recovery funds - €15.3 billion in grants, including €13.2 billion between now and 2023 - will provide Portugal with a significant opportunity to address the growth challenge that it faces," says Carlson.

However, one of the important legacies of the coronavirus crisis is debt burden, with very large increases in debt burdens in some cases (Portugal's will have increased by 17% to €290 billion). "It is not as large an increase in Portugal as we have seen in France but still very high nonetheless," she opines.

Carlson points out that even though there is more debt, and in some cases a lot more, across the board debt affordability continues to improve. This is because more expensive debt is rolling off and is being replaced by cheaper debt. In the case of Portugal, debt affordability has gone from 7.5% going into the global financial crisis, now falling to 4.8%.

"The smaller that interest burden is, you don't have the borrowing costs crowding out other more productive areas of expenditure for economic growth," she said.

EU RECOVERY FUNDS

Portugal is one of the larger recipients of the EU Recovery and Resilience funds in nominal terms, expecting to net €13.2 billion until 2023. Whereas some larger countries are receiving more in nominal terms, in terms of a percentage of GDP, Portugal is a very important recipient of these funds which will, says the Moody's analyst, help "ramp up the country's green and digital transitions" (The EC wants 37% of these funds to be used for 'greening' the economy).

"Portugal is a great example of an EU country with a backlog of public investment projects and has a very good track record of being able to absorb EU funds, which is not necessarily the case in all countries," says Carlson, giving Spain and Italy as examples.

"We are fairly optimistic at Portugal's ability to absorb these funds in what is a once in a generation opportunity for the recipients of these funds to be able to embark on future-proofing their economies, improving growth potential, which in turn helps the process of debt reduction for countries like Portugal," says the sovereign risk expert, adding that Moody's have seen a big increase in leverage during the coronavirus pandemic.

"It is easier to get your debt burden down if you are in a fast-growing economy, than if your growth potential is stuck at a much lower rate," says Carlson.

PORTUGAL RATING OUTLOOK

Moody's continues to see a 'positive outlook' on Portugal's rating for now. When deciding on rating actions, a 'positive outlook' is driven by two factors: before the pandemic, Portugal's debt had declined at a faster rate than expected, and despite the increase in debt as a result of the pandemic (+ €17Bn), the ratings agency expects the debt burden to start declining fairly quickly, foreseeing a small decline this year, and a slightly larger decline next year.

However, any policy of debt cancellation from the EU is viewed as highly unlikely for political reasons, and because it is not clear if there would be any positive benefits from debt cancellation.

This idea was mooted by some French economists and commentators who suggested writing off public debt that has been transferred onto central banks' balance sheets as a result of quantitative easing (QE). To complement this cancellation, eurozone member states would, they argue, commit to reinvesting an equal amount of money into long-term, sustainable investments.

However, Carlson says it is not necessarily likely you would get large-scale debt reduction because of debt cancellation because it is possible that national central banks would have to be recapitalised by governments, so the net-net impact would be small because it would appear to be monetary financing and therefore challenging in the Euro Zone.

Having a large debt burden, however, is still a lingering threat, since while interest rates are expected to stay low for the foreseeable future, no one can say that low-interest rates will remain so forever.

There is always the risk that governments (in countries like Portugal) could have to pay much higher rates to fund themselves. This was the case with Portugal in the 2011 sovereign debt crisis when interest on lending rates shot up to an unsustainable 7.5% as Portugal was perceived to be at a greater risk of default and resulted in the IMF and ECB having to step in.

PORTUGAL'S BANKING SECTOR

For Moody's, the main driver of the assessment for susceptibility to event risk is still banking sector risk, which has an effect on the rating range that it has for Portugal (Baa1-Baa3), with the overall scoring level at Ba.

"There isn't a particularly high probability of there being a materially large need to recapitalise the Portuguese banking sector, but in the case of a systematic institution failure, there is still, in our view - across all countries, not just Portugal - the likelihood that governments would still step in to help support banking sectors," concludes Sarah Carlson, Senior Vice President Sovereign Risk at Moody's Investor Service. ■

Essential **Embassies**

Being a consul: The best job for a UK resident in Portugal

Working as British Vice-Consul in the Algarve is the best job a British resident can have, according to Clive Jewell, who has had to deal with just about everything over the past 10 years - from disappearances and murder to hundreds of stranded holidaymakers

TEXT **CHRIS GRAEME**

In 2009, at the age of 52, Clive Jewell left his dream career in the travel business and responded to an advert in the local English language newspaper Algarve Resident. It was for the post of British Consul in the Algarve and he certainly wasn't overconfident that he would get it.

Jewell had worked for 33 years in the tour operator business since he was 19 - eight years in London and 25 years overseas. As a holiday representative and manager, he worked in Menorca, Ibiza, Costa Brava, Crete, did three winters in the Italian ski resort of Livigno, before eventually settling in Portugal in 1989.

"I remember looking through the job description and noticing that I ticked the boxes for all the requirements," Jewell says. "I didn't realise there were so many parallels between a job working in the consulate and tour operating, where essentially you are looking after British people coming to a foreign country."

He adds that some of the situations he now deals with at the consulate are not a million miles away from the issues he dealt with as a tour operator.

ON TOP OF THE WORLD

"I was on top of the world when I got the news in June 2010, but it was quite daunting because I was coming from a lifetime in the private sector to the public sector," Jewell recalls.

Jewell describes the work as being customer-service and team-work orientated. His post was originally consul, but a Foreign Office restructure in 2012 saw the decision to have only one Lisbon based consul in Portugal.

"I wanted to stay in the Algarve and applied for the position of vice-consul here in Portimão, got it and have been here ever since," he explains.

The job, according to Jewell, is very varied and is supported by a team of nine in Portugal, working as one team across two locations, with four in Portimão and five in Lisbon.

"There are four consular officers dealing with front-line cases, and two vice-consuls who lead in complex situations and those of a more public nature," he points out.

The range is vast: hospitalisations, deaths (by accident and tragic cases), murder, suicide, people dealing with mental health challenges, and missing person cases — which he says are "particularly traumatic" for the families involved because of the uncertainty of what has happened to their relative. Then, there are cases where people fall victim of burglary, assault and sexual assault.

"Although it is a fact that Portugal is one of the safest places in the world, nevertheless things happen," Jewell says.

But what personal incidents have most touched Clive since he has been in this job and what were the most difficult moments?

The saddest case he has had to deal with was the tragic death of a little boy who had drowned. He does not go into details.

The Faro airport management was "simply wonderful" when the airline Monarch and later the tour operator Thomas Cook collapsed, which in the case of the former meant the consular team were camped at the airport for two weeks.

"It was a particularly sad moment because it took me back to earlier in my career when I worked for Thomas Cook," he recalls.

The event that most moved him, however, was when he first laid a wreath on behalf of the Embassy at the Remembrance Sunday service at St. Luke's Church. "I recognised that it was the most humbling experience of my life," he says.

Jewell points out that there has been a considerable increase in welfare cases since the start of 2020, including homelessness, joblessness, or financial problems that can lead to vulnerability when something suddenly goes wrong.

"Then it is a case of helping them connect with their families for support or local authorities," he points out.

> **"WHEN I LAID A WREATH AT THE REMEMBRANCE SUNDAY SERVICE, I RECOGNISED THAT IT WAS THE MOST HUMBLING EXPERIENCE OF MY LIFE."**

EXCELLENT RELATIONS WITH THE AUTHORITIES

Jewell stresses that it is paramount to have good links and working relationships with the hospitals, police, social services and other authorities, so when cases happen the team knows who to contact, or in which direction it can point people to get them back on their feet, or back to the UK.

Maintaining and nurturing contacts with the authorities in the good times is essential, says Jewell.

"You don't just turn to people and pick up the phone when you need their help, you have to work hard to establish those relationships which are very much give and take," he says, stressing that the Portuguese authorities are incredibly helpful and cooperative.

"I am really proud to say that we have an excellent reputation with them from the feedback we get."

After receiving their assistance, for instance, Jewell says he sends a letter to someone's superior to thank them for their help.

BREXIT

On discussing Brexit, the aftermath and transition phase, Jewell recalled that during the referendum he had been unable to sleep. He got up in the night at the precise moment that newscaster David Dimbleby announced the UK was leaving the EU.

"My jaw dropped and I began to think about the consequences and practical machinations," he said.

"The impact on us as a consular team, with 2.5 million UK visitors in 2016, was that while our caseload would be the same, and we'd have to focus on that, we knew it would be a long and intricate process for the Embassy, that would bring us many new challenges."

Jewell remembers that in the early days, the team did two immediate outreach events with the then British ambassador Kirsty Hayes, in Faro's São Brás municipality, with over 300 people, and in Lagos which had around 160 attendees. These were followed by over 40 more events, attended by 2,300 people, both with Kirsty and current ambassador Chris Sainty, sometimes involving senior ministers, local mayors and high-ranking officers from the Immigration and Borders Service (SEF).

The concerns then, which remained the same throughout, were residency rights, access to healthcare and driving licences, as well as questions like 'should I take Portuguese citizenship?' which the Embassy stepped aside from advising on due to it being a very personal decision.

"There was a slow and steady increase in applications rather than a mad rush," Jewell noted.

As for getting residency status — which was and is always encouraged by the consulate — in 2016 there were 19,391 registered UK citizens in Portugal. However, the consulate estimated that for every person that was registered, there was probably another who hadn't. The registration numbers went up every year until by 2020 the number was 46,000. ■

David Sampson
Inhouse Contributor

António Cardoso e Cunha: The man who dared to dream big

"António Cardoso e Cunha (1933–2021), politician, was the first Portuguese nominated as a European Commissioner, as well as a minister, member of parliament, and commissioner of Expo-98. Died on 25 January of undisclosed causes."

Thus did Expresso, Portugal's leading weekly newspaper, record the death of Antonio Cardoso e Cunha. The obituary, such as it was, came after descriptions of the lives of convicted killer Phil Spector, the TV interviewer Larry King and the Benfica football trainer John Mortimore. Below it came Rosalina Machado, the former director of the Ogilvy advertising agency.

The city of Lisbon and indeed the whole of Portugal owe António better recognition than this brief note. What he achieved in his five years as commissioner for Expo-98 deserves to be remembered. At the time of his resignation in 1997, a little more than a year before the exhibition was due to open, he said that he deserved a statue in his honour, and the arrogance behind that remark was one of the factors that led to his undoing. But his contribution to Lisbon should not be forgotten.

When it was announced in 1992 that Lisbon had been chosen as the venue for the next world fair, there were no plans available of what should be built on the proposed site at the extreme eastern end of Lisbon. At the Improvement of Lisbon conference in early 1992 the east of Lisbon was not even mentioned as one of the three priority areas for redevelopment. The designated 30-hectare site around the former flying boat dock at Vila do Bispo on the River Tagus was shown edged in red. That was all.

The then prime minister Aníbal Cavaco Silva chose António to lead the project at a time when his government was already under attack because of overspending on other large building projects such as the Belem Cultural Centre and the head office of the state-owned Caixa Geral de Depósitos bank. Cavaco Silva appointed a politician who was willing to override anyone who objected to the government's plans.

Money was always going to be an issue and António was clear that the Expo needed to be at least in part self-financing. He saw an opportunity for the government to make money from Expo by its becoming a real estate developer. He asked that the Expo area be extended to 300 hectares to include all the land around the dock between the river and the railway, right up to the edge of the heavily polluted River Trancão.

Cavaco Silva agreed to this idea and the whole government took on the proposed development as its own. Indeed the concept of regenerating an important, rundown area of Lisbon and linking it to the rest of the city became one of the primary purposes of Expo-98. He also agreed to grant Expo the power compulsorily to acquire all the land within the site, and then to parcel up and sell plots of land and to grant all the necessary planning permissions and building licences. He took away these powers from the local authorities, and also their power to delay the project or private building on the site.

The major issue initially was that there had previously been an oil refinery on the site and much of it was still occupied by oil tanks and rubbish dumps. The soil was contaminated and needed to be removed. Also, the eastern edge of Lisbon had no road links either to the rest of Lisbon or to the rest of the country. The site was cut off by the railway and there was only access at the western end.

António did however have a few advantages besides his political connections with Cavaco Silva and inside the ruling PSD party. The Expo team spent a lot of time at Expo-92 in Seville. They saw that the fair itself was a great success, but that once the fair was over, little remained to show where it had been. The pavilions and the accommodation built for visitors were all taken down and sold off.

António decided that all the buildings erected for Expo-98 would be permanent and that the brief for architects should specify where possible the planned long-term use of the building. Secondly, although the buildings within the 30 ha exhibition site would be developed mostly by Expo-98 itself, all the buildings on

"THE WHOLE PARQUE IS STILL SHOWN TO VISITORS AS AN EXAMPLE OF SUCCESSFUL URBAN PLANNING, AND IT SHOWS WHAT CAN BE ACHIEVED ON THE BACK OF AN INTERNATIONAL FAIR. ANTÓNIO DARED TO DREAM BIG AND LIVED TO SEE HIS DREAM COME TRUE."

the remaining 300 ha (except for the new train station) would be designed and developed by private enterprise.

After some initial objections, a masterplan for the layout of the whole redevelopment area was approved. It was decided that the area would be built with a modern underground infrastructure which included telecommunication systems, the delivery of steam to all buildings and a suction system for the removal of waste.

António faced innumerable difficulties but he always remained positive. Properly clearing the site and laying solid foundations was more difficult than expected and the estimated construction costs started to rise sharply. The weather didn't help as the winter rainfall in 1996 and 1997 was unusually heavy. Secondly, many of the infrastructure works, such as the new road, rail and metro links, were due to be built by third parties and neither the cost nor the timing were within his or Expo's control.

Thirdly, in 1995 the political climate changed. The PSD lost the election and António Guterres became prime minister at the head of a Socialist (PS) government. Joao Cravinho, the new Minister of Public Works, described Expo as a fatal inheritance and promised to do everything he could to ensure that the Portuguese did not have to pay an excessive bill as a result of Expo.

António was liked and respected by all those who came into contact with him. He was doing well in selling the project to the people of Portugal and steering a steady course through the political minefield which surrounds state enterprises in Portugal. But once the PS became the ruling party, it became "impossible for me to maintain," António wrote later in his resignation letter, "the political neutrality of the project... I have found myself trying to contribute to the success of what everyone agrees is an important national project in the face of a clear lack of confidence in me and the open expression of lack of trust."

THE NEW CITY IN THE EAST OF LISBON

Looking back now, 23 years after Expo-98, we have to recognise the enormous success of the whole regeneration project. After initial scepticism developers flocked to Expo to build their projects. Around 25,000 people now live in the Parque das Nações, and the offices there are popular with tenants and investors. The whole area between the centre of Lisbon and its eastern edge has been revitalised. The transport links now mean that by road, subway and rail one can easily travel between the Parque and the rest of Lisbon and Portugal. A new bridge across the River Tagus links the area to the Alentejo and the Algarve regions. There are now seven links to the site under and over the railway. The whole area and the River Trancão are now free from pollution.

Some of the best modern buildings in Portugal are in the Parque. Visitors come to the Oceanarium, the Arena, and to the trade fairs centre Lisbon International Fair (FIL). The river has been given back to the city, and where there were once oil tanks, containers and piles of scrap there are now riverside parks, walks and a cable car.

Some of the buildings have not weathered so well. Two of the most flamboyant designs, the Oriente station, with its concrete trees, designed by Santiago Calatrava and the Expo's Pavilion of Portugal, with its hanging concrete canopy, designed by Siza Vieira, cost much too much. Neither have been used as hoped. The station was meant to be the terminus of the line from Porto, but it is now just an extra stop on the way. After many failed attempts to find a long term use for the Pavilion, it is now due to be converted for use by the University of Lisbon.

But the whole Parque is still shown to visitors as an example of successful urban planning, and it shows what can be achieved on the back of an international fair. António dared to dream big and lived to see his dream come true. As Cavaco Silva wrote after his death: "There is no doubt that the success of Expo as well as the urban revolution which totally changed the layout and character of the East End of the city were primarily due to the vision, the courage and the outstanding ability for organisation of António Cardoso e Cunha."

The only pity is that he was ahead of his contemporaries in terms of his imagination and drive, and he was not willing to bend and pay court to his new political masters. Perhaps by the time of the 50th anniversary of Expo in 2048 he will get his statue.

Thales Portugal: Delivering turnkey projects worldwide

Thales in Portugal is a Competence Centre and market leader for integrated transport solutions, equipping more than 1,200 km of the national railway network. In Portugal since 1990, it also operates in several other activity domains including aerospace, marine and defence and security

TEXT **CHRIS GRAEME**

Last year, Thales Portugal moved into new state-of-the-art premises at Quinta da Fonte, a business, science and technology hub in Oeiras, 20km from the Portuguese capital Lisbon.

It is a fitting premise for a multinational company, which over the last five years has launched an Innovation Hub and signed a cooperation agreement with Instituto Superior Técnico (IST), Portugal's largest engineering, science, technology and architecture school.

Thales Portugal's key objectives through these agreements are to develop joint projects and forge a close collaboration between these institutions and industry. To facilitate this local cooperation, Thales reinforced its shareholding position in the software and systems engineering company Edisoft from its original 30% stake to a controlling 65% stake in 2013.

Also, Thales signed an agreement with the Portuguese airport's management company ANA (and the French holding company VINCI which owns it) and public road and rail management company Infraestructuras de Portugal in the field of innovation and development for monitoring areas in airports and passenger flow management.

More recently, the Innovation Hub has been developing the Smart City Sense Project jointly with IST, the Faculty of Human Kinetics (FMH) and the Lisbon Municipal Police.

Essential Transportation

"We have the responsibility to deliver turnkey projects worldwide," said Thales Portugal CEO João Araújo. "At any time, we have several projects running on the five continents, including metro projects in Dubai, Doha and Hyderabad, rail projects in South Africa, Norway and Portugal, passenger information projects in Mexico and the US, aeronautics projects at all the airports in Thailand, two airports in China and space programmes with the ESA (European Space Agency) and the South Korean Space Agency."

These projects are driven from the company's Ground Station on the island of Santa Maria in the Azores archipelago.

"This requires a strong engineering team based at the Thales Portugal Oeiras Valley premises and operational teams on the ground in the destination countries," Araújo explains.

A PIONEERING PARTNER IN TRANSPORT

Araújo says that Thales' team in Portugal has been one of the main players in the transformation and modernisation of transport in Portugal since the early 1990s.

"In the late 1980s, the Portuguese rail transportation authority CP decided to modernise its technology with electronic train control systems, with Thales technology chosen as one of the two solutions used," Araújo points out.

"Since then, we've been involved in the modernisation of train control systems, allowing trains to run faster, safer and more efficiently. We've also introduced new operational concepts for train regulation procedures by providing new and more powerful tools, allowing customers to change their modus operandi and organisation."

Araújo mentions that Thales Portugal is proud of having taken signalling and rail integrated communications systems to a new quantum level, and adds that the long-term investment plan from the Portuguese authorities meant that the company could make significant investments on the industry side.

"This visibility allowed us to look beyond and identify some innovation domains, like the passenger information and entertainment, starting locally with small projects to being a global leader which dared to dream and succeeded," he says.

SMART CITY SENSE PROJECT

This project involving Thales Portugal uses technology to create better cities in which to live. It explores the integration of several types of sensors to give municipal authorities and all entities in a living city intelligent information on what is going on and how citizens are impacted.

In addition to the usual sensors, cameras and data feeding traffic detectors and analysis tools, Thales Portugal has added the human factor by inviting citizens to contribute through comments, information and reports. This allows the company to get a real-time and large scale feed of how a city "pulses" by using each citizen as a Human Sensor.

With this information, the various authorities in a municipality have enough data to develop protection and transport policies, improve environmental health, create more efficient public services, improve street repair services, lighting conditions and even fuel efficiency.

AEROSPACE IN PORTUGAL

Thales Portugal carries out activities in the Aerospace & Space field through Edisoft. Building on extensive experience on both Portuguese and European programmes, the teams develop advanced engineering solutions for: Embedded Systems, Satellite Navigation and communications, Ocean Surveillance and Earth Observation, Aerospace and Air Traffic Management, Crisis Management Solutions and Maintenance, Support and Operation Services for Space Programmes.

Thales worked on the design and development of Portugal's air traffic management system in partnership with Eurocopter, which developed the mission system for the NH-90 helicopter.

Thales and Edisoft are also responsible for operating and maintaining the Galileo Sensor Station, used to monitor the Galileo Satellite orbiting Earth and have additionally established a support centre for the Real-Time Executive for Multiprocessor Systems (RTEMS) for space programmes.

MANAGING AIRPORT PASSENGER FLOWS

Araújo says that monitoring passenger flows in airports is of paramount importance not only for operational purposes but also for commercial and business reasons.

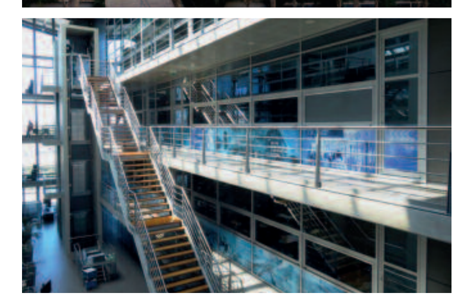
Thales Portugal's cooperation with ANA/Vinci has been going for some years and aims to look at how passengers move through an airport and if flow can be improved.

The study identifies the time of arrival at the airport to the time of boarding the aircraft, how many people are in the airport at any given time, how that changes throughout the day, and how it correlates with flight timetables.

From a commercial point of view, studies also look at how long passengers linger in the shopping areas, which areas they prefer, how physical furniture and barriers affect movement, and how all this information can be used when designing future airports, to give some examples.

"This information for developing solutions is very relevant to improve airport activities from reducing queues at passport control and check-in counters, to the number of staff needed on the ground, and provides the concessionary company which runs the airport with information that can help develop performance-enhancing measures," concluded the CEO of Thales Portugal, João Araújo.

"We explore different technologies and solutions to meet these developments and cater to and monitor the variety of situations that are encountered. There is a lot of theory behind it, but also a lot of trial-and-error. However, we've been successful. In 2017 one of our projects with ANA/Vinci received the Vinci Innovation Award in the category of Management solutions." ■



The Mindful Business Charter
Horses and lush green grass

At 40, UK high-flying senior law firm partner Richard Martin had it all, but while on a French family holiday in 2011 driving on a busy Paris ring road, he felt dreadfully ill and just stopped. It was the start of a nervous breakdown brought on by years of stress and mental exhaustion. Martin explains to the British-Portuguese Chamber of Commerce (BPCC) how he now helps others avoid the same problem

TEXT **CHRIS GRAEME**

There is an old farming truism which says that the more lush green grass you give a horse, the more it will eat until it eventually makes itself ill. This applies to dedicated and work-conscious professionals too. The more work they are given, the more they will accept, until one day something simply snaps.

As a successful employment lawyer, Richard Martin had been aware that some of the people he dealt with were showing signs of stress and strain, and clearly weren't very well. Martin would tell them that he would deal with the legal aspects of their case, but would also suggest that they get professional medical help.

Then aged 41 (Richard is now 50 with three grownup children aged 18, 20 and 23) he was a successful high-flying lawyer and partner in a famous London law firm and leading a large team. He sat on the management committee and was being lined up as a managing partner.

I WAS A 'YES' MAN

"I had it all! Great job, lovely wife and kids and the big house. But I was also one of those people who say 'yes' to everything, including getting involved in the community," he said.

In fact, anyone looking from the outside would have thought how well Richard Martin was doing, and indeed he was... On the outside that is.

Little did he know that he himself would fall victim to stress from overwork.

"In Paris, at the time, I had no idea what was going on. I thought I was going to die. I felt out of control, my breathing was all over the place, I felt sick and all I could think of was escaping from where I was," Martin recalls.

Martin stopped the car in the middle of the lane, got out and started walking across several lanes of fast-moving Paris traffic.

"A French policeman stopped me and asked me what I was doing and I didn't have an answer."

He didn't realise it at the time, but it was a panic attack. It led to a breakdown and the start of a huge change in his life which would begin with a month in a psychiatric hospital where he met people who were just like him; ordinary and often well-educated and successful professionals who, for one reason or another, could no longer cope with high levels of sustained stress.

IT CAN HAPPEN TO ANYONE

In fact, Martin is not the first successful high-profile professional to warn about the toll that stress and lack of boundaries in our working lives can have on our physical and mental health.

Portuguese banker and outgoing Lloyds boss António Horta-Osório went public in 2019 with his personal experience of workplace stress, showing it can affect anyone.

The year was 2011 and banks were still reeling from the ravages of the great financial crisis with the European sovereign debt crisis looming on the horizon.

The UK's largest high-street bank, Lloyds, was in poor financial health and the man charged with returning it to profit was under huge pressure to turn the bank around and the stress started to affect his own health.

"I was very mindful that the bank was in a very weak position to face adversity," Horta-Osório told the BBC at the time. "It was a problem that was going around my mind constantly, which led me to sleep less and less. And the less and less sleep progressively led me to exhaustion, and then to not sleeping at all, which was a form of torture so I had to address it and I did."

With the consent and understanding of the board, he took eight weeks off to recuperate before returning himself, and ultimately the bank, to health.

That personal experience led him to re-evaluate the importance of mental health for all of the bank's 65,000 employees.

Senior executives, including Horta-Osório, underwent a mental health awareness programme while thousands of mental health first aiders were trained throughout the bank with an online portal being set up for staff. They were encouraged to use it if they were struggling with issues either at work or in their private lives.

The bank also increased its employees' insurance cover for mental health to the same level as that of physical health.

THE MINDFUL BUSINESS CHARTER

Martin's mental health experiences led him to get involved with the Mindful Business Charter, initially a collaboration between leading banks and law firms committed to driving change in how people work.

The Mindful Business Charter, which aims to create healthier and more effective ways of working, was set up out of discussions between the in house legal team at Barclays and two of their panel law firms, Pinsent Masons and Addleshaw Goddard, along the following lines:

- The people working in their businesses are highly driven professionals;
- We do pressured, often complex, work which requires high levels of cognitive functioning;
- We thrive on that hard work and pressure;
- In amongst that pressure and hard work, there is stress, some of which is unnecessary;
- When we are stressed we work less productively, and it is not good for our health; and
- If we could remove that unnecessary stress, we would enable people to work more effectively and efficiently, as well as be happier and healthier.

The charter rests on several key pillars: openness and respect, smart meetings and mailings, respecting rest periods and mindful delegation.

Richard Martin, who is a mentor and consultant for the workplace behavioural consultancy Byrne Dean, says the global Covid-19 pandemic has only exacerbated stress and mental strain at work making the need and importance of the charter even greater.

"I know there are times when I've felt under pressure. If you take what we normally have to deal with and then throw in the global pandemic with all the remoteness, isolation and worries that go with it, we are certainly now seeing an increase in the prevalence of mental health issues in the workplace in all sorts of different ways," he explains.

Martin continues: "We will not be going back to anything like what we had before the pandemic anytime soon. We are seeing an increase in the prevalence of mental health conditions and a reticence to talk about it because employees worry that if they do, their bosses will think worst of them and treat them less favourably because there is still so much stigma surrounding mental health."

Chris Barton, CEO of the British-Portuguese Chamber of Commerce (BPCC) which has been thinking about stress at the chamber for several years, agrees, saying he sees more people working longer hours than they did in the workplace, starting earlier, finishing later and working at weekends.

"I also see more flexible working, particularly during Covid-19, whereby people start at hours that are convenient to themselves, working later in the day and perhaps getting out of sync with a normal working day which they would have working from a building," he says.

Martin points out that when stressed our brains don't work well. The net result is blood is diverted away from or brains as the pre-frontal cortex is affected by the flight or fight reflex.

"Long term persistent stress is not good for our work quality for our clients or employees," he reflects.

BOUNDARIES AND COMMUNICATION

One of the 65 signatories to the Mindful Business Charter, which was launched in 2018 and includes companies like Lloyds Bank, RBS, Addleshaw Goddard, Pinsent Masons, Clifford Chance, Ashurst, Simmons and Simmons, Eversheds Sutherland, Norton Rose Fulbright, Baker McKenzie and Hogan Lovells, is Barclays Bank PLC. At Barclays, they wanted to do more to fight the negative impacts of stress.

"There are different sources of stress — some from our own heads, some from the work we do in a high-pressure environment, and some from the way we work with each other," says Martin.

Martin explains that we don't mean to cause stress for others, but often we do, and then we don't talk about it. "If we talked about it, we could pinpoint cases of unnecessary stress and do something about it, and Barclays recognised their role as a significant client in this area."

Martin says it's all about removing unnecessary stress, creating healthy boundaries, knowing when to say 'no', and being aware of the impact of what we're doing and of how we communicate in terms of e-mails and meetings.

"Let's only have meetings when we need to, invite only those people who need to be there and when they need to be there, avoid meetings at lunchtime, be mindful of timezones, don't cancel meetings five minute before they are due to start and allow people to join meetings in a way that is more appropriate for them. Think about if you really need to send that email and if it is really necessary to copy 50 people who really don't need to get them," he advises.

Richard Martins concludes by warning that Covid-19 has removed the last vestiges of any boundaries and healthy working practices we once had.

"The charter started in the sectors where these problems were most evident; the legal and financial sectors in London, but its signatories now include companies from other sectors and has spread to non-UK organisations, some of them international," he says.

"It's not about slacking and taking it easy. It's about working hard and doing so in the most healthy and sustainable way. Their energy needs to be used as effective and healthily as possible. Above all, it's about respecting boundaries and begins with a conversation and the courage to be human and vulnerable."

*This article was based on the webinar 'The Mindful Business Charter' organised by the British-Portuguese Chamber of Commerce (BPCC). For more information on BPCC webinars and activities or joining the BPCC go to www.https://bpcc.pt/ ■

The International Club of Portugal
Promoting diversity

The International Club of Portugal is more than a networking club for business leaders. It is the place where investors, the media and diplomats gauge the business mood of the country and look for changes in Government policy direction. Essential Business talks to its president and founder, property investor Manuel Ramalho

TEXT AND PHOTOS **CHRIS GRAEME**

Since it was founded 15 years ago, the International Club of Portugal has played host to most of the great and good in Portugal's political, diplomatic, economic, cultural and sporting society. From ex-presidents of the republic and current prime ministers and members of the government, to media personalities, sporting celebrities, filmmakers, high-ranking military figures and ambassadors from many nations around the world.

The club regularly organises lunch events with guest speakers of renown for groups of anywhere between 100 and 300 members and guests. But what was the club's genesis and what of the man behind the ICPT?

"I have always had a very deep passion for associativism, for all those organisations that bring people together, particularly people from different political, religious, financial, cultural, and professional circles. People from a broad range of nationalities and the widest areas of knowledge," says Manuel Ramalho.

The ICPT president says he has held this passion from an early age, when he attended primary school and organised events such as picnics and discussions with his school fellows involving even the teachers and parents of these school friends.

In fact, he says it wouldn't be an exaggeration that he did so to such an extent that he was a "born group organiser" as though it was in his DNA.

Happily, Manuel Ramalho has retained many friends from his childhood with whom he still mixes and talks about what he calls his 'vocation' when they meet up.

Manuel Ramalho organised events, particularly in the groups which they were in, but he noticed that there was "something which sometimes aroused conflicts of interest among us, because we didn't know each other well enough," he says.

"I formed a deep conviction that the overwhelming number of situations that separate people, countries and institutions occur because of a lack of communication between parties. When we communicate, obviously we can identify many different points of view, but also a lot of things that unite us" he explains.

The ICPT president says that unfortunately a tendency exists to maximise ideas that separate people rather than those they have in common.

On the other hand, he believes we have to learn to live with a diversity of opinions and points of view, while never creating reasons for not getting on well with one another.

Later on, despite his busy professional life as a property dealer, Manuel Ramalho found time to be involved in the foundation of several associations both in Portugal and overseas, an example being the respected ANJE - National Association of Young Entrepreneurs, in which he was a member of its first governing body.

Today, Manuel Ramalho is a member of many business, cultural clubs and chambers of commerce, including the American Club of Lisbon and the American Chamber of Commerce in Portugal (AmCham), the Academia do Bacalhau de Lisboa and the Grémio Literário.

THE INTERNATIONAL CLUB OF PORTUGAL

Manuel Ramalho says he founded the International Club of Portugal (ICPT) because there had not existed in Portugal, not even in a centre famous for its associations and clubs like London, a club or association geared towards cultural and international diversity.

Up until then, there had been associations and institutions which focused on a particular professional group for lawyers, economists or nationalities such as the Angola or American clubs.

"I even noticed this in London because I visited many clubs where the members had interests in a specific area. There didn't seem to be a club celebrating diversity in that great world capital of associativism" he remarks.

"I thought there needed to be a club where people with different interests, expertise and knowledge and of different nationalities, with different cultural backgrounds and financial realities would fee at home," he explains.

"IN PORTUGAL AMONG SOME ASSOCIATIONS AND CLUBS THERE STILL IS A CERTAIN DISTRUST OF THE COMPETITION. IT IS IMPORTANT THAT ASSOCIATIVISM DOESN'T DESCEND INTO A KIND OF FOOTBALL GAME MENTALITY WHERE ONE HAS TO WIN AND OTHERS LOSE."

"And if members of such a club could mutually become wealthier by sharing with each other their awareness and knowledge, if it didn't exist, which according to the research I did at the time, it didn't anywhere in the world, let alone Portugal, then one needed to be created" says the ICPT president.

In short, there is today no club that is so all-embracing as the International Club of Portugal, that is frequented by sports personalities, opera singers, football managers, economists, politicians of every shade of political opinion, bullfighters, bankers, great business leaders, ambassadors and people of all nationalities.

AN INTERNATIONAL AGENDA

The international Club, having achieved much over the past 15 years, is constantly on the national and sometimes international agenda.

But the ICPT president admits that it has so far only achieved around 10% of what he wants it to achieve. "There's still so much to do" he says, and one such objective is to attract speakers from overseas. "We will start to have speakers of other nationalities".

So far, it has enjoyed international after lunch speakers, but these have tended to be ambassadors such as those from the US, China, Israel, Italy, Angola, and in the near future the ambassadors of the United Kingdom and Israel, but also past speakers such as the CEO of Euronews, Michael Peters and EU MP Charles Tannock.

Manuel Ramalho recalls the unprecedented occasion when the ambassador of Cuba and members from the Cuban embassy were sat on the same table as guests from the US embassy in Lisbon at a time when the two countries had yet to begin a dialogue towards improving bilateral relations.

Another occasion highlighted was a lunch at which people linked to the Angolan government were sat on the same table as those with the National Union for the Total Independence of Angola (UNITA) - both representing parties which had been, in the not too distant past, involved in a bloody civil war that had torn the country apart - and which had never occurred before.

And the ICPT president reassures that the club is making contacts with other great speakers in different areas who have nothing to do with the diplomatic corps.

"This requires a lot of logistics and resources, particularly financial, because it implies international travel and accommodation but we are working on this," says Manuel Ramalho.

PROTOCOLS WITH INSTITUTIONS

One area in which the International Club has been involved in is the setting up of reciprocal protocols with institutions in different countries so that the club's members who tend to travel extensively, can attend other clubs in London, New York and São Paulo and enjoy the same access to benefits of membership that they currently have at the ICPT.

"This means that when the members of these overseas clubs and institution come to Portugal, they will be able to attend our events" says Manuel Ramalho.

This year the International Club moved to larger new premises on Lisbon's smart Avenida da República which has a number of rooms where members can set up small meetings.

BALANCING THE BOOKS

Careful management of expenditure, balancing the receipts that members pay to attend an event is not always easy. Manuel Ramalho admits that these revenues are sometimes less than those which the club has to pay the hotel where most of its events are held - the Double Tree by Hilton Lisbon.

"I FELT THERE NEEDED TO BE A CLUB WHERE PEOPLE WITH DIFFERENT INTERESTS, EXPERTISE AND KNOWLEDGE AND OF DIFFERENT NATIONALITIES, WITH DIFFERENT CULTURAL BACKGROUNDS AND FINANCIAL REALITIES WOULD FEEL AT HOME."

Then, there are other necessary expenses, the sound technicians, musicians, photographers, the administrative staff.

"Fortunately we have a high number of members, including corporate members which pay their membership fees and the help us to meet our running expenses and overheads" says the ICPT president.

The ICPT is also lucky to have important sponsors such as the security firm Grupo8 Segurança, the real estate developer AM48, Carclasse, the multivalence Grupo Bel, Leaseplan, constructioncompany VazConstrói and Duartare Consultancy.

"Six sponsors is the limit from my point of view. We actually would have to think carefully about accepting more sponsors, otherwise we wouldn't be able to give them the adequate care and attention warranted for the investment support they give us" says Manuel Ramalho, adding that the club also has 14 media partners including many of Portugal's main national newspapers and several sector and lifestyle magazines.

SUPPORTING CHARITIES

Manuel Ramalho stresses that the International Club of Portugal and its members have always organised or supported different charitable causes and social solidarity organisations over the years, with up to €10,000 awarded to each from donations from the club, and the president makes a point of saying that it has never applied for state subsidies.

Manuel Ramalho imparts a message to other associations and clubs of which he is familiar with most of them. "In Portugal there still remains among some leaders of such associations and clubs a certain distrust of the competition".

"It is important that associativism doesn't descend into a kind of football game mentality where one has to win and other lose. All associations and clubs which have a genuine interest in contributing to and strengthening civil society should celebrate this culture of associativism" he says.

"We should have good relations with each other, and the more events we hold where we instil these habits in Portuguese society, the better" the president of the International Club of Portugal concludes. ■

Healthcare investment is critical for the economy

Portugal has faced four challenges because of the Covid-19 pandemic: First, maintaining the health service's capacity to treat non-Covid patients. Second, slowing the spread of the virus. Third, dealing with seasonal influenza, and fourth, to do with the economy. "In Europe we have been cutting health funding, and governments always attack health budgets when they want to invest in other areas. Health is a critical area, yet has been cut from 16% to 13% in recent years. This is counterproductive since a healthy population is an economically more productive population," argued Miguel Guimarães, the president of the Portuguese Medical Association at a lunch organised by the International Club of Portugal.


Miguel Guimarães (Bastonário da Ordem dos Médicos) e Manuel Ramalho (Presidente do International Club of Portugal)


José de Sousa Cintra e Miguel Borges


Augusto Vaz


Joaquim Margalho Carrilho


Alexey Kurochkin


António Magalhães


José Nunes Liberato


Hugo Santos Ferreira


Maria Cândida Rocha e Silva


Dr. Miguel Guimarães (Bastonário da Ordem dos Médicos)