REPORT | Q1 2025

IBERO-AMERICAN REAL ESTATE INVESTMENT

Insight exchange between global investors, lenders, and operators active in the Iberian and Latin American real estate markets

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> Historical, cultural, and linguistic ties strongly connect the Iberian and Latin American markets across numerous industries, and real estate is no exception. As Spain and Portugal demonstrate relatively strong economic growth and attractive fundamentals in a number of sectors - even when compared to their European counterparts - the interest from Latin American investors in the Iberian real estate market is fervent.
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> Amid this scenario, GRI Club's Ibero-American Real Estate Investments online meeting provided a crucial space for insight exchange between global market players active in these regions, ultimately enhancing deal flow and cross-border investment between nations.

GUSTAVO FAVARON
CEO & Managing Partner, ***GRI Club***

INTRODUCTION

For more than 25 years, GRI Club's exclusive networking events have been providing unique opportunities for the industry's decision makers to exchange valuable insights and experiences, igniting deal flow and potentialising the real estate market.

GRI Club reports present the key takeaways from these events, including the most valuable insights, the most ardent discussions, and the most intriguing strategies.

This report was compiled following high-level market player insights exchanged at GRI Club's exclusive **Ibero-American Real Estate Investment** Online Meeting, hosting global investors, lenders, developers, and asset managers active in the Iberian and Latin American markets.

INVESTMENT TRENDS AND FLOWS

» Latin America > Iberia

The flow of investments from Latin America to the Iberian Peninsula is characterised by stability and long-term strategic interest. Latin American investors are increasingly drawn to Spain and Portugal for their economic stability, transparent regulatory environments, and cultural similarities. This trend is especially pronounced in Spain, where cities like Madrid and Barcelona offer robust real estate markets with a combination of growth potential and resilience.

In Spain, Mexican investors dominate the landscape, contributing approximately 80% of the total investment volume, underscoring Mexico's economic capacity and historical affinity with Spain.

Other Latin American nations, including Argentina, Chile, Peru, Venezuela, and Brazil, contribute sporadically, often event-driven and influenced by geopolitical and economic factors, responding to specific market conditions or political developments.

In Portugal, the investment pattern is more concentrated, with Brazilian investors accounting for the overwhelming majority of Latin American inflows. This concentration is driven by Brazil's deep-rooted historical and linguistic connection with Portugal.

» Iberia > Latin America

Conversely, the flow of investments from Iberia to Latin America remains limited, constrained by several structural and economic factors, including the high cost of borrowing in Latin America. Countries like Brazil have elevated interest rates - exceeding 11% in recent years - which significantly raise the cost of financing real estate projects. For European investors accustomed to lower interest rates, these financial dynamics reduce the attractiveness of Latin American markets.

Political and economic volatility further compounds the hesitancy of Iberian investors. Uncertainty surrounding currency stability, regulatory frameworks, and governance in countries like Argentina and Venezuela creates additional risk, making Latin America a challenging environment for European capital.

INFLUENCING FACTORS

» Yield

One of the primary driving forces behind cross-border real estate investment from Latin America to Europe, particularly to Spain and Portugal, is the pursuit of attractive yields. Yield plays a pivotal role in determining where capital is allocated.

For Latin American investors, seeking higher yields than those available in their home countries is a key motivator, particularly in environments where local inflation and interest rates often outpace the returns on domestic investments.

As Spain and Portugal have relatively stable economic environments, the yield potential - especially in prime real estate sectors such as retail, hospitality, and residential - presents a compelling opportunity.

» Exchange Rates

Exchange rates are among the most significant risk factors for cross-border deployment of capital between Latin America and Europe, irrespective of the direction of the investment.

Currency fluctuations can significantly impact returns, especially for investors whose home currencies are less stable than the euro. The Brazilian real and Argentine peso, for example, have been subject to considerable volatility, and the depreciation of the currency can erode the value of returns when converted back.

Investors must be mindful of the timing of their investments and consider the impact of exchange rate changes on their returns. The ability to lock in favourable exchange rates at the time of investment can make a considerable difference to the overall profitability of cross-border deals.

Investors must carefully assess their exposure to currency risk and, where possible, employ hedging strategies to mitigate these risks. This challenge is particularly acute for projects that require significant upfront capital, as the exchange rate risk is realised immediately, potentially eroding the initial value of the investment.

Those who invest with a long-term horizon may be more tolerant of short-term fluctuations, assuming that, over time, the exchange rate will balance out. Short-term investors or those who may need to repatriate funds quickly are particularly vulnerable to the volatility inherent in currency markets.

Therefore, the need to hold long-term positions and the lack of immediate liquidity can deter some investors, particularly those accustomed to faster returns in their domestic markets.

» Economic Stability

Spain and Portugal offer a relatively stable macroeconomic environment compared to many Latin American nations, where high inflation, fluctuating interest rates, and political uncertainty are commonplace.

In Spain, economic policies designed to ensure fiscal discipline and investment in infrastructure, along with a stable legal and tax regime, provide confidence for investors. Similarly, Portugal’s economic reforms, coupled with its open-door policies to foreign investment, have made it a relatively predictable and stable market in the eyes of international investors.

The euro, as a stable and widely accepted currency, adds another layer of attractiveness for investors seeking to hedge against the risks associated with local currency fluctuations in Latin America. Investing in assets denominated in euros offers a safer alternative to assets tied to more volatile currencies, making Spain and Portugal appealing options for risk-averse Latin American investors.

» Political Events

Political events in both Latin America and Europe can have significant implications for investment flows. For Latin American investors, political instability at home often results in capital flight, as wealthy individuals and institutions seek safer investment destinations.

Political turbulence in Venezuela and Argentina has spurred many investors to look for more secure markets where their capital can grow without the risk of devaluation or arbitrary government intervention.

In Europe, while the political climate is generally more predictable, shifts in government policies, such as changes in tax laws or real estate regulations, can still create uncertainty. Discussions around rent controls, property taxes, or new environmental regulations in Spain have the potential to affect investment decisions, particularly in the residential and retail sectors. Similarly, in Portugal, changes to the Golden Visa programme or foreign investment policies influence investor confidence.

» Economic Cycles

Economic cycles also play a crucial role in shaping investment decisions. While Spain and Portugal have largely recovered from the impacts of the 2008 financial crisis and the COVID-19 pandemic, investors must remain cautious of potential economic downturns.

These cycles, particularly in countries within the Eurozone, can impact property values, rental yields, and overall market liquidity. Investors who are highly sensitive to market timing need to consider these cycles carefully when deploying capital in European real estate.

At the same time, the broader European economic environment is intertwined with the global market. Shifts in the global economy - such as a potential recession in major markets like the US or China - could lead to indirect effects on Spain and Portugal’s real estate markets.

Latin American investors, who are often more attuned to global economic shifts due to their exposure to fluctuating commodity prices, must remain vigilant to these external factors when considering cross-border investments.

Image: Midjourney / GRI Club

CHALLENGES OF CROSS-BORDER INVESTMENT

» Local Partnerships

One of the most significant challenges faced by Latin American investors when entering European markets, such as Spain and Portugal, is the need for reliable local partnerships.

Investing in a foreign market where the investor lacks deep local knowledge can expose them to substantial risks, from regulatory missteps to operational inefficiencies. To mitigate these risks, investors must establish partnerships with local firms or individuals who possess a thorough understanding of the market dynamics, legal frameworks, and cultural nuances.

A local partner can offer invaluable market insights, guide investors through complex regulatory environments, and ensure that the investment aligns with local demand and trends. This is particularly critical when navigating unfamiliar legal processes, property laws, and construction codes. In many cases, investors will seek to partner with developers, legal advisors, and property managers who have a proven track record in their respective markets.

Moreover, partnerships with local players also help with operational execution, ensuring that projects are managed efficiently from inception through to completion. This is especially important in markets where the speed of regulatory approval and the construction process can vary significantly compared to an investor's home country.

The necessity of establishing trustworthy local partnerships becomes even more apparent when considering the complexities of managing real estate in multiple jurisdictions with differing fiscal policies.

» Regulatory and Bureaucratic Hurdles

Navigating the regulatory and bureaucratic landscape in a foreign country is another major challenge for cross-border investors. While Spain and Portugal have relatively transparent and stable legal systems, the processes involved in buying, developing, and managing real estate can be cumbersome and time-consuming for foreign investors.

In Spain, the legal and tax structures differ significantly from those in Latin American countries, requiring investors to familiarise themselves with a host of regulations governing property ownership, construction, and tenancy.

Real estate transactions in Spain and Portugal often involve long approval processes, particularly when dealing with large-scale developments or complex urban regeneration projects. The bureaucratic red tape in these markets can delay project timelines, inflate costs, and complicate returns on investment.

In contrast to markets like the US, where the real estate process is highly standardised and relatively swift, European markets are often more fragmented, with varying regulations in different regions or cities. These regulatory differences are particularly evident when comparing Spain with other European countries like Germany or France, making it necessary for investors to adapt to each market's local legal practices and approval systems.

Portugal has been making strides to simplify its regulatory processes, with initiatives such as the "Simplex" program aimed at reducing bureaucracy and accelerating project approvals. However, these changes are relatively recent, and many foreign investors continue to face challenges with obtaining permits, meeting tax obligations, and complying with environmental regulations.

In some cases, such as obtaining permits for greenfield developments or undertaking major renovations, the approval processes can take several months or even years, which significantly impacts the investment timeline and potential profitability.

» Market Fragmentation in Europe

The European real estate market is highly fragmented, with each country - and in some cases, each region - having its own legal, fiscal, and economic environment. This fragmentation can create significant challenges for Latin American investors unfamiliar with the unique dynamics of the individual European markets.

Spain and Portugal, while geographically close, have distinct economic and regulatory systems that require tailored investment strategies.

In Spain, Madrid and Barcelona are prime real estate markets with significant growth potential, but other regions, such as parts of Andalusia or Castilla-La Mancha, may not offer the same level of investment opportunity or may require more nuanced market entry strategies.

This fragmentation means that an investment strategy that works in Madrid may not be applicable in Valencia or Seville, necessitating a careful, region-specific approach. Investors must understand localised demand, pricing, and regulatory requirements before committing significant capital to any one market.

Moreover, different regions in Europe also have varying attitudes towards foreign investment. Some countries are more open to foreign capital and offer incentives to attract international investors, while others may have more restrictive policies in place.

In the case of Portugal, there is a general openness to foreign investment, particularly from Brazil, but in countries like France or Germany, bureaucratic hurdles and regulations on foreign ownership of real estate may make it more difficult for Latin American investors to enter.

» Comparative Analysis: Europe vs. US

There are clear differences in market structure, regulatory environments, and investment behaviours between Europe and the US. The US real estate market is highly standardised, with federal laws governing most aspects of transactions, making it easier for investors to navigate compared to more fragmented markets. This standardisation ensures greater predictability and transparency, which is especially appealing for institutional investors.

Additionally, the high liquidity of the US market allows for quicker exits and provides flexibility, enabling investors to adapt to market changes with greater ease. The fast-paced nature of the market, coupled with streamlined processes, results in faster project cycles, making it particularly attractive for industrial developments and property flipping, where the ability to buy, renovate, and sell properties quickly can yield significant returns.

Meanwhile, the European market offers valuable diversification opportunities, attracting investors looking to spread risk across different regions and asset classes. However, it requires navigating a fragmented regulatory landscape, as each country has its own set of laws, tax systems, and market conditions, complicating transactions for foreign investors.

While the European market is also generally slower compared to the US, particularly due to its more complex approval processes and longer transaction times, it provides stability and consistent long-term growth. Investors in Europe can find attractive opportunities in niche sectors, such as logistics, data centres, and luxury residential developments, which offer the potential for higher returns despite the lower liquidity and slower pace of market cycles.

INVESTMENT STRATEGIES AND PREFERENCES

» Institutional Investors vs. Family Offices

One of the most striking trends in the cross-border investment landscape between Latin America and the Iberian Peninsula is the clear distinction in the investment strategies and preferences of institutional investors and family offices. While both groups are significant contributors to real estate markets in Spain and Portugal, they approach investments with markedly different goals, risk appetites, and timelines.

Family Offices

The rise of family offices as the dominant force in Iberian real estate reflects broader global investment trends, where the flexibility and patient capital of family offices are increasingly seen as an advantage, particularly in markets that are becoming more competitive and where long-term value creation is the key driver.

While institutional investors tend to operate within a more rigid structure dictated by risk management guidelines and the need for liquidity, family offices can afford to take on more risk and invest in niche markets with higher returns.

Family offices also tend to have a more diversified approach to investments, often splitting their capital across different sectors and asset classes. This diversification allows them to hedge against market downturns, as they are not overly reliant on any one asset class.

Fewer regulatory constraints among family offices also make them more willing to explore smaller or emerging asset classes, such as luxury residential properties, boutique hotels, and vacation homes. They often focus on long-term capital preservation and steady cash flow rather than short-term liquidity or high-turnover assets.

Family offices are typically attracted to Spain and Portugal’s residential and hospitality markets, where they see opportunities for steady appreciation and long-term value creation, particularly in high-end properties in prime locations like Madrid, Barcelona, Lisbon, Porto, and along the Mediterranean coast.

Institutional Investors

In contrast, institutional investors - such as pension funds, real estate investment trusts (REITs), and large private equity firms - are generally more conservative in their investment approach. These investors tend to favour large-scale, stable, and liquid assets, often prioritising prime commercial real estate, logistics centres, and retail properties that offer lower risk but are highly scalable.

Institutional investors in Iberia are usually focused on core asset classes, which offer steady returns but may not provide the same high growth potential as more niche investments. This preference is largely driven by the need to meet specific investment targets and the pressure to maintain low-risk portfolios, which typically align with more traditional asset classes such as commercial office spaces and logistics hubs.

While institutional investors have been more cautious in Iberian markets compared to their family office counterparts, there has been increasing interest in markets such as industrial real estate and logistics, especially in Spain.

These sectors offer long-term stability, low volatility, and steady cash flow, which aligns with the needs of institutional investors. The e-commerce boom, accelerated by the COVID-19 pandemic, has driven growth in the logistics sector, making warehouses and distribution centres highly attractive for institutional capital.

In Portugal, the commercial office market remains attractive to institutional investors, but with ongoing shifts in the demand for office space due to the rise of remote working, many have become more selective, focusing on properties that offer flexible workspaces or prime, city-centre locations.

» Sector Preferences

Retail

Retail remains a dominant sector, accounting for half of all investments flowing from Latin America. The ongoing recovery of the Spanish retail market, particularly in prime locations within major cities like Madrid and Barcelona, continues to offer stable returns.

High street retail spaces and shopping centres are central to investor strategies, driven by the resurgence in consumer spending post-pandemic and Spain's position as a major European tourist destination. Retail investments also benefit from Spain's well-established infrastructure and strong logistics networks, facilitating consumer access and e-commerce growth.

Similarly, in Portugal, retail has remained stable with prime retail locations in Lisbon, Porto, and Algarve seeing consistent demand. Brazilian investors have played a major role in bolstering the retail sector in the country, capitalising on the country's strong consumer spending habits and its role as a gateway for international tourists. Retail investments often focus on boutique shopping centres and luxury retail spaces, aligning with Portugal's growing reputation as a premium retail destination.

Hospitality

Hospitality is another key sector that has seen robust interest due to Spain's status as one of Europe's top tourism destinations. Despite the challenges posed by COVID-19, the hospitality market in Spain has shown resilience, with investor confidence returning as international tourism gradually recovered.

Major hotel chains and luxury accommodations in tourist-heavy regions such as the Balearic Islands, Costa Brava, and Madrid have attracted significant capital from Latin America, particularly from Mexican investors. The focus is on both the acquisition of established assets and new developments catering to the evolving demands of post-pandemic travellers.

The Portuguese hospitality market has also experienced significant growth, particularly in Lisbon, Porto, and the Algarve region, which are some of Europe's most desirable holiday destinations. It continues to attract both local and international investors, drawn to Portugal's relatively low taxation, the strong tourism market, and government incentives for foreign investment.

Once again, Brazilian investors have shown keen interest in acquiring hotels, boutique properties and resorts catering to high-end tourists, as well as short-term rental properties due to the higher return potential, particularly in tourist-heavy areas. The ability to capitalise on both capital appreciation and short-term rental income makes hospitality an attractive investment choice for those looking to diversify away from traditional asset classes.

Residential

Residential real estate has emerged as a rising star, particularly in the urban living sector. With Spain's growing appeal as a destination for expatriates, students, and professionals, there is an increasing demand for modern residential units in cities like Madrid, Barcelona, and Valencia.

The shift in demand post-COVID, with many seeking larger living spaces with outdoor areas such as balconies and terraces, has reshaped the residential market. Investors are particularly keen on developments that cater to this growing demand for high-quality living environments in urban settings. This sector's rapid growth reflects broader European trends, where residential investment has overtaken traditional office space as the top-performing asset class.

Residential real estate in Portugal, although currently smaller in scale compared to Spain, is quickly catching up. The surge in demand for properties, particularly in Lisbon and Porto, has been driven by both domestic buyers and international investors. Similarly to Spain, high-end residential developments, including luxury apartments and villas, are seeing strong returns, with the affluent Brazilian market driving much of the demand.

» Emerging Trends

The Rapid Rise of Residential

One of the most significant trends in both Spain and Portugal is the rapid rise of the residential or "living" sector. Post-pandemic, this sector has emerged as a strong investment class, overtaking traditional office investments in many cases.

In Spain especially, there has been a noticeable shift towards urban living, accelerated by changing work lifestyles and the rise of digital nomadism, driving demand for well-located residential units that offer modern amenities such as outdoor spaces.

This is driving rapid growth particularly in the Built-to-Rent (BTR) sector, and long-term rental properties catering to this new tenant demand are increasingly attractive to investors.

Similarly, in Portugal, the demand for residential real estate is accelerating as Lisbon, Porto, and other cities become increasingly popular with both international buyers and domestic consumers.

Sustainability and Green Buildings

Across both Spain and Portugal, sustainability has become an important factor in investment decisions. Developers are increasingly focusing on green buildings, energy-efficient properties, and environmentally friendly projects.

This shift is in line with broader European sustainability goals, which are reflected in the growing demand for properties that meet high environmental standards. Investors are keen to support projects that align with these sustainability principles, ensuring they are not only economically viable but also socially and environmentally responsible.

GRI CLUB MEMBERS WILL ALSO ATTEND

IBERO-AMERICAN GRI 2025

Founded in 1998 in London, GRI Club currently brings together more than 18,000 senior executives spread across 100 countries, operating in both real estate and infrastructure markets.

GRI Club's innovative discussion model allows free participation of all executives, encouraging the exchange of experiences and knowledge, networking and business generation.

GRI Club Members also have access to our exclusive online platform to learn more about other members and their companies, correspond and schedule meetings, and receive unrestricted access to all GRI Club content.

Find out more about GRI Club Europe.

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