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Portugal: Good times flicker and fade

With competitors pressing, Europe's 'West Coast' finds itself struggling

By Patrick Blum

LISBON

Strong competition in the real estate market from countries offering the popular cocktail of sun and beach within easy reach of Europe's capitals — and at much lower prices — has raised alarm bells in Portugal, where development costs keep edging up.

"It looks as if the world of resort real estate and second homes is opening up completely," said Maurice Elst, managing director of International Realty Group, an affiliate of Christie's Great Estates network in Portugal. Among the leading locations that he listed were Marrakesh, Morocco; Brazil; Argentina, "and now Croatia and Bulgaria. There are many new countries coming in."

Ricardo Roquette, head of residential operations at Cushman & Wakefield real estate agency in Lisbon, said, "If you go to an exhibition in London, you can't miss Bulgaria, Croatia — and they're selling for one third of the price of what we're selling. So it matters."

Eduardo Abreu, partner with Neoturis consultancy in Lisbon, said, "It's not easy to transmit why we are better than Turkey, Croatia or Bulgaria."

"It's frightening to see all the developments being done in these countries," he added. "We have to respond fast."

In 2006, there were about 70,000 foreign nationals owning a home in Portugal, according to Bernardo Trindade, secretary of state for tourism. That "represents about 4 percent of the total Iberian market," he said. "We estimate their

number will grow by about 5 percent annually in coming years."

To ensure that growth, the government wants to improve Portugal's image abroad as a quality location and has organized several initiatives with that goal in mind.

An international campaign advertising Portugal as "Europe's West Coast" was started recently to

highlight the modern country in contrast to the old donkey and track images of the past.

"We want our country to be one of the main destinations of reference in Europe," Trindade said. "Portugal has excellent conditions to establish itself as a destination" — with the idea that a tourist who has a good experience is likely to return and possibly to buy

property.

The government also considers professional training to be a priority in the overall effort. In cooperation with the private sector, the curriculum of local hotel and tourism schools is being updated, with emphasis on service, foreign languages and technology.

Also, partnerships with leading international hotel schools in Paris and Lausanne, Switzerland, have been established to bring more professionalism to the country's hotel industry.

Prices for Portuguese residential property have stagnated in the lower- and mid-market segments, but they have been rising steadily for luxury homes. Top prices for luxury properties that once ranged from €4 million to €5 million, or \$5.8 million and \$7.2 million, now can be as much as €10 million.

Agents and analysts both say Portugal cannot compete on price, although Elst said rising prices were not a bad thing as they reflect big improvements in quality and reassure potential buyers about the long-term

value of investments.

Compared with the constructions of 10 to 30 years ago, he said, luxury homes now are built with better materials, improved craftsmanship and a wider choice of features, from home theaters and games rooms to indoor-outdoor swimming pools.

"The new luxury properties can compete with anything," Elst said, adding that he expects prices to continue to rise. But he warned: "I think there is a limit to what you can achieve. You have to be very careful, because before you know it you become known as an overpriced area and people stay away."

In Portugal, supply is limited at the top end of the market, in resorts like

Quinta do Lago and Vale do Lobo, both in the Algarve, which remains the favorite destination for foreign buyers.

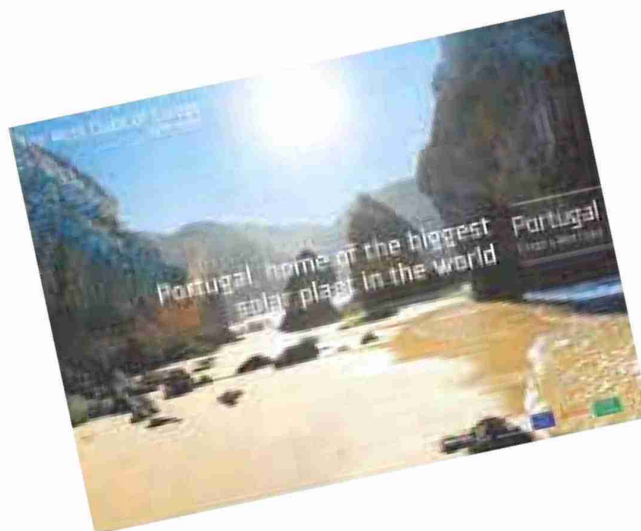
A few big projects are planned or under way, including a €500 million resort being built in Tróia, an hour's drive south of Lisbon. An even bigger development near the Alqueva dam, in the interior of the Alentejo and bordering Spain, is going through approval stages.

But parts of the Algarve coast are blighted by overdevelopment, with rows of ugly building blocks and inadequate roads that cannot handle the volume of traffic in the high season. Also, services outside the controlled environment of top-end private developments can be poor; public transport and medical support

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are often over-stretched.
Buyers evidently want choice when it comes to aesthetics.
Bom Sucesso, a 2-million-square-meter, or 500-acre, development near the coast about an hour north of Lisbon, recruited leading architects to build properties with original and modern designs.
Jose Fleming, the resort's commercial executive, said about 80 percent of the development has sold, with prices range from €345,000 to more than €1 million. Three-quarters of those buyers came from abroad, mainly Britain, Spain, Ireland and the Nordic countries — and now the resort has begun a sales drive in Germany.
Recreation and sport have also become more important: Resorts of more than 75 hectares, or 185 acres, now are required to have a golf course and a five-star hotel.
"Spain and Portugal are very much beach and golf destinations," Elst said. "You wouldn't go to the Algarve to look for a lot of culture. France and Italy have much more in that respect."



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Portugal is trying to improve its image, with efforts like its new “Europe’s West Coast” ad campaign, left, and mandating golf courses at resorts. Above, the course at Vale do Lobo.

Above, Philippe Renault/Hemis, via Corbis