

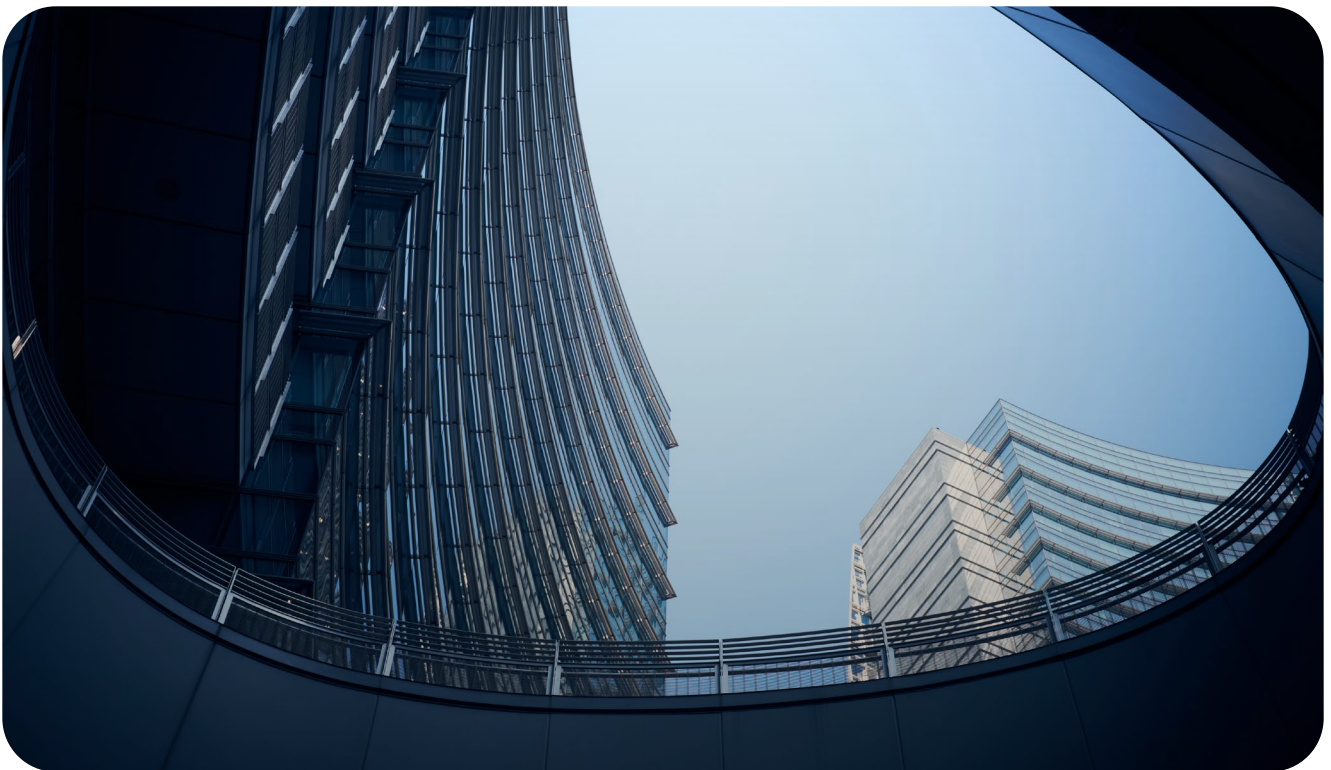
REPORT

# IBERO-AMERICAN REAL ESTATE INVESTMENT 2024

Expert analysis of cross-border capital flows and opportunities for investment between Spain & Portugal with Latin America

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Q2 2024



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**GRI** *Club*

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*“The global investment landscape has witnessed significant evolution in recent years, marked by the development of cross-border ventures into essential avenues for diversification and growth.*

*One of the most prominent avenues that we have witnessed is the increasing interest in real estate investments bridging Europe, particularly Spain and Portugal, with Latin America, indicative of a strategic convergence of economic opportunities, regulatory frameworks, and investor preferences.*

*GRI Club will continue to monitor the situation while providing invaluable opportunities for industry leaders from across the globe to connect, share insights and concerns, and discover new business prospects.”*

**Gustavo Favaron**  
CEO & Managing Partner

**GRI Club**



**Pan-European  
Club Partner**



**Latam Club Partners**

# INTRODUCTION

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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 potential using the real estate market.

GRI Club reports provide 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 several discussion sessions that took place during **Ibero-American GRI 2024**, held in **Madrid**, where leading real estate players from **across Europe and Latin America** gathered to discuss the evolving cross-border investment landscape between these two highly connected markets.

Topics included a comparative analysis of investments between Spain and Portugal with the countries of the Latam region, investment trends and drivers, the importance of selecting the correct partners and what to look for, and where to find the hottest opportunities in the current market.



## CROSSING BORDERS

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Latin American investors are diversifying their portfolios into Europe, with a focus on Spain and Portugal, driven by rising valuations in the US, the need for alternative investments, promising opportunities in certain sectors, and favourable economic indicators.

Meanwhile, investors from Europe are increasingly attracted to the maturing fundamentals and diverse opportunities across sectors like infrastructure, healthcare, hospitality, and retail available in Latin America, with countries including Mexico, Brazil, Chile, Colombia, and Guatemala receiving particular attention.

### INTEREST IN IBERIA

Compared to many of their European neighbours, Spain and Portugal weathered both the pandemic and recent macroeconomic headwinds relatively unscathed. Although they still face fundamental economic challenges, investors at recent GRI Club meetings have shown considerable optimism regarding the Iberian market.

Less mature than many markets in Europe, Iberia offers a more significant supply-demand imbalance, strength in the operational side of assets, and favourable fundamentals across a range of sectors.

Having largely overcome its economic challenges, Portugal's resilient export sector, stable housing market dynamics, and relatively low tax burden compared to other European countries make it an attractive option for cross-border real estate investors.

Spain's anticipated gradual economic recovery, coupled with its resilient household consumption and export sectors, alongside the nation's historically attractive real estate market, present an appealing prospect for international investment even in the face of ongoing structural challenges.



## LOOKING AT LATAM

Latin America presents a diverse array of real estate investment opportunities, particularly in sectors such as infrastructure, healthcare, hospitality, and retail, leading industry leaders to recommend undertaking meticulous research into sectors with robust growth potential and value creation possibilities.

Despite transient political uncertainties, maintaining a long-term perspective on the region's growth trajectory is advised, driven by its abundant natural resources, burgeoning middle class, and infrastructure demands conducive to expansive market development.

Improved access to capital and debt financing, facilitated by both domestic and international investors as well as multilateral institutions, empowers investors to fund projects and navigate risks effectively. Mitigating risks through thorough research into market dynamics and local partnerships is paramount given the disparity between negative perceptions and the region's robust economic fundamentals.

Latam also offers the ability for investors to diversify portfolios across asset classes, currencies, and regions to seize on the growth opportunities in the region's sizable and promising market landscape.



# IBERIAN INVESTMENT

## OVERVIEW

The Iberian Peninsula has seen significant development post-financial crisis, with more focus on operations and improvement in the quality of clients. There is now a strong emphasis on reporting, financial modelling, and proficiency in English for smoother transactions.

Spain and Portugal are particularly attractive for Latin investors due to historical ties, stable markets, and growth opportunities. Offering security, strong hospitality sectors, and a diverse investment landscape, Iberia has also become an appealing hub for Latin American investors to explore opportunities in other European countries.

Some of these investors shared that they are using this Iberian hub to seek opportunities in Germany, the Nordics, and the UK, where prices have adjusted more significantly post-crisis.

FDI INFLOWS (IN MILLIONS OF USD)				
YEAR	WORLD	EUROPE	PORTUGAL	SPAIN
2017	1,644,872	518,733	6,928	23,503
2018	1,375,437	323,683	7,181	58,063
2019	1,707,830	634,327	12,251	17,842
2020	961,983	132,537	7,683	17,948
2021	1,478,137	50,711	9,615	21,957
2022	1,294,738	-106,770	9,099	34,811

FDI OUTFLOWS (IN MILLIONS OF USD)				
YEAR	WORLD	EUROPE	PORTUGAL	SPAIN
2017	1,593,102	527,156	-930	38,215
2018	1,014,750	539,713	1,375	37,944
2019	1,400,770	618,233	4,010	26,196
2020	731,854	-38 461	2,526	38,124
2021	1,729,076	573,223	1,468	751
2022	1,489,756	224,283	2,714	39,443

Source: UNCTAD World Investment Report 2023 - Investment and Sustainable Energy, July 2023

# PORTUGAL



## ECONOMIC EXPECTATIONS

Portugal has undergone a remarkable transformation since the intervention of international agencies a decade ago, emerging as a model of economic discipline in Southern Europe. With public debt below 100% of GDP and a budget surplus, the country's economy is performing well through exports and tourism.

The European Commission forecasts solid job growth and robust economic activity in Portugal, despite a slight downward revision in the country's GDP projection for 2024, attributed to a broader slowdown across the eurozone.

Portugal's continued strong growth in GDP and employment highlight its resilience within the region. Although GDP growth is expected to slow, it still surpasses the eurozone average, reflecting the country's relative economic strength amidst broader European uncertainties.

## PORTUGUESE POLITICS

Key changes resulting from the recent change of government in Portugal include the annulment of the Mais Habitação measures, potential aims to reinstating the Golden Visa program, and the introduction of measures aimed at increasing housing supply, stabilising the rental market, aiding vulnerable tenants, supporting young homebuyers, and revoking certain housing regulations. However, the program's approval is subject to evaluation and potential opposition in parliament, which could influence its implementation.

While the government's austerity measures have stabilised the economy, they have also sparked social unrest over issues like agriculture, health, and education. Despite these challenges, Portugal's trajectory reflects a newfound stability, albeit with lingering concerns over its social fabric and public welfare.

## REAL ESTATE PERFORMANCE

In the first quarter of 2024, the Portuguese real estate market showed stability across most sectors compared to the same period in 2023, with the exception of a notable uptick in the office segment. Despite macroeconomic uncertainties and cautious investor sentiment due to elections, the market remained resilient.

The office segment in Lisbon and Porto experienced a significant rebound with a more than doubling of take-up compared to the previous year. Prime rents remained robust in offices



and retail, with slight increases observed in certain segments like street commerce in Porto.

The housing market witnessed stabilisation in transaction levels, with notable activity in differentiated projects and among international buyers. Looking ahead, the market anticipates a progressive recovery in 2024, buoyed by government measures aimed at stimulating demand and addressing housing supply challenges.

## **HOT HOSPITALITY**

Hotels have experienced slight improvements in occupancy and demand so far this year, and with 130 new hotels scheduled to open by year-end as well as a pipeline showcasing steady growth, Portugal's hospitality sector showcases promising potential for investor preference.

Portugal's travel and tourism sector is poised for record-breaking growth in 2024, with projections indicating a contribution of over EUR 54 billion to the nation's economy, or 20% of its GDP.

This growth is being fueled by substantial governmental investments and anticipated expansion over the next decade, including events like the Morocco-Portugal-Spain 2030 men's World Cup.

## **LOGISTICS**

Although the COVID-19 pandemic spurred increased investment in the sector, Portugal's industrial and logistics market faces challenges after it saw a 20% drop in occupancy in the first quarter of 2024 due to a shortage of high-quality supply, leading to rising rents.

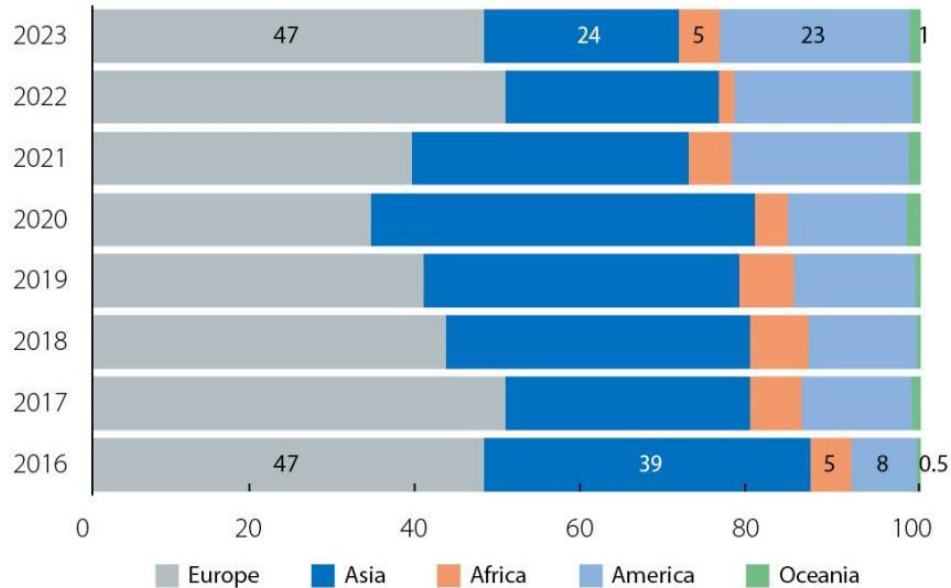
The outlook for the sector remains positive despite a slight dip in activity due to these supply constraints, with prime rents surging and further growth expected this year, driven by new developments and a growing focus on sustainability.



## THE LURE OF LISBON

### **Portugal: acquisition of homes by foreigners in Lisbon**

(% of the total purchases by foreigners, split by continent)



**Source:** CaixaBank Research, based on data from Confidencial Imobiliário.

Lisbon's real estate market is characterised by its vibrancy and diversity, catering to various preferences and budgets. With its affordability relative to other European capitals and the presence of a growing tourism sector and thriving tech industry, the city presents lucrative investment opportunities.

Property prices in Lisbon have shown consistent growth due to high demand, accompanied by promising rental yields in select neighbourhoods, making it an attractive destination for investors seeking solid returns on investment.

# SPAIN



Despite historical apprehension due to past economic crises, Spain's increasing GDP growth, evolving economic stability, and underlying dynamics position it as a leading country in Europe for real estate investment, attracting more and more international investors.

Factors contributing to Spain's attractiveness include its diversified market, a range of geographical regions offering various development opportunities, infrastructure improvements, the shift towards renewable energy, a skilled and diverse labour force, and changing lifestyle trends, such as longer stays and increased private consumption.

The country is experiencing significant momentum in real estate investment, with Madrid and Barcelona ranking among the top cities for investment. Madrid currently sits as the favoured location due to its economic prominence and ample land availability compared to Barcelona, which faces supply constraints.

Participants observed that the imbalance in supply and demand across different asset classes, including logistics, retail, and hospitality, was due to various factors, such as ageing infrastructure, lack of refurbishment, and regulatory constraints.

## ECONOMIC OUTLOOK

Spain's economy is thriving, fueled by tourism, domestic spending, and robust investment, driving significant growth projections for 2024. Despite inflationary pressures and elevated interest rates, the economy advanced notably in the final quarter of 2023, surpassing eurozone and EU averages.

Spain's GDP is forecast to grow by 1.7% in 2024, outpacing EU averages, with consumption and investment as primary drivers, while inflation is expected to moderate, albeit influenced by energy prices. Strong housing demand and increased business investment, fueled by green initiatives and EU funds, contribute to the positive outlook.

Despite challenges such as weak productivity, persistent high unemployment rates, and an ageing population, Spain's economy has demonstrated resilience, particularly in household consumption and exports, but the future will be heavily reliant on population growth.

Uncertainties regarding geopolitical conflicts, financial market turmoil, rising fuel prices, and global economic activity pose short-term risks, while structural challenges including low productivity and elevated government debt levels remain key concerns for the Spanish economy's long-term prospects.

## MARKET DYNAMICS

The real estate market in Spain has evolved significantly since the global financial crisis, becoming more sophisticated, while a shift in capital flows, with less liquidity from Anglo-Saxon countries, has opened opportunities for other investors, particularly those from Latin America.

Private investors are increasingly active in the market due to perceived stagnancy among institutional investors and financing options have diversified, with debt funds playing a significant role, offering more favourable terms than in the past.

Rental growth is robust across various asset classes, with significant pressure on the market due to increasing demand and limited supply. Madrid, in particular, is experiencing strong population growth, leading to high demand for real estate but with limited production of new properties.

## RULES & REGULATION

Participants stress the importance of understanding local regulations and political discourse, particularly when investing in markets like Barcelona. They suggest that regulatory challenges can also present opportunities, such as the scarcity of assets and potential for favourable yields.

Although there is momentum from various market actors to develop more properties, the regulatory landscape, particularly at the regional level, adds complexity and potential discord. This is further compounded by uncertainty regarding potential rent regulations, especially in the BTR sector.

As a result of growing concern over the impacts of any potential pricing rules and rent indexing on market flexibility, participants underscored the importance of adopting cautious financial modelling to counterbalance risks linked to potential regulatory shifts.

Challenges related to obtaining building permits and navigating bureaucratic inefficiencies, especially for new construction projects, were also noted, highlighting opportunities in refurbishing existing properties and strategic conversion projects, albeit with careful considerations for liquidity and capital structure.

Taxation in Spain can impact investment decisions, and while some companies can adjust their financial models to account for tax implications, the high tax environment can still affect profitability.

While there may be political fluctuations within Spain, major decisions were noted as often being aligned with European directives, especially concerning issues like pricing regulations and interventionist policies, further boosting stability.

## RESIDENTIAL REVELATIONS

Spain has not escaped Europe's housing crisis, which has seen property prices surge by 47% across the 27-member bloc between 2010 and 2022. The government recently announced plans to halt its Golden Visa program for home buyers, a move that could resurface in legislative discussions later this year.

The Golden Visa initiative, initiated in the aftermath of the 2008 Global Financial Crisis, aimed to stimulate the economy and address real estate overstock. However, it is now widely perceived to have backfired, leading to its termination in many countries grappling with housing issues.

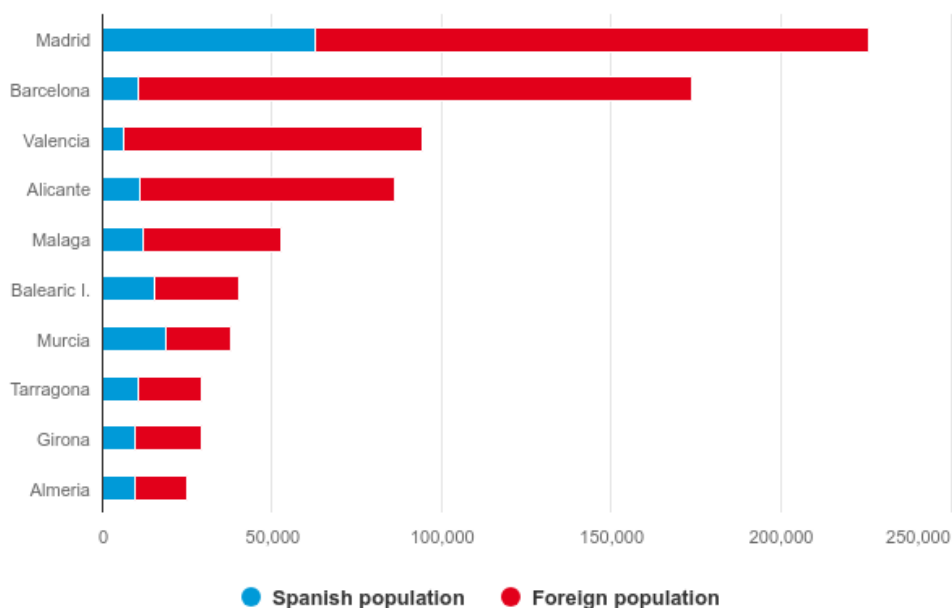
Spain, and Madrid in particular, is experiencing strong population growth, leading to high demand for real estate but with limited production of new properties. Madrid, Valencia, and Mallorca are experiencing the highest levels of demand.

The notable scarcity of new residential properties in the Mediterranean region presents an opportunity for investors due to the attractiveness of the region to international buyers from across Europe, the Middle East, and Asia.

Shifting lifestyle demands, particularly for more flexible work and living arrangements, are driving demand for co-living spaces and value-add strategies. Meanwhile, changing demographics present emerging opportunities for alternative asset classes such as student housing and senior living.

### Population growth in the two-year period 2022-2023 is concentrated in the most urban and touristic provinces

Number of people



Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE, Continuous Population Survey).

## STUDENTS & SENIORS

The demand for student residences is rising due to increased interest in university education, reflected in a projected increase of 600,000 university-age students by 2030. This growth, unique to Spain, is bolstered by the country's universities gaining prominence internationally.

The influx of international students, up by 43% from 2015 to 2022, further drives the need for student housing. Additionally, universities' expanding operations create demand for office space, particularly in provinces housing major universities like Madrid, Barcelona, and Valencia.

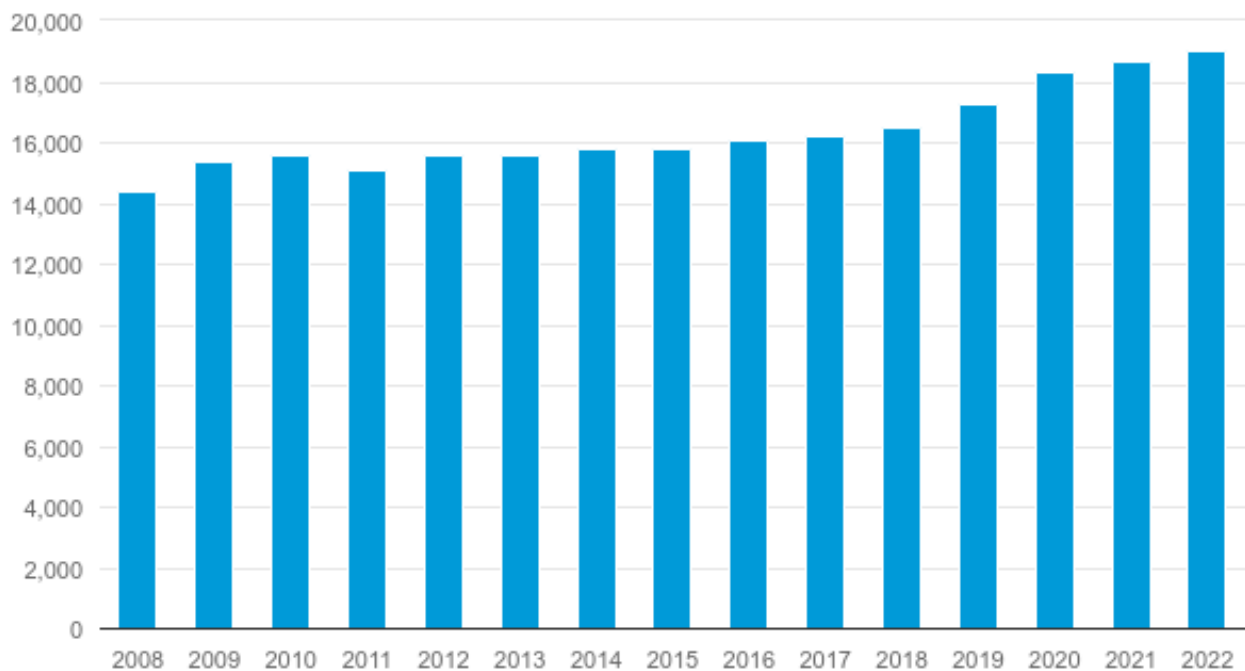
Investor attention toward senior living has grown due to the rising potential demand stemming from the ageing population. Currently, Spain's population aged 65 and over exceeds 10 million, comprising 22% of the population.

With the retirement of the baby-boomer generation, this demographic is set to surpass 16.7 million, representing over 30% of the total population. This trend mirrors patterns across the euro area, particularly in Portugal and Italy.

Furthermore, the income of seniors is increasing, with the average gross income rising by 20% in the last decade to 22,347 euros in 2022. Nearly 20% of seniors are now in high-income percentiles, indicating their growing share of total incomes.

### Average annual income of the senior population

Euros



**Source:** CaixaBank Research, based on data from the Spanish National Statistics Institute (INE) and Eurostat.

## COMMERCIAL CONSIDERATIONS

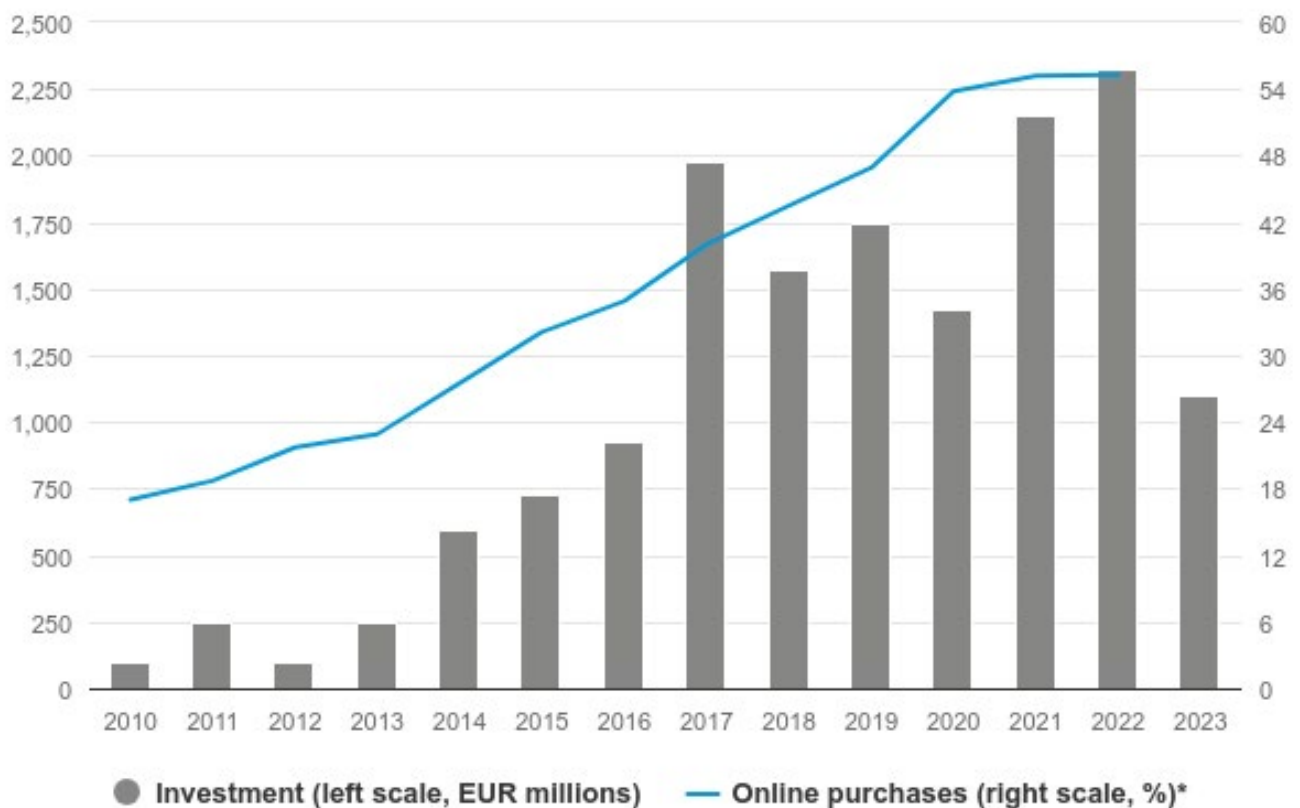
A revival in commercial real estate transactions is anticipated, driven by expected interest rate decreases and improvements in market fundamentals across various segments.

Increased consumption buoyancy will support the retail segment, with grocery, discount retailers, and sustainable manufacturers expected to increase their share in the market, while offices must adapt to new demands for sustainability and flexible work arrangements post-pandemic.

## LOGISTICS

The logistics sector faces challenges such as high vacancy rates, but there is optimism about the potential for growth, with investor interest fueled by factors including e-commerce expansion and changing consumer behaviour.

### Volume of investment in logistics assets



**Note:** (\*) Online purchases refers to the percentage of the total population that has bought a product or service online in the last 3 months. **Source:** CaixaBank Research, based on data from CBRE and Eurostat.

CaixaBank Research

## OFFICES

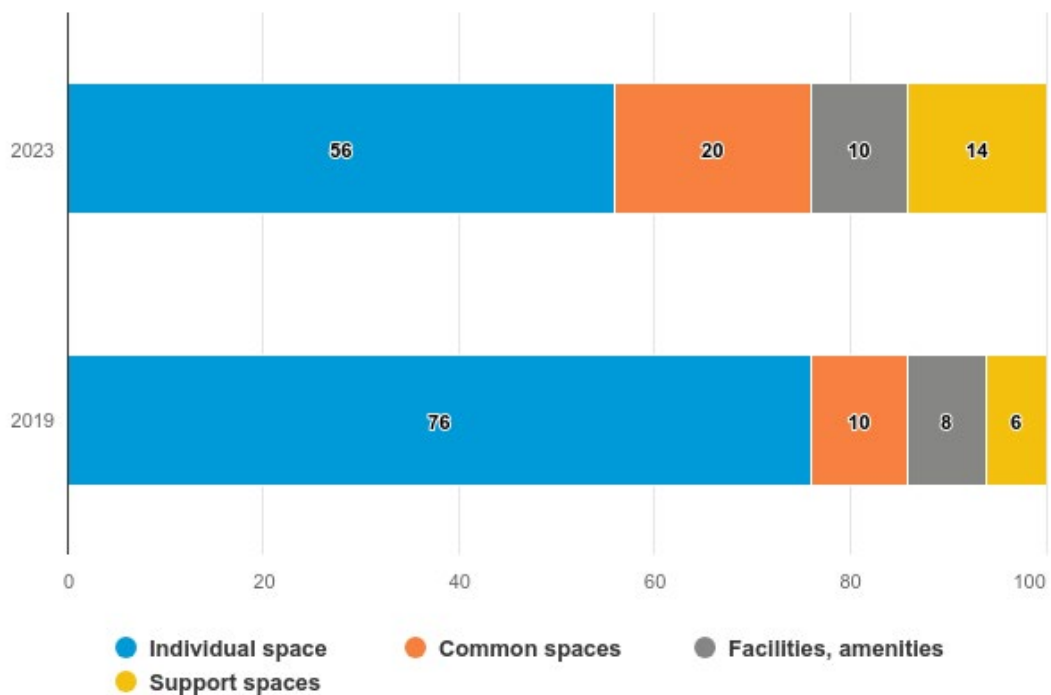
In the aftermath of the pandemic, the office real estate sector has experienced a significant transformation. Investment in office spaces declined sharply by 55% in 2023 compared to already depressed 2022 levels, primarily due to uncertainties about evolving work modalities and their impact on office configurations.

However, Central Business Districts (CBDs) have maintained robust growth in investment, characterised by high rental incomes and strong occupancy rates, contrasting with poorer performances in less central locations, some of which are even shifting towards residential conversions.

Despite these challenges, improvements in fundamental market conditions are anticipated to drive a recovery in transactions throughout 2024.

### Types of spaces in the office segment

(% of the office's useful surface area)



Source: CBRE Office Occupancy Report, 2023.

CaixaBank Research

The future of office spaces is increasingly oriented towards flexible, high-quality environments that accommodate the emerging hybrid work model, where remote work is complemented by significant in-office presence, reflecting a broader trend of adaptation and resilience in the sector.



# LATAM'S LUCRATIVE LANDSCAPE

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## OVERVIEW

Latin America is described as an exciting region with vast natural resources, a growing middle class, and potential for private investment. Despite volatility due to political changes, the region offers numerous opportunities for market growth and development.

There was a consensus among participants that many Latin American countries lack essential infrastructure such as highways, airports, and housing. This creates significant opportunities for investment in both social and physical infrastructure projects.

Investors are attracted to Latin America due to factors like a young population, growing middle class, and a lack of services, real estate, and infrastructure. The region has also demonstrated a track record of successful exits, which enhances investor confidence.

Investors and businesses navigate challenges such as political instability, currency fluctuations, and regulatory changes by employing various strategies to mitigate risks and capitalise on investment opportunities effectively.

These include thorough strategic research and planning, finding local partners with deep understanding of the market dynamics, ensuring secure investment laws, and drafting robust contracts.

Although negative perceptions about safety and geopolitical issues persist, the economic fundamentals remain strong in many Latin American countries. Investors highlight the importance of understanding the local context and not generalising the region's dynamics.



## FINANCING

Countries like Mexico have achieved macroeconomic stability by separating their central bank from political influence. Access to long-term debt financing in Latin America, particularly for commercial real estate projects, has improved, with international institutions offering green loans for projects with ESG certification.

There is significant equity available for investment across various sectors, supported by both domestic and international investors. Multilateral institutions are also actively lending to Latin American countries, offering favourable terms for projects that meet sustainability criteria, including providing equity investments.

While debt financing is available, some industry players prefer to rely on equity financing due to factors like high inflation rates in certain countries. However, there's recognition of the importance of debt in financing projects, especially when combined with equity to diversify risks.

## INVESTOR PROFILES

Building credibility, offering better returns with manageable risks, and establishing long-term relationships are essential for attracting international investors.

International investors seek local partners who are professional and possess a deep understanding of the market. Being ready to work on a large scale and having a structured approach before engaging with investors is crucial.

Transparency is highly valued by investors. They expect fluent communication and immediate reporting of any problems or challenges encountered during the investment process. Delayed or opaque communication can lead to frustration and distrust.

In Latam, specific knowledge of each country's rules and regulations is essential for successful real estate investment. Partnering with local builders and investors can help navigate these complexities.

Although traditionally attractive sectors like logistics and manufacturing facilities continue to receive significant attention, the focus is increasingly shifting towards longer-term investments with lower returns but greater stability and diversification.

It's important for local partners to understand investor preferences and tailor investment strategies accordingly. Some investors may prioritise steady returns over complex investment structures, while others may seek higher returns with longer investment horizons.

Scale plays a crucial role in attracting institutional investors, as it enables efficient management and diversification of risk. However, there's recognition of niche opportunities

in smaller-scale investments, which may offer attractive returns with proper management.

Key advice includes aligning incentives, ensuring transparency, defining clear roles, and building trust, with professionalism and sophistication noted as important factors.

Co-investment allows managers to demonstrate belief in the business, provides leverage for investments, and aligns interests, fostering a stronger partnership.

## **LOGISTICS & INFRASTRUCTURE**

The region's abundance of commodities presents opportunities for growth, especially in logistics and infrastructure. As global demand for commodities increases, there is a need for improved transportation networks and infrastructure development.

As the region works to modernise their transportation, energy, digital infrastructure, and urban development to support their growing economies and expanding urban populations, opportunities abound for investment in logistics infrastructure. These enhancements are critical for supporting the region's growing e-commerce market, which demands efficient distribution channels and quick delivery times.

Notably, Mexico and Brazil are leveraging public-private partnerships to advance significant projects in transportation and renewable energy, aiming to capitalise on strategic trade agreements and a burgeoning middle class.

Chile and Colombia are focused on sustainable infrastructure and improving urban mobility, aligning with their commitments to environmental sustainability. Peru is enhancing its connectivity and utility infrastructure to support its mining and agricultural sectors.

However, the need for substantial improvements in regulatory frameworks and the management of public finances remains critical to attracting and sustaining foreign investment. Logistical inefficiencies, varying regulatory environments across countries, and the need for more advanced technological integration are vital issues to address for reducing costs and improving the competitiveness of Latin American businesses in the global market.



## RETAIL

European brands are finding success in Latin American shopping centres, which are increasingly popular destinations for families due to security concerns in some public spaces.

The retail sector is seen as promising, with low vacancy rates in shopping centres and a high quality of service due to the unique human capital and specialised training available. This advantage was also recognised in the region's hospitality sectors.

Although shopping malls are performing well, the shift towards online shopping that was seen as a result of the pandemic prompted retailers to innovate and enhance customer experiences, leading to more omnichannel-based models.

## ALTERNATIVE ASSETS

### ► Healthcare

There's a significant shortage of healthcare infrastructure in Latin America, especially in Colombia, Mexico, and Peru, creating interesting opportunities for investment. Ageing populations and increased demand for healthcare services further drive investment potential in this sector.

### ► Data Centres

While Latam's primary data centre markets boast over 600 MW of supply, secondary markets like Campinas and Barueri in Brazil's São Paulo state are gaining attention with their 100-600 MW capacity range.

The states of Rio de Janeiro in Brazil and Querétaro in Mexico were identified as emerging markets, expected to grow as Edge deployments and data sovereignty laws drive demand.



# MEXICO



## THREE'S COMPANY?

As tensions between the US and China have worsened, Mexico has found itself in a unique position to benefit from its northern neighbour's efforts to reduce their reliance on the ailing Asian giant. However, this situation has also resulted in increased attention from China into Mexico, with Chinese firms leveraging Mexican facilities to circumvent US tariffs and sanctions.

This triangular relationship between the US, China, and Mexico is driving nearshoring, boosting Mexico's economy and positioning it as a vital link between superpowers. While some caution against entanglement in geopolitical struggles, others see nearshoring as Mexico's key advantage in an era of turbulent global trade.

The upcoming presidential election in Mexico is another key point of focus for investors, but there are currently no signs of any major concerns among industry leaders in the near-term.

Having a local partner or advisor is crucial for understanding regional market nuances, navigating political landscapes, and drafting contracts tailored to local conditions. Local expertise helps in assessing risks and opportunities accurately, especially in cities outside capital regions.

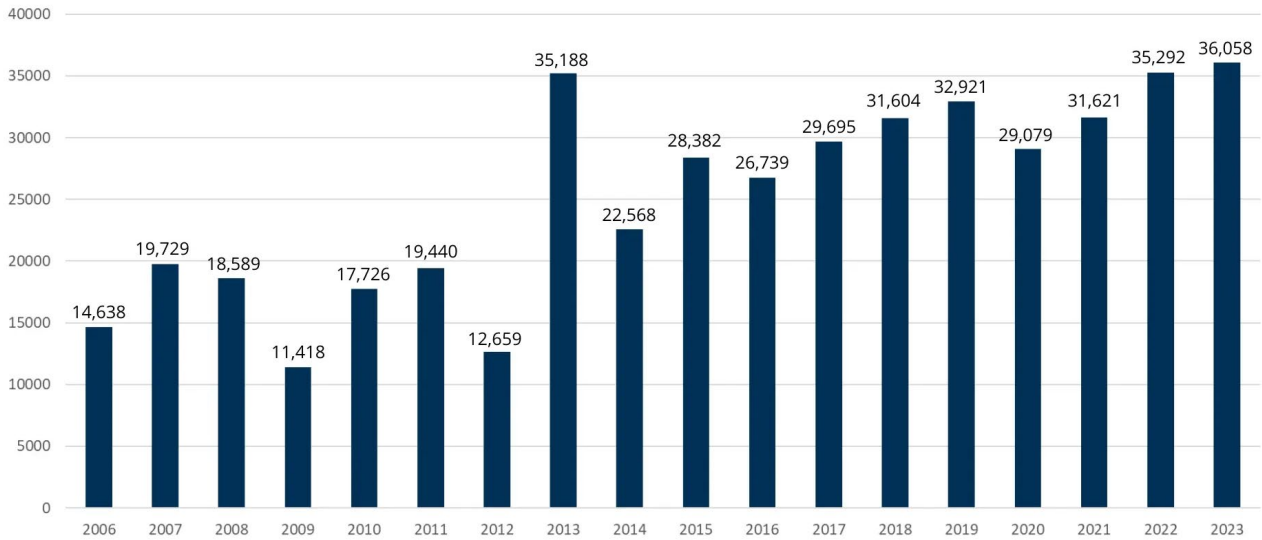
## ECONOMY

Mexico's economy saw a slight uptick in the first quarter of 2024, with GDP increasing by 0.2%, driven by the services sector, notably trade and tourism. This growth represents a modest acceleration from the previous quarter and surpassed analysts' expectations.

Despite the positive figures, concerns linger over the potential for stagflation due to low GDP growth and high inflation, particularly in an election year. The Ministry of Finance anticipates GDP growth between 2.5% and 3.5% for the year, driven by increased consumption, infrastructure projects, and heightened external demand from the United States.

The Mexican real estate market is forecasted to achieve a value of USD 4.97 trillion this year, with the residential sector taking the lead with an anticipated market volume of USD 3.68 trillion.

## Foreign Direct Investment in Mexico



Source: Mexico's Secretariat of the Economy

## NEAR-SHORING

The trend of near-shoring has had a notable impact on the region, especially in Mexico, where the initial attraction of lower manufacturing costs has been effectively supplanted by a number of successful initiatives aimed at promoting trade and foreign investment.

This led to a 47% growth in FDI (foreign direct investment) related to relocating productive chains in Mexico during the first nine months of 2023 in comparison to the same period in 2022.

Nearshoring in Mexico is also beginning to expand beyond traditional manufacturing to encompass higher value-added industries, supported by various trade promotion and IMMEX (Manufacturing, Maquila and Export Service Industry) programs.

As industries like automotive and aerospace evolve into high-tech sectors, the demand for skilled workers with advanced degrees is rising, attracting expats to establish regional operations.

Mexico's strategic position within the North American free-trade zone, combined with its extensive trade agreements, positions it as a gateway to global markets. Investments in the semiconductor supply chain are growing, propelled by legislative incentives and proximity to markets.

Artificial intelligence and machine learning are expected to optimise resource allocation, leading to increased automation and a shift towards higher-skilled roles. The concept of "Made in North America" is gaining traction, reflecting the interconnected supply chains across the region.

## RESIDENTIAL

The residential real estate market in Mexico is experiencing robust demand and has witnessed a general uptrend in real estate prices, propelled by factors like urbanisation, a burgeoning middle class, interest from foreign buyers and investors, and development in key areas such as infrastructure.

This demand often outstrips supply, leading to competitive markets in certain areas. New housing developments are striving to meet this demand, but the pace of construction may not fully match the rapid growth, potentially leading to higher prices.

Housing prices in Mexico have surged significantly, with the average home price nationwide rising by 12% last year. In cities like Tijuana, Querétaro, Guadalajara, and Monterrey, the increases ranged from 11.3% to 14%. However, experts caution that these soaring prices may not be sustainable, as they are driven by investor demand rather than actual living needs.

As buyers become more informed, there are signs of stabilisation in some markets, with developments selling their last units at lower prices, indicating a potential correction in prices to reflect actual market demand. Mortgage rates and government policies also influence market dynamics.

Buyer preferences vary, with a significant interest in apartments, townhouses, and vacation homes. Looking ahead, demographic shifts, evolving lifestyles, and sustainability trends will be key factors shaping the residential market, particularly in urban centres and tourist destinations.

## OTHER ASSET CLASSES

The real estate market in Mexico is highly dynamic, with significant activity in industrial real estate, especially in regions like Nuevo León. This area has become a hub for manufacturing and logistics due to nearshoring trends. The office market, however, may take a few years to return to pre-pandemic levels of demand.

The retail market is evolving with a strong emphasis on omnichannel strategies, blending online presence with physical store experiences. This sector is anticipated to grow significantly, driven by technological advancements and an enhanced shopping experience that increases customer loyalty and trust.

The hospitality sector is expected to grow steadily, supported by an increase in tourism and business travel, but investors must consider the fragmented market, with a mix of local and international players leading in the market. Innovations in booking and customer service technology are helping drive growth.

Mexico's infrastructure sector is positioned for transformation, with a focus on sustainability and social equity. Noteworthy trends include the energy transition, urban renewal, and digital transformation. The sector's growth is seen as crucial for economic growth and is expected to see increased collaboration and innovation in funding and regulatory approaches.

The country's strategic focus on enhancing transportation, energy, and digital infrastructure is attracting both domestic and international investors. Mexico's participation in the United States-Mexico-Canada Agreement (USMCA) has spurred improvements in supply chain and logistics infrastructure, making it an attractive locale for manufacturing and distribution operations.

The shift towards renewable energy and the modernisation of telecommunications are key areas ripe for investment. The Mexican government's commitment to public-private partnerships offers potential investors various incentives, aiming to bolster the economic integration and enhance the efficiency of the country's infrastructure system.





# BRAZIL



Participants noted that Brazil has shown significant recovery in recent months, effectively managing inflation and stabilising its political, social, and economic environments. This resurgence has been accompanied by a decrease in interest rates, further boosting economic prospects.

## ECONOMY

Modest growth is forecast for the Brazilian economy in 2024, following a period of economic stabilisation and mild recovery from previous challenges. The country's GDP is expected to increase by approximately 1.5% by the end of the year, reflecting a slower growth pace compared to the robust rebound seen in earlier years.

Despite the moderate growth outlook, Brazil's economy benefits from a diverse structure that includes significant contributions from the agriculture, manufacturing, and service sectors, which provide a solid foundation for economic stability and potential expansion.

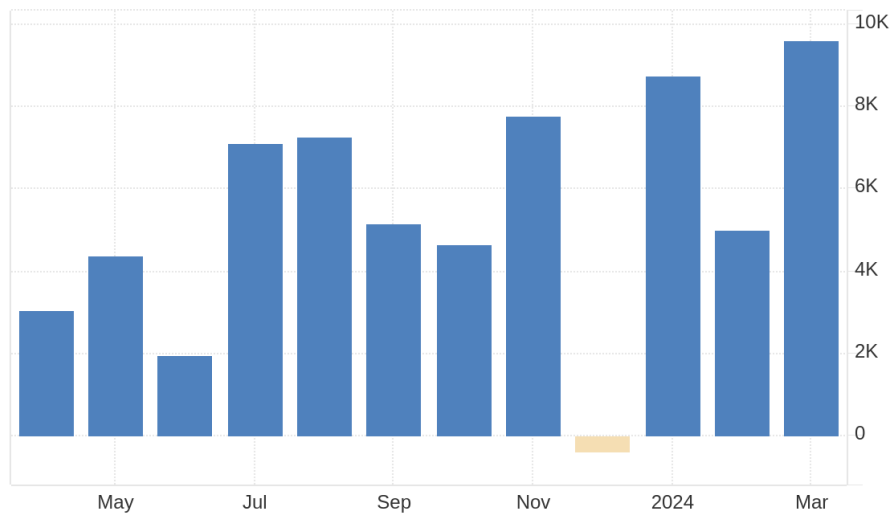
However, challenges remain, such as high government debt and structural reforms that are necessary to sustain long-term growth.

Brazil's real estate market is marked by robust growth and substantial foreign investment interest, driven by positive economic policies and a strong demand for both residential and commercial properties.

Significantly appreciating property values signal resilience in the market, with capital appreciation on completed properties averaging 20% per annum and purchases showing even greater potential.



BR Foreign Direct Investment - USD Million



Source: tradingeconomics.com | Banco Central do Brasil

## ASSET CLASS ANALYSIS

The residential market is experiencing a significant upswing in sales, particularly in the high-end sector, where sales surged by 91.5% in the early part of the year. The market's overall size is projected to expand from USD 59.61 billion in 2024 to USD 77.54 billion by 2029, driven by factors such as low interest rates, demographic growth, and a solid job market.

The commercial real estate market in Brazil is poised for significant growth, with an expected increase in market size from USD 63.67 billion in 2024 to USD 96.62 billion by 2029, driven by diverse investment opportunities across various sectors such as office spaces, retail, and industrial properties.

Particularly in São Paulo, office real estate is increasingly viewed as an attractive investment, with a notable return to offices by many companies since the end of the pandemic, often with a focus on mixed-use projects and high-quality amenities, offering favourable risk-return profiles.

The retail real estate market in Brazil is currently robust, expected to remain strong through 2024. This resilience is largely due to a long-running lack of new construction, which has kept availability rates low and is expected to decrease even further by the end of the year. Despite a dip in rent growth in the initial quarters of 2024, they are projected to rise again in the fourth quarter.

The demand for open-air suburban retail centres is notably increasing, as retailers traditionally located in malls are exploring new formats for expansion. However, the high costs seen in 2023 have discouraged new construction starts, and with anticipation for them to continue rising in 2024, the pace may slow down even further. Only a few markets are expected to see asking rents high enough to justify new construction.

Brazil's infrastructure sector is also poised for substantial growth, with significant investment projected in areas like transportation, digital infrastructure, and energy. This is further supported by strategic shifts towards digitalisation and the country's integration into global value chains, which could see a regional economic boost.

## CHALLENGES & ADVANTAGES

Despite these opportunities, investors must navigate some challenges, such as Brazil's complex regulatory and bureaucratic environment, which can impact the ease of doing business and the efficiency of investment processes. The real estate transaction process, for example, can be lengthy, although it is robust and offers protections for investors.

Brazil offers several strategic advantages for investors, including a diverse market with numerous opportunities for portfolio diversification and the potential for high returns.

The country's legal framework supports foreign investment, with protections that include bilateral agreements and membership in the Multilateral Investment Guarantee Agency, providing further security for foreign investors.



# CHILE



Chile's economy is marked by its historical stability and strong macroeconomic policies which have allowed it to recover effectively from previous economic downturns. The economy is forecasted to experience modest growth, with GDP expected to grow by around 2% in 2024.

The country is noted for its open market policies, low tariffs, and low corruption, which make it an attractive environment for foreign investments.

The real estate market in Chile is diverse, including agricultural lands and ecotourism properties. The residential market is robust, particularly in urban areas like Santiago, driven by ongoing urbanisation and population growth.

There is a significant demand for modern, amenity-rich housing in cities, which supports a strong market for apartments and gated communities.

Commercial real estate, including retail and office spaces, benefits from the general economic stability and a favourable business climate. Infrastructure projects also contribute positively by enhancing property values through improvements in connectivity and utilities.

## CHALLENGES & ADVANTAGES

Investment in Chilean real estate, however, comes with its challenges, such as dealing with bureaucratic hurdles and understanding local market dynamics. Natural risks like earthquakes also play a factor in investment decisions.

Despite these challenges, the advantages, including a stable economy, strategic location, and strong legal protections for investments, make Chile a compelling market for real estate investments.



# COLOMBIA



The Colombian economy is currently in a phase of gradual recovery, with expectations for steady improvement into the next year. The country has experienced a slowdown, but it is projected to grow by 1.5% in 2024, supported by lower interest rates and inflation which should improve financial conditions for both households and businesses. This recovery is anticipated to solidify by 2025, with a projected GDP growth of 2.8%.

Despite these positive forecasts, Colombia faces challenges including political uncertainty and external economic influences that could impact its recovery. The government's attempts to shift economic policies have met with mixed results, influencing investor confidence and affecting the peso.

The real estate market in Colombia, particularly in major cities like Bogota and Cali, is attracting foreign investors due to its potential for high returns. The residential sector in Bogota has seen a range of available properties from affordable housing to luxury apartments, with areas like Chapinero and Usaquén being popular among buyers.

Bogota's commercial real estate, especially in districts like El Chicó and Santa Barbara, is also thriving, with new developments focusing on mixed-use properties combining residential, commercial, and retail spaces. The median sale price in Bogota is reported to be 9% higher than the national average, with rental yields around 7.15%.

Shopping centres in Colombia have become vibrant hubs of activity, especially due to the perceived security they offer compared to other public spaces. Despite security challenges in the country, shopping centres provide a safe environment for people to gather, shop, and socialise, particularly in cities lacking attractive public spaces.

This trend presents an opportunity for retail operators to capitalise on the demand for secure and enjoyable environments, making shopping centres a focal point for community interaction and commerce.

Colombia's infrastructure sector is poised for growth, with significant investment opportunities especially since the country joined the OECD (Organisation for Economic Co-operation and Development) in 2020. There are ongoing projects focused on improving social infrastructure, urban development, and transportation, which are critical for enhancing the country's competitiveness and connectivity.



## CHALLENGES & ADVANTAGES

While the opportunities are plentiful, potential investors should be aware of the challenges. The real estate market, for example, is currently facing a deceleration with low sales and high cancellations, though recovery is expected to be gradual and solidified by 2025.

Understanding local legal and taxation rules is crucial as these can impact the overall cost and legality of investments. Colombia offers equal property rights to foreigners and locals, but it's advisable to engage with local experts to navigate the legal system effectively.

Colombia offers several strategic advantages for investors, including a variety of tax benefits for those who obtain a Colombian Investment Visa, which can significantly enhance the profitability of investments. The country's stable economic growth and favourable legal framework for property ownership also contribute to its attractiveness as an investment destination.

Despite having strong interest, several participants noted difficulties in identifying suitable opportunities in the Colombian market, although this has not discouraged them from continuing to look.



# GUATEMALA



Guatemala's economy shows several positive indicators that contribute to its appeal for infrastructural investment opportunities. The country has been experiencing stable economic growth, averaging 3.5% annually from 2010 to 2022, with a rebound to 4.1% in 2022 and a forecasted continuation of growth around 3% in 2024.

This stability is supported by prudent fiscal management, evidenced by a relatively low fiscal deficit averaging 2.0% of GDP over the past decade.

The private sector in Guatemala is robust, contributing significantly to the economy's performance. The sector is bolstered by favourable conditions such as a stable exchange rate, which has seen the Guatemalan Quetzal remain relatively steady against the U.S. dollar over the past decade.

Guatemala's real estate market is currently experiencing growth, driven by a combination of economic expansion and favourable business conditions. This growth is evident in urban areas like Guatemala City, where there has been a noticeable surge in both residential and commercial construction projects.

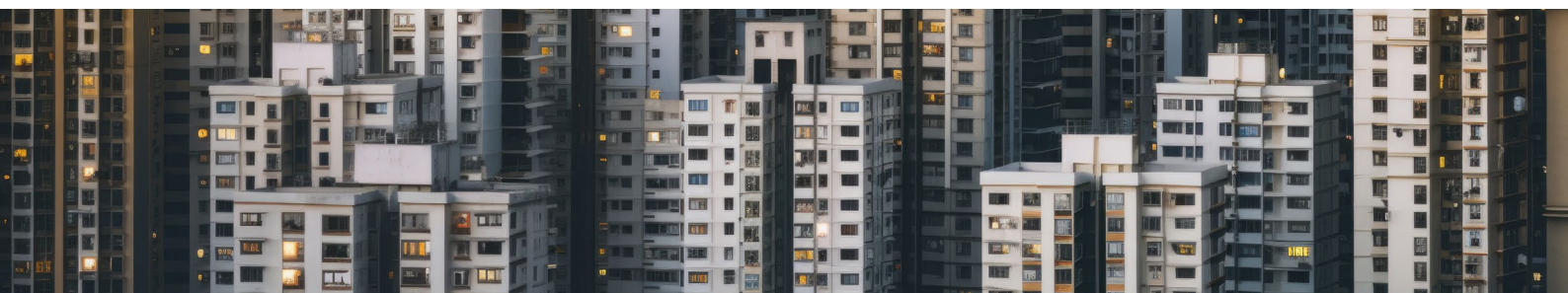
## CHALLENGES & ADVANTAGES

Despite these favourable macroeconomic fundamentals, Guatemala faces challenges such as high poverty rates and significant reliance on remittances.

However, these challenges also present opportunities for development and investment in infrastructure and social services to drive further economic growth and improve living standards.

Potential investors should be aware of challenges such as the real estate sector's transparency and the availability of financing options, which can impact investment decisions.

Guatemala has a vibrant export sector, with the United States being its largest trading partner. The country's strategic location in Central America, coupled with its strong trade relationships, enhances its attractiveness for investment in infrastructure aimed at boosting economic activity and connectivity.



# PERU



Peru's economy is currently in a recovery phase, with expectations of moderate growth. After a slight contraction in 2023, largely due to unfavourable weather conditions and socio-political challenges, the economy is forecasted to grow by 2.7% in 2024.

This rebound is supported by improvements in private sector spending and less severe weather anomalies related to El Niño. Inflation, which has been a concern, is projected to decrease, moving towards the central bank's target range, aided by decreasing impacts from previous economic shocks and effective monetary policy adjustments.

The real estate market in Peru is experiencing a dynamic period, particularly in urban areas such as Lima, Arequipa, and Cusco. This is driven by increasing urbanisation, which has led to higher demand for both residential and commercial properties. Urban centres are seeing a rise in real estate prices due to the influx of people seeking better job opportunities and improved lifestyle amenities.

Infrastructure improvements and economic growth have bolstered real estate values, particularly in popular cities and tourist destinations like Cusco, which remains a hot spot for residential and hospitality properties catering to tourists and expatriates.

In contrast, rural areas of Peru are experiencing slower growth in real estate prices due to limited economic development and lower population density. The disparity in real estate prices between urban and rural areas reflects differences in economic activity, infrastructure, and amenities available.

New real estate developments are prevalent, especially in urban areas, with a focus on high-rise apartments and gated communities that cater to modern living preferences. These developments often target middle and upper-class families and individuals seeking properties with modern amenities, security, and proximity to business districts and social services.

Foreign investment also plays a significant role in Peru's real estate market. The legal framework allows foreign nationals to purchase property without permanent residency, making it easier for international investors to participate in the market.

## CHALLENGES & ADVANTAGES

Peru offers significant advantages due to its abundant natural resources, including copper, gold, and silver, which make it a pivotal player in the global commodities market. The country also benefits from a strategic location that facilitates access to major Latam markets, robust FDI inflows, and a developed domestic market.



Special economic zones provide additional incentives, offering customs-free and tax-free treatment, enhancing the attractiveness for foreign trade and investment.

However, investing in Peru also involves navigating several challenges. The country exhibits a high vulnerability to commodity price fluctuations and is heavily dependent on exports in the primary sector, which can introduce economic instability.

The legal and bureaucratic environment can be cumbersome, with a need for improvements in the efficiency of public institutions, customs procedures, and the overall business climate. Corruption and a large informal sector also pose risks to investors.

Peru's infrastructure is in need of substantial enhancement to support sustained economic growth and investment, which may also present opportunities.



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