

Europe's Real Estate Cycle in 2023

We haven't yet reached the middle of the year, and, in Europe, two different paths were already set for 2023, one for the first semester and another for the second semester. The first half of this year was marked by caution and we may briefly describe the investors' spirit in two words 'wait & see'. This spirit reflects the different external factors of uncertainty that, when brought together, naturally result in caution. We are speaking of the war in Europe (unfortunately with no end in sight), uncertainty regarding Russia's next step, the nearing elections in the USA, in 2024, the political tension between China and Taiwan, and also the inflation that returned to Europe in full force.

The same experts anticipate, however, that the second semester will be marked by an economic recovery that will naturally affect in a positive way real estate investors. But where lay the roots of this optimism? The inflation and the banks failure to meet the time deposits interest rate leads investors to keep an eye on real estate to diversify the assets. On the other hand, in most European countries - not so much Portugal - the increasing interest rates raise renting's attractiveness for the end client, who wants a home, and for investors as a business opportunity. In the past few months APPII has tried to raise the Cabinet's awareness to *Built to Rent* as a solution to fight the current housing crisis in Portugal. Actually, the programme *Mais Habitação* envisages specific actions to increase this type of projects, which is wholesome.

But life isn't made only of numbers... It is made of persons, and this is perhaps the variable that contributes the most to accelerate the real estate market. The European and Portuguese market became quite appealing for foreign investors, whether American, Canadian or Brazilian, among others. What was considered early on as a business opportunity during the 2008 crisis, it is now desirable due the quality of life, security, educational offer and much more.

On the other hand, by watching the individuals, their motivations, the companies in this sector are enhancing their businesses, increasing the growth possibility and, last but not least, ensuring their sustainability and success. The slogan "businesses are made of people for people" is more and more current and the real estate industry cannot neglect this key part in the machine if it really wants to grow and increase its importance in the markets worldwide.

Most naturally connected to the human aspect, there are also the ESG (environmental, social and governance) criteria that became determinant for investors by prioritizing quality assets over the others, thereby generating a polarisation between more or less interesting assets.

People are in and the center of everything. I believe that, if we take more account of people and their housing needs, we will certainly have better quality houses and a growing industry, with less inefficiency and, therefore, more sustainable.

