

Build to Rent and Affordable Housing

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Acronyms and Definitions

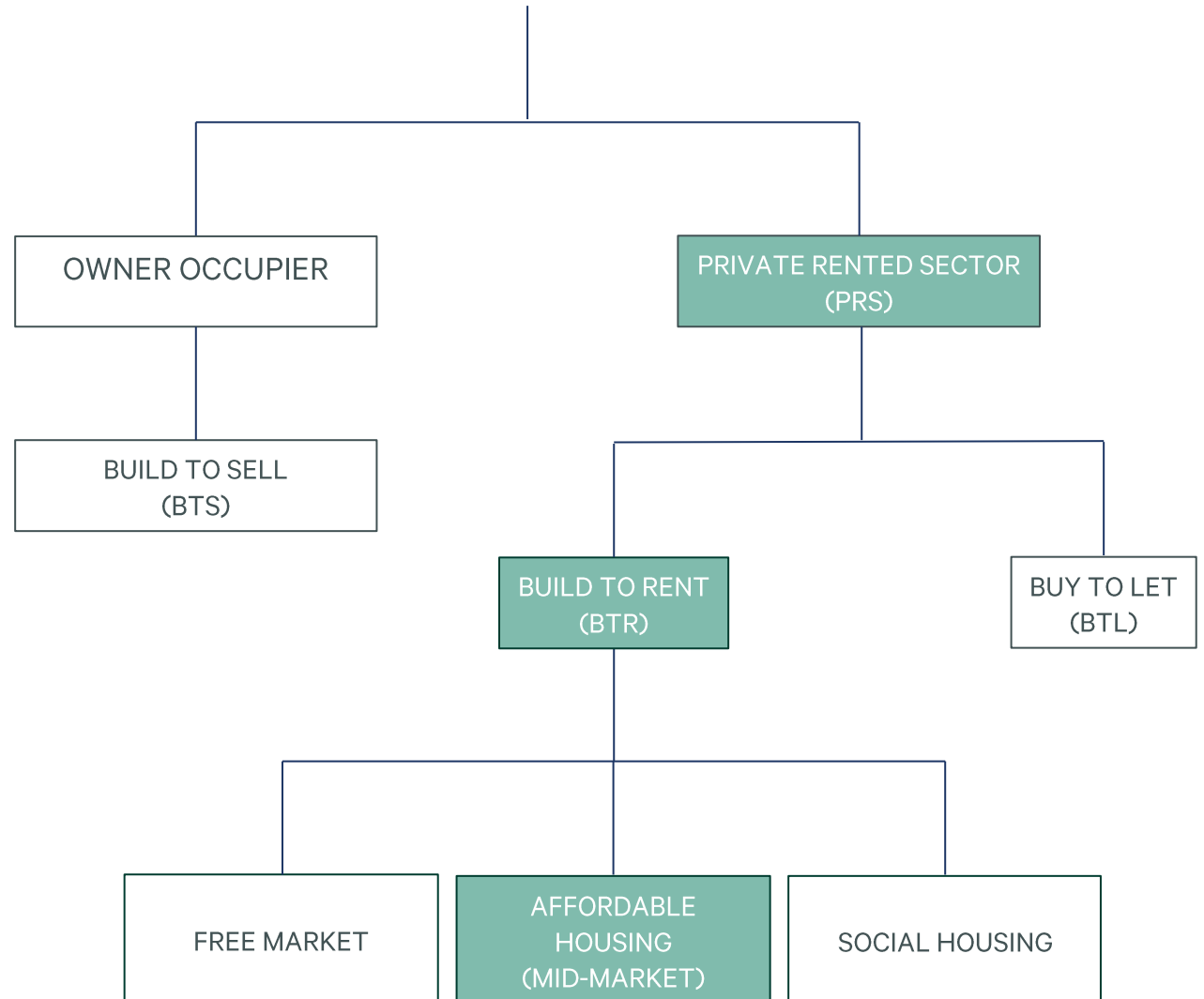
Build-to-Rent

Purpose built housing that is typically 100% rented out, professionally managed in single ownership.

(from NPPF 2019)



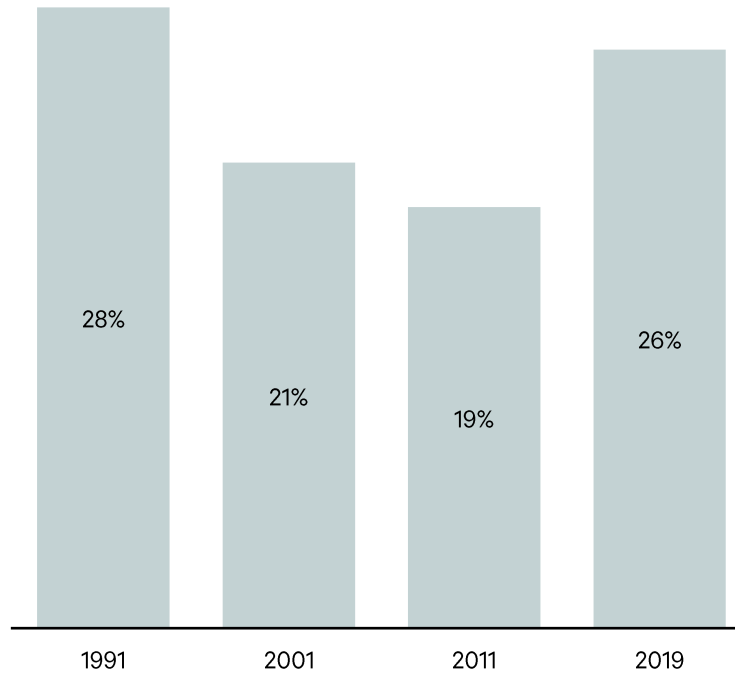
Residential Market



The BTR in Portugal is still immature

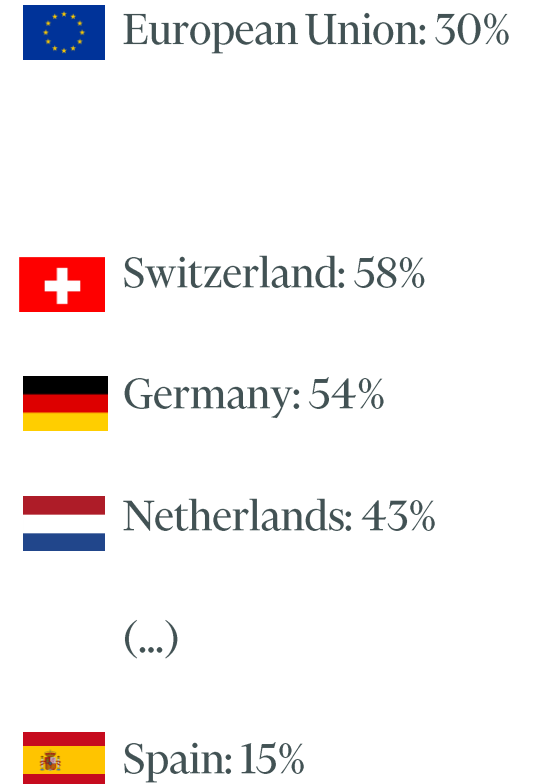
Relevant growth in PRS over the last decade, leveraged by small private landlords

Private Rented Sector Weight in Portugal



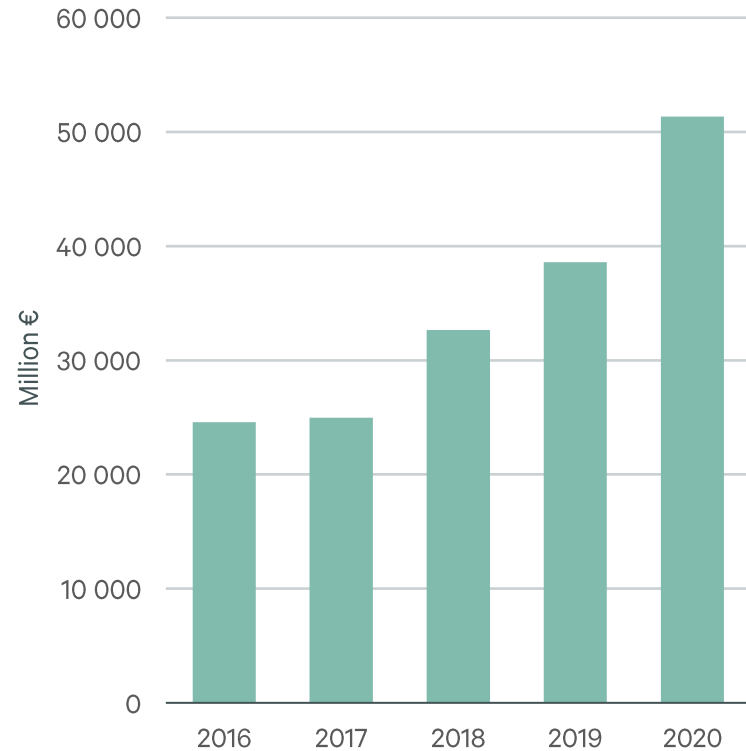
Sources: INE, Eurostat, CBRE Research.

Private Rented Sector Weight in Other Countries

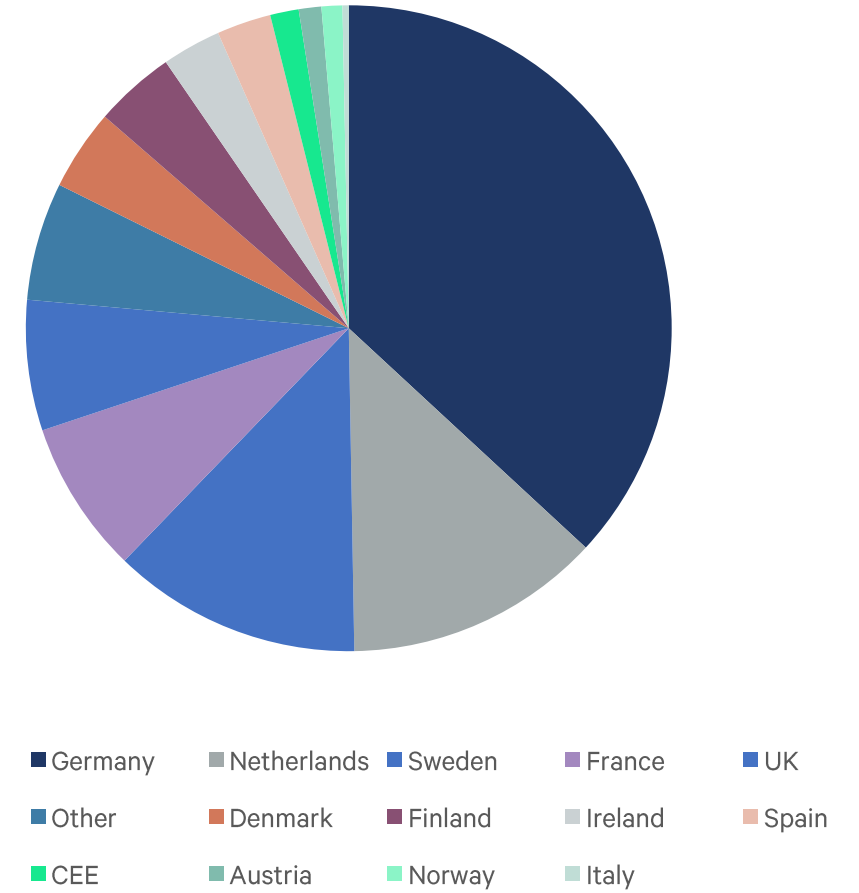


33% growth in multifamily investment in 2020

EMEA Multifamily Investment



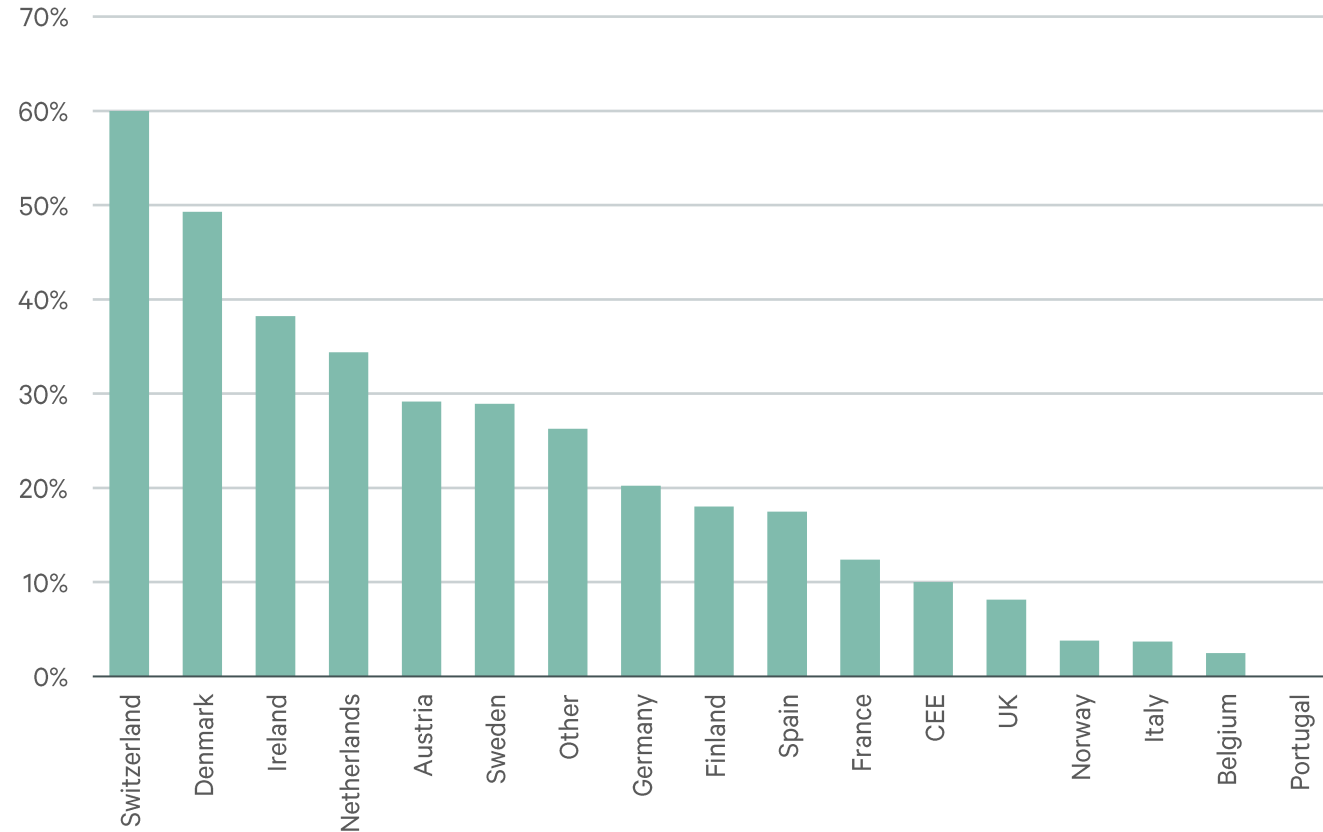
EMEA 2018-2020 Multifamily Investment by Country



Source: CBRE Research.

Residential is currently the most popular asset class in several countries driven by BTR

Weight of Multifamily in Total Commercial Real Estate Investment (2020)



Source: CBRE Research.

Recent BTR Large Deals in Europe

Germany, Denmark, Sweden, Sept 2021

€9.1bn
28,500 resi units
Corporate Transaction
P: Heimstaden Bostad AB
S: Akelius

Germany, Sept 2021

€2.5bn
14,750 resi units + retail
P: Berlin City Government
S: Vonovia and Deutsche
Wohnen

Denmark, 2020

€1.6bn
6,237 resi units + retail +
pipeline
P: Heimstaden AB
S: Niam AB

Czech Rep, 2020

€1.3bn
42,584 resi units + retail
Affordable homes
P: Heimstaden Bostad AB
S: Round Hill / Blackstone

France, 2020

€1.1bn
7,450 resi units
Forward Purchase
P: CDC Habitat
S: Nexity

Sweden, 2020

€3.1bn
21,411 units
Corporate Transaction/
Hembla
P: Vonovia
S: Blackstone

Why isn't the BTR picking up in Portugal?



Demand
fundamentals are in
place

Major PRS Drivers

- Urbanisation
- Later age of marriage and first child
- Higher divorce rate
- Growing flexibility and mobility
- Scarcity of houses at affordable purchase prices

HOUSING SALES
PRICES CONTINUE
INCREASING

Housing Sales Prices continue to increase

House Price Index in Portugal



Source: INE

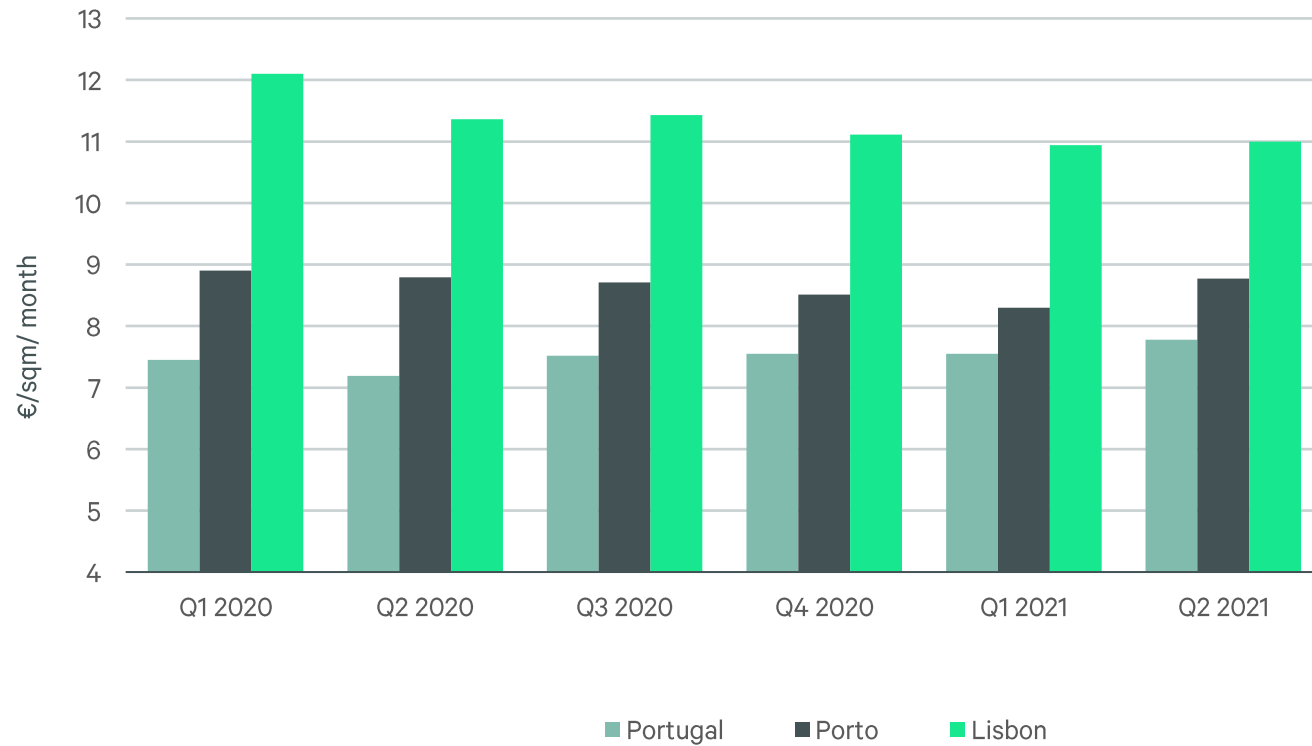
However, BTR
developments are
still scarce as
constraints on the
supply side remain

Constrains to BTR Growth in Portugal

- Long licensing processes
- Projects not adjusted with the rental market
- Sharp increase in construction costs
- Legislative uncertainty due to successive amendments in the law
- Lack of data and rental growth uncertainty
- Build to sell market continues to perform very well

Rental values are recovering but the change is uneven amongst councils

Median Rental Values for New Apartments



Source: INE

The Lisbon example

The BTR equation currently doesn't work



New 2-bedroom apartment

BUILD TO SELL

Average size: 100 sq m

Sales Price: €6,130/ sq m

BUILD TO RENT

Average size: 98 sq m

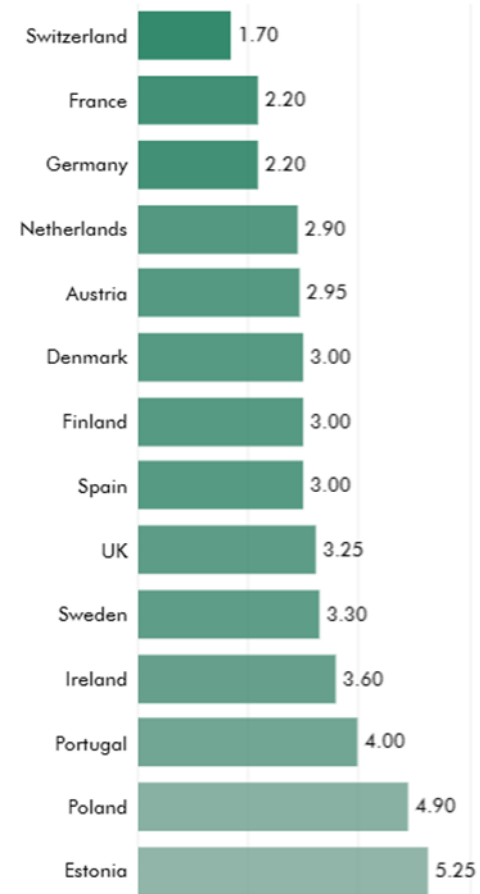
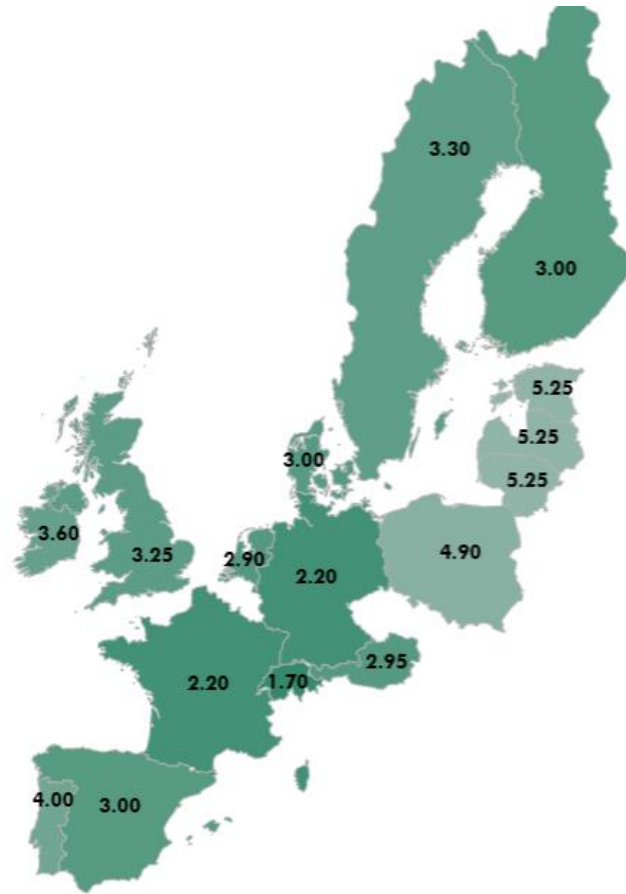
Rent Value: €1,380/ month

€14/ sq m/ month

Yield: 2.7%

Source: Confidencial Imobiliário

Residential Yields in Europe (Sept 2021)



Source: CBRE Research.

The shift to Build to Rent is likely to be led by Affordable Housing



The gap between the growth in prices and salaries is widening fast, increasing the urgency for affordable housing offer

House Price Index and salaries annual change in Portugal



Sources: Oxford Economics

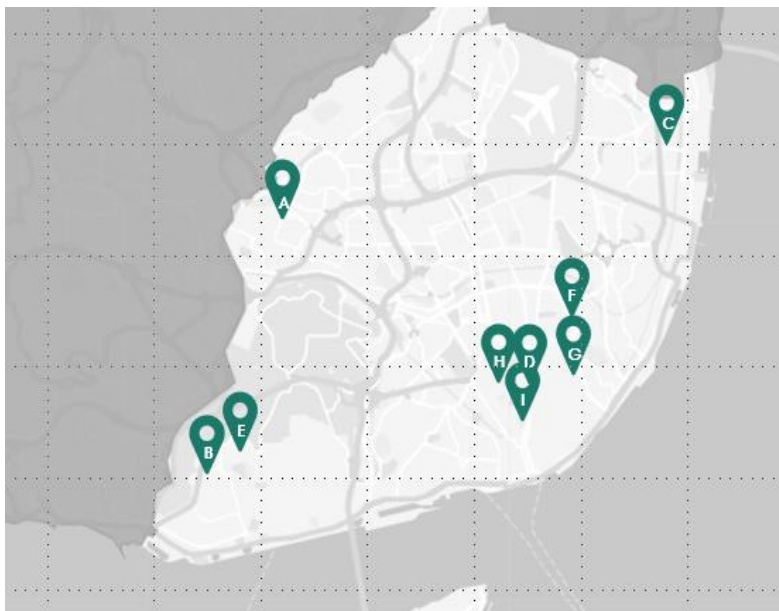
Portugal is creating conditions for private affordable housing developments

In 2019 the Government launched the Affordable Housing Program (“Programa de Arrendamento Acessível”), which aims to increase housing supply at lower rents.

Affordable Housing Program

- Eligible households: annual gross income <€35k 1 pax/ €45k 2 pax
- Rental value: max 80% lease reference value with defined limits per location (e.g. 2-room apt: max. €1,150/ month in Lisbon and €1,000 in Porto)
- Effort Rate: 15%-35% household monthly income
- Contract term: min. 5 yrs
- Incentives:
 - Income tax exemption
 - More favourable insurance conditions

Lisbon Affordable Rent Program (“Programa Renda Acessível”)



9 developments
+1,800 affordable rent
c. 1,000 free market

- Mix use: residential free market, affordable housing, other uses
- 5-year rental contracts
- Affordable rent value defined in the tender: c. 50% below market
- Surface right term: up to 90-years
- Fast licensing process
- VAT at 6%

In Porto, the Urban Plan approved in May 2021 already foresees the construction of affordable housing

Public Tenders to partner with private investors should be launched shortly

In certain areas, in the city centre where new construction, expansion or change of use occur, part of the homes should be allocated to affordable housing for a period of 25 years min.

Developments where at least 25% of construction is allocated to affordable housing for a min 25 year period have a benefit in construction index and a reduction in urban taxes.

Two projects in the pipeline: Monte da Bela (c.300 units) + Monte Pedral (c.500 units)

Details do be defined (including surface right term)

VAT at 6%

Affordable Housing Models

Public investment in
public land

Private investment in
public land:
Partnership

Full private investment

How to unlock the BTR market in Portugal?



Thank you.

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